EXECUTIVE SUMMARY

This Report has been prepared in six chapters. Chapters I to V deal with Social, Economic (Other than Public Sector Undertakings), Economic (Public Sector Undertakings), Revenue and General Sectors and Chapter VI deals with Follow-up of Audit Observations. The Report contains two Performance Audits *viz.,* 'Performance Audit of Solid Waste Management', 'Performance Audit on Implementation of rural connectivity projects funded through National Bank for Agriculture and Rural Development (NABARD) Loan', one 'Information Technology Audit of Computerisation of Personnel Information System' and 19 Compliance Audit paragraphs.

According to existing arrangements, copies of the Performance Audits, Information Technology Audit 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 and Information Technology Audit were discussed with the concerned Administrative Heads of the Departments and other departmental officers. Replies from the State Government wherever received have been incorporated in the Report.

CHAPTER I

SOCIAL SECTOR

During 2017-18, against a total budget provision of ₹ 5,409.50 crore under Social Sector, a total expenditure of ₹ 4,505.71 crore was incurred by 17 departments.

Audits were conducted during 2017-18 involving expenditure of ₹ 2,067.64 crore including expenditure of previous years of the State Government under Social Sector.

This chapter contains one Performance Audit *viz., "Performance Audit of Solid Waste Management"* and four Compliance Audit paragraphs.

PERFORMANCE AUDIT

Solid Waste Management

There was lack of planning for management of solid waste in the sampled ULBs except those included in the Cluster based waste management. Planning was also inadequate and ineffective in respect of those ULBs in Cluster as it did not represent seasonal variations. The ULBs did not prepare separate budgets for meeting the expenditure of solid waste management and also did not prepare plans which limited the effective execution of waste management activities. Moreover, there was no reliable information about the quantum and composition of waste generated in their respective jurisdiction in six out of 11 sampled ULBs. There was huge gap between the quantum of waste generated and disposed. The majority of the waste was disposed of as mixed waste without processing as per existing norm, thereby creating threat to the environment and health of the public.

There were instances of burning of waste disposed at the disposal sites owned by the municipalities. There were no facilities in any of the 11 sampled ULBs for disposal of domestic hazardous waste which resulted in mixing up of such hazardous waste with other wastes. The landfills maintained in the sampled ULBs had not adhered to the conditions specified in the Solid Waste Management Rules, 2016. The ULBs were not submitting annual reports containing basic information on progress of solid waste management to their respective Deputy Commissioners, MAHUD and MPCB. The MPCB, as was required, did not conduct monitoring of environmental standards and adherence to conditions for waste processing and disposal sites which resulted in non-assessment of environmental impact of the Plant. The Plant operator did not conduct quality testing of compost in line with the specification of Fertilizer Control Orders 2009 and 2013. Thus, based on the audit findings from 11 ULBs sampled out of 27 ULBs, it could be concluded that the objectives of implementation of SWM was not fully achieved in the State.

(Paragraph 1.2)

COMPLIANCE AUDIT

Rural Development and Panchayati Raj Department

Erroneous adoption of rates in preparation of estimates resulted into a liability of extra expenditure of ₹ 91.21 lakh as undue benefit to Construction Committees, of which ₹ 53.92 lakh had been paid.

(Paragraph 1.3)

Scheme funds amounting to ₹ 63 lakh was irregularly diverted towards payment of salary and wages, leading to mis-utilization of funds.

(Paragraph 1.4)

Failure of the DRDA to ensure timely completion of works led to the parking of funds of ₹ 1.18 crore for a period of three years and seven months.

(Paragraph 1.5)

Funds amounting to ₹ 50.36 lakh from MLALADP funds and administrative funds of MGNREGA were utilized for non-permissible works in violation of the guidelines of the programme/scheme.

(Paragraph 1.6)

CHAPTER II

ECONOMIC SECTOR
(OTHER THAN PUBLIC SECTOR UNDERTAKINGS)

During 2017-18, against total budget provision of ₹ 3,683.20 crore, a total expenditure of ₹ 2,324.31 crore was incurred by 17 departments under Economic Sector.

During 2017-18, audits were conducted involving expenditure of ₹ 2,286.38 crore including expenditure of previous years of the State Government under Economic Sector.

This chapter contains one Performance Audit *viz., 'Performance Audit on Implementation of rural connectivity projects funded through NABARD Loan'* and six Compliance Audit paragraphs.

PERFORMANCE AUDIT

Performance Audit on Implementation of rural connectivity projects funded through NABARD Loan

The implementation of rural connectivity projects funded through National Bank for Agriculture and Rural Development (NABARD) Loan in the State suffered from many lapses. There was no streamlined procedure for proper prioritisation of Projects. The projects were proposed without following any defined criteria as per NABARD Guidelines and infrastructure gap analysis *etc*. NABARD loans amounting to ₹ 9.13 crore bearing interest liability of ₹ 2.59 crore were availed for four ineligible projects.

