

OVERVIEW

This Report deals with the results of audit of accounts of Local Bodies and is presented in three Chapters. **Chapter I** has two sections. Section 'A' gives an overview of the organisation, finances, devolution and accountability framework of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and Section 'B' contains comments on Financial Reporting of PRIs and ULBs.

Chapter II contains two sections. Section 'A' has the results of District Rural Sector Audit conducted in Cachar district including one ZP, four APs and eight GPs while Section 'B' contains results of Audit of Transactions of PRIs of two districts including two ZPs, nine APs and 18 GPs.

Chapter III contains results of Audit of Transaction of ULBs in three MBs and two TCs located in three districts.

OVERVIEW

CHAPTER – I

SECTION ‘A’

ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAME WORK

There are 2407 PRIs and 89 ULBs in the State. The Principal Secretary, Panchayat and Rural Development Department and the Principal Secretary, Urban Development Department are the administrative heads of PRIs and ULBs {except Guwahati Municipal Corporation (GMC)} respectively. The Commissioner and Secretary, Guwahati Development Department is the administrative head of GMC.

(Paragraphs 1.1, 1.4)

There was acute shortage of manpower at each level of PRI and there was urgent need to make them fully operational with adequate manpower. There was no prescribed staffing pattern for ULBs and the Urban Development Department (UDD) did not take any steps to assess the number of officers and staff of different categories required for proper functioning of each ULB.

(Paragraph 1.6)

District Planning Committee (DPC) had been formed in all districts of General Areas, however, they were yet to perform their mandated functions as envisaged in Article 243ZD of the Constitution.

(Paragraph 1.7)

The State Government was yet to complete the process of decentralization in PRIs and ULBs.

(Paragraph 1.9.1)

The State ranked 18 out of 24 States evaluated by the Indian Institute of Public Administration (IIPA) for 2010-11 in terms of devolution of Funds Functions and Functionaries (3Fs) to PRIs.

(Paragraph 1.9.2)

‘Own Revenue’ of the PRIs was insufficient even to meet obligatory expenditure. Thus, they were largely dependent on Government grants.

(Paragraph 1.10.4)

The State Government in November 2011 selected 10 Ombudsmen and 2 Deputy Ombudsmen in 12 out of 27 districts in the State under section 27 (1) of the MGNREG Act, 2005. However, there was no provision in the AP Act and AM Act regarding setting up of ombudsman for LBs.

(Paragraph 1.15.1)

Audit of accounts of 42 PRIs (three ZPs, 13 APs and 26 GPs), five ULBs (three Municipal Boards and two Town Committees) was conducted during January 2011 to June 2011.

(Paragraph 1.16.5)

SECTION 'B'

FINANCIAL REPORTING

29 test checked PRIs maintained more than one cash book each. Cash book balances were not reconciled with bank balances in any PRI.

(Paragraph 1.18.1 (a))

None of the 42 PRIs test checked in audit, maintained Advance Registers for accountal of advances and watching recovery/ adjustments thereof. Advances amounting to ₹27.96 lakh remained outstanding in 3 PRIs.

(Paragraph 1.18.1 (b))

Due to non-incorporation of provision of preparation of annual accounts in relevant Acts and Rules, annual accounts were not prepared by the local bodies in the State and their state of affairs remained undisclosed.

(Paragraph 1.19.1)

Budget was not prepared in 38 out of 42 PRIs test checked in audit. Sixteen PRIs incurred unauthorized expenditure of ₹1.92 crore from their own fund without preparation of budget.

(Paragraph 1.20.1)

There was no provision for internal audit in relevant Municipal Acts and Rules. The system of internal audit, thus, did not exist in ULBs.

(Paragraph 1.22)

There were arrears in issue of Audit Reports by Director of Audit, Local Fund (DALF), which would affect the accountability mechanism in auditee units.

(Paragraph 1.23.1)

Large number of Inspection Reports issued by the office of the Senior Deputy Accountant General (LBAA) during 2006-07 to 2010-11 was outstanding for settlement for want of replies from auditee units of PRIs & ULBs.

