



**Annual Technical Inspection Report
on
Panchayati Raj Institutions and Urban Local Bodies
for the year ended 31 March 2013**

**OFFICE OF THE ACCOUNTANT GENERAL (AUDIT), MANIPUR
IMPHAL**

The Report has been laid on the table of the State Legislature Assembly on 16-07-2014



GOVERNMENT OF MANIPUR

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Government of Manipur

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PREFACE

1. *The Report is prepared for submission to the Government of Manipur in terms of Technical Guidance and Support (TG&S) 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.*
2. *This Annual Technical Inspection Report for the year ended 31 March 2013 is the consolidation of major audit findings arising out of audit of accounts of PRIs and ULBs conducted during the year 2012-13, 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 2012-13 have also been included, wherever necessary.*

OVERVIEW

OVERVIEW

This Report includes four Chapters. Chapters-I and II contain an overview, including financial reporting and audit observations on the Panchayati Raj Institutions (PRIs) and Chapters-III and IV contain overview, including financial reporting and audit observations on the Urban Local Bodies(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 (GPs), even though one post of Panchayat Secretary was sanctioned for each Gram Panchayat, there were only 113 Panchayat Secretaries against the existing 161 Gram Panchayats as of March 2013 in the State.

(Paragraph 1.4)

Under Sections 38 and 65 of the Manipur Panchayati Raj (MPR) Act, 1994, the GPs and ZPs are required to constitute Standing Committees to perform the functions assigned to them. However, none of the PRIs, except Imphal West ZP, constituted Standing Committees as of 31 March 2013.

(Paragraph 1.5)

Though District Planning Committees were constituted in four valley districts they were not made functional as of March 2013.

(Paragraph 1.6)

Release of funds by the State Government to the PRIs during 2008-13 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 1.8.3)

Transfer of funds, functions and functionaries to PRIs listed in the XIth Schedule of the Constitution was not adequate and effective to enable them to function as institutions of local self-government.

(Paragraph 1.9)

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.

(Paragraph 1.15.3)

Under the Manipur Panchayati Raj Act, 1994, Budget is required to be prepared by the PRIs. However, none of the 30 PRIs test-checked prepared Budget up to 2012-13, which was irregular.

(Paragraph 1.15.4)

Model Accounting System (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 1.15.5)

28 test-checked GPs had not transferred funds pertaining to Sampoorna Gramin Rozgar Yojana (SGRY) Scheme to MGNREGS as of March 2013. Due to non-furnishing of records the balance amount of fund in the account of SGRY scheme in 22 out of 28 GPs could not be ascertained in Audit.

(Paragraph 2.1.1)

Despite incurrence of ₹ 13.12 lakh by 14 PRIs out of XII-FC & XIII-FC grants, no database could be created in the PRIs resulting in unfruitful expenditure.

(Paragraph 2.3.1)

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

(Paragraph 3.5)

The release of funds to the ULBs was much lower than that of the recommendation of SSFC during the period from 2008-09 to 2012-13. During 2011-12 no fund was released to ULBs.

(Paragraph 3.7.2)

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 3.13.2)

None of the beneficiaries to whom financial assistance was given under SJSRY were from amongst the beneficiaries who have successfully completed the training under USEP.

(Paragraph 4.1.1)

In Nambol MC, 230 beneficiaries out of the listed 1,739 BPL card holders were benefited under UWEP. However, out of the 230 beneficiaries, 9 beneficiaries were benefited consecutively both in the first and second installments thereby depriving the benefits of the scheme to other beneficiaries who had never availed of the benefits.

(Paragraph 4.1.3)

The Wangoi NP and Nambol MC incurred an expenditure of ₹ 6.66 lakh out of XII-FC grants for maintenance of accounts and training on double entry accounting system. However, the MCs had not maintained their accounts in accrual based double entry accounting system.

(Paragraph 4.2.1)

The Imphal MC and Kakching MC diverted SSFC funds of ₹ 56.69 lakh towards administrative expenses and purchase of vehicle from the fund meant for creation of socially and economically useful public amenities thereby depriving the public of the intended benefits.

(Paragraph 4.4.1)

Out of 300 shopkeepers registered in the Imphal MC during the period 01.04.2011 to 17.02.2012, only 18 shopkeepers renewed their licenses before the expiry date. The licenses of 282 shops were yet to be renewed as of March 2013.

(Paragraph 4.5.1)

Imphal MC suffered a loss of ₹ 5.60 lakh by allowing exemption to an agent for collection of toll tax in contrary to the resolution of Finance and Assessment Committee.

(Paragraph 4.5.2)

The Imphal MC was yet to collect rent of ₹ 43.58 lakh for the period 2011-12 from the Women Vendors.

(Paragraph 4.5.4)

The Imphal MC paid excess honorarium of ₹ 34.73 lakh to the Chairperson, Vice-Chairperson and Councilors without approval of the State Government.

(Paragraph 4.6)

Three Municipalities namely the Nambol MC, the Kakching MC and the Bishnupur MC had drawn ₹ 11.37 lakh as sitting allowance of their Chairperson, Vice-Chairperson and Councilors without approval of the State Government which is tantamount to violation of Section 71 of the Manipur Municipalities Act, 1994.

(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 Amendments 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 to Panchayati Raj Institutions (PRIs) with respect to preparation of plans and programmes for economic development and social justice and implementation of the 29 subjects listed in XIth 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 local self-government. In particular, the PRIs were required to prepare plans and implement schemes for economic development and social justice, and perform functions including those enumerated in the XIth Schedule of the Constitution.

Post the 73rd Constitutional Amendment Act, 1992; the State enacted the Manipur Panchayati Raj (MPR) Act, 1994. A 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 (ZPs) and Gram Panchayats (GPs) 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 Eastern part of India. The State covers an area of 22,327 sq. km. with a population of 27.22 lakh (2011 census)¹. 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 the decadal growth of 17.6 *per cent* at the 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

¹ Including the estimated population of three blocks under Senapati District viz. i) Purul, ii) Mao Maram and iii) Paomata which is under dispute.

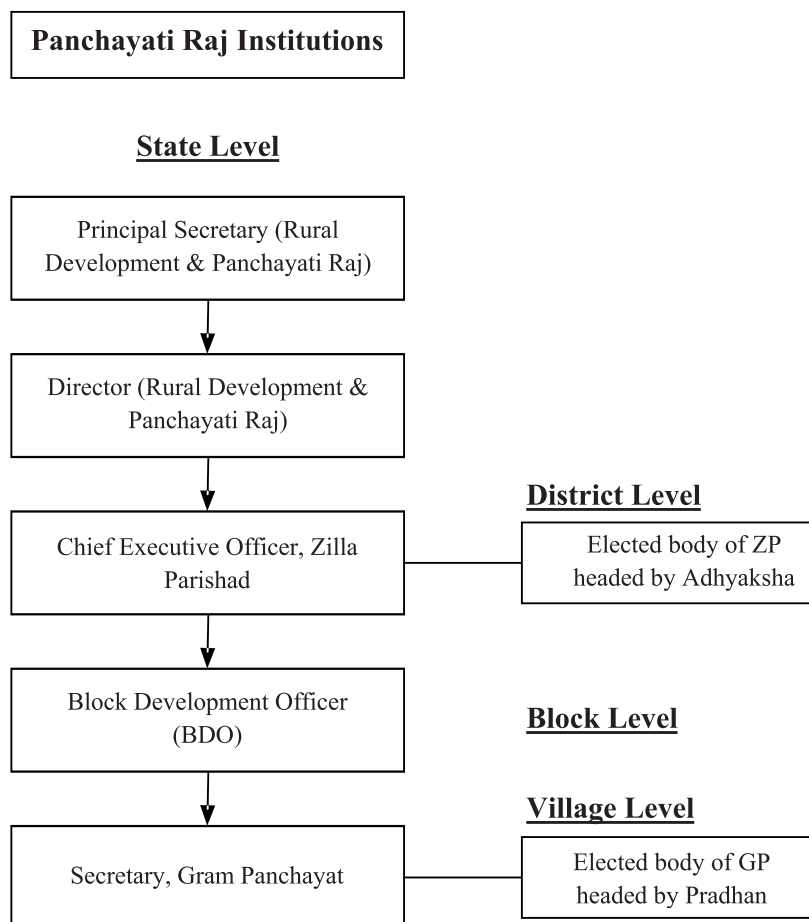
sector dominate the State's economy. The demography of the state as per 2011 census is given in table below:

Table 1.1: Statistics of the State

Sl.	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	165
8	Number of Zilla Parishads	Numbers	4
9	Number of Gram Panchayats	Numbers	161

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 are given below:

Table 1.2: Details of responsibility of PRIs

Authority	Responsibilities
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 (CEO)	The CEO is appointed by the State Government and carries out the policies and directives of the ZP
Gram Panchayat (elected body)	Preparation of Annual Plan and Annual Budget
Panchayat Secretary (PS)	The PS is appointed by the State Government for 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, Chief Planning Officer and such number of officers of Groups 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 2013.

ZP: 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. The position of staff in the 4 ZPs as of March 2013 is detailed as below:

Table No. 1.3

Sl.No.	Name of the ZP	Persons-in-position
1	Imphal East	20
2	Imphal West	25
3	Thoubal	05
4	Bishnupur	12
	Total	62

As is evident from the table above that persons in position in the 4 ZPs vary. There were 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.

GP: As per Section 45 of the MPR 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 2013, there were only 113 Secretaries against the existing 161 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 in GPs for 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 MPR Act, 1994, the GPs and the ZPs are required to constitute the following Standing Committees to perform the functions assigned to them:

Table 1.4: 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, except Imphal West ZP, have constituted the above Committees as of March 2013. 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 terms of Article 243 ZD of the Constitution of India and Section 96 of the MPR Act, 1994, the State Government is required to constitute a District Planning Committee (DPC) in each district to consolidate the plans prepared by the Panchayats and Municipalities in the District and 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 MPR 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 Councilors as may be specified by the government from the member of councilors of Nagar Panchayat 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 2013. 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 Irregularities in Gram Sabha Proceedings

Section 9 of the MPR Act, 1994 states that the Gram Panchayat shall prepare the agenda for discussion of the Gram Sabha and such matters shall relate to the followings items:

- a. The annual statement of accounts of the Gram Panchayat, the report of administration of the preceding financial year and the last audit note and replies if any, made thereto.
- b. The budget of the Gram Panchayat for the next financial year.
- c. The report in respect of development programmes of the Gram Panchayat relating to the preceding year and development programmes proposed to be undertaken during the next year.

However, on test check of records of 28 GPs, it was found that nothing was mentioned in the agenda for discussion of the Gram Sabha about the points as listed above. The Gram Sabhas were held specifically for Mahatma Gandhi

National Rural Employment Guarantee Scheme (MGNREGS). As such, the Gram Sabhas of the GPs left out the vital points for discussion in their Gram Sabha Meetings proceedings.

1.8 Financial Profile

1.8.1 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 1.5 and 1.6 below respectively. The authorities for reporting use of funds in respect of ZPs and GPs are Chief Executive Officer (CEO) and Panchayat Secretary respectively.

