PREFACE

This report has been prepared for submission to the Government of Assam in accordance with the terms and conditions of the Technical Guidance and Supervision (TGS) over the maintenance of accounts and audit of Panchayati Raj Institutions (PRIs) on Urban Local Bodies (ULBs) by the Comptroller & Auditor General (CAG) of India.

Based on the recommendation of the Eleventh Finance Commission the Government of Assam entrusted the Audit of PRIs and ULBs to the CAG under Section 20 (1) of the CAGs' (DPC) Act, 1971 for providing technical guidance and supervision to the Director of Audit (Local Fund) Assam.

The Report contains five chapters of which Chapter I contains observation on the Accounts and Finances of Panchayati Raj Institutions; Chapter II contains Performance Review; Chapter III contains Transaction Audit; Chapter IV contains Accounts and Finances of Urban Local Bodies; Chapter V contains Transaction Audit of Urban Local Bodies in the State of Assam for the year ended 31 March 2009.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts of 85 PRIs (nine ZPs, 15 APs and 61 GPs) and 11 ULBs (one MC, nine MBs and one TC) conducted during 2008-09 (upto December 2009)

OVERVIEW

This Report deals with the results of audit of accounts of Local Bodies, is presented in two parts. **Part-A** includes three chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions, one Performance Review and paragraphs on the audit of Financial Transactions of some of these institutions.

Part-B comprises two chapters containing observations on Accounts and Finances of Urban Local Bodies and paragraphs on the audit of financial transactions of some of the institutions. A few main audit findings are presented in this overview.

Chapter – I

Structure and Finances of the Panchayati Raj Institutions

There are 20 Zilla Parishads (ZPs), 185 Anchalik Panchayats (APs) and 2202 Gaon Panchayats (GPs) in the State. The Panchayats and Rural Development Department (P&RDD) headed by a Principal Secretary exercises administrative control over the PRIs.

(Paragraph 1.2)

Out of 29 functions listed in the Eleventh Schedule of the constitution, 23 functions were devolved to the PRIs, however, field level transfer of the same had not taken place.

(Paragraph 1.4.2)

Allocation of fund for Rural Development was less than 4 *per cent* of total State Budget allocation for the last five years.

(Paragraph 1.7.1)

The functioning of the District Planning Committee (DPC) was ineffective as Annual District Development Plan (ADDP) were not forwarded to Government.

(Paragraph 1.9)

Due to non-adoption of formula recommended by the State Government, the APs of the test checked ZPs received ₹10.27 lakh more, GPs received ₹45.65 lakh less, during 2006-08

(Paragraph 1.11.3)

Chapter – II

Performance review on Maintenance of Accounts in Panchayati Raj Institutions.(PRIs)

Accounting formats prescribed by CAG were only partially accepted by the State Government as all the prescribed formats were not incorporated in the Assam Panchayat (Financial) Rules, 2002.

(Paragraph 2.6.1)

Maintenance of multiple cashbooks with multiple bank accounts and non-reconciliation of bank balances is fraught with the risk of fraud and misappropriation of money.

(Paragraphs 2.7.1 & 2.7.3)

Non-accountal of receipts leading to shortage of ₹9.78 lakh in nine PRIs, speaks of weak cash management in PRIs.

(Paragraph 2.7.4)

Transactions of ₹18.10 crore without maintenance of Cash Book were noticed in Hailakandi ZP.

(Paragraph 2.7.5)

Due to non-maintenance of Advance Register, PRIs failed to watch recovery/ adjustment of advances and treated the amounts of advances as final expenditure.

(Paragraph 2.10)

In the absence of the internal control through inspection of accounts and internal audit, accounts in Panchayats were not being maintained properly.

(Paragraph 2.14)

Chapter – III

Audit of Transactions

Loss of revenue of ₹1.07 Crore due to settlement of market with the bidders with less value

(Paragraph 3.1.1)

Loss of Government revenue of ₹51.90 lakh on Registration Fee and Stamp Duty due to non registration of mortgage deed

(Paragraph 3.1.2)

Thirteen PRIs failed to realize outstanding kist money of ₹1.33 crore from the defaulting lessees.

(Paragraph 3.1.3)

Twelve PRIs spent ₹2.57 crore on unapproved items under EFC & TFC grants, depriving rural people of benefits from stipulated sectors.

(Paragraph 3.2)

Infructuous expenditure of ₹26.52 lakh was noticed in Gomariguri AP under SGRY.

(Paragraph 3.3.1)

Loss of ₹17.93 lakh due to rotting of food-grains in Morigaon ZP and Badarpur AP.

(Paragraph 3.3.5)

Execution of work without satisfying the suitability of the site condition resulted in abandonment of the work with an unfruitful expenditure of ₹20.34 lakh.

(Paragraph 3.4.3)

Works valued at ₹1.19 crore executed without Technical Sanction violating Assam Public Works Department (APWD) Manual.

(Paragraph 3.5.2)

Contrary to IAY guidelines, ₹82.29 lakh was spent for providing assistance to 288 non-BPL beneficiaries.

(Paragraph 3.6)

Chapter – IV

Accounts and Finances of Urban Local Bodies

There were 89 Urban Local Bodies (ULBs) [1] in Assam (as of March 2010). The overall administration of ULBs vests with the Principal Secretary, Urban Development Department (UDD) at Government level.

(Paragraph 4.1 & 4.2)

The State Government was yet to complete the process of decentralization (Devolution of Funds, Functions, and Functionaries) in accordance with the provision of contained in Article 243 W of the Constitution.

(Paragraph 4.2.3)

Adoption/acceptance of database formats on finances of ULBs was awaited.

(Paragraph 4.2.6)

Six ULBs did not repay loan and interest accrued thereon resulting in huge accumulation of liability of ₹30.52 crore.

(Paragraph 4.3.8)

---

[1] *One Municipal Corporation (MC), 30 Municipal Boards (MBs) and 58 Town Committees (TCs).*

Four ULBs prepared unrealistic budget and utilized only 15 to 52 *per cent* of the budget provision.

(Paragraph 4.4.1)

Three ULBs incurred unauthorized expenditure of ₹12.90 crore during 2004-09 without preparing budget estimates.

(Paragraph 4.4.2)

Eighty Nine ULBs of the state did not submit UCs for ₹41.46 crore against total release of ₹48.99 crore under SJSRY.

(Paragraph 4.5)

There were difference ranging from ₹0.20 lakh to ₹11.72 lakh in five ULBs due to non-conducting of monthly reconciliation of balances in Cash book and bank pass book during 2007-08 and 2008-09.

(Paragraph 4.9.2)

Basic records *viz* Advance ledger, Loan ledger, Demand and Collection Register, Works Register, Un-paid Bill Register, Grant Register, Annual Report, Deposit Register, Asset Register were not maintained by 11 test-checked ULBs.

(Paragraph 4.9.3)

Chapter – V

Transaction Audit of Urban Local Bodies

In seven ULBs, holding tax of ₹7.93 crore was outstanding during 2007-09.

(Paragraph 5.1.1)

In the four test checked ULBs the rates of tax were not revised for the last one to 17 years from the date of due for revision, despite provision to revise after every five years. This resulted loss of potential revenue to the ULBs.

(Paragraph 5.1.2)

In two ULBs, realisation betterment tax of ₹1.21 crore was outstanding during 2008-09.

(Paragraph 5.1.6)

Five ULBs incurred a loss of revenue of ₹47.00 lakh due to leasing of markets *etc.*, to lower bidders.

(Paragraph 5.1.8)

Loss of Government revenue of ₹94.12 lakh due to non-registration of deed and non/short purchase of stamp.

(Paragraph 5.1.9)

In seven ULBs, realization of Kist money of ₹97.08 lakh was outstanding during 2002-09.

(Paragraph 5.1.10)

In six ULBs, ₹1.83 crore was outstanding on account of rent of Municipal shops/building.

(Paragraph 5.1.11)

The collecting staff of five ULBs misappropriated ₹13.27 lakh during 2003-09.

(Paragraph 5.1.13)

Payment of ₹5.02 lakh was made to Land Acquisition Officer without acquisition of land for construction of Bus stand.

(Paragraph 5.2)

Cesspool cleaning equipment purchased at a cost of ₹9.14 lakh remained idle for 3-5 years.

(Paragraph 5.4.1)

Seven ULBs spent ₹37.54 lakh and ₹37.46 lakh on unapproved item of works under EFC and TFC grants respectively depriving the urban people of benefit from stipulated sector.

(Paragraphs 5.4 & 5.5)

Five ULBs could not utilize ₹1.10 crore available under eight scheme funds for various periods.

(Paragraph 5.6.1)

₹4.19 crore sanctioned for specific purposes under different schemes was diverted towards payment of salary to staff and repayment of loans.

(Paragraph 5.7)

Construction of two markets taken by Barpeta Road Municipal Board remained incomplete after spending ₹55.62 lakh.

(Paragraph 5.8)

The Director Municipal Administration, Assam drew ₹2.40 crore sanctioned under Assam Bikash Yojana for providing tractors and trailers to 39 ULBs held in DCR till January 2010 without utilizing it.

(Paragraph 5.13)

Advances amounting to ₹40.93 lakh paid to employees of staff for various purposes remained unadjusted. It increased the risk of defalcation/ misappropriation of fund and pointed to inadequate internal control mechanism.

(Paragraph 5.15)

Tax deducted at source of ₹12.54 lakh on account of Income Tax, Value Added Tax and Royalty were not credited to the concerned head of Government Accounts.

(Paragraph 5.16)

PART – A

Chapter – I

STRUCTURE AND FINANCES OF THE PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

1.1.1 In keeping with the provisions of the 73rd Constitutional Amendment, the Assam Panchayat Act (APA), 1994, was enacted. It replaced the APA, 1986. The Act provided for a three-tier Panchayat system comprising of Gaon Panchayat (GP) at the village level, Anchalik Panchayat (AP) at the block level and Zilla Parishad (ZP) at the district level. The first Panchayat election (in terms of the APA, 1994) was held in December 2001. Accordingly, 2487 GPs, 203 APs and 21 ZPs were constituted. However, after creation of Bodo Territorial Autonomous Districts (BTAD), an autonomous district council, the number of GPs, APs and ZPs were reduced to 2202, 185 and 20 respectively. The second round of Panchayat election was held in March 2007 in which 27116 representatives were elected.

1.1.2 The Panchayati Raj Institutions (PRIs) aim to function as units of Local Self Government (LSG) to promote people's participation in governance and also as vehicles for effective implementation of rural development programmes. The overall supervision, co-ordination and implementation of rural development schemes at Intermediate Panchayat and District level and preparation of the plan for the development of the district was vested with ZP.

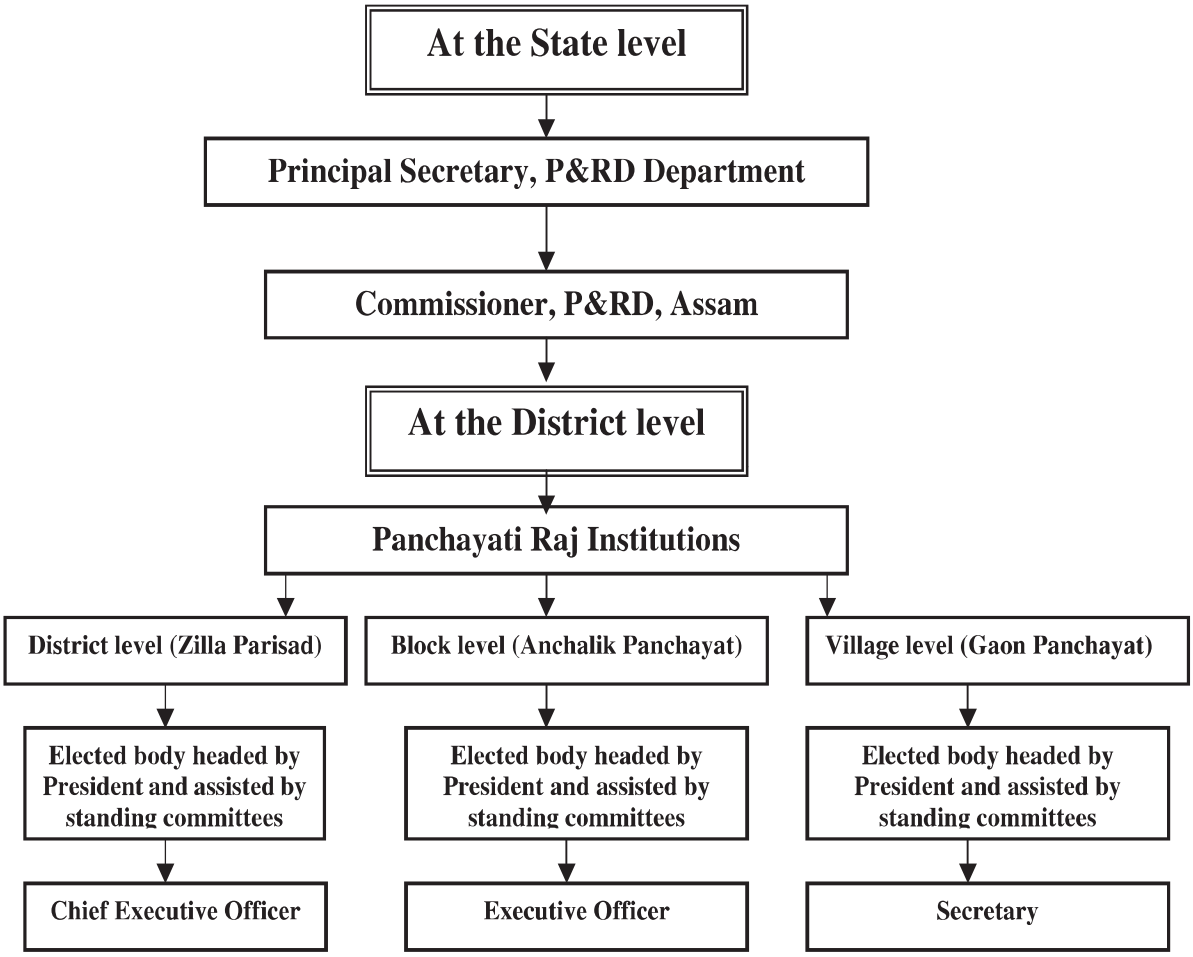
1.2 Profile of PRIs

There were 2407 PRIs in the State as on 31 March 2009, the details of various categories of PRIs, their area and population were as follows:

Type of PRI	Number	Area (sq km)	Average area/ PRI sq km	Population	Average population per PRI
Zilla Parishad	20	40658.64	2032.93	20198790	1009940
Anchalik Panchayat	185	40658.64	219.78	20198790	109183
Gaon Panchayat	2202	40658.64	18.46	20198790	9173

1.3 Organizational set up

The following organogram depicts the organizational set up of Panchayati Raj Institutions in Assam:



The Presidents of ZPs and APs are the Chairpersons of the respective General Standing Committees and Finance (GSCAF) and Audit and Planning Committee (AAPC). The Executive Officers of the APs and the Chief Executive Officers (CEOs) of ZPs are the ex-officio Secretaries of the respective GSCAFs, AAPCs of each tier of Panchayats. The members of the GP elect the standing committee members from amongst the elected members. The President of the GP is the ex-officio member and Chairperson of the Standing Committees.

1.4 Devolution of funds, functions and functionaries

1.4.1 The communication received from the Principal Secretary, P&RDD, reflected only the current state of finances of the PRIs without taking into consideration the funds and functionaries that were supposed to be transferred to them from the line departments along with the subjects listed in the 11th Schedule of the Constitution. Although activity mapping had been reported to be completed (2007) in respect of 23 functions, the consequent devolution of funds and functionaries was yet to take place. In a meeting of P&RDD and chaired by the Minister of Revenue, all the departments had been urged to issue notifications by 07 February 2007, indicating functions and posts to be transferred to different tiers of PRIs and specifying the responsibilities of the officials against the activity transferred. However, target date so given passed by without any recorded compliance. Even the merger of District Rural Development Agencies (DRDAs) with the ZPs, which was to take place by the 01 January 2007, was yet to be done.

1.4.2 Activity Map

The 73rd Amendment of the Constitution envisaged devolution of functions mentioned in the 11th Schedule to PRIs. The State Government, with an intention to strengthen the independent functioning of the PRIs, drew up detailed Activity mapping in respect of PRIs (June 2006) indicating devolution of powers for 23 out of 29 functions included in the 11th Schedule of the Constitution along with Fund, Function and Functionaries. Scrutiny of records of 85 PRIs revealed that the functions listed in the Activity Map were not being carried out by PRIs. Principal Secretary, P&RDD (16 January 2010) informed that though Activity mapping which included transfer of Funds, Functions and Functionaries had been notified by the P&RDD but field level transfer of the same had not taken place.

1.5 Powers and Functions vested with PRIs

The APA, 1994, vests PRIs with the following powers and duties:

(i) Prepare Development Plan/Annual Action Plan/Budget of its estimated receipts and disbursements.

(ii) Implement schemes funded by the Government of India (GOI) through the DRDAs and schemes transferred by the State Government to the PRIs.

(iii) Levy and collect various taxes, duties, tolls, rents and fees.

1.6 Sources of Revenue

1.6.1 The main sources of revenue of PRIs broadly comprise of:

(i) The Internal Tax and non-tax revenue,

(ii) Resources transferred from the State in the form of assigned taxes and duties,

(iii) Grants-in-Aid from the State and Central Governments,

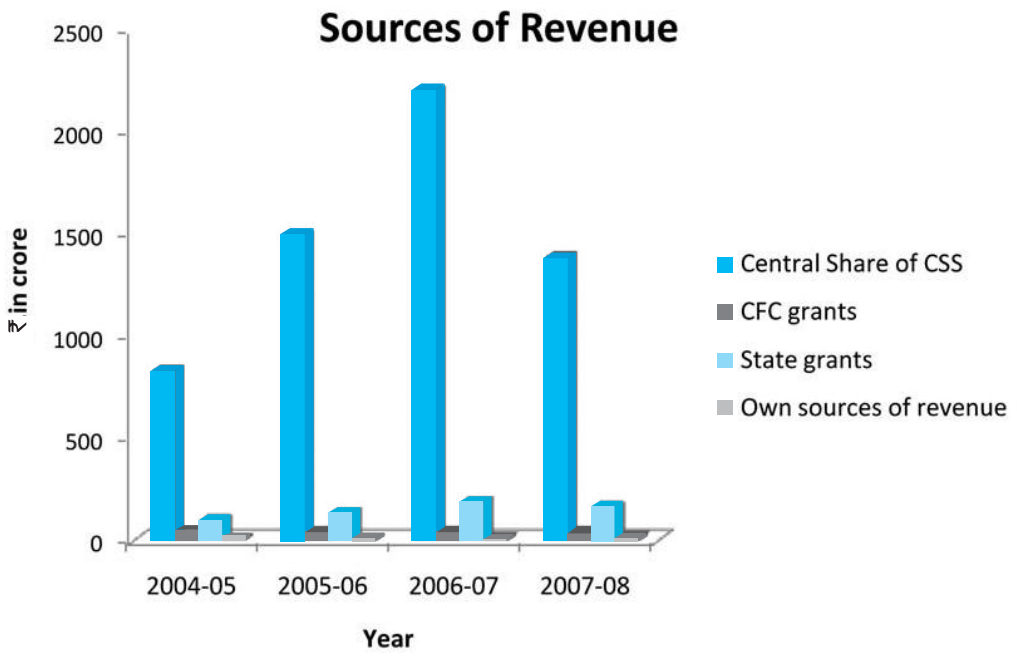
Apart from this, PRIs also perform agency functions to implement various rural development programmes under Centrally Sponsored Schemes (CSS) funded mainly through DRDAs. Fund received by the PRIs, during the last five years were as below:

(₹ in Crore)

Year	Central Share of CSS	CFC grants	State grants	Total grants received from central & State Governments	Own sources of revenue	Total revenue from all sources	Percentage of Government Grants to total revenue	Percentage of OSR to total grants
2004-05	825.58	21.66	102.08	949.32	8.63	957.95	99.09	0.01
2005-06	1487.72	39.53	134.57	1661.82	8.79	1670.61	99.47	0.53
2006-07	2198.10	42.37	190.76	2431.23	12.30	2443.53	99.49	0.51
2007-08	1382.50	42.37	166.14	1591.01	16.00	1607.01	99.00	1.00
2008-09	1125.31	47.97	520.69	1646.00	NA	NA		

Source: 2004-05 to 2007-08: Information furnished by the State Government in 2008 to the Thirteenth Finance Commission. **2008-09:** Commissioner P&RD, Assam

It would be seen from the above that during the period from 2004-05 to 2007-08 the PRIs continued to be overwhelmingly dependent on grants from the Central and State Government as illustrated below:



Note: Graphical presentation for the period 2008-09 could not be given due to non-availability of information related to own source of revenue.

Section 25 of the Assam Panchayat Act, 1994 provides that subject to such rules as may be made in this regard and subject to such maximum rates as the Government may prescribe, the GPs may impose taxes, duties and levy fees and tolls to augment their own resource base. The State Government also made rules and prescribed rates for imposition of taxes, duties and fees. However, non-adoption of bye-laws by GPs resulted in non-imposition of taxes and fees. Thus, PRI's own source of revenues comprise meager income from leases of Markets, Fisheries, Pounds and Ferries *etc.,* rendering them largely dependent upon the State and Central Government Grants.

1.7 Allocation and expenditure

1.7.1 State Budget allocation *vis-à-vis* actual releases made

Budget Allocation (BA) of funds for Rural Development (RD) including salary and allowances, schematic fund and other grants against the total State Budget allocation for the State were as under:

(₹ in crore)

Year	Total State Budget allocation	BA for Rural Development	Percentage of BA on RD against Total State BA	Expenditure on Rural Development	Savings
2004-05	30794.50	481.59	1.56	422.05	59.54
2005-06	21451.09	537.40	2.50	369.35	168.05
2006-07	21864.30	863.20	3.94	550.96	312.24
2007-08	23567.10	938.08	3.98	771.93	166.15
2008-09	27204.10	1003.00	3.68	651.98	351.02

Source: Appropriation Accounts 2004-05 to 2008-09.

It would be seen from above that allocation fund for Rural Development was less than 4 *per cent* of total State Budget allocation for the last five years. Apart from this, there were short releases of fund by the State Government which was the main reason for savings during 2004-05 to 2008-09.

1.7.2 Budget allocation and expenditure under State Schemes

Budget Allocation (BA) of funds to PRIs for Rural Development Programmes in the State sector were as under:

(₹ in crore)

Year	Major Head of Account	Minor Head of Accounts	Budget allocation	Expenditure	Excess (+) Savings (-)
2004-05	2515-ORDP[1]	101,Assistance to PRIs	30.33	22.84	(-)7.49
2005-06	-do-	-do-	46.48	27.30	(-)19.18
2006-07	-do-	-do-	59.61	27.04	(-)32.57
2007-08	-do-	-do-	62.27	36.76	(-)25.51
2008-09	-do-	-do-	Nil	0.49	(+)0.49
	-do-	800,District Development Plan	100.10	63.74	(-)36.36
	2501-SPRD[2]	800, Interest subsidy for Women	2.00	Nil	(-)2.00
	-do-	800,Rural Housing	10.00	Nil	(-)10.00
	-do-	800,Enhancement of wages for NREGS	5.00	Nil	(-)5.00

Source: Appropriation Accounts 2004-05 to 2008-09.

Reasons for excess expenditure of ₹ 0.49.crore without budget provision for Assistance to PRIs in 2008-09 and savings against other provisions during 2004-05 to 2008-09 were not intimated (December 2010)

1.7.3 Preparation of un-realistic budget

Preparation of budget for estimated receipts and expenditure is essential for optimal utilization of limited resources to achieve the objective of the organization. The shortcomings noticed in preparation of budget are given below:

[1] *Other Rural Development Programmes.*

[2] *Special Programmes for Rural Development.*

(₹ in crore)

Sl. No.	Name of PRIs	Period	Receipts		Excess provision	Expenditure		Excess provision
			Estimated	Actual		Estimated	Actual	
1.	Morigaon ZP	02-08	2.33	1.81	0.52	2.39	1.28	1.11
2.	Bongaigaon ZP	07-09	1.55	1.10	0.45	1.55	0.30	1.25
3.	Karimganj ZP	02-06	102.94	28.77	74.17	102.94	24.71	78.23
4.	Badarpur AP	02-09	4.66	1.62	3.04	4.66	1.49	3.17
5.	Boitamari AP	06-09	3.50	0.19	3.31	0.36	0.20	0.16
6.	Bhawanipur AP	06-07	0.14	0.03	0.11	0.13	0.02	0.11
		Total	**115.12**	**33.52**	**81.60**	**112.03**	**28.00**	**84.03**

It may be observed from the above table that the actual receipts were substantially less than the budget provisions during 2002-09 and six PRIs incurred less expenditure of ₹ 84.03 crore against the budget estimates. Estimates of receipts were prepared without considering the factors like past trends, capacity to generate revenue and anticipated grants allocated under state and central plans, thereby leaving a large gap between the anticipated revenue and actual receipts. Estimates of expenditure which were based on inflated revenue estimates were also inflated to the extent that required fund could not be generated to meet the estimated expenditure. Thus, the budget estimates were unrealistic due to non-assessment of probable receipts against expenditure.

1.7.4 Expenditure incurred by GPs without preparation of budget

As per Rule 32 of Assam Panchayat (Financial) Rules, 2002, every GP had to approve and adopt by the end of February each year, the budget for the following financial year. No fund was to be released to GPs until the budget approved under the rule for the same financial year is received by AP having the jurisdiction over it. 61 GPs (detailed in **Appendix-1**) did not prepare, approve and adopt the budget for the years 2002-09 and un-authorizedly spent ₹39.20 cores without any budget allocation. In absence of any budget, the actual requirement of funds was not communicated to Government and funds were released in routine manner to these GPs.

