

**Report of the
Comptroller and Auditor General of India**

ON

**LOCAL BODIES
for the year ended 31 March 2015**

**Government of Madhya Pradesh
Report No. 4 of the year 2016**

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P R E F A C E

This Report for the year ended March 2015 has been prepared for submission to the Governor of Madhya Pradesh under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains significant results of the audit of Panchayat Raj Institutions and Urban Local Bodies in the State including the Departments concerned.

The issues noticed in the course of test audit for the period 2014-15 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with auditing standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains six chapters. The first and fourth Chapters provide an overview of the functioning, accountability mechanism and financial reporting issues of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second and fifth Chapters contain two Long paragraphs on PRIs and two performance audit reports on ULBs. The third and sixth Chapters contain four compliance audit paragraphs, one on PRIs and three on ULBs. A summary of the important findings is presented in this overview.

Chapter 1: An Overview of the Functioning, Accountability Mechanism and Financial Reporting Issues of the Panchayat Raj Institutions

- The Third State Finance Commission recommended (accepted by State Government in February 2010) that four *per cent* of divisible fund of the State Government should be devolved to PRIs. However, there was short devolution of ₹ 435.67 crore to PRIs during 2014-15.

(Paragraph 1.6)

- The funds allocated to PRIs by State Government through State budget increased from ₹ 6,817.14 crore during 2010-11 to ₹ 18,947.92 crore during the year 2014-15. However, PRIs could not spend the entire allocated grant and savings ranged from six to 30 *per cent* during the period 2010-15 mainly due to considerable unspent balances in the Revenue Head.

(Paragraph 1.7)

- There were significant delays in transfer of Thirteenth Finance Commission (ThFC) grants to the PRIs. Panchayat and Rural Development Department diverted ₹ 36.69 crore of ThFC grants for the purpose other than for which it was sanctioned.

(Paragraphs 1.11.2 and 1.11.3)

Chapter 2 : Performance Audit

Social Audit of Schemes

Social Audit was brought into Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011. Subsequently, Government of Madhya Pradesh established Social Audit Unit "M.P. State Samajik Samparksha Samiti" (MPSSSS). MPSSSS was responsible to build capacities of Gram Sabhas for conducting Social Audit, prepare social audit reporting formats, create awareness amongst the labourers about their rights and entitlements under MGNREGA and facilitate verification of records by primary stakeholders.

Social Audits were conducted in 931 Gram Panchayats (GPs) of 15 Blocks in 14 Districts of the State during 2014-15. A compliance audit of implementation of 'Social Audit of Schemes' revealed the followings:

- As per MGNREGA Operational Guidelines 2013, SAU shall identify appropriate number of resource persons at State/District/Block/Village levels to facilitate in conducting Social Audits. MPSSSS proposed (June 2013) for

creation of 5,346 posts of resource persons. However, the proposal was still under consideration with the Finance Department. The non-availability of adequate manpower affected the coverage of social audit in the State.

(Paragraph 2.1.7.1)

- Section 3(1) of Audit of Schemes Rules 2011 stipulates that the State Government shall facilitate conduct of social audit of the works taken up under MGNREGA in every Gram Panchayat at least once in six months. However, there was shortfall of 98 *per cent* in conducting Social Audits during 2012-13 to 2014-15, as only 2,674 Social Audits could be conducted against the requirement of 1,37,678.

(Paragraph 2.1.8.2)

- There were deficiencies in quality control of Social Audit Reports. MPSSSS had circulated Village Social Animators manual and social audit proforma for conduct of social audit. However, out of 50 test-checked GPs, the prescribed formats for social audit findings were filled properly in case of only two GPs, while in 48 other GPs the formats were either not properly filled or not filled at all. As a result, Social Audit Reports did not include findings on prescribed verification exercises included in the social audit proforma.

(Paragraph 2.1.8.3)

- Follow up action on Social Audit Report was either not being ensured or belatedly ensured by the Government as required under Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

(Paragraphs 2.1.9.1 and 2.1.9.2)

Internal Control Mechanism in Panchayat Raj Institutions

Two districts, Chhindwara (scheduled district) and Indore (other than scheduled district) were selected for the audit of internal control mechanism in PRIs, which revealed the followings:

- The budgetary control, an essential tool to check improper utilisation of funds, was poor. There were delays in preparation and approval of budget estimates by Zila Panchayat (ZP) Chhindwara. Five test-checked Janpad Panchayats (JPs) and 139 test-checked Gram Panchayats (GPs) did not prepare budget estimates.

(Paragraphs 2.2.4.1, 2.2.6.1 and 2.2.8.1)

- Bank reconciliation was not done in ZP Chhindwara, 12 JPs and 139 test-checked GPs, which indicated weak internal control over their cash management.

(Paragraphs 2.2.4.3, 2.2.6.2 and 2.2.8.2)

- Advance amounting to ₹ 35.96 lakh was outstanding for recovery in ten JPs for a period varying from one year to 32 years.

(Paragraph 2.2.6.3)

- None of the 139 test-checked GPs were maintaining asset register and stock register.

(Paragraph 2.2.9.1)

Chapter 3: Audit of Transactions

Chief Executive Officer, Zila Panchayat, Shajapur released advance payment of ₹ 11 lakh to a firm against the supply orders for procurement of Seed Grading Machine, without ensuring adequate safeguards in the form of bank guarantee etc. from the firm. The firm did not supply the requisite items even after lapse of more than six years. Later, ₹ 11 lakh have been recovered from the firm after being pointed out by Audit.

(Paragraph 3.1.1)

Chapter 4: An overview of the Functioning, Accountability Mechanism and Financial Reporting Issues of Urban Local Bodies

- The funds allocated to ULBs by State Government through State budget increased from ₹ 3,900.36 crore during 2010-11 to ₹ 6,751.81 crore during the year 2014-15. However, ULBs could not spend the entire grant allocation and savings ranged from nine to 22 *per cent* during the period 2010-15 mainly due to considerable unspent balances in the Revenue Head.

(Paragraph 4.7)

- Out of 91 test-checked ULBs, 70 ULBs did not adopt the accrual based accounting system, as envisaged in the Madhya Pradesh Municipal Accounting Manual.

(Paragraph 4.8.1)

Chapter 5: Performance Audit

Integrated Housing and Slum Development Programme (IHSDP)

IHSDP is a centrally sponsored programme. The sharing of funds is in the ratio of 80:20 between Central Government and State Government/Urban Local Bodies/Parastatal. The basic objective of IHSDP is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas.

In Madhya Pradesh, 56 IHSDP projects were approved between December 2006 and March 2012 for implementation in 53 cities of the State. Government of Madhya Pradesh appointed (December 2005) Urban Administration and Development Directorate (UADD) as the State Level Nodal Agency (SLNA) for implementation of the project. A performance audit of implementation of the IHSDP in the State revealed the following:

- The implementation of IHSDP was lagging behind the completion schedule sanctioned by Central Sanctioning and Monitoring Committee. Out of the 56 projects, six projects could not be started due to non-availability of suitable land and reluctance on the part of the beneficiaries. Of remaining 50 projects, only 15 projects could be completed as of March 2015. Further, out of 35 incomplete projects, 16 projects (46 *per cent*) were sanctioned between December 2006 and December 2007 with the stipulated completion period of

12 to 24 months. Thus, projects remained incomplete even after the expiry of six to nine years from the sanction of these projects.

(Paragraph 5.1.6)

- Out of total 22,998 dwelling units (DUs) sanctioned in 56 projects, 9,203 DUs (*40 per cent*) in 31 projects were surrendered and only 8,766 DUs (*38 per cent*) in 42 projects could be completed as of March 2015. Of these completed DUs, 3,227 DUs were allotted to beneficiaries.

(Paragraph 5.1.6)

- Affordability of the urban poor was to be kept foremost in view while working out beneficiary contribution for the DUs. However, due to cost overrun of the projects, per unit cost of DU increased in the range of ₹ 36,000 to ₹ 2.49 lakh in seven test-checked projects resulting into enhancement of beneficiary contribution.

(Paragraph 5.1.9)

- According to instructions of Central Sanctioning and Monitoring Committee, utmost emphasis was required to be accorded to quality execution of houses and infrastructure facilities for poor. However, scrutiny of records/joint inspection of constructed DUs of test-checked projects revealed deficiencies in adherence of prescribed quality control norms.

(Paragraph 5.1.10)

- Monitoring of projects was not adequate, as the State Level Coordination Committee could hold only four meetings against 36 meetings required during 2006-15 for quarterly review of the projects. Further, no meeting was conducted during 2008-12 and 2013-15. Social Audit of the implementation of IHSDP could not be conducted due to non-formation of Beneficiaries Committees

(Paragraphs 5.1.14.1 and 5.1.14.4)

Performance Audit on ‘Service Level Benchmarking in Urban Local Bodies’:

Benchmarking is an important mechanism for introducing accountability in service delivery. Recognising its importance, Ministry of Urban Development (MoUD), Government of India issued a Handbook of Service Level Benchmarking (SLB Handbook) prescribing the standardised framework for performance monitoring in respect of four basic municipal services, viz., water supply, sewage, solid waste management and storm water drainage. Thirteenth Finance Commission (ThFC) included Service Level Benchmarks (SLBs) as one of the conditionalities for allocation of performance grants to ULBs.

Out of 378 ULBs in the State, SLBs have been notified in 114 ULBs (16 Municipal Corporations and 98 Municipal Councils) as of March 2015. The performance management of urban services in terms of the SLBs covering the period 2011-15 was examined in four ULBs (Bhopal, Dewas, Junnardev and Kareli), which revealed the following:

- Four test-checked ULBs incurred expenditure of ₹ 473.16 crore between 2010-11 and 2014-15 on the delivery of four basic services - water

supply, sewage, solid waste management and storm water drainage, which included expenditure of ₹ 80.44 crore from ThFC grants and ₹ 392.72 crore from other resources of ULBs.

(Paragraph 5.2.5)

- ULBs were required to collect service indicator data such as quantum of treated water supplied to consumer, number of water samples taken for testing, quantum of generated, segregated and disposed municipal solid waste, and number of incidences of water logging. However, there was no institutionalised system for capturing these data. As a result, instead of actual figures, estimated targets and achievements were notified in the State Gazette.

(Paragraph 5.2.6)

- The coverage of water connection was only up to 50 *per cent* in the service areas of test-checked ULBs. Bhopal Municipal Corporation was supplying water on alternate days in 77 out of 305 service areas of 70 wards. Against the benchmark of 135 litres per capita per day (lpcd), the per capita supply of water in other three test-checked ULBs ranged between 34 to 53 lpcd.

(Paragraphs 5.2.8, 5.2.12, 5.2.16 and 5.2.20)

- Coverage of toilets was not as per the benchmark value (100 *per cent*) in any of the test checked ULBs. Sewage network was not in existence in two ULBs (Junnardev and Kareli), while coverage of sewage network was only 38 *per cent* in Bhopal and 10 *per cent* in Dewas.

(Paragraphs 5.2.9, 5.2.13, 5.2.17 and 5.2.21)

- Segregation and scientific disposal of Municipal Solid Waste (MSW) was not done in any of the test checked ULBs. For scientific disposal of MSW no landfill site was developed.

(Paragraphs 5.2.10, 5.2.14, 5.2.18 and 5.2.22)

- None of the test-checked ULBs correctly reported achievements against the benchmark indicator – coverage of storm water drainage.

(Paragraphs 5.2.11, 5.2.15, 5.2.19 and 5.2.23)

- Monitoring mechanism for implementation of SLBs was found absent at the State as well as at ULBs level. The performance indicators reported at the Department level was never reviewed at the management level (by Mayor/Municipal Commissioner) of ULBs.

(Paragraph 5.2.24)

Chapter – 6 : Audit of Transactions

Government was deprived of revenue of ₹ 34.04 lakh due to short levy of stamp duty and registration fee

(Paragraph 6.1.1)

Nagar Parishad, Kanad incurred extra expenditure amounting to ₹ 7.68 lakh due to re-award of work, which was not recovered from previous contractor under risk and cost clause.

(Paragraph 6.1.2)

Gwalior Municipal Corporation (GMC) incurred expenditure of ₹ 24.46 lakh on installation of water meters for non-domestic consumers, which remained idle as GMC continued to raise bills for water consumption on fixed charge basis instead of charging on the basis of consumption recorded in the installed water meters.

(Paragraph 6.2.1)

Part - A

Panchayat Raj Institutions

Chapter – 1

**An Overview of the Functioning,
Accountability Mechanism and
Financial Reporting issues of
Panchayat Raj Institutions**

Chapter – 1

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYAT RAJ INSTITUTIONS

An overview of the functioning of the Panchayat Raj Institutions in the State

1.1 Introduction

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

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

According to the provisions of Article 243H of the Constitution, the Legislature of a State may, by law:

- (a) authorise a panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;
- (b) assign to a panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;
- (c) provide for making such grants-in-aid to the panchayats from the Consolidated Fund of the State; and
- (d) provide for the constitution of such funds for crediting all moneys received, respectively, by or on behalf of the panchayats and also for withdrawal of such money therefrom as may be specified in the law.

Consequently, the following three-tier system of Panchayat Raj Institutions (PRIs) has been established in the State by Madhya Pradesh *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993:

- Zila Panchayat (ZP) at district level
- Janpad Panchayat (JP) at block level and
- Gram Panchayat (GP) at village level.

There are 51 ZPs, 313 JPs and 22,823 GPs in the State as of March 2015.

The basic demographic information relating to the State of Madhya Pradesh vis-a-vis National average is given below:

Particulars	Unit	Madhya Pradesh	All India
Population	crore	7.26	121.02
Share in country's population	per cent	6	-
Rural population	crore	5.26	83.30
Share of rural population	per cent	72.37	68.84
Literacy rate	per cent	69.32	74.04
Sex ratio (females per thousand males)	ratio	931/1000	940/1000

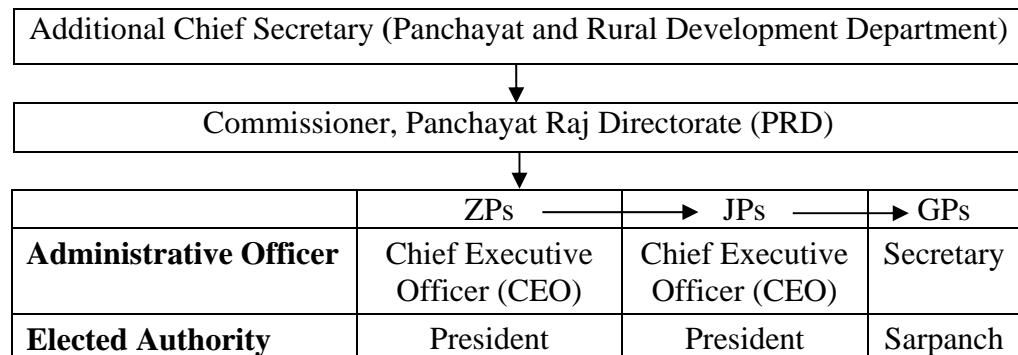
(Source: *Census data 2011*)

1.2 Organisational set up of PRIs

As per Chapter 3 of Madhya Pradesh *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, all the PRIs are distinct legal authorities to discharge the functions devolved under the provisions of Acts and Rules, subject to monitoring powers vested in State authorities.

At State level, Panchayat and Rural Development Department is responsible for providing guidance to all the three tiers of PRIs for proper implementation of Panchayat Raj arrangements. The organisational set up of governance at State, district, block and village levels is given below:

Organisational Chart of Panchayat Raj Institutions



The details of standing committees of ZPs, JPs and GPs are as follows:

Standing Committees of Zila Panchayat and Janpad Panchayat
a. General Administration Committee
b. Agriculture Committee
c. Education Committee
d. Communication and Works Committee
e. Cooperation and Industries Committee

Standing Committees of Gram Panchayat
a. General Administration Committee
b. Construction and Development Committee
c. Education, health and social welfare Committee

1.3 Functioning of PRIs

According to 73rd Constitutional Amendment Act, 29 functions (enshrined in Eleventh schedule of the Constitution) were to be devolved to PRIs by the State Government (**Appendix-1.1**).

Panchayat and Rural Development Department (PRDD) informed (January 2016) that 29 functions had been devolved to PRIs, however, the Gazette Notification had not been published. It further informed that the funds and functionaries were yet to be transferred.

1.3.1 Zila Panchayats (ZPs) are the first tier of Panchayat at the district level. According to Section 52 of MP *Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993*, ZP is responsible to execute works, schemes and projects through GPs or through the executing agencies transferred by the State Government to Panchayats, irrespective of their source of fund.

ZPs are responsible to prepare annual plans for economic development and social justice of the district and to ensure the coordinated implementation of such plans. It shall ensure overall supervision, co-ordination and consolidation of the plans prepared by JPs and reallocate to JPs and GPs the funds made available by Central or State Government.

1.3.2 Janpad Panchayats (JPs) are the intermediate tier of PRIs at the Block level. JP controls and supervises the administration of the community development block or tribal development block within its jurisdiction. The functions and schemes assigned to such block by the State Government are implemented under the superintendence, directions and control of JP in accordance with the instructions issued by the State Government from time to time.

Further, under Section 50 of the MP *Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993*, JP is also responsible to consider and consolidate the annual plan in respect of economic development and social justice of all GPs and the JP and submit the consolidated plan to ZP.

1.3.3 Gram Panchayats (GPs), the last tier of PRIs at the grassroot level, are responsible to ensure execution of schemes, works, projects entrusted to them by any law and those assigned to them by Central or State Government or ZP or JP. According to Section 49-A of MP *Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993*, it shall be the duty of GPs to prepare annual plans for economic development and social justice of the Panchayat area and submission thereof to the JP for integration with the JP Plan.

1.4 Audit arrangement

The State Government has appointed (November 2001) Director, Local Fund Audit (DLFA) for audit of accounts of Panchayats and who shall work under the technical guidance and support (TGS) of the Comptroller and Auditor General (C&AG) of India. As per the standard terms and conditions of TGS, C&AG of India has the right to conduct such test check of the accounts and to comment on and supplement the report of the Statutory Auditor, as he may deem fit. Further, the C&AG of India or his representative has the right to report to State Legislature, the result of audit at his discretion.

Madhya Pradesh State Legislative Assembly has constituted (March 2015) Local Bodies and Panchayatiraj Accounts Committee (LBPAC) for examination of Appropriation Accounts of local bodies in the State. LBPAC is also responsible for examination of reports of C&AG laid on the table of the Legislative Assembly.

- **Technical Guidance and Support provided by Indian Audit and Accounts Department**

Section 152 of Regulations on Audit and Accounts, 2007 envisages the following arrangements regarding technical guidance and support to PRIs:

- Local Fund Auditor would prepare an annual audit plan for audit of PRIs and forward it to the Accountant General (Audit) of the State.
- The audit methodology and procedure for audit of PRIs by the Local Fund Auditor would be as per various Acts and Statutes enacted by the State and guidelines prescribed by the C&AG.
- Copies of inspection reports in respect of selected local bodies shall be forwarded by the Local Fund Auditor to the Accountant General (Audit) for advice on system improvements.

The Annual Audit Plan for 2013-14 was prepared by DLFA, which was forwarded to the Accountant General (Audit). DLFA followed the methodology and procedure as suggested by the AG (General and Social Sectors Audit), Madhya Pradesh from time to time. Inspection reports were forwarded to the AG (G&SSA) Madhya Pradesh for vetting.

- **Audit Report on Local Bodies**

Para 10.121 of the recommendations of Thirteenth Finance Commission envisages that Annual Technical Inspection Report of C&AG as well as the Annual Report of DLFA should be placed before the State Legislature. Accordingly, Section 129 of the *MP Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993 was amended in July 2011, which lays down that the Annual Audit report of DLFA on Panchayats along with the Annual Technical Inspection Report of the C&AG of India shall be submitted to the Governor, who shall cause the reports to be laid on the table of the Legislative Assembly.

Annual Technical Inspection Report (ATIR) for the year 2013-14 was forwarded to State Government in May 2015. The status of laying ATIR on the table of the Legislative Assembly was awaited (December 2015), despite reminders (July 2015 and December 2015). State Government informed (July 2015) that the audit report of DLFA was awaited.

1.5 Response to audit observations

For providing technical guidance and support under TGS arrangement, Inspection Reports (IRs) of Accountant General (G&SSA), Madhya Pradesh were sent to DLFA. As per TGS arrangements, DLFA was to follow up compliance with the audit paragraphs of IRs. However, 23,855 paragraphs in 4,448 IRs, including 3,148 paragraphs in 425 IRs issued during 2014-15, were pending for settlement as of March 2015, as detailed in **Table 1.1**:

Table-1.1: Status of outstanding IRs and Paragraphs as of March 2015

Sl. No.	Year	Opening balance and addition during the year				Settled during the year		Closing Balance	
		OB IRs	Addition IRs	OB Paras	Addition Paras	No of IRs	No of Paras	No of IRs	No of Paras
1	Up to 2010-11	2,234	--	11,607	--	5	159	2,229	11,448
2	2011-12	2,229	798	11,448	4,198	6	357	3,021	15,289
3	2012-13	3,021	573	15,289	3,290	0	126	3,594	18,453
4	2013-14	3,594	500	18,453	3,516	0	74	4,094	21,895
5	2014-15	4,094	425	21,895	3,148	71	1,188	4,448	23,855

(Source: *Monthly Arrear Reports complied by AG (G&SSA), Madhya Pradesh*)

Financial reporting issues

1.6 Sources of funds

There are mainly two sources of fund for the PRIs i.e. Government grants and own tax revenues. The Government grants include:

- grant assigned under the Thirteenth Finance Commission of India; and
- devolution of four *per cent* of divisible tax revenue of previous year of the State Government as per the recommendations of Third State Finance Commission.

The Third State Finance Commission (SFC) recommended (accepted by State Government in February 2010) that four *per cent* of divisible fund¹ of the State Government should be devolved to PRIs. During the year 2014-15, the devolution of SFC grants by the Finance Department to PRIs is shown in the **Table 1.2** below:

Table - 1.2: Devolution of funds to PRIs

(₹ in crore)				
Year	Divisible funds of State Government	Funds were to be devolved	Funds actually devolved	Short devolved
2014-15	25,678.61	1,027.14	591.47	435.67

(Source: *Information provided by Finance Department and PRD*)

It can be seen from **Table 1.2** that Finance Department short devolved funds to the tune of ₹ 435.67 crore to PRIs during 2014-15. Reason for short release of funds to PRIs was not intimated (December 2015) by the Finance Department.

1.7 Budgetary allocation and expenditure of PRIs

Funds (share of tax revenue of the State and grants for implementation of schemes) allocated to PRIs by the State Government through State Budget during last five years were shown in the **Table 1.3**:

¹ Divisible Fund: Total tax revenue of previous year minus ten *per cent* of expenditure for collection of taxes and deduction of assigned revenue to PRIs and ULBs.

Table – 1.3: Statement showing receipt and expenditure of PRIs
 (₹ in crore)

Grants in aid				Actual expenditure			Unspent funds (4-7)	Percentage of unspent fund
Year	Revenue	Capital	Total	Revenue	Capital	Total		
2010-11	6,585.74	231.40	6,817.14	5,678.75	198.65	5,877.40	939.74	14
2011-12	7,670.04	241.08	7,911.12	6,697.87	365.29	7,063.16	847.96	11
2012-13	8,948.74	345.78	9,294.52	8,385.85	345.30	8,731.15	563.37	6
2013-14	10,752.72	213.70	10,966.42	9,151.26	91.10	9,242.36	1,724.06	16
2014-15	18,871.32	76.60	18,947.92	13,209.32	12.66	13,221.98	5,725.94	30
Total	52,828.56	1,108.56	53,937.12	43,123.05	1,013.00	44,136.05	9,801.07	

(Source: *Appropriation Accounts Grant No. 15, 52, 62 and 74*)

As evident from **Table 1.3**, the grant allocation increased by 178 *per cent* for PRIs during the year 2014-15 as compared to the year 2010-11. However, PRIs could not spend the entire grant allocation and savings ranged from six to 30 *per cent* during the period 2010-15 mainly due to considerable unspent balances in the Revenue Head.

1.8 Accounting arrangement

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

Comptroller and Auditor General (C&AG) of India and Ministry of Panchayat Raj (GoI) developed an accounting framework and codification pattern consistent with the Model Panchayat Accounting System (MPAS), which was to be introduced from 1 April 2010. Government of Madhya Pradesh (GoMP) adopted MPAS (Receipt and payment accounts, Consolidation abstract register, Reconciliation statement, Statement of receivable and payable, Register of movable property, Register of immovable property, Inventory register, Demand and collection register etc.) with effect from August 2010.

We audited 356 PRIs (**Appendix 1.2**) during the year 2014-15. None of the test-checked PRIs (35 ZPs, 92 JPs, and 229 GPs) was maintaining the accounts in MPAS formats. However, their accounts were maintained as per existing Accounting Rule of *MP Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993.

On this being pointed out (September 2015), PRD stated that concurrent online accounting system (Panchayat Darpan) was initiated for adopting MPAS in PRIs.

The fact remains that none of the test-checked PRIs was maintaining the accounts in MPAS formats.

1.8.2 Annual Budget of PRIs

As per provisions of Section 73 of *MP Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, every Panchayat shall prepare Annual Budget. The time schedule for presentation of budget was also prescribed.

We observed that out of 356 test-checked PRIs, only 18 PRIs² prepared their budget as per the provisions of *MP Panchayat Raj Avam Gram Swaraj*

² ZPs - Dewas, Gwalior, Hoshangabad, Indore, Jhabua, Khargone, Khandwa, Mandsaur, Seoni and Shahdol; JPs - Alot, Ashta, Badi, Chitrangi, Khachrod, Lanji, Sidhi and Vijayraghogarh.

Adhiniyam, 1993. Further, 129 PRIs (ZPs 5, JPs 25 and GPs 99) did not prepare Annual Budget and 185 PRIs (ZPs 18, JPs 4 and GPs 126) did not produce relevant records/information. The remaining 24 PRIs (ZPs 2, JPs 18 and GPs 4), though intimated preparation of the budget, but did not produce the same to Audit as shown in **Table 1.4:**

Table – 1.4: Status of preparation of Annual Budget

PRI	No. of test checked PRIs	Scheduled time for budget approval by respective PRIs	No. of PRIs , which didn't prepare budget	No. of PRIs, which prepared budgets with delays
ZP	35	20 January	05	10 (10 to 540 days)
JP	92	30 January	25	07 (28 to 333 days)
GP	229	21 February	99	--

(Source: *Information compiled from test-checked PRIs*)

It is evident from above that the rules for preparation of Annual Budget were not adhered to by the PRIs.

1.9 Non-preparation of bank reconciliation statement

Madhya Pradesh Panchayat Accounting Rules prescribe for reconciliation of any difference between the balances of cash book and bank accounts on monthly basis.

During test check of records 356 PRIs, we found that 44 PRIs did not prepare bank reconciliation. There were unreconciled differences in the closing balances of cash books and bank books of these 44 PRIs as of March 2014, as detailed in **Appendix-1.3**. Further, 106 PRIs³ did not produce relevant information/records. Non-reconciliation of differences was fraught with the risk of misuse of funds.

The CEOs of respective ZPs/JPs and Secretary of respective GPs stated (2014-15) that the bank reconciliation of difference between the balances of cash book and bank accounts would be carried out.

1.10 Non-adjustment of temporary advances

Rule 52 of the MP Zila Panchayat (Accounts) Rules, 1999 and Rule 49 of MP Janpad Panchayat (Accounts) Rules, 1999 stipulate that it would be the responsibility of the person who took advance, to submit the details of expenditure immediately after the completion of purpose for which the advance was taken failing which entire amount of advance would be deducted from the next salary or other sums payable to him.

During test check of records of 356 PRIs, we found that temporary advances of ₹ 4.02 crore provided by 49 PRIs to individuals and agencies since 1990-91, remained outstanding as on 31 March 2014. Details are given in **Appendix-1.4**. In 50 PRIs, (ZPs 06 JPs 17 and GPs 27) no temporary advance was outstanding, whereas remaining 257 PRIs did not produce records/information to Audit.

The CEOs and Secretary (GPs) of the concerned PRIs stated (2014-15) that the recovery of advances would be made.

³ ZPs-12 JPs-25 and GPs-69

1.11 Release and utilisation of Thirteenth Finance Commission grants

Thirteenth Finance Commission (ThFC) grants-in-aid were released to the State mainly in two forms, viz., General Basic Grant and Special Area Basic grant. In addition, the performance related grants (General Performance Grant and Special Area Performance grant) were also released to the State from 2011-12 on fulfillment of conditions imposed for its release. As per ThFC recommendations, allocations among various Panchayat Raj Institutions (PRIs) within the State were to be made by the respective States. The position of grants released to Madhya Pradesh and thereafter transfer of the same to PRIs are as shown in **Table 1.5**:

Table-1.5: Entitlement and release of ThFC grant during 2010-11 to 2014-15

(₹ in crore)				
Types of grant under ThFC	Entitlement of State for PRIs	Grant released by GoI	Short(-)/ excess(+) release by GoI	Grant released to PRIs by State Government
General Basic Grant (GBG)	2,689.89	2,352.50	(-) 337.39	2,355.15
General Performance Grant (GPG)	1,424.15	1,403.55	(-) 20.60	1,403.55
Special Area Basic Grant (SABG)	112.79	119.25	(+) 6.46	98.87
Special Area Performance Grant (SAPG)	79.00	78.58	(-) 0.42	66.89
Total	4,305.83	3,953.88	(-) 351.95	3,924.46

(Source: Finance Department and PRD)

It is evident from above that Government of India (GoI) released ₹ 3,953.88 crore of ThFC grants for PRIs against the entitlement of ₹ 4,305.83 crore of the State during 2010-15. Thus, there was short release of ₹ 351.95 crore ThFC grants to State.

1.11.1 Fulfillment of conditions by State Government under ThFC

The State was eligible to draw its allocation of General Performance Grant (GPG), if it complies with certain conditions prescribed in para 10.161 of ThFC guidelines. The status of compliance of the conditions by the State is as under:

Conditions	Action taken by the State Government
Panchayats, having elected body were eligible to receive GPG.	Election for Panchayat was held in 2015.
Release of grants will be subject to submission of utilisation certificate (UCs) for previous installment drawn.	UCs were submitted by PRDD on time, in prescribed format on the basis of ThFC grants released to PRIs.
Adoption of an accounting system for maintenance of accounts by PRIs consistent with the Model Panchayat Accounting System (MPAS) for all Panchayats.	The State Government agreed to adopt Model Panchayat Accounting System (MPAS) in August 2010. But all test checked ZPs/JPs/GPs did not maintain their accounts in accordance

Conditions	Action taken by the State Government
	with the MPAS.
To put in place an audit system for all tiers of PRIs. The Annual Technical Inspection Report of the C&AG as well as the Annual Report of the Director of Local Fund Audit must be placed before the State legislature.	According to the <i>MP Panchayat Raj Avam Gram Swaraj Adhiniyam</i> 1993, amended in July 2011, the Annual Audit report of DLFA on Panchayats along with the ATIR of the C&AG of India shall be submitted to the Governor, for laying in Legislative Assembly, but ATIR of 2013-14 was not placed before State Legislature (December 2015).
To put in place a system of independent local body ombudsmen who will look into complaints of corruption and mal-administration against the functionaries of local bodies.	The M.P. <i>Lokayukt Avam Up-Lokayukt Adhiniyam</i> , 1981 was in force and all functionaries of Local Bodies are covered under the Jurisdiction of this act.
To put in place a system of transfer of funds through e-banking in all tiers of PRIs.	All ThFC grants were transferred through e-banking by PRDD.
To constitute State Finance Commission (SFC) as per Article 243 I (2) of the Constitution.	Already constituted and currently Third SFC was functioning.
All local bodies must be fully enabled to levy property tax for all types of residential and commercial properties and any hindrance in this regard must be removed.	Section 77 of <i>MP Panchayat Raj Avam Gram Swaraj Adhiniyam</i> 1993 vested power to GPs to levy property tax. Out of 22,823 GPs in State only 1,036 GPs (4.54 per cent) levied and collected taxes (July 2015).

1.11.2 Short release of interest amounting to ₹ 15.04 crore on account of delays in release of ThFC grant to PRIs

As per para 4.2 of ThFC guidelines, ThFC grants were to be transferred to PRIs within ten days of receipt from the Central Government. In case of any delay, the State Government would release the grant with interest, at the bank rate of RBI, this would be applicable from the second installment of 2010-11 onwards.

We observed that ThFC grants were not transferred to PRIs within the time limit envisaged in guidelines. Finance Department (FD) of State sanctioned ₹ 11.58 crore⁴ as interest for delay in release of ThFC grant to PRIs. We noticed that out of ₹ 11.58 crore sanctioned towards payment of interest, ₹ 5.30 crore had accrued as interest on the ThFC grants lying in the bank account of PRD. Thus, State Government had to incur ₹ 6.28 crore as extra financial burden on account of delays in releasing ThFC grants.

⁴ ₹ 0.36 crore on dated 13.07.13 and ₹ 11.22 crore on dated 14.07.14

We further observed that ThFC grants of ₹ 1,015.61 crore were released to PRIs during 2010-15 with the delay ranging between one month to 288 days (**Appendix-1.5**). Keeping in view the interest rate of nine *per cent* adopted by FD for payment of interest on delayed release of ThFC grants, interest payable to PRIs worked out to ₹ 26.62 crore. Thus, there was short release of ₹ 15.04 crore⁵ towards interest payable to PRIs for delayed release of ThFC grant.

On this being pointed out (July 2015), Commissioner PRD stated that the interest amount received from FD was released to GPs.

The reply was not acceptable, as interest released to PRIs for delays in ThFC grants was not in accordance with the norms of ThFC guidelines.

1.11.3 Diversion of General Performance Grant

As per Rule 212(1) of General Financial Rules, a certificate regarding utilisation of grant for the purpose, for which it was sanctioned, is to be given by the institution who has received the grant-in-aid (GIA). For execution of works under ThFC, PRDD issued (August 2010) a work plan, which envisaged the priorities of works, namely, arrangement of e-governance at GPs level, infrastructure development and maintenance of assets at GPs level, arrangement of drinking water and water supply projects and enhancement of basic facilities at GPs offices.

During scrutiny of records of PRD, we observed that first installment of General Basic Grant (GBG) ₹ 321.44 crore and General Performance Grant (GPG) ₹ 214.85 crore were released (August 2013 and March 2014 respectively) to State. Out of these grants, GPG of ₹ 36.07 crore⁶ was released by PRDD to Director State Institute of Rural Development (SIRD), Jabalpur for organising training under Backward Region Grant Fund (BRGF) scheme. We, further, observed that ZP Narsinhpur (August 2015) incurred GPG of ₹ 0.62 crore on payment of salary of District Rural Development Authority (DRDA) employees.

The work plan issued by PRDD did not provide for incurring expenditure from ThFC grants towards training as well as payment of salary to DRDA employees. Thus, ThFC grants of ₹ 36.69 crore was diverted for the purpose other than for which it was sanctioned.

On this being pointed out, Commissioner PRD stated (July 2015) that ThFC grant was released to SIRD due to non availability of fund under BRGF scheme whereas, CEOs ZP Narsinhpur did not furnish reply as of December 2015.

The reply was not acceptable, as ThFC grant was diverted for the purpose other than for which it was sanctioned and further it remained unadjusted.

⁵ Difference between interest paid (₹ 11.58 crore) and interest actually due to be paid (₹ 26.62 crore)

⁶ Ch.No.588623 dt.18.03.14 (₹ 16.07 crore) and Ch.No.689382 dt.9.6.14 (₹ 20 crore).

Chapter – 2

Performance Audit

2.1 Social Audit of Schemes

**2.2 Internal Control Mechanism
in Panchayat Raj Institutions**

Chapter – 2 : Performance Audit

Panchayat and Rural Development Department

2.1 Social Audit of Schemes

Executive Summary

Social Audit may be described as verification of the implementation of a programme/scheme and its results by the community with the active involvement of the primary stakeholders. Social Audit was brought into Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011. Subsequently, Government of Madhya Pradesh established Social Audit Unit "M.P. State Samajik Samparksha Samiti" (MPSSSS).

MPSSSS was responsible to build capacities of Gram Sabhas for conducting Social Audit, prepare social audit reporting formats, create awareness amongst the labourers about their rights and entitlements under MGNREGA and facilitate verification of records by primary stakeholders.

Social Audits were conducted in 931 Gram Panchayats (GPs) of 15 Blocks in 14 Districts of the State during 2014-15. A compliance audit of implementation of 'Social Audit of Schemes' revealed the followings:

Financial Arrangement for social audit

As per Ministry of Rural Development order (April 2013), one *per cent* of total annual expenditure under MGNREGS in the State/UTs was to be used for meeting the cost of establishment of a Social Audit Unit (SAU) and conducting Social Audit of MGNREGS works. However, as against ₹ 51.69 crore required to be earmarked for social audit under MGNREGS during 2013-14 to 2014-15, only ₹ 6.45 crore were released to MPSSSS. In addition to this, MPSSSS also received ₹ 5.18 crore from Directorate of Panchayat Raj during the year 2013-14 and 2014-15 for strengthening and conducting social audit.

MPSSSS could utilise only ₹ 0.47 crore during 2013-14 and 2014-15 for the purpose of social audit and it returned unutilised MGNREGS fund of ₹ 4.00 crore to MGNREGA Council in March 2014. The utilisation of fund was low due to non-availability of field level staff and shortfall in achieving Social Audit coverage.

(Paragraph 2.1.6)

Setting up of effective Social Audit Unit

As per MGNREGA Operational Guidelines 2013, SAU shall identify appropriate number of resource persons at State/District/Block/Village levels to facilitate in conducting Social Audits. MPSSSS proposed (June 2013) for creation of 5,346 posts of resource persons. However, the proposal was still under consideration with the Finance Department. The non-availability of adequate manpower affected the coverage of social audit in the State.

