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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, II, III, IV and V of this Report deal with the findings of performance audit and audit of transactions in various departments including the Public Works Department, Revenue Receipts, audit of Government Companies and Statutory Corporations of the State Government for the year 2010-11.*

3. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2010-11 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2010-11 have also been included wherever necessary.*

4. *The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.*

OVERVIEW

This Report includes five chapters containing five performance reviews, including Chief Controlling Officer based Audit of Horticulture and Soil Conservation Department, 11 (excluding general paragraphs) paragraphs dealing with the results of audit of selected schemes, programmes, financial transactions of the Government and its commercial and trading activities.

Copies of the performance reviews and paragraphs were sent to the Administrative Heads of the Departments concerned by the Accountant General for furnishing replies within six weeks. All the five reviews were discussed with the concerned Principal Secretaries/Commissioners/Secretaries and other departmental officers. In respect of eight audit paragraphs reply of the Government/Department was received and in three audit paragraphs, replies had not been furnished by the Government/Department.

Performance review (Civil)

Department of Education (Schools)

1.1 Elementary Education

The Government of India had formulated the National Education Policy in the year 1986 and Right to Education Act in 2009 which *inter alia* mandated Universal Elementary Education (UEE) of good quality for children in the age group of 6-14 years. Sarva Shiksha Abhiyan (SSA) was implemented in Manipur in March 2004 to ensure that all children in the age group 6 to 14 years have access to education. This was boosted with Mid Day Meal (MDM) scheme implemented in February 2009 in all primary and upper primary schools (Government and Aided schools). The performance audit of the programme/scheme revealed that SSA was being implemented without proper planning and without carrying out household survey and pre-project activities. There were short release of fund, delay in release of fund and diversion of fund in implementation of SSA. Teachers were posted in school with zero enrolment and there were schools with no posting of teachers. Under MDM, despite a trend of low attendance, foodgrains consumption for 100 *per cent* attendance was reported.

Civil works taken up both under SSA and MDM suffered from many deficiencies/irregularities due to which there were infrastructure gaps. Contract management was weak both under these schemes with loopholes in the contract clauses.

(Paragraph 1.1)

Audit of Transactions (Civil)

Irregularities in tender processing by ignoring the lowest bidder, non-maintenance of transparency and lack of strict economy led to a loss of ₹ 14.80 lakh.

(Paragraph 2.1)

Due to erroneous calculation of rate for piling 8280 RM of 50 cm diameter bore pile on higher side, the Government suffered loss of ₹ 2.69 crore.

(Paragraph 2.2)

Exemption of interest on mobilization advance paid to a firm engaged in a Sewerage Project led to undue benefit of ₹ 52.15 lakh.

(Paragraph 2.4)

Non-recovery of interest of ₹ 49 lakh for the advance paid to the firm and non-deduction of security deposit of ₹ 94.05 lakh led to violation of terms of Agreement.

(Paragraph 2.5)

Chief Controlling Officer based Audit

Department of Horticulture and Soil Conservation

3.1 Chief Controlling Officer based Audit of Horticulture and Soil Conservation Department

Review of the functioning of the Department of Horticulture and Soil Conservation revealed that all the progeny orchards, except Regional Potato Farm, Mao remained non-operational. The overall achievement in area expansion for vegetable and root crops undertaken by the Technology Mission was more than what was targeted during 2006-11. It was also noticed that ₹ 48 lakh meant for construction of District Office, Kangpokpi was irregularly drawn on Form number TR 30 without vouchers. MAGFRUIT factory earned total revenue of ₹ 0.90 lakh during 2006-11 after incurring expenditure of ₹ 2.39 crore on inputs and pay and allowances of staff indicating lack of viability of the fruit processing unit. Against the All India average potato production of 6.04 to 7.42 MT per acre, the Regional Potato Farm, Mao produced only 1.94 to 4.28 MT per acre during 2006-09 indicating poor performance of the farm.

(Paragraph 3.1)

Revenue Receipts

4.1 Trend of revenue receipts

During the year 2010-11, the revenue raised by the State Government (₹ 526.93 crore) was ten *per cent* of the total Revenue Receipts. The balance 90 *per cent* of receipts (₹ 4903.01 crore) during 2010-11 were from the GOI.

(Paragraph 4.1.1)

Performance reviews (Revenue)

Taxation Department

4.6 Performance Audit on "Declaration forms in Inter State Trade and Commerce"

Review on "Declaration forms in Inter State Trade and Commerce" revealed that Taxation Department had no mechanism in place for periodic review of the stock of forms held by it so as to ensure that old, obsolete, defective or unused forms were either destroyed after obtaining the approval of the competent authority or otherwise secured so as to obviate the possibility of their misuse. The Department did not adopt enforcement measures like blacklisting of the dealers who had been found utilising invalid/fake Declaration forms in the past and circulation of the names of such dealers among various units and States to establish the authenticity of Declaration forms. The information regarding dealers and Declaration forms issued to the dealers were not uploaded on the TINXSYS website promptly. The Department had not installed any system of either verification of each and every Declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax or cross verification of the purchase values shown in the utilisation statement/counterfoil of utilised 'C' forms issued to dealers with those in the database in the TINXSYS website while settling/finalising the tax returns. Out of 16 modules developed by the Department, only one module was functional online. The TINXSYS website remained non-functional and inaccessible and statutory forms were not issued online.

(Paragraph 4.6)

Transport Department

4.7 Performance Audit on "Computerisation in the Motor Vehicle Department"

Review of "Computerisation in the Motor Vehicle Department" revealed that though computerisation programme of VAHAN and SARATHI for registration of vehicles/driving licenses started in six of the eight DTOs in December 2003 and got completed in January 2011 after delays ranging from12 to 41 months, commercial transport vehicles were not registered in VAHAN and neither was Enforcement Module implemented. Out of a total of 1,06,752 vehicles registered prior to implementation of 'VAHAN' software in the DTOs, backlog legacy data entry in respect of 78,000 vehicles *i.e.* 73 *per cent*, had been completed. Mandatory fields like address, father's name and engine number *etc*. were not captured in VAHAN in absence of validation controls in the software by allowing entry of incomplete records. No sale amount was entered in respect of 1215 personalised four wheeler vehicles purchased after 31 March 2011, resulting in manual collection of tax.

(Paragraph 4.7)

Government Commercial and Trading Activities

5.1 Overview of Government Companies and Statutory Corporations

As on 31 March 2011, there are fourteen PSUs (all Companies including six non-working). The State working PSUs registered a turnover of ₹ 5.71 crore for 2010-11 as per their latest finalized accounts as of September 2011. This turnover was equal to 0.06 *per cent* of State Gross Domestic Product (GDP) for 2010-11. The State PSUs incurred a loss of ₹ 1.87 crore in the aggregate for 2010-11 as per their latest finalized accounts.

(Paragraph 5.1.1)

As on 31 March 2011, the Investment (Capital and Long-Term Loans) in fourteen PSUs was ₹ 111.48 crore (Working PSUs: ₹ 51.20 crore and Non-working PSUs: ₹ 60.28 crore).

(Paragraph 5.1.4)

The turnover of working PSUs decreased from ₹ 6.42 crore in 2005-06 to ₹ 5.71 crore in 2010-11. The percentage of turnover to State GDP decreased from 0.14 in 2005-06 to 0.06 in 2010-11.

(Paragraph 5.1.9)

Eight working PSUs had arrears of 142 accounts as of September 2011. Besides, there were six non-working PSUs having arrears of accounts for 14 to 27 years. The Government needs to monitor and ensure timely finalisation of accounts by these PSUs with special focus on liquidation of arrears and compliance with the provisions of the Companies Act, 1956.

(Paragraphs 5.1.15, 5.1.16 and 5.1.19)

Performance Review (Commercial)

5.2 Performance Audit Report on Power Distribution Activities of Power (Electricity) Department, Government of Manipur

A Performance Audit on Power Distribution Activities of Electricity Department of Government of Manipur was conducted for the period 2006-07 to 2010-11 to ascertain whether the Department achieved the aims and objectives of the National Electricity Plan (NEP) and to examine how far the distribution reforms have been achieved.

Distribution Network Planning

The Department did not prepare long term plan and fix any target for addition of substations, high tension lines, low tension lines and transformers and therefore, performance of the Department with reference to the targets could not be assessed in audit. The Department added 1013 substations, 895.57 CKM of high tension lines, 973.83 CKM of low tension lines and 83.64 MVA of transformers.

Implementation of Centrally Sponsored Schemes

Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), the Department targeted 462 villages for electrification during 2007-11. Against this target, the achievement till March 2011 was 289 villages (63 *per cent*). The execution of the programme was delayed resulting in non-achievement of target of 100 *per cent* electrification of villages before 31 March 2010 as envisaged in NEP.

Operational Efficiency

Despite shortage of power in the State, the Department sold power outside the State, leading to increase in power deficit from 104.91 MU in 2006-07 to 308.56MU in 2010-11. The Department purchased tri-vector meters, Kiosks, and static meters in excess of immediate requirement leading to blocking up of funds to the tune of ₹ 10.85 crore. There were energy losses ranging from 46.6 to 59.84 *per cent* during 2006-11 due to unmetered supplies, defective meters, and theft of electricity by unauthorised consumers.

Financial Management

The Department exhibited poor financial management by not maintaining pro-forma accounts, profit and loss accounts, balance sheet *etc*. There were cases of non-surrender of anticipated savings in time and incurring of expenditure in excess of budget provisions.

The assessed sales ranged from 34 to 51 *per cent* of the total sales during 2006-11.

Conclusions and Recommendations

This performance audit revealed that the efforts made by the Department to provide access to electricity for all households were inadequate. The performance audit contains four recommendations aimed at improving the operational efficiency of the Department.

(Paragraph 5.2)

CHAPTER-I

PERFORMANCE REVIEW (CIVIL)

DEPARTMENT OF EDUCATION (SCHOOLS)

1.1 Elementary Education

Highlights

The Government of India had formulated the National Education Policy in the year 1986 and Right to Education Act in 2009 which *inter alia* mandated Universal Elementary Education (UEE) of good quality for children in the age group of 6-14 years through provision of schools within one kilometre distance of each habitation with appropriate infrastructure. Sarva Shiksha Abhiyan (SSA) was implemented in Manipur in March 2004 to ensure that all children in the age group 6 to 14 years have access to education. This was boosted with Mid Day Meal (MDM) scheme implemented in February 2009 in all primary and upper primary schools (Government and Aided schools). MDM also served to improve nutritional status of the children. The performance audit of the programme/schemes brought out the following significant audit findings:

SSA was being implemented without proper planning and without carrying out household survey and pre-project activities.

(Paragraph 1.1.7.1)

There were short release of fund (₹ 139.63 crore), delay in release of fund and diversion of fund in implementation of SSA.

(Paragraphs 1.1.7.2.1, 1.1.7.2.2, & 1.1.7.2.3)

Teachers were posted in school with zero enrolment and there were schools with no posting of teachers.

(Paragraph 1.1.7.3.2(iii))

Despite a trend of low attendance, foodgrains consumption for 100 *per cent* attendance was reported under MDM.

(Paragraph 1.1.8.3)

Civil works taken up both under SSA and MDM suffered from many deficiencies/irregularities due to which there were infrastructure gaps.

(Paragraphs 1.1.7.3.2(ii), 1.1.7.3.4 & 1.1.8.9)

Contract management was weak both under SSA and MDM and there were loopholes in the contract clauses too.

(Paragraphs 1.1.7.3.5, 1.1.7.5.2, 1.1.8.9 (i) & 1.1.8.10)

1.1.1 Introduction

Elementary education is one of the most important sectors of socio-economic development with tremendous potential to enhance all aspects of quality of human life. Government of India (GoI) included education in the Concurrent list in the year 1976 and also brought out a National Policy of Education in 1986 which was updated in 1992. The Right of Children to Free and Compulsory Education Act, 2009 guarantees eight years of education to all children in the age group of six to fourteen years. Article 21A of the Constitution of India states that the State shall provide free and compulsory education to all children of the age of six to fourteen years in such manner as the state may, by law, determine. The Sixth Five Year Plan (1980-85) envisaged Universalization of Elementary Education (UEE) as a part of the Minimum Needs Programme (MNP) and the National Policy on Education (NPE) 1986 aimed at universal access and enrolment, universal retention of children up to 14 years of age.

Sarva Shiksha Abhiyan (SSA) and National Programme of Nutritional Support to Primary Education, commonly known as the "Mid-Day-Meal (MDM)" are the two flagship programmes of the GoI to universalise elementary education in the country.

SSA was implemented in Manipur since March 2004 to ensure that all children in the age group of six to 14 years are in the schools, Education Guarantee Centres (EGCs) and Alternative Schools to provide elementary education of satisfactory quality. SSA Mission is responsible for inspection, monitoring, control, supervision and evaluation of the progress of primary education in the State. Major activities of SSA envisaged distribution of free text books, appointment and training of teachers *etc*. The Children belonging to Scheduled Castes (SCs) and Scheduled Tribes (STs), disabled children and girls in this age group were treated as special focus groups.

The funding pattern (effective from 1 April 2007) between the Central Government and States would be 90:10[1] under the programme with Centre's share resourced from the 10 *per cent* earmarked fund for the North - Eastern Region in the SSA's Central budget.

1.1.2 Organisational set up and Management Structure

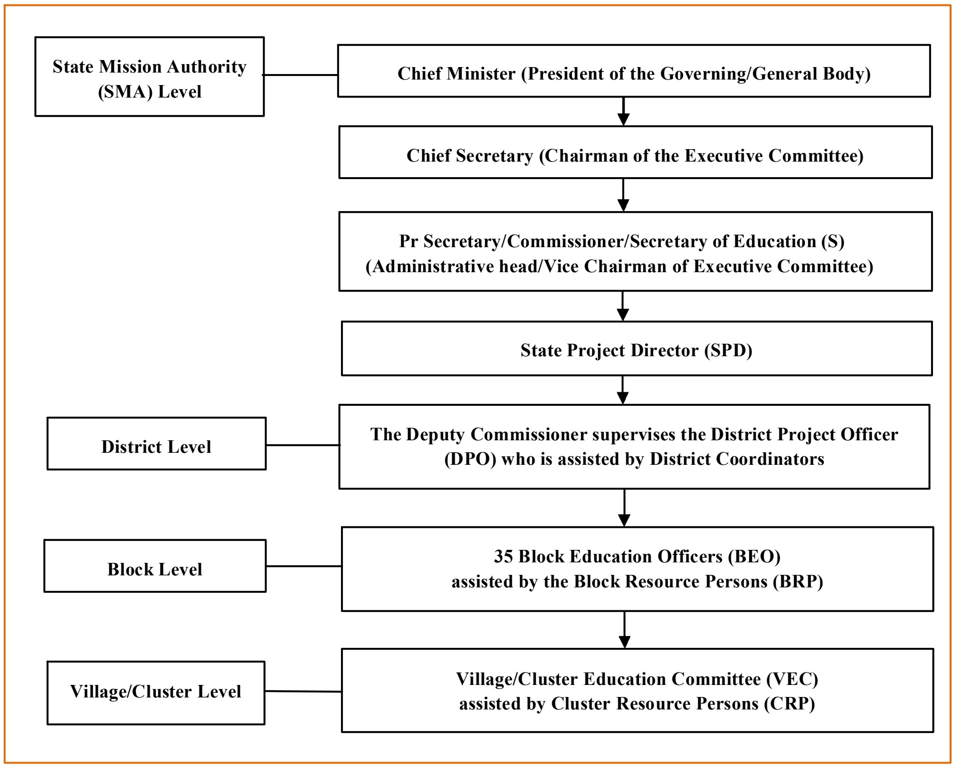
SSA is implemented in the State through the State Mission Authority (SMA) created in December 2000. The Chief Minister of Manipur is the President of the Governing/General Body of the SMA. The Executive Committee of the SMA, chaired by the Chief Secretary, Government of Manipur is an empowered body assigned full administrative powers to implement the programme.

MDM is implemented through the Directorate of Education (Schools) as the Nodal Department at the State level. The Principal Secretary/Commissioner/ Secretary Education (S) is the Chairman of the Steering-cum-Monitoring Committee (SMC) at the State level. The Deputy Commissioners are the Chairmen of SMC at the district level as well as its Nodal officers. Food Corporation of India (FCI) is the Nodal agency for supply of foodgrains.

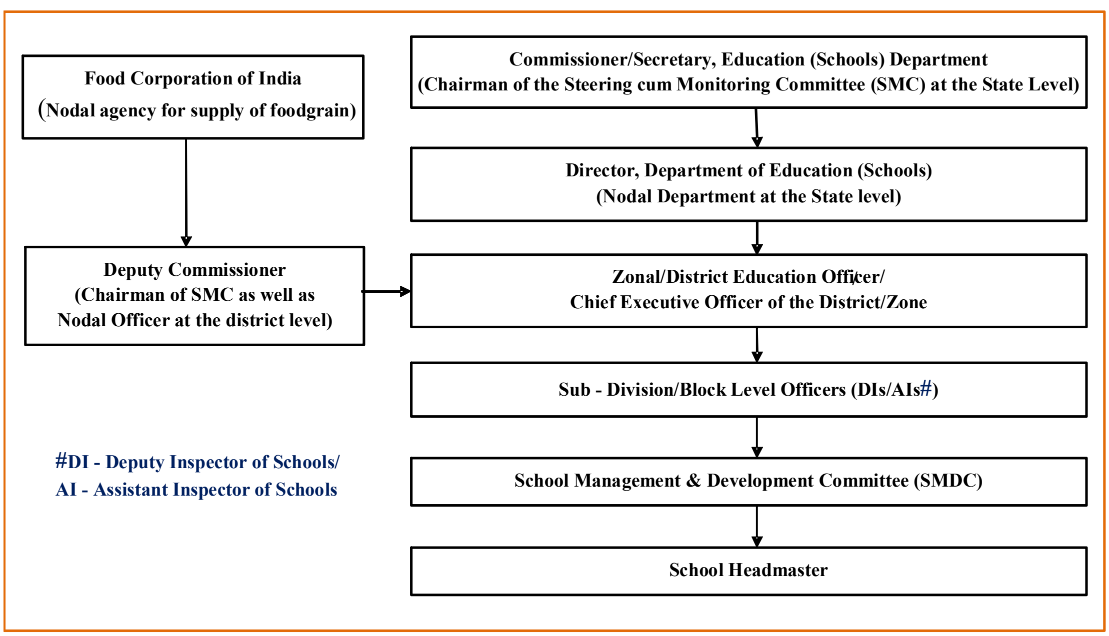
The organizational set up for implementation of SSA and MDM are given below:

[1] Para 1.9.1 of the Framework for Implementation–2008

Organizational set up for Implementation of SSA



Organizational set up for Implementation of MDM



1.1.3 Scope of Audit

A review on implementation of SSA and MDM in the State for the period 2006-11 was conducted during June–September 2011. Out of the nine districts in the State, three districts *viz*., Ukhrul in the Hills and Imphal East (Capital District) and Bishnupur in the Valley were selected by judgemental sampling. Six blocks[2] out of the 10 Educational Blocks from the above three districts were selected through stratified random sampling. Out of 659 schools from these blocks, 66 schools were selected for school visits. Records of the State Mission Authority, SSA (SMA) and the Director of Education (S) (for Mid–Day Meal) were also test-checked.

1.1.4 Audit objectives

The objectives of the performance review were to assess whether:-

- planning for implementation of the various components of the programme was efficient;
- financial management was efficient and funds provided were utilized efficiently for the intended purpose;
- major intervention were carried out as per guidelines, framework and manuals in an efficient manner;
- there was improvement in enrolment, attendance and retention of children in primary schools;
- there was improvement in nutritional status of the children in primary schools;
- an effective monitoring and evaluation system was in place to keep track of implementation of the programs/schemes.

1.1.5 Audit criteria

Audit findings were benchmarked against the following audit criteria:

- Guidelines, notifications and instructions with regards to implementation of schemes;
- Departmental Manuals/Policies;
- General Financial Rules and Central Treasury Rules;

1.1.6 Audit methodology

Audit commenced with holding an entry conference (June 2011) which was attended by the Principal Secretary Education(S), State Project Director–SSA, Director of Education (S), Jt. Director (Plng.) of Education (S) and Asst State Project Director – SSA from the Department. This was followed by checking Departmental/Mission records, field visits, issuing questionnaires, holding

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District	No of blocks in the District	No of blocks to be sampled	Name of blocks sampled
Bishnupur	2	1	Bishnupur
Imphal east	3	2	Sowambung, Irilbung
Ukhrul	5	3	Ukhrul, Phungyar, Kamjong
Total	10	6	

discussions with the auditee management to seek clarifications, analysis of data, documentary evidence vis-à-vis audit criteria to arrive at audit findings, conclusions and recommendations. Photographic evidences and physical verifications were also used to corroborate findings.

Audit findings were discussed with the Departmental officials in an exit conference (December 2011) in which the Department was represented by the Principal Secretary Education(S), State Project Director–SSA, Director of Education (S), Jt. Director (Plng) of Education (S) and Assistant State Project Director–SSA, Nodal Officer–MDM among others. The replies of the SMA and the Department have been incorporated in the review at appropriate places.

Audit findings

The audit findings of the review are discussed in the following paragraphs.

1.1.7 Sarva Shiksha Abhiyan (SSA)

1.1.7.1 Planning

Audit Objective: To assess whether planning for implementation of the various components of the programme was efficient

Proper planning is critical and an integral part of programme implementation. According to the Manual for Planning and Appraisal (MPA)[3], household surveys, the District Information System for Education (DISE) data and research studies should be taken into consideration for planning and plan formulations. The deficiencies in planning are discussed in the following paragraphs:

1.1.7.1.1 Pre–Project Activities not taken up properly: Pre–project activities that were required to be taken up as per norms[4], were household survey to be updated yearly[5], assessment of the problems, needs and constraints of elementary education system, generating community awareness and participation in enrolment drives *etc*.

For these pre–project activities, GoI released ₹ 146.09 lakh between January to May 2001 to the Government of Manipur (GoM). Out of this amount, ₹ 101.11 lakh was released to SMA in August 2003 and ₹ 36.16 lakh to the Director of Education (S) (Directorate) in April 2001. The remaining amount of ₹ 8.82 lakh had not been released, reasons for which have not been intimated to audit.

Test-check records of the SMA revealed that the above stated amount was to be spent on strengthening of office (computers with peripherals and furniture), capacity building (procurement of library books, trainings), community mobilisation, school-based activities, study, survey, school mapping and workshops for development of curriculum and syllabus. As on December 2011, the Directorate had not submitted the Utilisation Certificates (UC) and audited statement for the amount released.

[3] Para 2.6.1.1 of Manual for Planning and Appraisal (MPA)

[4] Paras 2.7.6.1, 2.7.6.3, 4.11.1.3, 4.11.1.4, Norm No 17 under Para 5.3 and **Appendix-I (c)** of MPA

[5] Para 2.6.1.1 of Manual for Planning and Appraisal (MPA)

In the absence of UCs for ₹ 36.16 lakh even after ten years, proper implementation of pre-project activities could not be established. Moreover, by not including household survey and assessment of education system in the activities taken up, the purpose of GoI sanction was not fully achieved.

Further test-check of records at the SMA revealed that ₹ 0.83 lakh and ₹ 2.09 lakh were drawn in October 2005 and July 2006 respectively for conducting household survey in the State. Inspite of repeated requests, no survey report was made available to Audit which raises serious doubts on actual conduct of household survey. Another household survey was commissioned (March 2009) at a cost of ₹ 27 lakh with stipulation to submit the report on or before March 31, 2009. The report was submitted in December 2010 and was not utilized for preparing the Annual Work Plan & Budget (AWP&B) and Appraisal Report and had lost its relevance[6]. Thus the scheme was being implemented without proper pre–project activities as envisaged and without support of requisite data, as no proper household surveys were conducted.

1.1.7.1.2 Baseline studies not taken up: As per norms[7], baseline assessment studies were to be undertaken with respect to learning achievement, retention and completion, access, gender equity, social equity, physical infrastructure, *etc*. The planning team was to take cognizance of outcomes of the baseline studies at the time of planning. Norms[8] also specify that each SSA district had to prepare a Perspective Plan up to 2009–2010 based on the data collected through household survey, micro planning exercise *etc*.

The SMA was requested (June 2011) to furnish details of preparatory baseline studies undertaken, setting up of habitation level planning teams and preparation of Perspective Plan. Information on preparatory baseline studies as required under norms ibid was not furnished. Although District Board of Education, Block Education Committee and Village/Habitation Education Committee were stated (August 2011) to have been constituted, their actual involvement in planning and plan formulation was neither available on record nor demonstrated. The SMA (February 2012) admitted that the Perspective Plan was not prepared.

It appears from the above that various pre-project activities required to be undertaken were not taken up in a holistic manner. Thus, inadequate planning for the scheme is likely to jeopardize successful implementation of the scheme.

1.1.7.1.3 Required level of commitment not met: Para 1.9.2 of Framework for Implementation–2008 requires the State Governments to maintain their level of investment in elementary education as in 1999-2000.

Analysis of Appropriation Accounts of the State revealed that GoM maintained a commitment of funds towards elementary education ranging from 3.95 *per cent* (2008-09) to 4.84 *per cent* (2009-10) of total budget, as

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[6] Audit test-checked the household survey figure date with the Appraisal Report. The household survey report was for children between 6-13 years of age while the Appraisal Reports are prepared for children aged 6-14 years of age. Total number of Out-Of-School Children for Chandel District as per household survey was 197 whereas in the Appraisal Report for 2009-10, the same figure was 205.

[7] Para 2.6.3.1 & 2.6.3.2 MPA

[8] Para 19.1. of MFM&P

against required 8.08 *per cent*, the level of 1999-2000. Details are given in **Appendix-1.1**. Thus GoM was not able to maintain commitment of funds towards elementary education which is likely to affect successful implementation of the scheme.

1.1.7.2 Financial Management

Audit Objective: To assess whether financial management was efficient and funds provided were utilized efficiently for the intended purpose

Regular and timely release of funds is an essential requirement for effective implementation of any programme. Delays, irregular or short release of funds have a cascading impact on the execution of time-bound activities that are interlinked.

During 2006–11, total funds available with the SMA were ₹ 239.46 crore, out of which an amount of ₹ 177.25 crore was spent as on March 2011 leaving a closing balance/savings of ₹ 62.21 crore (**Table–A of Appendix–1.2**), thereby affecting the implementation of the programme. Substantial savings were indicative of the fact that the budgetary controls in the SMA were ineffective. Reasons for huge savings were not available in the records produced to audit.

Other irregularities noticed by Audit are discussed in the following paragraphs.

1.1.7.2.1 Short Release of Funds: Test-check of records of the SMA revealed that the total outlay of ₹ 350.75 crore was approved by the Project Approval Board (PAB[9]) of SSA during 2006–11 **(Table A of Appendix-1.2)**. As per the approved funding pattern (Para 1.1.1), GoI and GoM were to release ₹ 315.67 crore and ₹ 35.08 crore respectively during the 2006-11. However, GoI and GoM released only ₹ 188.01 crore (60 *per cent* of GoI's share) and ₹ 23.10 crore (66 *per cent* of GoM's share) respectively which together constituted only 60.19 *per cent* of the approved outlay. Thus, both the GoI and GoM fell short of their commitment of supporting UEE by ₹ 139.64 crore during 2006-11. Non-release of adequate fund adversely affected the implementation of scheme in the State as highlighted in the following paragraphs.

1.1.7.2.2 Delay in Release of Funds: SSA funds were to be released directly to the SMA by GoI in two instalments, one in April and the other in September of each year. The GoI's second instalment was to be released only after GoM had released its matching share and expenditure of at least 50 *per cent* of the fund (Centre and States) released had been incurred. The GoM was required to release its share within 30 days of receipt of Central fund. However, there were inordinate delays in release of fund ranging from nine to 327 days in respect of Central fund and 110 to 254 days in respect of State fund, beyond the target date[10] (**Table B of Appendix-1.2).**

The SMA admitted (February 2012) that delay in release of Central share was in some instances due to their inability to furnish Utilization Certificates,

[9] Project Approval Board (PAB) is an empowered body at the national level under the Chairmanship of Secretary Elementary Education in the Ministry of Human Resource Development, GoI assigned with full financial powers to approve plans and sanction budget.

[10] As laid down in Para 88.1 of Manual for Financial Management and Procurement

Audit Reports and Annual Reports in time and stated that GoM was pursued diligently for timely release of the State share.

The SMA needs to take proactive action to ensure that implementation of the scheme does not suffer due to non-availability of funds in time.

1.1.7.2.3 Diversion of Funds: Norms[11] do not permit construction of Office building from SSA funds. SSA norms also clearly define items that can be charged to "Management Cost[12]" and does not include renovation/ construction of office building. Diversion of fund for expenditure on any item not provided for in sanctioned budget estimates is forbidden[13] unless the diversion is approved by PAB[14] of SSA. Further, norms also require that construction work with financial ceiling of ₹ 6 lakh and above is to be awarded through open tenders[15] only.

Test-check of SMA records revealed that the Executive Committee of SSA Manipur sanctioned (August 2010) three renovation and construction works at the SMA complex, Imphal at estimated cost of ₹ 91.65 lakh. These works were executed departmentally without putting them to tender and the expenditure was charged to Management Cost of SSA. Details of works and up to date expenditure are given in **Table C of Appendix-1.2**. Further scrutiny of records revealed that the PAB had neither approved these works as original works nor the diversion of fund and charging to Management Cost for their execution.

The SMA (December 2011) justified the expenditure stating that creation of sufficient space for functioning of State Project Office (SPO) is concerned with management of SSA program and added that by not putting the works to open tender, minimum of 13.75 *per cent* additional expenses were saved in the form of agency charges and Income Tax deductions.

The contention of SMA is not acceptable as all norms *ibid* were flouted even to the extent of overriding the powers of PAB of SSA.

1.1.7.2.4 Other Financial Irregularities: Audit further noticed the following financial irregularities during the course of test-check of the records of SSA:

(i) Outstanding advances: As per norms[16], no personal advance should be outstanding for more than one month, which otherwise would attract penal action including charging of interest.

Test-check of Advance Register of the SMA revealed that 33 personal advances amounting to ₹ 81.23 lakh released from June 2010 to March 2011 were outstanding for as long as 376 days as of July 2011.

The SMA (December 2011) stated that all personal advances had been duly settled. This claim is not acceptable as the date of settlement of 15 advances

[11] Para 1.9.10 Civil Works (i) of Framework for Implementation– 2008 & Para 26.2(a) of Manual for Financial Management and Planning
[12] Paras 37.3, 37.7, 37.8 & 37.9 of Manual on Financial Management and Procurement
[13] Paras 86.2 and 86.3 of Manual on Financial Management and Procurement
[14] Paras 4.10.1.2 and 4.10.1.3 of Manual for Planning and Appraisal
[15] Para 110.1 read with Norm No 19 of Annexure – II of Manual on Financial Management and Procurement
[16] Para 74.2 of Manual on Financial Management and Procurement

amounting to ₹ 60.67 lakh was not available on record. Moreover, as vouchers were not made available, audit cannot vouch for regularity of the claims.

(ii) VAT deducted at source not deposited: As per standing instruction of the GoM, Value Added Tax (VAT) is to be deducted at source and remitted into government account within a specified time.

Test-check of SMA's records revealed that VAT amounting to ₹ 77.25 lakh deducted at source from 36 bills of suppliers/contractors during June 2006 to March 2011 had not been remitted to the Government account till the date of audit (July 2011) and hence remained unaccounted.

The SMA (December 2011) stated that VAT could not be deposited in time due to lapse of cheques on account of misplacement of file and submitted 36 challans to support deposit of VAT. On further Audit query, the SMA could submit (February 2012) bank scroll for only 15 challans amounting to ₹ 26.92 lakh. Thus actual deposit of ₹ 50.33 lakh was not visible in audit.

(iii) Operation of multiple bank accounts: SSA funds are to be operated through a single joint signatory saving bank account[17] at the State, District, Block, Village and School levels.

Test-check of records of SSA, Bishnupur District revealed that the District Project Officer (DPO) was operating four bank accounts, out of which three were current accounts. One of the current accounts was a single signatory accounts. Details are given in **Table–D of Appendix–1.2.** Out of the total balance of ₹ 1.96 crore in the four accounts as on date of audit (September 2011), balance in the three current accounts was ₹ 1.89 crore which would not earn interest income for the scheme. Thus, not only were norms regarding operation of bank accounts flouted but also there was loss of interest due to the operation of current accounts in place of savings accounts.

Further scrutiny of records of SSA Bishnupur District revealed that the District Co-ordinator (EGS/AIE) had transacted as much as ₹ 12.08 lakh of SSA funds through a current account operated in his name during September 2006 to October 2009. The authority for opening this account was not available on record. The above amount was given as advance to the official which was adjusted only during 2009-10. The veracity of the expenditure could not be vouched as the connected documents had been seized by the police in connection with a case. This is indicative of gross failure of internal controls and monitoring mechanism.

The SMA (December 2011) stated that the DPO had been given strict instructions to close the multiple bank accounts. Compliance is yet to be received (February 2012).

1.1.7.3 Programme Implementation

Audit objectives: To assess whether major interventions were carried out as per guidelines, framework and manuals in an efficient manner

Program implementation deals with release of various grants to schools, availability of Primary and Upper Primary schools, distribution of free text

[17] Para 70, 89.1 and 89.3 of Manual of Financial Management and Procurement

books, creation of school infrastructure, interventions for special focus groups and quality of education *vis-a-vis* access to computers, availability of classrooms, Pupil Teacher Ratio, availability of qualified teachers and teacher training. Irregularities noticed by audit in the programme implementation are discussed below:

1.1.7.3.1 Deficiencies in release of grants to school

As per norms[18], Teacher Grant (TG) at the rate of ₹ 500 per teacher per year was to be provided annually to all teachers for using self-developed, low cost, locally available teaching learning material. School Grant (SG) at the rate of ₹ 5,000 per year per primary school and ₹ 7,000 per year per upper primary schools was to be provided for replacing non-functional school equipment and for incurring on other recurring cost. Maintenance Grants (MG) up to ₹ 5,000 per schools with three class rooms and up to ₹ 10,000 for schools with more than three classrooms for annual maintenance and repair of existing school building and other facilities were also to be provided.

Test-check of records at the SMA revealed that during 2010-11 an amount of ₹ 4.25 crore[19] was released directly to schools through e-transfer as TG, SG and MG to 2,768 schools. On comparison with DISE data for 2010-11[20], it was seen that 753 schools did not receive MG, 176 schools did not receive SG and 5,208 teachers did not receive TG. Against their entitlement of ₹ 37.85 lakh as MG, 390 schools received ₹ 64.16 lakh while 49 building-less schools and one abolished school received ₹ 2.98 lakh as MG lakh resulting in excess payment of ₹ 29.29 lakh[21].

Test-check of records of DPO, Ukhrul revealed that grants amounting to ₹ 7.71 lakh for the year 2009-10 meant for Chingai Block were fully released, after considerable delay, in the third quarter of 2010-11 due to which there was a likelihood of maintenance works *etc*., not been taken up in time.

Irregularities in release of much needed school level grants are likely to vitiate the effective implementation of the scheme and resultant quality of education in the affected schools.

The SMA (December 2011) stated that funds were released as approved by PAB based on DISE data 2009-10. The reply is not acceptable as release of funds has to be on the basis of ground realities during 2010-11. Further, misappropriation of MG released to building-less schools and abolished school cannot be ruled out.

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[18] Sl. No. 7(a), 9 and 10 under Para 1.9.10 of Framework for Implementation 2008

[19]

Maintenance Grant		School Grant		Teacher Grant			Total Released	
No of schools	Amount	No of schools	Amount	No of schools	No of teachers	Amount	No of schools	Amount
2,182	1,96,51,000	2,759	1,75,88,500	2,726	10,527	52,63,500	2,768	4,25,03,000

[20] Which recorded 15,786 teachers in 2,935 Government and aided schools in the State

[21] (₹ 64.16 lakh - ₹ 37.85 lakh) + ₹ 2.98 lakh

1.1.7.3.2 Requirement for number of schools, classrooms, Pupil Teacher Ratio (PTR) and female teachers not fulfilled

The DISE records for the years 2006-11 were analyzed to ascertain adherence to norms for number of schools, classrooms and PTR. Audit findings are given below:

(i) Number of schools

As per norms[22], there should be one Upper Primary school (UPS) for every two Primary schools (PS). During 2006–11, the number of PS ranged from 2,260 to 2,421. Number of UPS ranged from 696 to 725 against requirement of UPS ranging from 1,130 to 1,211. Details of availability of PS, UPS and shortage of UPS during the period covered by this review are given below:

Year	Existing PS	No of UPS required	Existing UPS[23]	Shortage of UPS	Shortage percentage
2006-07	2,400	1,200	725	475	39.58
2007-08	2,421	1,211	709	502	41.43
2008-09	2,414	1,207	706	501	41.51
2009-10	2,385	1,193	722	471	39.45
2010-11	2,260	1,130	696	434	38.41

Source: DISE database

The *percentage* of shortfall of UPS was maximum in 2008-09 and least in 2010-11. In all the five years shortage was maximum in Senapati District. Bishnupur District had the least shortage in three years. Details of district wise comparison is given in **Chart–A of Appendix-1.3.** In view of the shortages, children completing primary stage would face hardship in getting admission to upper primary stage.

As per revised norms notified (October 2010) by GoM[24], a PS has to be established within walking distance of one km of each habitation[25] and a UPS within walking distance of three km of each habitation. As on date of audit (September 2011), there were 312 habitations in the State that were not served by any form of education facility. There were 201 habitations served only by EGS[26] centres. There were 158 habitations served by primary schools but un-served by upper primary schools. Therefore, GoM needs to gear up efforts to cover the un-served habitations if the goal of UEE is to be achieved in the near future.

The SMA (December 2011) while stating that PAB 2011-12 had approved up-gradation of 158 PS to UPS added that based on school mapping using Global

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[22] Intervention No 3 under Para 1.9.10 of Framework of Implementation-2008

[23] Schools having both Primary and Upper Primary are also counted.

[24] Section 4(a)&(b) of Right of Children to Free and Compulsory Education Rules,2010 as notified by GoM

[25] As per Para 5(a) of Annexure 3 to Seventh All India School Education Survey conducted by National Council Of Educational Research And Training, New Delhi, a habitation is a distinct cluster of houses existing in a compact and contiguous manner; with a local name; and its population should not be less than 25 in plain areas and not less than 10 in hilly/desert/sparsely populated areas. In case there exists more than one such cluster of houses in a village, they will not be treated as separate habitations unless the convenient walking distance between them is more than 200 meters.

[26] EGS is an important component of SSA to bring out-of-school children in the fold of Elementary Education. EGS addresses the inaccessible habitations where there is no formal school within the radius of one Km and at least 15–25 children of 6–14 years age group who are not going to school are available. In exceptional cases remote habitations in hilly areas even for 10 children an EGS centre can be opened.

Positioning System (GPS), ground distances between schools and habitations are being worked out to identify actual gap of UPS for all nine districts. Progress in this regard has not been furnished to audit (February 2012).

(ii) Number of classrooms

Classroom infrastructure is essential for successful implementation of the Programme. As per norm[27], there should be two classrooms with verandah in every Primary School.

Test-check of DISE data revealed that during 2006-07, out of 3,125 schools in the State (PS plus UPS), 169 schools (5.4 *per cent)* did not have two classrooms. By 2010-11, there were 541 schools (18.3 *per cent)* without two classrooms. The number of schools which did not have classroom during these two years was 94 and 484 respectively. The availability of classrooms during five years are shown in the table below.

Number of classrooms available in Government and Aided Schools

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Total No of Schools	3,125	3,130	3,120	3,107	2,956
No of Schools without Classroom	94	69	44	671	484
No of Schools with only one Classroom	75	63	60	58	57
No of Schools with more than one Classrooms	2,956	2,998	3,016	2,378	2,415

Source: DISE data

During school visits, it was seen that two classes were run from the same classroom in Toupokpi Govt Jr. HS, while in Balaram Khul PS, three classes were run from one classroom as can be seen from the adjoining picture. Both these schools are located in Bishnupur District. On the other extreme, one classroom each of Sunusiphai PS and Upokpi PS of Bishnupur District were used as cow shed. Thus, non-availability of adequate classrooms impacted the quality of education imparted in Government and aided schools.

The matter was reported to the Government (December 2011), for which reply has not been furnished (February 2012).

The gap in number of classrooms was all the more glaring as the SMA was unable to create sufficient Additional Class Rooms (ACRs) inspite of full budgetary support as highlighted in Para 1.1.7.3.4.

(iii) Pupil Teacher Ratio (PTR)

As per norms[28], there should be one teacher for every 40 children in PS and UPS. There should be at least two teachers in a PS and one teacher for every class in the UPS.

Test-check of DISE data for enrolment and posting of teachers in Government and Aided schools during the 2006 -11 revealed that that PTR for the State as

[27] Intervention No 4 under Para 1.9.10 of Framework of Implementation - 2008
[28] Intervention No 1 under Para 1.9.10 of Framework of Implementation - 2008

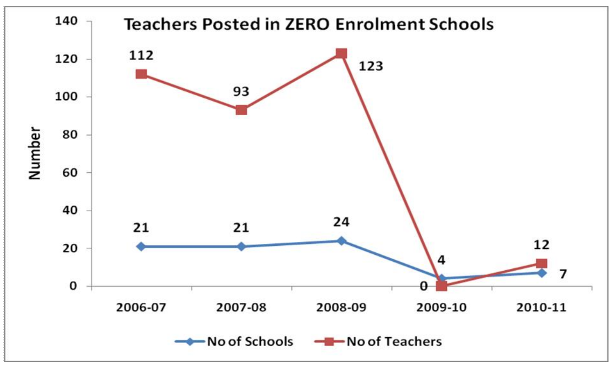
a whole was within norms except in 2008-09 when the PTR was 43.5. However, scrutiny of enrolment and posting of teachers in individual schools revealed that the number of schools where PTR exceeded 40 ranged from 383 to 970 during the period. The trend for the five years is shown in the table below.

PTR in Government and Aided Schools in the State

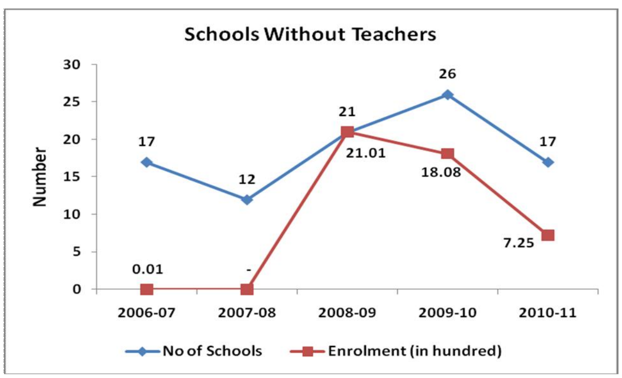
Year	2006-07	2007-08	2008-09	2009-10	2010-11
PTR for State as a whole	24.35	23.28	43.50	24.47	21.63
Number of Schools where PTR is greater than 40	536	465	970	464	383

Source: DISE data

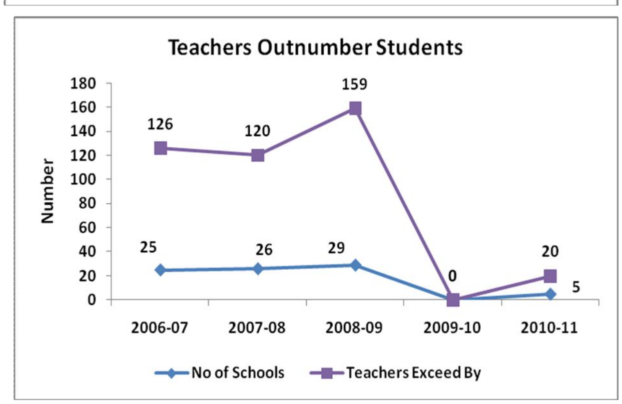
Closer scrutiny of school level data revealed that teachers were posted in school where there was zero enrolment; some schools with enrolment did not have teachers; in some schools the number of teachers posted was more than the number of students enrolled.



During 2006-11, the number of schools without enrolment ranged from 4 to 24. As much as 123 teachers were posted in these schools during the period. Trend during the period is shown in the adjoining chart. Further scrutiny of these schools revealed that one school did not have enrolment during three years while 12 schools did not have enrolment during two years during 2006–11, as shown in **Table-A** of **Appendix-1.3 A**.



On the other extreme, the number of schools without teachers ranged from 12 to 26 during the same period. As can be seen from the adjoining chart, these teacher-less schools had as much as 2101 students enrolled during 2008-09. Further scrutiny of these teacher-less schools revealed that one school did not have teachers during four years while six other schools did not have teachers during three years and a further four schools were teacher-less during two years as shown in **Table-B** of **Appendix-1.3 A**.



It was seen that except in 2009-10, there were schools in which teachers posted outnumber students enrolled. For instance in 2008-09, teachers posted in 29 schools outnumber students enrolled by 159. The trend over the period covered by review in shown in the adjoining chart. Further scrutiny revealed that in fifteen schools, teachers outnumbered students for two consecutive years as shown in **Table C** of **Appendix–1.3 A**.

The district wise trend of PTR and other irregularities as stated above for the five year period are shown in **Charts B to I of Appendix-1.3.**

From the above it is apparent that the posting of teachers has not been planned and monitored properly. Human resource was wasted due to posting of teachers in schools where there was no enrolment or posting them far in excess of requirement in some schools to the extent of teachers outnumbering students. The irrational posting of teachers deprived large number of students their right to elementary education as no teachers were available in the schools they were enrolled. Therefore, there is an urgent need to put in place a system that would ensure posting of teachers in proportion to enrolment.

The SMA (December 2011) stated that, after finalization of recruitment of 1544 teacher approved by PAB 2011-12, PTR will be maintained as per SSA/RTE norms. The reply is not acceptable because as of March 2011, the PTR for the whole State was 21.63 as shown in the table given in the previous page, which was well within the norms and hence more teachers are not required. There is a need to ensure that teachers are posted in schools as per enrolment.

1.1.7.3.3 Delay in delivery of free text books

As per norms[29], free text books are to be provided to all children within an upper ceiling of ₹ 150 per child at Primary level and ₹ 250 per child at Upper Primary level. As per the SMA and Director of Education (S) records, academic sessions commenced in the first week of February of 2006 to 2009, while academic sessions commenced in the first week of April in 2010 and 2011. For the intervention to be effective, text books should reach students on or before commencement of each academic session.

As per information furnished by the SMA, 81.82 lakh text books were procured from Board of Secondary Education Manipur (BSEM) at a cost of ₹ 18.34 crore for academic sessions of 2006-11. Test-check of related records revealed that the supply orders were placed a month prior to commencement of each academic year stipulating that text books be delivered within a month of placing order. The SMA received the text books at the commencement of academic session (February) only in 2007, while for academic sessions of 2006 and 2008, text books were received during March of the year which was one full month after commencement of academic session. In 2009 and 2010, the SMA received text books two months (April 2009) and three months (July 2010) respectively after commencement of the academic sessions. Details are given in **Appendix-1.4.** As per information furnished by SMA (October 2011), distribution of free text books to the districts for 2011 commenced in May 2011 and was completed only in August 2011, *i.e.* after a delay ranging from one to four months after the commencement of academic session.

There was further delay in actual issue of text books to the schools as seen from records in the districts visited by the Audit team. In Imphal East District, text books for 2010 were distributed to schools from July 2010 to November 2010 while distribution for 2011 which commenced in June 2011 was yet to be completed as on date of audit (August 2011). In Bishnupur District, distribution of text books to schools for 2010 which commenced in July 2010

[29] Intervention No 5 under Para 1.9.10, Framework for Implementation–2008

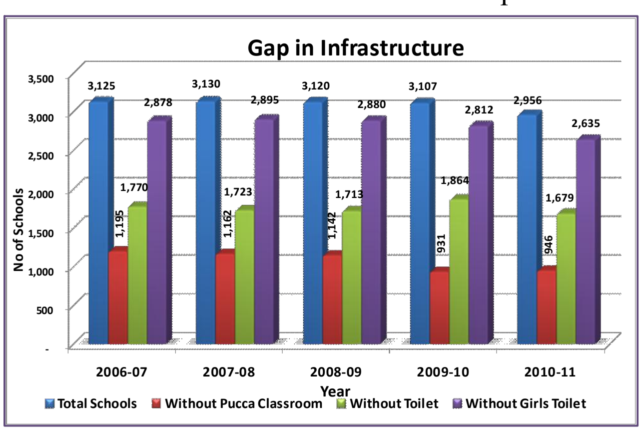
was completed only in November 2010, while distribution for 2011 was yet to be complete as on date of audit (September 2011). In Ukhrul District, huge stock of books was still lying (September 2011) in the office premises of the District Project Office as shown in the adjoining picture.

The SMA attributed (February 2012) the delays to the supplier's inability to have access to paper and printing presses. The reply is not acceptable. Taking into account local conditions, it would have been more appropriate had the order been given well in advance and not only one month ahead of academic session. The inordinate delays in the free text books reaching schools defeats the very purpose of the scheme objective as books reach students almost at the end of academic session which affects the quality of education.

1.1.7.3.4 Irregularities in execution of civil works

As per norms[30], up to 33 *per cent* of the entire project cost approved by the Project Approval Board can be utilised towards meeting infrastructure gaps, for improvement of school facilities, BRC/CRC construction, procurement of furniture and construction of hostel in existing government Upper Primary School. Irregularities in execution of civil works and infrastructure gaps noticed during course of audit are highlighted in the following paragraphs:

(i) Failure to create adequate infrastructure: As per information furnished by the SMA (June 2011), 2,462 Additional Class Rooms (ACRs) were sanctioned at a cost of ₹ 67.31 crore during 2006-11. Out of these, only 222 ACRs (*i.e.*, 9.02 *per cent*) were completed as on date of audit. The SMA did not have any report or information in respect of 719 ACRs (29.20 *per cent*) while work on 311 ACRs (12.63 *per cent*) was yet to be taken up. Work in respect of only 1210 ACRs (49.15 *per cent*) was in progress. The tardy progress in creation of ACRs resulted in 484 schools not having any classrooms as of 2010-11 as pointed out in Para 1.1.7.3.2 (ii).



This failure has also resulted in 946 schools (32.00 *per cent*) not having pucca classroom as of 2010-11 as shown in the adjoining chart.

The SMA did not provide details of toilets/separate girls toilet (SGT) sanctioned and created during 2006-11 though called for. However, analysis of DISE data showed that 1,679 schools (56.80 *per cent*) did not have toilet while a whopping 2,635 schools (89.14 *per cent*) did not have SGT as of 2010-11. Trend of gap in infrastructure is given in the above chart. Failure to create adequate infrastructure is bound to affect not

[30] Intervention No 6 under Para 1.9.10 of the Framework for Implementation – 2008

only the quality of education but also fail in attracting students and retaining them in schools.

The SMA (December 2011) stated that 960 out of the 2466 ACRs (*i.e.* 38.93 *per cent*) sanctioned during 2006-11 have been completed while work on 1024 ACRs sanctioned in 2010-11 was affected by the Hon'ble High Court's stay order. The SMA admitted that 406 ACRs were originally sanctioned without stating name of schools and the same was stated to have since been updated. The SMA's claim of progress cannot be substantiated as only seven out of the 82 ACRs (8.54 *per cent*) sanctioned in the schools visited by audit (August – September 2011) were completed (**Table A & B** of **Appendix-1.5**), indicating tardy execution of work. The SMA's reply also brings out the slow pace in construction as 482[31] ACRs sanctioned prior to 2010-11 are yet to be completed as of December 2011.

(ii) ACRs un-accounted: Scrutiny of data furnished by the SMA revealed that in the schools visited by Audit, 82 ACRs for 38 schools costing ₹ 2.52 crore was sanctioned during 2006-11. However, on the ground construction of 42 ACRs costing ₹ 1.37 crore was either not visible on field visits or denied to have been received by the respective schools and therefore remained unaccounted for. Details are given in **Table A of Appendix-1.5.** In this regard, audit noticed the following irregularities in respect of some of the ACRs/schools.

Though an amount of ₹ 6.40 lakh was already released for two ACRs of Greenland SV, Ukhrul, the school authorities were not aware of the release as on date of audit (September 2011). Similarly, Bishnupur Chingning (Muslim) LP School was yet to receive funds for three ACRs where audit saw barbed wire fencing though a boundary wall sanctioned. No work had been taken up or seen in field visits in Hatha SV, Ukhrul (3 ACRs); New Cannan PS, Ukhrul (5 ACRs); Phubala Jr. High School, Bishnupur (2 ACRs); Bashikhong Jr. High School, Imphal east (2 ACRs) and Itam Nungoi L.P. School, Imphal East (2 out of 4 ACRs). Though roofs of Luiyainaotang SV, Ukhrul and a room of Ngaikhong H.S., Bishnupur had been blown off, work for 6 ACRs in these schools had been started.

The SMA (December 2011) stated that The Hon'ble High Court's stay order had affected release of funds for 24 ACRs in schools visited by audit and the works are since taken up. Pay order for the 2 ACRs sanctioned for Greenland SV was delayed due to court case and repairing work will be taken up in 2012-13 programme. The reply is still silent on 18 (42–24) ACRs which were not visible to Audit. Since the ACRs have remained unaccounted for prolonged period, misappropriation of fund meant for these ACRs cannot be ruled out and also reflects poorly on the internal control and monitoring mechanism in the SMA.

(iii) Substandard construction: Manipur falls in Seismic Zone–V which is a highest risk zone for earthquake. National Disaster Management Division, GOI prescribes stringent construction norms for Seismic Zone–V wherein horizontal reinforced bands at roof/floor/lintel levels and vertical reinforcement at the corners of wall are mandatory.

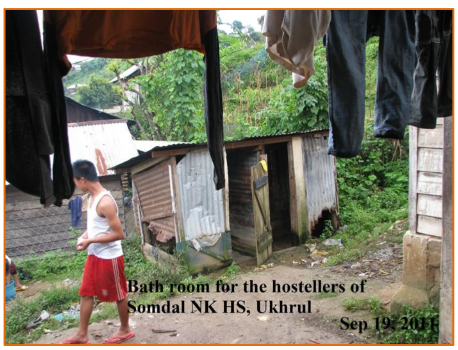
[31] 2466 – 1024 – 960 = 482

During visits to schools, RCC reinforcements were seen in 8 ACRs of three schools[32] only. In the remaining 32 ACRs[33] valued at ₹ 91.54 lakh, no RCC column/lintel beams were provided. The audit team saw at Greenland SV, Ukhrul the grave risk to life as these substandard constructions developed huge cracks as can be seen from the adjoining picture. The Headmistress stated that the cracks had developed after an earthquake that occurred on September 4, 2011.

Further, though the sanctioned civil works were to be pucca structures, a wooden ACR (Hoomi Jr. HS, Ukhrul) and wooden SGT (VPH PS, Ukhrul) were seen in two schools. Audit could also gauge the poor quality of construction from one ACR in Waroiching PS, Bishnupur which had crumbled even before construction was completed.

The SMA (December 2011) stated that there is no RCC provision in the columns in the SSA's approved specifications and estimate and the crumbling ACR at Waroiching P/S will be improved with better quality of construction. The reply indicates indifference to the risk posed by the substandard construction. The SMA needs to ensure that school buildings are reinforced appropriately before any disaster happens.

(iv) Unmet need: Para 7.4 of Framework for Implementation, 2008 states that residential hostels for children in remote and sparsely populated blocks of tribal, desert and hilly districts can be provided under SSA.



During visit to Somdal Jr. HS, located in an interior village of Ukhrul District, it was seen that a good number of students (both boys and girls) from nearby villages were staying in the hostel run by the school. The bathroom used by the hostellers was dilapidated as can be seen from the adjoining picture. Though there is provision, no special attention was given for implementation of the scheme in deserving school. Poor quality of bathroom was likely to affect the hygiene and health of the students.

The matter was reported to the Government (December 2011), for which reply has not been furnished (February 2012).

