

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

FOR THE YEAR ENDED 31 MARCH 1993

GOVERNMENT OF MANIPUR

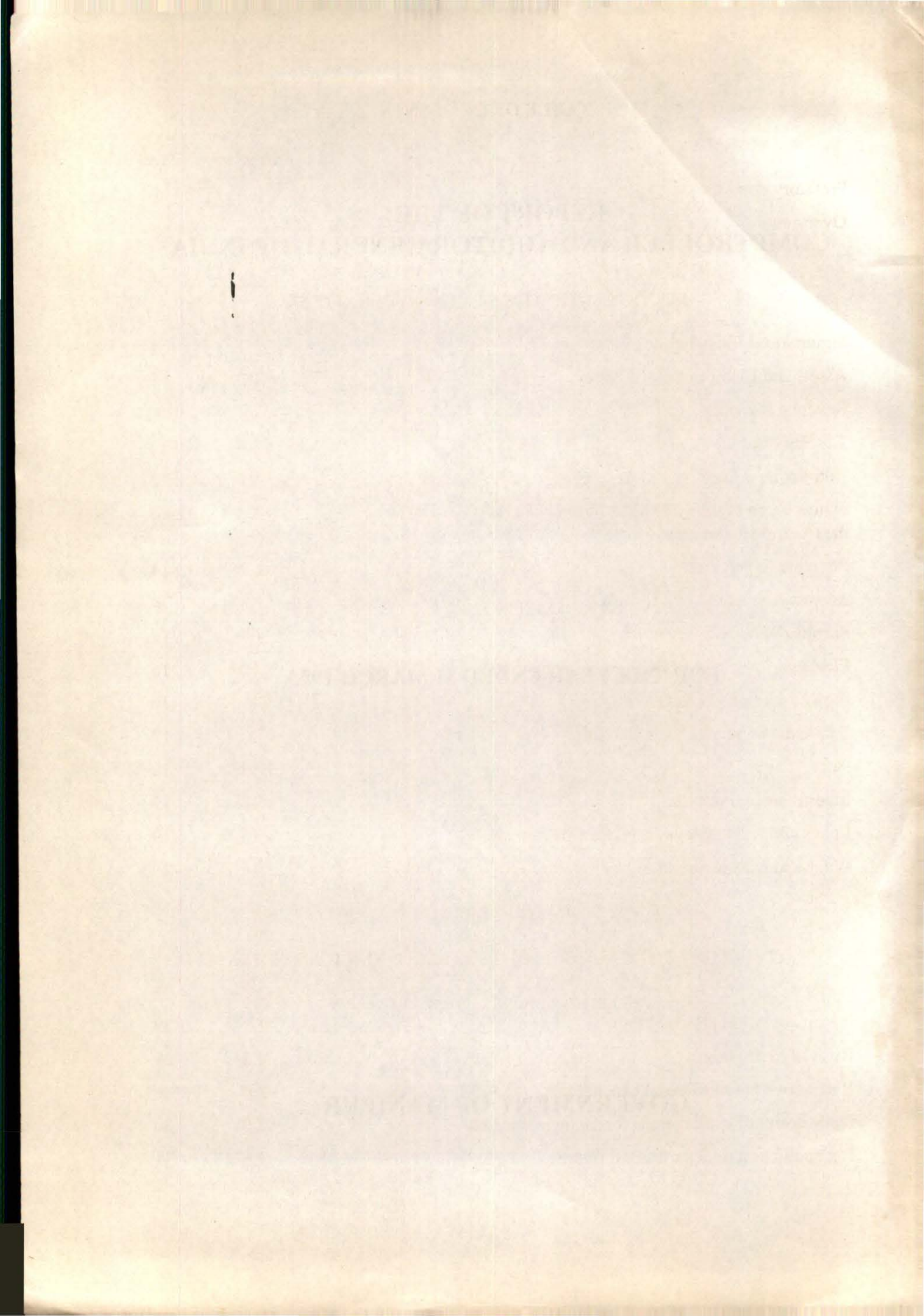


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PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for the year 1992-93 together with other points arising from audit of financial transactions of the Government of Manipur. It also includes certain points of interest arising from the Finance Accounts for the year 1992-93.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during 1992-93 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 1992-93 have also been included, wherever considered necessary.

OVERVIEW

This report includes two chapters containing the observations of Audit on the Finance and the Appropriation Accounts of the State Government for the year 1992-93, and six other chapters, comprising 8 reviews and 39 paragraphs based on the audit of certain selected schemes, programmes and enterprises, and of the financial transactions of the Government of Manipur, its revenue receipts and commercial and trading activities. A synopsis of the findings contained in the reviews and the more important paragraphs is presented in the Overview.

1. Accounts of the State Government

The opening cash balance of the State Government at the beginning of 1992-93 was Rs.(-) 50.49 crores, which came down to (-)Rs.58.02 crores at the end of the year. The State Government was able to maintain the minimum daily cash balance of Rs. 10 lakhs with the Reserve Bank of India without obtaining any Ways and Means Advances or overdrafts on 181 days during the year, as against 42 days during 1991-92.

The Budget Estimates for the year 1992-93 envisaged a revenue surplus of Rs.105.99 crores, which was scaled down to Rs.96.31 crores in the Revised Estimates. The actual revenue surplus was Rs.101.38 crores as against Rs.73.85 crores in 1991-92.

The revenue receipts of the State Government increased from Rs.450.79 crores in 1991-92 to Rs.480.22 crores in 1992-93. There had, however, been a steady decline in the percentage of revenues raised by the State Government to the total receipts since 1988-89. Whereas the revenue raised by the State Government during 1992-93 (Rs.37.40 crores) had increased by only Rs.3.35 crores in relation to 1988-89 (Rs.34.05 crores), receipts from the Government of India in the form of Grants-in-aid and the state's share of Union Taxes and Duties increased by Rs.151.62 crores from Rs.291.20 crores during 1988-89 to Rs.442.82 crores during 1992-93. The total receipts from the Central Government during the year represented 92 *per cent* of the total revenue receipts and 117 *per cent* of the revenue expenditure (Rs.378.84 crores) of the State Government.

While the total revenue receipts during 1992-93 (Rs.480.22 crores) increased by 48 *per cent* over those during 1988-89 (Rs.325.52 crores), the revenue expenditure during the same period increased by 36 *per cent* from Rs.279.07 crores to Rs.378.84 crores, almost all of which was met out of increase (Rs.151.61 crores) in total receipts from the Government of India. The non-Plan revenue expenditure increased by 26 *per cent* in relation to 1988-89, while Plan expenditure during this period increased by 73 *per cent*.

Reduction in percentage of growth of tax revenue over that of the previous year, from 15 *per cent* during 1991-92 to 7 *per cent* during 1992-93, was attributed to introduction of prohibition in the State during 1990-91 and less receipts under taxes and duties on Electricity and taxes on vehicles despite increase in collection of taxes under other heads.

Non-Tax revenue increased only marginally from Rs.21.74 crores in 1991-92 to Rs.22.08 crores in 1992-93. Although there were more receipts from State Lotteries

(Rs.2.70 crores) and Forestry and Wild Life (Rs.1.05 crores) compared to the previous year these were off-set by decrease in realisation under Interest Receipts (Rs.1.35 crores), Housing (Rs.1.17 crores) and other Administrative services (Rs.0.89 crore). The non-Tax revenue during 1992-93 (Rs.22.08 crores) was almost at the same level as during 1988-89 (Rs.22.06 crores).

Arrears of revenue pending collection as of March 1993 aggregated Rs.9.65 crores. Of this, arrears of Rs.5.34 crores and Rs.3.67 crores were on account of energy charges from consumers and hire charges of machinery, freight subsidy and rents.

At the end of 1992-93, the public debt of the Government came down by Rs.6.94 crores. However, the total liabilities of the state increased by Rs.14.55 crores from Rs.447.56 crores at the end of 1991-92 to Rs.462.11 crores at the end of 1992-93. As against the interest of Rs.44.54 crores paid by the Government on debt and other obligations during 1992-93, the interest received on all accounts was Rs.0.74 crore only.

Assistance to local bodies and others decreased from Rs.28.56 crores in 1991-92 to Rs.24.28 crores in 1992-93. The total assistance during the year constituted 65 *per cent* of the Tax and non-Tax revenue of the State Government.

As on 31st March 1993, Government had invested Rs.29.41 crores in 14 Government Companies. The accounts of all of them were in arrears for periods ranging from 1 to 12 years. Besides, the *pro forma* accounts of Manipur Electric Supply Department were in arrears since 1978-79. The dividend earned during the year from the total investment of Rs.55.15 crores made up to the end of 1992-93 in the Manipur State Road Transport Corporation, Government Companies and Co-operatives was Rs.1.30 lakhs only.

(Paragraph 1.1 to 1.16 read with Paragraphs 7.2 to 7.4 and Paragraph 8.2)

2. Appropriation Audit and control over expenditure

During 1992-93, savings in 56 cases aggregated Rs.100.05 crores. Expenditure of the State Government, however, exceeded the budget provisions in 17 cases by Rs.255.96 crores. The excess expenditure requires regularisation under Article 205 of the Constitution.

The supplementary provision of Rs.125.91 crores obtained during the year constituted 21 *per cent* of the original budget provision of Rs.586.10 crores.

Supplementary provision of Rs.20.45 crores obtained in 6 cases was excessive to the extent of Rs.3.63 crores in view of the final savings of more than Rs.10 lakhs in each of these cases. On the other hand, the supplementary provisions totalling Rs.104.08 crores obtained in 10 cases proved insufficient by more than Rs.10 lakhs in each case.

Substantial savings of Rs.107.06 crores in excess Rs.10 lakhs in each case ranging between 8 and 128 *per cent*, occurred in 21 cases on account of either non-implementation or slow progress in Plan schemes.

Persistent savings, ranging from 2 to 53 *per cent*, occurred in 10 cases during the three year period from 1990-91 to 1992-93, while the expenditure persistently exceeded the provisions in 7 cases of grants and one appropriation.

Of the final savings during the year aggregating Rs.40.15 crores under revenue voted grants, Rs.31.22 crores only were surrendered.

In violation of the provisions of the General Financial Rules, of the total expenditure of Rs.54.86 crores during the year in 27 cases, Rs.38.48 crores (70 *per cent*) were spent in the month of March 1993.

Though the departmental officers were required to reconcile the departmental expenditure with those booked by the Accountant General before closure of the year's accounts, expenditure of Rs.69.62 crores was not reconciled at all by 17 of the 46 controlling officers.

(Paragraph 2)

3. Manipur Cycles Corporation Limited

Manipur Cycles Corporation was originally promoted as a Public Limited Company in March 1985. It was subsequently converted into a Government Company in December 1988. A review of setting up and the performance of the Corporation during 1986-87 to 1992-93 was conducted in audit during February-March 1993. Some of the important observations are as under :

- (i) Government invested Rs. 15 lakhs in a Public Limited Company up to January 1988, set up by 7 officers in their individual capacity, in the form of equity participation without examining its legal status and viability of the project.
- (ii) Despite clear advice from the Planning Commission and a reputed manufacturer of bicycles that the project with the proposed capacity of 30,000 bicycles per annum was not viable, the Company did not prepare any feasibility report.
- (iii) It was incorporated as Public Sector Company and investment made without formulating a clear industrial policy and sectoral prioritisation.
- (iv) The accounts for the years 1991-92 and 1992-93 were yet to be finalised. As against the paid up capital of Rs. 48.80 lakhs on 31 March 1993, the Company's accumulated loss of Rs.1.90 lakhs at the end of 1986-87, increased to Rs.24.29 lakhs at the end of 1990-91. The company had suffered losses ranging from Rs.0.79 lakh to Rs.7.49 lakhs during the period 1986-87 to 1990-91.
- (v) Cumulative value of plant and machinery installed since 1988-89 stood at Rs.10.11 lakhs against the total value of plant and machinery of Rs.24.67 lakhs included in the project report. The entire installed plant and machinery almost remained idle.

- (vi) The Company produced a total of only 121 bicycles during the 3 years - 1990-91 to 1992-93 against the projected capacity of 30,000 bicycle per annum. The cost of production per bicycle worked out to Rs.29,685.
- (vii) Neither did the management of the Company or the Government undertake any review to improve the health of the Company or reduce the fixed costs.

(Paragraph 8.5)

4. Vocationalisation of Secondary Education

As a follow-up to the National Policy of Education 1986, Government of India introduced a Centrally sponsored scheme 'Vocationalisation of Secondary Education' with a view to providing diversification of educational opportunities to enhance the individual employability, reduce the mismatch between demand and supply of skilled manpower and to provide an alternative to those pursuing higher education. The Scheme was taken up for implementation in the State in the year 1987-88. Review of the scheme taken up in Manipur in 1987-88 revealed, *inter alia*, the following :

- (i) Against the target set by the Government of India to cover at least 10 *per cent* of the student population at the plus 2 stage by 1990 and up to 25 *per cent* by 1995, the courses were not functional in any of the 19 schools selected in the State until June 1993, even after spending Rs.49 lakhs in the five years since the scheme was taken up.
- (ii) 63 *per cent* of the expenditure incurred was on account of payment of advance for construction of worksheds in the schools and 24 *per cent* were utilised on pay and allowances of the staff engaged in SCERT on short term appointment on consolidated salary basis, which was far in excess of the norms prescribed by the Government of India.
- (iii) No comprehensive planning with a view to achieving the targets for coverage of the student population under the vocational stream was made.
- (iv) The organisational structure envisaged in the scheme was not set up. The Education Department did not provide administrative leadership in planning and implementation of the scheme by setting up the State Council of Vocational Education. The implementation of the scheme was entrusted to the State Council of Educational Research and Training. It did not have administrative control over the schools and authority for introduction of courses, for issue of directive to the State Board of Secondary Education, creation of posts and appointment of teachers of the vocational stream in the selected schools.
- (v) The schools for introduction of vocational courses were selected without comprehensive vocational survey, which was conducted in only two out of eight districts.

(Paragraph 3.1)

5. Liberation of Scavengers

A Centrally Sponsored Scheme for 'Liberation of Scavengers' was undertaken in the State in 1987-88. The objective of the scheme was to eradicate the age-old practice of carriage of night soil and manual cleaning of dry pit latrines, mostly by people belonging to the Scheduled Caste. Review of implementation of the scheme undertaken in audit during March-April 1993 revealed, *inter alia*, the following :

- (i) The scheme was undertaken without a comprehensive survey to estimate the actual number of scavengers engaged in carriage of night soil or manual cleaning of dry pit latrines in the urban areas. In the 1981 census, not even one person was shown as engaged in this profession in the State.
- (ii) The implementation of the programme was entrusted to the Chief Engineer PHED. The Social Welfare Department, which is entrusted with the welfare of the Scheduled Caste was not associated with the scheme. The entire emphasis in the programme was only conversion of dry latrines into pour flush ones. The main objectives of the programme i.e. liberation and rehabilitation of the scavengers and their families were lost sight of.
- (iii) In 6 years since the scheme was taken up, only 463 latrines were converted into pour flush ones at a total expenditure of Rs.21.60 lakhs. The expenditure for conversion of each latrine worked out to Rs.4,665 as against the estimated cost of Rs.2,470 per unit.

(Paragraph 4.2)

6. Intensive Cattle Development Project

The Government undertook an 'Intensive Cattle Development Project' with the objective of achieving a breakthrough in milk production through cross-breeding of cows/she-buffaloes, artificial insemination, disease control, animal health care *etc.* Review of working of the project in audit for the period 1988-89 to 1992-93 revealed, *inter alia*, the following :

- (i) As against 1.51 lakhs artificial insemination required to be performed annually to cover all breedable cows for controlled breeding, only 6084 artificial inseminations were carried out per year.
- (ii) Only 4,804 castrations of young male stock out of a total population of 61,364 was conducted during the five year period affecting the controlled breeding programme adversely.
- (iii) Out of the cows artificially inseminated, the success rate of calving was very low (between 13 to 29 *per cent*).
- (iv) The expenditure of Rs.165.22 lakhs incurred during 1986-87 to 1992-93 on Frozen Semen Technology Scheme is yet to prove fruitful as the Scheme has been partially implemented.

- (v) The Department had not worked out the impact of the programme on milk production.
- (vi) Employment of excess staff resulted in extra expenditure of Rs.165.55 lakhs.

(Paragraph 3.3)

7. Central Rural Sanitation Programme

Centrally Sponsored Rural Sanitation Programme was taken up in the State from 1986-87, with a view to accelerating provision of sanitation facilities to the rural population, upholding privacy and dignity of women and young girls and providing training and increasing health awareness, specially among rural women. Shortcomings noticed during audit review of planning and implementation of this programme are indicated below :

- (i) Only 2,147 latrines were constructed in a period of six years covering only one per cent of the rural population leaving only 2 years period to achieve the target of remaining 9 *per cent* coverage. No annual action plans indicating number of latrines to be constructed were prepared by the Government, nor any comprehensive plan to assess the magnitude of task was prepared.
- (ii) No programme for training and health education was undertaken.
- (iii) There was no evidence to show that inspections/ field visits were undertaken to ensure proper upkeep, maintenance and use of the facilities constructed under this programme.

(Paragraph 4.1)

8. Manipur Spinning Mills Corporation Ltd.

The company was incorporated in March 1974. As per the project report of 1976, 25,000 spindles were to be installed in stages by January 1977 at a cost of Rs.53.00 lakhs. This was reduced to 13,192 spindles in December, 1982 at a total cost of Rs.426.33 lakhs.

- (i) The finalisation of the accounts of the Company was in arrears since 1981-82.
- (ii) The accumulated losses of the Company increased from Rs. 282.08 lakhs at the end of 1987-88 to Rs.602.03 lakhs at the end of 1991-92, which was over 65 *per cent* of the total paid up capital of Rs.919.05 lakhs.
- (iii) Only 16,416 spindles were installed during 10 years from 1977-78 to 1986-87 whose cost of installation could not be provided by the management.
- (iv) The consumption of raw materials as percentage of production varied widely from 34.07 *per cent* to 69.55 *per cent*. However, in one year it was 1.39 times higher than the value of production. The value added in production during 1987-88 to 1989-90 did not even cover the labour wages and salary of supervisory staff.

Utilisation of the spinning capacity ranged between 10.92 *per cent* and 60.18 *per cent* only during the period 1988-89 to 1991-92. The loss of production due to shortfall in capacity utilisation was 62 lakhs kgs of yarn valued at Rs.2356.12 lakhs.

- (v) As against the expected spindle productivity of 124 gm yarn per spindle shift, actual production varied between 39 gm to 59 gm per spindle shift which was 32 to 48 *per cent* of the norms envisaged in the project report, indicating a very low level of operational efficiency. The shortfall in production on account of low operational productivity was 21.38 lakhs kg. of yarn valued at Rs.757.20 lakhs at the average sale price. As against the *pro rata* requirement of supervisory staff of 62 on the basis of the project report, and direct labour @ 14 per 1000 spindles, the Corporation employed excess supervisory staff and workers ranging between 80 to 105 and 31 to 361, respectively. The expenditure on excess staff amounted to Rs.118.40 lakhs during the five years.
- (vi) As against the productivity of 8.85 kgs of yarn per shift, the actual production was very low and varied between 0.45 kg to 1.04 kg which was between 5.05 to 11.71 *per cent* of the norms.
- (vii) The Company did not maintain cost records and did not prepare annual cost accounts as required under the cost accounting records (Cotton Textiles Rules, 1979).
- (viii) As a result of failure of the Company to lift its allotment of cotton in time, under the revolving credit system with Cotton Corporation of India Limited, it paid avoidable carrying charges in the nature of godown charges of Rs. 37.33 lakhs.

(Paragraph 8.6)

9. Internal controls in respect of Registration of Dealers, Assessment and Collection of Sales Tax.

- (i) Non-maintenance of comprehensive register in regard to survey resulted in non-detection of unregistered dealers.
- (ii) The Department did not prescribe any time limit for completion of assessment by the designated officers. Assessment in 14,443 cases out of 16,843 was not completed as on 31 March 1993.
- (iii) No effective steps were taken to assess 56 dealers involving tax and penalty of Rs.4.45 lakhs.
- (iv) 9 dealers evaded taxes of Rs.2.28 lakhs due to non-maintenance of Goods Movement Register in check post.
- (v) Non-initiation of penal proceedings resulted in non-imposition of penalty of Rs.3.42 lakhs.

- (vi) No effective steps were taken for realisation of arrears of Rs.39.17 lakhs in respect of 61 dealers.
- (vii) Non-reconciliation between treasury and Superintendent's office/delay in crediting cheques to Government account resulted in non-verification of the correctness of the amounts credited into Government account.
- (viii) No internal audit system had been introduced in the Department.

(Paragraph 7.8)

10. Collection of water rates by Public Health Engineering Department

- (i) 2,732 defaulting consumers escaped penal action and an amount of Rs.29.46 lakhs was outstanding against them as on 31st March 1993.
- (ii) There were discrepancies of figures of arrears as reported by the Imphal Water Supply Maintenance Division of Rs.54.19 lakhs and Chief Engineer's figures of Rs.42.20 lakhs.

(Paragraph 7.14)

11. Other points of interest

- (a) Under the International Year of Shelter for the Homeless (IYSH) Programme 1987, Planning and Development Authority, Imphal constructed 100 houses in October 1988 at cost of Rs.23.02 lakhs for providing them to shelterless families on hire-purchase basis. The cost was to be recovered in 20 instalments of Rs.1,931 per annum. Beneficiaries from the target group were not identified and agreements got executed before taking up construction. As a result not a single person turned up for allotment of the houses. The Department accepted the facts and stated that there were hardly any shelterless persons existed in the State, and the objective of the programme could not be achieved. The expenditure of Rs.23.02 lakhs on construction of the houses thus rendered unfruitful.

(Paragraph 3.6)

- (b) Construction of rearing, nursery and stocking ponds and office-cum-godowns at an estimated cost of Rs.1.77 lakhs was undertaken by the Fisheries Department in Molhoi village of Senapati District for propagation of cold water fisheries, even before registering the land on which the constructions were undertaken. However, unresolved dispute with the landowners about employment of their family members on the farm led to stoppage of work. Besides, the Public Works Department constructed ponds of specifications which were different from those provided by the Fisheries Department, rendering them unfit for hatchery and nursery purposes. Fisheries Department had not conducted periodic inspections to ensure that construction was as per the specifications. The expenditure of Rs.2.55 lakhs incurred on this project remained blocked.

(Paragraph 3.7)

- (c) Test-check revealed that the Public Works Department failed to recover the excess cost of Rs.7.07 lakhs as a result of rescission of contract in two cases.

(Paragraph 4.3)

- (d) The Public Works Department failed to recover the penalty from contractors for non-employment of technically qualified personnel by them in 31 works executed in Senapati and Ukhrul Divisions inspite of specific condition in the contract agreements and recommendation of the Public Accounts Committee in its 14th Report published in 1987. This resulted in a loss of Rs.10.86 lakhs.

Similarly Irrigation and Flood Control Department (Khuga Canal Division No.I) had not recovered penalty from contractors resulting in a loss of Rs.15.38 lakhs.

(Paragraphs 4.4 and 4.6)

- (e) Khuga Canal Division No.I under Irrigation and Flood Control Department failed to recover hire charges from contractors for supply of departmental machinery to them resulting in a loss of Rs.3.05 lakhs, inspite of the specific recommendation of the Public Accounts Committee in its 13th Report published in 1986.

(Paragraph 4.5)

- (f) Non-preferment of claims by Public Works Department and Planning and Development Authority towards reimbursement of freight charges for transportation of steel resulted in a loss of Rs.1.52 lakhs and Rs.0.70 lakh respectively.

(Paragraphs 5.2 and 6.5)

- (g) Rupees 1.57 lakhs and Rs.2.15 lakhs provided under Centrally sponsored scheme 'Jawahar Rozgar Yojana' in Tamenglong and Ukhrul districts respectively were used for purchase of furniture, curtains, utensils, computer, ambassador car, other equipment and carpets. The funds were meant for generating additional gainful employment for unemployed people below poverty line in rural areas. The expenditure of Rs.3.72 lakhs did not contribute to meeting the objectives of the scheme and were unauthorised.

(Paragraph 6.4)

- (h) In Tengnoupal Forest Division, 8 officials did not deposit royalty, Sales Tax etc. amounting to Rs.11.73 lakhs (April 1994) collected during June 1991 to June 1993 into Government account. In addition, interest was recoverable.

(Paragraph 7.15)

- (i) Arbitrary settlement of clove mahal and lack of prompt action in communication of orders of the Principal Chief Conservator of Forests resulted in loss of revenue of Rs.64.62 lakhs.

(Paragraph 7.16)

- (j) Water rates of Rs.34.76 lakhs were due from the farmers served by Imphal and Sekmai Barrages as on 31 March 1993. Of this only Rs.2.43 lakhs were demanded from the beneficiaries against which only Rs.0.48 lakh was collected.

(Paragraph 7.19)

- (k) Professional Tax amounting to Rs.4.01 lakhs was not realised from the employees of two Autonomous District Councils.

(Paragraph 7.9)

CHAPTER I

ACCOUNTS OF THE STATE GOVERNMENT

1.1 Summarised Financial Position

The summarised financial position of the Government of Manipur as on 31st March 1993 emerging from the Appropriation Accounts and the Finance Accounts for the year 1992-93, the abstract of receipts and disbursements for the year and details of the sources and application of funds are presented in the following statements.

Statement I

Summarised financial position of the
Government of Manipur as on 31st March 1993

Amount as on 31st March 1992	Liabilities	Amount as on 31st March 1993
(1)	(2)	(3)
(Rupees in crores)		(Rupees in crores)
146.99	Internal Debt -	166.75
89.61	Market loans bearing interest	101.61
0.01	Market loans not bearing interest	0.01
4.43	Loans from the Life Insurance Corporation of India	4.64
45.65	Loans from other institutions, <i>etc.</i>	53.27
7.29	Ways and Means Advances from the Reserve Bank of India (excluding overdrafts)	7.22
184.39	Loans and Advances from the Central Government-	177.10
55.70	Pre-1984-85 Loans	47.19
61.66	Non-Plan Loans	55.44
57.40	Loans for State Plan Schemes	63.68
5.47	Loans for Centrally Sponsored Plan Schemes/Central Plan Schemes	6.64
3.65	Schemes of North Eastern Council	3.64
0.51	Ways and Means Advances from the Government of India	0.51
93.26	Small Savings, Provident Funds, <i>etc.</i>	114.75
52.35	Deposits	64.50
1.92	Advances	2.08
22.92	Overdrafts from the Reserve Bank of India	3.51
0.98	Reserve Funds	1.98
632.51	Surplus on Government Account-	733.88
	Revenue Surplus on 31st March 1992	632.51
	Add Revenue Surplus for 1992-93	101.38
	Miscellaneous Government Accounts	(-)0.01
----- 1135.32 -----	Total	----- 1264.55 -----

Amount as on 31st March 1992	Assets	Amount as on 31st March 1993
(1)	(2)	(3)
(Rupees in crores)		(Rupees in crores)
1075.12	Gross Capital Outlay on fixed assets-	1174.85
51.41	Investment in shares of Companies, Corporations, etc.	55.15
1023.71	Other Capital Outlay	1119.70
30.59	Loans and Advances -	31.21
21.69	Other Development Loans	23.42
8.90	Loans to Government Servants and Miscellaneous Loans	7.79
	Suspense and Miscellaneous balances	
54.32	Other Items (Net)	57.67
25.78	Remittance balances	58.84
(-)50.49	Cash balance-	(-)58.02
8.61	Cash in Treasuries	8.62
(-)62.63	Deposits with the Reserve Bank of India	(-)70.42
2.43	Cash Balance Investment	2.43
1.10	Departmental Cash Balance including Permanent Advance	1.35
----- 1135.32 -----	Total	----- 1264.55 -----

Statement II
Abstract of Receipts and Disbursements for the year 1992-93
SECTION A-REVENUE

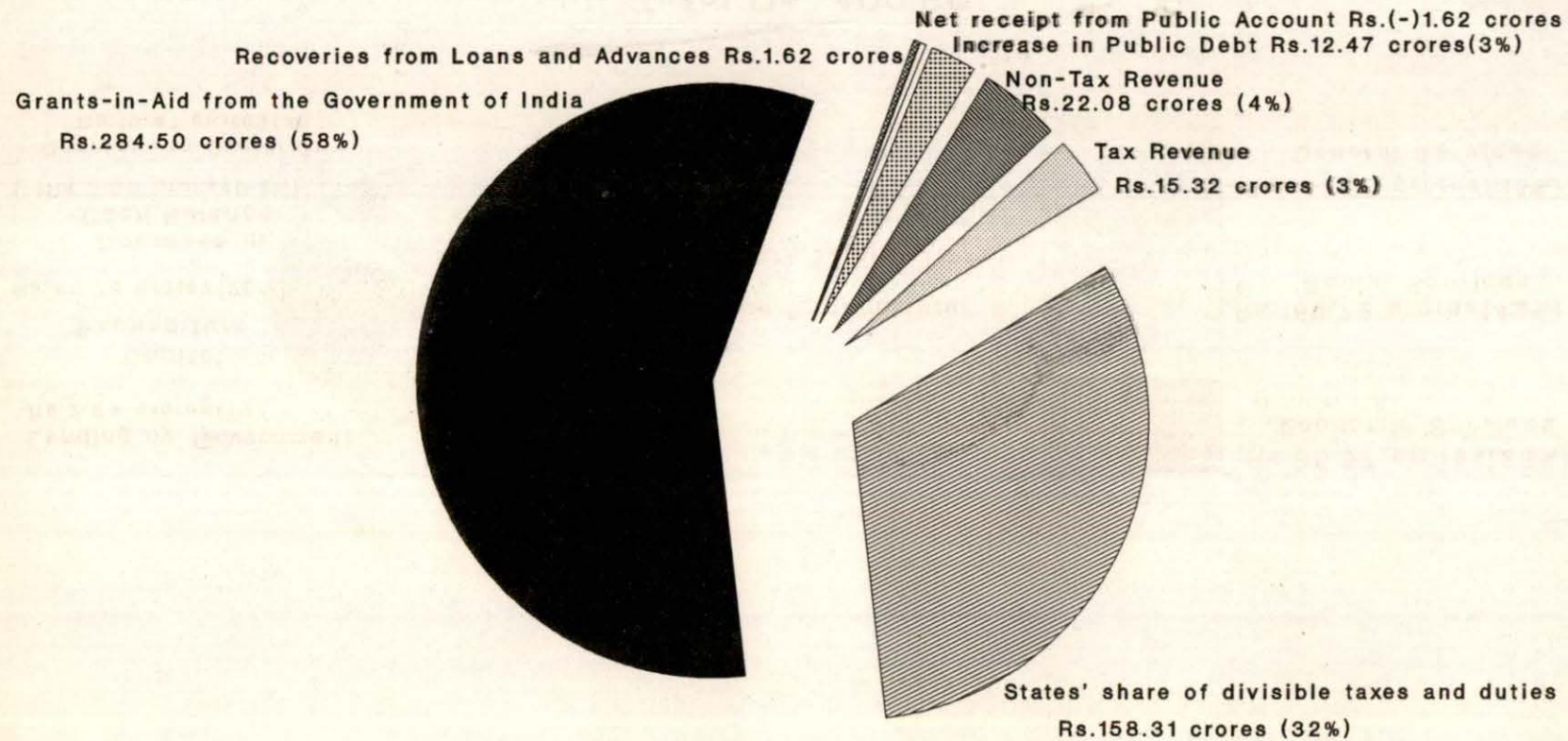
Receipts (Rupees in crores)		Disbursements (Rupees in crores)			
I. <u>Revenue Receipts</u>	480.22	I. <u>Revenue Expenditure</u>	378.84		
		<u>Sector</u> <u>Non-Plan</u> <u>Plan</u> <u>Total</u>			
(i) Tax Revenue	15.32	(i) General			
		Services	129.79	2.76	132.55
(ii) Non-Tax Revenue	22.08	(ii) Social			
		Services	112.46	48.26	160.72
(iii) State's share of Union taxes and duties-Taxes on Income other than Corporation Tax	10.28	(iii) Agriculture and Allied Activities	15.04	22.48	37.52
Union Excise Duties	148.04	(iv) Rural Development	1.85	6.87	8.72
(iv) Non-Plan Grants	75.58	(v) Special Areas Programmes	--	0.50	0.50
(v) Grants for State Plan Schemes	180.21	(vi) Irrigation and Flood Control	7.17	1.49	8.66
(vi) Grants for Central and Centrally Sponsored Plan Schemes	23.11	(vii) Energy	5.52	0.42	5.94
(vii) Grants for Special Plan Schemes for North Eastern Council	5.60	(viii) Industry & Minerals	4.76	4.25	9.01
		(ix) Transport	2.29	7.51	9.80
		(x) Science, Technology & Environment	--	0.83	0.83
		(xi) General Economic Services	2.59	2.00	4.59
		-----	281.47	97.37	378.84
		II. Revenue Surplus carried over to Section-B			101.38
Total	----- 480.22 -----	Total	----- 480.22 -----		

SECTION B - OTHERS

Receipts		Disbursements			
(Rupees in crores)		(Rupees in crores)			
II. Opening Cash Balance including Permanent Advances, Cash Balance Investment and Departmental cash balance	(-)50.49	III. Opening overdraft from the Reserve Bank of India			22.92
III. Revenue surplus brought down	101.38	IV. Capital Outlay-			99.73
		<u>Sector</u>	<u>Non-Plan</u>	<u>Plan</u>	<u>Total</u>
		(i) General Services	--	2.99	2.99
		(ii) Social Services	--	17.55	17.55
		(iii) Agriculture and Allied Activities	(-)0.89	5.01	4.12
		(iv) Special Areas Programmes	--	4.74	4.74
		(v) Irrigation and Flood Control	--	22.95	22.95
		(vi) Energy	--	30.66	30.66
		(vii) Industry and Minerals	--	1.79	1.79
		(viii) Transport	--	14.65	14.65
		(ix) General Economic Services	--	0.28	0.28
			(-)0.89	100.62	99.73
IV. Recoveries of Loans and Advances-	1.62	V. Loans and Advances disbursed-			2.24
(i) From Government servants	1.41	(i) To Government servants	0.30		
(ii) From others	0.21	(ii) To others	1.94		
V. Public Debt Receipts-	143.60	VI. Repayment of Public Debt-			131.13
(i) Internal Debt other than Ways and Means Advances	24.33	(i) Internal Debt other than Ways and Means Advances	4.50		
(ii) Ways and Means Advances	61.17	(ii) Ways and Means Advances	61.24		
(iii) Loans and Advances from the Central Government	58.10	(iii) Repayment of Loans and Advances to the Central Government	65.39		

Receipts		Disbursements	
(Rupees in crores)		(Rupees in crores)	
VI. Public Account Receipts-	267.57	VII. Public Account Disbursements-	269.19
(i) Small Savings, Provident Funds, etc.	37.33	(i) Small Savings, Provident Funds, etc.	15.84
(ii) Reserve Funds	1.00	(ii) Reserve Funds	--
(iii) Suspense	13.63	(iii) Suspense	16.98
(iv) Remittances	184.02	(iv) Remittances	217.08
(v) Deposits and Advances	31.59	(v) Deposits and Advances	19.28
		(vi) Miscellaneous Government Accounts	0.01
VII. Closing Overdraft from Reserve Bank of India	3.51	VIII. Cash Balance at end-	(-) 58.02
		(i) Cash in Treasuries	8.62
		(ii) Deposit with the Reserve Bank of India	(-) 70.42
		(iii) Cash Balance Investment	2.43
		(iv) Departmental Cash Balance including Permanent Advance	1.35
Total	467.19	Total	467.19

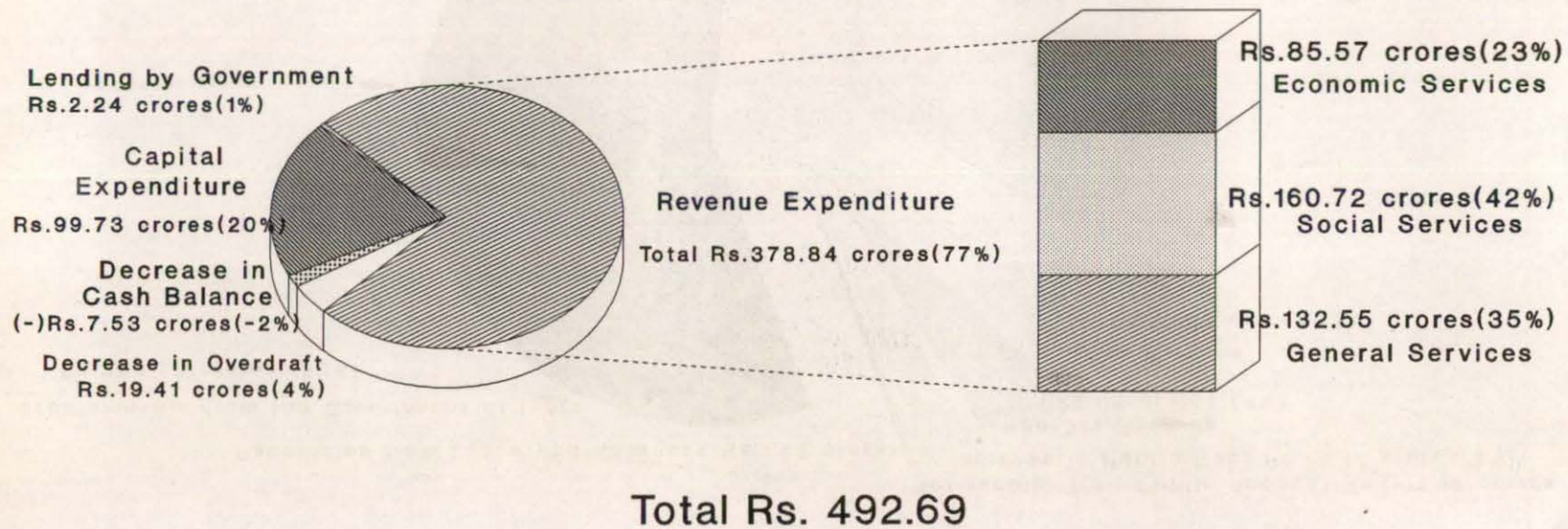
SOURCES OF FUNDS OF THE STATE : 1992-93



Total Rs.492.69 crores

APPLICATION OF FUNDS OF THE STATE

APPLICATION OF FUNDS OF THE STATE (1992-93)



SOURCES OF FUNDS OF THE STATE - 1992-93

Statement III

Sources and application of funds for 1992-93

Sources		Application	
(Rupees in crores)		(Rupees in crores)	
1. Revenue Receipts	480.22	1. Revenue Expenditure	378.84
2. Recoveries from Loans and Advances	1.62	2. Lending for Development and other purposes	2.24
3. Increase in Public Debt	12.47	3. Capital expenditure	99.73
4. Net receipts from Public Account -	(-) 1.62	4. Decrease in cash balance including permanent advances, departmental cash balance and cash balance investment	(-) 7.53
Increase in Small Savings, Provident Funds, etc.	21.49	5. Decrease in overdraft	19.41
Increase in Reserve Funds	1.00		
Increase in Deposits and Advances	12.31		
Effect of Suspense and Miscellaneous Balance	(-)3.36		
Effect on Remittance Balance	(-)33.06		
Total	492.69	Total	492.69

EXPLANATORY NOTES

1. The summarised financial statements are based on the statements of the Finance Accounts and the Appropriation Accounts of the State Government and are subject to the notes and explanations contained therein.

2. Government accounts being mainly on cash basis, the revenue surplus has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures, *etc.* do not figure in the accounts.

3. Although a part of the revenue expenditure (grants) and the loans advanced are used for capital formation by the recipients, its classification in the accounts of the State Government remain unaffected by end use.

4. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that the cumulative position of such surplus or deficit is not ascertainable. The balancing figure of Rs.174.81 crores as on 31st March 1983 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1983-84 which took the place of a balance sheet.

