

Chapter – V

URBAN DEVELOPMENT DEPARTMENT

TRANSACTION AUDIT OF URBAN LOCAL BODIES

5.1 Revenue Receipts and results of Audit

The revenue receipts of an Urban Local Body comprise of receipt from its own resources (tax and non-tax revenue), State Finance Commission Grants, Grants and Loans from Governments and loans from Financial Institutions. The performance of ULBs in the State in the matter of increasing own revenue from sources allocated to them had been dismal. The resultant inadequacy of funds prevented them from discharging even their obligatory functions. The deficiencies in management of resources, loss due to non-assessment, short/non-realization of dues and charges *etc.*, noticed during audit are discussed in the succeeding paragraphs.

5.1.1 Outstanding Holding Tax

As per Section 68 of AMA Act, 1956, ULBs are empowered to impose holding tax. The position of demand, collection and outstanding of holding tax in respect of seven ULBs was as under

(₹ in crore)						
Sl No	Name of ULBs	Year	Demand including arrears	Collection including arrears	Outstanding	Percentage of collection
1	Silchar	2008-09	1.98	0.76	1.22	38
2	Jorhat	2008-09	4.28	2.49	1.79	58
3	Abhaypuri	2008-09	0.56	0.06	0.50	11
4	Nagaon	2008-09	0.73	0.36	0.37	49
5	Hailakandi	2007-08	0.58	0.24	0.34	41
6	Guwahati	2007-08	12.82	9.54	3.28	74
7	Bongaigaon	2008-09	0.61	0.18	0.43	29
Total			21.56	13.63	7.93	63

It would be seen from the above table only 63 *per cent* of total demand was collected during 2007-09, further increasing the arrear demand amount at the close of the year. The ULBs did not take necessary steps, prescribed in the Account Rules, for recovery of outstanding dues. This indicated poor monitoring in collection of tax by the ULBs.

5.1.2 Non-revision of holding tax

Section 85 of the AMA, 1956 provides for revision of rate of tax once in every five years, but regular revision had not been carried out for years together either due to lack of initiative on the parts of ULBs or delay in giving approval to appointment of assessor by the State Government.

SI No.	Name of ULB	Year of last assessment	Year from which initiated	Position on March 2009
1	Hailakandi	1993-94	Nil	Not initiated
2	Amguri	2000-01	Nil	-do-
3	Nagaon	1971-72	1994	Not effected
4	Silchar	1997-98	1997	Effected from 1998

In four test checked ULBs, the revision was pending for the last 10-16 years as indicated above.

Thus, non revision of assessment in time resulted in loss of potential revenue of ULBs. As provision for rate of increase or decrease per year was not laid down in Municipal Act or Rules, the loss due to non-revision of tax could not be ascertained.

5.1.3 Loss of ₹16.68 lakh due to reduction of annual valuation of holding

Test check of records of assessment of holding taxes revealed that Silchar Municipal Board reduced the annual valuation of holdings on several occasions without assigning any reason resulting in loss of revenue to the tune of ₹16.68 lakh during 2005-2009.

5.1.4 Outstanding taxes on Government buildings

Taxes outstanding against Government Buildings were payable by the concerned departments of the State Government. In three ULBs, ₹87.62 lakh were outstanding against Government Buildings as detailed below:

(₹ in lakh)			
SI No	Name of ULB	On 31 March	Outstanding tax
1	Abhaypuri	2009	9.04
2	Silchar	2009	63.50
3	Hailakandi	2008	15.08
Total			87.62

The ULBs made no efforts to recover these dues from concerned departments/authorities of the State Government. No reason for non realization was furnished to audit by ULBs.

5.1.5 Outstanding urban tax

ULBs earn their revenue for their own resources through taxes, rent, fees for issue of licenses *etc.*, test check of records and statement of outstanding demand and collection of urban taxes submitted to audit by two ULBs revealed that demand of ₹ 75.23 lakh was raised in the year 2008-09, out of which ₹ 26.38 lakh was collected and balance of ₹ 48.85 lakh was outstanding as on March 2009 as detailed below:

(₹ in lakh)					
Sl No	Name of ULB	Period	Demand	Collection	Outstanding
1	Silchar	2008-09	56.41	20.83	35.58
2	Nagaon	2008-09	18.82	5.55	13.27
Total			75.23	26.38	48.85

Due to short realization of tax there was a decrease in the fund available with the ULBs for providing essential services to the people. Action taken to realize the dues was not on record.

