



**Annual Technical Inspection Report
on
Urban Local Bodies**

For the year ended 31 March 2018



SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

GOVERNMENT OF MEGHALAYA

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on
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PREFACE

This Report for the year ended 31 March 2018 has been prepared for submission to the Government of Meghalaya in terms of the Technical Guidance and Support to the audit of accounts of Urban Local Bodies under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services), Act, 1971.

The Report contains significant results of audit of the Urban Local Bodies in the State including departments concerned.

The issues noticed in the course of test audit for the period 2017-18 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

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

OVERVIEW

OVERVIEW

This Annual Technical Inspection Report (ATIR) deals with the results of audit of accounts of six Urban Local Bodies (ULBs) in Meghalaya and is presented in two chapters. Chapter I includes an overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies and Chapter II contains the compliance audit paragraphs relating to the Urban Local Bodies.

The draft ATIR was sent (August 2020) to the Principal Secretary to the Government of Meghalaya, Urban Affairs Department with a request to furnish replies within six weeks. Reply to the draft ATIR is awaited (December 2022).

CHAPTER-I: OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

There are six Municipal Boards in Meghalaya which are covered under the Meghalaya Municipal Act, 1973. The Principal Secretary, Urban Affairs Department, Government of Meghalaya is the administrative head of all ULBs in the State and is responsible for exercising overall control and supervision of functions of ULBs.

(Paragraphs 1.1 & 1.2, Page Nos. 1 & 2)

Against the requirement of 18 functions to be transferred to MBs, the State Government had transferred 16 functions to the MBs. However, not all the 16 functions stated to have been devolved to the MBs were actually implemented by them. Five functions were still being implemented by the respective Government Departments.

(Paragraph 1.3, Page No. 2)

None of the Municipal Board had constituted the Municipal Accounts Committee to monitor the preparation of Annual Accounts.

(Paragraph 1.4, Page No. 4)

Revenue collection of three MBs not adequate to meet its annual expenditure on staff salaries.

(Paragraph 1.10.2, Page No. 8)

The State Government was yet to constitute the State Finance Commission.

(Paragraph 1.10.3, Page No. 8)

Four MBs were yet to prepare any Annual Accounts.

(Paragraph 1.10.4, Page No. 9)

CHAPTER-II: COMPLIANCE AUDIT PARAGRAPHS

Loss of revenue of ₹ 43.03 lakh due to failure of the Shillong Municipal Board to realise revenue due from the operators of public transport vehicles.

(Paragraph 2.1, Page No. 13)

Loss of revenue of ₹ 67.23 lakh due to failure of the Shillong Municipal Board to take action against the defaulting lessees in making payment of lease amount for collecting parking fees.

(Paragraph 2.2, Page No. 14)

CHAPTER - I
**Overview of the Functioning,
Accountability, Mechanism and
Financial Reporting Issues of Urban
Local Bodies**

CHAPTER - I

Overview of the Functioning, Accountability, Mechanism and Financial Reporting Issues of Urban Local Bodies

