



सत्यमेव जयते

**Annual Technical Inspection Report**  
**on**  
**Panchayati Raj Institutions and Urban Local Bodies**  
**for the year ended 31 March 2014**

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



**GOVERNMENT OF MANIPUR**

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**on**  
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**Government of Manipur**

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

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## PREFACE

- 1. The Report has been prepared for submission to the Government of Manipur in accordance with the terms and conditions of Technical Guidance and Support (TGS) of audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) as entrusted by the State Government in terms of the recommendation of the Thirteenth Finance Commission.*
- 2. The Annual Technical Inspection Report for the year 2013-14 is a consolidation of major audit findings arising out of audit of accounts of PRIs and ULBs in the state of Manipur during the period 2013-14.*
- 3. The purpose of this Report is to give an overview of the functioning of PRIs and ULBs in the State and to draw the attention of the Executive department, PRIs and ULBs for taking remedial action for improvements, wherever necessary.*
- 4. The cases mentioned in the Report are among those which came to notice mainly in the course of test check of Annual Accounts (Receipt and Expenditure Accounts) of PRIs and ULBs conducted during the year 2013-14.*

# OVERVIEW

## OVERVIEW

This Report contains four chapters, Chapter I and II contain an overview, including financial reporting and audit observations on the Panchayati Raj Institutions (PRIs) and Chapters III and IV contain overview, including financial reporting and audit observations on the Urban Local Bodies (ULBs) followed by recommendations.

### **Profile of Panchayati Raj Institutions (PRIs)**

There are four Zila Parishads (ZPs) and 161 Gram Panchayats (GPs) in the State. Audit observed several deficiencies in the working of the Panchayati Raj Institutions. Expenditure was incurred without approval of budget estimates. Important registers like Principal Cash Book, Advance Register, Cheque Receipt and Issue Register, Stock and Issue Register *etc.* were not maintained. Reconciliation between cash books and bank pass books were not carried out. Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the CAG of India was not adopted in any of the GPs and ZPs as of March 2014.

**(Chapter I)**

### **Results of audit of Panchayati Raj Institutions**

In two GPs an amount of ₹ 20.68 lakh from MGNREGS fund were deducted at District Programme Coordinator (DPC) level for payment of insurance premium for workers without their willingness. In three GPs and one ZP, ₹ 23.00 lakh was credited to the accounts of job card holders after a delay ranging from 25 days to 239 days and ₹ 14.74 lakh was yet to be credited (June 2013). There is a suspected misappropriation of Compensation and Assignment funds to the tune of ₹ 17.47 lakh in one ZP. In three GPs, ₹ 47.22 lakh paid as advance remained outstanding for almost three years. Two GPs did not produce records worth ₹ 21.64 lakh relating to Second State Finance Commissions Grants. Nine test checked GPs neither maintained accounts nor created data base despite incurring of ₹ 5.30 lakh on it. One ZP and seven GPs diverted a sum of ₹ 31.75 lakh on inadmissible items of works.

**(Chapter II)**

### **Profile of Urban Local Bodies (ULBs)**

There are nine Municipal Councils (MCs), 18 Nagar Panchayats (NPs) and one Small Town Committee in the State. Overall control of the ULBs rests with Principal Secretary, Manipur Administration Housing and Urban Development (MAHUD) to the Government of Manipur, assisted by Director, MAHUD. Annual Action Plan was not prepared by any of the 10 test checked ULBs. None of the test checked ULBs had adopted the National Municipal Accounts Manual (NMAM) as of March 2014. Further, the ULBs also did not maintain Issue Register of Receipts Books, Demand Register, Advance Register and Works Register.

**(Chapter III)**



### **Results of audit of Urban Local Bodies**

Imphal MC and Lilong NP incurred an expenditure of ₹ 158.22 lakh out of SJSRY fund for payment of wages against the Scheme guidelines. Possible misappropriation of ₹ 19.75 lakh in procurement of Tubular Steel in works under SFC fund could not be ruled out.

Moirang MC had diverted ₹ 42.82 lakh of Second SFC grants to other works without approval of the Government. Kakching Khunou NP and Lilong NP could not produce records related to expenditure made out of Thirteenth Finance Commission grants. Imphal MC incurred an excess expenditure of ₹ 29.04 lakh on payment of honorarium above the prescribed rate to Chairperson, Vice-Chairperson and Councilors. Imphal MC and Thoubal MC suffered loss of revenue of ₹ 100.55 lakh due to non-collection of rent from the shop keepers/ vendors site.

**(Chapter IV)**

# **CHAPTER-I**

- A. AN OVERVIEW OF PANCHAYATI RAJ INSTITUTIONS**
- B. FINANCIAL REPORTING**

## CHAPTER-I

### Section 'A' An Overview of the Panchayati Raj Institutions

#### 1.1 Background

The 73<sup>rd</sup> Constitutional Amendments 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 and implementation of the 29 subjects listed in XI<sup>th</sup> Schedule of the Constitution of India. The Constitutional Amendment established a system of uniform structure, holding of regular election, and regular flow of funds through Finance Commissions *etc.* As a follow up, the State enacted the Manipur Panchayati Raj (MPR) Act, 1994. A two-tier PRI system at the village and district levels was established in the State, and rules were framed to enable the PRIs to function as per the Constitutional mandate.

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

#### 1.2 State Profile

Manipur is situated in the North Eastern part of India. The State covers an area of 22,327 sq. km with a population of 25.70 lakh (2011 census). The State has 9 districts, of which 5 districts are located in the hill areas and 4 districts are spread out in the valley. As against the decadal growth of 17.6 *per cent* at the national level, the population of the State has grown by 12.05 *per cent* in the decade of 2001-2011. The rural population of the State is 17.35 lakh which is 68 *per cent* of the total population. The service sectors along with the agricultural sector dominate the State's economy. The demography of the State as per 2011 census is given in the table below:-

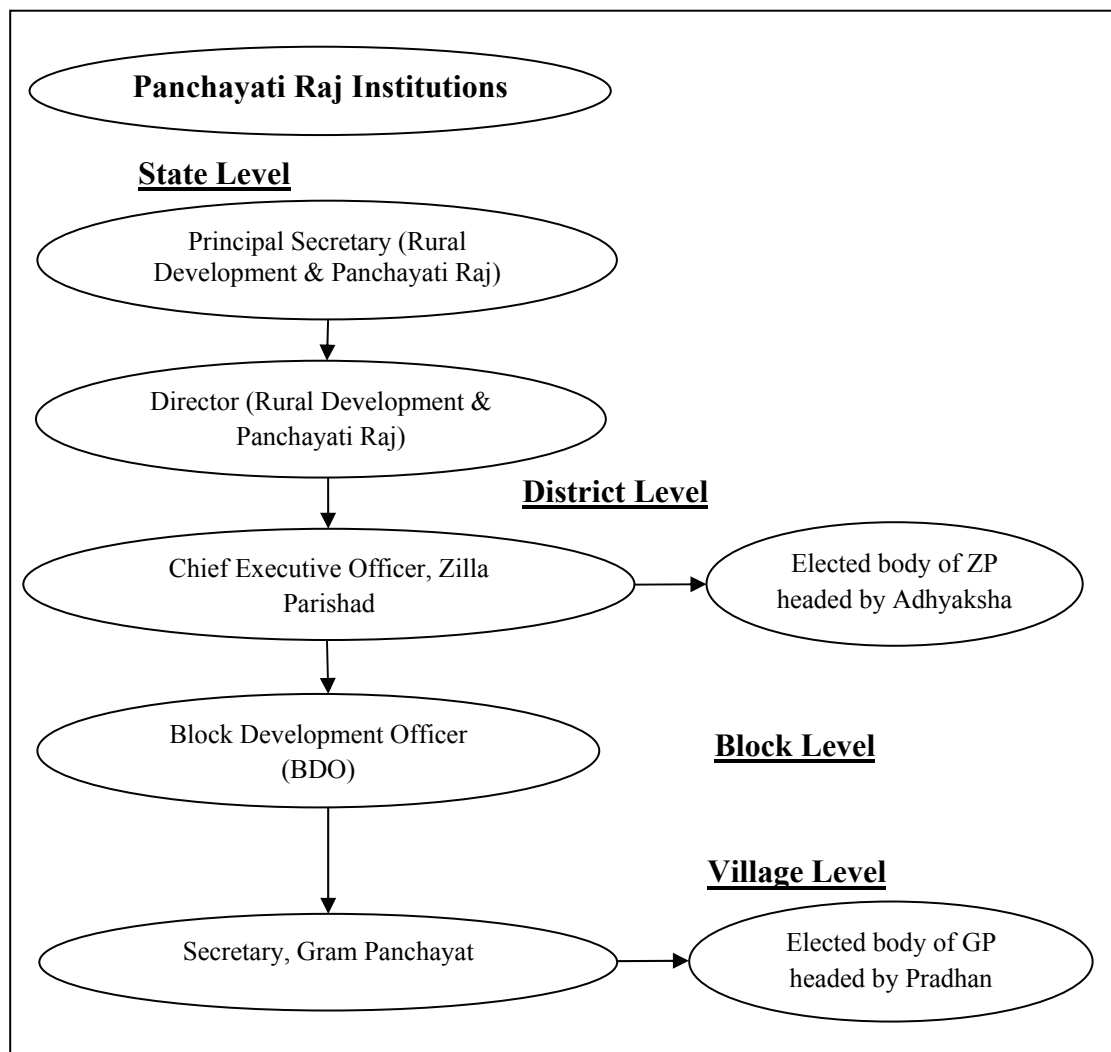
**Table 1.1: Statistics of the State**

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

Source: Census 2011 & Departmental Records

### 1.3 Organisational set-up of PRIs

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



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

**Table 1.2: Details of responsibility of PRIs**

Authority	Responsibilities
Principal 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 and Annual Budget
Panchayat Secretary (PS)	The PS is appointed by the State Government for keeping of records and maintenance of Accounts

Source: Departmental Records

### 1.3.2 Composition of Panchayati Raj Institutions (PRIs)

**Zilla Parishad (ZP):** Every ZP is a corporate 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 and Gram Panchayat as well and is responsible for governance of the body.

### 1.4 Staffing Pattern of PRIs

The Government may, by order, specify the staffing pattern, the scales of pay and mode of recruitment of the staff of GPs and ZPs. As per provision under Section 75 of Manipur Panchayati Raj Act, 1994 the State Government shall appoint Chief Accounts Officers, Chief Planning Officer and such number of officers of Groups A, B and C Staffs for each ZP on such terms and conditions as may be prescribed. However, no appointment against the stated posts was made as of March 2014.

**Zilla Parishad:** Each ZP is manned with staff deputed from different departments as a part of devolution of functionaries. However, there was no uniformity in the staffing pattern for ZPs. The position of staff in the four ZPs as of March 2014 is detailed as below:

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

Sl. No.	Name of the ZP	Persons-in-position
1	Imphal East	22
2	Imphal West	27
3	Thoubal	05
4	Bishnupur	15
<b>Total</b>		<b>69</b>

Source: Departmental Records

As regards the sanctioned strength, the Directorate of Rural Development and Panchayati Raj, Government of Manipur (Director RD&PR), expressed (April 2015) their inability to furnish the information/data. Therefore audit is unable to comment on the adequacy or otherwise of the manpower issue.

It is evident from the above table that persons in position in the four ZPs varied between 5 to 27. Remedial steps need to be taken by the concerned Department to make an assessment of the number of officers and staff of different categories required for proper functioning of each ZP.

**Gram Panchayat:** As per Section 45 of the MPR Act, 1994, there shall be a Secretary for every Gram Panchayat who shall be appointed in such manner as may be prescribed. However, as of March 2014, against a sanctioned strength of 161 Panchayat Secretaries, there were only 88 Secretaries in the State. The shortfall of 73 Secretaries was attributed to vacancies arising on account of retirement, death and promotion to higher post of the incumbents.

Taking into account the various functions that have been delegated to the GPs, adequate functionaries are essential to carry out the smooth and effective functioning of the local bodies. However, it is evident from the findings contained in Section 'B' of Chapter I and Chapter II of this Report that the provision of staff was insufficient in GPs for maintenance of accounts and carrying out of their functions in the midst of increasing financial and developmental activities.

### 1.5 Standing Committee

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

**Table 1.4: Details of Standing Committees**

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

Source: *The Manipur Panchayati Raj Act, 1994*

In case of GP, each Committee shall consist of not less than three and not more than five members including the Pradhan and Up-Pradhan as the case may be. In ZP, each Standing Committee shall consist of such number of members not exceeding five including the Chairman elected by the members of ZP from amongst the Standing Committees.

However, none of the PRIs, except Imphal West ZP, have constituted the above Committees as of March 2014. In the absence of such Committees, activities/functions like Education, Agriculture and Amenities *etc.* cannot be initiated and followed up in a systematic way. Consequently these activities are not getting focused as envisaged.

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

### **1.6 District Planning Committee**

In terms of Article 243 ZD of the Constitution of India and Section 96 of the MPR Act, 1994, the State Government is required to constitute a District Planning Committee (DPC) in each district to consolidate the plans prepared by the Panchayats and Municipalities in the District and prepare a draft development plan for the district as a whole. The DPC was constituted in Thoubal and Bishnupur Districts in August 1997, while in Imphal East and Imphal West District, it was constituted in May 2003. As per the MPR Act, 1994, the DPC shall consist of the following members:

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

Though DPCs were constituted in four valley districts they were not made functional as of March 2014. None of the DPCs had engaged technical experts and secretarial support staff in different fields for preparation of draft district development plan, defeating the key purpose of constitution of the DPCs. Neither the GPs nor the ZPs prepared perspective plans to be submitted to DPC. Thus, in the absence of perspective plan of districts as a whole, funds were allocated by the Government to Local Bodies in routine manners.

### **1.7 Irregularities in Gram Sabha Proceedings**

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

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

However, examination of 21 GPs revealed that the Gram Sabha meetings were held specifically for Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The vital points as stated above were not included in the agenda for discussion.

## 1.8 Financial Profile

### 1.8.1 Fund flow to Panchayati Raj Institutions

The resource base of PRIs consists of Central Finance Commission (CFC) grants, State Finance Commission (SFC) grants, Central Government grants and State Government grants for maintenance and development purposes. Funding by the State Government was on the lines of accepted recommendations of the Second SFC that took into account factors like population, literacy, health, irrigation, medical facilities *etc.* The fund-wise source and its custody for each tier and the fund flow arrangements in flagship schemes are given in tables 1.5 and 1.6 below respectively. The authorities for reporting use of funds in respect of ZPs and GPs are Chief Executive Officer (CEO) and Panchayat Secretary respectively.

**Table 1.5: Fund flow mechanism in PRIs**

Nature of Fund	ZPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	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 2009-10 to 2013-14 are shown in the table below:

**Table 1.6: Fund flow arrangements in flagship schemes**

Sl. No.	Scheme	Fund flow
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Central share is released direct to the District Rural Development Agencies (DRDAs). State share provided in the Budget is released to DRDA. DRDAs disburse the fund (Central and State share together) to ZP and GPs under their jurisdiction.

