

## PREFACE

*The Report is prepared for submission to the Government in terms of Technical Guidance and Support (TGS) on audit of accounts of Panchayati Raj Institutions (PRIs ) and Urban Local Bodies (ULBs) under Section 20(1) of C&AG's DPC Act 1971. The Government of Manipur entrusted the Comptroller and Auditor General of India (C&AG) the audit of accounts of the PRIs and ULBs under section 20 (I) of C&AG's DPC Act, 1971 on the recommendations of the Eleventh Finance Commission vide order dated 21 June 2002.*

*2. This is the second Report of the Comptroller and Auditor General of India (C&AG) on Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in the state of Manipur. This Annual Technical Inspection Report for the year 2009-10 is the consolidation of major audit findings arising out of audit of accounts of 28 PRI units and 8 ULB units conducted during the year 2009-2010 as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the periods subsequent to 2009-10 have also been included wherever necessary.*

*3. This Report contains three Chapters. Chapter I & Chapter II relate to Accounts and Finances of the PRIs and ULBs respectively whereas Chapter III deals with the observations arising out of transaction audit of selected PRIs and ULBs.*

*4. The purpose of this Report is to give an overview of the functioning of PRIs and ULBs in the state of Manipur so as to draw the attention of the Executive Departments, Panchayati Raj Institutions and Urban Local Bodies for remedial actions for improvement wherever necessary.*

## OVERVIEW

This Report includes three Chapters. Chapters-I and II contain an overview of the Panchayati Raj Institutions and Urban Local Bodies (ULBs) respectively. Chapter-III comprises audit paragraphs on the financial transactions under National Rural Employment Guarantee Scheme (NREGS), Swarna Jayanti Sahari Rojgar Yojana (SJSRY) and Urban Development Fund (UDF) schemes of PRIs/ULBs followed by recommendations. A summary of audit findings is given as under:

There are four Zilla Parishads and 165 Gram Panchayats in the State of Manipur. The Rural Development and Panchayati Raj Department (RD&PR) of the State Government is the administrative head at the State level.

*(Paragraph 1.2)*

In September 2005, the State Government transferred 16 functions to the PRIs, but it remained on paper only as functionaries and funds were not actually transferred along with the functions.

*(Paragraph 1.4)*

Test check of records maintained in three ZPs and 25 GPs revealed that major portion of the fund earmarked for creation of database and maintenance of accounts under EFC and TFC awards was diverted towards other office expenses such as purchase of stationery, furniture, extension of building etc.

*(Paragraph 1.5)*

The State Government has issued orders for constituting District Planning Committees (DPCs) in all the four Valley Districts of Manipur. The DPCs did not prepare and submit the District Development Plans to the State Government as envisaged.

*(Paragraph 1.8)*

Director, Local Fund Audit (DLFA) acts as Primary Auditor of all the two tiers of PRIs. However, no separate audit of GPs & ZPs were conducted by the Director, Local Fund Audit as of March, 2010. The Comptroller and Auditor General of India (C&AG) conducts audit of these institutions under Section 14 & Section 20 (1) of the C&AG's (DPC) Act, 1971.

*(Paragraph 1.9)*

Due to non-maintenance of accounts, statements/records and poor maintenance of Cash Book, the financial as well as asset positions of the PRIs test audited could not be ascertained in audit.

*(Paragraph 1.11.1)*

Test-check of the records of three ZPs and 25 GPs revealed none of the PRIs prepared monthly and yearly Bank Reconciliation Statements in spite of finding differences in bank balances shown in the Cash Book and Bank Statements.

*(Paragraph 1.11.2)*

Ministry of Panchayati Raj, Government of India had circulated (October, 2009), the Modified Accounting Structure for PRIs with an instruction to operationalise it with effect from April 2010. Test check of records of selected PRIs revealed that none of the PRIs kept accounts in the formats prescribed by Ministry of Panchayati Raj.

*(Paragraph 1.11.3)*

Due to lack of accounting knowledge in all the PRIs test audited, no account was prepared and maintenance of records was found to be very poor. It was noticed that no training programme was conducted during the year 2009-10.

*(Paragraph 1.11.5)*

The 12<sup>th</sup> Schedule of the Constitution enlists 18 functions to be devolved to the ULBs. However, Government Notification in case of transfer of funds, functions and functionaries to ULBs is yet to be issued in Manipur.

*(Paragraph 2.3)*

Despite sufficient fund provided under EFC and TFC for creation of database and maintenance of accounts, the ULBs still maintained their accounts in conventional form.

*(Paragraph 2.4)*

The Comptroller and Auditor General of India (C&AG) conducts audit of ULBs institutions under Section 14 & Section 20 (1) of the C&AG's (DPC) Act, 1971.

*(Paragraph 2.7)*

Under Section 72(i) of the Manipur Municipalities Act, 1994, every ULB shall maintain such accounts for every financial year in such forms as may be prescribed and submit such statement to the Deputy Commissioner, the Director Local Fund Audit and the State Government. However, no account was prepared in all the ULBs test audited.

*(Paragraph 2.9.2)*

The test check of five ULBs revealed that none of the ULBs prepared monthly or quarterly Bank Reconciliation Statements.

*(Paragraph 2.9.3)*

None of the PRIs test audited merged the balance funds of SGRY as on 31 March 2008 with the MNREGS fund till the end of 2009-2010.

*(Paragraph 3.1.1)*

No unique number was allotted in the Muster Rolls used in all PRIs test audited. Moreover, no authentication on issue of the same by the Programme Officer was there. As such, unauthorized use of Muster Rolls could not be ruled out.

*(Paragraph 3.1.3)*

It was observed that the funds released by the Deputy Commissioner/District Programme Coordinator were found deposited in the bank account of the Programme Officer and the cost of materials of the works to be executed was

distributed in cash to the Pradhans/Panchayat Secretaries of the GPs in violation of the MNREGS guidelines.

***(Paragraph 3.1.4)***

Non accountal of TFC grants amounting to ₹ 46.04 lakh in Cash Books & Pass Book of 25 GPs under Imphal East-II, CD block.

***(Paragraph 3.2.1)***

No BPL list/register was maintained in any of the ULBs test audited for selection of beneficiaries under SJSRY. It is not ascertained in audit how beneficiaries were selected without maintaining a BPL list/register over the years.

***(Paragraph 3.3.5)***

Unauthorised diversion of Urban Development Fund to the tune of ₹ 0.71 lakh towards payment of Pay & allowances and remuneration of Staff.

***(Paragraph 3.4.2)***

Instances of unauthorised diversion of Twelfth Finance Commission funds in violation of TFC guidelines.

***(Paragraph 3.5.3)***

Award of works for installation of VSATs, purchase of Computer hardware and software for introduction of e-governance under JNNURM without call of tender for ₹ 10 lakh.

***(Paragraph 3.6)***

# CHAPTER-I

## Overview of Panchayati Raj Institutions (PRIs)

### 1.1 Introduction

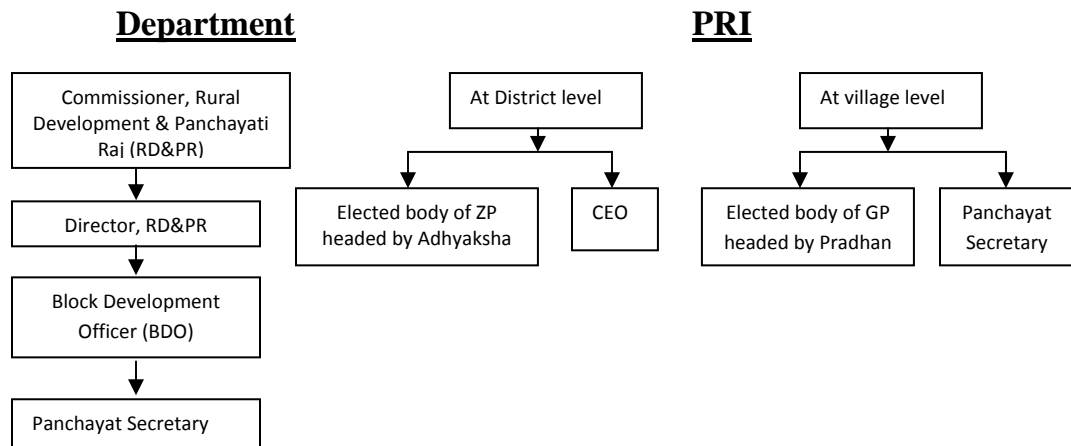
In keeping with the 73<sup>rd</sup> Constitutional Amendment Act, 1992, the Manipur Panchayati Raj Act, 1994 was enacted to establish a two-tier Panchayati Raj Institutions (PRIs) at the village and district levels with elected bodies of Gram Panchayat (GP) at the village level and Zilla Parishad (ZP) at the district level. The geographical area of the State of Manipur is 22,327 sq. kms, wherein rural area covers 22,188.17 sq. kms. As per 2001 census, the total population of the State was 22.94 lakh of which the rural population constituted 17.18 lakh. The State has nine districts altogether consisting of five hill districts and four valley districts. The PRIs cover the four valley districts only having a population of 8.5 lakh. In the hill districts, Autonomous District Councils are constituted under the Fifth Schedule of the Constitution of India.

The two tier Panchayat system envisaged in the Manipur Panchayati Raj Act, 1994 came into force with effect from 24 June 1994. The first general election for the ZPs & GPs was held in 1997. Since then, general elections for the Panchayats have continued to be held every five years and the last election was held in September 2007.

### 1.2 Organizational set-up

There are four ZPs and 165 GPs in the State of Manipur. At the State level, the Rural Development and Panchayati Raj Department (RD&PR) of the State Government is responsible for their effective functioning.

The organogram given below shows organizational set-up of the Department and the PRIs in the State:



### **1.3 Powers & Functions vested with the PRIs**

The Manipur Panchayati Raj Act, 1994 vested the PRIs with the following powers and functions:

#### **A. Functions of GP**

- Preparation of Annual Plan for development of the Panchayat area;
- Preparation of Annual Budget;
- Mobilizing relief during natural calamities;
- Removal of encroachments on public properties;
- Organising voluntary labour and contribution for community works;
- Maintenance of essential statistics of village and
- Promotion and development in respect of agriculture, animal husbandry, fisheries, forestry, cottage industries, rural housing, drinking water, roads, poverty alleviation programmes, education, cultural activities, rural sanitation, women and child development, maintenance of public parks and such other functions as may be entrusted in the village area.

#### **B. General power of GPs**

A GP shall have the power to do all acts necessary for or incidental to the carrying out of the functions entrusted, assigned or delegated to it as specified under the Manipur Panchayati Raj Act, 1994.

#### **C. Functions of ZP**

- Preparation of Annual Budget and Accounts;
- Preparation of plans for economic development and social justice of the district and
- Co-ordinate implementation of the plans, namely agriculture and agricultural extension, irrigation, horticulture, statistics, distribution of essential commodities, soil conservation, marketing, fisheries, education, health and hygiene, drinking water, rural electrification and such other functions as may be entrusted to the ZP.

#### **D. General Power of ZP**

Subject to the general and special orders of the Government, ZP may:

- Incur expenditure on education and medical relief outside its jurisdiction;

- Provide for carrying out any work or measure likely to promote health, safety, education, comfort, convenience or social or economic or cultural well being of the inhabitants of the district;
- Contribute to association of all-India, State or inter-state level concerned with the promotion of local Government and for holding exhibition, conference etc., within the district and
- Render financial or other assistance to any person for carrying out any activity in the district which is related to any of its functions and it shall have power to do all acts necessary for or incidental to the carrying out of the functions entrusted under the Manipur Panchayati Raj Act, 1994.

#### 1.4 Devolution of Powers and Functions

The Eleventh Schedule of the Constitution enlists 29 functions to be devolved to the PRIs. The Second State Finance Commission (SFC) in December 2005 recommended for speeding up the process of transfer of functional responsibilities including devolution of financial powers to local bodies in keeping with the letter and spirit of the Constitution. In September 2005, the State Government transferred 16 functions to the PRIs, but it remained on paper only as functionaries and funds were not actually transferred along with the functions. A “Joint Declaration” on devolution of powers and functions to PRIs was signed on 05 October 2006 between the Union Minister of Panchayati Raj and the Chief Minister of Manipur. A review of the progress of the “Joint Declaration” was made by the State officials (April 2009). The effective functioning of PRIs was hampered due to lack of transfer of corresponding funds, functions and functionaries to PRIs. The Departments concerned still continued to receive budgetary allocations of such functions to be transferred.

