

CHAPTER – III

TRANSACTION AUDIT OF URBAN LOCAL BODIES

3.1 Revenue Receipts and results of Audit

The revenue receipts of an Urban Local Body (ULB) comprise receipts from its own resources (Tax and Non-Tax revenue), State Finance Commission Grants, Grants and Loans from Governments and loans from Financial Institutions. The performance of ULBs in the State in the matter of increasing own revenue from sources allocated to them was not encouraging. The resultant inadequacy of funds prevented them from discharging even their obligatory functions. Though deficiencies in collection of revenues were brought out in the previous Annual Technical Inspection Reports (ATIRs), the State Government had not initiated action for streamlining the system and procedures in this regard. Most of the deficiencies pointed out in earlier ATIRs continued to persist in test checked ULBs. There were arrears of ₹2.05 crore of holding tax in two test checked ULBs as indicated in **Table 3.1**.

Table 3.1: Outstanding Holding Tax

Sl. No.	Name of ULB	Year	Amount of holding tax due including arrears	Collection including arrears	₹ in lakh	
					Outstanding	Percentage of collection
1	Goalpara MB	2010	112.70	10.02	102.68	8.89
2	Lakhimpur MB	do	151.47	49.26	102.21	32.52
Total			264.17	59.28	204.89	22.44

There were 5 tax collectors in Goalpara MB and 4 tax collectors in Lakhimpur MB. In spite of availability of manpower, the ULBs failed to collect holding taxes regularly.

During 2010 only 22.44 *per cent* of outstanding holding taxes were collected leading to accumulation of huge outstanding amount at the close of the year. The ULBs did not take necessary steps for identification of defaulters, issuance of bill and notice of demand as provided in the Act.

3.2. Irregular Expenditure of TFC Grants ₹25.43 lakh

As per para 2.2 and 2.3 of the guidelines for utilisation of TFC grants, ULBs should utilize these grants to enhance service delivery of solid waste management in urban areas, creating database on their finances and for maintenance of their accounts. Diversion of fund received under TFC award is strictly prohibited.

Goalpara Municipal Board (GMB) received ₹25.05 lakh under TFC grants during 2010-11 of which ₹21.52 lakh was spent on construction of road and drain, ₹.0.75 lakh for purchase of generator set and stationery which were not covered under the guidelines. However, the balance amount of ₹2.77 lakh was spent for procurement of 'Cycle Thela' and spades for the purpose of solid waste management. Similarly, Howly Town Committee (HTC) received (March 2007) ₹3.91 lakh under TFC award (1st instalment for 2005-06) for maintenance of accounts, creation of database, procurement of cess pool cleaner, tractor, and for solid waste management which was spent for 'Improvement of Gurusthan Path' deviating from the very purpose of scheme guidelines. Thus, the two ULBs incurred expenditure of ₹25.43 lakh (₹21.52 lakh by GMB and ₹3.91 lakh by HTC) in violation of provision of TFC which defeated the purpose of the grants so provided.

3.3 Diversion of funds

Conditions attached to a grant enjoin that the grantee should utilise the grant for the purpose for which it was provided and should, in no way, be diverted for any other activity. Test check of records of three MBs and one TC revealed that grants for ₹64.51 lakh provided by Central and State Governments on various developmental activities, as detailed in **Table 3.2**, were diverted towards pay and allowances of staff:

Table 3.2: Diversion of fund for salary

(₹ in lakh)				
Sl No.	Name of ULB	Name of scheme	Period	Amount diverted
1	Goalpara MB	GIA	2007-08	12.00
		MV Tax grant	2009-10	7.74
2	Lakhimpur MB	SJSRY	2007-08	2.54
		MV Tax grant	2004-08	16.87
		CFC grant	2005-06	4.74
3	Dhubri MB	SJSRY	2007-08	14.62
4	Tihu TC	GIA	2007-08	6.00
			Total	64.51

As a result of the diversion of funds, the ULBs failed to deliver the intended benefits to the beneficiaries defeating the objective of the scheme for which the fund was sanctioned.

3.4 Blockade of fund

Dhubri Municipal Board received (December 2009) ₹5 lakh from the Director of Municipal Administration, Assam, Dispur for construction of 50 units of low cost sanitary latrine (LCSP) @ ₹10,000/- per unit under Schedule Caste Component Plan (SCCP) for the year 2008-09 for economically weaker sections of the Schedule Caste community. As per condition stipulated in the sanction letter, the work was required to be completed within June 2010.

Scrutiny of records of Dhubri MB (February 2011) revealed that the MB neither constructed the sanitary latrines nor any initiative was taken by the Board to implement the scheme without assigning any recorded reason and the amount was lying in the bank account of Chairman of Municipal Board. Benefit of LCSP was not thus possible to be derived by the beneficiaries for more than 15 months.

