

## CHAPTER - I

### SECTION 'A'

#### AN OVERVIEW OF THE ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF PANCHAYATI RAJ INSTITUTIONS (PRIs) AND URBAN LOCAL BODIES (ULBs)

##### 1.1 Introduction

The 73<sup>rd</sup> and the 74<sup>th</sup> Constitutional Amendments Acts marked a new era in the federal democratic set up of the country so far as it conferred Constitutional status to the Panchayats and Municipalities and recognized them as the third tier of Government.

In Assam, three tier Panchayats at Village level, intermediate co-terminus with Sub Divisional level and District level have been constituted.

Similarly for urban areas, a Municipal Corporation (MC) for Guwahati, Municipal Boards (MBs) for comparatively larger urban areas and Town Committees (TCs) for transitional and relatively small urban areas have been functioning.

The Amendments provide for devolution of powers and responsibilities with respect to preparation of plans and programmes for economic development and social justice. It also provides transferring of 29 and 18 subjects listed in Schedule XI and XII respectively of the Constitution of India for PRIs and ULBs. The Constitutional Amendments establish a system of uniform structure, conducting of regular election, regular flow of funds etc. The legislative framework for conduct of business of the PRIs include:

- Assam Panchayat (AP) Act, 1994,
- Assam Panchayat (Financial) {AP (F)} Rules, 2002,
- The Assam Panchayat (Administrative) {AP (A)} Rules, 2002 and
- Government instructions issued from time to time.

The administrations of ULBs are governed by the provisions of:

- Guwahati Municipal Corporation (GMC) Act, 1971,
- Assam Municipal (AM) Act, 1956 and
- Assam Municipal Accounts (AMA) Rule, 1961.

As a follow up, the state was required to entrust these LBs with such powers, functions and responsibilities as to enable them to function as Institution of Self Government. In particular, the LBs were required to prepare plans and implement schemes for economic development and social justice including those included in the XI and XII Schedule of the Constitution.

Article 243 of the Constitution of India provides that, elections in Panchayats and Municipalities shall be held once in every five years. Elections to the PRIs in the State were last conducted between December 2007 and January 2008. Elections in ULBs in the State were held in July 2009. In respect of GMC, last election was held in December 2003. The State Government had dissolved the elected body of the GMC in May 2008. As per provision under Article 243 (U) (3) of the Constitution of India an election to constitute a Municipality shall be completed before the expiry of a period of six months from the date of its dissolution. However, no Government notification in this regard had been published till January 2013. It had been functioning without an elected body till then.

Governor of Assam in pursuance of the provision of Articles 243 I and 243 Y of the Constitution of India, read with Section 2 (1) of the Assam Finance Commission (Miscellaneous Provision) Act, 1995 had so far constituted four State Finance Commissions (SFCs) covering the period 1996–2016, which had submitted their reports to the State Governments.

There were 2407 PRIs and 89 ULBs in the State as on 31 March 2012. All the 2407 PRIs are in General Areas. The Panchayati Raj system does not exist in the Sixth Schedule Areas. Local governance in the Sixth Schedule Areas is vested with the Autonomous District Councils (ADCs). Of the 89 ULBs, 72 are in General Areas and governed according to the provisions of the AM Act, 1956. The remaining 17 ULBs falling within the Sixth Schedule Areas are governed by the rules framed by the respective ADCs. Recommendations of the Assam State Finance Commissions (ASFCs) did not cover the ADCs.

## 1.2 State Profile

Assam is situated in the North East Region of India bordering seven states *viz.* Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and West Bengal and two countries *viz.* Bangladesh and Bhutan. With a geographical area of 78,438 Sq.kms i.e., about 2.4 *per cent* of the country's total geographical area, Assam provides shelter to 2.6 *per cent* population of the country.

According to the Census of India, 2011 the population of Assam stands at 3.12 crore, of which 2.68 crore (86 *per cent*) lived in rural areas and 0.44 crore (14 *per cent*) lived in urban areas. The decadal growth of the State's population works out to 16.93 *per cent* during the decade 2001-2011 as against 17.64 *per cent* of the country as a whole. The

density of population of the state has gone up to 397 per sq.km as against India's density 382 per sq.km as per 2011 Census.

The comparative demographic and development profile of the state *vis-à-vis* national profile is given in **Table 1.1** below.

**Table 1.1: Important statistics of the state**

Sl. No.	Indicator	Unit	State value	National value
1	Population	Lakh	312	12106
2	Population density	Sq.km	397	368
3	Urban population	<i>Per cent</i>	14.10	31
4	Rural population	<i>Per cent</i>	85.90	69
5	Gender ratio	Female per 1000 male	954	940
6	Population below poverty line	<i>Per cent</i>	34.4	29.8
7	Literacy	<i>Per cent</i>	73.18	74.04
8	Birth rate	Per thousand	22.8	21.8
9	Infant mortality rate	Per thousand	55	44
10	Total unemployment	Per thousand (2009-10)	91	50

*Source: Economic Survey, Assam 2011-12 and Economic Survey 2012-13, Govt. of India*

### 1.3 Size of LBs

The position of LBs in Assam in terms of number, average population and average area is given in **Table 1.2**.

**Table 1.2: Position of LBs**

Level of LB	No.	Average Area per LB (Sq Km)	Average population
Zilla Parishad (ZP)	20	2032.93	1009940
Anchalik Panchayat (AP)	185	219.78	109183
Gaon Panchayat (GP)	2202	18.46	9173
Municipal Corporation (MC)	1	216.00	808021
Municipal Board (MB)	33	9.13	46628
Town Committee (TC)	55	3.58	9866

### 1.4 Organizational Setup in State Government and LBs

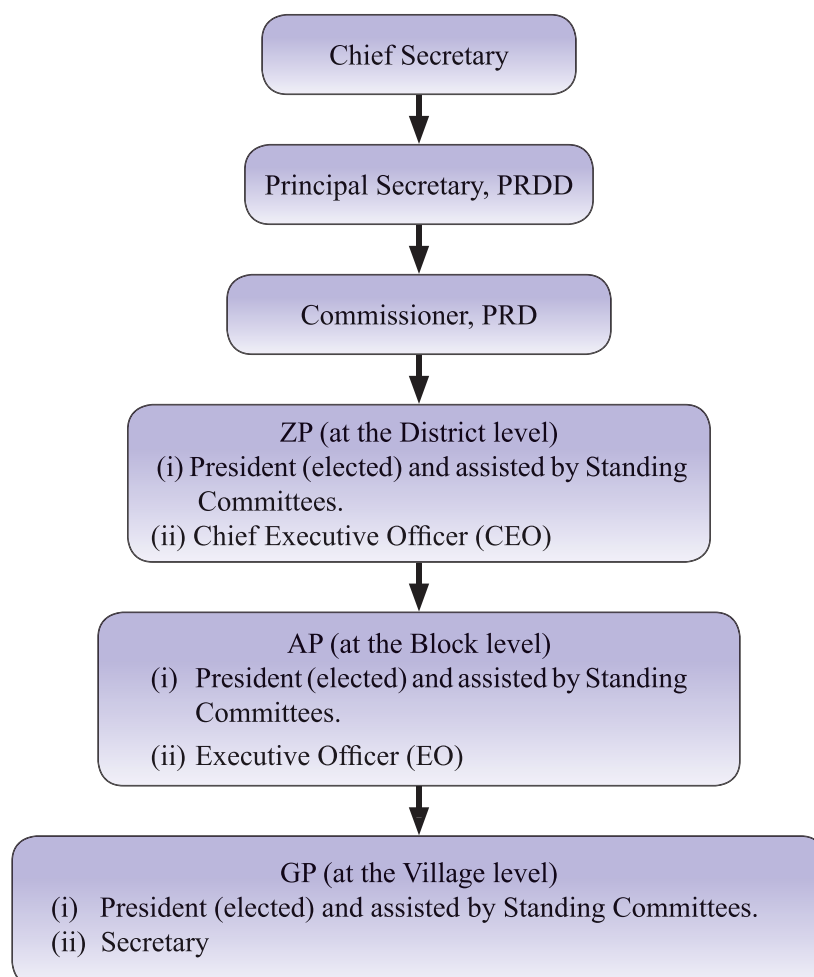
The Chief Secretary of the State is the overall in-charge of monitoring the functions and activities of LBs in the State. The Principal Secretary, Panchayat and Rural Development Department (PRDD) is the administrative head of PRIs and is assisted by the Commissioner, Panchayat and Rural Development (PRD) in allocating of fund and in exercising overall control and supervision of functions and schemes at the State level.

The Principal Secretary, Urban Development Department (UDD) is the administrative head of ULBs (MBs & TCs) and is assisted by the Directors, Municipal Administration (MA) and Town & Country Planning (T&CP). Principal Secretary, UDD also allocates fund and exercises overall control and supervision of functions and schemes at the State level. The Secretary, Guwahati Development Department (GDD) is the administrative head of GMC.

