

## CHAPTER-II

### An Overview of The Urban Local Bodies (ULBs)

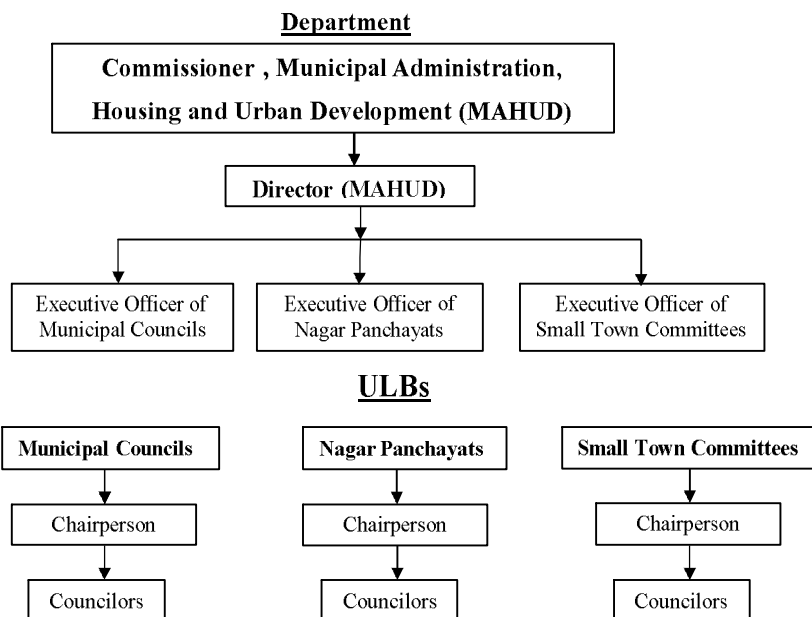
#### 2.1 Introduction

Consequent upon the passage of the 74<sup>th</sup> Constitutional Amendment Act, 1992 paving the way for decentralization of power and transfer of 18 functions as listed in the 12<sup>th</sup> Schedule of the Constitution along with fund and functionaries to the three tier Urban Local Bodies (ULBs), Manipur enacted the Manipur Municipalities Act, 1994 to incorporate the provisions of the 74<sup>th</sup> Constitutional Amendment Act. The Manipur Municipalities Act, 1994 came into force on the 24<sup>th</sup> day of May, 1994 and the last election of the ULBs of the state was held in 2005.

At present, there are 28 ULBs (9 Municipal Councils, 18 Nagar Panchayats and one Small Town Committee) in Manipur covering a total area of 138.83 Sq. Kms with a total population of 5,75,968 as per 2001 census which is about 25% of the total population. Imphal Municipal Council (IMC) having an area of 31 sq. Kms with a population of 2,17,275 is by far the largest and the most populous among the Municipal Councils(MCs). The smallest Nagar Panchayat (NP) is Sekmai with an area of one Sq. Km having a population of 4,325. Each ULB is divided into a number of wards with a minimum of 9 and a maximum of 27 which is determined and notified by the State Government having regard to the population, dwelling pattern, geographical condition and economic consideration of the respective areas.

#### 2.2 Organizational Set up

The organizational set-up of the department and the ULBs in the State is as follows:



### **2.3 Devolution of Powers and Functions**

The 12<sup>th</sup> Schedule of the Constitution enlists 18 functions to be devolved to the ULBs. The Second SFC in December 2005 recommended for speedy transfer of functional responsibilities including devolution of financial powers to local bodies in keeping with the letter and spirit of the constitution. Article 243W of the constitution enables the State Government to empower the ULBs with such powers and authority, by enacting law, to function as institute of self governance. However, Government Notification in case of transfer of powers, functions and functionaries to ULBs is yet to be issued in Manipur.

Some obligatory functions as vested in the Manipur Municipalities Act, 1994 are given as under:

- Lighting public roads and places;
- Cleaning public roads, places and sewers;
- Regulating offensive or dangerous trades or practices;
- Securing or removing dangerous buildings or places and reclaiming unhealthy localities;

- Constructing, altering and maintaining public roads, culverts, markets, drains, tanks etc.;
- Constructing public latrines, privies and urinals;
- Supply of water;
- Registering of births and deaths and
- Naming streets and numbering houses.

