CHAPTER – III

TRANSACTION AUDIT OF URBAN LOCAL BODIES

3.1 Revenue Receipts and results of Audit

The revenue receipts of an Urban Local Body (ULB) 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.

3.1.1 Outstanding Holding Tax

As per Section 68 of AMA Act, 1956, ULBs are empowered to impose holding tax. Section 106 of the Act provided that when a tax, toll or fee remain outstanding exceeding three months after it has become due, the ULBs shall issue a bill along with a notice of demand to the person who is liable for payment. The position of outstanding holding tax and collection including arrears in respect of seven ULBs is shown in table below:

Table 3.1Outstanding Holding Tax

(₹ in lakh)

Sl. No.	Name of ULBs	Year	Amount of holding tax due including arrears	Collection including arrears	Outstanding	Percentage of collection
1	North Guwahati TC	2002-10	32.38	3.52	28.86	10.87
2	Lakhipur TC	2007-10	5.42	1.19	4.23	21.95
3	Pathsala TC	2004-10	28.93	8.63	20.30	29.83
4	Doboka TC	2002-10	14.77	1.01	13.76	6.83
5	DerGram MB	2003-10	9.65	4.42	5.23	45.83
6	Dibrugarh MB (collection during 2009-10)	2003-10	235.10	--	235.10	--
7	Guwahati MC (For 3 zones out of 6)	2009-10	1191.04	891.90	299.15	74.88
Total			**1517.29**	**910.67**	**606.63**	**60.01**

During 2002-10 only 60.01 *per cent* of outstanding holding taxes could be collected thereby further increasing the outstanding amount at the close of the year.

The ULBs did not take necessary steps for identification of defaulters, issuance of bill and notice of demand as provided in the Act. Thus, due to lack of efforts in collection, the arrears accumulated to ₹6.07 crore (March 2010) in respect of all seven test checked ULBs. As stated by the chairman of the ULBs the main reason for poor collection was litigation in courts relating to assessment of property Tax, non-payment of user charges by the State Govt. The reply of chairman is not tenable in the absence of issuance of demand notice by the ULBs.

3.1.2 Loss of ₹25.94 lakh due to remission of kist money

Test check revealed that Tinsukia MB and Lakhipur TC allowed remission in settled value of kist money to be collected from the lessee during the period 2007-08 to 2009-10 without recording any satisfactory reason thereof. This resulted in loss of revenue to the tune of ₹25.94 lakh (Tinsukia MB ₹18.81, Lakhipur TC ₹7.13 lakh) detailed in **Appendix-18.**

3.1.3 Outstanding taxes on Government buildings

Taxes due against Government Buildings were payable by the concerned departments of the State Government. In Guwahati Municipal Corporation, ₹2.53 crore was outstanding against Government Buildings as on 31st March 2010. The Corporation made no efforts to recover the dues from concerned departments/authorities of the State Government.

3.1.4 Outstanding license fee and room rent

(i) Trade license fee:

Test-check of records and statement of outstanding demand and collection of trade license fee submitted to audit by 7 ULBs revealed that demand including arrear demand of ₹6.83 crore was raised in the year 2009-10 being the trade license fee, out of which ₹5.94 crore was collected and ₹0.89 crore was outstanding as on March 2010 as shown in table below:

Table 3.2: Outstanding Trade License fee

(₹ in lakh)

Sl. No.	Name of ULB	Period	Total demand including arrears	Collection including arrears	Outstanding	Percentage of collection against demand
1	North Guwahati TC	2002-10	5.43	0.23	5.20	4.23
2	Lakhipur TC	2007-10	5.74	0.79	4.95	13.76
3	Pathsala TC	2004-10	5.10	2.04	3.06	40
4	Doboka TC	2002-10	4.49	0.46	4.03	10.24
5	Dibrugarh MB	2003-10	36.98	34.41	2.57	93.05
6	Guwahati MC (For 3 zones out of 6)	2009-10	530.19	464.65	65.54	87.64
7	Tinsukia MB	2002-10	95.19	91.79	3.40	96.42
		Total	**683.12**	**594.37**	**88.75**	**87**

(ii) Room rent from markets

Similarly, demand of ₹1.62 crore, being the room rent of markets, was raised by three ULBs during the period 2005-10. However against the demand, only ₹95.10 lakh was collected and ₹66.74 lakh was outstanding as on March 2010 as shown in table below:

Table 3.3: Outstanding Room Rent from market

(₹ in lakh)

Sl. No	Name of ULB	Period	Demand	Collection	Outstanding
1	GMC	2005-10	71.53	55.76	15.77
2	Tinsukia MB	2007-10	86.24	35.53	50.71
3	Lakhipur TC	do	4.07	3.81	0.26
		Total	**161.84**	**95.10**	**66.74**

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.