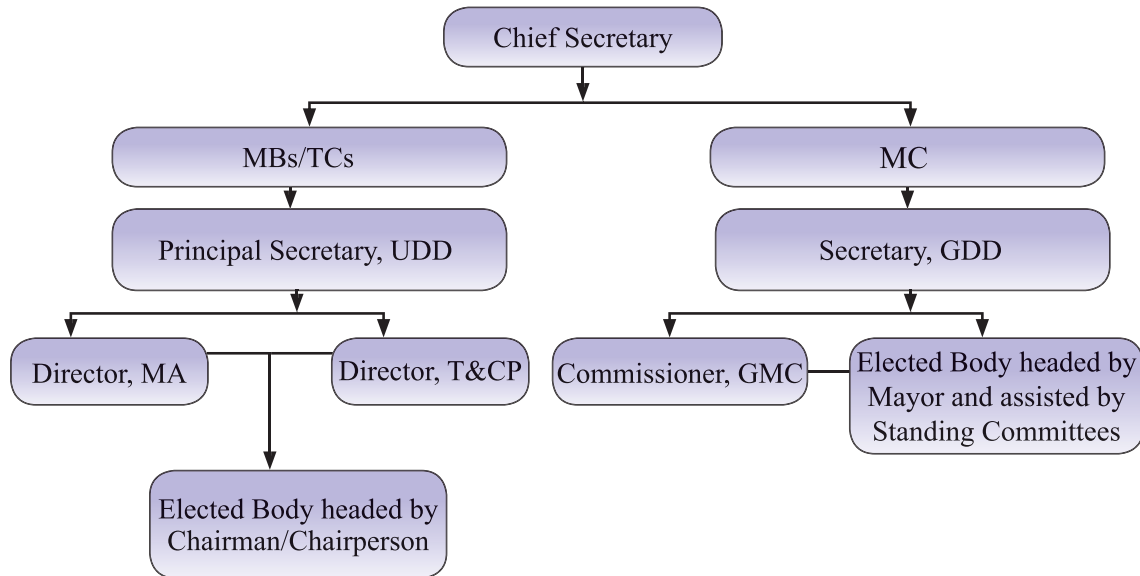
The PRIs and ULBs are functioning through democratically elected bodies. PRI in each tier is headed by a President. As regards ULBs, a TC or MB is headed by a Chairman/Chairperson. The only Municipal Corporation in the State is headed by a Mayor.

Following organograms depicts the organizational set up at State level and LB level with linkage between Administrative set up and elected body:

### Organizational organogram of PRIs



### Organizational organogram of ULBs



### 1.5 Functioning of PRIs

The Administrative set up of Panchayats in the State consists of a three tier system, GP at the village level, AP at the intermediate level co-terminus with Blocks and ZP at district level. The Constitution enjoins the State Government to make appropriate legislation regarding devolution of powers and functions to the Panchayats in such a way as to enable them to function as an Institution of Self Government.

All the tiers will have to be equipped with administrative paraphernalia. Initially qualified and skilled manpower have to be put in place with the PRIs to carry out their traditional functions besides implementation of schemes for social and economic development as well as subjects listed in the Eleventh Schedule of the Constitution of India. Though the post of Chief Accounts Officer (CAO) and Chief Planning Officer (CPO) had been created for each ZP to advise the ZP on financial matters including the preparation of Annual Accounts, Budget and to advise the ZP on plan formulation respectively, however, no appointment has so far been made by the State Government.

Fourth Assam State Finance Commission (FASFC) in its report expressed that, in the absence of suitable administrative machinery under the PRIs, a substantial portion of the budgetary outlays under Plan and Non-plan in the revenue accounts earmarked for Panchayats against transferred subjects is being spent through the respective line

departments. The legislative frameworks for business of PRIs are conducted by AP Act, Rules and Government instructions issued from time to time. Further, subject to the provisions of the Act, a Panchayat may make by-laws to carry out its business. The PRIs in general may not be solely responsible for the stalemate in internal revenue mobilization. The Constitutional Amendment empowered them with powers and authority in this regard and gave them access to such sources as the State Legislature may, by law, confer on them. Accordingly, the AP (F) Rules was framed in 2002 and amended in 2004 and empowers all the three tiers to levy and collect taxes. Through the AP (F) Rules, GPs got the power to levy tax viz tax on houses and structures and tax on trades etc., Consequently framing of bye-laws indicating all details relating to tax base, rates of taxes, exemption limit, manners and time of collection and so on were required. But the relevant bye-laws are yet to be framed (January 2013).

Unless the required legal framework along with an appropriate administrative machinery is put in place, it would be futile to expect PRIs to become pro-active in augmenting internal revenue generation.

## 1.6 Functioning of ULBs

The administrative set up of ULBs in the State are based on three levels viz,

- A Municipal Corporation for a larger urban area,
- Municipal Boards for smaller urban areas and
- Town Committees for transitional areas.

The administration of urban local bodies are governed by the provisions of GMC Act, 1971, AM Act, 1956 and the AMA Rules, 1961 (Rules on Municipal Account and Budget Estimate) as amended from time to time. So far the MBs and TCs in Assam were functioning without an EO for running the day to day administration. Of late, the Municipal Act has ensured putting in place an EO for each and every MB and TC. However, as of now there is no EO in any of the MB/TC where elected body is functioning. In the absence of suitable administrative machinery in ULBs, the amount earmarked for ULBs under transferred subjects is being spent through line departments.

## 1.7 Standing Committees

PRIs shall constitute standing committees to perform the assigned functions. Details of constitution of the standing committees of PRIs are given in **Table 1.3**.

**Table 1.3: Constitution of Standing Committees**

Level of PRIs	Chief Political Executive	Standing Committees	Political executives
(1)	(2)	(3)	(4)
GP	President	i) Development Committee ii) Social Justice Committee iii) Social Welfare Committee	President is the chairman of each of the three committees.
AP	President	i) General Standing Committee ii) Finance, Audit and Planning Committee	President is the chairman of each committee.
		iii) Social Justice Committee	Vice President is the chairman.
ZP	President	i) General Standing Committee ii) Finance, Audit and Planning Committee	President is the chairman of each committee.
		iii) Social Justice Committee iv) Planning and Development Committee	Chairman is elected amongst the elected members of each committee.

Roles and responsibilities of the standing committees are given in *Appendix - I*.

Section 20 of GMC Act, 1971 provides for constitution of standing committees on the following:

- Taxation and Finance, and Planning and Development;
- Public Works;
- Public Health, Conservancy and Water Supply;
- Assessment, Markets and Trades;
- Appeals.

In AM Act, 1956 there is no provision for constitution of standing committee. Decisions regarding formation of plans are taken as per approval of the Boards constituted by the elected Members of MBs/TCs.

Test check of 57 PRIs revealed that the Standing Committees in PRI-levels though constituted, remained only in paper and was not made operational.

### **1.8 Staffing pattern of PRIs and ULBs**

On the matter of staffing pattern fixed by AP (A) Rules 2002, the Third Assam State Finance Commission (TASFC) while observing the acute shortage of staff at all level of PRIs recommended a revised staffing pattern of 30, 20 and 8 for each ZP, AP and GP respectively from 2008-09. It was observed that the revised staffing pattern recommended by TASFC was not implemented by PRDD and also failed to fill up the vacant posts of 4922 (8691 - 3769), as detailed in **Table 1.4**.

**Table 1.4: Existing Norm and Staff in position of PRIs**

Category of Post & level of PRIs	No. of ZP/AP/ GP	Present Norm	Total Staff as per norm	Staff in position
<b>ZP</b>				
1. CEO	20	1	20	20
2. CAO	20	1	20	-
3. CPO	20	1	20	-
4. Head Assistant	20	1	20	-
5. UDA	20	2	40	16
6. LDA	20	4	80	49
7. Accountant	20	1	20	12
8. Junior Engineer	20	1	20	9
9. Tax Collector	20	2	40	7
10. Driver	20	1	20	14
11. Grade IV	20	6	120	59
<b>Total ZP</b>	<b>20</b>	<b>21</b>	<b>420</b>	<b>186</b>
<b>AP</b>				
1. EO				
a) Panchayat Cadre	185	1	185	101
b) ACS Cadre	-	-	-	84
2. UDA	185	1	185	28
3. LDA	185	2	370	152
4. Tax Collector	185	2	370	99
5. Grade IV	185	3	555	156
<b>Total AP</b>	<b>185</b>	<b>9</b>	<b>1665</b>	<b>620</b>
<b>GP</b>				
1. (a) Secretary Graduate	2202	1	2202	1660
1. (b) Secretary, non-graduate	-	-	-	228
2. Tax Collector	2202	1	2202	497
3. Grade IV	2202	1	2202	578
<b>Total GP</b>	<b>2202</b>	<b>3</b>	<b>6606</b>	<b>2963</b>
<b>Grand Total</b>	<b>2407</b>	<b>33</b>	<b>8691</b>	<b>3769</b>

Source: - The FASFC Report.