1.8 State Finance Commission (SFC)

Finance Department had constituted a Finance Commission Cell in the State Finance Department to assist Central Finance Commission (CFC) and SFC to monitor the progress of implementation of their recommendations. This cell was also to monitor

utilisation of fund released by GOI under State Plan, various CSS and State Share (SS) besides collection of data on a regular basis in respect of Local Bodies (LBs).

The Third Assam State Finance Commission (TASFC) was constituted in February 2006. TASFC submitted its final report on 27 March 2008 covering the period from 2006-07 to 2010-11. TASFC recommended that 10 *per cent* of non-plan Own Tax Revenue Receipt, after deducting actual collection charges of State Government, should form the Divisible Pool (DP) out of which allocation should be made to PRIs and ULBs during the three financial years 2008-11. The State Government accepted these recommendations and accordingly made provisions in the budget from 2008-09 onwards.

1.9 District Planning Committee (DPC)

1.9.1 Section 3 of APA, 1994 and AP (F) Rules 2002 framed there under provide that the State Government shall constitute a District Planning Committee (DPC) in every district. However, it was noticed that delay in commencement of functioning of DPC in nine districts ranged from 1 to 2 years from the date of the framing of the Rule. No information in respect of commencement of functioning of DPC in Goalpara district was available.

In accordance with the provision of APA, 1994, the GPs were required to forward their Plan proposal to APs for consolidation and onward transmission to ZPs concerned. The DPC in the ZPs was to prepare the Annual District Development Plan (ADDP) based on fiscal ceilings communicated by the State Government duly incorporating the development plans of the APs and GPs, Municipalities and Town Committees of the districts with special attention to the matters of common interest of Local Bodies. The Chairperson/ Chairman of every DPC shall forward the district plan as recommended by such committee, to the Government for approval within a specified period as may be prescribed by the State Government. It was, however, noticed in the test checked ZPs that GPs, APs, MBs/TCs did not forward their plan proposals for consolidation and CEOs of the ZPs did not insist that the lower tier of PRIs should forward proposals as visualized.

In absence of incorporation of defined needs of the grass root level the DPC prepared the DDP in routine manner. No integrated district plan as a whole had been prepared by the DPC for their respective district. Thus, functioning of the DPC was not up to the standards set in APA, 1994, in these districts.

1.9.2 Non-release of District Plan Fund to Dhemaji District

As intimated (January 2010) by the Joint Commissioner, P&RD, District Plan for Dhemaji District for the year 2007-08 was not approved by the HLC (High Level Committee) and accordingly DDP fund of ₹1.23 crore for the said year was not released by the State Government. Reason for non-approval of schemes by HLC was, however, not intimated. Consequently aims and objectives of the programme remain unfulfilled depriving the populace of the deserving benefits.

1.9.3 Non-release of Backward Region Grant Fund due to non-formation of DPC in Goalpara district

Backward Region Grant Fund (BRGF), launched in February 2006 in eleven districts of the state, aims to bridge critical gaps in local infrastructure and other developmental requirements that were not being adequately met through existing inflows. It consists of two funding windows *viz,*

a) A capacity building fund of ₹1 crore per annum to each BRGF district to build capacity in planning, implementation, monitoring, accounting, improving accountability and transparency, and;

b) An untied grant of ₹10 crore per annum to each BRGF district.

Programmes identified for implementation under the fund should be selected through Gaon Sabhas in rural areas and ward committees in the urban areas and to be consolidated into the district plans by the District Planning Committee (DPC). Funds would be released annually by the Ministry of Panchayati Raj (MOPR) on receipt of Plan approved by the High Level Committee (HLC), set up at the State level.

Due to non-formation of DPC in Goalpara district, GOI did not release BRGF grant of ₹13.21 crore for the district with consequential impact on development of the district.

1.10 Status of creation of database of finances and maintenance of accounts

1.10.1 Based on the recommendation of Eleventh Finance Commission (EFC), CAG had prescribed database formats for finances of all PRIs with a view to have a consolidated position of sector wise resources, application of funds and their physical progress *etc.* As of September 2009, computer & networking at ZP and AP level have

been completed and software called PRISM for maintenance of database has been developed. However, computerization at GP level has not been done yet and the software has not yet been introduced. Thus, a complete database of finances in a consolidated form covering all the PRIs in the State was not available.

1.10.2 The State Government also agreed (August 2004) to adopt the accounting formats prescribed by CAG and amended the Assam Panchayat (Financial) Rules, 2002 in August 2004 incorporating some of the formats prescribed by CAG. However, these formats had not been adopted by the PRIs. The State Government constituted (April 2009) a drafting committee to prepare Panchayati Raj (Budget) Rules, 2009 even when the formats prescribed under the Assam Panchayat (Financial) Rules, 2002 were not adopted by the PRIs.

1.11 Grants recommended by Twelfth Finance Commission (TFC)

1.11.1 The share of grants recommended by TFC to PRIs in the State was ₹526 crore for release during 2005-10. The average annual share of PRIs was ₹105.20 crore. The PRIs were to improve the service delivery in respect of Water Supply and Sanitation (WSS) by taking over assets relating to WSS created under Swajaldhara Programme and were to utilize the funds for maintaining them, apart from creating other income generating sources. The State was to assess the funds required for building database and maintenance of accounts of Local Self Government Institutions (LSGIs) and to earmark funds accordingly from the grants.

1.11.2 Delay in release of TFC grants

According to Para 6.1 of the TFC guidelines, grants to Local Bodies are to be released by GOI to the States in two equal installments in July and January every year and the States have to mandatorily transfer the grants to different tiers of PRIs within 15 days of receipt, failing which interest at the rate prescribed by Reserve Bank of India is to be paid for the delayed period.

GOI as of December 2009 released a total amount of ₹315.60 crore as TFC grants for the period from 2005-06 to 2008-09. However, the State Government did not release the grants within the stipulated period and delayed the release of grants by 45 to 549 days as detailed below:

(₹ in crore)

Year of grant	Install-ment	Amount of grant awarded by TFC	Amount of grant released by GOI	Date of receipt by the State Govt.	Amount of grants released to PRIs	Date of release of grants to PRIs	Days Delayed in release of grants	Interest payable 5.5 *per cent*
2005-06	First	52.60	52.60	28-12-05	42.36	08-12-06	330	2.11
					6.41	16-12-06	338	0.33
					1.27	21-3-07	433	0.08
					2.58	26-6-07	438	0.17
	Second	52.60	52.60	22-6-07	42.36	15-10-07	100	0.64
					6.41	28-9-07	83	0.08
					3.82	14-11-07	130	0.07
2006-07	First	52.60	52.60	22-6-07	52.60	07-01-09	549	4.35
	Second	52.60	52.60	10-7-09	50.04	08-9-09	45	0.34
2007-08	First	52.60	52.60	10-7-09	102.67	04-12-09	132	2.04
	Second	52.60	52.60					
2008-09	First	52.60						
	Second	52.60						
Total		**420.80**	**315.60**		**310.52**		**2578**	**10.21**

Allocation of balance grant of ₹5.08 crore (₹315.60 crore – ₹310.52 crore) had not been made nor was the grant released to the PRIs for execution of schemes.

As there were delays ranging 45 to 549 days in actual credit of allocated grants to individual account of PRIs, interest of ₹10.21 crore (as worked out by audit at the rate of 5.5 *per cent*) was due for payment to the PRIs. However, the State Government as of June 2009 released ₹3.23 crore only as interest to PRIs.

1.11.3 Allocation of Grants under TFC

Out of the total grants of ₹157.80 crore (including six schedule areas) received upto March 2009, ₹5.51 crore was assigned for maintenance of accounts, ₹9.04 crore for creation of database, ₹6.19 crore for O&M, ₹13.75 crore for creation of other income generating sources, ₹92.60 crore for WSS for PRIs in general areas. According to the guidelines issued by the State Government, the fund received under the TFC grant from GOI was to be shared among ZPs, APs and GPs in the ratio of 10:30:60 respectively. The Commissioner, P&RD allocated and distributed the grants to PRIs through ZPs. However, detail position of fund released by two ZPs during 2006-08, as summarized below, disclosed that the ratio stipulated by the State Government, had not been followed:

(₹ in lakh)

Sl. No.	Name of ZP	Total fund Recd.	Fund required to be released		Actual release of fund		Excess / Short release of fund	
			APs	GPs	APs	GPs	APs	GPs
1.	Karimganj	420.34	126.10	252.20	126.27	220.29	(+) 0.17	(-) 31.91
2.	Cachar	415.90	124.77	249.54	134.87	235.80	(+) 10.10	(-) 13.74
Total		**836.24**	**250.87**	**501.74**	**261.14**	**456.09**	**(+) 10.27**	**(-) 45.65**

Thus, due to non- adoption of formula recommended by the State Govt. the APs of the test checked ZPs received ₹10.27 lakh more, GPs received ₹45.65 lakh less, during 2006-08.

Moreover, the test checked PRIs did not maintain any account showing receipts of funds and corresponding expenditures on WSS, creation of database, maintenance of accounts, creation of other income generating sources, O&M and expenditure on other developmental works.

1.11.4 Utilization Certificate

Principal Secretary, Finance Department was required to furnish Utilization Certificate (UC) to the GOI, Ministry of Finance every year for the TFC grants spent by PRIs. As per information furnished by Finance Department, it was noticed that UCs of ₹157.80 crore (first and second installments of 2005-06 and first installment of 2006-07) were sent to the GOI on the basis of grants released to the PRIs, although ₹9.04 crore earmarked for database of finances of PRIs were lying unspent in the bank account of ZPs (February 2010) as per direction of the Commissioner, P&RD. The UC rendered by the Principal Secretary, Finance did not reflect the reality.

1.12 Audit Arrangement

1.12.1 The State Government, under section 29, 61 and 98 of APA 1994 and Rule 37(ii) AP (F) Rules 2002 framed there under, made a provision to prescribe an authority as primary auditor to conduct audit of the accounts of the PRIs. However, till December 2009, such an authority had not been prescribed by the State Government.

The State Government accepted the TGS arrangement and entrusted the CAG of India to conduct audit of PRIs under section 20 (I) of CAG's (DPC) Act, 1971. The parameters for the said arrangement have not yet been finalized by the State Government despite repeated persuasions.

Thus due to State Government's failure to prescribe an authority as primary auditor of PRIs and finalize the parameters of TGS, effective Audit Arrangement of PRIs has not taken place.

1.12.2 Director of Audit (Local Fund)

Director of Audit, Local Fund (DALF), Assam under the provisions of Assam Local Funds (Accounts & Audit) Act, 1930 conducts audit of the accounts of any local authority such as universities, colleges, schools, religious and charitable institutions *etc.,* including PRIs and ULBs in the State. Though DALF is conducting the audit of PRIs, State Government had not yet made any provision in the relevant Act making DALF the primary auditor of PRIs. It was only in January 2010, the Panchayat & Rural Development Department, through a departmental order, entrusted the DALF as primary auditor to conduct the audit of the accounts of PRIs under the Technical Guidance and Supervision (TGS) of CAG of India.

1.12.3 Audit Coverage by DALF

Out of total auditable 2407 PRI units, (GPs-2202, APs-185 and ZPs-20), audit of 2321 PRIs could not be conducted by DALF as of February 2010, stated to be due to shortage of staff and facilities. However, inspection reports on audit conducted by DALF were not forwarded by the DALF to the Senior Deputy Accountant General (LB Audit & Accounts) Assam, for consolidation in the ATIR.

1.12.4 Results of Audit by DALF

Ten out of 28 PRIs test checked in review on "Maintenance of Accounts" conducted during July-September 2009, stated that their accounts were audited by DALF, but inspection reports, if any issued by DALF, could not be shown to audit.

As stated by the Director (February 2010), DALF is required to send an Annual Report to the Finance Department by 30 September each year incorporating major outstanding audit objections relating to LBs which were pending for settlement for further action by the Finance Department. However, the State Government did not set up any committee for discussion of Annual Report of DALF.

As stated by the Director (February 2010), no consolidated Annual Report had so far been sent to Finance Department and preparation of outstanding paras of the audit reports in a consolidated form was under progress from the current year (2009-10).

Thus in the absence inspection reports and Annual Consolidated Reports, the results of audit conducted by DALF remain unreported without any follow up action thereby creating an environment of serious financial irregularities leading to loss to Government.

1.13 Audit Coverage by CAG

1.13.1 The Senior Deputy. Accountant General (LB Audit& Accounts), Assam conducts audit of PRIs under section 20(I) of CAG's (DPC) Act, 1971.The audit of accounts of 85 PRIs (Nine ZPs, 15 APs and 61 GPs)[3] covering accounts up to March 2009 was conducted during June to December, 2009 (**Appendix-2**).

1.13.2 Response to audit observation:

Results of audit of the accounts of PRIs, conducted by the Senior Deputy Accountant General (LB Audit& Accounts), Assam, were communicated to the respective PRIs in the form of Local Audit Reports (LARs) with copy to the State Government. Replies were required to be furnished within four weeks of receipt of LARs. Only 65 PRI units furnished reply to the LARs. Due to non-furnishing of specific reply by the auditee units, only 22 paragraphs had been settled as on date (February 2010). The year wise position of LARs and outstanding paragraphs with money value is given below:

(₹ in crore)

LAR issued				Number of paragraph settled		Outstanding	
Year	**Number of LARs**	**Number of Paragraphs involved**	**Money value**	**Paragraph**	**Money value**	**Paragraph**	**Money value**
Upto 2006-07	50	762	68.93	-	-	762	68.93
2007-08	155	1316	64.70	04	0.13	1312	64.57
2008-09	97	878	239.71	18	81.12	860	158.59
Total	**302**	**2956**	**373.34**	**22**	**81.25**	**2934**	**292.09**

Thus 302 LARs and 2934 paragraphs with monetary value of ₹292.09 crore were pending for settlement (February 2010) for want of replies from PRIs.

[3] *Detail given in Appendix-2*

Correspondences were made for placement of LBs report in the State Legislative Assembly for discussion and settlement of the objections on the spot by constituting Audit Committee at appropriate level. Action of the State Government was awaited (February 2010).

1.14 Conclusion

- Because of an extremely low 'Own Revenue' base, PRIs were largely dependent on Government funds to carry out their functions.
- Appropriation of fund without preparation of budget or preparation of unrealistic budget led to unauthorized expenditure or unnecessary savings in the PRIs.
- Devolution fund, functions and functionaries at the field level yet to take place.
- In the absence of Consolidated Annual Audit Report of PRIs, the results of audit of the accounts of PRIs conducted by DALF remain unreported without any follow up action.
- There was also poor response and delays in furnishing replies to audit observations leading to accumulation of outstanding audit paras.

1.15 Recommendations

- PRIs should be encouraged to mobilize their own resources through imposition of taxes and fees so as to minimize dependency on governmental assistance.
- PRIs should take steps to prepare realistic budget based on past trends, capacity to generate revenue and anticipated grants allocated under State and Central plans. Accountability may be fixed on the responsible officers/officials for non-preparation of budget and lapses in budgetary and financial control.
- State Government may take effective steps for actual devolution of fund and functions at the grass root level and ensure that the concerned staffs of the departments are transferred to the PRIs for successful working of local self government.
- State Government may issue suitable instructions to the DALF for preparation of consolidated Annual Audit Reports of PRIs so as to bring in transparency on the state of affairs of PRIs.

- State Government should also issue suitable instructions to all tiers of PRIs to ensure prompt response to audit observations. Government should also constitute Audit Committee at appropriate level for prompt settlement of outstanding audit objections.

Chapter – V

URBAN DEVELOPMENT DEPARTMENT

TRANSACTION AUDIT OF URBAN LOCAL BODIES

5.1 Revenue Receipts and results of Audit

The revenue receipts of an Urban Local Body comprise of receipt from its own resources (tax and non-tax revenue), State Finance Commission Grants, Grants and Loans from Governments and loans from Financial Institutions. The performance of ULBs in the State in the matter of increasing own revenue from sources allocated to them had been dismal. The resultant inadequacy of funds prevented them from discharging even their obligatory functions. The deficiencies in management of resources, loss due to non-assessment, short/non-realization of dues and charges *etc*., noticed during audit are discussed in the succeeding paragraphs.

5.1.1 Outstanding Holding Tax

As per Section 68 of AMA Act, 1956, ULBs are empowered to impose holding tax. The position of demand, collection and outstanding of holding tax in respect of seven ULBs was as under

(₹ in crore)

Sl No	Name of ULBs	Year	Demand including arrears	Collection including arrears	Outstanding	Percentage of collection
1	Silchar	2008-09	1.98	0.76	1.22	38
2	Jorhat	2008-09	4.28	2.49	1.79	58
3	Abhaypuri	2008-09	0.56	0.06	0.50	11
4	Nagaon	2008-09	0.73	0.36	0.37	49
5	Hailakandi	2007-08	0.58	0.24	0.34	41
6	Guwahati	2007-08	12.82	9.54	3.28	74
7	Bongaigaon	2008-09	0.61	0.18	0.43	29
Total			**21.56**	**13.63**	**7.93**	**63**

It would be seen from the above table only 63 *per cent* of total demand was collected during 2007-09, further increasing the arrear demand amount at the close of the year. The ULBs did not take necessary steps, prescribed in the Account Rules, for recovery of outstanding dues. This indicated poor monitoring in collection of tax by the ULBs.

5.1.2 Non-revision of holding tax

Section 85 of the AMA, 1956 provides for revision of rate of tax once in every five years, but regular revision had not been carried out for years together either due to lack of initiative on the parts of ULBs or delay in giving approval to appointment of assessor by the State Government.

Sl No.	Name of ULB	Year of last assessment	Year from which initiated	Position on March 2009
1	Hailakandi	1993-94	Nil	Not initiated
2	Amguri	2000-01	Nil	-do-
3	Nagaon	1971-72	1994	Not effected
4	Silchar	1997-98	1997	Effected from 1998

In four test checked ULBs, the revision was pending for the last 10-16 years as indicated above.

Thus, non revision of assessment in time resulted in loss of potential revenue of ULBs. As provision for rate of increase or decrease per year was not laid down in Municipal Act or Rules, the loss due to non-revision of tax could not be ascertained.

5.1.3 Loss of ₹16.68 lakh due to reduction of annual valuation of holding

Test check of records of assessment of holding taxes revealed that Silchar Municipal Board reduced the annual valuation of holdings on several occasions without assigning any reason resulting in loss of revenue to the tune of ₹16.68 lakh during 2005-2009.

5.1.4 Outstanding taxes on Government buildings

Taxes outstanding against Government Buildings were payable by the concerned departments of the State Government. In three ULBs, ₹87.62 lakh were outstanding against Government Buildings as detailed below:

(₹ in lakh)

Sl No	Name of ULB	On 31 March	Outstanding tax
1	Abhaypuri	2009	9.04
2	Silchar	2009	63.50
3	Hailakandi	2008	15.08
		Total	**87.62**

The ULBs made no efforts to recover these dues from concerned departments/authorities of the State Government. No reason for non realization was furnished to audit by ULBs.

5.1.5 Outstanding urban tax

ULBs earn their revenue for their own resources through taxes, rent, fees for issue of licenses *etc*., test check of records and statement of outstanding demand and collection of urban taxes submitted to audit by two ULBs revealed that demand of ₹ 75.23 lakh was raised in the year 2008-09, out of which ₹ 26.38 lakh was collected and balance of ₹ 48.85 lakh was outstanding as on March 2009 as detailed below:

(₹ in lakh)

Sl No	Name of ULB	Period	Demand	Collection	Outstanding
1	Silchar	2008-09	56.41	20.83	35.58
2	Nagaon	2008-09	18.82	5.55	13.27
		Total	**75.23**	**26.38**	**48.85**

Due to short realization of tax there was a decrease in the fund available with the ULBs for providing essential services to the people. Action taken to realize the dues was not on record.

5.1.6 Non-realization of betterment tax

As per Section 68A of AMA, 1956 ULBs empowered to levy water charges from the tax payer for supply of drinking water under its jurisdiction. It was noticed in audit that two ULBs had outstanding water charges of ₹ 1.21 crore at the end of March 2009 as detailed below:

(₹ in crore)

Year	Name of ULB	Demand including arrears	Collection including arrears	Outstanding	Percentage of collections
2008-09	Silchar	1.80	0.91	0.89	51
2008-09	Hailakandi	0.40	0.08	0.32	21
	Total	**2.20**	**0.99**	**1.21**	**45**

This indicated inadequate controls and weak monitoring mechanism in the ULBs resulting in loss of potential revenue.

5.1.7 Poor collection of taxes on private markets

As per Section 68 (1) (f) of AM Act, 1956, ULBs are empowered to impose, within the limits of the municipality, a tax on private market payable by the owner. The position of arrear demand, collection and outstanding tax at the end of 31 March of a financial year was as under:

(₹ in lakh)

Sl No	Name of ULB	Period	Total demand including arrears	Collection including arrears	Outstanding	*Percentage* of collection against demand
1	Abhaypuri	2003-09	10.03	0.78	9.25	8
2	Jorhat	2003-09	104.50	90.28	14.22	86
3	Silchar	2005-09	116.77	53.03	63.74	45
4	Nagaon	2008-09	32.26	15.96	16.30	49
5	Guwahati MC	2007-08	83.91	62.51	21.40	74
6	Bongaigaon	2008-09	31.87	9.80	22.07	31

The position of collection in four ULBs[25] depicted a dismal picture showing 8 to 49 *per cent* collection against the demands. Though Guwahati MC and Jorhat MB disclosed a better collection trend at 74 and 86 *per cent* respectively, the quantum of outstanding amount at ₹ 21.40 lakh and ₹ 14.22 lakh respectively were significant. ULBs, however neither issued demand notices from time to time nor took any legal action against the owners. Due to poor monitoring and lack of persuasion there was accumulation of outstanding taxes amounting to ₹ 22.07 lakh in six ULBs

Poor collection of taxes affected the resource position of the ULBs making them increasingly dependant on financial assistance from the Government.

5.1.8 Loss of revenue due to settlement of markets at lower bids

Test check records of five ULBs revealed that markets/ parking slots *etc,* were not leased out to highest bidder. The highest bidders were rejected without any recorded reason and other bidders who quoted lower bid were allowed lease right of markets *etc*. Thus, leasing of markets/parking slots *etc.,* to the lower bidders resulted in loss of potential municipal revenue of ₹ 47.00 lakh as details below:

(₹ in lakh)

Sl No.	Name of ULB	Year	Loss of revenue	Reasons for Loss
1	Amguri	2002-05	1.06	Non-settlement of market to the highest bidder.
2	Barpeta Road	2007-08	14.11	Allotment of rooms of super market without taking into consideration minimum value of allotment of each room.
		2008-09	3.27	Non-acceptance of higher tender value.
3	Nagaon	2002-03	2.09	-do-
4	Jorhat	2004-07	24.75	-do-
5	Abhaypuri	2007-09	1.72	-do-
		Total	**47.00**	

[25] *Abhayapuri, Bongaigaon, Silchar and Nagaon*

5.1.9 Loss of Government Revenue due to non-registration of deed

Article 35 (II) of Assam Gazette (Extra-ordinary) Notification dated 05-07-1989, provided that successful bidder should mortgage a piece of land of equal value or more of the settlement value of markets, parking *etc.*, by executing a registered deed at his own cost. In addition to registration fee of deeds, stamp duty @ ₹ 30 per thousand (3 *per cent*) of demand (settlement/lease value of markets, parking *etc.*,) should be borne by the lessee/bidder concerned as per Indian Stamp Act and Assam Amendment Act, 1989.

Test check of records of lease/ settlement of markets *etc.*, of seven ULBs revealed that not a single deed/agreement was registered before handing over the markets to the lessee/ bidder for collection of tolls. Thus, due to non-adherence to rules, terms of lease and provision of Indian Stamp Act by the ULBs there was loss of Government revenue of ₹ 94.12 lakh during the period as detailed below:

(₹ in lakh)

Sl No	Name of ULB	Period	Settled value	Due Registration charge	Due S/Duty	Total	No of hat/Ghat
1	Jorhat	2003-07	66.37	5.18	2.03	7.21	8
2	Barpeta Road	2003-09	249.00	34.88	7.47	42.35	11
3	Amguri	2000-09	31.49	1.54	0.94	2.48	5
4	Silchar	2003-09	77.66	5.39	2.33	7.72	8
5	Rangia	2002-09	117.00	8.74	3.51	12.25	-
6	Bongaigaon	2004-09	88.79	9.27	2.66	11.93	11
7	Abhaypuri	2003-09	90.11	7.47	2.71	10.18	6
		Total	**720.42**	**72.47**	**21.65**	**94.12**	

Due to non-registration of mortgage deeds, the ULBs failed to safeguard their interest and had no control on the lessees in realizing the outstanding kist money when the lessees defaulted in their payment.

