

***P R E F A C E***

1. This report has been prepared for submission to the Government of Madhya Pradesh in accordance with terms of Technical Guidance and Supervision over the audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) by the Comptroller and Auditor General of India as envisaged by the Eleventh Finance Commission.
2. This report has been prepared in two Parts. Part - I deals with the observations on ULBs and Part – II with the observations on PRIs.
3. Chapter I of each part of this Report contains a brief introduction on the functioning and accounting procedures of ULBs/PRIs.
4. Chapter II of each part of this report deals with audit observations on release and utilisation of Twelfth Finance Commissions grants (TFCs) and comments on Implementation of schemes.
5. Chapter III of Part I of this report deals with audit observations and comments on Transaction Audit.
6. The cases mentioned in the report are those, which came into notice during the course of audit of transactions/inspection of accounts during 2007-08 as well as those which had come to notice during earlier years, but could not be dealt with in the previous Reports; matters relating to the periods subsequent to 2007-08 have also been included, wherever necessary.

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## OVERVIEW

The Report consists of two Parts. Part - I on Urban Local Bodies (ULBs) and Part - II on Panchayati Raj Institutions (PRIs). Part I is divided in to three Chapters, Chapter I on Overview on finance of ULBs including the accounting procedures; Chapter II on Performance Reviews and Chapter III on Transaction Audit Paragraphs. Part II is divided in to two Chapters, Chapter I on Overview on finance of PRIs including the accounting procedures and Chapter II on Performance Reviews A synopsis of audit findings is presented in this overview.

### PART – I

#### URBAN LOCAL BODIES

##### OVERVIEW ON FINANCES INCLUDING THE ACCOUNTING PROCEDURES OF THE URBAN LOCAL BODIES

The accrual system of accounting was made applicable from April 2008 only in 14 Municipal Corporations (MCs) and was yet to be applied in Nagar Panchayats and Nagar Palikas of the State.

*(Paragraph 1.3.1.)*

The provisions of Model Municipal Law (MML) with modification as suggested by CAG for section 93 to 96 of MML were not incorporated in the concerned Acts of ULBs.

*(Paragraph 1.3.2)*

The Steering Committee to oversee the implementation of budget and accounting formats, as suggested by the Task Force, was not formed (October 2008)

*(Paragraph 1.3.3.)*

The second State Finance Commission (SFC) recommended (December 2003) the need for building up database in respect of municipal finances which was accepted by the Government (March 2005). The Government agreed (June 2004) in principle to adopt the formats of database as prescribed by CAG and stated (March 2009) that the data base are being maintained in Nagar Nigam and action will be taken to maintain the same in other ULBs.

*(Paragraph 1.3.4)*

Reconciliation of difference of Rs. 2.92 crore between balances of cash book and bank accounts was not done by 20 ULBs.

*(Paragraph 1.9)*

Advances amounting Rs. 3.09 crore were not recovered from individuals of 21 Nagar Nigam/ Nagar Palika.

*(Paragraph 1.10)*

Premium of shops (Rs. 0.91 crore) and rent (1.23 crore) was not recovered for last two to six years by 4 Nagar Palikas and 12 Nagar Panchayats.

*(Paragraph 1.16)*

Labour Welfare Cess of Rs. 6.44 lakh was not recovered by 6 ULBs from contractors bill of construction work.

*(Paragraph 1.17)*

Loan amount and contribution amounting to Rs. 1.11 crore was not realised from the beneficiaries for conversion of dry latrines into pour flush latrines.

*(Paragraph 1.19)*

## **CHAPTER – II IMPLEMENTATION OF SCHEMES**

Interest payable to ULBs for the delay in release of TFC grants was not paid.

*(Paragraph 2.1.2)*

Door to Door collection charges of waste collection through Public Private Partnership was not recovered by the test checked ULBs.

*(Paragraph 2.1.8)*

## **CHAPTER – III TRANSACTIONS AUDIT PARAGRAPHS**

Urban Development Cess of Rs. 2.76 crore was not recovered by Bhopal Nagar Nigam from BHEL, Bhopal.

*(Paragraph 3.1)*

Mobilisation advance and interest amounting Rs. 40.48 lakh was not recovered from contractor by Nagar Nigam, Bhopal.

*(Paragraph 3.2)*

Non allotment of shops of Shopping Complex resulted in loss of premium and rent of Rs. 42.76 lakh.

*(Paragraph 3.3)*

Due to non-utilisation of water supply material worth Rs. 54.85 lakh purchased for laying new pipe line work from Parvati River, the entire amount invested remained blocked.

*(Paragraph 3.4)*

Non-payment of instalment of loan amount including interest on due dates resulted in extra burden of penal interest of Rs. 31.76 lakh.

*(Paragraph 3.5)*

## **PART – II**

### **CHAPTER - I**

#### **PANCHAYATI RAJ INSTITUTIONS**

##### **OVERVIEW ON FINANCES INCLUDING THE ACCOUNTING PROCEDURES OF THE PANCHAYATI RAJ INSTITUTIONS**

Non-refund of unspent balances of closed/ non-operational schemes amounting to Rs. 81.21 lakh resulted in deprival of intended benefits to the rural population.

Non-refund of unspent balances of closed/ non-operational

*(Paragraph 1.11)*

1603 works taken up by 25 Janpad Panchayats under various schemes remained incomplete since 2001-02.

*(Paragraph 1.13)*

SGRY grant meant for maintenance of assets and for SC/ST beneficiaries were not utilised resulting in non-fulfilment of the objectives of the scheme.

*(Paragraph 1.14)*

##### **CHAPTER - II IMPLEMENTATION OF SCHEMES**

Failure of PRD to ensure drawal of TFC grants before closure of the financial year resulted in lapse of grants amounting to Rs. 6.75 crore.

*(Paragraph 2.1.2)*

User charges for water supply amounting to Rs. 0.53 crore was pending recovery by 50 GPs of seven districts.

*(Paragraph 2.1.4)*

**Quality of maintenance of accounts in Panchayat Raj Institutions (PRIs) including the aspect of availability of qualified manpower**

Non-maintenance of scheme wise cash books and ledgers, operation of multiple bank accounts, non-reconciliation of balances of cash book with bank pass books showed poor quality of maintenance of accounts in PRIs. Grant received from 11<sup>th</sup> and 12<sup>th</sup> Finance Commission for creation of database and maintenance of accounts either lapsed to Government or could not be utilised because of their deposition in personal deposit account. Standard formats of budget and accounts prescribed by CAG were made available by NIC in “Pancha Lekha” software but it was observed that different Janpad and ZPs were utilizing softwares other than Panch Lekha, with the result uniformity in the preparation of monthly accounts was not observed. Inventory of assets created by the GPs under different programme of rural development was not prepared. Lack of availability of accounts/computers trained staff at JPs level resulted in non-submission of monthly accounts through E-mail.

*(Paragraph 2.2)*

**PART – II PANCHAYATI RAJ INSTITUTIONS**

**CHAPTER - I**

**OVERVIEW ON FINANCES INCLUDING THE ACCOUNTING PROCEDURES OF THE PANCHAYATI RAJ INSTITUTIONS**

**1.1 Introduction**

To promote greater autonomy at the grass root level and to involve people in identification and implementation of developmental programmes involving gram sabhas, the 73<sup>rd</sup> Constitutional Amendment Act, 1992 was promulgated (April 1993). According to the provisions of Article 243 G of the constitution, the legislature of the state may, by law, endow the Panchayats with such powers and authority, as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibility upon Panchayat at appropriate level, subject to such conditions as may be specified therein with respect to:-

- (a) the preparation of plans for economic development and social justice;
- (b) the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule;

Similarly according to provisions of Article 243 H of the constitution, the legislature of state may

- (c) authorise a panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits; and
- (d) assign to a Panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits.

Consequently, a three-tier system of Panchayati Raj Institutions (PRIs) had been established in the State by Madhya Pradesh Panchayati Raj Avam Gram Swaraj Adhiniyam (Act), 1993. (MPPRGSA) which came into force from January 1994.

- Zila Panchayat (ZP) for a district.
- Janpad Panchayat (JP) for a block; and
- Gram Panchayat (GP) for a village;

At present there are 48 ZPs, 313 JPs and 23051 GPs in the state. The last general elections for the Gram Panchayats were held during 2004-05.

## **1.2 Area and Population**

Total areas (3,08,000 sq. km.) of the state was covered by 4.51 crore of rural population being 75 per cent of the total population of 6.03 crore as per 2001 census. Of this, 0.90 crore (15 per cent) and 1.21 crore (20 per cent) were Schedule Caste and Schedule Tribe.

## **1.3 Administrative arrangements**

The over all administration of PRIs vests with the Principal Secretary to Government of Madhya Pradesh, Panchayat and Rural Development Department at Government level. The organisational structure of the Department, at District, Block and Village level is given in **Appendix -XVII**.

## **1.4 Accounting arrangements**

### **1.4.1 Amendment in the Act**

According to the recommendations of the Eleventh Finance Commission (EFC), Government of Madhya Pradesh, Finance Department (FD) decided (November 2001) that the Commissioner, Local Funds Audit (CLFA) shall be responsible for audit of accounts of local bodies and shall work under the Technical Guidance and Supervision (TGS) of the Comptroller and Auditor General of India (CAG). But PRIs' Acts were neither amended to empower the CAG nor any response was given even after regular correspondence with the Panchayati Raj Directorate (PRD). The matter was discussed in the meeting (November 2008) held with Principal Secretary for inclusion of provision of TGS in concerning Act & Rules. It was however decided that suitable action would be taken after consulting practices of other states.

### **1.4.2 Annual Accounts**

As per Rule 63 of M.P. Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993 the Secretary of the Panchayat or in his absence, such other persons as may be authorised in his behalf, by the General Administration Committee, shall prepare the Annual Accounts as prescribed in Rule 62 and place before the General Administration Committee, for consideration and approval, by 30<sup>th</sup> day of April each year. During test check of records of ZP Indore (22 GPs) and ZP Khandwa (19 GPs), it was seen that no such Annual Accounts were prepared by the test checked GPs.

## **1.5 Audit arrangements**

As per recommendations of the EFC, audit of accounts of Panchayati Raj Institutions (PRIs) was entrusted to CLFA under the Technical Guidance and Supervision (TGS) of the C&AG of India by the State Government in November 2001. Accordingly the office of the Senior Deputy Accountant General Local Body Accounts and Audit is conducting audit of PRIs under TGS module.

## **1.6 Approval of audit plans**

The CLFA was required to prepare the audit plan in consultation with the Principal Accountant General (PAG) to include selection / rotation of units audit party composition and deployment. The AG would approve the audit plan as a part of the TGS arrangement. However, in spite of request to the Government (February-November 2008), the audit plan of CLFA were never got approved from the PAG.

## **1.7 Constitution of State Legislature Committee**

The EFC recommended that the report of C&AG relating to audit of accounts of PRIs was to be placed before a Committee of the State Legislature constituted on the same lines as Public Accounts Committee. In spite of request by the PAG to the Government (up to November 2008), the Committee was yet to be constituted (May 2009), Government, stated that it intends to include other class of local bodies within the purview of this class and is contemplating to amend M.P. Vidhan Sabha conduct of business rules.

## **1.8 Source of revenue**

There were mainly two sources of funds for Local Bodies (i) Government grants and (ii) own revenues. Own revenue resources of PRIs comprise of tax and non-tax revenues realised by them. Other resources comprise (a) funds released by the State Government and Government of India (GOI) based on the recommendation of SFC, Twelfth Finance Commission (TFC) etc. (b) GOI and State share released for various central and State sector schemes.

## **1.9 Receipts and expenditure of PRIs**

**1.9.1** Funds (Share of tax revenue of the state, schemes and grants etc.) allocated to PRIs by the State Government through budget including GOI's share of the schemes and grants recommended by EFC & TFC were as under:-

**(Rs. in crore)**

Sl. No.	Year	Total Grant (Budget Provisions)	Actual Expenditure			Excess (+)/ Saving (-)
			Revenue	Capital	Total	
1.	2005-06	1957.96	1832.67	6.63	1839.30	(-) 118.66
2.	2006-07	2720.40	2241.73	0.04	2241.77	(-) 478.63
3.	2007-08	3239.39	2999.92	3.03	3002.95	(-) 236.44

It can be seen from the table that the budget provisions increased by 65 per cent during the year 2007-08 as compared to 2005-06 but the PRIs could not spend the amount, resulting into substantial saving from 2005-06 to 2007-08. The details of receipts of revenue and expenditure thereagainst in all PRIs were not being maintained at the PRD level. On being enquired, PRD replied (March 2009) that the same would be collected and furnished to audit.

### 1.9.2 State Finance Commission (SFC)

The FD accepted (March 2005) the recommendation of second SFC for devolution of 2.93 per cent of 90 per cent of the state's own tax revenue to PRIs. The position of grants released to PRIs through state budget during 2005-06 to 2007-08 were as under:

(Rs. in crore)

Year	Amount of own tax revenue of the state		Amount of share of own tax revenue to be allocated as per prescribed percentage (i.e. 2.93%)	Amount of share of own tax revenue (SFC grants) released to PRIs	Short fall (with percentage)
	Total	Net (After deduction of 10%)			
1	3	4	5	6	7
2005-06	9115	8203.50	240.36	207.91	32.45 (13)
2006-07	10473	9425.70	276.13	208.70	67.43 (23)
2007-08	12018	10816.20	316.91	243.00	73.91 (23)

Reasons for shortfall were neither available on record not stated to audit.

The devolution of funds under recommendations of SFC were meant to cover the tasks of basic services, vis-à-vis development of water supply and sanitation etc. The shortfall in release of funds to PRIs from 2005-06 to 2007-08 resulted in less availability of funds with them for the purpose envisaged by SFC.

### 1.9.3 Submission of utilisation certificates (UCs):

According to guidelines of basic services (issued by Government of Madhya Pradesh, Panchayat Department), UCs of SFC grants were required to be sent to the PRD by each CEO of ZP. Test-check (April-May 2009) of records of ZP Indore and Khandwa revealed that UCs<sup>1</sup> against the expenditure of Rs. 19.63 crore incurred during the period 2005-06 to 2007-08 were not sent to PRD. On being pointed out, the CEO (ZP) Indore and Khandwa stated (April-May 2009) that the UCs would be sent shortly to PRD.

Funds for execution of construction works under schemes like Sampurna Gramin Rojgar Yojana, Indira Awas Yojana, Prime Minister Gramodaya Yojana, National Scheme of Food for work etc are provided to executing agencies in two or three instalments and they were required to submit utilisation certificates within 15 days of incurring expenditure to obtain subsequent instalments of funds. The utilisation certificates after completion of works under such rural development schemes worth Rs. 3.37 crore in eight Janpad Panchayats (**Appendix –XVIII**) were awaited from executing agencies for last five years.

### 1.9.4 Non-utilisation of EFC grants:

On the recommendations of EFC, Government decided (November 2005) to computerise the accounting system of PRIs. For this purpose, out of total EFC

<sup>1</sup> Indore, Rs. 4.19 crore: Khandwa, Rs. 15.44 crore

grant of Rs. 501.02 crore, a sum of Rs. 20.11<sup>2</sup> crore was allocated to PRD. For maintenance of accounts of PRIs in a web-based system ‘Panch Lekha’ software developed with the help of National Information Central (NIC) was installed in 116 Janpad Panchayats (JPs) in November 2005 and in the remaining 197 JPs in August 2006 by National Informatics centre Services Incorporated (NICSII). It was however noticed that the accounts of the test-checked PRIs covering the audit period were not maintained in Panch Lekha software but other general software.

