

Presented in the Legislature on:

**Report of the
Comptroller and Auditor General of India
on Local Bodies
for the period ended March 2024**

**GOVERNMENT OF ASSAM
Report No. 1 of 2026**

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PREFACE

This Report for the year ended 31 March 2024 has been prepared for submission to the Governor of Assam under Article 151 (2) of the Constitution of India.

The Report contains significant results of the audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in the State.

The issues noticed in the course of audit for the period 2023-2024 as well as those issues which came to notice in earlier years but could not be dealt with in the previous Reports, have been included. Matters relating to the period subsequent to 2023-24 have also been included in the report, wherever necessary.

The audit has been conducted in conformity with Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY

Executive Summary

This report comprises eight chapters of which Chapter I contains an Introduction to the Local Governments of the State. Chapters II and V contain an overview of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapter IV and VIII include function-based audit findings including compliance audit paragraphs of PRIs and ULBs respectively. Chapter III contains findings on the functioning of the Social Audit Unit of Assam, Chapter VI has one Subject-Specific Compliance Audit and Chapter VII contains result of Compliance Audit of Municipal Corporations. Copies of draft audit paragraphs were forwarded to the Government and replies, wherever received, are duly incorporated in this report. This report is a consolidation of major audit findings from 207 Panchayati Raj Institutions and 21 Urban Local Bodies audited during the years 2021–24, aiming to draw attention to critical issues for necessary remedial action.

Introduction to the Local Government of Assam and its Audit

Following the 73rd and 74th Constitutional Amendment Acts of 1992, a three-tiered local government system was established in Assam, creating a third tier of governance. For rural areas, the Panchayati Raj System consists of Gaon Panchayats (GP), Anchalik Panchayats (AP), and Zilla Parishads (ZP). For urban areas, Urban Local Bodies (ULBs) are structured with Municipal Corporations (MCs) for large cities and Municipal Boards (MBs) for other urban centres.

The main sources of income for Local Bodies are funds from the Union and State Governments, including grants from the Finance Commissions. During 2019–20 to 2023–24, 69 *per cent* of the total resources came from centrally sponsored schemes, where Local Bodies act primarily as implementing agencies with limited decision-making authority.

The own-source revenue accounts for a minimal share (3 per cent) of the total receipts, making Local Bodies highly dependent on government grants. Although the Constitution provides for the devolution of powers and responsibilities, including 29 subjects for Panchayats and 18 for Municipalities, there has been no meaningful devolution of functions and functionaries in Assam. This lack of empowerment limits their ability to function as truly self-governing institutions.

The primary audit body, the Director of Audit, Local Fund (DALF), has significant audit backlogs (51-63 *per cent* shortfall) and delays in submitting audit reports. The Local Bodies often do not maintain essential records like asset registers and cash books, leading to lack of transparency and a high number of unresolved audit objections. The state also lacks a formal grievance redressal mechanism like an Ombudsman for PRIs, although a Social Audit Unit exists for certain schemes.

The Committee on Local Fund Accounts (CoLFA) of Assam Legislative Assembly has partially discussed two of the last five audit reports laid before the legislature, recommendations are awaited.

(Chapters I, II, V)

Functioning of Social Audit Unit in Assam

Assam's Social Audit Unit (SAU), established to ensure transparency and accountability in rural development schemes, faces severe operational and governance challenges. Its registration has expired due to infrequent Governing Body meetings, which also hinder budget approvals and annual account certifications. The SAU operates with a significant manpower shortage (43 *per cent* overall vacancy), particularly among key field personnel, impacting its ability to meet social audit targets and conduct timely audits. Furthermore, there's a critical lack of follow-up on audit observations, evidenced by a less than 4 *per cent* recovery rate of misappropriated funds, weak state-level monitoring, and ineffective public awareness campaigns. These systemic deficiencies compromise the SAU's core objective of fostering transparency and accountability at the grassroots level.

Recommendations:

Regular Governing Body meetings of the SAU need to be ensured for timely approval of budget and annual accounts and for effective oversight. The manpower policy should be finalised and adequate recruitment of resource persons undertaken. A code of ethics for social audit facilitators should be developed and implemented. Follow-up on Social Audit Reports needs strengthening through public hearings and recovery of objected amounts.

(Chapter III)

Function Based Audit of Panchayati Raj Institutions (PRIs)

The audit of selected Panchayati Raj Institutions (PRIs) revealed significant mismanagement and financial deficiencies. Projects such as a multi-purpose hall in Morigaon and a paver block factory in Hapjan were left unfinished or defunct, resulting in blocking of funds amounting to ₹98 lakh. The report highlights a systemic lapse in income-generating schemes, with two Tinsukia GPs spending ₹32.56 lakh on assets built on private land and an RO based packaged drinking water plant (₹18 lakh) in Hapjan lying defunct for five years. Further irregularities were found in Tinsukia, where a payment of ₹10.36 lakh was made for suspicious interior decoration work. These issues collectively demonstrate a lack of proper planning, oversight, and financial management, leading to inability to achieve the desired public objectives.

Recommendations:

The Government should take immediate measures to strengthen financial management by ensuring feasibility and demand assessment prior to project approval, strengthening project monitoring with defined timelines and accountability at all PRI levels, executing projects only on legally acquired land with enforceable agreements, and investigating and recovering blocked or misused funds by fixing responsibility on officials and contractors.

(Chapter IV)

Implementation of the recommendations of the 5th Assam State Finance Commission

Despite the Government of Assam accepting the recommendations of the 5th State Finance Commission (SFC) for Urban Local Bodies (ULBs), it has not made most of them statutorily binding. This has led to a lack of meaningful devolution of functions, funds, and staff, preventing ULBs from operating as autonomous self-governing institutions. The report highlights that a minuscule portion of the recommended grants actually reached ULBs, with the revenue gap funds being improperly used for salary payments instead of asset creation. Additionally, many projects approved under the 5th SFC remain incomplete due to delayed fund releases. A key challenge is the ULBs' heavy reliance on external grants, with lack of initiative to create their own revenue sources, despite recommendations to do so. While there has been a slight improvement in financial accountability, a functional, multi-level monitoring mechanism is still lacking, which adversely affects the implementation of projects and the overall strengthening of ULBs.

Recommendations:

The Government of Assam may consider strengthening urban governance by issuing formal notifications for statutory devolution of functions, funds and functionaries; setting clear targets and timelines for ULBs to adopt accountability and financial transparency measures recommended by the 5th ASFC; strengthening DALF by filling vacancies; and guiding ULBs to augment own-source revenues, including prioritising execution and operationalisation of revenue-generating assets. Further, stalled 5th ASFC projects should be reviewed urgently with a time-bound completion roadmap, and the multi-level monitoring mechanisms envisaged by the 5th ASFC should be activated.

(Chapter VI)

Audit of Municipal Corporations

The Guwahati Municipal Corporation (GMC) deviated from the terms and conditions of tender while issuing work order for hiring of Poclain machines and thereafter extended undue financial benefit of ₹65.19 lakh to the supplier by not recovering the price of fuel issued by the GMC for those hired machines.

(Paragraph 7.1)

The construction of two market complexes by Guwahati Municipal Corporation was closed after incurring an expenditure of ₹3.07 crore as the funds earmarked for these works were diverted for payment of an arbitral award. The unfinished constructions remained abandoned even after eight years of scheduled date of completion rendering the expenditure infructuous.

(Paragraph 7.2)

Function Based Audit of Urban Local Bodies (ULBs)

The audit of selected Urban Local Bodies (ULBs) identified widespread financial mismanagement and a lapse in internal controls. Financial irregularities, including a suspected misappropriation of ₹1.06 crore in Sonari Municipal Board (MB) and the non-utilisation of a commercial complex in Tinsukia for seven years, point to a significant mismanagement and underutilisation of public funds.

Recommendations:

The Government should take immediate steps to strengthen financial management by enforcing segregation of duties in revenue collection and verification; framing and strictly implementing clear policies for sanction, utilisation and timely adjustment of advances; ensuring feasibility studies prior to project approval; strengthening project monitoring through regular reviews and inspections; and ensuring timely completion, inspection and operationalisation of projects to enable immediate utilisation and revenue generation.

(Chapter VIII)

CHAPTER-I
Introduction to the Local
Governments of Assam and its
Audit

CHAPTER – I

Introduction to the Local Governments of Assam and its Audit

1.1 An overview of Local Governments in the State

In keeping with the provisions of 73rd and 74th Amendments, the States have enacted relevant legislations to institutionalise rural and urban local bodies in their respective States. Accordingly, in Assam, a three tier Panchayat Raj System was established in conformity with the Assam Panchayat Act, 1994. Under the Panchayati Raj arrangements, the Gaon Panchayat (GP) consisting of a cluster of villages functions at the base level. At the intermediate level is the Anchalik Panchayat (AP) coterminous with the administrative blocks. At the apex level there is the Zilla Parishad (ZP) coterminous with the district. At present there are 2192 GPs, 181 APs and 27 ZPs in Assam (*Appendix I.1*). Similarly, for the urban areas, a three tier Urban Local Bodies (ULB) system was introduced with Municipal Corporations (MCs) for larger urban areas, Municipal Boards (MBs) for comparatively large urban areas and Town Committees (TCs) for transitional and emerging townships. However, Government of Assam, converted (October 2018) all the TCs into MBs and grouped them into five categories¹ based on size of population. At present there are 105 MBs (including three MCs) in Assam, out of which 80 MBs are in General Areas and 22 MBs are in Sixth Schedule Areas. Apart from the Guwahati Municipal Corporation, two new MCs were formed in September, 2022 *vide* the Assam Municipal Corporation (Amendment) Act, 2022 which upgraded Silchar MB in Cachar district (November 2022) and Dibrugarh MB in Dibrugarh district (March 2024) into Municipal Corporations. However, they started functioning as MCs only from June 2024 (Dibrugarh MC) and June 2025 (Silchar MC) after the elected bodies took charge.

1.1.1 Local Government in Sixth Schedule Areas:

PRIs do not exist in the Sixth Schedule Areas of Dima Hasao and Karbi Anglong Autonomous Councils, Assam. However, in Bodoland Territorial Area², PRIs existed before the creation of Bodoland Territorial Council (BTC). Consequent upon creation of BTC, these institutions were gradually dismantled. During the post the Constitutional amendment period, the Autonomous Councils (AC) in the Sixth Schedule Areas of Assam felt the necessity of having some grass-root level organisation to carry forward the process of decentralized administration. Accordingly, BTC has constituted 415 Village Council Development Committee (VCDC) and Karbi-Anglong Autonomous Council (KAAC) has constituted 26 Village Development Council (VDC). North Cachar Hills Autonomous Council (NCHAC) is also contemplating to constitute 20 VDC. The Village Councils are analogous to the GPs in General Areas. As such,

¹ Category I includes MBs having population above one lakh, Category II: towns with population ranging between 50,001 and 1,00,000 Category III: population between 20,001 and 50,000 Category IV: population from 10,001 to 20,000 and Category V: population upto 10000

² Bodoland Territorial Area covers districts of Kokrajhar, Baksa, Udalguri, Chirang and Tamulpur

with the creation of Village Councils, the Sixth Schedule Areas of Assam are now having a single tier Panchayati Raj System.

In the prior to the Constitutional amendment period, the ULBs were functioning in the Sixth Schedule Areas in the same way as they did in General Areas, the only difference being that the Assam Municipal Act, 1956 was not applicable to them. The MBs in Sixth Schedule Areas are governed by the Rules framed by the respective Autonomous District Councils (ADCs) from time to time. As of March 2024, there were 22 MBs in the Sixth Schedule Areas, (9 in BTC, 9 in KAAC and 4 in NCHAC).

1.2 Resources of Local Bodies:

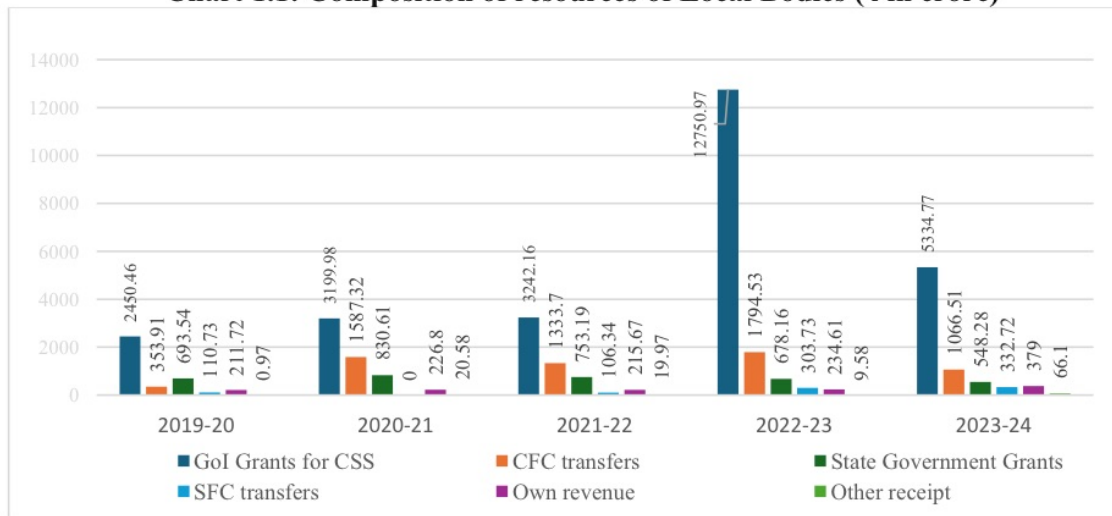
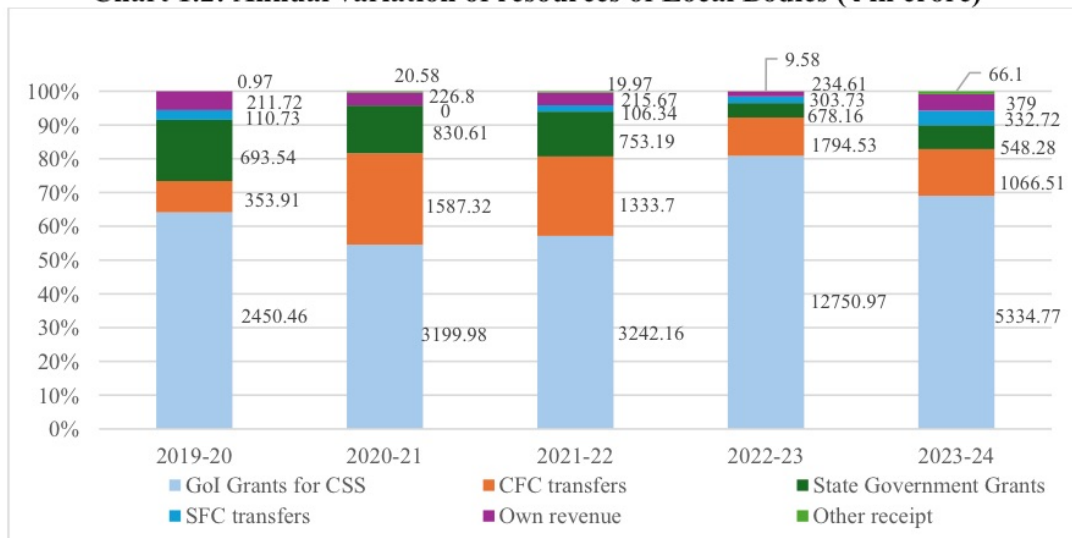
The main sources of income for Local Bodies in the State are the funds released by GoI/ GoA under various Centrally Sponsored Schemes (CSS), Finance Commission (FC) Grants, State Finance Commission (SFC) Grants and State Government Grants under various schemes. In addition, PRIs also mobilise revenue from their own sources, such as taxes, rents, license fees, *etc.* The composition of resources of Local Bodies for the period 2019-20 to 2023-24 is given in **Table 1.1** below:

Table 1.1: Resources of Local Bodies (both PRIs and ULBs)

Sl. No.	Heads						(₹ in crore)
		2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	GoI Grants for CSS	2450.46	3199.98	3242.16	12750.97	5334.77	26978.34
2	CFC transfers (Finance Commission Grants)	353.91	1587.32	1333.70	1794.53	1066.51	6135.97
3	State Government Grants for State Schemes (SOPD)	693.54	830.61	753.19	678.16	548.28	3503.78
4	SFC transfers (State Finance Commission Devolution)	110.73	0	106.34	303.73	332.72	853.52
5	Own revenue	211.72	226.80	215.67	234.61	379.00	1267.80
6	Other receipt	0.97	20.58	19.97	9.58	66.10	117.20
Total		3821.33	5865.29	5671.03	15771.58	7727.38	38856.61

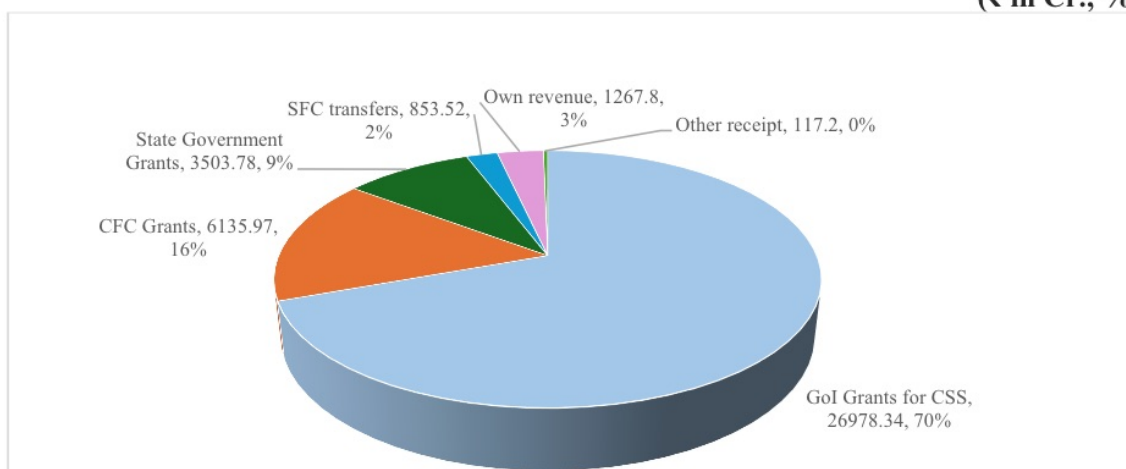
(Source: Data collected from Finance Department, P&RD Department, Director Municipal Administration and eGramSwaraj)

It may be seen that substantial quantum (69 *per cent* of total resources) of the funds were received under CSS schemes, for which the Local Bodies act merely as implementing agency without much scope for independent decision-making. The composition of resources of Local Bodies for the period 2019-20 to 2023-24 is shown in **Charts-1.1, 1.2 and 1.3** below:

Chart 1.1: Composition of resources of Local Bodies (₹ in crore)**Chart 1.2: Annual variation of resources of Local Bodies (₹ in crore)**

- During 2019-24, of the total receipts, the percentage share of own revenue, SFC grants and CFC grants were 3, 2 and 16 respectively.
- The share of own revenue and SFC grants were significantly low compared to CFC grants during the period 2019-20 to 2023-24.

Chart 1.3: Composition of resources of Local Bodies of Assam during 2019-24
(₹ in Cr., %)



This indicates that the own revenue of Local Bodies accounts for only a miniscule part of its total sources, making them heavily dependent on Government/ CFC grants.

1.3 Devolution of functions to Local Bodies:

As per Constitutional provisions, the Panchayats and Municipalities are endowed with powers, authority and responsibilities including raising of revenue, to function as institutions of self-governance. The devolution of powers and responsibilities involve preparation of plans for economic development and social justice and its implementation including 29 subjects (*Appendix-1.2*) listed in the Eleventh Schedule for the Panchayats and 18 subjects (*Appendix-1.3*) listed in the Twelfth Schedule for the Municipalities. Though the Panchayats and Municipalities of Assam had benefitted from the awards of State Finance Commissions and Central Finance Commissions, there seems to be no perceptible improvement in the ground realities as devolution of functions and functionaries has not taken place as yet.

1.4 Audit Mandate and Methodology:

1.4.1 Audit Mandate

(i) **Audit by Comptroller and Auditor General of India:** The authority for audit of Local Bodies by the Comptroller and Auditor General of India (C&AG) is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act). Section 14, 15 and 20(1) of CAG's DPC Act empowers C&AG to conduct audit of the Local Bodies of the State. The principles and methodologies of various types of audit are prescribed in the Auditing Standards and Regulations on Audit and Accounts, issued by the C&AG.

According to Section 20(1) of CAG's DPC Act and Section 120 of the Regulations on Audit and Accounts, 2020, functions of Technical Guidance and Support (TGS) for Audit of Local Bodies has been entrusted to C&AG. In Assam, TGS arrangements were entrusted to the

C&AG by the State Government in May 2002. The Standard terms and conditions of TGS, as recommended by 13th FC, were accepted in May 2011.

(ii) Audit by Primary Audit Institutions (PAIs): The Director of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930 is the Primary Auditor of all tiers of PRIs & ULBs in the State. The Directorate under the Finance Department, Government of Assam, is responsible for (i) carrying out the Audit of Local Funds with the help of 20 Circle offices, each of which is headed by an Assistant Director to perform audit functions at the district level; and (ii) facilitating submission of Audit Reports of administrative departments. The audit is conducted in conformity with the Assam Audit Manual, 1918 (latest revision in 2002), as also the relevant Government Rules and Amendments thereto, issued by the Government from time to time.

The details of audit coverage by the DALF in respect of PRIs & ULBs in the state is given in Chapter – II and Chapter – VI respectively.

1.4.2 District-Centric Service Delivery oriented approach to audit:

The Audit Report of the C&AG of India for Local Bodies is focused primarily on the assessment of the quality of the Service Delivery by the Local Bodies with respect to the functions devolved to them, and to assess to what extent Services have positively impacted the citizens at the grass-roots under their jurisdiction. However, as devolution of functions to the Local Governments is yet to materialise meaningfully in Assam, cross-cutting subjects like, creation and management of assets, utilisation of CFC/ SFC grants, are covered in audit.

This has been attempted by generally adopting a District-Centric approach, where the similar selected activities were assessed horizontally & vertically across all tiers of the Local Government in a District to arrive at a comprehensive conclusion vis-à-vis the sample units of Local Bodies chosen for audit.

Other issues of importance, noticed by Audit across Local Bodies, have also been included for necessary remedial action.

1.5 Overview of CAG's Audit Reports:

This report provides an overview of the functioning of PRIs and ULBs in the State and draws the attention of the executive departments, to major findings of audits conducted during 2023-24, for taking appropriate remedial action.

1.5.1 Discussion of Audit Reports by Legislature

The Committee on Local Fund Accounts (CoLFA), constituted by the Assam State Legislature, discusses the Audit Reports on Local Bodies. The position of discussion of Audit Reports, by the Committee, is shown in **Table 1.2**:

Table 1.2: Position of Audit Reports discussed by the CoLFA

Year of Report	Laid before the Legislature	Whether discussed by Legislature	Action Taken Report, if any
2014-15	18 July 2016	Not yet discussed	Nil
2015-16	10 March 2017	Not yet discussed	Nil
2016-17	24 September 2018	Partially discussed	Nil
2017-21	11 September 2023	Partially discussed	Nil
2021-23	25 March 2025	Not yet discussed	Nil

It can be seen from the above table that two out of five Audit Reports laid before the Legislature have been partially discussed by CoLFA. However, recommendations were awaited (March 2025).

1.6 Scope of Audit:

The cases mentioned in this Report are a consolidation of major audit findings arising out of audit of accounts of 207 PRIs and 21 ULBs which came to notice during the years 2021-24 as well as those which had come to notice in earlier years but could not be reported in previous Reports. The observations have, however, been updated wherever required, for better topicality of contents.

The audit also encompasses cross-cutting issues like creation and management of assets (especially income generating ones), reviewing receipts, accounting, allocation, expenditure propriety, adherence to grant conditions, impact, and transparency in utilisation of Central and State Finance Commission Grants, etc. The specific scope is refined based on objectives, risk, materiality, regulations, resources, and stakeholder needs.

1.7 Criteria/ Sources of Criteria:

For arriving at the audit observations and for firming up audit conclusions, Audit had to depend on data collected from two Departments viz., P&RDD and DHUA and audit of selected PRIs and ULBs. The following Acts, Rules and Government instructions were used as the criteria for framing audit comments.

For PRIs

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

For ULBs

- The Guwahati Municipal Corporation Act, 1971 (GMC Act)
- The Assam Municipal Act, 1956 (amended up to 2012) (AM Act)
- The Assam Municipal Accounts Rules, 1961 (AMA Rules); and
- Government instructions, issued from time to time.

1.8 Acknowledgement:

Audit acknowledges the co-operation and assistance extended by the Panchayat & Rural Development Department, Housing & Urban Affairs Department and all test-checked PRIs and ULBs in the smooth conduct of the audit.

Part-I
Panchayati Raj Institutions

CHAPTER-II
Overview of Panchayati Raj
Institutions of Assam

CHAPTER – II

Overview of Panchayati Raj Institutions in Assam

2.1 Introduction

The 73rd Constitutional (Amendment) Act, 1992 (Article 243) conferred Constitutional status to Panchayati Raj Institutions (PRIs). Accordingly, the State was required to entrust PRIs with functions related to 29 subjects and respective functionaries, so as to enable them to function as Institutions of Local Self Government (LSGs). The Constitutional Amendment provided for establishment of a uniform system within States, conduct of regular elections, regular flow of funds, *etc.* The legislative framework for conduct of business of the PRIs in Assam are based on:

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

Assam, with a geographical area of 78,438 sq. km, has a population density of 398 persons per sq. km as per Census 2011, which is higher than the national average of 382 persons per sq. km. The sex Ratio for rural population in Assam is 958, which is also higher than the national average of 943. Rural population in the State is 2.68 crore (86 *per cent*).

There were 2,400 PRIs in the ‘General’ areas³ of Assam, as of March 2025. The Panchayati Raj system does not exist in the Sixth Schedule Areas, where local governance is vested with the respective Autonomous District Councils (ADCs).

Statistics related to the rural population of the State and the numbers of PRIs as per census of 2011, are given in **Table 2.1**.

Table 2.1: Important Statistics of the State (Rural areas)

SL. No.	Indicators	Unit	Value
1	Total Population	Crore	3.12
2	Rural Population	Crore	2.68
3	Sex Ratio (Females per 1000 Males) - Rural	Numbers	958
4	Population Density	Per sq.km	398
5	Rural Literacy	<i>Per cent</i>	69.34
6	Number of districts	Number	35
7	Zilla Parishad (ZP)	Number	27
8	Anchalik Panchayat (AP)	Number	181
9	Gaon Panchayat (GP)	Number	2,192

Source: Statistical Handbook, Assam 2024 and Information provided by the Department.

³ Constitution of India has provided for constitution of separate Autonomous Councils for tribal areas of Assam under Sixth Schedule. Areas not falling under the provision of the Sixth Schedule are known as General areas.

2.2 Functioning of PRIs

2.2.1 Administrative machinery in PRIs

The administrative set-up of Panchayats in the State comprises a three-tier system, GPs at the village level, APs at the intermediate level (co-terminus with administrative Blocks) and ZPs at the district level. The Constitution enjoins the State Government to make appropriate legislation regarding devolution of powers and functions to the Panchayats, in such a way as to enable them to function as Institutions of Local Self Government (LSGs).

Subject to the provisions of the AP Act, 1994, Panchayats may make bye-laws to carry out their functions. The 73rd Constitutional Amendment empowers them with powers and authority in revenue mobilisation and gives them access to such resources as the State Legislature may, by law, confer on them. Accordingly, the AP (F) Rules were framed in 2002, as amended in 2004, empowering all the three tiers to levy and collect taxes. Through the AP (F) Rules, 2002, GPs got the power to levy certain taxes viz., tax on houses and structures, tax on trades, etc. However, in April 2022, the Government rescinded the existing requirement of issuance of Trade License and suspended the levy of any tax or fee by the PRIs in setting up of business activities, except for foreign or country liquor shops, educational institutions, health establishment, brick kilns, mobile towers, petrol pumps, timber saw mills, godowns, and other pollutant industries. Thus, complete autonomy to the PRIs in revenue mobilisation was not ensured.

2.2.2 Status of devolution of functions, funds and functionaries

The 73rd Constitutional (Amendment) Act, 1992, empowers the PRIs to perform functions related to 29 subjects listed in Eleventh Schedule of the Constitution of India. Central FCs and the State FCs had emphasised the need for complete transfer of funds, functions and functionaries to the PRIs for meaningful devolution.

However, in Assam, there is little progress in transfer of funds, functions and functionaries to the PRIs. Activity mapping of 23 out of the 29 subjects⁴ was done (June 2007) by Government of Assam. However, orders for devolution were issued in respect of only seven⁵ subjects. Though seven subjects were notified to be transferred, no function had been transferred to PRIs as of December 2024 and line Departments and other agencies working parallel to PRIs, are performing those functions.

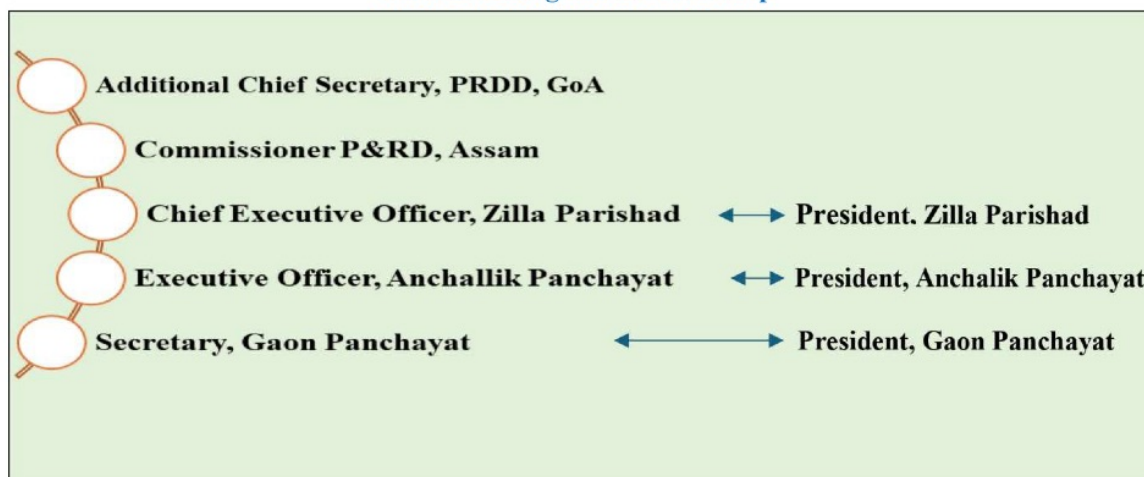
⁴ Activity mapping for six subjects, viz., (i) Maintenance of community assets; (ii) Markets and fairs; (iii) Libraries; (iv) Technical training and vocational education; (v) Non-conventional energy sources; and (vi) Rural housing was not done.

⁵ (i) Agriculture, including agricultural extension; (ii) Land improvement, implementation of land reforms, land consolidation and soil conservation; (iii) Animal husbandry, dairying and poultry; (iv) Adult and non-formal education; (v) Education, including primary and secondary schools; (vi) Khadi, village and cottage industries; and (vii) Rural electrification, including electricity distribution

2.3 Organisational setup of PRIs

The organisational set-up of PRIs is shown in **Chart 2.1**:

Chart 2.1: Organisational Set-up



The Additional Chief Secretary (ACS), Panchayat and Rural Development (P&RD) Department is the administrative head of the Department. The ACS is assisted by the Commissioner, P&RD in allocation of funds, overall control and supervision of functions and implementation of different schemes at the State level. The Chief Executive Officer (CEO) in ZP, the Executive Officer (EO) in AP and the Secretary in GP provide executive and administrative support in their respective organisation.

Accountability Mechanism and Financial Reporting

2.4 Formation of various Committees

2.4.1 Standing Committees

Sections 22, 52 and 81 of the AP Act, 1994 stipulate that PRIs shall constitute Standing Committees to perform functions assigned under the Act. Details of the constitution of the Standing Committees and their roles and responsibilities are given in *Appendix-2.1*.

2.4.2 District Planning Committee (DPC)

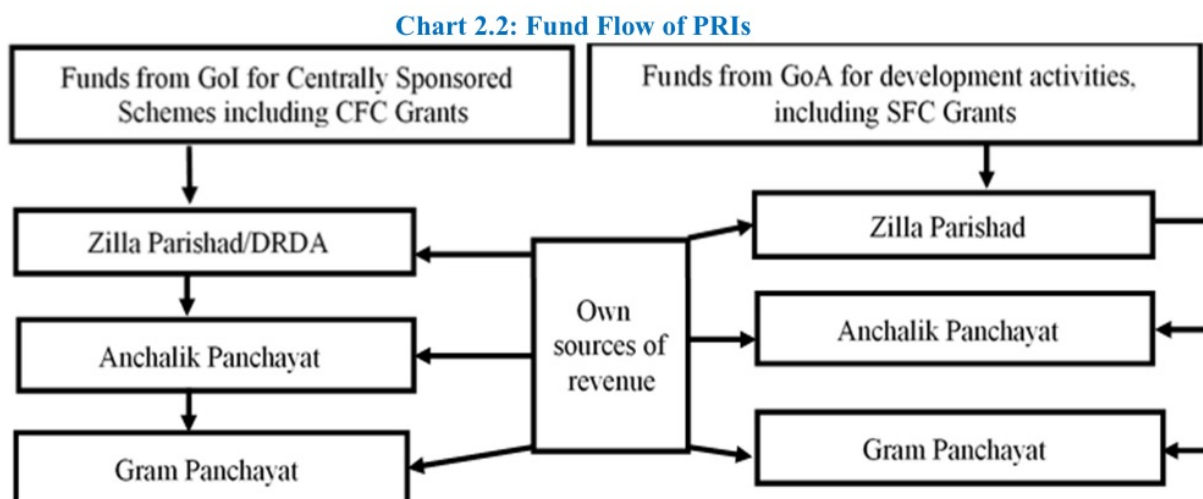
Article 243 ZD of the Constitution of India provides that the State Government should constitute a District Planning Committee (DPC), consisting of (i) members of the House of the People, who represent the whole or part of the district, (ii) members of the Assam Legislative Assembly; and (iii) number of persons, not less than four-fifth of the total number of members, from amongst the members of the ZP, to consolidate the plans prepared by the Panchayats in the district and to undertake integrated development of the district. Accordingly, Section 3 of the AP Act, 1994 and AP (F) Rules, 2002 framed thereunder, provide that the State Government shall constitute a DPC, with a tenure of one year, in every district. The Deputy Commissioner is a permanent invitee to the DPC of the district, while the President of the ZP is the Chairman and the CEO of ZP is the *ex-officio* Secretary of the DPC.

The Commissioner, P&RD, Assam stated (November 2024) that DPCs were constituted by all districts, which approves the annual Gaon Panchayat Development Plan, Anchalik Panchayat Development Plan and District Panchayat Development Plan prepared by the PRIs concerned and that the said development plans are available in the *eGramSwaraj* web portal.

In respect of three districts selected for District-Centric Audit, it was observed that the DPC was constituted, and meeting was held in Tinsukia and Jorhat but no meeting of the DPC was held in Kamrup (Metro) district. Though Zilla Parishads prepared Annual Action Plans for various programmes, a consolidated District Plan was not prepared in advance for the year.

2.5 Source of Funds

The main sources of income for Local Bodies in the State are the funds released by GoI/ GoA under various Centrally Sponsored Schemes (CSS), FC grants, State Finance Commission (SFC) grants and State Government schematic grants. In addition, PRIs also mobilise revenue from their own sources, such as taxes, rents, license fees, *etc.* **Chart 2.2** shows the flow of funds in PRIs:



The receipts of Local Bodies, from all sources, during 2019-20 to 2023-24, are shown in **Table 2.2**.

Table 2.2: Time series data on resources of PRIs

		(₹ in crore)					
	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	GoI Grants for CSS	2106.30	2751.89	2869.03	12378.99	5289.16	25395.37
2	CFC transfers (Finance Commission devolution)	164.11	1337.12	988.66	1023.68	522.73	4036.30
3	Grants from State's Own Priority Development (SOPD) fund	609.92	727.96	537.13	517.79	497.06	2889.86
4	SFC transfers (State Finance Commission Devolution)	0.74	0	66.84	144.55	81.65	293.78
5	Own revenue	55.44	62.40	44.84	42.30	54.30	259.28
6	Other receipt	0	20.45	3.03	1.68	--	25.16
Total		2936.51	4899.82	4509.53	14108.99	6444.90	32899.75

Sources: Information received from CPRD

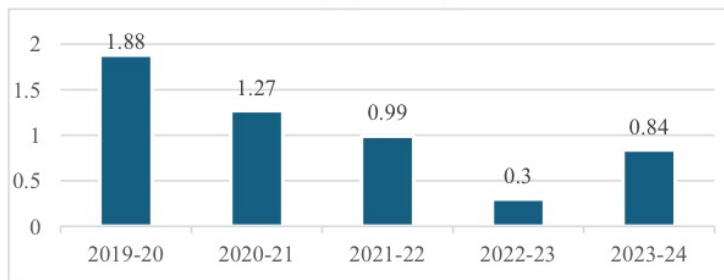
Chart 2.3 Own revenue compared to total resources of the PRIs (in per cent)

Chart 2.3 depicts the poor augmentation of own revenue compared to total resources of the PRIs.

