

## **Part - B**

### **Urban Local Bodies**



# **CHAPTER IV**

**An overview of the Functioning,  
Accountability Mechanism and Financial  
Reporting issues of Urban Local Bodies**



## Chapter-IV

### An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies (ULBs)

#### An Overview of the Functioning of the ULBs in the State

##### 4.1 Introduction

The 74<sup>th</sup> Constitutional Amendment, which was enacted as the Constitution (Seventy fourth Amendment Act), 1992, envisioned creation of Local Self Government (LSG) for the urban population, wherein Municipal Institutions were conferred with Constitutional status for carrying out governance functions. The Amendment empowered Urban Local Bodies (ULBs) to function efficiently and effectively as autonomous entities, to deliver services for economic development and social justice, with regard to 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution.

The administration of ULBs is governed by the provisions of:

- Gauhati Municipal Corporation (GMC) Act, 1971,
- Assam Municipal (AM) Act, 1956 (amended upto 2012) and
- Assam Municipal Accounts (AMA) Rules, 1961.

There were 94 ULBs in the State, as on 31 March 2016, viz. one Municipal Corporation (MC), 34 Municipal Boards (MBs) and 59 Town Committees (TCs). ULBs falling under the General Areas are governed according to the provisions of the AM Act, 1956, while areas falling within the Sixth Schedule Areas are governed by the rules framed by the respective Autonomous District Councils (ADCs).

Statistics relating to the urban population of the State, as per Census 2011 and the number of ULBs are given in **Table 4.1 below:**

**Table 4.1: Statistics relating to the urban population of the State and number of ULBs**

Sl. No.	Indicator	Unit	Value
1	Population	Crore	3.12
2	Population density	Persons / Sq.km.	398
3	Urban population	Per cent	14
4	Urban Sex Ratio	Per thousand	948
5	Urban Literacy Rate	Per cent	88.47
6	Municipal Corporation (MC)	Numbers	1
7	Municipal Boards (MB)	Numbers	34
8	Town Committees (TC)	Numbers	59

Source: Economic Survey, Assam 2015-16.

The position of ULBs in Assam, in terms of number, area and average population, is given in **Table 4.2 below:**

**Table 4.2: Position of ULBs**

Level of LB	No.	Area per ULB (Sq. Km)	Average population
Municipal Corporation (MC)	1	216.79	9,63,429
Municipal Boards (MB)	34	20.35	90,652
Town Committees (TC)	59	1.53	4,960

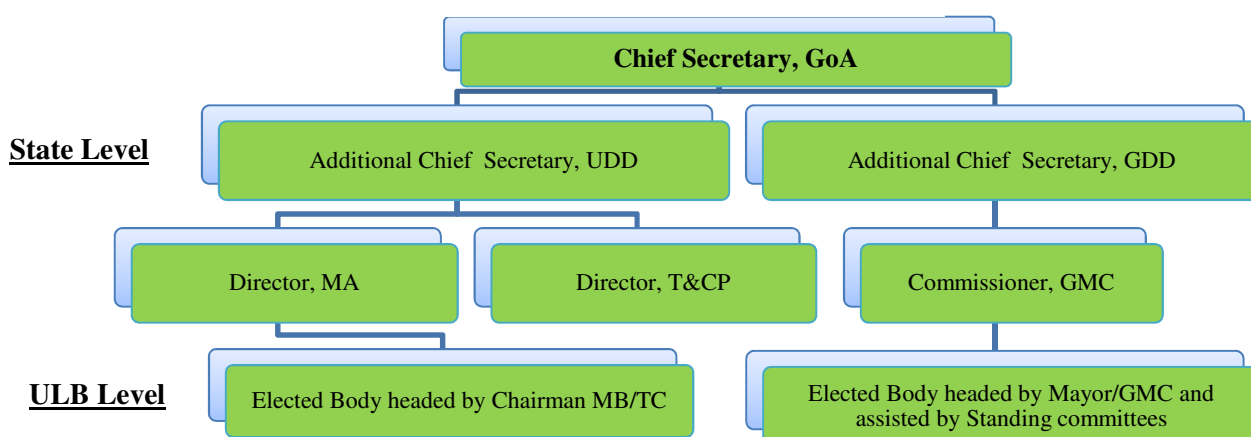
Source: Assam State Finance Commission's report submitted for 14<sup>th</sup> CFC.

## 4.2 Organisational set up in State Government and ULBs

The Additional Chief Secretary, is the administrative head of the Urban Development Department (UDD), which looks after matters relating to the administration of the ULBs (MBs and TCs). He is assisted by the Director, Municipal Administration (DMA) and Director, Town & Country Planning (T&CP). The Commissioner and Secretary, UDD, is responsible for allocation of funds as well as implementation of schemes at the State level. The Additional Chief Secretary, Guwahati Development Department (GDD), is the administrative head of the Department, to whom the Commissioner, Gauhati Municipal Corporation (GMC) reports.