The activities of 16 Departments to be transferred to PRIs are shown in **Appendix-1**. However, status on the transfer of funds and functionaries in respect of 16 Departments as on 1<sup>st</sup> April 2010 is shown in table 1.1 & 1.2.

**Table 1.1**  
**Transfer of Functions, Functionaries & Funds to ZPs**

Sl. No.	Department	Functionaries transferred	Funds transferred
1	Fisheries	1-inspector (Fisheries), 2 FFA to each ZP (except Thoubal)	₹ 7 lakh for 2005-06 ₹ 6 lakh for 2006-07 ₹ 3 lakh for 2007-08 ₹ 4 lakh for 2008-09
2	Horticulture	4-AAOs 8 FAs to each ZP	₹ 8 lakh for 2006-07

3	Tribal Development	1-FA & 1 RM to each ZP and 1-EO each to 2 ZPs	₹ 15.30 lakh for 2006-07 ₹29.70lakh for 2007-08 ₹38.60lakh for 2008-09
4	Rural Development	1-EO, 1-UDC/Acctt., 1-LDC to each ZP	₹ 2008.40 lakh for 07-08 ₹ 2591.68 lakh for 08-09 ₹ 3113.66 lakh for 09-10
5	Science & Technology	Not transferred	₹ 40 lakh for 2006-07 ₹ 40 lakh for 2007-08 ₹ 50 lakh for 2008-09
6	Veterinary & Animal Husbandry	1-FA/Comp Assistant to each ZP	Not transferred
7	Social welfare	2 Gram Sevikas to each ZP	Not transferred
8	Minor irrigation	1 RM/1 Pump Operator to each ZP	Not transferred
9	Agriculture	1-AEO(Agri) & 1 VEO to each ZP	Not transferred
10	Industries	1-EO(Ind) to each ZP	Not transferred
11	Co-operation	1-Sub Registrar to each ZP	Not transferred
12	Transport	Not transferred	Not transferred
13	Health	Not transferred	Not transferred
14	Arts & culture	Not transferred	Not transferred
15	Family welfare	Not transferred	Not transferred
16	Education(schools)	Not transferred	Not transferred

**Table 1.2**  
**Transfer of Functions, Functionaries & Funds to GPs**

Sl. No.	Department	Functionaries transferred	Funds transferred
1	Fisheries	Not transferred	Not transferred
2	Horticulture	Not transferred	Not transferred
3	Tribal Development	Not transferred	Not transferred
4	Rural Development	1-Panchayat Secretary each to 165 GPs	Not transferred
5	Science & Technology	Not transferred	Not transferred
6	Veterinary & Animal Husbandry	Not transferred	Not transferred
7	Social welfare	Not transferred	Not transferred
8	Minor irrigation	Not transferred	Not transferred
9	Agriculture	Not transferred	Not transferred
10	Industries	Not transferred	Not transferred
11	Co-operation	Not transferred	Not transferred
12	Transport	Not transferred	Not transferred
13	Health	Not transferred	Not transferred
14	Arts & culture	Not transferred	Not transferred
15	Family welfare	Not transferred	Not transferred
16	Education(schools)	Not transferred	Not transferred



### **1.5 Creation of Database on Finances & Maintenance of Accounts**

The Eleventh Finance Commission (EFC) recommended that a database on finances of PRIs should be developed at the District, State and Central Government levels and should be made easily accessible by computerization and linking it through Very Small Aperture Terminal (V-SAT). The data were to be collected and compiled in standard format prescribed by C&AG of India .

During 2000-05, the State Government received ₹ 938.57 lakh under the EFC Award, out of which a sum of ₹175.82 lakh was earmarked for creation of database. The State Government released ₹ 46.86 lakh for creation of database and ₹ 19.92 lakh for maintenance of accounts to PRIs. Further, the State Government released ₹ 2124.03 lakh to PRIs under the Twelfth Finance Commission (TFC) Award with the allocation of ₹ 369.60 lakh for database and ₹ 39.60 lakh for maintenance of accounts during 2005-06 to 2009-10.

Test check of records maintained in three ZPs and 25 GPs revealed that the Director, Rural Development & Panchayati Raj, Manipur directed all PRIs to adopt the Simplified Accounting System for PRIs prescribed by the C&AG of India (March, 2007). However, none of the PRIs test audited prepared Monthly/Annual Receipts & Payments Account, Income & Expenditure Account and Balance Sheet in the prescribed formats. The funds released under EFC & TFC for Creation of Database and Maintenance of Accounts was not utilized for the purpose for which they were sanctioned. Major portion of the funds earmarked for creation of database and maintenance of accounts under EFC and TFC awards were diverted towards other office expenses such as purchase of stationery, furniture, extension of building etc. The computers purchased for creation of database were found not operated by all PRIs due to lack of staff. All the computers purchased for creation of database were lying idle. All the PRIs test audited could not furnish to audit any reasons for not maintaining their accounts.

### **1.6 Funding of Panchayati Raj Institutions (PRIs)**

The State and Central Governments funded the PRIs in the form of grant-in-aid and devolutions for general administration and other developmental activities. The funding by the State Government was on the lines of accepted recommendations of the Second State Finance Commission that took into account factors like population, literacy, health, irrigation, medical facilities etc. The receipts of the PRIs mainly consisted of grants from the State Government towards plan and non-plan schemes, Central & State share of Central Plan

Schemes (CPS), Centrally Sponsored Schemes (CSS) and other receipts of its own.

Under Section 40 of the Manipur Panchayati Raj Act, 1994, a Gram Panchayat shall impose yearly tax on lands and buildings within the local limits of the jurisdiction of the Gram Panchayat subject to such rules as may be made in this behalf by the Government. Further, subject to such maximum rates as the Government may prescribe, a Gram Panchayat may levy the following fees and rates, namely:

- (a) a fee for providing sanitary arrangements at such places of worship or pilgrimage, fair and melas within its jurisdiction as may be specified by the Government by notification;
- (b) a lighting rate, where arrangement for lighting of public streets and places is made by the Gram Panchayat within its jurisdiction and
- (c) a conservancy rate, where arrangement for clearing private latrines, urinals and cesspools is made by the Gram Panchayat.

Similarly, under Section 70 of the Manipur Panchayati Raj Act, 1994, subject to such maximum rates as the Government prescribe, a Zilla Parishad may

- (a) levy tolls on persons, vehicles, or animals or any class of them at any toll-bar established by it on any road other than kutchra road or any bridge vested in it or under its management;
- (b) levy tolls in respect of any ferry established by it or under its management;
- (c) levy road cess and public works cess ;
- (d) levy the following fees and rates, namely:
  - (i) fees on the registration of boats or vehicles;
  - (ii) a fee for providing sanitary facilities at such places or pilgrimage, fairs and melas within its jurisdiction as may be specified by the Government by notification;
  - (iii) a fee for licence for fair or mela;
  - (iv) a lighting rate where arrangement for lighting of public streets and places is made by the Zilla Parishad within its jurisdiction; and

(v) water rate, where arrangement for the supply of water for drinking, irrigation or any other purpose is made by the Zilla Parishad within its jurisdiction.

Further, the Zilla Parishad shall not undertake registration of any vehicle or levy fee thereof and shall not provide sanitary arrangements at places of worship or pilgrimage, fairs and melas within its jurisdiction or levy fee thereof if such vehicle that has already been registered by any other authority under any law for the time being in force or if such provision for sanitary arrangement has already been made by any other local authority.

The scales of tolls, fees or rates and the terms and conditions for the imposition thereof shall be such as may be provided by regulation. Such regulation may provide for exemption from all or any of the tolls, fees or rates in any class or cases.

However, PRIs had neither generated any revenue of their own nor taken up any steps for resource mobilization so far. They solely depended for their revenue on external sources.

The PRIs incurred expenditure on development activities such as water supply and sanitation, roads and bridges, housing, construction of community assets besides providing wage employment, alleviation of poverty etc. The State Government released block grants on a quarterly basis in addition to funds remitted by the respective Departments for the functions transferred to PRIs.

The total receipts of PRIs during 2005-06 to 2009-10 are shown in table 1.3:

**Table 1.3**  
**Receipts of PRIs**

Source of revenue		Amount (₹ in Crore)				
		2005-06	2006-07	2007-08	2008-09	2009-10
Central Government	GOI share of CSS directly released to DRDA (SGRY, NREGS)	15.74	14.41	12.38	68.48*	385.43
	Additional Central Assistance and FC grants released through State Budget (EFC, TFC)	2.11	2.11	6.35	4.26	8.51
	<b>Total</b>	<b>17.85</b>	<b>16.52</b>	<b>18.73</b>	<b>72.74</b>	<b>393.94</b>

State Government	Honorarium/Salary	12.28	0.91	0.91	0.86	0.72
	Grants					
	Other Grants (SFC)	Nil	Nil	Nil	20.08	25.92
Grants (Head-2515-ORDP)	State share of CSS(SGRY,MNREGS)	4.99	2.96	4.65	0.44	5.17
	<b>Total</b>	<b>17.27</b>	<b>3.87</b>	<b>5.56</b>	<b>21.38</b>	<b>31.81</b>
Grand total (Grants received from Central and State Government)		35.12	20.39	24.29	94.12	425.75
Own Source of Revenue (OSR)	Gram Panchayat	Nil	Nil	Nil	Nil	Nil
	Zilla Parishad	Nil	Nil	Nil	Nil	Nil

\*Includes SGRY Funds ₹ 48.76 crore.

### 1.7 Release of State Finance Commission (SFC) grants

The Report of the Second Manipur State Finance Commission (SFC) covering a period of 5(five) years beginning from 1 April 2001 was passed in the State Legislative Assembly during December, 2005. The State Government decided to extend the recommendations of the Second State Finance Commission up to the period of 31 December 2010. An amount of ₹20.10 crore was released by the State Government to PRIs as Grant-in aid under Second SFC Award for the year 2008-09 and another ₹ 25.91 crore for the year 2009-10 as shown in table 1.4:

**Table 1.4**  
**Release of Funds to PRIs under SFC**

(₹ in Crore)

SL.No.	Name of PRIs	Amount	
		Released during 2008-09	Released during 2009-10
<b>A</b>	<b>Zilla Parishad</b>		
(i)	ZP, Imphal East	0.87	1.12
(ii)	ZP, Imphal West	0.59	0.76
(iii)	ZP, Thoubal	0.94	1.21
(iv)	ZP, Bishnupur	0.62	0.79
	Total	3.02	3.88
<b>B</b>	<b>Community Development Block</b>		
(i)	Imphal East-I CD Block	2.19	2.82
(ii)	Imphal East-II CD Block	2.23	2.87
(iii)	Jiribam CD Block	0.52	0.67
(iv)	Imphal West-I CD Block	2.32	3.00
(v)	Imphal West –II CD Block	1.02	1.32
(vi)	Thoubal CD Block	3.55	4.58
(vii)	Kakching CD Block	1.76	2.27
(viii)	Bishnupur CD Block	1.78	2.30
(ix)	Moirang CD Block	1.71	2.20
	Total	17.08	22.03
	<b>Grand Total</b>	<b>20.10</b>	<b>25.91</b>

The SFC had *inter alia* recommended the following:

- Transfer of functions and responsibilities to local bodies;
- The principles of devolutions of fund and grants to local bodies;
- Power of levying taxes and fees including enhancement of rates;
- Transfer of staff and administrative control thereof necessary for performing assigned functions and
- Making the local bodies representative in character by holding timely and regular election

The above recommendations have been accepted by the State Government (December, 2005). As regards transfer of Funds, Functions & Functionaries under devolution of Powers & Functions, it is depicted at paragraph 1.4 and Appendix-I.

### **1.8 District Planning Committee (DPC)**

Under Section 96 of the Manipur Panchayati Raj Act, 1994 the Government should constitute a District Planning Committee (DPC) in each district to consolidate the plans prepared by each ZP, GP and Urban Local Body (ULB) and to prepare a draft development plan for the district as a whole. As per Manipur Panchayati Raj (Amendment) Act, 1996, the Adhyaksha of the ZP shall be the Chairman of the DPC and he would forward the development plan as recommended by the DPC to the Government.