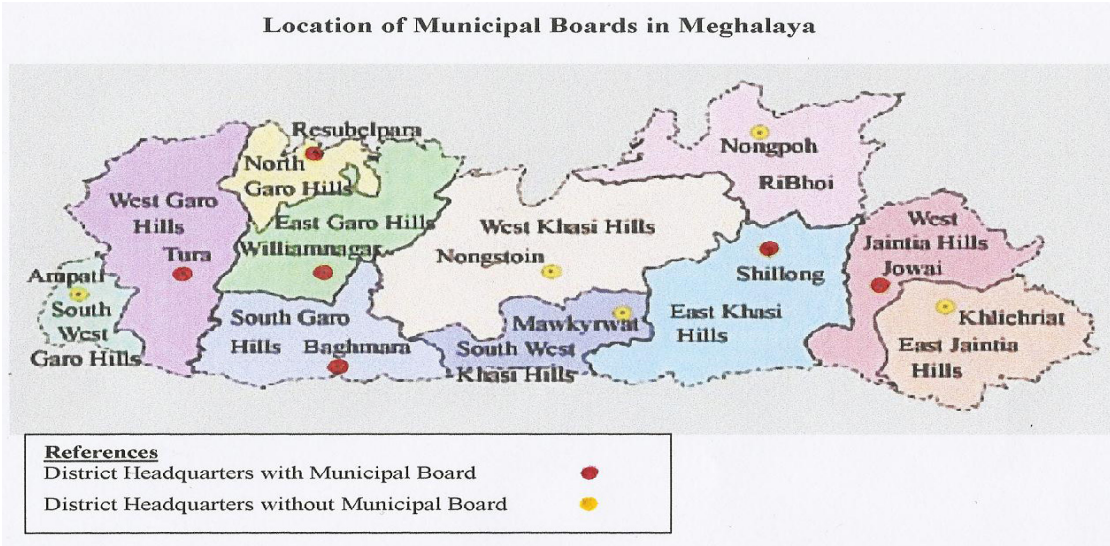
1.1 Introduction

The 74th Constitutional Amendment Act, 1992 paved the way for decentralisation of power and transfer of 18 functions as listed in the Twelfth Schedule of the Constitution to the Urban Local Bodies (ULBs) and to establish a system of uniform structure, conducting of regular elections and regular flow of funds through State Finance Commission. As a follow up, States were required to entrust the ULBs with such powers and authority as may be necessary to enable them to function as institutions of local self-Government (LSG). Post 74th Constitutional Amendment Act, an amendment was made to the Meghalaya Municipal Act, 1973 by enacting the Meghalaya Municipal (Amendment) Act, 2012 passed in March 2012. There are six Municipal Boards (MBs)¹ in the State of Meghalaya as on 31 March 2018 and are covered under the Meghalaya Municipal Act, 1973. The statistics of the MBs vis-à-vis the physical coverage and population in comparison with the State is given in table below:

Table 1.1: Statistics of the MBs vis-à-vis the physical area coverage and population in comparison with the State of Meghalaya

Sl. No.	Particulars	Meghalaya	Municipal Boards						
			BMB	JMB	RMB	SMB	TMB	WMB	Total (%)
1.	Year of establishment	1972	1995	1995	1997	1913	1979	1995	-
2.	No. of wards	-	12	13	13	27	13	12	-
3.	Physical area coverage in Sq.km	22429	7.70	7.77	7.62	10.36	18.32	9.72	61.49 (0.27)
4.	Population (2011 census)	2966889	13131	28430	19595	143229	74858	24597	303840 (10.24)

Source: Meghalaya Census Report 2011 and information furnish by Director, Urban Affairs Department.



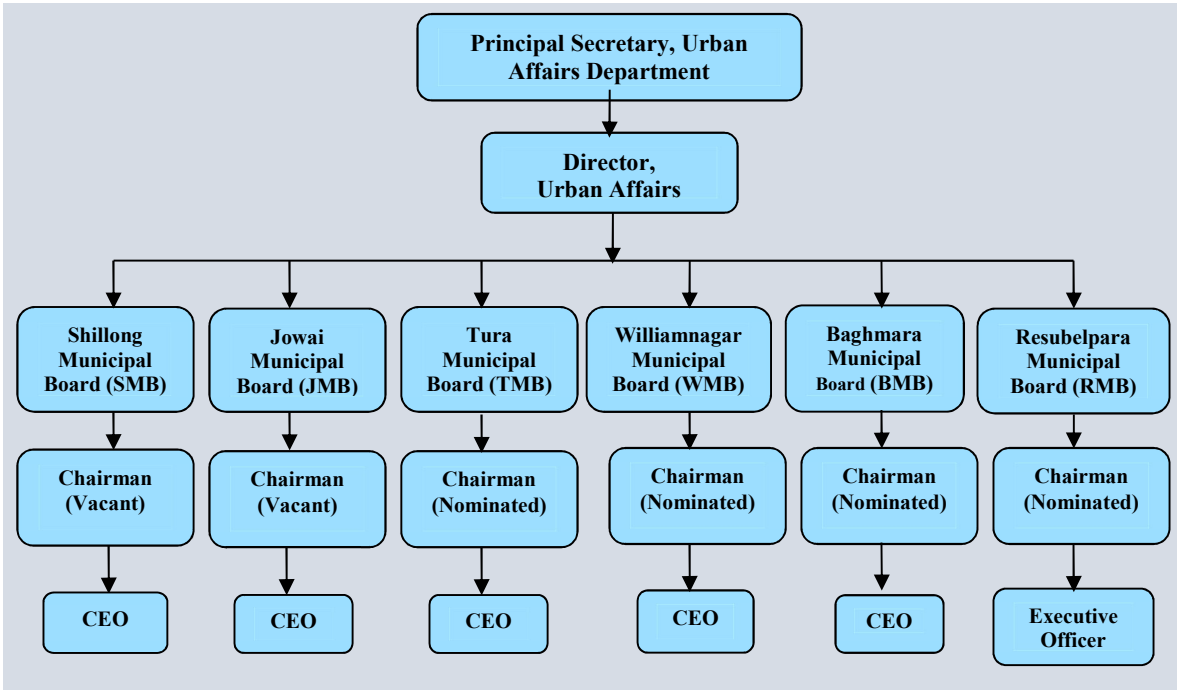
¹ 1. Baghmara Municipal Board, 2. Jowai Municipal Board, 3. Resubelpara Municipal Board, 4. Shillong Municipal Board, 5. Tura Municipal Board and 6. Williamnagar Municipal Board.