PRDD could not fill up the vacant posts of PRIs inspite of approval given by the Finance Department. Regarding new staffing patterns, PRDD stated (June 2012) that proposed staffing pattern is under consideration for approval of the Government.

Unlike PRIs, the ULBs do not have any approved staffing pattern for them. As a result, staff strength of ULBs varies from unit to unit depending on the size and paying capacity



of ULBs. Variation of staff strength across the municipal bodies is so wide that it ranges between a minimum of four and a maximum of 195 as detailed in *Appendix - II*.

Although, UDD and GDD submitted study report of staffing pattern of ULBs and GMC to FASFC in December 2011 and in February 2012 respectively. However, GoA is yet to take final decision on that issue.

Unless PRIs and ULBs are properly manned as per approved staffing pattern, they would be unable to handle the huge funds and their accounting in a proper way, which may subsequently lead to mismanagement of funds as huge funds are flowing to PRIs and ULBs from different sources.

Hence, a clear policy in this regard needs to be formulated by GOA keeping in view the imperatives of personnel requirement in the context of enhanced workload entrusted to PRIs and ULBs under different programmes, schemes and projects.

### **1.9 District Planning Committee (DPC)**

With a view to ensure effective planning in coordination with the planning of the state, the State Government under the provision of Article 243 ZD of the Constitution of India had constituted DPCs in all the districts by a government resolution whose tenure is one year. The DPC consists of:

- The members of the House of People who represent the whole or part of the district.
- The members of Assam Legislative Assembly whose major part of the constituencies fall within the district.
- The President of the ZP.
- The mayor or the Chairperson of the MC/MB/TC, as the case may be, having jurisdiction over the headquarters of the district.
- Such number of persons not less than four fifth of the total number of members as may be specified by the Government from amongst the members of the ZP, Councilors of MC or the Municipalities, as the case may be, and the members of the TC in districts on rotation annually and in proportion to the ratio between the population of the rural and urban areas of the district.

Deputy Commissioner (DC) is a permanent invitee to the DPC of the district. The President of the ZP is the Chairman and CEO of ZP is Ex-officio Secretary of the DPC.

### 1.9.1 Role of DPC

As per AP Act, 1994, DPC is to consolidate the plans prepared by the Panchayats and Municipalities in the District and prepare a draft development plan for the district as a whole having regard to:

- the matter of common interest of Panchayats and Municipalities in the district including sectoral planning, sharing of water and other physical and natural resources, the integrated development of infrastructures and environmental conservation;
- the extent and type of available resources whether financial or otherwise ; and
- consult such institutions and organizations as the Governor may, by order, specify.

GoA, PRDD in June 2010 framed guidelines for preparation of a draft District Development Plan for PRIs detailing the method of preparation of draft plan at different stages of PRIs and consolidation of a draft development plan of the district. Though the guidelines provided a scope for a review of implementation and monitoring of the plan by the DPC, it did not prescribe a mechanism for reporting of progress of implementation of district plan to the State Government.

The guidelines prepared by the PRDD referred to Panchayat Plans only. However, guidelines for urban area plans and integration of these plans with the departmental plans for the district as a whole have not been prepared.

Audit findings on the functioning of DPCs of five test check districts<sup>12</sup> are as follows:

- The DPCs did not call for submission of their annual plan from the PRIs and other stake holders with a view to prepare the annual district plan as a whole. Thus, the DPCs failed to perform its primary objective of preparation of district plan as envisaged in the AP Act, 1994.
- PRIs did not prepare any five-year plan. Except for preparation of draft Perspective Plan under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Backward Regions Grant Fund (BRGF)<sup>13</sup> for the period from 2007-08 to 2011-12, Perspective Plan for resources available under other Centrally Sponsored Scheme (CSS) and State Sponsored Scheme (SSS) were not prepared. Thus, the perspective plan under MGNREGS and BRGF did not cover

<sup>12</sup> Morigaon, Kamrup, Bongaigaon, Nalbari and Nagaon.

<sup>13</sup> Morigaon and Bongaigaon

all the resources available under different CSS, SSS and externally aided projects etc. None of the DPCs had engaged technical experts for plan formulation in different fields in preparation of development plans. Thus, the mandate for institution of a comprehensive planning mechanism for the district remained unachieved.

- There was no record to indicate that the plans considered by DPCs had been consolidated from the plans prepared from the grass root level with involvement of underlying GPs. DPCs did not insist on confirmation on involvement of GPs. DPC was, therefore, not built on bottom up approval.

### **1.10 State Finance Commission Grants**

Article 243W of the Constitution had made it mandatory for the State Government to constitute a SFC within a year from the enactment of the Constitutional Amendment Act and thereafter on expiry of every five year to review the financial condition of the ULBs and to make recommendations to the Governor for devolution of funds to ULBs on the following aspects:

- The distribution of net proceeds of taxes, duties and fees between the State and the ULBs.
- Taxes, duties, fees and tolls to be assigned and appropriated by the PRIs.
- Release of grants in aid to the ULBs from consolidated fund of the State.
- Measures needed to improve the financial conditions of the ULBs.

Accordingly, in respect of sharing of the net proceeds of State Taxes with Panchayats and Municipalities, a global approach of sharing the net proceeds of all State Taxes excluding Non-Tax revenue and share of Central Taxes is adopted. The rural-urban bifurcation of the divisible pool was determined on the basis of population (80 *per cent*) and density of population (20 *per cent*) based on 2001 census and duties collected by the State Government during 2011-12 with Panchayat and Municipalities at all levels.

The TASFC was constituted in February 2006 and reconstituted on July 2006. Director, Department of Finance (Economic Affairs) stated (February 2013) that the TASFC was reconstituted in July 2006 due to certain procedural inadequacies of the original notifications dated 6 February 2006. TASFC had recommended devolution of 10 *per cent* of net proceeds of taxes and duties collected by the GoA to the

LBs during 2007-08. There was no award for the first year i.e. 2006-07 as it came to a close before submission (31 March 2007) of their interim report. For the remaining three years, the devolution was pegged at 25 per cent of the net proceeds of taxes and duties collected by the GoA. Consequent upon merger of DRDAs with ZPs and Blocks with APs, the Commission recommended additional devolution during 2008-11 to PRIs to enable them to meet the salary burden of DRDA and Block staffs. In addition to devolution, the TASFC also recommended Grant-in-Aid (GIA) to LBs both rural and urban for specific purposes involving liquidation of arrears and also creation of capacity in terms of human resources and physical infrastructure.

FASFC had submitted (March 2011) a preliminary report covering the first year 2011-12 and submitted the final report (February 2012) covering the periods 2011-12 to 2015-16 recommended only 14 per cent of the net proceeds of taxes and duties collected by the GoA during 2011-12 to Panchayats and Municipalities. Details of quantum of devolution recommended by ASFC and fund released by the GoA to LBs are indicated in **Table 1.5** and **Table 1.6**.

**Table 1.5: Devolution of Fund to LBs**

(₹ in crore)

Year	Net collection of the State Government	Amount to be devolved		Additional devolution	Total	Actual released under SFC		Total released
		PRIs	ULBs including GMC	PRIs		PRIs	ULBs including GMC	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2007-08	3637.67	266.69	99.08	-	365.77	-	-	-
2008-09	3528.44	641.86	240.25	79.55	961.66	48.60	48.61	97.21 (2.75 %)
2009-10	3733.06	679.07	254.19	85.92	1019.18	67.62	96.15	163.77 (4.38 %)
2010-11	3939.87	716.69	268.27	92.79	1077.75	119.43	151.67	271.10 (6.88 %)
2011-12	4818.53	222.94	83.65	-	306.59	191.62	83.65	275.27 (5.71 %)
<b>Total</b>	<b>19657.57</b>	<b>2527.25</b>	<b>945.44</b>	<b>258.26</b>	<b>3730.95</b>	<b>427.27</b>	<b>380.08</b>	<b>807.35</b>

Source: The FASFC Report and information furnished by Director, Finance (Economic Affairs) Department, Assam.

**Table 1.6: Allocation and release of grant-in-aid to LBs**

(₹ in crore)

Year	Recommended by ASFC	Grant-in-aid released to		Total
		PRIs	ULBs	
2007-08	81.24	-	-	-
2008-09	210.98	-	-	-
2009-10	144.60	-	-	-
2010-11	156.64	36.00	3.29	39.29
2011-12	334.28	36.34	106.03	142.37
<b>Total</b>	<b>927.74</b>	<b>72.34</b>	<b>109.32</b>	<b>181.66</b>

Source: The FASFC Report and information furnished by Director, Finance (Economic Affairs) Department, Assam.

