
CHAPTER-IV
IMPLEMENTATION OF SCHEMES IN URBAN LOCAL
BODIES

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4.1 Second State Finance Commission (SSFC) Award

4.1.1 Non-production of documents, bills and vouchers

The Jiribam Municipal Council (JMC) received a total amount of ₹ 18.52 lakh on 19.03.2010 under Second State Finance Commission (SSFC) Award for implementation of development works such as construction of building for shops, toilets etc. and the JMC reported expenditure amounting to ₹ 1.66 lakh (03.08.2010) as per Cash Book. Audit noticed that the details of unspent balance of ₹ 16.86 lakh was not reflected in the Cash Book and the details of expenditure against the grant for the subsequent period were not produced to audit.

Thus, in the absence of proper entry in the cash book and non-production of documents for expenditure, audit could not ascertain the expenditure against the grants and balance thereof.

The matter was reported (November 2010) to Government. Reply is awaited (March 2013).

4.1.2 Idle expenditure

Test check of records/documents of Sugnu NP disclosed that the NP purchased an used tractor (18.12.2009) at a cost of ₹ 1.63 lakh. The fund was financed out of SSFC Award/grants. As stated by the authority of the Sugnu NP, the tractor so purchased was for removal of garbage, rubbish and waste materials under solid waste management programme.

However, on review, audit noticed that no works related to solid waste management were taken up by Sugnu NP as of October 2011. Also, the tractor was found lying in the workshop during the period of audit (October 2011). Since the NP did not put the tractor to use for such a long time for the purpose for which it was purchased, the entire expenditure incurred towards purchase of the tractor remained idle.

4.2 Twelfth Finance Commission (TFC) Grant

4.2.1 Inadmissible Expenses out of TFC grants

Guidelines for utilisation of Local Bodies' grants recommended by TFC stipulated that grants should be utilized for water supply and sanitation, creation of database and maintenance of accounts. Test check of records of Lamshang NP and Jiribam MC revealed that the ULBs, in violation of Scheme guidelines incurred expenses amounting to ₹ 5.99 lakh out of TFC grants on ineligible items as detailed in the table below:

Table 4.1: Expenses out of TFC grants

Name of ULBs	Purpose of expenses	Date of Expenditure	Amount spent (in ₹)
Lamshang NP	Office ground fencing	24.07.2007	16,050
	Purchase of digital Camera and furniture	17.03.2009	15,700
	Purchase of Honda generator Set	09.04.2009	24,896
	Office ground improvement	27.12.2010	25,500
Sub-total			82,146
Jiribam MC	Repairing & accessories for tractor, Maruti Van & Bolero of the Jiribam MC	27.01.2011	60,000
	Telephone Bill	08.12.2010	4,510
	Office Telephone bill	02.03.2011	1,386
	Expenses towards payment of staff salary, pension and councillors' remuneration	18.12.2010	4,56,000
Sub-total			5,21,896
Total			6,04,042

This is indicative of weak internal control mechanism in Lamshang NP and Jiribam MC to adhere to the provision of TFC guidelines to ensure proper utilisation of TFC grants, besides depriving intended benefits from the beneficiaries or localities.

4.2.2 Procurement of Power Tiller

Test check of records of Lamshang NP revealed that the Executive Officer of Lamshang NP procured one Power Tiller (22 November 2009) at the cost of ₹ 1.20 lakh out of TFC grants for use in management/removal of Solid Waste. As per record maintained in Lamshang NP, the Power Tiller was kept idle at Lamshang NP for a couple of months. Eventually, it was issued to Smt. Shanti Devi (Councillor) on 05.06.2010 as recorded in the Stock issue Register. The purpose of supply of Power Tiller to the Councillor was not stated by the NP. As stated by the authority of Lamshang NP, the Power Tiller was lying with the Councillor till December 2011. Scrutiny further revealed that no action was taken by the Executive Officer for return of Power Tiller to Lamshang NP.

Even after over two years from its procurement, the Power Tiller was not utilised for the purpose it had been purchased due to which Lamshang NP was deprived of the utility of Power Tiller in Solid Waste Management.

