

CHAPTER-II

**IMPLEMENTATION OF SCHEME IN PANCHAYATI
RAJ INSTITUTIONS**

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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
Total					7,89,738	12,09,600	19,99,338

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 ($\text{₹ } 22,85,136 \div \text{₹ } 144$) in executing those works. Had the ZP maintained the prescribed ratio for payment of wages ₹ 38.81 lakh ($\text{₹ } 64.69 \text{ lakh} \times 60 \div 100$) could have been spent on wages, thereby generating 26,954 man-days ($\text{₹ } 38,81,478 \div \text{₹ } 144$).

Thus, rural job card holders were denied employment for 11,085 man-days (26,954 - 15,869) worth ₹ 15.96 lakh ($11,085 \times \text{₹ } 144$) 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
	Total	33,14,505

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
Total				9,50,000



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 GPs⁴ and two ZPs⁵ 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, shingling⁶ 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.

⁴ (i) Nachou GP, (ii) Khoijuman Kwaksifai GP and (iii) Utlou GP

⁵ (i) Thoubal ZP, and (ii) Imphal ZP

⁶ Covering of a road surface with shingle ie., 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.