Organisational set up of ULBs is depicted in **Chart 4.1** below:

**Chart 4.1: Organisational set up of ULBs**



## 4.3 Functioning of ULBs

As per Section 53 of Assam Municipal Act, 1956, it is mandatory to appoint Executive Officers (EOs) in each and every Municipal Board and Town Committee. Further, sub-section 2 under section 53 of the said Act mentions that all financial matters, particularly those relating to the implementation of schemes by the Municipalities funded by the Government of India or the State Government, shall invariably be routed through the concerned EOs. The EOs are required to execute due scrutiny in this regard and are also responsible for any acts of omission or commission.

In March 2015, the GoA had directed that Indian Administrative Service (IAS)/Assam Civil Service (ACS) officers be entrusted with the additional charge of Executive Officers in the ULBs. As such, till date (October 2016), the ULBs are functioning without dedicated Executive Officers.

### 4.3.1 Staffing pattern of ULBs

The ULBs do not have any approved staffing pattern. As a result, the staff strength of ULBs varies from unit to unit, depending on their size and paying capacity. However, UDD and GDD submitted study reports on the staffing pattern of the ULBs and GMC to Fourth Assam State Finance Commission (4<sup>th</sup> ASFC), in December 2011 and in February 2012, respectively. Accordingly, the staffing pattern of ULBs had been drafted by the Departments but approval from the Finance Department was awaited (October 2016). Appropriate manning of ULBs carries significant implications for their ability to handle the funds received by them from various sources, as well as their accounting in a proper manner. It is

also important, keeping in view the enhanced workload entrusted to ULBs under different programmes, schemes and projects.

#### **4.3.2 Status of devolution of Funds, Functions and Functionaries (3Fs)**

Consequent to the 74<sup>th</sup> Constitutional Amendment, most States have amended their municipal laws. However, since last one and half decades, fund, function and functionaries are still not completely transferred officially to the ULBs. The Central Finance Commissions and the State Finance Commissions have emphasised the need for complete transfer of the 3Fs to the ULBs. Out of the 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution of India, the following eight subjects 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 and play grounds;
- Burials and burial grounds, cremations, cremation grounds and electric crematoriums;
- Cattle ponds;
- Public amenities including street lighting, parks, gardens, play grounds; and
- Regulation of slaughter houses.

Subjects relating to urban planning, including town planning, land use and construction of buildings, slum improvement and upgradation, 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 transferred to the ULBs. The approach adopted in this regard so far remains limited to constituting a committee for the purpose of transferring the functions to ULBs. Thus, the devolution of 3Fs, as listed in the XII<sup>th</sup> Schedule, remained more or less unimplemented, till March 2016. In respect of GMC, out of the 18 functions listed in the XII<sup>th</sup> Schedule, activities under four functions only were transferred to GMC (as of March 2016). The remaining functions were lying with the line departments and other agencies working in parallel with GMC within the Municipal area. Thus, devolution of 3Fs to GMC, in respect of the transferred subjects, was far below the desired level.

Nevertheless, the GoA had created a Municipal window in the State Budget for devolution of funds and, every year, a substantial portion of budgetary outlays, under plan and non-plan in the revenue account, was earmarked for Municipalities against the transferred subjects. However, the earmarked amount was being spent through the functionaries of the line departments. Thus, the objective of creating the Municipal window in the State Budget was frustrated, due to lack of effective action on the part of the Government to implement its own decisions regarding the devolution of 3Fs to the ULBs.

#### **4.4 Formation of various Committees**

##### **4.4.1 Standing Committees**

In case of ULBs, the AM Act, 1956 does not provide for the constitution of any standing committee for the purpose of ensuring active involvement of majority of Ward Committees in Municipal administration and to further decentralise the development process. Although Section 20 of GMC Act, 1971 provides for constitution of a standing committee (for the Guwahati Municipal Corporation), no provision was made in the Act regarding timeline for formation of the standing committee and its constituent members.

#### 4.4.2 Ward Committees

Section 48 A of the AM Act 1956, provides for constitution of Ward Committee, consisting of one or more (but not more than four) wards within the territorial area of a Municipality having a population of three lakh or more. The tenure of Ward Committee is co-terminus with the tenure of the Municipal Board and, on dissolution of the Municipal Board, the Ward Committee shall automatically stand dissolved.

#### 4.4.3 Metropolitan Planning Committees

Article 243ZE of the Constitution of India says “There shall be constituted in every Metropolitan area, a Metropolitan Planning Committee to prepare a draft development plan for the Metropolitan Region as a whole.” The Constitution makes it mandatory for the States to set up Metropolitan Planning Committees (MPCs) in the metropolitan areas of the country. However, MPCs are yet to come up in the State.

#### 4.5 Audit arrangements

##### 4.5.1 Primary Auditor of ULBs

Director of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930, is the Primary Auditor of all tiers of ULBs in the State. The Directorate is responsible for (i) carrying out the Audits of Local Funds with the help of 20 circle offices, each of which was headed by an Assistant Director, to perform audit functions at the District level; and (ii) facilitating submission of Audit Reports of the Administrative Departments. There are 122 audit parties, comprising of one Audit Officer and one or more Assistant Audit Officers. The audit is conducted in conformity with the Assam Audit Manual and other prescribed Government Rules and Amendments, declared by Government from time to time.