5.1.10 Short realization of Kist Money

As per Section 148 of the AMA, 1956, the ULBs were required to recover kist money from the lessees/ bidders. Test-check of seven ULBs revealed that the lessees/ bidders defaulted in payment of kist money and ₹ 97.08 lakh was yet to be realised from the lessees/bidders as detailed below:

(₹ in lakh)

Sl No.	Name of ULBs	Period	No. of market/mahals	Realisable kist money	Realised	Outstanding
1	Abhaypuri	2003-09	NA	90.33	72.37	17.96
2	Rangia	2002-09	NA	6.77	NA	6.77
3	Silchar	2005-09	12	105.22	98.19	7.03
4	G MC	2007-08	4	95.85	70.64	25.21
5	Bongaigaon	2008-09	11	102.50	99.41	3.09
6	Amguri	2002-09	6	14.86	12.08	2.78
7	Barpeta Road	2005-06	NA	91.19	56.95	34.24
			Total			**97.08**

ULBs, however, did not serve periodical demand notice to the lessees for realization of quarterly installments of leases. They did not take any action to cancel the leases and invite fresh bids. This was indicative of the lack of initiative and poor internal control in ULBs resulting in weakening of their resource base.

5.1.11 Outstanding rent on municipal properties

In six ULBs, ₹1.83 crore were outstanding on account of rent of Municipal Shops *etc.*, to be realized from allottees as detailed below:

(₹ in lakh)

Sl No.	Name of ULBs	On 31st March	Outstanding rent
1	Abhaypuri	2009	9.01
2	Silchar	2009	55.61
3	Hailakandi	2008	4.76
4	Bongaigaon	2009	16.47
5	Jorhat	2009	72.18
6	Barpeta Road	2009	24.63
		Total	**182.66**

Due to non-realization of rent from tenants, the ULBs failed to augment their own revenue in time. Action taken, such as issue of demand notices, warrants *etc.*, if any, to realize the outstanding rent was not found on record.

5.1.12 Failure in generation of revenue due to non-allotment of rooms/stalls

Test-check of records Barpeta Road MB (BRMB) revealed that 35 rooms/stalls of Bus Stand cum Market Complex, Barpeta Road were auctioned for allotment by on 11-08-08 and 12-9-08 at an estimated cost of ₹1.37 crore. Out of 35 rooms/stalls, 21 remained un-allotted as per records made available to audit. This resulted in failure to generate projected revenue of ₹82.50 lakh. The stalls of Bus Stand Complex were yet

to be allotted (November 2009). Due to non ascertaining users demand prior to construction of market complex Barpeta Road Municipal Board (BRMB) failed to augment the anticipated revenue as mentioned above.

5.1.13 Short/Non-accountal of revenue receipts

As per Rule 32 of the Assam Municipal Account Rules, 1961 all money received on the account of the Municipal Board shall be remitted with the least possible delay into the treasury/ bank and shall on no account be appropriated towards expenditure.

During audit it was found that in contravention of the above rule, staff of five ULBs did not remit ₹ 13.27 lakh of collected money as detailed below:

(₹ in lakh)

Sl No.	Name of ULB	Name of fund	Period	Amount not accounted for	Reason/ Remarks
1	Amguri	Own fund	2007-09	2.95	Not deposited by Tax Daroga
2	Nagaon	Own fund	2007-09	0.13	Not deposited by tax collector
3	Bongaigaon	-do-	2004-06	0.49	-do-
4	Guwahati Municipal Corporation	-do-	2006-07	1.10	-do-
5	Morigaon	-do-	2003-09	8.60	Non-deposit of tax and non-tax revenue
			Total	**13.27**	

No amount was recovered from the concerned staff and it was still lying with them for last two to six years. Due to non-accountal of money by the collectors, possibility of mis-utilisation of revenues could not be ruled out.

5.1.14 Non-accountal of receipts

According to Section 58 of AMA, 1956 and Rule 1961 all money received by the municipality shall be credited into the Municipal Fund. In violation of this provision, the receipts of Bus Terminus-cum-Market Complex and Mini and Super Market amounting to ₹ 3.71 crore received during 2005-09 by the Barpeta Road MB were kept in a separate bank account without crediting the receipts in Municipal Fund. Out of that, an amount of ₹ 3.70 crore was spent directly without crediting to the Municipal Fund for construction of Bus Terminus cum Market Complex and Mini and Super Market.

5.2 Blockade of fund

The Chairman, Barpeta Road Municipal Board (BRMB) transferred ₹5.02 lakh to the concerned District Land Acquisition Officer (DLAO) towards compensation to the land owners for acquisition of land at government rates for construction of Bus stand. Although cost of land was transferred to DLAO during 2005-06, the land had not been acquired/ made available to BRMB and ₹ 5.02 lakh was lying unutilized with DLAO (July 2009). No action was taken by the authority of BRMB for refund of the said amount.

5.3 Unfruitful expenditure towards procurement of land

Silchar Municipal Board (SMB) decided to purchase one plot of land at ₹10.50 lakh for construction of market complex at Silchar**.** However, records relating to estimated cost of construction of the market complex, technical sanction and administrative approval from the competent authority were not made available to audit. SMB paid ₹2.00 lakh to the seller on 04 April 2006 as advance and balance ₹8.50 lakh was to be paid at the time of final execution of sale deed. A deed of agreement was executed on 28 April 2006 for which SMB spent ₹0.31 lakh for registration, but till July 2009 the final sale deed had not been executed nor had the possession of the land been taken by SMB. Thus, the SMB incurred unfruitful expenditure of ₹2.31 lakh towards procurement of land.

Implementation of Schemes

5.4 Irregular utilization of EFC Grants

Guidelines for utilization of grants to Local Bodies recommended by EFC, stipulated that grants should be used to finance the maintenance of civic services in rural and urban areas under provisions of Primary Education, Primary Health Care, Safe Drinking Water, Street Lighting, Sanitation including Drainage and Scavenging facilities and other common property resources *etc.*

Test check revealed that four ULBs incurred expenditure of ₹37.54 lakh during 2005-08 on following works which do not fall under the above categories.

(₹ in lakh)

Sl No	Name of ULB	period	Ineligible works		Name of work
			Number	Amount	
1	Barpeta Rd	2005-08	2	6.07	Constn and repairing road/culvert *etc*
2	Morigaon	2006-08	7	13.49	Improvement of road
3	-do-	2003-06	1	11.20	Beautification of Park
	Silchar	2006-07	1	1.50	Conversion of truck into tipper
4	Amguri	2003-06	1	5.28	Constn of staff quarter
Total			**12**	**37.54**	

Thus, expenditure of ₹ 37.54 lakh incurred on 12 ineligible works was highly irregular.

5.4.1 Unfruitful expenditure

Abhaypuri Town Committee (ATC) procured one Cesspool cleaner at a total cost of ₹ 5.14 lakh in July 2005 out of EFC grants for removal of waste from septic tanks. A tractor was required to transport the Cesspool cleaner to the septic tanks and the disposal spots. However, the tractor was not procured as of February 2010 for want of fund. Thus, the cesspool cleaner remained idle and could not be put to use for want of tractor.

Barpeta Road MB also purchased one Cesspool cleaner at a cost of ₹4.00 lakh from TFC grant in November 2007, but due to non-possession of trenching ground (for disposal of collected wastes), the Cesspool Cleaner could not be put to use.

Thus, procurement of Cesspool Cleaners at a total cost of ₹ 9.14 lakh by two municipalities without tractor and land for disposal of waste, the machines remained idle for 3-5 years and the purpose of the procurements remained unachieved.

Twelfth Finance Commission Grants

5.5 Expenditure on un-approved items

As per guidelines, TFC grants should be utilized on the following purposes:

(i) Solid waste management scheme;

(ii) Creation of database of finances of ULBs and

(iii) Maintenance of accounts of ULBs.

Test-check revealed that five ULBs spent TFC fund of ₹ 37.46 lakh towards non-approved items *viz*, salary, purchase and repairing of vehicles, construction of roads &

repairing of buildings, purchase of laptop, improvement of markets *etc*., as detailed below:

(₹ in lakh)

Sl No.	Name of ULB	Period	Fund received	Expenditure incurred	Purpose
1	Morigaon	2006-09	11.61	7.74	Payment of salary of staff, 33rd National Games, Construction of roads.
2	Rangia	2006-09	9.90	3.02	Improvement. of market, purchase of laptop including soft ware.
3	Bongaigaon	2006-07	7.42	1.43	Repair of vehicle.
4	Silchar	2006-07	17.53	13.20	Construction of road and repair of building *etc*.
5	Jorhat	2006-07	18.10	12.07	Purchase of generator set.
		Total	**64.56**	**37.46**	

Thus, TFC grant of ₹ 37.46 lakh was unauthorizedly spent on unapproved items.

5.5.1 Non-preparation of Annual Action Plan

According to the provisions of TFC grants ULBs should prepare an Annual Action Plan (AAP) approved by Ward Committee of MB. However, seven ULBs as shown below spent ₹ 2.80 crore during 2006-08 without preparing Annual Action Plan.

(₹ in lakh)

Sl No.	Name of ULB	Period	Fund received	Expenditure on 31 March 09
1	GMC	2006-08	269.20	218.67
2	Amguri	-do-	4.58	4.58
3	Morigaon	-do-	3.88	3.88
1	Barpeta Road	2006-07	5.07	5.07
5	Nagaon	2006-07	11.85	11.83
6	Jorhat	-do-	18.10	18.10
7	Silchar	-do-	17.53	17.53
		Total	**330.21**	**279.66**

In absence of AAP, there was always a possibility of mis-utilisation of fund.

5.6 Locking up/Blockade of funds/grants

5.6.1 Poor utilization of Government Grants

Non-recurring grants released by the State Government as well as Central Government for execution of specific schemes were required to be utilized during the respective years. In absence of grants register, exact utilization of the grants could not be ascertained. However, on scrutiny of cash books, scheme ledgers *etc*., and on the basis

of information furnished by five[26] out of 11 test-checked ULBs, utilization of grants received for development purposes during 2002-09 was as detailed below:

(₹ in crore)

Sl No.	Name of scheme	No of ULBs executing the schemes	Period	Total fund available	Amount utilized	Balance on 31-3-09	Percentage of utilization
1	IDSMT	5	2003-09	2.15	1.52	0.63	71
2	NSDP	5	2003-09	0.80	0.70	0.10	88
3	SJSRY	5	2003-09	2.85	2.62	0.23	92
4	GIA	2	2007-09	0.91	0.87	0.04	96
5	NOAP	3	2003-09	0.67	0.64	0.03	96
6	Untied fund	1	2002-09	0.09	0.08	0.01	88
7	NFBS	1	2007-09	0.04	0.03	0.01	75
8	DDP	1	2007-09	0.40	0.35	0.05	88
		Total		**7.91**	**6.8**	**1.10**	**86**

Thus, Government grants amounting to ₹1.10 crore were lying unutilized in five test-checked ULBs (scheme and year wise position of fund given in **Appendix-15**). Poor utilization of fund/ grants by ULBs was mainly due to non-execution of schemes. Thus, delay in utilization of fund deprived the targeted beneficiaries of the intended benefits.

5.6.2 Locking up of fund due to non-execution of works.

Integrated Development of Small and Medium Towns (IDSMT), a centrally sponsored scheme was launched in the year 1979-80 with the objective of development of small and medium towns by improving economic and physical infrastructure as well as promoting resource generation for Urban Local Bodies.

Out of ₹94.50 lakh received for construction of Market Complex during 2006-07 by two ULBs, ₹90.09 lakh remained unutilized as on March 2009 as detailed below:

(₹ in lakh)

Sl No.	Name of ULB	Year of receipt	Grant received	Actual expenditure	Balance
1	Silchar	2006-07	73.00	nil	73.00
2	Amguri	2006-07	21.50	4.41	17.09
		Total	**94.50**	**4.41**	**90.09**

Delay of over three years in finalization of process for execution of works sanctioned in June 2006, led to locking up of government fund of ₹ 90.09 lakh. Further, the objective

[26] *Barpeta Road MB, Morigaon MB, Nagaon MB, Rangia MB and Silchar MB*

of creating a multi-utility market for improving the economic infrastructure and generating revenue for ULBs remained unfulfilled.

5.6.3 Pool Fund

Ministry of Housing and Urban Poverty Alleviation, GOI sanctioned ₹ 24.74 crore in March 2007 for the construction of a multi-utility building for the rehabilitation of vendors at Jorhat MB and Silchar MB under the centrally sponsored scheme of 10 *per cent* Pool Fund. Against the sanctioned amount GOI released grant of ₹ 2.23 crore in March 2007 (₹ 1.53 crore to JMB and ₹ 0.70 crore to SMB) for execution of the works. Due to land dispute the project could not be started and entire fund of ₹ 2.23 crore remained un-utilized (till October 2009) and locked up in bank accounts for more than three years and the vendors were deprived of the benefit of the scheme.

5.6.4 Non-utilization of Scheme fund under SCCP and TSP

Government of Assam, UDD sanctioned ₹ 2.10 crore and ₹ 0.65 crore (March 2009) under Special Component Plan for Schedule Caste (SCCP) and Tribal Sub Plan during 2008-09 out of the state plan for implementation of Low Cost Sanitation Programme (LCSP) in ULBs. The Director of Municipal Administration (DMA) had drawn entire amount of ₹ 2.75 crore in March 2009 and kept the amount in Revenue Deposit. Subsequently the aforesaid fund was drawn (December 2009) by the DMA but the amount left un-utilized till January 2010. Thus, due to non implementation of scheme, the beneficiaries were deprived of the intended provision of basic facility of sanitation apart from blocking of fund.

5.7 Diversion of funds

As per conditions stipulated in the sanction orders, scheme fund/ grants made by the Government for specific purpose shall not be spent for any other purpose. Further, Government Loan for specific purpose shall not be appropriated even temporarily for any other purpose.

However, in contravention of above conditions six ULBs diverted ₹ 4.19 crore towards payment of salary of staff, execution of different schemes *etc*., as detailed in **Appendix-16.**

5.8 Incomplete works

Two schemes taken up by Barpeta Road MB during 2005-08 remained incomplete till November 2009 although ₹55.62 lakh was spent against these pending works as detailed below:

(₹ in lakh)

Sl No	Name of work	Name of scheme	period	Estimated Expenditure	Expenditure incurred	Scheduled date of completion
1	Constn. of RCC Market	IDSMT	2005-08	69.31	44.19	20-4-08
2	Constn. of super market	BRGF	2007-08	15.00	11.43	December 08
			Total	**84.31**	**55.62**	

The said works remained incomplete after lapse of considerable period beyond the scheduled date of completion. The execution of works was delayed due to lack of fund, inaction of ULB on defaulting contractors and improper planning. The expenditure of ₹55.62 lakh on these incomplete works remained unfruitful since the intended benefits could not be obtained.

5.9 Non-imposition of penalty

Guwahati Municipal Corporation (GMC) had taken up the scheme for strengthening/restoration of existing water supply system (WSS) at Panbazar and Satpukhuri at an estimated cost of ₹7.00 crore. The work was entrusted to M/s Kirloskar Brothers Ltd. on 01 November 2005 with a condition to complete the work within 31 January 2007, which was extended to 28 February 2008. As per terms and condition of the agreement, penalty @ 1 *per cent* per month of the value of remaining portion of the work was required to be realized from the contracting firm in case the work was not completed within the scheduled time. The works remained incomplete till March 2009. Due to non-completion of work in stipulated time ₹ 0.24 crore required to be realized from the said firm as detailed below in table.

(₹ in crore)

Name of work	Schedule date of completion (Extended)	Work executed beyond scheduled date	Rate of Penal interest	Balance work	Chargeable penalty
Strengthening/Restoration of exiting Water Supply System	28.2.2008	1.3.08 to 31-3-09	1 *per cent* per month	1.85	0.24

However, no penalty was imposed by the Mayor of the GMC, instead the firm was allowed to continue the work without any recorded reason.

5.10 Avoidable expenditure due to non-acceptance of lowest rate

Test-check of records revealed that 2 ULBs[27] proposed construction of super-market under Integrated Development of Small and Medium Towns (IDSMT) and prepared plans and estimates for the proposed markets and invited tender for execution of work. Ignoring the lowest rate quoted by the tenderers the work orders were awarded to tenderers quoting higher rates without assigning any reason.

Thus, due to non-awarding of works to the lowest tenderers the ULBs incurred an avoidable expenditure of ₹ 0.21 crore as detailed below:

(₹ in crore)

Sl No.	Name of ULB	Name of work	Lowest quoted rate	Work order awarded at	Excess expenditure
1	Rangia	Constn. of S/Market	0.80	0.96	0.16
2	Barpeta Rd	Constn. of RCC market	0.54	0.59	0.05
		Total	**1.34**	**1.55**	**0.21**

5.11 Non- observance of tender/quotation procedure

Materials required for maintenance and development works were to be assessed in advance and procured and managed as per prescribed procedure. Test check of Barpeta Road MB revealed that the MB did not invite open tender/ quotation for procurement of building materials (cement, rod *etc.*,) valued ₹ 1.09 crore during 2004-09. The material was procured without ascertaining the reasonable rate through open competition. Thus, the basic procedure of inviting tenders/quotations to determine cost effectiveness of procurement of materials was violated.

5.12 Works done without recording in Measurement Book – ₹ 2.19 crore

Audit Scrutiny revealed that Barpeta Road MB executed construction of Bus Terminus cum Market Complex and Mini Super Market Complex at the cost ₹ 2.19 crore during 2004-09. But, the measurement of the works was not recorded in the measurement book though a considerable period of time had passed. The MB admitted the fact and

[27] *Rangia MB and Barpeta Road MB*

stated that the recording was not done due to shortage of staff and pressure of works respectively.

5.13 Parking of fund

Subsidiary Order No. 50 of Assam Treasury Rules (ATRs) stipulates that money should not be drawn unless required for immediate disbursement. The Principal Secretary, UDD, Assam sanctioned ₹ 2.40 crore in February 2009 under Assam Bikash Yojana (ABY) to purchase and provide one tractor and trailer each to 39 ULBs and two tractors and trailer each to three ULBs during 2008-09.

The DMA, Assam drew ₹ 2.40 crore in March 2009 and held in deposit at call receipts between March 2009 and January 2010 without utilizing it for the purpose for which it was sanctioned.

As a result, the objective of the scheme remained unachieved.

5.14 Neighborhood Committee/ Slum Development Committee

The ULBs engaged in slum development activities under National Slum Development Programme (NSDP) were required to create a Neighborhood Committee (NHC)/Slum Development Committee (SDC), to oversee all slum development programmes within the urban area. Test check revealed that five MBs spent ₹ 58.65 lakh during 2002-09 without setting up NHC/ SDC as detailed below:

(₹ in lakh)

Sl. No.	Name of ULB	Period	Amount
1	Morigaon MB	2005-08	9.10
2	Nagaon MB	2002-08	24.66
3	Rangia MB	2006-09	6.39
4	Amguri MB	2002-09	15.39
5	Barpeta Road MB	2007-09	3.11
		Total	**58.65**

As a result of non-involvement of NHC/SDC, the quality of works executed and the extent to which the works benefited the slum dwellers could not be vouchsafed.

5.15 Non-adjustment of advances

As per Section 82 and 83 of Municipal Accounts Rules, 1969 advances amounting to ₹57.40 lakh, granted to employees for various purposes up to March 2009 of which ₹40.93 lakh remain unadjusted till October 2009. Position of unadjusted advances against the municipalities is indicated below:

(₹ in lakh)

Sl . No.	Name of ULB	Name of fund from which advances made	Period of payment	Amount of advances granted	Unadjusted advances	To whom paid
1	Jorhat	Own fund	2007-09	1.62	1.62	Staff
2	Barpeta Road	GIA	2008-09	18.76	2.29	Chairman
		NSDP	2003-05	15.05	15.05	Staff
3	Morigaon	MV Tax	2004-05	3.04	3.04	Chairman/ward commissioner/staff
		Own fund	2002-09	1.36	1.36	Chairman/vice chairman
4	GMC	Not available	2007-08	2.85	2.85	Staff
		EFC	-do	14.00	14.00	Suppliers
5	Bongaigaon	IDSMT	2006-07	0.72	0.72	-do-
			Total	**57.40**	**40.93**	

Non-adjustment of advances over the years culminated into blocking of institutional funds for indefinite period in unauthorized hands and was fraught with the risk of defalcation/ misappropriation of government money. It was also indicative of weak internal control mechanism of the municipalities.

5.16 Tax deducted at source not deposited

Income Tax (IT), Value Added Tax (VAT) and Royalty deducted from bills of contractors/suppliers were required to be credited to the respective heads of Government accounts.

Test-check in five ULBs revealed that they deducted IT, VAT and Royalty of ₹12.54 lakh (detailed below), but did not credit it in the respective heads of Government accounts and retained the money in their funds.

(₹ in lakh)

Sl No.	Name of ULB	Period	VAT deducted	IT deducted	Royalty deducted	Total
1	Amguri	2002-09	0.15	0.20	-	0.35
2	Nagaon	2007-08	0.89	-	0.13	1.02
3	Morigaon	2007-08	-	-	0.03	0.03
4	Rangia	2001-09	3.38	1.73	-	5.11
5	Barpeta Rd	2006-09	3.54	1.05	1.44	6.03
		Total	**7.96**	**2.98**	**1.60**	**12.54**

This affected the budgetary provision of Government to the extent of ₹12.54 lakh

5.17 Payment vouchers not produced to audit

In two ULBs, payment vouchers worth ₹97.52 lakh spent for execution of works pertaining to the period 2005-08 were not made available to audit for test check as detailed below:

(₹ in lakh)

Sl No.	Name of ULB	Period of audit	No. of vouchers not produced	Amount involved
1	Guwahati Municipal Corporation (GMC)	2005-08	5	92.64
2	Morigaon	2006-08	16	4.88
		Total	**21**	**97.52**

The vouchers were stated to have been misplaced by the concerned ULBs. Due to non production of vouchers, expenditure of ₹97.52 lakh could not be vouchsafed in audit.

5.18 Conclusion

- Weak revenue assessment and collection regime resulted in huge loss of revenue and accumulation of arrears of taxes and duties.
- Large scale purchases without tenders/ quotations in violation of the general procedure for purchase evidenced deficient procurement practices.
- Implementation of schemes and execution of works showed a lackadaisical approach and delayed the process of providing intended services to the beneficiaries. Non-utilization of created assets frustrated the very purpose of augmentation of revenue. Lack of documentation indicated lack of transparency in execution of works.
- Selection of schemes without ascertaining the needs of the stakeholders and availability of fund *vis a vis* poor implementation in contrast to the schematic guidelines resulted in unfruitful expenditure, incomplete works and diversion of fund to unapproved works.

5.19 Recommendations

- Assessment and collection of revenue regime be strengthened to avoid loss of revenue and accumulation of arrears in collection of revenue.
- ULBs should adopt the process of inviting tender/ quotations for procurement of materials and stores at lowest and reasonable rates prevailing in the market.
- There should be strong control and monitoring mechanism to avoid unfruitful expenditure, blockade of public funds and delay in providing benefits to the beneficiaries.
- Selection of schemes should be need based and availability of fund ensured and. implemented in accordance to the scheme guidelines.
- Monitoring, supervision and evaluation of work by competent authorities may be ensured for completion of works within stipulated period. Proper documentation of works to be made in maintaining transparency.

Tapas Sengupta
Deputy Accountant General
(Local Bodies Audit & Accounts)

Guwahati

Countersigned by

Mohinder Singh
Principal Accountant General (Audit)

Guwahati

Chapter – II

PERFORMANCE AUDIT

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

Performance review on Maintenance of Accounts in Panchayati Raj Institutions (PRIs) in Assam

Highlights

Accounting formats prescribed by CAG were only partially accepted by the State Government as all the prescribed formats were not incorporated in the Assam Panchayat (Financial) Rules, 2002.

(Paragraph 2.6.1)

Due to maintenance of multiple cashbooks with multiple bank accounts and non-reconciliation of bank balances, the actual position of fund available with the PRIs could not be ascertained at any point of time.

(Paragraphs 2.7.1 & 2.7.3)

Maintenance of basic and subsidiary accounts was deficient and not satisfactory

(Paragraphs 2.6.4 to 2.9)

In the absence of any provision in the Rules, advance registers were not maintained and the PRIs thus, failed to watch recovery/ adjustment of advances.

(Paragraph 2.10)

Panchayats, especially Gaon Panchayats are poorly staffed to meet the demands of accounts and record keeping functions under various schemes.

(Paragraph 2.12)

In the absence of internal control through inspection of accounts and internal audit, accounts in Panchayat were not being maintained properly.

(Paragraph 2.14)

Creation of database of finances remained incomplete with GPs yet to be computerized

(Paragraph 2.16)

2 Introduction

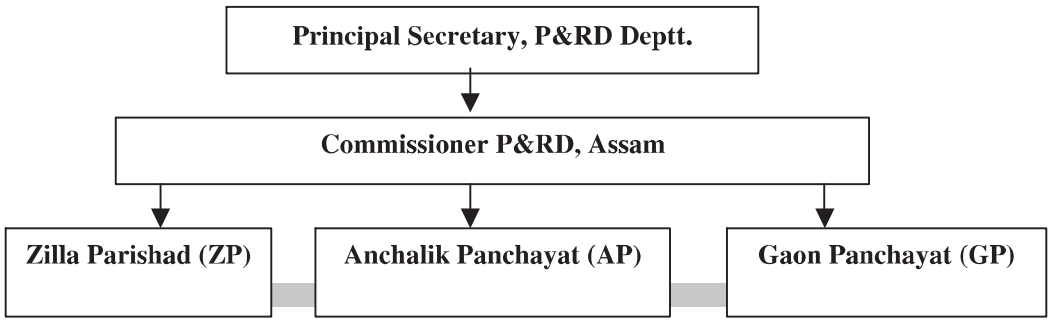
Pursuant to the recommendations of the Eleventh Finance Commission, which were accepted by Government of India in June 2001, the Comptroller and Auditor General of India (CAG), who is responsible for exercising control and supervision over the proper maintenance of accounts of all three tiers of Panchayati Raj Institutions (PRIs) and their audit, prescribed (October 2002) formats for preparation of budget and for maintaining accounts by PRIs. The formats were structured on a function-cum-programme basis, as in Government accounts, to provide uniformity at all three levels of governance – Centre, States and Local Governments.

