



**Chapter V**  
**Social Sector**



# CHAPTER V

## SOCIAL SECTOR

### 5.1 Introduction

The Chapter contains findings based on audit of State Government departments under Social Sector.

Social Sector is one of the most important sectors of any economy. It includes components which play an important role in contribution to human resource development. Education, health and medical care, training, water supply and sanitation, housing conditions, *etc.* are some of the components which contribute to the enhancement of human capital. Since human capital refers to the productive capacities of human beings as income producing agents in the economy and may be defined as a stock of skills and productive knowledge embodied in people, there is a direct relationship between social sector and growth of an economy.

Government of Manipur has accorded due importance to Social Sector in the State by allocating a significant part of its financial resources to this sector. **Table 5.1.1** gives the expenditure incurred during the last five years by some of the major departments under Social Sector.

**Table 5.1.1 Expenditure of major departments during 2015-20**

(₹ in crore)

Years	Education	Community & Rural Development	Medical Health & Family Welfare	Total on Social Sector (In per cent)	Total Expenditure <sup>#</sup>
2015-16	1,053.35	672.20	485.66	3,255.28 (35.78)	9,098.16
2016-17	1,115.64	781.68	479.56	3,375.68 (31.11)	10,852.06
2017-18	1,263.75	942.72	583.13	4,505.71 (39.53)	11,397.17
2018-19	1,369.25	922.83	614.33	4,653.17 (31.89)	14,590.22
2019-20	1,471.16	1,017.35	665.69	4,817.07 (28.06)	17,165.50

*Source: Appropriation Accounts.*

*# General, Economic (Other than PSUs) and Social Sectors.*

During 2019-20, GoI transferred ₹ 434.88 crore directly to different implementing agencies out of which, ₹ 161.64 crore (37 per cent) pertained to Social Sector as detailed in **Appendix 5.1**.

**Table 5.1.2** provides Department-wise details of budget provision and expenditure incurred by the 17 departments pertaining to Social Sector during 2019-20.

**Table 5.1.2 Budget Provision and Expenditure of departments in Social Sector during 2019-20**

(₹ in crore)

Sl. No.	Department	Budget Provision	Expenditure
1	Adult Education*	2016.91	1471.16
2	Education (Schools)*		
3	Education (University)*		
4	Technical Education*		
5	Community and Rural Development	1,869.80	1,017.35

Sl. No.	Department	Budget Provision	Expenditure
6	Tribal Affairs and Hill and Schedule Castes Development	885.03	602.57
7	Medical Health and Family Welfare	844.03	665.69
8	Municipal Administration Housing and Urban Development	714.70	309.61
9	Social Welfare	540.28	266.06
10	Minorities and Other Backward Classes	275.99	111.04
11	Panchayat	177.54	124.89
12	Relief and Disaster Management	135.39	87.66
13	Consumer Affairs, Food and Public Distribution	80.30	50.48
14	Youth Affairs and Sports	78.51	48.24
15	Labour and Employment	60.61	34.11
16	Arts and Culture	33.66	18.94
17	Information and Publicity	11.18	9.26
<b>Total</b>		<b>7,723.93</b>	<b>4,817.06</b>

Source: Budget Documents and Appropriation Accounts.

\* Separate information not available.

As it can be seen from table above, there were savings of ₹ 2,906.87 crore (37.63 per cent) crore from Budget provision under Social Sector of which Minorities and Other Backward Classes had the maximum savings of ₹ 164.95 crore (59.77 per cent) followed by Municipal Administration, Housing and Urban Development ₹ 405.09 crore (56.68 per cent) and Social Welfare ₹ 274.22 crore (50.76 per cent) against their respective Budget provisions. Thus, the Budget Provisioning may be done more realistically by the departments.

### 5.1.1 Planning and execution of Audit

Compliance audit of Social Sector is conducted in accordance with the Annual Audit Plan approved by the Comptroller and Auditor General of India. Topicality, financial profile, social relevance, internal control system of the units and occurrence of defalcation/ misappropriation/ embezzlement as well as past audit findings form the basis of risk assessment for selection of auditable entities.

After completion of the compliance audit, Inspection Reports (IRs) are issued to the heads of units as well as to the concerned heads of departments. In the light of replies received, audit observations are reviewed and settled if action taken by the audited entities is satisfactory. However, if no action is taken or action taken is not sufficient, the audit findings are retained and units are advised to take further remedial measures. However, some serious and selected audit findings are processed for inclusion in the Audit Report of the Comptroller and Auditor General of India for placing of the same before the State Legislative Assembly as mandated by the Constitution.

Keeping in view the importance accorded to the Social Sector by the State, we in Audit also accorded due importance to the Social Sector in our Annual Audit Plan. Out of total 355 units selected for the compliance audit during 2019-20, we conducted audit of 81 units (23 per cent) pertaining to the Social Sector. As of March 2020, 78 IRs containing 399 paras involving expenditure of ₹ 806.80 crore including expenditure of the previous years of the State Government under Social Sector were issued to the unit

heads with copies to the heads of the departments concerned. Year-wise details of expenditure audited in respect of Social Sector during 2019-20 are shown in **Appendix 5.2**.

This chapter contains one Performance Audit *viz.*, ‘Efficacy of the implementation of the 74<sup>th</sup> Constitutional Amendment Act’ and six Compliance Audit Paragraphs as discussed in succeeding paragraphs.

## PERFORMANCE AUDIT

### MUNICIPAL ADMINISTRATION, HOUSING AND URBAN DEVELOPMENT DEPARTMENT

#### 5.2 Performance Audit on “Efficacy of the Implementation of 74<sup>th</sup> Constitutional Amendment Act”

The Constitution of India mandated for democratic decentralisation through the 74<sup>th</sup> Constitutional Amendment Act (CAA) to create an institutional framework for self-governing local bodies in urban areas of the country. The CAA came into effect on 01 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions as listed in the 12<sup>th</sup> Schedule of the Constitutional of India.

#### Highlights

##### **Compliance to provisions of 74<sup>th</sup> CAA**

- *The statutes of MM Act 1994 broadly conformed to the provisions of the 74<sup>th</sup> CAA on the institutional, legal and administrative framework for municipalities.*  
(Paragraph 5.2.3.1)
- *Assignments of the responsibilities were highly fragmented among parastatals, development agencies, State departments and municipal governments undermining the functional autonomy of the ULBs and overlapping of roles indicated lack of clarity in responsibilities.*  
(Paragraph 5.2.3.3.1)
- *Although the 74<sup>th</sup> CAA guaranteed greater autonomy to ULBs, the overriding control of the State government over the ULBs continued thus undermining the very objective of empowering the ULBs to be institutions of self-government in urban areas. The ULBs still functioned as units of State administration rather than as institutions of self-governance.*  
(Paragraph 5.2.3.4)

##### **Empowerment of Urban local bodies**

- *District Planning Committees were yet to be constituted in all the 10 test-checked ULBs indicating lack of socio-economic development planning in urban areas of the districts. These ULBs executed mostly routine maintenance works and minor works depending upon the availability of funds as per the annual works*

programmes. The ULBs were yet to participate in a big way in the development planning of the growing urban areas under their jurisdiction.

**(Paragraph 5.2.4.4)**

- The Fourth SFC was constituted only in October 2019 after a delay of 18 months and its recommendations of July 2021 is yet to be considered by the State Government.

**(Paragraph 5.2.4.5)**

### **Devolution of Financial Powers and Resources to ULBs**

- Six out of 10 sampled ULBs had not framed any bye-laws for collection of taxes, fees, duties, etc., undermining the power to collect revenues under their jurisdiction. Bye-laws even when passed and approved by the Government, the ULBs still neither had the jurisdiction over collection of certain taxes nor collected taxes/fees due to their own weakness in revenue administration.

**(Paragraph 5.2.5.1(i))**

- There was substantial shortfall in revenue receipts against the budgetary provision for the ULBs during five-year period 2015-20 to the tune of ₹ 315.07 crore (₹ 434.03 crore – ₹ 118.96 crore). The total revenue receipts of the ULBs from different sources (without own revenue) ranged from ₹ 4.84 crore (2016-17) to ₹ 61.65 crore (2019-20). Own Revenue of ULBs remained low and stagnant at ₹ 2.4 crore to ₹ 4.53 crore during the review period constituting only 2.29 per cent to 3.55 per cent of the State budgetary provisions for ULBs.

**(Paragraph 5.2.5.2)**

- Shortfall in SFC transfers to ULBs was to the extent of ₹ 25.18 crore. Moreover, SFC transfer against total revenue receipts was showing a declining trend from 59.55 per cent in 2015-16 to 40.05 per cent in 2019-20. Though the Fourth FC was already due since April 2018, it was constituted only in October 2019 after a delay of 18 months. The recommendations of the Fourth FC presented in July 2021 is yet to be considered by the State Government.

**(Paragraph 5.2.5.2)**

- There was total shortfall of ₹ 79.43 crore in CFC transfers to the ULBs as against the budget provision of ₹ 171.80 crore during the last five years. The yearly retention of CFC grants by the State Government ranged between ₹ 17.59 crore and ₹ 43.45 crore during the same period.

**(Paragraphs 5.2.5.2 and 5.2.5.3(ii))**

- Expenditure of ULBs during 2015-20 (₹ 181.11 crore) constituted only 19.91 per cent of MAHUD's total expenditure (₹ 909.76 crore). ULBs' total expenditure vis-à-vis that of MAHUD declined from 63.81 per cent in 2015-16 to 12.63 per cent in 2016-17 which slightly increased to 23.95 per cent in 2019-20 from 14.91 per cent in 2018-19.

**(Paragraph 5.2.5.2)**

- *State Government did not adhere to the norms prescribed by SFC for transfer of funds to the ULBs. There was substantial shortfall in release of grants to ULBs to the extent of ₹ 477.54 crore against total amount of ₹ 556.95 crore recommended by the Third SFC during 2015-16 to 2019-20.*

**(Paragraph 5.2.5.3(i))**

- *There was short release of CFC grants of ₹ 42.07 crore by GOI to State Government during the five-year period from 2015-16 to 2019-20. Against CFC grants of ₹ 132.62 crore released by GOI, the State Government released ₹ 92.37 crore to the ULBs with a shortfall of ₹ 40.25 crore at the end of 2019-20.*

**(Paragraph 5.2.5.3(ii))**

- *Share of own revenue to total revenue receipts of ULBs during 2015-20 was only 6.59 per cent. Majority of 10 sampled ULBs did not collect different types of taxes/fees under their purview and the potential for increasing revenue (tax and non-tax) collection remained untapped.*

**(Paragraph 5.2.5.4)**

### **Human Resources of Urban Local Bodies**

- *ULBs have not been delegated with powers to appoint own cadre of staff and officers for running the councils. All the sampled ULBs suffered from high vacancies in various categories of posts against the sanctioned posts; and existing staff and officers were highly inadequate to perform their assigned tasks effectively.*

**(Paragraph 5.2.6.1)**

## **5.2.1 Introduction**

### **5.2.1.1 74<sup>th</sup> Constitutional Amendment Act**

The Constitution (Seventy Fourth Amendment) Act, 1992 (CAA), which came into effect on 01 June 1993, introduced 18 Articles<sup>98</sup> under Part IX A (the Municipalities) in the Constitution of India, providing constitutional status to Urban Local Bodies (ULBs). Article 243W of the CAA authorised the State Legislatures to enact laws to endow local bodies with powers and authority to enable them to function as institutions of self-government and provisions for devolution of powers and responsibilities<sup>99</sup>.

### **5.2.1.2 Profile of Urban Local Bodies in Manipur**

Manipur has a geographical area of 22,327 sq. k.m. with a total population of 28.56 lakh (2011 Census) of which, the urban population was 8.34 lakh, which constituted 30 per cent of the total population of the State. Urban Local Bodies (ULB) are spread out in six valley districts of the State. During the audit period of 2015-20, five Nagar Panchayats had been upgraded to Municipal Councils, due to growing urbanisation in the State.

<sup>98</sup> Article 243-P to 243-Z and Article 243-ZA to Article 243-ZG”.

<sup>99</sup> Which are listed in the 12<sup>th</sup> Schedule of the Constitution of India. The Schedule enumerates 18 specific functions to be devolved to the ULBs.

As on 31 March 2020<sup>100</sup>, Manipur has 27 ULBs as follows:

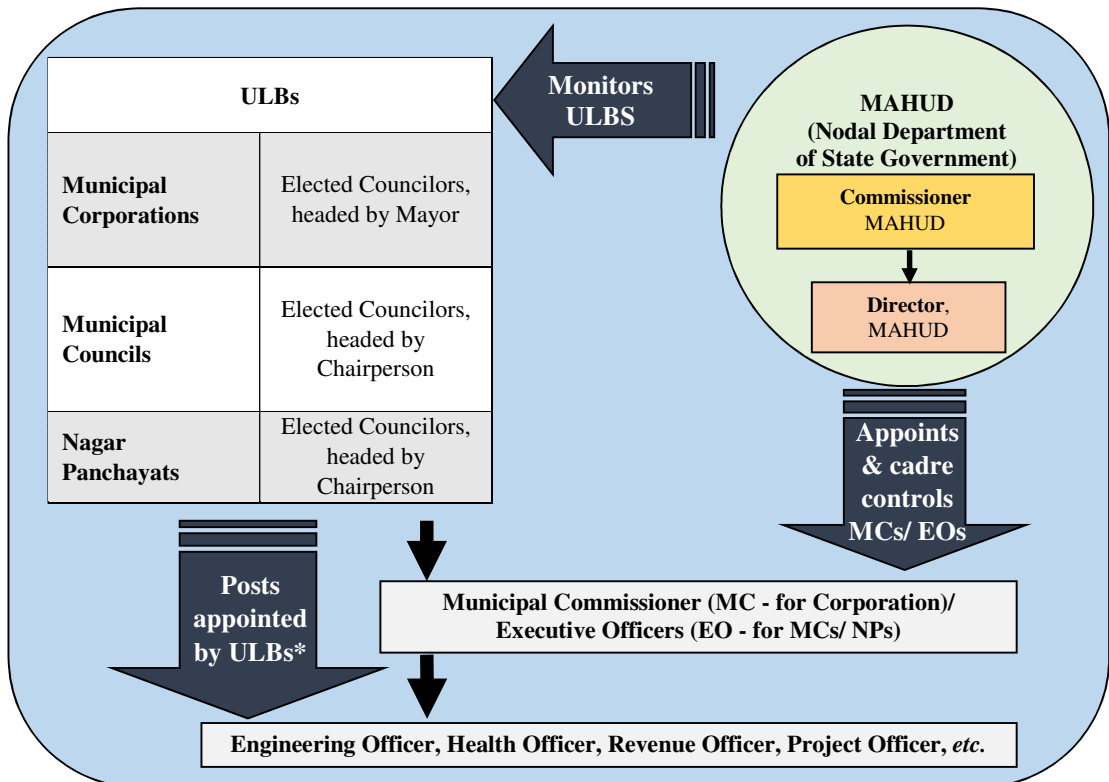
<b>Municipal Corporation (One - Imphal Municipal Corporation)</b>	<b>Municipal Councils (MCs) (23 nos.)</b>	<b>Nagar Panchayats (NPs) (Three nos.)</b>
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The ULBs are governed by the provisions of Manipur Municipalities (MM) Act, 1994. The ULBs are divided into wards as notified by the State Government and are represented by elected Councillors.

