

Annual Technical Inspection Report
on
Panchayati Raj Institutions
and
Urban Local Bodies
for the year ended 31 March 2012

OFFICE OF THE ACCOUNTANT GENERAL (AUDIT) MANIPUR,
IMPHAL

Government of Manipur

Table of Contents

	<i>Reference to</i>	
	<i>Paragraph</i>	<i>Page</i>
Preface		v
Overview		vii
CHAPTER – I		
SECTION ‘A’		
AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS		
Background	1.1	1
State Profile	1.2	1
Organizational Structure of PRIs	1.3	2
Staffing Pattern of PRIs	1.4	3
Standing Committee	1.5	4
District Planning Committee	1.6	4
Financial Profile	1.7	5
Status of transfer of Funds, Functions and Functionaries	1.8	8
Audit Mandate	1.9	10
Audit Coverage	1.10	11
Conclusion	1.11	11
SECTION ‘B’		
FINANCIAL REPORTING		
Framework	1.12	12
Financial Reporting issues	1.13	12
CHAPTER – II		
IMPLEMENTATION OF SCHEMES IN PANCHAYATI RAJ INSTITUTIONS		
Repetition of work in the work programme	2.1	15
Withdrawal of money without presentation of bills and non-preparation of vouchers against payment	2.2	15
Inadmissible expenses out of TFC grants	2.3	16
Non-transfer of unutilized fund of SGRY scheme	2.4	16
Non-submission of vital records by GPs	2.5	17
Conclusion	2.6	17

CHAPTER–III		
SECTION ‘A’		
AN OVERVIEW OF URBAN LOCAL BODIES		
Introduction	3.1	19
Organizational Set up	3.2	20
Staffing pattern	3.3	21
Standing Committee	3.4	22
Annual Action Plan	3.5	22
Transfer of Funds, Functions and Functionaries to ULBs	3.6	22
Financial profile	3.7	22
Audit Mandate	3.8	24
Audit Coverage	3.9	24
Responses to audit observations	3.10	25
Conclusion	3.11	25
SECTION ‘B’		
FINANCIAL REPORTING		
Framework	3.12	26
Financial Reporting issues	3.13	26
Conclusion	3.14	28
CHAPTER–IV		
IMPLEMENTATION OF SCHEMES IN URBAN LOCAL BODIES		
Second State Finance Commission Award	4.1	29
Twelfth Finance Commission (TFC) Grant	4.2	30
Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	4.3	32
Drawal of money without presentation of bill	4.4	34
Retention of Cash	4.5	34
Delay in collection of Toll Tax	4.6	34
Short deposit and non-deposit of revenue collection	4.7	35
Cash payment for material component	4.8	35
Conclusion	4.9	36

APPENDICES

Appendix Number	Details	Page
I	PRIs-wise roles and responsibilities of Standing Committees	37
II	Activity Map for 16 line departments to be transferred to PRIs	38
III	List of Units audited during 2011-12	
	(A) Panchayati Raj Institutions	40
	(B) Urban Local Bodies	40
IV	Statement showing inadmissible expenditure out of TFC grants	41
V	Non-reconciliation of Cash Balances of two ULBs	42
VI	Details of expenses out of TFC grants	43
VII	Statement showing wage rate and man day generation	44
VIII	Statement showing expenses out of Urban Infrastructure Development Fund	45
IX	Statement showing delay in collection of Toll tax	46

PREFACE

The Report is prepared for submission to the Government of Manipur in terms of Technical Guidance and Support (TGS) on audit of accounts of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) under Section 20 (1) of C&AG's DPC Act, 1971, as entrusted by the State Government on the recommendation of the Eleventh Finance Commission (June 2002). Based on the recommendation of the Thirteenth Finance Commission the State Government has again entrusted audit of accounts of PRIs and ULBs as per standard terms and conditions of TG&S under Section 20(1) of C&AG's DPC Act, 1971 (February 2012).

2. *This is the fourth Annual Technical Inspection Report on PRIs and ULBs in the State of Manipur. This Annual Technical Inspection Report for the year 2011-12 is the consolidation of major audit findings arising out of audit of accounts of PRIs and ULBs conducted during the year 2011-12, as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the periods subsequent to 2011-12 have also been included, wherever necessary.*

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

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

OVERVIEW

This Report includes four Chapters. Chapters-I and III contain an overview, including financial reporting of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapters-II and IV contain audit observations on the PRIs and ULBs followed by recommendations. A summary of audit findings is given as under:

There was no uniformity in staffing pattern for Zilla Parishads (ZPs). Regarding Gram Panchayats, even though one post of Panchayat Secretary was sanctioned for each Gram Panchayat, there were only 114 Panchayat Secretaries against the existing 165 Gram Panchayats as of March 2012 in the State.

(Paragraph 1.4)

Under Sections 38 and 65 of the Manipur Panchayati Raj (MPR) Act, 1994, the Gram Panchayats and Zilla Parishads are required to constitute Standing Committees to perform the functions assigned to them. None of the PRIs, however, constituted Standing Committees.

(Paragraph 1.5)

Though DPCs were constituted in four valley districts they were not made functional as of March 2012.

(Paragraph 1.6)

Release of funds by the State Government to the PRIs during 2008-12 was lower than that recommended by the Second State Finance Commission (SSFC). The percentage of shortfall in release of funds ranged from 25 to 70 per cent.

(Paragraph 1.7.3)

Due to the non-transfer/partial transfer of funds, functions and functionaries, the PRIs could not function as institutions of local self-government.

(Paragraph 1.8)

Under the Manipur Panchayati Raj Act, 1994, Budget is required to be prepared by the PRIs. However, none of the 8 PRIs test-audited prepared Budget up to 2011-12 which was irregular.

(Paragraph 1.13.4)

Model Accounting Structure (MAS) for PRIs prescribed by the Ministry of Panchayati Raj (MoPR), Government of India in consultation with the C&AG of India was not adopted in any of the Gram Panchayats & Zilla Parishads.

(Paragraph 1.13.5)

Payment of ₹ 3 lakh made to the Beneficiary Secretary for construction of bazar shed at Yarou Bomdiar constituent area amounted to suspected misappropriation of funds.

(Paragraph 2.1)

Fund receipts amounting to ₹ 2.59 lakh under Twelfth Finance Commission (TFC) grant to meet expenses on water supply and sanitation, creation of

database and maintenance of accounts were utilised on inadmissible items, in violation of the provisions of the guidelines for utilization of TFC grants.

(Paragraph 2.3)

No officer/official was appointed, other than a Lower Divisional Clerk in each Nagar Panchayat/Small Town Committees as per Section 43(1) of Manipur Municipalities Act, 1994.

(Paragraph 3.3)

No Annual Action Plan was prepared in any of the test-checked ULBs. In the absence of such planning, the element of popular participation was compromised.

(Paragraph 3.5)

Though the ULBs were required to prepare their Budgets and maintain their accounts in the format as prescribed in the National Municipal Accounts Manual (NMAM) with appropriate codifications and classifications, neither the budget was prepared nor were the accounts prepared in the prescribed formats.

(Paragraph 3.13.1 & 3.13.2)

Procurements of a power tiller costing ₹ 1.20 lakh out of TFC grant for use in solid waste management was not utilised for the purpose for which it was procured.

(Paragraph 4.2.2)

Executive Officer, Sekmai NP made payment of ₹ 2.92 lakh out of TFC grants for creation of database and maintenance of accounts in double entry accounting system. On scrutiny, neither database was created nor was Double Entry Accounting system introduced in Sekmai Nagar Panchayat as of January 2012.

(Paragraph 4.2.5)

Diversion of SJSRY grant amounting to ₹ 13.28 lakh for payment of pay and allowances for general staff and honorarium to elected bodies of Imphal Municipal Council defeated the purpose of the scheme.

(Paragraph 4.3.2)

Payment of wages more than prescribed rate, to unskilled labourers by Imphal Municipal Council and Kumbi Nagar Panchayat under Swarna Jayanti Sahari Rozgar Yojana (SJSRY) resulted in excess payment of ₹ 1.28 lakh.

(Paragraph 4.3.3)

Due to short deposit and non-deposit of revenue collection by the Cashier of Imphal Municipal Council during 24.04.2010 to 31.03.2011 an amount of ₹ 1.61 lakh is suspected to be embezzled from the exchequer of Imphal Municipal Council.

(Paragraph 4.7)

CHAPTER-I

A. AN OVERVIEW OF PANCHAYATI RAJ INSTITUTIONS

B. FINANCIAL REPORTING

CHAPTER-I

Section 'A' An Overview of the Panchayati Raj Institutions

1.1 Background

The 73rd Constitutional Amendment Act marked a new era in the federal democratic set up of the country so far as it conferred constitutional status to the panchayats and recognized them as the Third Tier of Government. The Constitutional amendment provides for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice and implementation of 29 subjects listed in XI Schedule of the Constitution of India. The constitutional amendment established a system of uniform structure, holding of regular election, regular flow of funds through Finance Commissions *etc.* As a follow up, the States were required to entrust these bodies with such powers, and responsibilities so as to enable them to function as institutions of self-government. In particular, the Panchayati Raj Institutions (PRIs) were required to prepare plans and implement schemes for economic development and social justice, and perform functions including those enumerated in the Eleventh Schedule of the Constitution.

Post the 73rd Constitutional Amendment Act, 1992, the State enacted the Manipur Panchayati Raj (MPR) Act, 1994. A system of two-tier PRI system at the village and district levels was established in the State, and rules were framed to enable the PRIs to function as per the Constitutional mandate.

The two tier Panchayati Raj system envisaged in the Manipur Panchayati Raj Act, 1994 came into force with effect from 24 June 1994. The first general election to the Zilla Parishads and Gram Panchayats was held in 1997. Since then, general elections for the Panchayats have been held every five years, the latest one being in September 2012.

