

Chapter-VI

FINANCIAL MANAGEMENT

6.1 Annual Accounts

74th Amendment to the Constitution Act, 1992 made it mandatory for the State Government to constitute Municipalities. Accordingly part IXA has been enshrined in the constitution dealing with the powers and the responsibilities of the ULBs. Accordingly, Second State Finance Commission (SSFC), Assam (para 4.1, 4.80 and 4.83 under Chapter IV of ULBs) recommended the EFC prescribed formats of all ULBs should be the same as suggested by the C&AG of India which has already been accepted by the Govt of Assam.

To depict the actual financial position, each ULB is required to prepare Income and Expenditure Statement, Balance Sheet of assets and liabilities in the prescribed format to place before the competent authorities.

Test check of 34 ULBs revealed that none of the ULBs had prepared annual financial statement for the periods from 1st April 2000 to 31st March 2007. This indicates poor financial management and lack of monitoring in the ULB units.

6.2 Non-Adjustment of Advances

Test check of records of three ULB units revealed that advances totaling Rs. 10.06 lakh (Kharupetia TC - Rs 4.96 lakh, Mahur TC - Rs.2.67 lakh and Maibang TC-Rs. 2.43 lakh) granted to Staff for various purposes during the period from April/2000 to March/2007 are yet to be adjusted. The practice of non-adjustment of advances for several years has encouraged the undesirable practice of blocking of institutional funds for indefinite period and providing undue benefits.

During audit query, Chairman of concerned ULBs stated that necessary steps will be taken to recover the same and result thereof will be communicated to audit in due course. The reply is still awaited (June 2008).

6.3 Tax Collected but not reflected in Cash Book and Bank Pass Book

Test check of records of six ULBs revealed that Rs.7.86 lakh collected/received by Tax Darogas of concerned ULBs as various taxes, fees etc as per receipt books was neither reflected in the cash book nor in the bank pass book. Thus the entire amount of Rs.7.86 lakh remained unaccounted for till the date of audit. During discussion Chairman/Chairperson of concerned ULBs stated that matter will be investigated and action taken thereof will be communicated to audit in due course. The details were as under:

(Rs in lakh)

Sl No	Name of Unit	Period of collection	Amount
1	Barpathar TC	4/2000 to 3/07	0.70
2	Golaghat MB	4/2000 to 3/07	2.61
3	Dokmoka TC	4/2000 to 3/07	4.22
4	Lakhipur TC (Goalpara)	4/2000 to 3/07	0.01
5	Simlaguri TC	04-05	0.02
6	Dhing TC	04-05 to 05-06	0.30
		Total	7.86

6.4 Outstanding Government Loans and Interest

The Director of Municipal Administration, Assam released Rs.9.64 lakh during the period from April 1994 to March 2005 to three ULBs (Gohpur TC Rs.2.75 lakh, Palasbari MB Rs.2.50 lakh and Rangapara TC Rs.4.39 lakh) as loan to ULBs for construction of sanitary latrines involving 186 nos of BPL beneficiaries under Low Cost Sanitation Programme (LCSP). As per terms and condition of the LCSP guidelines loan amount including interest @ 13.5 per cent was recoverable on installment basis from the beneficiaries availing benefit under the scheme.

Test check of records revealed that while Rangapara TC realized Rs.1.86 lakh from the concerned beneficiaries, the rest ULBs failed to realize the loan component along with the interest thereon. Non-realization of loan components amounting to Rs.7.71 lakh had therefore increased the liabilities of ULBs. Thus the ULBs failed to recover the loan along with interest thereon. ULBs authorities stated that due to fund constraint the loan have been taken. Regarding recoupment of loans, authorities of concerned ULBs stated that necessary recoupment will be made in due course and position will be intimated to audit. However, no reply from the concerned ULBs have been received (June 2008).

The ULB wise detailed position of realizable Loan component is summarized below:

(Rs in lakh)

Sl No	Name of the Unit	Period	Loan amount	Interest	Total Amount	Loans taken from
1	Palashbari MB	4/2000 to 3/07	2.49	-	2.49	LCSP
2	Rangapara TC	4/2000 to 3/07	2.10	-	2.10	-do-
3	Gohpur TC	4/2000 to 3/07	3.12	-	3.12	-do-
			Total		7.71	

6.5 Non-remittance of Employers share of Contributory Provident Fund.

Contributory Provident Fund subscription collected by deductions from employees' salary and equal amount of employers' share is to be credited to the fund account. Test check of the records of Haflong TC revealed that although Rs.31.41 lakh being CPF subscription was deducted from employees' salary during January 2000 to March 2007 and remitted to their individual CPF account, the employer's share of Rs.31.41 lakh is yet to be deposited into individual CPF accounts of the employees. This deprived the employees of their CPF benefits to the tune of Rs 31.41 lakh.