### 5.2.1.3 Nodal Department of ULBs and Organisational set-up

Municipality Administration, Housing and Urban Department (MAHUD) is the Nodal Department of the State Government which exercises control over the ULBs, and through which, funds for the ULBs are devolved. The Administrative heads of the ULBs viz., Municipal Commissioner (for Corporation) and Executive Officer (for Councils/ Nagar Panchayats) are appointed and are under the cadre control of MAHUD but render their services at ULBs. ULBs which comprise of elected Councillors and the Heads of ULBs, viz., Mayor (IMC) or Chairpersons (Municipal Council/ Nagar Panchayat) are elected by majority of votes amongst the Councillors, who are responsible for the overall governance of the ULBs. The following organogram depicts the organisational setup of MAHUD and ULBs:

Chart 5.2.1 Organogram of MAHUD and ULBs



\* with the concurrence of the State Government.

Source: Departmental Records.

<sup>100</sup> As per records, one Small Town Committee, Moreh had existed and this office conducted audit in February 2018. However, the Committee is not in existence as on date (March 2020).



## 5.2.2 Audit framework

### 5.2.2.1 Audit objectives

The Performance Audit (PA) seeks to ascertain whether:

- Provisions of 74<sup>th</sup> CAA have been adequately covered in State legislations;
- ULBs were empowered by the State Government to discharge their functions effectively through the creation of appropriately designed institutions/ institutional mechanisms and the functioning thereof;
- ULBs have access and powers to raise financial resources commensurate with their functions; and
- ULBs have powers to mobilise and incentivise human resources commensurate with their functions.

### 5.2.2.2 Audit criteria

The criteria for the PA were derived from the following:

- Constitutional (74<sup>th</sup>) Amendment Act, 1992 including 12<sup>th</sup> Schedule of the Constitution of India;
- Manipur Municipalities Act, 1994 (MM Act);
- The Manipur Municipality Community Participation Act, 2010;
- Model Municipal Law, 2003;
- National Municipal Accounts Manual;
- Central/ State Finance Commission Reports; and
- State Government orders, notifications, circulars and instructions issued from time to time.

### 5.2.2.3 Audit scope and methodology

The Performance Audit was conducted during the period from October 2020 to March 2021 covering the period from 2015-16 to 2019-20. The audit included scrutiny of records of MAHUD, Manipur Urban Development Agency (MUDA), Planning and Development Authority (PDA) and Town Planning Department (TPD). At the implementation level, Audit also scrutinised relevant records of 10 sampled ULBs out of 27 ULBs (37 per cent) selected through simple random sampling for detailed scrutiny as given below:

Municipal Corporation (1 No.)	(i) Imphal Municipal Corporation	
Municipal Council (MC) (8 nos.)	(i) Ningthoukhong MC	(v) Wangjing Lamdeng MC
	(ii) Kumbi MC	(vi) Jiribam MC
	(iii) Wangoi MC	(vii) Thongkhong Laxmi MC
	(iv) Kwakta MC	(viii) Oinam MC
Nagar Panchayat (1 no.)	(i) Heirok Nagar Panchayat	

A list of the 27 ULBs including 10 selected ULBs is indicated in *Appendix 5.3*.

An Entry Conference was held with representatives of the Department on 28 September 2020 in which, the audit methodology, scope, objectives and criteria were explained. An Exit Conference was held with representatives of the State Government and the Department on 28 December 2021 wherein audit findings were discussed. Departmental replies wherever received have been factored into the Report. The audit methodology involved document analysis and responses to audit queries.

#### ***5.2.2.4 Audit acknowledgement***

Audit acknowledges the cooperation and assistance extended by the State Government, MAHUD, PDA, MUDA, TPD and all the sampled ULBs in providing necessary information and records for test checks during the course of conduct of performance audit apart from other inputs and replies to audit observations.

### **Audit findings**

#### ***5.2.3 Compliance to provisions of 74<sup>th</sup> CAA***

The 74<sup>th</sup> Constitutional Amendment Act (CAA) came into effect on 01 June 1993 which provided for institutional, legal and administrative framework for municipalities to function as institutions of self-government. The CAA aimed at bringing local democracy through municipalities by decentralisation of political authority, decision-making powers and functions hitherto performed by the State Government. It also envisaged to make the municipalities more representative, self-regulating and service-oriented in urban governance. They are to prepare plans for socio-economic development of urban areas and operate through various institutions as local government to work closer to the people to carry out the responsibilities conferred upon them and take power to the people.

Audit examined the important provisions of 74<sup>th</sup> CAA relating to municipalities and compared them with that of the provisions of the Manipur Municipalities Act, 1994 (MM Act) passed by the State in 1994 to highlight as to what extent the Urban Local Bodies (ULBs) in Manipur were empowered to discharge their constitutional mandate and were assigned with functions as provided for in the CAA.

##### ***5.2.3.1 Institutional framework in 74<sup>th</sup> CAA and the Manipur Municipalities Act, 1994***

The CAA (Article 243Q to Article 243 ZE) provides that the State Legislatures are to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities.

The Government of Manipur by amendments to the MM Act, 1994 introduced provisions as to correspond to the 74<sup>th</sup> CAA provisions. A comparison of the provisions of 74<sup>th</sup> CAA and that of the MM Act revealed the following position:

Table 5.2.1 Comparison of State level legislations with the provisions of 74<sup>th</sup> CAA

Provision of Constitution of India	Requirement as per provision of the Constitution of India	Provision of MM Act, 1994
Article 243Q	<b>Constitution of Municipalities:</b> Three types of municipalities namely a Nagar Panchayat for transitional area, a Municipal Council for a smaller urban area and a Municipal Corporation for a larger urban area.	Section 3
Article 243R	<b>Composition of Municipalities:</b> All the seats in a Municipality shall be filled by direct elections and by persons with special knowledge in municipal administration nominated by Government. The Legislature of a State may by law, provide for representation to the Municipality, Members of Parliament and Legislative Assembly whose constituencies lie within the municipal area and Members of the Council of States and State Legislative Council who are registered as electors within the city.	Sections 7, 12C and 15
Article 243S	<b>Constitution and composition of Wards Committee:</b> provides for constitution of Wards Committees in all municipalities with a population of 3 lakh or more	Section 16 <sup>101</sup>
Article 243T	<b>Reservation of seats:</b> The seats to be reserved for Scheduled Caste (SC)/ Scheduled Tribe (ST), Women and Backward classes for direct election.	Sections 17 and 18
Article 243U	<b>Duration of Municipalities:</b> A fixed tenure of 5 years from the date of its first meeting and re-election to be held within the six months of end of tenure.	Section 22
Article 243V	<b>Disqualifications for membership:</b> A Person shall be disqualified for a member of a Municipality- <ul style="list-style-type: none"> <li>• If he is so disqualified by or under any law for the time being in force for the purposes of elections of the Legislature of the State concerned.</li> <li>• If he is so disqualified by or under any law made by the Legislature of the State.</li> </ul>	Section 19
Article 243W	<b>Powers, authority and responsibilities of the Municipalities:</b> All municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government. The State Government shall entrust with such powers and authority to enable them to carry out the responsibilities in relation to the 12 <sup>th</sup> Schedule.	Section 36
Article 243X	<b>Power to impose taxes by and funds of the Municipalities:</b> <ul style="list-style-type: none"> <li>• Municipalities would be empowered to levy and collect the taxes, fees, duties <i>etc.</i></li> <li>• Grant-in-aid would be given to the Municipalities from the State</li> </ul>	Sections 67 and 74

<sup>101</sup> Also mentioned in the Manipur Municipality Community Participation Act, 2010.

Provision of Constitution of India	Requirement as per provision of the Constitution of India	Provision of MM Act, 1994
	<ul style="list-style-type: none"> <li>• Constitution of funds for crediting and withdrawal of moneys by the Municipality</li> </ul>	
Article 243Y read with Article 243I	<p><b>Finance Commission:</b> State Government shall constitute Finance Commission for</p> <ul style="list-style-type: none"> <li>• Review the financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal bodies</li> <li>• Distributing between the State and the Municipalities of the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government.</li> <li>• Allotting the funds to the municipal bodies in the state from the consolidated fund of the State.</li> </ul>	Section 73
Article 243Z	<p><b>Audit of accounts of Municipalities:</b></p> <p>This has provision for maintenance of accounts by the Municipalities and the auditing of such accounts.</p>	Section 72
Article 243ZA read with Article 243K	<p><b>Elections to the Municipalities:</b> The Superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission (SEC)</p>	Section 218
Article 243ZD	<p><b>Committee for District Planning:</b></p> <ul style="list-style-type: none"> <li>• Constitution of District Planning Committee at district level.</li> <li>• Composition of District Planning Committee.</li> <li>• Preparation of draft development plan and forwarded to the Government.</li> </ul>	Section 227
Article 243ZE	<p><b>Committee for Metropolitan Planning:</b> Provision for constitution of Metropolitan Planning Committee (MPC) in every Metropolitan area with a population of 10 lakh or more to prepare a draft development plan for the metropolitan area as a whole.</p>	Section 228

It can be seen from above that while the statutes of MM Act, 1994 largely conformed to the provisions of the 74<sup>th</sup> CAA on the institutional, legal and administrative framework for municipalities, the following items were not covered in the MM Act:

- **Composition of Municipalities** (Article 243R): Representation to the Municipality of MPs of Lok Sabha and MLAs from the municipal area, *etc.*
- **Power to impose funds of the Municipalities** (Article 243X): Constitution of funds for crediting and withdrawal of moneys by the Municipal Corporation.

Audit further observed that under CAA and MM Act, the primary task of empowerment and operation of municipalities as local governments had been kept under the purview of the State Government. Under this arrangement, the reluctance to decentralise is reflected in the limited assignment of responsibilities and devolution of decision -

making power and authority to the ULBs on the part of the State Government as discussed in succeeding paragraphs.

During Exit Conference (December 2021), the Department stated that the matter would be referred to the State Government for amendment of the MM Act to cover the left out items in accordance with the 74<sup>th</sup> CAA.

### 5.2.3.2 Assignment of functions to Municipalities as per CAA and MM Act

As per Article 243W, all municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government. The State Government shall entrust the municipalities with such powers and authority to enable them to carry out the responsibilities as listed in the 12<sup>th</sup> Schedule of the CAA.

Audit observed that the 12<sup>th</sup> Schedule of CAA listed 18 functions, which may be entrusted to the municipalities. The municipalities are also required to be empowered by the State through the municipal laws. A comparative analysis of the functions as listed under CAA and MM Act, 1994 relating to the 12<sup>th</sup> Schedule showed the following:

**Table 5.2.2 Comparison of functions under the CAA and MM Act**

Sl. No.	Functions under 12 <sup>th</sup> Schedule	Functions as stated in MM Act	Functions as per MM Act
1	Urban planning including town planning	Nil	Not applicable.
2	Regulation of land-use and construction of buildings	Partly mentioned in Section 37 (h) & Section 39 (b)	Removal of dangerous buildings, reclaiming unhealthy localities, establishing public parks, etc.
3	Planning for economic and social development	Section 36(1)(a)(i)	Solely responsible.
4	Roads and bridges	Partly mentioned in Section 37 (j)	Construction of public roads, culverts, drains, sewers, etc.
5	Water supply for domestic, industrial and commercial purposes	Section 37 (l)	Solely responsible
6	Public health, sanitation conservancy and solid waste management	Partly mentioned in Sections 37 (b) & Sections 37 (c), 37 (d), & 37 (q)	Watering/cleaning roads, public places, removing filth, rubbish, composting manure, etc.
7	Fire Services	Section 37 (e)	Solely responsible.
8	Urban forestry, protection of the environment and promotion of ecological aspects	Nil	Not applicable
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Partly mentioned in Sections 39 (r)	Housing and maintaining destitute, orphans, crippled, etc,
10	Slum improvement and upgradation	Nil	Not applicable.
11	Urban poverty alleviation	Nil	Not applicable.
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Partly mentioned in Section 37 (k) & 39 (b)	Limited to construction of public latrines & Urinals, public parks, rest-houses etc
13	Promotion of cultural, educational and aesthetic aspects	Partly mentioned in Section 39 (t)	Promotion of Education
14	Burials and burial grounds; cremations, cremation grounds	Section 37 (i)	Solely responsible.

Sl. No.	Functions under 12 <sup>th</sup> Schedule	Functions as stated in MM Act	Functions as per MM Act
15	Cattle pounds; prevention of cruelty to animals	Partly mentioned in Section 37 (r)	Establishing and maintaining cattle pounds,
16	Vital statistics including birth and death registration	Partly mentioned in Section 37 (n)	Registration of births & deaths.
17	Public amenities including street lighting, parking lots, bus stops and public conveniences	Partly mentioned in Section 37 (a)	Lighting public roads and places.
18	Regulation of slaughter houses and tanneries	Partly mentioned in Section 37 (j)	Construction of slaughter houses.

*Source: Compiled from information furnished by ULBs.*

From the above table, Audit observed that four (Sl. No. 1, 8, 10 and 11) out of 18 functions contained in 12<sup>th</sup> Schedule of CAA are not covered in MM Act, 1994. Even in the remaining 14 functions, only in four functions (Sl. No. 3, 5, 7 and 14) listed the Act has full description of the responsibilities envisaged for the ULBs. In the remaining 10 functions, the descriptions of the functions are only partially covered and they did not even correspond wholly to the provisions of the 12<sup>th</sup> Schedule.

Thus, the provisions for devolution of powers and assignment of functions to the municipalities through MM Act, 1994 were not in accordance with the CAA. Such deviation in the MM Act limits the very objective of empowering the municipal governments to function as institutions of self-government as envisioned by the CAA.

During Exit Conference (December 2021), the Department stated assigning of functions rest with the State Government and the State Government would be requested to amend the MM Act to fully conform to the provisions of CAA.

### 5.2.3.3 Status of implementation in assignment of functions and responsibilities

#### 5.2.3.3.1 Actual functions performed by municipalities as per CAA provisions

The 74<sup>th</sup> CAA provided constitutional status to Urban Local Bodies (ULBs) with the primary objective of empowering the municipal governments through laws to plan for socio-economic development and to deliver public services in urban areas.