1.2 State Profile

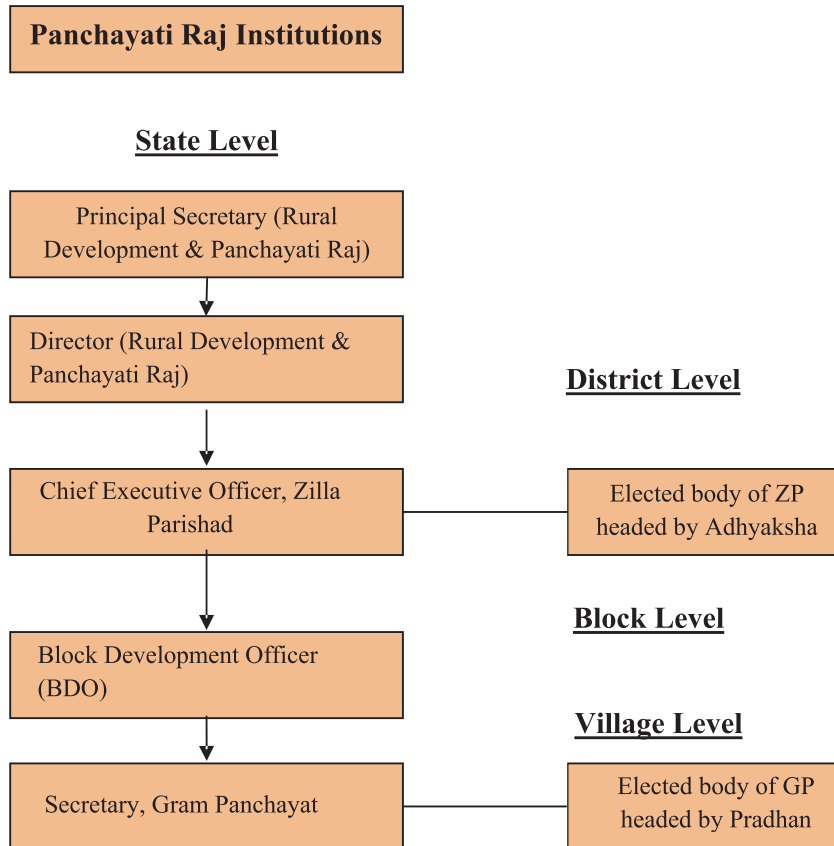
Manipur is situated in the North East part of India. The State covers an area of 22,327 sq. km. with a population of 27.21 lakh (2011 census). The State has 9 districts, of which 5 districts are located in the hill areas and 4 districts are spread out in the valley. As against decadal growth of 17.6 *per cent* at national level, the population of the State has grown by 18.65 *per cent* in the decade of 2001-2011. In the previous decade population growth was 24.86 *per cent*. The total population of 27.22 lakh constitutes 0.22 *per cent* of the Indian population. The rural population of the State is 19.00 lakh which is 70 *per cent* of the total population. The service sectors along with the agricultural sector dominate the State's economy. The demography of the State as per 2011 census is given in Table below:

Table 1.1: Statistics of the State

Sl. No.	Indicator	Unit	Value
1	Population	1,000s	2722
2	Density of population	Persons per sq. Km.	122
3	Gender Ratio	Female per 1000 males	987
4	Gender Ratio (Rural)	-do-	966
5	Gender Ratio (Urban)	-do-	1038
6	Literacy	Percentage	79.85
7	Number of PRIs	Numbers	169
8	Number of Zilla Parishads	Numbers	4
9	Number of Gram Panchayats	Numbers	165

1.3 Organisational set-up of PRIs

The organizational set-up of PRIs in the State is as under:



1.3.1 The broad details of responsibility of PRIs authorities are given below:

Table 1.2: Details of responsibility of PRIs functionaries

Authority	Functions
Principal Secretaries (RD&PR)	Administers the overall monitoring and implementation of schemes relating to PRIs
Zilla Parishad (elected body)	Preparation of Plan for economic development and social justice of the District
Chief Executive Officer	Carries out the policies and directives of the ZP
Gram Panchayat (elected body)	Preparation of Annual Plan and Annual Budget
Panchayat Secretary	Keeping of records and maintenance of Accounts

1.3.2 Composition of PRIs

Zilla Parishad: Every ZP is a corporate body by the name of its district. Each ZP consists of the members directly elected from the territorial constituencies in the district. The Adhyaksha elected by the majority of the elected members presides over and conducts meeting of the ZP. The Adhyaksha is to exercise such other powers, perform such other functions and discharge such other duties as notified by the State Government from time to time.

Gram Panchayat: Each GP has a body comprising of Pradhan and its members. The Pradhan and its members are elected by direct election by the members of the Gram Sabha from amongst themselves. The Pradhan shall preside over the meeting of the Gram Sabha and Gram Panchayat as well, and is responsible for the governance of the body.

1.4 Staffing Pattern of PRIs

The Government may, by order specify the staffing pattern, the scales of pay and mode of recruitment of the staff of GPs and ZPs. As per provision under Section 75 of Manipur Panchayati Raj Act, 1994, the State Government shall appoint Chief Accounts Officers (CAO), Chief Planning Officer (CPO) and such number of officers of Group A, B and C Staffs for each ZP on such terms and conditions as may be prescribed. However, no appointment against the stated posts was made as of March 2012.

As per existing staffing status, each ZP is manned with staffs deputed from different departments as a part of devolution of functionaries. However, there was no uniformity in the staffing pattern for ZPs. While in Imphal East ZP, the number of employee was 20 (twenty), in Bishnupur ZP the number of employees was 12 (twelve). There was no criteria according to which the number of employees had been arrived at. Remedial steps need to be taken by the concerned department to make an assessment of the number of officers and staff of different categories required for proper functioning of each ZP.

As per Section 45 of the Manipur Panchayati Raj Act, 1994, there shall be a Secretary for every Gram Panchayat who shall be appointed in such manner as may be prescribed. However, as of March 2012, there were only 114

Secretaries against the existing 165 GPs in the State. Taking into account the various functions that have been delegated to the GPs, functionaries commensurate to the functions given are required for the smooth and effective functioning of the local bodies. However, it is evident from the findings contained in Section 'B' of Chapter I and Chapter II of this report that the provision of staff is insufficient for GPs to meet the demand of maintenance of accounts and carrying out of their functions in the midst of increasing financial and developmental activities.

1.5 Standing Committee

Under Sections 38 and 65 of the Manipur Panchayati Raj Act, 1994, the GPs and the ZPs are required to constitute the following Standing Committees to perform the functions assigned to them:

Table 1.3 Details of Standing Committees

Level of PRIs	Chief Political Executive	Standing Committees	Political Executives
GP	Pradhan	(a) Production Committee (b) Social Justice Committee (c) Amenities Committees	Pradhan is the Chairman of the three committees
ZP	Adhyaksha	(a) General Standing Committee (b) Finance, Audit and Planning Committee	Adhyaksha is the Chairman of each committee
		(c) Social Justice Committee	Up-Adhyaksha is the Chairman
		(d) Education & Health Committee (e) Agriculture & Industries Committee (f) Works Committee	Chairman is elected from the members of these committees

Source: The Manipur Panchayati Raj Act, 1994

In case of GP, each committee shall consist of not less than three and not more than five members including the Pradhan and Up-Pradhan as the case may be. In ZP each Standing Committee shall consist of such number of members not exceeding five including the Chairman elected by the members of ZP from amongst the Standing Committees. However, none of the PRIs have constituted the above stated Committees. In the absence of such Committees, activities/functions like Education, Agriculture, Amenities *etc.* cannot be initiated and followed up in a systematic way, and consequently these activities are not getting the focused attention.

The PRIs-wise roles and responsibilities of the Standing Committees are given in **Appendix-I**.

1.6 District Planning Committee

In term of Article 243 ZD of the Constitution of India and Section 96 of the Manipur Panchayati Raj Act, 1994, the State Government is required to constitute a District Planning Committee (DPC) in each district to consolidate the plans prepared by the GPs and ZP in the district and to prepare a draft

development plan for the district as a whole. The DPC was constituted in Thoubal and Bishnupur Districts in August 1997, while in Imphal East and Imphal West District, it was constituted in May 2003. As per the Manipur Panchayati Raj Act, 1994, the DPC shall consist of the following members:-

- a. Adhyaksha of the Zilla Parishad (Chairperson);
- b. Members of the House of the People representing the district;
- c. Members of Legislative Assembly who are elected in the district;
- d. Such number of Councillors as may be specified by the government from the member of Councillors of Nagar Panchayats and Municipal Councils in the district; and
- e. Chief Executive Officer.

Though DPCs were constituted in four valley districts they were not made functional as of March 2012. None of the DPCs had engaged technical experts and secretarial support staff in different fields for preparation of draft district development plan, defeating the key purpose of constitution of the DPCs. Neither the GPs nor the ZPs prepared perspective plans to be submitted to DPC. Thus, in the absence of perspective plan of districts as a whole, funds were allocated by the Government to Local Bodies in routine manners.

1.7 Financial Profile

1.7.1 Fund flow to PRIs

The resource base of PRIs consists of Central Finance Commission (CFC) grants, State Finance Commission (SFC) grants, Central Government grants and State Government grants for maintenance and development purposes. Funding by the State Government was on the lines of accepted recommendations of the Second State Finance Commission (SSFC) that took into account factors like population, literacy, health, irrigation, medical facilities *etc.* The fund-wise source and its custody for each tier and the fund flow arrangements in flagship schemes are given in tables 1.4 and 1.5 below respectively. The authorities for reporting use of funds in respect of ZPs and GPs are Chief Executive Officer (CEO) and Panchayat Secretary respectively.

Table 1.4: Fund flow mechanism in PRIs

Nature of Fund	ZPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assessees and users	Bank	Assessees and users	Bank
Revenue grants	State Government	Bank	State Government	Bank
SFC				
State Plan Scheme	GoI	Bank	GoI	Bank
CFC/CSS				

CSS-Centrally Sponsored Scheme, GoI-Government of India, CFC-Central Finance Commission, SFC- State Finance Commission

1.7.2 Resources: Trends and Composition

The fund flow arrangements and trends of resources of PRIs for the period 2007-08 to 2010-12 are shown in the following table:

Table 1.5: Fund flow arrangements in flagship schemes

Sl. No.	Scheme	Fund flow
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Central share is released direct to the DRDAs. State share provided in the Budget is released to DRDA. DRDAs disburse the fund (Central and State share together) to ZP and GPs under their jurisdiction.
2	Indira Awas Yojana (IAY)	Both Central share and State share is released to DRDAs. DRDAs disburse the fund (Central and State share together) to ZP and GPs under their jurisdiction.
3	Central Finance Commission (CFC) Grant	Government of India transfers the fund to the State. The State Government releases the fund through Rural Development and Panchayati Raj Department.
4	SGSY-Sampoorna Gramin Swarojgar Yojana	Government of India transfers the fund to the State. The State Government releases the fund through Rural Development and Panchayati Raj Department.

