

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 74th Constitutional Amendment enacted in 1992 envisioned creation of Local Self Government (LSG) for the urban area population wherein Municipalities were provided with the Constitutional status for governance. 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 XIIth Schedule of the Constitution.

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.

There were 94 ULBs in the State as on 31 March 2015 consisting of one Municipal Corporation (MC), 34 Municipal Boards (MBs) and 59 Town Committees (TCs). ULBs falling under General Areas are governed according to the provisions of the AM Act, 1956 and areas falling within the Sixth Schedule Areas are governed by the rules framed by the respective Autonomous District Councils (ADCs). Recommendations of the Assam State Finance Commissions (ASFCs) did not cover the ADCs.

The statistics of urban population of the State and number of ULBs are given in **Table 4.1**

Table 4.1: Statistics of 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	14.09
4	Urban Sex Ratio	Per thousand	948
5	Urban Literacy Rate	Per cent	88.47
6	Municipal Corporation (MC)	Numbers	1
7	Municipal Board (MB)	Numbers	34
8	Town Committee (TC)	Numbers	59

Source: Economic Survey, Assam 2014-15.

As on 31 March 2015, there were 94 ULBs in Assam. The position of ULBs in Assam in terms of number, area and average population is given in **Table 4.2**.

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 Board (MB)	34	20.35	90,652
Town Committee (TC)	59	1.53	4,960

Source: Assam State Finance Commission's report submitted for 14th CFC.

4.2 Organisational set-up in State Government and ULBs

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

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 was mandatory to appoint Executive Officers in each and every Municipal Board and Town Committees. Further, Sub-section 2 under section 53 of the said Act clearly mentions that all financial matters particularly those relating to the implementation of schemes by the Municipality funded by the Government of India or the State Government, shall invariably be routed through him after due scrutiny and he shall be responsible for any act of omission or commission.

However, till March 2015, no EO had been appointed by the Government in any of the ULBs. In March 2015, the Government had directed to entrust Indian Administrative Service (IAS)/Assam Civil Service (ACS) officers with the additional charge of Executive Officers in the ULBs. As such, till date the ULBs are functioning without dedicated Executive Officers. As MBs and TCs are the implementing agency and have to implement various schemes which have a direct impact on the welfare of the society, a dedicated EO for looking after the financial matters of ULBs is a necessity. In the absence of such dedicated EOs in the ULBs, the functioning of ULBs specifically the financial and supervisory matters with which the EOs have been entrusted were greatly hampered.

4.3.1 Staffing pattern of ULBs

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. However, UDD and GDD submitted study reports on staffing pattern of ULBs and GMC to Fourth Assam State Finance Commission (FASFC) in December 2011 and in February 2012 respectively. Accordingly, staffing pattern of ULBs had been drafted by the Department but the approval from the Finance Department was awaited (October 2015). Unless ULBs were properly manned, they would be unable to handle huge funds obtained from various sources and their accounting in a proper way.

Hence, a uniform staffing pattern for ULBs is essential 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 74th Constitutional Amendment, most of the States have amended their municipal laws. However, since last one and half decade these responsibilities are still not completely transferred officially to the local bodies. Central Finance Commissions and the State Finance Commissions have continuously emphasised on the need for complete transfer of these functions to the ULBs. Out of 18 subjects listed in the XIIth Schedule, 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 is limited to constituting a committee only. The devolution of 3Fs as listed in the XIIth Schedule remain more or less on the paper till March 2015. In respect of GMC, out of 18 functions listed in the XIIth Schedule, activities under four functions only were transferred to GMC as of March 2015. 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 fund 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 on devolution of 3Fs to the ULBs.

4.4 Formation of various Committees

4.4.1 Standing Committees

In case of ULBs, AM Act, 1956 does not provide for constitution of any standing committee. However, though Section 20 of GMC Act, 1971 provides for constitution of standing committee (for 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 wards but not more than four 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 Committee for smooth transfer of 3Fs to the Municipalities

Section 53-A (2) of the AM Act 1956 provides for constitution of a Committee to monitor the matter of early and smooth transfer of 3Fs to the Municipalities. The Committee shall meet from time to time to monitor the progress of the transfer of 3Fs to the municipalities and to suggest steps as may be necessary on the part of the respective Department for effective implementation.