### **1.10 Position of Outstanding audit paragraphs:**

As of March 2008, the number of outstanding audit paragraphs of PRIs included in the Inspection Reports (IRs) of CLFA excluding those of Gwalior region was 76443 Similarly the number of outstanding paras of AG’s Inspection Reports was 9723 on the date. Details of outstanding paragraphs were as under:

#### **(A) Outstanding audit paragraphs of CLFA**

**(As on 31 March 2008)**

Sl. No.	Financial Year	PRI			
		Total No. of outstanding audit paragraphs	Addition	No. of paragraphs settled	No. of paragraphs Outstanding
1.	2005-06	91686	4429	8514	87601
2.	2006-07	87601	7250	12494	82357
3.	2007-08	82357	4502	10416	76443

#### **(B) Outstanding audit paragraphs of AGs Inspection Reports.**

**(As on 31 March 2008)**

Sl. No.	Financial Year	PRI			
		Total No. of outstanding audit paragraphs	Addition	No. of paragraphs settled	No. of paragraphs Outstanding
1.	2005-06	2037	787	Nil	2824
2.	2006-07	2824	3029	Nil	5853
3.	2007-08	5853	3877	07	9723

Even after vigorous pursuance with the Finance Department, no audit committee was constituted in the State to discuss and settle the outstanding paragraphs resulting in large number of audit paras being left unsettled.

### **1.11 Non-refund of unspent balances of closed/non-operational schemes**

As per guidelines of the schemes and instructions contained in the sanction by the Government the unspent balances of closed and non-operational schemes/ programmes should be refunded to the concerned department. Test check of

<sup>2</sup> Rs. 20.11 crore (2002-03: Rs. 4.03 crore, 2003-04: Rs. 4.04 crore and 2004-05: Rs. 12.04 crore).

records of three PRIs revealed that as sum of Rs. 81.21 lakh pertaining to various closed/non-operational schemes and programmes were lying in the bank account and not refunded to the Departments, as detailed below:

**(Rupees in lakh)**

Sl. No.	Name of the Unit	Period of ATIR	No. of Schemes	Amount
1.	Janpad Panchayat Nisarapur (Dhar)	2001-07	1	22.84
2.	Janpad Panchayat Sinhawal (Sidhi)	2005-07	5	27.33
3.	Janpad Panchayat Jaisingnagar (Shahdol)	2004-07	4	31.04
	<b>Total</b>			<b>81.21</b>

This resulted not only in blocking of funds but also in depriving the rural population from intended benefits.

### **1.12 Outstanding advances against individuals/executing agencies**

Rule 49 of Madhya Pradesh Janpad Panchayat (Lekha Niyam), 1999 provides that advances for office expenses and transportation given to individuals/executing agency (Sarpanchs/Pradhans/Officials etc.) should be got adjusted immediately after incurring such expenditure, failing which the entire amount of advance should be recovered from the next salary or sums payable to them.

Test check of records of 11 PRIs revealed that in contravention/violation of the above provision, a sum of Rs. 43.07 lakh was outstanding against individuals/executing agencies for the last five years as shown in **Appendix - XIX**.

### **1.13 Incomplete works**

In general the construction works taken up by Janpad Panchayat and Gram Panchayat should be completed within one year and in exceptional cases within two years.

Test check of records in 25 JPs revealed that 1603 works taken up under various schemes including SGRY were lying incomplete from 2001-02 onwards on after incurring on expenditure of Rs. 19.79 crore as detailed in **Appendix -XX**. Due to non completions of works, the intended benefit of the assets could not be provided to the beneficiaries. Further, the possibility of deterioration of these assets can not be ruled out with the passage of time.

### **1.14 Non-utilisation of SGRY grant under specified components.**

According to Para 4.4 and 5.5 of the guidelines of Sampoorna Gramin Rojgar Yojna (SGRY), (effective from April 2002), 22.5 per cent grant from the allotment of funds at Janpad level should be utilised on the works relating to SC/ST beneficiaries and 15 per cent grant should be utilised on the maintenance of assets created from this fund for the prolonged use of such assets.

Test check of records of 12 JPs revealed that only Rs. 1.44 crore (55 percent) were utilised against the allotment of Rs. 2.61 crore (22.5 percent) on the works relating to SC/ST beneficiaries and negligible amount of Rs. 1.50 lakh was incurred on the maintenance of assets against the allotment of Rs. 2.39 crore as shown in **Appendix – XXI**.

**1.15 Irregular allotment of houses to the male beneficiaries under Indira Awas Yojna (IAY)**

According to Para 6 of the guidelines of IAY issued by Government of India (GOI) and para 5.5 of the guidelines issued by Government of Madhya Pradesh, the allotment of Plots and Awas should be made in name of unmarried woman or widow in the family or in the joint name of husband and wife.

Test check of records of 22 Janpad Panchayats revealed that 6048 Awas costing Rs. 12.66 crore as shown in **Appendix - XXII** were allotted to male beneficiaries in violation of the provisions of the Yojna.

**1.16 Conclusion**

Annual Accounts were not prepared by the PRI regularly. Details or receipts and expenditure of PRIs were not compiled at the State level. Approval of PAG on audit plan was not obtained by CLFA as envisaged under TGS module. The State Government has not formed a State Legislature Committee for discussion of CAG's Audit Reports on Local Bodies.

**1.17 Recommendations**

Steps to maintain budget and accounts in the formats prescribed by C&AG of India should be taken immediately. Arrangements for maintenance of data base on finances of PRIs at state level should be made. Steps to obtain approval of annual audit plan of CLFA from PAG and effective Arrangements for speedy settlement of outstanding audit objections are required to be taken up. A committee of the State legislature on the same lines as Public Accounts Committee be constituted.

**CHAPTER – II**

**IMPLEMENTATION OF SCHEMES  
(Panchayat And Rural Development Department)**

**2.1 Audit findings on release and utilisation of Twelfth Finance Commission's (TFC) grants of PRIs**

**Introduction:**

The Twelfth Finance Commission (TFC) was required to make recommendations on the measures needed to augment the consolidated funds of the state to supplement the resources of the Panchayats on the basis of the recommendations of the State Finance Commission. The TFC has recommended grants amounting to Rs.1663 crore payable during the period 2005-10 to Madhya Pradesh (M.P.) for Panchayati Raj Institutions (PRIs). TFC also felt that grants for PRIs should be used to improve the service delivery by the Panchayats in respect of water supply and sanitation. Panchayats need to be encouraged to take over water supply assets created under the swajaldhara programme and maintain them with the help of these grants. TFC further recommended that high priority need to be given for creation of database and maintenance of accounts at the grass root levels.

**2.1.1 Delay in release of grant by GOI:**

Para 6.1 of Government of India (GOI) guidelines on TFC grant<sup>1</sup> provided that the Local Bodies grants were to be released in two equal instalments in July and January every year. Para 6.2 of the GOI guidelines provided that two sets of details i.e. one on allocation of funds and another on release of funds should be reported by the State Government prior to the release of each instalment by the GOI. State Finance Secretary was also required to furnish a certificate showing dates and amount of grants received and released by the State within 15 days of the release of each instalments by GOI. Scrutiny of records of the Finance Department (FD) revealed (September 2008) that the first and second instalment amount of Rs. 332.60 crore (first instalment: Rs. 166.30 crore and second instalment: Rs. 166.30 crore) related to the year 2007-08 was released by GOI on 5 September 2007 and 27 February 2008 respectively as shown below:-

Sl. No.	Particulars	Due date of release by GOI	Actual date of release by GOI	Status of UCs submitted to GOI	Period of delay	
					In submission of UC	In release of grant
1.	I <sup>st</sup> instalment	July - 2007	5 September 2007	18 January 2008	120	35 days <sup>2</sup>
2.	II <sup>nd</sup> instalment	January - 2008	27 February 2008	17 July 2008	125	26 days <sup>3</sup>

<sup>1</sup> Guidelines for release and utilisation of grant recommended by the Twelfth Finance Commission for Augmentation of Consolidated funds of the State for supplementing the resources the Rural and Urban Local Bodies (Local Bodies Grants) issued in June 2005.

<sup>2</sup> 35 days (August, 2008; 31 September; 4)

<sup>3</sup> 26 days (February; 26)

It would be observed from the table that there were delay ranging from 26 to 35 days in release of first and second instalment of the grant by the GOI; Audit observes that the delay was due to delayed submission of utilization certificate and information by FD.

### **2.1.2 Lapse of grant amounting to Rs. 6.75 crore:**

Out of Rs.332.60 crore being the total grant of TFC for the financial year 2007-08, a sum of Rs. 6.75 crore was allocated to the Head of the department (PRD) under the budget component (i) Computerisation of database, financial assistance to Local Bodies and (ii) Maintenance of Panchayat accounts. During scrutiny of records of the Commissioner Panchayat Raj Directorate (PRD) Bhopal (September 2008), it was observed that FD accorded a sanction (27.3.2008) to draw Rs. 6.75 crore to be kept in Personal Deposit (PD) Account. But the PRD did not draw the money from treasury in the financial year resulting in lapse of the grant. The PRD attributed the reason for lapse of the grant to late receipt of FD sanction and also to non-feeding it in server of the treasury till 29.3.2008. The reply was not acceptable as this was the responsibility of PRD to ensure draw of the grant before close of the financial year.

### **2.1.3 Utilisation certificate (UCs) includes amount not spent:**

According to the para 14 (format-1) of the revised guidelines of State government, all the Chief Executive Officers, Zila Panchayat (ZP) were required to submit Utilisation Certificates (UCs) on the basis of expenditure incurred by the GPs. Test check of records of 7 ZPs<sup>4</sup> revealed that UCs of Rs. 47.26 crore for the year 2007-08 were prepared and sent to the Commissioner, PRD on the basis of amount drawn from treasury by the ZPs and not on the basis of actual expenditure incurred with the result that a sum of Rs. 0.48 crore was lying unspent in the bank accounts of GPs. On being pointed out in audit, six ZPs<sup>5</sup> stated (September 2008 - February 2009) that in future the UCs would be prepared as per the guidelines. Reply from ZP Gwalior is awaited. In pursuance of para 6.3 of the guidelines of GOI, Secretary FD had furnished utilisation certificate for the entire amount of grant instead of actual expenditure incurred.

### **2.1.4 Non recovery of user charges:**

As mentioned in the para 3.1 (XII) of TFC guidelines, the PRIs should, recover at least 50 per cent of recurring costs in the form of user charges. As per revised guidelines of State Government (para 4.2.1.1), recovery of user charges was to be made from the consumers of water under the Water Supply Scheme of "Naljal".

Scrutiny of information made available by 50 GPs of seven districts revealed that the amount of Rs. 0.53 crore was pending recovery from the consumers of water connections, as detailed in **Appendix -XXIII**. The GPs while attributing

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<sup>4</sup> Bhopal, Dewas, Dhar Gwalior, Indore, Rewa and Sidhi

<sup>5</sup> Bhopal, Dewas, Dhar, Indore, Rewa and Sidhi

the reasons for poor recovery to lack of interest/co-operation of the representatives of public stated (September 2008 - February 2009) that recovery of user charges would be made.

In pursuance of para 6.3 of TFC guidelines, State Government was required to intimate to the GOI, the details of recurring O&M cost recoverable by the PRIs on the scheme of Water Supply, but no such information was furnished. On being enquired FD replied that the concerned department have been directed to comply with the instructions.

### **2.1.5 Social Audit not conducted:**

As per para 13 of the state guidelines (Revised 2006) Social Audit of each construction and development work was to be conducted mandatorily by the Gram Sabhas (Village Assemblies). Scrutiny of information of 41<sup>6</sup> test-checked GPs of 7 districts revealed that the Social Audit was not conducted by the concerned Gram Sabhas for want of instructions, knowledge and work load etc.

## **2.2 Quality of maintenance of accounts in Panchayat Raj Institutions (PRIs) including the aspect of availability of qualified manpower**

### **2.2.1 Introduction:**

In Panchayat Raj Institutions (PRIs), the accounts were traditionally being maintained manually as per formats prescribed in Madhya Pradesh Panchayat Raj Adhiniyam 1993. In view of the large scale decentralisation envisaged in the 73<sup>rd</sup> Constitutional Amendment, the Eleventh Finance Commission (EFC) made specific recommendations about strengthening the accountability framework in PRIs. As per recommendations of the EFC, the Comptroller and Auditor General of India (CAG) had prescribed budget and accounting formats for PRIs on cash based system in 2002. For maintenance of accounts of PRIs a web based system “Pancha Lekha” Software was developed with the help of National Informatics Centre (NIC) which was installed in 116 Janpad Panchayats (JPs) in November 2005 and in rest 197 JPs in August 2006 by National Informatics Centre Services Incorporated (NICSI).

### **2.2.2 Audit Objectives:**

The review was conducted to assess whether:

- The accounts rules made under Adhiniyam were observed in PRIs.
- Data generated was complete, reliable and follows the accounting rules of the PRIs.
- The system documentation was adequate and updated to ensure efficient and continuous operation of the system.
- Qualified manpower for maintenance of accounts in PRIs was available.

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<sup>6</sup> Bhopal (5), Dewas (12), Dhar (2), Gwalior (4), Indore (6), Rewa (2) and Sidhi (10).

### **2.2.3 Scope of audit:**

The quality of maintenance of accounts during 2005-06 to 2007-08 in PRIs was reviewed during 2009. For the purpose of carrying out the review, records of Commissioner, Panchayat Raj, (PRD) three Zila Panchayats<sup>7</sup> (ZPs), 16<sup>8</sup> JPs and 32 Gram Panchayats (GPs) (two GPs of each selected JP) were scrutinised.

### **2.2.4 Maintenance of Accounts:**

#### **2.2.4.1 Non-maintenance of scheme wise cash books and ledgers:**

PRIs were required to maintain separate cash book as well as separate ledger for each scheme. Separate bank accounts were also to be maintained for each scheme. It was, however, observed in eight<sup>9</sup> JPs out of 16 test-checked JPs, that scheme wise separate cash books were not maintained and in three JPs<sup>10</sup> even ledgers were not maintained. Scheme wise separate bank accounts were also not found operated in two JPs<sup>11</sup>. This resulted in non-availability of scheme wise position of receipts, payments and balances with the concerned Chief Executive Officer (CEOs). The possibility of diversion of funds from one scheme to another also cannot be ruled out.

#### **2.2.4.2 Operation of multiple bank accounts:**

To have better internal control over the finances multiplicity of bank accounts should be avoided. It was, however, noticed that 14 bank accounts were operated as 31.03.2008 for Janpad Fund (Janpad Kosh) in JP Parasia (District Chhindwara). This creates difficulty in reconciliation of bank accounts and weakens the control on accounts. In reply the CEO JP Parasia assured (April 2009) that the single account would be maintained in future.

#### **2.2.4.3 Non-reconciliation of balances of cash book and bank pass book:**

Rule 25 and 26 of Madhya Pradesh Janpad Panchayat (Lekha Niyam), 1999 enjoin that the balances of bank pass book shall be checked with reference to the balances of cash book at the close of every month and differences if any, be reconciled. Test check of records of six JPs revealed that a total amount of Rs. 1.64 crore remained un-reconciled as on March 2008 as detailed in **Appendix -XXIV**. The concerned CEOs agreed to reconcile the differences at the earliest. Due to non-reconciliation of cash book balance with the bank pass book, possibility of defalcation and misappropriations of funds could not be ruled out. The cash balance in the cash book also remained doubtful in the absence of reconciliation with balances of bank pass book.

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<sup>7</sup> (1) Balaghat (2) Betul (3) Chhindwara.

<sup>8</sup> Athner, Betul (District -Betul), Baraseoni, Paraswara, Baihar, Katangi, Kirnapur, Kherlangi, Birsa (District-Balaghat), Chaurai, Amarwara, Parasia, Sausar, Pandurna, Tamia, Bichhua (District -Chhindwara).

<sup>9</sup> (1) JP Athner (District- Betul), (2) Amarwara, (3) Sausar (4) Chaurai (District- Chhindwara) (5) Birsa (6) Paraswara (7) Kirnapur (8) Baraseoni (District - Balaghat)

<sup>10</sup> (1) Sausar (2) Birsa (3) Paraswara.