(v) Other irregularities: Test-check of information furnished by the SMA revealed that three ACRs, three toilets, boundary wall and electrification were sanctioned for Upokpi PS, Bishnupur. When audit team visited the school, it was seen that only 22 students were enrolled in the school and only two out of four existing classrooms were utilized. Three ACRs and one toilet were under construction. There was neither a boundary wall nor electrical connection/wiring and thus, leakage of funds cannot be ruled out. Moreover, sanctioning three ACRs (worth ₹ 7.36 lakh) without assessing the actual requirement indicates faulty planning and tantamount infructuous expenditure.

The matter was reported to the Government (December 2011), for which reply has not been furnished (February 2012).

[32] Balaram Khul L.P.S, Phoijing Girls PS and Chanam Sandrok P/S.
[33] 82 – 42(unaccounted) – 8 (RCC works) = 32

1.1.7.3.5 Computer Aided Learning

As per norms[34], the focus upon Computer Aided Leaning (CAL) will be given in UPS to create computer aided education facilities in the districts. Hardware, software, training, maintenance and resource support could be included in this component. The intervention was introduced in 2005-06 in Bishnupur district only and thereafter, all the districts were covered in 2009-10. During 2006-11, an amount of ₹ 8.75 crore was spent on CAL which included provision made during 2009-10 for Computer Lab in 135 schools at a cost of ₹ 4.45 crore and provision made again in 2010-11 for Multi-Seat Solution Computer Lab in 90 schools at a cost of ₹ 4.14 crore. Audit analysed the contract for providing Computer Lab in 135 schools and the result are discussed in the following paragraphs:

(i) Undue benefit to contractor: The SMA signed contract agreement (March 2010) with MANITRON[35] for installation and commissioning of Computer Lab in 135 UPS/Cluster Resource Centres (CRC) at a cost of ₹ 4.45 crore[36] with stipulation to complete the same by June 1, 2010. The SMA was to retain ₹ 38.3 lakh[37] as security deposit for ensuring maintenance for four years. MANITRON was to be paid ₹ 2.69 crore[38] as advance. The remaining amount was to be paid in two installments amounting to ₹ 1.03 crore and ₹ 34.48 lakh respectively. The final payment was to be made only after commissioning of all the 135 Computer Labs.

Scrutiny of records at SMA revealed that MANITRON was paid the full net amount of ₹ 4.06 crore in March 2010 through three cheques of amount equal to the installments stated above. However, it was seen that installation of Computer Labs commenced only in January 2011 *i.e.*, full eight months after scheduled date of completion. As on date of audit (July 2011), Computer Labs were installed/commissioned in only 117 UPS/CRC leaving a balance of 18 Computer Labs. Thus, MANITRON was given undue benefit by giving full payment even before commencement of the work and also in granting advance payment to the tune 60.45 *per cent*[39] of cost. The action of the SMA also resulted in loss of interest income that could have accrued on the amount of ₹ 4.06 crore.

Further, as per the contract, each identified school was to receive a one KVA solar power system costing ₹ 1.70 lakh. During visits to schools, it was seen that Ngaimu Jr. HS, Ukhrul had received a generator. The headmaster of Chadong Jr. HS, Ukhrul District stated that his school was given one generator instead of solar power system. In another five schools solar power systems were neither installed nor received **(Appendix-1.6).** It was seen that none of these schools was electrified and without solar power system it would not be possible to derive full benefit of the computer aided education facility as schools were not provided funds for meeting the recurring cost of running a

[34] Intervention No 17 under Para 1.9.10 of the Framework for Implementation – 2008
[35] Manipur Electronics Development Corporation Ltd
[36] Civil and electrical accessories – ₹ 61.66 lakh; Computer and solar power systems – ₹ 3.83 crore
[37] Being 10 per cent of the cost for computer and solar power systems.
[38] Full cost of civil and electrical accessories plus 60 per cent of cost for computer and solar power systems
[39] ₹ 2.69 crore out of ₹ 4.45 crore

generator. Thus the contractor was again given undue benefit at the expense of the Scheme.

The SMA stated (December 2011 and February 2012) that cheques/Pay orders were prepared to avoid fund lapse at the end of the financial year and the final instalment of ₹ 34.38 lakh was retained in the form of a demand draft dated March 2010 drawn in favour of MANITRON, as process of installing computers was not complete. The Executive Committee had granted time extension till end of February 2012 for completing installation failing which proportionate amount would be deducted from the final payment. The final outcome was not known as of February 2012. The reply is not acceptable as action of the SMA was against norms of financial propriety and had resulted in loss of interest income. Moreover, validity of the demand draft in question had also expired. Further, non-enforcement of the time schedule of the contract deprived intended beneficiaries from the benefit of computer aided education facilities.

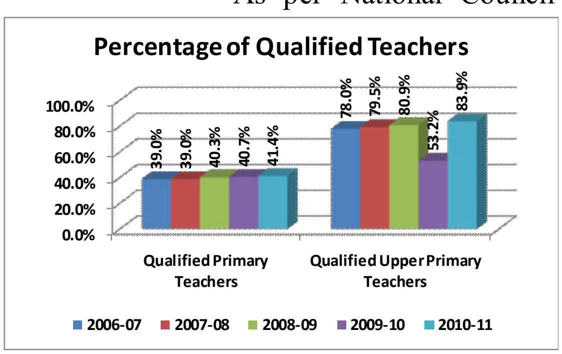
(ii) Benefit of computer aided education facilities denied: Test-check of records at the SMA revealed that out of the 66 schools visited by the audit team, 15 schools had received either Computer Lab or Multi-Seat Solution Computer Lab **(Appendix-1.6)**.

However, computers facilities were seen in only seven schools. In four schools[40], computers were stated to be kept at the Headmaster's residence. In another three schools[41], computers were not available/could not be shown to the audit team. At Andro Jr. HS, though the computer room with all electrical installations was in place, computers were kept at the cook's house as the room was occupied by labourers engaged in construction of new classrooms. These facts were verified in the presence of the headmaster concerned on the day of school visit. Thus, the benefit of computer aided education facilities were denied in seven schools inspected by audit.

The SMA (December 2011) stated that computers have been recovered from the headmasters and kept in the custody of the concerned DPO. Reply is not acceptable as keeping computers meant for schools at the DPO defeats the very objective of computer aided learning.

1.1.7.4 Quality of education standards and research and development

1.1.7.4.1 Availability of qualified teachers



As per National Council for Teachers Education (NCTE), the minimum qualification for a teacher of Classes I-V (Primary Stage) was Senior Secondary or its equivalent and pass in the Teacher Eligibility Test (TET). Further minimum qualification for a teacher of Classes VI-VIII (Upper Primary Stage) was Graduate with Bachelor in Education (B.Ed) and pass in the TET.

Test-check of DISE database revealed that during 2006-11, the number of qualified primary

[40] Khoijuman Jr. H/S, Toupokpi Govt. Jr. H/S, Chadong Jr HS and Grihang SPM Jr HS
[41] Hoomi Jr. HS, Ngaikhong HS and Ningthi Jr HS

teachers ranged from 39.00 to 41.40 *per cent* while the number of qualified upper primary teachers ranged from 53.20 to 83.90 *per cent* as shown in the adjoining chart. Non availability of sufficient qualified teachers at primary stage is bound to have an adverse impact on the quality of elementary education imparted in the State.

1.1.7.4.2 Excess expenditure on teachers' training

As per norms[42], five categories of trainings were to be imparted to teachers as enumerated at **Appendix-1.7,** out of which three categories of trainings were to be conducted every year.

The SMA could not provide comprehensive[43] data on the number of teachers under the various categories trained though called for (June 2011). Hence, audit was unable to comment on implementation of the mandatory teachers training as stated above.

The SMA stated (July 2011) that expenditure of ₹ 5.35 crore was incurred in training 52,899 teachers during 2006-11. An analysis of training data revealed that in 2009-10 and 2010-11, 154 *per cent* and 144 *per cent* of teachers recorded by DISE were claimed to have been trained. Thus, there were excess expenditure of ₹ 1.32 crore as shown in **Appendix-1.7 A** on this account**.**

The SMA (December 2011) stated that due to late release of funds, the training of teachers got overlapped with previous and current years' training. The claim could not be substantiated as details of trainings conducted could not be made available to audit as stated above.

1.1.7.4.3 Doubtful training

Test-check of records of DPO, Imphal East District revealed that an expenditure of ₹ 12.45 lakh was incurred in training 1,215 teachers through three training sessions conducted during 2009-10 and 2010-11. An analysis of expenditure of ₹ 4.29 lakh on honorarium to resource persons (at the rate of ₹ 500 per training period) revealed that 25, 27 and 34 training periods per day would have to be conducted in the three sessions to justify the amount paid. However, the DPO was not able to furnish training time-table to justify the claim. Thus audit could not ascertain the genuineness of the actual conduct of the training sessions.

The SMA (December 2011) claimed that in all 740 training classes were conducted at four locations by holding multiple sections in each centre during the course of training period. This contention was not acceptable as it would have entailed expenditure of only ₹ 3.70 lakh (740x500) on honorarium to resource persons as against actual expenditure of ₹ 4.29 lakh for 858 training classes.

Thus, the SMA had not followed any norms as stipulated in the SSA framework and incomplete and different data made available to audit raised serious doubt about number of teachers trained and quality and effectiveness of such training.

[42] Intervention No 11 under Para 1.9.10 of the Framework for Implementation – 2008

[43] Partial data furnished by ZEO Wangoi, DCO Pedagogy Thoubal, ADOP SSA Sadar Hills and DPO SSA Chandel only

1.1.7.5 Coverage of Special Focus Groups

1.1.7.5.1 Out of School Children (OoSC)

As per norms[44], all OoSC should be admitted in an age-appropriate class and provided 'special training', preferably incorporating a component of life-skills training in residential education programme, to enable them to keep pace with other students.

As per record maintained at the SMA, OoSC were stated to be covered through EGS Centres, Residential/Non-Residential Special Training Centres, Residential/Non-Residential Bridge Course Centres and Madrasa/Maktab Centres. The number of children covered through these interventions in 2006-07 was 55,803 which declined to 17,239 by 2009-10 and again increased to 24,945 in 2010-11. Thus, the coverage of OoSC has declined by 55.30 *per cent* in 2010-11 as compared to 2006-07. This raises serious doubts on the quality and effectiveness of the interventions targeted at OoSCs.

The SMA (February 2011) stated that decline in coverage of OoSC over the years was due to mainstreaming of increasing number of children to formal schools. Since total enrolment in Government and Aided schools gradually declined from 2.49 lakh in 2006-07 to 2.31 lakh by 2010-11, the contention of SMA cannot be accepted.

1.1.7.5.2 Irregularities in Procurement for Special Focus Groups

During 2009-11, the SMA procured uniforms, school bags, school shoes, rain coats, stationery item *etc.*, worth ₹ 13.44 crore as incentives for targeted SC/ST children, girls, urban deprived children (UD), BPL children and Children with Special Needs (CWSN). By March 2011, the contractors were paid the full amount of ₹ 13.44 crore without deducting income tax at source as required under the agreement. The matter was reported to the Government (December 2011) and no reply was received (February 2012).

Irregularities noticed during scrutiny of the procurements are discussed in the following paragraphs:

(i) Excess procurement

As per DISE records 2010-11, the number of Girls and SC/ST children enrolled in schools was 1,99,458. There was no enrolment record in respect of BPL boys.

Against this, the SMA placed a supply order for 2,38,565 uniforms with a Siliguri based firm (March 2011) for ₹ 9.52 crore. This resulted in procurement of 39,107 uniforms worth ₹ 1.56 crore in excess of requirement. The SMA also flouted norms[45] as the procurement of school uniforms had to be decentralised at the SMC level.

Similarly, though only 4,492 CWSN were enrolled during 2010-11, exercise books (@ 14 number per students) and school bags were purchased for 7,816 CWSN. This resulted in excess procurement of 46,536[46] exercise books worth ₹ 9.54 lakh and 3,324 schools bags worth ₹ 6.91 lakh.

[44] Para 5.3.8 of Revised Framework of Implementation
[45] Para 2.5.6.1 of Revised Framework of Implementation
[46] (7816 – 4492) = 3324 x 14 = 46536

Further, though there were no records on enrolment of Urban Deprived children (UD), the SMA purchased 9,619 schools bags worth ₹ 19.84 lakh[47] during 2009-11 for this category. In absence of enrolment data, this is a clear case of procurement without need, thus resulting in wasteful expenditure to this extent.

Thus, the above stated procurements resulted in excess expenditure of ₹ 1.92 crore[48] during 2009-11. Procurement of material in excess of actual requirement also entailed possibility of pilferage, degradation of quality and leakage of resources.

The SMA (December 2011) stated that number of beneficiaries for school uniforms and urban deprived category was approved in the supplementary PAB, 2010-11 as BPL Boys and Urban Deprived children were entitled category under Inclusive Education based on enrolment of urban school as recorded by DISE. While Audit does not question the entitlement of BPL boys and Urban Deprived children, the objection is on the procurement of material for them when there was no record of the number of children enrolled under these two categories. Such action is fraught with the risk of leakage and misappropriation of funds in addition to causing wasteful expenditure.

(ii) Substandard material

The contract for supply of 150 sets of play/game materials (swing, steel slide and see-saw) was awarded (September 2010) to Bharat Swings and Slide Industry, Haryana for ₹ 1.05 crore. As per the contract document, steel slides should have total height of 6 feet, outer width of slide 17 inch, slope length of 14 feet and 6 numbers of steps. The full contract amount was paid (March 2011) after two days of delivery

However, during school visits, it was seen that the slides installed in various schools would at most be 4 to 4.5 feet high and the length of slope was also much shorter than the specified 14 feet as can be seen from the adjoining picture. On this being pointed out, the SMA claimed (December 2011) that full payment was made only after an inquiry team had examined and verified that all materials were as per specifications. This claim could not be sustained because during joint inspection (January 2012) of slides installed in three schools by officials of SSA and audit, height of the slides ranged from 4ft 11in to 5ft 10in while length of slope ranged from 8ft 2in to 10ft 11.5in which were much less than specifications. Details of finding during joint inspection are given at **Appendix-1.8.**

Thus, the SMA took delivery of 150 substandard slides costing ₹ 44.89 lakh[49] not only causing wasteful expenditure but also depriving the beneficiaries from the intended use of the material.

[47] 2000 school bags @ ₹ 200 + 7619 school bags @ ₹ 208 = ₹ 19,84,752
[48] Uniforms ₹ 1.56 crore + Ex Books ₹ 9.54 lakh + s/bags for CWSN ₹ 6.91 lakh + s/bags for UD ₹ 19.84 lakh = ₹ 1.92 crore
[49] 150 slides @ ₹ 29,925 = ₹ 44,88,750

(iii) Undue benefit to the contractor

School uniforms: As per contract agreement for supply of school uniforms (Para 1.1.7.5.2(i)), the contractor was to be paid only after uniforms supplied had been inspected and certified. Further, contractor's security deposit of ₹ 47.59 lakh was to be refunded only after receiving all uniforms as per the supply order.

Scrutiny of SMA records revealed that the firm was paid full value of the contract (₹ 9.52 crore) in March 2011. The contractor's security deposit was also refunded in March 2011, ostensibly on the supplier giving commitment that the full quantity of stitched school uniforms will be delivered within 31 March 2011. Copy of written commitment from the supplier was however not available in the file. However, as on date of audit (July 2011), school uniform sets worth ₹ 1.14 crore were yet to be delivered. Thus, the contractor was given undue benefit through premature payments at the expense of the scheme which also resulted in loss of interest income on ₹ 1.62 crore[50]. Further, as the full amount was already paid and SD was also refunded, the SMA had no scope of safeguarding the interest of the department if the contractor were to supply defective/substandard material.

The SMA (December 2011) while contesting that there was no loss of interest stated that cheques in respect of supply of school uniforms were prepared in March 2011for covering the committed liabilities. Final payment was made to the contractor in October 2011 after the goods were received and verified. The reply is not acceptable because all cheques drawn against the contract were encashed by June 22, 2011 as seen from the SMA's bank account statement.

Play/game material: Further, as per contract agreement for supply of play/game material (Para 1.1.7.5.2 (ii)), contractor's security deposit was to be released only after expiry of the warranty period, which extends for three months after delivery. However, scrutiny of records at the SMA revealed that the security deposit amounting to ₹ 5.24 lakh was refunded (March 2011) within a few days from the date of delivery though it was not due till June 2011. Thus, contactor was given undue benefit leaving the SMA without any scope for rectification of defects that could arise later on.

The SMA (December 2011) stated that security deposit in respect of play/game materials was refunded in March 2011 to avoid lapse of fund after an inquiry team examined and certified that the materials were as per specifications. The reply is not acceptable as the SMA had gone against the provision of the agreement. Moreover, there was no way the inquiry team could have foreseen that no defect would occur during the warranty period.

School uniforms & Play/game material: Scrutiny of delivery challans and stock register revealed that play/game materials from Haryana and school uniforms from Siliguri were received in Manipur on the same day[51] they were dispatched from these distant places. Thus, supply of play/game materials and school uniforms from these distant places was doubtful, raising the possibility that the materials was obtained locally to the advantage/benefit of the contractors.

[50] ₹ 1.14 crore + ₹ 47.59 lakh

[51] March 5, 25 & 28, 2011 for school uniforms and March 3, 2011 for play/game material

The SMA (December 2011) claimed that school uniforms and play/game materials were delivered in 7 to 15 days after their dispatch. This reply is not acceptable as documents produced during the course of audit clearly revealed that dates of dispatch and receipts were same.

(iv) Unaccounted stock

Exercise books: Test-check of SMA records revealed that 1,76,911 exercise books procured (March and December 2010) for ₹ 36.60 lakh[52] were not taken into the stock register. These were targeted for CWSNs and SC/ST children. However, scrutiny of stock register and incentive issue register revealed that 78,311 exercise books were issued as on date of audit (June 2011). This left 98,600 exercise books worth ₹ 20.71 lakh (@ ₹ 20.5) unaccounted. Further scrutiny of records of DPO, Ukhrul revealed that 12,000 exercise books worth ₹ 2 lakh were procured (March 2011) for girls education programme. Out of these, 2,379 exercise books were distributed which left a stock balance of 9,621, as on date of audit (September 2011). However only 1,600 exercise books were found on physical verification. This left 8,021 exercise books valued at ₹ 1.34 lakh[53] unaccounted. Thus, misappropriation of exercise book worth ₹ 22.05 lakh due to unaccounted stock cannot be ruled out. Further, this also deprived the intended beneficiaries of their incentive to attend school.

School bags: The SMA placed supply order for 25,374 school bags worth ₹ 50.75 lakh (March 2010) with Ken Bag Industries, Imphal for free distribution under SC/ST, girls education and urban deprived children. Though the supplier was paid the full amount (March 2010), material was not taken into stock register till the date of audit (June 2011) and hence remained unaccounted thereby depriving the beneficiaries from their intended use.

Non-accountal of material worth ₹ 72.80 lakh[54] for over seven months is a serious issue and indicative of lack of proper internal controls in the SMA. Such practice also leaves ample scope for misappropriation of funds and calls for investigation.

The SMA (December 2011) submitted a copy of the stock register stating that it could not be located during audit due to renovation of the State Project Office. However, scrutiny of the record submitted revealed that the number of exercise books issued (1,42,629) was more than number received (1,31,529). Similarly, against 96,522[55] school bags procured, the number issued was 1,06,958. Since there was no stock balance brought forward from previous year, veracity of the document could not be vouched in audit.

(v) Incentive for SC/ST did not reach intended beneficiaries

As per DISE records, the hill districts account for 92 *per cent* of the SC/ST enrolment while the valley districts account for the remaining 8 *per cent*.

Test-check of SMA records revealed that shoes and rain coats worth ₹ 43.84 lakh were procured (March 2010) for free distribution among SC/ST students.

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[52] 67,487 Nos. worth ₹ 14,17,227 in March 2010 for SC/ST Students and 1,09,424 Nos. worth ₹ 22,43,192 in December 2010 for CWSN.
[53] 8,021 X 16.67 = 1,33,710.07
[54] ₹ 22.05 lakh + ₹ 50.75 lakh
[55] M/S Ken Bags – 25,374 (March 2010) + M/S Sujata Sarkar – 71,148 (December 2010)

Till the date of audit (June 2011), 2,936 items were issued. Analysis of quantity issued revealed that 67 *per cent* went to the valley districts while the hills districts received only 33 *per cent.* Details are given in the table below.

Item	Procurement		Quantity issued			As % of Quantity issued		
	Quantity	Amount (₹ in lakh)	Hill	Valley	Total	Hill	Valley	Total
Shoe	5,374	21.31	594	1,131	1,725	34	66	100
Rain Coat	5,374	22.53	370	841	1,211	31	69	100
Total	**10,748**	**43.84**	**964**	**1,972**	**2,936**	**33**	**67**	**100**

Source: SMA records

Thus, issue of material was not proportionate with the enrolment of the targeted group thereby depriving genuine and deserving children from their entitled benefits.

The SMA (December 2011) stated that as per norms, ceiling for SC/ST intervention is ₹ 15 lakh per district irrespective of their population in the district and hence the question of issue of material in proportion to enrolment of SC/ST children in districts does not arise. Even going by the SMA's own contention, the hills (5 out of 9 nine districts) should get 55.56 *per cent* of the benefits under SC/ST intervention. As such, the reply of SMA is not acceptable.

(vi) Huge stock balance

As per norms[56], State Government and Local Authority are duty bound to remove all barriers that may prevent a child in the six to fourteen age group from pursuing and completing elementary education through provision of free textbooks, notebooks, other writing materials, stationary, uniforms, school bags, scholarships and transportation facilities. SSA is to reach out to girls, SC, ST and Muslim Minority communities, BPL children, urban deprived children, children affected by periodic migration, children living in remote and scattered habitations and children with special needs.

Test-check of SMA records revealed that school uniforms, rain coat, school shoes, exercise books and school bags worth ₹ 10.66 crore were procured during March 2010 and March 2011 for free distribution to various special focus groups[57]. Till September 2011, material worth ₹ 2.78 crore (26.08 *per cent)* was still lying in stock. Details of item wise quantity procured, issued and balance are given in **Appendix-1.9.**

Retaining such huge stock balance even after eighteen months of procurement defeats the very objective of the scheme and deprives the targeted beneficiaries of intended benefit. This also resulted in blockade of money and increased the risk of pilferage and degradation of quality of material.

The SMA (December 2011) stated that all the material had been distributed and submitted copy of the updated stock register. Scrutiny of the updated

[56] Section 2(3) and 5 Right of Children to Free and Compulsory Education Rules, 2010 read with Paras 1.4.1, 2.5.6, 2.6.1 and 3.1 of Revised Framework of Implementation of SSA

[57] Girls, SC/ST students, BPL boys, urban deprived children and CWSN/IED

stock register however revealed there was still stock balance worth at least ₹ 1.15 crore[58]. As such, the reply of SMA is not acceptable.

1.1.8 Mid Day Meal (MDM) Scheme

MDM was launched by the GoI on 15 August 1995 as a Centrally Sponsored Scheme for children of primary stage (Class I to V) in Government, Local Bodies and Government Aided Schools. The objectives of the scheme were to boost universalization of primary education, especially to the disadvantaged sections; and improve nutritional status of students of primary stage.

In Manipur, MDM was initially introduced in November 1995 covering only PS. Coverage was extended to all UPS with effect from February 1, 2009. MDM is currently being implemented in 2,968 schools[59]. The State has not extended MDM Scheme to Education Guarantee Centres (September 2011) which was required as per Government of India guidelines.

Under the scheme (MDM), Central Government was to bear the cost of foodgrains, actual cost incurred in transportation of foodgrains from nearest FCI godown to the PS subject to prescribed maximum ceiling, provide assistance to construct kitchen-cum-store as per rates approved from time to time, provide assistance for provisioning and replacement of kitchen devices and provide assistance for Management, Monitoring & Evaluation (MME). The cooking cost and honorarium to cooks cum helpers was to be shared in the ratio 9:1 between Centre and State.

Audit findings on implementation of MDM in the State are discussed in the following paragraphs:

1.1.8.1 Coverage of the Scheme

Scrutiny of records at the Directorate revealed that MDM was implemented for 60 days only in 2006-07 covering 2,02,889 students in 2,945 primary schools in the State. During 2007-11 implementation days ranged from 201 to 220 days per year. However, comparison of Directorate data with DISE data[60] of average instructional days, number of schools and total enrolment revealed excesses (+) and shortages (-) as shown in the table below:

Year	Coverage of MDM as per Department			Actuals as per DISE			Excess(+)/ Short(-) coverage		
	No of days	No of schools	No of students	Average Instruction days	No of schools	No of students	No of days	No of schools	No of students
2006-07	60	2,945	2,26,972	210	2,405	2,02,889	-150	540	24,083
2007-08	220	2,945	1,89,083	202	2,429	1,99,106	18	516	-10,023
2008-09	210	2,943	2,27,691	201	3,121	2,28,008	9	-178	-317
2009-10	205	3,042	2,25,718	198	3,107	2,39,072	7	-65	-13,354
2010-11	201	2,968	2,30,097	189	2,956	2,31,801	12	12	-1,704

Source: Department records and DISE

The above table indicates that there was a huge variation between Department and DISE data in the number of schools where MDM was implemented during

[58] Rain coats – ₹ 4.01 lakh; Uniforms – ₹ 89.50 lakh; School bags – ₹ 21.71 lakh; stock balance for Shoes & Exercise Books could not be ascertained.
[59] As seen from the sanction orders of conversion cost vide No 2/MDM(CC)/2010(5)-ED Dt. 09/11/2010
[60] DISE database is updated in September every year. Enrolment and number of schools as per DISE 2006-07 will be the statistics as of September 2006.

2006-11. For instance, as per DISE figure, the number of schools in 2006-07 was 2,405, while MDM was implemented in 2,945 schools as per Department. Further, the variation of DISE figures and department figures on the number of students enrolled ranged from (-) 317 to 24,083 during the period 2006-11.

The claim of implementing MDM for more than 200 days in a year during 2007-11 could not be substantiated as MDM was not served on all instructional days[61] in the schools visited by audit team as enumerated below:

- Six schools[62] were closed on the date of visit while two schools[63] failed to produce their records despite requisition of records.
- Other schools reported that they had not served MDM for periods ranging from a week to months.

Details of audit findings are given in **Appendix-1.10.** Some extreme irregularities in serving MDM as reported by Headmasters of Ukhrul District are given at **Appendix-1.10 A.**

Thus, the actual coverage at school level was factually far short of what was claimed in the departmental records and hence huge leakage of funds and foodgrains cannot be ruled out.

The Department (January 2012) stated that the scheme was implemented as per enrolment strength and number of days approved by PAB of MDM. The reply is not acceptable as implementation has to be based on ground reality whereas PAB's approvals for a particular financial year were based on data pertaining to previous year.

1.1.8.2 Inordinate delays in allocation of foodgrains and release of fund

1.1.8.2.1 Release/allocation of foodgrains

As per norms[64], GoI was to allocate/release foodgrains in two instalments; one in February and the second one in August of each year. Thereafter, the Department was to make district-wise sub-allocation based on the number of children and approved number of working days. Foodgrains can be lifted by the District administration from the Food Corporation of India (FCI) godown from the 1st day of the month preceding the allocation quarter and up to 25th of the last month of the allocation quarter.

Test-check of records at Director of Education(S) (Directorate) revealed inordinate delays at various levels in allocation of foodgrains. While GoI delayed allocation of foodgrains by as much as 187 days, the Department took as much as 148 days to further sub allocate to the districts, resulting in cumulative delay by as much as 207 days.

1.1.8.2.2 Release of fund

As per norms[65], GoI was required to release in April/May each year the first instalment of Central assistance towards cooking/conversion cost not

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[61] The average instructional days as per DISE ranged from 189 in 2010-11 to 210 in 2006-07
[62] Nachou Mamang Aided L.P.S, Ngaikhong Khunou Aided Jr HS & Waroiching PS in Bishnupur Dist; Challou P/S & Abushidik Jr. HS in Imphal East Dist; Luiyainaotang S.V in Ukhrul Dist.
[63] Phange Aided PS and Ningthi Junior High School of Ukhrul Dist
[64] MHRD No F.1-15/2009-Desk(MDM) dated 14 January 2010
[65] Para 5.1(9) of MDM Guidelines

exceeding 20 *per cent* of the previous year's release. The second instalment was to be released in September/October each year based on progress of expenditure incurred out of the first instalment released.

Audit analysed records of the Directorate pertaining to release of fund by GoI, release of Central fund by GoM to the Department and release of cooking cost to the districts[66]. It was noticed that there were delays at each stage ranging from 19 days to 750 days.

Specific instances of delay in receipt of fund at school level were noticed on scrutiny of e-transfer records. The cooking cost meant for October to December 2009 amounting to ₹ 5.97 crore was e-transferred to School Management and Development Committee (SMDC) bank accounts in September 2010 by the Directorate. Similarly, cooking cost meant for July–September 2010 amounting to ₹ 5.86 crore was e-transferred to SMDC bank accounts in March 2011.

The success of MDM scheme is dependent to a great extent on adequate and timely availability of both foodgrains and fund. In view of the above stated delays, effective implementation of the scheme in the State was doubtful.

The Department (January 2012) accepted the delays highlighted by audit and stated that the issue is being addressed for rectification.

1.1.8.3 Excess reporting of utilisation of foodgrains

As per norms[67], the foodgrains entitlement per child per day at primary level and upper primary level were 100 grams and 150 grams respectively. As per DISE record, total enrolment in Government and Aided schools during 2010-11 was 2,31,801 (1,89,866 in Primary and 41,935 in the Upper Primary). The average instructional days in the State during the year as recorded by DISE was 189 days. Based on the above stated norms, enrolment and instructional days, audit worked out the probable requirement of foodgrains for 2010-11 as 4,791.36 MT (**Appendix-1.11**) assuming 100 *per cent* attendance and serving of MDM on all instructional days.

Test-check of records at the Directorate revealed that Utilization Certificate for 4,720.60 MT of foodgrains was submitted to GoI for 2010-11. The quantity reported as utilized is 98.52 *per cent* of the requirement calculated above. In other words, it implies that the department actually claimed that MDM was served on all instructional days wherein attendance was 98.52 *per cent*.

However, ground realities of actual feeding days (as stated in Para 1.1.8.1) and attendance in the schools visited by the audit team tell a different story altogether. Attendance was nil in four[68] of the schools visited while 43 schools (69 *per cent* of the remaining schools) had less than 70 *per cent* attendance.

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[66] ₹ 43.61 crore in 27 orders, ₹ 24.69 crore in 13 orders and ₹ 66.35 crore in 16 orders respectively for the different categories.

[67] Para 1.4 of mid – day meal Guidelines 2006 & MHRD order No F. 1(1)/2007/Desk(mid – day meal) Dt. 27/09/2007

[68] Hatha PS and Hoomi Jr HS in Ukhrul Dist; Phoijing PS and Leimapokpam Mayai PS in Imphal East Dist; one lone student was present at Bishnupur Chingning (Muslim) LPS in Bishnupur Dist.

The average attendance for schools visited was only 56 *per cent*[69]. Details are shown in **Appendix-1.12.**

In view of the above, the Department's claim of quantity of foodgrains utilized appears to be highly inflated. Therefore, the possibility of misappropriation of foodgrains cannot be ruled out.

While accepting (January 2012) audit's contention that claiming near 100 *per cent* attendance in not justified, the Department stated (February 2012) that Interactive Voice Response System (IVRS) for monitoring attendance of students on daily basis will be introduced shortly in order to decrease wastage in the scheme.

1.1.8.4 Lifting of foodgrains in excess of requirement and norms

As per norms[70], lifting of foodgrains equivalent to one month's requirement as buffer stock to meet unforeseen exigencies was allowed in addition to normal requirement of foodgrains. The buffer stock entitlement for 2010-11 was 399.28 MT calculated on the maximum requirement of 4,791.36 MT as stated in Para 1.1.8.3. Thus, maximum permissible quantity of foodgrains during 2010-11 inclusive of quantity for buffer stock was 5,190.64 MT.

Test-check of records at the Directorate revealed that 6,351.76 MT of foodgrains was lifted during 2010-11 for normal requirement. This was more than the maximum permissible quantity foodgrains during 2010-11 inclusive of quantity for buffer stock. Inspite of this, additional 1,538.48 MT of foodgrains was lifted for buffer stock raising the total foodgrains lifted to 7,890.24 MT (**Appendix-1.11)**. Thus 2,699.60 MT of foodgrains valued at ₹ 1.53 crore at FCI's issue rate of ₹ 5,650/MT was lifted in excess of quantity permissible as shown in the table below.

69

Sl. No.	District	No of schools	Enrolment	Attendance	% attendance
1	Bishnupur	22	1,565	824	53
2	Imphal East	21	2,630	1,292	49
3	Ukhrul	23	1,946	1,336	69
	Total/Average	66	6,141	3,452	56

70 Para 3.3(iv) of MDM Guidelines

Excess Lifting of foodgrains *(All quantity in MT)*

Particular	Quantity required as per norms	Quantity lifted	Excess lifted	Percentage Excess
Normal requirement	4,791.36	6,351.76	1,560.40	33
For buffer stock	399.28 #	1,538.48	1,139.20	285
Total	**5,190.64**	**7,890.24**	**2,699.60**	**52**
# 4,791.36 MT divided by 12				

Source: Food Corporation of India foodgrains bills and audit analysis

Lifting of foodgrains far in excess (52 *per cent)* of what was required resulted in blockage of public money to the tune on ₹ 1.53 crore. Besides, the possibilities of misappropriation, pilferage and wastage were also high, especially when the system of accounting of foodgrains is weak as shown in following Para.

The Department (January 2012) stated that buffer stock at levels more than one month's requirement was maintained at districts to avoid interruption in implementation of the program owing to transportation bottlenecks and frequent bandh and blockade on national highways. All unspent balances were carried forward to next immediate quarter and any sort of lapses would be closely monitored. The reply is not acceptable as most districts reported nil balance at the end of first quarter of 2011-12 inspite of lifting their requirement of foodgrains for the first quarter of 2011-12.

1.1.8.5 Excess payment on foodgrains transportation

As per norms[71], the actual cost incurred in transportation of foodgrains from nearest FCI godown to the school will be reimbursed by GoI subject to ceiling of ₹ 100 per quintal w.e.f. 16 June 2006. In September 2007, the ceiling was raised to ₹ 125 per quintal. In November 2009, GoM fixed new rates for different districts ranging from ₹ 72 per quintal to ₹ 250 per quintal to be effective from April 2009. Thereafter, GoI directed that transportation assistance from December 2009 would be admissible at the rate prevalent under the Public Distribution System (PDS) in the State in place of flat rate.

Test-check of records at the Directorate revealed that an amount ₹ 1.91 crore was paid for transportation of 16,707.757 MT of foodgrains during 2006-10 according to maximum ceiling stated above (**Table–A & B of Appendix-1.13)** without restricting the same to the actual cost incurred**.** The rate at which transportation cost was paid is applicable only when foodgrains was lifted from FCI godown and delivered at schools. Details of transportation cost paid for foodgrains lifted during 2010-11 though called for was not furnished.

During test-check of records at district level, it was seen that foodgrains was first lifted from FCI godown to the MDM godown maintained by the respective ZEOs. Further, headmasters of the schools visited by Audit[72] (**Appendix-1.10)** in the three sampled districts stated that they make their own arrangements to lift MDM foodgrains from the godown maintained by the respective ZEOs. In view of these, the expenditure incurred as transportation cost of foodgrains was not justified.

[71] As per Para 2.3 of the mid – day meal Guidelines 2006; MHRD orders/letters dt. 27/09/2007 & 24/11/2009; State Government OM dt. 11/11/2009

[72] Visited 53 schools and called for records from another 13 schools

Based on quantity of foodgrains lifted by each district during 2006-10[73] and the distance between each Zonal MDM godown and the nearest FCI godown as recorded by the Department, audit worked out the admissible cost of transportation of foodgrains between FCI godown and the Zonal godown. Thus, benchmarking on PDS rate prevailing in February 2011[74], the admissible cost for transporting foodgrains worked out to ₹ 30.55 lakh only. Even if the transportation cost was paid at FCI's contract rate of ₹ 6.82/MT/Km prevailing as on February 2011, admissible transportation cost should have been only ₹ 52.79 lakh. Thus, there was an excess payment of not less than ₹ 1.39 crore[75] on transportation of foodgrains. Details of calculation are shown in **Table–C of Appendix-1.13.**

The Department (January 2012) stated that steps would be initiated to ensure delivery to schools in coordination with the concerned Deputy Commissioners as they have been entrusted with lifting of foodgrains under the scheme from 2009-10 onwards. The reply is silent about the huge leakage of public fund which severely hampered the scheme implementation as some headmasters had to resort to selling part of their allotted foodgrains to meet the cost of transportation.

1.1.8.6 Suspected misappropriation of foodgrains

As already stated at Para 1.1.8.4, more than sufficient foodgrains for buffer stock was lifted during 2010-11. It was also seen from records of the Directorate that foodgrains for first quarter of 2011-12 was also lifted as on date of audit (July 2011). Thus at the end of first quarter of 2011-12, foodgrains stock equivalent to the buffer stock should have been available as balance. However, scrutiny of records at the Directorate and districts revealed huge quantity of unaccounted foodgrains as discussed in the following paragraphs:

1.1.8.6.1 Unaccounted foodgrains in Ukhrul: Test-check of records of the ZEO Ukhrul revealed that 849.165 MT of foodgrains was lifted from FCI, Ukhrul during April 2010 to June 2011. Foodgrains allocated for July-September 2011 was yet to be lifted. This was distributed between the ZEO and the Autonomous District Council (ADC) based on the enrolment as recorded by DISE in the schools under their respective administrative control. Out of their share of foodgrains, the ADC, Ukhrul had issued 231.884 MT of foodgrains to 159 schools[76] under their administrative control between April 1, 2010 to September 18, 2011. Further, audit calculated[77] that approximately 389.408 MT of foodgrains was issued to 120 schools[78] under the administrative control of ZEO Ukhrul during the same period. Thus there should have been balance stock of 227.873 MT (849.165 MT-231.884 MT-389.408 MT). However, on joint verification with the concerned officers, the

[73] Total quantity lifted by all districts together was 16,799.330 MT

[74] ₹ 0.37/Qtl/Km for Valley Districts and ₹ 0.40/Qtl/Km for Hill Districts

[75] At PDS rate, excess would be ₹ 1.61 crore

[76] During the period, foodgrains was not issued to three schools.

[77] Distribution Register maintained by ZEO Ukhrul recorded only signature of the concerned Headmaster without recording the quantity issued. Audit worked out this quantity based on enrolment data of DISE and number of working days recorded in the Distribution Register maintained by the ADC, Ukhrul.

[78] During the period, foodgrains was not issued to 15 schools which had total enrolment of 680 students. Reason for not issuing foodgrains to these schools was not found on record.

actual foodgrains stock was found to be only 68.40 MT[79] as on date of audit (September 2011). Therefore, 159.473 MT (227.873 MT-68.40 MT) of foodgrains lifted for implementing MDM in Ukhrul District could not be accounted for.

1.1.8.6.2 Unaccounted foodgrains in Bishnupur: Test-check of records of ZEO Zone–IV, Bishnupur revealed that against 580.685 MT of foodgrains lifted from the period April 2010 to June 2011, only 502.657 MT was reported as utilised as of June 2011. As such, there should be 78.028 MT (580.685 MT-502.657 MT) in stock as on June 2011. However, stock balance as per the UC for the quarter ending June 2011 was nil. The ZEO confirmed this stating that they do not have any foodgrains stock as they were yet to lift the allotment for the second quarter of 2011-12. Thus, 78.028 MT of foodgrains could not be accounted for.

1.1.8.6.3 Unaccounted foodgrains in other districts: Further, test-check of records at the Directorate revealed that the remaining seven districts[80] had reported utilization of 2,887.393 MT during October 2010 to June 2011 out of 4,249.656 MT lifted by them during the period. Thus, there should be stock balance of 1,362.263 MT. However, the stock balance reported in the UCs was only 798.170 MT leaving 564.093 MT (1,362.263 MT-798.170 MT) of foodgrains unaccounted.

1.1.8.6.4 Foodgrains left with contractor: Test-check of records of the ZEO Zone–II, Imphal East revealed that M/S Jai Hanuman Carrier (contractor) was authorized by the Deputy Commissioner of the district to transport MDM foodgrains from FCI godown to the beneficiary schools. The contract agreement forbids the contractor from transhipment or offloading midway from the loading point to the stores identified by the department without prior permission and approval of the Deputy Commissioner. However, it was seen that 142.802 MT of foodgrains for July to December 2009 was kept in the contractor’s godown based on an undertaking signed (September & October 2009) between the contractor and an official of the Zonal Office. Neither approval of higher authority for this arrangement was obtained nor there were records to prove that it was eventually given to the schools could be shown to audit.

Thus, altogether whereabouts of 944.396 MT[81] of foodgrains valued at ₹ 53.36 lakh[82] could not be vouched. This situation is fraught with the risk of pilferage of unaccounted stock of foodgrains and/or misappropriation of funds reported to be spent on procurement.

The Department (January 2012) did not give specific reply to audit observation on suspected misappropriation of foodgrains as highlighted above.

1.1.8.7 Excess claim on utilisation of foodgrains and fund

Schools in valley districts were affected to a great extend due to widespread agitation launched by some Civil Society Organizations along with student bodies in the State from September 2009 to December 2009. Attendance in

[79] 58.60 MT in the ZEO godown + 9.800 MT in the ADC godown
[80] Imphal East, Imphal West, Thoubal, Churachandpur, Chandel, Senapati and Tamenglong
[81] 159.473 MT + 78.028 MT + 564.093 MT + 142.802
[82] 944.396 MT @ ₹ 5650/MT = ₹ 53,35,837

valley districts during these turmoil days was virtually nil on account of mass boycott of classes. For implementing MDM during this period, the four valley districts had lifted 914.311 MT of foodgrains valued at ₹ 51.66 lakh and had received fund for cooking/conversion cost amounting to ₹ 2.61 crore as shown in **Table–A & B of Appendix–1.14.**

Test-check of records at the Directorate and ZEOs of Imphal East and Bishnupur revealed that the above stated quantity of foodgrains and fund were reported to have been utilized. It was also seen that the Directorate had asked (March 2010) the concerned officers of the valley districts to justify their claim of fully utilizing foodgrains when by their own admission attendance during the period was "quite nominal". Directorate's reservation on full utilization was corroborated by what audit saw during field visits. Audit saw that even under normal circumstances, MDM was not served on all working days as highlighted in this report. Even in normal times, average attendance in Imphal East and Bishnupur districts was only 50 *per cent* (**Table–C of Appendix–1.14)**. Thus, during these days of turmoil implementation of MDM would have been severely affected and full utilization of foodgrains and fund as claimed was not possible.

In response to the Directorate's call for explanation, the ZEO Imphal East claimed that foodgrains and fund meant for September to December 2009 were utilized in January and February 2010. Response from other ZEOs was not available on record. Even the claim of ZEO Imphal East was not sustainable as foodgrains and fund meant for 80 implementation days[83] during September 2009 to December 2009 cannot be consumed in 59 days (counting Sundays and holidays) available in January and February 2010. In view of the circumstances, leakage of MDM foodgrains and misappropriation of funds meant for September to December 2009 cannot be ruled out.

The matter was reported to the Government in December 2011 and proper reply has not been received (February 2012).

1.1.8.8 Irregularities in transfer of cooking/conversion cost to schools

Under MDM, funds to meet cooking/conversion cost for serving cooked food to children has to be released to schools as per their enrolment at the rates fixed by GoI from time to time.

Test-check of records of the Directorate revealed that cheque for ₹ 5.86 crore meant for cooking/conversion cost for July–September 2010 was given (February 2011) to United Bank of India (UBI), Imphal with advice/instruction that the amount be e-transferred to the SMDC Accounts of 2970 schools in nine districts of the state. The whole amount was debited (March 2011) from the department's account. An analysis of e-transfer record of 2320 schools[84] (78 *per cent*) revealed the following:

- In the advice/schedule, bank account number to which fund was to be transferred was not given in respect of 106 schools which were entitled to receive an amount of ₹ 17.13 lakh. Hence this amount remains unaccounted for as actual receipt of fund by these schools is doubtful.

[83] Foodgrains and funds sanctioned/released at the rate of 20 implementation days per month.
[84] 650 schools under ZEO Thoubal (225), ZEO Ukhrul (280) and ZEO Wangoi (145) were left out.

- Eight schools with nil enrolment as per DISE database for 2010-11 received an amount of ₹ 0.97 lakh while ₹ 32.27 lakh was transferred to 139 schools not listed in DISE.
- An amount of ₹ 4.54 lakh was transferred to 36 abolished schools of Bishnupur District.
- In 810 schools, the number of students claimed in the e-transfer advice was more than the DISE 2010-11 enrolments by 24,557 students leading to excess transfer of ₹ 39.40 lakh.
- Though 260 schools in Tamenglong district were entitled to ₹ 55.87 lakh, only ₹ 52.53 lakh was e-transferred to 243 schools leaving ₹ 3.43 lakh[85] unaccounted.
- Further, the following irregularities were noticed in the release of fund for cooking/conversion cost in respect of Tamenglong District:
    - Fund received by 103 schools exceeded their entitlement by ₹ 8.01 lakh while the amount received by 94 schools was less than their entitlement by ₹ 8.99 lakh.
    - 33 schools did not receive their entitled fund of ₹ 5.92 lakh while 16 schools[86] received ₹ 3.47 lakh even though no amount was allocated to them.

From the above, it is seen that ₹ 20.56 lakh (₹ 17.13 lakh + ₹ 3.43 lakh) remained unaccounted and misappropriation of ₹ 50.37 lakh (₹ 0.97 lakh + ₹ 32.27 lakh + ₹ 17.13 lakh) could not be ruled out.

The Department (January 2012) stated that bank authority had issued cheque directly to the SMDCs for whom account number was not available. Fund was not released for schools having nil enrolment. Contention of the department that fund was not released for those schools having nil enrolment is not true as the names of the schools were clearly shown in the bank advice/schedule. Further, claim of bank issuing cheques to SMDCs could not be substantiated with documentary evidence.

1.1.8.9 Undue benefit in Kitchen-cum-Stores construction (KCS)

Kitchen-cum-store (KCS) is an integral part of MDM scheme. As per norms[87], GoI was to provide assistance up to a maximum of ₹ 60,000 per unit. In December 2009, GoI revised the norms[88] and prescribe 20 square meter plinth area for construction of KCS in schools having up to 100 children with provision for additional area for additional children. Cost for construction was to be regulated as per prevailing schedule of rates of the State.

1.1.8.9.1 Undue benefit: Test-check of records at the Directorate revealed that in 2006-07, GoI approved construction of KCS for 1174 schools and released ₹ 7.04 crore in 2008-09. The work was awarded (March 2010) to National

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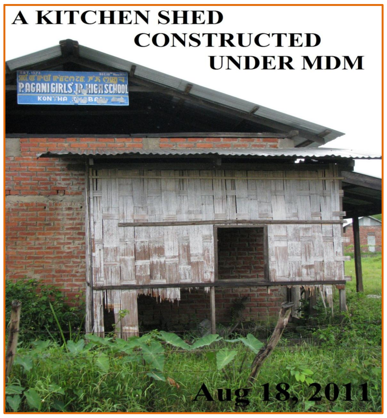
[85] ₹55,96,698 - ₹ 52,53,584 = ₹ 3,43,114

[86] Though these schools did not feature in the sheet for calculation of entitlement, their names featured in the bank advice/schedule and vice-versa for the 33 schools

[87] Para 2.3(v) of MDM Guideline

[88] F.No. 1-1/2009-Desk (MDM) dt. 31/12/2009 of MDM Division, Department of School Education & Literacy, MHRD

Mission on Bamboo Applications (NMBA) with target date of completion as March 2011. The entire amount was paid to NMBA lump sum in May 2010. As of June 2011, only 50 KCS valued at ₹ 30 lakh had been constructed leaving a balance of 1124 KCS valued at ₹ 6.74 crore incomplete even three months after the target date. Thus, NMBA was given undue benefit to the extent of ₹ 29.02 lakh[89], being the bank interest that could have been earned by the Department.



Schools visited by the audit team were found to fend for themselves for a place to cook MDM. Out of 66 schools visited **(Appendix-1.10)**, 22 schools were without Kitchen Sheds and meal was cooked at Cook's residences[90] or in classrooms of the Schools[91]. In the case of Bishnupur Kha Santipur (A) L.P, a classroom was utilised as a Kitchen Shed. Thus, denying KCS to such large number of schools had adverse impact on efficient implementation of the scheme.

The Department (January 2012) stated that the full advance was paid as per MoU signed between GoI and GoM. Construction of KCSs was delayed as pre-fabricated bamboo walls had to be transported from Thiruvananthapuram through trouble prone National Highways (NH). However, since the NMBA was paid full amount upfront, delay of almost one year beyond target date was not justified. Moreover, the MoU gave an undue advantage to NMBA as it was devoid of any penalty clause for delay and states that cost overrun, if any, was to be borne by the department.

1.1.8.9.2 Other irregularities: Test-check of DISE records revealed that as of September 2010, there were only 2,957 Government and aided schools in the State. Since KCS for 1,174 schools were already sanctioned during 2006-07 as stated above, the number of schools yet to be covered as of September 2010 was only 1,783 (2,957–1,174).

However, test-check of records at the Directorate revealed that based on GoM's proposal (January 2011) as per revised norms *ibid*, GoI approved ₹ 40.82 crore for construction of 1,879 units of KCS and released (March 2011) ₹ 35.79 crore. Thus, GoM had proposed 96 KCS (1,879–1,783) valued at ₹ 2.09 crore[92] is excess of actual requirement.

The Department (January 2012) stated that number of schools has reduced because of amalgamation and abolition exercise taken up by GoM and the same was adjusted after duly reporting to GoI wherever necessary. This contention was not acceptable because the exercise of amalgamation and abolition of schools[93] was already completed in June 2010 much before the fresh proposals were sent in January 2011. Hence, the Department was fully aware of the exact number of schools that were functioning.

[89] Interest on ₹ 7,04,40,000 for 400 days + interest on ₹ 6,74,40,000 for 31 days @ 3.5 *per cent per annum*
[90] Khoijuman (A) Jr. H/S, Kangla Ukok P/S
[91] Phoijing P/S, Andro Mahengdong PS, P. Agni Girls Jr. H/S
[92] Calculated pro-rata on cost for 1879 KCS
[93] Amalgamation/abolition of 192 school was done vide Govt. orders dated 27 January 2009, 21 April 2010 and 01 June 2010.

1.1.8.10 Un-accounted kitchen devices

As per norms[94], GoI was to provide assistance in a phased manner for provisioning and replacement of kitchen devices (KDs) at an average cost of ₹ 5,000 per school. On the basis of the actual requirements of the school expenditure can be incurred on (a) Cooking devices (Stove, Chulha *etc*.), (b) Containers for storage of food grains and other ingredients and (c) Utensils for cooking and serving.

Test-check of records at the Directorate revealed that GoI approved ₹ 72.85 lakh during 2006-07 for providing KDs to 1457 Primary and Upper Primary schools. The contract was awarded (February 2009) to M/S Arun Multi Agency, Imphal (agency) for supply of Water Container-(01 number); 34 Ltrs Water Filter (Brand Aqua Pure)-(01 number) and Stainless Steel Meal Plate-(10 numbers) to each school. The agency was paid ₹ 54.60 lakh[95] up to May 2010. However, APRs for ₹ 52.85 lakh[96] were furnished for only 1057 schools. Thus, material worth ₹ 1.75 lakh remained unaccounted as on date of audit, though more than one year has passed since payment was made. Further, the water filters seen in the schools visited were not of the specified brand. As such, the agency was given undue benefit at the cost of the scheme.

The Department (January 2012) stated that payment was made based on APRs and photograph submitted by the agency. This, however, does not explain the whereabouts of the unaccounted KDs.

1.1. 9 Conclusion

SSA in the state was being implemented without grassroot base line data; and as such the implementing framework of the programme was inherently weak. The programme also suffered due to short release and delay in release of funds, diversion of funds and irregularities in maintenance of bank accounts. At school level, there were wide aberrations in Pupil Teacher Ratio, as teachers were deployed in some schools with no enrolment and no teachers deployed in some schools with students. Delays in distribution of books and irregularities in supply in material meant that students would be at a disadvantage. Despite a trend of low attendance, foodgrains consumption for *cent per cent* attendance was reported in MDM scheme. There were irregularities in e-transferring of funds and the scheme was being implemented without proper kitchen-cum-stores in unhygienic conditions.

1.1.10 Recommendations

- Household survey and its regular updating, being the prime requirement for proper planning, needs to be taken up with utmost seriousness.
- Flow of funds and foodgrains under MDM should be managed as per schedule prescribed so that the benefits reach the targeted group as intended by the scheme in a regular time-bound manner and with all transparency.

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[94] Para 2.3(vi) of MDM Guideline

[95] ₹ 15.00 lakh vide cheque No 934345 Dated. 19/10/09 + ₹ 20.35 lakh vide 930949 Dated. 04/08/10 + ₹ 19.25 lakh vide cheque No 954459 Dated. 13/05/10

[96] 1057 @ ₹ 5,000 per school

- Specific mechanisms and strict timelines may be evolved to ensure timely supply of free text books and other benefits admissible to students under SSA.
- Weaknesses in contract management and loopholes in the contract clauses may be properly addressed to ensure efficient, effective and economic implementation so that intended benefits could be achieved.
- Deployment of teachers needs to be streamlined immediately and closely monitored to ensure uniform pupil teacher ratio across all schools as per stipulated norms.
- It is necessary to ensure financial discipline and accountability through strong internal control and monitoring and corrective mechanisms so as to achieve scheme objectives in more effective, economic and efficient manner.

CHAPTERF-II
AUDIT OF TRANSACTIONS (CIVIL)

Fraud/misappropriation/embezzlement/losses

MINORITIES AND OTHER BACKWARD CLASSES DEPARTMENT

2.1 Loss to the Government

Irregularities in tender processing by ignoring the lowest bidder, non-maintenance of transparency and lack of strict economy led to a loss of ₹ 14.80 lakh.

As per Rule 21 of the General Financial Rules, 2005, every officer should enforce financial order and strict economy and exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. To eliminate arbitrariness in procurement process, clause (xiv) of Rule 160 of the Rules *ibid* stipulates that contract shall ordinarily be awarded to the lowest bidder whose bid has been found to be responsive and who is eligible as per bidding documents.

Test-check of the records (January 2011) of Minorities and Other Backward Classes Department revealed that the Work Advisory Board of the Department approved (June 2009) an expenditure of ₹ 1.87 crore for purchase of 585 Irrigation Pumps on a tentative basis. Accordingly, the Directorate called (October 2009) for a limited tender from five suppliers, calling only for rate quotation for supply of 5 H.P Diesel Engine Irrigation Pump set. However, no specifications in terms of type, quantity *etc*. of pumps were mentioned in the tender notice. As per Rule 150 of the Rules *ibid*, procurement of goods of value of ₹ 25 lakh and above should be made through open tender and not through limited tender as was done by the Directorate. No reasons for deviating from this procedure were available on record. Further, such notice also needed to be advertised *inter alia* on the website of the organisation, which was not also done.

Out of the four suppliers who responded to the tender, the rate quoted by M/s Rajesh Associates for "Usha" brand pumps was the lowest one (L–1) at ₹ 30,617 per pump sets while that of M/s United Machinery Corporation for "Satyajeet" brand was the second lowest (L–2) at ₹ 33,250 per pump sets. However, instead of considering L–1, the Directorate decided (February 2010) to place supply order for 562 pumps to L–2 on the ground that L–1 had not mentioned the name of the model under the Usha brand in his quote. The Department stated (August 2011) that L–1 was contacted over phone for clarification. However, no response was obtained. However, no documentary evidence was shown to Audit to substantiate such claims. Therefore, in the absence of appropriate documentation in the file, it could not be ascertained as to why L–1 was not considered.

As per the NIT, there was no such requirement of quoting the model of the brand, the ground on which the Department preferred L–2 over L–1. As such, the decision to place orders on L–2 was taken on flimsy ground and without following the established codal procedure. The selection process also indicates that the exercise was devoid of strict vigilance and economy. M/s United Machinery Corporation supplied (March 2010) all 562 pumps and total amount of ₹ 1.87 crore was paid (March 2010) to the firm.