It was observed that own source of revenue of the PRIs during the period 2019-20 to 2023-24 could not cross even 2 per cent of the total

resources with most of the resources coming from CFC grants and funds provided by GoI for implementation of Centrally sponsored Schemes. The continuous low share of own sources of revenue of PRIs indicates lack of initiative by PRIs to enhance self-reliance and reduce dependence on the Government Grants.

The following **Table 2.3** shows the application of resources by the PRIs during the period 2019-20 to 2023-24.

Table-2.3: Application of resources-PRIs

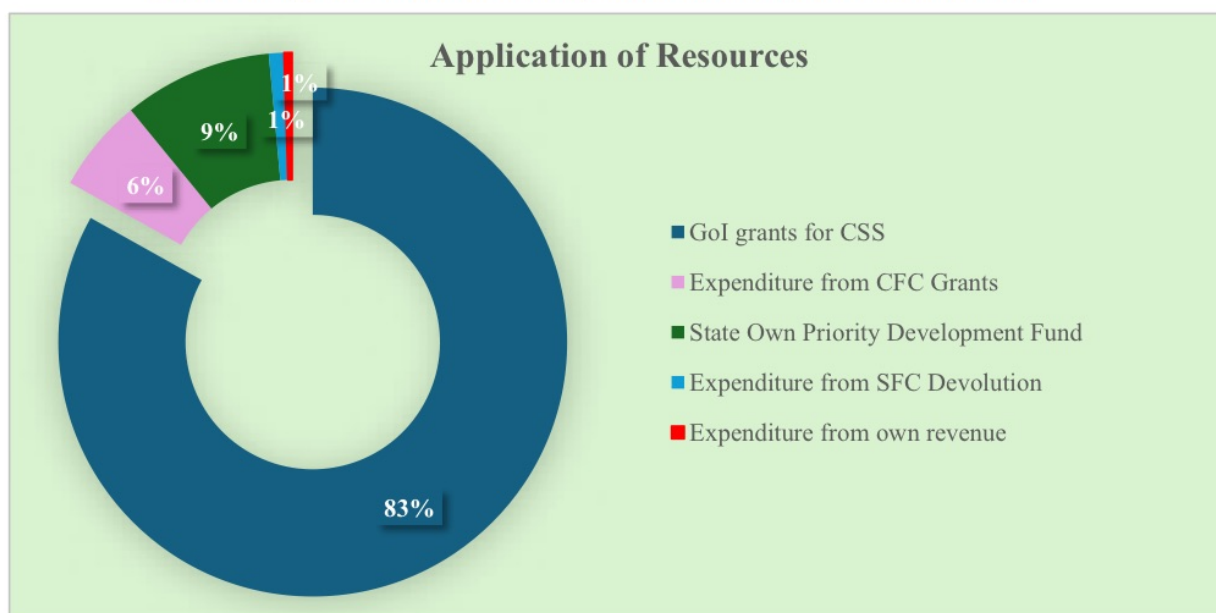
(₹in crore)

Sl. No	Head	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	GoI grants for CSS	2106.03	2751.89	2869.03	12378.99	5289.16	25395.10
2	Expenditure from CFC transfers	164.11	2.10	233.62	898.09	522.73	1820.65
3	State Own Priority Development Fund	609.92	727.96	537.13	517.79	497.06	2889.86
4	Expenditure from SFC transfers (SFC Devolution)	0.74	0	66.84	144.55	81.65	293.78
5	Expenditure from own revenue	32.27	36.69	18.23	14.32	54.30	155.81
Total		2913.07	3518.64	3724.85	13953.74	6444.90	30555.20

Source: Information received from CPRD, C&AG Report & eGramSwaraj data.

The Panchayati Raj Institutions (PRIs), while primarily serving as the implementing agencies for Centrally Sponsored Schemes (CSS) and State Sector Schemes (SSS), relied on funding from external sources, as their own revenues constituted only a minuscule portion of the total funds during the five-year period 2019-2024.

The following **Chart 2.4** represents an overall picture of application of resources by the PRIs during 2019-20 to 2023-24.

Chart 2.4: Application of resources by the PRIs during 2019-20 to 2023-24

2.6 Recommendations of the State Finance Commission (SFC) and utilisation of SFC Funds

The State Finance Commission (SFC) in Assam, established under Articles 243-I and 243-Y of the Indian Constitution, reviews the financial status of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and makes recommendations to the state government to improve their fiscal health. Key recommendations typically cover the distribution and assignment of state taxes, duties, tolls, and fees, the quantum of grants-in-aid, measures to enhance the financial position of local bodies, and other relevant financial matters. Assam has had six SFCs so far⁶, each with specific recommendations. Funds devolved based on SFC recommendations are intended for essential services, developmental activities, salaries and operational costs, infrastructure development, specific projects, and capacity building in PRIs and ULBs. The status of devolution of SFC funds to the PRIs are depicted in the **Table 2.4** below.

Table 2.4: SFC fund devolution of PRIs

(₹ in Crore)

Sl No.	Year	Net proceeds of Tax Revenue of State Government	Funds to be devolved	Funds devolved	Short devolution (Per cent in bracket)
1	2019-20	16528.69	155.59	0.74	154.85 (99)
2	2020-21	17133.61	325.08	0	325.08 (100)
3	2021-22	19533.10	358.78	66.84	291.94 (81)
4	2022-23	24502.02	417.77	144.55	273.22 (65)
5	2023-24	28020.00	647.03	82.55	564.48 (87)

Source: Information provided by CPRD

It can be seen from the above table that there was constant short devolution (65 to 100 per cent) of SFC funds by the Government during the period 2019-20 to 2023-24. The timely and

⁶ The Seventh Assam State Finance Commission is still in place and is yet to submit its Report

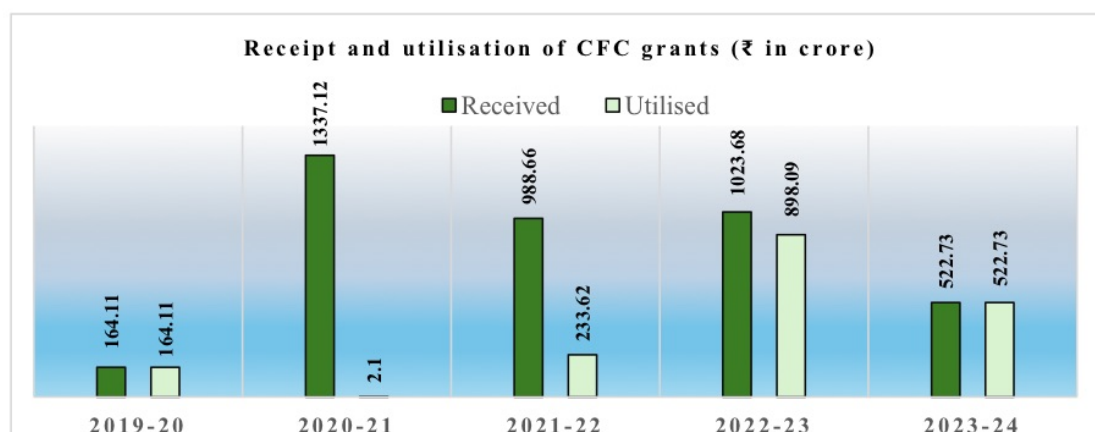
effective utilisation of SFC funds was crucial for strengthening local governance and ensuring that the benefits of these resources reach the grassroots level in Assam.

2.7 Recommendations of the Central Finance Commission (CFC) and utilisation of CFC Funds

The Central Finance Commission (CFC) is a constitutional body that recommends the distribution of financial resources between the Union and State governments, including grants to local bodies (PRIs and ULBs). For Assam, the CFC, such as the 15th Finance Commission (2021-2026), specifies the state's share in central taxes and various grants-in-aid.

The CFC grants for local bodies were transferred to PRIs and ULBs for basic services and infrastructure, with monitored utilisation. Sector-specific and special grants had to be used for their intended purposes according to central guidelines. The receipt and utilisation of CFC grants by the PRIs is depicted in Chart 2.5 below:

Chart 2.5: Receipt and Utilisation of CFC Grants by the PRIs



It can be seen from the above chart that the utilisation of the CFC grants by the PRIs fell short substantially. As against ₹4036.30 crore received during the five-year period, only ₹1820.65 crore (45 per cent) could be utilised by the PRIs.

2.8 Maintenance of Records

2.8.1 Non-maintenance of basic records

Though there is a provision in the *eGramSwaraj* for generating reports related to creation of assets, the same was not generated by any PRI. As the asset registers were not maintained, the assets of the PRIs could not be monitored, thereby leaving possibility for misutilisation/mismanagement of assets. Further, as some of the assets like market sheds, multipurpose halls, burial ground, *etc.*, were revenue generating, the PRIs would not be able to keep track of revenue generated by such assets, leaving possibilities of misuse of assets and misappropriation of revenue generated from such assets.

Further, as per Rule 30(3) and Rule 16(1) of the AP(F) Rules, 2002, PRIs are required to maintain Stock Registers and Registers of Receipt Books. However, in 44 out of 204 PRIs audited during 2023-24, essential records including Asset Registers, Stock Registers, Registers of Receipt Books, Measurement Books and Cash Books were not maintained. In the selected

districts for DCA (Jorhat and Tinsukia), the Zilla Parishads, selected Anchalik Panchayats and Gaon Panchayats had also not maintained the Register of Receipt Books, resulting in the number of receipt books in circulation remaining unverifiable. Non-maintenance of such vital records increases the risk of misutilisation of materials and embezzlement/misappropriation of PRI revenues.

The Government should take immediate steps to instruct the PRIs to maintain the asset registers and fix responsibility on the concerned officer for non-maintenance of vital records.

2.8.2 Non-reconciliation of Cash Books

Rule 8 of the AP (F) Rules, 2002, requires that all money received and payments made, should be entered in the Cash Book which should be closed daily. Further, monthly closing of the Cash Book, physical verification of cash and reconciliation of Cash Book balances with bank balances, under proper authentication, are also to be carried out.

Out of 204 PRIs audited during 2023-2024, 196 PRIs had reconciled their cash book balance with bank balances. However, 11 PRIs⁷ did not reconcile the cash book balances with bank balances and hence discrepancies between Cash Book and Bank Pass book remained undetected.

Thus, non-compliance to reconcile the Cash Book, in terms of the provisions of the financial rules/ manuals, indicates irregularities in cash management.

The Government should take immediate steps to ensure regular reconciliation of balances by PRIs and to fix responsibility for any slippage in this matter.

2.9 Maintenance of Accounts by PRIs

The role, funds, and accountability of PRIs have increased over time, necessitating proper maintenance of accounts and prudent utilisation of public funds. Such diligence could be achieved only if the financial recording and reporting systems are well established and functional. Accordingly, Model Accounting System was introduced (October 2009) by the Comptroller and Auditor General of India on the recommendation of 11th FC.

Instances of Annual Accounts not being maintained by PRIs have been brought to the notice of State Government on several occasions through Inspection Reports and Annual Technical Inspection Reports/Audit Reports.

Examination of accounts of the selected APs & GPs showed that the PRIs did not maintain accounts as per formats prescribed under Rule 49 of the PRI Act. The ZP prepared only Programme wise Annual Accounts (Receipt & Payment Accounts, Income and Expenditure and Balance Sheet) with consolidation of AP and GP level data for receipt and payments only.

⁷ Barpeta ZP, Dhubri ZP, Kakopathar AP, Agomani AP, Singitoli GP, Borsil GP, Dhirerchar Tarangapur GP, Baraibari GP, Bordolong GP, Latak GP and Barunitara Botordal GP.

APs and GPs were not preparing Receipt & Payment, Income & expenditure and Monthly accounts.

Audit also observed in PRIs audited during 2023-24 that, cash book is maintained manually but subsidiary register has not been maintained in any of the selected PRIs. Most of the cash books of units were not updated and authenticated by the DDO. Moreover, Construction Committees under 14th and 15th FC did not maintain cash book. Besides, Construction Committees did not finalize their account after completion of the schemes.

Receipt & Payment Accounts, Income and Expenditure Accounts, and Balance Sheet etc. are prepared only at the ZP level and certified by the CA. However, neither the APs nor the GPs prepared any of the accounts mentioned above. Prescribed format for maintenance of accounts (Forms 1 to 8) by the CAG and the PRI Act were not maintained by any of the PRI unit in the districts.

This indicated that PRI units in the districts did not adhere to the rules & regulations of the PRI Act and instruction of the Government.

2.10 Audit of Accounts maintained by PRIs

2.10.1 Primary Auditor

The Director of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930 is the Primary Auditor of all tiers of PRIs in the State. The Directorate is responsible for (i) carrying out the Audit of Local Funds with the help of 20 circle offices, each of which was headed by an Assistant Director to perform audit functions at the district level; and (ii) facilitating submission of Audit Reports of administrative departments. The audit must be conducted in conformity with the Assam Audit Manual, as also the relevant Government Rules and Amendments thereto, issued by the Government from time to time.

2.10.1.1 Audit coverage by the DALF

There were arrears in the audit of PRIs by the DALF, during the period 2019-20 to 2023-24, ranging between 51 and 63 *per cent*. Year-wise position of units to be audited, and those actually audited, are detailed in **Table 2.5**.

Table 2.5: Coverage of PRI units planned for audit by DALF in respect of PRIs

Year	No. of units planned for Audit	No. of units audited	Shortfall vis-à-vis plan (<i>per cent</i>)
2019-20	1,105	471	634 (57.37)
2020-21	1,031	501	530 (51.40)
2021-22	1,105	545	560 (50.68)
2022-23	1,105	456	649 (58.73)
2023-24	1,217	452	765(62.85)

Source: Information furnished by DALF, Assam

The DALF stated (September 2024) that the shortfall in audit coverage was due to high vacancies of Audit personnel, huge number of other accounts to be audited as per Annual Audit Action Plan, engagement of audit personnel in specially entrusted accounts by the Government from time to time, election duty, *etc.*

Shortfall in coverage of audit by DALF has affected the accountability mechanism of PRIs in Assam.

2.10.1.2 Submission of Annual Audit Report by DALF

As per paragraph 101 (i) of the Assam Audit Manual, the DALF is required to send an Annual Audit Report to the Finance Department, by 30 September each year, incorporating major audit objections relating to Local Bodies, which are pending for settlement, for further action by the Finance Department. The DALF has so far submitted Audit Reports covering the period from 2010-11 to 2022-23. The status of submission of Audit Reports by DALF to the Government is shown in **Table 2.6**.

Table 2.6 Audit Reports submitted by DALF to the Government

Sl. No.	Audit Report for the year	Submitted to Government	Laid before Legislature
1	2010-11 and 2011-12	21 March 2013	10 February 2014
2	2012-13 and 2013-14	07 December 2014	19 December 2014
3	2014-15	13 November 2015	04 February 2016
4	2015-16 and 2016-17	30 October 2021	12 September 2022
5	2017-18 and 2018-19	30 May 2022	12 September 2022
6	2019-20 and 2020-21	14 December 2022	10 March 2023
7	2021-22	02 September 2023	11 September 2023
8	2022-23	23 August 2024	30 August 2024
9	2023-24	Yet to be submitted	-

Source: Information furnished by DALF, Assam

However, follow-up action and Action Taken Reports by the Finance Department on the Annual Consolidated Audit Reports of the DALF remained pending, resulting in weakening of the accountability mechanism for the PRIs.

2.10.2 Audit by Comptroller and Auditor General of India

Comptroller and Auditor General of India (CAG) conducts audit of substantially financed Local Bodies under Section 14 (1) of CAG's (DPC) Act, 1971 and audit of specific Grants to Local Bodies under Section 15 of the Act *ibid*. The audit of Local Bodies of Assam is also conducted by CAG under Section 20 (1) of the Act, as per the Technical Guidance and Support (TGS) arrangements as entrusted by the Government of Assam in May 2002. The State Government accepted the Standard terms and conditions of TGS (May 2011), in line with recommendations of the 13th FC.

2.10.3 Response to Audit Observations

Inspection Reports (IRs) were issued by the office of the Accountant General (Audit), Assam to the PRI authorities concerned with a copy to the State Government. PRI authorities are required to provide responses to the audit findings contained in the IRs within a period of four weeks from the date of receipt of IRs. Important audit findings were also reported to the Government through the Audit Reports on Local Bodies/ Local Governments. The details of outstanding paragraphs of the last five years in respect of PRIs (as of March 2024), are shown in **Table 2.7**.

Table 2.7: Details of outstanding IRs and paragraphs in respect of PRIs

Year of Issue	No. of Inspection Reports	No. of outstanding Paras	Money Value of audit objection (₹ in crore)	First reply furnished
2019-20	8	92	155.90	0
2020-21	3	89	329.01	0
2021-22	67	411	155.61	3
2022-23	131	808	389.50	3
2023-24	172	1013	266.05	Nil
Total	381	2413	1296.07	6

Source: Progress Register

Thus, 2413 paragraphs pertaining to the period 2019-2024, with a monetary value of ₹1296.07 crore, were pending for settlement (March 2024) for want of replies/ compliance from the PRIs concerned. Even the first reply had not been received for 2407 paragraphs (99.75 *per cent*) out of 2413 paragraphs. This was indicative of the fact that the PRIs were reluctant in responding to the Audit observations and initiating corrective measures. The administrative heads of the departments concerned also did not ensure that the concerned officers of the PRIs took prompt and timely action in furnishing replies to IRs, which has resulted in weakening of the accountability mechanism of PRIs in Assam.

2.11 Grievance redressal mechanism

As per Section 30, Schedule I of the MGNREG Act, the states are mandated to appoint an Ombudsman for each district for receiving grievances, enquiring and passing awards as per the guidelines of the Ministry. The Ombudsman is to act as an independent quasi-judicial authority for Local Self Government Institutions for conducting investigations and enquiries in respect of any complaints of corruption and maladministration and recommend suitable action.

However, the Assam Panchayat Act, 1994 does not provide for appointment of Ombudsman.

Further, the guidelines of Centrally Sponsored Schemes *viz.*, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awas Yojana (PMAY), National Social Assistance Programme (NSAP), Mid-Day Meal, *etc.* specifically provide for social audit of these schemes. The primary objective of Social Audit (SA) is to bring the activities of PRIs under close surveillance of primary stakeholders i.e. the beneficiaries, to enable records and documents of PRIs accessible to public as this would promote transparency and accountability in the day-to-day functioning of ULBs.

The Assam Panchayat Act, 1994 also does not contain provisions for Social Audit to bring the activities of PRIs under close surveillance of the citizens to enable them to access the records and documents of PRIs as this would promote transparency and accountability in the day-to-day functioning of PRIs.

However, the GoA, under section 17(1) of the MGNREG Act, 2005, established (December 2016) the Assam Society for Social Audit/ Social Audit Unit, Assam (SAU) for functioning of the MGNREGS Audit of Scheme Rules 2011. Though SAU was conceptualised and created under the umbrella of MGNREGA, it was gradually assigned with audit/ evaluation of other schemes as well (*e.g.* National Social Assistance Programme, Pradhan Mantri Awas Yojana – Gramin, *etc.*).

Chapter III of this Audit Report discusses the Functioning of Social Audit Unit in Assam for the period from 2017-18 to 2023-24.

CHAPTER-III
Functioning of Social Audit
Unit of Assam

Chapter-III

Thematic Audit of Panchayati Raj Institutions

Functioning of Social Audit Unit in Assam for the period from 2017-18 to 2023-24

3.1. Introduction

Social Audit is a process by which the grassroot level beneficiaries of any scheme, programme, policy or law, are empowered to audit such schemes, programmes, policies or laws. Through social audit, the beneficiaries and other stakeholders of any scheme get involved in monitoring and evaluation of that activity or project executed under the scheme. Social audits focus on the performance of a programme in fulfilling its intended social objectives and assess the social impact of specific programmes and policies.

Section 17 of the National Rural Employment Guarantee Act, 2005 (MGNREGA) has mandated social audit of all works executed under the MGNREGA. In exercise of the powers conferred by the MGNREG Act, 2005, Ministry of Rural Development, Government of India notified the MGNREG Audit of Schemes Rules, 2011. Under these rules, audit of schemes shall *inter alia* include Social Audit with the following features:

- Social Audit Unit (SAU), under MGNREG Act, is to be identified/ established by each State Government as an independent organisation to facilitate conduct of social audit in close association with Gram Sabhas.
- SAU Resource Persons (RPs) are identified and engaged by Social Audit Unit to facilitate in the process of social audit. They may be State Resource Persons (SRPs) / District Resource Persons (DRPs) / Village Resource Persons (VRPs).
- The District Programme Coordinator (DPC)⁸ is to ensure furnishing of records to SAU by implementing agencies through the Programme Officer (PO)⁹ and to ensure corrective action.

However, SAU, though conceptualised and created under the umbrella of MGNREGA, was gradually assigned with audit/ evaluation of other schemes as well (e.g. National Social Assistance Programme, Pradhan Mantri Awas Yojana – Gramin, etc.).

3.2. Objectives of Social Audit:

As per Auditing Standards for conducting social audits issued by MoRD, GoI (December 2016), following are the objectives of social audit:

- Promote Transparency and accountability in the implementation of a programme.

⁸ An officer of the State Government is designated as the District Programme Coordinator under sub-section (1) of section 14 of MGNREG Act, 2005 for implementation of the scheme in a district

⁹ Programme Officer (POs) means an officer appointed under sub-section (1) of section 15 of MGNREG Act, 2005 for implementing the scheme

- Inform and educate people about their rights and entitlements under the Law in course of conducting social audits.
- Provide a collective platform such as Gram Sabha for people to express their needs and grievances.
- Promote people's participation in all stages of implementation.
- Improve capacity of local stakeholders who participate in the social audit.

3.3 Formation and Mandate of the Social Audit Unit in Assam

The Assam Society for Social Audit/ Social Audit Unit, Assam (SAU), registered under the Societies Registration Act, 1860 in December 2016. It established by the Government of Assam for functioning of the MGNREGS Audit of Scheme Rules 2011 under section 17(1) of the MGNREG Act, 2005:-

The main objective of the SAU is to work towards strengthening and deepening the social audit process in Assam through capacity building and training of different stakeholders and systematic awareness building and dissemination of information etc. among rural masses. The Social Audit is to become an integral part of the governance process in the state and should remain independent from mainstream government in the administration including scheme implementing agencies.

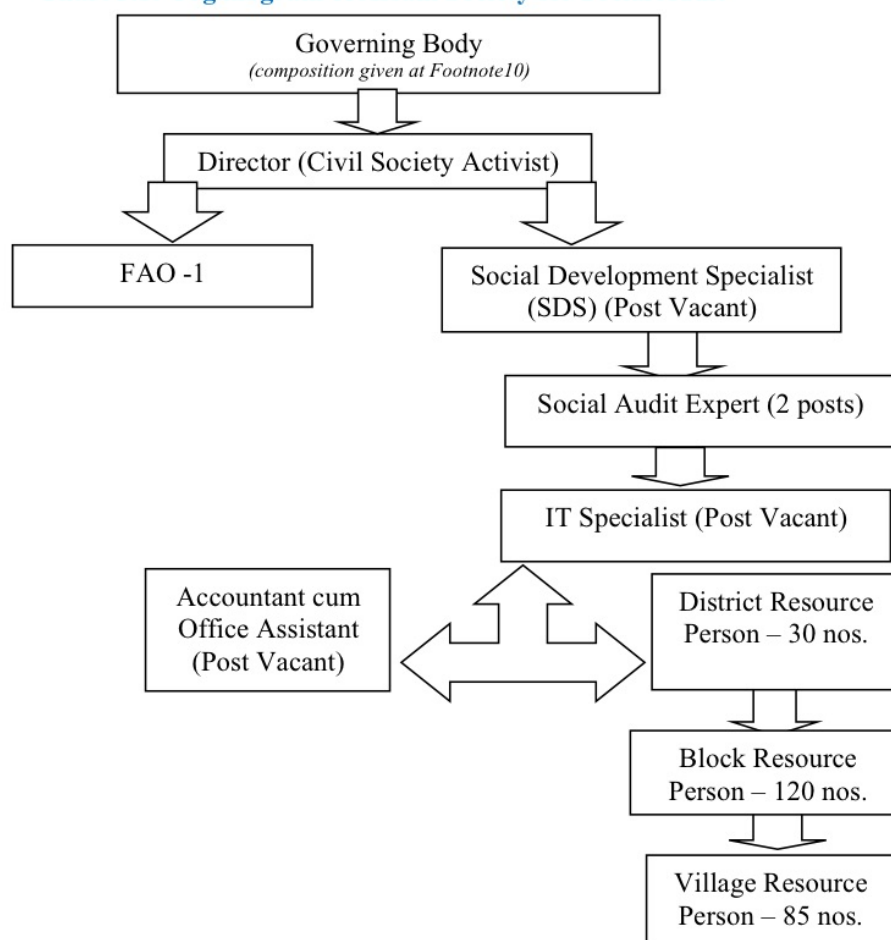
The SAU has an independent Director and is governed by a Governing Body (GB)¹⁰ headed by the Chief Secretary, Government of Assam. The Director, Social Audit is the Member Secretary of the GB.

The Assam Society for Social Audit has completed seven years of its existence and has been facilitating social audits of the MGNREGA and other social welfare schemes such as Mid-Day Meal, National Social Assistance Programme (NSAP), Prime Ministers Awas Yojana-Grameen (PMAY-G) and the 14th & 15th Finance Commissions, based on the requests made by the respective departments. Each Department funds the social audit exercise of their schemes.

¹⁰ Composition of GB: 1. Chief Secretary, Government of Assam (GoA), Chairman; 2. Senior most Secretary to GoA, Finance and P&RD, Member; 3. Principal Accountant General/ nominee, office of Assam, Member; 4. Principal Secretary to GoA, Finance Department/ nominee, Member; 5. Commissioner, GoA P&RD/ nominee, Member; 6. Director State Institute of Rural Development, Assam, Member; 7. Director, Social Unit, Assam, Member Secretary; 8. State Mission Director, NRLM, Assam, Member; 9. Director, Welfare of Plain Tribes and Backward Class Department, GoA, Member; 10. PCCF, Forest Department, Special invitee; 11. Director, Agriculture Department, Special invitee; 12. Director, Horticulture Department, Special invitee; 13. Chief Engineer, PHED (Sanitation), Special invitee; 14. Tezpur University, Department of Sociology, Member; 15. Assam University, Silchar, Department of Rural Development, Member; 16. Dibrugarh University, Department of Sociology, Member and 17. Renowned and recognized individual / Civil Society Organisations of the state or outside, having long time experience in working with issues related to transparency and public accountability, Member.

3.4 Organisational Structure:

Chart 3.1: Organogram of Assam Society for Social Audit



The Director of the Social Audit Unit (SAU) oversees its daily operations, ensuring that all social audits are conducted in accordance with the Audit of Schemes Rules, 2011 and the approved audit calendar. The Director also coordinates the development of guidelines, capacity building initiatives, and mass awareness campaigns. The State Resource Person (SRP) supports the Director in these functions, with a focus on training design, process evaluation, and data analysis. District Resource Persons (DRPs) are responsible for district-level awareness campaigns, Information, Education and Communication (IEC) activities, and for anchoring the social audit teams. Block Resource Persons (BRPs) identify, train, and guide Village Resource Persons (VRPs) during the verification process. The VRPs then conduct the actual social audits at the grassroots level in collaboration with primary stakeholders.

3.5. Financial position:

The SAU (ASSA) received its funds mainly from the P&RD Department under MGNREGA. However, it also started receiving funds under MDM, NSAP, etc. from the respective line Departments. The expenditure mainly relates to payment of salaries to the State / District /

Block Resource Persons, wages payment to Village Resource Persons, maintenance of State Office, etc.

The funds received under different heads & expenditure incurred there against during the years from 2017-18 to 2023-24 were as under: -

Table 3.1: Receipt and Expenditure of Funds by SAU

Year	Opening Balance	Receipt		Total fund available	Expenditure	Closing Balance
		Grants received from MGNREGA Fund	Interest			
2017-18	0.00	520.23	9.63	529.86	135.17	394.69
2018-19	394.69	Nil	7.19	401.88	348.63	53.25
2019-20	53.25	451.55	0.85	505.65	345.85	159.80
2020-21	159.80	248.01	1.82	409.63	311.93	97.70
2021-22	97.70	397.06	1.89	496.65	195.52	301.13
2022-23	301.13	518.53	6.35	826.01	457.27	368.74
2023-24	368.74	448.26	8.21	825.21	442.04	383.17

Source: Records of Assam Society for Social Audit

Steep fall in expenditure during the year 2021-22 was attributable to the outbreak of Covid-19, for which the regular social audit was conducted in GPs *w.e.f.* November 2021. The TA/DA was not provided to the BRPs as there was no field activity for the period from April to October 2021. Moreover, during the FY-2021-22, the Social Audit timeline was reduced to two days¹¹.

3.6. Objective and Scope of audit

Audit attempted to assess the performance of the ASSA pertaining to the period from 2017-18 to 2023-24 in terms of compliance to the MGNREG Act 2005, MGNREG Audit of Scheme Rules 2011, Auditing Standards for Social Audit brought out by the Ministry of Rural Development (MoRD) and annual Master Circulars brought out by the MoRD. The Audit aimed to analyse the coverage and effectiveness of the Social Audit exercise in Assam.

Audit findings

Though the concept of Social Audit had been introduced by Ministry of Rural Development (MoRD) in 2010, the MoRD started stringently linking the SAU structure, social audit findings and subsequent follow up action to the release of funds to the State with effect from 2016-17. In every Performance Review Committee Meeting and Empowered Committee Meeting¹², compliance reports and adherence to the Auditing Standards of Social Audit, with an emphasis

¹¹ Normally it was six days. During the year 2020-21, to clear the back log arising out of COVID 19, it was reduced to 2 days to cover the audit target.

¹² The Performance Review Committee Meeting (chaired by the Additional Chief Secretary, P&RD Department evaluates detailed scheme progress, including wage payments, asset creation, and resolving local implementation issues under MGNREGA. The Empowered Committee Meeting, chaired by the Secretary, Ministry of Rural Development, finalise the annual Labour Budget (work allocations) for states and approves state-specific action plans and fund releases, ensuring macro-level oversight and resource flow.

on the structure of the SAU, staffing, findings and follow up, including recovery and disciplinary action based on Social Audit Reports are sought from the States.

3.7 Constitution and composition of Social Audit Unit

Sub-para (i) of Para 2.1 of the Auditing Standards for Social Audit provides that the institution of SAU is to be incorporated as a society under the Societies Registration Act and would be responsible for planning social audits, technically supporting the particular audits, collating and consolidating reports and following up persuasively on the results of audit. Assam Society for Social Audit Unit (SAU) had its registration validity up-to 02 December 2019. Audit observed that, till date (May 2024), the renewal of the registration has not been done, which was attributable to non-holding of regular Governing Body (GB) Meeting.

3.7.1 Governing Body meeting of the SAU

Sub-para (ii) (d) of Para 2.1 of the Auditing Standards for Social Audit provides that the Governing Body (GB) of the SAU should meet at least once on quarterly basis. The report of the grievance redressal officer of SAU will be presented in the quarterly meetings of the GB by the Director of SAU. Audit observed that the GB met only two times during the period from 2017-18 to 2023-24 as against 28 meetings stipulated. The last meeting was held in October 2023 and thereafter no GB meeting was held. Discussions in these meetings *inter alia* encompassed constitution of Social Audit Compliance Cell at State Level, framing HR policies including welfare schemes, promotional policies, formulation of Social Audit Rules, constitution of Executive Committee, notification of VRP Guidelines, approval of Social Audit budget, submission of Social Audit Report, etc. Thus, in the absence of requisite number of GB meetings, monitoring and decision making at the apex level were inadequate, as elaborated in the subsequent paragraphs.

3.7.1.1 Prolonged absence of GB meetings affecting budget preparation process

Audit observed that, though SAU prepared the budget proposals, the same was not submitted to the Governing Body for approval during the years 2018-19 to 2022-23. Such non-submission during 2018-19 to 2022-23 could be attributed to the fact that the Governing Body had not met for more than four years, the 2nd and last meeting was held in October 2023 where the Governing Body conveyed ex-post facto approval to the Annual Budget of SAU prior to the Financial Year 2022-23 and approved the Annual Budget of SAU for the Financial Year 2023-24. Thus, the Annual Budget of SAU for the Financial Year 2022-23 remained unapproved till date (May/2024).

3.7.1.2 Annual Accounts of SAU and Audit thereof

Annual accounts of the SAU were prepared by Chartered Accountants from time to time (2017 to 2022-23). However, the annual accounts were not approved by the GB in a timely manner due to non-holding of GB meetings by the Government within the time frame fixed by the Ministry of Rural Development.

In accordance with the Auditing Standards (Para 2.1. Sub Para (iv) and Sub-Sub Para (d)), the accounts of the SAU were required to be audited annually by CA firm selected from a panel maintained by CAG of India. A certified copy of the audited accounts was required to be submitted by the Director, SAU to the Governing Body for its acceptance. After acceptance of the certified accounts, the same was to be forwarded to the State Government for further submission to the Central Government. Further, the CA firm was to be changed every three years.

Audit observed that due to non-holding of Governing Body (GB) Meetings (as specified in the Auditing Standards at least once in every quarter of each financial year), certified copies of the audited accounts could not be submitted by the Director, SAU to the Governing Body (GB) for its acceptance and thus, the accounts remained un-approved.

Audit also observed that, the SAU engaged the same CA firm since 2017-18 to 2021-22 (consecutive five years) for audit of its accounts.

3.7.2 Constitution of Executive Committee

As per resolution 7 of the 1st GB meeting of the SAU held on 23 February 2018, the GB suggested to constitute an Executive Committee with members from NIRDPR, WPTBC, Financial Adviser, Commissioner and Director, Assam Society for Social Audit. However, the Executive Committee of the SAU is yet to be constituted (May 2024) even after passage of more than six years from the said resolution.

3.7.3 Grievance redressal

Sub-para (v)(a) of Para 2.1 of the Auditing Standards for Social Audit provides that the SAU should, for grievance redressal, designate a Grievance Redressal Officer for accepting complaints from citizens about the staff and practices of the SAU. The Grievance Redressal Officer shall report to the GB. Audit observed that till May 2024, no Grievance Redressal Officer was appointed. This may be attributable to non-holding of Governing Body Meetings on regular basis, as the decision for the GB for the appointment of the Grievance Redressal Officer is still awaited.

3.7.4 State Rules and Policies for Social Audit

In the first meeting of GB (February 2018), the GB suggested for making Draft Social Audit Rules for the State through a third party like National Institute of Rural Development & Panchayati Raj (NIRDPR) or others for placement before GB. Audit observed that, as of May 2024 the preparation of draft Social Audit Rules/ Policies of Assam is yet to be materialised.

3.8 Manpower availability and functional competence of SAU personnel

Audit observed that a Draft Human Resource Policy was forwarded by the P&RD Department to Finance Department in August 2017 for approval. The Finance Department made certain observations thereon and sought for some further clarifications, which was forwarded (March 2018) by the P&RD Department to the SAU. However, the SAU was yet to send their response

to P&RD/ Finance till date. As a result, the SAU continues to function without any approved manpower policy.

The position of deployment of human resources under the SAU as on 30th April 2024 are given in **Table 3.2** below:

Table 3.2: Position of Sanctioned Strength and Person in Position under SAU

Category of Post	Name of position	Sanctioned strength (in Number(s))	Men in position as on date (in Number(s))	Vacancy position (in Number(s))	Shortfall (per cent)	Remarks
State Resource Persons (SRP)	Director	1	1	0	67%	Proposals for posting of resource persons were submitted by the Director of SAU to the Government of Assam from time to time. However, GoA is yet to take any action thereon.
	Social Development Specialist	1	0	1		
	State Audit Expert	5	2	3		
	IT Expert	1	0	1		
	Accountant cum Office Assistant	1	0	1		
<i>Sub Total of SRPs</i>		9	3	6	67%	
District Resource Person (DRP)	DRPs	35	30	5	14%	
Block Resource Person (BRP)	BRPs	219	120	99	45%	
Overall total		272	156	116	43%	

The functioning of the SAU is handicapped by substantial shortage of manpower especially State Resource Persons (SRPs) and Block Resource Persons (BRPs), thereby overburdening the available staff. The State Government did not appoint the SRPs, DRPs and BRPs despite the regular allocation of funds made by the MoRD and a substantial fund remaining unspent from the year 2021-22 to 2023-24. However, a Standard Operating Procedure (SOP) for engagement of VRPs under the SAU has been prepared and notified (March 2022) by the Commissioner, P&RD, Government of Assam.

3.8.1 Non-sanctioning of requisite number of VRPs

As per SoP issued by MoRD (GoI) (September 2017), for roll out of SHG, VRP training program, the requirement of VRPs in Assam was assessed at 3,441. Against this, the State Government approved engagement of 100 VRPs on a per day wage basis. Audit observed that only 85 VRPs were deployed for conducting social audit and thereby shortfall of 15 VRPs (15

per cent) compared to sanctioned strength and 3,356 (98 per cent) as per MoRD's SoP *ibid* respectively.

Due to shortfall in the manpower, the SAU could not conduct social audit of all units in six monthly basis as stipulated in Auditing Standards for Social Audit. Further, the post of Accountant cum Office Assistant at the SAU was lying vacant till date of audit (May 2024). However, the District Resource Person of Cachar District had been engaged for discharging the duties of Accountant cum Office Assistant in the Establishment of the Directorate of SAU office at Guwahati since April 2018 till date.