#### **2.4 EFC and TFC grants for creation of database on finances**

For securing transparency and accountability in the maintenance of accounts of the ULBs, EFC recommended maintenance of database on finances in the formats prescribed by the C&AG of India. Data were to be collected and compiled in the formats prescribed. The State Government has conveyed its acceptance to adoption of the prescribed accounting format vide Government order dt.21-6-02. The maintenance of the database was felt necessary by the TFC also to keep accurate information on the finances of the ULBs for need based assessment of their requirements. Though EFC recommended provision of ₹ 2.23 lakh to the State for creation of database relating to the finances of ULBs, the State Government made no allocation for creation of database out of ₹ 2.20 crore that was received as EFC awards during 2000-01 to 2002-03. However, it provided provision for creation of database on finances from the TFC grants received as under:

(₹ in lakh)

Year	TFC Grants received by State Govt	Date of receipt	Amounts allocated for	
			Data base	Maintenance of accounts
2005-06	90	08-03-2006	22.50	22.50
2006-07	180	12-02-2007	45.00	45.00
2006-07	90	18-07-07	22.50	22.50
2007-08	90	26-02-2008	22.50	22.50

Source: Finance Department

Despite sufficient fund provided for creation of database and maintenance of accounts, the ULBs still maintained their accounts in conventional form. In Bishnupur MC, out of ₹ 3 lakh released during 2006-07 for creation of database and maintenance of accounts an amount of ₹1.07 lakh was temporarily diverted towards payment of pay and allowances of the staff. Further, out of ₹ 3 lakh sanctioned for the same purpose during 2006-07 to Jiribam MC, records for utilization of ₹ 0.5 lakh set aside for training purposes were not produced to audit.

#### **2.5 Sources of revenue**

The ULB fund comprises receipts from its own resources as well as grants and assistance received from the State and the Central Government. Under Section 74 and Section 75 of the Manipur Municipalities Act, 1994, the ULBs may levy, collect and appropriate such taxes, duties, tolls and fees etc. under prescribed

conditions. Under the provisions of the acts in force, all collections such as tax on holdings, water tax, latrine tax, tax on vehicles, trades, profession, calling & employments, fees on the registration of vehicles kept or used or plying for hire, rent on shops and buildings, tolls and other fees and charges etc constitute the main source of revenue of the ULBs. However, the bulk of fund of the ULBs were received from the grants and assistances given by the State and the Central Government for implementation of various schemes and projects. (Details of fund released to ULBs are at **Appendices-IV to X**) The State Government also released administrative grants to the ULBs to compensate their revenue expenditure. The grants released to ULBs by the State and Central Government and their Own Sources of Revenue (OSR) during 2004-05 to 2008-09 are as follows:

Source of revenue		Amount (₹ in lakh)				
		2004-05	2005-06	2006-07	2007-08	2008-09
Central Government Grants	GOI share + State share of CSS schemes(SJSRY, NSDP, VAMBAY)	310.03	599.24	162.45	104.88	109.19
	Additional Central Assistance and FC grants released through State Budget(EFC, TFC)	135.00	44.81	90.00	180.00	180.47
State Government Grants	Honorarium/Salary Grants	186.36	235.73	523.21	474.94	408.24
	Other Grants (SFC)	Nil	Nil	Nil	Nil	1778.60
<b>Total (Grants received from Central and State Governments)</b>		<b>631.39</b>	<b>879.78</b>	<b>775.66</b>	<b>759.82</b>	<b>2476.50</b>
Own Source of Revenue (OSR)	Municipal Council	27.25*	36.00*	13.12*	19.10*	5.69*
	Nagar Panchayat	1.83	2.23	Nil	Nil	Nil
	Small Town Committee	Nil	Nil	Nil	Nil	Nil
<b>Total revenue from all sources (Government Grants + OSR)</b>		<b>660.47</b>	<b>918.01</b>	<b>788.78</b>	<b>778.92</b>	<b>2482.19</b>

\*The figures shown against own source of revenue (OSR) indicate resources of the Municipal Councils covered by audit only

The State and Central Government allocate fund to ULBs for implementation of various schemes as specified in the respective schemes or projects. The State Government in addition funded them to compensate their revenue expenditure. The receipt & expenditure as per the Finance Account of Manipur State under Major Head "0217-Urban Development" and "2217-Urban Development", 191-Assistance to Local Bodies etc is given below:

Year	Receipt (MH-0217) (₹)	Expenditure (MH-2217)-191-Assistance to local bodies etc.		
		Non plan (₹ in lakh)	Plan (₹ in lakh)	Total (₹ in lakh)
2003-04	5,510	62.35	91.32	153.66
2004-05	250	76.18	136.50	212.67
2005-06	22,000	178.99	4.98	183.97
2006-07	1,500	76.24	10.81	87.05
2007-08	Nil	177.66	15.22	192.88
2008-09	Nil	1970.20	19.99	1990.19

## 2.6 Release and utilization of EFC, TFC and SFC grants

### 2.6.1 EFC award(2000-01 to 2004-05)

The EFC recommended that a portion of the ULB Grants under EFC was provided for maintenance of accounts and for development of database on the finances of the Municipalities which was to be made easily accessible by computerization.

As per the recommendation of the EFC, the GoI released grants to the State Government for ULBs for the years as given under<sup>10</sup>:

(₹ in lakh)	
<b>Years</b>	<b>EFC award released</b>
2000-01	43.96
2001-02	43.96
2002-03	131.88
2003-04 <sup>11</sup>	Nil
2004-05 <sup>11</sup>	Nil
<b>Total</b>	<b>219.80</b>

The State Government, however, released the grants to the ULBs for the years 2000-01 and 2001-02 of ₹ 88 lakh in November 2003 and for the year 2002-03 amounting to ₹ 131 lakh in March 2005.

### 2.6.2 TFC Grants (2005-06 to 2009-10)

The TFC as per its recommendations accorded high priority to creation of database and maintenance of accounts of ULBs. Further, TFC has also recommended at least 50 *per cent* of the grants-in-aid provided to the ULBs should be earmarked for the scheme of solid waste management through public-private partnership. It is mandatory for the State Government to transfer the grants released by the GoI to the ULBs within 15 days of the amount being credited to the State Accounts. In case of delayed transfer to ULBs beyond the specified period of 15 days, interest calculated at the RBI rate is payable. The TFC Awards received and released by the State Government are given as under:

<sup>10</sup> Source: Report of Second SFC, Manipur & GOI, MF letter dt.20-01-2005.

<sup>11</sup> During 2003-04 and 2004-05 no EFC grants received from Govt. of India

Particulars	ULB		Date of release to ULBs by the State Govt.
	Amount (₹ in lakh)	Date of receipt	
1. Grants received from the Government of India.			
1 <sup>st</sup> Installment 2005-06	90	08-03-06	29-03-06
2 <sup>nd</sup> Installment 2005-06 and 1 <sup>st</sup> Installment 2006-07	180	12-02-07	22-03-07
2 <sup>nd</sup> Installment 2006-07	90	26-02-08	26-03-08
1 <sup>st</sup> Installment 2007-08 (Released up to 31-03-09)	90	Information not available.	10-11-08
<b>Total</b>	<b>450</b>		
2. Interest paid by State Government for delay release of ₹ 180 lakh of 2 <sup>nd</sup> installment of 2005-06 and 1 <sup>st</sup> installment of 2006-07 (Released up to 31-03-09)	5.60	NA	20-10-07

The sectoral allocation of grants made by State Government to local bodies under TFC award was as shown below:

(₹ in lakh)	
Allocated for	Amount
a) Maintenance of accounts	112.5
b) Database	112.5
c) Solid waste management scheme	225.0
Total TFC Grants allocated to ULBs	450.0

Source: State Govt. letter dt.4-12-2008 and C&AG, letter dt.20-10-2008.

During test audit of records maintained in 7 (seven) Municipal Councils (Imphal, Bishnupur, Nambol, Ningthoukhong, Moirang, Mayang Imphal and Thoubal), 4 (four) Nagar Panchayats (Lilong (I/W), Sekmai, Lamsang and Samurou) and 1 (one) Small Town Committee (Moreh), the following irregularities were observed:

- (i) On the recommendations of the Eleventh Finance Commission, data were to be collected and compiled in standard formats prescribed by the C&AG of India. Despite huge expenditure incurred on cost of software and training for database management in all ULBs, database was not developed as of March, 2009.
- (ii) Non production of records were in the following cases:
  - (a) Jiribam MC – ₹56,000 for Solid Waste Management (2006-07)  
₹50,000 for Training on creation of database (2006-07)
  - (b) Kakching MC – ₹1.61 lakh for creation of database (2007-08)
  - (c) Thongkhong Laxmi NP – ₹64,600 for Solid Waste Management (2006-07)
  - (d) Wangoi NP – ₹1.37lakh for Solid Waste Management (2007-08)
- (iii) Diversion of fund amounting to ₹ 52,000 allocated for Solid Waste Management towards construction of Office Building (2006-07) was in Jiribam MC without any proper authorization. Such diversion of fund not only defeated the objectives for which the funds were sanctioned but also deprived the beneficiaries from intended benefits.

