

# OVERVIEW



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This Report contains six chapters. The first and fourth chapters respectively contain an overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). The second and third chapters respectively contain a Compliance Audit on “National Rural Livelihoods Mission” and Compliance audit paragraphs of PRIs. The fifth and sixth chapter respectively contain a Performance Audit of “Management of Own Fund by Municipal Boards including collection of Revenue” and Compliance audit paragraphs of ULBs. A synopsis of the findings is presented in this overview.

## Chapter-I

### **An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the PRIs in the State**

The Administrative set up of panchayats in the State comprises of a three-tier system, Gram Panchayats (GPs) at the village level, Anchalik Panchayats (APs) at the intermediate level (co-terminus with Blocks) and Zilla Parishads (ZPs) at the 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 Local Self Government Institutions (LSGIs)

*(Paragraph 1.3.1)*

The Third Assam State Finance Commission (TASFC) recommended a revised staffing pattern, of 30, 20 and 8, for each ZP, AP and GP respectively, from 2008-09. However, the revised staffing pattern recommended by TASFC was yet to be implemented by the Panchayat and Rural Development Department (PRDD).

*(Paragraph 1.3.2)*

Government of Assam (GoA) issued (June 2007), a notification regarding ‘Activity Mapping’, for 23 out of 29 subjects listed in the XI<sup>th</sup> Schedule of the Constitution of India, for devolution of ‘Funds’, ‘Functions’ and ‘Functionaries’ (3Fs) to the PRIs. Further, ‘Activity Mapping’ in respect of the remaining six subjects had not been completed (October 2016).

*(Paragraph 1.3.3)*

The 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 PRIs in the State. There were arrears in the audit of PRIs, by the DALF, during the period 2011-16, ranging between 21 and 50 *per cent*.

*(Paragraph 1.5.1.1)*

Comptroller and Auditor General (CAG) of India conducts audit of substantially financed PRIs under Section 14 (1) of CAG’s (DPC) Act, 1971 and audit of specific grants to PRIs under Section 15 of the Act *ibid*. The audit of PRIs is also conducted by CAG under section 20 (1) of the Act, as per Technical Guidance and Support (TGS) arrangements. During April 2015 to March 2016, accounts of 80 PRIs (Four ZPs., 39 APs and 37 GPs) were audited.

*(Paragraph 1.5.2)*

PRI authorities are required to comply with the observations contained in the Inspection Reports (IRs), issued by the Accountant General, rectify the defects and omissions brought out in the IRs and report their compliance in this regard promptly, after the issue of IRs. However, since 2011-12, 5382 paragraphs with monetary value of ₹ 1535.38 crore were pending for settlement (March 2016) for want of replies from the concerned PRIs.

*(Paragraph 1.6)*

The primary objective of Social Audit (SA) is to bring the activities of PRIs under the close surveillance of people, to enable them to access the records and documents of PRIs.

In July 2014, the Government designated the State Institute of Rural Development (SIRD) as the Nodal Agency for conducting Social Audit of all Panchayati Raj Schemes and Rural Development Schemes of the Government of India (GoI)/GoA under PRDD. The State Institute of Rural Development (SIRD) conducted Social Audit of 2201 GPs during November 2014. However, the Social Audit Report is yet to be approved by the Government (October 2016).

*(Paragraph 1.9)*

Test-check of records, during 2015-16, revealed that there was short collection of *kist* (instalment) money of ₹ 2.10 crore in 21 PRIs which adversely affected revenue receipts of the PRIs to that extent.

*(Paragraph 1.13.4)*

The State Government had to pay penal interest of ₹12.03 crore to the PRIs for late release of the 13<sup>th</sup> Finance Commission award funds during the period 2011-12 to 2014-15.

*(Paragraph 1.14.4)*

## **Chapter-II**

### **Audit of implementation of National Rural Livelihoods Mission (NRLM) in Assam**

Swarnajayanti Gram Swarajgar Yojana (SGSY) launched (April 1999) as an integrated programme for self employment for rural poor was restructured in June 2011 as the National Rural Livelihoods Mission (NRLM). Some important features were:

- Adoption of demand-driven strategy for capacity building of women Self Help Groups (SHGs); and
- Promotion of the two critical support structures for the SHGs *viz.*, Village federations and Cluster federations, and their members, in their journey out of poverty.

*(Paragraph 2.1)*

Audit analysed the implementation of NRLM and observed that lacunae in implementation of various components of NRLM, due to improper planning process; non-assessment of performance of SHGs, Village Organisations (VOs) and Cluster Level Federations (CLFs); improper identification of beneficiaries; lack of control over budget and management of resources affected the process of providing strong self-managed grass root institutions.