Against recommendation of 10 *per cent*, no devolution grants were released to LBs during 2007-08. However, LBs got 2.75, 4.38, 6.88 and 5.71 *per cent* of devolution grant of net proceeds of Tax and duties of GoA against the recommendation of 25 *per cent* (2008-2011) and 14 *per cent* (2011-12) respectively by SFCs.

Out of recommended GIA of ₹927.74 crore by SFCs, an amount of ₹181.66 crore (19.58 *per cent*) was allocated to LBs during the period 2007-08 to 2011-12.

Thus, due to short release of funds the PRIs and ULBs could not able to implement various welfare activities for the overall economic development.

### **1.11 Decentralised Planning (Status of transfer of Fund, Functions and Functionaries)**

#### **PRIs**

The AP Act envisaged transfer of functions of various departments of the State Government to LBs to meet the requirement of the areas of their jurisdiction and prepare and implement schemes relating thereto for economic development and realization of social justice. This exercise was done through 'Activity Mapping' drawn up by the State Government in June 2007 indicating devolution of powers to PRIs for 23 out of 29 functions included in the XI Schedule of the Constitution. Consequent upon finalization of the Activity Mapping, government orders were issued (June 2007) for devolution in respect of the seven subjects out of 23 included in the document.

Formal orders in respect of other subjects are yet to be issued (February 2012). Moreover, Activity Mapping in respect of remaining six subjects are yet to be done. Of the activities listed in the document, very little is being done at the ground level. Beneficiary identification for some of the CSS is one of the activities which is vested with the GPs. Even this could not be carried out satisfactorily due to lack of man power. Apart from this, the activities said to have transferred to PRIs are still being performed by the authorities of the line departments without associating the PRIs for their implementation.

In fact, the actual implementation and monitoring is being done through some other departmental committees like Planning Cell operating under DC of each district and also by the district level Vigilance and Monitoring Committee of the districts. For meaningful devolution deployment of functionaries from the line departments to the PRIs at all levels is a pre-requisite condition. But the approach adopted so far is only partial by and large, such as empowerment, conducting regular election to PRIs/ULBs, constituting DPCs and

SFCs periodically. Apart from this, every year a substantial portion of budgetary outlays under plan and non-plan revenue account is earmarked for PRIs/ULBs against transferred subjects. Belying the expectation in the activity mapping, devolution of functions at different level of PRIs remains more or less only on paper. Similarly, little progress has been made so far in the matter of devolution of fund against transferred subjects as envisaged in the activity mapping. As of now only Central Finance Commission (CFC) and SFC Funds are passed on to the PRIs on a regular basis. Apart from this, the PRIs get fund under District Development Plan (DDP). In addition, central funds channelized through BRGF are received by PRIs at all levels wherein the other CSS funds viz Indira Awas Yojana (IAY), MGNREGS etc. are received by the APs and GPs from DRDAs of the district.

### ULBs

The following eight subjects out of 18 subjects listed in the XII Schedule are being implemented by the ULBs as their traditional functions:

- Water supply for domestic, industries and commercial purposes.
- Conservancy and Solid Waste management.
- Slum improvement and upgradation.
- Provision of urban amenities and facilities such as park, garden play grounds.
- Burials and burial grounds, cremations, cremation grounds and electric cremations.
- Cattle ponds.
- Public amenities including street lighting, parks, gardens, play grounds.
- Regulation of slaughter houses.

Subjects relating to urban planning including town planning, land use and construction of buildings, slum improvement and up-gradation, roads and bridges, urban forestry, ecology and environment, vital statistics including registration of births and deaths, planning for economic and social development, urban poverty alleviation etc. were not yet transferred to the ULBs.

But the approach adopted in this regard so far is limited to constituting a committee only. The devolution of funds, functions and functionaries (3Fs) as listed in the XII Schedule remain more or less in the paper till date (December 2012).

Thus, in case of ULBs, the process of decentralization has just been initiated with the recent amendment (May 2011) of AM Act 1956.

It is evident from the above that devolution of 3Fs to Panchayats and Municipalities in respect of the transferred subjects is far below the desired level. Nevertheless, the GoA had created a Panchayat/Municipal window in the State Budget and every year a substantial portion of budgetary outlays under plan and non-plan in the revenue account is earmarked for Panchayats and Municipalities against the transferred subjects. For instance, in the year 2011-12 a sum of ₹59.27 crore under non-plan revenue account is earmarked for PRIs and ULBs against transferred subjects, which is nearly 28 *per cent* of the non-plan revenue account of State Budget. In addition, an amount of ₹20.75 crore representing about 21 *per cent*, is earmarked under the plan for PRIs and ULBs against transferred subjects. In the absence of suitable administrative machinery under the PRIs and ULBs, the earmarked amount is being spent by the line departments.

### **1.12 Merger of all parallel bodies with ZP**

Regarding the merger of the DRDAs with the ZPs, TASFC had observed that in the context of Constitutional arrangements under Part IX and IX A read with Schedule XI, there is no separate relevance of DRDAs and it therefore, recommended that DRDAs should be completely merged with the ZPs. However, DRDAs are yet to be merged with ZPs. Reason for non-merger of DRDAs with ZPs is neither on record nor stated though called for. As a result the separate and autonomous existences of PRIs are ignored.

### **1.13 Financial profile of PRIs**

#### **1.13.1 Fund flow to PRIs**

The resource base of PRIs consist of own revenue, assigned and shared revenue, SFC grants, CFC grants, Central Government grants and State government grants under various schemes. Details of sources of fund, its custody and reporting for each tier are given in **Table 1.7**. The authorities responsible for reporting utilisation of fund in respect of ZPs, APs and GPs are CEO, EO and Secretary respectively.



**Table 1.7: Fund flow mechanism in each tier of PRI**

Nature of Fund	ZPs		APs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assesses and users	Bank	Assesses and users	Bank	Assesses and users	Bank
SFC	State Government	do	State Government	do	State Government	do
CFC	GoI <sup>3</sup>	do	GoI	do	GoI	do
State plan Schemes	State Government	do	State Government	do	State Government	do
CSS	GoI & State Government	do	GoI & State Government	do	GoI & State Government	do

Fund flow arrangements of CFC grants and CCS are given in **Table 1.8**.

**Table 1.8: Fund flow arrangements of CFC grants and CSS to PRIs**

Sl. No	Scheme	Fund flow
(1)	(2)	(3)
1	MGNREGS	Central share is released directly to the DRDAs. State share provided in the Budget is released to DRDAs through PRDD. DRDAs disburse the fund (Central and State share) to APs, which in turn, disburse the share of GPs under their jurisdiction.
2	IAY	Central share is released directly to DRDAs. State share provided in the Budget is released to DRDAs through PRDD. DRDA disburses the fund (Central and State share) to APs under its jurisdiction.
3	Swarna-Jayanti Gram Swarozgar Yojana (SGSY)	Central share is released directly to the DRDAs. State share provided in the Budget is released to DRDAs through PRDD. DRDAs disburse the fund (Central and State share) to APs under its jurisdiction.
4	CFC	GoI transfers the fund to the State, which is released through budget allocation to the ZPs. The ZP after drawal of the fund through treasury, disburses the share to APs and GPs under its jurisdiction.
5	BRGF	GoI transfers the fund to the State which is released through budget allocation to the ZPs, which after drawal of fund through treasury, disburse the share to APs & GPs under their jurisdiction.

Source: Scheme guidelines

<sup>14</sup> GoI:- Government of India



### 1.13.2 Resources: Trends and Composition

The trend of resources of PRIs for the period 2007-08 to 2011-12 is shown in **Table 1.9**.

**Table 1.9: Time series data on PRIs resources**

(₹in crore)					
Source	2007-08	2008-09	2009-10	2010-11	2011-12
Own Revenue	16.00	14.90	17.03	23.46	NA
SFC transfers	-	48.60	295.68	119.36	227.96
CFC transfers	55.17	52.60	152.71	73.44	196.01
SSS	166.14	207.82	123.69	341.86	520.73
CSS	1382.50	1184.95	1712.18	1684.81	1323.36
<b>Total</b>	<b>1619.81</b>	<b>1508.87</b>	<b>2301.29</b>	<b>2242.93</b>	<b>2268.06</b>

Source: 2007-08 to 2008-09 and 2011-12: Commissioner PRD, Assam, 2009-10 and 2010-11. Appropriation & Finance Accounts.