Source: Schemes guidelines



**Table 1.7: Time series data on resources of PRIs**

	(₹ in crore)				
Source of Revenue	2009-10	2010-11	2011-12	2012-13	2013-14
Government of India grants	108.59	129.38	241.39	214.04	70.45
State grants for Centrally Sponsored Schemes	5.46	7.58	12.50	25.88	11.77
CFC grant	8.51	5.60	5.47	7.79	12.57
SFC grant	25.91	18.74	18.74	20.62	20.62
Salaries/Honorarium	0.72	0.72	3.42	2.70	2.91
Own Revenue	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	<b>149.19</b>	<b>162.02</b>	<b>281.52</b>	<b>271.03</b>	<b>118.32</b>

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

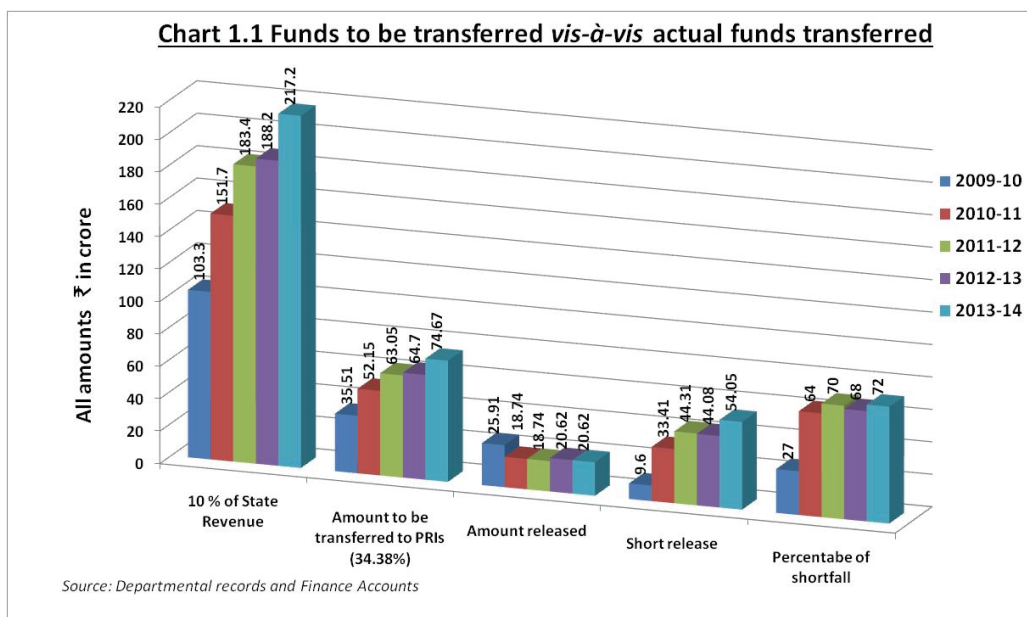
As compared to 2009-10 the grants from Central Government substantially increased during 2010-11 & 2011-12 due to release of more funds under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). However, grants from the Central Government decreased in 2012-13 as compared to 2011-12. Reasons for decrease was sought from the Department, the reply is still awaited (December 2014). The drastic decline of grants during 2013-14 was due to less release of funds under MGNREGS.

### 1.8.3 State Finance Commission Grants

Since the enactment of the 73<sup>rd</sup> Amendment Act to the Constitution of India, the State Government has constituted three State Finance Commissions (SFCs) to determine the principles on the basis of which adequate financial resources would be ensured for PRIs. The recommendations of the Second SFC effective from 01/04/2001 were passed in the State Legislative Assembly during December 2005. The period of the Second SFC covered upto 31/03/2010. As per the accepted recommendations of Second 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*, 34.38 *per cent* is to be transferred to PRIs.

The Third SFC was constituted in March 2013 and its report was due in June 2013. Awaiting recommendations of the Third SFC, the State Government agreed to continue adoption of the recommendation of the Second SFC until the recommendation of the Third SFC is accepted for implementation. Thus, funds pertaining to 2011-12 to 2013-14 were released on the basis of the recommendations of the Second SFC under the head 'Assignment & Compensation' as the report of the Third SFC is still awaited. The position of funds released and shortfall in release of funds during 2009-14 are as shown in the chart below:-

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



As it is evident from the chart above that both the committed/budgeted amount and the actual release of fund by the State Government to the PRIs during 2009-14 was lower than that of the recommendation of the Second SFC. The shortfall in actual fund transferred ranged from 27 to 72 per cent which showed an increasing trend. The reason for short release of funds was not recorded. Such shortfall in fund transfers would impede the developmental works of the rural areas in the State.

### 1.9 Status of transfer of Funds, Functions and Functionaries

The 73<sup>rd</sup> Amendment to the Constitution and the MPR Act, 1994 envisaged transfer of the functions to PRIs listed in the XI<sup>th</sup> Schedule. Accordingly, the State Government through executive orders were to transfer all the 29 functions to the PRIs. For effective functioning of both the State Government and PRIs, Activity Mapping delineated the role and responsibility of each tier of PRIs. Out of 29 functions, the State Government devolved functions of 16 departments to PRIs as of March 2014. The details of activities of 16 departments to be transferred to ZPs and GPs are shown in **Appendix-II**. There has been no change in the status of transfer of funds, functions and functionaries since the first time the order was issued in 2005. The status on the transfer of functions, functionaries and funds in respect of 16 Departments to ZPs and GPs as on 31/03/2014 is shown in **Appendix-III**.

A comparative statement of fund transfer and devolution of functions with other contemporaries in the North East region is shown in the table below:

**Table 1.8: Status of transfer of funds and functions vis-à-vis other North Eastern States**

State	Amount Required to be Transferred (₹ in crore)	Amount Actually Transferred (₹ in crore)	Shortfall in Release of Fund (₹ in crore)	Shortfall in release of fund (in per cent) <sup>2</sup>	Number of subjects devolved
Manipur	179.90	58.10	121.80	67.70 %	16
Sikkim	140.69	22.14	118.55	84.26 %	15
Tripura	88.00	54.39	33.61	38.19 %	5
Assam	1275.64	415.47	860.17	67.43 %	23

Source: ATIR of the respective State for the year ended 31 March 2013

The 73<sup>rd</sup> Amendment Act envisioned that the PRIs shall have necessary powers to carry out all the functions entrusted, assigned or delegated to them and to exercise all powers specified under the MPR Act, 1994. However, due to non-transfer/partial transfer of funds and functionaries the PRIs were not able to perform the functions assigned to them more effectively and efficiently.

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

## 1.10 Vigilance Mechanism

### 1.10.1 Social Audit

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 access to information would facilitate transparency and accountability in day-to-day functioning of PRIs. The State Government had established the Manipur Social Audit Agency (MSAA) in January 2014. The MSAA had identified MGNREGS and Indira Awaas Yojana (IAY) schemes for taking up Social Audit. However recruitment of staff for MSAA was stated (April 2015) to be under process.

In response to audit query on the status of Social Audit in PRIs, the Director RD&PR stated (June 2014) that they cannot provide any information as none of the Gram Panchayat has submitted such report to the Directorate

As per MGNREG Audit of Scheme Rules, 2011, the State Government needs to take up concrete steps to conduct social audit in every Gram Panchayat at least once in every six months. Though the MSAA was established in January 2014, there was no report of any social audit. As such, the Directorate needs to ensure that social audit is conducted as envisaged in the Scheme Rules.

<sup>2</sup> For Sikkim the figure is for 2012-13 only while for the other states the figure is for three years ie., 2010-11 to 2012-13.

## **1.11 Audit Mandate**

### **1.11.1 Primary Auditor**

The Director, Local Fund Audit (DLFA), Government of Manipur conducts audit of accounts of GPs and ZPs under Sections 44(1) and 74(1) of the MPR Act, 1994. The duty of the DLFA is to conduct audit of the accounts of PRIs and to forward the Audit Reports to the audited entities and the State Government.

The DLFA intimated (September 2014) that except for GPs under DRDA Imphal West, all the PRIs were covered during the audit of DRDAs during 2013-14. The Director further stated that no Audit Report for any of the years was compiled. Also, there was no case of follow-up action on the Inspection Reports (IRs) under Technical Guidance and Support (TG&S) arrangement. Therefore, IRs could not serve the purpose of such audit. Also, the DLFA did not submit its Annual Audit Plan to the Office of the Principal Accountant General (Audit), Manipur. In the absence of such plan, the office of the Principal Accountant General (Audit), could not suggest for any improvement of the Annual Audit Plan under TG&S.

### **1.11.2 Organizational Set up of Director, Local Fund Audit**

The Director of Local fund Audit of Manipur is assisted by Joint Director, Assistant Directors, Audit Officers and other ancillary staff. As on 31 March 2014, there were 46 persons on the roll of DLFA against the sanctioned strength of 65. The DLFA conducts audit of account of Local Bodies and accounts of government offices/departments as internal audit cell of Finance Department, Government of Manipur. An audit party comprises one Audit Officer and two Auditors who work under the direct supervision of the Assistant Director/Joint Director.

### **1.11.3 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 in pursuance of the Thirteenth Finance Commission (XIIIFC) recommendations.

Accordingly the Principal Accountant General (Audit), Manipur conducted the audit of the accounts of the PRIs. The result of audit i.e., Annual Technical Inspection Report (ATIR) (audit of PRIs conducted during preceding years) is sent by the Principal Accountant General (Audit) to the State Government for necessary remedial action. The ATIR for the year ended March 2013 was laid on the floor of the State Legislative Assembly in July 2014.

### **1.12 Audit Coverage**

Audit of the accounts of 25 PRIs (four ZPs for the year 2011-13 and 21 GPs for the years 2008-13) was conducted during 2013-14 (**Appendix-IVA**). Results of the audit are given in the succeeding chapter.

### **1.13 Conclusion**

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

### **1.14 Recommendations**

The Government may consider:

- staffing in ZPs and GPs is prescribed and is sufficient for maintenance of accounts and carrying out their functions;
- making District Planning Committee functional;
- transferring of fund and functionaries to the PRIs as envisaged in the XI<sup>th</sup> Schedule of the Constitution to enable them to function as institutions of Local self-government.

## **Section 'B'** **Financial Reporting**

### **1.15 Framework**

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

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

## **1.16 Financial Reporting Issues**

### **1.16.1 Basic Records not maintained**

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

- Principal Cash Book;
- Advance Register;
- Cheque Receipt and Issue Register;
- Grants-in-aid Register;
- Bill Register;
- Stock and Issue Register; and
- Asset Register (except for MGNREGS).

Audit of four ZPs and 21 GPs however, showed that none of the PRIs except the nine test audited GPs of Imphal East District maintained the records as mentioned above. Also, in the absence of vital accounting records, actual position of utilization of funds, execution of various schemes, stock and stores and assets created by execution of development schemes could not be ascertained. Ensuring accountability of the PRIs' authorities would not be possible without these vital records.

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

As per Central Treasury Rules, every officer receiving money should maintain a Cash Book. It also envisages that all monetary transactions should be entered in the Cash Book as soon as they occur; the Cash Book should be closed regularly and completely checked; an erasure or overwriting of an entry once made in the Cash Book is strictly prohibited. Test-check of Cash Books of 25 PRIs showed the following:

- i. Most of the monetary transactions were not entered in the Cash Book on the date of their occurrence.
- ii. Cash Books were not closed regularly and analysis of closing balance and physical verification of cash were not done.
- iii. There was no practice of consolidation of daily/monthly total of each Subsidiary Cash Books in the Main Cash Book.

This indicated that the PRIs did not adhere to the provisions of financial rules and maintenance of Cash Book was not proper. Thus, this situation is fraught with the risk of lost, theft, defalcation and embezzlement of public money.

### **1.16.3 Bank Reconciliation Statement**

Bank Reconciliation is a procedure which aims to reconcile the bank balance as shown in the Cash Book of the local body with that of the bank balance as

per the Bank Pass Book/Statement received from the bank. However, none of the test-audited GPs and ZPs prepared Bank Reconciliation Statement. As an illustrative example, as on 31 March 2013 there was a cash balance of ₹ 195.10 lakh as per Bank Pass Book<sup>3</sup> though balance as per Cash Book of the Imphal East ZP was ₹ 6.88 lakh which resulted a difference of ₹ 188.22 lakh. The reason for the difference was not explained in the Cash Book through preparation of Bank Reconciliation Statement by the ZP. Thus, the authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of reconciliation of balances with Bank Pass Book.

#### **1.16.4 Budget Estimates**

Budget is the most important tool for financial planning, accountability and control. Under Sections 42 and 72 of the MPR Act, 1994, Budget proposal containing detailed estimates of receipts and disbursements for ensuing year is required to be prepared by GPs and ZPs. Such Budget proposal is to be submitted to the next higher authority for approval. If the approval of the higher authority is not received within such time as may be prescribed, or by the last day of the year, whichever is earlier, the budget shall be deemed to have been approved by the prescribed authority. However, test-check of four ZPs and 21 GPs showed that neither the ZPs nor GPs prepared Budget upto 2013-14. As such, the expenditure incurred by the PRIs was irregular. Besides, no financial control could be exercised on the GPs and ZPs by the State Government in such a situation.

#### **1.16.5 Maintenance of Accounts**

Sections 43 and 73 of MPR Act, 1994 stipulate that the accounts of GPs and ZPs shall be kept in such form and manner as may be prescribed. Test-check of records of four ZPs and 21 GPs showed that accounts were maintained on cash basis. However, the basic records such as consolidated cash books, grants-in-aid register, bill register, advance register, stock and issue register etc. were not maintained in all the test-audited PRIs except the 9 test audited GPs of Imphal East District. Accounts to assess the income and expenditure of the PRIs were not maintained in all the test-audited PRIs. Audit also observed that Model Accounting System (MAS) for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the CAG of India which the State Government had agreed to adopt with effect from April 2013 was not adopted in any of the GPs and ZPs as of March 2014 due to lack of skilled personnel.

### **1.17 Conclusion**

Financial Reporting was not credible as basic records/ registers were not maintained by the PRIs. Financial reporting in PRIs is inadequate as Cash Books were not properly maintained. The authenticity of cash balances as per Cash Books of all the test-checked PRIs could not be ascertained in the absence of Bank Reconciliation Statement. Budgets were not prepared by all

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<sup>3</sup>Account number 0054011000804 of UCO Bank, Bishnupur Branch



the test-audited PRIs. In the absence of budget allocation the expenditure incurred by GPs and ZPs was irregular. Audit observed that Model Accounting System for PRIs prescribed by the Ministry of Panchayati Raj, Government of India in consultation with the CAG of India was not adopted in any of the GPs and ZPs as of March 2014 without any recorded reasons.

### **1.18 Recommendations**

The Government may consider to ensure:

- Maintenance of basic accounting records in PRIs;
- Preparation of budget estimate for PRIs;
- Adoption of the prescribed Model Accounting System for PRIs.



# **CHAPTER-II**

**IMPLEMENTATION OF SCHEME IN PANCHAYATI  
RAJ INSTITUTIONS**

## CHAPTER-II

### Implementation of schemes in Panchayati Raj Institutions (PRIs)

#### 2.1. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

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

##### 2.1.1 Denial of employment to Job Card Holders

Para 7.1.8 of the Operational Guidelines of MGNREGS, 2008 provides that if workers are willing, with their consent portion of the wages may be earmarked and contributed to welfare schemes organized for the benefit of MGNREGS workers such as health insurance, accident insurance, survivor benefits, maternity benefits and other social security arrangements. Such a social security cover will be purely voluntary. No such contribution from the wages may be made without the consent of the workers concerned.

Audit of records pertaining to MGNREGS of Toubul and Nachou GPs under Bishnupur district showed that the District Programme Coordinator (DPC) Bishnupur accorded administrative approval and expenditure sanction of ₹ 939.30 lakh (1/7/DRDA(B)/NREGS/2007-08(M) dated 10/3/11) for execution of works under MGNREGS in Bishnupur CD block during 2010-11. Out of this amount, ₹ 57.73 lakh was allocated for Toubul GP for execution of six works under 50 *per cent* GP share and ₹ 91.87 lakh was allocated for Nachou GP for execution of nine works under 50 *per cent* GP share. However, only ₹ 49.74 lakh was released to Toubul GP after deducting ₹ 7.98 lakh at the DPC level for payment of insurance premium of workers at the rate of ₹ 705.90 per worker for 1131 job card holders. Similarly, only ₹ 79.17 lakh was released to Nachou GP after deducting ₹ 12.70 lakh at the DPC level for such payment for 1800 job card holders. However, examination of records showed that the job card holders in both the GPs neither expressed their willingness nor consented for enrolment of insurance out of the wages they were supposed to earn. Moreover, there were no insurance documents available in the GPs. The GPs stated that there was no such proposal from GP levels for such deductions and the deductions were made at the DPC's discretion. As such the amount of ₹ 20.68 lakh deducted at DPC level was a deviation from the operational guidelines of the scheme.