Thus, there were many irregularities in the tendering processing, *viz.* opting for a limited in place of open tender, not placing the tender on the Department's website, and preferring L–2 over L–1 without any justification. These irregularities in the tender process led to extra expenditure amounting to ₹ 14.80 lakh {(₹ 33,250–₹ 30617)x562} and consequent loss to the Government to that extent.

The matter was referred to Government (July 2011), the reply has not been received (March 2012).

Violation of contractual obligations, undue benefit to contractors, unavoidable/ unfruitful expenditure etc.

IRRIGATION AND FLOOD CONTROL DEPARTMENT

2.2 Loss to the Government

Due to erroneous calculation of rate for piling 8280 RM of 50 cm diameter bore pile on higher side, the Government suffered loss of ₹ 2.69 crore.

Test-check of records (January 2011) of the Flood Control and Drainage Division No. I (FCD-1) revealed that the Department awarded (June to October 2009) 23 numbers of work orders for protection from erosion of banks of the Iril River (from 0 km to 30 km) valued at ₹ 4.73 crore to 13 contractors. As per the work order, the work was awarded at eight *per cent* the above the schedule rates and was to be completed within 4 to 10 months. The works were based on Manipur Schedule of Rates (MSR), 2008 and included six items of work, including piling of 50 cm diameter RCC bore-piles of M–20 grade. Altogether 552 piles were to be bored, each for a depth of 15 meter (nearly 50 feet deep for each pile), *i.e.* altogether 8280 Running Meter (RM) of piling. As on March 2010, 90 to 99 *per cent* of the work had been completed. Further progress of work has not been intimated (February 2012) though called for.

The rate payable for piling of bore-pile of 50 cm diameter was not prescribed in the MSR. However, the Schedule prescribed a rate of ₹ 2049.40 per RM for piling a pile of 55 cm diameter. As such, the rate of piling 50 cm diameter pile could have been worked proportionately on the basis of 55 cm diameter pile as the justified rate vis-à-vis the MSR. The Department, however, arrived at rate of ₹ 4825.38 per RM including carriage charge[1] for piling of 50 cm diameter pile, instead of adopting an admissible rate of ₹ 1814.31[2] per RM including carriage charge. Accordingly, after allowing eight *per cent* above scheduled rates, the rate for piling was awarded at ₹ 5211.41 per RM instead of ₹ 1959.45 per RM. No justification for adoption of this higher rate of the piling work was recorded in the departmental records. During discussion, the Department stated (January 2011) that the rates awarded to the contractor would be reviewed and if found higher, appropriate recovery would be made. However, as of February 2012, no recovery has been intimated to audit.

Thus, due to erroneous calculation of rate of piling 8280 RM of 50 cm diameter piles on a higher side, the contractors were extended undue benefit of ₹ 2.69[3] crore, resulting in loss to the Government.

The matter was referred (June 2011) to the Government, the reply has not been received (February 2012).

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.3 Undue benefit to the contractor

Award of works at higher rates ignoring the prevailing schedule of rates resulted in undue financial benefit of ₹ 26 lakh to the contractor.

According to Para 4.31 of Central Public Works Department (CPWD) Manual Vol-II, estimates of work should be prepared on the basis of the rates prevailing in each station. Further, Para 20.10.10 of the Manual *ibid* provides that where high rates tenders are accepted, the authority accepting such tenders should satisfy themselves about their reasonableness taking into consideration the schedule rate plus increase in cost index and should be in a position to justify the rates at which work is awarded.

Test-check (November/December 2010) of records of the Public Health Engineering Division, Thoubal revealed that the Government accorded (July 2008) administrative approval for the work "Improvement of Salungpham Water Supply Scheme" (SH-Expansion and Deepening of the presettling tanks). The work was awarded (August 2008) to M/s I.B. Construction,

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[1] Carriage charge is ₹ 120.59 per meter

[2] As per MSR, cost of piles are proportionate to volume.

Volume of a pile = π x $(d/2)^2$ x h {where π = 3.14; d = diameter and h = length/depth}

Ratio of volumes of 50 cm diameter bore pile to 55 cm diameter pile of 1 RM i.e 100 cm

= {3.14 x (50x50)/4 x 100 }:{3.14 x (55 x 55)/4 x 100}

= 1: 1.21

Thus, proportionately, rate for 1 RM of 50 cm diameter pile = {Rate 1 RM of 55 cm diameter pile ÷4} *plus* ₹ 120.59 as carriage charge

={₹ 2049.40 ÷1.21} *plus* ₹ 120.59

= ₹ 1814.31

[3] {₹5211.41 (i.e ₹ 4825.38 *plus* 8 *per cent*, as per Agreement) *minus* ₹ 1959.45 (i.e ₹ 1814.31 *plus* 8 *per cent*)} multiplied by 8280 RM =₹ 2.69 crore

Imphal at ₹ 1.39 crore which was 34 *per cent* above the estimated cost of ₹ 1.04 crore. The estimates of the work were framed on MSR-2006.

However, at the time of award of the work, MSR-2006 had already been revised (March 2008) to MSR 2008. Had the estimate been framed based on the new MSR, the estimated cost of the work would have been ₹ 1.07 crore only. During this intervening period of five months (March to August 2008) the rise in cost index was 5.84 *per cent*. After allowing this rise in cost index, the justified value of the work would have been ₹ 1.13 crore[4]. Instead the work was awarded at ₹ 1.39 crore, resulting in undue financial benefit of ₹ 26 lakh (₹ 1.39 crore–₹ 1.13 crore) to the contractor.

The Government stated (September 2011) that the MSR 2008 was not readily available at the time of the tender. The reply is not acceptable because the latest MSR 2008 was effective from 27 March 2008 and was not taken into consideration while awarding the work.

2.4 Undue financial benefit to the contractor

Exemption of interest on mobilization advance paid to a firm engaged in a Sewerage Project led to undue benefit of ₹ 52.15 lakh.

Para 32.5 of CPWD Works Manual 2010 lays down that in respect of certain specialized and capital intensive works with estimated cost put to tender of ₹ 2 crore and above, provision of mobilization advance may be kept in the tender documents. Further, the Manual provides that Chief Engineers should use their discretion in deciding whether any particular work shall be considered as specialized or capital intensive one. The Manual also provides that the Mobilization Advance (MA) limited to 10 *per cent* of the tendered amount at simple interest of 10 *per cent* per annum can be sanctioned to the contractor on specific request as per the terms of the Contract.

The Department (May 2010) awarded the work of 'Providing and laying of HDPE pipes for sewer lines using trenchless technology' for Sewerage Project (Phase I) of Imphal city to M/s Skipper Ltd. Kolkata at ₹ 14.89 crore allowing six months' time for completion. The Tender Committee decided (April 2010) to give an interest free advance of 30 *per cent* of the tendered amount as against the maximum permissible limit of 10 *per cent* at simple interest of 10 *per cent* per annum. Accordingly, the contractor was paid (December 2010) a MA of ₹ 4.47 crore without mentioning any clause of interest in contravention of the above Manual provisions.

As of February 2012, the interest accrued on MA was ₹ 52.15 lakh[5], was payable by the firm as per extant Manual provisions but was not levied by the Department. Thus, exemption of interest on the MA led to undue benefit of ₹ 52.15 lakh to the firm as of February 2012. Further, the MA entitled to the

[4] ₹ 1.07 crore plus 5.84 *per cent* thereof.
[5] Simple interest on ₹ 4.47 crore at the rate of 10 *per cent* for 14 months (January2011 to February 2012)

firm was ₹ 1.49 crore as per manual provisions. Against this, MA of ₹ 4.47 crore was given to the firm which was ₹ 2.98 crore[6] more than the entitled.

In its reply the Department stated (August 2011) that the advance was meant for procurement of HDPE[7] pipes and advance payment was mandatory. The reply is not acceptable as payment was made without charging any interest in violation of the provisions of the Manual *ibid* and was more than the prescribed limit of 10 *per cent* of tendered amount.

POWER DEPARTMENT

2.5 Recovery of interest and security deposit at the instance of Audit

Non-recovery of interest of ₹ 49 lakh for the advance paid to the firm and non-deduction of security deposit of ₹ 94.05 lakh led to violation of terms of Agreement.

Test-check (December 2007) of records of the Transmission Construction Division–II, Power Department revealed that the Department awarded (December 2007 and September 2008) the following two power transmission works:

a) Construction of 33 KV Double Circuit Sub-transmission Line from Leimakhong to Iroisemba" at a cost of ₹ 8.98 crore; and

b) Construction of 132 single circuit transmission line from Yurembam to Yaingangpokpi" at a cost of ₹ 21.55 crore.

Both the works were awarded to M/s Shyama Power (I) Pvt. Limited, Gurgaon on turnkey basis consisting of supply of material and construction works for the transmission lines. Two Agreements were signed (September 2008 and January 2008) between the parties stipulating the terms and conditions of the contract. As per terms of the Agreements, the firm could be paid advance on the following conditions:

a) 25 *per cent* of the value of work with 12 *per cent* interest per annum; and

b) Bank Guarantee (BG) from Nationalised bank equivalent to 5 *per cent* of the total value[8] of the work order or 5 *per cent* of each bill shall be deducted as a security deposit.

Accordingly, the Department paid (March and June 2008) an advance of ₹ 2.25 crore in two instalments. Against this advance, an amount of ₹ 1.22

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[6] ₹ 4.47 crore – 10 per cent of ₹ 14.89 crore = ₹ 2.98 crore
[7] High Density Polyethylene
[8] excluding Local Sales Taxes and Service Tax

crore had been recovered in seven instalments between March 2009 and March 2010 from the running account bills of the contractor. However, recovery of interest on advance which should have been effected alongwith recovery of the advance was not so done. Further, the Department neither collected any BG from the firm nor deducted 5 *per cent* of the amount of the bills paid to it, though an amount of ₹ 18.81 crore had been paid as of December 2010.

Thus, non-recovery of interest amounting to ₹ 49 lakh **(Appendix-2.1)** and security deposit of ₹ 94.05 lakh[9] not only violated the terms of the contract but was also fraught with the risk of loss to the Government.

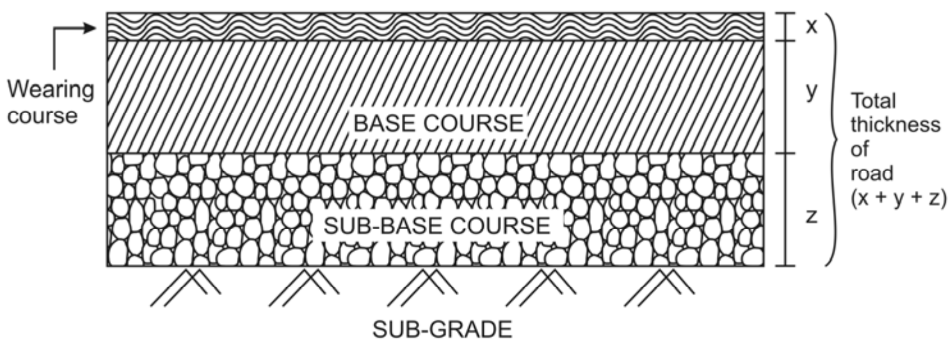
While admitting the observation, the Department stated (February 2012) that interest (₹ 49 lakh) and security deposit (₹ 94.05 lakh) had been recovered (October 2011) from the firm as pointed out by Audit.

PUBLC WORKS DEPARTMENT

2.6 Avoidable Expenditure

Base course for improvement of three inter-village roads was laid for a thickness of 22.5 cm against required thickness of 15 cm as per IRC norms, resulting in avoidable expenditure of ₹ 17.77 lakh.

As per Indian Road Congress (IRC) Norms (20 of 2002), pavement layer of a road consists of three layers *viz*. sub-base course, base course and surfacing/wearing course laid in successive layers over sub-grade surface of a road, as shown in the diagram below:



As per specifications *ibid*, the thickness of pavement of road is designed on the basis of the projected number of commercial vehicles per day (CVPD) and its growth rate and the bearing strength of the sub-grade in terms of California Bearing Ratio (CBR).

IRC specifications *ibid* also provide that for rural roads with bearing strength of sub-grade ranging from CBR of six to 20 *per cent*, CVPD up to 450, and sub-base course of 3 to 26 cm thick, the maximum thickness of base course to be laid over the sub-base course is 15 cm.

[9] 5 *per cent* of Rs. 18.81 crore = ₹ 94.05 lakh.

Test-check (January 2011) of records of the Sadar Hills Division revealed that the Department awarded (March 2010) construction of three inter-village roads[10] for ₹ 1.43 crore to two local contractors. The requisite data of CVPD, vehicular growth rate and CBR test were not found on record, indicating that the roads thickness was designed without such vital inputs. Further scrutiny of records revealed that the thickness of the sub-base layer laid was 15 cm (22.5 cm thick over selected stretches). The thickness of subsequent layer of base course should have been 15 cm as per the provisions of the IRC. However, a base course layer of 22.5 cm[11] thickness was actually laid. Thus, base course of 7.5 cm (22.5–15) thickness was laid in excess of specifications as provided under IRC norms.

This resulted in excess laying of 1051.88 cum of base course layer over three village roads. The rate for laying the base course ranged from ₹ 1615 per cum to ₹ 1783 per cum. Thus, extra expenditure incurred for laying excess quantity of base course works out to ₹ 17.77 lakh[12], which was avoidable.

The Department stated (August 2011) that as per IRC (37 of 1984) norms, CBR was assumed as 7.5 *per cent* and CVPD in the range of 150-450 vehicles per day. Based on this data, the prescribed road thickness was 32.5 cm.

If the road thickness of 32.5 cm would have been adopted as stated by the Department, the thickness of base layer should not have exceeded 17.5 cm/10 cm[13]. Further, the IRC (37 of 1984) norms prescribe assumption of vehicular growth of 7.5 *per cent* and not for California Bearing Ratio (CBR) as contended by the Department. Thus, the reply of the Department is not acceptable.

Others/regularities issues etc.

PUBLC WORKS DEPARTMENT

2.7 Recovery at the instance of Audit

Due to adoption of higher lead in framing of estimates in a road work, excess payment of ₹ 8.26 lakh was made to the contractors

Test-check of the records (January 2011) of Churachandpur Division, Public Works Department revealed that in the wake of indefinite economic blockage at some portions on National Highway No. 39, the State Government sought an alternative route for transportation purposes. Accordingly, the Guite Road of 112 km was to be improved for transportation of essential commodities into the State and administrative approval was accorded (June 2010) for ₹ 3.07

[10] Improvement of road from Leikop to K.Sajal via Tuijang, P.Kothah -7 km, Improvement of road from NH-39 (Tumnoupokpi) to Trang Lok, and Improvement of IT road to J.Songtum.
[11] Three layers of 7.5 cm each was laid as base course
[12] 365.63 cum @ ₹ 1615 + 348.75 cum @ ₹ 1679 + 337.50 @ ₹ 1783
[13] 32.5 cm *minus* 15cm / 32.5 cm *minus* 22.50 cm, at selected streches.

crore for the improvement of road works. The works *inter alia* included clearance of land slips and strengthening of pavements, which were estimated (June 2010) to cost ₹ 2.91 crore.

The works relating to clearance of land slips and strengthening of pavements were awarded (July 2010) to three local contractors at the estimated cost of ₹ 2.91 crore and were allowed twelve months period for completion of works. The works were completed within three months by the contractors at a cost of ₹ 3.08 crore, against which an amount of ₹ 2.95 crore had been paid (October 2010) to the contractors.

The above works required road material to be brought from Thongjaorok quarry, with a lead of 122 km (stone boulders - 6,912.64 cum) and 120 km (sand shingles – 8,830.21 cum) from the work-site, as evident from the lead chart for transporting the road material. However, while framing the estimates, the Department considered a longer lead of 127 km (stone boulders) and 125 km (sand shingles) from the work-site, thus arriving at a higher rate of carriage charges of ₹ 2228.37[14] per cum and ₹ 1518.25* per cum respectively. However, the correct rate for these two items of works should have been ₹ 2181.62* per cum and ₹ 1461.35* per cum respectively as per correct application of lead. Thus, incorrect application of lead in the estimates led to excess payment of ₹ 8.26 lakh[15] to the contractors.

While admitting the observation, the Department stated (January 2011) that the error in application of lead had occurred due to failure in checking the estimates. The amount has since been recovered (June 2011) in three instalments and credited to the Government Accounts.

2.8 General

2.8.1 Follow up on Audit Reports

As per the recommendations made by the High Powered Committee (HPC), *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments duly vetted by the Accountant General to PAC/COPU within three months[16] from the date of placing of Audit Reports in the Legislature.

However, as of January 2012 *suo moto* explanatory notes pertaining to 284 paragraphs/reviews for the Audit reports for the years 1999-2010 were not received within the stipulated period of three months either from the Departments or through the Manipur Legislative Assembly Secretariat.

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[14] & * Carriage charges is inclusive of cost of materials and VAT of 5.6 *per cent* thereon.

[15] (₹ 2228.37 – ₹ 2181.62) x 6,912.64 cum (stone boulders) *plus* (₹ 1518.25 - ₹ 1461.35) x 8,830.21 cum (sand shingles) = ₹ 8.26 lakh.

[16] *Suo-moto* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC/COPU during this period.

2.8.2 Action taken on recommendation of Public Accounts Committee

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

Seven hundred and sixty nine (769) recommendations of the PAC, made in its eleventh to thirty fifth Report were pending settlement as of January 2012 due to non-receipt of Action Taken Notes/Reports.

2.8.3 Response to audit observations and compliance thereof

The Accountant General (Audit) arranges to conduct periodical inspection of Government Departments to test-check the transactions and verify the maintenance of significant accounting and other records according to prescribed rules and procedures. When important irregularities detected during the inspection are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the concerned offices with a copy to the next higher authority.

As of March 2011, 1182 IRs issued in 2003-04 were outstanding for settlement. Even the initial replies, which were required to be received from the Heads of Offices within six weeks from the date of issue, were not received from many Departments as on February 2012. Non-furnishing of replies and inaction against the defaulting officers involves risks of serious financial irregularities and possible loss to the Government.

It is recommended that the Government may review the matter and ensure that an effective system exists for (a) taking action against defaulting officials, who had not sent replies to IRs/Paragraphs as per the prescribed time schedule, (b) taking action to recover loss/outstanding advances/overpayments in a time bound manner, and (c) revamping the system to ensure prompt and timely response to audit observations.

CHAPTER III

CHIEF CONTROLLING OFFICER BASED AUDIT

DEPARTMENT OF HORTICULTURE AND SOIL CONSERVATION

3.1 Chief Controlling Officer Based Audit of Department of Horticulture and Soil Conservation

The Department of Horticulture and Soil Conservation is responsible for improving crop productivity to meet nutritional requirement of the people and for combating *jhuming*[1] and food scarcity through self-reliant ventures and production of adequate number of quality plants through departmental progeny orchards. Review of the functioning of the Department revealed that all the progeny orchards, except Regional Potato Farm, Mao remained non-operational. The overall achievement in area expansion for vegetable and root crops undertaken by the Technology Mission was more than what was targeted during 2006-11. The audit of the Department brought out the following main issues:

Highlights

₹ 48 lakh meant for construction of District Office, Kangpokpi was irregularly drawn on Form number TR 30 without vouchers.

(Paragraph 3.1.8.3)

MAGFRUIT factory earned total revenue of ₹ 0.90 lakh during 2006-11 after incurring expenditure of ₹ 2.39 crore on inputs and pay and allowances of staff indicating lack of viability of the fruit processing unit.

(Paragraph 3.1.9.2)

Against the All India average potato production of 6.04 to 7.42 MT per acre, the Regional Potato Farm, Mao produced only 1.94 to 4.28 MT per acre during 2006-09 indicating poor performance of the farm.

(Paragraph 3.1.9.3.4)

Payment of rates as per Manipur Schedule of Rates 2006 instead of the rates approved in the Detailed Project Report resulted in extra expenditure of ₹ 16.32 lakh.

(Paragraph 3.1.9.5.3)

[1] Shifting cultivation

Payment of inadmissible Excise Duty and Sales Tax and higher price for purchase of shade nets and passion fruits plants resulted in excess payment of ₹ 29.75 lakh.

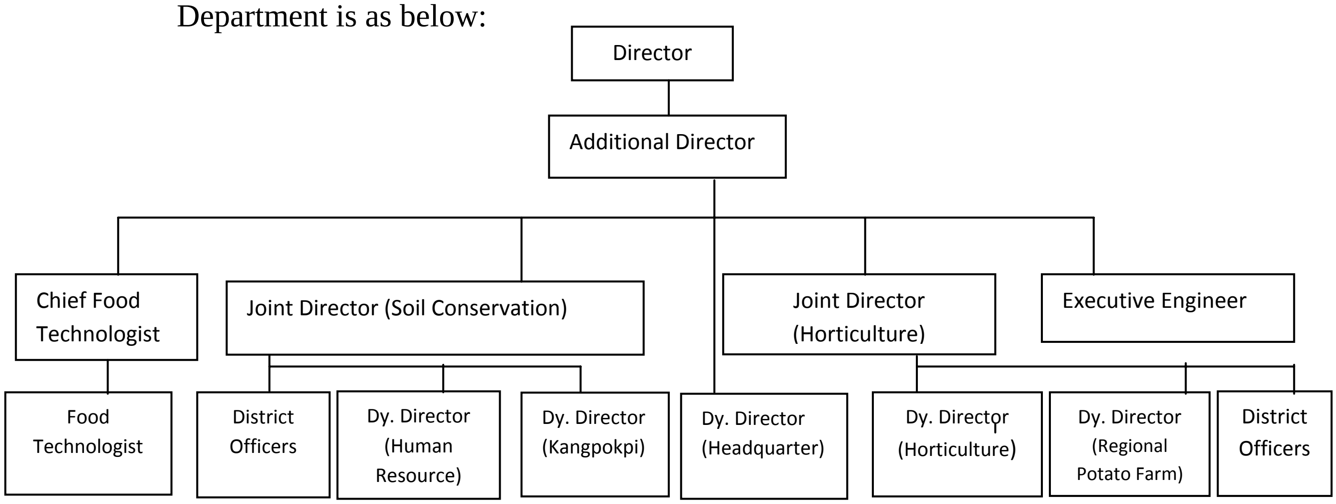
(Paragraphs 3.1.9.6.4 (a) and (b))

3.1.1 Introduction

The State has a total geographical area of 22,327 sq. km out of which 20,094 sq. km is hilly. Endowed with varied agro-climatic conditions ranging from sub-tropical to temperate, abundant rainfall and wide range of soil types, the State is suitable for cultivation of horticultural crops. The identified area for growing horticultural crops is recorded as 2,77,064 hectares. As of March 2011 about 72,062 hectares (26 *per cent*) had been covered under different horticultural crops. The main objective of the Department is development of horticulture and conservation of soil. The Department envisaged various programme/development activities in the field of horticulture, soil and water conservation for improving crop productivity to meet nutritional requirements of the people and for enhancing horticultural productivity and production.

3.1.2 Organisational set-up

The Commissioner, Horticulture and Soil Conservation Department (H&SC) is the administrative head of the Department and the Director is its functional head and the Chief Controlling Officer (CCO). The organisational set up of the Department is as below:



3.1.3 Scope of Audit

The CCO based audit of the Department was carried out during April to August 2011 covering the functioning of the Department during 2006-11. The records of the Directorate of Horticulture and Soil Conservation and 10 offices[2] (out of 21)

[2] (1) Chief Food Technologies; (2) Regional Potato Farm, Mao; (3) Project Co-ordinator, National Watershed Development Project for Rainfed Areas; (4) District Officer, Senapati; (5) District officer, Ukhrul; (6) District Officer, Bishnupur; (7) District Officer, Thoubal; (8) Project Director, Barak River Valley

were selected on simple random sampling without replacement basis for a detailed examination. Of the total expenditure of ₹ 171.53 crore incurred during the period on 17 state plan schemes and three centrally sponsored schemes, audit test-checked an expenditure of ₹ 109 crore (64 *per cent*) incurred by the selected audited entity on eight state plan schemes[3] (out of 17 schemes) and three centrally sponsored schemes[4].

3.1.4 Audit objectives

The CCO-based audit of the Department was carried out to assess whether:

- the programmes of the Department were planned and implemented efficiently;
- the funds provided for the programmes were properly utilised and procedure, rules and regulations specified thereof were complied with;
- human resources were optimally utilised; and
- an effective internal control and monitoring mechanism existed.

3.1.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- General Financial Rules;
- Guidelines of Schemes/Projects;
- Detailed Project Reports; and
- Instructions/orders issued by the Government from time to time.

3.1.6 Audit methodology

An entry conference was held on 26 April 2010 with the Commissioner and the Director, Horticulture and Soil Conservation wherein the audit objectives, audit criteria and scope of audit were discussed. Photographic evidence and physical verification of implementation of different schemes were also taken into consideration to substantiate audit observations. An exit conference was also held on 21 October 2011 with the Commissioner, the Director and officers from the

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Development Board; (9) Project Director, Eastern Border Area Development Authority and (10) Mission Director, Technology Mission for Integrated Development of Horticulture

[3] (i) Upgradation & Development of Infrastructure for Horticulture Administration (ii) Multiplication of Foundation Seed Potato (iii) Development of Fruit Preservation Factory (iv) Control of Shifting Cultivation & (v) Land Development for Small and Marginal Farmers (vi) Upgradation and infrastructure development of Soil Conservation and Administration (vii) Strengthening of the Horticulture Infrastructure Service (viii) Development of Infrastructure/ Construction of Building

[4] (i) Soil Conservation for enhancing productivity of degraded lands in the catchment of River Valley and Flood Prone River, (ii) National Watershed Development Programme for Rainfed Areas and (iii) Technology Mission for Integrated Development of Horticulture.

Department wherein audit findings were discussed and the replies of the Department have been incorporated in the review at appropriate places.

Audit findings

The important issues noticed during the course of audit are discussed in the succeeding paragraphs.

3.1.7 Planning

Proper planning is a *sine-qua-non* for successful implementation of any scheme. The Department formulated a long-term planning by preparing perspective plans since 2007 to chart out the main activities to be undertaken by the Department. This was followed by annual plans to focus on the requirement of the Department during a particular year. However, these plan documents did not address the important issues of departmental farms, planting material and infrastructural development.

Operation of departmental farm is an important activity of the Department for boosting horticultural produces of the State. Out of eight[5] departmental farms, one had been occupied by the Army and one had been demolished. Of the remaining six farms, only one was fully operational and other five were in an abandoned stage. Thus, there was a special need for revival of the departmental farms. However, there was no clear action plan in the plan documents for the revival of these sick farms, which was one of the major strategies for boosting horticultural production.

The initially projected target of planting material during 2007-12 in the perspective plan was reduced substantially in subsequent annual plans without attributing any reason. Farm-wise allocation of funds and production targets were also not reflected in the plan documents.

There was also no information on annual achievement of planting material in these documents which would facilitate the Department in identifing loopholes and taking corrective action. Except for 2007-08, no fund was earmarked for activities directly related to development activities of the farms like cost of seeds, fertilizer *etc*. This indicates that no coherent effort was made in planning for improvement of the farms.

Infrastructure developed at Mantripukhri *viz*., bio-control, tissue culture, leaf analysis laboratories and integrated mushroom unit were demolished without any alternative arrangement in other location indicating lack of proper planning.

[5] (i) Regional Potato Farm, Mao (400 ha), (ii) Progeny Orchard cum Nursery Farm, Maram (57ha), (iii) Vegetable Seed Multiplication Farm, Liyai (40ha), (iv) Soil Conservation Research Farm, Gelzang (28ha), (v) Horticulture Research Station, Tuibong, Churachandpur (16ha-occupied by the army), (vi) Progeny Orchard-cum-Nursery Farm, Mantripukhri (3ha-demolished), (vii) Progeny Orchard-cum-Cashewnut Development Farm, Jiribam (28ha) and (viii) Thawai Mahadev Farm (20 ha)

Thus, the Department needs to improve its planning with proper logistics and infrastructural support for optimal achievement of the objectives of the Department.

3.1.8 Financial Management

The Annual budget should be prepared based on the inputs from the field formations. The Department prepared annual budget based on annual plan but this was centrally done at the Directorate level without inputs from field formations.

3.1.8.1 Budget provision and expenditure

The Budget provision and Expenditure during the last five years were as shown in table below:

Table 1

(₹ in crore)

Year	Budget		Expenditure		Saving (-) Excess (+)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2006-07	21.39	10.95	21.09	10.63	(-) 0.30	(-) 0.32
2007-08	22.60	12.05	19.96	11.78	(-) 2.64	(-) 0.27
2008-09	20.58	13.21	18.77	13.31	(-) 1.81	(+) 0.10
2009-10	19.92	15.21	19.92	14.67	-	(-) 0.54
2010-11	28.85	23.22	28.80	21.86	(-) 0.05	(-) 1.36

Source: Detailed Appropriation Accounts

There were persistent savings both under the Plan and the Non-Plan heads barring 2008-09. The Department stated (October 2011) that savings under the Plan head were due to non-release of funds by the State Government, and savings under non-plan head were due to non-finalization of computerised personal information system of employees, termination of ad-hoc employees *etc*.

Further audit scrutiny of the documents revealed that a sum of ₹ 25 lakh meant for Rodent Control scheme was not drawn during 2006-07 due to non-receipt of Special Plan assistance from the GOI. In the case of land development scheme, an amount of ₹ 8 lakh was not encashed due to late receipt of permission for drawal Abstract Contingent during 2007-08. During 2008-09 the bank refused to honour a bill of ₹ 56.25 lakh due to late submission of bill on 31 March 2009 which resulted in saving in that particular year. This indicates that the Department had not properly monitored the availability of funds and thereby failed in proper utilisation of scarce resources.

3.1.8.2 Rush of expenditure

Prudent and sound financial management requires that public expenditure be evenly phased during the course of a financial year. Rush of expenditure particularly at the close of the financial year indicates lack of proper financial planning and management. Audit scrutiny of the records of the Directorate revealed that in every year during the period 2006-11, 40 to 57 *per cent* of the total plan expenditure was incurred during the month of March alone indicating poor financial control as shown in table below:

Table 2

(₹ in lakh)

Year	Total expenditure	Expenditure in March alone	Percentage of expenditure in March alone
2006-07	2108.52	846.41	40
2007-08	1995.71	1137.47	57
2008-09	1876.68	883.34	47
2009-10	1991.71	905.10	45
2010-11	2879.28	1261.37	44

Source: Data collected from Accountant General (A&E) office

The Department attributed (October 2011) the reasons for rush of expenditure in the month of March to delay in release of funds by the State Finance Department. However this situation has improved after Finance Department liberalised and decentralised sanction of funds from 2010 as per the Delegation of Financial Powers conferred to the Administrative Secretaries, Head of Department and Head of Office. The reply of the department is not correct as major portion of expenditure continued to be incurred even in March of 2010-11.

3.1.8.3 Drawal of funds

Contingent charges should be drawn from the treasury by presenting Abstract Contingency (AC) bills in Form Treasury Rules 31 (Rule 308 of Central Treasury Rules). This needs to be regularised subsequently by presenting Detailed Countersigned Contingency (DCC) bills duly supported by vouchers. However, the Directorate drew an amount of ₹ 48 lakh on Form Treasury Rule 30 (March 2011) on Fully Vouched Contingent (FCC) bill for construction of office of the Deputy Director at Kangpokpi supported by the estimates of work. This should have been drawn on AC bill. Since the amount had been drawn on as FCC bill, its subsequent adjustment through DCC bill by submitting actual vouchers cannot be watched in Accountant General's Office. Therefore, drawal on form Treasury Rule 30 in this instance was fraught with the risk of misappropriation.

The Department stated (October 2011) that the drawal was made with the approval of Government. The Finance Department vide their letter dated 24 January 2011 authorised the Department to draw the amount through fully vouched contingent bill. However, the fact remains that the action of the Department was in violation of Rule 308 of Central Treasury Rules and fraught with financial risk.

3.1.9 Programme Implementation

During 2006-11 the Department implemented three centrally sponsored schemes and seventeen state plan schemes. Audit observations in respect of implementation of schemes (eight State Plan schemes[6] and three CSS[7]) are discussed in the succeeding paragraphs.

3.1.9.1 Target and achievement of production

As per the Departmental records, the availability of vegetables in the State is about 59 gram per capita per day against the recommended dietary requirement of 280 gram per capita per day. In order to fill this gap, the Department aims to attain 4 *per cent* and 10 *per cent* growth in fruit and vegetables production per annum respectively during the XI Five Year Plan period. The achievement in production of fruits and vegetables during 2006-11 is shown below:

Table 3

(In MT)

Year	Fruits			Vegetables		
	Target	Achievement *(per cent of growth over previous year)*	Shortfall *(per cent)*	Target	Achievement *(per cent of growth over previous year)*	Shortfall *(per cent)*
2006-07	NA	35112 *(NA)*	-	NA	31072 *(NA)*	-
2007-08	36140	36140 *(3)*	-	32570	32570 *(5)*	-
2008-09	37587	37587 *(4)*	-	34841	34841 *(7)*	-
2009-10	42365	37587 *(0)*	4778 (11)	40333	34841 *(0)*	5492 (14)
2010-11	46599	37587 *(0)*	9012 (19)	48023	34841 *(0)*	13182 (27)

Sources: Departmental records

The above table reveals that except for fruit production in 2008-09, the Department could not achieve the growth rate of fruit and vegetable production as envisaged in the XI Five Year Plan. During the last three years from 2008-11, the production of horticultural produce remained stagnant. As such, there was no positive impact on horticultural production in the vastly agrarian economy of the State.

The department stated (October 2011) that growth rate of fruits and vegetables should have been three and five *per cent* and attributed the reasons for stagnant production during the last three years to natural calamities such as drought and flood and further added that it would embark on strengthening the technology, revival of progeny orchard and nurseries for production of quality planting material to enhance productivity rate. The reply is not acceptable as the growth rates targeted by the Department as per XI Five Year Plan document was four (fruits) and 10 (vegetables) *per cent* respectively. Further, no proper planning was done nor any action taken to counter such natural calamities which have occurred on continuous basis year after year.

[6] (i) Upgradation & Development of Infrastructure for Horticulture Administration (ii) Multiplication of Foundation Seed Potato (iii) Development of Fruit Preservation Factory (iv) Control of Shifting Cultivation & (v) Land Development for Small and Marginal Farmers (vi) Upgradation and infrastructure development of Soil Conservation and Administration (vii) Strengthening of the Horticulture Infrastructure Service (viii) Development of Infrastructure/ Construction of Building

[7] (i) Soil Conservation for enhancing productivity of degraded lands in the catchment of River Valley and Flood Prone River, (ii) National Watershed Development Programme for Rainfed Areas and (iii) Technology Mission for Integrated Development of Horticulture.

State Plan Schemes

As on March 2011, the Department implemented 17 State Plan schemes for production of potato seeds, control of shifting cultivation, strengthening of infrastructural facilities etc. Out of these, audit test-checked eight schemes. The important findings noticed in audit are discussed below:

3.1.9.2 Fruit Preservation Factory

With the objective of production of food products and to act as a ready market for sale of produces of farmers, the MAGFRUIT (Manipur Agricultural Garden Fruit) factory was established in 1960 at Agriculture Complex, Sanjenthong. This was the only state-owned fruit processing unit. During the peak of its activities, the factory could produce variety of fruit products and exported some of them to other countries. At present the factory is running at Lamphelpat (February 2011) and is producing squash of pineapple, orange, lemon and passion fruit.

Target and achievement of production of fruit products and revenue during the period under review were as below:

Table 4

Year	Production (In MT)			Revenue (In ₹)	
	Target	Achievement	Shortfall (*Per cent*)	Target	Achievement
2006-07	NA	NA	NA	NA	NA
2007-08	6.80	4.25	2.55 (38)	NA	NA
2008-09	6.80	5.10	1.70 (25)	NA	10,000
2009-10	6.80	6.38	0.42 (6)	1,00,000	70,000
2010-11	6.80	4.50	2.30 (34)	NA	10,000

Source: Departmental records

The table reveals that shortfall in production vis-à-vis target ranged from 6 to 38 *per cent* indicating poor performance of the unit. The Department, however, did not fix any target for revenue generation except in 2009-10 which was also not achieved. The Department stated (October 2011) that the factory was handicapped after damage by fire in 2001. The factory is being operated as a small processing unit and not managed on commercial basis. However, with a proposal to shift the factory at Food Park, the revival of the factory is under consideration.

Till date (October 2011), no action has been taken up in this regard nor clear-cut plan framed for the proposed shifting to Food Park. Thus, it is apparent that the Department had not initiated any action to revamp the factory by creating the required infrastructure with modern machinery, shifting to an appropriate site *etc.*, even after a lapse of ten years since its damage by fire.

Further, the factory could earn a total revenue of only ₹ 0.90 lakh[8] during 2006-11 while a sum of ₹ 2.39 crore[9] was spent on input of material and on pay and

[8] 2006-07: Nil; 2008-09: ₹ 10,000; 2009-10: ₹ 70,000; 2010-11: ₹ 10,000

allowances of its staff. Further, Audit scrutiny revealed that during 2006-11, no budget allocation was made for revamping the factory. The Department stated (October 2011) that up to 2007-08, there were no facilities for marketing of the products and sale through open counter started only from 2008-09. Thus, unless the factory is able to meet its operational costs from its own resources, operation of the factory depending on budgetary support of the Government may not be viable.

3.1.9.3 Operation of departmental farms

The Department owns eight[10] departmental progeny orchard cum nurseries with a total net area of 592 ha to provide quality planting materials to the farmers, of which Horticulture Research Station, Churachandpur had been occupied (1999-2000) by the Army and Progeny Orchard-cum-Nursery Farm, Mantripukhri were demolished for construction of Capitol Complex in 2010. Of the six existing farms, only Regional Potato Farm (RPF) Mao, remained fully operational. The Department has not taken any action to revamp the sick farms. The Department stated (June 2011) that the progeny orchards could not be revived due to constraint of fund. The reply is not acceptable because no fund proposal had been made to revive the sick farms.

3.1.9.3.1 Regional Potato Farm, Mao

The Regional Potato Farm, Mao was established in 1970 with the objective of producing quality seeds to meet the requirement of the seven North Eastern States[11]. The total area of the farm was 1054 acres (427 hectares) of which the cultivable area was 400 to 455 acres. Annually, one-fourth of the cultivable area was available for cultivation following a three years crop rotation[12] basis.

3.1.9.3.2 Sustainability of the farm

Cost of cultivation and proceeds from sales during the years 2006-11 of the farm were as under:

[9] 2006-07: ₹ 29.00 lakh; 2007-08: ₹ 32.58 lakh; 2008-09: ₹ 38.60; 2009-10: ₹ 41.77; 2010-11: ₹ 66.83

[10] (i) Regional Potato Farm, Mao (400 ha), (ii) Progeny Orchard cum Nursery Farm, Maram (57ha), (iii) Vegetable Seed Multiplication Farm, Liyai (40ha), (iv) Soil Conservation Research Farm, Gelzang (28ha), (v) Horticulture Research Station, Tuibong, Churachandpur (16ha), (vi) Progeny Orchard-cum-Nursery Farm, Mantripukhri (3ha), (vii) Progeny Orchard-cum-Cashewnut Development Farm, Jiribam (28ha) and (viii) Thawai Mahadev Farm (20ha)

[11] (i) Arunachal Pradesh; (ii) Assam; (iii) Manipur; (iv) Meghalaya; (v) Mizoram; (vi) Nagaland and (vii) Tripura

[12] An area brought under cultivation in a particular year is not cultivated in the subsequent three years to preserve fertility of the soil.

Table 5

(₹ in lakh)

Year	Cost of cultivation (cost of input and labour)	Sale proceeds	Excess of cost of cultivation over sale proceeds (*per cent*)
2006-07	21.81	14.05	7.76 (55)
2007-08	21.81	5.00	16.81 (336)
2008-09	20.25	5.68	14.57 (257)
2009-10	14.12	8.40	5.72 (68)
2010-11	16.12	0.53	15.59 (2941)

Source: Departmental records

Though the objective of the farm was production of quality seeds, its operation at least at break-even-point is also important for self sustenance. However, from the above table, it is evident that all through the five years the farm could not meet even the cost of cultivation from its sale proceeds. The excess of cost of cultivation over sale proceeds ranged from ₹ 5.72 to ₹ 16.81 lakh.

The Department stated (October 2011) that majority of its production in 2010-11 was reserved for plantation in 150 acres of farm land during 2011-12 and as such it could earn only ₹ 0.53 lakh. For other years where the Farm registered very low sale proceeds except 2006-07, it did not furnish any clarification. Given the circumstances where the production of farm had shown a continuous declining trend of plantation area from 72 acre in 2006-07 to 42.5 acre in 2010-11, the Department's action to undertake plantation in 150 acres in 2011-12 appears unviable and may further aggravate the excess of expenditure over sale proceeds. The mis-match between cost of cultivation and sale proceeds raises doubt about sustainability of the farm and under such circumstances it is difficult to envisage as to how the farm could meet the need of the farmers of the North Eastern states in the long run.

3.1.9.3.3 Loss due to shrinkage during godown storage

The Department did not fix any standard norms for shrinkage of potato seeds during storage. Audit scrutiny of records revealed that in majority of cases, the shrinkage loss ranged from 17 to 22 *per cent*. However, in the following periods, percentage of shrinkage was exorbitantly high which ranged from 31 to 42 *per cent.*

Table 6

Period of storage	Stage	Variety	Quantity stored	Loss due to shrinkage	
				Quantity	Percentage
20/9/06 to 20/12/06 (3 months 2 days)	Certified	K- Jyoti	63463 kg	19853 kg	31
18/8/08 to 2/3/09 (6 months 15 days)	Foundation- I	K- Kanchan	1373 kg	573 kg	42
22/6/10 to 23/2/11 (8 months 2 days)	NS- IV	K- Jyoti	19828 kg	7355 kg	37
Overall			**84664 kg**	**27781**	**33**

Source: Compiled from the stock register of the Regional Potato Farm, Mao

The Department stated (October 2011) that the shrinkage percentage was wrongly recorded and it should have been 20 to 24 *per cent*. The reply of the Department is not acceptable as scrutiny of stock register revealed that the farm produced 84664 kg of the above stated two categories during the period September 2006 to February 2011. Of this, 43273 kg had been sold/issued to the farm for replantation and 13610 kg had been discarded. The remaining 27781 kg was lost in shrinkage (33 *per cent*). Such high percentage of shrinkage was bound to result in loss of revenue.

3.1.9.3.4 *Performance of the farm*

Potato breeder seed is purchased from the Central Potato Research Institute at Shimla and multiplied into foundation/certified seed in the farm. Area under cultivation and production of the farm during the period 2006-11 were as below:

Table 7

(in MT)

Year	Potential area (in acre)	Area covered (in acre)	Target for production (in MT)	Production (in MT)	Production per acre	All India average production *(per acre)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	400	72	280	308	4.28	6.04
2007-08	400	70	280	136	1.94	7.42
2008-09	400	65	260	164	2.52	6.38
2009-10	400	40	160	136	3.40	Not available
2010-11	455	42.5	170	122.50	2.88	-do-

Source: Departmental records (columns 1 to 5) and web-site of Central Potato Research Institute (column 6)

During 2006-11, production per acre ranged from 1.94 to 4.28 MT while All India Average production of potato during 2006-09 ranged from 6.04 to 7.42 MT per acre. Thus, the average production of the farm was much lower than that of the All India average production indicating poor performance of the farm. The Department stated (October 2011) that the crops were harvested during rainy season and attributed the reasons for low production to rotting in the field. The reply is not convincing as the wastage could have been avoided or reduced if the harvesting was done after the rainy season. No reason for harvesting during rainy season when the chances of rotting is high was available on record.

3.1.9.4 *Watershed Development Project in Shifting Cultivation Area*

The Watershed Development Project in shifting cultivation areas was in operation in the State since 1995-96. The scheme aimed at overall development of *jhum* areas on watershed basis, reclaiming the land affected by shifting cultivation and socio-economic upgradation of *jhumia* families living in these areas to encourage them to go in for settled agriculture.

3.1.9.4.1 *Excess Expenditure*

During 2007-11, District Officer, Ukhrul, constructed contour trenches, bunds and terraces on daily wages basis. Audit scrutiny of records of execution of such works during 2010-11 revealed that mandays required per hectare for the above works were as 61, 61 and 123 respectively and was fixed by the Department as such.

However, during the preceding years (2007 to 2010), the Department utilized more mandays than that of 2010-11 for execution of these works thereby resulting in an excess payment of ₹ 23.18 lakh **(Appendix-3.1)**.

The Department stated (October 2011) that the variation in mandays was because of differences in soil condition and the expenditure incurred on the execution of the works did not exceed the funds provided by the Ministry. The reply of the Department is not acceptable as **Appendix-3.1** clearly reveals that the mandays bear an inverse relation to the labour rate. Whenever the labour rate was ₹ 47.65, the quantum of mandays increased and whenever the labour rate was ₹ 72.40 the mandays decreased. This clearly shows that this was an attempt to exhaust the available fund and it has no discernible link with the soil condition. Moreover, the Department nowhere recorded the type of soil involved in any of the work executed.

3.1.9.4.2 Idle constructions

Watershed projects are taken up to develop hill slopes of *jhum* areas through soil and water conservation measures and to reduce further land degradation to encourage and assist *jhumia* families in developing *jhum* land and improve vegetative measures and productive uses.

Such projects generally include construction of structures like contour trenches, contour bunding, contour terracing, gully plugging, earthen dam, brush wood dam, small farm pond, water harvesting structures and raising of nursery etc in the arable and non-arable land.

Joint physical inspection of the watershed[13] with representatives of the Department at *Rangajak kong* in Ukhrul district found that no plantations were carried out in some of the terraces, no nursery was raised inside the nursery shed and the farm pond for water harvesting was eroded (August 2011) despite construction of contour terraces as early as 2008-09, as can be seen from the photographs below:

Contour terrace without plantation

Shed without nursery

Eroded farm pond

Thus, the constructions did not serve the purpose for which these were carried out.

[13] The amount involved was not determinable.

The Department stated (October 2011) that some of soil and water conservation measures were completed during 2008-09 and some were still continuing. Various items of works such as pre-plantation, raising of nursery and farm ponds and tree plantations have now been completed. The reply is not acceptable as construction of contour terraces was an annual affair. This should have been followed by plantations in the same year as construction of these structures without plantation would render the structures unfruitful. However, the Department did not take any action and no photographic evidences could be shown to Audit to substantiate its claims.

Centrally Sponsored Schemes

There were three Centrally Sponsored Schemes implemented in the State for conserving soil in river valley and flood control prone river, watershed development in rainfed areas, and integrated development of horticulture. All these schemes were selected for test-check and the important findings noticed are discussed in the succeeding paragraphs.

3.1.9.5 Soil Conservation in the catchments of River Valley and Flood Prone River

The project is a *cent per cent* Centrally Sponsored Scheme of the Ministry of Agriculture, Government of India to prevent degradation of land, soil erosion, improvement of land capability and promotion of land use. The Department had taken up treatment of the Dhansiri river catchment in five micro watershed projects during 2006-2009 and treatment of the Laini river catchment comprising 17 micro watersheds was taken up since 2008-09. The position of funds received and expenditure during 2006-11 is shown in the table below:

Table 8

(₹ in lakh)

Year	Funds received	Expenditure
2006-07	163.93	163.93
2007-08	453.00	453.00
2008-09	430.50	430.50
2009-10	453.00	453.00
2010-11	500.00	500.00

Source: Departmental records

3.1.9.5.1 Construction of engineering structures

As per guidelines for Soil Conservation in River Valley and Flood Prone River, engineering structures should not be constructed in the first year of the project but only in the second or third year so as to ensure that the vegetative measures like vegetative hedge, vegetative fencing, sowing and plantation *etc*., undertaken during the first year acquire some definite shape before supplemental engineering structures were put up in the second or third year.

Audit scrutiny of records relating to implementation of “Soil Conservation for enhancing productivity of degraded lands in the catchments of river valley projects and Flood Prone River" revealed that under the Dhansiri (Choheirulok watershed) and the Laini River Valley Project, engineering structures of ₹ 51.30 lakh (Dhansri: ₹ 14.44 lakh and Laini: ₹ 36.86 lakh) were constructed during 2006-07 and 2008-09 in the first year of the project in violation of the scheme guidelines. No justification was given for preponing construction of such engineering structures.

The Department stated (October 2011) that while issuing annual technical sanction by the GOI it was mentioned that preponement of work could be done in case funds were available and as such engineering structures were incorporated in the first year of the project itself. As such structures were constructed in first year itself without ensuring stabilization of catchment area with plantation, the stability of the structures could not be ensured as envisaged in the guidelines.

3.1.9.5.2 Soil testing

The objective of soil testing is to assess the fertility status of the soil and to enable farmers to use appropriate doses of fertilizers for better soil management and increase of horticultural produces. Given the importance of soil testing, Ministry of Agriculture instructed to issue soil health cards to all the farmers of the watershed before starting the Watershed Development programme.

The Department procured seven Soil testing kits for ₹ 1.65 lakh during 2007-08. However, there was no record for issue of such kits to the soil testing experts and no soil health cards were also issued to the farmers (August 2011) of the project area[14]. Therefore, farmers might have carried out different plantations without the benefit of knowledge of suitable plant in the project area.

Admitting the fact stated above, the Department stated (October 2011) that soil testing was done by the concerned officers and issue of soil health cards was also initiated in the beginning of the project but it was discontinued as most of the farmers were illiterate and they asked for verbal recommendations and in future training or workshop would be organised in this regard. The reply is not acceptable as both verbal recommendation and soil cards should have been issued as Maintenance of Soil Health Cards would enable the farmers a reference to soil health in future and thus ensure a better soil management.

3.1.9.5.3 Excess expenditure

During 2007-10 the Department constructed 22 water harvesting structures in 11 villages at a total cost of ₹ 36.18 lakh. The Department paid the cost of execution of the works to the Watershed Associations as per rates prescribed in the Manipur Schedule of Rates 2006, as detailed below:

[14] Senapati and Ukhrul districts.

Table 9

(In ₹)

Sub-heads	Quantity executed	Rate per unit	Amount
Earth work in			
(a) Loose/soft soil	15502.31 cum	36.50	565834
(b) Hard/dense soil	29586.406 cum	46.90	1387602
(c) Hard shale	21904.024 cum	75.50	1653754
(d) Additional lift	28973.205 cum	6.90	199915
Clearing jungle	6775 sqm	1.10	7453
Total			**38,14,558**

Source: Departmental records

However, the payment was made by restricting the amount to ₹ 36.18 lakh. No reason was recorded for restricting the payment.

As per guidelines, construction of water harvesting structures should be done with the participation of the beneficiaries. The detailed project report (DPR) contemplated a rate of ₹ 81.40 per manday (rate of casual labour prevalent in the State). Hence, construction of the structures should have been carried out with the participation of the beneficiaries and wages should have been paid as per labour rate in the DPR. Thus, had the work been executed as per rates provided in the DPR, the cost of construction would have been only ₹ 19.86 lakh **(Appendix-3.2).** Thus, payment as per rates prescribed in MSR instead of rates in the DPR had resulted in excess expenditure of ₹ 16.32 lakh. Reasons for using MSR rates instead of the DPR rates were not available on record.

The Department stated (October 2011) that payment for the cost of excavation of water harvesting structure was made on the basis of cost norm laid down by the GOI as well as DPR and not on the basis of MSR 2006. The reply of the Department is not acceptable as examination of records revealed that payment was made on the basis of rates prescribed in MSR 2006.

3.1.9.5.4 Maintenance of Projects

Land degradation being a continuous process, protection of watershed through various measures such as structural and biological regeneration is of paramount importance. For this purpose, a corpus of funds was to be established in respect of each watershed for maintaining and repairing structures, and regeneration of biological resources created under the programme. An amount up to two *per cent* of the project fund equally shared by the GoI and State Government of the total investment in the watershed was to be set aside to create this corpus fund.

Audit scrutiny of records revealed that no corpus fund was established for the projects taken up in the catchment of Dhansiri (Choheirulok watershed) completed in 2008-09. The amount of ₹ 5.45 lakh set aside in the project as corpus was given to the concerned watershed secretary as maintenance cost without ensuring establishment of the Corpus. There was no contribution towards maintenance of the project from the State Government in violation of the guidelines, in the absence of which maintenance of the projects could not be ensured.

While admitting the fact, the Department stated (October 2011) that though the funds were set aside for maintenance of community assets, corporate body for utilisation of the fund was yet to be formed (February 2012). However, the fact remains that the release of the earmarked funds to the secretary of the watershed association was not in order.

3.1.9.6 Technology Mission for Integrated Development of Horticulture

"Technology Mission for integrated development of horticulture" aims at convergence and synergy among numerous ongoing horticulture development programmes to achieve horizontal and vertical integration to ensure adequate, appropriate and timely attention to production, post-harvest management and consumption chain and to maximise economic, ecological and social benefits. The Technology Mission is implemented through four Mini-Missions (MM), one of which *viz*. MM-II is implemented by the Department.

3.1.9.6.1 Area expansion

(i) One of the major activities under MM II is to increase production through area expansion. Target and achievement of area expansion during 2006-11 were as below:

Table 10

(Area in ha)

Year	Fruits		Vegetables & root crops		Spices	
	Target	Achievement	Target	Achievement	Target	Achievement
2006-07	4800	4800	1100	1100	1000	1000
2007-08	4300	4300	2750	2750	305	305
2008-09	2200	1654	2194	4973	Nil	Nil
2009-10	6530	4550	4590	4590	1000	1000
2010-11	2981	2860	1935	1505	280	280
Total	**20811**	**18164**	**12569**	**14918**	**2585**	**2585**

Source: Departmental records

The above table reveals that against the total target of 20,811 ha for area expansion under fruits, the Department achieved 18164 ha only with a shortfall of 2647 ha. However, under vegetable and root crops, the area expansion achieved vis-à-vis was more than the target set by the Department.

The Department stated (October 2011) that the fruit plants were procured from outside the state and from abroad due to the demolition of all the departmental progeny orchards. The delays and damages in the transit led to shortfall in achievement of target.

(ii) Further, as per guidelines, plantations of fruit plants were to be maintained up to two years *viz*., second year maintenance for one year old plantations and third year maintenance for two year old plantations. However, targets for maintenance of fruit plants were fixed without considering the quantum of such plantations made in the previous years as shown below:

Table 11

(Area in ha)

Year	Actual plantation	Target for maintenance (one year old plants)		Target for maintenance (two year old plants)	
		to be fixed	Fixed	to be fixed	Fixed
2006-07	4800	-		-	
2007-08	4300	4800	4417	-	
2008-09	1654	4300	4300	4800	4421
2009-10	4550	1654	2390	4300	4300
2010-11	2860	4550	4200	1654	2390

Source: Departmental records

The above table shows that programme for maintenance had not been fixed based on the plantation taken up in the previous years. Thus, the Department did not carry out maintenance of plantation as per guidelines. In its reply the Department admitted (October 2011) that the pattern of maintenance as envisaged in the guideline could not be followed due to demand/request of the farmers. The failure in complying with the guidelines exposes the risk of non-survival of saplings due to lack of care.

(iii) As per guidelines, area expansion should follow a cluster approach through selection of beneficiaries in contiguous areas covering the whole village to derive benefit from the common infrastructure such as community tank, plant protection, plasticulture and others.

Audit scrutiny of records revealed that implementation of area expansion was not done in cluster approach and beneficiaries were not selected from the contiguous area. Area expansion was not linked with components like community water tanks for irrigation, plant protection etc., thus, depriving the beneficiaries of the advantages of cluster approach, as envisaged in the guidelines.

The Department stated (October 2011) that it would endeavour for selection of beneficiaries in cluster approach covering the whole village where all the productivity components like community tank, plant protection would be linked together.

3.1.9.6.2 Construction of water sources

(a) Community tanks constructed at individual farm land

To ensure irrigation for the horticulture crops round the year, assistance at the rate of ₹ 1 lakh for providing irrigation to one hectare of area was admissible for construction of community tanks with a maximum of ₹ 10 lakh, if 10 hectares of land was to be covered. The assistance was to be provided to a group of farmers of the community for constructing pucca community tanks so that the intended benefit was maximised.

