

# **CHAPTER V**

**PERFORMANCE AUDIT ON THE WORKING OF GMC**

## CHAPTER - V

### Performance Audit on the working of the Guwahati Municipal Corporation

#### GUWAHATI DEVELOPMENT DEPARTMENT

##### 5.1.1 Highlights

The erstwhile Gauhati Municipal Board was developed to a Corporation by an ordinance which led to the constitution of the Guwahati Municipal Corporation (GMC) on receipt of the assent of the President of India on the 1<sup>st</sup> day of January 1973. Section 1 of the Act came into force *w.e.f.* 18 January 1973 and all the other Sections of the Act came into force *w.e.f.* 15 February 1974, the date of the first meeting of the elected Councillors after the first General Election to the civic body. The Performance Audit on “Working of the Guwahati Municipal Corporation” revealed that except executing some traditional civic activities, the GMC was not functioning in the true spirit of the Provisions/Bye-laws of the GMC Act, 1971 and 74<sup>th</sup> Constitutional Amendment Act, 1992 (CAA) as far as its functioning as a Local Self Government Institution with devolved Funds, Functions and Functionaries (3Fs) as per the 12<sup>th</sup> schedule of the Constitution, adoption of Data Based Accounting system, proper Manpower Management etc. were concerned.

❖ *The GMC prepared neither any long term Perspective Plan nor short term Annual Plans during its 39 years of existence. Schemes/works were executed as and when fund was made available to the Municipal authority.*

**(Paragraph: 5.2.1)**

❖ *Only four traditional functions were transferred to the GMC against 18 functions listed in the 12<sup>th</sup> schedule of the CCA, 1992. Major functions were either transferred partially or yet to be transferred to GMC as of March 2013 and these were carried out by the line Departments/parallel bodies in violation of the 74<sup>th</sup> CAA, 1992.*

**(Paragraph: 5.2.3)**

❖ *Annual budgets were approved after a period of six to eleven months from the commencement of financial year and 61.75 per cent (₹59.87crore) to 90.48 per cent (₹104.34 crore) of the fund was unauthorisedly spent before the approval of final budgets.*

**(Paragraph: 5.3.3)**

❖ *₹7.97 crore was spent without budget provision during 2007-08 & 2009-10.*

**(Paragraph: 5.3.4.3)**

❖ *Revenue collection of ₹10.21 crore was directly deposited into the bank accounts without routing through the main Cash Book.*

**(Paragraph: 5.3.8)**

❖ *Building bye laws were violated by NOC holders due to lack of supervision by GMC.*

**(Paragraph: 5. 4.1.12)**

❖ *Intended objective of providing shelter to slum-dwellers under JnNURM remained unachieved in spite of huge investment.*

**(Paragraph:5.5.2.1)**

❖ *₹4.15 crore (one per cent) Labour Welfare Cess collected by the GMC authority was not transferred to Labour Welfare Board till March 2013.*

**(Paragraph: 5.6.3)**

### 5.1.2 Introduction

The GMC was established in January 1973 under the Gauhati Municipal Corporation Act, 1971 and covered an area of 216 sq. km. divided into six divisions<sup>8</sup> and six Zones<sup>9</sup>. There are 60 electoral wards (now decreased to 31) in GMC with a total population of 9,63,429 (Male 5,02,255 and Female 4,61,174) in three lakh households (2011 Census). The major obligatory matters<sup>10</sup> of the GMC *inter alia* include:

- construction, maintenance and cleaning of drains and drainage;
- works and means of supply of water and for private purposes;
- scavenging, removal and disposal of filth, rubbish and other obnoxious or polluted objects;
- regulation of places for disposal of dead and debris;
- registration of Births & Deaths;
- health and sanitation with ambulance services;
- construction of Municipal markets and slaughter houses;
- securing or removal of dangerous buildings and places;
- construction, maintenance, alteration and improvement of public road, streets, bridges, culverts etc.;
- provision for public park, garden, playground, recreation ground and
- lighting, watering and cleaning of public streets and other public places.

### 5.1.3 Organisational set up

The Principal Secretary, Guwahati Development Department (GDD) is the Departmental Head at Government level and he is assisted by Secretary, GDD. The Commissioner is the Executive Head of the Corporation responsible for daily administration of the GMC and is assisted by one Additional Commissioner, one Jt. Commissioner, two Chief Engineers, one Collector, one Municipal Secretary, one Chief Accounts & Audit Officer (CA&AO), one Chief Health Officer, six Deputy Commissioners, one Administrative Officer, one Registrar, seven Assistant Commissioners and other supporting staff. A diagrammatic representation of the Organisational set-up of the GMC is shown at

**Figure-1:**

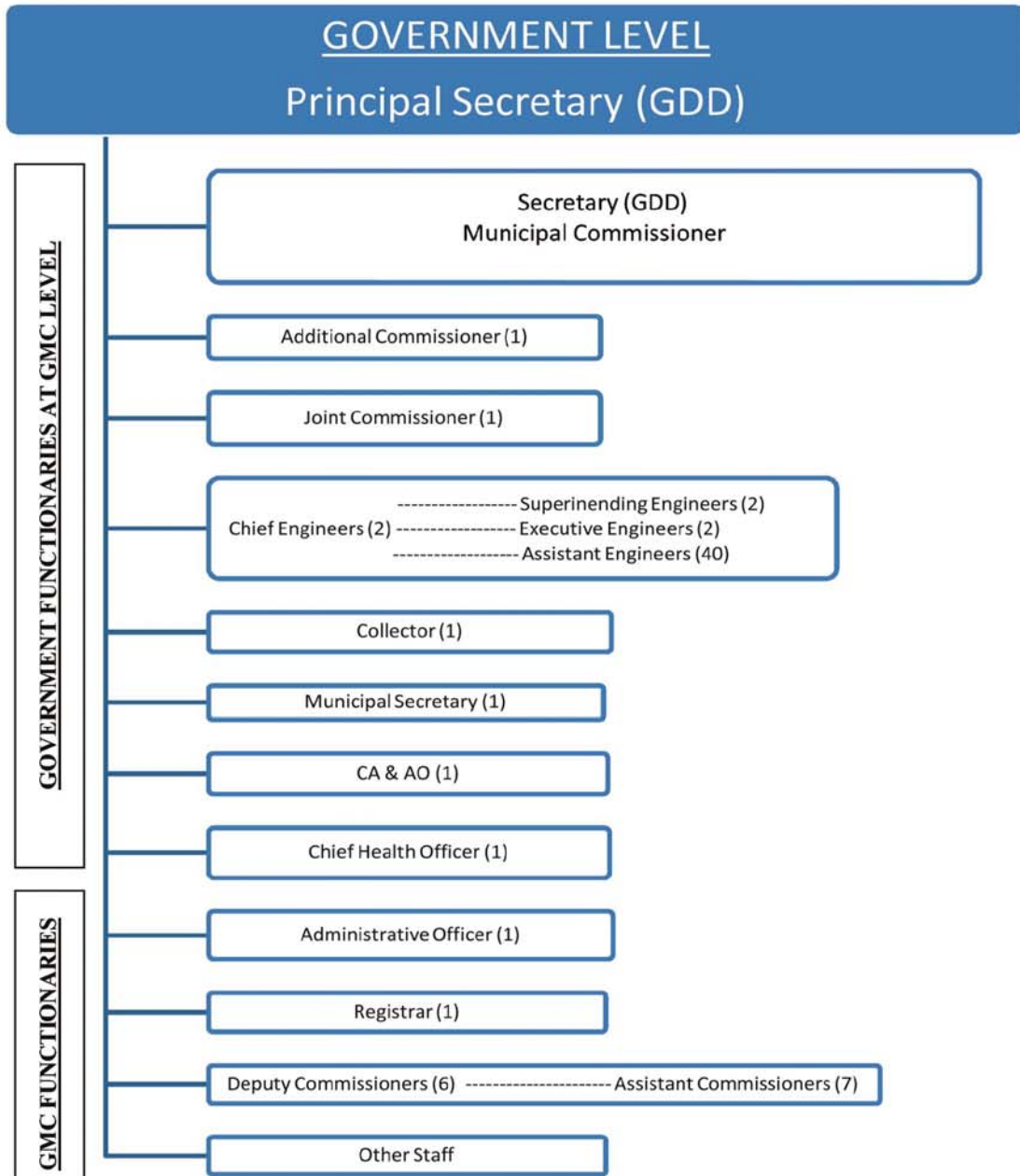
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<sup>8</sup> 1. Division-I: Bhuthnath; 2. Division-II: Uzanbazar; 3. Division-III: Ulubari; 4. Division-IV: Dighalipukhuri; 5. Division-V: Dispur and 6. Division-VI: Lakhra.

<sup>9</sup> 1. Central Zone: Panbazar; 2. Dispur Zone: Suparmarket, Dispur; 3. East Zone: Zoo Road Tiniali; 4. South Zone: Ulubari; 5. West Zone: Bhutnath and 6. Lokhra Zone: Lokhra.

