

**Annual Technical Inspection Report**  
**on**  
**Panchayati Raj Institutions and Urban Local Bodies**  
**for the year ended 31 March 2016**

**GOVERNMENT OF MANIPUR**



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

**Annual Technical Inspection Report**

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**for the year ended 31 March 2016**

**Government of Manipur**

**Office of the Accountant General (Audit), Manipur,  
Imphal**

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## PREFACE

This Report for the year ended March 2016 has been prepared for submission to the Government of Manipur in terms of Technical Guidance and Support to audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

The issues noticed during test audit for the period 2015-16 as well as those issues which came to notice in earlier years, but could not be dealt with in the previous Reports have also been included in this Report, wherever necessary.

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



# Overview





## OVERVIEW

This Report contains five chapters, Chapters I and III contain an overview of the functioning, accountability mechanism and financial reporting issues of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapters II and V contain the result of compliance audit of the PRIs and ULBs respectively. Chapter IV contains a performance audit of the ULBs.

### Chapter-I An Overview of the Panchayati Raj Institutions

The two-tier Panchayati Raj system envisaged in the Manipur Panchayati Raj (MPR) Act, 1994 came into force with effect from 24 June 1994. Accordingly, two-tier PRI system at the village (Gram Panchayats) and district levels (Zilla Parishads) was established in the State, and Rules were framed to enable the PRIs to function as per the Constitutional mandate.

#### *Paragraph 1.1*

Transfer of funds, functions and functionaries to PRIs with regard to 29 subjects listed in the XI<sup>th</sup> Schedule of the Constitution of India was inadequate. Due to non-transfer/partial transfer of funds and functionaries, the PRIs were not able to perform the functions assigned to them effectively and efficiently.

#### *Paragraph 1.3*

Though District Planning Committees were constituted in four valley districts they were not made functional as of March 2016.

#### *Paragraph 1.4.1*

The State Government established Manipur Social Audit Agency in January 2014. However, the Social Audit Agency was yet to be functional.

#### *Paragraph 1.7.2*

There was shortfall in release of fund to PRIs during 2015-16 against the recommendation by the 3<sup>rd</sup> State Finance Commission by 82.53 per cent.

#### *Paragraph 1.8.3*

None of the test checked PRIs maintained their accounts as per the Model Accounting System (MAS) prescribed by Ministry of Panchayati Raj, Government of India in consultation with the CAG of India.

#### *Paragraph 1.8.4*

## Chapter-II

### Compliance Audit of Panchayati Raj Institutions

There was doubtful expenditure to the tune of ₹ 40.06 lakh on implementation of the programmes under 13<sup>th</sup> Finance Commission Award.

#### *Paragraph 2.1*

Kairang Khomidok Gram Panchayat incurred extra expenditure of ₹ 9.91 lakh on procurement of ring culverts in excess of requirement.

#### *Paragraph 2.2*

Three Zilla Parishads viz., Imphal West, Thoubal and Imphal East had withdrawn an amount of ₹ 3.13 crore from banks through self cheques during 2014-15 in contravention of the Government's order.

#### *Paragraph 2.3*

## Chapter-III

### An Overview of the Urban Local Bodies

In Manipur, Urban Local Bodies (ULBs) are spread out in the four valley districts of the State and are governed by the Manipur Municipalities Act (MMA), 1994 which specify the obligatory and discretionary functions to be discharged by the ULBs.

#### *Paragraph 3.1*

Out of 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution of India, functions related to seven subjects are being performed by ULBs in the State.

#### *Paragraph 3.4*

There was shortfall of 83 *per cent* in actual release of fund during 2015-16 to ULBs as recommended by the 3<sup>rd</sup> State Finance Commission.

#### *Paragraph 3.10.2*

The Manipur Municipalities Act, 1994 stipulates that every ULB is mandated to maintain its accounts as prescribed in the National Municipal Accounts Manual (NMAM). However, none of the test-audited ULBs had prepared annual accounts or adopted NMAM as of March 2016.

#### *Paragraph 3.10.3*

## Chapter-IV

### Performance Audit of Urban Local Bodies

#### *Performance Audit on Management of Own Funds by the Municipalities Including Collection of Revenues*

The 74<sup>th</sup> Constitutional Amendment Act, 1992 conferred a constitutional status to the ULBs with functional autonomy to function as institutions of self-government. To make the decentralisation and self-governance meaningful, the

ULBs are expected to ensure availability of adequate funds from own sources to provide basic civic services to the people and meet the expenses of governance. Even though, devolution of funds from Government is inevitable, mobilisation of funds from own sources is extremely important. In this regard, considerable space has been provided to the ULBs in the Act to generate income from own sources. The performance audit brought out the following significant findings:

Taxes, fees, fines, etc., were not imposed by the ULBs despite the existence of provision for levy of the same in the Manipur Municipalities Act, 1994.

***Paragraph 4.9.2***

Ten out of 12 test checked ULBs awarded contract for collection of Toll tax and Parking fees without call of tender.

***Paragraph 4.9.3(i)***

ULBs did not prepare budgets and maintain their accounts as per the prescribed formats.

***Paragraphs 4.10.2 & 4.10.3***

There was an accumulation of outstanding arrears of revenues from own sources to the tune of ₹ 6.37 crore in respect of ten ULBs.

***Paragraph 4.11.1***

Major portion of the own source of revenues (55 *per cent*) was utilized for establishment expenditure which resulted less scope for creation of revenue generating assets and for taking up of obligatory functions of the ULBs.

***Paragraph 4.11.3***

Revenue collection of ULBs suffered due to non-implementation of the recommendations of the State Finance Commissions.

***Paragraph 4.12.2***

The State Government did not establish Property Tax Board during the period covered in audit, as such no property tax was levied by the ULBs.

***Paragraph 4.12.3***

## **Chapter-V**

### **Compliance Audit of Urban Local Bodies**

Kakching MC diverted ₹ 16.30 lakh out of 13<sup>th</sup> Finance Commission grants for the purpose of administrative expenditures which was meant for developmental works.

***Paragraph 5.1***

There was short realization of Municipal revenue by Imphal Municipal Corporation to the tune of ₹ 22.22 lakh against the realizable amount of ₹ 33.87 lakh during 2015-16.

***Paragraph 5.2***

During 2014-15, Imphal Municipal Corporation deducted ₹ 18.69 lakh as VAT and Labour Cess at source from contractors which was not remitted to Government accounts in contravention to the Government's instruction.

***Paragraph 5.3***

There were irregular cash withdrawals from bank through self-cheques by Bishnupur Municipal Council, Thongkhong Lakshmi Nagar Panchayat and Sekmai Nagar Panchayat to the tune of ₹ 4.10 crore from the bank accounts.

***Paragraph 5.4***

**Part - A**  
**Panchayati Raj Institutions**



# **CHAPTER-I**

**An overview of the functioning, accountability mechanism and financial reporting issues of the Panchayati Raj Institutions**





# CHAPTER-I

## An Overview of Panchayati Raj Institutions

### *An overview of the functioning of the Panchayati Raj Institutions in the State*

#### 1.1 Introduction

The Constitution of India (Seventy-Third Amendment Act 1992) marked a new era in the federal democratic set up of the country 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 with regard to 29 subjects listed in the XI<sup>th</sup> Schedule of the Constitution of India. This amendment also established a system of uniform structure, holding of regular election, and regular inflow of funds in PRIs through Finance Commissions. As a follow up, the State enacted the Manipur Panchayati Raj (MPR) Act, 1994. A two-tier PRI system at the village (Gram Panchayats) and district levels (Zilla Parishads) 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 MPR 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 last elections were held in September 2012.

Manipur is situated in the North Eastern part of India. The State covers an area of 22,327 sq km with a total population of 25.70 lakh. The rural population of the State is 17.35 lakh which is 68 *per cent* of the total population (2011 census). There were nine districts in the State as on 31 March 2016, of which five districts were located in the hill areas and four districts were spread out in the valley. As against the decadal growth of 17.6 *per cent* at the national level, the population of the State grew by 12.05 *per cent* in the decade of 2001-2011. The service sectors along with the agricultural sector dominate the State's economy. The demography of the State as per 2011 Census is given in the table below.

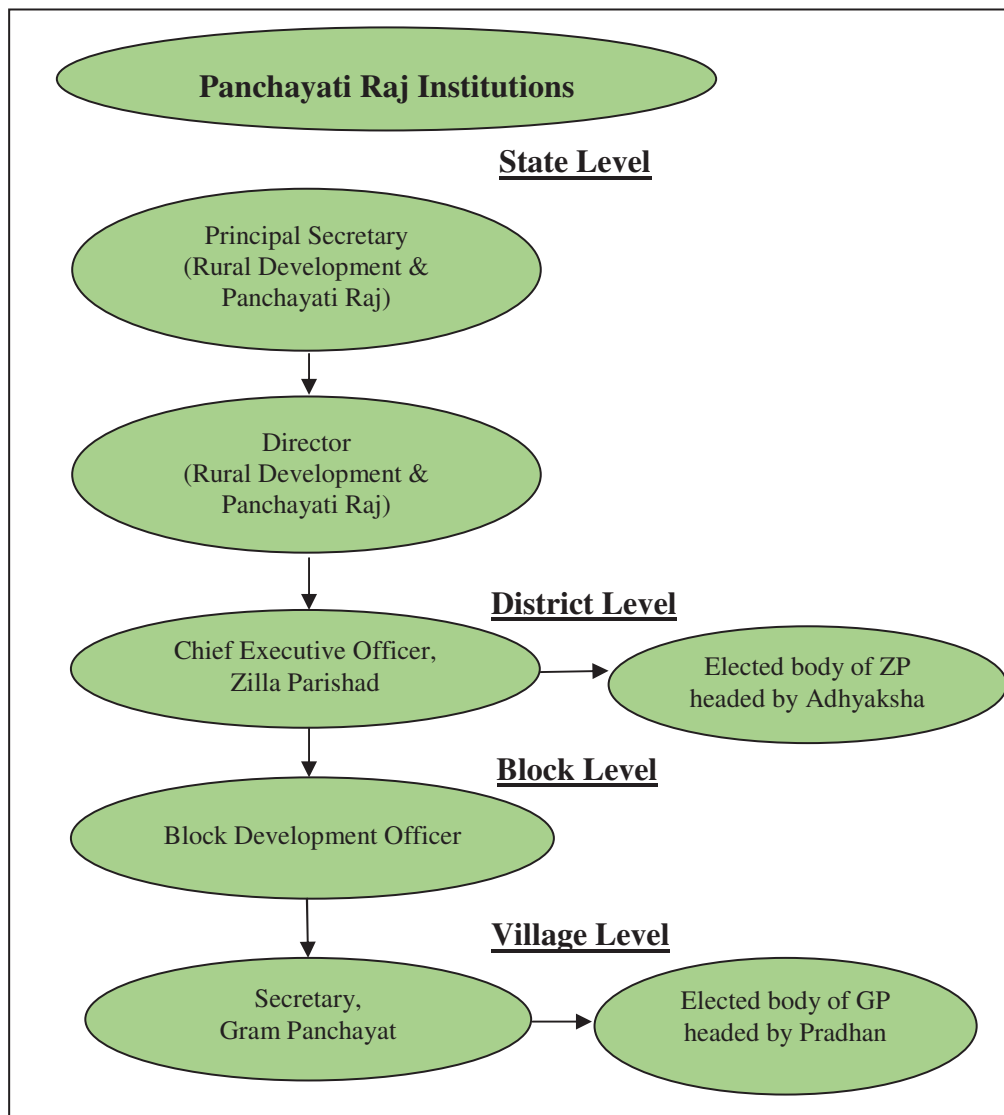
**Table No. 1.1 Statistics of the State**

Sl. No.	Indicator	Unit	Value
1	Population	1,000s	2570
2	Density of population	Persons per sq. Km.	115
3	Gender Ratio	Female per 1000 males	992
4	Gender Ratio (Rural)	Female per 1000 males	976
5	Gender Ratio (Urban)	Female per 1000 males	1026
6	Literacy	Percentage	79.21
7	Number of Zilla Parishads	Numbers	4
8	Number of Gram Panchayats	Numbers	161

*Source: Census 2011 & Departmental Records*

## 1.2 Organization setup of Panchayati Raj Institutions

The organizational setup of PRIs in the State is as under:



1.2.1 The broad details of responsibility of PRIs functionaries are given in the table below.

**Table No. 1.2 Details of responsibility of PRIs functionaries**

Functionaries	Responsibilities
Principal Secretary (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, Annual Budget and implementation of schemes related to PRIs etc.
Panchayat Secretary (PS)	The PS is appointed by the State Government for keeping of records and maintenance of Accounts.

Source: Departmental Records

## 1.2.2 Composition of Panchayati Raj Institutions

**Zilla Parishad (ZP):** Every ZP is a body which 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 (GP):** Each GP has a body comprising *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 of Gram Panchayat and is also responsible for governance of the body.

## 1.2.3 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 MPR Act, 1994, the State Government shall appoint Chief Accounts Officer, Chief Planning Officer and such number of officers of Groups A, B and C staff for each ZP on such terms and conditions as may be prescribed. However, no appointment against these posts was made as of March 2016.

**Zilla Parishad:** Each ZP is manned with staff deputed from different Departments as a part of devolution of functionaries. However, there was deployment of staff while sanctioned strength has not been prescribed by the State Government in four ZPs. The position of staff in the four ZPs as of March 2016 is detailed in the table below.

**Table No. 1.3 ZP-wise staff position**

Sl. No.	Name of the ZP	Sanctioned Strength	Persons-in-position
1	Imphal East	Not fixed	18
2	Imphal West	Not fixed	17
3	Thoubal	Not fixed	9
4	Bishnupur	Not fixed	10
<b>Total</b>			<b>54</b>

Source: Departmental Records

Rural Development & Panchayati Raj (RD&PR) Department stated that there was no sanctioned strength or post for the Zilla Parishads. These PRIs are manned by the functionaries/staff deputed from line Departments under the devolution of power to PRIs. One Manipur Civil Service (MCS) officer is deputed to each ZP by the Government as Chief Executive Officer (CEO) to look after the affairs of the ZP offices.