It was observed that consequent upon the 74<sup>th</sup> CAA, the State Governments passed MM Act, 1994 for entrusting the municipalities with functions and responsibilities for delivery of public services in local urban affairs. The status of functions and activities actually performed by the ULBs in the State *vis-à-vis* the 18 functions<sup>102</sup> as provided for in the CAA was as given below (Details are in **Appendix 5.4**):

- (i) **Fully responsible for 1 (one) function:** *Burials and burial grounds, cremations, etc., (Sl. No. 1 of Appendix 5.4);*
- (ii) **Dual roles or overlapping jurisdiction with State Departments/ parastatals in 9 (nine) functions:** *Issuing building bye-laws, monitoring of street vendors, identification of beneficiaries in slum-like situation, approval of building plans,*

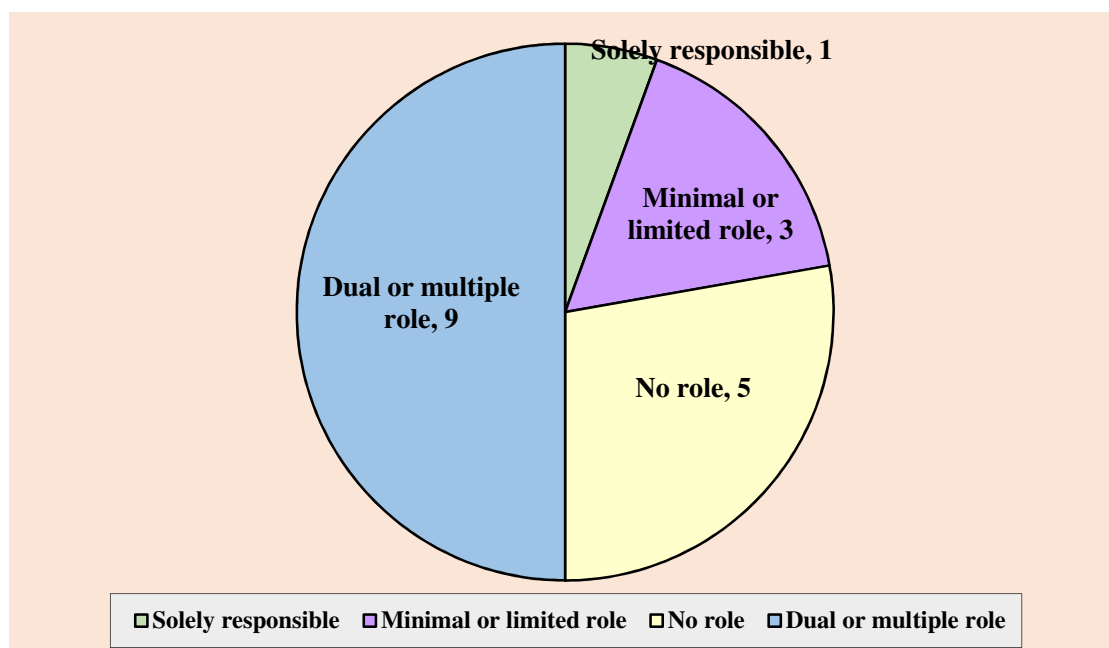
<sup>102</sup> As enumerated in the 12<sup>th</sup> Schedule of the Constitution of India.

*cleaning and disinfection of localities, registration of births and deaths, street lights, etc. (Sl. No. 2, 3, 4, 5, 6, 7, 8, 9 & 10 of Appendix 5.4);*

- (iii) **Limited/ minimal role in 3 (three) functions:** *Consultation level in identification of beneficiaries and catching stray animals (Sl. No. 11, 12 & 13 of Appendix 5.4); and*
- (iv) **No roles in 5 (five) functions:** *Economic planning, Cultural & Educational promotion, Water supply, Fire services and Urban amenities, Urban forestry, Environment protection, etc. (Sl. No. 14, 15, 16, 17 & 18 of Appendix 5.4).*

Audit noticed that ULBs have one sole role and other limited roles or dual and overlapping jurisdiction with that of Government departments in 13 out of 18 functions as per 12<sup>th</sup> Schedule of CAA. Three functions (Sl. No. 8, 9 & 10 of Appendix 5.4) having dual or overlapping roles with the State Departments were entrusted to the municipalities directly without being provided for in the MM Act. But majority of the functions were being performed by Government departments and other agencies. The function-wise roles performed by the ULBs *vis-à-vis* the provisions of CAA is depicted in the Chart below:

**Chart 5.2.2 Function-wise role of ULBs**



Thus, it is evident that assignments of the responsibilities are highly fragmented among parastatals/development agencies (Planning Development Authority and MUDA), State departments and municipal governments. This has largely undermined the functional autonomy of the ULBs in their actual functioning. As many functions under the MM Act are still under the control and discretion of the State Government, devolution of decision-making powers and the responsibilities to the ULBs are limited to that extent. There is a need for clear separation of functions between the State Government and the ULBs to avoid overlaps and to ensure role clarity and effective implementation of entrusted responsibilities as institutions of local self-governments.

### 5.2.3.3.2 Actual functions performed by ULBs as per MM Act

In order to implement the provisions of CAA, the State Government passed the Manipur Municipalities (MM) Act, 1994 with an objective of empowering the ULBs to discharge their constitutional mandate and responsibilities in their jurisdiction. As per Section 37 & 39 of MM Act, 1994, the ULBs are to be entrusted with 18 obligatory functions and 20 discretionary functions as given in **Appendix 5.5**.

Audit however observed that only 13 out of 18 functions listed under obligatory functions and 3 out of 20 functions listed under discretionary functions in the MM Act were in line with the provisions of CAA. Only 14 out of 18 functions as per 12<sup>th</sup> Schedule are incorporated in the MM Act.

It was further observed that 13 out of 18 obligatory functions and 3 out of 20 discretionary functions are actually performed by the ULBs respectively. So far, as many as 22 functions are still performed by the Government departments and their agencies (as detailed in **Appendix 5.5**) further undermining their roles in urban affairs. On the whole, the role of the ULBs in urban affairs was very limited despite the fact that 38 functions have been assigned by the MM Act, 1994. Since the assignment of these functions were not made mandatory, it was not incumbent on the part of the State to actually entrust them to the ULBs, which is a violation of the Act.

Thus, mere enactment of municipal law has not ensured transfer of functions to the municipalities. There is a need for changes in the MM Act itself to make entrustment of listed functions to ULBs as mandatory. Municipalities can function as local self-governments only if empowered by the laws with sufficient decision-making powers and mandatory responsibilities.

### 5.2.3.4 Devolution of Powers and authority to ULBs

The 74<sup>th</sup> Constitution Amendment) Act, 1992 introduced Part IX A (the Municipalities) providing constitutional status to Urban Local Bodies (ULBs) to function as institutions of self-government by empowerment through municipal laws.

A status of devolution of powers and authority to the ULBs by the State Government through the MM Act, 1994 was as indicated in the table below:

**Table 5.2.3 Status of devolution of powers to the ULBs**

Sl. No.	Subjects	Powers of State Government and ULBs
1	Power to frame Rules	The State Government may make any modification in the rules or decides that any such rule should not be made under the MM Acts while the State Assembly is in session (Section 208 (3) of MM Act).
2	Power to cancel and suspend a resolution or decision taken by ULBs	The State Government may cancel a resolution or decision taken by ULBs, if the State Government is of the opinion that the resolution, order or act is contrary to the public interest or is in excess of the powers conferred by law or the act is likely to lead to a serious breach of the peace, or to cause serious injury or annoyance to the public, or to any class or body of persons (Section 203 of MM Act)



Sl. No.	Subjects	Powers of State Government and ULBs
3	Power to dissolve ULBs	The State Government shall, by notification in the Gazette, dissolve the ULBs, if ULBs fail to perform or default in the performance of any of the duties imposed on them, after giving reasonable opportunity. The order of dissolution of ULBs shall be laid before both the Houses of State Legislature with a statement of reasons thereof. The State Government may appoint any person or persons during the period of dissolution of ULBs. (Sections 205 of MM Act).
4	Confirmation of bye laws	Section 211 of MM Act empowers the ULBs to make bye-laws. However, the bye-laws made by ULBs shall not come into force until it has been confirmed by the Government. Also, the Government may cancel its confirmation of any such bye-law, and thereupon the bye-law shall cease to have effect.
5	Sanction to borrow money	Section 69 (1) of MM Act allow a NP and a MC to borrow money, but only after prior sanction from the Government.
6	Lease/sale of property	Section 63 of MM Act allow the MCs and NPs to lease or sell or grant of licence or allot any immovable property vested to it, but with certain restrictions and prior approval of the Government.
7.	Power to impose taxes	The Municipalities may impose 13 optional taxes with the prior approval of the State government and the state may direct them to impose any tax or to modify the rate of any tax.
8.	Power to appoint officers and exercise of administrative powers	The municipalities can appoint executive officer and officials only with the concurrence of the state. The DC (State representative in district) oversee the election of chairperson of the municipal council and financial and executive administration, exercises supervisory and executive control over the officials.

*Source: MM Act, 1994.*

It can be seen from above that the State Government has overriding powers over ULBs, which is against the spirit of the Constitutional Amendment Act. Although the 74<sup>th</sup> CAA guaranteed greater autonomy to ULBs, the overriding control of the State government over the ULBs undermined the very objective of empowering the ULBs to be institutions of self-government in urban areas.

#### **5.2.4 Empowerment of Urban Local Bodies**

##### **5.2.4.1 Institutional mechanism and their functioning**

The 74<sup>th</sup> CAA provided for establishment of institutional mechanisms for empowerment of ULBs. Discharge of duties and responsibilities of ULBs can be effective only when appropriate institutions are established and adequately empowered and are actually functioning.

##### **5.2.4.2 Composition of Municipalities**

Article 243R and Sections 7 and 15 of the MM Act, 1994 stipulated the composition of Municipalities. As per the MM Act, the Corporations and Municipalities consist of elected Councillors and nominated Councillors having special knowledge of experience in Municipal Administration though the nominated members do not have voting power.

Audit, however, noticed that there were no nominated Councillors in all the municipalities and Nagar Panchayats. As a result, the municipalities did not have the benefit of persons of special knowledge/ experience in Municipal Administration. Further, elections of the present 27 ULBs were held in January and June 2016. The next election after expiry of the last term of 5 years which was due in January and June 2021 is yet to be held till the date of Audit (March 2022).

During Exit Conference (December 2021), the Department stated that nominated Councillors had been appointed in all the municipalities. Four appointment orders (IMC, Nambol MC, Moirang MC and Kwakta MC) furnished so far by the Department were, however, silent regarding special knowledge / experience of the nominated person in Municipal Administration.

#### 5.2.4.3 Reservation of seats

Article 243T and Sections 17 & 18 of the MM Act stipulated reservation of seats for SC, ST and Women for direct election. The MM Act also provides for allotment of reserved seats to different constituencies as per the rotation policy adopted by the Government. Further, not less than one-third of the total number of seats reserved for each category of persons belonging to SC/ST shall be reserved (33.33 per cent) for women belonging to SC/ST. Not less than one-third of the total number of seats (33.33 per cent) to be filled by direct election to every Council shall be reserved for women.

Reservation of seats for SC/ST/Women in the last election of January and June 2016 in the 10 sampled ULBs was as follows:

Table 5.2.4 Details of reservation of seats for SC/ST/Women in sampled ULBs

Sl. No.	Name of ULB	Total No of seats	Seats Reserved				% of ST women in reserved seats	% of Reserved seats for women
			Un-Reserved	ST (ST women)	SC (SC women)	Women including ST women		
1	IMC	27	16	3 (1)	Nil	9	33.33	33.33
2	Thongkhong Laxmi	11	7	Nil	Nil	4	-	36.36
3	Kumbi	9	6	Nil	Nil	3	-	33.33
4	Kwakta	9	6	Nil	Nil	3	-	33.33
5	Ningthoukhong	14	9	Nil	Nil	5	-	35.71
6	Oinam	9	6	Nil	Nil	3	-	33.33
7	Wangjing	9	6	Nil	Nil	3	-	33.33
8	Wangoi	9	6	Nil	Nil	3	-	33.33
9	Jiribam	10	8	2 (1)	Nil	4	50.	40.00
10	Heirok	9	6	Nil	Nil	3	-	33.33
	<b>Total</b>	<b>116</b>	<b>76</b>	<b>5 (2)</b>	<b>0</b>	<b>40</b>	<b>40</b>	<b>34.48</b>

Source: Information furnished by 10 sampled ULBs.

Audit observed that seats reserved for women were as per the prescribed norms and the State Government rotated the seats of Councillors as per reservation policy of the election. In the election of June 2016, all the ULBs complied with reservation policy for ST women within the reserved seats for ST at 40 per cent against the norm of

33.33 per cent, and 34.48 per cent for women's representation as a whole in the Councils election against the prescribed 33.33 per cent.

#### 5.2.4.4 District Planning Committees

Article 243ZD and Section 227 of MM Act provide for the constitution of a District Planning Committee (DPC), which shall consolidate the plans prepared by Nagar Panchayat, Municipal Council and the Municipal Corporation of the districts into a Development Plan for the whole district and forward to the Government.

Audit however observed that the DPCs were yet to be constituted (March 2021) in all the districts of 10 sampled ULBs. Non-constitution of DPC in the districts indicated lack of socio-economic development planning in these urban areas though entrusted to ULBs.

Further scrutiny in Audit revealed that none of the sampled ULBs also prepared development plans such as five-year perspective plans, annual plans, etc., for implementation by the respective sampled ULBs. The sampled ULBs carried out some developmental activities in their areas from the funds received under SFC, CFC awards and through budgetary support of the State Government. These works are implemented through their Annual Works Programmes with the approval of the State Government. Details of works taken up in the 10 sampled ULBs during 2015-20 (*Appendix 5.6*) were as shown below:

**Table 5.2.5 Details of Annual Works Programmes of 10 Sampled ULBs during 2015-20**

Sl. No.	Items of work	2015-16	2016-17	2017-18	2018-19	2019-20	Total
		Amount (No.)	Amount (No.)	Amount (No.)	Amount (No.)	Amount (No.)	Amount (No.)
1	Drains	255.50 (82)	335.90 (141)	726.92 (161)	467.63 (178)	825.96 (150)	2611.91 (712)
2	Culverts	92.09 (100)	43.61 (211)	65.85 (126)	125.43 (133)	382.74 (67)	709.72 (637)
3	Public toilet/ latrines	45.02 (20)	36.88 (30)	262.53 (122)	65.33 (27)	151.48 (23)	561.24 (222)
4	Street lighting	82.12 (183)	70.50 (90)	77.56 (89)	62.08 (25)	61.22 (5)	353.48 (392)
5	Solid Waste Management	20.13 (24)	32.27 (24)	146.06 (49)	55.02 (25)	118.07 (28)	371.55 (150)
6	Community Hall	17.34 (6)	19.89 (7)	89.43 (12)	19.75 (4)	271.64 (15)	418.05 (44)
7	Improvement of roads	134.71 (87)	3.83 (3)	18.83 (5)	0.71 (1)	17.87 (4)	175.95 (100)
8	Retaining wall/ Fencing	9.90 (8)	12.97 (10)	45.77 (13)	28.61 (13)	22.67 (8)	119.92 (52)
9	Water Reservoir/ Supply	18.27 (18)	12.36 (13)	36.23 (12)	21.71 (22)	1.29 (2)	89.86 (67)
10	Crematorium	11.26 (4)	15.02 (10)	35.32 (9)	12.51 (4)	18.12 (5)	92.23 (32)
11	Shed Construction/ Repairing	2.38 (2)	1.51 (1)	24.38 (5)	21.54 (9)	30.31 (9)	80.12 (26)
12	Others*	59.79 (26)	25.12 (17)	135.33 (2106)	59.41 (38)	118.86 (59)	398.51 (2246)

Sl. No.	Items of work	2015-16	2016-17	2017-18	2018-19	2019-20	Total
		Amount (No.)	Amount (No.)	Amount (No.)	Amount (No.)	Amount (No.)	Amount (No.)
	<b>Total</b>	748.53 (560)	609.87 (557)	1664.22 (2709)	939.72 (479)	2020.23 (375)	5982.57 (4680)

\*Includes earth works, construction of stair case, concrete flooring etc.