3.1.5 Loss of Government Revenue due to awarding of lease without stamp paper

As per rules and procedure framed under section 148 and 301 of Assam Municipal Act, 1956, for sale of pounds and markets by Municipal Boards and Town Committees, the successful bidder immediately on acceptance of the bid, shall deposit with the ULB concerned not less than twenty five *per cent* of his quoted amount as security and accept a duly stamped lease. The ULB shall provide the form of lease and stamp paper (@ three *per cent* of quoted amount) at the concerned lessees cost.

Test-check of records of four ULBs revealed that despite provisions made in rules, markets were leased out during 2002-10, without utilizing stamp papers. Thus the State Government suffered a loss of revenue of ₹9.68 lakh during 2002-10 as shown in table below:

Table 3.4: Loss of government revenue due to awarding lease without stamp paper

(₹ in lakh)

Sl. No.	Name of ULB	Period	Settled value	Cost of stamp paper	No of hat/Ghat
1	Biswanath Chariali TC	2002-09	114.71	3.44	6
2	DerGram MB	2003-10	87.40	2.47	4
3	Pathsala TC	2004-10	70.40	2.06	1
4	Lakhipur TC	2007-10	56.98	1.71	4
		Total	**329.49**	**9.68**	

3.1.6 Short realisation of Kist Money

As per Section 148 of the AMA, 1956, the ULBs are required to recover kist money from the lessees/ bidders. Test-check of three ULBs revealed that the lessees/ bidders defaulted in payment of kist money and ₹23.02 lakh was yet to be realised from the lessees/bidders as shown in table below:

Table 3.5:Short reliasation of kist money

(₹ in lakh)

Sl. No.	Name of ULBs	Period	No. of market/ mahals	Realisable kist money	Realised	Outstanding
1	Doboka TC	2007-10	NA	40.29	30.66	9.63
2	Dergram MB	2003-10	4	87.40	80.52	6.88
3	Biswanath Chariali TC	2003-09	6	42.76	36.25	6.51
			Total	**170.45**	**147.43**	**23.02**

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 lack of initiative and poor internal control.

3.1.7 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 no account be appropriated towards expenditure.

During audit it was found that in contravention of the above rule, four ULBs did not remit ₹1.79 lakh of collected money as shown in table below:

Table 3.6: Short/ non- accountal of revenue receipts

(₹in lakh)

Sl. No.	Name of ULB	Name of fund	Period	Amount not accounted for	Reason/ Remarks
1	Bakalia TC	Own fund	2008-10	0.79	₹9.14 lakh recorded in the cash book out of total collection of ₹9.94 lakh
2	North Guwahati TC	-do-	2007-08	0.47	Not deposited by tax collector
3	Lakhipur TC	-do-	2008-09	0.11	-do-
4	Guwahati Municipal Corporation	-do-	do	0.42	-do-
Total				**1.79**	

Due to non-accountal of money by the collectors, possibility of mis-utilisation of revenues could not be ruled out.

3.1.8 Loss of ₹55.08 lakh due to non- settlement of lease rent

The Commissioner of Guwahati Municipal Corporation (GMC) issued an order (May 2008) stopping the settlement (on lease) of the markets on the ground of non-receipt of Government approval for modified bye-laws. As such, during 2008-09 and 2009-10 the markets were not settled on lease and collection of toll from these markets was made departmentally. As per information furnished, ₹34.68 lakh and ₹40.92 lakh were collected departmentally during 2008-09 and 2009-10 respectively, which were much less than ₹65.34 lakh collected through lease settlement during 2007-08. GMC authority, however, could not state the reason for non-settlement of lease rent of the markets under the existing bye laws.