##### 4.5.1.1 Audit coverage by Director of Audit, Local Fund (DALF)

As per information furnished by the DALF (August 2016), the arrears in audit of ULBs, during the period 2011-12 to 2015-16, ranged between 28 and 56 *per cent*. The year-wise position of units planned to be audited, and those actually audited is detailed in the following **Table 4.3:**

**Table 4.3: Shortfall in covering the units planned for audit by DALF**

Year	No. of units planned for audit	No. of units audited	Shortfall	Percentage of shortfall
2011-12	54	34	20	37
2012-13	58	26	32	55
2013-14	57	41	16	28
2014-15	48	21	27	56
2015-16	67	41	26	39

Source: Information furnished by DALF, Assam.

Apart from shortfall in the number of units audited against the number of units planned for audit, there was also arrear in issue of 44 audit reports, during 2011-12 to 2015-16, by the DALF. The reasons for shortfall in audit coverage and arrear in issue of audit reports were attributed to inconsistency of manpower. Besides, the Audit officials were also stated to have been engaged for long periods in the Elections and works related to National Register of Citizens (NRC).



#### 4.5.1.2 Presentation of Annual Audit Report

As per para 101(i) of Assam Audit Manual, DALF is required to submit an Annual Audit Report to the Finance Department, by 30 September each year, incorporating major outstanding audit objections relating to PRIs which were pending settlement for further action by the Finance Department. The status of consolidated Audit Reports submitted by DALF is shown in the following **Table 4.4**:

**Table 4.4: Status of consolidated Audit Reports submitted by DALF**

Sl. No.	Consolidated Audit Report for the year	Submitted to Government	Laid before Legislature
1	2010-11 and 2011-12	21 March 2013	10 February 2014
2	2012-13 and 2013-14	7 December 2014	19 December 2014
3	2014-15	13 November 2015	Yet to be laid
4	2015-16	Under preparation	

However, follow up action and Action Taken Report by Finance Department on the Annual Consolidated Audit Reports of DALF is wanting, thereby weakening the accountability mechanism of ULBs.

#### 4.5.2 Audit by Comptroller and Auditor General of India

The audit of ULBs is conducted by the CAG under Section 20(1) of the CAG's Duties, Powers and Conditions of Service Act 1971 as per the Technical Guidance and Support (TGS) arrangements as entrusted by the State Government in May 2002 followed by acceptance of the standard terms and conditions of TGS (May 2011) pursuant to the 13<sup>th</sup> FC recommendations.

The CAG being the secondary auditor for the Local Bodies in Assam only selective audit of ULBs are done. As such, during April 2015 to March 2016, accounts of 11 ULBs (one Municipal Corporation, six MBs and four TCs) only were audited.

The status of discussion of the Audit Report by the Local Funds Accounts Committee is presented in **Table 1.7** of chapter I.

#### 4.6 Response to Audit observations

Inspection Reports (IRs) were issued by Accountant General (Audit), Assam, to audited ULBs, with a copy of each to the State Government. ULBs were required to comply with the observations contained in the IRs, rectify the defects and omissions and report their compliance promptly after the issue of IRs. Important audit findings were processed for inclusion in the CAG's Audit Report on Local Bodies. The details of outstanding paragraphs, as of March 2016, are shown in the following **Table 4.5**:

**Table 4.5: The details of outstanding IRs and paragraphs**

Year of issue	No. of Inspection Reports	No. of outstanding Paras	Money value (₹ in crore)
Upto 2011-12	74	924	231.29
2012-13	06	59	12.38
2013-14	42	484	148.78
2014-15	05	66	8.71
2015-16	16	222	156.31
<b>Total</b>	<b>143</b>	<b>1755</b>	<b>557.47</b>

Source: Progress Register.

Thus, settlement of 1,755 paragraphs, with monetary value of ₹557.47 crore, was pending (March 2016) for want of replies from concerned ULBs. The increasing trend of outstanding paragraphs was indicative of audit observations not being complied with and also of a low level of accountability. The Administrative Heads of the Departments concerned also did not ensure that the concerned officers of the ULBs took prompt and timely action in furnishing replies to IRs, thereby contributing to the weakening the accountability mechanism of ULBs in Government.

## **Accountability Mechanism of ULBs**

### **4.7 Ombudsman**

As per the guidelines issued by the Ministry of Finance on implementation of the recommendations of the 13<sup>th</sup> Finance Commission, the State Government is required to appoint an ‘Ombudsman’, to act as an independent quasi-judicial authority for Local Self Government Institutions at the State level, for conducting investigations and enquiries in respect of any complaints of corruption and maladministration against the functionaries of Local Bodies (both elected members and officials) and recommend suitable action, in accordance with the provisions of the Act. There was no provision in the AM Act and GMC Act regarding setting up of an Ombudsman for ULBs. As a result, there was no scope for the Ombudsman to conduct investigation and enquire into aforesaid areas.