The Director, in reply, stated that six Block Resource Persons (BRPs) conducting social audit at GP level of 16 GPs (notified by the P&RD, Assam) out of total 162 GPs in Cachar District. The DRP of Cachar District discharging duties of District Programme Co-ordinator (DPC) by visiting monthly basis which consequently hampers the social audit process in Cachar District.

3.9 Social Audit Planning and Execution by the SAU

As stipulated under clause 6 of MGNREG Audit of Scheme Rules 2011 read with Sub-Para i of Para 1.7 and Sub-Para 3110 of Para 3.1 of Auditing Standards for Social Audit issued by the Ministry of Rural Development (GoI) vide OM dated 19 December 2016, the SAU needs to prepare an annual social audit calendar to cover every GP in six months and make the plan available to the DPCs for facilitation. For consolidation of the plan, the calendar for Social Audit in each district was being prepared by the respective District Resource Persons and forwarded to SAU for approval. In this respect the following were observed by audit:

3.9.1 Target, Plan and Coverage of Social Audit:

The following table illustrates the achievements of the SAU in auditing their planned units during the period from 2017-18 to 2023-24:

Table 3.3: Units under jurisdiction, units planned and units covered by SAU

Year	Total Nos. of units under the jurisdiction of SAU	Units planned for Social Audit by the SAU	Units covered	Remarks
2017-18	2661	1111	418	62% shortfall from the planed units 84% shortfall from the total units
2018-19	2661	1740	1378	21% shortfall from the Planed units 48% shortfall from the total units
2019-20	2661	1584	1542	3% shortfall from the Planed units 42% shortfall from the total units
2020-21	2661	702	542	Reduction in the number of planned units and non-coverage of 160 units (23% shortfall from the Planed units for the year) and 2119 units shortfall (80% shortfall from the total units under the SAU for the year) was attributable to Covid 19 pandemic.
2021-22	2661	1626	1626	No shortfall vis-à-vis plan during the year.

Year	Total Nos. of units under the jurisdiction of SAU	Units planned for Social Audit by the SAU	Units covered	Remarks
				However, 39% shortfall from the total units under the SAU during the year.
2022-23	2661	2661	2661	No shortfall during the year
2023-24	2661	2661	2593	Shortfall attributable to enforcement of model code of conduct for General (Lok Sabha) election 2024
Total	18627	12085	10760	1325 units shortfall from the planned units 7867 units shortfall from the total units

Source: Records of Assam Society for Social Audit

It may be seen that there have been improvements in terms of number of units covered under Social Audit, however, conduct of Social Audit Gram Sabha meeting annually in place of six monthly, diluted the effective follow up mechanism of Social Audit observations.

3.9.2 Uploading of Social Audit Reports

Out of 8,167 MGNREGA units covered under Social Audit during 2018-23, only 4,275 Social Audit Reports (SARs) were uploaded in NREGASoft MIS. The uploading of SARs in NREGASoft MIS was started by SAU only from the year 2021-22 onwards. Thus, the SAU did not upload the SARs for the period of four years from 2017-18 to 2020-21.

3.9.3 Inadequate awareness on Social Audit

As per MGNREG Audit of Schemes Rules 2011 (Para 4 (2) (c) and Auditing standards for Social Audit (Para 3.3), for effective conduct of Social Audit, it was crucial that the beneficiaries of various social sector schemes are made aware of the existence and purpose of the Social Audit. For generating awareness, the guidelines envisaged¹³ awareness programs through theme song, short video, banner & poster, bulk SMS, wall painting, street drama, website design, etc. The awareness generation should aim at making stakeholders understand individual entitlements and attached conditionalities under various schemes.

Audit observed that the IEC activities for creating awareness of Social Audit were ineffective and inadequate as the SAU is yet to implement the abovementioned awareness programs in Assam. Though the Social audit reports were discussed in Gram Shabha in GP level, the organising of public hearing at block/ district headquarters during the period from 2017-18 to 2022-23 was almost nil (*further elaborated at para 6.4.3*) and thus, the objectives of accountability and transparency remained unmet to that extent.

¹³ GoI, Ministry of RD Notification dated 30-06-2011 vide Para 4(2)(c), and Point 3305 of Para 3.3 of the Auditing Standard for Social Audit

3.9.4 Code of ethics

Though the Auditing Standards for Social Audit (Para 2.1, Point 2110) stipulated for development and deployment of “*Code of ethics*” for the social audit facilitators and other personnel of SAU, the SAU did not develop any “*Code of ethics*” for the social audit facilitators and other personnel of the SAU.

3.9.5 Miscellaneous deficiencies:

- Though proposals were made by SAU for the entrustment of delegation of financial power to the Director of SAU, a draft Rule was also placed before the GB for necessary approval. However, till date (May 2024), the same is yet to be approved by the Government.
- Photographs of Social Audit of Gram Sabha were not uploaded in MIS.
- Some PRIs¹⁴ did neither provide their documents nor show their works to Social Audit.

The non-compliance to the stipulations prescribed for process of Social Audit resulted in the objective of ensuring transparency and accountability not being achieved.

3.10 Follow up action on social audit observations

Social Audit Guidelines stipulated that there should be follow up meetings at GP, Block, District and State level, including conduct of monthly review meetings to monitor and pursue of recovery amounts under objections by Social Audit. However, out of 8,167 units covered under Social Audit, the amount of total MGNREGA money identified as misappropriated/recoverable at the instance of the Social Audit was ₹254.80 lakh during the last six years. However, out of the amount recoverable, the actual recovery effected at the instance of social audit stood at ₹9.76 lakh only. Thereby recovery percentage for the last six years was less than four *per cent* indicating lack of effective efforts of the authorities concerned and absence of monitoring by the Governing Body and the State Government.

3.10.1 Lack of monitoring by the State Government

There was lack of monitoring by the State Government as evident from the extent of recovery effected and absence of periodical meetings of the Governing Body. The State Employment Guarantee Council (SEGC) at the State level had not monitored the action taken by the State Government on Social Audit Reports. Action Taken Reports (ATRs) were not incorporated in the Annual Report to be laid before the State Legislature. In fact, the SEGC had met only twice August 2022 and May 2023 during the period covered under audit (2017-23). The status of preparation and submission of Annual report is shown in **Table 3.4** below:

¹⁴ 39 No. Uttar Baligaon Parbatia GP, 40 No. Uttar Parbatia Janjati GP, 41 No. Madhya Parbatia GP under North West Jorhat AP of Jorhat District; Baruah Ali GP, Bhuvanhat GP, Borbam GP under Amguri AP of Sivasagar District

Table 3.4: The status of preparation and submission of Annual report of SAU

Year	Whether Annual report prepared	Whether Annual Report placed before LA	Reason for non-preparation and non-submission
2017-18	No	No	Annual Reports were not prepared in 2017-18 to 19-20 due to lack of manpower. However, reason for non-submission of Annual Report was not furnished by SAU.
2018-19	No	No	
2019-20	No	No	
2020-21	Yes	No	
2021-22	Yes	No	
2022-23	Yes	No	
2023-24	Yes	No	

This indicated poor monitoring of action taken on SARs at the State level.

The Government of Assam also did not hold any Performance Review Committee Meeting and Empowered Committee Meeting on the SAU structure and follow up action on social audit findings till date (May/2024).

In accordance with the Master circulars issued every year by MoRD, the Additional Chief Secretary/ Principal Secretary/ Secretary, RDPR shall conduct a monthly review of Social Audit wherein irregularities identified in the SARs and status of progress on action taken reports (ATRs) by the implementing agencies on redressing the same shall be reviewed. However, the monthly reviews of SARs were not conducted in the State.

3.10.2 Public hearings

Public hearing in the form of reading out of the Social Audit Report at Gram Sabha for ratification by the residents of the GP forms the most critical component of the Social Audit process. This would enable a collective platform to hold the implementing functionaries of a project accountable. Audit observed that public hearings were done at village level in Gram Sabhas organised in the GPs. However, excepting two Blocks (Chayagaon and Boko) of Kamrup District where public hearings were organized during 2018-19, neither the POs nor DPCs had arranged for public hearing at block/district headquarters during the period from 2017-18 to 2022-23. It was observed that the SAU had insisted (belatedly only in June 2023) the POs/ DPCs to scrupulously follow the prescribed procedure. Absence of the public hearing at block level after conduct of Social Audit to discuss the follow-up action and lack of monitoring of action taken on Social Audit at district level, go against the objective of transparency and accountability of the Social Audit process.

3.10.3 Quarterly Report to Accountant General

Government of India, Department of Rural Development (MGNREGA) Division requested Head of the Rural Development Department and State SAUs of all State to submit Quarterly Reports to the Accountant Generals of the respective State in a prescribed format. The format includes information on the status of Social Audit Unit and its functionaries, the expenditure incurred by the Social Audit Unit in the reporting quarter and the status of the schedule and conduct of the social audits as per Calendar in the reporting quarter. Audit observed that no such quarterly reports were submitted by the SAU (ASSA) to the Principal Accountant General/ Accountant General, Assam during the period 2017-24.

3.11 Conclusion

The Social Audit mechanism in Assam is yet to receive desired priority as would be evident from the following

- The Registration of the SAU under Societies Act remained invalid for almost five years since December 2019;
- Gross shortfall in holding of Governing Body Meetings implies the deficiency in monitoring at the Government level.
- The manpower policy of SAU is yet to be firmed up even after the same had been proposed (August 2017) and reviewed by the Finance Department. The SAU continues to function with insufficient manpower affecting the coverage and impact of Social Audit. Code of ethics were not introduced though required under the Auditing Standards of Social Audit.
- The State Employment Guarantee Council (SEGC) at state level had not monitored the action taken by the State Government on Social Audit Reports and Action Taken Reports.
- The SAU did not submit Quarterly Reports in the format specified by MoRD to Principal Accountant General / Accountant General.
- The impact of the Social Audit is diluted by deficient follow up mechanism like insufficient public hearings at Block and District level, poor recovery of amounts objected in Social Audit Report. Some Gaon Panchayats have not provided records to social audit teams indicating lack of sensitisation on Social Audit among PRIs.

3.12 Recommendations

- *Governing Body Meetings of the SAU should be held at stipulated intervals, to ensure approval of Budget and Annual Accounts of the SAU and to facilitate effective monitoring of the activities.*
- *The manpower policy should be finalised and initiative should be taken for recruitment of resource persons in requisite numbers.*
- *Code of ethics should be developed and deployed by the SAU for social audit facilitators.*
- *Follow up actions on Social Audit Reports should be strengthened through holding of Public Hearings at all levels, pursuing recovery of objected amounts, etc.*

CHAPTER-IV
Function Based Audit of
Panchayati Raj Institutions

Chapter-IV

Function Based Audit of Panchayati Raj Institutions

4.1 Introduction:

Function Based Audit with District-Centric focus: It is a comprehensive approach to auditing that focuses on evaluating the performance and effectiveness of various programs and services at the district level. This method provides a localised assessment, ensuring that resources are used efficiently and that public services meet the needs of the community.

Function Based Audits with District-Centric focus are essential for fostering effective governance and sustainable development at the local level. By focusing on specific districts, these audits provide a detailed assessment of resource utilisation, service delivery, and the implementation of socio-economic programs. They promote accountability and transparency among local authorities, ensuring that public funds are used efficiently and for their intended purposes. Additionally, this approach helps the identification of gaps and inefficiencies, leading to targeted improvements in public services.

4.2 Audit Scope and Methodology

4.2.1 Functions and Activities selected with a District Centric Focus

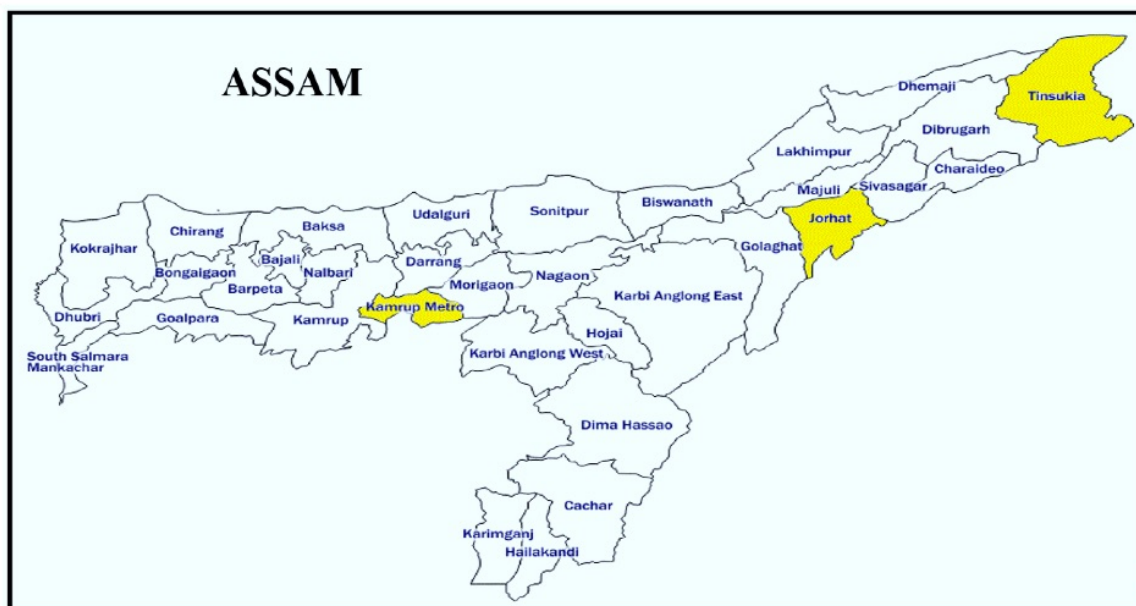
In Assam, the Funds, Functions and Functionaries were still not completely transferred to the PRIs. Line Departments and other agencies, working parallel to the PRIs, are performing those functions.

Though orders for devolution were issued in respect of few subjects, no function has been devolved to the PRIs and hence function-based audit was not justified, hence, cross cutting topic viz., “construction and asset creation” was taken up as a topic for District Centric Audit (DCA). The audit of PRIs was done with a District Centric Approach covering cross-cutting activities (asset management, property tax, constructions, etc.) which were carried out in multiple horizontal units of PRIs. The focus was to assess whether constructions were completed as per desired norms and whether durable assets have been created and whether there was any established mechanism for asset management.

4.2.2 Audit Scope

The district centric audits were conducted in three districts (Tinsukia, Jorhat and Kamrup (Metro) of Assam for the period 2020-21 to 2022-23. The map of Assam showing the geographical representation of the three districts is depicted at **Figure 4.1** below:

Figure-4.1: Map showing the geographical representation of the three selected districts.



For selecting the district, the 27 districts of general areas were divided into three strata and one district from each stratum was selected using the Simple Random Sampling Without Replacement (SRSWOR) method based on expenditure. From each district 2 APs and 14 GPs were selected. The units covered in DCA was 3 ZPs, 7 APs¹⁵ and 42 GPs. Coverage of DCA was for three years from 2020-21 to 2022-23.

The PRIs selected for DCA are shown in the **Table 4.1** below:

Table 4.1: List of PRIs selected for DCA

Distric t/ Tier of PRIs	Zilla Panchay ats (3)	Anchalik Panchay ats (7)	Gaon Panchayats (42)
Tinsukia	Tinsukia	Kakopathar and Hapjan	Under Kakopathar AP - Bordubi, Gabharubheti, Kailashpur, Kumchang, Kakojan, Kakopathar, Rongajan. Under Hapjan AP - Kordoiguri, Baghjan, Borhapjan, Hansora,, Hatijan, Hapjan, Tingrai GP.

¹⁵ In Kamrup (M), number of GPs in 2 selected APs were less than 14 hence, 3 APs were selected.

District/ Tier of PRIs	Zilla Panchayats (3)	Anchalik Panchayats (7)	Gaon Panchayats (42)
Jorhat	Jorhat	Jorhat and Titabor	Under Jorhat AP - Bagchung, Chinamara, Dakhin Tengal Khongia Bagisa, Madhya Namoni Charaibahi, Uttar Garamur, Uttar Khongia and Uttar Namoni Charaibahi GP Under Titabor AP - Birinasayek, Borholla, Charaipani, Kakodunga Bekajan, Madhapur and Namchungi and Rangajan GP.
Kamrup (M)	Kamrup (M)	Dimoria, Rani and Chandrapur AP	Under Dimoria AP: Sonapur, Khetri, Baruabari, Tapatoli, Malaoibari, Hahara, Dhupguri GP Under Rani AP: Azara, Dharapur, Garal, Kahikuchi, Mazirgaon GP Under Chandrapur AP: Panikheti and Amsing GPGP

4.2.3 Audit Criteria and Methodology

Audit findings in this Chapter are benchmarked against the following criteria:

- The Assam Panchayat Act 1994
- The Assam Panchayat (Financial) Rules 2002
- Comprehensive guideline of the Central Finance Commission
- Sanction/Release order from Government of Assam
- The Assam Financial Rules
- Schedule of Rates, Assam Public Works Department (Building)
- Schedule of Rates, Assam Public Works Department (Rural Roads)
- The Assam GST/CGST Act and the IGST Act

The three tiers of PRIs were covered under Local Bodies Audit and Inspection Reports were issued to the respective auditees for the audit carried out. Field Audit Parties visited the Department (P&RD) and other lower units (at District/Block levels) for gathering records/information relating to LB audit..

4.3 Overview of the Activities and Districts Selected

4.3.1 Overview of Cross-Cutting Activities

This chapter contains certain audit findings pertaining to the expenditure on creating income generating schemes, multipurpose halls for PRIs and community assets from Central Finance Commission Grants and devolution fund recommended by State Finance Commission. Assets management, Property Tax, Construction etc. are the cross-cutting activities of local bodies which is not one of the devolved function but carried out in multiple horizontal units in PRIs. Therefore, activities of construction were selected for DCA on cross-cutting basis.

4.3.2 Overview of selected Districts

The administrative and economic data, as well as data pertinent to understanding the service delivery in the selected districts are shown in **Table 4.2** below:

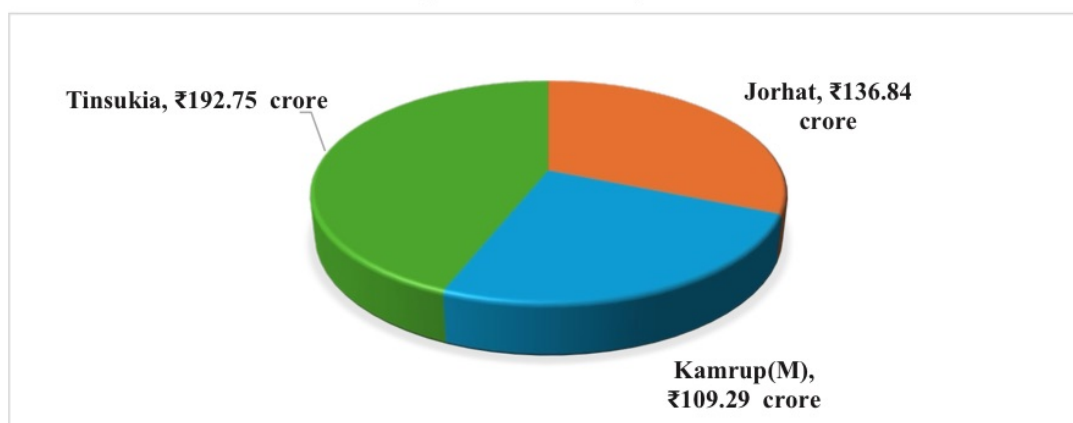
Table 4.2: Administrative and economic data of selected districts

Parameter	Tinsukia	Jorhat	Kamrup (M)
Area	3790 Sq.Km.	2851 Sq.Km	1527 Sq.Km
Population	13.28 lakh	10.92 lakh	12.54 lakh
Rural Population (% of total population)	10.63 lakh (80%)	8.72 lakh (80%)	2.17 lakh (17%)
Number of GPs	85	90	21
Sex-ratio (Females per 1000 males)	964	968	953
Rural Literacy Rate	76%	80%	65%
Poverty Ratio	41.50%	38.50%	36.50%
Employment and Livelihood Quality Index (Position within the State)	0.40 (6 th Position)	0.53 (2 nd Position)	1.00 (1 st Position)

Source: Statistical Handbook, Assam 2024 and Information provided by the Department.

The position of release of fund under 15th FC to the three selected districts during the period 2020-21 to 2023-24 is shown below:

Chart 4.1: 15th FC grant received by the selected districts



4.4 Audit Findings

Assets management, Property Tax, Construction etc. are the cross-cutting activities of local bodies which is not one of the devolved function but carried out in multiple horizontal units in PRIs. Summary of findings from District-Centric Inspection Report along with significant audit observations are elaborated below.

4.4.1 Blockage of expenditure on construction of multi-purpose hall at Bhurbandha, Morigaon

Owing to lackadaisical pursuance by Morigaon Zilla Parishad coupled with non-release of requisite funds by the Department, construction of a multi-purpose hall at Bhurbandha Anchalik Panchayat remained unfinished for more than seven years. An expenditure of ₹62.50 lakh remained blocked in the unfinished project.

Finance (Economic Affairs) Department¹⁶, Government of Assam (GoA) sanctioned (March 2012) ₹125.00 lakh for construction of a multi-purpose hall at Bhurbandha Anchalik Panchayat (AP), Morigaon Zilla Parishad (MZP) from grants-in-aid under the award of Fourth Assam State Finance Commission (4th ASFC) during the year 2011-12. Accordingly, GoA released (March 2012) 50 *per cent* of the sanctioned amount, ₹62.50 lakh to the Chief Executive Officer (CEO), MZP for construction of a multi-purpose hall at Bhurbandha AP. As per the sanction order, P&RD may monitor the physical and financial progress from time to time. The CEO, ZP must submit utilisation certificate with counter signature of Line Department and progress report to the Commissioner of P&RD, Assam and then P&RD Department may move the Finance Department for next instalment. The sanction order further stipulate that the concerned AP and GP must coordinate with concerned CEO of ZP and standing committee for implementation of projects/ schemes under their jurisdiction, within the stipulated time. The CEO accorded Administrative Approval (November 2012) to the scheme and awarded the work (November 2012) to a contractor at ₹1.10 crore after observing the tender formalities. As stipulated in the work order, the work was to be completed in all respects within six months (*i.e.* by May 2013) from the date of issue of work order.

Scrutiny of records of the CEO, MZP showed that the execution of the work was very slow; however, neither any request for extension of time by the contractor nor any pursuance made by the MZP authorities in getting the work completed was on record. It transpired from records and information furnished by the MZP Authorities that the contractor continued the work till December 2016. The released amount of ₹62.50 lakh was fully utilised by the MZP by December 2016. There was no further progress in the construction due to non-release of any further funds by the Government.

Joint physical verification (November 2023) of the said work revealed that the construction (upto three floors, roof and part of the side walls) of the building remained incomplete and was lying abandoned as can be seen in the photographs.

Geo-tagged photographs of incomplete and abandoned Multi-purpose hall at Bhurbandha AP



Rear view



Front view

¹⁶ The nodal Department for release of fund under the Fourth State Finance Commission Award

The CEO attributed (December 2023) the reason for the same to non-release of remaining 50 *per cent* of the sanctioned amount by the GoA. He further stated that completion of project was not possible within the approved estimated amount due to price escalation.

In this respect, it was observed that neither the Morigaon ZP nor the Bhurbandha AP had proposed for construction of the multipurpose hall and the work was taken up on the basis of sanction accorded by the Finance (E&A) Department.

Evidently, there was lack of pursuance by the MZP authorities, which led to procrastination in execution by the contractor. Further, neither formal notice nor penal measure was initiated by the MZP authority against the contractor indicating lack of urgency in completing the project. The CEO submitted a proposal for release of further funds only in January 2021, but no further fund was released by the Government till date (December 2023). Inaction on the part of the P&RD Department was also evident, though the project had been initiated by the Government (not by the AP or ZP concerned).

Thus, lackadaisical project management at all levels compounded by lack of pursuance by the MZP during execution as well as non-release of remaining 50 *per cent* of sanctioned amounts by the Government, led to non-completion the multi-purpose hall at Bhurbandha AP. This resulted in blockage of an expenditure of ₹62.50 lakh in the unfinished project for more than seven years.

The matter was reported to Government in August 2024; their reply has not been received (July 2025)

4.4.2 Unproductive expenditure incurred on an income generating scheme

The objective of augmenting own source revenue of Hapjan Gaon Panchayat by setting up a paver block factory was unachieved as the factory, created at an expenditure of ₹36.19 lakh out of 14th FC funds, remained non-starter for more than four years since its construction due to unplanned execution and lack of feasibility study.

Augmentation of own revenue of Panchayati Raj Institutions was one of the primary objectives of the Performance Grants given by the Fourteenth Finance Commission (14th FC). From the Performance Grant under 14th FC, Hapjan Gaon Panchayat (GP), Tinsukia District undertook (June 2020) an income generating scheme of Construction of Paver Block Factory (PBF) near Hapjan Development Block Office Campus at an estimated cost of ₹36.19 lakh. The project was recommended/ approved by the Gram Sabha in May 2020 and estimate was prepared in June 2020. The work was to be executed by construction committee¹⁷ and involved

¹⁷ As per the comprehensive guideline of the 14 FC, Project/Scheme under 14 FC must be implemented through a construction committee to be constituted by Chief Executive Officer, Zilla Parishad. Chairman of the committee should be selected by the user group but should not be PRI representative. GP Secretary is the Member Secretary and members include concerned Junior Engineer, concerned GP President, concerned Anchalik Panchayat Member of the GP. The Construction Committee will get the plan and estimate prepared through the concerned AE/JE and submit the proposal for Administrative approval and technical sanction to the competent authority and will mobilize the men, material, and machines for execution of work.

construction of a factory shed and procurement and installation of paver block manufacturing machines. The project was executed between July 2020 and August 2021 incurring an expenditure of ₹36.19 lakh¹⁸ on the project.

In course of scrutiny (December 2023) of records of the Hapjan GP and Joint Physical



Verification (December 2023) of the PBF, Audit observed that the factory was lying idle with some of the machines in sealed/ packed condition as shown in the photograph. It was stated by the GP Secretary that the PBF never functioned since its construction (August 2021) due to non-availability of 440-volt power line, non-appointment of machine operator and lack of demand of its products in the market.

It was further observed that the expenditure included raw material worth ₹5.92 lakh, including cement, stone dust, *etc.*, required for production of paver blocks, which were procured without actual commissioning of the PBF. The possibility of deterioration in the condition of the raw material due to prolonged non-use was substantial.

Audit observed that though the project was taken by the Hapjan GP on the recommendation of the Gram Sabha, no assessment of the actual demand/ requirement of paver blocks in the locality had been assessed before implementation of the project. Moreover, there was no provision for the power supply to the PBF in the estimate, which indicated that there was deficiency in planning of the project. Further, nothing was on record to show if the issue had been escalated by the GP to higher authorities for power connection, engagement of operator, *etc.*, to operationalise the factory. In the absence of power connection, neither did the GP authority form any user committee for Self Help Group to operate the PBF, nor did any private party come forward for utilisation of the PBF on rental basis.

In reply, the authority of GP accepted (December 2023) all the above facts and stated that the matter would be brought to notice of the higher authority for appointment of machine operator, providing power line and formation of user committee. The reply was, however, silent on initiatives taken so far by the GP for operationalising the PBF. Information on further development is awaited (October 2024).

Thus, the objective of augmenting own sources revenue of Hapjan GP by setting up a Paver Block Factory was unachieved as the factory, set up at an expenditure of ₹36.19 lakh out of

¹⁸ Machinery and equipment: ₹14.37 lakh; boundary wall: ₹6.78 lakh, Factory shade & office: ₹7.12 lakh, toilet: ₹2.00 lakh and Raw materials: ₹5.92 lakh

14th FC funds, remained non-starter for more than four years since its construction. Lack of feasibility study and unplanned execution rendered the asset unproductive.

The matter was reported to Government in August 2024; their reply has not been received (July 2025).

4.4.3 Payments against doubtful execution of work

Tinsukia Zilla Parishad allowed a payment of ₹10.36 lakh to a contractor against doubtful execution of works by way of suspected fictitious certification of an item of interior decoration work in a Multipurpose Hall.

In terms of Rule 234 of Assam Financial Rules 1939, all works¹⁹ done and supplies made by a contractor, should be measured before payment for the same is made. The details of the measurements made should be systematically recorded in the Measurement Book.

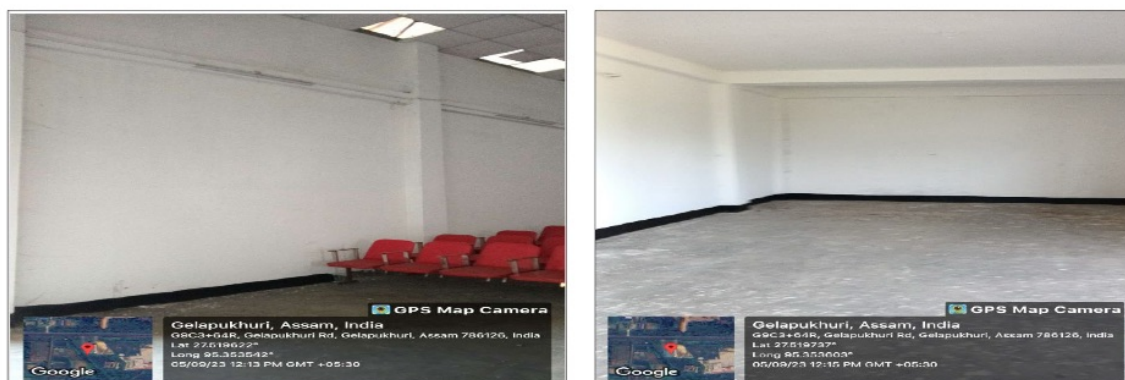
The Government of Assam, Finance (Economic Affairs) Department, SFC Cell sanctioned (March 2012) ₹1.25 crore to Tinsukia Zilla Parishad (TZP) for construction of Multipurpose Hall (MPH) at Guijan Anchalik Panchayat under the Award of Fourth Assam State Finance Commission during the year 2011-12.

Scrutiny (August 2023) of records of the TZP revealed that the TZP authority awarded the work (October 2012) to a contractor²⁰ through tender (June 2012) for construction of MPH at Guijan, including interior decoration. The bid value was ₹1.05 crore which included a sub-estimate of ₹21.71 lakh for interior decoration. The interior decoration *inter alia* included one item viz., wooden ceiling and walls of the hall on the 1st floor valuing ₹10.36 lakh (2960 sq ft at the rate of ₹350 per sq ft.). The contractor started the work in January 2013 and completed the work in November 2021. Accordingly, full payment of ₹1.05 crore (including bill for ₹10.36 lakh for the wooden ceiling and walls passed in December 2021) was made to the contractor during March 2013 to January 2022. It was certified (December 2021) by the Junior Engineer, TZP and the CEO, TZP in the RA bill for the said wood work that the work had been executed and measured. The corresponding pages of MB showed that unlike other items of works, no column-wise details of measurement were recorded therein; instead, only the total area was mentioned along with rate per sq ft and total payment.

However, Joint Physical Inspection (September 2023) conducted with the Assistant Engineer, TZP at the site revealed that there were no wooden walls/ ceiling in the hall at 1st floor of the MPH. Evidently, the wooden walls/ ceiling had not been fixed, though claim was placed by the Contractor and certified by the TZP Officials in the Running Account Bill. The photographs below would show the bare walls of the hall without any wood panel fixed on it.

¹⁹ otherwise than on a lump sum contract

²⁰ M/s Tribeni Construction Limited, Guwahati



Photographs showing bare walls of the hall at the 1st floor of Multi-purpose hall in Guijan AP without any wooded wall fixed on it

Thus, the TZP authority allowed a payment of ₹ 10.36 lakh to the contractor against doubtful execution of works by way of fictitious certification on the RA Bills.

The Government should investigate into the matter, fix accountability of the officials involved in false verification of executed work. The ₹10.36 lakh paid against the doubtful work should also be recovered from the contractor at the earliest.

The matter was reported to Government in December 2024; their reply has not been received (July 2025).

4.4.4 Unfruitful expenditure on income generation schemes

Two GPs under Tinsukia District irregularly executed income generating projects worth ₹32.56 lakh on private land without obtaining legally enforceable permission from landowners. Demand for some of those assets was not assessed either. As a result, the basic objective of income generation of the GP/ community remained unachieved for years while undue personal benefit was reaped by a landowner.

The Gaon Panchayats (GPs) receive grants from Finance Commission (FC) for implementation of schemes either for improvement of own revenue and increasing transparency in accounting (Performance Grants) or for projects meant for creation of community assets (out of un-tied Basic Grants). For execution and operationalisation of such GP projects, the comprehensive Guidelines of 14th FC *inter-alia* stipulate that no project should be implemented on any individual's private land.

Test check (December 2023) of records of the Hatijan GP and Baghjan GP under Tinsukia Zilla Parishad showed that the GPs, violating the conditions mentioned in the comprehensive guidelines of 14th FC, incurred expenditure of ₹32.56 lakh for execution of revenue generating schemes on individual private land as detailed in **Table 4.3** below:

Table 4.3: Schemes implemented on private land using grants received from the 14th FC
(₹ in lakh)

	Name of the scheme	Implemented by	Sources of fund	Execution period	Amount spent
1	Construction of a Community Poultry Farm Work included: Material and labour for construction of office room, store room and Hall	Hatijan GP	Basic Grant (BG) (2019-20)	2020-21	9.98
2	Four nos. of shops in 2 villages near Dighal Tarrang 12 no. line	Baghjan GP	Performance Grant (PG) 2016-17	2016-17	8.00
3	Market shed in Dighal Tarrang TE Daily Market	Baghjan GP	PG (2016-17)	2016-17	2.03
4	Five nos. of Market Shed near the house of Rajanti	Baghjan GP	PG (2017-18)	2017-18	9.00
5	Market Shed near Mridul Sonowal house	Baghjan GP	BG (2018-19)	2018-19	1.55
6	Market Shed near Nand Kishore house	Baghjan GP	BG (2018-19)	2019-20	2.00
			Total		32.56

Audit observed that on all the above occasions, the respective GPs constructed the poultry farm infrastructure and markets/ shops on private land without signing any deed of agreement or obtaining any legally enforceable written permission/ NOC from the landowners. Moreover, the GPs authorities neither took efforts for community involvement (for the farm) nor leased out the assets to any private party to start income generating activities in those assets.

- Audit observed (December 2023) that the Poultry farm was occupied by the landowner on whose land the farm had been constructed and he was running his own Poultry business without signing any lease agreement with the GP authority. The landowner thus reaped undue personal benefit out of the community asset. In reply to audit query, the Hatijan GP Secretary accepting (December 2023) the fact stated that necessary steps would be taken to sign a leasehold agreement with the landowner.
- As regards shops/ market sheds at Baghjan GP, the Audit observed that the market/ shops were lying idle and no revenue was generated from the shops/ market sheds, as no party came forward to take the shops on rental basis.





The Baghjan GP Secretary stated (December 2023) that necessary steps would be taken to lease out the markets/ shops.

Thus, Hatijan and Baghjan GPs violated extant 14th FC guidelines and irregularly created projects on private land without obtaining legally enforceable permission from landowners. This was compounded by lack of assessment of demand of shops/market sheds. As a result, assets created with 14th FC grants for income generation of both GPs and local community, either remained unutilised or utilised by private individual (landowner) without generating any revenue either for the GP or for the local community.

Thus, the basic idea of generation of GP revenue and community income remained unachieved for three to six years and expenditure of ₹32.56 lakh incurred on creation of the poultry farm and markets, turned out to be unfruitful for the GPs.

The matter was reported to Government in November 2024; their reply has not been received (July 2025).

4.4.5 Unfruitful expenditure on a Reverse Osmosis water treatment and bottling plant

A Pure Drinking Water Reverse Osmosis (RO) machine installed in Hapjan Gaon Panchayat, Tinsukia at a total expenditure of ₹18.00 lakh has been lying defunct since two months of its installation in 2019. No efforts were taken by the GP authorities in repairing the same. As a result, the objective of providing purified bottled water to the GP inhabitants and generation of income for the GP remained unfulfilled for five years.

Augmentation of own revenue of Panchayati Raj Institutions (PRIs) was one of the primary objectives of the Performance Grants given by the Fourteenth Finance Commission (14th FC). For creating source of revenue²¹ and ensuring availability of potable bottled water to the inhabitants, the Hapjan Gaon Panchayat (GP), Tinsukia District undertook a Pure Drinking Water Reverse Osmosis (RO) Project (estimated cost of project ₹18.00 lakh) from Performance Grants of 14th Finance Commission during the year 2016-17. The project included the following components:

21 The RO plant was set up to produce bottled purified water through jars and dispensers for sale. This would generate income for the GP either directly or through leasing out the plant to any potential user group.

Table 4.4: Components included in the RO project at Hapjan GP

Name of item	Amount (₹ in lakh)
Supply of Water Treatment plant as specified for 2000 ltrs. R.O plant, ATW (Any Time Water) machine, jars, dispensers, caps, chemicals, including transportation cost, etc.	11.64
Installation of Deep Tube Well (DTW) by Rig Through, Odex drilling in consolidator Rock 34 M depth, motor pump, etc.	3.36
Construction of building	3.00
Total	18.00

Scrutiny of the records (December 2023) showed that for installation of RO machines, a deed of agreement was signed in March 2018 with a firm for supply and installation of RO machine for a total value of ₹9.95 lakh²². The work commenced in March 2018 and was completed and handed over after commissioning in March 2019.

