## Report of the Comptroller and Auditor General of India

## **ON**

## LOCAL BODIES for the year ended 31 March 2016

Government of Madhya Pradesh Report No. 4 of the year 2017

| <b>Table of Contents</b>  |                                       |          |  |  |  |
|---|---------------------------------------|----------|--|--|--|
|   | Paragraph no.                         | Page no. |  |  |  |
| Preface   | -                                     | V        |  |  |  |
| Overview  | -                                     | vii      |  |  |  |
| PART – A: PANCHAYATI RAJ INSTITU  | PART – A: PANCHAYATI RAJ INSTITUTIONS |          |  |  |  |
| Chapter I: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Panchayati Raj Institutions |                                       |          |  |  |  |
| Introduction  | 1.1                                   | 1        |  |  |  |
| Organisational set up of PRIs   | 1.2                                   | 1        |  |  |  |
| Functioning of PRIs   | 1.3                                   | 2        |  |  |  |
| Audit arrangement   | 1.4                                   | 4        |  |  |  |
| Response to audit observations  | 1.5                                   | 5        |  |  |  |
| Social Audit  | 1.6                                   | 5        |  |  |  |
| Sources of funds  | 1.7                                   | 6        |  |  |  |
| Budgetary allocation and expenditure of PRIs  | 1.8                                   | 7        |  |  |  |
| Accounting arrangement  | 1.9                                   | 7        |  |  |  |
| Bank reconciliation statement not prepared  | 1.10                                  | 8        |  |  |  |
| Temporary advances not adjusted   | 1.11                                  | 8        |  |  |  |
| Fourteenth Finance Commission Grants  | 1.12                                  | 9        |  |  |  |
| Chapter II: Compliance Audit  |                                       |          |  |  |  |
| Asset Management in PRIs  | 2.1                                   | 11       |  |  |  |
| Avoidable liability of interest and penalty   | 2.2.1                                 | 23       |  |  |  |
| Deposit of interest to Government Account   | 2.2.2                                 | 24       |  |  |  |
| Suspected embezzlement  | 2.2.3                                 | 25       |  |  |  |
| PART – B: URBAN LOCAL BODIE   | S                                     |          |  |  |  |
| Chapter III: An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the Urban Local Bodies        |                                       |          |  |  |  |
| Introduction  | 3.1                                   | 27       |  |  |  |
| Organisational set up of ULBs   | 3.2                                   | 27       |  |  |  |
| Functioning of ULBs   | 3.3                                   | 28       |  |  |  |
| Audit arrangement   | 3.4                                   | 29       |  |  |  |
| Response to audit observations  | 3.5                                   | 30       |  |  |  |
| Sources of funds  | 3.6                                   | 31       |  |  |  |
| Budgetary allocation and expenditure of ULBs  | 3.7                                   | 31       |  |  |  |
| Accounting arrangement  | 3.8                                   | 32       |  |  |  |

|   | Paragraph no. | Page no. |  |  |
|---|---------------|----------|--|--|
| Bank reconciliation statement not prepared  | 3.9           | 33       |  |  |
| Tax revenue/non-tax revenue not realised  | 3.10          | 33       |  |  |
| Temporary advances not adjusted   | 3.11          | 34       |  |  |
| Fourteenth Finance Commission Grants  | 3.12          | 34       |  |  |
| Chapter IV: Performance Audit   |               |          |  |  |
| Management of own fund by Municipal Corporations and Municipal Councils including collection of revenue | 4.1           | 37       |  |  |
| Chapter V: Compliance Audit   |               |          |  |  |
| Setting up and management of Fire Services by Urban Local Bodies  | 5.1           | 57       |  |  |
| Short-realisation of supervision fee  | 5.2.1         | 70       |  |  |
| Avoidable payment of penalty and interest   | 5.2.2         | 71       |  |  |
| Short-realisation of shelter fee  | 5.2.3         | 72       |  |  |

|          | LIST OF APPENDIX  |          |  |  |  |
|----------|---|----------|--|--|--|
| Appendix | Subject   | Page no. |  |  |  |
| 1.1      | List of test-checked PRIs during 2015-16  | 75       |  |  |  |
| 1.2      | Difference in Cash Book balance and Pass Book Balances on 31.03.2015  | 76       |  |  |  |
| 1.3      | Outstanding temporary advances as on 31.03.2015   | 80       |  |  |  |
| 2.1      | List of test checked Gram Panchayats  | 82       |  |  |  |
| 2.2      | Statement of Assets not being utilised for intended purposes  | 83       |  |  |  |
| 2.3      | List of Theft Items in Gram Panchayats  | 85       |  |  |  |
| 2.4      | Statement showing deposit of interest to Government account   | 86       |  |  |  |
| 3.1      | Statement showing devolution of functions to Urban Local Bodies   | 88       |  |  |  |
| 3.2      | List of test-checked ULBs during 2015-16  | 89       |  |  |  |
| 3.3      | Bank reconciliation statement not prepared  | 90       |  |  |  |
| 3.4      | Statement showing unrealised tax revenue (Property tax, composite tax, education cess, urban development cess, market fees, show tax) | 91       |  |  |  |
| 3.5      | Statement showing details of unrelised rent and premium   | 93       |  |  |  |
| 3.6      | Statement showing of details non-tax revenue (water charges, license fee, land and building rent etc) not realised                    | 95       |  |  |  |
| 3.7      | Details of unadjusted temporary advance   | 97       |  |  |  |
| 4.1      | Statement showing demand and collection of property tax by test checked MCs   | 98       |  |  |  |
| 4.2      | Statement showing demand and collection of composite tax by test checked MCs  | 101      |  |  |  |
| 4.3      | Statement showing demand and collection of user charges (water tax)   | 104      |  |  |  |
| 4.4(A)   | Statement showing preparation of unrealistic budget estimates   | 107      |  |  |  |
| 4.4(B)   | Statement showing preparation of unrealistic budget estimates   | 109      |  |  |  |
| 4.5      | Statement showing difference in closing balances as per cash book and bank pass book as on 31.03.2016                                 | 111      |  |  |  |
| 4.6      | Statement showing short deposit of money in reserve fund  | 112      |  |  |  |
| 4.7      | Statement showing delays in remitting taxes deducted at source to respective authority  | 114      |  |  |  |
| 4.8      | Statement showing short remittance of State's share of urban development cess in Government account                                   | 115      |  |  |  |
| 4.9      | Statement showing sanctioned, working and vacant posts in revenue department  | 117      |  |  |  |

| Appendix | Subject   | Page no. |
|----------|---|----------|
| 5.1      | Details of dimensions of accommodations of fire stations of BMC               | 118      |
| 5.2      | Details of availability of personal protective equipment in test checked ULBs | 119      |
| 5.3      | Details of sanctioned strength of fire staff and men-in-position              | 120      |
| 5.4      | Short realisation of supervision fee  | 121      |