(Paragraph 2.1.7.1)

Conduct of Social Audit

- Section 3(1) of Audit of Schemes Rules 2011 stipulates that the State Government shall facilitate conduct of social audit of the works taken up under MGNREGA in every Gram Panchayat at least once in six months. However, there was shortfall of 98 *per cent* in conducting Social Audits during 2012-13 to 2014-15, as only 2,674 Social Audits could be conducted against the requirement of 1,37,678.

(Paragraph 2.1.8.2)

- There were deficiencies in quality control of Social Audit Reports. MPSSSS had circulated Village Social Animators manual and social audit proforma for conduct of social audit. However, out of 50 test-checked GPs, the prescribed formats for social audit findings were filled properly in case of only two GPs, while in 48 other GPs the formats were either not properly filled or not filled at all. As a result, Social Audit Reports did not include findings on prescribed verification exercises included in the social audit proforma.

(Paragraph 2.1.8.3)

- As per MGNREGA Operational Guidelines 2013, the entire proceeding of Social Audit Gram Sabha shall be video recorded and uploaded on website www.nrega.nic.in without editing. However, proceedings of Social Audit Gram Sabhas were not video recorded in 43 out of 50 test checked GPs. In seven GPs, video recording of the Gram Sabha proceedings were done, but the same were not uploaded on the website.

(Paragraph 2.1.8.5)

Follow up of Social Audit Reports

- Follow up action on Social Audit Report was either not being ensured or belatedly ensured by the Government as required under Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

(Paragraphs 2.1.9.1 and 2.1.9.2)

2.1.1 Introduction

Social Audit may be described as verification of the implementation of a programme/scheme and its results by the community with the active involvement of the primary stakeholders. The objectives of Social Audit include promoting transparency and accountability in the implementation of a programme, providing a collective platform such as Social Audit Gram Sabha for people to express their needs and grievances, and strengthening the scheme by deterring corruption and improving implementation.

Social Audit was brought into Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011 notified by Government of India. State Governments are required to establish an independent organisation, Social Audit Unit (SAU), under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to facilitate conduct of Social Audit by Gram Sabhas. SAU is responsible to build

capacities of Gram Sabhas for conducting social audit, prepare social audit reporting formats, create awareness amongst the labourers about their rights and entitlements under MGNREGA and facilitate verification of records by primary stakeholders. District Programme Coordinator (DPC) of MGNREGA ensures that all records for conduct of social audit are furnished to the SAU by implementing agencies.

To conclude the social audit process, a Gram Sabha is required to be convened to discuss the findings of the verification exercise. The Gram Sabha is also required to review the compliance with principles of transparency and accountability in the execution of MGNREGA, fulfillment of the rights and entitlements of labourers and proper utilisation of funds. The Gram Sabha has to deliberate on the findings and the implementing agencies have to respond to the report presented in the Gram Sabha. DPC ensures that time bound corrective action is taken on the social audit report.

2.1.2 Organisational set up

At State level, Panchayat and Rural Development Department, headed by the Additional Chief Secretary, is responsible for implementation of various schemes for rural development, including MGNREGS. Madhya Pradesh State Employment Guarantee Council (also known as MGNREGA Council) is responsible for regular monitoring and reviewing the implementation of MGNREGA at the State level. The District Programme Coordinator is responsible for the implementation of MGNREGS in the district in accordance with the provisions of MGNREGA and the rules made thereunder.

An independent Social Audit Unit "M.P. State Samajik Samparksha Samiti" (MPSSSS) has been established (January 2013) in the State, which was registered under M.P. State Society Registration Act 1973. MPSSSS is headed by a Director, who is responsible for its overall functioning.

2.1.3 Audit objectives

Audit objectives were to ascertain whether:

- an effective and independent SAU existed within the State,
- SAU provided adequate support mechanism like planning, availability of records, reporting and follow-up, for Social Audit within the State, and,
- Social Audits executed during 2014-15 were adequate and effective as per rules and regulations, and these actively supported and helped by District Programme Coordinator and other government functionaries.

2.1.4 Audit criteria

The Audit findings were based on the following criteria:

- Relevant provisions of MGNREGA 2005, MGNREGA Operational Guidelines 2013;
- Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011, Social Audit Manual issued by Ministry of Rural Development (MoRD), instructions issued by MoRD; and,

- Relevant rules, regulations, circulars, manuals issued by the State Government and MPSSSS.

2.1.5 Audit Coverage and Methodology

Social Audits were conducted in 931 Gram Panchayats (GPs) of 15 Blocks in 14 Districts of the State during 2014-15. Out of these, 50 GPs falling in eight Blocks of eight Districts were selected by using Simple Random Sampling Without Replacement method for conducting the compliance audit, as detailed in **Appendix 2.1**.

An entry conference was held on 3rd June 2015 with the Additional Chief Secretary (ACS), Panchayat Raj and Development Department (PRDD), Government of Madhya Pradesh wherein audit objectives, audit criteria, scope and methodology of audit were discussed. Records of the sampled eight districts, eight Blocks and 50 GPs were test-checked for the compliance audit during May 2015 to July 2015.

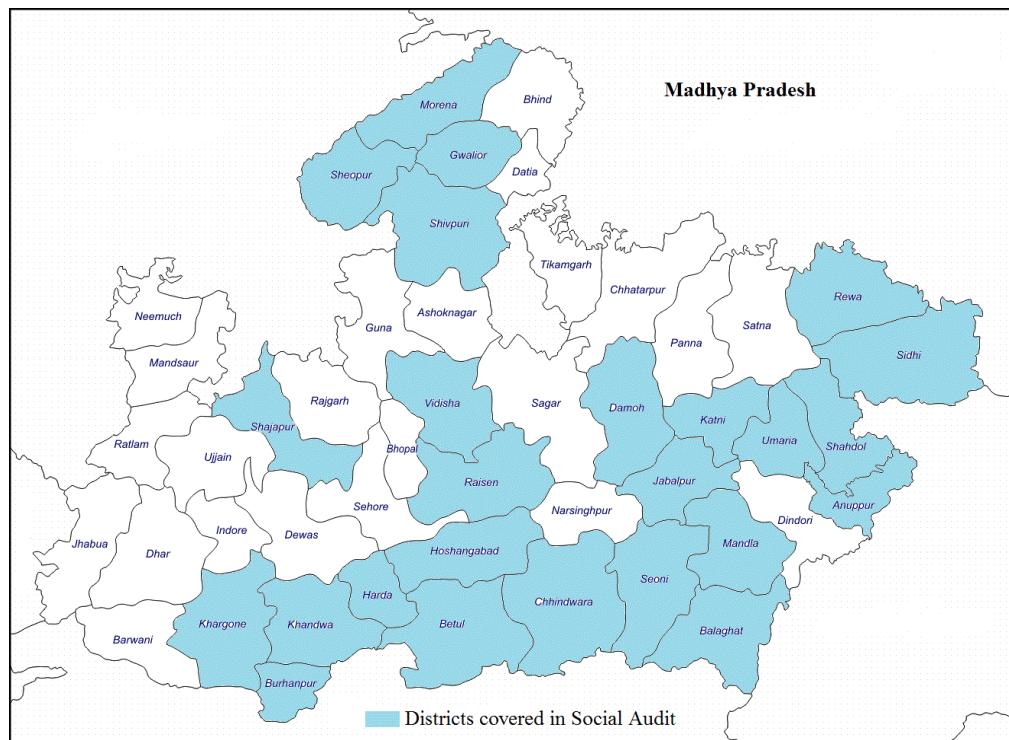
The exit conference was held with ACS, PRDD on 8th September 2015 to discuss the audit findings. The replies of MPSSSS have been suitably incorporated in the report.

Audit findings

Audit of Schemes Rules 2011 stipulates that the SAU shall, at the beginning of the year, frame an annual calendar to conduct social audit in Gram Panchayat and a copy of the calendar shall be sent to all the District Programme Coordinators for making necessary arrangements. SAU is also responsible to identify, train and deploy suitable resource persons at Village, Block, District and State level to facilitate conduct of social audit.

Panchayat and Rural Development Department, Government of Madhya Pradesh issued instructions (January 2014) for setting up of seven member *Gram Sampriksha Samiti* (GSS), which would be responsible for conducting Social Audit in Gram Panchayat. Village Social Animators, who are identified by District Resource Persons, assist GSS in carrying out social audit. Every District Programme Coordinator or any official on his behalf, is responsible to ensure that all records for conduct of Social Audit are furnished to the SAU by the implementing agencies.

Social Audit was conducted in 2,674 Gram Panchayats on one occasion in 40 Blocks of 25 districts of the State during 2012-13 to 2014-15 and annual coverage ranged between 0.18 *per cent* and 3.6 *per cent*, as detailed in the map:



2.1.6 Financial Arrangement for Social Audit

As per MoRD order (April 2013), one *per cent* of total annual expenditure under MGNREGS in the State/UTs was to be used for meeting the cost of establishment of SAU and conducting Social Audit of MGNREGS works.

We noticed that ₹ 51.69 crore, being one *per cent* of expenditure under MGNREGS, was to be earmarked during the year 2013-14 and 2014-15 for social audit. Against this, MGNREGA Council released ₹ 6.45 crore of MGNREGS fund to MPSSSS. In addition to this, MPSSSS received ₹ 5.18 crore from Directorate of Panchayat Raj during the year 2013-14 and 2014-15 for strengthening and conducting social audit. Thus, the funds earmarked for social audit under MGNREGS were not released to MPSSSS.

We further noticed that MPSSSS could utilise only ₹ 0.47 crore during 2013-14 and 2014-15 for the purpose of social audit and it returned unutilised fund of ₹ 4.00 crore in March 2014 to MGNREGA Council.

MPSSSS replied (September 2015) that the utilisation of fund was low as the Social Audit was conducted in only selected blocks due to unavailability of field level staff. It further added that the expenditure on Social Audit would increase after recruitment of key personnel.

2.1.7 Setting up of Effective Social Audit Unit

2.1.7.1 Non-availability of adequate manpower for Social Audit

Para 13.2.2 of Operational Guidelines of MGNREGA 2013 stipulates that SAU shall identify appropriate number of resource persons at State/District/Block/Village levels to facilitate in conducting Social Audits.

We noticed that the Director, MPSSSS proposed (June 2013) for creation of 14 posts of various categories for its functioning. Further, the requirement of

20 posts of State Resource Persons, 100 District Resource Persons, 626 Block Resource Persons and 4,600 Village Social Animators (VSA) was also proposed at field level.

In order to support the States to conduct the Social Audit, Ministry of Rural Development (MoRD) decided (June 2014) to provide technical assistance under a special project that would be in operation till 2017. Under this, the cost of engaging social audit resource persons at the State and District levels would be reimbursed to the State. MoRD communicated the provision for 11 posts (one Director and ten Social Audit Experts) at State level and 82 posts for District Resource Persons for Madhya Pradesh under the special project. The recruitment against these posts was to be completed in a time bound manner by September 2014.

We noticed that recruitment against the post of social audit resource persons at State/District level were not done (September 2015). Further, the proposed 14 posts for MPSSSS were also not created, as the proposal was pending with Finance Department. We, however, noticed that 666 VSAs were deployed during 2012-13 to 2014-15 for facilitating Social Audit on honorarium basis.

Thus, adequate manpower for SAU was not recruited/deployed, which affected the coverage of social audit in the State as discussed in Paragraph 2.1.8.2.

MPSSSS replied (September 2015) that the proposal for sanction of posts was under consideration with Finance Department. It further accepted that Social Audit could not be conducted as per the provisions of operational guidelines of MGNREGA 2013 in the absence of State and field level functionaries.

The facts remains that time bound recruitment of personnel was not done for smooth functioning of the SAU.

Recommendation

State Government may recruit adequate resource persons at various levels for effective functioning of SAU.

2.1.7.2 *Full time Director at SAU not appointed*

In order to ensure independence of SAU from the Department implementing MGNREGA, Para 1(c) of Chapter III of Social Audit Manual stipulates that the Director of SAU should have full charge as Director, SAU and should not be a Government Officer involved in the implementation of MGNREGA in the State.

Scrutiny of records at MPSSSS (June 2015) revealed that there was one full time Director from July 2012 to November 2014. However, during December 2014 to February 2015, Chief Executive Officer (CEO) MGNREGA was holding additional charge of Director, MPSSSS. Since then, the Director, State Institute of Rural Development was looking after the additional charge of vacant post of Director, MPSSSS.

MPSSSS replied (September 2015) that an advertisement for recruitment of full time Director of SAU was published in Newspapers (April 2015), but candidates who applied were not found eligible. Therefore, an advertisement was again published in August 2015.

The reply was not acceptable as the appointment of full time Director, SAU was an essential requisite for its independent functioning, and the posting of CEO of MGNREGA as Director of SAU was in violation of provisions of Social Audit Manual. It also violated the basic principle of independence of audit from the executive.

2.1.7.3 Capacity building of Gram Sabha

Para 13.4.3(i) of MGNREGA Operational Guidelines 2013 stipulates that SAU shall be responsible for building capacities of Gram Sabha for conducting Social Audit by identifying, training and deploying suitable resource persons at Village, Block, District and State level. As per VSA Manual issued by MPSSSS, VSAs were required to impart training to GSS and provide them assistance in filling up prescribed formats for summarising findings of Social Audit.

We noticed that 245 VSAs were trained during 2014-15 for conducting Social Audits in 15 Blocks (931 GPs). However, scrutiny of Social Audit Reports of 50 test-checked GPs revealed that the prescribed formats for social audit findings were filled properly in case of two GPs (Khulsan and Chopna) only, while in 48 other GPs the formats were either not properly filled or not filled at all. Thus, MPSSSS could not ensure adequate capacity building at field level which affected the quality of Social Audit.

MPSSSS replied (September 2015) that detailed information regarding filling up of formats were provided to VSAs during training programme. It further added that extra effort would be made to impart complete information regarding filling up of formats.

Recommendation

MPSSSS may ensure adequate capacity building of Gram Sabha for conducting social audit by imparting suitable training to various resource persons.

2.1.8 Conduct of Social Audit

2.1.8.1 Annual Planning for social audit

MPSSSS did not prepare annual calendar for social audit

Para 13.3.1 of MGNREGA Operational Guidelines 2013 stipulates that the SAU shall at the beginning of the year, frame an annual calendar to conduct at least one Social Audit, in each Gram Panchayat, every six months. The copy of the calendar shall be sent to all DPCs for making necessary arrangements.

We noticed that Director, MPSSSS did not prepare annual calendar during 2014-15. However, Director MPSSSS through various communications to DPCs intimated the time periods during which Social Audits were to be conducted during 2014-15.

MPSSSS replied (September 2015) that it did not prepare an annual calendar as Social Audits were conducted in selected blocks only.

The reply was not acceptable as MPSSSS was required to prepare the annual calendar as per provisions of MGNREGA Operational Guidelines 2013 and the calendar could have been prepared at least for the selected blocks.

2.1.8.2 Shortfalls in achieving Social Audit coverage

Section 3(1) of Audit of schemes Rules 2011 stipulates that the State Government shall facilitate conduct of social audit of the works taken up under MGNREGA in every Gram Panchayat at least once in six months.

Scrutiny of data of Social Audit conducted by MPSSSS revealed that the Social Audits were not conducted in the State with the prescribed frequencies during 2012-13 to 2014-15, as detailed in **Table 2.1:**

Table-2.1: Year wise status of Social Audit

Sl. No	Year	Total No of GPs	Total No Social Audit to be conducted twice in a year	Coverage of Social Audit (<i>per cent</i> with reference to no. of Social audit to be conducted)	Shortfall in Social Audit and <i>per cent</i> of shortfall in compare to total GPs to be audited
1	2012-13	23,010	46,020	81(0.18)	45,939 (99.82)
2	2013-14	23,006	46,012	1,662 (3.6)	44,350 (96.40)
3	2014-15	22,823	45,646	931 (2.04)	44,715 (97.96)
	Total	68,839	1,37,678	2,674	1,35,004 (98.06)

(Source: Information provided by Director, MPSSSS)

There was 98 *per cent* shortfall in coverage of Social Audits during 2012-13 to 2014-15

As evident from table 2.1, the coverage of Social Audit ranged between 0.18 *per cent* and 3.6 *per cent* of the required number of Social Audits to be conducted during 2012-13 to 2014-15. Further, Social Audits were conducted in 1,662 GPs in 2013-14, which decreased to 931 GPs during 2014-15.

We further noticed that only one Social Audit was conducted in the GPs instead of two in a year, which was not in accordance with the provisions of Audit of Schemes Rules 2011.

On this being pointed out, Director MPSSSS (June 2015) stated that less number of GPs were covered in Social Audit during year 2014-15, due to unavailability of required resource persons and Panchayat election. MPSSSS further replied (September 2015) that serious efforts were being made to get the posts approved.

The Director was, however, silent about what it was planning to do to improve the frequency of audit, which was pathetically poor.

2.1.8.3 Quality Control of Social Audit Report

There were deficiencies in quality control of Social Audit Reports

Audit of Schemes Rules 2011 stipulates that SAU shall be responsible for preparing social audit reporting format, resource material, guidelines and manuals for the social audit process. We observed that MPSSSS had circulated a VSA manual and Social Audit Proforma for conducting social audit. Scrutiny of Social Audit Report of 50 test checked GPs revealed that Social Audit Reports did not include findings on the requisite verification exercise included in the Social Audit Proforma, as detailed below:

- **Deficiency in filling up the Social Audit Report format**

As discussed in Paragraph 2.1.7.3, out of the sample selected in Audit the prescribed formats for social audit findings were properly filled in case of only two GPs (Khulsan and Chopna), while in 48 other GPs the formats were either not properly filled or not filled at all.

- ***Physical verification reports of project sites***

Para 13.4.3(vi) of MGNREGA Operational Guidelines 2013 stipulates that Social Audit Teams (comprising concerned VSA and GSS) shall visit project sites under MGNREGS and physically verify whether completed projects match with the information contained in the records of the implementing agencies. The report of physical verification was required to be recorded in the proforma of Social Audit Report.

On being enquired, two GPs (Badgaon and Bagholi) informed that physical verification at project sites was not done. Secretaries of nine GPs¹ replied that physical verification at project sites was carried out, however, the report of physical verification was neither filled in the prescribed proforma nor mentioned in the Gram Sabha proceedings. We, however, noticed that the details of physical verification were mentioned in the proceeding of Social Audit Gram Sabha/prescribed proforma in case of remaining 39 test-checked GPs.

MPSSSS replied (September 2015) that the physical and oral verification were done on the basis of physical verification formats and these were read during Gram Sabha. It further added that instructions would be issued to Secretaries of GPs to keep one copy of such formats in Gram Panchayat office also.

The reply is not acceptable, as two GPs accepted that the physical verification at project site was not done. Further, physical verification reports were not available in nine GPs.

- ***Absence of wall painting containing details of money paid to job card holders***

Para 13.3.4(vii) of Operational Guidelines 2013 envisage that for facilitating conduct of social audit by Gram Sabha, the resource persons deployed by SAU, alongwith primary stakeholders shall verify as to whether details of money paid to all job card holders was painted on the walls of Panchayat office.

We observed that details of payment made to job card holders were found painted on the walls of one GP (Badalpar) while in other 49 out of 50 test checked GPs, the payment made to job card holders were not found painted on the walls. However, this fact was not commented in the respective Social Audit Reports.

MPSSSS replied (September 2015) that the activity of wall writing should be taken up by the implementing agency and MGNREGA Council would be requested to issue an exclusive order in this regard.

The fact remains that the veracity and quality control of Social Audit Reports was not ensured which led to deficiencies in reporting of Social Audit Verification exercise.

¹ Bangai, Bijoripathar, Chakhla, Chopna, Delakheri, Jamundonga, Kumhadi, Lotia and Muttair of Janpad Panchayat Tamia District Chhindwara

Recommendation

MPSSSS should develop necessary quality control mechanism to ensure that GSS and VSA report their observations with accuracy and completeness in the prescribed Social Audit Report proforma.

2.1.8.4 *Social Audit Gram Sabha not chaired in accordance with the provisions of guidelines*

Para 13.3.5 of MGNERGA operational Guidelines 2013 stipulates that a Gram Sabha shall be convened to discuss the findings of Social Audit. The meeting shall be chaired by an elderly villager, who is not a part of Panchayat or any implementing agency.

During scrutiny of Social Audit Reports, we noticed that Gram Sabhas were chaired either by the Sarpanch or by Peon of the Gram Panchayats in five² out of 50 test-checked GPs. This was in contravention to provisions of MGNREGA Operational Guidelines 2013, as Sarpanch/Peon, being a part of Panchayat, could not chair the Social Audit Gram Sabha.

MPSSSS accepted (September 2015) that Panchayat Raj Institution member had chaired Social Audit Gram Sabha in certain Gram Panchayats. It would be ensured to avoid such situation in future.

Recommendation

MPSSSS should ensure that Social Audit Gram Sabhas are chaired by persons, who are not part of Panchayat or any implementing agency in order to facilitate candid discussion during the Gram Sabha.

2.1.8.5 *Video recording of Social Audit Gram Sabha*

Para 13.3.11 of MGNREGA Operational Guidelines 2013 stipulates that the entire proceeding of Social Audit Gram Sabha shall be video recorded and uploaded on website www.nrega.nic.in without editing. The Video recording would also be stored in the custody of District Programme Coordinator. Para 13.3.5 of MGNREGA Operational Guidelines 2013 provides that decisions and resolutions would be put to vote. However, dissenting opinion must be recorded in minutes.

Scrutiny of Social Audit Reports revealed that Gram Sabha was convened to discuss the Social Audit Reports in all 50 test-checked Gram Panchayats. In seven GPs³, video recording of the Gram Sabha Proceedings were done, but the same were not uploaded on the website (www.nrega.nic.in). The proceedings were, however, not video recorded in other 43 GPs out of 50 test-checked GPs.

MPSSSS replied (September 2015) that instructions would be issued to CEOs of Janpad Panchayats for video recording of Gram Sabha and to upload the same on GoI website. Regarding putting the decisions and resolution passed by the Gram Sabha to vote, the Government replied that it would be ensured that all the decisions and resolution passed in Gram Sabha would get mentioned in Gram Sabha proceedings.

Video recording of Social Audit Gram Sabha proceedings were not done in 43 GPs

² Bhouraghat, Bijoripather, Dhusawani, Khurmundi and Sirsod

³ Badalpar, Fatehpur (MA), Ghoradehi, Jagantola (M), Majhgaon (MA), Nagri and Sirsod

Recommendation

MPSSSS should ensure that the proceedings of Social Audit Gram Sabha are video recorded and uploaded on the website of Madhya Pradesh State Employment Guarantee Council.

2.1.8.6 Proceedings of Social Audit Gram Sabha

Para 13.3.10 of MGNREGA operational Guidelines 2013 that all issues must be recorded in writing and evidence should be gathered for all issues raised during the Social Audit. As per PRDD circular (January 2014), the proceeding of Social Audit Gram Sabha is to be recorded by a government officer nominated by Sub Divisional Officer (Revenue).

We observed that the proceedings of Social Audit Gram Sabha of 19 GPs⁴ were not recorded with details of issues discussed. In one GP (Muttair), the proceeding was not recorded. In the absence of video recording of Gram Sabha as discussed in Paragraph 2.1.8.5, the decision and resolution put to vote in these Gram Sabhas could not be vouched in audit.

MPSSSS replied (September 2015) that instructions had been issued to pay full attention to record proceedings of Social Audit Gram Sabha from the next Social Audit.

2.1.8.7 Absence of officials nominated by District Programme Coordinator (DPC)

Para 13.3.6 of MGNREGA Operational Guidelines 2013 provides that the DPC or his authorised representative shall supervise the Gram Sabha for its smooth conduct.

Scrutiny of Social Audit Reports and related audit findings revealed that nominated officers were not present in six⁵ out of 50 GPs.

MPSSSS replied (September 2015) that instructions would be issued to avoid such situation.

2.1.8.8 Social Audit Reports not countersigned by chairpersons

Para 13.3.12 of MGNREGA operational Guidelines 2013 stipulates that the Social Audit Report must be countersigned by the chairperson of that particular Social Audit Gram Sabha. However, we noticed that the Social Audit Reports were not countersigned by the Chairpersons of the respective Gram Sabhas in 30 out of 50 test checked GPs, as detailed in **Appendix 2.2**.

MPSSSS replied (September 2015) that counter signature of the Social Audit Report by chairperson would be ensured in future.

⁴ Arindia, Badgaon, Bhikewara, Bijoripathar, Boda, Chakhla, Dauriyakheda, Delakheri, Dhusawani, Doifodiya, Dudgaon Basti, Jamundonga, Khapasani, Khulsan, Kumhadi, Kurshidhana, Linga, Nagri, Shitakamt.

⁵ Amawahi, Bandhibodal Kachar, Bhouraghpat, Doifodiya, Khurmundi and Nagjhiri.

2.1.9 Follow up of Social Audit Reports

2.1.9.1 Action taken reports on Social Audit findings not submitted to State Legislature

Para 13.4.5 of MGNREGA Operational Guidelines 2013 stipulates that State Employment Guarantee Council (SEGC) shall monitor the action taken by the State Government and incorporate the action taken reports in the annual report to be laid before the State Legislature by the State Government.

On being pointed out, Madhya Pradesh SEGC informed that the status of conducting social audit would be included in the next annual administrative report for the year 2015-16. However, the mechanism developed for ensuring action taken reports on social audit was not intimated to audit.

As regards action taken by State Government on findings of social audit, MPSSSS informed that issues emerged during social audits were resolved by Gram Sabha and District Administration. It further informed that findings of social audit report would be provided to Madhya Pradesh SEGC to get it included in the annual report.

Follow up action on Social Audit Reports was either not ensured or belatedly ensured as required under Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

The fact remains that the action taken reports on the social audit were not laid before the State Legislature as provided under MGNREGA Operational Guidelines.

2.1.9.2 Submission of summary of findings of Social Audit to Comptroller and Auditor General of India.

Section 3(2) of Audit of Schemes Rule 2011 provides that a summary of findings of Social Audits conducted during a Financial Year shall be submitted by the State Government to the Comptroller and Auditor General of India. However, the summaries of findings on Social Audits for the years 2012-13, 2013-14 and 2014-15 were belatedly submitted (February 2016) to Comptroller and Auditor General of India.

Recommendation

Timely follow up action on the Social Audit Reports should be ensured in accordance with the Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

2.1.10 Summary of conclusions and recommendations

- The objective of Social Audit of Schemes was not fulfilled mainly due to severe human resources shortage at State level and field level. There was shortfall of 98 *per cent* in conducting social audits with reference to prescribed frequency of social audits during 2012-13 to 2014-15, as only 2,674 Social Audits could be conducted against the requirement of 1,37,678.

Recommendation: State Government may recruit adequate resource persons at various levels for effective functioning of MPSSSS.

- MPSSSS could not ensure capacity building at field level which affected the quality of Social Audit Reports.

Recommendation: MPSSSS may ensure adequate capacity building of Gram Sabha for conducting social audit by imparting suitable training to various resource persons.

- The Social Audit Reports were deficient as it did not include findings on the requisite verification exercise included in the Social Audit Proforma. The prescribed proforma were either not properly filled or not filled at all.

Recommendation: MPSSSS should develop necessary quality control mechanism to ensure that GSS and VSA report their observations properly in the prescribed Social Audit Report proforma.

- There were some instances where Social Audit Gram Sabhas were chaired by members of Panchayat. Further, video recording of Social Audit Gram Sabha was either not done or not uploaded on the website.

Recommendation: MPSSSS should ensure that Social Audit Gram Sabhas are chaired by elderly villagers, who are not part of Panchayat or any implementing agency. It should also ensure that the proceedings of Social Audit Gram Sabha are video recorded and uploaded on the website.

- Follow up action on Social Audit Report was either not being ensured or belatedly ensured by the Government as required under Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

Recommendation: Timely follow up action on the Social Audit Report should be ensured in accordance with the Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

Panchayat and Rural Development Department

2.2 Internal Control Mechanism in Panchayat Raj Institutions

2.2.1 Introduction

Internal controls are essential for good governance. These are activities and safeguards that are put in place by the management of an organisation to ensure that its activities are proceeding as planned. Internal controls are pervasive and continuous process designed to provide reasonable assurance about the achievement of the objectives of an entity.

As per Section 8 of *Madhya Pradesh Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, establishment of Panchayat Raj consists of three tier arrangement - Gram Panchayat (GP) for a village, Janpad Panchayat (JP) for a Block and Zila Panchayat (ZP) for a District. These Panchayat Raj Institutions (PRIs) have been devolved various functions as enshrined in Eleventh Schedule of the Constitution.

GP consists of elected Panchs from each ward and a Sarpanch, who is the head of the GP. Sarpanch exercises supervision and control over the acts done and action taken by the employees of GP. He is responsible to ensure proper custody and maintenance of records and registers of the GP. Sarpanch is also responsible for safe custody of the GP fund and authorises payments, issue of cheques and refunds. Secretary is the administrative official appointed by the State Government at GP level. He maintains all registers and records prescribed under the Act and rules and byelaws made thereunder.

JP consists of elected members, all members of the State Legislative Assembly returned from the constituencies which wholly or partly fall within the Block, and one-fifth of the Sarpanchs in the territorial area of the Block on a rotational basis for a period of one year. Each JP is headed by a President, who is elected by and from among the elected members. President exercises supervision and control over the acts done and action taken by the employees of the JP. He is responsible for safe custody of the JP fund and authorises payments, issue of cheques and refunds.

Chief Executive Officer (CEO) is the administrative head of JP, who is assisted by Block Development Officer, Assistant Development Officer and administrative staff. CEO is responsible to take action for implementation of resolution of JP, and supervises and controls the execution of all activities of JP. He is authorised to draw and disburse money out the JP fund, as per the financial rules made in this regard.

ZP comprises of elected members, members of Lok Sabha, Rajya Sabha and State Legislative Assembly returned from the district, and all Presidents of JPs in the district. Each ZP is headed by a President who is elected by and from among the elected members. President exercises supervision and control over the acts done and action taken by the employees of the ZP. He is responsible for safe custody of the ZP fund and authorises payments, issue of cheques and refunds.

CEO is the administrative head of ZP, who is assisted by Project Officers, Accounts Officer, Assistant Engineer and administrative staff. He is responsible to take action for implementation of resolution of ZP, and

supervises and controls the execution of all activities of ZP. He is authorised to draw and disburse money out the ZP fund, as per the financial rules made in this regard.

At State level, the Additional Chief Secretary, Panchayat and Rural Development Department (ACS, PRDD) Government of Madhya Pradesh is responsible for providing guidance to all the three tiers of PRIs for proper implementation of Panchayat Raj arrangements.

2.2.2 Audit objectives

The objectives of the audit of internal control mechanism in PRIs were to ascertain whether:

- PRIs have properly complied with the internal controls prescribed in relevant Acts, Rules and Regulations;
- records were properly maintained;
- adequate administrative control existed to carry out prescribed internal controls; and
- management periodically reviewed the internal control structure through internal audit and took corrective action.

2.2.3 Scope, Methodology and Criteria of audit

Two districts, Chhindwara (scheduled district)⁶ and Indore (other than scheduled district) were selected for the audit of internal control mechanism in PRIs. The offices of CEOs, ZPs Chhindwara and Indore, all JPs of these two districts (11 JPs⁷ of district Chhindwara and four JPs⁸ of district Indore) were covered. Within each JP, ten GPs were selected by Probability Proportional to Size sampling method with size measure as allocation of funds to GPs. Thus, 150 GPs were selected for the audit as detailed in **Appendix-2.3**. The audit covered the period of 2010-11 to 2014-15 and the field audit was conducted during March to August 2015.

The audit criteria to arrive at the audit findings were MP *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993 and rules made thereunder; Panchayat Audit Rules 1997; and instructions/circulars issued by the State Government.

The entry conference was held with the ACS, PRDD on 17 March 2015 to discuss the audit objectives, criteria and audit coverage. The exit conference was held on 8 September 2015 with ACS, PRDD. The replies of the Department have been suitably incorporated in the report.

⁶ Districts notified by Government of India as scheduled districts vide Scheduled Areas (State of Chhattisgarh, Jharkhand and Madhya Pradesh) Order, 2003

⁷ Amarwara, Bichhua, Chaurai, Chhindwara, Harrai, Junnardev, Mohkhed, Pandhurna, Parasiya, Saunsar and Tamia

⁸ Depalpur, Mhow, Indore and Sanwer

Audit Findings

Internal control mechanism in Zila Panchayats

ZP, the apex body of PRIs, coordinates the activities of JPs and GPs. According to Section 52 of *MP Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, it shall be the duty of ZPs to prepare annual plans for economic development and social justice of the district and to ensure the coordinated implementation of such plans. It shall co-ordinate, evaluate and monitor activities and guide JPs and GPs, ensure overall supervision, co-ordination and consolidation of the plans prepared by JPs and reallocate to JPs and GPs the funds made available by Central or State Government. ZP is responsible to execute works, schemes and projects through GPs or through the executing agencies.

The audit of internal control of two ZPs Chhindwara and Indore revealed the following:

2.2.4 Compliance with the internal control procedures as prescribed in the relevant Act, Rules and Regulations

2.2.4.1 Delay in preparation and approval of budget estimates

Rule 8 of ZP (Budget Estimates) Rules, 1997 stipulates that the CEO of the ZP, after examination of proposals, about the programmes for the ensuing year received from various Standing Committees and proposed allocation to JP, shall on or before the first day of January each year cause to be prepared an estimate of income and expenditure of the ZP for the next financial year. Rule 13 *ibid* further prescribes that the ZP shall consider and approve the budget estimates by 20 January and submit the same to Panchayat Raj Directorate for approval latest by 31 January. On receipt of budget estimates from the ZP, the Directorate is required to examine the budget estimates and communicate its approval by 15 March.

In test check of records, we noticed that the budget estimates were prepared and approved timely by ZP Indore.

In ZP Chhindwara, we noticed that during the period 2010-11 to 2014-15, there were delays ranging from 57 days to 329 days in submission of budget estimates to the Panchayat Raj Directorate as detailed in **Appendix-2.4**. We further noticed delays in approval of budget estimates at Directorate level. The budget estimates for the year 2011-12 to 2013-14 were approved by the Panchayat Raj Directorate in December 2014, i.e., after the close of the respective financial years to which these budget estimates pertained. Further, the Panchayat Raj Directorate communicated the approval on the Budget estimate for the year 2014-15 with a delay of 298 days.

Thus, the budgetary control, an essential tool to check improper utilisation of fund was poor. Besides, the delays in preparation and approval of budget estimates indicated lack of planning at ZP level.

In the exit conference, the Government replied that instructions would be issued to ZPs for timely preparation and approval of budget estimates.

There were delays up to 329 days in preparation and approval of budget estimates of ZP Chhindwara.

Recommendation

Budget estimates of ZPs should be prepared and approved within the time schedule prescribed in the ZP (Budget Estimates) Rules, 1997.

2.2.4.2 Preparation of unrealistic budget estimates

As per Rule 11 of ZP (Budget Estimate) Rules 1997, the budget estimates should be as close and accurate as possible. A saving in an estimate is as much a financial irregularity as an excess.

During test check of records of ZP Chhindwara and Indore, we noticed large variation between budget estimates and actual income and expenditure (**Appendix-2.5**) which indicated unrealistic budget formulation.

In ZP Chhindwara, the actual income varied from the budget estimates by 21 *per cent* to 52 *per cent* during 2010-11 to 2014-15. During this period, the variation in actual vis-à-vis estimated expenditure was from 32 *per cent* to 51 *per cent*.

In ZP Indore, the variation between budget estimates and actual income was from 9 *per cent* to 50 *per cent* and variation between budget estimates and actual expenditure was from 13 *per cent* to 54 *per cent* during 2010-11 to 2014-15.

In the exit conference, the Government replied that instructions would be issued to ZPs for preparation of realistic budget estimates.

2.2.4.3 Bank reconciliation statement not prepared

Rule 15 of ZP (Accounts) Rules 1999 envisages that the cash book should be closed at the end of each day and the closing balance signed by Accountant and CEO or such other person as may be authorised by him. As per Rule 25 *ibid*, the aggregate balances of bank register at any given day must tally with the balances as shown in the bank column of the cash book for the same day. A monthly statement of reconciliation of the balances appearing in the bank register has to be prepared. Rule 26 further stipulates that a certificate must be obtained from the bank regarding the closing balance as on 30 September and 31 March each year, which should be compared with the balances in pass book as on that date and half yearly reconciliation of the bank account(s) shall be prepared to arrive at the aforesaid balance.

During test check of records, we observed that bank reconciliation statements were not prepared by ZP Chhindwara during 2010-11 to 2014-15. As on 31 March 2015, 29 banks accounts were maintained by ZP Chhindwara. Out of these, there was difference in closing balance in the cash book and the bank pass book in respect of one bank account (DRDA⁹ scheme). The closing balance of DRDA scheme cash book of ZP Chhindwara was ₹ 29.73 lakh, whereas the closing balance of the related bank pass book was ₹ 22.63 lakh. The reason for the difference of ₹ 7.10 lakh in the closing balances of cash book and bank pass book could not be ascertained in the absence of bank reconciliation statement. Thus, ZP Chhindwara had weak internal control over its cash management.

Bank reconciliation statement was not prepared by ZP Chhindwara.

In the exit conference, the Government replied that instructions would be issued to all ZPs to prepare bank reconciliation statement. It further added that the reason for less balances in bank as compared to cash book would be examined.

⁹ District Rural and Development Authority

Recommendation

ZPs should ensure preparation of bank reconciliation statement as prescribed under ZP (Accounts) Rules 1999.

2.2.4.4 Non-furnishing of security deposit

As per Rule 49 of ZP (Accounts) Rules, 1999, the cashier or the store keeper or any other employee of the ZP, who is entrusted with the custody of cash or store shall furnish security of a minimum amount of ₹ 10,000 or such higher amount as may be fixed by the ZP.