The State Government has issued orders for constituting DPCs in all the four valley districts of Manipur in August 1997 (Thoubal and Bishnupur) and May, 2003 (Imphal East and Imphal West). Test audit of the PRIs revealed that none of them submitted their plan proposals to DPC for consolidation. Though DPCs have been constituted in the four valley districts of the State, as of March 2010, none of them had prepared & submitted the District Development Plans to the State Government as envisaged.

### **1.9 Audit Arrangement**

In terms of Section 44(1) and Section 74(1) of the Manipur Panchayati Raj Act, 1994, the Director, Local Fund Audit (DLFA) acts as Primary Auditor of both tiers of PRIs. However, DLFA communicated that audit of PRIs viz GPs & ZPs have not been separately conducted on the ground that audit of accounts of the same had been covered at the time of checking of the accounts of Block Development Offices. Further, it is also communicated that audit of accounts of the BDOs except BDOs of Imphal West district have been conducted up to March 2010 by DLFA. On the other hand, the Comptroller and Auditor General of India

(C&AG) conducts audit of PRIs under Section 14 (1) & Section 20 (1) of the C&AG's (DPC) Act, 1971. The State Government in June 2002 entrusted audit of accounts of PRIs to the Comptroller and Auditor General of India (C&AG) under Section 20 (1) of the C&AG's (DPC) Act, 1971 under Technical Guidance and Supervision (TGS). However, no amendments were made in the Panchayati Raj Act so far in this connection (March 2011).

### **1.10 Audit Coverage**

Test audit of the accounts three ZPs viz. Imphal East, Imphal West, Bishnupur and 25GPs for the period from April 2006 to March 2009 were conducted during 2009-2010. (Details at Appendix –II-A)

### **1.11 Internal Control Mechanisms**

#### **1.11.1 Non-maintenance of records**

As per Section 43 and Section 73 of the Manipur Panchayati Raj Act, 1994 (Act No.26 of 1994), PRIs shall keep their accounts in such form and manner as may be prescribed. It shall be mandatory for each PRI to prepare and maintain following books of records and statements in the prescribed form:

- (i) Grants-in-aid Register;
- (ii) Budget;
- (iii) Cash Book;
- (iv) Monthly/Annual Receipts and Payments Accounts;
- (v) Monthly Reconciliation Statement;
- (vi) Register of Movable/Immovable assets and
- (vii) Inventory Register.

Test-check of the one ZP and 25 GPs revealed non-maintenance of the following records:

- Annual Action Plan and Budget;
- Main Cash Book;
- Monthly/Annual financial statements and Balance sheet;
- Bank reconciliation statements;
- Appropriation Register;
- Asset Register for movable and immovable properties;

- Stock and issue Register;
- BPL Register;
- Employment Register and
- Grants-in-aid Register.

Due to non-maintenance of accounts, statements/records and poor maintenance of Cash Book, the financial as well as asset positions of the PRIs could not be ascertained in audit.

### 1.11.2 Non Preparation of Bank Reconciliation Statement

Bank Reconciliation is a procedure which aims at reconciling the bank balance as shown in the Cash Book of the local body with that of the bank balance as per the pass book/statement received from the bank. The bank reconciliation should be carried out on a monthly basis or at such other shorter time intervals as the body may decide.

The position of bank balances as per SGRY Cash Book and Bank Pass Book maintained in Bishnupur Zilla Parishad on five different dates is shown in Table 1.5 as under:

**Table 1.5**  
**Figures of SGRY Cash Book and Bank Pass Book maintained in ZP, Bishnupur**

Date	Balance as per SGRY cash Book (in ₹)	Balance as per SGRY Pass Book (in ₹)	Difference (in ₹)
01-04-06	9,75,067	10,41,297	(+) 66,230
02-03-07	5,13,225	6,13,139	(+) 99,914
21-11-07	1,99,160	1,32,162	(-) 66,998
29-12-07	5,49,300	4,82,302	(-) 66,998
26-03-08	9,45,758	8,78,760	(-) 66,998

It was also verified that the Imphal West ZP opened 4(four) savings bank accounts at SBI, Imphal Secretariat Branch during the period under audit. As on 31 March, 2009 the position of cash balances as per Bank Pass Books were as under:

(i) SBI, Secretariat Branch Bank Account No.10329731615	₹ 43,60,774.65
(ii) SBI, Secretariat Branch Bank Account No.30090010780	₹.1,721.00
(iii) SBI, Secretariat Branch Bank Account No.01100050175	Not available
(iv) SBI, Secretariat Branch Bank Account No.10329730225	₹ 9,965.28

However, due to non maintenance of the Cash Book in the Imphal West ZP from April 2006 to March 2009 the bank balance as per Cash Book could not be available. Moreover, any of the PRIs test checked have no idea about the Bank Reconciliation Statement and never prepared the said statement

Because of non preparation of Bank Reconciliation Statements, omissions and inclusions of sundry cash items could not be detected in time.

### **1.11.3 Non-adoption of Prescribed Accounting Formats and Accounting System**

The Secretary, Ministry of Panchayati Raj, Government of India had circulated (October, 2009), the Modified Accounting Structure for PRIs with an instruction to operationalise it with effect from April 2010. The State Government was to provide accounting formats to all PRIs for maintenance of accounts in the prescribed manner. However, none of the PRIs test audited maintained their accounts in the prescribed format.

### **1.11.4 Irregularities in maintenance of Cash Book**

While maintaining Main Cash Book, the following points should be observed:

- (i) All monetary transactions should be entered in the Cash Book as soon as they occur and attested by the Head of the Office in token of check.
- (ii) The Cash Books should be closed regularly and completely checked. The Head of the Office should verify the totaling of the cash book or have this done by some responsible subordinate other than the writer of the cash book and initial it as correct.
- (iii) Further, at the end of each month, the Head of Office should verify the cash balance in the cash book and record a signed and dated certificate to that effect.
- (iv) The daily/monthly total of each Subsidiary Cash Book should be taken into account in the appropriate part of the Main Cash Book.

However, the above practices have not been exercised in all test checked PRIs.

### **1.11.5 Training for Staff**

Accounts of the GPs in the four valley districts of Manipur where PRIs are functioning were maintained by the Panchayat Secretaries of the concerned GPs who do not possess adequate knowledge about the maintenance of accounts. As a



result, no account was maintained properly in the GPs test audited. On scrutiny of the records maintained in test checked PRIs, it was noticed that no training programme was conducted during the year 2009-10.

## CHAPTER-II

### An Overview of Urban Local Bodies (ULBs)

#### 2.1 Introduction

The 74<sup>th</sup> Constitutional Amendment Act, 1992 paved the way for decentralization of power and transfer of 18 functions as listed in the 12<sup>th</sup> Schedule of the Constitution along with the corresponding funds and functionaries to the Urban Local Bodies (ULBs). To incorporate the provisions of this Amendment Act the Manipur Municipalities Act, 1994 was enacted. It came into force from 24 May 1994. The last election of the ULBs in the State excluding Imphal Municipal Council (IMC) was held on 3 January 2011. The election to the IMC was held on 25 May 2011.

At present, there are 28 ULBs (9 Municipal Councils, 18 Nagar Panchayats and one Small Town Committee) in Manipur covering a total area of 138.83 sq. kms with a total population of 5,75,968 as per 2001 census which is about 25% of the total population. Imphal Municipal Council having an area of 31 sq. kms with a population of 2,17,275 is the largest and the most populous among the Municipal Councils (MC). The smallest Nagar Panchayat (NP) is Sekmai with an area of one sq. km having a population of 4,325. Each ULB is divided into a number of wards with a minimum of 9 and a maximum of 27 which is determined and notified by the State Government with regard to the population, dwelling pattern, geographical condition and economic consideration of the respective areas.

#### 2.2 Organizational Set up

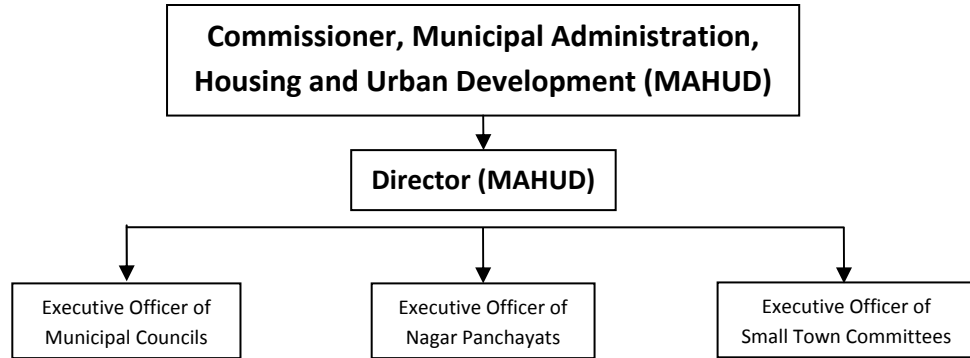
The MC/NP /Small Town Committee is an Institution of Self-Government having a Board of Councillors/Commissioners elected from each ward.

The Chairperson elected by the majority of Councillors/Commissioners is the executive head of the ULB. He/she presides over the meetings of the MC/NP/ Small Town Committee and is responsible for governance of the body.

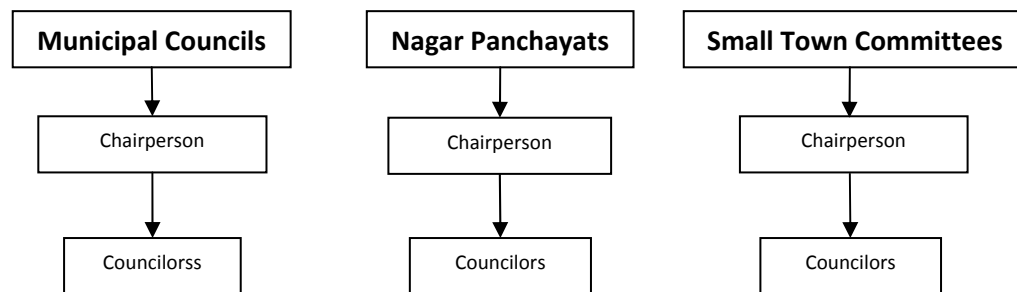
The Executive Officer appointed by the State Government is a whole time Principal Executive Officer of the body for administrative control of the ULB. Other officers are also appointed to discharge specific functions.

The following organogram will show the organizational set-up of the Department and the ULBs in the State:

## Department



## Urban Local Bodies



### **2.3 Devolution of Powers and Functions**

The 12<sup>th</sup> Schedule of the Constitution enlists 18 functions to be devolved to the ULBs. The Second SFC in December 2005 recommended for speedy transfer of functional responsibilities including devolution of financial powers to local bodies in keeping with the letter and spirit of the Constitution. Article 243W of the Constitution mandates the State Government to empower the ULBs with such powers and authority, by enacting law, to function as institution of self Government. However, Government Notification in case of transfer of funds, functions and functionaries to ULBs is yet to be issued in Manipur.

Some obligatory functions as vested in the Manipur Municipalities Act, 1994 are given as under:

- Lighting public roads and places;
- Cleaning public roads, places and sewers;
- Regulating offensive or dangerous trades or practices;

- Securing or removing dangerous buildings or places and reclaiming unhealthy localities;
- Constructing, altering and maintaining public roads, culverts, markets, drains, tanks etc.;
- Constructing public latrines, privies and urinals;
- Supply of water;
- Registration of births and deaths and
- Naming streets and numbering houses.

#### 2.4 Creation of Database on Finances & Maintenance of Accounts

For securing transparency and accountability in the maintenance of accounts of the ULBs, EFC recommended maintenance of database on finances in the formats prescribed by the C&AG of India. Data were to be collected and compiled in the prescribed formats. The State Government has conveyed its acceptance for adoption of the prescribed accounting format. The maintenance of the database was felt necessary by the TFC in order to keep accurate information on the finances of the ULBs for need based assessment of their requirements. Even though EFC recommended provision of ₹ 2.23 lakh to the State for creation of database relating to the finances of ULBs, the State Government made no allocation for creation of database out of ₹ 2.20 crore that was received as EFC awards during 2000-01 to 2002-03. However, provision for creation of database on finances from the TFC grants received is shown in Table 2.1 as under:

**Table 2.1**  
**Allocation of Funds for creation of Database on finances under TFC**

(₹ in crore)

Year	TFC Grants received by State Govt.	Date of receipt	Amounts allocated for	
			Data base	Maintenance of accounts
2005-06	0.90	08-03-2006	0.23	0.23
2006-07	1.80	12-02-2007	0.45	0.45
2006-07	0.90	18-07-2007	0.23	0.23
2007-08	1.80	26-02-2008	0.45	0.45
2008-09	1.80	15-10-2009	0.45	0.45
2009-10	1.80	29-03-2010	0.45	0.45

Source: Finance Department

Despite sufficient fund provided for creation of database and maintenance of accounts, as of March 2010 the ULBs still maintained their accounts in conventional form.