<sup>11</sup> (1) JP Athner (District- Betul), Kirnapur (District -Balaghat)

#### **2.2.4.4 Funds kept out of Saving Bank Accounts:**

Funds received from Central and State Government should be kept in Saving Bank Accounts only. Interest earned on funds of each scheme should be added to the scheme fund. It was observed that despite the Government of India's (GOI) instructions, in this regard funds belonging to various schemes<sup>12</sup> were kept in current bank account in JP Parasia (District – Chhindwara) and in the two test checked GPs of JP Kirnapur (District Balaghat) which resulted in loss of interest to schemes fund. Moreover, Central Bank of India, Rajegaon did not pay interest on saving bank account No. 6402 operated for National Rural Employment Guarantee Scheme (NREGS) from 21 March 2006 to 31 December 2007 (19 months) nor the CEO, JP Kirnapur demanded interest from the Bank. This resulted into a loss of accrued interest of Rs. 8.31 lakh (approx) to the scheme. On being pointed out, the CEO agreed to take up the matter with the bank.

#### **2.2.4.5 Funds kept as fixed deposits:**

Test-check of records of JP Baraseoni (District-Balaghat) revealed that Rs. 20.43 lakh (Eleventh Finance Commission, Rs. 5.00 lakh, National Rural Employment Guaranty Scheme, Rs. 12.00 lakh, National Food for Work programme Rs. 3.43 lakh) were kept as fixed deposit. On maturity the Fixed Deposit Receipts (FDRs) were encashed with interest of Rs. 1.86 lakh earned thereon. The interest so earned was not added to the scheme fund but was transferred to JPs fund resulting in non-availability of funds to that extent for developmental activities.

#### **2.2.5 Inventory of assets not maintained:**

Rule 55 and 60 of Madhya Pradesh Gram Panchayat (Lekha Niyam), 1999, provides that all the public properties situated under the jurisdiction of GPs will be the assets of that GP. GPs were required to maintain assets register to have a complete inventory of all assets owned by them and created under different programmes of rural development. Scrutiny of records of test checked 32 GPs revealed that properties constructed under various rural development schemes except those constructed under NREGS were not found entered in the assets register. Hence the total assets of GPs could not be ascertained. The overall information about assets created under various rural developments schemes were not available with the PRD also. Therefore, the possibility of duplicacy in selection of areas or construction works in the same area and duplicacy of expenditure on same work can not be ruled out.

#### **2.2.6 Non-adherence to Budget and Accounts formats:**

**2.2.6.1** Data on finances of PRIs were to be collected and compiled in standard formats as prescribed by CAG. The PRD adopted the database formats prescribed by CAG in 2002 for all schemes of Rural Development and Panchayat and Social Justice Department and developed a software named "Pancha Lekha" with the help of NIC. This software was installed in the nodes

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<sup>12</sup> CM labour Security Scheme, SGRY (JP Amarwara), IAY, MDM and SGRY (JP Parasia)

supplied to JPs (May 2006). The scheme wise monthly income and expenditure figures of GPs from September 2004 were to be compiled at JPs level. Thereafter, the JPs would submit the monthly accounts to ZPs and Head of the Department through E-mail. But in test checked districts the GPs did not submit their monthly income and expenditure accounts to JPs resulting in the accounts not being compiled in required formats at any level of PRIs. It was also observed that:

- No text file was prepared to send data from JP to ZP inspite of availability of Broad band facility at JP level.
- JPs did not take any initiation to collect the required data from GPs.
- The operational problems faced by the JPs in feeding data in “Pancha Lekha” software, though reported to higher authorities were not rectified by NIC.

#### **2.2.6.2 Sanctions not bearing classification of accounts:**

For successful implementation of computer based accounting system, it was necessary to mention classification of Accounts Head and nature of budget (whether plan or non plan) in the sanction orders of budget allocation.

It was observed that though the PRD gave full description of Accounts heads in their budget sanction orders to ZPs, the ZPs/JPs did not mention scheme or programme heads in budget sanction orders issued by them to implementing agencies (JPs/GPs) due to which the implementing agencies could not classify the transactions in their books, which was essential requirement for computerisation of accounts.

#### **2.2.8 Non-utilisation of available fund:**

Out of total grant of EFC and TFC (Rs. 2164.25 crore)<sup>13</sup> a sum of Rs. 41.63 crore<sup>14</sup> was allocated to the Head of the department (PRD) under the budget component (i) Computerisation of data base, financial assistance to PRIs and (ii) Maintenance of Panchayat accounts. Out of this Rs. 14.17 crore lapsed as the amount was not drawn in time and Rs. 13.94 crore were deposited in Personal Deposit (PD) accounts by Commissioner, Panchayat Raj. The details were as under:

#### **Lapsed Amount: (Rupees in lakh)**

Sl. No.	Year	Grant	Lapsed Amount	Particulars
1.	2004-05	EFC	112.86 629.27	Maintenance of accounts Computerisation of data base, financial assistance to PRIs
2.	2007-08	TFC	675.00	Computerisation of data base, financial assistance to PRIs
	<b>Total</b>		<b>1417.13</b>	<b>Or Rs. 14.17 crore</b>

<sup>13</sup> 501.02 + 1663 = 2164.25 crore

<sup>14</sup> 20.11 + 21.52 = 41.63 crore

**PD Account: (Rupees in lakh)**

Sl No.	Year	Grant	In PD Account	Particulars
1.	2005-06	TFC	675.00	Computerisation of data base, financial assistance to PRIs
2.	2006-07	TFC	44.00 675.00	Maintenance of accounts Computerisation of data base, financial assistance to PRIs
	<b>Total</b>		<b>1394</b>	<b>Or Rs. 13.94 crore</b>

Thus the department failed to utilise Rs. 28.11 crore out of the allocated amount of Rs. 41.63 crore for the intended purpose and accounts were not made amenable to computerisation in a network environment till May 2009.

**2.2.8 Use of additional softwares for maintenance of accounts:**

On the recommendations of EFC, Government decided (November 2005) to computerise accounting system of PRIs. For this purpose, a software named "Pancha Lekha" was developed by the NIC. The NICSI installed this software in 116 JPs in November 2005 and in rest 197 JPs in August 2006. It was also observed that inspite it another software "Tally" was installed at the cost of Rs. 72 lakh for the maintenance of accounts at ZP/JP level of all the 48 ZPs by the orders of Secretary, Panchayat and Rural Development Department (December 2007).

It was further observed that the CEO, ZP Betul installed one additional software "Pratham" developed by MP State Electronics Development Corporation (May 2007) at the cost of Rs. 16.50 lakh for the maintenance of accounts of NREGS and other schemes of Rural Development Department at ZP/JP/GP level for the period 2008-09 with the approval of Collector (District Programme Coordinator of NREGS). On being pointed out, the CEO replied (January 2009) that "Pratham" software was installed at the direction of the District Collector as the accounts were required to be maintained in double entry system in NREGS and "Tally" software was installed with the approval of Panchayat and Rural Development Department due to non-maintenance of accounts in "Pancha Lekha" software at district level.

The matter was reported to Collector Betul, PRD and Government (June 2009); reply was awaited.

**2.2.9 Availability of qualified manpower:**

For acquisition/ upgradation of skills of officials responsible for maintenance of accounts in computerised network environment trainings are essential requirement. The training was to be imparted by National Informatics Centre Services Incorporated (NICS). It was observed that:-

- The Secretaries, responsible for the preparation of income and expenditure statement in GPs were not imparted accounts training/ computer training.

- According to EFC recommendations, computer operators could be engaged for maintenance of accounts on contract basis, if staff/facilities were not available within the Panchayat. For maintenance of accounts in “Panch Lekha” software, NICS I provided five nodes to all 313 JPs of the State. A sum of Rs. 1.24 crore which was sufficient for engaging one computer operator at each JP of the State for one year only was provided by PRD to all JPs (2006-07). But computer operator was not engaged and the amount was still lying un-utilised with the JPs. The computerised accounts were not maintained in any of the test checked JP of the State (May 2009).
- Post of one accountant was sanctioned in every JPs but in 8<sup>15</sup> of 16 test-checked JPs, the posts were lying vacant. The officials working against the post of accountants were neither accounts trained nor those were given any operational training of accounts software like ‘Pancha Lekha’ or else.

Non posting of trained accountants resulted in non-submission of accounts by JPs to test-checked ZPs and Head of the Department through E-mail.

#### **2.2.10 Monitoring:**

The JPs were required to send the scheme wise monthly data in a text file to ZP for through e.mail for monitoring the same. The Secretary, Rural Development Department was also required to monitor these data on 10<sup>th</sup> of every month. A District Level Committee (DLC) headed by the Collector was also required to be constituted to monitor the monthly data feeding in “Pancha Lekha” Software. It was observed in audit that the JPs did not compile and transmit the monthly data to ZP, hence, the data could not be monitored at ZP/PRD/Government level. It was also observed that due to non formation of district level committee monthly monitoring was not carried out at district level.

#### **2.2.11 Conclusion:**

Non-maintenance of scheme wise cash books and ledgers, operation of multiple bank accounts, non-reconciliation of balances of cash book with bank pass books showed non-appreciation of the need for quality accounts maintenance in PRIs. Grant received form Eleventh and Twelfth Finance Commission for creation of database and maintenance of accounts either lapsed to Government or could not be utilised because of their deposition in personal deposit account. Although standard formats of budget and accounts prescribed by CAG were accepted by the State Government it was observed that different Janpad and ZPs were utilizing different softwares for preparation of accounts, with the resulted that uniformity in the preparation of monthly accounts was not observed. Inventory of assets under different programme of rural development was not prepared by the GPs. Lack of availability of accounts /computers trained staff at JPs level resulted in non-submission of monthly accounts through E-mail.

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<sup>15</sup> Chindwara- Amarawada, Pandurana, Harrai and Parasia.  
Betul- Athner.  
Balaghat- Birsa, Kirnapur and Parswada.

**2.2.12 Recommendations:**

- Action should be initiated to institute an effective mechanism for collection and compilation of funds flow and expenditure incurred by the PRIs for monitoring and decision making.
- Monthly income expenditure statements should be prepared at GP level, their compilation should invariably be done at JP level in the formats prescribed by CAG so as to exercise proper control and supervision over proper maintenance of accounts in Panchayats.
- Funds may be kept in saving bank accounts only and keeping of funds in current accounts /term deposit account may be discontinued.

**Date: 27<sup>th</sup> November, 2009**

**Place: Gwalior**

**(J S Kochar)**

Dy. Accountant General  
(Local Bodies)  
Madhya Pradesh

**Countersigned**

**Date: 27<sup>th</sup> November, 2009**

**Place: Gwalior**

**(SANAT KUMAR MISHRA)**

Principal Accountant General  
(Civil and Commercial Audit)  
Madhya Pradesh

**PART – I URBAN LOCAL BODIES**

**CHAPTER – I**

**OVERVIEW ON FINANCES OF THE URBAN LOCAL BODIES  
INCLUDING THE ACCOUNTING PROCEDURES**

**1.1 Introduction**

Article 243 (W) of the Constitution of India envisages that the State Government may, by law, endow the municipalities with such powers and authority as may be necessary to enable them to function as institutions of self Government and such law may contain provisions for devolution of powers and responsibilities upon municipalities.

After the 74<sup>th</sup> Constitution Amendment, the Urban Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the State Government reorganized (1993) these institutions into three tier system of ULBs namely Municipal Corporations for a larger urban area, Municipal Councils for smaller urban area and Nagar Panchayats for a transitional area.

At present, there are 14 Municipal Corporations, 87 Municipal Councils and 237 Nagar Panchayats. The last elections for the ULBs were held during 2005-06.

**1.2 Administrative arrangements**

The over all administration of ULBs is vested with the Principal Secretary to Government of Madhya Pradesh, Urban Administrative and Development Department (UADD) at Government level. The organisational structure of the Department is given in **Appendix -I**.

**1.3 Accounting arrangements**

**1.3.1** Consequent upon adoption of the budget and accounts format prescribed by the Task Force constituted by Comptroller & Auditor General of India (CAG) which inter alia suggested adoption of accrual based accounting by ULBs, the UADD published Madhya Pradesh Municipal Accounts Manual (MPMAM) in July 2007. However, as per orders of the UADD (July 2007) the accrual system of accounting was to be implemented with effect from April 2008 in 14 Municipal Corporations only. The above system was yet to be implemented in the remaining ULBs.

**1.3.2** As per the decisions taken in the National Seminar organized September 2003 by the Ministry of Urban Development, GoI, a Steering Committee was to be formed in all the States to see the implementation of budget and accounting formats as suggested by the CAG's Task Force. Even after regular correspondence, the committee was not formed so far (October 2008).

**1.3.3** Government of India (GOI) forwarded (September 2004) extracts of section 93 to 96 of Model Municipal Law (MML) along with CAG's suggestions thereon for adoption by State Government. Commissioner (UADD) stated in the meeting (November 2008) that some progress in this regard has been made and assured to appraise audit accordingly.

#### **1.3.4 Database on finances of ULBs**

The Second State Finance Commission (SFC) recommended (December 2003) the need for building up database in respect of municipal finances. This recommendation was accepted by the State Government (March 2005). The database need to be collected, compiled and maintained in standard formats prescribed by CAG. UADD agreed (June 2004) in principle to adopt the formats of database. In compliance it was stated (March 2009) that the data base on finances are being maintained in standard formats in Nagar Nigam and action will be taken to maintain the database in other ULBs also.

#### **1.4 Audit arrangements**

**1.4.1** As per recommendations of the Eleventh Finance Commission (EFC), audit of accounts of Urban Local Bodies was entrusted to Commissioner Local Fund Audit (CLFA) under the Technical Guidance and Supervision (TGS) of Comptroller & Auditor General (C&AG) of India by the State Government in November 2001. Accordingly, the office of the Senior Deputy Accountant General, (Local Body Accounts and Audit) is conducting audit of ULBs under TGS module. 55 ULBs including six Municipal Corporations were test checked by audit during 2007-08.

#### **1.4.2 Approval of audit plans of Commissioner Local Fund Audit**

The CLFA was required to prepare the audit plan in consultation with the Principal Accountant General (PAG) as a part of the TGS arrangement. However, in spite of request to the Government (February - November 2008), the audit plans of CLFA were never got approved from the PAG. The CLFA has furnished the list of units proposed to be audited during 2009-10 to this office without getting it approved from PAG.

#### **1.4.3 Constitution of State Legislature Committee**

The Eleventh Finance Commission (EFC) recommended that the report of CAG relating to audit of accounts of ULBs was to be placed before Committee of the State Legislature (SLC) constituted on the same lines as Public Accounts Committee. In spite of request to Government by PAG (up to November 2008), Committee was not constituted (May 2009). Principal Secretary (FD) stated in the meeting (November 2008) that action will be taken after studying the procedure adopted in other states.

#### **1.4.4 Internal Audit System**

According to para 7.2 of the recommendations submitted (July 1996) by the First SFC and decision of the Finance Department (FD), an Internal Audit System was to be set up to ensure the accountability of ULBs. Such provision for creation of internal audit department was also mentioned in para 2.2.1 of MPMAM. However Directorate UADD (February 2009) stated that apart from the arrangement of pre-audit in 50 ULBs units, there was no system of internal audit in other ULBs.

#### **1.5 Source of revenue**

There were mainly two sources of revenue for local bodies (i) Government grants and (ii) own revenues. Own revenue resources of ULBs comprise of tax and non-tax revenues realised by them. Government grants comprise of funds released by the State Government and Government of India (GOI) on the recommendation of SFC, Eleventh & Twelfth Finance Commission (TFC) and State and GoI share for implementation of various schemes. The ULBs also obtain loans for implementation of various schemes relating to urban development.