5.1.6 Non-realization of betterment tax

As per Section 68A of AMA, 1956 ULBs empowered to levy water charges from the tax payer for supply of drinking water under its jurisdiction. It was noticed in audit that two ULBs had outstanding water charges of ₹ 1.21 crore at the end of March 2009 as detailed below:

(₹ in crore)					
Year	Name of ULB	Demand including arrears	Collection including arrears	Outstanding	Percentage of collections
2008-09	Silchar	1.80	0.91	0.89	51
2008-09	Hailakandi	0.40	0.08	0.32	21
Total		2.20	0.99	1.21	45

This indicated inadequate controls and weak monitoring mechanism in the ULBs resulting in loss of potential revenue.

5.1.7 Poor collection of taxes on private markets

As per Section 68 (1) (f) of AM Act, 1956, ULBs are empowered to impose, within the limits of the municipality, a tax on private market payable by the owner. The position of arrear demand, collection and outstanding tax at the end of 31 March of a financial year was as under:

(₹ in lakh)

Sl No	Name of ULB	Period	Total demand including arrears	Collection including arrears	Outstanding	Percentage of collection against demand
1	Abhaypuri	2003-09	10.03	0.78	9.25	8
2	Jorhat	2003-09	104.50	90.28	14.22	86
3	Silchar	2005-09	116.77	53.03	63.74	45
4	Nagaon	2008-09	32.26	15.96	16.30	49
5	Guwahati MC	2007-08	83.91	62.51	21.40	74
6	Bongaigaon	2008-09	31.87	9.80	22.07	31

The position of collection in four ULBs²⁵ depicted a dismal picture showing 8 to 49 *per cent* collection against the demands. Though Guwahati MC and Jorhat MB disclosed a better collection trend at 74 and 86 *per cent* respectively, the quantum of outstanding amount at ₹ 21.40 lakh and ₹ 14.22 lakh respectively were significant. ULBs, however neither issued demand notices from time to time nor took any legal action against the owners. Due to poor monitoring and lack of persuasion there was accumulation of outstanding taxes amounting to ₹ 22.07 lakh in six ULBs

Poor collection of taxes affected the resource position of the ULBs making them increasingly dependant on financial assistance from the Government.

5.1.8 Loss of revenue due to settlement of markets at lower bids

Test check records of five ULBs revealed that markets/ parking slots *etc.*, were not leased out to highest bidder. The highest bidders were rejected without any recorded reason and other bidders who quoted lower bid were allowed lease right of markets *etc.* Thus, leasing of markets/parking slots *etc.*, to the lower bidders resulted in loss of potential municipal revenue of ₹ 47.00 lakh as details below:

(₹ in lakh)

Sl No.	Name of ULB	Year	Loss of revenue	Reasons for Loss
1	Amguri	2002-05	1.06	Non-settlement of market to the highest bidder.
2	Barpeta Road	2007-08	14.11	Allotment of rooms of super market without taking into consideration minimum value of allotment of each room.
		2008-09	3.27	Non-acceptance of higher tender value.
3	Nagaon	2002-03	2.09	-do-
4	Jorhat	2004-07	24.75	-do-
5	Abhaypuri	2007-09	1.72	-do-
Total			47.00	

²⁵ Abhayapuri, Bongaigaon, Silchar and Nagaon

5.1.9 Loss of Government Revenue due to non-registration of deed

Article 35 (II) of Assam Gazette (Extra-ordinary) Notification dated 05-07-1989, provided that successful bidder should mortgage a piece of land of equal value or more of the settlement value of markets, parking *etc.*, by executing a registered deed at his own cost. In addition to registration fee of deeds, stamp duty @ ₹30 per thousand (3 *per cent*) of demand (settlement/lease value of markets, parking *etc.*) should be borne by the lessee/bidder concerned as per Indian Stamp Act and Assam Amendment Act, 1989.