Source: Schemes guidelines

Table 1.6: Time series data on resources of PRIs (₹ in crore)

Source of Revenue	2007-08	2008-09	2009-10	2010-11	2011-12
GoI	12.38	68.48	108.59	129.38	241.39
State grants for Centrally sponsored Schemes	4.65	0.44	5.46	7.58	12.50
CFC grant	6.35	4.26	8.51	5.60	5.47
SFC grant	Nil	20.10	25.91	18.74	18.74
Salaries/Honorarium	0.91	0.86	0.72	0.72	3.42
Own Revenue	Nil	Nil	Nil	Nil	Nil
Total	24.29	94.14	149.19	162.03	281.52

Source: Data consolidated from the data received from DRDAs, RD & PR Department

As compared to 2008-09 the grants from Central Government substantially increased during 2009-10, 2010-11 and 2011-12 due to release of more funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

1.7.3 State Finance Commission Grants

After the enactment of the 73rd Amendment Act to the Constitution of India, the State Government constituted two SFCs to determine the principles on the basis of which adequate financial resources would be ensured for PRIs. The recommendations of the Second State Finance Commission (SSFC) effective from 01.04.2001 were passed in the State Legislative Assembly during December 2005. As per the accepted recommendation of SSFC the State Government is required to transfer 10 *per cent* of the State's own revenue including the State's share of Central taxes to the local bodies including District Councils. Out of this 10 *per cent*, 34.38 *per cent* is to be transferred to

PRIs. The release of SSFC grants by the State Government during the last four years from 2008-09 to 2011-12 to PRIs is shown in the table below:

Table 1.7: Release of Funds to PRIs under SFC grant

(₹ in crore)

Sl. No.	Name of PRIs	Amount			
A	Zilla Parishad	Released during 2008-09	Released during 2009-10	Released during 2010-11	Released during 2011-12
(i)	Imphal East	0.87	1.12	0.81	0.81
(ii)	Imphal West	0.59	0.76	0.55	0.55
(iii)	Thoubal	0.94	1.21	0.87	0.87
(iv)	Bishnupur Zilla Parishad	0.62	0.79	0.57	0.57
Total		3.02	3.88	2.80	2.80
B	Community Development Block				
(i)	Imphal East-I	2.19	2.82	2.04	2.04
(ii)	Imphal East-II	2.23	2.87	2.08	2.08
(iii)	Jiribam	0.52	0.67	0.49	0.49
(iv)	Imphal West-I	2.32	3.00	2.17	2.17
(v)	Imphal West –II	1.02	1.32	0.96	0.96
(vi)	Thoubal	3.55	4.58	3.31	3.31
(vii)	Kakching	1.76	2.27	1.64	1.64
(viii)	Bishnupur	1.78	2.30	1.66	1.66
(ix)	Moirang	1.71	2.20	1.59	1.59
Total		17.08	22.03	15.94	15.94
Grand Total		20.10	25.91	18.74	18.74

Source: Data consolidated from the data received from DRDAs, RD & PR Department

In the above table the amounts pertaining to 2011-12 were released on the basis of the recommendations of the SSFC under the head ‘Compensation & Assignment’ during 2011-12 since the period is beyond the Second State Finance Commission implementation period (2003-10). The State Government had decided to extend the recommendation of the SSFC up to 2010 even though it was initially meant for 2000-2005 period. The position of funds released and shortfall in release of funds during 2008-12 are as shown in the table below:

Table 1.8: Funds to be transferred vis-à-vis actual funds transferred**(₹ in crore)**

Year	State's revenue including State's share of net proceeds of Union taxes	Amount to be transferred to Local bodies including ADCs (10%)	Amount to be transferred to PRIs (34.38%)	Amount released	Short release with regard to SSFC recommendation (%)
2008-09	1004	100	34	20	14 (41)
2009-10	1033	103	35	26	9 (25)
2010-11	1517	152	52	19	33 (63)
2011-12	1834	183	63	19	44 (70)

Source: Departmental records and Finance Accounts

As it is evident from the table above the transfer of funds to the PRIs during 2009-12 was lower than that of the recommendation of the SSFC. The percentage of shortfall ranged from 25 to 70 *per cent*. The short release of funds to PRIs against the SSFC recommendation was increasing year after year during the period 2008-12 without any recorded reason.

1.8 Status of transfer of Funds, Functions and Functionaries

The 73rd Amendment to the Constitution and the Manipur Panchayati Raj Act, 1994 envisaged transfer of the functions to PRIs listed in the Eleventh Schedule. Accordingly, the State Government through executive orders had to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, Activity Mapping delineated the role and responsibility of PRIs. Out of 29 functions the State Government devolved functions of 16 departments to PRIs as of March 2012. The details of activities of 16 departments to be transferred to ZPs and GPs are shown in **Appendix-II**. There has been no change in the 3Fs transferred since the first time the order was issued in 2005. The status on the transfer of functions, functionaries and funds in respect of 16 Departments to ZPs and GPs as on 31.03.2012 is shown in **Table 1.9 & 1.10**.

Table 1.9: Transfer of Functions, Functionaries & Funds to ZPs

Sl. No.	Department	Latest Status on functionaries transferred	Latest Status on fund transferred
1	Fisheries	1-Inspector (Fisheries), 2 - FFA to each ZP (except Thoubal)	₹ 7 lakh for 2005-06 ₹ 6 lakh for 2006-07 ₹ 3 lakh for 2007-08 ₹ 4 lakh for 2008-09
2	Horticulture	4-AAOs 8 - FAs to each ZP	₹ 8 lakh for 2006-07
3	Tribal Development	1 - FA & 1 RM to each ZP and 1-EO each to 2 ZPs	₹ 15.30 lakh for 2006-07 ₹ 29.70 lakh for 2007-08 ₹ 38.60 lakh for 2008-09
4	Rural Development	1 - EO, 1-UDC/Accountant, 1-LDC to each ZP	₹ 2008.40 lakh for 2007-08 ₹ 2591.68 lakh for 2008-09 ₹ 3113.66 lakh for 2009-10
5	Science & Technology	Not transferred	₹ 40 lakh for 2006-07 ₹ 40 lakh for 2007-08 ₹ 50 lakh for 2008-09
6	Veterinary & Animal Husbandry	1 - FA/Computer Assistant to each ZP	Not transferred
7	Social Welfare	2 - Gram Sevikas to each ZP	Not transferred
8	Minor Irrigation	1 - RM/1- Pump Operator to each ZP	Not transferred
9	Agriculture	1 - AEO(Agri) & 1 - VEO to each ZP	Not transferred
10	Industries	1 - EO(Ind) to each ZP	Not transferred
11	Co-operation	1 - Sub Registrar to each ZP	Not transferred
12	Transport	Not transferred	Not transferred
13	Health	Not transferred	Not transferred
14	Arts & Culture	Not transferred	Not transferred
15	Family Welfare	Not transferred	Not transferred
16	Education (schools)	Not transferred	Not transferred

FFA-Fishery Field Assistant, AAO-Assistant Agricultural Officer, EO-Extension Officer, UDC-Upper Division Clerk, FA-Field Assistant, LDC-Lower Division Clerk, RM-Road Mohorir, AEO-Assistant Extension Officer, VEO-Village Extension Officer

Table 1.10: Transfer of Functions, Functionaries & Funds to GPs

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

The Amendment Act envisioned that the PRIs shall have necessary powers to carry out of all the functions entrusted, assigned or delegated to them and, in particular, to exercise all powers specified under the Manipur Panchayati Raj Act, 1994. However, due to non-transfer/partial transfer of funds and functionaries the PRIs were not able to perform the functions assigned to them.

Thus, transfer of funds, functions and functionaries to PRIs was not adequate and effective to enable them to function as institutions of local self-government.

1.9 Audit Mandate

1.9.1 Primary Auditor

The Director, Local Fund Audit (DLFA), Government of Manipur conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the Manipur Panchayati Raj Act, 1994. The duty of the DLFA is to conduct audit on the PRIs' accounts and audit reports are to be forwarded to the audited entities and the State Government.

The DLFA intimated (August 2012) that the audit of accounts upto March 2012 of 4 ZPs and 95 GPs under the four Block Development Offices (BDOs) were conducted. Inspection Reports were forwarded to the concerned units and the State Government as soon as audit was over.

The Director further stated that no Annual Audit Report for any of the year was compiled. Also, there was no case of follow-up action on the Inspection Reports. In this state of position, Inspection Reports could not serve the purpose of audit.

1.9.2 Organizational Set up of DLFA

Director, Local fund Audit of Manipur is a department headed by a Director assisted by Joint Director, Assistant Directors, Audit Officers and other ancillary staff. The DLFA conducts audit of account of Local Bodies and accounts of Government offices/departments as internal audit cell of Finance Department. During 2011-12, 8 audit parties were formed. An audit party comprised of one Audit Officer and two Auditors and they work under the direct supervision of the Assistant Director and Joint Director.

1.9.3 Audit by C&AG of India

The Accountant General (Audit), Manipur conducts the audit of the accounts of PRIs under Sections 14(1) and 20(1) of C&AG's Duties, Power and Conditions of Service (DPC) Act, 1971. The State Government had entrusted audit of PRIs to the C&AG under Technical Guidance and Support (TGS) arrangement in February 2012 by way of Gazette notification in pursuance of the 13th Finance Commission recommendations.

1.10 Audit Coverage

Test audit of the accounts of 8 PRIs (2 ZPs for the year 2011-12 and 6 GPs for the years 2006-11) was conducted during 2011-12 (**Appendix-III ‘A’**). Results of the audit are given in the succeeding chapter.

1.10.1 Response to Audit Observations

Results of audit of the accounts of PRIs, conducted by the office of the Accountant General (Audit), Manipur, were forwarded to the respective units in the form of Inspection Reports along with copies to the State Government. The authorities of PRIs were required to comply with the observations contained in the IRs and rectify the defects and report their compliance to audit.

The details of outstanding paras as of March 2012 are shown in table below:

Table 1.11: Details of outstanding paras

Year	No. of IRs issued	No. of paras issued under Pt II-A	No. of paras issued under Pt II-B	Total	Clearance	Outstanding
2006-07	2	Nil	8	8	Nil	8
2007-08	1	Nil	5	5	Nil	5
2008-09	2	Nil	8	8	Nil	8
2009-10	4	1	37	38	Nil	38
2010-11	6	Nil	35	35	Nil	35
2011-12	3	Nil	18	18	Nil	18
Total	18	1	111	112	Nil	112

As it is evident from the table above 112 paras were pending for settlement for want of replies from PRIs. As such, the concerned authorities failed to ensure prompt and timely action in furnishing replies to audit observation.

1.11 Conclusion

The State Government has not formulated clear policy regarding the staffing pattern of ZPs in the State. The periodicity for constitution of SFCs, as per Constitutional provisions, was not maintained by the State Government. The State Government has not devolved all the functions to the PRIs as envisaged in the Eleventh Schedule of the Constitution. Functionaries and funds were not adequately transferred for effective functioning of PRIs. Non-functioning of District Planning Committees indicated lack of seriousness of concerned authorities in consolidation and integration of plans of the district for social justice and economic development in the grass root level.

Section 'B'

Financial Reporting

1.12 Framework

1.12.1 Financial reporting in PRIs is an important element for ensuring accountability. The matters relating to drawal of funds, incurring of expenditure, maintenance of accounts and rendering of accounts by GPs and ZPs are governed by the provisions of Manipur Panchayati Raj Act, 1994, other Departmental Manuals, standing orders and instructions.

The PRIs maintain accounts on cash basis. All receipts and payments are required to be incorporated in the accounts as and when they occur so as to make the accounts complete and accurate. However, the Manipur Panchayati Raj Act, 1994 and Rules made thereunder do not lay any provision for preparation of Annual Accounts.

1.13 Financial Reporting Issues

1.13.1 Non-Maintenance of Basic Records

The PRIs are required to maintain the following records.

- Advance Register;
- Cheque Issue Register;
- Asset Register;
- Stock and Issue Register;
- Bill Register;
- Grants-in-Aid Register; and
- Work Register.