### **4.8 Social Audit**

The primary objective of social audit is to bring the activities of ULBs under close surveillance, to enable public access to the records and documents of ULBs. Such immediate access to information would facilitate transparency and accountability in the day-to-day functioning of ULBs.

The State Finance Department issued guidelines (May 2009) for social audit which, *inter alia*, included the following:

- Use of Ward Committees as important vehicles for spread of awareness about social audit;
- Appointment of nodal officer at the level of Ward Committee 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.*; and
- Presentation by the representatives of ULBs of the relevant data on revenue and expenditure of their organisations 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.

However, the State Government had not amended (October 2016) the relevant Municipal Act to include a statutory provision for social audit.

### **4.9 Lokayukta**

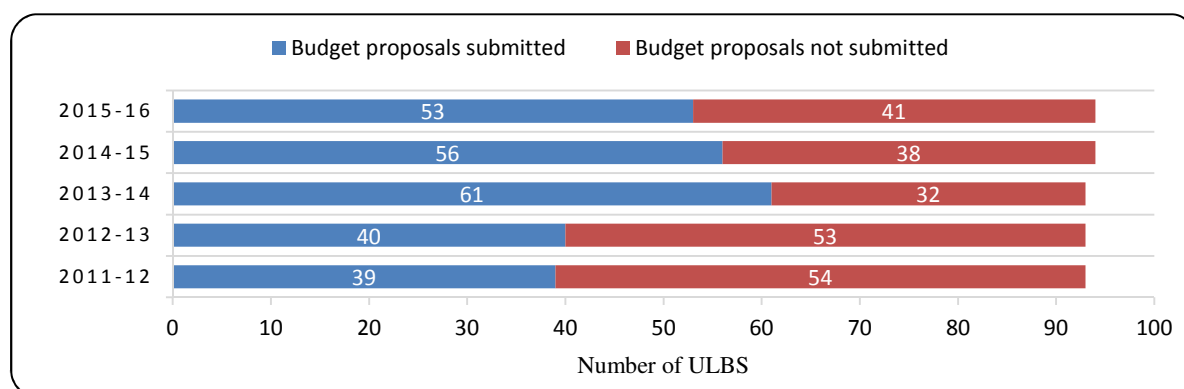
The Assam Lokayukta and Upa-Lokayukta Act, 1985 (Assam Act XX of 1985) was introduced to improve the standards of Public Administration through investigation of complaints against ministers, legislators and public functionaries, including those of ULBs. The institution was, however, headed by the Upa-Lokayukta (since March 2001), as the post of Lokayukta had been lying vacant for the last 21 years (from March 1995 till March 2016).

Although the State Government had taken initiatives for creating awareness regarding the Lokayukta and Upa-Lokayukta Act, the Upa-Lokayukta received only seven complaints during the year 2015-16, out of which none was related to ULBs. Thus, there was a need to increase awareness among the people in the Municipal areas about the existence and functioning of the anti-corruption mechanism, related to ULBs, to make it more effective and useful to the public.

#### 4.10 Budget formulation

The position of submission of budget proposals, by the MBs/TCs to the Director, Municipal Administration (DMA), Assam, during the period 2011-12 to 2015-16, is shown in the following **Chart 4.2** below:

**Chart 4.2: Submission of Budget proposals**



Source: Director, Municipal Administration, Assam.

As seen from the preceding chart, out of the total ULBs in Assam, 54, 53, 32, 38 and 41 ULBs had not submitted budget proposals, during 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 respectively. Funds were nevertheless released by the Government, without taking into account the requirements of the ULBs, thereby defeating the purpose behind planning.

#### 4.11 Internal Audit and Internal Control system in ULBs

##### 4.11.1 Internal Audit

Internal Audit is an important instrument for examining and evaluating the level of compliance with rules and procedures, as envisaged in the relevant Acts, as well as in the Financial/ Accounting Rules, so as to provide independent assurance to management on the adequacy of the risk management and internal control framework in the ULBs.

The system of Internal Audit had not been introduced in the Municipalities in Assam, as there was no provision for Internal Audit in the relevant Municipal Acts and Rules. As such, a system of Internal Audit did not exist in ULBs. The above mentioned deficiencies adversely impacted the accountability of ULBs, insofar as ensuring compliance with Rules and Procedures, as envisaged in the relevant Acts/Rules, was concerned.

##### 4.11.2 Internal control mechanism in ULBs

The internal control mechanism is an integral function of an organisation, which helps it to govern its activities effectively and to achieve its objectives. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and Bye-laws. A sound internal control mechanism assists in minimising the risk of errors and irregularities.

