



GOVERNMENT OF MADHYA PRADESH
ANNUAL TECHNICAL INSPECTION REPORT

ON

URBAN LOCAL BODIES

AND

PANCHAYATI RAJ INSTITUTIONS

*In terms of the Technical Guidance and
Support of the Comptroller and
Auditor General of India*

FOR THE YEAR ENDING 31 MARCH 2011

**Office of the Principal Accountant General
(General & Social Sector Audit)
Madhya Pradesh, Gwalior**

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P R E F A C E

1. This Report has been prepared for submission to the Government of Madhya Pradesh in accordance with the terms of Technical Guidance and support by the Comptroller and Auditor General of India over the audit of Urban Local Bodies and Panchayati Raj Institutions.
2. This Report has been prepared in two Parts. Part - I deals with the observations on Urban Local Bodies and Part – II with the observations on Panchayati Raj Institutions.
3. The cases mentioned in the Report are those, which came to notice during the course of audit of accounts during 2010-11 as well as those which had come to notice during earlier years, but which could not be featured in the previous Reports. Matters relating to the periods subsequent to 2010-11 have also been included, wherever necessary.

OVERVIEW

The Report consists of two Parts- Part - I on Urban Local Bodies (ULBs) and Part - II on Panchayati Raj Institutions (PRIs). Part I is divided into three Chapters. Chapter I is an Overview of the Finances of ULBs including the Accounting Procedures, Chapter II features a Performance Audit of Swarna Jayanti Sahari Rojgar Yojana and Chapter –III contains Transaction Audit paragraphs. Part II consists of two Chapters which includes Chapter I Overview on Finances of PRIs including accounting procedures and Chapter II on Transaction Audit paragraphs.

PART – I URBAN LOCAL BODIES

CHAPTER – I OVERVIEW OF FINANCES INCLUDING THE ACCOUNTING PROCEDURES OF THE URBAN LOCAL BODIES

Accounting formats as prescribed by the Task Force constituted by the Comptroller & Auditor General of India were not adopted by the ULBs.

(Paragraph 1.4)

Reconciliation of difference of ₹ 2.14 crore between balances of Cash Book and bank pass book was not done by three ULBs.

(Paragraph 1.10)

There was non recovery of revenue (tax as well as non-tax) amounting to ₹ 23.63 crore by ULBs.

(Paragraph 1.11)

Advances amounting to ₹ 1.83 crore were not recovered from individuals of two ULBs.

(Paragraph 1.12)

CHAPTER – II PERFORMANCE AUDIT OF SWARNA JAYANTI SHAHARI ROJGAR YOJNA

Funds of ₹ 7.98 crore were lying idle in the bank account of the District Urban Development Authority.

(Paragraph 2.7.2)

There was irregular adjustment of subsidy by banks.

(Paragraph 2.8.1)

CHAPTER – III
TRANSACTION AUDIT PARAGRAPHS

There were irregularities in Release and Utilisation of Thirteenth Finance Commission's Grants by ULBs.

(Paragraph 3.1)

There was loss of revenue due to non-allotment of commercial shops amounting to ₹ 2.68 crore.

(Paragraph 3.2)

PART – II
PANCHAYATI RAJ INSTITUTIONS

CHAPTER - I
**OVERVIEW OF FINANCES INCLUDING THE ACCOUNTING
PROCEDURES OF THE PANCHAYATI RAJ INSTITUTIONS**

Accounts in PRIs were not kept in the formats recommended by the Comptroller and Auditor General of India on the recommendations of the Eleventh Finance Commission.

(Paragraph 1.5)

CHAPTER – II
TRANSACTION AUDIT PARAGRAPHS

There were irregularities in Release and Utilisation of Thirteenth Finance Commission's grants by PRIs.

(Paragraph 2.1)

PART – I URBAN LOCAL BODIES

CHAPTER – I

OVERVIEW OF THE FINANCES OF THE URBAN LOCAL BODIES INCLUDING THE ACCOUNTING PROCEDURES

1.1 Introduction

Article 243W of the Constitution of India envisages that the State Government may, by law, endow the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self Government and such law may contain provisions for devolution of powers and responsibilities upon Municipalities.

After the Constitution (74th Amendment) Act, 1992, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the State Government reorganised these institutions into three types of ULBs namely Municipal Corporations for large urban areas, Municipal Councils for smaller urban areas and Nagar Parishads for a transitional areas¹.

The basic information about the State of Madhya Pradesh is given below:

	Unit	State figure	All India figure
Population*	Crore	7.26	121.02
Share in country's population*	per cent	6.00	--
Urban population*	Crore	2.00	38.00
Share of Population*	per cent	28.00 ²	31.00
Literacy rate of State*	per cent	71.00	74.00
Sex ratio of State*	Ratio	930/1000	940/1000
Municipal Corporations	Number	14 [#]	139 [@]
Municipal Councils	Number	100 [#]	1595 [@]
Nagar Parishads	Number	263 [#]	2108 [@]

Source: * provisional census 2011

Administrative report of Madhya Pradesh for the year 2011-12

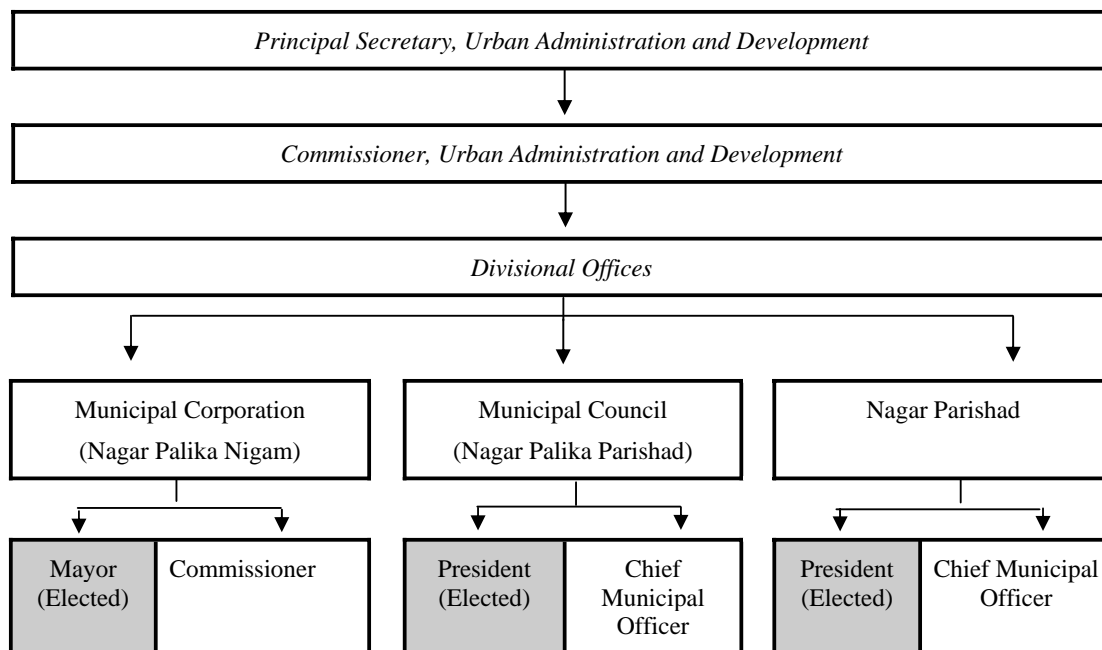
@ Thirteenth Finance Commission Report

¹ It means such area as the Governor may decide as per population density, revenue generation, agricultural activities, economic importance etc

² $2 \times 100 / 7.26 = 27.548$ (rounded off to 28)

1.2 Administrative arrangements

All the ULBs are empowered to discharge the functions devolved under the provisions of Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961 subject to monitoring powers vested in state authorities provided therein. The organisational structure of the Urban Administration and Development Department and ULBs is as follows:



1.3 Audit Coverage

Out of 377 ULBs (14 Municipal Corporations, 100 municipal councils and 263 Nagar Parishads) in the State, records of 85 ULBs (9 Municipal Corporations, 27 Municipal councils and 49 Nagar Parishads) were scrutinised during the year 2010-11 (**Appendix-I**).

1.4 Accounting arrangements

As per recommendations of the Eleventh Finance Commission (EFC) and the guidelines issued by the Ministry of Finance, Government of India, the Comptroller and Auditor General of India (C&AG) had constituted a Task Force to recommend budget and accounting formats for ULBs. The Task Force in its report, *inter alia*, suggested adoption of accrual basis of accounting by ULBs. The UADD³ published the Madhya Pradesh Municipal Accounts Manual (MPMAM) in July-2007 adopting such formats.

³ Urban Administration and Development Department

During test check of accounts of 85 ULBs in the year 2010-11 it was noticed that the accounts were prepared on accrual basis in nine Municipal Corporations only⁴

On being pointed out in audit (January 2011), the Commissioner, UADD replied in January 2011 that necessary instructions have been issued (July 2010) to the ULBs to adopt the accrual basis of accounting.

The matter was again brought in to the notice of Commissioner, UADD, Bhopal in August 2012, who stated that the work is in progress. The reply is not acceptable as audit found that the accounts were not being prepared on accrual basis.

1.5 Audit arrangements

1.5.1 As per recommendations of the Eleventh Finance Commission (EFC), audit by Director Local Fund Audit (DLFA) has been brought (November 2001) under the Technical Guidance and Supervision (TGS) of the C&AG. Accordingly, 85 ULBs including nine Municipal Corporations were test checked during 2010-11 and inspection reports were sent to DLFA for providing Technical Guidance.

Para 10.121 of recommendations of the Thirteenth Finance Commission (TFC) envisages that the C&AG be entrusted with the TGS of all Local Bodies in the State and Annual Technical Inspection Report (ATIR) of the C&AG as well as the Annual Report of the Director of Local Fund Audit (DLFA) should be placed before the State Legislature. Accordingly, the State Government amended the Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961 in January 2012.

1.5.2 Approval of Audit Plan of Director Local Fund Audit

As per section 152 (1) of Regulations on Audit and Accounts 2007, the DLFA was required to prepare an Annual Audit Plan and forward it to the Principal Accountant General (PAG) as a part of the TGS arrangement. The matter was discussed with Principal Secretary (Finance) by the PAG in a meeting held in November 2008 wherein it was agreed that the Annual Audit Plan of the DLFA would be submitted to the PAG for his consent. However, the Audit Plan 2010-11 was not got approved by PAG.

1.5.3 Internal Audit System

Para 2.2 of Chapter 2 of Madhya Pradesh Municipal Accounts Manual (MPMAM) envisages that an internal audit department would be created. The scope of internal audit would cover propriety audit, financial audit, ensuring internal control and transparency in operations.

⁴ Indore, Khandwa, Burhanpur, Bhopal, Jabalpur, Rewa, Satna, Singroli and Ratlam.

During test check of the records of ULBs and UADD, it was found that an internal audit department was not created.

On being pointed out (October 2011), the Commissioner UADD replied in October 2011 that the system of internal audit in the ULBs could not be established. The position remained same till date (August 2012).

1.6 Source of revenue

As per Section 105 of MP Municipalities Act, 1961 and Section 87 of MP Municipal Corporation Act, 1956, there are mainly two sources of revenue for local bodies (i) Government grants and (ii) own revenues. Own revenue resources of ULBs comprise of tax and non-tax revenues realised by them.

The Government grants comprise of funds released by the State Government and Government of India (GOI) on the recommendation of State Finance Commission, Central Finance Commission and State and GOI share for implementation of various schemes.

The ULBs also obtain loans from State Government or any other sources with prior permission of State Government for the purpose of urban development.

1.7 Budgetary Allocation and Expenditure

Funds allocated to ULBs by the State Government through budget including State share of the GOI schemes and grants recommended by Central Finance Commission were as under:-

(₹ in crore)

Sl. No	Budgetary Allocation				Expenditure			Savings (5-8)	Percentage of Savings
	Year	Revenue	Capital	Total	Revenue	Capital	Total		
1	2	3	4	5	6	7	8	9	10
1.	2006-07	1662.66	229.26	1891.92	1614.57	28.81	1643.38	248.54	13
2.	2007-08	2027.08	306.30	2333.38	1695.40	305.55	2000.95	332.43	14
3.	2008-09	2263.38	355.24	2618.62	2112.90	205.42	2318.32	300.30	11
4.	2009-10	2878.76	391.83	3270.59	2726.60	208.54	2935.14	335.45	10
5.	2010-11	3577.21	323.15	3900.36	2983.60	202.64	3186.24	714.12	18

Source:- Appropriation Accounts

The above table shows that the savings were ranging between 10 to 18 per cent during 2006-07 to 2010-11.