## 2.5 Funding of Urban Local Bodies (ULBs)

The ULB fund comprises receipts from its own resources as well as grants and assistance received from the State and the Central Government. Under Section 74 and Section 75 of the Manipur Municipalities Act, 1994, the ULBs may levy, collect and appropriate such taxes, duties, tolls and fees etc., under prescribed conditions. Under the provisions of the acts in force, all collections such as tax on holdings, water tax, latrine tax, tax on vehicles, trades, profession, calling & employments, fees on the registration of vehicles kept or used or plying for hire, rent on shops and buildings, tolls and other fees and charges etc., constitute the main source of revenue of the ULBs. However, the bulk of fund of the ULBs were received from the grants and assistances given by the State and the Central Government for implementation of various schemes and projects. The State Government also released administrative grants to the ULBs to compensate their revenue expenditure. The grants released to ULBs by the State and Central Government and their Own Sources of Revenue (OSR) during 2005-06 to 2009-10 are shown in Table 2.2:

**Table 2.2**  
**Grants received by ULBs during 2005-06 to 2009-10**

Source of revenue		Amount (₹ in crore)				
		2005-06	2006-07	2007-08	2008-09	2009-10
Central Government grants	GOI share + State share of CSS schemes(Swarna Jayanti Sahari Rozgar Yojana, National Slum Development programme, Valmiki Ambedkar Awas Yojna SGSY,Basic Services to the Urban Poor)	5.99	1.62	1.05	1.09	19.24
	Additional Central Assistance and FC grants released through State Budget(EFC, TFC)	0.45	0.90	1.80	1.80	1.82
State Government grants	Honorarium/Salary Grants	2.36	5.24	4.75	4.08	4.97
	Other Grants (SFC)	Nil	Nil	Nil	17.79	18.68
<b>Total (Grants received from Central and State Governments)</b>		<b>8.80</b>	<b>7.76</b>	<b>7.60</b>	<b>24.76</b>	<b>44.71</b>
Own Source of Revenue (OSR)	MC	0.36*	0.13*	0.19*	0.06*	Not available
	NP	0.02*	Nil	Nil	Nil	Nil
	Small Town Committee	Nil	Nil	Nil	Nil	Nil
<b>Total revenue from all sources (Government Grants + OSR)</b>		<b>9.18</b>	<b>7.89</b>	<b>7.79</b>	<b>24.82</b>	<b>44.71</b>

\*The figures shown against own source of revenue (OSR) indicate resources of the Municipal Councils covered by audit only.

## 2.6 Release of State Finance Commission (SFC) grant

The Report of the Second Manipur State Finance Commission (SFC) covering a period of 5 (five) years beginning from 1<sup>st</sup> April, 2001 was laid on the Table of the House during December 2005. The recommendations of the Second State Finance Commission contained in its Report have been approved by the Government subject to detailed examination and appropriate action on the following:

- Transfer of functions and responsibilities to the local bodies
- The principles of devolution of funds and grants to the local bodies
- Power of levying taxes and fees including enhancement of rates
- Transfer of staff and administrative control thereof necessary for performing assigned functions
- Making the local body representative in character by holding timely and regular elections.

Regarding recommendations not related to the above, the State Government decided to implement them in phased manner. Further, the State Government has decided to adopt the recommendations of the Second State Finance Commission and extend the period covered by the recommendations up to 31 March 2010. However, State Government has not issued notification in case of transfer of funds, functions & functionaries to ULB.

Release of grants under SFC has been made only for two years, as of March, 2010. An amount of ₹ 17.79 crore was released by the Government of Manipur to ULBs as Grant-in-aid under Second SFC Award for the year 2008-09 and another amount of 18.67 crore for the year 2009-10 as detailed in Table 2.3:

**Table 2.3**  
**Funds released to ULBs under State Finance Commission Award**

Sl. No.	Name of ULB	No. of Wards	Urban population (2001 census)	Amount (₹ in crore) 2008-09	Amount (₹ in crore) 2009-10
1	2	3	4	5	5
A	Imphal Municipal Council (20% of ₹ 17.79 crore)	27	2,23,177	3.56	3.73
B	Other Municipalities/Nagar Panchayats (90% of 80% of ₹ 17.79 crore)	272	2,95,282	12.81	13.45

C	Small Town Committee (10% of 80% of ₹ 17.79 crore)	19	21,385	1.42	1.49
<b>Total</b>		<b>318</b>	<b>5,39,844</b>	<b>17.79</b>	<b>18.67</b>

## 2.7 Audit Arrangement

Under Section 72(i) of the Manipur Municipalities Act, 1994, the accounts of the ULBs should be audited by the Director, Local Fund Audit (DLFA) in such manner as may be prescribed. As of March, 2010, out of auditable 28 ULB units, DLFA conducted audit of 4 units up to March 2008, audit of another eight units up to March 2009 whereas audit of remaining 16 (sixteen) units were conducted up to March 2010. Further, in pursuance of the recommendations of the EFC, Government of Manipur has entrusted Technical Guidance and Supervision (TGS) over the audit of accounts of ULBs to C&AG of India (June 2002) under Section 20 (1) of C&AG's (DPC) Act, 1971. However, amendment in the relevant State Acts/Rules to facilitate implementation of TGS is yet to be incorporated. As of now, the C&AG conducts test audit of the ULBs under Section 14 (1) and Section 20 (1) of C&AG's (DPC) Act, 1971.

## 2.8 Audit Coverage

Test audit of the accounts of the 8 ULBs were conducted during the year 2009-10. (Details at Appendix-II- B).

## 2.9 Internal Control Mechanisms

### 2.9.1 Non Preparation of Annual Action Plan and Budget

ULBs are required to prepare Annual Action Plan (AAP), which are to be consolidated at the district level by the DPC into a draft development plan for the district as a whole. The main purpose of preparing such plans was to avoid plurality in planning on various developmental issues in a district. No such action plans were prepared in any of the test checked ULBs. In the absence of local planning, the district plan did not also emerge. Preparation of Action Plans by ULBs and their consolidation along with the plans of the PRIs is crucial to ensure incorporation of local needs and wants in the development process. The absence of such planning also compromised on the element of popular participation and need for the plans to reflect peoples' wants. Similarly, Budgets were also not prepared by the ULBs except Imphal Municipal Council, in violation of Section 71(I) of Manipur Municipalities Act, 1994.

### **2.9.2 Non maintenance of accounts**

Under Section 72(i) of the Manipur Municipalities Act, 1994, every ULB shall maintain such accounts for every financial year in such forms as may be prescribed and submit such statement to the Deputy Commissioner, the Director and the State Government. The need for municipal reforms has assumed urgency as proper financial reporting by ULBs would be one of the important instruments to achieve the objective of accountability. Realizing its importance, the 11<sup>th</sup> Finance Commission has devolved upon the Comptroller and Auditor General of India the responsibility for exercising control and supervision over the proper maintenance of accounts and their audit of all ULBs. In terms of paragraph 6.5 of the guidelines for utilization of local bodies grants issued by Government of India, Ministry of Finance, Department of Expenditure, the formats for preparation of budget and for keeping accounts of all ULBs shall be as prescribed by C&AG.

Ministry of Urban Development in collaboration with C&AG of India has developed National Municipal Accounts Manual (NMAM). The NMAM is based on accrual based accounting system. The ULBs are required to prepare their budget & maintain their accounts in the formats prescribed in NMAM with appropriate codification & classification.

Test check of accounts of 16 ULBs revealed that none of the ULBs kept their accounts in the prescribed formats as of March 2010.

State Government issued an order (March 2011) for adoption of NMAM with immediate effect. The State Government has not yet developed/prepared State specific Municipal Accounts Manual.

### **2.9.3 Non Reconciliation of balances**

Bank Reconciliation is a procedure which aims at reconciling the bank balance as shown in the Cash Book of the local body with that of the bank balance as per the Pass Book/Statement received from the bank. The bank reconciliation should be carried out on a monthly basis or at such other shorter time intervals as the body may decide.

The test check of 5 ULBs revealed that none of the ULBs prepared monthly or quarterly Bank Reconciliation Statements. As on March 2009, the position of cash balance as per Bank Pass Books and Cash Books were as in Table 2.4:



**Table 2.4**  
**Cash Balance of 5 ULBs as per their Cash Books & Pass Books**

Sl.No.	Name of the Bank & A/C No. with relevant scheme.	Pass Book figure (₹)	Cash Book figure (₹)	Difference (₹)
1	<u>Bishnupur Municipal Council</u> UCO Bank Account No. 494/CI UCO Bank Account No.67/CI UCO Bank Account No. 224/CI SBI Account No. 30531353710	5,41,151 12,587 14,595 97,173	7,04,260	38,754
2	<u>Heirolk Nagar Panachayat</u> Manipur State Co-Op.Bank Ltd. Imphal Br. Manipur State Co-Op Bank Ltd. Thoubal Br	7,253 4,437	12,219	529
3	<u>Wangjing Lamding Nagar Panchayat</u> Manipur Rural Bank, Yairipok Branch Account No.CD 139 Manipur Rural Bank, Wangjing Branch Account No.CD 420 United Bank of India, Thoubal Branch Account No. S 6221	1,042 1,441 911.90	Due to non maintenance of Cash Book since 6-12-2006, no cash book figure was available	Not Available
4	<u>Andro Nagar Panchayat</u> Manipur Rural Bank, Yairipok Branch Account No. SB-1950	74,562	The exact cash book figure could not availed due to poor maintenance of Cash Book.	Not Available
5	<u>Sikhong Sekmai Nagar Panchayat</u> Manipur Rural Bank, Yairipok Branch Account No. SB-175 Manipur Rural Bank, Yairipok Branch Account No.CD-59	41,001 76,441	41,001 76,441	Nil Nil

Non reconciled balances with the bank pass book reflect incorrect financial position of the Urban Local Bodies.

#### **2.9.4 Non maintenance of Main Cash Book and Subsidiary Cash books**

Out of eight ULBs test checked, it was noticed that Main Cash Book was not maintained in NP, Wangjing Lamding (from 6<sup>th</sup> December, 2006 to March, 2009) whereas Subsidiary Cash Books and Separate Bank Accounts for each & every scheme were not maintained in MC, Nambol, NP, Sikhong Sekmai, NP, Lilong (Thoubal) and NP, Andro during the period from April 2006 to March 2010.

### **2.9.5 Deficiencies in maintenance of Cash Books**

All moneys received at the ULBs shall immediately and without reservation be brought to account in the Cash Book under the direct supervision of the finance officer or in his absence the officer authorized for the purpose. The following common and persistent deficiencies in the maintenance of Cash Books in all eight selected test checked ULBs were noticed:

- Entries in the Cash Book were not authenticated by the competent authority;
- Daily Cash Balance was not verified and certified by the concerned authority;
- Transactions were not entered in the Cash Book on the date of occurrence;
- Cash Book was not maintained as per the prescribed format;
- Corrections and alterations in the Cash Book were made without the initials and verification of the competent authority;
- Narration for a number of transactions was not mentioned in the Cash Book;
- Voucher number and Head of Accounts were not indicated against numerous transactions

### **2.9.6 Irregularities in Maintenance of Bills and Vouchers**

A Bill becomes a Voucher only when it is stamped “paid”.

While maintaining the bills/vouchers, the following points should be observed:

- (i) All paid vouchers must be stamped ‘paid’ or so cancelled that they can not be used for a second time. Stamps affixed to vouchers must be also cancelled so that they may not be used again.
- (ii) All sub vouchers to bills must be cancelled in such a manner that they cannot be subsequently used for presenting fraudulent claims or other fraudulent purposes by means of a rubber stamp or by an endorsement in red ink across the voucher, the cancellation being initialed by the officer authorized to draw the contingent bills of the office.