Tables 1.5: Fund flow mechanism in PRIs

Nature of Fund	ZPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assesses and users	Bank	Assesses and users	Bank
Revenue grants	State Government	Bank	State Government	Bank
State Finance Commission				
State Plan Scheme				
Central Finance Commission/Centrally Sponsored Scheme	Government of India	Bank	Government of India	Bank

1.8.2 Resources: Trends and Composition

The fund flow arrangements and trends of resources of PRIs for the period 2008-09 to 2012-13 are shown in the table below:

Table 1.6: Fund flow arrangements in flagship schemes

Sl.No.	Scheme	Fund flow
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	Central share is released direct to the District Rural Development Agencies (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.

Source: Schemes guidelines

Table 1.7: Time series data on resources of PRIs

(₹ in crore)

Source of Revenue	2008-09	2009-10	2010-11	2011-12	2012-13
Government of India	68.48	108.59	129.38	241.39	214.04
State grants for Centrally sponsored Schemes	0.44	5.46	7.58	12.50	25.88
CFC grant	4.26	8.51	5.60	5.47	7.79
SFC grant	20.10	25.91	18.74	18.74	20.62
Salaries/Honorarium	0.86	0.72	0.72	3.42	2.70
Own Revenue	Nil	Nil	Nil	Nil	Nil
Total	94.14	149.19	162.02	281.52	271.03

Source: Data consolidated from the data received from DRDAs, Rural Development and Panchayati Raj (RD&PR) Department

As compared to 2008-09 the grants from Central Government substantially increased during 2009-10, 2010-11 & 2011-12 due to release of more funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). However, grants from the Central Government decreased in 2012-13 as compared to 2011-12 as Centrally Sponsored Scheme being implemented by the PRIs was limited to MGNREGS with reasons not on record.

1.8.3 State Finance Commission Award

After the enactment of the 73rd Amendment Act to the Constitution of India, the State Government constituted three 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. The period of the SSFC covered up to 31.03.2010. The Third SFC was constituted in March 2013. As per the accepted recommendations 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 five years from 2008-09 to 2012-13 to PRIs is shown in the table as follows:

Table 1.8: Release of Funds to PRIs under SFC Award

(₹ 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	Released during 2012-13
(i)	Imphal East	0.87	1.12	0.81	0.81	0.89
(ii)	Imphal West	0.59	0.76	0.55	0.55	0.61
(iii)	Thoubal	0.94	1.21	0.87	0.87	0.96
(iv)	Bishnupur	0.62	0.79	0.57	0.57	0.63
Total		3.02	3.88	2.80	2.80	3.09
B	Community Development Block					
(i)	Imphal East-I	2.19	2.82	2.04	2.04	2.24
(ii)	Imphal East-II	2.23	2.87	2.08	2.08	2.28
(iii)	Jiribam	0.52	0.67	0.49	0.49	0.54
(iv)	Imphal West-I	2.32	3.00	2.17	2.17	2.29
(v)	Imphal West –II	1.02	1.32	0.96	0.96	1.15
(vi)	Thoubal	3.55	4.58	3.31	3.31	3.64
(vii)	Kakching	1.76	2.27	1.64	1.64	1.81
(viii)	Bishnupur	1.78	2.30	1.66	1.66	1.83
(ix)	Moirang	1.71	2.20	1.59	1.59	1.75
Total		17.08	22.03	15.94	15.94	17.53
Grand Total		20.10	25.91	18.74	18.74	20.62

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

In the above table the funds pertaining to 2011-12 and 2012-13 were released on the basis of the recommendations of the SSFC under the head 'Assignment & Compensation' since the periods are beyond the SSFC period (2001-10). The position of funds released and shortfall in release of funds during 2008-13 are as shown in the table below:

Table 1.9: 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)
2012-13	1882	188	65	21	44(68)

Source: Departmental records and Finance Accounts

As it is evident from the table above the transfer of funds to the PRIs during 2008-13 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 2008-13 without any recorded reason. This would impede the developmental works of the rural areas in the State.

1.9 Status of transfer of Funds, Functions and Functionaries

The 73rd Amendment to the Constitution and the MPR Act, 1994 envisaged transfer of the functions to PRIs listed in the XIth 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 2013. 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 status of transfer of funds, functions and functionaries 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 31.03.2013 is shown in **Appendix-III**.

The Amendment Act envisioned that the PRIs shall have necessary powers to carry out all the functions entrusted, assigned or delegated to them and, in particular, to exercise all powers specified under the MPR 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.

1.10 Audit Mandate

1.10.1 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 MPR Act, 1994. The duty of the DLFA is to conduct audit of the accounts of PRIs and to forward the Audit Reports to the audited entities and the State Government.

The DLFA intimated (July 2013) that the Directorate has not conducted audit of accounts of any PRIs during 2012-13. The Director further stated that no Audit Report for any of the years was compiled. Also, there was no case of follow-up action on the Inspection Reports under Technical Guidance and Support (TG&S) arrangement. In this state of position, IRs could not serve the purpose of audit.

1.10.2 Organizational Set up of Director, Local Fund Audit

Director, Local fund Audit of Manipur is a Directorate headed by a Director assisted by Joint Director, Assistant Directors, Audit Officers and other ancillary staff. As on 31 December 2013, the Directorate was having 38 persons on its roll against the sanctioned strength of 65. The DLFA conducts audit of account of Local Bodies and accounts of government offices/departments as internal audit cell of Finance Department. An audit party comprises of one Audit Officer and two Auditors, and they work under the direct supervision of the Assistant Director/Joint Director.

1.10.3 Audit by C&AG of India

The Accountant General (Audit), Manipur conducts the audit of the accounts of PRIs under Section 20(1) of C&AG's Duties, Power and Condition of Service (DPC) Act, 1971. The State Government had entrusted audit of PRIs to the C&AG under Technical Guidance and Support (TG&S) arrangement in March 2012 by way of Gazette notification in pursuance of the Thirteenth Finance Commission (XIII-FC) recommendations.

1.11 Audit Coverage

Test audit of the accounts of 30 PRIs (2 ZPs for the year 2009-12 and 28 GPs for the years 2006-12) was conducted during 2012-13 (**Appendix-IV 'A'**). Results of the audit are given in the succeeding chapter.

1.12 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 (IRs) 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 2013 are shown in table below:

Table 1.10: 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
2012-13	30	Nil	304	304	Nil	304
Total	48	1	415	416	Nil	416

As it is evident from the table above, 416 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 observations.

1.13 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 XIth 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

1.14 Framework

1.14.1 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 MPR 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 MPR Act, 1994 and Rules made thereunder do not lay any provision for preparation of Annual Accounts.

1.15 Financial Reporting Issues

1.15.1 Non-Maintenance of Basic Records

In view of the nature of transactions of the PRIs, the following records are required to be maintained for greater accountability and transparency:

- Principal Cash Book;
- Grants-in-aid Register;
- Bill Register;
- Purchase file;
- Stock and Issue Register;
- Asset Register (except for MGNREGS);
- Works Registers;
- BPL Register; and
- Employment Register (except for MGNREGS).

Test-check of 2 ZPs and 28 GPs however, revealed that none of the PRIs maintained the records as mentioned above. 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 without the vital records.

1.15.2 Deficiencies in maintenance of Cash Book

As per Central Treasury Rules every officer receiving money should maintain a Cash Book. It also envisages that all monetary transactions should be entered in the cash book as soon as they occur; the Cash Book should be closed regularly and completely checked; an erasure or overwriting of an entry once made in the Cash Book is strictly prohibited. Test-check of Cash Books of 30 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. Correction and alteration were made without initial of the competent authority.

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

1.15.3 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. As an illustrative example, as on 31 March 2012 there was a cash balance of ₹ 1.17 lakh as per Bank Pass Book² though balance as per Cash Book of the Bishnupur ZP was ₹ 0.80 lakh thereby resulting a difference of ₹ 0.38 lakh. The reason for the difference was not explained in the Cash Book through preparation of Bank Reconciliation Statement by the ZP. 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.

1.15.4 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 disbursements 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 28 GPs revealed that neither the ZP nor GP prepared Budget up to 2012-13. 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.

² Account number of UCO Bank, Bishnupur Branch:0054011000804

1.15.5 Maintenance of Accounts

Sections 43 and 73 of MPR Act, 1994 stipulate 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 28 GPs revealed that accounts were maintained on cash basis. However, the basic records such as consolidated cash books, grants-in-aid register, bill register, purchase file, stock and issue register etc. and accounts to assess the income and expenditure of the PRIs were not maintained in all the test-audited PRIs. Also Audit observed that Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the C&AG of India was not adopted in any of the GPs and ZPs as of March 2012 without any recorded reason.

1.16 Conclusion

Non-maintenance of basic records/registers in PRIs was noticed resulting absence of credible financial reporting. Financial reporting in PRIs is inadequate as Cash Books were not properly maintained. 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 Statement. Budgets were not prepared by all the test-audited PRIs. In the absence of budget allocation, the expenditure incurred by GPs and ZPs without budget provision was irregular. Audit observed that Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the C&AG of India was not adopted in any of the GPs and ZPs as of March 2012 without any recorded reason.

CHAPTER-II

**IMPLEMENTATION OF SCHEME IN PANCHAYATI
RAJ INSTITUTIONS**

CHAPTER-II

IMPLEMENTATION OF SCHEMES IN PANCHAYATI RAJ INSTITUTIONS

2.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

The objective of the MGNREG scheme is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The major audit findings on implementation of the Scheme are as follows:

2.1.1 Non-transfer of unutilized fund of SGRY fund

As per Government order (May 2009), Sampoorna Gramin Rozgar Yojana (SGRY) scheme was merged with 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 28 test checked GPs had not transferred funds pertaining to SGRY Scheme to MGNREGS as of March 2012. The balance amount in the account of the SGRY in case of 22 GPs also could not be ascertained in audit as the records were not made available. 19 GPs stated that the records were with the predecessor Panchayat Secretaries and three GPs stated that these could not be readily furnished to audit.

Reply is not acceptable as the records should have been handed over by the predecessors to the successor Panchayat Secretaries. If not done so, the matter should have been brought to the notice of the Administrative Department so that timely action could have been initiated against the defaulting officials.

Thus, audit concludes that there is no system in place for upkeep and maintenance of records in majority of the test checked PRIs. Also, the PRIs did not observe any financial discipline.