1.2 Organisational set-up of ULBs

Principal Secretary, Urban Affairs Department (UAD), Government of Meghalaya (GoM) is the administrative head of the MBs in the State. He is assisted by the Director, UAD in allocation of funds and in exercising overall control and supervision of functions and implementation of schemes at the State level with regards to all the MBs. As per the Meghalaya Municipal Act, 1973, the Chairman is the Executive Head of the MB and is to be elected by the elected ward commissioners. No election was conducted by any of the MB after Meghalaya got the Statehood (1972) due to various reasons like strong objection by the citizens under Urban area (Williamnagar MB); objection raised by certain NGOs, Students body and unions, *etc.*, (Tura MB); High Court order on case filed by Jowai Civic Awareness Committee in 2000 (Jowai MB), *etc.* In the absence of the elected body, the power of the Board is vested in the Chief Executive Officer (CEO)² who functions as the Executive Head.

An organogram of the UAD is given in **Chart 1.1** below:

Chart 1.1: Organogram of the UAD



1.3 Functioning of Municipal Boards (MBs)

1.3.1 Devolution of powers and functions

The 74th Constitutional Amendment provides scope for devolution of funds and functions to ULBs by the State Government with respect to preparation of plans and programmes for economic development and social justice relating to 18 subjects listed in the Twelfth Schedule of the Constitution of India. The Director, Urban Affairs Department stated (January 2021) that, Government of Meghalaya has devolved 16 functions to the ULBs

² CEOs for the MBs are being appointed by the Government amongst the senior Meghalaya Civil Services (MCS) cadre.

except for (i) Fire Services and (ii) Urban forestry, protection of the environment and promotion of ecological aspects.

Recommendation to expedite the devolution of all the 18 powers and functions was made by Audit under **Paragraph 1.16** of ATIR for the year ending March 2014. Reasons for not yet doing so was not stated by the Director, UAD, though called for (September 2017).

Audit however, observed that not all the 16 functions stated to have been devolved to the MBs were actually implemented by them. Five functions were still being fully implemented by the respective Government Departments such as Urban Affairs, Public Works Department (Road), Public Health Engineering, Social Welfare, *etc.* The position regarding the actual implementation of these 16 functions by the respective MB is shown in the table below:

Table 1.2: Actual status of implementation of devolved functions to the MBs

Sl. No.	Functions	MB-wise status relating to implementation of devolved functions						Remarks
		SMB	TMB	JMB	BMB	RMB	WMB	
1.	Urban planning including town planning	No	No	No	No	No	No	TMB and WMB replied this function is managed by Urban Affairs.
2.	Regulation of land-use and construction of buildings	No	No	No	No	No	No	TMB and WMB replied function is managed by Urban Affairs
3.	Planning for economic and social development	Partially	No	No	No	No	No	Except, some partial implementation by SMB, this function is not implemented by other five MBs
4.	Roads and bridges	No	Partially	No	No	No	No	Except, some partial entrustment to TMB, this function is not entrusted to any MBs. WMB replied this function is managed by Public Works Department (Road).
5.	Water supply for domestic, industrial and commercial purposes	Yes	No	No	No	No	No	Except SMB, this function is not implemented by other five MBs. TMB and WMB replied that this function is managed by Public Health Engineering Department.
6.	Public health, sanitation conservancy and solid waste management	Yes	Yes	Yes	Yes	Partially	Yes	In RMB only partial implementation has been done (Solid Waste Management).
7.	Safeguarding the interests of weaker sections of society including handicapped and mentally retarded	Partially	No	No	No	No	No	Except partial implementation in SMB, this function is not implemented by other five MBs. TMB and WMB replied that this function is managed by Social Welfare Department.
8.	Slum improvement and upgradation	Partially	Partially	No	No	No	No	This function is fully implemented by TMB and partially by SMB. However, it is not implemented by other 4 MBs.
9.	Urban poverty alleviation	Yes	Partially	No	No	No	No	This is fully implemented by SMB and partially by TMB.
10.	Provision of urban amenities and facilities such as parks, gardens and playgrounds	Partially	No	No	No	No	No	Only SMB partially implemented this function.

Sl. No.	Functions	MB-wise status relating to implementation of devolved functions						Remarks
		SMB	TMB	JMB	BMB	RMB	WMB	
11.	Promotion of cultural, educational and aesthetic aspects	Yes	No	No	No	No	No	Only SMB partially implemented this function.
12.	Burials and burial grounds; cremations, cremation grounds, and electric crematoriums	No	No	No	No	No	No	Not implemented by MBs.
13.	Cattle pounds, prevention of cruelty to animals	No	No	No	No	No	No	Not implemented by MBs.
14.	Vital statistics including birth and deaths	Yes	Yes	Yes	Yes	Yes	Yes	Implemented by all MBs.
15.	Public amenities including street lighting, parking lots, bus stops and public conveniences	Yes	No	No	No	No	No	Except SMB, this function is not implemented by other five MBs.
16.	Regulation of slaughter houses and tanneries.	No	No	No	No	No	No	Not implemented by MBs.

Source: Information furnished by the MBs.