4.2.3 Diversion of TFC fund

As per guidelines for the utilization of TFC grants for Local Bodies, priority should be given to utilize the grants for solid waste management in urban areas. Test-check of Cash Book of the Imphal MC revealed that a sum of ₹ 26.50 lakh pertaining to TFC grant was found diverted (04.03.2011) for payment of salary to the general staff of Imphal MC. When the authority of fund transfer was sought for, the authority of Imphal MC stated that fund transfer was made with unanimous understanding among the Imphal MC authorities.

The Imphal MC further offered a comment that the transfer of fund was made on temporary nature to overcome acute shortage of fund meant for salary for general staff. However, the transferred fund was yet to be recovered as of March 2013.

Thus, due to diversion of TFC fund, the benefit remained undelivered for disposal of solid waste in IMC and the purpose of the TFC grant was defeated.

4.2.4 Suspected misappropriation

Lamlai NP received grants-in-aid of ₹ 7.85 lakh under TFC, inclusive of interest for delay released of funds during the period from May 2007 to December 2009. On scrutiny, audit observed that a sum of ₹ 6.84 lakh was withdrawn for payments of different purposes (**Appendix-VI**). However, the Lamlai NP could not furnish any supporting documents other than Cash Book for the expenditure incurred. Cash transactions and closing balances depicted in the Cash Book were also not attested by any competent authority.

As such, due to non-furnishing of the supporting documents misappropriation of TFC grants amounting to ₹ 6.84 lakh could not be ruled out.

The matter was reported (October 2011) to Government. Reply is awaited (March 2013).

4.2.5 Wasteful expenditure

During test check of records/Cash Book (December 2007 to March 2010) of Sekmai NP, audit noticed that the Executive Officer, Sekmai NP made payment of ₹ 2.92 lakh out of TFC grants for creation of database and maintenance of accounts in double entry accounting system. Details of expenditure are indicated in the table below:

Table 4.2: Expenses out of TFC grants

Sl. No.	Purpose	Date of expenditure	Amount paid (in ₹)
1	Training	23.01.08	1,00,000
2	State Accounting Training	21.07.08	25,000
3	Creation of Database	07.01.09	25,000
4	Purchase of Info-tech system of accounting package of double Entry system	07.01.09	17,100

5	Info-tech system training & Installation charge	20.03.09	25,000
6	Training	13.11.09	50,000
7	Training for Double Entry & Database	08.03.10	49,500
Total			2,91,600

Audit further noticed that one Computer Operator (CO) was appointed for creation of database and maintenance of accounts in double entry accounting system in Sekmai NP on contract basis for a period of 11 months *w.e.f.* 02.11.07 to 30.9.2008, on a monthly remuneration of ₹ 5000 per month. In spite of expiry of the term of contract, remuneration was paid to the CO till 31.03.2010. The total remuneration paid to CO amounted to ₹ 1.30 lakh.

On scrutiny audit noticed that neither database was created nor double entry accounting system introduced in Sekmai NP as of January 2012. Thus, payment of ₹ 4.22 lakh (₹ 2.92 + ₹ 1.30) for creation of Database and maintenance of accounts in Double Entry system was wasteful expenditure.

4.3 Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

4.3.1 Doubtful expenditure

Test-check of records related to works implemented under Urban Wage Employment Programme in the two ULBs *viz.*, Sekmai NP and Sugnu NP revealed that wages amounting to ₹ 1.28 lakh was paid to unskilled labourers as stated in table below:

Table 4.3: Expenses on payment of wages to unskilled labourers

Sl No	Name of ULBs	Name of works	No of Labourers	Rate (in ₹)	Amount paid (in ₹)
1	Sekmai NP	Construction of public waiting shed	15	86.65	39,772.35
2	Sekmai NP	Singling of Inter Village Road at Ward No.5	9	86.65	24,002.05
3	Sugnu NP	Construction of fencing with Reinforced Cement Concrete Pillar and wiring	28	72.40	64,254.60
Total					1,28,029

On scrutiny of Muster Rolls (MRs), it was noticed that the MRs were not bearing any date/month of working for which payments were made. Wages received by the labourers were undated. Also, initials/signatures of the competent authority were not available in the MRs.

Thus, due to non-availability of date of payment and signatures of the competent authority in the MRs, misappropriation of SJSRY funds of ₹ 1.28 lakh could not be ruled out.

4.3.2 Diversion of funds out of SJSRY grants

The Manipur Urban Development Agency (MUDA) released ₹ 42.33 lakh (13.04.2010) to the Imphal Municipal Council (IMC) under SJSRY Scheme.

