

A pink scroll graphic with a dark pink border and a light pink fill. The scroll is unrolled, with the top and bottom edges curled over. The word "OVERVIEW" is written in a bold, black, serif font in the center of the scroll.

**OVERVIEW**



## OVERVIEW

This Report contains six chapters. The first and fourth Chapters provide an overview of the functioning, accountability mechanism and financial reporting issues of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second and fifth Chapters contain two Long paragraphs on PRIs and two performance audit reports on ULBs. The third and sixth Chapters contain four compliance audit paragraphs, one on PRIs and three on ULBs. A summary of the important findings is presented in this overview.

### Chapter 1: An Overview of the Functioning, Accountability Mechanism and Financial Reporting Issues of the Panchayat Raj Institutions

- The Third State Finance Commission recommended (accepted by State Government in February 2010) that four *per cent* of divisible fund of the State Government should be devolved to PRIs. However, there was short devolution of ₹ 435.67 crore to PRIs during 2014-15.

(Paragraph 1.6)

- The funds allocated to PRIs by State Government through State budget increased from ₹ 6,817.14 crore during 2010-11 to ₹ 18,947.92 crore during the year 2014-15. However, PRIs could not spend the entire allocated grant and savings ranged from six to 30 *per cent* during the period 2010-15 mainly due to considerable unspent balances in the Revenue Head.

(Paragraph 1.7)

- There were significant delays in transfer of Thirteenth Finance Commission (ThFC) grants to the PRIs. Panchayat and Rural Development Department diverted ₹ 36.69 crore of ThFC grants for the purpose other than for which it was sanctioned.

(Paragraphs 1.11.2 and 1.11.3)

### Chapter 2 : Performance Audit

#### Social Audit of Schemes

Social Audit was brought into Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011. Subsequently, Government of Madhya Pradesh established Social Audit Unit "M.P. State Samajik Sampariksha Samiti" (MPSSSS). MPSSSS was responsible to build capacities of Gram Sabhas for conducting Social Audit, prepare social audit reporting formats, create awareness amongst the labourers about their rights and entitlements under MGNREGA and facilitate verification of records by primary stakeholders.

Social Audits were conducted in 931 Gram Panchayats (GPs) of 15 Blocks in 14 Districts of the State during 2014-15. A compliance audit of implementation of 'Social Audit of Schemes' revealed the followings:

- As per MGNREGA Operational Guidelines 2013, SAU shall identify appropriate number of resource persons at State/District/Block/Village levels to facilitate in conducting Social Audits. MPSSSS proposed (June 2013) for

creation of 5,346 posts of resource persons. However, the proposal was still under consideration with the Finance Department. The non-availability of adequate manpower affected the coverage of social audit in the State.

**(Paragraph 2.1.7.1)**

- Section 3(1) of Audit of Schemes Rules 2011 stipulates that the State Government shall facilitate conduct of social audit of the works taken up under MGNREGA in every Gram Panchayat at least once in six months. However, there was shortfall of 98 *per cent* in conducting Social Audits during 2012-13 to 2014-15, as only 2,674 Social Audits could be conducted against the requirement of 1,37,678.

**(Paragraph 2.1.8.2)**

- There were deficiencies in quality control of Social Audit Reports. MPSSSS had circulated Village Social Animators manual and social audit proforma for conduct of social audit. However, out of 50 test-checked GPs, the prescribed formats for social audit findings were filled properly in case of only two GPs, while in 48 other GPs the formats were either not properly filled or not filled at all. As a result, Social Audit Reports did not include findings on prescribed verification exercises included in the social audit proforma.

**(Paragraph 2.1.8.3)**

- Follow up action on Social Audit Report was either not being ensured or belatedly ensured by the Government as required under Audit of Schemes Rule 2011 and MGNREGA Operational Guidelines 2013.

**(Paragraphs 2.1.9.1 and 2.1.9.2)**

**Internal Control Mechanism in Panchayat Raj Institutions**

Two districts, Chhindwara (scheduled district) and Indore (other than scheduled district) were selected for the audit of internal control mechanism in PRIs, which revealed the followings:

- The budgetary control, an essential tool to check improper utilisation of funds, was poor. There were delays in preparation and approval of budget estimates by Zila Panchayat (ZP) Chhindwara. Five test-checked Janpad Panchayats (JPs) and 139 test-checked Gram Panchayats (GPs) did not prepare budget estimates.