### 2.1.2 Delay in payment of wages

Para 7.1.5 of the MGNREGS operational guidelines states that workers are entitled their wages on a weekly basis, and in any case within a fortnight of the date on which work was done.

Audit of records relating to MGNREGS implemented during 2013-2014 at three GPs and one ZP showed that ₹ 165.46 lakh was received during November 2012 to March 2013 for implementation of the scheme. Out of this fund, various construction works were executed during September 2012 to March 2013. Audit noticed that out of ₹ 37.74 lakh payable as wages for construction works (**Appendix - V**), ₹ 23.00 lakh was credited to the accounts of job card holders after a delay ranging from 25 days to 239 days and ₹ 14.74 lakh was yet to be credited (June 2013). This delay might have caused the financial hardship to the workers.

### 2.1.3 Expenditure incurred based on suspected fictitious records

Execution of “Land development with tree plantation at Sunusiphai Maning Playground” under MGNREGS by Phubala GP at the cost of ₹ 16.75 lakh (land development at estimated cost of ₹ 11.78 lakh and tree plantation for seven hectare at estimated cost of ₹ 4.97 lakh) showed the following irregularities:

- As per completion certificate an expenditure of ₹ 16.75 lakh (₹ 10.05 lakh as wages for 1745 Job Card holders for 4 days and ₹ 6.70 lakh as material cost for this work ) was incurred by the GP.
- However, as per Measurement Book (MB) No. 1743 for the work, the total value of the work done was only ₹ 11.78 lakh.
- There was no entry for plantation work amounting to ₹ 4.97 lakh indicating that plantation work was not carried out.
- Both the MB and completion certificate did not bear date of start and date of completion.
- As per vouchers for materials supplied/purchased, 550 truckloads of earth was procured for ₹ 4.40 lakh at the rate of ₹ 800 per trip/truckload. This quantity of earth was moved by a single truck (bearing registration No MN06/5127) on 10/03/13 from Thongjaorok quarry which is located 9 km away from the work site. Even if the truck were to ply without stopping for loading and unloading at the rate of 1 Km/min, (or 60 km/hr.), the truck would take 165 hours or around 7 days to cover 9,900 km (9 km x 2 way x 550 trips). This is unrealistic.
- As per estimate, mango saplings, bio pesticide, fungicides, neem oil and cake *etc.* are required for tree plantation work. There was no record for purchase of the material required.
- The Muster rolls and account list for the Job Card Holders were not maintained.

In view of the above, the entire expenditure of ₹ 16.75 lakh incurred by the GP was doubtful.

#### 2.1.4 Doubtful execution of works

The DPC Bishnupur awarded (November 2012) two works to the then Pradhan of Phubala GP under MGNREGS (50 per cent GP share) during 2012-13 for ₹ 9.99 lakh each as shown in the table below:

**Table 2.1: Doubtful execution of works**

Sl. No	Name of work	Date of start	No of days	No of labourers	Material (₹)	Wages (₹)	Sanction amount (₹)
1	New construction of public reservoir tank with both side drainage fencing and bathing shed at Phubala Makha Maning near Low canal	13/12/12	10	420	3,94,869	6,04,800	9,99,669
2	New construction of public reservoir tank with both side drainage, fencing and two bathing shed at Naranseina Mamang	13/12/12	10	420	3,94,869	6,04,800	9,99,669
<b>Total</b>					<b>7,89,738</b>	<b>12,09,600</b>	<b>19,99,338</b>

As per the completion certificate and the relevant MB Nos. 808 and 809 both the works were recorded to have been started on 13/12/2012 and satisfactorily completed on 24/12/2012. Moreover, as per MRs, 420 labourers were recorded to have been utilised in each work creating a total of 8400 man-days. Consequently, the GP incurred expenditure of ₹ 7.90 lakh (Cheque Nos. 378736 and 378737) as material cost and ₹ 12.10 lakh (Cheque No. 378738) as wages for 8400 man-days.

Inspection by Audit and the GP staff on 21/01/2014 revealed the following irregularities:

- The two works could not be shown for verification.
- The Member of ward No. 3 and Up-Pradhan of the GP stated that out of the amount allocated for the work at Sl. No. 1, a piece of agricultural land was purchased at ₹ 9.99 lakh from a resident of Phubala Awang Maning Leikai due to proposal received from the locality. Purchase of land is not permissible under the scheme guidelines of MGNREGS.
- The GP could not produce documents to substantiate the purchase of land.
- With regards to the work at Sl No 2, no explanation was given.

In view of the above, the records furnished to Audit for the said works are suspected to be fictitious and the possibility of misappropriation of ₹ 19.99 lakh could not be ruled out.

### **2.1.5 Failure to close bank accounts**

As per Government of Manipur orders (December 2007), the MGNREGA bank account for the Zilla Parishad (ZP) will be operated jointly by the Chief Executive Officer (CEO) and Block Development Officer (BDO)/Programme Officer (PO) concerned of the Block. All MGNREGA accounts shall be operated jointly at 3 levels *viz.*, District Programme Coordinator (DPC) level, Programme Officer (BDO) level and Gram Panchayat level. The State Government further ordered (November 2012) that institution or individual shall not maintain MGNREGS related bank or post office account. The DPC (or PO) is to ensure closure of such existing accounts maintained by institutions/individual/PRI bodies which could not be brought in conformity with the order.

Audit of MGNREGS records in Imphal West ZP during 2013-14 showed that till September 2012 the ZP maintained 15 Nos. of joint signatory (CEO and BDO/PO) bank accounts, one for each ZP constituency. In pursuant of the State Government order (November 2012), the ZP opened a new joint signatory (CEO, Adhyaksa and Executive Director of DRDA) bank account for MGNREGS with Allahabad Bank (account No. 50143984329) and routed all MGNREGS related receipts and payments subsequent to September 2012 through this account. However, 15 Nos. of bank accounts with a balance of ₹ 9.86 lakh as on March 2013 which existed prior to the Government Order were not closed as of May 2013 in violation of orders.

### **2.1.6 Failure to comply with Scheme Guideline**

Para 1.4 of the Scheme guidelines of MGNREGS stipulated that a ratio of 60:40 as wage and material has to be maintained in implementing any work programme under the Scheme.

Audit of six works under MGNREGS taken up by the Imphal West ZP during July 2012 showed that the ZP spent ₹ 64.69 lakh of which ₹ 22.85 (35 *per cent*) lakh were spent on wages and the remaining ₹ 41.84 lakh (65 *per cent*) was spent on procurement of materials in violation of the guidelines. The details of the expenditure are given in **Appendix – VI**. This shows that the ZP generated only 15869 man-days (₹ 22, 85,136 ÷ ₹ 144) in executing those works. Had the ZP maintained the prescribed ratio for payment of wages ₹ 38.81 lakh (₹ 64.69 lakh x 60 ÷ 100) could have been spent on wages, thereby generating 26,954 man-days (₹ 38, 81,478 ÷ ₹144).

Thus, rural job card holders were denied employment for 11,085 man-days (26,954 - 15,869) worth ₹ 15.96 lakh (11,085 x ₹ 144) thereby depriving livelihood security to the rural households.

### **2.1.7 Records not maintained**

Para 9 of the Operational Guideline of MGNREGS, 2008 stated that the following vital records are to be maintained by implementing agencies explicitly to ensure transparency and accountability.

- i. Muster Roll Receipt Register
- ii. Social audit for works executed under MGNREGS
- iii. Works Register
- iv. Monthly Squaring of Accounts
- v. Assets Register
- vi. Complaint Register
- vii. Monthly Allotment and Utilisation Certificate Watch Register
- viii. Job Card Application Register
- ix. Stock Receipt and Issue Register

Audit of records pertaining to MGNREGS of three GPs during 2013-14 showed that the GPs received and fully expended a sum of ₹1,325.44 lakh under MGNREGS during the period from 2008 to 2013 (**Appendix-VII**). However, none of the GPs maintained the vital records which are mentioned above. As such, transparency and accountability in implementing the scheme could not be ensured in all the three GPs.

Further, Phubala and Nachou GPs could not furnish the relevant records of expenditure incurred during the period from 2008 to 2012 despite issue of requisition and reminders. The GPs replied that the relevant records were in the custody of the then Pradhans and were not handed over at the time of taking over charge. Records pertaining to some of the works taken up during 2012-13 were misplaced and could not be traced after submission to Management Information System (MIS). Similarly, the Khoijuman Kwaksifai GP also could not produce relevant records for seven works worth ₹ 56.84 lakh taken up during 2012-13 (**Appendix-VIII**). Inability to produce records for expenditure raises doubts on actual implementation/execution of works and hence misappropriation of funds cannot be ruled out.

### 2.1.8 Doubtful expenditure

During the course of audit in 2011-13, Imphal West ZP could not produce Cash Book, Bill Register, vouchers, Grant-in-Aid Register, sanction copies, bank pass book, beneficiary list, APRs and other relevant documents in respect execution of two works involving ₹ 33.15 lakh as shown in the table below:

**Table 2.2: Doubtful expenditure**

Sl No	Name of work	Expenditure (₹)
1	Construction of toilet at Imphal West ZP office	3,00,000
2	Schedule Caste Development Programme during the year 2011-13 (under TA& HD and MOBC Deptt)	30,14,505
	<b>Total</b>	<b>33,14,505</b>

In the absence of relevant records, the expenditure cannot be vouched and hence is doubtful and needs further investigation.

## **2.2 Second State Finance Commission Award to PRIs**

### **2.2.1 Suspected Misappropriation of Compensation and Assignment Funds: ₹ 17.47 lakh**

Audit of records of the Thoubal Zilla Parishad conducted during 2013-14 pertaining to Compensation & Assignment Awards showed that the Director of Rural Development & Panchayati Raj, Government of Manipur, released grants-in-aid of ₹ 87.34 lakh vide Cheque No. 768720 dated 20/04/2012 to the ZP under Compensation & Assignment Awards for the year 2011-12. Of this, a sum of ₹ 69.87 lakh only was utilised for execution of 49 development works during 01/04/2011 to 27/02/2012 and the utilization certificate was submitted on 30/03/2012. However, records relating to the balance amount of ₹ 17.47 lakh were not produced to Audit despite issuing repeated requisitions (May 2013). The ZP stated that the requisite records were supposed to be furnished by the then Chief Executive Officer and the Extension Officer. In this regard, a letter was forwarded by the members of the Thoubal ZP to the Honourable Minister, Rural Development & Panchayati Raj, Government of Manipur on 20/11/2011. Consequently, the Government was also informed of the matter by the ZP on 23/11/2011. Action taken by the Government is not available in the record of ZP. In the absence of records the possibility of misappropriation of Second SFC Awards to the tune of ₹ 17.47 lakh could not be ruled out.

### **2.2.2 Un-authentic payment of wages**

As per Rule 133 of Central Government Account (Receipt & Payment) Rules, 1983 and para 10.2.4 of Central Public Works Accounts Code (CPWA), the payment made on Muster Rolls must be made or witnessed by the officer of the highest standing available in the disbursing officer, who should certify to the payments individually or by groups. The amount paid on each date shall be noted in words as well as in figures at the foot of the Muster Roll (MR) and acknowledgement, duly stamped where necessary should be obtained from each payee on the Muster Roll in token of receipt of the payment.

Audit of the records of Compensation & Assignment for the year 2011-12 of the Irengbam GP during 2013-14, showed that the GP had received grants-in-aid of ₹ 16.69 lakh on 25/06/2012. Out of this fund, the GP made payment of ₹ 4.03 lakh in July 2012 to labourers being the wages of construction of two community halls at Shanti Bazaar, Leimaram and at Leimaram Makha Leikai. However, in both the cases signatures/thumb impressions of the labourers as well as signatures and countersignatures of the competent authorities were not appended in relevant columns of the Muster Rolls in token of cash receipt and witness of the payment respectively.

It was also noticed that the Ngaikhong Khullen and Phubala GPs received a total sum of ₹ 38.34 lakh under Second SFC Awards during 2009-10 and made payment out of this fund through MRs amounting to ₹ 4.63 lakh (during October 2010 to March 2011) to labourers being the wages for construction works. In the case of Ngaikhong Khullen GP, four construction works such as



construction of (a) Gate at Ngaikhong Siphai Phuramakhong, (b) Slap Culvert at Ngaikhong Khullen Maipakpi Cheethek, (c) Waiting Shed at Ngaikhong Siphai Mamang and (d) Waiting Shed at Ngaikhong were said to have been constructed. In Phubala GP, construction of Bazaar Shed near Erumbi river at Naranseina Mayai was carried out. However, the attendance of the labourers was not taken in the case of Phubala GP and in the case of Ngaikhong Khullen GP the signature/thumb impressions of the labourers were not appended in the relevant column of the MR in token of cash receipt. Also, the signatures and countersignatures of the competent authorities were not appended in the relevant columns of all the MRs in token of witness of the payment. As such, the total expenditure of ₹ 8.66 lakh (₹ 4.03 lakh plus ₹ 4.63 lakh) incurred on payment of wages to the labourers could not be vouched.

### 2.2.3 Delay in completion of works

Audit of Thoubal Zilla Parishad conducted during 2013-14 showed that out of the amount released under Compensation & Assignment Awards for the year 2011-12, four works were executed at the estimated cost of ₹ 9.50 lakh. Details of the works is shown in the table below:

**Table 2.3: Incomplete works**

Sl. No.	Name of work	Date of advance payment	Date of final payment	Estimate/ Amount Paid (₹)
1	Construction of reading room at Keibung Madrassa	21/05/2012	27/07/2012	3,00,000
2	Construction of pucca waiting shed cum reading room at Nungphou bazaar	21/05/2012	27/07/2012	2,50,000
3	Construction of reading room at Sora bazaar	21/05/2012	27/07/2012	2,00,000
4	Construction of reading room at Hangool	21/05/2012	27/07/2012	2,00,000
<b>Total</b>				<b>9,50,000</b>



Though final payments of ₹9.50 lakh for all the four works were made on 27/07/2012, the works were still incomplete when a joint team of audit party and staff of the Thoubal ZP conducted joint physical verification on 21/05/2013 though almost 10 months had passed since date of final payment.

This indicates that the ZP made final payments without ascertaining the status/stage of construction. This has not only frustrated the purpose of the awards but also gave undue financial benefit to the Construction Committee.



## 2.2.4 Advances not adjusted

Para 10.2.23 of CPWA states that when an advance payment has been authorized by the competent authority, it should be adjusted within three months from the date on which it was made and the grant of a second advance before the first one has been recovered should not be permitted (except in very exceptional circumstances for reasons to be recorded in writing).

Audit of records relating to Second SFC grants during 2013-2014 of three GPs<sup>4</sup> and two ZPs<sup>5</sup> showed that the three GPs together received a total sum of ₹ 51.84 lakh during 2010-13 and the two ZPs together received a total sum of ₹ 142.44 lakh during 2012-13 under Second SFC grants. Out of the grants, the three GPs made payments of ₹ 32.28 lakh as advance and ₹ 14.94 lakh as final payments to the Beneficiary Secretaries concerned for various constructions works such as construction of community hall, crematorium, shingling<sup>6</sup> etc., (**Appendix-IX**). However, Audit noticed that the GPs made final payments of ₹ 47.22 lakh (₹ 32.28 lakh + ₹ 14.94 lakh) before adjusting the advance payments.

## 2.2.5 Bills not prepared

As per rule 28 of Receipts and Payments Rules, 1983, no withdrawal of money may be made from the Government Account except by presentation of bills in support of relevant claims for the purpose.

During 2013-2014, the audit of records relating to Second SFC Awards of five GPs showed that under Second SFC Awards during 2011-13, an amount of ₹ 53.73 lakh was paid for construction of various works (**Appendix-X**). However, none of the GPs presented bills or prepared vouchers for the expenditure.

This is blatant violation of basic financial rules which needs to be checked/curtailed.