<sup>10</sup> 25 obligatory matters as defined in the Section 7 of the GMC Act, 1971.

Figure- 1: Diagrammatic position of the GMC's organisational set up



Note: Figures in bracket depict number of functionaries

#### 5.1.4 Scope of Audit

The Performance Audit (PA) was conducted during January-April 2013 and it covered the period from 2007-08 to 2011-12. The detailed audit involving scrutiny of records and collection of evidences from the office of the Commissioner, GMC, three Divisions (Div-



II, III, V) and four Zones (Dispur, Lakhara, Bhuthnath, Central) was done. The overall functioning of the Corporation, including matters regarding financial management, collection of revenue especially property tax, execution of capital works, implementation of projects, human resource management, cleaning and sanitation etc., was examined in the PA. The 'Oversight Role'<sup>11</sup> of the State Government in the implementation of various developmental works executed by the GMC and the status of devolution of Funds, Functions and Functionaries (3Fs) to GMC as per 74<sup>th</sup> Constitutional Amendment Act (CAA), 1992 were also examined in the PA.

#### **5.1.5 Audit objectives**

The main objectives of the PA were to assess whether:

- planning for activities was adequate and effective;
- financial management of the Corporation was prudent;
- realisation of own revenue was effective and efficient;
- implementation of programmes/ activities/ works achieved their desired objectives and
- internal control system was adequate and effective for fulfilling the mandate of the Corporation and was sensitive to error signals.

#### **5.1.6 Audit criteria**

The Performance Audit was conducted based on the following sources of audit criteria:

- Rules, Bye-laws and Provisions under the GMC Act, 1971;
- instructions issued by Government of India (GoI), Government of Assam (GoA) and the Corporation from time to time;
- terms and conditions of grants sanctioned;
- guidelines for implementation of schemes;
- sanctions and releases of funds, financial statements of accounts and utilisation certificates;
- agenda and Minutes of GMC Body and High level Committee (HLC) Meetings;
- Man Power sanctions and staffing norms; and
- reports and mandatory returns.

#### **5.1.7 Audit methodology**

The PA commenced with an Entry Conference on 26 February 2013 with the Deputy Secretary, Guwahati Development Department (GDD), Commissioner, GMC and other officials from the GDD, GoA and GMC wherein audit objectives, criteria, methodology etc. were discussed. The primary audit evidences were collected through questionnaires, audit requisitions and test-checking of records of audit entity's units including field verification at various locations. An Exit Conference was held (6 August 2013) with the Principal Secretary (GDD) and Commissioner, GMC, Under Secretary, Finance (A & F),

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<sup>11</sup> Role of the Government to supervise the overall working of the GMC

GoA and other officials from GDD and GMC in which audit observations were discussed. The matter was reported to the Government (July 2013); reply is awaited (March 2014). However, Commissioner, GMC has furnished (September 2013) parawise replies which are incorporated in the report suitably.

#### **5.1.8 Acknowledgement**

The office of the Accountant General (Audit), Assam acknowledges the co-operation extended by GDD, GoA, the Commissioner, GMC and concerned branches under GMC during the course of conducting this PA.

#### ***Audit findings***

### **5.2 PLANNING, GOVERNANCE AND OVERSIGHT**

#### **5.2.1 Absence of systematic planning**

Planning is critical to the successful implementation of developmental activities of any organisation. 74<sup>th</sup> CAA, 1992 empowered Municipalities to go beyond the mere provision of the basic civic amenities and play a crucial role in preparation of plan for development and in the implementation of projects and programmes including those specially designed for urban poverty alleviation.

Audit observed that the GMC prepared neither any long term Perspective Plan (PP) nor short term Annual Action Plans (AAP) during its 39 years of existence. Schemes/works were found to have been executed as and when fund was made available to the Municipal authority.

In reply, the Commissioner, GMC stated that due to paucity of fund, long term PPs could not be prepared. However, short term AAPs were prepared for. Construction of roads and drains, improvement and restoration of existing water supply pipe lines, street light etc. Reply of the Commissioner, GMC is not tenable because works executed by the GMC are of regular nature carried out against the specific proposal. A long term PP is normally prepared by 'Expert Institution' for 20-25 years span which is to be reviewed after every five years. The same was, however, not done by the GMC.

#### **5.2.2 Annual Administration Report (AAR)**

Section 136 of the GMC Act, 1971 provides that the Commissioner shall as soon as may be, after the 1<sup>st</sup> day of April in each year cause to be prepared a detailed report of Municipal administration of the city during the previous year together with a statement showing the amounts of the receipts and disbursement respectively credited and debited to the Municipal Fund during the previous year and the balance at the credit of the fund at the close of the said year. Audit observed that no AAR was prepared by the Commissioner since its inception (1973) as Corporation up to the year 2010-11.

In reply, the Commissioner, GMC stated that AAR for the year 2011-12 was submitted to Government for approval and report for the year 2012-13 is under process. Reply of the Commissioner, GMC is not tenable because as per the provision of the Act, the AAR of GMC is to be prepared after the 1<sup>st</sup> day of April each year. This indicates that GMC had not prepared any AAR for 37 years.



### **5.2.3 Devolution of Funds, Functions and Functionaries (3Fs)**

The 74<sup>th</sup> CAA, 1992 envisaged that 3Fs should be transferred to the Corporation so as to make them 'Local Self-Government Institution' (LSGI). 18 functions enlisted under the XII schedule should be transferred to the Corporation by the State Government. As per recommendation of the Third Assam State Finance Commission (TASFC), the State Government through Cabinet also decided (February 2011) to frame the modalities for full transfer of 3Fs along with the budget and to notify constitution of a Committee of concerned Secretaries for smooth transfer of 3Fs. However, it was observed that out of the 18 functions listed in the 12<sup>th</sup> schedule, only four traditional functions viz. *Slum improvement and up-gradation, Urban Poverty alleviation, Cattle pounds, prevention to cruelty to animals and Regulation of slaughter houses and tanneries* were transferred as of March 2013. The details are as shown in the **Appendix-XIV**. The remaining 14 functions were still lying with the line departments working in parallel within the Municipal area.

The Commissioner, GMC in his reply stated that the matter of transfer of 3Fs is under process which indicates that GoA has not yet complied with the provision of 74<sup>th</sup> CAA. Final reply is awaited (March 2014).

### **5.2.4 Oversight Role of Government**

After the 74<sup>th</sup> CAA, 1992 and insertion of Article 243W, the State Government was required to operationalise the Municipal Institutions as units of Self-Government in the true sense. The Legislature of the State of Assam amended the Gauhati Municipal Act, 1973 (Delimitation of ward, reservation of seats and conduct of elections) to ensure transfer of power, authority and responsibilities in relation to the matters listed in the 12<sup>th</sup> Schedule of the Constitution of India. It is the responsibility of the GDD to see that power, authority and functions entrusted to GMC were exercised properly and in accordance with the amended legal provisions. The oversight role of the Government in the GDD was very crucial as it had to ensure that GMC is effectively functioning as units of LSGI. Audit observed that the GMC is administered by the GDD headed by one Principal Secretary. After dissolution (May 2008) of the elected body, the Government appointed one Administrator as overall Controller to look after the activities of the GMC. In spite of having sizeable administrative machinery at Government level, no major oversight role had been played in the day to day functioning of the GMC except in matters related to policy making.

The matter was reported to the Government (July 2013); reply is awaited (March 2014).

## **5.3 FINANCIAL MANAGEMENT**

### **5.3.1 Receipt and Expenditure**

The GMC received funds from the GoI and GoA in the form of Grants-in-Aid (GIA) which constitute its main source of finance. In addition, the GMC has its own sources of revenue mainly derived from the Taxation on Property, Income from Municipal Properties, User Charges and Fees, General Administration Fee, Assigned Tax from GoA, Capital Account, Loan and Advances and Bank Interest and Miscellaneous Receipts etc. All funds so received by the GMC are credited into the 'Municipal Fund of the GMC' and other schematic bank accounts from where the Corporation draws and spends its financial resources.

The details of fund received and expenditure made by the Corporation for the years 2007-08 to 2011-12 are as shown in **Table-5.1** and **Pie Chart-1** also depicts the GMC receipts position during 2007-12.