**Gram Panchayat:** As per Section 45 of the MPR Act, 1994, there shall be a Panchayat Secretary for every Gram Panchayat who shall be appointed in such manner as may be prescribed by the Act/Rules. The Department intimated (November 2016) that all the sanctioned strength of 161 Panchayat Secretaries

positions have been occupied. However, it is evident from the findings contained in Chapter I and II of this Report that in spite of deployment of sufficient staff by the Government in the GPs, effective functioning for implementation of schemes and maintaining the accounts by the PRIs was not satisfactory.

### 1.3 Functioning of Panchayati Raj Institutions

The Constitution of India (Seventy-Third Amendment Act 1992) and the MPR Act, 1994 envisaged devolution of power and responsibilities to PRIs with regard to the 29 subjects listed in the XI<sup>th</sup> Schedule of the Constitution. Accordingly, the State Government had to transfer fund, functions and functionaries related to all the 29 subjects to PRIs. However, the State Government had devolved certain functions related to 16 subjects to PRIs in 2005. Though the State Government had transferred functions of 16 subject to PRIs by issuing order, Audit noticed that there was non-transfer/partial transfer of fund and functionaries related to the transferred functions. There has been no change in the status of transfer of funds, functions and functionaries since the order was issued for the first time. Details of functions of 16 subjects transferred to ZPs and GPs are shown in *Appendix 1.1*. The status on the transfer of funds and functionaries in respect of 16 subject to ZPs and GPs as on 31 March 2016 is shown in *Appendix 1.2*.

Thus, transfer of funds, functions and functionaries with regard to 29 subjects to PRIs listed in the XI<sup>th</sup> Schedule of the Constitution of India was inadequate to enable them to function as Institutions of Local Self-Government. Due to non-transfer/partial transfer of funds and functionaries, the PRIs were not able to perform the functions assigned to them effectively and efficiently.

### 1.4 Formation of various committees

Under Sections 38 and 65 of the MPR Act, 1994, the Gram Panchayats and the Zilla Parishads are required to constitute Standing Committees in order to perform the functions assigned to them as detailed in the table below.

**Table No. 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 each Committee.
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.

Level of PRIs	Chief Political Executive	Standing Committees	Political Executives
		(d) Education and Health Committee (e) Agriculture and 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. The Department stated (November 2016) that Standing Committees had been constituted in all GPs and ZPs. However, proper initiation and follow up of functions like Education, Agriculture and Amenities *etc.* in a systematic way could not be observed. Consequently, these activities are not getting adequate focus as envisaged. The PRIs-wise roles and responsibilities of the Standing Committees are given in *Appendix 1.3*.

#### 1.4.1 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 districts, 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 Councillors as may be specified by the Government from among the members of Councillors of Nagar Panchayat and Municipal Councils in the district; and
- (e) Chief Executive Officer of the ZP.

Though DPCs were constituted in four valley districts, they were not made functional as of March 2016. None of the DPCs had engaged technical experts and secretarial support staff in different fields for preparation of draft district development plan, thereby 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 district as a whole, funds under Finance Commission (both Central and State) were allocated as per the assessment of the State Government from time to time. In respect of the devolution of power, there is no standardized methodology for transfer of funds to PRIs.

## **1.5 Audit arrangement**

### **1.5.1 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 its Audit Reports to the audited entities and the State Government.

The DLFA intimated (April 2016) that 42 PRIs were audited during 2015-16. The Director further intimated (July 2016) that Audit Report for the year 2014-15 was compiled and forwarded to the State Government for placing before the State Legislature. No information has been received regarding placement of the report before the State Legislature. The DLFA was requested to furnish Annual Audit Plan for PRIs & ULBs. However, the DLFA did not submit its Annual Audit Plan for the year 2015-16 along with the list of units to be audited. As per terms and conditions of Technical Guidance and Support (TG&S) entrustment, the Accountant General (Audit) would also monitor the quality of the Inspection Reports (IRs) issued by the local fund auditor by scrutinising such IRs. However, DLFA did not furnish copies of the IRs. As such quality of the IRs issued by DLFA could not be monitored and suggestions for improvement of the existing system under TG&S arrangement could not be provided to DLFA.

### **1.5.2 Audit by Comptroller and Auditor General of India**

The State Government has entrusted (March 2012) audit of PRIs to the Comptroller and Auditor General of India (CAG) with the responsibility of providing Technical Guidance and Support (TG&S) under Section 20(1) of the CAG's Duty, Power and Conditions of Service (DPC) Act, 1971 and laying the report before the State Legislature. Accordingly, the Accountant General (Audit), Manipur conducted the audit of the accounts of the PRIs. The result of audit *i.e.* Annual Technical Inspection Report (ATIR) was sent to the State Government for necessary action. The ATIR for the year ended 31 March 2015 was consequently laid on the floor of the State Legislative Assembly in September 2016. During 2015-16, Accountant General (Audit), Manipur test checked the accounts of four PRIs out of 165 PRI units and the findings have been incorporated in this report.

In spite of the TG&S entrustment, the terms and condition which is to be followed by the DLFA and by the relevant authority(ies) to implement the TG&S in letter and spirit is yet to be incorporated in the MPR Act and Rules. The ATIR is being placed in the State Legislature. However, there was no separate committee in the State legislature for discussion of ATIR. In the absence of a separate committee, the ATIR was discussed by Public Accounts Committee (PAC) of Manipur State Legislature. The ATIR for the year ended 31 March 2012 was discussed by the PAC. However, ATIRs for the years ended 31 March 2013, 31 March 2014 and 31 March 2015 were yet to be discussed (March 2017).

## 1.6 Response to audit observations

The position of outstanding Inspection Reports (IRs) of the audit of PRIs during 2011-12 to 2015-16 is shown in the table below.

**Table No. 1.5 Details of IRs and outstanding paragraphs in respect of PRIs**

Year	IRs	Paragraphs	Money Value (₹ in lakh)
2011-12	3	11	0
2012-13	30	137	0
2013-14	25	183	317.56
2014-15	26	157	540.18
2015-16	4	22	432.69
<b>Total</b>	<b>88</b>	<b>510</b>	<b>1290.43</b>

As seen from the above table, a total number of 88 IRs containing 510 paragraphs involving money value of ₹ 12.90 crore during the last five years were yet to be settled. Replies to most of the IRs pertaining to the last five years were not furnished despite issue of reminders and also attempts made through review during the next audit.

## Accountability Mechanism and Financial Reporting Issues

### 1.7 Accountability mechanism

#### 1.7.1 Ombudsman

The 13<sup>th</sup> Finance Commission recommended for the constitution of a Local Body Ombudsman to look into the complaints of corruption and maladministration against the functionaries of Local Bodies – both elected representatives and officials and to recommend suitable action. This in turn requires enactment of legislation and its notification.

The Director, RD&PR, Government of Manipur was requested to furnish information regarding the constitution of Ombudsman in the State. However, no reply was furnished by the Department (March 2017). Hence, Audit could not ascertain about the constitution of Ombudsman.

#### 1.7.2 Social Audit

The Government of India framed a set of rules and regulations titled the “Audit of Scheme Rules – 2011” under Section 24(1) of the MGNREG Act, 2005 for guiding the process by which social audits should be conducted. The State Government should facilitate conduct of social audit of the works taken up under the Act in every Gram Panchayat at least once in six months in the prescribed manner. The summary of such findings should be submitted by the State Government to the CAG of India. The primary objective of social audit is to bring the activities of PRIs under close surveillance of people to enable them to access the records and documents of PRIs. Such immediate access to

information would facilitate transparency and accountability in day-to-day functioning of PRIs.

The State Government established the Manipur Social Audit Agency (MSAA) in January 2014 and identified MGNREGS and Indira Awas Yojana (IAY) schemes for social audit. However, the agency though established in 2014 was yet to be functional and no such reports of the Social Audit have been submitted to this office till date (March 2017).

Thus, the State Government is yet to implement Audit of Scheme Rules – 2011 for conduct of social audit of schemes implemented by the PRIs in the State.

### 1.7.3 Lok Ayukta

The 13<sup>th</sup> Finance Commission recommended that where all or a class of elected representatives or officials fall under the jurisdiction of the Lok Ayukta of the State, the State may decide whether those functionaries should be shifted to the Ombudsman or to continue under the jurisdiction of the Lok Ayukta.

The Director (RD&PR), Government of Manipur was requested to furnish information regarding functioning of Lok Ayukta in the State. However, no reply was furnished by the Department (March 2017). Hence, Audit could not ascertain the constitution of Lok Ayukta.

### 1.7.4 Submission of Utilization Certificates

As per guideline for release and utilization of grant recommended under 13<sup>th</sup> Finance Commission Award (13<sup>th</sup> FCA), the 1<sup>st</sup> instalment shall be released unconditionally. Subsequent instalments shall be released subject to submission of the Utilization Certificates (UC) by the States. However, the proper time frame for submission of UC in respect of the 2<sup>nd</sup> Manipur State Finance Commission was not mentioned.

Information regarding the submission of Utilization Certificates by the PRIs under Central and State Finance Commission are shown respectively in the tables below:

**Table No. 1.6 Submission of UCs under Central Finance Commission**

(₹ in crore)

Sl. No.	Year	Fund released to PRIs during the year	Fund Utilised	Utilisation Certificates submitted	Pending Utilisation Certificates
1	2011-12	5.49	5.49	5.24	0.25
2	2012-13	7.79	7.79	7.79	0
3	2013-14	12.57	12.57	12.57	0
4	2014-15	65.39	65.39	58.12	7.27
5	2015-16	28.22	28.22	24.81	3.41
<b>Total</b>		<b>119.46</b>	<b>119.46</b>	<b>108.53</b>	<b>10.93</b>

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



**Table No. 1.7 Submission of UCs under State Finance Commission***(₹ in crore)*

Sl. No.	Year	Fund released to PRIs during the year	Fund Utilised	Utilisation Certificates submitted	Pending Utilisation Certificates
1	2011-12	18.75	18.75	18.18	0.57
2	2012-13	20.62	20.62	20.62	0
3	2013-14	20.62	20.62	20.62	0
4	2014-15	15.62	15.62	15.62	0
5	2015-16	23.68	23.68	Nil	23.68
<b>Total</b>		<b>99.29</b>	<b>99.29</b>	<b>75.04</b>	<b>24.25</b>

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

As evident from the above table, UCs amounting to ₹ 10.93 crore and ₹ 24.25 crore in respect of Central Finance Commission and State Finance Commission respectively were pending during 2011-12 to 2015-16.

### 1.7.5 Internal Audit and Internal Control System of PRIs

As per Section 44(1) read with Section 74(1) of the MPR Act 1994, the accounts of a Gram Panchayat and Zilla Parishad shall be audited by the DLFA, Government of Manipur in such manner as may be prescribed and a copy of the audit report shall be forwarded to the Gram Panchayat/Zilla Parishad within one month of the completion of the audit. The Act *ibid* is however silent about Internal Audit in PRIs.

Efficient functioning of PRIs depends on proper internal control mechanism. Proper internal control mechanism ensures the proper maintenance of records and ensure proper implementation of various schemes/programmes. Audit noticed that in the absence of Internal Audit, there was no internal control mechanism in the PRIs.

## 1.8 Financial reporting issues

### 1.8.1 Source of Funds

The sources of funds to PRIs consist of Central Finance Commission (CFC) grants, State Finance Commission (SFC) grants, Central Government 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 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 the table below. The authorities for reporting use of funds in respect of ZPs and GPs are Chief Executive Officer (CEO) and Panchayat Secretary respectively.

**Table No. 1.8 Fund flow mechanism in PRIs**

Nature of Fund	ZPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assessee and users	Bank	Assessee 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

Source: Departmental Records

### 1.8.2 Resources: Trends and composition

The fund flow arrangements and trends of resources of PRIs for the period 2011-12 to 2015-16 are shown in the table below.

**Table No. 1.9 Time series data on resources of PRIs**

(₹ in crore)

Source of Fund	2011-12	2012-13	2013-14	2014-15	2015-16
Government of India grants	241.39	214.04	70.45	#	#
State grants for Centrally Sponsored Schemes	12.50	25.88	11.77	#	#
CFC grant	5.49	7.79	12.57	65.39	28.22
SFC grant	18.75	20.62	20.62	15.62	23.68
Salaries/Honorarium grants	3.42	2.70	2.91	2.89	2.89
Own Revenue	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	<b>281.55</b>	<b>271.03</b>	<b>118.32</b>	<b>83.67</b>	<b>54.79</b>

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

# RD&PR could not furnish the fund received from these sources.

### 1.8.3 Recommendations of the State Finance Commission (SFC)

Since the enactment of the Seventy-Third Amendment Act, 1992, the State Government has constituted three SFCs to determine the principles on the basis of which adequate financial resources would be ensured for PRIs. The recommendations of the 2<sup>nd</sup> SFC effective from 1 April 2001 were passed in the State Legislative Assembly during December 2005. The period of the 2<sup>nd</sup> SFC covered up to 31 March 2010.

The 3<sup>rd</sup> Manipur State Finance Commission (MSFC) was constituted in February 2013. As per the recommendations of 3<sup>rd</sup> SFC, 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 the Autonomous District Councils (ADCs)<sup>1</sup>. Out of this 10 *per cent*, 35.28 *per cent* is to be transferred to PRIs.

<sup>1</sup> Institutions of local bodies in the five hill districts of the State.

Funds pertaining to 2015-16 were released on the basis of the recommendations of the 3<sup>rd</sup> SFC under the head 'Compensation and Assignment' (C&A). The position of fund released during 2015-16 is shown in the table below.