## 2.3 Central Finance Commission Awards

### 2.3.1 Unfruitful Expenditure

As per the recommendations of the XII FC Grants two numbers of posts viz., Office Assistant (OA) and Computer Assistant (CA) were created in each GP and ZP. The Office Assistant is meant for maintaining accounts of the office and the Computer Assistant is for creation and maintaining database. The honorarium for each category is ₹ 7100 per month.

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<sup>4</sup> (i) Nachou GP, (ii) Khoijuman Kwaksifai GP and (iii) Utlou GP

<sup>5</sup> (i) Thoubal ZP, and (ii) Imphal ZP

<sup>6</sup> Covering of a road surface with shingle i.e., pebble, cobble and other beach material, coarser than ordinary gravel but roughly the same size and occurring typically on the higher parts of a beach.

Audit of records of GPs during 2013-2014, showed that seven GPs spent ₹ 10.09 lakh (₹ 5.30 lakh from XII FC award and ₹ 4.79 lakh from XIII FC award) for payment of honorarium for the office staff of (five GPs), purchase of computer (two GPs) and purchase of computer accessories (one GP) for maintenance of accounts and creation of database (**Appendix-XI**).

However, it was noticed in audit that neither accounts nor any database were maintained by the GPs. Hence, the expenditure of ₹ 10.09 lakh incurred for maintenance of accounts and creation of database was wasted.

### **2.3.2 Doubtful payment of wages of ₹ 2.30 lakh**

As per Rule 133 of CGA (Receipt & Payment) Rules, 1983 and Para10.2.4 of CPWA Code, the payment made on MRs must be made or witnessed by the officer of the highest standing available in the disbursing officer, who should certify to the payments individually or by groups. The amount paid on each date shall be noted in words as well as in figures at the foot of the Muster Roll (MR) and acknowledgement, duly stamped where necessary should be obtained from each payee on the MR in token of receipt of the payment.

Audit of the accounts of the Ngaikhong Khullen GP during 2013-14, noticed that the GP paid ₹ 2.30 lakh to labourers (during October 2010 to September 2011) through MRs being the wages for construction of three garbage pits under XIII FC Grants. However, the signature/thumb impressions of the labourers as well as signatures and countersignatures of the competent authorities were not appended in the relevant columns of the MRs in token of cash receipt and witness of the payment respectively. As such, the expenditure for ₹ 2.30 lakh incurred on payment of wages to the labourers seems to be doubtful.

### **2.3.3 Diversion of fund of ₹ 31.75 lakh**

As per the Action Plan (2010-15) under XIII Finance Commission Grants to PRIs, the PRIs have to give priority for providing core services – Drinking Water, Sewerage, Solid Waste Management and Street Lights while utilising the grants. However, Audit of the accounts of four ZPs and 21 GPs during 2013-14 revealed that one ZP and seven GPs together diverted XIII FC grants of ₹ 31.75 lakh by incurring expenditures on inadmissible items like construction of bath room, crematorium panchayat building etc. (**Appendix-XII**). Thus, the objectives of the XIII FC grants to give priority for providing core services were defeated.

### **2.3.4 Records on award of Twelfth and Thirteenth Finance Commission not produced**

Audit of the accounts of six GPs during 2013-14 pertaining to utilization of XII and XIII FCs grants noticed that the GPs incurred an expenditure of ₹ 23.63 lakh (XII FC grants ₹ 19.08 lakh and XIII FC grants ₹ 4.55 lakh) during February 2009 to February 2012 on various purposes (**Appendix-XIII**) out of the XII and XIII FC grants. However, the relevant records such as bill vouchers, APRs, even cash books in some cases for the expenditure incurred

were not produced to Audit. As such, Audit observed that there is lack of transparency in utilising the Finance Commission grants by the GPs. In the absence of relevant records the expenditure of ₹ 23.63 lakh was doubtful.

## **2.4 Conclusion**

The PRIs did not adhere to the guidelines of the MGNREGS with regards to ratio of materials and wages cost. Instances of delay in payment of wages to the Job card holders were also noticed. This has defeated the main objective of providing employment to rural poor. The PRIs did not maintain proper records of works executed under State Finance Commission Award including basic supporting documents such as Muster Roll and data base. There were also instances of delay in completion of works. Though substantial fund was utilized from the XII-FC and XIII-FC Awards for maintenance of accounts records/database, the PRIs are yet to create any database and accounts records. Fictitious claims for works not actually executed were also done.

## **2.5 Recommendations**

The Government should ensure:

- that the guidelines of the Schemes are adhered to in letter and spirit;
- proper maintenance of records for the executed works;
- creation of database for the PRIs.
- passing claims for executed works only after independent verification by designated officials as enshrined in GFRs.

# **CHAPTER-III**

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

## CHAPTER-III

### Section 'A' An Overview of Urban Local Bodies

#### 3.1 Introduction

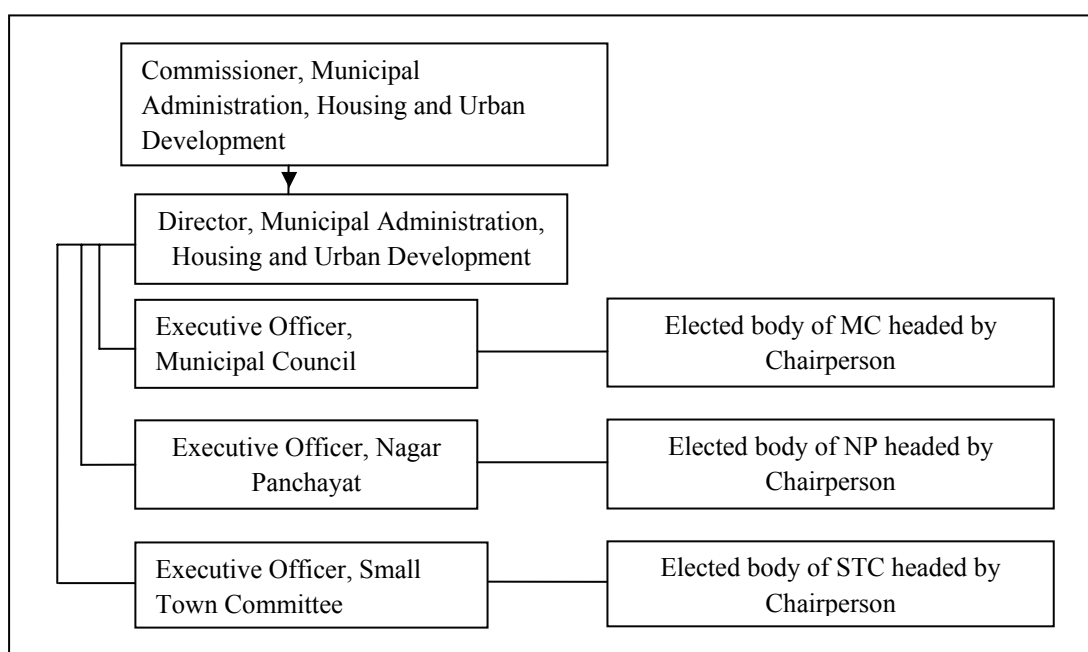
The 74<sup>th</sup> Constitutional Amendment Act, 1992 empowered Urban Local Bodies (ULBs) to function as local self-government and to deliver services for economic development and social justice more effectively with regard to the 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution of India. The ULBs are spread out in the four valley districts of the State. The urban population as per 2011 Census is 8.35 lakh which is 32 *per cent* of the total population of the State.

In the State, there were nine Municipal Councils (MCs), 18 Nagar Panchayats (NPs) and one Small Town Committee (STC) as on 31 March 2014. Imphal MC having an area of 31 sq. km. with a population of 2.65 lakh (2011 census) is the largest and the most populous among the MCs. The smallest NP is Sekmai with an area of one sq. km. Each ULB is governed by the Manipur Municipalities Act (MMA), 1994 which specify the obligatory and discretionary functions to be discharged by these ULBs. The Act empowers ULBs to function as institution of local self-government in delivering social and economic development in urban areas.

#### 3.2 Organizational Set up

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

#### Urban Local Bodies



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

**Table 3.1: Detail of responsibilities of functionaries**

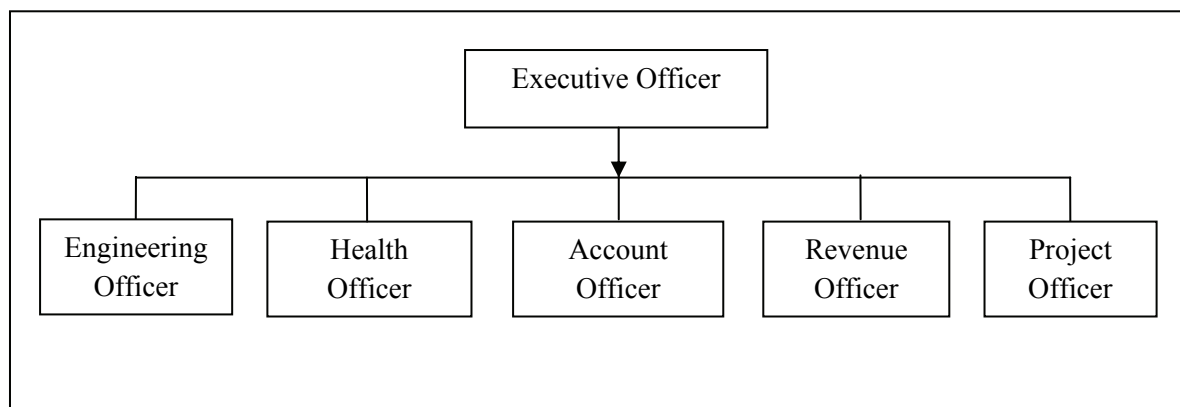
Authority	Responsibilities
Municipal Administration, Housing & Urban Development Department (MAHUD).	Administers the overall monitoring and implementation of schemes related to ULBs.
Small Town Committee/Nagar Panchayat/Municipal Council (elected body)	Preparation of Plans for economic development and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

**3.2.2 Composition of ULBs**

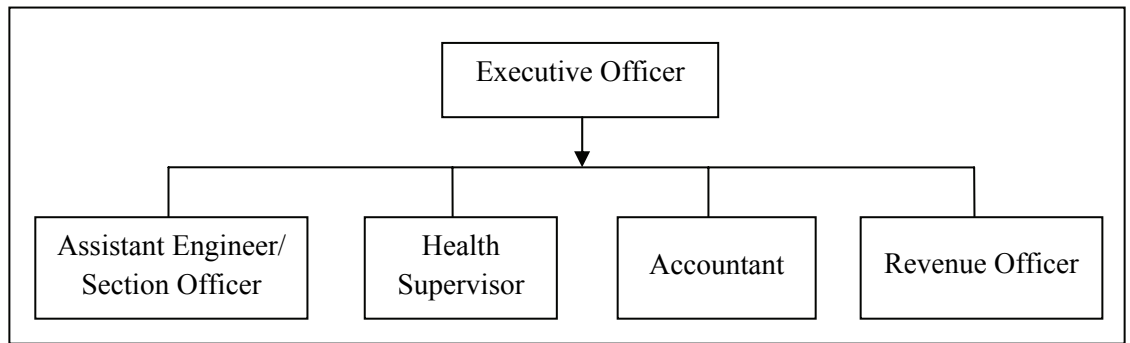
All the ULBs have a body comprising Councilors elected by the people under their respective jurisdiction. The Chairperson elected by the majority of Councilors presides over the meetings of the MC/NP/STC and is responsible for the governance of the body.

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

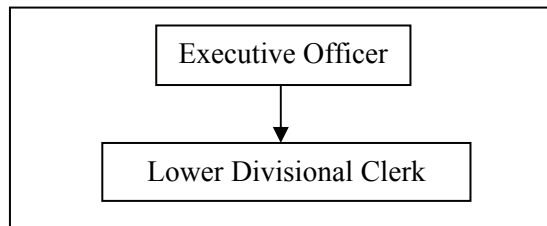
**Executive Set-up of Imphal Municipal Council**



### **Executive set-up of Other Municipal Councils**



### **Executive Set-up of Nagar Panchayats/Small Town Committee**



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

### **3.3 Staffing Pattern**

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

The Director, Municipal Administration Housing and Urban Development (MAHUD) stated (September 2014) that neither Engineers nor Officers were appointed in any of the NPs/STC. One Lower Division Clerk, one Peon-cum-Chowkidar and one Sweeper are being engaged in each of the NP/STC on daily wages basis the expenditure of which is born by the State Government.

Thus, it emerges that provision of adequate staff for smooth functioning of the ULBs and maintenance of accounts was not at all considered for the NPs/STC. The existing staff is insufficient for the NPs/STC to carry out their functions in view of their ever increasing financial and developmental activities. Engagement of casual staff in NPs/STC may have been unavoidable to make the bodies operational. The ULBs could not discharge their duties more efficiently and effectively as staff at different levels were not available.

### **3.4 Standing Committees**

Section 56 of the MMA, 1994, provides for constitution of committees to be called “Standing Committee” in each NP or Council to assist it in the discharge of any specific duties devolved upon it under this Act. Each Committee shall consist of the members of Councilors as members. However,

out of the 10 test audited ULBs only four ULBs (Imphal MC, Bishnupur MC, Lilong (Thoubal) NP and Sikhong Sekmai NP) though constituted Standing Committee, they are not fully functional as of 31 March, 2014.

### **3.5 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 plans is to avoid plurality in planning on various developmental issues. During audit, it was observed that no such action plan was prepared in any of the test-checked ULBs. Also, in the absence of AAP, the overall district plan could not emerge. Preparation of AAP by ULBs and their consolidation along with the plans of the PRIs is crucial to ensure incorporation of local needs and wants in the development process. In the absence of planning, the element of people participation was compromised.

The issue was brought to the notice of the State Government in the ATIR<sup>7</sup> for the year ended 31 March 2013. However, the State Government has not taken up any concrete step in this regard.

### **3.6 Transfer of Funds, Functions and Functionaries to ULBs**

The 74<sup>th</sup> Constitutional amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice relating to 18 subjects 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 functions seven functions<sup>8</sup> are now being performed by ULBs.

### **3.7 Financial Profile**

#### **3.7.1 Source of funds**

The finances of the ULBs comprise of own sources, grants and assistance from Government of India (GoI) and State Government. Sections 74 and 75 of the MMA, 1994, empower the ULBs, being the local self-government, to impose taxes and collect fees for various services rendered by them.

The grants/assistance released to ULBs by the State and Central Government and their Own Sources of Revenue during 2009-10 to 2013-14 are shown in the table as follows:

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<sup>7</sup> Para 3.5 of the ATIR, placed in the State Assembly on 16 July 2014.

<sup>8</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 Up gradation.



**Table 3.2: Time series data on resources of ULBs**

(₹ in crore)					
Source of Revenue	2009-10	2010-11	2011-12	2012-13	2013-14
Gol/State grants for Centrally Sponsored Schemes	4.56	15.14	36.20	21.46	5.94
Central Finance Commission	3.60	3.81	3.72	4.82	5.91
State Finance Commission	18.68	11.25	Nil	11.25	11.25
Salaries/Honorariums	4.77	4.94	6.07	12.97	11.14
Own Revenue	Not available	Not available	Not available	2.07	1.80
<b>Total</b>	<b>31.61</b>	<b>35.14</b>	<b>45.99</b>	<b>52.57</b>	<b>36.04</b>

Source: Compiled from the records furnished by MAHUD Department.

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

From above it is seen that there was decline in release of funds against Centrally Sponsored Scheme (CSS) during 2013-14. The reasons for decrease were due to the Centre Government not releasing funds under Integrated Low Cost Sanitation Scheme (ILCSS), Integrated Housing and Slum Development Programme (IHSDP), Basic Services to Urban Poor (BSUP) under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) Scheme. This was because these Schemes were at the terminal stage and no funds released again. The release of funds under CSS was limited to Swarna Jayanti Sahari Rozgar Yojana (SJSRY) only.