**Table-5.1: Details of Receipt and Expenditure of the GMC for the years 2007-12**

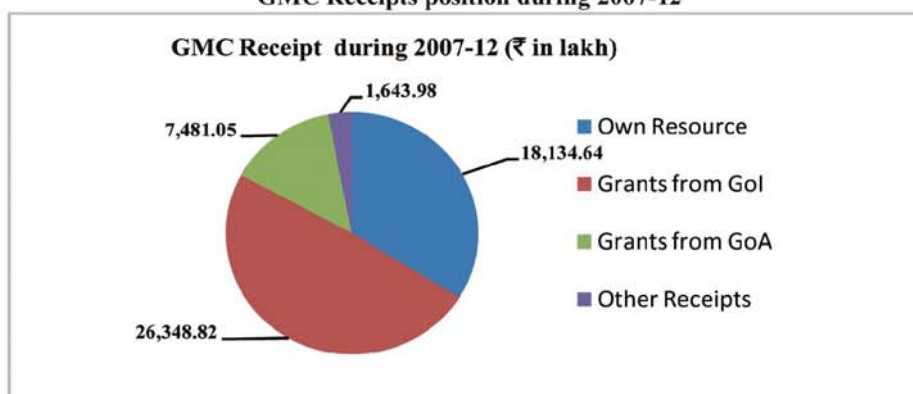
(₹ in lakh)

Year	OB	Receipt				Total (2+3+4+5+6)	Expenditure	CB (7-8)
		Own Resource	Grants from GoA	Grants from GoI	Others			
1	2	3	4	5	6	7	8	9
2007-08	459.23	2,786.66	2,128.52	67.62	601.52	6,043.55	4,763.12	1,280.43
2008-09	1,280.43	3,077.80	3,879.71	2,184.01	652.32	11,074.27	7,577.24	3,497.03
2009-10	3,497.03	3,570.81	5,992.48	3,915.30	72.58	17,048.20	9,650.73	7,397.47
2010-11	7,397.47	4,082.51	8,238.77	468.23	125.06	20,312.04	11,531.00	8,781.04
2011-12	8,781.04	4,616.86	6,109.34	845.89	192.5	20,545.63	8,774.27	11,771.36
<b>Total</b>		<b>18,134.64</b>	<b>26,348.82</b>	<b>7,481.05</b>	<b>1,643.98</b>	<b>75,023.69</b>	<b>42,296.36</b>	

Source: Annual Budgets of the Corporation

**Pie Chart-1**

GMC Receipts position during 2007-12



### 5.3.2 Budgetary process and expenditure

As seen from the Table-5.1, there were significant amounts lying unspent at the end of all five financial years, ranging from ₹12.80 crore (2007-08) to ₹117.71 crore (2011-12) which indicated unrealistic budgeting of the Corporation. Retaining heavy balance at the end of every financial year also indicated that the Corporation had failed to provide intended benefits to citizens of Guwahati in time in spite of having sufficient funds.

In reply, the Commissioner, GMC stated that amounts lying unspent at the end of each financial year were due to release of funds by the Government at the fag end of the financial years. However, the actual amount that was released at the fag end of the year was not provided to Audit.

### 5.3.3 Delays in the budget processes

The framing of Budget Estimate (BE) of the Corporation is laid down in the Section 119 to 123 of the GMC Act, 1971. According to the laid down schedule for Budget preparation, the Mayor-in-Council shall cause the BE to be laid before the Corporation on



19 February or as soon as possible and thereafter the Corporation shall consider the same. It may refer the BE back to the Mayor-in-Council for further consideration and re-submit the same within a specified time and shall on or before 22 March in each year adopt BE for the next year. However, in the absence of an elected body, BE of the Corporation is regulated under Section 425(2) [Government power to supersede] of the GMC Act, 1971 although time frame for preparation and final adoption of the BE of the Corporation however, remained unchanged.

Time frame and position of preparation up-to final adoption of the BE of the Corporation for the period from 2007-08 to 2011-12 is shown in **Table-5.2**.

**Table 5.2: Time frame of preparation of BE and its follow-up position of the GMC during 2007-12**

Year	Preparation of BE			Printing of final BE			Final adoption of BE		
	Due date 15th December of	Actually prepared	Delayed by (in months)	Due date 15th February of	Actually printed	Delayed by (in months)	Due date 22nd March of	Actually adopted	Delayed by (in months)
2007-08	2006	No	-	2007	No	-	2007	No	-
2008-09	2007	12.05.08	5	2008	10.12.08	10	2008	12.11.08	7
2009-10	2008	31.07.09	7	2009	06.10.09	7	2009	15.09.09	6
2010-11	2009	05.03.11	15	2010	07.03.11	13	2010	07.03.11	11
2011-12	2010	03.08.11	8	2011	13.02.12	12	2011	13.02.12	11

**Source:** GMC Act, 1971 and concerned Budget files (N.B. More than 15 days taken as a full month)

As seen from the table above, the regulation of time frame for preparation upto adoption of the BE of the Corporation as envisaged in the Act had never been complied with by the GMC authority. Analysis of the relevant files relating to BE of the Corporation revealed that GMC took initiative for preparation of annual budget with delay of five to 15 months while the adoption of BEs was delayed by six to 11 months. Scrutiny of records also disclosed that the GMC authority spent minimum of ₹59.59 crore (61.75 per cent) to maximum of ₹104.34 crore (90.48 per cent) before the final approval of the budget as detailed in **Table-5.3**.

**Table-5.3: Position of expenditure made before approval of BE of the GMC for the year 2007-12**

(₹ in lakh)

Year	Effective date of financial year	Date of final approval of BE	Total expenditure of the year	Expenditure made after the approval of the BE	Expenditure made before the approval of the BE	% of expenditure made before the approval of BE
2007-08	01.04.07	Records not made available to Audit				
2008-09	01.04.08	12.11.08	7,577.24	2,676.19	4,901.05	64.68
2009-10	01.04.09	15.09.09	9,650.73	3,691.61	5,959.12	61.75
2010-11	01.04.10	07.03.11	11,531.00	1,097.29	10,433.71	90.48
2011-12	01.04.11	13.02.12	Cash book not updated by the GMC authorities as of March, 2013			

**Source:** Cash Book

Moreover, Municipal fund so spent before the approval of budget had never been regularised by obtaining *ex-post-facto* approval from the competent authority.

In reply, the Commissioner, GMC assured that effort would be taken to prepare budget as per the provision of the Act.

### 5.3.4 Huge variations with actual

The Budget Estimates (BEs), under Major Head Code 'Receipts' and 'Expenditure' of the Corporation for the years 2007-08 to 2011-12 showed that (Detailed in the **Appendix-XV**) the Corporation could not prepare a realistic BE during any of the years covered in

audit. There were huge variations between the 'Budget and Actual' under various 'Receipts' and 'Expenditure' heads which are analysed in the subsequent paragraphs.

#### 5.3.4.1 Variations in receipt

In case of 'Receipt', the shortfall ranged from a minimum of (-) 11.40 *per cent* (under 004 User Charges during 2010-11) to a maximum of (-) 100 *per cent* in twelve occasions<sup>12</sup> and excess receipt over the budget ranged from a minimum of (+) 1.07 *per cent* (004 User Charges 2011-12) to a maximum of (+) 204.56 *per cent* (005 Government Admn. Fee 2009-10).

#### 5.3.4.2 Variations in expenditure

In case of 'Expenditure', the Corporation made less expenditure over the estimated budget ranging from a minimum of (-) 14.29 *per cent* under 109 Misc. & Contingency 2007-08 to a maximum of (-) 100 *per cent* in six occasions<sup>13</sup>. The over estimated budget ranged from a minimum of (+) 5.41 *per cent* (under 115 Payment to Government Account) to a maximum of (+) 226.67 *per cent* (under 111 Refund Deposits) during 2008-09.

#### 5.3.4.3 Expenditure made without budget provision

Further, it was observed that the Corporation spent ₹7.97<sup>14</sup> crore under the major heads 111 during 2007-08 and 112 and 115 during 2009-10 without budget provision which indicated absence of budgetary control over expenditure.

Thus, the Corporation failed to prepare realistic budgeting during the period covered under PA and was also lacking in the financial discipline to keep expenditure within reasonable limits *vis-a-vis* the budgeted figures. Moreover, the Government also did not play any oversight role to overcome above shortcomings in budgetary control.

In reply, the Commissioner, GMC assured that care would be taken while preparing BE to avoid such lapses in future.

#### 5.3.5 Deficiencies in maintenance of Cash Books

The Assam Financial Rules (AFR) makes it mandatory to maintain a Cash Book for recording all transactions of any organisation. Rules also provide for regular entry in the cash book, their physical verification, avoiding of overwriting, vouching of correctness of entries through periodical verification by DDO/Head of Office etc. Test-check of Cash Books (Main and Subsidiary) of the GMC revealed that the Corporation had not followed the rules and regulation as provided in the Financial Rules. The daily receipts of revenue in various branches (Zones, Markets, Advertisement, Enforcement, Planning etc.) of the GMC collected by the nominated bank agents were not reflected in the main Cash Book.

<sup>12</sup> 007 (GoI), 008 (GoA) JnNRUM (2007-08, 2010-11 & 2011-12); 011 Inter head adjustment (2007-08) ; 002 Assign Tax from GoA (2008-09 & 2009-10); 012 Bank interest etc.(2008-09); 010 Capital accounts Loans & Advances (2009-10 & 2010-11); 013 RAY (2011-12).

<sup>13</sup> 116 Transfer of Capital fund to Revenue (2007-08); 107 Discretionary Fund (2008-09 & 2009-10); 106 Loan & Advances (2009-10); 109 Interest & Finance (2009-10); 113 Capital Works (2011-12).