Details of receipts and expenditure of ULBs from their own sources were not maintained at Directorate Level. The Commissioner (UADD) stated (October 2011 and June 2012) that the same would be collected and furnished to audit. The information was again sought from UADD through the State Government (November 2012) but their reply is awaited.

1.8 Submission of Utilisation Certificates (UCs)

Rule 212 (1) of General Financial Rules provides that in respect of recurring grants, Ministry or Department concerned should release any amount sanctioned for the subsequent financial year only after UC in respect of grants of the preceding financial year is submitted. The guidelines of TFC also envisage that the release of any installment will be subject to a utilisation certificate being furnished for the previous installment drawn.

Scrutiny of records of Grants-in-aid (GIA) released to ULBs under the recommendations of the Central and the State Finance Commission revealed that the UC of GIAs were not received by the Directorate UADD from the ULBs as on date (August 2012) as depicted below:-

(₹ in crore)

Year	State Finance Commission	Central Finance Commission	Total
2008-09	93.74	72.20	165.94
2009-10	106.15	72.20	178.35
2010-11	110.46	139.39	249.85
Total	310.35	283.79	594.14

(Source: Data of pending UCs furnished by the UADD as on August 2012)

1.9 Status of outstanding audit objections

According to TGS arrangement, the DLFA would pursue the compliance of paragraphs in the inspection reports of the Accountant General (Audit) in the same manner as if these are his own reports.

The status of outstanding audit objections of ULBs included in the AG's Inspection Reports was as under:-

(As on 31 March 2011)

Sl. No.	Financial Year	ULB			
		Opening balance of outstanding audit objections	Addition	No. of objections settled	No. of objections outstanding
1.	2006-07	2508	601	0	3109
2.	2007-08	3109	514	0	3623
3.	2008-09	3623	778	61	4340
4.	2009-10	4340	598	0	4938
5.	2010-11	4938	453	193	5198

(Source: Monthly Arrear Report of LB wing)

Despite regular correspondence made with DLFA by PAG, no active pursuance was made by DLFA for settlement of outstanding objections.

1.10 Non preparation of Bank-reconciliation statement

Rules 97-98 of Madhya Pradesh Nagar Palika Lekha Niyam, 1971 provide that the reconciliation of any difference between the balances of Cash Book and Bank Accounts is required to be conducted every month.

It was noticed that the difference of cash balance of ₹2.14 crore between Cash book and Bank Pass Book balance at the end of the year (2010-11) was not reconciled by Municipal Corporations Rewa, Sagar and Satna. Due to non-preparation of bank reconciliation statement, the actual financial status of the ULBs could not be depicted.

The position of the difference is shown in **Appendix- II**.

1.11 Non recovery of tax/ non-tax revenue

As per Section 87 of MP Municipal Corporation Act, 1956, ULBs earn revenue from their own resources through taxes, rent, fees, issue of licenses etc.

In two test checked Municipal Corporations (Rewa and Satna) a sum of ₹ 11.12 crore as tax revenue pertaining to property tax and rent of the buildings and shops as shown in **Appendix-III** was outstanding against the taxpayers (March 2011). Similarly non-tax revenue amounting to ₹ 12.51 crore pertaining to water charges in three Municipal Corporations (Rewa, Sagar and Satna) as shown in **Appendix – IV** remained unrecovered (March 2011). Although the ULBs had powers under section 173 to 183 of the above Act to take suitable action for recovery by distress and sale of any movable property and attachment and sale of immovable property belonging to defaulters, they failed to invoke these powers to recover the outstanding taxes. The ULBs had not furnished year-wise break-up of the arrears.

Failure to take action to recover the outstanding dues resulted in resource crunch leading to hindrance in development works.

1.12 Non adjustment of advances

Rule 112 (2) of the MP Municipal Accounts Rules, 1971 stipulates that no advance shall be drawn unless expenditure is likely to be incurred within one month. Sub rule (6) of the rules *ibid* specifies that the accounts in the Advances Ledger shall be balanced quarterly and signed by the Accounts Officer.

Scrutiny of records of test checked Municipal Corporations of Rewa and Satna revealed that during 2010-11 temporary advances with individuals and agencies of ₹2.79 crore⁵ outstanding from one to 26 years were not adjusted in the books of accounts as per existing accounting rules of the Municipal Corporations.

⁵ Municipal Corporation Rewa ₹198.70 lakh
Municipal Corporation Satna ₹80.43 lakh

On being pointed out, Commissioner, MC, Rewa replied (July 2011) that adjustment of advances was in process, whereas Commissioner, MC, Satna replied (August 2011) that the recovery would be initiated. Further scrutiny of records revealed that ₹ 66.04 lakh was recovered by MC Rewa during the year 2011-12. A sum of ₹ 1.83 crore is still outstanding as shown in **Appendix-V**.

1.13 Non deposit of amount in General Provident Fund (GPF) Accounts

Rule 24 of Madhya Pradesh Municipal Corporation Employees (Recruitment & Conditions of service) Accounting Rules, 1968 provides that the Madhya Pradesh General Provident Fund Rules, as amended from time to time, shall apply to a Municipal employee in the same way as are applicable to a Government servant of similar status.

During scrutiny of records, it was noticed that MC, Sagar did not deposit the GPF subscription of its employees since 1977-78 amounting to ₹ 3.69 crore in the Bank which resulted in creation of liabilities in the shape of interest which is being paid by MC to the employees at the time of retirement.

On being pointed out, the Deputy Commissioner, MC stated (July 2011) that due to financial crisis, the amount of subscription of the employees was not credited in the bank. However, at the time of retirement the final payment of GPF is made with interest at the rate of five *per cent* per annum.

The reply of the Deputy Commissioner was not according to the Rules as the amount of GPF subscription, being a public account, should be credited in the bank regularly to avoid the loss of interest and creation of liabilities.

1.14 Conclusion

Budget and Accounts in the format prescribed by the C&AG, were not maintained by the ULBs. The information regarding receipts and expenditure from own sources of all ULBs was not being maintained by the Directorate, UADD. An internal audit system was not established in ULBs. Approval of the PAG on Audit Plan was not obtained by the DLFA.

CHAPTER – II
PERFORMANCE AUDIT

Performance Audit of Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

Highlights

Government of India launched Swarna Jayanti Shahari Rozgar Yojana in December, 1997 with the key objective of providing gainful employment to the urban unemployed or underemployed through setting up self-employment ventures or provision of wage employment. Five major components of the schemes are Urban Self Employment Programme, Urban Women Self-help Programme, Skill Training for Employment Promotion amongst Urban Poor, Urban Wage Employment Programme and Urban Community Development Network. For implementation of the scheme, the Commissioner, Urban Administration and Development Department, Madhya Pradesh was designated as the state nodal officer who would perform his duty through state Urban Development Agency. At the district level, District Urban Development Agency works as district level nodal agency.

Audit scrutinised records of District Urban Development Agency, District level Municipal Corporation/ Municipal Council and two Nagar Panchyats in each district of the selected eight Districts to examine the performance of the implementing agencies. Some of the important observations are as follows:

Scrutiny of the records of DUDAs of five districts and five test checked ULBs revealed that the survey of eligible beneficiaries was not conducted.

Para- 2.6.1

Scrutiny of the records of DUDAs of six test checked districts and three ULBs revealed that no action plan for the implementation of the scheme was prepared.

Para- 2.6.2

In PO, DUDA of four districts and four ULBs it was noticed that no register of beneficiaries of SJSRY was maintained.

Para- 2.8.2

In six test checked districts it was noticed that the training programmes for beneficiaries were organised through NGOs and other institutions which were not recommended in the SJSRY guidelines.

Para- 2.10.1

2.1 Introduction

The SJSRY was launched on 01.12.1997 after subsuming the earlier three schemes for urban poverty alleviation, namely Nehru Rozgar Yojna (NRY), Urban Basic Services for the poor (UBSP), and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). The key objective of the Scheme was to provide gainful employment to the urban unemployed or underemployed through the setting up of self-employment ventures or provision of wage employment.

To overcome the difficulties faced by the States/UTs and address certain drawbacks in the implementation of SJSRY, the guidelines of the scheme were revised with effect from 1.4.2009.

The revised SJSRY had five major components, namely:

- (i) Urban Self Employment Programme (USEP)
- (ii) Urban Women self-help Programme (UWSP)
- (iii) Skill Training for Employment Promotion amongst Urban Poor (STEP-UP)
- (iv) Urban Wage Employment Programme (UWEP)
- (v) Urban Community Development Network (UCDN)

2.2 Administrative arrangement for implementation of SJSRY

For the implementation of SJSRY, a proper administrative set-up had been conceptualised. The overall planning, coordination, implementation, financial control, monitoring and evaluation of the SJSRY is done by the Commissioner, UADD (State Nodal Officer) through State Urban Development Agency (SUDA).

At the district level, District Urban Development Agency (DUDA) works as district level nodal agency for implementation of various schemes financed by State Government, Central Government and external assistance.

At the Urban Local Bodies (ULBs) level, Town Urban Poverty Alleviation Cell (UPA cell) was to be constituted. The UPA cell was required to forward an Action Plan prepared by Community Development Societies (CDSs) working under it to DUDA for administrative approval.

2.3 Audit Objectives

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

- Proper survey for the identification of beneficiaries was done.

- The scheme was implemented through Community Development Societies by “Down to Top” administrative mechanism as envisaged in the SJSRY guidelines.
- Gainful employment was provided to the urban unemployed or underemployed through setting up of self employment ventures or wage employment or skill training.
- An effective monitoring mechanism as well as proper internal control system was in place.

2.4 Audit Criteria

The audit criteria were drawn from the following sources:

- The SJSRY scheme guidelines and instructions issued by the Government of India
- The guidelines of Reserve Bank of India for the administration of subsidy.
- Instructions/circulars issued by the State Government and Nodal agencies at State and District level.
- General Financial Rules of the State Government.

2.5 Audit Scope and Methodology

The Performance Audit of the scheme for the period 2006-07 to 2010-11 was conducted during 23 May to 1 July 2011. For conducting the performance audit, 11 districts⁶ out of 50 districts were selected as sample size on the basis of Probability Proportional to Size without Replacement (PPSWOR) sampling method and two districts (Betul and Hoshangabad) were selected for pilot study of the scheme.

The Performance Audit was conducted by covering eight districts⁷ including two districts taken up for pilot study.

An Entry Conference was held on 19 May 2011 with the Commissioner/Secretary, UADD, M.P., Bhopal wherein audit objectives, criteria, audit coverage and methodology of the performance Audit were discussed.

The exit conference was held on 25 May, 2012 with the Principal Secretary, Government of Madhya Pradesh, UADD, Bhopal.

Audit Findings

2.6 Planning

2.6.1 Survey for the identification of beneficiaries

As per Para 4.2.5 of the guidelines of SJSRY, a house to house survey for the identification of genuine beneficiaries with focus on slums and low income

⁶ Chhatarpur, Indore, Khandwa, Mandla, Ratlam, Sehore, Shahdol, Shajapur, Sheopur, Shivpuri, Vidisha
⁷ Betul, Chhatarpur, Mandla, Ratlam, Shahdol, Shajapur, Shivpuri and Hoshangabad

settlements, was to be conducted. In addition to the economic criteria of the Urban Poverty Line, non-economic parameters were also to be applied to identify the urban poor by involving community structures like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHCs) and Community Development Societies (CDSs) under the guidance of Town Urban Poverty Alleviation (UPA) Cell.

Scrutiny of the records of DUDAs of five districts⁸ and five test checked ULBs⁹ revealed that the survey of eligible beneficiaries of the scheme was not conducted.

During the exit conference, the Government replied that survey for identification of beneficiaries was conducted in each ULB in 2003-04 as per instruction of the GOI. However, no document in support of conducting survey of eligible beneficiaries was produced to audit.

2.6.2 Non-preparation of action plan

As per Para 9.3 of the guidelines, the UPA cell shall prepare a ULBs poverty Sub-Plan and Budget for Urban Poor (P-Budget), conducting slum, household and livelihood surveys, identifying beneficiaries for various schemes.

Scrutiny of the records of DUDAs of six test checked districts¹⁰ and three ULBs¹¹ revealed that no such action plan for the implementation of the scheme was prepared.

During the exit conference, the Government replied that annual targets are fixed for all the districts and instructions for the preparation of action plan has been issued to the districts.