The Hapjan GP made a total payment of ₹18 lakh between August 2018 and November 2018 to the Construction Committee against execution of the project.

A joint physical inspection of the project site conducted (December 2023) by Audit along with the GP Secretary revealed that though the RO machine and its equipment and the building were in existence at the project site, the plant was lying defunct.



In this connection, the GP authority and the caretaker of the water treatment plant attributed the same to mechanical defects and stated that the RO machine, installed in 2019, stopped functioning after two months of its installation. It was claimed that the matter was brought to the notice of the supplier but the same was not repaired by the supplier within the guarantee period (one year), which expired in March 2020. However, copy of any correspondence made with the supplier could not be produced to Audit. Moreover, there was no penalty clause in the agreement between the Secretary, Hapjan GP and the supplier.

There was nothing on record to show any further initiative taken by the GP either for enforcing the guarantee clause of the agreement or for repairing the plant and the same remained defunct for more than five years since it went out of order in 2019.

²² RO plant (₹8.65 lakh) and ATW Machine (₹1.30 lakh)

Thus, the objective of generation of income for the GP as well as making available purified bottled water to the GP inhabitants by installing an RO plant remained unfulfilled even after incurring an expenditure of ₹18.00 lakh.

The matter was reported to Government in November 2024; their reply has not been received (July 2025).

4.5 Conclusion

The above observations highlight significant deficiencies in asset management, and construction, leading to substantial financial waste and unachieved scheme objectives. Specific instances highlight this mismanagement, viz., ₹62.50 lakh blocked in an unfinished multi-purpose hall in Morigaon, abandoned for over seven years due to poor project management and funding delays. A ₹36.19 lakh paver block factory in Hapjan remained defunct for four years, due to inadequate planning and absence of feasibility studies. Further, Tinsukia Zilla Parishad made a payment of ₹10.36 lakh for doubtful execution of interior decoration work, indicating fictitious certification and demanding immediate investigation and recovery.

Beyond individual projects, a systemic lapse in income-generating schemes was apparent, as two Tinsukia GPs incurred expenditure of ₹32.56 lakh on assets built on private land without legal agreements, thereby benefiting landowners rather than the community. Further, an RO water plant in Hapjan at a cost of ₹18.00 lakh lying defunct for five years due to mechanical issues and lack of follow-up, preventing both safe water supply and revenue generation.

4.6 Recommendations

The Government should initiate immediate steps to strengthen financial management and:

- **Initiate feasibility studies and demand assessments before starting any income-generating and infrastructure projects to avoid wastage of funds on unviable schemes.**
- **Strengthen project monitoring with clear timelines and accountability across all levels (GP, AP, and ZP), including enforcing penalties for delays and non-completion of works.**
- **Implement projects on acquired land with legally enforceable agreements to ensure that benefits accrue to the community and not to private individuals.**
- **Investigate and recover all blocked or misused funds, especially in cases of doubtful work execution, by holding officials accountable and pursuing contractors.**

By implementing these recommendations, the PRIs can significantly mitigate the risks of financial irregularities, improve project delivery, and ensure that public funds are utilized efficiently and effectively for the benefit of citizens.

Part-II
Urban Local Bodies

CHAPTER-V
Overview of Urban Local Bodies
in Assam

Chapter-V

Overview of Urban Local Bodies in Assam

5.1 Introduction

There were 105 ULBs²³ in the State: three Municipal Corporation (MC) and 102 Municipal Boards (MBs)²⁴ as on 31 March 2025. ULBs (82 in number) falling under the General Areas are governed according to the provisions of the AM Act, 1956, while areas listed under Sixth Schedule of the Constitution of India are governed by the rules framed by the respective Autonomous District Councils.

Statistics relating to the urban population of Assam, as per Census 2011, are given in **Table 5.1**:

Table 5.1: Important Statistics of the State (Urban areas)

Sl. No.	Indicator	Unit	Value
1	Total Population of the State	Lakh	312
2	Population in urban areas	Lakh	44
3	Urban population	<i>Per cent</i>	14
4	Overall Population density	Persons / Sq.km.	398
5	Urban Sex Ratio	Per thousand	946
6	Urban Literacy Rate	<i>Per cent</i>	88.47

Source: Census 2011 and Statistical Handbook, Assam 2022

5.2 Functioning of ULBs

The ULBs in Assam were to comply with the relevant Acts and Rules for effective functioning, such as Assam Municipal Accounts Rules, 1961 that govern the financial administration, budgeting, accounting, and auditing of ULBs; Rules for Election of Commissioner under Assam Municipal Act, 1956 and Assam Municipal Validation of Election Act, 1957 which dictate the process of conducting elections of ward members and chairpersons/mayors, ensuring democratic representation; Assam Unified Building Construction (Regulation) Byelaws, 2022 and the Assam Town and Country Planning Act, 1959, which regulate building construction, land use, and development activities, with authorities like the Guwahati Metropolitan Development Authority and ULBs issuing permits; and Assam Urban Immovable Property Tax Act, 1969 pertaining to the assessment, imposition, and collection of various taxes, most notably property tax.

²³ After Patharkandi becoming an MB in October 2024, there are 105 ULBs in the State as of March 2025. These include three Municipal Corporation -Guwahati Municipal Corporation, Dibrugarh Municipal Corporation (newly upgraded from MB), Silchar Municipal Corporation (newly upgraded from MB) and 102 MBs.

²⁴ Prior to October 2018, many smaller urban areas were called Town Committees (TCs). In compliance with Assam Municipal Amendment Act, 2017, all the TCs were converted into Municipal Boards.

5.2.1 Staffing pattern of ULBs

Appropriate manning of ULBs is important for efficient and effective management of funds received as well as their accounting in a proper manner considering the workload entrusted to ULBs under different programmes, schemes, and projects.

In August 2022, in exercise of the powers conferred under sub-section (3) of Section 53 of the Assam Municipal Act, 1956, the Government of Assam notified the *Assam Urban Financial Service Rules, 2022*, *Assam Urban Engineering Service Rules, 2022* and *Assam Urban Administrative Service Rules, 2022*. These Rules provided for the creation of cadres in the respective services and laid down the regulations governing recruitment and conditions of service.

The notified Rules envisaged the creation of posts at various levels for Urban Local Bodies (ULBs) across the State, including Headquarters-level posts. Accordingly, posts in different cadres, namely Administrative Service, Financial Service and Engineering Service, as detailed in Table 5.2, were created.

Table 5.2: Creation of cadres and posts dedicated for ULBs

Name of the posts	Number of Posts created		
	Assam Urban Administrative Service	Assam Urban Financial Service	Assam Urban Engineering Service
Selection Grade	2	1	1
Senior Grade-I	7	7	2
Senior Grade-II	16	16	5
Junior Grade-I	27	27	16
Junior Grade-II	103	103	27
Junior Grade-III	-	-	103

It transpired from Department's communication (October 2024) that total 96 Executive Officers have been posted at various ULBs since March 2024. Further, the process of deployment of Urban Technical officers and Financial Management officers had also started.

The 6th ASFC recommended that staffing pattern for ULBs needs to be adopted urgently and Service Rules of employees of ULBs finalised without delay. The Commission also recommended that a statutory autonomous "Assam Municipal Service Commission" should be set up for streamlining the staffing pattern of ULBs, besides recruiting technical and suitable persons to Municipal Services.

The Department stated (November 2024) that preparation of draft proposal of staffing pattern of ULBs is in process.

5.2.2 Status of devolution of Funds, Functions and Functionaries

The 74th Constitutional (Amendment) Act, 1992, empowers the ULBs to perform 18 functions enlisted in the Twelfth Schedule of the Constitution of India. The Central Finance Commissions (CFC) and the State Finance Commissions (SFC) have emphasised the need for complete transfer of the funds, functions, and functionaries to the ULBs related to the above functions, for meaningful devolution.

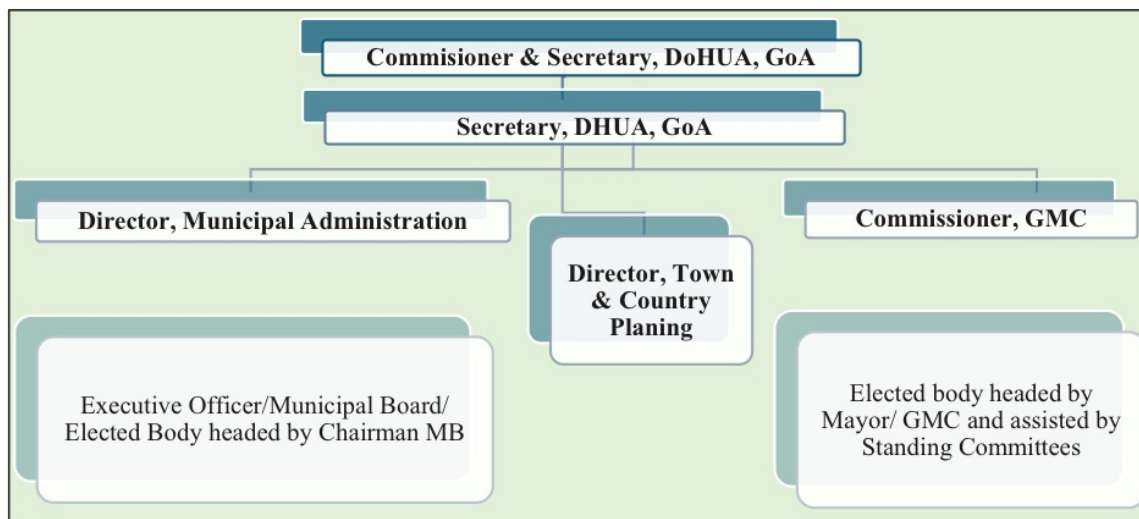
The 5th Assam State Finance Commission had recommended that urgent steps should be taken for completion of Activity Mapping of all subjects ensuring simultaneous devolution of functions, functionaries, and funds to ULBs.

The GoA made provisions in Assam Municipal Act, 1956 for transfer of 17 out of 18 functions listed in the Twelfth Schedule of the Constitution. However, State Government had not issued notification for transferring any of those 17 functions to ULBs as of March 2024. As per position intimated by the Department (October 2024), out of 17 functions, ULBs were solely responsible for three functions; had no role in four functions and in remaining 10 functions, the role of ULBs was either limited to identification and selection of beneficiaries or having overlapping jurisdiction with state departments and parastatal bodies. The actual position of devolution of the functions in the ULBs in Assam as of March 2024 is as shown in *Appendix- 5.1*.

5.3 Organisational setup of ULBs

Organisational set-up of ULBs is shown in **Chart 5.1**:

Chart 5.1: Organisational structure of ULBs



Government of Assam merged (July 2021) the Guwahati Development Department (GDD) and Urban Development Department (UDD) and renamed as Department of Housing and Urban Affairs (DHUA). The Commissioner and Secretary is the administrative head of DHUA, who looks after the matters relating to the administration of ULBs, allocation of funds as well as implementation of schemes at the State level. The Commissioner and Secretary is assisted by the Secretary, DHUA, who is further assisted by Director, Municipal Administration (DMA) who functions as an interface between the State Government and ULBs. The Director, Town and Country Planning (T&CP) is responsible for Master Plan/ Development Plans/ Zonal Plans and enforcing master planning regulations in the urban areas other than Guwahati Metropolitan area. The Commissioner is the executive head of Guwahati Municipal Corporation (GMC). The GMC is governed by an elected body headed by the Mayor and assisted by standing committees.

In case of ULBs of the Sixth Scheduled Areas, the funds are routed through the Principal Secretaries of the respective Autonomous District Councils to the Executive Officers of the Municipal Boards.

Accountability Mechanism and Financial Reporting issues

5.4 Formation of various Committees

5.4.1 Committee for transfer of Funds, Functions and Functionaries

As per Section 53 (A) (2) of the AM Act, 1956, there shall be a committee comprising Minister-in-Charge, UDD as the Chairman, senior-most Secretary, UDD as Vice-Chairman, DMA as Member Secretary and members from other departments to monitor the matter of early and smooth transfer of the funds, functions and functionaries to Municipalities. The Committee was to meet from time to time to monitor the progress of transfer of funds, functions and functionaries to the municipalities and to suggest the respective Departments for effective implementation of this Section.

However, no such committee has been formed to look after the matter of funds, functions & functionaries (November 2024).

5.4.2 Standing Committees of ULBs

The AM Act, 1956 does not provide for the constitution of any standing committee in ULBs. Though Section 20 of GMC Act, 1971 provides for constitution of Standing Committees²⁵ to deal with Taxation and Finance, and Planning and Development (or Standing Finance Committee); Public Works; Public Health, conservancy and water supply; Assessment, Markets and Trades; and Appeals, no such Committee was formed by GMC.

5.4.3 Property Tax Board

As recommended under Paragraph 10.161 (vii) of the 13th FC, GoA constituted a Property Tax Board (PTB), in March 2011, comprising of (i) Principal Secretary, UDD as the Chairman, (ii) Commissioner & Secretary, GDD as Vice-Chairman, (iii) Director, Municipal Administration as Member Secretary (iv) Commissioner, GMC and (v) Director, Town & Country Planning as Members. The objective of the Committee was to assist all the Municipalities of the general areas of the State to put in place an independent and transparent procedure for assessing Property Tax. The Board was to monitor the matter of enumeration and assessment of all types of properties by the Urban Local Bodies as per the provision of the Assam Municipal Act, 1956. Accordingly, the Director of Municipal Administration (DMA) was required to depute the Chief Valuation Officer (CVO) and other Valuation officers (VO) in the field to monitor the rates of collection and time taken for collection in a particular year.

²⁵ Each Standing Committee shall consist of five members elected by the Corporation from its own members other than the Mayor.

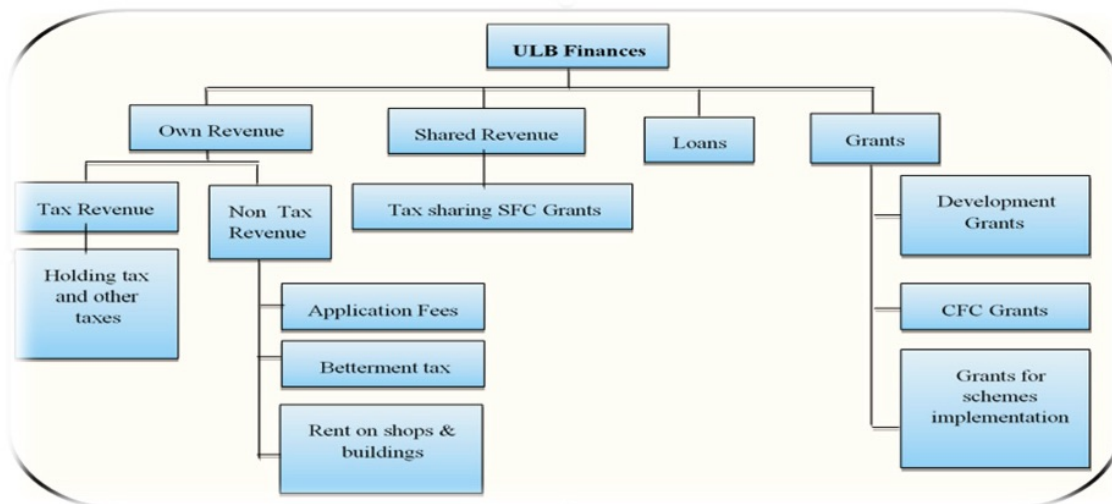
Though, two VOs were posted under DMA to monitor the rates of collection and time taken for collection in a particular year, no CVO was deputed for the purpose.

The DMA informed (October 2024) that works on assessment of Property Tax are going on in all ULBs of Assam and a “Reform Cell” has been constituted. Further, online property tax assessment and payment system as per the revised law of Assam Municipal Act, 1956 is being introduced.

5.5 Source of Funds

The principal sources of revenue of ULBs are (i) collection from tax and non-tax sources allocated to them under the relevant Act; (ii) resource transfers from the State in the form of devolution of shared taxes and duties; (iii) Grants-in-Aid from GoA and (iv) Grants-in-Aid from GoI under various Centrally Sponsored Schemes (CSS) and under award of successive FCs. Besides, ULBs also obtain loans from financial institutions for implementation of various schemes relating to Urban Development, Water Supply and Roads, *etc.* The fund flow of ULBs is depicted in **Chart 5.2**:

Chart 5.2: Fund flow of ULBs



Under the provision of the Acts in force, all collections such as taxes on holdings, water tax, latrine tax, *etc.* are sources of tax revenue, while building plan sanction fees, rents from shops and buildings, tolls and other fees and charges constituted the main sources of non-tax revenue.

The State Government releases Grants-in-Aid and loans to the ULBs to compensate their establishment expenses. ULBs also receive grants and assistance from the State and Central Governments for implementation of various schemes and projects.

The flow of funds to the ULBs from different sources, during 2019-20 to 2023-24, are shown in **Table 5.3** below.

Table 5.3: Time-series data on resources of ULBs

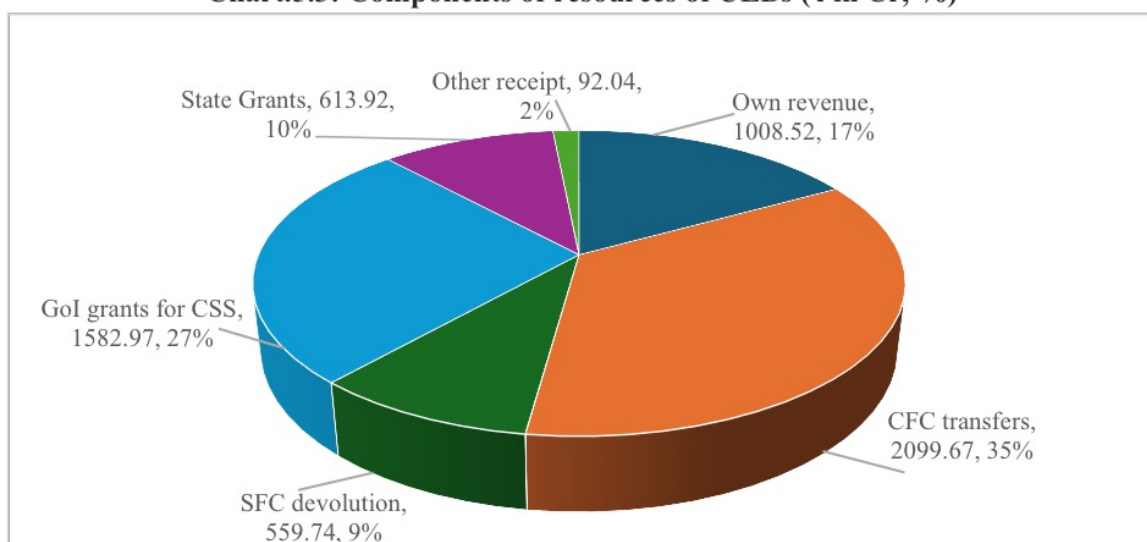
Sl. No	Heads						(₹ in crore)
		2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	Own revenue	156.28	164.40	170.83	192.31	324.70	1008.52

Sl. No	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
2	CFC transfers (Finance Commission devolution)	189.80	250.20	345.04	770.85	543.48	2099.67
3	SFC transfers (State Finance Commission devolution)	109.99	0.00	39.50	159.18	251.07	559.74
4	GoI grants for CSS	344.16	448.09	373.13	371.98	45.61	1582.97
5	State Government Grants for State schemes	83.62	102.65	216.06	160.37	51.22	613.92
6	Other receipt (interest for delayed payment)	0.97	0.13	16.94	7.90	66.10	92.04
Total		884.82	965.47	1161.50	1662.59	1282.18	5956.86

Source: Information furnished by Finance (Economic Affairs) Department, GoA, DMA and GMC.

The following **Chart 5.3** depicts the component-wise resources of the ULBs for the period 2019-20 to 2023-24.

Chart.5.3: Components of resources of ULBs (₹ in Cr, %)



The ULBs in Assam exhibit a mixed revenue profile. While there was growth in Own Revenue, the substantial dependence on CFC transfers and the fluctuations in GoI grants (CSS) and Grants for State schemes underscore the need for more stable and diversified funding mechanism. The significant reduction in central and state grants in 2023-24, combined with a decrease in total revenue for that year, suggests potential challenges in financial planning and service delivery if these trends persist.

The **Table 5.4** shows the application of resources by the ULBs during the period 2019-20 to 2023-24.

Table-5.4: Application of resources-ULBs (₹ in crore)

Sl. No.	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	Expenditure from own revenue	85.33	69.18	82.72	190.92	461.04	889.19
2	Expenditure from CFC transfers (Finance Commission devolution)	189.80	250.20	345.04	770.85	372.19	1928.08
3	Expenditure from SFC transfers (State Finance Commission devolution)	109.99	0.00	39.50	159.18	100.20	408.87

Sl. No.	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	Expenditure from own revenue	85.33	69.18	82.72	190.92	461.04	889.19
4	GoI grants for CSS	255.76	116.29	185.38	230.69	16.95	805.07
5	State Government Grants for State schemes	83.62	102.65	216.06	160.37	31.24	593.94
6	Interest	0.93	0.02	0.97	0.43	0.00	2.35
Total		725.43	538.34	869.67	1512.44	981.62	4627.50

Source: Information received from DMA & GMC

The **Table 5.5** shows a comparison between the receipt and expenditure of ULBs for the period 2019-20 to 2023-24.

Table-5.5: Receipt and expenditure of ULBs during 2019-24 (₹ in crore)

Year	Receipt	Expenditure	Short utilisation of resources (<i>in per cent</i>)
2019-20	883.85	725.43	158.42 (18)
2020-21	965.34	538.34	427 (44)
2021-22	1144.56	869.67	274.89 (24)
2022-23	1654.69	1512.44	142.25 (9)
2023-24	1216.38	981.62	234.76 (19)
Total	5864.82	4627.50	1237.32 (21)

Source: Finance Accounts, Detailed Appropriation Accounts, Government of Assam

The above table summarizes financial performance from 2019-20 to 2023-24. Over this period, total receipts amounted to ₹5864.82 crore, while expenditure stood at ₹4627.50 crore. This resulted in a total short utilisation of resources of ₹1237.32 crore (21 *per cent*) by the ULBs. The fiscal 2020-21 had the highest short utilisation at ₹427 crore (44 *per cent*), which was attributable to the pandemic. On the other hand, 2022-23 showed the most efficient resource utilisation with only 9 *per cent* short utilisation.

5.5.1 Preparation of unrealistic budget

Section 43A of the Assam Municipal Act, 1956 prescribes the formulation and approval of Annual Budget Estimates by ULBs. The determination of expenditure estimates is contingent upon the nature of municipal services rendered by the local government and the corresponding financial outlays required for their provision. Given that the delivery of municipal services necessitates financial resources, it is imperative to undertake a scientific evaluation of service costs to ensure the accurate assessment of funding requirements and the identification of appropriate sources for efficient resource allocation.

Test check of budget and actual figures of selected ULBs for the period 2020-21 to 2022-23 revealed significant variances between budgeted and actual receipts and expenditure, indicating unrealistic budget preparation. The differences were abnormally high in North Guwahati MB during 2021-22, where actual receipts (₹805.66 lakh) exceeded the budget estimate (₹175.31 lakh) by 361.27 per cent, while in 2020-21, there was an overestimation of expenditure by 15.05 per cent. Guwahati Municipal Corporation showed wide fluctuations, including a 156.76 per cent excess in actual receipts over budget in 2021-22 and a 50.24 per cent underutilisation of budgeted expenditure in 2020-21. Smaller ULBs such as Jorhat MB, Titabor MB, Margherita MB, and Digboi MB consistently overestimated both receipts and expenditure by

60–90 per cent in multiple years, while in some years, actual realisation was less than one-third of the estimates. In certain cases (e.g., Digboi MB and Margherita MB in 2022-23), actual figures were unavailable, indicating poor monitoring. Such wide and recurring deviations from budgeted figures point to the absence of a realistic assessment of revenue potential and expenditure requirements, undermining the utility of the budget as a financial planning and control tool. Details of preparation of unrealistic budget by the selected eight ULBs is shown in *Appendix 5.2*.

5.5.2 Arrears in collection of Property Tax

Section 68 of the Assam Municipal Act, 1956, and the Assam Urban Immovable Property Tax Act, 1969 empowers the Municipal Boards in Assam to assess, impose, and collect property taxes on land and buildings within their jurisdictions. The Guwahati Municipal Corporation (GMC) operates under the Guwahati Municipal Corporation Act, 1971. Information furnished by selected ULBs in the three selected districts showed huge arrears in collection of Property Tax as on 31st March 2023. Summary of outstanding Property Tax is shown in **Table 5.6** below:

Table 5.6: Position of outstanding Property Tax in the selected ULBs (₹ in crore)

Sl. No.	Name of the ULB	Demand including Arrear	Collection	Shortfall	Percentage of Shortfall
1	Tinsukia MB	8.96	4.33	4.63	51.67
2	Margherita MB	0.57	0.38	0.19	33.33
3	Digboi MB	0.86	0.76	0.10	11.63
4	Jorhat MB	10.23	3.92	6.31	61.68
5	Mariani MB	0.33	0.21	0.12	36.36
6	Titabor MB	0.32	0.26	0.06	18.75
7	North Guwahati MB	2.53	1.10	1.43	56.52
8	GMC	370.40	116.69	253.71	68.50

The above table indicates a significant shortfall in collection of revenue, particularly for the Guwahati Municipal Corporation, followed by Jorhat MB, North Guwahati MB and Tinsukia MB, which have substantial outstanding arrear demands. While the arrear demands for other municipal boards are smaller, their respective percentage of total demand varies from 11.38 per cent to 36.36 per cent.

This suggests a significant issue with the collection process and potential weaknesses in the system for managing overdue payments, impacting the organisation's financial stability and ability to fulfil its statutory obligations.

5.5.3 Arrears in collection of Trade Licence

Section 68, 228, 229 and 230 of the Assam Municipal Act, 1956 empowers the Municipal Boards in Assam to assess, impose, and collect Trade License from shops, business establishments and all businesses involved in trading activities. Information furnished by selected ULBs in the three selected districts revealed that there are huge arrears in collection of Trade Licence as shown in **Table 5.7** below:

Table 5.7: Position of outstanding Trade Licence Fee in the selected ULBs (₹ in crore)

Sl. No.	Name of the ULB	Demand including Arrear	Collection	Shortfall	Percentage of Shortfall
1	Tinsukia MB	4.48	0.50	3.98	88.84
2	Margherita MB	0.91	0.06	0.85	92.91
3	Digboi MB	0.15	0.14	0.02	12.43
4	North Guwahati MB	0.12	0.02	0.10	82.29
5	GMC	48.96	29.41	19.55	39.93
6	Jorhat MB	1.62	1.10	0.53	32.42
7	Mariani MB	0.20	0.01	0.13	66.73
8	Titabor MB	0.14	0.08	0.05	38.00

The absence of a valid trade license indicates non-compliance with local municipal laws and regulations along with potential loss of revenue to the ULBs.

5.5.4 Arrear in collection of Rent

The primary legal framework governing the collection of rent by municipal boards, particularly for their own properties or properties under their management, is governed by Section 148 and Section 149 of the Assam Municipal Act, 1956. Information furnished by selected ULBs in the three selected districts revealed that there are huge arrears in collection of Trade License as shown in **Table 5.8** below:

Table 5.8: Position of outstanding Rent in the selected ULBs (₹ in crore)

Sl. No.	Name of the ULB	Demand including Arrear	Collection	Shortfall	Percentage of Shortfall
1	Tinsukia MB	1.65	0.82	0.84	50.64
2	Digboi MB	0.09	0.08	0.01	14.21
3	Margherita MB	0.04	0.02	0.02	46.13
4	Jorhat MB	1.86	0.52	1.34	71.83
5	Mariani MB	0.36	0.11	0.25	70.36
6	Titabor MB	0.09	0.09	0.00	0.00

The above table indicates a significant shortfall in collection of revenue, particularly for the Jorhat MB, Mariani MB, Tinsukia MB and Margherita MB which have substantial outstanding arrear rent. While the arrear demands for Digboi MB is comparatively low. It may be mentioned that there is no outstanding in case of Titabor MB.

This suggests a significant issue with the collection process and potential weaknesses in the system for managing overdue payments, impacting the organisation's financial stability and ability to fulfil its statutory obligations.

5.6 Recommendations of the State Finance Commission (SFC) and utilisation of SFC Funds

Articles 243 I and 243 Y of the Constitution of India require that State Finance Commissions (SFC) be appointed at the expiration of every fifth year to review the financial position of the Panchayats and Municipalities, respectively, as per the terms of the 73rd and 74th Constitutional Amendments. Key recommendations typically cover the distribution and assignment of state taxes, duties, tolls, and fees, the quantum of grants-in-aid, measures to enhance the financial

position of local bodies, and other relevant financial matters. Assam has had six SFCs so far²⁶, each with specific recommendations. Funds devolved based on SFC recommendations are intended for essential services, developmental activities, salaries and operational costs, infrastructure development, specific projects, and capacity building in PRIs and ULBs. The status of devolution of SFC funds to the ULBs is depicted in the **Table 5.9** below:

Table 5.9: SFC fund devolution of ULBs (₹ in Crore)

Sl No.	Year	Net proceeds of Tax Revenue of State Government	Funds to be devolved	Funds devolved	Short devolution (Per cent in bracket)
1	2019-20	16528.69	198.20	109.98	88.22 (45)
2	2020-21	17133.61	68.64	0.00	68.64 (100)
3	2021-22	19533.10	123.14	39.50	83.64 (65)
4	2022-23	24502.02	133.63	159.18	Nil
5	2023-24	28020.00	175.06	69.93	60.05 (60)

Source: Information provided by the Department

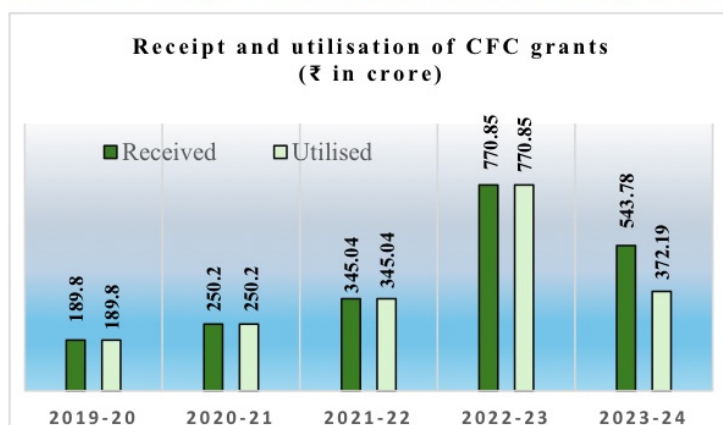
It can be seen from the above table that there was persistent short devolution (60 to 100 *per cent*) of SFC funds by the Government during the period from 2019-20 to 2023-24, except for 2022-23. The timely and effective utilisation of SFC funds was crucial for strengthening local governance and ensuring that the benefits of these resources reach the grassroots level in Assam.

5.7 Recommendations of the Central Finance Commission (CFC) and utilisation of CFC Funds

The Central Finance Commission (CFC) is a constitutional body that recommends the distribution of financial resources between the Union and State Governments, including grants to local bodies (PRIs and ULBs). For Assam, the CFC, such as the 15th Finance Commission (2021-2026), specifies the state's share in central taxes and various grants-in-aid.

The CFC grants for local bodies were transferred to PRIs and ULBs for basic services and infrastructure, with monitored utilisation. Sector-specific and special grants had to be used for their intended purposes according to central guidelines. The receipt and utilisation of CFC grants by the ULBs is depicted in **Chart 5.4** below:

²⁶ The Seventh Assam State Finance Commission is still in place and is yet to submit its Report

Chart 5.4: Receipt and Utilisation of CFC Grants by the ULBs

The grants received show an increasing trend from 2019-20 to 2022-23, followed by a decrease in 2023-24. While utilisation matched receipt for the first four years, a significant amount (₹171.59 crore) remained unutilized in 2023-24.

5.8 Maintenance of Records

Maintenance of records and registers is one of the important tools of internal control mechanism. However, in the 21 test checked ULBs following irregularities in maintenance of records were observed:

5.8.1 Non- maintenance of basic records

Out of 21 ULBs audited during 2023-24, 12 ULBs did not maintain basic records such as Cash Book, Service Book, Demand Register, Measurement Book, Receipt Book, Collection Register, Asset Register and Stock Register as detailed in *Appendix-5.3*. In the absence of these records, actual receipt and utilisation of materials could not be monitored by the ULBs. This could lead to increased possibility of misutilisation of material intended for implementation of the schemes. Further, non-maintenance of the Register of Receipt Book and Collection Register indicates non-existent control of the ULB administrations against risks of embezzlement/ misappropriation of ULBs' own receipts.

5.8.2 Non-reconciliation of Cash and Bank Balances

Chapter 30 of the National Municipal Accounts Manual emphasise the need for reconciliation of Cash Book with Bank accounts.

During audit, it was seen that eight ULBs²⁷ did not reconcile the balances in the Cash Book with the Bank Passbook during 2023-24 resulting in un-reconciled balances with differences ranging from ₹0.14 lakh to ₹50.22 lakh.

As no reconciliation was done by the ULBs, differences in figures of Cash Book and Bank Passbook remained undetected and un-reconciled until the same was pointed out by Audit. It dilutes the built in control mechanism in the system against risks of fraud and embezzlement of Government money.

²⁷ Gossaigaon MB, Udalguri MB, Tangla MB, Bijni MB, Kokrajhar MB, Makum MB, Dhemaji MB and Jamurighat MB.

The Government should take steps to ensure that all the ULBs reconcile their Cash Book with their Bank accounts on monthly basis.

5.9 Maintenance of Accounts by ULBs

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

However, audit scrutiny²⁸ revealed that only Silchar and Bongaigaon MBs started implementing accrual based accounting system, from the year 2019-20 and 2021-22, respectively. The rest of the test-checked ULBs had not implemented (till 2023-24) the accrual-based accounting system and continued to maintain their accounts on cash basis. Further, there was no monitoring system at the State level to oversee the implementation of NMAM.

The Department informed (October 2024) that the Accrual based Double entry system is under implementation through UPYOG module²⁹ on a mission mode. It was further stated (November 2024) that Financial Management Officer have been posted across the ULBs for preparation and maintenance of Accounts as per the formats prescribed in NMAM.

5.10 Audit of accounts of the ULBs

Directorate of Audit, Local Fund (DALF), Assam, established under the Assam Local Funds (Accounts & Audit) Act, 1930, is the Primary Auditor of all tiers of ULBs in the State. The Directorate, administratively affiliated to the Finance Department, is responsible for (i) carrying out audits of Local Funds with the help of 20 Circle Offices, each of which is headed by an Assistant Director at the District level; and (ii) facilitating submission of Audit Reports of the Administrative Departments. The audit is conducted in conformity with the Assam Audit Manual, 2002 and other prescribed Rules and Amendments thereto promulgated by Government from time to time.

5.10.1 Audit coverage by DALF

The year-wise position of units planned to be audited and those actually audited, are detailed in **Table 5.10**.

Table 5.10: Coverage of ULBs planned for audit by DALF

Year	No. of Units Planned for Audit	No. of Units Audited	Shortfall (per cent)
2019-20	69	31	38 (55)

²⁸ Audit of 22 ULBs covered under the Subject Specific Compliance Audit on Implementation of recommendations of the 5th Assam State Finance Commission as included in this report vide Chapter VI of this Report.

²⁹ Urban Platform for delivery of Online Governance: UPYOG is the national reference platform created for the delivery of municipal services online.

Year	No. of Units Planned for Audit	No. of Units Audited	Shortfall (<i>per cent</i>)
2020-21	69	37	32 (46)
2021-22	57	15	42 (74)
2022-23	57	31	26 (46)
2023-24	83	28	55(66)

Source: Information furnished by DALF, Assam

The above table shows that there was shortfall in coverage of audit by DALF during 2019-20 to 2023-24 ranging from 46 *per cent* to 74 *per cent*.

The DALF stated (September 2024) that the shortfall in audit coverage was due to insufficient audit staff, huge vacancies of audit personnel, substantial numbers of other accounts to be audited as assigned by the Finance Department, specially entrusted accounts by the Govt., other special duties like election, *Gunotsov*³⁰, etc.

5.10.2 Audit by Comptroller and Auditor General of India

The audit of ULBs is conducted by the CAG under Section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 as per the Technical Guidance and Support (TGS) arrangements entrusted by the State Government in May 2002 followed by acceptance of standard terms and conditions of TGS (May 2011) pursuant to the 13th FC recommendations. Hence, CAG undertakes a selective audit of ULBs under TGS. During April 2023 to March 2024, accounts of 22 ULBs were test-audited.

5.11 Response to Audit Observations

Inspection Reports (IRs) were issued by office of the Accountant General (Audit), Assam, to audited ULBs, with a copy to the State Government. ULBs were required to comply with the observations contained in the IRs, rectify the defects and omissions and report their compliance promptly after the issue of IRs. Important audit findings were processed for inclusion in the CAG's Audit Report on Local Bodies.

The details of outstanding paragraphs, in respect of ULBs (as of March 2024), are shown in **Table 5.11**.