Further, in order to pick up the details of the vouchers in the Cash Book, those paid vouchers must be serially numbered. However, on test check of the contingent vouchers passed for payment in all selected eight ULBs, it was evident that no cancellation of vouchers was made. Moreover, no voucher was serially numbered and bill registers were not properly maintained.

### **2.9.7 Non compliance to previous Inspection Reports**

Previous inspection reports of the Bishnupur MC and the Nambol MC have been forwarded to the respective Chairpersons, Executive Officers of the concerned ULBs as soon as the audits were over with a copy each to the Commissioners (Finance/Municipal Administration Housing and Urban Development (MAHUD)/Manipur Urban Development Agency) and Director (MAHUD), Govt. of Manipur for information and necessary action at their end. The observations pointed out not only irregularities in the implementation of schemes, but also highlighted non production of important documents to audit which leads to doubtful misappropriation of funds. However, no compliance was received from their end in this regard (March 2011).

## **CHAPTER - III**

### **TRANSACTION AUDIT**

#### **(A) PANCHAYATI RAJ INSTITUTIONS IMPLEMENTATION OF SCHEMES**

##### **3.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)**

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is a flagship scheme taken up by the Ministry of Rural Development. The intention of MNREGS is to provide basic employment guarantee in rural areas in the fields of

- Water conservation and water harvesting;
- drought proofing, including afforestation and tree plantation;
- flood-control and protection works including drainage in waterlogged areas;
- irrigation canals, including micro and minor irrigation works;
- land development;
- provision of irrigation facility, plantation, horticulture, land development to land owned by households belonging to the SC/ST, or to land of the beneficiaries of land reforms or to land of the beneficiaries under the Indira Awas Yojana/BPL families
- renovation of traditional water bodies including de-silting of tanks;
- rural connectivity to provide all weather access. The construction of roads may include culverts where necessary and within the village area may be taken up along with drains with Priority to roads that give access to SC/ST habitations.
- Any other work which may be notified by the Central Government in consultation with the State Government

The scheme was launched by the Ministry of Rural Development, Government of India with effect from February 2006. It was launched from April 2008 in the four valley districts of Manipur where PRIs are functioning. The objective of the scheme is to enhance livelihood security in rural areas by providing at least 100

days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The scheme is to be implemented with a 60:40 wage and material ratio without any involvement of contractors and machinery. The scheme is implemented as a Centrally Sponsored Scheme (CSS) on cost sharing basis between the Centre and the State in the ratio of 90:10. The Central Government bears the 100 percent wage cost of unskilled manual labour while the material cost including the wages of skilled and semi skilled workers was to be borne by the Government of India (GOI) and the State Government in the ratio of 75:25.

The position of receipt and released of MNREGS grants to PRIs during 2008-2009 and 2009-2010 are shown in table 3.1:

**Table 3.1**  
**Receipts and Expenditure of MNREGS Fund during 2008-09 & 2009-10**

**2008-09** (₹ in Crore)

Sl. No.	District	Receipts				Expenditure
		Central	State	Misc. Receipt	Total availability	
1	Imphal East	21.10	0.11	1.23	22.44	22.08
2	Imphal West	27.78	0.98	0.16	28.92	28.56
3	Thoubal	9.89	0.13	1.49	11.51	11.19
4	Bishnupur	7.78	0.11	1.58	9.47	8.67

**2009-10**

Sl.No.	District	Receipts				Expenditure
		Central	State	Misc. Receipt	Total availability	
1	Imphal East	28.50	1.12	2.15	31.77	31.71
2	Imphal West	51.00	1.36	15.69	68.05	60.45
3	Thoubal	14.91	0.44	1.10	16.45	16.17
4	Bishnupur	2.00	0.24	0.85	3.09	3.04

**Table 3.2**  
**Numbers of job cards issued and Mandays generated during 2008-09 & 2009-10**

**2008-09**

Sl.No.	District	No(s) of job card issued				No(s) of Mandays generated(in lakh)			
		SC	ST	Others	Total	SC	ST	Others	Total
1	Imphal East	1096	2170	50568	53834	1.30	3.46	35.62	40.38
2	Imphal West	2984	944	37906	41834	3.01	2.66	22.91	28.58
3	Thoubal	869	1742	49588	52199	0.22	0.08	7.72	8.02
4	Bishnupur	580	276	29964	30820	0.16	0.09	7.04	7.29

**2009-10**

Sl. No.	District	No(s) of job card issued				No(s) of Mandays generated(in lakh)			
		SC	ST	Others	Total	SC	ST	Others	Total
1	Imphal East	1096	2170	54756	58022	0.47	0.97	24.67	26.11
2	Imphal West	3286	1728	47797	52811	2.38	1.64	36.28	40.3
3	Thoubal	991	1747	51598	54336	0.21	0.32	12.92	13.45
4	Bishnupur	6753	313	29157	36223	3.44	0.16	14.87	18.47

Source:-Annual Administrative Report 2008-09 & 2009-10, MNREGS (Department of Rural Development & Panchayati Raj, Government of Manipur).

Test check of records of 28 PRI units disclosed various irregularities in the management of fund and implementation of scheme programme as mentioned in the succeeding paragraphs.

### **3.1.1 Non merging of unspent balance of SGRY with MNREGS**

Consequent on discontinuation of Sampoorna Gramin Rozgar Yojana (SGRY), the balance fund of SGRY scheme was required to be merged with MNREGS fund which came into force from 2008-09 in the four valley districts of Manipur where PRIs were functioning. It was clearly stated by Government of India (April 2008), Ministry of Rural Development that any unutilized funds out of SGRY as on April 2008 will be part of the MNREGS and will be utilised together with the funds released subsequently as per the Guidelines of MNREGS and instructions on the subject from the Government of India and in accordance with the State Employment Guarantee Scheme (EGS) if notified. However, none of the PRIs test audited merged the balance funds of SGRY as on 31 March 2008 with the MNREGS fund till the end of 2009-2010. Test checked PRIs were not aware of merging of balance funds of SGRY with the MNREGS.

### **3.1.2 Non use of Printed Forms of Bills**

Under para 10.2.10 of Central Public Works Account Code, the authorized forms of bills and vouchers in case of works executed are the following:

- (a) First and Final Bill, Form 24. This form should be used for making payments when a single payment is made for a job i.e. on its completion.
- (b) Running Account Bill, Form 26. This form is used for all running and final payments including cases where advance payments are proposed to be made.

(c) Hand Receipt, Form 28. This is a simple form of voucher intended to be used for all miscellaneous payments and advances, for which the special form 24 and 26 are not suitable.

In course of test check of the records of 28 PRIs, it was observed that no bill was prepared in the prescribed bill form in all cases of works executed. Instead, a simple sheet with a few notings which they termed as 'Abstract of Bill' was used over the years without observing the procedure for passing of bills.

### **3.1.3 Non allotment of unique identity number in Muster Rolls.**

Under MNREGS Rule 9.4, Muster Rolls each with a unique identity number will be issued by the Programme Officer to the GPs and all Executing Agencies. Any Muster Roll that is not issued from the office of the Programme Officer shall be considered unauthorized. However, no such unique number was allotted in the Muster Rolls used in all PRIs test audited. Moreover, no authentication on issue of the same by the Programme Officer was there. As such, unauthorized use of Muster Rolls could not be ruled out.

### **3.1.4 Irregularities in release of funds**

Deputy Commissioner/District Programme Coordinator, Imphal East District released MNREGA funds of ₹ 10.24 lakh to 25 GPs under Imphal East-I C.D. Block during the period from April 2008 to March 2009.

As per paragraph 8.3.2 and 8.5.1 of MNREGS guidelines, fund released under MNREGS may flow from the district to the GPs directly under intimation to the Programme Officer and each GP will have a single bank account for the purpose of implementing MNREGS works. This MNREGS account will be operated jointly by the President & Secretary of the GP. However, as per records produced to audit (Cash Book, Bank Pass Book, Sanction Order Copies, Actual Payment Receipt *etc.*) it was observed that the funds released by the Deputy Commissioner/District Programme Coordinator were found deposited in the bank account of the Programme Officer and the cost of materials of the works to be executed was distributed in cash to the Pradhans/Panchayat Secretaries of the GPs in violation of the scheme guidelines. Moreover, no bank account for implementation of MNREGS was opened by any of the 25 GPs under Imphal East-I, CD Block during the period from April 2008 to March 2009.

### 3.1.5 Non production of records

The following records are to be maintained in connection with the implementation of the MNREGS in the PRIs as shown in Table 3.3:

**Table 3.3**  
**Records to be maintained by PRIs for MNREGA**

Sl.No.	Annexure of Guideline	Name of Register	Register to be maintained by
1	B-5	Muster Roll Receipt Register	Gram Panchayat/Implementing Agency other than Gram Panchayat.
2	B-7	Job Card Application Register	Gram Panchayat
3	B-8	Job Card Register	Gram Panchayat
4	B-9	Employment Register	Gram Panchayat
5	B-10(i)	Works Register	Gram Panchayat/Other Implementing Agencies .
6	B-10(ii)	Assets Register	Gram Panchayat/Other Implementing Agencies.
7	B-11	Complaint Register	Gram Panchayat/Other Implementing Agencies.
8	B-16(A)	Monthly Allotment and Utilization Certificate Watch Register	Gram Panchayat/Other Implementing Agencies.

However, none of the 25 GPs under Imphal East-I Community Development Block could produce the relevant records & documents including the above listed Registers to audit. As such, authenticity on the execution of works by the above GPs under the MNREGS and expenditure involved in this connection could not be verified.

### 3.2 Twelfth Finance Commission (TFC) Awards (2005-10) in PRIs

Twelfth Finance Commission (TFC) Awards are to be utilised for repairing/rejuvenation as well as meeting the O&M cost of water supply and sanitation assets taken over by the PRIs and on maintenance of accounts and creation of database. Further, as envisaged in paragraph 6.1 and 6.4 of the TFC guidelines, the State Government is mandatorily required to transfer the grants released by the Government of India to PRIs within 15 (fifteen) days of the same being credited to the State's accounts. In case of delayed transfer of fund to PRIs, interest at the rate equal to the RBI rate is chargeable. Of the three installments released during March 2009-10, the delay was ranging from 14 to 75 days for which interest calculated at RBI rate was released by the State Government to the PRIs.



The position of receipt and release of TFC grants during 2005-06 to 2009-10 were as in Table 3.4:

**Table 3.4**  
**Receipts & Release of TFC grants**

Particulars	PRIs		
	Amount (₹ in crore)	Date of receipt	Date of release to PRIs by the State Government
1. Grants received from the Centre			
1 <sup>st</sup> Installment 2005-06	2.12	08-03-06	29-03-06
2 <sup>nd</sup> Installment 2005-06 and 1 <sup>st</sup> Installment 2006-07	4.23	12-02-07	24-02-07
2 <sup>nd</sup> Installment 2006-07	2.12	18-07-07	01-10-07
1 <sup>st</sup> & 2 <sup>nd</sup> Installments 2007-08	4.23	Information not available	23-02-09
1 <sup>st</sup> & 2 <sup>nd</sup> Installments 2008-09 & 1 <sup>st</sup> Installment 2009-10	6.35	23-07-09	12-08-09
2 <sup>nd</sup> Installment 2009-10	2.12	02-02-10	16-02-10
2. Interest on the period of delay on distribution of			
a) 1 <sup>st</sup> Installment 2005-06	0.01	NA	24-02-07
b) 2 <sup>nd</sup> Installment 2006-07	0.02	NA	24-09-08
c) 1 <sup>st</sup> & 2 <sup>nd</sup> Installments 2007-08	0.04	NA	01-06-09
d) 1 <sup>st</sup> & 2 <sup>nd</sup> Installments 2008-09 & 1 <sup>st</sup> Installment 2009-10	0.01	NA	18-12-09
<b>Total TFC grants released to PRIs</b>	<b>21.25</b>		

NA- Not applicable

Table 3.5 shows detailed allocation of grants released to PRIs under awards of TFC:-

**Table 3.5**  
**(Allocation of TFC Award to PRIs)**

	(₹ in crore)
<b>a) For maintenance of accounts</b>	<b>0.40</b>
<b>b) For data base</b>	<b>3.70</b>
<b>c) For O&amp;M cost of water supply and sanitation</b>	<b>17.15</b>
<b>Total TFC Grants allocated to PRIs</b>	<b>21.25</b>

In all test checked PRIs, it was observed that computers purchased for creation of database were used only for typewriting purposes and funds allocated for water supply and sanitation were also diverted towards other purposes viz construction of crematorium sheds, cleaning of drains etc.