However, the Department provided assistance of ₹ 50 lakh to 50 individual farmers[15] during 2006-07 instead of providing assistance to groups of beneficiaries for construction of water storage tanks in contravention of the guidelines. The basis on which these beneficiaries were selected was also not available on record. In fact, no community tanks were actually constructed as all the tanks constructed were in the farm land of individual beneficiaries. Construction of tanks in the farm lands of the individual farmers deprived the community of their benefits. Further, in some cases, kutcha tanks were constructed instead of pucca tanks in violation of the guidelines, which cannot be expected to last long as pucca ponds, as there was a risk of their being covered by the weeds and reduction in holding capacity. As such, kutcha tanks are not expected to provide sufficient water for irrigation.

The Department stated (October 2011) that due to non-availability of *khas* (common land) land for construction of community tanks, assistance for construction of community tanks was given to individual farmers. This reply is not acceptable as non-availability of *khas* land was not supported by certificates from the Revenue Department of the Government.

(b) Delay in construction and loss of interest

The Department deposited CSS fund of ₹ 2.32 crore (June 2009: ₹ 1.72 crore and May 2010: ₹ 60 lakh) to the Minor Irrigation Department (Work Agency) for construction of Community tanks to provide irrigation facility to the farmers covering 580 acres of irrigation potential.

However, the Work Agency refunded (September 2010) the amount as the Horticulture Department could not furnish the list of beneficiaries. Thereafter, the Department deposited the refunded amount in a saving account of the Department (October 2010). Thus, non-construction of the tanks deprived the farmers of the benefits of irrigation facilities. Further, by depositing the money to the Work Agency before selection of beneficiaries resulted in loss of interest of ₹ 8.41 lakh. Details are shown in table below:

Table 12

Date of release of amount to the Agency	Amount released	Date of refund by the Agency	Date of deposit to the Bank	No. of months the fund was lying with the Agency	Interest
26/6/2009	17225290	10/9/2010	18/10/10	15	(17225290x3.5/100x15/12)= ₹ 753606
5/5/2010	6000000	10/9/2010	18/10/10	5	(6000000x3.5/100x5/12)= ₹ 87500
				Total	**₹ 841106**

Source: Departmental records

The Department stated (October 2011) that it could not give list of beneficiaries in advance as the selection of beneficiaries was done after consultation with the local Member of the Legislative Assembly and the amount refunded by the Minor

[15] Imphal East-3; Imphal West-5; Thoubal-7; Bishnupur-5; Churachandpur-7; Senapati-5; Tamenglong-5; Chandel-3; Ukhrul-6; Moreh-2; Jiribam-2. Altogether tanks for 50 ha were constructed.

Irrigation Department was utilised for construction of community tanks by the Department itself. The reply of the Department is not acceptable as there was sufficient time (May to September 2010) to select the beneficiaries.

3.1.9.6.3 Assistance for plastic mulching and green houses

(a) Plastic Mulching

Plastic mulching is the covering of soil around the root zone of plant with a plastic film which is an effective practice to restrict weed growth, conserve moisture and reduce the effect of soil borne diseases through soil solarization. As per guidelines, an assistance at 50 *per cent* of the cost of plastic film subject to a ceiling of ₹ 7000 per ha was admissible. Since it would be difficult for the supplier to supply the plastic film to individual farmers, the implementing agency in the state was required to arrange to procure the same in bulk as per the estimated requirement for a quarter/six months/year. Fifty *per cent* farmers' contribution was to be collected in advance or at the time of supply of film by implementing agency to the farmers.

During 2006-10, the Department procured 69017 kgs. of mulch film for ₹ 1.28 crore and distributed to 1534 beneficiaries without realising contributions from them. This resulted in excess payment of subsidy to the beneficiaries to the tune of 50 *per cent* of the cost of mulch film which worked out to ₹ 64 lakh (50 *per cent* of ₹ 1.28 crore).

The Department stated (October 2011) that the farmers were not willing to contribute their share. However, considering the importance of mulch films, these had been distributed to the interested farmers without collecting their share. Not only was this a clear violation of the guidelines but also has further reduced the coverage of farmers under the scheme.

(b) UV stabilised film (Green house)

The Green-house technology is used to protect the plants from adverse climatic conditions. The Scheme guidelines provide for construction of Green-house structures by the beneficiaries themselves by using the local material with ultra violet (UV) stabilised film for protected cultivation of horticulture crops. Assistance at the rate of 50 *per cent* of the cost for covering up to 1000 sq m at the rate of ₹ 325 per sq m for hi-tech and ₹ 125 per sqm for normal Green-house respectively was admissible.

During 2006-10, the Department purchased 3,06,529 kgs. (16,24,605 sqm) of UV stabilised film for ₹ 7.25 crore and the same was distributed to 5776 beneficiaries without collecting their contribution though payment was to be restricted to 50 *per cent* of the cost which however, had been paid at 100 *per cent*. This resulted in excess payment of subsidy to the farmers to the tune of ₹ 3.62 crore.

The Department stated (October 2011) that the cost of material like bamboo and labourers was borne by the farmers. The reply is not acceptable as the assistance in respect of UV films was to be restricted to 50 *per cent* of the cost which the Department failed to follow.

Unused Shed (Wangjing, Thoubal District)

During joint physical inspection it was seen that ultra violet film in Thoubal district was not used for nurseries/plantation purpose and instead plants, grasses and weeds were growing inside the shed as seen from the photograph. Thus, the purpose for which ultra violet film was provided stands defeated.

(c) Shade Net Houses

Shading nets are being used for raising nurseries, indoor plants, hardening of tissue cultured platelets and growing of vegetables as it provides relief to the plants from the scorching sunlight, high winds, direct rainfall as well as insects and pests. As per guidelines, assistance at the rate of ₹ 14 per sqm or 50 *per cent* of the cost whichever was lower for a maximum of 500 sqm area per beneficiary was admissible.

During 2007-08 to 2009-10, the Department procured shade nets of 332153 sq m for ₹ 1.07 crore and distributed to 964 beneficiaries without collecting the 50 *per cent* contribution from the farmers. This had resulted in excess payment of subsidy to the tune of ₹ 53.50 lakh.

The Department stated (October 2011) that the cost of labour and materials required for construction of the structure was borne by the farmers which might be treated as 50 *per cent* contribution of the farmers. The reply is not acceptable as assistance for the shade nets was to be restricted to 50 *per cent* of the cost of shade nets as per provisions of Guidelines, which the Department failed to follow.

Further, during site inspection it was noticed that the shade nets were used as cow shed from the cow dungs that littered the floor of the shade net as evident from the photograph below:

Shadenet used as cow shed, Imphal west

Thus, apart from failure to recover contribution of 50 *per cent* of the cost from the beneficiaries having the potential of reducing coverage of beneficiaries, the facility was also being used for purposes other than intended thus defeating the very objective of the scheme.

3.1.9.6.4 Excess payment

(a) Procurement of Shade nets

During 2005-10, the Department placed five supply orders to M/s Essen Multiplack, Rajkot, Gujarat for procurement of 3.32 lakh sqm of shade nets costing ₹ 1.52 crore.

The item ultraviolet stabilised shade nets were exempted from Excise Duty (ED)[16] and Sales Tax (ST)[17]. However, the rate quoted by the firm was inclusive of ED and ST. Based on the rates quoted by the firm, the Department released the payment. Thus, allowing element of ED and ST on non-taxable goods resulted in excess payment of ₹ 21.46 lakh to the firm **(Appendix-3.3).**

The Department stated (October 2011) that no excise duty and sales tax had been charged by the supplier. The reply is not acceptable as the rate quotation of the supplier was inclusive of ED and ST; based on which the final payment had been made. No action to recover the excess payment made was available on record.

(b) Procurement of passion fruit plants

During 2008-09, the Department procured 2,07,297 grafted passion fruits plants (grafted Kaveri variety passion fruits) from M/s Global Agro Solution, Nasik. The firm quoted a rate of ₹ 40 per plant. However, the Department erroneously paid ₹ 44 per plant resulting in an excess payment of ₹ 8.29 lakh[18], which was yet to be recovered.

[16] Excise Duty ranging from 8 to 16 per cent.
[17] Sales tax ranging from 4 to 5 per cent.
[18] 4x207297=829188

The Department stated (October 2011) that it procured tissue cultured plants of passion fruit the rate of which was ₹ 44 per plant. The reply of the Department is not acceptable as the supply order placed with the firm was for grafted passion fruit plant and not for tissue cultured plant.

3.1.9.6.5 Non-receipt of fruit plants

In order to create profitable niche areas and to be more innovative by taking up plantation of kiwi, chestnut and walnut in the hill districts of Manipur during 2010-11, the Department placed one supply order to Florence Flora Marketing, Sahakarnagar, Bangalore for supply of 760 walnut, 750 chestnut and 2800 kiwi plants at a total cost of ₹ 48.73 lakh. The Department paid (December 2010) ₹ 48.73 lakh as advance. As per terms and conditions of the supply order, the firm was to supply the plants within one month from the date of order. However, the firm had not supplied the plants as of February 2012. The plants were to be planted during January-March. Due to failure of the supplier in supplying the fruit plants within the planting season, the Department could not implement the scheme in time.

While confirming the audit observation, the Department stated (October 2011) that the procurement of the plants required quarantine clearance from the Forest Departments and as such the firm could not supply the plants in time. The reply of the Department itself confirms that the scheme could not be implemented during 2010-11 and the amount remained infructuous, which questions the action of the Department in making the advance payment without first ascertaining the hurdles in the supply of seeds.

3.1.9.6.6 Demolition of laboratories and infrastructure

Implementation of MM-II requires creation/construction of laboratory and infrastructure. For this purpose, from the year 2004 to 2006 the Department constructed one mushroom unit and three other laboratories at a total cost of ₹ 1.71 crore at Mantripukhri. However, during 2010 all these structures were demolished for construction of Capitol Complex to house the High Court and the Civil Secretariat at this site without any alternative arrangement for installation of the important infrastructure, thus frustrating the very objective of the Mission. This also has the potential of impeding development of mushroom culturing and depriving the farmers of laboratory facilities.

3.1.9.6.7 Drip Irrigation System

As a part of fertigation[19] technology for promoting production, the Department introduced a drip irrigation system for feeding adequate water to banana, grape, papaya plants *etc*. For this purpose, the Department purchased (2006-11) 415 sets of drip irrigation system from one firm[20] at Maharastra at a total cost of ₹ 2.42 crore inclusive of installation charges varying from ₹ 5000 to ₹ 6888 per unit.

[19] A technique to provide dissolved fertilizers to crops.
[20] M/s Jain Irrigation System Ltd.

Of these, 393 had been issued to the districts and 22 were in stock as of August 2011. Of the 393 issued to the districts, 298 had been installed while 95 were yet to be installed (February 2012). Of the 298 installed, the Company installed only 92 numbers while the remaining 206 were installed by the departmental experts without the help of the company. As such installation charges of ₹ 14.19 lakh paid to the company in respect of these 206 units were excessive as shown in the table below.

Table 13

Year	Number of sets purchased	Value paid (including installation charges)	Installation charge per unit	Installed without the assistance of the Company	Excess payment (Col 4 x Col 5)
(1)	(2)	(3)	(4)	(5)	(6)
2006-07	59	2847112	5388	0	0
2007-08	102	*5689662*	6041	0	0
2008-09	208	12804000	6888	129	888552
2009-10	46	2831898	6888	45	309960
2010-11	0	0	6888	32	220416
Total	**415**	**24172672**		**206**	**1418928**

Source: Departmental records

The Department stated (October 2011) that all the drip irrigation systems were installed by the company. The reply is not acceptable as the Service Engineer of the Company certified (August 2011) that company had installed only 92 drip irrigation systems.

3.1.9.6.8 Purchase of Sprinklers

Sprinkler is a device to water the soil and plant foliage with the network of pipes. During 2007-09, the Department procured (February 2008 and May 2009) 29 sprinklers at the total cost of ₹ 14.31 lakhs**.** However, out of the 29 sprinklers procured, only four had been installed as of August 2011 and the remaining 25 were yet to be installed. The Department, however, stated (October 2011) that all the sprinklers had been installed in the selected farmers’ field by the company. However, date-wise records of installation with certificate of installation signed by the beneficiaries could not be furnished to Audit, in the absence of which the reply of the Department could not be verified.

3.1.9.6.9 Centre of Excellence

Under the Mission, the District Horticulture Officer of each district was required to select a compact area as a Centre of Excellence. Such Centre should have all the essential components such as water tanks, drip irrigation system, multi-crop nursery, green house, vermi-compost unit, model floriculture centres and integrated mushroom units. The location of the Centre should be easily approachable, preferably on the main road or nearby. This was to be developed in close coordination with ICAR which would provide quality planting material and the required technology for making the Centre a success story. But the

Department did not establish any such Centre in any of the districts of the State. Thus, the objective envisaged in the guidelines could not be achieved.

The Department attributed (October 2011) reason for non-establishment of Centre of excellence to non-availability of compact area comprising of 10 to 20 ha. The reply of the Department is not acceptable as these could have been established in the Departmental progeny orchards of Liyai (Senapati), Gelzang (Churachandpur), Jiribam (Imphal East) and Thawai Mahadev (Ukhrul) which have individually 10 to 35 ha of culturable area. The Department failed in its initiative to develop such centres having the potential of significantly increasing horticultural produces.

3.1.9.6.10 Human Resource Development: Training

Human resource development through training and demonstration was an integral part of the Mission. Training of farmers, entrepreneurs, field level workers and officers was to be taken up under this programme. A farmer was entitled to an assistance of ₹ 400 for training within the district.

During 2010-11, the Department organised 40 district level trainings in different districts of the state, wherein 4324 trainees participated. But the Department paid the assistance at higher rates ranging from ₹ 700 to ₹ 2500 per trainee and incurred an expenditure of ₹ 56.02 lakh on this account resulting in excess payment of ₹ 38.73 lakh.

While admitting the fact, the Department stated (October 2011) that although the payments had been made in excess, this was in consideration of the distances to be covered by the trainees in attending the training classes. The reply of the Department is not acceptable as the guidelines do not provide for assistance at higher rates owing to distance.

3.1.10 Human Resource Management

As on March 2011, the Department was having 752 men on its roll against the sanctioned strength of 935 functioning with a manpower shortage of 20 *per cent*. Major key-posts of 27 Agriculture Officers/Horticulture Development Officers responsible for carrying out the various activities of the Department were lying vacant, thus acting as a major hurdle in implementation of various schemes/programmes of the Department.

During their visit (May 2005) to Regional Potato Farm, Mao, the team of Central Potato Research Institute, ICAR recommended immediate appointment of two Virologists and one Bio-technologist for successful operation of the Farm. However, the Department did not take any action in this regard (February 2012), reasons for which were not available on record. Appointment of these specialists could have helped the farm in avoiding crop diseases.

3.1.11 Internal Controls

Internal control system is a management tool which provides reasonable assurances that the organization's objectives are being achieved and the entity is functioning in an economical, efficient and effective manner. The following lapses in internal control were noticed during the course of audit:

- The Regional Potato Farm, Mao did not keep records of field weight and godown weight of the varieties of farm produces in its Yield Stock Register, except in the cases of Nucleus Seed (NS)-II and NS-III for the year 2010. Variety-wise quantity of utilisation of potato in the farm for plantation was not recorded in their records in many cases exposing the risk of pilferage and mixing up of varieties.

- Guidelines for National Watershed Development Programme for Rainfed Area (NWDPRA) and also guidelines for Watershed Development Project in Shifting Cultivation Area (WDPSCA) envisaged that District Nodal Agency should announce a panel of Chartered Accountants for audit. The President Watershed Association (WA) was to send the audited utilisation statement every year to the Agency within six months from the end of the financial year. During the XI Five Year Plan there were 110 WAs and ₹ 17.45 crore was released to them for implementation of the NWDPRA scheme. However, none of the WAs submitted audited utilisation certificates to the Agency during the period 2007-11, in contravention of the guidelines. Further, records of the District Officers, Ukhrul, Senapati and Project Directors, EBADA and BRVDB revealed that during the XI Five Year Plan (2007-12) there were 40 WAs under WDPSCA scheme. However, none of the WAs submitted audited utilisation certificates to the Agency during the period 2007-11, in contravention of the guidelines.

3.1.12 Monitoring and Evaluation

The Department did not have an independent Monitoring Committee during the period 2006-09, which however, was constituted only in January 2010.

The State Nodal Agency was required to periodically review the implementation of River Valley projects at least once in a year. The State Nodal Agency constituted in 2008 did not review the programme. With a view to improving the monitoring system, a website for the scheme has been launched. The activity-wise data for the implementation of the watershed programmes was to be fed monthly, quarterly, six monthly, and annually into the website. However, the Department did not feed any data in the website. This was indicative of poor monitoring.

3.1.13 Conclusion

The planning of the Department lacked logistical and infrastructural support, which in turn hampered optimal achievement of its targets and objectives. Financial management of the Department suffered due to violation of financial rules such as persistent rush of expenditure at the fag end of the year. Though the

Department set for itself a target of four and ten *per cent* growth for fruit and vegetables production per annum, the production remained stagnant during 2008-09 to 2010-11. All the departmental progeny orchards other than the Regional Potato Farm, Mao remained non-operational resulting in procurement of fruit plants from outside the State. This affected the expansion of area under fruits under Technology Mission. Appropriate and timely maintenance of the fruit plants under Technology Mission could not be ensured. However, the overall achievement in expansion of area under vegetable and root crops undertaken by the Technology mission exceeded what was targeted during 2006-11. There was no regular monitoring of the schemes implemented by the Department.

3.1.14 Recommendations

- The objectives and targets of plan documents require more focus on logistics and infrastructural support with need-based planning for optimal results.

- Financial management requires meticulous monitoring of funds needed and expenditure to avoid savings, excess of expenditure and rush of expenditure at the fag end of the year. Special attention needs to be given to check advance payment through fully vouched contingent bills as such practices have the potential of serious financial irregularities.

- The Department should make concerted efforts to revive MAGFRUIT factory as it has the potential of earning revenue as well as providing employment opportunities in the State.

- Efforts should also be made with all seriousness to revamp the sick farms with adequate budgetary support so as to ensure self sustainability. This would reduce the dependence on outside agencies for quality plants.

- Expansion of area under fruits and vegetable under Technology Mission should be done in cluster approach through selection of beneficiaries from contiguous areas so as to maximise benefits.

- Proper monitoring of implementation of various schemes is required, focussing on loopholes in implementation so as to ensure corrective action for achieving effective and economic results.

CHAPTER-IV
REVENUE RECEIPTS

4.1. Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Manipur during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years ae mentioned below:

(₹ in crore)

		2006-07	2007-08	2008-09	2009-10	2010-11
I.	**Revenue raised by the State Government**					
	• Tax revenue	121.56	147.45	170.06	196.04	267.05
	• Non-tax revenue	181.04	164.71	253.46	239.74	259.88
	Total:	**302.60**	**312.16**	**423.52**	**435.78**	**526.93**
II.	**Receipts from the Government of India**					
	• State's share of net proceeds of divisible Union taxes	436.33	550.40	580.81	597.56	990.57[1]
	• Grants-in-aid	2,123.80	2,645.71	2868.28	2839.79	3912.44
	Total:	**2,560.13**	**3,196.11**	**3449.09**	**3437.35**	**4903.01**
III.	**Total receipts of State Government (I+II)**	**2,862.73**	**3,508.27**	**3872.61**	**3873.13**	**5429.94**
IV.	**Percentage of I to III**	**11**	**9**	**11**	**11**	**10**

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 526.93 crore) was ten *per cent* of the total revenue receipts against eleven *per cent* in the preceding year. The balance ninety *per cent* of receipts during 2010-11 was from the Government of India.

[1] For details refer "tax revenue" of statement 11, detailed account of revenue by minor heads of the Finance Accounts of the Government of Manipur, 2010-11. The amount under the minor head 901 - share of net proceeds assigned to the State booked under the major heads 0020 - Corporation tax, 0028-other taxes on income and expenditure, 0032 - taxes on wealth, 0037 – Customs, 0038- Union Excise Duty, 0044 - Service tax and 0045 - Other taxes and duties on commodities and services under 'A-tax revenue' have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

4.1.2 The following table presents the details of tax revenue raised during the period 2006-07 to 2010-11:

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) or decrease (-) in 2010-11 over 2009-10
1.	Sales Tax/VAT	96.64	120.76	141.38	163.28	227.57	(+) 39.37
2.	State Excise	3.62	3.75	3.91	4.70	6.61	(+) 40.64
3.	Stamps and Registration Fees	2.83	2.93	3.18	4.26	3.57	(-) 16.20
4.	Taxes and Duties on Electricity	0.19	[2]	0.39	0.01	0.003	(-) 70.00
5.	Taxes on Vehicles	3.19	3.57	4.03	4.35	4.44	(+) 2.07
6.	Taxes on Goods and Passengers	0.60	0.76	0.80	0.81	0.90	(+) 11.11
7.	Other Taxes on Income and Expenditure	13.30	14.73	15.46	17.63	18.77	(+) 6.47
8.	Other Taxes and Duties on Commodities and Services	0.18	0.20	0.13	0.19	3.90	(+) 1952.63
9.	Land Revenue	1.01	0.75	0.78	0.81	1.29	(+) 59.26
Total		**121.56**	**147.45**	**170.06**	**196.04**	**267.05**	(+) 36.22

The following reasons for variations were reported by the concerned departments:

Taxes on Vehicles: The increase was attributed to increase of vehicle population.

Taxes on Goods and Passengers: The increase was attributed to increase of vehicle population.

Stamps & Registration Fees: Stamps Duty & Registration Fees are of voluntary nature and it depends upon the number of registered transactions.

The other Departments did not inform (January 2012) the reasons for variation, despite being requested (August 2011).

[2] ₹ 9,000 only.

4.1.3 The following table presents the details of the non-tax revenue raised during the period 2006-07 to 2010-11.

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase(+)/ decrease (-) in 2010-11 over 2009-10
1.	Interest Receipts	35.05	27.61	39.99	32.73	44.65	(+) 36.42
2.	Housing	0.68	1.72	1.30	0.71	0.66	(-) 7.04
3.	Water Supply and Sanitation	1.39	1.58	6.89	9.48	14.21	(+) 49.89
4.	Forestry and Wild Life	1.52	1.45	1.02	2.25	2.1	(-) 6.67
5.	Education, Sports, Art and Culture	0.94	0.90	0.91	1.21	1.14	(-) 5.79
6.	Miscellaneous General Services	82.46[3]	54.24 [4]	92.77[5]	61.47	76.87	(+) 25.05
7.	Power	40.24	62.29	88.28	104.07	88.29	(-) 15.16
8.	Medium Irrigation	7.85	5.26	8.00	7.00	10.49	(+) 49.86
9.	Medical and Public Health	0.24	0.25	0.52	0.12	0.1217	(+) 1.42
10.	Co-operation	0.12	0.12	0.16	0.16	0.19	(+) 18.75
11.	Public works	7.83	6.14	7.96	17.65	16.88	(-) 4.36
12.	Police	0.57	0.42	3.36	0.94	0.88	(-) 6.38
13.	Other Administrative Services	0.63	1.07	0.59	0.38	1.08	(+) 184.21
14.	Crop Husbandry	0.30	0.10	0.07	0.25	0.18	(-) 28.00
15.	Others	1.22	1.56	1.64	1.32	2.14	(+) 62.12
	Total	**181.04**	**164.71**	**253.46**	**239.74**	**259.88**	**(+) 8.40**

The following reasons for variations were reported by the concerned Departments:

Medium Irrigation: The increase was attributed to excess recovery of interest on Mobilisation and Machinery advance during the year.

Co-operation: The increase was attributed to recovery of pending audit fees for the last year from Cooperative Societies and Voluntary Organisations.

[3] Includes debt relief of ₹ 75.08 crore given by Government of India on repayment of consolidated loan.

[4] Includes debt relief of ₹ 37.54 crore given by Government of India on repayment of consolidated loan.

[5] Includes debt relief of ₹ 37.54 crore given by Government of India on repayment of consolidated loan.

Water Supply and Sanitation: The increase was attributed to the inclusion of 11.75 *per cent* Departmental charges and also to Revision of Water Tax from ₹ 75 to ₹ 150 per month.

Power: The decrease was attributed to less realisation of energy charges from the State Government Departments.

The other Departments did not inform (January 2012) the reasons for variations, despite being requested (August 2011).

4.1.4 Variation between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2010-11 are mentioned in the following table:

(₹ in crore)

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax Revenue				
1.	Sales Tax/VAT	220.0	227.57	(+) 7.57	(+) 3.44
2.	State Excise	6.0	6.61	(+) 0.61	(+) 10.17
3.	Stamp Duty and Registration Fees	10.0	3.57	(-) 6.43	(-) 64.30
4.	Taxes on Vehicles	15.0	4.44	(-) 10.56	(-) 70.40
5.	Taxes on Goods and Passengers	2.0	0.90	(-) 1.10	(-) 55.00
6.	Land Revenue	5.0	1.29	(-) 3.71	(-) 74.2
	Non-tax Revenue				
7.	Interest Receipts	45.0	44.65	(-) 0.35	(-) 0.78
8.	Other Administrative Services	1.47	1.08	(-) 0.39	(-) 26.53
9.	Medical and Public Health	0.57	0.12	(-) 0.45	(-) 78.95
10.	Public Works	11.46	16.88	(+) 5.42	(+) 47.29
11.	Forestry and Wildlife	5.0	2.1	(-) 2.90	(-) 58.00
12.	Education, Sports, Art and Culture	1.66	1.14	(-) 0.52	(-) 31.32
13.	Power	160.0	88.29	(-) 71.71	(-) 44.82

Source: Receipt Budget and Finance Account for the year 2010-11.

The following reasons for variations were reported by the concerned Departments:

Finance Department stated (February 2012) that the variations in respect of Power, Forestry and Wildlife and Major and Medium Irrigation were mainly on account of non-realisation of anticipated additional resource mobilisation measures. Further, the Department stated that the reasons for variations in respect of State Excise, Public Works and Water Supply & Sanitation could be due to collection of arrears.

Taxation Department stated (February 2012) that the variation in VAT receipts with reference to the estimate was due to increase in tax rate and hard effort by the Department officials.

Transport Department stated (February 2012) that the variations in Taxes on Vehicles and Taxes on Goods and Passengers were due to low rate of taxes, less registration of heavy vehicles, condemnation of large number of old/outdated vehicles. Further, the Department stated that the works of revenue mobilisation activities were hampered as the entire tax collection staff of each and every DTO was engaged for carrying out various other activities from time to time.

Reasons for variations from other Departments were awaited (February 2012).

4.1.5 Cost of Collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2008-09 to 2010-11 along with the relevant all India average percentage of expenditure on collection to gross collections for 2009-10 are mentioned in the following table:

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross on collection	All India average percentage for the year 2009-10
1.	Sales Tax/ VAT	2008-09 2009-10 2010-11	141.38 163.28 227.57	1.62 1.54 2.46	1.15 0.94 1.08	0.96
2.	State Excise	2008-09 2009-10 2010-11	3.91 4.70 6.61	1.75 1.74 2.05	44.76 37.02 31.01	3.64
3.	Taxes on Vehicles	2008-09 2009-10 2010-11	4.03 4.34 4.44	1.96 1.90 2.89	48.64 43.78 65.09	3.07
4.	Stamp Duty and Registration Fees	2008-09 2009-10 2010-11	3.18 4.25 3.57	0.81 1.27 1.21	25.47 29.88 34.00	2.47

Source: Finance Accounts

Thus, the cost of collection in respect of Sales Tax/VAT was lower than the all India average percentage for the year 2009-10, while in the case of State Excise, Taxes on Vehicles and Stamp Duty and Registration Fees, were considerably higher. Taxation Department stated (February 2012) that variation of expenditure on collection was due to grant of ACP to employees and adoption of recommendations of 6th Pay Commission for the State employees. Transport Department stated (February, 2012) that higher cost of collection in comparison with all India average was due to disbursement of ACPs (I & II) and its arrears, payment of huge amount in pensionery benefits to the retired employees and dependents of deceased persons *etc*. The other

Departments did not inform about the reasons for higher cost of collection (February 2012).

4.1.6 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessment of taxes on Sales Trade/VAT during the year 2010-11 as furnished by the Taxation Department is mentioned in the following table:

(₹ in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalty for delay in payment of taxes and duties	Amount refunded	Net collection as per Depart-ment	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Sales Tax/VAT	2010-11	154.84	2.53	Nil	Nil	157.37	98.39

Collection made under Sales tax/VAT at the pre-assessment stage was to the extent of 98.39 *per cent* whereas 1.61 *per cent* of the net collection was collected after regular assessment.

4.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 in respect of the principal Heads of Revenue as reported by the Departments was ₹ 3.64 crore of which ₹ 0.48 crore (13.19 *per cent*) were outstanding for more than five years as per details mentioned in the following table:

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2011	Amount outstanding for more than five years	Remarks
1.	Taxes/VAT on Sales, Trades *etc.*	2.97	0.48	Recovery under Manipur Land Revenue Act is under process.
2.	Taxes on Vehicles	0.32	Nil	Several Demand notices have been served to different defaulting vehicle owners for clearing/paying their outstanding Taxes/Fees without further delay.
3.	Taxes on Goods and Passengers	0.15	Nil	Same as above.
4.	Other Taxes on Income and Expenditure	0.20	Nil	Recovery under installment basis is being done.
Total		**3.64**	**0.48**	

Source: State Department.

4.1.8 Arrears in assessment

The details of Sales Tax/VAT assessment cases pending at the beginning of the year 2010-11, cases which became due for assessment during the year, cases disposed during the year and number of cases pending at the end of the year 2010-11 as furnished by the Deputy Commissioner of Taxes are mentioned below:

Head of revenue	Opening balance as on 31 March 2010.	New cases due for assessment during 2010-11.	Total assessment due	Cases disposed of during 2010-11	Balance at the end of the year 2010-11.	Percentage of disposals to the total assessments 5 to 4
1.	2.	3.	4.	5.	6.	7.
Taxes/VAT on Sales, Trades *etc*.	240	2418	2658	2478	180	93.23

4.1.9 Evasion of Tax

The details of cases of evasion of tax detected, cases finalised and demands for additional tax raised in 2010-11, as reported by the Departments concerned are mentioned in the following table:

Name of tax/duty	Cases pending as on 31 March 2010	Cases detected during 2010-11	Total	Number of cases in which assessments/ investigation completed and additional demand including penalty *etc*., raised during the year 2010-11		Number of pending cases as on 31 March 2011
				No. of cases	(₹ in lakh)	
Sales Tax/VAT	16	6	22	05	11.00	17
Taxes on Vehicles	254	118	372	277	15.98	95
Goods and Passengers	103	28	131	108	12.77	23

Source: State Departments

4.1.10 Refunds

The information on refunds in case of Sales Tax/VAT and Stamp Duty and Registration Fee during 2010-11 is mentioned in the following table:

(₹ in lakh)

Sl.No.	Particulars	Sales Tax/VAT		Stamp Duty and Registration Fee	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	08	5.21	Nil	Nil
2.	Claims received during the year	02	28.31	12	2.15
3.	Refunds made during the year	02	2.65	12	2.15
4.	Balance outstanding at the end of the year	08	30.87	Nil	Nil

4.2 Response of the Departments/Government towards audit

Transactions and maintenance of important accounts and other records of the departments are test-checked and Inspection Report containing audit findings is issued to the Head of the Office so audited for comments and/or compliance. Audit findings of serious nature are processed into draft paragraph and forwarded to the Administrative Head of the concerned Department through demi-official letter drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the Departments/Government towards audit is discussed in succeeding paragraphs.

4.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General (Audit), Manipur (AG) conducts periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Departments and the Government.

Inspection Reports issued up to December 2010 disclosed that 1282 paragraphs involving ₹ 978.49 crore relating to 417 IRs remained outstanding at the end of June 2011 as mentioned in the following table along with the corresponding figures for the preceding two years.

	June 2009	June 2010	June 2011
Number of outstanding IRs	360	401	417
Number of outstanding audit observations	1,104	1231	1282
Amount involved (₹ in crore)	678.97	894.8	978.49

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned in the following table:

Sl. No.	Name of Department	Nature of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money Value involved (₹ in crore)
1.	Public Health Engineering Department	Water Supply & Sanitation	34	79	29.01
2.	Power	Taxes and Duties on Electricity	118	364	874.01
3.	Revenue	Land Revenue	73	199	19.32
4.	Revenue	Stamps and Registration Fees	3	7	0.11
5.	Health & Family Welfare	Medical and Public Health	4	9	0.25
6.	Fishery	Fisheries	16	41	0.41
7.	Excise	State Excise	15	37	4.65
8.	Finance	Taxes/VAT on Sales, Trade, *etc*	46	237	21.01
9.	Finance	Miscellaneous General Services/Lottery	4	25	19.37
10.	Transport	Taxes on Vehicles/Taxes on Goods and Passengers	53	172	5.78
11.	Forest & Environment	Forest & Wild Life	51	112	4.57
		Total	**417**	**1282**	**978.49**

Even the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs were not received for 244 IRs issued up to December 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by us in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as takes action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.2.2 Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These committees are chaired by the Secretaries of the concerned administrative Department and attended by the concerned officers of the State Government and officers of the Accountant General (AG). The audit committees need to meet regularly in order to expedite clearance of the outstanding audit observations. At the instance of AG, the State Level Audit Committee meeting, attended by the concerned Principal Secretaries and Commissioners was convened on September 28, 2009. Inspite of this, no Audit Committee Meetings in respect of revenue auditee units had been held till date.

The Government may ensure holding of frequent meetings of these committees for ensuring effective action on the audit observations leading to their settlement.

4.2.3 Response of the Departments to the draft audit paragraphs

Four draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2011 were forwarded (September 2011) to the Secretaries/Commissioners of the respective Departments through demi-official letters. The administrative Secretaries/Commissioners did not furnish replies (January 2012) in respect of these draft paragraphs.

4.2.4 Follow up on Audit Reports – summarised position

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

However, as of November 2011, *suo moto explanatory* notes pertaining to 65 paragraphs/reviews for the Audit reports for the years 2000-2010 were not received within the stipulated period of three months either from the Departments or through the Manipur Legislative Assembly Secretariat.

4.2.5 Compliance with the earlier Audit Reports

In the Audit Reports 2005-06 to 2009-10 cases of under assessments, evasion, non/short levy of taxes/penalty, loss of revenue, failure to raise demands *etc*. involving ₹ 22.11 crore were reported. As of March 2011, the Departments concerned have accepted observations of ₹ 8.99 crore and recovered ₹ 0.19 crore. Audit Report wise details of cases accepted and recovered are given in the following table:

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2005-06	0.99	0.13	0.02
2006-07	1.87	1.01	0.02
2007-08	6.75	0.96	0.04
2008-09	6.77	3.81	0.11
2009-10	5.73	3.08	0.0025
Total	**22.11**	**8.99**	**0.1925**

4.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 4.3.1 to 4.3.2.2 discuss the performance of Taxation Department in dealing with the cases detected in the course of local audit conducted during the last 10 years and also the cases included in the Audit Reports for the years 2000-01 to 2009-10.

4.3.1 Position of Inspection Reports

The summarised position of Inspection Reports issued during the last 10 years, paragraphs included in these Reports and their status as on 30 June 2011 are given in the following table:

(₹ in crore)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value	IRs	Paras	Money Value
01-02	48	239	9.60	5	32	1.40	0	2	0	53	269	11.00
02-03	53	269	11.00	0	0	0	0	3	0.87	53	266	10.13
03-04	53	266	10.13	8	21	1.18	22	77	3.64	39	210	7.67
04-05	39	210	7.67	0	0	0	0	8	1.32	39	202	6.35
05-06	39	202	6.35	5	13	5.12	0	4	0.44	44	211	11.03
06-07	44	211	11.03	0	0	0	0	0	0	44	211	11.03
07-08	44	211	11.03	4	22	1.22	0	0	0	48	233	12.25
08-09	48	233	12.25	5	23	9.73	0	4	0.27	53	252	21.71
09-10	53	252	21.71	3	15	2.12	12	43	8.64	44	224	15.19
10-11	44	224	15.19	2	13	5.82	0	0	0	46	237	21.01

We reminded the Department periodically to furnish replies to the outstanding audit observations.

4.3.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

4.3.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years and those accepted by the Department and the amount recovered are mentioned in the following table:

Year of Audit Report	No. of paragraphs included	Money value of the paragraphs (₹ in crore)	No. of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases (₹ in crore)
2000-01	7	1.30	5	0.92	0.79	0.79
2001-02	4	0.26	2	0.16	0.00	0.79
2002-03	7	0.72	2	0.51	0.03	0.82
2003-04	10	1.82	10	1.82	0.16	0.98
2004-05	7	0.63	6	0.25	0.00	0.98
2005-06	8	0.99	3	0.13	0.02	1.00
2006-07	7	1.87	3	1.01	0.02	1.02
2007-08	8	6.75	4	0.96	0.04	1.06
2008-09	7	6.77	3	3.81	0.11	1.17
2009-10	7	5.73	3	3.08	0.0025	1.1725
Total	**72**	**26.84**	**41**	**12.65**	**1.1725**	

From the above table it is seen that though the Departments had accepted 57 *per cent* of the paras, recovery against accepted paras was very poor, since against ₹ 12.65 crore accepted on the paragraphs by the Departments, recovery was only ₹ 1.17 crore, which is a mere nine *per cent.* As can be seen, recovery in two of the previous ten years was NIL.

The Departments need to evolve a strong mechanism to monitor and ensure recovery of accepted cases.

4.3.2.2 Action taken on the recommendations accepted by the Departments / Government

The draft Performance Audits (PAs) conducted by the AG are forwarded to the concerned departments/Government for their information with a request to furnish their replies. These PAs are also discussed in an Exit Conference and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

The following paragraphs discuss the issues highlighted in the reviews on the Taxation Department featured in the last 10 Audit Reports including the recommendations and action taken by the department on the recommendations accepted by it as well as the Government.

Year of Audit Report	Name of the review	No. of recommendations	Details of the recommendations accepted
2003-04	PA on Sales Tax including Internal Control System prevalent in the Department	5	Department's reply on the implementation of the recommendations made not received.
2008-09	Transition from Sales Tax to Value Added Tax (VAT) System	7	-do-

The draft PAs were forwarded to the Department and the audit findings and recommendations were discussed with the representatives of the Government and officers of the Department during the Exit Conference. Compliance to audit observations and recommendations have not been intimated. The Department needs to monitor and ensure that audit recommendations are taken to their logical conclusion.

4.4 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* include critical issues in government revenues and tax administration *i.e.* budget speech, White Paper on State Finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee; statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years *etc*.

During the year 2010-11, the audit universe comprised of 72 auditable units of which 34 units were planned and 25 units audited during the year which is 35 *per cent* of the total auditable units.

Besides compliance audit, two Performance Audits on "Cross verification of declaration forms used in Inter State Trade" and "IT Audit on Computerisation of Motor Vehicles Department" were also taken up.

4.5 Results of audit

4.5.1 Position of local audit conducted during the year

Test-check of the records of 25 units of Electricity Receipts, Motor Vehicles, Forest and other Departments conducted during the year 2010-11 revealed underassessment/short levy/loss of revenue/non-realisation of outstanding revenue aggregating ₹ 176.14 crore in 58 cases. Of these the Departments recovered ₹ 7.95 crore in 13 cases.

4.5.2 This Report

This Report contains four paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and two Performance Audits on **"Cross verification of declaration forms used in Inter State Trade and Commerce"** and **"IT Audit on Computerisation of Motor Vehicles Department"** involving financial effect of ₹ 3.73 crore. The Departments/ Government have accepted audit observations involving ₹ 2.49 crore out of which ₹ 0.92 lakh has been recovered . The replies in the remaining cases have not been received (January 2012). These are discussed in succeeding paragraphs.

PERFORMANCE REVIEWS (REVENUE)

TAXATION DEPARTMENT

4.6 Performance Audit on "Declaration forms in Inter State Trade and Commerce"

The Central Sales Tax Act, 1956 (CST Act) and the Rules framed thereunder provide for concessional rate of tax in respect of Inter State sales and branch transfers. These concessions/exemptions are subject to furnishing of declarations in the prescribed forms viz. 'C', 'F' *etc*. Failure to furnish the declarations or submission of fake, misuse or invalid declaration forms *etc*. will make the transactions liable to tax as applicable to sales in the appropriate State.

Cross verification of declaration forms used in Inter-State trade was conducted across the States and Union Territories to check the genuineness of these declaration forms wherein all the information collected was cross checked with the Commercial/Sales Tax Departments of other States and Union Territories. The various irregularities noticed during this review are discussed in the succeeding paragraphs.

Highlights

The Department had no mechanism in place for periodic review of the stock of forms held by it so as to ensure that old, obsolete, defective or unused forms were either destroyed after obtaining the approval of the competent authority or otherwise secured so as to obviate the possibility of their misuse. No physical verification of statutory forms held by the Commissionerate was done during the period covered by audit except once on 23 September 2009 in respect of Form 'F'.

(Paragraph 4.6.9.1)

The Department did not adopt enforcement measures like blacklisting of the dealers who had been found utilising invalid/fake Declaration forms in the past and circulation of the names of such dealers among various units and States to establish the authenticity of Declaration forms.

(Paragraph 4.6.9.3)

The information regarding dealers and Declaration forms issued to the dealers were not uploaded on the TINXSYS website promptly. The Department had not installed any system of either verification of each and every Declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax or cross verification of the purchase values shown in the utilisation statement/counterfoil of utilised 'C' forms issued to dealers with those in the database in the TINXSYS website while settling/finalising the tax

returns. Out of 16 modules developed by the Department, only one module was functional online. The TINXSYS website remained non-functional and inaccessible and statutory forms were not issued online.

(Paragraph 4.6.9.4)

Our cross verification of 'C' Declaration Forms revealed that one form was fake as it was not issued by the Department, six forms projected as issued by the Department were incorrect and twenty forms were issued by the Department to eleven dealers other than the corresponding purchasing dealers. While finalising the assessments, the assessing authorities allowed concessional rates on these 27 forms without checking these irregularities. The tax effect involved was ₹ 8.81 lakh. Besides, penalty of ₹ 17.61 lakh was also leviable.

(Paragraph 4.6.10.1.1)

While finalising the assessments of seven dealers, the assessing authorities allowed concessional rate of tax by accepting Declarations which were either not supported by 'C' forms or were supported by 'C' forms which were filed beyond the stipulated time. Such irregular assessments involved short levy of tax of ₹ 30.98 lakh.

(Paragraph 4.6.10.1.3)

Our scrutiny of 'C' Declaration forms/utilisation statements revealed that the assessing authorities, while finalizing the assessments, accepted purchase turnover of ₹ 10.99 crore as against actual purchase turnover of ₹ 23.09 crore. Suppression of these Inter-State purchases and consequent sales turnover involved tax and penalty of ₹ 2.65 crore.

(Paragraph 4.6.10.2.1)

While finalising the assessments, the assessing authority allowed exemption of tax on stock transfer of ₹ 30.92 lakh made by a dealer, which was not supported by form 'F' Declaration. The tax effect involved was ₹ 3.87 lakh.

(Paragraph 4.6.10.3)

4.6.1 Introduction

The Central Sales Tax Act, 1956 (CST Act) and the CST (Registration and Turnover) Rules, 1957 framed thereunder regulate the assessment, levy and collection of tax on Inter State transactions. Under this Act, registered dealers are eligible to certain concessions and exemptions of tax on Inter State transactions on submission of prescribed declarations in Form 'C', 'F' *etc*. The State Governments grant these incentives to dealers for furtherance of trade and commerce. It is the responsibility of the Commercial Tax Departments to ensure proper accountal of the declaration forms and to take adequate safeguards against misutilisation of declaration forms on which tax relief is allowed.

4.6.1.1 Form 'C'

Under the provisions of the CST Act, goods are purchased by registered dealers from outside the State on payment of tax at a concessional rate of four *per cent* up to 2006-07, 3 *per cent* and 2 *per cent* from April 2007 and June 2008 respectively by issuing declaration in Form 'C'. Similarly, on sale of goods to a registered dealer of another State, tax is leviable at a concessional rate at the aforesaid rates subject to furnishing of declaration in Form 'C' obtained from the registered purchasing dealers. In the event of failure on the part of a dealer to obtain and produce such declaration forms, tax is leviable in respect of declared goods[6] at twice the rate applicable to the rate on purchase of such goods inside the State and in case of other goods, at the rate of 10 *per cent* or at the rate applicable to the sale or purchase of such goods within the State, whichever is higher.

4.6.1.2 Form 'F'

The CST Act also provides that goods transferred by a dealer outside the State to any place of his business or to his agent or principal are not liable to tax provided such transfer is supported by a declaration in Form 'F' obtained from the transferee along with evidence of dispatch of such goods to substantiate the claim of transfer. If the dealer fails to furnish such declaration then the movement of such goods shall be deemed to have been occasioned as a result of sale under the CST Act.

4.6.1.3 Penal provisions

Under the Manipur Value Added Tax (MVAT) Act, 2004, if the Commissioner of Taxes is satisfied that the dealer, in order to evade or avoid payment of tax, has furnished incomplete and incorrect return for any period, he shall direct that the dealer shall pay, by way of penalty, a sum equal to twice the amount of additional tax assessed.

The provision for levy of penalty as provided in the State Sales Tax law is applicable mutatis mutandis in cases of violation of the provisions of the CST Act & Rules thereunder.

4.6.1.4 TINXSYS.com

The Empowered Committee of State Finance Ministers had authorised a website www.tinxsys.com (TINXSYS.com) to serve as a repository of Inter-State Trade transactions. Apart from the dealer verification, the Tax Department officials would use TINXSYS for verification of central statutory

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[6] Goods of special importance in Inter State Trade or Commerce as described in sec 14 of the CST Act.

forms used by other State Commercial Tax Departments and submitted to them by the dealers in support of the claims for concessions.

4.6.2 Organisational set up

The Commissioner of Taxes assisted by an Accounts Officer is responsible for administration of the Acts and Rules at the apex level of the Department including printing, receipt and distribution of declaration forms to each Zone/dealers. The State of Manipur is divided into ten taxation Zones. Two Zones[7] are under the charge of an Assistant Commissioner of taxes and the remaining zones are under the charges of a Deputy Commissioner of Taxes and eight Superintendents of Taxes[8].

The zonal officers are responsible for registration, distribution of Declaration forms to dealers and assessment of dealers. No Inter State Investigation Wing/Investigation Wing/Intelligence Wing exists in the Department.

4.6.3 Audit objectives

The Performance Audit was conducted with a view to ascertain whether:

- there existed a foolproof system for custody and issue of the declaration forms;
- exemption/concession of tax granted by the assessing authorities was supported by the original declaration forms;
- there was a system for ascertaining genuineness of the forms for preventing evasion of tax;
- there was a system of uploading the particulars in the TINXSYS website and the data available there was utilised for verifying the correctness of the forms;
- appropriate steps were taken on receipt and detection of fake, invalid and defective forms; and
- there existed an effective and adequate internal control mechanism.

4.6.4 Audit Criteria

The criteria benchmarked for achieving the audit objectives are:

- the Central Sales Tax Act, 1956 and the Central Sales Tax (Registration and Turnover) Rules, 1957;
- notifications/orders of the Executive body and Department;
- the Manipur Sales Tax (MST) Act ,1990; and

[7] Zones-I and VA
[8] two Superintendents of Taxes (ST) in Headquarters Zone and one ST in Zone- VB

- the Manipur Value Added Tax Act, 2004 (MVAT Act) and the Rules framed thereunder.

4.6.5 Scope of Audit

The Performance Audit was taken up between November 2010 and July 2011 covering:

- assessments completed during the period from 2007-08 to 2009-10, where exemptions/concessions were granted under the CST Act; and
- returns filed and assessments made under the MVAT Act for the period up to March 2010.

The Office of the Commissioner of Taxes including all the ten Zones, and Check Posts at Moreh and Jiribam were selected for scrutiny.

The materials collected during audit including Declaration forms were submitted to Headquarters for onward transmission to the concerned field offices to verify the genuineness of the forms/claims.

4.6.6 Audit Methodology

Audit methodology consisted of holding of Entry Conference (November 2010), issue of requisitions and questionnaires, scrutiny of the assessment records, counterfoils of Declaration forms and the statements of utilisation of Declaration forms, cross verification of the quantum of the goods purchased from outside the State, sending of Declaration forms to other States for verification of their genuineness and accountal of cross verification results received from other AGs.

Out of 449 declarations in forms 'C'& 'F' received from the Headquarters pertaining to ten States, 304 forms were verified. This office sent 160 declarations in form 'C' to nine AGs for verification to establish their genuineness. The verification results in respect of 143 forms from the nine AGs were received, 12 forms were not found verified due to non production of records *etc*. Reports on verification in respect of 5 forms from the States of Madhya Pradesh (4 forms) and Maharashtra (1 form) were awaited (January 2012). Audit findings were discussed with the Departmental officers in an Exit Conference (October 2011) and their replies/views have been incorporated in the Performance Audit.

4.6.7 Acknowledgement

The Indian Audit & Accounts Department acknowledges the cooperation extended by the Department of Taxes in providing necessary information and records to us.

4.6.8 Trend of revenue from CST

The position regarding the budget estimates of revenue from State VAT and CST and the actuals from CST during 2006-11 is as given in the following table:

(₹ in crore)

Year	Budget estimates (VAT and CST)	Actual realisation (CST)	Percentage of increase (+)/decrease (-) in CST realisation
2006-07	72.80	2.69	-
2007-08	100.00	0.43	-84
2008-09	128.80	5.50	+1179
2009-10	146.83	23.29	+323
2010-11	220.00	13.50	-42

Source: Departmental records/Finance Accounts

The Department could not furnish to us the reasons for non fixation of budget estimate for CST . In the absence of the separate budget estimate for CST the percentage of variation of revenue realised against the budget estimate during 2007-11 could not be worked out. It, however, transpired that there was a highly irregular trend in CST realisation. While there was an increase of CST realisation by 1179 and 323 *per cent* during 2008-09 and 2009-10, there was a decrease of 84 and 42 *per cent* during 2007-08 and 2010-11respectively, due to reduction in CST Rates.

Further, the Department did not maintain any record/ database to show the year-wise position of sales/stock transfer against Declaration forms ‘C’/’F’ to ascertain the revenue foregone on account of concessions/exemptions.

Audit findings

We reviewed the functioning of the Department of taxes relating to the system of assessment, levy and collection of tax on goods purchased from outside the state and goods sold to dealers outside the state and the concessions availed/allowed to the dealers. It revealed a number of system and compliance deficiencies which have been highlighted in the succeeding paragraphs.

4.6.9 System deficiencies

4.6.9.1 Printing/custody of Declaration forms and issue/accounting of forms by the Department/dealers

The Department had no mechanism in place for periodic review of the stock of forms held by it so as to ensure that old, obsolete, defective or unused forms were either destroyed after obtaining the approval of the competent authority or otherwise secured so as to obviate the possibility of their misuse. The Declaration forms were found issued to the zonal offices on the strength of the requisitions placed by the zonal officers.

No physical verification of statutory forms held by the Commissionerate was done during the period covered by audit except once on 23 September 2009 in respect of Form 'F'.

The Department paid a sum of ₹ 4.26 lakh during November 2009 to M/s Saraswaty Press Ltd., Kolkata for printing of 2000 books each of 'C' and 'F' Forms. All the 4000 printed books[9] were received by the Department during the period from June to November 2010. During April 2007 to March 2010, 766 books of declaration 'C' forms were found issued to 10 zonal officers and dealers (zonal officers: 703 books and 10 leaves, dealers: 62 books and 14 leaves and M/s Saraswaty Press Ltd., Kolkata: 1 leaf as sample for printing). However, receipt and issue registers of Form 'C' for the period from 1 April 2007 to 19 March 2010 in respect of Zones- Headquarters, II, IV, VI to VIII and those for the period from 1 April 2007 to 7 June 2009 in respect of Zone IX could not be made available to us and hence, the status on issuance of Form 'C' during the period cited above could not be ascertained.

The following deficiencies were noticed in the course of issue and accounting of Declaration forms by the Department:

- though there is a system of obtaining the details of the Declaration forms, such system was not adopted in letter and spirit;
- there was no system of verifying the counterfoils of the statutory forms/utilisation statements thereof while scrutinising the returns;
- no system was also put in place to verify the genuineness of the Declaration forms received from the purchasing dealers from outside the State;
- in respect of a few dealers, forms were found issued only after the forms issued earlier were fully utilised and a statement to that effect was submitted to the tax authority. However, the correctness of the details like declaration form number and date, quantum of purchases made by the dealers, invoices *etc*. were not verified by the tax authority concerned;
- though 703 books and 10 leaves of form 'C' were issued during April 2007 to March 2010 to 10 zonal officers and one ST in Headquarters zone, the relevant stock and issue registers of 'C' forms in respect of these zones were not produced to us. The zonal officers of Zone- I, V and VI however, maintained receipt and issue registers of Form 'C' for the period from 20 March 2010 to 31 March 2010 and that of Zone-IX for the period from 8 June 2009 to 31 March 2010. These registers maintained were also not submitted to the competent authority at regular intervals. Further, no register was kept to watch dealer-wise account of forms issued and used by the dealers along with the details of fees paid for the forms. There was no provision in the forms issue register to record

[9] One book contains 25 leaves of forms.

the utilisation of declaration forms to enable prima facie detection of suppression in turnover; and

- the forms were found issued by the registered dealers of the State to the registered dealers with whom they had transacted. However, the dealers were not accounting for the goods they had imported through use of Declaration forms thereby availing undue chances for evasion of tax as highlighted in paragraph 4.6.10.2.

The Department/Government may consider implementing in letter and spirit the system for calling of Declaration forms along with relevant documents before issuing fresh Declaration forms, scrutiny of returns filed and conducting tax audit. Early action may be initiated to upload the information regarding the details of the dealers and forms issued to them on the TINXSYS website promptly.

4.6.9.2 Utilisation of Declaration forms

The following lacunae were noticed in the utilisation of Declaration forms issued to the dealers by the tax authority :

- the Department had not made it mandatory for the dealers to furnish the Declaration forms while submitting the returns in the wake of implementation of MVAT Act;
- the assessing authorities had not been directed to assess the tax, interest and penalty in cases of non-submission of Declaration forms. The Department had also no guidelines prescribing check list of points to be seen prior to acceptance of Declaration forms;
- neither had the Department installed a system of verification of each and every Declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax nor was the TINXSYS website made operational;
- the assessing officers had no details of the branches of the dealers to verify the authenticity of the claims for exemption; and
- the Department had not installed any system of picking up a sample of Declaration forms and taking them up for further verification with the concerned States.

On a test-check of records maintained in zones I and V, we noticed that 10 (ten) dealers were issued 704 numbers of statutory forms 'C' during the year 2007-08 to 2009-10 but the utilisation statements of all the statutory forms issued earlier were not obtained by the Department.

Moreover, the dealers under the jurisdiction of eight zones used to file returns without a copy of the Declaration forms and hence, concealment of the quantum of purchases made under the Declaration forms issued earlier and consequent evasion of tax and penalty could not be ruled out.

After we pointed this out, the Department stated (November 2011) that necessary orders had been issued to make it mandatory to furnish the utilisation statement of the form by the dealers**.**

4.6.9.3 Enforcement measures

The Department did not adopt any of the enforcement measures to establish the authenticity of Declaration forms as is evident from the following factual position:

- there was no system of blacklisting the dealers who had been found utilising invalid/fake Declaration forms in the past and circulation of the names of such dealers among various units and States. As such not a single dealer had been blacklisted in the State;
- no system was adopted to monitor such dealers to watch regularly any further mischief and to alert other States about such dealers to caution them;
- the Department had not maintained any data bank on forms declared invalid or dealers found to be fictitious or whose registration certificates were cancelled within and outside the State;
- the Department did not maintain any sample of the colour, design and format of the forms prevailing in different States for comparison in order to identify the fake or forged Declaration forms;
- cases of fake/ manipulated/ misused forms detected by the Department were not on records. Our cross verification of the Declaration forms obtained by the selling dealers of the State from the purchasing dealers of other States, however, revealed that one form was fake, six forms incorrect, four forms manipulated and twenty forms misused. Assessing officers had not exercised due diligence before accepting the Declaration forms during assessment; and
- no Intelligence Wing/Intelligence Bureau wing was constituted in the Department and hence, expected checks and balances to guard against concealment of the purchase and sales turnover was found to be absent.