Government of Assam framed Assam Panchayat (Financial) Rules, 2002, repealing the previous Rules of 1990, for maintenance of accounts of Panchayati Raj Institution (PRIs). As intimated by the Sate Government in March 2005, these Rules were further amended on 26 August 2004, incorporating the formats of accounts prescribed by the CAG of India. Government of Assam, Panchayat & Rural Development Department, directed (29 November 2005) all PRIs for adoption of the accounting formats, prescribed under the said Rules.

2.1 Organizational set up

There are 20 Zilla Parishads, 185 Anchalik Panchayats and 2202 Gaon Panchayats in the State of Assam. The Panchayat and Rural Development Department (P&RDD), headed by a Principal Secretary, exercises administrative control over the Panchayat Raj Institutions (PRI).

The organogram given below depicts the organizational set up of PRIs in Assam:



2.2 Scope of performance review

A performance review on maintenance of accounts in four Zilla Parishads (ZPs), eight Anchalik Panchayats (APs) and 16 Gaon Panchayats (GPs) for the period from 2006-07 to 2008-09 was conducted during July October 2009 alongwith collection of information from the Commissioner of Panchayat and Rural Development, Assam, Director of Audit (Local Fund), Assam, and Director, State Institute of Rural Development, Assam. The selected ZPs, APs and GPs were as below:

Sl. No.	Names of ZP	Names of AP	Names of GP
1	Golaghat	1) Golaghat East	i) Athkhelia ii) Furkating
		2) Gomeriguri	i)Merapani ii)Sarupani
2.	Nalbari	1) Borigog Barbhag	i) Alliya ii) Chataibari
		2) Pub-Nalbari	i) Paschim Batahgila ii) No. 1 Khata
3.	Kamrup	1) Bezera	i) Borbongshor Bezera ii) Rudreswar
		2) Chamaria	i) Rangapani ii) Kismet Kathmi
4.	Hailakandi	1) Katlicherra	i) Harishnagar ii) Sahabad
		2) South Hailakandi	i) Boldaboldi-Nandagram ii) Jamira

2.3 Audit Objectives

Objectives of the review were to check whether:

- The budget and accounts formats, as prescribed by CAG, were accepted by the State Government and rules were framed accordingly for adoption by the Panchayati Raj Institutions (PRIs).
- Receipt and expenditure were properly classified and accounted for by the PRIs as per accounting rules of the State Government and accounting formats prescribed by CAG.
- Maintenance of basic records and other subsidiary records was satisfactory at all three levels of PRIs.
- There was adequate and qualified man power for maintenance of accounts and records.
- Training facilities were available in the department to upgrade the skills of staff to adopt the modern simplified accounting technique prescribed by CAG.

- Database formats on finances prescribed by CAG had been created by the State Government at all levels of PRIs.
- There was effective control mechanism in place.

2.4 Audit criteria

- The Assam Panchayat Act, 1994;
- Assam Panchayat (Financial) Rules, 2002;
- Assam Panchayat (Administrative) Rules, 2002;
- Govt. Resolutions/instructions issued time to time; and
- The budget and accounts formats and database formats as prescribed by CAG.

2.5 Audit Methodology

For conducting performance review on maintenance of accounts by PRIs, four Zilla Parishads, eight Anchalik Panchayats and 16 Gaon Panchayats were selected by simple random sampling method. An entry conference was held on 11 August 2009 with the Principal Secretary, P&RDD, Government of Assam and officials from the Finance department wherein the objectives, methodology and modalities of audit were discussed.

2.6 Audit findings

Test check of records disclosed inadequacy in framing of rules by the State Government and deficiencies in maintenance of accounts by the PRIs brought out in the following paragraphs.

2.6.1 Partial acceptance of formats by the State Government

Government of Assam under Assam Panchayat (Financial) Rules, 2002, as amended in August 2004, prescribed 20 forms for preparation of budget and maintenance of accounts. The Panchayat & Rural Development, through a departmental order (November 2005), directed, all the PRIs to adopt the same with immediate effect.

Scrutiny of formats adopted under Assam Panchayat (Financial) Rule, 2002 as amended on 26 August 2004, however, revealed that the Government of Assam had only partially accepted the formats. The following formats, prescribed by the CAG, had not been incorporated under the said Rules.

(i) Formats for Classified and Consolidated Abstracts for preparation of monthly and annual accounts;

(ii) Register of loans received and disbursed;

(iii) Broadsheets of loans received and disbursed;

(iv) Register of Contingent Expenditure;

(v) Register of undisbursed pay & allowances;

(vi) Register of Roads;

(vii) Register of movable properties;

(viii) Additional statements.

Except for maintenance of Muster Rolls and Measurement Books, books of accounts to be maintained *e.g.,* Register of Works, Works Abstract, Miscellaneous Public Works Advance (MPWA) Register, Deposit Register *etc.*, in respect of accounting of Works Expenditure had not been incorporated in the said Rule.

2.6.2 Preparation of Monthly and Annual Accounts

Monthly Accounts facilitate monitoring the trends of receipts and progress of expenditure under different heads of account under different schemes at the end of a month while Annual Accounts reflect the overall receipts and expenditure in a year of a PRI. However, neither the formats for preparation of Monthly and Annual Accounts, as prescribed by the CAG, were incorporated in the Assam Panchayat (Financial) Rules, 2002 nor any provision was made in the said Rules for preparation and submission of Monthly and Annual Accounts.

In the absence of Monthly and Annual Accounts, overall position of the state of affairs of a PRI could not be ascertained.

2.6.3 Preparation of Budget

Rule 32, 33 and 34 of Assam Panchayat (Financial) Rules, 2002 prescribed for preparation of budget under major and minor heads of accounts in Form No. 9, 10 and 11 respectively for different activities/programmes. Test-check of documents revealed that:

- None of the 16 test checked GPs prepared their budget.

- Nalbari ZP and all the eight selected APs neither furnished any budget document to audit nor stated whether budgets were prepared by them.
- Of the remaining 3 ZPs, Golaghat ZP prepared its budget without specifying the major and minor heads of accounts. Kamrup ZP prepared budget for Panchayats' Own Fund only and Hailakandi ZP prepared budget for salaries only. All these budgets were not prepared in the prescribed forms.

Thus, all the prescribed accounting formats for budget had not been adopted in the selected units.

2.6.4 Maintenance of Receipt & Expenditure Ledger

None of the PRIs maintained Receipt & Expenditure ledger in prescribed Form No. 1 and 1A under minor heads of account. Thus, the actual position of receipt and expenditure relating to a particular activity could not be ascertained in the absence of accounting of head-wise classification of transactions.

2.6.5 Control Ledger

Control Ledger, prescribed in Form 2, serves as a control mechanism to monitor whether the trends of collection of revenue and progress of expenditure conform to the estimate of receipts and provision of fund respectively as reflected in the budget. However, the same had not been maintained in any of the PRIs test checked in audit. The prescribed control mechanism was absent in the selected PRIs.

2.7 Cash Management

2.7.1 Maintenance of Cash Book

Cash Book is the basic document to record all receipts and expenditure on a day to day basis and indicate the balance lying in hand at the end of the day, month and the year. Rule 8 of Assam Panchayat (Financial) Rules, 2002 prescribed for Maintenance of Cash Book in Form No. 3. Test check revealed that:

(i) None of the PRIs maintained a consolidated Cash Book in the prescribed form;

(ii) Separate Cash Books for each and every scheme on annual basis was maintained but without recording classification of transactions;

(iii) Multiple Cash Books were maintained even for single scheme according to the number of installments of grants received under that scheme;

(iv) Cash Books were not closed daily or monthly and maintained as and when a transaction occurred;

(v) Maintenance of a large number of Cash Books resulted in idling of fund due to non-transfer of balance from one Cash Book to another which could, eventually lead to misappropriation of money.

- In Kamrup ZP, three sets of Cash Books were maintained under 'Own Fund' and a total balance of ₹70,887 lying in two Cash Books since the dates of last transactions in the year 2004 were not transferred to the Cash Book currently in operation.
- In Nalbari ZP two sets of Cash Books were maintained for Eleventh Finance Commission Grants from July 2006 to November 2008 and the balance of ₹1.59 lakh lying in hand in one Cash Book on the date of last transaction (18.11.2008) had not been transferred to the Cash Book currently in operation.

2.7.2 Maintenance of unauthorized Cash Book

In Nalbari ZP one Cash Book was opened in December 2006 and maintained up to December 2008 to record transactions under Twelfth Finance Commission Grants in loose sheets unauthorizedly in a locally developed computerized format under the headings 'Debits' and 'Credits' instead of 'Receipts' and 'Payments' as prescribed in Assam Panchayat (Financial) Rules, 2002. No approval was obtained either from P&RDD or from Finance Department for adoption of this format.

2.7.3 Maintenance of Multiple Bank Accounts and Non-reconciliation of bank balances

In addition to the operation of multiple Cash Books, funds received under different schemes/activities were parked in 2-3 bank accounts for a scheme or an activity. Instances of operation of multiple bank accounts, noticed in 4 selected units, are shown in **Appendix-3**.

The Assam Panchayat (Financial) Rules, 2002, stipulates that at the close of each month, the Bank balance as reflected in the cash book shall be reconciled with balances as per pass books of the bank. However, the differences between the bank balances as shown in Cash Book and bank balances as per bank statements were never reconciled. Scrutiny revealed that during 2007-09, seven ZPs and eight APs did not reconcile their balances and differences ranging from ₹0.03 lakh to ₹5.19 crore (as detailed in **Appendix-4**) remained un-reconciled at the end of March 2008 and March 2009. The difference of ₹5.19 crore between the bank balance as per National Old Age Pension (NOAP) Cash Book and the balance as per bank statement at the end of March 2009, in Golaghat ZP, was significant.

Test check also revealed discrepancies resulting in shortage of cash balances of Rs.0.94 lakh, and non- accountal of ₹5.70 lakh in Borigog Banbhag AP and Boko AP respectively. Had the reconciliation been done regularly, such discrepancies could have been avoided. Continued unreconciled balances were fraught with the risk of fraud and misappropriation of money. Un-reconciled balances reflect lack of internal control and project an incorrect financial status of the PRIs. Consequently, the risk of fraud, embezzlement and misappropriation of fund could not be ruled out.

Due to operation of multiple Cash Books with multiple bank accounts and non-reconciliation of bank balances, the actual position of fund available with the PRIs could not be ascertained at any point of time.

2.7.4 Non-accountal of receipts

As per Rule 8 and 14 of the Assam Panchayat (Financial) Rules, 2002, all details of cash/cheques/drafts, transactions shall be entered in the cash book as soon as they occur.

Scrutiny of records in two ZPs, six APs and one GP revealed that during 2002-09 receipts of ₹ 9.78 lakh as non-tax revenue and scheme funds were not accounted for in their respective cash books and bank accounts as detailed in **Appendix-5**. Non accountal of receipts leading to shortage of ₹9.78 lakh speaks of weak cash management where basic records of receipts as per receipt books, collection registers *etc*., were not reconciled with cashbooks and bank accounts. Matter had been reported to concerned PRIs and P&RDD. Their reply was awaited (February 2010).

2.7.5 Transactions without maintenance of Cash Book

Test check of records revealed that the Chief Executive Officer (CEO), Hailakandi ZP received ₹18.10 crore under National Rural Employment Guarantee Scheme (NREGS), Backward Region Grant Fund (BRGF) and District Development Plan (DDP) during 2007-09 and released ₹14.14 crore to the APs and GPs under its jurisdiction and other implementing agencies without making any entries of these transactions in the cash book.

2.7.6 Physical verification of cash balance not conducted

Sub-Rule 4 (C) of Rule 8 of Assam Panchayat (Financial) Rules 2002 provided that the Chief Executive Officer in respect of Zilla Parishad, the Executive Officer in respect of Anchalik Panchayat and the Secretary in respect of Gaon Panchayat, at the end of every month, shall verify the closing balance in the cashbook and record a dated certification to that effect that the cash physically verified and found correct as per closing balance. Test check revealed that the CEO, Kamrup ZP retained physical cash balances ranging from ₹ 25,530 to ₹ 1,09,904 between March 2006 and March 2009 in Own Fund Cash book and ₹6,546 to ₹33,057 between March 2006 and March 2008 in Sampurna Gramin Rojgar Yojana (SGRY) Cash book. However, physical verification of cash balances required to be conducted at the end of each month had not been done, and as such actual cash balance could not be ascertained.

2.7.7 Drawal of fund on self cheques

Funds were being drawn in cash by PRIs by presenting self cheques for incurring expenditure. In Chamaria and Borigog Barbhag APs, entire expenditure was incurred by the Executive Officers of the respective APs by drawing of fund in self cheques and payments made in cash.

Scrutiny of records of Cachar ZP revealed that an amount of ₹12 lakh was drawn by the CEO on self cheque and disbursed to the Secretaries of 24 Gaon Panchayats on 25 November 2005 as EFC grants. The CEO could not produce the relevant actual payees receipts from the concerned GPs in support of disbursement of the grants. The CEO could neither produce the list of works, approved or executed under the scheme, for

which the funds were released nor confirm utilization of the grants released in cash to the GPs. On query the PRIs stated that the State Government did not prescribe any limit for drawal of money through self cheques.

Thus, in the absence of any prescribed limit, drawal of huge fund on self cheques and disbursement in cash is fraught with the risk of fraud and embezzlement of Government money.

2.7.8 Doubtful Expenditure

CEO, Kamrup ZP paid (28 & 29 March 2007) advances amounting to ₹ 74.34 lakh to departmental officials under SGRY. As per bank statements the advances were debited from ZP's account on 30 March 2007 and credited to the personal accounts of the officials. On 31 March 2007, the entire amount of ₹74.34 lakh was recorded in the Cash Book as utilized in various works under SGRY. However, no record in support of utilization of the amount could be produced to audit for scrutiny. Besides, raising doubt on the authenticity of such expenditure incurred in a single day, credit of the amount to the personal accounts of the officials meant that they were unduly favoured with financial benefit to earn interest. GOI, Ministry of Rural Development expressed dissatisfaction over the nature of such transactions[4].

2.8 Maintenance of ancillary records

2.8.1 Register of Receipt books

- Out of 28 selected units, Register of Receipt books could be produced to audit by only eight PRIs[5], however, the registers maintained by three PRIs were not in prescribed Form No. 3.
- Due to non maintenance of register of Receipt books by remaining 20 PRIs, the exact number of receipt books in operation in these units could not be ascertained in audit.
- Non accountal of receipt books may lead to their unauthorized operation with the risk of fraud and embezzlement of money.

[4] *Ministry of Rural Development's letter No. J-12011/1/2007/SGRY-II dtd. 19/2/08 to the Secretary , Rural Development Department, Government of Assam.*

[5] *Golaghat, Kamrup and Nalbari ZPs, Bezera AP and Bezera, Rudreswar, Alliya and Chataibari GPs.*

Test check revealed that the number of receipt books in operation in Kamrup ZP exceeded the number of receipt books issued through the Register of Receipt Books and ₹ 5,850 collected through the unaccounted receipt book, had not been deposited to the ZP.

2.8.2 Registers of Properties and Assets (Form No. 6)

Except two ZPs and two GPs[6] who recorded land and properties in a combined register, no other PRI test checked could produce any such record. Due to non maintenance of these registers, land and properties under the possession of the other PRIs could not be ascertained in audit.

2.8.3 Register of Govt. Fund (Form No. 7)

Separate grant registers were maintained by the PRIs in ordinary registers to record the grants received under various schemes like SGRY, IAY, SGSY, NREGS *etc*,. However, purpose of grant, stipulated period of utilization and conditions laid down *etc*., in the grants were not recorded in the grant registers.

2.8.4 Stock Register

Stock Register depicts an account of materials and assets in terms of quantity and value under the possession of an institution which are required for execution of its functions. The Register of Stock Books discloses the number and categories of stock registers maintained for different categories of stores. Test check revealed that:

- Register of Stock Books prescribed in Form no. 8 were not maintained by any PRI.
- Only 16[7] out of 28 selected PRIs maintained food grain register.
- Except Golaghat ZP, which maintained a stock register for equipment and implements under SGRY, other stock registers of stationery, furniture and fixtures, equipments and implements *etc*., were not maintained by any of the selected PRIs.

[6] *Golaghat and Kamrup ZPs and No. 1 Khata and Paschim Batahgila GPs.*

[7] *Golaghat and Kamrup ZPs, Gomariguri, East Golaghat, Borigog Bauhbag, Puh Nalbari, Camamria and Bezera APs, and Merapani, Sarupani, Athkhelia, Furketing, Rangapani, Bezera, Kismet Katmi and Rudreswar GPs.*

In Golaghat ZP, a combined Stock Register of equipment and implements under SGRY- IBS had been maintained in non-prescribed form to record only the receipts. Issue and balancing of the materials had not been recorded. Besides, there was no physical verification of stock balances.

During test check, Food grain Register produced by Kamrup and Golaghat ZPs for the year 2007-08 revealed that no physical verification of stock of food grains was conducted to ascertain the actual balances in stock.

An enquiry[8] held in December 2008 in Chamaria AP in Kamrup District revealed that 2127.82 quintals of rice procured under SGRY remained unutilized since March 2008 when the scheme was closed. Of this, 175.05 quintals of rice, valued at ₹1.40 lakh, rotted, becoming unfit for human consumption and the balance 1952.77 quintals of rice were transferred to NREGS[9] for payment of wages to labourers in lieu of cash by an order of the Deputy Commissioner of Kamrup district who is the District programme Coordinator of NREGS. It was seen from records that the food grains were utilized for payment of full wages of labourers. The BDO cum Executive Officer, Chamaria AP, however, could not produce any food grains register under SGRY.

As per guidelines of NREGS there was no provision of payment of wages through food grains in lieu of cash at the worksite.

On the other hand only a part of wages could be paid through food grains under SGRY. The transfer of unutilized food grains under SGRY to NREGS for payment of full wages in lieu of cash was unauthorized and against the spirit of both the schemes.

Non maintenance of stock accounts may lead to leakage of materials and assets.

2.8.5 Register of Assessments and Collection of Taxes *etc,* (Form No. 15)

Only nine[10] PRIs produced the Register of Assessments and collection of Taxes *etc,* which was not in prescribed form, indicating only collection without showing assessment. Revenues collected through receipt books by other PRIs were directly deposited to the bank accounts. In the absence of assessments the revenues due for collection could not be ascertained.

---

[8] *Held by the Executive Magistrate/CO Boko Circle between 14.12.08 and 07.01.09 on the condition of rice and found 1952.77 quintals of rice in good condition and remaining 175.05 quintals as damaged. Value of 175.05 quintals of rice @ Rs.800/- per quintal amounted to Rs.1,40,040.*

[9] *By an order of the Deputy Commissioner, Kamrup District who is the District Programme Cordinator of NREGS*

[10] *Golaghat and Kamrup ZPs, East Golaghat, Borigog Banbhag and Bezera APs , and Rangapani, Bezera, Kismet Katmi and Rudreswar GPs.*

2.8.6 Maintenance of other records

The following records, prescribed under Assam Panchayat (Financial) Rules, 2002, were neither produced to audit by any of the audited PRIs nor stated by the PRIs whether such records are maintained:

- Register of Earnest money and Security Deposit (Form 12);
- Register of License Holders (Form 17);
- Register on Markets, Fisheries, Pounds and Ferries (Form 18);
- Register of permits for fishing in Fisheries (Form 19);
- Register of land (Form 11);
- License Form (Form 16);
- Form for permits for fishing in Fisheries (Form 20).

2.9 Maintenance of records under Centrally Sponsored Schemes

Guidelines of various schemes (SGRY, TFC, EFC, and NREGS) provide that each District, Block and Village Panchayat shall maintain following records:

- Employment Register to record employment generated under the programme.
- Complaint Register.
- Muster Roll Receipt Register.
- Muster Roll Issue Register.
- Register of Measurement Books.
- Application Registration Register.
- Job Card Register.
- Asset Registers indicating complete inventory of the assets created under a programme.

Test-check revealed that none of the PRIs maintained above records. However, with the introduction of NREGS, Employment Register, Complaint Register, Application Registration Register, Job Card Register and Asset Registers were being maintained at the Gaon Panchayat level from the year 2008-09.

2.10 Non-maintenance of Advance Register

Test-check of records revealed that PRIs granted advances to departmental officials, construction committees, suppliers' *etc.*, but none of the 28 PRIs, test checked in audit, maintained Advance Registers for accountal of advances and watching recovery/ adjustments thereof. The Assam Panchayat (Financial) Rules, 2002, however, neither provided for maintenance of Advance Register nor prescribed any mechanism for recovery/adjustments of advances.

CEO, Golaghat ZP, during 2005-06 and 2006-07 granted advances amounting to ₹27.83 lakh to departmental officials under SGRY and the CEO, Nalbari ZP granted advances amounting to ₹27.48 lakh during 2007-08 to 2008-09 to departmental officials under TFC awards. But recovery/adjustments against those advances could not be ascertained in audit due to non-maintenance of Advance Register and non-production of adjustment records.

As stated in para 2.7.8, CEO Kamrup ZP paid advances amounting to ₹74.34 lakh to departmental officials under SGRY. CEO did not maintain any Advance Register to watch the recovery/adjustments against those advances and no record in support of recovery/ adjustments against those advances were produced to audit.

Further, scrutiny of records of 13 PRIs revealed that as of March 2009, they failed to adjust an amount of ₹8.27 crore as advances paid to different officials, President, Member of PRIs during 2002-09 as detailed in **Appendix–6**.

In the absence of any provision in the Rules, advance registers were not maintained and the PRIs thus, failed to watch recovery/ adjustment of advances and treated the amounts of advances as final expenditure.

2.11 Availability of adequate and qualified manpower

Information furnished by the PRIs revealed that no qualified manpower was available with them for maintenance of accounts and they could not prepare their accounts due to acute shortage of staff. Sections 102 (2) and 103 (3) of AP Act, 1994 provide that Government shall appoint a Chief Accounts Officer (CAO) for each ZP, who shall advise the ZP on financial matters and shall be responsible for all matters relating to the accounts of the ZP including preparation of annual accounts and the budget. However, the Government was yet to appoint CAOs in the ZPs. The Government did not appoint any officer in any of the three tiers of Panchayati Raj Institutions to advise the

Institutions on financial and accounting matters. In fact, there was no provision for officers with duties corresponding to the CAO in the other two tiers of the PRIs.

In view of non availability of CAO or any officer responsible for financial and accounting matters there was lack of direction in maintenance of accounts by PRIs.

2.12 Inadequate staffing pattern and shortage of staff

Staffing pattern formulated under Assam Panchayat (Administrative) Rules, 2002 for Gr. III and IV staff, as detailed below, was quite inadequate in view of volume of work handled and funds transacted by all the three tiers of PRIs. From the table below, it is quite evident that provision of adequate staff for maintenance of accounts had not been considered for all the three tiers of Panchayati Raj Institutions.

Staffing Pattern for ZP		**Staffing Pattern for AP**		**Staffing Pattern for GP**	
Category of Staff	**No.**	**Category of Staff**	**No.**	**Category of Staff**	**No.**
Gr. III staff					
(i) Head Assistant	1(One)	(i) Upper Division Assistant	1(One)	(i) Secretary	1 (One)
(ii) Upper Division Assistant	2(Two)	(ii)Lower Division Assistant	2(Two)	(ii) Tax Collector cum Road Moherar	1 (One)
(iii) Lower Division Assistant	4(Four)	(iii) Tax Collector	2(Two)	-	-
(iv) Accountant	1(One)	-	-	-	-
(v) Junior Engineer	1(One)	-	-	-	-
(vi)Tax Collector	2(Two)	-	-	-	-
(vii)Driver	1(One)	-	-	-	-
Gr. IV staff					
(viii) Peon	4(Four)	(iv) Peon	2(Two)		
(ix) Chowkidar	2(Two)	(v) Chowkidar	1 (One)	(ii) Peon cum Chowkidar	1 (One)

It is evident from above that the Panchayats, especially Gaon Panchayats (with two Gr. III and one Gr. IV staff), were poorly staffed to meet the demands of accounts and record keeping functions under various schemes.

Over and above it was also observed during audit that there were large numbers of vacancies lying in the Zilla Parishads. The vacancy position as furnished by eight ZPs revealed that there were vacancies ranging from 16 to 72 *per cent* in respect of Grade III & IV staff as shown below:

Sl No.	Name of Zilla Parishad	As per staffing pattern of Grade III & IV staff	Working	Vacant	*Percentage* of vacancy
1	Hailakandi	18	5	13	72
2	Bongaigaon	18	9	9	50
3	Jorhat	18	10	8	44
4	Morigaon	18	14	4	22
5	Kamrup	18	11	7	39
6	Karimganj	18	15	3	16
7	Golaghat	18	14	4	22
8	Cachar	18	12	6	33

It was noticed that Hailakandi ZP was functioning with less than two thirds of the sanctioned strength. The staff in position or even the staff admissible as per laid down norms for different tier of PRIs was utterly inadequate to cope with the multiplicity of function. As of now, each GP is managed single handedly by a Secretary only in the absence of any Grade III staff. The Government, thus, did not ensure availability of manpower and materials to the PRIs.

Inadequacy of staff not only stands in the way of efficient performance of function but also retards collection of revenue from taxes and duties assigned to PRIs. Keeping in view the workload of PRIs at all levels, there is a need for additional man power.