Irregularities arising out of test checked PRIs in implementation of Twelfth Finance Commission Awards is highlighted in subsequent paragraphs.

### 3.2.1 Non accountal of ₹ 46.04 lakh

The Directorate of Rural Development & Panchayati Raj, Manipur released (March, 2008) a sum of ₹ 46.04 lakh as TFC grants to the 25 GPs under Imphal East –I C.D. Block for the year 2007-08. However, the respective amounts were neither reflected in the Cash Books nor in the Pass Books of the concerned GPs at all. The reasons for non accountal of the same was not intimated to audit. The matter was reported to Government (January 2010). The reply is still awaited from the State Government (March 2011).

### 3.2.2 Non production of records

The following records and documents as listed in Table 3.6 were not produced to audit by three test checked ZPs:

**Table 3.6**  
**Records not produced to audit**

Sl. No.	Name of the Panchayati Raj Institutions	Nature of documents not produced to audit
1	ZP Imphal West	(i) Records for opening a separate Bank Account with ₹ 2,000 (ii) Details of Contingency Charges amounting to ₹ 55,500 utilized on 26-03-2009 (iii) TFC Cash Book after 16-01-2008
2	ZP Imphal East	Expenditure details of ₹ 58,500 earmarked for Creation of Database out of ₹ 10,81,635 sanctioned vide Sectt. (RD &PR) Order No. 15/2/2002-Dev (Pt-I) dt. 01-10-2007.
3	ZP Bishnupur	(i) Expenditure details of ₹ 39,000 (Balance) out of ₹ 4,74,165 released by Deputy Director (RD &PR), Manipur vide Order No. 1/1-PR/TFC-2006 dt. 04-04-2006. (ii) Expenditure details of ₹ 19,350 (Part of withdrawal of ₹ 81,300 on 03-08-2007). (iii) Expenditure details of ₹ 28,895 (Balance) out of ₹ 9,49,697 released by Director, RD &PR, Manipur vide Order No. 11/10/2003-PR(Pt) dt. 27-02-2007.

### **3.2.3 Repetition of works**

During test check of records of Bishnupur Zilla Parishad (BZP) for the period from 2005-06 to 2009-10, repetition of works were noticed. Directorate of Rural Development & Panchayati Raj, Government of Manipur released (April 2006) a sum of ₹ 4.74 lakh to BZP in order to implement 11 works in the 11 ZP Constituencies under TFC as approved by the Chief Executive Officer, ZP, Bishnupur. The works were executed by the respective ZP Constituencies through Beneficiary Secretaries. Subsequently, an amount of ₹ 9.50 lakh was released by the same Directorate to the BZP (February 2007) for implementation of another 11 works in the 11 ZP Constituencies. As per Measurement Books & other relevant documents produced, it was observed that final payments were made in all eleven works and out of 11 works 9 works were repeated. For instance, a work order (May 2006) was awarded to the beneficiary secretary of Thanga for construction of Public Latrine at Khomnai Chingyang, Thanga. The CEO (BZP) paid ₹29,325 to the secretary as 75 per cent works advance vide Bill No. 1 of 25-05-2006 for this work. The same work was at Sl. No. 9 of the subsequent approved list of 11 works and found executed by the same Beneficiary Secretary. The matter was reported to the Government (November 2009). Reply is still awaited from the Government (March 2011).

## **(B) URBAN LOCAL BODIES IMPLEMENTATION OF SCHEMES**

### **3.3 Swarna Jayanti Shahari Rozgar Yojana(SJSRY)**

The Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was launched in December 2007 after subsuming the earlier three schemes for urban poverty alleviation, namely, Nehru Rozgar Yojana (NRY), Urban Basic Services for the Poor (UBSP) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). The key objective of the SJSRY was to provide gainful employment to the urban unemployed or underemployed through the setting up of self employment ventures or provision of wage employment. This programme will rely on creation of suitable community structures and delivery of inputs under this programme shall be through the medium of ULBs and such community structures. It shall be funded for Special Category States like Manipur in the ratio of 90:10 between the Central and the State Government and consists of five major components, namely:

- The Urban Self Employment Programme(USEP)

- The Urban Wage Employment Programme(UWEP)
- Urban Women Self – help Programme (UWSP)
- Skill Training for Employment Promotion amongst Urban Poor (STEP-UP)
- Urban Community Development Network (UCDN)

The USEP gives assistance to individual urban poor beneficiaries and groups of urban poor women for setting up gainful self employment ventures. It also gives training to beneficiaries for up gradation and acquisition of vocational and entrepreneurial skills.

The UWEP seeks to provide wage employment to beneficiaries living below the poverty line (BPL) by utilizing their labours for construction of socially and economically useful public assets. The material and labour ratio for works under the UWEP shall be maintained at 60:40 and the prevailing minimum wage rate shall be paid to the beneficiaries. Works should be done departmentally and executed through Community Development Societies (CDS) under the general control and supervision of ULBs.

To accord special focus on the issues of urban poverty amongst Scheduled Castes (SCs) and Scheduled Tribes (STs), a special component programme of SJSRY, called the Urban Programme for Poverty reduction amongst SCs & STs (UPPS), will be carved out of Urban Self Employment Programme and Skill Training for Employment Programme amongst Urban Poor.

Audit on implementation of SJSRY work programmes disclosed various irregularities in management of fund and implementation of scheme programme as mentioned in the succeeding paragraphs:

### **3.3.1 Irregularities in wage payment under Urban Wage Employment Programme (UWEP)**

In terms of Para 7.3 of SJSRY Revised Guidelines, the prevailing minimum wage rate, as notified from time to time for each area, shall be paid to beneficiaries under the UWEP. The revised minimum wages for non-scheduled employment of various categories viz Casual/Master Roll/Daily Basis Employees/Labour have been revised at ₹ 81.40 per day w.e.f January 2007 vide order dt.16-12-2006 of the Finance Department (PIC), Government of Manipur. However, irregularities in wage payment as in Table 3.7 were noticed.

**Table 3.7**  
**Irregularities in wage payments**

Sl.No.	Name of ULB	Prescribed Minimum Rate for unskilled labour (in ₹)	Payment made for unskilled labour at the rate of (in ₹)	Remarks.
1	Bishnupur Municipal council	81.40	72.40	Less payment of ₹ 9 per head per day.
2	Wangjing Lamding Nagar Panchayat	81.40	100	Excess payment of ₹ 18.60 per head per day.
3	Lilong(Thoubal) Nagar Panchayat	81.40	140	Excess payment of ₹ 58.60 per head per day.
4	Nambol Municipal Council	81.40	125	Excess payment of ₹ 43.60 per head per day.
5	Kwakta Nagar Panchayat	81.40	88.40	Excess payment of ₹ 7 per head per day.

Such irregularity in payments made either exhausts scheme funds or forfeits the rightful wage of the poor wage earners. The 5 ULBs as stated above could not furnish any valid reasons to audit for less or excess payments made to unskilled wage earners. However the auditee units accepted the findings and assured audit for non repetition of the mistake.

### **3.3.2 Donations beyond the scheme guidelines**

Out of SJSRY fund, Andro Nagar Panchayat made the following donations beyond the scheme guidelines is shown in Table 3.8.

**Table 3.8**  
**Donations made by Andro NP out of SJSRY fund**

Sl.No.	Date of payment	Name of the Organization to whom donated	Amount (in ₹)
1	21-03-2007	Joint Action Committee (All Manipur Municipal Councils & Nagar Panchayats)	2,500
2	27-07-2007	Kick Boxing Association of Manipur	100
3	28-08-2007	The Andro Mahila Mandal Association	2,000
4	10-03-2008	Panthoibi Handicrafts Training Centre	200

5	29-04-2008	Joint Action Committee (All Manipur Municipal Councils & Nagar Panchayats)	500
6	10-07-2008	Rainbow Film & Cultural Organization, Manipur	200
7	31-07-2008	Organizing Committee, Manipur Integrity Day	100

The Andro NP could not state to audit why donations were made out of the SJSRY fund.

### **3.3.3 Improper selection of beneficiaries under Urban Self Employment Programme (USEP)**

USEP is targeted to the urban population below the poverty line, as defined by the Planning Commission from time to time. It will lay special focus on women, persons belonging to Scheduled Castes (SC)/Scheduled Tribes (ST), differently-abled persons and such other categories as may be indicated by the Government from time to time. The percentage of women beneficiaries under USEP shall not be less than 30 *per cent*. SCs and STs must be benefited at least to the extent of the proportion of their strength in the city/town population below poverty line (BPL). A special provision of 3 *per cent* reservation in the total number of beneficiaries should be made for the differently-abled under USEP. However, no BPL Register was maintained in all the ULBs test audited. As such, genuine beneficiaries amongst the urban poor could not be verified. 100 *per cent* of the funds allocated for USEP were utilized only for training purposes and no SC/ST/differently-abled beneficiaries were in the selection list. Also the programme encourages under-employed and unemployed urban youth to set up small enterprises relating to services, petty businesses and manufacturing for which there is a lot of potential in urban areas. However, no efforts for setting up small enterprises or self employment ventures by providing loan or subsidy was made by all selected.

### **3.3.4 Non existence of Urban Poverty Eradication/Alleviation Cell**

Vide Para 9.3 of the SJSRY guidelines, at the ULB level, there shall be a Town Urban Poverty Eradication/Alleviation Cell under the Executive Officer of the Urban Local Body, supported by a Project Officer or an Assistant Project Officer. The Project Officer /Assistant Project Officer shall be responsible for coordinating the activities of all the CDSs and Community Organizers (COs) under the ULB. This Cell will be responsible for ensuring the convergence between activities of the CDSs, the ULB and Line Departments. The UPA Cell will first identify the urban poor clusters and areas for setting up of community structures. The other functions of the UPE/ UPA Cell include guiding and

monitoring the works of CDSs and COs, rendering assistance for the preparation of the ULB's Poverty Sub-Plan and Budget for the Urban Poor, conducting slum, household and livelihoods surveys, identifying beneficiaries for various schemes, promoting Bank-SHG linkages, establishing links between the community structures and the ULB structures under the 74<sup>th</sup> Constitution Amendment Act, promoting convergence between various development programmes, mobilizing human and financial resources at the city level and monitoring programme activities by deploying suitable MIS/e-governance tools, etc. However, no UPE/UPA Cell was there in all the selected ULBs. As such, funds provided for strengthening of UPE/UPA Cell were diverted towards purchase of office furniture, stationery etc., in all test audited ULBs.

### **3.3.5 Non maintenance of Below Poverty Line (BPL) Register**

SJSRY is a Urban Poverty Alleviation scheme. A house to house survey for identification of genuine beneficiaries has to be done. Non-economic parameters will also be applied to identify the urban poor in addition to the economic criteria of the urban poverty line. Community Structures like the Community Development Societies will be involved in this task under the guidance of the Town Poverty Eradication /Alleviation Cell of the Urban Local Body. BPL list/register is a must for selection of beneficiaries under various scheme components in all Urban Local Bodies. However, no BPL list/register was maintained in any of the ULBs test audited. It is not ascertained in audit how beneficiaries were selected without maintaining a BPL list/register over the years.

### **3.3.6 Non production of documents**

The SJSRY related documents were not produced during test audit of the eight Urban Local Bodies as listed in Table 3.9:

**Table 3.9  
List of ULBs not producing SJSRY documents to audit**

<b>Sl. No.</b>	<b>Name of the Urban Local Body</b>	<b>Nature of documents not produced to audit</b>
1	Wangjing Lamding Nagar Panchayat	Work Estimates, Measurement Books, Work Bill Copies etc.
2	Lilong (Thoubal) Nagar Panchayat	Expenditure details of ₹ 16,545 (2 <sup>nd</sup> installment of Central Share for 2007-08) for strengthening of the UPE Cell.
3	Andro Nagar Panchayat	Work Estimates, Measurement Books, Work Bill Copies, Muster Rolls, Actual Payment Receipt etc.

