

## **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**

<b>2008-09</b>							<b>(₹ in Crore)</b>
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	

  

<b>2009-10</b>						
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**

<b>2008-09</b>									
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**

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