### 3.7.2 Release of Second State Finance Commission (SFC) Grant

The 73<sup>rd</sup> and 74<sup>th</sup> Constitutional amendments 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 2014, three State Finance Commissions were constituted in the State. The period of the Second SFC covered up to 31 March 2010. Pending recommendation of the Third SFC, the State Government agreed to continue adoption of the recommendation of the Second SFC until the recommendation of the Third SFC is accepted for implementation. Thus, Funds were released in line with the recommendations of Second SFC during 2010-13 under the head "Compensation and Assignment." The Third SFC was constituted in March 2013 and its report was due in June 2013. The Second 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*, 20.62 *per cent* was to be transferred to ULBs.

The position of funds released and shortfall in release of funds during 2009-14 are as shown in table as follows:-

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

(₹ in crore)

Year	State's revenue including State's Share of net Proceeds of Union Taxes	Amount transferable to Local Bodies including ADCs (10 %)	Amount transferable to ULBs (20.62 %)	Amount released	Short released (Percent)
2009-10	1033	103.30	21.30	19	2 (9)
2010-11	1517	151.70	31.28	11	20 (64)
2011-12	1834	183.40	37.81	Nil	37.81 (100)
2012-13	1882	188.20	38.80	11	28 (71)
2013-14	2172	217.20	44.78	11	34(76)

Source: MAHUD Department

As it is evident from the table above that the release of funds to the ULBs was much lower than that of the recommendation of Second SFC during the period from 2009-10 to 2013-14. As such, without devolving due share to ULBs, decentralization of power and function at grass root level was frustrated.

### 3.8 Audit Mandate

#### 3.8.1 Primary Auditor

The DLFA is the primary auditor for ULBs and conducts audit of accounts of MCs, NPs and STC under Section 72(1) of the MMA, 1994. As per TG&S arrangement the DLFA needs to prepare an annual audit plan for audit of ULBs and to forward the same to the Principal Accountant General (Audit) (PAG) of the State. The PAG would pick up 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. The PAG is also required to monitor quality of the DLFA's IRs through such scrutiny.

In June 2014 DLFA stated that they are yet to start preparation of Annual Audit Plan. In September 2014, the DLFA intimated that the audit of accounts of 17 units out of 28 auditable ULBs units was conducted during the year

2013-14 but none of their IRs related to ULBs were forwarded to the office of the PAG. Therefore, neither examination of the Annual Audit Plan nor selection and review of the IRs of the DLFA with a view to make suggestions for improvement under TG&S could not be ensured.

In view of the above, the synergy between DLFA and PAG could not be achieved.

#### 3.8.2 Audit by the CAG of India

The Principal Accountant General (Audit), Manipur conducts the 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 CAG under TG&S arrangements in pursuance of the recommendations of the XIII-FC. The State Government has entrusted audit of accounts of all ULBs to CAG of India under TG&S arrangement as per recommendation of the Thirteenth Finance

Commission in March 2012. However, necessary amendment in the relevant State Acts/Rules to facilitate implementation of terms and conditions of TG&S is yet to be carried out.

### **3.9 Audit Coverage**

Test audit of the accounts of 10 ULBs were conducted during the year 2013-14 (**Appendix-IVB**). Results of the audit such as irregularities in financial reporting, failure to creation of useful public assets, doubtful expenditure, suspected misappropriation, unauthorised expenditure, diversion of funds etc are given in the succeeding chapters.

### **3.10 Conclusion**

Neither Standing Committees (except Imphal MC, Bishnupur MC, Lilong (Thoubal) NP and Sikhong Sekmai NP) were constituted nor were AAPs prepared in all the test-audited ULBs. Non-preparation of AAPs indicated lack of seriousness of concerned authority to incorporate local needs in the development process. The ULBs in the State performed eight functions out of 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution of India. There was no mechanism to watch over collection of taxes and fees in all the test-audited ULBs. Release of funds to ULBs by the State Government was lower than that of the recommendation of Second SFC.

### **3.11 Recommendations**

The State Government may consider to ensure:

- Staffing as provided in MMA for the effective discharge of their functions and duties;
- Preparation of Annual Action Plan by all ULBs;
- Transfer functions listed in the XII<sup>th</sup> Schedule of the Constitution of India.
- Also about better coordination of DLF inter Audit.

## **Section 'B'** **Financial Reporting**

### **3.12 Framework**

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

### **3.13 Financial Reporting Issues**

#### **3.13.1 Budget not prepared**

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

Audit of records of 10 ULBs<sup>9</sup> showed that none of the ULBs prepared their Budget. In the absence of the approved Budget proposal, the expenditure incurred by the ULBs was irregular.

#### **3.13.2 Accounts not maintained in Prescribed Formats**

The Ministry of Urban Development, GoI and 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 State Government also issued an order to all ULBs in March 2011 for adoption of NMAM in maintenance of their accounts with immediate effect. It was, however, observed in audit that none of the test-audited ULBs had adopted NMAM as of March 2014. All ULBs test-audited maintained only cash books, receipts and payments accounts. Thus, accounts of the ULBs do not depict their true and correct financial position.

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<sup>9</sup> Moirang Municipal Council, Mayang Imphal Municipal Council, Wangjing Nagar Panchayat, Andro Nagar Panchayat, Lilong (Th) Nagar Panchayat, Sikhong Sekmai Nagar Panchayat, Bishnupur Municipal Council, Imphal Municipal Council, Thoubal Municipal Council and Kakching Khunou Nagar Panchayat

### 3.13.3 Cash Balances not reconciled

Audit of records of 10 ULBs showed that none of the ULBs prepared monthly or quarterly Bank Reconciliation Statements (BRSs). As an illustrative example, as on 31 March 2013 there was a cash balance of ₹ 535.97 lakh as per Bank Pass Book<sup>10</sup> whereas balance as per Cash Book of Imphal MC was only ₹ 531.70 lakh. Thus, there was un-reconciled balance of ₹ 4.27 lakh. The reason for the difference was not explained in the Cash Book through preparation of Bank Reconciliation Statement by the MC. In the absence of BRSs, the correctness of financial position of ULBs could not be ascertained.

### 3.13.4 Deficiencies in Maintenance of Cash Books

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

- Entries in the Cash Book were not authenticated by the competent authority;
- Daily Cash Balance was not verified and certified by the concerned authority;
- Voucher numbers were not indicated against numerous transactions.

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

### 3.13.5 Records not maintained

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

- Issue Registers of Receipt Books;
- Demand Register for collection of taxes and fees;
- Cheque Issue Register;
- Advance Register; and
- Work Register.

The status of tax collection against the total demand of tax for a particular year could not be ascertained in the absence of Demand Register. In the absence of Receipt Book issue register, the risk of using duplicate receipt books in high and hence the register needs to be maintained. Without the above vital accounting records, accountabilities of the ULBs could not be ensured.

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<sup>10</sup> Central Bank of India Account No.159677491

### **3.14 Conclusion**

None of the test-audited ULBs maintained their accounts in the formats prescribed in NMAM. The expenditure incurred by the ULBs in the absence of Budgets was irregular. BRSs were not prepared by all the test-audited ULBs. In the absence of BRS, incidence of fraud, embezzlement, misappropriation, etc., could not be ruled out. Absence of basic records and deficiencies in maintenance of Cash Book indicates that internal control mechanism was not adequate to ensure proper accounting of substantial Public funds dealt with by ULBs.

### **3.15 Recommendations**

The Government should ensure:

- Preparation of budget estimate and maintenance of accounts in the prescribed format;
- Proper maintenance of Cash Book and balance thereof reconciled regularly with the bank;
- Maintenance of all accounting records appropriately.

# **CHAPTER-IV**

## **IMPLEMENTATION OF SCHEMES IN URBAN LOCAL BODIES**

## CHAPTER-IV

### Implementation of schemes by Urban Local Bodies (ULBs)

#### 4.1 Swarna Jayanti Sahari Rozgar Yojana (SJSRY)

The key objective of the SJSRY is to provide gainful employment to the urban unemployed/ underemployed through the setting up of self-employment ventures or provision of wage employment. The audit findings on implementation of the scheme by 10 selected ULBs are as follows:

##### 4.1.1 Failure to create useful public assets

Para 7.1 and 7.2 of the SJSRY Guideline states that the Urban Wage Employment Programme (UWEP) component under the scheme seeks to provide wage employment to beneficiaries living below the poverty line (specially semi-skilled and un-skilled) within the jurisdiction of urban local bodies by utilising their labour for construction of socially and economically useful public assets. These assets may be Community Centres, Storm Water Drains, Roads, Night Shelters, Kitchen Sheds in Primary Schools under Mid-day Meal Scheme and other community requirements like Parks, Solid Waste Management facilities, as decided by the community themselves. The material labour ratio of the works shall be maintained at 60:40. Community Development Societies (CDSs) shall identify the basic minimum services in the area and accordingly prepared the list thereof.

Audit of records of the Imphal MC showed that during October 2011 to August 2013 the MC received a total sum of ₹ 228.38 lakh from Manipur Urban Development Agency, Government of Manipur for implementation of UWEP component of SJSR. Out of the fund allocated the MC incurred an expenditure of ₹ 148.50 lakh for payment of wages to the sweepers during the period from March 2012 to October 2013. Similarly, during 2012-13 the Ward Development Committees (WDCs) of the Lilong (Thoubal) NP also spent a sum of ₹ 9.72 lakh on payment of wages to 18 sweepers (two sweepers each for nine Wards).

Thus, the payment of wages to the sweepers, which does not have any bearing on the creation of socially and economically useful public assets, defeated the very objective of the scheme which envisages creation of socially and economically useful public assets through wage employment.

##### 4.1.2 Doubtful expenditure to the tune of ₹ 36.81 lakh

The Moirang MC received ₹ 14.31 lakh for implementation of UWEP from Manipur Urban Development Agency (MUDA). Out of the amount, ₹ 2.88 lakh was allocated for purchase of equipment at ward level, ₹ 5.27 lakh for engaging one labourer each in 12 wards and ₹ 6.15 lakh for engaging 14 labourers at Municipal level on daily wages at the rate of ₹ 122.10 for 12



months. In the release order the Executive Officer (EO) was further instructed to transfer the fund earmarked for the wards to the Ward Development Council (WDC) without any deduction and with a direction to maintain muster roll, vouchers *etc.* However, the Municipal Council (MC) neither transferred the funds meant for ward level to the WDCs nor did the MC prepare a project or work programme to be executed at the ward and the municipal levels. Instead, the MC selected 12 beneficiaries at ward level and 14 beneficiaries at Municipal level for engagement on daily basis at the rate of ₹ 122.10 for which the MC incurred a total of ₹ 11.43 lakh (₹ 95,238 X 12) based on Muster Rolls for the period from March 2012 to February 2013. However, items or nature of works where beneficiaries were engaged was not recorded. Also, assets created under the grants were not recorded. Therefore the entire expenditure was doubtful.

Similarly, the Thoubal MC also received a sum of ₹ 30.25 lakh for implementation of UWEP. Out of the amount, ₹ 10.11 lakh was allocated for utilization at Municipal level and ₹ 20.14 lakh was for Ward level. The MC had incurred expenditure of ₹ 25.38 lakh for payment of wages to 59 individuals (23 individuals at MC level and 36 individuals at ward level) who were stated to have been engaged in sweeping of the Municipal area during February 2012 to January 2013. However, there were no muster rolls, bills, vouchers or any statement of claims where the beneficiaries were stated to have been engaged indicating names, place or time period of execution of the works.

Therefore, in the absence of proper records/documents to support the expenditure incurred by the MCs, proper utilization of the scheme funds could not be ascertained in audit.

#### 4.1.3 Parking of funds

Audit of records pertaining to SJSRY of the Bishnupur MC showed that the MC received a total sum of ₹ 7.02 lakh from MUDA in the month of October 2011 and December 2012 for implementation of various components under the scheme. The details of the funds received are given in the table as follows:

**Table 4.1: Parking of funds**

(Amount in ₹)			
Sl. No.	Purpose	Release order No. & date	Receipt
1	UCDN component of SJSRY	3/79/SJSRY/MUDA-2011 dated 29/10/2011	2,04,000
2	UWEP component of SJSRY	3/79/SJSRY/MUDA-2011(8) dated 26/12/12	2,99,736
3	UCDN component of SJSRY	3/79/SJSRY/MUDA-2011(v-III) dated 26/12/12	1,76,208
4	Administrative & Operational Expenses	3/79/SJSRY/MUDA-2011 dated 5/10/12	21,839
<b>Total</b>			<b>7,01,783</b>

It was noticed in audit that the entire grant of ₹ 7.02 lakh was not utilised by the MC till the date of audit (October 2013) indicating the fact that the scheme was not implemented although the funds were available with the MC. The whole funds remained parked in the Bank account at UCO Bank, Bishnupur without any recorded reason.

Similarly, the Imphal MC also received a sum of ₹ 18.31 lakh for implementation of Urban Community Development Network (UCDN) component under SJSRY on 26/12/2012. The fund was to be transferred to WDCs of the MC without any deduction. However, instead of releasing the fund the whole amount remained parked for almost 11 months as on November 2013 in the Bank account, Allahabad Bank, without any recorded reason.

Therefore, parking of ₹ 7.02 lakh in the case of Bishnupur MC for 10 months and ₹ 18.31 lakh in the case of Imphal MC for 11 months indicated that the scheme was yet to be implemented.

The matter has been referred to the Department (February 2014) and reply is awaited (December 2014).

#### **4.1.4 Records not produced**

Audit of records pertaining to SJSRY of the Kakching Khunou NP showed that during the period from February 2008 to December 2012 the NP received a total sum of ₹ 16.57 lakh from MUDA for implementation of SJSRY scheme. As per Cash Book and Bank Statement the fund was drawn and disbursed during the period. However, records pertaining to the purpose for which the money was drawn and disbursed were not maintained. The NP also could not furnish any relevant bills, vouchers, muster rolls, measurement records, work programme or list of works taken up under the scheme and other relevant records requisitioned despite of repeated reminders issued except some APRs which showed that the funds were paid to the councillors of each ward without prior sanction or preparation of bill. Therefore, incurring of expenditure of ₹ 16.57 lakh without maintaining the relevant records is fraught with the risk of embezzlement.

## **4.2 Second State Finance Commission (SFC) Award to ULBs**

### **4.2.1 Suspected Misappropriation of ₹ 19.75 lakh on procurement of Tubular Steel**

Audit of records relating to Second SFC Awards of the Lilong (Thoubal) NP showed that the NP received grants of ₹ 63.28 lakh for the year 2009-10 from MAHUD. Out of this fund, the NP executed the following four works through the Secretaries of Beneficiaries Committees, to whom work orders were awarded on 05/05/2011:

**Table 4.2: Works executed through Secretary of Beneficiary Committee**

Sl.No.	Name of works	Estimated cost (₹)	Work order value/amount negotiated	Time allowed
1	Construction of Public bazaar Hall at Lilong Ward No.1	35,99,816	35,00,000	4 months
2	Construction of covering drain of Lilong bazar Ward No.1	18,66,347	18,66,000	4 months
3	Construction of public toilet at Usoipokpi near Lilong (Th) NP	4,62,250	4,62,000	4 months
4	Repairing of ground flooring and market shed at Lilong bazar	5,00,468	5,00,000	4 months
<b>Total</b>		<b>64,28,881</b>	<b>63,28,000</b>	

Scrutiny of related bills for materials purchased for the works showed that Tubular Steels valued at ₹ 19.75 lakh was procured from M/s Steel Centre, Guwahati as indicated in the table below:

**Table No 4.3: Procurement of tubular steel**

Particulars	Date	Quantity	Price per Unit	Amount (in ₹)
Tubular Steel of different sizes	05.05.2011	7000 kg.	₹150 per kg	10,50,000
Tubular Steel of different sizes	15.06.2011	500 monds	1850 per mond (₹ 46.25/kg)	9,25,000
<b>Total</b>				<b>19,75,000</b>

Note: 500 monds = 20,000 kg.