2.7 Funding Pattern and Financial Procedures

As per para 3 of the SJSRY guidelines, funding under SJSRY will be shared between the Centre and the States in the ratio of 75:25. The Central share will be tentatively allocated to the State in relation to the incidence of urban poverty (number of urban poor) estimated by the Planning Commission from time to time and on the basis of submission of Utilisation Certificates (UCs) as well as release of matching State share for the past releases. The Central share will be released in instalments to the States as soon as they became eligible in terms of the prescribed criteria.

2.7.1 Funds flow statement

The details of funds received and expenditure incurred by SUDA is depicted in the following table:

⁸ Betul, Mandla, Shahdol, Shajapur, Shivpuri
⁹ Municipal Corporation Ratlam, , Municipal Council Amla and Shahdol, Nagar Panchayat Badawada and Bhainsdehi
¹⁰ Chhatarpur, Mandla, Ratlam, Shahdol, Shajapur and Shivpuri.
¹¹ Municipal Corporation Ratlam, Municipal Council Shahdol and Nagar Panchayat Badawada

(₹ In crore)

Year	Opening Balance	Received during the year		Total	Expenditure	Closing Balance
		Central Share	State Share			
2006-07	13.94	23.88	7.96	45.78	24.64 (54%)	21.14
2007-08	21.14	31.20	10.40	62.74	40.68 (65%)	22.06
2008-09	22.06	47.23	15.74	85.03	37.96 (45%)	47.07
2009-10	47.07	44.08	14.70	105.85	50.56 (48%)	55.29
2010-11	55.29	45.70	15.23	116.22	49.12 (42%)	67.10

(Source: Figures furnished by the Commissioner UADD)

It may be seen from the above table that during 2006-07 to 2010-11, the expenditure ranged between 42 per cent and 65 per cent of the total funds available in the state.

Optimum utilisation of the funds was not ensured as the unspent balance showed an increasing trend during 2006-07 to 2010-11.

During the exit conference, the Government replied that the second instalment from the GOI is received between January and March due to which the DUDAs and ULBs were unable to utilise the grant during the financial year.

2.7.2 Funds lying idle in the Bank Accounts of DUDA

Scrutiny of the records of DUDAs of seven test checked districts revealed that proper utilisation of funds was not ensured which resulted in parking of the SJSRY funds ranging between ₹2.07 crore and ₹7.98 crore during 2006-07 to 2010-11 in the Bank Accounts of DUDAs of the test checked districts as detailed in **Appendix-VI**.

It was also found that the P.O., DUDA, Ratlam, irregularly kept an amount of ₹25 lakh in term deposit of one year (January 2011 to January 2012).

During the exit conference, the Government stated that the unspent balances would be utilised by June, 2012. The status was again sought from Commissioner, UADD in November 2012 but reply is awaited.

Implementation of the scheme

2.8 Urban Self Employment Programme (USEP)

As per para 4 of the SJSRY guidelines, the USEP component focuses on providing assistance (Loan and Subsidy) to individual urban poor beneficiaries for setting up gainful self-employment ventures-micro enterprises and providing other support like technology, marketing, infrastructure, knowledge etc.

2.8.1 Irregular adjustment of subsidy by the Banks

As per para 3 of the instructions of Reserve Bank of India (17.11.1997) for the administration of the subsidy of SJSRY, the amount of subsidy was required to be kept in borrower-wise reserve fund account with initial lock in period of two years and was to be adjusted at the time of closure of the loan account.

Scrutiny of records of bank loans of 51 cases in different banks of the five test checked districts revealed that in 22 cases, the subsidy was adjusted in the account prior to lock in period of two years as shown in **Appendix -VII**. It was also noticed that none of the above loan cases were closed even after the adjustment of the subsidy amount by the banks.

On being pointed out, the Bank Managers of five banks¹² replied that almost all the loanees were defaulters. They also stated that no official of DUDA/ULB assisted the banks in the recovery and repayment of the loan from the beneficiaries.

During the exit conference, the Government replied that the subsidy amount is adjusted by banks as per banking rules. If required, the banks can seek the assistance of ULBs for the recovery of loans.

The reply of the Government is not in consonance with the guidelines of the RBIs for SJSRY.

2.8.2 Non maintenance of permanent record of beneficiaries

As per Para 4.2.8 of the guidelines, in order to avoid duplication with the ongoing Prime Minister's Employment Generation Programme (PMEGP), USEP component of the scheme was to be confined to the BPL beneficiaries with emphasis on those given a higher priority on the basis of non-economic criteria. The list of the beneficiaries was to be shared with PMEGP to rule out duplication of coverage.

The UADD, Madhya Pradesh also issued instructions in February 2001 that a register of trained beneficiaries should be maintained in each ULB.

During scrutiny of records of PO, DUDAs of four districts¹³ and four ULBs¹⁴ it was noticed that no register of beneficiaries of SJSRY was maintained.

During the exit conference, the Government replied that necessary instructions for the maintenance of permanent record of the beneficiaries have been issued to the ULBs.

¹² PNB Chhatarpur, Allahabad Bank Chhatarpur, Bank of Baroda Shivpuri, Bank of India, Shivpuri and State Bank of Bikaner and Jaipur, Ratlam

¹³ Hoshangabad, Mandla, Shahdol and Shivpuri

¹⁴ Municipal Corporation Ratlam, Municipal Council Shahdol and Nagar Panchayats of Badawada and Bhainsdehi.

2.9 Urban Women Self-Help Programme (UWSP)

This component has two sub-components:

- (i) Assistance to groups of urban poor women for setting up gainful self-employment ventures - UWSP (Loan & Subsidy)
- (ii) Revolving Funds for Self-Help Groups (SHGs)/Thrift & Credit Societies (T&CSs) formed by the urban poor women – UWSP (Revolving Fund).

2.9.1 Poor implementation of UWSP

As per para 5.2.1 of the guidelines, the scheme is distinguished by the special incentives extended to urban poor women who decide to set up self-employment ventures in a group. To attain this objective, effective implementation of the UWSP component was essential.

Scrutiny of the records of PO, DUDAs of districts Mandla and Shivpuri revealed that during 2006-07 to 2010-11, only 1.40 lakh and ₹0.82 lakh was utilised by Shivpuri and Mandla districts for assistance to women groups and the unspent balance was ₹13.52 lakh and ₹ 32.49 lakh in these districts respectively.

On being pointed out, the PO, DUDA Mandla replied that the amount would be utilised after proper instructions were received from the Government and PO, Shivpuri replied that the amount would be utilised according to the guidelines.

During the exit conference, the Government replied that due to lack of coordination among the women's groups and not getting proper cooperation from the banks, Groups could not be formed.

2.9.2 Improper functioning of Thrift and Credit Societies

As per para 5.3.1 of the guidelines, Thrift and Credit Societies (T&CS) of self help groups of urban poor women were to be created. The subsidy of ₹25000/- was to be released for a revolving fund meant for the use of purchase of raw material and marketing, infrastructure support for income generation and other group activities etc. In this regard All India Institute of Local Self Government, Bhopal issued detailed instructions in September 2003 for setting up of T&CS.

Scrutiny of records of PO, DUDA of districts Shajapur and Ratlam revealed that the T&CS were not involved in loan distribution for production and marketing activities as envisaged in the guidelines.

During the exit conference, the Government instead of giving a proper reply only reproduced the procedure of sanctioning of subsidy amount for the revolving fund.

2.10 Skill Training for Employment Promotion amongst Urban Poor (STEP-Up)

As per para 6 of the guidelines, this component of SJSRY focuses on providing assistance for skill formation/upgradation of the urban poor to enhance their capacity to undertake self-employment as well as access better salaried employment.

2.10.1 Imparting training through unrecognised NGOs

As per Para 6.4 of the guidelines, skill trainings may be linked to accreditation, certification and preferably be taken on public private partnership (PPP) mode with involvement of reputed institutions like IITs, NITs, polytechnics, engineering colleges and management institutions etc. The UADD, Madhya Pradesh also issued an instruction in December 2000 for conducting the training through Government/Semi-Government institutions.

During scrutiny of records of test checked districts¹⁵, it was noticed that the training programmes were organised by involving NGOs and other institutions in general trades which were not recommended in the guidelines.

During the exit conference the Government stated that in absence of trained master trainers and insufficient seats in the Government institutions, the training programmes were organised through NGOs.

The reply of the Government was not in accordance with the guidelines as the training programmes were to be organised through reputed institutions.

2.11 Urban Community Development Network (UCDN)

As per para 8.1 of SJSRY guidelines, the scheme shall rest on the foundation of community development and empowerment. Rather than relying on the traditional method of top-down implementation, the scheme relies on establishing and nurturing community organisations such as CDS, NHGs and NHCs¹⁶ structures that facilitate sustained urban poverty alleviation.

2.11.1 Diversion of funds

As per para 8.5 of the guidelines, the funds may be released separately under UCDN component, for the strengthening of Community Structures and Community Development Networks. The UADD, Madhya Pradesh also issued instructions regarding the utilisation of funds under this component for public awareness camps, workshops, social awareness and activities related to health and education.

¹⁵ Betul, Chhatarpur, Hoshangabad, Mandla, Ratlam, Shivpuri.

¹⁶ CDS- Community Development Societies,
NHGs- Neighbourhood Groups,
NHCs- Neighbourhood Committees.

During test check of records of six districts, it was found that the funds received under UCDN were diverted towards the construction of public toilets, drains and sanitation works which was against the guidelines. The details of funds diverted for unauthorised construction works during the audit period is shown below:

(₹ in lakh)

Sl. No.	Name of district	Nature of construction work	No. of works	Expenditure incurred by ULBs
1	Chhatarpur	Community Halls	06	23.00
2	Hoshangabad	Public toilets	01	22.46
3	Mandla	Public toilets and public bathrooms	09	11.74
4	Ratlam	Public toilets, public bathrooms and Community Hall	15	65.37
5	Shajapur	Public toilets and Community Hall	13	31.71
6	Shivpuri	Public toilets	05	7.35
Total			49	161.63

(Source: Information furnished by DUDAs in reply of audit half margins)

During the exit conference, the Government replied that all types of works of public utility may be taken under UCDN component at the CDS level.

The reply was not in accordance with the scheme guidelines as the funds under this component should be utilised for strengthening of social community structure and not for construction works of public utility.

2.11.2 Non-engagement of Community Organisers (COs) for implementation of the scheme

As per Para 8.3 of the scheme guidelines, at the community level a CO may be engaged for about two thousand identified families. The CO will be the main link between the urban poor community (represented through the CDS) and the implementation machinery i.e. Urban Poverty Alleviation Cell at the ULB level. The success of the Scheme relies upon the performance of the COs.

During scrutiny of the records of five test checked districts, it was found that out of 45 sanctioned posts of COs, only 17 COs were engaged. The details are given below:

Sl. No.	Name of the district	sanctioned posts of COs in the district	COs engaged
1	Betul	06	01
2	Chhatarpur	15	03
3	Ratlam	11	07
4	Shahdol	06	03
5	Shivpuri	07	03
Total		45	17

(Source: Information furnished by DUDAs)

It is evident from the above table that required number of COs were not engaged which resulted in ineffective implementation of the scheme.

2.12 Conclusion:

Proper survey for the identification of the beneficiaries was not conducted. Comprehensive Action Plan for poverty alleviation was not prepared at the DUDA and ULB level. Optimum utilisation of funds was not ensured at the State and District level. Proper monitoring and follow up of the loan cases was not being carried out. The amount of subsidy was adjusted in the accounts prior to lock in period of two years. Permanent record of beneficiaries was not maintained. The details of employment provided to trained beneficiaries were not maintained. The training programmes were conducted through NGOs. The funds under UCDN component meant for strengthening community structures was diverted towards construction works. Only 38 *per cent* of the sanctioned posts of community organisers were occupied which adversely affected the implementation of the scheme.

2.13 Recommendations:

- Door to door survey of beneficiaries should be conducted and permanent record of the beneficiaries should be maintained at ULB level.
- Comprehensive Action Plan for poverty alleviation should be prepared at ULB level.
- Proper utilisation of Central/State grants should be ensured at the State, District as well as ULB level.
- Training programmes should be conducted through ULBs by involving Government organisations such as ITIs, Polytechnic etc./reputed NGOs and proper follow up of the trained beneficiaries should be done to provide them employment opportunities.
- All components of the scheme are required to be implemented through ULBs.