In case of Sapatgram TC the employees CPF contribution along with the employers share amounting to Rs.5.33 lakh (employees' contribution Rs.3.14 lakh plus employer's share Rs.2.19 lakh) was not credited to the individual CPF accounts of the employees as on 31st March 2007.

6.6 Fraudulent drawal of CPF amounting to Rs.2.07 lakh

During audit of Mangaldoi MB it was observed that an amount of Rs.2.07 lakh was fraudulently drawn by an employee of Mangaldoi MB in the name of the 14 employees of the Board. An FIR was lodged with the Mangaldoi Police Station against the employee Sri PC Kakati, UDA who has fraudulently withdrawn the CPF amount on 27th August 2007. The said amount was fraudulently withdrawn during the last 3-4 years and when the withdrawals were reflected in postal account, the victim officials had reported the matter to the higher authority of MB for necessary action. Since then, Sri PC Kakati (guilty employee) was finally sent on compulsorily retirement (21st August 2007) vide Assam Disciplinary & Appeal Rules 1964 with the condition that he will refund the said amount in phase manner. The amount was not recouped till November 2007.

6.7 Non-remittance of Professional Tax.

Under the Assam Professions, Trades, Callings and Employment Taxation Act, 1947, every person, who carries on a trade or a profession or calling, or who is in employment, within the State is liable to pay tax for each financial year at the prescribed rates.

Professional Tax is to be deducted from the monthly salary of the employees by the DDOs at rates prescribed by the State Government from time to time and should be deposited to the proper Head of Accounts of the State Govt.

Test check of 14 ULB units revealed that the units failed to realize and deposit the Professional Tax amounting to Rs 5.60 lakh as on 31st March 2007 from the concerned employees as detailed in **Annexure –XVI**.

6.8 Diversion of Fund/Grant

Test check of seven ULBs revealed that Rs 49.28 lakh out of Rs 58.20 lakh released under MVT, EFC, NSDP, TFC, LCSP, RSVY, SJSRY etc during 2004-05 to 2006-07 were diverted for payment of salaries of staff, miscellaneous expenses, contingency etc without proper authorization. Such diversion of funds not only frustrated the objective for which funds were released but also deprived the beneficiaries of the intended benefits.

During audit query, Chairman/Chairperson stated that due to paucity of fund in general fund account diversion has been made and will be recouped in the respective scheme fund as soon as fund will be available in this account. The scheme wise diversion of fund is summarized in **Annexure-XVII**. The funds are yet to be recouped.

6.9 Non-accountal of Fund amounting to Rs.23.40 lakh

Test check of records of nine ULBs revealed that the Director Municipal Administration, Assam, Guwahati released Rs.8.16 lakh to Rangapara TC under NSDP and Rs.7.00 lakh to Mangaldoi MB under EFC grant and Rs.8.24 lakh collected by Tax Daroga of the seven ULBs during the period 2000-07 but these were not accounted for in their respective funds and kept out of the accounts. This resulted in non-accountal of fund amounting to Rs.23.40 lakh as detailed in **Annexure –XVIII**

In reply to an audit query, Chairman/Chairperson of the ULBs stated that matter will be investigated and action taken will be communicated in due course (May 2008).

6.9.1 System deficiencies

- (A) Some of the common and persistent deficiencies noticed in the maintenance of Cash Book by the ULBs were :-
- (i) Cash Book was not maintained in all the ULBs that too in the prescribed format, instead only a receipt and payment statement was prepared.
 - (ii) Transactions were recorded in the Cash Book without indicating the date of transaction.
 - (iii) Pages of Cash Book were left blank and also were not struck out facilitating to insert on later dates.
 - (iv) Narration for transaction was not furnished in the Cash Book.
 - (v) Voucher number and Head of Account was not indicated against transaction.
 - (vi) Vouchers were not numbered serially.
 - (vii) Cash Book was not closed on a daily basis.
 - (viii) Cash Book was not authenticated by the competent authority.
 - (ix) Correction and alteration in Cash Book were without any authentication by the competent authority.
 - (x) All receipts were not recorded in the Cash Book.
 - (xi) Subsidiary Cash Book was not maintained.

(B) Non-maintenance of basic records

The prescribed basic records viz. Stock Register, Demand Register, Collection Register, Works Register, Contractor's Ledger, Advance Register, Final Payment Register, Tools & Plant Register, Unpaid Bill Register, Bank Scroll and Challan Files, Contingent Register, Register/Records relating to engagement of Master Roll Workers, Purchase and Supply Orders Files, Files/Records of flood damage repair works, Files/records regarding utilization of MLA Local Area Development fund, Files/Records regarding schemes undertaken for the benefit of SC/ST women and Children/Backward Classes etc. were not maintained in most of the ULBs.

Further, there were instances of deficiencies in the maintenance of Stock Register. Entries were not recorded in the prescribed columns for receipts and issue of materials in several instances;

daily balances were not worked out; entries were not attested and balances were not physically verified by the competent authority.

Annual physical verification of stock as prescribed in the GFRs was not carried out in any ULB.