Test check of records of lease/ settlement of markets *etc.*, of seven ULBs revealed that not a single deed/agreement was registered before handing over the markets to the lessee/ bidder for collection of tolls. Thus, due to non-adherence to rules, terms of lease and provision of Indian Stamp Act by the ULBs there was loss of Government revenue of ₹ 94.12 lakh during the period as detailed below:

(₹ in lakh)

Sl No	Name of ULB	Period	Settled value	Due Registration charge	Due S/Duty	Total	No of hat/Ghat
1	Jorhat	2003-07	66.37	5.18	2.03	7.21	8
2	Barpeta Road	2003-09	249.00	34.88	7.47	42.35	11
3	Amguri	2000-09	31.49	1.54	0.94	2.48	5
4	Silchar	2003-09	77.66	5.39	2.33	7.72	8
5	Rangia	2002-09	117.00	8.74	3.51	12.25	-
6	Bongaigaon	2004-09	88.79	9.27	2.66	11.93	11
7	Abhaypuri	2003-09	90.11	7.47	2.71	10.18	6
Total			720.42	72.47	21.65	94.12	

Due to non-registration of mortgage deeds, the ULBs failed to safeguard their interest and had no control on the lessees in realizing the outstanding kist money when the lessees defaulted in their payment.

5.1.10 Short realization of Kist Money

As per Section 148 of the AMA, 1956, the ULBs were required to recover kist money from the lessees/ bidders. Test-check of seven ULBs revealed that the lessees/ bidders defaulted in payment of kist money and ₹ 97.08 lakh was yet to be realised from the lessees/bidders as detailed below:

(₹ in lakh)						
Sl No.	Name of ULBs	Period	No. of market/mahals	Realisable kist money	Realised	Outstanding
1	Abhaypuri	2003-09	NA	90.33	72.37	17.96
2	Rangia	2002-09	NA	6.77	NA	6.77
3	Silchar	2005-09	12	105.22	98.19	7.03
4	G MC	2007-08	4	95.85	70.64	25.21
5	Bongaigaon	2008-09	11	102.50	99.41	3.09
6	Amguri	2002-09	6	14.86	12.08	2.78
7	Barpeta Road	2005-06	NA	91.19	56.95	34.24
Total						97.08

ULBs, however, did not serve periodical demand notice to the lessees for realization of quarterly installments of leases. They did not take any action to cancel the leases and invite fresh bids. This was indicative of the lack of initiative and poor internal control in ULBs resulting in weakening of their resource base.

5.1.11 Outstanding rent on municipal properties

In six ULBs, ₹1.83 crore were outstanding on account of rent of Municipal Shops *etc.*, to be realized from allottees as detailed below:

(₹ in lakh)			
Sl No.	Name of ULBs	On 31st March	Outstanding rent
1	Abhaypuri	2009	9.01
2	Silchar	2009	55.61
3	Hailakandi	2008	4.76
4	Bongaigaon	2009	16.47
5	Jorhat	2009	72.18
6	Barpeta Road	2009	24.63
Total			182.66

Due to non-realization of rent from tenants, the ULBs failed to augment their own revenue in time. Action taken, such as issue of demand notices, warrants *etc.*, if any, to realize the outstanding rent was not found on record.

5.1.12 Failure in generation of revenue due to non-allotment of rooms/stalls

Test-check of records Barpeta Road MB (BRMB) revealed that 35 rooms/stalls of Bus Stand cum Market Complex, Barpeta Road were auctioned for allotment by on 11-08-08 and 12-9-08 at an estimated cost of ₹1.37 crore. Out of 35 rooms/stalls, 21 remained un-allotted as per records made available to audit. This resulted in failure to generate projected revenue of ₹82.50 lakh. The stalls of Bus Stand Complex were yet

to be allotted (November 2009). Due to non ascertaining users demand prior to construction of market complex Barpeta Road Municipal Board (BRMB) failed to augment the anticipated revenue as mentioned above.

5.1.13 Short/Non-accountal of revenue receipts

As per Rule 32 of the Assam Municipal Account Rules, 1961 all money received on the account of the Municipal Board shall be remitted with the least possible delay into the treasury/ bank and shall on no account be appropriated towards expenditure.