CHAPTER – III

**TRANSACTION AUDIT PARAGRAPHS
(Urban Administration and Development Department)**

3.1 Audit findings on Release and Utilisation of Thirteenth Finance Commission grants to Urban Local Bodies

The TFC had made the recommendations on the measures needed to augment the consolidated fund of the State to supplement the resources of Panchayats and Municipalities. In this regard the TFC recommended Grant-In-Aid (GIA) to ULBs for both General Areas and Special Areas for its award period (2010-15). In addition to these grants, performance grant would be available from 2011-12 to the States which met the conditions imposed for its release. As per GOI guidelines, (September 2010) all local body grants were to be released in two tranches, in July and January every fiscal year, subject to meeting of the conditions imposed for release of grants.

The grants received by Madhya Pradesh Government from GOI on the recommendations of the TFC for the year 2010-11 are depicted in **Appendix-VIII**.

In this regard, information on transfer and utilisation of TFC grants was collected from Finance Department (FD) Government of Madhya Pradesh, Commissioner Urban Administration and Development Department (UADD), Commissioner Nagar Palika Nigam Bhopal and Municipal Officer, Nagar Palika Parishad Kolar Bhopal for the year 2010-11. The audit findings on transfer and utilisation of grants are as below:-

3.1.1 Delayed transfer of grant

According to para 3 of GOI's release orders (July 2010) the amount of first installment of Local Bodies grant was to be transferred to ULBs within 15 days of its receipt from the GOI. According to GOI's release orders (March 2011) the second installment of the grant was to be transferred to ULBs within five days and 10 days according to the banking infrastructural accessibility. For delay in transfer of grant beyond the specified period the State would be liable for payment of interest at the RBI bank rate to ULBs along with the installment.

Audit observed that contrary to the guidelines the General Basic Grant (GBG) and Special Areas Basic Grant (SABG) was not released within the specified period during 2010-11 as depicted in the following table:-

Name of Grant/ No. of Instalments	Amount Received from GOI		Amount Drawn from treasury (₹in crore)	Amount Transferred to Local Bodies (LBs)		Delay in transfer of Grant to LBs beyond the stipulated period/ Amount of interest to be paid to LBs	
	Date	Amount (₹in crore)		Date	Amount (₹in crore)	Days	Interest (in ₹)
1	2	3	4	6	7	8	9
ULBs							
1. General Basic Grant/I st	15.7.10	69.55	69.550	26.8.10	69.55	27 ¹⁷	30,86,877
2. Spl. Area Basic Grant/I st	15.7.10	1.97	1.971	26.8.10	1.971	27	87,480
3. General Basic Grant/II nd	29.3.11	67.87	67.870	30.3.11	67.87	--	--
				Note:- Actual date reported to GOI was 30.3.2011 whereas an amount of ₹67.87 crore was drawn on 31.3.2011 from the treasury. Hence interest could not be worked out.			
4. Spl. Area Basic Grant/ II nd	30.3.11	1.97	1.570	20.4.11	1.57	16 ¹⁸	41,293
	Grand Total	141.36	140.961				32,15,650 Or say ₹32.16 lakh

(Source: Information furnished by Finance Department and UADD)

Scrutiny of records (August 2011) of test checked offices and information collected from them revealed that the Commissioner UADD transferred the first instalment of GBG and SABG to ULBs with a delay of 27 days. The second instalment of SABG was also transferred to ULBs with a delay of 16 days. As per guidelines the FD had to pay interest to ULBs at RBI rates which works out to ₹32.16 lakh as shown in the above table.

3.1.2 Non submission of Utilisation Certificate to the GOI

According to para 6.2 of the guidelines of the TFC, release of any instalment of the TFC grant will be subject to furnishing of UC for the previous instalment drawn.

Scrutiny of records (August 2011) of the test checked units revealed that in compliance to above guidelines the actual utilisation of grants ₹ 140.96 crore transferred to ULBs for the year 2010-11 (**Appendix -VIII**) was not reported to the GOI by the Commissioner UADD MP Bhopal through the FD. It was also observed that none of the test checked units reported utilisation of the TFC grants received by them for the financial year 2010-11.

The Commissioner UADD, MP Bhopal replied (August 2011) that instructions have been issued to the ULBs for furnishing activity wise break-up of grant spent by them. The position remained the same till August 2012.

¹⁷ Delay in days leaving 15 days.
¹⁸ Delay in days leaving 05 days.

3.1.3 Lack of Monitoring & Evaluation Mechanism

In compliance of the TFC guidelines, a High Level Committee (HLC) headed by the Chief Secretary to the State Government was constituted (July 2010) by the Finance Department to ensure adherence to the specific conditions in respect of each category of grant, wherever applicable. HLC was required to meet once in a quarter.

It was found that only two HLC meetings (July 2010 and December 2010) were held till January 2011 which clearly shows that there was a lack of a monitoring and evaluation mechanism for proper utilization of grants.

3.1.4 Conclusion

Local Body grants received by the State Government from the GOI on the recommendations of the TFC were not transferred to the ULBs within the specified period, which created a liability of ₹32.16 lakh on the Government in the shape of interest payable to ULBs. Utilisation of grants transferred to the ULBs was not ensured. Actual utilisation of grants was not submitted to the GOI (August 2011). This could affect the release of performance grant to the State Government from the GOI for the next year (2011-12).

3.2 Loss of revenue due to non allotment of Commercial Shops amounting to ₹ 2.68 crore

Due to non-observance of codal provisions, 102 shops could not be allotted which resulted in loss of revenue of ₹ 2.68 crore to Municipal Corporation Ratlam.

In exercise of the powers conferred by Section 80 of the MP Municipal Corporation Act, 1956 the State Government made the M.P. Municipal Corporation (Transfer of Immovable Properties) Rules, 1994. According to Rule 3 of the said Rules, any revenue earning immovable property shall be sold or transferred to the highest bidder through public auction or by inviting sealed cover proposal; if otherwise intended, prior permission of the Government was essential.

Test check (July 2008) of the records of Municipal Corporation, Ratlam (MC Ratlam) revealed that 104 shops, including two shops reserved for electricity purposes, were constructed in "Subhash Chandra Bose Shopping Complex" at Bus stand Ratlam (1999) at a cost of ₹ 1.17 crore from the Corporation's own funds. Instead of observing the above rules for sale of shops, the MC decided (July 1995) to allot shops on first-cum-first serve basis to those who deposited lump sum amount. In response 34 applicants deposited lump sum amount of ₹21.60 lakh @ ₹60,000/70,000 each while 78 applicants deposited ₹7.80 lakh @ ₹ 10,000/- each as registration fee. The MC decided (December 2001) to get the Corporation policy confirmed from the Government. It was also seen that rent @ ₹300 per month (PM) for 46 upper ground floor shops and @ ₹200 PM for 56 lower ground floor shops was fixed

for letting out the shops on hire in July 1995. Further a committee constituted by MC recommended in April 2006 an offset price @ ₹2.25 lakh for each of these 102¹⁹ shops along with different slabs of rent on the basis of their location in the shopping complex. The final decision on allotment of shops was still pending with State Government owing to which the MC Ratlam has to incur a loss of ₹ 2.68 crore (₹ 2.30 crore on account of offset price and ₹ 59.87 lakh²⁰ on account of rent of the shops and deducting ₹21.60 lakh of lump sum deposited amount by 34 applicants) from the date of their construction.

On being pointed out in audit Commissioner, MC Ratlam accepted (July 2008 and March 2011) that the possession of shops could not be given as the allotment was not in accordance with Rule 3 of MP Municipal Corporation (Transfer of immovable properties) Rules, 1994. The case has been sent to the State Government for guidance and final action would be taken after receipt of guidance from the Government. The Government's decision is still awaited.

Thus due to non-observance of the provision for allotment of shops and lackadaisical approach in obtaining Government guidance in the matter, the shops could not be allotted even after lapse of 11 years from the date of construction which resulted in the loss of revenue of ₹ 2.90 crore.

The matter was referred to the Government in June 2011 and November 2012 but no reply had been received.

¹⁹ Offset price @ ₹225400 each X02 shops =2990800

²⁰ Rent-

1.1.2000 to 31.4.2006	76 months	46 shops	@ ₹ 300 PM	₹10,48,800
1.1.2000 to 31.4.2006	76 months	56 shops	@ ₹ 200 PM	₹ 8,51,200
1.5.2006 to 31.5.2011	61 months	28 shops	@ ₹ 800 PM	₹ 13,66,400
1.5.2006 to 31.5.2011	61 months	18 shops	@ ₹ 700 PM	₹ 7,68,600
1.5.2006 to 31.5.2011	61 months	40 shops	@ ₹ 600 PM	₹ 14,64,000
1.5.2006 to 31.5.2011	61 months	16 shops	@ ₹ 500 PM	₹ 4,88,000
			Total	₹ 59,87,000

PART – II PANCHAYATI RAJ INSTITUTIONS

CHAPTER – I

OVERVIEW ON FINANCES INCLUDING THE ACCOUNTING PROCEDURES OF THE PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

To promote greater autonomy at the grass root level and to involve people in identification and implementation of development programmes involving Gram Sabhas, the 73rd Constitutional Amendment Act, 1992 was promulgated. According to the provisions of Article 243 G of the Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibility upon Panchayats at the appropriate level, subject to such conditions as may be specified therein with respect to:-

- (a) The preparation of plans for economic development and social justice;
- (b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule²¹;

Similarly, according to the provisions of Article 243 H of the Constitution, the legislature of state may:-

- (a) Authorise a panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits,
- (b) Assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits,
- (c) Provide for making such Grants in Aid to the Panchayats from the Consolidated Fund of the State and
- (d) Provide for the constitution of such funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such money there from as may be specified in the Law.

Consequently, a three-tier system of Panchayati Raj Institutions (PRIs) had been established in the State by Madhya Pradesh through Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993.

- Zila Panchayat (ZP) for a district,
- Janpad Panchayat (JP) for a block and
- Gram Panchayat (GP) for a village.

At present there are 50 ZPs, 313 JPs and 23010 GPs in the State.

²¹ Article 243 G and H of the Constitution (Seventy - third Amendment) Act. 1992.

The basic information about the State of Madhya Pradesh is given below:

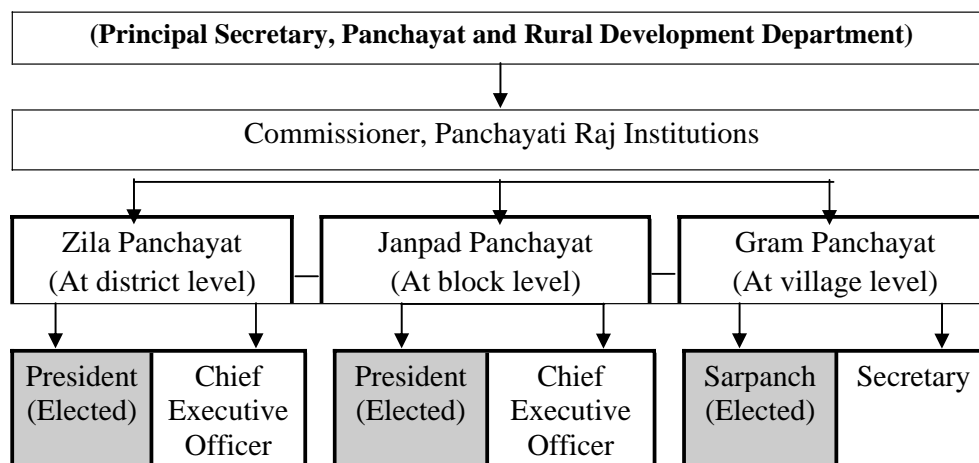
	Unit	State figure	All India figures
Population	Crore	7.26	121.02
Share in Country's population	<i>per cent</i>	6.00	--
Rural population	Crore	5.25	83.31
Share of Rural Population	<i>per cent</i>	72.00	68.84
Population Density of State	per sq. Km.	236.00	382.00
Literacy rate of State	<i>per cent</i>	71.00	74.00
Sex ratio of State	Ratio	930/1000	940/1000

Source: provisional census 2011

1.2 Administrative arrangements

As per Chapter 3 of the Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993, all the PRIs are distinct legal authorities to discharge the functions devolved under the provisions of Acts and Rules subject to monitoring powers vested in state authorities provided therein. The organisational structure of governance at State, District, Block and Village level is given below:

Organisational Chart



1.3 Roles and responsibilities of three tiers of PRI

Sl. No.	PRIs	Responsibilities
1.	Zila Panchayat	To co-ordinate, evaluate and monitor activities and guide the Janpad Panchayat and Gram Panchayat
2.	Janpad Panchayat	To implement, execute, supervise, monitor and manage works, scheme programmes and project through Gram Panchayat or through executing agencies, transferred by the State Government to Panchayats.
3.	Gram Panchayat	To ensure the execution of schemes, works projects entrusted to it by any law and those assigned to it by the Central or State Government or Zilla Panchayat or Janpad Panchayat.