It can be seen from the table above that two functions viz. ‘Public health, sanitation conservancy and solid waste management’ and ‘Vital statistics including birth and death’ functions were implemented by all the six MBs. Shillong being the capital city was better, wherein ten functions were implemented either wholly or partially. The State Government is also yet to allocate funds to the MBs for implementing all the 16 functions.

Recommendation: Full devolution of powers and functions to the MBs should be expedited. Further, adequate funds should be provided to the MBs with proper monitoring so that they can perform the functions devolved to them.

1.4 Status of Municipal Accounts

Municipal Accounts Committees

Section 49 A³ of the Meghalaya Municipal Act, 1973 (as amended) specifies that the respective Boards may constitute Municipal Accounts Committees (MACs). The responsibilities of the MAC *inter alia* include (i) the examination of the accounts of the Board and also checking whether the audit observations and instructions made or given from time to time have been complied with; (ii) undertaking any physical verification of cash, stock and assets of the Board; and (iii) discharging such other function as may be entrusted.

Audit noticed that the MAC was not constituted in any of the MBs till date (November 2018) due to absence of elected Board members. Thus, there was no authority to monitor and insist upon the preparation of Annual Accounts by the Boards. This resulted in non-preparation of Annual Accounts and accumulation of huge numbers of outstanding Inspection Reports and paragraphs as discussed in **Paragraphs 1.6 and 1.10.4** respectively.

³ Inserted vide Meghalaya Municipal (Amendment) Act, 2012.

On this being pointed out in Audit, the CEOs of three MBs (viz Williamnagar, Baghmara and Jowai MB) agreeing with Audit observation and the remaining MBs did not respond.

1.5 Audit arrangement

1.5.1 Primary Auditor

Audit of the ULBs are conducted by the Director of Local Funds Audit (DLFA)⁴ of Meghalaya as per provision of the Assam Local Fund (Accounts and Audit) Act, 1930 and the Rules framed thereunder and the executive instructions issued from time to time as adapted by the Government of Meghalaya. The DLFA, Meghalaya is the primary auditor of the six ULBs in the State as per Meghalaya Municipal Act, 1973⁵.

The DLFA stated (April 2021) that, the accounts of all the six MBs have been audited upto March 2018 as detailed below:

Table 1.3: Status of audit of ULBs by the Primary Auditor

Sl. No.	Name of the ULB	Period of accounts audited/ latest accounts audited by DLFA
1.	Tura MB	2017-18
2.	Resubelpara MB	2017-18
3.	Shillong MB	2017-18
4.	Jowai MB	2017-18
5.	Baghmara MB	2017-18
6.	Williamnagar MB	2017-18

Source: Information furnished by the DLFA.

1.5.2 Audit by the Comptroller & Auditor General of India

Section 151J (2) of the Meghalaya Municipal (Amendment) Act, 2012 specifies that the Comptroller & Auditor General (C&AG) of India shall provide Technical Guidance and Support (TGS) over the proper maintenance of accounts and audit of the accounts of the Board and shall prepare an Annual Technical Inspection Report (ATIR) on the test check of accounts of the municipalities and forward a copy of the report to the State Government. The audit of accounts of the ULBs under the TGS arrangement had been entrusted to the C&AG in March 2012 under Section 20(1) of C&AG’s (Duties, Powers and Conditions of Services) Act, 1971 by the State Government.

Accordingly, the first ATIR for the year ending 31 March 2014 was prepared, which was followed by ATIRs of 31 March 2015, 31 March 2016 and 31 March 2017.

The Principal Accountant General (Audit), Meghalaya, Shillong conducted audit of the six MBs for the year 2017-18 during November 2018 to February 2019 under TG&S arrangement as per its Annual Audit Plan 2018-19. The draft ATIR was forwarded (06 August 2020) to the State Government for comments. Audit findings of the draft report were discussed with the Director, Urban Affairs Department, Meghalaya and the

⁴ Re-designated from the Examiner of Local Accounts (ELA) on 5th October 2015.

⁵ Section 151J (1) of the Act as inserted vide Meghalaya Municipal (Amendment) Act, 2012.

CEOs/representatives of the MBs in an exit conference held on 19 July 2019. Response of the Department/MBs received have been incorporated at appropriate places.

1.6 Response to audit observations

1.6.1 Inspection Reports

Section 151J (4) of the Meghalaya Municipal (Amendment) Act, 2012 specifies that the Board shall take necessary action on the report of the Auditor along with test audit report of the Comptroller & Auditor General of India, within six weeks of receipt.