The Public Works Department had prepared inflated Statement of Expenditure which were, without ensuring their correctness, submitted by the Finance Department to NABARD. Further, NABARD also failed to verify the correctness of the claims before making the reimbursement of expenditure and subsequently made excess reimbursements ranging from ₹ 2.03 crore to ₹ 16.21 crore then the actual expenditure.

The Detailed Project Reports of the 16 road projects were prepared without proper survey and were deficient, with lack of basic data such as design traffic, design life, strength and thickness of the existing pavement. There were numerous deficiencies in project execution such as non-invitation of open tenders, grant of undue benefits to contractors due to non-collection of Performance Guarantee Bonds, incorrect analysis of rates, non-levy of compensation for delay in completion of works and unauthorised execution of works *etc*.

The Quality Control and Monitoring Mechanism was weak. The Department did not have any functional laboratory for performing the required quality control tests and contractors also did not set up any testing laboratory for conducting the Quality Control tests as required. As a result, due to deficiencies in implementation, creation of infrastructure conceived under the scheme could only partially achieve the intended objectives of better rural connectivity in the State.

(Paragraph 2.2)

COMPLIANCE AUDIT

Fisheries Department

Funds amounting to ₹ 81.90 lakh meant for construction of houses and community tanks of BPL fishermen were drawn by presenting fictitious bills and the amount was fraudulently shown as spent without actual/partial execution of works.

(Paragraph 2.3)

Public Works Department

Adoption of a higher rate for earthwork excavation based on manual rate instead of lower mechanical rate led to extension of undue benefit to contractors amounting to ₹ 70.85 lakh.

(Paragraph 2.4)

Purchase of furniture items despite sluggish progress of construction of building complex in violation of provisions of General Financial Rules and without proper planning and immediate requirement led to idle expenditure of ₹ 14.77 crore.

(Paragraph 2.5)

Provision of additional lead of one km for disposal of excavated earth led to inflated rate in analysis of rate and thereby leading to extension of undue benefit to the contractor by ₹ 36.78 lakh.

(Paragraph 2.6)

In absence of an effective monitoring mechanism, machineries valued at ₹ 2.61 crore which were not returned by the contractors for a period ranging from four years four months to 29 years four months, which resulted in extending undue benefit to the contractors.

(Paragraph 2.7)

Due to adoption of higher rate for earthwork excavation based on manual rate instead of adopting lower mechanical rate, undue benefit of ₹ 60.78 lakh was extended to the firm.

(Paragraph 2.8)

CHAPTER III

ECONOMIC SECTOR
(PUBLIC SECTOR UNDERTAKINGS)

As on 31 March 2018, there were 13 State Public Sector Undertakings (PSUs) in Manipur. The working PSUs of the State registered a turnover of ₹ 161.02 crore as per their latest finalised accounts. This turnover was equal to

0.70 *per cent* of Gross State Domestic Product (GSDP) of ₹ 23,167 crore for 2017-18. The working State PSUs incurred an aggregate loss of ₹ 47.89 crore as per their latest finalised accounts as of September 2018.

(Paragraph 3.1.1)

As on 31 March 2018, the investment (capital and long-term loans) in 13 State PSUs was ₹ 554.67 crore. Out of the total investment, 99.48 *per cent* was in working PSUs and the remaining 0.52 *per cent* in non-working PSUs.

(Paragraph 3.1.6)

The accounts of the State PSUs were in arrears for periods ranging from two years to 30 years. The delays 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 of PSUs.

(Paragraph 3.1.10)

The overall losses of working State PSUs increased from ₹ 45.19 crore in 2013-14 to ₹ 124.53 crore in 2017-18 mainly on account of losses incurred by power sectors companies.

(Paragraph 3.1.16)

COMPLIANCE AUDIT

Manipur State Power Distribution Company Limited

Payment of excess Mobilization Advance on the recommendation of Tender Committee beyond its delegated financial power and without charging any interest in violation of provisions of the Manipur Public Works Department Manual resulted in extension of undue benefit to two private firms besides incurring interest loss of ₹ 1.11 crore.

(Paragraph 3.2)

CHAPTER IV

REVENUE SECTOR

Trend of Revenue Receipts

During the year 2017-18, the revenue raised by the State Government (₹ 965.01 crore) was nine *per cent* of the total revenue receipts of ₹ 10,357.83 crore. The balance 91 *per cent* of receipts of ₹ 10,357.83 crore during 2017-18 was from the Government of India.

(Paragraph 4.1.1)

The Tax Revenue raised during 2017-18 (₹ 790.94 crore) increased by 34.81 *per cent* as compared to the previous year (₹ 586.69 crore). On the other hand, the Non-Tax Revenue raised during 2017-18 (₹ 174.07 crore) increased by 5.62 *per cent* as compared to the previous year (₹ 164.80 crore).