2.1.2 Adherence to the guidelines

Rule 6.2 of the MGNREGS operational guidelines states that the ratio of wage costs to material costs should not be less than the minimum norm of 60:40. This ratio should be applied preferably at the GP, Block and District levels. However, the ratio as envisaged in the guidelines was not maintained by the test checked ZPs and GPs as depicted in table as follows:

Table 2.1

Sl. No.	Name of the GP/ZP	Name of the work	Amount Sanctioned (₹ in lakh)	Ratio of wages cost and material cost
1.	Patsoi GP	Remodelling of pond at Patsoi Part-II Irom Pukhri (Phase II)	5.00	40:60
2.	Sagolband Sapam Leikai	Retaining wall at road side connecting tanks/ponds at Sapam Leirak Maning Lambi with Khaidem Iboyaima Maning Pukhri serial 8 of 2011-12	6.97	35:65
3.	Yarou Bamdiar GP	Construction of fencing and stairs at Heikrujam Keithel Makha public pond	3.00	45:55
4.	Takyel GP	Retaining wall of public pond near TAPAYA club at Takyel Khongbal W/No. 11	12.80	20:80
5.	Lamjaotongba GP	Construction of pucca drain at Yengkhom Leirak to Naorem Taba, both sides	12.00	34:66
6.	Maklang GP	Connecting earthwork with singling from Kachikhul to Polangsoi Lambi along with sanitary drain Phase II, Construction of RCC wooden bridge and railing SI No. 28 of 2010-11	7.35	40:60
7.	Potsangbam GP	Remodeling and widening of Inter Village Road with pucca drain construction i/c 12 nos. of ring culvert at Awang Potsangbam Khullen for the year 2011-12.	6.89	37:63
8.	Phumlou GP	Retaining wall at Senjam Khunou Primary School Nakal Shahirok river	12.22	38:62

In all the cases expenditure on material was more than that of the wages. This indicates that the PRIs took up material intensive works rather than labour intensive. This has defeated the main objective of providing employment to the rural poor under the scheme.

As per Rule 3.3 of the MGNREGS guidelines all key agencies are to be trained in discharging their responsibilities under the Act. This includes Gram Panchayats, other PRIs, District and State-level Department personnel involved in implementing MGNREGS, as well as local committees, groups formed for the purpose of vigilance, monitoring and social audit. Basic training on core issues pertinent to the Act and guidelines must be arranged by the State Government with priority accorded to its key functionaries, especially the District Programme Coordinator, the Programme Officer and PRIs. A Training calendar should be made and training modules should be calibrated in content and process according to different stakeholders.

However, Audit observed that no trainings were imparted to all the key agencies to discharge their responsibilities effectively in violation of the Act.

The matter was referred (June 2013) to the concerned authorities; their reply had not been received (January 2014).

2.2 Second State Finance Commission (SSFC)

2.2.1 Execution of Work without observing Technical Specification

The Bishnupur ZP undertook (June 2011) “Construction of community hall at Ngangkhalawai” at a cost of ₹ 4 lakh under SSFC. The estimated cost of Corrugated Galvanized Iron (CGI) sheet and cement concrete flooring were ₹ 2.36 lakh and ₹ 1.40 lakh respectively. On scrutiny of actual expenditure, audit noticed that the ZP utilized ₹ 0.84 lakh on procurement of CGI sheet and cement though it was recorded in the Measurement Book (MB) that ₹ 2.36 lakh was spent in procurement of 347.90 square metre of CGI sheets. The work was completed in June 2011. It transpired that no proper measurement of the work was done by the ZP. The record entry made in the MB was not reliable as there was disagreement between the actual expenditure and that recorded in the MB. Further, as per records Audit noticed that major chunk of the expenditure was on wages and transportation charges. The ZP spent ₹ 1.55 lakh for wages and ₹ 1.65 lakh for transportation charges.

Similarly, the ZP also took up (November 2011) the work of improvement of community hall at Thanga through Development Secretary of Thanga. The estimated cost of CGI sheet and cement concrete flooring of the community hall was ₹ 1.30 lakh and ₹ 2.36 lakh respectively. The work was completed in November 2011. From the verification of relevant documents such as bills *etc.*, it was noticed in audit that the ZP spent ₹ 1 lakh on procurement of CGI sheet and ₹ 0.23 lakh on bricks and cement. However, the ZP recorded expenditure of ₹ 2.36 lakh on CGI sheets and ₹ 1.30 lakh on cement and brick in the MB. As such, record entry in the MB was not as per the actual execution.

Thus, the Bishnupur ZP had executed the work in a casual manner without following any technical specification. Also, records for execution of the works were not properly entered in the MB. Instead the ZP had copied the exact estimates of the works in the MB which tantamount to dereliction of duty by the personnel who were responsible for looking after the execution of the works.

The matter was referred (May 2013) to the concerned authorities; their reply had not been received (January 2014).

2.2.2 Observance of Financial Rules

As per Rule 290 of Central Treasury Rules no money should be drawn unless it is immediately disbursement. The Bishnupur ZP paid (May 2011) ₹ 3 lakh as 75 per cent advance to the Development Secretary of Thanga for the work mentioned above at paragraph 2.2.1. The work was commenced on 1.11.2011 and completed on 30.11.2011. Thus, there was a gap of more than five months between the drawal of advance and actual start of the work without any recorded reason. This shows that money was drawn well in advance before it was required in violation of the rule *ibid*.

2.2.3 Drawal of Money without Presentation of Bills

As per Rule 130 of Central Treasury Rules, no withdrawal of money shall be made from the bank/treasury 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 Books of SSFC (2008-12) pertaining to the three GPs namely Maklang, Sagolband Sapam Leirak and Takyel revealed that payment of ₹ 74.81 lakh was made by the Panchayat Secretaries (**Appendix-V**). However, while making payments, bills/vouchers for the payment of the stated amount were not prepared by the Panchayat Secretaries in violation of Central Treasury Rules.

This is indicative of weak internal control mechanism in the stated 3 GPs to adhere to the provision of the Rules *ibid*. Thus, due to non-availability of payment details, misappropriation of funds of ₹ 74.81 lakh could not be ruled out.

The matter was referred to the concerned authorities (June 2013); their reply had not been received (January 2014).

2.2.4 Unfruitful Expenditure

It was noticed from the scrutiny of relevant records and concerned work programme of Imphal East ZP that one market shed was constructed (February 2010) in Sawombung GP at a cost of ₹ 3 lakh at an isolated place at Sekta area under Sawombung constituency. A joint site visit was also conducted along with the authority of the PRIs. It was observed that the market shed was completely shielded with fencing of barbed wires without leaving any provision for entry into the market shed. There was no evidence of vendors in the market shed. Thus, expenditure incurred *i.e.* ₹ 3 lakh on construction of Market Shed is unfruitful.

2.3 Twelfth and Thirteenth Finance Commissions

2.3.1 Non-maintenance of Database

Twelfth Finance Commission (XII-FC) and Thirteenth Finance Commission (XIII-FC) recommended for allocation of fund to PRIs for maintenance of accounts records/database. However, test check of records in 2 ZPs and 28

GPs revealed that the 2 ZPs and 12 GPs have not created any database despite utilization of the sanctioned fund as discussed in the succeeding paragraphs.

- Bishnupur ZP engaged an Office Assistant and a Computer Assistant (15.11.2010) on contract basis at ₹ 7,100 per month each, for a period of 12 months for maintenance of accounts and database respectively from the funds of XIII-FC Award. The ZP incurred an expenditure of ₹ 1.70 lakh. However, no database was created in the ZP as of March 2012.
- Imphal East ZP engaged an Office Assistant for eight months and a Computer Assistant for one year respectively on contract basis with a monthly remuneration of ₹ 7,100 for maintenance of accounts and database from the funds of XIII-FC Award. The ZP spent ₹ 1.42 lakh on remuneration to the officials. However, no database was created in the ZP as of March 2012.
- Similarly, during test check of records of 12 GPs Audit observed that the GPs incurred total expenditure of ₹ 10 lakh from the funds of XII-FC and XIII-FC Awards. GP-wise break-up of expenditures were as shown in table below:

Table 2.2

(₹ in lakh)

Sl. No.	Name of the ZP/GP	XII-FC	XIII-FC
1	Phayeng GP	0.50	-
2	Thounaojam Leikai GP	1.00	-
3	Toribari GP	0.50	-
4	Kanglatombi GP	0.50	-
5	Langjing GP	1.00	-
6	Yarou Bamdiar GP	1.00	-
7	Takyel GP	0.50	-
8	Maklang GP	1.00	-
9	Potsangbam GP	1.00	-
10	Kalapahar GP	0.50	-
11	Mayang Langjing GP	0.50	0.50
12	Patsoi GP	1.50	-
Total		9.50	0.50

- However, there was no database in place in the respective GPs.

Thus, incurrence of ₹ 13.12 lakh out of XII-FC & XIII-FC grants by the ZPs and GPs for the purpose of creation of database and accounts records did not yield any fruitful result as of March 2012.

The matter was referred to the concerned authorities (May–June 2013); their reply had not been received (January 2014).

2.4 Conclusion

The Audit brings out that the PRIs are deficient in adhering to the guidelines of the MGNREGS which led to non-maintenance of proper ratio of materials and wages cost. This has defeated the main objective of providing employment to rural poor. No training was imparted to the key agencies so as to enable them to discharge their responsibilities effectively. The PRIs did not maintain proper records for execution of works under State Finance Commission Award which resulted in disagreement between the records entered in the MBs and actual expenditure. Improper planning for construction of infrastructure such as market shed was also noticed which led to the market shed remaining idle. Though substantial fund was utilized from the XII-FC and XIII-FC Awards for maintenance of accounts records/database, the PRIs are yet to create any database and accounts records.

2.5 Recommendation

- There should be zero tolerance towards non-maintenance/improper maintenance of records.
- Administrative Department should take up stringent action so that the records are properly maintained in the PRIs and the Panchayat Secretaries discharge their duties and responsibilities as per the MPR Act, 1994. Appropriate and timely action should be initiated against the officials for dereliction of duties. This would lead to transparency in spending public money.
- Adherence to the guidelines of the Schemes in letter and spirit should be ensured.
- There should be proper planning keeping in purview parameters such as selection of site, type of community assets *etc.* so that these assets are fruitfully utilized by the general public of the PRIs.