As of March 2018, against the six MBs, 30 Inspection Reports (IRs) containing 239 paragraphs issued by the Principal Accountant General/Accountant General (Audit), Meghalaya were lying outstanding for the period from 1998 to 2017. The position of outstanding IRs and paragraphs against the six MBs in Meghalaya as of March 2018 is given in the table below:

Table 1.4: Position of outstanding IRs and paragraphs as of March 2018

Name of the MB	No. of outstanding IRs	No. of outstanding paragraphs			Monetary value (₹ in lakhs)	No. of years outstanding
		Part-II A	Part-II B	Total		
Jowai	4	1	29	30	74.43	1 to 4
Resubelpara	4	-	37	37	36.70	1 to 4
Shillong	11	16	66	82	3,473.53	1 to 20
Tura	4	5	41	46	263.92	1 to 4
Williamnagar	4	-	24	24	73.79	1 to 4
Baghmara	2	1	19	20	169.95	1 to 4
Total	30	23	216	239	4,092.32	

The IRs and paragraphs against the Shillong MB have been outstanding for the period from 1998 to 2017 for want of reply from the Board. The IRs and paragraphs against Jowai, Resubelpara, Tura, Williamnagar and Baghmara MBs were lying outstanding for the period from 2014 to 2017. The above indicates lack of commitment towards settlement of audit observations.

Recommendation: *The Director, Urban Affairs Department should direct the MBs to furnish replies to all the outstanding audit paragraphs.*

1.6.2 Placement of ATIRs in the Legislative Assembly and status of discussion in Public Accounts Committee

Section 151K- of the Meghalaya Municipal (Amendment) Act, 2012 stipulated that, the Board shall, after adoption of the financial statement and the balance sheet and the report of the Auditor along with Test Audit Report of the Comptroller and Auditor General, forward the same to the State Government for placing before the State Legislature along with the action taken report with intimation to the Auditor and Comptroller & Auditor General’.

The ATIR for the years ended 31 March 2014 was laid in the Meghalaya Legislative Assembly on 24 September 2015. The ATIRs for the year ending 31 March 2015 and 31 March 2016 were placed before the Legislative Assembly on 14 December 2017.

The Public Accounts Committee (PAC) of the Meghalaya Legislative Assembly discussed **Paragraph 2.4** of the ATIR for the year ended 31 March 2014 on 10 May 2016. Recommendation of the PAC on the paragraph is awaited (August 2021).

Recommendation: *The State Government should ensure holding of PAC more frequently and recommendations made in respect of paragraphs discussed.*

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.7 Ombudsman

As per paragraph 6.4.5 of the Guidelines for release and utilisation of grant recommended by the 13th Finance Commission, the State Government was required to put in place a system of independent local body ‘Ombudsmen’ who will look into complaints of corruption and mal-administration against the functionaries of local bodies and recommend suitable action.

There is no office of the Ombudsman in the State of Meghalaya. However, Meghalaya enacted the Meghalaya Lokayukta Act, 2014 in March 2014, the Chairperson of Meghalaya Lokayukta was appointed on November 2018.

1.8 Service Level Benchmark (SLB)

As mentioned in Chapter 2 of ATIR 2016-17, the State Government notified the SLBs for four basic services viz. (i) water supply, (ii) sewerage, (iii) storm water drainage and (iv) solid waste management in March 2012. However, these SLBs were notified only for Shillong Municipal Board to be implemented in 2012-13. It has still not notified the SLBs for the other five⁶ MBs.

The fact remains that except solid waste management, the three other services viz. water supply, sewerage and storm water drainage are not implemented by the selected⁷ MBs. Until the services are actually entrusted to the MBs, the purpose of setting target of service delivery benchmark may not yield any impact.

1.9 Fire hazard response

The function of fire services has not yet been devolved to the MBs by the State Government.

1.10 Financial Reporting Issues

1.10.1. Source of funds

The sources of funds of the ULBs comprise own revenues generated by the MBs from different sources, Central Finance Commission (CFC) grants and State Government

⁶ Jowai, Tura, Williamnagar, Baghmara and Resubelpara MBs.

⁷ Shillong, Jowai and Resubelpara MB which were the three MBs selected for the Performance Audit on Service Delivery by Urban Local Bodies which was included in Chapter 2 of the ATIR for 2016-17.

grants released through the Director, Urban Affairs Department for maintenance and development purposes. The overall financial position of all the six MBs during the period from 2012-13 to 2017-18 is tabulated below:

Table 1.5: Time series data on ULBs resources

(₹ in crore)						
Sources	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Own Revenue	10.07	12.00	13.59	14.67	13.95	64.28
State (Plan/Non plan)	7.18	7.66	3.69	13.77	4.50	36.80
Central Finance Commission (CFC) transfers	12.33	2.22	1.75	1.31	5.49	23.10
Total	29.58	21.88	19.03	29.75	23.94	124.18

Source: Information furnished by the MBs.

1.10.2 Own revenue

Under Section 68 of the Meghalaya Municipal Act, 1973 (as amended), the MBs can impose within their limits, taxes on holdings (property tax), water tax, light tax, latrine tax, drainage tax, private markets tax, fees on carts, carriages and animals, registration fees for dogs and cattle and any other tax, toll and fee duly sanctioned by the Government.