Standing committees of Zila Panchayat	Standing committees of Janpad Panchayat	Standing committees of Gram Panchayat
<ul style="list-style-type: none"> a. General Administration b. Agriculture Committee c. Education Committee d. Communication and Works Committee e. Cooperation and Industries Committee 	<ul style="list-style-type: none"> a. General Administration b. Agriculture Committee c. Education Committee d. Communication and Works Committee e. Cooperation and Industries Committee 	<ul style="list-style-type: none"> a. General Administration b. Construction and Development Committee c. Education, health and social welfare committee

1.4 Audit coverage

Out of 23,373 PRIs (50 ZPs, 313 JPs and 23010 GPs) in the State, records of 454 PRIs (12 ZPs, 97 JPs and 345 GPs) were scrutinised during the year 2010-11.

1.5 Maintenance of Accounts in formats prescribed by the C&AG

The EFC recommended that C&AG should prescribe the formats for the preparation of budgets and for keeping of accounts for the local bodies. Similarly, the TFC recommended that all State should adopt an accounting framework and codification pattern consistent with the Model Panchayat Accounting System (MAS) which was developed by the C&AG and Ministry of Panchayati Raj and was to be adopted from 1 April 2010.

During test check of records of 12 ZP, 97 JP and 345 GPs, it was observed that none of the PRIs at different levels kept the accounts in the prescribed format during 2010-11.

On being pointed out, the Commissioner, PRI replied (August 2012) that the maintenance of accounts in prescribed format is under process in 2011-12.

1.6 Audit arrangements

As per recommendations of the Eleventh Finance Commission, audit by DLFA has been brought (November 2001) under the TG&S of the C&AG. Accordingly, the audit of 12 ZPs, 97 JPs and 345 GPs as shown **Appendix -IX** was conducted during 2010-11 and Inspection Reports were sent to DLFA for providing Technical Guidance.

Para 10.121 of the recommendations of TFC envisages that State Government must put in place an audit system for all local bodies (all tiers of PRIs). The C&AG must be given TG&S for all the local bodies in the state at every tier and his Annual Technical Inspection Report as well as the Annual Report of Director/Commissioner of Local Fund Audit (DLFA) must be placed before the State Legislature. Accordingly, the MP Panchayat Raj Avam Gram Swaraj Adhiniyam 1993 was amended in July 2011. The first Annual Report of DLFA is under preparation (November 2012).

1.7 Source of revenue

As per section 63 & 64 there are mainly two sources of revenue for local bodies (i) Government grants and (ii) own revenues. Own revenue resources of PRIs comprise of tax and non-tax revenues realised by them. Government grants comprise of funds released by the State Government and the GOI on the recommendation of SFC, Central Finance Commission and State and the GOI share for implementation of various schemes.

1.8 Receipts and expenditure of PRIs

Funds (Share of tax revenue of the state, schemes and grants etc.) allocated to PRIs by the State Government through Budget including GOI's share of the schemes and grants recommended by Central Finance Commission were as follows:-

(₹ in crore)

Sl. No.	Grants in aid				Actual Expenditure			Saving (5-8)
	Year	Revenue	Capital	Total	Revenue	Capital	Total	
1	2	3	4	5	6	7	8	9
1.	2006-07	2719.84	5.76	2725.60	2241.23	0.04	2241.27	484.43
2.	2007-08	3221.86	3.04	3224.90	2996.51	3.03	2999.54	225.46
3.	2008-09	3985.44	2.04	3987.48	3125.25	0.03	3125.28	862.20
4.	2009-10	4942.02	7.02	4949.04	4038.20	5.01	4043.21	905.83
5.	2010-11	6585.74	231.40	6817.14	5678.75	198.65	5877.40	939.74

(Source:- Compiled from Appropriation Accounts)

The details of receipts and expenditure of all PRIs were not being maintained at the Panchayati Raj Directorate (PRD) level.

On being pointed out, the Commissioner, Panchayati Raj replied in October 2011 and November 2012 that the information regarding collection of taxes by ZPs, JPs and GPs was not available at the Directorate.

1.9 Devolution of SFC Grants

Article 243 W of the Constitution made it mandatory for the State Government to constitute a State Finance Commission within a year from the commencement of the Constitutional Amendment Act and thereafter on expiry of every five year to review the financial condition of the ULBs and to make recommendations to the Governor for devolution of funds.

The recommendations of Third SFC were adopted in February 2010 by the State Government. The Third SFC recommended that four *per cent* of the divisible tax revenue²² of previous year of State Government should be devolved to PRIs which would be collected in the divisible fund, through which the share would be devolved to GPs as per classification on the basis of population and their own tax collection criteria.

²² *Divisible Tax revenue means total own tax revenue minus ten per cent of expenditure for collection of taxes and deduction of assigned revenue to PRIs and ULBs.*

The position of funds was to be devolved and funds actually devolved by the State Government during 2010-11 to PRIs is as given below:-

(₹ in crore)				
Year	Own Tax Revenue of State (Divisible Fund)	Funds to be devolved as per Third SFC recommendations	Funds devolved to PRIs by State Government	Short Release
2010-11	13960.22	558.41	490.94	67.47

(Source: Finance Accounts 2009-10 and information provided by PRI)

It can be seen from the above table that State Government did not devolve the funds (₹ 67.47 crore) according to the recommendations of Third SFC to PRIs.

1.10 Bank-reconciliation statement not prepared

Rules 25-26 of Madhya Pradesh, Janpad Panchayat Lekha Niyam 1999, provide that the reconciliation of any difference between the balances of Cash Book and balances of Bank Accounts is required to be conducted every month.

It was noticed that the difference of cash balance of ₹ 25.10 crore between Cash Book and Bank statement at the close of the year (2010-11) was not reconciled by four PRIs²³ as shown in the **Appendix – X** which was contrary to the rules.

1.11 Status of outstanding audit objections

According to TGS arrangement, the DLFA would pursue the compliance of paragraphs in the Inspection Reports of the Accountant General (Audit) as if these are his own reports.

The status of outstanding audit objections of PRIs included in the AG's Inspection Reports is as under:-

S.No	Financial Year	PRIs			
		Opening balance of outstanding audit objection	Addition	No of objections settled	No of objection outstanding
1	2006-07	2824	3029	Nil	5853
2	2007-08	5853	3877	07	9723
3	2008-09	9723	1544	31	11236
4	2009-10	11236	1171	Nil	12407
5	2010-11	12407	1621	465	13563

(Source: Monthly Arrear Report of LB Wing)

Despite regular correspondence with DLFA, no active pursuance was made by DLFA for settlement of outstanding objections.

²³ ZP Chindwara, ZP Ujjain, JP Panagar (Jabalpur) and JP Khaniyadhana.

1.12 Conclusion

Annual Accounts were not prepared by the PRIs in prescribed formats. Details of receipts and expenditure of PRIs were not compiled at the PRD level. The State Government did not devolve the funds according to recommendations of Third SFC. Active pursuance was not made by DLFA for settlement of outstanding objections.

PART – II PANCHAYATI RAJ INSTITUTIONS

CHAPTER – I

OVERVIEW ON FINANCES INCLUDING THE ACCOUNTING PROCEDURES OF THE PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

To promote greater autonomy at the grass root level and to involve people in identification and implementation of development programmes involving Gram Sabhas, the 73rd Constitutional Amendment Act, 1992 was promulgated. According to the provisions of Article 243 G of the Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibility upon Panchayats at the appropriate level, subject to such conditions as may be specified therein with respect to:-

- (a) The preparation of plans for economic development and social justice;
- (b) The implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule²¹;

Similarly, according to the provisions of Article 243 H of the Constitution, the legislature of state may:-

- (a) Authorise a panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits,
- (b) Assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits,
- (c) Provide for making such Grants in Aid to the Panchayats from the Consolidated Fund of the State and
- (d) Provide for the constitution of such funds for crediting all moneys received, respectively, by or on behalf of the Panchayats and also for the withdrawal of such money there from as may be specified in the Law.

Consequently, a three-tier system of Panchayati Raj Institutions (PRIs) had been established in the State by Madhya Pradesh through Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993.

- Zila Panchayat (ZP) for a district,
- Janpad Panchayat (JP) for a block and
- Gram Panchayat (GP) for a village.

At present there are 50 ZPs, 313 JPs and 23010 GPs in the State.

²¹ Article 243 G and H of the Constitution (Seventy - third Amendment) Act. 1992.

The basic information about the State of Madhya Pradesh is given below:

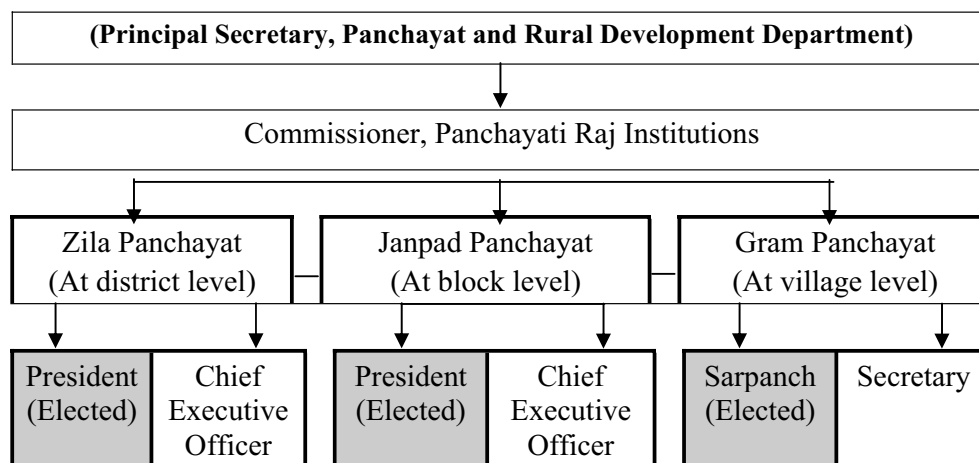
	Unit	State figure	All India figures
Population	Crore	7.26	121.02
Share in Country's population	<i>per cent</i>	6.00	--
Rural population	Crore	5.25	83.31
Share of Rural Population	<i>per cent</i>	72.00	68.84
Population Density of State	per sq. Km.	236.00	382.00
Literacy rate of State	<i>per cent</i>	71.00	74.00
Sex ratio of State	Ratio	930/1000	940/1000

Source: provisional census 2011

1.2 Administrative arrangements

As per Chapter 3 of the Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993, all the PRIs are distinct legal authorities to discharge the functions devolved under the provisions of Acts and Rules subject to monitoring powers vested in state authorities provided therein. The organisational structure of governance at State, District, Block and Village level is given below:

Organisational Chart



1.3 Roles and responsibilities of three tiers of PRI

Sl. No.	PRIs	Responsibilities
1.	Zila Panchayat	To co-ordinate, evaluate and monitor activities and guide the Janpad Panchayat and Gram Panchayat
2.	Janpad Panchayat	To implement, execute, supervise, monitor and manage works, scheme programmes and project through Gram Panchayat or through executing agencies, transferred by the State Government to Panchayats.
3.	Gram Panchayat	To ensure the execution of schemes, works projects entrusted to it by any law and those assigned to it by the Central or State Government or Zilla Panchayat or Janpad Panchayat.

Standing committees of Zila Panchayat	Standing committees of Janpad Panchayat	Standing committees of Gram Panchayat
<ul style="list-style-type: none"> a. General Administration b. Agriculture Committee c. Education Committee d. Communication and Works Committee e. Cooperation and Industries Committee 	<ul style="list-style-type: none"> a. General Administration b. Agriculture Committee c. Education Committee d. Communication and Works Committee e. Cooperation and Industries Committee 	<ul style="list-style-type: none"> a. General Administration b. Construction and Development Committee c. Education, health and social welfare committee

1.4 Audit coverage

Out of 23,373 PRIs (50 ZPs, 313 JPs and 23010 GPs) in the State, records of 454 PRIs (12 ZPs, 97 JPs and 345 GPs) were scrutinised during the year 2010-11.

