

CHAPTER-IV

IMPLEMENTATION OF SCHEMES IN URBAN LOCAL BODIES

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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
Total			7,01,783

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
Total		64,28,881	63,28,000	

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
Total				19,75,000

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	
Sub Total (A)		90.00	
30/03/13	Fund earmarked for Municipal level	33.75	60 per cent of ₹ 225.00 lakh
	Fund earmarked for Ward level	101.25	
Sub Total (B)		135.00	
Grand Total (A plus B)		225.00	

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
Total		52.09

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
Sub-total				23,34,252
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
Sub-total				4,14,410
3	Construction of Toilet	M. Muhini Devi (Chairperson of Construction Committee)	05/11/2011	15,33,377
Sub-total				15,33,377
Grant Total				42,82,039

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 ULBs¹¹ 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

¹¹ 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
Total		9.41

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 Shanatikhongnangkhang		1,40,000 (04/11/2013)
4	Imphal MC	Purchase of 4 nos. of Tata Ace HT Tipper and 1 Massey Fergusson	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)
Total			4,18,12,148	74,52,234

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
TOTAL		39.36	10.32

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
Total	69,00,640		3,84,777	72,85,417

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