Scrutiny of records revealed that persons entrusted with the custody of cash or store did not furnish the security deposit in both the test-checked ZPs Chhindwara and Indore.

In the exit conference, the Government replied that instructions would be issued to all ZPs to obtain the security deposit.

2.2.5 Administrative control

2.2.5.1 Administrative Report not prepared

As per Section 73 (3) of *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, ZPs were required to prepare and present to the prescribed authority, report of administration every year. Directorate of Panchayat Raj directed (January 2011) CEOs of ZPs to submit the Administrative Report to Commissioner, Panchayat Raj by 30 June each year.

During test check of records, we noticed that Administrative Report was not prepared by ZPs Chhindwara and Indore during the period 2010-11 to 2014-15.

In the exit conference, the Government replied that instructions would be issued to ZPs for preparation of Administrative Report.

2.2.5.2 Physical verification of store

As per Rule 61 of ZP (Accounts) Rules, 1999, physical verification of all the items of stores/dead stock would be carried out on a periodic basis and at least twice in a year by the General Administration Committee. Shortages/excesses, if any, detected on verification would be recorded in the register duly signed and dated by the verifying authority.

During test check of records, we noticed that physical verification of stores/dead stock was not carried out by ZP Chhindwara.

In the exit conference, the Government replied that instructions would be issued to CEOs of ZPs to nominate an officer to carry out physical verification of store as per Rules.

Internal control mechanism in Janpad Panchayats

As per Section 50 of the MP *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, JP is required to prepare the annual plans in respect of schemes of economic development and social justice entrusted to it by the Act and those assigned to it by the State Government or ZP. JP is also responsible to consider and consolidate the annual plan of all GPs and the JP and submit the consolidated plan to ZP. JP controls and supervises the administration of the

Administrative Reports were not prepared by ZP Chhindwara and Indore.

Physical verification of stores/dead stock was not carried out by ZP Chhindwara.

community development block or tribal development block within its jurisdiction. The functions and schemes assigned to such block by the State Government are implemented under the superintendence, directions and control of JP in accordance with the instructions issued by the State Government from time to time.

The audit of internal control of 11 JPs of Chhindwara and four JPs of Indore districts revealed the following:

2.2.6 Compliance with the internal control procedures as prescribed in the relevant Act, Rules and Regulations

2.2.6.1 Non-preparation of budget estimates

As per Rule 11 of JP (Budget Estimates) Rules, 1997, the CEO after examination of proposals about the programmes for the ensuing year received from the various standing committees shall on or before 10 January each year cause to be prepared and laid before the General Administrative Committee of the JP an estimate of Income and Expenditure of the JP for the next financial year. Rule 16 *ibid* further prescribes that JP shall consider and approve the budget estimates before 30 January of each year.

During test check of records, we noticed that JP Depalpur of district Indore did not prepare budget estimates during the period 2010-11 to 2014-15. We further noticed that JPs Indore, Mhow and Sanwer of district Indore and JP Mohkhed of district Chhindwara did not prepare budget estimates in the years 2013-14 and 2014-15. Non-preparation of budget estimates by these JPs indicated lack of planning, besides absence of budgetary control over expenditure.

In the exit conference, the Government replied that instructions had already been issued to all Panchayats for preparation of budget estimates every year.

Recommendation

Budget estimates of JPs should be prepared within the time schedule prescribed in the JP (Budget Estimates) Rules, 1997.

2.2.6.2 Non-preparation of bank reconciliation statement

Rule 15 of JP (Accounts) Rules 1999 envisages that the cash book should be closed at the end of each day and the closing balance signed by Accountant and CEO or such other person as may be authorised by him. As per Rule 25 *ibid*, the aggregate balances of bank register at any given day must tally with the balances as shown in the bank column of the cash book for the same day. A monthly statement of reconciliation of the balances appearing in the bank register has to be prepared. Rule 26 further stipulates that a certificate must be obtained from the bank regarding the closing balance as on 30 September and 31 March each year which should be compared with the balances in pass book as on that date and half yearly reconciliation of the bank account(s) shall be prepared to arrive at the aforesaid balance.

Nine JPs of district Chhindwara and three JPs of district Indore did not prepare bank reconciliation statements.

₹ 35.96 lakh of advance was outstanding for recovery for last one year to 32 years.

During test check of records, we observed that nine JPs¹⁰ out of 11 JPs of district Chhindwara and three JPs¹¹ out of four JPs of district Indore did not prepare bank reconciliation statement. The differences in the closing balances of cash books and bank accounts in these 12 JPs are detailed in **Appendix-2.6**. We further noticed that:

- In JPs Amarwara and Pandhurna of district Chhindwara, the balances in the bank account as on 31 March 2015 were less in comparison to cash book balance by ₹ 84.99 lakh and ₹ 31.48 lakh respectively. Similarly, in JP Sanwer of district Indore, the balance in the bank account was ₹ 0.37 lakh less in comparison to the cash book balance as on 31 March 2015.
- In JP Indore, the balances in three bank accounts were less in comparison to balances in the respective cash books, as detailed in **Table 2.2**:

Table 2.2: Closing balances of cash book and bank pass book in JP Indore as on 31 March 2015

Sl. No.	Name of cash book	Closing Balances		Difference (₹)
		As per cash book (₹)	As per bank pass book/statement (₹)	
1	MP LAD ¹²	2,01,803	1,03,286	(-) 98,517
2	Anganwadi Bhawan	73,18,405	70,13,804	(-) 3,04,601
3	Panchayat upkar	4,09,958	4,09,804	(-) 154

The reason for the differences in closing balances of cash book and bank pass books could not be ascertained in the absence of bank reconciliation statements. This reflected weak internal control of JPs over their cash management.

In the exit conference, the Government replied that instructions would be issued to all JPs to prepare bank reconciliation statement. Cases where the balances in bank are less in comparison to cash book would be examined.

Recommendation

JPs should ensure preparation of bank reconciliation statement as prescribed under JP (Accounts) Rules 1999.

2.2.6.3 *Advances not adjusted*

As per Rule 49 of JP (Accounts) Rules 1999, it would be the responsibility of the person who has taken any advance to submit a statement of expenditure incurred for the purpose for which the advance was taken immediately after incurring such expenditure failing which the entire amount of advance would be deducted from the next salary or other sums payable to him. Rule 48 *ibid* further lays down that no advances would be made to any person unless the earlier advances has been fully recovered/adjusted.

During test check of records, we observed that advance of ₹ 35.96 lakh was outstanding for recovery from one year to 32 years in nine JPs of district Chhindwara and one JP of district Indore, as detailed in **Appendix-2.7**.

In the exit conference, the Government replied that instructions would be issued for adjustment of advances.

¹⁰ Amarwara, Bichhua, Chaurai, Harrai, Junnardev, Mohkhed, Pandhurna, Saunsar and Tamia

¹¹ Depalpur, Indore and Sanwer

¹² Member of Parliament Local Area Development

Recommendation

JPs should ensure adjustment of advances immediately after incurring the expenditure for which it was granted.

2.2.6.4 Security deposit not obtained

As per Rule 44 of JP (Accounts) Rules, 1999, every employee of the JP who is entrusted with the custody of cash or store shall furnish a security of ₹ 10,000.

Scrutiny of records revealed that the CEOs of nine JPs¹³ of district Chhindwara and all the four test-checked JPs of Indore did not ensure that security deposits were obtained from persons handling cash.

In the exit conference, the Government replied that instructions would be issued to all JPs to obtain the security deposit.

2.2.7 Administrative control

2.2.7.1 Monitoring staff

As per Directorate, Panchayat Raj orders (February 2011), Panchayat Coordinating Officers (PCOs) were required to conduct review of all the schemes implemented by GPs and ensure sending monthly progress report to JPs. They were also responsible to ensure that accounts were properly maintained by GPs, budget was prepared and approved timely, bank reconciliation was prepared and store items were purchased after following prescribed procedure etc. State Government was responsible to fill the sanctioned posts of PCOs.

During test check of records, we noticed that out of 35 sanctioned posts of PCOs in three JPs¹⁴ of district Chhindwara, 13 posts (*37 per cent*) of PCOs were vacant.

In the exit conference, the Government replied that recruitment of PCOs was under process and would be filled in future.

2.2.7.2 Physical verification of store

As per Rule 58 of JP (Accounts) Rules, 1999, physical verification of all the items of stores/dead stock would be carried out on a periodic basis and at least twice in a year by the General Administration Committee. Shortages/excesses, if any, detected on verification would be recorded in the register duly signed and dated by the verifying authority.

During test check of records, we noticed that physical verification of stores/dead stock was not carried out by nine JPs¹⁵ out of 11 test-checked JPs of district Chhindwara and any of the four test-checked JPs of district Indore.

In the exit conference, the Government replied that instructions would be issued to CEOs of JPs to nominate an officer to carry out physical verification of store as per rules.

¹³ Amarwara, Bichhua, Chhindwara, Harrai, Junnardev, Mohkhed, Pandhurna, Parasiya and Saunsar

¹⁴ Harrai, Junnardev and Mohkhed

¹⁵ Amarwara, Chaurai, Chhindwara, Harrai, Junnardev, Mohkhed, Pandhurna, Saunsar and Tamia

Internal control mechanism in Gram Panchayats

According to Section 49-A of *MP Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, it shall be the duty of GPs to prepare annual plans for economic development and social justice of the Panchayat area and submission thereof to the JP. GPs are required to ensure execution of schemes, works, projects entrusted to them by any law and those assigned to them by Central or State Government or ZP or JPs.

Ten GPs from each of the 15 selected JPs of districts Chhindwara and Indore were selected for audit. However, out of 150 sampled GPs, 139 GPs could be test-checked. The audit of 9 GPs could not be conducted in Chhindwara district as the records of three GPs (Sajwa, Bhalpani and Khamra) were not handed over to present Secretary by the previous Secretary. In six GPs (Chichkheda, Mohpanimal, Pathri, Silotakala, Kadhaiya and Itawa), the GP office was found locked and the Secretary was absent when audit party visited the GP office. Further, two GPs (Palda and Bada Bangarda) of district Indore could not be audited as these were merged in Nagar Nigam Indore.

The audit of internal control of 139 GPs revealed the following:

2.2.8 Compliance with the internal control procedures as prescribed in the relevant Act, Rules and Regulations

2.2.8.1 Non-preparation of budget estimates

None of the 139 test checked GPs prepared budget estimates during 2010-11 to 2014-15.

As per Rule 5 of MP Gram Panchayats (Budget Estimates) Rules, 1997, GPs is required to consider and approve the draft budget estimates by 21 February each year and submit it to JP by the last day of February each year. As per Rule 3 *ibid*, the GP must explain in detail each budgetary provision and the reason justifying the proposed provision in the budget.

We noticed that none of the 139 test-checked GPs of district Chhindwara and Indore prepared budget estimates in any of the years during 2010-11 to 2014-15. Non-preparation of budget estimates by GPs indicates lack of planning at the GP level. Besides, there was lack of any budgetary control over utilisation of funds in these GPs.

In the exit conference, the Government replied that instructions had already been issued to all Panchayats for preparation of budget estimates every year.

Recommendation

JPs should ensure that GPs prepare and submit budget estimates within the time schedule prescribed in the GP (Budget Estimates) Rules, 1997.

2.2.8.2 Non-preparation of Bank Reconciliation Statement and improper maintenance of Cash Book

As per Rule 24 of GP (Accounts) Rule, 1999, the Secretary and the Sarpanch shall ensure that on periodic basis the balances with the bank as appearing in the ledger are compared with the balances shown in the bank statement. The difference, if any in the ledger balances and the balances as per the bank statement shall be reconciled and all the missing entries made in the accounts of the Panchayat. Rule 16 *ibid* stipulates that the cash book should be written

Bank reconciliation was not prepared by the test checked GPs.

on day to day basis and closed at least once a week. The closing balances would be recorded in cash book and would be signed by Secretary/Sarpanch.

We noticed that none of the 139 test checked GPs prepared the bank reconciliation statement during 2010-11 to 2014-15. Further, 80 out of 139 test-checked GPs informed that cash books were written on the basis of entries of the bank pass book/statement, which was in contravention of Rule 16 of GP (Accounts) Rule, 1999. Thus, GPs had poor internal control over their cash management.

In the exit conference, the Government replied that instructions would be issued to all GPs for proper maintenance of cash book and preparation of bank reconciliation statement.

Recommendation

GPs should ensure preparation of bank reconciliation statement as prescribed under GP (Accounts) Rules 1999. Cash book should be written on day to day basis.

2.2.8.3 Non-furnishing of security deposit

As per Rule 42 of GP (Accounts) Rules, 1999, every secretary of the GP or Sarpanch or any other panch or such other person, who is entrusted with the custody of the cash or stocks of the Panchayats, shall furnish either in cash or through a guarantee of a person acceptable to the Panchayat, a security of a minimum amount of ₹ 5000 or such higher amount as may be fixed by the Gram Panchayat.

Scrutiny of records revealed that, persons entrusted with the custody of cash or stock did not furnish the security deposit in any of the 139 test-checked GPs.

In the exit conference, the Government replied that instructions would be issued to all GPs to obtain the security deposit.

2.2.9 Maintenance of control registers

2.2.9.1 Non-maintenance of essential records

Register of immovable properties and stock registers were not maintained in test checked GPs.

As per Rule 55 of Gram Panchayat (Accounts) Rules 1999, details of all immovable properties whether acquired by the GP or transferred to it are required to be recorded in the Register of immovable properties in form GP-13. Rule 56 *ibid* further stipulates that the details of all the items of expendable and issuable nature as also dead stock of non-consumable nature purchased or acquired for use of GP shall be recorded in the Register of Dead Stock in Form GP-14.

We noticed that the register of immovable properties and stock registers were not maintained by any of the 139 test-checked GPs. Due to non-maintenance of essential registers, audit could not vouch the details of immovable properties and stores/other dead stocks of test-checked GPs.

In the exit conference, the Government replied that instructions had been issued to all GPs for maintenance of Stock Register.

Recommendation

GPs should ensure maintenance of records of immovable properties and stock registers in the prescribed forms.

2.2.10 Follow up action on audit observations of Local Fund Audit

As per Rule 3 of the M.P. Panchayat Audit Rules, 1997, the accounts of a Panchayat would be audited annually. Rule 13 *ibid* further stipulates that on receipt of the audit report, the Sarpanch/President/CEO shall sort out the defects or irregularities pointed out in the report and put up the report before the General Administration Committee for a detailed discussion. The Sarpanch/President/CEO, shall after the Panchayat has considered the report, would take further necessary action to rectify the defects or irregularities within the stipulated time, but not later than three months from the date of receipt of audit report and send to the audit authority a detailed report on the compliance of the audit observations. State Government has made Director, Local Fund Audit (DLFA) responsible for audit of accounts of local bodies.

2,531
paragraphs
of local fund
audit was
pending for
settlement.

We noticed ineffective monitoring of compliance of observations made by DLFA. The details of pending paragraphs of DLFA (**Appendix-2.8**) revealed 282 paragraphs in ZPs Indore and Chhindwara, and 2,249 paragraphs in 11 JPs¹⁶ of these two districts were pending for settlement as of March 2015. Remaining four JPs¹⁷ did not furnish the details of outstanding paragraphs.

In the exit conference, the Government replied that instructions would be issued to CEOs of ZPs and JPs to ensure compliance and settlement of audit observations.

Recommendation

PRIIs should ensure timely compliance of audit observations of DLFA.

2.2.11 Summary of conclusions and recommendations

- The budgetary control, an essential tool to check improper utilisation of funds, was poor. There were delays in preparation and approval of budget estimates by ZP Chhindwara. Five test-checked JPs and 139 test-checked GPs did not prepare budget estimates.

Recommendation: Budget estimates should be prepared and approved within the time schedule as prescribed under the respective rules.

- Bank reconciliation was not done in ZP Chhindwara, 12 JPs and 139 test-checked GPs, which indicated weak internal control over their cash management.

Recommendation: PRIIs should ensure preparation of bank reconciliation statement as prescribed under the respective rules.

- Advance amounting to ₹ 35.96 lakh was outstanding for recovery in ten JPs for a period varying from one year to 32 years.

¹⁶ JPs Bichhua, Chaurai, Chhindwara, Harrai, Mohkhed, Pandhurna, Parasiya and Tamia of district Chhindwara and JPs Indore, Mhow and Sanwer of district Indore

¹⁷ JPs Amarwara, Junnardev and Saunsar of ZP Chhindwara and JP Depalpur of ZP Indore

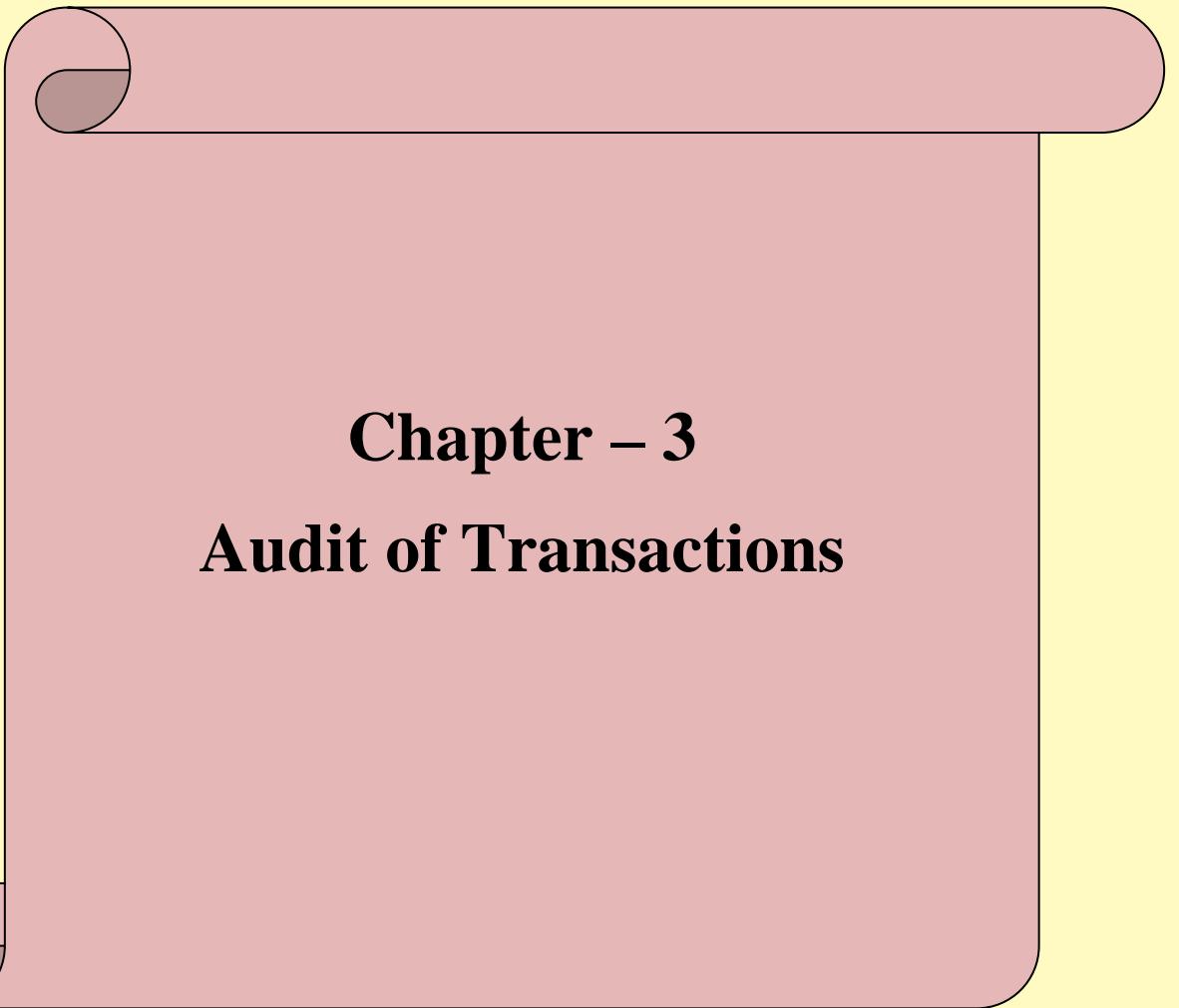
Recommendation: JPs should ensure adjustment of advances immediately after incurring the expenditure for which it was granted.

- None of the 139 test-checked GPs were maintaining asset register and stock register.

Recommendation: GPs should ensure maintenance of records of immovable properties and stock register in the prescribed form.

- There was ineffective monitoring of compliance of observations made by Director Local Fund Audit, as 2,531 audit observations were outstanding for settlement.

Recommendation: PRIs should ensure timely compliance of audit observations of DLFA.



Chapter – 3

Audit of Transactions

Chapter – 3 : Audit of Transactions

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

3.1 Non-Compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders passed by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Audit finding on non-compliance with rules and regulations is hereunder.

3.1.1 Recovery at the instance of Audit

Chief Executive Officer, Zila Panchayat, Shajapur released advance payment of ₹ 11 lakh to a firm against the supply orders for procurement of Seed Grading Machine, without ensuring adequate safeguards in the form of bank guarantee etc. from the firm. The firm did not supply the requisite items even after lapse of more than six years. Later, ₹ 11 lakh have been recovered after being pointed out by Audit.

Rule 3 of Madhya Pradesh Panchayat (Purchase of Material and Goods) Rules (MPP), 1999 provides that the Panchayat shall invite tenders for purchase of materials and goods costing over ₹ 15,000. Rule 159 (1) of General Financial Rule (GFR), 2005 provides that payment for services rendered or supplies made should ordinarily be released only after the services have been rendered or supplies made. While making any advance payments, adequate safeguards in the form of bank guarantee etc. should be obtained from the firm.

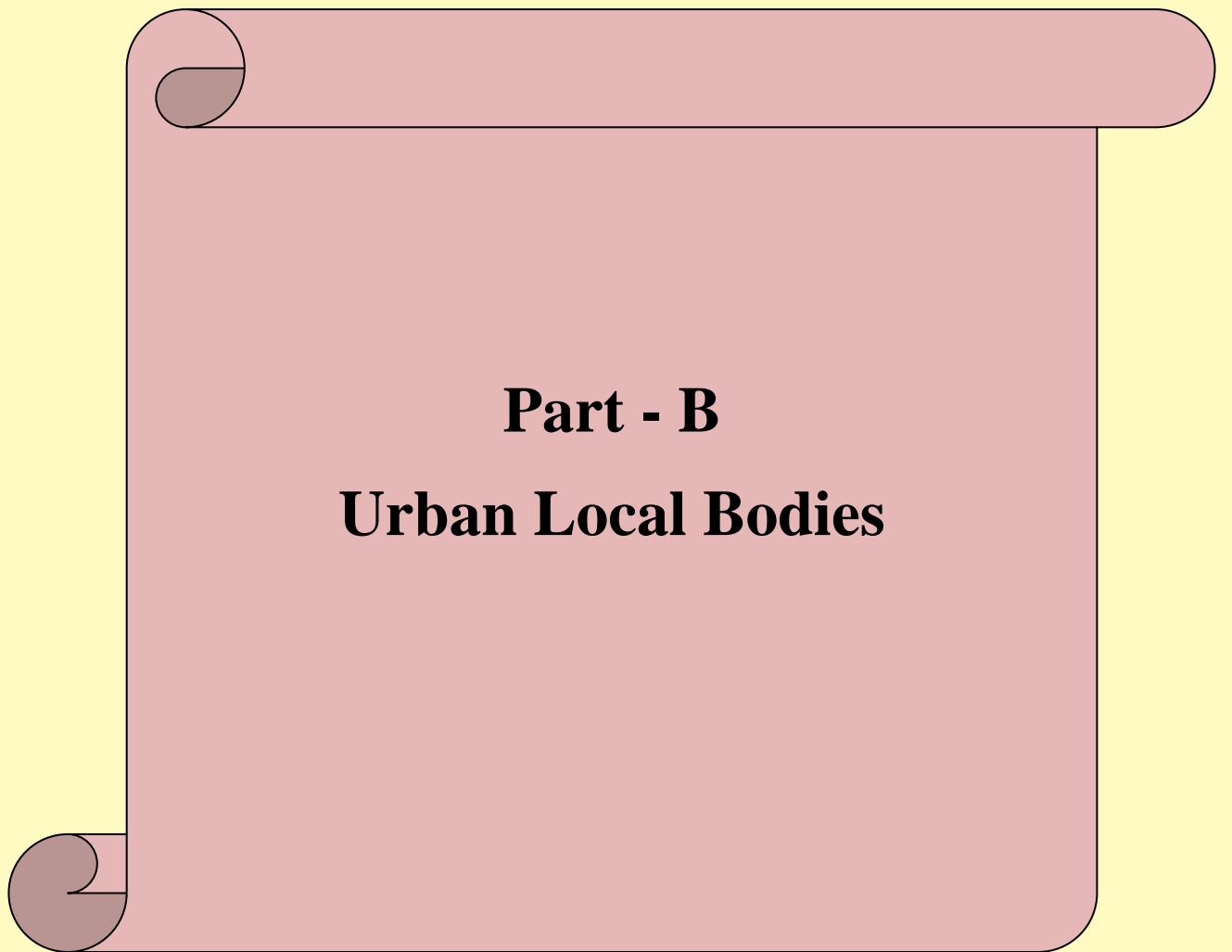
During test check of records of Chief Executive Officer (CEO), Zila Panchayat (ZP) Shajapur, we noticed (June 2014) that ZP issued (July 2008) supply order to a firm for Seed Grading Machine (SGM) at a cost of ₹ 16.02 lakh under infrastructure head of Swarnjayanti Gram Swarozgar Yojana Scheme. ZP further issued (July 2008) another supply order for attachments of SGM. These supply orders were placed without inviting tenders.

Scrutiny of records revealed that CEO, ZP released advance payments of ₹ 11 lakh to the firm against both supply orders. However, while making the advance payment, adequate safeguards in the form of bank guarantee etc. was not obtained from the firm.

We further observed that the firm did not supply the requisite items even after lapse of more than six years, in spite of several notices issued to the firm. The notices sent by ZP were returned in original with remark that premises of firm was found locked.

In the exit conference (September 2015), the Government stated that amount of ₹ 11 lakh had been received from the firm in July 2015 and deposited in the Scheme fund. The Government further added that explanation was also being sought from the CEO as to why he did not follow MPP, 1999.

The fact remains that no accountability was fixed against the official responsible for payment of advance without ensuring adequate safeguards in the form of bank guarantee etc. from the firm.



Part - B

Urban Local Bodies

Chapter – 4

An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies

Chapter – 4

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

An overview of the functioning of the Urban Local Bodies (ULBs) in the State

4.1 Introduction

The 74th Constitutional amendment gave constitutional status to Urban Local Bodies (ULBs) and established a system of uniform structure, regular election and regular flow of funds through Finance Commission etc. As a follow up, the States are required to entrust these bodies with powers, functions and responsibilities so as to enable them to function as institutions of Self-Government.

Article 243Q of the Constitution envisages that there shall be constituted in every State, Municipal Corporation for large urban areas; Municipal Councils for smaller urban areas; and Nagar Panchayats (or whatever name called) for areas in transition from a rural to an urban area. Further, Article 243W states that the Legislature of a State may, by law, endow the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of Self-Government and such law may contain provisions for devolution of powers and responsibilities upon Municipalities.

There are 16 Municipal Corporations, 98 Municipal Councils and 264 Nagar Parishads in the State as of March 2015. The basic demographic information relating to the State of Madhya Pradesh vis-a-vis National average is given below:

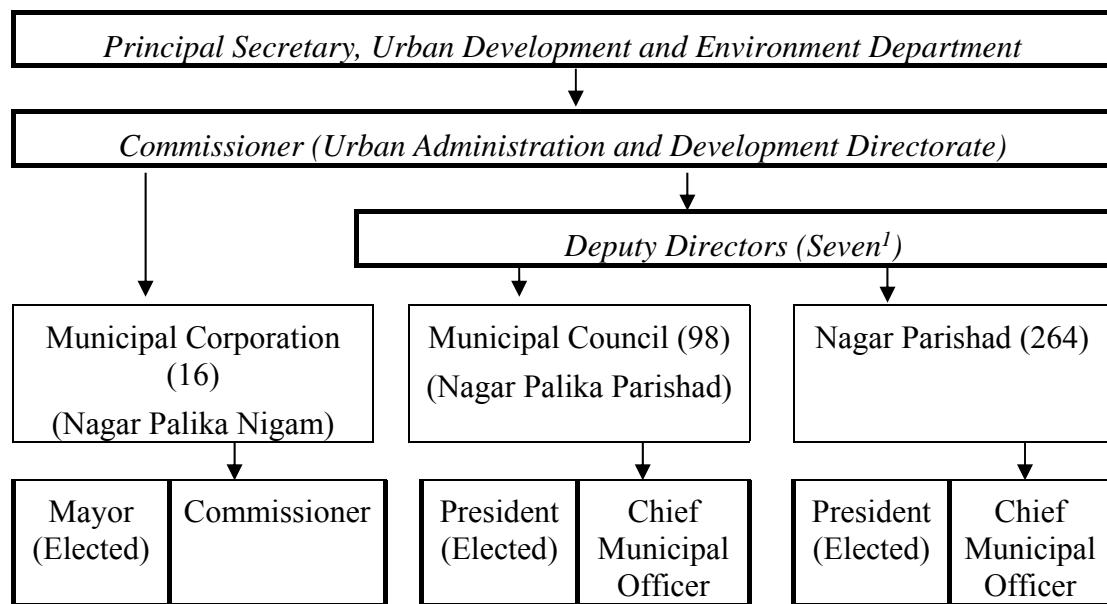
Particulars	Unit	Madhya Pradesh	All India
Population	crore	7.26	121.02
Share in country's population	<i>per cent</i>	6	-
Urban population	crore	2	37.70
Share of urban population	<i>per cent</i>	27.63	31.16
Literacy rate	<i>per cent</i>	69.32	74.04
Sex ratio (females per thousand males)	ratio	931/1000	940/1000

(Source: Census data 2011)

4.2 Organisational set up of ULBs

All the ULBs are empowered to discharge the functions devolved under the provisions of Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961, subject to monitoring powers vested in State authorities provided therein. At the Government level, Urban Development and Environment Department (UDED) is the administrative Department for ULBs. The organisational set up of governance of ULBs is as under:

Organisational Chart of ULBs



4.3 Functioning of ULBs

The State Government devolved all 18 functions, enshrined in Twelfth schedule of the Constitution, to ULBs as detailed in (**Appendix-4.1**). However, Urban Administration and Development Directorate (UADD) informed (September 2015) that the funds and functionaries were yet to be transferred to ULBs.

4.4 Audit arrangement

The State Government has appointed (November 2001) Director, Local Fund Audit (DLFA) for audit of accounts of ULBs and who shall work under the technical guidance and support (TGS) of the Comptroller and Auditor General (C&AG) of India. As per the standard terms and conditions of TGS, C&AG of India has the right to conduct such test check of the accounts and to comment on and supplement the report of the Statutory Auditor, as he may deem fit. Further, the C&AG of India or his representative has the right to report to State Legislature, the result of audit at his discretion.

Madhya Pradesh State Legislative Assembly has constituted (March 2015) Local Bodies and Panchayatiraj Accounts Committee (LBPAC) for examination of Appropriation Accounts of local bodies in the State. LBPAC is also responsible for examination of reports of C&AG laid on the table of the Legislative Assembly.

- **Technical Guidance and Support provided by Indian Audit and Accounts Department**

Section 152 of Regulations on Audit and Accounts, 2007 envisages the following arrangements regarding technical guidance and support to ULBs:

¹ Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain

- Local Fund Auditor would prepare an annual audit plan for audit of ULBs and forward it to the Accountant General (Audit) of the State.
- The audit methodology and procedure for audit of ULBs by the Local Fund Auditor would be as per various Acts and Statutes enacted by the State and guidelines prescribed by the C&AG.
- Copies of inspection reports in respect of selected local bodies shall be forwarded by the Local Fund Auditor to the Accountant General (Audit) for advice on system improvements.

The Annual Audit Plan for 2013-14 was prepared by DLFA, which was forwarded to the Accountant General (Audit). DLFA followed the methodology and procedure as suggested by the AG (General and Social Sectors Audit), Madhya Pradesh from time to time. Inspection reports were forwarded to the AG (G&SSA) Madhya Pradesh for vetting.

- **Audit Report on Local Bodies**

Para 10.121 of the recommendations of Thirteenth Finance Commission (ThFC) envisages that Annual Technical Inspection Report of C&AG as well as the Annual Report of DLFA should be placed before the State Legislature. Accordingly, amendments were made (January 2012) in the Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961, which lays down that the Annual Audit report of DLFA on Local Bodies along with the Annual Technical Inspection Report of the C&AG of India shall be submitted to the Governor, who shall cause the reports to be laid on the table of the Legislative Assembly.

Annual Technical Inspection Report (ATIR) for the year 2013-14 was forwarded to State Government in May 2015. The status of laying ATIR on the table of the Legislative Assembly was awaited (December 2015), despite reminders (July 2015 and December 2015). State Government informed (July 2015) that the audit report of DLFA was awaited.

4.5 Response to audit observations

For providing technical guidance and supervision under TGS arrangement, Inspection Reports (IRs) of Accountant General (G&SSA), Madhya Pradesh were sent to DLFA. As per TGS arrangements, DLFA was to follow up compliance with the audit paragraphs of IRs. However, 2,984 paragraphs in 662 IRs, including 805 paragraphs in 67 IRs issued during 2014-15, were pending for settlement as of March 2015, as detailed in **Table 4.1:**

Table - 4.1: Status of outstanding Inspection Reports and Paragraphs

Sl. No.	Year	Opening balance and addition during the year				Settled during the year		Closing balance	
		OB IRs	Addition IRs	OB Paras	Addition paras	No of IRs	No of Paras	No of IRs	No of Paras
1	Up to 2010-11	451	Nil	2,764	Nil	5	96	446	2,668
2	2011-12	446	84	2,668	597	2	139	528	3,126
3	2012-13	528	59	3,126	448	2	143	585	3,431
4	2013-14	585	69	3,431	682	4	301	650	3,812
5	2014-15	650	67	3,812	805	55	1,633	662	2,984

(Source: Monthly Arrear Reports compiled by the AG (G&SSA), Madhya Pradesh)

Financial reporting issues

4.6 Sources of funds

As per provisions of Section 105 of MP Municipalities Act, 1961 and Section 87 of MP Municipal Corporation Act, 1956, there are mainly two sources of revenue for ULBs, viz. Government grants and own revenue. The Government grants include:

- grants assigned under the Thirteenth Finance Commission of India; and
- devolution of one *per cent* of divisible tax revenue² of the State Government as per recommendations of the Third State Finance Commission (SFC). Devolution of Grants as per recommendation of the Third SFC during 2014-15 was as under:

The Third State Finance Commission (SFC) recommended (accepted by State Government in February 2010) that one *per cent* of divisible tax revenue of the State Government should be devolved to ULBs. During the year 2014-15, the devolution of SFC grants by the Finance Department to ULBs is shown in **Table 4.2** below:

Table - 4.2: Devolution of funds to ULBs

(₹ in crore)

Year	Divisible funds of State Government	Funds were to be devolved	Funds actually devolved	Excess devolved
1	2	3	4	(4-3)
2014-15	25,678.61	256.79	270.47	13.68

(Source: Information provided by Finance Department and UADD)

It can be seen from **Table 4.2** that there was excess devolutions of ₹ 13.68 crore to ULBs during 2014-15. Reasons for excess release of fund to ULBs were not intimated (December 2015) by Finance Department.

4.7 Budgetary allocation and expenditure of ULBs

Funds (share of tax revenue of the State and grants for implementation of schemes) allocated to ULBs by the State Government through State budget during last five years were as follows:

Table – 4.3: Statement showing receipt and expenditure of ULBs

(₹ in crore)

Year	Grants in aid			Actual Expenditure			Unspent balance	Percentage of savings
	Revenue	Capital	Total	Revenue	Capital	Total		
2010-11	3,577.21	323.15	3,900.36	2,983.60	202.64	3,186.24	714.12	18
2011-12	4,148.30	208.00	4,356.30	3,743.23	152.54	3,895.77	460.53	11
2012-13	5,271.89	215.09	5,486.98	4,879.63	138.50	5,018.13	468.85	09
2013-14	6,547.97	124.21	6,672.18	5,435.55	53.18	5,488.73	1,183.45	18
2014-15	6,718.54	33.27	6,751.81	5,281.52	12.63	5,294.15	1,457.66	22
Total	26,263.91	903.72	27,167.63	22,323.53	559.49	22,883.02	4,284.61	

(Source: Appropriation Account -Grant No. 22, 53, 68 and 75)

² Divisible Fund = total tax revenue of previous year - ten *per cent* of expenditure for collection of taxes - assigned revenue to PRIs and ULBs.

As evident from **Table 4.3**, the grant allocation increased by *73 per cent* for ULBs during the year 2014-15 as compared to the year 2010-11. However, ULBs could not spend the entire grant allocation and savings ranged from nine to *22 per cent* during the period 2010-15 mainly due to considerable unspent balances in the Revenue Head.

4.8 Accounting arrangement

4.8.1 Maintenance of Accounts in formats prescribed by C&AG

On recommendation of the Eleventh Finance Commission, Comptroller & Auditor General (C&AG) of India constituted a Task Force to recommend budget and accounting formats for ULBs. The Task Force constituted by C&AG, suggested the adoption of National Municipal Accounting Manual (NMAM) for accrual basis accounting by ULBs. The Urban Development and Environment Department (UDED), Government of Madhya Pradesh (GoMP), published (July, 2007) Madhya Pradesh Municipal Accounting Manual (MPMAM), as suggested in NMAM, for adoption of accrual basis accounting system by ULBs from 1 April 2008.