It was also recommended in the Fourth ASFC to transfer the activities listed in Schedule XI and XII to the Local Bodies and was duly accepted in the Cabinet Meeting held in September 2012 and September 2013 and had directed the concerned departments to take necessary action in this regard. However, out of 18 subjects listed in the XIIth Schedule only eight subjects are being transferred and implemented by the ULBs as on December 2015.

Accountability Mechanism and Financial Reporting issues

4.5 Audit arrangements

4.5.1 Primary Auditor of ULBs

Director of Audit, Local Fund (DALF), Assam established under 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 131 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)

DALF is the Primary Auditor to conduct the audit of ULBs of Assam. Based on information furnished by DALF (August 2015), the arrears in audit of ULBs during the period 2010-15 ranged between 28 and 66 *per cent*. The year-wise position of units to be audited and those actually audited are detailed in **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
2010-11	71	24	47	66
2011-12	54	34	20	37
2012-13	58	26	32	55
2013-14	57	41	16	28
2014-15	48	21	27	56

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 38 audit reports during 2010-15 by DALF. The reasons for shortfall in audit coverage and arrear in issue of audit reports were attributed to inconsistency of manpower as against the total number of auditable units and increasing volume of transaction owing to the introduction of various schemes and programmes by the Government. Besides, the Audit officials were also engaged for long periods in the Panchayat 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 send 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 **Table 4.4** below:

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

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

4.5.2 Audit by CAG of India

The audit of ULBs is conducted by the CAG under Section 20(1) of the CAG's DPC Act 1971 as per Technical Guidance and Support (TGS) module as entrusted by the State Government in May 2002 followed by acceptance of standard terms and conditions of TGS (May 2011) pursuant to the 13th FC recommendations.

During April 2014 to March 2015, accounts of 19 ULBs (four MBs and 15 TCs) were audited.

State Legislature has constituted (October 2012) a Local Fund Accounts Committee (LFAC) for the first time to discuss the Audit Report on LBs. ATIR for the year ended 31 March 2010 was discussed by the Committee. However, Action Taken Report (ATR) on the ATIRs submitted to Government was awaited (October 2015). ATIR for the years 2011 to 2013 and CAG's Audit Report on PRIs & ULBs for the year 2014, though, placed before the Legislature, were yet to be discussed by the Committee.

4.6 Response to Audit observations

Inspection Reports (IRs) were issued by Accountant General (Audit), Assam to audited ULB authorities with a copy of each to the State Government. ULB authorities were required to comply with the observations contained in the IRs and rectify the defects and omissions and report their compliance within three months from the date of issue of IRs. Important audit findings are processed for inclusion in the Audit Report.

The details of outstanding paragraphs as of March 2015 are shown in **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)
Up to 2009-10	49	610	102.64
2010-11	14	179	79.33
2011-12	11	135	49.32
2012-13	06	59	12.38
2013-14	42	484	148.78
2014-15	05	66	8.71
Total	127	1533	401.16

Source: Progress Register.

Thus, 1,533 paragraphs with monetary value of ₹401.16 crore were pending settlement (March 2015) for want of replies from concerned ULBs. Increasing trend of outstanding paragraphs was indicative of audit observations not being complied and shows 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 and thereby weakening the accountability mechanism of ULBs in Government.

4.7 Ombudsman

The Ombudsman conducts investigation and enquires into instances of maladministration, corruption, favouritism, nepotism, lack of integrity, excessive action, inaction, abuse of position *etc.*, on the part of officials and elected representatives of PRIs. He can even register cases, *suomoto*, if the instances of the above kind come to his notice. There was however, no provision in the AM Act and GMC Act regarding setting up of Ombudsman for ULBs. As a result, there was no scope for Ombudsman to conduct investigation and enquire into instances as mentioned above.

4.8 Social Audit

The primary objective of social audit is to bring the activities of ULBs under close surveillance of people to enable them to access the records and documents of ULBs. Such

immediate access to information would facilitate transparency and accountability in 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 (December 2015) the relevant Municipal Act by including a statutory provision for social auditing.

4.9 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 ULBs. The institution was headed by Upa-Lokayukta (since March 2001) as the post of Lokayukta had been lying vacant for the last 20 years (from March 1995 till March 2015).