2.13 Training of PRI functionaries

For maintenance of accounts as prescribed by CAG, first phase of training of trainers, with a core group of PRI functionaries, was conducted by the Office of the Pr. AG (Audit), Assam during July 2005.

As intimated (July 2007) by the Director of P&RD, Assam, Phase II training for remaining functionaries at the district and block levels, to be imparted by the officials trained in Phase I, was started in Nalbari district in July 2007. Information relating to the number of districts and blocks covered and number of PRI functionaries trained so far was not intimated by the department. However, training of PRI functionaries on maintenance of accounts as prescribed by CAG would not be productive unless the prescribed formats of accounts are fully incorporated in the Assam Panchayat (Financial) Rules, 2002 and adopted by the PRIs in maintenance of their accounts.

Though a few PRIs *(nine out of 28)* stated that some of their staff were imparted training, the impact of training in improvement of maintenance of accounts was not noticed, in view of observations made in previous paras. Even the most basic requirement, *i.e.* proper maintenance of Cash Book was not being done.

2.14 Lack of internal control and internal audit

Rule 37 (ii) of Assam Panchayat (Financial) Rules, 2002 provides that an officer authorized by the Government may inspect the offices of the ZPs, APs and GPs for the purpose of examining any books of accounts/ documents *etc*. Rule 18 of Assam Panchayat (Administrative) Rules, 2002 provides that the Director of P&RD shall utilize the services of Departmental Internal Auditors in guiding and helping the ZPs, APs and GPs in proper and correct maintenance of accounts. However, no report/ record relating to inspection of accounts and internal audit of PRIs were furnished, though called for in audit.

In the absence of internal control through inspection of accounts and internal audit, accounts in Panchayat were not being maintained properly.

Thus, laxity in appraisal activity through the instrument of internal audit of plans, programmes, rules and regulations resulted in increased risk of errors and maintenance of accounts of the PRIs.

2.15 Utilization of fund for maintenance of Accounts

In view of lack of staff and facilities at PRI level, EFC recommended for grant of ₹4000 per annum to each GP and AP to meet the expenditure on maintenance of accounts on contract basis. The amount of assistance was increased by the State Government under TFC grant to ₹15000 per annum to GPs and APs and an amount of ₹ 50000/- per annum was also provided to each ZP for maintenance of accounts

During the period from 2003-04 to 2005-06 The State Government released ₹ 3.08 crore under the award of EFC and ₹5.51 crore during the period from 2005-06 to 2007-08 under TFC grants for maintenance of accounts at PRI level. However, directions for utilization of the fund in the light of recommendation of the EFC were not given to the PRIs.

Scrutiny of records of 85 PRIs during 2008-09 revealed that neither the formats of accounts prescribed by CAG nor those incorporated in the Assam Panchayat (Financial) Rules, 2002 were adopted by the PRIs and ₹32.97 lakh released to those 85 PRIs, were spent on contingencies like purchase of stationeries, furniture, repair of office buildings *etc*.

In the absence of any direction from the State Government, the fund of ₹8.59 crore (₹3.08 crore and ₹5.51 crore) provided for maintenance of accounts could not be put to use for which it was granted and thereby defeated the very purpose of the grant.

2.16 Creation of Database of Finances

GOI under the Award of EFC released ₹6.49 crore during 2003-04 to 2005-06 (@₹2.165 crore per year), for creation of Database on Finances of PRIs. Out of 1st installment of the award, the Director of P&RD incurred expenditure of ₹2.16 crore, during 2006-07, on procurement of Computer hardware for the Directorate, ZPs and APs, development of a software for the database and creation of infrastructure at the Directorate. Balance ₹4.33 crore was disbursed to the ZPs between August 2004 and April 2008 with the direction not to incur any expenditure until further orders.

Twelfth Finance Commission (TFC) during 2005-08 awarded grants of ₹157.80 crore to the State Government. The Director of P&RD released ₹9.04 crore between December 2006 and January 2009 on account of creation of Database of Finances to the ZPs with similar instruction not to spend the fund till further orders. The orders from the State Government were still awaited. Thus total fund of ₹13.37 crore (₹9.04 crore + ₹4.33 crore) remained locked up in the bank accounts of ZPs awaiting further order from the Government.

As stated (September 2009) by the Joint Director of P&RD, the process of computerization and networking had been completed till ZP and AP levels only and a software called PRISM (PRI System Management) had been developed. However, none of the test checked four ZPs and eight APs furnished information on computerization, networking and utilization of software at their levels. The Joint Director stated (September 2009) that since computerization had been carried out only up to ZP and AP levels, the database was not ready for use for the entire PRIs of the State and that the objective of the project would be achieved only after completion of computerization of GP out of the second and third installment grants under EFC which were lying with the ZPs awaiting further instruction from the Government.

Thus, the Database of Finances of PRIs in Assam was yet to be created even after release of funds by the GOI. Due to non-creation of database, the picture of finances of all PRIs in the State in a consolidated position is yet to come out. Besides,

₹13.37 crore released to the ZPs for computerization and networking purpose remained locked up awaiting order from the Government.

However, as per Government of Assam, Economic Survey 2008-09, out of 25,124 inhabited villages in the state, only 58 *per cent* of the villages, numbering 14,516 could be electrified (as of March 2007). Unless all the villages in the State are brought under electrification, computerization and networking at the GP level cannot be feasible.
Thus, the objective of creation of Database through computerization and networking of all the Panchayats in the State was unachievable, without ensuring 100 *per cent* electrification of villages.

2.17 Conclusion

- There was lack of initiative on the part of the State Government for adoption of the formats prescribed by CAG. While a few formats were incorporated in the Assam Panchayat (Financial) Rules, 2002, formats for preparation of monthly and annual accounts and other relevant documents were yet to be introduced/ adopted.
- The Govt. of Assam did not fix any time schedule for adoption of prescribed formats and stated (December 2007) that the formats would be adopted in the accounting year 2008-09. In December 2008, the Govt. stated that the formats would be adopted in 2009-10, but they again failed to do so (October 2009).
- The Assam Panchayat (Administrative) Rules, 2002, set an inadequate staffing pattern as the Panchayats, especially Gaon Panchayats (with two Gr. III and one Gr. IV staff), were poorly staffed to meet the demands of accounts and record keeping functions under various schemes. The Government did not ensure availability of manpower and materials to the PRIs.
- Training of personnel in maintenance of accounts was incomplete even after 7 years of framing the accounting Rules. The accounts were not maintained in prescribed format. Moreover, whatever accounts were maintained were in haphazard manner and therefore, did not depict receipt and expenditure and account of works executed by the PRIs.
- There was lack of direction to the PRIs on the utilization of ₹8.59 crore released during 2003-08 for maintenance of accounts and the entire fund was utilized in

meeting contingent expenditure frustrating the very purpose for which the fund was provided.

- Creation of database of finances also remained incomplete with GPs yet to be computerized and ₹13.37crore blocked with ZPs and the Directorate of P&RD. Persons with knowledge of computer were not provided. No training was conducted for the staff for computer programmes. PRISM software developed for the purpose of maintaining accounts was not being utilized.
- In the absence of inspection of accounts and internal audit, internal control mechanism in PRIs can be said to be non-functional.

2.18 Recommendations

- PRIs should invariably prepare their monthly and annually accounts and ensure transparency, effectiveness and accountability in their state of works. PRIs need adequate skilled manpower and equipment for maintenance of accounts and PRI personnel must be imparted training in maintenance of accounts in the formats prescribed by the Comptroller and Auditor General of India.
- Internal control mechanism needs strengthening to ensure proper maintenance of basic and subsidiary records, monthly reconciliation of bank accounts, physical verification of cash, stores and assets to avoid leakage of money, materials and assets.
- Database of finances should be completed at levels of PRIs to facilitate proper monitoring of finances and implementation of schemes and should be made easily accessible by computerization and networking at all levels of PRIs.
- Assam Panchayat (Financial) Rules, 2002 may be suitably modified to provide for maintenance of advance register to watch over recovery/adjustment of advances and a time bound programme may be evolved to recover/adjust outstanding advances.
- There should be regular inspection of accounts and internal audit to identify the deficiencies and weaknesses in maintenance of accounts and execution of functions and to take corrective measures.

Chapter – III

AUDIT OF TRANSACTIONS

Panchayat and Rural Development Department

PANCHAYATI RAJ INSTITUTIONS

3.1 Revenue Receipts

3.1.1 Loss of revenue of ₹1.07 Crore due to settlement of market with the bidders with less value

Sub Rule (1) of the Rule 47 of the Assam Panchayat (Financial) Rules, 2002, provided that settlement of Markets, Ferries, Fisheries and Ponds shall be settled by inviting sealed tenders. Sub Rule 10 of the Rule *ibid* stipulated that tender of the highest bidder shall be accepted. Acceptance of tender other than the highest bid shall require the prior and formal approval of the Government

Test-check of records relating to settlement of markets under two ZPs and six APs revealed that Markets, Parghats[11], fisheries *etc*., were not leased out to highest bidders. The highest bidders were rejected without assigning any reason and other bidders who quoted lower bid value were allowed lease right of markets. Thus, two ZPs and six APs incurred a loss of revenue of ₹1.07 crore during the period 2002-09 by violating the provision of section 47 (10) of the Assam Panchayat (Financial) Rules 2002 as detailed in **Appendix-7.** No prior and formal approval in accepting the tenders other than the highest bidder was obtained by the PRIs from the State Govt.

3.1.2 Loss of Government revenue of ₹ 51.90 lakh on Registration Fee and Stamp Duty due to non registration of mortgage deed

As per terms and condition of the Notice Inviting Tender (NIT) and Article 35 (ii) of the Assam Gazette Notification dated 5 July 1989 the successful bidder should mortgage a land of the same value (bid value) or more by executing a registered deed at

[11] *A stairway on a river bank used by ferries, boats etc, criss-crossing the river.*

own cost and stamp duty at the rate of three *per cent* of demand should also be borne by lessee/ bidder concerned in addition to Registration Fee.

Test check of records of five ZPs and five APs revealed that despite provisions made in the NIT, markets/fisheries *etc*., were leased out during 2002-09, without insisting on registered mortgage deed from the Lessees/bidders. While the State Government suffered a loss of ₹51.90 lakh (Registration Fee ₹36.09 lakh and Stamp Duty ₹15.81 lakh as indicated in **Appendix-8**), the PRIs failed to safeguard their interest and had no control over the lessees in realizing the Kist money when the lessees defaulted in their payment.

3.1.3 Short realization of settlement amount (Kist money)

As per procedure under sub-Rule 14 and 15 of Rule 47 of the Assam Panchayat (Financial) Rules, 2002, Panchayats were required to recover the outstanding kist money from the defaulter Lessees/ bidders.

Test check records of 13 PRIs revealed that Kist money amounting to ₹1.33 crore were yet to be realized (31 March 2009) (**Appendix-9**). Scrutiny further revealed that no Demand and Collection Register in the formats as prescribed in the rule was maintained by the ZP during 2002-09. Periodical demand notice on the lessees/ bidders was also not served.

While Two[12] PRIs stated that they would refer the cases to 'Bakijai' for recovery of outstanding Kist money, remaining PRIs stated that demand notice would be served to the lessees.

Inaction in realization of Kist money from the leased out properties reduced the resources of the PRIs and thereby widening the resource gap to that extent.

3.1.4 Non-Distribution of Sale proceeds of Hat – Ghats among ZPs, APs and GPs

As per Sub-Section 6 of Section 105 of APA, 1994, out of sale proceeds of hat/ghat in any ZP/AP, 20 *per cent* was to be devolved to the ZP, and 40 *per cent* shall be equally distributed to all GPs under the AP and balance 40 *per cent* were to be retained by AP.

Test check of records of five ZPs and nine APs revealed that the above ratio of devolution was not adhered to and deprived the PRIs of their due share of revenue.

[12] *Guijan AP and Hapjan AP*

Thus, ZPs retained ₹1.34 crore and APs retained ₹1.05 crore in excess of their due share during 2002-09 as detailed in **Appendix-10.**

As stated by the ZPs and APs, they did not receive their due share in respect of hats/ghats settled by other concerned APs and ZPs. As such they were compelled to withheld release of due shares of other concerned PRIs.

The matter of non distribution of above revenue was regularly intimated to the Government of Assam, P&RD Department through inspection reports of the PRIs, but irregularity still persists.

In the absence of any monitoring by the State Government on the distribution of shares of above revenue as defined in the APA, 1994, the Gaon Panchayats were deprived of their due shares.

3.1.5 Non-realization of rent of ₹ 4.73 lakh.

The effective and efficient controls were prescribed in Rule 45 & 47 of the Assam Panchayat (Financial) Rules, 2002 for accounting of revenues. Rule provides the scope of issuing demand notice, by the CEO in case of a ZP, the BDO/Executive Officer in case of a AP and the Secretary in case of a GP, in duplicate to the assesse or lessee requiring them to pay the dues mentioned in the notice by such date as may by specified in the said notice. However, lapses were noticed in observance of these controls which resulted in non-realization of rent to the tune of ₹4.73 lakh at the end of 2008-09 from the tenants of the shops constructed by Cachar and Hailakandi ZP to supplement their revenue resources.

3.2 Expenditure on ineligible items out of EFC and TFC grants

Guidelines for utilization of local bodies grants recommended by EFC and TFC stipulate that grants should be utilized for Water Supply and Sanitation (WSS), creation of other income generating sources, creation of database, maintenance of accounts and O&M. Scrutiny of records of 12 PRIs test checked in audit revealed that the PRIs in contravention of the above guidelines, spent ₹ 2.57 crore on ineligible items which included ₹6.18 lakh towards expenditure on re-payment of loans taken for purchase of vehicles for President of Nalbari ZP and purchase of sewing machines, hand cart *etc* (₹10.79 lakh) for Individual Beneficiary Scheme in Cachar ZP, not

permissible under TFC grants. Details of such expenditure incurred by the 12 PRIs are indicated in **Appendix 11**.

Thus, in violation of the guidelines, the expenditure of ₹2.57 crore incurred on such ineligible items defeated the purpose for which funds were provided.

3.3 Sampurna Gramin Rojgar Yojana (SGRY)

3.3.1 Infructuous expenditure of Rs.26.52 lakh

Construction of Training and Food Processing Centre at the Block Headquarter of Gomariguri AP was taken up at an estimated cost of ₹27.58 lakh under SGRY. The construction of civil works was taken up in February 2007 and completed in March 2008 after incurring an expenditure of ₹26.52 lakh (including cost of food grains). No expenditure was incurred towards procurement of Plant and Machinery for the centre. The infrastructural asset created under the programme was to be utilized exclusively for the Sawarozgaris for production, processing quality testing and storage. The BDO cum Executive Officer of the AP stated (July 2009) that Plant and Machinery could not be procured due to non release of fund by the Project Director DRDA, Golaghat. Thus, training and food processing centre constructed during 2007-08 at a cost of ₹26.52 lakh could not be put to use due to non-installation of plant and machinery. This resulted idle investment of ₹ 26.52 lakh besides depriving swarozgaries of the benefits of the scheme.

The BDO stated that the building was being used for holding various meeting and conferences and for training of SHG, beneficiaries of weaving by the H&T department. However, the fact remains that the building, constructed for training cum food processing center could not be utilized for the purpose for which it was constructed.

3.3.2 Diversion of fund

The guidelines of the schemes "SGRY" and NFFWP" provide that the State Government would bear the transportation cost and handling charges (including taxes if any) for the food grains (wheat/rice) component received from the GOI under the schemes, and that cash component under the scheme was not to be utilized for payment of transportation cost. The State Government, however, did not allocate any fund to the PRIs towards transportation cost and handling charges.

Scrutiny of records of test checked PRIs revealed that during 2003-08, five ZPs and one AP[13] in violation of scheme guidelines incurred an expenditure of ₹22.98 lakh towards transportation cost out of the scheme funds meant for rural employment generation. Due to this diversion, ₹22.98 lakh was not available for implementation of the scheme and therefore 33,425 mandays (@₹68.75 per manday) could not be generated and eligible beneficiaries were deprived of the benefit of employment to that extent. Further, the PRIs did not initiate any action to get the amount reimbursed by the State Government.

3.3.3 Irregular utilization of SGRY scheme fund

Para 4.2 (iii) of the SGRY guidelines provides that in execution of the scheme, priority should be given to increase economic assets of individual beneficiaries for sustainable livelihood. Assets such as dwelling units *etc* may be given lesser preference and should be considered under special circumstances.

Test check of records of Morigaon ZP revealed that CEO spent ₹10.89 lakh between November 2006 to June 2007 on construction of 44 dwelling units and incurred ₹4.23 lakh for purchasing of 3,845 number mosquito nets (July 2006) from SGRY scheme fund. Thus, ₹15.12 lakh were spent out of SGRY scheme fund beyond the scope of the scheme.

3.3.4 Blockade of fund due to non-transfer of un-utilized balance of erstwhile scheme

Consequent on launching of Nation Rural Employment Guarantee Schemes (NREGS), the GOI had stipulated (March 2006) that the un-utilized fund under National Food For Work Programme (NFFWP)/Sampoorna Grameen Rojgar Yojana (SGRY) as of February 2006 would become part of NREGS and such fund were to be utilised as per guidelines of the NREGS. It was however, noticed that a balance of ₹49.26 lakh was lying in the scheme account of SGRY in 15 PRIs[14] (three ZPs, seven APs and five GPs) as of March 2009 without transfer to NREGS.

---

[13] *Nalbari, Golaghat, Karinganj, Cachar, Kamrup ZP & Chamaria AP*

[14] *Bongaigaon, Jorhat and Morigaon ZP,*
Gomariguri, Golaghat East, Katlichhera, South Hailakandi, Paschim Nalbari and Kaliapani AP
Manikpur, Madhya Teok, Chargola, Ghoramara and Lihing Kardong GP

Non-transfer of unutilized fund of SGRY to NREGS resulted in a blockade of ₹49.26 lakh.

3.3.5 Loss due to damage of food grains

Under SGRY, it was decided to distribute food grain (FG) as part of wages. This was intended to protect the real wages of the workers and improve the nutritional standards of the families of the rural poor. To ensure food security to the rural workers, a part of wages was to be paid in food grains at the rate of 5 kg each day.

Scrutiny of records of Morigaon ZP and Badarpur AP revealed that prolonged and improper storage facilities of the godown led to damage and consequent discarding of 2241.25 quintals rice valued ₹17.93 lakh[15] during 2007-08. Consequently employment generation of 26080 mandays[16] were lost at the rate of ₹68.75 per manday.

3.3.6 Idle stock of food grains due to procurement after discontinuation of the scheme.

Test check of records (August 2009) revealed that the BDO-cum-Executive Officer, Badarpur AP (under Karimgang District) procured 674.39 quintals of rice valuing ₹ 5.39 lakh in June 2008 under SGRY. The entire quantity of foodgrains was lying in the godown of Badarpur AP since procurement. With the introduction of NREGS in Karimgang District from 2008-09, SGRY was discontinued and as such there was no scope of utilization of the FG. No action was taken by the BDO for disposal of the FG. Thus procurement of FG after discontinuation of the scheme led to idle stock of 674.39 quintals of rice valuing ₹5.39 lakh and it was apprehended that prolonged storage would lead to deterioration of its quality rendering it unfit for human consumption.

3.4 National Rural Employment Guarantee Scheme (NREGS)

The objective of the scheme is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

---

[15] *Morigaon ZP: 1206.25 quintals worth ₹9.65 lakh and Badarpur AP: 1035 quintals worth ₹ 8.28 lakh).*

[16] *₹ 17,93,000 divided by ₹ 68.75 per manday =26,080 mandays.*

3.4.1 Utilization of fund and provision of employment

The position of utilization of fund under NREGS in the State, other than sixth schedule areas, during 2006-07 to 2008-09 as per progress reports[17] was as under:

₹ in crore

Year	Total fund available[18]	Expenditure	Closing balance	Percentage of utilization
2006-07	357.57	269.04	88.53	75.24
2007-08	570.84	320.77	250.07	56.19
2008-09	718.07	455.19	262.88	63.39
Total	**1646.48**	**1045.00**	**601.48**	**63.46**

It was observed from above that unspent balance under NREGS stood at ₹601.48 crore as of March 2009. This indicated that 37 *per cent* of the available fund remains unutilized and in consequence the State could not create enough job opportunities for the employment seekers. The reason for non-utilisation of fund was not found on record.

The position of employment provided to the households during 2006-09 as shown below.

Figure in lakh

Year	Job card issued	Employment details		Employment generated in mandays	Household provided with 100 days employment	Percentage of household provided with 100 days employment	Average employment provided to each household
		Demanded	Provided				
2006-07	4.99	3.88	3.83	NA	0.36	9.40	-
2007-08	11.69	9.55	8.98	206.79	1.02	11.35	23
2008-09	22.44	14.71	13.20	386.96	1.60	12.12	29
Total	**39.12**	**28.14**	**26.01**	**593.75**	**2.98**	**11.45**	

It would be seen from above that only 9.40 to 12.12 *percent* of households were provided 100 days employment and average employment provided to each household during 2007-08 and 2008-09 were only 23 and 29 days respectively. Thus the state failed to utilize the fund optimally provided under the scheme and the objective of providing 100 days employment to every household demanding work, remain unfulfilled.

District-wise position of utilization of fund and provision of employment is given in **Appendix-12 (A) and 12 (B).**

[17] *progress reports posted in the website pnrdassam.nic.in*

[18] *Total fund available during the year including opening balance*

3.4.2 Non-preparation of labour budget

The NREGS guidelines stipulated that the District Programme Coordinator (DPC) was to prepare a labour budget for the ensuing financial year containing the details of the anticipated demand for unskilled manual work in the district which should be the basis for planning. It was noticed in test checked PRIs that labour budget was not prepared for the year 2008-09.

In the absence of labour budget, anticipated demand for unskilled manual work were not assessed and the Annual Action Plans were also prepared without ascertaining the probable demand of jobs.

3.4.3 Abandoned work

The work "Development/Excavation of Kuarikuchi Kuari Pukhuri (Tank)"was taken up under Annual Action Plan (AAP) of 2007-08 in Borigog Banbhag AP with an estimated cost of ₹ 50 lakh. The work started in February 2008 and after an expenditure of ₹ 20.34 lakh incurred upto August 2008, was cancelled in February 2009 by an order of the Deputy Commissioner-cum-District Progarmme Coordinator following decision of review meeting on NREGS (February 2009). The BDO/Executive Officer, of the AP stated (May 2010) that the work could not be completed due to site condition. No provision had been made in subsequent AAPs to get the work completed and the BDO could not state anything on the utility of the work executed, till its completion.
Thus, due to injudicious decision of the department to execute the work without satisfying the suitability of the site condition resulted in abandonment of the work with an unfruitful expenditure of ₹ 20.34 lakh.

3.4.4 Incomplete work – non achievement of targeted irrigation potential

Scrutiny of records revealed that Flow Irrigation Project (FIP) was taken up for execution in 2006-07 at an estimated cost of ₹ 33.61 lakh under NREGS for creation of irrigation potential of the area. PO, Boitamari AP released ₹ 30 lakh (October 2007) to Executive Engineer (EE), Irrigation Department, Bongaigaon for execution of the same. As per information furnished by EE, an amount of ₹ 26.33 lakh was spent towards partial execution of the work, engaging the job card holders, leaving an unspent balance of ₹ 3.67 lakh as of November 2009. Thus after spending ₹ 26.33 lakh,

the work remained incomplete and failed to create the targeted irrigation potential. Besides, the balance ₹ 3.67 lakh was locked up in Irrigation Department.

3.4.5 Execution of road works below the minimum specification

NREGS guidelines permit execution of road projects which are able to provide all weather connectivity in rural areas. Test-check of records of Hailakandi ZP, disclosed that 32 road works were taken up under AAP 2008-09 with execution of earthwork only and expenditure of ₹ 72.71 lakh were incurred towards wages of MR labourers. However, the standard of work was below the minimum specification of Grade-I metalling required for providing all weather connectivity in rural areas. Consolidation with road metals, leveling, rolling and compacting works were not taken up. In the absence of minimum specification of Grade-I consolidation, the works executed were vulnerable to vagaries of nature and thus, the objective of creation of durable asset was not achieved.

3.4.6 Irregularities in MR

According to operational guidelines of NREGS, MR issued from PO, each with a unique identity number, were to be maintained by GP and other implementing agencies. MRs was also to be digitized at the PO level. The MRs used by Dighirpam GP against which payment of ₹ 4.99 lakh was made to the wage earners was not issued by the PO. Thus, possibility of fictitious or fraudulent payment through fake MRs could not be ruled out.

3.4.7 Payment of Muster Roll (MR) wages in form of cash violating the scheme guidelines

As per guidelines of NREGS, payment of wages under NREGS must be made through Bank/ Post Office account to ensure transparency. However, it was noticed that 10 GPs under Boitamari AP made payment of wages in cash amounting to ₹ 2.15 crore during the period from 2006-07 and 2007-08. The Programme Officer (PO) cited excessive rush in Bank/Post Office, uncertainty in payment time as reasons. The contention of the PO was not tenable as guidelines stipulated disbursement of wages only through bank/post office account on weekly/fortnightly basis. Thus, payment of wages to unskilled wage earners in form of cash defeated the transparency of the scheme.

3.5 Border Region Grant Fund (BRGF)

3.5.1 Blockade of BRGF grant

GOI, under BRGF for the year 2006-07, released an amount of ₹ 9.12 crore for augmentation of capacity building of PRIs. The State Government entrusted the training of PRI functionaries to the State Institute of Rural Development (SIRD) at Guwahati and the North Eastern Regional Institute of Water and Land Management (NERIWALM) at Tezpur and released ₹ 5.47 crore and ₹ 3.65 crore to the institutes respectively in January 2008.