We noted that UDED issued an order (July 2010) to implement MPMAM in all ULBs of State. However, it was implemented only in 100 ULBs³ out of 378 ULBs of the State. Thus, only *26 per cent* of ULBs could implement MPMAM as of June 2015.

Further, we audited 91 ULBs⁴ (**Appendix 4.2**) during the year 2014-15. Out of these 21 ULBs⁵ prepared their budget and accounts as per MPMAM and remaining 70 ULBs prepared their accounts as per the existing accounting rules of Madhya Pradesh Municipal Corporation, Act 1956 and Municipal Council Act, 1961.

On this being pointed out (September 2015), UADD stated that budget and accounts were prepared in 31 ULBs out of test checked 91 ULBs as per MPMAM. The Commissioner UADD also stated that MPMAM was under progress for adoption in 53 ULBs.

The reply of UADD is not acceptable as only 21 ULBs out of 91 test checked ULBs had reported preparation of their accounts on the basis of MPMAM.

4.8.2 Annual Budget of ULBs

As per Section 98 of Madhya Pradesh Municipal Corporation Act, 1956 and Section 116 of Madhya Pradesh Municipal Council Act, 1961, every ULB shall prepare budget estimates covering all receipts and expenditure and send the same to the State Government.

We observed that out of 91 test-checked ULBs, only 74 ULBs prepared their budget estimates, four ULBs⁶ sent their budget estimate to State Government

³ 14 out of 16 Municipal Corporations, 41 out of 98 Municipal Councils and 45 out of 264 Nagar Parishads

⁴ Eight Municipal Corporations, 35 Municipal Councils and 48 Nagar Parishads

⁵ Municipal Corporations: Bhopal, Burhanpur, Dewas, Gwalior, Jabalpur, Khandwa, Ratlam and Ujjain; Municipal Councils: Agar, Anuppur, Chaurai, Dabra, Harda, Kotma, Sanawad and Seoni; Nagar Parishads: Churhat, Dahi, Harrai, Kolaras and Lanji

⁶ Municipal Council: Kotma Nagar Parishads: Dikken, Khategaon and Kolaras.

as envisaged in the Act. Remaining 17 ULBs did not furnish relevant information/records. Thus, 70 test-checked ULBs did not send their budget estimates to State Government, which was contrary to provisions of the respective Acts.

4.9 Non-preparation of bank reconciliation statement

Madhya Pradesh Municipal Accounting Rules prescribe for reconciliation of any difference between the balances of cash book and bank accounts on monthly basis.

During test check of records of 91 ULBs, we found that 30 ULBs did not prepare bank reconciliation. There were unreconciled differences in the closing balances of cash books and bank books of these 30 ULBs as of March 2014, as detailed in **(Appendix-4.3)**. Further, 56 ULBs⁷ did not produce relevant information/records. Non-reconciliation of differences was fraught with the risk of misuse of funds.

The Commissioner/CMO of respective Municipal Corporation, Municipal Council and Nagar Parishad stated (2014-15) that the bank reconciliation of difference between the balances of cash book and bank accounts would be carried out.

4.10 Non-realisation of tax revenue/non-tax revenue

As per Section 87 of MP Municipal Corporation Act, 1956 and Section 105 of MP Municipalities Act, 1961, the source of own revenue of ULBs are through taxes, rent, fees, issue of licenses etc. In case of non-receipt of the tax and non-tax revenue, the Municipal Corporations are required to take necessary action for recovery as envisaged in section 173 to 183 of the MP Municipal Corporation Act, 1956.

We observed that tax revenue of ₹ 131.81 crore imposed up to March 2014 in 77 ULBs out of test checked 91 ULBs, remained unrealised. Remaining 14 ULBs did not furnish information to Audit. The amount included ₹ 117.11 crore on account of property tax, composite tax, education and development cess, market fees and show tax imposed in 77 ULBs **(Appendix-4.4)** and ₹ 14.70 crore on account of rent and premium imposed by 32 ULBs as shown in **(Appendix-4.5)**.

Similarly, non-tax revenue (water charges, license fees, land and building rent etc.) amounting to ₹ 178.16 crore remained unrealised in 78 ULBs **(Appendix-4.6)**. Remaining 13 ULBs did not furnish information to Audit.

The Commissioner/CMO of respective Municipal Corporation, Municipal Council and Nagar Parishad stated (2014-15) that effort would be made to recover unrealised revenues of ULBs.

However, no action was taken by these ULBs under Sections 173 to 183 of the Act *ibid* to recover the dues.

⁷ Municipal Corporation: 4 Municipal Council: 25 Nagar Parishads: 27

4.11 Non-adjustment of temporary advances

Rule 112 (2) of the MP Municipal Accounts Rules, 1971 stipulates that no advance shall be drawn unless expenditure is likely to be incurred within one month. The CMO/Accounts Officer of Municipalities would review unadjusted advance quarterly and submit before Finance Committee/Standing Committee of ULBs.

During test check of records of 91 ULBs, we found that temporary advances of ₹ 2.97 crore provided by 34 ULBs to individuals/agencies remained outstanding as on 31 March 2014. Details are given in (**Appendix-4.7**). The oldest outstanding amount of ₹ 0.48 lakh pertained to January 1962, i.e. more than 53 years. In 24 ULBs no temporary advance was outstanding, whereas remaining 33 ULBs did not furnish the relevant information to Audit.

The Commissioner/CMO of the concerned ULBs stated (2014-15) that instructions for recovery and adjustment of outstanding advances had been issued.

4.12 Release and utilisation of Thirteenth Finance Commission Grants

Thirteenth Finance Commission (ThFC) grants-in-aid were released to the State mainly in two forms, viz., General Basic Grant and Special Area Basic grant. In addition, the performance related grants (General Performance Grant and Special Area Performance grant) were also released to the State from 2011-12 onwards on fulfillment of conditions imposed for its release. As per ThFC recommendations, allocations among various Urban Local Bodies (ULBs) within the State were to be made by the respective States. The position of grants released to Madhya Pradesh and thereafter transfer of the same to ULBs are as shown in the **Table 4.4**.

Table-4.4: Entitlement and Release of ThFC grant during 2010-11 to 2014-15

(₹ in crore)

Types of Grants under ThFC	Entitlement of State for ULBs	Grant released by GoI	Short(-) release by GoI	Grant released to ULBs by State Government
General Basic Grant (GBG)	976.81	864.93	(-) 111.88	864.93
General Performance Grant (GPG)	517.15	195.09	(-) 322.06	195.09
Special Area Basic Grant(SABG)	19.74	17.33	(-) 2.41	17.33
Special Area Performance Grant (SAPG)	13.81	11.68	(-) 2.13	11.68
Total	1,527.51	1,089.03	(-) 438.48	1,089.03

(Source: Information provided by the Finance Department and UADD)

It is evident from above that Government of India (GoI) released ₹ 1,089.03 crore of ThFC grants for ULBs against the entitlement of ₹ 1,527.51 crore of the State during 2010-15. Thus, there was short release of ₹ 438.48 crore ThFC grants to State.

4.12.1 Fulfillment of conditions by State Government to draw GPG

The State was eligible to draw its allocation of General Performance Grant, if it complies with certain conditions prescribed in para 10.161 of ThFC guidelines. The status of compliance with the conditions by State is as under:

Conditions	Action taken by the State Government
ULBs, having elected body were eligible to receive GPG.	Election for ULBs was held in 2015.
Release of grants will be subject to submission of utilisation certificate for previous installment drawn.	Utilisation certificates were submitted in prescribed format by UADD on time, on the basis of funds released to ULBs.
The State should implement in all ULBs an accounting framework suggested in the National Municipal Accounts Manual (NMAM).	UDED, Government of Madhya Pradesh issued an order (July 2010) to implement MPMAM in all ULBs of State, but it was implemented only in 100 ULBs out of 378 ULBs of the State, which consist only <i>26 per cent.</i> Despite non fulfillment of this condition, GPG was released to all ULBs of State.
To put in place an audit system for ULBs, the Annual Technical Inspection Report of the C&AG as well as the Annual Report of the Director of Local Fund Audit, must be placed before the State legislature.	MP Municipal Corporation Act, 1956, and MP Municipal Council Act, 1961, were amended in January 2012. According to amendment the Annual Audit report of DLFA on ULBs along with the ATIR of the C&AG of India shall be submitted to the Governor, for laying in Legislative Assembly. However, the ATIR of 2013-14 was not placed before State Legislature (December 2015).
To put in place a system of independent local body ombudsmen who will look into complaints of corruption and mal-administration against the functionaries of local bodies.	The M.P. <i>Lokayukt Avam Up-Lokayukt Adhiniyam</i> , 1981, was in force and all functionaries of Local Bodies are covered under the Jurisdiction of this Act.
To put in place a system of transfer of funds through e-banking in all ULBs.	All ThFC grants were transferred to ULBs through e-banking by UADD.
To constitute State Finance Commission (SFC) as per Article 243 I(2) of the Constitution.	The relevant legislation was already in force and fourth State Finance Commission was constituted.
Constitution of State Property Tax Board for suggesting reform in tax collection by the ULBs.	The State Government constituted the Board in March 2011 to reform existing tax collection system in MP by ULBs. The last meeting of Board was held in May 2014 and discussion was made regarding reform of tax collection system in ULBs. ULBs were collecting taxes at the prevailing rates.

4.12.2 Delay in release of ThFC grant to ULBs

As per para 4.2 of ThFC guidelines, ThFC grants were to be transferred to Urban Local Bodies (ULBs) within ten days of receipt from the Central Government. In case of any delay, the State Government would release the grant with interest, at the bank rate of RBI, this would be applicable from the second installment of 2010-11 onwards.

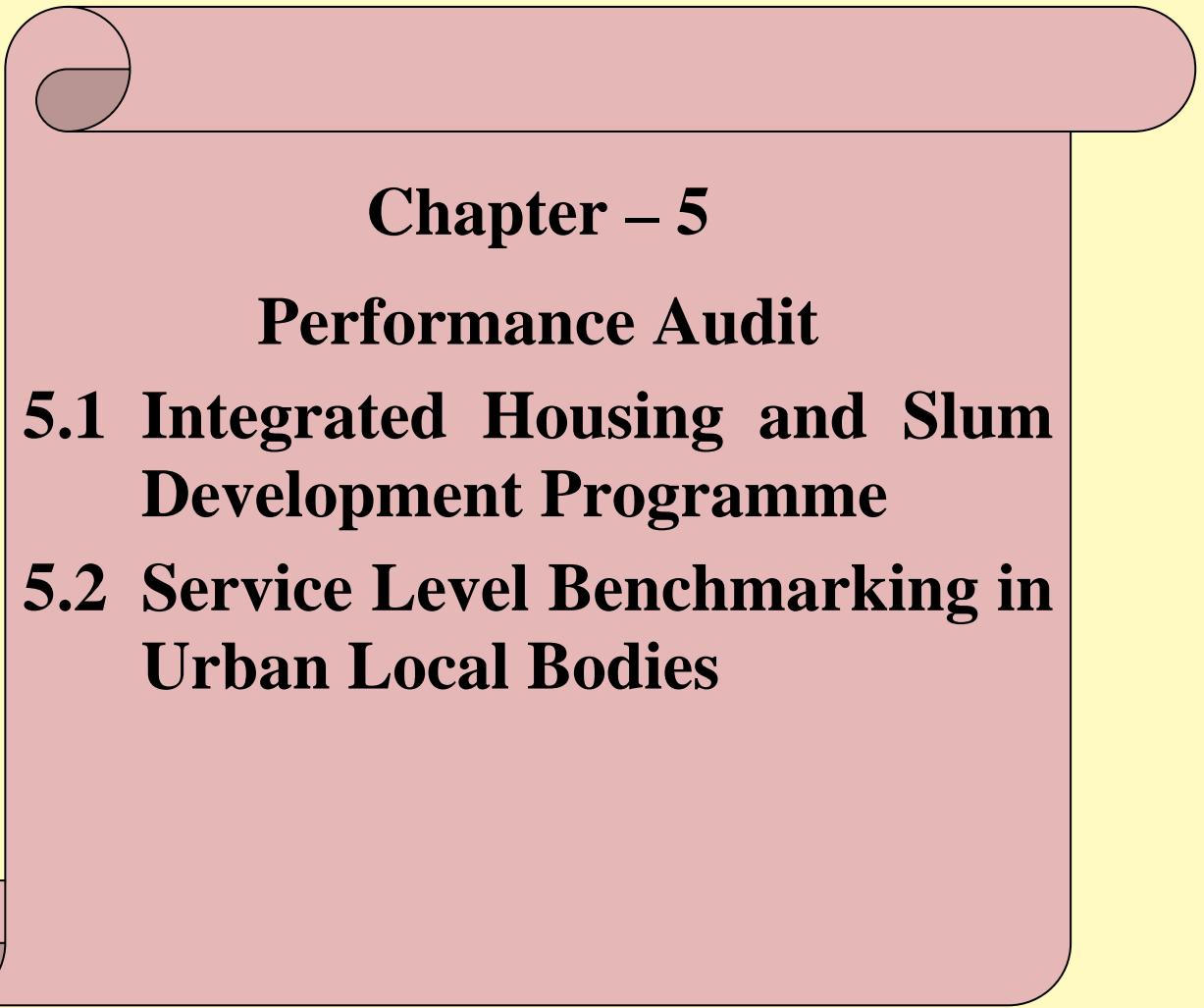
We observed that ThFC grants were not transferred to ULBs within the time limit envisaged in guidelines. Finance Department (FD) of State sanctioned ₹ 0.66 lakh as interest for delay in release of ThFC grant to ULBs.

We further observed that ThFC grants of ₹ 404.39 crore were released to ULBs during 2011-15 with the delay⁸ ranging between eight to 198 days (**Appendix-4.8**). Keeping in view the interest rate of nine *per cent* adopted by FD for payment of interest on delayed release of ThFC grants, interest payable to ULBs worked out to ₹ 2.08 crore. Thus, there was short release of ₹ 2.07 crore⁹ towards interest payable to ULBs for delayed release of ThFC grants.

The matter was referred to Commissioner, UADD, reply awaited (December 2015).

⁸ After excluding ten days within which ThFC grants were to be released.

⁹ Due interest for release to ULBs by FD (₹ 208 lakh-₹ 0.66 lakh)= ₹ 207.34 lakh i.e. ₹ 2.07 crore



Chapter – 5

Performance Audit

- 5.1 Integrated Housing and Slum Development Programme**
- 5.2 Service Level Benchmarking in Urban Local Bodies**

Chapter – 5 : Performance Audit

Urban Development and Environment Department

5.1 Integrated Housing and Slum Development Programme

Executive Summary

Integrated Housing and Slum Development Programme (IHSDP) is a component of Jawaharlal Nehru National Urban Renewal Mission, which was launched in December 2005. The basic objective of IHSDP is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas. IHSDP is a centrally sponsored programme. The sharing of funds is in the ratio of 80:20 between Central Government and State Government/Urban Local Bodies/Parastatal.

In Madhya Pradesh, 56 IHSDP projects were approved between December 2006 and March 2012 for implementation in 53 cities of the State. Some of the main cities in which these projects were sanctioned are – Burhanpur (District Burhanpur), Depalpur (District Indore), Khandwa (District Khandwa), Pandhurna (District Chhindwara), Petlavad (District Jhabua), Satna (District Satna) and Ratangarh (District Neemuch).

Government of Madhya Pradesh appointed (December 2005) Urban Administration and Development Directorate (UADD) as the State Level Nodal Agency (SLNA) for implementation of the project. A performance audit of implementation of the IHSDP in the State revealed the following.

- The implementation of IHSDP was lagging behind the completion schedule sanctioned by Central Sanctioning and Monitoring Committee. Out of the 56 projects, six projects could not be started due to non-availability of suitable land and reluctance on the part of the beneficiaries. Of remaining 50 projects, only 15 projects could be completed as of March 2015. Further, out of 35 incomplete projects, 16 projects (*46 per cent*) were sanctioned between December 2006 and December 2007 with the stipulated completion period of 12 to 24 months. Thus, projects remained incomplete even after the expiry of six to nine years from the sanction of these projects.

(Paragraph 5.1.6)

- Out of total 22,998 dwelling units (DUs) sanctioned in 56 projects, 9,203 DUs (*40 per cent*) in 31 projects were surrendered and only 8,766 DUs (*38 per cent*) in 42 projects could be completed as of March 2015. Of these completed DUs, 3,227 DUs were allotted to beneficiaries.

(Paragraph 5.1.6)

- Out of available funds of ₹ 154.45 crore for implementation of the projects during 2010-11 to 2014-15, SLNA released ₹ 129.10 crore to ULBs. There was short release of State share by ₹ 7.62 crore in respect of 35 IHSDP projects. Further, nine test-checked ULBs short deposited their contribution by ₹ 1.18 crore.

(Paragraph 5.1.7.1)

- Affordability of the urban poor was to be kept foremost in view while working out beneficiary contribution for the DUs. However, due to cost overrun of the projects, per unit cost of DU increased in the range of ₹ 36,000 to ₹ 2.49 lakh in seven test-checked projects resulting into enhancement of beneficiary contribution.

(Paragraph 5.1.9)

- According to instructions of Central Sanctioning and Monitoring Committee, utmost emphasis was required to be accorded to quality execution of houses and infrastructure facilities for poor. However, scrutiny of records/joint inspection of constructed DUs of test-checked projects revealed deficiencies in adherence of prescribed quality control norms.

(Paragraph 5.1.10)

- Monitoring of projects was not adequate, as the State Level Coordination Committee could hold only four meeting against 36 meetings required during 2006-15 for quarterly review of the projects. Further, no meeting was conducted during 2008-12 and 2013-15. Social Audit of the implementation of IHSDP could not be conducted due to non-formation of Beneficiaries Committees.

(Paragraphs 5.1.14.1 and 5.1.14.4)

5.1.1 Introduction

Jawaharlal Nehru National Urban Renewal Mission (JNNURM), launched in December 2005, is the flagship programme of Government of India (GoI) to address the problems of infrastructure and basic services to the poor in cities and towns in a holistic manner. Integrated Housing and Slum Development Programme (IHSDP) is a sub-mission of JNNURM, which is applicable to all cities except mission cities covered under JNNURM. The basic objective of IHSDP is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas.

IHSDP is a centrally sponsored programme. The sharing of funds is in the ratio of 80:20 between Central Government and State Government/Urban Local Bodies/ Parastatal. The components for assistance under the programme are slum improvement/ upgradation/ relocation projects including upgradation/ new construction of houses and infrastructure facilities, like water supply and sewage.

In Madhya Pradesh, four mission cities/ towns¹ are covered under JNNURM. Fifty-six IHSDP projects were approved between December 2006 and March 2012 for implementation in 53 non-mission cities (**Appendix-5.1**) of the State.

5.1.2 Organisation structure

At the State level, the IHSDP projects were executed by Urban Development and Environment Department. A State Level Steering Committee, headed by the Chief Minister, Madhya Pradesh was constituted (February 2007) for recommendations and implementation of the programme.

¹ Bhopal, Indore, Jabalpur and Ujjain

As per IHSDP guidelines, State Government may designate any institution as the nodal agency for implementation of IHSDP. Accordingly, Government of Madhya Pradesh appointed (December 2005) Urban Administration and Development Directorate (UADD) as the State Level Nodal Agency (SLNA). SLNA was responsible to evaluate the project proposals received from Urban Local Bodies (ULBs), submit these proposals for approval of State Level Steering Committee, and monitor the physical and financial progress of projects.

The projects were executed by the respective Urban Local Bodies (ULBs). To supplement and enhance the existing skill of ULBs, UADD had set up three regional Programme Implementing Units (PIUs). A Programme Management Unit (PMU) had also been set up for technical and managerial support to SLNA.

5.1.3 Audit objectives

The objectives of performance audit were to ascertain whether:

- projects were selected and planned as per IHSDP guidelines;
- the allocation and release of funds were adequate and in timely manner;
- the projects were executed economically and efficiently as per approved Detailed Project Reports and allotment of dwelling units to slum dwellers was transparent;
- the agenda of reforms under IHSDP was implemented effectively; and
- monitoring system was effective for achieving the desired objectives.

5.1.4 Audit criteria

Audit findings were based on the following criteria:

- IHSDP guidelines issued by Ministry of Housing and Urban Poverty Alleviation, Government of India, and Minutes of the Central Sanctioning and Monitoring Committee.
- Orders/circulars issued by State Government and UADD for implementation of IHSDP.
- MP Financial Code, MP Treasury Code, MP Public Works Manual and Schedule of Rates (SOR) prepared by UADD from time to time.
- Detailed Project Reports (DPRs), inspection and monitoring reports of SLNA, and third party inspection and monitoring (TPIM) reports.

5.1.5 Audit coverage and methodology

Fourteen projects implemented by 14 ULBs², 30 *per cent* of total implemented projects in the State, were selected for the performance audit by Systematic Random Sampling Without Replacement (SRSWOR) method. Records of UADD and the implementing ULBs of the sampled projects were test-checked for the period since sanction of the respective IHSDP projects till March 2015. The information was also collected from PMU and PIUs.

² Bairasiya, Burhanpur, Diken, Depalpur, Khandwa, Khujner, Mohogaon, Pandhurna, Petlavad, Satna , Shahpura, Singoli, Ratangarh and Tendukheda

The audit objectives, scope and methodology were discussed in entry conference (16th March 2015) with Principal Secretary, Urban Development and Environment Department (UDED). The exit conference was conducted with Principal Secretary, UDED on 9th September 2015. Views expressed during exit conference and the replies of the Government have been suitably incorporated in the report.

Audit findings

5.1.6 Status of housing projects

The Central Sanctioning and Monitoring Committee (CSMC) of the Ministry of Housing and Urban Poverty Alleviation had approved 56 IHSDP projects between December 2006 and March 2012 in 53 non-mission cities of the State (**Appendix-5.1**). The projects included construction of 22,998 dwelling units and infrastructure facilities, which were to be completed in 12 to 24 months from the date of the respective sanctions. No project was sanctioned during the period from 2012-13 to 2014-15.

Out of the 56 projects, six projects could not be started due to non-availability of suitable land and reluctance on the part of the beneficiaries. Therefore, these projects were cancelled by CSMC (May 2014). The status of sanctioned projects as of March 2015, is detailed in **Table 5.1**.

Table 5.1: Status of sanctioned projects in the State as of March 2015

Year	Number of projects Sanctioned	Scheduled Period of Completion (in months)	Status of Projects		
			Completed	Incomplete	Cancelled
2006-07	23	12-24	8	13	2
2007-08	10	12-24	5	3	2
2008-09	4	24	-	4	-
2009-10	7	12	-	6	1
2010-11	5	12	2	2	1
2011-12	7	12	-	7	-
Total	56		15	35	6

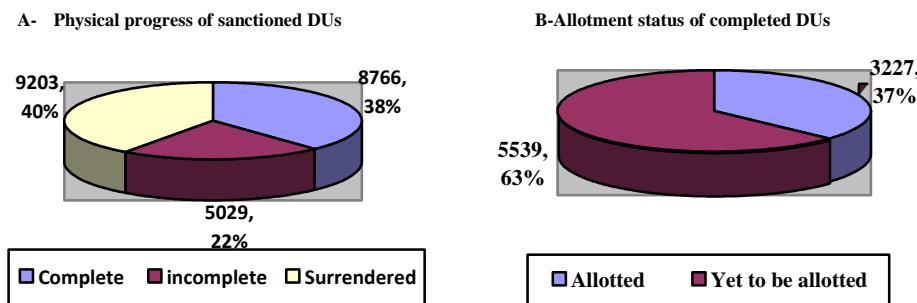
(Source: Progress reports furnished by UADD)

As evident from **Table 5.1**, only 15 of 56 sanctioned projects could be completed as of March 2015 even after the expiry of six to nine years from the sanction of these projects. Further, out of 35 incomplete projects, 16 projects (46 per cent) were sanctioned between December 2006 and December 2007 with the stipulated completion period of 12 to 24 months. Thus, the implementation of IHSDP projects was lagging behind the completion scheduled sanctioned by CSMC. GoI extended the period for completion of projects till March 2017.

We further noticed that out of 22,998 dwelling units (DUs) sanctioned in 56 projects, 9,203 DUs (40 per cent) in 31 projects were surrendered and only 8,766 DUs (38 per cent) in 42 projects could be completed (March 2015). Of these completed DUs, 3,227 DUs (37 per cent) were allotted to beneficiaries. The construction of 4,547 DUs (20 per cent) was reported as under progress, while 482 DUs were yet to be started.

The status of sanctioned DUs is shown in Chart 5.1:

Chart 5.1: Status of DUs as of March 2015



(Source: Progress report of projects furnished by UADD)

The reason for surrender of 40 per cent of sanctioned DUs in 31 projects were non-availability of land, non-finalisation of list of beneficiaries, delay in tender process, reassignment of work on account of cancellation of contract, and lack of interest by selected beneficiaries due to enhancement of the per unit cost of DUs, as discussed in para 5.1.9.

IHS defence programme was aimed to provide improved housing, water supply, sanitation and ensuring delivery of other already existing universal services to slum dwellers. We noticed that all the sanctioned 989 DUs of seven test-checked projects³ were completed as of March 2015. Of these, 248 DUs were allotted to beneficiaries. However, the infrastructure works, such as roads, sewer line, drains, over head tanks, community hall, were incomplete (**Appendix 5.2**). The financial progress in developing infrastructure in these projects was ₹ 2.26 crore against the sanctioned cost of ₹ 12.01 crore. Thus, the provision of basic services to slum dwellers of these projects could not be ensured.

During the exit conference (September 2015), the Government stated that the delays had taken place because of delays in final land allotment and non-response of bidders. Regarding non-allotment of DUs, the Government stated that the beneficiaries contribution was not deposited on time and now the arrangement for bank loan had been tied up. With reference to incomplete infrastructure, Government stated that the infrastructure work would be taken up after completion of DUs.

The fact remains that ULBs could not complete the projects even after the expiry of six to nine years from the sanction of these projects and DUs were surrendered in large proportion. Further, the reply that the infrastructure work would be taken up after completion of DUs, is not acceptable as all the sanctioned DUs in these seven test-checked projects had already been completed. Thus, the objective of the programme to provide adequate shelter and basic infrastructure facilities to the slum dwellers remained unachieved.

Recommendation:

State Government should review the status of the projects for their timely completion. Government should also step up the efforts for allotment of completed dwelling units to the eligible beneficiary. Efforts may be made to complete the infrastructure of IHS defence programme simultaneously with the

³ Burhanpur, Depalpur, Diken, Khujner, Mohagaon, Petlavad and Singoli

completion of dwelling units so that intended basic services could be provided to allottees.

5.1.7 Financial management

5.1.7.1 Funding pattern:

IHSRP is a centrally sponsored programme, which envisaged for sharing of funds on the sanctioned projects between Central Government and State Government/ULB/Parastatal in the ratio of 80:20. Government of Madhya Pradesh decided (July 2007) to share its contribution in ratio of 8:12 between State Government and beneficiaries in respect of dwelling units of the projects. Further, the State share was to be funded in the ratio of 10:10 between State Government and ULBs in case of cost for development of infrastructure.

As per IHSRP guidelines, State share was to be deposited in a separate account to become eligible for the Central grant. Fifty *per cent* of the Central grant would be released to SLNA after verification of the deposit of State share. Second installment was to be released based on the progress.

The status of availability of fund to SLNA for implementation of the programme during the period from 2010-11 to 2014-15 is shown in **Table 5.2.**

Table 5.2: Status of availability of fund to SLNA during 2010-11 to 2014-15

(₹ in crore)

Year	Opening balance	Fund received during the year by GoI and State Share	Interest received during the year	Total fund available	Amount released to ULBs	Balance at the end of year (percentage unutilised against available funds)
1	2	3	4	5 (2+3+4)	6	7 (5-6)
2010-11	53.02	7.64	1.62	62.28	13.75	48.53 (78)
2011-12	48.53	18.96	1.91	69.40	43.85	25.55 (37)
2012-13	25.55	20.51	1.24	47.30	25.27	22.03 (47)
2013-14	22.03	20.12	0.99	43.14	23.19	19.95 (46)
2014-15	19.95	27.57	0.87	48.39	23.04	25.35 (52)
Total		94.80	6.63		129.10	

(Source: Information furnished by Commissioner UADD)

₹ 36.09 crore remained unutilised with SLNA and 14 test-check ULBs as of March 2015.

During test check of records of UADD, Bhopal, we observed that SLNA released ₹ 129.10 crore to ULBs, out of available funds of ₹ 154.45 crore for implementation of the projects during 2010-11 to 2014-15. Thus, an amount of ₹ 25.35 crore remained with SLNA. Besides this, we noticed that ₹ 10.74 crore remained unutilised in fourteen test checked ULBs as on March 2015.

5.1.7.2 Short release of funds

Under the programme, the funds were to be provided for timely execution of the projects so that adequate shelter and basic infrastructure facilities could be timely provided to urban poor. However, we noticed short release of funds for implementation of the projects, as detailed below:

- (i) GoI released Central share of ₹ 15.24 crore to SLNA for seven projects (**Appendix 5.3**). However, SLNA released only ₹ 9.98 crore to respective ULBs for implementation of the sanctioned projects, resulting in short release of ₹ 5.26 crore to ULBs.

State Government short released matching share by ₹ 7.62 crore.

(ii) According to instructions of Ministry of Finance, GoI, the State Government should pass central share along with their matching share to the implementing agencies. We noticed that there was short release of State share by ₹ 7.62 crore in respect of 35 IHSDP projects (**Appendix 5.4**).

During the exit conference (September 2015), the Government stated that State share were released on time.

The reply is not acceptable, as scrutiny of records revealed that there was short release of State shares in respect of 35 IHSDP projects.

(iii) We observed in the test-checked ULBs that nine ULBs deposited ₹ 1.06 crore against their share of ₹ 2.24 crore, resulting into short deposit of ULB's contribution by ₹ 1.18 crore⁴.

During the exit conference (September 2015), the Government stated that some ULBs did not have adequate resources, which resulted in late release of their contribution.

5.1.7.3 Short collection of beneficiaries contribution

The ceiling cost of DUs for determining Central share was one lakh for the project sanctioned during 2008-09 onwards. Prior to this, the ceiling cost of the DUs for determination of Central share was fixed at ₹ 80,000.

As per State Government circular (July 2007), the State share towards cost of DUs was to be borne by the State Government and beneficiaries in the ratio of 8:12. However, in cases of DUs costing more than ₹ 80,000, the additional cost was to be borne by beneficiaries. It was further envisaged that the tenders for implementation of the programme were to be invited after ensuring the finance of beneficiaries' share from bank.

Scrutiny of records revealed that ₹ 12.31 crore remained un-realised in ten test-checked ULBs⁵, as the beneficiary share of only ₹ 1.46 crore (11 *per cent*) could be realised against ₹ 13.77 crore due from the identified beneficiaries. We further noticed that three ULBs had borrowed loan for implementation of the programme despite commensurate non-deposition of beneficiary contribution, as detailed in **Table 5.3**.

Table 5.3: Details of loan borrowed by ULBs

Name of ULBs	Khujner	Mohgaon	Petlavad	₹ in crore)
Loan borrowed from HUDCO	0.89	2.28	1.27	
Unrealised beneficiary contribution	0.72	1.37	0.42	

(Source: *Test-checked ULBs*)

During exit conference (September 2015), the Government stated that the list of beneficiaries was being finalised as per guidelines and the arrangement of beneficiary share had been tied-up with bank loan.

⁴ Depalpur (₹ 6.80 lakh), Diken (₹ 15.17 lakh), Khandwa (₹ 16.52 lakh), Mohgaon (₹ 23.62 lakh), Ratangarh (₹ 18.83 lakh), Satna (₹ 3.59 lakh), Shahpura (₹ 3.29 lakh), Singoli (₹ 10.09 lakh) and Tendukheda (₹ 20.37 lakh)

⁵ Burhanpur (₹ 4.73 crore), Depalpur (₹ 0.06 crore), Diken (₹ 0.88 crore), Khandwa (₹ 1.32 crore), Khujner (₹ 0.71 crore), Mohgaon (₹ 1.37 crore), Pandhurna (₹ 0.95 crore), Petlavad (₹ 0.42 crore), Ratangarh (₹ 1.25 crore) and Singoli (₹ 0.62 crore)

The reply is not acceptable as the unrealized beneficiaries contribution of ₹ 12.31 crore remained un-realised in ten test-checked ULBs, pertained to already identified beneficiaries.

5.1.7.4 Funds of cancelled projects/surrendered dwelling units not taken back from ULBs

As per decision taken in 154th and 158th CSMC meeting (May 2014 and February 2015 respectively), State Government was required to adjust funds pertaining to cancelled projects against the subsequent installments of the ongoing projects. Any unadjusted fund was to be refunded with interest at the rate of *9 per cent*.

Scrutiny of records revealed that funds in respect of cancelled projects/surrendered DUs were not taken back from ULBs, as detailed below:

UADD had not taken back ₹ 3.77 crore pertaining to cancelled project at Khandwa

(i) IHSDP project, Khandwa-II was cancelled (May 2014) by CSMC due to non-availability of requisite land. However, ₹ 3.77 crore released to Municipal Corporation Khandwa was not taken back as of March 2015.

During the exit conference (September 2015), the Government stated that the amount released in respect of cancelled projects would be taken back from the concerned ULB.

(ii) Besides Khandwa-II project, 6,296 DUs were surrendered by 24 ULBs in 25 projects due to non-availability of land and denial by beneficiaries for dislocation. However, the proportionate cost of DUs, amounting to ₹ 25.86 crore (**Appendix-5.5**), was not taken back from the concerned ULBs.

On this being pointed out (July 2015), the Commissioner, UADD stated that ULBs were instructed at meetings and through letters to refund the amount. However, during the exit conference (September 2015), the Government stated that the amount was available at UADD level and GoI had been requested to indicate the method of adjustment of the grant.

5.1.7.5 Diversion of IHSDP funds

The funds allotted for the project was to be utilised for construction of DUs and other sanctioned infrastructure. However, in four test checked ULBs, we observed that an amount of ₹ 1.05 crore was utilised for the purpose other than specified in the programme guidelines, as shown in **Table 5.4**.

Table-5.4: Details of diversion of funds

Name of ULBs	Details of diversion of funds
Nagar Nigam Burhanpur	As per the IHSDP guidelines, ULBs were required to open and maintain separate bank account for each project in a commercial bank for receipt and expenditure of IHSDP fund. Scrutiny of records revealed that an amount of ₹ 91.53 lakh, alongwith interest earned on FDRs of IHSDP funds, were transferred from programme's accounts to ULBs' account. The transfer of IHSDP fund to ULB's account was contrary to the IHSDP guidelines.
Nagar Parishad Depalpur	An amount of ₹ 8.24 lakh were utilised for construction and repayment of loan under <i>Mukhya Mantri Adhosanrachna Mad.</i>

Name of ULBs	Details of diversion of funds
Nagar Parishad Ratangarh	IHS DP funds amounting to ₹ 0.67 lakh were utilised for preparation of DPR for water supply projects under Urban Infrastructure Development Schemes for Small and Medium Towns (UIDSSMT).
Nagar Parishad Singoli	An amount of ₹ 4.57 lakh earned as interest on IHS DP funds were transferred to ULB's account instead of depositing it in programme's accounts. The transfer of IHS DP fund to ULB's account was contrary to the IHS DP guidelines.

(Source: Test Checked ULBs)

During the exit conference (September 2015), the Government stated that instruction would be issued to concerned ULBs for depositing the diverted amount in the project account.

5.1.8 Implementation of projects

5.1.8.1 Preparation of unrealistic Detailed Project Reports

As discussed in Paragraph 5.1.6, 9,203 DUs had to be surrendered in 31 projects, which constituted 40 *per cent* of sanctioned DUs in these projects. Further, out of 8,766 DUs completed in 42 projects as of March 2015, only 3,227 DUs (37 *per cent*) could be allotted to beneficiaries. We noticed that one of the reasons for the surrender of sanctioned DUs and the delay in allotment of completed DUs was preparation of unrealistic Detailed Project Reports (DPRs), as detailed below:

(i) Socio-economic survey was not conducted before preparation of DPRs

Survey of slums and potential beneficiaries for coverage under IHS DP projects was essential for meaningful formulation of DPRs. Each DPR was to be accompanied by a list of beneficiaries based on survey. A nodal cell headed by Municipal Commissioner/Chief Municipal Officer of the ULBs was to be designated for this purpose.

Ministry of Housing and Urban Poverty Alleviation had issued guidelines for survey and preparation of slum profile, household profile and livelihood profile of cities/town. As per the guidelines, general information of slum area, slum profile of the urban local bodies, household survey and livelihood profile was to be collected.

Scrutiny of records in the test checked ULBs revealed that nodal cell for preparation of survey was not constituted. Socio-economic survey was conducted in only one ULB (Burhanpur) out of 14 test-checked ULBs before preparation of DPRs. As a result, the database of slum profile and livelihood profile of beneficiaries under IHS DP projects could not be prepared. We noticed that eight⁶ ULBs finalised the lists of beneficiaries after the approval of DPRs. Thus, DPRs were prepared without identifying potential beneficiaries.

⁶ Depalpur, Khandwa, Khujner, Mohgaon, Pandhurna, Petlavad, Ratangarh and Singoli

In the exit conference (September 2015), the Government replied that DPRs were prepared on the basis of list of slum dweller residing in the area. It further added that the list of actual beneficiaries was being finalised as per guidelines.

The reply is not acceptable, as the ULBs were required to finalise the list of beneficiaries on the basis of socio-economic surveys, which was not carried out in the test-checked ULBs.

(ii) Availability of land and consent of beneficiaries not ensured

CSMC directed (February 2009) that SLNA should pay special attention to land availability for housing the poor at the time of preparation of DPR. Willingness of the beneficiaries was to be taken for any rehabilitation/relocation and payment of beneficiaries' contribution.