The following deficiencies were, however, observed in the functioning of the ULBs, indicating the lack of an effective internal control mechanism therein:

- Periodical reports/returns, in respect of implementation of various schemes and other activities in the district, were not submitted to higher authorities. Thus, an effective monitoring system, which was essential for ensuring compliance in terms of the physical and financial implementation of schemes/programmes, was not in existence. These facts have been detailed in paragraphs 5.11, 6.1, 6.2 and 6.3.
- There was no readily available data on “Own Revenue Resources” of the ULBs and expenditure incurred there against. In spite of repeated requests, the DMA could not provide information on overall collection of own revenues by the ULBs. Thus, the Government failed to keep track of the revenue resources of the ULBs and expenditure incurred therefrom. Further, mis-utilisation of own revenues also would not be ruled out. The DMA stated (October 2016) that there was no centralised system of maintenance of database.
- There was no mechanism for monitoring of budget proposals, which was evident from the fact that, out of 94 ULBs 54, 53, 32, 38 and 40 ULBs had not submitted budget proposals during 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16 respectively. However, the funds were released by the Government nevertheless, without taking into account their requirements.

Though these shortcomings were pointed out to ULBs and the State Government in previous ATIRs/Audit Reports, no corrective action in this regard was available on records.

#### **4.11.3 Advance paid to Departmental officers/Contractors not adjusted**

State Financial Rules stipulate that advances paid should be adjusted without any delay and that the Drawing and Disbursing Officers (DDOs) concerned should watch their adjustment. Though the Chairpersons of ULBs are custodians of all Municipal accounts, it was noticed that, in two<sup>56</sup> ULBs, an amount of ₹44.43 lakh was given (between June 2010 and April 2015) as advances to Departmental officers/Contractors for implementation of schemes, but the same was not adjusted till March 2016. By not adjusting the advances paid to Departmental officers/Contractors, the concerned DDOs not only violated financial rules, but also contributed to the possibility of overpayment to JEs/Contractors, as against the actual cost of work.

#### **4.11.4 VAT not deducted**

According to the State Value Added Tax (VAT) Act, VAT is to be deducted from the payment of contractors/suppliers. Tests check of records revealed that in five<sup>57</sup> out of 11 ULBs, VAT, amounting to ₹65.88 lakh, was not deducted. As the VAT was not deducted, Government suffered a loss of revenue to that extent.

#### **4.11.5 Holding Tax, Licence Fee and Room Rent not realised**

During test check of records, it was noticed that Holding Tax, Licence Fee and Room Rent amounting to ₹11.32 crore were not realised from eight out of 11 test-checked ULBs, as shown in the following **Table 4.6:**

<sup>56</sup> Guwahati Municipal Corporation: ₹37.96 lakh; Chabua TC: ₹6.47 lakh

<sup>57</sup> GMC: ₹44.37 lakh, Goalpara MB: ₹17.19 lakh, Naharkatia TC: ₹1.70 lakh, Badarpur TC: ₹1.64 and Chabua TC: ₹0.98 lakh

**Table 4.6: Holding Tax, Licence Fee and Room Rent not realised** (₹ in crore)

Sl. No	Name of ULBs	Amount not realised
1.	Chabua TC	0.42
2.	North Lakhimpur MB	0.94
3.	Kokrajhar MB	0.80
4.	Naharkatia TC	0.02
5.	Badarpur TC	0.17
6.	Rangia MB	0.61
7.	Goalpara MB	2.45
8.	GMC	5.91
<b>Total</b>		<b>11.32</b>

As the Holding Tax, Licence Fee and Room Rent was not deducted, there was loss of Government revenue to the tune of ₹11.32 crore. Moreover, the fund could not be used for the applications, envisaged under Section 60 of the AM Act, 1956, resulting in non-implementation of various social welfare activities which were to be carried out by the ULBs.

#### 4.11.6 Short collection of *Kist* money

During test-check of records, it was noticed that there was short collection of *kist* money of ₹36.02 lakh, in seven ULBs, as shown in the following Table 4.7:

**Table 4.7: Short collection of *Kist* money** (₹ in lakh)

Sl. No	Name of ULBs	Amount not realised
1.	Chabua TC	0.40
2.	North Lakhimpur MB	0.30
3.	Amguri MB	9.44
4.	Badarpur TC	5.96
5.	Rangia MB	9.63
6.	Goalpara MB	0.42
7.	Nalbari MB	9.87
<b>Total</b>		<b>36.02</b>