The State Government had taken various initiatives by publishing advertisement in local newspapers in Assam and launched a website (www.assamlokayukta.gov.in) and has approved setting up of cells in all Districts and Sub divisional Headquarters to receive complaints to increase the awareness of the people regarding Lokayukta and Upa-Lokayukta Act. However, the Upa-Lokayukta had not received any complaints relating to ULBs during the year 2014-2015.

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

4.10. Internal Audit and Internal Control system in ULBs

4.10.1 Internal Audit

Internal Audit is an important instrument to examine and evaluate 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 relevant Municipal Acts and Rules. As such a system of Internal Audit did not exist in ULBs.

4.10.2 Internal control mechanism in ULBs

Internal control mechanism is an integral function of an organisation which helps it to govern its activities effectively and achieve the objectives of the organisation. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and Bye-laws. Sound Internal Control Mechanism helps to minimise the risk of errors and irregularities.

However, the following deficiencies were observed which indicates lack of internal control mechanism in ULBs:

- Periodical reports/returns in respect of implementation of various schemes and other activities in the district were not submitted to higher authorities. Thus, monitoring system, essential for ensuring compliance in terms of physical and financial implementation of schemes/programmes, was not in existence. These facts have been detailed in paragraph 5.10.
- There was no readily available data on “Own Revenue Resources” of the ULBs and expenditure incurred thereof. In spite of repeated request, the DMA could not provide information on overall collection of own revenue by the ULBs (Data of only 60 out of 93 ULBs could be provided). Thus, due to lack of readily available data on own revenue resources, it would be difficult to keep a track on the expenditure incurred out of own revenue. Further, misutilisation of own revenue could also not be ruled out.
- The accounts are not being maintained as per the formats prescribed in the National Municipal Accounts Manual as detailed in paragraph 4.11.6.
- Out of the total ULBs in Assam, 54, 53, 32 and 38 ULBs had not submitted budget proposals during 2011-12, 2012-13, 2013-14 and 2014-15 respectively. However, funds were released by the Government in a routine manner, thereby defeating the purpose of planning and without taking into account the requirement of the people at the grass root level.

Though these shortcomings were pointed out to ULBs and the State Government in previous ATIRs/Audit Report to ensure proper maintenance of records to put an internal control mechanism in place, no such corrective action has yet been carried out.

4.10.3 Advance paid to JE/Contractor not adjusted

State Financial Rules stipulate that advances paid should be adjusted without any delay and Drawing and Disbursing Officer (DDO) concerned should watch their adjustment. Though the Chairpersons of MBs and TCs are custodians of all Municipal accounts, it was noticed that in three ULBs an amount of ₹2.10 crore was given as advances to JEs/Contractors for implementation of schemes but the same was not adjusted till March 2015 as detailed in Table 4.5.

Table 4.5: Advance paid to JE/Contractor not adjusted (₹ in lakh)

Sl. No	Name of MB/TC	Amount
1	Bijni TC	7.83
2	Jorhat MB	171.60
3	Raha TC	22.54
	TOTAL	201.97

By not adjusting the advance paid to JE/Contractors, the concerned DDO not only violated financial rules but it also increases the possibility of over payment to JE/Contractors against actual cost of work.

4.10.4 IT/VAT not deducted

According to Income Tax (IT) Act and State Value Added Tax (VAT) Act, IT & VAT will be deducted from the payment of contractors/suppliers. Tests check of records revealed that in six ULBs (one MB and five TCs) IT/VAT amounting to ₹26.34 lakh were not deducted as detailed in Table 4.6.

Table 4.6: IT/VAT not deducted

(₹ in lakh)

SL. NO	Name of ULBs	Amount
1.	Jorhat MB	6.30
2.	Hamren TC	14.66
3.	Bakalia TC	1.06
4.	Donkamukam TC	2.64
5.	Udalguri TC	0.48
6.	Rangapara TC	1.20
Total		26.34

As the IT/VAT was not deducted, Government suffered a loss of revenue to that extent.

4.10.5 Short collection of Kist money

During test check of records it was noticed that there was short collection of *kist* money of ₹16.26 lakh in nine ULBs as shown in the Table 4.7.