During 2017-18, the six MBs in the State earned ₹ 13.95 crore as ‘own revenue’ through imposition of these taxes whereas, they incurred an expenditure of ₹ 13.56 crore only for salaries to their staff. Comparison of ‘own revenue’ of these MBs *vis-a-vis* expenditure incurred for the year 2017-18 is as follows:

Table 1.6: MB wise collection of Revenue vis-a-vis expenditure on staff salaries

(₹ in crore)				
Sl. No.	Name of MB	Own revenue during 2017-18	Expenditure on salaries during 2017-18	Shortfall (-)/ Excess (+)
1.	Tura MB	2.08	0.64	1.44
2.	Jowai MB	0.34	0.79	-0.45
3.	Williamnagar MB	0.19	0.18	0.01
4.	Resubelpara MB	0.28	0.13	0.15
5.	Shillong MB	10.76	11.69	-0.93
6.	Baghmara MB	0.30	0.13	-0.17
Total		13.95	13.56	0.14

Source: Information furnished by the MBs except Shillong MBs where figures are taken from Annual Financial Statement 2017-18.

From the table above it can be seen that during 2017-18, revenue collection of the three⁸ MBs was not adequate to meet its annual expenditure on staff salaries. This is indicative of the fact that these MBs are dependent on Grants-in-Aid from the Central/ State Government.

1.10.3 Constitution of State Finance Commission

The 74th Constitutional Amendment Act mandated the constitution of State Finance Commission every five years to determine sharing of revenue between the State and the local bodies. Accordingly, the Government of Meghalaya enacted the Meghalaya

⁸ Jowai MB, Shillong MB and Baghmara MB.

State Finance Commission Act, 2012 on 30 March 2012. As per Section 3(1) of this Act, “the State Government shall as soon as may be one year from the enactment of the Act and thereafter at the expiry of every fifth year, constitute a body to be known as the Meghalaya State Finance Commission to review the financial position of the traditional bodies, municipalities or municipal boards notwithstanding any term by which ULBs are called in the State”. As per Section 10 of this Act, the State Government had also framed the Meghalaya Finance Commission Rules, 2013 which was notified in the Gazette of Meghalaya in December 2013.

Audit had recommended an early constitution of the Meghalaya State Finance Commission under **Paragraphs 1.16, 1.12.2, 2.6.4.1 and 1.11.3** of the ATIRs for the years ending March 2014, March 2015, March 2016 and March 2017 respectively. The State Government had however, not constituted (May 2019) the State Finance Commission. Thus, the provision of the Act *ibid* remained unfulfilled.

Recommendation: The State Government should constitute the State Finance Commission as per the provisions of the Meghalaya Finance Commission Act, 2012 to offer timely technical advice on financial position and distribution of resources between the State and municipalities.

1.10.4 Preparation of Annual Accounts by MBs

Sections 151F to 151H of the Meghalaya Municipal Act, 1973 provides for preparation of annual financial statement (Income & Expenditure, Receipts & Payments and Balance Sheet) within three months of the next financial year for the preceding financial year.

Audit observed that four MBs⁹ were yet to prepare any Annual Accounts. Shillong Municipal Board had also failed to prepare its Annual Accounts for 2017-18 though it was due by 31 July 2018 (November 2018).

The reason attributed by four MBs for non-preparation of annual accounts was as under:

Table 1.7: MB-wise reply for non-preparation of annual account as per prescribed format

Sl. No.	Name of the Board	Reasons attributed
1.	Resubelpara MB	No proper training was given to its officials and staffs.
2.	Baghmara MB	Stated to maintain accounts as per prescribed norms but no annual accounts or financial statement prepared.
3.	Jowai MB	Board did not have expert staff or Chartered Accountant for guidance.
4.	Williamnagar MB	There is no computer expert appointed.

Non-preparation of Annual Accounts by the four MBs as per prescribed format and failure of the Shillong MB to ensure timely preparation of the Annual Accounts had been highlighted by Audit in the previous ATIRs for the year ending 31 March 2015, 31 March 2016 and 31 March 2017. Appropriate recommendations were also being made in these ATIRs. In view of the above, the reasons attributed by the MBs for non-preparation of Annual Accounts, as above, were not acceptable.

Recommendation: All MBs should prepare their Annual Accounts in time and if necessary, training should be imparted to the Accountants of the MBs.

⁹ Jowai, Resubelpara, Williamnagar and Baghmara.

1.10.5 Maintenance of books of Accounts as per prescribed format

According to the provision of the Accounting Manual for ULBs in Meghalaya, the MBs were to maintain the books of accounts as per the prescribed format.

Scrutiny of records revealed that out of the six MBs only Shillong MB, Tura MB and Baghmara MB had maintained books of accounts partially as prescribed in the manual, including important records such as Cash/bank receipt voucher (Form GEN-4), Cash/bank payment voucher (Form GEN-5), Contra Vouchers (Form GEN-6), Receipt Register (Form GEN-9), Collection Register (Form GEN-11), Register of bills for payment (Form GEN-13), Cheque Register (Form GEN-15), Register of Advance (Form GEN-16), Deposit Register (Form GEN-18), etc.