Since DPRs were prepared without identifying potential beneficiaries, the consent of beneficiaries for rehabilitation/relocation and also for payment of beneficiaries' contribution could not be ensured.

We noticed that six sanctioned IHSDP projects (Balaghat, Chandameta, Khandwa-II, Mahidpur, Mandideep and Orchha) were to be cancelled due to non-availability of land and consent of beneficiaries. Besides, the expenditure of ₹ 28.23 lakh incurred by ULBs⁷ on preparation of DPRs was rendered unfruitful.

During the exit conference (September 2015), the Government replied that the responsibility for the reported expenditure was being fixed on ULBs and necessary recoveries would be affected.

5.1.9 Affordability of DUs not ensured

As per IHSDP guidelines, housing should not be provided free to beneficiaries by the State Government. However, affordability of the urban poor was to be kept foremost in view while working out beneficiary contribution for the DUs. Government of Madhya Pradesh directed (July 2007) that the share of State Government in respect of dwelling units of the projects shall be borne in ratio of 8:12 between State Government and beneficiaries. In cases of DUs costing more than ₹ 80,000, the additional cost was to be borne by beneficiaries.

We noticed that the initial construction cost of DUs in seven test checked ULBs⁸ ranged from ₹ 0.80 lakh to ₹ 1.70 lakh. As such, the beneficiaries were required to pay from ₹ 9,600 to ₹ 0.99 lakh for each DU. However, due to delayed execution of projects, per unit cost of DU increased ranging from ₹ 36,000 to ₹ 2.49 lakh and the beneficiary contribution for a DU went up in the range of ₹ 0.65 lakh to ₹ 2.78 lakh. Thus, the affordability of housing for urban poor could not be ensured.

During the exit conference (September 2015), the Government stated that the increase in cost of DUs was due to sudden price escalation during 2008 and 2010. It further added that the increased financial burden had been taken by the State and the dwellers are required to pay maximum ₹ 1.20 lakh per unit.

⁷ Balaghat, Chandameta, Mahidpur, and Mandideep

⁸ Bairasia, Burhanpur, Depalpur, Diken, Khujner, Mohgaon and Pandhurna

The fact remains that the beneficiary contribution has gone up from ₹ 9,600 per DU to ₹ 1.20 lakh per DU.

5.1.10 Quality execution of works not assured

According to instructions of CSMC, utmost emphasis must be accorded regarding quality execution of houses and infrastructure facilities for poor. However, scrutiny of records/joint inspection of constructed DUs of test-checked projects revealed the following deficiencies (**Table 5.5**) in adherence of quality control norms prescribed in IHSDP guidelines/MP Public Works Manual/SoR of UADD.

Table - 5.5: Deficiencies in adherence of quality norms in the test-checked projects

Sl. No.	Quality control norms	Status of adherence of quality control norms
1	As per Rule 6.016 of MP PWD Manual, Vol.-I, the field laboratories are to be established at work site to conduct daily routine tests.	The field laboratories were not established at site of the test-checked projects, except in case of Burhanpur and Petlavad.
2	As per General Instructions of Building SoR issued by UADD, any lot of cement brought to the site by contractor would be permitted to be used in the work only after satisfactory result of tests. The record of the test result shall be maintained in a Cement Register.	Scrutiny of records revealed that Cement Register was not maintained in eight test-checked ULBs (Bairasia, Depalpur, Diken, Khujner, Petlavad, Ratangarh, Satna and Shahpura). In the absence of Cement Register, the quality of cement used and their test reports could not be verified.
3	As per General Instructions of Building SoR issued by UADD, 'Site order book' was to be maintained for the project, wherein Engineer-in-Charge or his authorised representative may record his instructions for compliance by the contractor.	No such register was maintained, except in case of Burhanpur and Khandwa.
4	As per Rule 7.004 of MP PWD Manual, Vol.-I, initial level of site was to be recorded in level books before starting the work.	In seven ULBs (Bairasia, Burhanpur, Depalpur, Diken, Khujner, Mohagaon and Shahpura), initial levels were not recorded. In the absence of initial level records, excavated and back filling quantity of soil could not be ascertained.

(Source: test checked ULBs)

During the exit conference (September 2015), the Government stated that the issues on quality of construction would be looked into case by case and appropriate action would be taken.

Recommendation:

Government should ensure compliance of quality control norms by implementing ULBs of the IHSDP projects.

5.1.11 Royalty for using minor minerals not deducted from contractor's bills

According to circular (July 2004), issued by MP Mining and Resources Department, the final payment of any contractor are to be made after producing "Royalty Clearance Certificate" issued by District Collector.

Scrutiny of records revealed that contractors used 29700.963 M³ minor minerals⁹ for the construction of IHSDP works in two¹⁰ ULBs. However, final payments of ₹ 3.67 crore (including ₹ 24.50 lakh towards royalty) was released to contractors without obtaining "Royalty Clearance Certificate".

During the exit conference (September 2015), the Government stated that the matter would be examined and appropriate action would be taken accordingly.

5.1.12 Irregular refund of security deposit

According to clause 19 of standard tender form, 50 *per cent* of Security Deposit (SD) deducted from contractor's bills be retained in case of building construction, till the roofs are tested during two consecutive rainy seasons after its completion and the defects pointed out are fully removed.

We noticed that three ULBs¹¹, refunded SD of ₹ 29.33 lakh to contractors at the time of payment of final bills in respect of completed works, which was in contravention of the terms of contract.

During the exit conference (September 2015), the Government stated that concern ULB's would be directed to follow the tender condition fully in respect of building construction. It further added that appropriate action would be initiated in case of irregularities.

5.1.13 Implementation of reforms

To achieve the objective of improvement in urban governance and making ULBs financially sound with enhanced credit rating, IHSDP envisages that State Government and ULBs are required to accept implementation of an agenda of reform and implement those reforms. As per the guidelines of IHSDP, the reforms critical to slum improvements were:

- Internal earmarking within local body budgets for basic services to the urban poor;
- Earmarking of developed land in all housing projects (by both Public and Private Agencies) for Economically Weaker Sections (EWS)/Low Income Groups (LIG) category.

Out of 14 test-checked ULBs, budgetary provisions for "Urban Poor Funds" were made in three ULBs¹² (**Appendix 5.6**). However, no separate records

⁹ Metal 6833.665 M³ , Sand 20314.908 M³ and Morum 2552.39 M³

¹⁰ Depalpur and Petlavad

¹¹ Bairasia (₹ 0.65 lakh) , Burhanpur (₹ 20.65 lakh) and Petlavad (₹ 8.03 lakh)

¹² Depalpur, Diken and Pandhurna

were maintained with reference to expenditure incurred out of these funds. Further, only three test-checked ULBs¹³ had adopted the provisions of earmarking of developed land in all housing projects (by both Public and Private Agencies) for EWS/LIG.

During the exit conference (September 2015), the Government stated that the State had ensured reservation of 25 *per cent* units of EWS/LIG. However, the State had not been able to ensure reservation on the percentage area and the matter had been taken up with GoI.

Recommendation

The reforms meant for addressing the problem of urban poor should be expeditiously implemented as per IHSDP guidelines.

5.1.14 Monitoring and evaluation of projects

5.1.14.1 Monitoring of projects by State Level Coordination Committee (SLCC) and Nodal Department

According to para 13 of the IHSDP guidelines, the SLCC was required to ensure quarterly monitoring of various projects recommended/sanctioned under the programme.

We noticed that only four meetings¹⁴ of SLCC were conducted during 2006-07 to 2014-15 as against 36 meetings required to be conducted. Further, no meeting was conducted during 2008-12 and 2013-15. Thus, quarterly review of the progress of ongoing projects could not be ensured at State level.

During the exit conference (September 2015), the Government stated that project wise separate records were kept at SLNA level.

The fact remains that monitoring of the ongoing projects was not done by SLCC as per prescribed frequency.

5.1.14.2 Programme Management Unit (PMU)

According to minutes of special meeting of CSMC (September 2007), the PMU at SLNA was to be constituted for effective implementation of Projects. The PMU was responsible to provide the requisite technical and managerial support to SLNA to ensure effective implementation of the programme at State level. As per minutes of 62nd CSMC meeting, PMU was to be established by 31st March 2009.

Scrutiny of records revealed that PMU was constituted (July 2010) through inviting tender and an agreement with the PMU was executed by the SLNA. We noticed that PMU was collecting monthly progress reports of the projects and utilisation certificates from ULBs. However, PMU could not provide any record in support of technical assistance provided by it to SLNA.

During the exit conference (September 2015), the Government stated that the PMU would be strengthened for better implementation of project.

¹³ Bairasia, Burhanpur and Khujner

¹⁴ Two in 2006-07, one each in 2007-08 and 2012-13.

5.1.14.3 Project Implementation Units (PIUs)

According to minutes of special meeting of CSMC (September 2007), Project Implementation Units (PIUs) were to be constituted at ULBs level. It was meant for effective implementation of projects and reforms. PIUs were also responsible for forwarding quarterly progress reports of the projects to UADD and imparting training to improve quality construction of the project.

We observed that three¹⁵ regional PIUs were constituted in August 2010. Scrutiny of records of PIUs revealed that the progress reports regarding adoption of reforms were not being submitted regularly to UADD. No training calendar was prepared for imparting training to ULB personnel for improving quality construction of the project.

During the exit conference (September 2015), the Government stated that the PIUs would be strengthened for better implementation of project.

5.1.14.4 Social Audit of the implementation of IHSDP

As per circular of UDED (June 2008), the Social Audit of the project was to be conducted by Beneficiaries Committees (BCs). It was also envisaged in another circular of UDED (December 2012) that a City Level Committee (CLC) would also be constituted for the purpose of Social Audit, which would decide the plan and time schedule for the Social Audit.

We noticed that Social Audit was not conducted in any of the test-checked ULBs due to non-formation of BCs/CLC.

During the exit conference (September 2015), the Government replied that instructions were being issued to conduct Social Audit of the projects.

Recommendation:

Government should constitute City Level Committees/Beneficiaries Committees for conducting Social Audit of IHSDP Projects.

5.1.15 Summary of conclusions and recommendations:

- The implementation of IHSDP was lagging behind the completion schedule sanctioned by Central Sanctioning and Monitoring Committee. As against 22,998 sanctioned dwelling units in 56 projects, only 8,766 dwelling units (38 *per cent*) could be completed. Of these completed dwelling units, only 3,227 (37 *per cent*) were allotted to beneficiaries. The provision for basic services to the allottee of these projects could not be ensured due to incomplete infrastructure works.

Recommendation: State Government should review the status of the projects for their timely completion. Government should also step up the efforts for allotment of completed dwelling units to the eligible beneficiary. Efforts may be made to complete the infrastructure of IHSDP projects simultaneously with the completion of dwelling units so that intended basic services could be provided to allottees.

- There were shortcomings in execution of project, such as diversion of IHSDP funds at ULBs level, short collection of beneficiaries

¹⁵ Bhopal, Indore and Jabalpur

contribution and non-adherence of prescribed quality control norms in construction of dwelling units.

Recommendation: Government should ensure compliance of quality control norms by implementing ULBs of the IHSDP projects.

- Affordability of the urban poor was to be kept foremost in view while working out beneficiary contribution for the dwelling units. However, due to delayed execution of projects, the cost of per DU increased in the range of ₹ 36,000 to ₹ 2.49 lakh. Due to cost overrun, the beneficiary contribution per dwelling unit increased in the range of ₹ 0.65 lakh to ₹ 2.78 lakh, thereby adversely affecting the affordability of housing of urban poor.
- The mandatory reforms were not implemented as envisaged in the IHSDP guidelines.

Recommendation: The reforms meant for addressing the problem of urban poor should be expeditiously implemented as per IHSDP guidelines.

- There was inadequate monitoring of the implementation of IHSDP in the State. Social Audit of the programme was not conducted due to non constitution of Beneficiaries Committees and City Level Committee.

Recommendation: Government should constitute City Level Committees/Beneficiary Committees for conducting Social Audit of IHSDP.

Urban Development and Environment Department

5.2 Performance Audit on Service Level Benchmarking in Urban Local Bodies

Executive Summary

Benchmarking is an important mechanism for introducing accountability in service delivery. Recognising its importance, Ministry of Urban Development (MoUD), Government of India issued a Handbook of Service Level Benchmarking (SLB Handbook) prescribing the standardised framework for performance monitoring in respect of four basic municipal services, viz., water supply, sewage, solid waste management and storm water drainage. Service Level Benchmark (SLB) indicators include coverage of water supply connections, quality of water, cost recovery in water supply, coverage of toilets, coverage of sewage network service, household coverage of solid waste management, segregation and disposal of municipal solid waste and coverage of storm water drainage network.

The principle of benchmarking was endorsed by Thirteenth Finance Commission (ThFC), which included Service Level Benchmarks (SLBs) as one of the conditionalities for allocation of performance grants to ULBs. ThFC recommended that the State Government would notify the service delivery standards of basic services in the State Gazette by the end of preceding fiscal year, proposed to be achieved by Urban Local Bodies (ULBs) by the end of succeeding fiscal year.

Out of 378 ULBs in the State, SLBs have been notified in 114 ULBs (16 Municipal Corporations and 98 Municipal Councils) as of March 2015. The performance management of urban services in terms of the SLBs covering the period 2011-15 was examined in four ULBs (Bhopal, Dewas, Junnardev and Kareli), which revealed the following:

Financial Management

- Four test-checked ULBs incurred expenditure of ₹ 473.16 crore between 2010-11 and 2014-15 on the delivery of four basic services - water supply, sewage, solid waste management and storm water drainage, which included expenditure of ₹ 80.44 crore from ThFC grants and ₹ 392.72 crore from other resources of ULBs.

(Paragraph 5.2.5)

- Seven projects were sanctioned in four test-checked ULBs under Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) and Urban Infrastructure Development Schemes for Small and Medium Towns (UIDSSMT) for improvement of basic services and the expenditure of ₹ 682.67 crore was incurred as of March 2015 on four sanctioned projects. Two water supply projects and one sewage project had not started, despite availability of resources. As a result of non-completion of ongoing projects, the quality of basic services in these ULBs was not as per notified service level benchmarks.

(Paragraph 5.2.5)

Planning

ULBs were required to collect service indicator data such as total number of households and residents in the service area, quantum of treated water supplied to consumer, number of water samples taken for testing, number of properties with direct connection to sewage network, quantum of generated, segregated and disposed municipal solid waste, and number of incidences of water logging. However, there was no institutionalised system for capturing these data. As a result, instead of actual figures, estimated targets and achievements were notified in the State Gazette and the notified achievements were found to be incorrect also in number of cases.

(Paragraph 5.2.6)

Capacity Building for performance management system

- The initiative taken by State Government for capacity building through training and orientation for implementation of SLBs was inadequate. Out of 114 ULBs notified for SLBs, 136 officials of 68 ULBs were nominated for a two-days training programme during 2014-15. Further, out of 136 nominated officials, only 70 officials (*51 per cent*) attended the training programme. Thus, staff of all notified ULBs could not be trained for SLBs to enable them to play their respective roles in the overall performance management system

(Paragraph 5.2.7)

Implementation of Service Level Benchmarks

The coverage of water connection was only up to *50 per cent* in the service areas of test-checked ULBs. Bhopal Municipal Corporation was supplying water on alternate days in 77 out of 305 service areas of 70 wards. Against the benchmark of 135 litres per capita per day (lpcd), the per capita supply of water in other three test-checked ULBs ranged between 34 to 53 lpcd. No system of metering was established in any of the test checked ULBs. Incorrect figures of achievements under SLB indicators were reported in the State Gazette.

(Paragraphs 5.2.8, 5.2.12, 5.2.16 and 5.2.20)

- Coverage of toilets was not as per the benchmark value (*100 per cent*) in any of the test checked ULBs. Sewage network was not in existence in two ULBs (Junnardev and Karel), while coverage of sewage network was only *38 per cent* in Bhopal and *10 per cent* in Dewas.

(Paragraphs 5.2.9, 5.2.13, 5.2.17 and 5.2.21)

- Segregation and scientific disposal of Municipal Solid Waste (MSW) was not done in any of the test checked ULBs. For scientific disposal of MSW no landfill site was developed.

(Paragraphs 5.2.10, 5.2.14, 5.2.18 and 5.2.22)

- None of the test-checked ULBs correctly reported achievements against the benchmark indicator – coverage of storm water drainage. These ULBs notified achievements upto 83.5 *per cent* against ‘coverage of Storm water drainage’. However, we noticed that there was no covered drain in the service area of ULBs Bhopal and Dewas and the data regarding length of covered/uncovered drains were not maintained in ULBs at Junnardev and Kareli, which was one of the requisites to compute the achievement against this SLB indicator.

(Paragraphs 5.2.11, 5.2.15, 5.2.19 and 5.2.23)

Monitoring and evaluation of SLBs

- Monitoring mechanism for implementation of SLBs was found absent at the State as well as at ULBs level. The performance indicators reported at the Department level was never reviewed at the management level (by Mayor/Municipal Commissioner) of ULBs.

(Paragraph 5.2.24)

5.2.1 Introduction

Benchmarking is an important mechanism for introducing accountability in service delivery. Recognising its importance, Ministry of Urban Development (MoUD), Government of India prescribed SLBs since 2008 for performance management of basic services. MoUD had also issued SLB Handbook prescribing the standardised framework for performance monitoring in respect of four basic municipal services, viz., water supply, sewage, solid waste management and storm water drainage. SLB indicators include coverage of water supply connections, quality of water, cost recovery in water supply, coverage of toilets, coverage of sewage network service, household coverage of solid waste management, segregation and disposal of municipal solid wastes and coverage of storm water drainage network.

The principle of benchmarking was endorsed by Thirteenth Finance Commission (ThFC), which included SLBs as one of the conditionalities for allocation of performance grants to ULBs. As per the recommendations of ThFC, State Government must notify or cause all the Municipal Corporations and Municipalities to notify by the end of a fiscal year (31st March) the service delivery standards for four service sectors, water supply, sewage, solid waste management and storm water drainage, to be achieved by them by the end of succeeding fiscal year. The fact of publication of a notification in State Gazette will demonstrate compliance with this condition. Fourteenth Finance Commission has also recommended (December 2014) continuing the benchmarking for basic urban services.

Since 2011-12, Government of Madhya Pradesh notified every year the service delivery standards for the four services for the current year and the achievement vis-à-vis targets of the previous year. Out of 378 ULBs in the State, SLBs have been notified in 114 ULBs (16 Municipal Corporations and 98 Municipal Councils) as of March 2015.

5.2.2 Organisational structure

At the Government level, Principal Secretary, Urban Development and Environment Department (UDED) is responsible for implementation of SLBs by ULBs in the State. The Commissioner, Urban Administration and Development Directorate (UADD) is responsible for overall monitoring of the SLBs programme, and collection and evaluation of SLBs data from ULBs through Deputy Directors of the Divisional offices.

Commissioner of Municipal Corporation and Chief Municipal Officer of Municipal Councils are responsible for implementation of SLBs in respective ULBs. The performance indicators reported by ULBs are also to be reviewed by the Mayor/President of ULBs.

5.2.3 Audit objectives

The audit objectives of the performance audit were to assess:

- whether adequate financial resources were available with ULBs for implementation of SLBs;
- whether planning was adequate for implementation of SLBs in ULBs;
- whether the ULBs could achieve the targeted levels of benchmarking indicators; and,
- whether the monitoring and evaluation of SLBs was adequate and effective.

5.2.4 Audit coverage and methodology

The performance management of urban services in terms of the SLBs, covering the period 2011-15, was examined (March to July 2015) in two Municipal Corporations (Bhopal and Dewas) and two Municipal Councils (Junnardev and Kareli) selected by using Simple Random Sampling Without Replacement method. Records of UADD were also examined. The methodology adopted was mainly scrutiny of records maintained by the test checked units, collection of data through questionnaires and analysis of data received from test checked units.

An entry conference to discuss the audit objectives, audit criteria, scope and methodology was held with Principal Secretary, UDED on 16 March 2015. Exit conference was held with the Principal Secretary, UDED on 9 September 2015. The replies of the Government during the exit conference have been suitably incorporated in the respective paragraphs.

Audit findings

5.2.5 Adequacy of financial resources

ThFC observed that lack of resources often results in local bodies diluting the quality of services provided by them. On the recommendations of ThFC, GoI released grants-in-aid of ₹ 1,089.04 crore to Government of Madhya Pradesh for transfer to ULBs. While transferring the ThFC grants to ULBs, State Government directed ULBs to prioritise the following services for incurring expenditure - fire services, drinking water, solid waste management, sewage and drainage, and road works. The details of receipt of ThFC grants from GoI and transfer to ULBs are detailed in **Table 5.6**:

**Table-5.6: Details showing receipt of ThFC grants from GoI and released to ULBs
(₹ in crore)**

Years	ThFC grants received from GoI				Total	Grants released to ULBs
	General Basic Grant	Performance Grant	Special Area Basic Grant	Special Area Performance Grant		
2010-11	137.42	nil	3.54	nil	140.96	140.96
2011-12	87.10	30.03	3.94	nil	121.07	121.07
2012-13	287.02	27.44	3.94	1.97	320.37	320.37
2013-14	228.51	30.03	4.23	1.97	264.74	264.74
2014-15	124.88	107.59	1.68	7.74	241.89	241.89
Total	864.93	195.09	17.33	11.68	1,089.03	1,089.03

(Source: Information provided by UADD)

Four test-checked ULBs incurred ₹ 473.16 crore during 2010-11 to 2014-15 on the delivery of four basic municipal services.

We noticed from the utilisation certificates submitted by State Government for ThFC grants that ULBs had incurred ₹ 396.18 crore as of March 2014 on the four basic services water supply (₹ 265.37 crore), sanitation (₹ 47.57 crore), solid waste management (₹ 34.04 crore) and drainage (₹ 49.20 crore). The details of expenditure on these four basic services during 2014-15 were awaited from UADD (January 2016).

Out of total ThFC grant of ₹ 1,089.03 crore, State Government released ₹ 103.47 crore to four test-checked ULBs, Bhopal (₹ 91.07 crore), Dewas (₹ 10.84 crore), Junnardev (₹ 0.80 crore) and Kareli (₹ 0.76 crore) during 2010-11 to 2014-15. These ULBs incurred expenditure of ₹ 473.16 crore¹⁶ during this period on the delivery of four services, viz., water supply, sewage, solid waste management and storm water drainage, which included expenditure of ₹ 80.44 crore from ThFC grants and ₹ 392.72 crore from other resources of ULBs.

We further noticed that 107 projects were sanctioned in 85 ULBs (notified for SLBs) in the State under JNNURM, Urban Infrastructure Development Schemes for Small and Medium Towns (UIDSSMT), and *Mukhyamantri Shahri Pey Jal Yojana* for the improvement in delivery of basic services, as detailed in **Table 5.7:**

Table-5.7: Status of project sanctioned for basic services

(₹ in crore)

Name of services	No. of projects sanctioned	Cost of project	Financial progress as of 31.3.2015
Water supply	91	3,005.56	1,569.35
Sewage and Sanitation	7	743.12	489.78
Solid Waste Management	5	89.29	42.74
Storm water drainage	4	367.15	370.20
Total	107	4,205.12	2,472.07

(Source: Information provided by UADD)

Out of these 107 projects, seven projects were sanctioned in four test-checked ULBs. Three test-checked ULBs (Bhopal, Dewas and Junnardev) incurred expenditure of ₹ 682.67 crore on four projects (sanctioned cost ₹ 848.94 crore) as of March 2015. However, there was no physical progress on three other projects in two ULBs, Kareli and Dewas.

¹⁶ Bhopal ₹ 434.94 crore, Dewas ₹ 24.47 crore, Junnardev ₹ 5.76 crore and Kareli ₹ 7.99 crore

The water supply project sanctioned (August 2013) at a cost of ₹ 35.51 crore in Kareli Municipal Council was still at the tender stage, despite release (September 2013) of ₹ 7.99 crore to Kareli Municipal Council. In Dewas Municipal Corporation, one water supply project sanctioned (June 2011) at a cost of ₹ 39.75 crore and one sewage project sanctioned (February 2014) at a cost of ₹ 140.63 crore under UIDSSMT were yet to start as of March 2015, though funds of ₹ 8.94 crore and ₹ 61.18 crore respectively had been released to Dewas Municipal Corporation for these projects.

Thus, the test-checked ULBs incurred expenditure of ₹ 473.16 crore between 2010-11 and 2014-15 on the delivery of four basic services - water supply, sewage, solid waste management and storm water drainage. Besides, ₹ 682.67 crore was incurred as of March 2015 on four projects sanctioned under JNNRUM and UIDSSMT. We, however, noticed that the quality of basic services in these ULBs were not as per notified service level benchmarks, as discussed in the succeeding paragraphs.

In the exit conference (September 2015), the Government replied that the service level benchmarks would be achieved as per GoI standards after the completion of projects.

5.2.6 Planning

As per the SLB Handbook, ULBs were to generate performance reports on SLBs periodically on the basis of data captured either regularly through systems on the ground or through specific surveys carried out at defined intervals. In parallel, ULBs need to institutionalise systems for performance management, such as systems for capturing data from field level staff for which simple data formats should be designed and provided to field level staff to capture the data and report it upwards. The data required to be captured from the field level included total number of households and residents in the service area, quantum of treated water supplied to consumer, number of water samples taken for testing, number of properties with direct connection to sewage network, quantum of generated, segregated and disposed municipal solid waste, and number of incidence of water logging.

Specific persons were to be designated to collate the data received from the field and generate the performance reports. Performance indicators reported at the Department level was to be monthly examined at the management level (by Mayor/Municipal Commissioner) and decisions and plans were to be periodically reviewed in light of the performance achieved and follow on decisions taken up.

We observed that specific persons were not designated to collate the data and generate the performance reports. The data was not captured from ground or through surveys for generation of performance report on SLBs. As a result, the targets and achievements of SLB indicators were notified in the State Gazette on estimation basis and the notified achievement were found incorrect in a number of cases, as discussed in succeeding paragraphs.

We noticed that the prescribed monthly/quarterly performance reports were not generated during 2011-12 to 2014-15. The performance under various service indicators was never reviewed by Mayor/Municipal Commissioner. Thus, there was absence of an institutionalised system for capturing data of

System for capturing SLBs data from field level was not institutionalised.

SLB indicators, which was essential for management to plan corrective action for improving delivery of basic services.

In exit conference, the State Government replied that the instructions would be issued to ULBs to follow the provisions of SLB Handbook.

Recommendation

ULBs should institutionalise the system for capturing actual data of performance management from ground level. Plans to achieve SLBs should be periodically reviewed to enhance the quality of basic services to residents.

5.2.7 Capacity building for performance management system

Initiatives taken for capacity building for implementation of SLBs was inadequate

As per para 3.1 of SLB Handbook, the staff at all levels would need to undergo training and orientation on SLBs to enable them to play their respective roles in the overall performance management system. Officers of the Head of Department level should take the lead in orienting their respective staff.

We observed that one training programme on SLBs was organised by MoUD for officials of State level during the year 2013-14. During 2014-15, the State Government organised a two-days training on SLBs for officials of ULBs in the State. However, out of 114 ULBs notified for SLBs, 136 officials of 68 ULBs were nominated for a two-days training programme during 2014-15. Further, out of 136 nominated officials, only 70 officials (*51 per cent*) attended the training programme. We further noticed that none of the officials from the four test-checked ULBs attended the training programme, though four officials from two ULBs (Bhopal and Dewas) were nominated for the training.

On this being pointed out, the Commissioner, UADD stated (July 2015) that a training on SLBs was organised for ULBs during 2010-11, therefore, imparting training in subsequent years was not needed. It was further informed that the officials were nominated only from those ULBs which were notified in State Gazette.

The reply of Commissioner UADD is not acceptable as officials from *60 per cent* of notified ULBs were nominated for training. Further, even the nominated officials did not attend the training. Thus, the initiative taken by State Government for capacity building for implementation of SLBs was inadequate.

In the exit conference (September 2015), the Government stated that monitoring mechanism would be strengthened.

Recommendation

State Government should organise adequate training and orientation programme on SLBs for capacity building at all level to equip the staff to appreciate their respective roles in the overall performance management system.

Implementation of Service Level Benchmarks

Bhopal Municipal Corporation

Bhopal Municipal Corporation (BMC) is governed by the Madhya Pradesh Municipal Corporation Act, 1956. BMC has 70 Wards with a total population of 18.40 lakh as per census 2011. The BMC is a statutory body, which provides civic services and infrastructure facilities within its service area. State Government had notified SLBs for four basic municipal services during 2011-12 to 2014-15. The achievements of BMC in implementing SLBs targets are discussed in succeeding paragraphs.

5.2.8 Water supply services

The achievement of BMC with reference to SLBs for water supply services, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.8: SLBs for Water Supply Services in BMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievements
1	Coverage of water supply connection (<i>per cent</i>)	100	60-100	56-80
2	<i>Per Capita</i> supply of Water (lpcd)	135	150	150
3	Extent of metering of water connections (<i>per cent</i>)	100	7-100	2-40
4	Extent of Non-Revenue water (<i>per cent</i>)	20	15-35	20-35
5	Continuity of Water supply (hours)	24	1-24 hrs	1-8 hrs
6	Quality of Water supplied (<i>per cent</i>)	100	90-100	95-100
7	Efficiency in redressal of customer complaints (<i>per cent</i>)	80	90-100	90-98
8.	Cost recovery in water supply services (<i>per cent</i>)	100	50-90	40-50
9.	Efficiency in collection of water supply related charges (<i>per cent</i>)	90	72-90	75-83

(Source: Gazette notification issued by the State Government)

5.2.8.1 Coverage of water supply connections

As per Para 2.1.1 of SLB Handbook, the coverage of water supply connection is measured as a percentage of total number of households (HHs) in the service area that are connected to water supply network with direct service connection. The benchmark value fixed by GoI was 100 *per cent*.

We noticed that the achievement of BMC was notified as 80 *per cent* in 2014-15 against this SLB indicator. However, scrutiny of records revealed that 180000 HHs out of 390445 HHs in the service area of BMC were connected with the direct water supply service connection. Thus, there was 46 *per cent* coverage of water supply connections in Bhopal, whereas inflated coverage figures (80 *per cent*) was reported in the Gazette notification.

On this being pointed out, the BMC replied (July 2015) that many connections in the city are bulk connections catering more than one household. Therefore, it was not correct to consider one connection for one HH.

The reply was not acceptable, as the coverage of water supply connection was to be worked out as a percentage of HHs that were connected to water supply network with direct service.

In the exit conference (September 2015), the Government replied that water supply works were under progress and instructions were being issued to the ULBs for expediting implementation of works.

5.2.8.2 *Per capita supply of water*

As per Para 2.1.1 of SLB Handbook, the *per capita* quantum of supply reflects total water supplied to consumers expressed by population served per day. Benchmark value for this indicator was 135 lpcd.

Against this SLB indicator, BMC notified the achievement of 150 lpcd during the year 2011-12 to 2014-15, which was more than the benchmark fixed by GoI. We, however, noticed that the duration of water supply was not equal in each service area. Though in some service area water supply was up to 9 hours per day, water was supplied on alternate day in 77 service areas out of 305 number of total service areas (70 wards) of BMC.

In the exit conference (September 2015), the Government replied that the matter would be examined and instructions would be issued to ULBs accordingly.

5.2.8.3 *Extent of metering of water connections*

BMC did not install meters for water connections.

As envisaged in the SLB Handbook, the quantum of water supplied to the consumers should be measured through water meter. However, we noticed that BMC did not install meters for water connections. Despite this, Government notified 40 *per cent* achievement under this indicator during 2014-15. Thus, the achievements shown in the Gazette in respect of this service indicator was incorrect.

In exit conference (September 2015), the Government replied that instructions would be issued to ULBs for adopting metering system.

5.2.8.4 *Extent of non-revenue water*

This indicator expresses the extent of water produced which does not earn any revenue. This was to be measured as the difference between the total water produced and put into the distribution system (measured through metering) and actual quantity of water supplied to consumers who were billed.

We noticed that Government notified achievement of 20 *per cent* against the target of 15 *per cent* for the extent of non-revenue water in BMC during 2014-15. However, the achievement notified in the Gazette was incorrect, as the quantum of non-revenue water could not be assessed due to absence of metering system at transmission as well as at consumer end.

In exit conference (September 2015), the Government replied that the matter would be examined and instructions would be issued accordingly.

5.2.8.5 *Service indicator ‘quality of water supply’*

Para 2.1.6 of the SLB Handbook envisages that the quality of water supplied is an important performance indicator. Quality of water supply was to be measured with the actual number of water samples that are taken at both

points- outlet of the treatment plant and at the consumer end and these samples should match the specified potable water standards as defined by the Central Public Health and Environmental Engineering Organisation (CPHEEO). A periodic independent audit of water quality was also to be carried out.

Periodic independent audit was not done to ensure the quality of water.

We noticed that the achievement notified under 'quality of water supply' was 100 *per cent* during the year 2014-15. We, however, noticed that the water samples were not taken at consumer end and periodic independent audit of water quality was also not carried out. Thus, the achievement notified in the Gazette under 'quality of water supply' by BMC was unrealistic.

In exit conference (September 2015), the Government replied that the matter would be examined and instructions would be issued accordingly.

5.2.8.6 Efficiency in redressal of customer complaint

The performance under this indicator was to be measured as percentage of total number of complaints redressed satisfactorily within 24 hours out of total number of complaints received. The benchmark value of this indicator was 80 *per cent*.

Government notified achievement of 100 *per cent* against the benchmark of 80 *per cent*. We observed that BMC was maintaining the records of complaints received, however, the status of redressal was not recorded. Therefore, the basis, on which 100 *per cent* achievement was notified, could not be ascertained in audit.

In exit conference (September 2015), the Government replied that instructions for efficient redressal of consumer complaints and maintenance of records would be issued shortly.

5.2.8.7 Cost recovery in water supply services

Para 2.1.8 of SLB Handbook envisages that financial sustainability is critical for all basic urban services. Therefore, through a combination of user charges, fees and taxes, all operating costs should be recovered. The benchmark value for this indicator was 100 *per cent*.

The details of operating expenditure and cost recovery in water supply services by BMC were as detailed in **Table 5.9**:

**Table-5.9: Details of operating expenditure and cost recovery in water supply services
(₹ in crore)**

Year	Operating Expenses	Cost recovery	percentage of cost recovery
2011-12	56.79	29.08	51
2012-13	65.47	29.50	45
2013-14	81.40	29.47	36
2014-15	78.81	29.44	37

(Source: Information provided by BMC)

It is evident from **Table 5.7** that actual cost recovery in BMC was between 36 and 51 *per cent*. We further noticed that the target for this SLB indicator was notified as 70 *per cent* during 2014-15, which was much below the benchmark fixed by GoI.

In exit conference (September 2015), the Government replied that the audit observation had been noted for action.

5.2.9 Sewage and sanitation

The achievement of BMC with reference to SLBs for sewage and sanitation services, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.10: SLBs for sewage and sanitation in BMC during 2011-12 to 2014-15

(Figures in *per cent*)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achieve ment
1	Coverage of toilets	100	81-90	80-84
2	Coverage of sewage network	100	12-50	10-40
3	Collection efficiency of sewage network	100	12-50	11-40
4	Adequacy of sewage treatment capacity	100	24-58	24-28
5	Quality of sewage treatment	100	65-80	65-70
6	Extent of Reuse and recycling of sewage	20	3-10	3-8
7	Efficiency in redressal of customer complaints	80	100	100
8	Extent of cost recovery in sewage management	100	7-15	7-10
9.	Efficiency in collection of sewage charges	90	82-85	82-83

(Source: *Gazette Notification issued by State Government*)

5.2.9.1 Coverage of sewage network

As per Para 2.2.2 of SLB Handbook, this indicator denotes the extent to which the underground sewage network has reached out to individual properties across the service area. The benchmark value for this indicator was 100 *per cent*.

We observed that coverage of sewage network in Bhopal was 38 *per cent*, as against the notified target of 40 *per cent*. Thus, the coverage as well as the notified target was lower than the benchmark value (100 *per cent*) fixed by GoI.

On this being pointed out, BMC stated (July 2015) that a proposal for coverage of sewage network in 100 *per cent* service area was included in new master plan and would be executed only after its inclusion in centrally sponsored scheme.

5.2.9.2 Collection efficiency of the sewage network

This indicator is measured as the quantum of waste water collected as a percentage of sewage generation in the ULB. The achievement notified in respect of this indicator was 40 *per cent* during 2014-15. However, based on total capacity of seven Sewage Treatment Plants (STPs) in Bhopal, the collection efficiency of sewage generated worked out to 28 *per cent* during 2014-15. Thus, notified achievement of 40 *per cent* towards collection efficiency of sewage water was incorrect.

In exit conference (September 2015), the Government accepted the audit observation and stated that steps would be initiating to realistically modify the targets.

5.2.9.3 Extent of cost recovery

Para 2.2.8 of SLB Handbook envisages that all operating costs should be recovered through a combination of user charges, fees and taxes etc. We observed that operating expenses for sewage management in Bhopal were ₹ 2.89 crore during 2014-15. However, the charges for cost recovery of sewage management were not imposed. Despite this, the achievement of BMC in respect of this benchmark was shown as 10 *per cent* in the Gazette.

On this being pointed out, the BMC accepted (July 2015) that the achievement was wrongly notified in the Gazette. In exit conference (September 2015), the Government replied that action would be taken.