Source: Information furnished by 10 sampled ULBs.

It can be seen from above table that in the 10 sampled ULBs, Annual Works Programmes were executed containing minor works ranging from 375 nos. of works (2019-20) to 2709 nos. of works (2017-18) involving amount between ₹ 609.87 lakh (2016-17) to ₹ 2020.23 lakh (2019-20) per year during the five-year period 2015-16 to 2019-20. The above details indicated that these were minor works repeated across all the sampled ULBs and taken up as per availability of funds every year during the review period.

Thus, the ULBs are involved mostly in routine maintenance works and minor works in their areas depending upon the availability of funds. The ULBs are yet to participate in a big way in the development planning of the growing urban areas under their jurisdiction as envisaged in the MM Act.

#### 5.2.4.5 Constitution of State Finance Commission

Article 243 I of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission on expiry of every five years for reviewing the financial position of the local bodies, for boosting their financial conditions, distributing net proceeds of the taxes, fees, tolls and duties, and allocating funds from the state Consolidated Fund as part of devolution of fiscal and financial powers and financial resources.

The State Government constituted State Finance Commission (SFC) as provided under the MM Act to determine share of revenue between the State and Local Bodies from April 1994. The status of constitution of SFCs and submission of their Reports was as under:

**Table 5.2.6 Status of constitution of SFC and submission of Reports**

SFC to be constituted on	To be constituted with reference to previous SFCs	Actually constituted (Delay in months)	Date of submission of Report	Report accepted by the State Government	Time Taken (in months)
<b>First FC:- Period covered (1996-97 to 2000-01)</b>					
By 31 May 1994	Not applicable	22.04.1994 (NA)	12/1996	07/1997	7
<b>Second FC:- Period covered (2001-02 to 2005-06)</b>					
1999-2000	June 2001	03.01.2003 (18)	11/2004	12/2005	13
<b>Third FC:- Period covered (2013-14 to 2017-18)</b>					
2004-05	January 2008	18.02.2013 (61)	12/2014	12/2015	12

Source: SFC Reports and information furnished by MAHUD.

As can be seen from the above table, there had been considerable delays of 18 and 61 months in constitution of Second and Third SFCs respectively. The Government accepted the Reports of the FCs after a delay of 7, 13 and 12 months respectively.

Further, though the Fourth FC was already due since April 2018, it was constituted only in October 2019 after a delay of 18 months. The recommendations of the Fourth FC presented in July 2021 is yet to be considered by the State Government. By 31 March 2020, fifth and sixth FCs should have been constituted. In comparison, other North Eastern States of Assam and Sikkim had constituted 5<sup>th</sup> SFC, Tripura had constituted 4<sup>th</sup> SFC respectively.

Due to such non-constitution of FC as required under MM Act, 1994 after the third FC which covered the period up to 2017-18, there has been no subsequent revisions or assessment in transfers of funds. This indicated that subsequent requirement of financial resources for the ULBs to meet the need of growing urban areas and its population has not been assessed by SFC as required under the CAA.

#### 5.2.4.5.1 Status on implementation of SFC Recommendations

As on date (March 2020), recommendations of the Third SFC were under implementation. Some of the important accepted recommendations for ULBs and actual status of their implementation are detailed below:

**Table 5.2.7 Status of recommendations of SFC and its implementation**

Sl. No.	Recommendations	Status of implementation
1	Clear-cut targets of tax and non-tax revenues of each ULBs to be fixed by the Government at the beginning of the financial year	Target yet to be fixed
2	Prescribe a uniform staffing pattern based on area and population of the ULBs	No uniform staffing pattern followed based on area and population
3	Creation of municipal cadre for Health Officers, Engineering Officers and Accounts Officers to streamline the administration of the ULBs	Such cadre is yet to be created in six <sup>103</sup> sampled MCs and NP
4	Constitution of Standing Committees for better discharge of their duties	Six ULBs are yet to constitute Standing Committees
5	All ULBs to take necessary steps for preparation of their respective development plans	None of the ULBs prepared development plans till now
6	ULBs not to be by-passed on development of the city and provision of basic services. ULBs to be consulted if such works were to be given to parastatals	Full power on development of the city not yet given to ULBs
7	Entrust ULBs Water supply schemes in their respective areas in order to generate some income as user charges	Not yet entrusted to ULBs
8	Government should give all the taxation powers provided in the Manipur Municipality Act, 1994 and also appoint the required staff	Property tax and water-tax are yet to be given to ULBs

<sup>103</sup> (i) Thongkhong Laxmi (ii) Kumbi (iii) Kwakta (iv) Oinam (v) Wangjing Lamding (vi) Wangoi MCs and (vii) Heirok NP.

It can be seen from above that most of the recommendations of the Third SFC were yet to be implemented by the State Government. This non-implementation indicated weakness in institutional mechanism put in place for empowerment of the ULBs.

While agreeing with the audit observations, the Department stated during Exit Conference (December 2021) that to strengthen revenue collection of the ULBs, Property Tax Board had been constituted in October 2016. However, the method and procedure for collection of property tax in urban areas is under consideration by the State Government.

### **5.2.5 Devolution of Financial Powers and Resources to ULBs**

As per Article 234X and Article 243Y read with Article 243I, and MM Act, 1994, the municipalities are to be empowered through municipal laws to impose taxes by levy and collection of taxes, fees and duties, *etc.*, and by transfer as grants-in-aid from the State Government. Further, the State Government through SFC mechanism was to devolve fiscal power and financial resources to the ULBs.

#### **5.2.5.1(i) Status of Empowerment through Bye-laws**

As per Section 209 of MM Act, 1994, the municipality may frame bye-laws and the rules for carrying out the provisions of the Act and such bye-laws need to be approved by the State Government as per Section 211 of the Act.

Scrutiny in Audit revealed that six<sup>104</sup> out of 10 sampled ULBs had not framed any bye-laws for collection taxes, fees, duties, *etc.* The details are given indicated in **Appendix 5.7**. In such cases, all the taxes and fees levied were collected by ULBs based on the Council's resolution. Non-framing of bye-laws by the ULBs undermined the power to collect revenues under their jurisdiction. Even when bye-laws were passed and approved by the Government, the municipalities were weak in actual implementation of the decisions to augment their revenue resources as discussed in succeeding paragraphs.

#### **5.2.5.1(ii) Status of powers and collection of taxes, fees and duties**

Status of collection of taxes/fees by the 10 sampled ULBs *vis-à-vis* the MM Act revealed the following position:

**Table 5.2.8: Status on collection of taxes/fees by the 10 sampled ULBs**

Sl. No.	Basic Taxes/ fees <sup>105</sup>	Provision of MM Act	Actual status
1	Property Tax	Section 75(a)	Property Tax Board had been constituted in October 2016. However, the method and procedure for collection of property tax in urban areas is under consideration by the State Government.

<sup>104</sup> (i) Thongkhong Laxmi MC (ii) Kumbi MC (iii) Kwakta MC (iv) Oinam MC (v) Wangoi MC and (vi) Heirok NP

<sup>105</sup> These are common taxes collected by the ULBs (except for Property Tax & Water Tax for which empowerment is not given to ULBs).

Sl. No.	Basic Taxes/fees <sup>105</sup>	Provision of MM Act	Actual status
2	Water Tax	Section 75 (j)	The function of distribution of water, providing connections, its operation and maintenance and collection of charges is not yet devolved to the ULBs. This function is vested with State Public Health Engineering Department.
3	Advertisement Tax	Section 75 (i)	Six <sup>106</sup> out of 10 sampled ULBs had not collected advertisement tax. This could be attributed to non-conducting of survey for levy of advertisement tax.
4	Scavenging Tax/ Garbage Fees	Section 75 (e) (2)	Four <sup>107</sup> out of the 10 sampled ULBs had not collected scavenging tax or garbage fees. This could be attributed to limited staff and ineffectiveness on the part of ULBs.
5	Rent from shops and buildings let out to private agencies	Bye-laws or Council's resolution	Five <sup>108</sup> out of 10 sampled ULBs, no shop rent/fees were levied. This could be attributed to the huge vacancy of 53 per cent in the cadres of Revenue Officers, Assistant Revenue Officers and Revenue Inspectors in the sampled ULBs.
6	Parking fees	Bye-laws or Council's resolution	In two <sup>109</sup> sampled ULBs, no parking fees were levied and collected. This could be attributed to lack of staff and the remoteness of their location resulting in lesser vehicle presence for collection of parking fees.
7	Toll tax	Section 75 (b)	Six <sup>110</sup> out of 10 sampled ULBs had not levied and collected entry toll taxes. This could be attributed to lack of staff and ineffectiveness on the part of ULBs.
8	Shop registration and licence	Section 75 (2) & Section 78	Four <sup>111</sup> out of 10 sampled ULBs, the system of issuing registration and license to shopkeepers was not practiced. This could be attributed to limited staff and ineffectiveness on the part of ULBs.

*Source: MM Act 1997 and information furnished by 10 sampled ULBs.*

It is evident from the above that the ULBs neither had the jurisdiction over collection of certain taxes nor had collected basic taxes/fees due to their own weakness in tax administration. While two ULBs out of the 10 sampled ULBs did not collect any of the above 6 basic types of taxes, four ULBs collected 2 to 3 basic types of taxes only. Only four ULBs collected all the above 6 basic types of taxes under their jurisdiction. This indicated limited exercise of powers to raise own revenue resources by most of the sampled ULBs. Empowerment of these ULBs with devolution of fiscal and financial powers has not fructified in Manipur. There is urgent need to review the reasons for weakness in collection of assigned taxes and duties and to strengthen the revenue resource base of ULBs to enable them to deliver the entrusted public services.

<sup>106</sup> (i) Thongkhong Laxmi MC, (ii) Kumbi MC, (iii) Kwakta MC, (iv) Oinam MC, (v) Wangoi MC and (vi) Heirok NP.

<sup>107</sup> (i) Thongkhong Laxmi MC, (ii) Kumbi MC (iii) Wangoi MC and (iv) Heirok NP.

<sup>108</sup> (i) Thongkhong Laxmi MC, (ii) Kumbi MC, (iii) Kwakta MC, (iv) Wangoi MC and (v) Heirok NP.  
<sup>109</sup> Wangoi MC and Heirok NP.

<sup>110</sup> (i) Thongkhong Laxmi MC, (ii) Kumbi MC, (iii) Kwakta MC, (iv) Oinam MC, (v) Wangoi MC and (vi) Heirok NP.

<sup>111</sup> (i) Kwakta MC, (ii) Oinam MC (iii) Wangoi MC and (iv) Heirok NP.

### 5.2.5.2 Sources of revenues and expenditure

The ULBs received funds from the State Government in the form of grants-in-aid as per recommendation of Central Finance Commission (CFC), State Finance Commission (SFC) and state budgetary support under Grant No. 12 of MAHUD (Controlling Department). The position of own revenue, budgetary support and CFC/SFC transfers for the ULBs during the five-year period 2015-16 to 2019-20 was as under:

**Table 5.2.9 Position of receipts and expenditure of ULBs during the period 2015-16 to 2019-20**  
(₹ in crore)

Year	Budgetary provisions				Revenue receipts					Expenditure of ULBs	Expenditure of MAHUD <sup>#</sup>	% of expenditure of ULBs vis-à-vis of MAHUD
	CFC	SFC	Others*	Total (Total without CFC)	CFC	SFC	Others*	Own Revenue of ULBs	Total (Total without CFC and Own Revenue of ULBs, in bracket)			
2015-16	16.57	15.1	36.64	68.31 (51.74)	15.98	14.68	9.97	2.4	43.03 (24.65)	39.34	61.65	63.81
2016-17	29.72	15.00	47.3	92.02 (62.30)	11.05	0	4.84	3.27	19.16 (4.84)	11.05	87.22	12.63
2017-18	33.29	14.42	72.27	119.98 (86.69)	17.59	18.71	18.85	3.74	58.89 (37.56)	36.53	280.57	13.02
2018-19	39.37	21.33	66.88	127.58 (88.21)	12.79	21.33	31.93	4.14	70.19 (53.26)	34.37	230.50	14.91
2019-20	52.85	38.74	106.35	197.94 (145.09)	34.96	24.69	36.96	4.53	101.14 (61.65)	59.82	249.82	23.95
<b>Total</b>	<b>171.8</b>	<b>104.59</b>	<b>329.44</b>	<b>605.83</b> <b>(434.03)</b>	<b>92.37</b>	<b>79.41</b>	<b>102.55</b>	<b>18.08</b>	<b>292.41</b> <b>(118.96)</b>	<b>181.11</b>	<b>909.76</b>	<b>19.91</b>

\*Other-State budgetary support. <sup>#</sup>Excluding grant-in-aid given to the ULBs.

Source: Demand for Grants, Information furnished by MAHUD for 27 ULBs and VLC data.

- Against the budgetary provision<sup>112</sup> ranging from ₹ 51.74 crore to ₹ 145.09 crore, the State Government released ₹ 4.84 crore to ₹ 61.65 crore resulting in shortfall between ₹ 27.09 crore to ₹ 83.44 crore. The total shortfall in revenue receipt against the budgetary provision for the ULBs during five-year period 2015-20 was to the tune of ₹ 315.07 crore (₹ 434.03 crore – ₹ 118.96 crore).
- The total revenue receipts of the ULBs from different sources (without CFC and own revenue) remained between ₹ 4.84 crore (2016-17) and ₹ 61.65 crore (2019-20).
- Own Revenue of ULBs during 2015-20 remained low and stagnant ranging from ₹ 2.4 crore to ₹ 4.53 crore constituting 2.29 per cent to 3.55 per cent of the State budgetary provisions which indicated that the ULBs were largely dependent upon the State Government for financial support for delivery of services.

<sup>112</sup> Excluding CFC and Own Revenue of ULBs.