Test-check of 2 ZPs and 6 GPs however, revealed non-maintenance of the records/books of accounts as mentioned above. The position of outstanding advances and adjustments thereof could not be ascertained due to non-maintenance of advance register. Also, in the absence of vital accounting records, actual position of utilization of funds, execution of various schemes, stock and stores and assets created by execution of development schemes could not be ascertained. The accountability of the PRIs' authorities could not also be ensured.

1.13.2 Deficiencies in maintenance of Cash Book

Test-checked of Cash Books of 8 PRIs revealed the following:

- i. Most of the monetary transactions were not entered in the Cash Book on the date of their occurrence.

- ii. Cash Books were not closed regularly and analysis of closing balance and physical verification of cash were not done.
- iii. There was no practice of consolidation of daily/monthly total of each Subsidiary Cash Books in the Main Cash Book.
- iv. Certification of number of pages of Cash Book was not made.
- v. Correction and alteration were made without initial of the competent authority.

This indicated non-adherence of the DDO of PRIs to the provisions of financial rules and resulted in improper maintenance of Cash Book. Possibilities of loss, theft, defalcation, embezzlement *etc.*, could not, therefore, be ruled out.

1.13.3 Bank Reconciliation Statement

Bank Reconciliation is a procedure which aims to reconcile the bank balance as shown in the Cash Book of the local body with that of the bank balance as per the Bank Pass Book/Statement received from the bank. However, none of the test-audited GPs and ZPs prepared Bank Reconciliation Statement. Thus, the authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of reconciliation of balances with Bank Pass Book.

1.13.4 Budget Estimates

Budget is the most important tool for financial planning, accountability and control. Under Sections 42 and 72 of the MPR Act, 1994, Budget proposal containing detailed estimates of receipts and disbursement for the ensuing year is required to be prepared by GPs and ZPs. Such Budget proposal is to be submitted to the next higher authority for approval. If the approval of the higher authority is not received within such time as may be prescribed, or by the last day of the year, whichever is earlier, the budget shall be deemed to have been approved by the prescribed authority. However, test-check of 2 ZPs and 6 GPs revealed that neither ZPs nor GPs prepared Budget up to 2011-12. As such, the expenditure incurred by the PRIs was irregular. Besides, no financial control could be exercised in the GPs and ZPs by the State Government in such a situation.

1.13.5 Maintenance of Accounts

Sections 43 and 73 of MPR Act stipulated that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. Test-check of records of two ZPs and six GPs revealed that accounts were maintained on cash basis. However, the basic records as mentioned in para 1.13.1 and Receipt and Payment Accounts were not maintained in all the test-audited PRIs. Audit also noticed that Model Accounting Structure for PRI prescribed by the Ministry of Panchayati Raj (MoPR), Government of India in consultation with the C&AG of India was also not adopted in any of the GPs and ZPs.

1.13.6 Conclusion

Financial reporting in PRIs is inadequate as Receipts and Payments are not incorporated in the accounts. There is no provision in PRIs' Acts and Rules for preparation and rendering of annual accounts by GPs and ZPs. Budgets were not prepared by all the test-audited PRIs. In absence of budget allocation, it was not possible to ascertain whether the expenditure incurred by GPs and ZPs were justified. Non-maintenance of basic records/registers in PRIs was noticed resulting in absence of credible financial reporting. The authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of Bank Reconciliation Statements.

CHAPTER-II
IMPLEMENTATION OF SCHEME IN PANCHAYATI RAJ
INSTITUTIONS

CHAPTER-II

IMPLEMENTATION OF SCHEMES IN PANCHAYATI RAJ INSTITUTIONS

2 Second State Finance Commission Awards

2.1 Repetition of Work in the work programme

Test-check of programmes implemented by the Imphal West ZP under SSFC Award for the year 2008-09 revealed that the construction of bazar shed at Awang Jiri at Yarou Bomdiar constituent area was carried out. As per Technical Inspection Report submitted by Assistant Engineer, DRDA, Imphal West, construction of the bazar shed commenced on 01.03.2010 and was completed on 18.04.2010. The Chief Executive Officer (CEO) paid an amount of ₹ 3 lakh (₹ 2.40 lakh on 27.02.2010 and ₹ 0.60 lakh on 10.05.2010) to the Beneficiary Secretary (Shri Naba Kumar Singh) for the work.

Further, during reviews of work programme for 2009-10 implemented by Imphal West ZP under SSFC Award, audit noticed that the same work of construction of bazar shed at Awang Jiri at Yarou Bomdiar constituent area was found in the work list. As per Technical Inspection Report submitted by Section Officer of Imphal West ZP and countersigned by the Assistant Engineer, DRDA, Imphal West, the work commenced on 18.9.2010 and was completed on 4.11.2010. The CEO again paid ₹ 3 lakh (₹ 2.30 lakh on 18.09.2010 and ₹ 0.70 lakh on 04.11.2010) to Shri L Sharat Chandra, being the Beneficiary Secretary for the said construction work.

Thus, payment of ₹ 3 lakh made to Shri L Sharat Chandra for construction of bazar shed at Yarou Bomdiar constituent area amounted to suspected misappropriation of funds. The matter was reported to the ZP (June 2012). The reply has not been received (March 2013).

2.2 Withdrawal of money without presentation of Bills and non-preparation of vouchers against payment

As per Rule 130 of Central Treasury Rules (CTR), no withdrawal of money may be made from the Government account except by presentation of bills in support of relevant claim for the purpose. A Government official entrusted with the payment of money shall obtain for every payment he makes, a voucher setting forth full and clear particular of claim. Test check of Cash Book of SSFC (2010-11) of Langthabal Ningonbam GP revealed that payment of ₹ 3.81 lakh and ₹ 2.54 lakh were made by the Panchayat Secretary on 09.03.2010 and 24.04.2010 respectively. However, neither the purpose of payment nor the name of payee was stated against the payment. Also, while making payment, bills/vouchers for the payment of the whole amount of ₹ 6.35 lakh were not prepared in violation of CTR.

This is indicative of weak internal control mechanism in Langthabal Ningombam GP to adhere to the provision of the Rules *ibid*. Thus, due to non-availability of payment details, the misappropriation of funds of ₹ 6.35 could not be ruled out.

2.3 Inadmissible expenses out of TFC grants

Guidelines for utilisation of fund receipt under Twelfth Finance Commission (TFC) Award stipulated that grants should be utilized to meet expenses on water supply and sanitation, creation of database and maintenance of accounts. Test check of records (2006-2010) of 15 GPs under Imphal West-II, CD block revealed that 11 GPs incurred expenditure amounting to ₹ 2.59 lakh out of TFC grants on inadmissible items such as construction of crematorium, community halls, fitting of doors and windows of Panchayat Ghar (**Appendix-IV**) in violation of the provision of the guidelines for utilisation of TFC grants. The expenditure on these could have been made from SSFC Award.

Thus, utilization of TFC grants on inadmissible items defeated the purpose for which grant was released. Thus, the PRIs did not adhere to the guidelines of the TFC Award.

2.4 Non-transfer of unutilised fund of SGRY scheme

As per Government order (05.05.2009), Sampoorna Gramin Rozgar Yojana (SGRY) scheme was merged with Mahatma Gandhi National Employment Guarantee Scheme (MGNREGS) in 2008-09. Any unutilised fund of SGRY Scheme was to be transferred to the Bank accounts operated for MGNREGS. However, audit noticed that the 6 test checked GPs had not transferred funds pertaining to SGRY Scheme to MGNREGS. Un-utilised funds were found lying idle in the Bank accounts as shown in the table below:-

Table 2.1: Detail of non-transfer of SGRY grants

Sl. No.	Name of GP	Name of Bank Branch	Account No.	Balance as on 31.03.2008 (Amount in ₹)
1	Hilghat	UBI Jiribam Branch	4146	1292.04
2	Dibong	do	4165	1057.60
3	Sonapur	do	4162	1014.00
4	Latingkhel	do	4194	1486.00
5	Borbekra	do	4143	925.60
6	Jabrerdhor	do	4171	954.60
Total				6729.84

Source: Field audit

Audit further noticed that the above stated Bank Accounts had not been operational since long (March 2008). Thus, due to non-transfer of SGRY fund to MGNREGS the fund are lying idle in the bank accounts of GPs.

2.5. Non-submission of vital records by GPs

The Chief Executive Officer (CEO), Imphal West ZP received fund amounting to ₹ 108¹ lakh (16.06.2009) under Integrated Wasteland Development Programme (IWDP)/ Hariyali Scheme, a centrally sponsored scheme, and reported expenditure of ₹ 102.60 lakh (31.03.2010) on implementation of various components of the scheme, inclusive of administrative overhead of ₹ 5.40 lakh.

Scrutiny of records further revealed that out of the total expenditure of ₹ 102.60 lakh, ₹ 97.20 lakh was paid (17.06.2009) to 18 GPs under Imphal West-I Community Development (CD) Block for implementation of project at field level. Bills/vouchers against the expenditure of ₹ 97.20 lakh were not made available to audit as bills/vouchers were not prepared/maintained by the CEO, Imphal West ZP. The CEO, Imphal West, ZP stated that none of the 18 GPs submitted list of works undertaken, physical progress report, completion certificate *etc.* However, the CEO Imphal West, ZP had not taken up any steps for ensuring submission of the same by the GPs.

Thus, due to non submission of bills/vouchers the proper utilization of scheme fund of ₹ 102.60 lakh could not be ascertained.

It is evident that Internal Control Mechanism needs to be strengthened in Imphal West ZP through proper maintenance of records and regular submission of supporting documents for expenditure so as to rule out possibility of misappropriation of PRIs funds.

2.6 Conclusion

Repetition of work in the work programme implemented by the Imphal West ZP under SSFC, withdrawal of sums from SSFC funds without presentation of bills, instances of diversion of TFC funds, and unspent balance of the closed Scheme (SGRY) funds not being transferred to the Bank Accounts operated for MGNREGS funds and inability to produce vital documents indicate weak internal control mechanisms in the PRIs. The concerned authorities need to take expeditious measures to arrest these deficiencies.