Similar reasons for non-preparation of Annual Accounts as indicated in the above **Table 1.7** were attributed by the MBs during the previous ATIR. The reasons attributed by the MBs, as given in **Table 1.7 (Paragraph 1.10.4)**, were not acceptable because there is no evidence of efforts been made by the MBs either to give training to the existing account staff or to strengthen the account section by recruiting experienced staff.

1.10.6 Preparation/approval of Annual Budget

Section 151A and B of the Meghalaya Municipal (Amendment) Act, 2012 envisage that each MB shall prepare a budget estimate for every financial year in the format as may be prescribed in the Meghalaya Municipal Accounting Manual. The Annual Budget approved by the respective Board shall be submitted to the State Government for inclusion in the State Budget as a supplement to State budget for local bodies before 31st January in each year.

It was noticed that four out of six MBs had prepared their Annual Budget and submitted to the Director, UAD for onwards submission to the Government. None of the four MBs could however, submit the Annual Budget within the prescribed time of 31 January (as shown in the table below).

Table 1.8: Submission of Annual Budget by the MBs to the Director, UAD for the year 2017-18

MB	Date of submission of annual budget to the Director, UAD	Delay in submission of annual budget (months)
Shillong	09/05/2017	3
Tura	13/07/2017	5
Jowai	25/05/2017	3
Resubelpara	Not submitted	-
Williamnagar		
Baghmara		

Source: Compiled from the information furnished by the Director, UAD and respective CEO/EO.

From the above table it is seen that though three MBs (Shillong, Tura and Jowai) submitted their annual budget to the Director, UAD it was submitted after delays ranging between

three to five months. The remaining MBs (Williamnagar, Baghmara and Resubelpara) did not prepare their annual budgets due to lack of trained accountant. Thus, due to non/delay submission of budget by the MBs to the Government, the MBs have not been allotted separate budget and are dependent on State and Central Government grants for their functioning.

Recommendation: MBs should prepare the Annual budget in time as per the prescribed format and submit to the State Government for inclusion in the State Budget as a supplement to State budget for local bodies.

1.11 Internal Audit

Paragraph 32.15 of the Accounting Manual for ULBs in Meghalaya states that the ULBs may get their accounts audited by internal audit. Audit however observed that none of the MBs had any system of internal audit, which was in contravention of the provisions of the Accounting Manual. The reason for not having internal auditor was attributed by the CEOs of the MBs to shortage of staff.

CHAPTER - II

Compliance Audit Paragraphs

CHAPTER - II

Compliance Audit Paragraphs

2.1 Operation of Public Transportation by SMB

The Shillong Municipal Board (SMB) entered into agreements with various private operators for operation of public transport vehicles with a view to provide efficient and low cost public transport in order to extend social service for the people of Shillong and its suburbs.

As per Contract Agreement, in the event of any sums whatsoever are due and owing to SMB from the operators/transferees under the agreements, SMB shall have the sole and absolute right to recover the same by appropriating such dues from Performance Security and in case of delayed payments the parties shall be paid along with interest at rate of SBI Prime Lending Rate *plus two per cent* on the delayed amount for the delayed time.

In the process SMB leased out a total of 100 vehicles to eight operators during the period covered by audit (2017-18). The details are given below:

Table 2.1: Collection of revenue on operation of public transport vehicles
(Amount in ₹)

Sl No.	Vehicles	Agency name	Nos. of vehicles	Date of agreement	Rate per month per vehicle	Amount payable in a year	Deposit	Shortfall in deposit (%)
1.	SSTS Bus	Synroplang Self Help Group	10	07-Sep-15	15,000	18,00,000	16,05,000	1,95,000 (11)
2.	SSTS Bus	United Sales & Supplies	8	Nil		14,40,000	2,00,000	12,40,000 (86)
3.	SSTS Bus	W.S. Chyne, Mawlai Mawdatbaki, Shillong	7	Nil		12,60,000	0	12,60,000 (100)
4.	SSTS Bus	Iai Kyrsoi Society, Nongmynsong, Shillong	5	Nil		9,00,000	3,00,000	6,00,000 (67)
5.	Tata Winger	Khasi Hill Tourist & Tour Agency	3	11-Jul-16	15,600	5,61,600	4,47,072	1,14,528 (20)
6.	Maxi Taxi (8-seater)	W.S. Chyne, Mawlai Mawdatbaki, Shillong	16	21-Jan-15	6,500	12,48,000	11,28,000	1,20,000 (10)
7.	Maxi Taxi (8-seater)	United Sales & Supplies	35	21-Jan-15		27,30,000	23,32,000	3,98,000 (15)
8.	Tata Magic (Repaired)	United Sales & Supplies	16	Nil	3,250	6,24,000	2,48,958	3,75,042 (60)
Total			100			105,63,600	62,61,030	43,02,570 (41)

Note: SSTS – Shillong Special Transport Service.