During audit it was found that in contravention of the above rule, staff of five ULBs did not remit ₹ 13.27 lakh of collected money as detailed below:

(₹ in lakh)					
Sl No.	Name of ULB	Name of fund	Period	Amount not accounted for	Reason/ Remarks
1	Amguri	Own fund	2007-09	2.95	Not deposited by Tax Daroga
2	Nagaon	Own fund	2007-09	0.13	Not deposited by tax collector
3	Bongaigaon	-do-	2004-06	0.49	-do-
4	Guwahati Municipal Corporation	-do-	2006-07	1.10	-do-
5	Morigaon	-do-	2003-09	8.60	Non-deposit of tax and non-tax revenue
Total				13.27	

No amount was recovered from the concerned staff and it was still lying with them for last two to six years. Due to non-accountal of money by the collectors, possibility of mis-utilisation of revenues could not be ruled out.

5.1.14 Non-accountal of receipts

According to Section 58 of AMA, 1956 and Rule 1961 all money received by the municipality shall be credited into the Municipal Fund. In violation of this provision, the receipts of Bus Terminus-cum-Market Complex and Mini and Super Market amounting to ₹ 3.71 crore received during 2005-09 by the Barpeta Road MB were kept in a separate bank account without crediting the receipts in Municipal Fund. Out of that, an amount of ₹ 3.70 crore was spent directly without crediting to the Municipal Fund for construction of Bus Terminus cum Market Complex and Mini and Super Market.

5.2 Blockade of fund

The Chairman, Barpeta Road Municipal Board (BRMB) transferred ₹ 5.02 lakh to the concerned District Land Acquisition Officer (DLAO) towards compensation to the land owners for acquisition of land at government rates for construction of Bus stand. Although cost of land was transferred to DLAO during 2005-06, the land had not been acquired/ made available to BRMB and ₹ 5.02 lakh was lying unutilized with DLAO (July 2009). No action was taken by the authority of BRMB for refund of the said amount.

5.3 Unfruitful expenditure towards procurement of land

Silchar Municipal Board (SMB) decided to purchase one plot of land at ₹10.50 lakh for construction of market complex at Silchar. However, records relating to estimated cost of construction of the market complex, technical sanction and administrative approval from the competent authority were not made available to audit. SMB paid ₹2.00 lakh to the seller on 04 April 2006 as advance and balance ₹8.50 lakh was to be paid at the time of final execution of sale deed. A deed of agreement was executed on 28 April 2006 for which SMB spent ₹0.31 lakh for registration, but till July 2009 the final sale deed had not been executed nor had the possession of the land been taken by SMB. Thus, the SMB incurred unfruitful expenditure of ₹2.31 lakh towards procurement of land.

Implementation of Schemes

5.4 Irregular utilization of EFC Grants

Guidelines for utilization of grants to Local Bodies recommended by EFC, stipulated that grants should be used to finance the maintenance of civic services in rural and urban areas under provisions of Primary Education, Primary Health Care, Safe Drinking Water, Street Lighting, Sanitation including Drainage and Scavenging facilities and other common property resources *etc.*

Test check revealed that four ULBs incurred expenditure of ₹37.54 lakh during 2005-08 on following works which do not fall under the above categories.

(₹ in lakh)

Sl No	Name of ULB	period	Ineligible works		Name of work
			Number	Amount	
1	Barpeta Rd	2005-08	2	6.07	Constn and repairing road/culvert etc
2	Morigaon	2006-08	7	13.49	Improvement of road
3	-do-	2003-06	1	11.20	Beautification of Park
	Silchar	2006-07	1	1.50	Conversion of truck into tipper
4	Amguri	2003-06	1	5.28	Constn of staff quarter
Total			12	37.54	

Thus, expenditure of ₹ 37.54 lakh incurred on 12 ineligible works was highly irregular.

5.4.1 Unfruitful expenditure

Abhaypuri Town Committee (ATC) procured one Cesspool cleaner at a total cost of ₹ 5.14 lakh in July 2005 out of EFC grants for removal of waste from septic tanks. A tractor was required to transport the Cesspool cleaner to the septic tanks and the disposal spots. However, the tractor was not procured as of February 2010 for want of fund. Thus, the cesspool cleaner remained idle and could not be put to use for want of tractor.

Barpeta Road MB also purchased one Cesspool cleaner at a cost of ₹4.00 lakh from TFC grant in November 2007, but due to non-possession of trenching ground (for disposal of collected wastes), the Cesspool Cleaner could not be put to use.