Thus, due to non-settlement of lease of GMC markets, the Corporation incurred a loss of revenue to the extent of ₹55.08 lakh as shown in table below: -

Table 3.7: Loss due to non-settlement of rent

Year	Amount settled and collected during 2007-08 (₹)	Total collection achieved departmentally (₹)	Loss in terms of amount settled during 2007-08 (₹)
2008-09	65.34 lakh	34.68 lakh	30.66 lakh
2009-10		40.92 lakh	24.42 lakh
			55.08 lakh

3.1.9 Non revision of annual valuation of property

As per section 150 of the GMC Act, 1971, assessment of property tax is done on the basis of Annual Rental Value (ARV)[11] of a property. Section 159 of the Act provides that it shall be in the discretion of the Commissioner, GMC to prepare for the whole or any part of the city a new assessment list every year or to adopt the rateable value and assessment contained in the list for any year.

The first general assessment of property tax was done by the GMC in 1979-80. The first attempt to re-assess in this regard was taken up precisely after 21 years in 2000-01 when the State Government had increased the ARV of each building at an average of ₹50,000 to ₹2,00,000. However that could not be implemented due to stiff public resistances on the ground that basic amenities were not provided by GMC. Hence, it was partially implemented in case of new constructions only. The Third Assam State Finance Commission (TASFC) in its report (March 2008) recommended that the GMC should take immediate steps to improve the quality and extent of its civic services and convince the rate payers to pay property taxes at enhanced rates as assessed in 2000-01. Though the State Government accepted the recommendation in September 2009, no effort has been initiated by the GMC to enhance the property tax as recommended.

While the real estate prices in the city have gone upto 200 to 300 times[12] over past three decades, GMC's tax collection is still based on assessments made 30 years ago resulting in recurring loss of huge chunk of revenue.

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[11] *ARV is the annual rent at which such buildings or building might reasonably expected to be let out.*
[12] *TASFC report dated March 2008.*

3.2 Management of CPF Accounts by Guwahati Municipal Corporation

3.2.1 Outstanding liability of ₹30 .56 crore

Guwahati Municipal Corporation (GMC) introduced (January 1993) a Contributory Provident Fund (CPF) scheme for the employees under the regular establishment of GMC who have completed one year of continuous service. The GMC has at present 2772 staff all of whom were brought under the CPF scheme.

Under the present system of operation, 12 *per ce*nt collected by deduction from salary of all regular employees along with equal share of employer's contribution are required to be credited to the fund account at the bank in the name of commissioner, GMC.

Test check (August- September 2010) revealed that the GMC had an outstanding liability of ₹30.00 crore towards CPF accounts upto the period prior to 2008-09. In 2008-09 against the total required deposit of ₹2.54 crore[13], the GMC deposited ₹1.98 crore only, thereby short depositing ₹0.56 crore for the year 2008-09. Thus, as on March 2009 the GMC had an outstanding liability of ₹30.56 crore towards CPF accounts.

However, the GMC is maintaining the CPF accounts showing regular credits to individual ledger account of employees without actually crediting the required fund. As on March 2009 the individual ledger account of employees stood at ₹31.52 crore which included ₹30 .56 crore not deposited by GMC.

3.2.2 Diversion of ₹ 4.00 crore from CPF money towards payment of salary

Guwahati Municipal Corporation during 2004-07 utilised ₹4.00 crore from the Contributory Provident Fund towards payment of salary during the period January 2005 to November 2006.

No effort has been taken by the GMC to recoup the amount to the CPF accounts till the date of audit (September, 2010). The payment of salary from CPF accounts by GMC was unauthorised.

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[13] *₹1.27 crore deducted from salary of the employees plus equal amount of ₹1.27 crore being the employer's share of contribution.*

3.2.3 Non-reconciliation of accounts of CPF with the bank statement

Non-reconciliation of accounts of CPF with the bank statement by the GMC made the accounts even more unreliable. The closing balance as on 31 March 2010 as per bank account of the CPF was ₹39.41 lakh against the balance of ₹24.80 lakh depicted in the Cash book indicating a difference of ₹14.61 lakh. The difference of ₹14.61 lakh could not be analysed and verified in audit for want of detailed analysis of closing balance in the Cash book and non reconciliation of cash book balance with bank account facilitated short/non-accountal in the cash book

3.2.4 Less deposit of CPF contribution of ₹25.77 lakh to the employees account

Test check (May 2010) of records of Dibrugarh Municipal Board revealed that the Board authority deducted the CPF contribution of employees @ minimum of 6.25% from the pay of the employees per month which, along with equal share of the employer was required to be deposited in the individual CPF account of the General Staff and labour staff of the Board.