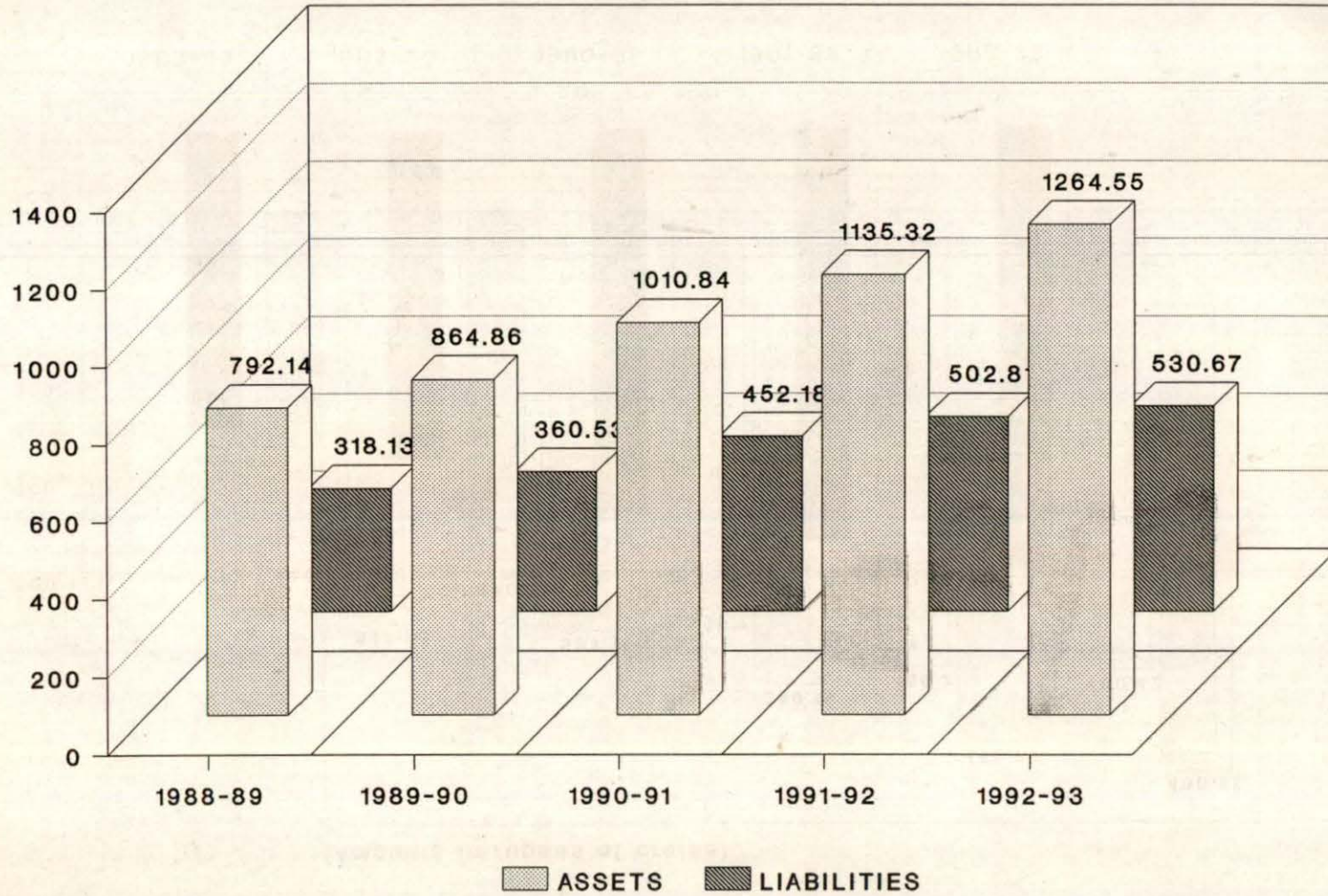
5. Suspense and Miscellaneous Balances include cheques issued but not paid, payments made on behalf of States and other pending settlements, *etc.* The balances under Suspense and Miscellaneous had increased from Rs.54.32 crores as on 31st March 1992 to Rs.57.67 crores as on 31st March 1993.

6. The closing cash balance according to the Reserve Bank of India was Rs.55.57 crores (credit) as against the cash balance of Rs.70.42 crores (credit) shown in these accounts. The difference is on account of less adjustment by the Reserve Bank of India (Rs.25.73 crores : net credit), adjustment of shortfall/overdraft (Rs.3.51 crores : debit). Balance difference (Rs.7.37 crores : debit) is under reconciliation.

Based on the foregoing statements and other supporting data, the following paragraphs present an analysis of the management of the finances of the State Government during 1992-93 in juxtaposition to the position obtaining in the preceding four years.

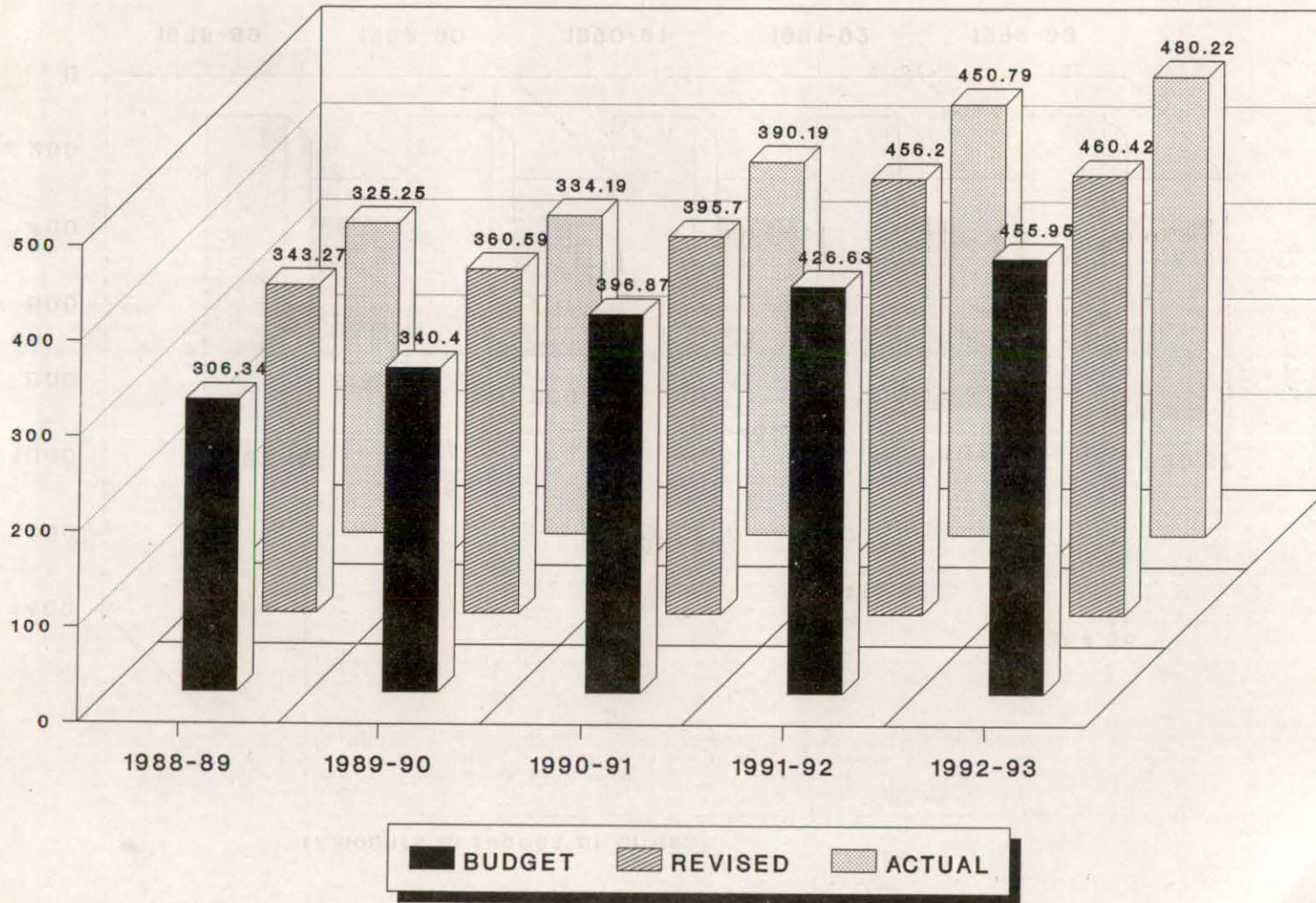
ASSETS AND LIABILITIES OF THE STATE

(Amounts in rupees of crores)



REVENUE RECEIPTS

(Amounts in rupees of crores)



1.2 Assets and Liabilities of the State

The total assets, comprising capital investments and loans advanced, and the total liabilities of the State Government during the five-year period from 1988-89 to 1992-93 were as follows :

At the end of	Assets	Liabilities
(Rupees in crores)		
1988-89	792.14	318.13
1989-90	864.86	360.53
1990-91	1,010.84	452.18
1991-92	1,135.32	502.81
1992-93	1,264.55	530.67

While the assets increased by 60 *per cent* over the period of four years, the liabilities had increased by 67 *per cent* during the same period.

1.3 Revenue Receipts

The revenue receipts during the five-year period from 1988-89 to 1992-93 were as follows :

Year	Budget estimates	Revised estimates	Actual amount	Percentage of growth over the previous year
(Rupees in crores)				
1988-89	306.34	343.27	325.25	14
1989-90	340.40	360.59	334.19	3
1990-91	396.87	395.70	390.19	17
1991-92	426.63	456.20	450.79	16
1992-93	455.95	460.42	480.22	7

The position of revenues raised by the State Government and of the State's share of Union taxes and duties and grants received from the Government of India was as follows :

	1988-89	1989-90	1990-91	1991-92	1992-93
	(Rupees in crores)				
I. Revenues raised by the State Government-					
(a) Tax Revenue	11.99	13.12	12.46	14.35	15.32
(b) Non-Tax Revenue	<u>22.06</u>	<u>20.60</u>	<u>19.67</u>	<u>21.74</u>	<u>22.08</u>
	<u>34.05</u>	<u>33.72</u>	<u>32.13</u>	<u>36.09</u>	<u>37.40</u>
II. Receipts from the Government of India-					
(a) State's share of Union Taxes and Duties	102.62	81.86	113.24	132.64	158.32
(b) Grants-in-aid	<u>188.58</u>	<u>218.61</u>	<u>244.82</u>	<u>282.06</u>	<u>284.50</u>
	<u>291.20</u>	<u>300.47</u>	<u>358.06</u>	<u>414.70</u>	<u>442.82</u>
III. Total Receipts of the State Government					
(Revenue Account)	325.25	334.19	390.19	450.79	480.22
IV. Percentage of revenue raised by the State Government to total receipts	10.47	10.09	8.23	8.01	7.79

There had been a gradual decline in the percentage of revenues raised by Government to the total receipts since 1988-89.

1.4 Tax Revenue

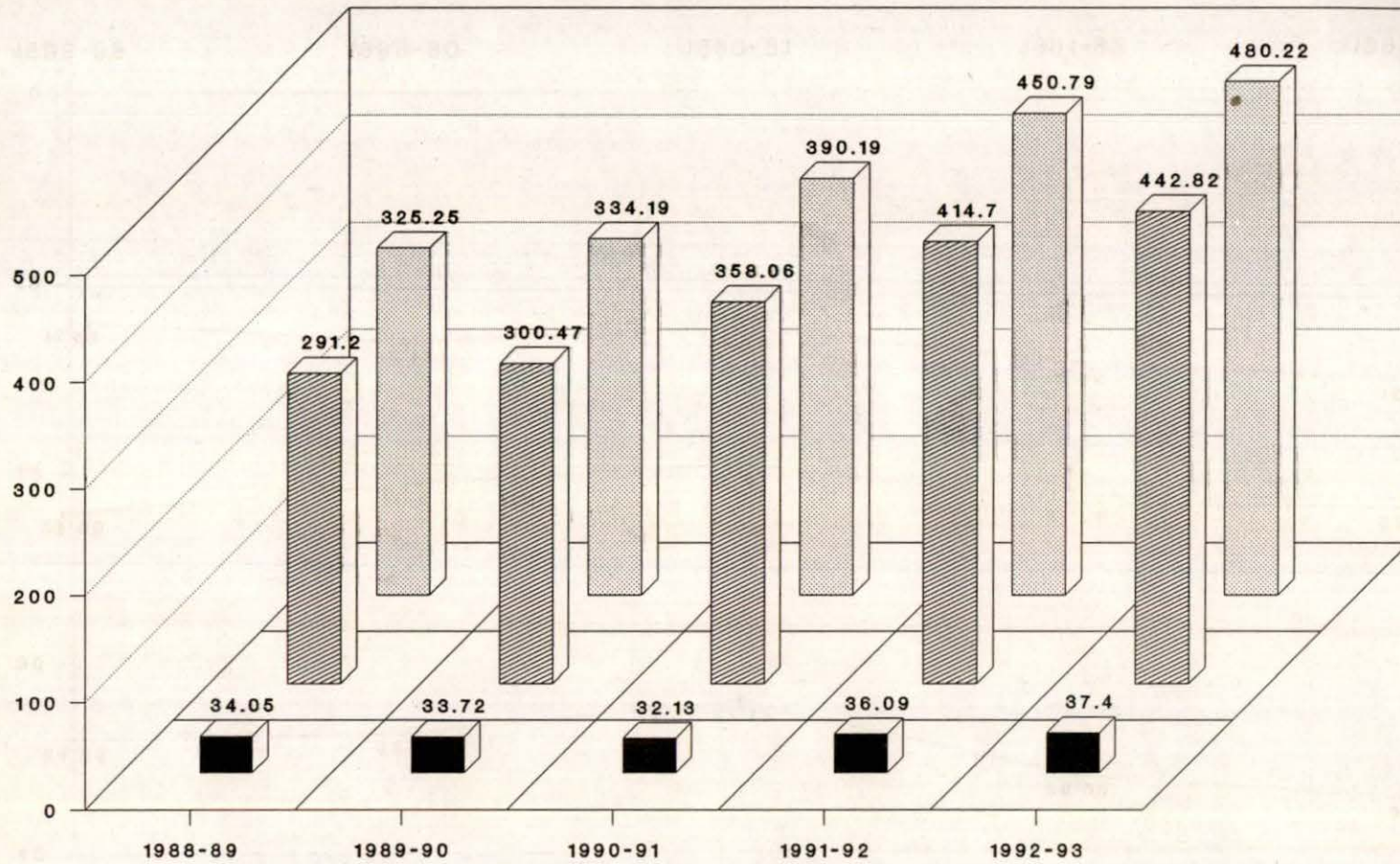
The growth of tax revenue raised by the State Government during the five-year period from 1988-89 to 1992-93 was as indicated in the following table:

Year	Tax Revenue	Percentage of growth over previous year
(Rupees in crores)		
1988-89	11.99	9
1989-90	13.12	10
1990-91	12.46	(-) 5
1991-92	14.35	15
1992-93	15.32	7

The reduction in percentage of growth of tax revenue raised by the State Government during 1992-93 in comparison to the previous year was attributed to introduction of prohibition in the State during 1990-91 and less receipts under taxes and

BREAK-UP OF REVENUE RECEIPTS

Amounts in rupees of crores

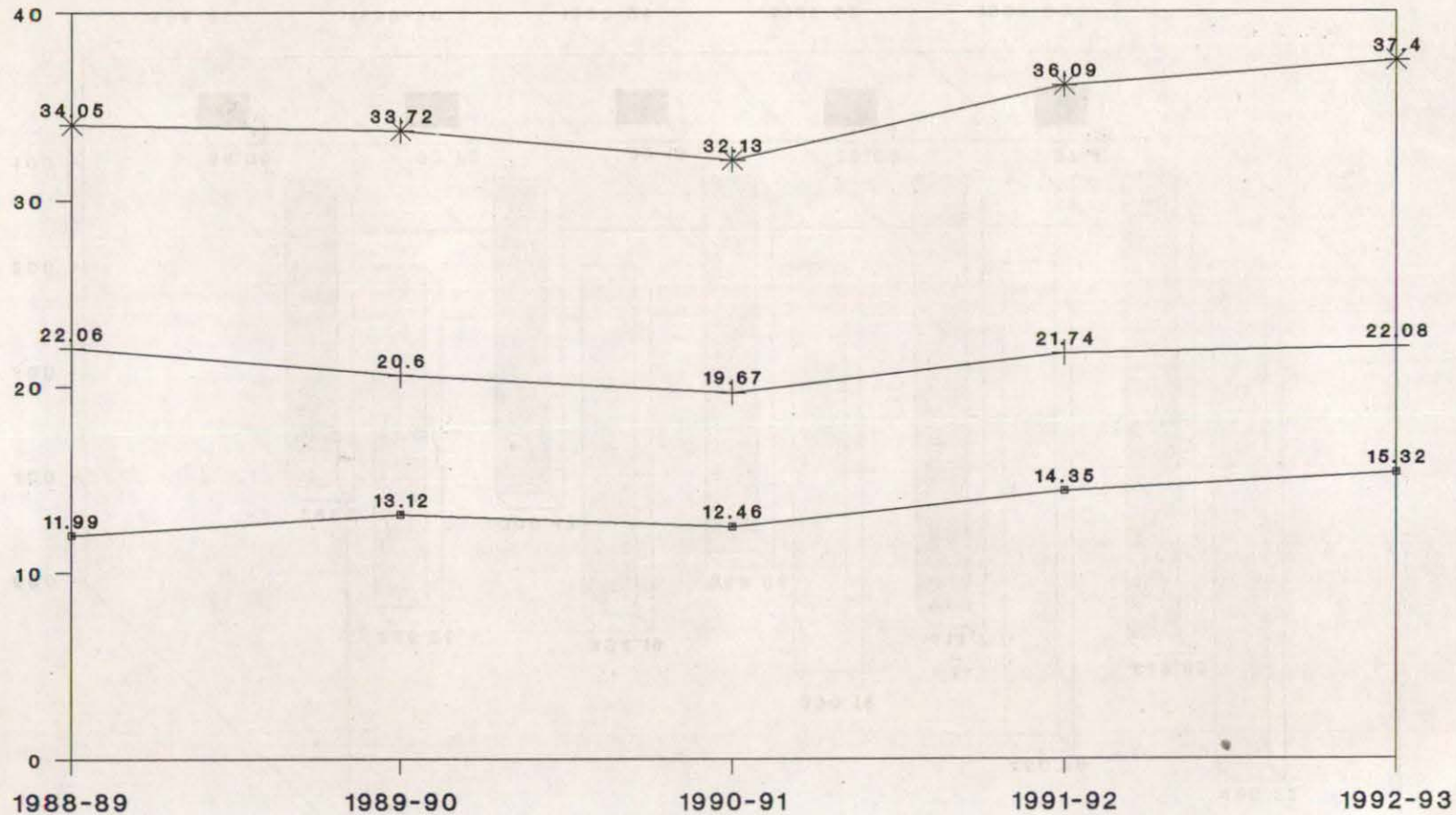


■ Rev. Raised by State ▨ Receipts from GOI ▤ Total Receipts

• Revenue ** Government of India

REVENUE RAISED BY STATE GOVERNMENT

(Amounts in rupees of crores)



—■— Tax Revenue + Non-Tax Revenue * Total Revenue

duties on Electricity and taxes on Vehicles despite increase in collection of taxes under other heads as indicated in the succeeding sub-paragraph.

The following table contains a broad analysis of the tax revenues raised by the State Government during the period 1988-89 to 1992-93 :

	1988-89	1989-90	1990-91	1991-92	1992-93
	(Rupees in crores)				
Sales Tax	4.00 (33)	4.47 (34)	5.44 (44)	7.76 (54)	7.97 (52)
State Excise	2.14 (19)	2.85 (21)	2.16 (17)	0.47 (3)	0.58 (4)
Taxes on Vehicles	1.44 (12)	1.42 (11)	1.13 (9)	1.41 (10)	1.24 (8)
Stamps and Registration	0.55 (4)	0.79 (6)	0.90 (7)	0.92 (7)	0.95 (6)
Land Revenue	0.63 (5)	0.46 (4)	0.35 (3)	0.48 (3)	0.63 (4)
Taxes and Duties on Electricity	0.90 (7)	0.76 (6)	*	**	***
Other Taxes	2.33 (20)	2.37 (18)	2.48 (20)	3.31 (23)	3.95 (26)
Total	11.99 (100)	13.12 (100)	12.46 (100)	14.35 (100)	15.32 (100)

Figures within parentheses represent percentages.

While the increase in collection of tax revenue during the year 1992-93 in relation to the previous year was due mainly to additional realisations from Sales Tax (Rs.0.21 crore), Other Taxes (Rs.0.64 crore) and Land Revenue (Rs.0.15 crore), the realisations under Taxes on Vehicles declined by Rs.0.17 crore.

* Only Rs. 21,517
 ** Only Rs. 4,021
 *** Only Rs.3,695

1.5 Non-tax Revenue

The growth of non-tax revenue between the period 1988-89 and 1992-93 is indicated in the following table :

Year	Non-tax Revenue	Percentage of growth over the previous year
(Rupees in crores)		
1988-89	22.06	14
1989-90	20.60	(-) 7
1990-91	19.67	(-) 5
1991-92	21.74	11
1992-93	22.08	2

The increase in realisation of non-tax revenue by Rs.0.34 crore during 1992-93 over the previous year was mainly due to more receipt from State Lotteries (Rs.2.70 crores) and Forestry and Wild Life (Rs.1.05 crores) which was off-set by decrease in realisation under Interest Receipts (Rs.1.35 crores), Housing (Rs.1.17 crores) and Other Administrative Services (Rs.0.89 crore).

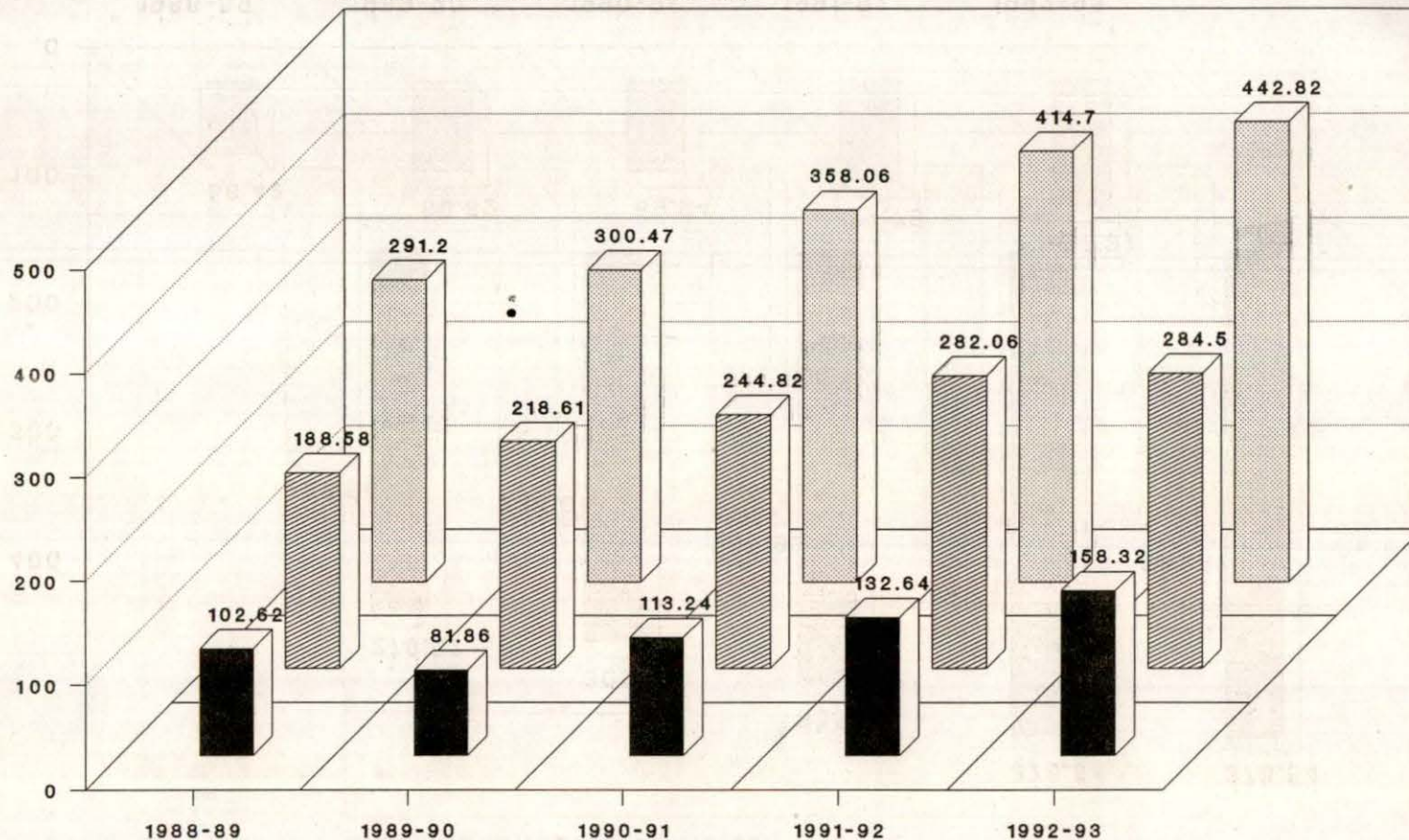
1.6 State's share of divisible taxes/duties and grants received from the Central Government

The aggregate of the State's share of Union Taxes/Duties and Grants-in-aid from the Central Government increased from Rs.291.20 crores in 1988-89 to Rs.442.81 crores in 1992-93. The total receipts from the Central Government during 1992-93 represented 92 *per cent* and 117 *per cent* of the total revenue receipts and revenue expenditure respectively of the State Government. Relevant year-wise details were as follows:

Year	State's share of divisible taxes and duties, etc.	Grants from the Government of India	Total receipts from the Government of India	Percentage of total receipts from the Government of India to total	
				Revenue receipts	Revenue expenditure
(Rupees in crores)					
1988-89	102.62	188.58	291.20	90	104
1989-90	81.86	218.61	300.47	90	99
1990-91	113.24	244.82	358.06	92	107
1991-92	132.64	282.06	414.70	92	110
1992-93	158.32	284.50	442.82	92	117

STATES' SHARE OF DIVISIBLE TAXES/DUTIES AND GRANTS RECEIVED FROM THE CENTRAL GOVERNMENT

(Amounts in rupees of crores)

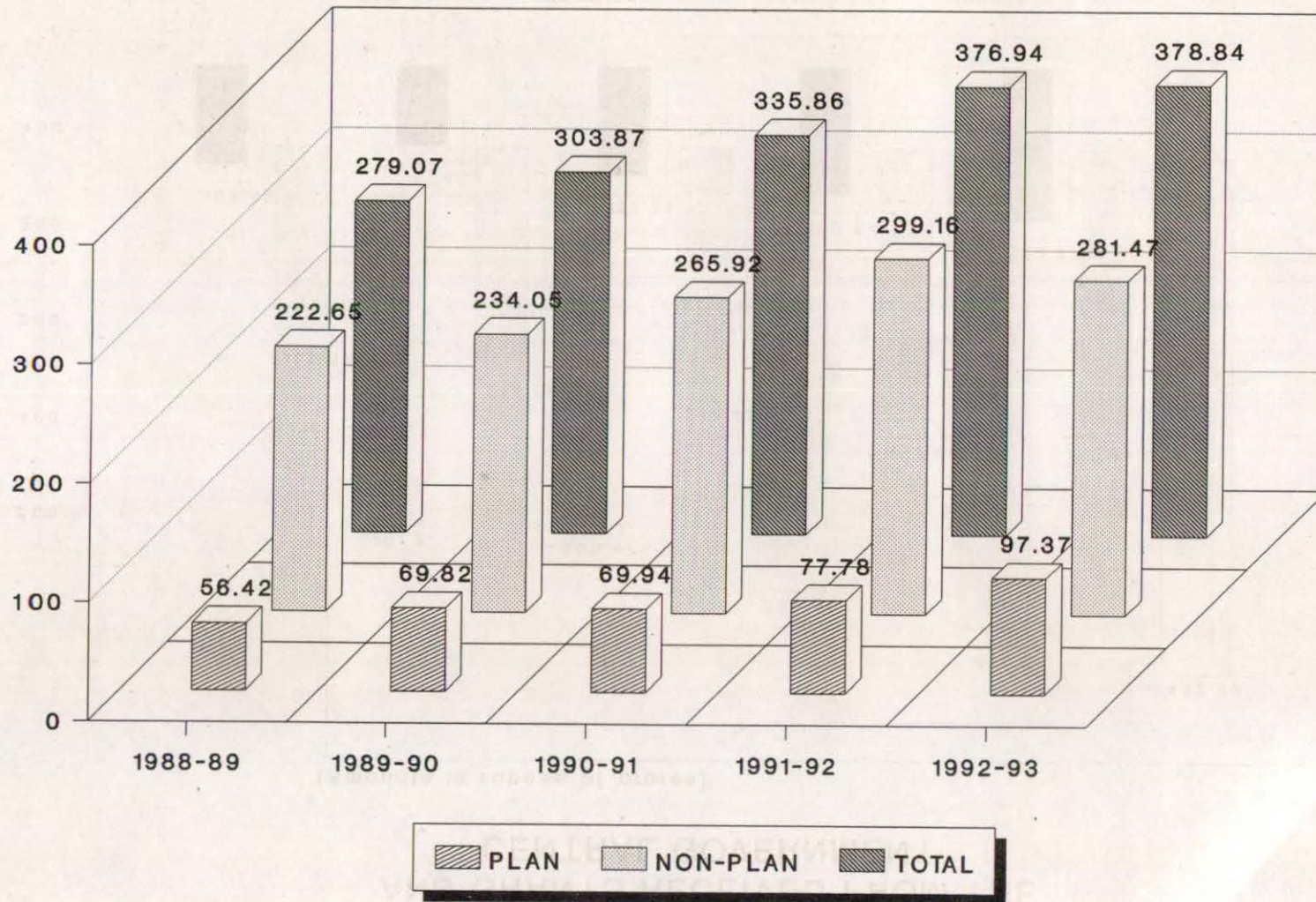


State Share of U.T.*
 Grants from GOI **
 Total

* Union Taxes ** Government of India

GROWTH OF REVENUE EXPENDITURE

(Amounts in rupees of crores)



With effect from 1992-93 the State was allowed to utilise 20 *per cent* of net Central assistance allocated for the Plan for the purposes of partially meeting the non-Plan gap. It utilised Rs.26 crores towards meeting of non-Plan gap during 1992-93 out of the total net Central assistance of Rs.194.70 crores allocated for Plan schemes.

With a view to obviating financial difficulties of the special category States, they were to get additional Central assistance during 1992-93 up to 10 *per cent* of net allocation of Central Plan Assistance for 1992-93 in six instalments from October, 1992. This was subject to condition that in the month preceding, the State was not in overdraft on any single day. The State obtained additional Central Plan Assistance of Rs.3.22 crores in March 1993 for October 1992. The State took overdrafts in all the months from October, 1992 to March 1993. Thus, the additional Central Plan Assistance could not be obtained for five months from November 1992 to March 1993 (Rs.16.10 crores) on account of its failure to fulfil the condition.

The Finance Department stated in May 1994, that the additional Central Plan Assistance could not be availed by it as the State had an opening deficit at the beginning of 1992-93 and therefore overdraft could not be avoided during the period October 1992 to March 1993.

1.7 Revenue Expenditure

(a) The revenue expenditure (both Plan and Non-Plan) in the last five years was as follows:

Year	Revenue Expenditure		
	Plan	Non-Plan	Total
	(Rupees in crores)		
1988-89	56.42	222.65	279.07
1989-90	69.82	234.05	303.87
1990-91	69.94	265.92	335.86
1991-92	77.78	299.16	376.94
1992-93	97.37	281.47	378.84

The revenue expenditure increased from Rs.279.07 crores in 1988-89 to Rs.378.84 crores in 1992-93, representing an increase of 36 *per cent*. The expenditure under non-Plan increased by Rs.58.81 crores (26 *per cent*), while that under Plan by Rs.40.95 crores (73 *per cent*) over this period.

As per decision of the Government of India, Ministry of Finance, Department of Expenditure consequent upon the recommendation of the Rangarajan Committee to suggest durable solutions for financial problems of special category States, the VIIth Plan committed expenditure was treated as Plan expenditure during 1992-93. Thus, a committed expenditure of Rs.22.99 crores, which should have otherwise been charged to non-Plan was treated as Plan expenditure during 1992-93.

(b) Non-Plan Revenue Expenditure

The details of the non-Plan revenue expenditure, other than interest payments, where there had been a significant increase in 1992-93 in relation to 1988-89, are indicated in the following table :

	1988-89	1992-93	Percentage of variation
	(Rupees in crores)		
Pension and other retirement benefits	5.18	18.03	248
General Education	58.53	87.13	49
Police	33.63	42.60	27
Irrigation and Flood Control	5.37	7.17	33

The increase in pension and other retirement benefit was largely due to revision of pension in January 1991.

1.8 Interest payments

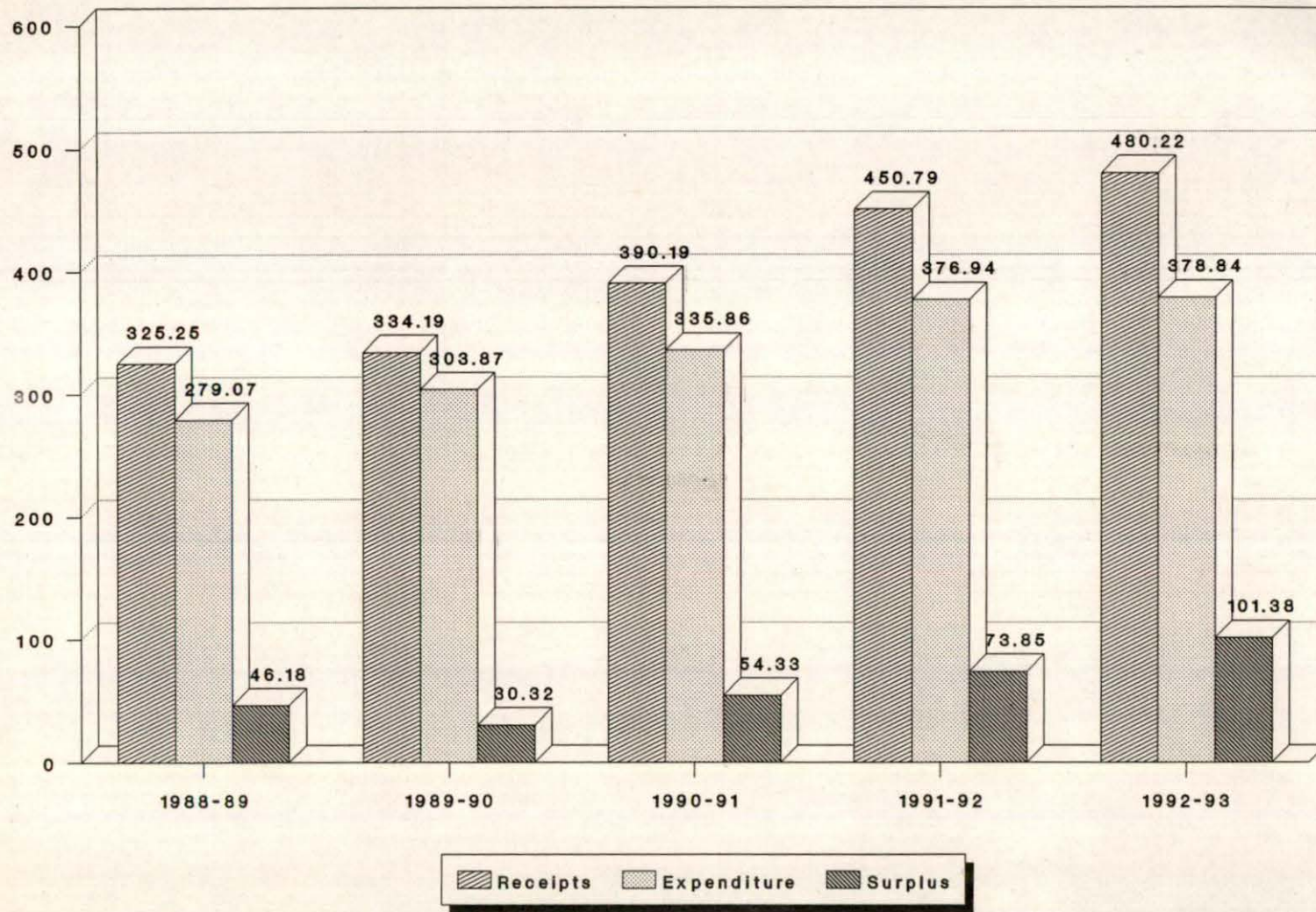
Interest payments (gross) had been increasing progressively during the period 1988-93 as indicated in the following table :

Year	Interest payments	Opening balance of				Percentage Total	of interest payments (Col.2) to total obligations (Col.7)
		Internal debt	Loans and advances from the Central Government	Small Savings, Provident Funds, etc.	Other obligations		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(Rupees in crores)							
1988-89	17.48	66.41	141.02	28.94	2.36	238.73	7
1989-90	22.86	81.59	146.34	53.37	2.36	283.66	8
1990-91	32.07	104.63	157.34	60.84	2.36	325.17	10
1991-92	31.10	136.08	191.55	73.74	2.36	403.73	8
1992-93	44.54	169.91	184.39	93.26	2.36	449.92	10

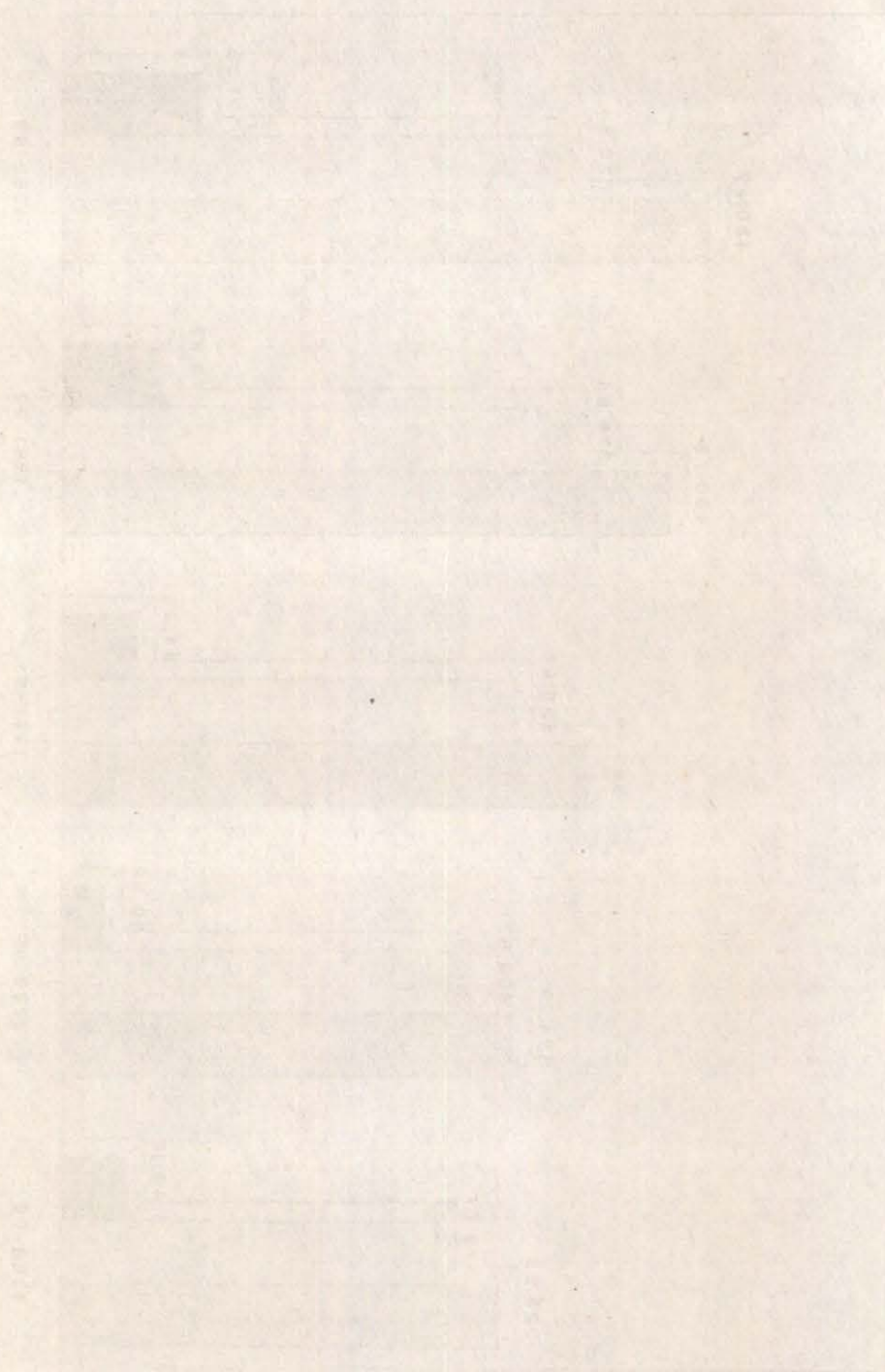
As against the total interest of Rs.44.54 crores paid by Government on debt and other obligations during 1992-93, the interest received on all accounts was Rs.0.74 crore only. The net burden of interest, thus, was Rs.43.80 crores.