As intimated by Director, NERIWALM to the P&RDD, ₹ 0.31 crore were spent towards training programmes. However, no information relating to total number of trainings imparted to Panchayat functionaries and elected representatives of PRIs were furnished.

Due to poor performance on execution of scheme and in view of decision taken in the review meeting (November 2008), the P&RDD directed NERIWALM to transfer all funds including accrued interest thereon to Directorate for making allotment to SIRD for implementation of the same. The Director, NERIWALM, however, returned ₹ 2.10 crore to Commissioner, P&RD (January 2009), keeping balance ₹ 1.37 crore, including interest, in bank account as of February 2010. Reasons for poor performance and retention of balance ₹ 1.37 crore by NERIWALM could not be stated by the Director, NERIWALM.

The position of receipt and utilization of fund and balances lying with the institutes as of February 2010 is given below:

(₹ in crore)

Sl. No.	Name of unit	Fund receipt	Fund transferred from NERIWALM	Interest accrued	Total fund	Fund utilized	Fund transferred to SIRD	Total	Closing balance
1	NERIWALM	3.65	-	0.13	3.78	0.31	2.10	2.41	1.37
2	SIRD	5.47	2.10	0.29	7.86	5.70	-	5.70	2.16

Thus, ₹ 3.53 crore remained un-utilized for more than two years resulting in avoidable blocking of Government money and non-achievement of intended benefits.

As stated (February 2010) by the Director SIRD the expenditure of ₹5.70 crore were incurred on the following items during 2008-2010.

(i) Rupees 4.68 crore on 650 training programmes on capacity building of 26,868 panchayat functionaries and elected representatives of panchayats and 158 Community Mobilization Programmes with 17517 participants.

(ii) Rupees 1.02 crore on setting up a satellite studio and 15 receiving stations to develop a Satellite Based Communication System (SBCS) covering every block of the State to facilitate interactive training to PRI functionaries at grass root level. However, required equipments were yet to be installed to make the system operational.

3.5.2 Works ₹ 1.19 core executed without obtaining Technical Sanction

According to Para 314 of Assam Public Works Department (APWD) Manual no expenditure should be incurred before obtaining Technical Sanction (TS) to the scheme. Further Rule 2 of Appendix 8 of Assam Financial Rule, 2002, provides that no work should commence without detailed plan and estimate.

Test-check of estimates of works executed under BRGF revealed that TS were not accorded to 93 works executed by Cachar ZP yet these works were completed at a total cost of ₹1.19 core, CEO, Cachar ZP submitted detailed plan and estimates to Executive Engineer, Silchar Road Division for TS, but EE/PWD returned the same without according TS due to the fact that estimates were not prepared as per APWD specification.

Thus, works were irregularly executed and expenditure incurred thereon was in violation of the codal provisions.

3.5.3 Inflated expenditure due to execution of works on inflated estimates

Scrutiny of records disclosed that two ZPs and one AP executed works under BRGF during 2007-09 and incurred expenditure of ₹1.18 crore at par with estimated cost. The estimates were framed on the basis of APWD schedule of rates, which included 10 *per cent* contractor's profit. As the works were executed departmentally without engaging any contractor, the estimates should have been prepared without taking into account, the element of contractors' profit. The estimates were, thus inflated to the extent of

10 *per cent* and resultantly the expenditure incurred on the works was also inflated to the same extent with the possibility of misappropriation of ₹11.77 lakh as detailed below:

(₹ in lakh)

Sl. No.	Name of PRIs	Period of expenditure	Total expenditure as per estimated cost	Inflated expenditure on contractor's profit element (10 *per cent*).
1.	Morigaon ZP	2007-08	65.69	6.57
2.	Cachar ZP	2008-09	6.77	0.68
3.	Boitamari AP	2008-09	45.20	4.52
	Total		**117.66**	**11.77**

3.6 Irregular selection of beneficiaries under IAY without following BPL criteria

The scheme envisaged selection of beneficiaries under Indira Awas Yojana (IAY) from the BPL list prepared on the basis of certain priority criteria fixed by the GOI, such as free bonded labour, SC/ST households who are victims of atrocities, SC/ST households having widows and un-married women, SC/ST households affected by natural and other calamities like riots and physically and mentally challenged persons *etc*.

Test check of records of three APs revealed that an amount of ₹0.82 crore was spent for construction of houses towards non-BPL beneficiaries during 2007-09 under IAY as detailed below:

(₹ in lakh)

Sl. No.	Name of AP	No of beneficiaries provided assistances beyond the perview of BPL lists.	Year	Amount Spent
1.	Borigog Banbhag	173	2007-09	47.33
2.	Pub Nalbari	62	2007-09	16.86
3.	Mandia	53	2007-09	18.10
	Total	**288**		**82.29**

This shows lack of internal control in selection of beneficiaries in contravention of the guidelines of the scheme.

3.7 Blockage of fund under District Development Plan (DDP)

Assam Treasury Rule 16 stipulates that money should not be drawn from treasury unless it is required for immediate disbursement. The rule also prohibits withdrawing of money just to avoid lapse of budget grants.

It was noticed that the Commissioner, P&RD had drawn ₹12.19 crore from Treasury (July 2009) under DDP fund. The fund drawn was earmarked for Barpeta ZP (₹ 5.99 crore) and Cachar ZP (₹ 6.20 crore) towards implementation of schemes under DDP. However, the amount was retained in the form of Bank Draft (BD) and Deposit at Call

Receipts (DCR) till February 2010. Reason for keeping the money unutilized by the Commissioner, P&RD, for periods ranging from 6 to 7 months was not intimated to audit. Thus, unauthorized retention of funds in form of BD/ DCR resulted in blocking of Government fund amounting to ₹ 12.19 crore of the schemes and non-achievement of intended benefits.

3.8 Doubtful disbursement of ₹ 5.65 lakh to SHGs under Assam Bikash Yojana

Scrutiny of records of Hailakandi ZP revealed that Commissioner, P&RD released ₹ 5.65 lakh (May 2008) for distribution to 565 Self-Help Groups (SHGs) @ ₹ 1000 each under Assam Bikash Yojana (ABY). CEO paid ₹ 5.65 lakh to ZP members for making payment to the SHGs (October 2008). ZP could not produce the relevant Actual Payees Receipts (APRs) *etc.*, in support of disbursement of fund to SHGs. The approved lists of SHGs required to be selected by the District Level Committee as stipulated in the sanction order was also not found on record.

Thus, in the absence of records in support of disbursement of ₹ 5.65 lakh to concerned SHGs, the genuineness of the disbursement could not be ascertained. In spite of the fact being pointed out by audit, CEO did not take any action to confirm the disbursement/ utilization of the funds. The inspection report was forwarded to the to the CEO, Hailakandi ZP and the Commissioner, P&RD Assam in March 2010. However, no follow up action has yet been taken (September 2010).

3.9 Un-utilized fund under State Rural Housing Scheme (SRHS)

The SRHS had been formulated with the objective of meeting the shelter need for victims of erosion, elephant/wild animals' attacks. For providing financial assistance to 2,597 beneficiaries of the State, the P&RDD sanctioned ₹ 10 crore in March 2009 as grants-in-aid under the above mentioned scheme.

The Office of the Commissioner, P&RD drew the entire amount in March 2009 just to avoid lapse of budget grants and kept it irregularly in revenue deposit. In April 2009 ₹ 10 crore was withdrawn from revenue deposit and kept in the form of bank draft revalidated from time to time (February 2010). The un-utilized fund was thus, retained by the Commissioner for nine months. Reason for keeping the money un-utilized since

April 2009 was not intimated. This resulted in blocking of Government fund amounting to ₹10 crore of the scheme and non-achievement of the intended benefit.

3.10 Conclusion

- Week revenue assessment and collection regime resulted in huge loss of revenue and accumulation of arrears of taxes and duties.
- Selection of schemes without ascertaining the needs of the stakeholders and availability of fund *vis a vis* poor implementation in contrast to the schematic guidelines resulted in unfruitful expenditure, incomplete works and diversion of fund to unapproved works.
- Implementation of schemes and execution of works showed a lackadaisical approach and resulted in delay in providing intended services to the beneficiaries. Lack of documentation indicated lack of transparency in execution of works.

3.11 Recommendations

- Internal control and monitoring needs to be strengthened to augment realization of revenue, accounting of expenditure, efficient utilization of scheme funds and to prevent cases of diversion of fund.
- Selection of schemes should be need based and availability of fund ensured and should be implemented in accordance to the scheme guidelines
- Monitoring, supervision and evaluation of work by competent authorities may be ensured for completion of works within stipulated period. Proper documentation of works to be made in maintaining transparency.

PART – B

Chapter - IV

ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

4 Introduction

4.1 Background

The 74th Constitutional amendment fundamentally altered the existing pattern of governance in the Indian federal structure. It had conferred constitutional status to ULBs and recognized these as the third tier of Government at the local level. The basic thrust was to endow the local bodies with adequate powers, functions, resources and responsibilities so as to make them viable and vibrant local self-government institutions. In its wake, the amendment intended to pave the way for smooth transition to fiscal decentralization at the grass root level.

There were 89 Urban Local Bodies (ULBs) [19] in Assam (as of March 2010). Of these, 72 ULBs[20] were in General Areas and governed according to the provision of the Assam Municipal Act, 1956. The remaining 17 ULBs[21] were within the jurisdiction of Sixth Schedule Area, governed by the rules framed by respective Autonomous District Councils (ADCs). The Third Assam State Finance Commission (TASFC) recommendations did not cover the ADC.

The Guwahati Municipal Corporation (GMC) was constituted under the Guwahati Municipal Corporation Act, 1971 and started functioning with effect from 15 February 1974.

The 74th Constitutional Amendment envisaged a three tier system of ULBs in the State which were as under:

- A Municipal Corporation for a larger urban area,

---

[19] *One Municipal Corporation (MC), 30 Municipal Boards (MBs) and 58 Town Committees (TCs).*
[20] *One MC, 29 MBs and 42 TCs*
[21] *One MB and 16 TCs*

- A Municipal Board for a smaller urban area,
- A Town Committee for transitional area.

4.1.1 Profile of ULBs

The total number of ULBs in the State increased from 87 to 89 as a result of reorganization of Gaon Panchayats (GPs). The number of ULBs of various categories as on March 2009 was as follows:

Sl No.	ULBs	Number	Areas in Sq KM	Population as per census 2001	Average Population	Density of Population per sq km
1	Municipal Corporation	1	216.00	808021	808021	3741
2	Municipal Board	30	257.25	1314070	43802	5108
3	Town Committees	58	215.43	594792	10255	2761

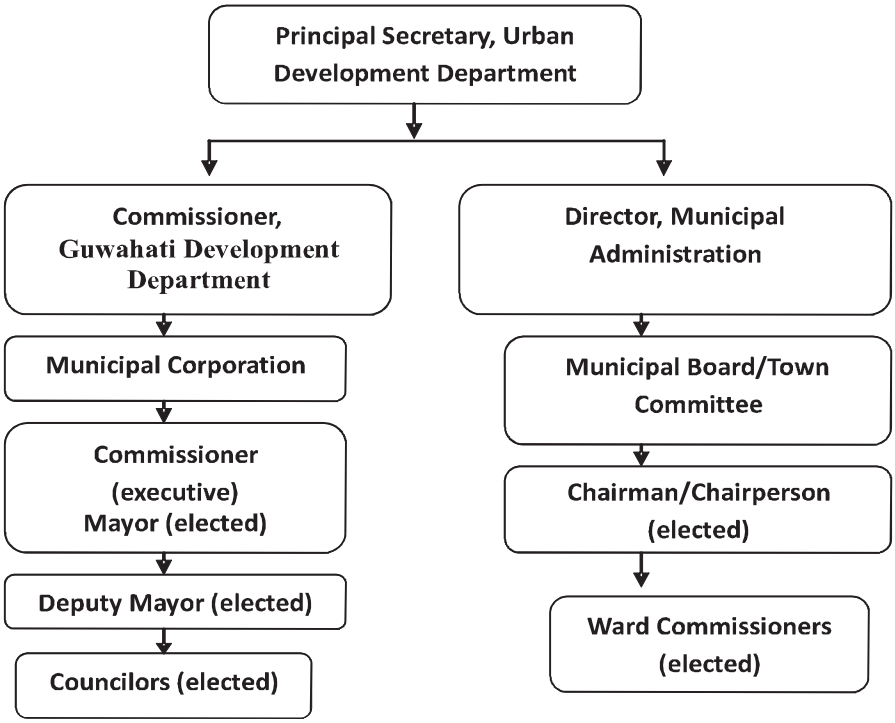
4.1.2 Classification of Towns

The towns were classified into different categories based on the population size. Towns with population of 1,00,000 and above are class-I towns, 50,000 to 99,999 are class-II towns, 20,000 to 49,999 are class-III towns, 10,000 to 19,999 are class-IV towns, 5,000 to 9999 are class-V towns and less than 5000 are class-VI towns. In the State, there are seven class-I towns, eight class-II towns, 21 class-III towns, 31 class-IV towns, 17 class-V towns and five class-VI towns.

4.2 Administrative Arrangement

4.2.1 Organisational setup

The overall administration of ULBs vests with the Principal Secretary, Urban Development Department (UDD) at Government level. The following organogram depicts the organizational structure of the department



4.2.2 Powers and functions

The ULBs were to function as institutions of self-government and to carry out the responsibilities conferred upon them. Some obligatory functions of the ULBs as envisaged in Section 162, 196, 211, 212 and 264 of Assam Municipal Act (AMA), 1956 were as follows:

- Water supply for public and private purpose;
- Construction and maintenance of sewage system and drainage system;
- Collection and disposal of solid waste;
- Construction and maintenance of streets, culverts *etc*;
- Construction and maintenance of public latrines, urinals and similar conveniences;
- Lighting of public streets and other public places;
- Construction and maintenance of markets;
- Town planning and development including preservation of monuments, places of historical and other importance;
- Overall administration including survey, removal of encroachments, dangerous buildings, registration of birth & deaths and pollution control of all kinds.

4.2.3 Devolution of Funds, Functions and Functionaries to ULBs

The State Government was yet to complete the process of decentralization fully in accordance with the provision contained in Article 243W of the Constitution, which enjoin State Governments to transfer 18 subjects to ULBs. However, out of 18 subjects, only eight were transferred to ULBs. Further, State Government had not transferred the functionaries required to carry out these functions.

The Principal Secretary, Urban Development Department (UDD) communicated (March 2010) that the matter of devolution of Fund, Functions and Functionaries to the ULBs in the state in conformity with the provision contained in Article 243W of the Constitution is under process.

4.2.4 Staffing pattern

There was no prescribed staffing pattern for ULBs. The number of employees of different ULBs did not conform to any norm based on population, area or other criteria. The department should make an assessment of the number of officers and staff of different categories required for proper functioning of each ULB. A clear policy in this regard needs to be laid down by the State Government keeping in view the skill requirement of personnel in the considering work loads entrusted to ULBs under different programmes, schemes and projects.

4.2.5 Training

In order to augment capacity building, the staff of ULBs would need frequent training in the field of micro-level planning and maintenance of accounts. The elected representatives also needed adequate training. The Urban Development Department could not provide any training for capacity building of the elected representatives and functionaries of ULBs as of February 2010.

4.2.6 Development of database formats on finances of ULBs

The Second State Finance Commission (SSFC), beyond the fiscal package, recommended the need for building up database in respect of Municipal finances. This recommendation was accepted by the State Government. The inputs for the database need to be collected and compiled in standard formats as prescribed by the CAG. Even after regular correspondence and requests the final action taken for development of database was awaited (February 2010).

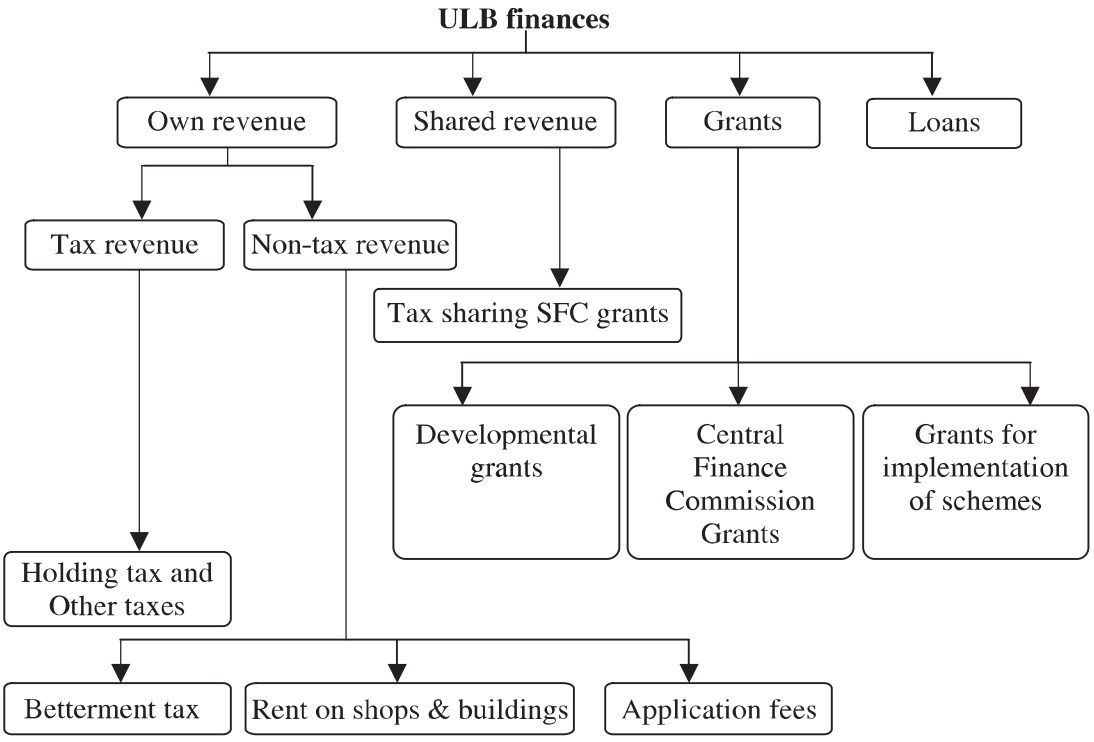
4.3 Financial profile

The ULB fund comprises receipts from its own sources, grants and assistance from Governments and loans obtained from any public financial institutions or nationalized banks or any other institutions.

4.3.1 Source of Revenue

There were two sources of revenue for the ULBs *viz.*, (a) Government Grants and (b) Own Revenue. Own revenue resources of ULBs comprised of Tax and Non-Tax revenue realized by them. Property Tax was the major source of revenue. Government grants comprised of funds released by the Central and State Governments based on recommendations of EFC, TFC, SFC and GOI's share for various Central Sector Schemes. Besides, loans were also obtained by them 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 was as under:



Under the provision of the Acts in force all collections such as tax on holdings, water tax, latrine tax *etc.*, were source of tax revenue and building plan sanction fees, rent from

shops and buildings, tolls and other fees and charges constitute the main source of non-tax revenue. The State Government released grants-in-aid and loans to the ULBs to compensate their establishment expenses. Grants and assistance were also received from State Government and Central Government for implementation of specific schemes and projects. However, in the absence of a complete data base of finances of ULBs, the overall financial position of ULBs in the State could not be ascertained.

4.3.2 State Finance Commission Recommendations

The Third Assam State Finance Commission (TASFC), constituted on 06 February 2006, submitted its report to the Governor of Assam on 27 March 2008. It covered a period of five years from 2006-07 to 2010-11. The recommendations of the TASFC relating primarily to devolution of state taxes, grants-in-aids and debts relief of the ULBs, decentralization of fund, function and functionaries had been accepted but not implemented (February 2010). Out of 103 recommendations relating to both ULBs and PRIs, government accepted 88 in full while two recommendations were partially accepted, five recommendations were kept pending, two recommendation accepted with modification. Government negated four recommendations in total, one recommendation relating to Pay and Pension of GMC employees referred to the cabinet.

4.3.3 Allocation and release of fund

The State Government through budget provisions allocated ₹157.51 crore under various head of accounts (share of tax revenue, scheme fund, grant *etc*., and GOI share of schemes and grants) during 2008-09 to ULBs. However, actual releases of fund to ULBs were ₹ 29.02 crore only, at 18.42 *per cent* of the budget provision. Reasons for less release were not intimated. Details of major head wise budget provision and expenditure are indicated in **Appendix-13**.

4.3.4 Large Savings under JNNURM

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by Government of India (December 2005) to ensure sustainable development of selected cities undertaking reform at municipal level in thrust areas like potable water supply, sewage and sanitation, solid waste management, road network, transportation, integrated development of schemes, street lighting *etc*.

Budget provision, actual expenditure and excess/ savings under JNNURM operated by the Director Town and Country Planning, (T&CP) Assam, for the year 2008-09 are shown below:

(₹ in crore)

Head of A/C	Name of scheme	Budget provision	Expenditure	Saving (-)/ Excess (+)
2217-Urban Development	IHSDP of JNNURM	21.71	2.52	(-) 19.19
-do-	UIDSMT of JNNURM	31.50	22.65	(-) 8.85
	Total	**53.21**	**25.17**	**(-) 28.04**

It is seen from the above table that there were overall savings of ₹ 28.04 crore (53 *percent*) during 2008-09. Large savings implied that funds meant for sustainable development of selected ULBs remained largely unutilized. Director, T&CP attributed (March 2010) this non-utilization to sanction of the projects of ULBs at the end of financial year.

4.3.5 Short release of fund

As per information furnished by the Director, T&CP, receipt and release of fund under various schemes during 2008-09 were as under:

(₹ in crore)

Sl No	Name of scheme	OB lying with Director T&CP	Amount drawn	Total fund	Amount released to ULBs	Closing Balance
1	IDSMT	2.12	0.56	2.68	2.14	0.54
2	UIDSSMT JNNURM	8.06	22.65	30.71	6.63	24.08
3	IHSDP of JNNURM	12.84	2.32	15.16	9.79	5.37
4	10 *per cent* Pool Fund	13.85	20.65	34.50	16.67	17.83
	Total	**36.87**	**46.18**	**83.05**	**35.23**	**47.82**

During 2008-09, the Director, T&CP was to allocate ₹ 83.05 crore including balance of preceding years to Urban Local Bodies for implementation of the schemes. Against this, only ₹ 35.23 crore was released during the period resulting in short release of ₹ 47.82 crore thereby adversely affecting the implementation of the schemes. The Director, T&CP stated (March 2010) that due to non-submission of UCs for the previously released amounts, the funds were not transferred to ULBs. The Directorate

had drawn the amounts and kept the same in current account to avoid surrender of budget provision and released fund in the subsequent years. This indicates defective fund management and unrealistic assessment of fund requirement.

4.3.6 Twelfth Finance Commission Grants

The Twelfth Finance Commission (TFC) recommended grants-in-aid amounting to ₹55 crore for the ULBs of the State for five years period 2005-10. The annual allocation was ₹11 crore for the ULBs. The grants were recommended by the TFC for Local Bodies both in General and Sixth Schedule Areas of Assam. Apart from operation and maintenance of core civic services like water supply and sanitation and solid waste management in case of ULBs, the TFC grants were also earmarked for maintenance of accounts and creation of database by local bodies. However, earmarking of grants for the purpose had not been done by TFC and it was left to the discretion of the respective State Governments.

Government of India had so far released ₹33 crore of TFC to the State Government in six installments for the ULBs. Due to non-furnishing of Utilization Certificate (UC), the State Government did not receive ₹22 crore as grants relating to first and second installments of 2008-09 and 2009-10 till February 2010. As of December 2009, the State Government released ₹22.45 crore to ULBs against the receipt of ₹33 crore from GOI for the years 2005-08. The State Government released ₹0.66 crore as interest during 2009-10 to 89 ULBs for delayed release of TFC grants.

4.3.7 Non-release of TFC Grants

The State Government allocated ₹52.59 lakh during 2005-06 to Silchar Municipal Board (SMB) to be released in three equal installments of Rs.17.53 lakh each. The department disbursed ₹17.53 lakh being 1st installment of 2005-06 to SMB on 05.02.07 which was spent by the SMB as of March 2008. The 2nd installment of ₹17.53 lakh was however, released through the DC, Cachar on 30.3.09 for onward transmission to SMB. As per information gathered from the DC, Cachar, the 2nd installment of ₹17.53 lakh was drawn by the DC and kept in Deposit at Call Receipt (DCR) on 31 March 2009. The Government did not release the 3rd instalment of ₹17.53 lakh as of February 2010.

4.3.8 Debt position of ULBs

Municipalities obtained loan from the State Government for implementation of various schemes/programmes. The principal and interest were payable according to the terms and conditions of the respective loan agreements.

According to the Finance Accounts of the State Government, there were outstanding loan of ₹ 42.10 crore against the ULBs as on 31 March 2009 as indicated below

(₹ in crore)

Sl No.	Name of ULBs	Position of consolidated loan			
		Opening balance as on 01 April 2008	Amount Advanced during 2008-09	Repayment made during 2008-09	Closing balance as on 31 March 2009
1	Guwahati Municipal Corporation	34.70	-	-	34.70
2	Other Municipalities[22]	7.40	-	-	7.40
					Total 42.10

As per Section 59 of the AMA, 1956, ULBs may with the prior permission of the State Government obtain loan from public financial institutions or any nationalized bank or such other lending institute as the State Government may approve in this regard. The State Government may, if it considers so necessary, stand as a guarantor for the loans. This was subject to financial norms in the matter of debt servicing including creation of sinking fund as prescribed by the Government under the provision of Act and Rules.