### 2.6.3 SFC Grant

The report of the 2<sup>nd</sup> SFC covering a period of five years beginning from 1 April 2001 was passed in the State Assembly during December 2005. The State Government decided to adopt the recommendations of the 2<sup>nd</sup> SFC and extended the period covered by the recommendations up to 31-3-2010. An amount of ₹ 17.79 crore was released by the Government of Manipur to ULBs as Grant-in-aid under Second SFC Award for the year 2008-09 as detailed below:

Sl. No.	Name of ULB	No. of Wards	Urban population (2001 census)	Amount (₹ in crore)
1	2	3	4	5
A	Imphal Municipal Council (20% of ₹ 17.79 crore)	27	2,23,177	3.56
B	Other Municipalities/Nagar Panchayats (90% of 80% of ₹ 17.79 crore)	272	2,95,282	12.81
C	Small Town Committee (10% of 80% of ₹ 17.79 crore)	19	21,385	1.42
<b>Total</b>		<b>318</b>	<b>5,39,844</b>	<b>17.79</b>

The SFC had *inter alia* recommended the following:

- Transfer of functions and responsibilities to local bodies;
- The principles of devolutions of fund and grants to local bodies;
- Power of levying taxes and fees including enhancement of rates;
- Transfer of staff and administrative control thereof necessary for performing assigned functions and
- Making the local bodies representatives in character by holding timely and regular election.

Government notification has not yet been issued for transfer of Functions/Subjects to the ULBs.

### 2.7 Audit Arrangements

Under Section 72(i) of the Manipur Municipalities Act, 1994, the accounts of the ULBs should be audited by the Director, Local Fund Audit and Accounts of the Government of Manipur in such manner as may be prescribed. As of March, 2009, out of auditable 28 (twenty eight) ULB units, audit of 24 (twenty four) ULBs were conducted up to 31-03-2009 whereas audit of 4 (four) ULBs were conducted up to 31-03-2008 by the Directorate of Local Fund Audit. Further, in pursuance of the recommendation of the EFC, the C&AG of India has been entrusted with Technical Guidance and Supervision (TGS) under Section 20 (1) of C&AG's (DPC) Act, 1971, vide Government of Manipur F.D letter No. 15/1/2001-FB (Audit) dated 21-06-2002 and even No. dated 06-08-2005. However, necessary agreement in this regard between the State Government and

the C&AG as well as amendments in the State Acts/Rules is yet to be incorporated. Of late, the C&AG conducts test audit of the ULBs under Section 14 and Section 20 (i) of C&AG's (DPC) Act, 1971.

## **2.8 Audit Coverage**

Test audit of the accounts of 16 ULBs<sup>12</sup> (nine MCs, six NPs and one STC) covering the period from 01-04-03 to 31-03-09 and from 01.4.03 to 31.3.08 were conducted during the years from 2006-07 to 2008-09.

## **2.9 Lack of Internal Control Mechanisms**

### **2.9.1 Non preparation of Annual Action Plan and Budget**

ULBs are required to prepare Annual Action Plan (AAP), which are to be consolidated at the district level by the District Planning Committee (DPC) into a draft development plan for the district as a whole. The main purpose of preparing such plans was to avoid plurality in planning in various developmental issues. No such action plans were prepared in any of the test checked ULBs. In the absence of local planning, the district plan did not also emerge. Preparation of Action Plans by ULBs and their consolidation along with the plans of the PRIs is crucial to ensure incorporations of local needs and wants in the development process. The absence of such planning also compromised on the element of popular participation and need for the plans to reflect peoples' wants. Similarly, Budgets were also not prepared for years together by the ULBs except Imphal Municipal Council, in violation of Section 71(I) of Manipur Municipalities Act, 1994.