Table 5.11: Details of outstanding IRs and paragraphs in respect of ULBs

Year	No. of IRs issued	No. of Paras	First reply furnished
2019-20	15	132	0
2020-21	04	23	0
2021-22	04	118	0
2022-23	07	26	0
2023-24	20	188	0
Total	50	487	0

Source: Progress Register of the Accountant General (Audit), Assam

³⁰ *Gunotsov* is a comprehensive evaluation programme initiated by the GoA, to assess various aspect of Government and Provincialised Schools.

As of March 2024, settlement of 487 paragraphs were pending for want of replies from ULBs concerned indicating that compliance to the audit observation was not taken seriously. The Administrative Heads of the Departments concerned also did not take steps to ensure that the concerned officers of the ULBs took prompt and timely action in furnishing replies to IRs, thereby weakening the accountability mechanism of ULBs.

CHAPTER-VI
SSCA on Implementation of the
Recommendations of the 5th
ASFC and Utilisation of Grants
by ULBs

Chapter-VI

Subject Specific Compliance Audit

Implementation of the recommendations of the 5th Assam State Finance Commission and Utilisation of Grants by ULBs

6.1 Introduction

Article 243 Y of the Constitution of India require that State Finance Commissions (SFC) be appointed at the expiration of every fifth year to review the financial position of the Municipalities, as per the terms of the 74th Constitutional Amendment. The SFC would review the financial position to make recommendations on the measures needed for their sound finances, including distribution of taxes, duties, tolls and fees and their allocation among the various Municipalities, and grants-in-aid to the municipalities. In terms of the aforesaid Constitutional provisions, the Government of Assam had, so far, constituted six State Finance Commissions³¹. The constitution of the 5th Assam State Finance Commission (ASFC) was first notified in March 2013. It was further reconstituted by Government's Notification in October 2013 with the joining of the new Chairman. The Commission was required to review the financial position of the Panchayats and Municipalities in the General Areas³² and to make recommendations for their all-round development covering the five-year period 2015-16 to 2019-20. Owing to delay in submission of the Report, the effective award period became 2016-17 to 2019-20.

6.2 Terms of Reference of 5th ASFC

The Commission was mandated to make recommendations on the following matters:

- Sharing of the net proceeds of taxes, duties, tolls and fees leviable by the State Government, with the Local bodies.
- Taxes, duties, tolls and fees that may be assigned to the Local Bodies.
- The Grants-in-Aid to the Local Bodies from the Consolidated Fund of the State.

As per Terms of Reference (ToR), the 5th ASFC was mandated to submit its Report on 30 April 2016 with the award tenure being five-year period commencing from 1st April 2015 to 31st March 2020.

³¹First SFC, covering the period 1996-97 to 2000-01; Second, covering the period 2001-02 to 2005-06; Third, covering the period 2006-7 to 2010-11; Fourth, covering the period 2011-12 to 2015-16; Fifth, covering the period 2016-17 to 2019-20; and Sixth, covering the period 2020-21 to 2024-25.

³²'General areas' refers to areas other than those notified under Sixth schedule of the Constitution of India (the Sixth Schedule of Indian Constitution contains provisions related to the Administration of Tribal Areas in the States of Assam, Meghalaya, Tripura, and Mizoram).

6.3 Submission of Report

Though the tenure of the 5th ASFC was to cover five-year period from 2015-16 to 2019-20, by the time even an interim report was submitted in July 2016, the first year of the original tenure had already been over. The interim report indicated the budgetary allocation for 2016-17.

The 5th ASFC submitted its final report on 30 November 2016 to the Government of Assam with a delay of seven months from the stipulated date of submission (30/04/2016). The Action Taken Report (ATR) on recommendations of the Commission was submitted by the State Government in June 2017, *i.e.*, six months after submission of report by 5th ASFC.

The 5th ASFC, in its final report, made a total of 118 recommendations out of which 46 recommendations pertained to the Urban Local Bodies (ULBs).

6.4 Organisational Structure

Prior to merger of Urban Development Department and Guwahati Development Department into a single department (*i.e.* the Department of Housing and Urban Affairs) in July 2021, Principal Secretary was the administrative head of the Urban Development Department, who looked after the administration of MBs. He was assisted by the Director, Municipal Administration and Director of Town and Country Planning. The Additional Chief Secretary, Guwahati Development Department was the administrative Head of the Guwahati Development Department to whom Commissioner, GMC reported.

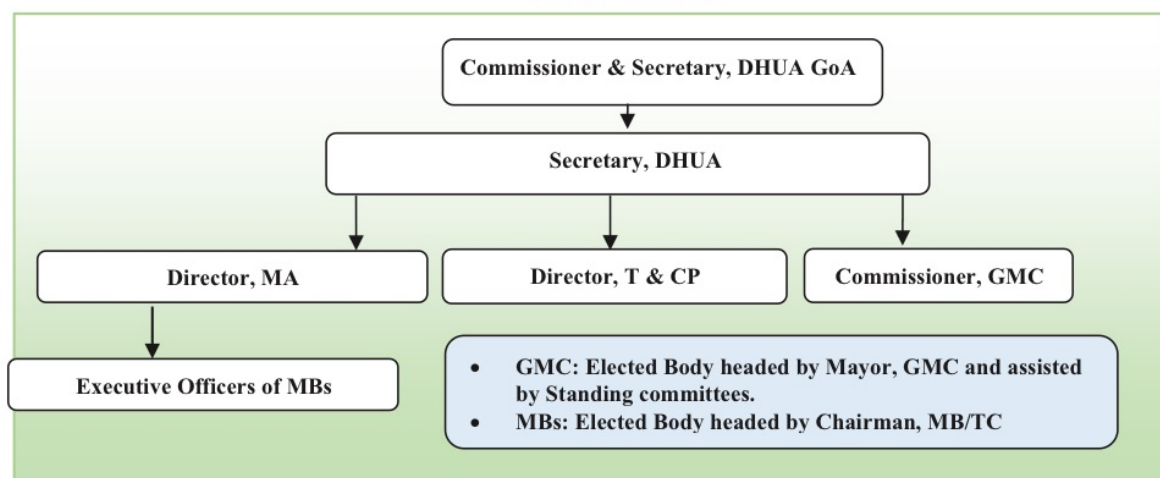
After the merger, the Commissioner & Secretary is the administrative head of the Department of Housing & Urban Affairs (DHUA)³³, Assam.

- Director, Municipal Administration (DMA) looks after matters relating to the administration of the ULBs (MBs) and
- Director, Town and Country Planning (T&CP) is responsible for preparation of Master and Zonal plans for the ULBs other than GMC.

The Commissioner looks after the administration of GMC and reports to the Commissioner & Secretary, DHUA. Organisational set up of ULBs is depicted in **Chart 6.1** below:

³³ Erstwhile Guwahati Development Department (in existence since January 1994) and Urban Development Department (known as departments of Municipal Administration and Town & Country Planning prior to June 2002) were merged in July 2021 and renamed as “Department of Housing and Urban Affairs”.

Chart 6.1: Organisational set up of State level functionaries to oversee and manage ULB related matters.



6.5 Audit Objectives

The objectives of the SSCA are to assess:

- the action taken by the State Government on the recommendations of the 5th ASFC in respect of ULBs.
- the position of devolution of grants and utilisation of 5th ASFC grants.
- the effectiveness of the monitoring mechanism in place on the implementation of ASFC recommendations and execution of projects under its award for ULBs.

6.6 Audit Criteria

The criteria for audit scrutiny were derived from the following:

- i) Report of the 5th ASFC;
- ii) Assam Municipal Act, 1956;
- iii) Guwahati Municipal Corporation Act, 1971;
- iv) Assam Municipal (Account) Rules, 1961 and
- v) Orders and instructions issued by GoA.

6.7 Audit Scope, Sampling and Methodology

The SSCA covering the period of four years from 2016-17 to 2019-20, was conducted during June-October 2023. The SSCA commenced with an Entry Conference on 19 June 2023 with the Finance Department and DHUA, GoA. In the conference, audit objectives, criteria, methodology, *etc.*, were discussed. The recommendations of the 5th ASFC encompass the General areas of Assam in details with a separate chapter on Sixth Schedule Areas. However, selection of audit sample was done from General areas only as observations on Sixth Schedule areas are not to be included in this Report. For this purpose, the ULBs³⁴ in General areas were divided into eight strata based on the criteria of percentage of non-salary expenditure. Twenty-

³⁴ 79 ULBs against which funds were released out of 82 ULBs under General Areas.

two (22) ULBs³⁵ (28 per cent) including Guwahati Municipal Corporation (GMC – the only Municipal Corporation in Assam during the award period of 5th SFC) covering 50.47 per cent of total funds released to the ULBs were selected applying simple random sampling method, for the audit examination including joint physical verification of Schemes. In addition, records of DHUA, GoA, Director of Municipal Administration and Finance (Economic Affairs) Department were also scrutinised during the SSCA.

The draft Report was discussed with the DHUA in an exit conference on 03 October 2024 where in the Secretary, DHUA, the Director of Municipal Administration and representative of Finance Department were present. The views expressed by the Departments during exit conference and through formal replies have been incorporated at the appropriate places in the Report.

Audit Findings

6.8 Action taken by the State Government on the recommendations of the 5th ASFC

The 5th ASFC made a total of 118 recommendations out of which 46 recommendations were related to the ULBs. The State Government had formally accepted (June 2017) all the 46 recommendations related to ULBs. However, it had not implemented most of the recommendations out of the 46 recommendations. The position of implementation of 46 recommendations is shown in **Table-6.1** below:

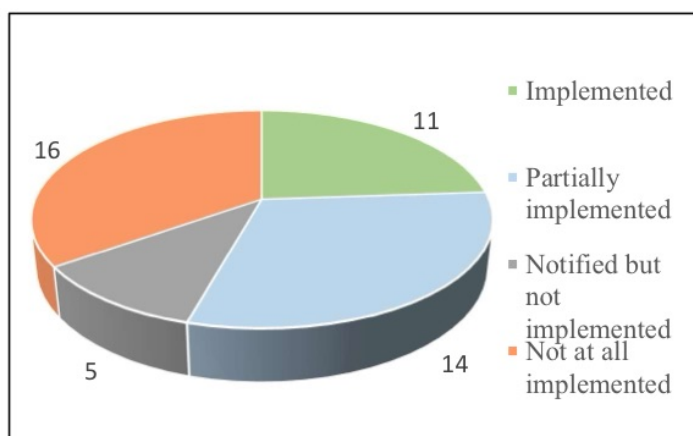
Table 6.1: A summary status of implementation of significant recommendations of the 5th ASFC

Status of Implementation	Nos. of recommendations	Significant recommendations
Recommendations implemented	11	i) Inclusion of all MBs and Town Committees (converted to Municipal Boards in October 2018) of Assam under the National Urban Livelihood Mission (NULM) for consideration of Govt. of India. ii) Authorising the ULBs to issue permission for building construction. iii) The grant component and revenue gap component of the Divisible Pool (DP) of General Areas have been segregated.
Recommendations partially implemented	14	i) In order to ensure financial accountability on the part of PRIs and ULBs, the measures suggested at para 5.28 (i) to (xiii)³⁶ should be strictly enforced. ii) Vehicle parking areas may be identified, and fees collected as per prescribed norms.

³⁵ **Jorhat:** Jorhat MB, Titabor MB, Marioni MB; **Biswanath:** Biswanath MB, Gohpur MB; **Sivasagar:** Nazira MB Demow MB; **Lakhimpur:** North Lakhimpur MB, Narayanpur MB; **Dhubri:** Sapatgram MB; **Nagaon:** Nagaon MB; **Bongaigaon:** Bongaigaon MB; **Barpeta:** Barpeta Road MB; **Hojai:** Lumding MB; **Tinsukia:** Chapakhowa MB, Digboi MB, Margherita MB; **Dibrugarh:** Namrup MB; **Silchar:** Silchar MB; **Charaideo:** Sonari MB; **Dhemaji:** Silapathar MB.

³⁶ The measures include various steps for maintenance of records and accounts, institutional strengthening, honing up of audit arrangements, etc. These steps emanated from persisting and pervasive observations made by the C&AG audit.

Status of Implementation	Nos. of recommendations	Significant recommendations
		iii) Grants of ₹1000.81 crore for 4 years inclusive of ₹250.16 crore in 2016-17 was recommended for ULBs to be routed through Line Departments.
Notification issued but not yet implemented	5	i) Deployment of skilled manpower to ULBs is imperative to ensure professionalism. ii) The ULBs should adopt highly transparent accounting standards. iii) A District Level Monitoring Committee should be constituted.
Not implemented at all	16	i) Devolution of Functions, Functionaries and Funds to ULBs. ii) The nodal department of ULBs should provide guidelines for preparation of urban area plans and its integration with the development plans of the district as a whole. iii) State Level Monitoring Committee should be reconstituted for monitoring the CFC grant, SFC grant and other development activities of local bodies.

Chart 6.2: Status of 46 recommendations of 5th ASFC

The summary of 46 recommendations are depicted in Chart 6.2 and the status of their implementation are shown in *Appendix-6.1*.

The status of implementation of main recommendations are discussed in the following paragraphs:

6.9 Devolution of Functions and Functionaries

Article 243W of the Constitution of India deals with the powers, authority, and responsibilities of Municipalities. It empowers the State Legislature to endow Municipalities with necessary powers to function as institutions of self-government. This includes the devolution of powers and responsibilities to Municipalities with respect to 18 functions listed in the Twelfth Schedule. The Commission recommended that in order to translate the local governance into reality, urgent steps should be taken for completion of Activity Mapping of all subjects ensuring simultaneous devolution of functions, functionaries and funds to ULBs.

The GoA made provisions in Assam Municipal Act, 1956 for transfer of 17³⁷ out of 18 functions listed in the Twelfth Schedule of the Constitution. Though ULBs exercising full or

³⁷ No provision was made for Fire and Emergency Services in the Assam Municipal Act, 1956.

partial jurisdiction, State Government had not issued notification for transferring any of those 17 functions to ULBs as of March 2023. As per position intimated by the Department (October 2024), out of 17 functions, ULBs were solely responsible for three functions; had no role in five functions and in remaining 10 functions, the role of ULBs was either limited to identification and selection of beneficiaries or having overlapping jurisdiction with state departments and parastatal bodies as shown in **Table 6.2**.

Table 6.2: Functions with full/ partial/ no jurisdiction of ULBs

Functions with full jurisdiction of ULBs (three)		
1	Burials and burial grounds, cremation grounds	These functions were traditionally under ULBs; hence, no fresh efforts for devolution needed.
2	Cattle pounds, prevention of cruelty to animals	
3	Regulation of slaughterhouses and tanneries	
Functions with no role of ULBs (five)		
1	Urban Planning including Town Planning	As accepted by the Department in October 2024
2	Fire services	
3	Safeguarding the interests of the weaker sections of society, including the physically handicapped and mentally unsound	
4	Promotion of cultural, educational and aesthetic aspects	
5	Vital statistics including registration of births and deaths	
Functions in which ULBs are having minimal role/ having overlapping jurisdiction with State Departments/Parastatals (10)		
1	Regulation of land use and construction of buildings.	The Department stated (October 2024) that functions at sl. 1, 4 and 8, are partially devolved while remaining seven were devolved to the ULBs. However, copies of formal Notification for devolution of these functions were not furnished. Audit observed that the democratically elected Boards of ULBs were not fully empowered to take decisions, plan and deliver services under these functions as recommended by the 74 th Constitutional Amendment Act.
2	Planning for economic and social development	
3	Urban poverty alleviation	
4	Water supply for domestic, industrial, and commercial purposes	
5	Public health sanitation, conservancy, and solid waste management	
6	Slum improvement and up-gradation	
7	Urban forestry, protection of environment and promotion of ecological aspects	
8	Construction of roads and bridges	
9	Provision of urban amenities and facilities such as parks, gardens and playgrounds	
10	Public amenities including street lighting, parking spaces, bus stops and public conveniences	

The actual position of devolution of the functions in the ULBs in Assam as of March 2024 is as shown in **Appendix- 5.1**.

As per Section 53(A) (2) of the Assam Municipal Act a committee was to be formed for smooth transfer of funds, function and functionaries. Since functions and funds were not fully transferred to the ULBs and the said committee was also not formed, no functionary was transferred to the ULBs.

6.10 Financial Accountability of ULBs

The Commission recommended (*vide* para 5.28 (i) to (xiii) of its Report) various measures in order to improve financial accountability on the part of ULBs for sound financial management

of ULBs. Status of implementation of these measures are discussed in the following sub-paragraphs:

6.10.1 Maintenance of Asset Register

As per recommendation of the 5th ASFC, asset register in prescribed form should be maintained in all units of Local Bodies. This was crucial as many of the assets (*e.g.* market sheds, vendors markets, market complexes, *etc.*) created using ASFC funds or from other sources (like Central Finance Commission Grants), were aimed at generating revenue of the ULBs.

It was observed that none of the test-checked 22 ULBs maintained asset register (either physical copy or computerised) for the assets created under different programmes. The ULBs only maintained asset register for office furniture, computer equipment, *etc.*, required for maintenance of the office. As the asset registers were not maintained, the status/ utilisation of assets of the ULBs (especially the revenue generating ones) could not be monitored, thereby leaving possibility for misutilisation/ mismanagement of assets. By not maintaining the asset register, the ULBs were unable to keep track of revenue generated by such assets, which could also lead to leakage of revenue generated.

6.10.2 Preparation of Budget Estimates

The 5th ASFC was of the view that each unit of ULB should prepare budget estimate for a financial year and obtain approval from the DHUA. Budget estimate should be prepared realistically based on past trend of receipts and expenditure.

Out of the selected 22 ULBs, two ULBs (Chapakhowa Municipal Board (MB) and Demow MB) did not prepare budgets, whereas huge variation of actuals from budgets in both receipt and expenditure figures were observed in 17 out of 22 test-checked³⁸ ULBs. The average variation of actuals from budgets (Receipt and Expenditure) observed in test checked ULBs during the period covered in audit is shown in **Table-6.3** below:

Table-6.3: Statement showing variation of actuals from budgets

Receipt Budget		Expenditure Budget	
Average Variation range	No. of MBs	Average Variation range	No. of MBs
Less than 10 %	03	Less than 10 %	0
11-25 %	0	11-25 %	01
26-50%	03	26-50%	03
Above 50 %	14	Above 50 %	16

The maximum variation was seen in Margherita MB (92 *per cent*) and Lakhimpur MB (96 *per cent*) in case of receipt and expenditure, respectively.

³⁸ Substantial variations observed in the following ULBs; MB wise variations of expenditures and receipts: (+) denotes actuals falling short of budgets (-) denotes actuals surpassing budget. North Lakhimpur: 91.57% & 92.93%; Silapathar: 58.26% & 73.66%; Namrup: 63.91% & 48.93%; Sapatgram: (-) 197.2% & (-) 41.76%; Silchar: (-) 48.53% & (-) 85.10%; Nagaon: 57.92% & 62.69%; Barpeta Road: (-) 390.38% & (-) 390.38%, Lumding: 58.74% & 69.90%, Bongaigaon: 38.44% & 26.77%; Margherita: 81.14% & 85.52%; Digboi: 81.44% & 86.77%; Biswanath Chariali: 70.14% & 74.46%; Gohpur: (-)358.16% & (-) 358.16%; Narayanpur: 48.17% & 60.18%; Titabor: 54.96% & 60.22%; Jorhat MB: 73.05% & 57.94% and GMC: 31.69% & 61.98%

There was average negative variation of actuals from budget estimates in case of three³⁹ test checked ULBs on the receipt side and in five⁴⁰ test checked ULBs on the expenditure side, indicating under-estimation of both receipts and expenditure. The test-checked ULBs did not take into account the past trends of receipt and expenditure while preparing the budgets and the budgets were not prepared on a realistic basis.

6.10.3 Preparation of Monthly and Annual Accounts

As per para 5.28 (iv) of 5th ASFC report, monthly and annual accounts as per prescribed formats furnishing the details of income and expenditure, should be prepared by ULBs.

The test-checked ULBs prepared Receipt and Payment Accounts for the CFC grants only. Annual accounts were not prepared for the other grants/ funds including own funds. Though it was stated by 16 out of 22 test checked ULBs that monthly accounts were prepared, they did not provide the same to audit for verification.

The Department stated in exit conference (October 2024) that from FY 2025-26 onward double entry system of accounting would be adopted by all ULBs. Thus, recommendation of the 5th ASFC was not meaningfully implemented even during the tenure of the 6th ASFC.

6.10.4 Provision for Internal Audit

The 5th ASFC observed vide para 5.25 that there was no provision of exercising Internal Audit in PRIs and ULBs and under Para 5.28 (v), recommended that the DHUA should prepare guidelines and provision for internal audit of ULBs.

However, as of May 2024, provision for internal audit was not incorporated in Assam Municipal Act, 1956. The DHUA had not prepared any guidelines for internal audit of ULBs. Internal Audit System was not in place either at the Department level or in the selected ULBs. As a result, internal audit did not take place in ULBs.

Due to absence of internal audit system, financial accountability was lacking in ULBs, giving rise to irregularities as elaborated in preceding paras 6.10.1 to 6.10.3.

The Department stated (October 2024) that provision for internal audit has not yet been made in the relevant municipal act but from 2021-22 onwards Chartered Accountants empanelled by the State Government were engaged for audit of accounts of ULBs.

6.10.5 Strengthening of Director of Audit, Local Fund (DALF)

Reference was made in the 5th ASFC Report (para 5.26) to the State Government's executive orders (December 2009) designating Director of Audit, Local Fund (DALF) as primary auditor to carry out the audit of ULBs and PRIs annually. However, the annual coverage of units of ULBs for audit by DALF ranged between 26 and 59 *per cent* during 2018-19 to 2022-23. In

³⁹ Silchar, Barpeta Road and Gohpur MB.

⁴⁰ Sapatgram, Silchar, Barpeta Road, Gohpur and Titabor MB.

the view of this, the 5th ASFC recommended that Govt. should take urgent step(s) for strengthening of DALF in terms of personnel augmentation and capacity building.

Manpower deficiencies: It was observed that despite recommendation of the 5th ASFC, strengthening of DALF did not materialise in terms of manpower. Substantial vacancies continued to exist in the posts of Audit Officers and Assistant Audit Officers in DALF as shown in **Table 6.4** below:

Table- 6.4: Comparative position of Human resource before and after the recommendation of 5th ASFC

Name of Post	Position as of March 2015			Position as of December 2023		
	Sanctioned Strength	Men-in-position	Vacancy	Sanctioned Strength	Men-in-position	Vacancy
Deputy Director	3	3	0 (0%)	3	1	2 (66%)
Assistant Director	23	12	11(48%)	23	20	3 (13%)
Audit Officer	159	126	33(21%)	159	108	51 (32%)
Assistant Audit Officer	220	117	103 (47%)	220	118	102 (46%)

It can also be seen from the above table that there has been no augmentation of personnel position of manpower and excepting for Assistant Director cadre, vacancy position either deteriorated or remained unchanged. In the cadre of Audit Officer, who are involved directly in field audit, the vacancy position has further deteriorated even after recommendation of the 5th ASFC.

Coverage of ULBs by DALF: Audit observed that during 2018-24, DALF planned to cover ULBs as per manpower availability; however, a large number of ULBs remained to be audited by DALF. Details of shortfall in achievement of audit plan by DALF is shown in the **Table 6.5** below:

Table 6.5: Coverage of ULBs planned for audit by DALF

Year	No. of Units Planned for Audit	No. of Units Audited	Shortfall (per cent)
2018-19	74	44	30 (41)
2019-20	69	31	38 (55)
2020-21	69	37	32 (46)
2021-22	57	15	42 (74)
2022-23	57	31	26 (46)
2023-24	83	28	55(66)

Source: Information furnished by DALF, Assam

The above table shows that there was continuous shortfall in audit coverage (vis-à-vis targeted) of ULBs by DALF during 2018-19 to 2023-24 ranging from 41 *per cent* to 74 *per cent*.

There is also arrear of issuance of audit reports attributable to a large extent, to shortage of manpower.

The DALF stated (September 2024) that the shortfall in audit coverage was due to insufficient audit staff, engagement of audit personnel in specially entrusted accounts by the Government from time to time, election duty, *etc.*

Evidently, the State Government did not accord priority to the strengthening of DALF through manpower augmentation. Services of even the existing manpower were diverted for other audits and other duties.

6.10.6 Submission of Annual Administrative Reports

Under section 136 of the Guwahati Municipal Corporation (GMC) Act, 1971, the GMC should prepare and submit Annual Administrative Report to Government. As per Para 5.28 (vii) of 5th ASFC Report, DHUA should ensure receipt of Annual Administration Reports from ULBs for consolidation and submission to the state legislature.

The DHUA did not receive any Annual Administrative Report from the test-checked ULBs during 2016-17 to 2019-20, as none of them prepared the same. The DHUA had not initiated any step to enforce preparation and submission of Annual Administrative Reports by the ULBs.

The DMA accepted (October 2024) that only 14 *per cent* of the ULBs has prepared Administrative Report despite being reminded many times, while GMC stated that they have submitted the Administrative Report for the year 2023-24. In the absence of Administrative Reports, updated administrative information and functional status at a glance remained unavailable for Government and the policy makers.

6.10.7 Furnishing of Utilisation Certificates (UCs)

The 5th ASFC, *vide* para 11.24 of its Report, observed that the flow of utilisation certificates from across the field was rather tardy. It was further commented that in some cases, the same structure was being funded from multiple sources of finance. Instances were replete of second instalment of funds being held up due to non-receipt of utilisation certificates for the first instalment. The ASFC opined that this lacuna needed to be effectively addressed and suggested that Government in the Finance Department and DHUA should take necessary action for furnishing of UCs by ULBs.

One of the conditions of sanctioning funds to the ULBs was that UCs should be submitted to the Director of Municipal Administration (DMA). As reported by DMA, the ULBs were instructed to furnish UCs and the selected ULBs furnished UCs in respect of 5th ASFC grants. While furnishing UCs for 5th ASFC grants, the ULBs certified that funds were utilised for the purpose for which funds were sanctioned. However, the certification did not reflect the reality, as a major part of the 5th ASFC funds sanctioned for non-salary purposes, were utilised by the test-checked ULBs for payment of salaries, as elaborated in paragraph 6.15.3.1 of this report. Thus, the UCs submitted by the ULBs were not based on actual utilisation.

6.10.8 Submission of Annual Report by DALF

As per para 87 of the Assam Audit Manual, Annual Report of DALF should be submitted to Finance Department invariably by 30th September of the succeeding year incorporating major outstanding audit observations relating to local bodies which are pending for settlement, for further action by the Finance Department. The same was reiterated by the 5th ASFC *vide* para 5.28 (ix) of its Report.

It was observed that prior to 2021, the DALF has not submitted any Annual Report to the Finance Department. The last Consolidated Audit Report (CAR) for the year 2021-22 was submitted on 02/09/2023. Thus, non-reporting of outstanding audit observations relating to local bodies for further action by the Finance Department indicate non-compliance of provision of the Assam Audit Manual.

6.10.9 Implementation of accrual based accounting system

The ASFC recommended (para 8.97) that the ULBs should adopt highly transparent accounting standard. There should be a monitoring system at the State level to oversee its implementation.

As reported (June 2023) by DMA, GoA had adopted (March 2011) Assam Municipal Accounting Manual (AMAM) based on the National Municipal Accounting Manual in respect of the ULBs. However, out of the test-checked 22 ULBs, only Silchar and Bongaigaon MBs started implementing accrual based accounting system, from the year 2019-20 and 2021-22, respectively.

The Department informed (October 2024) that the accrual based double entry system is under implementation through UPYOG module⁴¹ on a mission mode.

6.10.10 Maintenance of Macro Level Data

Under section 5.28 (xiii), the 5th ASFC observed that while micro-level accounts, in whatever rudimentary form, are maintained in ULBs, no macro level data for the entire State is maintained in the Department. It was observed by the ASFC that a system of database for ULBs should be in place for the State.

However, as of October 2023, compilation of macro level data of ULBs for the State had not been initiated by the Department. As a result, crucial data like year-wise position of collection of own funds by ULBs, *etc.*, were not available with the DMA.

The Department stated (October 2024) that a property tax portal was launched in 2022 which host a repository of metadata along with provision for analysis of the year on year increase in property tax, recollection percentage, defaulters' details *etc.*

6.11 Preparation of Urban Area Plan and its integration with District Development Plan

The Government of Assam have constituted a District Planning Committee (DPC) in each district of Assam under the provisions of Article 243 ZD of the Constitution of India. The main objective of the DPCs is to consolidate the plans prepared by the PRIs and the ULBs in the district and consolidate a draft development plan for the district. The 5th ASFC also observed that such DPCs in Assam usually did not take cognisance of plans prepared at grass roots level while consolidating district plan. The Commission, therefore, recommended (Para 13.14) that the nodal departments of ULBs should provide guidelines for preparation of urban area plans and its integration with the development plans of the district.

⁴¹ Urban Platform for delivery of Online Governance: UPYOG is the national reference platform created for the delivery of municipal services online.

The DHUA, GoA, had not yet (October 2023) issued any guidelines for preparation of development plans for urban areas and its integration with the development plans of the district as a whole. The test-checked ULBs did not prepare plan for development of infrastructure and service sectors of the concerned urban areas. Thus, preparation of development plan for urban areas and its integration with the development plans of the district was lacking.

Department stated (October 2024) that the urban area plan is prepared by the Directorate of Town and Country Planning in each district. The amended Assam Town and Country Planning Act of 2020 has included the directives for preparation of various urban plans and its integration with the development of urban areas and rural areas which are included within the master plan of the various towns of the district.

6.12 Deployment of skilled manpower to ULBs to ensure professionalism

The Commission was of the view that adequate staff strength is necessary for the purpose of effective office management. There was an urgent need of additional posts of technical and other staff. The Commission recommended (Para 8.95 and 13.37) deployment of skilled manpower to ULBs to ensure professionalism.

Three Municipal Cadres viz., Assam Urban Administrative Service, Assam Urban Engineering Service and Assam Urban Financial Service were created (October 2017). Accordingly, the following posts, as shown in **Table 6.6**, were created:

Table 6.6: Creation of cadres and posts dedicated for ULBs

Name of the posts	Number of Posts created	Posts belonging to the cadre	Posts created in
Executive Officer (Junior Grade-II)	103	Assam Urban Administrative Service	January 2023
Financial Management Officer (Junior Grade-II)	103	Assam Urban Financial Service	January 2023
Urban Technical Officer (Junior Grade-III)	103	Assam Urban Engineering Service	January 2023
Urban Technical Officer (Junior Grade-I)	103	Assam Urban Engineering Service	January 2023

However, no recruitment was done till the date of Audit. The Department, however, in its reply (October 2024) informed that the process of deployment of Executive officers, Urban Technical officers and Financial Management officers has started. A total 96 Executive Officers have been posted at various ULBs since March 2024 and the rest of the cadres were currently undergoing the training phase.

Thus, the process between notification for the post (October 2017) and actual creation of the posts (January 2023) took inordinately long time and could not be done within the award period of 5th ASFC. Unless recruitment of all these skilled and dedicated manpower are completed and training imparted, the functional efficiency and financial transparency of the ULBs cannot be achieved.

6.13 Recommendations relating to measures for Additional Resource Mobilisation (ARM) of ULBs

The 5th ASFC was of the view that the Local Bodies should gradually increase tax effort from the existing sources and encompass new revenue collection avenues. The 5th ASFC recommended six measures to be adopted by ULBs for ARM. The status of implementation of these recommendations is discussed in the following paragraphs:

6.13.1 Arrear collection of revenue

The Commission observed that before going for enhancement of rate of tax and non-tax revenue, more emphasis should be given for arrear collection of taxes by ULBs, otherwise regular tax payers would suffer and the defaulters would not change their attitude. The Commission recommended several measures for Urban Local Bodies (ULBs) to increase revenue from existing sources. These include creating demand registers for major taxes and registers for year-wise arrears by the end of the 2016-17 financial year. ULBs should also present and discuss Demand Collection Balance Statements semi-annually and review tax and non-tax revenue collections quarterly in Ward Committee meetings. Finally, they should publicly display lists of major property tax defaulters, on their boards and websites, where legally permissible.

Scrutiny (July - October 2023) revealed that none of the selected 22 ULBs prepared Demand Collection Balance Statement of revenue receipts. Of these,

- Two MBs⁴² did not have any data relating to the demand and collection of various revenues,
- Two other MBs⁴³ did not have the details of total demand,

The GMC also could not provide full details⁴⁴ of demand and collection of revenue indicating poor systemic control on the revenue collection.

Further, Review of collection of tax and non-tax revenues was not done in Ward Committee meetings of the selected ULBs. The selected ULBs also did not prepare list of major defaulters of property tax. Due to non-adoption of measures recommended by the Commission for arrear collection of revenues, huge arrears in collection of taxes and fees was noticed in case of selected ULBs during the period 2016-17 to 2019-20 as shown in **Table-6.7** below:

Table-6.7: Statement showing arrear of taxes and fees in selected ULBs during the period covered under 5th ASFC 2016-20 (₹ in crore)

Sl. No	Name of the ULBs	Total demand including arrears	Total collection	Total Arrears	% age of arrear to Total demand
1	Silchar MB	52.53	6.83	45.71	87%
2	Sapatgram MB	0.45	0.07	0.37	83%
3	Barpeta Road MB	5.05	0.95	4.09	81%

⁴² Digboi MB and Titabor MB

⁴³ Demow MB and Sonari MB

⁴⁴ Demand and collection details was provided by only one out of six Revenue Zones of GMC.

Sl. No	Name of the ULBs	Total demand including arrears	Total collection	Total Arrears	% age of arrear to Total demand
4	Marioni MB	1.08	0.26	0.81	76%
5	Jorhat MB	24.68	6.14	18.55	75%
6	Silapathar MB	1.45	0.44	1.01	70%
7	Margherita MB	0.54	0.17	0.37	69%
8	Nagaon MB	17.86	6.63	11.24	63%
9	Bongaigaon MB	29.85	14.54	15.30	51%
10	Narayanpur MB	0.89	0.47	0.42	48%
11	Biswanath Chariali MB	7.22	3.98	3.25	45%
12	Lamding MB	3.91	2.66	1.24	32%
13	North Lakhimpur MB	4.70	3.53	1.17	25%
14	Nazira MB	2.89	2.50	0.40	14%
15	GMC West Zone	30.58	28.24	2.34	8%
16	Gohpur MB	3.22	3.11	0.10	3%
17	Namrup MB	0.39	0.39	0.00	0%
	Total	187.45	83.69	106.38	

Source: Information furnished by the selected ULBs

The above table shows that a total amount of ₹106.38 crore was in arrear for collection in respect of 17 test-checked ULBs at the end of the 5th ASFC period (March 2020). The percentage of arrear to total demand was above 50 *per cent* in 9 ULBs during 2016-2020. The arrear of revenue coupled with deficiencies in maintenance of records of arrear revenue and lack of initiative in strengthening revenue management in ULBs factored adversely against the basic objective of revenue augmentation of the ULBs in the State.

During exit conference it was stated by the DMA that major revenue collection like Property Tax has been made online (Year 2023-24 onwards) and the same is getting populated in the online portal developed by GoI. It was further intimated that it includes details of arrears as well as collection of both current and arrears of property taxes including GIS based property tax demand register (prepared for 89 ULBs). The reply may be viewed with the fact that effectiveness of online system would depend on comprehensiveness of data entry of arrear demands; hence, pro-active pursuance is necessary for actual realisation of revenue.

6.13.2 Identification of Vehicle Parking Areas and collection of Fee

As per para 8.104 of the 5th ASFC Report, the Commission recommended that in all ULBs, parking areas may be identified and parking lots may be developed. Parking fee may be collected from the operators of the vehicles based on rates fixed by the Boards. Multi-storeyed parking lots may be developed in large ULBs to realise more revenue from this source and for reducing traffic congestion.

Only seven (32 *per cent*) out of the test-checked 22 ULBs levied parking fees on vehicles parked in the traditional parking areas (Bus/Auto stands) and the rest (68 *per cent*) of the test-checked ULBs did not levy parking fees. Except GMC, none of the selected ULBs identified parking areas or developed parking lots to realise additional revenue from this source.

The Department, in a generalised reply, stated (October 2024) that vehicle parking areas have been identified by some ULBs and fee is collected as per prescribed norms based on their

requirement. Evidently, there remained substantial scope for additional revenue generation for the ULBs.

6.13.3 Levy of Track rent on service providers

The Commission recommended vide para 8.107 of its report that Track rent should be levied by Municipal Bodies on optic fibre cable feeders laid by private parties as well as BSNL and all service providers. A minimum tax can also be levied on cable TV.

Audit observed that neither any provision for such levy was made in the relevant Acts, nor did the Government take any initiative to do the same in compliance with the Committee recommendations. None of the selected 22 ULBs levied Track rent on optic fibre cable feeders on private parties or on BSNL or tax on service providers of cable TV. By not levying Track rent on optic fibre and tax on cable TV, the ULBs did not explore a potential source of revenue which may have improved augmentation of their own revenue. The Government may initiate action to amend the relevant Acts for levy of Track rent.

The Department accepted (October 2024) that only 4 *per cent* of ULBs started levying track rent on service providers and the ULBs are instructed (with introduction of unified portal) to implement the commission's recommendation on levy of track rent.