#### **1.6 Receipts and expenditure**

**1.6.1** Funds (Share of tax revenue of the state, schemes funds & grants etc.) allocated to ULBs by the State Government through budget including GOI's share of the schemes & grants recommended by TFC were as under:-

**(Rs. in crore)**

Sl. No.	Year	Total Grant (Budget Provisions)	Actual Expenditure			Excess (+)/ Saving (-)
			Revenue	Capital	Total	
1.	2005-06	1266.87	1158.12	19.45	1177.57	(-) 89.30
2.	2006-07	1891.90	1614.57	28.81	1643.38	(-) 248.52
3.	2007-08	2333.38	1695.40	305.55	2000.95	(-) 332.43

The above figures indicate that the budget provisions increased by 84 per cent in ULB sector during the year 2007-08 as compared to the year 2005-06 but the ULBs could not spend the amount, resulting in saving during 2005-06 to 2007-08. Details of receipts of ULBs from their own sources and loans & expenditure was not available with Directorate, UADD. The Commissioner, (UADD) stated (March 2009) that the same would be collected and furnished to audit. However the position of State and Central grant, own revenue realized and classification of expenditure into capital and revenue heads of the test checked ULBs (Bhopal, Indore and Khandwa) has been mentioned in the **Appendix-II.**

#### **1.6.2 State Finance Commission (SFC)**

FD accepted (March 2005) the recommendation of second SFC for devolution of 1.07 per cent of 90 per cent of state own tax revenue to ULBs. The grants actually released to ULBs through state budget during 2005-06 to 2007-08 were as given below:-

(Rs. in crore)

Year	Amount of own tax revenue of the State		Amount of share of State own tax revenue to be allocated as per prescribed percentage (i.e. 1.07%)	Amount of share of State own tax revenue released to ULBs	Short fall (with percentage)
	Total	Net (After deduction of 10%)			
1	3	4	5	6	7
2005-06	9115	8203.50	87.77	83.14	4.63 (5)
2006-07	10473	9425.70	100.85	87.77	13.08 (13)
2007-08	12018	10816.20	115.73	100.86	14.87 (13)

As these funds were meant to cover the works relating to basic services and development of slum areas in ULBs, the shortfall in release of funds during 2005-08 resulted in less availability of funds with ULBs for the purpose envisaged by SFC.

### 1.6.3 Submission of Utilisation Certificates (UCs)

Directorate UADD circular (December 2004) stipulated that grants should not be released before obtaining UCs of previous years. Audit scrutiny (March 2009) of records relating to the release of SFC grants by the Directorate UADD Bhopal revealed that grant were released without obtaining UCs of previous years from ULBs during the period 2005-08. During test-check of records of MC Bhopal, Indore and Khandwa it was noticed that UCs for SFC grants amounting to Rs. 20.14 crore<sup>1</sup> released during 2005-06 to 2007-08 were not sent to Directorate. On being pointed out, the Commissioner UADD stated (March 2009) that orders have been issued for submission of UCs regularly. It was whoever observed that the test checked ULBs did not submit UCs to the Commissioner UADD till May 2009.

### 1.7 Position of outstanding loans

The position of outstanding loans of all ULBs was not available with the Directorate UADD. Scrutiny (March 2009) of records in MC Bhopal, Indore and Khandwa revealed that principal amount of Rs. 230.93 crore and Rs. 4.07 crore interest thereon was due for repayment (March 2008) against the outstanding loans. The position of outstanding loans and interest in test checked districts were as under:-

(Rs. in lakh)

Sl. No.	Name of ULB	Balance as on 1.4.06	Fresh loan during 07-08	Repayment during 07-08		Outstanding Principal as on 31 March 2008.
				Principal	As Interest	
1.	Bhopal	3458.72	500	448.82	406.78	3509.90
2.	Khandwa	156.61	--	2.92	0.46	153.69
3.	Indore	10227.00	11000	1797.96	--	19429.04
	<b>Total</b>	<b>13842.33</b>	<b>11500</b>	<b>2249.70</b>	<b>407.24</b>	<b>23092.63</b>

<sup>1</sup> Bhopal 6.06 crore, Indore 10.26 crore and Khawanda 3.82 crore.

### **1.8 Position of outstanding audit paragraphs**

The position of outstanding audit paragraphs of ULBs included in the Inspection Reports (IRs) of the CLFA and AGs Inspection Reports are as under:-

#### **(A) Outstanding audit paragraphs of CLFA**

(As on 31 March 2008)

Sl. No.	Financial Year	ULB			
		Total No. of outstanding audit paragraphs	Addition	No. of paragraphs settled	No. of paragraphs Outstanding
1.	2005-06	177438	6666	5839	178265
2.	2006-07	178265	8227	13066	173426
3.	2007-08	173426	6471	8890	171007

#### **(B) Outstanding audit paragraphs of AGs Inspection Reports.**

(As on 31 March 2008)

Sl. No.	Financial Year	ULB			
		Total No. of outstanding audit paragraphs	Addition	No. of paragraphs settled	No. of paragraphs Outstanding
1.	2005-06	1440	1110	42	2508
2.	2006-07	2508	601	0	3109
3.	2007-08	3109	514	0	3623

These outstanding paragraphs require active pursuance by CLFA for early settlement.

### **1.9 Bank-reconciliation statement not prepared**

Rules 97-98 of Madhya Pradesh Nagar Palika Lekha Niyam 1971, provides that the reconciliation of any difference between the balances of cash book and bank accounts is required to be conducted every month. However, it was noticed that the difference of cash balance of Rs. 2.92 crore between Cashbook and Bank statement at the close of the year (2006 to 2007) was not reconciled by 20<sup>2</sup> ULBs. Due to non-reconciliation of cash balance, possibility of embezzlement of funds could not be ruled out. The authenticity of cash balance of ULBs in the cashbook also remained doubtful in the absence of reconciliation with bank statement.

### **1.10 Non-recovery of advances from individuals**

Temporary advances were paid to Staff/officials for making petty payments. Madhya Pradesh Finance Department orders (2001) provides that the temporary advances should be adjusted or recovered at the earliest but in no case later than 3 months of payment of advance or last month (March) of financial year. In case of non-adjustment/recovery penal interest @ of interest payable by Banks on fixed deposits shall also be recovered. Audit of 21 Nagar

<sup>2</sup> Nagar Nigam Satna, Nagar Palikas Dhanpuri, Khargoan, Umariya, Pasan, Junnardev, Dhar, Deori, Mandideep, Nepa Nagar and Nagar Panchayats Lakhnadoan, Tarana, Barghat, Chandia, Khujner, Thandla, Bheraghat, Bamhri Banjar, Mandleswar, Kasrawad.

Nigam/ Nagar Palika/ Nagar Panchayat revealed that a sum of Rs. 309 lakh paid to officials/ staff for various purposes were outstanding against them for the last one to 5 years as shown in **Appendix -III**. Lack of effective action to recover/ adjust the old outstanding advances may lead to loss with the passage of time.

### **1.11 Diversion of funds**

Central Government / State Government released funds in the form of grants-in-aid for development of urban areas which were to be spent exclusively on the projects for which these were sanctioned. Diversion of funds from one scheme to another was not permissible without prior approval of the Central/ State Government.

Scrutiny of records revealed irregular diversion of funds amounting to Rs.1.80 crore by 10 ULBs during 2001-07 for the purposes not covered under the schemes or for routine municipal activities as shown in **Appendix -IV**.

### **1.12 Non utilisation of government grant**

Centrally Sponsored Schemes such as Conversion of dry latrines, Mid-day-meal, Integrated Development of Small and Medium Towns (IDSMT), Tenth, Eleventh and Twelfth Finance Commission etc. and State Plan Schemes were being implemented through ULB's during 2001-07.

Scrutiny of records revealed that grants of Rs. 5.57crore released to 9 ULB's for specific purposes as mentioned in **Appendix – V**, were lying unspent for a period ranging from one year to eight years This deprived the public from intended benefits.

### **1.13 Non recovery of taxes**

Urban Local Bodies (ULBs) earn revenue from their own resources through taxes, rent, fees, issue of licenses etc. In (21) test checked Nagar Nigam/Nagar Palika/Nagar Panchayat, demand for tax amounting to Rs. 36.37 crore was raised for the year 2001-08, out of which only Rs. 12.49 crore (34 percent) was recovered during the period. As of March, a sum of Rs. 23.88 crore (66 percent) as shown in **Appendix –VI** was outstanding against the taxpayers, although the ULBs had powers under section 165 of Madhya Pradesh Municipalities Act, 1961 to approach a Magistrate to seek orders for recovery by distress and sale of any movable property of attachment and sale of immovable property belonging to defaulters, they failed to utilise these power to recover the outstanding taxes.

Non exercise of available powers ULBs resulted in non-recovery of outstanding taxes and resource crunch and subsequent hindrance in development works.

#### **1.14 Non depositing of amount in Provident Fund Accounts**

Rule 102 (4) of M.P. Nagar Palika Lekha Niyam 1971 provides that the deduction of P.F. subscription will be credited in P.F. Account. Government of Madhya Pradesh, Department of Local Bodies further directed (February 1998) all the Commissioners / Chief Municipal Officers that Provident Fund (PF) subscriptions was required to be credited to the fund account of the employees. However it was noticed that three Nagar Palikas and three Nagar Panchayats did not deposit provident fund subscription of Rs. 52.06 lakh in the fund account of the employees during 2001-07 which resulted not only in loss of interest on provident fund account but also put additional burden on the ULBs as shown in **Appendix –VII**.

#### **1.15 Non-creation of Reserve Fund of ULB's**

Sub rule 3 (3) of Madhya Pradesh Nagar Palika Budget Rules, 1962 provides that every Nagar Palika is required to create a reserve fund account (Sanchit Nidhi) by depositing five per cent of net income every year, so that it may be used in special circumstances in the interest of the ULB.

Scrutiny of records of twenty one Nagar Panchayat/ Nagar Palika/Nagar Nigam revealed that a sum of Rs. 5.65 crore was not deposited in the reserve fund account from their net income during 2001-08 as shown in **Appendix-VIII**, resulting in continued financial crisis.

#### **1.16 Non recovery of rent and premium of shops**

Shops were constructed at various places by the ULBs to increase the revenue by way of premium and monthly rent of these shops.

Test check of records of four Nagar Palika and twelve Nagar Panchayat revealed that the premium of shops amounting to Rs. 0.91 crore and rent of shops amounting to Rs. 1.23 crore was not recovered by these ULBs for the last two to six year despite powers available to ULBs under section 165 of Madhya Pradesh Municipalities Act, 1961 for taking restraint action against defaulters. Detail are shown in **Appendix - IX**.

Non exercise of powers vested in ULBs under section 165 of Madhya Pradesh Municipalities Act, 1961 has resulted in loss of revenue of Rs. 2.14 crore.

#### **1.17 Non deduction of Labour Welfare Cess**

An Act to provide for levy and collection of a cess on the cost of construction and to augmenting the resources of the Building and other construction workers Welfare Boards, constituted under the Building and other construction workers (Regulation of employment and condition of service) was enacted by Parliament in 1996. According to the provisions of Section 3 (2) of M.P. Bhawan and Sannirman Karmkar Kalyan (Regulation of employment and service condition), Rules 2002 (framed under Section 40 of the Act of 1996), labour welfare cess at the rate of one percent of the construction cost was to be deducted from the bill of the construction works done by the contractor and sent to Madhya Pradesh Bhawan and Sannirman Karmkar Kalyan Mandal, Madhya Pradesh, Bhopal.

Test check of records of two Nagar Nigams, two Nagar Palikas and two Nagar Panchayat revealed that during the year 2001-07, the cess of Rs. 6.44 lakh was not deducted from the contractor's bill and Rs. 2.89 lakh deducted from the contractor bills by the Nagar Palika Nepa Nagar was not sent to Kalyan Mandal Bhopal. Thus the beneficiaries were unlawfully deprived of the benefits, provided by the Act as details shown in the **Appendix-X**.

#### **1.18 Irregular procurement of material**

In order to ensure the quality and competitive rates, Madhya Pradesh Store Purchase Rules and notification issued by the Government (April 1978 and December 1997) provide that the purchases must be made from M.P. Laghu Udyog Nigam (LUN) or through open tenders after obtaining no objection certificate from LUN.

Test check of records of one Nagar Nigam, six Nagar Palika and eight Nagar Panchayat revealed that the purchases amounting to Rs. 1.88 crore as shown in **Appendix - XI** were made from local market ignoring the quality and competitive rates of rates without inviting tender and also without obtaining no objection certificate from LUN.

#### **1.19 Non-realization of loan amount and contribution from the beneficiaries under Total Sanitation Campaign.**

In pursuance of the Centrally Sponsored Scheme of Total Sanitation Campaign, Government of Madhya Pradesh decided (1982-83) to convert the dry latrines into pour flush latrines. The programme was to be implemented from grants from GOI (50 percent), loan from HUDCO (45 percent) and contribution from beneficiaries (5 percent).

As per orders of the State Government, the repayment of HUDCO loan was to be made from the Octroi compensation fund by the Directorate Urban Administration and Development. Subsequently the recovery of loan and contribution from beneficiaries was to be collected by the ULBs.

Test check of records of five Nagar Palika and nine Nagar Panchayat revealed that an amount of Rs. 1.11 crore on account of repayment of loan and contribution from 8519 beneficiaries was not recovered as shown in **Appendix-XII**. Agreements were also not executed between the beneficiaries and the Nagar Panchayats to enforce recovery of contribution from beneficiaries.

#### **1.20 Conclusion**

Budget and accounts in the format, prescribed by the CAG, were not maintained in all the three tiers of ULBs. Database in the formats prescribed by the CAG on finances of ULBs is yet to be developed. The provisions of MML along with suggestion of CAG on section 93 to 96 of MML have not yet been incorporated in the concerned Acts. The information regarding receipts and expenditure of all ULBs was not being maintained by the Directorate UADD. Approval of PAG on audit plan was not obtained by the CLFA. The Steering Committee and State Legislature Committee were not yet formed.

## **1.21 Recommendations**

Steps to maintain budget and accounts in the formats prescribed by C&AG of India should be taken immediately. Similarly, the provisions of section 93 to 96 of MML with suggestions of C&AG are needed to be incorporated in Municipal Corporation/ Municipality Acts. Arrangements for maintenance of information of receipts and expenditure of all ULBs at state level should be made. The steps to obtain approval of annual audit plan of CLFA from PAG are required to be taken.

Effective monitoring from Directorate on following items is essential.

- (i) Unutilized grants
- (ii) Recovery of out standing advances.
- (iii) Regular deposit of the Provident Fund (PF) subscription in the PF account of employees.
- (iv) Regular transfer of the prescribed percentage of income in Reserve Fund Account by ULBs.
- (v) Regular reconciliation of Cash Book with Bank Pass Book balances; and
- (vi) Speedy settlement of outstanding audit objections.

**CHAPTER – II**

**IMPLEMENTATION OF SCHEMES**

**(Urban Administration and Development Department)**

**2.1 Audit findings on release and utilisation of Twelfth Finance Commission's grants of Urban Local Bodies**

**Introduction:**

The Twelfth Finance Commission (TFC) was required to make recommendations on the measures needed to augment the Consolidated Funds of the state to supplement the resources of the Municipalities on the basis of the recommendations of the State Finance Commission. In this regard the TFC has recommended grants amounting to Rs.361.00 crore payable during the period 2005-10 to the Madhya Pradesh (M.P.) for urban Local Bodies. TFC has also stressed on the importance at public private partnership to enhance service delivery of solid waste management services in the urban areas. TFC has further felt it to be imperative that high priority need to be assigned to creation of database and maintenance of accounts at the grass root levels.

**2.1.1 Delay in release of grant by GOI**

Para 6.1 of guidelines for release and utilisation of grants recommended by TFC<sup>1</sup> grants provides that the Local Bodies' grants will be released by the centre in two equal instalments in July and January every year. Para 6.2 of guidelines lays that two sets of details, one on allocation of funds and another on release of funds will be reported by the State Government in the formats prescribed for the purpose prior to release of each instalment by the Government of India. State Finance Secretary was also required to furnish a certificate showing dates and amount of grant received and released by the state within 15 days of release of each instalment by GOI. Scrutiny of records of the Finance Department (FD) revealed (December 2008) that instead of releasing the instalments in July 2007 and January 2008 the first and second instalment for the year 2007-08 were released by GOI on 30 October 2007 and 24 October 2008 respectively as shown below:

Sl. No.	Particulars	Due date of release by GOI	Actual date of release by GOI	Period of delay	States of UCs submitted to GOI
1.	I <sup>st</sup> instalment	July - 2007	30 October 2007	90 days	20 March 2008
2.	II <sup>nd</sup> instalment	January - 2008	24 October 2008	266 days	20 August 2008

It would be seen from above that there were delays ranging from 90 to 266<sup>2</sup> days in release of I<sup>st</sup> and II<sup>nd</sup> instalment of TFC grant. Reasons for delayed release of TFC grant were neither on record not stated to audit. However, audit

<sup>1</sup> Guidelines for release and utilisation of grant recommended by the Twelfth Finance Commission for Augmentation of Consolidated funds of the State for supplementing the resources the Rural and Urban Local Bodies (Local Bodies Grants) issued in June 2005.