However, the Board had deposited less than the due amount to the CPF account of the employees and labour staff as shown in table below:-

Table 3.8

Year	Amount of employees share deducted (₹)	Amount of employer's due share (₹)	Total amount due to be deposited (₹)	Amount deposited (₹)	Less deposited (₹)
03-04	308134	308134	616268	490000	126268
04-05	362517	362517	725034	468000	257034
05-06	219930	219930	439860	402000	37860
06-07	437454	437454	874908	464000	410908
07-08	586995	586995	1173990	476000	697990
08-09	516184 212455	516184 212455	1032368 424910	498000	959278
09-10	279952	279952	559904	472000	87904
Total	**2923621**	**2923621**	**5847242**	**3270000**	**2577242**

Thus, the Board failed to deposit the due amount in the CPF account of the employees since 2003-04 till 2009-2010.

3.3 Implementation of Schemes

3.3.1 Unauthorised expenditure of ₹4.58 crore including extra avoidable expenditure of ₹4.18 crore under JNNURM

Note below para-7 of the guidelines for projects of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) on Basic Services to the Urban Poor (BSUP) provides that land cost will not be financed except for acquisition of private land for schemes/projects in the North Eastern State or hilly states.

Test check (August-September 2010) revealed that the GMC purchased a plot of land measuring 20 bigha 1 katha 15 lessa[14] from the GMDA[15] at a cost of ₹4.58 crore for construction of 1028 dwelling houses for urban poor at Amin Gram under BSUP phase-II (JNNURM) and paid ₹3.00 crore in February 2010. The balance amount of ₹1.58 crore would be paid after receipt of the 2nd instalment of fund. The land record showed that the GMDA was holding the patta of the land on behalf of the Government of Assam.

Since the land belonged to Govt, the entire payment of ₹4.58 crore (including committed liability of ₹1.58 crore) was in violation of guidelines of JNNURM.

Test check further revealed that the gross valuation of the said land was actually assessed (July 2009) by the Deputy Commissioner (DC), Kamrup district at ₹39.43 lakh only (@ ₹1.94 lakh per bigha), based on registered sale deeds of that time in that locality, but the GMC agreed to the valuation adopted by the GMDA at ₹4.58 crore @ ₹22.5 lakh per bigha assessed by a private valuer in December 2009, which was stated to be based on prevailing market rate. The GMC did not insist on the value assessed by the DC and accepted the demand of GMDA for payment of the value of land at the higher rate.

Thus, besides unauthorised purchase of land, in violation of the JNNURM guidelines, the GMC also ignored the value assessed by the DC and accepted the higher rate assessed by a private valuer. This resulted in increase in project cost by ₹418.44 lakh (₹457.87 lakh – ₹39.43 lakh) which could have been avoided and better utilised for construction of more units of dwelling houses to cover more urban poor.

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[14]	*20 bigas*	*= 2,88,000 sq. ft.*
	1 khata	*= 2,880 sq. ft.*
	15 lachas	*= 2,160 sq. ft.*
	Total	*=2,93,040 sq ft.*

[15] *Guwahati Metropolitan Development Authority*

3.3.2 Undue financial benefit to contractors and loss of interest

According to para 31.6 of CPWD works Manual 2003, Mobilisation Advance (MA) to contractor is admissible in respect of certain specialized and capital intensive works costing not less than ₹2.00 crore and restricted to 10 *per cent* of the estimated cost or tendered value or ₹1.00 crore, whichever is less, at 10 *per cent* simple interest on the outstanding Mobilization Advance.

With the objective to provide shelter, basic services and other related civic amenities to the urban poor, the GMC undertook to construct dwelling houses for slum dwellers under the BSUP under JNNURM during the year 2008-09 and 2009-10.