4.6.9.4 Non-operation of TINXSYS

Tax Information Exchange System **(**TINXSYS**)** is an exchange authored by the Empowered Committee of State Finance Ministers (EC) as a repository of Inter State transactions taking place among various States and Union Territories. TINXSYS will help the Commercial Tax Departments of various States and Union Territories to effectively monitor the Inter-State trade.

Apart from dealer verification Commercial Tax Department officials would use TINXSYS for verification of Central Statutory Forms issued by other State Commercial Tax Departments and submitted to them by the dealers in support of claim for concessions. TINXSYS will also provide Management Information System (MIS) and Business Intelligence Reports to the Commercial Tax Departments to monitor Inter State trade movements and will enable EC to monitor the trends in Inter State trade.

The Department of taxes, Manipur gave consent (September 2007) for the interconnectivity between TINXSYS and the State VAT computerisation system. The computerisation of Taxation Department was undertaken under the North East VAT computerisation project (NEVAT Project) with funding from the Government of India. The NEVAT project was targeted at creating computerised VAT administrations to enable streamlined implementation of State VAT and Goods and Service Tax (GST) in due course. Under NEVAT, a system called VAT and CST Management System (VCMS) consisting of 16 modules had been developed with the Tata Consultancy Service (TCS) as the service provider.

The project of computerization which started in April 2005 was stipulated for completion during March 2009. However, out of eleven VAT centres in the State six to eight centres remained inactive during 2008-10.

Thus, the project was yet to be fully implemented after completion of the project period and even after six years of introduction of MVAT in the State in July 2005. The stipulated date for the NEVAT project was extended to 31 March 2011 and only two modules namely e-registration and e-return had been completed and rolled out in Zones-I and II.

The TINXSYS data transfer statistics showed that the State was not doing well in capturing and uploading TINXSYS data. From January 2005 to December 2009, there was no transfer of data under various report heads[10] of TINXSYS. Information in this regard for the period from January 2010 to March 2010 was not available. The information regarding dealers and Declaration forms issued to the dealers were not uploaded on the TINXSYS website promptly. The Department had not installed any system of either verification of each and every Declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax or cross verification of the purchase values shown in the utilisation statement/counterfoil of utilised 'C' forms issued to dealers with those in the database in the TINXSYS website while settling/ finalising the tax returns.

Out of 16 modules[11] developed by the Department, only one module namely registration module was functioning online. Moreover, the Department could

[10] 'C' form, 'C' form utilisation, 'F' form, 'F' form utilisation and periodic returns *etc*.

[11] Administration, Registration, Check post, Interoperability, Statutory forms, Case records, Notices & circulars, Field inquiry, Payment, Return, Assessment, Refund, Penalty, Vigilance, Appeal and Recovery

not catch the inputs in respect of the Inter State transaction as the TINXSYS.com remained non functional and inaccessible. The records maintained at the Check Gates at Jiribam and Moreh were not computerised. Further, no scheme for online issue of statutory forms had also been introduced and physical Declaration forms continued to be issued.

Thus, non-uploading of information like dealers' details, forms issued and utilisation thereof and non-operation of the website resulted in failure to catch purchase/sales turnover of dealers by the AAs thereby making returns filed/assessments finalised tainted with concealment of purchase/sales turnover and evasion of tax as highlighted in paragraphs on system and compliance deficiencies.

The Department stated (November 2011) that matter had been taken up with the Government of India and would be considered in the next meeting of the Empowered Committee of State Finance Ministers to be held on 3 March 2012.

The Government may expedite taking necessary steps to provide full access to the TINXSYS.com website.

4.6.9.5 Internal Audit

The White Paper on Value Added Tax envisaged the creation of an independent audit wing for checking a percentage of dealers' assessments. Internal audit is one of the most vital tools of internal control mechanism and functions as the 'eyes and ears' of the management and evaluating efficiencies and effectiveness of the mechanism. It also independently appraises whether the activities of the Department are being conducted efficiently and effectively.

We noticed that neither was the provision for creation of an audit wing embodied in the MVAT Act nor was any initiative taken up by the Department to install Internal Audit Wing (IAW) during the period covered by us. It was only during July 2011 that the Department made proposals to the Government for constitution of an IAW. The approval of the Government was, however, awaited. Absence of the IAW indicates that the Department was unaware of the deficiencies and other weaknesses that crept into the Department. The inadequacy in the internal control system of the Department is evident from the non constitution of the IAW and improper maintenance of records that prevented the Department to produce assessment records and statutory forms to us.

The Government may take early action to install the Internal Audit Wing to ensure strict compliance with the provisions of Acts and Rules by various wings/Zones of the Department and to prevent leakage of revenue.

4.6.10 Compliance deficiencies

4.6.10.1 Inter State Sales

4.6.10.1.1 Misutilisation of Declaration forms

As per the provisions of the CST Act and Rules made there under, Inter-State sales of goods covered by valid declaration in Form 'C' is taxable at a concessional rate of four *per cent* upto 2006-07, 3 *per cent* and 2 *per cent* with effect from April 2007 and June 2008 respectively. A dealer who claims concessional rate of tax is required to obtain the declaration in Form 'C' from the purchasing dealer and produce it before the Assessing Authority(AA) within the period of three months from the end of relevant quarter ending failing which tax is leviable, in respect of goods other than declared goods, at the rate of ten *per cent* or at the rate applicable to the sales or purchases of such goods within the State, whichever is higher for the period up to 2006-07 and at the rate applicable to the sales or purchases of such goods within the State.

On test-check of the assessment records maintained in the ST, Moreh Check Post within the jurisdiction of Zone-VIII, we noticed that five dealers[12] who dealt in betel nuts/*supari* were assessed (January 2008 to June 2009) for the quarters ending from June 2005 to March 2008 under Section 9 of CST Act by accepting 76 Declarations in 'C' forms. Our cross verification of these forms with the Sales Tax authorities of Delhi, Maharashtra and West Bengal revealed that out of 76 forms, one form was fake as was not issued by Sales Tax authority, Maharashtra; six forms projected as issued by the Sales Tax authority, Delhi were incorrect; twenty forms were issued by the Sales Tax authorities of Delhi and West Bengal to eleven dealers other than the corresponding purchasing dealers (Delhi-19; West Bengal-1). The assessing authorities irregularly allowed concessional rates of tax on such forms. The tax recoverable in these transactions having taxable turnover of ₹ 3.84 crore was ₹ 8.81 lakh. Moreover, penalty of ₹ 17.61 lakh was also leviable.

[12] M/s G.L. Pawar (TIN-14710100116 and CST/M/139), M/s Premela Trading (TIN 14710070100 and CST/M-188),M/s Hiralal Jaiswal (CST no.-14011010204), M/s Manoj Kumar Gupta (TIN-14710097183) and M/s Roshni Enterprises (TIN-14710077177)

4.6.10.1.2 Evasion of tax by inflating the sales figures

On scrutiny of records maintained in Zone VIII, we noticed that the ST, Moreh Check Post completed (January 2009) the assessment of one dealer[13] for the quarters ending December 2008 by accepting two declarations in 'C' form without exercising any cross verification of the forms to ascertain the genuineness thereof. The result of our cross verification with Sales Tax authority, West Bengal, disclosed that the sales value of goods supported by one Declaration form amounting to ₹ 5.77 lakh were inflated by ₹ 10 lakh. The tax evaded worked out to ₹ 0.16 lakh. Besides, penalty of ₹ 0.31 lakh was also leviable.

4.6.10.1.3 Irregular grant of concession/exemption on filing of Declaration forms beyond the stipulated period

As per provision of the Central Sales Tax (CST) Act, 1956 and the Rules framed thereunder, a dealer can claim concessional rate of tax in case of Inter-State sales of goods by furnishing Declaration form 'C' to the prescribed authority within three months after the end of the period to which the declaration relates, failing which he is liable to pay tax, in respect of goods other than declared goods, at the rate of 10 *per cent* or at the rate applicable to the sales or purchase of such goods within the State whichever is higher (up to 2006-07) and at the rate applicable to the sales and purchases of such goods within the State from April 2007 onwards.

Our test-check of records maintained in Zone I and Taxation Check Post, Moreh revealed that the AAs, while finalising the assessments (May 2007 to June 2009) of seven dealers[14] on a taxable turnover of ₹ 13.61 crore for the quarters ending from June 2005 to September 2008, allowed concessional rate of tax by accepting 128 'C' Declaration forms. Our scrutiny of the forms, however, revealed that 80 forms were found to have been filed late in as much as these were submitted beyond the stipulated period of three months from the end of the relevant quarter endings. No further time had been allowed to the dealers by for submission of the forms beyond the stipulated date *i.e.* irregular claims allowed resulted in short levy of tax of ₹ 30.98 lakh.

[13] M/s G.L. Pawar (TIN-14710100116), a dealer in betel nut *etc*.

[14] M/s Mangalam Woods Industries (TIN-14110225238-dealer in plywood items), M/s Premela Trading(TIN 14710070100 and CST/M-188), M/s Ajay Traders (TIN-14700768187 and CST/M/272),M/s Hiralal Jaiswal (CST no.-14011010204), M/s Manoj Kumar Gupta (TIN-14710097183), M/s Roshni Enterprises (TIN-14710077177) and M/s G L Pawar (TIN-14710100116)-dealers in betel nuts *etc*.

After we pointed this out, the Superintendent of Taxes, Check Post, Moreh, while accepting our observations issued (28 December 2011) demand notices to six dealers[15] to deposit tax and penalty amounting to ₹ 32.52 lakh within 45 days from the date of issuance of the notice.

The Government may consider installing a mechanism to ensure that the cross verification of Declaration forms is done by the AAs concerned. A periodic return to monitor the progress made from time to time in cross verification of Declaration forms and maintenance of records at Commissioner of Taxes' level may be prescribed for all the AAs. Besides, norms for carrying out verification of the Declaration forms may be prescribed for the AAs.

4.6.10.2 Intra-State transactions

4.6.10.2.1 Suppression/non-accountal of Inter-State purchases

As per section 39 of the MVAT Act, where after a dealer is assessed under section 34 (3) for any year or part thereof, if the Commissioner has reasons to believe that the whole or any part of the turnover in respect of any period has escaped assessment or been under-assessed, he may proceed to assess to the best of his judgment, the tax due in respect of such turnover. Section 36 (7) provides *inter alia*, that if the dealer, in order to evade/avoid payment of tax, has furnished incomplete and incorrect return for any period, the Commissioner shall direct that the dealer shall pay, by way of penalty, a sum equal to twice the amount of additional tax assessed. Further, as per section 28 of MVAT Act read with Rule 24 of MVAT Rules, all registered dealers with a turnover exceeding ₹ 10 lakh are required to submit returns within twenty days from the close of the month of the year.

On scrutiny of records maintained in Taxation Zones- headquarters, I, III, and V, we noticed that the AAs finalised (March 2006-March 2010) the assessments of eight dealers[16] under section 34 (3) of the Act ibid for the periods ending from December 2005 to December 2009 taking into account the purchase turnover of ₹ 92.52 lakh as returned by the dealers whereas our scrutiny of the purchase turnover, as depicted in the relevant counterfoils of 'C' Declaration forms/ utilisation statements, revealed that the actual purchase turnover was of ₹ 11.32 crore which was not detected by the AAs at the time of assessment. This led to suppression of inter State purchases and consequent sales turnover of ₹ 10.40 crore which involved evasion of VAT of

[15] M/S G.L. Pawar (TIN-14710100116):₹ 10.59 lakh, M/S Premela Trading (TIN-14710261275): ₹ 13.32 lakh, M/s Hiralal Jaiswal (TIN-14011010204): ₹ 1.69 lakh, M/s Manoj Kumar Gupta (TIN-14710097083):₹ 1.30 lakh, M/S Roshni Enterprises (RC no.-M/TIN 261):₹ 3.38 lakh and M/s Ajay Traders (TIN-14710078187):₹ 2.24 lakh

[16] M/S Manipur Diesels (TIN 14010277145), M/S DK Steels (TIN 14110098128), M/S Treepty Enterprises (TIN 14310164264), M/s RJ Enterprises(TIN 14010079193), M/S Aadinath Traders (TIN 14110005768), M/S Jain Medicos (TIN 14110205232), M/S Navjivan Aushdhalay (TIN 14510106122), M/S Truss Enterprises (TIN 14510345285)

₹ 86.02 lakh. Penalty to the extent of ₹ 1.72 crore for filing of incorrect returns was also leviable under section 36(7).

After we pointed this out, the Commissioner of Taxes, while accepting the audit observation, issued (September 2011) demand notices to two dealers[17] to pay tax and penalty to the extent of ₹ 2.10 crore.

Further, we noticed that ten[18] dealers under the jurisdiction of the Superintendent of Taxes, CSD filed tax returns depicting purchase turnover to the tune of ₹ 10.06 crore for the quarters from December 2005 to March 2010 whereas our cross verification of the records like counterfoils of statutory 'C' forms/ utilisation statements thereof revealed that the dealers had imported various goods valued at ₹ 11.77 crore during the period in question. This resulted in suppression of purchase turnover of ₹ 1.71 crore involving tax of ₹ 6.83 lakh. Besides, penalty was leviable after verification.

4.6.10.3 Branch Transfers

Under the CST Act, where the dealer claims that he is not liable to pay tax under the Act in respect of any goods on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of title by him to any other places of his business and not by reason of sale, such claim is admissible subject to submission of original portion of the declaration in 'F' form along with the proof of despatch to the AA within three months after the end of the period to which the declaration relates. If the dealer fails to furnish the declaration, then the movement of such goods shall be deemed to have been occasioned as a result of sale.

Our scrutiny of records maintained in Zone-I, Imphal we noticed that in respect of a dealer[19], the AA made assessment (July 2008 and January 2009) allowing exemption of tax on ply wood (rate of tax: 12.5 *per cent*) valued at ₹ 30.92 lakh on the ground of stock transfer to a place[20] outside the State during the period ending March and June 2008 despite the fact that such stock transfer was not supported by declaration in form 'F' and proof of despatch. In absence of documentary evidence for despatch of the goods, the transactions should have been treated as local sales

[17] M/s Manipur Diesel(TIN-14010277145)-₹ 209.62 lakh and M/s RJ Enterprises (TIN-14010079193- ₹ 0.75 lakh

[18] Unit run Canteens-183 Military Hospital (TIN 14010150136), 22 Assam Rifles (TIN 14010057176), 302 Coy ASC (Sup)(TIN 14010067280), 6 Assam Rifles (TIN 14010805288), HQ-765 BRTF (TIN 14011618169), HQ Senapati Range, Assam Rifles (TIN 14710027162), 57Mountain Division, Signal Regiment (TIN 14010258149), HQ Manipur Range, Assam Rifles (TIN 14010005242), Ist Assam Rifles (TIN 14510122185) and 43 Assam Rifles (TIN 14011588148).

[19] M/s Mangalam Woods Industries Pvt. Ltd. (TIN 14110225238), a dealer in plywood items

[20] Guwahati, Assam

taxable at 10 or 12.5 *per cent* whichever is higher. Hence the dealer was liable to pay tax of ₹ 3.87 lakh as detailed in the following table:

(₹ in lakh)

Quarter ending	Date of assessment	Gross turnover of sales	Value of stock transfer not supported by form 'F'	Rate of tax (*per cent*)	Tax leviable on stock transfer
March 2008	18-7-08	46.02	22.24	12.5	2.78
June-08	15-1-09	15.72	8.68	12.5	1.09
Total		**61.74**	**30.92**		**3.87**

Besides, penalty was leviable.

The Department in its reply (November 2011) accepted the audit finding.

4.6.11 Non-production of records

The Department failed to produce to us the assessment records including 144 number of statutory 'C' and 'F' forms in respect of 39 dealers despite requisitions placed in writing. The Government of Manipur, Finance Department was apprised of the factual position of non production of records during June 2011. The matter was further taken up with the Commissioner (Finance), the Government of Manipur and Commissioner of Taxes. However, the position remained the same. 144 numbers of statutory forms could not be verified due to non production of records. The Department stated (November 2011) that non-production of the records was due to non-availability and misplacement of records.

4.6.12 Conclusion

The Performance Audit revealed several deficiencies in observance of the system as well as non-compliance of the CST Act and the Rules and the MVAT Act. The Department had no mechanism in place for periodic review of the stock of forms held by it so as to ensure that old, obsolete, defective or unused forms were either destroyed after obtaining the approval of the competent authority or otherwise secured so as to obviate the possibility of their misuse. The Department did not adopt enforcement measures like blacklisting of the dealers who had been found utilising invalid/fake Declaration forms in the past. The information regarding dealers and Declaration forms issued to the dealers were not uploaded on the TINXSYS website promptly. The Department had not installed any system of verification of each and every Declaration form submitted by the dealers with the database available in the TINXSYS website. The website remained non-functional and statutory forms were not issued online. The Declaration forms furnished by the dealers were not effectively scrutinised by the AAs. No system was put in place to facilitate the cross verification of the Declaration forms to establish the genuineness thereof from the records of AAs of other States thereby allowing exemption/concession on fake, incorrect, misused, manipulated and Declaration forms submitted beyond stipulated time during assessments. The assessments were also made without taking into account the actual quantum of goods purchased which involved under assessment/ short levy/and evasion of tax. Stock transfers not supported by 'F' Declaration forms also involved evasion of tax.

4.6.13 Recommendations

The Government of Manipur may consider the following steps to enhance the effectiveness of the machinery for concession and exemption in Inter State sales, branch transfer and transparency in assessment in respect of intra state transactions:

- installing a mechanism to ensure that cross verification of Declaration forms is done diligently by the AAs concerned before accepting the Declaration Forms;
- prescribing a periodic return to monitor the progress made from time to time in cross verification of the Declaration form at the Commissioner of Taxes' level;
- uploading dealers' details, forms issued and utilisation thereof in the TINXSYS. com website for a transparent assessment and as an aid to assessment of State offices as well as other States. Necessary steps may be taken to provide full access to the modules developed and the TINXSYS website;
- putting in place a system to maintain records to watch the receipt of Declaration forms from outside the State and dispatch of Declaration forms to other States; and
- taking early action to install internal audit wing to ensure strict compliance with the provisions of the Act and the Rules by the Assessing/Departmental officers.

TRANSPORT DEPARTMENT

4.7 Performance Audit on "Computerisation in the Motor Vehicle Department"

Highlights

Though computerisation programme of VAHAN and SARATHI for registration of vehicles/driving licenses started in six of the eight DTOs in December 2003 and got completed in January 2011 after delays ranging from12 to 41 months, commercial transport vehicles were not registered in VAHAN and neither was Enforcement Module implemented.

(Paragraphs 4.7.7 and 4.7.9)

Out of a total of 1,06,752 vehicles registered prior to implementation of 'VAHAN' software in the DTOs, backlog legacy data entry in respect of 78,000 vehicles *i.e.* 73 *per cent*, had been completed. Thus, the State Register and National Register were incomplete to that extent.

(Paragraph 4.7.10)

Two different registration numbers were assigned to 43 vehicles, having same chassis numbers, by different DTOs.

(Paragraph 4.7.12)

Mandatory fields like address, father's name and engine number *etc*. were not captured in VAHAN in absence of validation controls in the software by allowing entry of incomplete records. No sale amount was entered in respect of 1215 personalised four wheeler vehicles purchased after 31 March 2011, resulting in manual collection of tax.

(Paragraph 4.7.15)

Insurance details were not entered in respect of vehicles. Absence of a valid insurance certificate/cover note number in relevant field of the software could lead to a possibility of vehicles getting registered without payment of insurance.

(Paragraph 4.7.17)

Except Imhal district, the remaining DTOs had not issued all driving licences through Smart Card. The practice of issuing driving licences partly through Smart Card and partly manually defeated the objective of introducing 'SARATHI' software.

(Paragraph 4.7.20)

The New National Permit System was implemented after a delay of almost a year.

(Paragraph 4.7.22)

Hand Held Terminals (HHTs), essential for checking the Smart Cards, had not been purchased by MANITRON[21] as per the terms of the contract. Consequently the Department cannot verify the authenticity of Smart Cards possessed by the vehicle owners in absence of HHTs.

(Paragraph 4.7.23)

Out of 26,494 registration certificates issued till September 2011, Smart Card registration certificates were issued in 22,285 cases. Thus, paper based registration certificates continued to be issued by the DTOs.

(Paragraph 4.7.24)

4.7.1 Introduction

The Transport Department, one of the major revenue earning Departments in the State of Manipur, is responsible for exercising control over the work of registration and regularisation of the vehicles which ply in the State, grant of permits to transport vehicles, levy and collection of taxes, fee and penalties, issue of driving and conductors' licence and certificates of fitness to transport vehicles.

The Ministry of Road Transport and Highways, Government of India had embarked upon a scheme for creation of a National Database network by introduction of Information Technology in the Road Transport Departments. Thus, the Central Government has been encouraging the States to work on standardised application formats and to undertake computerisation of backend processing, based on such standardised formats and inter operatable software, so that the Registration Certificates/National Permits/driving licences are readable throughout the country. For this, the National Informatics Centre (NIC) designed two software *viz.* (1) VAHAN for registration, assessment of taxes/fee and fitness of the vehicles and (2) SARATHI for issue/renewal of the driving licence. The software was made operational in six[22] of the eight[23] District Transport Offices (DTOs) in the State in January 2011.

4.7.2 Organisational set up

The Transport Department is headed by the Principal Secretary (Transport), who is assisted by the Director (Transport). The Director in turn is assisted by two Deputy Directors (Administration and Planning). The Deputy Director (Administration) controls the District Transport Officers of the State. The activities for computerisation of the Department are executed by the Chief Information Technology Officer (CITO) under Deputy Director (Planning), in consultation with NIC, Manipur.

[21] Manipur Electronics Development Corporation Ltd.
[22] DTO : Imphal West, Imphal East, Thoubal, Churacanpur, Bishnupur, Kangpokpi
[23] DTO : Imphal West, Imphal East, Thoubal, Churacanpur, Bishnupur, Kangpokpi, Ukhrul, Senapati

4.7.3 Audit Objectives

The Performance Audit was conducted with a view to assess whether:

- the overall objectives of computerisation through the NIC developed computer applications of '*VAHAN*' and '*SARATHI*' were achieved;
- the computerised systems implemented were complete and the data captured were accurate and comprehensive;
- the software adequately addressed the business needs and ensure the correctness of the realisation of tax and additional tax *etc*;
- connectivity was established between the DTOs in the State;
- the computerised National Permit System (NPS) was implemented as planned for and project objectives were achieved;
- there were sufficient validation checks in the software; and
- internal control mechanism was in place at the State level to monitor the implementation of the projects.

4.7.4 Audit Criteria

We referred to the following Acts and Rules for the Performance Audit:

- The Motor Vehicles Act, 1988;
- The Central Motor Vehicles Rules, 1989;
- Manipur Motor Vehicle Taxation Act, 1998;
- Manipur Passengers and Goods Taxation Rules, 1979 and
- Departmental Manuals/Notifications.

4.7.5 Scope and methodology of audit

The Performance Audit was conducted between July 2011 and October 2011 through test-check of the application software of five[24] out of eight DTOs and office of the Transport Director for the period since the software was implemented in these units till August 2011, except for DTO, Imphal West for which the analysis was done for the period from June 2009, as an IT audit of DTO Imphal West for the period till May 2009 was already conducted and featured in the Audit Report 2008-09.

The audit methodology included holding of Entry Conference (July 2011) with the Principal Secretary (Transport) and other Departmental officers, issue of questionnaires, scrutiny of records and analysis of data pertaining to 'VAHAN' and 'SARATHI'. Audit findings were discussed with the Departmental officers in an Exit Conference (November 2011) and their views wherever available have been incorporated in the Performance Audit.

[24] DTOs: Imphal West, Imphal East, Thoubal, Churachandpur and Bishnupur

4.7.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Transport Department in providing necessary information and records for audit.

Audit findings

4.7.7 Status of Computerisation in the State

There are eight DTOs in the State and the Computerisation of six of these DTOs was started with the implementation of 'VAHAN' in DTO, Imphal West on pilot basis in the year 2003. NIC was entrusted with the responsibility of supply, installation and implementation of the application software– 'VAHAN' and 'SARATHI'. A State Govt. Undertaking namely Manipur Electronics Development Corporation Ltd. (MANITRON) was entrusted with the work of making Smart Card Driving License and Smart Card Registration Certificate. The work of computerisation completed in six of the eight DTOs in the State in January 2011. The details of installation of the application software 'VAHAN' and 'SARATHI' and its actual utilisation in the DTOs are given in the following table:

Name of the DTOs	VAHAN			SARATHI		
	Date of Installation	Date of utilsation	Delay in utilisation	Date of Installation	Date of utilsation	Delay in utilisation
Imphal West	Dec 2003	Dec 2003	Nil	Nov 2006	Nov 2008	23 months
Imphal East	Sep 2006	Oct 2007	12 months	Oct 2006	Nov 2009	36 months
Thoubal	July 2007	Jan 2011	41 months	July 2007	Jan 2011	41 months
Churachandpur	Aug 2007	Nov 2009	26 months	Aug 2007	Nov 2009	26Months
Bishnupur	Sept 2007	Nov 2010	37 months	Aug 2007	Nov 2010	38 months
Kangpokpi	Oct 2007	Aug 2009	21 months	Oct 2007	Nov 2009	21 months

Thus, it would be seen from the above table, that there was delay in utilisation of the 'VAHAN' and 'SARATHI' software ranging from 12 to 41 months.

Our audit scrutiny revealed that no IT Strategic Plan/Policy and planning were in place.

The Department in their reply (November 2011) while accepting the audit observation stated that an IT Plan would be formulated in consultation with the Department of Information Technology, Government of Manipur and NIC, Manipur.

We recommend that the Department may formulate an IT Plan which would provide necessary direction for its proper and timely implementation.

4.7.8 Training of staff

Any IT system though initially developed/ implemented through outsourcing has to be invariably taken over by the Department eventually, by developing expertise within the Department. The number of personnel trained in 'VAHAN' and 'SARATHI' are as shown in the following table:

Name of DTO	Number of personnel	Year in which training imparted.
Imphal west	21	Nov-Dec 2003
Imphal east	3	2005
Thoubal	2	2005
Churachandpur	2	2006
Bishnupur	2	2006
Kangpokpi	2	2006

Though the employees of the Department handle data entry at the Departmental counters, yet the database administration is being done with the help of NIC, Manipur. Moreover, the work of making Smart Card Driving License and Smart Card Registration Certificate was outsourced to MANITRON. In spite of the importance of the data and data confidentiality, the Department could not develop technical expertise within the Department.

We recommend that the Department may take necessary steps to develop technical expertise within the Department.

4.7.9 Partial utilisation of 'VAHAN'

'VAHAN' software has modules for registration/ renewal of vehicles, taxation, fitness and enforcement. However, all the modules were not utilised in any of the DTOs.

In the five DTOs[25], registration was computerised only in respect of light motor vehicles, three and two wheelers. Registration, taxation, permit and its validity relating to commercial and heavy transport vehicles and enforcement were not computerised.

The Department in their reply (November 2011) while accepting the audit observation stated that all necessary steps would be taken for early implementation of all the available modules in 'VAHAN'.

We recommend that the Department may take necessary steps for early implementation of all the modules to achieve the objectives of computerisation fully.

4.7.10 Maintenance of State/National Register

The computerised database for each DTO is uploaded regularly at the Central Server at NIC, Manipur by the NIC Officials, in State Register. Further, the database is also uploaded regularly to the National Register. As for data entry

[25] Imphal West, Imphal East, Bishnupur, Thoubal and Churachandpur.

of backlog legacy data, out of a total of 1,06,752 vehicles registered prior to implementation of 'VAHAN' software in the DTOs data entry in respect of 78,000 vehicles *i.e.* 73 *per cent*, had been completed .The Director (Transport) stated that the work of data entry of backlog legacy data had been outsourced to MANITRON and was targeted to be completed by 2012.

We recommend that the Department may ensure that backlog data entry is completed in time so as to make the State Register and National Register complete.

Data Accuracy

4.7.11 Duplication of Records

Chassis numbers and engine numbers are unique identification mark of a vehicle which are essential for its registration. Moreover, registration number is the identification of a vehicle. Rule 48 of CMV Rules, 1989 provides that on receipt of an application under Rule 47 and after verification of the documents furnished therewith, the registering authority shall subject to provision of Section 44 of the MV Act, 1988 issue to the owner of the motor vehicle a certificate of registration on Form 23.

Analysis of database of the five DTOs (*VT_Owner*[26]) revealed that out of 22620 vehicles registered at Imphal West *w.e.f.* 9 June 2009, there were 20 sets of repeated engine numbers involving 43 vehicles. Moreover, the vehicles with same engine number had the same maker and model.

The Department in their reply (November 2011) while accepting the audit observation stated that discrepancy occurred due to non-availability of sufficient number of digits in the engine number field in VAHAN, to capture the complete/full engine number. However, presently VAHAN has been modified to accommodate the full engine number and necessary rectifications as pointed out by audit have been made.

The reply of the Department is not correct as there were cases of repeated engine numbers although their length was small.

4.7.12 Different registration numbers assigned to vehicles having same chassis number

Analysis of *VT_OWNER* Table of *"VAHAN"* database of the five DTOs revealed that two different registration numbers were assigned to the same chassis number in 43 cases *viz.* 86 registration numbers by different DTOs. Further, verification with the National Register confirmed the existence of the above mentioned cases.

[26] VT_OWNER: Table containing details of the vehicle owners

As no vehicle can be assigned more than one registration number at a given point of time, the concerned DTOs should have exercised all necessary checks before issue of the registration numbers. This shows lack of adequate validation checks by the Department to ensure that only one unique registration number is assigned to a vehicle.

We recommend that the Department may put in place a system to ensure that registration is allowed after proper verification by the concerned DTO and that the vehicle has not been registered at any other DTO.

4.7.13 Vehicles with lapsed registration

As per section 41(7) of the Motor Vehicles Act, 1988 a certificate of registration in respect of a motor vehicle, other than a transport vehicle, is valid only for a period of 15 years from the date of issue of such certificate. No vehicle can be used in any public place until its certificate of registration is renewed.

Further, as per rule 52 of the CMV Rules 1989, an application for renewal of a certificate of registration shall be made to the registering authority, in Form 25 not more than sixty days before the date of its expiry, accompanied by the appropriate fee. If the owner fails to make an application within the prescribed period, the registering authority may, having regard to the circumstances of the case require the owner to pay, in lieu of any action that may be taken against him, such amount not exceeding rupees one hundred.

Analysis of databases of the five DTOs[27] revealed that as on 31 August 2011, registration certificates in respect of 2229 vehicles had expired.

Neither had the registration certificate of the vehicles been renewed nor did they surrender their registration certificate. As such, maximum fine of ₹ 2.23 lakh for non-renewal of registration of the vehicle was realisable.

The Department in their reply (November 2011) while accepting the audit observation stated that necessary fees and fines are now collected from vehicles with lapsed registration as and when they approach for duplicate registration certificate, transfer of ownership *etc*., however, in some case even though necessary fees were collected timely the Department could not enter in time due to erratic power supply.

We recommend that the Department may put in place a system to regularly generate reports on vehicles with expired registration for necessary monitoring and timely collection of revenue.

[27] Imphal West, Imphal East, Thoubal, Bishnupur and Churachandpur

4.7.14 Vehicles with registration validity of more than 15 years

As per Section 41(7) of the Motor Vehicles Act, 1988 a certificate of registration in respect of a motor vehicle, other than a transport vehicle, is valid only for a period of 15 years from the date of issue of such certificate.

Analysis of databases of the five DTOs[28] revealed that out of 33,558 vehicles registered, 23 vehicles (*Imphal East-2, Imphal West-21*) the validity of the certificate of registration was more than 15 years .

The Department in their reply (November 2011) while accepting the audit observation stated that the discrepancy occurred due to wrong adoption of tax mode as 'yearly' instead of 'one time' and edition of data in some cases. It also stated that necessary steps would be taken for early rectification.

4.7.15 Partial capture of database

As per Rule 47 of CMV Rules 1989, Form 20 has been prescribed for registration of vehicles which contains information of vehicles in 34 fields. The *VAHAN* package provides for capture of all the information. Further, as per the notification no. 2/42/2010-LEG/L dated 31 March 2011 issued by the Government of Manipur, Secretariat Law and Legislative Affairs Department under first schedule section 3(1) Part-A, one time tax on personalised four wheeler vehicles shall be levied as a specified percentage on the original cost price.

Analysis of database *VT_OWNER* of the five DTOs[29], however, revealed that data captured was incomplete since mandatory fields like address, father's name, and engine number *etc*. which shows lack of validation control in the *'VAHAN'* software by allowing entry of incomplete records, thus defeating the objective of computerisation.

Analysis of database of the five DTOs, however revealed that no sale amount was entered in respect of 1215 personalised four wheeler vehicles purchased after 31 March 2011, thereby manually calculating and collecting the tax. Moreover, even after a lapse of five months (August 2011) of the notification, the Transport Department has not yet formally communicated the NIC, Manipur to make necessary modifications in *"VAHAN"* software.

This shows lack of necessary involvement of senior management in the proper and timely implementation of the computerisation project.

The Department in their reply (November 2011) while accepting the audit observation stated that VAHAN software has been modified by NIC, Manipur

[28] Imphal West, Imphal East, Thoubal, Bishnupur and Churachandpur
[29] Imphal West, Imphal East, Thoubal, Bishnupur and Churachandpur

by incorporating the new tax structure which is presently being tested at DTO, Imphal West.

We recommend that the Department may take steps to strengthen '*VAHAN*' software so as not to allow registration with incomplete information/data. Further, the Department needs to incorporate changes in Act/Rules without undue delay.

4.7.16 Incorrect data relating to seating capacity

The road tax is charged in case of transport vehicles depending on their seating capacity, wrong data of seating capacity would have an adverse impact on the tax assessment.

Inspite of having pointed out entry of incorrect seating capacity in the report for the year ended 31 March 2009, corrective action to strengthen the software has not been initiated till date. Analysis of the database of the four DTOs[30] revealed that the seating capacity in 196 cases has been incorrectly entered, as shown in the following table. This shows lack of validation control and necessary involvement of Senior Management.

Sl. No.	DTO	No. of incorrect cases	Range of seating capacity
1	Imphal West	125	22-840
2	Imphal East	36	0-800
3	Churachandpur	31	0-416
4	Bishnupur	4	0-111
	Total cases	196	

Since the function relating to permit is still being managed manually by the Department, there is no immediate impact. However, these data errors need to be rectified in order to ensure system readiness for switching over to fully computerised application *viz.* permit *etc*.

The Department in their reply (November 2011) while accepting the audit observation stated that necessary steps shall be taken for automatic generation of seating capacity on the basis of maker model or any other field found fit.

We recommend that the Department may incorporate changes in the '*VAHAN*' software to automatically generate the seating capacity on entering the maker model or any other field found fit.

[30] Imphal West, Imphal East, Churachandpur and Thoubal

4.7.17 Registration of vehicles without insurance cover note

As per Section 146 of the Motor Vehicle Act, 1988, no person shall use, except as passenger, or cause or allow any other person to use, a motor vehicle in a public place, unless there is in force in relation to the use of the vehicle by that person or that other person, as the case may be, a policy of insurance complying with the requirements of the Act.

Inspite of having pointed out in the Audit Report for the year ended 31 March 2009, necessary steps were not taken up to validate the checks in the system to ensure that a valid insurance certificate/ cover note was in place at the time of registration of a vehicle as analysis (*VT_OWNER* joined with *VT_VEHINS*[31]) of the database of the five DTOs revealed that out of 37,558 records, 31,602 vehicles had registered without insurance cover note as shown in the following table:

Particular	Imphal west	Bishnupur	Thoubal	Imphal East	Churachandpur	Total
Vehicles without insurance cover note	21326	709	2593	4780	2194	31602
Total number of vehicles	22620	726	2681	5104	2427	37558

Absence of a valid insurance certificate/cover note number in relevant field of the software could lead to a possibility of vehicles getting registered without insurance cover.

The Department in their reply (November 2011) while accepting the audit observation stated that as VAHAN software has necessary features for entering insurance details, necessary steps shall be taken to register new vehicles only with valid insurance cover note.

We recommend that the Department may ensure that applications for new registrations be processed on production of a valid insurance cover note.

4.7.18 Lack of continuity of registration numbers

In a single series, 9999 vehicles can be awarded registration numbers. These numbers should be awarded in a sequence to monitor the year of registration of the vehicle.

Inspite of having pointed out in the Audit Report for the year ended 31 March 2009, necessary checks were not in place to ensure that registration numbers were issued serially and after completion of an ongoing series, as analysis of the database of the five DTOs revealed that registration in an ongoing series

[31] VT_VEHINS:- Table containing insurance details of vehicles.

were not issued chronologically in fourteen series of five DTOs. This practice apart from indicating improper management of vehicle registration also gives rise to the possibility of misuse of unused numbers.

The Department in their reply (November 2011) stated that provision has been made for issue of choice number as per Manipur Motor Vehicles Taxation (Amendment) Act, 2011.

The reply of the Department is not acceptable as the observation relates to the registration cases before enactment of the Manipur Motor Vehicles Taxation (Amendment) Act, 2011.

We recommend that the Department may ensure that registration numbers are issued serially and only after completion of an ongoing series.

4.7.19 Non-entry of tax payment

As per Section 5 of the MMVT Act, 1998, tax leviable shall be paid in advance in a one-time tax valid till the vehicle attains the age of fifteen years at the prescribed rate.

Analysis of database of the five DTOs revealed that out of 33,558 vehicles, the tax amount was left blank in respect of 193 vehicles registered after the implementation of computerisation in the DTOs. This shows lack of validation control in the system to ensure that the data relating to all the mandatory fields are entered. Acceptance of blank field in respect of a mandatory field (tax) by the system in the case of new registration needs a detailed examination as it may give rise to the risk of evasion of tax.

The Department in their reply (November 2011) stated that the aforesaid irregularity occurred while entering backlog data or transferred vehicles and necessary steps shall be taken to avoid such irregularities in future.

The reply of the Department is not relevant and hence not acceptable.

We recommend that the Department may strengthen the validation check in '*VAHAN*' software to ensure that incomplete/blank information is not accepted for mandatory fields.

4.7.20 SARATHI'

After the implementation of '*SARATHI*', only DTO Imphal West and East have issued all driving licenses through Smart Card as shown in the following table:

DTO	Year of implementation	"SARATHI" (total issued till the date of Audit August-September 2011)		
		Smart card	**Manual**	**Total**
Imphal West	December 2003	14246	Nil	14246
Imphal East	November 2007	408	Nil	408
Thoubal	January 2011	1083	706	1789
Churachandpur	November 2009	238	692	930
Bishnupur	January 2011	300	50	350
Kangpokpi	November 2009	33	12	45
	Total	**16308**	**1460**	**17768**

The remaining DTOs have not issued all driving licenses through Smart Card even though the Smart Card System had already been implemented. The practice of issuing driving licenses partly through Smart Card and partly manually defeats the objective of introducing "SARATHI".

The Department in their reply (November 2011) while accepting the audit observation stated that other DTOs could not issue all driving licenses in Smart Card due to erratic power supply and non-availability of fuel for generator sets.

Data Security

4.7.21 General Controls

General controls create an environment in which the application systems and application controls operate *e.g.* IT policies, standards and guidelines pertaining to IT security and information protection. The observations on the adequacy of general controls are mentioned in succeeding paragraphs.

4.7.21.1 Change Management Procedure

Minor modifications were carried out to the software by NIC, Manipur from time to time and when requested by the Department. The changes/ modifications as carried out had, however, not been documented. This resulted in complete absence of trail to ascertain whether the changes sought for and carried out had been approved.

4.7.21.2 Logical Access Control

Logical access controls are aimed at protecting computer resources (data, programs and terminals) against unauthorised access attempts, amendments or deletion to ensure that:

- Users have the access only when needed to perform their duties,
- Access to very sensitive resources is limited to very few individuals; and
- Employees are restricted from performing incompatible functions or functions beyond their responsibility.

It was observed that no documented password policy specifying the need to change the password periodically was framed and circulated. There was no restriction of log in attempts to prevent access by unauthorised access, amendments or deletion and consequent losses. As such the system was exposed to the risk of unauthorised access, amendments or deletion and consequent losses.

4.7.21.3 Environmental controls/ Physical Access Control

Environment controls are aimed at ensuring that the assets of the project are not put to risk due to fire/ water damage, power cuts, failure of equipment due to temperature or humidity extremes *etc*. This requires risk assessment and preventive measures be undertaken prior to implementation of the project.

During audit it was seen that the Department had neither undertaken any risk assessment nor had it put any preventive measures like fire detection equipment and fire extinguishers, disaster management plans *etc*. in place before putting the system in use.

4.7.21.4 Business continuity plan

Business continuity plan is necessary for recovering key business processes in the event of disaster. The objective is to reduce downtime and minimise loss to business.

Our scrutiny of the vehicle registration system revealed that the Department had no methodology of backing-up data. The Department and NIC stated that, NIC regularly took back up and stored the data at NIC, Manipur. However, no records were maintained by the Department to indicate the date(s) on which the mock trials were conducted. The NIC further stated that the data was being regularly updated in the National Register after necessary checks.

4.7.21.5 Lack of security policy

In view of the inadequacy of the controls pointed out above, it is important to put in place security practice to protect its assets and data to ensure confidentiality, integrity and availability of the system that stores and process the data. The Department has, however, not yet framed its IT security policy.

4.7.21.6 Monitoring and supervision

Involvement of senior management in implementation of the project was found to be deficient. There has been over reliance on the NIC for system maintenance, administration and back-up. There was no monitoring of data entry as has been evidenced by large number of incomplete, incorrect/ improbable data and cases of issue of different registration numbers to vehicles with same chassis number by different DTOs.

New National Permit System (NPS)

4.7.22 Delay in implementation

The Ministry of Road Transport and Highways, Government of India vide their letter no. F.No.RT-16031/3/2009-T (May 2010) communicated to the Principal Secretary (Transport)/ Transport Commissioners of all the states and Union Territories that the new NPS shall be effective from 8 May 2010. The new NPS provides for levy of ₹ 1,000 for Home State Authorisation and ₹ 15,000 consolidated fee per annum per vehicle for National permit.

Our audit scrutiny revealed that the Transport Department, Government of Manipur started implementing the NPS w.e.f. 19 April 2011, after a delay of 346 days, resulting in an estimated short collection of revenue amounting to ₹ 18.37 lakh as shown in the following table:

No. of permits issued during May' 10 and April' 2011	Permit fee realisable as per new NPS (in ₹)	Permit fee realised in the old NPS (in ₹)	Short collection (in ₹)	Fee realisable for Home State Permit in the new system (in ₹)	Actual realisation as per the old system (in ₹)	Short collection (in ₹)
260	39,00,000	21,93,000	17,07,000	2,60,000	1,30,000	1,30,000

The Department in their reply (November 2011) stated that the delay in implementation of the new NPS was due to the time taken in getting cabinet approval of the same and there was no revenue loss due to the delay as the State was receiving revenue from other States on pro rata basis under the new scheme.

This is indicative of poor planning for implementation of the scheme and the Department should have taken prompt necessary action for timely implementation of the schemes/projects of national relevance.

Other Implementation Issues

4.7.23 Non-fulfillment of terms of contract

As per Clause 4 of the contract agreement between the Government of Manipur represented by the then Commissioner of Transport and Manipur Electronics Development Corporation Ltd. (MANITRON) on 15 April 2008 on the implementation of Smart Card, MANITRON was to provide all the required additional machines/equipments/man-power for maintaining smooth operations of the Smart Card Project. The items of equipment *inter alia* included Smart Card readers and Hand Held Terminals (HHTs), essential for checking the Smart Cards. Test-check, however, revealed that HHTs had not been procured till date.

The Department in their reply (November 2011) while accepting the audit observation stated that as the memory of the Smart Card is being upgraded to 64 Kb shortly, the HHTs will become obsolete in the near future.

The reply of the Department is not acceptable as the Department cannot verify the authenticity of Smart Cards possessed by the vehicle owners in the absence of HHTs.

We recommend that the Department may pursue *MANITRON* for early procurement of the HHTs and incorporate penal clauses for non-fulfillment/ violation/ breach of the terms of agreement in future contracts.

4.7.24 Partial implementation of Smart Card

Analysis of database (*Smart Card Table*) revealed that out of 26,494 registration certificates issued till September 2011, Smart Card registration certificates were issued in 22,285 cases. Thus, paper based registration certificates continued to be issued by the DTOs, thus defeating the objective of maintaining a uniform tamper proof format of RCs/ permits readable throughout the country.

The Department in their reply (November 2011) while accepting the audit observation stated that necessary steps would be taken to issue Smart Card registration certificates in all cases.

4.7.25 Conclusion

There has been delay of 12 to 41 months in implementing the project. The system is operational in six DTOs; however there are still cases of Registration certificates and driving licenses issued manually. Vahan was not implemented for registration, taxation, issuing permit and its validity relating to commercial and heavy transport vehicles. All the modules like enforcement are not yet operational and some of the applications are being done manually. Paper based registration certificates were still continuing to be issued by the DTOs.

In-house expertise for running the system was not built up adequately as there was over reliance on NIC for system maintenance, administration and backup. The data entry of backlog legacy data has not been completed in State Register and National Register and thus they were incomplete to that extent. Different registration numbers were assigned to vehicles having same chassis numbers by different DTOs. Insurance details were not entered in respect of vehicles which led to a possibility of vehicles getting registered without valid insurance. Necessary checks were not in place to ensure that registration numbers were issued serially and after completion of an ongoing series. All the DTOs were not issuing all the driving licences through Smart Cards. Hand Held Termnals (HHTs), essential for checking Smart Cards, had not been purchased and so the Department cannot verify the Smart Cards possessed by owners of vehicles.

4.7.26 Recommendations

The Government may consider the following recommendations:

- feeding of backlog data entry of old registrations and licences for a complete database for State and National Register;
- making full utilisation of all the modules in 'VAHAN' and 'SARATHI' application softwares;
- put in place a system to ensure that registration is allowed after proper verification by the concerned DTO and that the vehicle has not been registered at any other DTO;
- to ensure that necessary checks are put in place so that registration numbers are issued serially and after completion of an ongoing series;
- maintenance of a well documented change management procedure for ensuring transparency and effective internal controls. The Department should maintain documents regarding approved changes/modifications made to the system;

- strengthening the validation control at the time of data capture and also establishing links with the State/National Crime Record Bureau to pre-empt the scope for registration of stolen/lost vehicles;
- data integrity should be periodically checked and data capture should be complete;
- MIS generated to be utilised for revenue collection and better enforcement of the Act and Rules; and
- drawing up an IT security policy with adequate documentation with a credible threat assessment mechanism and disaster recovery and business continuity plan for harnessing optimum output from the system.

AUDIT OF TRANSACTIONS (REVENUE)

HOME DEPARTMENT

4.8 Non-realisation of cost of armed guards from banks

As per Government of Manipur, Home Department letter No. 3/5(1)/2000-H dated 30 May, 2000, the rate for deployment of Police/Manipur Rifles/CRPF for bank security was fixed at ₹ 2000 per personnel per month. The concerned banks were required to deposit the charges in the treasury and submit a copy of the Challan to the Director General of Police (DGP) within the 10th day of the succeeding month. The DGP was responsible for monitoring regular deposit of such charges. In case of default for three consecutive months or more, the DGP shall withdraw the security from the defaulting banks. Restoration of security guards will be considered only after clearance of all outstanding charges plus penalty equivalent to the arrear amount.

On test-check of the records (January 2011) of the office of the DGP Manipur, we observed that the armed guard charges amounting to ₹ 6.50 lakh for security guards deployed for the period from December 2008 to March 2011[32] to three Banks[33] were not paid by the concerned banks. Although the Department had regularly written to the defaulting banks to clear the outstanding dues, these were not paid and the security guards continued to be deployed in these defaulting banks.

Thus, due to non-compliance of the Government instructions, revenue amounting to ₹ 6.50 lakh was not realised.

The matter was referred to the Government (October 2011) wherein reasons were also asked for non-revision of rates since May 2000; their reply has not been received (January 2012).

[32] Updated figure till March 2011, as furnished by the Department have been adopted.

[33] a) State Bank of India-Canchipur
b) Manipur Women Cooperative Bank
c) Manipur Rural Bank, Keishampat

TAXATION DEPARTMENT

4.9 Incorrect allowance of ITC

Section 17 of the Manipur Value Added Tax (MVAT) Act, 2004 read with Rule 36 of the MVAT Rules, 2005 provide *inter alia* no input tax credit (ITC) shall be claimed or be allowed to a registered dealer where the claim is not supported by the original copies of tax invoices in Form-24 issued by the selling dealer.

On Test-check of assessment records (July 2010) maintained by the Taxation zones I and III we observed that the Assessing Authorities (AA) made assessment between April 2009 and May 2010, of two dealers[34] for the return periods ending from March 2009 to March 2010 under Sec 34(3) of the Act ibid on a taxable turnover of 34.80 lakh with tax effect of ₹ 5.87 lakh by entertaining an ITC of ₹ 5.32 lakh. On scrutiny of the assessment records, however, we observed that the claim for ITC was neither supported by the Tax Invoices issued by the selling dealers nor was the details of the invoices depicted in the tax returns filed. The basis on which the claim for ITC was allowed by the assessing officers was thus not known in absence of any records. Thus, the irregular allowance of the ITC by the AA resulted in short levy of VAT to the extent of ₹ 5.32 lakh.

The matter was referred to the Department and the Government during September 2011; their reply had not been received (January 2012).

[34] Ms Prakash Store (TIN-14110120154), a dealer in Gallamal, edible oil *etc* and Ms JK Steel (TIN-14310018158), a dealer in GCI Sheets

TRANSPORT DEPARTMENT

4.10 Non-realisation of permit fees and fines

Sec 3(1) of the Manipur Motor Vehicles Taxation Act 1998 read with Schedule-I provides for levy and collection of permit fees payable annually at the rates specified on all motor vehicles used for transport and haulage of goods. As per section 53 of the Motor Vehicles Act, 1988, in case of expiry of permit the Registration Certificates are required to be surrendered. Further, as per Sec 81(2) of the Motor Vehicles Act, 1988 a permit may be renewed on an application made not less than 15 days before the date of its expiry. Under section 15 of the State Act *ibid*, whoever contravenes any of the provisions of the Act shall be punishable with a fine of ₹ 100, ₹ 200 and ₹ 500 in respect of light, medium and heavy vehicles respectively.

On test-check of records (October 2010-January 2011) like permit register, TR5 counterfoils *etc*. maintained by the District Transport Officer (DTO), Thoubal and the DTO, Bishnupur we observed that the road permits in respect of 525 heavy, medium and light vehicles[35] (DTO, Thoubal: 298 and DTO, Bishnupur-227) issued by the DTOs concerned had expired during the period between December 2007 to December 2010. Our scrutiny showed that the permit holders had not applied for renewal of the permits. Thus, permit fees and penalty amounting to ₹ 3.28 lakh (DTO Thoubal: ₹ 2.05 lakh and DTO Bishnupur: ₹ 1.23 lakh) realisable under the aforesaid Act remained unrealised by the DTOs despite the fact that the vehicles were plying on roads without the road permits being renewed as evident from the reply of the Department, that none of the vehicle owners had surrendered their registration certificates. There was nothing on record to show any action taken by the Enforcement Wing, which is required to check the vehicles plying without road permits as per the provisions of the Motor Vehicle Act.

The matter was referred to the Department/Government in September 2011.

[35] Heavy goods vehicle/heavy passenger motor vehicle: unladen weight exceeding 12 tonnes
Medium goods vehicle/ medium passenger vehicle: any public /private vehicle other than light or heavy passenger vehicle
Light motor vehicle: A transport vehicle the unladen weight of which does not exceed 7.5 tonnes

On this being pointed out the DTOs of Thoubal and Bishnupur stated (October 2011) that permit fees and penalty amounting to ₹ 0.92 lakh (DTO Thoubal: ₹ 0.25 lakh and DTO Bishnupur: ₹ 0.67 lakh) had been realised from the owners of 169 vehicles. The DTO, Bishnupur further stated (October, 2011) that demand notices were served to the owners of the remaining vehicles for clearance of the permit fees and penalty. The progress on realisation of the remaining amount of permit fees and penalty had not been received (January, 2012). Reply of the Government had not been received (January, 2012).

4.11 Non-recovery of Professional Tax

Under the provisions of the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981, the Government of Manipur, by a notification issued in October 2000, appointed the District Transport Officers (DTOs) posted in the districts as additional taxation officers (redesignated as the Superintendents of Taxes) for collection of Professional Tax (PT) in their jurisdiction. Persons holding permits for taxies, goods vehicles, trucks, buses and three wheelers were required to pay PT at the rate of ₹ 1000 per annum. As per section 20(3) of the Act ibid, where a person is in default, the amount due shall be recoverable as an arrear of land revenue by one or more of the following processes namely

i) by serving a written notice of demand on the defaulter,
ii) by distraint and sale of defaulter's movable property, and
iii) by attachment and sale of defaulter's immovable property.

On scrutiny of records (October 2009) of the Director of Transport, Manipur, we noticed that 4695 permits[36] in respect of various types of vehicles were issued/renewed during the period between April 2008 and September 2009. However, neither was the PT amounting to ₹ 46.95 lakh (₹ 4695 X 1000) realised from the defaulters nor was any action was initiated to recover the PT dues as arrear of land revenue.

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Sl. no.	Type of vehicle	Number of permits	
		Issued	Renewed
1	Goods vehicles and trucks	1472	637
2	Buses	18	604
3	Taxies	900	438
4	Three wheelers	626	-
Total		**3016**	**1679**

After we pointed this out, the Department stated (August 2011) that demand notices for ₹ 0.78 lakh were served (June and November 2009) to 40 defaulters[37] only and that the Department was not in a position of realising PT due to the Hon'ble Guwahati High Court order under WP(C) No. 398 of 2003 and unwillingness of the owners of the commercial vehicles to pay PT at the flat rate of ₹ 1000 for all types of vehicles.

Though the Department attempted to recover the PT while renewing the permits, they were not successful since the permit holders objected to withholding of the permits for non-payment of PT but the fact remains that the Department/Government have not issued further demand notices or taken steps to recover the PT dues as arrears of land revenue resulting in non-realisation of revenue.

The matter was referred to the Department/ Government in September 2011; their reply had not been furnished (January 2012).

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Sl. no.	Name of DTO	No of demand notices served
1	DTO, Imphal West	21
2	DTO, Bishnupur	19

CHAPTER V

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of Government Companies and Statutory Corporations

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view welfare of the people. In Manipur there are fourteen PSUs (all Companies including six non working) as on 31st March 2011. None of the Companies was listed on the stock exchange(s). The State PSUs play a minor role in the state economy. The State working PSUs registered a turnover of ₹ 5.71 crore for 2010-11 as per their latest finalized accounts as of September 2011. This turnover was equal to 0.06 *per cent* of State Gross Domestic Product (GDP) for 2010-11. The State PSUs incurred a loss of ₹ 1.87 crore in the aggregate for 2010-11 as per their latest finalized accounts.

Audit Mandate

5.1.2 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the Paid up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act.

5.1.3 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

Investment in State PSUs

5.1.4 As on 31 March 2011, the Investment (Capital and Long-Term Loans) in 14 PSUs was ₹ 111.48 crore as per details given below.