CHAPTER-III

- A. AN OVERVIEW OF URBAN LOCAL BODIES**
- B. FINANCIAL REPORTING**

CHAPTER-III

Section 'A' An Overview of Urban Local Bodies

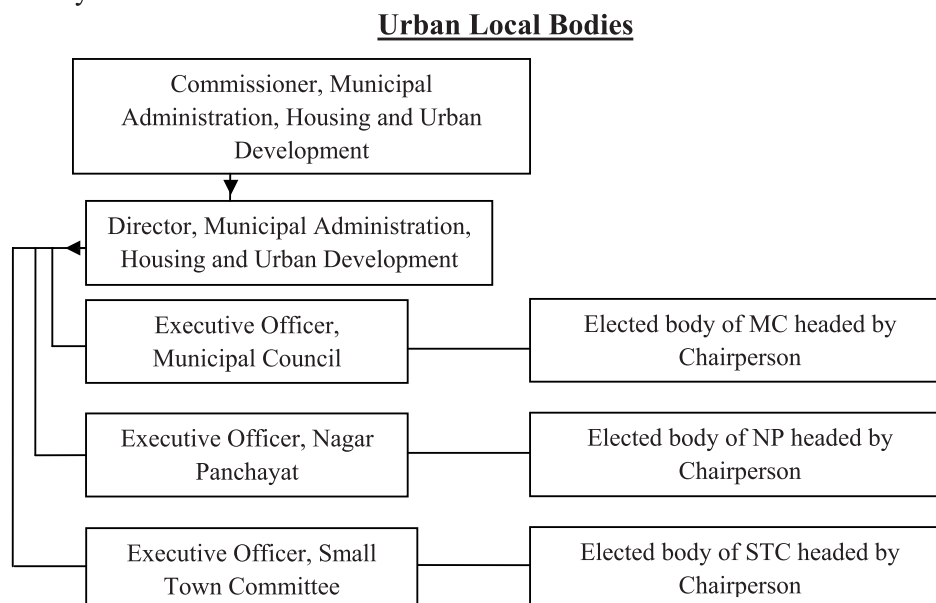
3.1 Introduction

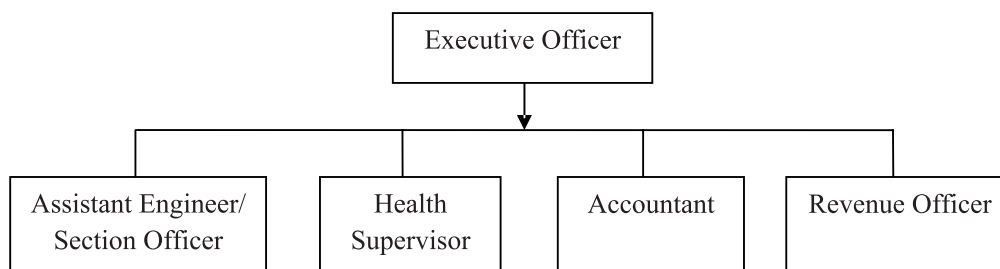
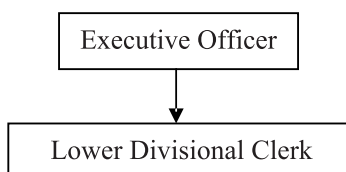
The 74th Constitutional Amendment Act, 1992 empowered Urban Local Bodies (ULBs) to function as local self-government and to deliver services for economic development and social justice more effectively with regard to the 18 subjects listed in the XIIth Schedule of the Constitution. The ULBs are spread 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 were 9 Municipal Councils (MCs), 18 Nagar Panchayats (NPs) and one Small Town Committee (STC) as on 31 March 2013. Imphal MC 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 (MMA), 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 Local Body level with linkage between Administrative Set up and elected body:



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 MMA, 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. One Lower Division Clerk, one Peon-cum-Chowkidar and one Sweeper are being engaged in each of the NP/STC on daily wages basis. Thus, it emerges that provision of adequate staff for smooth functioning of the ULBs and 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 Committees

Section 56 of the MMA, 1994, provides for constitution of committees to be called “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 Councilors as members. However, only four MCs (Nambol, Imphal, Bishnupur and Ningthoukhong) have constituted Standing Committee as of 31 March, 2013.

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 amendments provide 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 XIIth Schedule for municipalities. The Directorate of MAHUD, Government of Manipur intimated (January 2013) that out of 18 functions 7 functions¹ are now being performed by 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 MMA, 1994, empower the ULBs, being the local self-government, to impose taxes and collect fees for various services rendered by them.

The grants/assistance released to ULBs by the State and Central Government and their Own Sources of Revenue during 2008-09 to 2012-13 are shown in table as follows:

¹ 1. Regulation of Land Use and Construction of Buildings, 2. Solid Waste Management and Sanitation, 3. Urban Poverty Alleviation, 4. Cattle Pounds, 5. Regulation of Slaughter Houses and Tanneries, 6. Registration of Birth and Death Certificates, and 7. Slum Improvement and Up gradation.

Table 3.2: Time series data on resources of ULBs

(₹ in crore)

Source of Revenue	2008-09	2009-10	2010-11	2011-12	2012-13
GoI/State grants for Centrally Sponsored Schemes	1.09	4.56	15.14	36.20	21.46
CFC	1.80	3.60	3.81	3.72	4.82
SFC	17.79	18.68	11.25	Nil	11.25
Salaries/Honorariums	4.08	4.77	4.94	6.07	12.97
Own Revenue	0.06	Not available	Not available	Not available	2.07
Total	24.82	31.61	35.14	45.99	52.57

Source: Compiled from the records furnished by MAHUD Department.

GoI: Government of India; CFC: Central Finance Commission; SFC: State Finance Commission.

From the above table, it is seen that there was decrease in release of funds against Centrally Sponsored Scheme (CSS) during 2012-13. The reasons for decrease was due to non-release of funds under Integrated Low Cost Sanitation Scheme (ILCSS) and less release of funds for Integrated Housing and Slum Development Programme (IHSDP) under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) Scheme, reasons for which was not on record. The steep increase in release of funds against salary/honorarium was due to revision of the rate of honorarium.

3.7.2 Release of Second State Finance Commission (SSFC) Award

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 2013, three State Finance Commissions were constituted in the State. The period of the SSFC covered up to 31 March 2010. However, funds were released in line with the recommendations of SSFC during 2010-13 under the head “Compensation and Assignment”. The Third SFC was constituted in March 2013.

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 District Councils 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 2008-13 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 %)	Amount transferable to ULBs (20.62 %)	Amount released	Short released (Percent)
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)
2012-13	1882	188	39	11	28 (71)

Source: MAHUD Department

As it is evident from the table above, the release of funds to the ULBs was much lower than that of the recommendation of SSFC during the period from 2008-09 to 2012-13. During 2011-12 no fund was released to ULBs. As such, without devolving due share to ULBs, decentralization of power and function at grass root level was frustrated.

3.8 Audit Mandate

3.8.1 Primary Auditor

The DLFA conducts audit of accounts of MCs, NPs and STC under Section 72(1) of the MMA, 1994. In June 2013, the DLFA intimated that the audit of accounts of 16 units out of 28 auditable ULBs units was conducted during the year 2012-13.

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 & Support (TG&S) arrangements in pursuance of the recommendations of the XIII-FC. The State Gazette notification regarding entrustment of TG&S 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 TG&S is yet to be carried out.

3.9 Audit Coverage

Test audit of the accounts of 11 ULBs were conducted during the year 2012-13 (**Appendix-IV 'B'**). Results of the audit are given in the succeeding chapter.

3.10 Response to Audit Observations

IRs of all the ULBs test-audited as of March 2013 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 as follows:

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
2012-13	11	3	119	122	Nil	122
Total				390		390

It is evident from the above table that all the 390 paras remained outstanding as of March 2013. 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 (except Nambol, Imphal, Bishnupur and Ningthoukhong MCs) 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. The State Government has not issued any notification for transfer of functions listed in the XIIth 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 MMA, 1994, stipulated 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 the 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 MMA, 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 11 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 the 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 the 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 2013. All ULBs test-audited maintained only Cash Books, receipts and payments accounts. Thus, accounts of the ULBs do not depict their true and correct financial position.

3.13.3 Non-reconciliation of Cash Balances

Test-check of records of 11 ULBs revealed that none of the ULBs prepared monthly or quarterly Bank Reconciliation Statements (BRSs). As an illustrative example, as on 31 March 2012 there was a cash balance of ₹ 4.97

lakh as per Bank Pass Book² though balance as per Cash Book of the Kakching MC was ₹ 28.05 lakh thereby resulting a difference of ₹ 23.08 lakh. The reason for the difference was not explained in the Cash Book through preparation of Bank Reconciliation Statement by the MC. In the absence of BRSs, 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:

- 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;
- Voucher numbers 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

² Account number of UBI Bank, Kakching Branch: 0256050010994

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 ULBs' 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. BRSs 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.

CHAPTER-IV

IMPLEMENTATION OF SCHEMES IN URBAN LOCAL BODIES

CHAPTER-IV

IMPLEMENTATION OF SCHEMES IN URBAN LOCAL BODIES

4.1 Swarna Jayanti Sahari Rozgar Yojana (SJSRY)

4.1.1 Selection of beneficiaries

Small Town Committee, Moreh, received ₹ 6.84 lakh from MUDA for implementation of Urban Wage Employment Programme (UWEP) under SJSRY Scheme for the year 2008-09. The whole amount was utilised on various purposes and also Utilization Certificates (UCs) were submitted for the whole amount. Scheme guidelines envisaged that UWEP seeks to provide wage employment to beneficiaries living below the poverty line within the jurisdiction of ULBs by utilizing their labour for construction of socially and economically useful public assets. The labourers are especially to be unskilled and semi-skilled. Small Town Committee, Moreh could not provide the Muster Rolls and the BPL list for the wage labourers. Thus, the genuineness of the beneficiaries could not be ascertained in audit. Hence, it is observed that the fruitfulness of the scheme is defeated.

The authority while accepting the audit observation stated (April 2013) that the authority had submitted the list of beneficiaries to the Director, MUDA. However, the fact remains that the list of beneficiaries and muster rolls were not produced to Audit.

During 2008-10, the Wangoi NP provided skill training under Urban Self Employment Programme (USEP) component of SJSRY to 108 beneficiaries in two profession viz., embroidery and carpentry incurring an expenditure of ₹ 2.16 lakh. The details of the training imparted and expenditure incurred were shown as follows:

Table 4.1- Details of Training imparted under USEP during 2008-10

Year	No of beneficiaries trained	Profession/ trade	No. of months	Name of the institution	Expenditure incurred (₹ in lakh)
2008-09	36	Embroidery	3	Modern style ladies tailor & embroidery	0.72
2009-10	65	Embroidery	3	Modern style ladies tailor & embroidery	1.44
	7	Carpentry	3	Ibungo furniture house	
Total	108				2.16

As per guideline, these beneficiaries are entitled to get financial assistance up to a maximum of ₹ 0.50 lakh as loan with 15 *per cent* subsidy and beneficiary contribution of 5 *per cent* of the project cost as margin money for setting up gainful self employment ventures. The NP by a resolution (December 2008) selected four beneficiaries for financial assistance. The selected beneficiaries were also extended financial assistance. Audit observed that none of the beneficiaries to whom financial assistance was given were from amongst the beneficiaries who have successfully completed the above training. There was also no record to show that these four beneficiaries were selected on priority basis after considering non economic parameters and that they have acquired the required skills from other sources as envisaged. Thus, unjustifiable action of the Nagar Panchayat resulted in deprivation of benefit to the targeted group of people and the purpose of the training was frustrated.

The matter was referred to the concerned authorities (August 2013); their reply had not been received (January 2014).

Test check of records of the Bishnupur MC revealed that the Council received (December 2009 and May 2011) ₹ 5.32 lakh from MUDA for implementation of UWEP for the year 2008-09. The fund was utilised and UC was also submitted to the MUDA. However, Audit observed the irregularities in selection of beneficiaries as discussed in the succeeding paragraphs.