From the above table, it can be seen that procurement rate was ₹ 150 per kg for the Tubular Steel purchased in May 2011 while it was ₹ 46.25 per kg for Tubular Steel purchased in June 2011. There was also no record to show that the procurement was done after following due process such as calling for tender/rate quotation, bidding process and other codal provisions mentioned in GFR. The then Chairperson, Vice Chairperson and Councilors (elected bodies) of ward number 6, 7 and 8 also certified in the overleaf of the fabricated document that the materials had been received in full and in good condition. Further, the specifications of the materials procured were not shown in cash memo. Reasons for wide difference in price of Tubular Steel within one month period was not on record.

Thus, inconsistency in nature of procurement of materials and lack of proper documentary evidence *etc.* points towards possible misappropriation of SFC fund of ₹ 19.75 lakh.

#### 4.2.2 Suspected misappropriation: ₹ 8.00 lakh

Audit of records pertaining to Second SFC Awards of the Kakching Khunou NP showed that the NP received a sum of ₹ 29.19 lakh in February 2010 under the Award. Out of this fund the NP withdrew a total sum of ₹ 21.20 lakh in May 2011 in connection with the execution of various construction works

including construction of a public toilet at Kakching Khunou bazaar at the cost of ₹ 8.00 lakh. However, during physical verification conducted by the joint team of Audit party and the staff of the NP on 06/02/2014, it was seen that the toilet did not exist. Thus, withdrawal of fund without execution of the work was tantamount to misappropriation of ₹ 8.00 lakh.

The matter was reported (August 2014) to Government. Reply is awaited (December 2014)

#### 4.2.3 Tax deducted at source not deposited

As per Government of Manipur notification, the amount of sale tax deducted at source should be deposited by the DDO into the designated bank, authorized by the State within seven days from the expiry of the month.

Audit of records pertaining to Second SFC Award of the Imphal Municipal Council showed that the MC received a total sum of ₹ 225.00 lakh during the period from November 2012 to March 2013 under the Award for the year 2010-11. Details of the funds are given in the table as follows:

**Table 4.4: Second SFC Award**

Date of Receipt	Particulars	Amount (₹ in lakh)	Remarks
16/11/12	Fund earmarked for Municipal level	22.50	40 per cent of ₹ 225.00 lakh
	Fund earmarked for Ward level	67.50	
<b>Sub Total (A)</b>		<b>90.00</b>	
30/03/13	Fund earmarked for Municipal level	33.75	60 per cent of ₹ 225.00 lakh
	Fund earmarked for Ward level	101.25	
<b>Sub Total (B)</b>		<b>135.00</b>	
<b>Grand Total (A plus B)</b>		<b>225.00</b>	

It can be seen from the table above that funds amounting to ₹ 56.25 lakh (₹ 22.50 lakh and ₹ 33.75 lakh) was sub-allocated for the Municipal level. Estimate of ₹ 45.84 lakh were prepared by the Municipality for execution of 27 works and the balance amount of ₹ 10.41 lakh was retained in the Municipal fund. Out of the amount of ₹ 10.41 lakh an amount of ₹ 7.06 lakh (₹ 0.46 lakh as cess plus ₹ 2.57 lakh as VAT plus ₹ 4.03 lakh as 8 per cent of the agency charge) retained from the contractors was to be remitted to the Government account. However, the amount has not been deposited to the Government (December 2013) accounts even after lapse of 9 to 13 month in violation of Government notification.

#### 4.2.4 Diversion of fund

Audit of records of the Moirang Municipal Council revealed that the MC submitted work programme on 22/11/2010 to the Joint Director, MAHUD Department, Government of Manipur for release of fund under Second SFC Award for the period 2009-10. The work programme as resolved by the Council's meeting resolution dated 12/11/10 is detailed in the table as follows:

**Table 4.5: Work programme of Moirang Municipal Council**

(₹ in Lakh)

Sl. No.	Name of works	Proposed amount
1	Construction of RCC retaining wall (stepping type) at Kokilbon tank	20.00
2	Improvement of ground around the Indoor stadium Moirang (earth filling and singling) with fencing	14.00
3	Construction of toilet and bath room both ladies and gents at Indoor Stadium, Moirang	10.00
4	Construction of slab culvert drain within Moirang main market (Awoon Keithel)	8.09
<b>Total</b>		<b>52.09</b>

Accordingly, the Department released grants-in-aid of ₹ 52.09 lakh vide sanctioned No.2/166/DIR/MAHUD/2000-01(Pt.II)B dt. 26/04/2011 under the Award of Second SFC for the year 2009-10. However, on scrutiny of relevant files/documents, Audit observed that the Council implemented works which were not as per the list of approved and proposed work programme. Details of works implemented and utilization of funds out of the grants were given in the table as follows:

**Table 4.6: Works implemented and utilisation of funds**

Sl. No.	Name of works	To whom paid	Date	Amount (in ₹)
1	Improvement of Mairembam Manindra Indoor Stadium	Ph. Bheigyapati Devi (Chairperson of Construction Committee)	13/05/2011	6,00,000
			27/05/2011	5,00,000
			15/06/2011	5,00,000
			04/07/2011	5,00,000
			19/09/2011	2,34,252
<b>Sub-total</b>				<b>23,34,252</b>
2	Takmu Sports Complex	M. Basanta Singh (Chairperson of Construction Committee)	05/11/2011	1,18,732
			05/11/2011	62,150
			06/11/2011	1,37,228
			06/11/2011	96,300
<b>Sub-total</b>				<b>4,14,410</b>
3	Construction of Toilet	M. Muhini Devi (Chairperson of Construction Committee)	05/11/2011	15,33,377
<b>Sub-total</b>				<b>15,33,377</b>
<b>Grant Total</b>				<b>42,82,039</b>

Scrutiny of the records of the MC revealed that payments were made to the Chairpersons of the Construction Committees for execution of the works. The MC in its reply stated that the approved work programme was dropped and new work programme was adopted by the Council on the basis of public interest. The reply is not tenable as evidence of the new works approved was not produced. Moreover fund released against the original work programme

was utilized other than the purpose for which it was released. Thus, the MC diverted Second SFC fund of ₹ 42.82 lakh.

#### **4.2.5 Withdrawal of money in anticipation of future expenditure**

As per Rule 290 of the Central Treasury Rules (CTR) no money shall be withdrawn from the Treasury/Bank unless it is required for immediate disbursement. It is not permissible to draw money from the Treasury/Bank in anticipation of demand or to prevent the lapse of budgetary provision.

Audit of records pertaining to Second SFC Awards of the Wangjing Nagar Panchayat showed that the NP received grants-in-aid of ₹ 21.76 lakh on 26/04/2011 for the year 2009-10 under the Second SFC Award. The fund was released for implementation of developmental works namely construction of stair/steps, waiting sheds, culverts and for Solid Waste management. Out of this fund the NP withdrew ₹ 14.40 lakh on 11/05/2011 from the bank where Second SFC fund was kept for implementation of 19 items of works (**Appendix-XIV**). However, on scrutiny of MRs, Audit observed that the works were carried out between 01/08/2012 and 30/08/2012 i.e. after 14 months from the date of drawal of funds. Thus, drawing money in anticipation of future requirement violates the provision of CTR.

#### **4.2.6 Weak internal control Mechanism.**

MAHUD Department released grants-in-aid of ₹ 21.65 lakh on 18/12/2009 to the Wangjing NP under the Second SFC Award for the year 2008-09. Audit of relevant records/files, showed that UC for the released fund was submitted on 15/04/2011 by the NP. While submitting the UC, it was certified by the then Executive Officer of the NP that Cash Book, ledger, vouchers *etc.*, work programme and photograph of the related works were also furnished. However, on scrutiny the following were observed:

- Receipt and disbursement of the fund of ₹ 21,65,000 was not reflected in the Cash Book maintained by the NP;
- The fund was not deposited to the Bank Account operated by the NP;
- Sanction order for drawal of the fund was not found on record;
- No record was available regarding period of implementation of the works;
- Neither bills/voucher was prepared nor Ledger maintained for the fund.

Further, on scrutiny of Cash Book and Bank pass book, it was noticed that ₹ 6.65 lakh and ₹ 0.31 lakh were withdrawn on 01/06/2011 and 17/01/2012 respectively from the bank account opened for the Second SFC fund. The withdrawal was for works related to solid waste management which consisted of development of solid waste dumping ground, fencing of the dumping site, cleaning of drain and monthly labour charges for collection of solid waste materials. However, the following were observed by Audit:

- No estimate was prepared by the NP for the stated works;
- No Sanction Order for drawal of ₹ 6.65 lakh was noted in the relevant files;
- Related bills for drawal of ₹ 6.95 lakh (₹ 6.65 lakh plus ₹ 0.31 lakh) was not prepared by the NP;
- Period of execution was also not on record;
- No Measurement Books were maintained by the NP for the works; and
- Neither Attendance Register nor Acquaintance Roll was prepared by the NP to justify payment of monthly labour charges for collection of solid waste materials.

Similarly, Audit of the accounts of the Kakching Khunou NP showed that the NP received a sum of ₹ 29.19 lakh in February 2010 under the same Award. Out of this fund, the NP withdrew a total sum of ₹ 21.20 lakh in May 2011. However, bills and vouchers in support of the claim of ₹ 21.20 lakh was not made available to audit.

Wangjing NP in its reply stated that the works were implemented by the NP as per work programme though related documents or records were not maintained.

Failure to disclose receipt of fund and its disbursement in the relevant accounting records and withdrawal of money without presentation of bills indicates that internal control mechanism was not adequate to ensure proper accounting and transparency in dealing with the substantial public funds by the NPs. Such practice is fraught with the risk of misappropriation.

### **4.3 Twelfth Finance Commission Award**

#### **4.3.1 Unfruitful Expenditure: ₹ 13.29 lakh**

Audit of records of five ULBs<sup>11</sup> showed that the ULBs together received a sum of ₹ 48.06 lakh during the period from 2008-09 to 2010-11 under XII FC Awards. Out of this fund, ₹ 13.29 lakh (**Appendix-XV**) was spent for creation of database and maintenance of accounts on accrual basis. However, neither database was created nor accounts were maintained in double entry accrual basis system in all five test checked ULBs as of September 2013. As such ₹ 13.29 lakh incurred on creation of database and maintenance of accounts on accrual based system was unfruitful expenditure.

#### **4.3.2 Diversion of fund: ₹ 9.41 lakh**

The Mayang Imphal Municipal Council received a sum of ₹ 9.41 lakh under the XII FC Award for the years 2008-09 and 2009-10 from MAHUD

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<sup>11</sup> Moirang MC, the Andro NP, Lilong (Thoubal) NP, Sikhong Sekmai NP and Kakching Khunou NP



on 18/04/2011. The grant was released for execution of the following works as shown in the table below:

**Table 4.7: Grant released for Mayang Imphal Municipal Council**

(₹ in lakh)		
Sl. No.	Name of work	Amount allocated
1	Purchase of Tractor with Trailer (under Solid Waste Management)	7.60
2	Engagement of Labour, Diesel Oil, etc. (under Solid Waste Management)	0.80
3	Remuneration of Computer Operator and purchase of Computer Laptop (under Creation of Database)	1.01
<b>Total</b>		<b>9.41</b>

Audit of Cash Books and other relevant records/documents showed that ₹ 6.70 lakh was utilized (09/05/2011) on procurement of 1.25 acres of land to be used as Dumping Ground in pursuance of a resolution of the Council's meeting held on 04/05/2011 and ₹ 1.11 lakh was incurred on 02/07/2011 for land development of the dumping ground. Further, an amount of ₹ 1.60 lakh was also utilized on 16/06/2011 for construction of barbed wire fencing at the same site. As such, fund of ₹ 9.41 lakh allocated for a particular work programme was diverted on procurement of land for dumping ground and its related works.

#### **4.4 Thirteenth Finance Commission Award**

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

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

##### **4.4.1 Diversion of fund: ₹ 74.23 lakh**

Audit of records of two MCs and one NP showed that the three ULBs executed 12 works under the XIII FC Awards which were not part of the four services suggested by the Finance Commission. Details are shown in the following table:



**Table 4.8: Utilisation of XIII-FC fund on inadmissible items**

Sl. No.	Name of MC/NP	Name of work	Fund received and date (₹)	Amount paid (₹)
1	Bishnupur MC	Improvement and barbed-wire fencing at Leikai Pukhri Achouba at ward no. 1	7,03,000 (01/03/2012)	44,000 (04/11/2013)
2		Special repairing of Crematorium at ward no. 3		44,000 (04/11/2013)
3		Repairing of crematorium at Shantikhongnangkhang		1,40,000 (04/11/2013)
4	Imphal MC	Purchase of 4 nos. of Tata Ace HT Tipper and 1 Massey Ferguson	3,90,78,654 (During 01/03/2012 to 30/04/2013)	30,46,000 (17/07/2013)
5		Payment of Salary/Honorarium		31,55,000 (09/07/2013)
6		Purchase of diesel		4,92,000 (31/08/2013)
7	Andro NP	Room ceiling, white wash and painting of the NP office	20,30,494 (During 01/11/2011 to 31/03/2013)	1,77,000 (Date not available)
8		Shingling at Andro ward no. 2		46,404 (Date not available)
9		Shingling at Andro ward no. 12		46,406 (Date not available)
10		Shingling at Andro ward no. 6		46,404 (Date not available)
11		Shingling at Andro ward no. 4		29,400 (Date not available)
12		Construction of Keithel Lairembi Temple at Andro Bazar		1,85,620 (Date not available)
<b>Total</b>			<b>4,18,12,148</b>	<b>74,52,234</b>

Thus, from the table above, it is seen that the three ULBs diverted ₹ 74.52 lakh for other purposes in contravention of the guidelines of the XIII FC.

#### 4.4.2 Records not produced

Audit of records pertaining to XIII FC Awards of the Sikhong Sekmai NP showed that the NP received ₹ 5.37 lakh on 29/11/2011 and ₹ 5.46 lakh on

26/02/2013 under the Award. As per information furnished by the NP the entire funds were said to be utilised by March 2013 on various works such as construction of ring culverts, bath room, water tank, dust bin, public urinal, etc. However, the relevant records such as MBs, estimates, related bills and vouchers could not be made available to Audit as the records were not prepared by the NP. As such Audit could not ascertain the proper utilization of XIII FC grants of ₹ 10.83 lakh.

Similarly, audit of records pertaining to XIII FC Awards of the Kakching Khunou NP showed that the NP received a total grant of ₹ 23.75 lakh (₹ 6.26 lakh on 27/04/2011, ₹ 8.17 lakh on 29/11/2011, ₹ 1.00 lakh on 30/05/2012 and ₹ 8.32 lakh on 26/02/2013) under the XIII FC Award. Further Audit of the relevant bank pass book, showed that all the grants was withdrawn during the period from April 2011 to June 2012. However, details of expenditure or related payment vouchers could not be produced to Audit. Similarly, the Lilong (Thoubal) NP incurred a total expenditure of ₹ 8.44 lakh during the period from January 2012 to March 2013 in connection with the construction of solid waste management cum storm water drain. However, the NP could not produce the relevant documents such as detailed estimates, completion certificate, MB, bills etc. to Audit for the work despite requisitions. Spending of public funds without records is fraught with the risk of embezzlement.

The matter was brought to the notice of the concerned NP in March 2014 and a reminder in July 2014. However, reply is yet to be received till date (December 2014).

## **4.5 Miscellaneous**

### **4.5.1 Drawal of sitting allowance**

Section 35 of the Manipur Municipality Act, 1994 states that the Chairperson, the Vice-Chairperson or any other Councilor of a Council may be granted such remuneration or such allowance by the Council as may be prescribed provided that the expenditure to be incurred under this Section shall without prejudice to the provision of Section 71 of having approved budget, be paid out of the Municipal fund. No expenditure should be incurred unless backed by approved budget.

Audit of the accounts of the Bishnupur MC showed that the MC spent a sum of ₹ 1.80 lakh during the period from April 2012 to March 2013 in payment of sitting allowances of the councillors for 12 monthly meetings held during the period.