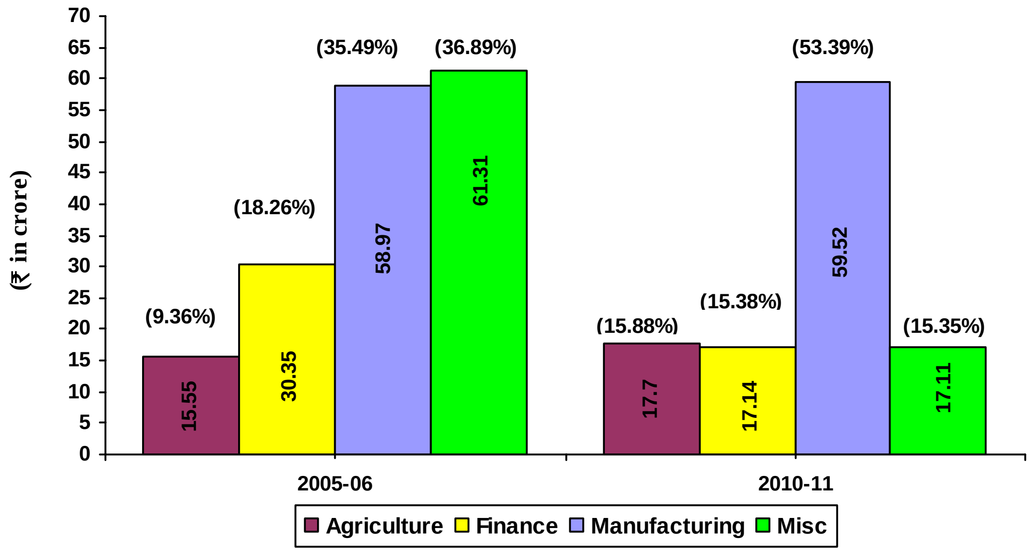
(₹ in crore)

Type of PSUs	Government Companies		
	Capital	Long Term Loans	Total
Working PSUs	29.34	21.86	51.20
Non-working PSUs	51.08	9.20	60.28
Total:	**80.42**	**31.06**	**111.48**

A summarised position of Government Investment in State PSUs is detailed in **Appendix-5.1.**

As on 31 March 2011, of the total Investment in State PSUs, 45.93 *per cent* was in working PSUs and the remaining 54.07 *per cent* in non-working PSUs. This total Investment consisted of 72.14 *per cent* towards Capital and 27.86 *per cent* in Long-Term Loans.

5.1.5 The Investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the chart.



(Figures in brackets show the percentage of total investment)

The total Investment in financing sector decreased from ₹ 30.35 crore in 2005-06 to ₹ 17.14 crore in 2010-11.

Budgetary outgo, grants/subsidies, guarantees and loans

5.1.6 There was no budgetary outgo towards Equity, Loans, Guarantees issued, Loans written off, Loans converted into Equity and Interest waived in respect of State PSUs during the year 2010-11. The budgetary outgo towards Grants/Subsidy was ₹ 8.16 lakh in favour of Manipur Film Development Corporation Limited.

Reconciliation with Finance Accounts

5.1.7 The figures in respect of Equity and Loans outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	84.16	75.04	9.12
Loan	-	1.19	1.19

5.1.8 Audit observed that the differences occurred in respect of 12 PSUs and some of the differences were pending reconciliation over a period of more than 14 years. The matter has been taken up with the Administrative Department of respective PSUs and the Managing Directors of PSUs periodically to reconcile figures. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

5.1.9 The financial results of PSUs are detailed in **Appendix-5.2.** A ratio of PSU turnover to State GDP shows the insignificant activities in the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2005-06 to 2010-11.

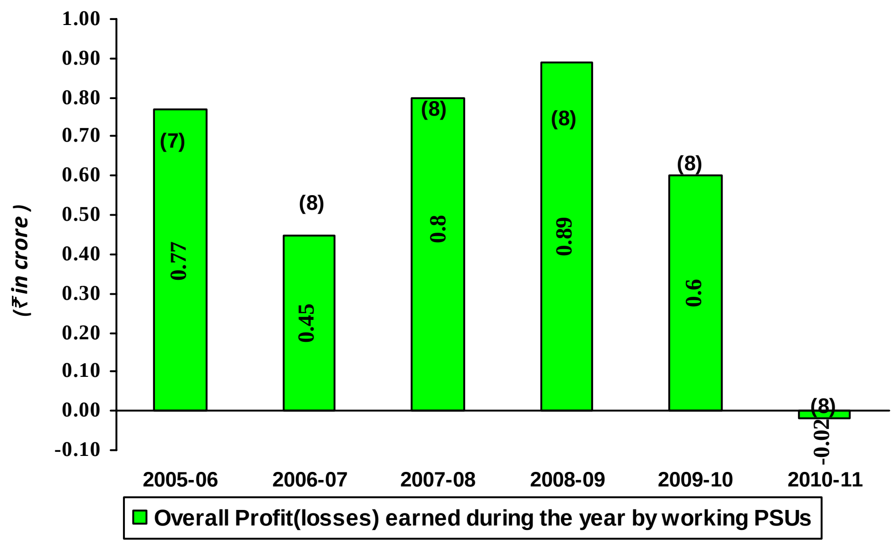
(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[1]	6.42	6.39	6.75	6.77	6.51	5.71
State GDP	4693	6501	5704	6344	8687	9198
Percentage of Turnover to State GDP	0.14	0.09	0.12	0.10	0.07	0.06

The turnover of working PSUs decreased from ₹ 6.42 crore in 2005-06 to ₹ 5.71 crore in 2010-11. The percentage of turnover to State GDP decreased from 0.14 in 2005-06 to 0.06 in 2010-11.

5.1.10 Profits earned by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.

[1] Turnover as per the latest finalised accounts as of 30 September



Figures in brackets show the number of working PSUs in respective years

During the year 2010-11, out of eight working PSUs, two PSUs earned profit of ₹ 1.03 crore and four PSUs incurred loss of ₹ 1.05 crore. Two working PSUs have not started commercial activities. The major contributor to profit was Manipur Industrial Development Corporation Ltd. (₹ 1 crore). The heavy losses were incurred by Manipur Handloom & Handicrafts Development Corporation Ltd. (₹ 0.52 crore) and Manipur Electronics Development Corporation Ltd. (₹ 0.50 crore).

5.1.11 The losses of PSUs are mainly attributable to deficiencies in financial management, planning and inefficient running of their operations and lack of proper monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 19.64 crore which was controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Loss	0.22	0.43	1.87	2.52
Controllable losses as per CAG's Audit Report	0.67	3.75	15.22	19.64

5.1.12 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimized. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.13 Some other key parameters pertaining to State PSUs are given below:

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*Per cent*)	Nil	2.83	2.52	2.66	2.08	(-)2.23
Debt	34.37	26.79	30.91	19.50	30.73	31.06
Turnover[2]	6.42	6.39	6.75	6.77	6.51	5.71
Debt/ Turnover Ratio	5.35	4.19	4.58	2.88	4.72	5.44
Accumulated losses	5.55	7.17	7.17	5.22	5.18	6.94

As per latest finalized accounts of eight working Companies, the Capital Employed worked out to ₹ 25.11 crore and total return thereon amounted to ₹0.89 crore in 2010-11 as compared to Capital Employed of ₹ 16.70 crore and total return on Capital Employed of ₹ 1.51 crore in 2005-06.

5.1.14 The State Government has not formulated (September 2011) any dividend policy.

Arrears in finalization of accounts

5.1.15 The accounts of the Companies for every financial year are required to be finalized within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. The table below provides the details of progress made by working PSUs in finalization of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	8	8	8	8	8
2.	Number of accounts finalised during the year	1	2	2	2	23[3]
3.	Number of accounts in arrears	117	123	129	135	142
4.	Average arrears *per* PSU (3/1)	14.62	15.37	16.12	16.87	15.00
5.	Number of Working PSUs with arrears in accounts	8	8	8	8	8
6.	Extent of arrears (in years)	10 to 24	10 to 25	10 to 26	10 to 27	11 to 28

The reasons for delay in finalization of accounts are attributable to:

- ➢ Lack of required control over the Companies by Government;
- ➢ Abnormal delay in compilation and approval of the accounts and delayed submission of the same to the Statutory Auditors by the management; and
- ➢ Delay in adoption of accounts in Annual General Meeting.

[2] Turnover of working PSUs as per the latest finalised accounts as of 30 September.
[3] Three working Companies (Manipur Industrial Development. Corporation Ltd., Manipur Electronics Development. Corporation Ltd. and Manipur Food Industries Corporation Ltd.) submitted 22 accounts during the year audit of which is under finalisation.

5.1.16 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Six non-working PSUs, had arrears of accounts for 14 to 27 years.

5.1.17 The State Government had invested ₹ 58.65 crore (Equity: ₹ 58.65 crore), in eleven PSUs during the years for which accounts have not been finalized as detailed in **Appendix-5.3.** In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.18 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit of the arrears in finalization of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter relating to arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary to expedite the backlog of arrears in a time bound manner.

5.1.19 In view of above state of arrears, it is recommended that-the Government monitor and ensure timely finalization of accounts with special focus on liquidation of arrears and compliance with the provisions of Companies Act, 1956.

Winding up of non-working PSUs

5.1.20 There were six non-working PSUs (all Companies) as on 31 March 2011. None of these PSUs have commenced liquidation process.

The non-working PSUs may be considered for closure as their existence is not serving any purpose. Although instructions for closing down the six non-working PSUs have been issued, the liquidation process has not yet started.

5.1.21 The process of voluntary winding up under the Companies Act is much faster and needs to be adopted vigorously. The Government may also consider setting up a cell to expedite closing down its non-working Companies.

Accounts Comments and Internal Audit

5.1.22 Three working Companies[4] forwarded their audited accounts (twenty two) to Accountant General (Audit) during the year 2010-11. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially.

5.1.23 Some of the important comments in respect of accounts of Companies are stated below.

Manipur Electronics Development Corporation Ltd.

No provision has been made for doubtful debts amounting to ₹ 27.37 lakh shown as receivable from Uptron Installation and Maintenance (CVC).

Bank accounts which were found inoperative since long time have not been reconciled, adjusted and closed.

₹ Six lakh has been transferred to General Reserve without proper approval of the Board of Directors.

5.1.24 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the Companies audited 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. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect two Companies[5] for the year 2009-10 and another three Companies[8] for the year 2010-11 are given below.

[4] Manipur Food Industries Corporation Ltd., Manipur Industrial Development Corporation Ltd., and Manipur Electronics Development Corporation Ltd.
[5] Sr. No. A-5, B-6 in **Appendix-5.2.**
[8] Sr. No. A-1, A-5, A-6.

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the Companies as *per* Appendix 5.2
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2	A-5, B-6
2.	Non maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	3	A-1, A-5, A-6

Disinvestment, Privatization and Restructuring of PSUs

5.1.25 There are no cases of disinvestment/privatization of PSUs in the State.

Reforms in Power Sector

5.1.26 Joint Electricity Regulatory Commission (JERC) for the states of Manipur and Mizoram was formed (January 2005) under Section 83(5) of the Electricity Act, 2003 with the objective of rationalization of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses.

The JERC (Manipur and Mizoram) became operational in January 2008. The tariff approved by the Commission on 15 March 2011 became effective from 21 March 2011.

5.1.27 Memorandum of Understanding (MoU) was signed in July, 2004 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. One of the objectives of reforms was to set up Corporation for generation, transmission and distribution of electricity in the State by August 2004 and made fully functional by July 2005. However, State Government although has formed a Company (Manipur State Power Development Corporation Ltd) in March 1997 but it was not made functional even after 14 years. The Electricity Department Manipur (EDM) being an integrated utility is responsible for distribution and trading functions of electricity in the State.

The progress achieved so far in respect of important milestones is stated below:

Sl. No.	Milestone	Achievement as at September 2011
1.	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 September 2011.
2.	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 JERC (Manipur and Mizoram) constituted in January 2005 became operational in January 2008. The tariff approved by the Commission on 15 March 2011 became effective from 21 March 2011.
3.	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.	Tariff orders are implemented.
4	State Government will ensure timely payment of subsidies required in pursuance of orders on the tariff determined by the SERC/JERC.	The department has not provided any information as to release of subsidy by Government.
5	State Government would achieve 100 *per cent* 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 *per cent* metering and billing of all consumers by March 2003 but only 166709 consumers (out of 1,93,661) were provided with energy meters.
6	State Government would install meters on all 11 KV feeders by 31.12.2004.	Out of 105 numbers of 11 KV outgoing feeders, 91 feeders are provided with energy meters as of September 2010. The present status, though called for, has not yet been received from the State Government.

PERFORMANCE REVIEW (COMMERCIAL)

POWER (ELECTRICITY) DEPARTMENT

5.2 Performance Audit Report on Power Distribution Activities of Electricity Department, Government of Manipur

Executive Summary

A Performance Audit on Power Distribution Activities of Electricity Department of Government of Manipur was conducted for the period 2006-07 to 2010-11 to ascertain whether the Department achieved the aims and objectives of the National Electricity Plan (NEP) and to examine how far the distribution reforms have been achieved.

Distribution Network Planning

The Department did not prepare long term plan and fix any target for addition of substations, high tension lines, low tension lines and transformers and therefore, performance of the Department with reference to the targets could not be assessed in audit. The Department added 1013 substations, 895.57 CKM of high tension lines, 973.83 CKM of low tension lines and 83.64 MVA of transformers.

Implementation of Centrally Sponsored Schemes

Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), the Department targeted 462 villages for electrification during 2007-11. Against this target, the achievement till March 2011 was 289 villages (63 per cent) The execution of the programme was delayed resulting in non-achievement of target of 100 per cent electrification of villages before 31 March 2010 as envisaged in NEP.

Operational Efficiency

Despite shortage of power in the State, the Department sold power outside the State, leading to increase in power deficit from 104.91 MU in 2006-07 to 308.56 MU in 2010-11. The Department purchased tri-vector meters, Kiosks, and static meters in excess of immediate requirement leading to blocking up of funds to the tune of ₹ 10.85 crore. There were energy losses ranging from 46.6 to 59.84 per cent during 2006-11 due to unmetered supplies, defective meters, and theft of electricity by unauthorised consumers.

Financial Management

The Department exhibited poor financial management by not maintaining pro-forma accounts, profit and loss accounts, balance sheet etc. There were cases of non-surrender of anticipated savings in time and incurring of expenditure in excess of budget provisions.

The assessed sales ranged from 34 to 51 per cent of the total sales during 2006-11.

Conclusions and Recommendations

This performance audit revealed that the efforts made by the Department to provide access to electricity for all households were inadequate. The performance audit contains four recommendations aimed at improving the operational efficiency of the Department.

5.2.1 Introduction

Electricity is an essential requirement for all facets of our life. It has been recognized as a basic human need. It is a critical infrastructure on which the socio-economic development of the country depends. Supply of electricity at reasonable rate to rural India is essential for its overall development. Equally important is availability of reliable and quality power at competitive rates to Indian industry to make it globally competitive and to enable it to exploit the tremendous potential of employment generation. Service sector has made significant contribution to the growth of our economy. Availability of quality power is very crucial to sustained growth of this segment.

Recognizing that electricity is one of the key drivers for rapid economic growth and poverty alleviation, the nation has set itself the target of providing access to electricity for all households in next five years.

Major responsibility for achieving the key parameters of the above said importance of electricity devolves on the distribution sector. Distribution sector is very near to people. It is the first point of contact in the electricity sector for millions of Indians. This is the sector which provides electricity to the door step of every household. It serves various objectives of electricity sector such as access to electricity for all households, supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates and at the same time protects the consumer interest. To achieve the above objectives, Distribution sector needs to make a financial turnaround and it should be commercially viable.

The Electricity Department, Manipur (Department) being an integrated utility is responsible for distribution and trading functions of electricity in the State. Principal Secretary (Power) is the overall in charge of the Department. Chief Engineer (Power) is the Head of the Department.

Vital parameters of electricity supply in Manipur

During 2006-07, 227.44 MUs of energy was sold by the Department which increased to 381.58 MUs (an increase of 67.77 *per cent*) during 2006-11. As on 31 March 2011, the State had distribution network of 7685 CKM, 46 substations and 3732 transformers of various categories. The number of consumers was 1,93,661 and the turnover of the Department was ₹ 109.67 crore in 2010-11, which was equal to 1.26 *per cent* of State Gross Domestic Product (2009-10: ₹ 8687 crore). It employed 3,190 employees as on 31 March 2011.

Performance Audit of electricity sector:

National Electricity Plan aims to bring out reforms in the Power Distribution sector with focus on system up-gradation, controlling and reduction of T&D losses and power thefts and making the sector commercially viable besides evolving strategy to generate adequate resources. It further aims to bring out conservation strategy to optimize utilisation of electricity with focus on demand side management and load management. In view of the above, it was proposed to conduct a performance audit on the working of the Power Distribution Utilities in the State Sector to ascertain whether they were able to adhere to the aims and objectives stated in the National Electricity Plan and how far the distribution reforms have been achieved.

Audit findings relating to Power Generation in Manipur were included in the Report of the Comptroller and Auditor General of India, Government of Manipur for the year ended 31 March 2010.

5.2.2 Scope of Audit

The present performance audit conducted during April 2011 to July 2011 covers the performance of the Department during the period from 2006-07 to 2010-11. The performance audit mainly deals with network planning and execution, implementation of Central schemes, operational efficiency, billing and collection efficiency, financial management, consumer satisfaction, energy conservation and monitoring. The audit examination involved scrutiny of records at the Head Office and five[6] out of 14 revenue collecting divisions[7]. The selection of units/schemes was based on Simple Random Sampling without Replacement method.

5.2.3 Audit methodology

The methodology included briefing the management about the objectives of the performance audit through an Entry Conference (March 2011), scrutiny of records at Head Office and selected units, interaction with the Management, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft report to the Management for comments. The Exit Conference was held (October 2011) with the Principal Secretary (Power), Chief Engineer and officers of the Department and the reply of the Department has been incorporated in the report at appropriate places.

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[6] Imphal Electrical Divisions I and II, Imphal Maintenance Division, Thoubal and Chandel Divisions.

[7] Imphal Electrical Divisions I, II and III, Imphal Maintenance Division, Chandel, Churachandpur, Bishnupur, Thoubal, Senapati, Tamenglong, Jiribam, Ukhrul and Kangpokpi Divisions, and Rural Electrification Division No.I.

5.2.4 Audit Objectives

The objectives of the performance audit were to assess:

- whether aims and objectives of National Electricity Plans were adhered to and distribution reforms achieved;
- the adequacy and the effectiveness of network planning and its execution;
- efficiency and effectiveness in implementation of the central schemes such as, Revised Accelerated Power Development & Reform Programme (RAPDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY);
- operational efficiency in meeting the power demand of the consumers in the state;
- billing and collection efficiency of revenue from consumers;
- whether financial management was effective;
- whether energy conservation measures were undertaken; and
- whether there is a monitoring system in place and the same is utilised in assessing the completion of ongoing projects, and corrective measures are applied to overcome deficiencies.

5.2.5 Audit Criteria

The audit criteria adopted for assessing the achievement of the audit objectives were:

- provisions of Electricity Act 2003;
- objectives of National Electricity Plan and norms concerning distribution network of the Department and planning criteria fixed by the Joint Electricity Regulatory Commission(JERC);
- standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- norms prescribed by various agencies with regard to operational activities;
- norms of technical and non-technical losses;
- guidelines/ instructions/ directions of JERC;

- terms and conditions contained in the Central scheme documents; and
- parameters of performance of electricity distribution companies in the region and all India averages.

5.2.6 Audit Findings

Important audit findings are discussed in the following paragraphs.

5.2.6.1 Distribution Network Planning

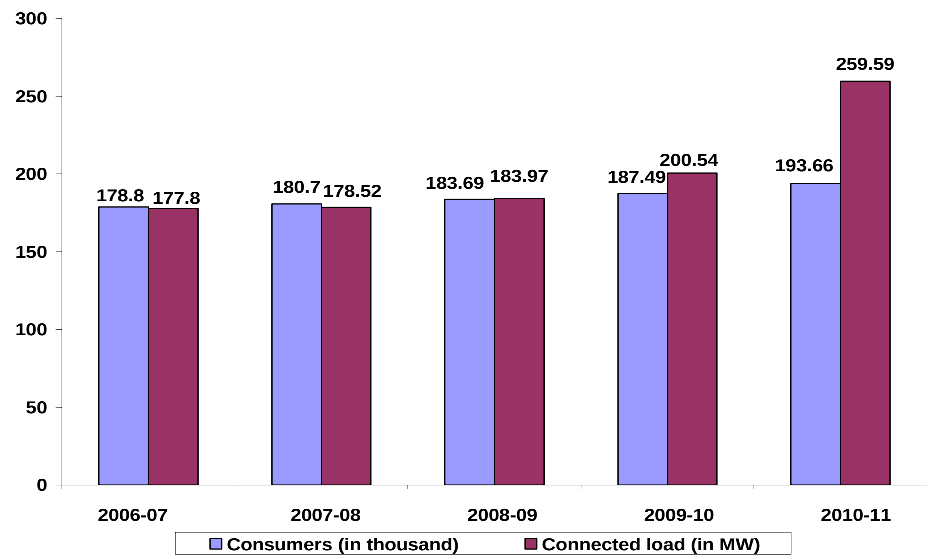
The National Electricity Plan was evolved with the following objectives:

- Access to electricity – Available for all households in next five years from 2005.
- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates.

To ensure access to electricity by all, the Department is required to prepare long term/ annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides the Department is required to upkeep the existing network and expand the distribution network keeping in view new connections and growth in demand.

However we observed that the Department did not prepare long term plan and fix any target for additions of substations, high tension lines, low tension lines and transformers; and therefore performance of the department with reference to the targets cannot be assessed in audit. Nevertheless the Department recorded some achievements during the performance audit period and these are shown in **Appendix-5.4.** As observed from the **Appendix-5.4**, the Department added 1,013 substations, 895.57 CKM of high tension lines, 973.83 CKM of low tension lines and 83.64 MVA of transformers.

Number of consumers and their connected load in bar chart during the performance audit period are shown below:



(Source: Departmental records)

The Department stated that as the distribution transformers were not metered individually their load pattern was not known. The peak load noted in the log books of power substations had been assumed to be distributed in proportion to the rated KVA of distribution transformers. Based on this assumption individual load factors were estimated. In the absence of meter, actual connected load being unknown, adequacy of distribution transformers as compared to the growth of consumers cannot be ascertained.

5.2.7 Implementation of Centrally Sponsored Schemes

5.2.7.1 Rural Electrification

The key development objective of the power sector is supply of electricity to all areas including rural as mentioned in Section 6 of the Electricity Act. Rural Electrification Corporation of India (REC) is the nodal agency to implement the programme of giving access to electricity to all households in the next five years beginning from 2005. The Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) scheme initiated by REC aims at electrifying all villages and habitations

As per the new definition of village electrification with effect from 2004-05, a village would be declared as electrified if:

a) Basic infrastructure such as distribution transformers and distribution lines are provided in the inhabited locality as well as the Dalit Basti hamlet where it exists.

b) Electricity is provided to public places like schools, Panchayats office, health centers, dispensaries, community centers *etc*.

c) The number of households electrified should be at least 10 *per cent* of the total number of households in the village

Besides, Rural Electrification Policy (REP) notified by the GOI in August 2006 *inter-alia* aims at providing access to electricity for all households by 2009 and minimum lifeline consumption of one Unit per household per day by the year 2012. The other RE schemes *viz*., Accelerated Electrification of one lakh villages and one crore households, Minimum Needs Programme were merged into RGGVY. The features of the erstwhile 'Kutir Jyoti Programme' were also suitably integrated into this scheme.

The Department started the scheme from the year 2007-08 and the year-wise target and achievements of electrification under RGGVY during the period for the whole State are shown in the table below:

(In number)

Year	Electrified in the beginning of the year	Target for electrification during the year	Electrified during the year	Electrified at the end of the year	Percentage of achievement
2007-08	1930	31	30	1960	97
2008-09	1960	71	63	2023	89
2009-10	2023	77	47	2070	61
2010-11	2070	283	149	2219	53
Total		**462**	**289**		**63**

(Source: Departmental records)

From the above table, it may be seen that the percentage of achievements have reduced from year to year and during four years ending 2010-11, 173 of the targeted villages could not be electrified.

As per guidelines, the Gram Panchayats should certify the electrification status of the villages as on 31 March each year. If there is delay in certification by the Gram Panchayats, the State Government may get these verified through another appropriate independent agency. However, the Department could not produce such certificates of electrification.

Test check of four electrified villages of Chandel (Phoilen, Tollen, Salemran and Chatong) and three villages of Imphal East (Takhel, Teraphai and Waiton) revealed that the average availability of power was two to five hours per day as against the norm of six hours a day.

The position of the funds available and utilised under RGGVY during the five years ending 31 March 2011 is depicted in the table below.

(₹ in crore)

Year	Opening Balance	Funds received	Total funds available	Funds Utilized	Unspent funds (Percentage)
2006-07	-	13.26	13.26	-	13.26 (100)
2007-08	13.26	5.29	18.55	11.73	6.82 (37)
2008-09	6.82	38.98	45.80	6.77	39.03 (85)
2009-10	39.03	53.47	92.50	62.41	30.09 (33)
2010-11	30.09	87.16	117.25	102.77	14.48 (12)

(Source: Departmental records)

It is evident from the above table that the Department could not fully utilize the available funds and under-utilization ranged from 12 to 100 *per cent*.

5.2.7.2 Non utilisation of Funds

As per central Treasury Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

Test check of records of four divisions[8] revealed that Chandel division drew ₹ 3.98 crore and deposited the same under 8449-Other Deposit during March 2009. The other three divisions drew ₹ 31.79 crore and parked the same under 8443 Civil Deposits during March 2011. However, these amounts had been shown as spent from the major heads concerned while in fact these had been parked under these heads. Drawing the money and keeping them under deposit, without utilizing them for the pretended purpose is against financial propriety.

5.2.7.3 Delays in execution of works

During January 2007 and September 2009 the Department, under RGGVY, awarded eight contracts on turnkey basis for supply of equipment and materials, and construction of 33/11 KV substations, stringing of associated lines, 11 KV lines, substations, low tension lines, outgoing and incoming line bays, transformer bays, 33 KV single circuit lines, BPL connections and providing of energy meters at various locations of the four districts - Chandel, Imphal East, Imphal West and Thoubal as shown under:

[8]Imphal Electrical Division II, Imphal Maintenance Division, Chandel Division and Thoubal Division

Districts	Chandel	Imphal West	Imphal East	Thoubal
Contractor (s)	i) M/s National Power System, Dimapur ii) M/S Jindal Steel Products Ltd. Kolkata	M/s Shyama Power India Ltd, Haryana		
Contract value of Supply component (Rupees in crore)	i) 9.94 ii) 42.26	26.63	30.32	19.61
Contract value of Erection component (Rupees in crore)	i) 1.05 ii) 9.42	3.81	4.90	3.00
Date of Start	22-1-2007	10-9-2009	10-9-2009	10-9-2009
Stipulated date of completion (Supply) (Erection)	11-1-2008 11-1-2008	9-9-2010 9-3-2011	9-9-2010 9-3-2011	9-9-2010 9-3-2011
Payment made (Rupees in crore) (Supply)	i) 7.33 ii) 32.11	11.00	13.29	7.46
(Erection)	i) - ii) 1.25	–	–	–

Although all these works were to be completed within a period of 12 to 18 months As of May 2011 the delays have overshot the stipulated time schedule by eight to 28 months. This has deferred accrual of benefits to the populace and contractor has not sought any extension of time to cover the period of delay.

The Department replied (September 2011) that Rural Electrification Corporation (REC) had agreed to extend the project implementation period up to September 2011 considering the ground realities prevailing in the State.

As the REC's approval covered only the delays occurred in implementation of the scheme between the State government and REC and not for the delays occurred in implementation of the by the contractors. The contractor was required to seek extension of time by citing the hindrances beyond his control. However, the contractors had not so far submitted any application for time extension and also the Department did not maintain any hindrance register.

Due to the delays in the work intended benefit of scheme could not be achieved.

5.2.7.4 Undue aid to contractor

The agreements of the above stated works executed in the three districts (Imphal East, Imphal West and Thoubal) provided that if the supplies were not completed within the stipulated periods, interest on the amount of mobilization advances outstanding as on the stipulated dates of completion, would be recoverable at 12 *per cent per annum* from the date of payment of the advance.

Test-check of records of the three connected divisions (Imphal Electrical Division No. II, Imphal Maintenance Division and Thoubal Division) revealed that for the supply component, the contractor[9] was paid interest-free mobilization advance of ₹ 11.48 crore. However, the supplies were not completed even after delay of more than eight months from the stipulated date of completion. As of May 2011 the interest of ₹ 1.21 crore worked out on the outstanding advance have not been recovered.

Department stated (September 2011) that REC had agreed to extend the project implementation period up to September 2011 considering the ground reality prevailing in the State and therefore the question of interest did not arise.

We observed that in absence of formal amendment to the contract by granting time extension the existing clauses of the contract are binding on both the signatories of the contract and the extension given by REC had nothing to do with payment of interest on mobilization advance by contractor.

5.2.7.5 Excess payment

Records of three divisions revealed that the supply orders for RGGVY schemes in the three districts stated that payment of taxes shall be made to the contractor only on the production of original documents of payment of taxes to the Department.

We observed that excise duty and central sales tax had been paid as per supply order without production of original documents. As a result, the Department had paid additional excise duty and central sales tax of ₹ 1.34 crore to the contractor. Details are shown in **Appendix-5.5.**

5.2.8 Accelerated Power Development Reforms Programme

The Government of India (GOI) approved the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. This scheme was implemented by the State Government with the objective of upgradation of sub-transmission and distribution system including energy accounting and metering, for which financial support was provided by GOI. The funds received and utilized during the five years ending March 2011 were as shown below:-

[9] M/s Shyama Power India Ltd. Haryana

(₹ in crore)

Year	Funds released by		Funds available	Funds utilised	Balance	Percentage of balance to funds available
	GOI	Others				
2006-07	40.09	-	40.09	-	40.09	
2007-08	-	-	-	-	40.09	
2008-09	-	-	-	24.70	15.39*	38
2009-10	-	58.88	58.88	58.88	-	-
2010-11	27.00**	-	27.00	20.66	6.34	23

**Not utilized due to short-closure of the scheme by March 2009. **Special Plan Assistance.*

(Source: Departmental records)

From the above table it would be seen that out of ₹ 40.09 crore released by the Government of India during 2006-07, an amount of ₹ 15.39 crore (38 *per cent*) which could not be utilized. Further, out of ₹ 27.00 crore released under Special Plan Assistance (SPA) during 2010-11, ₹ 6.34 crore (23 *per cent*) could not be utilized. The Department could not state the reasons for non-utilisation of funds made available to them.

5.2.8.1 Abandoning of works due to delay in award

The Ministry of Power sanctioned (October 2004) ₹ 133.83 crore for implementation of four APDRP schemes in Manipur and released ₹ 40.09 crore till March 2007. It started tendering process in April 2007 after 29 months of the sanction and awarded the works in July 2008 after 14 months of the tender.

In the meantime the Ministry of Power asked (March 2008) the State Government to expedite the ongoing works for completion by March 2009 and to short close the schemes, the completion of which was not expected within March 2009. Therefore, the works of ₹ 49.17 crore in respect of these districts were closed while that of Greater Imphal was continued with the available state plan funds and special plan assistance. Thus, due to delay in tendering and award of works the APDRP scheme of the three districts had to be abandoned.

5.2.8.2 Undue financial benefit to the contractor

The Department awarded (July 2008) two contracts to M/S Indo Power Project Ltd., Kolkata on turnkey basis at ₹ 104.86 crore for supply of equipment and materials and ₹ 16.88 crore for erection with the stipulation to complete the works within nine and 18 months respectively for improvement of Power Distribution system of Greater Imphal (Phase-I) under APDRP under the scheme.

On the recommendations of the Tender Committee, the contractor was paid interest free mobilization advance of ₹ 20.76 crore[10] for the supply component. The agreement of the work provided that if the supplies were not be completed within the stipulated period, interest on the amount of outstanding advance would be recoverable at 12 *per cent* per annum from the date of payment of the advance.

Though the supplies were to be completed by March 2009 but it was not completed as of March 2010. An interest ₹ 1.22 crore worked out on mobilization advance, was resulting in an undue financial benefit to the contractor (as shown **Appendix-5.6)**.

5.2.8.3 Excess payment

Records of one division[11] revealed that payment of taxes shall be made to the contractor on the production of original documents of payment of taxes to the Department.

We observed that excise duty and central sales tax had been paid as per supply order without production of original documents. As a result, the Department had paid excise duty and central sales tax of ₹ 751.68 lakh to the contractor without following the laid down procedure. Details are shown in **Appendix-5.7.**

5.2.8.4 Idle outlay on Trivector meters and Kiosks

The Department purchased 731 Trivector meters (2003) and 730 kiosks (2007) costing respectively ₹ 2.72 crore and ₹ 1.35 crore. Of these 156 meters and 156 kiosks had been installed as of March 2011 leaving unutilized 575 meters and 574 kiosks valued at ₹ 3.20 crore.

The excessive purchase without ascertaining immediate requirements had resulted in blockage of funds for years together.

5.2.9 Restructured Accelerated Power Development Reforms Programme

In order to carry on the reforms further, the GOI launched the Restructured APDRP (R-APDRP) in July 2008 as a central sector scheme in XI Plan. The scheme comprises of Part A and B.

Part A was dedicated to establishment of IT enabled systems for achieving reliable and verifiable baseline data system in all towns besides installation of

[10] August 2008: ₹ 16.16 crore; March 2009: ₹ 4.60 crore
[11] Imphal Electrical Division No. I

SCADA[12]/Distribution Management System. For this, 100 *per cent* loan is provided, and is convertible into grant on completion and verification of the same by a third party independent evaluating agency.

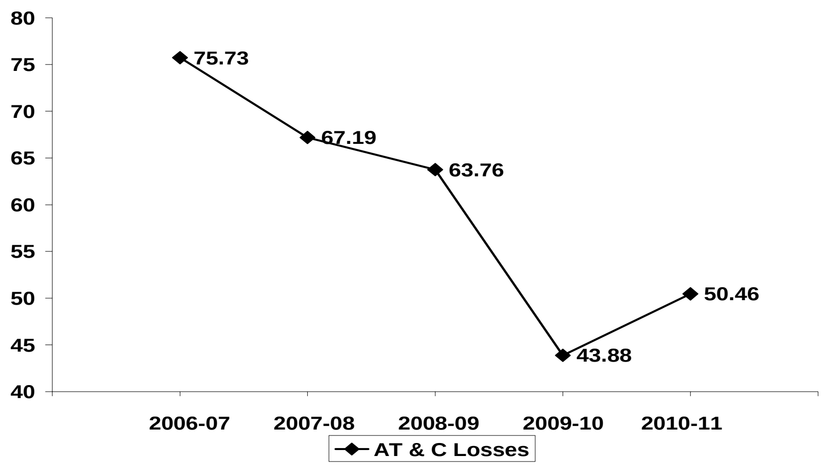
The Part B of the scheme deals with strengthening of regular sub-transmission & distribution system and up gradation projects.

5.2.9.1 Financial Performance

Under Part-A Government of India sanctioned ₹ 31.55 crore for 13 municipalities/small towns and released ₹ 8.45 crore (March 2011).

Aggregate Technical & Commercial Losses

The graph below depicts the ATC losses in the State over the performance audit period.



(Source: Departmental records)

The graph shows that ATC losses decreased from 75.73 to 50.46 *per cent* during 2006-2011. The Department did not fix any target for successive reduction of ATC losses over the years.

Though there was considerable reduction over the span of five years, the figure during 2010-11 was still far above the prescribed level of 15 *per cent*.

5.2.9.2 Consumer metering

Attainment of 100 *per cent* metering was one of the objectives of the R-APDRP scheme. The number of metered consumers decreased from 1,39,323 (March 2007) to 1,32,501 (March 2011) as against a total of 193661 consumers at end of March 2011.

[12]**Supervisory Control And Data Acquisition –** It generally refers to industrial control systems: computer systems that monitor and control industrial, infrastructure, or facility based processes.

While, 34,208 consumers were with defective meters and 26,952 consumers were without meters.

Department (Imphal Electrical Division I) purchased 51585 static meters costing ₹ 8.83 crore during February 2009. Of these, 44,742 meters (valued at ₹ 7.65 crore) were lying un-utilized as of April 2011. Non utilisation of 44,742 meters had resulted into blockage of funds.

5.2.10 Operational efficiency

The operational performance of the Department is evaluated on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, minimizing line losses, detection of theft of electricity, *etc*. These aspects have been discussed below.

5.2.11 Purchase of Power

The Electricity Department purchased power from various central generating stations in the north-eastern region *viz*., NEEPCO, NHPC *etc*. as per sectorial allocation. Demand of power assessed for the State based on the 17 Electric Power Survey, and actual power purchased during the period 2006-07 to 2010-11 were as under:

(Million Units)

Year	Demand assessed by EPS	*Actual Power purchased	Sale outside State	Power available	Power Deficit	Percentage of Deficit
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006-07	589	524.12	40.03	484.09	104.91	17.81
2007-08	641	648.90	137.56	511.34	129.66	20.23
2008-09	702	616.59	104.40	512.18	189.81	27.04
2009-10	766	536.39	70.34	466.05	299.95	39.16
2010-11	838	639.92	110.48	529.44	308.56	36.82

*Inclusive of free power, power generation & UI purchase.

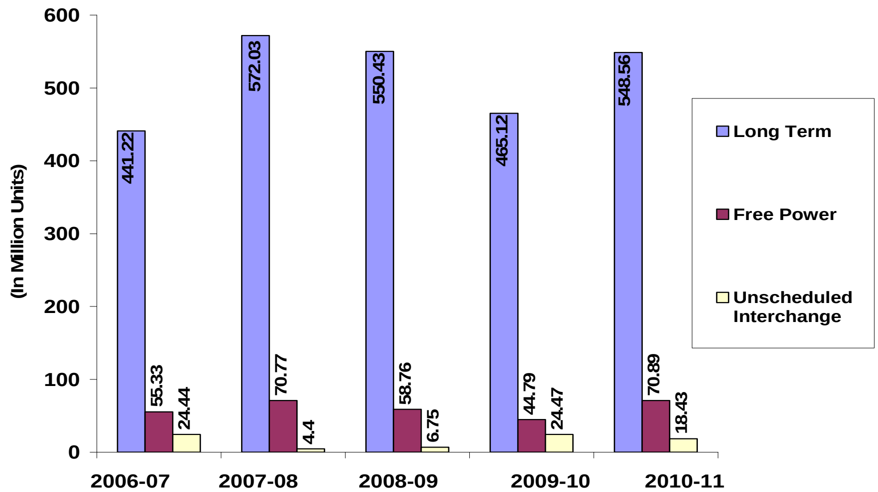
(Source: Departmental records)

It may be seen from the above table that while the State was suffering shortage of power, the Department used to sell power outside the State. The power deficit increased from 104.91 MU (2006-07) to 308.56 MU (2010-11).

In its tariff order (March 2011), the JERC observed that the power supply in the State was in a precarious condition. Nowhere in the State, barring a few privileged consumers, was the supply continuous. Even at Imphal, the capital city, supply was not more than six hours a day. While there was poor and erratic supply in the State, the Department proposed sale of about 50 *per cent* of the projected requirement to other States through UI mechanism. The Commission directed the Department to resort to outside sale only when there was surplus in the State due to excess generation or system constraints.

The Commission further observed that Heavy fuel power plant at Leimakhong may be operated during peak hours to minimize load shedding as the high cost of generation from this plant would not cause much impact on the tariff when mixed with the cheaper grid power and free power received by the State from Loktak Hydro Electric Project. It directed the Department to generate 20 MU from this plant during peak hours.

The break-up of category-wise purchase of the last five years was as follows.



(Source: Departmental records)

It may be seen from the above that purchase from central sector generating stations decreased from 572.03 MU (2007-08) to 465.12 MU (2009-10), while the power demand was in the increasing trend (589 MU to 838 MU) during 2006-11. Drawal through UI increased from 4.4 MU to 24.47 MU during 2007-10 and decreased to 18.43 MU during 2010-11.

The source-wise purchase of power during performance audit period is given in the **Appendix-5.8**.

The peak demand surpassed supply of power during 2006-11 and the deficit ranged from 38 MW (28.36 *per cent*) to 69 MW (37.50 *per cent*) as shown under:

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Peak demand(MW)	134	145	157	170	184
Demand met(MW)	96	97	100	110	115
Deficit (percentage)	38 (28.36)	48 (33.10)	57 (36.31)	60 (35.29)	69 (37.50)

(Source: Departmental records)

The State's annual quota of power from central sector power plants operating in the north eastern region was 124.15 MW. But the Department actually drew only 50.37 MW to 65.30 MW during the last five years.

Enquiring the reasons for the lower drawal, the Department stated (September 2011) that all the purchases of the State was routed through 132 kV substation of Yurembam which could draw 50 MW from each incomer feeder (*i.e*. 28 km long 132 kV line of Leimatak- Ningthoukhong-Yurembam and one km long 132 kV Imphal-Imphal line of PGCIL substation at Imphal). It also stated (July 2010) that if more than 100 MW was injected through the existing 132 KV line, the conductors could get burnt and the insulators might get punctured resulting in a system collapse.

On being pointed out that the Department should have upgraded the Imphal-Imphal 132 KV line (1 Km) or that it should have converted it into double circuit line to draw more power and reduce the shortage of power, the Department stated that stringing of the second circuit 132 KV Imphal-Imphal line would be taken up by PGCIL.

5.2.12 Sub-transmission and distribution losses

The distribution system is an essential link between the generation source and the ultimate power consumers. When energy is carried from the generating source to the consumers, some energy is necessarily lost in the network. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distribution. The losses at 33KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. These are the difference between energy received (and paid for) by the Department and energy billed to consumers. The losses occur mainly on two counts- technical and commercial. Technical losses occur due to inherent character of the equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another while commercial losses occur due to theft of energy, defective meters and unmetered supplies *etc*. The percentage of loss is a parameter to indicate the effectiveness of the distribution system.

The table below indicates the energy losses for the last five years.

(In Million Units)

Sl.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Own Generation	3.13	1.70	0.65	2.01	2.04
2	Free Power	55.33	70.77	58.76	44.79	70.89
3	Power purchased	441.22	572.03	550.43	465.12	548.56
4	Total Power from CGS (2+3)	496.55	642.80	609.19	509.91	619.45
5	Less inter-state transmission loss (3.5 *per cent*)	17.38	22.50	21.32	17.85	21.68
6	Net Power purchased from CGS (4-5)	479.17	620.30	587.87	492.06	597.77
7	UI Purchases	24.44	4.40	6.75	24.47	18.43
8	Total energy available (1+6+7)	506.74	626.40	595.27	518.54	618.24
9	Less UI sales	40.03	137.56	104.40	70.34	110.48
10	Energy import (Energy available for sale in the State)	466.71	488.84	490.87	448.20	507.76
11	Sales (in the State)	187.41	197.40	197.21	220.64	271.10
12	Losses (10-11)	279.30	291.44	293.66	227.56	236.66
13	Percentage of losses	59.84	59.62	59.82	50.77	46.60
14	Percentage of losses allowed by JERC	NA	NA	NA	NA	NA
15	*Excess losses (above 47 *per cent*) MU	59.95	61.69	62.95	16.91	-
16	Average realization per unit (in ₹)	1.63	3.07	4.08	3.26	4.33
17	Value of excess losses (₹ in crore)	9.77	18.94	25.68	5.51	-

*Compared with loss (47 *per cent* of 2010-11) assessed by the Commission.
(Source: Departmental records)

The above table discloses losses ranging from 46.60 to 59.84 *per cent* during the last five years ending 31 March 2011.

Unmetered supplies, defective meters and theft of electricity by un-authorized consumers were the reasons for such high energy losses (Refer **Paragraphs 5.2.9.2 and 5.2.13.2**).

Reduction of these losses will be the most significant step towards financial self-sustenance, for a one *per cent* decrease in these losses could increase the annual revenue by ₹ 2.20 crore[13].

5.2.12.1 Performance of Distribution Transformers

The JERC (Manipur and Mizoram) had not fixed the norm of failure of Distribution Transformers (DTRs) in its tariff orders (March 2011). The details of DTRs failed and the expenditure incurred on their repairs is depicted in the table below.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year(in Number)	2569	2822	2872	3055	3120
2.	DTR Failures (in Number)	92	68	76	91	88
3.	Percentage of failures	3.58	2.41	2.65	2.98	2.82
4.	Norm allowed by SERC (in percentage)	5*	5*	5*	5*	5*
5.	Excess failure percentage over norms	-	-	-	-	-
6.	Expenditure on repair of failed DTRs (₹ in crore)	0.11	0.08	0.12	0.21	0.50

*As stated by the Department. (Source: Departmental records)

[13] ₹ 2.20 crore = 5.08 MU X ₹ 4.33 per unit based on 2010-11 losses.

The table shows that failure rate of transformers during the period 2006-11 was ranging from 2.41 to 3.58 *per cent*. During the period 2006-11, in five divisions[14] the failure of transformer and expenditure on repair of failed transformer was shown as nil which was not reliable and was one of the reasons for the low percentage of failure.

Failure of DTRs could be minimized by taking adequate steps for preventive maintenance and avoiding over-loading of the same. Of 14, 5 divisions[15] could not furnish the cause-wise failure, while another five had shown nil-failure. Cause-wise analysis of failure of DTRs revealed that in four[16] divisions the percentage of failure due to over-loading ranged from 41 to 73 *per cent* during the years under performance audit as shown in the table below.

Year	Number of failures during the year[17]	Number of failures due to over-loading	Failures due to over-loading (percentage)
2006-07	48	35	73
2007-08	32	17	53
2008-09	41	24	59
2009-10	46	21	46
2010-11	39	16	41

(Source: Departmental records)

5.2.12.2 Delay in repairs of Distribution Transformers

The Department undertook repair of the damaged transformers, both in-house as well as through outside parties. There was no prescribed time limit for return of repaired transformers. Test check revealed that in the case of 35 transformers, it took more than 30 days in each case and in eight cases it took more than 180 days.

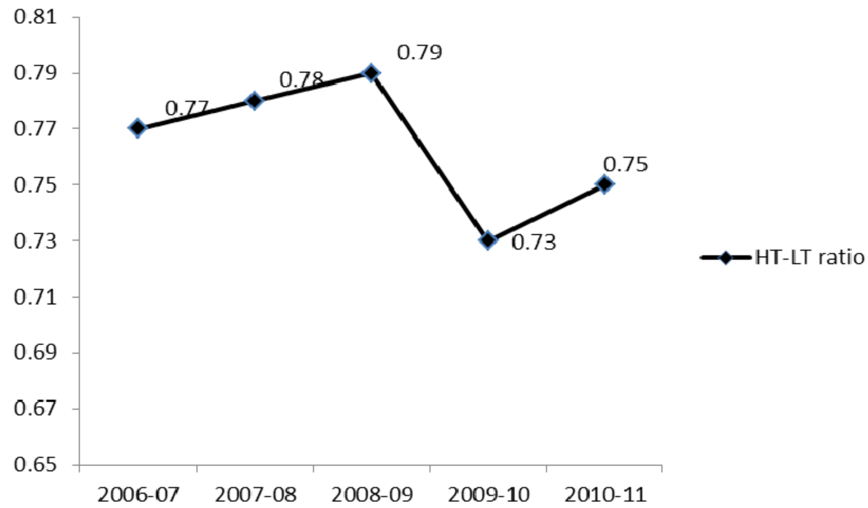
5.2.13 Commercial losses

Major portion of the commercial losses relate to consumer metering and billing besides pilferage of energy. Observations relating to commercial losses are discussed below.

5.2.13.1 Implementation of LT less system

High voltage distribution System is an effective method of reducing technical losses, prevention of theft, improved voltage profile and better consumer service. The GOI had also stressed upon (February 2001) the need to adopt LT less system of distribution by replacement of existing LT lines by HT lines to reduce the distribution losses. The HT-LT ratio of the State during 2006-10 is depicted in the graph:

[14] Churachandpur, Rural Electrification division I, Bishnupur, Chandel and Thoubal divisions.
[15] Senapati, Tamenglong, Kangpokpi, Ukhrul and Jiribam.
[16] Imphal Electrical Division No.I, II and III and Imphal Maintenance Division.
[17] Excluding failures due to manufacturing defects.



(Source: Departmental records)

If more length of the low tension lines had been replaced by high tension lines the ratio (H/T) would have increased over the years. The Department failed to reduce the same as the HT/LT ratio remained more or less at the same level indicating inadequacy of initiatives taken for reduction of energy loss.

5.2.13.2 High incidence of theft

Substantial commercial loss is caused by theft of energy by tampering of meters by the consumers and unauthorized tapping and hooking by the non-consumers.

The Department did not fix any target for checking and realization of recoveries from the unauthorized tappers. However in the two years (2008-09 and 2009-10) it conducted a check during which it detected 439 cases of theft while checking 5360 cases and assessed the recoverable amount to ₹ 6,305. But it realized only ₹ 1,755 as shown in **Appendix-5.9**.

The Commission in its tariff order 2010-11 pointed out that un-authorised consumers/ theft of power cases in the State was estimated above 40 *per cent*. It therefore directed (March 2011) the Department to conduct a detailed survey and to regularize at least 30,000 of them annually till it reduces to zero.

5.2.13.3 Performance of Raid Team

In order to minimise cases of pilferage and to save the Department from sustaining heavy financial losses on this account, Electricity Act 2003 provides that the licensee may enter the premises of a consumer for inspection and testing the apparatus.

The Department stated that although no vigilance team was constituted for the performance audit period the sub-divisional officers and his technical staff were responsible for conducting raids in areas where large scale theft was suspected.

In the last quarter of 2010-11, the Departmental officers conducted a mass revenue drive and collected ₹ 17.6 crore of outstanding revenue, disconnected 16,887 defaulting consumers and booked 422 unauthorised consumers. Had the Department conducted such revenue drives regularly, more revenue could have been realised and the number of defaulting and un-authorised consumers could have been reduced.

5.2.14 Financial Position and Working Results

5.2.14.1 The Department did not maintain pro-forma accounts such as profit and loss account, balance sheet *etc*. Further, assets and depreciation registers were also not maintained. In absence of these records Audit could not assess depreciation, return on equity *etc*. The statement of expenditure for the period 2006-11 was as shown under:

(₹ in crore)

Year	Budget Provision			Expenditure incurred			Excess (+)/Saving (-)	
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-Plan
2006-07	116.81	239.10	355.91	65.76	430.74	496.50	(-) 51.05	(+) 191.64
2007-08	129.96	200.90	330.86	150.32	154.25	304.57	(+) 20.36	(-) 46.65
2008-09	160.22	182.82	343.04	89.94	185.33	275.27	(-) 70.28	(+) 2.51
2009-10	293.87	195.86	489.73	289.83	164.67	454.50	(-) 4.04	(-) 31.19
2010-11	259.83	210.42	470.25	256.70	206.06	462.76	(-)3.13	(-)4.36
Total	**960.69**	**1029.10**	**1989.79**	**852.55**	**1141.05**	**1993.60**	**(-) 108.14**	**(+) 111.95**

(Source: Appropriation Accounts)

From the above table it would be seen that under plan head there were savings during 2006-10 barring 2007-08 with the overall saving of ₹108.14 crore (11 *per cent*) while the excess under non-plan head during the period was ₹111.95 crore (11 *per cent*). Non-surrendering of anticipated savings in time and incurring of expenditure in excess of budget provision is indicative of failure of effective financial control.

In their reply (September 2011) the Department stated that the excess/saving in plan and non-plan expenditure had been substantially reduced from 2009-10 to 2010-11 showing improvement in financial control.

5.2.14.2 The particulars of cost of electricity *vis-à-vis* revenue realization per unit there from are indicated below.

Sl.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1.	**Income (₹ in crore)**					
(i)	Revenue from Sale of Power	33.62	102.69	122.24	94.79	108.57
(ii)	Revenue subsidy & grants	-	-	-	-	55.56
(iii)	Other income	3.39	0.07	0.68	0.11	1.10
	Total Income	**37.01**	**102.76**	**122.92**	**94.90**	**165.23**
2.	**Distribution (In MUs)**					
(i)	**Total power purchased**[18]	**524.12**	**648.90**	**616.59**	**536.39**	**639.92**
(ii)	Less: Transmission losses	17.38	22.50	21.32	17.85	21.68
(iii)	Power available for Sale (i-ii)	506.74	626.40	595.27	518.54	618.24
(iv)	Less: Sub-transmission & distribution losses	279.30	291.44	293.66	227.56	236.66
	Net power sold	**227.44**	**334.96**	**301.61**	**290.98**	**381.58**
3.	**Expenditure on Distribution of Electricity (₹ in crore)**					
(a)	**Fixed cost**					
(i)	Employees cost	39.84	41.30	47.15	47.54	80.00
(ii)	Administrative and General expenses	NA	NA	NA	NA	NA
(iii)	Depreciation	2.55	2.92	3.15	5.33	6.24
(iv)	Interest and finance charges	NA	NA	NA	NA	NA
(v)	Other Expenses	NA	NA	NA	NA	NA
	Total fixed cost	**42.39**	**44.22**	**50.30**	**52.87**	**86.24**
(b)	**Variable cost**					
(i)	Purchase of Power	92.16	86.93	112.33	80.94	106.63
(ii)	Electricity Duty	NA	NA	NA	NA	NA
(iii)	Transmission/ Wheeling Charges	16.95	25.65	23.75	26.70	40.00
(iv)	Repairs & Maintenance	9.15	4.27	6.94	7.23	7.50
	Total variable cost	**118.26**	**116.85**	**143.02**	**114.87**	**154.13**
(c)	**Total cost 3(a) + (b)**	**160.65**	**161.07**	**193.32**	**167.74**	**240.37**
4.	Realisation (₹per unit) (including revenue subsidy)	1.63	3.07	4.08	3.26	4.33
5.	Fixed cost (₹per unit)	1.86	1.32	1.67	1.82	2.26
6.	Variable cost (₹per unit)	5.20	3.49	4.74	3.95	4.04
7.	Total cost per unit (in ₹) (5+6)	7.06	4.81	6.41	5.77	6.30
8.	Contribution (4-6) (₹per unit)	-3.57	-0.42	-0.66	-0.69	0.29
9	**Profit (+)/Loss(-) per unit (in ₹) (4-7)**	**-5.43**	**-1.74**	**-2.33**	**-2.51**	**-1.97**

(Source: Departmental records)

It was also evident from the above table that purchase of power, employees cost, and repair and maintenance constituted the major elements of cost in 2010-11 which represented 61, 33.28 and 3.12 *per cent* respectively of the total cost in that year. On the other hand, revenue from sale of power and revenue subsidy constituted the major elements of revenue in 2010-11 which represented 65.71 and 33.63 *per cent* of the total revenue. It was also observed that the Department was operating the power supply with losses ranging from ₹ 58.31 crore to ₹ 123.64 crore.

[18] Including own generation, free power, power purchased from central generating stations and UI purchases.

5.2.14.3 The financial viability of the distribution utilities are generally influenced by the various factors such as

a) Timely revision of tariff;

b) Subsidy Support

c) Cross subsidization

d) Recovery of the cost of operation

e) The billing and collection efficiency.

Each of these factors is discussed in the following paragraphs.

(a) Timely revision of tariff

The Department had not got the revised tariff from August 2002. The tariff was revised from 21 March 2011 after constitution of JERC (Manipur and Mizoram) in January 2005 became operational in January 2008.

We observed that as per the JERC (Terms and Conditions for determination of tariff) Regulations 2010, the Department was required to file the ARR for the financial year 2010-11 in November 2009. However, the Department filed it only in December 2010. The tariff approved by the Commission on 15 March 2011 became effective from 21 March 2011.

Had the Department submitted its petitions to the JERC in time during the last three years (2008-11) and obtained revisions regularly it could have generated additional revenue.

(b) Subsidy Support

During the financial year 2010-11 the Department earned an income of 109.67 crore against an expenditure of ₹ 240.37 crore and thereby suffering a loss of ₹ 130.70 crore. The State Government committed to provide a subsidy of ₹ 55.56 crore in 2010-11. No such subsidy was provided in the previous years. However, the Department did not furnish any information as to the release of subsidy by the State Government.