5.2.10 Solid Waste Management (SWM)

The achievement of BMC with reference to SLBs for SWM, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.11: SLBs for SWM in BMC Bhopal during 2011-12 to 2014-15
(Figures in *per cent*)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achieve- ment
1	Household level coverage	100	40-75	30-70
2	Efficiency of collection of MSW	100	80-95	80-91
3	Extent of segregation of MSW	100	15-30	15-24
4	Extent of MSW recovered	80	15-25	10-19
5	Extent of Scientific Disposal of MSW	100	15-25	5-15
6	Efficiency in redressal of customer complaints	80	99	95-99
7	Extent of Cost recovery in SWM charges	100	Nil	42-52
8	Efficiency in collection of SWM charges	90	Nil	40-63

(Source: Gazette Notification issued by State Government)

5.2.10.1 Extent of segregation of Municipal Solid Waste (MSW)

Performance under this indicator was to be measured as percentage of quantum of waste segregated out of total quantum of waste collected. The benchmark value fixed by GoI was 100 *per cent*.

We observed that the segregation of waste was not done. BMC informed that un-segregated waste was being dumped at dumping site. Despite this, 15 to 24 *per cent* achievement was notified under this indicator, which was incorrect.

5.2.10.2 Efficiency in scientific disposal of MSW

Para 2.3.5 of SLB Handbook envisages that inert waste should finally be disposed at landfill sites. This is a critical performance parameter from an environmental sustainability prospective. The benchmark value for this indicator was 100 *per cent*.

We noticed that BMC received 12th Finance Commission grants-in-aid (2007-10) of ₹ 6.83 crore, out of which 50 *per cent* was to be incurred on SWM. However, no landfill site for scientific disposal of MSW could be developed by BMC. Despite this, 5 to 15 *per cent* achievement was notified under the indicator 'efficiency in scientific disposal of MSW'.

For scientific disposal of MSW landfill site was not developed by MC Bhopal

In the exit conference (September 2015), the Government stated that the State had converted 378 ULBs of the State in 26 clusters with a view to effectively and scientifically manage solid waste. The target was to organise full SWM within two years.

The fact remains that BMC could not develop landfill site for disposal of MSW even after received funds under 12th Finance Commission.

5.2.10.3 Efficiency in redressal of customer complaint

The performance under this indicator was to be measured as percentage of total number of complaints redressed satisfactorily within 24 hours out of total number of complaints received. The benchmark value of this indicator was 80 *per cent*.

We observed that the records of enrolment of complaints were maintained in BMC. However, status of redressal of complaints was not recorded. Therefore, the notified percentage of complaints redressal could not be verified.

In exit conference (September 2015), the Government replied that it had been noted for further action.

5.2.11 Storm Water Drainage

The achievement of BMC with reference to SLBs of Storm Water Drainage, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.12: SLBs for Storm Water Drainage in BMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Coverage of Storm water drainage network (<i>in per cent</i>)	100	55-80	52-75
2	Incidence of water logging/flooding	zero	Nil	Nil

(Source: *Gazette Notification issued by State Government*)

5.2.11.1 Coverage of storm water drainage

This indicator is defined in terms of the percentage of road length covered by the storm water drainage network. As per SLB Handbook, coverage of storm water drainage network was to be computed on the basis of total length of road having more than 3.5m wide carriageway in service area and total length of drains that are made of pucca construction and are covered. The benchmark value fixed by GoI was 100 *per cent*.

We noticed that the total length of road network (more than 3.5m wide) in the service area of BMC was 3,200 km. The length of drains was 2,400 km, which was uncovered. Due to uncovered drains, the indicator for coverage of storm water drainage network was not computable as per prescribed parameters of SLB Handbook. Despite this, the achievement of 75 *per cent* was notified during 2014-15.

On this being pointed out, BMC replied that the targets and achievement were notified under this SLB indicator on the basis of uncovered drains.

In exit conference (September 2015), the Government replied that the audit observation had been noted for further action.

5.2.11.2 Incidence of water logging/flooding

This indicator states that the number of times water logging and flooding were reported in a year. The benchmark value fixed by GoI was *zero*.

We observed that BMC had identified four low lying flood prone areas, where four to five incidences of water logging occurred during the year 2014-15. Despite this, no target was notified for SLB indicator 'incidence of water logging'.

On this being pointed out, the BMC replied that incidences of water logging were decreased after completion of JNNURM project. However, proposal would be prepared for another project to avoid water logging incidences.

The fact remains that BMC did not notify the target for incidence of water logging/flooding, despite having identified low lying flooding areas.

Recommendation

BMC should ensure implementation of SLBs in the four notified services of water supply, sewage, solid waste management, and storm water drainage so as to improve the accountability in service delivery.

Dewas Municipal Corporation

Dewas Municipal Corporation (DMC) is governed by the Madhya Pradesh Municipal Corporation Act, 1956. DMC has 45 Wards with a total population of 2.90 lakh as per census 2011. The DMC is a statutory body, which provides civic services and infrastructure facilities within its service area. State Government had notified SLBs for four basic municipal services during 2011-12 to 2014-15. The achievements of DMC in implementing SLBs targets are discussed in succeeding paragraphs.

5.2.12 Water supply services

The status of performance of DMC relating to SLBs for water supply service, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.13: SLBs for Water Supply Services in DMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievements
1	Coverage of water supply connection (<i>per cent</i>)	100	60-75	42-74
2	<i>Per Capita</i> supply of Water (lpcd)	135	80-100	50-90
3	Extent of metering of water connections (<i>per cent</i>)	100	10	nil
4	Extent of Non-Revenue water (<i>per cent</i>)	20	30-45	3-45
5	Continuity of Water supply (hours)	24	30-60 minutes	30-75 minutes
6	Quality of Water supplied (<i>per cent</i>)	100	80-95	50-90
7	Efficiency in redressal of customer complaints (<i>per cent</i>)	80	100	100
8.	Cost recovery in water supply services (<i>per cent</i>)	100	60-75	50-60
9.	Efficiency in collection of water supply related charges (<i>per cent</i>)	90	70-80	50-75

(Source: Gazette Notification issued by State Government)

Coverage of water supply connection was only 47 per cent in DMC.

5.2.12.1 Coverage of water supply connections

As per provisions discussed in Para 5.2.8.1, we noticed that the achievement of DMC was notified as *74 per cent* during 2014-15 against this SLB indicator. However, scrutiny of records revealed that the coverage of water supply connection in the service area of DMC was only *47 per cent*, as 30,665 HHs were provided direct water supply connection against 65,276 number of HHs in DMC service area. Thus, inflated figures were reported in the Gazette notification.

We further observed that the distribution pipeline was laid in *60 per cent* service area and State Government had approved (September 2014) a proposal (sanctioned cost of ₹ 40.00 crore) for laying pipeline in another *10 per cent* service area. No proposal was under consideration for remaining *30 per cent* service area. Thus, there was lack of planning to achieve the benchmark (*100 per cent*) fixed by GoI.

On this being pointed out, DMC accepted the audit observation and stated (April 2015) that the incorrect data was furnished for Gazette notification. In the exit conference (September 2015), the Government replied that water supply works were under progress and instructions were being issued to the ULBs for expediting implementation of works.

The fact remains that there was absence of any planning for laying distribution pipelines in remaining *30 per cent* service of DMC.

5.2.12.2 per capita supply of water

As per provisions discussed in Para 5.2.8.2, we noticed that the achievement of DMC was notified 90 lpcd during 2013-14 and 50 lpcd during 2014-15 against this SLB indicator. Scrutiny of records revealed that treated water supply for 2.90 lakh people was only 34 lpcd during these years. Thus, inflated figures were reported in the Gazette notification.

On this being pointed out, DMC accepted (April 2015) that the incorrect data was furnished for Gazette notification. In the exit conference (September 2015), the Government replied that the matter would be examined and instructions would be issued accordingly.

5.2.12.3 Continuity of water supply

Para 2.1.5 of the SLB Handbook envisages that, it was desirable from a citizen's perspective to have round-the-clock water supply. The benchmark value of this indicator was 24 hours. 'Continuity of water supply' was to be measured as the average number of hours of pressurised water supplied per day.

We noticed that water supply in the service area of DMC was 45 minutes alternate day. Despite this, DMC notified achievement of 75 minutes per day under this indicator, which was incorrect.

On this being pointed out, DMC accepted (April 2015) that the incorrect data was furnished for Gazette notification. In the exit conference (September 2015), the Government replied that the matter would be examined.

5.2.12.4 Quality of water supply

As per provisions discussed in Para 5.2.8.5, we noticed that testing of treated water was being done in the laboratory established in DMC. However, the water samples for testing were never taken at consumer end as envisaged in SLB Handbook. We further observed that a periodic independent audit of water quality was not carried out. Thus, the achievement of 50 *per cent* shown in the Gazette during 2014-15, was without basis.

On this being pointed out, DMC accepted (April 2015) that the incorrect data was furnished for Gazette notification. In the exit conference (September 2015), the Government replied that the matter would be examined and instructions would be issued accordingly.

5.2.12.5 Efficiency in redressal of customer complaint

As per provisions discussed in Paragraph 5.2.8.6, we observed that the records of enrolment of complaints were maintained in DMC but the status of complaints redressal was not recorded. Therefore, the complaints redressed within the time period as envisaged in SLB Handbook, could not be verified.

The Commissioner, DMC accepted the above audit observation and stated (April 2015) that the records relating to redressal of complaints would be maintained.

In exit conference (September 2015), the Government replied that instructions for efficient redressal of consumer complaints and maintenance of records would be issued shortly.

5.2.13 Sewage and sanitation

The status of performance of DMC relating to sewage and sanitation, as notified in State Gazette during 2011-12 to 2014-15, was as under:

**Table-5.14: SLBs for Sewage and Sanitation in DMC during 2011-12 to 2014-15
(Figures in *per cent*)**

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Target	Achievement
1	Coverage of toilets	100	68-85	68-80
2	Coverage of sewage network	100	8-25	5-10
3	Collection efficiency of sewage network	100	5-25	5-10
4	Adequacy of sewage treatment capacity	100	nil	nil
5	Quality of sewage treatment	100	nil	nil
6	Extent of Reuse and recycling of sewage	20	nil	nil
7	Efficiency in redressal of customer complaints	80	100	100
8	Extent of cost recovery in sewage management	100	10-20	10
9.	Efficiency in collection of sewage charges	90	26-40	26-30

(Source: Gazette Notification issued by State Government)

We noticed that DMC did not maintain database in respect of 'coverage of toilets'. Despite this, DMC showed achievement of 80 *per cent* under this indicator. DMC informed (April 2015) that the achievement was published in the Gazette on the basis of available information. However, no such record

was produced to audit. Thus, the basis on which achievement under this indicator was notified in the Gazette, could not be verified.

Further, DMC did not notify any target for service indicators - adequacy of sewage treatment capacity, quality of sewage treatment and extent of reuse and recycling of sewage. The target and achievement under the service indicator coverage of sewage network was also marginal as compared to requisite benchmark fixed in SLB Handbook.

On this being pointed out, DMC informed (May 2015) that the sewage project sanctioned (February 2014) at a cost of ₹ 140.63 crore under UIDSSMT, was at the tender stage.

5.2.14 Solid Waste Management (SWM)

The achievement of DMC with reference to SLB indicators for SWM, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.15: SLBs for SWM in DMC during 2011-12 to 2014-15
(Figures in *per cent*)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achieve- ment
1	Household level coverage	100	30-50	30-45
2	Efficiency of collection of MSW	100	85-95	85-87
3	Extent of segregation of MSW	100	20-30	nil
4	Extent of MSW recovered	80	20-30	10-15
5	Extent of Scientific Disposal of MSW	100	nil	nil
6	Efficiency in redressal of customer complaints	80	100	100
7	Extent of Cost recovery	100	10-40	10-40
8	Efficiency in collection of SWM charges	90	30-60	30-60

(Source: *Gazette Notification issued by State Government*)

5.2.14.1 Extent of scientific disposal of MSW

This indicator was to be measured as a percentage of the total quantum of waste disposed at landfill sites. We, however, observed that landfill site was not developed for scientific disposal of MSW. Further, no target was fixed for scientific disposal of MSW, though it was required to be 100 *per cent* as per SLB Handbook.

5.2.14.2 Extent of cost recovery

This indicator was to be measured as percentage of total annual operating revenues on total annual operating expenses. We observed that no tax or fee was imposed and recovered against operating expenses of ₹ 2.91 crore during 2011-15 on SWM. Therefore, notified achievements under this indicator were without basis.

On this being pointed out, DMC accepted (April 2015) that the incorrect data was mistakenly furnished for Gazette notification. In the exit conference (September 2015), the Government stated that audit observation had been noted for further action.

5.2.15 Storm water drainage services

The achievement of DMC with reference to SLBs for storm water drainage services, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.16: SLBs for Storm Water Drainage in DMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Coverage of Storm water drainage (<i>in per cent</i>)	100	50-80	50-70
2	Incidence of water logging	zero	25-60	20-60

(Source: Gazette Notification issued by State Government)

We noticed that the total length of road network (more than 3.5 meterwide) in the jurisdiction of DMC was 427 km during 2014-15. However, these roads did not have covered drains. As per provision discussed in Paragraph 5.2.11.1 for measuring the coverage of storm water drainage network, the performance against this indicator was not computable in the absence of covered drainage network. Despite this, DMC notified achievement of 70 *per cent* during 2014-15, which was incorrect.

In the exit conference (September 2015), the Government stated that the audit observation had been noted for further action.

Recommendation

DMC should ensure implementation of SLBs in the four notified services of water supply, sewage, solid waste management, and storm water drainage so as to improve the accountability in service delivery.

Junnardev Municipal Council

Junnardev Municipal Council (JMC), is governed by the Madhya Pradesh Municipalities Act, 1961. It provides civic services and infrastructure facilities within its service area. JMC has 18 Wards with a total population of 0.23 lakh as per census 2011. State Government had notified SLBs for four basic municipal services during 2011-12 to 2014-15. The achievements of JMC in implementing SLBs targets are discussed in succeeding paragraphs.

5.2.16 Water Supply Services

The achievement of JMC with reference to SLBs for water supply services, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.17: SLBs for Water Supply Services in JMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievements
1	Coverage of water supply connection (<i>per cent</i>)	100	30-50	30-48
2	<i>Per Capita</i> supply of Water (lpcd)	135	80-100	45-90
3	Extent of metering of water connections (<i>per cent</i>)	100	nil	nil
4	Extent of Non-Revenue water(<i>per cent</i>)	20	3-60	3-5
5	Continuity of Water supply (hours)	24	60 minutes	40 minutes-6 hrs

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievements
6	Quality of Water supplied (<i>per cent</i>)	100	90-100	90-100
7	Efficiency in redressal of customer complaints (<i>per cent</i>)	80	80-100	75-100
8.	Cost recovery in water supply services (<i>per cent</i>)	100	18-90	22-100
9.	Efficiency in collection of water supply related charges (<i>per cent</i>)	90	36-90	41-80

(Source: *Gazette Notification issued by State Government*)

Scrutiny of records revealed that JMC reported incorrect achievements to the State Government for publishing in Gazette Notification, as stated below:

Per capita water supply was only 53 lpcd in JMC against notified achievement of 90 lpcd

- As per provisions discussed in paragraph 5.2.8.2, we noticed that the achievement of JMC under the SLB indicator – per capita supply of water, was notified as 90 lpcd in 2014-15. However, scrutiny of records revealed that the treated water supply for 0.23 lakh people was 53 lpcd during 2014-15. Thus, inflated figures were reported in the Gazette.
- We observed that JMC did not have metering system at transmission end as well as consumers end. As per provisions discussed in paragraph 5.2.8.4, the service indicator - extent of non-revenue water, could not be computed in the absence of water metering system. However, JMC had reported achievement of three to five *per cent* against this SLB indicator.
- The SLB indicator - continuity of water supply, was to be measured as the average number of hours of pressurised water per day. We observed that JMC notified the achievement of 60 minutes per day under this indicator during 2014-15, whereas the actual water supply in its service areas was only 45 minutes alternate day.
- The Service indicator ‘quality of water supply’ was to be measured with the actual number of water samples that were taken at both points- outlet of the treatment plant and at the consumer end. We observed that testing of water was never done. Thus, the achievement (100 *per cent*) notified in the Gazette was incorrect.
- The SLB indicator - efficiency in redressal of customer complaint, was reported without any basis. Similarly, the SLB indicator - cost recovery in water supply services, was not reported on the basis of actual recovery of operating cost. The achievement against this indicator worked out as 14 *per cent* (revenue of ₹ 0.11 crore against operating expenditure ₹ 0.82 crore) during 2014-15, but it was notified as 80 *per cent*.

On this being pointed out, JMC accepted that the incorrect data was mistakenly furnished for Gazette notification. In the exit conference (September 2015), the Government stated that the matter would be examined and instructions would be issued.

5.2.17 Sewage and sanitation

The status of achievement of JMC with respect of SLBs for sewage and sanitation, notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.18: SLBs for Sewage and Sanitation in JMC during 2011-12 to 2014-15

(Figures in per cent)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Coverage of toilets	100	70-100	70-96
2	Coverage of sewage network	100	nil	nil
3	Collection efficiency of sewage network	100	nil	nil
4	Adequacy of sewage treatment capacity	100	nil	nil
5	Quality of sewage treatment	100	nil	nil
6	Extent of reuse and recycling of sewage	20	nil	nil
7	Efficiency in redressal of customer complaints	80	90	90
8	Extent of cost recovery sewage management	100	nil	nil
9	Efficiency in collection of sewage charges	90	nil	nil

(Source: Gazette Notification issued by State Government)

JMC did not fix any target for coverage of sewage network.

We observed that JMC did not fix any target for coverage of sewage network, whereas this was to be 100 *per cent* as per SLB Handbook.

In the exit conference (September 2015), the Government replied that centralised sewage management system was not envisaged in smaller ULBs like JMC.

The fact remains that the SLB indicator for coverage of sewage network was fixed as 100 *per cent* in the SLB Handbook as the flowing sewage through open drains and storm water drains pauses serious public health hazard.

5.2.18 Solid Waste Management (SWM)

The status of achievement relating to MSW Management by JMC as notified in State Gazette during 2011-12 to 2014-15 was as under:

Table-5.19: SLBs for SWM in JMC during 2011-12 to 2014-15

(Figures in per cent)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Household level coverage	100	40-100	30-90
2	Efficiency of collection of MSW	100	70-100	60-90
3	Extent of segregation of MSW	100	0-20	nil
4	Extent of MSW recovered	80	nil	nil
5	Extent of Scientific Disposal of MSW	100	nil	nil
6	Efficiency in redressal of customer complaints	80	80-100	70-100
7	Extent of Cost recovery	100	0-10	nil
8	Efficiency in collection of SWM charges	90	nil	nil

(Source: Gazette Notification issued by State Government)

We noticed that out of 4844 HHs, 2880 HHs (59 *per cent*) were connected with the doorstep collection during 2014-15. Thus, the notified achievement (up to 90 *per cent*) with reference to Household level coverage was not correct. Further, JMC did not maintain any record for enrolment and redressal of complaints. Therefore, the achievement under SLB indicator - efficiency in redressal of customer complaint, could not be verified.

In the exit conference (September 2015), the Government stated that the audit observation had been noted for further action.

5.2.19 Storm water drainage services

The achievement with reference to storm water drainage services of JMC, as notified in State Gazette during 2011-12 to 2014-15, was as under:

Table-5.20: SLBs for Storm Water Drainage in JMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Coverage of Storm water drainage (<i>in per cent</i>)	100	60-100	50-80
2	Incidence of water logging/flooding	zero	Nil	Nil

(Source: *Gazette Notification issued by State Government*)

We observed that achievement under SLB indicator- 'coverage of storm water drainage' was reported on estimated basis, as no record indicating the length of roads and drains (covered/uncovered) was available in JMC.

In the exit conference (September 2015), the Government stated that the audit observation had been noted for further action.

Recommendation

JMC should ensure implementation of SLBs in the four notified services of water supply, sewage, solid waste management, and storm water drainage so as to improve the accountability in service delivery.

Kareli Municipal Council

Kareli Municipal Council (KMC) is governed by the Madhya Pradesh Municipality Act, 1961. KMC has 15 Wards with a total population of 0.30 lakh as per census 2011. KMC is a statutory body, which provides civic services and infrastructure facilities within its service area. State Government had notified SLBs for four basic municipal services during 2011-12 to 2014-15. The achievements of KMC in implementing SLBs targets are discussed in succeeding paragraphs.

5.2.20 Water supply services

The status of performance of KMC relating to water supply service notified in State Gazette during 2011-12 to 2014-15 was as under:

Table-5.21: SLBs for Water Supply Services in KMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievements
1	Coverage of water supply connection (<i>per cent</i>)	100	30-50	30-50
2	<i>Per Capita</i> supply of Water (lpcd)	135	62-150	70-150
3	Extent of metering of water connections (<i>per cent</i>)	100	nil	nil
4	Extent of Non-Revenue water (<i>per cent</i>)	20	0-45	0-41
5	Continuity of Water supply (hours)	24	4-6	2-4
6	Quality of Water supplied (<i>per cent</i>)	100	0-20	0-63

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievements
7	Efficiency in redressal of customer complaints (<i>per cent</i>)	80	100	100
8	Cost recovery in water supply services (<i>per cent</i>)	100	5-100	7-100
9	Efficiency in collection of water supply related charges (<i>per cent</i>)	90	27-100	40-80

(Source: Gazette Notification issued by State Government)

Scrutiny of records revealed that KMC reported incorrect achievements to the State Government for publishing in Gazette Notification, as stated below:

- As per para 2.1.2 of SLB Handbook, the service indicator- per capita supply of water expresses the quantum of supply of water for per person per day. The performance under this indicator was to be measured with the required data of quantum of treated water (measured through metering) supplied into the distribution system per day. Benchmark value for this indicator was 135 lpcd. KMC had notified achievement of 150 lpcd in 2014-15 under the SLB indicator – per capita supply. We, however, noticed that the quantum of supply of water was not measured as the water was being supplied to consumer directly through bore well. Thus, the notified achievement was without any basis.
- The Service indicator ‘quality of water supply’ was to be measured with the actual number of water samples that are taken at both points- outlet of the treatment plant and at the consumer end. We observed that testing of water was never done. Thus, the achievement of 63 *per cent* during 2011-12 notified in the Gazette was incorrect.
- The SLB indicator - efficiency in redressal of customer complaint, was reported without any basis, as no record for complaint redressal was maintained. Further, the SLB indicator - cost recovery in water supply services, was also not reported on the basis of actual recovery. The achievement against this indicator worked out 20 *per cent* (revenue of ₹ 0.17 crore against operating expenditure ₹ 0.85 crore) during 2014-15, but it was notified as 80 *per cent*.

KMC accepted that data was mistakenly furnished for Gazette notification.

On the being pointed out, KMC accepted that the data was mistakenly furnished for Gazette notification.

In the exit conference (September 2015), the Government stated that the matter would be examined and instructions would be issued.

5.2.21 Sewage and sanitation

The status of performance of KMC relating to sewage and sanitation service notified in State Gazette during 2011-12 to 2014-15 was as under:

Table-5.22: SLBs for Sewage and Sanitation in KMC during 2011-12 to 2014-15

(Figures in *per cent*)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Coverage of toilets	100	78-100	50-100
2	Coverage of sewage network	100	nil	nil
3	Collection efficiency of sewage network	100	nil	nil
4	Adequacy of sewage treatment capacity	100	nil	nil
5	Quality of sewage treatment	100	nil	nil
6	Extent of Reuse and recycling of waste water	20	nil	nil
7	Efficiency in redressal of customer complaints	80	nil	nil
8	Extent of cost recovery in sewage management	100	nil	nil
9.	Efficiency in collection of sewage related charges	90	nil	nil

(Source: *Gazette Notification issued by State Government*)

We observed that during 2014-15, 17 *per cent* properties (1,040 out of 6,454) in the service area of KMC were without access to individual or community toilets. Thus, the achievement under coverage of toilets (100 *per cent*) was not on realistic basis. Further, KMC did not fix any target for coverage of sewage network, whereas this was to be 100 *per cent* as per SLB Handbook.

In the exit conference (September 2015), the Government replied that centralised sewage management system was not envisaged in smaller ULBs like KMC.

The fact remains that the SLB indicator for coverage of sewage network was fixed as 100 *per cent* in the SLB Handbook as the flowing sewage through open drains and storm water drains pauses serious public health hazard.

5.2.22 Solid Waste Management (SWM)

The status of performance relating to SWM of KMC notified in State Gazette during 2011-12 to 2014-15 was as under:

Table-5.23: SLBs for SWM in KMC during 2011-12 to 2014-15

(Figures in *per cent*)

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Household level coverage	100	15-100	30-100
2	Efficiency of collection of MSW	100	80-100	80-100
3	Extent of segregation of MSW	100	5-25	0-25
4	Extent of MSW recovered	80	5-25	0-15
5	Extent of Scientific Disposal of MSW	100	5-25	10-25
6	Efficiency in redressal of customer complaints	80	0-100	0-100
7	Extent of Cost recovery	100	0-5	0-2.5
8	Efficiency in collection of SWM charges	90	0-20	Nil

(Source: *Gazette notification issued by State Government*)

We noticed that the achievement up to 25 *per cent* as notified during 2013-14 against the SLB indicator-extent of segregation of MSW was unrealistic because no system of segregation of MSW was in vogue in KMC. As a result, the achievements notified against the SLB indicators – the extent of MSW recovered and the extent of scientific disposal of MSW were also without any basis.

Further, we noticed that the KMC did not maintain any record for enrolment and redressal of complaints. Therefore, the achievement under SLB indicator - efficiency in redressal of customer complaint, could not be verified.

In the exit conference (September 2015), the Government stated that the audit observation had been noted for further action.

5.2.23 Storm water drainage services

The status of performance relating to storm water drainage services of KMC as notified in State Gazette during 2011-12 to 2014-15 was as under:

Table-5.24: SLBs for Storm Water Drainage in KMC during 2011-12 to 2014-15

Sl. No.	Service Indicators	Benchmarks as per SLB Handbook	Notified SLBs during the years 2011-15	
			Targets	Achievement
1	Coverage of Storm water drainage (<i>in per cent</i>)	100	60-100	25-83.5
2	Incidence of water logging/flooding	zero	Nil	Nil

(Source: *Gazette Notification issued by State Government*)

We noticed that achievement of 80 *per cent* was notified in Gazette during 2014-15 under SLB indicator- coverage of storm water drainage. However, we observed that no record indicating the length of roads and drains (covered/uncovered) was maintained in KMC. In the absence of these records, the notified achievement could not be verified.

In the exit conference (September 2015), the Government stated that the audit observation had been noted for further action.

Recommendation

KMC should ensure implementation of SLBs in the four notified services of water supply, sewage, solid waste management, and storm water drainage so as to improve the accountability in service delivery.

5.2.24 Monitoring and evaluation of SLBs

As per para 1.3 of SLB Handbook, the State Government would need to periodically evaluate the SLBs as input for its decisions related to policy, resource allocations, providing incentives and penalties, channelising technical and manpower support. GoI suggested (January 2014) for setting up SLB cells at States to support introduction and continuous monitoring of SLBs. The activities for a state SLB cell include setting up of online system for annual performance assessment, tools for performance improvement planning, target setting and exposure to good practices relevant to various improvement themes.

We noticed that a SLB cell was constituted (February 2012) at State level for collection and verification of SLBs data received from the ULBs. However,

SLB cell could not accomplish the assigned activities like developing any online system for annual performance assessment, tools for performance improvement planning, target setting and exposure to good practices relevant to various improvement themes.

Commissioner, UADD informed (March 2015) that the Executive Engineers posted at Divisional offices were directed to evaluate the benchmarks and achievement communicated by ULBs. However, the Executive Engineers of Divisional offices informed (May 2015 and July 2015) that no instruction was received by them from UADD in this regard. Thus, the SLBs data of ULBs was not checked, verified, compared and evaluated at divisional level.

Further, as discussed in Paragraph 5.2.6, performance indicators reported at the Department level was never reviewed at the management level (by Mayor/Municipal Commissioner) of ULBs, though it was prescribed in SLB Handbook.

In the exit conference (September 2015), the Government stated that monitoring mechanism would be strengthened.

Recommendation

Adequate monitoring of collection and verification of SLB data at the State as well as ULBs level should be ensured for achieving the targeted levels of SLBs.

5.2.25 Summary of conclusions and recommendations

- Four test-checked ULBs incurred expenditure of ₹ 473.16 crore between 2010-11 and 2014-15 on the delivery of basic municipal services - water supply, sewage, solid waste management and storm water drainage. Besides, ₹ 682.67 crore was incurred as of March 2015 on four projects sanctioned under JNNRUM and UIDSSMT. Three other projects for improvement of basic services had still not started, despite availability of resources. As a result of non-completion of ongoing projects, the quality of basic services in these ULBs was not as per notified benchmarks.
- There was absence of an institutionalised system for capturing data of SLB indicators, which was essential for management to plan corrective actions for improving delivery of basic services. In the absence of the availability of actual data, the targets and achievements of SLB indicators were notified in the State Gazette on estimation basis.

Recommendation: ULBs should institutionalise the system for capturing actual data of performance management from ground level. Plans to achieve SLBs should be periodically reviewed to enhance the quality of basic services to residents.

- The initiative taken by State Government for capacity building through training and orientation for implementation of SLBs was inadequate. Out of 114 ULBs notified for SLBs, 136 officials of 68 ULBs were nominated for a two-days training programme during 2014-15. Further, out of 136 nominated officials, only 70 officials (51 *per cent*) attended the training programme. Thus, staff of all notified ULBs could not be

trained for SLB to enable them to play their respective roles in the overall performance management system.

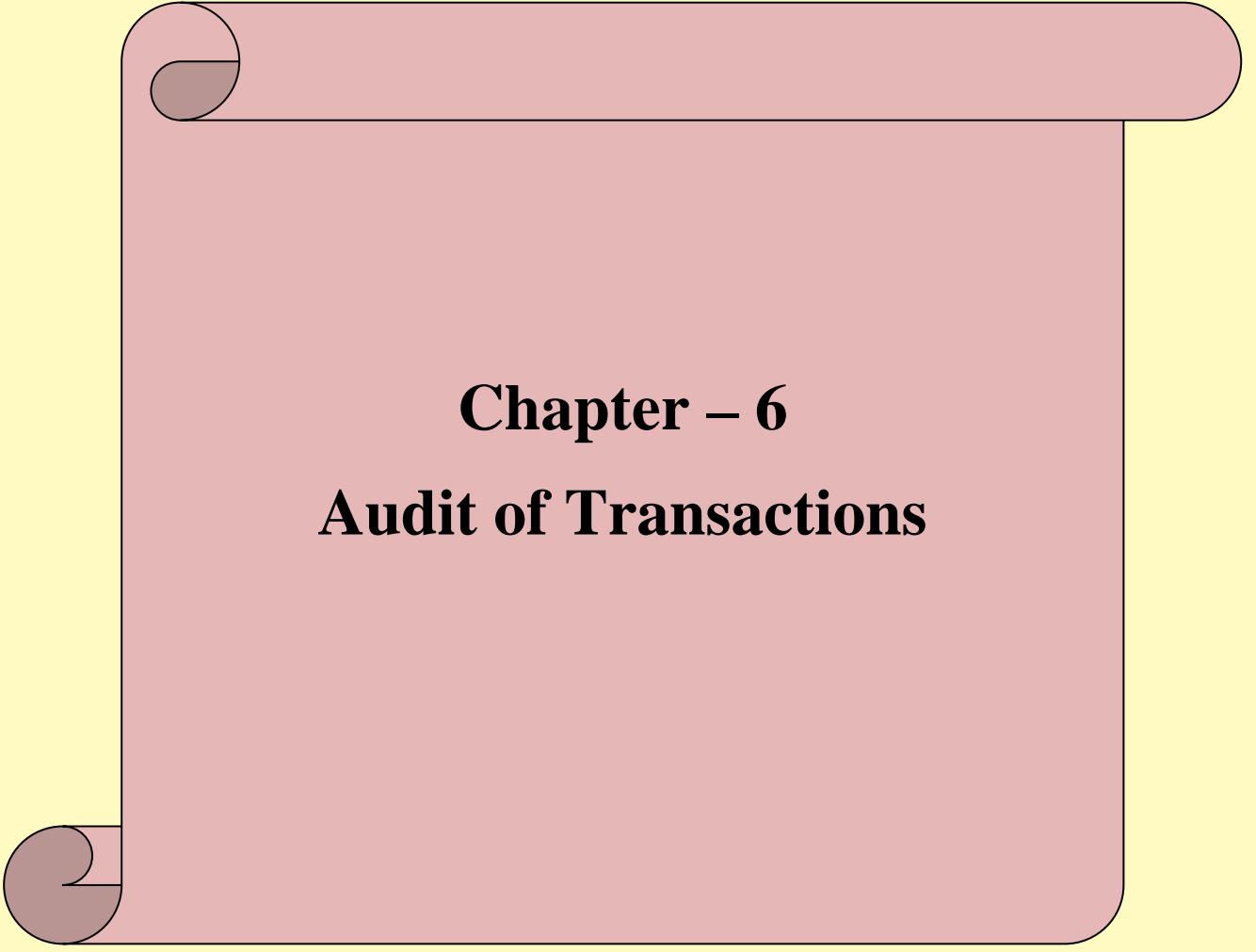
Recommendation: State Government should organise adequate training and orientation programme on SLB for capacity building at all level, so that staff will play their respective roles in the overall performance management system.

- Implementation of SLBs in four services *viz.* water supply, sewage, solid waste management, and storm water drainage was not ensured according to the benchmarks fixed by the Government. Further, the notified achievements were also found incorrect in a number of cases.

Recommendation: ULBs should ensure implementation of SLBs in the four notified services of water supply, sewage, solid waste management, and storm water drainage so as to improve the accountability in service delivery.

- SLB cell constituted at State level for collection and verification of SLBs data received from the ULBs did not monitor the collection of data. Further, the achievement of SLB indicators were not reviewed by Mayor/Municipal Commissioner of ULBs though specified in SLB Handbook.

Recommendation: Adequate monitoring of collection and verification of SLB data at the State as well as ULBs level should be ensured for achieving the targeted levels of SLBs.



Chapter – 6

Audit of Transactions

Chapter – 6 : Audit of Transactions

URBAN DEVELOPMENT AND ENVIRONMENT DEPARTMENT

6.1 Non-Compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders passed by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. Audit findings on non-compliance with rules and regulations are hereunder.

6.1.1 Short levy of stamp duty

Government was deprived of revenue of ₹ 34.04 lakh due to short levy of stamp duty and registration fee.

According to Section 17(d) of the Registration Act, 1908, the lease deed having the period of lease for more than one year are required to be registered compulsorily. Stamp Duty at 8 *per cent*¹ of premium and 4 *per cent*² on annual rent reserved was to be levied under Section 33 of schedule 1A to the Indian Stamp Act (IS Act), 1899. Further Registration fee on such documents is leviable at three fourth (75 *per cent*) of the Stamp duty. Besides, Section 33 of the IS Act provides that it would be obligatory on every person in charge of a public office to impound cases which are unduly stamped and initiate action to get it duly stamped.

During scrutiny of the records of Chief Municipal Officer (CMO), Municipal Council (MC), Sanavad, District Khargone, we noticed (December 2014) that 240 shops were auctioned and allotted during the period between April 1997 and February 2008 to private individuals for three years with provisions for further extension of period. The allotments were done on premium in addition to rent fixed which was revisable from time to time. Lease deed of the same was executed on stamp paper of ₹ 100 each by the NP. Further, scrutiny of these lease deeds revealed that though amount of premium was collected by the NP but it was not mentioned in the lease deeds. As such, stamp duty and registration fee on premium could not be charged by the Sub Registrar (SR), which resulted in short realisation of stamp duty of ₹ 19.35 lakh and registration fee of ₹ 14.69 lakh.

In the exit conference (September 2015), the Government stated that notices had been issued to the shopkeepers for registering the lease deeds. The Government also assured to issue instructions to all MCs for referring the cases to the Registration Department.

The fact remains that failure of CMO, MC Sanavad in implementing provisions of IS Act and Registration Act deprived the Government of revenue of ₹ 34.04 lakh due to short levy of stamp duty and registration fee.

6.1.2 Non-recovery of extra cost under risk and cost clause

Nagar Parishad, Kanad incurred extra expenditure amounting to ₹ 7.68 lakh due to re-award of work, which was not recovered from previous contractor under risk and cost clause.

Nagar Parishad (NP), Kanad, District Agar awarded (November 2010) the work of cement concrete road in Ward no. 15 (Rajjak khan to Mataji Mandir) to a contractor at 48.90 *per cent* above Schedule of Rates (SOR) 1999. The

¹ Rates revised to 7.5 *per cent* w.e.f. 1 April 2008 and 5 *per cent* w.e.f. 1 April 2011

² Rate reduced from 4 *per cent* to 2 *per cent* vide notification no. (19) B-4-21-2004-C.T.-V. dated 06.09.2004)

work was sanctioned (October 2009) with estimated cost of ₹ 9.80 lakh under Swarn Jayanti Sahari Rojgar Yojana. The work order was issued to the contractor in December 2010 to complete the work within three months.

As per condition 3(c) of the tender document, which formed part of the agreement executed between NP and the contractor, in case of abandonment of the work, the Chief Municipal Officer shall have power to give unexecuted work to another contractor to complete and any extra expenditure, which may be incurred shall be borne and paid by the original contractor and may be deducted from any money due to him.

During test check of records of the Chief Municipal Officer (CMO), NP Kanad, we observed (January 2015) that the contractor had stopped work after digging of road. Hence, a notice was issued (March 2011) to the contractor to start the work within 24 hours failing which the work order would be automatically cancelled and the contractor would be responsible for losses. Subsequently, the contract was treated as cancelled and NIT was re-issued in March 2011. Later, the contract was awarded (April 2011) to another contractor at 95 *per cent* above SOR and final payment amounting to ₹ 22.27 lakh was made (September 2014) to the contractor.

Since the second tender was executed at the risk and cost of the previous contractor, the extra expenditure of ₹ 7.68 lakh³ was to be recovered from the previous contractor as per condition 3(c) of original tender. However, this was not recovered by NP, Kanad.