¹ Central – ₹ 99 lakh; State – ₹ 9 lakh

CHAPTER-III

A. AN OVERVIEW OF URBAN LOCAL BODIES

B. FINANCIAL REPORTING

CHAPTER-III

Section 'A' An Overview of Urban Local Bodies

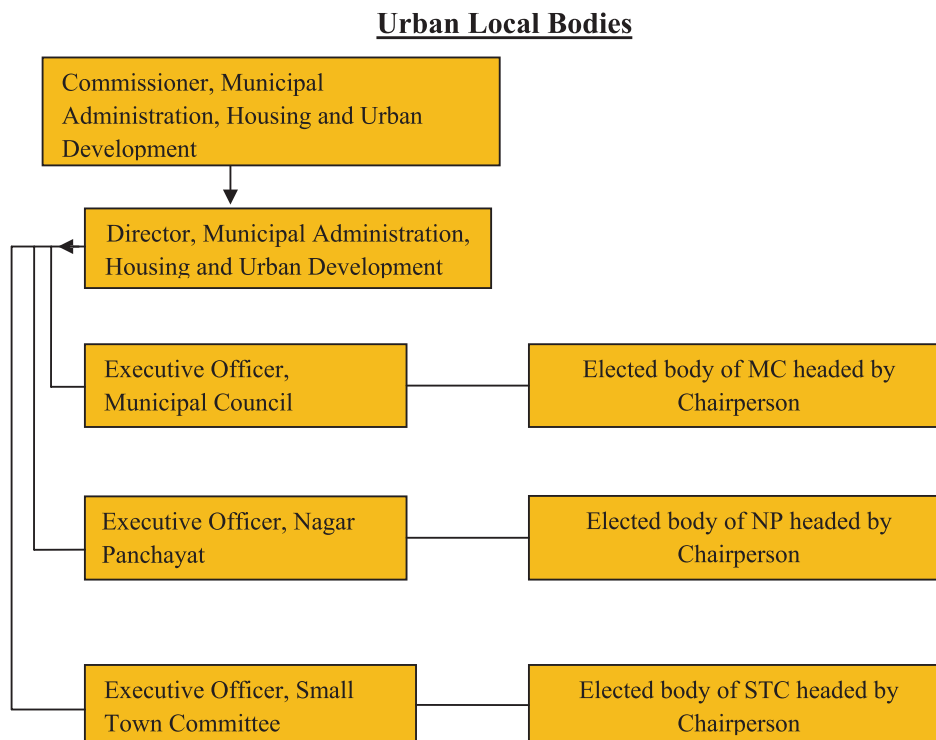
3.1 Introduction

The 74th Constitutional Amendment Act, 1992 empowered Urban Local Bodies (ULBs) to function as local self-government and to deliver services for economic development and social justice more effectively with regard to 18 subjects listed in the XII Schedule of the Constitution. The ULBs are spread out in the four valley districts of the State. The urban population as per 2011 Census is 8.22 lakh which is 30 *per cent* of the total population of the State.

In the State, there are 9 Municipal Councils (MCs), 18 Nagar Panchayats (NPs) and one Small Town Committee (STC). Imphal Municipal Council (IMC) having an area of 31 sq. km. with a population of 2.65 lakh (2011 census) is the largest and the most populous among the MCs. The smallest NP is Sekmai with an area of one sq. km. Each ULB is governed by the Manipur Municipalities Act, 1994 which specify the obligatory and discretionary functions to be discharged by these ULBs. The Act empowers ULBs to function as institution of local self-government in delivering social and economic development in urban areas.

3.2 Organizational Set up

The following organogram depicts the organizational set-up at State level and LB level with linkage between Administrative Set up and elected body:



3.2.1 The broad details of responsibilities of functionaries are as under:

Table 3.1: Detail of responsibilities of functionaries

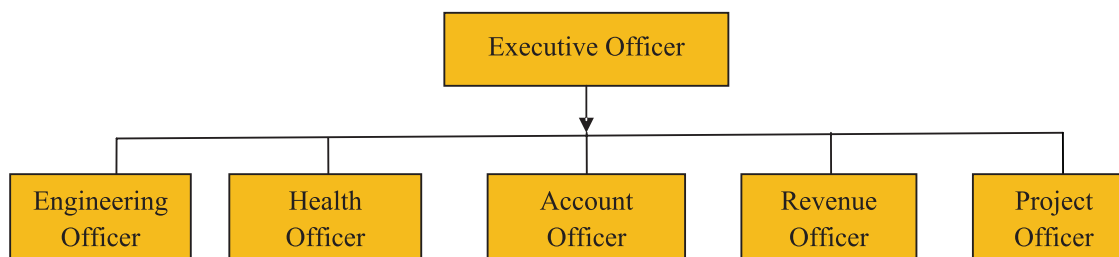
Authority	Functions
Municipal Administration, Housing & Urban Development Department (MAHUD).	Administers the overall monitoring and implementation of schemes related to ULBs.
Small Town Committee/Nagar Panchayat/Municipal Council (elected body)	Preparation of Plans for economic development and social justice.
Executive Officer	Monitors the financial, executive and administrative functions of STC/NP/MC and performs all duties imposed or conferred upon him under the Manipur Municipalities Act.

3.2.2 Composition of ULBs

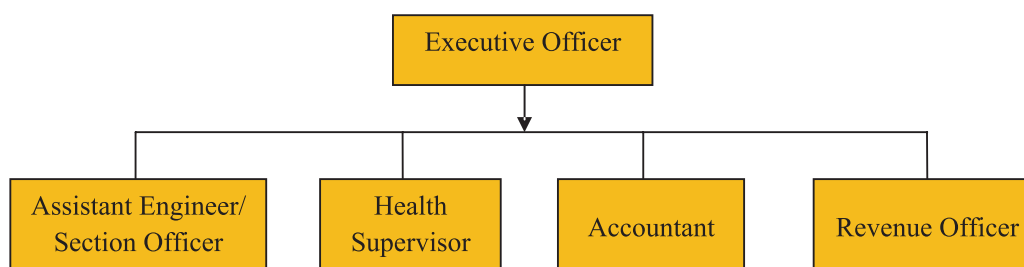
All the ULBs have a body comprising of Councillors elected by the people under their respective jurisdiction. The Chairperson elected by the majority of Councillors presides over the meetings of the MC/NP/STC and is responsible for the governance of the body.

The Executive Officer (EO) appointed by the State Government is a whole time Principal EO of the body for administrative control of a ULB. Other officers are also appointed to exercise such powers and perform such functions as notified by the State Government from time to time. The Executive set-up of the ULBs is depicted in the following organograms.

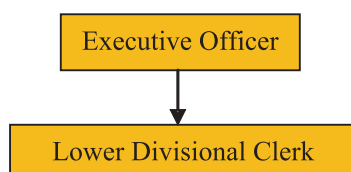
Executive set-up of Imphal Municipal Council



Executive set-up of Other Municipal Councils



Executive set-up of Nagar Panchayats/Small Town Committee



Source: Compiled from the list of staff strength furnished by ULBs

3.3 Staffing pattern

Under Section 43 (1) of the Manipur Municipalities Act, 1994, every Nagar Panchayat or Council, as the case may be, shall have a Health Officer, a Revenue Officer and the Engineer for the efficient discharge of its functions and duties. The Act further provides that a Nagar Panchayat or a Council may, by a special resolution determine the category and strength of employees required by it.

However, neither Engineers nor Officers were appointed in any of the NPs/STC. On daily wage basis, persons were engaged to carry out the tasks

required to be performed by Lower Divisional Clerks. From this it emerges that provision of adequate staff for maintenance of accounts was not at all considered for the NPs/STC. The existing staff is quite insufficient for the NPs/STC to carry out their functions in view of their ever increasing financial and developmental activities. Engagement of casual staff in NPs/STC may have been unavoidable to make the bodies operational. However, engagement of casual staff is bound to have adverse impact on working of an organization as very little accountability and responsibility may be expected from persons who are engaged purely on temporary basis.

3.4 Standing Committee

Section 56 of the Manipur Municipalities Act, 1994, provides for constitution of a Standing Committee in each NP or Council to assist it in the discharge of any specific duties devolved upon it under this Act. Each Committee shall consist of the members of Councillors as members. However, none of the ULBs in the State has constituted any Standing Committee.

3.5 Annual Action Plan

All the ULBs in the State are required to prepare Annual Action Plan (AAP), which are to be consolidated at the district level by the DPC into a draft development plan for the district as a whole. The main purpose of preparing such plans is to avoid plurality in planning on various developmental issues. During audit, it was observed that no such action plan was prepared in any of the test-checked ULBs. Also, in the absence of AAP, the overall district plan could not emerge. Preparation of AAP by ULBs and their consolidation along with the plans of the PRIs is crucial to ensure incorporation of local needs and wants in the development process. In the absence of planning, the element of popular participation was compromised.

3.6 Transfer of Funds, Functions and Functionaries to ULBs

The 74th Constitutional Amendment provides for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 18 subjects listed in XII Schedule for municipalities. However, the State Government has not issued any notification in case of transfer of funds, functions and functionaries to ULBs.

3.7 Financial profile

3.7.1 Source of funds

The finances of the ULBs comprise of own sources, grants and assistance from Government of India (GoI) and State Government. Sections 74 and 75 of the Manipur Municipalities Act, 1994, empower the ULBs, being the local self-government, to impose taxes and collect fees for various services rendered by them. The details of own fund of ULBs in the State were not collected and

consolidated by the State Government. As such the details of own fund collection of all ULBs were not available.

The grants/assistance released to ULBs by the State and Central Government and their Own Sources of Revenue (OSR) during 2007-08 to 2011-12 are shown in Table below:

Table 3.2: Time series data on resources of ULBs (₹ in crore)

Source of Revenue	2007-08	2008-09	2009-10	2010-11	2011-12
Gol/State grants for Centrally sponsored Schemes	1.05	1.09	4.56	15.14	36.20
CFC	1.80	1.80	3.60	3.81	3.72
SFC	Nil	17.79	18.68	11.25	Nil
Salaries/Honorariums	4.75	4.08	4.77	4.94	6.07
Own Revenue	0.19*	0.06*	Not available	Not available	Not available
	7.79	24.82	31.61	35.14	45.99

*The figures indicate resources of the Municipal Councils as furnished during audit.

Source: Compiled from the records furnished by MAHUD Department.

The enhancement in release of funds against CSS during 2010-11 was due to more release of funds for Basic Services to the Urban Poor (BSUP)/Integrated Housing and Slum Development Programme (IHSDP) under the Jawahar Lal Nehru National Urban Renewal Mission (JnNURM) Scheme.

3.7.2 Release of Second State Finance Commission Grant

The 73rd and 74th Constitutional Amendments mandated the constitution of State Finance Commission every five years to determine sharing of revenue between the State and local bodies. As of March 2012, two State Finance Commissions were constituted in the State. The period of the Second State Finance Commission (SSFC) covered upto 31.03.2010. The 3rd SFC is yet to be constituted. However, funds were released in line with the recommendations of SSFC during 2010-11 under the head “ Compensation and Assignment.”

The SSFC recommended a 10 *per cent* share of the State’s own revenue including from the State’s share in the central taxes for the Rural Local Bodies including Autonomous District Councils (ADCs) and Urban Local Bodies. Out of 10 *per cent*, 20.62 *per cent* was to be transferred to ULBs.

The position of funds released and shortfall in release of funds during 2008-12 are as shown in table below:

Table 3.3: Funds transferred vis-à-vis actual funds transferred

(₹ in crore)					
Year	State's revenue including State's Share of net Proceeds of Union Taxes	Amount transferable to Local Bodies including ADCs (10 per cent)	Amount transferable to ULBs (20.62 per cent)	Amount released	Short released (per cent)
2008-09	1004	100	20	18	2 (10)
2009-10	1033	103	21	19	2 (9)
2010-11	1517	152	31	11	20 (64)
2011-12	1831	183	38	Nil	(100)

Source: MAHUD Department

As it is evident from the table above that the release of funds to the ULBs was much lower than that of the recommendation of SSFC during the period from 2008-09 to 2010-11. During 2011-12 no fund was released to ULBs. As such, without devolving due share to ULBs, decentralisation of power and function at grass root level was frustrated.

