

EXECUTIVE SUMMARY

This Report has been prepared in three chapters. Chapters I to III deal with Economic Sector (Other Than State Public Sector Undertakings), Economic Sector (State Public Sector Undertakings) and Revenue Sector respectively. The Report contains two Performance Audits on 'Implementation of National Rural Drinking Water Programme' and 'System of Assessment under Value Added Tax' and 13 Compliance Audit paragraphs.

According to existing arrangements, copies of the Performance Audits and Compliance Audit paragraphs were sent to the Administrative Heads of the concerned Departments with a request to furnish replies within six weeks. All the Performance Audits were discussed with the concerned Administrative Heads of the Departments and other departmental officers. Replies of the Government/Department wherever received have been incorporated in the Report.

CHAPTER I

ECONOMIC SECTOR (OTHER THAN STATE PUBLIC SECTOR UNDERTAKINGS)

During 2016-17, against total budget provision of ₹ 3,697.69 crore, a total expenditure of ₹ 2,814.63 crore was incurred by 18 departments under Economic Sector.

During 2016-17, audits were conducted involving expenditure of ₹ 5,377.27 crore including expenditure of ₹ 5,142.88 crore of previous years of the State Government under Economic Sector.

This chapter contains one Performance Audit *viz.*; 'Implementation of National Rural Drinking Water Programme' and three Compliance Audit paragraphs as discussed in the succeeding paragraphs.

PERFORMANCE AUDIT

Implementation of National Rural Drinking Water Programme

The State did not prepare Strategic Plan for implementation of the programme. The Annual Action Plan did not give priority to low population coverage habitations. Component wise expenditure was not ensured as per the norms prescribed in the guidelines. In-admissible works were charged to Programme fund. Fully covered habitations was low *i.e.*, 63 habitations (based on per capita supply of 55 lpcd) during 2016-17 which constitute two *per cent* of the total 2,868 rural habitations in the State. Significant number of rural Schools and *Anganwadi* centres were yet to be covered in the State. Slipped back habitations increased due to drying of sources, aging pipelines etc. Testing Laboratories suffered from shortage of man power and inadequate infrastructure. Significant number of schemes were delayed for more than five years. The State and District officers have not conducted review of the scheme

through field inspection during the period of review. The Integrated Management Information System data were not cross checked or an independent verification was not carried out through reputed NGOs, academic institutions, *etc.*, to improve reliability of the database.

(Paragraph 1.2)

COMPLIANCE AUDIT

Public Health Engineering Department: Failure of the Department to enforce provisions of the Manipur Water Supply Act, 1992 had resulted in short realization of water charges to the tune of ₹ 13.88 crore.

(Paragraph 1.3)

Veterinary and Animal Husbandry Department: There was short realization of royalty of ₹ 20.23 lakh as no action was taken by the Department to renew the lease/MoU which had expired on 30 June 2015.

(Paragraph 1.4)

Irrigation and Flood Control Department¹: The Department failed to realise water charges amounting to ₹ 31.59 lakh against irrigation facility utilised under three irrigation projects.

(Paragraph 1.5)

CHAPTER II

ECONOMIC SECTOR (STATE PUBLIC SECTOR UNDERTAKINGS)

As on 31 March 2017, there were 13 State Public Sector Undertakings (SPSUs) in Manipur. The working PSUs of the State registered a turnover of ₹ 161.02 crore as per their latest finalised accounts as of September 2017. This turnover was equal to 0.69 *per cent* of Gross State Domestic Product (GSDP) of ₹ 23,325 crore for 2016-17. The working SPSUs incurred an aggregate loss of ₹ 47.89 crore as per their latest finalised accounts as of September 2017.

(Paragraph 2.1.1)

As on 31 March 2017, the investment (capital and long-term loans) in 13 SPSUs was ₹ 266.35 crore. Out of the total cumulative investment of ₹ 266.35 crore in SPSUs as on 31 March 2017, 98.92 *per cent* was in working SPSUs and the remaining 1.08 *per cent* in non-working SPSUs.

(Paragraph 2.1.6)

¹ Government of Manipur renamed Irrigation and Flood Control Department as *Water Resources Department* in September 2017.

The accounts of the SPSUs were in arrears for periods ranging from one year to 29 years. The delay in finalization of accounts were due to abnormal delay in compilation and approval of the accounts and delayed submission of the same to the Statutory Auditors by the Management and deficiency in monitoring of arrears of accounts of the Companies by the Government.