Although, no provision was made for MA in the NIT (Notices Inviting Tender), the GMC authority in pre-bid meetings, agreed to pay 10 *per cent* MA on the contract value of work with the condition that in no case the work shall be delayed due to non-release of MA in time and paid interest free MA in excess of prescribed limit by ₹8.84 crore as shown in table below:

Table 3.9: Payment of Interest free MA in excess of prescribed limit

(₹ in crore)

Name of project	No. of units	Name of contractor	Contract value/ estimated value (₹)	Prescribed limit of MA (₹)	MA paid (₹)	MA paid in excess of prescribed limit (₹)	Date of payment
1) BSUP Phase-I i) Package-I	Fatashil-1104	Nymi Enterprise Pvt. Ltd.	51.80	1.00	5.18	4.18	26.2.09
ii) Package-II	Morashali – 64 Solapara – 64	Hirise Inf. Pvt. Ltd.	7.50	0.75	0.91	0.16	25.8.09
2) BSUP-II	AminGram-1028	Nymi Enterprise Pvt. Ltd.	54.94	1.00	5.49	4.50	29.1.10
Total :			**114.24**	**2.75**	**11.58**	**8.84**	

Test check (July-September) further revealed that the progress of work was not satisfactory and the GMC suffered a financial loss of ₹1.08 crore, as shown in table below, on interest on outstanding MA due to non incorporation of interest clause while agreeing for MA to the contractors.

Table 3.10

Name of project	No. of units	Progress	Due date of completion	Delay	Reasons for delay	Interest on outstanding MA (₹ in lakh)
Phase-I/ Package-I	Fatashil-1104	85% of civil work for 352 units and 20% for 752 units	26.5.10	4 months	Bad site condition and difficulties in shifting the slum dwellers	63.70
Phase-I/ Package-II	Morashali - 64	30% of civil work	9.8.10	1 ½ months		10.40
	Solapara - 64	No progress	9.8.10	1 ½ months	Site not handed over to contractor	
Phase-II	AminGram-1028	80% of site development work only	25.7.11	-	Difficulties in eviction of unauthorized occupants in the site	33.46
					Total	**107.56**

The contractor for Phase-I/Package-II was paid MA for the whole package i.e. 64 unit at Morasali and 64 unit at Solapara. But the contractor was retaining the amount of MA without doing any work at Solapara.

The reason for delay, as per record, was due to bad site condition and difficulties in shifting the slum dwellers in case of Phase-I and eviction of unauthorized occupants from the site in case of Phase II. However, the reason for delay was not tenable as the contract agreement stipulated that:

i) the contractor should clear the area covered by slums,
ii) accommodate the slum dwellers residing in the work site into temporary structure and
iii) the difficulty in shifting of slum dwellers to temporary accommodation, if any, shall in no case cause any delay in execution of work.

Thus, the contractors were unduly benefited by ₹8.84 crore by way of paying excess mobilization advance over the prescribed limit. There was also a loss of ₹1.08 crore on account of non-imposition of interest on mobilization advance.

3.3.3 Diversion of TFC Grants of ₹1.64 crore

Guwahati Municipal Corporation, during the period from June 2006 to April 2010, received ₹8.18 crore for the years 2005-06, 2006-07 and 2007-08 under the awards of the

Twelfth Finance Commission (TFC) for the purpose of maintenance of accounts, creation of database on finances of GMC and Solid Waste Management. GMC, between June 2006 and August 2010, incurred total expenditure of ₹5.00 crore of which ₹1.64 crore (32.80% of the total expenditure of ₹5.00 crore) was spent not for the purposes for which it was sanctioned, violating the provisions of the guidelines for utilization of TFC grants. Details of such inadmissible expenditure are shown in the **Appendix-19.**

3.4 Incomplete work

Government of Assam, Guwahati Development Department accorded (February 2005) Administrative Approval for an amount of ₹6.00 crore for the work Strengthening/Restoration of existing water supply system of Guwahati Municipal Corporation (GMC) and sanctioned ₹6.90 crore during the period February 2005 to February 2008 for implementation of the scheme. Further, Administrative Approval for ₹1.00 crore was accorded in February 2008.

The work was awarded (October 2005) to Kirloskar Brothers Ltd. (KBL), Kolkata at the negotiated rate of ₹7.00 crore against the lowest rate tendered by the firm at ₹7.85 crore. The firm was paid mobilization advance of ₹3.15 crore (during October & December 2005) in two installments as was agreed upon during negotiation. The work was to be completed within 15 months *i.e.* by January 2007. However, the time schedule was extended to February 2008 at the request of the contractor.

The firm, however, did not execute the work even as per extended schedule and repeatedly requested for further extensions. Finally the firm left the work incomplete (July 2010) and requested the GMC authority to complete the work departmentally. GMC authority had not taken any action on the repeated failure of the firm to complete the work. The work remained incomplete as of September 2010.