PRIs at all levels had mobilized internal resources from tax and non-tax sources to the extent of ₹14.90 crore during 2008-09 which is more than by ₹9.10 crore as assessment made by TASFC. As reported by TASFC the actual collection from tax and non-tax sources during 2005-06 was ₹7.86 crore. It went up from ₹7.86 crore in 2005-06 to ₹14.90 crore in 2008-09 and further to ₹23.46 crore in 2010-11. However, their internal revenue mobilization in relation to State Tax collection is gradually going down. It was 0.54 *per cent* of State Tax collection in 2005-06 but went down to 0.36 *per cent* in 2008-09 and further to 0.31 *per cent* in 2010-11. Sharp decline in receipts under CSS in 2011-12 in comparison to the previous year was mainly due to deduction of central share for less utilization of funds in previous years by PRIs.

### 1.13.3 Public investment in Social Sector and Rural Development

Details of public investment in Social Sector and Rural Development through major CSS during 2007-08 to 2011-12 are given in **Table 1.10**.

**Table 1.10: Statement showing investment through major CSS**  
(₹in crore)

Sl. No.	Schemes	Year	Fund Released	Expenditure
(1)	(2)	(3)	(4)	(5)
1	MGNREGS	2007-08	564.74	564.74
		2008-09	1040.14	1040.14
		2009-10	867.13	867.13
		2010-11	690.80	690.80
		2011-12	481.72	481.72
2	IAY	2007-08	402.10	402.10
		2008-09	816.38	816.38
		2009-10	747.55	747.55
		2010-11	825.63	825.63
		2011-12	867.28	867.28
3	IWDP <sup>2</sup>	2007-08	29.30	29.30
		2008-09	41.75	41.75
		2009-10	25.71	25.71
		2010-11	15.27	15.27
		2011-12	8.93	8.93
4	SGSY	2007-08	162.36	162.36
		2008-09	240.45	240.45
		2009-10	202.10	202.10
		2010-11	224.72	224.72
		2011-12	132.33	132.33
5	BRGF	2007-08	69.10	69.10
		2008-09	-	-
		2009-10	86.58	86.58
		2010-11	65.29	65.29
		2011-12	140.54	NA
6	NSAP <sup>3</sup>	2007-08	162.68	162.68
		2008-09	173.19	173.19
		2009-10	172.65	172.65
		2010-11	117.18	NA
		2011-12	168.75	NA

Source: Information furnished by Commissioner, PRD, Assam.

The above table shows that there was considerable increase in receipt of funds on IAY and BRGF Schemes compared to previous years, there was decline in receipt on MGNREGS, SGSY and IWDP. The utilization by the PRIs of the funds available has shown improvement.

<sup>15</sup> Integrated Wasteland Development Project

<sup>16</sup> National Social Assistance Programme

### 1.13.4 Funds transferred to State Implementing Agencies outside State Budget

The Central Government has been transferring sizeable quantity of funds directly to the State implementing agencies for implementation of various schemes/programmes in Social Sectors for the social and economic development of the rural population. During 2011-12, significant amounts released for implementation of major programmes/schemes are detailed in **Table 1.11**.

**Table 1.11: Funds transferred directly to State implementing agencies**

(₹in crore)

Sl. No.	Programme/scheme	Fund transferred by the GoI during 2011-12	Implementing agencies
1	IWDP	8.30	DRDAs
2	MGNREGS	426.86	
3	IAY	767.69	
4	SGSY	108.37	
5	Rashtriya Gram Swaraj Yojana (RGSY) under capacity building	4.42	State Institution of Rural Development (SIRD)
6	MGNREGS under capacity building	3.09	
<b>Total</b>		<b>1318.73</b>	

Source: Commissioner PRD, Assam and SIRD, Assam.

Table shows that out of ₹1318.73 crore, sizeable quantity of funds were transferred under IAY scheme (58.21 per cent) and MGNREGS (32.37 per cent), during 2011-12.

### 1.14 Financial profile of ULBs

The ULB fund comprises receipts from its own sources, grants and assistance from Government and loans obtained from any public financial institutions or nationalized banks or any other institution. The authorities for reporting and use of fund in respect of MBs and TCs are Chairman/Chairperson and the Commissioner in respect of GMC, respectively. Detailed sources of fund, its custody are given in Table 1.12.

**Table 1.12: Fund flow mechanism in ULBs**

Nature of Fund	MC		MBs		TCs	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assesses and users	Bank	Assesses and users	Bank	Assesses and users	Bank
SFC	State Government	do	State Government	do	State Government	do
CFC	GoI	do	GoI	do	GoI	do
SSS	State Government	do	State Government	do	State Government	do

Details of fund flow arrangements in CFC Grants and CSS are given in the **Table 1.13**.

**Table 1.13: Fund flow arrangements of CFC Grants and CSS to ULBs**

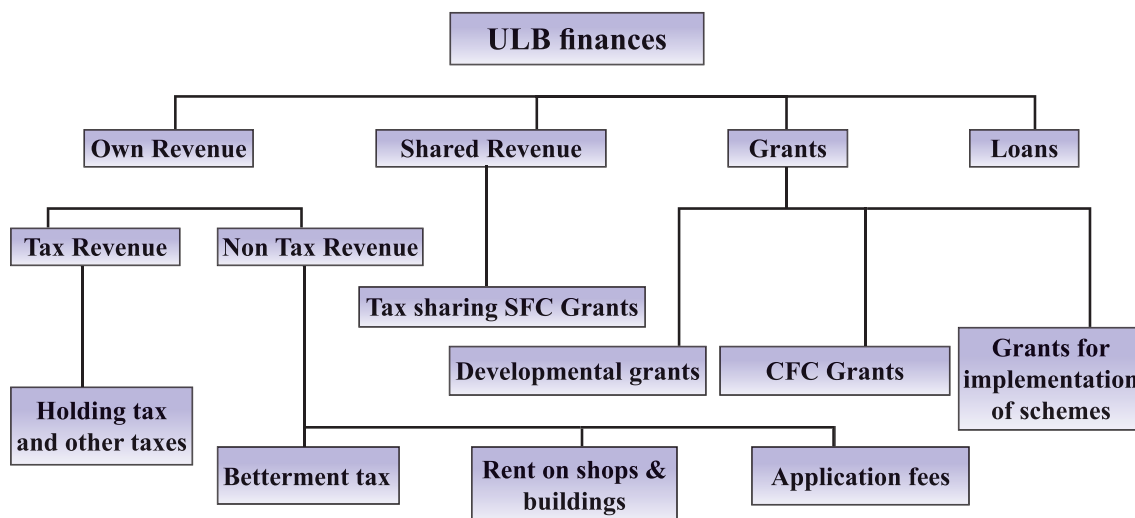
Sl. No	Scheme	Fund flow
1	Swarna Jayanti Shahari Rozgar Yojana (SJSRY).	Central share is released to the UDD, which is the State Urban Development Agency (SUDA). State share provided in the Budget is released to the Director, Municipal Administration who disburses the funds (Central and State share) to the respective ULBs.
2	Jawaharlal Nehru National Urban Renewal Mission (JNNURM).	Central share is released to the SUDA. The State Share provided in the budget is also released to the SUDA which disburses the fund to GMC through Guwahati Metropolitan Development Authority (GMDA).
3	Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).	Central share is released to the UDD through the State Government. State share provided in the Budget is also released to UDD which disburses the funds to the ULBs through Director, T&CP.
4	Basic Service to Urban Poors (BSUP).	Central share is released to UDD and GDD through State Government. State share provided in the Budget is also released to UDD/GDD which disburses the funds to implementing ULBs through Director, T&CP while GDD disburses the fund to GMC through GMDA.
5	CFC	GoI transfers the fund to the State which is released through budget allocation to the DC of the District. The DC after drawal of the fund from treasury disburses the same to MBs under its jurisdiction.
6	BRGF	GoI transfers the fund to the State which is released through budget allocation to the ZPs which after drawal of the fund from treasury, disburses it to MBs within the district.

Source: Scheme guidelines

#### 1.14.1 Source of Revenue

The main sources of revenue for the ULBs are (a) Government Grants and (b) Own Revenue. Own revenue resources of ULBs comprises 'Tax' and 'Non-Tax' revenue realized by them. Property Tax is the major source of revenue. Government grants comprise fund released by the Central and State Governments based on recommendations of CFC, SFC and GoI's share for various CSS. Besides, ULBs also obtains loans from financial institutions for implementation of various schemes relating to Urban Development, Water Supply and Roads etc.

A flow chart of finances of an ULB is given below:



Under the provision of the Acts in force, all collections such as taxes on holdings, water tax, latrine tax etc., are the sources of tax revenue while building plan sanction fee, rent from shops and buildings, tolls and other fees and charges constituted the main source of non-tax revenue. The State Government also releases GIA and loans to the ULBs to compensate their establishment expenses. ULBs also receives grants and assistance from State Government and Central Government for implementation of schemes and projects. However, the overall financial position of ULBs in the State could not be ascertained in the absence of the complete database of finances of ULBs.