REVENUE SURPLUS

(Amounts in crores of rupees)



1950



BELEINE SIBBYNS

1.9 Surplus/Deficit

The revenue surplus had increased from Rs.46.18 crores in 1988-89 to Rs.101.38 crores in 1992-93. Year-wise details are indicated in the following table :

Year	Revenue			Percentage of increase over the previous year		Revenue surplus as a percentage of Revenue receipts
	Receipts	Expendi- ture	Surplus	Revenue receipts	Revenue expenditure	
(Rupees in crores)						
1988-89	325.25	279.07	46.18	14	30	14
1989-90	334.19	303.87	30.32	3	9	9
1990-91	390.19	335.86	54.33	17	11	14
1991-92	450.79	376.94	73.85	16	12	16
1992-93	480.22	378.84	101.38	7	1	21

During the four years ending 1992-93, the revenue receipts increased by 48 *per cent* whereas the revenue expenditure increased by 36 *per cent*. Due to the higher rate of growth of revenue receipts in relation to that of revenue expenditure, the revenue surplus as a percentage of revenue receipts increased from 14 *per cent* in 1988-89 to 21 *per cent* in 1992-93.

Details of the revenue surplus as envisaged in the budget estimates and revised estimates and the actuals thereagainst are tabulated below :

Year	Revenue surplus			Difference between actual and budget estimates increase(+)/decrease(-)
	Budget esti- mates	Revised estimates	Actual surplus	
(Rupees in crores)				
1988-89	74.40	65.03	46.18	(-) 28.22
1989-90	78.57	63.60	30.32	(-) 48.25
1990-91	123.09	88.54	54.33	(-) 68.76
1991-92	115.49	102.95	73.85	(-) 41.64
1992-93	105.99	96.31	101.38	(-) 4.61
Total	497.54	416.43	306.06	(-)191.48

Thus, revenue surplus was over-estimated during all five years. The actual surplus during the five years ending 1992-93 was only 62 *per cent* of that indicated in the budget estimates.

1.10 Financial assistance to local bodies and others

Details of the assistance provided by Government to different bodies in the last five years were as follows:

Name of body	1988-89	1989-90	1990-91	1991-92	1992-93
	(Rupees in crores)				
I. Panchayat Samities and Zilla Parishads	2.54	1.72	0.37	0.53	0.17
II. Educational institutions (including University)	6.77	5.66	6.49	8.34	8.11
III. Co-operative Societies and Co-operative institutions	0.37	0.53	0.85	0.88	0.70
IV. Other institutions and bodies	8.43	10.53	16.90	18.81	15.30
Total	18.11	18.44	24.61	28.56	24.28
V. Percentage growth over previous year	100	2	33	16	(-15)
VI. Revenue Receipts (Tax and Non-Tax)	34.05	33.72	32.13	36.09	37.40
VII. Percentage of assistance to revenue receipts (Tax and Non-Tax)	53	55	77	79	65
VIII. Revenue Expenditure	279.07	303.87	335.86	376.94	378.84
IX. Percentage of assistance to revenue expenditure	6	6	7	8	6

Assistance to local bodies during the five-year period constituted 53 to 79 per cent of the Tax and non-Tax Revenue Receipts of Government. The percentage of assistance to revenue receipts and revenue expenditure decreased in the year 1992-93 in comparison to previous year.

1.11 Expenditure on Capital Outlay

The capital expenditure during 1992-93 was Rs. 99.73 crores against the Budget estimates of Rs.158.62 crores, a shortfall of Rs.58.89 crores.

The reasons for shortfalls in capital expenditure were not furnished by Government.

1.12 Public debt and other debt liabilities

Under Article 293(1) of the Constitution of India, a State may borrow within the territory of India, upon the security of the Consolidated Fund of the State, within such limits, if any, as may from time to time be fixed by the Act of the Legislature of the State. No law had been passed by the State Legislature laying down such a limit.

The Public Debt of the State Government consists of Internal Debt and Loans and Advances from the Central Government. Internal Debt comprises long-term loans raised in the open market and the loans received from the Life Insurance Corporation of India, General Insurance Corporation of India, National Bank for Agriculture and Rural Development, National Co-operative Development Corporation and other institutions for the financing of various projects, schemes, *etc.* This also includes Ways and Means Advances from the Reserve Bank of India and bonds issued by the State Government. Loans and Advances from the Central Government represent loans received from the Government of India for execution of various Plan and Non-Plan Schemes. Besides, Government has other liabilities on account of funds raised through Small Savings, Provident Funds, *etc.*

The details of such liabilities of the State Government during the five-year period from 1988-89 to 1992-93 are given below :

Year	Internal Debt	Loans and Advances from the Central Government	Total Public Debt	Small Savings and Provident Fund <i>etc.</i>	Total
(Rupees in crores)					
1988-89	81.59	146.34	227.93	53.37	281.30
1989-90	104.63	157.34	261.97	60.84	322.81
1990-91	136.08	191.55	327.63	73.74	401.37
1991-92	169.91	184.39	354.30	93.26	447.56
1992-93	170.26	177.10	347.36	114.75	462.11

The outstanding liabilities are a significant indicator in the assessment of the financial well being of the State.

It would be seen that the total liabilities of Government had increased from Rs.281.30 crores in 1988-89 to Rs.462.11 crores in 1992-93, representing an increase of 64 per cent.

1.13 Debt Service

The State Government had not made any amortisation arrangements for open market loans floated by it and also for repayment of loans taken from the Government of India.

The outflow of funds on account of interest payments (gross) had been steadily rising and had increased by 155 *per cent* in 1992-93 with reference to 1988-89. The position in this regard is tabulated below:

Year	Revenue expenditure	Interest payments	Interest payments as a percentage of revenue expenditure
(Rupees in crores)			
1988-89	279.07	17.48	6
1989-90	303.87	22.86	8
1990-91	335.86	32.07	10
1991-92	376.94	31.10	8
1992-93	378.84	44.54	12

Thus, outflow of funds on account of interest payments ranged between 6 and 12 *per cent* of total revenue expenditure during the period 1988-93.

Details of the repayment of the Government of India loans and payment of interest thereon by the State Government during the period from 1988-89 to 1992-93 are as follows:

Year	Loans and Advances received from the Government of India	Repayments			Percentage of repayment to Loans and Advances received
		Principal	Interest	Total	
(Rupees in crores)					
1988-89	18.53	13.21	7.53	20.74	112
1989-90	27.46	16.47	11.07	27.54	100
1990-91	57.10	22.88	12.89	35.77	63
1991-92	16.06	23.22	7.49	30.71	191
1992-93	58.10	65.39	17.48	82.87	143

Thus, it could be seen that the entire amount of loan received from the Central Government was consumed in repayments during the period from 1988-89 to 1992-93 except in the year 1990-91.

1.14 Investment and returns

Following fresh investments totalling Rs.3.74 crores during the year in the Statutory Corporation (Rs.1.16 crores), Government Companies (Rs.1.77 crores) and Co-operative institutions (Rs.0.81 crore), the total investment of Government in shares as on 31st March 1993 was Rs.55.15 crores. An amount of Rs.1.30 lakhs only was received as dividend during 1992-93 on this investment.

1.15 Loans and Advances by the State Government

The State Government advances loans to the Government Companies, local bodies, Corporations, voluntary organisations, Co-operatives, Public Sector undertakings and Village and Small Industries, *etc.* for developmental and non-developmental activities. The position of such loans during the period from 1988-89 to 1992-93 is indicated below :

	1988-89	1989-90	1990-91	1991-92	1992-93
	(Rupees in crores)				
Opening balance	20.56	22.12	24.94	27.59	30.59
Amount advanced during the year	2.85	3.18	3.89	4.87	2.24
Total	23.41	25.30	28.83	32.46	32.83
Amount repaid during the year	1.29	0.36	1.24	1.87	1.62
Balance	22.12	24.94	27.59	30.59	31.21
Net loans disbursed during the year	1.56	2.82	2.65	3.00	0.62
Interest received and credited to revenue	0.02	0.07	0.19	0.19	0.23
Net receipts from long-term borrowings	20.50	21.92	69.76	4.47	12.54

The net loans and advances disbursed during the five-year period ranged between 2 and 67 per cent of the net receipts from long-term borrowings of the State Government.

Of the loans and advances, the detailed accounts of which are maintained by the Accountant General, the amount overdue for recovery at the end of 1992-93 was Rs.7.10 lakhs (Principal : Rs.2.62 lakhs; Interest : Rs.4.48 lakhs), which was recoverable from the Imphal Municipality.

The position of arrears in recovery of loans as on 31st March 1993, the detailed accounts of which are maintained by the departmental officers, had not been received from any of the Departments (March 1994).

1.16 Ways and Means Advances and Overdrafts

Under an agreement with the Reserve Bank of India, the State Government has to maintain a minimum daily cash balance of Rs.10 lakhs with the Bank. If the balance falls below the agreed minimum on any day, the deficiency is made good by taking Ways and Means advances or an overdraft from the Bank.

The extent to which Government maintained the minimum balance with the Bank during the period from 1988-89 to 1992-93 is summarised in the following table:

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
1. Number of days on which the minimum balance was maintained-					
(a) without obtaining any advance	364	313	217	42	181
(b) by obtaining Ways and Means Advances	1	34	50	84	69
2. (a) Number of days on which overdraft was taken	Nil	18	37	97	107
(b) Number of days on which there was shortfall even after taking Ways and Means Advances but no overdraft was taken	Nil	Nil	61	143	8

Thus, the number of days Government managed to maintain the stipulated minimum cash balance without obtaining any advance declined from 364 days in 1988-89 to just 42 days during 1991-92. The position showed an improvement in the year 1992-93 as it was maintained for 181 days. The dependence on Ways and Means Advances and Overdrafts for maintaining the minimum balance increased rapidly.

Details of the Ways and Means Advances and Overdrafts availed of by the State Government and interest paid thereon during the period from 1988-89 to 1992-93 are indicated below:

Particulars	1988-89	1989-90	1990-91	1991-92	1992-93
(Rupees in crores)					
1. (a) Ways and Means Advances taken during the year	5.02	28.85	53.31	85.95	61.17
(b) Overdrafts taken during the year	Nil	22.80	39.91	143.49	204.69
Total (1)	5.02	51.65	93.22	229.44	265.86
2. (a) Ways and Means Advances outstanding at the end of the year	Nil	7.34	3.63	7.29	7.22
(b) Overdrafts outstanding at the end of the year	Nil	4.77	4.38	22.92	3.51
Total (2)	Nil	12.11	8.01	30.21	10.73
3. Interest:					
(a) On Ways and Means Advances	*	**	0.23	0.30	0.82
(b) On overdrafts	Nil	Nil	0.07	0.28	0.34
Total (3)	*	**	0.30	0.58	1.16

Thus, as a consequence of low cash balance frequently requiring overdraft, Government had to incur increasing liability as interest on Ways and Means Advances and Overdrafts. The State Government paid Rs.1.16 crores during 1992-93.

* Rs.0.12 lakh only

** Rs. 0.10 lakh only.

CHAPTER II

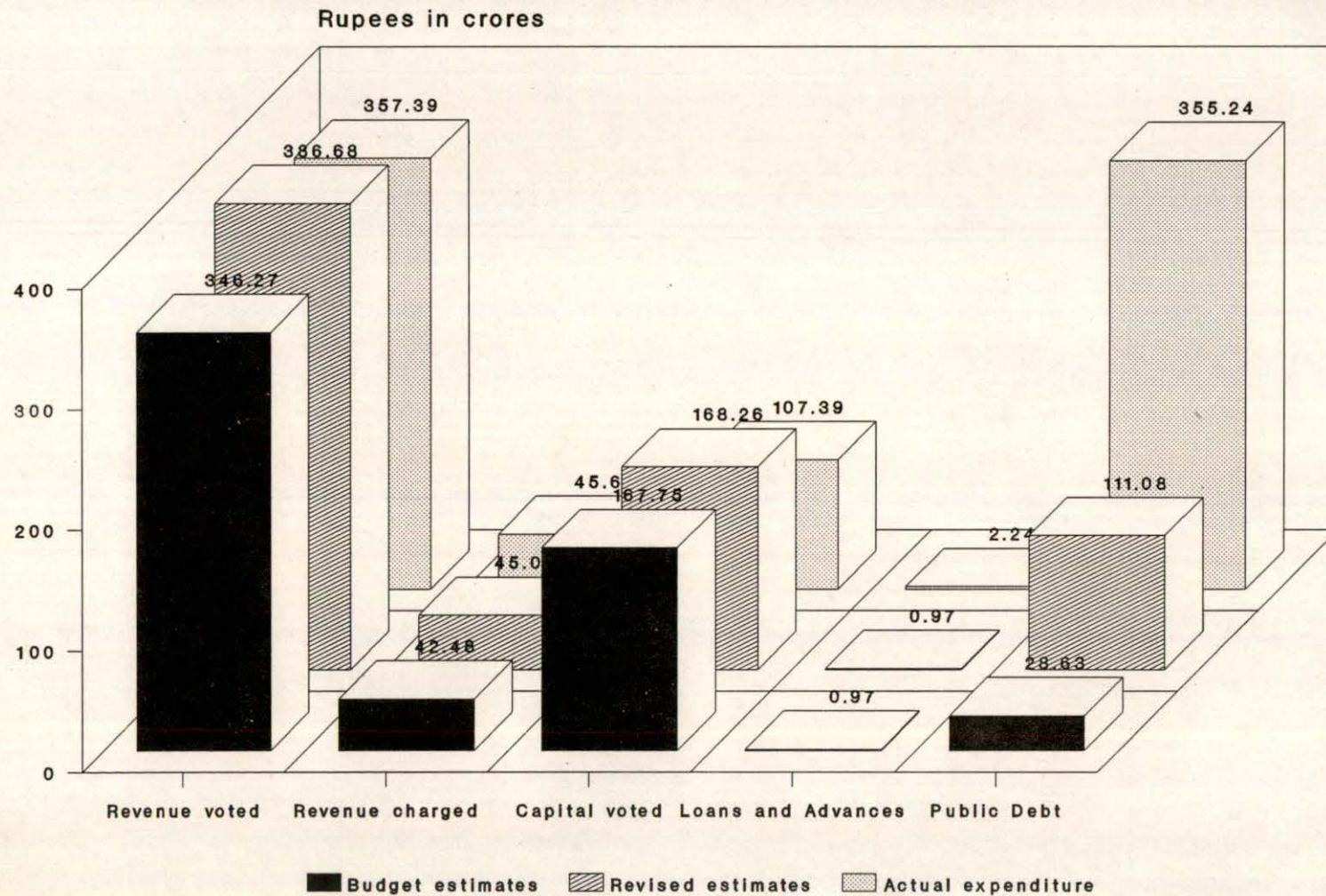
APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 General

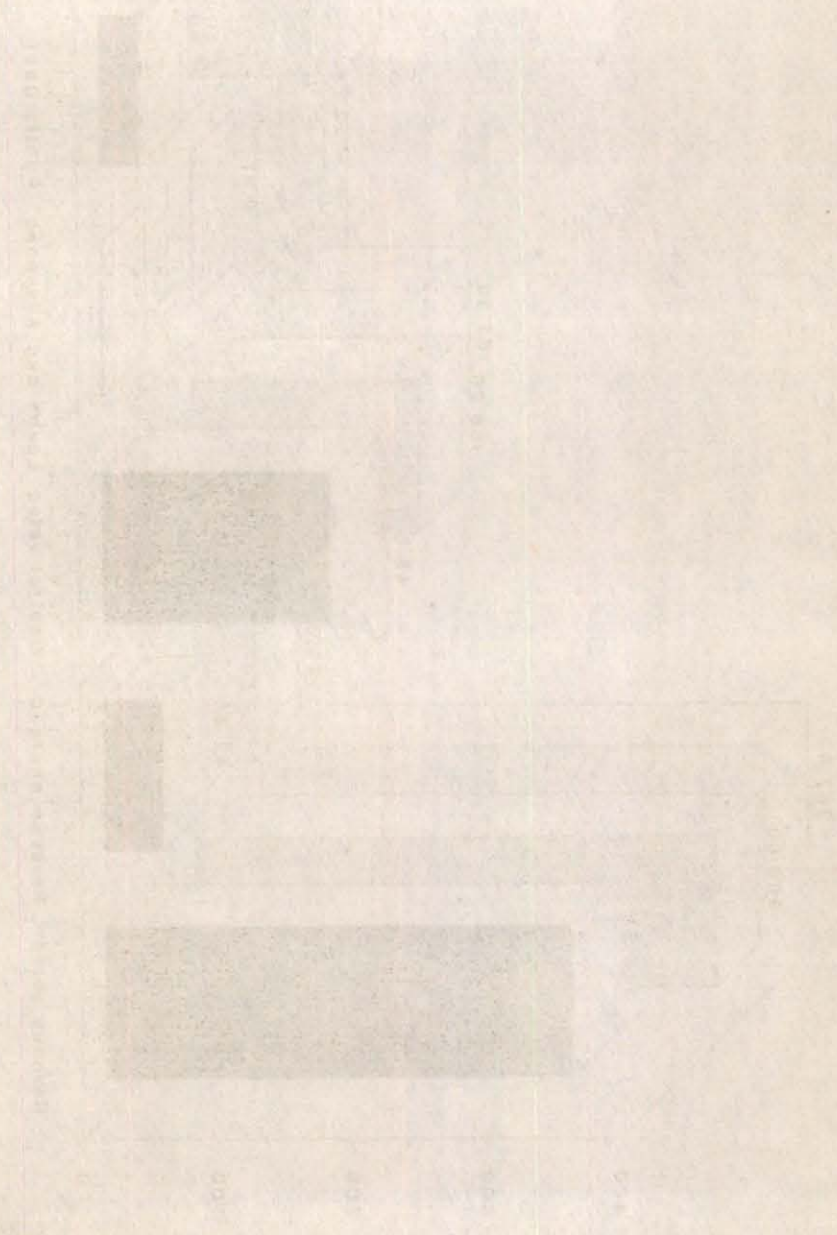
The summarised position of actual expenditure during the year 1992-93 against 46 grants and 3 appropriations was as under :

	Original grant/ appropriation	Supplementary grant/appro- piation	Total	Actual expen- diture	Variation saving (-) /excess(+)
	(1)	(2)	(3)	(4)	(5)
(Rupees in crores)					
I. Revenue					
Voted	346.27	40.41	386.68	357.39	(-) 29.29
Charged	42.48	2.54	45.02	45.66	(+) 0.64
II. Capital					
Voted	167.75	0.51	168.26	107.39	(-) 60.87
III. Loans and Advances					
Voted	0.97	--	0.97	2.24	(+) 1.27
IV. Public Debt					
Charged	28.63	82.45	111.08	355.24	(+)244.16
Total-					
Voted	514.99	40.92	555.91	467.02	(-) 88.89
Charged	71.11	84.99	156.10	400.90	(+)244.80
Grand Total	586.10	125.91	712.01	867.92	(+)155.91

SUMMARISED POSITION OF ACTUAL EXPENDITURE DURING 1992-93



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EXPERIMENTAL INVESTIGATION OF THE EFFECT OF THE POSITION OF THE DESIGNATED POINT OF THE EXPLOSION ON THE DESIGN OF THE EXPLOSION

2.2 Results of Appropriation Audit

2.2.1 Saving/excess in grants/appropriations

The overall excess was the net result of saving in 56 cases and excess in 17 cases as shown below:

	Savings		Excesses		Net saving(-)/ excess (+)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
(Rupees in crores)						
Voted	40.15 (33 cases)	59.60 (18 cases)	10.86 (13 cases)	...	(-) 29.29	(-) 59.60
Charged appropriations	0.30 (5 cases)	...	0.94 (3 cases)	244.16 (1 case)	(+) 0.64	(+) 244.16

Supplementary provision of Rs.125.91 crores obtained during the year constituted 21 per cent of the original budget provision.

In the following cases, supplementary provision of Rs.16.39 lakhs obtained during the year proved wholly unnecessary in view of final saving in each case being more than such supplementary provisions.

Description of grant/ appropriation	Supplementary grant obtained	Final savings
(Rupees in lakhs)		
Revenue-voted		
2 - Council of Ministers	0.64	1.07
30 - General Economic Services	8.44	58.20
Revenue-charged		
3 - Appropriation No.1 - Governor	7.31	19.44
Total :	16.39	78.71

In the following 6 cases, against the supplementary grant of Rs.20.45 crores, the actual utilisation was Rs.16.82 crores only, resulting in saving of more than Rs.10 lakhs in each case.

Description of the grant/ appropriation	Supplementary grants obtained	Savings	Supplementary grant actually required
(Rupees in lakhs)			
Revenue-voted			
8- Public Works	213.60	206.67	6.93
10- Education	1618.33	41.33	1577.00
21- Industries and weights and measures	48.87	14.70	34.17
43- Horticulture and Soil Conservation	43.12	11.06	32.06
44- Social Welfare	79.41	62.81	16.60
Capital-voted			
16- Co-operation	41.34	26.04	15.30
Total :	----- 2044.67 -----	----- 362.61 -----	----- 1682.06 -----

In another 10 cases (*Appendix I*), though supplementary provision totalling Rs.104.08 crores was obtained, the provision proved insufficient by more than Rs.10 lakhs in each case, leaving an aggregate uncovered excess expenditure of Rs. 255.78 crores.

2.2.2 Excess over grants/appropriations

In the revenue section, there was a total excess of Rs.10,86,22,437 in 13 grants and Rs.93,99,283 in three appropriations, while excess in the capital section amounted to Rs.2,44,16,08,570 in one appropriation. These excesses, details of which have been furnished below, require regularisation under Article 205 of the Constitution.

Serial Number	Description of the grant/appropriation	Total grant/ appropriation	Expenditure	Excess
(1)	(2)	(3)	(4)	(5)
		Rs.	Rs.	Rs.
I-Revenue Section				
(a) Voted				
1.	3- Secretariat	5,89,43,000	6,13,46,639	24,03,639
2.	4- Land Revenue, Stamps and Registration and District Administration	7,72,47,000	7,85,55,626	13,08,626
3.	5- Finance Department	19,59,05,000	19,94,61,215	35,56,215
4.	7- Police	38,50,61,000	42,67,78,234	4,17,17,234
5.	11-Medical,Health and Family Welfare Services	20,52,33,000	23,56,74,591	3,04,41,591
6.	13-Labour and Employment	1,28,77,000	1,30,65,862	1,88,862
7.	14-Development of Tribal and Backward classes	16,90,37,000	19,27,07,023	2,36,70,023
8.	15-Food and Civil Supplies	1,37,49,000	1,41,30,127	3,81,127
9.	16-Co-operation	3,08,14,000	3,25,63,525	17,49,525
10.	20-Community Development and ANP, IRDP and NREP	7,58,76,000	7,77,98,590	19,22,590
11.	29-Sales Tax, Other Taxes/Duties on Commodities and Services	58,64,000	61,65,561	3,01,561
12.	32-Jails	1,62,11,000	1,66,56,603	4,45,603
13.	34-Rehabilitation	51,92,000	57,27,841	5,35,841
	Total :	1,25,20,09,000	1,36,06,31,437	10,86,22,437

(1)	(2)	(3)	(4)	(5)
		Rs.	Rs.	Rs.
	(b) Charged			
1.	<i>1 -State Legislature</i>	2,35,000	2,35,204	204
2.	<i>Appropriation No.2- Interest Payment and Debt Services</i>	43,59,77,000	44,53,56,222	93,79,222
3.	<i>Appropriation No.3-Manipur Public Service Commission</i>	31,65,000	31,84,857	19,857
	Total :	43,93,77,000	44,87,76,283	93,99,283

II - Capital Section

Charged

<i>Appropriation No.2-Interest Payment and Debt Services</i>	1,11,07,57,000	3,55,23,65,570	2,44,16,08,570
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The reasons for excesses have not been intimated (March 1994).

2.2.3 (a) In the grants/appropriations detailed in *Appendix II*, the expenditure fell short of the total provision by more than Rs.25 lakhs and also by more than 10 per cent in each case; percentage ranging between 11 and 70.

(b) Details of plan schemes under which substantial savings exceeding Rs.10 lakhs in each case, ranging between 8 per cent and 128 per cent, arose on account of either non-implementation or slow implementation of the schemes, are given in *Appendix III*. Reasons for final savings were not furnished (March 1994).

2.2.4 Persistent savings/excesses

Expenditure was persistently less than the total provision during 1990-91 to 1992-93 in 10 cases, while it exceeded the provision persistently in 8 other cases as per the details below :

Savings/excesses as percentage of total grants

	1990-91	1991-92	1992-93
I. Savings			
A. Revenue-voted			
8. Public Works	17	13	8
21. Industries and Weights and Measures	30	4	2
33. Home Guards	7	4	5
35. Stationery and Printing	20	9	9
37. Fisheries	5	18	19
B. Capital-voted			
8. Public Works	1	16	48
15. Food and Civil Supplies	53	32	19
16. Co-operation	22	7	14
23. Power	10	3	16
40. Irrigation and Flood Control	2	8	41
II. Excesses			
A. Revenue-voted			
5. Finance Department	10	57	2
7. Police	3	7	11
11. Medical, Health and Family Welfare Services	3	18	15
14. Development of Tribal and Backward Classes	33	60	14
15. Food and Civil Supplies	6	8	3
16. Co-operation	2	1	6
32. Jails	3	5	3
B. Capital-charged			
Appropriation No.2- Interest Payment and Debt Services	558	177	220

2.2.5 Surrender of funds

Savings in a grant or appropriation are to be surrendered to Government immediately after these are foreseen, without waiting till the end of the year, unless such savings are required to meet excesses under some other units. However, no savings are to be held in reserve for possible future excesses.

Of the final savings of Rs.40.15 crores under Revenue voted grants in the accounts for 1992-93, an amount of Rs.31.22 crores only was surrendered in March 1993.

In 37 cases, amount of Rs.13.61 crores was not surrendered and in 14 cases amount of Rs.4.42 crores was surrendered in excess of saving. Similarly, Rs.0.08 crore was surrendered out of the entire savings of Rs.0.30 crore in 5 charged appropriations. Details of major variations, where savings were more than 10 *per cent* and amounted to more than Rs.25 lakhs but were not surrendered, are contained in *Appendix IV*.

In the following cases surrendered amount was in excess of saving.

Sl. No.	Grant Number	Amount of saving (Rupees)	Surrendered
Revenue-Voted			
1.	9 - Information and Publicity and Tourism	6,05,646	7,26,000
2.	12 - Municipal Administration, Housing and Urban Development	50,10,196	55,15,000
3.	17 - Agriculture	1,61,54,008	2,39,46,000
4.	18 - Animal Husbandry and Veterinary including Dairy Farming	93,49,410	1,00,01,000
5.	25 - Youth Affairs and Sports	29,87,776	30,30,000
6.	26 - Administration of Justice	1,09,522	7,39,000
7.	37 - Fisheries	76,88,572	81,86,000
8.	39 - Sericulture	67,01,860	67,08,000

Sl. No.	Grant Number	Amount of saving (Rupees)	Surrendered
Capital-voted			
9.	12 - Municipal Administration, Housing and Urban Development	70,05,000	1,22,20,000
10.	21 - Industries and Weights and Measures	2,17,53,141	2,18,09,000
11.	22 - Public Health Engineering	4,35,91,484	4,85,22,000
12.	23 - Power	5,77,17,194	7,35,00,000
13.	36 - Minor Irrigation	2,20,40,769	2,30,00,000
14.	40 - Irrigation and Flood Control	16,27,68,081	16,97,83,000

These instances were indicative of ineffective control and monitoring of expenditure.

2.2.6 Injudicious re-appropriation

A grant or appropriation for charged expenditure is distributed by sub-heads or standard objects (called primary units) under which it is to be accounted for. Re-appropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation, from the unit for which funds are to be transferred, will not be utilised in full or that savings can be effected in the appropriation of the said unit.

During test-check of the accounts for 1992-93, it was observed that in the case of 35 sub-heads re-appropriation amounting to Rs.6.12 crores was injudicious inasmuch as (i) the original provision under the sub-head to which funds were transferred by re-appropriation was more than adequate and consequently final saving under the sub-head was greater than the amount re-appropriated to that sub-head, or (ii) the original provision from which funds were transferred was inadequate and the final excess under that sub-head was greater than the amount re-appropriated. This was indicative of lack of adequate control over expenditure. Details are given in *Appendix V*.

2.3 Rush of expenditure

Of the expenditure totalling Rs.54.86 crores incurred in 27 cases during the year, Rs.38.48 crores (70 per cent) were spent during the month of March 1993 alone, contrary to the provisions of the General Financial Rules.

2.4 Recoveries in reduction of expenditure

The demands for grants are for the gross amount of expenditure to be incurred in a particular year and recoveries to be taken in reduction of expenditure separately. Similarly, in the Appropriation Accounts, the recoveries are also shown separately in the *Appendix* thereto.

During 1992-93, such receipts and recoveries were originally anticipated at Rs.47.87 crores (Revenue : Rs.38.74 crores; Capital : Rs.9.13 crores). The actual receipts and recoveries during the year, however, amounted to Rs.31.88 crores only (Revenue : Rs.24.22 crores; Capital : Rs.7.66 crores), resulting in a shortfall of Rs.15.99 crores (Revenue : Rs.14.52 crores; Capital : Rs.1.47 crores). Instances of major variations are detailed below :

Sl. Number and No. name of the grant	Budget estimates	Actual recoveries	Excess (+)/ Shortfall(-) as compared to Budget estimate
(Rupees in crores)			
Revenue			
1. 8-Public Works	16.89	12.00	(-)4.89
2. 23-Power	10.10	4.75	(-)5.35
3. 40-Irrigation and Flood Control	3.50	0.36	(-)3.14
Capital			
1. 8-Public Works	1.18	--	(-)1.18
2. 15-Food and Civil Supplies	4.70	3.35	(-)1.35
3. 17-Agriculture	3.02	4.27	(+)1.25

Reasons for such variations had not been intimated (March 1994).

2.5 Non-receipt of explanations for savings/excesses

After the close of each financial year, the detailed Appropriation Accounts showing the final grants/appropriations, the actual expenditure and resultant variations are sent to the Controlling Officers, requiring them to explain variations in general and those under important heads/sub-heads in particular.

Such explanations for the final savings/excesses reflected in the Appropriation Accounts for the year 1992-93 were not received as of March 1994, from any of the Controlling Officers in respect of all the 570 heads commented upon in the Appropriation Accounts.

2.6 Reconciliation of departmental figures

In order to exercise effective control over expenditure, all departmental officers are required to reconcile the monthly expenditure of their respective departments with the expenditure booked in the accounts maintained by the Accountant General before the close of the accounts for the year. This would enable the departmental officers to detect frauds or defalcations, if any, in the early stages.

The prescribed reconciliation for the year 1992-93 was, however, not done by 17 of the 46 Controlling Officers who had incurred expenditure totalling Rs.69.62 crores. Though the matter was brought to the notice of Government in July 1993 through the Standing Committee on State Accounts, effective steps were not taken to ensure that the reconciliation was completed in all respects prior to the closure of the accounts (October 1993) for the year 1992-93.

CHAPTER - III

CIVIL DEPARTMENTS

EDUCATION DEPARTMENT

3.1 VOCATIONALISATION OF SECONDARY EDUCATION

3.1.1 Introduction

A centrally sponsored scheme on Vocationalisation of Secondary Education as spelt out in National policy of Education 1986 was introduced by the Ministry of Human Resource Development, Department of Education in 1987 with a view to providing diversification of educational opportunities, so as to enhance the individual employability, reduce the mismatch between demand and supply of skilled manpower and to provide an alternative for those pursuing higher education. Under the scheme at least 10 *per cent* of the student population at the plus 2 stage were expected to be covered by 1990 and up to 25 *per cent* by 1995, in a phased manner.

The scheme was taken up in the State in February 1988. It was planned to be implemented in sixteen schools and three colleges with higher secondary sections in seven out of eight districts of the State, *viz.*, Imphal, Thoubal, Bishnupur, Ukhrul, Tamenglong, Churachandpur and Senapati.

3.1.2 Organisational set-up

For the first two years the implementation of the scheme was entrusted to the Director of Education (Schools). With effect from 1 September 1990 the responsibility for implementation of the scheme was transferred to the State Council of Educational Research and Training. The State Council of Vocational Education in the Education Department of the Government or the Vocational Wing in the Directorate of Education required to be set up as per the guidelines of Government of India were not set up.

3.1.3 Audit coverage

The implementation of the scheme during the period from 1987-88 to 1992-93 was reviewed in audit during April-June 1993 by test-check of records in the State Directorate of Education (Schools) and State Council of Educational Research and Training (SCERT).

3.1.4 Highlights

- Non-setting up of the organisational structures as envisaged under the scheme led to weakness in policy formulation and administrative direction and implementation of the scheme.

(Paragraph 3.1.5)

- No comprehensive planning was made to achieve the target of covering 25 *per cent* students under vocational streams by 1995, as envisaged under the scheme. State High Level Committee to oversee the planning and implementation of the programme was not constituted.

(Paragraph 3.1.6(a))

- Survey of manpower needs was an important component of the scheme. Vocational surveys were conducted in only two out of eight districts. The expenditure thereon was 340 *per cent* of the prescribed norm. The implementing agency (SCERT) was not associated with vocational surveys and selection of schools and vocational streams.

(Paragraph 3.1.6(b))

- The implementing agency was not delegated financial powers for major items of expenditure. The implementation of scheme was very slow as only Rs.48.60 lakhs were spent against the provision of Rs.228.13 lakhs. 63 *per cent* of amount spent during 1988-89 to 1992-93 was for advances paid for construction of work-sheds and 24 *per cent* was spent on pay and allowances of staff in the SCERT.

(Paragraph 3.1.7)

- Staff were appointed on short term basis far in excess of norms. Appointment of 7 members of faculty was not justified, as they did not perform the functions prescribed in the scheme.

(Paragraph 3.1.8)

- Though the SCERT held 11 workshops during July 1992, for development of curriculum and instructional materials, final approval for seven out of the eleven curricula has not yet been obtained.

(Paragraph 3.1.9)

- An amount of Rs.3.64 lakhs was drawn in March 1992 and utilised on procurement of equipment and furniture before formal introduction of vocational courses. These are yet to be put to use. Besides, an amount of Rs.0.37 lakh was misappropriated and the SCERT could not account for another Rs.0.11 lakh.

(Paragraph 3.1.10)

- Certification based on evaluation of curricula was not undertaken by the Board of Secondary Education.

(Paragraph 3.1.12)

- 19 institutions were selected for opening of vocational sections. Not a single vocational section had been opened in any of the 19 institutions. Thus, even after five years of inception of the scheme and after spending Rs.49 lakhs the objective of the scheme has not yet been achieved.

(Paragraph 3.1.14)

3.1.5 Deficiency in organisational set-up

The State Council of Vocational Education (SCVE) consisting of multi-disciplinary functionaries which was to be set up as per guidelines of the scheme and which was to function as the overall policy formulating and co-ordinating body for vocational education and training in the State was not set up by the State Government. The Directorate of Education was supposed to provide the administrative leadership to the vocational education programme and the vocational wing in the Directorate was to be strengthened appropriately for implementation of the scheme. At the district level, district vocational committees were to be set up which was to have its secretariat in the vocational wing of the district education offices.

The State Government did not set up a State Council of Vocational Education. As would be evident from succeeding paragraphs, this resulted in absence of co-ordination and direction in matters of policy formulation and implementation of scheme in the State. Similarly a separate vocational wing required to be set up was not established in the Directorate of Education (Schools). The contention of the State Government that a separate wing for vocationalisation was not needed in the Directorate of Education in view of the small number of higher secondary schools in the State, on the one hand, was against the general guidelines uniformly applicable to all States and on the other, resulted in absence of administrative leadership in the implementation of the scheme. At the district level as well, the District Vocational Education Committees (DVEC's) required to be set up were not set up nor were the vocational wings established in the District Education Offices. Reasons for not establishing the vocational education committees and vocational wing in the District Education Offices were not available.

The implementation of the scheme was entrusted to the Directorate of Education (Schools) for the first two years and thereafter it was transferred to the SCERT in 1990. Reasons for this transfer were not available. As per the charter of the SCERT and the guidelines for this scheme, the role of the SCERT was limited to developing curricula and instructional material, vocational surveys, awareness programmes, in-service teachers training programme and providing academic support to the State Council of Vocational Education on matters of policies and programmes. Entrusting implementation of the scheme to it resulted in inherent weakness in planning and administrative direction, as the SCERT did not have any administrative control over the higher secondary schools in which the schemes were to be implemented including matters like introduction of courses, powers relating to directive to the State Board of Secondary Education and above all creation of posts of teachers of the vocational stream in the schools, their appointment and training.

3.1.6(a) Planning and vocational survey

Comprehensive planning for the State as a whole was not undertaken. The total population of the students at the secondary level who could be expected to take up vocational streams of education was never taken into account. The percentages of students to be covered over any given period of time were not available and the Government did not have any conscious policy to achieve the target of covering 25 *per cent* students under vocational streams by 1995. Neither was the comprehensive project report to achieve the target set in the project guidelines nor were the annual project reports prepared and sent to the Department of Education for release of grants. State High Level Committee to oversee the planning and implementation of the scheme was not constituted.

3.1.6(b) District Vocational Surveys and selection of vocational streams and schools

District vocational surveys to determine the manpower needs were a prerequisite for introduction of vocational courses. Vocational surveys, however, were conducted only in two (Imphal and Bishnupur) out of eight districts by the Director of Education (Schools). Experts from SCERT were not associated in the two district vocational surveys and these were carried out with the help of enumerators engaged by the Director of Education. Even for these two districts, the decision for selection of schools and vocational streams was taken without reference to SCERT. As per the guidelines, not more than Rs.15,000 per district was to be spent on vocational surveys. However, Rs.1.02 lakhs were spent for vocational surveys in two districts, which was about 340 *per cent* of the norms prescribed by the Department of Education.

The Department has stated that it could not cover the remaining districts of the State in the survey as the work was time consuming while the scheduled time for completion as provided by the Government of India, was too short. The reply is not convincing/tenable.

According to the scheme it was to be ensured that there was sufficient enrollment at secondary stage in schools to provide the desired intake of students (22 to 25) in each vocational course in order to ensure that the facilities created are not underutilised. It was observed that 25 vocational streams were included for introduction in 19 schools during 1989-90 and 1991-92. The selection of vocational streams for each area and each school was not based on careful study of manpower needs. The number of students at the higher secondary stage in each of the schools was not taken into account while determining the number and type of vocational course determined for each of them. A scrutiny of the Annual Report of the Board for the year 1992 revealed that the number of students who passed at the secondary stage in 16 schools selected for introduction of vocationalisation of education ranged between two and ninety-three during the period 1987-88 to 1991-92. In one school selected in Ukhrul district for introduction of the courses the number of students who passed the secondary examination were 2, 3, 6, 5, 24 and 2 during the years from 1987 to 1992 respectively. In many other schools the number of such students was consistently around 20 only. The number of students in the schools at the higher secondary stage was not available with the implementing agency. Thus, the viability of the vocational courses introduced was not properly evaluated before approving them.

3.1.7 Financial arrangement

Under the scheme hundred *per cent* Central assistance was to be given to the State Government on most of the items. The State Government was to share 50 *per cent* of the expenditure on vocational wing of the Directorate of Education, District vocational wings, vocational wing in the SCERT and 25 *per cent* of the expenditure on staff of vocational schools. The expenditure on raw materials, contingencies, examination and certification was to be borne entirely by the State Government. 50 *per cent* of the approved grant for a year was to be released as first instalment and the remaining 50 *per cent* was to be released after the State Government reported utilisation of at least 75 *per cent* of the amounts released earlier. The request for second instalment was to be accompanied by a report on implementation and a detailed statement of account in respect of the preceding year.

Funds for implementation of the scheme were released by the Ministry of Human Resource Development, Department of Education to the State Government, which in turn released them to the implementing agency *i.e.* the SCERT. The powers for incurring major expenditure relating to creation of posts under the scheme, purchase of equipment and construction of sheds were not delegated to the implementing agency.

The maintenance of accounts by the implementing agency was deficient as the expenditure incurred on this scheme were not properly classified and it could not furnish detailed break up of amounts spent under this scheme.