As per release order, grants had to be utilised to meet expenses on Urban Wage Employment Programme (UWEP), Community Structure and strengthening of ULBs (Urban Poverty Eradication cell).

Scrutiny of Cash Book of IMC pertaining to SJSRY scheme revealed that withdrawal of scheme fund of ₹ 13.28 lakh took place on two occasions for payment of pay and allowances and honorarium, in contravention to the scheme guidelines as indicated in the table below:

Table 4.4: Detail of funds withdrawn under SJSRY grants

Purpose	Date of diversion	Amount diversion (in ₹)
Payment of Pay and Allowances for general Staff	28.05.10	10,00,000
Payment for honorarium to elected bodies of Imphal MC	24.06.10	3,28,000
Total		13,28,000

Audit further noticed that cash transaction as posted in the Cash Book was closed and initialed by Executive Officer and Project Officer with official seal. As stated by the authority of IMC, diversion of fund was a temporary measure to meet expenses on salaries of the Staff of the Imphal MC and honorarium for Councillors of Imphal MC. The authority of the Imphal MC further stated that the diverted fund would be refunded at the earliest possible. However, the fund was yet to be refunded as of March 2013.

Under SJSRY Scheme, funds were released for implementation of specific programmes. As such, diversion of fund amounting to ₹ 13.28 lakh for payment of pay and allowances and honorarium or any purpose for any period of time was defeating the purpose of the Scheme.

4.3.3 Excess payment of wages

On test check of the performance of 5 Wards of the IMC and 8 Wards of Kumbi NP (KNP) in the implementation of Urban Wage Employment Programme (UWEP) during 2010-11, audit observed that 2,933 mandays (1,461 man days by the IMC and 1,472 man days by KNP) were generated by deploying unskilled labourers. As detailed in the MRs the Imphal MC paid wages @ ₹ 150 per man day while Kumbi NP paid ₹ 100 per man day as wages against the prevailing permissible rate of ₹ 81.40 per day for an unskilled labourer (December 2006, Order of Finance Department, Govt. of Manipur). Also, the rate of wages was stipulated in the fund release order to be paid at @ ₹ 81.40 per man day for unskilled labourer. The total wages paid to the unskilled labourers amounted to ₹ 3.66 lakh (**Appendix-VII**). Had the payment been made at the prescribed rate the total payment would be ₹ 2.38 lakh (₹ 81.40 × ₹ 2,933). As such, payment of wages to unskilled labourers by IMC and KNP at rates more than the prescribed rate resulted in excess payment of ₹ 1.28 lakh.

4.4 Drawal of money without presentation of bill

As per Rule 130 of Central Treasury Rules money should not be drawn except by presentation of bills. During test-check of Cash Book related to Urban Infrastructure Development (UID) fund in respect of Sekmai NP for the period from April to September 2007, it was noticed that UID fund amounting to ₹ 3 lakh was withdrawn by the Executive Officer of Sekmai NP on 8 occasions (**Appendix-VIII**) for payment of the works- construction of Ring Culvert Bunds as recorded in the Cash Book. Payments were made to the Chairperson.

On scrutiny audit observed that bills and vouchers in support of the claim of ₹ 3 lakh was not on record. Proper document for payment was not maintained by the concerned authority. Withdrawals and payments were made on verbal order of DDO/Executive Officer as stated by the authority of Sekmai NP. Thus, withdrawal and payment of money without statements of claims and vouchers in violation of Central Treasury Rules which was irregular.

4.5 Retention of Cash

As per CTR Rule 290, no money shall be drawn from the Treasury unless it is required for immediate disbursements. It is not permissible to draw money from the Treasury in anticipation of demand or to prevent the lapse of budget grant.

Scrutiny of Cash Book of Lamshang NP for the period 2007-08 revealed that the Cash Book was closed with cash in hand amounting to ₹ 0.22 lakh as on 31.03.2008. The said amount remained undisbursed till the date of audit (December 2011). The amount was carried forward for months together in violation of Financial Rules.