- Against ₹ 104.59 crore of SFC transfers provided in the State Budget during 2015-20, only ₹ 79.41 crore was released by the State Government with a shortfall of ₹ 25.18 crore. The SFC transfers during the five-year period constituted 66.75 per cent of the total revenue receipts of ₹ 118.96 crore (excluding CFC and Own Revenue). It is pertinent to mention that SFC transfers against total revenue receipts was showing a declining trend from 59.55 per cent in 2015-16 to 40.05 per cent<sup>113</sup> in 2019-20. This should be seen against non-constitution of fourth, fifth and sixth SFCs. In the absence of SFCs, fund transfers made to the ULBs subsequently during two years from 2018-19 to 2019-20 were not based on formalised process or assessed requirements of the ULBs.
- There was total shortfall of ₹ 79.43 crore in CFC transfers to the ULBs as against the budget provision of ₹ 171.80 crore during the last five years. The actual CFC transfers remained at ₹ 11.05 crore to ₹ 17.59 crore during four years (2015-16 to 2018-19), which increased to ₹ 34.96 crore in 2019-20.
- The total expenditure of ULBs during four years from 2015-16 to 2019-20 ranged from ₹ 11.05 crore to ₹ 59.82 crore. The total expenditure of ULBs for five-year period from 2015-20 (₹ 181.11 crore) constituted only 19.91 per cent of MAHUD's total expenditure (₹ 909.76 crore) for the same period. In fact, total expenditure of ULBs against MAHUD's total expenditure declined from 63.81 per cent in 2015-16 to 12.63 per cent in 2016-17 which only slightly increased to 23.95 per cent in 2019-20.
- Moreover, while the total expenditure of ULBs increased only 1.52 times from ₹ 39.34 crore (2015-16) to ₹ 59.82 crore (2019-20), MAHUD's total expenditure increased 4.05 times from ₹ 61.65 crore (2015-16) to ₹ 249.82 crore (2019-20). This indicated that financial resources and the activities for urban development where ULBs were supposed to play a major role were largely concentrated in the Government Department and there was no corresponding devolution or transfer of earmarked financial resources of SFC and CFC to the ULBs during the review period.

113

Revenue Receipt	2015-16	2016-17	2017-18	2018-19	2019-20
SFC	14.68	0	18.71	21.33	24.69
Total Revenue (without CFC & Own Revenue of ULBs)	24.65	4.84	37.56	53.26	61.65
Percentage of SFC transfers to Total Revenue (without CFC & Own Revenue of ULBs)	59.55	0.00	49.81	40.05	40.05
Total Expenditure of ULBs	39.34	11.05	36.53	34.37	59.82
Percentage of SFC transfers to Total Expenditure of ULBs	37.32	0.00	51.22	62.06	41.27

- The total expenditure of ULBs each year during the five-year period as against GSDP<sup>114</sup> was 0.20 per cent in 2015-16 and sharply declined to a mere 0.05 per cent in 2016-17 and was fluctuating between 0.12 per cent to 0.19 per cent of GSDP during 2017-18 to 2019-20. The expenditure of ULBs vis-à-vis GSDP in Manipur was low in comparison to that of Karnataka which ranged between 0.19 per cent to 0.23 per cent during 2015-16 to 2018-19. This indicated the need for devising proper expenditure norms by the State Government for measuring financial devolution/ decentralisation vis-à-vis GSDP from the State to ULBs.

Thus, it is evident from above that devolution of fiscal and financial powers and transfer of financial resources from the State Government to the ULBs during the last five years was tardy and inconsistent. Huge shortfall in transfer of funds against budgetary provisions, declining trend in SFC transfers against the total expenditure coupled with non-finalisation of SFCs since last three years, declining in total expenditure of ULBs as compared to MAHUD's total expenditure, and low expenditure at ULBs level vis-à-vis GSDP all pointed to serious deficiencies in the existing institutional arrangements for devolution of financial powers and resources to the ULBs. Unless financial transfers are made mandatory, minimum norms for its expenditure against various functions are prescribed, and fiscal and financial powers with clear and delineated jurisdiction are devolved, the ULBs will remain weak and will have a very limited role in urban affairs though fully mandated by CAA and the MM Act to function as institutions of self-government.

### 5.2.5.3 Shortfall in release of grants to ULBs

#### (i) SFC grants

As per the recommendations of Third SFC, the State Government was to transfer 10 per cent of the State's own revenue including State's share of Central taxes to the ULBs/ADCs/PRIIs. Out of this 10 per cent, 22.49 per cent was to be transferred to ULBs.

Further analysis of the position of SFC grants released to the ULBs during 2015-16 and 2019-20 revealed the following position:

114

	(₹ in crore)				
Year	2015-16	2016-17	2017-18	2018-19	2019-20
GSDP	19,530.67	21,293.89	25,789.23	27,868.71 (Q)	31,989.49 (A)
Expenditure of ULBs vs GSDP (in %)	0.20	0.05	0.14	0.12	0.19

Table 5.2.10 Funds transferable *vis-à-vis* actual funds transferred to ULBs

(₹ in crore)

Year	State own revenue including net proceeds of Union taxes	Amount to be transferred as per SFC's recommendation	Budget Estimates	Shortfall (amount & percentage, in bracket)	Amount released	Shortfall (amount & in percentage, in bracket)
1	2	3	4	5 =3-4	6	7=(3-6)
2015-16	3842.34	86.41	15.1	71.31(82.52)	14.68	71.73 (83.01)
2016-17	4508.60	101.40	15.00	86.40 (85.21)	0.00	101.40 (100)
2017-18	5119.34	115.13	14.42	100.71(87.47)	18.71	96.42 (83.75)
2018-19	5910.88	132.94	21.33	111.61(83.95)	21.33	111.61 (83.96)
2019-20	5383.42	121.07	38.74	82.33(68.00)	24.69	96.38 (79.61)
<b>Total</b>		<b>556.95</b>	<b>104.59</b>	<b>452.36</b>	<b>79.41</b>	<b>477.54</b>

Source: Finance Accounts and data received from MAHUD Department.

It is evident from the above that State Government did not adhere to the norms prescribed by SFC for transfer of funds to the ULBs. Audit noticed that there was substantial shortfall in release of grants to ULBs by the State Government to the extent of ₹ 477.54 crore during 2015-16 to 2019 -20 as against the total amount of ₹ 556.95 crore recommended by the Third SFC. So far only ₹ 79.41 crore has been released to the ULBs which was just 14.25 per cent of total grants (₹ 556.95 crore) recommended by SFC. There was also persistent shortfall in budgetary provision ranging from 68 per cent to 87.47 per cent against amount recommended for each year by SFC. Thus, the share of SFC transfers against the total expenditure of ULBs remained at 27.16 per cent during the five-year period 2015-16 to 2019-20.

Such huge shortfall in transfer of funds indicated lack of commitment on the part of the State Government to release funds already indicated by the SFC. Thus, there is a need for greater commitment on the part of the State Government to specifically earmark funds meant for ULBs from different sources through annual budgetary process and make such funds transfer to ULBs mandatory.

The Department while agreeing with the audit observations stated during Exit Conference (December 2021) that SFC grants were released in the fag end of the year by the State Government. The SFC fund for the year 2016-17 was released in subsequent years.

The reply of the State Government is not convincing as the position of fund transfers in subsequent years did not increase and the reasons for such shortfall have not been intimated though called for (January 2022).

### (ii) CFC grants

Article 280(3)(c) of the Constitution mandates the CFC to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Municipalities based on the recommendations of the respective SFCs.

Further, as per Guidelines<sup>115</sup> for release and utilisation of Grant recommended by the 14<sup>th</sup> FC, the States should release the Grants to the ULBs within 15 days of it being

<sup>115</sup> Issued by Ministry of Finance vide No. 13 (32) FFC/FCD/2015-16 dated 8 October 2015.

credited to their account by the Central Government. In case of delay, the State Government must release the instalment along with interest at the Bank rate of RBI.

Analysis of CFC grants and releases made by the Central Government and the State Government to the ULBs during the period 2015-16 to 2019-20 showed the following position:

**Table 5.2.11 Position of CFC grants and releases to ULBs**

(₹ in crore)

Year	Amount Recommended by CFC	Fund Released by GoI to the State	Budget Estimates	Fund released by State Government to ULBs	Short/ Excess release of CFC funds by State Government to ULBs ((+) Excess/(-) Short)
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6 = 3-5</i>
2015-16	16.57	Nil	16.57	15.98	(+) 15.98
2016-17	29.72	28.64	29.72	11.05	(-) 17.59
2017-18	34.18	12.78	33.29	17.59	(+) 4.81
2018-19	39.37	12.79	39.37	12.79	0.00
2019-20	52.85	78.41	52.85	34.96	(-) 43.45
<b>Total</b>	<b>174.69</b>	<b>132.62</b>	<b>171.80</b>	<b>92.37</b>	<b>(-) 40.25</b>

Source: CFC (14<sup>th</sup> FC) Report, State Finance Accounts, Budget documents and data received from MAHUD Department.

Audit noticed short release of CFC grants by GOI to State Government to the extent of ₹ 42.07 crore during the five-year period from 2015-16 to 2019-20. Against CFC grants of ₹ 132.62 crore released by GOI, the State Government released ₹ 92.37 crore to the ULBs with a shortfall of ₹ 40.25 crore (30.35 per cent) at the end of 2019-20. The yearly retention of CFC grants by the State Government ranged between ₹ 17.59 crore and ₹ 43.45 crore.

As the State Government failed to release the fund within 15 days, the State Government is liable to release the amount transferred by the Central Government along with penal interest at Bank rate of RBI to ULBs. Besides, huge retention of CFC transfers by the State Government every year not only made the fund flows to ULBs uncertain but also undermined their financial independence impacting the role of ULBs in developmental planning of urban areas.

While agreeing with the audit observations, the Department stated during Exit Conference (December 2021) that there were delays in release of funds to ULBs by State Government and as a result of which utilisation certificates could not be submitted to the Ministry in time by the Municipalities.

#### **5.2.5.4 Position of Own Revenue Resources**

Section 74 and 75 of MM Act provides for imposition and collection of taxes, duties, tolls and fees by ULBs with the prior approval of the State Government. The Own Revenue of ULBs consist of taxes, user charges, fees and fines on vendors, parking, shop, etc.

Audit observed that the share of own revenue to total revenue receipts of ULBs for the period 2015-16 to 2019-20 was only 6.59 *per cent*. The position of own revenue in respect of 10 sampled ULBs for the period 2015-16 to 2019-20 was as given below:

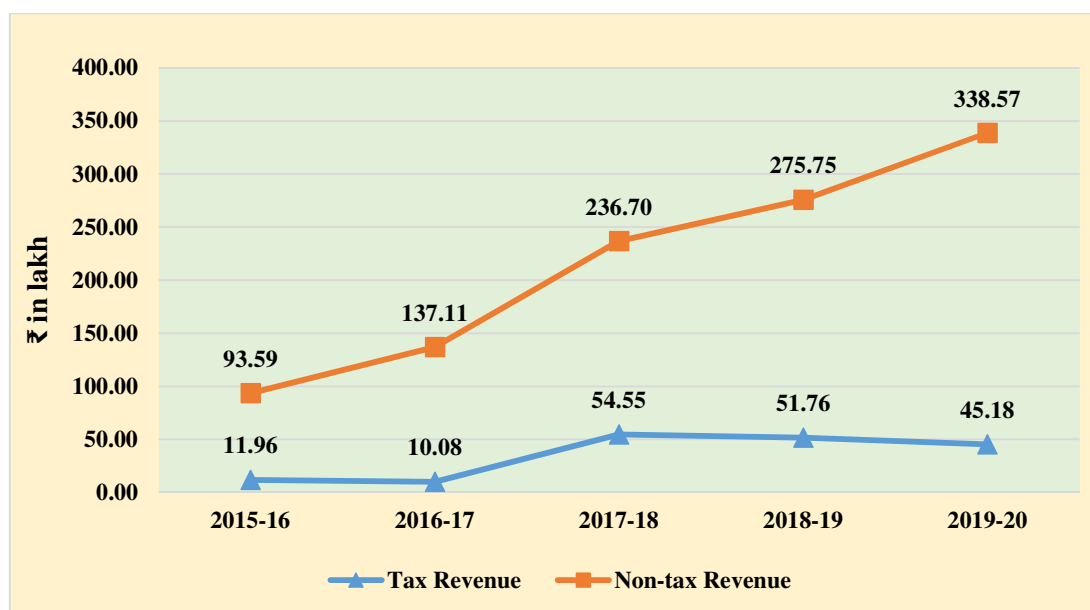
**Table 5.2.12 Tax and Non-Tax Revenue<sup>116</sup> for the period 2015-16 to 2019-20**

		(₹ in lakh)				
Sl. No.	Revenues of ULBs	2015-16	2016-17	2017-18	2018-19	2019-20
1	Tax Revenue <sup>117</sup>	11.96	10.08	54.55	51.76	45.18
2	Non-tax Revenue <sup>118</sup>	93.59	137.11	236.70	275.75	338.57
	<b>Total</b>	<b>105.55</b>	<b>147.19</b>	<b>291.25</b>	<b>327.51</b>	<b>383.75</b>

Source: Information furnished by 10 sampled ULBs.

The Chart below depicts the trend of collection of tax and non-tax revenue from 10 sampled ULBs during the period 2015-16 to 2019-20.

**Chart 5.2.3 Trend of collection of Tax and Non-tax Revenue**



It can be seen above that non-tax revenue collection was more than tax revenue collection in 10 sampled ULBs which was showing an increasing trend during the period 2015-16 to 2019-20. However, tax revenue collection was low and stagnant from 2017-18 which further decreased in 2019-20. Audit noticed that two out of 10 sampled ULBs were not collecting any types of taxes/fees; two ULBs collected one type of fees/taxes; two ULBs collected 2-3 types of taxes; and the remaining four ULBs collected all types of taxes/fees falling within their purview.

Comparative performance of revenue collection (Tax and Non-tax) across 10 sampled ULBs during 2015-20 is as shown below:

<sup>116</sup> Estimated receipts in respect of tax and non-tax revenue for the period 2015-16 to 2019-20 were not assessed by the ULBs, and the reasons thereof were not record.

<sup>117</sup> Advertisement Tax and Toll Tax.

<sup>118</sup> Rents from shops & buildings, market fees, parking fees, issue of birth & death certificates, latrines, user charges.

**Table 5.2.13 Statement showing the details of position of collection of revenue in sampled ULBs**

							(₹ in lakh)
Sl. No.	Name of the ULB	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	IMC	63.91	92.62	221.95	209.01	297.96	<b>885.44</b>
2	Jiribam MC	20.22	28.22	36.77	80.53	47.46	<b>213.19</b>
3	Ningthoukhong MC	10.83	13.23	14.09	13.86	14.45	<b>66.45</b>
4	Wangjing MC	6.63	6.76	7.97	11.15	8.79	<b>41.29</b>
5	Kumbi MC	2.24	2.46	2.910	3.44	4.28	<b>15.32</b>
6	Oinam MC	0	1.33	3.10	4.85	5.47	<b>14.74</b>
7	Kwakta MC	0.83	1.46	2.04	2.31	2.65	<b>9.27</b>
8	Thongkhong Laxmi MC	0.91	1.12	1.94	2.14	2.27	<b>8.36</b>
9	Wangoi MC	0	0	0.24	0.22	0.29	<b>0.74</b>
10	Heiropk NP	0	0	0.12	0	0.13	<b>0.24</b>
	<b>Total</b>	<b>105.57</b>	<b>147.2</b>	<b>291.13</b>	<b>327.51</b>	<b>383.75</b>	<b>1255.04</b>

Source: Information furnished by 10 sampled ULBs.