With a view to providing access to credit at affordable rates of interest to the rural poor and make their investments more viable, NRLM was to provide interest subsidy, comprising the difference between the interest charged by the bank and seven *per cent* per annum on all loans from main stream financial institutions to SHGs, which were regular in loan repayment.

It was observed that despite having a balance of ₹ 10.01 crore under the component “Interest Subvention” (as of 31.03.2016), Assam State Rural Livelihood Mission Society (ASRLMS) transferred Interest Subsidy of ₹ 15.05 lakh to the bank accounts of 1774 SHGs, against ₹ 39.36 lakh due to be transferred to the bank accounts of 5729 SHGs (as of March 2016). Thus, there was an outstanding of ₹ 24.31 lakh, to be paid to the bank accounts of 3955 SHGs (as of March 2016).

*(Paragraph 2.5)*

As NRLM is process intensive scheme, there is a need to constantly review, assess and learn from the progress achieved at various levels, both in terms of qualitative and quantitative targets. A robust IT-based Monitoring Evaluation and Learning system was to be in place to facilitate learning and continuous improvement and support decision making at all levels. However, lacunae in planning process and irregularities in the implementation of the scheme during the period 2011-12 to 2015-16 was indicative of lack of control over monitoring, evaluation and reporting at different levels of implementation.

Only three review meetings with the districts and block officers and staff was held by ASRLMS, for review of implementation of NRLM, during 2012-13 and 2013-14. Though ASRLMS had stated that it would convene 22 review meetings during 2014-15 and 2015-16, it could provide minutes of only seven review meetings.

*(Paragraph 2.6)*

## CHAPTER-III

### Compliance Audit of PRIs

Amount of ₹ 16.63 lakh and ₹ 13.85 lakh received from different lessees, were not deposited in Government Account by the respective Accountants of Golaghat ZP and Sivasagar AP.

*(Paragraphs 3.1 and 3.2)*

The Junior Engineers (JEs) under Cachar ZP changed the approved site for two market sheds to private lands, without any approval from the competent authority. One of the lands on which the market shed was constructed was re-occupied by the owner after the ZP had incurred an expenditure of ₹ 7.50 lakh and now stands abandoned. The construction work of the market shed at other site was also incomplete till March 2016, as the work was abandoned by the JE without citing any reason. This resulted in wasteful expenditure of ₹ 15 lakh.

*(Paragraph 3.3)*

The project “Construction of Road cum bundh from Md. Goyal SK house to Simalbari Parghat with boulder pitching at Kaimari PT-I, II & V”, under Agomoni AP, remained incomplete since August 2012 after execution of 35 per cent of work due to non-release of balance funds by the Project Director (PD), District Rural Development Agency (DRDA), Dhubri. The major portion of the constructed work was also gradually washed away resulting in unfruitful expenditure of ₹ 2.23 crore.

*(Paragraph 3.4)*

Construction of Bharat Nirman Rajiv Gandhi Sewa Kendras remained incomplete in seven APs due to inaction on the part of the CEO, North Lakhimpur ZP and the respective APs in monitoring the schemes and submission of Utilisation Certificate (UCs) in time, resulting in idle expenditure of ₹ 1.32 crore.

*(Paragraph 3.5)*

The Executive Officer (EO), Kakodonga AP, failed to implement the Cashew nut plantation in a scientific and planned manner as recommended by the Department of Horticulture, Assam Agriculture University (AAU), Jorhat. This resulted in unfruitful expenditure of ₹29.35 lakh as the Plantation could not survive.

*(Paragraph 3.6)*

## **CHAPTER IV**

### **An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of the ULBs in the State**

Out of 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution of India, only eight subjects were transferred and implemented by the ULBs as on March 2016. In respect of Gauhati Municipal Corporation (GMC), out of 18 functions listed in the XII<sup>th</sup> Schedule, activities under four functions only were transferred to GMC as of March 2016.

*(Paragraph 4.3.2)*

Director of Audit, Local Fund (DALF) is the Primary Auditor to conduct the audit of ULBs of Assam. There were regular shortfall in coverage of audit by DALF during the period from 2011-12 to 2015-16, which ranged between 28 and 56 *per cent*.

*(Paragraph 4.5.1.1)*

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. 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 Municipal Boards (MBs) and four Town Committees (TCs) only were audited.