3.5 Adjustment vouchers wanting

Four ULBs¹ paid advances to the tune of ₹1.28 crore in the form of cash to their officers during May 2008 to December 2009 for implementation of schemes under SJSRY and IDSMT against which related bills/vouchers were not produced to audit (March 2011). The details of advances paid are indicated in **Table 3.3**.

¹ North Lakhimpur MB, Goalpara MB, Dhubri MB, Howly TC

Table 3.3: Vouchers not produced against advance released

				(₹in lakh)
Name of ULB	Date of payment	Purpose of payment	Advance given to	Amount
North Lakhimpur MB	26-5-08 to 21.12.09	Implementation of 21 nos. SJSRY Schemes	Porag Dutta, JE, Executive Officer, Sri U.C.Borah, Executive Officer	17.37
Goalpara MB	5-3-04 to 18-2-10	Implementation of schemes under SJSRY Schemes	Officials, contractors, EO etc.	34.09
	17-2-05 to 9-2-06	construction of Super Market, at Chowk Bazar, Goalpara under IDSMT	₹34.00 lakh each to two contractors	68.00
Dhubri MB	5/06 to 3/08	Implementation of 7 nos. SJSRY Schemes	Board's officials/officers	6.72
Howly TC	4/04 to 11/04	Implementation of 12 nos. SJSRY Schemes	P.Deka, JE and Sri Bhadreswar Sarma	2.08
Total				128.26

None of the ULBs maintained any Advance Register as stipulated in Rule 81 of Assam Municipal (Account Rules), 1961 and were deprived of an important tool to monitor the subsequent adjustment of advances, besides ensuring that expenditure was actually incurred for bonafide approved purposes.

3.6 Huge liability on account of Employees Contribution to C.P.F.

Test check (February and March 2011) of records of Dhubri MB and Lakhimpur MB revealed that the Board authorities deducted contribution of employees @ minimum of 6.25 *per cent* to CPF from their monthly salary which, along with equal share of contribution from the employer was required to be deposited with a view to earning interest, dividends etc. The board was also required to maintain individual CPF account of employees showing deposits of employees including the employer's contribution along with interest earned/accrued on such investments.

However, the Boards neither made any contribution nor maintained individual CPF accounts for the period September 1998 to March 2008 (Dhubri) and October 1990 to January 2003 (Lakhimpur). Amounts deducted from the salaries of the employees were mixed up with General Fund Accounts of the Boards. Details of amounts deducted from the salaries of the employees, and employer's contribution due in respect of the above two Boards are shown in **Table 3.4**.

Table 3.4: CPF contributions not deposited by MBs

(₹ in lakh)

Name of Board	Period of deductions	Amount deducted	Boards' share	Amount to be deposited
Dhubri	September 1998 to March 2008	29.32	29.32	58.64
Lakhimpur	October 1990 to January 2003	9.75	9.75	19.50
Total		39.07	39.07	78.14

Thus, non contributions of due share of the MBs and non-maintenance of individual CPF accounts accumulated huge liabilities of the Dhubri and Lakhimpur MB.

3.7 Conclusion

- ULBs did not take necessary steps for identification of defaulters, issuance of bill and notice of demand for collection of outstanding Holding Tax. State Government also had not initiated action for streamlining the collection regime though deficiencies in collection of revenues were reported through previous ATIRs.
- Inefficiency on utilization of funds received by ULB led to blockade of fund and benefit of scheme was not possible to be derived by the beneficiaries.
- ULB authorities were unable to monitor subsequent adjustment of advances paid because of non-maintenance advance register. Non-submission of adjustment vouchers by the advance payees raised doubts regarding the bonafideness of expenditure against such advances.
- Non deposit of amounts deducted from the salaries of employees of ULBs into CPF resulted in avoidable burdening of liability of ULBs.

3.8 Recommendation

- Comprehensive data base of all tax payers may be maintained for identification of defaulters and regular demand notice may be issued to them. State Government should keep watch on the collection regime and issue necessary instructions to ULBs for strengthening their own resource of revenues.
- Necessary provisions may be made in respective scheme guidelines/grants to penalize the officials concerned who are found responsible for diversion, or mis-utilization of funds hampering the intended objectives of the respective schemes. Internal control mechanism may be strengthened by deploying required trained manpower and internal audit so as to prevent recurrence of irregularities.
- Effective and proper planning for the execution of works needs to be done by the ULB to enhance efficiency in utilization of funds and also to avoid blockade of fund. State Government may issue suitable instructions to ULBs to get the released amount utilized within a specific time frame, and follow up on the same.
- Instructions may be issued immediately for maintenance of advance payment registers by all ULBs. Importance of maintaining of advance payment registers may be seriously conveyed to all ULBs. CPF contribution amount of employees should be deposited into CPF account through a time bound action plan.

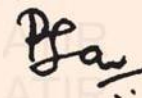


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