Thus, procurement of Cesspool Cleaners at a total cost of ₹9.14 lakh by two municipalities without tractor and land for disposal of waste, the machines remained idle for 3-5 years and the purpose of the procurements remained unachieved.

Twelfth Finance Commission Grants

5.5 Expenditure on un-approved items

As per guidelines, TFC grants should be utilized on the following purposes:

- (i) Solid waste management scheme;
- (ii) Creation of database of finances of ULBs and
- (iii) Maintenance of accounts of ULBs.

Test-check revealed that five ULBs spent TFC fund of ₹ 37.46 lakh towards non-approved items viz, salary, purchase and repairing of vehicles, construction of roads &

repairing of buildings, purchase of laptop, improvement of markets *etc.*, as detailed below:

(₹ in lakh)

SI No.	Name of ULB	Period	Fund received	Expenditure incurred	Purpose
1	Morigaon	2006-09	11.61	7.74	Payment of salary of staff, 33 rd National Games, Construction of roads.
2	Rangia	2006-09	9.90	3.02	Improvement. of market, purchase of laptop including soft ware.
3	Bongaigaon	2006-07	7.42	1.43	Repair of vehicle.
4	Silchar	2006-07	17.53	13.20	Construction of road and repair of building <i>etc.</i>
5	Jorhat	2006-07	18.10	12.07	Purchase of generator set.
Total			64.56	37.46	

Thus, TFC grant of ₹ 37.46 lakh was unauthorizedly spent on unapproved items.

5.5.1 Non-preparation of Annual Action Plan

According to the provisions of TFC grants ULBs should prepare an Annual Action Plan (AAP) approved by Ward Committee of MB. However, seven ULBs as shown below spent ₹ 2.80 crore during 2006-08 without preparing Annual Action Plan.

(₹ in lakh)

SI No.	Name of ULB	Period	Fund received	Expenditure on 31 March 09
1	GMC	2006-08	269.20	218.67
2	Amguri	-do-	4.58	4.58
3	Morigaon	-do-	3.88	3.88
1	Barpeta Road	2006-07	5.07	5.07
5	Nagaon	2006-07	11.85	11.83
6	Jorhat	-do-	18.10	18.10
7	Silchar	-do-	17.53	17.53
Total			330.21	279.66

In absence of AAP, there was always a possibility of mis-utilisation of fund.

5.6 Locking up/Blockade of funds/grants

5.6.1 Poor utilization of Government Grants

Non-recurring grants released by the State Government as well as Central Government for execution of specific schemes were required to be utilized during the respective years. In absence of grants register, exact utilization of the grants could not be ascertained. However, on scrutiny of cash books, scheme ledgers *etc.*, and on the basis

of information furnished by five²⁶ out of 11 test-checked ULBs, utilization of grants received for development purposes during 2002-09 was as detailed below:

(₹ in crore)

Sl No.	Name of scheme	No of ULBs executing the schemes	Period	Total fund available	Amount utilized	Balance on 31-3-09	Percentage of utilization
1	IDSMT	5	2003-09	2.15	1.52	0.63	71
2	NSDP	5	2003-09	0.80	0.70	0.10	88
3	SJSRY	5	2003-09	2.85	2.62	0.23	92
4	GIA	2	2007-09	0.91	0.87	0.04	96
5	NOAP	3	2003-09	0.67	0.64	0.03	96
6	Untied fund	1	2002-09	0.09	0.08	0.01	88
7	NFBS	1	2007-09	0.04	0.03	0.01	75
8	DDP	1	2007-09	0.40	0.35	0.05	88
Total				7.91	6.8	1.10	86

Thus, Government grants amounting to ₹ 1.10 crore were lying unutilized in five test-checked ULBs (scheme and year wise position of fund given in **Appendix-15**). Poor utilization of fund/ grants by ULBs was mainly due to non-execution of schemes. Thus, delay in utilization of fund deprived the targeted beneficiaries of the intended benefits.

5.6.2 Locking up of fund due to non-execution of works.

Integrated Development of Small and Medium Towns (IDSMT), a centrally sponsored scheme was launched in the year 1979-80 with the objective of development of small and medium towns by improving economic and physical infrastructure as well as promoting resource generation for Urban Local Bodies.