As per the information collected by audit the budget provision and expenditure under this scheme were as under :

Year	Budget provision in the State	Amount re- leased by the Centre	Expenditure incurred		
			Central share	State share	Total
(Rupees in lakhs)					
1988-89	Nil	11.68	Nil	Nil	Nil
1989-90	Nil	Nil	0.71	Nil	0.71
1990-91	101.65	Nil	0.31	Nil	0.31
1991-92	91.53	44.00	34.44	2.39	36.83
1992-93	34.95	7.18	9.06	1.69	10.75
	-----	-----	-----	-----	-----
	228.13	62.86	44.52	4.08	48.60
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Thus, the progress of implementation of the scheme had been extremely slow and only Rs.48.60 lakhs have been spent over the last five years. Category-wise break-up of this expenditure is as under :

(Rupees in lakhs)

Salaries of staff in SCERT	11.90
District Vocational Surveys	1.02
Curriculum Development	0.17
Equipment	4.30
Advance for work-sheds	30.75
Others	0.46

Total :	48.60

The item-wise break-up of expenditure would reveal that even out of the meagre expenditure, a major portion was spent towards providing advance for work-sheds (63 *per cent*) and payment of salaries to the staff of the SCERT (24 *per cent*) engaged far in excess of the norms.

3.1.8 Staff in the SCERT

As per the scheme, a maximum of 17 faculty members and consultants and 19 supporting staff were to be appointed in the SCERT for fulfilling the responsibilities entrusted to it in relation to implementation of the scheme, particularly with reference to curriculum and instructional material development, vocational surveys, in-service teachers training programme, vocational guidance, placement activities and academic support to the State Council for Vocational Education. Although none of these functions was performed by the SCERT and instead was entrusted with the responsibility of implementation of the scheme, it recruited a total staff of 54 on consolidated salary basis on short term appointments without reference to any norms or justification. While only seven staff members were appointed in the grade of teaching faculty and consultants, the remaining 47 were appointed as supporting staff (ministerial and Group 'D') which was disproportionate to the staff structure of the schemes. Need for appointing one professor, one lecturer, one reader and four consultants was also not clear, since no teachers training programme, vocational guidance, vocational surveys, *etc.* were contemplated or were possible during the period of their appointment. The terms of their appointment ended in November 1992. The expenditure of Rs.2.01 lakhs on them proved unfruitful.

3.1.9 Curriculum and instructional material

The SCERT was expected to develop curriculum and instructional material in the medium of instruction followed in the State. While 11 workshops were stated to be held, all during July 1992, for development of curriculum, action has not been initiated for development of instructional materials and text books. The records relating to 11 workshops stated to have been held in July 1992 for curriculum development, were not documented properly in the SCERT. As such, the details of workshops could not be test-checked in audit. Final approval to seven out of the eleven curricula discussed in the workshops held in July 1992 was, however, yet to be obtained (January 1994).

3.1.10 Equipment and worksheds

(a) Even before the approval of vocational courses to be introduced in the schools by the Government, it accorded administrative approval and financial sanction for purchase of equipment for six vocational sections in three schools relating to four trades in March 1992. Orders for 30 typewriters were placed by SCERT in March 1992 for three vocational sections in three schools at Rs.2.49 lakhs. In addition, advance of Rs.0.66 lakh was also paid for furniture in the schools. The typewriters were received in May 1992. Of them 20 were issued to two schools in May 1992 without introduction of the courses, development of curriculum and placement of instructors/teachers. Ten typewriters were lying with the SCERT (June 1993). Furniture for Rs.0.44 lakh received in May 1993 were delivered to two schools in May 1993. Balance advance of Rs.0.22 lakh was still outstanding against the supplier.

(b) Orders for 15 sewing machines and 1 embroidery machine at Rs.0.28 lakh were placed in March 1992 for commercial garments and design making course in one school. One sewing machine and one embroidery machine were received in May 1992, which have been handed over to the school. Machines valued at Rs.0.22 lakh were received only in November 1993. All machines could not be used as yet, due to non-introduction of vocational courses in the selected school.

(c) An amount of Rs.0.32 lakh was drawn by SCERT for purchase of equipment for food preservation course in one school in March 1992. Equipment for Rs.0.21 lakh was received and issued to the school in June 1992. The SCERT could not account for the remaining Rs.0.11 lakh.

Similarly, Rs.0.37 lakh was drawn for purchase of equipment for a sericulture section in one of the schools in March 1992. The amount was not accounted for in the Cash Book and the SCERT could not furnish the utilisation of this amount (July 1993). The SCERT intimated, in January 1994, that this was a case of misappropriation and recovery at the rate of Rs.1,000 per month had been started from the cashier with effect from March 1993.

(d) The State Government deposited Rs.6.75 lakhs with the Police Housing Corporation in April 1992 and April 1993 for construction of nine work-sheds in three schools. Rs.24 lakhs were paid in advance (April 1992) to the Tribal Development Corporation for construction of 48 work-sheds in the remaining 16 schools. The work-sheds were to be completed by July 1992. The SCERT stated, in January 1994, that 39 worksheds out of the total of 57 were completed by January 1994 and 12 were in the final stage of construction. The construction of the remaining 6 were deferred pending a review of the scheme. The worksheds could not be put to use as vocational courses are yet to be started.

The Department stated that no agreement was executed as the two agencies were Government undertakings. As no agreements were executed the question of imposition of penalty did not arise. No convincing reasons could be furnished by the SCERT/ Government.

3.1.11 Vocational guidance, practical training and apprentice and modification and recruitment rules

One school teacher in each vocational school was to be trained in vocational guidance and one trained counsellor was to be appointed at the district level for career advice to the students. Action had not been taken for their appointment.

The State Government was also to review the recruitment policies in the Government and *quasi*-Government institutions, public and private sectors to ensure that these are amended to provide a clear preference for the graduates of the vocational streams so that the vocational courses are made attractive. The Government has not initiated any action in this regard.

The students of the vocational streams were to be provided with practical training and apprenticeship. Advance action for making arrangement for practical training and apprenticeship with reference to the vocational courses in the selected institutions have not been initiated.

3.1.12 Evaluation and certification

The Board of Secondary Education was yet to include the vocational courses in the curricula for the higher secondary examination and steps for evaluation and certification are yet to be taken (June 1993). Thus, prompt and effective measure for making the courses attractive through its recognition and certification by the Board has been pending for over five years.

3.1.13 Monitoring and evaluation

Evaluation and monitoring was to be a built-in feature of the programme as per the Guideline issued by the Ministry. No reporting mechanism was prescribed at the State, District and Institutional level. No evaluation of the programme by the Government or the implementing agency was conducted to enable them to identify the deficiencies in administration, financial management and implementation of the scheme.

3.1.14 Overall performance

The Government approved opening of vocational sections in 19 (3 in February 1989 and 16 in March 1992) out of a total of 29 institutions in the State. Three of them were to be provided with nine vocational sections during 1989-90 and in 16 others 48 vocational sections were to be started during 1991-92. The approval for opening of 48 vocational sections in 16 institutions to be opened during 1991-92 was, however, given only in March 1992. Not a single vocational section had, however, been started in any of the 19 institutions selected for introduction of vocational streams of education (June 1993). Neither formal setting up of vocational streams in the selected schools have been notified nor have the posts of teacher *etc.* necessary for starting the courses in the schools been created by the Government (June 1993).

Thus, in more than five years since the scheme was undertaken and after having spent Rs.49 lakhs, the scheme is yet to take off and the objectives of the scheme for diversification of educational opportunities, reduction of mismatch between demand and supply of skilled manpower and to provide an alternative to those pursuing higher education have not been achieved.

3.2 Unfruitful expenditure on maintenance of staff

Government issued orders in July 1987 upgrading Nambol High School as Government Higher Secondary School for opening of Class XI from the academic session of 1987-88 and Class XII from that of 1988-89.

Test check of records of the school (November 1992) revealed that the school had not started instruction in science subjects till October 1993. Four laboratory attendants for laboratories of Higher Secondary classes were appointed between May and July 1988 by the Directorate of Education. Since the school had not finally opened Higher Secondary classes the expenditure of Rs.3.39 lakhs on account of pay and allowances of the four laboratory attendants from May 1988 to August 1993 proved nugatory.

The matter was referred to Government in October 1993. Reply had not been received (March 1994).

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

3.3 INTENSIVE CATTLE DEVELOPMENT PROJECT

3.3.1 Introduction

In the year 1966-67 the Government of India drew up an Intensive Cattle Development Project, popularly known as Crash programme to achieve a break-through in milk production. The objective was to be achieved through cross-breeding of breedable cows/she buffaloes with exotic bulls. Castration of scrub bulls, disease control, animal health cover, organisation of marketing facilities for milk and milk products and artificial insemination were other factors which were introduced under the scheme in later years. This scheme was originally started in the State as a key village scheme and in 1976-77 the 3 key village blocks (Imphal, Thoubal and Bishnupur) were amalgamated and brought under a medium size Integrated Cattle Development Project (ICDP).

The Project was initially implemented only in the valley area of the State. During the VIII Plan it was extended to some parts of all the five hill districts. With the introduction of frozen semen technology in 1991-92, the entire State was expected to be covered under the project. Reasons as to why the valley portion of the State was selected initially for implementation of the project were not on record.

3.3.2 Organisational set-up

The Director of Veterinary and Animal Husbandry Services was entrusted with planning, co-ordination and guidance for implementation of the ICD Project. He was assisted by a Project Officer who was in turn assisted by a number of Veterinary Assistant Surgeons (VAS). The Project had five Regional Artificial Insemination (RAI) centres located at Imphal, Khumbong, Jiribam (under Imphal district) and one each at Moirang (under Bishnupur district) and Thoubal (under Thoubal district). There were 79 (Imphal 25, Khumbong 7, Moirang 19 and Thoubal 28) intensive cattle development project sub-centres each under one veterinary field assistant and other attendants.

3.3.3 Audit coverage

A review of the working of the Intensive Cattle Development Project for the period from 1988-89 to 1992-93 was carried out by test-check in audit (April-June 1993) of the records of the Director of Veterinary and Animal Husbandry Services, Project Officer, ICDP and field offices at Imphal, Khumbong, Moirang and Thoubal and the audit findings are set out in the succeeding paragraphs.

3.3.4 Highlights

- Excess entertainment of staff resulted in extra expenditure of Rs.165.55 lakhs during period covered under review.

(Paragraph 3.3.6)

- The opening of 79 sub-centres was not justified as artificial inseminations performed were far below norms. Artificial inseminations by exotic cross-bred bulls were concentrated in sub-centres near urban localities only though the number of centres were more in rural areas.

(Paragraphs 3.3.8 and 3.3.9)

- Against 1.51 lakhs AIs required to be performed annually, the achievement was only 6,084.

(Paragraph 3.3.9)

- Of 61,364 bulls to be castrated the coverage during the period from 1988-89 to 1992-93 was only 8 per cent.

(Paragraph 3.3.10)

- The collection of semen for artificial insemination from 30 breeding bulls maintained in RAI centres at a cost of Rs.5.54 lakhs was between nil and 55 during the period from 1988-89 to 1992-93 as against 100 to 125 collection per year.

(Paragraph 3.3.11)

- Artificial inseminations done against targets set ranged between 24 to 38 per cent. Further, the calving percentage ranged between 13 to 29.

(Paragraph 3.3.12)

- Inspections by the Supervisor were not carried out as required under the scheme.

(Paragraph 3.3.13)

- Frozen Semen Technology Scheme was implemented partially.

(Paragraph 3.3.14)

- Three vehicles out of the five procured in 1986 and 1988 are not being used for the Project.

(Paragraph 3.3.14.5)

- Production of milk was not recorded in the project area. According to the assessment made by the statistical cell of the Directorate although milk production increased by 19 per cent during 1988-89 to 1991-92 the contribution of cow's milk to total production declined from 73 per cent in 1988-89 to 64 per cent in 1991-92.

(Paragraph 3.3.15)

3.3.5 Finance and expenditure

The budget provision and actual expenditure for the period from 1988-89 to 1992-93 for the Project was as under :

Year	Provision		Expenditure		Savings(-) Excess (+)		
	Non-Plan	Plan	Non-Plan	Plan			
	KV&AI*	Frozen Semen	KV&AI*	Frozen Semen			
(In lakhs of rupees)							
1988-89	45.90	3.40	1.20	60.51	2.82	0.88	(+)13.71
1989-90	83.10	3.00	13.50	43.37	3.06	11.13	(-)42.04
1990-91	90.86	8.00	4.01	88.90	6.06	3.68	(-) 4.23
1991-92	101.84	3.00	6.00	98.58	2.55	5.29	(-) 4.42
1992-93	114.44	3.90	6.00	109.00	0.42	5.23	(-) 9.69
	436.14	21.30	30.71	400.36	14.91	26.21	(-)46.67

The Department could not provide a convincing reason for savings (June 1993).

3.3.6 Staffing for project

It is essential to have norms on staffing pattern to achieve the desired objectives. But though the Project was undertaken as early as in 1976-77 no staffing patterns were formulated.

* Key Village and Artificial Insemination

As per the Annual Plan 1977-78 of the Department of Veterinary and Animal Husbandry the requirement of different categories of staff for the project is indicated below:

1. Project Officer	1 No.
2. Cattle Development Officer	1 No.
3. Veterinary Assistant Surgeon	5 Nos.
4. Laboratory Assistant	6 Nos.
5. Veterinary Field Assistant	85 Nos.
6. Lower Division Clerk	1 No.
7. Jeep Driver	1 No.
8. Peon	1 No.
9. Bull Attendant/Chowkidar	96 Nos.

However, the Department could not furnish copies of sanction for creation of posts by the Government. It could not furnish any records to indicate if additional posts were created after 1977-78. The basis of norms for staffing was not made available by the Department.

An examination of the records of the Project Officer and District Veterinary officers, Bishnupur and Thoubal revealed that the deployment of staff was far in excess of the requirement worked out on the basis projected in the annual plan of the Department for the year 1977-78 as shown below :

Category of staff	Requirement	Actual	Excess
Veterinary Field Assistant	85	89	4
Bull Attendant/ Chowkidar	96	286	190

This excess entertainment of staff resulted in an extra expenditure of Rs.165.55 lakhs during 1988-89 to 1992-93.

3.3.7 Population of high yielding cattle

The ICDP started up-gradation of local cows with recognised Indian bred, Red Sindhi. Side by side, cross breeding of the upgraded as well as local cattle with exotic breeds of Jerseys and Holstein Friesians was taken up for rapid augmentation of milk production.

Annual survey of cross bred and graded cattle was never undertaken. Based on the quinquennial census of livestock undertaken by the statistical cell of the Directorate the population of cross bred cattle and indigenous cattle and targets for Artificial Insemination are shown in *Appendix VI*.

Detailed description of the cross bred cattle was not maintained and their growth was 18 *per cent* during the period from 1987-88 to 1991-92. Overall there was a decrease in the female cattle population in the project area. Reasons were not available for the same. Thus, the breeding activities in the project area had not resulted in an increase in the number of milch animals. The lack of publicity, motivation among the farmers to maintain good quality livestock and lack of monitoring resulted in non-achievement of the objective. Further, the annual targets set for artificial insemination were far below the female cattle population and this showed that no co-ordination/monitoring existed for the implementation of the programme.

3.3.8 Artificial insemination centres and sub-centres

With the re-organisation of the 3 key village blocks under the medium size ICDP in 1976-77, the Imphal block was converted into a Central Semen Collection Centre and the 2 other blocks were re-designated as the Regional Artificial Insemination (RAI) Centres. The existing key village sub-centres were renamed as Stockman Centres. A RAI centre was to cover 15,000 to 20,000 breedable cows with a network of 15 or more artificial insemination sub-centres so that each sub-centre was to cover 500 to 1000 breedable cows. Out of 5 RAI centres and 79 sub-centres (besides Veterinary Hospitals and Dispensaries), the artificial inseminations performed (as revealed from progress report) during 1988-89 to 1992-93 were as under :

Total number of sub-centres : 79

Year	Number of sub-centres where AI done were						Percentage of sub-centres which satisfied norms
	Nil	below 10	below 25	below 50	below 100	as per norm (500 to 1000)	
1988-89	07	20	35	13	03	01	1
1989-90	05	20	20	26	07	01	1
1990-91	07	07	28	16	19	02	2
1991-92	03	09	32	23	10	02	2
1992-93	03	13	21	31	07	04	3

The table clearly showed that the opening of as many as 79 sub-centres was not justified. The total expenditure incurred on these sub-centres during the period 1988-89 to 1992-93 was Rs.22.56 lakhs. The achievement of Artificial Insemination was not commensurate with the number of sub-centres and the expenditure on them. The shortfall in AIs was not investigated nor were remedial measures taken. The Director attributed the non-achievement of target/poor performance to lack of response from the cattle owners. If this was so, the opening of new sub-centres should have been undertaken only after the performance of the existing ones was examined. This was not done at any stage, resulting in under employment of VFAs and attendants in all the 79 sub-centres. However, the Department formulated a scheme for opening of 250 Frozen Semen Artificial Insemination Centres when even the 79 existing ones failed in the performance.

3.3.9 Breeding coverage

Controlled breeding of bovine population is one of the most important factors that ensures improvement in the genetic make-up of livestock and thus it was necessary to provide careful breeding facilities through artificial insemination to all breedable cows in the project area. Normally, each breedable cow has to be served once every 18 months. To cover 1.13 lakhs breedable cows (average population of 1987 and 1992) with two AIs to ensure conception, 1.51 lakhs AIs were required to be done annually and for the period under report 7.55 lakhs AIs should have been performed. Against this, only 30,420 AIs were performed at the rate of 6,084 per year leading to an annual breeding coverage of only 4 per cent.

Interestingly, the artificial insemination of cows by exotic crossbreed bulls was concentrated in urban and near-urban AI and RAI sub-centres as shown below :

Year	Name of RAI with total number of sub-centres	Number of sub-centres near RAI that is near urban localities	Number of AI done at column (3)	Average no. of AI done in each sub-centre including RAI in near urban locality	Total number of sub-centres away from nearby urban localities	Number of AI done at centres in column (6)	Average number of AI done at each sub-centre under column (6)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1988-89	Imphal & Khumbong	32	4	2,136	534	28	1,144	41
	Moirang	19	3	76	25	16	165	10
	Thoubal	28	4	178	44	24	460	19
1989-90	Imphal & Khumbong	32	4	2,184	546	28	1,445	52
	Moirang	19	3	105	35	16	109	7
	Thoubal	28	4	273	68	24	666	28
1990-91	Imphal & Khumbong	32	4	2,489	622	28	904	32
	Moirang	19	3	397	132	16	901	56
	Thoubal	28	4	312	78	24	706	29
1991-92	Imphal & Khumbong	32	4	2,726	681	28	1,887	67
	Moirang	19	3	779	260	16	466	29
	Thoubal	28	4	378	95	24	721	30
1992-93	Imphal & Khumbong	32	4	3,051	763	28	2,635	94
	Moirang	19	3	667	222	16	642	40
	Thoubal	28	4	602	151	24	1,216	51

Thus, it could be seen that though the number of sub-centres were more in rural areas the work was concentrated in the sub-centres near urban areas.

3.3.10 Castration

In order to ensure complete breeding control, all bulls and young male stock not required for breeding were to be castrated in the project area in a planned and systematic manner. A mass castration programme/campaign was to be organised throughout the project area by the project field staff based on surveys. Thereafter, each stockman/Veterinary Field Assistant (VFA) was to undertake castration of all male cattle population not required for breeding. Till date (May 1993) no such campaign or survey had been conducted. From the fifteenth (1992) quinquennial census (conducted in 1992) of livestock it was observed that the total number of indigenous male cattle population

between the age group of (i) 1 to 3 years and (ii) those above 3 years used for breeding and other purposes which required to be castrated was 61,364 in the project area. 4,804 castrations only were carried out during 1988-89 to 1992-93 and reasons for the insignificant coverage of only 8 *per cent* could not be stated. The low castration performance coupled with the low breeding coverage frustrated the breeding programme in the State.

3.3.11 Quality and utilisation of bulls

For achieving the objectives of the breeding programme, only outstanding bulls of known pedigree and from high yielding dams were required to be used. Norms regarding minimum lactation of dams of bulls kept for breeding purpose were not fixed. The details of lactation of the dams of the 30 bulls maintained in the RAI centres were as under :

Lactation of dams of the bulls in litres

2001 to 2500	2501 to 3000	3001 and above
3	14	13

It was however, seen that while purchasing frozen semen from Bangalore, the lactation of these dams of the bulls where semen was purchased were above 4,000 litres and this did not compare favourably with the lactation of the dams of bulls maintained in the project centres.

The breeding quality of a bull affects the results of artificial insemination. The details of bull-wise calving was not on record but during the period from 1988-89 to 1992-93, the total number of calves born was 6,407 against 30,420 AIs done at an average success rate of 21 *per cent*. The norms for calving were not available with the Department.

The collection of semen for artificial insemination should range from 100 to 125 in a year. Records of the four centres revealed that the average collections of semen during 1988-89 to 1992-93 varied from 16 to 39 in Imphal, 11 to 32 in Thoubal and 44 to 55 in Bishnupur. In respect of Khumbong RAI no collections were made even though one bull was maintained up to July 1992. Reasons for such poor collection of semen could not be stated to audit though an amount of Rs.5.54 lakhs was spent during the period from 1988-89 to 1992-93 towards maintenance of these 30 bulls. Reports regarding utilisation and wastage of semen were also not maintained.

With the introduction of Frozen Semen Technology, the collection of semen was discontinued except in Thoubal centre as mentioned below :

Sl. No.	Name of RAI centre	Year from which collection stopped
1.	Imphal	1992-93
2.	Khumbong	No collections ever made
3.	Jiribam	Not available
4.	Bishnupur	November 1991
5.	Thoubal	Collection still being made

Of the 30 bulls 5 had been sold by auction (May 1991), 6 had expired (December 1988 to January 1992) and 10 had been distributed free (July 1992) and the remaining 9 being maintained.

3.3.12 Efficacy of artificial insemination

The programme of complete controlled breeding could succeed only if it was ensured that the cows inseminated, conceived and calved. Target, achievement and results of artificial insemination during the years 1988-89 to 1992-93 in the project area were as under :

Particulars	Year				
	1988-89	1989-90	1990-91	1991-92	1992-93
a) Target set for artificial inseminations to be done	14,750	19,750	21,750	24,700	23,100
b) Number of artificial inseminations done	4,159	4,782	5,709	6,957	8,813
c) Net pregnancy	Not on record				
d) Calves born					
Male	382	500	568	389	1,173
Female	366	564	627	483	1,355
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Total	748	1,064	1,195	872	2,528
e) Percentage of artificial inseminations done with reference to targets	28	24	26	28	38
f) Percentage of pregnancies to AIs done	NA	NA	NA	NA	NA
g) Percentage of calving to artificial inseminations	18	22	21	13	29

According to the Indian Council of Agricultural Research, a bull can produce 50 to 60 calves in a year by natural mating and by artificial breeding it is possible to produce 5,000 or more calves. The poor rate of calving was not reviewed as monitoring and evaluation on this account was not carried out.

3.3.12.1 Incorrect report on artificial insemination

Records of the RAI centre, Moirang (under Bishnupur district) revealed that collection of semen was discontinued from November 1991. Out of 19 sub-centres in the district only 5 had frozen semen facilities and the remaining 14 sub-centres could perform AI only with chilled (liquid) semen collected from bulls. When enquired by audit as to how 600 AIs reported in 1992-93 were performed in these 14 sub-centres since collection of semen had stopped in November 1991, the Department had no reply.

3.3.13 Inspection

For ensuring successful implementation of the scheme, the supervisory officers were required to periodically inspect centres and sub-centres in order to impart technical guidance to field staff, analyse reasons for slow progress and suggest measures for qualitative improvement. There was nothing on record to show that such inspections were conducted by the supervisory officers nor were inspections carried out by the officers of the Directorate during the period of review.

3.3.14 Frozen Semen Technology

3.3.14.1 Pattern of finance and expenditure

The Government of India, Ministry of Agriculture and Rural Development approved the implementation of the "Frozen Semen Technology Scheme" in Manipur at a total estimated cost of Rs.87.97 lakhs with *cent per cent* Central assistance. Maintenance and recurring expenditure against the scheme was to be borne by the State Government. Rs.74.80 lakhs being 85 *per cent* of the estimated expenditure of Rs.87.97 lakhs was released in January 1986 for purchase of three Liquid Nitrogen Plants (LNP) and allied equipment, transport vehicles, 25 exotic cross-breed buffalo bulls and construction works for setting up of (i) a bull station with frozen semen laboratory, (ii) three Frozen Semen Banks, (iii) six Frozen Semen Depots and (iv) 250 Frozen Semen Artificial Insemination Centres throughout the State.

An amount of Rs.74.78 lakhs was drawn of which a sum of Rs.67.38 lakhs was spent for purchase of 2 Liquid Nitrogen Plants, 4 transport vehicles, one tractor with trailer and 206 cryo-containers. The balance of Rs.7.40 lakhs was deposited with the State PWD in 1986-87 for renovation/modification of laboratory and bull station. As of June 1993, the works of construction of laboratory building and bull station and purchase of bulls have not been completed. Against the 250 frozen semen artificial insemination centres to be set up only 76 have been opened. Action for establishing the remaining centres, Frozen Semen Banks and Frozen Semen Depots and third Liquid Nitrogen Plant are yet to be taken up. Besides an amount of Rs.90.44 lakhs was also incurred from the State (plan), for the same purpose. The entire expenditure of Rs.165.22 lakhs is yet to prove fruitful (May 1994).

3.3.14.2 Procurement of Liquid Nitrogen Plants (LNPs)

Mention was made in paragraph 3.8 of the Report of the Comptroller and Auditor General of India, Government of Manipur, for the year ended 31 March 1990 on the delayed procurement, installation and commissioning of the first LNP at Porompat, Imphal. This first Plant has since been commissioned in June 1990. For the second Plant, an advance of Rs.10.10 lakhs was paid to the firm in June 1988. The Plant was delivered in June 1992, installed in February 1993 at Kakching but has not been commissioned (June 1993) due to non-rectification of electrical faults to ensure continuous and balanced power supply at the installation site. Against the total price of Rs.20.01 lakhs inclusive of custom duties and other charges as prevalent in 1986, the Department has paid till June 1993 a sum of Rs.51.48 lakhs for this second Plant and an amount of Rs.6.09 lakhs is still to be paid to the firm for commissioning the plant. Extra expenditure of Rs.31.47 lakhs paid till date (June 1993) on this second Plant which led to a cost overrun to the extent of 157 *per cent* was on account of non-payment of full advance in time.

Despite release of funds by the Government of India in January 1986, the Department has not taken steps to acquire the third LNP till date (June 1993).

3.3.14.3 Functioning of Liquid Nitrogen Plant (LNP)

The major requirements for commissioning the LNP are that (i) a 41 KVA, 3 phase, 415 V, 50 C/S electric power supply must be available for steady and desired voltage; (ii) two number cylinders filled with 10 LAR Grade 2 Hydrogen Gas must be present at erection site; (iii) a 50 KVA 415 V, 3 phase 50 C/S automatic voltage stabiliser must be fitted to each Plant; and (iv) 3 operators with ITI diploma in refrigeration or diesel mechanic trade are required. Records revealed that the last two requirement were not fulfilled and the first Plant started operation with untrained operators. As per plant specifications it could be operated continuously for 4,000 hours without defrosting, drying or other interruptions. Till June 1993, the Plant at Porompat ran for only 2,964 hours (as per hour indicator). It was stated by the Project Officer that the maximum utilisation of the Plant could not be achieved for want of stabiliser, generator and operators, as very often there was power failure, fluctuation in supply voltage and non-appointment of qualified operators. The Plant has not been operated continuously resulting in low production of Liquid Nitrogen.

The total production of Liquid Nitrogen of the first Plant during the period June 1990 to June 1993 was 21,344 litres against the capacity of 28,899 litres based on the hours of machine utilisation (2,964 hours) and the rated capacity of 9.50 to 10 (average 9.75) litres per hour. Of the quantity produced 19,779 litres were issued to different centres in cryo-containers, 1,527 litres were lost due to handling and 38 litres remained in stock.

3.3.14.4 Performance of Frozen semen

Artificial insemination with frozen semen was started at artificial insemination unit, Porompat, from October 1991 under the direct supervision of the Project Officer. Test-check of records revealed that the percentage of calving was between 42 to 66 during the period from October 1991 to July 1992, as shown under :

Month of insemination	No. of inseminations done	Pregnancy diagnosis test after 3 months	No. of calves born after 280 ± 5 days			Percentage
			Male	Female	Total	
October 1991	20	17	5	6	11	55
November 1991	38	20	9	7	16	42
December 1991	36	23	7	9	16	44
January 1992	50	33	11	12	23	66
February 1992	49	33	14	11	25	51
March 1992	50	35	16	15	31	62
April 1992	38	25	10	11	21	55
May 1992	50	26	9	12	21	42
June 1992	58	35	12	19	31	53
July 1992	48	35	9	13	22	46

The Department could not furnish the laid down norms in this respect to evaluate the performance.

The performance of other units performing AI with frozen semen could not be ascertained as the centres did not furnish the progress reports in the format to the Project Officer.

3.3.14.5 Utilisation of vehicles

A sum of Rs.5.30 lakhs was sanctioned by the Government of India for procurement of two Jeeps/pick-up vans and one tractor with agricultural appliances under the Frozen Semen Bull Station - Strengthening of Fodder Production and two Jeeps/pick-up vans under Frozen Semen Bank/Depots. The five vehicles were procured between 1986 and 1988 at a cost of Rs.6.04 lakhs. Of these only one Jeep and one pick-up van was in use in the ICDP. One pick-up van was transferred to Central Dairy Farm, Imphal in 1990-91 although this was not connected with the programme. The log book of the second Jeep and tractor could not be furnished to audit as they were not used in any of the RAIs or sub-centres of ICDP and thus they were not utilised for purposes connected with the programme. Five vehicles were sanctioned for works connected with the Frozen Semen Bull Station and Frozen Semen Banks/Depots but since the same have not been established/started (June 1993), their procurement proved unnecessary.

3.3.15 Milk production

To identify high yielding stock and to utilise their progeny for breeding, it was imperative that the milk yield of all animals be recorded. This was never done in the project area and instruction/guidelines were not issued on the same. The table below based on the assessment made by the Statistical Cell of the Directorate, showed the milk production for the period 1988-89 to 1992-93 :

Year	Targets fixed	Achievement as reported to Planning Commission, Government of India	Contribution of cow's milk to figure at (3)
(1)	(2)	(3)	(4)
		(Thousand Tonnes)	
1988-89	85.10	80.00	58.20
1989-90	90.00	84.00	59.72
1990-91	88.00	88.00	59.92
1991-92	95.00	95.25	60.75
1992-93	102.64	N.A.	N.A.

From the figures it could be seen that although there was a 19 *per cent* increase in total milk production between 1988-89 and 1991-92 the cows milk production increased by only 4 *per cent*. The contribution of cow's milk to total production decreased from 73 *per cent* in 1988-89 to 64 *per cent* in 1991-92. This was not investigated and action taken.

In the circumstances the figures reported by the Department to the Planning Commission, Government of India based only on estimates and not on actual recording could not be cross-checked nor their accuracy certified.

Records of the Project Officer revealed that one Milk recorder, one Farm manager and one supervisor were employed during the period from 1988-89 to 1992-93 at a total expenditure of Rs.3.25 lakhs; but milk recording was not done.

The Government stated (December 1993) that the staff were engaged in survey works. The reply was not tenable as records for the survey work done by these employees could not be produced by the Department.

3.3.16 Conclusion

The Project, aimed at systematic improvement in the quality and number of milch cattle so as to increase the average milk yield of cows and to increase milk production had not achieved its objective. The socio-economic benefits derived from the programme were never assessed.

SERICULTURE DEPARTMENT

3.4 Infertuous expenditure

(1) The Deputy Commissioner, Tamenglong allotted 25 acres of land to the Sericulture Department free of cost in June 1986 for the establishment of an oak tasar farm in Sattu village to motivate the people of the area to take up sericulture and to provide disease-free eggs *etc.* This project was taken up on the basis of a feasibility report prepared departmentally, the most essential recommendation of which was that the villagers around the proposed farm must have sufficient oak growing areas of their own. A farm overseer was posted by the Department to this farm in September 1986. An amount of Rs.1.39 lakhs was spent on his pay and allowances during the period from September 1986 to August 1993; besides, a sum of Rs.0.05 lakh was spent on the construction of a Kutcha shed on the proposed farm.

Test-check of records in August 1992 in the Office of the Assistant Director (T), Sericulture, Tamenglong revealed that the work of the farm had not been taken up since 1986. To an audit query, the Director of Sericulture stated that since there were limitations in the expansion of Oak Tasar culture in the area due to non-availability of suitable land the Department was reconsidering the matter and proposing to set up mulberry development at a different site. The reply of the Department indicated that the project was taken up without proper planning and survey.

Thus, opening of a farm without fulfilling the essential recommendation of the project report led to an infertuous expenditure of Rs.1.44 lakhs.

The matter was referred to Government in July 1993. Reply had not been received (March 1994).

(2) The Sericulture Department approved setting up of a Mulberry Extension Centre at Hengken in 1989 covering an area of 15 acres of land in Churachandpur district for production of mulberry cocoons. The mulberry plants take 2 to 3 years to grow to a stage when silk worms can be reared. Till September 1992, only the work of clearance of jungles and plantation works in one acre of land had been taken up. Plantation of mulberry trees had not yet been taken up (September 1993).

Test-check of records of Deputy Director, Sericulture, Churachandpur (October 1992) revealed that three technical staff (Inspector, Farm Overseer and Rearer) were posted at the centre in June 1988 before the establishment of the farm. Their services could not be utilised for the purpose.

On this being pointed out in audit, the Department stated (August 1993) that the services of the staff were utilised in imparting technical knowledge and awareness amongst the private farms in the area. The contention of the Department is not acceptable as records relating to number of farmers associated with sericulture, areas under cultivation, record of visits from diaries *etc.* could not be produced to audit.

Thus, posting of the technical personnel to the centre without prior assessment of the requirement of staff, much before their services were expected to be utilised, resulted in infertuous expenditure of Rs.2.59 lakhs on their pay and allowances since 1988.

The matter was referred to Government in July 1993. Reply had not been received (March 1994).

DEVELOPMENT DEPARTMENT

3.5 Injudicious purchase

The Director of Panchayat purchased 700 reams of special type of paper at a cost of Rs.2.42 lakhs in July 1991 for printing of ballot papers for Gram Panchayat Elections held in September 1991. While assessing the requirement of paper in February 1991, the Directorate had provided for wear and tear and reserve at the rate of 65 *per cent* of quantity of paper worked out on the basis of total number of ballot papers required for the election.

Director of Printing and Stationery, who was entrusted with the job of printing the ballot papers, intimated in May 1991 a requirement of 432 reams of paper only. The Director of Panchayat, however, purchased full quantity of 700 reams of paper on the basis of assessment made in February 1991.

Test-check of records in the Office of the Director of Panchayat in October 1993 revealed that out of 700 reams purchased for printing of ballot papers, only 447 reams were used leaving 253 reams valued at Rs.0.90 lakh unutilised. The entire quantity of 253 reams remained unutilised (January 1994).

MUNICIPAL ADMINISTRATION, HOUSING AND URBAN DEVELOPMENT DEPARTMENT

3.6 Unfruitful expenditure

Under the International Year of Shelter for the Homeless (IYSH) Programme 1987, construction of 200 houses for homeless persons at Lamdeng was taken up in the year 1987. Under this programme, Planning and Development Authority, Imphal was entrusted with construction of 200 houses in two phases (each consisting of 100 houses) by the Government.

The programme aimed at providing constructed houses to shelterless families of the State belonging to economically weaker sections having income ranging from Rs.700 to Rs.1,500 per month on hire purchase system, the cost being recoverable in equal annual instalments spread over twenty years.

During the period from December 1986 to February 1988, an amount of Rs.31.68 lakhs was placed at the disposal of Planning and Development Authority for execution of Phase-I and Phase-II of the programme. Construction of 100 houses at Lamdeng, the first phase of the programme, was completed on 31 October 1988 at a cost of Rs.23.02 lakhs, which included Rs.4.34 lakhs, the value of GCI sheets supplied free of cost by the Tribal Welfare Department. The cost per house worked out to Rs.23,025. Due to poor response from prospective beneficiaries the second phase of the scheme was abandoned in January 1989.

Test-check of records of Director of Municipal Administration, Housing and Urban Development Department, Imphal revealed that proper survey was not conducted by the Department for identification of potential beneficiaries, particularly with reference to their capacity to pay the instalments at the rate of Rs.1,931 per annum and means of communication to and from their work places.

The planning of the programme was deficient as the beneficiaries from the target group were not identified and agreements were not executed with them before taking up the construction. Applications from the beneficiaries were invited in June 1988, which were received in November 1988, while the construction of the 100 houses was completed by October 1988. Of the 128 applications received by the Planning and Development Authority, 100 were selected and the applicants were informed (January 1990) for execution of agreement by June 1990, which was extended from time to time. Till August 1993, none of the applicants had turned up for execution of allotment deed. As a result the houses remained unallotted.

The Department admitted, in March 1994, that the programme was taken up hastily without taking into account the fact that there were hardly any shelterless persons in the State. It further added that because of non-existence of shelterless people in the State the objective of the programme could not be achieved.

Thus, Rs.23.02 lakhs spent on construction of the houses were rendered unfruitful.

The matter was referred to Government in September 1993. Reply had not been received (March 1994).

FISHERIES DEPARTMENT

3.7 Blocking up of Government funds

With a view to developing and propagating cold water fishery in hill areas of the State, it was decided in April 1987 to set up a nursery and rearing centre in Molhoi village of Senapati District. No project report containing the objectives of the scheme was prepared.

A test-check of the records in the office of the District Fishery Officer, Senapati in September 1992 indicated that it was proposed (April 1987) to acquire 6 acres of land through voluntary donation from the landowners of the village on the consideration that the Department would appoint one member from each family in the group 'D' category. Though a handing over and taking over document for the land was signed by the land owners and representatives of the Department in January 1988, the land was not registered in the name of the Department as the Manipur Land Revenue Act was not applicable in the hill areas of the State. The Department entrusted the work of construction to the State PWD and deposited Rs.1.77 lakhs in March 1989 for construction of four rearing, four nursery, one stocking ponds and one office-cum godown. Up to September 1991, the State PWD constructed only 9 ponds at a cost of Rs.1.69 lakhs, leaving the balance work incomplete.

Records indicated that the specifications of the ponds constructed by the PWD were different from those provided by the Department rendering them unfit for hatchery and nursery purposes.

The desirable specifications and the actual construction were as follows :

	Desirable	Constructed
Nursery ponds	1.2 m depth	0.9 m depth
Rearing ponds	18 m length 1.5 m depth	15.2 m length 1 m depth
Stocking ponds	2 m depth	1.3 m depth

Periodic inspection of the works by the Fisheries Department was not conducted to ensure that the ponds were constructed according to the specifications.

The construction continued till February 1990, when due to a ban on employment of casual staff the services of the five persons employed in the farm on consolidated monthly remuneration from April 1988 were terminated and the land owners raised objection to the construction. The Department paid Rs.0.60 lakh in March 1991 to a land owner for acquiring three acres of land out of the same plots which were earlier offered as donation by the land owners. However, inspite of the ban on recruitment, which had resulted in stoppage of the works, the Department again agreed to employ two members of the land owner's family, in addition to the compensation of Rs.0.60 lakh paid to him. Since the Department could not fulfill this condition, the land owner raised objection, and the construction could not proceed resulting in stalling of the project.

Thus expenditure of Rs.2.55 lakhs on the remained blocked.

The matter was referred to Government in June 1993. Reply had not been received (March 1994).

CHAPTER - IV

WORKS EXPENDITURE

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.1 CENTRAL RURAL SANITATION PROGRAMME

4.1.1 Introduction

With a view to accelerating provision of sanitation facilities to the rural population, a Centrally Sponsored Scheme 'Central Rural Sanitation Programme' was launched in October 1986. This scheme was introduced to supplement the efforts under other Central and State Sector programmes so as to achieve intensive coverage of villages with sanitation facilities.

4.1.2 Objectives

The objectives of the Programme were as under :

- i) Provision of sanitation facilities in the rural areas through construction of sanitary latrines so as to improve the quality of life in rural areas;
- ii) Upholding privacy and dignity of women and young girls by providing them with sanitary facilities; and providing convenience to the handicapped and aged persons; and
- iii) Providing training and increasing health awareness, specially among rural women.

4.1.3 Strategy

By the end of the VII Plan, it was proposed to provide sanitation facilities to 25 *per cent* of the rural population. The target was revised in 1991 to provide sanitation facilities to 10 *per cent* of the rural population by 1994-95 and the thrust was shifted to intensive coverage of villages with sanitation facilities.