Table 4.7: Short collection of Kist money

(₹ in lakh)

Sl.No.	Name of MBs/TCs	Amount
1	Howraghat TC	0.14
2	Hamren TC	0.37
3	Lumding MB	1.50
4	Palasbari TC	0.54
5	Donkamukam TC	5.93
6	Udalguri TC	2.71
7	Raha TC	0.59
8	Nazira TC	2.96
9	Tihu TC	1.52
Total		16.26

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

4.10.6 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 were not realised from 14 ULBs out of test checked 19 ULBs amounting to ₹7.93 crore as shown in the Table 4.8.

Table 4.8: Holding Tax, Licence Fee and Room Rent not realised

(₹ in lakh)

Sl. No	Name of ULBs	Amount not realised
1	Howraghat TC	1.56
2	Hamren TC	28.84
3	Bijni TC	19.21

4	Lumding MB	10.70
5	Palasbari MB	9.15
6	Doboka TC	3.95
7	Jorhat MB	447.78
8	Bakalia TC	1.00
9	Donkamukam TC	14.03
10	Udalguri TC	35.73
11	Raha TC	6.27
12	Rangapara TC	38.50
13	Nazira MB	137.26
14	Tihu TC	39.14
TOTAL		793.12

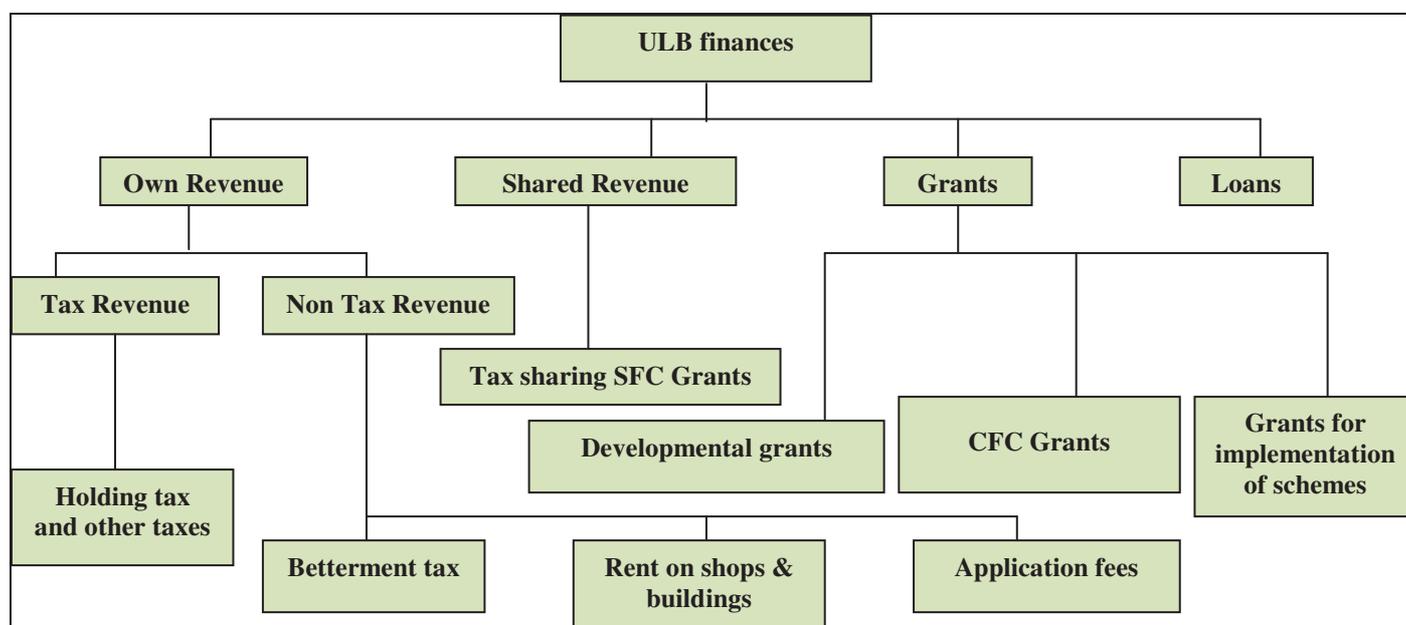
As the Holding Tax, Licence Fee and Room Rent was not deducted, there was loss of Government revenue to the tune of ₹ 7.93 crore. Moreover, the intended application of such fund as envisaged under Section 60 of the AM Act, 1956 were not applied in full which had deprived many social welfare activities to be carried out by the ULBs.