1.5 Maintenance of Accounts in formats prescribed by the C&AG

The EFC recommended that C&AG should prescribe the formats for the preparation of budgets and for keeping of accounts for the local bodies. Similarly, the TFC recommended that all State should adopt an accounting framework and codification pattern consistent with the Model Panchayat Accounting System (MAS) which was developed by the C&AG and Ministry of Panchayati Raj and was to be adopted from 1 April 2010.

During test check of records of 12 ZP, 97 JP and 345 GPs, it was observed that none of the PRIs at different levels kept the accounts in the prescribed format during 2010-11.

On being pointed out, the Commissioner, PRI replied (August 2012) that the maintenance of accounts in prescribed format is under process in 2011-12.

1.6 Audit arrangements

As per recommendations of the Eleventh Finance Commission, audit by DLFA has been brought (November 2001) under the TG&S of the C&AG. Accordingly, the audit of 12 ZPs, 97 JPs and 345 GPs as shown **Appendix -IX** was conducted during 2010-11 and Inspection Reports were sent to DLFA for providing Technical Guidance.

Para 10.121 of the recommendations of TFC envisages that State Government must put in place an audit system for all local bodies (all tiers of PRIs). The C&AG must be given TG&S for all the local bodies in the state at every tier and his Annual Technical Inspection Report as well as the Annual Report of Director/Commissioner of Local Fund Audit (DLFA) must be placed before the State Legislature. Accordingly, the MP Panchayat Raj Avam Gram Swaraj Adhiniyam 1993 was amended in July 2011. The first Annual Report of DLFA is under preparation (November 2012).

1.7 Source of revenue

As per section 63 & 64 there are mainly two sources of revenue for local bodies (i) Government grants and (ii) own revenues. Own revenue resources of PRIs comprise of tax and non-tax revenues realised by them. Government grants comprise of funds released by the State Government and the GOI on the recommendation of SFC, Central Finance Commission and State and the GOI share for implementation of various schemes.

1.8 Receipts and expenditure of PRIs

Funds (Share of tax revenue of the state, schemes and grants etc.) allocated to PRIs by the State Government through Budget including GOI's share of the schemes and grants recommended by Central Finance Commission were as follows:-

(₹ in crore)

Sl. No.	Grants in aid				Actual Expenditure			Saving (5-8)
	Year	Revenue	Capital	Total	Revenue	Capital	Total	
1	2	3	4	5	6	7	8	9
1.	2006-07	2719.84	5.76	2725.60	2241.23	0.04	2241.27	484.43
2.	2007-08	3221.86	3.04	3224.90	2996.51	3.03	2999.54	225.46
3.	2008-09	3985.44	2.04	3987.48	3125.25	0.03	3125.28	862.20
4.	2009-10	4942.02	7.02	4949.04	4038.20	5.01	4043.21	905.83
5.	2010-11	6585.74	231.40	6817.14	5678.75	198.65	5877.40	939.74

(Source:- Compiled from Appropriation Accounts)

The details of receipts and expenditure of all PRIs were not being maintained at the Panchayati Raj Directorate (PRD) level.

On being pointed out, the Commissioner, Panchayati Raj replied in October 2011 and November 2012 that the information regarding collection of taxes by ZPs, JPs and GPs was not available at the Directorate.

1.9 Devolution of SFC Grants

Article 243 W of the Constitution made it mandatory for the State Government to constitute a State Finance Commission within a year from the commencement of the Constitutional Amendment Act and thereafter on expiry of every five year to review the financial condition of the ULBs and to make recommendations to the Governor for devolution of funds.

The recommendations of Third SFC were adopted in February 2010 by the State Government. The Third SFC recommended that four *per cent* of the divisible tax revenue²² of previous year of State Government should be devolved to PRIs which would be collected in the divisible fund, through which the share would be devolved to GPs as per classification on the basis of population and their own tax collection criteria.

²² *Divisible Tax revenue means total own tax revenue minus ten per cent of expenditure for collection of taxes and deduction of assigned revenue to PRIs and ULBs.*

The position of funds was to be devolved and funds actually devolved by the State Government during 2010-11 to PRIs is as given below:-

(₹ in crore)				
Year	Own Tax Revenue of State (Divisible Fund)	Funds to be devolved as per Third SFC recommendations	Funds devolved to PRIs by State Government	Short Release
2010-11	13960.22	558.41	490.94	67.47

(Source: Finance Accounts 2009-10 and information provided by PRI)

It can be seen from the above table that State Government did not devolve the funds (₹ 67.47 crore) according to the recommendations of Third SFC to PRIs.

1.10 Bank-reconciliation statement not prepared

Rules 25-26 of Madhya Pradesh, Janpad Panchayat Lekha Niyam 1999, provide that the reconciliation of any difference between the balances of Cash Book and balances of Bank Accounts is required to be conducted every month.

It was noticed that the difference of cash balance of ₹ 25.10 crore between Cash Book and Bank statement at the close of the year (2010-11) was not reconciled by four PRIs²³ as shown in the **Appendix – X** which was contrary to the rules.

1.11 Status of outstanding audit objections

According to TGS arrangement, the DLFA would pursue the compliance of paragraphs in the Inspection Reports of the Accountant General (Audit) as if these are his own reports.

The status of outstanding audit objections of PRIs included in the AG's Inspection Reports is as under:-

S.No	Financial Year	PRIs			
		Opening balance of outstanding audit objection	Addition	No of objections settled	No of objection outstanding
1	2006-07	2824	3029	Nil	5853
2	2007-08	5853	3877	07	9723
3	2008-09	9723	1544	31	11236
4	2009-10	11236	1171	Nil	12407
5	2010-11	12407	1621	465	13563

(Source: Monthly Arrear Report of LB Wing)

Despite regular correspondence with DLFA, no active pursuance was made by DLFA for settlement of outstanding objections.

²³ ZP Chindwara, ZP Ujjain, JP Panagar (Jabalpur) and JP Khaniyadhana.

1.12 Conclusion

Annual Accounts were not prepared by the PRIs in prescribed formats. Details of receipts and expenditure of PRIs were not compiled at the PRD level. The State Government did not devolve the funds according to recommendations of Third SFC. Active pursuance was not made by DLFA for settlement of outstanding objections.

CHAPTER – II

**TRANSACTION AUDIT PARAGRAPHS
(PANCHAYATI RAJ INSTITUTIONS)**

2.1 Audit findings on Release and Utilisation of Thirteenth Finance Commission (TFC) grants of Panchayat Raj Institutions (PRIs).

The TFC had made recommendations on the measures needed to augment the consolidated funds of the State to supplement the resources of Panchayats and Municipalities. In this regard the TFC recommended Grants-In-Aid (GIA) to Local Bodies (LBs) for both General Areas and Special Areas for its award period (2010-15). In addition to these grants, the general performance grant would be available from 2011-12 to the States which met the conditions imposed for its release. As per GOI guidelines, (September 2010) all Local Body grants were to be released in two tranches, in July and January every fiscal year, subject to fulfilment of the conditions imposed for release of grants.

Grants received by the State Government from the GOI on the recommendations of the TFC for the year 2010-11 are depicted in **Appendix – XI**.

In this regard information was collected from Finance Department (FD) Government of Madhya Pradesh, Commissioner Panchayat Raj (PR), Chief Executive Officer (CEO) Zila Panchayat (ZP) Bhopal, CEO Janpad Panchayat (JP) Fanda and Bairasia (Bhopal) for the year 2010-11. The audit findings on transfer and utilisation of grant are as under:-

2.1.1 Delayed transfer of grant

According to para 3 to GOI's release orders (July 2010) the amount of first installment of LBs grant was to be transferred to PRIs within 15 days of its receipt from the GOI. According to GOI's release orders (March 2011), the second instalment of the grant was also to be transferred to PRIs within five days and 10 days according to the banking infrastructural accessibility. In case of delay in transfer of grant beyond the specified period the State would be liable for payment of interest at the RBI bank rate to PRIs along with the instalment. Contrary to the guidelines the General Basic Grant (GBG) and Special Areas Basic Grant (SABG) was not released within the specified period during 2010-11 as shown in the following table:-

Name of Grant/ No. of Instt.	Amount Received from GOI		Amount Drawn from treasury (₹ in crore)	Amount Transferred to LBs		Delay in transfer of Grant to LBs beyond the stipulated period/ Amount of interest to be paid to LBs		
	Date	Amount (₹ in crore)		Date	Amount (₹ in crore)	Days	Interest (₹ in crore)	
1. General Basic Grant/I st	15.7.10	191.52	191.550	13.9.10 22.3.11	145.21 46.34	45 ²³ 235	1.07 1.79	
2. Spl. Area Basic Grant/I st	15.7.10	11.28	11.284	13.9.10	11.284	45	0.08	
3. General Basic Grant/II nd	30.3.11	186.90	191.490	In this regard neither the certificate was sent to GOI nor the information was made available to audit, hence interest could not be worked out.				
4. Spl. Area Basic Grant/II nd	30.3.11	11.28	8.630					
	G. Total	400.98	402.954					2.94

(Source: Information collected from Finance Department and PRD)

As per guidelines, the State Government was required to send a certificate to the GOI stating therein the amount and date of receipt of grant and its transfer to PRIs. But the Commissioner PR did not submit such certificate to the GOI through the FD in respect of second instalment of the TFC grant for 2010-11. Hence it could not be ensured in audit that these grants were transferred to PRIs within the specified period.

On being pointed out (August 2011 and November 2012) the Commissioner PRI replied that the sanction of ₹ 2.95 crore in respect of interest for delay in release of grant is awaited from FD.

2.1.2 Irregular parking of grant in Bank accounts

As per para 3 of the sanction order of the TFC release dated 15 July 2010, states have to transfer the amount to local bodies within 15 days of their receipt from the GOI.

Scrutiny of records (August 2011) of Commissioner PR, revealed that on recommendation of the TFC, GOI, Ministry of Finance (MoF) released ₹ 191.52 crore (July 2010) as first instalment of GBG for PRIs for 2010-11. Against this release order Commissioner PR drew ₹ 191.55 crore (September 2010) from treasury but transferred only ₹ 145.21 crore to Gram Panchayats (GPs) through e-Banking system. The balance amount of ₹ 46.34 crore was irregularly kept by the Commissioner PR in Bank account to implement e-Panchayat scheme. Further, the Commissioner, PR, deposited it in the Bank account of CEO, ZP Bhopal on 22 March 2011 instead of transferring the amount to GPs.

²³ Delay in days leaving 15 days.

On being pointed out (August 2011) the CEO, ZP, Bhopal replied that for want of directives from the Government the amount is still lying unutilised in their Bank account.

Thus, the Commissioner, PR kept the amount of ₹46.34 crore for 235 days in the Bank account contrary to the TFC guidelines which created an undue liability of interest of ₹1.79 crore on the State exchequer and this amount is still lying in Bank account of CEO, ZP Bhopal.

2.1.3 Non submission of UC to the GOI

According to para 6.2 of the guidelines, release of any instalment of the TFC grant will be subject to an UC for the previous instalment drawn.

Scrutiny of records (August 2011) of the test checked units revealed that the actual utilisation of grants of ₹402.95 crore transferred to GPs for the year 2010-11 (**Appendix - XI**) was not reported to the GOI by the Commissioner PR through the FD. It was also observed that none of the test checked units reported utilisation of the TFC grants received by them. The upto date position was sought from Commissioner, PR in November 2012 but reply is awaited.

2.1.4 Lack of Monitoring & Evaluation Mechanism

In compliance of the TFC guidelines, a High Level Committee (HLC) headed by the Chief Secretary to the State Government was constituted (July 2010) by the Finance Department to ensure adherence to the specific conditions in respect of each category of grant, wherever applicable. The HLC was required to meet once in a quarter.

It was found that only two HLC meetings (July 2010 and December 2010) were held till January 2011 which clearly shows that there was a lack of monitoring and evaluation mechanism for proper utilisation of grants.

2.1.5 Conclusion

Grants received by the State Government from the GOI for Local Bodies on the recommendations of the TFC were not transferred to the PRIs within the specified period, which created a liability of ₹2.95 crore on the State Government in the form of interest payable to PRIs. An amount of GBG grant (₹46.34 crore) was irregularly transferred to Bank account of CEO, ZP Bhopal instead of GPs. Utilisation of grants transferred to the PRIs was not ensured. Due to lack of an effective monitoring mechanism, the local body-wise and activity-wise position of expenditure incurred by them against the grants was not available at any level. Consequently the actual utilisation of grants could not be reported to the GOI. The position of transfer and utilisation of local

body grants may affect the release of performance grant for the next year (2011-12) from the GOI.