4	Nambol Municipal Council	(i) Expenditure details of ₹ 95,366 (2 <sup>nd</sup> installment of Central Share for 2007-08) for Community Structure. (ii) Expenditure details of ₹ 13,587 (2 <sup>nd</sup> installment of Central Share for 2007-08) for Strengthening of UPE Cell. (iii) Expenditure details of ₹ 70,488 (1 <sup>st</sup> installment of Central Share for 2007-08) for Community Structure.
5	Kwakta Nagar Panchayat	Expenditure details of balance of ₹ 9,517 (Released by Dy. Secy, MUDA vide No. 3/36/SJSRY/MUDA-2208 dt. 21-11-08).
6	Bishnupur Municipal Council	Expenditure details of ₹ 1,00,735 (Material) and ₹ 66,916 (Wage) in connection with the construction of R.C.C. Drain and Culvert at Bishnupur Bazar.

Due to non production of the above listed documents to audit, the utilization of the amounts as mentioned could not be verified.

### **3.3.7 Non maintenance of Stock register**

Out of allocated amount of ₹ 1.98 lakh of SJSRY funds for Community Structure during April 2006 to March 2009, a sum of ₹ 1,82,679 was handed over to the CO, Bishnupur Municipal Council in three spells. Test check on the utilization of the funds released to the CDSs, the CO (MC, Bishnupur) disclosed that 317 Nos. of Plastic Chairs were purchased for ₹ 95,100 (@₹ 300 per piece). However, no Stock & Issue Register was maintained in the CDS.

### **3.4 Urban Development Fund**

The Urban Development Fund (UDF) which is a State Scheme was launched in the year 2005-06. The objective of the scheme was to integrate development of infrastructure services in the urban areas for which the Urban Local Bodies are to prepare Detailed Project Reports (DPRs) for undertaking the schemes. The scheme is a contribution to the growing urbanization in the State. During the period under report, the Joint Director, MAHUD, Government of Manipur released ₹ 63.00 lakh during 2006-07 being grant in aid for Urban Infrastructure and other development works to the 8 test audited Urban Local Bodies as shown in Table 3.10.



**Table 3.10**  
**Funds released to 8 ULBs under UDF**

(₹ in lakh)

Sl.No.	Name of the ULB	Sanction No. & date.	Amount
1	Bishnupur Municipal Council	006-MAHUD	14.00
2	Nambol Municipal Council	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	14.00
3	Andro Nagar Panchayat	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	7.00
4	Lilong (Thoubal) Nagar Panchayat	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	7.00
5	Kwakta Nagar Panchayat	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	7.00
6	Shikhong Sekmai Nagar Panchayat	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	7.00
7	Heirok Nagar Panchayat	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	7.00
8	Wangjing Laming Nagar Panchayat	2/119/DIR/MAHUD/06 (Pt.-III) Dated 02-03-2007	7.00

#### **3.4.1 Issue of Work Order without any tender call**

As per Rule 132(iv) of the General Financial Rules (GFR), open tenders should be called for works costing ₹ 5.00 lakh and above. The NP Heirok undertook works amounting ₹ 7.00 lakh for construction of drainage at Southern side of the inter village road of NP Heirok area. The work was awarded to Shri Keibamdai Panmei, Special Contractor of State PWD in April 2007 without any tender call. Similarly, MC, Nambol awarded five different works altogether amounting to ₹ 14.00 lakh with the release of 95 *per cent* of the Estimated Cost as works advance to a Government Contractor in March 2007. The above stated ULBs could not furnish reasons to audit why the works were awarded to the Government contractors without any tender call.

#### **3.4.2 Diversion of fund towards payment of pay & allowances of the staff**

An amount of ₹ 0.71 lakh out of ₹ 14.00 lakh released under UDF, MC, Nambol diverted towards payment of pay & allowances of nine staff and remuneration of two Community Organizers of MC, Nambol vide Acquittance roll dt. 31 March 2007.

### 3.4.3 Non completion of works

The MC, Nambol issued a work order bearing dated 17 March 2007 to a Government Contractor for execution of 5 different works within the MC. The details of works and the status of work progress as on 18 June 2009 are given in Table 3.11:

**Table 3.11**  
**Status of progress of work taken up by MC, Nambol**

Sl. No.	Name of Work	Estimated cost (₹ in lakh)	Time allowed	Amount Paid (₹ in lakh)	Status as per M.B as on the date of audit i.e. 18-06-2009
1	Construction of drain in front of the restaurant building near Mangey Makhong.	1.00	3 months	1.00	Completed
2	Devt. Works in ward No. 1 to 18.	7.20	3 months	7.14	Not yet completed
3	Repairing of ground & ralling (IDSMT)	1.50	3 months	1.46	Not yet completed
4	Construction of Verandah on 1st floor market shop & shed.	2.50	3 months	1.93	Not yet completed
5	Construction of Bora shed at new market	1.80	3 months	1.77	Not yet completed
<b>Total</b>		<b>14.00</b>		<b>13.29</b>	

The works which were to be completed within 3 months remained incomplete for more than two years despite disbursement of 95 *per cent* of the estimated costs of the works as works advance to the contractor without any valid reason.

### 3.4.4 Submission of Utilization Certificate before completion of work

The NP Wangjing Lamding submitted the Utilization Certificate of ₹ 7.00 lakh released under UDF for land development/ ground leveling at Wangjing Laikol Laibung to the Jt. Director, MAHUD on 12 April 2007. However, the actual date of completion of the said work as recorded in the Measurement Book was 17 April 2007. It indicates that the UC was submitted before completion of the work.

### 3.4.5 Excess payment of wages

The Muster Rolls produced by the NP Wangjing Lamding (land development/ground leveling at Wangjing Laikol Laibung) and the NP, Lilong (Thoubal) (Repairing of Lilong Bazar Market shed ) revealed excess payment of

wages @ ₹ 100 per unskilled labour per day against the prescribed rate of ₹ 81.40/- per head per day. Reasons for excess payments made by the 2 ULBs could not be stated to audit.

### 3.4.6 Non production of documents

Six ULBs could not produce the relevant documents to audit as shown in Table 3.12:

**Table 3.12**  
**Documents not produced to audit**

Sl. No.	Name of the Urban Local Body	Nature of documents not produced to audit
1	Andro Nagar Panchayat	Expenditure details for ₹ 7.00 lakh
2	Shikhong Sekmai Nagar Panchayat	-Do-
3	Kwakta Nagar Panchayat	-Do-
4	Bishnupur Municipal Council	Expenditure details for ₹ 2.00 lakh (Construction of Restaurant near Education Office, Zone-IV, Balance Work), ₹ 2.00 lakh (Renovation of Office Building) & ₹ 3.00 lakh (Other Development Works).
5	Lilong (Thoubal) Nagar Panchayat	Expenditure details for purchase of 32 bundles of CGI sheets amounting to ₹ 0.88 lakh
6	Wangjing Lamding Nagar Panchayat	Estimated Cost of Works & Work Bill Copies for ₹7.00 lakh

### 3.5 Twelfth Finance Commission (TFC) Grants (2005-06 to 2009-10) in ULBs

The TFC as per its recommendations accorded high priority on creation of database and maintenance of accounts of ULBs. Further, TFC has also recommended at least 50 *per cent* of the grants-in-aid provided to the ULBs should be earmarked for the scheme of solid waste management through public-private partnership. It is mandatory for the State Government to transfer the grants released by the Government of India to the ULBs within 15 days of the amount being credited to the State Accounts. In case of delayed transfer to ULBs beyond the specified period of 15 days, interest calculated at the RBI rate is payable. The TFC Awards received and released by the State Government are given in Table 3.13 as under:

**Table 3.13****(A) TFC Awards received and released by to ULBs by the State Government**

Particulars	ULB		Date of release to ULBs by the State Govt.
	Amount (₹ in crore)	Date of receipt	
1. Grants received from the Government of India.			
1 <sup>st</sup> Installment 2005-06	0.9	08-03-06	29-03-06
2 <sup>nd</sup> Installment 2005-06 and 1 <sup>st</sup> Installment 2006-07	1.8	12-02-07	22-03-07
2 <sup>nd</sup> Installment 2006-07	0.9	26-02-08	26-03-08
1 <sup>st</sup> Installment 2007-08	0.9	Information not available	10-11-08
2 <sup>nd</sup> Installment 2007-08 and 1 <sup>st</sup> Installment 2008-09	1.8	-Do-	21-02-09
2 <sup>nd</sup> Installment 2008-09 and 1 <sup>st</sup> Installment 2009-10	1.8	-Do-	15-10-09
2 <sup>nd</sup> Installment 2009-10	0.9	-Do-	29-03-10
<b>Total</b>	<b>9.0</b>		
2. Interest paid by State Government for delay release of TFC Award	5.6	-	20-10-07

(B) The sector wise allocation of grants made by State Government to local bodies under TFC award is shown below:

(₹ in crore)

Purpose of allocation	Amount
a) Maintenance of accounts	2.25
b) Database	2.25
c) Solid waste management scheme	4.56
<b>Total TFC Grants allocated to ULBs</b>	<b>9.06</b>

Source: State Govt. letter dt.4-12-2008 and C&AG, letter dt.20-10-2008.

Irregularities arising out of test checked ULBs in implementation of Twelfth Finance Commission Awards is highlighted in subsequent paragraphs.

### **3.5.1 Non Maintenance of Separate Cash Book & Separate Bank Account**

No separate Bank Accounts and Cash Books were maintained in all test checked ULBs except MC, Bishnupur during the period under report. As such, the balance of TFC Awards and verification of utilization of the awards at the end of a particular period could not be worked out. The transactions of all schemes implemented were in a single Cash Book and a single Pass Book over the years.

### 3.5.2 Non Adoption of Double Entry Accounting System

Twelfth Finance Commission (TFC) stressed importance on Double Entry Accounting System in all Urban Local Bodies. Though sufficient funds were allocated for the purpose, no development could be seen in all test checked ULBs in this regard. Their accounts are still maintained in conventional style. The Computer Operators engaged for creation of database and double entry accounting system utilised the computers purchased for typing purposes only.

### 3.5.3 Diversion of Funds

The TFC allocation meant for Solid Waste Management should be utilized for collection, segregation and transportation of the solid waste. However, payments in violation of guidelines/ diversion of funds were observed in the following cases (Table 3.14):

**Table 3.14**  
**Diversion of TFC funds**

Sl.No.	Name of the Urban Local Body	Details of fund diverted
1	MC, Bishnupur	(i) Out of ₹ 1.69 lakh sanctioned (April 2007) for collection, segregation and transportation of Solid Waste, an amount of ₹ 1.30 lakh was diverted for the purchase of land vide sale deed dt. 17 July 2007. (ii) Out of ₹ 3.00 lakh sanctioned for Creation of Database and Maintenance of Double Entry Accounting System, an amount of ₹ 1.07 lakh (Approximately) was temporarily diverted towards payment of pay and allowances of the BMC staff.
2	NP, Kwakta	The whole amount of ₹ 1.38 lakh sanctioned for Solid Waste Management (April 2007) was utilized by NP, Kwakta for construction of a Storm Water Drain between Kwakta Bazar and Sardar Patel Tank in violation of the scheme guidelines.
3	MC, Nambol	(i) The whole amount of ₹ 3.15 lakh sanctioned for collection, segregation and transportation of Solid Waste was utilized by MC, Nambol on purchase of land from private party vide Voucher No. 19 dt. 07-06-2007. (ii) Out of ₹ 6.00 lakh sanctioned for Creation of Database and Maintenance of Double Entry Accounting System by Directorate of MAHUD, Govt. of Manipur (June, 2007), an amount of ₹ 1.70 lakh was allocated for purchase of branded computer set(s) out of ₹ 1.70 lakh, a sum of ₹ 0.55 lakh was earmarked for payment of pay of the Computer Operator @ ₹ 5,000 per month. However, the Acquittance Roll produced revealed that ₹ 15,000 was paid to the Computer Operator, ₹ 13,400 was utilized for payment of pay and allowances of eight unapproved staff of the NMC and another sum of ₹ 5,000 for payment of honorarium of 2 (two) Community Organizers.