### 1.14.2 Resource Trends and Composition

The trend of resources of ULBs for the period 2007-08 to 2011-12 is shown in Table 1.14.

Table 1.14: Time series data on ULBs resources

Source	2007-08	2008-09	2009-10	2010-11	2011-12
Own Revenue	NA	31.77	NA	NA	NA
SFC transfers	-	48.61	96.15	151.67	189.68
CFC transfers	-	8.65	24.35	12.04	31.97
Interest for delayed payment of CFC grants	-	-	0.84	-	0.11
SSS	37.19	7.52	33.31	20.54	16.13
GoI grants for CSS	48.65	52.77	88.83	33.27	24.09

Source: The FASFC Report and information furnished by State Government.

Sharp decline in receipts under CSS in comparison to previous years was mainly due to deduction of central share for less/non-utilisation of funds by ULBs.

### 1.14.3 Allocation and release of funds

During 2010-11 and 2011-12 public investment in urban development through major CSS and corresponding state shares are shown in **Table 1.15**:

**Table 1.15: Statement showing investment through major CSS and SSS**  
(₹ in crore)

Sl. No.	Name of schemes	Nature of grants	2010-11			2011-12		
			Budget provision	Fund releases to Nodal agencies <sup>6</sup>	Fund released to ULBs	Budget provision	Fund released to Nodal agencies	Fund released to ULBs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	SJSRY	Central Share	54.00	28.69	26.40	54.00	-	-
		State Share	8.21	8.21	7.55	-	-	-
2	IDSMT <sup>7</sup>	Central Share	7.50	-	-	-	-	-
		State Share	0.05	0.05	0.05	2.00	2.00	2.00
3	IHSDP <sup>8</sup>	Central Share	83.33	6.87	6.87	33.26	-	-
		State Share	4.00	2.50	0.89	4.44	4.44	-
4	UIDSSMT	Central Share	100.00	31.50	-	85.22	31.50	24.04
		State Share	4.00	4.00	3.50	8.73	8.73	8.73
5	10 per cent Pool Fund	Central Share	-	-	-	-	-	-
		State Share	2.80	2.80	2.80	12.00	11.90	2.43
6	Night Shelter for Urban Scheme	Central Share	-	-	-	-	-	-
		State Share	0.15	0.15	0.05	0.57	0.57	0.10
7	BSUP	Central Share	Not communicated	12.26	12.26	-	-	-
		State Share	-do-	-	-	-	-	-
8	Community Participation Fund	Central Share	-do-	0.18	0.18	-	-	-
		State Share	-do-	-	-	-	-	-
9	Solid Waste Management	Central Share	-do-	4.75	4.75	-	-	-
		State Share	-do-	-	-	-	-	-

Source: Director, MA, Director, T&CP, Secretary, GDD, Assam.

Details of the amount received and released to ULBs during 2011-12 is given in **Table 1.16**.

<sup>17</sup> Director, MA, Director, T&CP, Secretary, GDD

<sup>18</sup> Integrated Development of Small and Medium Towns.

<sup>19</sup> Integrated Housing and Slum Development Programme.

**Table 1.16: Statement showing funds released to ULBs during 2011-12**  
(₹ in lakh)

Sl. No.	Name of scheme	Funds received by DMA	Funds actually released to ULBs
1	Garbage Clearance Scheme	500.00	238.00
2	Development of Small Town	98.00	98.00
3	Communication Grant	8.50	8.50
4	Low Cost Sanitation under SCSP	250.00	222.00
5	SJSRY	3574.00	3240.86
<b>Total</b>		<b>4430.50</b>	<b>3807.36</b>

Source: Director, MA, Assam.

Against ₹44.31 crore released by the State Government to Director, MA, Assam during 2011-12, the actual release of funds to ULBs was ₹38.07 crore. Further, as per information furnished by Director, MA, since 2007-08 the unutilized balances amounting to ₹24.86 crore were kept in one savings bank account, two current bank accounts and in the form of bank draft and deposit at Call Receipt as of November 2012. Out of ₹1.78 crore earned as interest on deposit of SJSRY funds on savings bank account, an amount of ₹0.81 crore were released to ULBs for utilization of Urban Wage Employment Programme (UWEP) under SJSRY.

Reasons for retention of funds by Director, MA since long were not intimated though called for and were not ascertainable from the records produced to audit.

However, there is no readily available data on how much is actually spent in a particular year on the above mentioned schemes. Hence, utilization of the funds remained unverified. There is a need for establish the mechanism for proper accounting of these schemes fund for better accountability.

#### 1.14.4 Short release of fund under CSS to ULBs

Details of the amount provided in the budget of the State Government, the amount received and released to ULBs during 2011-12 are given in **Table 1.17**.

**Table 1.17: Status of funds for CSS.****(₹ in crore)**

Sl. No.	Name of scheme	Share of Grant	Budget Provision	Allocation made	Amount Released to ULBs	Short released
1	IHSDP	State Share	4.44	4.44	-	4.44
		Central Share	33.26	-	-	-
2	UIDSSMT	State Share	8.73	8.73	8.73	-
		Central Share	85.22	31.50	24.09	7.41
3	10 per cent Pool Fund	State Share	12.00	11.90	2.43	9.47
		Central Share	-	-	-	-
4	Night Shelter for Urban Slum	State Share	0.57	0.57	0.10	0.47
		Central Share	-	-	-	-
<b>Total</b>			<b>144.22</b>	<b>57.14</b>	<b>35.35</b>	<b>21.79</b>

Source: Information furnished by the Director, T&CP

Against the budget provision of ₹144.22 crore in 2011-12, allocation made was ₹57.14 crore out of which the Director, T&CP released ₹35.35 crore to the ULBs resulting in short release of ₹21.79 crore. The reasons for non-release of funds was not intimated though called for. The short release of funds adversely affected the work under the schemes resulting in denial of intended benefit to the beneficiaries.

### **1.15 Revenue resources and expenditure management of LBs**

Revenue resources of PRIs which are known as own fund, are earned from settlement of hat/ghat, fisheries etc., and own revenue resources of ULBs comprise tax and non-tax revenue levied by ULBs as per provision of the Act. The details of own fund of LBs in the State were not collected and consolidated by the Government. Hence, the details of own fund collection of all LBs were not available. The main component of revenue expenditure of the PRIs is payment of salaries to their employees followed by remuneration and sitting allowances of the Elected Representatives (ERs). In the FASFC Report it is mentioned that during 2008-09, expenditure on salary, remuneration etc, of PRIs amounted to ₹63.93 crore. In contrast their internal revenue mobilization during the year was 14.90 crore. In fact their revenue collection was only 23 per cent of their salary expenditure. In 2010-11, their salary and remuneration expenditure escalated to



₹95.58 crore. It is evident that salary burden of PRIs is disproportionately high in relation to their income in spite of the fact that full sanctioned strength is not in position. If the vacant position as per existing norm is filled up or the staffing norm proposed is revised, it will further distort the ratio of own income and salary expenditure.

In case of ULBs, FASFC also expressed that total revenue expenditure of ULBs over the years far outstripped their own revenue, making them perennially dependent on outside support. The deplorable State of finances of ULBs emphasizes the need for own revenue augmentation through additional resource mobilization from existing sources. In this regard ASFC put forward valuable suggestions such as periodic revision of holding tax, as per provision of the Act making realistic valuation of urban tax, creation of additional market place, levy of property tax and service charges on the properties of Central and State Government undertakings and reduction of undeserving exemption and increasing the yield by rationalizing the present outmoded tax structure and facilitating on line payment of taxes etc.

It is apparent that the actual receipt or generation of own fund is inconsequential even to meet the payment of remuneration and sitting allowance and there is a little scope for meeting any other exigencies. Thus, LBs at all levels require to be proactive in augmentation and mobilization of internal revenues by working out periodical action plans after identifying the potential areas.

### **1.16 Thirteenth Finance Commission (13<sup>th</sup> FC) Grant**

The weights adopted by the Thirteenth Finance Commission (13<sup>th</sup> FC) for inter distribution of funds among the states were 50 *per cent* population, 10 *per cent* area, 10 *per cent* and 20 *per cent* distance from highest per capita income for PRIs and ULBs respectively, 15 *per cent* index of devolution, 10 *per cent* SC/ST population for PRIs and 5 *per cent* CFC grant utilization index. Based on the above principles, the share of PRIs and ULBs for the periods 2010-15 in Assam including sixth Schedule areas amounted to ₹1892.90 crore. The amount so recommended has two components viz, General Basic grants and Performance Grants. For all five years, states will be eligible to draw their Basic grants subject to submission of UCs in time. However, Performance grants will be eligible from the second year of the award period subject to fulfillment of certain conditions laid down in the 13<sup>th</sup> FC recommendations.