**Table No. 1.10 Statement showing funds released under SFC**

(₹ in crore)

Year	State revenue including State share of net proceeds of Union taxes	Amount to be transferred to Local Bodies including ADCs (10 per cent )	Amount to be transferred to PRIs (35.28 per cent)	Amount actually released	Short release against recommendation of SFC to PRIs	Percentage of short release
1	2	3	4	5	6 = (4-5)	7
2015-16	3842.34	384.23	135.55	23.68	111.87	82.53

Source: Finance Accounts, Government of Manipur and information consolidated from the data received from Rural Development and Panchayati Raj (RD&PR) Department.

It is evident from the table above that actual release of fund by the State Government to the PRIs during 2015-16 was lower than the recommendation of the 3<sup>rd</sup> MSFC.

#### 1.8.4 Maintenance of Accounts by PRIs

Test check (April 2015 – March 2016) of records of three ZPs and one GP showed that Cash book was the only accounting record maintained by the PRIs. Other basic records such as grants-in-aid register, bill register, advance register, stock receipt and issue register *etc.* were not maintained.

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. Authority responsible to certify the accounts of the PRIs was not provided in the Act. The Ministry of Panchayati Raj, Government of India in consultation with the Comptroller and Auditor General of India had prescribed the Model Accounting System (MAS) to be adopted by the PRIs. The State Government also agreed to adopt the system of accounts in MAS for all the PRIs with effect from April 2013. However, none of the test checked PRIs have adopted the form of accounts prescribed in MAS as of March 2016.

### 1.9 Conclusion

The State Government was yet to appoint officers and staff in Zilla Parishads for discharge of important key functions of the PRIs. There was non-transfer/partial transfer of funds and functionaries and as such PRIs were unable to discharge their important functions effectively and efficiently. Though the Department stated that Standing Committees (SC) were constituted, significant functioning and activities of the SCs could not be observed during the course of audit. As the District Planning Committees (DPCs) in the four districts were non-functional, draft development plan could not be prepared. There was shortfall in release of funds to PRIs with respect to the State Finance Commission recommendations. None of the test checked

PRIs have adopted Model Accounting System for maintenance of accounts as prescribed by the Ministry of Panchayati Raj in consultation with Comptroller and Auditor General of India.

### **1.10 Recommendations**

The State Government may consider to:

- Devolve power to PRIs (funds, functions and functionaries) as envisaged in the Constitution (Seventy-Third Amendment);
- Ensure that each DPC prepares a development plan and sends it to the Government; and
- Ensure preparation of Annual Accounts at all levels of PRIs as per format prescribed in Model Accounting System.

# **CHAPTER-II**

## **Compliance Audit of Panchayati Raj Institutions**



## CHAPTER-II COMPLIANCE AUDIT OF PANCHAYATI RAJ INSTITUTIONS

### 2.1 Doubtful expenditure: ₹ 40.06 lakh

As per Rule 129 of the General Financial Rules (GFR), no work shall be commenced or liability incurred until (i) Administrative Approval (AA) has been obtained; (ii) estimates containing the detailed specifications and quantities of various items have been prepared; (iii) tenders were invited and processed and (iv) work order is issued. Further, Rule 205 of the Central Treasury Rules envisage that a Government officer entrusted with the payment of money shall obtain for every payment he makes, a voucher setting forth full and clear particulars of the claim and obtain an acknowledgement of the payment signed by the person by whom or in whose behalf the claim is put forward.

During 2014-15, the Thoubal Zilla Parishad (TZP) took up 16 works for implementation of schemes under 13<sup>th</sup> Finance Commission Award (FCA) for which ₹ 42.91 lakh was sanctioned. All the 16 works were awarded to beneficiary secretaries<sup>2</sup> of the concerned localities. The beneficiary secretaries were paid ₹ 40.06 lakh after deducting at source applicable VAT and Labour Cess (amounting to ₹ 2.85 lakh). The details are shown in *Appendix 2.1*.

The TZP had neither produced to audit any records relating to AA of the works nor prepared estimates containing the detail specification in violation of the provisions of the GFR. Though TZP was able to produce record for procurement of material and engagement of labour to the tune of ₹ 35.40 lakh, there was no record of measurement of works actually executed.

In the absence of specification of works to be taken up and the measurement of works done/completed, Audit could not vouch for the execution of the works. Hence, expenditure of ₹ 40.06 lakh for the purpose for which it was sanctioned was doubtful. Moreover, a sum of ₹ 4.66 lakh (₹ 40.06 lakh - ₹ 35.40 lakh) remains unaccounted.

The matter has been referred to the Government (November 2016) and reply is awaited (March 2017).

### 2.2 Excess expenditure on procurement of ring culverts in excess of requirement: ₹ 9.91 lakh

As per Rule 137 of General Financial Rules, purchase of goods in excess of requirement should be avoided. The specifications in terms of quality, type, etc. as also quantity of goods to be procured should be clearly spelt out.

<sup>2</sup> Beneficiary Secretary is the Secretary of the beneficiary committee responsible for the implementation of the works of the schemes.

During scrutiny of records of Kairang Khomidok G.P., Audit noticed that the GP executed four works of construction of drains with ring culverts during 2014-15 under 13<sup>th</sup> Finance Commission Award. The total amount sanctioned for the four works was ₹ 19.56 lakh. As per the estimate, the requirement of ring culvert (RCC NP3, 1000 mm diameter) was 44 numbers (12 feet each). However, the voucher for the works showed that the number of ring culvert purchased (August to October 2014) was 164 numbers at the total cost of ₹ 13.97 lakh. This resulted in excess procurement of 120 numbers of ring culverts than the requirement with excess expenditure of ₹ 9.91 lakh (**Appendix 2.2**). Thus, the GP incurred an excess expenditure of ₹ 9.91 lakh.

The matter has been referred to the Government (November 2016) and reply is awaited (March 2017).

### 2.3 Irregular cash withdrawal through self-cheques: ₹ 3.13 crore

The Finance Department, Government of Manipur banned drawal of cheque in favour of self by all Disbursing and Drawing Officer (DDO) with effect from 13 March 2008. Failure to comply with this order was to be treated as a case of fraud and liable to be prosecuted under the Manipur Public Servants Personal Liability Act, 2006.

Audit noticed from the scrutiny of records of three Zilla Parishads viz., Imphal West, Thoubal and Imphal East that the Zilla Parishads withdrawn an aggregate amount of ₹ 3.13 crore from banks through self-cheques during 2014-15 in contravention of the Government's order *ibid*. Zilla Parishad wise details are as shown in the table below.

**Table No. 2.1 Cash Withdrawal through self-cheque**

Sl. No.	Name of PRI	Year	Amount drawn (₹ in lakh)
1	Imphal West ZP	2014-15	259.1
2	Thoubal ZP	2014-15	18.21
3	Imphal East ZP	2014-15	35.49
	<b>Total</b>		<b>312.8</b>

The amounts were drawn through self-cheques for approved works and programmes under State Finance Commission grants, 13<sup>th</sup> Finance Commission grants and devolved functions in respect of Social Welfare and Horticulture Department. Payments were made in cash to the concerned beneficiary secretaries of the works. Withdrawal of such a large amount in cash and subsequent payment made in cash was in violation of the Finance Department's notification. Thus, irregular cash withdrawal through self-cheque was fraught with risk of misappropriation of funds.

The matter has been referred to the Government (November 2016) and reply is awaited (March 2017).



**Part - B**  
**Urban Local Bodies**



# **CHAPTER-III**

**An overview of the functioning, accountability mechanism and financial reporting of Urban Local Bodies**



## CHAPTER- III

### An Overview of the Urban Local Bodies

#### An overview of the functioning of the Urban Local Bodies in the State

#### 3.1 Introduction

The Constitution of India (Seventy-Fourth 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 XII<sup>th</sup> Schedule of the Constitution of India. The ULBs are spread out in the four valley districts of the State. The urban population of the State as per 2011 Census was 8.35 lakh which was 32 *per cent* of the total population of the State.

In the State, there were one Municipal Corporation, 18 Municipal Councils (MCs), eight Nagar Panchayats (NPs) and one Small Town Committee (STC) as on 31 March 2016. Imphal Municipal Corporation has an area of 31 sq. km. with a population of 2.65 lakh (2011 Census) and is the largest and the most populous among the ULBs. 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 said Act empowers ULBs to function as institution of local self-government in delivering social and economic development in urban areas.

The statistics of urban population of Manipur and the number of ULBs in the State is shown in the table below.

**Table No. 3.1 Statistics of urban population in Manipur**

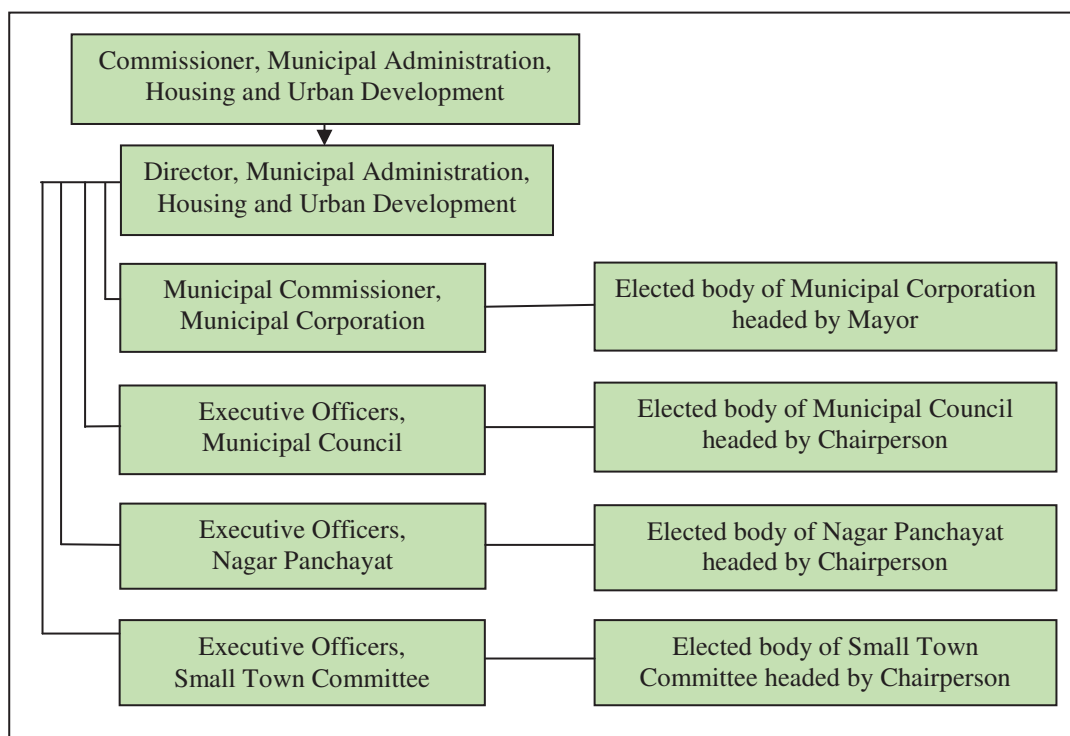
Sl. No.	Indicator	Unit	Value
1	Population	Lakh	28.56
2	Population density	Persons/sq.km	128
3	Urban population	<i>Per cent</i>	29.21
4	Urban Sex Ratio	<i>Per thousand</i>	1026
6	Municipal Corporation(s)	Numbers	1
7	Municipal Council(s)	Numbers	18
8	Nagar Panchayat(s)	Numbers	8
9	Small Town Committee	Numbers	1

*Source: Economics and Statistics Department, Manipur's Report, 2015-16*

#### 3.2 Organization setup of Urban Local Bodies

The following organogram depicts the organizational setup at State level and Local Body level with linkage between administrative setup and elected body:

### Urban Local Bodies



**3.2.1** The broad details of responsibilities of functionaries are given in the table below.

**Table No. 3.2 Details of responsibilities of functionaries**

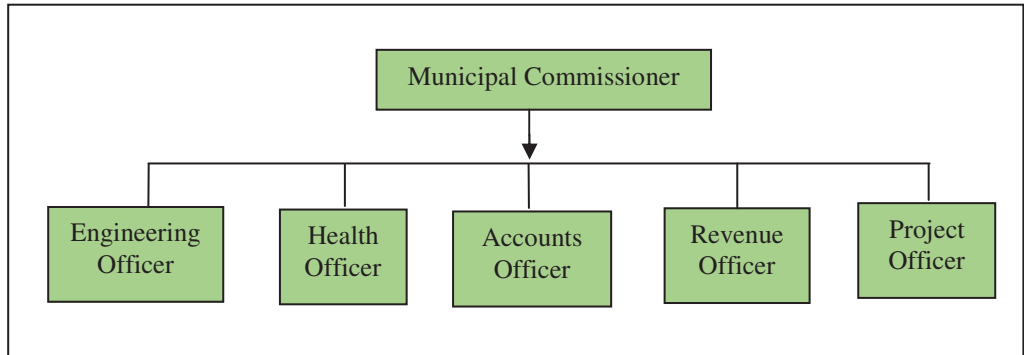
Authority	Responsibilities
Municipal Administration, Housing and Urban Development Department (MAHUD)	MAHUD is the nodal department which administers the overall monitoring and implementation of schemes related to the Municipalities.
Small Town Committee/ Nagar Panchayat/ Municipal Council/ Municipal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

### **3.3 Functioning of Urban Local Bodies**

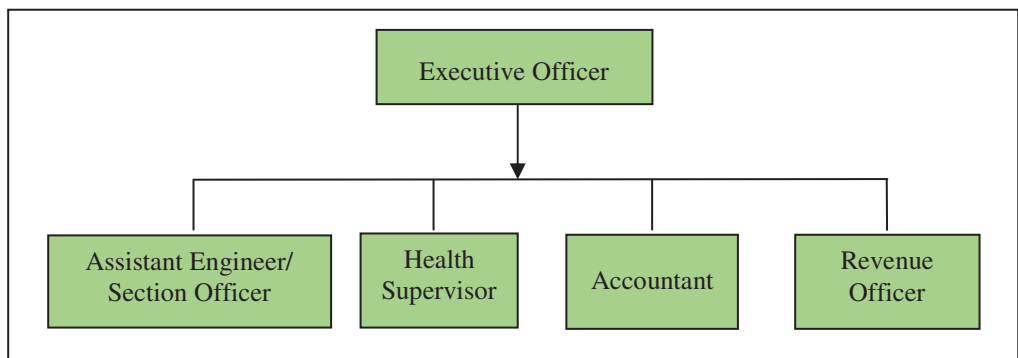
All the ULBs constituted a body comprising Councillors elected by the people under their respective jurisdictions. The Mayor of Imphal Municipal Corporation and the Chairperson of the MC, NP and STC is elected by the majority of the councillors and is responsible for the overall governance of the bodies.