*(Paragraph 4.5.2)*

ULB authorities are required to comply with the observations contained in the IRs issued by the Accountant General, rectify the defects and omissions brought out in the Inspection Reports (IRs) and report their compliance in this regard promptly, after the issue of IRs. However, since 2011-12, 1755 paragraphs with monetary value of ₹557.47 crore were pending for settlement (March 2016) for want of replies from the concerned ULBs.

*(Paragraph 4.6)*

Out of the 94 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 actual requirements of ULBs, thereby diluting the budgeting process.

*(Paragraph 4.10)*

The Urban Development Department (UDD) could not provide consolidated figures of actual receipts in respect of own revenues of all the ULBs in Assam. Thus, it lacked monitoring of own revenue resources of ULBs.

*(Paragraph 4.12.1)*

The ASFCs recommended for devolution of ₹849.44 crore during 2011-12 to 2015-16, out of which the GoA had released only ₹477.09 crore to ULBs. Thus, there was short release of ₹372.35 crore to the ULBs which affected implementation of various welfare activities for the overall economic development.

*(Paragraph 4.12.4)*

## Chapter-V

### Performance Audit of Management of Own Funds by Municipal Boards including collection of Revenue by Municipal Boards

The Municipal Boards (MBs) failed to maintain comprehensive lists of holdings in their respective municipal areas. This was indicative of non-assessment of taxes from all holdings in the municipal areas. As a result, a significant part of the potential revenue sources of the MBs remained untapped.

*(Paragraph 5.7.2)*

GoA issued guidelines for assessment of property tax adopting the Unit Area Method (UAM) However, 26 out of 34 MBs in the State did not adopt the UAM for revision in the methodology of assessment of Property tax, resulting into failure in enhancing the collections of holding tax.

*(Paragraph 5.7.3)*

There was shortfall in collection of revenues totalling ₹ 170.24 crore (68.81 per cent of the total demand), in respect of 10 test checked MBs.

*{Paragraph 5.7.4 (a)}*

Penalties on arrear collections was not imposed by the 10 test-checked MBs which led to loss of revenue amounting to ₹ 1.30 crore.

*(Paragraph 5.7.5)*

All the 10 test-checked MBs failed to identify the potential sources of revenue as they did not maintained lists of Municipal Properties, as required under section 62 of AM Act, 1956.

*(Paragraph 5.9.1)*

The MBs lacked direction in assessment of the value of properties as no Property Valuation Cell was formed by the Government. Six out of the 10 selected MBs were imposing and collecting property tax based on the value of assets fixed seven to 41 years before.

*{Paragraph 5.10 (ii)}*

## Chapter-VI

### Compliance audit paragraphs of ULBs

Out of ₹ 1.23 crore allotted for the service work of the project “Construction of Business Centre at Dokmoka Town Committee”, ₹ 87.25 lakh was drawn as advance by the Chairman, Dokmoka Town Committee but no work was executed. Further, there was also no evidence of execution of any work by the two contractors who had been paid advance of ₹ 34.03 lakh for execution of internal electrification and sanitary works.

*(Paragraph 6.1)*

Submission of fake/forged Bank Pay-in-Slip by Non-Government Organisations (NGOs) and irregular payment of commission, without verifying records of actual deposit, resulted in loss of ₹ 29.20 lakh to the GMC. Further, there was an unauthorised payment of ₹ 5.83 lakh, as commission, to the NGOs.

*(Paragraph 6.2)*

The GMC made payment to the NGOs irrespective of the actual collection and deposit of user charges. Though, ₹ 6.62 crore was paid to the NGOs for collection of Municipal Solid Waste (MSW) from the households, only ₹ 1.21 crore as user charges was collected by the

NGOs against due collection of ₹8.07 crore, which led to loss of revenue to the GMC to the tune of ₹6.86 crore. Similar loss of revenue was also found in case of collection of MSW from commercial holdings as well.

***(Paragraph 6.3)***

Lack of timely action on part of the GMC in settling the disputes with construction firms, not challenging the Arbitration award and delayed implementation of the Arbitration award, led to loss of ₹4.86 crore, besides diversion of ₹7.80 crore from 4<sup>th</sup> Assam State Finance Commission (ASFC) fund.

***(Paragraph 6.4)***

The Chairman, Dokmoka TC, paid the full amount of ₹3.06 crore, in advance, to the contractor, prior to completion of the project. The project remained incomplete as the contractor abandoned the work after getting the full amount. Besides, penalty of ₹30.56 lakh was also not levied on the contractor for not completing the work.

***(Paragraph 6.5)***