4.1.2 Irregular selection of beneficiaries

Para 7.1 of the SJSRY scheme guidelines states that the UWEP seeks to provide wage employment to beneficiaries living below the poverty line (BPL) within the jurisdiction of ULBs by utilizing their labour for construction of socially and economically useful public assets. As per para 4.2.5 and 8.1 *ibid*, the Community Development Societies (CDS) was also to be the focal point for identification of genuine beneficiaries for receiving benefits under the Scheme. Audit observed that 219 beneficiaries (123 beneficiaries in the 1st instalment and 96 beneficiaries in the 2nd instalment) were benefited by the implementation of UWEP in the Bishnupur MC. However, on cross-check of

Muster Rolls and BPL list, approved by the Department of Food and Civil Supplies, Government of Manipur, Audit observed that 80 beneficiaries (45 beneficiaries from the 1st instalment and 35 beneficiaries from the 2nd instalment) were non-BPL Card holders. This pointed to the fact that the CDS did not exercise control in identification of the beneficiaries while implementing UWEP. Due to engagement of non-BPL candidates the benefits of the scheme remained undelivered to the majority of targeted group. As such, the purpose of the flagship programme was frustrated.

4.1.3 Extension of undue benefits to some beneficiaries

As per guidelines, the CDS should play the role of identification of beneficiaries and, a house-to-house survey for identification of genuine beneficiaries for receiving benefits under SJSRY, with focus on slums and low-income settlements, need to be conducted. However, in Nambol MC, the survey report on identification of beneficiaries by the CDS was not on record. The beneficiaries for implementing the SJSRY Scheme were selected from the list of BPL families approved by the Department of Food and Civil Supply, Government of Manipur. And, the basis on which the beneficiaries were selected from the listed BPL families was also not on record. As such, some beneficiaries were found benefited consecutively while others were not at all benefited from the Scheme. Out of the total fund, ₹ 7.55 lakh was meant for UWEP to the beneficiaries living below the poverty line in the local area. From this opportunity, 230 beneficiaries out of the listed 1,739 BPL card holders in respect of Nambol MC were benefited @ ₹ 1,313.88 approximately per beneficiary. However, out of the 230 beneficiaries, 9 beneficiaries were benefited consecutively both in the first and second installments thereby depriving the benefits of the scheme to other beneficiaries who had never availed of the benefits. As such, it was observed that the mode of selection of beneficiaries was in violation of the scheme guidelines.

The matter was referred to the concerned authorities (April 2013); their reply had not been received (January 2014).

4.1.4 Execution of works

4.1.4.1 Deviation from the approved work programme

The Nambol MC received ₹ 11.25 lakh from MUDA for implementation of SJSRY for the year 2008-09. The fund was fully utilised and against which UC was also submitted. Out of the total funds, ₹ 3.21 lakh was allocated for Community Structures. As per guidelines SJSRY shall rest on the foundation of community development and empowerment. Towards this end, community organizations like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHCs), and CDSs shall be set up in the target areas. The CDSs

will be the focal points for purposes of identification of beneficiaries, preparation of loan and subsidy application, monitoring of recovery, and generally providing whatever other support necessary for the programmes. The CDSs will also identify viable projects suitable for the area.

Thus, establishment of CDS is emphasized for successful implementation of the Scheme. Though there was record for setting up of the CDS as early as December 1999, no CDS office building was in existence in the Nambol MC. On the other hand, repairing of CDS's office building was included in the approved work programmes for utilizing the released fund. However, the fund allocated for repairing of CDS's office building amounting to ₹ 3.21 lakh was found to have been utilised on repairing and finishing of the Nambol MC's Office building. As such, the purpose of the fund for which it was released was defeated and the successful implementation of the Scheme had been hindered.

The matter was referred to the concerned authorities (April 2013); their reply had not been received (January 2014).

The Kakching MC constructed retaining wall and flooring near Composite Hall at a cost of ₹ 1.20 lakh out of SJSRY funds which were not in the work programme. On this being pointed out the MC stated that the proposed works were dropped and replaced by the construction of retaining wall and flooring on priority basis in a Council's meeting [vide resolution No.4(a) of Council sitting No.40(special), dt.24.02.2010]. The funds were released on the basis of the work programme submitted by the MC. As such, alteration of approved work programme without the approval of the Government was a financial rules besides indicating lack of proper planning on the part of the MC.

The matter was referred to the concerned MC (May 2013); their reply had not been received (January 2014).

In the work programme for utilisation of the SJSRY fund for the year 2008-09 in respect of the Lilong NP, a work for repairing of roof and ceiling of the office of CDS for ₹ 0.75 lakh was included. However, the actual work of repairing of roof and ceiling was done in the office of the Lilong NP instead of the office of CDS. This was in violation of the approved work programme.

The matter was referred to the concerned authorities (April 2013); their reply had not been received (January 2014).

4.1.5 Inadmissible Expenditure

The objective of UWEP is to provide wage employment to the urban poor and creation of socially and economically useful public assets by utilizing their labour. The works were to be decided by the Community structure like NHGs, NHCs and CDSs. However, all the works carried out in the Thoubal Municipal Council under UWEP for the year 2008-09 were decided by the Council. Further, the Thoubal MC executed two works under UWEP for the year 2008-09 (i) construction of room inside Municipal Campus at a cost of ₹ 5.00 lakh and (ii) repairing of floor for Municipal shops in front of Municipal Council, Thoubal at a cost of ₹ 1.20 lakh. These constructions of room inside the Municipal Council campus and repairing of Municipal shops do not have any bearing with the objective of the scheme as these are Municipal assets and not public assets. Thus, the objective of the scheme has been defeated.

The matter was referred to the concerned authorities (June 2013); their reply had not been received (January 2014).

4.2 Twelfth Finance Commission (XII-FC) Award

4.2.1 Unfruitful Expenditure

During 2008-12, the Wangoi NP received ₹ 10.54 lakh under XII-FC award from MAHUD Department, Government of Manipur. The funds were released for utilization in maintenance of double entry accounting system, creation of database and solid waste management. The NP engaged a Computer Operator (CO) w.e.f 11.02.2008 for creation of database at a consolidated pay of ₹ 5,000 per month. The CO was working for 44 (forty four) months in the NP and ₹ 2.20 lakh was paid for the purpose. However, no data was found created in any physical records, nor was preserved in computer system.

Further scrutiny revealed that the NP incurred ₹ 1.85 lakh (July 2008 to December 2009) on course/training fees for maintenance of double entry accrual accounting system. However, Audit observed that no account, except Cash Book was maintained by the NP. The NP had not adopted double entry accrual accounting system as of March 2013.

The Nambol MC incurred ₹ 1.15 lakh (19.12.2009) and ₹ 0.21 lakh (24.11.2010) for training on Double Entry Accounting System on accrual basis. A Computer Operator on payment of honorarium @ ₹ 5000 per month was also engaged during 2009-10 to 2011-12 for maintenance of accounts and ₹ 1.25 lakh was paid to the CO. On scrutiny, audit observed that the Nambol MC had not adopted Double Entry Accounting System in accrual basis as prescribed in the National Municipal Account Manual (NMAM).

Thus, expenditure of ₹ 6.66 lakh incurred by the two ULBs was an unfruitful expenditure.

The matter was referred to the concerned authorities (Wangoi NP-August 2013 & Nambol MC-April 2013); their reply had not been received (January 2014).

4.2.2 Diversion of Funds

Government of Manipur in its release orders stipulated that XII-FC grants were to be utilised for maintenance of Double Entry Accounting System, Creation of Database and Solid Waste Management. As per para 3.1 of the guidelines for release and utilization of grants recommended by the XII-FC, the grants were to be utilized for Solid Waste Management and maintenance of accounts and creation of database. On scrutiny of related files/ documents, following irregularities were noticed:

The Nambol MC procured a Xerox Machine and Computer Accessories at a cost of ₹ 1.60 lakh and electrical goods at a cost of ₹ 0.60 lakh out of XII-FC grants. The authority of Nambol MC stated that the Xerox Machine and Electrical goods were procured as per the Council's Resolution. The copy of the resolution was not made available to Audit. However, procurement of aforementioned items out of XII-FC grants was not permissible. As such, the Nambol MC diverted a sum of ₹ 2.20 lakh on procurement of inadmissible items under the scheme besides denial of core services to the targeted group of people.

The Thoubal MC diverted (2009-2011) ₹ 2.56 lakh towards payment of pay and allowances of staff of the MC from the funds of XII-FC awards.

The matter was referred to the concerned authorities (Nambol MC-April 2013, Thoubal MC-June 2013 & Bishnupur MC-May 2013); their reply had not been received (January 2014).

4.3 Thirteenth Finance Commission (XIII-FC) Award

XIII-FC has recommended grant-in-aid to local bodies as a percentage of the previous year's divisible pool of taxes over and above the share of the State. The grant has been recommended for both General Areas and Special Areas.

The Finance Commission had recommended that the State Government must gradually put in place standards for delivery of all essential services by local bodies. Municipalities to notify by the end of fiscal year the service standards for four service sectors viz., (i) water supply; (ii) sewerage; (iii) storm water drainage and (iv) solid waste management.

4.3.1 Excess Payment of Wages

The Labour Department, Government of Manipur prescribed ₹ 122.10 as the rate of an unskilled labourer per day, effective from February 2011. The Imphal MC incurred (April and May 2011) ₹ 63.54 lakh towards clearance of drains. Scrutiny of records revealed that the rate of wage paid to the unskilled labourers ranged from ₹ 250 to ₹ 300 per day which was much higher than the rate prescribed by the Labour Department, Government of Manipur. As such Audit worked out an excess payment of ₹ 34.99 lakh (**Appendix-VI**). There was no record to substantiate as to why payment of wages in excess of prescribed rate notified by the Government of Manipur was made to the unskilled labourers. The excess expenditure on payment of wages could be utilized for creation of assets as recommended by XIII-FC. Also, such practice of the Council would lead to incurrence of major chunk of the funds towards labour payment thereby leaving various areas of services envisaged by the XIII-FC unattended.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.3.2 Utilization of Fund on Inadmissible Items

Test check of records of The Thoubal and Kakching MCs revealed that the MCs executed (Thoubal:10 works and Kakching: 5 works) under the XIII-FC Awards which are not part of the four services such as Water Supply, Solid Waste Management, Sewerage and Storm Water Drainage suggested by the Finance Commission. Details are shown in table as follows:

Table No. 4.2- Utilisation of XIII-FC fund on inadmissible items

Sl. No.	Name of the work	Amount (₹ in lakh)
Thoubal MC (2010-11)		
1	Improvement of earth filling at AK. Sanatomba Leirak	1.33
2	Surface dressing at Khangangkhang Lampak	0.19
3	Improvement of earth work and shingling at Thoubal Mayai Leikai	0.60
4	Improvement of earth filling and shingling work near community bank	0.83
5	Construction of waiting shed at Ningbam Utha Makha Leikai	0.73
6	Improvement of earth filling at Pangambam Leirak	0.30
7	Surface dressing at Kiyam Lai Leirak, Kiyam Makha and Awang Leikai	0.80
8	Surface dressing at Maibam Leirak, Mutum Mayai Leikai, Heikrujam Maning Leirak, Khong Ahanbi Leirak	0.50
9	Surface dressing at Kabarstan Lampak	0.41
10	Surface dressing at Heibirai Awang Lambi, Awang Lambi, Maning Maya	0.56
Sub-Total		6.25
Kakching MC (2011-12)		
1	Development of Crematorium Centre in Ward No. 4	0.50
2	Development of Crematorium Centre in Ward No. 12	0.20
3	Development of Crematorium Centre in Ward No. 5	0.10
4	Development of Crematorium Centre in Ward No. 7 & 1	0.20
5	Development of Crematorium Centre in Ward No. 3	0.10
Sub-Total		1.10
Grand total		7.35

Thus, an expenditure of ₹ 7.35 lakh was spent by the MCs in contravention of the guidelines of the XIII-FC.