As reported by the Director, Municipal Administration (DMA) to Third Assam State Finance Commission (TASFC), outstanding debt of nine ULBs against Life Insurance Corporation India (LICI) was ₹ 3.40 crore (principal : ₹ 1.43 crore and interest : ₹ 1.97 crore) on 31 March 2007. However, details like year of raising of loan, rate of interest *etc.,* were not on record.

Test check of records of Barpeta Road MB revealed that in contraventions of the above provisions, a loan of ₹ 29.98 lakh was obtained from a bank during 2007-08 for construction of bus stand cum market complex without prior approval of the State Government.

[22] *Unit wise outstanding position in respect of Other Municipalities and break up between principal and interest are not available in Finance Accounts.*

Furthermore, test check of records of ULBs revealed that the following units did not repay any loan and interest accrued thereon, resulting in huge accumulation of liability as detailed below:

(₹ in crore)

Sl No.	Name of ULB	Year of loan	Source of loan	Amount of loan	Liability	As of
1	Barpeta Road	1994-95	HUDCO	0.06	0.21	March 09
		2008-09	ACAB Ltd	0.30	0.29	-do-
2	Amguri	1996-97	HUDCO	0.20	2.08	-do-
3	Morigaon	2005-06	Govt Loan	0.08	0.13	-do-
4	Hailakandi	1994-95	HUDCO	NA	0.16	March 08
		NA	LICI	0.43	0.43*	Feb/2009
		NA	Govt loan	0.50	0.50*	
		NA	-do-	0.32	0.32*	
5	GMC	1990-93	HUDCO	NA	10.12	March 09
		1997-2005	Govt loan	NA	3.85	-do-
6	Silchar		-do-	2.05	12.43	-do-
				Total	**30.52**	

Interest not computed

Increasing liabilities of unpaid loans reflect the week financial position of the ULBs and hinder their capacity to raise further loans.

4.4 Budget estimates and expenditure

As provided under Section 43A of the Assam Municipal Act (AMA), 1956 read with Rule 11 to 18 of the Assam Municipal Account Rules, 1961, the budget estimates showing details of probable receipts and expenditure shall be prepared in Municipal Account Form No.1 and placed before the Municipal Board in their meeting to be held at least two months before the close of the year. Further, the budget estimates shall be approved by the Municipal Board and copies thereof shall be submitted to the DMA. Test check of records of 11 ULBs[23] revealed following irregularities in preparation of budget and incurring expenditure.

4.4.1 Preparation of unrealistic budget

Test check revealed that only four ULBs prepared their budget estimates in the prescribed format and utilized only 15 to 52 *per cent* of the budget provision during 2006-09 as detailed below:

[23] *Abhayapuri TC, Amguri MB, Barpeta Road MB, Bongaigaon MB, Guwahati Municipal Corporation, Hailakandi MB, Jorhat MB,Morigaon MB, Nagaon MB, Rangia MB, Silchar MB*

(₹ in crore)

Sl No.	Year	Name of ULB	Budget Estimate	Actual expenditure	Excess provision	Actual expenditure in *Per cent*
1	2007-08	Amguri	0.96	0.34	0.62	36
	2008-09		1.11	0.26	0.85	24
2	2008-09	Morigaon	11.64	1.74	9.90	15
3	2006-07	Abhaypuri	1.68	0.87	0.81	52
4	2007-08	Bongaigaon	1.81	0.93	0.88	51

From above, it was evident that budgets were prepared in an unrealistic manner without assessing the actual requirements.

4.4.2 Irregular expenditure without budget provision

Three ULBs incurred expenditure without preparing budget estimates in contravention of the Assam Municipal Accounts Rules, 1961 as detailed below:

(₹ in crore)

Sl No.	Name of ULB	Period for which budget not prepared	Expenditure made without budget
1	Barpeta Road	2004-09	2.38
2	Nagaon	2002-09	9.21
3	Rangia	2006-09	1.31
		Total	**12.90**

Non-preparation of budget estimates tantamount to failure of budgetary control in those ULBs. Reason for non-preparation of budget estimates were neither found on record nor furnished.

Remaining four[24] ULBs neither furnished their budget estimates to audit nor did they state whether budget estimates were prepared by them in any form.

4.5 Pending Utilization Certificates

According to Swarna Jayanti Sahari Rojgar Yojana (SJSRY), ULBs should furnish Utilization Certificate (UC) for the expenditure incurred out of SJSRY fund. As per information received from DMA, Assam, 89 ULBs of the state did not submit UCs for ₹ 41.46 crore against total release of ₹48.99 crore during 2006-09. Thus, UCs worth ₹ 41.46 crore pertaining to SJSRY scheme were awaited for the last 3 years as detailed below:

[24] *Hailakandi MB, Bongaigaon MB, Silchar MB and Jorhat MB*

(₹ in crore)

Sl No	Period	Total no of ULBs	Fund release	UC submitted	UC wanting
1	2006-07	89	8.38	4.33	4.05
2	2007-08		28.16	3.20	24.96
3	2008-09		12.45	-	12.45
		Total	**48.99**	**7.53**	**41.46**

4.6 Accounting Arrangement

Assam Municipal (Account Rules), 1961 framed under Assam Municipal Act, 1956, provide for maintenance of accounts of municipalities on cash basis. Consequent upon 74th amendment of the constitution of India and pursuant to the recommendation of the Eleventh Finance Commission, a task force constituted by the CAG of India formulated (December 2004) National Municipal Accounting Manual (NMAM) based on accrual system of accounting for adoption by ULBs in the country. NMAM *inter alia* provides for preparation of annual financial statements *viz*., Receipt & Payment Account and Income & Expenditure Statement on the transaction of an ULB in a year and a balance sheet depicting the status of assets and liabilities of the ULB at the end of the financial year.

However, the State Govt. neither amended the Act nor modified the Rules there under to provide for adoption of accrual system of accounting for ULBs. The accounts of ULBs were continued to be maintained on cash basis and thereby true and fair view financial affairs of ULBs and their assets and liabilities were not disclosed.

4.7 Non-constitution of Steering Committee

As per decision taken in the National Seminar Organized (September 2003) by the Ministry of Urban Development, a steering committee was to be formed in all the States to oversee the implementation of budget and accounting formats in ULBs as suggested by CAG's Task Force. A representative of PAG/AG of the concerned State was also to be made as member of steering committee as an observer. No such steering committee was formed by the State Government (February 2010). Due to non-formation of Steering committee implementation of budget and accounts format of ULBs as suggested by CAG's Task Force not implemented in the state

4.8 Annual Action Plan (AAP)

The Municipalities were required to prepare action plan every year, which were to be consolidated at the district level by the District Planning Committee (DPC) for the district as a whole. The main purpose of preparing such a plan was to avoid plurality in planning for various developmental issues like drinking water supply, provision of health and infrastructure activities such as roads, housing *etc*. No such action plans were prepared in any of the test-checked municipalities. In absence of local planning the District Plan too did not become a reality. Preparation of action plans by municipalities and their consolidation along with the plans of the Panchayati Raj Institutions (PRIs) was crucial to ensure incorporation of local needs and wants in the development process. The absence of such planning compromises on popular participation and democratic planning.

4.9 Internal control mechanism

Internal control mechanism is an integral function of an organization which helps it to govern its activities effectively, to achieve its objectives. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and bye-laws. Various internal control measures in financial and operational activities were built into the departmental rules and manuals and their strict adherence would minimize the risk of errors and irregularities. Audit scrutiny revealed that the internal control provisions were not effectively implemented by the ULBs.

4.9.1 Deficiencies in maintenance of cash books

Due to lack of internal control, cash books had several deficiencies in the ULBs test checked as detailed below:

- Particulars of payment, voucher nos, cheque numbers, classification *etc.*, were not recorded on the payment side of the cash book;
- Cash book was not closed at the end of every month and signed by the officer authorized;
- Deletion and overwriting were frequently made without attestation;

- Heads of receipts and expenditure were not recorded;
- List of un-cashed cheques were not recorded in the cash book;
- Cash book balances were not reconciled with the balances in banks in respect of 5 ULBs;
- Physical verification of cash was not done ever;
- Analysis of closing balance was not recorded in the cash books at the end of each month.

4.9.2 Bank Reconciliation Statement not prepared

Cash Book balances were not reconciled with pass book balances by five ULBs at the end of financial year. Differences ranging from ₹20,000 to ₹11.72 lakh noticed in five test-checked ULBs are indicated below:

(₹ in lakh)

Sl No	Name of ULB	As on March	Balance as per Pass Book	Balance as per Cash Book	Difference
1	Bongaigaon	2009	52.22	43.05	9.17
2	Morigaon	2008	22.42	20.22	2.20
		2009	13.16	1.44	11.72
3	Rangia	2009	0.36	2.69	2.33
4	Amguri	2009	9.36	10.58	1.22
5	Barpeta Road	2008	0.07	0.27	0.20

Due to non-reconciliation, possibility of financial irregularities could not be ruled out. The authenticity of balances appearing in cash books also remained doubtful in absence of reconciliation with bank balances. Non reconciliation of balances was also fraught with the risk of misappropriation of funds going undetected.

4.9.3 Non-maintenance of records, registers

Maintenance of records, registers and accounts is one of the important tools of an internal control mechanism. The basic records were not being maintained by ULBs test checked. Implications of non-maintenance of some of these records were as follows:

Sl No	Records/Registers non maintained	Implications
1	Advance Ledger	The purpose, age and amount of advance to be recovered/adjusted as on 31 March every year could not be ascertained. Due to that, probability of loss could not be ruled out.
2	Grant/Loan appropriation ledger	Grants/loans received, date of receipt, appropriation made from time to time and amount lying unutilized in a particular grant/loan as on 31 March 2009 could not be ascertained.
3	Loan Ledger	The date of receipt, amount, and conditions of loans and over-due installments of loan with interest realizable could not be ascertained.
4	Demand and Collection Register	Position of demand and collection and balance of a particular revenue/ tax, rent, fee *etc.*, could not be ascertained. In absence of posting of collected money (taxes, rent, fees *etc*) in the register, the possibility of fraud and embezzlement could not be ruled out
5	Work Register	In absence of work registers, name of the schemes taken up, estimated cost, name of agency, the progress of work *etc.*, could not be ascertained.
6	Unpaid Bill Register	In absence of unpaid bills register, the amount of claims along with the reason for withholding the payments and actual liability of the ULBs could not be ascertained.
7	Annual Report	The working as well as functioning of the ULBs with regard to proper utilization of the grants/funds could not be ascertained.
8	Deposit Register	Amount of deposits and their adjustment could not be ascertained and therefore, possibility of mis-appropriation and embezzlement of money could not be ruled out.
9	Register of land/ Register of Revenue Resource/Asset Register	Identification and valuation of assets, proper records of all lands, sites of buildings, tanks, ponds, ferries, parks *etc.*, could not be ascertained.

4.9.4 Internal Audit

Internal Audit is a vital component of control to enable an organization to assure itself that the prescribed system is functioning reasonably well. There was no specific provision in the Assam Municipal Act (AMA), 1956 or in the Municipal Account Rules made there under for internal audit of accounts of ULBs. As such, no ULB had internal audit wing. It was recommended that the provision of Internal Audit may be made in rules to ensure compliance to the internal control of all ULBs.

4.10 Audit arrangements

Rule 94 of the Assam Municipal (Account Rules) 1961, framed under Assam Municipal Act, 1956 and rule governing Municipal Corporation, envisaged that the accounts of ULBs would be examined by the Director of Audit Local Fund (DALF). However, consequent upon 74th amendment to the Constitution, the task force constituted by the CAG suggested that the relevant Act and Rules be amended to provide the DALF as primary auditor of ULBs, who would act under Technical Guidance and Supervision (TGS) of the CAG.

Government of India (GOI) forwarded (September 2004) section 93 to 96 of Model Municipal Law (MML) along with CAG's suggestions on it for adoption by the State Government. The sections 93 to 96 of MML provided that:

(i) Financial statement and Balance Sheet of Municipal accounts shall be audited by an Auditor appointed by the State Government (Section 93);

(ii) the Auditor shall prepare a report of the accounts audited and send such report to Chief Municipal Officer (Section 94);

(iii) the Chief Municipal Officer shall place the audited financial statement, balance sheet and his comments thereon before the empowering standing committee which after the examination thereof shall place them before municipality with its comments, if any (Section 95) and

(iv) the Chief Municipal Officer shall, after adoption of the financial statement, the balance sheet and the report of the auditor by the Municipality, forward the same to the State Government together with a report of the action taken thereon by the Municipality and shall also send copies thereof to the Auditor (Section 96).

Though the State Govt. accepted the TGS arrangement and entrusted the CAG of India to conduct audit of ULBs under Section 20 (1) of CAG's (DPC) Act 1971, the amendment to State Municipal Act and Rules has not yet been made and the parameters for TGS arrangement have not yet been finalized by the State Government. However, the Urban Development Department, through a departmental order issued in December 2009 entrusted the DALF as primary auditor of ULBs to conduct the audit of accounts of ULBs under the TGS of CAG.

4.10.1 Audit Coverage by CAG

The Senior Deputy Accountant General (LB Audit & Accounts), Assam conducts audit of ULBs under Section 14, 15 and 20(1) of CAG's (DPC) Act, 1971. Out of 89 ULBs, audit of accounts of 10 ULBs and one Municipal Corporation (**Appendix-14**) covering the financial year 2008-09 was conducted during January to December 2009. The important findings of audit are described in the next chapter.

4.10.2 Response to Audit Observation

ULB authorities were required to comply with the observations contained in the Inspection Reports (IRs) and rectify the defects and omissions and report their compliance to audit within three months from the date of issue of IRs.

The details of IRs and the outstanding paragraphs as of December 2009 were given below:

(₹ in crore)

Year of issue	No. of Inspection Reports	No. of outstanding Paras	Money value
Up to 2007	79	1072	2.06
2007-08	2	27	0.01
2008-09	11	190	80.83
Total	**92**	**1289**	**82.90**

A review of the IRs, which was pending due to non-receipt of replies, revealed that the heads of the offices, whose records were inspected, did not send any reply to a large numbers of IRs/ Paragraphs. The Principal Secretaries of the Departments also failed to ensure that the concerned officers of the ULBs took prompt and timely action in furnishing replies to IRs.

4.10.3 Follow up action on previous Annual Technical Inspection Reports

The department did not furnish any reply/action taken notes on the ATIRs for the years ended March 2005, March 2006, March 2007 and March 2008 issued in July 2006, November 2007, June 2009 and October 2009 respectively. State Government was also requested for incorporating suitable clause in the Act for providing institutional arrangement for discussion on the Report in the Legislature. Their response was awaited (February 2010).

4.11 Conclusion

- Budget preparations were defective and accounts of ULBs were still being maintained on cash basis, instead of double entry accounting system. Non preparation of balance sheet resulted in non-disclosure of financial assets and liabilities of ULBs.
- Database of finances of ULBs, as prescribed by CAG had not yet been created.
- Lack of internal control and monitoring resulted in loss of public Fund, Functions and Functionaries were not transferred to the ULBs in contrast to the spirit of decentralization.
- There was poor response and delays in furnishing replies to audit observations leading to accumulation of outstanding audit objections.

4.12 Recommendations

- Preparation of budget estimates with correct assessment of revenue and expenditure should be ensured by concerned authorities. State Government should ensure that ULBs maintain their account on accrual basis of accounting system and annual Accounts with Balance Sheet be prepared to disclose the true and fair views of the ULBs.
- Financial control and monitoring mechanism to be strengthened to avoid loss of revenue and unwarranted expenditure.
- Government should evolve a time bound programme to transfer Fund, Functions and Functionaries to the ULBs as envisaged in the constitution.
- Database of ULB finances may be developed for compilation of position of different grants/funds which would help the authorities to exercise effective monitoring of schemes and assets created.
- State Government should issue suitable instructions to the ULBs to ensure prompt response to audit observations. Government should also constitute Audit Committee at appropriate level for prompt settlement of outstanding audit objections.

Appendix-1

Reference Para - 1.7.4)

Expenditure incurred by GPs without preparing budget

(₹ in lakh)

Sl No.	Name of GP	Total receipt including opening balance	Total utilised	Balance
1	2	3	4	5
1	Karatipar	116.98	116.92	0.06
2	Dakhinpat	58.60	58.57	0.03
3	Rawanpara	96.33	96.22	0.11
4	Sri Luit	87.47	87.40	0.07
5	Chilakala	116.20	114.83	1.37
6	Garmur	91.55	91.47	0.08
7	Bongaon	45.00	44.96	0.04
8	Meselkhowa	83.09	71.17	11.92
9	Malandubi	90.71	90.60	0.11
10	Jira	123.34	110.66	12.68
11	Krishnai	86.55	76.51	10.04
12	Tukura Bormohora	66.87	65.97	0.91
13	Fofonga	56.66	49.86	6.80
14	Dirma Jakhili	215.80	193.15	23.65
15	Dhaigaon	57.24	57.13	0.11
16	Athkhelia	38.95	36.03	2.93
17	Furkating	45.99	29.92	16.08
18	Merapani	53.35	42.80	10.55
19	Alliya	29.14	25.76	3.38
20	Chataibari	59.05	46.96	12.09
21	Kismat Katani	41.34	36.86	4.48
22	Sarupani	63.16	38.50	24.66
23	Rangapani	32.93	28.70	4.23
24	Rudreswar	59.91	56.01	3.90
25	Bezera	43.99	42.44	1.55
26	Paschim Khetri Dharmapur	118.66	116.65	2.01
27	No.1 Dakhin Pokowa	31.44	31.39	0.05
28	No.3 Dakhin Pokowa	22.98	21.28	1.70
29	Belsor	27.58	27.37	0.21
30	Bornorddi	36.14	33.19	2.96
31	Chalantapara	137.35	98.89	38.46
32	Jogighopa	126.79	113.39	13.40

1	2	3	4	5
33	Boitamari	127.30	92.71	34.59
34	Dhontola	168.49	139.09	29.41
35	Chintamonigarh	19.95	19.47	0.48
36	Tamulichiga	15.91	15.80	0.11
37	Bamunpukhuri	23.33	23.11	0.22
38	Madhya Teok	25.65	25.18	0.47
39	Janjimukh	36.65	36.27	0.38
40	Paschim Teok	24.18	22.37	1.81
41	Lahing	27.70	26.98	0.72
42	Saleng	32.59	29.94	2.65
43	Madhya Nakachari	32.98	28.23	4.75
44	Kathalguri	29.22	27.10	2.12
45	No. 1 Khata	74.00	7380	0.20
46	Mondia	125.22	124.03	1.19
47	Dighirpam	93.94	62.88	31.06
48	Manikpur	60.02	50.74	9.28
49	Baghbor	144.62	110.48	34.14
50	Kadong	82.63	76.42	6.22
51	Sahabad	76.82	76.62	0.20
52	Bolda Boldi	80.89	78.34	2.55
53	Jamira	135.27	128.19	7.08
54	Chargola Ghoramari	45.93	45.86	0.07
55	Hasanpur	52.70	51.17	1.53
56	Mesley	35.90	35.68	0.22
57	Anglar Bazar	32.00	31.74	0.26
58	Lamarjuar	27.04	25.30	1.75
59	Balijan	31.91	26.81	5.10
60	Harish Nagar	135.61	134.83	0.78
61	Paschim Batahgila	156.88	149.44	7.44
Total			**3920.14**	

Appendix-2

(Reference Para - 1.13)

Name of test checked PRIs

Sl No.	Name of GP	Name of AP	Name of ZP
1	2	3	4
1	Alliya	Badarpur	Bongaigaon
2	Anglar Bazar	Bezera	Golaghat
3	Athkhelia	Bhabanipur	Hailakandi
4	Baghbor	Boitamari	Jorhat
5	Balijan	Borigog Banbhag	Kamrup
6	Bamunpukhuri	Chamaria	Karimganj
7	Belsor	East Jorhat	Morigaon
8	Bezera	Golaghat East	Nalbari
9	Boitamari	Gomeriguri	Silchar
10	Bolda Boldi	Katlicherra	
11	Bongaon	Koliapani	
12	Bornorddi	Mandia	
13	Chalantapara	Paschim Nalbari	
14	Chargola Ghoramari	Pub-Nalbari	
15	Chataibari	South Hailakandi	
16	Chilakala		
17	Chintamonigarh		
18	Daphnia		
19	Dhaigaon		
20	Dhontola		
21	Dighirpam		
22	Dirma Jakhili		
23	Fofonga		
24	Furkating		
25	Garmur		
26	Harish Nagar		
27	Hasanpur		
28	Jamira		
29	Janjimukh		
30	Jira		
31	Jogighopa		
32	Kadong		

1	2	3	4
33	Karatipara		
34	Kathalguri		
35	Kismat Katani		
36	Krishnai		
37	Lahing		
38	Lamajan		
39	Madhya Kachari		
40	Madhya Teok		
41	Malandubi		
42	Manikpur		
43	Merapani		
44	Meselkhowa		
45	Mesley		
46	Mondia		
47	No.1 Dakhin Pokowa		
48	No.3 Dakhin Pokowa		
49	No.Khata		
50	Paschim Batahgila		
51	Paschim Khetri Dharmapur		
52	Paschim Teok		
53	Rangapani		
54	Rawanapara		
55	Rudreswar		
56	Sahabad		
57	Saleng		
58	Sarupani		
59	Sri Lit		
60	Tamulichiga		
61	Tukura Bormohora		

Appendix-3

(Reference Para - 2.7.3)

Statement showing maintenance of multiple bank accounts under the same programme by different PRIs

Name of unit	Name of Fund	Name of bank	A/C No.	From	To
Bezera AP	IAY	Pragjyotish Gaolia (P.G) Bank, Changsari	11415/34	5.5.07	31.3.09
		Bank of India(BOI), Bezera Branch	5689	28.9.06	-do-
		Indian Over Bank (IOB), Bezera	4145	3.10.08	-do-
Borigog Banbhag AP	NREGS	Union Bank Nalbari	42429	28.7.07	-do-
		Assam Gramin Vikash Bank, Ghognapar	10183	9.2.08	-do-
		Punjab National Bank, Nalbari	0149880	12.1.09.	-do-
	TFC	Central Bank of India, Ghograpar Branch.	4538	21.12.06	-do-
		Union Bank (UB), Nalbari.	2011000036	27.8.08	-do-
Kamrup ZP	Own Fund	Central Bank of India, Guwahati Branch.	1362701847	5.11.01	-do-
		United Bank of India (UBI), Guwahati.	000201031657	NA	-do-
		State Bank of India, Guwahati Branch.	0100000061790	16.7.02	-do-
		Assam Co-op Apex Bank, Guwahati	7717	24.1.02	-d0-
Nalbari ZP	TFC	State Bank of India, Nalbari	11004632355	NA	31.12.08
		Union Bank Nalbari	999774	25.6.08	31.3.09
	EFC	-do-	9376	Aug/2004	-do-
		-do-	8675	17.7.06	-do-

Appendix-4

(Reference Para - 2.7.3)

Non-reconciliation of bank balances

(₹ in lakh)

Sl No.	Name of PRIs	Name of Scheme/ Prog	As on 31 March	Balance as per Bank Pass Book	Balance as per Cash Book	Difference
1	Hailakandi ZP	TFC	2009	28.82	28.14	0.68
2	Kamrup ZP	Own fund	2009	43.82	43.04	0.78
		SGRY	2008	6.15	6.06	0.09
		DDP	2008	594.80	491.92	102.88
		TFC	2009	199.59	241.42	(-)41.83
3	Morigaon ZP	Own fund	2008	41.80	40.72	1.08
		TFC	2008	51.46	28.40	23.06
		EFC	2008	7.65	7.03	0.62
4	Bongaigaon ZP	TFC	2009	17.45	16.81	0.64
5	Cachar ZP	EFC/TFC	2009	80.52	75.76	4.96
6	Golaghat ZP	EFC/TFC	2008	141.25	98.04	43.00
		NOAP	2009	7.05	526.62	(-)519.57
7	Nalbari ZP	TFC	2008	26.22	21.01	5.21
		-do	2009	135.03	134.06	0.97
8	Baitmari AP	NREGS	2009	48.87	51.64	(-)2.77
9	Borigog Bonbhog AP	-do-	2008	220.48	168.24	52.24
10	Koliapani AP	Own fund	2009	0.23	0.26	(-)0.03
11	East Jorhat AP	-do-	2009	0.47	0.44	0.03
		IAY	2007	0.51	0.59	(-)0.08
12	Golaghat East AP	SGRY	2007	6.25	3.34	2.91
		NREGS	2009	26.68	11.21	15.47
		Own fund	2009	0.40	0.74	(-)0.34
13	South Hailakandi AP	IAY	2009	2.13	1.98	0.15
14	Bezera AP	Own fund	2009	0.53	0.61	(-)0.08
15	Mandia AP	NOAP	2009	1.79	2.11	(-)0.33

Appendix-5

(Reference Para - 2.7.4)

Non–accountal of receipts

(₹ in lakh)