<sup>14</sup> 111-Repayment of Loan ₹3.53cr (2007-08); 111-Refund of Deposits ₹0.82cr and 114-Payment to Govt. account ₹3.62cr (2009-10)



Besides, the following major deficiencies were noticed in maintenance of GMC Cash Book:

- Closing balance (CB) of ₹2,43,46,882.00 as on 31.03.09 was not brought forwarded to the next year (*i.e.* as on 01.04.09) as opening balance (OB). Thus, there was short account of money to that extent.
- Receipts and payments were recorded in random manner without opening and closing balances.
- There were instances of short deposit of Municipal fund in the Bank against the actual collection. During 2008-11, ₹1.67 crore was found to be short deposited in to the Municipal Fund.
- Totalling in the Cash Book was never done in ink but was marked by pencil making it possible to make alteration/modification of the figures at any time.
- Transactions recorded in the Cash Book were never authenticated by the DDO or any other authorised officer entrusted to do so.
- Month wise analysis of closing balances was never carried out.

Moreover, the Subsidiary Cash Books maintained by the Municipal authority for receipt and disbursement of the scheme fund did not serve the intended purpose as these were used like Cheque issue register which needed immediate redressal.

Further, Audit also noticed the following deficiencies in the Cash Books maintained for Contributory Provident Fund (CPF):

- As of March 2008, against CB of ₹ 2,92,448.00, the Corporation carried forward only ₹1,84,730.00 resulting in short account of ₹1,07,718.00. Further, CB as of 31.3.10 was ₹ 24,79,679.00 but the Corporation carried forward an amount of ₹39,41,022.00 to the next financial year resulting in ₹14,61,343.00 being forwarded in excess of actual balance;
- Book balances were never reconciled with those of bank balances;
- Cash book was not authenticated by the DDO.

In reply, the Commissioner, GMC stated that Cash Book could not be updated timely due to frequent transfer of CA&AO and not receiving of collection statement from the concerned Zone offices. This showed lack of monitoring and inadequate internal control mechanism in the organisation. However, he stated that updating of GMC account including reconciliation of accounts has been entrusted to Chartered Accountant and actual position would be informed accordingly which is awaited (March 2014).

#### **5.3.6 Mis-appropriation of Municipal fund**

According to Rule 95 of AFR, the Head of the office is personally responsible for accounting of all moneys received, disbursed and safe custody of cash. The Rules also provide that money collected or tendered on behalf of Government shall without any delay be deposited in full into Government account on the same day or on the next working day. If next working day is a holiday, money shall be deposited in the first working day followed by holiday/holidays.

- Test-check of 51 money receipt books issued to the Indoor Licence Fee Collector of Bhutnath Zone during the period from 2009-10 to 2011-12 for collection of Municipal

taxes, fees etc. revealed that in 314 cases, the Licence Fee Collector either used to deposit the cash less than the actual collection or did not deposit at all. The short/non-deposit of the licence fees amounted to ₹7,92,400.00. When the matter was brought to the notice of the Zone Officer, the concerned collector deposited the short/non-deposited amount of ₹7,92,400.00 to Bhutnath Zone against Money Receipt No.362/36105 dt.09 April 2013. Though the above transaction was entered in the Cash Book at the instance of audit, any evidence in support of actual deposit in to the bank account was not produced to Audit. This showed lack of adequate internal control mechanism.

In reply, the Commissioner, GMC stated that explanation has already been called for from the Deputy Commissioner, West Zone and assured that disciplinary action would be drawn up accordingly.

- Scrutiny of records revealed that the Market Branch of GMC (Uzan Bazar) had collected an amount of ₹1,19,499 in between April 2010 to January 2011. The amount was shown to have been deposited in the Panbazar office. However, cross verification of records did not show any accounting of the said amount in the Cash Book maintained by the Uzanbazar office or in the Bank deposit register or Bank statement. The details of the amounts suspected to be mis-appropriated are as shown in the **Table-5.4.**

**Table-5.4: Details of suspected mis-appropriated amount**

		(In ₹)
Year	Date of collection	Amount
2010-11	01/04/2010	28,700.00
	14/12/2010	32,812.00
	01/01/2011	21,440.00
	18/01/2011	36,547.00
<b>Total</b>		<b>1,19,499.00</b>

Source: Daily collection sheet of Market Branch

In reply, the Commissioner stated that reconciliation is under process. Final result is awaited (March 2014).

### 5.3.7 Late deposit of Municipality funds

Section 111 of the GMC Act, 1971 provides that all money received or tendered by any employee on behalf of GMC should immediately be deposited into "Account of the Municipal Fund of the Corporation of Gauhati". Test-check of money-receipt books of Property Tax of Lakhra Zone revealed that in 14 cases, collected tax amounting to ₹1.06 lakh was deposited into cash branch (Panbazar) after a delay of 28 to 240 days as detailed in **Appendix-XVI**. Thus, due to non-existence of proper monitoring system occurrence of temporary mis-appropriation of GMC fund could not be ruled out. It was also observed that in between 01 October 2010 to 31 December 2010, the Panbazar office had received taxes and fees amounting ₹35.59 lakh from different revenue sources. Scrutiny of records disclosed that there was delay ranging from three to 22 days in deposit of funds into the Municipal Account.



Thus, due to lack of control over revenue management, GMC sustained loss of interest to that extent for delayed periods besides leaving the system vulnerable to misappropriations.

In reply, the Commissioner, GMC stated that show cause notice has already been issued to concerned official of Lokhra zone and disciplinary action would be taken on receipt of replies. Final result is awaited (March 2014).

### 5.3.8 Non-accounting of Municipal fund in the Cash Book

The GMC authority engaged three banks [Axis (Fancy Bazar Branch), ICICI (Fancy Bazar Branch) and SBI (Panbazar Branch)] to collect day to day receipts directly from the different branches of GMC. During test-check of records, it was noticed that between June 2009 and March 2012, an amount of ₹10.21 crore was handed over by the six branches of the Corporation to the said banks for onward deposit into the respective bank accounts of the Corporation. The amounts so collected by the banks were not accounted for in the Municipal Cash Book. Details are shown in **Table-5.5**.

**Table-5.5: Details of non-accounting of GMC revenue**

(In ₹)			
Name of branch	Period of Collection	Name of Bank	Amount collected by Agents
Market Branch	29.06.09 to 29.04.11	Axis Bank	80,13,728.00
	02.05.11 to 28.11.11	ICICI Bank	45,18,539.00
Advertisement Branch	31.07.09 to 29.04.11	Axis Bank	48,03,971.00
	13.05.11 to 31.03.12	ICICI Bank	2,11,946.00
Planning Branch	01.07.09 to 31.03.10	Axis Bank	1,62,72,940.00
	02.05.11 to 31.03.12	ICICI Bank	2,18,19,816.00
Garage Branch	01.07.09 to 30.04.11	Axis Bank	66,26,466.00
	01.05.11 to 31.03.12	ICICI Bank	37,98,255.00
Enforcement Branch	09.05.11 to 28.02.13	ICICI Bank	1,54,16,968.00
Water Works	01.04.10 to 31.03.12	SBI	2,05,95,423.00
<b>Total</b>			<b>10,20,78,052.00</b>

Source: Records of respective branch

However, in spite of audit requisitions (January 2013 and February 2013), GMC failed to furnish the bank statements. As a result, cross verification could not be carried out by Audit to ascertain the genuineness of timely credit of the amounts in the concerned bank accounts.

Thus, due to ineffective financial management on the part of GMC, the Cash Book of the Corporation did not reflect the correct picture of the daily transactions of the Corporation.

In reply, the Commissioner, GMC stated that all banks mandated for collection of GMC receipts have been cancelled except ICICI, Fancy Bazar Branch which is now collecting GMC receipts from the concerned branches. Commissioner also assured to intimate audit the results of verification and reconciliation of Cash Books of six zones/branches with bank statements which is awaited (March 2014).

### 5.3.9 Maintenance of multiple bank accounts and Non-accounting of accrued interest

Section 110 and 111 of the GMC Act, 1971 *inter-alia* provides that all moneys realised or realisable or otherwise received by the Corporation shall be credited into the "Municipal Fund" of the Corporation. The Act further provides that an account in the name of such

fund *i.e.* Account of the “Municipal Fund of the Corporation of Guwahati” shall be operated in the State Bank of India (SBI) and all moneys payable to the fund shall be credited to the relevant account. No separate bank account other than the SBI could be opened unless approved by the Government.

As of March 2013, GMC authority had operated 39 bank accounts in various banks without the approval of the Government. However, the Municipal authority could furnish only five savings bank accounts statement that too partially. During scrutiny, it was noticed that ₹1.51 crore being accrued interest was received by GMC through the said five savings bank accounts but the same had not been accounted for in the Cash Book as of March 2013.

Thus, due to deficiency in the accounting process of the GMC and non-existence of periodic reconciliation, accrued interest on savings remained outside the Cash Book which resulted in understatement of revenues of the Corporation.