Date: 28/05/2013

Place: Gwalior



(J.R. Meena)

Dy. Accountant General
(Social Sector Audit-I),
Madhya Pradesh

Countersigned



(K.K. Srivastava)

Principal Accountant General
(General and Social Sector Audit)
Madhya Pradesh

Date: 28/05/2013

Place: Gwalior

Appendix – I
(Reference: Paragraph 1.3 (PART- I) Page -2)
LIST OF NAGAR NIGAMS AUDITED IN 2010-11

S.No.	Name of Nagar Nigams
1	Nagar Nigam, Indore
2	Nagar Nigam, Khandwa
3	Nagar Nigam, Burhanpur
4	Nagar Nigam, Bhopal
5	Nagar Nigam, Jabalpur
6	Nagar Nigam, Rewa
7	Nagar Nigam, Satna
8	Nagar Nigam, Singrolli
9	Nagar Nigam, Ratlam

LIST OF NAGAR PALIKAS AUDITED IN 2010-11

S.No.	Name of Nagar Palika
1	Nagar Palika Sheopur
2	Nagar Palika Shivpuri
3	Nagar Palika Raghogarh, Guna
4	Nagar Palika Ashoknagar
5	Nagar Palika Chanderi, Ashoknagar
6	Nagar Palika Mandsaur
7	Nagar Palika Neemuch
8	Nagar Palika Nagda, Ujjain
9	Nagar Palika Peethampur, Dhar
10	Nagar Palika Raisen
11	Nagar Palika Beora, Rajgarh
12	Nagar Palika Damoh
13	Nagar Palika Panna
14	Nagar Palika Tikamgarh
15	Nagar Palika Tamia, Chhindwara
16	Nagar Palika Seoni
17	Nagar Palika Shahdol
18	Nagar Palika Mauganj, Rewa
19	Nagar Palika Saindhwa Badwani
20	Nagar Palika Balaghat
21	Nagar Palika Vidisha
22	Nagar Palika Gadhkota, Sagar
23	Nagar Palika Khurai, Sagar
24	Nagar Palika Bina, Sagar
25	Nagar Palika Jhabua
26	Nagar Palika Alirajpur
27	Nagar Palika Junardeo, Chhindwara

LIST OF NAGAR PARISHADS AUDITED IN 2010-11

S.No.	Name of Nagar Parishad (Panchayat)
1	Nagar Parishad Aantari, Gwalior

2	Nagar Parishad Karera, Shivpuri
3	Nagar Parishad Khaniadhana, Shivpuri
4	Nagar Parishad Mugawali, Ashoknagar
5	Nagar Parishad Badoda, Sheopur
6	Nagar Parishad Mau, Bhind
7	Nagar Parishad Wagli, Dewas
8	Nagar Parishad Bhorsa, Dewas
9	Nagar Parishad Hathpipaliya, Dewas
10	Nagar Parishad Kantafod, Dewas
11	Nagar Parishad Tonkkhurd, Dewas
12	Nagar Parishad Pipalrawa, Dewas
13	Nagar Parishad Akodia, Shajapur
14	Nagar Parishad Badagaon, Shajapur
15	Nagar Parishad Bhanpur, Mandsaur
16	Nagar Parishad Garoth, Mandsaur
17	Nagar Parishad Shyamgarh, Mandsaur
18	Nagar Parishad Jeeran, Neemuch
19	Nagar Parishad Ratangarh, Neemuch
20	Nagar Parishad Sigoli, Neemuch
21	Nagar Parishad Hatod, Indore
22	Nagar Parishad Manpur, Indore
23	Nagar Parishad Dhamnood, Dhar
24	Nagar Parishad Rajgarh, Dhar
25	Nagar Parishad Petlawad, Jhabua
26	Nagar Parishad Bhikangaon, Khargone
27	Nagar Parishad Omkareshwar, Khargone
28	Nagar Parishad Sitholia, Rajgarh
29	Nagar Parishad Machalpur, Rajgarh
30	Nagar Parishad Khidkiya, Harda
31	Nagar Parishad Tendukheda, Damoh
32	Nagar Parishad Ajaygarh, Panna
33	Nagar Parishad Amanganj, Panna
34	Nagar Parishad Kakarhati, Panna
35	Nagar Parishad Pawai, Panna
36	Nagar Parishad Chandla, Chhatarpur
37	Nagar Parishad Badagaon, Tikamgarh
38	Nagar Parishad Niwadi, Tikamgarh
39	Nagar Parishad Jatara, Tikamgarh
40	Nagar Parishad Lingorakhas, Tikamgarh
41	Nagar Parishad Chadameta, Chhindwara
42	Nagar Parishad Newtanchikhali, Chhindwara
43	Nagar Parishad Shahpura, Dindori
44	Nagar Parishad Teothar, Rewa
45	Nagar Parishad Simaria, Rewa
46	Nagar Parishad Virsingpur, Satna
47	Nagar Parishad Nagod, Satna
48	Nagar Parishad Loharda, Dewas
49	Nagar Parishad Vaikunthpur, Rewa

Appendix – II

(Reference: Paragraph 1.10- (PART - I) page -6)

Statement showing differences in Cash Book and Bank Pass Book

(₹ in crore)

S. No.	Name of the ULB	Audit period	Balance as per Cash Book as on 31.03.2011	Balance as per Bank Pass Book as on 31.03.2011	Difference as on 31.03.2011
1	Municipal Corporation, Sagar	2010-11	0.38	1.27	0.89
2	Municipal Corporation, Satna	2010-11	4.48	5.48	1.00
3	Municipal Corporation, Rewa	2010-11	2.59	2.84	0.25
Total			7.45	9.59	2.14

The above information based on Cash Book & Bank Pass Book

Appendix-III

(Reference: Paragraph 1.11 (PART - I) page -6)

**Statement showing details of Non-collection of tax revenue as on
31.03.2011**

(₹ in crore)

Sl. No.	Name of ULB	Arrears of previous year	Demand for the current year	Total	Total tax collected	Amount of Uncollected tax
1	Municipal corporation Rewa	2.72	2.70	5.42	3.47	1.95
2	Municipal corporation Satna	11.31	4.41	15.72	6.55	9.17
Total		14.03	7.11	21.14	10.02	11.12

(Source: Information furnished by Municipal Corporations)

Appendix-IV
(Reference: Paragraph 1.11- (PART - I) page -6)

**Statement showing details of Non-collection of Non-tax revenue as on
31.03.2011**

(₹ in crore)

Sl. No.	Name of ULB	Arrears of previous year	Demand for the current year	Total	Total tax collected	Amount of Uncollected tax
1	Municipal Corporation Rewa	1.24	1.36	2.60	2.17	0.43
2	Municipal Corporation Satna	5.36	0.72	6.08	0.49	5.59
3	Municipal Corporation Sagar	5.77	2.76	8.53	2.04	6.49
Total		12.37	4.84	17.21	4.70	12.51

(Source: Information furnished by the Municipal Corporations)

Appendix – V**(Reference: Paragraph 1.12 (PART - I) page -7)****Statement showing non adjustment of advances****(₹ in lakh)**

Municipal Corporation	Advance given to	Purposes	During the period	Amount
MC Satna	Those employees who have retired from MC/ died	For office works	1987 to 1995	1.09
MC Satna	Those employees who have transferred	For office works	1989 to 2008	0.32
MC Satna	Those employees who are presently in service	For office works	1987 to 2011	15.36
MC Satna	Advance was given to contractors / firms	For construction works	1985 to 2006	41.83
MC Satna	Advance was given to other departments	For Misc. works	1994 to 2008	21.83
MC Rewa	Advance was given to employees/firms	Not shown in Advance Register	Not shown in Advance Register	102.66
Total				183.09

Or say ₹ 1.83 crore**(Source: Information furnished by MC Satna and Rewa)**

Appendix – VI

(Reference: Paragraph 2.7.2 – Page -12)

Closing balances as on 31 March in the Bank accounts of DUDA

(₹ in crore)

S. No	Name of the District	Closing balances as on 31 March				
		2006-07	2007-08	2008-09	2009-10	2010-11
1	Betul	0.21	0.33	0.30	0.40	0.60
2	Chhatarpur	0.31	0.32	1.15	1.29	2.09
3	Mandla	0.09	0.13	0.21	0.42	0.68
4	Ratlam	0.41	0.69	1.17	0.99	1.38
5	Shahdol	0.13	0.25	0.32	0.66	0.66
6	Shajapur	0.25	0.22	0.32	0.30	0.62
7	Shivpuri	0.67	0.98	1.29	2.09	1.95
	Total	2.07	2.92	4.76	6.15	7.98

(Source: Information collected from the records of PO, DUDAs on Audit half margins)

Appendix – VII
(Reference: Paragraph 2.8.1 – Page - 13)

Loan cases in which Subsidy was irregularly adjusted by the banks

Sl. No.	Name of the district	Name of the loanee	Amount/ Date of sanction of loan	Subsidy Adjustment amount & date	Adjustment of subsidy prior to lock in period of two years	Balance outstanding	Name of the Bank
1	Chhatarpur	Irfan Khan	47500/17.03.08	7500/22.01.10	Yes	49678	PNB
2		Yashodhara Soni	50000/10.09.07		No	47934	
3		Rani Khan	47650/10.12.07	7500/23.11.09	Yes	41303	
4		Ranno Devi	427502/28.02.09		No	45979	Allahabad Bank
5		Vimal Kumar	50870/22.02.09		No	66986	
6		Sushila Soni	49145/28.02.09		No	49558	
7	Shahdol	Abdul Kalim	40000/06.12.06	7500/17.04.08	Yes	59205	UBI
8		Ramsingh Gond	50000/16.04.08	7500/17.04.08	Yes	52591	
9		Rafeeqe Khan	50000/16.04.08	7500/17.04.08	Yes	47489	
10		Kaushal Kishore	50000/09.09.07	7500/17.04.08	Yes	60415	
11		Sachin Kumar	50000/17.04.07	7500/17.04.08	Yes	59852	
12		Raju Devid	50000/29.06.08	7500/17.08.08	Yes	48973	
13		Guddi Chaudhary	50000/19.03.08		No	30485	
14	Shivpuri	Gajaram	50000/26.03.08		No	46892	PNB
15		Mahendra Jadhav	39600/08.03.09		No	36861	

16		Naseer Khan	40000/08.03.09	6000/29.09.10	Yes	34366	
17		Guddu Bai	19000/27.08.09		No	27431	
18		Jagdish Namdeo	40750/03.03.08		No	32814	
19		Taheer Bablu	30000/16.11.06	4500/14.01.08	Yes	27854	
20	Mandla	Luxmi Sharma	20000/06.11.07		No	18439	Bank of Maharashtra
21		Raju Jain	25000/12.07.07		No	21422	
22		Ramkali Bai	20000/08.10.07		No	1582	PNB
23		Bablu Rawat	20000/29.08.07		No	NPA	
24		Gauri Yadav	20000/12.12.07		No	NPA	
25		Sapna	20000/18.03.08		No	24289	
26		Omkumar	20000/27.02.08		No	15119	
27		Wakil Khan	19000/27.07.08		No	10713	Bank of Maharashtra
28		Salim Khan	19000/27.07.08		No	19410	
29	Ratlam	Kali Bai	10000/11.02.09	7500/31.12.10	Yes	3330	Bank of Baroda
30		Dhappu Bai	19650/07.11.08		No	10794	
31		Mangu Singh	23750/03.02.09	7500/31.12.10	Yes	2328	
32		Kallu Baba	50000/16.04.08		No	85978	
33		Akbar Khan	20000/22.07.08		No	22192	
34		Md. Mahbub	14222/19.12.08		No	5367	

35		Afsana	14750/05.01.09		No	6103	
36		Mujaffar Husain	19320/25.12.08		No	10349	
37		Nargis	20000/11.06.08		No	11904	
38		Hansa Chandra	47500/19.07.08		No	46333	SB of Bikaner & Jaipur
39		Hameeda Qureshi	38000/30.11.09	3847/07.05.11	Yes	38468	
40		Narayan Singh	35000/22.08.07	5130/15.02.08	Yes	28636	
41		Neeta Purohit	38000/13.01.09		No	25196	
42		Saroj Khan	11400/24.03.09	1800/02.03.10	Yes	7121	
43		Anisha	7600/24.01.09		No	4812	
44		Moheedin	33250/25.02.09	5450/31.03.10	Yes	31387	
45		Ramkumar	35000/31.08.06	5250/31.03.09	Yes	16327	
46		Shiv Kumar	25000/29.04.10	12500/24.05.10	Yes	38551	SBI
47		Bilkish	25000/16.01.10	12500/14.01.10	Yes	42391	
48		Deepak	90000/25.01.10	25000/30.03.10	Yes	81892	
49		Rekha Kallu	50000/11.05.10	12500/08.07.10	Yes	33512	
50		Haseena Bano	50000/06.01.10	12500/14.01.10	Yes	32889	
51		Parveen	50000/06.01.10	12500/14.01.10	Yes	29119	