<sup>2</sup> I<sup>st</sup> Inst. 90 days (August 31, September 30, October 29)  
II<sup>nd</sup> Inst. 266 days (February 29, March 31, April 30, May 31, June 30, July 31, August 31, September 30, October 23.)

observed that delayed release of grant was evidently due to late submission of utilisation certificates to GOI by FD.

### **2.1.2 Delay in release of grant by FD and non-payment of interest on delayed release**

According to para 6.1 and 6.4 of GOI guidelines, States have to mandatorily transfer the grants released by the Centre to the ULBs within 15 days of its credit into the State Government's account. In case of delayed transfer of grant to ULBs beyond the specified period of 15 days, the State Government was required to pay interest to ULBs at the rate equal to the RBI rate along with such delayed transfer of grants.

Scrutiny of records of the FD revealed (September 2008) that the GOI released the first instalment of Rs. 36.10 crore for the year 2007-08 on 30 October 2007 and credited into State Government's accounts on the same date. But the FD transferred the grant to the Commissioner, Urban Administration and Development Department (UADD) on 14 January 2008. After delay of 61 days (excluding specified period of 15 days). As per GOI guidelines and also as per previous years practice, the FD was required to issue a financial sanction for interest payment of Rs. 30.17 lakh @ 5% for the delayed transfer of grant during 2007-08.

On being pointed out, FD replied (September 2008) that action would be taken for making payment of interest after receipt of information from the concerned department.

### **2.1.3 Advance drawal of grant**

Second instalment of grant was required to be released in the month of January every year. Scrutiny of records of UADD revealed (September 2008) that such instalment was not released (September 2008) by the GOI, while FD issued (March 2008) order to draw an amount of Rs. 36.10 crore (second instalment) in advance in March 2008 without receipt of sanction from the GOI.

On being pointed out FD replied (September 2008) that the permission of drawal was obtained from the GOI, on telephone, before issue of order (March 2008) where as the II<sup>nd</sup> instalment of Rs. 36.10 crore was released by the GOI only in October 2008.

This resulted in advance drawal of second instalment amounting to Rs. 36.10 crore by 210 days<sup>3</sup> before the issue of sanction by GOI.

### **2.1.4 Unspent balance of previous grants**

Scrutiny of records of eight<sup>4</sup> ULBs revealed that out of total TFC grants of Rs. 5.08 crore received, during the period 2005-08, an amount of Rs. 2.45 crore remained unspent as of September 2008, as shown in **Appendix-XIII**.

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<sup>3</sup> 210 days (March 04, April 30, May 31, June 30, July 31, August 31, September 30 and October 23.)

On being pointed out, the Heads of auditee units replied that due to late allotment, non-acquisition of land for landfill stations and non-demarcation of the land, grants remained unspent.

### **2.1.5 Utilisation Certificate (UCs) included unspent grant**

As per para 6.3 of GOI guidelines the State Finance Secretary was required to furnish a certificate to GOI every year regarding percentage of grants spent by the ULBs on Solid Waste Management (SWM).

The FD reported to GOI (March 2008) that the ULBs utilised Rs. 18.05 crore being 50 percent of the 1<sup>st</sup> instalment of TFC grant of Rs. 36.10 crore, for 2007-08 on SWM. However, test check of records of Municipalities and Town councils revealed that the entire amount of grant of Rs. 1.21<sup>5</sup> crore on account of SWM received in 23<sup>6</sup> Municipalities and town councils as detailed in **Appendix - XIV** was lying unspent with them. Thus utilisation certificate submitted to GOI by FD did not reflect the actual position of utilisation of TFC grants. Reply of FD was awaited (February 2009).

### **2.1.6 No progress in Solid Waste Management (SWM)**

As per para 3.1 (XIV) of GOI guidelines, at least 50 percent of the grants-in-aid provided to each State for the ULBs should be earmarked for the scheme of SWM. The Municipalities should concentrate on collection, segregation and transportation of solid waste.

Test check of records of five ULBs<sup>7</sup> revealed that no work of SWM was started during 2005-06 to 2007-08 (upto December 2008) inspite of release of grant of Rs. 3.22 crore. In addition, information collected from DD, UADD Indore revealed that 16 ULBs also had not started any work relating to SWM as detailed in **Appendix-XV**.

### **2.1.7 Non-achievement of all Solid Waste Management (SWM) parameters**

According to the Schedule II read with Rule 6 (i) and (iii), 7 (i) of GOI Urban Solid Waste Management (Management and Handling) Rules 2000 notified in gazette (25 September 2000), parameters were fixed along with its compliance criteria for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes.

Test check of records of five Municipal Corporations<sup>8</sup> revealed that an expenditure of Rs. 5.54 crore was incurred for collection and transportation of Municipal Solid Waste under SWM. However other activities like: Segregation, Storage, Processing and Disposal of Municipal Solid Waste were not found taken-up. The reasons for not taking up all activities specified in the

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<sup>4</sup> Nagar Nigam Dewas, Nagar Palika Council Dabra (Gwalior), Sidhi and Nagar Panchayats Biloua (Gwalior), Baikunthapur, Govindgarh (Rewa), Churhat, Rampur Nekin (Sidhi)

<sup>5</sup> Rs. 1.21 crore being 50 percent of TFC grant in 23 municipalities and town councils.

<sup>6</sup> Bhopal, Biloua, Baikunthpur, Churhat, Govindgarh, Rampurnekin and Sidhi

<sup>7</sup> Nigar Palika Sidhi, Nagar Panchayat Baikunthpur, Churhat, Govindgarh and Rampurnekin.

<sup>8</sup> Nagar Nigam Bhopal, Dewas, Gwalior, Indore and Rewa

notification ibid were varying in Municipal Corporations as mentioned in the **Appendix-XVI**. This resulted in non-fulfillment of all the parameters.

### **2.1.8 Non recovery of Door to Door collection charges through Public Private Partnership**

As per para 3.1 (XIV) of GOI TFC guidelines, at least 50 percent of grant in aid provided to each state for the ULBs should be earmarked for the scheme of SWM through Public Private Partnership (PPP).

MC Bhopal, Dewas, Gwalior, Indore and Rewa incurred on expenditure of Rs. 5.54 crore<sup>9</sup> in carrying out the work of SWM through PPP but no Door-to-Door collection charges of waste collection were found to have been collected from Householders and other sources under the concept of PPP. MC Gwalior replied that provision has been made during 2008-09 through public private partnership and MC Bhopal, Dewas, Indore and Rewa stated that no action was taken by in this regard.

### **2.1.9 Non-monitoring of Expenditure by Divisional Deputy Directors**

As per para 4 of the working plan issued by the Directorate UADD Bhopal for 2005-10 a close-contact watch was to be kept by the Divisional DDs on the expenditure incurred on the recommendation of TFC.

On being enquired, MC Bhopal, Dewas, Gwalior, Indore and Rewa stated that no monitoring was exercised by the concerned Divisional Deputy Directors. Accordingly the matter was taken up with the respective DDs but replies from DD Bhopal, Indore, Jabalpur and Rewa are still awaited (February 2009). DD, UADD Gwalior stated that no directions have been received from Government for monitoring.

### **2.1.10 Database on finances of ULBs**

The second State Finance Commission (SFC) (Beyond the Fiscal Package) recommended (December 2003) the need for building up database in respect of municipal finances. This recommendation was accepted by the State Government (March 2005). The database need to be collected, compiled and maintained in standard formats as prescribed by the CAG. UADD agreed (June 2004) in principle to adopt the formats of database as prescribed by CAG but the final action for development of database was awaited (October 2008). Through as per UCs, the entire TFC grants amounting to Rs. 180.50 crore which included Rs. 3.61 crore (being 2 percent of total TFC grant) for maintenance of accounts and creation of database received from 2005-06 to 2007-08 (up to 1<sup>st</sup> instalments) were stated to have been utilised on the specified purpose the data base of finances in the formats prescribed by C&AG was not yet created in any of the Municipal Corporation.

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<sup>9</sup> Rs. 5.54 crore (Bhopal: Rs. 2.28, Dewas: Rs. 0.14, Gwalior: Rs. 1.40, Indore: Rs. 1.43 and Rewa Rs. 0.29)

**CHAPTER – III**

**TRANSACTION AUDIT PARAGRAPHS**

**(Urban Administration & Development Department)**

**3.1 Non recovery of Urban Development Cess by Bhopal Nagar Nigam**

**Non-recovery of Urban Development Cess of Rs. 2.76 crore by Bhopal Nagar Nigam**

According to the provision of section 6 of the Madhya Pradesh Upkar Adhiniyam 1981, Urban Development Cess (UDC) was to be levied on all buildings / land or both situated in Municipal Area or Urban Area at the rate of 5 percent of the Annual Letting Value (ALV) and at the rate of 2.5 percent of the ALV on all buildings/ land in the occupation of owner himself under the law relating to local authority or the Sampatti Kar Adhiniyam, as the case may be. The UDC shall be payable by the owner in the same manner as tax charged / levied on lands or buildings.

Scrutiny of records of Commissioner, Nagar Nigam, Bhopal for the period April 2006 to March 2007 revealed that as against an amount of Rs. 5.03 crore<sup>1</sup> of UDC was recoverable from Bharat Heavy Electrical Limited (BHEL), Bhopal for the period 1981-82 to 2006-07, only Rs. 2.27 crore was recovered as of March 2008 resulting in non recovery of Rs. 2.76 crore on account of UDC. Due to non-recovery of UDC the Development Activities were adversely affected.

On being pointed out the Commissioner replied (October 2008) that bill for depositing the residual amount of Rs. 2.76 crore was raised against BHEL, but the amount was still un-recovered.

The matter was reported to the Government (January 2009); reply was awaited (March 2009).

**3.2 Non-recovery of mobilisation advance**

**Non-recovery of mobilisation advance and interest of Rs. 40.48 lakh from contractor.**

Kolar Jal Avardhhan Yojna was sanctioned by Madhya Pradesh Government in March 1999 for providing water supply to Bhopal city. The work was divided into five groups for which Nagar Nigam, Bhopal was the implementing agency. The work of Group 3, related to Construction of rapid

<sup>1</sup> @ 2.5 percent; Rs. 1.97 crore on self occupied land / building, @ 5 percent Rs. 3.06 crore on other land / building.

gravity treatment plant for supplying 201 MLD water thereby increasing the installed capacity of existing treatment plant from 162 MLD to 363 MLD including supply and installation of necessary Electrical and Mechanical Equipments as required. The work was awarded (October 2002) to M/s Geo Miller and Company New Delhi. As per clause 2 of agreement, the payment of mobilisation advance may be made to contractor against bank guarantee, remaining effective for two years or until the advance has been completely repaid by the contractor. The advance was to be repaid in 10 equal instalments, which carry annual interest @ 15 percent per annum. Entire mobilisation advance was to be recovered before completion of 80 percent of work or 3/4 of the completion period.

Test check of the records of Commissioner, Nagar Nigam Bhopal for the period April 2006 to March 2007 revealed that mobilisation advance of Rs. 22.80 lakh was paid to the contractor (January 2003) against the bank guarantees of Rs. 23.29 lakh valid upto January 2004. The work was postponed in December 2003 by Government of Madhya Pradesh as the Government decided to implement another water supply scheme based on Narmada river. The Government revised the Kolar Jal Avaradhan Scheme and a revised sanction of Rs. 66.47 crore was accorded (March 2004) in which the work of M/s Geo Miller & Company was not included. The work awarded to M/s Geo Miller & Company was cancelled by the Nigam (February 2006) but no steps towards recovery of advance against bank guarantee were taken. Thus due to cancellation of work, mobilisation advance of Rs. 22.80 lakh and interest thereon Rs. 17.68 lakh (upto November 2008) could not be recovered from contractor.

On being pointed, Commissioner, confirmed (March 2009) that no work was done by the contractor and no advance was adjusted.

The matter was intimated to Government (October 2008). Reply was awaited (April 2009).

### **3.3 Loss of premium and rent due to wrong selection of site.**

<p><b>Non allotment of shops of Shopping Complex resulted in loss of premium and rent of Rs. 42.76 lakh.</b></p>
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Government of Madhya Pradesh, Housing and Environment Department under Integrated Development of Small and Medium Town (IDSMT) scheme sanctioned a loan of Rs. 1.10 crore to Nagar Palika, Jaora, District Ratlam during October 1995 and September 1999 for construction of commercial complexes<sup>2</sup>. Out of this loan 82 shops named Subhash Chand Bose shopping complex were constructed at the cost of Rs. 96.38 lakh during the year 2003 under the scheme.

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<sup>2</sup> Subhash chand Boos shopping complex opposite power house 82 shops fruit market bus stand premises 22 shops and Rajeev Nagar Tal Naka shopping complex 22 shops.

Test check of records of Chief Municipal Officer (CEO), Nagar Palika Jaora, District Ratlam (July 2008) for the period 2005-07 revealed that inspite of 12 to 15 auction notices only 12 shops could be allotted during the period 2003 to 2007 out of the 82 constructed shops. The remaining 70 shops were not allotted (till July 2008). This resulted into a loss of Rs. 42.76 lakh (premium Rs. 30.80 lakh<sup>3</sup> and rent Rs. 11.96 lakh<sup>4</sup>) upto July 2008. On being pointed out, the CEO Municipal Council Jaora attributed the loss to constraints like construction of complex near nallah and slums in the area. The CEO accepted (July 2008) that site selection was not correct. He also replied that the survey of location and feasibility of return in the shape of premium and rent was not visualized before construction of shopping complex. Moreover, since the shops were vacant from the date of construction there is a possibility of damage to the shops with the passage of time and objective of addition to the financial income of Nagar Palika could not be achieved.

The matter was reported to Government (October 2008), the reply was awaited (April 2009).

### 3.4 Blocking of funds due to non-utilisation of water supply material

**Blocking of funds due to non-utilisation of water supply material worth Rs. 54.85 lakh purchased for laying new pipe line work from Parwati River.**

A resolution was passed (September 2003) in the meeting of Parishad of Nagar Panchayat Kumbhraj, District Guna for purchase of water supply material for laying new pipe line from Parwati river. The water supply material worth Rs. 54.85 lakh was purchased during April to October 2004 by the Nagar Panchayat from the government grants but the administrative / technical sanction was not obtained from the government department i.e. Dy. Director and Executive Engineer, Urban Administration and Development Department.

Scrutiny of records of Chief Municipal Officer, Nagar Panchayat, Kumbhraj, District Guna for the period April 2001 to March 2007 revealed that the above water supply material was not utilised (May 2008) even after a lapse of four years.

On being pointed out, Chief Municipal Officer accepted (May 2008) that the required sanction was not obtained from the competent authority and the material was lying in the premises of Nagar Panchayat and on filter plant. Thus purchase of material without immediate requirement was irregular. The matter was under investigation in the office of the UADD, Gwalior and reasons for non-utilisation were not intimated.

The matter was reported to Government (July 2008 and January 2009); reply was awaited (April 2009).

<sup>3</sup> Rs. 30.80 lakh = Rs. 44,000 x 70

<sup>4</sup> Rs. 11.96 lakh = Rs. 300 x 70 x 55 + Rs.300 x 3 x 45

### 3.5 Non-payment of loan and interest on due dates.

**Non-payment of loan and interest on due dates resulted in extra burden of penal interest of Rs. 31.76 lakh.**

Government of Madhya Pradesh, Housing and Environment Department under Integrated Development of Small and Medium Town (IDSMT) scheme sanctioned a loan of Rs. 1.10 crore in two equal instalments in the financial year 1994-95 and 1999-2000 for construction of commercial complexes<sup>5</sup> in Nagar Palika Jaora (District Ratlam). This loan comprising of (i) central share of Rs. 66 lakh was to be repaid from sixth year of payment in 25 equal instalments with interest @ 9.75 percent p.a. failing which penal interest @ 2.75 percent p.a. was also payable and (ii) State share of Rs. 43.99 lakh of which 1<sup>st</sup> instalment of Rs. 22 lakh was to be repaid @ 9.75 percent p.a. interest and 2<sup>nd</sup> instalment of Rs. 21.99 lakh was to be repaid @ 13 percent p.a. from second year of payment in 20 equal instalments, failing which a penal interest @ 2.75 percent p.a. was also payable.