The matter was referred to the concerned authorities (June 2013); their reply had not been received (January 2014).

4.4 Second State Finance Commission (SSFC) Awards

4.4.1 Diversion of Fund

Funds under the SSFC Awards were meant for construction of socially and economically useful public amenities and infrastructure development. The Imphal MC utilised ₹ 49.49 lakh from the fund under the SSFC Awards for purposes departing from the recommendations of the Commission. The details are as shown in the table as follows:

Table No. 4.3- Details showing diversion of SSFC Award

Sl. No.	Purpose of payments	Date of payment	Amount paid (₹ in lakh)
1	Paid to retired/expired staff of Imphal MC	04.07.2011	1.42
2	Paid to Executive Officer for reimbursement for social service	07.09.2011	0.56
3	Expenses on cleanliness drive in Imphal City IMC	07.09.2011	1.81
4	Financial assistance to 27 Wards of IMC for National Cleanliness day on 2 nd Oct. 2011	03.10.2011	2.00
5	Payment of honorarium for Chairperson, Vice-Chairperson and Councillors	24.10.2011	2.30
6	Purchase of material and labour charge in connection with Prime Minister's visit to Imphal on 03.12.2011	05.03.2012	6.24
7	Expenses on payment of back-log pay	28.06.2012	35.17
Total			49.50

In another case, the Kakching MC purchased (November 2011) a Safari Dicor-Ex at the cost of ₹ 7.20 lakh from the funds of the SSFC Award.

The fund under the SSFC Award is for creation of socially and economically useful public assets. However, the ULBs had spent such funds for administrative expenses and purchase of vehicle. This is in violation of the recommendation of the SSFC.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.4.2 Unfruitful Expenditure

The MAHUD released ₹ 19.18 lakh to the Bishnupur MC under SSFC Award for execution of developmental works such as Community Well, Public Bathroom, Market Shed, Mini Community Hall, Waiting Shed, Community Centre, etc. On test-check of MBs for construction of Community Centres at Ward Nos.4 and 11 at a cost of ₹ 1.25 lakh each, Audit observed that the two works commenced on 19.04.2010 and were completed on 29.05.2010. The works were implemented by the Bishnupur MC. As on the date of completion the MC had spent ₹ 1.25 lakh each for the two works (i.e. ₹ 2.50 lakh). A joint team comprising of the staff of the MC and audit party conducted (12.02.2013) physical verification of the works. During verification, audit noticed that the two Centres were in the incomplete shapes. The meeting point of floor and wall of the community centre at ward No.4 were badly damaged. The two works appeared to have been abandoned for months together. Thus, Audit concluded that the MC could not provide proper amenities thereby frustrating the purpose of spending the fund.

The Nambol MC constructed a Market Shed at Ward No.18 under the SSFC grants for the year 2008-09 at a cost of ₹ 2.00 lakh. As recorded in the measurement book the work was completed in May 2010. The final payment for the work was made in May 2010. However, on physical verification the flooring of the Market Shed was found incomplete. The prevailing condition of the work and location of the work site were not conducive for a market place. As such, incomplete Market Shed stood empty over the last two years resulting in an unfruitful expenditure of ₹ 2.00 lakh.

The matter was referred to the respective concerned authorities (BMC-May 2013 & NMC-April 2013); their reply had not been received (January 2014).

4.4.3 Delay in Execution

The Bishnupur MC received ₹ 30.30 lakh (April 2011) under the SSFC Award for implementation of the following works:

Table No. 4.4- Details of works to be taken up under SSFC Award

Sl. No.	Name of works	Amount (₹ in lakh)
1	Renovation of Kiyamba Ningshing Sanlen	19.00
2	Renovation of community toilet at Municipal Campus	2.30
3	Improment of Pukri Achouba at Ward No.6 and Sougaijam Pukri at Ward No.1	9.00
Total		30.30

Test check of relevant files/document revealed that the proposed work programme related to renovation of community toilet at Municipal Campus was yet to be implemented. Even after almost two years from the date of the release of fund, renovation of community toilet was yet to be commenced. Renovation of Kiyamba Ningshing Sanglen was found to be in progress as of February 2013. The Bishnupur MC could not complete the work after passage of almost two years from the date of release of fund (26.04.11). As such, implementation of the work under SSFC award was found tardy.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.4.4 Non-deposit of Sales Tax to Government Account

As per Government of Manipur Notification¹ dated 3 September 2009, the person deducting sales tax at source on behalf of the person executing works contract should deposit the amount so deducted into the designated bank authorized by the State Government in this behalf within seven days from the

¹ No.5/45/2006-FD(TAX)

expiry of the month. The Kakching MC deducted (October to December 2011) ₹ 1.03 lakh² as Sales Tax at source from the contractors. However, the amount was not deposited to the concerned head of accounts of the Government as of May 2012 in violation of the order of the State Government.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.5 Realization of revenue

4.5.1 Untapped Source of Revenue

As per bye-law 4(c) and (f) of the Manipur Municipality (Registration and Licensing of Shops) Bye-laws, 1998 the validity of a shop keeper's license shall be one calendar year commencing from the date of issue of license, and every application for the renewal of license shall be made so as to reach the licensing authority at least thirty days before the date on which it expires; provided that if the application for the renewal of license is not received within the time, specified above, the license shall be renewed only on payment of a fee amounting to twice the fee ordinarily payable.

On test check of records of the Imphal MC, it was observed that during the period 01.04.2011 to 31.03.2012 the Council received ₹ 5.27 lakh and ₹ 2.66 lakh as Registration fee and license fee respectively for establishment of various shops within the Municipality area. Out of 300 shopkeepers registered in the Imphal MC during the period 01.04.2011 to 17.02.2012, only 18 shopkeepers renewed their licenses before the expiry date. The licenses of 282 shops were yet to be renewed as of March 2013. However, the license of 282 shops were neither renewed nor cancelled by the Imphal MC. There was also no record to substantiate that the MC regularly serves notices to the shopkeepers for collection of license fees. Due to inaction of the Imphal MC, the Council could not realize revenue in time.

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Sl. No.	Name of contractors	Amount deducted (₹ in lakh)	Month of deduction
1	Y. Narayan singh	0.46	October, 2011
2	-do-	0.33	November, 2011
3	Naorem Deben Singh	0.24	December, 2011
Total		1.03	

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.5.2 Irregularities in Collection of Toll Tax

As per bye-law No. 14 of the Imphal MC (Entry toll on vehicles & animals) Bye-Laws, 1998, the Council may, by a resolution passed in a meeting, appoint agents periodically by inviting tenders through open auction for collection of entry toll tax on vehicles and/or animals on such terms and conditions as may be decided by it.

Test check of the relevant files/documents revealed that Imphal MC appointed an agent namely Shri Takhellambam Gopal Singh for two years up to 28.02.2010 (the starting date not on record) for collection of toll tax and the agent had to remit a sum of ₹ 2.85 lakh per month to the Imphal MC. The period of agency was extended in favour of Shri Takhellambam Gopal Singh for a period of four years up to 28.02.2014 without inviting tenders in violation of bye-law and the payable amount of toll tax by the agent was reduced to ₹ 1.20 lakh per month in a meeting of Finance and Assessment Committee of Imphal MC held on 26.06.2010 in view of frequent bandh, blockade and strike prevailing in the State. It was also resolved in the meeting that the agent had to remit the reduced amount of ₹ 1.20 lakh irrespective of bandh, blockade and strike. However, during the year 2011-12 there were cases of exemption of toll tax amounting to ₹ 5.60 lakh as shown in table below:

Table No. 4.5- Details of Exemptions of Toll Tax

(₹ in lakh)

Sl. No.	Period	Amount Realisable	Amount Realised	Amount Exempted
1	January and Feb 2011	2.40	0.10	2.30
2	Aug, Sept, and Oct, 2011	3.60	0.30	3.30
Total		6.00	0.40	5.60

Thus, Imphal MC suffered a loss of ₹ 5.60 lakh by allowing exemption in contrary to the resolution of Finance and Assessment Committee.

Further, on test check of the documents and receipt book produced by the Imphal MC, it was observed that there was delay up to a maximum of 8 months and 22 days in submission of the toll tax by the agent. Delay in collection of toll tax has also been pointed out by audit in the earlier report.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.5.3 Non-deduction of Income Tax from the Contractor

As per Section 194C of the Income Tax Act, 1961 any person responsible for paying any sum to any resident contractor for carrying out any work has to deduct income tax at source from the contractor. The rate of tax to be deducted at source is one per cent in case payment is made to an individual.

Imphal MC executed a work viz. leveling and land-filling of dumping site at Lamphelpat, at the tender amount of ₹ 24.69 lakh. However, the whole amount was paid (October 2012) to the Contractor without deduction of Income Tax (IT). Due to non-deduction of IT while making payment, there was an excess payment of ₹ 0.25 lakh (1 per cent of ₹ 24.69 lakh) to the Contractor.

The matter was referred to the respective concerned authorities (May 2013); their reply had not been received (January 2014).

4.5.4 Poor Realization of Rent/Fees from Women Vendors

On test check of the records related to 11 (eleven) women vendors' sites, audit observed that Imphal MC collected rent ranging from ₹ 12 to ₹ 90 per month in various market areas. Information for the above 11 women vendors' site for the period 2011-12 as furnished by Imphal MC is highlighted below.

Table No. 4.6- Details showing collection of rents from Women Vendors sites
(in ₹)

Sl. No.	Name of market	No. of sheds	Rent fee per month	No. of holders	Total demand during the year 6=(4 x 5 x 12)	Total rent collected during the year
1	2	3	4	5	6	7
1	Women Vendor-Singjamei Bazaar	16	12	501	72,144	Nil
2	Women Vendor-New Market & Linthoingambi	18	90	1,216	13,13,280	6,864
3	Women vendor-Laxmi Bazaar	14	90	734	7,92,720	15,950
4	Women vendor-Purana Bazaar	27	90	1,703	18,39,240	2,352
5	Women Vendor-Naga Nala	12	15	982	1,76,760	Nil
6	Chana Yonfam	1	15	83	14,940	Nil
7	Chakri Kom Session Court	5	15	140	25,200	Nil
8	Women Vendor-Session Court	3	15	216	38,880	Nil
9	Lamlong Bazaar (New)	16	12	210	30,240	Nil
10	Lamlong Bazaar (Old)	6	12	58	8,352	Nil
11	Women Vendor-Ngari Keithel Maning	-	15	398	71,640	Nil
Total					43,83,396	25,166

As is evident from the above table that ₹ 25,166 was collected against the total target of ₹ 43.83 lakh for the period 2011-12. The Imphal MC was yet to collect ₹ 43.58 lakh for the stated period of audit. Thus, the MC could not collect its own revenue in time.