The firm was paid ₹6.62 crore upto the 10th running account bill (April 2006 to March 2010) after adjustment of ₹2.98 crore out of ₹3.15 crore paid to the firm as mobilisation advance leaving an amount of ₹0.17 crore unadjusted.

Though the firm continuously delayed execution of the work and did not complete even within the extended schedule (February 2008), the GMC authority did not take action to terminate the work and get the balance work done by another contractor. Thus due to laxity of the GMC authority, the work, which was scheduled to be completed in January 2007 still remain incomplete after a lapse of 3 ½ years, though an investment of ₹6.62 crore was made on the work in the meantime.

3.5 Time and Cost over run of 19 years and ₹4.87 crore respectively in construction of market cum office complex at Fancy Bazar.

The Work of Multi storied Market cum Office complex at Fancy bazaar, Guwahati, was awarded in January 1990 to Flowmore Construction Co. of Guwahati at ₹2.15 crore to be completed by 15 April 1991. The firm started the work in April 1990, but after construction of foundation and basement for ₹1.19 crore, left the work without any recorded reason. Subsequently, the contract was terminated in July 1992. The balance work was awarded to another contractor in September 1992, at his tendered rate of ₹3.63 crore. As per work order (November 1993), the work was to be completed within 18 months *i.e.* April 1995.

The work, awarded to the 2nd contractor, was stopped repeatedly and dragged on for over 16 years on the plea of non-payment of running account bills although the contractor was provided with mobilization advance of ₹19.63 lakh awaiting adjustment from the running account bills. The work did not resume after execution of civil works upto 1st floor only till December 2004. During the period the work remained stopped; the contractor submitted 25 running account bills and was paid ₹3.82 crore (upto June 2008) against value of works done.

The balance work for the 2nd floor, awarded to M/s Rangadeo Associates, was stipulated to be completed by 15 August 2008. However, the work was still in progress (September 2010) and the contractor was paid for a total value of work for ₹1.33 crore upto 6th RA bill as on July 2010.

There were persistent delays in execution of the work due to fund constraints and lack of control of the GMC as analysed below:

- Though the work was approved by the State government, specific provision for budgetary allocation for funding of the project was not made. Funds were provided from different sources without any continuity. Thus uninterrupted flow

- of fund was not ensured and as a result the work suffered from recurring interruptions.

- The works were not commenced within the target dates of 15 days from the date of issue of work orders. Both first and second contractors delayed commencement of the work by 3 months and 8 months respectively from the target dates without any reason, but the Corporation failed to terminate the contract and forfeit the earnest money invoking clause 2 of the agreement which provided for rescission of the contract in case of such delay. Thus, the conditions set in the contract were not scrupulously observed and imposed on the contractors.

- While executing the contract agreement, the provision of terminating the work and getting the balance work done through another contractor at the risk and cost of the existing contractors stopping the work, was not incorporated. Resultantly the contractors frequently stopped the work without any fear of paying any penalty.

- Mobilization advance was granted without setting any condition for uninterrupted execution of work. The interest of the GMC in executing the work of public interest had not been safeguarded even after substantial investment.

Thus, due to failure of the GMC in ensuring continuous flow of fund and exercising control over timely execution and completion within the stipulated date, the work due for completion in April 1991, continued to be dragged on for 19 years and yet remain incomplete (September 2010). The total cost of the work including the two incomplete works amounting to ₹7.02 crore (₹1.19 crore + ₹3.82 crore + ₹2.01 crore) overran the original cost by ₹4.87 crore (₹7.02 crore - ₹2.15 crore).

Before taking up any project or work GMC should ensure that there is continuous flow of fund, sufficient safeguard in execution of contract agreement and there is no lapse in control mechanism in overseeing the execution of work.

3.6 Blockade of fund amounting to ₹25.84 lakh

The Executive Engineer PWD (R), Guwahati State Road Division paid (January 2004) ₹19.16 lakh to GMC for shifting of pipeline at Athgaon Level Crossing on AT Road where a flyover was being constructed by PWD.

The GMC could not execute the work as the PWD had constructed footpaths below the flyover and eventually there was no space left to shift the water supply line. As there was no scope for execution of the work, the amount was refundable to PWD. The GMC authority, instead of the refund, kept the entire amount in fixed deposit earning an interest of ₹6.68 lakh as on 31 March 2009. The PWD, Road Division Guwahati did not pursue the matter to get back the money from the GMC, rather requested the Commissioner, GMC to issue a work completion certificate for the non-executed work.