Test check of records of the Chief Executive Officer (CEO) Nagar Palika Jaora District Ratlam (July 2008) revealed that the construction of commercial complexes was completed in December 2003. But neither the shops built in these complexes were allotted due to poor planning and implementation, nor repayment of Rs. 35.36 lakh due on account of loan and Rs. 1.18 crore on account of interest upto March 2008 was made. Non payment of loan attracted penal interest of Rs. 31.76 lakh<sup>6</sup>.

On being pointed out, the CEO replied (July 2008) that the shops constructed under IDSMT scheme could not be allotted and rented out inspite of several auction notices. Therefore, the desired revenue could not be earned and also the financial condition of Nagar Palika was not sound to repay the loan. The CEO further replied (January 2009) that the proposal for repayment of loan instalments has been placed before the Parishad and action will be taken accordingly. The reply highlights the failure of Nagar Palika Jaora to conduct proper survey to ascertain the demand of the shops in the area before construction of shopping complexes.

The matter was reported to Government (October 2008). The reply was still awaited.

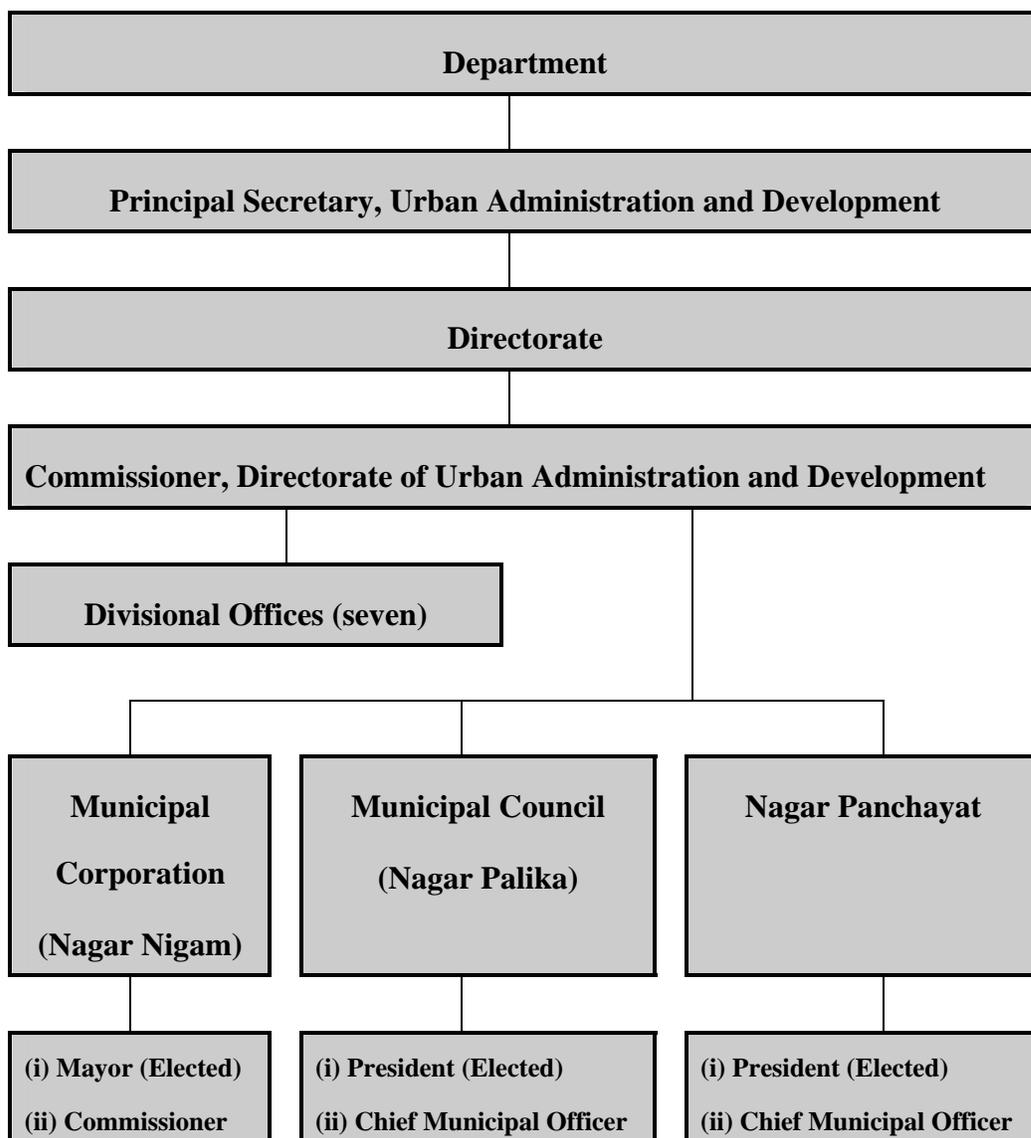
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<sup>5</sup> Shopping complex opposite power house 82 shops, fruit market Bus stand premises 22 shops and Rajeev Nagar Tal Naka shopping complex 22 shops.

<sup>6</sup> 1<sup>st</sup> instalment Rs. 55 lakh X 2.75% X 13 years = Rs. 19.66 lakh  
2<sup>nd</sup> instalment Rs. 54.99 lakh X 2.75 % X 8 years = Rs. 12.10 lakh  
**Total Rs. 31.76 lakh**

**Appendix – I**  
**Reference: Paragraph 1.2 page-1)**

**Organisational Chart of ULBs**



Appendix – II

(Reference: Paragraph – 1.6.1 page- 3)

Statement showing the details of own revenue realised, grants received from state and central government, Revenue and Capital expenditure during the year 2005-06 to 2007-08 in test checked ULBs.

(Rs. in crore)

Sl. No.	Name of test checked	Year	Details of own revenue realised and grants received			Expenditure	
			Own revenue realised	Grant of State Government	Grant of Central Government	Revenue	Capital
1	2	3	4	5	6	7	8
1.	MC Bhopal	2005-06	53.78	22.58	5.14	126.36	41.74
		2006-07	62.43	18.96	30.64	157.23	45.18
		2007-08	61.33	45.37	4.57	165.31	88.36
		<b>Total</b>	<b>177.54</b>	<b>86.91</b>	<b>40.35</b>	<b>448.90</b>	<b>175.28</b>
2.	MC Indore	2005-06	41.97	108.63	5.12	150.73	73.22
		2006-07	45.78	117.32	2.56	294.06	170.69
		2007-08	55.86	104.09	2.56	158.61	179.88
		<b>Total</b>	<b>143.61</b>	<b>330.04</b>	<b>10.24</b>	<b>603.40</b>	<b>423.79</b>
3.	MC Khandwa	2005-06	4.86	4.61	0.55	9.87	4.90
		2006-07	5.64	5.21	0.31	10.98	5.12
		2007-08	6.99	6.23	0.58	13.70	8.03
		<b>Total</b>	<b>17.49</b>	<b>16.05</b>	<b>1.44</b>	<b>34.55</b>	<b>18.05</b>

**Note:-** The above figures were worked out from the budget estimates of these ULBs for the year 2006-07 to 2008-09

**Appendix - III**  
**(Reference: Paragraph –1.10 Page -5)**  
**Non-recovery of advances from individuals**

(Rupees in lakh)

SL. No.	Name of Unit	Period of Audit	Period from which outstanding	Amount
1.	Nagar Nigam Ratlam	2004-07	2003-06	57.06
2.	Nagar Nigam Satna	2004-07	2004-06	4.38
3.	Nagar Palika Mandideep	2003-06	2001-07	1.46
4.	Nagar Palika Betul	2004-07	2004-07	3.00
5.	Nagar Palika Chattarpur	2003-08	2006-08	31.61
6.	Nagar Palika Khargoan	2005-07	1994-05	3.93
7.	Nagar Palika Dhar	2003-07	2003-05	2.09
8.	Nagar Palika Narsinghpur	2001-07	1992-03	20.81
9.	Nagar Palika Nepa Nagar	2001-06	2005-06	0.62
10.	Nagar Palika Pasan	2001-07	1997-01	7.48
11.	Nagar Palika Jawra	2005-07	2002-06	81.54
12.	Nagar Panchayat Sohagpur	2003-06	1971-05	2.63
13.	Nagar Panchayat Rajpur	2001-06	Prior to 2005-06	9.39
14.	Nagar Panchayat Bheraghat	2004-07	2004-07	9.29
15.	Nagar Panchayat Bijuri	2001-08	1999-07	5.55
16.	Nagar Panchayat Kannod	2003-07	2005-07	54.95
17.	Nagar Panchayat Chandia	2001-07	2002-06	1.39
18.	Nagar Panchayat Tarana	2004-07	2005-07	2.16
19.	Nagar Panchayat Barghat	2004-07	Prior to 2004-05	1.16
20.	Nagar Panchayat Khujraho	2001-05	2002-06	4.17
21.	Nagar Panchayat Katangi	2001-07	1990-07	4.33
		<b>Total</b>		<b>309.00</b>

**Appendix –IV  
(Reference: Paragraph –1.11 Page -6)  
Diversion of funds**

**(Rupees in lakh)**

<b>S. No.</b>	<b>Name of unit</b>	<b>Period</b>	<b>Scheme for which grant was released,</b>	<b>Scheme for which grant was diverted</b>	<b>Amount</b>
1.	Nagar Nigam Satna	2004-07	TFC	Basic Services and Construction of CC Road	20.66
2.	Nagar Nigam Ratlam	2004-07	TFC	UDISSMT	36.00
3.	Nagar Palika Khachrod	2004-07	Social Security Pension	Diesel Purchase and transfer to other account	4.49
4.	Nagar Palika Dhar	2003-07	For fire Brigade Purchase	Purchased Electric Item, Chemicals, drain construction	9.00
			Conversion of dry latrine	Paid Electricity bills, rent of hired vehicle, water supply material etc.	11.51
			Maintenance of road	Payment of Electricity bill, GPF etc.	36.48
5.	Nagar Palika Sihora	2004-07	Basic Minimum Services	Payment of Electricity bill	12.89
6.	Nagar Palika Pasan	2001-07	MDM	Construction of CC Road	3.79
7.	Nagar Palika Narsinghpur	2001-07	EFC, State Finance, BMS	For Payment of Electricity bill,	23.67
8.	Nagar Panchayat Khajuraho	2004-05	EFC	Payment of Electricity bill, purchase of fire fighter	10.37
9.	Nagar Panchayat Ichhawar	2001-06	EFC, Maintenance of road	Diesel purchase, Construction of latrine etc.	9.14
10.	Nagar Panchayat Loudi	2003-07	TFC	Construction of CC road	2.26
		<b>Total</b>			<b>180.26</b>

**Appendix –V**  
**(Reference: Paragraph –1.12 Page -6)**

**Non utilisation of government grants**

**(Rupees in lakh)**

<b>SL. No.</b>	<b>Name of Unit</b>	<b>Period of audit</b>	<b>Purpose</b>	<b>Period from which outstanding</b>	<b>Amount outstanding</b>
1.	Nagar Nigam Ratlam	2004-07	Mid-day-meal (MDM), Twelfth Finance Commission (TFC), Urban Integrated Development Scheme for Small and Medium Town (UIDSSMT), Sulabh Complex	2004-06	229.42
2.	Nagar Nigam Satna	2004-07	Tenth Finance Commission, State Finance, Twelfth Finance Commission (TFC), Gandhi Basti	2006	35.99
3.	Nagar Palika Junnardev	2001-06	Integraratted Development of Small and Medium Town, Tenth Finance Commission, TFC	2001-06	174.84
4.	Nagar Palika Dhar	2003-07	Tribal grant, Yojana Mandal Grant, Improvement of Museum	2005-06	37.36
5.	Nagar Palika Pasan	2001-07	Construction of Pour flush latrine	2003-04	2.22
		2001-07	T.F.C	2005-07	19.68
6.	Nagar Panchayat Vijaypur	2003-06	T.F.C.	2005-06	3.90
7.	Nagar Panchayat Patan	2004-07	T.F.C.	2005-07	12.96
8.	Nagar Panchayat Kareli	2001-06	Integraratted Development of Small and Medium Town	2004-05	24.25
	--`--	--`--	Eleventh Finance Commission	2003-05	10.35
9.	Nagar Panchayat Nawrojabad	2001-08	Mid-day-meal	2004-05	5.92
	<b>Total</b>				<b>556.89</b>

**Appendix – VI**  
**(Reference: Paragraph –1.13 Page - 6)**  
**Non recovery of taxes**

**(Rupees in lakh)**

<b>S.I. No.</b>	<b>Name of Unit</b>	<b>Period of audit</b>	<b>Total cumulative demand</b>	<b>Total collection</b>	<b>Total un-recovered amount</b>
1.	Nagar Nigam Ratlam	2004-07	1488.58	625.49	863.09
2.	Nagar Nigam Satna	2004-07	903.21	190.32	712.89
3.	Nagar Palika Junnardev	2001-06	48.24	20.44	27.80
4.	Nagar Palika Deori	2003-06	61.94	14.95	46.99
5.	Nagar Palika Dhar	2003-07	202.80	69.60	133.20
6.	Nagar Palika Mandideep	2001-07	95.45	56.39	39.06
7.	Nagar Palika Dhanpuri	2004-06	168.36	33.92	134.44
8.	Nagar Palika Maihar	2005-07	53.68	36.96	16.72
9.	Nagar Palika Chattarpur	2003-08	242.99	106.79	136.20
10.	Nagar Panchayat Alampur	2001-05	15.75	6.61	9.14
11.	Nagar Panchayat Kasrawad	2003-06	37.40	26.38	11.02
12.	Nagar Panchayat Vijaypur	2003-06	52.98	5.12	47.86
13.	Nagar Panchayat Bamhni Banjar	2001-06	20.00	6.04	13.96
14.	Nagar Panchayat Kareli	2001-06	63.27	10.69	52.58
15.	Nagar Panchayat Sultanpur	2001-05	18.66	2.29	16.37
16.	Nagar Panchayat Khujner	2001-06	17.95	4.62	13.33
17.	Nagar Panchayat Budni	2001-07	17.11	7.05	10.06
18.	Nagar Panchayat Sohagpur	2003-06	29.15	13.57	15.58
19.	Nagar Panchayat Rajpur	2001-06	18.75	7.43	11.32
20.	Nagar Panchayat Jaithari	2001-06	21.82	0.07	21.75
21.	Nagar Panchayat Beohari	2001-07	58.90	4.73	54.17
	<b>Total</b>		<b>3636.99</b>	<b>1249.46</b>	<b>2387.53</b>

**Appendix -VII**  
**(Reference: Paragraph –1.14 Page -7)**  
**Non depositing of amount in Provident Fund Accounts**

**(Rupees in lakh)**

<b>SL. No.</b>	<b>Name of Unit</b>	<b>Period for which fund not deposited</b>	<b>Amount</b>
<b>1.</b>	Nagar Palika Khargoan	2005-06	4.18
<b>2.</b>	Nagar Palika Deori	2001-06	16.93
<b>3.</b>	Nagar Palika Dhar	2003-07	12.84
<b>4.</b>	Nagar Panchayat Rajpur	2001-06	4.07
<b>5.</b>	Nagar Panchayat Thandla	2004-07	12.46
<b>6.</b>	Nagar Panchayat Bamhni Banjar	2001-06	1.58
		<b>Total</b>	<b>52.06</b>

**Appendix -VIII**  
**(Reference: Paragraph – 1.15 Page - 7)**  
**Non-creation of Reserve Fund of ULB's**

(Rupees in lakh)