4.11 Financial Reporting Issues

4.11.1 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 transfer 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 **Chart 4.2** below.

Chart 4.2: 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 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 released grants-in-aid and loans to the ULBs to

compensate their establishment expenses. ULBs also receive grants and assistance from State Government and Central Government for implementation of schemes and projects.

4.11.1.1 Resource trends and composition of ULBs

The trend of resources of ULBs for the period 2010-11 to 2014-15 is shown in **Table 4.9**.

Table 4.9: Time series data on ULBs resources

(₹ in crore)

Source	2010-11	2011-12	2012-13	2013-14	2014-15
Own Revenue	128.78	151.57	190.04	NA	NA
SFC transfers	151.67	189.68	149.59	133.11	169.07
CFC transfers	12.04	31.97	44.28	Nil	39.74
Interest for delayed payment of CFC grants	Nil	0.11	0.20	0.12	0.18
State Sponsored Scheme (SSS)	20.54	16.13	4.14	8.22	12.29
GoI grants for CSS	33.27	24.09	33.41	25.57	11.03

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

The above table shows that the CSS Grants had a decreasing trend with respect to fund released from the year 2012-13. There was also a gradual decline in receipt of SFC grants from 2011-12 to 2013-14 which affected the implementation of various welfare activities by ULBs for the overall economic development. Further, the State Government lacked monitoring of own revenue resources of ULBs in 2013-14 and 2014-15 as it could not provide consolidated figures of actual receipts in respect of own revenues of all the ULBs in Assam.

4.11.1.2 Resource trends and composition of GMC

The receipts of GMC from all sources during the last five year ending 2014-15 are shown in **Table 4.10**.

Table 4.10: Time series data on GMC resources

(₹ in crore)

Source	2010-11	2011-12	2012-13	2013-14	2014-15
Own Revenue	42.08	48.09	58.03	50.61	56.05
SFC transfers	62.42	56.12	92.50	34.72	48.27
CFC transfers	3.92	8.07	12.77	Nil	10.20
Interest for delayed payment of CFC grants	Nil	0.01	Nil	Nil	Nil
SSS	19.96	4.95	2.64	16.86	7.94
GoI grants for CSS	0.76	0.38	6.97	8.08	1.63

Source: Information furnished by GMC, Assam.

There was mostly an increasing trend of own revenue mobilisation by GMC from 2010-11 to 2014-15 except in 2013-14 when there was slight decrease as compared to previous year. The receipt under SFC transfers also had a fluctuating trend during 2010-15. Though, GoI grants for CSS had an increasing trend till 2013-14 but these were drastically reduced in 2014-15.

4.11.1.3 Allocation and release of funds

During 2012-13 to 2014-15 public investment in urban development through major CSS and corresponding State shares are shown in **Table 4.11**.

Table 4.11: Statement showing investment through major CSS and SSS

(₹ in crore)

Sl. No.	Name of schemes	Nature of grants (Share)	2012-13			2013-14			2014-15		
			Budget provision	Allocation made	Fund released	Budget provision	Allocation made	Fund released	Budget provision	Allocation made	Fund released
1	SJSRY	Central	34.13	34.13	37.78	34.13	34.30	Nil	Nil	Nil	Nil
		State	6.00	4.43		6.00	3.79	Nil	Nil	Nil	Nil
2	IDSMT ⁴⁷	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	7.74	7.74	7.74	Nil	Nil	Nil	Nil	Nil	Nil
3	IHSDP ⁴⁸	Central	62.81	0.00	0.00	62.81	2.00	Nil	1.71	1.01	1.01
		State	6.98	0.68	Nil	6.98	0.00	0.00	Nil	Nil	Nil
4	UIDSSMT ⁴⁹	Central	65.89	16.70	13.23	82.67	82.67	11.81	30.33	30.33	1.06
		State	7.32	7.32	Nil	9.18	9.18	0.15	1.40	1.40	Nil
5	10 per cent Pool Fund	Central	Nil	Nil	Nil	27.00	13.76	13.76	12.79	6.63	6.63
		State	11.00	4.00	1.44	4.00	3.10	3.10	2.00	0.21	0.21
6	Night Shelter for Urban Slum	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	1.00	0.76	0.56	0.46	0.46	0.22	2.00	1.00	0.60
7	C.M Special Programme for Development of Small Town	State	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
8	Bastisudhar	Central	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		State	0.10	0.10	0.10	0.30	0.30	0.30	1.00	1.00	1.00

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

Though, information on scheme wise budget provision, allocation and release of fund 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 the mechanism for proper accounting of these schemes for better accountability and maximum outcome which will have a direct impact on the welfare of the society.