(c) Cross subsidization

Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the Average Cost of Supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission.

National Tariff Plan envisaged that the tariff of all categories of consumer should range within plus or minus 20 *per cent* of the ACOS by the year 2010-11.

During the last five years (2006-11) the ACOS remained stationary at 315 paise per unit. However, the tariff across the various major sectors was as depicted in the table below:

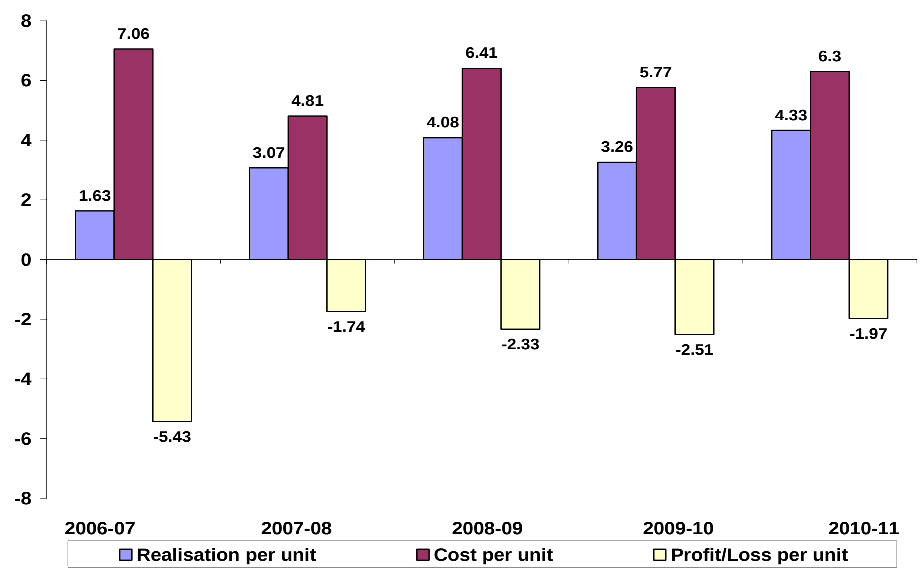
Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Sectors	Paise	Percentage of ACOS	Paise	Percentage of ACOS	Paise	Percentage of ACOS	Paise	Percentage of ACOS	Paise	Percentage of ACOS
Domestic	267	84.76	273	86.67	282	89.52	262	83.17	274	86.98
Commercial	320	101.59	326	103.49	312	99.05	315	100	313	99.37
Industrial	315	100	322	102.22	301	95.56	324	102.86	281	89.21
Agricultural	292	92.70	2 70	85.71	637	202.22	507	160.96	456	144.76
Others[19]	350	111.11	361	114.60	365	115.87	389	123.49	377	119.68

(Source: Departmental records)

It may be seen from the above table that the average rate per unit for agricultural consumer was more than the prescribed range during 2008-11. The Department may suitably adjust the tariff of all category of consumers in such a way that it falls within the range specified by the National Tariff Plan.

(d) Recovery of cost of operations

The Department was not able to recover its cost of operations during any of the last five years. The loss was highest during 2006-07 (₹5.43) as given in the graph below:



The high revenue gap needs immediate attention of the State Government for remedial action.

Our analysis revealed that the main reason for high cost of energy as compared to revenue from sale of power was because of high fixed cost on employees. Further, the State had been receiving free power from Loktak Hydro-Electric

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[19]Including public works, street lighting *etc*.

Plant (HEP) from year to year. Without this, the total cost and loss per unit would have been more.

Further analysis of Sales and Contribution data for the last five years ending 31 March 2011 is shown in the table below:

(₹ in crore)

Year	Sales	Variable costs	Fixed costs	Contri-bution	Deficit in recovery of fixed costs	Deficit as percentage of sales
(1)	(2)	(3)	(4)	(5) ((2)–(3))	(6) ((4)–(5))	(7) ((6)÷(2)x100)
2006-07	33.62	118.26	42.39	-84.64	127.03	377.84
2007-08	102.69	116.85	44.22	-14.16	58.38	56.85
2008-09	122.24	143.02	50.30	-20.78	71.08	58.15
2009-10	94.79	114.87	52.87	-20.08	72.95	76.96
2010-11	108.57	154.13	86.24	-45.56	131.80	121.40

(Source: Departmental records)

The table reveals that the sale proceeds of power could not cover the variable cost during the performance audit period. The deficit in percentage of sales was highest during 2006-07 (377 *per cent)* and thereafter it ranged from 56 to 121 *per cent*.

Though it appears that the tariff was on lower side and needed to be increased for recovery of the costs, the gap can be bridged by improving operational efficiency, *viz*., reducing ATC losses, conversion of LT lines to HT lines, metering of unmetered connections, replacing of defective meters, improving billing *etc*.

(e) Billing and collection efficiency.

Billing efficiency

As per procedure prescribed in the Electricity supply Code, 2008, the Department is required to take the reading of energy consumption of each consumer at the end of the notified billing cycle. After obtaining the meter readings, the Department issues bills to the consumers for consumption of energy. Sale of energy to metered categories consists of metered and assessed units. The assessed units refer to the units billed to consumers in case meter reading is not available due to meter defects or door locks *etc*.

(in MUs)

Sl.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy available for sale	227.44	334.96	301.61	290.98	381.58
2.	Free Supply	-	-	-	-	-
3.	Energy billed	227.44	334.96	301.61	290.98	381.58
4.	Assessed sales as percentage of metered sales	36.08	34.34	34.96	38.97	51.49

(Source: Departmental records)

It would be seen from the table that assessed sales constituted 34 to 51 *per cent* during performance audit period. We observed that JERC had not fixed any norm for percentage of assessed sales as percentage of metered sales, the efficiency of present level of assessed sales could not be commented upon.

(f) Revenue collection efficiency

As revenue from sale of energy is the main source of income of the Department, prompt collection of revenue assumes great significance. The table below indicates collection performance of the Department for the last five years ending 2010-11.

(₹ in crore)

Sl.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Balance outstanding at the beginning of the year	163.52	192.84	231.65	266.30	259.65
2	Revenue billed during the year	55.27	59.93	60.57	67.69	63.31
3	Total amount due for realisation (1+2)	218.79	252.77	292.22	333.99	322.96
4	Amount realised during the year	25.95	21.12	25.92	74.34	61.60
5	Amount written off during the year	-	-	-	-	-
6	Balance outstanding at the end of the year	192.84	231.65	266.30	259.65	261.36
7	Percentage of amount realised to the total dues (4/3)	11.86	8.36	8.87	22.26	19.07
8	Arrears in terms of number of months assessment (12 times 6/2)	42	46	53	46	49

(Source: Departmental records)

The above table discloses that:

- the outstanding dues at the end of the years increased from ₹ 192.84 crore in 2006-07 to ₹ 261.36 crore in 2010-11.
- dues outstanding for more than three years amounted to ₹ 231.65 crore (76 *per cent* of the total dues) consisting of dues from LT and HT consumers indicating ineffective persuasion of old debts.
- ₹ 12.55 crore of the dues related to disconnected services of the test checked divisions[20].
- In two divisions[21] 111 consumers having arrears more than ₹ 1 lakh each did not make payment of the dues up to 30 months; but their supplies were not disconnected. The Department did not intimate any reason for the same.

5.2.15 Consumer Satisfaction

One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power, such as non-availability of the distribution system for new connections or increase of

[20] Imphal Electrical Division I and II, Thoubal Division and Imphal Maintenance Division
[21] Imphal Electrical Division I and II

connected load, failure of lines and transformers and improper metering and billing.

The Department was required to introduce consumer friendly actions like introduction of computerized billing, online bill payment, establishment of customer care centres *etc*. to enhance satisfaction of consumers and reduce the extent of grievances among them.

5.2.15.1 Redressal of Grievances

Prior to 2009 the Department was having six complaint cells in Greater Imphal to attend complaints of consumers.

Test check of records of four cells revealed the following:

- In Lamphel and Lamlong although complaint registers were maintained dates of redressal of the complaints were not recorded.
- In Keisampat, instead of using bound registers, loose sheets were used for noting complaints of the consumers.
- In Wangkhei the cell was housed in a private scooter workshop. In spite of providing a telephone there, even a register was not maintained to record complaints of the consumers.

Because of deficiencies in the records, audit could not ascertain the number and nature of complaints received and number of cases attended to and the speed of redressal of the grievances.

One ombudsman was appointed in July 2009 and one Grievance Redressal Forum was constituted in September 2009. However locations of their offices were not specified. As a result audit could not examine records connected to their sphere of work.

5.2.16 Energy Conservation/Audit

Recognizing the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, the GOI enacted the Energy Conservation Act, 2001. The conservation of energy being a multi-faceted activity, the Act provides both promotional and regulatory roles on the part of various organizations. The promotional role includes awareness campaigns, education and training, demonstration projects, R & D and feasibility studies. The regulatory role includes framing rules for mandatory audits for large energy consumers, devising norms of energy consumption for various sectors, implementation of standards and provision of fiscal and financial incentives.

We observed that:

- Department had made no efforts for conducting energy audit of government buildings though a study conducted by Bureau of Energy Efficiency, GOI, indicated that such energy audit would result in approximately 27 *per cent* to 46 *per cent* savings in energy.

- The Commission in its tariff order 2010-11 observed that the Department was not doing energy audit effectively.

- The JERC directed (March 2011) the Department for submission of action plan for preliminary energy audit and loss reduction measures by May 2011. But this was not submitted as of October 2011.

5.2.17 Monitoring

The Power Department plays an important role in the State economy. For such a large organization to succeed in operating economically, efficiently and effectively, there has to be a Management Information System for monitoring by top management.

Existence of a system of monitoring of the activities of the Department by the top management through a Management Information System did not exist in the Department. In their reply the Department stated (September 2011) that a separate cell was being set up for collection of data for establishment of a Management Information System for monitoring.

5.2.18 Conclusion

- No targets were fixed for addition of sub stations to the existing infrastructure.

- Achievement of target of rural electrification decreases from 97 *per cent* in 2007-08 to 53 *per cent* in 2010-11.

- Interest on mobilisation advances paid to the contractors were not levied resulting to undue benefit.

- Though the State was facing acute shortage of power, it continued to sell the power outside state.

- HT-LT ratio in the State remained in the range of 1:0.73 to 1:0.79.

5.2.19 Recommendations

The department may:

- introduce system of target fixation for addition of substation and improvement of LT/HT ratio so that the achievement could be monitored.
- speed up the phase of rural electrification
- levy interest on mobilisation advance remaining outstanding after the schedule date of completion of projects.
- avoid selling the power outside the state and consider using the same within the state for meeting the power requirements.

Imphal **(Stephen Hongray)**
The **Accountant General (Audit), Manipur**

Countersigned

New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

Appendix - 1.1
(Reference: Paragraph 1.1.7.1.3)
Statement of Budget Allocation for Elementary Education (All amounts in ₹ crore)

Year	Total Outlay			State Budget	As % of State Budget	Expenditure		
	Non-Plan	Plan	Total			Non-Plan	Plan	Total
1999-2000	189.20	15.00	204.20	2,526.86	8.08%			
2006-07	148.80	18.92	167.72	3,771.12	4.45%	153.17	18.96	172.13
2007-08	160.83	40.55	201.38	4,363.39	4.62%	162.69	35.30	197.99
2008-09	187.72	3.99	191.71	4,848.37	3.95%	186.69	3.67	190.36
2009-10	235.28	20.46	255.74	5,283.92	4.84%	220.93	11.68	232.61
2010-11	307.54	19.00	326.54	6,894.04	4.74%	266.20	18.36	284.56
Total (2006 - 11)			**1,143.09**				**Total**	**1,077.65**

Source: Appropriation Accounts

Appendix - 1.2
(Reference: Paragraph 1.1.7.2)
Table – A: SSA Fund Position during the period from 2006 – 11 (₹ in lakh)

Year	Approved Outlay	Opening Balance	GOI Share released		State Share released		Interest Receipt	Misc[1] Re-ceipts	Total Fund available available during the year (3+4+6+8+9)	Expenditure	Closing balance (10-11)
			Amount	As % of outlay	Amount	As % of outlay					
1	2	3	4	5	6	7	8	9	10	11	12
2006-07	6,205.11	2,506.20	1,892.39	30%	726.55	12%	17.96	3.80	5,146.90	2,327.96	2,818.95
2007-08	3,683.85	2,818.95	1,834.11	50%	-	0%	13.15	-	4,666.21	1,617.12	3,049.08
2008-09	3,929.68	3,086.34	321.21	8%	396.23	10%		20.79	3,824.57	2,230.16	1,594.41
2009-10	5,285.52	1,594.41	1,500.00	28%	587.28	11%		22.27	3,703.96	1,443.14	2,260.82
2010-11	15,970.86	2,260.82	13,253.77	83%	600.00	4%	212.84	-	16,327.43	10,106.26	6,221.17
Total	**35,075.02**		**18,801.48**	**54%**	**2,310.06**	**7%**	**243.95**	**46.86**	**23,945.81**	**17,724.64**	

NB: The opening balance for 2008-09 in inclusive of the ₹37.25 lakh for KGBV which was not depicted in the UC for 2007-08.
Source: Figures for 2006-08 are as per UC dated 22/05/2010; figures are as per UC dated 05/05/2010; figures for 2009-10 are as per UC dated 09/09/2010; figures for 2010-11 are unaudited figures provided by SMA.

(Reference: Paragraph 1.1.7.2.2)
Table – B: Statement showing delay in release of SSA fund(All amounts ₹in lakh)

Year	Instal-ment	Central Share				State Share			
		Due Date	Amount	Date of receipt	Delay in days	Due Date	Amount	Date of receipt	Delay in days
2006-07	1st	30-04-2006	1,881.00	09-05-2006	9	08-06-2006	399.78	17-02-2007	254
2006-07	2nd	30-09-2006	9.24	20-09-2006		20-10-2006	326.77	31-03-2007	162
2006-07	3rd	30-09-2006	33.98	05-12-2006	66				
2007-08	1st	30-04-2007	1,850.95	30-01-2008	275	29-02-2008		Not Released	
2007-08	2nd	30-09-2007	Not Released			30-10-2007		Not Released	
2008-09	1st	30-04-2008	321.21	23-03-2009	327	30-05-2008	120.99	18-06-2008	
2008-09	2nd	30-09-2008	Not Released			30-10-2008	275.24	30-03-2009	151
2009-10	1st	30-04-2009	500.00	10-05-2009	10	09-06-2009	587.28	22-01-2010	227
2009-10	2nd	30-09-2009	1,000.00	02-02-2010	125	04-03-2010			
2010-11	1st	30-04-2010	4,912.00	20-07-2010	81	19-08-2010			
2010-11	2nd	30-09-2010	3,500.00	11-11-2010	42	11-12-2010	545.75	31-03-2011	110
2010-11	3rd	30-09-2010	4,841.77	31-01-2011	123	02-03-2011			

Source: State Mission Authority Records

[1] Interest receipt, security deposit, fees from selling forms for recruitment etc.

Appendix - 1.2
(Reference: Paragraph 1.1.7.2.3)

Table – C: Fund meant for "Management Cost" diverted for unauthorised Civil Works

Sl. No.	Name of work	Estimated cost (₹)	Time allowed	Advance drawn in Sept 2010 (₹)	Advance drawn in March 2011(₹)	As of September 2011[2]	
						Physical Progress	Financial Progress
1	Renovation of Conference Hall at SSA Complex, Babupara, Imphal	33,55,000	12 months	10,00,000		51.42%	17,25,025
2	Renovation work of Administrative and General Sections at SSA Complex, Babupara, Imphal	48,82,500	12 months	10,00,000	25,00,000	24.98%	12,19,546
3	Construction of Staff Toilet Block at SSA Complex, Babupara, Imphal	9,27,000	6 months	5,00,000		Not Yet Started	
	Total	**91,64,500**		**25,00,000**	**25,00,000**		**29,44,571**

Source: State Mission Authority Records

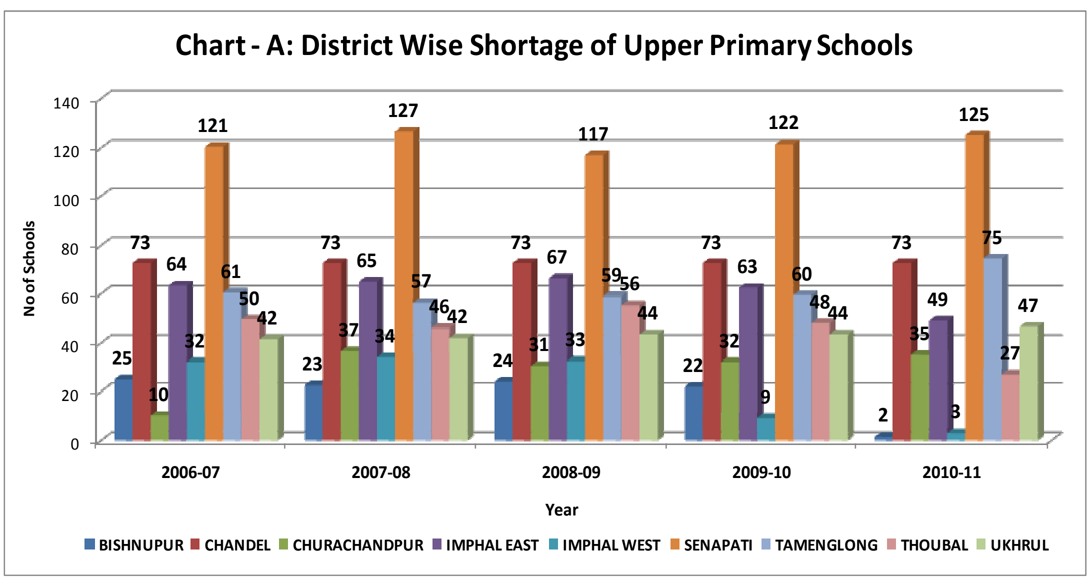
(Reference: Paragraph 1.1.7.2.4(iii))

Table – D: Multiple Bank Accounts Operated by District Project Officer, SSA Bishnupur

Sl. No.	Account No & Bank	Type of Account	Particulars	Balance in account	Balance as on	Remark
1	31084515706 of SBI Bishnupur	Current Account	Account opened on 08/03/10 and operated by DPO and ADPO	1,600	09/09/11	Bank intimated to close the account
2	11754567287 of SBI Bishnupur	Current Account	Operated by DC and DPO	1,89,23,242	09/09/11	Main account of SSA
3	08540200000807 of UCO Bishnupur	Current Account	Opened in 2004-05 and dormant since 2009-10. Operated by the then DPO Sh N Surjit	2,743	24/03/11	Statedwillbe closed very soon
4	08540100009241 of UCO Bishnupur	Saving Account	Opened in 2004-05 and dormant since 2009-10. Operated by the then DC Sh Nobert Disinang & DPO Sh N Surjit	6,63,809	24/03/11	Statedwillbe closed very soon
			Total	**1,95,91,394**		

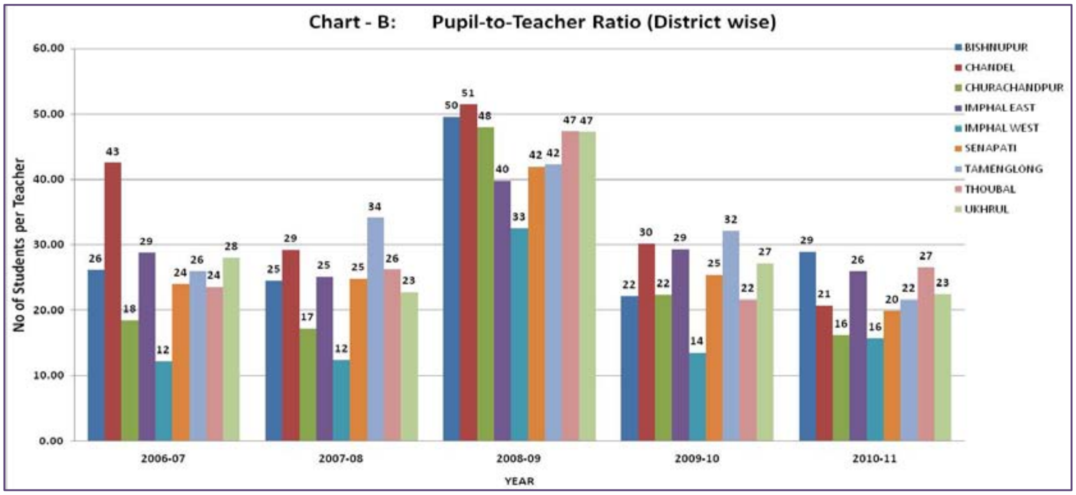
Source: State Mission Authority Records

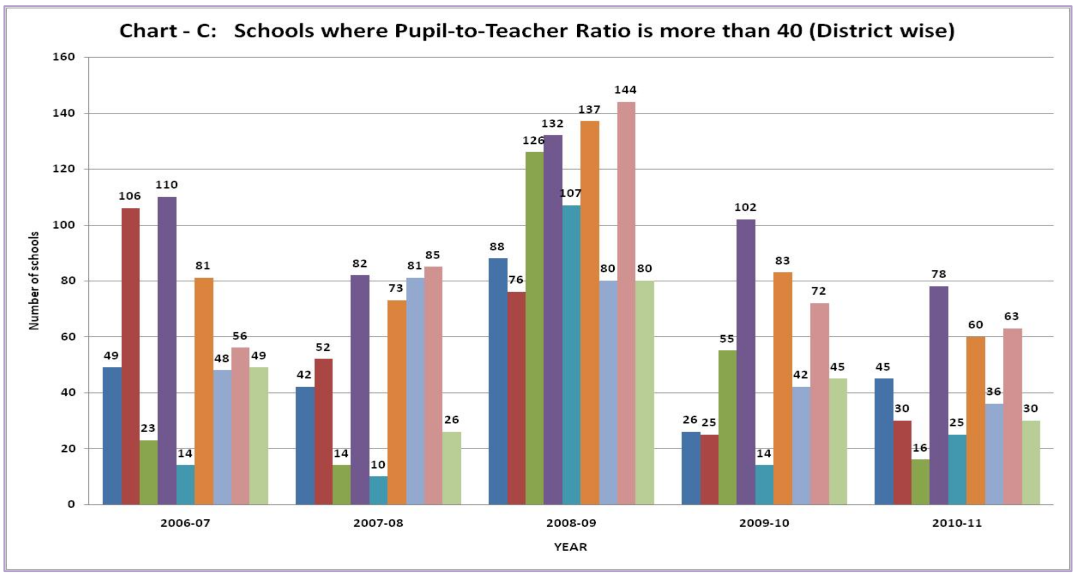
Appendix - 1.3
(Reference: Paragraph 1.1.7.3.2(i))

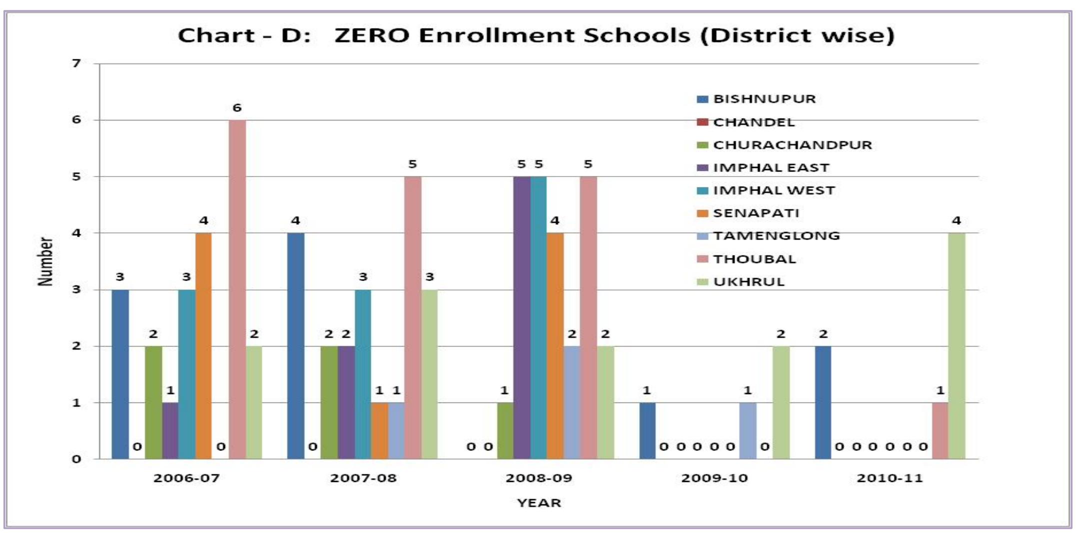


[2] ***Physical and financial progress called for in February 2012 was not furnished.***

Appendix – 1.3 (Reference: Paragraph 1.1.7.3.2(iii))

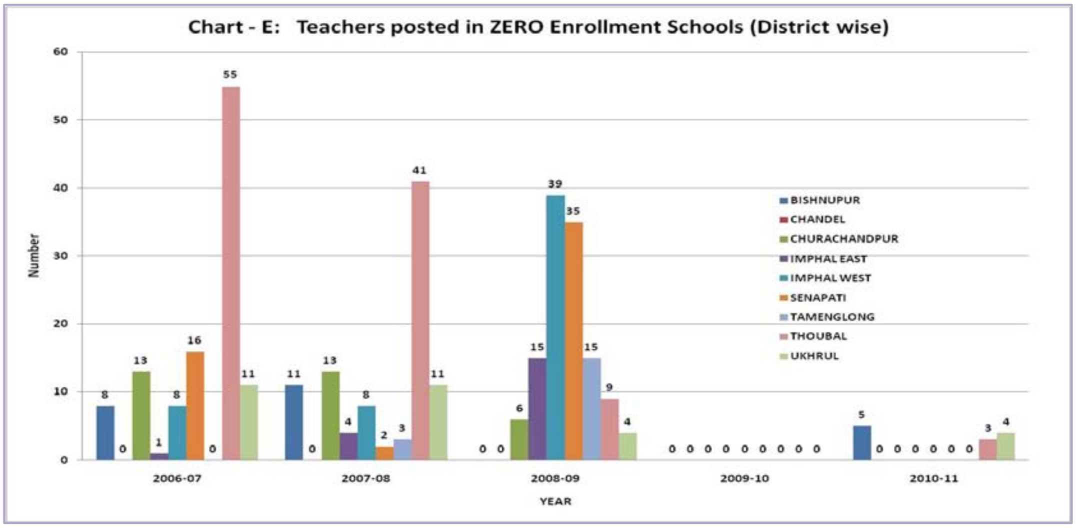


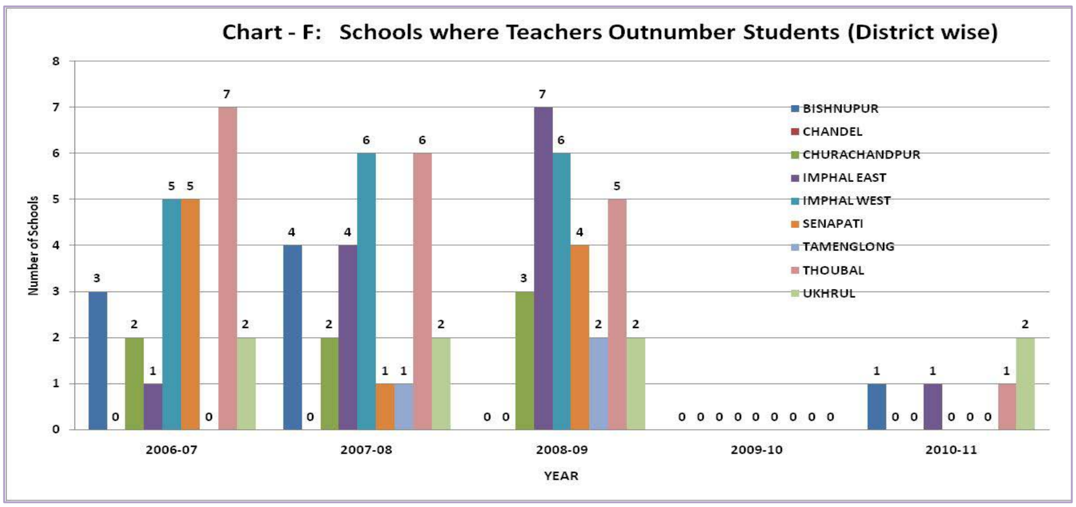


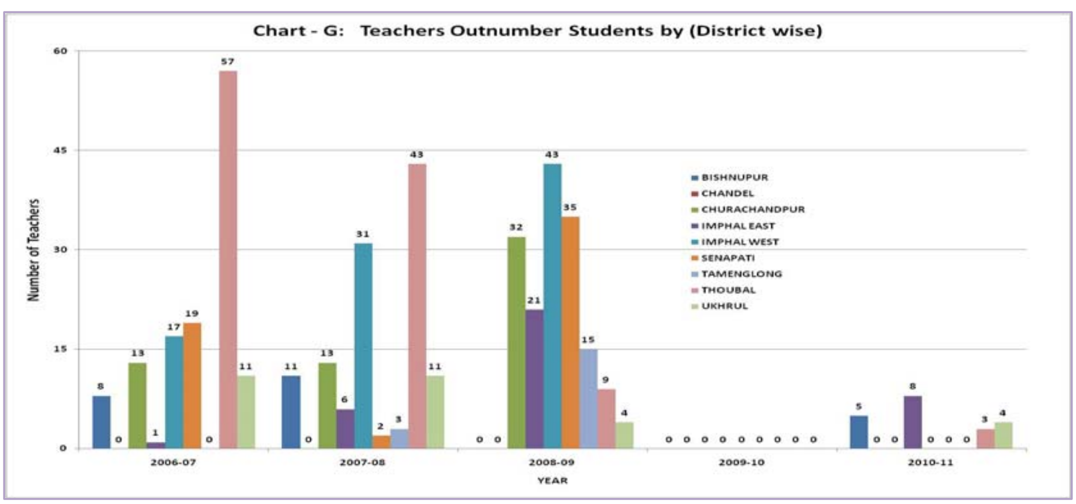


Appendix – 1.3

(Reference: Paragraph 1.1.7.3.2(iii))

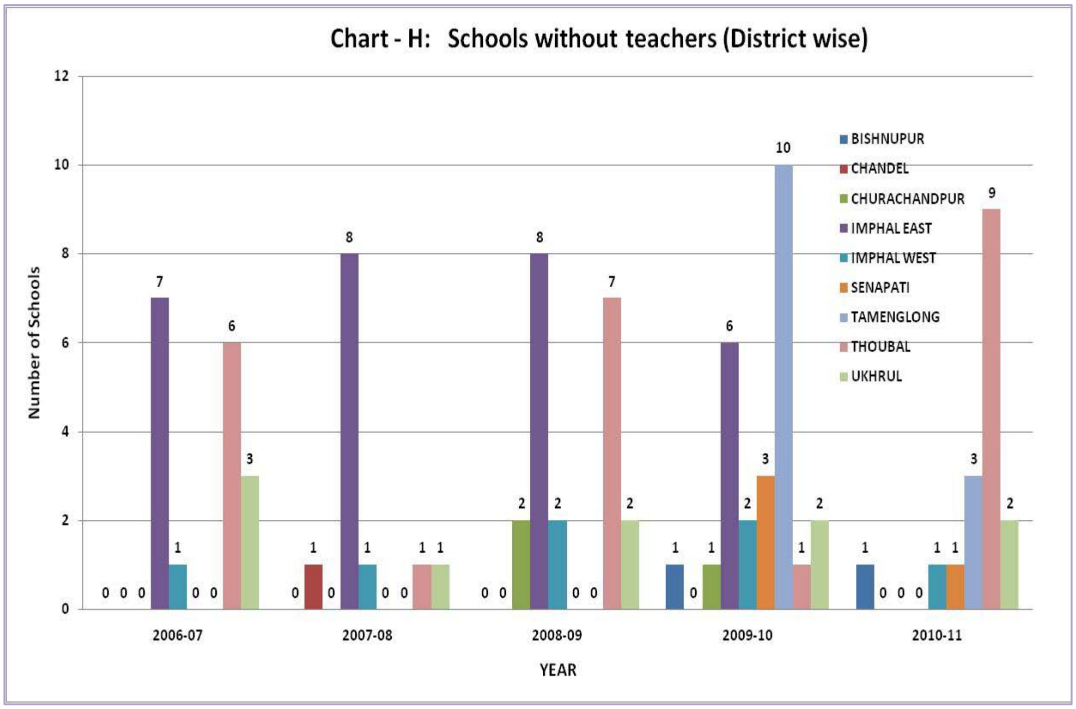


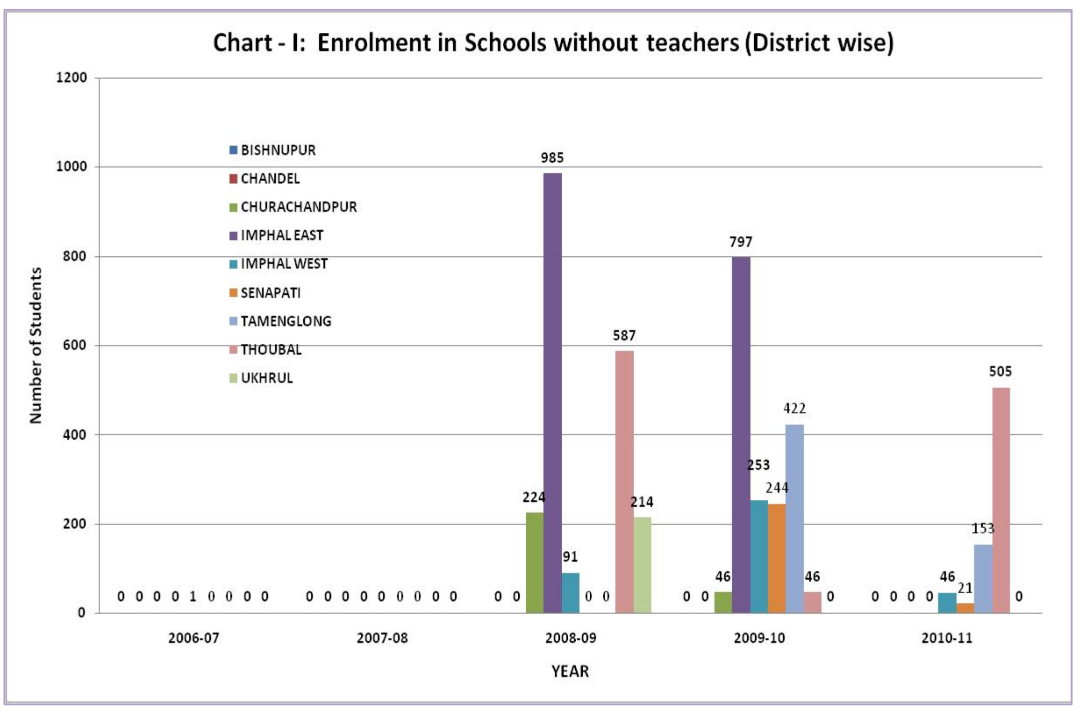




Appendix – 1.3

(Reference: Paragraph 1.1.7.3.2(iii))





Appendix - 1.3A

(Reference: Paragraph 1.1.7.3.2 (iii))

Table A:Teachers posted in schools where there was no enrolment

Academic year	School name	No of teachers in zero enrolment schools	Block name	District name
2006-07	CITY HIGH SCHOOL	7	IMC	IMPHAL WEST
2007-08		7		
2006-07	ELANGKHANPOKPI H/S (REC.)	8	KAKCHING	THOUBAL
2007-08		8		
2006-07	GOKUL HIGH SCHOOL (AIDED)	4	BISHNUPUR	BISHNUPUR
2007-08		4		
2006-07	KAKCHING HIGHER SEC. SCHOOL	10	KAKCHING	THOUBAL
2007-08		10		
2006-07	MAPITHEL AIDED HS	7	KASOM KL.	UKHRUL
2007-08		7		
2006-07	MAYENGBAM LEIKAI JR. H.S.	1	IMC	IMPHAL WEST
2007-08		1		
2006-07	NACHOU L.P.S	1	BISHNUPUR	BISHNUPUR
2007-08		1		
2009-10		0		
2006-07	NUNGSEKPUNJI L/P	1	JIRIBAM	IMPHAL EAST
2007-08		1		
2006-07	PHUBALA HIGH SCHOOL	3	BISHNUPUR	BISHNUPUR
2007-08		3		
2006-07	SUGNU H/S	7	KAKCHING	THOUBAL
2007-08		11		
2006-07	TONGOU AIDED H/S	4	UKHRUL	UKHRUL
2007-08		4		
2006-07	VALTE KHAMZATHANG H/S (AIDED)	10	CHURACHANDPUR	CHURACHAND PUR
2007-08		10		
2006-07	WANGOO H/S	8	KAKCHING	THOUBAL
2007-08		8		

Source: DISE data

Appendix - 1.3A

(Reference: Paragraph 1.1.7.3.2(iii))

Table B: Enrolment in Teacher-less Schools

Academic year	School name	District name	Block name	Enrolment
2009-10	ARONG KH. H. K. L.P.S.	THOUBAL	KAKCHING	30
2010-11	ARONG KH. H. K. P/S	THOUBAL	KAKCHING	30
2006-07	ARONG KHUNOU L.P.S.	THOUBAL	KAKCHING	0
2009-10	ARONG KHUNOU L.P.S.	THOUBAL	KAKCHING	60
2010-11	ARONG KHUNOU P/S	THOUBAL	KAKCHING	48
2006-07	BABUKHAL P/S	IMPHAL EAST	JIRIBAM	0
2007-08	BABUKHAL P/S	IMPHAL EAST	JIRIBAM	0
2009-10	BABUKHAL P/S	IMPHAL EAST	JIRIBAM	35
2009-10	CHAIREL L.P.S.	THOUBAL	KAKCHING	9
2010-11	CHAIREL P/S	THOUBAL	KAKCHING	42
2006-07	CHINGJAO P/S.	THOUBAL	KAKCHING	0
2009-10	CHINGJAO P/S.	THOUBAL	KAKCHING	25
2010-11	CHINGJAO P/S.	THOUBAL	KAKCHING	48
2006-07	JIRIMUKH L/P	IMPHAL EAST	JIRIBAM	0
2007-08	JIRIMUKH L/P	IMPHAL EAST	JIRIBAM	0
2009-10	JIRIMUKH L/P	IMPHAL EAST	JIRIBAM	79
2006-07	KOMNAO P/S.	THOUBAL	KAKCHING	0
2007-08	KOMNAO P/S.	THOUBAL	KAKCHING	0
2009-10	KOMNAO P/S.	THOUBAL	KAKCHING	33
2010-11	KOMNAO P/S.	THOUBAL	KAKCHING	48
2010-11	LAPHUPAT TERA P/S.	THOUBAL	KAKCHING	52
2006-07	LAPUPAT TERA P/S.	THOUBAL	KAKCHING	0
2009-10	LAPUPAT TERA P/S.	THOUBAL	KAKCHING	25
2009-10	NEW THENJANG SVS	TAMENGLONG	TAMEI	46
2010-11	NEW THENJANG SVS	TAMENGLONG	TAMEI	48
2007-08	NUNGSHEKPUNJI L.P/S	IMPHAL EAST	JIRIBAM	0
2009-10	NUNGSHEKPUNJI L.P/S	IMPHAL EAST	JIRIBAM	120
2006-07	SAIKHULPAL L/P. SCHOOL	IMPHAL EAST	JIRIBAM	0
2007-08	SAIKHULPAL L/P. SCHOOL	IMPHAL EAST	JIRIBAM	0
2009-10	SAIKHULPAL L/P. SCHOOL	IMPHAL EAST	JIRIBAM	149

Source: DISE data

Table C: Schools where teachers outnumber students

Academic year	School name	Block name	District name	Enro-ment	No of Teachers	Teachers exceed students by
2006-07	CHINGTHAM LEIKAI POPULAR JR.HS	WANGOI	Imphal West	3	9	6
2007-08	CHINGTHAM LEIKAI POPULAR JR.HS	WANGOI	Imphal West	7	8	1
2006-07	CITY HIGH SCHOOL	IMC	Imphal West	0	7	7
2007-08	CITY HIGH SCHOOL	IMC	Imphal West	0	7	7
2006-07	ELANGKHANPOKPI H/S (REC.)	KAKCHING	THOUBAL	0	8	8
2007-08	ELANGKHANPOKPI H/S (REC.)	KAKCHING	THOUBAL	0	8	8
2006-07	GOKUL HIGH SCHOOL (AIDED)	BISHNUPUR	BISHNUPUR	0	4	4
2007-08	GOKUL HIGH SCHOOL (AIDED)	BISHNUPUR	BISHNUPUR	0	4	4
2006-07	KAKCHING HIGHER SEC. SCHOOL	KAKCHING	THOUBAL	0	10	10
2007-08	KAKCHING HIGHER SEC. SCHOOL	KAKCHING	THOUBAL	0	10	10
2006-07	KSHETRI LEIKAI H/S (AIDED)	THOUBAL	THOUBAL	2	4	2
2007-08	KSHETRI LEIKAI H/S (AIDED)	THOUBAL	THOUBAL	0	4	4
2006-07	MAPITHEL AIDED HS	KASOM KL.	UKHRUL	0	7	7
2007-08	MAPITHEL AIDED HS	KASOM KL.	UKHRUL	0	7	7
2006-07	MAYENGBAM LEIKAI JR. H.S.	IMC	Imphal West	0	1	1
2007-08	MAYENGBAM LEIKAI JR. H.S.	IMC	Imphal West	0	1	1
2006-07	NACHOU L.P.S	BISHNUPUR	BISHNUPUR	0	1	1
2007-08	NACHOU L.P.S	BISHNUPUR	BISHNUPUR	0	1	1
2006-07	NUNGSEKPUNJI L/P	JIRIBAM	IMPHAL EAST	0	1	1
2007-08	NUNGSEKPUNJI L/P	JIRIBAM	IMPHAL EAST	0	1	1
2006-07	PHUBALA HIGH SCHOOL	BISHNUPUR	BISHNUPUR	0	3	3
2007-08	PHUBALA HIGH SCHOOL	BISHNUPUR	BISHNUPUR	0	3	3
2006-07	SUGNU H/S	KAKCHING	THOUBAL	0	7	7
2007-08	SUGNU H/S	KAKCHING	THOUBAL	0	11	11
2006-07	TONGOU AIDED H/S	UKHRUL	UKHRUL	0	4	4
2007-08	TONGOU AIDED H/S	UKHRUL	UKHRUL	0	4	4
2006-07	VALTE KHAMZATHANG H/S (AIDED)	CC PUR	CC PUR	0	10	10
2007-08	VALTE KHAMZATHANG H/S (AIDED)	CC PUR	CC PUR	0	10	10
2006-07	WANGOO H/S	KAKCHING	THOUBAL	0	8	8
2007-08	WANGOO H/S	KAKCHING	THOUBAL	0	8	8

Source: DISE data

Appendix - 1.4
(Reference: Paragraph 1.1.7.3.3)
Statement showing quantity of text books procured for distribution under SSA during the period from 2006 – 07 to 2010 - 11

Year	Acade-mic Year	Dt of placing Supply Order	No of Text Books Ordered	Amount Paid	Date of Receipt of Text Books	Date of commencement of Academic Session	Delay after commence-ment of academic year
2006-07	2006	07-02-06	11,48,447	3,91,05,568	Mar-06	Feb-06	one month
2007-08	2007	08-01-07	14,67,299	3,92,01,995	Feb-07	Feb-07	On time
2008-09	2008	29-01-08 & 26-02-08	13,76,648	3,48,02,645	Mar-08	Feb-08	one month
2009-10	2009	31-03-09	26,63,058	3,30,00,000	Apr-09	Feb-09	Two Months
2010-11	2010	12-03-10 & 29-07-10	15,26,698	3,73,24,665	Jul-10	Apr-10	Three Months
		Total	**81,82,150**	**18,34,34,873**			

Source: Data furnished by State Mission Authority

Appendix - 1.5

(Reference: Paragraph 1.1.7.3.4(i) & 1.1.7.3.4(ii))

Table A: Statement showing ACRs sanctioned and executed in schools visited/schools which reported

Sl. No.	Name of District	Name of School	Civil Works sanctioned		Details of sanction (No of ACR @ Cost in ₹ in lakh in year of sanction)	Audit Findings during school visits	Civil Works Not Accounted	
			No. of ACR	Cost (₹Lakhs)			No. of ACR	Cost (₹ in lakhs)
1	Bishnupur	BALARAM KHUL L.P.S	3	10.22	1 @ 1.5 in 2009-10; 2 @8.72 in 2010-11	3 ACRs upto lintel level with RCC column and beams;two toilets		
2	Bishnupur	BISHNUPUR CHINGNING MUSLIM P/S	3	7.36	1 each @ 1.5 in 2006-07 & 2009-10; 1 @ 4.36 in 2010-11	No ACR seen. Two toilets constructed	3	7.36
3	Bishnupur	KHOIJUMAN JR. H/S	2	8.72	2 @8.72 in 2010-11	Completed awaiting inauguration, no RCC visible		
4	Bishnupur	MADHUMATI JR. H.S.	1	2	1 @ 2 in 2009-10	1 ACR upto lintel level, no RCC used		
5	Bishnupur	MAIBAM LOKPACHING P/S	4	11.72	1 each @ 1.5 in 2006-07 & 2009-10; 2 @ 8.72 in 2010-11	3 ACRs (2 big, 1 small) upto lintel level. No RCC, made to appear as RCC	1	1.5
6	Bishnupur	NGAIKHONG H.S.	3	7.86	1 @ 1.5 in 2006-07; 1 @ 2 in 2009-10 & 2009-10; 1 @ 4.36 in 2010-11	No sign of ACR construction. HM claim that one ACR collapsed while roof of one ACR blown offby storm	3	7.86
7	Bishnupur	Phoijing Girls PS	1	2	1 @ 2 in 2009-10	ACR completed upto lintel level. RCCcolumn seen		
8	Bishnupur	Phubala Jr. H/S	2	3.5	1 @ 1.5 in 2006-07; 1 @ 2 in 2009-10	No sign of ACR construction. HM showed what looked like an attempt made to start construction of ACR long ago.	2	3.5
9	Bishnupur	SUNUSIPHAI P/S	2	5.86	1 @ 1.5 in 2009-10; 1 @ 4.36 in 2010-11	2 ACRs of different sizes upto lintel level. No RCC seen. One class room had cow dung		
10	Bishnupur	UPOKPI P/S	3	7.36	1 each @ 1.5 in 2006-07 & 2009-10; 1 @ 4.36 in 2010-11	3 small ACRs upto lintel level. No RCC seen.		
11	Bishnupur	WAROICHING P/S	4	17.44	4 @ 17.44 in 2010-11	3 ACRs upto lintel level without RCC cloumn. Brick work for aontherACR collapsed. Two toilets being constructed.	1	4.36
12	Imphal East	ANDRO MAHENGDONG P/S	3	10.22	1 @ 1.5 in 2009-10; 2 @ 8.72 in 2010-11	Brick work of ACRs started. No RCC seen.		
13	Imphal East	BASHIKHONG JR HS	1	2	1 @ 1.5 in 2004-05 & 1 @ 2 in2009-10	1 ACR under SSA		
14	Imphal East	Brahmapur P/S	1	1.5	1 @ 1.5 in 2006-07	No civils work seen	1	1.5
15	Imphal East	CHALLOU P/S	3	10.22	1 @ 1.5 in 2009-10 & 2 @ 8.72 in 2010-11	No ACR readily visible in the school premisis. As school was closed, Audit could not get the openion of the HM.	3	10.22
16	Imphal East	CHANAM SANDROK P/S	4	11.72	1 each @ 1.5 in 2006-07 & 2009-10; 2 @ 8.72 in 2010-11	Brick work on 3 ACRs started, work on 1 ACR just begun. RCC columns seen		
17	Imphal East	HARAOROU COSMOPOLITAN P/S	1	2	1 @ 2 in 2009-10	There was one ACR without doors & windows. CGI roofing was crumbling. No RCC seen		
18	Imphal East	Itam Nungoi LP	4	11.72	1 each @ 1.5 in 2006-07 & 2009-10; 2 @ 8.72 in 2010-11	2 ACRs upto lintel level. No RCC.	2	8.72
19	Imphal East	KANGLA UKOK P/S	1	4.36	1 @ 4.36 in 2010-11	1 ACRs upto lintel level. No RCC. ACR small in size		
20	Imphal East	KEIBI KHULLEN P.S.	1	2	1 @ 2 in 2009-10	ACR completed (SSA)		

21	Imphal East	SAGOLMANG P/S	3	10.22	1 @ 1.5 in2009-10; 2 @ 8.72 in 2010-11	2 ACRs roofed but without doors, 1 ACR upto lintel level. No RCC		
22	Ukhrul	Greenland S.V	2	8.72	2 @ 8.72 in 2010-11	ACRs NIL. SGT under construction. Existing building crumbling.	2	8.72
23	Ukhrul	GRIHANG SPM JR HS	1	2	1 @ 2 in 2009-10	1 ACR completed and in use as reported by the HM		
24	Ukhrul	Hatha S.V	2	8.72	2 @ 8.72 in 2010-11	2 room structure - wall and roof of CGI and wooden floor, toilet being constructed	2	8.72
25	Ukhrul	HOOMI JR HS	3	5	1 each @ 1.5 in 2007-08 & 2008-09; 1 @ 2 in 2009-10	1 ACR - wooden building with CGI roofing	2	3.5
26	Ukhrul	Lakhan P/S	3	10.22	1 @ 1.5 in2007-08; 2 @ 8.72 in 2010-11	The HM reported that ACRs not constructed in his school	3	10.22
27	Ukhrul	Lamlai (Ramrei) P/S	2	8.72	2 @ 8.72 in 2010-11	The HM reported that no fund for ACRs received till date and hence no construction has started in his school	2	8.72
28	Ukhrul	Leinganching P/S	1	1.5	1 @ 1.5 in2007-08	The HM reported that 4 ACRs were built by MOBC	1	1.5
29	Ukhrul	Luiyainaotang S.V	2	8.72	2 @ 8.72 in 2010-11	There was nobody at the school premisis. Roof of building was blown off and walls were crumbling and furniture stacked in one corner. There was no sign of construction	2	8.72
30	Ukhrul	New Canaan P/S	3	10.22	1 @ 1.5 in2007-08; 2 @ 8.72 in 2010-11	The HM reported ACR contructed as "NIL"	3	10.22
31	Ukhrul	Ngaimu Jr. H/S(CRC)	2	3.5	1 @ 1.5 in 2007-08 ; 1 @ 2 in 2009-10	No ACR under SSA. Construction started under RMSA.	2	3.5
32	Ukhrul	Phalang P/S (CRC)	2	5.86	1 @ 1.5 in 2007-08; 1 @ 4.36 in 2010-11	The HM reported no fund released for ACR so no construction so far	2	5.86
33	Ukhrul	Pihang P/S	1	4.36	1 @ 4.36 in 2010-11	The HM reported that only SGT is under construction	1	4.36
34	Ukhrul	Sampui S.V	2	8.72	2 @ 8.72 in 2010-11	The HM reported no fund released for ACR so no construction so far	2	8.72
35	Ukhrul	SOMDAL NK HS	1	2	1 @ 2 in 2009-10	Completed awaiting inaguration, no RCC visible		
36	Ukhrul	SORDE JR HS	2	3.5	1 @ 1.5 in 2008-09 ; 1 @ 2 in 2009-10	The HM reportedthat ACRs are completed and being used		
37	Ukhrul	Veikhang Chingsang Jr.H/S	1	1.5	1 @ 1.5 in2007-08	The HM reportedACR is completed but not yet used		
38	Ukhrul	VPH P/S	2	8.72	2 @ 8.72 in 2010-11	No new ACR. One wooden structure toilet constructed	2	8.72
		Total	**82**	**251.98**		**Total**	**42**	**136.5**

Source: Headmasters' statement recorded during visits

Appendix - 1.5

(Reference: Paragraph 1.1.7.3.4(i))

Table B: Statement showing completed ACRs in the schools visited/which reported

Sl. No.	Name of District	Name of School	Civil Works sanctioned		Details of sanction (No of ACR @ Cost in ₹lakh in year of sanction)	Audit Findings during school visits
			No. of ACR	Cost (₹ in kakhs)		
1	Bishnupur	KHOIJUMAN JR. H/S	2	8.72	2 @8.72 in 2010-11	Completed awaiting inauguration, no RCC visible
2	Imphal East	KEIBI KHULLEN P.S.	1	2	1 @ 2 in 2009-10	ACR completed (SSA)
3	Ukhrul	SOMDAL NK HS	1	2	1 @ 2 in 2009-10	Completed awaiting inauguration, no RCC visible
4	Ukhrul	SORDE JR HS	2	3.5	1 @ 1.5 in 2008-09 ; 1 @ 2 in 2009-10	The HM reportedthat ACRs are completed and being used
5	Ukhrul	Veikhang Chingsang Jr.H/S	1	1.5	1 @ 1.5 in2007-08	The HM reportedACR is completed but not yet used
		Total	**7**	**17.72**		

Source: School Visit Report

Appendix - 1.6

(Reference: Paragraph 1.1.7.3.5(i) & 1.1.7.3.5(ii))

Statement showing Audit's findings on computer facilities provided to schools

Sl. No.	Name of School	District	Infrastructure	Cost (₹ in lakh)	Date of Delivery Challan	Audit's findings
	Computers kept at the Headmaster's residence					
1	KHOIJUMAN JR. H/S	Bishnupur	Multiseat Solution Computer Lab	4.60	Not furnished	PCs are stated to be kept at the HM's residence while solar panel with batteries and furniture are kept at KHOIJUMAN (Aided) JR. H/S
2	TOUPOKPI GOVT. JR. H/S	Bishnupur	Multiseat Solution Computer Lab	4.60	Not furnished	Only Solar panel with battery and 3 tables was available. Solar power system was stated to have worked for only three days. Remainder of hardware was stated to be kept at the HM's residence.
3	ANDRO JR.H/S	Imphal East	Three Desktop Computers (PC)	3.01	18-02-11	The school has received the infrastructure but are **kept at the Cook's residence.**
4	Chadong Jr HS	Ukhrul	Three Desktop Computers (PC)	3.01	08-02-11	The HM stated that complete set of hardware except for **the solar power system which was replaced with generator** was received and kept at his residence. The school is not electrified.
5	GRIHANG SPM JR HS	Ukhrul	Multiseat Solution Computer Lab	4.60	Not furnished	The HM stated that only one PC, one UPS and one Printer was received and kept at his residence for security reasons. **Solar Power system and furniture were not received.** The school is not electrified.
			Sub - Total	**19.82**	**36%**	
	Computer Kept at School					
1	MADHUMATI H.S.	Bishnupur	Three Desktop Computers (PC)	3.01	13-04-11	The school has 3 PCs, 2UPS and three tables. **Solar power system has not been installed.** Only computer room is electrified.
2	Phubala Jr. H/S	Bishnupur	Three Desktop Computers (PC)	3.01	05-04-11	Except for chairs, complete set received. **Solar panel was not installed.** The school is electrified.
3	Bashikong Jr. HS	Imphal East	Three Desktop Computers (PC)	3.01	27-01-11	The school has the complete set of infrastructure. **Solar panel was not installed.** The school is electrified.
4	Jai Hind Jr. HS	Imphal East	Three Desktop Computers (PC)	3.01	08-02-11	Complete set except for chairs were received. The school is electrified.
5	Y Tampha Jr HS	Imphal East	Three Desktop Computers (PC)	3.01	15-01-11	The school has the complete set of infrastructure. The school is electrified.
6	NGAIMU JR HS	Ukhrul	Three Desktop Computers (PC)	3.01	08-02-11	The complete set was available except for the solar power supply system which was replaced by a **generator set of unknown power and value**. Since the school did not have electricity, it is not clear how running cost will be met.
7	Sorde Jr. H/S	Ukhrul	Three Desktop Computers (PC)	3.01	08-02-11	The HM reported that three PCs, UPS, printer, and furniture was received. However the facility could not be put to use as **solar power system was not provided** and the school is not electrified.
			Sub - Total	**21.07**	**39%**	
	Status not known					
1	Ngaikhong HS	Bishnupur	Multiseat Solution Computer Lab	4.60	Not furnished	The infrastructure available could not be verified as key to the room was stated to be with the Chowkidar who was not traceable.
2	HoomiJR HS	Ukhrul	Multiseat Solution Computer Lab	4.60	Not furnished	The school did not have any computer facility.
3	Ningthi Junior High School	Ukhrul	Multiseat Solution Computer Lab	4.60	Not furnished	The school did not furnish records inspite of being given more than one weeks' time to do so
			Sub - Total	**13.80**	**25%**	
			Grand Total	**54.69**		

Source: School Visit Report

Appendix - 1.7

(Reference: Paragraph 1.1.7.4.2)

Categories of trainings required to be conducted as per Intervention No 11 -para 1.9.10 of the Framework for Implementation – 2008

10 days in service training for all teachers each year at BRC level and above
10 monthly cluster level meetings & peer group training session for all teachers each year
30 days induction training of newly recruited teachers
60 days on the job in service/distance program for untrained teachers to acquire professional qualification through in-service/distance programmes
10 days training for BRC & CRC Co-ordinators and resource persons each year.