SL. No.	Name of Unit	Year	Outstanding Amount
1.	Nagar Nigam Ratlam	2004-07	104.31
2.	Nagar Nigam Satna	2004-07	163.34
3.	Nagar Palika Dhanpuri	2004-06	16.95
4.	Nagar Palika Junnardev	2001-06	29.83
5.	Nagar Palika Dhar	2003-07	33.81
6.	Nagar Palika Chattarpur	2003-08	16.33
7.	Nagar Palika Khargoan	2005-07	37.65
8.	Nagar Palika Khachrod	2004-07	6.52
9.	Nagar Palika Jhabua	2003-05	4.91
10.	Nagar Panchayat Kareli	2001-06	27.19
11.	Nagar Panchayat Jaithari	2001-06	8.66
12.	Nagar Panchayat Bhitoni	2001-07	15.66
13.	Nagar Panchayat Bhandar	2001-07	11.80
14.	Nagar Panchayat Kannod	2001-07	17.47
15.	Nagar Panchayat Thandla	2004-07	10.07
16.	Nagar Panchayat Sitamou	2004-06	9.72
17.	Nagar Panchayat Katangi	2001-07	12.47
18.	Nagar Panchayat Beohari	2001-07	8.88
19.	Nagar Panchayat Tarana	2004-07	7.79
20.	Nagar Panchayat Barghat	2004-07	11.12
21.	Nagar Panchayat Lakhnadon	2001-07	10.94
	<b>Total</b>		<b>565.42</b>

**Appendix -IX**  
**(Reference: Paragraph – 1.16 page - 7)**  
**Statement of non-recovery of rent and premium of shops**

(Rupees in lakh)

S. No.	Name of Unit	Period of AIR	Arrear of Premium	Arrear of Rent	Total arrear Amount
1.	Nagar Palika Sihora	2004-07	9.25	--	9.25
2.	Nagar Palika Junnardev	2001-06	--	19.76	19.76
3.	Nagar Palika Nepa Nagar	2001-07	--	2.75	2.75
4.	Nagar Palika Pasan	2001-07	--	0.66	0.66
5.	Nagar Panchayat Kasrawad	2003-06	2.11	2.83	4.94
6.	Nagar Panchayat Rajpur	2001-06	29.10	6.60	35.70
7.	Nagar Panchayat Bheraghat	2004-07	--	1.00	1.00
8.	Nagar Panchayat Mandleswar	2003-07	--	1.97	1.97
9.	Nagar Panchayat Manasa	2001-06	10.98	6.72	17.70
10.	Nagar Panchayat Katangi	2001-07	24.65	1.44	26.09
11.	Nagar Panchayat Patan	2004-07	0.92	--	0.92
12.	Nagar Panchayat Kannod	2003-07	4.95	0.17	5.12
13.	Nagar Panchayat Ichhawar	2001-06	--	0.73	0.73
14.	Nagar Panchayat Kukshi	2001-07	3.87	78.00	81.87
15.	Nagar Panchayat Loudi	2003-07	1.19	--	1.19
16.	Nagar Panchayat Kailaras	2006-08	4.17	0.16	4.33
		<b>Total</b>	<b>91.19</b>	<b>122.79</b>	<b>213.98</b>

**Appendix -X**  
**(Reference: Paragraph – 1.17 page - 7)**  
**Non deduction of Labour Welfare Cess from Contractor's**  
**bills of constructions works**

**(Rupees in lakh)**

<b>S. No.</b>	<b>Name of the Unit</b>	<b>Period of AIR</b>	<b>Labour welfare cess amount</b>
<b>1.</b>	Nagar Nigam Ratlam	2004-07	1.36
<b>2.</b>	Nagar Nigam Satna	2004-07	2.40
<b>3.</b>	Nagar Palika Mandideep	2001-07	0.92
<b>4.</b>	Nagar Palika Nepa Nagar	2001-06	0.52 2.89*
<b>5.</b>	Nagar Panchayat Vijaypur	2003-06	0.26
<b>6.</b>	Nagar Panchayat Katangi	2001-07	0.98
		<b>Total</b>	<b>9.33</b>

\* Deducted but not deposited to Government

**Appendix -XI**  
**(Reference: Paragraph – 1.18 page - 8)**  
**Purchases of material without inviting tender or purchases**  
**not made from LUN**

(Rupees in lakh)

S. No.	Name of the Unit	Period of AIR	Kind of Material Purchased	Amount
1.	Nagar Nigam Ratlam	2004-07	Electric Item	27.00
2.	Nagar Palika Dhanpuri	2004-06	Container Purchase	13.12
3.	Nagar Palika Junnardev	2001-06	Electric Item	1.14
4.	Nagar Palika Dhar	2003-07	Water Supply Item	1.95
5.	Nagar Palika Chattarpur	2003-08	Tractor Purchase	5.51
6.	Nagar Palika Nepa Nagar	2001-06	Water Supply Item	21.08
7.	Nagar Palika Pasan	2001-07	Bleaching & Malethian Powder	5.10
8.	Nagar Panchayat Manasa	2001-06	Moon Walker for garden	25.12
9.	Nagar Panchayat Chandia	2001-07	Water Supply and Electric Item	10.12
10.	Nagar Panchayat Bheraghat	2004-07	Purchase of Cement	9.60
11.	Nagar Panchayat Vijaypur	2003-06	Water Supply Item	1.73
12.	Nagar Panchayat Mandleswar	2004-07	Fibre Urinal	9.85
13.	Nagar Panchayat Jaithari	2001-06	Electric Item	6.88
14.	Nagar Panchayat Kannod	2003-06	Electric and other item	25.11
15.	Nagar Panchayat Kukshi	2001-07	Water Supply item	24.52
	<b>Total</b>			<b>187.83</b>

**Appendix -XII**  
**(Reference: Paragraph – 1.19 page -8)**

**Non-realisation of loan amount and contribution from the beneficiaries**

**(Rupees in lakh)**

S. No.	Name of the Unit	Period AIR	No. of latrines	Non-realisation from beneficiaries		Total Amount
				Contribution	Loan	
1.	Nagar Palika Dhar	2003-07	1836	2.11	21.10	23.21
2.	Nagar Palika Deori	2003-06	942	--	8.56	8.56
3.	Nagar Palika Sihora	2004-07	1600	2.24	20.16	22.40
4.	Nagar Palika Khachrod	2004-07	191	--	2.79	2.79
5.	Nagar Palika Narisingpur	2001-07	200	0.24	2.12	2.36
6.	Nagar Panchayat Barhi	2001-07	423	0.62	5.54	6.16
7.	Nagar Panchayat Bamhani Banjar	2001-06	707	--	9.96	9.96
8.	Nagar Panchayat Lakhnadoun	2001-07	215	0.27	2.47	2.74
9.	Nagar Panchayat Patan	2004-07	415	--	4.93	4.93
10.	Nagar Panchayat Loudi	2003-07	898	1.21	10.91	12.12
11.	Nagar Panchayat Katangi	2001-07	397	0.58	5.23	5.81
12.	Nagar Panchayat Ichhawar	2001-06	190	--	2.77	2.77
13.	Nagar Panchayat Kukshi	2001-07	150	0.22	1.99	2.21
14.	Nagar Panchayat Sujalpur	2001-06	355	--	5.15	5.15
	<b>Total</b>		<b>8519</b>	<b>7.49</b>	<b>103.68</b>	<b>111.17</b>

**Appendix- XIII**  
(Reference: Paragraph –2.1.4 page - 12)

**Un spent balance of previous grant**

**(Rs. in lakh)**

<b>Sl. No.</b>	<b>Units Name</b>	<b>Year</b>	<b>Received grant</b>	<b>Expenditure upto (9/08)</b>	<b>Unspent Balance amount As September 08</b>
<b>1.</b>	Nagar Palika Nigam, Dewas	2005-06	73.68	37.85	35.83
		2006-07	73.58	47.92	25.66
		2007-08	73.60	51.15	22.45
<b>2.</b>	Nagar Palika Parishad Dabra (Gwalior)	2005-06	34.02	26.84	07.18
		2006-07	34.02	27.91	06.11
		2007-08	34.02	5.00	29.02
<b>3.</b>	Nagar Palika Parishad Sidhi	2005-06	27.39	3.71	23.68
		2006-07	13.68	12.49	01.19
		2007-08	41.05	20.47	20.58
<b>4.</b>	Nagar Panchayat Biloua (Gwalior)	2005-06	7.40	3.85	3.55
		2006-07	7.40	--	7.40
		2007-08	7.40	--	7.40
<b>5.</b>	Nagar Panchayat Baikuthapur (Rewa)	2005-06	5.90	1.45	4.45
		2006-07	5.89	2.04	3.85
		2007-08	5.89	--	5.89
<b>6.</b>	Nagar Panchayat Govindgarh (Rewa)	2005-06	6.29	3.78	2.51
		2006-07	3.15	0.97	2.18
		2007-08	9.44	1.87	7.57
<b>7.</b>	Nagar Panchayat Churhat (Sidhi)	2005-06	8.40	4.03	4.37
		2006-07	8.40	4.03	4.37
		2007-08	8.40	--	8.40
<b>8.</b>	Nagar Panchayat Rampur Nekin (Sidhi)	2005-06	6.40	5.45	0.95
		2006-07	6.40	2.23	4.17
		2007-08	6.40	--	6.40
			<b>508.20</b>	<b>263.04</b>	<b>245.16</b>

**Appendix -XIV**  
**(Reference: Paragraph – 2.1.5 page - 13)**

**Utilisation Certificate (UCs) included unspent grant**

**(Rs. in lakhs)**

<b>Sl. No.</b>	<b>Units Name</b>	<b>Received amount in 50% of SWM 2007-08</b>	<b>Actual Expenditure upto December 2008</b>	<b>Unspent amount of SWM in 12/2008</b>
<b>A</b>	<b>Details of seven ULBs test checked</b>			
<b>1.</b>	Nagar Palika, Kolar (Bhopal)	8.46	--	8.46
<b>2.</b>	Nagar Palika Parishad, Sidhi	13.70	--	13.70
<b>3.</b>	Nagar Panchayat Biloua (Gwalior)	3.70	--	3.70
<b>4.</b>	Nagar Panchayat, Baikunthpur (Rewa)	2.95	--	2.95
<b>5.</b>	Nagar Panchayat, Govindgarh (Rewa)	3.14	--	3.14
<b>6.</b>	Nagar Panchayat, Churhat (Sidhi)	4.20	--	4.20
<b>7.</b>	Nagar Panchayat Rampur Nekin (Sidhi)	3.20	--	3.20
<b>B</b>	<b>Details of sixteen ULBs for which information given by Dy. Director UADD (Indore)</b>			
<b>8.</b>	Nagar Palika, Saver (Indore)	2.10	--	2.10
<b>9.</b>	Nagar Palika, Mowgoan (Indore)	3.30	--	3.30
<b>10.</b>	Nagar Palika, Hatod (Indore)	2.65	--	2.65
<b>11.</b>	Nagar Palika, Manawar (Dhar)	6.95	--	6.95
<b>12.</b>	Nagar Palika, Darampuri (Dhar)	3.87	--	3.87
<b>13.</b>	Nagar Palika, Jhabua	9.20	--	9.20
<b>14.</b>	Nagar Palika, Mandav (Dhar)	2.75	--	2.75
<b>15.</b>	Nagar Palika, Damnod (Dhar)	4.20	--	4.20

<b>16.</b>	Nagar Palika, Alirajpur (Jhabua)	3.78	--	3.78
<b>17.</b>	Nagar Palika, Thandla (Jhabua)	3.69	--	3.69
<b>18.</b>	Nagar Palika, Maheswar (Khargaon)	6.30	--	6.30
<b>19.</b>	Nagar Palika Badwani	12.99	--	12.99
<b>20.</b>	Nagar Palika, Sandwa (Badwani)	13.38	--	13.38
<b>21.</b>	Nagar Palika, Anjad (Badwani)	3.65	--	3.65
<b>22.</b>	Nagar Palika, Pansemal (Badwani)	1.73	--	1.73
<b>23.</b>	Nagar Palika, Onkareshwar (Khandwa)	1.05	--	1.05
	<b>Total</b>	<b>120.94</b>	--	<b>120.94</b>

**Appendix -XV**  
**(Reference: Paragraph – 2.1.6 page - 13)**

**Statement showing the details of units of ULBs allotments and  
Non starting the work relating to SWM upto December 2008)**

<b>Sl. No.</b>	<b>Unit Name</b>	<b>Year</b>	<b>Grant allotment in SWM (50 percent)</b>	<b>Reasons for un-spending grant as explained by department/ Dy. DI.</b>
<b>1.</b>	Nagar Panchayat, Govindgarh (Rewa)	2005-06	3.15	Expenditure will be incurred after acquisition of land.
		2006-07	3.15	
		2007-08	3.14	
<b>2.</b>	Nagar Panchayat, Baikuthapur (Rewa)	2005-06	2.95	Work was not started due to non-acquisition of land.
		2006-07	2.95	
		2007-08	2.95	
<b>3.</b>	Nagar Panchayat, Churhat (Sidhi)	2005-06	4.20	Work plan will be prepared after completion of land development work.
		2006-07	4.20	
		2007-08	4.20	
<b>4.</b>	Nagar Palika, Sidhi	2005-06	13.70	Work was not started due to non-acquisition of land.
		2006-07	13.70	
		2007-08	13.70	
<b>5.</b>	Nagar Panchayat, Rampur Nekin (Sidhi)	2006-07	3.20	Land has recently been acquired on which development work is to be done.
		2007-08	3.20	
<b>6.</b>	Nagar Palika, Saver (Indore)	2005-06	4.20	Work was not started due to non acquisition of land
		2006-07	4.20	
		2007-08	2.10	
<b>7.</b>	Nagar Palika, Mowgoan (Indore)	2005-06	6.60	No Reply
		2006-07	3.30	
		2007-08	3.30	
<b>8.</b>	Nagar Palika, Hatod (Indore)	2005-06	2.90	Due to non acquisition of land
		2006-07	1.45	
		2007-08	2.65	
<b>9.</b>	Nagar Palika, Manawar (Dhar)	2005-06	14.99	No Reply
		2006-07	3.80	
		2007-08	6.95	
<b>10.</b>	Nagar Palika, Darampuri (Dhar)	2005-06	0.25	No Reply
		2006-07	2.12	
		2007-08	3.87	
<b>11.</b>	Nagar Palika, Jhabua	2005-06	9.20	No Reply
		2006-07	4.60	
		2007-08	9.20	

12.	Nagar Palika, Mandav (Dhar)	2005-06	2.75	No Reply
		2006-07	1.38	
		2007-08	2.75	
13.	Nagar Palika, Damnod (Dhar)	2005-06	8.40	No Reply
		2006-07	4.20	
		2007-08	4.20	
14.	Nagar Palika, Alirajpur (Jhabua)	2005-06	--	Under the land development
		2006-07	7.54	
		2007-08	3.78	
15.	Nagar Palika, Thandla (Jhabua)	2005-06	4.00	Land under process
		2006-07	2.02	
		2007-08	3.69	
16.	Nagar Palika, Maheswar (Khargaon)	2005-06	6.30	Land under transfer
		2006-07	6.30	
		2007-08	6.30	
17.	Nagar Palika Badwani	2005-06	13.00	Due to non acquisition of land
		2006-07	6.50	
		2007-08	12.99	
18.	Nagar Palika, Sandwa (Badwani)	2005-06	14.50	--do--
		2006-07	09.46	
		2007-08	13.38	
19.	Nagar Palika, Anjad (Badwani)	2005-06	3.65	--do--
		2006-07	3.65	
		2007-08	3.65	
20.	Nagar Palika, Pansemal (Badwani)	2005-06	3.45	--do--
		2006-07	3.45	
		2007-08	1.73	
21.	Nagar Palika, Onkareshwar (Khandwa)	2005-06	2.10	--do--
		2006-07	2.10	
		2007-08	1.05	
			<b>322.34</b>	