The matter was referred to the respective concerned authorities (May 2013); their reply had not been received (January 2014).

4.5.5 Non-deposit of Revenue to the Municipal Fund

Section 68 (1) of the Manipur Municipalities Act, 1994 states that all sums received by or on behalf of the Council under the provisions of this Act or of any other law for the time being in force or under any contract shall be credited to the municipal fund.

However, on test-check of the Deposit Register of the Bishnupur MC, audit noticed that during the period from April 2009 to March 2012 the MC did not deposit revenue of ₹ 4.72 lakh to the municipal fund. The same was also not reflected in the Cash Book. Due to non-deposit of revenue to the municipal fund a sum of ₹ 4.72 lakh is feared to have been embezzled.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.6 Excess Payment of Honorarium to Chairperson, Vice- Chairperson and Councilors

The rate of honorarium payable to Chairperson, Vice- Chairperson and Councilors of the MC in Manipur up to 31 December 2011 were ₹ 1500, ₹ 1200 and ₹ 800 per month respectively. These rates were effective from March 1997. The rates were revised by the Government of Manipur in January 2012 which was effective from 1 January 2012.

Under the said revision, the monthly rates of Honorarium prescribed for the representatives of the ULB in Manipur were as follows:

Table No. 4.7- Details of monthly rates of Honorarium

(₹ in lakh)		
Sl. No.	Designation	Municipal Council
1	Chairperson	0.06
2	Vice-Chairperson	0.05
3	Councillors (both elected and nominated)	0.03

The Imphal MC enhanced the rates of honorarium of their representatives without any Government approval and paid ₹ 0.15 lakh, ₹ 0.13 lakh and ₹ 0.12 lakh per month to its Chairperson, Vice-Chairperson and Councilors during April 2011 to March 2012. The payment was made as per the order of the Council (April 2007) for enhancement of honorarium which was subject to post facto approval of the State Government. However, Audit noticed that no such post facto approval of the State Government was obtained by Imphal MC as of March 2013. Under Section 35 of the MMA, 1994, the Chairman, the Vice-Chairman or any other Councilor may be granted such remuneration or such allowance as may be prescribed. However, the expenditure to be incurred under this Section shall not be contradictory to the provision of Section 71 of

Manipur Municipalities Act 1994. This Section prohibits Municipalities to incur any expenditure under any of the heads without the approval of the State Government.

Due to excess payment of honorarium during the period from April 2011 to March 2012 an amount of ₹ 34.73 lakh had been spent from the exchequer of the Imphal MC (**Appendix-VII**). The same was pointed out in the ATIR 2011 but no action had been initiated by the Government.

The matter was referred to the concerned authorities (May 2013); their reply had not been received (January 2014).

4.7 Drawal of Sitting Allowance without approval of the State Government

Section 35 of the MMA, 1994 stipulates that the Chairperson, the Vice-Chairperson or any other Councilor of a Council may be granted by the Council such remuneration or such allowance as may be prescribed. Provided that the expenditure to be incurred under this section shall without prejudice to the provisions of Section 71, be paid out of the Municipal Fund. This Section prohibits Municipalities to incur any expenditure under any of the heads without the approval of the State Government.

However, Audit noticed drawal of sitting allowance without the approval of the State Government by the elected bodies of the 3 Municipalities as shown in table below.

Table No. 4.8- Details of expenditures incurred on Sitting Allowance

(₹ in lakh)			
Sl. No.	Name of the ULB	Period	Amount
1	Nambol MC	April 2009 to March 2012	0.76
3	Kakching MC	April 2008 to March 2012	4.76
4	Bishnupur MC	April 2009 to March 2012	5.85
Total			11.37

As is seen from the table above the three ULBs had spent ₹ 11.37 lakh as sitting allowance for their elected bodies. Thus, the ULBs had spent ₹ 11.37 lakh without the approval of the Government.

The matter was referred to the respective concerned authorities (during April-May 2013); their reply had not been received (January 2014).

4.8 Maintenance of records

Maintenance of records is inevitable for complete transparency and accountability in spending public funds by the ULBs. Test check of 11 ULBs revealed that the following important records to show the authenticity of

spending funds under SJSRY, XII-FC, XIII-FC and SSFC were not maintained by the ULBs:

- Detailed Estimates;
- Technical Sanction;
- Measurement Books;
- Muster Rolls;
- Stock Receipt and Issue Register; etc.

Non-maintenance of vital records is a serious issue and needs special attention of the higher Administrative Authority of the State Government. This is indicative of lack of transparency and accountability in spending public funds by the ULBs.

4.9 Conclusion

Small Town Committee, Moreh could not provide the Muster Rolls and the BPL list for the wage labourers under UWEP. Thus, the genuineness of the beneficiaries could not be ascertained in audit. Extension of financial assistances by the Wangoi NP to the ineligible persons deprived those who had undergone the required skill development training under USEP. There were instances of deficiency in the process of selection of beneficiaries which resulted in selection of some particular beneficiaries repeatedly under UWEP depriving the other eligible beneficiaries. The fund allocated under SJSRY for repairing of CDS's office building amounting to ₹ 3.21 lakh was found to have been utilised on repairing and finishing of the Nambol MC's Office building. The Kakching MC constructed retaining wall and flooring near Composite Hall at a cost of ₹ 1.20 lakh out of SJSRY funds which were not in the work programme. The Wangoi NP and Nambol NP incurred expenditure of ₹ 6.66 lakh under XII-FC on course/training fees for maintenance of double entry accrual accounting system however, no account, except Cash Book was maintained by these NPs. The Thoubal MC diverted ₹ 2.56 lakh towards payment of pay and allowances of the staff of the MC from the XII-FC awards. The Imphal MC made excess payment of wages amounting to ₹ 34.99 lakh to unskilled labourers in contravention of the rate prescribed by the Labour Department. The fund under the SSFC Award is for creation of socially and economically useful public assets. However, the ULBs had spent such funds for administrative expenses and purchase of vehicle. Even after almost two years from the date of the release of fund under SSFC, renovation of community toilet at Bishnupur MC was yet to be commenced. The Kakching MC deducted (October to December 2011) ₹ 1.03 lakh as Sales Tax at source from the contractors. However, the amount was not deposited to the concerned head of accounts of the Government as of May 2012 in violation of the order of the State Government. The Imphal MC suffered a loss of ₹ 5.60

lakh on collection of toll tax by allowing exemption to an agent in contrary to the resolution of Finance and Assessment Committee. The Imphal MC was yet to collect rent amounting to ₹ 43.58 lakh from the Women Vendors for the period of 2011-12. Due to non-deposit of revenue to the municipal fund by the Bishnupur MC a sum of ₹ 4.72 lakh is feared to have been embezzled. Due to excess payment of honorarium to Chairperson, Vice-Chairperson, and Councillors during the period from April 2011 to March 2012 an amount of ₹ 34.73 lakh had been spent from the exchequer of the Imphal MC. Three ULBs had spent ₹ 11.37 lakh as sitting allowance during 2009-12 for their elected bodies without approval of the Government.

4.10 Recommendations

- Transparency in Selection of beneficiaries plays the key role in the successful implementation of schemes. Thus, the ULBs should select the targeted beneficiaries based on the guidelines of the schemes.
- The ULBs should focus on timely realisation of own revenue to strengthen their resources so that there should not be any diversion/inadmissible expenditure for payment of honorarium/pay and allowances and administrative expenses from the funds meant for developmental activities.
- Non-maintenance of vital records is a serious issue. The highest Administrative Authority should issue stringent instruction to the ULBs for maintenance of vital records.



(Dr. N. Maisnam)

Deputy Accountant General (Audit)

Imphal

Countersigned



(Siddhartha Singh Longjam)
Accountant General (Audit)

Imphal

APPENDICES

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 1.9)

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; and b) Demonstration programmes ii) a) Assistance to small marginal farmers in the construction of small Engineering Structure and land levelling; and 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
Transfer of Funds, Functions and Functionaries to ZPs and GPs as on 31 March 2013
(Reference: Paragraph 1.9)

Sl. No.	Department	Latest Status on functionaries transferred	Latest Status on fund transferred	
ZPs			Year	Amount
1	Fisheries	1-Inspector, 1 Field Assistant to each ZP	2008-09	₹ 4 lakh
			2009-10 to 2012-13	Nil
2	Horticulture	1 Assistant Agriculture Officer each ZP, 1 Assistant Horticulture Inspector and 1 Soil Surveyor to each ZP	2008-09 to 2012-13	Nil
3	Tribal Development	1 Extension Officer (Agriculture), 1 Field Assistant & 1 Road Mohorrrir to each ZP	2008-09	₹ 38.60 lakh
			2009-10 to 2012-13	Nil
4	Rural Development	1-Extension Officer (P), 1-Upper Divisional Clerk, 1 Accountant to each ZP	2008-09	₹ 2591.68 lakh
			2009-10	₹ 3113.66 lakh
			2010-11	₹ 1875 lakh
			2011-12	₹ 1875 lakh
			2012-13	₹ 2062 lakh
5	Science & Technology	Not transferred	2008-09	₹ 50 lakh
			2009-10 to 2012-13	Nil
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	
GPs				
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 161 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	

Appendix–IV
List of Units audited during 2012-13
(Reference: Paragraphs 1.11 and 3.9)

(A) Panchayati Raj Institutions

Sl. No.	Name of Unit audited	Period of Accounts covered	Period of Audit
1	Bishnupur ZP	01.04.2009 to 31.03.2012	28.05.2012 to 05.06.2012
2	Imphal East ZP	01.04.2009 to 31.03.2012	06.06.2012 to 19.06.2012
3	28 GPs under Imphal West-I, Haorangsabal CD Block (1) Kalapahar (2) Santalabari (3) Toribari (4) Koubru Leikha (5) Lamjaotongba (6) Maklang (7) Yarou Bamdiar (8) Sagolband Sapam Leikai (9) Potsangbam (10) Langjing (11) Mayang Langjing (12) Ngairangbam (13) Phumlou (14) Khonghampat (15) Phayeng (16) Sagolband Thounaojam (17) Moidangpok (18) Patsoi (19) Kanglatombi (20) Yurembam (21) Khurkhul (22) Konthoujam (23) Lairenkabi Kadangband (24) Changangei (25) Sagolband Bijoy Govinda (26) Awang Khunou (27) Takyel (28) Kangmong	01.04.2006 to 31.03.2012	20.06.2012 to 03.09.2012