No refund was made by the GMC till the date of audit (October, 2010) leading to blockade of funds of ₹25.84 lakh, including interest amount of ₹6.68 lakh in form of fixed deposit.

3.7 Unfruitful expenditure of ₹2.41 crore

Test check (September 2010) of records of Patshala Town Committee (TC) revealed that a work of storm water drainage (Ph-1) at a total cost of ₹4.65 crore under urban infrastructural development scheme for small and medium town (UIDSSMT) was taken up for protection of existing road from water logging and clearance of water of the town.

The work was awarded (June 2008) to three contractors at a tendered value of ₹4.65 crore with a stipulation to complete the work within 6 months (November 2008). The contractors commenced the work in June 2008, but the progress of work suffered at different stretches of the drain passing through private land involving a total length of 300.24 meter due to obstruction and the land owners demanding payment of compensation. The TC did not make any provision in the Detail Project Report (DPR) for acquisition of land for the proposed drain and as such the TC failed to hand over the land for those stretches of the drain to the contractors on account of the land dispute.

Finally as requested by the contractors, the TC measured the finished portion of work and paid ₹2.41 crore to contractors in October 2009.

The chairman, TC requested (April 2010) the DC, Nalbari to take necessary action for acquisition of those stretches of land for the unfinished drain, but information collected subsequently revealed that the same could not be acquired till November 2010.

Due to non-construction of the drain at different stretches for land dispute, the work remain incomplete and drain water continue to overflow the existing road submerging it during heavy rains.

Thus due to execution of work without ensuring clearance of site on the way of the drainage system led to the work remain incomplete after an expenditure ₹2.41 crore without achieving the intended objective.

3.8 Idle outlay of ₹32.31 lakh on construction of bus terminus

Test check of records (June 2010) of Dibrugarh MB revealed that the MB incurred expenditure of ₹32.31 lakh on construction of Muralidhar Jalan Public bus terminus (MJPBT) at Dibrugarh during December 2006 to September 2008 under IDSMT. However, no DPR for the work was available on record.

Though the bus terminus was made functional (September 2008), records of utilisation of the bus terminus by the bus owners/operators and the number of buses utilizing the facility were not available with the Municipal Board. Revenue if any, earned from the MJPBT since it was made functional also could not be confirmed by the Municipal Board.

The bus terminus is therefore, lying idle without earning any revenue for the last one year eight months since it was made functional. Reason for non-utilisation of the bus terminus also could not be stated.

It was seen from records that other infrastructural facilities like waiting room, canteen, toilets and washrooms, restrooms, drainage *etc.,* for convenience of the passengers and operators were not created. In the absence of DPR it could not be ascertained whether provisions for these facilities were made.

Thus, the MB took up the work without proper planning and suitability of the site, accessibility of area and its connectivity, provisions for ancillary facilities, *etc.* were not considered and as a result the infrastructure created under IDSMT remain unutilized.

The chairman Dibrugarh MB in reply (January 2011) furnished following reasons for non function of the bus terminus:

- A master plan needed to be prepared and steps are being taken for the purpose.
- Some infrastructure needed to be provided and a scheme for construction of toilet has been approved and work will start shortly.
- A drainage network is needed to be provided for draining out rain water.

It was also stated that help of the district administration is needed for utilization of the terminus by the buses.

3.9 Miscellaneous

3.9.1 Avoidable expenditure on surcharge on electricity bills of ₹73.90 lakh

Schedule of tariff of Assam State Electricity Board (ASEB) provides that bills for consumption of electrical energy is to be paid in full within the due date as mentioned in the bill and in case of failure to pay the bill within due date, two *per cent* surcharge is to be levied for each 30 days of successive period of default or part thereof.

Test check of records (October 2010) of GMC, revealed that against the outstanding energy bill of ₹481.38 lakh as of March 2009, being charges of energy consumption (₹334.08 lakh) and surcharge (₹147.81 lakh) of GMC, the General Manager (Com-Rev), ASEB, Guwahati restricted the outstanding dues of energy consumption charges to ₹470.93 lakh (Principal ₹334.08 lakh and Surcharge ₹73.90 lakh) after allowing waiver of 50 *per cent* surcharge with a condition to pay the dues in one instalment within April 2009.