In reply, the Commissioner, GMC admitted that too many bank accounts had been maintaining in the GMC and action has been taken to minimise/ closing down the bank accounts and also assured that accrued interest will be shown in Cash Book. Final result is awaited (March 2014).

### 5.3.10 Discrepancy in bank balances

Test-check of bank statements in respect of four bank Pass Books made available to audit disclosed that as on March 2012 there were differences ranging from (-) ₹1.22 crore to (+) ₹3.35 crore between the balances shown in the Schedule of Annual Budget and actual balances as per bank statement as detailed in **Table-5.6**.

**Table- 5.6: Details of overstatement/understatement of bank balances**

(In ₹)

Name of bank	Sl. No.	Bank A/C No.	Balances shown in the Schedule of bank attached with Budget Book as on 31. 03.12	Actual balance as per Bank Statement /Pass Book as on 31.03.12	Discrepancy
SBI	1	CA-10823629723	0	1,21,68,521.00	(-) 1,21,68,521.00
	2	CA-31675606003	3,35,36,572.00	36,023.00	(+) 3,35,00,549.00
	3	CA-30700662749	8,82,519.00	Nil	(+) 8,82,519.00
	4	CA-10823626766	32,51,937.00	Nil	(+) 32,51,937.00

Source: GMC budget and bank statements of concerned Bank A/Cs

This indicated that differences between the actual balances in the pass books and as disclosed in the Annual budget were not properly reconciled signalling serious lapse in financial control of the GMC.

In reply, the Commissioner, GMC stated that due to oversight, balance of ₹121.69 lakh in A/C No.10823629723 was omitted and not reflected in the schedule of annual budget.

### 5.3.11 Delay in release of Grants-in-Aid (GIA) resulted in extra burden on Government exchequer

According to Para 6.1 of 12<sup>th</sup> Finance Commission (FC), grants are to be released to implementing agencies within 15 days. Further, Para 4.2 of 13<sup>th</sup> FC stipulated that grants be released to implementing agencies within five days for accessible and 10 days for non-accessible banking infrastructure. Any delay will require the State Government to release



the instalment with interest at the bank rate of RBI, in respect of the number of days delayed.

During the period covered under PA, GoA released ₹17.62 crore to GMC for various development activities against the total receipt of GIA of ₹20.92 crore from GoI under the award of 12<sup>th</sup> and 13<sup>th</sup> FCs. However, test-check of records revealed that the GoA failed to release the amounts in full in time. The delay in release of fund ranged from 11 days to 665 days. Due to non-adherence of the provisions as envisaged in the guidelines, the GoA was liable for payment of penal interest to the tune of ₹77.90 lakh, for the delayed period, of which ₹29.12 lakh had already been paid resulting in extra burden to Government exchequer. No reasons were available on record for justification for the delay.

### 5.3.12 Maintenance of Accounts and creation of database

During 2005-06 to 2009-10, under the award of 12<sup>th</sup> FC, the GMC received ₹690.32 lakh (between June 2006 and April 2010). Out of which an amount of ₹2.00 crore was for maintenance of Accounts (₹40.00 lakh) and creation of database (₹1.60 crore) of the GMC. GMC spent ₹5.65 crore including ₹2.00 crore meant for maintenance of Accounts and creation of database but as of April 2013, the GMC was still following the conventional system of accounting process which had been in existence since its inception. Hence, no effective improvement of accounting system and creation of database in GMC were noticed in audit.

In reply, the Commissioner, GMC stated that since the FY 2013-14 'Double Entry System of Accounting' has been adopted and conventional method of accounting system has been phased out. However, regarding creation of database, Commissioner had not furnished any comments.

### 5.3.13 Diversion of fund

#### 5.3.13.1 Fund received under 12<sup>th</sup> FC

Schematic guidelines as well as the Government sanctions provide that in any circumstances fund cannot be diverted for other purposes. Funds are to be utilised for the purposes for which they were released. The GoA sanctioned (2005-10) and released (2006-09) ₹6.90 crore to GMC under the award of 12 FC for maintenance of accounts, creation of database, tractor tailor, solid waste displacer, cess pool cleaner, Solid Waste Management (SWM) and for implementation of income generating schemes. Out of ₹6.90 crore, GMC diverted ₹1.75 crore (25.36 per cent) and utilised it towards purchase of materials and for execution of works beyond the scope of scheme guidelines and in violation of the provisions as contained in the sanction order of the Government. Details are as shown in **Appendix XVII**.

Thus, due to unauthorised diversion of funds, the objectives for which the funds were released remained unachieved.

In reply, the Commissioner, GMC refuted the observation and stated it was not a case of diversion. Reply of the Commissioner is not tenable as the expenditures shown in the Appendix are not covered under the purview of the guidelines and Government orders.

**5.3.13.2 Funds received under TASFC (Salary Component)**

The position of fund released to GMC under TASFC during 2008-09 and 2010-11 for payment of staff salary were as shown in **Table-5.7**.

**Table-5.7: Summarised position of diversion of fund** (₹ in crore)

Sl. No.	Sanction order & date	Amount sanctioned	Purpose of sanctioned		Fund utilised for other purposes by the GMC		Payment made during
			Component	Period for	Amount	Details of expenditure	
1	2	3	4	5	6	7	8
1	FEA(SFC)295/2008/111 dt.30.12.08	16.44	Salary	4/2008 to 9/2008	1.66	Arrear DA, CPF, Ex-gratia, bonus	10.4.08 to 29.9.08
2	FEA(SFC)295/2008/122 dt.25.2.09	8.44	-Do-	10/08 onwards	-	Paid salary to employee	12.11.08 to 27.3.09
3	FEA(SFC)295/2008/325 dt.15.9.09	19.63	-Do-	4/2009 to 9/2009	0.67	Arrear salary, IR, leave salary, medical reimbursement, GIS	11.5.09 to 19.9.09
4	FEA(SFC)295/2008/384 dt.3.3.10	19.63	-Do-	10/2009 to 3/2010	0.68	Arrear salary/GIS premium/CPF contribution/ pension & leave salary contribution	1.10.09 to 29.1.10
5	FEA(SFC)295/2008/108 dt.27.9.10	26.14	-Do-	4/2010 to 9/2010	0.05	Arrear salary/ pension & leave salary contribution, Medical reimbursement, TA	23.4.10 to 29.9.10
6	FEA(SFC)295/2008/Pt/180 dt.4.1.11	14.34	-Do-	10/2010 to 12/2010	0.08	Arrear salary, TA/ payment of bank loan deducted from staff, transfer TA, Medical claims leave encashment gratuity,	5.10.10 to 24.12.10
7	FEA(SFC)295/2008/Pt/349 dt.28.3.11	14.12	-Do- Revised arrear salary	1/2011 to 3/2011 10/2008 to 3/2009	0.25	Medical claims, arrear salary not pertaining to the specified period, arrear CPF contribution	10.1.11 to 15.3.11
8	FEA(SFC)295/2008/178 dt.1.11.10	4.89	-Do-	Assam service (RP) 2010	-	Irregular adjustment made for ₹482.47 lakh which was shown paid earlier against the receipts of ₹14.34 crore at Sl. No.6	-
<b>Grand Total</b>		<b>123.63</b>			<b>3.39</b>		

Source: Sanction orders and expenditure statements

It would be seen from the table above that the Finance Department, GoA sanctioned ₹123.63 crore between December 2008 and March 2011 for payment of salary to GMC staff under the award of the TASFC. As per terms and conditions of the sanction order, the funds sanctioned should not be drawn for payment of any arrear salary, bonus, medical reimbursement, leave salary, interim relief (IR) etc. from the allotments until and unless specific instruction is communicated.

Test-check of records revealed that the GMC authority unauthorisedly incurred an expenditure of ₹3.39 crore during April 2008 to March 2011 towards payment of IR/ CPF/contribution of pension and leave salary, bonus, TA, Medical reimbursement, leave encashment, gratuity etc. for unspecified period ignoring the Government instructions. (Details are shown as in **Appendix–XVIII**).

Audit observed that neither any subsequent order/communication was received from the Government allowing the GMC to spend fund other than the purposes specified in the sanctions nor the GMC authority had regularised the expenditure by obtaining *ex-post-facto* approval from the competent authority.

Reply of the Commissioner, GMC is not tenable in audit as the key documents disclosed that the payments were made for other purposes and period for payments were made for salary, arrear etc. was not covered the period as mentioned in the sanction letters *ibid*.