Similarly, the Moirang MC also held 31 nos. of monthly meetings during the period from October 2008 to May 2013, the MC paid ₹ 3.66 lakh (30 sittings x 12 councilors x ₹ 1,000 plus 1 sitting x 12 councilor x ₹ 500) as payment of sitting allowances to the councilor. Thus, the MCs had spent ₹ 5.46 lakh without authorization towards payment of sitting allowance where there is no provision of the same in the Act.

#### 4.5.2 Excess payment of honorarium to the tune of ₹ 29.04 lakh

As per Section 35 of the Manipur Municipalities Act, 1994 the State Government fixed the monthly honorarium of Chairperson, Vice-chairperson and Councillors of ULBs at the rate of ₹ 6,000, ₹ 5,000 and ₹ 3,000 respectively with effect from 01/01/2012.

Audit of the accounts of the Imphal MC revealed that the MC incurred ₹ 39.36 lakh on payment of honorarium to the Chairperson, Vice-chairperson and 25 nos. of councillors during the year 2012-13 against the payable amount of ₹ 10.32 lakh. Details are given in the following table:

**Table 4.9: Expenditure incurred on honorarium**

(₹ in lakh)

Sl. No.	Month	Actual amount paid	Amount payable
1	April 2012	3.28	0.86
2	May & June 2012	6.56	1.72
3	July 2012	3.28	0.86
4	Aug & Sept 2012	6.56	1.72
5	Oct, Nov & Dec 2012	9.84	2.58
6	Jan, Feb & Mar 2013	9.84	2.58
<b>TOTAL</b>		<b>39.36</b>	<b>10.32</b>

Thus, due to payment of honorarium above the prescribed rate, the Imphal MC has incurred an excess expenditure of ₹ 29.04 lakh (₹ 39.36 – ₹ 10.32).

#### 4.5.3 Rents not collected from shopkeepers

Audit of records relating to women vendors and shops/stalls of the Imphal MC showed that the MC collected rent or fees at different rates from different shops or stalls or vendor's sites. Position of collection of rent or fees from the holders or vendors by the MC was found to be unsatisfactory. Information related to annual demand and actual collection of rents or fees from the holders as furnished by the MC is reproduced in the following table:

**Table 4.10: Rent/ Fees collected**

(Figure in ₹)

2011-12		2012-13	
Total demand during the year	Total collection during the year including arrear	Total demand during the year	Total collection during the year including arrear
43,83,396	25,166	59,97,425	8,76,157

As could be seen from the above table the MC collected revenue of ₹ 9.01 lakh (₹ 0.25 lakh in 2011-12 and ₹ 8.76 lakh in 2012-13) inclusive of arrear

against the total demand of ₹ 103.80 lakh (₹ 43.83 lakh in 2011-12 and ₹ 59.97 lakh in 2012-13) during the year 2011-13. The balance amount of rent or fees for the period of 2011-13 amounting to ₹ 94.79 lakh remained unrealised till 02/12/2013. Thus, the MC suffered loss of revenue of ₹ 94.79 lakh as it failed to collect rent or fees from the holders or vendors.

Similarly, the Thoubal MC also collected rent or fees of ₹ 5.55 lakh including of arrears against the total demand of ₹ 11.31 lakh during the year 2012-13. Rents or fees amounting to ₹ 5.76 lakh remained to be collected by the MC for the period 2012-13 as of December 2013 (**Appendix-XVI**).

This is indicative of weak internal control mechanism on the part of the MCs. There is an urgent need to put in place effective mechanism for maximum collection of revenue.

#### **4.5.4 Records not maintained**

For drawal of funds received by the Nagar panchayat from bank, the Executive Officer (nominated by the Government) and Chairperson (elected) were the co-signatories of the Cheques.

Audit of two Bank Pass Books (UBI branch and Allahabad Bank branch) operated by the Kakching Khunou NP, observed that during the period from 31/12/2012 to 31/03/2013 grants of ₹ 72.85 lakh was received by the NP for implementation of various schemes. The details of fund receipt are given in the table below:

**Table 4.11: Details of fund receipt**

United Bank of India (a/c no 0256010216005)		Allahabad Bank (a/c no 50101006788)		Total Receipts
Date of receipt	Amount(₹)	Date of receipt	Amount (₹)	Amount (₹)
31/12/12	2,28,000	26/12/12	2,24,802	4,52,802
04/03/13	8,31,958	28/02/12	1,59,975	9,91,933
09/03/13	6,45,030	-	-	6,45,030
26/03/13	1,00,000	-	-	1,00,000
29/03/13	2,85,000	-	-	2,85,000
29/03/13	7,18,416	-	-	7,18,416
30/03/13	1,06,236	-	-	1,06,236
30/03/13	14,30,000	-	-	14,30,000
31/03/13	25,56,000	-	-	25,56,000
<b>Total</b>	<b>69,00,640</b>		<b>3,84,777</b>	<b>72,85,417</b>

As per the Pass Book (UBI) bank balance was ₹ 38,459 as of September 2013 while bank balance of Allahabad Bank stood at ₹ 7,599 as of July 2013 indicating the fact that transaction had taken place out of the fund received during the stated period. However, none of the transactions were found recorded in the cash book as on February 2014. Further, records such as the bills, vouchers, APRs, estimates, work programme and other relevant records to support the expenditure incurred by the Nagar Panchayat for the stated period was also not found maintained. There was no recorded reason as to how funds were drawn without making any bills and why the transactions were not recorded in the cash book. Thus, Audit could not ascertain the proper utilization of ₹ 72.39 lakh by the NP.

#### 4.6 Conclusion

Funds meant for creation of useful public assets under UWEP and Second SFC was incurred on payment of wages, salary and maintenance of vehicles. There is the risk of misappropriation and embezzlement of fund as internal controls is weak and also records were not maintained properly. The award under XII FC and XIII FC were not utilised for the purpose for which the fund was sanctioned. Collection of rents and fees by ULBs was not efficient and effective resulting in huge arrears of revenue.

**4.7 Recommendations**

The Government should ensure:

- adherence to the Financial Rules by the ULBs to enforce transparency in the utilisation of public funds;
- proper maintenance of vital records by the concerned authorities;
- adherence to the prescribed rate in the payment of wages, salary and honorarium to sweepers, councilors etc. to enforce financial discipline.

**Imphal**



**(Ng. Ruth)**

**Sr. Deputy Accountant General (Audit), Manipur**

**Countersigned**

**Imphal**



**(Birendra Kumar)**

**Principal Accountant General (Audit), Manipur**

# APPENDICES

## Appendix-I

## The PRIs-wise roles and responsibilities of Standing Committees

(Reference: Paragraph 1.5)

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



## Appendix-II

### Activity Map for 16 line departments to be transferred to PRIs

(Reference: Paragraph 1.9)

Sl. No.	Dept	Activities to be transferred to ZPs	Activities to be transferred to GPs
1	Transport	<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.	Dept	Activities to be transferred to ZPs	Activities to be transferred to GPs
9	Horticulture	i) Implementation of a) Expansion programmes; and b) Demonstration programmes ii) a) Assistance to small marginal farmers in the construction of small Engineering Structure and land levelling; and b) Construction of water harvesting structure	Selection of beneficiaries/sites through Gram Sabha
10	Tribal Development	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-III**

**Transfer of Funds, Functions and Functionaries to ZPs and GPs as on 31 March 2014**

(Reference: Paragraph 1.9)

Sl. No.	Department	Latest Status on functionaries transferred	Latest Status on fund transferred	
			Year	Amount
<b>ZPs</b>				
1	Fisheries	1-Inspector, 1 Field Assistant to each ZP	2009-10 to 2013-14	Nil
2	Horticulture	1 Assistant Agriculture Officer, 1 Assistant Horticulture Inspector and 1 Soil Surveyor to each ZP	2009-10 to 2013-14	Nil
3	Tribal Development	1 Extension Officer (Agriculture), 1 Field Assistant & 1 Road Mohorir to each ZP	2009-10 to 2013-14	Nil
4	Rural Development	1-Extension Officer (P), 1-Upper Divisional Clerk, 1 Accountant to each ZP	2009-10	₹ 3113.66 lakh
			2010-11	₹ 1875 lakh
			2011-12	₹ 1875 lakh
			2012-13	₹ 2062 lakh
			2013-14	₹ 2062 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	
<b>GPs</b>				
1	Fisheries	Not transferred	Not transferred	
2	Horticulture	Not transferred	Not transferred	
3	Tribal Development	Not transferred	Not transferred	
4	Rural Development	1-Panchayat Secretary each to 161 GPs	Not transferred	
5	Science & Technology	Not transferred	Not transferred	
6	Veterinary & Animal Husbandry	Not transferred	Not transferred	
7	Social Welfare	Not transferred	Not transferred	
8	Minor Irrigation	Not transferred	Not transferred	
9	Agriculture	Not transferred	Not transferred	
10	Industries	Not transferred	Not transferred	
11	Co-operation	Not transferred	Not transferred	
12	Transport	Not transferred	Not transferred	
13	Health	Not transferred	Not transferred	
14	Arts & Culture	Not transferred	Not transferred	
15	Family Welfare	Not transferred	Not transferred	
16	Education(schools)	Not transferred	Not transferred	

## Appendix-IV

## List of Units audited during 2013-14

(Reference: Paragraphs 1.12 &amp; 3.9)

## (A) Panchayati Raj Institutions

Sl. No.	Name of Unit audited	Period of Accounts covered	Period of Audit
1	Imphal West ZP	01/04/2011 to 31/03/2013	15/04/2013 to 03/05/2013
2	Thoubal ZP	01/04/2011 to 31/03/2013	04/05/2013 to 22/05/2013
3	Bishnupur ZP	01/04/2012 to 31/03/2013	07/10/2013 to 23/10/2013
4	Imphal East ZP	01/04/2012 to 31/03/2013	17/12/2013 to 31/12/2013
5	12 GPs under Bishnupur CD Block (1) Leimapokpam (2) Ngaikhong Khullen (3) Ishok (4) Sanjenbam Pukhrambam (5) Keinou (6) Utlou (7) Irengbam (8) Toubul (9) Khoijuman Kwaksifai (10) Thinungei (11) Nachou (12) Phubala	01/04/2008 to 31/03/2013	19/06/2013 to 25/06/2013 (Sl. No. 1 to 7)  25/10/2013 to 28/10/2013(Sl. No. 8) 02/01/2014 to 07/01/2014(Sl. No. 9)  08/01/2014 to 25/01/2014 (Sl. No. 10 to 12)
6	9 GPs under Imphal East CD Block (1) Pungdongbam (2) Kangla (3) Takhel (4) Pukhao (5) MakengDolaithabi (6) Tellou Chana (7) Nongren Chingnungkhok (8) Sawombung (9) Uyumpok	01/04/2009 to 31/03/2013	23/05/2013 to 27/06/2013

**(B) Urban Local Bodies**

<b>Sl. No.</b>	<b>Name of Unit audited</b>	<b>Period of Accounts covered</b>	<b>Period of Audit</b>
1	Moirang Municipal Council	01/04/2010 to 31/03/2013	01/07/2013 to 19/07/2013
2	Mayang Imphal Municipal Council	01/04/2010 to 31/03/2013	20/07/2013 to 06/08/2013
3	Wangjing Nagar Panchayat	01/04/2009 to 31/03/2013	07/08/2013 to 21/08/2013
4	Andro Nagar Panchayat	01/04/2009 to 31/03/2013	23/08/2013 to 04/09/2013
5	Lilong (Th) Nagar Panchayat	01/04/2009 to 31/03/2013	05/09/2013 to 17/09/2013
6	Sikhong Sekmai Nagar Panchayat	01/04/2009 to 31/03/2013	18/09/2013 to 28/09/2013
7	Bishnupur Municipal Council	01/04/2012 to 31/03/2013	28/10/2013 to 14/11/2013
8	Imphal Municipal Council	01/04/2012 to 31/03/2013	15/11/2013 to 02/12/2013
9	Thoubal Municipal Council	01/04/2012 to 31/03/2013	03/12/2013 to 16/12/2013
10	Kakching Khunou Nagar Panchayat	01/04/2005 to 31/03/2013	27/01/2014 to 06/02/2014

**Appendix – V**  
**Delay in payment of wages**  
**(Reference: paragraph 2.1.2)**

Sl. No.	Name of GP/ZP	Fund received (₹) & date of receipt	Name of work executed	Period of execution	Man days	Amount to be paid as wages (₹)	Delay in payment of wages in days
1	Irengbam GP	6,38,280 (25.02.2013)	Construction of drain at Chothe Turel to Loujintum Taba	21/03/2013 to 22/03/2013	3546	5,10,624	81 as of 25/06/2013
2	Keinou GP	5,04,000 (21.03.2013)	Re-digging of drain both sides at Loyalakpa Laibungnakal to Pukhriachoubamapa	27/03/2013 to 28/03/2013	2800	4,03,200 (transferred)	39 as of 20/05/2013
		2,52,000 (21.03.2013)	Re-digging of drain both sides at Loyalakpa Laibungnakal to Pukhriachoubamapa	29/03/2013	1400	2,01,600	76 as of 27/06/2013
3	NgaikhongKhullen GP	6,34,680 (08.01.2013)	Construction of Public pond at Ngaikhong Siphai Salam Mamang	17/03/2013 to 18/03/2013	3526	5,07,744	90 as of 29/06/2013
		3,17,340 (08.01.2013)	Construction of retaining wall at Ngaikhong Siphai Thaballeimapa to S. Kunjabimapa	22/03/2013	1763	2,53,872	85 as of 29/06/2013
			Construction of IVR with singling from Hanu Ching to Poiroupattabalambi, Changamdabi	22/12/2012 to 28/12/2012	3647	5,25,168 (Transferred on 06/02/2013)	25 as of 05/02/2013
4	Imphal East ZP	1,42,00,000 (08.11.2012)	Singling of IVR from main road to Hangoipat, Makeng Dolaithabi	10/09/2012 to 23/09/2012	3738	5,38,272 (transferred on 04/06/2013)	239 as of 03/06/2013
			Construction of both sides drain at Angthamaningleikai and Sinamleikai, Angtha	17/03/2013 to 29/03/2013	5785	8,33,040 (transferred on 22/05/2013)	39 as of 21/05/2013
<b>Total</b>		<b>1,65,46,300</b>				<b>37,73,520</b>	

## Appendix - VI

## Details of funds spent on wages and materials

(Reference: Paragraph 2.1.6)

(Amount in ₹)

Sl. No.	Name of work	Amount allocated	Wages	Material Cost	Wage and material Ratio
1	Renovation and shingling of Maning Loubok Lambi from Laingamkhul to water supply taba at Yumrembam ZP Constituency	15,03,186	5,26,176	9,77,010	35:65
2	Singling at Mamang Laishram Leirak mamang Shougrakpam Leirak maning Yumnam Leirak at Kodompokbi Zp constituency	6,87,380	2,61,360	4,26,020	38:62
3	Earthwork and shingling at Pallak lambi at Hiyangthang ZP	8,50,371	2,97,648	5,52,723	35:65
4	Shingling at Khangambam Leirak at Langthabal awing (Hiyangthang ZP constituency)	11,71,280	4,09,968	7,61,312	35:65
5	Earthwork and shingling from Hawairou lambi, Irom lambi, Lashram lambi, Ipu lambi, Chingagyaima lambi and Pibamayum lambi without ring culvert at Awangkhnou ZP constituency	11,71,280	4,09,968	7,61,312	35:65
6	Construction of drain from R.K Khoibi Shija to Sagolsem deben at Langthabal ZP constituency	10,85,634	3,80,016	705618	35:65
<b>Grant total</b>		<b>64,69,131</b>	<b>22,85,136</b>	<b>41,83,995</b>	<b>35:65</b>

## Appendix - VII

## Receipts and Expenditure of funds under MGNREGS during the period from 2008-13

(Reference: Paragraph 2.1.7)