**(Paragraphs 2.2.4.1, 2.2.6.1 and 2.2.8.1)**

- Bank reconciliation was not done in ZP Chhindwara, 12 JPs and 139 test-checked GPs, which indicated weak internal control over their cash management.

**(Paragraphs 2.2.4.3, 2.2.6.2 and 2.2.8.2)**

- Advance amounting to ₹ 35.96 lakh was outstanding for recovery in ten JPs for a period varying from one year to 32 years.

**(Paragraph 2.2.6.3)**

- None of the 139 test-checked GPs were maintaining asset register and stock register.

(Paragraph 2.2.9.1)

### Chapter 3: Audit of Transactions

Chief Executive Officer, Zila Panchayat, Shajapur released advance payment of ₹ 11 lakh to a firm against the supply orders for procurement of Seed Grading Machine, without ensuring adequate safeguards in the form of bank guarantee etc. from the firm. The firm did not supply the requisite items even after lapse of more than six years. Later, ₹ 11 lakh have been recovered from the firm after being pointed out by Audit.

(Paragraph 3.1.1)

### Chapter 4: An overview of the Functioning, Accountability Mechanism and Financial Reporting Issues of Urban Local Bodies

- The funds allocated to ULBs by State Government through State budget increased from ₹ 3,900.36 crore during 2010-11 to ₹ 6,751.81 crore during the year 2014-15. However, ULBs could not spend the entire grant allocation and savings ranged from nine to 22 *per cent* during the period 2010-15 mainly due to considerable unspent balances in the Revenue Head.

(Paragraph 4.7)

- Out of 91 test-checked ULBs, 70 ULBs did not adopt the accrual based accounting system, as envisaged in the Madhya Pradesh Municipal Accounting Manual.

(Paragraph 4.8.1)

### Chapter 5: Performance Audit

#### Integrated Housing and Slum Development Programme (IHSDP)

IHSDP is a centrally sponsored programme. The sharing of funds is in the ratio of 80:20 between Central Government and State Government/Urban Local Bodies/Parastatal. The basic objective of IHSDP is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas.

In Madhya Pradesh, 56 IHSDP projects were approved between December 2006 and March 2012 for implementation in 53 cities of the State. Government of Madhya Pradesh appointed (December 2005) Urban Administration and Development Directorate (UADD) as the State Level Nodal Agency (SLNA) for implementation of the project. A performance audit of implementation of the IHSDP in the State revealed the following:

- The implementation of IHSDP was lagging behind the completion schedule sanctioned by Central Sanctioning and Monitoring Committee. Out of the 56 projects, six projects could not be started due to non-availability of suitable land and reluctance on the part of the beneficiaries. Of remaining 50 projects, only 15 projects could be completed as of March 2015. Further, out of 35 incomplete projects, 16 projects (46 *per cent*) were sanctioned between December 2006 and December 2007 with the stipulated completion period of

12 to 24 months. Thus, projects remained incomplete even after the expiry of six to nine years from the sanction of these projects.

**(Paragraph 5.1.6)**

- Out of total 22,998 dwelling units (DUs) sanctioned in 56 projects, 9,203 DUs (40 *per cent*) in 31 projects were surrendered and only 8,766 DUs (38 *per cent*) in 42 projects could be completed as of March 2015. Of these completed DUs, 3,227 DUs were allotted to beneficiaries.

**(Paragraph 5.1.6)**

- Affordability of the urban poor was to be kept foremost in view while working out beneficiary contribution for the DUs. However, due to cost overrun of the projects, per unit cost of DU increased in the range of ₹ 36,000 to ₹ 2.49 lakh in seven test-checked projects resulting into enhancement of beneficiary contribution.

**(Paragraph 5.1.9)**

- According to instructions of Central Sanctioning and Monitoring Committee, utmost emphasis was required to be accorded to quality execution of houses and infrastructure facilities for poor. However, scrutiny of records/joint inspection of constructed DUs of test-checked projects revealed deficiencies in adherence of prescribed quality control norms.