**5.3.14 Blockade of fund**

Under the provisions of various GIAs released to the GMC, prompt utilisation was mandated to ensure that the purpose for which the funds were allotted was immediately achieved. The following instances of blockade of funds were noticed:



- According to Para 6.1 of 12<sup>th</sup> FC guidelines, the release of Grants should be transferred to PRIs/ULBs within 15 days from the date on which it is credited to the State's account. Scrutiny of records revealed that the GoA sanctioned an amount of ₹329.70 lakh to GMC as 2<sup>nd</sup> instalment of 2008-09 and 1<sup>st</sup> & 2<sup>nd</sup> instalments of 2009-10 under the award of 12<sup>th</sup> FC for maintenance of accounts, creation of database and solid waste management etc. The amount was drawn (March 2010) and kept in 'Revenue Deposit' for more than three years from the date of its withdrawal (31 March 2010). It is to be mentioned that the Public Accounts Committee (PAC) of the State Assembly in its 73<sup>rd</sup> Report observed that the State Government had assured that the irregular practice of depositing funds by transfer credit into "8443-Civil Deposit" had been discontinued since 1997-98. However, in the instant case, the department violated the assurance given by the Government to discontinue such irregular practice. Thus, by parking of central fund of ₹329.70 lakh for last three years, the Government had not only violated the budgetary discipline, but also failed to fulfil the purposes for which the grants were released.
- During 2010-11 and 2011-12, the GoA under the award of Third Assam State Finance Commission (TASFC) and Fourth Assam State Finance Commission (FASFC) had sanctioned ₹35.29 crore to GMC for developmental activities viz., construction of public toilet, cremation & burial grounds, installation of new street lights, construction of new roads and drains, development of Beltola market and Lakhtokia commercial complex. Scrutiny of records revealed that funds were received by GMC between 8.3.11 to 24.8.12. Of this, ₹35.05 crore had not been released (March 2013), while the rest was released only after a delay of 220 to 755 days.
- ₹1.80 crore released by GoA in March 2010 for increasing the efficiency of the existing water supply net work, making arrangement for supply of drinking water in the scarcity hit areas and repairing and maintenance of roads and drains (decongestion of clogged drain and repair of interior pot-holed roads before onset of monsoon) was still lying in the SB A/c No.30898500439 as of March 2012 due to which corresponding development activities remained unfulfilled.
- ₹917.17 lakh released by GoA under the 13<sup>th</sup> FC during the years 2010-11 and 2011-12 for works relating to water supply, sewerage, storm water drainage etc., remained unutilised with the GMC even after a lapse ranging from one to two years (March 2013).
- During 2009-10, the Ministry of Finance, GoI sanctioned (31 March 2010) ₹76.34 lakh to GoA being Additional Central Assistance (ACA) for preparatory tasks in order to formulate a 'Slum Free City Planning Scheme' under Rajiv Awas Yojana (RAY). Scrutiny of records disclosed that the GoA (GDD) released (27 April 2011) ₹74.36 lakh to GMC after a lapse of more than one year retaining the balance amount of ₹1.98 lakh. GMC failed to utilise the amount and continued to retain it till March 2013, thereby frustrating the objective of providing low cost dwelling houses to poor slum dwellers of Guwahati city.

In reply, the Commissioner stated that incomplete works now have been completed and has no balance against the sanction. However, the Commissioner had not furnished any supporting documents in support of utilisation of funds.

## **5.4 Realisation of GMC revenue**

### **5.4.1 Sources of GMC revenue**

Section 144 (1) & 144 (2) of the GMC Act, 1971 provides for levy of taxes to mobilise its resources from various sources for maintenance of Corporation affairs including development activities, sanitation and conservancy etc.

#### **5.4.1.1 Property tax**

According to Section 147 of the GMC Act, 1971, Property Tax (PT) shall be levied on lands and buildings in each holding which consists of 1.General Tax; 2.Water Tax; 3.Scavenging Tax & 4.Light Tax. The taxes for each component are charged at a specific rate of the rateable value of lands and buildings as prescribed under the Act *ibid* or fixed by the Corporation. The annual tax assessed is payable in quarterly instalments. Besides, Urban Tax at the rate of three *per cent per annum* of the Annual Rateable Value (ARV) is also chargeable on yearly basis.

The major irregularities noticed in assessments and collections of Property Tax are discussed in the succeeding paragraphs:

#### **5.4.1.2 Assessment list and maintenance of records**

Section 156 of the GMC Act, 1971 provides that the Commissioner with the approval of the appropriate authority shall cause an assessment list of all lands and buildings in the city to be prepared in such form and manner and containing such particulars with respect to each land and building as may be prescribed in the Bye-laws. Further, Rule 3 of the GMC Assessment List and Property Tax Bye-laws, 1977 provides that Commissioner shall maintain a register to be called as 'Assessment List' with particulars of (i) lands and buildings in the city which could be distinguishable by name, number, location, nature etc. (ii) a separate 'Ward Assessment List' for each ward and their respective parts and (iii) the rateable value of each land and building. Audit, however, noticed that such complete and correct data of all assessable properties were not available with the four test-checked Zones. The assessments were done on the basis of measurement made by the Assessment Officer (AO) in field visit or sometimes on request of the property owner. As a result, some properties were either assessed belatedly or escaped from the assessment purview altogether.

Further, as per Rule 29 of the Bye-laws, 'Registers' in suitable form in separate parts or volumes are required to be maintained showing demand, collection, adjustments, arrears, excess recoveries, remission and other particulars in relation to property taxes as the Commissioner may prescribe from time to time. Scrutiny of records in the four test-checked Zones, however, revealed that all records provided under the said rule were not maintained on the ground of shortage of staff and stated to be available in the electronic form. However, it was observed that data captured in the electronic form did not serve the purposes as stipulated in the Rule 29 *ibid*.

Thus, some areas relating to demands, realisation etc. could not be checked due to non-maintenance of records or absence of updated data in the four test-checked Zones.

In reply, the Commissioner, GMC while admitting the audit observation stated that a module on 'Unit Area Method (UAM)' along with GIS based mapping is under



preparation and proposal has also been placed for necessary amendment before the Government and ARV would be converted to UAM. Final reply is awaited (March 2014).

#### **5.4.1.3 Outstanding collection of PT**

In terms of Ministry of Finance, GoI's letter No.4(7)-P/65 dt.29.03.1967, Service Charge (SC) equivalent to 75 per cent, 50 per cent or 33.33 per cent is to be levied on PT in all Central Government properties situated within a civic area. Scrutiny of records of Central Zone disclosed that there was a demand on account of SC on PT of ₹344.91 lakh for the year 2011-12 in respect of properties belonging to Central Government departments including Railways, Public Sector Organisations etc. Against the demand, only ₹63.79 lakh (18.50 per cent) could be collected during the said year and thus, ₹281.12 lakh (81.50 per cent) remained outstanding at the end of the year. The major defaulter was BSNL with outstanding dues of ₹131.56 lakh.

As regards private properties, out of total demand of ₹67.67 crore raised during 2007-12 in the four test-checked Zones, ₹57.15 crore (84.45 per cent) only could be realised leaving an outstanding realisable amount of ₹10.52 crore (15.55 per cent). GMC had not taken any effective measure to collect the long outstanding PT.

In reply, the Commissioner, GMC while admitting the audit observation stated that efforts have been taken to collect SC including arrears from the Central Government. Final result is awaited (March 2014).

#### **5.4.1.4 Loss of PT**

The GMC revised the rate of land with effect from the 2<sup>nd</sup> quarter of 2008-09 vide Notification No.GLS/SZ/173/96-97/part/60 dt.01 June 2009. The revised rate thus, came into force *w.e.f.* 01 July 2008 and accordingly re-assessment of all existing properties in the books of Corporation became mandatory on or after 30 June 2008. Test-check of 88 cases under Lokhra (30), Central (33) and Dispur (25) Zones revealed that in 48 cases (Dispur: 9; Lokhra: 22; Central: 17), the Corporation did not re-assess the PT from the effective date (01 July 2008). The assessments were done with effect from different dates and as a result, the Corporation sustained loss of ₹43.21 lakh as of March 2012.

Further scrutiny of records revealed that the position of number of re-assessed cases in four test-checked zones was very poor ranging from a minimum of 8.60 per cent (Lokhara) to a maximum of 18.34 per cent (Dispur). Thus, 62,217 cases (85.47 per cent) out of 72,794 cases in the four selected zones remained outside the purview of re-assessment. The actual loss of PT to GMC could not be ascertained.

In reply, the Commissioner, GMC stated that due to public resistance against manifolds enhancement of PT could not be done. However, he asserted that new system (UAM) for assessment of PT is under process and amendment to GMC Act is also proposed. Final result is awaited (March 2014).

#### **5.4.1.5 Deficiency in online payment**

'Online' tax payment facility was introduced by the GMC authority *w.e.f.* January 2008. During scrutiny of records it was noticed that taxes paid online were not taken into account by the software application. Payments made online were reflected as arrear demand in subsequent bill-cum-demand for which online payment of PT was

subsequently discontinued by the authority and thus, the GMC authority rather than taking efforts to develop the software/system had deprived the citizens from the benefits of modern electronic facility of online payment.

In reply, the Commissioner, GMC admitted the audit observation and stated that matter is now outsourced to a Firm and online payment shall reintroduce as soon as the agreement is signed. Final result is awaited (March 2014).