4.1.4 Programme

The activities envisaged under the scheme for achieving the objectives were as under :

- i) Intensive coverage of villages with sanitation facilities through construction of individual pour flush latrines,
- ii) To cover other rural households in addition to the Scheduled Castes and Scheduled Tribes, for whom schemes are undertaken under NREP/RLEGP.
- iii) Training of rural people in construction and maintenance of sanitary latrines, and

- iv) Imparting health education to make the rural community aware of the need for practising hygienic habits.

The scheme was undertaken in the State in April 1987. To begin with construction of 3,141 household pour flush latrines in 40 villages was approved by Government of India at an estimated cost of Rs.56.07 lakhs, in April 1987.

The programmes to be undertaken under this scheme were modified in March 1991 to include :

- i) Construction of village sanitation (Gram Hamams) consisting of sanitary latrines, hand pumps, bio-gas plants for utilising the waste and use of bio-gas for lighting and operating pumpsets, where possible;
- ii) Construction of exclusive Village Sanitary Complexes for women by providing complete facilities for bathing, sanitation and washing where demand comes from villages and panchayats willing to maintain such complexes, *etc.*; and
- iii) Construction of individual pour flush sanitary latrines preferably in a cluster of a minimum of 20/50/100 households in a village.

4.1.5 Organisational set-up

The Public Health Engineering Department served as the nodal agency as well as the implementing agency of the scheme. Two divisions of the Department (PHE Division No.I and II) undertook the constructions under the overall control of the Chief Engineer of the Department.

The Department of Rural Development or any other agency responsible for rural development was not involved with planning and implementation of the programme.

4.1.6 Audit coverage

Overall implementation of the scheme during the period from 1986-87 to 1992-93 was reviewed by test check in audit during April and May 1993. The records in the offices of the Chief Engineer, PHED and of the Public Health Engineering Divisions I and II were test-checked besides the records of the Rural Development Department.

4.1.7 Highlights

- Only Rs.27.42 lakhs were spent under this programme in six years. There were savings during many years.

(Paragraph 4.1.8)

- No annual action plans were prepared. Selection of villages for construction of low cost sanitary latrines was not made in accordance with the guidelines of the Government of India.

(Paragraph 4.1.9)

- Only 2,147 latrines were constructed in a period of 6 years covering only 1 per cent of the rural population leaving only 2 years period to achieve the remaining 9 per cent coverage of the population.

(Paragraph 4.1.10)

- The Government did not take up any programme of training and health education of the beneficiaries.

(Paragraph 4.1.11)

- No monitoring and evaluations were carried out or any records in respect of inspection having been conducted could be produced by the implementing Department.

(Paragraph 4.1.12)

4.1.8 Finance and expenditure

The scheme was fully funded by the Central Government up to 31st March 1990 except for the beneficiary contribution, if any. With effect from 1st April 1990 the expenditure was to be shared by the Central and State Governments respectively in the ratio of 3:1. For beneficiaries belonging to Scheduled Caste and Scheduled Tribe and those below the poverty line, the entire cost continued to be met out of the Central funds, while for others, part of the cost as per the State norms was to be met by the beneficiaries out of their own resources or obtained as loans.

Budget provision and expenditure for this scheme during 1986-87 to 1992-93 were as under :

Year	Central assistance	Budget Estimates	Expenditure	Savings(-)/ Excess (+)
(Rupees in lakhs)				
1986-87	5.00	-	-	-
1987-88	6.00	11.00	10.11	(-) 0.89
1988-89	2.00	4.00	4.20	(+) 0.20
1989-90	-	7.50	5.60	(-) 1.90
1990-91	9.00	5.00	1.01	(-) 3.99
1991-92	-	5.00	2.38	(-) 2.62
1992-93	5.00	5.00	4.12	(-) 0.88
	27.00	37.50	27.42	(-)10.08

The Department attributed the savings to belated receipts of assistance from Government of India.

Thus, the scale of the programme has been at a low level and only Rs.27.42 lakhs have been spent in 6 years.

Mild steel rods worth Rs.1.40 lakhs purchased during 1987-88 under this scheme had been diverted to State sector schemes during 1988-89.

4.1.9 Planning and selection process

Following shortcomings in planning and implementation were noticed :

i) As per the guidelines issued by the Government of India, the State Governments were required to prepare a shelf of schemes. Such shelf of schemes has not been prepared by the State Government. Further the overall magnitude of the task was not assessed by the Government through a comprehensive plan.

ii) Annual action plans were also not prepared in accordance with the guidelines and as such no annual targets were fixed.

iii) The programme taken up in 1987 consisted of construction of 3,141 low cost sanitary latrines in 40 villages out of a total number of 2,035 villages in 7 out of 8 districts. The proposal did not mention the due date by which the construction was to be completed. Thus, rather than concentrating on a few selected project districts, the programme was scattered all over the State rendering it difficult for the executing agency to control and supervise.

iv) The selection of villages for construction of low cost sanitary latrines was not made in accordance with the guidelines given by Government of India *viz.*, availability of adequate water supply and preference for villages taken up earlier under RLEGP *etc.* The selection of villages was stated to have been made by a Programme Work Committee. However, the considerations on which the selections were made were not available.

v) There was no provision for training and health education in the project proposal of State Government (February 1987).

vi) State Governments were expected to encourage voluntary organisations to take up programmes for construction of sanitary latrines and forward their proposals to Council for Advancement of People's Action and Rural Technology (CAPART). The voluntary agencies were to be involved in imparting training to the block and village level functionaries and community. No such agencies were involved in the programme.

vii) Based on past experience, the Government of India introduced certain modifications in the programme in 1991, which included construction of village sanitation complex, construction of exclusive complexes for women and construction of individual latrines in clusters of 20/50/100 households and targeting the whole community. These changes were not made by the State Government in their strategy for planning and implementation of the CRSP.

4.1.10 Physical targets and achievement

The scheme envisaged coverage of 25 *per cent* of the rural population during the VII Plan period. This was revised to 10 *per cent* of total rural population to be provided with sanitary latrines by 1994-95.

The following were the achievement during the period from 1986-87 to 1992-93 :

Year	Physical achievement (number of latrines constructed)	Population coverage (In lakhs)
(1)	(2)	(3)
1987-88	488	0.03
1988-89	345	0.02
1989-90	727	0.05
1990-91	143	0.01
1991-92	220	0.015
1992-93	224	0.013
	2147	0.13

i) As per 1991 census the total population of the State in rural areas was 13.32 lakhs. Thus, only one *per cent* of rural population has been covered in a period of 6 years leaving only 2 years period to achieve the remaining 9 *per cent* coverage of the population.

ii) During scrutiny of records in April-May 1993, it was revealed that Rs.2.99 lakhs were provided in February 1986 to a voluntary agency, Citizen Volunteers Training Centre by the Council for Advancement of People's Action and Rural Technology (CAPART) an autonomous body under the Government of India for construction of 225 low cost sanitary latrines in 17 villages at a cost of Rs.1,243 each. The details of utilisation of funds and progress of construction was not available with the Department.

4.1.11 Training and Health Education

The guidelines stressed imparting of the following types of training and health awareness :

- i) training the community particularly women in proper upkeep and maintenance of the sanitation facilities provided;
- ii) imparting training to beneficiaries regarding construction of their own sanitary latrines using locally available inexpensive materials; and
- iii) imparting health education to make the rural community aware of the need for practising hygienic habits.

Training and health education was not thought of at any stage, which ignored a very important aspect of the programme.

To an audit query the Department stated that maintenance *etc.* are seen by the staff through their field visits. However, such report of the field visits were not furnished to audit.

4.1.12 Monitoring and evaluation

The monitoring and evaluation division under Public Health Engineering Department was entrusted with the responsibility of overseeing the progress, preparation of annual work programmes and action plan *etc.* Independent evaluation of the scheme was not conducted to examine the extent to which the objectives were met.

Follow up report regarding inspection/verification of sanitary latrines was not made available. Technical advisory committee consisting of Government functionaries, NGOs, professional organisations and social workers was not formed, though required to be formed.

According to guidelines issued by the Department of Rural Development, the State Government was required to send Annual Action Plans, monthly progress reports and annual reports of achievement. The Department could not produce evidence in support of any such action plan and reports having been sent by it. It stated, in August 1993, that these were sent but were not readily traceable.

The review was sent to Government in October 1993. Reply was not received (March 1994).

4.2 LIBERATION OF SCAVENGERS

4.2.1 Introduction

With a view to eradicating the age old practice of carriage of night soil and manual cleaning of dry pit latrines, mostly by people belonging to Scheduled Castes, a Centrally Sponsored Scheme, 'Liberation of Scavengers' from scavenging was launched in 1986 under the implementation and enforcement of the Protection of Civil Rights (PCR) Act, 1955.

The scheme had the following components:

- i) survey and identification of scavengers and their dependents engaged in the profession of carrying the night soil from existing dry pit latrines;
- ii) conversion of all dry latrines into water-borne pour flush latrines in a time bound manner on whole town approach basis;
- iii) Retention of all scavengers in the employment of municipalities and local bodies and assigning alternative dignified occupations to them; and
- (iv) Rehabilitation of all existing private scavengers and their dependents in various trades and occupation by providing necessary training for alternative occupations.

4.2.2 Organisational set-up

The implementation of the programme rested entirely with the Public Health Engineering Department. At the apex level, Chief Engineer, PHED functioned as the chief executive for planning and implementation of the programme. The physical construction of dry pit latrines was entrusted to Drainage and Sewerage Division No.I.

4.2.3 Audit coverage

A review of the implementation of the scheme in the State was carried out in audit during March-April 1993. Test-check of records for the period from 1987-88 to 1992-93 was conducted in the offices of Chief Engineer, Public Health Engineering Department, which functioned as the nodal department for the scheme, and Drainage and Sewerage Division No.I, which was entrusted with the responsibility for conversion of dry pit latrines into pour flush ones.

4.2.4 Highlights

- The Social Welfare Department, which is responsible for the welfare of Scheduled Castes, was not involved at any stage of the planning and implementation of the Scheme.

- No comprehensive survey was conducted to estimate the actual number of scavengers involved in carrying night soil and filth from dry pit latrines before taking up the scheme. The 1981 census figures of the State revealed that not even one person was enumerated under the profession of scavengers.

(Paragraph 4.2.6)

- Despite meagre budget provisions, savings ranged from 37 per cent to 73 per cent of the funds allocated.

(Paragraph 4.2.7)

- The project report prepared by a consultant was deficient as actual census of scavengers engaged in carrying night soil was not carried out. The need for taking up the scheme was, therefore, not established.

(Paragraph 4.2.8)

- 3200 dry pit latrines were initially targeted in 1988 for conversion into pour flush ones in 5 towns but the number was reduced to 1500 in 3 towns without indicating any reasons. Further, against the estimated unit conversion cost of Rs.2,470 per latrine, the Department spent Rs.4,665 for each such conversion. The progress of the scheme was very slow. Only 463 latrines were converted into pour flush latrines in 6 years.

(Paragraphs 4.2.8 and 4.2.9)

- Even after spending Rs.21.60 lakhs in 6 years the implementation of the scheme did not contribute to its main objective as no scavenger was liberated. No training was imparted to any scavenger or their wards for alternative profession.

(Paragraph 4.2.11)

4.2.5 Financing pattern

The scheme was centrally sponsored and expenditure on conversion of existing dry pit latrines into water-borne pour flush latrines was to be shared equally by the Central and State Governments up to 1989-90, subject to a ceiling of Rs.1000 per latrine to be met by the Centre. The unit cost of conversion of latrines was fixed between Rs.1,500 and Rs.2,500. In hilly and difficult areas it was fixed as Rs.3,500 per unit. The State Government was authorised to utilise 10 *per cent* of Special Central Assistance released by the Central Government through the State's Scheduled Caste Development Corporations for providing margin money to the scavengers for their rehabilitation. The State Government fixed Rs.500 per latrine as beneficiary contribution.

4.2.6 Planning and survey

The scheme was taken up in the State in the year 1987-88. The Social Welfare Department, which is, otherwise, responsible for welfare of scheduled castes did not function as the nodal department in planning and implementation of the project nor was there any evidence of its active and regular involvement/ participation in implementation of the scheme. Comprehensive survey to identify number of scavengers employed in the municipalities/local bodies as also to determine the number of private scavengers was not conducted to assess their total number. The Government had not conducted any house to house survey to determine the number of dry pit latrines needing physical scavenging by carriage of night soil on a regular basis. There was no evidence to indicate if the data published by Registrar General of Census relating to 1981 India was referred to for ascertaining the number of scavengers in the State. As per the figures of the 1981 Census, not a single person had enlisted his/her profession as scavenger in the State.

The information about number of scavengers in the State furnished by different departments/functionaries at different times were different and inconsistent. The State Public Health Engineering Department intimated to Government of India, in November 1988, that there were 68,606 household dry latrines in the State and that there were 2230 scavengers employed in 28 municipalities and local bodies. On the other hand, the Director, Manipur Housing and Urban Development stated, in his letter to HUDCO, in February 1993, that the Department had prepared a programme to implement low cost sanitation scheme in 1992-93 by linking it with the scheme 'Liberation of Scavengers' purely for health and sanitation purposes. He added that, in the State, there was no caste system and therefore there were no caste or group of people who were professionally or culturally engaged in the task of scavenging. It was further clarified that majority of people use open pit kutchha latrines and they remove the solid waste themselves, after it decomposes into soil. In response to an audit query in February 1993, it was intimated by the Director, Manipur Housing and Urban Development that local bodies in the State engaged sweepers for cleaning and sweeping of public places and services of scavengers for carriage of night soil were not required by them. He added that construction of low cost sanitary latrines was being taken up in the State purely for health and sanitation purposes.

The Public Health Engineering Department in its proposal to the Government of India for conversion of 3,200 dry pit latrines in February 1988, indicated that conversion of 3,200 latrines would result in liberation of 450 scavengers in five project towns. However the same department stated, in August 1993, that it was not aware of any targets set for liberation/rehabilitation of scavengers.

4.2.7 Budget provision and expenditure

Following were the budget provision, central assistance received and the actual expenditure during the period from 1987-88 to 1992-93 :

Year	Provision in the State Budget	Central assistance	Actual expenditure
(1)	(2)	(3)	(4)
(Rupees in lakhs)			
1987-88	Nil	Nil	1.29
1988-89	Nil	15.00	3.03
1989-90	15.00	Nil	9.40
1990-91	10.00	Nil	2.48
1991-92	10.00	Nil	4.08
1992-93	--	--	1.32
Total :	35.00	15.00	21.60

The entire expenditure relates to conversion of dry pit latrines into pour flush latrines.

It would, thus, be seen that the expenditure incurred during each of the six years (up to February 1993) under review was very low and the savings ranged between 37 and 73 per cent.

As per the funding pattern, the Central share is limited to Rs.1,000 per latrine. Since only 463 latrines have been constructed (February 1993) the Central share of Rs.4.63 lakhs only has been utilised, leaving a balance of Rs.10.37 lakhs.

4.2.8 Implementation

The Public Health Engineering Department engaged a consultant (Sulabh International) at a cost of Rs.3.58 lakhs, in June 1987, to prepare project report for making five towns namely, Bishnupur, Churachandpur, Moirang, Nambol and Thoubal scavenging free. The letter entrusting the work to the consultant did not contain any specific condition as to how the survey was to be conducted to determine the number of dry pit latrines needing regular scavenging nor for determining the number of scavengers. The project report submitted by the consultant, in February 1988, dealt only with conversion of dry pit latrines in these towns and indicated that with conversion of all latrines in the five towns about 450 scavengers and their wards would be freed from the task of scavenging. However, the basis on which this number of scavengers likely to be liberated worked out

was not indicated. It was also not clear whether the consultant conducted any survey to determine the number of dry pit latrines which needed periodic scavenging on regular basis before arriving at their number to be converted into pour flush latrines. The project for conversion of latrines in the five towns including rehabilitation of scavengers was split into two phases and the report for the first phase containing an estimate for 3,200 was finalised and submitted to the Government in February 1988, even when house to house survey to ascertain correct status of existing latrines in these towns was stated to be under progress. The project report, therefore, was not based on proper survey and analysis.

The original project proposed for conversion of 3,200 latrines in five towns in phase I was later scaled down to conversion of 1,500 latrines in three towns only at an estimated cost of Rs.37.05 lakhs. Reasons for scaling down the original project were not available. The Department had not indicated any target date for completing the conversion of these 1,500 latrines. Government of India conveyed their approval to conversion of 1500 latrines in three towns and released the Central share of Rs.15 lakhs at the rate of Rs.1000 per latrine, in March 1988.

4.2.9 Physical progress

While the main objective of identification and liberation of scavengers was not kept in view by the Department at any time during the period under review, even the progress of conversion of the approved number of dry pit latrines was poor. Only 463 latrines were converted into pour flush latrines till February 1993 against even the reduced target of 1,500 in three towns as under :

Total number of towns in the State	:	32
Total number of municipalities/local bodies	:	28
Total number of household dry latrines	:	68,606

Name of towns included in initial phase-I conversion	Population as on 1988 projected figure	No. of households	No. of dry latrines	No. of latrines initially planned for conversion	No. planned for conversion (revised)	No. actually converted
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Churachandpur	27000	4420	4224	1000	Nil	-
Moirang	16650	2270	2271	500	Nil	-
Nambol	17000	2880	2730	600	600	145
Thoubal	24150	3670	3559	800	600	200
Bishnupur	7300	1305	1264	300	300	118
Total :	92,100	14,545	14,048	3,200	1,500	463

The Department stated, in March 1993, that progress was slow due to poor response from the beneficiaries in payment of their contribution.

Taking into account the total expenditure of Rs.21.60 lakhs booked under this scheme, the cost of construction worked out to Rs.4,665 per latrine as against Rs.2,470 envisaged in the project report and between Rs.1,500 and Rs.2,500 under the scheme.

4.2.10 Monitoring

There was absence of co-ordination between the Departments of Urban Development and Social Welfare. The PHED undertook the programme in isolation confining itself to physical works of conversion of latrines. No Co-ordination Committee was set up to oversee the implementation of the programme. Annual targets were not fixed and progress watched against them.

4.2.11 Achievement of objectives

Thus, even after spending Rs.21.60 lakhs over more than five years, Government could not achieve the main objective of liberating the scavengers as it had not established whether the practice of scavenging of dry latrines was prevalent in the State of Manipur and if so, how many scavengers were engaged in the profession of carriage of night soil in different townships. The implementation of the scheme did not liberate any scavenger and no training was imparted to any scavenger or their wards for alternative profession. The primary objective was lost sight of and the entire emphasis was put on physical construction activity of converting the dry pit latrines into pour flush ones without any resultant impact on the number of scavengers, if any, that existed in the State. Even the project for conversion of latrines was not taken with whole town approach as contemplated in the scheme to facilitate complete eradication of scavenging, if it existed, in the selected towns.

The review was sent to the Government in October 1993. Reply was not received (March 1994).

PUBLIC WORKS DEPARTMENT

4.3 Non-recovery of dues from contractors

(a) Senapati Division awarded the work of improvement of Imphal-Tamenglong Road (28 km to 36 km) to a contractor in December 1988 at the tendered cost of Rs.10.75 lakhs for completion within one year. The contract was rescinded at risk and cost of contractor in December 1991 due to slow progress of work. Value of work executed and paid for was Rs.4.34 lakhs.

The balance work was awarded to another contractor in March 1992 at the tendered amount of Rs.9.04 lakhs.

The rescission of contract and award of balance work to another contractor resulted in extra cost of Rs.2.63 lakhs. In addition, Rs.0.32 lakh was recoverable from the first contractor on account of hire charges of machinery. Against this a sum of Rs.0.42 lakh only was available with the Division as security deposit of the contractor.

(b) In another case, the work of improvement of Imphal-Tamenglong Road (37 km to 51 km) was awarded to a contractor in January 1989 at the tendered amount of Rs.29.16 lakhs. The work was to be completed within two years. The contract was rescinded at the risk and cost of the contractor in July 1991 because of slow progress. Rs.18 lakhs were paid to the contractor up to the date of rescission.

The balance work was awarded to two contractors in June 1992 at a total tendered amount of Rs.15.28 lakhs.

The rescission of contract and award of balance work to other contractors resulted in extra cost of Rs.4.12 lakhs. As against this only a sum of Rs.1.45 lakhs was available with the Department as security deposit.

The Department has not recovered the amount of Rs.7.07 lakhs recoverable from the two contractors.

The matter was referred to Government in March 1993. Reply had not been received (March 1994).

4.4 Non-recovery of compensation for non-employment of technical staff

Standard conditions of agreement for execution of works in the Department provide that the contractors must employ one Graduate Engineer for works costing above rupees five lakhs and one qualified diploma holder for those costing between rupees two lakhs and rupees five lakhs. Failure to employ technically qualified staff by the contractor makes him liable to pay a reasonable amount, not exceeding rupees two thousand in the case of a Graduate Engineer and rupees one thousand in the case of an Overseer for each month of default.

Cases where the contractors did not employ technical staff for supervision of the works but the Department failed to levy the compensation were pointed out in para 4.6 of the Report of the Comptroller and Auditor General of India for the year ended 1982-83. In its 14th Report, published in 1987, the Public Accounts Committee observed that the quality of the works had been rendered inferior in the absence of supervision by technically qualified person during their execution and recommended that compensation should be recovered when technically qualified staff were not employed by the contractors.

Test-check of the records of Senapati and Ukhrul Divisions, revealed that contractors, who executed 31 works in these Divisions during the period from May 1985 and October 1992, had not employed technical staff. The Divisions neither enforced the condition of the contract to ensure technical supervision for works on a regular basis nor recovered the compensation in most of the cases. Senapati Division recovered only Rs.0.26 lakh out of Rs.2.83 lakhs recoverable while Ukhrul Division had not recovered the entire amount of Rs.8.29 lakhs due from the defaulting contractors calculated at the maximum rate of compensation in each case.

This, on the one hand, resulted in absence of supervision of works for Rs.196.04 lakhs by technically qualified persons, and on the other, resulted in a loss of Rs.10.86 lakhs on account of non-levy of compensation.

The matter was referred to Government in May and June 1993. Reply had not been received (March 1994).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.5 Short recovery of hire charges of machinery

Standard conditions of the agreement with contractors in the Irrigation and Flood Control Department provide that hire charges of departmental machinery issued to contractors are to be recovered at the prescribed rates, for the entire period during which the departmental machinery is issued to them, excepting for the days of major breakdown, necessitating its return to the workshop.

Non-recovery of hire charges by the Public Works Department was earlier mentioned in Para 4.7 of the Report of the Comptroller and Auditor General of India for the year 1981-82. The Public Accounts Committee, in its 13th Report published in 1986, observed that it was a lapse on the part of the Department and directed the Government to recover the charges.

It was observed in audit (November 1992) in Khuga Canal Division No.1, Mata that hire charges of Rs.3.05 lakhs towards bull-dozer were not recovered for 139 days during 1990 (57 days), 1991 (49 days) and 1992 (33 days) from nine contractors resulting in a loss to the Government.

The matter was referred to Government in July 1993. Reply had not been received (March 1994).

4.6 Non-recovery of compensation for non-employment of technical staff

Standard conditions of agreement with the contractors of the Department provide that, during execution of works the contractors shall employ one graduate engineer when the cost of work is above rupees five lakhs and one qualified diploma holder when it is above rupees two lakhs failing which, for each month of default they shall be liable to pay to the Government a reasonable amount not exceeding rupees two thousand in the case of a graduate engineer and rupees one thousand in the case of a diploma holder.

Mention was made in para 4.6 of the Report of the Comptroller and Auditor General of India for the year 1982-83 that the department had not recovered the compensation where the contractors failed to employ such technical staff. The Public Accounts Committee, in its 14th Report published in 1987, observed that the works could be rendered inferior in quality in the absence of proper supervision by technical staff of the contractors during execution and recommended that compensation should be invariably levied where such staff had not been employed.

It was noticed, during test-check of record of Khuga Canal Division No.1, Mata that inspite of specific recommendation of the PAC compensation of Rs.15.38 lakhs due from 18 contractors, who did not employ technical staff on 28 works (*vide Appendix - VII*) executed by them between November 1987 and March 1992, was not recovered. Non-enforcement of agreement for employment of technical staff by the contractors resulted in works being executed without supervision by technically qualified person on regular basis besides a loss of Rs.15.38 lakhs on account of non-recovery of compensation.

The matter was referred to Government in July 1993. Reply had not been received (March 1994).

CHAPTER - V

STORES AND STOCK

PUBLIC WORKS DEPARTMENT

5.1 Injudicious purchase of stores

Government accorded administrative approval for construction of a fly-over at Keisampat on 30 March 1992 at an estimated cost of Rs.429.89 lakhs. The work was scheduled to be taken up in 1991-92 and was to be completed within 4 years. The estimated expenditure during 1991-92, 1992-93, 1993-94 and 1994-95 was Rs.10 lakhs, Rs.120 lakhs, Rs.120 lakhs and Rs.180 lakhs respectively.

A sum of Rs.200 lakhs was allocated to the Executive Engineer, Highways South Division No.I by the Government on 30 March 1992 for payment against various works undertaken by the Division. Out of this, the Division drew two cheques for Rs.44.10 lakhs and Rs.53.49 lakhs on 31 March 1992 and deposited them with the Cement Corporation of India and a Steel Company respectively on 6 April 1992 as advance for supply of 2,000 tonnes of cement and 500 tonnes of steel even before action for calling for tenders *etc.* for the works was finalised. Terms and conditions and dates/schedule of supply were not prescribed while paying the amount of advances. Thus, supply schedules against huge amounts of advances were left open ended at the discretion of the suppliers.

The Division had not analysed the requirement of cement and steel on the basis of approved work plan for 1992-93. Basis for working out the quantities of cement and steel to be indented was not available.

1989.80 tonnes of cement and 426.64 tonnes of steel for Rs.45.64 lakhs and Rs.48.10 lakhs were supplied by the firms during September 1992 to August 1993 and September 1992 to January 1993 respectively. Advance of Rs.5.39 lakhs was still outstanding against the Steel Company (September 1993).

The entire quantity of 1989.80 tonnes of cement remained unutilised and the Department could utilise only 7.73 tonnes of steel (1.83 *per cent*) out of 426.64 tonnes of steel received against the supply order of 6 April 1992 (October 1993). The Executive Engineer of the Division stated, in August 1993, that the cement had been kept in stores as reserve stock and that it was being replaced with fresh stocks to prevent it from getting spoilt.

The matter was referred to Government in July 1993. Reply had not been received (March 1994).

5.2 Loss on account of non-preferment of claims

According to a scheme introduced by the Joint Plant Committee (JPC) in November 1989, road transportation charges for movement of steel materials from the stockyards of the producers to Imphal was reimbursable from the Freight Equalisation Fund administered by it. The rates for reimbursement for transportation from Guwahati and Calcutta were fixed at Rs.470 and Rs.855 per tonne respectively. The scheme was discontinued with effect from 17 January 1992 consequent upon decontrol of steel. The JPC, in February 1992, fixed 14 March 1992 as the last date for submission of all outstanding claims on account of reimbursement of freight charges for transportation of steel to Imphal up to 16 January 1992. The last date for receipt of claim was later extended up to 31 August 1992.

Civil Division, Finance Commission, Imphal lifted 175.225 and 81.985 tonnes of steel from stockyards of Messrs. Tata Iron and Steel Company at Guwahati and Calcutta respectively, during the period November 1989 to April 1991 for transportation to Imphal.

The Division did not prefer the claims either from time to time after transportation of steel or up to the extended date for preferring the claims, which resulted in a loss of Rs.1.52 lakhs.

The Division stated, in August 1993, that it did not prefer the claims as it was not aware of the scheme. The reply of the Division was not tenable as the Chief Engineer had issued specific instructions to all Divisional Engineers to prefer the claims timely. Besides, the Division and the CE's offices are located in the same complex.

The matter was referred to Government in July 1993. Reply had not been received (March 1994).

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

6.1 General

(a) Receipts and expenditure of bodies and authorities substantially financed by grants and/or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly are audited by the Comptroller and Auditor General of India under the provisions of Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. A body or authority is deemed to have been substantially financed by grants and loans from the Consolidated Fund, if the aggregate of grants and loans to it in a financial year is not less than Rs.25 lakhs and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that body or authority.

The Finance Department was requested in June 1993 followed by reminder in November 1993 to furnish relevant information to enable Audit to identify the bodies and authorities substantially financed from the Consolidated Fund for determining the applicability of audit under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The information was not received until January 1994. Thus, neither a complete list of such institutions could be prepared nor could the status of preparation of their accounts be ascertained.

However, from the information collected by Audit from various bodies and authorities, seven institutions were identified as having been substantially financed during 1992-93. The table below indicates details of the funds placed at the disposal of these bodies and authorities for the years 1991-92 and 1992-93 and the status of finalisation of their accounts and completion of audit as of January 1994.

Sl. No.	Name of body/authority	Source of funds	Amount of grant/and loan		Year up to which account compiled	Year up to which audit completed
			1991-92	1992-93		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Rupees in lakhs)						
1.	Manipur Agricultural College, Iroisemba	State Government	62.94	42.00	1992-93	1990-91
		Others	-	-		
2.	Manipur Development Society, Imphal	State Government	100.00	100.00	1991-92	1992-93
3.	Manipur University, Canchipur.	State Government	320.75	260.37	1992-93	1992-93
		Others	36.83	5.00		
4.	Regional Medical College, Imphal	State Government	269.50	362.48	1990-91	1992-93
		Others	408.20	541.55		

(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Rupees in lakhs)						
5.	Planning and Development Authority, Imphal	State Government	85.07	35.59	1990-91	1992-93
		Others	371.18	507.53		
6.	Manipur State Kala Akademi, Khuman Lampak, Imphal	State Government	28.99	26.96	1990-91	1990-91
		Others	0.70	0.10		
7.	District Rural Development Agency, Imphal	State Government	67.73	19.32	1989-90	1989-90
		Others	23.09	54.96		

In addition six Autonomous District Councils established in accordance with the provisions of the Manipur (Hill Areas) District Council Act, 1971 and the rules framed thereunder are also audited by the Accountant General, Manipur under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The table below depicts the amount of grants received by the Autonomous District Councils from the State Government during 1991-92 and 1992-93, year up to which their accounts had been compiled and year up to which the audit had been completed, as of January 1994.

Sl. No.	Name of body/authority	Amount of grant/and loan		Year up to which account compiled	Year up to which audit completed
		1991-92	1992-93		
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in lakhs)					
1.	Churachandpur Autonomous District Council	172.71	162.56	1992-93	1991-92
2.	Senapati Autonomous District Council	121.67	148.84	1992-93	1991-92
3.	Sadar Hills Autonomous District Council	205.62	210.71	1992-93	1992-93
4.	Ukhrul Autonomous District Council	160.05	206.48	1992-93	1991-92
5.	Tamenglong Autonomous District Council	131.38	179.87	1992-93	1992-93
6.	Chandel Autonomous District Council	98.24	112.39	1990-91	1990-91

TRIBAL AND BACKWARD CLASSES WELFARE DEPARTMENT**6.2 Persistent Irregularities in the award and execution of works**

Test-check of the records of the Autonomous District Council, Churachandpur revealed that the work of construction of a Type V quarter was entrusted by the Chairman of the Council in March 1988 to a person 'X', without invitation of tender at a cost of Rs.1.87 lakhs being 135 *per cent* above the estimated cost of Rs.0.79 lakh. According to the records of the Council, the construction was to be completed by October 1988. The required agreement was not entered into with contractor 'X' and an unsecured advance of Rs.0.87 lakh was paid to him in April 1988. Another advance of Rs.0.30 lakh was also paid to him in July 1988.

Work valued at Rs.0.40 lakh only was carried out by the contractor up to July 1988 and thereafter he discontinued the work. The Council accepted an informal arrangement for completion of the remaining work between 'X' and another person 'Y' in April 1990, wherein the outstanding amount of advance was to be adjusted out of the bills of the latter. Contractor 'Y' completed the work in December 1991 thirty eight months after the due date of completion. Payments of running bills and final bills after April 1990 were made to contractor 'Y' and advance paid to the former was adjusted against the bills submitted by 'Y'. The total payment to the contractor 'Y' was exactly equal to the amount of Rs.1,87,584 at which the work was entrusted to contractor 'X' in March 1988.

Thus, the work was awarded by the Council on *ad-hoc* basis in violation of norms for award of construction works. Open tenders were not issued, the reasonableness of the rates offered and technical competence of the contractor were not examined and formal agreement with the contractor was not entered into. Advances of large amounts were paid without any security, which remained outstanding with the first contractor for over 2 years. The Council accepted informal arrangement between two contractors and paid subsequent bills to the latter who was not entrusted with the work. The Council could not explain satisfactorily how the total final payment exactly tallied with the original contract value. To an enquiry by audit, the Council stated, in August 1993, that advance was paid for purchase of cement and C.G.I. sheets at the instruction of higher authority.

The matter was referred to Government in July 1993. Reply is awaited (January 1994).

6.3 Irregular payment of House Rent Allowance

Employees provided with residential accommodation by the Government/autonomous bodies are not entitled to House Rent Allowance (HRA).

Test-check of records of Senapati Autonomous District Council conducted under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 revealed that HRA of Rs.0.92 lakh was paid to 20 employees between July 1989 and December 1992, for periods during which they were in occupation of Council's residential accommodation.

Similarly by the Sadar Hills Autonomous District Council, HRA of Rs.0.50 lakh was paid to 15 employees during the period February 1991 to September 1992, though they were in occupation of Council's residential accommodation.

The unauthorised payments of HRA by these Councils, which are fully funded by the Government, resulted in overpayment of Rs.1.42 lakhs.

The matter was referred to Government in April 1993 and January 1993 respectively and their reply had not been received (March 1994).

RURAL DEVELOPMENT DEPARTMENT

6.4 Unauthorised Expenditure

Funds provided under Centrally Sponsored Programme "Jawahar Rozgar Yojana" are to be utilised for generation of additional gainful employment for unemployed people below the poverty line in rural areas, creation of sustained employment by strengthening rural economic infrastructure and also assets in favour of rural poor for their direct and continuing benefits.

(i) Test-check of records in the Office of the Project Officer, District Rural Development Agency, Tamenglong, revealed that an amount of Rs.1.57 lakhs out of the funds under Jawahar Rozgar Yojana was utilised during the period from February 1990 to January 1991 for purchase of furniture, curtains and utensils and computer for the offices and residences of the Deputy Commissioner and other officers .

(ii) In another case, test-check of records in the Office of the Project Officer, District Rural Development Agency, Ukhrul revealed that an amount of Rs.2.15 lakhs under Jawahar Rozgar Yojana was utilised during the period from January 1990 to December 1990 for purchase of an ambassador car (Rs.1.26 lakhs), equipment (Rs.0.74 lakh) and synthetic carpet for DC's residential quarters (Rs.0.15 lakh).

These items amounting to Rs.3.72 lakhs were not covered under the scheme nor did these contribute to the achievement of the specific objectives set forth under the programme.

These were respectively referred to Government in June and September 1993. Reply had not been received (March 1994).

PLANNING AND DEVELOPMENT AUTHORITY

6.5 Loss on account of non-preferment of claims

According to a scheme introduced by the Joint Plant Committee (JPC) in November 1989, road transportation charges for movement of steel from the stockyards of the producers to Manipur was reimbursable from the freight equalisation fund administered by it. The scheme was discontinued with effect from 17 January 1992 consequent upon decontrol of steel. The JPC, in February 1992, informed the State Government that the last date for submission of all outstanding claims on account of reimbursement of freight charges for transportation of steel up to 16 January 1992 would be 14 March 1992. The last date for receipt of claim was later extended up to 31 August 1992.

Planning and Development Authority transported 68.800 tonnes of steel from stockyards of Tata Iron and Steel Company at Guwahati and 51.240 tonnes from that of Steel Authority of India at Dimapur during February 1991 to January 1992. Food and Civil Supplies Department which was functioning as nodal Department for preferring the claims for reimbursement informed the indenting Departments to prefer claims within the prescribed time.

The Authority had not preferred the claims either from time to time after transportation of steel/steel materials or up to the last date for preferring the claims, which resulted in a loss of Rs.0.70 lakh computed at the rate of Rs.751.54 per tonne on 68.800 tonnes and Rs.364.44 per tonne on 51.240 tonnes.

The matter was referred to Government in July 1993. It stated (October 1993) that the claims could not be preferred as the final bills of the transporters could not be settled till the last date for preferring the claim. The reply is not tenable as the amount reimbursable by JPC was fixed and had no connection with the amount paid to the transporters.

CHAPTER VII

REVENUE RECEIPTS

GENERAL

7.1 Trend of Revenue receipts

The total revenue receipts of the Government of Manipur for the year 1992-93 were Rs.480.22 crores, as against anticipated receipts of Rs.455.95 crores. Out of the total receipts, Rs.37.40 crores represented revenue raised by the State Government, of which Rs.15.32 crores represented tax revenue and the balance of Rs.22.08 crores non-tax revenue. Receipts from Government of India were Rs.442.82 crores which accounted for 92 *per cent* of the total receipts.

7.2 Analysis of revenue receipts

(a) Tax revenue raised by the State

Receipts from tax revenue during 1992-93 constituted 40 *per cent* of the revenue raised by the State. An analysis of tax revenue for the year 1992-93 and the preceding two years is given below :

	1990-91	1991-92	1992-93	Percentage of Increase (+)/ Decrease (-) in 1992-93 with refe- rence to 1991-92
	(1)	(2)	(3)	(4)
(Rupees in lakhs)				
1. Sales Tax	543.49	776.04	796.77	(+) 2.7
2. State Excise	216.32	46.49	58.39	(+) 25.6 (A)
3. Other Taxes on Income and Expenditure	140.26	214.32	281.47	(+) 31.3 (B)
4. Taxes on Vehicles	113.19	140.84	123.47	(-) 12.3
5. Stamps and Registration Fees	90.28	91.90	95.05	(+) 3.4
6. Other Taxes and Duties on Commodities and Services	75.38	74.01	76.48	(+) 3.3
7. Land Revenue	35.01	47.69	63.07	(+) 32.2
8. Taxes on Goods and Passengers	32.16	43.16	37.30	(-) 13.6
9. Taxes and Duties on Electricity	0.21	0.04	0.04	Nil
	1246.30	1434.49	1532.04	

The Departments stated following reasons for variation :

(A) Increase (25.6 per cent) under State Excise was mainly due to imposition of fines and penalties.

(B) Increase (31.3 per cent) under Other Taxes on Income and Expenditure was due to improvement in tax collection.

The reasons for variation in respect of other revenue heads though called for from the departments concerned were not received (March 1994).

(b) Non-Tax revenue of the State

Interest, Public Works, Education, Forestry and Wild Life, Power, Housing, Co-operation, Water supply and Sanitation, Major and Medium Irrigation were the principal sources of non-tax revenue in the State. Receipts from non-tax revenue during 1992-93 contributed 60 per cent of the revenue raised by the State. An analysis of non-tax revenue under the principal heads for the year 1992-93 and the preceding two years is given below:

	1990-91	1991-92	1992-93	Percentage of Increase (+)/ Decrease (-) in 1992-93 with reference to 1991-92	
	(1)	(2)	(3)	(4)	
(Rupees in lakhs)					
1. Power	576.70	549.52	488.91	(-)	11
2. Miscellaneous					
General Services	424.77	339.82	609.66	(+)	79.4 (A)
3. Other Industries	216.05	**	0.38	(+)	38
4. Public Works	173.28	160.32	174.82	(+)	9
5. Others	119.70	166.60	236.14	(+)	41.7
6. Forestry and Wild Life	99.63	234.33	339.21	(+)	44.8 (B)
7. Interest	66.83	208.53	75.01	(-)	64 (C)
8. Education	47.16	55.73	48.28	(-)	13.4
9. Other Administrative Services	45.33	164.84	75.50	(-)	54.2 (D)
10. Medical and Public Health	41.71	9.98	21.93	(+)	111.97
11. Major and Medium Irrigation	36.12	64.62	17.60	(-)	72.8 (E)
12. Police	31.27	29.51	42.46	(+)	43.9

** Rs.200 only.

	(1)	(2)	(3)	(4)
(Rupees in lakhs)				
13. Housing	30.67	138.30	21.84	(-) 84.2 (F)
14. Water Supply and Sanitation	30.17	49.24	52.80	(+) 7.2
15. Co-Operation	26.86	2.96	3.46	(+) 16.9
	1966.76	2174.30	2208.00	

The departments stated the following reasons for variation :

(A) Increase (79.4 per cent) under Miscellaneous General Services was mainly due to more receipts from lotteries.