**Appendix -XVI**  
**(Reference: Paragraph – 2.1.7 page -13)**

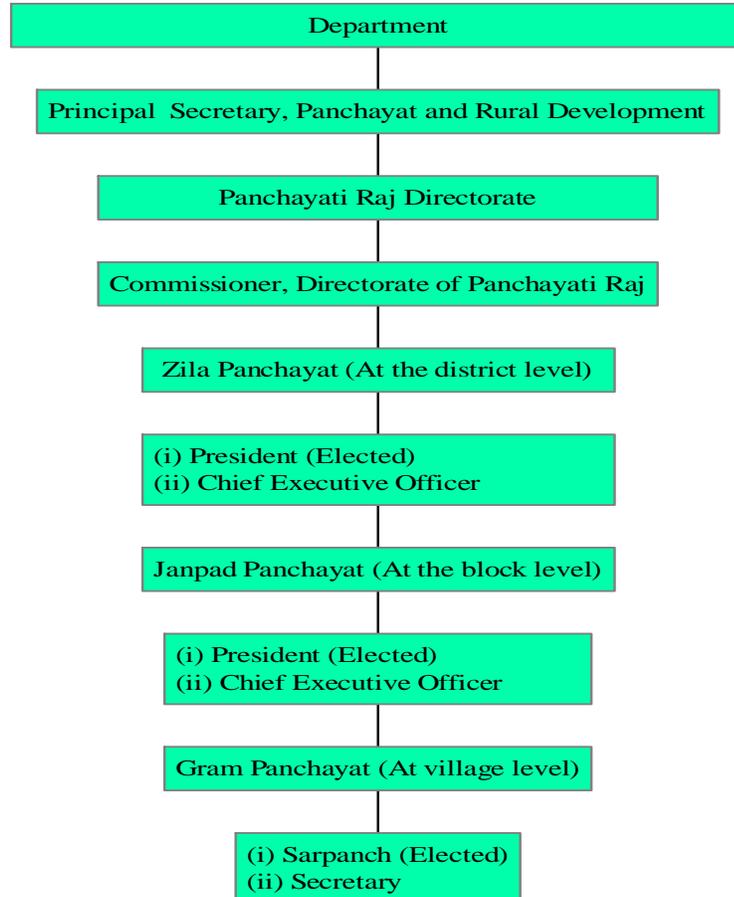
**Expenditure incurred on the programme of “Solid Waste Management”  
but all the parameters were not implemented**

**(Rs. in crore)**

<b>Sl. No.</b>	<b>Name of ULBs</b>	<b>Year</b>	<b>Total Expenditure 2007-08</b>	<b>Expenditure incurred on programmed of SWM in 2007-08</b>	<b>Reply/Reasons for non implementation of all the parameters of SWM</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>1.</b>	Nagar Nigam Bhopal	2007-08	4.55	2.28	DPR is being prepared.
<b>2.</b>	Nagar Nigam Dewas	2007-08	51.15	0.14	In absence of sanction from council, no expenditure could be made on other works.
<b>3.</b>	Nagar Nigam Gwalior	2007-08	2.76	1.40	Rest of the parameters will be completed.
<b>4.</b>	Nagar Nigam Indore	2007-08	3.96	1.43	Efforts for expenditure on the rest parameters are being taken.
<b>5.</b>	Nagar Nigam Rewa	2007-08	0.66	0.29	After the compost plant completion rest of the parameters will be completed.
	<b>Total</b>		<b>63.08</b>	<b>5.54</b>	

**Appendix – XVII**  
**(Reference: Paragraph - 1.3 page - 20)**

**(i) Organisational Chart of PRIs**



**Appendix -XVIII**  
**(Reference: Paragraph – 1.9.3 page - 22)**

**Pending Utilisation Certificate**

**(Rupees in lakh)**

<b>Sl. No.</b>	<b>Name of the Unit</b>	<b>Period of AIR</b>	<b>Amount</b>
<b>1.</b>	Janpad Panchayat Nisarpur (Dhar)	2001-07	11.57
<b>2.</b>	Janpad Panchayat Dahi (Dhar)	2002-07	97.60
<b>3.</b>	Janpad Panchayat Khargoan (Khargoan)	2005-07	6.10
<b>4.</b>	Janpad Panchayat Beohari (Shahdol)	2002-07	54.57
<b>5.</b>	Janpad Panchayat Pusprajgarh (Anuppur)	2004-07	21.74
<b>6.</b>	Janpad Panchayat Batiagarg (Dhamo)	2001-07	17.24
<b>7.</b>	Janpad Panchayat Jesinagar (Sagar)	2004-07	56.70
<b>8.</b>	Janpad Panchayat Ranapur (Jhabua)	2003-05	71.92
		<b>Total</b>	<b>337.44</b>

**Appendix XIX**  
(Reference: Paragraph 1.12 page - 24)

**Outstanding advances against individuals/executing agencies**

(Rupees in lakh)

<b>Sl. No.</b>	<b>Name of the Unit</b>	<b>Period of AIR</b>	<b>Amount</b>
<b>1.</b>	Janpad Panchayat Dahi (Dhar)	2002-07	14.96
<b>2.</b>	Janpad Panchayat Bhind (Bhind)	2004-06	2.01
<b>3.</b>	Janpad Panchayat Bahoriband (Katni)	2005-07	2.42
<b>4.</b>	Janpad Panchayat Sohagpur (Shahdol)	2004-07	3.02
<b>5.</b>	Janpad Panchayat Sitamou (Mandsour)	2005-07	6.92
<b>6.</b>	Janpad Panchayat Khalwa (Khandwa)	2003-05	4.23
<b>7.</b>	Janpad Panchayat Saver (Indore)	2006-07	2.06
<b>8.</b>	Janpad Panchayat Pusprajgarh (Anuppur)	2004-07	4.72
<b>9.</b>	Janpad Panchayat Dharampuri (Dhar)	2005-07	0.63
<b>10.</b>	Janpad Panchayat Ranapur (Jhabua)	2003-05	1.05
<b>11.</b>	Janpad Panchayat Baldevgard (Tikamgarh)	2004-07	1.05
		<b>Total</b>	<b>43.07</b>

**Appendix - XX**  
**(Reference: Paragraph 1.13 page - 24)**

**Incomplete works**

**(Rupees in lakh)**

<b>Sl. No.</b>	<b>Name of the Unit</b>	<b>Period of AIR</b>	<b>No of works</b>	<b>Amount</b>
1.	Janpad Panchayat Nisarpur (Dhar)	2001-07	25	24.75
2.	Janpad Panchayat Dahi (Dhar)	2002-07	8	7.50
3.	Janpad Panchayat Udaypura (Raisen)	2004-06	14	30.48
4.	Janpad Panchayat Lahar (Bhind)	2004-07	24	23.01
5.	Janpad Panchayat Rewa (Rewa)	2004-07	34	44.08
6.	Janpad Panchayat Bahoriband (Katni)	2005-07	7	4.85
7.	Janpad Panchayat Sohagpur (Shahdol)	2004-07	21	59.90
8.	Janpad Panchayat Khargoan (Khargoan)	2005-07	3	2.27
9.	Janpad Panchayat Panagar (Jabalpur)	2004-07	16	6.23
10.	Janpad Panchayat Prithvipur (Tikamgarh)	2005-08	413	950.33
11.	Janpad Panchayat Chichle (Tikamgarh)	2004-07	37	40.88
12.	Janpad Panchayat Dharampuri (Dhar)	2005-07	13	53.84
13.	Janpad Panchayat Berghat (Seoni)	2003-07	10	10.60
14.	Janpad Panchayat Batiagarh (Dhamo)	2001-07	3	4.19
15.	Janpad Panchayat Junnardev (Chhindwara)	2004-08	9	3.35
16.	Janpad Panchayat Pahargarh (Morena)	2005-07	5	2.32
17.	Janpad Panchayat Jesinagar (Sagar)	2004-07	16	5.43
18.	Janpad Panchayat Sinhawal (Sidhi)	2005-07	38	53.46
19.	Janpad Panchayat Sagar (Sagar)	2004-08	19	3.69
20.	Janpad Panchayat Aatner (Batul)	2004-08	747	308.17
21.	Janpad Panchayat Aasta (Sehore)	2004-08	63	35.58
22.	Janpad Panchayat Rampurnakin (Sidhi)	2002-07	31	31.94
23.	Janpad Panchayat Lateri (Vidisha)	2004-06	5	10.81
24.	Janpad Panchayat Byohari (Shahdol)	2002-07	15	100.96
25.	Janpad Panchayat Jaysingnagar (Shahdol)	2004-07	27	159.74
	<b>Total</b>		<b>1603</b>	<b>1978.36</b>

**Appendix - XXI**  
(Reference: Paragraph 1.14 page – 24-25)

**Non-utilisation of SGRY grant on the works & for maintenance of assets for SC/ST beneficiary**

(Rupees in lakh)

Sl. No.	Name of the unit	Period of AIR	Allotment Received	22.5% of allotment	Actual expenditure	Less expenditure	15% of allotment	Actual expenditure	Less expenditure
1.	Janpad Panchayat Bhind	2002-07	68.24	15.35	9.35	6.00	--	--	--
2.	Janpad Panchayat Lahar (Bhind)	2004-07	135.67	30.53	11.77	18.76	--	--	--
3.	Janpad Panchayat Sitamou (Mandsour)	2002-07	20.38	--	--	--	3.05	--	3.05
4.	Janpad Panchayat Byohari (Shahdol)	2002-07	202.65	--	--	--	30.39	--	30.39
5.	Janpad Panchayat Saver (Indore)	2006-07	64.17	14.44	13.08	1.36	9.63	--	9.63
6.	Janpad Panchayat Pusprajgarh (Anuppur)	2004-07	312.73	70.36	48.60	21.76	46.91	--	46.91
7.	Janpad Panchayat Berghat (Seoni)	2003-07	292.69	--	--	--	43.90	--	43.90
8.	Janpad Panchayat Junnardev (Chhindwara)	2004-08	212.19	47.74	31.41	16.33	31.83	--	31.83
9.	Janpad Panchayat Jesinagar (Sagar)	2004-07	43.08	--	--	--	6.46	--	6.46
10.	Janpad Panchayat Sinhawal (Sidhi)	2005-07	160.06	36.01	16.15	19.86	24.01	--	24.01
11.	Janpad Panchayat Sehora (Jabalpur)	2004-07	83.12	--	--	--	12.47	--	12.47
12.	Janpad Panchayat Jaysingnagar (Shahdol)	2004-07	204.82	46.08	13.81	32.27	30.72	1.50	29.22
			<b>1799.80</b>	<b>260.51</b>	<b>144.17</b>	<b>116.34</b>	<b>239.37</b>	<b>1.50</b>	<b>237.87</b>

**Appendix - XXII**  
**(Reference: Paragraph 1.15 page - 25)**  
**Irregular allotment of houses to the male beneficiaries under**  
**Indira Awas Yojana**

**(Rupees in lakh)**

Sl. No.	Name of the unit	Period of AIR	No of house allotted to male beneficiaries	Money value involved
1.	Janpad Panchayat Nisarpur (Dhar)	2001-07	150	28.75
2.	Janpad Panchayat Bhind	2002-06	193	36.45
3.	Janpad Panchayat Rampurnakin (Sidhi)	2002-07	683	116.90
4.	Janpad Panchayat Lateri (Vidisha)	2004-06	74	13.05
5.	Janpad Panchayat Udaypura (Raisen)	2004-06	138	35.50
6.	Janpad Panchayat Deosar (Sidhi)	2003-07	924	182.40
7.	Janpad Panchayat Lahar (Bhind)	2004-07	327	65.35
8.	Janpad Panchayat Ghatia (Ujjain)	2002-06	362	61.20
9.	Janpad Panchayat Rewa (Rewa)	2004-07	275	54.00
10.	Janpad Panchayat Bahoriband (Katni)	2005-07	221	58.95
11.	Janpad Panchayat Jhabua (Jhabua)	2005-07	195	44.10
12.	Janpad Panchayat Indore (Indore)	2005-07	96	20.70
13.	Janpad Panchayat Niwari (Tikamgarh)	2004-08	272	56.70
14.	Janpad Panchayat Prithvipur (Tikamgarh)	2004-08	427	92.50
15.	Janpad Panchayat Khalwa (Khandwa)	2003-05	9	6.80
16.	Janpad Panchayat Chichlee (Narsinghpur)	2004-07	361	131.10
17.	Janpad Panchayat Mahu (Narsinghpur)	2005-07	96	22.10
18.	Janpad Panchayat Pahargarh (Murena)	2005-07	187	42.10
19.	Janpad Panchayat Jesinagar (Sagar)	2004-07	197	40.80
20.	Janpad Panchayat Ranapur (Jhabua)	2003-05	447	75.50
21.	Janpad Panchayat Baldevgarh (Tikamgarh)	2004-07	302	61.00
22.	Janpad Panchayat Aatner (Batal)	2004-08	112	19.90
	<b>Total</b>		<b>6048</b>	<b>1265.85</b>

**Appendix – XXIII**  
(Reference: Paragraph –2.1.4 Page - 28)

**Details of selected GPs where user Water charges to be recovered**  
(As on March 2009)

Sl. No.	Name of Janpad	Name of GPs	No. of Water Connection in GP	Amount to be recovered (In Rs.)
1.	J.P. Bhopal	Dhamra	50	3550
2.	Panda --do--	Tumada	153	91800
3.	Dewas-Dewas	Akhepur	60	10000
4.	--do--	Radhogarh	125	20000
5.	--do--	Javasia	200	120000
6.	--do--	Sukalya	90	100000
7.	--do--	Sirolya	350	69000
8.	Sonkachh- Dewas	Gandharavpuri	80	8000
9.	--do--	Jaleria	30	30000
10.	--do--	Garhkhajuria	25	9000
11.	Toukkhurd	Chidawad	205	1800
12.	--do--	Budasa	100	6250
13.	--do--	Piplya sadak	100	18000
14.	--do--	Ranayarkalan	112	30000
15.	--do--	Salam Khedi	140	56000
16.	Dhar- Dhar	Bijur	115	42816
17.	--do--	Jetpura	102	14500
18.	Gandwani - --do--	Gandwani	900	479502
19.	--do--	Dhursal	152	69700
20.	Kukshi - --do--	Dehri	325	85550
21.	Manawar - --do--	Kapsi	150	13500
22.	--do--	Tonki	365	262800
23.	--do--	Ajandiman	120	13200
24.	--do--	Borud	150	54000
25.	--do--	Mehtakhedi	112	171160
26.	--do--	Pipariman	230	62700
27.	--do--	Singhana	1200	200000
28.	--do--	Dedla	60	43200

29.	--do--	Bidpura	40	28800
30.	--do--	Banedia	50	36000
31.	Nalchha - Dhar	Nalchha	705	761400
32.	--do--	Digthan	387	480000
33.	--do--	Bachhadawaja	175	30000
34.	--do--	Billodakhurd	100	15000
35.	--do--	Narayanpura	120	75000
36.	--do--	Gullwa	177	40000
37.	--do--	Aali	40	48000
38.	Sardarpur - Dhar	Phulgawdi	458	164800
39.	--do--	Morgaon	145	82200
40.	--do--	Dhulet	150	18000
41.	--do--	Piparni	150	94995
42.	--do--	Jolana	65	20000
43.	--do--	Tandakhera	38	7600
44.	--do--	Dasai	600	700000
45.	--do--	Khurpala	150	22000
46.	Dabra - Gwalior	Magraura	100	15000
47.	--do--	Sukhapada	107	449400
48.	Ghatigaon - Gwalior	Barai	350	33450
49.	(Barai)	Purani Chaawani	220	35750
50.	J.P. Indare - Indore	Budhania	120	38200
				<b>5281623</b>

**Appendix – XXIV**  
**(Reference: Paragraph- 2.2.4.3 Page – 30)**

**Un-reconciled difference of balances of cash book and  
bank pass book as on 31 March 2008**

(Rupees)

	<b>Cash Book</b>	<b>Pass Book</b>	<b>Difference</b>	<b>Year from which reconciliation was not done</b>
<b>Chindwara</b>				
Harrai	20633346.00	18131525.00	2501821.00	1995-96
Chaurai	17765285.47	21048726.35	3283440.88	2005-06
Bichua	17888493.96	17427911.93	460582.03	Since long
<b>Balaghat</b>				
Paraswara	8479624.52	8199193.88	280430.64	2001-02
Kirnapur	15590485.09	14192538.45	1397946.64	Since long
Baihar	16504028.00	8056322.58	8447705.42	2005-06
<b>Difference</b>			<b>16371926.61</b>	