#### 5.4.1.6 MIS Report

It was observed that no Management Information System (MIS) was in place in GMC to get the information regarding number of cases newly assessed, reassessed during a year, total demand raised and tax collected, total arrear demand for a year etc. against individual cases were generated by the application as of March 2013.

In reply, the Commissioner, GMC stated that matter of creation of MIS is under active consideration. Final reply is awaited (March 2014).

#### 5.4.1.7 Tax on advertisement

Section 173 of GMC Act, 1971 provides that every person, who erects, exhibits, fixes or retains upon or over any land, building, wall hoarding, frame, post or structure or upon any vehicle any advertisement or who displays any advertisement to public view in any manner whatsoever, visible from a public street or public place (including any advertisement exhibited by means of cinematography) shall pay tax for every advertisement which is so erected, exhibited, fixed or retained or so displayed to public view.

Scrutiny of records revealed that every year there were, on an average, 95 Advertising Agencies operating during the years 2007-12 within the GMC area. In nine<sup>15</sup> test-checked cases, gross irregularities/deficiencies were noticed in six (67 per cent) major premier advertising agencies as detailed in the **Table-5.8**.

**Table-5.8: Details of opening and closing discrepancy of hoardings etc. between 2006-07 and 2011-12**

SL. No.	Name of advertising agency (M/S)	Last demand (2006-07)	Addition during 2007-12	Total (3+4)	Deletion during 2007-12	Balance (5-6)	Demanded during 2011-12	Missing no of hoarding etc. (7-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Rang Tuli	93	8	101	21	80	29	51
2	Art & Industries Advertising Agency	24	5	29	1	28	17	11
3	Frontier Advertising Agency	101	7	108	13	95	14	81
4	Selvel Advertising Pvt. Ltd	86	11	97	0	97	61	36
5	Primex Enterprise	60	53	113	18	95	70	25
6	Tata Tele Service Ltd.	242	0	242	0	242	179	63
	<b>Total</b>	<b>606</b>	<b>84</b>	<b>690</b>	<b>53</b>	<b>637</b>	<b>370</b>	<b>267</b>

Source: Data compiled from concerned file

As seen from the table above, in six major premier advertising agencies, as of March 2012, GMC could realize rent only for 370 out of existing 637 hoardings. Thus, 267 (42 per cent) hoardings were in operation without any rent being realised by GMC.

<sup>15</sup> 1. M/S Rang Tuli; 2. Art & Industries Advertising Agency; 3. Frontier Advertising Agency; 4. Selvel Advertising Pvt. Ltd.; 5. Vodaphone; 6. Primex Enterprise; 7. Idea Cellular Ltd.; 8. Panorama Advertising & 9. Tata Tele Service Ltd.



In reply, the authority stated that due to widening of existing road, some hoarding etc. were either removed by the agency themselves or evicted by the GMC/PWD.

Moreover, over the period of review, GMC excluded ₹77.80 lakh from the dues of advertising firms without any justification for which a penalty of 10 *per cent* during 2007-11 and 20 *per cent* during 2011-12 was applicable on the unrealised amount, bringing the total loss of revenue to ₹85.88 lakh. Details are shown in **Appendix- XIX**.

However, no legal provision was there to waive the outstanding amounts. Thus, due to lack of timely supervision on the part of GMC, a substantial amount of the revenue was lost to the Corporation.

In reply, the Commissioner, GMC stated that points raised by audit are under examination. Final result is awaited (March 2014).

#### **5.4.1.8 Non-realisation of rooms/stalls rent of 'GMC Rented Market'**

Test-check of records of three (Dispur Super market, Ganeshguri and Fancy Bazar) out of 12 rented markets revealed that monthly rent amounting to ₹174.55 lakh was due to be realised by GMC for the years 2007-12 as per prescribed rates of which ₹143.22 lakh only could be realised from the allottees leaving a balance of ₹31.33 lakh as of February 2013. This indicated that GMC failed to take effective measures to recover the long outstanding rent as per proviso of the Act. Further, the GMC had no provision to carry forward the outstanding balance position of previous years in the 'Markets Demand Register' to watch the arrear demands for which outstanding balance remained un-reflected and unrealised for prolonged periods.

In reply, the Commissioner, GMC stated that out of total outstanding amount of ₹31.33 lakh, ₹7.41 lakh has already been realised and efforts have been initiated to recoup the balance amount Final result is awaited (March 2014).

#### **5.4.1.9 Short realisation of rent**

GMC had fixed rooms/stalls rents according to the size of the rooms. Scrutiny of records revealed that the rents were not collected as per prescribed rates with reference to the size of the room thereby resulting in short collection of rents amounting to ₹6.48 lakh.

In reply, the Commissioner, GMC stated that due to stiff resistance of the allottees, rates of some of the GMC markets were reduced. However, reply of the Commissioner is not tenable as concerned branch (Market Branch) failed to produce any documentary evidence (official order/notification) effecting the reduction of rates.

#### **5.4.1.10 Non-realisation of scavenging charge/lease money**

The GMC authority collects scavenging charges/lease money from the private markets running within the GMC area. Test-check of 'Demand Register' of four private markets revealed that scavenging charge/lease money of ₹51.27 lakh was to be realised during the year 2007-12, against which only ₹35.90 lakh was realised from the owners of four private markets, including lessee of Fancy Bazar GMC Market Toilet. Thus, ₹16.02 lakh remained un-realised during the period covered under PA. The position of un-realised amounts is shown in **Appendix-XX**.

In reply, the Commissioner, GMC stated that an amount of ₹8.00 lakh has already been recovered out of ₹16.02 lakh and several effective measures have been taken to realise the remaining balance amount. Final result is awaited (March 2014).

#### 5.4.1.11 Non-settlement of the GMC leased markets

Rule 10 and 13 of the GMC (Lease of Check gates, Parking places, Markets etc.) Bye-laws, 1997 provide that with the previous sanction of the Corporation, the Commissioner shall offer the lease to the highest tenderer at his quoted rate for acceptance with fulfilment of all conditions, or for sufficient reasons to be recorded in writing, under his own hand, may refuse to accept the offer of the highest tenderer. If the highest tenderer, who was offered the lease, does not accept or refuse to accept the lease offer within specified time limit of twelve hours, his tender will stand cancelled and Commissioner shall immediately forfeit the earnest money of the tenderer. The offer of lease shall be given to the next highest tenderer and the difference of money between the first highest tenderer and the second highest tenderer, if any, settled with the next highest tenderer, shall be recovered from the first highest tenderer as arrear of Municipal tax or public debt in addition to the forfeiture of earnest money. The same procedure shall be applied if the second highest tenderer fails to comply and so to continue till the last tenderer. The Commissioner may decide to re-tender, if it appears that there is financial loss to the Corporation if the lease is settled with tenderer at lower rate.

As per clause 19 of the Terms and Conditions for settlement of the markets of GMC for the year 2007-08, if the selected bidder declines to accept the settlement within the prescribed time, without prejudice to him, the Commissioner shall be at liberty to offer such settlement with the next qualified tenderer(s) either on his own quoted rate/amount or at the rate/amount of the highest one, as he/she may deem fit and proper. The Commissioner shall also immediately forfeit the earnest money of such tenderer who refuse to accept the lease.

For leasing the six markets for the year 2007-08, GMC Notice Inviting Tender (NIT) published in February 2007 against which five to nine tender applications per market were received. In this connection, the following observations are made:

- In respect of Kacharighat lease market, five bidders were in the fray in response to the 1<sup>st</sup> NIT wherein ₹8.71 lakh and ₹7.61 lakh were offered by H<sub>1</sub> (highest tenderer) and H<sub>2</sub> (second highest tenderer) respectively. However, the GMC did not allot the market to H<sub>2</sub> bidder even though the H<sub>1</sub> bidder did not turn up. Second NIT was published and authority allotted the market at ₹5.23 lakh on the basis of single tender and thus, incurred loss of Municipal revenue of ₹2.38 lakh.
- In respect of Goat lease market, five bidders were in the fray in response to the 1<sup>st</sup> NIT wherein H<sub>1</sub> offered rate was ₹13.31 lakh. However, GMC did not allot the market on the plea that the bidder H<sub>1</sub> did not turn up. Records however, disclosed that the offer letter was not actually handed over to H<sub>1</sub> bidder. 2<sup>nd</sup> NIT was published but no one responded. Third NIT was subsequently published and a single tender was received on the basis of which the market was allotted to him at ₹12.20 lakh incurring loss of Municipal revenue of ₹1.11 lakh.
- In respect of Beltola Bi-weekly lease market, nine bidders were in the fray in response to the 1<sup>st</sup> NIT wherein H<sub>1</sub> offered rate was ₹50.52 lakh. However, GMC did not allot the market pleading that the rate offered by the H<sub>1</sub> was exorbitantly high. Subsequent



valid tenderers were ignored and a 2<sup>nd</sup> NIT was published. Only one tender was received and on the basis of single tender, Beltola Bi-weekly market was allotted at ₹23.33 lakh incurring loss of revenue of ₹27.19 lakh.