The position of grants released by the GoI and further released by the State Government to PRIs and ULBs under the recommendation of 13<sup>th</sup> FC during 2010-12 is shown in **Table 1.18**.

**Table 1.18: Award of 13<sup>th</sup> FC to PRIs and ULBs**

(₹ in lakh)

Programme year	Installment no.	Scheme component	Allocation on fund of		Fund received from GoI		Year of receipt of funds by GoA	Fund released to PRIs and ULBs		Fund released to PRIs and ULBs during year	
			PRIs	ULBs	PRIs	ULBs		PRIs	ULBs	PRIs	ULBs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2010-11	1 <sup>st</sup>	General basic grants	7344.00	1179.00	7344.00	1179.00	2010-11	7344.00	1179.00	2010-11	2010-11
		Special Areas basic grants	340.00	25.00	340.00	25.00	2010-11	340.00	25.00	2010-11	2010-11
2010-11	2 <sup>nd</sup>	General basic grants	7167.00	1151.00	7167.00	1151.00	2011-12	7167.00	1151.00	2011-12	2011-12
		Special Areas basic grants	340.00	25.00	340.00	25.00	2011-12	340.00	25.00	2011-12	2011-12
2011-12	1 <sup>st</sup>	General basic grants	9295.00	1492.00	9295.00	1492.00	2011-12	9295.00	1492.00	2011-12	2011-12
		Special Areas basic grants	340.00	25.00	340.00	25.00	2011-12	340.00	25.00	2011-12	2011-12
2011-12	2 <sup>nd</sup>	General basic grants.	9295.00	1492.00	9295.00	1492.00	2011-12	9295.00	-	2011-12	Not released
		Special Areas basic grants	340.00	25.00	340.00	25.00	2011-12	340.00	-	2011-12	Not released
2011-12		General Performance Grant forfeited by non-performing State.	2197.96	466.54	2197.96	466.54	2011-12	-	-	Not released	Not released
2011-12	1 <sup>st</sup>	General Area Performance grants (including 6 <sup>th</sup> Schedule Areas).	3139.00	504.00	3139.00	504.00	2011-12	3139.00	504.00	2011-12	2011-12
2011-12	2 <sup>nd</sup>	General Area Performance grants (including 6 <sup>th</sup> Schedule Areas).	3203.29	514.37	3203.29	514.37	2011-12	3203.29	514.37	2011-12	2011-12
<b>Total</b>			<b>43001.25</b>	<b>6898.91</b>	<b>43001.25</b>	<b>6898.91</b>		<b>40803.29</b>	<b>4915.37</b>		

Source: Director, Finance (Economic Affairs) Department, Assam

As per guidelines issued by the GoI, grants of 13<sup>th</sup> FC are required to be transferred by State Government to the PRIs and ULBs within five days of receipt from the Central Government in case of states having easily accessible banking infrastructure and ten days in case of states with inaccessible banking infrastructure failing which State Government was liable to transfer interest amount to PRIs and ULBs at RBI bank rate for the number of days of delay.

It was observed that State Government released 13<sup>th</sup> FC grants to PRIs and ULBs with a delay of 11 to 23 days which resulted in payment of interest liability of ₹2.77 crore at the RBI bank rate of six *per cent* per annum.

Further, it was also noticed that out of ₹138.17 crore received as Basic grants of 2<sup>nd</sup> installment of 2011-12 and General Performance Grant forfeited from non-performing state (2011-12) by GoI, the State Government released ₹96.35 crore to LBs as of March 2012. Short release of grant of ₹41.82 crore was not found on record. Delayed in release of funds hampered the timely implementation of the projects in the field because time factor played an important role in Assam in view of season specific limitations in execution of works.

#### **1.16.1 Condition for eligibility for Performance grant and its compliance by the State Government**

As per conditions laid down in the 13<sup>th</sup> FC report (2011-12 to 2014-15), the State Government is eligible to draw the share of performance grant for General Areas only if it complies with the nine conditions. These conditions must be met by 31 March 2011 for the states to be eligible to draw down its Performance Grant for the succeeding fiscal year. The conditions for eligibility of Performance Grant and its compliance made by the State Government is given in *Appendix-III*

Due to non-observance of certain eligibility criteria for drawal of Performance Grants of 13<sup>th</sup> FC, the State may lose out on substantial amount in the succeeding years.

#### **1.17 Database on LB Finances**

The SFCs observed that their functioning had been greatly hampered by non availability of adequate and accurate data relating to the physical and fiscal indicators of performance of LBs. It is also observed that the limited data that were available were not only inadequate but also suffered from lack of credibility. The successive CFC had also underscored the need to create a local finance database and encompassing their resources, operations and financial performance indicators. With a view to overcoming this difficulty, the Eleventh Finance Commission (EFC) had earmarked funds for creation of database for LBs and their awards covering the period 2000-05. The Twelfth Finance Commission (TFC) recommended that States may assess the requirement of each LB in this regard and earmark funds accordingly out of the total allocation of TFC grants. Despite the dedicated fund allocation little improvement had been made in development of database.

The 13<sup>th</sup> FC in its report had also expressed similar dissatisfaction. Even after several persuasions by audit, a reliable data base on finances of LBs is yet to develop.

## 1.18 Accountability Framework

### 1.18.1 Power of State Government over PRIs and ULBs

The Constitution of India empowers States to legislate on Panchayats and Municipalities. Further, in exercise of relevant Acts and Rules, the State Government exercises its powers in relation to PRIs and ULBs. Details of the powers of the State Government over the LBs in decentralized setup are given in **Table 1.19**

**Table 1.19: Power of State Government over LBs**

Act/Rule/Authority	Power exercised by Government
(1)	(2)
Section 141 of AP Act, Section 301 of AM Act and Section 426 of GMC Act	<b>Power to frame rules</b> The State Government may make rules for carrying out the aims and objectives of this Act.
Section 125 of AP Act, Section 298 of AM Act and Section 425 of GMC Act	<b>Power to dissolve PRIs and ULBs</b> Government may, by notification in Gazette, dissolve the PRIs and ULBs, if the Government is of the opinion that the LB exceeds or abuses its powers or is not competent to perform or make persistent default in the performance of the duties imposed on it under this Act or any other law, for the time being in force.
Section 124 of AP Act, Section 293 of AM Act and Section 424 of GMC Act	<b>Powers to revoke or suspend resolution of PRIs and ULBs</b> The ZP is empowered to suspend and prohibit an order or resolution of GP, if the ZP is of the opinion that the resolution is improper, cause or likely to cause injury or annoyance to the public or lead to a breach of peace.  The State Government may by an order in writing suspend and prohibit an order or a resolution of an ULB, if the resolution is improper, cause or likely to cause injury or annoyance to the public or lead to a breach of peace.

Section 123 of AP Act	<b>Power to restrict or withdraw functions from Panchayats</b> A Government may, by notification in the official gazette amend or add any activity, programme or scheme vested in the Panchayat.
Section 121 (1) of AP Act	<b>Power to conduct enquiry</b> The Government may, at any time for reasons to be recorded, cause an enquiry to be made by any of its officers in regard to any GP, AP or ZP on matter concerning it or on any matters with respect to which the sanctions, approval, consent or orders of the Government is required under this Act.
Section 140 of AP Act read with Rule 4 and 8 of AP (A) Rules	<b>Power of appointment, cadre control, transfers etc.</b> The employees of the PRIs are Government Servants. The Government shall regulate the classification, method of recruitment, conditions of service, pay and allowances, discipline and conduct of Secretaries of the GPs. The State Government may post from time to time additional staff of Grade I, Grade II, Grade III and Grade IV to ZP or AP or GP as it deemed necessary.
Section 122 of AP Act	<b>Power to issue guidelines</b> The State Government is empowered to issue directions to any Panchayat in matters relating to State and National Policies and such direction shall be binding on the Panchayat. The State Government may call for any record or register or other document in possession or under the control of any Panchayat.

The AP Act gives the State Government the following powers for ensuring proper functioning of PRIs:

- call for any Panchayat to furnish information or report, plan, estimate, statement, accounts or statistics;
- inspect any office or any record or any document of PRIs;
- inspect the works and development schemes implemented by PRIs; and
- take action for default of Panchayat President/Secretary.

The AM Act, 1956 and GMC Act 1971, also contain similar provisions to enable the State Government to monitor and ensure proper functioning of the ULBs.

Lapses/defects noticed in audit relating to formulation and implementation of schemes, matters relating to finance, etc., are mentioned in Chapters II and III of this Report.