The above table indicated that there is potential in increasing revenue (Tax and Non-tax) collection by the less performing ULBs in view of the devolution of fiscal and financial powers by the State Government through Bye-laws. This can be done by formulating norms/targets for revenue collection in each ULB and ensuring stronger enforcement. Moreover, releases of SFC grants may be linked to performance in generating own revenue resources. A mechanism for regular assessment of the performance of each ULB in revenue collection may be established for a more effective monitoring of the ULBs.

The Department while accepting the audit observations stated during Exit Conference (December 2021) that the scope for tax collection by the ULBs is limited. However, with the property tax under consideration by the State Government, tax revenue is expected to increase in future. On non-tax revenue, the Department stated that ULBs need to improve their performance.

## **5.2.6 Human Resources of Urban Local Bodies**

### **5.2.6.1 Manpower management**

As per Section 45 of MM Act, 1994, municipalities shall have the power to appoint its officers and employees of non-technical posts in the Grade III and IV as may be laid down in bye-laws framed in this behalf. Further, in order to be effective and independent in its functioning, it was important for ULBs to assess their own staff requirement and have their own cadre of staff and officers with the responsibility of manpower management.

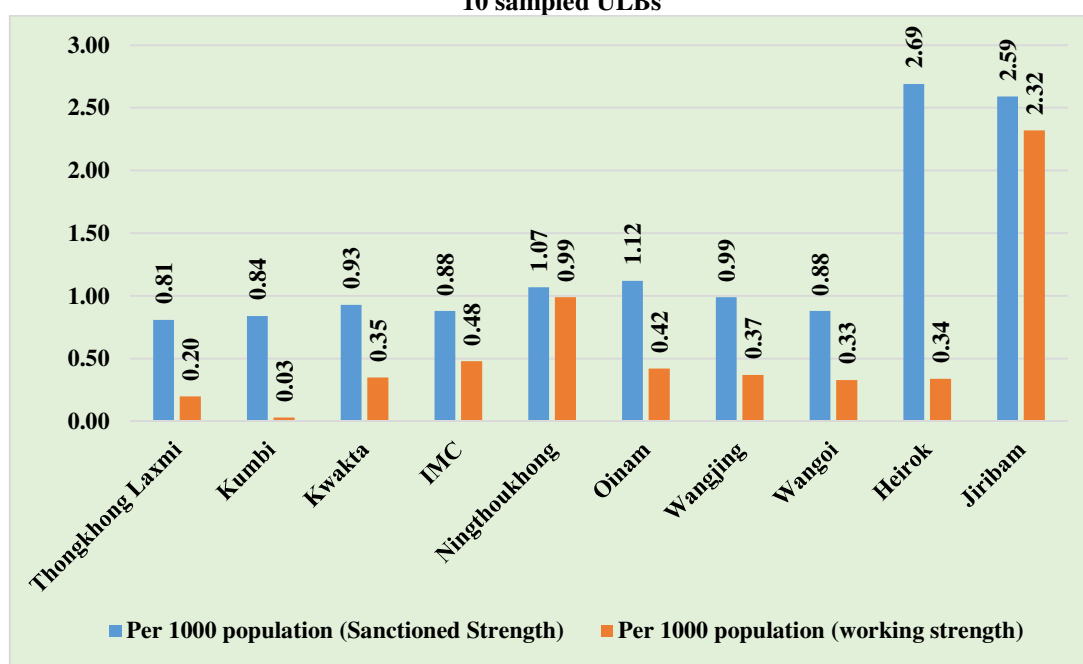
Audit, however, noticed that the powers to assess staff requirement and to appoint its officers and employees in the ULBs are vested with the State Government. The powers to promote officials, initiate disciplinary action, impose penalties, etc., of its officials have not been delegated to ULBs.

### 5.2.6.2 Working Strength and Assessed Strength of Employees

The State Government used population<sup>119</sup> in urban areas and not actual requirement of staff according to various functions of ULBs as the criteria for determining the sanctioned strength in terms of the number of employees per 1,000 population as per 2011 population census, which was 8.34 lakh and was projected to be 9.28 lakh as of 2020.

A detailed statement showing the number of employees per 1,000 population in 10 sampled ULBs is given in *Appendix 5.8*. The sanctioned strength ranged from 0.81 to 2.69 employees per 1,000 population (2011). The working strength (See *Appendix 5.9*) ranged between 0.03 to 2.32 as depicted in the Chart below:

Chart 5.2.4 Sanctioned strength and Working strength of employees per 1,000 population in 10 sampled ULBs



It can be seen that while four out of 10 sampled ULBs, *viz.*, Ningthoukhong, Oinam, Heirok and Jiribam had more than one sanctioned strength for every 1,000 populations, six ULBs had less than one sanctioned strength. All the sampled ULBs had less than one employee for every 1,000 people except for one municipal council, Jiribam. Evidently, the ULBs lacked adequate manpower to carry out their assigned functions.

Audit observed that the criteria used for determining the sanctioned strength was deficient as it failed to take care of function-wise requirement of posts in the ULBs. Function-wise staff assessment would help in specifying the roles and responsibilities including the required skills and qualifications, *etc.*, for each position corresponding to assigned responsibilities of the ULBs.

<sup>119</sup> As per MAHUD letter No. 6/71/URB/Dev/81(Vol.II) dated 2 August 2016.

### 5.2.6.3 Shortage of staff

The position of sanctioned strength and men-in-position for each category of posts in sampled ULBs was as under:

**Table 5.2.14 Statement showing staff position in ULBs**

Category	Sanctioned Strength	MIP	Vacancy	Percentage of vacancy
Group B	25	6	19	76
Group C	160	73	87	54
Group D	143	99	44	31
<b>Total</b>	<b>328</b>	<b>178</b>	<b>150</b>	<b>46</b>

*Source: Compiled from information furnished by 10 sampled ULBs.*

It can be seen that actual vacancies ranged from 31 *per cent* (Group D) to 76 *per cent* (Group B) among various categories of posts. Six<sup>120</sup> MCs were are functioning with only one LDC, one peon, and one Chowkidar-cum-sweeper and Heirok NP had only one LDC. Vacancy was high in crucial posts of Group C with 60 *per cent* posts of Revenue Inspectors and 78 *per cent* of Sanitary Inspectors posts being vacant respectively.

Further, the age analysis of vacancies (six out of 10 sampled ULBs) revealed that the vacancies in respect of Group “B” and “C” posts were lying vacant since November 2016 and in respect of Group “D” vacancies, the post were lying vacant since February 2019.

Six<sup>121</sup> out of 10 sampled ULBs had no sanctioned posts for Revenue Inspectors. This has adversely affected own revenue collection works. Though Section 43 of the MM Act, 1994 provided for appointment of Health Officers, Revenue Officers and an Engineers in municipalities with the concurrence of the State Government, no such posts have been sanctioned or appointed in all the ULBs. All the sampled ULBs did not have sanctioned and working strength for the posts of Accountants and Record Keepers required for basic administration work.

Thus, ULBs in Manipur lacked the powers to appoint own cadre of staff and officers for running the councils. All the sampled ULBs did not have adequate manpower to discharge their functions and suffered from high vacancies in various categories of posts even against the sanctioned posts. The powers for assessment of staff requirement and manpower management have not been delegated to the ULBs and were still vested with the State Government.

While accepting the audit observations, the Department stated during Exit Conference (December 2021) that the State Government had started recruitment process, but it was pending due to Court cases. Further, as salary and wages are fully borne by the State

<sup>120</sup> (i) Kumbi, (ii) Kwakta, (iii) Oinam, (iv) Thongkhong Laxmi (v) Wangjing Lamdeng and (vi) Wangoi.

<sup>121</sup> (i) Kumbi MC, (ii) Kwakta MC, (iii) Oinam MC, (iv) Wangjing Lamdeng MC (v) Wangoi MC (vi) Heirok NP.



Government, the matter regarding increase of staff strength would be addressed by the State Government.

### **5.2.7 Conclusion**

The statutes of MM Act 1994 broadly conformed to the provisions of the 74<sup>th</sup> CAA on the institutional, legal and administrative framework for municipalities, but some vital items to decentralise powers in ULBs set up to make the institutions more democratic and representative were not covered in the Act.

The primary task of empowerment and operation of municipalities as local governments had been kept under the purview of the State Government. Under such condition, the reluctance on the part of the State Government to decentralise power and authority and responsibilities limited the functional autonomy of the municipalities to function as institutions of self-government.

Assignments of the responsibilities were highly fragmented among parastatals, development agencies, State departments and municipal governments undermining the functional autonomy of the ULBs and overlapping of roles indicated lack of clarity in responsibilities. Moreover, 13 out of 18 obligatory functions and 3 out of 20 discretionary functions are actually performed by the ULBs respectively. As many as 22 out of 38 functions though assigned by the MM Act, 1994 are still performed by the Government departments and their agencies, limiting the roles of the ULBs in the urban affairs.

Although the 74<sup>th</sup> CAA guaranteed greater autonomy to ULBs, the overriding control of the State government over the ULBs continued thus undermining the very objective of empowering the ULBs to be institutions of self-government in urban areas. The ULBs still functioned as units of State administration rather than as institutions of self-governance.

District Planning Committees were yet to be constituted in all the 10 test-checked ULBs indicating lack of socio-economic development planning in urban areas of the districts. Sampled ULBs executed works through annual works programmes which were mostly routine maintenance works and minor works depending upon the availability of funds. The ULBs are yet to participate in a big way in the development planning of the growing urban areas under their jurisdiction.

The delay in constitution of Second and Third SFCs ranged between 18 and 61 months respectively. The Government accepted the Reports of the FCs after a delay of 7 to 13 months.

Though the Fourth FC was already due since April 2018, it was constituted only in October 2019 after a delay of 18 months. The recommendations of the Fourth FC presented in July 2021 is yet to be considered by the State Government.

Moreover, the State Government was yet to implement most of the important recommendations of the third SFC for decentralisation of decision-making powers

pointing to inherent weakness in existing institutional mechanisms in place for empowerment of the ULBs.

Six out of 10 sampled ULBs had not framed any bye-laws for collection taxes, fees, duties, *etc.*, undermining the power to collect revenues under their jurisdiction. Even when bye-laws were passed and approved by the Government, the ULBs still neither had the jurisdiction over collection of certain taxes nor collected taxes/fees due to their own weakness in revenue administration. Even 2 to 6 out of 10 sampled ULBs had not collected 6 basic types of taxes within their jurisdiction indicating limited own revenue resource base and limited exercise of fiscal and financial powers by the ULBs.

Moreover, the provisions for devolution of powers and assignment of functions to the municipalities through MM Act 1994 were not in accordance with the CAA. Such deviation in the MM Act vitiated the very objective of empowering the municipal governments to function as institutions of self-government as envisioned by the CAA.

There was substantial shortfall in revenue receipts against the budgetary provision for the ULBs during five-year period 2015-20 to the tune of ₹ 315.07 crore (₹ 434.03 crore – ₹ 118.96 crore). The total revenue receipts of the ULBs from different sources (without own revenue) ranged from ₹ 4.84 crore (2016-17) to ₹ 61.65 crore (2019-20). Own Revenue of ULBs remained low and stagnant at ₹ 2.4 crore to ₹ 4.53 crore during the review period constituting only 2.29 *per cent* to 3.55 *per cent* of the State budgetary provisions for ULBs.

Shortfall in SFC transfers to ULBs was to the extent of ₹ 25.18 crore. Moreover, SFC transfer against total revenue receipts was showing a declining trend from 59.55 *per cent* in 2015-16 to 40.05 *per cent* in 2019-20. Though the Fourth FC was already due since April 2018, it was constituted only in October 2019 after a delay of 18 months. The recommendations of the Fourth FC presented in July 2021 is yet to be considered by the State Government.

There was total shortfall of ₹ 79.43 crore in CFC transfers to the ULBs as against the budget provision of ₹ 171.80 crore during the last five years. The yearly retention of CFC grants by the State Government ranged between ₹ 4.81 and ₹ 43.45 crore during the same period.

Total expenditure of ULBs during four years from 2015-16 to 2018-19 ranged between ₹ 11.05 crore and ₹ 59.82 crore. Total expenditure of ULBs for five-year period from 2015-20 (₹ 181.11 crore) constituted only 19.91 *per cent* of MAHUD's total expenditure (₹ 909.76 crore). In fact, ULBs' total expenditure *vis-à-vis* that of MAHUD declined from 63.81 *per cent* in 2015-16 to 12.63 *per cent* in 2016-17 which slightly increased to 23.95 *per cent* in 2019-20 from 14.91 *per cent* in 2018-19.

By comparison, while the total expenditure of ULBs increased only by 1.52 times from ₹ 39.34 crore (2015-16) to ₹ 59.82 crore (2019-20), MAHUD's total expenditure increased 4.05 times from ₹ 61.65 crore (2015-16) to ₹ 249.82 crore (2019-20) indicating large concentration of financial resources and activities for urban

development in the Government Department with no corresponding devolution or transfer of earmarked financial resources to the ULBs.

The total expenditure of ULBs each year during the five-year period as against GSDP was 0.20 *per cent* in 2015-16 and sharply declined to a mere 0.05 *per cent* in 2016-17 and was fluctuating between 0.12 *per cent* to 0.19 *per cent* of GSDP during 2017-18 to 2019-20. The expenditure of ULBs *vis-à-vis* GSDP in Manipur was low in comparison to that of Karnataka which ranged between 0.19 *per cent* to 0.23 *per cent* during 2015-16 to 2018-19.

The State Government did not adhere to the norms prescribed by SFC for transfer of funds to the ULBs. There was substantial shortfall in release of grants to ULBs to the extent of ₹ 477.54 crore against total amount of ₹ 556.95 crore recommended by the Third SFC during 2015-16 to 2019 -20. Just 14.25 *per cent* of total grants (₹ 556.95 crore) recommended by SFC was released to the ULBs. Such large shortfall indicated lack of commitment on the part of the State Government to release funds already fixed by the SFC.

Short release of CFC grants by GOI to State Government was to the extent of ₹ 42.07 crore during the five-year period from 2015-16 to 2019-20. Against CFC grants of ₹ 132.62 crore released by GOI, the State Government released ₹ 92.37 crore to the ULBs with a shortfall of ₹ 40.25 crore at the end of 2019-20.

Share of own revenue to total revenue receipts of ULBs for the period 2015-16 to 2019-20 was only 6.59 *per cent*. Non-tax revenue collection was more than tax revenue collection in 10 sampled ULBs which showed an increasing trend. But Tax revenue collection was low and stagnant from 2017-18 but was decreasing in 2019-20. Majority of 10 sampled ULBs were not collecting different types of taxes/fees under their purview and the potential for increasing revenue (tax and non-tax) collection remained untapped.

ULBs in Manipur have not been delegated with powers to appoint own cadre of staff and officers for running the councils. The powers to assess staff requirement and manpower management was vested with the State Government limiting their autonomy. All the sampled ULBs suffered from high vacancies in various categories of posts against the sanctioned posts; and existing staff and officers were highly inadequate to perform their assigned tasks effectively.