In the exit conference (September 2015), the Government stated that notice had been issued to the contractor in September 2015 to deposit ₹ 7.68 lakh within seven days otherwise the action for recovery of the risk and cost amount would be initiated through Revenue Recovery Certificate.

The fact remains that extra expenditure amounting to ₹ 7.68 lakh due to re-award of work was not recovered from the previous contractor, even after lapse of more than four years.

6.2 Expenditure without propriety

Authorisation of expenditure from public fund is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit finding on expenditure without propriety is hereunder.

6.2.1 Idle expenditure on installation of water meters

Gwalior Municipal Corporation (GMC) incurred expenditure of ₹ 24.46 lakh on installation of water meters for non-domestic consumers, which remained idle as GMC continued to raise bills for water consumption on fixed charge basis instead of charging on the basis of consumption recorded in the installed water meters.

GMC invited (November 2006) a bid for supply, installation, testing and commissioning of 1,088 water meters for non-domestic consumers with a view to raise monthly bills on actual consumption of water. An agreement was made (March 2007) between GMC and successful bidder firm at a contract price of ₹ 42.64 lakh. Supply, installation, testing and commissioning work of water meters was to be completed within one year from the date of signing of

³ ₹ 22,27,056 (final payment) – ₹ 14,59,220 (9.80 lakh X 48.90 *per cent*) = ₹ 7,67,836

contract agreement. GMC further revised (July 2009) the project cost to ₹ 35.47 lakh due to reduction in the rate of meter box and the completion date was also revised to July 2010. The expenditure on the works was to be borne out of loan from Asian Development Bank for 'Urban Water Supply and Environment improvement project in Madhya Pradesh' under which all non-domestic and industrial water connections were to be metered up to 2009.

During test check of records of GMC, we observed (April 2014) that the firm had installed 943 water meters on the water pipeline of non-domestic consumers as of December 2010. Remaining 145 meters remained uninstalled, while testing and commissioning of 943 installed water meters were also not done by the firm. However, without testing/commissioning of water meters, GMC made final payment of ₹ 24.46 lakh to the contractor (December 2012).

We further observed (April 2015) that Municipal Corporation passed (January 2011) a resolution for collection of water charges on actual consumption. However, the GMC continued to raise bills of water consumption on fixed charges basis instead of charging on the basis consumptions recorded in the installed water meters. Thus, the expenditure of ₹ 24.46 lakh incurred on installation of water meters remained idle.

In the exit conference (September 2015), the Government stated that the direction had been issued to field engineers for making the installed meters functional and generate water bills as per actual consumption of water.

The fact remains that the expenditure of ₹ 24.46 lakh incurred on the procurement and installation of water meters remained idle, as levy of water charges were not based on actual consumption recorded in the water meters.



(SAURABH K. MALLICK)
Accountant General
(General and Social Sector Audit)
Madhya Pradesh

Gwalior
The 13 March 2016

Countersigned



(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
The 14 March 2016

APPENDIX

Appendix-1.1

(Reference: Paragraph 1.3, page 3)

Devolution of Functions to Panchayat Raj Institutions by State Government

Sl. No.	Name of Function
1	Agriculture, including agricultural extension
2	Land improvement, implementation of land reforms, land consolidation and soil conservation
3	Minor irrigation, water management and watershed development
4	Animal husbandry, dairying and poultry
5	Fisheries
6	Social forestry and farm forestry
7	Minor forest produce
8	Small scale industries, including food processing industries
9	Khadi, village and cottage industries
10	Rural housing
11	Drinking water
12	Fuel and fodder
13	Roads, culverts, bridges, ferries, waterways and other means of communication
14	Rural electrification, including distribution of electricity
15	Non-conventional energy sources
16	Poverty alleviation programme
17	Education, including primary and secondary schools
18	Technical training and vocational education
19	Adult and non-formal education
20	Libraries
21	Cultural activities
22	Markets and fairs
23	Health and sanitation, including hospitals, primary health centres and dispensaries
24	Family welfare
25	Women and child development
26	Social welfare, including welfare of the handicapped and mentally retarded
27	Welfare of the weaker sections, and in particular of the Scheduled Castes and Scheduled Tribes
28	Public distribution system
29	Maintenance of community assets

Appendix-1.2

(Reference: Paragraph 1.8.1, page 6)

List of test-checked PRIs during 2014-15

Zila Panchayats					
1	Anuppur	2	Badwani	3	Betul
4	Bhopal	5	Burhanpur	6	Chhatarpur
7	Chhindwara	8	Damoh	9	Datia
10	Dewas	11	Dindori	12	Gwalior
13	Hoshangabad	14	Indore	15	Jhabua
16	Katni	17	Khandwa	18	Khargone
19	Mandla	20	Mandsaur	21	Narsihpur
22	Panna	23	Raisen	24	Rajgarh
25	Ratlam	26	Rewa	27	Sagar
28	Satna	29	Sehore	30	Seoni
31	Shahdol	32	Shajapur	33	Shivpuri
34	Vidisha	35	Ujjain		
Janpad Panchayats					
1	Aalot	2	Aaron	3	Ashta
4	Amarpur	5	Amarwada	6	Anuppur
7	Beohari	8	Babai	9	Badi
10	Badnagar	11	Badnawar	12	Baraud
13	Badwah	14	Badwani	15	Bahoriband
16	Balaghat	17	Baldeogarh	18	Batiagarh
19	Beena	20	Bhitarwar	21	Bijaypur
22	Budhni	23	Burhanpur	24	Chanderi
25	Chawarpatha	26	Chhapara	27	Chhindwara
28	Chicholi	29	Chitrangi	30	Dahi
31	Damoh	32	Datia	33	Dewas
34	Dhar	35	Dharampuri	36	Fanda
37	Gandhwani	38	Ganjbasauda	39	Ghatia
40	Gotegaon	41	Hanumana	42	Harsood
43	Icchawar	44	Indore	45	Jawa
46	Kalapipal	47	Karahal	48	Khachrod
49	Khalwa	50	Khandwa	51	Khaniyadhana
52	Khirkiya	53	Kolaras	54	Kotma
55	Lahar	56	Lateri	57	Launji
58	Maheshwar	59	Mahindpur	60	Malthon
61	Manawar	62	Mawai	63	Mehadwani
64	Mhow	65	Mogaon	66	Mugawali
67	Multai	68	Nagod	69	Nalchha
70	Nasrullagnj	71	Naugaon	72	Niwali
73	Niwas	74	Pandhana	75	Rahatgarh
76	Rampurbaghelan	77	Raun	78	Sarangpur
79	Sardarpur	80	Satna	81	Shahnagar
82	Shahpura	83	Shahpura	84	Sidhi

85	Sirmor	86	Sitamau	87	Seoni malwa
88	Sohagpur	89	Tonkhurd	90	Ujjain
91	Umarban	92	Vijayraghavgarh		
Gram Panchayats					
1	Aajambad	2	Aanwari	3	Aaron
4	Aavla	5	Adgaon	6	Adhiyatola
7	Airai	8	Amarhar	9	Antarsukha
10	Anvalajhiri	11	Arah	12	Atarhai
13	Babariyachaur	14	Babariyanauabad	15	Badariyahat
16	Badera	17	Bagaspur	18	Bakaner
19	Balkua	20	Balrampur	21	Bamhani
22	Bamnora	23	Bandera	24	Bandha
25	Bansing	26	Bardabarkhedi	27	Barkheda (Nathu)
28	Barkheda kurmi	29	Barkhedajamal	30	Barsiha
31	Batiya	32	Batua	33	Besra
34	Bhagoda	35	Bhaiswahi	36	Bhanpur
37	Bhanpur (Keladia)	38	Bhesamgadh	39	Bijadevri
40	Bijara	41	Bilda	42	Bilhata
43	Binpura	44	Bisalkhedi	45	Bkawa
46	Boghgaon	47	Bolkhedanau	48	Canderi
49	Chamarumaria	50	Chatali	51	Chatari
52	Chaughia	53	Chaurai	54	Chawarpatha
55	Chhana	56	Chhapartala	57	Chhindi
58	Damuliyaraymal	59	Daryavpur	60	Dattigara
61	Develgaon	62	Devra-2	63	Dewliar
64	Dhabagotman	65	Dhablamata	66	Dhablarai
67	Dhamanda	68	Dhamaniya	69	Dhansua
70	Dharamkudi	71	Dharukhedi	72	Dhasarwada
73	Dhasnai	74	Dhekna	75	Dholkothar
76	Divariya	77	Dodakuhi	78	Dokarghat
79	Dongarkhed	80	Dudra	81	Eitkheda
82	Fafud	83	Fofwar	84	Gairtalai
85	Gardawad	86	Ghinoda	87	Ghurata
88	Ghursal	89	Gogalyakhedi	90	Gudla
91	Gudmetiagar	92	Guradiasanga	93	Hadlaykhurd
94	Harebha	95	Hidora	96	Indokh
97	Jaganpura	98	Jainabad	99	Jamdoli
100	Jamunia	101	Jangaliya	102	Javaidh
103	Javarikala	104	Jhaklaybnmm	105	Jhalki
106	Jhanjora	107	Jhiri	108	Jikhara
109	Kadipur	110	Kadrana	111	Kalapipal
112	Kalwani	113	Kamalyakhedi	114	Kampel
115	Kanchhikhedi	116	Kanchnariya	117	Kandiya
118	Kannadgaon	119	Karnaliya	120	Karwahi
121	Katarkheda	122	Kathai	123	Katkuhi
124	Keli	125	Khachroda	126	Khaderi

127	Khajri	128	Khajurialahad	129	Khajuriya ghenghi
130	Khalwa	131	Khamaria	132	Khamaria (Khamkheda)
133	Khamharia	134	Khamkheda	135	Khamla
136	Khamlay	137	Kharar	138	Kharaun
139	Khardonkhurd	140	Kharila	141	Kharkhari
142	Khatwasa	143	Khedamadda	144	Kheri
145	Khulgaon	146	Khurmucha	147	Kivalhara
148	Kohariya	149	Kuhiya	150	Kulthana
151	Kurbhara	152	Ladsa	153	Lalkhedi
154	Lasudiyaglalk	155	Londagodi	156	Lunherabujurg
157	Mahudia	158	Makarla	159	Malaniya
160	Malya	161	Mawai	162	Medha
163	Misirgava	164	Mohanpur	165	Mohlibharat
166	Munu	167	Muradpur	168	Nadni
169	Namli	170	Nayanagar	171	Nimbodiakhurd
172	Nimbola	173	Nipaniyaleela	174	Nishaniamal
175	Pahadi	176	Pakhawar	177	Parkhudi-2
178	Parmandal	179	Patharia	180	Paykunda
181	Pichhodi	182	Pidhaybujurg	183	Pipaliyapeetha
184	Piblyaghata	185	Purena	186	Raha
187	Rai	188	Rajdaha	189	Rajgaon
190	Rajgaon	191	Ramdi	192	Rangwasa
193	Rasua No.2	194	Raun	195	Reguwa
196	Revanja	197	Rohania	198	Rumpura
199	Rustumpura	200	Sagoriya	201	Samanna
202	Sameramatiya	203	Sangwi	204	Sarasdoli
205	Sarra	206	Sehrai	207	Semjhira
208	Shaharkheda	209	Shyampura	210	Singhada
211	Sirmoda	212	Sudor	213	Talegi
214	Talwadabujurg	215	Thanmagaon	216	Tighat
217	Tigria	218	Tisbhav	219	Tonkara
220	Tornod	221	Tuda	222	Turakgurada
223	Umari	224	Valvani	225	Vandikhurd
226	Varambava	227	Verihapurn	228	Vikrampur
229	Viteran				

Appendix-1.3
(Reference: Paragraph 1.9, page 7)
Non-preparation of bank reconciliation statement in PRIs

(₹ in lakh)

Sl. No.	Name of Units	Balance as per Bank Pass book as on 31.03.2014	Balance as per Cash book as on 31.03.2014	Difference, where bank balance is more (+) than cash book balance	Difference where bank balance is less (-) than cash book balance
1	Zila Panchayat Dindhori	153.15	123.37	29.78	-
		1022.80	1066.32	-	-43.52
2	Zila Panchayat, Khargone	68.93	1906.89	-	-1837.96
		274.42	194.47	79.95	-
3	Zila Panchayat Panna	1000.73	995.84	4.89	-
4	Zila Panchayat Rajgarh	1616.06	8159.35	-	-6543.29
5	Zila Panchayat Damoh	3253.88	2704.06	549.82	-
		472.29	667.65	-	-195.36
6	Janpad Panchayat Amarpur	106.99	186.64	-	-79.65
		168.92	150.71	18.21	-
7	Janpad Panchayat Mehdwani	12.42	4.07	8.35	-
8	Janpad Panchayat Aaron	0.88	2.13	-	-1.25
		209.37	121.07	88.30	-
9	Janpad Panchayat Rampurbaghelan	293.72	125.42	168.30	-
		8.68	10.49	-	-1.81
10	Janpad Panchayat Vijayraghavgarh	72.99	77.14	-	-4.15
11	Janpad Panchayat Ashta	135.45	106.63	28.82	-
		30.35	30.52	-	-0.17
12	Janpad Panchayat Naugaon	259.84	249.12	10.72	-
13	Janpad Panchayat Lanji	450.35	380.97	69.38	-
14	Janpad Panchayat Dewas	145.48	124.73	20.75	-
		137.51	232.44	-	-94.93
15	Janpad Panchayat TonkKhurd	49.54	41.30	8.24	-
		16.49	17.00	-	-0.51
16	Janpad Panchayat Ujjain	37.02	26.67	10.35	-
17	Janpad Panchayat Badnagar	12.16	28.90	-	-16.74
		84.80	61.87	22.93	-
18	Janpad Panchayat Anuppur	119.33	112.02	7.31	-
19	Janpad Panchayat Amarwada	343.66	416.93	-	-73.27
20	Janpad Panchayat Khandwa	17.74	17.94	-	-0.20
21	Janpad Panchayat Babai	23.91	21.71	2.20	-
		3.08	3.25	-	-0.17

Audit Report on Local Bodies for the year ended 31 March 2015

Sl. No.	Name of Units	Balance as per Bank Pass book as on 31.03.2014	Balance as per Cash book as on 31.03.2014	Difference, where bank balance is more (+) than cash book balance	Difference where bank balance is less (-) than cash book balance
22	Janpad Panchayat Beohari	42.52	23.08	19.44	-
23	Janpad Panchayat Dharampuri	72.02	63.22	8.80	-
24	Janpad Panchayat Badi	323.73	301.37	22.36	-
25	Janpad Panchayat Rahatgarh	176.28	121.63	54.65	-
26	Janpad Panchayat Sidhi	288.76	307.02	-	-18.26
		300.14	225.50	74.64	-
27	Janpad Panchayat Satna	265.23	248.02	17.21	-
28	Janpad Panchayat Hanumana	257.29	300.96	-	-43.67
		215.98	119.57	96.41	-
29	Janpad Panchayat Khalwa	710.98	508.79	202.19	-
30	Janpad Panchayat Shahnagar	354.36	319.65	34.71	-
31	Janpad Panchayat Karahal	37.63	39.39	-	-1.76
		82.59	73.60	8.99	-
32	Janpad Panchayat Indore	247.96	164.07	83.89	-
		1.50	2.25	-	0.75
33	Janpad Panchayat Baldeogarh	271.10	334.30	-	-63.20
		36.56	36.53	0.03	-
34	Janpad Panchayat Seonimalwa	24.55	43.34	-	-18.79
35	Gram Panchayat Javaidha	5.32	5.18	0.14	-
36	Gram Panchayat Khanangaon	26.26	31.26	-	-5.00
37	Gram Panchayat Bamhani	1.16	1.14	0.02	-
38	Gram Panchayat Jangalia	0.40	0.30	0.10	-
39	Gram Panchayat Medhi	14.23	13.81	0.42	-
40	Gram Panchayat Nipaniyaleela	2.18	0.0007	2.17	-
41	Gram Panchayat Karnalia	7.11	6.00	1.11	-
42	Gram panchayat Devli	1.38	1.51	-	-0.13
43	Gram Panchayat Bardabarkhedi	17.79	17.80	-	-0.01
44	Gram Panchayat Khamlay	0.02	0.03	-	-0.01
	Total	14387.97	21676.94	1755.58	-9044.56

Appendix-1.4*(Reference: Paragraph 1.10, page 7)***Details of non- adjustment of temporary advance**

(₹ in lakh)

Sl. No.	Name of Unit	Unadjusted Amount of advaance as on 31.3.2014
1	Zila Panchayat Vidisha	7.11
2	Zila Panchayat Datia	0.10
3	Zila Panchayat Betul	0.80
4	Zila Panchayat Gwalior	4.48
5	Zila Panchayat Katni	0.58
6	Zila Panchayat Burhanpur	5.30
7	Zila Panchayat Jhabua	16.72
8	Zila Panchayat Khargone	3.39
9	Zila Panchayat Narsingpur	43.04
10	Zila Panchayat Mandla	1.73
11	Zila Panchayat Shahapur	26.00
12	Zila Panchayat Hoshangabad	4.70
13	Zila Panchayat Raisen	1.40
14	Zila Panchayat Panna	1.25
15	Zila Panchayat Satna	1.26
16	Zila Panchayat Dewas	7.44
17	Zila Panchayat Badwani	0.02
18	Zila Panchayat Shahdol	50.79
19	Zila Panchayat Anuppur	57.41
20	Zila Panchayat Ratlam	45.82
21	Janpad Panchayat Kolaras	2.19
22	Janpad Panchayat Burhanpur	2.80
23	Janpad Panchayat Gotegaon	2.65
24	Janpad Panchayat Mawai	0.69
25	Janpad Panchayat Lanji	0.36
26	Janpad Panchayat Badnagar	1.32
27	Janpad Panchayat Amarwada	1.00
28	Janpad Panchayat Dhar	0.19
29	Janpad Panchayat Dahi	17.19
30	Janpad Panchayat Badwani	19.41
31	Janpad Panchayat Lateri	9.87
32	Janpad Panchayat Beohari	0.37
33	Janpad Panchayat Dharampuri	2.75
34	Janpad Panchayat Gandhwani	18.66
35	Janpad Panchayat Badi	0.56
36	Janpad Panchayat Rahatgarh	2.09
37	Janpad Panchayat Malthon	1.82
38	Janpad Panchayat Raun	0.40

Sl. No.	Name of Unit	Unadjusted Amount of advance as on 31.3.2014
39	Janpad Panchayat Sidhi	0.52
40	Janpad Panchayat Hanumana	0.66
41	Janpad Panchayat Sirmor	1.23
42	Janpad Panchayat Chhapara	0.22
43	Janpad Panchayat Jawa	2.41
44	Janpad Panchayat Chitrangi	2.54
45	Janpad Panchayat Khalwa	0.54
46	Janpad Panchayat Khachrod	0.79
47	Janpad Panchayat Chanderi	1.55
48	Janpad Panchayat Sitamau	26.44
49	Janpad Panchayat Mahidpur	1.86
Total		402.42

Appendix-1.5

(Reference: Paragraph 1.11.2, page 10)

Statement showing financial burden of interest to the State Government for delays in release of ThFC grant to PRIs

A : Drawal and distribution of Performance Grant

(₹ in lakh)

Year	Grants received from GoI			Grants Drawn by PRDD		Grants transferred to PRIs		Total days of delay	Actual delay beyond the stipulated period of 10 days ¹	Interest at the rate of 9 per cent ² annum
	Instalment	Date	Amount	Date	Amount	Date	Amount			
2011-12	1st	31.03.12	8270.00	31.03.12	8270	11.09.12	5000.00	163	153	188.63
	forefited	31.03.12	2383.09	9.4.12	2383.09	14.09.12	3450.00	166	156	132.70
	-do-	31.03.12	3349.19	9.4.12	3349.19	20.09.12	2400.00	172	162	95.86
						24.9.12	1975.00	176	166	80.83
						11.12.12	1175.00	254	244	70.69
						24.01.13	2.28	298	288	0.16
						Total	14002.28			568.71
2013-14	1st (Gen)	31.3.14	21484.77	7.4.14	20000.00	9.6.14	2000.00	69	59	29.09
	forefited	31.3.14	21271.55	7.4.14	18807.61	23.6.14	163.07	83	73	2.93
				7.4.14	1794.41	23.7.14	15.00	113	103	0.38
				5.7.14	1567.21	24.7.14	16400.00	114	104	420.55
						26.7.14	310.00	116	106	8.10
						28.7.14	10000.00	118	108	266.30
						31.7.14	10350.00	121	111	283.27
						14.8.14	1779.93	135	125	54.86
						Total	41018.00			1065.48
2014-15	1st(Gen)	31.3.15	20408.00	22.08.15	20408.00	22.8.15	20408.00	143	133	669.27
	1st (spl)	31.3.15	1259.00	25.07.15	1071.81	25.07.15	1071.81	115	105	27.74
						Total	21479.81			697.01
									Grand Total	2331.26

¹ Delays of less than one month have not been taken in account for calculation of interest.

² Interest was calculated by audit as per same rate of interest adopted by Finance Department of State Government.

B:-Drawl and distribution of Basic Grant

(₹ in lakh)

	Instalment	Date	Amount	Date	Amount	Date	Amount	delays days	Interest calculated	interest amount
2010-11	1st	15.7.10	20477.00	26.8.10	20283.40	13.9.10	20283.40	59	49	245.06
							Total	20283.40		245.06
2012-13	1st	31.12.12	27283.54	2.1.13	27086.54	11.2.13	478.72	41	31	3.65
						27.2.13	263.96	57	47	3.05
						7.3.13	181.54	65	55	2.46
						9.3.13	403.40	67	57	5.66
						19.3.13	1429.93	77	67	23.62
						Total	2757.55			38.44
2013-14	2nd	21.2.14	32304.26			6.5.14	215.00	73	63	3.33
						8.5.14	131.00	75	65	2.09
						26.5.14	92.00	93	83	1.88
						5.6.14	193.00	103	93	4.42
						16.6.14	62.00	114	104	1.58
						28.6.14	184.00	126	116	5.26
						10.7.14	121.00	138	128	3.81
						17.7.14	32.00	145	133	1.06
						28.7.14	29.32	156	146	1.05
						Total	1059.32			24.48
2014-15	1st	31.3.15	1128.00	16.07.15	960.29	16.07.15	960.29	106	96	22.73
						Total	960.29			22.73
						Grand Total	101560.65			330.71

(Source: Information provided by PRDD)

Grant Total A+B= (₹ 2331.26 lakh+₹ 330.71 lakh) = ₹ 2661.97 lakh i.e. ₹ 26.62 crore

APPENDIX-2.1*(Reference: Paragraph 2.1.5, page 14)***Details of sampled Gram Panchayats**

Sl. No.	Gram Panchayat	Janpad Panchayat	Zila Panchayat
1	Amawahi	Paraswara	Balaghat
2	Arindia	Paraswara	Balaghat
3	Badalpar	Kurai	Seoni
4	Badgaon	Paraswara	Balaghat
5	Bagholi	Paraswara	Balaghat
6	Bamhni	Tamia	Chhindwara
7	BandhibodalKachar	Tamia	Chhindwara
8	Bangai	Tamia	Chhindwara
9	Banspur	Ghodadongri	Betul
10	Bhikewara	Paraswara	Balaghat
11	Bhouraghpat	Khaknar	Burhanpur
12	Bijoripathar	Tamia	Chhindwara
13	Boda	Paraswara	Balaghat
14	BodalKachar	Tamia	Chhindwara
15	Chakhla	Tamia	Chhindwara
16	Chhapara	Narayanganj	Mandla
17	Chhaparwahi	Paraswara	Balaghat
18	Chopna	Tamia	Chhindwara
19	Daiyat Raiyat	Khaknar	Burhanpur
20	Dauriyakheda	Tamia	Chhindwara
21	Davalikala	Khaknar	Burhanpur
22	Delakheri	Tamia	Chhindwara
23	Dhusawani	Tamia	Chhindwara
24	Doifodiya	Khaknar	Burhanpur
25	Dongariya	Paraswara	Balaghat
26	DudgaonBasti	Paraswara	Balaghat
27	Fatehpur(MA)	Paraswara	Balaghat
28	Ghodadehi	Paraswara	Balaghat
29	HarraKachar	Tamia	Chhindwara
30	Jagantola(M)	Paraswara	Balaghat
31	Jamundonga	Tamia	Chhindwara
32	Jhalon	Shahpura(Bhitoni)	Jabalpur
33	Jhiriya	Paraswara	Balaghat
34	Khalondi	Paraswara	Balaghat
35	Khapasani	Tamia	Chhindwara

Sl. No.	Gram Panchayat	Janpad Panchayat	Zila Panchayat
36	Khulsan	Tamia	Chhindwara
37	Khurmundi	Paraswara	Balaghat
38	Kumhadi	Tamia	Chhindwara
39	Kurshidhana	Tamia	Chhindwara
40	Linga	Tamia	Chhindwara
41	Lotia	Tamia	Chhindwara
42	Majgaon(MA)	Paraswara	Balaghat
43	Muttair	Tamia	Chhindwara
44	Nagari	Tamia	Chhindwara
45	Naghiri	Khaknar	Burhanpur
46	Parsatola	Paraswara	Balaghat
47	Patehara	Narayanganj	Mandla
48	Shitakamt	Ghodadongri	Betul
49	Sirsod	ChhaigaonMakhan	Khandwa
50	Sivanpat	Ghodadongri	Betul

APPENDIX -2.2*(Reference: Paragraph 2.1.8.8, page 21)***List of GPs where Social Audit Report was not countersingned by the Chairperson of Gram Sabha**

Sl. No.	Gram Panchayat	Janpad Panchayat	Zila Panchayat
1	Amawahi	Paraswara	Balaghat
2	Arindia	Paraswara	Balaghat
3	Badalpar	Kurai	Seoni
4	Badgaon	Paraswara	Balaghat
5	Bagholi	Paraswara	Balaghat
6	Bangai	Tamia	Chhindwara
7	Banspur	Ghodadongri	Betul
8	Bhikewara	Paraswara	Balaghat
9	Bijoripathar	Tamia	Chhindwara
10	Boda	Paraswara	Balaghat
11	BodalKachar	Tamia	Chhindwara
12	Chhapara	Narayanganj	Mandla
13	Chhaparwahi	Paraswara	Balaghat
14	Chopna	Tamia	Chhindwara
15	Daiyat Raiyat	Khaknar	Burhanpur
16	Davalikala	Khaknar	Burhanpur
17	Dhusawani	Tamia	Chhindwara
18	Doifodiya	Khaknar	Burhanpur
19	Dongariya	Paraswara	Balaghat
20	Dudgaon Basti	Paraswara	Balaghat
21	Fatehpur(MA)	Paraswara	Balaghat
22	Jagantola(M)	Paraswara	Balaghat
23	Jhalon	Shahpura(Bhitoni)	Jabalpur
24	Jhiriya	Paraswara	Balaghat
25	Khalondi	Paraswara	Balaghat
26	Khurmundi	Paraswara	Balaghat
27	Lotia	Tamia	Chhindwara
28	Nagjhiri	Khaknar	Burhanpur
29	Parsatola	Paraswara	Balaghat
30	Sivanpat	Ghodadongri	Betul

Appendix-2.3

(Reference: Paragraph 2.2.3, page 25)

Statement showing coverage of samples

Sl. No.	District	Janpad Panchayat	Gram Panchayat
1	Chhindwara	Amarwada	Badegaon, Borimal, Dhasanwada, Hirrimukasa, Khami, Kudwari, Mohalibharat, Pipariya Rajguru, Sajwa, Sukhari Kala
		Bichhua	Ambajhirikala, Chandrikapur, Dudhgaon, Gwarimal, Kadhaiya, Khamra, Mohpanimal, Pathri, Silotakala, Thuvepani
		Chaurai	Bamhanitoota, Chand, Gopalpur, Jamuniya, Khirkhiri, Madai, Nishanjanoji, Pipariya Khati, Sankh, Teetri
		Chhindwara	Bhanadehi, Chandangaon, Gharparasiya, Kaparwadi, Kotalbarri, Loniya Karbal, Pakhadiya, Rangeen Khapa, Sarra, Ubhegaon
		Harrai	Atariya, Bhalpani, Budhaniya (bhond), Churisajwa, Ghoghari, Khirda, Moarsani, Raiyarao, Sathiya, Tinsai
		Junnardev	Bilawal Khurd, Dungariya, Jankunda, Kauwajhiri, Khidki Kanheri, Malni, Nazarpur, PindriKala, Sangakheda, Telivat
		Mohkhed	Badnoor, Bisapur Kala, Gorakhpur, Ikalbihari, Kherwada, Mahalpur, Nawalgaon, Rajada, Shakkar Jhiri, Tiwadakamath
		Pandhurna	Bhajipani, Chichkheda, Gorlikhapa, Junewani, Langha, Markawada, Pailpaar, Rajdodogri, Sillewani, Umrikala
		Parasiya	Bijakwadi, Chhabdi Kala, Dhamaniya, Iklehra, Khanswada, Maniyakhapa, Nonapathar, Sabladhana, Sirgora, Umreth
		Saunsar	Banabakoda, Devali, Gangatwada, Kabarpipla, Koprawadi Khurd, Mugnapar, Paradsinga, Rampeth, Satnoor, Utekanta
		Tamia	Bamhori Khurd, Bijori Pathar, Chopna, Dobe, Itawa, Jogimuar, Khapasani, Linga, Muttor, Sidholi
2	Indore	Depalpur	Akasoda, Bahirampur, Boriya, Dharmat, Gudar, Kalasura, Limbodapar, Phulan, Rolai, Shahpura
		Indore	Aranya, Bara Bangarda, Bisnawada, Garia, Kalariya, Khudail Bujurg, Mundla Dostdar, Palda, Rangwasa, Sinhasa
		Mhow	Bai, Bhicholi, Gangalyakhedi, Gujarkheda, Jam Bujurg, Kelod, Kulthana, Panjaria, Sendal, Sonvai
		Sanwer	Badodiya Khan, Bhangya, Chitoda, Gulawat, Kadwa, Khajuriya, Makodiya, Palasiya, PuvardaHappa, Sulakhedi
Total	2 Districts	15 Janpad Panchayats	150 Gram Panchayats

Appendix-2.4*(Reference: Paragraph 2.2.4.1, page 26)***Statement showing delay in preparation and approval of budget estimates**

Year	Due date of submission to the Directorate	Actual date of submission to the Directorate	Delay in submission (days)	Due date of approval by the Directorate	Actual date of approval by the Directorate	Delay in approval (days)
2010-11	31 January 2010	21.09.2010	233	15 March 2010	Not available	--
2011-12	31 January 2011	18.04.2011	77	15 March 2011	05.12.2014	1360
2012-13	31 January 2012	28.03.2012	57	15 March 2012	05.12.2014	994
2013-14	31 January 2013	26.12.2013	329	15 March 2013	05.12.2014	629
2014-15	31 January 2014	19.11.2014	292	15 March 2014	08.01.2015	298

(Source: Information furnished by ZP Chhindwara)

Appendix-2.5*(Reference: Paragraph 2.2.4.2, page 27)***Statement showing differences in figures of budget estimates and actual figures of income and expenditure****(₹ in crore)**

District	Year	Income			Expenditure		
		Budget Estimates	Actual Income	Difference (Per cent)	Budget Estimates	Actual Expenditure	Difference (Per cent)
Chhindwara	2010-11	344.39	216.33	128.06 (37)	340.22	208.36	131.86 (39)
	2011-12	321.11	153.31	167.80 (52)	318.03	155.70	162.33 (51)
	2012-13	317.34	206.07	111.27 (35)	314.44	209.04	105.40 (34)
	2013-14	334.65	214.03	120.62 (36)	333.35	226.47	106.88 (32)
	2014-15	363.85	288.47	75.38 (21)	362.48	236.49	126.00 (35)
Indore	2010-11	109.16	54.86	54.30 (50)	109.05	50.63	58.42 (54)
	2011-12	103.14	80.06	23.08 (22)	103.14	75.96	27.18 (26)
	2012-13	93.88	80.13	13.75 (15)	93.88	80.29	13.59 (14)
	2013-14	96.28	87.57	8.71 (9)	96.22	63.15	33.07 (34)
	2014-15	100.34	85.66	14.68 (15)	100.34	86.82	13.51 (13)

(Source: Information furnished by ZP Chhindwara and Indore)

Appendix-2.6

(Reference: Paragraph 2.2.6.2, page 30)

Statement showing differences in closing balances of cash book and bank pass book/statement as on 31 March 2015

(₹ in lakh)

Sl No.	Name of unit	Closing balance as per cash book	Closing balance as per bank pass book	Difference (4-3)
1.	2.	3.	4.	5.
1	JP Amarwara	338.45	253.46	(-) 84.99
2	JP Bichhua	392.44	430.18	37.74
3	JP Chaurai	334.03	337.50	3.47
4	JP Depalpur	182.29	192.24	9.95
5	JP Harrai	336.15	477.92	141.77
6	JP Indore	307.23	399.83	92.60
7	JP Junnardev	799.28	863.01	63.73
8	JP Mohkhed	145.93	400.45	254.52
9	JP Pandhurna	534.26	502.78	(-) 31.48
10	JP Sanwer	317.28	316.91	(-) 0.37
11	JP Saunsar	84.47	290.44	205.67
12	JP Tamia	497.63	514.79	17.16

Appendix-2.7

(Reference: Paragraph 2.2.6.3, page 30)

Statement showing non-adjustment of advances as on 31 March 2015

(₹ in lakh)

Sl No.	Name of unit	Amount of outstanding advances	Time since when advances outstanding
1	JP Amarwara	1.35	Two to five years
2	JP Bichhua	4.82	Four years and 10 months
3	JP Chaurai	0.05	Last 29 years
4	JP Harrai	1.29	Six to 19 years
5	JP Indore	0.64	One year
6	JP Junnardev	3.90	One to five years
7	JP Mohkhed	1.80	One to eight years
8	JP Pandhurna	7.38	One to 32 years
9	JP Saunsar	14.47	One to nine years
10	JP Tamia	0.26	Two years
Total		35.96	

Appendix-2.8*(Reference: Paragraph 2.2.10, page 34)***Statement showing outstanding paragraphs of Local Fund Audit**

Sl No.	Name of unit	Number of outstanding paragraphs	Period of audit report
1	ZP Indore	262	1951-52 to 2007-08
2	ZP Chhindwara	20	1984-85 to 2000-01
3	JP Indore	659	Details not furnished
4	JP Mhow	525	1960-61 to 2012-13
5	JP Sanwer	491	1971-72 to 2006-07
6	JP Bichhua	52	1976-77 to 2006-07
7	JP Chaurai	44	1980-81 to 2012-13
8	JP Chhindwara	136	1971-72 to 2011-12
9	JP Harrai	65	1971-72 to 2006-07
10	JP Mohkhed	158	1971-72 to 2004-05
11	JP Pandhurna	30	1997-98 to 2004-05
12	JP Parasiya	82	1991-92 to 2010-11
13	JP Tamia	07	1971-75 to 2005-06
Total		2531	

(Source: Information furnished by respective ZPs and JPs)

Appendix-4.1

(Reference: Paragraph 4.3, page 40)

Devolution of Functions to Urban Local Bodies by State Government

Sl. No.	Name of functions
1.	Urban Planning including Town Planning
2.	Regulation of land-use and construction of buildings
3.	Planning for economic and social development
4.	Roads and bridges
5.	Water supply for domestic, industrial and commercial purposes
6.	Public health sanitation, conservancy and solid waste management
7.	Fire services
8.	Urban forestry, protection of the environment and promotion of ecological aspects
9.	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
10.	Slum improvement and up-gradation
11.	Urban poverty alleviation
12.	Provision of Urban amenities and facilities such as parks, gardens, playgrounds
13.	Promotion of cultural, educational and aesthetic aspects
14.	Burials and burial grounds; cremations, cremation grounds and electric crematoriums
15.	Cattle pounds, prevention of cruelty to animals
16.	Vital Statistics including registration of birth and deaths
17.	Public amenities including street lighting, parking lots, bus stops and public conveniences
18.	Regulation of slaughter houses and tanneries

Appendix 4.2
(Reference: Paragraph 4.8.1, page 43)
List of test checked ULBs during 2014-15

Municipal Corporations					
1	Bhopal	2	Burhanpur	3	Dewas
4	Gwalior	5	Jabalpur	6	Khandwa
7	Ratlam	8	Ujjain		
Municipal Councils					
1	Agar	2	Amla	3	Anuppur
4	Ashoknagar	5	Badwani	6	Bairasnia
7	Bhind	8	Chanderi	9	Chaurai
10	Dabra	11	Datia	12	Dhar
13	Ganjbasoda	14	Gohad	15	Guna
16	Harda	17	Hatta	18	Khachrod
19	Kotma	20	Mahidpur	21	Mandsaur
22	Multai	23	Narsingarh	24	Neemuch
25	Pithampur	26	Porsa	27	Raghogarh
28	Raisen	29	Sanawad	30	Sarangpur
31	Sarani	32	Saunsar	33	Seoni
34	Seoni malwa	35	Vidisha		
Nagar Parishads					
1	Alot	2	Babai	3	Badarwas
4	Baldeogarh	5	Banda	6	Baraud
7	Boda	8	Chachorabeenaganj	9	Chhanera
10	Churhat	11	Dahi	12	Dhamnod
13	Diken	14	Gadhimalhara	15	Gormi
16	Hanumana	17	Harrai	18	Hattod
19	Jaisingnagar	20	Jaitwara	21	Jawar
22	Kaimor	23	Kanad	24	Karera
25	Khajuraho	26	Khaniadhana	27	Khategaon
28	Kolaras	29	Kothari	30	Kothi
31	Kuchhi	32	Kukdeshwar	33	Lanji
34	Malhargarh	35	Nagori	36	Naraingarh
37	Narwar	38	Niwas	39	Oedullanganj
40	Pansemal	41	Patharia	42	Polaykala
43	Rajpur	44	Rampura	45	Sardarpur
46	Sitamau	47	Uchehra	48	Unhel