6.13.4 Levy of tax on Advertisement and Hoardings

The Commission, vide para 8.108 of its Report, observed that excepting GMC, no other ULBs collected taxes on hoardings and advertisements. The Commission recommended that although Assam Municipal Act, 1956 has not specifically made provision of collection of tax on advertisement and hoardings, this can be done simply by an order of the State Government. Amendment of Municipal Act, 1956 is not necessary for this purpose.

Out of test-checked ULBs, 12⁴⁵ ULBs levied tax on advertisement and hoardings. Thus, ten test-checked ULBs did not explore the possibility of mobilising revenue from potential source like advertisement tax; neither did the Government, though accepted the recommendation, issue any instructions for levy of Advertisement/ Hoarding Tax by ULBs.

6.13.5 Income generating Schemes

The 5th ASFC, *vide* Para 8.111 of the Report, recommended that the ULBs should put more emphasis on implementation of income generating schemes.

The selected ULBs had taken up mostly non-income generating schemes under different programme and out of their own funds. Only a few income generating Schemes like construction of market sheds were taken up under 13th & 14th FC grants. Out of the total expenditure of ₹26.19crore incurred by the test checked 22 ULBs on non-salary heads out of 5th ASFC grants, only seven⁴⁶ ULBs utilised ₹1.11 crore (4 *per cent* of total expenditure by test

⁴⁵ Gohpur, Biswanath, Sonari, Nazira, North Lakhimpur, Lumding, Bongaigaon, Nagaon, Mariani, Jorhat, Titabor MB and GMC.

⁴⁶ Gohpur, Chapahowa, Narayanpur, Demow, Silapathar, Jorhat and Nagaon MB.

checked ULBs) towards execution of income generating schemes like development of parks, construction and renovation of market sheds, weaving centres, etc. The percentage of utilisation of funds for income generating schemes to total non-salary expenditure by the seven ULBs, was also very low ranging from five *per cent* (Narayanpur MB) to 34 *per cent* (Gohpur MB).

From the preceding paras it is evident that the selected ULBs did not adopt the measures recommended for additional resource mobilisation. This indicated inaction on the part of the DMA/ Department as well as ULBs to implement the recommendations for additional resource mobilisation. Due to not adopting the measures recommended for Additional Resource Mobilisation, the ULBs could not augment finances from existing and new sources and continued to rely on devolution funds.

Department stated (October 2024) that several income generating schemes have been taken up, such as, water user charges, property tax, STP as in Nagaon, hall booking, market, trade licence, cesspool cleaning, etc. Moreover, several services can be booked via the unified portal. However, such efforts would translate into augmentation of ULBs' revenue only through their expeditious execution and seamless operationalisation, which calls for pro-active pursuance by the Department/ DMA as there were several instances of delays in execution of income generating projects. It was a matter of concern that even as of March 2023, i.e. three years after close of the award period 5th ASFC, contribution of own source revenue to the total receipts for MBs like Mariani and Margherita, hovered around 10 *per cent* only. There were also instances of increasing/ high level of arrears of property tax, Short Collection of User Charges on Solid Waste Management, accumulation of arrears in the collection of Trade Licence fees/ rents/ kist money, *etc.*, under the ULBs of Jorhat and Tinsukia districts.

6.14 Constitution of a separate State Finance Commission (SFC) Cell

The successive Central Finance Commissions and State Finance Commissions had stressed the need for creation of a separate and permanent SFC Cell in State Finance Department. In this regard, the 5th ASFC, vide para 1.23 of its Report, emphasised the need for having similar SFC Cell in the Departments of Panchayat and Rural Development as well as in Urban Development Department (presently Department of Housing and Urban Affairs).

Separate SFC Cell had not yet been set up in the Urban Development Department. Even the SFC Cell in the Finance Department was not of permanent nature. Due to non-constitution of permanent and separate SFC Cell, the institutional memory for continuous availability of data/ information pertaining to successive Finance Commissions, was not ensured.

It is seen from above that although the State Government had accepted all the recommendations, as of October 2024, it had not made any legal provision for implementation of most of the recommendations. Though there have been developments in areas like deployment of skilled manpower, centralised monitoring mechanism through online portals, etc. as of October 2024, transfer of functions and functionaries to ULBs did not progress much. There was also lack of efforts to implement recommendations intended for additional resource mobilisation. Due to non-implementation of the main recommendations of the Commission,

the intention of the Constitution to endow the municipalities with adequate power, functions, resources and responsibilities to enable them to function as autonomous institutions of self-government, remained a distant goal.

6.15 Devolution and utilisation of 5th ASFC grants

6.15.1 Devolution of grants

The 5th ASFC recommended for funds devolution of total ₹2256.27 crore over a period 2016-20 in three components viz.,

- Tax devolution to cover revenue gap (₹811.48 crore);
- Specific purpose grant routed through ULBs (₹413.98 crore); and
- Grants to be routed through line departments for rectifying the deficiencies in physical infrastructure and service delivery currently being faced by GMC and other ULBs (₹1030.81 crore).

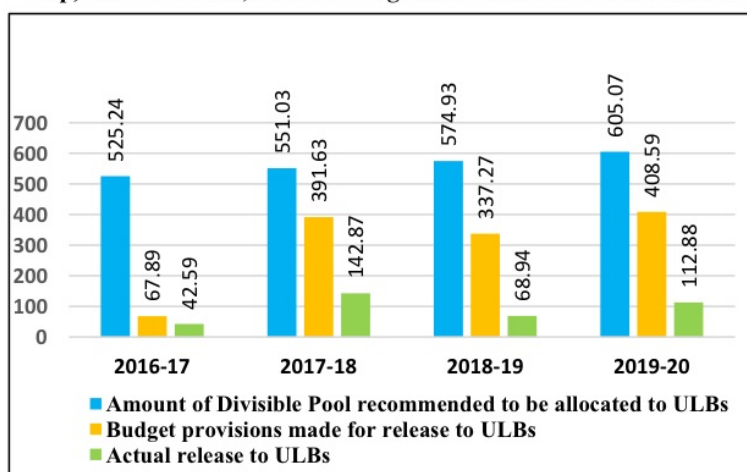
The position of funds (Grants and Tax Devolution) due to be devolved to ULBs as per recommendation of 5th ASFC and actually devolved and released to ULBs during the period 2016-17 to 2019-20, is given in **Table-6.8** below:

Table-6.8: Statement showing the Grants and Tax Devolution (Revenue Gap) due to be devolved to ULBs and released to ULBs during the period 2016-17 to 2019-20 (₹ in crore)

Year	Amount of Divisible Pool (DP) recommended to be allocated to ULBs including line departments			Budget provision made for release to ULBs including line departments			Actual release to ULBs including line departments		
	Grants	Tax Devolution	Total	Grants	Tax Devolution	Total	Grants	Tax Devolution	Total
2016-17	359.78	165.46	525.24	0	67.89	67.89	0	42.59	42.59
2017-18	362.94	188.09	551.03	223.59	168.04	391.63	15.35	127.52	142.87
2018-19	360.86	214.07	574.93	149.25	193.02	337.27	0	68.94	68.94
2019-20	361.21	243.86	605.07	164.44	244.15	408.59	2.89	109.99	112.88
Total	1444.79	811.48	2256.27	537.28	673.10	1205.38	18.24	349.04	367.28

Source: Report of 5th ASFC & Figures furnished by Finance Department and Department of Housing and Urban Affairs, Government of Assam.

It is seen from **Table-6.8** above that against ₹2256.27 crore recommended by the Commission to be devolved to ULBs and through the line departments in General Areas including GMC, only ₹1205.38 crore (53 per cent of recommended amount) was actually allocated to ULBs including GMC and line departments resulting in less allocation of ₹1050.89 crore than the recommended amount.

Chart 6.3: Comparison of Grants and Tax Devolution (Revenue Gap) recommended, amount budgeted and actual release to ULBs

Further, against the allocated amount of ₹1205.38 crore, only ₹367.28 crore (30 per cent of allocation) was released directly to the ULBs and through the line departments⁴⁷ resulting in short release of ₹838.10 crore than the actual allocation/ budget provision.

Evidently, there was a lack of prioritisation on part of Finance Department as well as DHUA, as neither the Finance Department nor the DHUA furnished any reason for short allocation and short release of funds respectively with respect to the recommendation of the 5th ASFC.

6.15.2 Devolution of Specific Purpose Grant

The 5th ASFC recommended allocation of ₹413.98 crore specific purpose grant to be routed through ULBs and ₹1030.81 crore grants to be routed through line departments for rectifying the deficiencies in physical infrastructure and service delivery currently being faced by GMC and other ULBs and to upgrade operational infrastructure. The position of Grants due to be devolved to ULBs and line departments as per recommendation of 5th ASFC and actually devolved and released to ULBs and line departments during the period 2016-17 to 2019-20, is given in **Table-6.9** below:

Table-6.9: Position of devolution of funds to ULBs and line departments as Specific Purpose Grants during the period 2016-17 to 2019-20 (₹ in crore)

Year	Amount of Divisible Pool (DP) recommended for allocation to ULBs			Budget Provision	Actual Release
	Through ULBs including GMC	Through Line Departments	Total Grants		
2016-17	103.49	257.70	361.19	0	0
2017-18	103.49	257.70	361.19	223.59	15.35
2018-19	103.49	257.70	361.19	149.25	0
2019-20	103.51	257.70	361.22	164.44	2.89
Total	413.98	1030.81	1444.79	537.28	18.24

The purposes of these Specific Purpose Grants are outlined in **Table 6.10** below:

⁴⁷ Since the ULBs are deficient in capacity to handle technical works, the ASFC grants are routed through Line Departments to ensure proper monitoring, accountability, and efficient utilisation of funds. By routing the grants through Line Departments, the government can better oversee the implementation of projects

Table 6.10: Purposes of major Specific Purpose Grants released to GMC and other ULBs

Pertaining to GMC		Pertaining to other ULBs	
Recommended amount	Purpose	Recommended amount	Purpose
Grants routed through ULBs ₹413.98 crore			
₹132.80 crore	• Solid Waste Management (₹20.00 crore), • construction/ improvement of markets (₹10 crore), • Bus Stands (₹10.00 crore), • Public Toilet (₹80.00 lakh), • Deep Tube Well (₹8 crore) and • Roads and Drains (₹84 crore)	₹281.18 crore	• Solid Waste Disposal (₹184.00 crore), • Bus Stand and Bus Terminus including park (₹42.70 crore), • Market (₹46.20 crore), • Sulabh Toilet (₹7.28 crore) • Library cum Auditorium (₹1.00 crore)
Grant of ₹1030.81 crore to be routed through Line Departments			
₹30.00 crore	• Town Hall cum Office (₹25 crore) to be executed by State PWD Building Wing and • Landfill Sites (₹5 crore) to be executed by State PWD Road Wing	₹1000.81 crore	• Water Supply Plant (₹382.55 crore), • Town Hall (₹490.00 crore), • Landfill Sites (₹112.00 crore), • Training (₹14.86 crore) and • Roads (₹1.40 crore).

The comparative position of recommended amounts under Specific Purpose Grants, allocation thereagainst by the Government of Assam and actual release to the ULBs is shown at **Table 6.11** below:

Table 6.11: Recommendation-Allocation -Release of Specific Purpose Grants

Amount Recommended by 5 th ASFC	Amount allocated by the Govt.		Amount actually released to the ULBs as of 31 March 2023	
₹1444.79 crore	₹537.28 crore (37 %)	Short Allocation: ₹907.51 crore	₹18.24 crore (1% of recommendation and 3% of the allocation)	short release: ₹519.04 crore

Out of ₹18.24 crore released under Specific Purpose Grant, GMC received ₹15.35 crore⁴⁸; while ₹2.89 crore was released to Assam Urban Water Supply and Sewerage Board, a parastatal body.

The non-release of grants to ULBs other than GMC was attributed to non-furnishing/ delay in furnishing of DPR, plan and estimates for schemes by the ULBs. However, the GoA had also not issued any instructions for submission of proposals for Schemes by ULBs. Therefore, the objective of improving solid waste management, water supply, city amenities, *etc.*, based on locally felt needs in the ULBs, remained unattended.

The above position of short allocation (63 *per cent* of recommendation not allocated) and abysmally low release (97 *per cent* of allocated sum not being released) puts to question the priorities of the State Government in strengthening the ULBs for meaningful devolution of functions in compliance with the 74th Amendment of the Constitution.

⁴⁸Includes ₹1.00 crore for Deep Tube Well, ₹0.10 crore for Toilet, ₹1.25 crore for Bus Stand, ₹10.50 crore for Roads and Drains and ₹2.50 crore for Solid Waste Disposal.

6.15.3 Utilisation of Grants

Scrutiny (July-October 2023) of records of test checked ULBs showed that even the 5th ASFC grants that percolated to the ULBs, were not utilised in accordance with what had been envisaged by the SFC. As discussed in subsequent paragraphs, while most of the funds were used up on salary expenditure in deviation from SFC guidelines, there were instances of incomplete execution of projects and other procedural/ financial irregularities leading to frustration of objectives and excess expenditures.

6.15.3.1 Diversion of Grants for meeting salary expenditure

As per Para 10.88 of 5th ASFC Report, tax devolution of ₹811.48 crore for ULBs for the period 2016-17 to 2019-20, intended to cover revenue gap, was to be primarily used for asset creation like roads, buildings, drinking water supply, markets, *etc.* As per para 8.85 (v) of the 5th ASFC report, salary and wages of the employees should be met out of own resources with a maximum of 30 *per cent* of devolution of funds meant for bridging revenue gap. The amount recommended each year as tax devolution may be provided in the State Budget of the respective year under the concerned major head of account showing the minor and detailed heads separately for each category of ULBs.

The Government released a total amount of ₹359.13 crore to ULBs as tax devolution for revenue gap during the period 2016-17 to 2019-20 from the budget under the Head of Account “2217-Urban Development-80-General-192-Assistance to Municipalities/Town Committees-32-Grants-in-Aid (Non-Salary)-99-others” under Grant No. 34 -Urban Development. In the sanction orders for release of funds, it was stated that the funds for revenue gap may be utilised by ULBs as recommended by the 5th ASFC vide recommendation at para 10.88 (*i.e.* primarily for asset creation like road, building, drinking water supply, village markets, *etc.*). However, in January 2018, GoA relaxed the 30 *per cent* limit of grants for utilisation for payment of salary and wages and released the entire amount of ₹42.58 crore for the year 2017-18 for payment of salary and wages.

Out of 82 ULBs in General Areas of Assam, three ULBs⁴⁹ did not get any ASFC funds as these were newly constituted MBs. Only GMC has utilised the 5th ASFC funds for non-salary purposes. The percentage of salary expenditure met out of 5th ASFC grants by the remaining 78 ULBs is depicted in the **Table 6.12** below:

Table 6.12: Utilisation of 5th ASFC fund on salary by ULBs during 2016-17 to 2019-20

Sl. No.	Percentage of utilisation of 5 th ASFC fund for salary	No. of ULBs
1	100	22
2	Between 90 and 99	28
3	Between 70 and 89	18
4	Between 30 and 69	9
5	Below 30	1

⁴⁹ No fund was released to Sootea, Jamugurihat and Golokganj MB as these were newly constituted MBs.

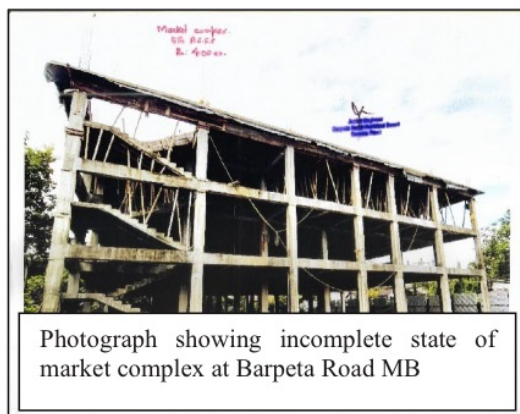
This indicated that the ULBs utilised devolution grants released under 5th ASFC recommendations mainly for payment of salaries to regular and contractual staff instead of utilising it for development works, ignoring the recommendation of the 5th ASFC as well as conditions of sanction of funds. This was mainly due to the fact that the ULBs did not have sufficient own source of income. The Government had also acted against the basic tenet of the Commission's recommendation by abolishing the limit (30 *per cent*) of expenditure on salary out of the devolution grants. Thus, due to utilisation of Tax Devolution for Revenue Gap by ULBs mainly for salary purpose, the objective of granting *i.e.*, for creation of assets like road, building, drinking water supply, village markets, *etc.*, remained unfulfilled.

The Department stated (October 2024) that the above limit was relaxed by the Government as per the decision of the Cabinet.

6.15.3.2 Incomplete Works

i) Incomplete market complex: As per recommendations of 5th ASFC, grant amounting to ₹4.00 crore was to be provided to Barpeta Road MB for construction of Market Complex during the four years 2016-17 to 2019-20. The Commission recommended ₹1.00 crore per year in four phases for the said project.

Barpeta Road MB took resolution to construct Market Complex at Ward No. 9 of the MB out of the funds recommended by the Commission and submitted DPR for the Scheme in October 2017. Director of Municipal Administration requested the Secretary to the GoA, DHUA, Dispur in November 2017 to accord necessary Administrative Approval (AA) to the Scheme and accorded financial sanction of ₹1.00 crore for the year 2017-18. DHUA accorded AA to the scheme in October 2019, *i.e.*, after almost two years from the matter being submitted to it. Executive Officer, Barpeta Road MB floated tender for the work in June 2020 for estimated value of ₹4.00 crore. The work order was issued in July 2020 with stipulated time for completion as 48 months.



Photograph showing incomplete state of market complex at Barpeta Road MB

As reported by the Executive Officer, Barpeta Road MB, 60 *per cent* physical progress was made as of September 2023, but no funds were released against the work under 5th ASFC. DHUA accorded a revised AA to the work in November 2021 and an amount of ₹2.40 crore was released to the MB under 6th ASFC out of which an amount of ₹1.99 crore was paid to the contractor against the executed work.

Thus, the work taken up for execution under 5th ASFC grants remained incomplete till date (September 2023), as shown in the photograph, due to initial delay by the Department in giving AA followed by revision of the AA and delay in release of funds. The work remained incomplete even after lapse of almost seven years from submission of DPR, defeating the

objective of providing market infrastructure in Barpeta Road municipal area within the 5th ASFC award period.

The Department, however, did not offer any cogent reason behind delay in according AA. It was only informed (October 2024) that out of ₹4.00 crore, ₹2.40 crore has already been released during 2022-23 to Barpeta Road MB and the work had 80 *per cent* progress. Now they have submitted the physical progress report of 80 *per cent* completion of work. Proposal for revalidation of Administrative Approval has been submitted which is under the disposal of Finance Department.

ii) Incomplete bus-stand: As per recommendation of 5th ASFC, a grant of ₹15.75 crore was to be released to 21 MBs including Barpeta Road MB at the rate of ₹75.00 lakh per MB for construction of Bus Stands.

DHUA, GoA accorded AA (November 2019) to the work of construction of R.C.C Bus Stand Building at Barpeta Road MB under 5th ASFC grants for creation of capital assets for an amount of ₹60.00 lakh. Barpeta Road MB prepared plan and estimates for the work which was technically approved by Additional Chief Engineer, PWD (Buildings) Assam, in March 2020. Executive Officer, Barpeta Road MB floated tender for the work in June 2020 for an estimated value of ₹60.00 lakh. The Board awarded the work (August 2020) with stipulated time for completion as 48 months. The Board authority reported 70 *per cent* physical progress with a bill value of ₹41.93 lakh as of February 2021. However, no funds were received against the work, from the GoA till September 2023 and no payment was made to the contractor. The work remained incomplete as of September 2023, as shown in the photograph.

Thus, the Department accorded AA; but, did not release any funds for 3 years and 11 months for construction of a RCC bus stand at Barpeta Road municipal area. The work, initiated on the AA halted midway, leaving an unpaid liability of ₹41.93 lakh under 5th ASFC. No pursuance by the ULB was found to be on records. The primary SFC objective of creation of bus-stand infrastructure for citizens remained unachieved.

The Director Municipal Administration, Assam stated (October 2024) that since the AA expired in the year 2022-23, the proposal for revalidation of AA amounting to ₹60 lakh has been submitted to the Government.

iii) Incomplete water supply projects: The 5th ASFC recommended for allocation of ₹382.55 crore for installation of water Supply Plants in ULBs to be executed through Line Departments.

Accordingly, the Urban Development Department (later renamed as Housing & Urban Affairs Department) made budget provision for a total amount of ₹239.10 crore for Water Supply Schemes for ULBs. The scheme included construction of reservoirs cum



Photograph showing incomplete state of RCC Bus stand at Barpeta Road MB

treatment plants and laying and installation of distribution pipes. The Department accorded (September 2018) AA to nine Water Supply Schemes (WSS) for a total amount of ₹78.90 crore to be executed by the Assam Urban Water Supply & Sewerage Board (AUWSSB). AUWSSB initially floated tender for the works in January 2019 followed by re-tendering, and work orders were issued in July 2019. A total amount of ₹288.77 lakh was released (March 2020) against five WSSs out of the seven schemes. However, actual commencement of the works was delayed as there was delay in handing over of sites. Out of the nine works against which Administrative Approval was accorded,

- Two works (Doomdooa and Badarpur WSS) were not commenced till September 2023 and work orders were cancelled.
- The physical progress of the remaining seven works ranged from 2 *per cent* (in Dhemaji WSS) to 18 *per cent* (in Barpeta WSS) only till date of Audit.

It was stated (October 2024) by AUWSSB that the works (excepting those for which work orders were cancelled) are in progress now as the AA has been received from the Government under the 6th ASFC and the work orders issued in December 2023 and March 2024. However, as of September 2024 *i.e.* even after lapse of more than four years and a half from release of funds, physical progress ranged only between 8 and 25 *per cent*.

Thus, due to delay in handing over of sites for execution coupled with delayed release of funds, two projects remained non-starters while none of the remaining seven water supply works progressed much as of October 2024.

6.15.3.3 Excess expenditure due to preparation of inflated estimates

GMC, Barpeta Road MB and Nagaon MB prepared plan and estimates for works executed under 5th ASFC grants based on Assam Public Works Department, Schedule of Rates (SOR) for the year 2016-17 & 2017-18. The basic rates of SOR were inclusive of all octroi charges, toll tax, sale tax, VAT (@ 5 *per cent*), municipal taxes, forest royalty and other local taxes, etc. including loading and unloading.

However, it was found in audit that the ULBs ignored the 5 *per cent* VAT included in the SOR and prepared the plans and estimates adding GST at the rate of 12 *per cent* on the items of works which was inclusive of VAT. This resulted in the estimates getting inflated by ₹7.03 lakh as elaborated in **Table -6.13** below:

Table-6.13 Details of inflated estimates prepared by the selected ULBs (₹ in lakh)

Name of ULB & (nos. of works)	APWD SOR referred	Basic rate inclusive of 5 % VAT	Adjusted basic rate excluding 5 % VAT	Estimates prepared after charging 12% GST on rate inclusive of VAT (col 3)	Estimate after charging 12 % GST on adjusted rate (col 4)	Excess estimates (Col 5 - col 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
GMC (9 works)	2017-18	38.65	36.81	43.29	41.23	2.06
Barpeta Road (1 work)	2016-17	12.33	11.74	13.81	13.15	0.66
Nagaon MB (5 works)	2018-19	80.74	76.90	90.43	86.12	4.31
		131.72	125.45	147.53	140.50	7.03

Due to preparation of inflated estimates, these ULBs provided undue financial benefit to contractors amounting to ₹7.03 lakh in respect of 15 works, records of which were made available to audit. The respective authorities may fix responsibility upon the concerned officer for preparing inflated estimates resulting in extra expenditure.

Department stated (October 2024) that letter was being issued to the respective ULBs and further action is being processed.

6.15.3.4 Works awarded without competitive bidding

The conditions of Administrative Approval and Financial Sanction accorded by the Joint Secretary, Urban Development Department, Government of Assam for utilisation of grants under 5th ASFC, *inter alia*, provide for calling of NIT for fixation of rates as per Assam Financial Rules, 1939 and relevant rules and procedures.

(i) Work awarded based on single tender: Joint Secretary, Guwahati Development Department⁵⁰ accorded (March 2018) AA to an amount of ₹21.00 crore for the work “Roads and Drains” under 5th ASFC during the year 2017-18 to be executed by the Commissioner, GMC. On the strength of the said AA, GMC authority prepared Plan and Estimates for 65 works and technical sanction was accorded by the Chief Engineer, GMC in July 2018.

As per Bid Evaluation Summary of different works, tender was floated through e-Procurement System. As per the Minutes of the meeting of Tender Evaluation Committee held on 10/09/2018, only one tender was received in case of eight packages consisting of total 24 works. The Committee decided to open the single tender received against each of the works and the works were awarded (September 2018) to the single bidder for a total award value of ₹220.97 lakh on the ground that the works were to be taken up on priority basis.

The sense of urgency in the work was, however, not forthcoming from records as there was a gap of almost seven months from the date of AA to the award of the work.

Thus, by not resorting to re-tendering, availability of competitive rates was not ensured.

ii) Works without tender formalities: No tender was floated by Silapathar MB (eleven works) and Mariani MB (one work) which were executed through contractors and incurred a total expenditure of ₹37.10 lakh out of funds received under 5th ASFC. Awarding of works without inviting tender was irregular and as a result, economy in execution through competitive bidding could not be ensured.

iii) Non-selection of lowest bidder: Lakhimpur MB awarded eight works to the highest bidders without valid reasons sustaining loss of total amount of ₹2.50 lakh due to ignoring lowest bidding value. Both the Chairman and the Executive officer (EO) of the MB approved the Comparative Statement based on which work orders were issued resulting excess expenditure of ₹2.50 lakh.

⁵⁰ Later merged into Housing & Urban Affairs Department

6.15.3.5 Irregular Expenditure

As per the conditions of Administrative Approval and Financial Sanction accorded by the Joint Secretary, Urban Development Department, Government of Assam, Technical Sanction was to be obtained before execution of works from the competent technical authority⁵¹.

Audit observed that Digboi MB executed 46 Schemes (Improvement of Roads) by splitting the original work valuing ₹1.05 crore simply to avoid obtaining Technical Sanction to the Plan and Estimates. Splitting of work without obtaining Technical Sanction was violation of conditions of Administrative Approval and Financial Sanction, leading to irregular expenditure of ₹104.88 lakh incurred against these works.

6.15.3.6 Doubtful supply of dustbin

Executive Officer, Mariani MB procured 154 Nos. of Dustbins through suppliers at the total cost of ₹13.71 lakh out of 5th ASFC funds during the year 2017-18. However, neither delivery challans (which was to contain vehicle Registration No., certificates of receipt of materials, stock entry certificate, *etc.* on its face) nor any stock book were available in support of delivery of dustbins. In absence of delivery challans, stock entry, material receipt certificate, *etc.*, actual supply of the Dustbins worth ₹13.71 lakh could not be verified in audit.

Department stated (October 2024) that the ward level committee was instructed as per board decision to implementation of the project; but, due to oversight, the vehicle registration number was not recorded but Challan of the delivery of dustbin would be produced to audit. Thus, the ULB/ Department was unable to produce challans even after passage of more than six years.

6.15.3.7 Creation of liability under 5th ASFC

For construction/ improvement of bus-stand in ULBs and ULB markets, total amount of ₹3820.00 lakh at the rate of ₹955.00 lakh per year was recommended by the 5th ASFC. As per Annexure 8.8 of 5th ASFC Report, an amount of ₹75.00 lakh was to be allocated to Barpeta Road MB for construction/ improvement of market building and ₹200.00 lakh was to be allocated to Bongaigaon MB for construction of Market complex and Bus Stand at the rate of ₹100.00 lakh each.

Urban Development Department, Government of Assam accorded administrative approval to the aforesaid works and the concerned ULBs (Barpeta Road MB and Bongaigaon MB) floated tenders and awarded the works to contractors as shown in **Table-6.14** below:

Table-6.14: Details of approval and award of works**(₹ in lakh)**

Sl. No.	Name of work	Date of Admin. Approval	Date of Floating Tender	Date of Awarding work	Tender Value
1	Construction/ improvement of market building at Barpeta Road MB	06/12/2019	07/03/2020	06/08/2020	30.00
2	Construction of RCC three storied Bus Stand at Bongaigaon MB	16/11/2019	29/02/2020	19/03/2020	48.15

⁵¹ Executive Engineer of respective department is the Competent authority for technical sanction to original works upto ₹10 lakh

Sl. No.	Name of work	Date of Admin. Approval	Date of Floating Tender	Date of Awarding work	Tender Value
3	Construction/ improvement of Ground Floor market Complex at Bongaigaon MB	06/12/2019	05/02/2020	25/02/2020	39.96
	Total				118.11

It is seen from above that there was delay in according AA and subsequent finalisation of contracts and awarding of works. Although, 100 *per cent* physical progress was achieved in all the three works, no payment was made to the contractors due to non-release of funds by DHUA against the works. As a result, total liability of ₹118.11 lakh was created towards execution of the works under 5th ASFC.

This represented lacuna in financial management of ASFC funds. In spite of specific approval of the 5th ASFC for construction of market/ bus stand, the Government did not ensure expeditious execution and timely flow of funds for their completion within the award period. The DHUA intimated (October 2024) that proposal has been submitted to the Government for revalidation of expired AAs. However, during exit conference, the Finance Department stated that for ensuring timely execution of SFC projects, decision has been taken not to release further funds for unfinished works of one SFC from subsequent SFCs. Thus, clearance of the above-mentioned liability relating to 5th ASFC projects remained uncertain.

6.16 Monitoring Mechanism

The Assam Municipal Act, 1956 and GMC Act, 1971 contain provisions enabling the GoA to monitor and ensure proper functioning of the Urban Local Bodies. The 5th ASFC was of the opinion that in view of increasing fund flow in the form of own Revenue Receipts, transfer from SFC and CFC grants, a multi-level multi-pronged well-structured monitoring mechanism was required for guiding the implementation of various schemes effectively, besides overseeing the overall functioning of the ULBs. The status of implementation of recommendations regarding monitoring mechanism in ULBs is discussed in the following paragraphs:

6.16.1 Reconstitution of High-Power State Level Monitoring Committee

While reiterating the recommendation of previous SFC (4th ASFC) for constitution of a High Level Monitoring Committee, the 5th ASFC recommended to include more members and cover additional matters in its ambit. The Commission recommended to reconstitute the existing High Level Monitoring Committee headed by the Chief Secretary with Finance Secretary and Secretaries of concerned Departments as members, through inclusion of more members covering heads of the concerned line departments. Apart from monitoring the CFC grants, it should cover SFC grants and other development activities of Local Bodies.

Although there existed a High Level Monitoring Committee headed by the Chief Secretary with Finance Secretary and Secretaries of concerned Departments as members for monitoring Central Finance Commission Grants, the State Government did not reconstitute the Committee including more members covering Heads of the concerned line departments. Further, monitoring of State Finance Commission Grants and other development activities of ULBs

remained outside the ambit of the Committee. As the High Power State Level Monitoring Committee was not reconstituted by the State Government, proper monitoring of SFC grants was lacking, which facilitated excess expenditure, irregular expenditure, incomplete works, delay in according AA and release of funds as elaborated in preceding Paras 6.15.3.1 to 6.15.3.7.

6.16.2 Constitution of District Level Monitoring Committee

The 5th ASFC recommended that a District Level Monitoring Committee should be constituted to review the status reports and recommendations of the review meeting held at ULBs. The Committee should include representatives from independent agencies, in addition to those from ULBs, and will meet twice in a year during April and October. The proceedings of the meeting with views and recommendations should be submitted to the High Level State Committee for monitoring the activities of ULBs.

It was reported by the DMA, that a District Level Monitoring Committee was constituted by Finance (Economic Affairs) Department headed by Deputy Commissioner as Chairperson and officials and elected representatives of ULBs as members. However, no such committee existed in fifteen out of 22 test-checked districts and in the remaining seven test-checked districts, although such committee existed, no activities/ meetings were carried out by these committees.

6.16.3 Deployment of Technical Persons for Physical Verification and Supervision of Works

The 5th ASFC emphasised the need of physical verification on execution of works relating to ULBs by technical personnel of Directorate of Municipal Administration (DMA). The Superintendent Engineer and Sanitary Engineering Adviser, Assistant Engineer along with Junior Engineer of DMA, Assam should supervise the field works through physical verification of execution of schemes in order to facilitate issuance of utilisation certificate. The technical personnel from the office of the Deputy Director of Town and Country Planning should also supervise and monitor the activities of the MB in their jurisdiction.

Although it was reported (June 2023) by DMA that Technical persons from DMA and Directorate of Town and Country Planning supervised and monitored works executed by the ULBs, no monitoring reports were available. Absence of monitoring may be viewed with instances of works remaining incomplete as elaborated earlier in this report (*vide* para 6.15.3.2).

The DMA stated (October 2024) that Assistant Engineers, Junior Engineers, and Urban Technical Officers had been recruited and field visits were being conducted from time to time. Thus, execution of projects under 5th ASFC was affected by absence of Engineering staff at ULB level for the whole of award period of 5th ASFC and most of the award period of 6th ASFC.

6.16.4 Monitoring through Social Audit

The 5th ASFC was of the view that one of the key monitoring mechanisms was the continuous social auditing of the performance of ULBs. The concept of Social Audit and participation of

people should be encouraged and Ward Committee/Area Sabha should be given the responsibilities for Social Audit of ULBs. The objective of Social Audit is to make the people aware of the activities of ULBs by way of enabling them access to its records and documents, thereby promoting transparency and accountability in the activities of Local Bodies.

In none of the test checked ULBs, “Area Shabha”/ Ward Committees were constituted. Due to non-constitution of “Area Sabha”/ Ward Committees, monitoring of the progress of schemes/ works through Social Audit did not materialise. In the absence of Social Audit, the progress of 5th ASFC works as well as another beneficiary-oriented flagship program like PMAY (U)⁵² were not sufficiently monitored.

6.17 Conclusion

Although the Government of Assam accepted all the recommendations of the 5th ASFC relating to ULBs, it had not made it statutorily binding on itself by incorporating legal provisions for implementation of most of the recommendations. Out of the recommendations for which notifications were also issued, only a few recommendations were implemented. Due to non-transfer of Functions and Functionaries and inadequate transfer of Funds to ULBs, the intention of the Constitution to endow the municipalities with adequate power, functions, resources and responsibilities to enable them to function as autonomous institutions of self-government, did not materialise.

Overall unpreparedness of the ULBs in making use of the SFC grants was evident from the instances of diversion of devolution grants (Revenue Gap) meant for asset creation for salary expenditure, inordinate delay in initiation of projects and stalling/ non-completion of projects, etc.

Though successive SFCs emphasised on income generating schemes for augmenting own source revenue of ULBs, there was little initiatives towards the same and the ULBs remained heavily dependent on grants from CFC/ SFC/ Departments.

Only a minuscule part of the grants (both grants for addressing revenue gap and Special Purpose Grants) recommended by the 5th SFC, actually percolated to the ULBs. Even thereafter, substantial part of revenue gap grants was utilised to meet salary expenditure in deviation from scheme guidelines. The situation was found to be further compounded by instances of works approved under 5th ASFC remaining incomplete for non-release of funds by the Department.

As regards the financial accountability and transparency of the ULBs, though there has been a positive shift since Audit flagged areas of lacunae, sustained pursuance is needed for maintenance of accounting records, adoption of new accounting methods, etc.

⁵² Progress of works under PMAY (G) was not satisfactory as the percentage of completion of houses to houses sanctioned ranged from 17 to 93 *per cent* in ULBs and only three ULBs attained 100 *per cent* completion of houses sanctioned.

A well-structured multi-level monitoring mechanism (e.g. High-Power State Level Monitoring Committee, District level Monitoring Committees, etc.) for analysing and sorting out the bottlenecks in implementation of ASFC recommendations and functioning of the ULBs was yet to be made fully functional. This adversely affected implementation of projects under 5th ASFC and also overall progress in strengthening of the ULBs to assume necessary powers to function as institutions of self-government.

6.18 Recommendations

The GoA may consider implementation of the following measures:

- i) Bringing out formal notifications for devolution of functions making devolution of funds and functionaries statutorily binding;**
- ii) Setting target dates/ attainable milestones for the ULBs for adoption of accountability and financial transparency related measures recommended by the 5th ASFC and pursuing them with more pro-active approach;**
- iii) Strengthening of DALF through filling up of vacancies;**
- iv) Guiding the ULBs for tapping potential sources of their own revenue and closely pursuing their implementation in sustained manner for ensuring financial strengthening of ULBs. The status of 5th ASFC projects stalled midway owing to dearth of funds needs to be reviewed on priority and a roadmap needs to be created for their timebound completion;**
- v) Assigning utmost priority on taking up, execution and operationalisation of revenue generating assets by the ULBs;**
- vi) Activating the multi-level monitoring mechanism envisaged by the 5th ASFC (e.g. High-Power State Level Monitoring Committee, District level Monitoring Committees, etc.).**

CHAPTER-VII

Audit of Municipal Corporations

Chapter-VII

Audit of Municipal Corporations

7.1 Undue benefit extended to Supplier on hiring of Poclain machines

The Guwahati Municipal Corporation (GMC) deviated from the terms and conditions of tender while issuing work order for hiring of Poclain machines and thereafter extended undue financial benefit of ₹65.19 lakh to the supplier by not recovering the price of fuel issued by the GMC for those hired machines.