(B) Urban Local Bodies

Sl. No.	Name of Unit audited	Period of Accounts covered	Period of Audit
1	Kakching Municipal Council	01.04.2008 to 31.03.2012	24.04.2012 to 11.05.2012
2	Oinam Nagar Panchayat	01.04.2006 to 31.03.2012	04.09.2012 to 15.09.2012
3	Samurou Nagar Panchayat	01.04.2008 to 31.03.2012	17.09.2012 to 29.09.2012
4	Thongkhong Laxmi Nagar Panchayat	01.04.2008 to 31.03.2012	04.10.2012 to 19.10.2012
5	Lilong Nagar Panchayat (I/W)	01.04.2006 to 31.03.2012	24.10.2012 to 09.11.2012
6	Moreh Small Town Committee	01.04.2006 to 31.03.2012	17.11.2012 to 30.11.2012
7	Thoubal Municipal Council	01.04.2009 to 31.03.2012	04.12.2012 to 22.12.2012
8	Nambol Municipal Council	01.04.2009 to 31.03.2012	03.01.2013 to 18.01.2013
9	Bishnupur Municipal Council	01.04.2009 to 31.03.2012	29.01.2013 to 16.02.2013
10	Imphal Municipal Council	01.03.2011 to 31.03.2012	18.02.2013 to 06.03.2013
11	Wangoi Nagar Panchayat	01.04.2008 to 31.03.2012	11.03.2013 to 21.03.2013

Appendix-V
Statement showing details of expenditure incurred out of SSFC grant by 3 GPs
(Reference: Paragraphs 2.2.3)

Sl. No.	Particulars	Date of payment	Amount (in ₹)
Maklang GP			
1	Construction of fencing of Maklang GP Ghar	13.11.2008	1,40,000
2	Construction of Community hall at Kachikhul	13.11.2008	3,00,000
3	Upgradation of Phanchayat Ghar	16.01.2009	46,900
4	Upgradation of Phanchayat Ghar(Final payment)	16.01.2009	5,183
5.	Paid to Bhubanchandra for construction of bazaar shed at Haorangsabal Telecom Mamang	16.04.2009	150000
6	Excavation of public pond at Kachikhul Mayai Leikai	16.04.2009	1,15,000
7	Construction of bazaar shed at Haorangsabal Telecom Mamang(Final payment)	15.06.2009	1,00,000
8	Excavation of public pond at Kachikhul Mayai Leikai (Final payment)	15.06.2009	79,000
9	Repairing of Phanchayat Ghar (Final payment)	06.01.2010	16,000
10	Construction of slab culvert at Huiyotpi River at Sangaithel Makha Leikai	27.02.2010	1,50,000
11	Construction of wooden bridge at Maklang River to Maklang Awang Leikai	27.02.2010	1,51,479
12	Construction of bazaar shed at Luker Mayai Leikai	27.02.2010	2,00,000
13	Construction of bazaar shed at Haorangsabal Mayai Leikai	27.02.2010	2,00,000
14	Construction of public toilet at Kachikhul	27.02.2010	1,80,000
15	Construction of slab culvert at Kachikhul	24.07.2010	1,50,000
16	Construction of wooden bridge at Karong	24.07.2010	1,50,000
17	Construction of bazaar shed at Luker Mayai Leikai	24.07.2010	1,50,000
18	Construction of Community Hall at Kachikhul	24.07.2010	3,50,000
19	Construction of slab culvert at Kachikhul Mayai Leikai	29.09.2010	50,000
20	Construction of wooden bridge at Karong (final payment)	29.09.2010	50,000
21	Construction of bazaar shed at Luker Mayai Leikai	29.09.2010	61,200
22	Construction of Community hall at Kachikhul	29.09.2010	1,50,000
Sub-total			29,44,762
Sagolband Sapam GP			
23	Construction of IVR from Biren Nakan to Ningomam Taba	14.11.2008	3,15,350
24	Construction of IVR from Biren Nakan to Ningomam Taba	15.04.2009	3,15,364
25	Construction of culvert, community hall, bazaar shed, urinal and hand pump	26.02.2010	6,29,100
26	Construction of public ponds and culvert	23.09.2010	4,80,000
27	-do-	25.09.2010	3,13,133
Sub-total			20,52,947
Takyl GP			
28	Construction of public pond with retaining wall	November 2008	3,68,600
29	-do-	April 2009	3,68,690
30	Construction of slab culvert, bazaar shed, wooden bridge and public pond	10.03.2010	7,35,555
31	Construction of Panchayat Ghar	26.08.2010	82,986
32	Construction of community hall, market shed, slab culvert and public toilet	01.09.2010	6,02,715
33	-do-	01.10.2010	3,24,540
Sub-total			24,83,086
Grand-total			74,80,795

Appendix-VI
Details of payment of wages on drain clearance
(Reference: Paragraphs 4.3.1)

Ward No.	Particulars	Total man-days	Wage-rate paid by IMC	Permissible wage rate (in ₹)	Amount already paid (in ₹)	Amount to be paid (in ₹)
1	Drain Clearance (1 st instalment)	448	250	122.10	1,12,000	54,700.80
	Drain Clearance (2nd instalment)	508	250	122.10	1,27,000	62,026.80
2	Drain Clearance (1 st instalment)	440	260	122.10	1,14,400	53,724.00
	Drain Clearance (2nd instalment)	472	260	122.10	1,22,720	57,631.20
3	Drain Clearance (1 st instalment)	400	270	122.10	1,08,000	48,840.00
	Drain Clearance (2nd instalment)	464	270	122.10	1,25,280	56,654.40
4	Drain Clearance (1 st instalment)	420	250	122.10	1,05,000	51,282.00
	Drain Clearance (2nd instalment)	500	250	122.10	1,25,000	61,050.00
5	Drain Clearance (1 st instalment)	400	270	122.10	1,08,000	48,840.00
	Drain Clearance (2 nd instalment)	448	270	122.10	1,20,960	54,700.80
6	Drain Clearance (1 st instalment)	416	270	122.10	1,12,320	50,793.60
	Drain Clearance (2 nd instalment)	472	270	122.10	1,27,440	57,631.20
7	Drain Clearance (1 st instalment)	400	280	122.10	1,12,000	48,840.20
	Drain Clearance (2nd instalment)	492	280	122.10	1,26,560	60,073.20
8	Drain Clearance (1 st instalment)	392	275	122.10	1,07,800	47,863.20
	Drain Clearance (2nd instalment)	428	275	122.10	1,17,700	52,258.80
9	Drain Clearance (1 st instalment)	432	265	122.10	1,14,480	52,747.20
	Drain Clearance (2nd instalment)	492	265	122.10	1,30,380	60,073.20
10	Drain Clearance (1 st instalment)	400	275	122.10	1,10,000	48,840.00
	Drain Clearance (2 nd instalment)	452	275	122.10	1,24,300	55,189.20
11	Drain Clearance (1 st instalment)	424	265	122.10	1,12,360	51,770.40
	Drain Clearance (2 nd instalment)	476	265	122.10	1,26,140	58,119.60
12	Drain Clearance (1 st instalment)	428	260	122.10	1,11,280	52,258.80
	Drain Clearance (2 nd instalment)	488	260	122.10	1,26,880	59,584.80
13	Drain Clearance (1 st instalment)	420	270	122.10	1,13,400	51,282.00
	Drain Clearance (2 nd instalment)	468	270	122.10	1,26,360	57,142.80

14	Drain Clearance (1 st instalment)	420	270	122.10	1,13,400	51,282.00
	Drain Clearance (2 nd instalment)	464	270	122.10	1,25,280	56,650.40
15	Drain Clearance (1 st instalment)	428	250	122.10	1,07,000	52,258.80
	Drain Clearance (2 nd instalment)	480	250	122.10	1,20,000	58,608.00
16	Drain Clearance (1 st instalment)	340	300	122.10	1,02,000	41,514.00
	Drain Clearance (2 nd instalment)	425	300	122.10	1,27,500	51,892.50
17	Drain Clearance (1 st instalment)	416	275	122.10	1,14,400	50,793.60
	Drain Clearance (2 nd instalment)	460	275	122.10	1,26,500	56,166.00
18	Drain Clearance (1 st instalment)	420	270	122.10	1,13,400	51,282.00
	Drain Clearance (2 nd instalment)	460	270	122.10	1,24,200	56,166.00
19	Drain Clearance (1 st instalment)	420	250	122.10	1,05,000	51,282.00
	Drain Clearance (2 nd instalment)	500	250	122.10	1,25,000	61,050.00
20	Drain Clearance (1 st instalment)	432	260	122.10	1,12,320	52,747.20
	Drain Clearance (2 nd instalment)	480	260	122.10	1,24,800	58,608.00
21	Drain Clearance (1 st instalment)	400	270	122.10	1,08,000	48,840.00
	Drain Clearance (2 nd instalment)	460	270	122.10	1,24,200	56,166.00
22	Drain Clearance (1 st instalment)	408	275	122.10	1,12,200	49,816.80
	Drain Clearance (2 nd instalment)	460	275	122.10	1,26,500	56,166.00
23	Drain Clearance (1 st instalment)	420	270	122.10	1,13,400	51,282.00
	Drain Clearance (2 nd instalment)	464	270	122.10	1,25,280	56,654.40
24	Drain Clearance (1 st instalment)	420	270	122.10	1,13,400	51,282.00
	Drain Clearance (2 nd instalment)	460	270	122.10	1,24,200	56,166.00
25	Drain Clearance (1 st instalment)	420	260	122.10	1,09,200	51,282.00
	Drain Clearance (2 nd instalment)	464	260	122.10	1,20,640	56,654.40
26	Drain Clearance (1 st instalment)	420	270	122.10	1,13,400	51,282.00
	Drain Clearance (2 nd instalment)	464	270	122.10	1,25,280	56,654.40
27	Drain Clearance (1 st instalment)	400	270	122.10	1,08,000	48,840.00
	Drain Clearance (2 nd instalment)	452	270	122.10	1,22,040	55,189.20
TOTAL					63,54,300	28,55,797.10

Appendix-VII
Statement showing details of honorarium paid to the Councilors by the Imphal MC
(Reference: Paragraphs 4.6)

Sl. No.	Period/Month	Amount to be paid (in ₹)	Amount paid (in ₹)	Sanction Order No. & Date
1	01.04.11 to 12.06.11		7,87,200	Sanction order copy not available
1	13.06.11 to 30.06.11	68,100	1,96,667	IMC/Acctt/28/2011-12(Pt) dated 07.07.2011
2	July 2011	22,700	3,28,000	IMC/Acctt/28/2011-12(Pt) dated 06.08.2011
3	August & September 2011	45,400	6,56,000	IMC/Acctt/28/2011 dated 25.10.2011
4	October 2011	22,700	3,28,000	IMC/Acctt/28/2011 dated 25.10.2011
5	November & December 2011	45,400	6,56,000	IMC/Acctt/28/2011 dated 23.12.2011
6	January & February 2012	1,72,000	6,56,000	IMC/Acctt/28/2011-12(Pt) dated 02.03.2012
7	March 2012	86,000	3,28,000	IMC/Acctt/28/2011-12(Pt) dated 30.03.2012
Total		4,62,300	39,35,867	

Difference: ₹ 34,73,567 (₹ 39,35,867 – ₹ 4,62,300)