### 5.2.8 Recommendations

*The State Government should:*

- *Review the provisions of MM Act, 1994 to include as appropriate such functions listed in the 12<sup>th</sup> Schedule of CAA to broaden the assignment of functions and responsibilities for the ULBs which were so far partially covered in the Act to enable them to play larger role in urban development in the State in view of the growing urban population and the corresponding demands for effective delivery of public services and to encourage economic growth in urban areas;*

- *Clearly delineate the functions assigned to ULBs to avoid overlapping of roles amongst different actors to ensure better accountability and performance of the ULBs. The State Government should also consider transferring the remaining 22 functions in compliance to the provisions of the MM Act in a phased manner and make mandatory for the ULBs to discharge such functions;*
- *Ensure that the elections to the ULBs are held within the due time;*
- *Ensure implementation of earlier SFC's recommendations in a time bound manner and urgently constitute State Finance Commission for transfer of financial resources covering the period from 2018-19 onwards taking into account the need for assessed requirement of the ULBs and for greater devolution of fiscal power to the ULBs;*
- *Consider formulating minimum expenditure norms for ULBs for mandatory transfer of financial resources in view of very low expenditure at the local government levels vis-à-vis State GSDP to boost planned development of urban areas;*
- *Strengthen collection of own revenue resources by framing bye-laws and by equipping enforcement mechanism for regular monitoring of performances;*
- *Empower the ULBs to facilitate collection of taxes and duties to make the ULBs self-reliant;*
- *Earmark CFC/SFC financial commitments as mandatory transfers to ULBs through annual budgetary process of the State Government to avoid shortfall in budgetary provisions and subsequent releases. The State Government should also strengthen accountability and monitoring mechanism for effective utilisation of the financial resources;*
- *State Government should immediately release the amount less transferred (CFC grants) to ULBs concerned along with penal interest at Bank rate of RBI, and*
- *Strengthen the man-power position in the ULBs by filling up the existing vacancies and by delegating the powers to manage own cadre of staff for better performance and accountability.*

## COMPLIANCE AUDIT

### ART AND CULTURE DEPARTMENT

#### 5.3 Unfruitful Expenditure

***Even after incurring expenditure of ₹ 1.07 crore by Art and Culture Department, the Stack Room of Manipur State Archives Complex remained incomplete for more than nine years, rendering the expenditure for setting up of Stack Room unfruitful.***

Rule 26 (iv) of General Financial Rules, 2005 states that the duty and responsibility of a Controlling Officer in respect of funds placed at his disposal is to ensure that adequate

control mechanism is functioning in his Department for prevention, detection of errors and irregularities in the financial proceedings of his Subordinate Offices and to guard against waste and loss of public money.

Scrutiny of records (May to June 2019) of Deputy Director, Manipur State Archives, Imphal, under Art and Culture Department for the period from July 2012 to March 2019 revealed that the work “Construction of Stack Room” of Manipur State Archives Complex at Keishampat, Imphal, under 12<sup>th</sup> Finance Commission award during 2009-10 at an estimated cost of ₹ 88.00 lakh was taken up as Deposit Work by Manipur Development Society (MDS) in April 2008. As per clause 5.1 and 5.2 of the Agreement, the work should be started immediately after the release of first instalment and completed within 18 months *i.e.*, by October 2009. In case MDS failed to execute the work in the stipulated time, the entire amount deposited by the Department to MDS was to be refunded with interest as decided by the Government from time to time (Clause 3.7).

Accordingly, first instalment amount of ₹ 20 lakh was released to MDS in April 2008 for the work to be completed by October 2009. Work commenced in April 2008<sup>122</sup> and by October 2009, the whole project cost of ₹ 88.00 lakh was released to MDS with only 70 *per cent* Physical progress of the work. The estimated cost of the project was further revised (March 2011)<sup>123</sup> to ₹ 136.49 lakh with an extended completion time till August 2011. Details of the amount sanctioned and releases are as given below:

**Table 5.3 Amount sanctioned and releases**

(₹ in lakh)

Sl. No.	Sanction No. and date	Amount	Details of payment	
			Bill No/Cheque and date	Amount paid to MDS
1	5/19/2007-S(AC) of 29/12/2007	20.00	CAO 00/086 112665 of 04/04/2008	10.00
			CAO 00/086 112683 of 01/12/2008	6.53
2	5/19/2007-S(AC) of 30/03/2009	40.00	1/MSA TFC of 30/03/2009	33.06
3	5/19/2007-S(AC) of 17/10/2009	28.00	90/MSA/TFC of 17/05/2010	23.14
<b>Sub-Total</b>		<b>88.00</b>		<b>72.73 *</b>
4	5/19/2007-S(AC) of 26/03/2011	42.00	1 of 26/03/2011 (deposited into 8449)	Nil
			2 of 26/03/2011	13.72
			50/MSA of 12/03/2013 (bank transfer)	20.57
<b>Sub-Total</b>		<b>42.00</b>		<b>34.29 *</b>
<b>Total</b>		<b>130.00**</b>		<b>107.02</b>
* Excluding ₹ 22.98 lakh deducted at source for VAT, Agency Charges etc.				
* Excluding ₹ 6.49 lakh (₹ 136.49 lakh - ₹ 130 lakh ), expenditure sanction of which was not produced to Audit.				

Audit further observed that though the entire balance amount of ₹ 42 lakh was released in March 2011, only 5 *per cent* additional project work was achieved as on April 2017. Further, sanction of ₹ 6.49 lakh (₹ 136.49 lakh - ₹ 130 lakh) was not on record.

<sup>122</sup> Actual date of start reckoned from immediate effect after the release of first instalment (Clause 5.2 of the Agreement).

<sup>123</sup> Revised by MDS from ₹ 88.00 lakh (based plinth rate for 1997) to ₹ 136.49 lakh (based on MSR 2008) on 15/03/2011 on the direction of Finance Department, Government of Manipur.

No further progress had been made since April 2017 and the objective of the project to protect important Archival material from fire and flood remained unfulfilled for more than nine years<sup>124</sup>.



***Incomplete Stack Room of Manipur State Archives Complex at Keishampat, Imphal***

In reply, Deputy Director stated (August 2020) that MDS left the work without giving any reason and the additional estimated amount of ₹ 62.12 lakh for the remaining work submitted by MDS was not considered by the Government of Manipur. All necessary documents of the work had been handed over (September 2019) to the Enforcement Directorate, Guwahati for investigation under the provisions of Prevention of Money Laundering Act, 2002 against MDS.

Audit, however, observed that the Department failed to take necessary action to enforce terms of agreement (April 2008) upon MDS and to make the building functional. Moreover, extra balance amount of ₹ 42 lakh was released without ensuring commensurate physical progress *vis-à-vis* financial progress to complete the building as per the revised sanctioned estimates, indicating lack of effective timely monitoring on the part of the Department. Thus, the expenditure of ₹ 1.07 crore<sup>125</sup> incurred by the Department for construction of the Stack Room of Manipur State Archives Complex at Keishampat, Imphal for protecting Archival material from fire and flood remained unfulfilled for more than nine years without any possibility of commissioning in the near future.

***Recommendation:*** State Government should investigate as to how the financial expenditure was not commensurate with the physical progress of the buildings. As the building is meant to provide storage facilities for archival materials, effective steps should be taken to complete the building without further delays.

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<sup>124</sup> Revised date of Completion (August 2011) to date of reply to audit observation (August 2020).

<sup>125</sup> Excluding ₹ 22.98 lakh deducted at source for VAT, Agency Charges *etc.*

## DEPARTMENT OF LABOUR AND EMPLOYMENT

## 5.4 Mis-utilisation of funds

***Manipur Building and Other Construction Workers' Welfare Board diverted and utilised Welfare Fund of ₹ 1.48 crore for construction of Office Building that was not permissible under the Workers' Welfare Scheme.***

As per para 4 of the Manipur Building and Other Construction Workers' Welfare Scheme, 2016<sup>126</sup>, the Welfare Fund shall be utilised amongst other things, for providing assistance in case of accident, payment of pension, loans and advances, group insurance scheme, assistance for children education, medical expenses *etc.*, as specified under Section 22 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. Further, in Writ Petition (Civil) No. 318 of 2006<sup>127</sup>, the Hon'ble Supreme Court of India (SC) judged (March 2018) that the Welfare Fund is not to be utilised for the benefit of the Welfare Board, but for the benefit of the construction workers.

Scrutiny of the records (June to July 2019) of the Manipur Building and Other Construction Workers' Welfare Board (MBOCWFB) for the period from April 2017 to March 2019 revealed that ₹ 2.95 crore was sanctioned (December 2017) by Chairperson of the Board for construction of its Office Building at Takyelpat, Imphal to be executed by Education Engineering Wing (EEW) of Education Department, Manipur (Work Agency). Accordingly, the first installment amount of ₹ 1.48 crore<sup>128</sup> (50 per cent) was released to the Work Agency on 12 March 2018 from the Worker's Welfare Fund of the Board. The work commenced on 27 March 2018<sup>129</sup> and by September, 2018, the first installment amount was fully utilised for the work. No further subsequent amount had been released by the Board for construction of the Building as on April 2022.

Audit, however, observed that the expenditure incurred for the Office Building out of the Worker's Welfare Fund was a misutilisation of fund as the fund amount was meant for the benefit of the construction workers and was in violation of para 4 of the Welfare Scheme *ibid*.

While admitting the Audit observation, the Department stated (August 2021) that considering the urgent need for separate Office Building, the Board released ₹ 1.48 crore to the Agency. The Board would propose to the Government to provide ₹ 1.48 crore which was earlier released from the Worker's Welfare Fund.

<sup>126</sup> Framed in pursuance of the directions given by the Ministry of Labour and Employment, Government of India u/s 60 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (Act No. 27 of 1996) vide letters No. Z-13011/03/2007-BL(Pt.) dated 09/09/2015 and 08/10/2015 and in compliance of the order of Hon'ble SC in the Contempt Petition (C) No. 52 of 2013 in Writ Petition (C) No. 318 of 2006.

<sup>127</sup> National Campaign Committee for Central Legislation on Construction Labour Versus Union of India & Ors.

<sup>128</sup> Vide Cheque No. 951323 dated 12/03/2018.

<sup>129</sup> Date of start of work reckoned from the 15<sup>th</sup> day of release of first instalment (Clause 2.1 of MoU).

Subsequently, second instalment of ₹ 25.00 lakh for completion of the Office Building had been sanctioned by the State Government as Grants-in-aid.

The fact, however, remains that expenditure of ₹ 1.48 crore incurred for construction of office building from the Works' Welfare Fund was in violation of the provisions of para 4 of the Workers' Welfare Scheme, 2016. The Board should refund the above amount back to the Welfare Fund at the earliest for regularisation of the irregular expenditure.

**Recommendation:** State Government should refund the expenditure that had been spent from the Board's fund and the funds should be utilised only for the intended purpose in future.

## 5.5 Unfruitful expenditure

**Failure of Deputy Labour Commissioner, Imphal to safeguard Government property created at ₹ 1.27 crore rendered the public property wasteful for more than 12 years.**

Rule 26 (iv) of General Financial Rules, 2005 states that the duty and responsibility of a Controlling Officer in respect of funds placed at his disposal is to ensure that adequate control mechanism is functioning in his Department for prevention, detection of errors and irregularities in the financial proceedings of his Subordinate Offices and to guard against waste and loss of public money.

Scrutiny of records (May 2019) of Deputy Labour Commissioner, Manipur for the period from December 2016 to March 2019 revealed that two Night Shelters for female and male workers were proposed in September 2008 for accommodation of stranded workers/ labourers due to general curfew, strike, bandh *etc.*, at nominal rates.

Accordingly, ₹ 68 lakh was sanctioned (March 2009) for setting up a Night Shelter for female workers, which *inter alia* included purchase of homestead land<sup>130</sup> measuring 0.11 acres and an existing building at a cost of ₹ 61.15 lakh. A Deed of Sale was signed (March 2010)<sup>131</sup> between the land owner and the Department which clearly mentioned that an amount of ₹ 61.15 lakh was paid to the owner. Subsequently, for the construction of shelter for male workers on the same land, the Department sanctioned ₹ 66.00 lakh (March 2011) and the amount was released in instalments to Manipur Tribal Development Corporation (MTDC) during May 2011 to August 2017. The work was commenced in March 2011 and completed in September 2016 after a delay of four years.

Audit, however, observed that both the buildings remained unutilised for two years and eight months<sup>132</sup> to nine years and 11 months mainly due to objection raised by the

<sup>130</sup> At Laipham Siphai, Chingmeirong opposite Inter State Bus Terminus (ISBT).

<sup>131</sup> However, the Deed of sale was not registered.

<sup>132</sup> (i) Shelter for male: Two years eight months {September 2016 (Date of completion) to May 2019 (Date of Audit)}.



previous owner<sup>133</sup> since February 2015 on the ground that a balance amount of ₹ 1.14 lakh was yet to be paid to him. The genuineness of the objection and the dispute itself is doubtful as there is concrete documentary evidence of sale deed and APR showing the payment of ₹ 61.15 lakh. Moreover, there is evidence to show that the previous owner did not claim or raise any objection during March 2010 to February 2015 spanning almost five years. The very fact that the second building for male workers could be constructed and completed in September 2016 on the same land indicated that the purchased landed property was in the possession of the Department. Concrete action taken by the Department to get the encroachment physically removed from the site was also not on record.



*Night shelters for male workers*

While accepting the audit observation, Department stated (September 2021) that the lapse on part of the Office was non-registration of Sale Deed for Land and Building for Night Shelters due to non-availability of funds for Registration Fees and the advice of the Government has been sought to evict the encroacher and to obtain the possession of the disputed homestead land.

Thus, it is evident that failure of the Department to register the Sale Deed and its inability to take possession of the property, exposed the said property to the risk of possible loss, as such giving undue benefit to a private individual also. This has rendered the expenditure of ₹ 1.27 crore wasteful for more than twelve<sup>134</sup> years as the property could not be utilised for the night shelter for which it was acquired and constructed. The Government should investigate into the lapses and fix responsibility for allowing the previous owner to continue to occupy the building already purchased by the Department in March 2010. Further, urgent action should be taken with the appropriate authority to secure the place without further delays to avoid loss of public property.

(ii) Shelter for female: Nine years 11months {June 2010 (Date of inauguration) to May 2019 (Date of Audit)}.

<sup>133</sup> Shri Thongam Muhindro Meitei

<sup>134</sup> As no intimation has been furnished by the State Government regarding taking of possession of property, despite repeated requests made by Audit.

**Recommendation:**

- State Government should take all necessary action to secure the land and the buildings from the unauthorised occupant to avoid loss of State Government's property without further delay.
- Department should fix the responsibility for non-utilisation of the assets created and may take necessary action so that the asset can be utilised for its intended purpose.

**TRIBAL AFFAIRS AND HILLS DEPARTMENT**

**5.6 Suspected Misappropriation**

***The Tribal Affairs and Hills Department withdrew Scheme funds deposited in the Bank Accounts in gross Violation of Financial Rules. Payment of ₹ 30.36 crore could not be verified in Audit due to non-availability of records, vouchers/ APRs which points toward doubtful expenditure and suspected misappropriation of funds.***

As per Rule 22 and Rule 26 of the General Financial Rules (GFR), 2017, expenditure without sanction by the competent authority is not allowed and expenditure must be incurred by ensuring adequate control mechanism to detect errors and irregularities in the financial proceedings.