4.11.2 Devolution recommended by ASFC

In respect of sharing of the net proceeds of State Taxes with Municipalities, a global approach of sharing the net proceeds of all State Taxes excluding Non-Tax revenue and share of Central Taxes is adopted. Details of quantum of devolution recommended by ASFC and fund released by the GoA to ULBs during the years 2010-11 to 2014-15 are indicated in Table 4.12.

Table 4.12: 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)
2010-11	5929.84	268.27	151.67	116.60
2011-12	7638.23	83.65	83.65	0.00
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
Total	35628.42	1117.71	628.76	488.95

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

It can be seen from above table that against devolution of ₹ 1117.71 crore, the GoA could release only ₹ 628.76 crore. Thus, due to short release of ₹ 488.95 crore the ULBs were unable to implement various welfare activities for the overall economic development.

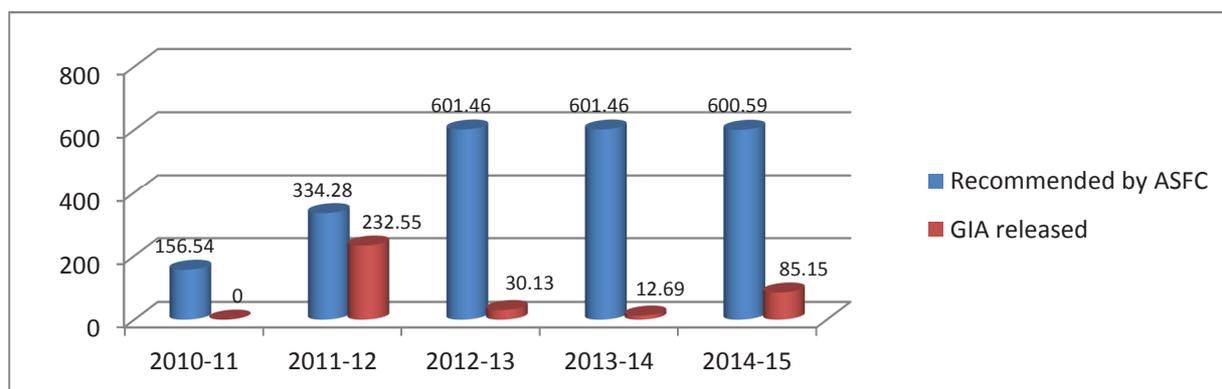
⁴⁷Integrated Development of Small and Medium Towns.

⁴⁸Integrated Housing and Slum Development Programme.

⁴⁹Urban Infrastructure Development Scheme for Small and Medium Towns.

Moreover, there was a huge variance between GIA recommended by ASFC and those released to ULBs by GoA as shown in the **Chart 4.3** below:

Chart 4.3: Allocation and release of Grants-in-Aid (GIA) to ULBs



4.11.3 Thirteenth Finance Commission (13th FC) Grant

The weights adopted by the 13th FC Commissioner for inter distribution of funds among the States were 50 per cent population, 10 per cent area and 20 per cent distance from highest per capita income, 15 per cent index of devolution and five per cent CPC grant utilisation 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 had 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 fulfilment of certain conditions laid down in the 13th FC recommendations.

As per guidelines issued by the GoI, grants of 13th FC are required to be transferred by State Government to the 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 ULBs at RBI bank rate for the number of days of delay.

The position of grants released to ULBs during 2010-11 to 2014-15 by the GoI and further released by the State Government as per recommendation of the 13th FC is shown in **Table 4.13:**

Table 4.13: Award of 13th FC to ULBs

Programme year	Scheme components	Fund received/released		Penal interest for late release of fund
		Received from GoI	Released to ULBs	
2010-11	General Performance Grant	NIL	NIL	0.3
	General Basic Grant	21.53	21.28	
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	
TOTAL		243.23	132.27	1.02

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

It was observed that State Government released 13th FC grants to ULBs with an interest liability of ₹ 1.02 crore during 2010-15 due to tardy transfer of fund. Delay 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.