Out of ₹ 94.50 lakh received for construction of Market Complex during 2006-07 by two ULBs, ₹ 90.09 lakh remained unutilized as on March 2009 as detailed below:

(₹ in lakh)

Sl No.	Name of ULB	Year of receipt	Grant received	Actual expenditure	Balance
1	Silchar	2006-07	73.00	nil	73.00
2	Amguri	2006-07	21.50	4.41	17.09
Total			94.50	4.41	90.09

Delay of over three years in finalization of process for execution of works sanctioned in June 2006, led to locking up of government fund of ₹ 90.09 lakh. Further, the objective

²⁶ Barpeta Road MB, Morigaon MB, Nagaon MB, Rangia MB and Silchar MB

of creating a multi-utility market for improving the economic infrastructure and generating revenue for ULBs remained unfulfilled.

5.6.3 Pool Fund

Ministry of Housing and Urban Poverty Alleviation, GOI sanctioned ₹ 24.74 crore in March 2007 for the construction of a multi-utility building for the rehabilitation of vendors at Jorhat MB and Silchar MB under the centrally sponsored scheme of 10 per cent Pool Fund. Against the sanctioned amount GOI released grant of ₹ 2.23 crore in March 2007 (₹ 1.53 crore to JMB and ₹ 0.70 crore to SMB) for execution of the works. Due to land dispute the project could not be started and entire fund of ₹ 2.23 crore remained un-utilized (till October 2009) and locked up in bank accounts for more than three years and the vendors were deprived of the benefit of the scheme.

5.6.4 Non-utilization of Scheme fund under SCCP and TSP

Government of Assam, UDD sanctioned ₹ 2.10 crore and ₹ 0.65 crore (March 2009) under Special Component Plan for Schedule Caste (SCCP) and Tribal Sub Plan during 2008-09 out of the state plan for implementation of Low Cost Sanitation Programme (LCSP) in ULBs. The Director of Municipal Administration (DMA) had drawn entire amount of ₹ 2.75 crore in March 2009 and kept the amount in Revenue Deposit. Subsequently the aforesaid fund was drawn (December 2009) by the DMA but the amount left un-utilized till January 2010. Thus, due to non implementation of scheme, the beneficiaries were deprived of the intended provision of basic facility of sanitation apart from blocking of fund.

5.7 Diversion of funds

As per conditions stipulated in the sanction orders, scheme fund/ grants made by the Government for specific purpose shall not be spent for any other purpose. Further, Government Loan for specific purpose shall not be appropriated even temporarily for any other purpose.

However, in contravention of above conditions six ULBs diverted ₹ 4.19 crore towards payment of salary of staff, execution of different schemes *etc.*, as detailed in **Appendix-16**.

5.8 Incomplete works

Two schemes taken up by Barpeta Road MB during 2005-08 remained incomplete till November 2009 although ₹55.62 lakh was spent against these pending works as detailed below:

(₹ in lakh)

Sl No	Name of work	Name of scheme	period	Estimated Expenditure	Expenditure incurred	Scheduled date of completion
1	Constn. of RCC Market	IDSMT	2005-08	69.31	44.19	20-4-08
2	Constn. of super market	BRGF	2007-08	15.00	11.43	December 08
Total				84.31	55.62	

The said works remained incomplete after lapse of considerable period beyond the scheduled date of completion. The execution of works was delayed due to lack of fund, inaction of ULB on defaulting contractors and improper planning. The expenditure of ₹55.62 lakh on these incomplete works remained unfruitful since the intended benefits could not be obtained.

5.9 Non-imposition of penalty

Guwahati Municipal Corporation (GMC) had taken up the scheme for strengthening/restoration of existing water supply system (WSS) at Panbazar and Satpukhuri at an estimated cost of ₹7.00 crore. The work was entrusted to M/s Kirloskar Brothers Ltd. on 01 November 2005 with a condition to complete the work within 31 January 2007, which was extended to 28 February 2008. As per terms and condition of the agreement, penalty @ 1 per cent per month of the value of remaining portion of the work was required to be realized from the contracting firm in case the work was not completed within the scheduled time. The works remained incomplete till March 2009. Due to non-completion of work in stipulated time ₹0.24 crore required to be realized from the said firm as detailed below in table.