The Municipal Commissioner (of IMC) and Executive Officers (EO) appointed by the State Government are whole time Principal EOs of the body for administrative control of the ULBs. Other officers are also appointed to exercise such powers and perform such functions as notified by the State Government from time to time. The executive setup of the ULBs is depicted in the following organograms:

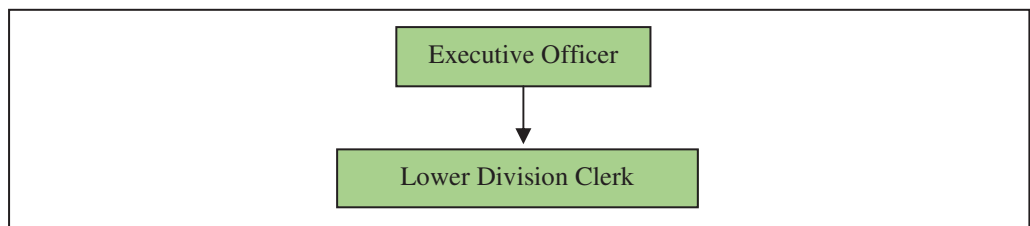
**Executive setup of Imphal Municipal Corporation**



**Executive setup of other Municipal Councils**



**Executive setup of Nagar Panchayats/Small Town Committee**



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

**3.4 Transfer of funds, functions and functionaries to ULBs**

The Constitution of India (Seventy-Fourth Amendment Act, 1992) provides for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 18 subjects for Municipalities listed in the XII<sup>th</sup> Schedule of the Constitution of India. The Directorate of MAHUD, Government of Manipur intimated

(September 2014) that out of 18 subjects required to be transferred, functions in respect of seven subjects<sup>3</sup> are being performed by ULBs.

### 3.5 Formation of various committees

Section 56 of the MMA, 1994 provides for constitution of committee 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 Councillors as members. The status of constitution of Standing Committee was sought from the Department (MAHUD). However, the reply is still awaited (March 2017).

### 3.6 Annual Action Plan

As per section 227(6) of the Manipur Municipality Act, 1994, District Planning Committee (headed by the Deputy Commissioner of the district as Chairman) shall consolidate the plan prepared by GP, ZP, NP & MC and prepare a draft development plan titled Annual Action Plan (AAP) for the district as a whole and submit to the Government. The main purpose of preparing such plan is to avoid plurality in planning on various development issues.

Audit noticed that AAP was not prepared in any of the test-checked ULBs. 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. Though the issue was brought to the notice of the State Government in the ATIR for the year ended 31 March 2015, no appropriate action has been taken as yet to ensure compliance with the provision of the Act *ibid*.

### 3.7 Audit arrangement

#### 3.7.1 Primary Auditor

Under Section 72(1) of the MMA, 1994, the Director Local Fund Audit (DLFA) is the Primary Auditor for ULBs and conducts audit of the accounts of MCs, NPs and STC. Under Technical Guidance and Support (TG&S) arrangement, the DLFA needs to forward the Annual Audit Plan to the Accountant General (Audit), Manipur {AG (Audit)}. The AG (Audit) would select some of the Inspection Reports (IRs) of the DLFA on the audit of the ULBs for review and make suggestion for improvement of existing system being followed by DLFA. Further the DLFA has to prepare Audit Report on PRIs and ULBs for placing before the State Legislature as recommended by the 13<sup>th</sup> Finance Commission (FC).

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<sup>3</sup> 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 Upgradation.



The DLFA stated (April 2016) that 19 units out of 28 ULBs were audited during the year 2015-16. However, none of the IRs were forwarded to the office of the AG (Audit). The Director further intimated (July 2016) that Audit Report for the year 2014-15 was compiled and forwarded to the State Government for placing before the State Legislature. The DLFA prepared and submitted (April 2016) Annual Audit Plan 2016-17 to the office of AG (Audit) without mentioning the units to be audited. As such, the selection of IRs for follow-up action with a view to make suggestions for improvement under TG&S arrangement could not be done.

### 3.7.2 Audit by Comptroller and Auditor General of India

The AG (Audit), Manipur conducts audit of the accounts of ULBs under Section 20(1) of the CAG's (DPC) Act, 1971. The State Government had entrusted audit of ULBs to the Comptroller and Auditor General of India under TG&S arrangement in pursuance of the recommendations of the 13<sup>th</sup> FC. 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 by the Government. The ATIR is being placed in the State legislature. However, there was no committee in the State Legislature for discussion of ATIR. In absence of any separate committee the ATIR for the year ended 31 March 2012 was discussed by the PAC. However, ATIRs for the years ended 31 March 2013, 31 March 2014 and 31 March 2015 are yet to be discussed (November 2016). During 2015-16, AG (Audit), Manipur test checked the accounts of nine ULBs out of 28 ULBs and the findings have been incorporated in this Report.

## 3.8 Response to audit observations

The position of IRs and outstanding paragraphs yet to be settled during the period from 2010-11 to 2014-15 is shown in the table below.

**Table No. 3.3 Details of IRs and outstanding paragraphs in respect of ULBs**

<i>(₹ in lakh)</i>			
Year	IRs	Paragraphs	Money Value
2011-12	7	17	0.00
2012-13	11	51	29.71
2013-14	10	105	353.80
2014-15	8	66	360.67
2015-16	9	62	2473.16
<b>Total</b>	<b>45</b>	<b>301</b>	<b>3217.34</b>

As evident in the above table, 301 paragraphs of 45 IRs with money value of ₹ 32.17 crore during the last five years were yet to be settled. Replies to the outstanding IRs pertaining to the period from 2011-12 to 2015-16 were not furnished despite issue of reminders and attempts to review in the subsequent audit.

## Accountability Mechanism and Financial Reporting Issues

### 3.9 Accountability mechanism

#### 3.9.1 Ombudsman

The 13<sup>th</sup> FC recommended the constitution of a Local Body Ombudsman to look into the complaints of corruption and maladministration against the functionaries of Local Bodies – both elected representatives and officials and to recommend suitable action. This requires enactment of legislation and its notification.

The Department stated (November 2016) that the Manipur Municipality Ombudsman, Act 2013, has been in force since 15 October 2013. However, the State Government has not yet constituted Ombudsman for the ULBs of the State.

#### 3.9.2 Lok Ayukta

The 13<sup>th</sup> FC recommended that where all or a class of elected representatives or officials fall under the jurisdiction of the Lok Ayukta of the State, the States may decide whether those functionaries should be shifted to the Ombudsman or to continue under the jurisdiction of the Lok Ayukta.

Information regarding Lok Ayukta jurisdiction over functionaries of ULBs in the State was sought from Director, MAHUD, Government of Manipur. However, no reply was furnished by the Department (November 2016).

#### 3.9.3 Property Tax Board

Property Tax Board is to assist all Municipalities and Municipal Corporations in the State to put in place an independent and transparent procedure for assessing property tax. Information regarding the status of Property Tax Board in the State was sought from Director, MAHUD, Government of Manipur. The Department stated (November 2016) that the constitution of State Property Tax Board is under process.

#### 3.9.4 Service Level Benchmark

As per recommendation and guidelines of the 13<sup>th</sup> FC, the State Government must gradually put in place standards for delivery of all essential service sector like water supply, sewerage, storm water drainage and solid waste management provided by Local Bodies. The State Government must notify or cause all the Municipalities to notify by the end of a fiscal year (31 March) the service standards of four service sectors proposed to be achieved by them by the end of the succeeding fiscal year. This could be in the form of a minimum level of service for the indicators mentioned against each at these four service sectors in the “Handbook on Service Level Benchmark” published by the Ministry of Urban Development.

In Imphal Municipal Corporation, the service of water supply and sewerage was stated to have been undertaken by Public Health Engineering Department (PHED). The remaining sectors *i.e.* Solid Waste Management and Storm Water Drainage were undertaken by Imphal Municipal Corporation. However, the notification of the State Government highlighting the various standards to be achieved by the ULBs was not available. The 15 indicators as per

Handbook of Ministry of Urban Development and their target and achievement by IMC in respect of Solid Waste Management during 2013-14 are shown in *Appendix 3.1*.

### 3.9.5 Submission of Utilisation Certificates

Information regarding the submission of Utilization Certificate in respect of schemes implemented by the ULBs was sought from Director, MAHUD, Government of Manipur. However, no information was furnished by the Department (November 2016).

### 3.9.6 Internal Audit and Internal Control System of ULBs

As per Section 72(2) of the MMA, 1994, every municipality shall maintain such accounts for every financial year in such forms as may be prescribed and submit such statement to the Deputy Commissioner, the Director and the State Government and such accounts shall be audited by the DLFA of the Government of Manipur. The Act is, however, silent about internal audit in ULBs.

Efficient functioning of ULBs depends on proper internal control mechanism. Proper internal control mechanism provides assurance about the proper maintenance of records and regulates the implementation of various schemes/programmes. Audit noticed that in the absence of internal audit, the internal control mechanism in the ULBs was very weak. Also, records of submission of annual accounts to the concerned authorities were not available in any of the test checked ULBs.

## 3.10 Financial reporting issues

### 3.10.1 Source of Funds

The finances of the ULBs comprises own sources, grants and assistance from Government of India (GoI) and State Government. Sections 74 and 75 of the MMA, 1994, empowers 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 2011-12 to 2015-16 are shown in the table below.

**Table No. 3.4 Time series data of resources of ULBs**

Source of Fund	(₹ in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
GoI/State grants for Centrally Sponsored Schemes	36.20	21.46	5.94	13.58	26.96
Central Finance Commission	3.72	4.82	5.91	10.85	22.24
State Finance Commission	Nil	11.25	11.25	24.19	14.68
Salaries/Honorariums/ Hiring of Staff and Building	6.07	12.97	11.14	13.92	9.20
Own Revenue	#	1.94	2.85	4.04	3.79
<b>Total</b>	<b>45.99</b>	<b>52.44</b>	<b>37.09</b>	<b>66.58</b>	<b>76.87</b>

*Source: Compiled from the records furnished by MAHUD Department. Own sources of revenue during 2012-16 were updated and furnished by MAHUD in March 2017.*

*# information could not be furnished by the Department*

### 3.10.2 Recommendations of the State Finance Commission (SFC)

The Constitution (Seventy-Third Amendment and Seventy-Fourth Amendment Acts) mandated the constitution of State Finance Commission (SFC) every five years to determine sharing of revenue between the State and Local Bodies. As of March 2016, three State Finance Commissions were constituted in the State. The 3<sup>rd</sup> SFC was constituted in February 2013. The 3<sup>rd</sup> SFC 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*, 22.49 *per cent* was to be transferred to ULBs. The position of funds released under 3<sup>rd</sup> SFC during 2015-16 is shown in the table below.

**Table No. 3.5 Funds transferable *vis-à-vis* actual funds transferred**

(₹ in crore)

Year	State revenue including State share of net proceeds of Union taxes	Amount transferable to rural Local Bodies including ADCs (10 <i>per cent</i> )	Amount transferable to ULBs (22.49 <i>per cent</i> )	Amount released	Short release ( <i>per cent</i> )
2015-16	3842.34	384.23	86.41	14.68	71.73 (83)

Source: Finance Accounts, Government of Manipur and information consolidated from the data received from MAHUD Department

It is evident from the table above that the release of funds to the ULBs was much lower than that of the recommendation of 3<sup>rd</sup> SFC during 2015-16. Such shortfall in fund transfer would impede the development works in Urban Local Bodies of the State.

### 3.10.3 Maintenance of Accounts by ULBs

The Ministry of Urban Development, Government of India in consultation with the CAG of India developed the National Municipal Accounts Manual (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 MMA, 1994 stipulates that every ULB is mandated to maintain its accounts as prescribed in the NMAM. Further, The State Government also issued an order in March 2011 for adoption of NMAM in maintenance of their accounts with immediate effect in all ULBs in the State.

However, it was observed that none of the test-audited ULBs had prepared annual accounts or adopted NMAM as of March 2016. Thus, accounts of the ULBs do not reflect their true and correct financial position.

### 3.11 Conclusion

Devolution of functions and funds to ULBs were not sufficient. The State Government had devolved seven functions as on date of audit to ULBs out of 18 functions along with the funds and functionaries to be devolved as per XII<sup>th</sup> Schedule of the Constitution of India. Annual Action Plan for the district as a whole was not prepared. Internal control mechanism in ULBs was very weak due to absence of Internal Audit. Release of fund to the ULBs during 2015-16 was lower by 83 *per cent* as recommended by the 3<sup>rd</sup> State Finance Commission. None of the test checked ULBs prepared annual accounts as prescribed in the National Municipal Accounts Manual.

### 3.12 Recommendations

The Government may consider:

- Transfer of functions, funds and functionaries to ULBs as listed in the XII<sup>th</sup> Schedule of the Constitution of India and the Finance Commissions;
- Preparation of Annual Action Plan by the ULBs;
- Strengthen internal control mechanism; and
- Preparation of Annual Accounts as per prescribed format.