### **2.9.2 Non adoption of prescribed Accounting Formats and Accounting system**

The ULBs are required to maintain their accounts in the format prescribed by the C&AG of India. The State Government has conveyed its concurrence to the format of accounts as prescribed vide Secretariat: Finance Department (Budget Section) letter No.15/1/2001-FB (Audit) dt.21<sup>st</sup> June, 2002. Further, the State Government was informed to adopt the accrual based accounting system to all ULBs as recommended by the Task Force. However, test check of accounts of 16 ULBs revealed that none of the ULBs kept their accounts in the formats prescribed by the C & AG of India and the accrual based accounting system was also not followed by them as of March, 2009.

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<sup>12</sup> Imphal MC, Bishnupur MC, Nambol MC, Ningthoukhong MC, Moirang MC, Mayang Imphal MC, Thoubal MC, Kakching MC and Jiribam MC  
Lilong (I/W) NP, Sekmai NP, Lamsang NP, Samrou NP, Wangjing NP and Thoubal Lilong NP  
Moreh Small Town Committee



### 2. 9.3 Non preparation of Annual Accounts

Under Section 72(i) of the Manipur Municipalities Act, 1994, every ULB 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 Govt. Further, in terms of the Report of the Task Force on accounting and Budget Formats for ULBs, the C&AG of India prescribed formats for Receipts and Payment Accounts, Income and Expenditure Accounts and a Balance Sheet.

The Receipts and Payments account shows the sources of fund and the applications of fund during the accounting period whereas the Income and Expenditure statement discloses the result of the working of the ULB during the periods covered by the statements its shows incomes and expenditures of the ULB for an accounting period and the excess of income over expenditure or vice-versa for that period. The Balance sheet is the statement which reflects the financial position of the ULB as on a particular date. It presents the assets, liabilities and reserves of the ULB as on a specified date.

Test check of records of 16 ULBs revealed that in contravention of the prescribed provisions 10 ULBs<sup>13</sup> did not prepare Monthly and Annual Accounts for the period from April, 2003 to March, 2008. Two ULBs (Thoubal and Moirang) did not prepare Annual Accounts from April, 2005 to March, 2008. Moreover, none of the ULBs submitted their accounts to the Director, MAHUD so far.

### 2. 9.4 Non reconciliation of balance

As per Report of the Task Force on Accounting and Budget Formats for ULBs, the C&AG of India prescribed format of bank reconciliation statement. The test check of ULBs, during the period revealed that none of the ULBs were prepared monthly or quarterly bank reconciliation statements. As on 31<sup>st</sup> March, 2009, the position of cash balance as per Bank Pass Books and Cash Books in respect of the Imphal Municipal Council were as under:

Sl. No.	Name of the Bank & A/C No. with relevant scheme.	Pass Book figure (₹)	Cash Book figure (₹)	Difference (₹)
1.	Allahabad Bank, Imphal Br. A/C No. 618 (TFC)	55,19,518	54,81,778	37,740
2.	Allahabad Bank, Imphal Br. A/C No. 6232 (SJSRY)	3,99,420	3,72,652	26,768
3.	Allahabad Bank, Imphal Br. A/C No. 6444 (NSDP)	84,073	80,991	3,082
4.	UBI, Imphal Br. A/C No.32510261 (Revenue A/C)	13,924	14,252	328
5.	SBI, Imphal Br. A/C No.10929177141 (Revenue A/C)	1,70,492	1,67,219	3,273

Non reconciled balances reflect incorrect financial position of the local bodies.

<sup>13</sup> Imphal MC, Bishnupur MC, Nambol MC, Ningthoukhong MC, Mayang Imphal MC, Lilong (I/W) NP, Sekmai NP, Lamsang NP, Samurou NP and Moreh Small Town Committee.

### **2.9.5 Non maintenance of Main Cash Book and Subsidiary Cash books**

Test check of Bishnupur Municipal Council (BMC) revealed that the main Cash Book and the Subsidiary Cash Books were not maintained w.e.f from 01-04-05. The matter was reported to Government on 27-03-07. In Moreh Small Town Committee (STC), main Cash Book was not maintained after 17-05-05.