3.8 Audit Mandate

3.8.1 Primary Auditor

The Director, Local Fund Audit (DLFA) conducts audit of accounts of MCs, NPs and STC under Sections 72(1) of the Manipur Municipalities Act, 1994. In August 2012, the DLFA intimated that the audit of accounts of 18 units out of 28 auditable ULBs units was conducted up to March 2012.

3.8.2 Audit by the C&AG of India

The Accountant General (Audit), Manipur conducts the audit of the accounts of ULBs under Section 20(1) of the C&AG's DPC Act, 1971. The State Government had entrusted audit of ULBs to the C&AG under Technical Guidance and Support (TGS) arrangements in pursuance of the recommendation of the Thirteenth Finance Commission. The State Gazette notification regarding entrustment of TGS to C&AG was issued in March 2012. However, necessary amendment in the relevant State Acts/Rules to facilitate implementation of terms and conditions of TGS is yet to be carried out.

3.9 Audit Coverage

Test audit of the accounts of 7 ULBs were conducted during the year 2011-12 (Appendix-III 'B'). Results of the audit are given in the succeeding chapter.

3.10 Response to audit observations

Inspection Reports (IRs) of all the ULBs test-audited as of March 2012 were forwarded to the State Government and the respective Chairpersons/Executive Officers of the concerned ULBs. The Chairpersons/Executive Officers are required to comply with the observation contained in the IRs and rectify the defects. However, concerned officers of ULBs failed to ensure prompt and timely action for compliance. The year-wise break up of outstanding paras is as given in Table below:

Table 3.4: Detail of outstanding paras

Year	No. of IRs issued	No. of para issued under part II-A	No. of paras issued under part II-B	Total	Clearance	Outstanding
2006-07	3	Nil	16	16	Nil	16
2007-08	3	2	25	27	Nil	27
2008-09	10	Nil	66	66	Nil	66
2009-10	8	Nil	59	59	Nil	59
2010-11	5	2	50	52	Nil	52
2011-12	7	Nil	48	48	Nil	48
Total				268		268

It is evident from the above table that all the 268 paras remained outstanding as of March 2012. The trend of outstanding paras in each year indicated that the audited entities were not serious in complying with the audit observation.

3.11 Conclusion

Neither Standing Committees were constituted nor were AAPs prepared in all the test-audited ULBs. Non-preparation of AAPs indicated lack of seriousness of concerned authority in incorporation of local needs and wants in the development process. State Government has not issued any notification in case of transfer of functions listed in XII Schedule of the Constitution to ULBs. There was no mechanism to watch over collection of taxes and fees in all the test-audited ULBs. Non settlement of audit observations indicated weak internal control system in ULBs. Release of funds to ULBs by the State Government was lower than that of the recommendation of SSFC.

SECTION 'B'

FINANCIAL REPORTING

3.12 Framework

Financial Reporting by ULBs is a key element of accountability. Section 72 (1) of the Manipur Municipalities Act, 1994, stipulates that every ULB shall maintain such accounts for every financial year in such form as may be prescribed for submission of such statement to the Deputy Commissioner, the Director of MAHUD and the State Government. The ULBs were required to prepare their budget and maintain their accounts in the formats prescribed in National Municipal Accounts Manual (NMAM) with appropriate codifications and classifications.

3.13 Financial Reporting issues

3.13.1 Non-preparation of Budget

Section 71 of the Manipur Municipalities Act, 1994, stipulates that local bodies shall prepare Budget in such form and in such manner as may be prescribed. Proposal of the Budget containing detailed estimates of receipts and disbursement for the ensuing year and after such revision as may appear requisite shall be passed and submitted to the State Government for its approval. The Act further states that no expenditure shall be incurred unless the Budget is approved by the prescribed authority.

Test-check of records of seven ULBs revealed that none of the ULBs prepared Budget. In the absence of the approved Budget proposal, the expenditure incurred by the ULBs was irregular.

3.13.2 Non-maintenance of Accounts in prescribed formats

The Ministry of Urban Development, GoI and C&AG developed NMAM (December 2004) which is based on accrual based double entry accounting system for greater transparency and control over finances. The ULBs were required to prepare their budget and maintain their accounts in the formats as prescribed in NMAM with appropriate codifications and classifications. The State Government also issued an order to all ULBs in March 2011 for adoption of NMAM in maintenance of their accounts with immediate effect. It was, however, observed in audit that none of the test-audited ULBs had adopted NMAM as of March 2012. All ULBs test-audited kept their accounts in conventional method without following any acceptable accounting standards. Thus, correctness of accounts could not be ascertained.

3.13.3 Non-reconciliation of Cash Balances

Test-check of records of seven ULBs revealed that none of the ULBs prepared monthly or quarterly Bank Reconciliation Statements. Instances of the difference of cash balances as per Bank Pass Books and Cash Books in respect of two ULBs are detailed in **Appendix-V**.

In the absence of Bank Reconciliation Statement, the correctness of financial position of ULBs could not be ascertained and incidence of fraud, embezzlement and misappropriation of funds could not be ruled out.

3.13.4 Deficiencies in maintenance of Cash Books

All moneys received by the ULBs shall immediately and without exception be brought to account in the Cash Book under the direct supervision of the finance officer, or in his absence the officer authorized for the purpose. The following deficiencies in maintenance of Cash Books of Imphal MC, Moirang MC and Ningthoukhong MC were noticed:

- There was no certification regarding the number of pages contained in the Cash Books;
- Entries in the Cash Book were not authenticated by the competent authority;
- Daily Cash Balance was not verified and certified by the concerned authority;
- Transactions were not entered in the Cash Book on the date of occurrence;
- Corrections and alterations in the Cash Book were made without the initials and verification of the competent authority;
- Narration for a number of transactions was not mentioned in the Cash Book; and
- Voucher number and Head of Accounts were not indicated against numerous transactions.

Due to such deficiencies, the incidence of fraud, embezzlement and misappropriation cannot be ruled out.

3.13.5 Non-maintenance of records

For transparency, accountability of ULBs' functionaries and adequate disclosure of local funds, accounting records/registers had to be maintained. Audit however, observed that none of the ULBs test-audited maintained the following Registers:-

- Issue Registers of Receipt Books;
- Demand Register for collection of taxes and fees;

- Cheque Issue Register;
- Advance Register; and
- Work Register.

The status of tax collection against the total demand of tax for a particular year could not be ascertained in the absence of Demand Register. Receipt book for collection of taxes is fraught with the possibility of using duplicate receipt books; hence a register needs to be maintained for its proper use. Due to non-maintenance of above vital accounting records, actual position of fund receipt and utilization thereof by ULBs lacked transparency. The accountability of the ULB's authority could not also be ensured.

3.14 Conclusion

None of the test-audited ULBs maintained their accounts in the formats prescribed in NMAM. The expenditure incurred by the ULBs in the absence of Budgets was irregular. Bank Reconciliation Statements (BRS) were not prepared by all the test-audited ULBs. In the absence of BRS, incidence of fraud, embezzlement, misappropriation, etc., could not be ruled out. Deficiencies in maintenance of Cash Book and non-maintenance of basic records indicated that internal control mechanism was not adequate to ensure proper accounting of substantial Public funds dealt with by ULBs. The concerned authorities need to take expeditious measures to take care of the shortcomings.

CHAPTER-IV
IMPLEMENTATION OF SCHEMES IN URBAN LOCAL
BODIES

CHAPTER- IV

IMPLEMENTATION OF SCHEMES BY URBAN LOCAL BODIES

4.1 Second State Finance Commission (SSFC) Award

4.1.1 Non-production of documents, bills and vouchers

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

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

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

4.1.2 Idle expenditure

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

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

4.2 Twelfth Finance Commission (TFC) Grant

4.2.1 Inadmissible Expenses out of TFC grants

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

Table 4.1: Expenses out of TFC grants

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

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

4.2.2 Procurement of Power Tiller

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

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

4.2.3 Diversion of TFC fund

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

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

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

4.2.4 Suspected misappropriation

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

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

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

4.2.5 Wasteful expenditure

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

Table 4.2: Expenses out of TFC grants

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

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

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

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

4.3 Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

4.3.1 Doubtful expenditure

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

Table 4.3: Expenses on payment of wages to unskilled labourers

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

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

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

4.3.2 Diversion of funds out of SJSRY grants

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

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

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

Table 4.4: Detail of funds withdrawn under SJSRY grants

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

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

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

4.3.3 Excess payment of wages

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

4.4 Drawal of money without presentation of bill

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

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

4.5 Retention of Cash

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

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

4.6 Delay in collection of Toll Tax

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

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

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

4.7 Short deposit and non-deposit of revenue collection

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

Table 4.5: Less deposit of revenue collection

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

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

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

4.8 Cash payment for material component

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

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

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

4.9 Conclusion

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



(Dr. N. Maisnam)

Deputy Accountant General (Audit)