4.6 Delay in collection of Toll Tax

Toll tax was one of the main sources of revenue for Imphal MC. Under Clause 74(a) of the Manipur Municipalities Act, 1994, the Imphal MC levied/collected toll tax through engaging one Agent. On test check of receipt books and collection registers pertaining to toll tax for the period from April 2010 to 31 March 2011, audit observed that toll tax @ ₹ 1.20 lakh per month was collected from the Agent. However, there was delay in realisation of toll tax from the agent ranging from 7 to 10 months (**Appendix-IX**). Audit further observed that toll tax amounting to ₹ 0.20 lakh for the month of April, 2010 was yet to be collected from the Agent. Delay in realisation of toll tax reduced the revenue of the Imphal MC to that extent, thereby widening the resource gap.

As stated by the Imphal MC, there was no any penal provision which would attract penalty for delay in remission of toll tax. In the absence of such provision, timely realisation of toll tax could not be ensured. The matter was reported (June 2012) to the Council. The reply has not been received (March 2013).

This is indicative of weak internal control mechanism on the part of the Imphal MC in the revenue collection regime.

4.7 Short deposit and non-deposit of revenue collection

As per practice in Imphal MC, total amount of cash receipts from revenue collection was to be entered in the Cash Book on the date of receipt. The same amount was to be deposited in the Bank on the following day as practicable or possible. On test check of the Cash Book and the Bank Pass Book/Bank Statement, audit noticed that the revenue collected during the period from 01.03.2010 to 31.03.2011 were not fully deposited into the bank account as depicted in the table below:

Table 4.5: Less deposit of revenue collection

Sl. No.	Date of entry in Cash Book	Amounts shown as per Cash Book (in ₹)	Date of deposit in the Bank	Amounts Shown as per Bank Pass Book (in ₹)	Difference (in ₹)
1	24.04.2010	41,851	26.4.2010	41,351	500
2	06.05.2010	3,751	-	-	3,751
3	18.05.2010	10,541	-	-	10,541
4	29.05.2010	18,374	-	-	18,374
5	28.06.2010	6,164	-	-	6,164
6	29.06.2010	14,971	-	-	14,971
7	12.07.2010	3,657	-	-	36,571
8	16.07.2010	9,656	-	-	9,656
9	10.09.2010	2,616	-	-	2,616
10	04.01.2011	2,542	-	-	2,542
11	15.01.2011	1,660	-	-	1,660
12	19.01.2011	7,670	-	-	7,670
13	10.02.2011	3,140	-	-	3,140
14	31.03.2011	42,958	-	-	42,958
Total					1,61,114

It is evident that there was a short deposit as well as non-deposit of revenue amounting to ₹ 1.61 lakh. Due to short deposit and non-deposit of revenue collection by the IMC during the stated periods, the possibility of embezzlement of ₹ 1.61 lakh could not be ruled out.

The matter was reported (June 2012) to the State Government. Reply had not been furnished (March 2013).

4.8 Cash payment for material component

The State Government took up a project under Integrated Low Cost Sanitation Scheme for converting the existing Dry/*Kutcha* Latrines into pour flush water seal Latrines (Low Cost Latrines) during 2010-11 in Lamshang NP. The implementation of the project was entrusted to Lamshang NP. The total cost of each latrine was estimated to be ₹ 7,500. The material and labour components were fixed in the ratio of 60:40 (₹ 4,500: ₹ 3,000). As stipulated in the Scheme guidelines, Cash payment for material component was not permissible. However, test-audit of records of Lamshang NP revealed that Cash amounting to ₹ 10.53 lakh (₹ 4500 x 234 Units) was paid for material

component to 234 beneficiaries on 01.12.2010 in violation of Scheme guidelines.

Cash payment for material component to the beneficiaries was in violation of the scheme guidelines and was fraught with the risk or possibility of utilization of the money on the purpose other than construction of latrines by the beneficiaries.

4.9 Conclusion

Improper planning and injudicious decisions resulted in unproductive expenditure on procurement of Power Tiller and Tractor. Due to transfer of TFC funds for payment of salary to the general staff and payment of honorarium to the Councillors of Imphal MC, the benefit of the grant remained undelivered. Non-adherence to the instructions and guidelines in spending public money resulted in diversion of funds and expenditure on inadmissible works. Sekmai NP incurred expenditure of ₹ 3 lakh without statements of claim and vouchers in violation of Central Treasury Rules. Payment of wages to unskilled labourers under UWEP by Sekmai NP and Sugnu NP without following codal provision resulted in doubtful expenditure of ₹ 1.28 lakh. In Imphal MC, there was possibility of embezzlement of ₹ 1.61 lakh due to short deposit and non-deposit of revenue collection into bank account.



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