### **2.9.6 Deficiencies in maintenance of Cash Book**

All moneys received at the ULBs office shall immediately and without reservation be brought to account in the Cash Book under the direct supervision of the finance officer or in his absence the officer authorised for the purpose. The format of the Cash Book for ULBs was prescribed by the C&AG of India. The following common and persistent deficiencies in the maintenance of Cash Books of Imphal Municipal Council, Moirang Municipal Council, Ningthoukhong Municipal Council were noticed:

- Entries in the Cash Book were not authenticated by the competent authority;
- Daily Cash Balance was not verified and certified by the concern authority;
- Transactions were not entered in the Cash Book on the date of occurrence;
- Cash Book was not maintained as per the prescribed format;
- Corrections and alterations in the Cash Book were made without the initials and verification of the competent authority;
- Narration for a number of transactions was not mentioned in the Cash Book;
- Voucher number and Head of Accounts were not indicated against numerous transactions and
- Vouchers were not numbered serially and there were cases of missing sequences.

### **2.9.7 Non maintenance of Basic Records/Register**

Prescribed basic records as contained in scheme guidelines viz. Stock Register, Asset Register, Appropriation Register, Assessment Register, Employment Register, up dated BPL Register, were not maintained by the ULBs test-checked. Due to non maintenance of these records and registers, actual financial status of ULBs could not be ascertained.

### **2.9.8 Non accountal in Cash Book**

Rule 77 of Central Treasury Rules (vol-1) provides that all monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of the Office in token of check. Test check of records of Thoubal Municipal Council revealed that grant-in-aid amounting to ₹ 47.24 lakh for various schemes (**Appendix-XI**) were received by the ULB between August 2005 and February 2006. However, those amounts were not reflected in the Cash Book so far. The relevant records and vouchers *etc* of the amount expended could not be produced to audit.

The Thoubal Municipal Council in their letter dated 18-1-08 stated that investigation was going on and necessary records will be produced to next audit.

SJSRY grants amounting to ₹ 12.21 lakh received by the Moreh STC during the year 2005-06 were also not recorded in the Cash Book.

Further, test check of records of Moirang Municipal Council (MMC) revealed that a total amount of ₹ 13.25 lakh drawn from bank on different dates by MMC, was found not reflected in the cash book though the amount was spent on different works (**Appendix-XII**).

### **2.9.9 Non maintenance of separate Cash Books and Bank Accounts for specified grants**

As envisaged in EFC and other scheme guidelines, separate Cash Books in prescribed form shall be maintained in respect of all grants in all ULBs. Test check of the records of 16 ULBs revealed that separate Cash Books and Bank Accounts were not maintained for each specified grants received by the ULBs. A Bank Account was operated by Thoubal Municipal Council incorporating all the monetary transactions, such as pay, revenue, SJSRY and EFC grants which was in violation of the scheme guidelines.

### **2.9.10 Delayed accounting of bank withdrawals in Cash Book**

In Moirang Municipal Council (MMC), amounts of ₹ 5.81 lakh withdrawn from bank were not accounted immediately in the cash book. The delayed accounting ranged from 3 (three) to 11 (eleven) months leading to temporary misappropriation of Municipal fund (**Appendix-XIII**).

### **2.9.11 Non production of records**

Lamlai Nagar Panchayat could not produce the following vital records for the period from 01-04-03 to 31-03-06 to audit:

(i) Grants-in-aid Register, (ii) Related scheme files, (iii) Bank Pass Book, (iv) Measurement Books, (v) Cash Book, (vi) APR copies, (vii) Stock and Issue Register, (viii) BPL Register, (ix) Muster Rolls and (x) Annual Accounts.

The matter was reported to the State Government on 23-04-08 for necessary action.

#### **2. 9.12 Suspected Misappropriation of Revenue Receipts**

During 2003-05, collection of Octroi receipts amounting to ₹ 55,746 was not accounted in the Cash Book as well as in the Bank Pass Book of Imphal Municipal Council (IMC) (**Appendix-XIV**). Octroi receipts collected on 02-04-05 for ₹ 1.28 lakh was short deposited by ₹ 10,224 by IMC. Similarly, collection of toll taxes amounting to ₹ 72,000 in the year 2005-06 by Thoubal Municipal Council was also not accounted both in the Cash Book and Bank Pass Book. Further, Lilong (IW) Nagar Panchayat did not record the revenue collected during 2004-05 and 2005-06 amounting to ₹ 96,450 in the cash book.

Had the ULBs prepared the monthly/annual receipts and payments account, income and expenditure statement, balance sheet etc. in addition to regular checks exercised by concerned authority of the ULBs, such question of misappropriation of fund may not occurred.