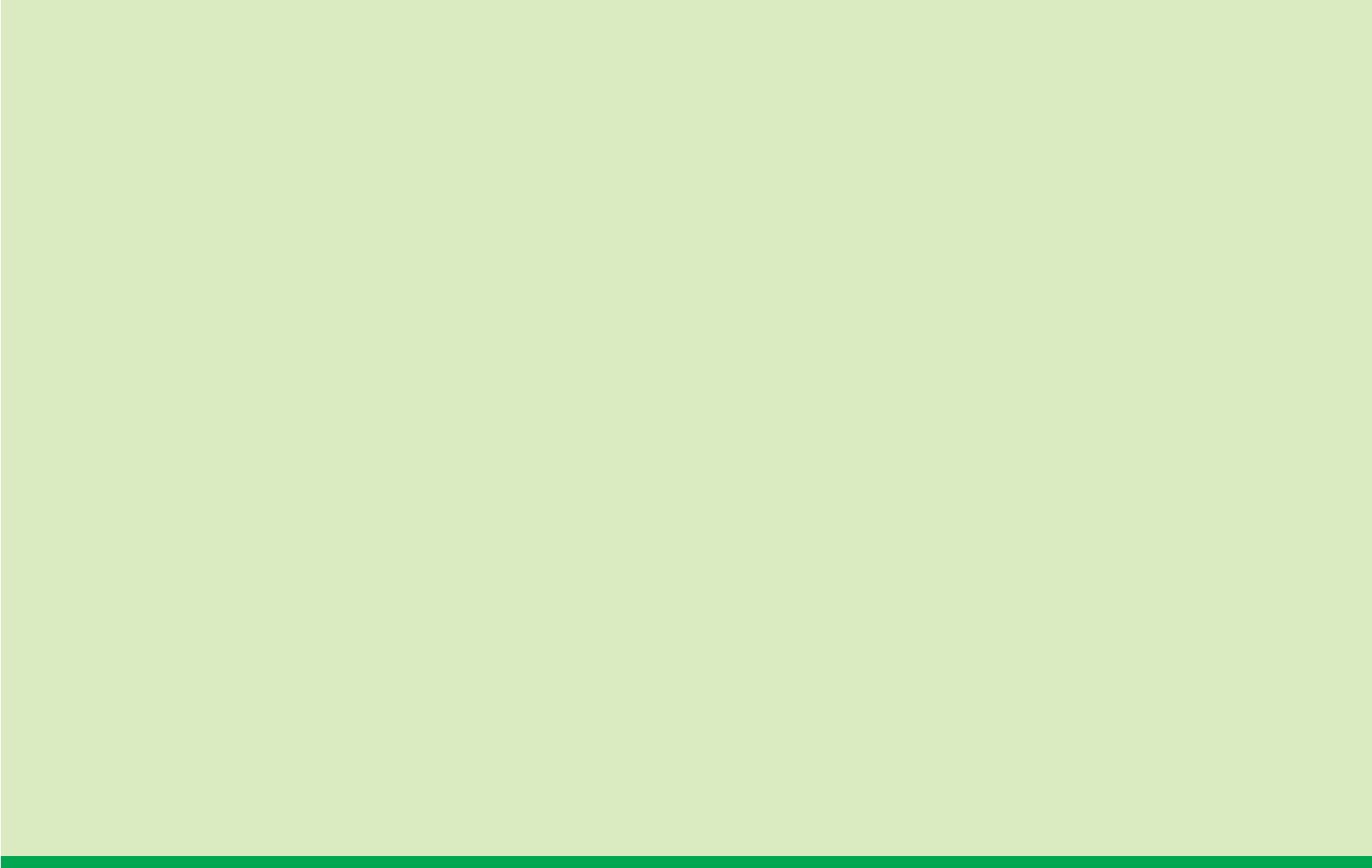
Imphal

Countersigned

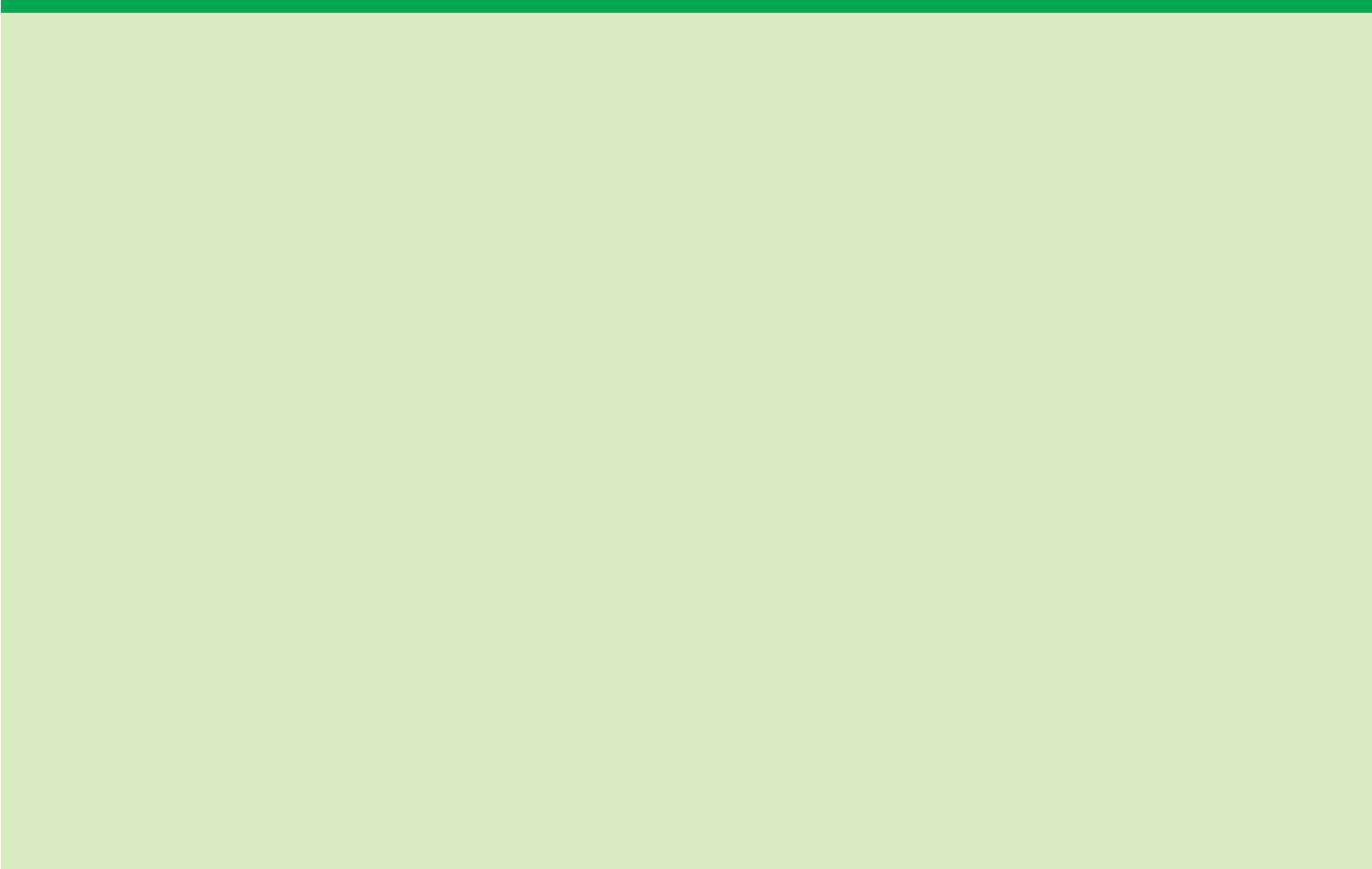


(Siddhartha Singh Longjam)
Accountant General (Audit)

Imphal



APPENDICES



APPENDICES FOR PRIs

Appendix-I

The PRIs-wise roles and responsibilities of Standing Committees

(Reference: Paragraph 1.5)

Gram Panchayat	Zilla Parishad
Production Committee for performing functions relating to agricultural products, animal husbandry and rural industries and poverty alleviation programmes.	General Standing Committee shall perform functions relating to the establishment matters and functions relating to communication, building, rural housing, village extension, relief against the natural calamities and allied matters and other matters.
Social Justice Committee for performing functions relating to:- (i) promotion of education, economic, social, cultural and other interest of the Scheduled Caste and Scheduled Tribes and Backward Classes; (ii) protection of such castes and classes from social injustice and any form of exploitation; and (iii) Welfare of women and children.	Finance Audit and Planning Committee shall perform the functions relating to (i) the finances of the ZP, framing of budgets, scrutinizing proposals for increasing revenue, examination of receipts and expenditure statements, consideration of all proposals affecting the finances of the ZP and general supervision of the revenue and expenditure of the ZP; and (ii) the plan priorities, allocation of outlays to developments, horizontal and vertical linkages, implementation of guidelines issued by the Government, regular review of planning programmes, evaluation of important programmes and small savings schemes.
Amenities Committee to perform functions in respect of education, public health, public works and other functions of the Gram Panchayat.	Social Justice Committee shall perform functions relating to (i) promotion of education, economic, social, cultural and other interests of the Scheduled Castes, Scheduled Tribes and Backward Classes; (ii) protecting them from social injustice and all other forms of exploitation; (iii) amelioration of the Scheduled Castes, the Scheduled Tribes and Backward Classes; and (iv) Securing social justice to the Scheduled Castes, the Scheduled Tribes, women and other weaker sections of the society.
	Education and Health Committee shall (i) be in-charge of all educational activities of the ZP; (ii) undertake the planning of education in the district within the framework of the national policy and the central and the state plans; (iii) survey and evaluate the educational activities of the ZP; (iv) perform such other duties pertaining to education, adult literacy and cultural activities as the ZP may assign to it; and (v) health services, hospitals, water supply, family welfare and other related matters.
	Agriculture and Industry Committee shall perform functions relating to (i) Agriculture production, animal husbandry, co-operation, contour bunding and reclamation; (ii) village and cottage industries; and (iii) promotion of industrial development of the district.

Appendix-II
Activity Map for 16 line departments to be transferred to PRIs
(Reference: Paragraph 1.8)

Sl. No.	Dept	Activities to be transferred to ZPs	Activities to be transferred to GPs
1	Transport	a) Maintenance of Bus stands and terminus along National/State High ways/District Roads. b) Collection of parking fees as prescribed by the Transport Department under a notification.	a) Maintenance of Bus Stand along Inter Village Roads. b) Collection of parking fees in the rural markets in the respective areas of GPs.
2	Health	To manage all public health institutions under National Rural Health Mission(NRHM)	Implementation of activities, preparation of village action plan under NRHM
3	Veterinary & Animal Husbandry.	a) Maintenance of Veterinary Dispensaries, Health Centres. b) Distribution of fodder seeds	a) Identification of beneficiary trainees for the schemes programmes through a meeting of Gram Sabha. b) Identification of beneficiaries for fodder cultivation.
4	Fisheries	a) Selection of beneficiaries under Centrally Sponsored Scheme Fish Farmers Development Agency programmes/schemes. b) Distribution of feed/fishing equipment to progressive farmers.	Identification of beneficiaries through Gram Sabha.
5	Rural development.	a) Planning and implementation of works programmes/shelf of projects b) Implementation, supervision and monitoring of various Centrally Sponsored Schemes Poverty Alleviation programmes.	a) Identification of location of works with the approval of the Gram Sabha b) Identification of location of works with the approval of the Gram Sabha.
6	Education (School)	a) Organisation of Adult Education/Non Formal education centres. b) Repair and maintenance of primary school building.	a) Selection of adult Education/Non-Formal Education centres. b) Identification of works through Gram Sabha & formation of beneficiaries committee.
7	Industries	a) Association in selection of beneficiaries of Khadi and Village Industries and entrepreneurs in service sector. b) Association with the task force for selection of beneficiaries under Pradhan Mantri Rozgar Yojana.	Recommendation of beneficiaries through Gram Sabha
8	Agriculture	a) Distribution of improved agricultural tools & implements and other inputs to farmers. b) Establishment & maintenance of rural markets.	a) Selection of beneficiaries through Gram Sabha. b) Selection of suitable marketing sites through Gram Sabha.