# **CHAPTER-IV**

## **Performance Audit of Urban Local Bodies**





## CHAPTER-IV PERFORMANCE AUDIT OF URBAN LOCAL BODIES

### MUNICIPAL ADMINISTRATION, HOUSING AND URBAN DEVELOPMENT DEPARTMENT

#### Performance audit on management of own funds by the Municipalities including collection of revenues

#### 4.1 Highlights

The 74<sup>th</sup> Constitutional Amendment Act, 1992 conferred a constitutional status to the ULBs with functional autonomy to function as institutions of self-government. To make the decentralisation and self-governance meaningful, the ULBs are expected to ensure availability of adequate funds from own sources to provide basic civic services to the people and meet the expenses of governance. Even though devolution of funds from Government is inevitable, mobilisation of funds from own sources is extremely important. In this regard, considerable space has been provided to the ULBs in the Manipur Municipalities Act, 1994 to generate income from own sources. The performance audit brought out the following significant findings:

Taxes, fees, fines, etc., were not imposed by the ULBs despite the existence of provision for levy of the same in the Manipur Municipalities Act, 1994.

#### *Paragraph 4.9.2*

Collection of Toll tax and Parking fees was awarded to the contractors by ten out of 12 test checked ULBs without call of tender.

#### *Paragraph 4.9.3(i)*

Budgets were not prepared and accounts were not maintained by ULBs in the prescribed format.

#### *Paragraphs 4.10.2 & 4.10.3*

There was an accumulation of outstanding arrears of revenues from own sources to the tune of ₹ 6.37 crore in respect of ten ULBs.

#### *Paragraph 4.11.1*

Major portion of the own source of revenues (55 per cent) were utilized for establishment expenditure which resulted in less scope for creation of revenue generating assets and for taking up of obligatory functions of the ULBs.

#### *Paragraph 4.11.3*

Revenue collection of ULBs suffered due to non-implementation of the recommendations of the State Finance Commissions.

#### *Paragraph 4.12.2*

The State Government did not establish Property Tax Board during the period covered in audit, as such no property tax was levied by the ULBs.

#### *Paragraph 4.12.3*

## 4.2 Introduction

In Manipur, Urban Local Bodies (ULBs) comprise Municipal Corporation, Municipal Councils (MCs), Nagar Panchayats (NPs) and Small Town Committees (STC). Each ULB is governed by the Manipur Municipalities Act (MM Act), 1994. The Act empowers the ULBs to function as institution of local self-government in delivering social and economic development in urban areas.

There were one Municipal Corporation, 18 Municipal Councils (MCs), eight Nagar Panchayats (NPs) and one Small Town Committee (STC) in the State as on 31 March 2016. The obligatory functions of the ULBs include cleaning, watering and lighting of public roads and places; removing filth, rubbish, night-soil, *etc.* from privies, latrines, urinals; regulating offensive or dangerous trades or practices; removing obstructions in public roads or places; acquiring, maintaining, changing and regulating places for the disposal of dead bodies of animals; constructing, altering and maintaining of public roads, culverts, municipal boundary marks, markets, slaughter-houses, drains, sewers, drinking-fountains, tanks, wells, dams; constructing public latrines and urinals; obtaining a supply or an additional supply of water; naming of streets and numbering of houses; registering of births and deaths *etc.* The ULBs are to raise revenues in the form of taxes, fees and fines from the public to discharge the obligatory functions.

## 4.3 Sources of Revenue

The ULBs in Manipur raise their own revenues from a variety of sources as provided in Sections 74 and 75 of the Manipur Municipality Act, 1994. The main sources of revenue are income from (i) taxes, (ii) fees and fines and (iii) earning from municipal assets like land, markets, shops, *etc.* The own source of revenues of the ULBs comprises Tax revenues, i.e. toll tax, advertisement tax, quarry tax and holding/property tax as well as Non-Tax revenues i.e. parking fees, license fees, fees on registrations, No-Objection Certificates (NOC) for construction of buildings, rent of market and buildings owned by the ULBs and hiring charges, user charges, *etc.*

Fines are also collected by ULBs for breach of municipal rules and regulations. Besides, ULBs receive grants from the Central and the State Government. However, ULBs in Manipur were yet to impose the professional tax, entertainment tax, land conversion tax, *etc.* as per the recommendation of the Second Manipur State Finance Commission.

## 4.4 Organization set up of ULBs

Municipal Administration, Housing and Urban Development Department (MAHUD) is the nodal Department for administration, overall monitoring and implementation of schemes related to ULBs.

ULBs set up in urban areas are divided into Wards (Sub-division of a municipality/town). One or more representatives are elected to represent each

ward. The members elect a Chairperson amongst themselves to preside over and conduct meeting of the Municipality. The elected body is responsible for preparation of plans for economic development and social justice. An Executive Officer, a Health Officer, a Revenue Officer and an Engineer are to look after the financial, executive and administrative affairs of ULBs.

#### 4.5 Scope and Methodology of Audit

The Performance Audit of “Management of Own Funds by Municipalities including Collection of Revenues” was conducted (April – September 2016) covering the period from 2011-12 to 2015-16. The audit covered 12<sup>4</sup> out of 28 ULBs in the State. The ULBs were selected through sampling based on Probability Proportional to Size without Replacement Method (PPSWOR).

The audit objective and audit criteria were discussed with the Commissioner and Director, MAHUD during Entry Conference held in April 2016. The draft report was issued to the Department in November 2016. Audit findings were discussed in Exit Conference held on 18 November 2016.

#### 4.6 Audit objective

The objective of the Performance Audit is to assess whether:

- the taxes, fees, rent *etc.*, has been assessed, imposed and collected for strengthening the revenue regime of the Board/Municipalities;
- Municipal Fund has been formed, appropriated properly for the purposes as laid down under the Act and accounts thereof maintained properly;
- the infrastructure for collection and application of revenue by Municipalities was adequate;
- the role of Government in mobilization of revenue resources of Municipalities was adequate; and
- the existence of a monitoring mechanism for improving the revenue raising capabilities and its applications.

#### 4.7 Audit Criteria

The audit criteria were derived from the following sources:

- The Manipur Municipalities Act, 1994;
- The Manipur Municipal Accounts Manual (MMAM);
- The Manipur Municipality Community Participation Act, 2010;
- Instructions and important circulars issued by State Government and Government of India;

<sup>4</sup> Imphal Municipal Corporation; Samrounagar Panchayat; Moreh Small Town Committee; Nine Municipal Councils - Nambol MC, Bishnupur MC, Ningthoukhong MC, Moirang MC, Kumbi MC, Thoubal MC, Kakching MC, Mayang Imphal MC & Jiribam MC.

- Recommendations of Central Finance Commission (CFC), State Finance Commission (SFC) in respect of revenue resources of ULBs; and
- Bye laws of the Municipalities.

#### 4.8 Resource trends and composition of ULBs

The trend of resources of 12 sampled ULBs for the period 2011-12 to 2015-16 is as shown in the table below.

**Table No. 4.1 Summary of receipts of ULBs**

(₹ in crore)

Source	Years					Total
	2011-12	2012-13	2013-14	2014-15	2015-16	
Own Revenue	2.00	1.85	2.73	3.91	3.63	<b>14.12</b>
SFC transfers	5.35	7.83	0.82	13.15	3.56	<b>30.71</b>
CFC transfers	2.80	4.01	1.73	9.55	11.11	<b>29.20</b>
GoI grant for CSS	2.38	0.10	0.16	0.16	0.09	<b>2.89</b>
Grants from GoM	5.94	8.12	8.17	10.26	5.89	<b>38.38</b>
<b>Total</b>	<b>18.47</b>	<b>21.91</b>	<b>13.61</b>	<b>37.03</b>	<b>24.28</b>	<b>115.30</b>
Percentage of Own Revenue to total receipts of the ULBs	<b>10.82</b>	<b>8.44</b>	<b>20.05</b>	<b>10.55</b>	<b>14.95</b>	<b>12.24</b>

Source: Compiled from records furnished by ULBs

It is evident from the table above that share of own revenue out of total receipts increased from 10.82 *per cent* in 2011-12 to 12.24 *per cent* in 2015-16. However, percentages of revenues from own sources to the total receipts of the Municipalities remained insignificant all through the five years ranging from 8.44 to 20.05 *per cent*. Thus, contribution of the ULBs to the total resources was poor.

#### Audit findings

The main recommendations of the Manipur State Finance Commissions (MSFC) to augment the revenues of the ULBs through Professional tax, Entertainment tax, Advertisement tax, Land conversion tax, periodical revision of rates of fees, rents, *etc.* and transparent procedures of sales/auctions. Further, the MSFC recommended that the State Government should set clear-cut targets for each of the ULBs for collection of revenues from both tax and non-tax.

However, test check of the 12 sampled ULBs revealed that they did not levy tax on the above items except advertisement tax. The State Government also did not issue any directive to the ULBs in compliance of the recommendations of the Manipur State Finance Commissions.

The findings of the Performance Audit are discussed in the succeeding paragraphs.

## 4.9 Municipal Taxation

### 4.9.1 Non framing of bye-laws for collection of revenues

As per Section 75 of MM Act, 1994, the ULBs in the State are empowered to levy taxes, fees and fines. Section 78 of the Act *ibid* provides that collection of such taxes, fees, fines should be in the manner prescribed in the bye-laws. Thus, ULBs need to frame bye-laws for imposition and regulation of taxes under the jurisdiction of the respective ULBs. However, it was observed that some of the test checked ULBs did not make bye-laws in respect of certain revenue sources.

The following deficiencies were noticed in the 12 test checked ULBs:

- Building bye-laws were not framed in Moirang MC, Kumbi MC and Moreh STC. However, fees for no objection certificates (NOCs) for construction of buildings were levied in Moirang MC;
- Bye-laws were not framed for collection of scavenging tax in Moirang MC, Kumbi MC and Moreh STC. However, solid waste collection charge was collected in Moirang MC; and
- Only Imphal Municipal Corporation (IMC) had framed bye-laws for collection of fees from mobile towers in municipal areas. The draft bye-law prepared by Bishnupur MC was not approved by the Government. The remaining ten ULBs did not have bye laws in this regard. However, fees from mobile towers were collected in Nambol MC, Bishnupur MC, Ningthoukhong MC, Moirang MC, Kakching MC and Thoubal MC.

Thus, collection of taxes, fees and fines suffered due to non-framing of bye-laws which indicates that the ULBs in the State have not evolved collection of revenues from various sources.

### 4.9.2 Non-levy of taxes, fees, etc.

Section 75 of the MM Act, 1994, as amended from time to time, provides for collection of various types of taxes, fees, fines, rents, *etc.*, by the ULBs.

Test check of the 12 sampled ULBs indicate the following:

#### (i) Holding Tax

Holding tax is a tax on land. Holding tax was levied by the Imphal Municipal Corporation (IMC) only in two<sup>5</sup> out of 27 wards. Reason for non-collection of holding tax in the remaining wards of the IMC was attributed to non-approval of the proposal by the Government. An amount of ₹ 3.45 lakh was collected on account of holding tax during 2011-16 by IMC. No holding tax were levied in the other 11 test checked ULBs.

#### (ii) Water Tax

Water tax for water supplied was collected in three ULBs *viz.*, Bishnupur MC, Kakching MC and Thoubal MC where water supply is entrusted to the ULBs. In the other nine test checked ULBs, no water tax was collected as the function was not performed by the ULBs.

<sup>5</sup> Ward No. 24 & 25

**(iii) Drainage Tax**

Drainage tax was to be collected from the system of drainage introduced by the ULBs. However, none of the test checked ULBs collected drainage tax.

**(iv) Advertisement Tax**

The ULBs were to collect advertisement tax for advertisements made within the limits of the Municipalities. No Advertisement tax was raised in four ULBs viz., Kumbi MC, Samrou NP, Jiribam MC and Moreh STC. Though advertisement tax was collected in the other eight ULBs, the amount of revenues realized was dismal i.e., ₹ 9 lakh in all ULBs during 2011-16.

**(v) Latrine Tax**

Latrine tax for collection, removal and disposal of excrement or offensive matter from latrines, privies, urinals, cesspools or compounds was collected in four ULBs viz. IMC, Thoubal MC, Kakching MC and Bishnupur MC. The amount collected as latrine tax in the four ULBs during 2011-16 was ₹ 95.04 lakh.

**(vi) Scavenging Tax**

Scavenging tax for collection and disposal of waste was raised from bazaar areas mainly from shops and from private households to some extent. Collection from private households is yet to be taken up in a large scale in all the ULBs. No scavenging tax was collected in four ULBs viz. Kumbi MC, Samrou MC, Jiribam MC and Moreh MC. The amount collected as scavenging tax in the other eight test checked ULBs during 2011-16 was ₹ 19.88 lakh.

**(vii) Non collection of taxes, fees, etc.**

Moreh Small Town Committee (STC) did not levy any tax, fees or rent during 2011-16. While Samrou NP collected revenues from only two sources (Women vendors and Municipal shops), Kumbi Municipal Council collected revenues from only three sources (Women vendors, Municipal shops and parking fees).

**(viii) Rent**

Imphal Municipal Corporation received rent of ₹ 1.11 lakh annually from land during 2012-13 and 2013-14. However, no rental income was received during 2014-15 and 2015-16 due to controversy related to land ownership.

**4.9.3 Irregularities in collection of revenues from various sources**

Rents and license fees from municipal market and shops along with revenues from toll tax and parking are the major sources of revenues of the ULBs.