#### **2. 9.13 Delayed accounting of revenues in Cash Book**

In IMC, the accounting of Octroi receipts of ₹ 1.15 lakh in the Cash Book was delayed, ranging from 18 to 105 days leading to temporary misappropriation (**Appendix-XV**).

The delayed accounting of revenues of ₹ 34,260 of Nambol Municipal Council ranged from two months to more than one year (**Appendix-XVI**) and a total amount of ₹ 4,060 thereof was not found reflected in Cash Book.

#### **2. 9.14 Excess payment of pay and allowances**

Test check of the records of Thoubal Municipal Council revealed that an excess amount of ₹ 95,252 was paid in November 2006 as pay and allowances of a staff for the period from 28-09-1999 to 30-09-2000. Thoubal Municipal Council vide their letter dt. 18-1-2008 stated that necessary order has been issued to recover the excess payment.

#### **2. 9.15 Irregularities in the maintenance of Provident Fund Accounts**

While maintaining Provident Fund Accounts, the following points should be observed in all ULBs:

- (i) PF deduction schedules should be prepared for each and every month & attached with pay bill and postings should be done on the basis of these schedules;
- (ii) Posting should be verified and cross checked with agreement before submission of accounts;
- (iii) Withdrawals should be noted down in the respective ledgers as soon as they occurred;
- (iv) Annual closing of PF accounts should be done with the issue of balance statements to each and every subscriber;
- (v) Periodical review of PF ledgers should be carried out regularly;
- (vi) Balance available at the time of withdrawals should be checked before sanction and
- (vii) The closing balance of the previous year and the opening balance of the following year should be checked and verified.

However, such practices were not exercised in all test audited ULBs across the State. In case of Imphal Municipal Council, they did not maintain the Provident Fund (PF) Accounts of their employees properly. Out of 30 PF Ledger Accounts test checked revealed that P.F withdrawals were not deducted from the concerned PF Accounts of the subscribers in 3 (three) cases, closing balance of the previous year did not tally with the opening balance of the following year in 5 (five) cases, excess payment was made in 2 (two) cases and calculation not done in 5 (five) cases. Further, a number of PF Accounts were not closed for many years (**Appendix-XVII**). Total financial implication due to the non-deduction of debits etc of the subscribers was to the tune of ₹ 4.38 lakh.

#### **2. 9.16 Non-production of records of EFC Award**

Under the EFC Award, Thoubal Municipal Council received a sum of ₹ 6.31 lakh as 1<sup>st</sup> installment for the year 2000-2005 under Government letter No.2/166/DIR/MAHUD-01 dt.08-01-04. Out of the fund allocated, 18 (eighteen) numbers of ring pipe culvert @ ₹ 34,000 per piece were installed in each 18 (eighteen) wards of Thoubal Municipal Council altogether amounting to ₹6.12 lakh. However, Thoubal Municipal Council could not produce the relevant records and vouchers etc for utilization of ₹19,060 of EFC award drawn in January 2004.

#### **2. 9.17 Issue of utilization certificate before execution of works**

Test check of records of Thoubal Municipal Council revealed that utilization certificate of EFC award for ₹10.33 lakh released by MUDA on 17-03-05, was issued by TMC to MUDA on 17-03-05 before the execution of works and issue of relevant work orders on 21-03-05 to the concerned Secretary/s of beneficiaries.

### **2. 9.18 Diversion of EFC Award**

Lamsang Nagar Panchayat diverted EFC award amounting to ₹77,944 drawn in December 2005 to SJSRY Scheme.

### **2. 9.19 Irregularities in implementation of EFC Award**

Test check of the records of 16 ULBs revealed the following common irregularities in the implementation of the EFC awards:

- Materials purchased and issued were not entered into Stock Account;
- Individual cash book, bank account and appropriation register of EFC were not maintained;
- Payments were made before physical verification and submission of completion reports of the works executed. The EFC award of ₹ 4.16 lakh granted by MAHUD to the Nambol Municipal council (NMC) in March 2005 were paid by NMC to its 18 Councilors @₹ 22,000 per Councilor each as payment for works executed, without production of records of work estimates, physical verification and submission of completion report of the works and
- Creation of data base and maintenance of accounts as per EFC guidelines were not complied with by the ULBs.