Sl. No.	Dept	Activities to be transferred to ZPs	Activities to be transferred to GPs
9	Horticulture	i) Implementation of a) Expansion programmes. b) Demonstration programmes. ii) a) Assistance to small marginal farmers in the construction of small Engineering Structure and land levelling. b) Construction of water harvesting structure.	Selection of beneficiaries/sites through Gram Sabha.
10	Tribal Development	a) Implementation of family oriented schemes like Animal Husbandry, Fisheries, Industries, <i>etc</i> b) Maintenance of village approach roads, community hall, school buildings. c) Implementation of rural shelters scheme for Scheduled Caste.	Selection of beneficiaries through Gram Sabha.
11	Cooperation	Recovery of crop loan and extending credit to farmers with the assistance of Manipur State Cooperative Bank(MSCB)	To associate with the Deptt/ ZPs/MSCB in the recovery of loan and identification of farmers for extending crop loans.
12	Minor Irrigation	a) Maintenance of River Lift Irrigation & Surface Flow schemes and collection of water charges. b) Association with the task force for selection of beneficiaries under Pradhan Mantri Rozgar Yojana.	Identification of work sites and collection of water charges.
13	Arts & Culture	a) Supervision and monitoring of cultural programmes. b) Maintenance of rural libraries under Raja Ram Mohan Roy and Rajiv Gandhi Foundations.	Implementation of cultural programmes through cultural Non Governmental Organisations (NGOs)
14	Social Welfare	a) Supervision, Implementation and monitoring of programmes b) Prevention of drug abuse. c) Implementation of BSY (Balika Samridhi Yojana) Schemes.	Identification of beneficiaries.
15	Science & Technology	a) Establishment of non conventional energy sources such as bio gas plants/scholar cooking plants. b) Introduction of smokeless chulha. c) Improved portable chulha.	Selection of beneficiaries with the approval of Gram Sabha
16	Family Welfare	Implementation of Family Welfare scheme.	Selection of beneficiaries through Gram Sabha.

Appendix–III
List of Units audited during 2011-12
(Reference: Paragraphs 1.10 & 3.9)

(A) Panchayati Raj Institutions

Sl. No.	Name of Unit audited	Period of Accounts covered	Period of Audit
1	Thoubal ZP	01.04.2006 to 31.03.2011	25.04.2011 to 11.05.2011
2	Imphal West.II ZP	01.04.2009 to 31.03.2011	03.01.2012 to 12.01.2012
3	6 GPs under Imphal East-II, Jiribam CD Block (a) Latingkhul (b) Dibong (c) Jaguradhor (d) Sonapur (e) Borobekra (f) Hilghat	01.04.2006 to 31.03.2011	29.06.2011 to 05.07.2011

(B) Urban Local Bodies

Sl. No.	Name of Unit audited	Period of Accounts covered	Period of Audit
1	Lamlai Nagar Panchayat	01.04.2006 to 31.03.2011	25.05.2011 to 04.06.2011
2	Jiribam Municipal Council	01.04.2008 to 31.03.2011	16.06.2011 to 28.06.2011
3	Sugnu Nagar Panchayat	01.04.2006 to 31.03.2011	06.10.2011 to 18.10.2011
4	Kumbi Nagar Panchayat	01.04.2006 to 31.03.2011	29.10.2011 to 11.11.2011
5	Lamsang Nagar Panchayat	01.04.2006 to 31.03.2011	22.11.2011 to 02.12.2011
6	Sekmai Nagar Panchayat	01.04.2006 to 31.03.2011	13.02.2012 to 23.02.2012
7	Imphal Municipal Council	01.03.2010 to 31.03.2011	04.03.2012 to 23.03.2012

Appendix-IV
Statement showing inadmissible expenditure out of TFC grants
(Reference: Paragraph 2.3)

Sl. No.	Name of GPs	Purpose of diversion	Date of Diversion	Amount diverted (in ₹)
1	Oinam Thingel	Construction of Crematorium at Khongnang Pheidekpi Makha Leikai	11.05.2009 16.05.2009	50,950 33,000
2	Langthabal Ningombam	i. Repairing of Community Hall ii. Construction of Community Hall iii. Repairing of Community Hall	17.11.2008 05.12.2008 05.12.2008	50,000 40,000 40,000
6	Mongsangei	Purchase of Water Filter and others	03.07.2006	4,000
7	Laphupat Tera	Repairing of Community Hall at Yumnai Leirak	15.03.2010	24,066
		Administrative Charge	16.09.2009	2000
		Administrative Charge	29.09.2009	2000
8	Phubakchao	Fitting of door and window of Panchayat Ghar	09.04.2007	4,500
		Administrative charge	26.11.2007	4,000
		Administrative charge	03.04.2009	4,000
Total				2,58,516

Appendix-V
Non-reconciliation of Cash Balances of two ULBs
(Reference: Paragraph 3.13.3)

Sl. No.	Name of ULB	Bank Account No.	Cash Balance (in ₹)		Difference (in ₹)
			As per Pass Book	As per Cash Book	
1	Sekmai NP	30723740190/State Bank of India,	1,15,420.00	1,05,942.00	9,478.00
2	-do-	30723704173/State Bank of India,	10,399.00	2,155.00	8,244.00
3	-do-	30723671055/State Bank of India,	20,776.00	Cash Book not closed	-
4	Imphal MC	10929177141/State Bank of India	28,80,130.58	25,57,060.58	3,23,070.00
5	-do-	21155025104/Allahabad Bank	1,14,313.73	1,14,644.73	331.00
6	-do-	21155076668/ Allahabad Bank	3,68,216.00	2,19,153.00	1,49,063.00
7	-do-	4666/ Allahabad Bank	69,842.00	80,991.00	11,149
8	-do-	21001061/Manipur State Co-operative Bank	10,65,76,621.00	26,706.00	10,65,49,915.00
9	-do-	2494/Imphal Co-operative Bank	25,390.41	25,460.41	70

Appendix-VI
Detail of expenses out of TFC grants
(Reference: Paragraph 4.2.4)

Sl. No.	Purpose of Payment	Date of Payment	Amount paid (in ₹)
1	Purchase of Computer	13.05.07	1,00,000
2	Expenses on construction of Computer Room and payment of salary to Computer Operator	13.07.07	2,00,000
3	Final payment for the work of Computer room	01.08.07	1,00,000
4	Paid to labourers engaged in Solid Waste Management	10.11.07	11,424
5	Paid to labourers engaged in Solid Waste Management	28.03.08	31,800
6	Paid fees for Computer training	18.10.08	53,260
7	Paid to labourers/beneficiaries under Twelfth Finance Commission related works	24.12.09	1,88,000
Total			6,84,484

Appendix-VII
Statement showing wage rate and man day generation
(Reference: Paragraph 4.3.3)

Imphal Municipal Council						
Sl. No.	Name of Works	Period of works taken up	No. of labourers deployed	No. of man days	Rate of payment (in ₹)	Amount paid (in ₹)
1	Improvement of Khoirom Leirak at Ward No. 3	01.06.10 to 22.07.10	12	285	150	42,750
2	Improvement of Laipuram Leirak & Academy Road at Ward No. 18	01.06.10 to 29.06.10	14	294	150	44,100
3	Improvement of Road at Ward No. 23	02.07.10 to 22.07.10	14	294	150	44,100
4	Improvement of Road at Ward No. 26	10.07.10 to 31.07.10	14	294	150	44,100
5	Improvement of Road at Ward No. 27	01.10.10 to 21.10.10	14	294	150	44,100
Sub-total			68	1461		2,19,150
Kumbi Nagar Panchayat						
1	Construction of Public Urinal at Kumbi Leirak, Achouba-Kumbi Ward No. 8	15.04.2010 to 24.04.2010	08	80	100	8,000
2	Construction of Public Urinal at Community Hall, Ward No. 4	15.04.2010 to 24.04.2010	08	80	100	8,000
3	Construction of Public Urinal at Kumbi Uchamakhong, Ward No. 1	15.04.2010 to 24.04.2010	08	80	100	8,000
4	Construction of Public Urinal at Kumbi Ward No. 2	15.04.2010 to 24.04.2010	08	80	100	8,000
5	Construction of Stair at Kumbi Khuga Wangma, Ward No. 5	15.04.2010 to 24.04.2010	08	80	100	8,000
6	Construction of Stair at Kangjeibung Kapal Pukhri, Ward No. 5	15.04.2010 to 24.04.2010	08	80	100	8,000
7	Construction of Stair at Shatra Pukri Mayai Leikai, Ward No. 6	15.04.2010 to 24.04.2010	08	80	100	8,000
8	Construction of Bath Room at Kumbi Awang Khunou, Ward No. 7	15.04.2010 to 24.04.2010	08	80	100	8,000
9	Construction of Bus stand at Kumbi Laishanghang Mamang, Ward No. 9	15.04.2010 to 21.04.2010	06	42	100	4,200
10	Construction of Public Urinal at Khuga Wangma	01.09.2010 to 15.09.2010	08	120	100	12,000
11	Construction of Stair at Mayai Leikai Babu Pukhri Ward No. 6	01.09.2010 to 15.09.2010	08	120	100	12,000
12	Construction of Public Urinal at Kumbi Laishanghang Ward No. 9	01.09.2010 to 15.09.2010	08	120	100	12,000
13	Improvement of Shingling Work at Setepur Maning Leikai Ward No. 8	01.09.2010 to 10.09.2010	10	100	100	10,000
14	Improvement of Earth Work at Sarangkhong Leirak Ward No. 4	01.09.2010 to 10.09.2010	11	110	100	11,000
15	Improvement of Shingling Work at Setepur Maning Leirak Ward No. 2	01.09.2010 to 10.09.2010	10	100	100	10,000
16	Construction of Public Urinal at Kumbi Ward No. 1	01.09.2010 to 15.09.2010	08	120	100	12,000
Sub-total			133	1472		1,47,200
Grant Total			201	2933		3,66,350

Appendix-VIII
Statement showing expenses out of Urban Infrastructure Development Fund
(Reference: Paragraph 4.4)

Sl. No.	Particulars	Date of expenditure	Amount (in ₹)
1	Construction of Ring Bund at Ward No. 4	17.04.2007	40,000
2	-do-	24.04.2007	50,000
3	-do-	04.05.2007	50,000
4	-do-	13.06.2007	40,000
5	Construction of Ring Bund at Ward No. 5	22.05.2007	30,000
6	-do-	15.09.2007	40,000
7	Construction of Ring Bund at Ward No. 7	22.05.2007	30,000
8	-do-	25.06.2006	20,000
Total			3,00,000

Appendix-IX
Statement showing delay in collection of Toll tax
(Reference: Paragraph 4.6)

Sl. No.	Period for which Tax was deducted	Receipt Book No	Date of entry as per Collection Register	Amount realized (in ₹)
1	April 2010	771806	02.11.2010	1,00,000
2	May 2010	771807 771808	05.11.2010 26.11.2010	1,20,000
3	June 2010	771809 771810	30.12.2010 29.01.2010	1,20,000
4	July 2010	771811 771812 795401	25.02.2011 26.02.2011 20.04.2011	1,20,000
5	August 2010	795402	20.04.2011	1,20,000
6	September 2010	795403 795404 795405	10.05.2011 11.05.2011 14.06.2011	1,20,000
7	October 2010	795406 795407 795408	14.06.2011 13.07.2011 25.07.2011	1,20,000
8	November 2010	795409 795410 795411 795412	30.07.2011 01.08.2011 02.08.2011 11.08.2011	1,20,000
9	December 2010	795413 795414 795415 795417 795418	18.08.2011 23.08.2011 25.08.2011 13.09.2011 13.09.2011	1,20,000
10	January and February 2011	795419	10.10.2011	10,000*
11	March 2011	795420	11.10.2012	1,20,000
Total				11,90,000

*Due to bandh only ₹10,000/- was collected