**(i) Toll tax and parking fees**

The major sources of revenue of ULBs in Manipur are toll tax and parking fees. In 10 out of 12 test checked ULBs, collection of toll tax and parking fees were awarded to the firms/contractor on the basis of monthly payment to the ULBs. However, allotment of contracts for collection of entry toll tax and parking fees were not done through open tenders on regular basis. In IMC, the contract for collection of entry toll tax was extended regularly without calling

of fresh tenders. Also, no open tenders for collection of toll tax were conducted in three MCs viz., Nambol MC, Ningthoukhong MC and Mayang Imphal MC. Again, four MCs viz., Ningthoukhong MC, Kumbi MC, Mayang Imphal MC and Nambol MC did not conduct open tenders for contracts related to collection of parking fees. Thus, due to lack of open tenders the ULBs could not avail the opportunity to collect more revenue from toll tax and parking fees.

#### (ii) Lease charge of toilets

The Imphal Municipal Corporation (IMC) has 18 pay-and-use toilets. Out of these, 14 toilets were received from MAHUD in June 2014. However, records pertaining to realization of revenue from these toilets were not on record. Thus, Audit concluded that 14 toilet complexes of IMC remained idle. The remaining four toilets were leased to private agencies and contract fees were collected from the contractors. Similarly, one toilet complex of Kakching MC constructed at a cost of ₹ 5.84 lakh in 2012 remained idle as no records of revenue realized were seen in the accounts.

#### 4.9.4 Trend of generation/ collection of revenues from own sources

The revenues from own sources of the test-checked ULBs during 2011-16 includes revenues from toll tax, advertisement tax, quarry tax, holding tax, parking fees, license fees, mobile towers, rents from markets, registration fees, user charges, etc. The collection of revenues from own sources of the 12 test checked ULBs are given in the table below.

**Table No. 4.2 Trend of collection of revenues from own sources**

(₹ in lakh)

Sl. No.	Name of ULBs	Year-wise collection of revenues from own sources of ULBs					Total revenue
		2011-12	2012-13 (Percentage change)	2013-14 (Percentage change)	2014-15 (Percentage change)	2015-16 (Percentage change)	
1	Imphal Municipal Corporation	110.51	72.42 (-34)	150.11 (107)	223.02 (49)	177.99 (-20)	734.05
2	Thoubal MC	18.91	23.63 (25)	20.00 (-15)	30.67 (53)	36.27 (18)	129.48
3	Moirang MC	14.79	16.74 (13)	19.10 (14)	32.72 (71)	27.95 (-15)	111.30
4	Kakching MC	8.72	20.78 (138)	19.60 (-6)	20.76 (6)	34.29 (65)	104.15
5	Bishnupur MC	13.61	15.91 (17)	14.32 (-10)	22.33 (56)	23.72 (6)	89.89
6	Nambol MC	10.82	14.03 (30)	18.43 (31)	20.63 (12)	22.02 (7)	85.93
7	Jiribam MC	14.38	10.89 (-24)	13.75 (26)	16.44 (20)	16.53 (1)	71.99
8	Ningthoukhong MC	6.21	7.50 (21)	7.59 (1)	11.16 (47)	10.58 (-5)	43.04
9	Mayang Imphal MC	2.43	2.91 (20)	8.45 (190)	10.60 (25)	11.39 (7)	35.78
10	Kumbi MC	0.48	0.33 (-31)	1.28 (288)	2.07 (62)	1.83 (-12)	5.99
11	Samurou NP	0.00	0.16 (NA*)	0.41 (156)	0.38 (-7)	0.39 (3)	1.34
12	Moreh MC	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>		<b>200.86</b>	<b>185.30 (-8)</b>	<b>273.05 (47)</b>	<b>390.78 (43)</b>	<b>362.96 (-7)</b>	<b>1412.94</b>

Source: Compiled from data furnished by ULBs; NA\* - Not Applicable

From the table, it was seen that there was overall increase in revenue collection over the years. The reason for increase in revenue was mainly due

to increase in rates of fees, taxes and rents, increase in number of licensees and also to a certain extent due to addition of new source of revenue. However, the increase in revenue was still below the maximum realisable capacity of the ULBs reflected in accumulation of outstanding arrears of revenues as discussed in the subsequent paragraphs. This could be attributed to lacunae in the system of collection of revenues such as non-cancellation or suspension of licenses of defaulters, non-serving of demand notices, non-calling of tenders, non-revision of rates at regular intervals, etc.

## **4.10 Municipal Finance**

### **4.10.1 Non formation of Municipal Fund**

As per Section 67 of the MM Act, 1994, a Municipal Fund has to be formed in every ULB and the custody of the fund shall be with the ULB. Section 68 of the Act envisages that all sums received by or on behalf of the ULB has to be placed in the credit of the Municipal Fund. All sums as the State Government may sanction as grants-in-aid has to be placed to the credit thereof.

Though all the funds received by the ULBs were accounted in their annual statement of accounts, the ULBs did not form a specific fund called the “Municipal Fund”. Audit observed that the ULBs did not comply to the provisions of the MM Act, 1994. The State Government also did not take any initiative for creation and operation of such Municipal Fund.

### **4.10.2 Maintenance of Accounts**

As per Section 72 of the MM Act, 1994, every municipality shall maintain such accounts for every financial year in such forms as may be prescribed. The State Government decided (March 2011) for adoption of National Municipal Accounting Manual (NMAM) as Manipur Municipal Account Manual (MMAM) for maintenance of accounts by all ULBs.

As per MMAM, the ULBs are required to prepare their budget and maintain their accounts on accrual based double entry accounting system with appropriate codifications and classifications. They are to prepare statements of Receipt and Payment, Income and Expenditure and Balance Sheet.

However, it was observed that the ULBs maintained their accounts in cash basis as against accrual basis of accounting prescribed in the Manual. The ULBs prepared Receipt and Payment Account on cash basis but did not prepare Income and Expenditure Account and Balance Sheet for the period covered in audit (2011-16).

### **4.10.3 Budgets**

Under Section 71 of the Manipur Municipalities Act, 1994, the ULBs shall prepare and pass an annual budget and obtain approval of the State Government.

Test check of records of the 12 sampled ULBs indicated that ten of them did not prepare budgets during the period covered in audit. In Nambol MC, budgets were prepared for all the years covered in audit. However, the budgets were prepared in a simple format contrary to that prescribed in MMAM. In



Imphal Municipal Corporation, budgets were prepared for three<sup>6</sup> years. However, in both<sup>7</sup> the ULBs, records or files pertaining to the preparation of the budgets, its approval by the Council/Corporation and its subsequent submission to the Government for approval was not on record.

It was also observed that there were variations in the budgeted amount for revenue collection from own sources and the actual receipts of Imphal Municipal Corporation. There were variations in almost all of the heads of receipts. The actual receipts were more than 200 to 400 *per cent* above the budgeted amount in most of the receipt heads for the year 2015-16. Thus, the budget estimates of revenue collection of the Corporation were not prepared on realistic basis and with proper analysis.

## 4.11 Infrastructure for collection of revenue

### 4.11.1 Administration of the ULBs with regard to own sources of revenues

For maximum realization of revenue from own sources, it is pertinent that the relevant Acts, rules and bye-laws are properly implemented. For optimal realization and utilization of revenues, proper and efficient administration is also essential.

Test check of records of the sampled ULBs revealed the following deficiencies:

Open tenders for awarding of contracts for collection of Entry Toll tax were not done in IMC, Nambol MC, Ningthoukhong MC and Mayang Imphal MC. Also open tenders were not done for collection of parking fees in Ningthoukhong MC, Kumbi MC, Mayang Imphal MC and Nambol MC. Records for serving of demand notices for collection of tax, fees, fines, etc., were seen in Jiribam MC and Moirang MC. No records for issuing of demand notices were seen in the other 10 ULBs. Contracts of the defaulters, who could not pay their dues, fees, rents, etc., were not suspended or cancelled as per bye-laws and terms of contract of agreement which resulted in accumulation of huge arrears of revenues.

It was also observed that annual target for collection of revenues was not set and assessment of their achievement was not done in any of the 12 ULBs. Had targets been set annually and achievements assessed, the shortfalls could have been noticed in time and remedial measures taken up accordingly.

One ULB<sup>8</sup> revised the rate of taxes, fees and rents at regular interval of three years by enhancing the rate at 15 *per cent*. The other 11 ULBs also revised the rates of taxes, fees and rents of revenue but not at regular intervals. However, Audit noticed that the rates were not properly assessed by comparing with prevailing market rates in any of the ULBs.

The above deficiencies resulted in low realization of revenues from own sources and consequent accumulation of huge outstanding arrears in all the ULBs. The position of the outstanding arrears as on March 2016 in the ULBs is given in the table below.

<sup>6</sup> 2013-14, 2014-15 and 2015-16

<sup>7</sup> Nambol MC and IMC

<sup>8</sup> Jiribam MC

**Table No. 4.3 Outstanding revenue arrears**(*₹* in lakh)

Sl. No.	Name of ULB	Sources of revenues						Total
		Women vendor	Municipal Stalls	Shop License	Parking	Toll tax	Holding Tax	
1	Imphal Municipal Corporation	150.73	23.68	184.59	13.44	19.66	114.03	<b>506.13</b>
2	Thoubal MC	8.62	8.7	1.44	14.26	24.57	NC	<b>57.59</b>
3	Moirang MC	0.99	10.71	3.38	0	0	NC	<b>15.08</b>
4	Kakching MC	8.05	5.45	NA	16.07	0	NC	<b>29.57</b>
5	Bishnupur MC	2.4	4.16	2.18	0	0	NC	<b>8.74</b>
6	Nambol MC	0.58	1.02	0.71	0.44	0	NC	<b>2.75</b>
7	Jiribam MC	0.23	12.29	0.83	0	0	NC	<b>13.35</b>
8	Ningthoukhong MC	NA	1.32	0.59	NA	0	NC	<b>1.91</b>
9	Mayang Imphal MC	0.38	0.35	0.52	0	0	NC	<b>1.25</b>
10	Kumbi MC	0.48	0.04	NC	NA	NC	NC	<b>0.52</b>
<b>Total</b>		<b>172.46</b>	<b>67.72</b>	<b>194.24</b>	<b>44.21</b>	<b>44.23</b>	<b>114.03</b>	<b>636.89</b>

Source: Compiled from records furnished by ULBs. Data in respect of 2 ULBs (Samurou NP & Moreh STC) were not furnished. NC\* - Not collected, NA – Not available

From the above table, it is seen that there was outstanding revenue of ₹ 6.37 crore up to 2015-16 in respect of the 10 ULBs. The ULBs need to take up more efforts to improve revenue collection and minimize the outstanding revenue arrears.

#### 4.11.2 Maintenance of records

Maintenance of records was poor in all the test checked ULBs. The complete records and documents such as files, registers, ledgers, etc. were not maintained in the ULBs as listed below:

- Contract Agreements and Collection Ledgers in respect of parking fee collection in five ULBs viz., IMC, Nambol MC, Ningthoukhong MC, Kumbi MC and Thoubal MC;
- Contract Agreements and Ledgers in respect of Entry Toll Tax Collection in four ULBs viz., IMC, Nambol MC, Ningthoukhong MC and Thoubal MC;
- Collection Register and Ledgers in respect of Municipal stalls/shops in three ULBs viz., Nambol MC, Ningthoukhong MC and Samurou NP;
- Collection Registers and Ledgers for shop registration and licensing in two ULBs viz., Nambol MC and Ningthoukhong MC; and
- Collection Registers and Ledgers for women vendor fee collection in two ULBs viz., Ningthoukhong MC and Samurou NP.

Moreover, records of assets and properties such as lands, buildings, tool and equipment, vehicles and machineries, furniture, electronic equipment, etc., were not maintained in the prescribed format in any of the test checked ULBs.

### 4.11.3 Utilisation of funds

The ULBs are mandated to perform obligatory functions like lighting, cleaning and watering of public roads and places, cleaning of sewers and all spaces not being private places, constructing public latrines, privies and urinals, etc.

However, test check of record/statement of accounts revealed that the ULBs utilised major portion of their revenues from own sources on meeting revenue expenditure such as day to day office expenses, repair and maintenance, staff salary and sitting allowance. There is no provision in the MM Act, 1994 or Government orders/notifications for payment of sitting allowances to the Councillors. The rates of sitting allowances were fixed by the Councils themselves by adopting resolutions without approval of the Government. Details of expenditure out of own source of revenues on payment of salary of unapproved staffs and sitting allowances of the Councillors are given in the table below.

**Table No. 4.4 Expenditure on salaries and sitting allowances from own sources of revenues during 2011-12 to 2015-16**

(₹ in lakh)

Sl. No.	Name of ULB	Expenditure out of own source of revenues	Salary of Unapproved staff	Sitting Allowance	Percentage of Salary w.r.t. expenditure	Percentage of Sitting Allowance w.r.t. expenditure	Total percentage
1	Imphal Municipal Corporation	628.38	131.43	146.94	21	23	44
2	Thoubal MC	124.27	77.17	6.90	62	6	68
3	Moirang MC	103.30	47.47	9.36	46	9	55
4	Kakching MC	101.33	42.34	24.21	42	24	66
5	Bishnupur MC	89.88	49.60	12.06	55	13	68
6	Nambol MC	84.60	36.15	32.93	43	39	82
7	Jiribam MC	68.58	41.28	3.10	60	5	65
8	Ningthoukhong MC	43.03	NA*	8.89	NA*	21	21
9	Mayang Imphal MC	35.78	17.84	8.92	50	25	75
10	Kumbi MC	5.35	0.60	2.21	11	41	52
11	Samurou NP	1.30	0.74	0.00	56	0	56
12	Moreh STC	0.00	0.00	0.00	0	0	0
<b>Total</b>		<b>1,285.80</b>	<b>444.62</b>	<b>255.52</b>	<b>35</b>	<b>20</b>	<b>55</b>



Source: Compiled from records of the ULBs; NA\*- Data not available

Out of the total expenditure, the ULBs had incurred 55 per cent on staff salary and sitting allowance. Since major portion of their revenues from own sources was incurred on payment of sitting allowances and staff pays, the ULBs are left with less fund for creation of revenue generating assets and performance of obligatory functions.