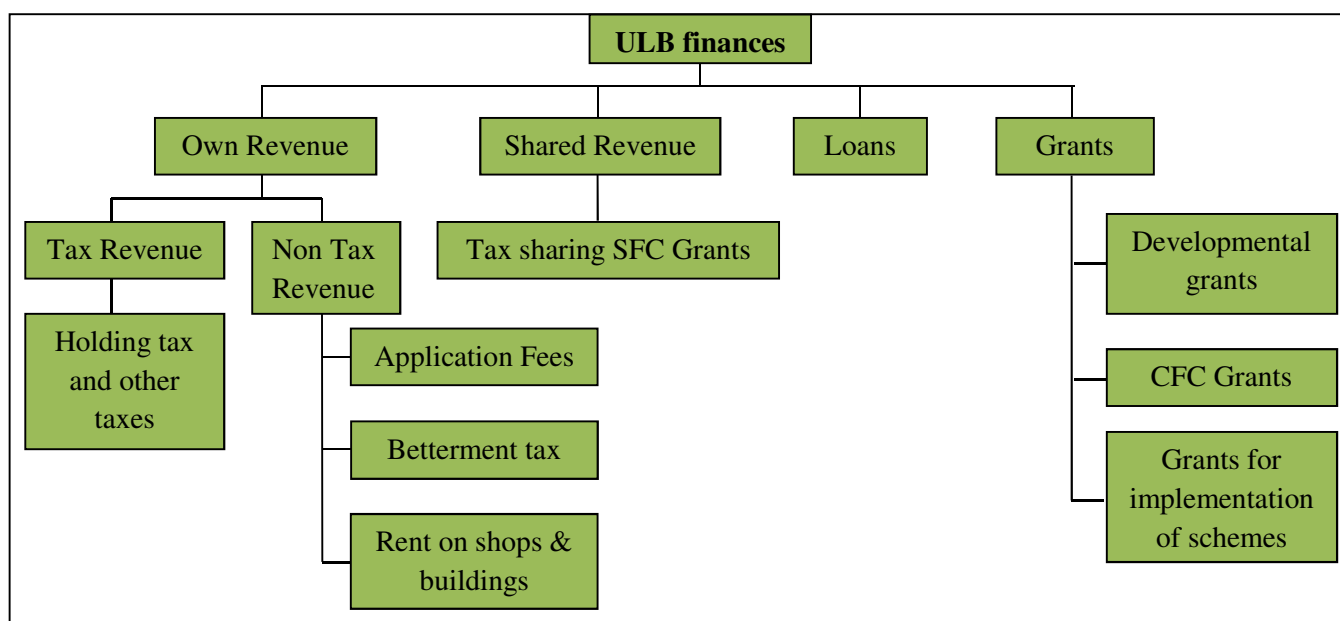
Thus, due to short collection of *kist* money, revenue could not be augmented to that extent.

### Financial Reporting Issues of ULBs

#### 4.12 Sources of Funds

The principal sources of revenue of ULBs are (i) Collection from tax and non-tax sources allocated to them under the relevant Act, (ii) resource transfers from the State in the form of devolution of shared taxes and duties; (iii) grants-in-aid from the Government of Assam (GoA) and (iv) grants-in-aid from Government of India (GoI) under various Centrally Sponsored Schemes (CSS) and under award of successive CFCs. Besides, ULBs also obtain loans from financial institutions for implementation of various schemes relating to Urban Development, Water Supply and Roads *etc.*, as shown in the following Chart 4.3:

**Chart 4.3: A flow chart of finances of ULBs**



Under the provision of the Acts in force, all collections such as taxes on holdings, water tax, latrine tax *etc.*, are sources of tax revenue while building plan sanction fees, rents from shops and buildings, tolls and other fees and charges constituted the main sources of non-tax revenue. The State Government also released grants-in-aid and loans to the ULBs to compensate their establishment expenses. ULBs also receive grants and assistance from the State and Central Governments for implementation of various schemes and projects.

#### 4.12.1 Resource trends of ULBs and their composition

The trend of resources of ULBs, for the period 2011-12 to 2015-16, is shown in the following **Table 4.8:**

**Table 4.8: Time series data on ULBs resources**

(₹ in crore)					
Source	2011-12	2012-13	2013-14	2014-15	2015-16
Own Revenue	151.57	190.04	NA	NA	NA
SFC transfers	189.68	149.59	133.11	169.07	Nil
CFC transfers	31.97	44.28	Nil	39.74	46.57
Interest for delayed payment of CFC grants	0.11	0.20	0.12	0.18	Nil
State Sponsored Scheme (SSS)	16.13	4.14	8.22	12.29	0.91
GoI grants for CSS	24.09	33.41	25.57	11.03	15.17

Source: The FASFC Report and information furnished by DMA and Director, T&CP GoA.

The preceding table shows that the UDD lacked monitoring of own revenue resources of ULBs, as it could not provide consolidated figures of actual receipts in respect of own revenues of all the ULBs in Assam. Under SFC transfers, no funds were released to the ULBs during 2015-16 as the Government of Assam had entrusted 5<sup>th</sup> ASFC to revisit its Report in view of recommendation of 14<sup>th</sup> FC. However, the Commission is yet to submit (July 2016) the final report, resulting in non-release of funds during 2015-16. Similarly, minimal funds were released during 2015-16 under the SSS, in comparison to the previous year.

#### 4.12.2 Resource trends of GMC and their composition

The receipts of GMC, from all sources, during the five years ending 2015-16, are shown in the following **Table 4.9:**



**Table 4.9: Time series data on GMC resources**

(₹ in crore)

Source	2011-12	2012-13	2013-14	2014-15	2015-16
Own Revenue	48.09	58.03	50.61	56.05	80.34
SFC transfers	56.12	92.50	34.72	48.27	Nil
CFC transfers	8.07	12.77	Nil	10.20	20.50
Interest for delayed payment of CFC grants	0.01	Nil	Nil	Nil	Nil
SSS	4.95	2.64	16.86	7.94	13.68
GoI grants for CSS	0.38	6.97	8.08	1.63	0.02

Source: Information furnished by GMC, Assam.