Appendix - 1.7A

(Reference: Paragraph 1.1.7.4.2)

Teachers Trained During Period Covered by Review

Sl No	Year	2006-07	2007-08	2008-09	2009-10	2010-11	Total
1	No of teachers as per DISE	13,878	14,321	13,436	13,032	17,307	
2	No of teachers trained	2,500	2,550	2,950	20,061	24,838	52,899
3	Percentage of teachers trained	18%	18%	22%	154%	144%	
4	Expenditure on training (₹ lakh)	35.00	17.85	64.52	125.38	291.8	534.55
5	**[3]Cost for training number of teachers recorded inDISE (₹ lakh)**				**81.45**	**203.32**	**284.77**
6	**[4]Excess expenditure (₹ lakh)**				**43.93**	**88.48**	**132.41**

Source: DISE and data furnished by the State Mission Authority

[3] {(Sl No 4)÷(Sl No 2)}×(Sl No 1)
[4] (Sl No 4) – (Sl No 5)

Appendix - 1.8

(Reference: Paragraph 1.1.7.5.2(ii))

Findings of joint inspection of Slides with officials of SSA

Sl. No.	Particulars	No of steps	Ladder AB	Height of slide GC	Height of hand rail GH	Slope CD+DE	Average width (CI+EF)÷2	Remark
1	As per specification	6		6ft		14ft	17in i.e., 1ft 5in	
2	Manabali Rongmei P/S	6	5ft 8.5in	4ft 11in	6ft 4in	8ft 2in	1ft 6.75in	**Ladde**r increased by **10in**, 2 new steps added & **slope** increased by **1ft**
3	Andro Sanapat P/S	6	6ft 2in	5ft 8.5in	7ft 2in	10ft 11.5in	1ft 6in	**Ladder** increased by **1ft 5in**, 2 new steps added & **slope** increased by **3ft**
4	Phunal Maring Jr HS	6	6ft 2.5in	5ft 10in	7ft 3.5in	10ft 11in	1ft 6.5in	**Ladder** increased by **1ft 3.5in**, 2 new steps added & **slope** increased by **3ft**

Appendix - 1.9

(Reference: Paragraph 1.1.7.5.2(vi))

Statement showing Huge stock balance

Sl. No.	Item	Intervention	Unit Cost	Qty received	Value of stock received	Qty issued	Balance Stock	Value of balance stock
1	School Uniform	Girls Edn, SC/ST, BPL Boys	399	2,10,000	8,37,90,000	1,59,543	50,457	2,01,32,343
2	Rain cost	SC/ST	421	5,374	22,64,236	1,211	4,163	17,54,003
3	School Shoes	SC/ST	397	5,374	21,30,860	1,725	3,649	14,46,875
4	Exercise Books	SC/ST, IED	21	1,76,911	36,26,676	78,311	98,600	20,21,300
5	School Bags	SC/ST, UD, Girls Edn, IED	208	71,148	1,47,98,784	59,288	11,860	24,66,880
	Total			**4,68,807**	**10,66,10,555**		**1,68,729**	**2,78,21,402**

Source: State Mission Authority Records

Appendix – 1.10

(Reference: Paragraphs 1.1.8.1, 1.1.8.5 & 1.1.8.9.1)

Statement showing implementation of Mid-Day-Meal at the school level

BISHNUPUR DISTRICT

Sl No	Name of School	Block	Date of visit	Enrolment			Attendance				Mid - Day Meal			
				Pry	U/Pry	Total	Pry	U/Pry	Total	% present	Kitchen shed	Place of serving	Food grain stock (kg)	Remark
1	BISHNUPUR CHINGNING(M) L.P.S	Bishnupur	01-9-11	53		53	38		38	72%	No. MDM Cooked at HM's house	School corridor	About 4 KG kept at HM's house	MDM was stated to have been served upto 27/08/11.On the date of visit there was only one student attended school. Attendance of 27/08/11 was taken to know the indicative attendance of the school. The HM explained that on account of ID, attendance on date of visit was low as most of the students are Muslim.
2	BISHNUPUR CHINGNING K.G. JR. H	Bishnupur	01-9-11		72	72		37	37	51%	No. MDM Cooked outside school premises	School corridor & Class room	Stock exhausted since about one week	MDM not served since about one week
3	BISHNUPUR KHA SANTIPUR (A) L.P	Bishnupur	01-9-11	41		41	16		16	39%	Not usable due to seepage of rain water	Class room	Around 100 kg kept at MH's house	Not served since 23/8/11
4	NACHOU MAMANG AIDED L.P.S	Bishnupur	01-9-11			0			0					The school was closed when the Review Team and officials of the Department reached the school at 12:30 hrs.
5	NINGTHOUKHONG SADAR PATEL H/S	Bishnupur	01-9-11	103	82	185	75	61	136	74%	Yes	School corridor	About 50 Kg	FG last lifted in June. MDM served on day of visit. MDM not served on Saturdays.
6	TOUPOKPI GOVT. JR. H/S	Bishnupur	01-9-11	92	14	106	34	0	34	32%	Yes	School corridor, class room	NIL	**Food grain lifted in July '11 finished and** MDM served till last working day of August
7	UPOKPI P/S	Bishnupur	01-9-11	22		22	11		11	50%	No. one class room used	Class room	NIL	Not served since 13/8/11
8	BALARAM KHUL P/S	Bishnupur	03-9-11	130		130	96		96	74%	No. Adjoining community hall used	Community Hall	NIL	MDM served till 2/8/11. students bring their own utensils
9	KHOIJUMAN (A) JR. H/S	Bishnupur	03-9-11		39	39		10	10	26%	No, at cook's house	Class room	Around 50kg	MDM served till 29/8/11. Not served on day of visit. Have 10 plates & no glasses. Records could not be produced as clerk was absent.
10	KHOIJUMAN JR. H/S	Bishnupur	03-9-11	98		98	36		36	37%	At new building	Class room	NIL	MDM last served on 20/8/11. 25 kg of food grain allotted per month
11	MADHUMATI H.S.	Bishnupur	03-9-11	101	58	159	62	18	80	50%	Yes. 7.5X10.5 ft	Class room	about 25 kg	MDM served till 29/8/11. Have 70 plates & 50 glasses

12	NAREE KALYAN VIDYALAYA HS	Bishnupur	03-9-11		35	35		21	21	60%	No. Old class room used	School corridor	50 KG at MH's residance	MDM last served on 20/8/11. MDM not served regularly due to regular flooding on school compound. As seen from the attendance of Class VI, there was not classes during July 1 to 13, July 20 to 27, August 12 to 17, 21, 22, 28 & 31
13	NGAIKHONG HIGH SCHOOL HS	Bishnupur	03-9-11	127	74	201	80	36	116	58%	Yes. 8x12 ft	School corridor & Class room	NIL	MDM served 20 days per month. Served till 26/8/11. Food grain last lifted in July.
14	KAKYAI AIDED P/S	Bishnupur	05-9-11	52		52	23		23	44%	Yes. 9.5x11.5 ft	Corridor	NIL	Served till 26/8/11
15	LEIMAPOKPAM MAYAI P/S	Bishnupur	05-9-11	79	0	79	40	0	40	51%	YES	Corridor	20	Served every Saturday, last served on 27/8/2011.At present 1(One) classroom for Class I & II is utilised as granary. Visit day being Holiday (?), no students/teachers were present. Data recorded as furnished by VEC member, chowkidar and cook.
16	MAIBAM LOKPACHING P/S	Bishnupur	03-9-11	26	0	26	15	0	15	58%	No. Two old rooms were utilised	Floor/Corridor	Nil	Last served on 27/08/2011
17	NAMOIKHUL AIDED L.P.S	Bishnupur	05-9-11	52	0	52	10	0	10	19%	Yes. 8x13 ft	Kitchen	NIL	Served for 20 days per month. Last served on 20/08/2011.Total no. of students present as informed by HM as at the time of visit the school was closed and school keys were not available.
18	NGAIKHONG KHUNOU AIDED JR. H/S	Bishnupur	03-9-11											**School was closed** when Review Party landed at the School at 13:46 Hrs
19	PHOIJING P/S	Bishnupur	03-9-11	49	0	49	0	0	0	0%	NO. 1 Classroom in use.	Kitchen Room	Stock kept at HM's residence. Could not be ascertained as he is absent.	Served for 5 days per week. Last served on 01/09/2011. Reason for Nil attendance as stated by the teachers - MDM was not served on day of visit.
20	Phubala Jr. H/S	Bishnupur	05-9-11	0	131	131		95	95	73%	YES	Classroom	About 120 Kg	Served for 10 days per month. Last served on 03/09/2011
21	SUNUSIPHAI P/S	Bishnupur	05-9-11	35	0	35	10	0	10	29%	YES(12.5x8 sq. ft.), bricks missing above door.	Corridor	About 25 kg. Kept at HM's residence	Served for 10 days per month. MDM served on day of visit.
22	WAROICHING P/S	Bishnupur	05-9-11			0			0		NO			Teachers and students were not present at the time of visit at 12:30 Hrs.

IMPHAL EAST DISTRICT

Sl. No.	Name of School	Block	Dt of visit	Enrolment			Attendance				Mid - Day Meal			
				Pry	U/Pry	Total	Pry	U/Pry	Total	% present	Kitchen shed	Place of serving	Food grain stock (kg)	Remark
1	Challou P/S	Sawombung	18-8-11			0			0					**School closed** when Review Team reached school at 12:30 PM
2	Chanam Sandrok P/S	Irilbung	19-8-11	52	0	52	38	0	38	73%	Yes, but not good	Classroom	15	
3	Abushidik Jr. HS	Sawombung	17-8-11			0			0					**School closed** when Review Team reached school at 2 PM
4	ANDRO JR.H/S	Irilbung	19-8-11	160	114	274	104	62	166	61%	Dismantled for construction of building under RMSA	Cook's home	0	Served upto 31/7/11 due to non-availability.
5	Andro Mahengdong PS	Irilbung	19-8-11	81	0	81	12	0	12	15%	No, Classroom in use	Corridor	0	Served upto 6/8/11 due to non-availability.
6	Bashikong Jr. HS	Irilbung	20-8-11	102	64	166	45	18	63	38%	Yes	Kitchen		Claimed to be served daily but was not served on day of inspection
7	BRAHMAPUR GIRLS J.H.S	Irilbung	20-8-11	0	60	60	0	23	23	38%	Yes, Staffroom	Classroom	50	Claimed to be served daily but was not served on day of inspection. Staff room, Kitchen and Foodgrain storage in the same room.
8	HARAOROU COSMOPOLITAN P/S	Sawombung	18-8-11	184	0	184	130	0	130	71%	Yes but not in working condition	Corridor	0	Will not be served for a month due to shortage
9	ITAM NUNGOI P/S	Sawombung	18-8-11	69	0	69	15	0	15	22%	Yes, not in good condition	Classroom	0	Served upto 12/8/11 due to shortage.
10	Jai Hind Jr. HS	Irilbung	17-8-11	266	87	353	92	41	133	38%	Yes	Yes	50	Good
11	KANGLA UKOK P/S	Irilbung	19-8-11	20	0	20	12	0	12	60%	No, Cooked food brought by cook	Classroom		**School was** closed due to Friday being holiday. ***Data on MDM and SSA benefits as reported by H/M on 20/8/11 at IE-ZEO-II office.***
12	KANTHA NEW P/S	Sawombung	17-8-11	23	0	23	4	0	4	17%	No, Cooked food brought by cook	Corridor	22	
13	KEIBI KHULLEN P/S	Sawombung	18-8-11	99	0	99	16	0	16	16%	Yes	Corridor		Served upto 6/8/11.
14	LAMLAI H/S	Sawombung	20-8-11	0	302	302	0	230	230	76%	Yes, incomplete	Corridor		Served twice in a week.
15	LAMLAI P.S	Sawombung	18-8-11	98	0	98	63	0	63	64%	Yes but not in good condition	Corridor	0	Served upto 12/8/11 due to shortage.
16	P. AGNI GIRLS JR. H/S	Sawombung	17-8-11	56	73	129	10	20	30	23%	One class room utilised	Corridor	80	Cooked food served on day of visit
17	SAGOLMANG P. S	Sawombung	18-8-11	295	0	295	150	0	150	51%	Yes	Corridor	0	Served upto 31/7/11 due to shortage.
18	THARO P/S	Sawombung	17-8-11	35	0	35	7	0	7	20%	Yes, 1 classroom also utilised	School Building	0	Food grain exhausted on date of visit
19	THIYAM KONJIL AWANG LEIKAI P.S	Irilbung	19-8-11	101	0	101	37	0	37	37%	No, hut nearby hired.	Kitchen	10	
20	TOP DUSARA H/S	Irilbung	18-8-11	0	62	62	0	43	43	69%	No, Cooked food brought by cook	Corridor	0	Served upto 8/8/11 with June's allocation due to shortage.

21	Y. Tampha Jr. H/S	Sawombung	20-8-11	160	67	227	90	30	120	53%	Yes, but not good	Corridor	10	

UKHRUL DISTRICT

Sl No	Name of School	Block	Dt of visit	Enrolment			Attendance				Mid - Day Meal			
				Pry	U/Pry	Total	Pry	U/Pry	Total	% present	Kitchen shed	Place of serving	Food grain stock (kg)	Remark
1	SOMDAL NK HS	Ukhrul	19-9-11	48	73	121	41	60	101	83%	Yes - kaccha	Corridor		
2	VEIKHANG JR. H/S	Ukhrul	22-9-11	0	54	54	0	48	48	89%	NO	Corridor	30 KGs	Served 7-8 days per month. FG is sold off at Ukhrul and rebought at Village due to high transportation charges.
3	New Cannan UJB	Ukhrul	22-9-11	61	0	61	28	0	28	46%	YES	Corridor	NIL	Served 3-4 a Year. FG is sold off at Ukhrul and rebought at Village due to high transportation charges. Last served on 05/09/2011.
4	Langdang Phungthar P/S	Ukhrul	23-9-11	52	0	52	9	0	9	17%	YES	Corridor	100 KGs	Served 12 times in a month.
5	Greenland S.V	Ukhrul	22-9-11	71	0	71	8		0	11%	YES	Classroom	10 KGs	Kitchen Shed was used as Anganwadi Center.
6	Hatha S.V	Ukhrul	24-9-11	10	0	10			0	0%				No teachers was present on the day of visit at around 12:00 AM.
7	HoomiJR HS	Ukhrul	20-9-11	21	0	21	0	0	0	0%	YES	Community Hall	NIL	Food grain not lifted since Oct 2010 till date due to transportation problems and ill health in the HM's family. Conversion cost received regularly. Did not have cook since 2010. During 2011, tea and snacks served instead of meal.
8	Luiyainaotang S.V	Ukhrul	22-9-11			0			0					The Review reached the School at 9:00 AM. The school roof was gone and doors broken with weeds inside the school building which was crumbling. There was nobody at site and neighbours said that the School had not been run since a storm blew off the roof.
9	Ngaimu JR HS	Ukhrul	19-9-11	127	62	189	23	22	45	24%	YES	Corridor	300 kg	Children bring their own plates.
10	VPH P/S	Ukhrul	22-9-11	86	0	86	46	0	46	53%	YES	Classroom	165 KGs	Served MDM 10 days per month. Children bring their own plates.
11	PHALANG PS	Phungyar	22-9-11	21	0	21	21	0	21	100%	NO	Corridor	100 KGs	Served MDM 15 days per month. Classroom used as Kitchen Shed. Information based on HM's description.
12	LEINGANGCHING PS	Phungyar	22-9-11	87	0	87	63	0	63	72%	NO	Corridor	50 KGs	Served MDM 2 days per month. Last served on 15/09/2011. FG distributed to poor and needy children @ 2 Kgs/child.

13	Chadong Jr HS	Phungyar	23-9-11	182	84	266	145	67	212	80%	YES	Playground	80 KGs	Served MDM 2times a Year. Last served in 28/06/2011. MDM FG is used to pay salaries of7 non-regular Teachers.
14	Lamlai (Ramrei) P/S	Phungyar	21-9-11	70	0	70	45		45	64%	YES	Corridor	250 KG	MDM Served for 5 days in a month. Other days tea and poori served. The school has engaged one teacher whose salary is partly met from the school grant and partly by givingfood grain out of the allocation for MDM.
15	Sorde Jr. H/S	Phungyar	23-9-11	46	35	81	38	28	66	81%	YES	Corridor	NIL	MDM Served for 18 days per month.
16	GRIHANG SPM JR HS	Kamjong	23-9-11	106	59	165	91	50	141	85%	YES	School Compound.	NIL	Kitchen Shed built by School, in poor condition. MDM served for 18 days per month.
17	PHANGE AIDED PS	Kamjong	**Not reported**			0			0					
18	Ningthi Junior High School	Kamjong	**Not reported**			0			0					
19	Kamjong H/S	Kamjong	24-9-11	0	110	110	0	92	92	84%	YES	Classroom	50 KGs	Kitchen Shed built by School, in poor condition. MDM served for 16 days per month.
20	Lakhan P/S	Kamjong	22-9-11	54	0	54	35	0	35	65%	YES	Corridor	NIL	Served MDM 7 days per month. Last served in July, 2011.
21	Pihang P/S	Kamjong	22-9-11	45	0	45	42	0	42	93%	NO	Corridor	NIL	Served MDM 15 days per month. Last served in 13/09/2011.
22	Sampui S.V	Kamjong	22-9-11	50	0	50	30	0	30	60%	YES	Corridor	NIL	Served MDM 10 days per month. Last served in 28/06/2011.
23	Ukhrul Hr. Sec. School	Ukhrul	23-9-11	121	211	332	110	194	304	92%	NO	Classroom	1300 KGs	Served MDM 19 days per month. Last served in 16/09/2011.

Appendix – 1.10(A)

(Reference: Paragraph 1.1.8.1)

Gross irregularities in serving Mid-Day-Meal as stated by Headmasters of Ukhrul District

Sl No	Name of School	Head Master's Remark on serving of mid – day meal
1	Veikhang JR. H/S, Ukhrul	Served 7-8 days per month. Foodgrains is sold off at Ukhrul and re-bought at Village due to high transportation charges.
2	New Cannan UJB, Ukhrul	Served 3-4 times a Year. Foodgrains is sold off at Ukhrul and re-bought at Village due to high transportation charges.
3	HoomiJR HS, Ukhrul	Foodgrains not lifted since Oct 2010 due to transportation problems and ill health in the Head Master's family. Conversion cost received regularly. Does not have cook[1] since 2010. During 2011, tea and snacks served instead of meal.
4	Leingangching PS, Phungyar	Served mid – day meal2 days per month. FG distributed to poor and needy children @ 2 Kgs/child.
5	Chadong Jr HS, Phungyar	Served mid – day meal2 times a Year. mid – day meal FG is used to pay salaries of 7 non-regular Teachers.
6	Lamlai (Ramrei) P/S, Phungyar	Mid – day meal Served for 5 days in a month. Other days tea and poori served. The school has engaged one teacher whose salary is partly met from the school grant and partly by giving foodgrains out of the allocation for mid – day meal .

Source: Statements of Headmasters recoded in the presence of department officials.

Appendix – 1.11

(Reference: Paragraphs 1.1.8.3 & 1.1.8.4)

Statement showing excess projection and lifting of foodgrains

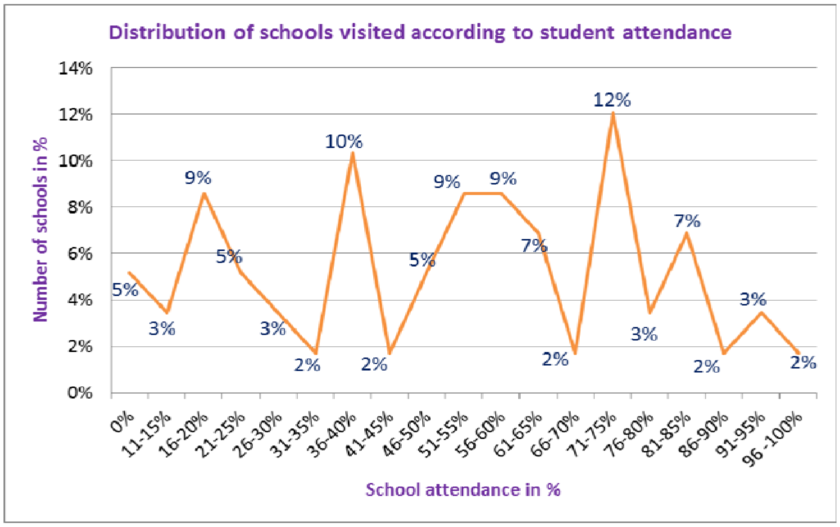
Sl. No.	District	Total Qty Lifted for 1st to 4thQtr (MT)	Qty Lifted for Buffer stock	Grand Total Lifted	Enrol-ment Primary	Enrol-ment U/ Primary	Average instruct-tional days for all schools	Require-ment of FG (MT) as per norms	Short(-)/ Excess (+) lifted
1	Bishnupur	437.91	97.50	535.41	13,608	4,733	171	354.10	181.31
2	Chandel	387.09	79.37	466.46	14,561	1,409	196	326.82	139.64
3	Churachandpur	474.01	81.20	555.21	21,634	5,742	201	607.96	-52.76
4	Imphal East	801.90	171.25	973.15	25,709	7,074	182	661.02	312.12
5	Imphal West	572.12	143.52	715.64	16,249	5,896	167	419.05	296.59
6	Senapati	859.30	159.41	1,018.71	35,764	3,809	207	858.58	160.12
7	Tamenglong	1,743.35	589.30	2,332.65	21,147	2,120	181	440.32	1,892.33
8	Thoubal	539.91	114.91	654.82	19,599	6,808	193	575.35	79.47
9	Ukhrul	536.18	102.02	638.20	21,595	4,344	195	548.16	90.03
	Total	6,351.76	1,538.48	7,890.24	1,89,866	41,935		4,791.36	3,098.88
	As % of actual requirement	133%		165%	Buffer stock @ 1 month's requirement				399.28
						Excess over norms			2,699.60
				Valuation of excess @ ₹ 5650/MT					1,52,52,740

[1] Cook is to be arranged locally and honorarium paid at prescribed rates to be sanctioned /released as part of cooking cost.

Appendix – 1.12

(Reference: Paragraph 1.1.8.3)

Chart showing attendance in schools visited in Imphal East, Bishnupur and Ukhrul Districts.



Appendix – 1.13

(Reference: Paragraph 1.1.8.5)

TABLE – A: Quantity of foodgrains for which transportation cost claimed

Year	2006-07	2007-08	2008 - 09	2009 - 10	Total
Quantity (MT)	5,368.940	4,094.520	2,390.237	4,854.060	16,707.757

Appendix – 1.13

(Reference: Paragraph 1.1.8.5)

TABLE – B: Statement showing details of payment made to transporters of foodgrains

2006-07 & 2007-08			**2008 - 09**			**2009 - 10**			**Total Amount (₹)**
Cheque No	**Date**	**Amount (₹)**	**Cheque No**	**Date**	**Amount (₹)**	**Cheque No**	**Date**	**Amount (₹)**	
934385	11-12-09	2,78,976	930530	18-06-10	9,00,000	917368 to 75 & 943601	17-12-09	38,57,459	50,36,435
934386	11-12-09	37,16,012	930531	18-06-10	9,00,000	930966	14-09-10	5,19,975	51,35,987
934387	11-12-09	14,02,425	930532	18-06-10	5,91,527	931212	15-09-10	1,96,150	21,90,102
934388	11-12-09	2,48,845	930533	18-06-10	5,96,272	931213	15-09-10	4,33,539	12,78,656
934389	11-12-09	8,98,745				931214	15-09-10	4,33,872	13,32,617
934390	11-12-09	13,96,139				931215	15-09-10	1,78,335	15,74,474
934391	11-12-09	9,66,358				931216	15-09-10	1,02,904	10,69,262
934392	11-12-09	9,07,523				930984	06-10-10	1,06,438	10,13,961
						930985	06-10-10	1,76,069	1,76,069
						930986	06-10-10	1,63,336	1,63,336
						930100	05-01-11	1,64,587	1,64,587
	Total	**98,15,023**		**Total**	**29,87,799**		**Total**	**63,32,664**	**1,91,35,486**

Appendix – 1.13

(Reference: Paragraph 1.1.8.5)

TABLE C: Statement showing admissible cost for transportation of MDM foodgrains

SL No.	District	Quantity (MT) of foodgrains lifted from FCI					Distance (Km) between FCI FSD and District HQ	PDS transportation rate (₹/Qtl/Km)	Admissible Transportation cost at State PDS rate (₹)	Admissible Transportation cost at FCI contract rate of ₹6.82/Km/MT
		2006-07	2007-08	2008-09	2009-10	Total				
1	Imphal West	502.736	366.251	220.114	474.206	1,563.307	8	0.37	46,274	85,294
2	Imphal East	615.770	580.010	346.413	743.682	2,285.875	8	0.37	67,662	1,24,717
3	Thoubal	842.130	510.154	313.993	551.263	2,217.540	27	0.37	2,21,532	4,08,338
4	Bishnupur	543.620	374.232	185.767	396.601	1,500.220	30	0.37	1,66,524	3,06,945
5	Ukhrul	422.938	422.940	477.017	502.620	1,825.515	7	0.40	51,114	87,150
6	Senapati	1,109.426	704.628	407.971	822.969	3,044.994	61	0.40	7,42,979	12,66,778
7	Churachandpur	483.110	387.842	195.513	532.985	1,599.450	66	0.40	4,22,255	7,19,945
8	Chandel	318.390	353.195	124.814	346.372	1,142.771	87	0.40	3,97,684	6,78,052
9	Tamenglong	539.823	395.268	201.177	483.390	1,619.658	145	0.40	9,39,402	16,01,680
	Total	**5,377.943**	**4,094.520**	**2,472.779**	**4,854.088**	**16,799.330**	**Total Admissible**		**30,55,426**	**52,78,899**
							Amount Paid		**1,91,35,486**	**1,91,35,486**
							Excess		**1,60,80,060**	**1,38,56,587**

Appendix - 1.14

(Reference: Paragraph 1.1.8.7)

TABLE – A: Statement showing lifting of foodgrains by valley districts for September to December 2009

Lifting for Primary

SL No	District	For SEPTEMBER		For OCTOBER		For NOVEMBER		For DECEMBER		Total Qty (MT)
		Dt of Lifting	Qty (MT)	Dt of Lifting	Qty (MT)	Dt of Lifting	Qty (MT)	Dt of Lifting	Qty (MT)	
1	Imphal West	24-09-09	33.112	23-12-09	31.221	23-12-09	31.221	23-12-09	31.221	126.775
2	Imphal East	22-09-09	57.778	21-12-09	57.778	10-12-09	57.778	10-12-09	57.778	231.112
3	Thoubal	25-09-09	36.623	27-11-09	36.626	27-11-09	36.626	27-11-09	36.626	146.501
4	Bishnupur	25-09-09	28.644	14-12-09	28.644	14-12-09	28.644	14-12-09	28.644	114.576
		Total	156.157		154.269		154.269		154.269	618.964

Lifting for- Upper Primary

SL No	District	For SEPTEMBER		For OCTOBER		For NOVEMBER		For DECEMBER		Total Qty (MT)
		Dt of Lifting	Qty (MT)	Dt of Lifting	Qty (MT)	Dt of Lifting	Qty (MT)	Dt of Lifting	Qty (MT)	
1	Imphal West	24-09-09	18.156	23-12-09	18.058	23-12-09	18.058	23-12-09	18.058	72.330
2	Imphal East	22-09-09	22.620	22-12-09	22.620	10-12-09	22.620	10-12-09	22.620	90.480
3	Thoubal	25-09-09	18.900	27-11-09	18.903	27-11-09	18.903	27-11-09	18.903	75.609
4	Bishnupur	25-09-09	14.232	14-12-09	14.232	14-12-09	14.232	14-12-09	14.232	56.928
		Total	73.908		73.813		73.813		73.813	295.347
GRAND TOTAL (PRY & U/PRY)			**230.065**		**228.082**		**228.082**		**228.082**	**914.311**

Appendix - 1.14

(Reference: Paragraph 1.1.8.7)

TABLE – B: Statement showing cooking cost released to valley districts for September to December 2009

Zone	Sanction Order No. 8/9/1/07/DE(S) Dated	Primary/ U/Primary	For Period/ Months	No. of Days	No. of Schools covered	No. of Students covered	Amounts in ₹			
							Cooks Honorarium	Fuel Cost	Conversion Cost	Total
Imphal West	14-10-09	Primary	Sep	20	182	10,114	2,62,080	1,74,720	3,82,309	8,19,109
Wangoi	14-10-09	Primary	Sep	20	146	6,442	2,10,240	1,40,160	2,43,508	5,93,908
ImphalEast	14-10-09	Primary	Sep	20	320	22,522	4,60,800	3,07,200	8,51,332	16,19,332
Jiribam	14-10-09	Primary	Sep	20	75	6,367	1,08,000	72,000	2,40,673	4,20,673
Thoubal	14-10-09	Primary	Sep	20	234	12,704	3,36,960	2,24,640	4,80,211	10,41,811
Kakching	14-10-09	Primary	Sep	20	109	5,609	1,56,960	1,04,640	2,12,020	4,73,620
Bishnupur	14-10-09	Primary	Sep	20	133	8,150	1,91,520	1,27,680	3,08,070	6,27,270
Moirang	14-10-09	Primary	Sep	20	106	6,172	1,52,640	1,01,760	2,33,302	4,87,702
ImphalWest	01-06-10	Primary	Oct-Dec	60	182	10,114	6,14,250	4,09,500	8,60,196	18,83,946
Wangoi	01-06-10	Primary	Oct-Dec	60	146	6,442	4,92,750	3,28,500	5,47,892	13,69,142
ImphalEast	01-06-10	Primary	Oct-Dec	60	320	22,522	10,80,000	7,20,000	19,15,496	37,15,496
Jiribam	01-06-10	Primary	Oct-Dec	60	75	6,367	2,53,125	1,68,750	5,41,513	9,63,388
Thoubal	01-06-10	Primary	Oct-Dec	60	234	12,704	10,53,000	7,02,000	14,40,634	31,95,634
Kakching	14-10-09	Primary	Oct-Dec	60	109	5,609	3,67,875	2,45,250	4,77,045	10,90,170
Bishnupur	01-06-10	Primary	Oct-Dec	60	133	8,150	4,48,875	2,99,250	6,93,158	14,41,283
Moirang	01-06-10	Primary	Oct-Dec	60	106	6,172	3,57,750	2,38,500	5,24,929	11,21,179
		SUB-TOTAL		**80**	**1,305**	**78,080**	**65,46,825**	**43,64,550**	**99,52,286**	**2,08,63,661**
ImphalWest	14-10-09	U/Primary	Sep	20	41	4,274	59,040	39,360	2,06,434	3,04,834
Wangoi	14-10-09	U/Primary	Sep	20	14	1,778	20,160	13,440	85,877	1,19,477
ImphalEast	14-10-09	U/Primary	Sep	20	45	6,382	64,800	43,200	3,08,251	4,16,251
Jiribam	14-10-09	U/Primary	Sep	20	5	1,158	7,200	4,800	55,931	67,931
Thoubal	14-10-09	U/Primary	Sep	20	23	4,060	31,680	21,120	1,96,098	2,48,898
Kakching	14-10-09	U/Primary	Sep	20	12	2,241	17,280	11,520	1,08,240	1,37,040
Bishnupur	14-10-09	U/Primary	Sep	20	7	2,661	10,080	6,720	1,28,526	1,45,326
Moirang	14-10-09	U/Primary	Sep	20	6	2,083	8,640	5,760	1,00,609	1,15,009
ImphalWest	01-06-10	U/Primary	Oct-Dec	60	41	4,274	1,38,375	92,250	4,64,477	6,95,102
Wangoi	01-06-10	U/Primary	Oct-Dec	60	14	1,778	47,250	31,500	1,93,224	2,71,974
ImphalEast	01-06-10	U/Primary	Oct-Dec	60	45	6,382	1,51,875	1,01,250	6,93,564	9,46,689
Jiribam	01-06-10	U/Primary	Oct-Dec	60	5	1,158	16,875	11,250	1,25,846	1,53,971
Thoubal	01-06-10	U/Primary	Oct-Dec	60	23	4,060	1,03,500	69,000	5,88,294	7,60,794
Kakching	14-10-09	U/Primary	Oct-Dec	60	12	2,241	40,500	27,000	2,43,541	3,11,041
Bishnupur	01-06-10	U/Primary	Oct-Dec	60	7	2,661	23,625	15,750	2,89,184	3,28,559
Moirang	01-06-10	U/Primary	Oct-Dec	60	6	2,083	20,250	13,500	2,26,370	2,60,120
		SUB-TOTAL		**80**	**153**	**24,637**	**7,61,130**	**5,07,420**	**40,14,467**	**52,83,017**
		GRAND TOTAL			**1,458**	**1,02,717**	**73,07,955**	**48,71,970**	**1,39,66,753**	**2,61,46,678**

Appendix - 1.14

(Reference: Paragraph 11.8.7)

TABLE – C: Attendance of schools visited in the Valley Districts

Sl No	District	No of schools	Enrolment	Attendance	% attendance
1	Bishnupur	22	1,565	824	53%
2	Imphal East	21	2,630	1,292	49%
	Total/Average	**43**	**4,195**	**2,116**	**50%**

Appendix – 2.1

(Reference: Paragraph 2.5)

Statement showing calculation of interest for the advance paid as on 30 November 2010 @ 12 *per cent* per annum

(Amount in Rupees)

Advance paid (Date of payment)	Amount recovered (Date of recovery)	Cumulative advance	Number of days (Dates)	Interest
(1)	(2)	(3) (1 - 2)	(4)	(5)
1,60,00,000 (18.3.08)	-	1,60,00,000	76 (18.3.08 to 1.6.08)	3,99,781
64,60,350 (2.6.08)	-	2,24,60,350	299 (2.6.08 to 27.3.09)	22,07,883
-	90,10,670 * (28.3.09)	1,34,49,680	181 (28.3.09 to 24.9.09)	8,00,348
-	25,93,880 (25.9.09)	10,85,580	185 (25.9.08 to 28.3.10)	66,0271
-	6,03,857 (29.3.10)	1,02,51,943	247 (29.3.10 to 30.11.10)	8,32,514
Total				**49,00,797**

* Recovery was made in five instalments

Appendix 3.1

(Reference: Paragraph 3.1.9.4.1)

Statement showing utilisation of excess mandays

Year	Structure	Area in hectare	Mandays utilised per Hectare	Excess mandays utilised	Labour rate (in ₹)	Excess expenditure (in ₹)
2007-08	Contour bund	354	69	8	72.4	205036.8
		119	105	44	47.65	249495.4
2008-09	Contour bund	149	69	8	72.4	86300.8
		36	105	44	47.65	75477.6
2009-10	Contour b und	21	69	8	72.4	12163.2
2007-08	Contour Trenches	287	69	8	72.4	166230.4
2007-08	Contour Trenches	379	105	44	47.65	794611.4
2008-09	Contour Trenches	95	69	8	72.4	55024
2008-09	Contour Trenches	195	105	44	47.65	408837
2009-10	Contour Trenches	46	69	8	72.4	26643.2
2007-08	Contour Terrace	68	138	15	72.4	73848
2007-08	Contour Terrace	2	210	87	47.65	8291.1
2008-09	Contour Terrace	28	138	15	72.4	30408
2009-10	Contour Terrace	20	138	87	72.4	125976
Total						**2318342.9**

Appendix 3.2

(Reference: Paragraph 3.1.9.5.3)

Extra expenditure on construction of water harvesting structures

(in ₹)

Sub heads	Qty. executed	Quantum of Labour required for execution of the work	Cost of construction @ 81.40 per labour per day
1	**2**	**4**	**5**
Earth work in			
(a) Loose/soft soil	15502.31 cum	15502.31x7/30=3617	294424
(b) Hard/dense soil	29586.406 cum	29586.406x9/30=8876	722506
(c) Hard shale	21904.024 cum	21904.024x14.5/30=10587	861782
(d) Additional lift	28973.205 cum	28973.205x1.320/30=1275	103785
Clearing jungle	6775 sqm	6775x0.7/100=48	3607
		Total	**1986357**
		Total expenditure	**3618309**
		Excess expenditure	**1631952**

Appendix 3.3

(Reference: Paragraph 3.1.9.6.4(a))

Statement showing excess payment to the firm

(in ₹)

Sl	Quantity	Rate with Excise Duty and Sales tax	Rate without Excise Duty and Sales tax	Difference	Excess payment
1	**2**	**3**	**4**	**5=(3-4)**	**6=2x5**
1	123500 sqm	36.00	29.90	6.10	753350
2	60000 sqm	49.00	41.28	7.72	463200
3	40320 sqm	52.50	44.61	7.89	318125
4	53333 sqm	52.50	46.85	5.65	301331
5	55000 sqm	52.50	46.85	5.65	310750
	Total				**2146756**

Appendix – 5.1

(Reference : Paragraph 5.1.4)

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2011 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6 (c) are Rupees in lakh)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
FINANCE													
1.	Manipur Industrial Development. Corpn. Ltd.	Commerce & Industries	6/1969	803.00	421.00	-	1224.00	-	-	375.05	375.05	0.31:1 (0.75:1)	36
2.	Manipur Film Development. Corpn. Ltd.	Arts & Culture	5/1987	6.00	-	-	6.00	21.39	-	-	21.39	3.57:1	19
3.	Manipur Tribal Development. Corpn Ltd.	Tribal Area Backward Classes Development.	6/1979	77.50	-	-	77.50	10.00	-	-	10.00	0.13:1 (0.13:1)	155
Sector wise total				886.50	421.00		1307.50	31.39	-	375.05	406.44	0.31:1 (0.71:1)	210
INFRASTRUCTURE													
4.	Manipur Police Housing Corpn. Ltd.	Home	4/1986	2.00	-	-	2.00	-	-	-	-	-	-
Sector wise total				2.00	-	-	2.00	-	-	-	-	-	
MANUFACTURING													
5.	Manipur Food Industries Corpn. Ltd.	Commerce & Industries	4/1987	97.66	-	-	97.66	-	-	1574.16	1574.16	16.12:1 (12.48:1)	5
6.	Manipur Electronics Development. Corpn. Ltd	-do-	4/1987	376.35	-	-	376.35	-	-	-	-	-	47
Sector wise total				474.01	-	-	474.01	-	-	1574.16	1574.16	3.32:1 (2.57:1)	52
POWER													
7.	Manipur State Power Dev. Corpn. Ltd.	Power	3/1997	-	-	-	-	-	-	-	-	-	-
Sector wise total				-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS													
8.	Manipur Handloom & Handicrafts Development. Corpn. Ltd.	Commerce & Industries	10/1976	1033.75	117.00	-	1150.75	87.12	118.38	-	205.50	0.18:1 (0.19:1)	28
Sector wise total				1033.75	117.00	-	1150.75	87.12	118.38	-	205.50	0.18:1 (0.19:1)	28
Total A (All sector wise working Government companies)				2396.26	538.00		2934.26	118.51	118.38	1949.21	2186.10	0.75:1 (0.81:1)	290
B. Non working Government companies													

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
AGRICULTURE & ALLIED													
1.	Manipur Agro Industries Corpn. Ltd.	Agriculture	3/1981	354.78	-	-	354.78	-	-	-	-	-	-
2.	Manipur Plantation Crops Corpn. Ltd.	Agriculture	3/1981	1161.79	-	-	1161.79	-	-	252.57	252.57	0.22:1 (0.20:1)	2
Sector wise total				1516.57	-	-	1516.57	-	-	252.57	252.57	0.17:1 (0.16:1)	2
Misc.													
3.	Manipur Pulp & Allied Products	Commerce & Industries	10/1988	154.20	-	-	154.20	-	-	199.94	199.94	1.30:1	1
Sector wise total				**154.20**			**154.20**	**-**	**-**	**199.94**	**199.94**	**1.30:1**	**1**
MANUFACTURING													
4.	Manipur Cement Ltd.	Commerce & Industries	5/1988	291.34	-	-	291.34	-	-	-	-	-	-
5.	Manipur Cycle Corpn. Ltd.	-do-	6/1985	64.22	-	-	64.22	-	-	-	-	-	-
6.	Manipur Spinning Mills Corpn. Ltd.	-do-	3/1974	3081.41	-	-	3081.41	-	-	467.78	467.78	0.15:1 (0.15:1)	4
Sector wise total				**3436.97**			**3436.97**			**467.78**	**467.78**	**0.14:1 (0.14:1)**	**4.**
Total B (All sector wide non-working Government Companies)				**5107.74**			**5107.74**			**920.29**	**920.29**	**0.18:1 (0.14:1)**	**4**
Grand Total (A + B)				***7504.00***	***538.00***		***8042.00***	***118.51***	***118.38***	***2869.50***	***3106.39***	***0.39:1 (0.38:1)***	

* In the absence of finalised accounts, the figures are provisional.

** Loans outstanding at the close of 2010-11 represent long-term loans only.

Appendix – 5.2

(Reference: Paragraph 5.1.9)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in lakh)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCE														
1.	Manipur Industrial Development. Corpn. Ltd.	1990-91	2008-09	(+) 189.98	88.24	1.80	(+) 99.94	268.39	-	1006.48	(+) 182.25	2030.42	188.18	9.27
2.	Manipur Film Development. Corpn. Ltd.	1992-93	2009-10	(+) 3.69	-	4.46	(-) 0.77	5.08		6.00	(-) 6.66	46.27	(-) 0.77	
3.	Manipur Tribal Development. Corpn. Ltd.	1982-83	2004-05	(-) 0.96	-	1.37	(-) 2.33	5.19		1.00	(+) 3.53	14.32	(-) 2.33	
Sector wise total				**(+) 192.71**	**88.24**	**7.63**	**(+) 96.84**	**278.66**		**1013.48**	**(+) 179.12**	**2091.01**	**(+) 185.08**	**8.85**
INFRASTRUCTURE														
4..	Manipur Police Housing Corpn. Ltd.	1996-97	2010-11	(+) 6.15	-	2.69	(+) 3.46	71.09	-	2.00	(+) 29.90	31.90	3.46	10.85
Sector wise total				**(+) 6.15**		**2.69**	**(+) 3.46**	**71.09**	**-**	**2.00**	**(+) 29.90**	**31.90**	**3.46**	**10.85**
MANUFACTURING														
5.	Manipur Food Industries Corpn. Ltd.	1999-00	2010-11	-	-	-	-	-	-	78.39	-	35.74	-	-
6.	Manipur Electronics Development. Corpn. Ltd.	1997-98	2011-12	(-) 46.14		4..24	(-) 50.38	213.03	-	269.28	(-) 7.64	284.65	(-) 50.38	
Sector wise total				(-) 46.14	-	4.24	(-) 50.38	213.03	-	347.67	(-) 7.64	320.39	(-) 50.38	
POWER														
7.	Manipur State Power Dev. Corpn. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total														
MISCELLANEOUS														
8..	Manipur Handloom & Handicrafts Development. Corpn. Ltd.	1987-88	2007-08	(-) 38.64	2.47	10.68	(-) 51.79	8.70		120.00	(-) 221.44	68.12	(-) 49.32	-
Sector wise total				**(-) 38.64**	**2.47**	**10.68**	**(-) 51.79**	**8.70**		**120.00**	**(-) 221.44**	**68.12**	**(-) 49.32**	**-**
Total A (All sector wise working Government				**114.08**	**90.71**	**25.24**	**(-) 1.87**	**571.48**		**1483.15**	**(-) 20.06**	**2511.42**	**88.84**	**3.54**

companies)														
B. Non working Government companies														
AGRICULTURE & ALLIED														
1.	Manipur Agro Industries Corpn. Ltd.	1988-89	2005-06	(-) 2.82		0.79	(-) 3.61	19.02		32.25	(-) 45.45	(-) 18.07	(-) 3.61	
2.	Manipur Plantation Crops Corpn. Ltd.	1983-84	2000-01	-	-	-	-	-		51.15	-	60.00	-	-
Sector wise total				**(-) 2.82**	**-**	**0.79**	**(-) 3.61**	**19.02**		**83.40**	**(-) 45.45**	**41.93**	**(-) 3.61**	**-**
Misc.														
3.	Manipur Pulp & Allied Products Ltd.	1994-95	2007-08	(+) 2.20	14.29	10.41	(-) 22.50	95.11		89.31	(-) 195.46	71.02	(-) 8.21	
Sector wise total				(+) 2.20	14.29	10.41	(-) 22.50	95.11		89.31	(-) 195.46	71.02	(-) 8.21	-
MANUFACTURING														
4.	Manipur Cements Ltd.	1993-94	2009-10	(-) 23.17		22.66	(-) 45.83	38.55		49.79	(-) 234.17	168.06	(-) 45.83	
5.	Manipur Cycle Corpn. Ltd.	1996-97	2008-09	(-) 6.34		1.18	(-) 7.52	2.30		59.26	(-) 69.56	(-) 0.32	(-) 7.52	
6	Manipur Spinning Mill Corpn. Ltd.	1986-87	2010-11	(-) 33.35	8.87	63.82	(-)106.04	117.77		412.20	(-) 129.25	520.22	(-) 97.17	
Sector wise total				**(-) 62.86**	**8.87**	**87.66**	**(-)159.39**	**158.62**		**521.25**	**(-)432.98**	**687.96**	**(-)150.52**	**-**
Total B (All sector wise non working Government companies)				**(-)63.48**	**23.16**	**98.86**	**(-)185.50**	**272.75**		**693.96**	**(-)673.89**	**800.91**	**(-)162.34**	
Grand Total (A + B)				**(+) 50.60**	**113.87**	**124.10**	**(-)187.37**	**844.23**		**2177.11**	**(-)693.95**	**3312.33**	**(-) 73.50**	

[#] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.
[@] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).
[$] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Appendix-5.3

(Reference : Paragraph 5.1.17)

Statement showing Investment made by State Government in PSUs whose accounts are in arrears

A. Working companies

(Rupees in lakh)

Name of PSU	Year upto which accounts finalised	Paid up Capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				Year in which Investment have been received
			Equity	Loans	Grants	Others to be specified	
Working Companies							
1. Manipur Industrial Development. Corporation Ltd.	1990-91	1006.48	217.52	-	-	-	1991-92 to 2004-05
2. Manipur Electronics Development. Corporation Ltd.	1997-98	269.28	107.07	-	-	-	1998-99 to 2004-05
3. Manipur Handloom & Handicrafts Development. Corporation Ltd.	1987-88	120.00	1030.75	-	-	-	1988-89 to 2005-06
4. Manipur Tribal Development. Corporation Ltd.	1982-83	1.00	76.50	-	-	-	1983-84 to 1991-92
5. Manipur Food Industries Corporation Ltd.	1999-00	78.39	19.27	-	-	-	2000-2001 to 2003-04
Total (A)		**1475.15**	**1451.11**	**-**	**-**	**-**	

B. Non working companies

(Rupees in lakh)

Name of PSU	Year up to which accounts finalised	Paid up Capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears				Year in which Investment have been received
			Equity	Loans	Grants	Others to be specified	
Non-working companies							
1. Manipur Cycle Corporation Ltd.	1996-97	59.26	4.96	-	-	-	1997-98 to 2002-03
2. Manipur Pulp & Allied Products Ltd.	1994-95	89.31	64.89	-	-	-	1995-96 to 2003-04
3. Manipur Agro Industries Corporation Ltd.	1988-89	32.25	322.53	-	-	-	1989-90 to 2003-04
4. Manipur Plantation Crops Corporation Ltd.	1983-84	51.15	1110.64	-	-	-	1984-85 to 2001-02
5. Manipur Spinning Mills Corporation Ltd.	1986-87	412.20	2669.21	-	-	-	1987-88 to 2003-04
6. Manipur Cement Ltd.	1993-94	49.79	241.55	-	-	-	1994-95 to 2002-03
Total (B)		**693.96**	**4413.78**	**-**	**-**	**-**	
Grand Total (A+B)		**2169.11**	**5864.89**				

Appendix 5.4

(Reference : Paragraph 5.2.6.1)

Distribution network planned *vis-à-vis* achievement

S.No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Substations (of various categories)**					
i	At the beginning of the year	2719	2883	3211	3218	3576
ii	Additions planned for the year	NA	NA	NA	NA	NA
iii	Additions made during the year	164	328	7	358	156
iv	At the end of the year	2883	3211	3218	3576	3732
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA
(B)	**HT Lines (in CKM)**					
i	At the beginning of the year	4924.31	5150.037	5351.48	5379.35	5504.35
ii	Additions planned for the year	NA	NA	NA	NA	NA
iii	Additions made during the year	255.727	201.45	27.87	125.00	285.52
iv	At the end of the year	5150.037	5351.487	5379.35	5504.35	5789.87
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA
(C)	**LT Lines (in CKM)**					
i	At the beginning of the year	6711.171	6731.55	6834.343	6843.73	7587.67
ii	Additions planned for the year	NA	NA	NA	NA	NA
iii	Additions made during the year	20.379	102.793	9.39	743.94	97.33
iv	At the end of the year	6731.55	6834.343	6843.73	7587.67	7685.00
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA
(D)	**Transformers Capacity (in MVA)**					
i	At the beginning of the year	305.53	326.601	355.335	357.332	376.118
ii	Additions planned for the year	NA	NA	NA	NA	NA
iii	Additions made during the year	21.071	28.734	1.997	18.786	13.052
iv	At the end of the year	326.601	355.335	357.332	376.118	389.170
v	Shortage in addition (ii - iii)	NA	NA	NA	NA	NA

(Source: Departmental records.)

Appendix 5.5

(Reference : Paragraph 5.2.7.5)

Excess payment of Excise duty and Central Sales tax (RGGVY)

(₹ in lakh)

ITEM	EXCISE DUTY			CENTRAL SALES TAX			TOTAL EXCESS
	Paid @8.24 p.c.	Payable @ 10.3 p.c.	Excess paid	Paid @ 2 p.c.	Payable @ 2 p.c.	Excess paid	
1	2	3	4	5	6	7	8
3.15 MVA 33/11 KV power transformer (East India Udyog Ltd., Ghaziabad)	10.63	3.68	6.95	2.79	0.79	2	8.95
ACSR (Racoon) conductor (Lumino Industries Ltd., Howrah) in km	9.73	5.61	4.12	2.56	1.20	1.36	5.48
AAC (Gnat) conductor (Lumino Industries Ltd., Howrah) in km	16.96	9.72	7.24	4.45	2.09	2.36	9.6
ACSR (weasel) conductor (Lumino Industries Ltd., Howrah) in km	17.86	9.64	8.22	4.69	2.07	2.62	10.84
Steel tubular pole 10 m long (Utkarsh Tubes & Pipes Ltd., Kolkata)	4.82	2.39	2.43	1.27	0.51	0.76	3.19
Steel tubular pole 9 m long (M/S Jindal Steel Products Ltd., Kolkata)	14.41	6.42	7.99	3.78	1.37	2.41	10.4
Steel rectangular pole 2 piece 8 m long (Utkarsh Tubes & Pipes Ltd., Kolkata)	45.80	21.80	24	12.05	4.67	7.38	31.38
Steel tubular pole 8 m long (Utkarsh Tubes & Pipes Ltd., Kolkata)	29.76	8.49	21.27	7.82	1.82	6	27.27
1 phase 2 wire 5-20 amp electronic meter (Allied Engineering Works, Delhi)	29.19	13.13	16.06	7.67	2.81	4.86	20.92
11/0.230 kV Al wound outdoor type Distribution Transformer with Accessories (M/S Rajasthan Transformers & Switchgears, Jaipur) i) 16 kVA	4.99	2.22	2.77	1.31	0.47	0.84	3.61
ii) 10 kVA	1.91	0.76	1.15	0.50	0.16	0.34	1.49
iii) 5kVA	0.64	0.28	0.36	0.17	0.06	0.11	0.47
TOTAL for three divisions	**186.70**	**84.14**	**102.56**	**49.06**	**18.02**	**31.04**	**133.60**

(Source: Departmental records.)

Appendix 5.6

(Reference : Paragraph 5.2.8.2)

Interest on outstanding mobilization advance (APDRP)

(Amount in ₹)

Amount of advance	Period	Number of days	Interest at the rate of 12 *per cent* per annum
16,16,08,868	12-8-2008 to 30-3-2009	230	230X16,16,08,868X12 365X100 = 1,22,20,287

(Source: Departmental records.)

Appendix 5.7

(Reference : Paragraph 5.2.8.3)

EXCESS PAYMENT OF EXCISE DUTY AND CENTRAL SALES TAX (APDRP)

(₹in lakh)

ITEM	EXCISE DUTY			CENTRAL SALES TAX			TOTAL EXCESS
Manufacturer: Havell's India Ltd.	**Paid @ 16.48 p.c.**	**payable @ 10.3 p.c.**	**excess paid**	**Paid @ 3 p.c.**	**payable @ 1 p.c.**	**Excess paid**	
1	**2**	**3**	**4**	**52**	**6**	**7**	**8**
11 kV Al XLPE insulated cable for underground cabling (**3x300** Sq. mm)	312.18	60.84	**251.34**	66.18	6.51	**59.67**	**311.01**
11 kV Al XLPE insulated cable for underground cabling (**3x185** Sq. mm)	113.23	30.30	**82.93**	24.01	3.25	**20.76**	**103.69**
11 kV Al XLPE insulated cable for underground cabling (**3x120** Sq. mm)	216.65	40.69	**175.96**	45.93	4.36	**41.57**	**217.53**
LT Underground cable (**3x50** Sq. mm Al. Cond. PVC)	45.02	12.04	**32.98**	9.55	1.29	**8.26**	**41.24**
LT Underground cable (**3.5x35** Sq. mm Al. Cond. PVC)	85.59	23.06	**62.53**	18.15	2.47	**15.68**	**78.21**
TOTAL	**772.67**	**166.93**	**605.74**	**163.82**	**17.88**	**145.94**	**751.68**

(Source: Departmental records.)

Appendix 5.8

(Reference : Paragraph 5.2.11)

Source-wise purchase of power and their cost

(in Million units/average cost per unit in ₹)

Year		Own generation	Central Sector	IPPs	Others (UI)	Total
2006-07	Power	3.13	441.22	-	24.44	468.79
	Rate	-	2.47	-	4.21	-
2007-08	Power	1.70	572.03	-	4.40	576.43
	Rate	-	1.97	-	6.90	-
2008-09	Power	0.65	550.43	-	6.75	557.83
	Rate	-	2.47	-	8.34	-
2009-10	Power	2.01	465.12	-	24.47	491.6
	Rate	-	2.31	-	3.78	-
2010-11	Power	2.04	548.56	-	18.43	569.03
	Rate	-	2.66	-	3.01	-
Total		**2.04**	**2589.24**		**104.73**	

(Source: Departmental records.)

Appendix 5.9

(Reference : Paragraph 5.2.13.2)

Theft cases detected, assessment made and amount realized

Year	No. of checking	Theft cases	Assessed amount (in ₹)	Amount Realised (in ₹)
2008-09	**5000**	**174**	**4550**	NA
2009-10	**360**	**265**	**1755**	**1755**
Total	**5360**	**439**	**6305**	**1755**

(Source: Departmental records.)