Sl No.	Name of PRIs	Name of fund	Period	Amount of receipt/ collection	Amount not Accounted for	Reason/remark
1	Nalbari ZP	Own fund	2003-04	0.10	0.10	CB of Mahakuma Parishad not accounted for (till 8/09)
		-do-	2004-05	2.12	2.12	Non-deposit of non-tax revenue
		SGRY	2006-07	0.86	0.86	Paid to Cashier of own fund but neither refunded nor adjusted (8/09)
		TFC	2008-09	6.23	0.06	neither refunded nor adjusted (8/09)
2	Cachar ZP	Own fund	2006-07	0.03	0.03	Non-deposit of non-tax revenue
		-do	2006-07	0.58	0.58	-do-
3	Koliapani AP	Own fund	2002-03	0.15	0.15	Non-deposit of non-tax revenue
4	East Jorhat AP	-do-	2002-09	42.09	0.95	-do-
5	Mandia AP	-do-	2004-08	NA	2.69	-do-
6	Gomariguri AP	-do-	2007-09	7.63	1.98	neither refunded nor adjusted
7	Katlicherra AP	TFC	2006-08	0.15	0.15	Released to ZP but not accounted for by AP
8	Golaghat East AP	Own fund	2003-05	0.06	0.06	Non-deposit of non-tax revenue
9	Kadong GP	Own fund	2007-08	0.05	0.05	Non-deposit of non-tax revenue
			Total	**65.85**	**9.78**	

Appendix-6

(Reference Para - 2.10)

Non-adjustment of Advances

(₹ in lakh)

Sl No.	Name of PRIs	Name of fund from which advances made	Period of advance	Amount of Advance	Unadjusted advance	Advance paid to/for
1	Karimganj ZP	Own fund	02-08	12.81	8.09	Salary advance
		SGRY	07-08	4.88	4.88	EOP, for carrying charges of FGs
2	Cachar ZP	-do-	03-04	1.48	1.48	7 nos of staff as salary advance.
3	Hailakandi ZP	TFC	07-08	0.47	0.47	Interest fund paid to CEO (TC Kalita) for TA adv
		NREGS &	08-09	319.00	319.00	JEs for execution of works
		BRGF	08-09	441.00	441.00	JEs & APO (T) for execution of works.
		DDP	08-09	25.00	25.00	JEs for execution of works
4	Jorhat ZP	Own fund	02-03	1.34	1.34	Salary advance
		Own fund	02-03	0.50	0.50	JEs for execution of works
5	Kamrup ZP	-do-	02-03	0.08	0.08	ZP members
6	Morigaon ZP	-do-	04-08	5.85	5.85	Salary advance to staff.
		EFC	07-08	2.82	2.82	2 JEs for execution of works
8	Katlicherra AP	Own fund	02-03	0.24	0.24	AP President, vice President, members & EO
9	South Hailakandi AP	-do-	04-08	0.44	0.44	AP President, vice President & members (6)
10	Badarpur AP	-do-	02-09	0.83	0.83	TA, Medical, Pay to officials
		IWDP	08-09	4.16	4.16	JEs for execution of works
		SGRY	07-08	3.78	3.78	-do-
11	Koliapani AP	NREGS	08-09	0.81	0.81	-do-
12	East Jorhat AP	Own fund	03-06	4.78	4.78	Carrying charges of MDM
13	Mandia AP	-do-	03-07	2.01	1.27	-do-
			Total	**832.28**	**826.82**	

Appendix-7

(Reference Para - 3.1.1)

Loss of revenue due to settlement of market to the bidders with less value

(₹ in lakh)

Sl No.	Name of PRI	Period	Highest bid offered	Settled/Bid value	Amount lost	No. of hat/ghats	Remarks
1	Cachar	2005-07	7.96	5.18	2.78	3	No reason recorded
2	Jorhat	2004-09	84.84	48.50	36.34	3	-do-
3	Bezera	2003-09	6.53	5.10	1.43	11	-do-
4	Golaghat East	2002-09	7.14	5.52	1.62	25	-do-
5	Katlicherra	2002-09	6.38	4.38	2.00	12	-do-
6	South Hailakandi	2004-09	17.98	10.02	7.96	22	-do-
7	Boitamari	2002-07	73.70	28.59	45.11	NA	-do-
8	Bhawanipur	2002-09	19.37	9.72	9.65	NA	-do-
		Total	**223.90**	**117.01**	**106.89**		

Appendix-8

(Reference Para - 3.1.2)

Non-realization of Registration Fee & Stamp Duty

(₹ in lakh)

Sl No.	Name of PRIs	Period	Settled value	Value of Registration Fee	Value of stamp duty	Total amount
1	2	3	4	6	7	8
1	Karimganj	2003-08	54.40	3.33	1.63	4.96
2	Cachar	2003-08	33.71	2.16	1.01	3.17
3	Jorhat	2004-09	94.37	6.75	2.83	9.58
4	Morigaon	2004-08	177.24	14.21	5.31	19.52
5	Bongaigaon	2007-09	74.53	5.48	2.23	7.71
6	Katlicherra	2002-09	16.42	0.60	0.49	1.09
7	Golaghat East	2003-08	13.76	0.50	0.41	0.91
8	South Hailakandi	2004-09	15.61	0.62	0.41	1.03
9	Mandia	2003-09	38.22	1.99	1.20	3.19
10	Bhawanipur	2002-09	9.72	0.45	0.29	0.74
		Total	**527.98**	**36.09**	**15.81**	**51.90**

Appendix-9

(Reference Para - 3.1.3)

Short realization of settlement amount (Kist money)

(₹ in lakh)

Sl No.	Name of PRIs	Period	Settlement amount	Amount realized	Short realized amount	No of hat/ghat
1	Kamrup	2008-09	2.54	1.58	0.96	2
2	Jorhat	2004-09	99.34	96.13	3.21	7
3	Bongaigaon	2007-09	79.87	45.72	34.15	
4	Karimganj	2003-08	55.13	44.53	10.60	44
5	Cachar	2003-08	23.12	16.50	6.62	15
6	Golaghat	2002-09	17.78	14.63	3.15	31
7	South Hailakandi	2002-09	19.09	9.38	9.71	11
8	Bezera	2002-08	8.49	6.06	2.43	15
9	Badarpur	2002-09	11.22	4.08	7.14	
10	Boitamari	2002-09	124.27	82.87	41.40	9
11	Koliapani	2002-09	23.89	12.11	11.78	7
12	East Jorhat	2002-09	26.92	26.30	0.62	7
13	Bhawanipur	2002-09	7.38	5.80	1.58	4
		Total	**499.04**	**365.69**	**133.35**	

Appendix-10

(Reference Para - 3.1.4)

Non- Distribution of Sale proceeds of Hat/Ghats among ZPs, APs and GPs.

(₹ in lakh)

Sl No.	Name of ZPs	Period	Total collection	Due Share of ZP (20 *per cent*)	Amount released to APs & GPs	Amount retained by ZPs	Amount retained in excess of due share
1	Karimganj	2007-08	12.23	2.44	1.07	11.16	8.72
2	Cachar	2003-08	10.93	2.18	0.63	10.30	8.12
3	Nalbari	2004-09	24.49	4.89	0.50	23.99	19.10
4	Kamrup	2005-09	42.54	8.50	Nil	42.54	34.04
5	Bongaigaon	2007-09	79.87	15.97	Nil	79.87	63.90
						Total (A)	**133.88**
Sl No.	**Name of APs**	**Period**	**Total collection**	**Due Share of APs (40 *per cent*)**	**Amount released to ZP & GPs**	**Amount retained by APs**	**Amount retained in excess of due share**
6	Bezera	2002-09	13.04	5.21	7.14	5.90	0.69
7	Golaghat East	2002-09	14.43	5.77	4.84	9.59	3.82
8	Katlicherra	2002-09	16.12	6.44	3.83	12.29	5.85
9	South Hailakandi	2002-09	9.38	3.75	0.05	9.33	5.58
10	Badarpur	2002-09	4.08	1.63	Nil	4.08	2.45
11	Boitamari	2002-09	66.86	26.75	Nil	66.86	40.11
12	East Jorhat	2002-09	26.92	10.77	Nil	26.92	16.15
13	Mandia	2003-09	40.65	16.26	Nil	40.65	24.39
14	Bhawanipur	2002-09	10.10	4.04	Nil	10.10	6.06
						Total (B)	**105.10**
						Grand Total (A+B)	**238.98**

Appendix 11

(Reference Para - 3.2)

Statement showing expenditure on ineligible items out of EFC & TFC grants

(₹ in lakh)

Sl. No.	Name of the PRI	Period	Amount			Purpose of expenditure
			EFC	TFC	Total	
1	Hailakandi ZP	2005-09	49.54	34.47	84.01	Construction of ZP building, purchase of furniture and fixtures, stationeries, electrical fittings *etc.*, and Procurement of air conditioners
2	Golaghat ZP	2005-07	8.84	-	8.84	Payment of T.A. Bill of CEO, printing, Constn. of road, repair of block office building *etc.*
3	Cachar ZP	2005-08	20.76	37.99	58.75	Office expenses towards purchase of furniture and stationeries and includes purchase of sewing machines, hand cart *etc.*, (₹10.79 lakh) for Individual Beneficiary Scheme not permissible under TFC grants
4	Karimganj ZP	2005-08	27.97	9.72	37.69	Development of market, Constn. of PRI information centre, Water purification system for ZP, office furniture, stationeries *etc.*
5	Nalbari ZP	2005-07	9.40	6.18	15.58	Office Stationery, donation to Assam Sahitya Sabha *etc.*, including re-payment of ₹6.18 lakh against loans taken for purchase of vehicles for ZP President under TFC grants.
6	Morigaon ZP	2005-07	25.88	-	25.88	Furniture & fixtures, office stationery, and Constn. of computer room.
7	Bongaigaon ZP	2005-08	1.90	-	1.90	Photocopier machine, laser printer, furniture
8	Kamrup ZP	2008-09	-	6.24	6.24	Water filter, POL, Air conditioner *etc.*
9	South Hailakandi AP	2007-09	-	0.23	0.23	For stationery
10	Chamaria AP	2008-09	-	2.74	2.74	For cycle stand renovation
11	Bhawanipur AP	2007-08	-	3.78	3.78	Repair of office building, furniture and fixtures and electrical appliances.
12	Golaghat East AP	2007-08	-	11.45	11.45	For office expenses.
		Total	**144.29**	**112.80**	**257.09**	

Appendix – 12 (A)

(Reference Para - 3.4.1)

Statement showing district wise utilization of fund under NREGS during 2006-07 to 2008-09

(₹ in lakh)

Sl. No.	Name of district (Excluding six schedule areas)	2006-07			2007-08			2008-09		
		Total fund available	Expenditure	Closing balance	Total fund available	Expenditure	Closing balance	Total fund available	Expenditure	Closing balance
1	Bongaigaon	7647.49	7235.19	412.30	8405.99	7609.82	796.17	7638.47	5932.87	1705.60
2	Dhemaji	10871.23	7800.75	3070.48	7210.70	5116.64	2094.06	7114.88	4766.97	2347.91
3	Goalpara	6255.50	3879.68	2375.82	4195.25	2698.42	1496.83	3414.59	2959.34	455.25
4	Lakhimpur	10982.70	7988.34	2994.36	4022.80	3898.67	124.13	2103.37	1797.80	305.57
Total for 2006-07		**35756.92**	**26903.96**	**8852.96**						
5	Barpeta				7136.29	5049.44	2086.85	4849.71	2408.13	2441.58
6	Cachar				6438.92	331.79	6107.13	4558.53	3247.87	1310.66
7	Darrang				7239.46	3329.80	3909.66	4471.07	2868.79	1602.28
8	Hailakandi				3019.38	330.91	2688.47	5400.82	2643.19	2757.63
9	Morigaon				3777.37	2824.55	952.82	5246.64	2894.86	2351.78
10	Nalbari				5638.32	887.32	4751.00	4858.74	3394.27	1464.47
Total for 2007-08					**57084.48**	**32077.36**	**25007.12**			
11	Dhubri							4087.25	2289.85	1797.40
12	Dibrugarh							1914.52	1150.19	764.33
13	Golaghat							1045.98	1269.72 **	(-) 223.74
14	Jorhat							1528.03	1041.33	486.70
15	Kamrup							1924.73	1123.78	800.95
16	Karimganj							541.07	517.49	23.58
17	Nagaon							4240.57	2371.25	1869.32
18	Sivasagar							1712.41	1219.53	492.88
19	Sonitpur							4479.60	1095.90	3383.70
20	Tinsukia							676.06	525.56	150.50
	Total for 2008-09							**71807.04**	**45518.69**	**26288.35**

Appendix – 12 (B)

(Reference Para - 3.4.1)

Statement showing district wise detail position of employment provided during 2006-07 to 2008-09

(Figure in lakh)

Sl. No.	Name of district	No. of household issued job card	Employment details		Employment generated in mandays	Household provided with 100 days employment
			Demanded	Provided		
2006-07						
1	Bongaigaon	1.52	0.95	0.95	NA	0.24
2	Dhemaji	0.92	0.92	0.92	NA	0.005
3	Goalpara	1.40	1.04	1.04	NA	0.02
4	Lakhipur	1.15	0.97	0.92	NA	0.09
Total for 2006-07		**4.99**	**3.88**	**3.83**		**0.355**
2007-08						
1	Barpeta	2.11	1.72	1.72	44.84	0.07
2	Bongaigaon	1.58	1.48	1.48	41.71	0.35
3	Cachar	0.68	0.72	0.59	9.70	0.0007
4	Darrang	1.28	1.03	0.93	25.86	0.05
5	Dhemaji	0.95	0.91	0.91	15.64	0.16
6	Goalpara	1.46	1.01	1.01	16.66	0.02
7	Hailakandi	0.52	0.38	0.38	2.45	Nil
8	Lakhipur	1.24	0.67	0.65	27.42	0.36
9	Morigaon	1.23	1.02	0.80	14.39	0.002
10	Nalbari	0.64	0.61	0.51	8.12	0.003
Total for 2007-08		**11.69**	**9.55**	**8.98**	**206.79**	**1.0157**
2008-09						
1	Bongaigaon	1.05	0.78	0.78	49.26	0.29
2	Dhemaji	1.04	0.93	0.93	35.47	0.96
3	Goalpara	1.48	0.73	0.72	21.35	Nil
4	Lakhipur	1.38	0.76	0.74	18.84	0.29
5	Barpeta	2.28	0.91	0.91	20.85	0.001
6	Cachar	1.23	1.05	0.90	28.97	0.04
7	Darrang	1.38	1.08	1.08	22.35	0.007
8	Hailakandi	0.89	0.89	0.89	20.34	0.0004
9	Morigaon	1.30	1.30	0.56	22.16	0.001
10	Nalbari	0.91	0.76	0.70	30.07	0.01
11	Dhubri	1.51	0.91	0.50	12.96	0.00002
12	Dibrugarh	0.58	0.37	0.29	8.98	Nil
13	Golaghat	0.96	0.45	0.45	10.06	0.001
14	Jorhat	0.75	0.57	0.57	7.61	0.0002
15	Kamrup	2.04	1.02	1.02	39.85	Nil
16	Karimganj	0.22	0.19	0.19	4.13	0.00002
17	Nagaon	1.64	0.85	0.85	13.63	Nil
18	Sivasagar	0.52	0.29	0.29	8.68	0.003
19	Sonitpur	0.91	0.71	0.68	7.19	0.0007
20	Tinsukia	0.37	0.16	0.15	4.21	Nil
Total for 2008-09		**22.44**	**14.71**	**13.20**	**386.96**	**1.60**

Appendix- 13

(Reference Para - 4.3.3)

Statement showing receipts and expenditure of fund through state budget.

(₹ in crore)

Name of Scheme	Grant No. & Head of a/c	Budget provision	Actual expenditure	Excess (+) Saving (-)
II-Other State Plan and non-plan				
IHSDP under JNNURM (Central Share)	31 2217	20.21	1.54	(-) 18.67
UIDSSMT under JNNURM (Central Share)	31 2217	30.00	5.89	(-) 24.11
Central Pool Fund (State Share)	31 2217	0.80	0.15	(-) 0.65
IHSDP under JNNURM (State Share)	31 2217	1.50	Nil	(-) 1.50
UIDSSMT under JNNURM (State Share)	31 2217	1.50	Nil	(-) 1.50
IDSMT	31 2217	0.70	-	(-) 0.70
III-Central Sponsored Schemes				
IDSMT	31 2217	2.80	-	(-) 2.80
Central Pool Fund	31 2217	0.80	-	(-) 0.80
IHSDP under JNNURM	31 2217	1.50	-	(-) 1.50
Under SJSRY	34 2217	24.00	-	(-)24.00
UIDSMT	34 2217	1.50	-	(-) 1.50
Assistance to Local Bodies	34 2217	13.15	3.20	(-) 9.95
Devolution to Local Bodies	66 3604	16.39	8.99	(-) 7.40
Other State Plan Scheme[28]				
SCP	2217	2.10*	2.10	Nil
TSP	2217	0.65*	0.65	Nil
ABY	2217	2.50*	2.50	Nil
Loans to Urban Development				
Urban Water Supply & Sanitation	34 6217	42.26	9.24	(-) 33.01
Construction of Market	34 6217	0.20	-	(-) 0.20
Solid Waste Management	34 6217	0.20	-	(-) 0.20
	Total	**157.51**	**29.02**	**(-) 128.49**

Source: Information collected from Appropriation Account of 2008-09

*[28] *Entire fund drawn by DMA kept in Civil Deposit*

Appendix-14

(Reference Para - 4.10.1)

Name of test checked ULBs

Sl. No.	Name of ULB
1	Abhayapuri TC
2	Amguri MB
3	Barpeta Road MB
4	Bongaigaon MB
5	Guwahati Municipal Corporation
6	Hailakandi MB
7	Jorhat MB
8	Morigaon MB
9	Nagaon MB
10	Rangia MB
11	Silchar MB

Appendix- 15

(Reference Para - 5.6.1)

Statement showing scheme and year wise receipts and expenditure of test checked ULBs.

(₹ in lakh)

Sl. No.	Year	OB	Fund receipt	Total	Fund utilized	Balance
1	2	3	4	5	6	7
IDSMT						
1	2003-04	-	46.71	(46.71)	10.64	(36.07)
2	2004-05	(36.07)	3.06	(39.13)	17.78	(21.35)
3	2005-06	(21.35)	18.59	(39.94)	18.54	(21.40)
4	2006-07	(21.40)	82.98	(104.38)	24.31	(80.07)
5	2007-08	(80.07)	51.12	(131.19)	17.65	(113.54)
6	2008-09	(113.54)	12.30	(125.84)	62.81	(63.03)
	Total	-	**214.76**	**214.76**	**151.73**	**63.03**
NSDP						
8	2003-04	**3.35**	21.66	(25.01)	22.97	(2.04)
9	2004-05	(2.04)	2.69	(4.73)	3.06	(1.66)
10	2005-06	(1.66)	22.62	(24.28)	18.93	(5.35)
11	2006-07	(5.35)	20.98	(26.33)	10.81	(15.52)
12	2007-08	(15.52)	8.48	(24.00)	10.62	(13.38)
13	2008-09	(13.38)	76.54	(13.50)	3.11	(10.39)
	Total	**3.35**	**76.54**	**79.89**	**69.50**	**10.39**

1	2	3	4	5	6	7
NOAP						
14	2003-04	**0.41**	0.07	(0.48)	0.07	(0.41)
15	2004-05	(0.41)	2.04	(2.45)	2.03	(0.42)
16	2005-06	(0.42)	5.05	(5.47)	4.70	(0.77)
17	2006-07	(0.77)	14.86	(15.63)	13.48	(2.15)
18	2007-08	(2.15)	23.51	(25.66)	24.68	(0.98)
19	2008-09	(0.98)	21.38	(22.36)	19.55	(2.81)
	Total	**0.41**	**66.91**	**67.32**	**64.51**	**2.81**
NFBS						
20	2007-08	-	3.01	(3.01)	0.01	(3.00)
21	2008-09	(3.00)	1.41	(4.41)	3.01	(1.40)
	Total	-	**4.42**	**4.42**	**3.02**	**1.40**
Untied Fund						
22	2002-03	**0.01**	-	(0.01)	-	(0.01)
23	2003-04	(0.01)	-	(0.01)	-	(0.01)
24	2004-05	(0.01)	2.60	(2.61)	2.60	(0.01)
25	2005-06	(0.01)	-	(0.01)	-	(0.01)
26	2006-07	(0.01)	-	(0.01)	-	(0.01)
27	2007-08	(0.01)	2.00	(2.01)	-	(2.01)
28	2008-09	(2.01)	4.61	(6.62)	521	(1.41)
	Total	-	**9.21**	**9.22**	**7.81**	**1.41**
DDP						
29	2007-08	-	20.48	(20.48)	16.84	(3.64)
30	2008-09	3.64	19.31	(22.95)	17.69	(5.26)
	Total		**39.79**	**39.79**	**34.53**	**5.26**
SJSRY						
31	2003-04	**2.01**	29.86	(31.87)	26.66	(5.21)
32	2004-05	(5.21)	0.12	(5.33)	0.06	(5.27)
33	2005-06	(5.27)	17.37	(22.64)	13.31	(9.33)
34	2006-07	(9.33)	12.84	(22.17)	12.73	(9.44)
35	2007-08	(9.44)	120.93	(130.37)	69.30	(61.07)
36	2008-09	(61.07)	101.46	(162.53)	139.97	(22.56)
37	**Total**	**2.01**	**282.58**	**284.59**	**262.03**	**22.56**
Grants-in-aid						
38	2007-08	-	16.00	(16.00)	16.00	-
39	2008-09	-	75.00	(75.00)	70.57	(4.43
	Total		**91.00**	**91.00**	**86.57**	**4.43**

Appendix- 16

(Reference Para - 5.7)

Diversion of fund

(₹ in lakh)

Sl No	Name of ULB	Period	Purpose of fund	Amount diverted	Amount refund	Amount remained Diverted	Purpose for which diverted
1	Silchar	2000-01	Subsidy on LCSP[29]	24.62	-	24.62	Payment of salary of staff and recoupment of loans
		2007-08	GIA for Dev.of ULBs	7.00	-	7.00	Repayment of loan
2	Nagaon	2008-09	-do-	4.43	-	4.43	Payment of Contributory Provident Fund of staff
3	Jorhat	2007-08	-do-	11.91	-	11.91	Payment of CPF of staff, S/Deposit of contractors, compensation for Motor Accident Claims Tribunal case
4	Barpeta Rd	2008-09	-do-	16.47	-	16.47	Transferred to own fund and spent for payment of some obligatory expenses.
		2006-07	MB fund	5.60	-	5.60	Repayment of loan to HUDCO (LCSP)
		-do-	IDSMT	2.48	-	2.48	Repayment of loan
5	Hailakandi	2007-08	GIA	8.48	-	8.48	Payment of arrear DA
		2007-08	Recovery of loan	2.34	-	2.34	payment of salary of staff
6	GMC	2005-06	Motor Vehicle Tax grants	997.77	662.36	335.41	payment of salary, ex-gratia payment to staff, execution of WSS
			Total	**1081.10**	**662.36**	**418.74**	

[29] *Low Cost Sanitation Programme*

Glossary of Abbreviations

AAP	Annual Action Plan
AAPC	Audit And Planning Committee
ABY	Assam Bikash Yojana
ADC	Autonomous District Council
ADDP	Annual District Development Plan
AMA	Assam Municipal Act
AP	Anchalik Panchayati
APA	Assam Panchayati Act
APAR	Assam Panchayat Administrative Rules
APFR	Assam Panchayat Financial Rules
APR	Actual Payee Receipt
APWD	Assam Public Work Department
ATR	Assam Treasury Rules
BPL	Below Poverty Line
BRGF	Backward Region Grant Fund
BTAD	Bodo Territorial Autonomous District
CAG	Comptroller and Auditor General of India
CAO	Chief Accounts Officer
CEO	Chief Executive Officer
CSS	Central Sponsored Scheme
CTI	Central Training Institute
DALF	Director of Audit, Local Fund
DCR	Deposit at Call Receipt
DDP	District Development Plan
DMA	Director of Municipal Administration
DPC	District Planning Committee
DRDA	District Rural Development Agency
EFC	Eleventh Finance Commission
EO	Executive Officer
GIA	Grants-In-Aid
GMC	Guwahati Municipal Corporation
GOI	Government of India
GP	Gaon Panchayati
GSCAF	General Standing Committees And Finance
HLC	High Level Committee
IAY	Indira Awas Yojana
IDSMT	Integrated Development of Small and Medium Towns
IHSDP	Integrated Housing and Slum Development Programme
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LAR	Local Audit Report
LSGI	Local Self Government Institutions
MML	Model Municipal Law
MoPR	Ministry of Panchayati Raj
MPWA	Miscellaneous Public Works Advance
MVT	Motor Vehicle Tax
NERIWALM	North-Eastern Regional Institute of Water And Land Management
NFFWP	Nation Food For Work Programme
NHC	Neighbourhood Committee
NIT	Notice Inviting Tender

NLGOTRR	Non-Loan Gross Own Tax Revenue Receipt
NMAM	National Municipal Accounts Manual
NOAP	National Old Age Pension
NREGS	National Rural Employment Guarantee Scheme
NSDP	National Slum Development Programme
O&M	Operation and Maintenance
P&RDD	Panchayat and Rural Development Department
PAC	Public Accounts Committee
PRIs	Panchayati Raj Institutions
PRISM	Panchayat Raj Institutions System Management
SCCP	Special Component Plan for Schedule Caste
SDC	Slum Development Committee
SEC	State Election Commission
SFC	State Finance Commission
SGRY	Sampoorna Gramin Rojgar Yojana
SHG	Self-Help Group
SIRD	State Institute of Rural Development
SJSRY	Swarna Jayanti Sahari Rojgar Yojana
SLC	State Legislative Committee
SS	State Share
T&CP	Town and Country Planning
TASFC	Third Assam State Finance Commission
TFC	Twelfth Finance Commission
TGS	Technical Guidance and Supervision
TS	Technical Sanction
UC	Utilization Certificate
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Town
ULBs	Urban Local Bodies
WSS	Water Supply and Sanitation
ZP	Zilla Parishad