As per Section 98 of Guwahati Municipal Corporation Act, 1971, every contract for execution of any work or the supply of the materials or goods shall *inter alia* specify the work to be done or the materials or goods to be supplied and the amount to be paid for such work, materials or goods. The National Municipal Accounts Manual⁵³, vide its para 5.8, also emphasised upon necessary pre-payment checking of claims by the functional department and the accounts department of the Urban Local Bodies.

The Guwahati Municipal Corporation (GMC) invited (December 2021) tender for hiring of Poclain machines (excavator machines) for dump-site dressing at the Boragaon dumping ground, Guwahati. Clause 2(h) of the tender document specified that all rates to be quoted, should be inclusive of POL⁵⁴ and no POL would be issued by the GMC. GMC selected M/s One To Ten Solutions Pvt. Ltd. (Supplier) for supply of two Poclain machines at the rate of ₹25,560 per day for each machine.

Though the offered rate was inclusive of POL, the Engineering Wing, Division IV of GMC, while issuing the work order⁵⁵ in March 2022, deviated from the terms and conditions of the tender and mentioned that the fuel would be issued by GMC (Janxala Branch⁵⁶ of GMC) to those hired machines and the price of fuel would be deducted from the bills submitted by the supplier.

Scrutiny (December 2023) of records of the Commissioner, GMC, revealed that during April 2022 to November 2022, two Poclain machines were used and 97,790 litres of diesel was issued during this period. The supplier claimed ₹1.96 crore against supply of poclain machines, which was paid in full by GMC between June 2022 and February 2023.

Scrutiny of bills and the log-books of the Poclain machines revealed that while submitting the claims for April and May 2022, the supplier deducted ₹19.90 lakh at rates mentioned in the bills, being the price of 22,035 litres of diesel departmentally issued by GMC. Such deduction was in conformity to the work order stipulation.

⁵³ Brought out by the Ministry of Urban Development, Government of India in November 2004 comprehensively detailing the policies, procedures, guidelines for maintenance of accounts of ULBs.

⁵⁴ Petroleum, Oil and Lubricant

⁵⁵ Signed by the Commissioner, GMC

⁵⁶ Erstwhile Garage Branch, GMC

However, while submitting the hiring bills for the period from June 2022 to November 2022, the quantity and price of the diesel (75,755 litres of diesel valuing ₹65.19 lakh) was neither indicated in the bills by the supplier, nor was the same deducted from the bills by the GMC. The verifying authority (the Engineering Division) in the GMC did not cross verify the bills with the log books maintained at *Janaxala* Branch of the GMC and forwarded the bills for payment to accounts wing. The details of amount claimed by the supplier, actual payment made and value of diesel not deducted, are shown in the **Table 7.1** below:

Table 7.1: Details of bill claimed by the supplier and paid by the GMC

Claim for the month	Diesel issued (litre)	Rate of diesel per litre (₹)	Amount claimed by Supplier (₹)	Cost of diesel not deducted(₹)	Payment made (₹)	Excess payment made (₹)
April 2022	22,035	91.4 for 46 days	26,15,516 (after adjusting 19,89,978)	Nil	26,15,516	Nil
May 2022		83.94 for 10 days				
June 2022	13,260	96.01	26,82,202	12,73,093	26,82,202	12,73,093
July 2022	13,702	83.94	44,57,664	11,50,146	44,57,664	11,50,146
Aug 2022	13,256	83.94	26,50,891	11,12,709	26,50,891	11,12,709
Sept 2022	12,754	83.94	26,00,730	10,70,571	26,00,730	10,70,571
Oct 2022 & Nov 2022	22,783	83.94	45,99,522	19,12,405	45,99,522	19,12,405
Total	97,790		1,96,06,525	65,18,924	1,96,06,525	65,18,924

Thus, though the supplier was required to bear the cost of POL for the Poclain machines as per tender and work order, the supplier did not deduct the price of the departmentally issued POL while submitting the claims, except for the months of April and May 2022. The GMC authorities also did not recover the price of POL by cross verifying the records of issue of POL to those machines.

Thus, an undue financial benefit of ₹65.19 lakh was extended to the supplier, first by issuing work order in deviation from tender conditions and thereafter, by not recovering the cost of POL issued by the GMC from the bills against supply of Poclain machines.

The Commissioner, GMC, during exit meeting, stated (February 2024) that the matter would be verified and if required, the amount would be recovered from the supplier.

The Commissioner, GMC may ensure that proper verification of bills with the terms and conditions of contract/ supplies is done before making payments. Further, responsibility may be fixed at the appropriate levels for the lapse leading to excess payment.

The matter was reported to the Government in July 2024; their reply has not been received (July 2025).

7.2 Infertuous expenditure on construction of market complexes in Guwahati

The construction of two market complexes by Guwahati Municipal Corporation was closed after incurring an expenditure of ₹3.07 crore as the funds earmarked for these works were diverted for payment of an arbitral award. The unfinished constructions remained abandoned even after eight years of scheduled date of completion rendering the expenditure infertuous.

Under the award of the 4th Assam State Finance Commission (ASFC) for improvement of city services, Finance (Economic Affairs) Department⁵⁷, Government of Assam sanctioned (March 2013) ₹26.00 crore (being the 1st Instalment) to Guwahati Municipal Corporation (GMC). Out of ₹26.00 crore⁵⁸, ₹5.00 crore was earmarked for construction of two market complexes at Ulubari (₹3.00 crore) and Ganeshguri (₹2.00 crore).

The construction work of the two market complexes at Ulubari and Ganeshguri was awarded in May 2014 to the respective lowest bidders following tendering process. The work was stipulated to be completed within 18 months from the date of issue of work order *i.e.*, by November 2015.

Scrutiny (November 2023) of records of the Commissioner, GMC revealed that neither of those two market complexes, though scheduled to be completed by November 2015, were completed before the works were decided to be closed in August 2021 after incurring an expenditure of ₹3.07 crore. The summarised position was as under:

Table 7.2: Physical and financial progress of two construction of market complexes

Name of the market	Contract value	Expenditure incurred	Since when the construction work has been lying abandoned
Ulubari multi-storey market complex	₹2.60 crore	₹1.49 crore (last payment in January 2021)	August 2021
Ganeshguri multi-storey market complex	₹1.85 crore	₹1.58 crore (last payment in November 2021)	March 2021

The situation was attributable to the fact that out of the 4th ASFC award of ₹26.00 crore, ₹7.80 crore was diverted by GMC in September 2015 for paying the arbitral award ordered by the Hon'ble Gauhati High Court in some other cases⁵⁹. In August 2021, construction of both the market complexes⁶⁰ were decided to be closed in a meeting chaired by the Additional Chief Secretary, Housing & Urban Affairs Department due to paucity of funds.

Ulubari multi-storey market complex: The work of Ulubari market complex was awarded (May 2014) to the contractor at ₹2.60 crore. Records showed that the GMC handed over the site in October 2014 and the date of completion postponed to April 2016. However, due to non-

⁵⁷ The nodal Department for release of funds of SFC

⁵⁸ The breakup of ₹26.00 crore is as follows: (i) Construction of Zonal Office – ₹ 4.00 crore (ii) Solid Waste Management – ₹ 5.00 crore (iii) Roads & Drains – ₹ 5.00 crore (iv) Construction of four Markets – ₹ 10.00 crore and (v) Water Supply Production – ₹ 2.00 crore.

⁵⁹ ₹7.80 crore was paid by GMC in September 2015, to three construction firms from the 4th ASFC grant as Arbitral award including interest.

⁶⁰ Along with one more market complex at Fatasil, Guwahati which is under multiple litigations.

payment of the 2nd Running Account bill (₹ 0.61 crore), the work was left incomplete by the contractor for three years since 2017. The contractor restarted the work in October 2020 and the second (₹0.61 crore) and third (₹0.25 crore) RA bills were paid in January 2021 and September 2021, respectively. The GMC, however, did not pay the fourth RA Bill for ₹0.22 crore on the ground of paucity of funds and the work was closed as per decision taken in August 2021 at the Department level. The construction remained stalled for more than three years till date (August 2024).



(B) Ganeshguri multi-storey market complex:

The work of Ganeshguri market complex was awarded (May 2014) to the contractor at ₹1.85 crore with a target of completion by November 2015. However, owing to paucity of funds the work could not be completed and the work remained un-executed since March 2021. A payment of ₹1.58 crore was made to the contractor till November 2021. The incomplete work remained abandoned as of August 2024 even after more than eight years of its scheduled date of completion as the work was prematurely closed as per Department level decision of August 2021.



Thus, payment of the court arbitral award by diverting the ASFC funds meant for specific schemes⁶¹ was irregular. The same may further be viewed with the fact that during the financial year 2015-16, GMC had substantial balance⁶² accumulated as its own fund from its tax revenue, income from municipal markets, user charges, *etc.* However, instead of meeting the arbitral burden from GMC's own accumulated funds or from any other source, the 4th ASFC funds meant for ongoing construction of market complexes were diverted. The GMC did not mobilise further funds from its own resources for next six years, neither did the Department arrange for completion of the projects before the works were finally decided to be closed in August 2021. Thus, the work of construction of two market complexes remained abandoned even after eight years of scheduled dates of completion. As a result, the expenditure of ₹3.07 crore incurred so far by the GMC out of 4th ASFC award became infructuous.

⁶¹ Construction of zonal offices, roads and drains, market complexes and improvement of existing water supply schemes.

⁶² ₹80.34 crore

The matter was reported to Government in December 2024; their reply has not been received (July 2025).

CHAPTER-VIII
Function Based Audit of Urban
Local Bodies

Chapter-VIII

Function Based Audit of Urban Local Bodies

8.1 Introduction

Function Based Audit with a District-Centric focus is a comprehensive approach to auditing that focuses on evaluating the performance and effectiveness of various programs and services at the district level. This method provides a localized assessment, ensuring that resources are used efficiently and that public services meet the needs of the community.

District-Centric audits are essential for fostering effective governance and sustainable development at the local level. By focusing on specific districts, these audits provide a detailed assessment of resource utilisation, service delivery, and the implementation of socio-economic programs. They promote accountability and transparency among local authorities, ensuring that public funds are used efficiently and for their intended purposes. Additionally, District-Centric audits help identify gaps and inefficiencies, leading to targeted improvements in public services.

8.2 Audit Scope and Methodology

8.2.1 Functions and Activities selected for District-Centric Audit

The 74th Constitution (Amendment) Act, 1992, envisaged the transfer of 18 functions as listed in Twelfth Schedule of the Constitution. Out of 18 functions as per Twelfth Schedule of the Constitution of India, ULBs in Assam are solely responsible for three functions⁶³; had no role in five functions⁶⁴ and in the remaining 10 functions⁶⁵, the ULBs were mere implementing agencies with minimum role or were having overlapping jurisdiction with State departments and parastatal bodies.

In case of Guwahati Municipal Corporation, though the sanitation and SWM related works are done by GMC, sanitation works are also done by PHE Department, and water supply is

⁶³ (i) Burials and burial grounds, crematoriums, cremation grounds, electric cremation grounds, electric crematoriums; (ii) Cattle pounds, prevention of cruelty to animals; (iii) Regulation of slaughter houses and tanneries.

⁶⁴ (i) Urban Planning including Town Planning and (ii) Fire Services (iii) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded, (iv) Promotion of cultural, educational, and aesthetic aspects, (v) Vital Statistics including registration of Births and Deaths.

⁶⁵ (i) Regulation of land use and construction of building (ii) Slum improvement and up gradation (iii) Roads and Bridges (iv) Urban Forestry, protection of the environment and promotion of ecological aspects (v) Planning for economic and social development (vi) Urban poverty alleviation (vii) Water Supply for domestic, industrial, and commercial purposes, (viii) Public Health, Sanitation, Conservancy, Solid Waste Management, (ix) Provision of Urban amenities and facilities such as parks, gardens, playgrounds, (x) Public amenities including street lighting, parking lots, bus stops and public conveniences.

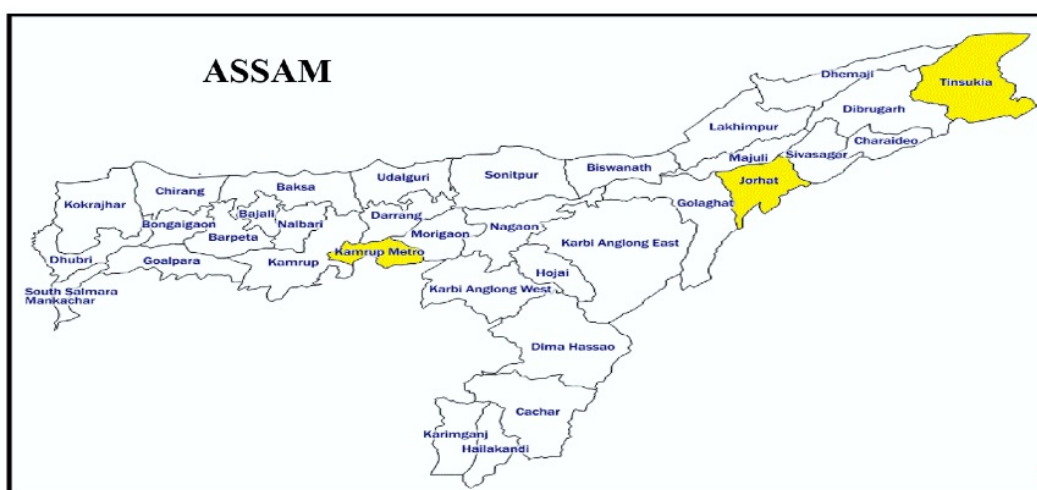
provided by Guwahati Jal Board, GMDA, PHE Department and GMC in different parts of the city. Further, the licensing of shops/ restaurants and property tax, *etc.*, are done by GMC.

Hence, function-based audit was not suitable. So, cross cutting topic *viz.*, “construction and asset creation” was taken up as a topic for DCA. The audit of ULBs was done with a District Centric Approach covering cross-cutting activities (asset management, property tax, constructions, *etc.*) which were carried out in multiple horizontal units of ULBs. The focus was to assess whether constructions were completed as per desired norms and whether durable assets have been created and whether there was any established mechanism for asset management.

8.2.2 Audit Scope

The function based audits were conducted in three districts (Tinsukia, Jorhat and Kamrup (Metro)) of Assam for the period 2020-21 to 2022-23. The map of Assam showing the geographical representation of the three districts is depicted at figure 8.1 below:

Figure-8.1: Map showing the geographical representation of the three selected districts.



Coverage of Function Based Audit was for three years from 2020-21 to 2022-23.

Table 8.1: Selection of ULBs

District/ Tier of ULBs	Municipal Corporation (1)	Municipal Boards (7)
Tinsukia	Nil	Tinsukia, Digboi and Margherita
Jorhat	Nil	Jorhat, Mariani and Titabor
Kamrup (Metro)	Guwahati Municipal Corporation	North Guwahati MB

8.2.3 Audit criteria and methodology

Audit findings in this Chapter are *inter alia* benchmarked against the following criteria:

- Assam Municipal Act, 1956
- Guwahati Municipal Corporation Act, 1971
- Assam Municipal (Accounts) Rules 1961
- National Municipal Accounts Manual

- Comprehensive guideline of the Central Finance Commission
- Sanction/Release order from Government of Assam
- The Assam Financial Rules

For selecting the district, the 27 districts of general areas were divided into three strata and one district from each stratum was selected using the Simple Random Sampling Without Replacement (SRSWOR) method based on expenditure. From each district 03 ULB units (one from each type of ULB unit viz MC and MB) were selected. The units covered in DCA were seven MBs and one MC under the selected districts. In Kamrup (Metro) only two available ULB units, i.e, one MC and one MB were selected. For each district taken up for Audit, District-Centric Inspection Report (DCIR) has been brought out, culling information and findings from the Inspection Reports and issued to the HoD of the Department.

8.3 Overview of the Activities and Districts Selected

8.3.1 Overview of Cross-Cutting Activities

The maintenance of infrastructure cuts across functions devolved to the Local Bodies as well as those in which devolution is minimal or responsibility is shared with parastatals or State Government line departments. This chapter contains certain audit findings pertaining to the expenditure on creating income generating schemes, multi-purpose hall for ULBs and community assets from CFC grants and devolution fund recommended by SFC. Assets management, property tax, construction etc. are the cross-cutting activities of Local Bodies which is not one of the devolved function but carried out in multiple horizontal units in ULBs. Therefore, activities of construction were selected for DCA on cross-cutting basis.

8.3.2 Overview of Districts selected

The administrative and economic data, as well as data pertinent to understanding the service delivery in the selected districts are shown in **Table 8.2** below:

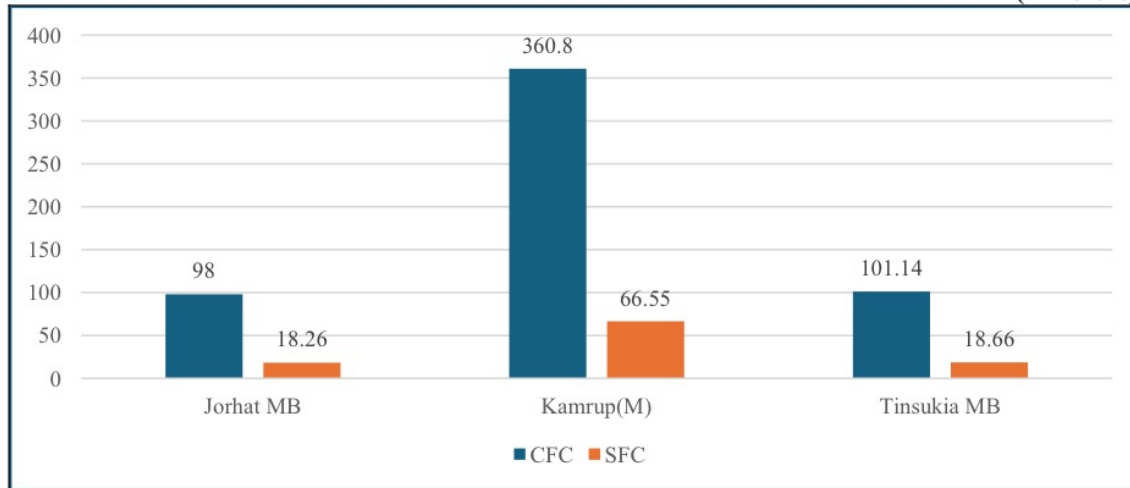
Table-8.2: Comparison of different parameters in the three selected districts

Parameter	Tinsukia	Jorhat	Kamrup (M)
Area	3790 Sq.Km.	2851 Sq.Km	1527 Sq.Km
Population	13.28 lakh	10.92 lakh	12.54 lakh
Urban Population (% of total population)	2.65 lakh (20%)	2.21 lakh (20%)	10.37 lakh (82.70%)
Number of ULBs	6	4	2
Sex-ratio (Females per 1000 males)	907	938	933
Urban Literacy Rate	87.22%	90.39%	82.57%
Poverty Ratio	14%	15%	3.50%
Employment and Livelihood Quality Index (Position within the State)	0.40 (11 th Position)	0.53 (2 nd Position)	1.00 (1 st Position)

Source: Statistical Handbook, Assam 2024 and Information provided by the Department.

The position of allocation and release of fund to the three selected districts during the period 2020-21 to 2022-23 is shown in Chart-8.1 below:

Chart 8.1: Receipt of CFC and SFC grants by the three selected districts during 2020-21 to 2023-24 (₹ in crore)



The above data shows distribution of grants among the districts with Kamrup Metro having highest urban population receiving the most share. Municipal finances in all three ULBs are predominantly funded by CFC grants.

8.4 Audit Findings

Significant Audit findings pertaining to cross cutting activities

Some of the significant findings of Audit has been elaborated in the following paragraphs:

8.4.1 Suspected misappropriation in Sonari Municipal Board

Prolonged practice of assigning revenue collection and cross verification of collected revenue to the same official, compounded by lack of monitoring on collection and deposit of revenue by the Sonari MB authority, facilitated suspected misappropriation of revenue amounting to ₹1.06 crore.

As per para 5.7 of the National Municipal Accounts Manual (NMAM), the general procedure for the receipt, deposit and accounting of the collections shall be as follows:

- For receipt of cash or any amount received in the form of cheques/draft, a Receipt, duly signed and dated, shall be issued.
- The amount collected (cash, cheques as well as drafts) shall be deposited into Designated Bank Accounts or with the other designated Collection Offices of ULBs, by the end of the day or on the next working day.
- The Collection Offices shall record the particulars of each Receipt, in the Collection Register daily.

The Manual *ibid* also outlines the process of preparation of Bank Receipt Vouchers and entry of such deposits in the Cash Book by the Accounts Department. The responsibility of cross verification of the process was vested on the Accounts Section.

Moreover, under Rule 117 of Assam Municipal Accounts (AMA) Rules, 1961, the custody and issue of receipt books should be with Vice-Chairman or Executive Officer of any MB and no new books should be issued unless the book in use is exhausted. Appendix A of the AMA Rules, 1961 also underlines the differences in roles of the Tax Collector, Tax Daroga⁶⁶ and the Accountant in an ULB.

The mechanism of collection and deposit of municipal taxes⁶⁷ as intimated (October 2023) by the Chairman, Sonari Municipal Board (MB), Charaideo District, showed that taxes are collected from the Tax payers by officials designated as License Assistants (LA) and Tax Collectors (TC), who were responsible for recording the details of the collected amount in the Challan Register and submit the same to the Tax Daroga. In deviation from the above mentioned Rule 117 read with Appendix A of the AMA Rules, 1961, the responsibility of issuing Receipt Books to the LA and TCs was assigned to the Tax Daroga. As per the information furnished by the Chairman, Sonari MB, the Tax Daroga receives the collected revenue and after verifying the Challan Register with Receipt Book, enters the same in the Daily Collection Register. The Tax Daroga was to deposit all the collected amount in the bank account of Sonari MB and the bank scroll is handed over to the Cashier/Accountant for entering the same in the Cash Book.

Audit observed (October 2023) that since 2019, one License Assistant⁶⁸ of Sonari MB was also holding the charge of Tax Daroga and was in possession of 23⁶⁹ Receipt Books for collection of revenue from the taxpayers. Scrutiny (October 2023) of counterfoils of receipt books (March 2019 to February 2021) used by the said License Assistant cum in-charge Tax Daroga (LAcTD), revealed that the said LAcTD collected an amount of ₹53.80 lakh during the period from March 2019 to February 2021. However, it was found that instead of recording ₹53.80 lakh in the Challan Register and Daily Collection Register, only ₹18.95 lakh was recorded by the LAcTD as revenue receipt. The remaining ₹34.86 lakh was neither recorded in the Challan Register and Daily Collection Register, nor deposited in the Bank account of Sonari MB till the date of audit (October 2023). This was tantamount to suspected misappropriation of ₹34.86 lakh.

The Chairman of the Sonari MB was neither aware of the short deposit of revenue by the LAcTD, nor did he know the whereabouts of the non-deposited revenue of ₹34.86 lakh. At the instance of Audit, a show cause notice was served (October 2023) to the concerned LAcTD and a preliminary enquiry was conducted by the Chairman, Sonari MB. The

⁶⁶ A post in MB administration which is superior to Tax Collectors and License Assistants, and responsible for receiving collected revenue from Tax Collectors and License Assistants after initial checking

⁶⁷ Municipal taxes consisting of Trade License, Building Permission fees, Kist money for settlement of markets, Market rent, House rent, Private Bus stand fee etc.

⁶⁸ There were one License Assistant and three Tax Collectors (including one contractual TC)

⁶⁹ Receipt Book No. 1007 to 1029

preliminary enquiry revealed that, over and above the misappropriation of ₹34.86 lakh pointed out by Audit, another ₹70.97 lakh was misappropriated by the same LAcTD between the period April 2021 and July 2023 in a similar way. The LAcTD collected ₹82.27 lakh from the taxpayers using 24 Receipt Books between April 2021 and July 2023, but deposited only ₹11.30 lakh in the bank account against actual collection. The Chairman, Sonari MB filed (November 2023) a complaint to lodge an FIR with the Sonari Police Station and suspended (June 2024) the LAcTD. However, the Secretary stated (December 2024) that the concerned LAcTD is not traceable since filing of FIR and no action could be initiated against him.

Evidently, assigning the duty of the License Assistant (*i.e.* collector of revenue) as well as Tax Daroga (initial receiver and cross-verifier of the collected revenue from the License Assistant) to the same official for a prolonged period diluted the built-in control mechanism envisaged in the Manual/ Rules. The stipulated control on issue of receipt books was also missing in Sonari MB as the Tax Daroga was seen to have a number of receipt books in his custody. All these lacunae, compounded by lack of cross-verification of collection and remittances of receipts by Accounts Section, facilitated continuance of the above-mentioned serious irregularity undetected for years.

Thus, prolonged imprudent practice of assigning the duty of Tax Daroga and License Assistant to the same person, coupled with laxity on issue of receipt books and lack of monitoring of collection and deposit of revenue by the Sonari MB authority, facilitated suspected misappropriation of revenue amounting to ₹1.06 crore⁷⁰.

Necessary action may be initiated to fix the responsibility and appropriate action taken against the delinquent officials including recovery of the misappropriated money.

8.4.2 Idle expenditure on construction of a Multi-storey Car Parking cum City Hall in Jorhat Municipal Board

Lapse on the part of the Jorhat MB in handing over a clear site and structural drawings to the Contractor followed by termination of contract on a flimsy ground, led to non-completion of the construction of a Multi-storey Car Parking cum City Hall at Jorhat for nine years from the original target date of completion of the work. As a result, expenditure of ₹5.08 crore remained idle while requirement of the Jorhat city remained unfulfilled.

Government of India (GoI), Ministry of Development of North-Eastern Region (DoNER) accorded Administrative and Financial approval (December 2010) under Non-Lapsable Central Pool of Resources (NLCPR) for construction of a Multi-storey Car Parking cum City Hall at Jorhat at a total cost of ₹10.52 crore. Administrative approval for the work was given by the Urban Development Department, Government of Assam in February 2012. The

⁷⁰ ₹34.86 lakh pointed out by audit and ₹70.97 lakh detected by the MB.

objective of the Project was to cater to the demand of the city for a large Conference Hall and for meeting the parking requirement of the people of the area.

Technical Sanction for the Project was accorded (May 2013) by the Chief Engineer, Public Works Department (PWD), Building Division, Assam, Guwahati. Jorhat Municipal Board awarded the work to a contractor (M/s Engineers Guild, Khanapara, Guwahati) in June 2013. An agreement was signed (September 2013) with the contractor and work order was issued (September 2013) with an instruction to complete the work within two years (by September 2015) of receipt of the work order.

Audit observed that there were delays on the part of the Jorhat MB in handing over hindrances⁷¹-free site and structural drawings⁷² to the contractor. There were a series of communications⁷³ from the contractor flagging these delays and requesting for expeditious handing over of structural drawings and site clearance. Jorhat MB handed over the clear site to the contractor only in January 2016 (28 months from date of work order issued) *i.e.*, four months after due date of completion of the Project. Further, the complete structural drawing was handed over only in April 2018 (55 months from date of work order issued). However, the contract was terminated by the MB in September 2019 stating slow progress of work and inability to complete the work in spite of repeated reminders⁷⁴ by the MB.

Records of the MB further showed that till September 2019, Jorhat MB received ₹5.47 crore from the Government for this project, out of which ₹4.25 crore was paid to the contractor. Nothing was on record to show any further initiative taken by Jorhat MB in completing the project. Instead, the unspent amount (₹1.22 crore) was also refunded by the Jorhat MB to the Department. The project remained incomplete as of December 2023 without any further progress as shown in the pictures below.



⁷¹ The site had electric pole, trees, boundary walls, toilet blocks, shops, concrete slabs, etc., which had to be cleared from the site.

⁷² Another consultant (Structural Engineer) was engaged by the MB for the structural drawing.

⁷³ Letters dated 16/06/2014, 03/09/2014, 12/09/2014, 10/10/2014, 15/06/2015, 10/07/2015, 14/08/2015, 07/01/2016 and 20/04/2018.

⁷⁴ The Jorhat MB in its contract termination letter cited reminders dated 10/08/2018, 01/10/2018 and 04/10/2018.

The contractor filed (December 2019) an Arbitration Case against the termination of the Contract. As per the Arbitral Award (October 2023), the delay in execution was attributable to the lapse on the part of the Jorhat MB in timely handing over the complete site to the contractor and delay in providing structural drawings. It transpired from the arbitral award that the Jorhat MB could not handover clear site to the contractor since a part of the proposed site was occupied by a shop which could not be evicted in time by the Jorhat MB and for which the contractor had communicated several times between 2013 and 2018. Under the Arbitral Award, Jorhat MB was directed to clear the dues⁷⁵ of the contractor within three months, failing which interest would be payable at the rate of 10 *per cent per annum* till realisation of the amount. Audit observed that the Jorhat MB, in compliance to the Arbitration Award, paid an amount of ₹54.00 lakh to the contractor between January 2024 and November 2024. However, there remained a further liability of ₹29.00 lakh.

Thus, inability of the Jorhat MB in timely handing over the hindrances-free site and structural drawings to the contractor, followed by termination of contract, led to non-completion of the construction of a Multi-storey Car Parking cum City Hall at Jorhat for nine years from the original target date of completion of the work. As a result, an expenditure of ₹4.25 crore remained idle and requirements of the Jorhat city stood unfulfilled. Additionally, ₹0.54 crore was made to the contractor due to an arbitration award, with a further ₹0.29 crore remaining as committed liability to the contractor from the same award.

Due to non-completion of the work, the Project was handed over (August 2023) to the Assam Public Works Department (Building), Jorhat as per the direction (July 2023) of Hon'ble Chief Minister of Assam. There was no further development in this matter (December 2024).

8.4.3 Unproductive Expenditure on a Commercial-cum-Office Complex at Tinsukia

Three floors of a four-storey Commercial-cum-Office Complex constructed under the Tinsukia Municipal Board meant for generation of revenue and creation of employment opportunities, remained unused for seven years as the floors, though completed, was not handed over by the contractor and full payment was not made by the MB.

The Chairman, Tinsukia Municipal Board (TMB) took up a project for construction of a four-storey building with an estimated cost of ₹7.33 crore⁷⁶. The project included four-storey building with parking facilities, campus lighting with sub-station facilities, firefighting facilities, etc. for commercial use. The objective and purpose of the project was income generation of the Municipal Board (MB) as well as employment generation for the inhabitants of MB.

⁷⁵ 1) Payment of ₹20.36 lakh against the interest for delayed payment against the four RA Bills submitted by the contractor. 2) Security Deposit amounting to ₹33.58 lakh was to be released to the contractor which was retained by Jorhat MB. 3) Admissible amount against the 5th RA Bill to be calculated arrived at after deducting the amount raised for extra items of work and shall be paid with the same rate of interest with effect from December 2019.

⁷⁶ The expenditure for the project was sourced from Entry Tax and grants received from the 4th ASFC.

The work for the project was awarded to a contractor⁷⁷ (February 2012) at a formal work value of ₹7.33 crore. The project of four-storey building had the provision for the following:

Table 8.3: Details of the project of four storey building

Ground floor	12750 Sqft	17 Stalls and a Conference Hall
First Floor	11247 Sqft	13 Stalls and Conference Hall
Second Floor	12994 Sqft	Office of Tinsukia MB
Third Floor	12994 Sqft	Space for renting out to office/ bank/ Companies, etc.

The contractor received a payment of ₹5.73 crore⁷⁸ during June 2012 to April 2014. On the request of the TMB, the contractor handed over the second-floor where the office of the TMB was inaugurated by the Hon'ble Chief Minister of Assam in August 2017. The Contractor, in their communication (August 2017) requested the TMB for release of the remaining amount. It was observed that on request of the contractor for clearance of dues⁷⁹, another ₹30 lakh was paid to the Contractor (taking the total payment to ₹6.03 crore) in October 2017. At present, the Municipal Board is functioning from the second floor. However, as of October 2023, the remaining three floors of the four-storey building, though completed, were lying unused. No further payment was released to the Contractor and based on formal work value and amount paid so far, ₹1.30 crore was yet to be paid (*i.e.* award value ₹7.33 crore *minus* ₹6.03 crore paid).

It was observed that the impasse has been continuing since completion of the building in 2017 and as of October 2023, as the Contractor did not hand over three floors of the multi-storey building (except 2nd floor) due to non-payment of remaining ₹1.30 crore. The MB was also unable to clear the dues from their own resources. Instead, TMB requested the contractor in December 2019 to hand over the ground floor, 1st floor and 3rd floor of the completed building and stated that the remaining dues of the contractor would be cleared from the security money to be collected from renting out of the stalls and halls.

There has not been any further development in this matter and as a result, the MB was unable to start leasing/ letting out the commercial spaces for generation of revenue and creation of employment opportunities as envisaged by it, even after seven years from completion of the construction. No further efforts⁸⁰ were forthcoming from records either to clear the dues of the contractor or to take over of the remaining floors of the completed building to start renting them on a commercial basis.

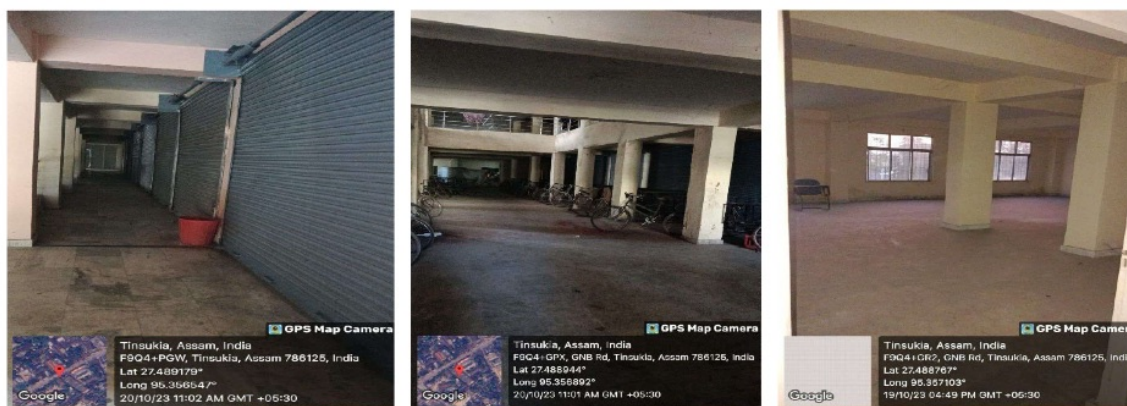
⁷⁷ This work had been taken up first in October 2003; however, litigation started during selection process of contractor. The Court disposed of the case in February 2012. with a direction that the work was to be awarded to the present contractor

⁷⁸ **From Entry tax funds:** June 2012: ₹85.28 lakh; October 2013: ₹201.44 lakh; August 2014: ₹102.31 lakh
From 4th ASFC award: October 2012: ₹141.44 lakh; February 2013: ₹42.62 lakh.

⁷⁹ Total Due: ₹1.60 crore (Contract amount: ₹7.33 crore – ₹5.73 crore (paid up to April 2014))

⁸⁰ Excepting a letter (June 2019) from the MLA Tinsukia to the Minister of States, Urban Development for arranging for alternative source of ₹1.50 crore to clear the dues of the contractor.

On a conservative estimate, an expenditure of ₹3.19 crore⁸¹ (out of ₹6.03 crore spent on the construction so far) was incurred on the three unused floors of the building, which remained unproductive for almost seven years defeating the objectives of generating revenue and employment opportunities.



Present status of unused floors of the Commercial-cum-Office Complex under Tinsukia MB

The matter has been reported to the Government in October 2024; their reply has not been received (June 2025).

8.4.4 Unfruitful expenditure on Solid Waste Management project under Lumding Municipal Board

The objective of installation of a solid waste management project in Lumding Municipality, Hojai District remained unfulfilled for five years despite availability of funds under Swachh Bharat Mission-Urban. Lack of active pursuance compounded by payment of unsecured advance to the project contractor by the Lumding Municipal Board, resulted in an expenditure of ₹30.51 lakh remaining unproductive, of which ₹4.68 lakh remained with the Contractor.

Under the Assam Financial Rules⁸², 1939, advances to contractors are, as a rule, prohibited. However, when an advance payment is unavoidable under exceptional circumstances, the same can be made only under the orders of competent authority and after taking all necessary precautions for securing the interest of the Government against loss.

Under the Swachh Bharat Mission-Urban (SBM-U), the Mission Director (SBM-U), Assam sanctioned (May 2018) and released (July 2018) ₹65.10 lakh⁸³ to Lumding Municipal Board (LMB), Hojai District for a Solid Waste Management (SWM) project. As per the DPR, this SWM project would also generate revenue⁸⁴ for the LMB.

⁸¹ Total proportionable amount in terms of floor space = (Payment made: ₹6.03 crore *minus* expenditure prior to masonry work: ₹1.73 crore). Floor wise expenditure arrived on the basis of proportion of floor space.

⁸² As per Rule 236 read with Rule 274 of the Assam Financial Rules, an advance to the contractor can be made but security must be taken for its summary recovery in the event of its not being adjusted by work done.

⁸³ Project cost for SWM ₹61.58 lakh and Consultancy fee for preparation of DPR ₹3.52 lakh.

⁸⁴ As assessed in the DPR, 7051 kgs of biodegradable waste was supposed to be processed per day from which 2115 kgs of compost would have been produced per day. Potential revenue generation of ₹9.34 lakh (Against projected running expenses of ₹6.64 lakh) per month was also envisaged in the DPR.