4.11.4 Maintenance of records

Maintenance of record and registers is one of the most important tools of Internal Control Mechanism. Following **Table 4.14** shows details of basic records not being maintained by the test checked ULBs and its implication:

Table 4.14: Details of basic records not being maintained by the test checked ULBs and its implication

Register not maintained	Name of ULBs	Implication
Stock Register	North Guwahati TC, Hamren TC, Doboka TC, Donkamokam TC, Udalguri TC, Rangapara TC, Raha TC	As the Stock Registers were not maintained, actual receipt and utilisation of material could not be monitored by the ULBs. Further, this may also lead to mis-utilisation of material intended for implementation of the schemes.
Asset Register	North Guwahati TC, Howraghat TC, Hamren TC, Bijni TC, Donkamokam TC, Udalguri TC, Raha TC and Rangapara TC	As the Asset Registers were not maintained, the assets of the ULBs could not be monitored which may 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 may also lead to misappropriation of revenue generated by such assets.
Works Register	Rangapara 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	Rangapara TC, Raha TC and Doboka TC	The purpose, duration and amount of advance to be recovered/adjusted as on 31 st March every year could not be monitored which may result in advance remaining unrecovered even after completion of the work.
Work Progress Register	Bijni TC	As the Work Progress Register was not maintained, progress of the number of works carried out in the ULB could not be monitored and this may result in mis-utilisation of funds meant for the work and also delay in completion of work or work remaining incomplete.

4.11.5 Budget formulation

The position of submission of budget by the MBs/TCs during last three years to Director, Municipal Administration (DMA), Assam is shown in the **Table 4.15**.

Table 4.15: Details of budget submitted by the ULBs

Year	Total MBs/TCs in the State (in numbers)	Budget proposals submitted by the MBs/TCs (in numbers)	Budget proposals not submitted by the MBs/TCs (in numbers)
2011-12	93	39	54
2012-13	93	40	53
2013-14	93	61	32
2014-15	94 ⁵⁰	56	38

Source: Director, Municipal Administration, Assam.

⁵⁰ Including GMC.

As seen from the above table, out of the total ULBs in Assam, 54, 53, 32 and 38 ULBs had not submitted budget proposals during 2011-12, 2012-13, 2013-14 and 2014-15 respectively. Funds were released by the Government in a routine manner, thereby defeating the purpose of planning and without taking into account the requirement of the people at the grass root level.

Further, test check (during 2014-15) of ULBs revealed that four ULBs had prepared the budget without taking into account, the past trend of receipt and expenditure, as detailed in **Appendix-XV (A) and (B)**. Estimated receipts were unduly inflated ranging from ₹ 30.88 lakh to ₹ 12.42 crore and estimate of expenditure were based on such inflated receipts. However, funds were released by the Government in a routine manner, without taking into account the requirements of the people at grass root level. As a result, there were huge variances ranging from ₹ 21.51 lakh to ₹ 13.69 crore in estimated and actual expenditure.

4.11.6 Maintenance of Accounts

The Government of Assam had accepted (March 2011) the National Municipal Accounting Manual (NMAM) which recommends introduction of accrual-based double entry system and improved financial management systems in all ULBs in India. As per para 5.1 of NMAM, the ULBs are required to maintain their accounts on accrual basis.

However, the DMA stated that due to shortage of staff, the ULBs were unable to comply with the formats as prescribed in NMAM and only some of the ULBs were maintaining their accounts on accrual based double entry system but details of number of ULBs maintaining their account on accrual based double entry system was not provided by the DMA.

Moreover, as per paragraph 31.6 of the National Municipal Accounting Manual (NMAM), the ULBs are required to prepare the financial statements like the Balance Sheet, Income and Expenditure Statement, Statement of Cash flows and Receipts and Payments Account, at the end of each quarter. Though the DMA stated that the accounts were updated till 2014-15, test check revealed that four⁵¹ ULBs did not maintain their Annual Accounts. As the Annual Accounts were not maintained, head wise receipt and expenditure; and the financial performance of ULBs could not be ascertained.

⁵¹ *Donkamoka TC, Hamren TC, Howraghat TC & North Guwahati TC.*