(B) Increase (44.8 per cent) under Forestry and Wild Life was due to increase in transportation of timber and minor forest produce outside the State.

(C) Decrease (64 per cent) under Interest was mainly due to less interest earned on investment of cash balances.

(D) Decrease (54.2 per cent) under Other Administrative Services was mainly due to less receipts under "Elections".

(E) Decrease (72.8 per cent) under Irrigation and Flood Control Department was mainly due to reimbursement of Road Freight subsidies during 1991-92.

(F) Decrease (84.2 per cent) under Housing was due to excess adjustment of outstanding credit balances under departmental adjusting suspense during 1991-92.

Reasons for variation relating to other revenue heads though called for from the departments concerned were not received (March 1994).

7.3 Variations between Budget Estimates and actuals

The variations between Budget estimates of revenue for the year 1992-93 and the actual receipts under the principal heads are given below:

Head of Revenue	Budget Estimates	Actuals	Variations Increase (+)/ Decrease (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)
(Rupees in lakhs)				
A. Tax Revenue				
1. Sales Tax	871.00	796.77	(-) 74.23	8.52
2. Taxes on Professions, Trades, Callings and Employment	200.00	281.47	(+) 81.47	40.74 (A)
3. Taxes on Vehicles	177.00	123.47	(-) 53.53	30.24
4. Stamp and Registration Fees	115.00	95.05	(-) 19.95	17.35
5. Other Taxes and Duties on Commodities and Services	85.00	76.48	(-) 8.52	10.02
6. Taxes on Goods and Passengers	52.00	37.30	(-) 14.70	28.27 (B)
7. State Excise	44.00	58.39	(+) 14.39	32.70
B. Non-Tax Revenue				
1. Power	1489.00	488.91	(-)1000.09	67.17 (C)
2. Miscellaneous General Services (including lotteries)	370.00	609.66	(+) 239.66	64.77 (D)
3. Forestry and Wild Life	154.00	339.21	(+) 185.21	120.27
4. Water Supply and Sanitation	88.00	52.80	(-) 35.20	40.00
5. Major and Medium Irrigation	70.00	17.60	(-) 52.40	74.86 (E)
6. Interest	55.00	75.01	(+) 20.01	36.38
7. Housing	50.00	21.84	(-) 28.16	56.32 (F)
8. Medical and Public Health	45.00	21.93	(-) 23.07	51.27 (G)
9. Other Administrative Services	45.00	75.50	(+) 30.50	67.78
10. Co-operation	29.00	3.46	(-) 25.54	88.07

(1)	(2)	(3)	(4)	(5)
(Rupees in lakhs)				
11. Dairy Development	26.00	13.98	(-) 12.02	46.23
12. Crop Husbandry	18.00	48.79	(+) 30.79	171.06
13. Contribution- Recoveries towards Pension and other Retirement benefits	16.00	4.51	(-) 11.49	71.81
14. Stationery and Printing	7.00	34.84	(+) 27.84	397.71
15. Village and Small Industries	6.00	9.90	(+) 3.90	65.00
16. Social Security and Welfare	4.60	1.53	(-) 3.07	66.74
17. Other General Economic Services	3.20	43.31	(+) 40.11	1253.44
18. Roads and Bridges	2.60	0.42	(-) 2.18	83.85
19. Plantation	1.45	0.26	(-) 1.19	82.07
20. Other Agricultural Programme	1.00	2.38	(+) 1.38	138.00
21. Industries	0.50	2.67	(+) 2.17	434.00
22. Family Welfare	0.01	0.22	(+) 0.21	2100.00

(A) Increase (40.74 per cent) under Taxes on Profession, Trades, Callings and Employment was due to bringing more and more Departments/Banks/Autonomous Bodies etc. under the tax net.

(B) Decrease (28.27 per cent) under Taxes on Goods and Passengers was mainly due to less plying of passenger buses and public carriers than the estimated target.

(C) Decrease (67.17 per cent) under Power was mainly due to problem of billing in hilly areas due to law and order situation and non-payment of energy charges by many consumers.

(D) Increase (64.77 per cent) under Miscellaneous General Services was mainly due to more receipts from lotteries.

(E) Decrease (74.86 per cent) under Major and Medium Irrigation was due to non-payment of betterment levy and water rates by the beneficiaries and delay in freight reimbursement.

(F) Decrease (56.32 per cent) under Housing was due to non-realisation of arrear house rent.

(G) Decrease (51.27 per cent) under Medical and Public Health was due to strike of Doctors and Nurses and non-revision of fees for OPD, Admission, Investigation etc.

The reasons for variation in respect of other various heads though called for (June 1993) from the departments were awaited (March 1994).

7.4 Arrears of revenue

According to the information furnished by the Departments concerned, arrears of revenue pending collection as on 31st March 1993 amounted to Rs.965.04 lakhs as detailed below :

Sl.No.	Head of Revenue	Amount
		(Rupees in lakhs)
1.	Power	533.65
2.	Public Works including Housing	367.15
3.	Public Health Engineering	45.32
4.	Taxes on Vehicles and Goods and Passengers	11.18
5.	Sales Tax, Other Taxes on Income and Expenditure and other Taxes and Duties on Commodities and Services	6.91
6.	Animal Husbandry	0.50
7.	Dairy Development	0.33

Information on arrears in respect of other heads of revenue and cumulative arrears under all heads including year-wise break-up called for by audit in June 1993 were not received from the concerned departments (March 1994).

7.5 Cost of collection

The data relating to gross collections in respect of major revenue receipts, expenditure incurred thereon in rupees as well as a percentage of gross collection during the years 1990-91, 1991-92 and 1992-93 along with the corresponding figure for all India average percentage for 1991-92 is given below :

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage
(1)	(2)	(3)	(4)	(5)	(6)
(Rupees in lakhs)					
1. State Excise	1990-91	216.32	35.99	17	
	1991-92	46.50	45.47	98	2.5
	1992-93	58.39	45.47	78	
2. Sales Tax	1990-91	543.49	42.48	8	
	1991-92	776.04	43.59	6	1.5
	1992-93	796.77	51.43	6	
3. Taxes on Vehicles and Goods and Passengers	1990-91	145.35	32.55	22	
	1991-92	184.00	39.60	22	3
	1992-93	160.77	42.24	26	
4. Other Taxes and Duties on Commodities and Services	1990-91	75.38	3.43	5	
	1991-92	74.01	3.80	5	
	1992-93	76.48	4.32	6	

It may be seen from above that cost of collection in respect of State Excise, Sales Tax and Taxes on Vehicles and Goods and Passengers is more than the all India average.

FOREST AND TAXATION DEPARTMENT

7.6 Outstanding inspection reports

Audit observations on incorrect assessments, under assessment, non-levy and short levy of taxes, duties, revenue receipts and other financial irregularities and deficiencies in the maintenance of initial accounts and records of assessments, which are noticed during the course of local audit and are not settled on the spot, are communicated to the heads of offices and the next higher departmental authorities through Inspection Reports for prompt corrective action. The important irregularities are reported to heads of departments and Government for taking prompt remedial measures.

At the end of June 1993, 73 inspection reports containing 302 paragraphs relating to the Forest Department and the Taxation Department, issued up to December 1992 were outstanding. Year-wise break-up of the outstanding inspection reports and paragraphs is given below :

Year	Forest Department		Taxation Department	
	Number of inspection reports	Number of paragraphs	Number of inspection reports	Number of paragraphs
1984-85	1	3	12	50 (Up to 1984-85)
1985-86	7	32	4	17
1986-87	1	7	3	23
1987-88	6	17	5	24
1988-89	1	3	3	17
1989-90	7	27	1	10
1990-91	7	15	4	15
1991-92	6	17	1	7
1992-93	3	7	1	11
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	39	128	34	174
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In respect of 186 outstanding paragraphs even the first replies had not been received as of June 1993. Year-wise break-up of such outstanding paragraphs is given below :

Year of issue of inspection reports	Number of audit objections for which even the first replies were not received	
	Forest Department	Taxation Department
1982-83	-	4
1984-85	3	21
1985-86	21	2
1986-87	-	15
1987-88	6	21
1988-89	3	17
1989-90	19	10
1990-91	8	3
1991-92	11	11
1992-93	4	11
	-----	-----
	75	111
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The matter was referred to Government (December 1993). Their replies had not been received (April 1994).

7.7 Results of Audit

Test-check of records of Sales Tax, Motor Vehicles Tax, Land Revenue, Forest and other departmental offices conducted during 1992-93 revealed that under assessments/short levy/non-levy/loss of revenues/non-remittance of revenue amounting to Rs.633.35 lakhs in 60 cases. During the course of the year 1992-93 the concerned departments accepted non-levy/short-levy *etc.* of Rs.5.20 lakhs in 5 cases, of which 3 cases involving Rs.5.13 lakhs had been pointed out in audit during 1992-93 and the rest in earlier years.

This chapter includes *inter alia* 12 selected paragraphs and two reviews (Internal Controls in respect of registration of dealers, assessment and collection of sales tax and Receipts from Public Health Engineering Department) involving financial effect of Rs.237.70 lakhs which illustrate some of the major irregularities noticed in audit. The Department has so far (April 1994) accepted the audit observation in respect of only one of these paragraphs involving a revenue of Rs.0.88 lakh. No reply has been received in other cases (April 1994).

TAXATION DEPARTMENT

7.8 INTERNAL CONTROLS IN RESPECT OF REGISTRATION OF DEALERS, ASSESSMENT AND COLLECTION OF SALES TAX

7.8.1 Introductory

Internal controls are intended to provide reasonable assurance for prompt and efficient service and for adequate safeguards against evasion of taxes and duties. They are meant to promote enforcement of compliance with laws, and rules and departmental instructions and help in prevention and detection of frauds and other irregularities. They also help in creation of reliable financial and management information system.

It is, therefore, the responsibility of the Department to ensure that proper internal control structure is instituted, reviewed and updated to keep it effective.

Registration, assessment and collection of Sales Tax were governed under the Assam Sales Tax Act, 1947 as extended to Manipur from 14 July 1951 and the Manipur Sales Tax Rules, 1952, framed under this Act. This was replaced by Manipur Sales Tax Act, 1990 and Manipur Sales Tax Rules, 1990 made thereunder. The Department does not have any manual containing the procedures, duties and functions of offices relating to implementation of the relevant Act and Rules. The functioning of the existing system is based on administrative instructions issued from time to time.

7.8.2 Organisational set-up

At the apex level, Sales Tax Act is administered by Commissioner of Taxes, Manipur. He is assisted by 8 Superintendents of Taxes in a two tier administrative set-up in the Department. Five of these Superintendents are located at Imphal and the remaining 3 are located at Churachandpur, Kangpokpi and Moreh. Four out of 8 Districts of the State do not have the offices of the Superintendent of Taxes and are controlled by the Superintendent of Taxes located at Imphal.

7.8.3 Scope of Audit

A review of adequacy and efficacy of the internal controls in respect of registration of dealers, assessment and collection of Sales Tax was conducted during February-May 1993. In addition to the records of the Office of the Commissioner of Taxes, Manipur, Imphal, records of 7 Superintendents of Taxes were test-checked by audit.

7.8.4 Highlights

(i) Non-maintenance of comprehensive register in regard to survey resulted in non-detection of unregistered dealers.

(Paragraph 7.8.6)

(ii) The Department did not prescribe any time limit for completion of assessment by the designated officers. Assessment in 14,443 cases out of 16,843 was not completed as on 31 March 1993.

(Paragraph 7.8.9)

(iii) No effective steps were taken to assess 56 dealers involving tax and penalty of Rs.4.45 lakhs.

(Paragraph 7.8.9(i)&(ii))

(iv) 9 dealers evaded taxes of Rs.2.28 lakhs due to non-maintenance of Goods Movement Register in check post.

(Paragraph 7.8.10)

(v) Non-initiation of penal proceedings resulted in non-imposition of penalty Rs.3.42 lakhs.

(Paragraph 7.8.10 (v))

(vi) No effective steps were taken for realisation of arrears of Rs.39.17 lakhs in respect of 61 dealers.

(Paragraph 7.8.11)

(vii) Non-reconciliation between treasury and Superintendent's office/delay in crediting cheques to Government account resulted in non-verification of the correctness of the amounts credited into Government account.

(Paragraph 7.8.13)

(viii) No internal audit system had been introduced in the Department.

(Paragraph 7.8.15)

7.8.5 Non-delineation of responsibilities

In terms of Manipur Sales Tax Act, 1990, the responsibility for registration, assessment and collection of taxes rests with the assessing officers. However, no departmental instructions/orders were issued fixing the responsibilities of different levels. There was also no system to watch the number of assessment made, tax collected, pendency in assessments, arrears in taxes and identification of potential dealers through surveys *etc.*

The above reporting systems/controls were not defined in the organisational hierarchy of the Department. The findings of audit in test-check are discussed in succeeding paragraphs.

7.8.6 Survey

The work relating to survey is assigned to Inspector of Taxes posted in the respective zone (circle). Survey is necessary to find out potential dealers who are liable to be registered under the provisions of sales tax laws but are avoiding registration. No instructions prescribing the periodicity of survey, the manner in which survey is to be conducted and format for maintenance of Survey Register and the follow-up action to be taken were issued by the Department (May 1993). The Department stated (October 1993) that "Comprehensive Register" in regard to survey would be maintained with issue of proper formats including guidelines.

Results of survey conducted, if any, however, could not be made available to audit (October 1993).

7.8.7 Registration

Rule 13 of Manipur Sales Tax Rules, 1990 provides that an application for registration is to be made to the Commissioner of Taxes in prescribed form who shall cause an enquiry within 10 days and certificate of registration shall be granted within 30 days from the date of making application and where the order is refusal to register, the registering authority shall give his reasons.

The Department, however, did not issue any guidelines for verification of *locus standi* and antecedents of the dealers who applied voluntarily for registration. Test-check of 23 cases of registration in five unit offices of Imphal out of eight units revealed that detailed verification of business premises, movable/immovable property, house rent receipts, municipal licences, income tax folio numbers, volume of business *etc.* was not conducted in all cases.

Index register of registration, an important control mechanism, maintained in the Office of Commissioner of Taxes and five unit offices was incomplete in as much as it did not contain information relating to the dates of applications, the dates of verification, dates of issue of registration certificates, the circle/zone in which the new dealers are to be assessed. As a result the extent of delay in issuing registration certificates and the amount of revenue involved were not ascertainable in the cases (23) test-checked in audit.

As per the Manipur Sales Tax Rules, 1990, the Department is to maintain a register of registered dealers in the prescribed form containing vital information *viz.*, dealers' name and address, head office of the business, branches, godowns and ware houses *etc.* and also to record cancellation of registration certificates, wherever necessary. A list of registered dealers is also to be published annually in the official gazette in alphabetical order for easy retrieval of the data. This was not done at all. In Imphal, test-check of registers in 5 unit offices revealed that the above information was not indicated in 9 cases out of 35 cases test-checked.

7.8.8 Returns

As per Manipur Sales Tax Act, 1990, every registered dealer shall furnish the returns of his turnover by such date to such authority as may be prescribed. The returns accompanied by the treasury challans showing the payment of tax due are to be furnished quarterly within 30 days of the completion of each quarter. In order to watch the receipt and disposal of returns, a register entitled 'General Index Register' is required to be maintained in the prescribed format. In Imphal circle (having over 95 *per cent* of the registered dealers of the State) no General Index Register was maintained. Consequently no information on the number of cases of delayed submission of returns/non-submission of returns, receipt and disposal of return was available.

(i) Test-check revealed that in Imphal 193 dealers registered during the period from 1985-86 to 1989-90 did not submit returns after registration. The Department has not taken any action in the matter so far (March 1994).

(ii) Similarly in Churachandpur, out of 3,184 returns due for submissions (March 1993), 1,088 returns were submitted by 796 registered dealers. No follow-up action for non-submission of returns was taken in respect of remaining dealers.

(iii) No proper system for custody, issue and accountal of different forms, some of which have wide ramifications on sales tax has been prescribed. In Imphal, test-check revealed that 175 'C' forms were issued to 6 dealers during August 1987 to March 1990. These dealers did not submit any returns since then. The Department did not take any appropriate action in the matter (September 1993).

7.8.9 Pendency of assessment

Prompt assessment of dealer is of vital importance for collection of additional amount of tax over the amount of tax paid on the basis of self assessment. But neither any time limit has been specified in Taxation Laws of the State for completion of final assessment by the Assessing Officer nor any order fixing the number of cases per month to be disposed of by an assessing officer was issued. The department stated (May 1993) that the year-wise position of arrears in assessment was not compiled. The department had also not evolved any system of monitoring and follow-up action regarding pendency of submission of returns and assessment thereof. As worked out by audit during 1992-93, out of 16,843 dealers registered under Manipur Sales Tax and Central Sales Tax Act, at

Imphal, only 2,400 dealers were assessed. Some specific consequences of the failure of internal control are discussed below:

(i) During test-check in Churachandpur unit office it was seen that 55 registered dealers were not assessed for the periods ending March 1989 to March 1992 involving a tax liability of Rs.3.33 lakhs calculated on the basis of last assessed taxes.

(ii) One dealer at Imphal failed to submit returns of his turnover from March 1988 to December 1990. The dealer was issued a notice on 4 April 1991 to the effect that summary assessments would be made on the turnover specified in the notice and that he should produce accounts on or before 8 April 1991. The dealer did not comply with the terms of the notice (May 1993). The dealer was to be assessed to sales tax at Rs.7,200 and penalty at Rs.3,000 in each quarter totalling Rs.1.12 lakhs. But since then no action was taken to assess the dealer (June 1993).

7.8.10 Check post

Manipur Sales Tax Act, 1951 and 1990 provides for setting up of check posts. Only one check post was set up (May 1979) which is functioning at Kangpokpi on Dimapur-Imphal National Highway. The Officer-in-charge of the check post is required to maintain (i) daily Goods Movement Register in prescribed form detailing the daily movement of goods and to send the extract of the same to the Commissioner on the next working day, (ii) dealer's Goods Movement Ledger in the prescribed format detailing the movement of goods of each dealer, Government Department and Corporation and to send the extract of the same to the Commissioner before 10th of every month. However, dealer's Goods Movement Ledger was not maintained at the check post. Thus the Department was unable to cross-check the quantity and the value of the goods transported by a dealer to detect evasion of tax due to concealment of turnover. Test-check (May 1993) revealed that :

(i) 25 declaration forms in respect of goods brought into the State by one dealer were not noted in the goods movement register and were not exhibited in his returns during September 1991 to March 1992 resulting in non-levy of tax of Rs.28,000 on a taxable turnover of Rs.3.97 lakhs.

(ii) Scrutiny of records at the check post and cross verification with those in the respective zonal offices revealed that cement imported through the check post by a dealer valued at Rs.16.73 lakhs during September 1991 to September 1992 was not exhibited by him in his quarterly returns resulting in evasion of tax of Rs.1.17 lakhs.

(iii) Another dealer who imported goods valued at Rs.4.54 lakhs during the quarter ending September 1991 exhibited the goods valued at Rs.0.21 lakh only in his return resulting in a concealment of turnover of Rs.4.33 lakhs with tax implication of Rs.30,310.

(iv) In Kangpokpi unit, 6 dealers imported goods valued at Rs.6.90 lakhs without filing declaration form in ST-35 during the quarter ending December 1991 and March 1992. The value of the taxable goods was not exhibited in their returns resulting in non-levy of tax of Rs.53,030 at varied rate of taxes on such goods.

(v) **Non-levy of penalty** : The Manipur Sales Tax Act 1990, *inter alia*, provides that if the Commissioner in the course of any proceeding is satisfied that any dealer on transportation has concealed the particulars or deliberately furnished inaccurate particulars relevant to the determination of his liability to tax or has evaded in any way the liability to pay tax, he may direct that such dealer shall pay by way of penalty, in addition to the tax payable by him, a sum not exceeding one and a half times that amount. But no order shall be made unless the dealer has been heard or has been given a reasonable opportunity of being heard.

Due to non-initiating of penal proceedings maximum penalty leviable in the aforesaid cases amounting to Rs.3.42 lakhs was not levied (March 1994).

7.8.11 Arrears of tax

Records relating to arrears of Sales Tax accumulated against the dealers were not maintained properly and updated from time to time. There were discrepancies between the figures of arrears worked out from the records made available to audit and those furnished by the Department in May 1993, as under :

Year	Amount of arrear as worked out by audit	Amount of arrears furnished by the department
(Rupees in lakhs)		
1988-89	4.78	19.20
1989-90	26.70	2.15
1990-91	11.66	6.10
1991-92	13.26	8.70
1992-93	21.25	6.91
	77.65	43.06

Under the Manipur Sales Tax Act 1990, the Commissioner may order that the amount of tax dues shall be recoverable as arrears of land revenue and proceed to realise the amounts due as such. Failure to maintain this important record properly resulted in lax internal control and consequential failure to initiate action for recovery as per the provisions of the Act. This resulted in accumulation of arrears from year to year. A few illustrative cases are mentioned below :

(i) In Imphal, test-check revealed that Rs.38.05 lakhs were pending realisation (May 1993) against 58 Foreign Liquor shop owners on account of assessed tax for period ending June 1989 to June 1990.

(ii) A notice of demand for Rs.29,144 being the arrears of Sales Tax for the period from June 1985 to December 1988 was issued on 5 June 1989 to a dealer at Imphal. But the dealer neither submitted subsequent returns nor paid the dues.

(iii) Test-check in Imphal revealed that Taxation Officers reviewed (date of reviews was not on record) the assessment of one dealer and tax payable including penalty was determined at Rs.29,695 but neither the payment was made by the dealer nor any action taken to recover the amount (October 1993).

(iv) Another dealer of Imphal was assessed to tax Rs.53,000 including penalty for the period ending June 1988 to December 1988 in October 1989. Enquiry report (December 1992) revealed that the dealer had closed down his business two and a half years ago. The assessed tax remained unrealised (March 1994).

7.8.12 Collection of tax

The Manipur Sales Tax Act, 1990 provides that the State Government may prescribe by notification that the tax payable under this Act, in respect of any sale made by a dealer shall be deposited by the person, body or authority to whom the sale has been made in such a manner as may be laid down in the notification.

Accordingly with a view to speeding up the realisation of Sales Tax and avoidance of evasion, Government of Manipur, Finance Department issued Notification No.5/5/79/FX dated 5 July 1980 and No.9/47/88-FD(Tax) (Part IV) dated 10 December 1990 that Sales Tax payable by a supplier on the supplies made to Government Offices including Central Government offices, will be recovered and deposited into Government account at the time of clearance of the bills of the suppliers. However, the Department did not ensure that Sales Tax payable on supplies of taxable goods to Government offices was actually recovered and deposited in the Government accounts.

(i) In Imphal, test-check (May 1993) revealed that in 10 cases, Government offices did not deduct Sales Tax of Rs.68,000 at source for supplies valued at Rs.11.20 lakhs to them for the periods ending March 1991 to March 1992.

(ii) Sadar Hills Autonomous District Council deducted sales tax of Rs.39,200 at source from 6 suppliers during October to December 1990. The amount was not remitted to Government account (March 1993). The Sales Tax Department has not prescribed any means of control through which such non-deposit of amount of tax deducted by various bodies could be checked.

7.8.13 Reconciliation between treasury and Superintendent's Office

Under the rules, every Taxation Officer is required to record the receipt of challans from the dealers in his Daily Collection Register indicating the number, date and amount of each challan. The entries in this register are to be reconciled with the treasury advice list to ensure correctness of payment of tax. The department stated (October 1993) that reconciliation between the treasury figures and the departmental figures pertaining to tax receipt had not been done in respect of any of the years for five years ending 31st March 1993. In the absence of such reconciliation, the correctness of the amount credited to Government account could not be ensured.

7.8.14 Delay in deposit of cheques

The General Financial Rules provide that all Government dues collected by an officer so authorised should be paid into the treasury either on the same date or on the morning of the following day.

In Imphal, test-check (October 1993) of cheque/ draft register revealed that out of 10 cases there was delay in depositing cheques/drafts for periods ranging from 20 days to 86 days in 8 cases involving Rs.14.70 lakhs.

7.8.15 Internal audit

No internal audit system has been established in the Department to examine and evaluate its activities with special reference to surveys, registration, assessment and collection of sales tax, resulting in absence of a vital internal control mechanism.

7.8.16 Management information system

(i) There was complete absence of a management information system in the Department in respect of most of the activities undertaken by it. No periodical returns/reports were prescribed in relation to surveys, applications received for registration, action taken for registration, number of assessment returns due, number of assessment returns actually received, action taken against the defaulting dealers, number of assessment completed, reconciliation of amounts deposited in Government accounts with the accounts figure, deduction of tax at source against supplies made to Government offices and reconciliation with the returns, *etc.*

(ii) No data profile/data bank in respect of potential wholesale dealers registered under Manipur Sales Tax as well as Central Sales Tax was maintained in the Department to provide a ready and comprehensive data of registered dealers, their growth, returns furnished by them, Sales Tax paid by them *etc.* The department had intimated (October 1993) that they are contemplating modernisation of data collection storage, retrieval and management information by introduction of computers.

The foregoing observations were reported to the Government (August 1993). Their reply has not been received (March 1994).

7.9 Non-realisation of Professional Tax

Under the provisions of the Manipur Professions, Trades, Callings and Employment Taxation Act, 1981, every person in employment within the State whose total gross income exceeded the specified amount fixed by the Government is liable to pay Professional Tax at the rates prescribed from time to time. In respect of salaried persons, the tax is to be deducted by the Disbursing Officers (called Principal Officers) out of amounts payable to the assessee covered by the Act and deposited with the prescribed return to the assessing authority. In cases where a Principal Officer fails to recover and deposit the tax, the assessing authority may issue a notice within three years of the tax falling due, and in cases of non-compliance thereof, assess the tax due, to the best of his judgment. Where any tax due is not paid by the due date, the assessing authority has the

discretion to levy as penalty on the Principal Officer a sum not exceeding the amount of tax in arrear.

Test-check of records in Sadar Hills Autonomous District Council, Kangpokpi revealed (October 1992) that the Principal Officer did not realise Professional Tax amounting to Rs.3.33 lakhs due from its employees during the period 1989-90 to 1991-92, nor did he submit the prescribed return to the assessing authority.

In another case of Senapati Autonomous District Council it was noticed (February 1993) in audit that the Principal Officer recovered Professional Tax of only Rs.0.50 lakh from its employees during 1991-92 against total realisable amount of Rs.1.18 lakhs; resulting in short realisation of Rs.0.68 lakh.

The matter was reported to Government and Department in January and April 1993 respectively; their replies have not been received (March 1994).

7.10 Evasion of tax

Under the Central Sales Tax Act, 1956, a sale or purchase of goods is deemed to have taken place in the course of inter-State trade and commerce, if the sale or purchase results in movement of goods from one State to another. A person making such inter-State sale is required to be registered as a dealer and possess a certificate of registration specifying therein the item/items to be dealt in by him. Sales to registered dealer(s) of other State(s) is/are taxable at concessional rate of 4 *per cent*, provided such sales are supported by a declaration in Form 'C'. Transactions not supported by a declaration in Form 'C' are liable to be taxed at 10 *per cent* or at the rate applicable to such sales within the State, whichever is higher. Further, under the Manipur Sales Tax Act, 1990 and Rules framed thereunder, the dealer or his authorised agent exporting the goods out of the State is required to file before the Officer-in-charge of the check post complete declaration of the goods in Form ST-36 in quadruplicate before the goods are allowed to cross the check post. One copy of the declaration is submitted by the dealer along with his return and one copy is kept by him for his record. The third copy will be in the possession of carrier agent and the fourth is sent to Commissioner's Office by the check post authority. On turnover, if any, concealed by the dealer, penalty at one and half times of the tax that would have been levied on such turnover, is leviable under the Central Sales Tax Act.

Test-check (April 1993) of records at Kangpokpi Sales Tax check post and cross verification with those of the Office of the Commissioner of Taxes, Imphal revealed that a dealer engaged in manufacture of plywood, made inter-State sales of 'dalchini' valued at Rs.1.25 lakhs during the assessment period ending 31 December 1991. As this item was not covered under dealer's certificate of registration and as the dealer also did not exhibit the sales in his turnover returned nor submitted Form ST-36 as provided in the rules, he was liable to pay tax at the rate of 10 *per cent*. But instead of levying tax at the rate of 10 *per cent* the assessing officer assessed the dealer to 'nil' tax which resulted in non-levy of tax amounting to Rs.12,500.

In another case, a dealer carrying a registration certificate for dealing in chuchini, uchithi and wild cardamom *etc.* exported out of State 8 consignments of 'dalchini' which was not covered by his certificate of registration and concealed the value thereof in the assessment return for the period ending 30 September 1991. However, it was seen in Audit (April 1993) that the value of 4 consignments amounting to Rs.1.66 lakhs only were recorded in Form ST-36 and the value of remaining 4 consignments were not indicated in Form-36 used for exporting goods out of the State. The assessing authority completed the assessment on a turnover of Rs.30,395 only resulting in an evasion of tax amounting to Rs.16,600 on the turnover of 4 consignments.

Thus, failure of the assessing authority to levy tax on sale of goods in inter-State trade resulted in loss of Sales Tax revenue of Rs.29,100 besides a penalty of Rs.43,650.

The matter was referred to Department (April 1993) and Government in September 1993. Their replies have not been received (April 1994).

7.11 Short realisation of tax due to issue of erroneous demand notice

Under the Manipur Sales Tax Act, 1990, when any tax or other dues are payable under the Act, the Commissioner shall serve upon the person liable to pay tax or other dues a notice of demand in the prescribed form specifying the sum so payable within such date as may be specified in the notice of demand.

Test-check of records in the Office of the Commissioner of Taxes, Imphal revealed that a dealer in Imphal was assessed (August 1992) to tax amounting to Rs.25.19 lakhs for the period from September 1981 to June 1992 against which he deposited Rs.20.62 lakhs during July 1982 to April 1992 on self-assessment basis and Rs.1.02 lakhs in September 1992 thereby leaving a balance amount of Rs.3.55 lakhs unpaid (August 1993). The department, however, issued a "nil" demand notice in August 1992 which resulted in short realisation of tax amounting to Rs.3.55 lakhs.

The case was reported to the Government in September 1993. Their replies have not been received (April 1994).

7.12 Loss of revenue due to delay in completion of assessment

Under the Manipur Sales Tax Act, 1990, if a dealer fails to make a return or having made the return, fails to comply with the terms of a notice requiring him, on the date and at the hour and place specified therein, either to attend in person or to produce or cause to be produced any evidence on which he may rely in support of his return, the Commissioner shall, by an order in writing, assess him to the best of his judgment and determine the tax payable by him on the basis of such assessment. Provided that, before making such assessment, the Commissioner may allow the dealer such further time as he thinks fit to make the return or to comply with the terms of the notice.

The Act also provides that when any tax, penalty or other dues are payable under the Act, the Commissioner shall serve upon the person liable to pay such tax or penalty a notice of demand in the prescribed form specifying therein the date within which such tax should be paid. The Commissioner may order that the amounts shall be recoverable as arrear of land revenue and may proceed to realise the amount due as such in the case of the dealers who fail to deposit tax as per demand.

A registered dealer, in Churachandpur was issued notice for submission of returns on 25 September 1992. As the dealer failed to comply with the terms of the notice, the area Inspector of Taxes was asked (October 1992) to submit proposal of summary assessments. Enquiry report dated 13 November 1992, revealed that the dealer had closed down his business (the date of closing was not on record). The dealer was, however, assessed to tax summarily for 11 return periods ending December 1989 to June 1992 for Rs.1.47 lakhs (including lump sum penalty of Rs.2,000) on 4 December 1992. Thereafter neither demand notice was issued nor any action was taken to recover the dues (April 1993).

The case was reported to the Department (April 1993) and the Government (September 1993). Their replies are awaited (January 1994).

7.13 Grant of irregular exemption

Under the Manipur Sales Tax Act, 1990 and the Rules framed thereunder a registered dealer who wishes to deduct from his gross turnover the amount in respect of any sale on the ground that he is entitled to make such deduction shall produce a prescribed declaration form duly filled in and signed by the dealer from whom the goods were purchased.

In Imphal, a registered dealer who claimed deduction of Rs.13.20 lakhs from a gross turnover of Rs.13.58 lakhs during the assessment period ending 31 March 1992 and the claim was allowed although the dealers furnished only one prescribed declaration form in ST-3 for Rs.4.40 lakhs. The irregular grant of exemption on a turnover of Rs.8.80 lakhs resulted in short levy of tax of Rs.61,600.

NON-TAX RECEIPTS

PUBLIC HEALTH ENGINEERING DEPARTMENT

7.14 COLLECTION OF WATER RATES

7.14.1 Introduction

Receipts of Public Health Engineering Department (PHED) arise out of water supplied to the consumers by the Department. The major portion of the receipts is from the collection of water rates charges.

The supply of water in the State by the PHED was regulated by the Manipur Water Supply Act, 1973 with effect from 23rd February 1973. This Act was substituted by Manipur Water Supply Act, 1992 from 4th February 1993. For the purpose of this review, the Act of 1973 is applicable.

7.14.2 Organisational set-up

The Chief Engineer (Urban) and Chief Engineer (Rural) of the Public Health Engineering Department, Government of Manipur are responsible for administration of the Acts. In the discharge of their duties they are assisted by four Superintending Engineers and fifteen Executive Engineers.

7.14.3 Scope of audit

The records of Chief Engineers, Urban and Rural, PHED Manipur, Imphal, the receipt accounts of Executive Engineer, Water Supply Maintenance Division, Imphal, and the Executive Engineer, PHE Division, Churachandpur for the period from April 1987 to March 1993 were test-checked by audit during June-July 1993 with a view to ascertaining that charges were collected in accordance with the provisions of the Act/Orders.

7.14.4 Highlights

- **2,732 defaulting consumers escaped penal action and an amount of Rs.29.46 lakhs was outstanding against them as on 31st March 1993.**

(Paragraph 7.14.7)

- **Discrepancies of figures of arrears reported by Imphal Water Supply Maintenance Division of Rs.54.19 lakhs and Chief Engineer's figures of Rs.42.20 lakhs.**

(Paragraph 7.14.6(i))

7.14.5 Trend of revenue

The table below indicates the actual collection of revenue by the Department as compared with the corresponding Budget estimates for each year for the period from 1987-88 to 1992-93 :

Year	Budget Estimate	Actuals		Total	Percentage of variation to budget estimates
		Collection from water supply	Collection from sewerage and sanitations		
(Rupees in lakhs)					
1987-88	15.50	42.64	0.61	43.25	(+) 179*
1988-89	16.70	13.82	3.06	16.88	(+) 2
1989-90	27.58	12.34	2.21	14.55	(-) 47
1990-91	27.00	19.02	11.15	30.17	(+) 12
1991-92	29.75	38.68	10.56	49.24	(+) 66
1992-93	88.00	34.64	18.15	52.79	(-) 40

*The variation in 1987-88 was due to adjustment of accumulated storage charges of earlier years but the details of this adjustment could not be furnished to audit.

The department stated in June 1993 that the variation between actual collection and budget estimate was mainly due to incorrect assessment of the anticipated yearly receipts under the sub-head - "Other receipts" which comprised receipts on account of profit on stores, penalty on contractors for breach of contractual term(s), sale proceeds of tender forms, hire charge of machinery and equipment *etc.*

7.14.6 Arrears in collection of water charge

The position of annual collection of demands and arrears of water charges for supply of water for the whole State had not been compiled by the department. The department had also not evolved a suitable system to assess arrears of revenue and for monitoring its collection. Position of arrears of two water supply schemes,- Greater Imphal Water Supply scheme and Churachandpur Water Supply Division which were available with the Department is given below (June 1993) :

Year	Opening balance	Assessment for the year	Total demand for the year	Collection during the year	Closing balance	Percentage of collection to total demand
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Rupees in lakhs)						
1987-88	33.36	5.74	39.10	2.72	36.38	7
1988-89	36.38	6.04	42.42	2.22	40.20	5
1989-90	40.20	6.19	46.39	2.00	44.39	4
1990-91	44.39	6.95	51.34	8.15	43.19	16
1991-92	43.19	16.87	60.06	12.37	46.69	20
1992-93	46.69	17.22	63.91	16.70	47.21	26

The following points were noticed :

(i) Against Rs.20.33 lakhs due from 7,581 consumers during the year 1992-93 a demand of only Rs.17.22 lakhs against 6,236 consumers was raised resulting in short demand of Rs.3.11 lakhs for the year.

(ii) Test-check of records in Imphal Water Supply Maintenance Division revealed discrepancy in figures of arrears reported from time to time. While Water Supply Maintenance Division reported Rs.54.19 lakhs as arrears of revenue at the end of March 1993 to audit (June 1993), the report sent by the Chief Engineer in the same month indicated a figure of arrears Rs.42.20 lakhs up to March 1993. The basis for working out the arrears was not made available to audit.

7.14.7 Cases of default over six months

Under Section 23 (i)(e) of the Manipur Water Supply Act, 1973 the water connection in a premise may be cut off or the supply turned off in case the owner of the premise does not pay the water charge due within a period of 6 months. Restoration of water connection could be made only on receipt of all outstanding dues and prescribed amount of re-connection fee from the consumer.

The Department had not assessed (June 1993) the amounts due as on 31st March 1993 from consumers whose water supplies had been disconnected.

In Greater Imphal it was noticed (June 1993) that 2,732 consumers of various categories were defaulting in payment of water charges from April 1992 and an amount of Rs.29.46 lakhs was outstanding against them as on 31st March 1993 but their water connections were not cut off/turned off.

In another 68 cases arrears were allowed to accumulate for periods ranging from 1 to 11 years. The possibility of recovery of dues amounting to Rs.25,707 in these cases was remote.

7.14.8 Assessment, Billing and Collection of Water charges

i) The Government had not framed any manuals or rules prescribing the procedure to be followed by the PHED and its divisional and sub-divisional offices for assessment, billing and collection of water charges.

ii) The records to watch demand, collection and arrears though maintained, were deficient.

iii) The periodicity of bills was different in different divisions. In Imphal, bills were being raised quarterly and in Churachandpur PHE Division monthly.

iv) To ascertain incorrect posting of credits in the demand and collection register it is necessary that arrangements for totalling the credits posted made in the demand and collection register during each month and the total so arrived plus unposted credits are tallied with the water charges realised during the month. No such procedure had been adopted by the Department.

The above points were brought to the notice of the Government in October 1993. Their reply is awaited (March 1994).

FOREST DEPARTMENT

7.15 Non-remittance of revenue

Rule 3 of General Financial Rules provides that all moneys received by or on behalf of Government either as dues of Government or for deposit, remittances or otherwise shall be brought into Government account without delay.

Test-check of records of Tengnoupal Forest Division, Chandel, in October 1992, revealed that Rs.37,280 collected by Range Officer, Chandel Range in June and July 1991 and Rs.50,693 collected by Range Officer, Moreh Range in June 1990 and July 1992 were not deposited by them into Government account. On being pointed out by audit, Rs.50,693 were recovered from one of the defaulting officials, and deposited into Government account in December 1992 and January 1993. Rs.37,280 was yet to be recovered and deposited in Government account (March 1994).

On receipt of audit finding the Divisional Officer conducted further scrutiny of records of his ranges which revealed that a total of Rs.14.09 lakhs collected by 8 officials towards royalty and sales tax during June 1991 to June 1993, was not deposited in Government account (July 1993). The amounts not deposited by the individual officials ranged between Rs.0.12 lakh and Rs.10.75 lakhs and the period for which these amounts remained outside Government account varied from 1 month to 25 months. In addition, interest of Rs.1.03 lakhs at the rate of 22 *per cent* as fixed by the department (January 1993) is also recoverable from them. Departmental action has been initiated against all of them (June to August 1993). Rs.2.36 lakhs have since been recovered from 5 officials till date (March 1994).

Range Officers are to send monthly account of transit passes issued on collection of revenues along with the triplicate copies of the transit passes and remittances into Government account. Cross-check of the two could throw up the amounts not deposited into Government account. Besides, the Divisional Officer is to inspect the records in his range offices at least once in each month to verify the revenue collection and it's prompt credit to Government account. Huge amounts remaining outstanding with a large number of officials indicated failure of enforcement of internal control systems.

The matter was reported to Government in October 1993. Their reply has not been received (March 1994).