(₹ in crore)

Name of work	Schedule date of completion (Extended)	Work executed beyond scheduled date	Rate of Penal interest	Balance work	Chargeable penalty
Strengthening/Restoration of exiting Water Supply System	28.2.2008	1.3.08 to 31-3-09	1 per cent per month	1.85	0.24

However, no penalty was imposed by the Mayor of the GMC, instead the firm was allowed to continue the work without any recorded reason.

5.10 Avoidable expenditure due to non-acceptance of lowest rate

Test-check of records revealed that 2 ULBs²⁷ proposed construction of super-market under Integrated Development of Small and Medium Towns (IDSMT) and prepared plans and estimates for the proposed markets and invited tender for execution of work. Ignoring the lowest rate quoted by the tenderers the work orders were awarded to tenderers quoting higher rates without assigning any reason.

Thus, due to non-awarding of works to the lowest tenderers the ULBs incurred an avoidable expenditure of ₹ 0.21 crore as detailed below:

(₹ in crore)					
Sl No.	Name of ULB	Name of work	Lowest quoted rate	Work order awarded at	Excess expenditure
1	Rangia	Constn. of S/Market	0.80	0.96	0.16
2	Barpeta Rd	Constn. of RCC market	0.54	0.59	0.05
Total			1.34	1.55	0.21

5.11 Non-observance of tender/quotation procedure

Materials required for maintenance and development works were to be assessed in advance and procured and managed as per prescribed procedure. Test check of Barpeta Road MB revealed that the MB did not invite open tender/ quotation for procurement of building materials (cement, rod etc.,) valued ₹ 1.09 crore during 2004-09. The material was procured without ascertaining the reasonable rate through open competition. Thus, the basic procedure of inviting tenders/quotations to determine cost effectiveness of procurement of materials was violated.

5.12 Works done without recording in Measurement Book – ₹ 2.19 crore

Audit Scrutiny revealed that Barpeta Road MB executed construction of Bus Terminus cum Market Complex and Mini Super Market Complex at the cost ₹ 2.19 crore during 2004-09. But, the measurement of the works was not recorded in the measurement book though a considerable period of time had passed. The MB admitted the fact and

²⁷ Rangia MB and Barpeta Road MB

stated that the recording was not done due to shortage of staff and pressure of works respectively.

5.13 Parking of fund

Subsidiary Order No. 50 of Assam Treasury Rules (ATRs) stipulates that money should not be drawn unless required for immediate disbursement. The Principal Secretary, UDD, Assam sanctioned ₹ 2.40 crore in February 2009 under Assam Bikash Yojana (ABY) to purchase and provide one tractor and trailer each to 39 ULBs and two tractors and trailer each to three ULBs during 2008-09.

The DMA, Assam drew ₹ 2.40 crore in March 2009 and held in deposit at call receipts between March 2009 and January 2010 without utilizing it for the purpose for which it was sanctioned.

As a result, the objective of the scheme remained unachieved.

5.14 Neighborhood Committee/ Slum Development Committee

The ULBs engaged in slum development activities under National Slum Development Programme (NSDP) were required to create a Neighborhood Committee (NHC)/Slum Development Committee (SDC), to oversee all slum development programmes within the urban area. Test check revealed that five MBs spent ₹ 58.65 lakh during 2002-09 without setting up NHC/ SDC as detailed below:

(₹ in lakh)			
Sl. No.	Name of ULB	Period	Amount
1	Morigaon MB	2005-08	9.10
2	Nagaon MB	2002-08	24.66
3	Rangia MB	2006-09	6.39
4	Amguri MB	2002-09	15.39
5	Barpeta Road MB	2007-09	3.11
Total			58.65

As a result of non-involvement of NHC/SDC, the quality of works executed and the extent to which the works benefited the slum dwellers could not be vouchsafed.