Name of GP	Fund received (₹)	Fund expended (₹)	Year
KhoijumanKwaksifai	3,84,89,290	3,84,89,290	2008-09
	9,31,701	9,31,701	2009-10
	74,95,114	74,95,114	2010-11
	95,25,862	95,25,862	2011-12
	64,40,232	64,40,232	2012-13
Phubala	33,59,349	33,59,349	2008-09
	18,48,272	18,48,272	2009-10
	50,40,109	50,40,109	2010-11
	1,57,62,907	1,57,62,907	2011-12
	80,71,388	80,71,388	2012-13
Nachou	46,08,067	46,08,067	2008-09
	12,29,105	12,29,105	2009-10
	95,00,258	95,00,258	2010-11
	1,19,61,823	1,19,61,823	2011-12
	82,80,298	82,80,298	2012-13
<b>Total</b>	<b>13,25,43,775</b>	<b>13,25,43,775</b>	

**Appendix - VIII**  
**Non production of records**  
**(Reference: Paragraph 2.1.7)**

Sl. No.	Name of Project/work	Man-days	Wages cost (₹)	Material cost (₹)	Total or sanction amount (₹)	sanction date
1	Renovation of road from Tiddim road to Hithangpham at Khoijuman	4,600	6,62,400	4,32,477	10,94,877	27/11/2012
2	Renovation of road from Tiddim road to Hithangpham at Khoijuman	588	84,672	56,448	1,41,120	23/02/2013
3	Const. of new road from haojamleirakthongkhong to tureltabasalam at khoijumanmaningleikai	6,670	9,60,480	6,27,090	15,87,570	27/11/2012
4	Const. of new road from haojamleirakthongkhong to tureltabasalam at khoijumanmaningleikai	1,650	2,37,600	1,58,400	3,96,000	23/02/2013
5	Const. of road from Thaballeiepak to irengbamchuthek and huidromchuthek to moirangsabaltaba at kwasiphai	2,730	3,93,120	2,56,665	6,49,785	27/11/2012
6	Renovation of MI canal from khongnangkarak to awangsaramtabaleirak at khoijumanthiyamleirak w/no. 4 with protection wall.	1,962	2,82,528	1,88,352	4,70,880	23/02/2013
7	Renovation of MI canal from khongnangkarak to awangsaramtabaleirak at khoijumanthiyamleirak w/no. 4 with protection wall.	5,600	8,06,400	5,37,600	13,44,000	23/02/2013
<b>Total</b>			<b>34,27,200</b>	<b>22,57,032</b>	<b>56,84,232</b>	



## Appendix - IX

Non adjustment of bills  
(Reference: Paragraph 2.2.4)

Sl. No.	Name of GP/ZP	Purpose	Received Amount (₹) & its date of receipt	1 <sup>st</sup> Advance (₹) & its date of payment	2 <sup>nd</sup> Advance (₹)	Final Payment(₹) & its date of payment	Total
1	Nachou GP	Construction of Community Hall	22,96,600 (16/09/2010)	9,21,660 (21/09/2010)		9,18,000 (15/11/2010)	18,39,660
2	KhoijumanKwaksifai GP	18 different items of works such as repairing of waiting sheds, construction of crematorium, community hall, culvert etc.,	18,27,537 (18/09/2010)	9,10,776 (23/10/2010)	5,47,500 (26/11/2010)	3,63,880 (08/02/2011)	18,22,156
3	Utlou GP	Singling of road at UtlouAwangLambi, UtlouMayailLambi and UtlouMamangLambi	10,59,650 (20/06/2012)	4,23,000 (03/07/2012)		1,07,000 (28/07/2012)	5,30,000
		Singling of road at ThiyamAwangLambi, and ThiyamMakhaLambi		4,24,700 (03/07/2012)		1,04,950 (28/07/2012)	5,29,650
		<b>Sub-Total</b>	<b>51,83,787</b>	<b>26,80,136</b>	<b>5,47,500</b>	<b>14,93,830</b>	<b>47,21,466</b>
4	Thoubal ZP	49 nos. of developmental works such as construction of waiting sheds, public toilets, crematorium etc.,	87,33,480 (20/04/2012)	69,86,700 (20/04/2011)			69,86,700
5	Imphal West ZP	For 31 nos. of developmental works such as	55,10,410 (20/04/2012)	44,08,328 (12/05/2012)		11,02,082 (26/07/2012)	55,10,410
		<b>Sub-Total</b>	<b>1,42,43,890</b>	<b>1,13,95,028</b>		<b>11,02,082</b>	<b>1,24,97,110</b>
		<b>Grand Total</b>	<b>1,94,27,677</b>	<b>1,40,75,164</b>	<b>5,47,500</b>	<b>25,95,912</b>	<b>1,72,18,576</b>

**Appendix – X**  
**Non preparation of bills**  
**(Reference: Paragraph 2.2.5)**

Sl.No.	Name of GP	Purpose	1 <sup>st</sup> payment (₹) and its date of payment	Final (₹) payment and its date of payment	Total (₹)
1	Ishok	Construction of ground levelling at ChingphuAwang Playground	70,000 (04/05/2011)	30,000 (07/06/2011)	1,00,000
		Construction of ground levelling at WahengkhumanManing playground	1,40,000 (04/05/2011)	60,000 (07/06/2011)	2,00,000
		Construction of side drain between Longjammamang and RK leikai	1,41,800 (03/07/2012)	35,500 (07/07/2012)	1,77,300
		Construction of both side drain at TombaLeirak Wahengkhuman	1,60,000 (03/07/2012)	40,000 (07/07/2012)	2,00,000
		Construction of Bus waiting shed at Loukrakpammamang	84,000 (02/05/11)	36,000 (13/07/11)	1,20,000
2	Leimapokpam	Construction of Bus waiting shed at Leimapokpam awing thongkhong	84,000 (02/05/2011)	36,000 (13/07/2011)	1,20,000
		Singling of IVR from Thinaobileirak to Ngangomleirak	84,000 (02/05/2011)	36,000 (13/07/2011)	1,20,000
		Construction of bathing shed and fencing at LaikoiPukhri	84,000 (02/05/2011)	36,000 (13/07/2011)	1,20,000
		Const. of bathing shed and fencing at Phamjenbam	84,000 (02/05/2011)	36,000 (13/07/2011)	1,20,000
		Construction of Bus waiting shed at Khomdramleirakmanak	2,62,440 (02/07/12)	65,610 (28/07/12)	3,28,050
3	Toubul	Singling of IVR at Sagolsemleirak	2,00,000 (02/07/12)	50,000 (28/07/12)	2,50,000
		Renovation of public pond at Wangkem pat/ pukhri	2,00,000 (02/07/12)	50,000 (28/07/12)	2,50,000
		3 (three) items of work Name of the works are not mentioned in the Cash Book	7,72,986 (10/05/2011)	3,31,009 (27/08/2011)	11,03,995

4	Takhel	Construction of Community hall at Kambongpat	1,50,000 (07/04/2009)	50,000 (30/04/2009)	2,00,000
		Construction of Community hall at SanjenbamKhullen	4,00,000 (27/02/2010)	1,00,000 (03/06/2010)	5,00,000
		Construction of marketing shed at SanjenbamKhunou	1,08,500 (27/02/2010)	27,200 (03/06/2010)	1,35,700
		Construction of Community hall at KamuchingjinKhullen	1,60,000 (06/10/2010)	40,000 (06/11/2010)	2,00,000
5	Nachou	Shingling of road from PanganLeirak, SanjenbamKhullen to Kambongpat	1,91,676 (06/10/2010)	47,920 (06/11/2010)	2,39,596
		Construction of bazar shed, culvert, slap culvert, extension of club building <i>etc.,</i>	6,76,500 (28/11/2008)	79,000 (20/03/2009)	8,89,000
<b>Total</b>					<b>5,373,641</b>

**Appendix – XI**  
**Unfruitful expenditure**  
**(Reference: Paragraph 2.3.1)**

Sl. No.	Name of GP	Purpose	Date of payment	Amount (₹)	Remark
1	Kangla GP	Honorarium for CO and OA	06/01/2011	58,350	XII FC Award
			27/07/2011	58,350	XIII FC Award
2	Keinou GP	Honorarium for CA and OA	19/03/2011	45,980	XII FC Award
			30/05/2011	92,488	XIII FC Award
3	Makeng Dolaithabi	Purchase of Computer	07/02/2010	50,000	XII FC Award
4	Ngaikhong Khullen	Honorarium for CA and OA	28/02/2011	35,000	XII FC Award
			13/10/2011	50,000	XIII FC Award
			17/02/2012	49,000	XIII FC Award
5	Pukhao	Honorarium for CA	31/08/2010	47,000	XII FC Award
			08/01/2011	23,480	XII FC Award
			19/05/2011	17,500	XIII FC Award
			07/07/2011	11,737	XIII FC Award
6	Pungdongbam	Purchase of computer	February 2010	50,000	XII FC Award
		Honorarium	January 2010	85,200	XII FC Award
			January 2011	85,200	XII FC Award
		Honorarium for CA and OA	July, 2011	85,200	XIII FC Award
7	Khoijuman Kwaksifai	Purchase of computer accessories	27/01/2010	49,888	XII FC Award
		Honorarium for CA and OA	05/03/2012	1,15,000	XIII FC Award
<b>Total</b>				<b>10,09,373</b>	

**Appendix – XII**  
**Statement showing diversion of funds**  
**(Reference: Paragraph 2.3.3)**

(₹in lakh)				
Sl. No.	Name of PRI	Particular	Date of Payment	Amount paid
1	Thoubal ZP	Construction of Bath Room with plate at Khangaboksorokwangma public pond	03/04/2013	1.16
		Construction of Crematorium at Waithousangomsang	03/04/2013	1.39
		Construction of Bathing Room at Sangaiyumpham	03/04/2013	1.31
		Construction of Bathing Room at LamjaoMakhaLeikaiPukhriAchouba	03/04/2013	0.68
2	Irengbam GP	Construction of Panchayat Ghar & Office maintenance	09/11/2012	0.62
		Construction of community shed at Heinoupoklampak	28/03/2013 03/04/2013	3.00
		Earth filling at new bridge at KhumankhongmarilSanjekeipokpima pa with singling with IVR	28/03/2013 03/04/2013	3.23

Sl. No	Name of PRI	Particular	Date of Payment	Amount paid
3	Ishok GP	Extension of Panchayat Office	10/04/2013	1.60
4	Kangla GP	Procurement of Almirah, Chair and Table	29/11/2012	0.46
5	Keinou GP	Construction of PanchayatGhar at Keinou	24/06/2011 06/12/2011 14/02/2012	5.32
		Procurement of Iron Godrej and furniture	05/11/2012	0.60
6	Pukhao GP	Cost of repairing of Panchayat Ghar	07/10/2010 19/05/2011 07/07/2011	2.64
7	SanjenbamPukhram bam GP	Procurement of Office furniture	05/11/2012	0.55
		Renovation of 3 (three) Minor Irrigation	28/06/2011	5.65
			11/01/2012 27/02/2012	
8	Utlou GP	Singling of road from Utlou to Thiyam village	July 2011	3.15
		Repairing of PanchayatGhar of Utlou	November 2012	0.39
<b>Total</b>				<b>31.75</b>

## Appendix – XIII

## Non production of records

(Reference: Paragraph 2.3.4)

Sl.No	Name of GP	Purposes	Month of payment	Amount paid
1	NongrenChingnungkhok	Purchase of computers	February 2010	50,000
2		Honorarium of CA, OA, OC	August 2010	51,800
3		Const. of public pond at NongrenManingLeikai	December 2010	80,000
4	Takhel	Renovation of drinking water pond at SanjenbamKhullen	September and October 2009	90,000
5		Construction of public toilet at Takhelmakhaleikai	August and October 2010	1,70,800
6	Phubala	-	-	6,95,836
7	Nachou	-	-	7,69,700
<b>Sub-Total</b>				<b>19,08,136</b>
1	NongrenChingnungkhok	Honorarium of CA, OA, OC	May 2011	1,55,400
2	Nachou	-	June 2011 and February 2012	3,00,000
<b>Sub-Total</b>				<b>4,55,400</b>
<b>Grand Total</b>				<b>23,63,536</b>

**Appendix – XIV**

**Statement showing works carried out during the period from  
01/08/2012 – 30/08/2012 under Second SFC Award for the year 2009-10**

**(Reference: Paragraph 4.2.5)**

Sl. No.	Name of works and Ward Nos.	Wages (₹)	Materials (₹)	Total (₹)
1	Construction of stair step at Awang Laishram leikai turel tapa (Ward No.1)	31,993	48,007	80,000
2	Construction of stair step at at Sanasam leirak turael tapham (Ward No.1)	31,993	48,007	80,000
3	Construction of stair step at Nahapam mapa turel tapham (Ward No.2)	31,993	48,007	80,000
4	Construction of crematorium waiting shed at Lamding (Ward No.2)	31,993	48,007	80,000
5	Construction of culvert at Lamding maning loukol taba leirak (Ward No.3)	23,931	36,069	60,000
6	Construction of culvert at Lamding High School mani (Ward No.3)	23,931	36,069	60,000
7	Construction of mini waiting shed at Laisram leirak (Ward No.4)	31,993	48,007	80,000
8	Costruction of culvert at Moirangthem leirak (Ward No.4)	23,931		
9	Construction of train at Narengbam leirak (Ward No.5)	63,970	96,030	1,60,000
10	Construction of culvert at Sambamduren leirak changpham (Ward No.6)	23,931	36,069	60,000
11	Construction of mini waiting shed at SK leirak (Ward No.6)	31,993	48,007	80,000
12	Construction of stair step at Heikrubam leirak (Ward No.6)	31,993	48,007	80,000
13	Construction of culvert at Laikol leirak (Ward No.7)	23,931	36,069	60,000
14	Construction of culvert at Leishram leirak (Ward No.7)	23,931	36,069	60,000
15	Construction of waiting shed at Wangjing Wangkhei(Ward No.7)	31,993	48,007	80,000
16	Construction of culvert at thiyam leirak (Ward No.8)	23,931	36,069	60,000
17	Construction of culvert at tongbram leirak (Ward No.8)	23,931	36,069	60,000
18	Construction of culvert at Maibam leirak (Ward No.8)	23,931	36,069	60,000
19	Construction of drain at Laikhuram leirak (Ward No.9)	63,970	96,030	1,60,000
<b>Total</b>		<b>5,99,263</b>	<b>8,64,668</b>	<b>14,40,000</b>

**Appendix – XV**  
**Unfruitful Expenditure**  
**(Reference: Paragraph 4.3.1)**

Sl. No.	Name of MC/NP	Particulars	Amount paid (₹)
1	Moirang MC	Maintenance of double entry accounting system	1,96,500
		Creation of database	1,96,500
2	Andro NP	Maintenance of double entry accounting system	1,90,000
		Creation of database	1,10,000
3	Lilong (Thoubal) NP	Creation of database and maintenance of double entry accounting system	1,81,000
4	Kakching Khunou NP	Creation of database and maintenance of double entry accounting system	1,75,000
5	Sikhong Sekmai NP	Maintenance of double entry accounting system	1,70,000
		Creation of database	1,10,000
<b>Total</b>			<b>13,29,000</b>

**Appendix – XVI**  
**Statement showing collection of rent during 2012-13**  
**including arrears**

(Reference: Paragraph 4.5.3)

Sl. No.	Name of Market	No. of holder	Rate per month (₹)	Annual demand (₹)	Collection during the year including arrear (₹)
1	Athokpam bazaar shop	19	300	68,400	2,70,850
2	Athokpam Heikreng Makhong	14	150	25,200	
3	Thoubal bazaar	29	800	2,78,400	
4	Thoubal Wangmataba (1 <sup>st</sup> floor)	13	350	54,600	
5	Thoubal Wangmataba (Ground floor)	13	500	78,000	
6	Women Vendor	696	30	6,26,400	2,84,080
<b>Total</b>				<b>11,31,000</b>	<b>5,54,930</b>



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