Appendix 4.3

(Reference: Paragraph 4.9, page 44)

Non preparation of bank reconciliation statement

(₹ in lakh)

Sl. No.	Name of Units	Balance as per Bank Pass book as on 31.3.14	Balance as per Cash book as on 31.3.14	Difference, where bank balance is more (+) than cash book balance	Difference where bank balance is less (-) than cash book balance
Municipal Corporations					
1	Khandwa	2723.45	2341.25	382.20	-
2	Ratlam	30.40	417.64	-	-387.24
3	Dewas	3543.98	3504.18	39.80	-
	Total	6297.83	6263.07	422.00	-387.24
Municipal Councils					
4	Bairasia	168.51	135.39	33.12	-
5	Annuppur	645.25	512.79	132.46	-
		46.17	138.07		-91.90
6	Badwani	408.28	387.75	20.53	-
7	Amla	142.93	183.84	-	-40.91
8	Saunsar	605.36	582.41	22.95	-
9	Chanderi	195.69	90.49	105.20	-
10	Bhind	2398.67	2143.68	254.99	-
11	Mandsaur	713.33	2382.32	-	-1668.99
12	Dabra	280.42	262.36	18.06	-
	Total	5604.61	6819.10	587.31	-1801.80
Nagar Parishads					
13	Patharia	232.39	215.74	16.65	-
14	Niwas	101.14	55.11	46.03	-
15	Rajpur	342.46	211.74	130.72	-
16	Jawar	131.88	130.26	1.62	-
17	Khategaon	78.26	75.17	3.09	-
18	Karerla	145.18	113.53	31.65	-
19	Babai	9.87	9.68	0.19	-
20	Harrai	334.28	298.39	35.89	-
21	Banda	344.35	305.36	38.99	-
		2.61	3.96	-	-1.35
22	Chachora beenaganj	377.98	319.77	58.21	-
		65.22	65.84	-	-0.62
23	Kothari	57.80	61.07	-	-3.27
24	Rampura	73.57	82.55	-	-8.98
25	Hattod	45.33	33.82	11.51	-
26	Alot	98.91	88.62	10.29	-
27	Hanumana	433.02	416.43	16.59	-
		6.36	6.59	-	-0.23
28	Narwar	183.98	172.87	11.11	-
29	Kanad	108.57	63.20	45.37	-
30	Baraud	32.40	33.09	-	-0.69
		10.29	7.30	2.99	-
	Total	3215.85	2770.09	460.90	-15.14
	Grand Total	15118.29	15852.26	1470.21	-2204.18

Appendix 4.4

(Reference: Paragraph 4.10, page 44)

Statement showing non-collection of Tax Revenue (Property tax, composite tax, education cess, city development cess, show tax)

(₹ in lakh)

Sl. No.	Name of Units	Arrears of previous years	Demand raised during 2013-14	Total	Total tax collected as of March 2013-14	Amount of unrealised tax (as on 31.03.2014)
Municipal Corporations						
1	Khandwa	187.04	378.48	565.52	308.79	256.73
2	Ratlam	385.3	421.75	807.05	452.83	354.22
3	Burhanpur	418.27	139.53	557.8	139.56	418.24
4	Dewas	824.89	842.77	1667.66	985.04	682.62
5	Bhopal	2843.44	5219.28	8062.72	6699.37	1363.35
6	Jabalpur	6002.33	4058.13	10060.46	4109.19	5951.27
Total		10661.27	11059.94	21721.21	12694.78	9026.43
Municipal Councils						
7	Anuppur	18.91	6.4	25.31	8.41	16.9
8	Hatta	41.2	20.64	61.84	27.05	34.79
9	Multai	25.62	27.08	52.7	27.84	24.86
10	Raghogarh	126.63	138.00	264.63	137.67	126.96
11	Pithampur	154.74	368.25	522.99	500.03	22.96
12	Dhar	44.00	53.30	97.30	70.80	26.50
13	Kotma	34.36	20.83	55.19	14.61	40.58
14	Badwani	30.04	39.08	69.12	38.59	30.53
15	Sarni	29.28	60.8	90.08	56.83	33.25
16	Porsa	93.77	14.48	108.25	4.77	103.48
17	Seonimalwa	4.16	11.00	15.16	16.68	-1.52
18	Sanawad	24.48	39.39	63.87	35.83	28.04
19	Amla	3.68	13.57	17.25	13.28	3.97
20	Gohad	105.09	8.21	113.3	3.15	110.15
21	Saunsar	48.27	25.87	74.14	27.35	46.79
22	Seoni	139.17	83.44	222.61	121.43	101.18
23	Vidisha	236.89	148.6	385.49	144.4	241.09
24	Chaurai	46.27	9.49	55.76	11.32	44.44
25	Datia	166.26	29.00	195.26	9.00	186.26
26	Chanderi	34.65	16.15	50.8	16.9	33.9
27	Ganjbasoda	111.58	49.86	161.44	52.78	108.66
28	Harda	28.44	65.8	94.24	65.19	29.05
29	Mahidpur	26.18	8.57	34.75	14.02	20.73
30	Khachrod	17.56	17.69	35.25	24.87	10.38
31	Agar	10.71	16.35	27.06	19.79	7.27
32	Ashoknagar	19.41	35.5	54.91	35.17	19.74
33	Sarangpur	9.64	12.01	21.65	9.76	11.89
34	Raisen	81.23	24.12	105.35	17.3	88.05
35	Neemuch	245.76	85.71	331.47	140.31	191.16
36	Dabra	149.09	33.5	182.59	44.53	138.06
Total		2107.07	1482.69	3589.76	1709.66	1880.10

Sl No.	Name of Units	Arrears of previous years	Demand raised during 2013-14	Total	Total tax collected as of March 2013-14	Amount of unrealised tax (as on 31.03.2014)
Nagar Parishads						
37	Nagari	3.71	5.56	9.27	6.50	2.77
38	Patharia	16.38	5.70	22.08	3.11	18.97
39	Niwas	2.64	3.06	5.70	1.56	4.14
40	Khaniyadhana	28.31	4.82	33.13	1.89	31.24
41	Jaisinghnagar	7.79	6.59	14.38	6.77	7.61
42	Kothi	4.12	2.83	6.95	1.80	5.15
43	Rajpur	7.86	7.06	14.92	10.74	4.18
44	Pansemal	5.38	16.85	22.23	17.89	4.34
45	Jawar	14.01	5.77	19.78	4.00	15.78
46	Khategaon	11.07	10.13	21.20	14.59	6.61
47	Dikken	1.96	7.36	9.32	4.90	4.42
48	Unhel	13.32	10.41	23.73	7.24	16.49
49	Karerla	9.11	13.5	22.61	9.28	13.33
50	Jaitwara	40.09	6.63	46.72	3.16	43.56
51	Babai	30.35	12.44	42.79	8.14	34.65
52	Harrai	15.78	5.62	21.40	4.22	17.18
53	Banda	43.56	24.95	68.51	20.38	48.13
54	Obedulaganj	13.17	15.62	28.79	6.43	22.36
55	Chhanera	41.35	12.7	54.05	13.97	40.08
56	Kaimor	17.07	121.23	138.30	95.10	43.20
57	Gormi	65.92	10.1	76.02	6.8	69.22
58	Kolaras	39.82	13.02	52.84	8.14	44.7
59	Badarwas	30.10	4.70	34.80	3.89	30.91
60	Chachaura beenaganj	47.90	5.79	53.69	19.15	34.54
61	Kothari	12.55	10.20	22.75	4.24	18.51
62	Rampura	11.80	7.65	19.45	13.97	5.48
63	Kukdeshwar	2.13	6.44	8.57	5.45	3.12
64	Hatod	8.18	5.44	13.62	7.45	6.17
65	Dhamnod	3.32	3.76	7.08	4.51	2.57
66	Alot	6.30	18.73	25.03	2.87	22.16
67	Lanji	6.77	11.80	18.57	3.83	14.74
68	Churhat	31.83	10.65	42.48	13.21	29.27
69	Hanumana	30.89	11.48	42.37	7.66	34.71
70	Narayngarh	3.6	4.86	8.46	5.12	3.34
71	Malhargarh	1.12	6.25	7.37	6.18	1.19
72	Khajuraho	24.82	25.87	50.69	31.65	19.04
73	Gadhimalhara	31.67	3.75	35.42	2.83	32.59
74	Kuchhi	13.17	19.37	32.54	11.12	21.42
75	Dahi	6.98	3.62	10.60	2.08	8.52
76	Kanad	9.02	3.76	12.78	7.78	5.00
77	Baraud	12.86	9.47	22.33	9.74	12.59
Total		727.78	495.54	1223.32	419.34	803.98
Grand Total		13496.12	13038.17	26534.29	14823.78	11710.51

Appendix-4.5

(Reference: Paragraph 4.10, page 44)

Statement showing details of non-collection of rent and premium.

(₹in lakh)

Sl. No.	Name of Units	Outstanding premium of allotted shops	Outstanding rent of allotted shops	Total (as on 31.03.2014)
Municipal Corporations				
1	Khandwa	114.86	33.84	148.70
2	Ratlam	0	50.53	50.53
3	Dewas	2.15	6.87	9.02
4	Bhopal	428.18	6.22	434.40
5	Jabalpur	0	144.89	144.89
	Total	545.19	242.35	787.54
Municipal Councils				
6	Hatta	20.91	0	20.91
7	Multai	0	9.96	9.96
8	Badwani	198.64	0	198.64
9	Porsa	0	5.62	5.62
10	Seonimalwa	31.74	0	31.74
11	Saunsar	4.18	0	4.18
12	Vidisha	0	3.76	3.76
13	Chanderi	10.87	0	10.87
14	Harda	91.48	12.06	103.54
15	Mahidpur	24.87	10.25	35.12
16	Sarangpur	3.84	0	3.84
17	Raisen	14.55	1.65	16.20
18	Mandsaur	48.72	42.42	91.14
	Total	449.80	85.72	535.52
Nagar Parishads				
19	Jaisinghnagar	0	13.41	13.41
20	Khategaon	0	0.84	0.84
21	Diken	0	0.11	0.11
22	Unhel	0	0.49	0.49
23	Jaitwara	1.22	0	1.22
24	Harrai	7.30	7.08	14.38
25	Banda	5.58	6.97	12.55
26	Chhanera	0	29.96	29.96
27	Badarwas	0	0.04	0.04
28	Chachorabeenaganj	0	5.20	5.20
29	Khajuraho	2.94	2.46	5.40
30	Polaykala	0	0.37	0.37
31	Kuchhi	28.16	28.57	56.73
32	Kanad	0	6.28	6.28
	Total	45.20	101.78	146.98
	Grand Total	1040.19	429.85	1470.04

Appendix-4.6

(Reference: Paragraph 4.10, page 44)

Statement showing details of non-tax revenue (water charges) not realised

(₹ in lakh)

Sl. No.	Name of Units	Arrears of previous years	Demand raised during 2013-14	Total	Total tax collected (as of March 2014)	Amount of uncollected tax as on 31 March 2014
Municipal Corporations						
1	Khandwa	150.99	423.16	574.15	361.39	212.76
2	Ratlam	441.91	389.40	831.31	270.00	561.31
3	Burhanpur	262.15	87.92	350.07	61.78	288.29
4	Dewas	294.57	459.00	753.57	341.6	411.97
5	Bhopal	2247.10	6475.27	8722.37	6708.19	2014.18
6	Ujjain	974.76	1006.75	1981.51	563.22	1418.29
7	Jabalpur	9455.45	2094.00	11549.45	1131.25	10418.20
Total		13826.93	10935.50	24762.43	9437.43	15325.00
Municipal Councils						
8	Anuppur	8.71	11.85	20.56	9.05	11.51
9	Hatta	7.50	20.44	27.94	17.59	10.35
10	Multai	23.29	24.57	47.86	28.47	19.39
11	Raghogarh	74.61	140.00	214.61	139.15	75.46
12	Pithampur	27.13	42.71	69.84	52.61	17.23
13	Dhar	4.00	6.50	10.50	6.76	3.74
14	Kotma	5.31	34.83	40.14	23.08	17.06
15	Badwani	118.50	85.30	203.80	86.21	117.59
16	Sarni	0.45	1.65	2.10	1.72	0.38
17	Porsa	60.57	16.53	77.10	19.28	57.82
18	Seonimalwa	19.49	25.55	45.04	24.30	20.74
19	Sanawad	19.62	39.47	59.09	33.82	25.27
20	Amla	3.64	12.56	16.20	11.92	4.28
21	Gohad	26.21	17.54	43.75	13.88	29.87
22	Saunsar	30.01	20.84	50.85	21.76	29.09
23	Seoni	128.73	94.98	223.71	134.99	88.72
24	Vidisha	418.71	132.21	550.92	103.56	447.36
25	Chaurai	13.55	7.50	21.05	4.94	16.11
26	Datia	274.76	69.00	343.76	33.70	310.06
27	Chanderi	6.19	10.15	16.34	10.47	05.87
28	Ganjbasoda	73.27	36.55	109.82	27.83	81.99
29	Harda	55.80	116.69	172.49	119.11	53.38
30	Mahidpur	22.35	31.45	53.80	37.92	15.88
31	Khachrod	37.42	40.44	77.86	37.99	39.87
32	Agar	26.32	55.50	81.82	54.28	27.54
33	Ashoknagar	35.47	74.61	110.08	45.15	64.93
34	Sarangpur	38.79	52.78	91.57	38.40	53.17
35	Raisen	23.93	31.92	55.85	26.64	29.21
36	Neemuch	191.78	72.77	264.55	62.48	202.07
37	Dabra	116.55	18.00	134.55	18.19	116.36
Total		1892.66	1344.89	3237.55	1245.25	1992.30

Sl. No.	Name of Units	Arrears of previous years	Demand raised during 2013-14	Total	Total tax collected (as of March 2014)	Amount of uncollected tax as on 31 March 2014
Nagar Parishad						
38	Nagari	0.14	3.51	3.65	3.31	0.34
39	Patharia	2.49	2.58	5.07	1.91	3.16
40	Niwas	2.76	3.72	6.48	4.78	1.70
41	Khaniyadhana	19.07	7.51	26.58	5.00	21.58
42	Jaisinghnagar	14.91	6.86	21.77	7.43	14.34
43	Kothi	1.16	5.10	6.26	4.89	1.37
44	Rajpur	13.80	18.10	31.90	20.51	11.39
45	Pansemal	5.26	16.64	21.90	18.53	3.37
46	Jawar	1.67	2.34	4.01	2.25	1.76
47	Khategaon	8.26	22.95	31.21	20.80	10.41
48	Dikken	0.34	3.43	3.77	2.74	1.03
49	Unhel	2.83	7.72	10.55	8.25	2.30
50	Karerwa	20.67	16.17	36.84	15.19	21.65
51	Jaitwara	4.10	3.22	7.32	2.95	4.37
52	Babai	17.89	6.81	24.70	3.60	21.10
53	Harrai	8.74	5.46	14.20	2.53	11.67
54	Banda	12.89	19.76	32.65	18.73	13.92
55	Obedulaganj	20.27	26.18	46.45	10.58	35.87
56	Chhanera	20.33	7.85	28.18	5.10	23.08
57	Kaimor	2.84	17.16	20.00	14.14	5.86
58	Gormi	14.77	16.87	31.64	11.37	20.27
59	Kolaras	32.9	28.54	61.44	15.87	45.57
60	Badarwas	2.63	2.20	4.83	1.22	3.61
61	Chachaura beenaganj	30.22	25.47	55.69	5.27	50.42
62	Kothari	2.76	1.33	4.09	0.32	3.77
63	Rampura	3.56	18.57	22.13	19.44	2.69
64	Kukdeshwar	3.68	3.93	7.61	3.55	4.06
65	Hatod	7.92	7.15	15.07	12.12	2.95
66	Dhamnod	1.97	2.40	4.37	2.92	1.45
67	Alot	5.78	19.38	25.16	2.75	22.41
68	Lanji	7.79	64.19	71.98	61.41	10.57
69	Churhat	15.18	3.17	18.35	3.99	14.36
70	Hanumana	1.14	3.44	4.58	1.97	2.61
71	Narayngarh	2.66	8.84	11.50	7.94	3.56
72	Malhargarh	1.20	8.83	10.03	8.37	1.66
73	Khajuraho	14.87	11.33	26.20	14.63	11.57
74	Gadhi Malhara	10.33	5.92	16.25	5.14	11.11
75	Kukchhi	41.98	43.37	85.35	29.13	56.22
76	Dahi	7.05	3.87	10.92	2.34	8.58
77	Kanad	7.26	6.67	13.93	10.84	3.09
78	Baraud	7.19	9.68	16.87	9.03	7.84
Total		403.26	498.22	901.48	402.84	498.64
Grand Total		16122.85	12778.61	28901.46	11085.52	17815.94

Appendix-4.7

(Reference: Paragraph 4.11, page 45)

Details of non-adjustment of temporary advance

(₹ in lakh)

Sl. No.	Name of the units	Unadjusted amount as on 31.03.2014
Municipal Corporations		
1	Khandwa	0.80
2	Ratlam	35.56
3	Burhanpur	0.64
4	Dewas	11.97
5	Bhopal	20.78
6	Ujjain	116.13
Total		185.88
Municipal Councils		
7	Anuppur	0.72
8	Dhar	5.26
9	Kotma	0.78
10	Badwani	4.93
11	Sarni	0.53
12	Saunsar	0.38
13	Harda	36.48
14	Mahidpur	1.16
15	Agar	1.86
16	Bhind	5.44
17	Guna	3.47
18	Dabra	2.21
Total		63.22
Nagar Parishads		
19	Nagari	0.13
20	Patharia	0.69
21	Jaisinghnagar	1.61
22	Rajpur	6.66
23	Jawar	0.86
24	Harrai	4.90
25	Chhanera	4.00
26	Kaimor	18.65
27	Lanji	0.06
28	Churhat	0.36
29	Hanumana	0.04
30	Sitamau	1.70
31	Narayngarh	1.66
32	Gadhimalhara	1.13
33	Kukcchi	3.82
34	Narwar	1.54
Total		47.81
Grand Total		296.91

Appendix-4.8

(Reference: Paragraph 4.12.2, page 47)

Statement showing interest payable by the State to ULBs for delay released of ThFC grant.**Drawl and distribution of ThFC Grant by UADD to ULBs** ₹ in lakh)

Year	Grants released by GoI			Drawl by UADD		Distributed to ULBs		Total days of Delay released	Actual delay except 10 days	Interest at the rate of 9per cent ¹ per annum
	Instalment	Date	Amount	Date	Amount	Date	Amount			
2015-16	GPG 1st	25.03.15	10759.09	19.04.15	10759.09	19.04.15	10759.09	24	14	37.14
2013-14	SAPG 1st	06.08.13	197.00	03.09.13	197.00	03.09.13	197.00	27	17	0.82
2015-16	SAPG 1st	31.03.15	187.18	19.04.15	187.18	19.04.15	187.18	18	08	0.36
	Total		11143.27		11143.27		11143.27			38.32
2010-11	GBG 1st	14.07.10	6955.00	23.08.10	6955.00	23.08.10	6955.00	39	29	49.73
2011-12	GBG 1st	06.07.11	8710.00	11.08.11	8710.00	11.08.11	8710.00	35	25	53.69
2015-16	GBG 1st	25.03.15	12488.29	19.04.15	12488.29	19.04.15	12488.29	24	14	43.11
	Total		28153.29		28153.29		28153.29			146.53
2010-11	SABG1st	15.07.10	197.10	23.08.10	197.10	23.08.10	197.10	38	28	1.36
	SABG 2nd	29.03.11	157.00	20.04.11	157.10	20.04.11	157.10	21	11	0.43
2011-12	SABG 2nd	03.09.12	197.00	27.09.12	197.00	27.09.12	197.00	23	13	0.63
2013-14	SABG 1st	30.08.13	423.29	12.03.14	197.00	12.03.14	197.00	193	183	8.89
				27.03.14	197.00	27.03.14	197.00	208	198	9.62
				26.03.14	29.29	26.03.14	29.29	207	197	1.42
2014-15	SABG 1st	25.03.15	167.71	19.04.15	167.71	19.04.15	167.71	24	14	0.57
	Total		1142.10		1142.20		1142.20			22.92
	Grand Total		40438.66		40438.76		40438.76			207.77
										₹ 207.77 lakh i.e. ₹ 2.08 crore

(Source: Information provided by UADD)

¹ Interest was calculated by audit as per same rate of interest adopted by Finance Department of State Government

Appendix-5.1

(Reference: Paragraph 5.1.1 and 5.1.6, page 50 and 52)

Details of the IHSDP projects executed in ULBs

(₹ in lakh)

Sl. No.	ULBs/ Projects	Sanction Date	Sanction Year	Duration for completion of project (in months)	Sanctioned Project Cost	Fund allotted to SLNA	Expenditure (March 2015)	Dwelling Units					Status of the projects
								San.	Surrende red	Completed	Incomplete	Allotted	
1	Barela	02/02/2007	2006-07	24	225.47	205.95	120.64	120	40	80	0	0	Incomplete
2	Balaghat	14/12/2006	2006-07	24	1297.95	480.85	0	966	966	0	0	0	Surrendered
3	Berasia	14/12/2006	2006-07	24	174.8	74.68	11.86	160	152	8	0	0	Incomplete
4	Damoh	14/12/2006	2006-07	24	229.83	144.18	105.86	104	67	32	5	20	Incomplete
5	Dewas-I	14/12/2006	2006-07	24	1715.32	613.11	1434.61	1216	608	608	0	0	Incomplete
6	Dewas-II	14/12/2006	2006-07		1932.57	688.93	237.63	1384	1196	128	60	0	Incomplete
7	Depalpur	02/02/2007	2006-07	24	399.81	364.86	339.48	96	0	96	0	39	Complete
8	Ganjbasoda	28/09/2006	2006-07	24	170.51	149.29	187.45	110	0	110	0	109	Complete
9	Gwalior	29/12/2006	2006-07	24	5362.02	3646.44	4222.08	4576	1248	1385	1943	1291	Incomplete
10	Katni	02/02/2007	2006-07	24	2918.14	2290.27	1971.48	2182	682	1000	500	271	Incomplete
11	Khandwa-I	29/12/2006	2006-07	24	1738.39	1102.75	2345.55	1296	192	833	271	0	Incomplete
12	Khandwa-II	29/12/2006	2006-07		1073.96	377.00	0	812	812	0	0	0	Surrendered
13	hujner	02/02/2007	2006-07	24	241.25	215.59	213.70	100	0	100	0	20	Compete
14	Kurwai	14/12/2006	2006-07	24	95.91	41.61	41.52	48	36	12	0	0	Incomplete
15	Lateri	28/09/2006	2006-07	24	44.87	39.70	44.87	Infra.	0	0	0	0	Complete
16	Majholi	02/02/2007	2006-07	24	215.31	143.50	136.90	140	50	90	0	0	Incomplete
17	Narsinghpur	02/02/2007	2006-07	24	839.88	670.60	1008.66	651	126	305	220	133	Incomplete
18	Pansemal	02/02/2007	2006-07	24	293.87	236.18	337.41	128	0	128	0	128	Compete
19	Patan	02/02/2007	2006-07	24	227.52	101.25	28.88	120	97	13	10	0	Incomplete
20	Shahpura	02/02/2007	2006-07	24	153.89	66.65	42.26	104	49	49	6	0	Incomplete
21	Sironj	28/09/2006	2006-07	24	160.95	140.75	179.34	114	0	114	0	41	Compete
22	Sironj	27/02/2007	2006-07		18.89	17.00	23.37	Infra	0	0	0	0	Complete
23	Vidisha	28/09/2006	2006-07	24	184.98	147.15	243.09	217	0	217	0	179	Complete
24	Betma	18/05/2007	2007-08	18	313.94	258.01	414.03	96	0	96	0	50	Complete
25	Burhanpur	27/12/2007	2007-08	18	1365.85	536.09	778.13	833	615	218	0	0	Complete
26	Gautampura	18/05/2007	2007-08	18	395.70	325.65	338.28	96	0	96	0	54	Complete

Sl. No.	ULBs/ Projects	Sanction Date	Sanction Year	Duration for completion of project (in months)	Sanctioned Project Cost	Fund allotted to SLNA	Expenditure (March 2015)	Dwelling Units					Status of the projects
								San.	Surrend ered	Comple ted	Incomple te	Allotted	
27	Hoshangabad	10/10/2007	2007-08	12	517.55	416.97	560.00	297	1	296	0	168	Complete
28	Itarsi	21/08/2007	2007-08	18	363.53	277.87	177.81	153	0	0	153	0	Incomplete
29	Jaora	27/12/2007	2007-08	12	247.73	149.36	217.15	167	67	100	0	95	Incomplete
30	Katangi	18/05/2007	2007-08	18	249.98	111.06	130.90	160	54	22	84	0	Incomplete
31	Mandideep	26/09/2007	2007-08	18	330.59	132.18	0	202	202	0	0	0	Surrendered
32	Orchha	19/10/2007	2007-08	12	344.73	142.98	0	274	274	0	0	0	Surrendered
33	Petlavad	18/05/2007	2007-08	18	342.33	304.26	388.23	240	46	194	0	110	Complete
34	Chhindwara	28/02/2009	2008-09	15	742	597.46	812.76	500	180	288	32	99	Incomplete
35	Mohgaon	28/02/2009	2008-09	18	616.38	253.31	298.66	267	130	137	0	0	Incomplete
36	Sagar	28/2/2009	2008-09	15	777.07	617.41	796.23	480	40	360	80	0	Incomplete
37	Sausar	28/02/2009	2008-09	15	712.52	546.23	575.53	461	191	250	20	79	Incomplete
38	Chandameta	08/02/2010	2009-10	15	676.17	241.53	0	212	212	0	0	0	Surrendered
39	Harrai	08/2/2010	2009-10	15	399	113.02	71.00	139	91	0	48	0	Incomplete
40	Khargone	22/02/2010	2009-10	15	491	293.44	388.66	200	0	184	16	0	Incomplete
41	Mandsaur	22/02/2010	2009-10	15	1250	737.10	1255.00	500	0	104	396	104	Incomplete
42	Rewa	22/02/2010	2009-10	15	667.49	219.45	589.16	248	0	156	92	0	Incomplete
43	Satna	22/02/2010	2009-10	15	733.01	450.10	749.52	270	0	154	116	0	Incomplete
44	Singroli	22/02/2010	2009-10	15	733.33	230.68	749.52	300	0	254	46	100	Incomplete
45	Amarwara	30/03/2011	2010-11	15	657.01	214.78	50.24	274	88	0	186	0	Incomplete
46	Diken	28/03/2011	2010-11	15	381.84	239.03	263.82	124	0	124	0	0	Complete
47	Jeerapur	30/03/2011	2010-11	15	400	241.78	210.70	145	0	42	103	0	Incomplete
48	Mahidpur	28/03/2011	2010-11	15	838.40	333.62	0	441	441	0	0	0	Surrendered
49	Singoli	28/03/2011	2010-11	15	368.79	230.68	270.93	120	0	120	0	79	Complete
50	Chaurai	27/04/2011	2011-12	15	573.47	223.81	41.27	266	250	0	16	0	Incomplete
51	Jeeran	10/06/2011	2011-12	15	377.20	234.07	308.56	126	0	78	48	0	Incomplete
52	Malhargarh	13/03/2012	2011-12	15	440	258.14	26.68	144	0	0	144	0	Incomplete
53	Padhurna	27/04/2011	2011-12	15	300.04	210.58	295.52	140	0	87	53	58	Incomplete
54	Pipliyamandi	28/03/2012	2011-12	18	273	170.39	174.50	88	0	8	80	0	Incomplete
55	Ratangarh	10/06/2011	2011-12	15	417.78	274.00	290.95	135	0	90	45	0	Incomplete
56	Tendukheda	28/02/2012	2011-12	12	675	206.88	0	256	0	0	256	0	Incomplete
					37688.52	21750.21	24500.38	22998	9203	8766	5029	3227	

(Source: Test checked ULBs)

Appendix-5.2

(Reference: Paragraph 5.1.6, page 53)

Statement showing incomplete infrastructure works

(₹in lakh)

Sl. No.	Name of ULBs	Sanctioned DU*s	Completed DUs	Allotted DUs	Name of Infrastructure Work	Sanctioned Cost	Expenditure incurred
1	Burhanpur	218	218	0	WBM Road	80.46	7.66
					C.C Road	204.14	0
					RCC Drain	125.10	0
					Multipurpose hall	30.06	0
					Electric Polls and street light	24.94	0
					Sump well and G.I. pipe line.	16.79	0
					Tube Well	23.62	0
2	Depalpur	96	96	39	CC road and drains	334.21	126.87
3	Diken	124	124	0	Man Hole, Septic Tank and Sewer Line	17.84	17.12
					Over Head Tank	6.00	0
					Jogging Path	2.88	0
					Open area development	11.48	0
					Livelihood centre	12.48	0
					Street light	6.33	0
4	Khujner	100	100	20	Community Hall	6.53	6.00
5	Mohgaon	137	137	0	Container/Dustbeens	0.65	0
					Open area development	39.16	0
					Transformer	6.00	0
					Community Hall	54.26	0
					Street light and poll erection	22.75	0
					RCC Culverts	21.13	0
					Septic Tank	1.21	0
					Sewer line	5.69	0
					Bore well	5.37	0
					Livelihood Centre	18.09	0
6	Petlavad	194	194	110	BT Road	35.46	32.37
7	Singoli	120	120	79	Community Hall	41.83	15.00
					Sewer Line and Septic Tank	17.18	20.95
					Over Head Tank	6.00	0
					Open area development	9.98	0
					Livelihood center	12.45	0
	Total	989	989	248		1200.07	225.97

(Source: Test checked ULBs)

* After surrender, if any

Appendix-5.3

(Reference: Paragraph 5.1.7.2, page 54)

Statement of Short release of Central Assistance

Sl. No.	Name of ULB	Status of released of Central Share			<i>(₹ in lakh)</i>
		Received to State	Released by State to ULBs	Short release	
1	Barela	179.80	134.85	44.95	
2	Berasia	67.52	30.53	36.99	
3	Dewas	622.22	278.23	343.99	
4	Harrai	99.13	49.57	49.56	
5	Kurvai	36.50	27.23	9.27	
6	Petlavad	273.86	244.42	29.44	
7	Ratangarh	244.91	232.75	12.16	
Total		1523.94	997.58	526.36	

(Source: Information furnished by UADD)

Appendix-5.4

(Reference: Paragraph 5.1.7.2, page 55)
Statement of Short release of State share

(₹ in lakh)

Sl. No.	Name of ULBs	State share to be released					Actual State share Released	Short Release of State share
		Project Cost Housing	8 % there of	Infra. Develop- ment	10 % of Infra. Develop- ment	Total State share to be released		
1	Amarwada	453.74	36.30	203.27	20.33	56.63	23.87	32.76
2	Bairasiya	134.01	10.72	40.79	4.08	14.80	7.16	7.64
3	Burhanpur	826.13	66.09	539.72	53.97	120.06	53.64	66.42
4	Chaurai	342.11	27.37	231.36	23.14	50.51	24.87	25.64
5	Damoh	94.64	7.57	135.19	13.52	21.09	17.16	3.93
6	Dewas-I	1304.05	104.32	411.27	41.13	145.45	59.48	85.97
7	Dewas-II	1484.22	118.74	448.35	44.83	163.57	66.71	96.86
8	Diken	210.80	16.86	171.04	17.10	33.96	26.60	7.36
9	Gwalior	4440.17	355.20	921.85	92.18	447.38	346.94	100.44
10	Haarai	230.18	18.41	108.82	10.88	29.29	13.89	15.40
11	Hoshangabad	286.11	22.89	231.44	23.14	46.03	42.54	3.49
12	Itarsi	140.15	11.21	223.38	22.34	33.55	28.92	4.63
13	Katangi	121.60	9.73	128.38	12.84	22.57	11.50	11.07
14	Katani	1795.16	143.61	1122.98	112.29	255.90	228.60	27.30
15	Kurwai	39.36	3.15	56.55	5.65	8.80	5.11	3.69
16	Jaora	164.13	13.13	83.60	8.36	21.49	19.04	2.45
17	Jiran	214.20	17.14	163.00	16.30	33.44	26.00	7.44
18	Jirapur	246.50	19.72	153.50	15.53	35.07	26.87	8.20
19	Khandwa-I	1390.74	111.26	347.65	34.76	146.02	105.94	40.08
20	Khargone	324.00	25.92	167.00	16.70	42.62	36.84	5.78
21	Majhouli	112.00	8.96	103.31	10.33	19.29	14.74	4.55
22	Malhargarh	264.96	21.20	174.70	17.47	38.67	28.68	9.99
23	Mandsour	810.00	64.80	440.00	44.00	108.80	81.90	26.90
24	Mohgaon	320.13	25.61	296.25	29.63	55.23	28.35	26.88
25	Narsingpur	499.40	39.95	340.48	34.05	74.00	67.32	6.68
26	Pandhurna	180.07	14.40	119.18	12.00	26.40	23.41	2.99
27	Patan	91.20	7.30	136.32	13.63	20.93	10.67	10.26
28	Ratangarh	229.50	18.36	188.28	18.83	37.19	29.09	8.10
29	Rewa	434.00	34.72	233.49	23.35	58.07	27.07	31.00
30	Satna	447.12	35.77	285.89	28.59	64.36	50.22	14.14
31	Shahpura	87.11	6.97	66.78	6.68	13.65	6.66	6.99
32	Singrouli	496.80	39.74	236.53	23.65	63.39	48.46	14.93
33	Singoli	204.00	16.32	164.79	16.48	32.80	25.63	7.17
34	Sousar	499.26	39.94	213.26	21.33	61.27	61.05	0.22
35	Tendukheda	471.04	37.68	203.68	20.37	58.05	23.00	35.05
	Total	19388.59	1551.06	9092.08	909.46	2460.33	1697.93	762.40

(Source: Information furnished by UADD)

Appendix-5.5

(Reference: paragraph 5.1.7.4, page 56)

Details of surrendered DUs

(₹ in lakh)

Sl. No.	Name of ULBs	Sanction date	Cost of projects	Sanct. DUs	90 per cent of Project cost	Per unit cost of DUs given by GoI	Amt. released to ULBs	DUs surren- dered	Amt. to be taken back
1	Amarwara	30/03/2011	657.01	274	591.31	0.90	214.78(36)	88	28.51
2	Barela	2/2/2007	225.47	120	202.92	0.72	161.00(79)	40	22.75
3	Berasia	14/12/2006	174.80	160	157.32	0.72	67.52(43)	152	47.06
4	Burhanpur	27/12/2007	1365.85	833	1229.26	0.72	482.45(39)	615	172.69
5	Chhindwara	28/2/2009	742.00	500	667.80	0.90	597.46(89)	180	144.18
6	Chorai	27/4/2011	573.47	266	516.12	0.90	238.73(46)	250	103.50
7	Damoh	14/12/2006	229.83	104	206.85	0.72	141.18(69)	67	33.29
8	Dewas-I	14/12/2006	1715.32	1216	1543.79	0.72	613.11(40)	608	175.10
9	Dewas-II	14/12/2006	1932.57	1384	1739.31	0.72	316.53(18)	1196	155.00
10	Gwalior	12/29/2006	5362.02	4576	4825.82	0.72	3646.44(76)	1248	682.91
11	Harrai	8/2/2010	399.00	139	359.10	0.90	61.52(17)	91	13.92
12	Hoshangabad	19/10/2007	517.55	297	465.79	0.72	416.97(90)	1	0.65
13	Jaora	27/12/2007	247.73	167	222.96	0.72	152.97(69)	67	33.29
14	Katangi	18/05/2007	249.98	160	224.98	0.72	124.99(56)	54	21.77
15	Katni	2/2/2007	2918.14	2182	2626.33	0.72	2290.27(87)	682	427.20
16	Khandwa-I	29/12/2006	1738.39	1296	1564.55	0.72	1102.75(70)	192	96.76
17	Kurwai	14/12/2006	95.91	48	86.32	0.72	31.79(37)	36	9.59
18	Majholi	2/2/2007	215.31	140	193.78	0.72	143.50(74)	50	26.64
19	Mohgaon	28/2/2009	616.38	267	554.74	0.90	253.31(46)	130	53.82
20	Narsinghpur	2/2/2007	839.88	651	755.89	0.72	670.60(89)	126	80.74
21	Patan	2/2/2007	227.52	120	204.77	0.72	101.25(49)	97	34.22
22	Petlavad	18/05/2007	342.33	240	308.10	0.72	273.86(89)	46	29.48
23	Sagar	28/02/2009	777.07	480	699.36	0.90	549.61(79)	40	28.44
24	Sausar	28/2/2009	712.52	461	641.27	0.90	549.23(86)	191	147.83
25	Shahpura	2/2/2007	153.89	104	138.50	0.72	66.65(48)	49	16.93
Total			23029.94	16185	20726.94		13268.47	6296	2586.27

(Source: Information furnished by UADD)

Unit cost per DUs considered ₹ 0.80 before February 2009 thereafter ₹ one lakh is taken. 90 per cent cost of DUs was to be paid by GoI.

Appendix -5.6

(Reference: Paragraph 5.1.13, page 60)

Provision of Urban Poor Fund

(₹in lakh)

Name of ULB	2011-12		2012-13		2013-14		2014-15	
	Provision made for Urban Poor Fund	Expenditure against Provision						
Depalpur	46.16	NA	43.69	NA	-	NA	-	NA
Diken	NA	NA	NA	NA	115.99	NA	154.99	NA
Pandhurna	50.00	NA	5.00	NA	7.00	NA	7.00	NA

(Source: Concerned ULBs)