(Paragraph 1.23.3)

CHAPTER II

PANCHAYATI RAJ INSTITUTIONS

SECTION: A

DISTRICT RURAL SECTOR AUDIT

In the absence of an integrated mechanism to exercise administrative and functional as well as financial control (oversee flow of funds, deployment of funds and expenditure of the social development schemes and monitor their eventual outcome), implementation of schemes was sporadic, overlapping in nature and lacked coordination in Cachar district.

(Paragraph 2.2.2)

In the absence of well defined accountability, reporting mechanism, adequacy and quality of financial reporting of PRIs were liable to be compromised besides leading to shortcomings in monitoring by the State Government.

(Paragraph 2.3.2)

District Planning Committee (DPC) in Cachar district suffered from delayed constitution, lack of resources and infrastructure, rules and regulations, and sufficient guidelines for its functioning. DPC met very infrequently and its functioning remained incomplete without adequate participation from real beneficiaries.

(Paragraph 2.4.1 to 2.4.6)

Internal controls were weak as evidenced by non preparation of accounts, non reconciliation of balances and non maintenance of records. There was no well defined system of authorization and approval of payments, segregation of duties, inspection and audit.

(Paragraph 2.5.1 to 2.5.6)

There was no record available with the Assistant Director of Audit, Local Fund (ADALF), Silchar regarding the number of units planned and audited during a year. There was no system of analysis inherent of risk or likely to be present in the audited entity for inclusion in audit plan on priority or otherwise. DALF prepares what is a mixed audit plan for all units including Panchayats and the same official is deployed for audit of all such units.

(Paragraph 2.6.1 to 2.6.3)

Test checked records of PRIs in Cachar district revealed that PRIs either did not prepare any budget or prepared unrealistic budgets which contributed to slackness in financial planning.

(Paragraph 2.7.1 to 2.7.3)

Out of 3,16,111 households which demanded jobs during 2007-11, employment was provided to 2,80,183 households. Thus, 35,928 willing rural people demanding employment were deprived of the benefit of enhancement of livelihood security.

(Paragraph 2.8.1.2)

As per information obtained from 4 selected APs, 21 to 79 *per cent* works taken up under the scheme for the years 2007-08 to 2009-10 remained incomplete as of March 2011)

(Paragraph 2.8.1.4)

Financial achievements in four selected APs depicted would indicate that 24 to 50 *per cent* fund released by DRDA under IAY were lying unutilized during the last three years.

(Paragraph 2.8.2.3)

Test check of records relating to selection of beneficiaries under IAY revealed that 224 persons belonging to non BPL category were selected as beneficiaries by the Gaon Sabhas in four Gaon Panchayats under Sonai AP and one Gaon Panchayat under Katigorah AP in 2009-10.

(Paragraph 2.8.2.4)

Out of a total of 252 schemes/works taken up under Twelfth Finance Commission (TFC) between 2007-08 and 2008-09 (1st installment), only 194 schemes/ works were completed as of June 2011 though the entire sanctioned amount of ₹1.33 crore was spent. Thus, 58 works remained incomplete with no funds left to complete them.

(Paragraph 2.8.3.3)

Four PRIs spent ₹20.37 lakh on purposes not covered under the guidelines of TFC grants which deprived rural people of the commensurate intended benefits.

(Paragraph 2.8.3.7)

Work of construction of market complex at Cachar ZP premises, taken up without administrative approval and sanction remained incomplete for three years after incurring an expenditure of ₹14.00 lakh.

(Paragraph 2.8.3.8)

Eight water purifiers procured for safe drinking water in rural areas were not installed resulting in idle investment of ₹5.86 lakh in Cachar district.

(Paragraph 2.8.3.9)

Government of India released (March 2011) a total amount of ₹36.99 crore as grants under Backward Region Grant Fund (BRGF) for the period 2006-07 to 2010-11. However, the State Government delayed the release of funds to Zilla Parishads beyond the stipulated period by 83 to 320 days resulting in adverse impact on implementation of projects.

(Paragraph 2.8.4.4)

A bridge constructed without approach road could not be used since August 2009. Thus, investment of ₹50 lakh remained unproductive.

(Paragraph 2.8.5.5)

The DPC in Cachar district approved 99 works for ₹2.53 crore during 2008-09 and 2009-10 under DDP on the recommendation of elected representatives without discussing the same in the Gaon Sabha concerned.