The GMC after adjusting the outstanding property tax of ₹223.02 lakh (2005-09) payable by the ASEB to GMC, paid the balance amount of ₹184.96 lakh (Principal ₹111.05 lakh and surcharge ₹73.90 lakh) to ASEB from General fund of GMC in April 2009. Due to non-payment of electricity bills by due date the GMC had to pay surcharge amounting to ₹73.90 lakh which could have otherwise been avoided by paying the bills within due date.

3.9.2 Unauthorized expenditure

Government of Assam Finance (Economic affairs) Department released ₹16.44 crore in January 2009 to GMC for payment of salary to the GMC employees for the period from

April to September 2008 under the award of Third Assam State Finance Commission (TASFC) during 2008-09.

As per conditions attached to the sanctions, funds should be utilized for payment of salary only and not to be diverted for other purposes including payment of bonuses to the employees and the commissioner GMC was required to submit expenditure statement after drawl of salaries to the SFC Cell under Finance (Economic affairs) Department.

Test check of records of GMC (October 2010) revealed that against release of ₹16.44 crore, an amount of ₹70.00 lakh was spent towards payment of bonus to GMC employees for the year 2007-08. The commissioner GMC however, did not submit the expenditure statement to the sanctioning authority.

The sanctioning authority, without verifying compliance of conditions in the earlier sanction letter, again released ₹19.63 crore in September 2009 through transfer credit to GMC towards expenditure against payment of salary of GMC employees for the period from April 2009 to September 2009 and out of the amount the commissioner GMC spent ₹50.37 lakh towards payment of energy bills.

Thus, ₹1.20 crore (₹70.00 lakh + ₹50.37 lakh) was diverted from the salary grants to meet the expenditure on payment of bonus to staff and energy bills violating the conditions stipulated in the sanctions.

Failure of the sanctioning authority to watch over the conditions of sanctions, funds released for specific purposes continued to be diverted without any exercise of control.

3.9.3 Non adjustment of advances of ₹1.37 crore

Test check of Advance register (September 2010) maintained by GMC revealed that ₹1.37 crore remained unadjusted being the advances paid to employees, suppliers, contractors and engineers for various purposes from General Fund is shown in table shown below:

Table 3.11: Un-adjusted advances

Year	Amount of unadjusted advances (₹)
Prior to 2007-08	43,00,224
2007-08	46,13,594
2008-09	19,18,619
2009-10	28,89,531
	1,37,21,968

The advance register was also not maintained properly. The deficiencies noticed were:

(i) Entries in the Register were not certified by any authority.

(ii) Breakup of opening balance brought forward from the previous year was not recorded.

(iii) Category-wise and year-wise analysis of outstanding advances at the end of the year was not prepared by GMC,

(iv) Second and subsequent advances for the same purpose were made without adjustment of previous ones.

(v) Advances were paid for immediate and urgent nature of work but the same were not adjusted promptly.

Laxity in adjustment of advances over the years has encouraged undesirable practice of blockade of institutional fund for indefinite period which is fraught with the risk of defalcation/misappropriation of public money. It also indicates weak internal control mechanism to follow up for regular adjustment of advances.

3.10 Conclusion

- Non-revision of rates, poor planning in the settlement of markets, week collection regime resulted in huge loss of revenue and accumulation of arrears of taxes and duties.
- Week and inefficient contract, lack of proper planning resulted in incomplete works, time and cost overrun, undue benefit to contractors, unfruitful expenditure, loss of interest to ULBs.
- Incomplete infrastructures and non-utilisation of created works frustrated the very purpose of augmentation of revenue.
- Non-adherence to the instructions and guidelines in spending public money resulted in diversion and expenditure on inadmissible works.

3.11 Recommendations

- Effective revision and settlement to be planned and collection of revenue regime be strengthened to avoid loss of revenue and accumulation of arrears in collection of revenue.
- Contractual agreement should be entered more firmly, so that works are completed within the stipulated period and estimated cost and the contractors are not unduly benefited at the cost of the ULBs.
- There should be internal control and monitoring mechanism to avoid unfruitful expenditure and to utilize the created infrastructure as a source of revenue.

- Selection of schemes should be done considering the feasibility and implemented in accordance to the scheme guidelines to avoid unfruitful expenditure and diversion of fund and expenditure on inadmissible works.

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Guwahati,
The

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