(Paragraph 2.1.10)

The overall losses of working SPSUs increased from ₹ 40.76 crore in 2012-13 to ₹ 121.24 crore in 2016-17. Six SPSUs incurred loss of ₹ 48.18 crore.

(Paragraphs 2.1.16 and 2.1.17)

COMPLIANCE AUDIT

Manipur State Power Distribution Company Limited: There is high risk of loss due to non-recovery of huge outstanding energy charges amounting to ₹ 540.08 crore.

(Paragraph 2.2)

CHAPTER III

REVENUE SECTOR

Trend of Revenue Receipts

During the year 2016-17, the revenue raised by the State Government (₹ 751.47 crore) was eight *per cent* of the total revenue receipts of ₹ 9,129.12 crore. The balance 92 *per cent* of receipts of ₹ 8,377.65 crore during 2016-17 was from the Government of India.

(Paragraph 3.1.1)

The Tax Revenue raised during 2016-17 (₹ 586.67 crore) increased by 6.58 *per cent* as compared to the previous year (₹ 550.44 crore). On the other hand, the Non-Tax Revenue raised during 2015-16 (₹ 164.80 crore) increased by 10.25 *per cent* as compared to the previous year (₹ 149.48 crore).

(Paragraphs 3.1.2 and 3.1.3)

Response of the Departments/ Government towards Audit

Inspection Reports issued up to March 2017 disclosed that 858 paragraphs involving ₹ 181.00 crore relating to 273 Inspection Reports remained outstanding at the end of June 2017.

(Paragraph 3.6)

PERFORMANCE AUDIT

System of Assessment under Value Added Tax

The State suffered revenue loss due to various lapses of the Taxation Department. There was no system in place in the state for scrutiny of returns of the dealers. The Department did not make efforts to collect taxes by use of various types of assessment other than self-assessment. System for audit assessment was not made functional in the spirit of the Value Added Tax system. Provisional assessments, assessment of unregistered dealers, assessment of non-filers were also not done in a systemic and periodic manner. Further, there was no system in place for detection of delinquent dealers who are either irregular in filing of returns or negligent. The Department failed to monitor the deposit of tax deducted at source to Government Account and filing of returns by Drawing and Disbursing Officers (DDOs). There were inadequacies in monitoring as evident from lack of proper administrative circulars, instructions and orders regarding assessment, absence of reporting system and review of assessment by higher authorities. The Department did not prepare tax manual for standardising assessment and other processes connected with tax administration. The enforcement system in the Department did not function in a well organised manner. There was shortage of staff in the Department as well.

(Paragraph 3.11)

COMPLIANCE AUDIT

Taxation Department

Two dealers concealed purchase of ₹ 1.21 crore and escaped tax of ₹ 9.34 lakh for which penalty of ₹ 18.68 lakh was payable by the dealers

(Paragraph 3.12)

Failure of the Assessing Authorities to detect concealment and suppression of sales resulted in evasion of tax and penalty to the tune of ₹ 25.98 lakh.

(Paragraph 3.13)

Due to non-furnishing of returns, two dealers concealed purchase of ₹ 4.39 crore for which the dealers were liable to pay tax of ₹ 21.95 lakh and penalty of ₹ 43.90 lakh.

(Paragraph 3.14)

Government revenue to the tune of ₹ 55.67 lakh and penalty of ₹ 1.11 crore was blocked due to failure to invoke provisions of the Manipur Value Added Tax Act, 2004.

(Paragraph 3.15)

The Department failed to collect outstanding tax and interest penalty amounting to ₹ 10.85 lakh from seven dealers.

(Paragraph 3.16)

The Department failed to collect penalty of ₹ 49.30 lakh from the dealers who failed to submit audited accounts.

(Paragraph 3.17)

The Department failed to levy and collect Professional Tax to the tune of ₹ 66.28 lakh from the defaulting assesseees.

(Paragraph 3.18)

Transport Department

The Government suffered a loss of ₹ 9.88 lakh due to non-realisation of Permit Fees and Fine.

(Paragraph 3.19)

The Department failed to realise tax amounting to ₹ 24.42 lakh from 97 goods vehicles.

(Paragraph 3.20)