## **1.19 Vigilance Mechanism**

### **1.19.1 Ombudsman**

The ombudsman conducts investigation and enquires into instances of maladministration, corruption, favoritism, nepotism, lack of integrity, excessive action, inaction, abuse of position etc, on the part of officials and ERs of LBs. He can even register cases, *suo moto*, if the instances of the above kind come to his notice. The State Government in November 2011 appointed 10 Ombudsmen and two Deputy Ombudsmen in 12 out of 27 districts in the State under section 27 (1) of the MGNREG Act, 2005. The PRDD, GoA stated (August 2012) that process of selection of Ombudsmen and Deputy Ombudsmen in the remaining 15 districts are in progress. Regarding registration and disposal of cases registered under Ombudsmen, the PRDD failed to furnish any information due to non-receipt of any data from the districts in this regard. Due to non-furnishing of information the status of functioning of Ombudsmen constituted so far could not be ensured.

There was, however, no provision in the AP Act, AM Act and GMC Act regarding setting up of Ombudsman for LBs.

### **1.19.2 Social Audit**

The primary objective of social audit is to bring the activities of LBs under close surveillance of people to enable them to access the records and documents of LBs. Such immediate access to information would facilitate transparency and accountability in day-to-day functioning of LBs. The State Finance Department issued guidelines (May 2009) for social audit which, *inter alia*, included the following:

- Use of Gram Sabhas and Ward Committees as important vehicles for spread of awareness about social audit.
- Appointment of nodal officer at the level of Gram Sabhas and Ward Committees who would register complaints and fix the date for social auditing.
- Wide publication of the date of social audit through local newspapers, hand bills,

leaflets and notice boards etc.

- Presentation by the GP Secretaries and representatives of ULBs of the relevant data on revenue and expenditure of their organizations including bills, vouchers, muster rolls, measurement books, copies of sanction orders and other books of accounts and papers necessary for the purpose of social auditing.

Except for a provision made under the Assam Rural Employment Guarantee (AREG) Scheme under MGNREGA, the State Government was yet to amend the relevant Panchayat and Municipal Acts by including a statutory provision for social auditing.

The PRD stated (August 2012) that process for constitution of independent Directorate of Social Audit has been initiated. Search Committee had been formed for selection of Directorate of Social Audit and Dimoria Development Block, Kamrup (Metro) had been selected as the pilot block for operationalising of the Social Audit.

### **1.19.3 Lokayukta**

The Assam Lokayukta and Upa Lokayukta Act, 1985 (Assam Act XX of 1985) was introduced to improve the standard of Public Administration through investigation of complaint against ministers, legislators and public functionaries including those of PRIs and ULBs. The Act was introduced and received the assent of the Hon'ble President of India on 12 December 1986 and thereafter, the Assam Lokaykta and Upa-Lokayukta Rules were framed in 1988 and the organization was set up on 20 January 1989 in Assam. At present the institution is headed by Upa-Lokayukta as the post of Lokayukta has been lying vacant for the last 17 years (since March 1995). The Upa-lokayukta had received 1032 complaints till March 2012 against which 1012 cases were settled leaving 20 cases pending as of March 2012.

The State Government stated (August 2012) that at present 12 corruption cases and 22 cases of grievances are being investigated by the Hon'ble Upa-Lokayukta, Assam. But no further progress regarding the settlement of cases was made available to audit. Though the State Government has taken various initiatives by publishing advertisement in local newspaper in Assam and launched a website to increase the awareness of the people regarding Lokayukta and Upa-Lokayukta Act. The Lokayukta and Upa-Lokayukta, received on an average only 47 complaints yearly as of March 2012.

Thus, there is a need to increase awareness among the people about the existence and functioning of anticorruption mechanism to make it more effective and useful to the public.

## **1.20 Audit Mandate**

### **1.20.1 Primary Auditor**

Director of Audit, Local Fund (DALF), Assam established under Assam Local Funds (Accounts & Audit) Act, 1930 is the Primary Auditor of all tiers of PRIs and ULBs in the State.

### **1.20.2 Organizational Set up of DALF**

The Local Fund Audit organization in the State of Assam under DALF has 20 circle offices each headed by an Assistant Director to perform audit functions at the district level. Each audit party comprises of one Audit Officer and one or more Assistant Audit Officers. There were 151 audit parties (March 2012) and they work under the direct supervision and guidance of the Assistant Director of the circle.

### **1.20.3 Training of DALF Staff**

Four training programmes for DALF staff were organized by Assam Administrative Staff College in December 2010, February 2011, April 2012 and May 2012 supported by another Orientation programme conducted by DALF in November 2011 and May 2012 respectively wherein, Audit Officers, Assistant Directors and Deputy Directors of DALF were provided training by officers of the erstwhile office of the Senior Deputy Accountant General, (Local Bodies Audit & Accounts), Assam for the capacity building of Officers of DALF.

### **1.20.4 Staff strength of DALF**

Details of sanctioned strength and persons in position in the organization as of 31 March 2012 are shown in **Table 1.20**.



**Table 1.20: Sanctioned strength and persons in position in DALF**

Sl. No.	Post	Sanctioned	Persons in position	Vacant	Percentage of vacancy
1	Director	1	1	-	-
2	Joint Director	2	2	-	-
3	Deputy Director	3	3	-	-
4	Assistant Director	23	23	-	-
5	Registrar	1	1	-	-
6	Audit officer	159	151	8	5.03
7	Assistant Audit Officer	220	115	105	47.72
8	Other ancillary staff	328	241	87	26.52
<b>Overall</b>		<b>737</b>	<b>537</b>	<b>200</b>	<b>27.14</b>

Source: DALF, Assam.

The organization is functioning with an overall 27 *per cent* shortage of personnel within which the shortage in the cadre of Audit Officers (five *per cent*) and Assistant Audit Officers (48 *per cent*) adversely affected the mandated functions of the organization which is depicted at paragraph no.1.25.1.

#### **1.20.5 Audit by CAG of India**

CAG of India conducts audit of substantially financed LBs under section 14 (1) of CAG (DPC) Act 1971 and audit of specific grants to LBs under section 15 of the Act *ibid*, in the office of sanctioning authority. The audit of PRIs and ULBs is also conducted by CAG under section 20 (1) of the Act as per Technical Guidance and Supervision (TGS) module as entrusted by the State Government in May 2002 followed by acceptance of standard terms and conditions of TGS (May 2011) in pursuant to the 13<sup>th</sup> FC recommendations.

Audit of accounts of 57 PRIs (five ZPs, 11 APs and 41 GPs), 17 ULBs, (six MBs and 11 TCs) for the year 2011-12 were conducted during July 2011 to March 2012 as detailed in *Appendix -IV*.

In selection of units for audit, the following criteria were adopted:

- Units due for audit as per norms prescribed by CAG of India.
- Districts in backward area.
- GPs under APs and APs under ZPs with relatively higher population together with consideration of periodicity of audit.
- Newspaper clippings, media reports and complaints received.

## 1.21 Conclusion

Consequent upon the 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendments, there has been considerable progress in empowerment of Panchayats/Municipalities. By and large, such empowerments remains confined to setting up of State Election Commission, conducting regular election to PRIs/ULBs, constituting SFCs periodically and devolution of funds as per award of CFCs & SFCs. But little had been done so far to augment the capacity building of PRIs/ULBs and to upgrade their weak administrative set up. In regard to transferred subject to PRIs, activity mapping is reported to have been completed way back in June 2007 for 23 subjects out of 29 subjects listed in the XI Schedule of the Constitution of India. However, ground realities do not confirm operationalisation of the activity mapping so far done. Activity mapping in respect of remaining six subjects are yet to be done. The DPCs did not visualize a comprehensive plan for district development. A significant portion of the funds escaped ZPs control due to direct transfer of GoI funds/ State Government funds to implementing agencies without routing through ZPs. The functioning of LBs had been greatly hampered by the non-availability of adequate data relating to the physical and fiscal indicators of performance of LBs. The limited data that was available was not only adequate but it suffered from lack of credibility also. Audited and authentic data base were not available. Despite dedicated fund allocation by the EFC and TFC in their award periods covering 2000-2005 and 2005-2010 respectively, little progress has been made in the situation even now. Even after constant persuasion by audit a reliable database on LBs finance has yet to come up. Due to non-observance of certain eligibility criteria for drawal of Performance grants of 13<sup>th</sup> FC, the State may lose out on substantial amount in the succeeding years. State Government had appointed 10 Ombudsmen and two Deputy Ombudsmen in 12 out of 27 districts in the State. State Government has yet to amend the Panchayat and Municipality Acts by including the statutory provision for Social audit. There is a need to increase the awareness among the people about the existence and functioning of anti corruption mechanism e.g. Lokayukta and Upa Lokayukta to make it more effective and useful.