#### 4.11.4 Shortfall in performing obligatory and discretionary functions

Audit noticed the following shortcomings in performance of obligatory and discretionary functions by the ULBs:

- Watering and cleaning of public places and roads were restricted to market places;
- None of the MCs had arrangements for disposal of dead bodies of animals;
- Drains, culverts, ponds, bathing place, etc., constructed through State or Central sponsored funds were not properly maintained as seen in the pictures below:

	
<p>Non-maintenance of drain at Ward No. 13 of Thoubal MC constructed under 13<sup>th</sup> FC (1<sup>st</sup> Instalment), 2012-13.</p>	<p>Unmaintained drain at Ward No. 12 of Moirang MC constructed under Assignment to Local Bodies (Non-Plan) 2015-16.</p>

- Public latrines, privies and urinals constructed at public places in all the ULBs were not properly maintained;
- None of the test checked ULBs carried out naming of streets and numbering of houses; and
- The ULBs did not make any arrangement for preparation of compost and manure from night soil and garbage.

### 4.12 Role of Government in mobilisation of revenue resources of Municipalities

#### 4.12.1 Devolution of function to ULBs

The 74<sup>th</sup> Constitutional Amendment Act, 1992 provides for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 18 subjects for Municipalities listed in the XII<sup>th</sup> Schedule of the Constitution of India.

As stated in *paragraph No. 3.4* the State Government had devolved only seven functions to the ULBs out of 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution of India. Functions like roads and bridges, water supply, fire

services, urban forestry, protection of environment and promotion of ecological aspects, etc. listed in the XII<sup>th</sup> Schedule of the Constitution of India are yet to be transferred to the ULBs.

#### **4.12.2 Recommendations of State Finance Commissions**

The Second Manipur State Finance Commission (SMSFC) had recommended that transparent procedures should be adopted for holding auctions. It also recommended that Local Bodies should disclose the various items which are given by auction, compulsorily displayed at a prominent place where the various items are auctioned, the name of the successful bidder and the bid amount accepted and that necessary amendment may be made to the relevant State Acts and Rules to make it a statutory requirement. However, Audit did not come across such practices and no amendment was made to the MM Act, 1994 to make it a statutory requirement.

With regard to Advertisement Tax, the SMSFC had recommended that the State Government may frame Advertisement Tax Rules for guidance of the ULBs that would provide for the minimum rates of taxation; penalty for escaped/evaded tax and also for a system of authenticating advertisements. However, no advertisement rules that would provide such matters have also been framed.

Further, the SMSFC recommended for an amendment of the MM Act, 1994 to allow automatic increase in rate of taxes, fees, fines, etc. biannually, based on a general Government notification. However, no amendment for such a provision in the Manipur Municipalities Acts was made or notification to that effect have been made so far.

The 3<sup>rd</sup> Manipur State Finance Commission recommended setting of clear-cut targets by the Government for each of the ULBs at the beginning of each year in respect of collection of revenues from own sources from both tax and non-tax revenues. However, there was no record of setting of targets by the Government for each of the ULBs. Thus, revenue collection of ULBs suffered in absence of any target.

#### **4.12.3 Non-imposition of Property Tax**

As per guidelines for utilization of funds of the 13<sup>th</sup> Finance Commission, the State Government must put in place a State level Property Tax Board and the Board (a) shall, or cause to, enumerate all properties within the jurisdiction of the municipalities and corporations; (b) shall review the present Property tax system and make suggestions for a suitable basis for assessment and valuation of properties; and (c) shall make recommendations on modalities for periodic revisions.

Section 100A of the Manipur Municipalities Act, 1994 as amended in 2012 (Sixth Amendment) was inserted for establishment of the Manipur Municipality Property Tax Board (MMPTB). However, the State Government did not establish the Board during the period covered in audit. The State Government issued an order for establishment of the Board on 30 August 2016. As such, no property tax was levied in any of the ULBs during the period covered in audit. Non-setting up of the MMPTB and non-enumeration of properties has led to non-imposition and non-collection of property tax by the ULBs in the State. This has resulted in loss of considerable amount of

revenue to the ULBs in the State. It may be mentioned here that property tax is a major source of revenue of the ULBs in other parts of the country.

#### **4.13 Monitoring and evaluation**

The First Manipur State Finance Commission had recommended that the Administrative Department/MAHUD should take more interest in serving of the Local Bodies - approval of budgets and taxation bye-laws, collection and scrutiny of year end performance, etc.

Two bye-laws *viz.*, Bishnupur Municipality (Regulation of Wireless Telecommunication) Bye-Law, 2011 and Bishnupur Municipality (Regulation of Barber Shop) Bye-law, 2011 framed by the Bishnupur Municipal Council and forwarded to MAHUD (July 2011) for obtaining approval of the Government have not yet been approved (September 2016).

No information or data base system was evolved at the level of MAHUD to monitor the delivery of service provided by the ULBs.

No records for monitoring by the Government on the sufficiency of the revenues realized by the ULBs from the provision of the service for levy of taxes and revision of rates were found.

There was no proper monitoring or supervision in the working of the ULBs by the Government other than calling for and collection of information from the ULBs.

#### **4.14 Conclusion**

Despite empowerment of the ULBs to collect revenues, there were cases of non-imposition/collection of taxes by the ULBs. Also due to weak administration, the maintenance of records was poor. There was no assessment of revenue collection and analysis of the achievement which further affected the collection of revenues from own sources and it remained below the optimal level. The meagre amount of revenue generated internally by the ULBs was mainly utilised towards payment of salary to staff, sitting allowances of councillors and other establishment related revenue expenditures leaving hardly any amount for creation of revenue generating assets and for performance of basic services to the public. The ULBs continued to heavily rely on the State and Central Government grants for providing civic services. With no proper monitoring on the functioning of the ULBs by the Government, the quantum of revenue realized remained low and level of services provided by the ULBs has left much to be desired.

#### **4.15 Recommendations**

The Government may consider that the revenue mobilization of the ULB in the State is improved by adopting the following:

- Financial Management requires strengthening at ULB level. Necessary arrangement for timely assessment, timely collection of revenues and regular revision of rates of taxes, fees, rents, etc., may be ensured. Tax/non-tax recovery mechanism may be strengthened;
- Budgets and accounts may be prepared as prescribed;
- Maintenance of all records needs to be ensured; and
- Devolution of functions and resources through levy of taxes/assignment of taxation powers may be reviewed at State Government level to augment additional revenues of ULBs. Proper monitoring should be made by the Government on the affairs and functioning of the ULBs.





# **CHAPTER-V**

## **Compliance Audit of Urban Local Bodies**



## CHAPTER-V

### COMPLIANCE AUDIT OF URBAN LOCAL BODIES

#### 5.1 Diversion of funds: ₹ 16.30 lakh

As per guidelines issued by the Ministry of Finance on utilisation of grants recommend by the 13<sup>th</sup> Finance Commission, the grants were to be utilised on four service sectors viz. water supply, sewerage, solid waste and storm water drainage.

Test check of records of Kakching MC revealed that the MC utilised ₹ 16.30 lakh (*Appendix 5.1*) out of the fund received under 13<sup>th</sup> FC on payment of salary of drivers, retirement benefits, sitting allowance and honorarium of elected and nominated members, purchase of furniture and on petroleum, oil and lubricants (POL).

The reason for utilisation of the funds meant for development works towards administrative expenses of the Municipality were called for (November 2016), however, no reply was received (March 2017).

#### 5.2 Short realization of Municipal Revenue: ₹ 22.22 lakh

Audit scrutiny of the revenue realised from various parking slots under the jurisdiction of the Imphal Municipal Corporation revealed that the work of collection of parking fee from the 17 notified parking areas were awarded to different agencies at an annual fixed rate agreed between the agencies and the Corporation. During the year 2015-16, against the realisable amount of ₹ 33.87 lakh, the Corporation could realise only ₹ 11.64 lakh from these 17 parking slots. Details of realisation of Parking Revenue during the year 2015-16 are shown in *Appendix 5.2*.

Audit scrutiny revealed that the successful bidders in respect of 7 notified areas failed to deposit the agreed amount. Relevant bye laws to counter such defaulting bidders/agents were also not enacted. Thus, due to failure of the Corporation to collect revenue in time coupled with the non availability of relevant bye laws to take appropriate action, the Corporation suffered loss of ₹ 22.22 lakh from the agencies.

It was further noticed that ₹ 11.64 lakh deposited by the concerned agencies was also not entered in books of accounts of the Corporation and also records of utilisation could also not be furnished.

The Corporation stated that action taken in this regard shall be intimated (January 2016) but no intimation was received till date (March 2017).

**5.3 Non-remittance of Government revenue: ₹ 18.69 lakh**

As per Finance Department, Government of Manipur order (September 2009), any person (DDO) responsible for paying any sum being tax on the execution of the works contract on behalf of any Department of the State Government or any Corporation, or any Local Authority, Body or Board *etc.* shall at the time of payment in cash/cheque or any other mode of payment to the person executing works contract deduct at the prescribed rate from the bill subject to the condition that the amount of tax so deducted shall be deposited on behalf of the agency into the designated bank by treasury challan within 7 days of the expiry of the month.

Examination of records revealed that during 2014-15, Imphal Municipal Corporation deducted ₹ 15.86 lakh and ₹ 2.83 lakh as VAT and Labour Cess respectively at source from contractors for various developmental works. The amount so deducted was not remitted to the Government (December 2015) in contravention to the Government's instruction *ibid*.

The matter was referred to the Department (March 2016); however, the reply is awaited (March 2017).

**5.4 Irregular cash withdrawal from bank through self-cheques: ₹ 4.10 crore**

The Finance Department, Government of Manipur banned drawal of cheque in favour of self by all Drawing and Disbursing Officer (DDO) with effect from 13 March 2008. Failure to comply with this order was to be treated as a case of fraud and liable to be prosecuted under the Manipur Public Servants Personal Liability Act, 2006.

Test check of records of three ULBs viz., Bishnupur MC, Thongkhong Lakshmi Bazar NP and Sekmai NP revealed that during 2011 to 2016, the ULBs had withdrawn ₹ 4.10 crore from the bank accounts through self-cheque for making various payments such as salary, office expenses, works under CFC & SFC, *etc.* in violation of the order *ibid*. Details are shown in the table below.

**Table No. 5.1 Cash withdrawal through self-cheque**

Sl. No.	Name of the ULBs	Period	Amount drawn (₹ in crore)
1	Bishnupur Municipal Council	2014-15	0.16
2	Thongkhong Lakshmi Nagar Panchayat	2012-16	3.23
3	Sekmai Nagar Panchayat	2011-16	0.71
<b>Total</b>			<b>4.10</b>

The relevant vouchers and sub-vouchers to substantiate the payments made to various parties were also not made available to Audit. Withdrawal of cash from bank through self-cheques is irregular and fraught with the risk of misappropriation of funds.

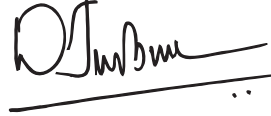
The matter was referred (November 2016) to the concerned ULBs and their reply is awaited (March 2017).



**Imphal**  
**The 30 June 2017**

**(Dr. N. Maisnam)**  
**Sr. Deputy Accountant General (Local Bodies), Manipur**

**Countersigned**



**Imphal**  
**The 30 June 2017**

**(D. Jaisankar)**  
**Accountant General (Audit), Manipur**



# **APPENDICES**





### Appendix 1.1

(Reference: Paragraph No. 1.3)

#### Activity map for 16 line departments to be transferred to Panchayati Raj Institutions

Sl. No.	Department	Activities to be transferred to ZPs	Activities to be transferred to GPs
1	Transport	<ul style="list-style-type: none"> <li>i) Maintenance of Bus stands and terminus along National/State High ways/District Roads</li> <li>ii) Collection of parking fees as prescribed by the Transport Department under a notification</li> </ul>	<ul style="list-style-type: none"> <li>i) Maintenance of Bus Stand along Inter Village Roads</li> <li>ii) Collection of parking fees in the rural markets in the respective areas of GPs</li> </ul>
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.	<ul style="list-style-type: none"> <li>i) Maintenance of Veterinary Dispensaries, Health Centres</li> <li>ii) Distribution of fodder seeds</li> </ul>	<ul style="list-style-type: none"> <li>i) Identification of beneficiary trainees for the schemes programmes through a meeting of Gram Sabha</li> <li>ii) Identification of beneficiaries for fodder cultivation</li> </ul>
4	Fisheries	<ul style="list-style-type: none"> <li>i) Selection of beneficiaries under Centrally Sponsored Scheme Fish Farmers Development Agency programmes/schemes</li> <li>ii) Distribution of feed/fishing equipment to progressive farmers</li> </ul>	Identification of beneficiaries through Gram Sabha
5	Rural development.	<ul style="list-style-type: none"> <li>i) Planning and implementation of works programmes/shelf of projects</li> <li>ii) b) Implementation, supervision and monitoring of various Centrally Sponsored Schemes Poverty Alleviation programmes</li> </ul>	<ul style="list-style-type: none"> <li>i) Identification of location of works with the approval of the Gram Sabha</li> <li>ii) Identification of location of works with the approval of the Gram Sabha</li> </ul>
6	Education (School)	<ul style="list-style-type: none"> <li>i) Organisation of Adult Education/Non Formal education centres</li> <li>ii) Repair and maintenance of primary school building</li> </ul>	<ul style="list-style-type: none"> <li>i) Selection of adult Education/Non-Formal Education centres</li> <li>ii) Identification of works through Gram Sabha &amp; formation of beneficiaries committee</li> </ul>
7	Industries	<ul style="list-style-type: none"> <li>i) Association in selection of beneficiaries of Khadi and Village Industries and entrepreneurs in service sector</li> <li>ii) Association with the task force for selection of beneficiaries under Pradhan Mantri Rozgar Yojana</li> </ul>	Recommendation of beneficiaries through Gram Sabha
8	Agriculture	<ul style="list-style-type: none"> <li>i) Distribution of improved agricultural tools &amp; implements and other inputs to farmers</li> <li>ii) Establishment &amp; maintenance of rural markets</li> </ul>	<ul style="list-style-type: none"> <li>i) Selection of beneficiaries through Gram Sabha</li> <li>ii) Selection of suitable marketing sites through Gram Sabha</li> </ul>