(Paragraph 2.8.5.6)

Percentage of expenditure under SGSY in Cachar district over the last five years continuously decreased and in the year 2010-11, it came down to 37 per cent of the available fund. Implementing agencies needed to generate increased awareness among the rural poor to avail of the benefits of the scheme

(Paragraph 2.8.6.2)

Expenditure of ₹96.39 lakh incurred between May 2009 and March 2011 on execution of 21 works under Border Area Development Programme (BADP) could not be verified due to non submission of related payment vouchers by Katigora AP.

(Paragraph 2.8.7.2)

During May-June 163 TV sets were procured under Assam Bikash Yojana out of these 148 TV sets remained unutilized due to want of electricity in GP offices.

(Paragraph 2.8.8.1)

CHAPTER II

PANCHAYATI RAJ INSTITUTIONS

SECTION: B

AUDIT OF TRANSACTIONS

PRIs were found to be leasing out hats, ghats, ferries and fisheries at less than the highest bid thereby losing substantial amount of revenue. It was also observed that the collecting PRIs had not apportioned the revenues according to the prescribed ratio of 20:30:50 among ZP, APs and GPs respectively.

(Paragraph 2.12)

Lakhimpur ZP did not construct market shed on account of land dispute, resulting in blocking up of TFC grant of ₹25 lakh.

(Paragraph 2.13.1)

Five PRIs of Lakhimpur district spent ₹18.55 lakh under TFC grants on ineligible items depriving rural people of commensurate intended benefits.

(Paragraph 2.13.2)

Agriculture 'bundh' remained incomplete though ₹15.25 lakh was spent on it by Narayanpur AP under MGNREGS. It was noticed that there were several breakages on the 'bundh' without any continuity of chainages covering the total length of 4166 mtr.

(Paragraph 2.14.1)

Excess expenditure on material component by three APs resulted in less generation of 93,280 mandays under MGNREGS.

(Paragraph 2.14.5)

Test check of records of four GPs¹ revealed that signature/thumb impression of the workers engaged in Muster Roll did not match with their original signature that appeared in Job Card Registers, and in some cases the signature column in the Muster Roll remained blank.

(Paragraph 2.14.6)

An amount of ₹33.74 lakh was spent to prevent erosion of river. The work was taken up in a fragmented manner with recurrent stoppages. Use of lesser number of porcupines than required made the work weak which failed to withstand the pressure of high stream of the river.

(Paragraph 2.15.1.2)

North Lakhimpur ZP distributed 19 pick up vans valued at ₹23.74 lakh to non-SC/ST beneficiaries without the approval of DPC.

(Paragraph 2.15.2)

¹ Badati Jamaguri GP under Bihpuria AP, Niz Laluk GP, Bongalmora GP and Dikrong GP under Karunabari AP in North Lakhimpur district

Dibrugarh ZP diverted ₹1.90 crore towards payment of staff salary out of DDP fund depriving the people of the district of the commensurate intended benefits.

(Paragraph 2.15.3)

Six PRIs released ₹1.80 crore to 473 non-BPL beneficiaries in contravention of guidelines of Indira Awas Yojana.

(Paragraph 2.16.1)

Six market sheds constructed at cost of ₹59.86 lakh by three APs under RSVY in Lakhimpur district were lying idle awaiting allotment to tenants. Thus, construction of market sheds without assessing the demand and ensuring the basic facilities like water, electricity etc. led to wasteful expenditure of ₹59.86 lakh.

(Paragraph 2.17)

CHAPTER III

URBAN LOCAL BODIES AUDIT OF TRANSACTIONS

Two ULBs collected only 22 *per cent* of holding tax leaving ₹2.05 crore outstanding, during the period 2003 to 2010.

(Paragraph 3.1)

Four ULBs did not produce adjustment vouchers against advance payments amounting to ₹1.28 crore under SJSRY and IDSMT

(Paragraph 3.5)

Two MBs did not deposit ₹78.14 lakh to the CPF account including Boards' share of ₹39.07 lakh depriving the officials of the intended benefit besides increasing their liability, on this amount.

(Paragraph 3.6)