7.16 Arbitrary settlement of clove mahal

As per schedule attached to Manipur Forest Rules 1971, the Forest Department, with the concurrence of Finance Department is empowered to issue notification fixing the ad-valorem rate of royalty in respect of unlisted forest produce. Accordingly Forest Department, Government of Manipur issued notification on 3 January 1986 empowering the Principal Chief Conservator of Forests (PCCF) to charge royalty at the rate of 12.5 *per cent ad valorem* on unlisted forest produce. Sales tax at the prevailing rate would also be leviable on any kind of forest produce. Further according to the Delegation of Financial Powers Rules, settlement of forest mahals/blocks otherwise than by holding public auction needs concurrence of the Finance Department. It was seen in audit (November 1992) that

Forest Department, Government of Manipur, granted permission to a contractor for working on clove mahal in District 'X' for a period of one year on payment of an outright price of Rs.10,000 only on 21 May 1991. The permission was granted on the *suo motu* application by a single contractor, without open invitation of offers and prior concurrence of the Finance Department. The Government sanction did not contain any provision for recovery of royalty on clove inspite of the recommendation of the PCCF for charging royalty of 12.5 *per cent* ad-valorem in addition to the price for working on the mahal and Transit Pass Fee for taking it out of the State.

However, the Government order of 21 May 1991 was withdrawn on 23 May 1991 on the orders of the Commissioner (Forests). The Finance Department, to whom the matter was referred after the issue of the permit (May 1991) objected to the settlement on a pick and choose basis and without fixing/charging any royalty. Notwithstanding this, the Forest Department again authorised the said contractor on 30 May 1991 for working on same clove mahal for payment of an outright price of Rs.10,000 only, again without any provision for charging royalty. Further scrutiny revealed that the bid amount in respect of another clove mahal of another District was Rs.1.05 lakhs when put to auction on August 1991. The circumstances under which the Government again restored the permission to operate the mahal on 30 May 1991 were not made known to Audit.

Principal Chief Conservator of Forests on 29 July 1991 notified the rate of royalty on clove at Rs.18.75 per kg. and issued notice to the contractor on 3 August 1991 rendering the earlier agreement of 31 May 1991 with him for working on clove mahal in District 'X' for a period of one year as inoperative. The contractor, however, obtained an order from the High Court, Assam *etc.* on 8 August 1991 setting aside the PCCF's notice of 3 August 1991. The ground on which the impugned order of PCCF dated 3 August 1991 was set aside by the Hon'ble High Court was that the petitioner bound himself to pay all royalty payable by him if fixed by the Government in accordance with the law.

In response to the order of the High Court, the PCCF intimated the contractor on 16 August 1991 that he had to pay the royalty at the rate of Rs.18.75 per kg. on clove in addition to the transit pass fee for transport of clove outside the State at the rate of 50 *per cent* of the royalty. The contractor obtained a stay order on 16 September 1991 from the High Court, Assam *etc.* on the order of PCCF of 16 August 1991 which was vacated in December 1991 on the ground that the respondent (Government) shall keep proper accounts of the royalty and transit pass fee paid by the petitioner. The contractor however did not take out any quantity of clove after vacation of the stay order.

The contractor transported the following quantities of clove from the forest area without payment of royalty, transit pass fees and sales tax during 31 May 1991 to 21 August 1991.

Sl. No.	Period	Quantity of clove transported	Amount of royalty realisable at Rs.18.75 per Kg.	Transit pass fee at 50 per cent of royalty	Sales Tax (7%)	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(Rupees in lakhs)						
1.	31.05.1991 to 02.08.1991	92,578 kg	17.36	8.68	1.21	27.25
2.	06.08.1991 to 07.08.1991	50,800 kg	9.53	4.76	0.67	14.96
3.	10.08.1991 to 15.08.1991	37,000 kg	6.94	3.47	0.49	10.90
4.	16.08.1991 to 21.08.1991	39,110 kg	7.33	3.67	0.51	11.51
Total		2,19,488 kg	41.16	20.58	2.88	64.62

It would, thus, be seen that arbitrary and hasty settlement of clove mahal by the Government without public auction and without inclusion of a provision for recovery of royalty and transit pass fee resulted in a loss of (i) indeterminable amount in terms of monopoly fee which could have been obtained in public auction and (ii) loss of Rs.64.62 lakhs in terms of royalty, transit pass fee and sales tax.

The system for appropriate and prompt action in the office of PCCF for communication of orders to the concerned Range Officer responsible for issue of transit passes was deficient as the Range Officer continued to issue transit passes without realisation of royalty and transit pass fee even after termination of contract on 3 August 1991 and after fixing of rates of royalty and transit pass fee on 16 August 1991.

Transit pass without realisation of any royalty was issued to the contractor for 50,800 kg. of clove on 6 and 7 August 1991 with revenue impact of Rs.14.96 lakhs inspite of orders by PCCF of 3 August 1991 fixing the rate of royalty on extraction of clove. The Range Officer further issued permit for 39,110 kg. during the period from 16 August 1991 to 21 August 1991 inspite of the orders of PCCF dated 16 August 1991 prescribing the rate of royalty at Rs.18.75 per kg., transit pass fee at the rate of 50 per cent of royalty and sales tax bearing a revenue implication of Rs.11.51 lakhs.

The matter was referred to Government in July 1993. Their reply has not been received (April 1994).

7.17 Non-levy of Sales Tax on Monopoly Fee

Government of Manipur, Department of Taxation, clarified (November 1989) to the Principal Chief Conservator of Forests (PCCF) that Sales Tax is leviable on monopoly fee.

Test check of records in the offices of Divisional Forest Officer, Chandel for the period from July 1991 to September 1992 and those of PCCF for the period from May 1992 to May 1993 revealed that Sales Tax of Rs.1.12 lakhs on a monopoly fee of Rs.16.02 lakhs and Rs.50,820 on a monopoly fee of Rs.7.26 lakhs respectively was not levied by them; resulting in loss of revenue of Rs.1.63 lakhs.

The Forest department stated in July 1993, that the matter relating to levy of Sales Tax on monopoly fee charged by it, is still under consideration as the "Manipur Sales of Forest Produces coupes and Mahal Rules" are yet to be finalised.

The matter was referred to Government in July 1993. Their reply has not been received (April 1994).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

7.18 Betterment levy not assessed and realised

Under the Manipur Irrigation Act, 1977, "Betterment contribution" should be realised from the land owners or the beneficiaries of the Irrigation Command Area after 5 years from the date of supply of irrigation water at the rate to be notified by the Government.

Two irrigation projects viz., Sekmai and Imphal Barrages were completed in January 1982 and May 1984 with irrigation command area of 4,858 and 4,400 hectares, respectively. The annual levy of betterment contribution from the beneficiaries of the two projects were due from January 1987 and May 1989 respectively. Government had, however, not notified the rates of betterment levy to be realised from the beneficiaries (July 1993).

The matter was referred to Government in November 1993 followed by a reminder (December 1993). Their reply is awaited (April, 1994).

7.19 Unclaimed Irrigation Revenue

By virtue of the provision of Section 100 of the Manipur Irrigation Act, 1977, the Irrigation and Flood Control Department issued Notification No.4/4/IFC dated 23 December 1981 prescribing the levy of water rates in the State as under :

Rabi Paddy	I :	Rs.75.00 per hectare per annum
Rabi Paddy	II :	Rs.37.50 per hectare per annum
Kharif Paddy	III :	Rs.37.50 per hectare per annum

Test-check of records (June 1993) of Imphal Barrage and Sekmai Barrage revealed that total amount of Rs.34.76 lakhs was due from the farmers served by these two barrages towards water rates as under :

Name of the crop	Actual Irrigation potential utilised (hectares)	Water rate (Rupees per hectare)	Amount due (Rupees in lakhs)	Years to which the levy pertains
Imphal barrage				
Rabi Paddy I	20,125	75.00	15.07	1984-85
Rabi Paddy II	28,175	37.50	10.56	to 1992-93
Total :	48,300		25.63	
Sekmai barrage				
Rabi Paddy I	3,490	75.00	2.62	1989-90
Rabi Paddy II	15,440	37.50	5.79	to
Kharif Paddy II	1,930	37.50	0.72	1992-93
Total :	20,860		9.13	
Grand total :	69,160		34.76	

However, water rates of Rs.2.43 lakhs only were demanded by the Department from the beneficiaries of Imphal barrage and Rs.0.18 lakh only from the beneficiaries of Sekmai barrage. The actual collections in the two projects were Rs.0.30 lakh and Rs.0.18 lakh respectively.

The department stated (June 1993) that it could not take action for collection of water rates due from the farmers.

The matter was reported to Government in November 1993 followed by reminders (December 1993). Their reply is awaited (April 1994).

INDUSTRIES DEPARTMENT

7.20 Non-realisation of rent

Under the authority of "The Manipur Industrial Estates Rules, 1971" Industries Department, Government of Manipur provides industrial sheds to the entrepreneurs on payment of rent at the prescribed rate which is payable up to the 7th day of the following month. In case of default, interest at the rate of 9 *per cent* is to be charged from the defaulting entrepreneurs. Further, if default continues for three calendar months, vacation proceedings are required to be initiated against the defaulter.

Test-check of records in the office of the Director of Industries revealed that an amount of Rs.2.15 lakhs was outstanding on 31st December 1991 against 17 entrepreneurs to whom industrial sheds were provided. Of these, in 3 cases the rent was not realised right from the dates of occupation *viz.*, 1979 to 1990. Test-check of rent records further revealed that one of the defaulters did not pay rent for 131 months from May 1979 to March 1990. He vacated the premises in March 1990 when Rs.0.38 lakh were recoverable towards rent and interest. Another defaulter against whom Rs.0.63 lakh towards rent and interest were outstanding also vacated the premises in May 1990. The record relating to recovery of rent from the allottees was neither maintained properly nor was it reviewed from time to time for initiating action against defaulters. Thus, improper maintenance of records, absence of periodical review of realisation of rent for industrial sheds and failure in taking prompt administrative action against defaulters resulted in a loss of Rs.2.47 lakhs. However, on the matter being pointed out (April 1992) in audit the department realised rent along with interest amounting to Rs.0.48 lakh from 9 allottees. The department further stated (April 1993), that vacation proceedings were being initiated against defaulters against whom rent amounting to Rs.2.12 lakhs and (interest of Rs.0.35 lakh) were outstanding on 31 March 1993.

The matter was reported to Government in September 1993. Their reply has not been received (April 1994).

ELECTRICITY DEPARTMENT

7.21 Non-deduction of Sales Tax at source

As per orders (December 1990) of the Government of Manipur, Heads of Departments/Offices in Manipur are to deduct sales tax at source while making payments to suppliers/contractors for works done or supplies made by them. The amount of tax so deducted is to be deposited on behalf of the dealer by the office concerned into the Government account within seven days from the date of deduction.

Test-check of records in the Central Rural Electrification Division II pertaining to November 1991 to October 1992 revealed that sales tax of Rs.1.76 lakhs was not deducted on payment of bills of six suppliers, to whom Rs.25.18 lakhs were paid towards supply of materials. Further, the Division did not have any evidence or means to establish whether the sales tax was paid by the suppliers on such items.

The Central Rural Electrification Division II contended (January 1993) that sales tax was not deducted at source as the firms manufactured the equipment/materials supplied to the Department, by purchasing raw materials on payment of taxes. The contention of the Division is not tenable as the firms in question supplied finished products, which are liable to sales tax under the Manipur Sales Tax Act.

The matter was referred to Government in July 1993. Their reply has not been received (March 1994).

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

8.1 General

This chapter deals with the results of audit of :

- Government companies;
- a Statutory corporation and
- Departmentally-managed Government commercial and quasi-commercial undertakings.

Paragraph 8.2 gives a general view of the Government companies, paragraph 8.3 deals with general aspects relating to the Statutory Corporation and paragraph 8.4 deals with the five departmentally-managed Government commercial and quasi-commercial undertakings. Paragraphs 8.5 and 8.6 contain reviews on the working of the Manipur Cycle Corporation Limited and Manipur Spinning Mills Limited.

8.2 Government Companies-General view

8.2.1 As on 31 March 1993, there were 13 Government companies and one company incorporated under Section 619 (B) of Companies Act, 1956 in the State. The same number of companies were in existence as on 31 March 1992.

8.2.2 Appendix - VIII gives the particulars of up-to-date paid up capital and outstanding loans in respect of these Government companies. The position is summarised below :

(a) The aggregate paid up capital of the 14 companies increased from Rs.35.20 crores as on 31 March 1992 to Rs.37.18 crores as on 31 March 1993 which was contributed by State Government (Rs.29.41* crores), Central Government (Rs.0.60 crore) and others (Rs.7.17 crores).

(b) The balance of long term loans outstanding against nine companies as on 31 March 1993 was Rs.14.31 crores as against Rs.13.85 crores from the same number of companies as on 31 March 1992.

* The figure according to the Finance Accounts 1992-93 is Rs.26.90 crores. The difference is under reconciliation.

8.2.3 A synoptic statement showing financial results of all the 14 companies based on the latest available accounts is given in Appendix - IX.

None of the companies could finalise its accounts for the year 1992-93 (December 1993). The extent of arrears in the finalisation of accounts of the 14 companies is summarised below :

Sl.No.	Extent of arrear	No. of years involved	No. of companies involved	No. of Annual Accounts in arrears	Investment by State Government		Reference to Sl.No. of Appendix-IX
					Capital	Loan	
(Rupees in lakhs)							
1.	1981-82 to 1992-93	12	3	36	1164.50	79.56	2,3 and 4
2.	1983-84 to 1992-93	10	1	10	440.73	-	5
3.	1985-86 to 1992-93	8	2	16	894.60	-	1 and 6
4.	1988-89 to 1992-93	5	1	5	46.79	99.52	12
5.	1990-91 to 1992-93	3	4	12	286.19	88.00	7,9,13 & 14
6.	1991-92 to 1992-93	2	2	4	108.04	-	8 and 11
7.	1992-93	1	1	1	-	-	10
			----- 14 -----	----- 84 -----	----- 2940.85 -----	----- 267.08 -----	

Thus, 84 Annual Accounts of the 14 companies were in arrears as on 31 March 1993. The corresponding arrear position as on 31 March 1992 was 75. The arrears in accounts of the companies ranged from 1 to 12 years (December 1993).

In the absence of accounts, the productivity of the investment of Rs.32.08 crores by the State Government in these companies could not be vouchsafed. The position of the arrears in the finalisation of accounts was brought to the notice of Government in March 1993 and January 1994 at the level of the Chief Secretary.

8.3 Statutory Corporation - General aspects

As on 31 March 1993, there was one Statutory Corporation *viz.*, Manipur State Road Transport Corporation, which was established in March 1976 under the Road Transport Corporations Act, 1950. Based on unaudited provisional accounts for the year ended 31 March 1993, a sum of Rs.18.11 crores (State Government contribution : Rs.14.68 crores and Central Government contribution : Rs.3.43 crores) had been invested towards capital contribution. According to the unaudited accounts the Corporation had incurred a cumulative loss of Rs.16.70 crores as on 31 March 1993.

8.4 Departmentally-managed Government Commercial and *quasi*-Commercial undertakings

As on 31 March 1993, there were five departmentally-managed commercial and *quasi*-commercial undertakings in the State *viz.*, Manipur Electric Supply Department, Manipur State Trading Scheme, Central Dairy Farm, Fruit Preservation Factory and Manipur Mechanised Dye House.

The *pro forma* accounts of Manipur Electric Supply Department for the year 1978-79 to 1992-93 were in arrears (December 1993). The cumulative loss, as per latest accounts received from the Manipur Electric Supply Department was Rs.1,295.56 lakhs as on 31 March 1978.

The accounts of Manipur State Trading Scheme for the years 1980-81 to 1992-93 were also in arrears (December 1993). The cumulative profit, as per latest accounts received, was Rs.49.40 lakhs as on 31 March 1980.

The Fruit Preservation Factory, Mantripukhri, Manipur Mechanised Dye House, Iroisemba and Central Dairy Farm, Porompat had never prepared *pro forma* accounts even though the formats of *pro forma* accounts were prescribed in October 1983 in respect of the first unit and in October 1991 in respect of the other two units. Their accounts are in arrears since 1983-84, 1991-92 and 1991-92 respectively. In the absence of up-to-date *pro forma* accounts, financial results and viability of the undertakings could not be ascertained.

INDUSTRIES DEPARTMENT

8.5 Manipur Cycles Corporation Limited

8.5.1 Introduction

Manipur Cycles Corporation which was originally promoted as a public limited company in March 1985 was subsequently converted into a public sector company in December 1988. The Company was set up with the twin objectives of industrialisation of the State and reducing unemployment.

8.5.2 Scope of Audit

The setting up of the Company and its performance during the period from 1986 to March 1993 were test-checked in audit during February-March 1993 and the points noticed are brought out in the succeeding paragraphs.

8.5.3 Highlights

- Action for setting up of a cycle factory was initiated by the Government without a policy on industrialisation or sectoral prioritisation. Further the proposal was pursued by the Government without feasibility study and examination of Detailed Project Report despite categorical opinion of Planning Commission and a reputed private manufacturer about its non-viability at the contemplated production levels.

(Paragraph 8.5.4.1 and 8.5.4.2)

- The Government invested Rs.15 lakhs in the Company as share capital during the years 1986-87 and 1987-88, without conducting any detailed examination of legal status and viability of the Company.

- The Government converted it into a public sector company injudiciously in December 1988, increasing its share capital to more than 51 per cent by transfer of 60,000 shares from Manipur Development Society and further, invested Rs.8.65 lakhs.

(Paragraph 8.5.4.5)

- The accumulated losses of the Company have increased from Rs.1.90 lakhs in 1986-87 to Rs.24.29 lakhs in 1990-91, the year up to which accounts of the Company are finalised.

(Paragraph 8.5.7)

- As against production target of 30,000 bicycles per annum, the Company produced only 121 bicycles in three years up to 31 March 1993. The average approximate cost of production of each bicycle worked out to Rs.29,685.

(Paragraph 8.5.10)

8.5.4 Background

8.5.4.1 The Government of Manipur contemplated setting up of an industry in public sector for manufacturing spare parts and assembly of bicycles in the State in 1982 with an annual capacity of 30,000 bicycles. There was nothing in the records made available to audit by the Department of Industries to indicate whether any strategic and short-term plan for industrialisation was prepared and whether any prioritisation for different areas of production/ industrialisation was made. The basis for choosing the industry for production of bicycles as the first major area for industrialisation was thus not evident. Pre-feasibility/feasibility studies were also not conducted to assess the viability of the industry with reference to the expected demand, volume of production, input costs, capital structure and source of funding, break-even analysis, etc.

8.5.4.2 3 prominent manufacturers of bicycles in Punjab were approached for technical assistance/participation. While two of them did not show any interest, the third informed the Government in July 1982 that a bicycle manufacturing factory with the proposed capacity of production of 30,000 bicycles per annum would not be viable as the volume of production contemplated was too small to meet or sustain even the overhead expenses. He also advised that since a bicycle needs a large number of components/parts which a single manufacturer could not produce, support of a large number of ancillary industries was required which will not be forthcoming on account of the small volume of production contemplated. The Planning Commission to whom a request was made for assistance, also advised, in May 1985, that *prima facie* a bicycle unit with an annual capacity of 30,000 cycles was not economically viable. The Planning Commission further, advised the Government to prepare a detailed feasibility report before the proposal could be considered. While the Government of Manipur continued its efforts for financial and technical assistance from private manufacturers, Ministry of Industries, Planning Commission and Cycle Corporation of India for setting up of bicycle manufacturing unit during the year 1982-83 to 1984-85, no effort was made to conduct a feasibility study or to examine critically the Detailed Project Report prepared by Cycle Corporation of India in November 1985.

8.5.4.3 While the Government was still contemplating setting up of the bicycle producing unit, Manipur Development Society, an autonomous body under the Department of Industries funded by Government requested the Government, in March 1985, for allotment of a plot/shed in an industrial estate for setting up a cycle unit. It *suo moto* established a public limited company namely Manipur Cycles Corporation Limited with investment of equity share of Rs.25 lakhs out of its own resources, without approval of the Government. It is not clear how an autonomous body funded by Government could invest the amount out of its funds without specific approval of the Government, particularly in view of specific provision in the General Financial Rules that funds provided by Government will be used by autonomous bodies only for the purpose for which these are provided.

8.5.4.4 The Company was promoted by seven individuals who otherwise held senior positions in Government, including the then Chief Secretary and the Memorandum and Articles of Association were adopted by a Board of Directors consisting of five of the seven individuals mentioned above. One among them was designated as Managing Director. The Manipur Cycles Corporation Limited was registered as a public limited company on 28 June 1985. 1,000 equity shares of Rs.10 each were offered to the 7 promoters and Rs.370 out of face value of Rs.10,000 was paid up by them. The total project cost envisaged in the Project Report prepared by the Cycle Corporation of India was Rs.89.85 lakhs, out of which Rs.50 lakhs was proposed to be raised through equity shares and Rs.39.85 lakhs from term loans from financial institutions.

8.5.4.5 In response to the request received from the Manipur Development Society in March 1985 for allotment of land/sheds in the industrial area for setting up of cycle factory, the Government, without reference to the ongoing proposal for setting up of cycle factory in the public sector or any detailed examination of its obligations allotted 3 sheds to it in August 1985 and further allotted one acre of land on lease basis for a period of 99 years. While the role of the Government in setting up and running of the Corporation was still

unknown, senior Government officers began to attend the Board of Directors meetings of the Manipur Cycles Corporation Limited. Further, without detailed examination of the implications and policy of the Government in regard to equity participation in a public limited company, Government released funds of Rs.10 lakhs in November 1986 and Rs.5 lakhs in January 1988, in the form of equity share capital. It was only when the Corporation requested the Government for release of further equity capital of Rs.25 lakhs, that the question of the legal status *etc.* of the Corporation was taken up. The Secretary, Industries observed in July 1988, that the Government had nothing to do with the formation of the Company and the shares (Rs.15 lakhs) were purchased merely because this Company requested for the same. Subsequently, while examining the regularity and propriety of investment by Government in the Company in September 1988, the then Commissioner of Finance concluded that there had been infringement on both these counts. The Manipur Development Society which the majority share till December 1988 (Rs.25 lakhs out of the paid up share capital of Rs.40.05 lakhs) was directed by the Government to transfer 60,000 shares of Rs.6 lakhs to the Government to enable its share-holding to reach a level of 51 *per cent* or more, to make it a Government Company. Even at this stage, the Government did not examine the viability of the project. It also did not examine the progress made by the project and necessity of further inputs *etc.* The Government further contributed Rs.1 lakh each towards equity share capital of the Corporation in March 1989 and June 1990, and Rs.6.65 lakhs during 1991-92; without taking stock of the progress made, utilisation of resources provided up to that time and requirement of funds with reference to the work plan.

8.5.5 Organisational set-up

After the Company was converted into a public sector company with effect from 28 December 1988, the affairs of the Corporation are being managed by a Board of Directors headed by a Chairman appointed by the Government. The Company did not appoint any Company Secretary throughout, as required under Section 383-A of Companies Act, 1956.

8.5.6 Capital structure

As on 31 March 1993, the paid up capital of the Company was Rs.48.80 lakhs consisting of share capital of Government of Manipur (Rs.29.65 lakhs), Manipur Development Society (Rs.19 lakhs), Cycle Corporation of India (Rs.0.05 lakh) and others (Rs.0.10 lakh), against the authorised share capital of Rs.100 lakhs divided into 10 lakhs equity share of Rs.10 each. In addition, the Company also obtained a term loan of Rs.7 lakhs in 1989-90 from State Bank of India on which an interest of Rs.2.93 lakhs was paid up to December 1992.

8.5.7 Accounts, financial and working results

The Company had finalised its accounts only up to 1990-91 (March 1993). The financial position of the Company for the last five years up to 1990-91 is shown below :

Financial position

	1986-87	1987-88	1988-89	1989-90	1990-91
(Rupees in lakhs)					
Liabilities					
i) Paid up Capital	35.05	40.05	41.15	41.15	42.15
ii) Reserves & Surplus	-	2.80	2.52	5.24	4.58
iii) Borrowings	-	-	-	7.03	7.02
iv) Trade dues and other liabilities	1.90	6.11	6.34	6.47	5.26
	36.95	48.96	50.01	59.89	59.01
Assets					
i) Gross block	1.52	29.93	30.52	30.52	30.52
ii) Less depreciation	0.44	1.50	5.11	8.25	10.82
iii) Net Fixed Assets	1.08	28.43	25.41	22.27	19.50
v) Capital works in progress	6.54	-	-	-	-
iv) Current Assets, Loans & Advances	27.11	15.93	12.57	19.53	15.11
v) Miscellaneous expenses	0.32	0.26	0.20	0.14	0.11
vi) Accumulated Loss	1.90	4.34	11.83	17.95	24.29
	36.95	48.96	50.01	59.89	59.01

Working Results

	1986-87	1987-88	1988-89	1989-90	1990-91
(Rupees in lakhs)					
Income					
i) Sale of Cycles and other accessories	3.71	3.52	1.18	0.52	1.56
ii) Income from Job works	-	-	0.09	1.32	2.86
iii) Other Misc.income	0.49	0.47	0.28	0.99	1.46
	4.20	3.99	1.55	2.83	5.88
Expenditure					
i) Manufacturing cost	3.92	4.95	6.27	5.39	6.15
ii) Administrative and Selling Expenses	0.80	1.23	2.66	2.34	4.21
iii) Job expenses	-	-	-	1.20	1.82
iv) Other Misc.expenses	0.27	0.26	0.11	0.03	0.03
	4.99	6.44	9.04	8.96	12.21
Net loss	0.79	2.45	7.49	6.13	6.33

8.5.8 Plant and machinery

As per detailed project report prepared by the Cycle Corporation of India in November 1985, the annual production was estimated at 30,000 bicycles at 90 *per cent* plant capacity utilisation and the value of annual production was estimated at Rs.144 lakhs at the prevailing prices. The break even point was estimated at 60 *per cent* of installed capacity utilisations. Further, 130 machines were required to be installed at a cost of Rs.24.67 lakhs. The plant and machinery was estimated to be installed within 90 days of completion of factory sheds. The value of plant and machinery installed over the years is as follows :

Year	Value	Cumulative Value
(Rupees in lakhs)		
1986-87	Nil	Nil
1987-88	9.73	9.73
1988-89	0.38	10.11
1989-90	-	10.11
1990-91	-	10.11

The Corporation did not maintain log books of machine utilisation. As against the planned production of 90,000 bicycles during the period 1990-91 to 1992-93, the company produced only 121 bicycles (0.13 *per cent*) leading to idling of almost entire installed capacity.

8.5.9 Factory building

As per the project report a factory building of plinth area of 22,500 square feet was required to be constructed at an estimated cost of Rs.10.50 lakhs. The Corporation entrusted the job of construction of a building of about a half of the plinth area to Manipur Development Society, which is one of its shareholders and which does not undertake construction activities as one of its functions. The Manipur Development Society sub-contracted the work at a tendered value of Rs.13.63 lakhs to a contractor in May 1986. The factory building was completed in July 1990. Records showing the actual cost of construction of the plinth area were not produced to audit.

8.5.10 Production

The project report envisaged production of 30,000 bicycles annually of brand name 'Sangai' by manufacturing 4 important components viz., frame, fork, back stay and mudguard. To begin with, the Company purchased complete spare parts for 1,690 bicycles in 1985-86 and purchased further prime parts for 780 bicycles from Cycle Corporation of India Limited and sold 1,897 assembled bicycles during the period from 1985-86 to 1990-91 under the brand names of Raleigh, Humber, Sports Light and Roadstar. The Company manufactured the following quantities of prime cycle components during the six years from 1987-88 to 1992-93 :

i)	Frame	-	400
ii)	Fork	-	485
iii)	Backstay	-	765
iv)	Mudguard		
	front		1455
	rear		<u>461</u>
			<u>3566</u>

Thus, as against target production of 30,000 bicycles per annum, the Company produced all four components which would enable production of only 67 bicycles per annum. In all, only 121 bicycles of the brand name 'Sangai' were however produced during three years from 1990-91 to 1992-93. Excluding the resources utilised for other job works undertaken by the Company, the cost of production per bicycle worked out to Rs.29,685. Even this production which was to begin by August 1986, in accordance with the project report, actually started only in 1990-91.

8.5.11 Costing

The Company undertook various small job works viz., installation of SP-V poles, fabrication of tables, construction of septic tanks, painting and repairing of ballot boxes etc. which contributed only marginally to the fixed cost during the period from 1989-90 to 1991-92 (Rs.0.12 lakh to Rs.1.04 lakhs) and rendered a negative contribution of Rs.1.19 lakhs during 1992-93 on a job undertaken at Rs.1.97 lakhs. The costing made available to audit could however, not be verified in the absence of cost sheets and job cards. In the variable costing made available to audit for working out contribution, only the direct material cost was taken and other direct inputs, including labour, if any, were not taken into account.

8.5.12 Fixed cost

The following items constituted the fixed cost of the Company for the year 1990-91 :

Item	Number	Amount
(Rupees in lakhs)		
i) Permanent supervisory staff	19	1.86
ii) Industrial labour on permanent employee		0.52
iii) Interest		0.93
iv) Electricity charges		0.02
v) Depreciation		2.73
Total		6.06

Even in the background of virtual non-operation of the Company during the last 5-6 years, action was not taken to reduce the fixed cost.

8.5.13 Marketing

The Company did not have any policy or infrastructure for marketing. Some of the bicycles were sold through three private dealers and some were directly sold to Government employees and to the employees of the Corporation on instalment basis. The Company did not chalk out any strategy about difficulties in marketing its product in the face of availability of popular and established brands in the market.

8.5.14 Neither the management of the Company nor the Government has analysed the situation arising on the production and marketing fronts in the face of inability of the Company to produce bicycles, and incurred recurring losses and liability of fixed cost over the years. The Government further invested an amount of Rs.7.65 lakhs after 1988-89 even after being aware of the poor performance of the Company and without considering any definite strategy to improve the health of the Company either in the existing line of production or by diversification into other areas.

Thus, the project which was conceptualised by the Government without study of all aspects including prioritisation and investment was made and in an *ad-hoc* manner in spite of adverse advice from the Planning Commission and private established manufacturer. This action led to failure to meet the objectives of industrialisation and employment set forth by the Government, and has also resulted in an infructuous investment of Rs.29.65 lakhs. The injudicious decision of the Government to participate in a project originally started by individuals by way of equity participation, subsequently resulting in converting the Company into public sector company, has further been compounded by absence of concrete steps to arrest further losses.

The audit review was communicated to Government/ Management in August 1993. Their replies had not been received (December 1993).

8.6 Manipur Spinning Mills Corporation Limited

8.6.1 Introduction

The Manipur Spinning Mills Corporation Limited was incorporated in March 1974. As per the Project Report 25,000 spindles were to be installed in stages by January 1977 to produce 1,634 MT of yarn annually.

As per the Project Report prepared in 1976 the Project was expected to break even at a production level of 60 *per cent* and at sales of Rs.287 lakhs at the then costs and prices. The pay-back period was estimated as 4 years 10 months from the date of commencement of commercial production on the basis of gross return on equity of 25.4 *per cent*.

8.6.2 Objectives

The main objectives for setting up of the Company were to own and manage one or more spinning mills in Manipur, produce and supply yarn to handloom weavers of the State, create employment potential for local people and encourage indigenous cotton producers.

8.6.3 Management

The Management of the Company is vested in a Board of Directors consisting of the Chairman assisted by a Vice Chairman and a Managing Director. The Managing Director is the Chief Executive of the Company. He is assisted by a General Manager, a Financial Controller-cum-Chief Accounts Officer and a Technical Manager.

8.6.4 Scope of Audit

The last performance review on this Company had appeared as Paragraph 8.4 of the Report of the Comptroller and Auditor General of India for the year 1983-84 - Government of Manipur. The Committee on Public Undertaking considered the observations of audit and the recommendations of the Committee were published in its 10th Report, presented to the State Legislature in March 1987.

This review is based on the provisional accounts of the Company for the years from 1987-88 to 1991-92.

8.6.5 Highlights

- **The finalisation of Company's accounts are in arrears since 1981-82.**

(Paragraph 8.6.7)

- **The Company incurred losses during all the five years during the period from 1987-88 to 1991-92. The accumulated loss increased from Rs.282.08 lakhs in 1987-88 to Rs.602.03 lakhs in 1991-92 and represented 65.5 *per cent* of its total paid up capital.**

(Paragraph 8.6.8)

- The consumption of raw material in 1988-89 (Rs.45.20 lakhs) exceeded the value of production (Rs.32.47 lakhs). The reasons therefor have not been analysed by the company.

(Paragraph 8.6.10)

- The maximum spindle capacity utilised was 60.18 *per cent* in 1991-92 while it was only 10.92 *per cent* in 1988-89. The main reason for shortfall in utilisation was stated to be labour absenteeism which accounted for around 30 *per cent*. The loss of production due to shortfall in capacity utilisation was 62 lakh kgs. of yarn valued at Rs.2,356.12 lakhs.

(Paragraph 8.6.12.1)

- The production of yarn per spindle shift ranged from 39 grams to 59 grams against the standard of 124 grams envisaged in the project report and the loss in production due to low productivity was 21.38 lakh kgs. of yarn valued at Rs.757.20 lakhs.

(Paragraph 8.6.12.2)

- The expenditure on excess staff amounted to Rs.118.40 lakhs during the five years from 1987-88 to 1991-92.

(Paragraph 8.6.13)

- Due to delay in lifting of cotton beyond stipulated 30 days from the date of contract, the company had to incur an avoidable expenditure of Rs.37.33 lakhs towards carrying/godown charges.

(Paragraph 8.6.17.1)

- Two Ringframe machines valued at Rs.7 lakhs, procured and installed in 1985 were not commissioned due to breakage in transit of parts valued at Rs.1,500. Action was not taken by the company to get the machines repaired till June 1993. The loss of interest on blocked capital at 12.5 *per cent* per annum amounted to Rs.6.56 lakhs.

(Paragraph 8.6.17.2)

8.6.6 Capital Structure

The Company was incorporated in 1974 with an authorised capital of Rs.200 lakhs divided into 2,00,000 shares of Rs.100 each which has been increased in stages to Rs.1,300 lakhs divided into Rs.13,00,000 shares of Rs.100 each. The paid-up capital of the Company contributed entirely by the Government of Manipur was Rs.919.05 lakhs as on 31 March 1992. In addition, the Company had borrowings of Rs.55.32 lakhs (including interest Rs.20.32 lakhs) as on 31 March 1992.

8.6.7 Position of accounts of the Company

Mention was made about arrears in finalisation of accounts of the Company in paragraph 8.4.5 of the Report of the Comptroller and Auditor General of India for the year 1983-84. In its 10th Report, presented to the legislature in March 1987, the Committee on Public Undertakings had recommended that the management of the Company should make efforts to pull up the arrears in accounts and action taken thereon was to be reported to the Committee. The Company did not furnish any action taken report to the Committee.

Finalisation of accounts of the Company is in arrears since the year 1981-82. The audited accounts of the Company for 1980-81 were not formally adopted in the AGM till December 1993.

The Board of Directors have continued to approve their accounts up to 1991-92.

8.6.8 Financial position

On the basis of the provisional accounts of the Company for the period from 1987-88 to 1991-92, an analysis of its financial position is given below :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(Rupees in lakhs)				
Liabilities					
1) Paid-up-Capital	579.20	635.70	673.70	770.00	919.05
2) Reserves and Surplus	42.25	42.25	42.25	44.33	44.33
3) Borrowings	64.52	73.63	77.37	60.99	55.32
4) Trade and other Liabilities	110.17	136.64	147.62	101.06	120.60
Total :	796.14	888.22	940.94	976.38	1139.30
Assets					
1) Gross block	510.62	512.56	513.96	523.90	536.21
2) Less depreciation	166.09	212.44	252.60	288.23	320.66
3) Net fixed assets	344.53	300.12	261.36	235.67	215.55
4) Capital works in progress	3.78	4.27	4.47	4.47	4.47
5) Investment	0.10	0.10	0.10	0.10	0.10
6) Current assets, loans and advances	165.41	184.00	185.67	185.11	317.05
7) Miscellaneous expenditure	0.24	0.21	0.17	0.14	0.10
8) Accumulated loss	282.08	399.52	489.17	550.89	602.03
Total :	796.14	888.22	940.94	976.38	1139.30
Capital employed	399.77	347.48	299.41	319.72	412.00
Net worth	39.13	278.22	226.61	263.30	361.25

Note (1) : Capital employed represents net fixed assets plus working capital.

(2) : Net worth represents paid-up-capital plus reserves and surplus less intangible assets.

The Company incurred losses on its operations during all the five years under review. The accumulated losses increased from Rs.282.08 lakhs at the end of 1987-88 to Rs.602.03 lakhs at the end of 1991-92. This represented 65.50 *per cent* of the total paid-up-capital of Rs.919.05 lakhs, as on 31 March 1992.

The capital employed increased from Rs.399.77 lakhs at the end of 1987-88 to Rs.412 lakhs in 1991-92. The net worth of the Company stood at Rs.361.25 lakhs in 1991-92 against total paid-up-capital of Rs.919.05 lakhs.

Out of total resources of Rs.195.35 lakhs (external : Rs.162.92 lakhs and internal : Rs.32.43 lakhs) during 1991-92, the Company utilised Rs.131.94 lakhs towards increase in current assets and loans and advances as on 31 March 1992. This increase comprised mainly of increase in the stock of raw-materials (Rs.31.62 lakhs) and stores and spares (Rs.51.65 lakhs). The increase in loans and advances included increase in advances made to staff by Rs.9.18 lakhs and increase in other receivables (not analysed by the Company) to Rs.24.81 lakhs.

8.6.9 Project and Development

As per the Project Report (January 1976), the estimated project cost for the spinning mill with a complement of 25,000 spindles was Rs.530 lakhs. This was further revised to Rs.426.33 lakhs in December 1982 with a corresponding downward revision of capacity to 13,392 spindles. The reasons for this downward revision of capacity could not be furnished by the Management.

The Company was required to install 25,000 spindles by January 1977 against which 16,416 spindles were installed during the 10 years from 1977-78 to 1986-87. The cost of installation of these spindles was not available on record and could not be provided by the Management.

8.6.10 Working results

The Company has been incurring losses since its inception. The accumulated losses up to 31 March 1992 were Rs.602.03 lakhs. The table below indicates the detailed working results from 1987-88 to 1991-92 :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(Rupees in lakhs)				
a) Value of production	106.70	32.47	61.69	116.27	200.77
b) Less consumption of raw materials	74.21	45.20	36.45	52.05	68.40
c) Added value	32.49	(-)12.73	25.24	64.22	132.37
d) Conversion cost					
i) Direct labour wages	28.02	13.27	24.61	35.24	38.53
ii) Salary of Supervisory Staff	20.30	22.56	18.15	5.27	33.95
iii) Other expenses	28.77	14.12	18.49	29.19	47.49
iv) Depreciation	102.26	46.35	40.16	35.63	32.43
Total (d) :	179.35	96.30	101.41	105.33	152.40
e) Operating loss (c-d)	146.86	109.03	76.17	41.11	20.03
f) Less other income	0.17	0.94	0.72	0.73	0.76
g) Net loss before interest	146.69	108.09	75.45	40.38	19.27
h) Add interest	6.42	9.35	14.20	21.34	31.87
j) Net loss	153.11	117.44	89.65	61.72	51.14

The consumption of raw materials accounted for 69.55 *per cent* of the value of production in 1987-88 whereas the same was 34.07 *per cent* in 1991-92. The consumption of raw materials in 1988-89 was abnormally high and exceeded the value of production. The reasons therefor have not been analysed by the company.

The value added during 1987-88 to 1989-90 did not even cover cost of direct labour and salary of supervisory staff. The salary of supervisory staff during 1990-91 was indicated in the accounts as Rs.5.27 lakhs which was inconsistent compared to Rs.18.15 lakhs and Rs.33.95 lakhs spent in the years 1989-90 and 1991-92 respectively. The number of supervisory staff was 162, 149 and 142 in 1989-90, 1990-91 and 1991-92 respectively.

8.6.11 Marketing and pricing

The produce of the mill was sold after prices were fixed by the Price Fixation Committee. The Committee was supposed to meet fortnightly/monthly. The records, however, revealed that the meetings of the Committee were irregular. The price of the yarn was to be fixed by the Committee after taking into account the rates prevalent in the local as well as the Calcutta market. However, records relating to the basis on which the price of the yarn was fixed from time to time was not made available to audit.