		(iii) Out of ₹ 3.20 lakh released by Director, MAHUD (April 2008) for Maintenance of Double Entry Accounting System (₹ 80,000), Creation of Database (₹ 80,000) and Solid Waste Management (₹ 1,60,000). The amount allocated for Solid Waste Management was utilized on purchase of land from a private party vide Voucher No. 4 of May, 2008. Similarly ₹ 80,000 meant for Creation of Database was utilized for (a) Contingency Charges-₹ 10,000, (b) Misc. Expenditure-₹ 10,000, (c) Stationery-₹ 10,000, Advance Pay for 7 (seven) Staff @ ₹ 5,000 per head-₹ 35,000 with a balance of ₹ 15,000 for which documents were not produced to audit.
4	NP, Wangjing Lamding	(i) An amount of ₹ 93,330 from TFC fund was utilized by Wangjing Lamding Nagar Panchayat on awareness campaign organized by the NP during the period under report. (ii) Another amount of ₹ 28,310 was utilized for office partition which was beyond the scheme guidelines. (iii) Further, a sum of ₹ 49,547 was diverted towards purchase of electrical goods and its fitting in the office rooms.

#### **3.5.4 Unfruitful Expenditure on Computer Training & Procurement of Software**

Each & every ULB test audited paid ₹ 1.00 lakh to Oinam Ibohal Polytechnic (OIP) in connection with the procurement of software and training fee for Database Management and Maintenance of Double Entry Accounting System. However, details of the trainees, period of the training, commencement of the training *etc.*, could not be produced to audit. Application of the training gained as well as implementation of the software procured was not in all the selected Urban Local Bodies which leads to unfruitful expenditure of the amount spent in connection with the maintenance of double entry accounting system.

#### **3.5.5 Non engagement of Computer Operator**

While furnishing Utilization Certificate for ₹ 3.00 lakh sanctioned in June 2007, NP, Kwakta stated that an amount of ₹ 33,000 was paid to the Computer Operator @ ₹ 3,000 per month. However, NP, Kwakta could not produce to audit any document for engagement of Computer Operator as well as Actual Payment Receipt in support of the payment made. Moreover, the auditee unit was unable to clarify to audit why the relevant documents could not be produced.

#### **3.5.6 Non production of documents**

The following documents as listed in Table 3.15 were not produced to audit by five test checked ULBs:

**Table 3.15**  
**Non production of documents to audit**

Sl. No.	Name of the Urban Local Body	Nature of documents not produced
1	MC, Nambol	(i) Expenditure details of ₹ 0.75 lakh out of ₹ 1.57 lakh sanctioned for Solid Waste Management (July 2006). (ii) Expenditure details of ₹ 2.10 lakh out of ₹ 3.00 lakh sanctioned (December 2008).
2	NP, Kwakta	(i) Expenditure details of ₹ 0.69 lakh sanctioned for Solid Waste Management (construction of Garbage Bin of Kwakta Nagar Panchayat) (July 2006). (ii) Expenditure details of ₹ 1.50 lakh sanctioned for Maintenance of Double Entry Accounting System, Creation of Data Base and Solid Waste Management (December 2008).
3	NP, Shikhong Sekmai	Expenditure details of ₹ 1.06 out of ₹ 1.53 lakh sanctioned for Solid Waste Management (April 2008).
4	MC, Bishnupur	Expenditure details of ₹ 0.39 lakh out of ₹ 1.69 lakh sanctioned for Solid Waste Management (April 2007).
5	NP, Lilong (Thoubal)	Expenditure details of ₹ 0.60 lakh (construction of ceiling of computer room) out of ₹ 6.00 lakh sanctioned for Creation of Data Base and Maintenance of Double Entry Accounting System (April 2007).

### 3.6 Jawaharlal Nehru National Urban Renewal Mission

Municipal Administration Housing and Urban Development, Government of Manipur released an amount of ₹10 lakh for installation of VSATs and purchase of computer hardware and software including Capacity building at Director General, Supplies & Disposal rates. This was in connection with introduction of e-governance to the MC, Bishnupur (July, 2007); the proposal was to be vetted by NIC.

The Executive Officer, MC, Bishnupur stated that all the necessary hardware & software have been purchased. However, without any tender call for the said project, the MC, Bishnupur approved unanimously the Detailed Project Report submitted by the X-treme Wave, Mantripukhri, Imphal vide Resolution No.2(ii) dt.23-03-2007 and paid ₹10 lakh in full on 08-08-2007 before completion of the project without observing any purchase formalities as laid down in General Financial Rules. It was also observed that the proposal was not vetted by NIC.

However, the purchase could not be verified by audit since no stock and issue register for procurement of the computers and their accessories were found maintained in MC, Bishnupur. The MC, Bishnupur website has also not been updated and the latest information could not be availed from the internet (till March, 2010).

### **3.7 Recommendations**

Adequate planning and survey need to be carried out before taking up proposals/works to avoid unfruitful and wasteful expenditure. All PRIs and ULBs should adhere to the stipulated financial norms and avoid diversion of funds in any form.

Implementation of schemes needs to be improved by scrupulously following the scheme guidelines. Proper scrutiny of bills may be made to prevent irregular/excess payment and diversion of funds. Works should be completed within the stipulated time so that benefits of the schemes reach the intended beneficiaries.

No accounts were maintained in the prescribed formats because of lack of accounting knowledge in both PRIs & ULBs. As such, it is felt necessary to impart training to those who deal with accounts matter as well as to those who have been entrusted the task for implementation of various flagship programmes from time to time in order to enable them carry out the routine works as specified in the rule books. In other words, capacity building of the PRIs & ULBs should be strengthened by imparting proper training to ensure proper utilization of public money.

The concerned departments need to take effective steps to strengthen the internal audit of PRIs and ULBs. Steps are required to be taken for compliance to Inspection Reports which would serve as a stepping stone to check financial irregularities in the PRIs and ULBs.

**Imphal**

**(DR. N. MAISNAM)**  
**Deputy Accountant General**  
**(Local Bodies Audit & Accounts)**

**Countersigned**

**Imphal**

**(STEPHEN HONGRAY)**  
**Accountant General (Audit)**  
**Manipur**



## Appendix-I

### (Para 1.4)

#### Activity Map for 16 line departments to be transferred to PRIs

Sl. No.	Dept	Activities to be transferred to ZPs	Activities to be transferred to GPs
(i)	(ii)	(iii)	(iv)
1	Transport	a) Maintenance of Bus stands and terminus along National/State High ways/District Roads. b) Collection of parking fees as prescribed by the Transport Deptt. under a notification.	a) Maintenance of Bus stand along Inter Village Roads. b) Collection of parking fees in the rural markets in the respective areas of GPs.
2	Health	To manage all public health institutions under National Rural Health Mission(NRHM)	Implementation of activities, preparation of village action plan under NRHM.
3	Veterinary.& Animal Husbandary.	a) Maintenance of Vety. Dispensaries, Health Centers.	a) Identification of beneficiary trainees for the schemes programmes through a meeting of Gram Sabha.
		b) Distribution of fodder seeds	b) Identification of beneficiaries for fodder cultivation.
4	Fisheries	a) Selection of beneficiaries under CSS FFDA progs/schemes.	Identification of beneficiaries through Gram Sabha.
		b) Distribution of feed/fishing equipment to progressive farmers.	
5	Rural development.	a) Planning and implementation of works progs/shelf of projects	a)Identification of location of works with the approval of the Gram Sabha.
		b) Implementation, supervision and monitoring of various CCSS Poverty Alleviation progs.	b) Identification of location of works with the approval of the Gram Sabha.
6	Education (School)	a) Organ. of audit Edn./Non Formal education centers.	a) Selection of audit Edn./NFE centers.
		b) Repair and maintenance of primary school building.	b) Identification of works through Gram Sabha & formation of beneficiaries committee.
7	Industries	a) Association in selection of beneficiaries of KVIs and entrepreneurs in service sector.	a) Recommendation of beneficiaries through Gram Sabha.
		b) Association with the task force for selection of beneficiaries under PMRY.	

8	Agriculture	a) Distribution of improved agricultural tools & implements and other inputs to farmers. b) Establishment & maintenance of rural markets.	a) Selection of beneficiaries through Gram Sabha. b) Selection of suitable marketing sites through Gram Sabha.
9	Horticulture	i) Implementation of a) Expansion progs. b) Demonstration progs.	Selection of beneficiaries/sites through Gram Sabha.
		ii) a) Assistance to small marginal farmers in the construction of small Engg Structure and land leveling. b) Constructed of water harvesting structure.	
10	Tribal Development	a) Implementation of family oriented schemes like Animal Husbandry, Fisheries, Industries, etc.	Selection of beneficiaries through Gram Sabha.
		b) Maintenance of village approach roads, community hall, school buildings.	
		c) Implementation of rural shelters scheme for SC.	
11	Cooperation	Recovery of crop loan and extending credit to farmers with the assistance of Manipur State Cooperative Bank(MSCB)	To associate with the Deptt/ ZPs/MSCB in the recovery of loan and identification of farmers for extending crop loans.
12	Minor Irrigation	Maintenance of River Lift Irrigation & Surface Flow schemes and collection of water charges.	Identification of work sites and collection of water charges.
		b) Association with the task force for selection of beneficiaries under PMRY.	
13	Arts & Culture	a) Supervision and monitoring of cultural programmes. b) Maintenance of rural libraries under Raja Ram Mohan Roy and Rajiv Gandhi Foundations.	a) Implementation of cultural programmes through cultural Non-Governmental Organisations (NGOs).
14	Social welfare	a) Supervision, Implementation and monitoring of programmes	Identification of beneficiaries.
		b) Prevention of drug abuse.	
		c) Implementation of BSY (Balika Samridhi Yojana) Schemes.	
15	Science & Technology	a) Establishment of non-conventional energy sources such as bio-gas plants/scholar cooking plants.	Selection of beneficiaries with the approval of Gram Sabha.
		b) Introduction of smokeless chullha.	
		c) Improved portable chulla.	
16	Family	a) Implementation of Family Welfare	Selection of beneficiaries through

	Welfare	scheme.	Gram Sabha.
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## Appendix-II –A

### (Para-1.10)

#### List of PRIs Units audited during 2009-10

Sl.No.	Name of Unit audited	Period of Accounts	Period of Audit
1	Imphal East Zilla Parishad	01-04-2006 to 31-03-2009	22-07-2009 to 31-07-2009
2	Bisnupur Zilla Parishad	01-04-2006 to 31-03-2009	28-08-2009 to 08-09-2009
3	Under Imphal East-I C.D.Block GPs namely, (i) Tellou Chana Sheijang, (ii) Nongren chingnungkok, (iii) Takhel, (iv) Sawombung, (v) Pungdongbam, (vi) Kangla, (vii) Makeng Dolaihabhi, (viii) Uyumpok, (ix) Pukhao, (x) Khundrakpam, (xi) Haraorou Tangkham, (xii) waiton, (xiii) Kontha Khabam, (xiv) Luwangsangbam, (xv) Nilakuthi, (xvi) Laipham Khunou, (xvii) Lairikyengbam Leikai, (xviii) Kairang Khomidok, (xix) Heingang, (xx) Khurai Nandeibam Leikai, (xxi) Khurai Konsam Leikai, (xxii) Khurai Laishram Leikai, (xxiii) Khurai Chingangbam Leikai, (xxiv) Khurai Khaidem Leikai & (xxv) Moirang Kampu	01-04-2006 to 31-03-2009	06-11-2009 to 18-11-2009
4	ZP,Imphal West	01-04-2006 to 31-03-2009	10-11-2009 to 20-11-2009

**Appendix-II –B**

**(Para-2.8)**

**List of ULBs Units audited during 2009-10**

<b>Sl.No.</b>	<b>Name of Unit audited</b>	<b>Period of Accounts covered</b>	<b>Period of Audit</b>
1	MC, Nambol	01-04-2006 to 31-03-2009	01-06-2009 to 18-06-2009
2	MC, Bishnupur	01-04-2006 to 31-03-2009	20-08-2009 to 31-08-2009
3	NP, Wangjing Lamding	01-04-2003 to 31-03-2009	09-10-2009 to 26-10-2009
4	NP, Lilong (Thoubal)	01-04-2006 to 31-03-2009	30-11-2009 to 10-12-2009
5	NP, Heirok	01-04-2003 to 31-03-2009	06-01-2010 to 18-01-2010
6	NP,Sikhong Sekmai	01-04-2006 to 31-03-2009	03-02-2010 to 16-02-2010
7	NP,Andro	01-04-2006 to 31-03-2009	16-02-2010 to 02-03-2010
8	NP, Kwakta	01-04-2006 to 31-03-2009	01-03-2010 to 10-03-2010