The collection of own revenue by GMC during 2015-16 showed improvement, in comparison to the previous year's collection. However, as per the Annual Administrative Report of GMC for 2015-16, the budget under the head 'General Administrative Expenditure' for the year 2015-16 was ₹148.71 crore, which could not have been met from its own revenue collection. Due to non-release of funds under SFC, there were instances<sup>58</sup>, of diversion of funds from other schemes, depriving the beneficiaries of the intended benefits of the Schemes.

#### 4.12.3 Allocation and release of funds

During 2013-14 to 2015-16, public investment in urban development, through major CSS, and the corresponding State share, is shown in the following **Table 4.10**:

**Table 4.10: Statement showing investment through major CSS and SSS**

(₹ in crore)

Sl. No.	Name of schemes	Nature of grants (Share)	2013-14			2014-15			2015-16		
			Budget provision	Allocation made	Fund released	Budget provision	Allocation made	Fund released	Budget provision	Allocation made	Fund released
1	SJSRY	Central	34.13	34.30	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	6.00	3.79	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2	IDSMT <sup>59</sup>	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3	IHSDP <sup>60</sup>	Central	62.81	2.00	Nil	1.71	1.01	1.01	8.77	0.70	0.70
		State	6.98	0.00	0.00	Nil	Nil	Nil	Nil	Nil	Nil
4	UIDSSMT <sup>61</sup>	Central	82.67	82.67	11.81	30.33	30.33	1.06	23.27	23.27	Nil
		State	9.18	9.18	0.15	1.40	1.40	Nil	1.19	1.19	Nil
5	10 per cent Pool Fund	Central	27.00	13.76	13.76	12.79	6.63	6.63	17.24	11.74	11.74
		State	4.00	3.10	3.10	2.00	0.21	0.21	2.37	1.05	1.05
6	Night Shelter for Urban Slum	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	0.46	0.46	0.22	2.00	1.00	0.60	1.00	1.00	Nil
7	C.M's Special package	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	1.50	1.50	1.50	1.50	1.50	1.50	9.45	9.45	0.31
8	Basti-sudhar	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	0.30	0.30	0.30	1.00	1.00	1.00	Nil	Nil	Nil

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

Although information on scheme-wise budget provisions, allocations and releases of funds was provided by the Department, there was no readily available data on how much amount was actually spent in a particular year on the above mentioned schemes. Thus, there is a need to establish a mechanism for proper accounting of these schemes for better accountability and achieving maximum outcomes which will have a direct impact on social welfare.

<sup>58</sup> ₹two crore from the central fund was diverted by the GMC for payment of salaries, as reported in the Inspection Report.

<sup>59</sup> Integrated Development of Small and Medium Towns.

<sup>60</sup> Integrated Housing and Slum Development Programme.

<sup>61</sup> Urban Infrastructure Development Scheme for Small and Medium Towns.

#### 4.12.4 Devolution recommended by ASFC

With regard to sharing of the net proceeds of State Taxes with Municipalities, the approach of sharing the net proceeds of all State Taxes, excluding Non-Tax revenues and share of Central Taxes, is adopted. Details of the quantum of devolution recommended by ASFC and funds released by the GoA to ULBs, during the years 2011-12 to 2015-16, are indicated in the following **Table 4.11**:

**Table 4.11: Devolution of Fund to ULBs**

(₹ in crore)

Year	Net collection of the State Government	ULBs including GMC		Short released
		Amount to be devolved	Actual released by GoA	
(1)	(2)	(3)	(4)	(5)
2011-12	7638.23	83.65	83.65	0
2012-13	8250.21	91.27	91.26	0.01
2013-14	6545.09	322.77	133.11	189.66
2014-15	7265.05	351.75	169.07	182.68
2015-16	42893.83	0.00	0.00	0.00
<b>Total</b>	<b>72592.41</b>	<b>849.44</b>	<b>477.09</b>	<b>372.35</b>

Source: Information furnished by Director, Finance (Economic Affairs) Department, Assam.

The Government has entrusted Fifth ASFC to revisit its Report, in view of the recommendations of the 14<sup>th</sup> Finance Commission. Data on amount to be devolved was not available till July 2016, as no report was submitted by the Committee, resulting in non-release of funds during 2015-16.

Thus, due to short release of ₹372.35 crore the ULBs were unable to implement various welfare activities for the overall economic development.

#### 4.12.5 Fourteenth Finance Commission Grant

The distribution of funds among the States, by the 14<sup>th</sup> Finance Commission (14<sup>th</sup> FC), was done on the basis of 90 *per cent* on population (as per 2011 population data) and 10 *per cent* on area. The grant to each States was to be divided into two parts - a grant to duly constituted gram panchayats and a grant to duly constituted municipalities, on the basis of the urban and rural population of each State, using the data of Census 2011. An amount of ₹970.54 crore was recommended for the ULBs in Assam. The amount so recommended has two components *viz.* General Basic Grants (80 *per cent* of the recommended amount) and Performance Grants (20 *per cent* of the recommended amount).