(Paragraphs 4.1.2 and 4.1.3)

Response of the Departments/ Government towards Audit

Inspection Reports issued up to March 2018 disclosed that 866 paragraphs involving ₹ 206.38 crore relating to 275 Inspection Reports remained outstanding at the end of June 2018 which required prompt and appropriate action on the audit findings.

(Paragraph 4.2)

COMPLIANCE AUDIT

Taxation Department

Failure of the Assessing Authority to assess the sales figure of a dealer as per Manipur Value Added Tax (MVAT) Act led to non-detection of suppression of sale and consequent evasion of tax of ₹ 79.70 lakh with recoverable penalty of ₹ 1.59 crore.

(Paragraph 4.7)

Irregular claim by a dealer for exemption of payable tax resulted in loss of Government Revenue amounting to ₹ 87.97 lakh, out of which ₹ 10 lakh had been paid by the dealer.

(Paragraph 4.8)

Failure to assess tax liability of nine dealers who had stopped filing returns but had huge stock balances, led to non-realization of revenue to the tune of ₹ 5.35 crore and penalty amounting to ₹ 10.70 crore, of which tax amounting to ₹ 78.38 lakh only had been paid by four dealers.

(Paragraph 4.9)

Failure of the Department to take timely steps to realize outstanding tax from a dealer resulted in non-recovery of tax revenue amounting to ₹ 25.51 lakh in addition to interest of ₹ 23.31 lakh.

(Paragraph 4.10)

Failure of the Department to detect non-submission of returns and to make best judgment on assessment of tax as per the Manipur Value Added Tax Act/Rules resulted in non-recovery of tax amounting to ₹ 1.57 crore and penalty of ₹ 3.14 crore from five dealers, of which tax amounting to ₹ 12.65 lakh had been paid by one dealer.

(Paragraph 4.11)

Transport Department

Due to failure of the District Transport Officer, Thoubal to initiate action for collection of Professional Tax, an amount of ₹ 4.71 lakh and penalty not exceeding ₹ 4.71 lakh were remaining outstanding from the permit holders of 141 vehicles, leading to loss of revenue to that extent.

(Paragraph 4.12)

Failure of the Tax Authorities to realise tax resulted in non-realisation of tax to the tune of ₹ 11.74 lakh, of which tax amounting to ₹ 0.38 lakh had been recovered from 12 vehicles.

(Paragraph 4.13)

CHAPTER V

GENERAL SECTOR

During 2017-18, against budget provision of ₹ 3,515.62 crore, expenditure of ₹ 3,188.88 crore was incurred by 15 Departments under the General Sector.

Audits were conducted during 2017-18 involving expenditure of ₹ 3,316.71 crore including expenditure of previous years of the State Government under General Sector.

This chapter contains one Information Technology Audit *viz.*, "*Information Technology Audit of Computerisation of Personnel Information System*" and one Compliance Audit paragraph.

PERFORMANCE AUDIT

Information Technology Audit of Computerisation of Personnel Information System

The Computerisation of Personnel Information System (CPIS) application was developed with a view to providing accurate details of the staffing pattern of the Government employees, capture details of employees to facilitate policy decision on deployment, redeployment and transfer of employees, estimate budget for salaries, *etc.*, and thus to help the Government in proper administration. However, the CPIS was developed without obtaining URS resulting in lack of provision for capturing full employees' details limiting the usefulness of the system. The existing CPIS was being used to a very limited extent for preparing salary bills. However, it was not being used effectively for transfer and posting of the Government employees as envisaged.

The usefulness and effectiveness of CPIS had been significantly compromised by inaccurate and incomplete data imported into CPIS from the erstwhile MGEL application, inordinate delays in sending input forms by DDOs, weak input controls, non-existent IT policies, lack of staff development and succession planning, lack of business continuity measures, absence of involvement of senior management, *etc*. It also exposed the system to the risk of unauthorised access, amendments or deletion of data and consequent losses.

There were employees who had crossed the age of retirement but were still being shown in the CPIS database which defeated the objective of CPIS to provide accurate staffing pattern of employees. The lack of correct employee details also defeated the intended objective. Moreover, the CPIS was also not being used for the intended purpose of proper deployment of the staff to various offices.

(Paragraph 5.2)

COMPLIANCE AUDIT

Home Department

Failure of the Department to enforce provisions of Government's decision for the recovery of armed guard charges from seven banks resulted in non-realization of security charges of ₹ 1.47 crore, of which ₹ 31.24 lakh had been recovered.

(Paragraph 5.3)

CHAPTER VI

FOLLOW-UP OF AUDIT OBSERVATIONS

As of March 2018, 2,793 Inspection Reports issued from 2003-04 onwards were pending for settlement. Even the initial replies, which were required to be received from the Heads of Offices of the Government Departments within four weeks from the date of issue of the Inspection Reports, were also not received.

(Paragraph 6.4)