5.15 Non-adjustment of advances

As per Section 82 and 83 of Municipal Accounts Rules, 1969 advances amounting to ₹ 57.40 lakh, granted to employees for various purposes up to March 2009 of which ₹ 40.93 lakh remain unadjusted till October 2009. Position of unadjusted advances against the municipalities is indicated below:

(₹ in lakh)

Sl. No.	Name of ULB	Name of fund from which advances made	Period of payment	Amount of advances granted	Unadjusted advances	To whom paid
1	Jorhat	Own fund	2007-09	1.62	1.62	Staff
2	Barpeta Road	GIA	2008-09	18.76	2.29	Chairman
		NSDP	2003-05	15.05	15.05	Staff
3	Morigaon	MV Tax	2004-05	3.04	3.04	Chairman/ward commissioner/staff
		Own fund	2002-09	1.36	1.36	Chairman/vice chairman
4	GMC	Not available	2007-08	2.85	2.85	Staff
		EFC	-do	14.00	14.00	Suppliers
5	Bongaigaon	IDSMT	2006-07	0.72	0.72	-do-
Total				57.40	40.93	

Non-adjustment of advances over the years culminated into blocking of institutional funds for indefinite period in unauthorized hands and was fraught with the risk of defalcation/ misappropriation of government money. It was also indicative of weak internal control mechanism of the municipalities.

5.16 Tax deducted at source not deposited

Income Tax (IT), Value Added Tax (VAT) and Royalty deducted from bills of contractors/suppliers were required to be credited to the respective heads of Government accounts.

Test-check in five ULBs revealed that they deducted IT, VAT and Royalty of ₹ 12.54 lakh (detailed below), but did not credit it in the respective heads of Government accounts and retained the money in their funds.

(₹ in lakh)

Sl No.	Name of ULB	Period	VAT deducted	IT deducted	Royalty deducted	Total
1	Amguri	2002-09	0.15	0.20	-	0.35
2	Nagaon	2007-08	0.89	-	0.13	1.02
3	Morigaon	2007-08	-	-	0.03	0.03
4	Rangia	2001-09	3.38	1.73	-	5.11
5	Barpeta Rd	2006-09	3.54	1.05	1.44	6.03
Total			7.96	2.98	1.60	12.54

This affected the budgetary provision of Government to the extent of ₹12.54 lakh

5.17 Payment vouchers not produced to audit

In two ULBs, payment vouchers worth ₹97.52 lakh spent for execution of works pertaining to the period 2005-08 were not made available to audit for test check as detailed below:

(₹ in lakh)

Sl No.	Name of ULB	Period of audit	No. of vouchers not produced	Amount involved
1	Guwahati Municipal Corporation (GMC)	2005-08	5	92.64
2	Morigaon	2006-08	16	4.88
Total			21	97.52

The vouchers were stated to have been misplaced by the concerned ULBs. Due to non production of vouchers, expenditure of ₹97.52 lakh could not be vouchsafed in audit.

5.18 Conclusion

- Weak revenue assessment and collection regime resulted in huge loss of revenue and accumulation of arrears of taxes and duties.
- Large scale purchases without tenders/ quotations in violation of the general procedure for purchase evidenced deficient procurement practices.
- Implementation of schemes and execution of works showed a lackadaisical approach and delayed the process of providing intended services to the beneficiaries. Non-utilization of created assets frustrated the very purpose of augmentation of revenue. Lack of documentation indicated lack of transparency in execution of works.
- Selection of schemes without ascertaining the needs of the stakeholders and availability of fund *vis a vis* poor implementation in contrast to the schematic guidelines resulted in unfruitful expenditure, incomplete works and diversion of fund to unapproved works.

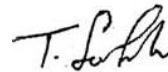
5.19 Recommendations

- Assessment and collection of revenue regime be strengthened to avoid loss of revenue and accumulation of arrears in collection of revenue.
- ULBs should adopt the process of inviting tender/ quotations for procurement of materials and stores at lowest and reasonable rates prevailing in the market.
- There should be strong control and monitoring mechanism to avoid unfruitful expenditure, blockade of public funds and delay in providing benefits to the beneficiaries.
- Selection of schemes should be need based and availability of fund ensured and implemented in accordance to the scheme guidelines.
- Monitoring, supervision and evaluation of work by competent authorities may be ensured for completion of works within stipulated period. Proper documentation of works to be made in maintaining transparency.

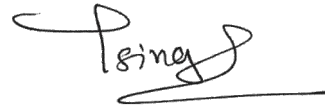
Guwahati

Countersigned by

Guwahati



Tapas Sengupta
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