Further, Rule 205 of the Central Treasury Rules (CTR) as adopted by Government of Manipur read with Rule 77 *ibid*, expenditure is to be made through a voucher duly acknowledged by the payee and all monetary transactions should be entered in the Cash Book. Rule 290 of the CTR provides that no money shall be drawn from the Treasury unless it is required for immediate disbursement. Government of Manipur in its order dated 13 March 2008 banned holding of funds by Departments outside Government Account unless specifically permitted by the Finance Department. Any violation of these instructions will invite action under the Manipur Public Servants' Personal Liability Act, 2006.

Scrutiny of records (July to September 2020) of the Directorate of Tribal Affairs and Hills for the period from April 2017 to March 2020 showed that the Directorate in violation of Government instructions and provisions of GFR/ CTR withdrew (August 2017 to July 2019) Scheme funds<sup>135</sup> amounting to ₹ 32.71 crore from Treasury and deposited (August 2017 to July 2019) the funds into its Bank Account<sup>136</sup>. Further scrutiny showed the following:

(i) The Directorate withdrew (August 2017 to July 2019) ₹ 28.61 crore without any sanction of the Head of Department (HOD) from Government Account and deposited it into its Bank Account in violation of Rule 22 and Rule 26 of the GFR, 2017. Entire fund was withdrawn (August 2017 to July 2019) jointly by the Director and the DDO

<sup>135</sup> Construction of minor works, poultry farming, medical treatment to tribals, etc.

<sup>136</sup> A/c No. 31391304922, State Bank of India, Secretariat Branch, Imphal jointly operated by the Director and the DDO.

from its Bank Account through 62 self-cheques for amounts ranging from ₹ 5 lakh to ₹ 100 lakh and showed them as disbursed as Advance Payment in the Cheque Register against various construction works of Buildings and Inter Village Roads (**Appendix 5.10**). The details of money withdrawn was not found recorded in the Cash Book nor kept in the Cash Chest as per the Cash Verification Report dated 31 August 2020. Moreover, there were no traces of Bills, Vouchers, Payee Receipts, *etc.*, in support of payment made and the parties which had actually received the amount.

(ii) Under Special Central Assistance to Tribal Sub Plan (TSP) for the year 2018-19, Government of India released (December 2018) ₹ 3.00 crore<sup>137</sup> for Promotion of Backyard Poultry to 600 beneficiaries in 10 Hill districts<sup>138</sup> of Manipur. Records showed that 372 beneficiaries were to be selected (January 2019) by the Beneficiary Screening Committee<sup>139</sup> and 228 beneficiaries by the six Autonomous District Councils (ADC) (February 2019).

The DDO of the Directorate withdrew (March 2019) ₹ 3.00 crore from Government Account against the Administrative approval and expenditure sanction and deposited the amount into its Bank Account (March 2019). An amount of ₹ 1.00 crore<sup>140</sup> was withdrawn (July 2019) from its Bank Account but the same was not recorded in Cash Book nor were APRs in support of payment made to the beneficiaries/ Implementing Agencies available with the DDO. The amount so withdrawn was not available in the Cash Chest as per the Cash Verification Report dated 31 August 2021.

Audit further observed that no further withdrawal of funds for Backyard Poultry Scheme was made till the date of audit (September 2020), indicating that the Poultry Scheme of 2018-19 had not been implemented in the hill districts of Manipur even after two years since the assistance to TSP was released. Further plan for implementation of the Scheme and as to how the balance sanctioned amount of ₹ 2.00 crore already withdrawn and kept in its bank account would be spent was not furnished to audit.

(iii) Financial Assistance of ₹ 109.99 lakh was sanctioned (March 2018) by Government of Manipur for providing medical treatment to 1564 tribal beneficiaries<sup>141</sup>. Audit observed that against the sanction of ₹ 109.99 lakh, the Directorate withdrew ₹ 185.21 lakh from its common bank accounts for providing Financial Assistance towards providing medical treatment to selected beneficiaries (₹ 109.99 lakh through self-cheque which was deposited into its Bank Account and ₹ 75.22 lakh through E-payment and Cheques in favour of beneficiaries and ADCs respectively). Details of funds withdrawn from the Bank Account and payments made during April 2018 to June 2019 by the Directorate were as given below:

<sup>137</sup> Out of ₹ 7.09 crore.

<sup>138</sup> (i) Chandel (ii) Churachandpur (iii) Kamjong (iv) Kangpokpi (Sadar Hills) (v) Noney (vi) Pherzawl (vii) Senapati (viii) Tamenglong (ix) Tengenoupal and (x) Ukhruul.

<sup>139</sup> A departmental Committee, with the Director of the Department as its Chairman, Joint Director of the Department Deputy Secretary of the Administrative Department as its Members.

<sup>140</sup> *Vide* cheque nos. 324815 and 324817 dated 5 July 2019.

<sup>141</sup> 945 beneficiaries to be selected by the Directorate 619 beneficiaries by the ADCs.

**Table 5.4 Funds withdrawn from the Bank Account and payments made during April 2018 to June 2019**

(₹ in lakh)

Mode of transactions		Payment details	
Transaction particulars	Amount	Transaction particulars	Amount
By Cash through two cheques viz., 324566 & 324567 (April 2018)	59.99	By Cash to 504 beneficiaries (April 2018 to August 2018)	34.78
	50.00		
	109.99		
Through E-payment (May 2018)	31.89	E-payment to beneficiaries 441 beneficiaries (May 2018)	31.88
By Cheque in favour of six ADCs (July 2018 to June 2019)	43.33	By Cheque to six ADCs for 619 beneficiaries (July 2018 to June 2019)	43.33
<b>Total</b>	<b>185.21</b>		<b>109.99</b>

It is evident from the table above that payments worth ₹ 31.89 lakh and ₹ 43.33 lakh were made through e-payment/ cheques for which details were available. Further, details of funds distributed to 504 beneficiaries by cash, amounting to ₹ 34.78 lakh were also available however, for the balance amount of ₹ 75.22 lakh, withdrawn in cash for the same purpose, no details of disbursements were recorded in the Cash Book of the Directorate nor was the amount available in the Cash Chest as per the Cash Verification Report dated 31 August 2021. Thus, in the absence of documentary evidence of payments, Audit could not vouchsafe where the remaining amount of ₹ 75.22 lakh withdrawn for the medical treatment of beneficiaries was kept or spent and for what purpose.

Thus, keeping Scheme funds outside Government Accounts is a gross violation of Financial Rules. Further, withdrawal of Scheme funds amounting to ₹ 30.36 crore (₹ 28.61 crore + ₹ 1 crore + ₹ 0.75 crore) during the period from August 2017 to July 2019 from its Bank Account by the Department without maintaining any documentary evidence of custody of cash and subsequent disbursements was irregular. Consequently, Audit also could not verify where the money was lying or spent and to whom it was paid. In absence of such vital records in support of the expenditure made and duly received by the concerned parties, incurring of expenditure was doubtful and misappropriation of the Scheme funds cannot be ruled out. The matter needs investigation by the Vigilance Department and action should be taken under Manipur Public Servants' Personal Liability Act, 2006 against the officials responsible for such lapses to ensure accountability in dealing with public funds in the Department.

In reply, the Department stated (January 2022) that the matter is under investigation by a Departmental Enquiry and a House Committee of Manipur Legislative Assembly. It was further assured that appropriate action will be initiated as and when the reports of the above enquiries are submitted to the Department.

**Recommendation:** State Government should complete the investigation by the Departmental Enquiry at the earliest and strict action, including filing of FIR, if necessary, should be initiated against the delinquent officials for misappropriation of Government funds.

## YOUTH AFFAIRS AND SPORTS DEPARTMENT

### 5.7 Idle expenditure

*Construction of District Sports Complex at Senapati District sanctioned since January 2007 at the cost of ₹ 13.23 crore by the Youth Affairs and Sports Department, Government of Manipur remained incomplete for more than eight years. There was no progress on the project since October 2014 and the incomplete sport facilities have further deteriorated and the assets already created were being misused by unauthorised occupants.*

Rule 26 (iv) of General Financial Rules, 2005 states that the duties and responsibilities of a controlling officer in respect of funds placed at his disposal is to ensure that adequate control mechanism is functioning in his department for prevention, detection of errors and irregularities in the financial proceedings of his subordinate offices and to guard against waste and loss of public.

With an objective of providing modern infrastructure to the young talents for developing skills and talents as sport person and model citizen, Youth Affairs and Sports Department (YAS), Government of Manipur took up the work “**Construction of District Sports Complex**” at Senapati District at an estimated cost of ₹ 15.00 crore under Special Plan Assistance for the year 2007-08.

An MoU was signed in December 2007 with the Manipur Development Society (MDS) for construction of the District Sports Complex to be implemented in three phases within three years by February 2011. Accordingly, an amount of ₹ 4.95 crore as first installment for Phase I of the project was released to MDS in January 2008. As per clause 3.7 of the MoU, for unjustified/ unacceptable delays, the Construction Agency (CA) will be liable to pay ₹ 20,000 per week, including the damages or losses, if any, suffered by YAS, which will be recovered from the amount payable to the CA and other assets of the CA.

Scrutiny of records (July 2019) for the period from November 2016 to March 2019 of the Joint Director, YAS Department revealed that land measuring 28 acres at Mayangkhang, Senapati was provisionally donated (February 2008) by the Chairman, Mayangkhang Village Authority and Mayangkhang Ningthoupham Village Authority for construction of the Sports Complex. Due to objection raised by the villagers (December 2008), another site, a private property (13.10 acres of land) near Karong Bridge at Senapati, was later acquired (July 2010) at the cost of ₹ 60 lakh and another ₹ 87 lakh was spent towards change of design for Public Gallery.

Thus, the total sanctioned cost of the project came up to ₹ 16.47 crore (January 2010), of which ₹ 37.54 lakh was deposited into MH 8449 and ₹ 13.23 crore was released to MDS during the period from March 2008 to October 2014 (**Appendix 5.11**). As of July 2019, physical progress of the project was only 65 per cent as per joint physical inspection (JPV) (September 2019). Though the work had been delayed, there was no

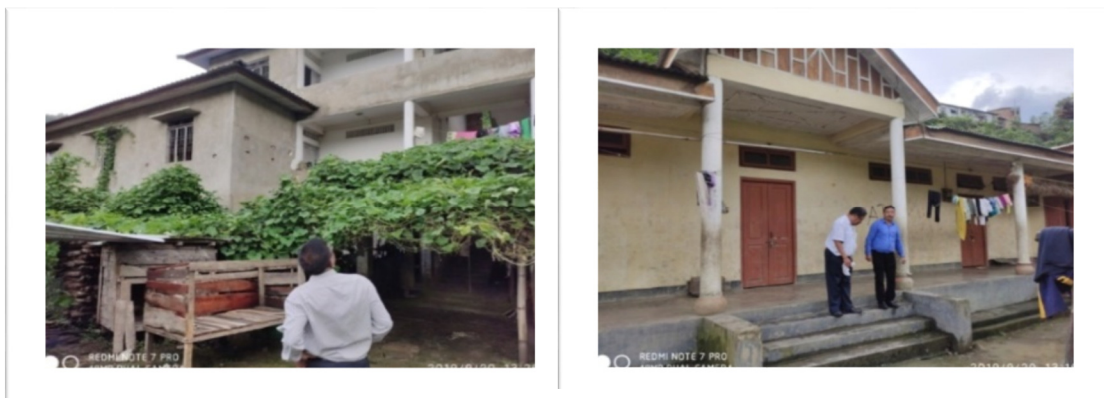
record to show that the matter had been referred to the Chief Secretary, required as per the MoU. The findings of the JPV are as mentioned below:

**Table 5.5 Findings of Joint Physical Verification**

Items of Work	As per Joint Physical Verification
<b>Main Stadium: V.I.P Gallery, Public Gallery, 8 – Lane 400m Track &amp; Field development</b>	VIP Gallery: Only the frame of the structure was constructed. Construction of stands, stairways, seats/ sitting area, etc., were yet to commence. Public Gallery: Only the foundation work was done. 8 – Lane 400m Track & Field development: Not developed.
<b>Indoor Stadium</b>	Structure completed but flooring not done. The entrance were occupied by unauthorised persons.
<b>Play Fields Common playfield for Kho kho, Volleyball and Kabaddi Basketball Court</b>	Common playfield for Kho-kho, Volleyball & Kabaddi: Not started Basketball Court: In dilapidated condition, full of mud and grass.
<b>Buildings 80 – Bedded Sports Hostel (30 Girls + 50 Boys) Staff Quarter (4 Units) Chowkidar Quarter</b>	80 – Bedded Sports Hostel (30 Girls + 50 Boys): Though plastering of the walls, IED and tile flooring of the second floor (including bathrooms) were completed, the plinth protection of the ground floor, plastering of stairs, fixing of doors and windows and painting not done. The building was occupied by unauthorised local persons. Staff Quarter (4 Units): The four staff quarters were in dilapidated conditions. The quarters were occupied by unauthorised persons. Chowkidar Quarter: There was no path leading to the entrance of the quarters and the quarters were occupied by unauthorised persons.
<b>Others Construction of Buffer Wall Drain (Collector Drain &amp; Underground Drain) Approach Road</b>	Construction of Buffer Wall: Not started. Drain (Collector Drain & Underground Cross Drain: Not visible. Approach Road: Not visible.



*Incomplete Main Stadium (VIP Gallery)*



*80 bedded hostels and staff quarters occupied by unauthorised persons*

Audit observed that despite such long delays in completing the work, no penalty was imposed on MDS as per term of the MoU by the Department. Audit further noticed that MDS had submitted (June 2015) revised estimate of ₹ 23.42 crore to complete the project. However, there were neither records of conducting review meetings, correspondences nor action plan to complete the balance works for almost three<sup>142</sup> years both by MDS and the Department indicating lack of effective monitoring and follow up action. Hence, the assets already created at the cost of ₹ 13.23 crore<sup>143</sup> were deteriorating and were being misused by unauthorised occupants.

In response, Department stated (July 2019) that the matter has been discussed with MDS and the case has been forwarded to Directorate of Enforcement, Government of India. Audit, however, observed that the Department could not produce till date (April 2020) records to support this, though requested for. No further action on the project has been taken by the Department since October 2014<sup>144</sup>. Thus, due to delay in completion of the “construction of District Sports Complex” in Senapati, the sport facilities envisaged in the project could not be completed for more than 8 years and the objective of providing modern infrastructure to young talents of the District remained unfulfilled.

***Recommendation:*** State Government should take effective measures to complete the Complex at the earliest and the sports infrastructures are put to use to achieve the intended objective of the project.

<sup>142</sup> From November 2016 to March 2019 (Account period covered by Audit).

<sup>143</sup> Excluding deductions such as VAT, Labour Cess, Agency Charges etc.

<sup>144</sup> Date of last release of funds to MDS. No further activities/action taken thereafter by YAS noticed.