According to the 14<sup>th</sup> FC, for the period 2015-20, States will be eligible to draw their Basic Grants, which will remain fixed for each State, and Performance Grant can be drawn only after submission of audited annual accounts that relate to a year not earlier than two years preceding a year in which the ULBs seek to claim the performance grant. Moreover, the ULBs will also have to show an increase in the own revenues of the local bodies over the preceding year, as reflected in the audited accounts.

#### 4.12.6 Penal interest for late release of fund by the State Government

The position of grants released to ULBs during 2011-12 to 2015-16 by the GoI, and further released by the State Government, as per the recommendations of the 13<sup>th</sup> FC, is shown in the following **Table 4.12**:



**Table 4.12: Statement showing penal interest for late release of CFC funds to ULBs**  
(₹ in crore)

Programme year	Scheme components	Funds received/released		Penal interest for late release of funds
		Received from GoI	Released to ULBs	
2011-12	General Performance Grant	10.18	10.18	0.09
	General Basic Grant	27.25	27.25	
2012-13	General Performance Grant	20.03	3.65	0.33
	General Basic Grant	30.67	30.67	
2013-14	General Performance Grant	23.62	NIL	0.12
	General Basic Grant	34.59	NIL	
2014-15	General Performance Grant	30.52	NIL	0.18
	General Basic Grant	44.84	39.24	
2015-16	General Performance Grant	NIL	NIL	0
	General Basic Grant	93.14	46.57	
<b>TOTAL</b>		<b>314.84</b>	<b>157.56</b>	<b>0.72</b>

Source: Director, Finance (Economic Affairs) Department, GoA.

It was observed that State Government released 13<sup>th</sup> FC grants to ULBs, with an interest liability of ₹0.72 crore, during 2011-12 to 2015-16 due to late transfer of funds. The delay in release of funds hampered the timely implementation of the projects in the field because the time factor plays an important role in Assam, in view of the season-specific limitations in the execution of works.

#### 4.12.7 Maintenance of records

Maintenance of records and registers is one of the important tools of Internal Control Mechanism. However, during audit of 11<sup>62</sup> test-checked ULBs, it was noticed that the basic records were not being maintained by ULBs as shown in the following **Table 4.13**:

**Table 4.13: Details of basic records not being maintained in the test checked ULBs and implications thereof**

Register not maintained	Name of ULBs	Implication
Stock Register	North Lakhimpur MB and Rangia MB	As the Stock Registers were not maintained, actual receipt and utilisation of material could not be monitored by the ULBs. This could also lead to mis-utilisation of material intended for implementation of the schemes.
Asset Register	North Lakhimpur MB, Kokrajhar MB, Rangia MB, Naharkatia TC and Chabua TC,	As the Asset Registers were not maintained, the assets of the ULBs could not be monitored, which could lead to mis-utilisation/ mis-management of assets. Moreover, as some of the assets were revenue generating, the ULBs would not be able to keep track of the revenue generated by such assets, which could also lead to misappropriation of revenue generated by such assets.
Works Register	Naharkatia TC	As the Works Register was not maintained, names of the schemes taken up, estimated cost, name of the executing agency, date of commencement and completion of works could not be ascertained.
Advance Register	GMC, Rangia MB and Chabua TC	The purpose, duration and amount of advance, to be recovered/adjusted, as on 31 <sup>st</sup> March every year, could not be monitored, which could result in the advance remaining unrecovered even after completion of the work.

<sup>62</sup> Guwahati Municipal Corporation, Goalpara MB, Rangia MB, Kokrajhar MB, North Lakhimpur MB, Nalbari MB, Amguri MB, Kharupetia TC, Sabua TC, Naharkatia TC and Badarpur TC.

#### **4.12.8 Maintenance of Accounts**

The Government of Assam had accepted (March 2011) the National Municipal Accounting Manual (NMAM), which recommends introduction of the accrual-based double entry system and improved financial management in all ULBs in India. As per the NMAM, the ULBs are required to maintain their accounts on accrual basis and to prepare financial statements such as Balance Sheets, Income and Expenditure Statements, Statements of Cash flows and Receipt and Payment Accounts, at the end of each quarter.

Although the DMA stated that the Accrual Based Double Entry Accounting System has been implemented by most of the ULBs, the details were not provided to audit. Further, no information on the present status of preparation of accounts *i.e.* upto which years the accounts were finalised, was available with the DMA.

Test-check revealed that six<sup>63</sup> ULBs did not maintain their Annual Accounts. As the Annual Accounts were not maintained, head-wise receipts and expenditure and the financial performance of ULBs could not be ascertained.

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<sup>63</sup> Guwahati Municipal Corporation, North Lakhimpur MB, Rangia MB, Nalbari MB, Chabua TC and Naharkatia TC