Sl. No.	Department	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	i) Implementation of family oriented schemes like Animal Husbandry, Fisheries, Industries, etc. ii) Maintenance of village approach roads, community hall, school buildings iii) 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	i) Maintenance of River Lift Irrigation & Surface Flow schemes and collection of water charges ii) 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	i) Supervision and monitoring of cultural programmes. ii) 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	i) Supervision, Implementation and monitoring of programmes ii) Prevention of drug abuse. iii) Implementation of BSY (Balika Samridhi Yojana) Schemes	Identification of beneficiaries
15	Science & Technology	i) Establishment of non-conventional energy sources such as bio gas plants/scholar cooking plants ii) Introduction of smokeless chulha. iii) 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 1.2

(Reference: Paragraph No. 1.3)

### Transfer of funds, functions and functionaries to ZPs and GPs as on 31 March 2016

Sl. No.	Department	Latest status on functionaries transferred	Latest status on fund transferred	
			Year	Amount
1	Fisheries	1-Inspector, 1 Field Assistant to each ZP	2009-10 to 2015-16	Nil
2	Horticulture	1 Assistant Agriculture Officer, 1 Assistant Horticulture Inspector and 1 Soil Surveyor to each ZP	2007-08 to 2015-16	Nil
3	Tribal Development	1 Extension Officer (Agriculture), 1 Field Assistant & 1 Road Mohorrir to each ZP	2009-10 to 2015-16	Nil
4	Rural Development	1-Extension Officer (P), 1-Upper Divisional Clerk, 1 Accountant to each ZP and 1-Panchayat Secretary each to 161 GPs	2009-10	₹ 3113.66 lakh
			2010-11	₹ 1875 lakh
			2011-12	₹ 1875 lakh
			2012-13	₹ 2062 lakh
			2013-14	₹ 2062 lakh
			2014-15	₹ 2418 lakh
			2015-16	₹ 2368 lakh
5	Science & Technology	Not transferred	2009-10 to 2013-14	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	

### Appendix 1.3

(Reference: Paragraph No. 1.4)

#### The roles and responsibilities of Standing Committees of Gram Panchayats and Zilla Parishads of Panchayati Raj Institutions

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 2.1**  
(Reference: Paragraph No. 2.1)

**Statement of expenditure on works taken up under 13<sup>th</sup> FC Award in respect of Thoubal ZP**

Sl. No.	Name of work	Beneficiary Secy.	Sanctioned amount	Deductible on account of VAT & Labour Cess	Net amount available for execution (4-5)	Amount Paid to the Beneficiary Secretary			Expenditure as per vouchers		
						Advance	Final	Total (7+8)	Material	Labour	Total (10+11)
1	2	3	4	5	6	7	8	9	10	11	12
1	C/o P/latrine with Urinal at Tangjeng khunjao near Tarung Houbi Bazar	Y.Nabachandra Singh	3,06,058	20,353	2,85,705	2,28,565	57,140	2,85,705	1,99,986	85,739	2,85,725
2	C/o P/Urinal at Khongjom Khebaching at public market gents & Ladies	N.Biren Singh	3,04,176	20,228	2,83,948	1,41,974	1,41,974	2,83,948	1,98,790	85,194	2,83,984
3	C/o Sanitary drain with 10nos of r/culvert at Aroukhong to Haoreibi mayai leikai taba	Md.Abdul Hassan	2,16,366	14,389	2,01,977	1,00,989	1,00,988	2,01,977	1,41,347	60,631	2,01,978
4	Const. of P/toilet at wabagai Terapishak	Ph.Jiten Singh	2,70,458	17,986	2,52,472	1,26,237	1,26,235	2,52,472			
5	Const. of drinking water pond at Kangyambem	Th.Sunderjit Singh	3,04,796	20,269	2,84,527	1,42,264	1,42,263	2,84,527	28,500	2,56,165	2,84,665
6	Const. of P/ pond at Sora Mamang leikai near, Sora mamang P/ground	Md.Julfiker	1,85,259	12,320	1,72,939	86,470	86,469	1,72,939	17,400	1,55,555	1,72,955
7	Const. of P/toilet at Serou near Durga Mandir	M.Melody Devi	2,49,555	16,596	2,32,959	1,16,480	1,16,479	2,32,959	1,63,570	69,888	2,33,458
8	Const. of P/Toilet with Urinal at Sapam Mayai leikai	Sh.Monika Devi	3,26,959	21,743	3,05,216	1,52,608	1,52,608	3,05,216	2,13,690	91,668	3,05,358
9	Const. of Public Sanitary drain at Heitrok Part-III	Sh.Apachu/Sh. Jinku Sharma	2,73,634	18,196	2,55,438	1,27,719	1,27,719	2,55,438	46,000	99,245	1,45,245

(Amount in ₹)

Sl. No.	Name of work	Beneficiary Secy.	Sanctioned amount	Deductible on account of VAT & Labour Cess	Net amount available for execution (4-5)	Amount Paid to the Beneficiary Secretary			Expenditure as per vouchers		
						Advance	Final	Total (7+8)	Material	Labour	Total (10+11)
1	2	3	4	5	6	7	8	9	10	11	12
10	Const. of public toilet at Moijing wangma taba near ABC Institute with heavy saftic tank two nos. of partition room for ladies & Gents and one bathing room	Md.Ziaur Rahaman	3,62,138	24,082	3,38,056	2,70,444	67,612	3,38,056	2,29,375	1,08,683	3,38,058
11	Const. of remodeling with bathing guard & sanitary drain at Khangabok sorok wangma P/pond	M.Rajen Singh	3,00,945	20,012	2,80,933	1,40,466	1,40,467	2,80,933	56,000	1,20,465	1,76,465
12	Const. of Sanitary drain at Wangkhem	H.Jiten Kumar Singh	2,25,494	14,995	2,10,499	1,05,250	1,05,249	2,10,499	1,47,490	62,968	2,10,458
13	Const. of sanitary drain from Md.Jalaluddin leirak to Tinfakom taba	Md.Azad Khan	2,61,713	17,404	2,44,309	1,22,155	1,22,154	2,44,309	1,71,185	73,185	2,44,370
14	Const. with re-modelling 4 nos of stair at Sangaiyumpham Pt-I public pond	Md.Arafat Sarif	3,41,381	22,702	3,18,679	1,59,340	1,59,339	3,18,679	2,23,120	95,619	3,18,739
15	Remodelling of P/pond with bathing guard at Mairnbam & 2 Nos. of bathing guard at Wabagai Tera karong canal maril	H.Meiraba Singh	1,93,948	12,897	1,81,051	1,44,840	36,211	1,81,051	1,27,030	54,255	1,81,285
16	Renv. of public pond with fencing at Laimanai	E.Biren Singh	1,68,500	11,205	1,57,295	78,648	78,647	1,57,295	1,10,100	47,210	1,57,310
<b>TOTAL</b>			<b>42,91,380</b>	<b>2,85,377</b>	<b>40,06,003</b>	<b>22,44,449</b>	<b>17,61,554</b>	<b>40,06,003</b>	<b>20,73,583</b>	<b>14,66,470</b>	<b>35,40,053</b>

**Appendix 2.2***(Reference: Paragraph No. 2.2)***Statement showing excess procurement of ring culverts***(Amount in ₹)*

Sl. No.	Name of work	Sanctioned amount	Rate of culvert per unit (12 ft)	No. of culverts purchased	length of culvert required (ft)	No. of culverts required	Excess no. of culverts	Cost of excess culverts
1.	Construction of sanitary drain at Kairang Chinga with ring culvert	5,05,425	9,000	42	127.92	11	31	2,79,000
2.	Construction of sanitary drain with ring culvert at Khabeisoi Mamang Leikai	4,72,787	8,000	41	127.92	11	30	2,40,000
3.	Construction of sanitary drain with ring culvert at Kairang Mamang Leikai	5,05,425	8,000	44	127.92	11	33	2,64,000
4.	Construction of sanitary drain with ring culvert both sides at ward No.10	4,72,783	8,000	37	127.92	11	26	2,08,000
<b>Total</b>		<b>19,56,420</b>				<b>44</b>	<b>120</b>	<b>9,91,000</b>

**Appendix 3.1**  
(Reference: Paragraph No. 3.9.4)  
**Key performance indicators**

Sl. No.	Key performance indicator (as per handbook)	Benchmark (per cent)	Current level/achievement for 2013-14 (per cent)	Target for 2014-15 (per cent)
			(furnished by the IMC)	
1	Household level coverage of solid waste management service	100	80	80
2	Efficiency of collection of municipal solid waste	100	80	80
3	Extent of segregation of municipal solid waste	100	0	0
4	Extent of municipal solid waste recovered/recycled	80	2	5
5	Extent of scientific disposal of municipal solid waste	100	5	50
6	Extent of cost recovery in solid waste management service	100	1	5
7	Efficiency of redressal of customer complaints	80	60	50
8	Efficiency in collection of user charges	90	1	5
9	Extent of processing and treatment of Municipal Solid waste	Nil	Nil	Nil
10	Monitoring on collection of waste from waste storage	Nil	Nil	Nil
11	Primary collection operation for ward/Town/City	Nil	Nil	Nil
12	Monitoring of transfer stations operations	Nil	Nil	Nil
13	Record of transfer of waste from transfer station to disposal site	Nil	Nil	Nil
14	Vehicle movement monitoring	Nil	Nil	Nil
15	Drivers attendance monitoring	Nil	Nil	Nil



### Appendix 5.1

(Reference: Paragraph No. 5.1)

#### Statement showing irregular payment out of 13<sup>th</sup> FCA Scheme fund

Sl. No.	Particulars	Amount (₹)	Cheque No.	Date
1	Pay of computer operator	10,000	121065	2.12.14
2	Pay of Account Assistant	5,500	121066	2.12.14
3	Pay of driver	11,735	121067	2.12.14
4	Pay of driver	11,135	121068	2.12.14
5	Pay of skilled and unskilled labour	2,71,296	121072	3.12.14
6	Sitting allowance of councillors	50,000	121074	2.2.15
7	Retirement benefits to RO	2,00,000	121075	27.2.15
8	Retirement benefits to retired cashier	1,80,000	121076	27.2.15
9	Allowance to retired cashier	1,70,662	121077	27.2.15
10	Honorarium of elected and nominated members	1,44,000	121078	27.2.15
11	Purchase of VIP chair	1,26,000	121080	28.2.15
12	Purchase of POL	2,50,000	121083	20.3.15
13	Purchase of POL	2,00,000	121084	20.3.15
<b>Total</b>		<b>16,30,328</b>		

### Appendix 5.2

(Reference: Paragraph No. 5.2)

#### Realisation of Parking Revenue during 2015-16

(Amount in ₹)

Sl. No.	Location of Parking slots	Period of contract	Amount for the year 2015-16		
			Realizable	Realized	Unrealized
1	Chongtham Crematorium to Kasturi thong, Nagamapal	Jan 2015 to Dec 2015	1,80,000	1,58,000	22,000
2	Eastern back side of Eikhoigee Hotel to northern side of Leima Shopping complex	Feb 2015 to Feb 2016	1,53,450	76,200	77,250
3	Public parking southernroad side of MG Avenue from in front of Gay Lord Hotel to Jellal Provision	Jan 2015 to Dec 2015	1,71,900	0	1,71,900
4	Opposite road side of SBI old building to IUCB gate, MG Avenue	Jan 2015 to Jan 2016	2,18,300	0	2,18,300
5	From Maharanithong to Chongtham Crematorium	Jan 2015 to Dec 2015	2,07,000	1,43,900	63,100
6	In front of PWD office to LIC, Khoyathong	Jan 2015 to Dec 2015	2,78,000	0	2,78,000
7	Along Thangal bazar on the western side from Fish Market upto Vijaya Bank, Thangal Bazar	Feb 2015 to Feb 2016	7,47,000	3,15,400	4,31,600
8	Gay Lord Hotel to DK Steel & In front of Adharsh Clinic, NH-39	July 2015 to July 2016	31,500	0	31,500
9	The whole length of Paona Bazar	July 2015 to May 2016	3,00,000	2,00,000	1,00,000
10	Within Temporary Market	Mar 2015 to Feb 2016	3,15,000	35,000	2,80,000

Sl. No.	Location of Parking slots	Period of contract	Amount for the year 2015-16		
			Realizable	Realized	Unrealized
11	In front of (eastern roadside) Family Welfare line from BT road to Old Assembly crossing	Jan 2015 to Jan 2016	3,55,500	1,49,400	2,06,100
12	Kalibari bye lane crossing to Khuyathong Traffic point	Mar 2015 to Mar 2016	40,500	31,080	9,420
13	From Mass Hotel to city police station gate & Keishampat Electricity Complaint room	Mar 2015 to Mar 2016	76,500	0	76,500
14	In front of New Market to Rajendras bye lane Alu gali	Mar 2015 to Mar 2016	54,000	0	54,000
15	In front of Indian Airlines to SBI ATM MG Avenue to Majorkhul	Apr 2015 to Apr 2016	1,00,000	0	1,00,000
16	Eastern road side of NH-39(NH-2) from the southern gate of Transport Director to Old Rifle shooting range	Mar 2015 to Mar 2016	90,000	22,000	68,000
17	Roadside Dharmashala bye-lane Northern side of Prajatantra and northern side of Gurudwara Temple	May 2015 to May 2016	67,950	33,220	34,730
<b>Total</b>			<b>33,86,600</b>	<b>11,64,200</b>	<b>22,22,400</b>

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