(Source: Bank statements of the beneficiaries' loan accounts)

Appendix – VIII
(Reference: Paragraph 3.1 and 3.1.2 (PART - I) Pages –18 and 19)

Statement showing the position of GIA received from the GOI and its drawal by the Directorate of Urban Administration & Development MP from treasury and transfer to local bodies for the year 2010-11

Sl. No.	Name of Grant	No. of Instt.	Amount received from GOI		Amount Drawn form treasury by Commissioner UADD		Excess / less drawal of GIA from treasury as compare to its receipt from GOI (₹ In crore)	Amount transferred to LBs		Delay in transfer of GIA to LBs beyond the stipulated period in sanction order	
			Date	Amount (₹ In crore)	Cheque No./ Date	Amount (₹ In crore)		Date	Amount (₹ In crore)	Day	Amount of Interest to be paid to LBs (₹)
1	2	3	4	5	6	7	8	9	10	11	12
1.	General Basic Grant	I st	15.7.10	69.55	283706, 283707 & 283708 Dt.26.8.10	69.55	--	26.8.10	69.55	27	3086877.00
2.	Special Area Basic Grant	I st	15.7.10	1.97	283709 Dt.26.8.10	1.971	0.001 (Excess)	26.8.10	1.971	27	87480.00
3.	General Basic Grant	II nd	29.3.11	67.87	298847, 298867 & 298849 30.3.11	67.87	--	Date of transfer reported to GOI was 30.3.11 where as amount was drawn from treasury 31.3.11 (67.87)		--	--
4.	Special Area Basic Grant	II nd	30.3.11	1.97	299485 20.4.11	1.57	1.57 (Excess) (During 2011-12)	20.4.11	1.57	16	41293.00

1.	GB. Grant		137.42		137.42	1.969 (Short)		--	--	3086877
2.	Sp. A.B. Grant		3.94		3.541	(During 2010-11)				128773
Grand Total			141.36		140.961	(-) 0.399 (Short)	--	--	--	3215650 Or say ₹0.322 crore

Source- Information furnished by the FD and UADD MP Bhopal

- Inertest calculation:-**
- (1) $695500000 \times \frac{6}{100} \times \frac{27}{365} = 3086876.71$
 - (2) $19710000 \times \frac{6}{100} \times \frac{27}{365} = 87480.00$
 - (3) $15700000 \times \frac{6}{100} \times \frac{16}{365} = 41293.15$

Appendix – IX**(Reference: Paragraph 1.6 – (PART - II) Page- 24)****List of Panchayati raj Institutions Audited In 2010-11**

S.No.	Name of Zilla Panchayat
1.	Zilla Panchayat Morena
2.	Zilla Panchayat Chhindwara
3.	Zilla Panchayat Khandwa
4.	Zilla Panchayat Khargone
5.	Zilla Panchayat Badwani
6.	Zilla Panchayat Betul
7.	Zilla Panchayat Jabalpur
8.	Zilla Panchayat Dhar
9.	Zilla Panchayat Anuppur
10.	Zilla Panchayat Balaghat
11.	Zilla Panchayat Sheopur
12.	Zilla Panchayat Mandla

LIST OF JANPAD PANCHAYATS AUDITED IN 2010-11

S.No.	Name of Janpad Panchayat
1.	Janpad Panchayat Sheopur
2.	Janpad Panchayat Vijaypur, Sheopur
3.	Janpad Panchayat Ambah Morena
4.	Janpad Panchayat, Porsa, Morena
5.	Janpad Panchayat Sabalgarh,
6.	Janpad Panchayat Mihona Bhind
7.	Janpad Panchayat Gohad Bhind
8.	Janpad Panchayat Ghatigaw Gwalior
9.	Janpad Panchayat Narwar Shivpuri
10.	Janpad Panchayat Pichore Shivpuri
11.	Janpad Panchayat Khaniadhana Shivpuri
12.	Janpad Panchayat Chachoda Guna
13.	Janpad Panchayat Raghogarh Guna
14.	Janpad Panchayat Aron Guna
15.	Janpad Panchayat Ashok nagar
16.	Janpad Panchayat Datia
17.	Janpad Panchayat Dewas
18.	Janpad Panchayat Sonkachch Dewas
19.	Janpad Panchayat sailana Ratlam
20.	Janpad Panchayat Wajna Ratlam
21.	Janpad Panchayat Jawara Ratlam
22.	Janpad Panchayat Nalkheda Shajapur
23.	Janpad Panchayat Malhargad Mandsaur
24.	Janpad Panchayat Garoth Mandsaur
25.	Janpad Panchayat Bhanpura Mandsaur
26.	Janpad Panchayat Neemach
27.	Janpad Panchayat Jawad Neemuch
28.	Janpad Panchayat Banasa Neemach

29.	Janpad Panchayat Mahidpur Ujjain
30.	Janpad Panchayat Kukshi Dhar
31.	Janpad Panchayat Ranapur
32.	Janpad PanchayatGaugaw Khargon
33.	Janpad Panchayat Segaw Khargon
34.	Janpad Panchayat Bhikargaw Khargon
35.	Janpad Panchayat Jhirania Khargon
36.	Janpad Panchayat Maheshwar Khargon
37.	Janpad Panchayat Badwani
38.	Janpad PanchayatRajpur Badwani
39.	Janpad Panchayat Sendawa Badwani
40.	Janpad Panchayat Khandwa
41.	Janpad Panchayat Khalwa Khandwa
42.	Janpad Panchayat Ichawar Sehore
43.	Janpad Panchayat Sanchi Raisen
44.	Janpad Panchayat Begam ganj Raisen
45.	Janpad Panchayat Silwani Raisen
46.	Janpad Panchayat Jirapur Rajgarh
47.	Janpad Panchayat Narsingharh
48.	Janpad Panchayat Vidisha
49.	Janpad Panchayat Gairashpur Vidisha
50.	Janpad Panchayat Babai Hosangabad
51.	Janpad Panchayat Kaisala Hosangabad
52.	Janpad Panchayat Suhagpur Hosangabad
53.	Janpad Panchayat Bankhedi Hosangabad
54.	Janpad Panchayat Harda
55.	Janpad Panchayat Malthon Sagar
56.	Janpad PanchayatTendu Kheda
57.	Janpad Panchayat Gunaur Panna
58.	Janpad Panchayat Pawai Panna
59.	Janpad Panchayat Laudi Chatarpur
60.	Janpad Panchayat Tikamgarh
61.	Janpad Panchayat Jatara Tikamgarh
62.	Janpad Panchayat Shahgarh Sagar
63.	Janpad Panchayat Banda Sagar
64.	Janpad Panchayat Palaira Tikamgarh
65.	Janpad Panchayat Katni
66.	Janpad Panchayat Vijayraghogarh Katni
67.	Janpad Panchayat Maukheda Chindwada
68.	Janpad Panchayat Sausar Chindwada
69.	Janpad Panchayat Sioni
70.	Janpad Panchayat Kewlari Sioni
71.	Janpad Panchayat Kahani ke pass Ghansor Sioni
72.	Janpad Panchayat Ghughari Mandala
73.	Janpad Panchayat Mainpur Mandala
74.	Janpad Panchayat Niwas Mandala
75.	Janpad Panchayat Dindori
76.	Janpad Panchayat Karjania Dinodori

77.	Janpad Panchayat Samnapur Dindori
78.	Janpad Panchayat Shahpura Dindori
79.	Janpad Panchayat Lanji Balaghat
80.	Janpad Panchayat Baihar Balaghat
81.	Janpad Panchayat Khairlanji Balaghat
82.	Janpad Panchayat Lalbarra Balaghat
83.	Janpad Panchayat Jawa Rewa
84.	Janpad Panchayat Sirmaur Rewa
85.	Janpad Panchayat Gangew Rewa
86.	Janpad Panchayat Chitrakut Majhagawan Satna
87.	Janpad Panchayat Rampur Baghelan Satna
88.	Janpad Panchayat Ramnagar Satna
89.	Janpad Panchayat Nagaur Satna
90.	Janpad Panchayat Anuppur
91.	Janpad Panchayat Tirwa Dhar
92.	Janpad Panchayat Dharpuri Dhar
93.	Janpad Panchayat Nalcha Dhar
94.	Janpad Panchayat Sehora Jabalpur
95.	Janpad Panchayat Patan Jabalpur
96.	Janpad Panchayat Sahpura Jabalpur
97.	Janpad Panchayat Kundam Jabalpur

Note:- Audit of Gram Panchayat is conducted during the audit of Janpad Panchayat, Gram Panchayats are selected for audit on the basis of expenditure. During 2010-11, 345 Gram Panchayats were audited.

Appendix - X**(Reference: Paragraph – 1.10 (PART-II- Page -26)****Statement showing differences in Cash Book and Bank Pass Book**

(Amount in ₹)

S no.	Name of the PRI	Audit period	Amount as per Cash Book	Amount as per Bank Pass Book	Difference
1	ZP, Chhindwara	2009-11	119303148	147451516	28148368
2	ZP, Ujjain	2010-11	228223483	458261729	230038246
3	JP, Panagar (Jabalpur)	2010-11	17535749	25012076	7476927
4	JP, Khaniyadhana (Shivpuri)	2010-11	56257328	41636355	-14620973
Total			421319708	672361676	251042568
					Say ₹25.10 crore

(Source: Information collected from the records of above ZPs and

Appendix – XI
(Reference: Paragraph 2.1 and 2.1.3 (PART - II) Pages –28 and 30)
Statement showing the position of GIA received from the GOI and its drawal by the Directorate of Panchayat Raj MP from treasury and transfer to local bodies for the year 2010-11

S. No.	Name of Grant	No. of Instt.	Amount received from GOI		Amount Drawn from treasury by Commissioner Panchayati Raj		Excess / less drawal of GIA from treasury as compare to its receipt from GOI (₹In crore)	Amount transferred to LBs		Delay in transfer of GIA to LBs beyond the stipulated period in sanction order	
			Date	Amount (₹In crore)	Cheque No./ Date	Amount (₹In crore)		Date	Amount (₹In crore)	Day	Amount of Interest to be paid to LBs (₹)
1	2	3	4	5	6	7	8	9	10	11	12
1.	General Basic Grant	I st	15.7.10	191.52	<u>284546</u> 8.9.10	191.55	0.03 (Excess)	13.9.10 22.3.11	145.21 (Gram Panchayats) 46.34 (CEO ZP Bhopal)	45 235	10741562.00 17901205.00
2.	Special Area Basic Grant	I st	15.7.10	11.28 ²⁵	<u>284545</u> 8.9.10	11.284	0.004 (Excess)	13.9.10	11.284 (Gram Panchayats)	45	834707.00
3.	General Basic Grant	II nd	30.3.11	186.90	<u>299020</u> 31.3.11	191.49	4.59 (Excess)	Date/position of transfer not intimated to GOI			

²⁵ As out of each installment (₹ 13.25 crore) of SABG the amount was to be drawn by the PRDD & UADD was not intimated to audit by the Finance Department. Hence amount (₹ 11.28 crore) shown in the action plan of PRDD was treated as share of PRIs and rest amount (₹ 1.97 crore) as share of ULBs in each installment.

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4.	Special Area Grant	II nd	30.3.11	11.28	<u>299022</u> 31.3.11	8.63	2.65 (Short)	Date/position of transfer not intimated to GOI		
I	GB. Grant			378.42		383.04	4.62			28642767.00
II	Sp. A.B. Grant			22.56		19.914	(Excess) 2.646 (Short)			834707.00
Grand Total				400.98		402.954				29477474.00

Source- Information furnished by the FD, CPR, CUADD MP Bhopal and CEOZP

Inertest calculation:- (1) $1452100000 \times \frac{6}{100} \times \frac{45}{365} = 10741561.64$

(2) $463400000 \times \frac{6}{100} \times \frac{235}{365} = 17901205.479$

(3) $112840000 \times \frac{6}{100} \times \frac{45}{365} = 834706.84$