Sales effected were not recorded in Sales Day Book and sales were made without invitation of tenders. Wide publicity was not given by the Company to its produce and no clear and consistent marketing policy was followed. Further, it was found that the cost of production was not taken into consideration while fixing sale prices of yarn as shown below :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(Rupees per kg)				
Cost of production	70.45	150.86	104.86	78.04	57.55
Actual sales price	26.14	33.58	43.60	41.50	45.11
Difference	44.31	117.28	61.26	36.54	12.44

Thus, the cost of production per kilogram of yarn was 1.27 to 4.49 times higher than sale price.

8.6.12 Production performance

8.6.12.1 Utilisation of spinning capacity

The capacity for spinning is assessed in terms of number of spindles in the ring frames. The spinning capacity of the mill was 15,552 spindles (excluding 864 spindles installed but not commissioned) during the entire period from 1987-88 to 1991-92.

The table below indicates the extent of capacity utilisation on the basis of 3 shifts a day for 350 days in a year, after allowing a margin of 5 per cent for normal repairs and maintenance as indicated in the project report.

	1987-88	1988-89	1989-90	1990-91	1991-92
i) Spindle-shift available (in lakhs)	155.13	155.13	155.13	155.13	155.13
ii) Spindle-shift actually utilised (in lakhs)	81.98	16.94	24.52	58.89	93.36
iii) Percentage of Spindle shift utilised	52.85	10.92	15.80	37.96	60.18

The break-up of spindle shift lost over the years is shown below :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(Percentage of spindle-shift lost)				
i) Labour absenteeism	32.20	30.00	30.52	29.26	32.20
ii) Power failure	7.50	9.70	6.60	4.80	7.62
iii) Shortage of cotton	-	49.38	27.08	-	-
iv) Others	7.45	-	20.00	27.98	-
	-----	-----	-----	-----	-----
Total :	47.15	89.08	84.20	62.04	39.82
	-----	-----	-----	-----	-----

The shortfall in production due to low capacity utilisation as above was 62 lakh kgs. of yarn valued at Rs.2,356.12 lakhs on average sale price during the five years up to 1991-92. The management did not analyse the reasons for shortfall in production with reference to controllable and non-controllable (unavoidable) factors to enable it to take effective measures to control avoidable factors for shortfall in production.

The loss in production due to labour absenteeism averaged 30 *per cent* during all these years. There was excess engagement of direct labour to the extent of 8 *per cent* to 271 *per cent* of actual requirement costing the company avoidable labour wages of Rs.57.96 lakhs during this period. As stated by the Company the production remained suspended during the period from 22 August 1988 to 19 April 1989 on account of shortage of raw materials. However, raw material valuing Rs.56.95 lakhs was in stock as on 31 March 1989 as per annual accounts of the Company. This inconsistency could not be explained by the Company.

8.6.12.2 Spindle productivity

Productivity in spinning is assessed in terms of weight of yarn produced per spindle shift of 8 hours. The Project Report envisaged production of 124 grams of yarn per spindle shift. The actual production per spindle shift compared to standard envisaged in the Project Report was as under :

	1987-88	1988-89	1989-90	1990-91	1991-92
i) Spindle shift utilised (in lakhs)	81.98	16.94	24.52	58.89	93.36
ii) Standard production as per norm (Kg in lakhs)	10.17	2.10	3.04	7.30	11.58
iii) Actual production (Kg in lakhs)	3.69	0.99	1.45	2.29	4.39
iv) Percentage of actual production to standard production	36.28	47.14	47.70	31.36	37.91
v) Shortfall in production (Kg in lakhs)	6.48	1.11	1.59	5.01	7.19
vi) Production per spindle shift (in grams)	45	58	59	39	47

Thus the production per spindle shift, which varied from 39 grams to 59 grams *i.e.* 32 per cent to 48 per cent of the standard of 124 grams envisaged in the Project Report, was very low and indicated low operational efficiency. The shortfall in production during the five years up to 1991-92 on account of lower productivity per spindle shift was 21.38 lakh kgs of yarn valued at Rs.757.20 lakhs at average sales realisation. The reasons for overall poor production were analysed as under by the management :

- i) Slack (floor) supervision and discipline;
- ii) Heavy overhead expenses due to excessive employment of non-technical staff;
- iii) Production planning was not done and demand not assessed while manufacturing the yarn;
- iv) Inadequate marketing motivation;
- v) Irregular attendance which resulted in low plant utilisation and production; and
- vi) Improper material management such as excess purchase of raw materials, spare parts and short purchase of vital items without assessment.

Effective measures were not taken by the management to control these factors.

8.6.13 Human Resource

As per Project Report (September 1984), the supervisory staff required for 13,392 spindles was 50 and the requirement of direct labour was 14 persons per thousand spindles worked per shift. Based on the commissioned capacity of 15,552 spindles the number of supervisory staff admissible on *pro rata* basis was 62. The actual position of supervisory *vis-a-vis* labour manpower required and employed during 1987-88 to 1991-92 was as under :

	1987-88	1988-89	1989-90	1990-91	1991-92
i) Requirement					
Supervisory	62	62	62	62	62
Workers	329	200	133	243	392
ii) Actual					
Supervisory	167	169	162	149	142
Workers	535	552	494	494	423
iii) Excess					
Supervisory	105	107	100	87	80
Workers	206	352	361	251	31

The cost of excess manpower during the above five years amounted to Rs.118.40 lakhs (Supervisory : Rs.60.44 lakhs and Workers : Rs.57.96 lakhs) excluding fringe benefits like Contributory Provident Fund, bonus, *etc.* The Company engaged supervisory staff/workers far in excess of the norms envisaged in the project report. As a result, the Company was saddled with 80 to 107 excess supervisory staff and 206 to 361 workers during the period 1987-88 to 1990-91.

8.6.14 Labour productivity

As per Project Report, 14 workers per thousand spindles per shift were required for a standard production per spindle shift of 124 grams of yarn. Computed on this basis, the standard production per manday of 8 hours shift worked out to about 8.85 kgs of yarn. However, the actual mandays of direct labour utilised and production per manday were as under :

	1987-88	1988-89	1989-90	1990-91	1991-92
i) Number of workers employed	535	552	494	494	423
ii) Number of shifts operated	3	2	2	3	3
iii) Number of days worked	349	119	259	340	333
iv) Total mandays utilised	5,60,145	1,31,376	2,55,892	5,03,892	4,22,577
v) Actual Production (in lakh kgs)	3.69	0.99	1.45	2.29	4.39
vi) Actual Production per manday (in kg)	0.66	0.75	0.57	0.45	1.04

Thus, the production of yarn per labour per shift ranged between 0.45 kg to 1.04 kg and ranged between 5.05 per cent to 11.71 per cent of the standard envisaged. The labour productivity was, therefore, extremely low.

8.6.15 Inventory of raw materials

The position of closing stock of cotton at the end of each of the five years up to 1991-92 was as under :

	1987-88	1988-89	1989-90	1990-91	1991-92
	(Rupees in lakhs)				
i) Opening stock	24.98	40.24	56.95	88.07	65.54
ii) Purchases	89.47	61.91	67.57	29.52	100.02
Total :	114.45	102.15	124.52	117.59	165.56
iii) Consumption	74.21	45.20	36.45	52.05	68.40
iv) Closing stock	40.24	56.95	88.07	65.54	97.16
v) Closing stock in terms of months consumption	6.50	15.12	28.99	15.11	17.04

As per the Project Report the inventory level was required to be maintained at 3 months consumption but the actual stock held ranged between 6.5 to 29 months' requirement, resulting in blocking of working capital.

8.6.16 Costing system

The Company did not maintain cost records as required under the Cost Accounting Records (Cotton Textiles) Rules, 1979. Annual cost accounts were also not compiled till date (June 1994).

8.6.17 Other points of interest

8.6.17.1 Avoidable expenditure	:	Rs.37.33 lakhs
Excess payment	:	Rs. 1.78 lakhs

The Company was purchasing cotton from the Cotton Corporation of India Limited (CCIL), Calcutta under a revolving credit system guaranteed by the Government of Manipur. The offer for sale in respect of each lot was made by CCIL and the Company in turn executed agreements in respect of each offer in standard agreement forms supplied by CCIL.

As per terms and conditions of the agreements, the Company was required to pay carrying charge (in the nature of godown charges) at the rate of 2.5 per cent (2 per cent up to 17 October 1991) per month for delay in lifting of cotton beyond 30 days from the date of contract. The Company was also required to pay interest at specified rates if the price of cotton was not paid on or before the date of delivery.

During the period from 1989-90 to 1992-93, the Company could not lift its allotments of cotton in time on many occasions although the Company had a revolving credit system with CCIL. The total carrying charges paid for delay in lifting of cotton during the period from 1989-90 to 1992-93 amounted to Rs.37.33 lakhs.

Further, it was revealed that the CCIL raised higher claims for payment of carrying charges due to arithmetical mistakes on many occasions which were accepted and paid by the Company without verification. The excess amount paid to CCIL on this account aggregated to Rs.1.49 lakhs during 1989-90 to 1992-93.

Similarly, the CCIL raised higher claims for payment of interest on certain occasions during 1992-93, which were also accepted and paid by the Company without verification. The excess amount paid was Rs.0.29 lakh.

8.6.17.2 Blocking of Capital : Rs.7 lakhs

Loss of interest : Rs.6.56 lakhs

The Company purchased four Ringframe machines with 432 spindles each at a cost of Rs.13.15 lakhs in October 1985. Out of these, two machines costing Rs.7 lakhs were installed in 1985 but remained completely idle (June 1993). The management stated in August 1993 that the machines could not be commissioned due to breakage of certain parts assessed at Rs.1,500 during transit. Action was not taken by the Company to get the machines repaired. Non-commissioning of the machines resulted in blocking of capital amounting to Rs.7 lakhs and a loss of interest of Rs.6.56 lakhs (October 1985 to March 1993) calculated at 12.5 per cent per annum.

The procurement of these 2 machines was also not justified as the Company decided (August 1993) to cannibalise these two machines for repairs of existing ones.

8.6.17.3 Irregular maintenance of Cash Book

Test-check of Cash Book revealed the following irregularities :

i) Closing cash balance on 30 March 1991 was shown as Rs.57,638.06 instead of Rs.53,438.06 due to arithmetical mistake;

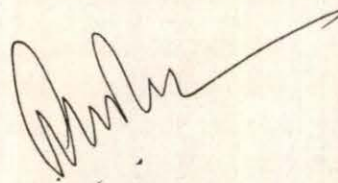
ii) The opening balance of cash on 1 April 1991 was shown as Rs.9,588.48 instead of Rs.53,438.06 being the closing balance on 30 March 1991. Thus there was short carry-forward of cash by Rs.43,849.58 on 1 April 1991;

iii) The opening balance on 3 April 1989 was shown as Rs.9,838.18 instead of Rs.16,233.18 being the closing balance of previous working day on 31 March 1989;

iv) Physical verification of cash was not carried out by the Drawing and Disbursing Officer and there was shortage of cash by Rs.34,751.47 as on 30 March 1990. Though Board of Directors resolved in March 1991 to effect recovery from the cashier, no action was taken till June 1993; and

v) The cash book had not been totalled from 1 April 1991 to June 1993.

The audit review was communicated to the Government in September 1993. In response, the Government stated (January 1994) that the company could not achieve its target on account of financial constraint and lack of other infrastructure.



(A.K. THAKUR)

Accountant General (Audit) Manipur

Imphal

The 26 JUL 1994

Countersigned



(C.G. SOMIAH)

Comptroller and Auditor General of India

New Delhi

The 03 AUG 1994

SE 201 1934

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APPENDICES

ALPHABET

CASES WHERE SUPPLEMENTARY PROVISION WAS INSUFFICIENT

(Refer Paragraph : 2.2.1; Page 23)

Sl. No.	Number and name of the grant/appropriation	Supplementary grants obtained	Excess expenditure
(Rupees in lakhs)			
Revenue-Voted			
1.	3-Secretariat	89.81	24.04
2.	4-Land Revenue, Stamps and Registration and District Administration	60.18	13.09
3.	5-Finance Department	594.65	35.56
4.	7-Police	306.74	417.17
5.	11-Medical, Health and Family Welfare Services	370.29	304.42
6.	14-Development of Tribal and Backward classes	344.93	236.70
7.	16-Co-operation	52.38	17.50
8.	20-Community Development and ANP, IRDP and NREP	103.10	19.23
Revenue-Charged			
9.	Appropriation No.2 <i>Interest Payment and Debt Services</i>	241.03	93.79
Capital-Charged			
10.	Appropriation No.2- <i>Interest Payment and Debt Services</i>	8244.61	24416.09
		----- 10407.72 -----	----- 25577.59 -----

**CASES WHERE EXPENDITURE FELL SHORT BY MORE THAN RS.25 LAKHS
AND ALSO BY MORE THAN 10 PER CENT OF THE TOTAL PROVISION**

(Refer Paragraph : 2.2.3(a); Page 26)

Description of the grant/appropriation	Amount of saving (Percentage of provision)	Reasons for saving
(1)	(2)	(3)
(Rupees in lakhs)		
Revenue-Voted		
12- Municipal Administration, Housing and Urban Development	50.10 (18)	Not intimated in all these cases (March 1994)
17- Agriculture	161.54 (15)	
18- Animal Husbandry and Veterinary including Dairy Farming	93.49 (11)	
23- Power	2367.30 (70)	
30- General Economic Services	58.20 (17)	
36- Minor Irrigation	51.81 (41)	
37- Fisheries	76.89 (19)	
38- Panchayat	28.25 (23)	
39- Sericulture	67.02 (19)	
40- Irrigation and Flood Control	445.88 (38)	
41- Art and Culture	25.25 (17)	
46- Science, Technology and Environment	41.76 (25)	

(1)	(2)	(3)
Capital-Voted		
5- Finance Department	51.47 (61)	
6- Transport	59.00 (34)	
7- Police	45.00 (50)	
8- Public Works	2429.85 (48)	
12- Municipal Administration, Housing and Urban Development	70.05 (45)	
15- Food and Civil Supplies	92.36 (19)	
16- Co-operation	26.04 (14)	
17- Agriculture	53.23 (14)	
21- Industries, Weights and Measures	217.53 (58)	
22- Public Health Engineering	435.91 (26)	
23- Power	577.17 (16)	
32- Jails	27.79 (51)	
36- Minor Irrigation	220.41 (40)	
40- Irrigation and Flood Control	1627.68 (41)	

**CASES OF SUBSTANTIAL SAVINGS EXCEEDING RS. 10 LAKHS UNDER
PLAN SCHEMES**

(Refer Paragraph : 2.2.3 (b); Page 26)

Description of the grant/appropriation	Major/Minor Heads of account and name of schemes	Amount of saving	Percentage of saving
(1)	(2)	(3)	(4)
(Rupees in lakhs)			
8- Public Works	4059-01-101-215 Construction of Non-Residential Public Administration Buildings		
	Hill Areas	89.32	79
	Valley Areas	145.78	40
	4202-01-201-204 Primary Schools		
	Hill Areas	17.18	34
	Valley Areas	22.84	29
	4202-01-202-206 Secondary Schools		
	Valley Areas	10.43	20
	4202-01-202-209 University and Colleges		
	Valley Areas	13.80	37
	4202-01-800-610 Sports Complex		
	Valley Areas	67.83	80
	4202-01-800-611 Indoor Stadia, Swimming Pool and Mini Stadia		
	Hill Areas	10.31	52
	4202-04-800-910 Cultural Complex		
	Valley Areas	15.00	100

(1)	(2)	(3)	(4)
	4210-02-104 Community Health Centre		
	Hill Areas	28.27	88
	Valley Areas	10.68	89
	4216-01-106-849 Building at State Capital		
	Valley Areas	57.85	36
	4216-01-106-850 Building at District and Sub-Divisions		
	Hill Areas	41.49	83
	Valley Areas	26.97	90
	4250-800-179 Industrial Training Institute		
	Hill Areas	20.21	126
	4403-800-174 Animal Husbandry Building		
	Valley Areas	23.90	80
	4405-101-639 Ponds/Bunds		
	Valley Areas	13.85	73
	4408-02-101-640 Construction of Godowns		
	Hill Areas	10.50	88
	4851-107-647 Sericulture Buildings		
	Hill Areas	25.00	100
	5054-03-052-161 New Supply		
	Hill Areas	30.00	100
	5054-03-101 Bridges		
	Valley Areas	216.74	108

(1)	(2)	(3)	(4)
	5054-03-337 Road Works		
	Hill Areas	83.83	27
	Valley Areas	349.20	62
	5054-04-800-212 Major District Roads		
	Hill Areas	130.40	57
	Valley Areas	57.54	34
	5054-04-800-213 Other District Roads		
	Hill Areas	35.75	55
	Valley Areas	71.52	43
	5054-04-800-214 Inter-Village Roads (Minimum Needs Programme)		
	Hill Areas	239.21	60
	Valley Areas	111.45	28
	5054-04-800-829 Other Village Roads		
	Valley Areas	15.02	60
	5054-80-800 Other expenditure		
	Valley Areas	15.46	77
	5055-050-175 Construction of terminal for Bus/Trucks <i>etc.</i>		
	Valley Areas	(-)38.26	128
	4552-337-233 North Eastern Council Works of the 6th Plan Schemes		
	Hill Areas	385.00	100

(1)	(2)	(3)	(4)
10- Education	2202-03-102-223 State share of contribution to Manipur University		
	Valley Areas	47.63	26
	2202-03-102-103 Government Colleges and Institutes		
	Hill Areas	16.70	33
	Valley Areas	52.74	37
	2202-04-001-137 Direction		
	Hill Areas	12.96	32
	2203-105-225 Government Polytechnic		
	Valley Areas	12.36	32
	2202-01-052-678 Operation Blackboard (CSS)		
	Valley Areas	58.54	71
	2202-02-104-867 Vocationalisation of Secondary Education (CSS)		
	Valley Areas	93.39	91
	2202-80-800-677 Special Education Technology (CPS)		
	Valley Areas	77.92	59
	2225-796-918 Ashram School (Sub-Plan)		
	Hill Areas	14.20	100
11- Medical, Health and Family Welfare Services	2552-06-106 Allopathy	15.09	30

(1)	(2)	(3)	(4)
12- Municipal Administration, Housing and Urban Development	2217-800-864 Nehru Rozgar Yojna		
	Valley Areas	18.05	96
	2217-800-340 Municipalities		
	Valley Areas	20.00	100
	2217-800-341 Small Town Committee		
	Valley Areas	10.50	100
	2217-800-346 Municipal, Administrative, Housing and Urban Development Slum Clearance		
	Valley Areas	25.00	100
	2217-800-347 Low Cost Sanitation Scheme		
	Valley Areas	85.00	100
	4217-01-800 Other expenditure		
	Valley Areas	49.05	73
14- Development of Tribal and Backward Classes	2225-02-102-282 Health		
	Hill Areas	34.07	67
	2225-02-800-370 District Council		
	Hill Areas	13.63	8
17- Agriculture	2401-103-685 Procurement and Distribution of Seeds		
	Valley Areas	25.47	55
	2401-105-689 Procurement and Distribution of Fertilizers		
	Valley Areas	26.50	31

(1)	(2)	(3)	(4)
	2401-105-691 Bio-Fertilizers (BGA)		
	Valley Areas	88.50	100
	2401-800-299 50 <i>per cent</i> State share of CSS		
	Valley Areas	30.04	92
	2408-02-101 Rural Godown Programme		
	Valley Areas	19.80	68
	2705-800-712 Area Development Authorities for Irrigation of Command Area		
	Valley Areas	29.96	20
	4415-07-800-708 Manipur Plantation Crop Corporation	26.42	46
18- Animal Husbandry, Veterinary and Dairy Farming	2403-113-299 50 <i>per cent</i> State share of CSS		
	Valley Areas	15.00	100
	2403-113-799 Self Employment through Livestock and Poultry Development		
	Valley Areas	28.85	96
	2404-102-814 Imphal Milk Supply Scheme		
	Valley Areas	14.36	46
19- Forest and Soil Conservation	2402-102-655 Afforestation		
	Hill Areas	35.02	45

(1)	(2)	(3)	(4)
	2406-01-001-005-657 Resource utilisation (Development of Logging)		
	Hill Areas	15.00	88
	2406-01-102-299 50 per cent State share of CSS		
	Hill Areas	39.79	54
	Valley Areas	19.59	34
	2406-01-102-665 Economic plantations		
	Hill Areas	48.60	45
	Valley Areas	31.19	57
	2406-02-110-299 50 per cent State share of CSS		
	Hill Areas	11.00	100
	Valley Areas	10.48	70
	2407-03-800 Other Expenditure		
	Hill Areas	10.03	62
21- Industries, Weights and Measures	2851-001-137 Direction		
	Valley Areas	48.43	89
	2851-001-763 District Industries Centres		
	Hill Areas	20.77	50
	Valley Areas	54.34	91
	2851-103-887 Modernisation of Looms		
	Valley Areas	12.01	86
	2852-800-400 Incentive under Industrial Policy		
	Valley Areas	47.61	96

(1)	(2)	(3)	(4)
	4859-02-190-775 MANITRON	65.00	87
	4885-01-190-776 MANIDCO	35.00	32
	4860-01-190-771 Manipur Spinning Mills Corporation	72.00	72
22- Public Health Engineering	4059-01-101 Construction of General Pool Accommodation		
	Valley Areas	14.77	92
	4215-01-101-584 Imphal Water Supply		
	Valley Areas	115.43	39
	4215-01-101-585 Water Supply in other towns		
	Hill Areas	12.34	34
	Valley Areas	11.79	24
	4215-01-102 Rural Water Supply		
	Hill Areas	44.26	13
	Valley Areas	57.90	14
	4215-01-102-800 Other expenditure		
	Valley Areas	22.63	84
	4215-02-101-589 Urban Drainage System		
Valley Areas	158.90	72	
4215-02-102 Rural Sanitation Services			
Valley Areas	29.19	53	
23-Power	4801-01-799-451 Leimakhong Hydel Electric Project		
	Hill Areas	11.53	115

(1)	(2)	(3)	(4)
	4801-01-799-453 Loktak Down Stream Hydel Project		
	Hill Areas	289.38	96
	4801-01-799-822 Kakching 1x20 MVA 132 KV System		
	Valley Areas	197.55	44
	4801-01-799-823 Senapati/Churachandpur 132 KV System		
	Hill Areas	257.52	54
	4801-01-799-468 33 KV Sub-Transmission System		
	Hill Areas	275.00	63
	Valley Areas	66.03	22
	4801-01-799-469 Distribution System		
	Hill Areas	11.18	45
	4801-01-799-716 System Improvement Schemes		
	Hill Areas	29.70	59
	Valley Areas	57.73	46
	4801-01-799-905 132/33 KV Supply at Jiribam		
	Hill Areas	33.58	67
	4801-06-001-137 Direction		
	Hill Areas	39.16	56
	4801-06-001-724 Rural Electrification Schemes (Normal)		
	Hill Areas	169.69	89

(1)	(2)	(3)	(4)
	4801-06-001-725 Electrification of villages		
	Hill Areas	48.41	97
	4801-06-001-882 Intensification of Electrified Villages		
	Hill Areas	61.49	61
	Valley Areas	156.73	66
	4059-01-101-726 Electricity Building		
	Hill Areas	10.00	50
	Valley Areas	13.74	46
	4216-01-700-726 Electricity Building		
	Hill Areas	12.00	100
25- Youth Affairs and Sports	2204-103 Youth Welfare Programme for non-Students		
	Valley Areas	12.31	50
	2204-104-799 Development of Sports and Games		
	Valley Areas	10.30	36
32- Jails	2056-102 Jail Manufactures		
	Valley Areas	10.43	52
	4216-800-417 Water Supply at Sajiwa Jail		
	Valley Areas	13.82	55
36- Minor Irrigation	4402-800-138 Execution		
	Hill Areas	30.45	95

(1)	(2)	(3)	(4)
	4402-800-527 River Lift Irrigation Schemes		
	Valley Areas	51.39	65
	4402-800-528 Pick-up Weir		
	Hill Areas	70.02	47
	Valley Areas	62.56	63
	4402-800-529 Strengthening of Ground Water		
	Hill Areas	28.71	87
37-Fisheries	2405-001-389 Strengthening of Technical and Administrative Staff		
	Hill Areas	20.05	86
	2405-001-299 50 per cent State share of CSS		
	Hill Areas	21.15	71
	2405-800-817 Fish Farmers Development Agency (CSS)		
	Hill Areas	15.25	100
38- Panchayat	2515-101-441 Panchayati Raj Institutions		
	Valley Areas	16.47	38
39- Sericulture	2851-107-449 Mulberry Seed Organisation		
	Valley Areas	23.98	80
40- Irrigation and Flood Control	4701-02-051-830 Thoubal River Irrigation Project		
	Valley Areas	1635.43	82
	4701-02-051-831 Singda Irrigation Project		
	Hill Areas	230.10	98

(1)	(2)	(3)	(4)
	4701-02-051-832 Khuga Irrigation Project		
	Hill Areas	730.23	81
	4701-02-80-005-833 Water Development		
	Valley Areas	11.15	20
	4701-04-051-834 Dolaihabhi River Irrigation Project		
	Hill Areas	105.79	96
	4711-01-103 Civil Works		
	Valley Areas	317.61	64
	4552-04-051-836 Jiri Medium Irrigation Project (NEC)		
	Valley Areas	22.63	60
43- Horticulture and Soil Conservation	2402-102-461 Control of Shifting Cultivation		
	Hill Areas	51.49	59
44- Social Welfare	2236-02-101 Special Nutrition Programme		
	Valley Areas	74.67	40
45- Tourism	5452-01-101-650 Tourism Building		
	Hill Areas	16.13	70

**CASES WHERE SAVINGS WERE MORE THAN 10 PER CENT AND AMOUNTED
TO MORE THAN RS.25 LAKHS BUT WERE NOT SURRENDERED**

(Refer Paragraph : 2.2.5 ; Page 28)

Description of the grant/appropriation	Amount of savings	Percentage to total provision
(Rupees in lakhs)		
Revenue-Voted		
30- General Economic Services	58.20	17
Capital-Voted		
6- Transport	59.00	34
16- Co-operation	26.04	14
32- Jails	27.79	51
	----- 171.03 -----	

CASES OF INJUDICIOUS RE-APPROPRIATION

(Refer Paragraph : 2.2.6 ; Page 29)

I. Cases of major re-appropriation which turned out injudicious on account of non-utilisation

Sl. No.	Grant/ Appropriation	Major/Minor/ sub-head of account, etc.	Amount of re-appropriation to the sub-head	Amount of savings under the sub-head after re-appropriation
(1)	(2)	(3)	(4)	(5)
			(Rupees in lakhs)	
1.	Appropriation No.2	6004-01-800 Other Loans	44.32	850.00
2.	8-Public Works	3054-01-337 Road Works	38.00	70.00
		5054-01-337-387 National Highway No. 39	132.00	250.00
		5054-03-052-161 New Supply		
		Valley Areas	36.25	41.80
3.	10-Education	2202-03-102-103 Government Colleges		
		Valley Areas	32.40	85.14
4.	12-Municipal Administration, Housing and Urban Development	2217-800-342 Planning and Development Authority		
		Valley Areas	21.86	21.86
5.	15-Food and Civil Supplies	2408-01-001-137 Direction		
		Valley Areas	7.00	12.00
6.	17-Agriculture	2401-102-509 Oil Seed Development Programme (CSS)		
		Valley Areas	8.21	15.00

(1)	(2)	(3)	(4)	(5)
7.	18-Animal Husbandry and Veterinary including Dairy Farming	2403-001-138 Execution	9.48	100.72
8.	21-Industries, Weights and Measures	2851-001-137 Direction 2851-001-763 District Industries Centres Hill Areas	32.03 9.33	80.46 30.10
9.	37-Fisheries	2405-001-389 Strengthening of Technical and Administrative Staff Hill Areas	6.95	27.00
10.	40-Irrigation and Flood Control	2701-04-799-195 Stock	10.00	103.76
11.	44-Social Welfare	2235-02-755 Women and Children Programme	5.88	17.33
		Total	393.71	

II. Cases of major re-appropriation to other heads which turned out finally excess

Sl. No.	Grant/ Appropriation	Major/Minor/ sub-head of account, etc.	Amount of re-appropriation from the sub-head	Amount of excess after re-appropriation
(1)	(2)	(3)	(4)	(5)
(Rupees in lakhs)				
1.	7- Police	2055-001-137 Direction	2.99	409.84
2.	8- Public Works	4250-800-179 Industrial Training Institutes		
		Valley Areas	4.60	14.46
		4405-101-638 Fishery Building		
		Valley Areas	5.50	13.75
		5055-050-175 Construction of Terminals for Bus/ Trucks etc.		
		Hill Areas	11.00	26.52
3.	10- Education	2203-105-225 Government Polytechnic	22.93	29.13
		2202-04-103 Rural Functional Literacy		
		Valley Areas	6.07	9.82
4.	12- Municipal Administration, Housing and Urban Development	2217-01-800-754 Street Lighting	10.00	30.21
		2217-01-800-909 Building Centre		
		Valley Areas	2.60	119.42
5.	13- Labour and Employment	2230-03-101 Industrial Training Institute		
		Valley Areas	3.67	22.66

(1)	(2)	(3)	(4)	(5)
6. 14-	Development of Tribal and Backward Classes	2225-02-796 Tribal Areas Sub-plan		
		Hill Areas	12.20	99.21
7. 16-	Co-operation	2425-001-252 Zonal Administration	5.38	17.45
		2425-001-252 Zonal Administration		
		Valley Areas	5.33	40.63
8. 18-	Animal Husbandry and Veterinary including Dairy Farming	2403-107-572 Feed Mixing Plant		
		Valley Areas	3.30	5.91
9. 21-	Industries, Weights and Measures	2851-101-137 Direction	49.34	84.77
		2851-003-581 S.S.I. Training Centres	29.63	33.25
		2851-003-583 Handicraft Training Centres	7.42	13.17
10. 23-	Power	2801-01-459 Jiribam Supply System	5.00	10.46
		4801-06-799-723 Minimum Need Programme		
		Hill Areas	6.00	26.50
11. 36-	Minor Irrigation	2702-80-001-137 Direction	15.81	31.41
12. 37-	Fisheries	2405-800-817 Fish Farm Development Agency		
		Valley Areas	6.59	18.68
13. 43-	Horticulture and Soil Conservation	2401-001-137 Direction		
		Hill Areas	2.91	5.85
		Total	218.27	

**Statement showing the details of population of livestock and target set for
Artificial Insemination.**

(Reference : Paragraph 3.3.7, Page 43)

Year of census	Name of district	Number of cattle available as per census			District-wise target set for Artificial Insemination			
		Cross-bred cattle (female)	Indigenous cattle (female)	Total	Year	District	No. to be done	Percentage of target on population
1987	Imphal	6,088	68,392	74,480	1987-88	Imphal	7250	
	Bishnupur	4,856	20,824	25,680	1987-88	Bishnupur	3100	
	Thoubal	5,029	15,276	20,309	1987-88	Thoubal	4400	
1987		15,973	1,04,492	1,20,465	1987-88		14750	12
					1988-89	Imphal	7250	
					1988-89	Bishnupur	3100	
					1988-89	Thoubal	4400	
					1988-89		14750	12
					1989-90	Imphal	9650	
					1989-90	Bishnupur	4000	
					1989-90	Thoubal	6100	
					1989-90		19750	16
					1990-91	Imphal	10650	
					1990-91	Bishnupur	4500	
					1990-91	Thoubal	6600	
					1990-91		21750	18
					1991-92	Imphal	13000	
					1991-92	Bishnupur	5400	
					1991-92	Thoubal	6300	
					1991-92		24700	20
1992	Imphal	7,460	58,623	66,083	1992-93	Imphal	11100	
	Bishnupur	5,852	13,532	19,384	1992-93	Bishnupur	5000	
	Thoubal	5,487	16,791	22,278	1992-93	Thoubal	7000	
1992		18,799	88,946	1,07,745	1992-93		23100	21

**CASES WHERE THE CONTRACTORS DID NOT EMPLOY TECHNICAL STAFF
FOR SUPERVISION OF THE WORKS**

(Reference : Para No. 4.6 Page 68)

Sl. No.	Name of the work	Name of the contractor	Agreement Number	Value of work done up to last bill	Period for which technical staff was not engaged	Amount recoverable
(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(Rupees in lakhs)	(Months)	(Rupees)
1.	Construction of right side main canal 7,480 m to 7,840 m	M/S Zou Timber LCC Limited	86-87/	5.57	63	1,26,000
2.	Construction of right side main canal 5,680 m to 5,800 m	Thangkhenkhum	86-87/4	3.17	65	1,30,000
3.	Construction of right side main canal at 3,990 m to 5,010 m	V. Lianpu	86-87/8	25.07	55	1,10,000
4.	Construction of right side main canal 5,000 m to 5,360 m	Saokhojang Haokip	86-87/32	4.99	63	1,26,000
5.	Construction of right side main canal at 8,640 m to 8,880 m	S.K. Thangvung	86-87/81	14.12	57	1,14,000
6.	Construction of right side main canal at 16,920 m to 18,480 m	G. Bhumeswar Sharma	87-88/ 7(a)	33.38	57	1,14,000
7.	Construction of right side main canal at 12,480 m to 13,000 m	S. Achouba Singh	87-88/38	13.95	55	1,10,000
8.	Construction of right side main canal 14,400 m to 14,800 m	S. Achouba Singh	87-88/60	12.19	54	1,08,000
9.	Construction of right side main canal at 3,030 m to 3,150 m, 3,360 m to 3,630 m and 3,690 to 3,750 m	K. Ningthemjao Singh	88-89/44	14.52	43	86,000
10.	Construction of right side main canal at 11,530 m to 12,200 m	S.Biren Singh	89-90/35	15.96	32	64,000
11.	Construction of right side main canal at 9,040 m to 9,200 m and 9,240 m to 9,520 m	K. Ningthemjao Singh	89-90/42	21.14	34	68,000
12.	Construction of box culvert on R.D. 21,388 m to 21,378 m of right side main canal	K. Babu Singh	90-91/18	12.48	20	40,000
13.	Construction of 3 metre drop fall of the main canal at 17,130 metre	Nodiachand Singh	90-91/29	5.23	20	40,000
14.	Construction of right side main canal at 12,000 m to 12,480 m	Loia Hmar	90-91/35	4.19	21	42,000

(1)	(2)	(3)	(4)	(5)	(6)	(7)
				(Rupees in lakhs)	(Months)	(Rupees)
15.	Construction of spur RCC slab culvert at 24,290 m of canal	Ch. Brindabon Singh	90-91/91	2.44	20	20,000
16.	Construction of right side main canal at 29,480 m to 29,720 m	R.K. Surchandra Singh	91-92/4	3.36	9	18,000
17.	Construction of right side main canal 20,010 m to 21,308 m	Thangkhenkhum	91-92/22	5.51	9	18,000
18.	Construction of right side main canal 30,000 m to 30,210 m	G. Rajen Sharma	91-92/34	3.62	10	20,000
19.	Construction of right side main canal at 34,410 m to 35,010 m	P. Khoimu Singh	91-92/35	5.89	10	20,000
20.	Construction of right side main canal at 32,160 m to 32,700 m	Asung Muivah	91-92/37	6.23	10	20,000
21.	Construction of right side main canal at 11,160 m	S. Achouba Singh	91-92/38	4.09	9	18,000
22.	Construction of right side main canal 18,480 m to 19,185 m and 19,305 m to 20,010 m	Suakhunun	91-92/54	5.84	9	18,000
23.	Construction of right side main canal 33,900 m to 34,020 m	S.K. Thangvung	91-92/55	9.70	8	16,000
24.	Construction of right side main canal 21,308 m to 21,660 m	P. Khoimu Singh	91-92/56	20.41	9	18,000
25.	Construction of right side main canal 33,150 m to 33,420 m	Loia Hmar	91-92/63	3.16	10	20,000
26.	Construction of right side main canal at 23,990 m to 24,960 m	K. Ningthemjao Singh	91-92/66	10.76	10	20,000
27.	Construction of right side main canal at 31,080 m to 31,350 m	Asung Muivah	91-92/78	4.89	9	18,000
28.	Construction of right side main canal at 11,520 m, 21,680 m and 22,340 m	Asung Muivah	91-92/91	10.99	8	16,000
					Total	Rs. 15,38,000

**STATEMENT SHOWING PARTICULARS OF UP-TO-DATE PAID UP CAPITAL
AND OUTSTANDING LOANS OF GOVERNMENT COMPANIES AS ON
31 MARCH 1993**

(Refer Paragraph : 8.2.2; Page 105)

Sl.No.	Name of companies	Paid up Capital			Loan		
		State Government	Others	Total	State Government	Others	Total
(Rupees in lakhs)							
1.	Manipur Industrial Development Corporation Limited	775.00	421.00	1196.00	--	962.00	962.00
2.	Manipur Spinning Mills Corporation Limited	947.00	--	947.00	--	35.00	35.00
3.	Manipur Handloom and Handicrafts Development Corporation Limited	140.00	60.00	200.00	79.56	132.55	212.11
4.	Manipur Tribal Development Corporation Limited	77.50	--	77.50	--	--	--
5.	Manipur Plantation Crops Corporation Limited	440.73	--	440.73	--	13.00	13.00
6.	Manipur Agro-Industries Corporation Limited	119.60	--	119.60	--	2.50	2.50
7.	Manipur Electronic Development Corporation Limited	204.88	--	204.88	--	--	--
8.	Manipur Cycle Corporation Limited	29.65	19.15	48.80	--	7.00	7.00
9.	Manipur Film Development Corporation Limited	6.00	--	6.00	--	11.76	11.76
10.	North Eastern Industrial Consultants Limited	--	24.00	24.00	--	--	--
11.	Manipur Sugar Mills Limited	78.39	--	78.39	--	--	--
12.	Manipur Cement Limited	46.79	252.92	299.71	99.52	--	99.52
13.	Manipur Pulp and Allied Products Limited	73.31	--	73.31	88.00	--	88.00
14.	Manipur Police Housing Corporation Limited	2.00	--	2.00	--	--	--
		2940.85	777.07	3717.92	267.08	1163.81	1430.89

**SYNOPTIC STATEMENT SHOWING THE FINANCIAL RESULTS OF
GOVERNMENT COMPANIES**

(Refer Paragraph : 8.2.3; Page 106)

Sl. No.	Name of Company	Incorporated	Authorised capital	Paid up capital as on 31-3-93			Long term loan as on 31-3-93			Year up to which accounts were finalised	Accumulated Profit(+)/ Loss (-)	Remarks
				State Govt.	Central Govt.	Others Govt.	State Govt.	Central	Others			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(Rupees in lakhs)												
1.	Manipur Industrial Development Corporation Limited	June 1969	1300.00	775.00	--	421.00	--	--	962.08 (IDBI)	1984-85	(-) 33.00	
2.	Manipur Spinning Mills Corporation Limited	March 1974	1300.00	947.00	--	--	--	--	35.00 (IDBI)	1980-81	--	
3.	Manipur Handloom and Handicrafts Development Corporation Limited	October 1976	200.00	140.00	60.00	--	79.56	132.55	--	1980-81	(-) 18.41	
4.	Manipur Tribal Development Corporation Limited	June 1979	1000.00	77.50	--	--	--	--	--	1980-81	(+) 1.29	
5.	Manipur Plantation Crops Corporation Limited	March 1981	1000.00	440.73	--	--	--	--	13.00 (Tea Board)	1982-83	--	
6.	Manipur Agro- Industries Corporation Limited	March 1981	200.00	119.60	--	--	--	--	--	1984-85	(-) 14.04	
7.	Manipur Electronic Development Corporation Limited	April 1987	300.00	204.88	--	--	--	--	2.50	1989-90	(+) 39.53	
8.	Manipur Cycle Corporation Limited	June 1985	100.00	29.65	--	19.15	--	--	7.00	1990-91	(-) 24.28	
9.	Manipur Film Development Corporation Limited	May 1987	150.00	6.00	--	--	--	2.56	9.20	1989-90	(-) 4.78	
10.	North Eastern Industrial Consultants Limited	July 1987	50.00	--	--	24.00	--	--	--	1991-92	(-) 3.25	
11.	Manipur Sugar Mills Limited	April 1987	700.00	78.39	--	--	--	--	--	1990-91	(-) 3.44	
12.	Manipur Cement Limited	May 1988	350.00	46.79	--	252.92 (NEC)	99.52	--	--	--	--	Accounts are in arrears since incorporation of the companies.
13.	Manipur Pulp and Allied Products Limited	October 1988	90.00	73.31	--	--	88.00	--	--	--	--	
14.	Manipur Police Housing Corporation Limited	March 1986	100.00	2.00	--	--	--	--	--	1989-90	(+) 8.46	
				2940.85	60.00	717.07	267.08	135.11	1028.70			