**(Paragraph 5.1.10)**

- Monitoring of projects was not adequate, as the State Level Coordination Committee could hold only four meeting against 36 meetings required during 2006-15 for quarterly review of the projects. Further, no meeting was conducted during 2008-12 and 2013-15. Social Audit of the implementation of IHSDP could not be conducted due to non-formation of Beneficiaries Committees

**(Paragraphs 5.1.14.1 and 5.1.14.4)**

**Performance Audit on ‘Service Level Benchmarking in Urban Local Bodies’:**

Benchmarking is an important mechanism for introducing accountability in service delivery. Recognising its importance, Ministry of Urban Development (MoUD), Government of India issued a Handbook of Service Level Benchmarking (SLB Handbook) prescribing the standardised framework for performance monitoring in respect of four basic municipal services, viz., water supply, sewage, solid waste management and storm water drainage. Thirteenth Finance Commission (ThFC) included Service Level Benchmarks (SLBs) as one of the conditionalities for allocation of performance grants to ULBs.

Out of 378 ULBs in the State, SLBs have been notified in 114 ULBs (16 Municipal Corporations and 98 Municipal Councils) as of March 2015. The performance management of urban services in terms of the SLBs covering the period 2011-15 was examined in four ULBs (Bhopal, Dewas, Junnardev and Kareli), which revealed the following:

- Four test-checked ULBs incurred expenditure of ₹ 473.16 crore between 2010-11 and 2014-15 on the delivery of four basic services - water

supply, sewage, solid waste management and storm water drainage, which included expenditure of ₹ 80.44 crore from ThFC grants and ₹ 392.72 crore from other resources of ULBs.

**(Paragraph 5.2.5)**

- ULBs were required to collect service indicator data such as quantum of treated water supplied to consumer, number of water samples taken for testing, quantum of generated, segregated and disposed municipal solid waste, and number of incidences of water logging. However, there was no institutionalised system for capturing these data. As a result, instead of actual figures, estimated targets and achievements were notified in the State Gazette.

**(Paragraph 5.2.6)**

- The coverage of water connection was only up to 50 *per cent* in the service areas of test-checked ULBs. Bhopal Municipal Corporation was supplying water on alternate days in 77 out of 305 service areas of 70 wards. Against the benchmark of 135 litres per capita per day (lpcd), the per capita supply of water in other three test-checked ULBs ranged between 34 to 53 lpcd.

**(Paragraphs 5.2.8, 5.2.12, 5.2.16 and 5.2.20)**

- Coverage of toilets was not as per the benchmark value (100 *per cent*) in any of the test checked ULBs. Sewage network was not in existence in two ULBs (Junnardev and Kareli), while coverage of sewage network was only 38 *per cent* in Bhopal and 10 *per cent* in Dewas.

**(Paragraphs 5.2.9, 5.2.13, 5.2.17 and 5.2.21)**

- Segregation and scientific disposal of Municipal Solid Waste (MSW) was not done in any of the test checked ULBs. For scientific disposal of MSW no landfill site was developed.

**(Paragraphs 5.2.10, 5.2.14, 5.2.18 and 5.2.22)**

- None of the test-checked ULBs correctly reported achievements against the benchmark indicator – coverage of storm water drainage.

**(Paragraphs 5.2.11, 5.2.15, 5.2.19 and 5.2.23)**

- Monitoring mechanism for implementation of SLBs was found absent at the State as well as at ULBs level. The performance indicators reported at the Department level was never reviewed at the management level (by Mayor/Municipal Commissioner) of ULBs.

**(Paragraph 5.2.24)**

**Chapter – 6 : Audit of Transactions**

Government was deprived of revenue of ₹ 34.04 lakh due to short levy of stamp duty and registration fee

**(Paragraph 6.1.1)**

Nagar Parishad, Kanad incurred extra expenditure amounting to ₹ 7.68 lakh due to re-award of work, which was not recovered from previous contractor under risk and cost clause.

**(Paragraph 6.1.2)**

Gwalior Municipal Corporation (GMC) incurred expenditure of ₹ 24.46 lakh on installation of water meters for non-domestic consumers, which remained idle as GMC continued to raise bills for water consumption on fixed charge basis instead of charging on the basis of consumption recorded in the installed water meters.

**(Paragraph 6.2.1)**