From the table above, it can be seen that against the contract value of ₹ 105.64 lakh per year, the operators deposited an amount of ₹ 62.61 lakh resulting in a shortfall of ₹ 43.03 lakh. Further, it can be seen that the shortfall in deposit of revenue ranged from 11 *per cent* in the case of the lowest amount of shortfall, to as much as 100 *per cent* in the case of the highest amount of shortfall. Thus, due to the default of the operators in depositing the agreed amount, the SMB lost revenue of ₹ 43.03 lakh.

In reply, the CEO, SMB stated (December 2018), that the operators of the SSTS Buses have requested for reduction in the revenue and the matter is still pending with the higher authority. The reply is untenable as no action has been taken against the defaulters by forfeiting the performance security money and charging of delay payment charges @ SBI Prime Lending Rate + two *per cent* as stipulated in the Contract agreement._

2.2 Municipal Parking Lots

SMB leased out its parking lots to different lessees for a fixed or contract price tendered by the lessees. During audit it was seen that 12 lessees defaulted in payment of revenue amounting to ₹ 66.71 lakh as shown in the table below:

Table 2.2: Collection of lease from Municipal Parking Lots


Sl. No.	Name of lessee	Name of place	Rate (₹) per month	Period	No. of Month	Amount Due (₹)	Amount paid (₹)	Short payment (₹)/ (%)
1.	Rikynti Lyngdoh Nongrum	Mawlong Haat Parking Lot	4,55,417	21.1.15 to 20.1.16	12	54,65,000	48,15,000	6,50,000 (12)
			3,21,567	21.1.16 to 18.10.16	9	28,94,103	27,05,000	1,89,103 (7)
2.	Paul Lyngdoh Mawlieh	Municipal Parking Lot Opp. SBI	50,000	18.8.14 to 30.9.16	25	12,50,000	7,31,385	5,18,615 (41)
3.	F. Syiem	Opp. Anjalee Cinema Ground Floor	2,34,583	1.2.16 to 18.10.16	8.5	19,93,956	96,250	18,97,706 (95)
4.	President KHTTA	KHTTA Parking Lot	47,000	9.10.16 to 31.10.16	23 days	36,033	0	36,033 (100)
5.	Khasi Hill Sumo Counter Association	Opp. Anjalee Cinema Top Floor	1,15,500	1.4.16 to 31.10.17	19	21,94,500	6,35,250	15,59,250 (71)
6.	A. Khongthohrem	Opp. Anjalee Cinema Top Floor	75,000	1.2.17 to 31.10.17	9	6,75,000	75,000	6,00,000 (89)
7.	Sumit Thabab	Parking Lot Opp. SBI	42,000	1.7.17 to 31.8.17	2	84,000	0	84,000 (100)
8.	M. Nongsiej	Motphran Qualapaty Roadside	83,000	19.10.16 to 14.9.17	11	9,13,000	6,28,660	2,84,340 (31)
9.	Bernard Dohkrud	Motphran Parking Lot	38,480	1.11.16 to 27.10.17	12	4,61,760	1,32,568	3,29,192 (71)

Sl. No.	Name of lessee	Name of place	Rate (₹) per month	Period	No. of Month	Amount Due (₹)	Amount paid (₹)	Short payment (₹)/ (%)
10.	M. Kharmudai	Motphran Qualapaty Roadside	83,000	15.9.17 to 31.12.17	3.5	2,90,500	0	2,90,500 (100)
11.	T. Diengdoh	Umsohsun Parking Lot	41,938	1.11.16 to 19.12.17	13.5	5,66,163	4,61,318	1,04,845 (19)
12.	Jamphrang Nongkhlaw	Opp. Anjalee Cinema Ground Floor	2,34,583	23.12.17 to 14.1.18	23 days	1,79,847	0	1,79,847 (100)
Total						1,70,03,862	1,02,80,431	67,23,431 (40)

From the table above, it can be seen that against due amount of ₹ 170.04 lakh due, the lessee deposited ₹ 102.80 lakh resulting in short deposit of ₹ 67.23 lakh. Thus due to the default of the lessee in depositing the due amount, the SMB lost revenue of ₹ 67.23 lakh.

As per the agreement¹⁰, in case of non-payment of lease money, the SMB will have the right to make alternative arrangement for collection of Parking fees from the lessee and initiate legal action against them. There was, however, nothing on record to indicate that the SMB has initiated any action against the defaulting lessees.

Shillong
The: 13 February 2023


(Shefali Srivastava Andaleeb)
Principal Accountant General (Audit),
Meghalaya

¹⁰ Out of the 12 lessees shown in the table above, only two agreements executed by SMBs with (i) Rikynti Lyngdoh (Sl. No. 1) and (ii) Khasi Hills Sumo Counter Association (Sl. No. 5.) were produced to audit.

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