The LMB authority invited quotations for supply and installation of Solid Waste Management (SWM) plant in July 2019 and selected a contractor,⁸⁵ being the lowest bidder for supply and installation of SWM plant as shown in the **Table 8.4** below.

Table 8.4: Component wise rate of supply and installation of SWM plant

Sl. .	Products/items	Quantity(s)	Rate/Unit (₹ in lakh)
01	Automatic 300 kg capacity composting machine	01	20.58
02	Ape Tipper with Two Chambers (Biodegradable and Non-biodegradable)	02	10.50
03	Plastic Waste Shredding Machine 700 kg/Hr.	01	16.75
04	Safety items for Labour	30 pair	1.00
05	Cesspool cleaner 3500 L	01	9.99
06	Construction of Industrial shed	01	2.20
	Total		61.02

The work order was issued, and formal agreement was entered into in July 2019 between the contractor and LMB for supply and installation of the SWM plant within 45-60 days of signing of agreement. However, the agreement did not protect the interests of the MB as discussed below.

It was observed in the agreement (July 2019) entered with the contractor that the LMB agreed to pay 50 *per cent* of the contract value as advance, without obtaining any security. Accordingly, LMB paid ₹30.51 lakh (50 *per cent* of ₹60.02 lakh) as advance to the contractor in July 2019. However, neither any approval of higher authorities nor any security from the contractor was obtained. Moreover, there was nothing in the agreement to bind the contractor in the event of default on his part.

Though advance was given by the LMB, the contractor did not supply the components in full and install the SWM even after the lapse of five years (July 2024), though the agreed period was 60 days from the date of issue of work order. The Chairperson, Lumding MB issued three reminders to the Contractor in October 2019, December 2019 and February 2020. In August 2020, the Contractor supplied only the Composting Machine (₹20.58 lakh) and one Ape Tipper with Two Chambers (₹5.25 lakh). There was no further development towards supply of remaining components or operationalisation of the plant. However, no active pursuance and intervention with the contractor was noticed on the part of the LMB between August 2020 and April 2023 (date of Audit). The Composting Machine, supplied by the contractor, has been lying idle since its supply in an open area till July 2024, as shown in the photograph.



⁸⁵ M/s Advance Steel World, Jorhat

In the absence of any security against the advance, the contractor ignored the scheduled timeline of supply and installation of the SWM and even retained balance amount of ₹4.68 lakh (₹30.5 lakh advanced *minus* material supplied worth ₹25.83 lakh). Further, the condition and usability of the Composting Machine also remained uncertain as the same has never been put to use and was lying idle in open area for years together.

Thus, despite availability of funds, the basic objective of installation of a solid waste management project in Lumding Municipality remained unfulfilled for five years since awarding of the work and payment of advance of ₹30.51 lakh, of which ₹4.68 lakh remained with the Contractor. The remaining part of the SBM-U funds received for the project, remained parked with LMB. This was attributable to undue lenience shown by the LMB authorities to the contractor in the form of paying unsecured advance followed by lack of active pursuance through legal recourse. Had the project been functional, it could have also helped the MB in augmentation of its revenue resource.

The Chairperson, LMB stated (July 2024) that a complaint was filed (October 2023) against the contractor with the Lumding Police Station to lodge an FIR, as the contractor was not traceable. The reply was not acceptable as the LMB authorities lodged the complaint only after a lapse of four years since the contractor did not supply the materials and six months after the matter had been flagged by Audit. However, in December 2024 the Government endorsed another reply from the LMB which stated that the contractor had assured to complete the remaining work.

The Government should verify the actual progress of work and fix appropriate responsibility for giving unsecured advance by the LMB to the contractor and initiate action to recover the amount from the contractor at the earliest.

8.5 Audit Conclusion

The above observations highlight significant financial irregularities and mismanagement within the Municipalities. A recurring theme is the lack of effective oversight, internal controls, and timely project completion, which collectively led to substantial financial losses and unfulfilled public objectives.

The absence of proper checks and balances in revenue collection and verification facilitated the suspected misappropriation of ₹1.06 crore in Sonari MB. Adding to these concerns, the Tinsukia Municipal Board's inability to finalize the handover and payment for a Commercial-cum-Office Complex meant for revenue generation and employment has left three floors unused for seven years, representing a significant underutilisation of public investment.

8.6 Audit recommendation

The Government should initiate immediate steps to strengthening Financial Management and:

- Immediately implement strict segregation of duties for revenue collection, recording, and verification. No single official should be responsible for both collecting and cross-verifying revenue. This significantly reduces the opportunity for misappropriation.
- Develop and strictly enforce clear policies regarding the issuance of advances, specifying conditions, approval levels, and repayment schedules.
- Implement a strict timeline for the adjustment of advances against work completed or recovery of unutilized amounts, with penalties for delays.
- Conduct thorough feasibility studies, including realistic cost estimations, risk assessments, and clear benefit analysis, before initiating any project.
- Implement a robust system for regular progress reviews at various stages of project execution, including site visits, performance assessments, and detailed reporting.
- Establish efficient procedures for the timely inspection, acceptance, and handover of completed projects to ensure immediate utilisation and revenue generation.

By implementing these recommendations, the municipal bodies can significantly mitigate the risks of financial irregularities, improve project delivery, and ensure that public funds are utilized efficiently and effectively for the benefit of citizens.

Guwahati

Dated : 16/02/2026



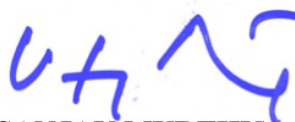
(KUMAR ABHAY)

Accountant General (Audit), Assam

Countersigned

New Delhi

Dated : 19 FEB 2026



(K. SANJAY MURTHY)

Comptroller and Auditor General of India

APPENDICES

Appendix-1.1
(Ref: Para 1.1)

District wise number of Rural and Urban Local Bodies in Assam

Sl. No.	Name of District	PRIs					ULBs		
		Population	ZP	AP	GP	Total PRIs	MC	MB	Total ULBs
1	Bajali	253,816	1	2	27	30	0	2	2
2	Barpeta	1693622	1	9	102	112	0	5	5
3	Biswanath	612491	1	6	73	80	0	3	3
4	Bongaigaon	738804	1	5	65	71	0	2	2
5	Cachar	1736319	1	15	162	178	1	2	3
6	Charaideo	471418	1	4	36	41	0	2	2
7	Darrang	928500	1	5	75	81	0	3	3
8	Dhemaji	686133	1	5	65	71	0	2	2
9	Dhubri	1394144	1	10	128	139	0	6	6
10	Dibrugarh	1326335	1	7	93	101	1	3	4
11	Goalpara	1008183	1	8	81	90	0	2	2
12	Golaghat	1066888	1	8	108	117	0	5	5
13	Hailakandi	659296	1	5	62	68	0	2	2
14	Hojai	931218	1	5	68	74	0	4	4
15	Jorhat	924952	1	6	86	93	0	4	4
16	Kamrup	1517542	1	13	139	153	0	3	3
17	Kamrup (M)	1253938	1	3	20	24	1	0	1
18	Lakhimpur	1042137	1	9	83	93	0	4	4
19	Majuli	167304	1	2	20	23	0	0	0
20	Morigaon	957423	1	5	84	90	0	1	1
21	Nagaon	2823768	1	13	164	178	0	4	4
22	Nalbari	771639	1	7	65	73	0	2	2
23	Sivasagar	679632	1	5	82	88	0	5	5
24	Sonitpur	1924110	1	8	88	97	0	4	4
25	South Salmara Mankachar	555114	1	2	35	38	0	0	0
26	Sribhumi (Karimganj)	1228686	1	7	95	103	0	4	4
27	Tinsukia	1327929	1	7	86	94	0	6	6
	Total		27	181	2192	2400	3	80	83
Sixth scheduled areas									
28	Baksa	950075	0	0	0	0	0	1	1
29	Chirang	482162	0	0	0	0	0	3	3
30	Dima Hasao	214102	0	0	0	0	0	4	4
31	Karbi Anglong	660955	0	0	0	0	0	6	6
32	Kokrajhar	887142	0	0	0	0	0	3	3
33	Tamulpur	389150	0	0	0	0	0	0	0
34	Udalguri	831688	0	0	0	0	0	2	2
35	West Karbi Anglong	295358	0	0	0	0	0	3	3
	Total		0	0	0	0	0	22	22

Source: Information provided by the Departments

Appendix-1.2

(Ref: Paragraph 1.3)

List of 29 subjects added to the Eleventh Schedule of the Constitution of India by the 73rd Amendment Act of 1992.

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produces.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

Appendix-1.3
(Ref: Paragraph 1.3)

List of 18 subjects listed in the Twelfth Schedule of the Constitution of India

Sl. No.	Name of Function
1	Urban Planning including Town Planning
2	Fire Services
3	Regulation of land use and construction of building
4	Slum improvement and upgradation
5	Roads and Bridges
6	Urban Forestry, protection of the environment and promotion of ecological aspects
7	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
8	Vital Statistics including registration of Births and Deaths
9	Planning for economic and social development
10	Urban poverty alleviation
11	Water Supply for domestic, industrial, and commercial purposes
12	Public Health, Sanitation, Conservancy, Solid Waste Management
13	Provision of Urban amenities and facilities such as parks, gardens, playgrounds
14	Promotion of cultural, educational, and aesthetic aspects
15	Public amenities including street lighting, parking lots, bus stops and public conveniences
16	Burials and burial grounds, crematoriums, cremation grounds, electric cremation grounds, electric crematoriums
17	Cattle pounds, prevention of cruelty to animals
18	Regulation of slaughterhouses and tanneries

Appendix – 2.1

(Ref: Paragraph 2.4.1)

Roles and Responsibilities of Standing Committees of PRIs

Sl. No.	Category of PRI	Political Executive	Name of Standing Committee	Responsibilities
1.	GP	President is the Chairman of each of the three committees	i) Development Committee	Functions relating to agricultural production, animal husbandry and rural industries and poverty alleviation programmes.
			ii) Social Justice Committee	(a) Promotion of educational, economic, social, cultural and other interests of Scheduled castes, Scheduled Tribes and Backward Classes; (b) protection of such castes and classes from social injustice and any form of exploitations; (c) welfare of women and children.
			iii) Social Welfare Committee	Functions in respect of education, public health, public works and other functions of the GP.
2.	AP	President is the Chairman of each committees	i) General Standing Committee	Establishment matters, communication, buildings, rural housing, relief against natural calamities, water supply and all miscellaneous residuary matters.
			ii) Finance, Audit and Planning Committee	Finance of the AP, training, budget scrutinising proposals for increase of revenue, examination of receipts and expenditure statement, consideration of all proposals affecting the finance of the AP and general supervision of the revenue and expenditure of the AP and Planning and consolidating the AP Plans, Cooperation, small saving schemes and any other function relating to the development of AP areas.
		Vice President is the Chairman	iii) Social Justice Committee	Same as in case of GP
3.	ZP	President is the Chairman of each committees	i) General Standing Committee	Same as in case of AP
			ii) Finance, Audit and Planning Committee	Same as in case of AP
		Chairman is elected amongst the elected members of each committee.	iii) Social Justice Committee	Same as in case of AP
			iv) Planning and Development Committee	Activities relating to education, adult literacy and cultural activities as the ZP may assign to it; Health Service, Hospital, Water Supply, Family, Welfare and other allied matters; agricultural production, animal husbandry co-operation, contour [“bundling”] and reclamation; village and cottage industries; Promotion of industrial development of the district.

Appendix-2.2
(Ref: Paragraph 2.8.3)

Statement showing non-maintenance of basic records in PRIs

Sl. No.	Name of Units	Records not maintained
1	Bidyadabri GP	Non-maintenance of Measurement Book (MB)
2	Borbam GP	Non/improper maintenance of vital records of MGNREGA etc.
3	Madhapur GP	Improper maintenance of Cash Book and observation thereof
4	Tingrai GP	Non-maintenance of Register of Receipt Book, Stock Register and Asset Register
5	Dakhin Thengal Khangia GP	Non-maintenance of separate Asset Register for creation of all assets Improper maintenance of Cash Book and observation thereof
6	Kakopathar GP	Maintenance of Cash Book- observation thereof Non-maintenance of Register of Receipt Book, Stock Register and Asset Register
7	Borchilla GP	Non-production/non-maintenance of records/vouchers Non/improper- maintenance of vital records of MGNREGA etc- Observations thereof
8	Kakodunga Bekajan GP	Non-maintenance of separate Asset Register for creation of all assets
9	Baghchung Charaibahi GP	Non-maintenance of separate Asset Register for creation of all assets
10	Kakojan GP	Improper maintenance of Cash Book - observation thereof Maintenance of Cash Book- observation thereof
11	Hatijan GP	Non-maintenance of Register of Receipt Book Stock Register and Asset Register Non-maintenance of Register of Receipt Book Stock Register and Asset Register
12	Hapjan GP	Non-maintenance of Register of Receipt Book Stock Register and Asset Register
13	Kordoiguri GP	Non-maintenance of Register of Receipt Book Stock Register and Asset Register
14	Maloibari GP	Payment without recorded works measurement
15	Madhya Namoni Charibahi GP	Improper maintenance of Cash Book and observation thereof
16	Uttar Garamur GP	Non-maintenance of Asset Register Improper maintenance of Cash Book
17	Birinasyak GP	Non-recording of measurements in MB and non-furnishing of records Improper maintenance of Cash Book
18	Athgaon GP	Irregularities in maintenance of Cash Book
19	Garal GP	Incomplete recording in Measurements Books(MB)
20	Bhamundanga GP	Measurement Book (MB) not maintained
21	Bordubi GP	Maintenance of Cash Book Non-maintenance of Register of Receipt Stock Register and Asset Register
22	Kailashpur GP	Maintenance of Cash Book
23	Rangajan GP2	Maintenance of Cash Book
24	Boterhat GP	Improper maintenance of Cash Book
25	Farmapar GP	Non-maintenance of Cash Book by the Construction Committees
26	Gabharubheti GP	Maintenance of Cash Book :- observation thereof Non-maintenance of Register of Receipt Book Register, Stock Register and Asset Register

Sl. No.	Name of Units	Records not maintained
27	Bhalukmari GP	Non-authentication of Cash Book
28	Silairpar GP	Mismatch between cash book and vouchers figures
29	Geravita GP	Mismatch in figure between cash book entry and those shown as per paid voucher of ₹17,500/- Mismatch in figure between CC bank statement and those shown as per paid voucher of ₹36,939/- Non-maintenance and non-production of Cash Book and bank statement for the year 2018-19
30	Titabor AP	Non-maintenance of separate asset register for creation of all assets Non-maintenance of Stock Register of Receipt Book of Tax and Fine collection etc. Observation thereof Retention of cash construction committee bank account Irregular maintenance of own fund cash book- Observation thereof
31	Kakopathar AP	Non-maintenance of Asset Register Register of Receipt Book and Stock Register not maintained
32	Jorhat AP	Non-maintenance of Stock Register of Receipt Book
33	Agomani AP	Non-updation of Cash Book Irregular maintenance of Cash Book
34	Chapar Salkocha AP	Non-maintenance of Cash Book and non-production of records
35	Dimoria AP	Improper maintenance of Measurement Book (MB)
36	Sivasagar ZP	Observation on maintenance of Cash Book
37	Jorhat ZP	Non maintenance of Advance Register - Observation thereof
38	Tinsukia ZP	Observation on Maintenance of Cash Book Non-maintenance of Assets Register Non maintenance of Register of Receipt Book and Stock Register
39	Darrang ZP	Non maintenance of cash Book by the Construction Committee
40	Nalbari ZP	Irregularities in preparation of Estimates and Measurement Books
41	Latak GP	Non-maintenance of cash Book by the Construction Committee
42	Chiporsangan GP	Stock Register, Stock Register of Receipt Books, Asset Register
43	Birsing Jarua AP	Non-maintenance of Stock Book
44	Dhalpukhuri AP	Stock Register, Stock Register of Receipt Books Asset Register, Cashbook

Appendix-5.1

(Ref: Paragraphs 5.2.2 & 6.9)

Detail provision of transfer of Functions as per Section 53 A of Assam Municipal Act (Amended), 2011 and actual status of activities to be transferred to ULBs:

Sl. No.	Name of Function	Provision as per The AM Act	Activities	Present Status of devolution
1	Urban Planning including Town Planning	● Shall stand transferred to the ULBs ● Master plan prepared and implementation of the same shall be transferred to the Municipalities by the Urban Development Department. ● The services of official of the Town and Country planning department shall be placed at the disposal of a municipality or contiguous group of municipalities.	Master Planning/ Development Plans/ Zonal Plans Enforcing master planning regulations Enforcing building bye-laws and licenses Group Housing and Development of Industrial areas	Not at all devolved. Still being done by the Deputy Director of Town and Country Planning (T&CP) of the district. Only Bye-laws are framed by the MB. Assam State Housing Board is engaged in Group Housing and Development of Industrial areas
2	Regulation of land use and construction of building	● Shall stand transferred to the ULBs ● Master plan prepared and implementation of the same shall be transferred to the Municipalities by the Urban Development Department. ● The services of official of the Town and Country planning department shall be placed at the disposal of a municipality or contiguous group of municipalities.	Regulating land use Approving building plans/ high rises Demolishing illegal buildings	Partial jurisdiction of ULBs. Land conversion from agriculture to non-agriculture, granting of land to various purposes is done by Revenue Department MB is involved in issue building licenses, renewal of building licenses and ensuring building bye-laws are not violated MBs are empowered to Demolishing illegal buildings.
3	Slum improvement and upgradation	● Taking up implementation of Scheme of slum improvement and upgradation should wholly be a subject of municipalities ● The Board at meeting of every municipality should take decision regarding any matter including expenditure relating to the subject	Identifying beneficiaries Providing affordable Housing Upgradation of slums	ULBs are involved as implementing units. MB is responsible for selecting and preparing beneficiaries list. Mission Director, PMAY (U) is engaged in providing affordable houses under PMAY scheme.

Sl. No.	Name of Function	Provision as per The AM Act	Activities	Present Status of devolution
4	Roads and Bridges	● Transferred subject ● The services of an official of the appropriate level along with the required establishment of the Roads Wings of the Public Works Department, Assam, shall be placed partially at the disposal of the concerned Municipality. ● Taking up of the schemes within the notified area of a Municipality relating to the subject, in consultation with the officials mentioned above. ● The concerned officials mentioned in this clause shall implement the decision of the Board at a meeting.	Construction and maintenance of roads Construction and maintenance of bridges, drains, flyovers and footpaths	ULBs are having overlapping jurisdiction. MB is responsible for construction and maintenance of roads, bridges, drains, flyovers and footpaths within the jurisdiction of MB. Public Works Department - Responsible for road works including maintenance on State Highways and Major District Roads and construction & maintenance of Government Buildings under municipal areas.
5	Urban Forestry, protection of the environment and promotion of ecological aspects	● Transferred subject ● The services of an official of the Forest Department, Assam, shall be placed partially at the disposal of the concerned Municipality. ● Taking up of the schemes within the notified area of a Municipality relating to this subject in, consultation with the officials mentioned above. ● The concerned officials mentioned in this clause shall implement the decision taken by the Board.	Afforestation Greenification Awareness drives Protection of the environment and promotion of ecological aspects Maintenance of natural resources like water bodies etc.	Overlapping jurisdiction of ULBs. Forest Department is involved in afforestation, greenification and creating awareness. Forest Department and MBs are responsible for maintenance of natural resources like water bodies etc.
6	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded,	● Transferred subject ● The services of an official of the appropriate level along with the required establishment of the Social Welfare Department, Assam, shall be placed partially at the disposal of the concerned Municipality ● Taking up of the schemes within the notified area of a Municipality relating to this subject, in consultation with the officials mentioned. ● The concerned officials mentioned in this clause shall implement the decision taken by the Board.	Identifying beneficiaries Providing tools/ benefits such as tricycles Housing programs	Not devolved; ULBs are involved as implementing agency. MB, Social Welfare Department, Tribal Welfare Department are engaged in identification of beneficiaries for the respective schemes. MBs & Social Welfare Department are involved in providing tools and benefits Implemented by PMAY (U) Mission & State Housing Board. ULBs only select beneficiaries.

SL No.	Name of Function	Provision as per The AM Act	Activities	Present Status of devolution
			Scholarships	Social Welfare Department, Tribal Welfare Department provides Scholarship and MBs are involved in identification of beneficiaries only.
7	Vital Statistics including registration of Births ' and Deaths	- Transferred subject - The services of an official of the appropriate level along with the required establishment of the Health & Family Welfare Department, Assam, shall be placed partially at the disposal of the concerned Municipality. - Implementation of this matter within the notified area of a Municipality, in consultation with the officials mentioned. - The concerned officials mentioned in this clause shall implement the decision taken by the Board.	Coordinating with hospitals/ crematoriums <i>etc.</i> for obtaining information Maintaining and updating database	Not devolved; The ULBs function as facilitators of the registration process. The Department Health and Family Welfare is maintaining database of births and deaths. The Department register and issue the certificates of birth and death.
8	Planning for economic and social development	- Inherent subject - The services of an official of the appropriate level along with the required establishment of the Social Welfare Department, Assam, shall be placed partially at the disposal of the concerned Municipality. - Implementation of this matter within the notified area of a Municipality, in consultation with the officials mentioned. - The concerned officials mentioned in this clause shall implement	Program implementation for economic activities Policies for social development	ULBs are involved as implementing agency. MBs implement welfare schemes (comprises of Employment, Health, Education and Basic necessities). Social Welfare Department - Safeguarding welfare of SC/ST and other weaker sections of the population, implementation of various programmes and schemes for the upliftment of SC/ST for their socio-economic and educational advancement, implementation of SCP and TSP schemes, various scholarships and maintenance of hostels
9	Urban poverty alleviation	- Inherent subject - The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and'	Identifying beneficiaries Livelihood and employment	ULBs are involved as implementing agency. MBs - implement welfare Schemes through own funds and SFC funds.

Sl. No.	Name of Function	Provision as per The AM Act	Activities	Present Status of devolution
		supervision of the officials serving under the Urban Development Department ● An Urban poverty alleviation cell shall be opened in every Municipality for giving effect to the guidelines issued by the Government in this regard from time to time.		NULM - implement skill development and livelihood Schemes.
			Street vendors	Schemes for Street vendors are implemented by MB. Urban poverty alleviation cell was not formed in MB.
10	Water Supply for domestic, industrial and commercial purposes,	● Inherent subject. ● The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and supervision of the officials serving under the Urban Development Department.	Distribution of water	Overlapping jurisdiction. PHE & AWSSB are involved in water supply for domestic, industrial and commercial purposes
			Providing connections	
			Operation & Maintenance (O&M)	
			Collection of charges	
11	Public Health, Sanitation, Conservancy, Solid Waste Management,	● Inherent subject. ● The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and supervision of the officials serving under the Urban Development Department.	Maintaining hospitals, dispensaries Immunisation/Vaccination	Partial jurisdiction of ULBs. Department of Health and Family Welfare is involved in Immunisation/Vaccination & Registration of births and deaths.
			Registration of births and deaths	
			Cleaning and disinfection of localities affected by infectious disease	
			Solid-waste management Control and supervision of public markets	
12	Provision of Urban amenities and facilities such as parks, gardens, play grounds,	● Inherent subject. ● The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and supervision of the officials serving under the Urban Development Department.	Creation of parks and gardens Operation and Maintenance	Overlapping jurisdiction of ULBs. MBs - O & M of parks, gardens, playgrounds, installation of play and gymnasium equipment in parks. AMRUT Mission – Improvement of parks in four cities under AMRUT
13	Promotion of cultural,	● Inherent subject.	Schools and education	The Department stated that this function has not at all devolved;

Sl. No.	Name of Function	Provision as per The AM Act	Activities	Present Status of devolution
	educational and aesthetic aspects,	The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and' supervision of the officials serving under the Urban Development Department.		however, ULBs are found to have been partially involved. Implemented by Education Department.
			Fairs and festivals	MB & Cultural Department arranges Fairs and festivals
			Cultural buildings/ institutions	
			Heritage	MB, Cultural Department & Archaeological Department
14	Burials and burial grounds, crematoriums, cremation grounds, electric cremation grounds, electric crematoriums	- Inherent subject. - The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and' supervision of the officials serving under the Urban Development Department.	Public space beautification	MBs are involved in public space beautification.
			Construction and O&M of crematoriums and burial grounds and electric crematoriums.	Full jurisdiction of ULBs. MB is involved Construction and O&M of crematoriums and burial grounds and electric crematoriums.
15	Cattle pounds, prevention of cruelty to animals,	- Inherent subject. - The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and' supervision of the officials serving under the Urban Development Department.	Catching and keeping strays	Full jurisdiction of ULBs. MB is discharging the function related to Cattle pounds, prevention of cruelty to animals.
			Sterilisation and anti-rabies	
			Ensuring animal safety	
16	Public amenities including street lighting, parking lots, bus stops and public conveniences,	- Inherent subject. - The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and' supervision of the officials serving under the Urban Development Department.	Installation and maintenance of street lights	Partial jurisdiction of ULBs. MBs are involved in Maintenance of Street Lights. Assam State Electricity Board provides supply and distribution of Power.
			Deciding and operating bus routes	Assam State Transport Corporations
			Creation and maintenance of parking lots	Creation and maintenance of public toilets, parking lots done by MB

Sl. No.	Name of Function	Provision as per The AM Act	Activities	Present Status of devolution
			Creation and maintenance of public toilets	
17	Regulation of slaughterhouses and tanneries,	• Inherent subject. • The subject should be implemented out of their own fund or submitted to the Government for implementation by them under any Govt. Plan Scheme with the technical assistance, guidance and' supervision of the officials serving under the Urban Development Department.	Ensuring quality of animals and meat	Full jurisdiction of ULBs. MBs were discharging this function as its inherent function
			Disposal of waste	
			O & M of slaughter houses	
18	Fire Services	No provision	Establishing and maintaining fire brigades	Not at all devolved. Assam State Fire and Emergency Services is engaged in providing Fire Services.
			Providing fire NOC / approval certificate in respect of high rise buildings	
			Establishing and maintaining fire brigades	

Appendix-5.2
(Ref: Paragraph 5.5.1)

Examples of preparation of Unrealistic Budget by the selected ULBs in three districts

Examples of preparation of Unreconciled Budget by the selected ULBs in three districts							
Name of ULB	Year	Receipt		Percentage of variation	Expenditure		Percentage of variation
		Budget	Actual		Budget	Actual	
Kamrup (Metro)							
North Guwahati MB	2020-21	289.58	388.15	34.04	451.59	383.61	(-) 15.05
	2021-22	175.31	805.66	361.27	390.88	401.63	2.75
	2022-23	683.43	1051.67	53.88	620.37	569.03	(-)8.28
Guwahati Municipal Corporation	2020-21	55876.34	21373.75	61.75	48210.93	23987.97	50.24
	2021-22	24030.03	61700.46	156.76	22589.52	30031.64	133
	2022-23	38710.49	37520.13	3.08	35909.51	31163.81	13.22
Jorhat							
Jorhat MB	2020-21	7997.25	2406.68	69.91	4193.5	1721.52	58.95
	2021-22	9106.02	2475.03	72.82	6641.7	2209.77	66.73
	2022-23	9871.53	6093.02	38.28	5220.54	3391.05	35.04
Mariani MB	2020-21	818.63	278.51	65.98	818	181.77	77.78
	2021-22	443.29	480.33	-8.36	443	479.33	-8.20
	2022-23	484.87	516.3	-6.48	480	390.3	18.69
Titabor MB	2020-21	2207.56	751.45	65.96	2198.65	233.62	89.37
	2021-22	2350.65	743.13	68.39	2265.89	283.16	87.50
	2022-23	2469.87	1327.3	46.26	2369.99	398.19	83.20
Tinsukia							
Digboi MB	2020-21	1800.49	414.13	76.99	1712.36	414.13	75.81
	2021-22	2094.46	405.71	80.63	2066.73	158.73	92.32
	2022-23	2228.46	-	-	2228.35	-	-
Tinsukia MB	2020-21	5393.18	4850.41	10.06	4057.78	1586.77	60.89
	2021-22	5922.03	3796.26	35.89	4245.80	1228.85	71.05
	2022-23	5950.25	-	-	4398.18	-	-
Margherita MB	2020-21	2270.65	715.11	68.51	2098.55	381.03	81.84
	2021-22	2041.73	610.29	70.11	1943.84	346.76	82.16
	2022-23	2157.10	-	-	2064.21	-	-

Appendix-5.3

(Ref: Paragraph 5.8.1)

Statement showing non-maintenance of basic records in ULBs

Sl. No.	Name of Units	Records not maintained
1	Tangla MB	Improper maintenance of Cash Book, Service Books and Leave Account
2	Golakaganj MB	Improper maintenance of Cash Book
3	Kajalgaon MB	Non-maintenance of Demand register
4	Kokrajhar MB	Non-maintenance of Measurement Book
5	Margherita MB	Improper maintenance of records - 1.24 lakh (Stock Receipt Certificate, Bill Passing Certificate) Improper maintenance of cash book.
6	North Guwahati MB	Irregularities in maintenance of cash book
7	Makum MB	Improper maintenance of Cash Book
8	Titabor MB	Non-maintenance of Tax and Fine collection Receipt Books and Collection Register observation thereof
9	Mariani MB	Non-maintenance of separate asset register for creation of all assets
10	Jorhat MB	Improper maintenance of cash book.
11	Tinsukia MB	Improper maintenance of cash book.
12	Dhemaji MB	Improper maintenance of Stock Register of office stationery items and Asset Register.

Appendix-6.1
(Ref: Paragraph 6.8)
Status of implementation of recommendation of the 5th ASFC

Sl. No.	Recommendation	Status of Implementation
Structural Recommendations		
1.	Devolution of functions, functionaries and fund to PRIs and ULBs should be completed within 60 (sixty) days. (para 5.8)	Not yet implemented.
2.	Measures suggested for ensuring financial accountability on the part of PRIs and ULBs at para 5.28 (i) to (xiii) should be strictly enforced (para 5.28).	Partially implemented. Detailed status of implementation is shown vide Appendix-2 .
3.	Wherever possible allotment of Govt. land may be considered for office buildings and staff quarters of local bodies (para 5.37).	Not Implemented.
4.	The nodal departments of ULBs should provide guidelines for preparation of urban area plans and its integration with the development plans of the district as a whole (para 5.45)	Not Implemented.
5.	The Commission suggests inclusion of all MBs and TCs of Assam under the NULM for consideration of Govt. of India (para 8.25).	Implemented.
6.	Deployment of skilled manpower to ULBs is imperative to ensure professionalism (para 8.95).	Notification issued but not implemented.
7.	The ULBs should adopt highly transparent accounting standards (para 8.97).	Notification issued but not implemented.
8.	The Govt. of Assam should implement the Assam Local Self Government Fiscal Responsibility Act, 2011 (para 8.99).	Not implemented.
9.	ULBs should place more emphasis on arrear collection of revenue (para 8.103).	Not implemented.
10.	Vehicle parking areas may be identified and fees collected as per prescribed norms (para 8.104).	Partially implemented.
11.	Govt. of Assam may authorise the ULBs to issue permission for building construction (para 8.106).	Implemented.
12.	Track rent should be levied by ULBs on all service providers (para 8.107).	Not implemented.
13.	All ULBs should take recourse to Advertisement and Hoarding tax (para 8.108).	Partially implemented.
14.	The ULBs should put more emphasis on income generating schemes.	Partially implemented.
15.	Awareness programme need be organised to acquaint people with the system of Local Body's functioning (para 9.2)	Not implemented.
16.	PRIs and ULBs can play a pro-active role in controlling the menace of illicit liquors (para 9.5).	Not implemented.
17.	PRIs and ULBs should be brought within the ambit of computerisation and e-governance (para 9.9).	Partially implemented.
18.	Local Bodies should encourage development of sports and youth welfare (para 9.16).	Not implemented.
19.	In respect of GMC no effective steps have been reported to prepare the activity mapping (para 11.4).	Not implemented.
20.	Consolidation of grass-root level planning with that of District Plan (para 11.5).	Not implemented.

Sl. No.	Recommendation	Status of Implementation
21.	The existing Acts and Rules may be properly enforced to uphold the monitoring mechanism (para 12.2).	Notification issued but not implemented.
22.	A District Level Monitoring Committee should be constituted (para 12.19).	Notification issued but not implemented.
23.	State Level Monitoring Committee should be reconstituted (para 12.20).	Not implemented.
24.	Actions needed for improvement of monitoring mechanism (para 12.24)	Notification issued but not implemented.
Financial Recommendations		
1.	Grants recommended to ULBs in Schedule VI Areas is ₹94 crores per year and ₹376.05 for 4 years (paras 8A.44 to 8A.53)	Partially implemented.
2.	Grants recommended to GMC is ₹33.20 crores in 2016-17 and ₹132.80 crores for 4 years (paras 10.29 to 10.34 and Annexure 10.3)	Partially implemented.
3.	Grant to GMC routed through Line Department is ₹7.50 crores in 2016-17 and ₹30 crores for 4 years (paras 10.35 & 10.36 and Annexure-10.3)	Not implemented.
4.	Grants recommended to ULBs other than GMC is ₹68.92 crores in 2016-17 and ₹281.18 crores for 4 years (paras 10.40 to 10.44 read with Annexure 10.3)	Not implemented.
5.	Grants to ULBs routed through Line Departments is ₹250.16 crores in 2016-17 and ₹1000.81 crores for 4 years (paras 10.45 to 10.49 and Annexure 10.3).	Partially implemented.
6.	Grants recommended to ULBs in Excluded Areas is ₹94 crores annually and ₹376 crores in 4 years with Autonomous Council wise details at Annexure 10.7 (paras 10.65 to 10.74).	Partially implemented.
7.	A Divisible Pool, equal to the amount needed to be transferred to local bodies, has been formed out of the net proceeds of taxes and duties collected by the State Government. The net proceeds have been determined by deducting 10% from the gross collection (para 10.78).	Implemented.
8.	The General-Sixth Schedule and Rural-Urban bifurcation of the DP has been determined on the basis of the needs of local bodies as assessed by the Commission (para 10.79)	Implemented.
9.	A permanent SFC Cell may be set up in the State Finance Department with requisite staff and equipment. (Para 1.24 and 13.3)	Not Implemented.
10.	The grant component and revenue gap component of the DP of General Areas have been segregated (para 10.80)	Implemented.
11.	The grant component of rural and urban parts of General Areas has been distributed among the concerned PRIs and ULBs as per details shown at Annexure-10.1 and 10.3 (para 10.81)	Implemented.
12.	In case of ULBs in General Areas, after adjustment of the earmarked amount from the revenue gap, the balance amount will be allocated to the ULBs as per calculation at Table-10.4 and to other Municipal Board and Town	Implemented.

Sl. No.	Recommendation	Status of Implementation
	Committees on the basis of the weighted average of (i) population 50 per cent (ii) geographical area 25 per cent (iii) per capita tax collection 12.5 per cent and (iv) index of infrastructure 12.5 per cent (para 10.86).	
13.	The scheme of devolution consists of three components (i) tax devolution (ii) grants routed through PRIs and ULBs and (iii) grants routed through line departments (para 10.87).	Partially implemented.
14.	Tax devolution recommended during 2016-20 is ₹1391.87 crores consisting of ₹580.39 crores for PRIs and ₹811.48 crores for ULBs. Net of earmarked amount it is ₹1244.23 crores consisting of ₹516.95 crores for PRIs and ₹727.28 crores for ULBs. The year wise break up is at para 10.80, Table-10.14. Release of fund against tax devolution shall be made in equal quarterly instalments beginning from June each year (para 10.88).	Partially implemented.
15.	Grant routed through PRIs and ULBs is ₹224.84 crores and ₹413.98 crores during 2016-20 as per details at Annexure-10.1 and 10.3 respectively. On receipt of proposal from the concerned DDO, the grant may be released in two equal annual instalments. The release of 2nd installment will be subject to submission of UC for at least 50 per cent of the 1st installment (para 10.89)	Partially implemented.
16.	In respect of grants routed through line departments, budgetary provision may be made under the relevant head of account of the concerned line departments (para 10.90)	Implemented.
17.	Grants recommended to ULBs in Excluded Areas is ₹376 crores during 2016-20 as per Council-wise break up at Annexure-10.7 (para 10.93).	Partially implemented.
18.	Grant to PRIs and ULBs in Excluded Areas may be released on receipt of proposals from the concerned DDOs in two instalments in June and October. Release of 2nd installment will be subject to submission of UC (para 10.96).	Implemented.
19.	Tax devolution to ULBs in Excluded Areas with Council-wise details and annual phasing is at para 10.92 read with para 10.92(i). The release of fund may be made in two equal instalments in June and October each year to the concerned DDOs (para 10.95)	Partially implemented.
20.	Release of fund will be made within 15 days of its being credited to State Government account. Accumulated interest, if any, may be utilized by the local bodies for the purpose of service delivery (para 10.109)	Implemented.
21.	Basic grants to ULBs be released to the respective DDOs of GMC, MBs and TCs applying the formula prescribed in the technical supplement (para 10.11)	Not implemented.
22.	The grant component of rural and urban part of General Areas has been distributed among the concerned PRIs and ULBs as per the prescribed year-wise phasing of Grant to PRIs and ULBs. (Para 10.81)	Not implemented.