- In respect of Beltola evening daily lease market, five bidders were in the fray in response to the 1<sup>st</sup> NIT wherein H<sub>1</sub> offered rate was ₹6.90 lakh. However, GMC did not allot the market pleading that the rate offered by H<sub>1</sub> were very high. Other tenderers were again ignored and 2<sup>nd</sup> NIT was published. Only two tenders were received and on the basis of rate offered by H<sub>1</sub> bidder, Beltola evening daily market was allotted at ₹3.25 lakh incurring loss of Municipal revenue of ₹3.65 lakh.
- In respect of Dispur super market, five bidders were in the fray in response to the 1<sup>st</sup> NIT wherein H<sub>1</sub> and H<sub>2</sub> offered rates were ₹6.32 and ₹4.80 lakh respectively. H<sub>1</sub> did not turn up but market was not allotted to H<sub>2</sub> bidder and no reasons were recorded for non-allotment. Second NIT was published, but no one responded. Third NIT was subsequently published and GMC allotted the market at ₹3.42 lakh on the basis of single tender incurring loss of Municipal revenue of ₹1.38 lakh.

In reply, the Commissioner, GMC stated that due to non-acceptance of offer letters, retenders were invited. However, reply of the Commissioner is not tenable because records disclosed that GMC authority had failed to tie up the bidder with financial obligation with legal bindings. Minimum tender value against each market was not fixed and no bank guarantee or any other kinds of promissory notes were required to be deposited along with tender. Due to deficient system, bidders could very easily escape by not accepting the offer letter.

#### 5.4.1.12 Lack of supervision

Rule 58 read with Sub-rule (58.17) of the Building Bye-laws provides that “the structural design, constructional standard etc.” of all multi-storeyed building are required to be supervised during construction at three stages viz. (a) *Foundation*, (b) *Plinth/Ground Floor* and (c) *Upper Floor*.

Scrutiny of records disclosed that the GMC had no system to supervise the under construction buildings as per rule. Taking advantage of the loopholes in the Bye-laws and due to lack of supervision on the part of the Corporation, developers as well as individuals made gross deviations by contravening the approved Building Permission (BP). An illustrative but not exhaustive position of penalties imposed for violation of various provisions of the Building Bye-laws during the period covered under PA is shown in **Table-5.9**.

**Table-5.9: Detailed cases of penalty imposed ₹1.00 lakh and above**

(In ₹)

Year	Total No. of No Objection Certificates issued	Total penalty Cases	% of violation	Total cases penalised (₹1.00 lakh and above)	Total amount of penalty
2007-08	399	18	4.51	12	43,86,524.00
2008-09	480	77	16.04	41	2,31,43,164.00
2009-10	496	67	13.51	22	1,14,57,359.00
2010-11	589	58	9.85	14	65,38,936.00
2011-12	471	52	11.04	4	27,13,563.00
<b>Total</b>	<b>2,435</b>	<b>272</b>	<b>11.17</b>	<b>93</b>	<b>4,82,39,546.00</b>

Source: Data furnished by the planning branch

As seen from the above table, total 272 cases (11.17 per cent) were penalised due to violation of various provisions of Building Bye-laws. Out of 272 cases, in 93 cases (34 per cent) penalty was imposed ranging from a minimum of ₹1.02 lakh (File No.GPL/60/10103) to a maximum of ₹26.32 lakh (File No.GPL/5/14/04).

This indicated that lack of supervision had enabled the promoters and individuals to violate the Master Plan and Zoning Regulation of the GMC.

In reply, the Commissioner, GMC stated that at various levels GMC authority makes supervision. However, reply of the Commissioner is not tenable because in support of supervision carried out at three stages, no documentary evidences could be furnished during audit.

#### **5.4.1.13 Less collection of Building Permission Processing Fee (BPF)**

- Rule 12 read with Sub-rule 12.7 (iii) & (iv) provides that for G (Ground Floor) +2 buildings, ₹2000.00 PF is to be charged and in addition ₹500.00 is to be added for each floor above G+2. However, Audit observed that due to wrong interpretation of the Bye-laws, GMC had not charged ₹500.00 in all cases (above G+2) for which GMC incurred loss of interest on ₹1.38 lakh in 119 cases<sup>16</sup> of NOCs issued during 2010 till the date of final assessment.
- During 2011-12, as many as 12 NOCs (Details are in **Appendix-XXI**) were issued for construction of multiple units in one plot. However, Audit observed that GMC charged PF for the highest one only, but no PF were charged for rest of the units. This indicated that construction was allowed without verification of prescribed documents as required by Act/Bye-laws. However, quantum of loss of PF could not be ascertained due to non-maintenance of consolidated data in the branch. The matter was never discussed in the meeting of Combined Technical Committee (CTC), the highest Body for BPs.

In reply, the Commissioner, GMC stated that processing fee is taken as per the provision of the section 12.1 of the GMC Act, 1971. Reply of the Commissioner is not tenable because records disclosed that during processing ₹2,000.00 was charged but above G+2 additional fee of ₹500.00 for each floor was not charged.

#### **5.4.1.14 Prescribed process not followed**

GMC did not follow the procedures prescribed in the Bye-laws in regard to processing and approving building permissions. This is discussed as follows:

- No action was taken by GMC on non-compliance 'Certificate of Undertaking of Architect on Record/Engineer on Record' (Form-2) to be furnished by the Registered Project Designing Structural Architect/Registered Technical Person etc. with regard to violation of Bye-laws.
- Form No. 7 to 13 (Progress certificate, Progress certificate for 1<sup>st</sup> storey, middle storey, last storey, completion report, building completion report by Architect and

---

<sup>16</sup> G+3=40; G+4= 49; G+5=6; G+6=13; G+7=3; G+8=3; G+9= 2; G+10=2 and G+12=1 Total:119



construction engineer) were not found available in the test-checked cases along with occupancy certificate issued by GMC.

- In case of high-rise buildings, BP is granted on the basis of 'Advice Note' of State Fire Service Organisation (SFSO), GoA. However, no records were found in the test-checked cases to show that GMC took follow-up action against the concerned NOC holders regarding fulfilment of the conditions laid down in the SFSO's Advice Note. The matter was never found to be reviewed by the CTC in their subsequent meetings.
- No records were found in the test-checked cases to show that the concerned NOC seekers adhered to the proposed width of the road with reference to the existing one. The matter was never reviewed by the CTC in their subsequent meetings.

Thus, due to laxity of timely supervision on the part of the GMC, various irregularities prevailed regarding granting of BP by the concerned branch leading not only the loss of revenue to GMC but also violation of the existing Bye-laws relating to the constructed buildings

In reply, the Commissioner, GMC stated that all prescribed norms have been followed as per the provisions of the Building Bye Laws. Reply of the Commissioner is not tenable because in concerned files no such documentary evidences were found.

#### 5.4.1.15 Delay in issue of NOC

Rule 14 of the Building Bye-laws envisages that the authority may either sanction or refuse the building plans and statements or may sanction them with such modifications or direction as it may deem necessary and thereupon shall ready the orders for issue within 60 days. However, for proposals which are required to be scrutinised by the CTC for approval, the same will be readied for issue within 90 days.

Test check of 392 cases revealed that during the calendar year 2010 compliance, of the said rule in regard to issue of No Objection Certificates (NOC) was very poor. The position of abnormal delay in regard to issue of NOCs is as shown in **Table-5.10**.

**Table-5.10: Summarised position of delay in issue of NOC**

(In number)

Test-checked year	Total NOC issued	Delayed by (in days)					
		21-110	111-199	200-300	301-400	401-500	501 to more than 800
2010	392	109	57	27	19	4	3

Source: Data compared from the NOC lists (2010)

As seen from the table above, in 219 (55.87 per cent) out of 392 cases, the NOCs were issued after a delay of 21 to more than 800 days. Moreover, the GMC authority did not follow the first come first served service in regard to processing/issue of NOC. No monitoring system was in existence to watch and ensure that the arrears were cleared first. Few examples are cited in **Table-5.11**.

**Table-5.11: Details of comparison of delay in issue of NOC for apartments/commercial establishments and residential houses**

Apartments/Commercial establishments					Residential houses				
Case No	Date of application	Date of issue	Time taken/Type of Bldg.		Case No	Date of application	Date of issue	Time taken/Type of Bldg.	
			Bldg.	Days				Bldg.	Days
GPL/60/337/23072010/29/307	23.07.10	06.08.10	BF+GF+4	14	GPL/58/303/19112008/21	19.11.08	07.06.10	GF+2	565
GPL/53/281/23062010/43	23.06.10	07.08.10	BF+GF+4	45	GPL/23/283/07112008/27	07.11.08	09.06.10	GF+2	579
GPL/59/315/15072010/27	15.07.10	11.08.10	GF+4	27	GPL/32/43/28012009/28	28.01.09	30.06.10	GF+2	518
GPL/51/282/23062010/34	23.06.10	11.08.10	GF+4	49	GPL/7/39/28012009/15	28.01.09	06.07.10	GF+1	524
GPL/32/333/21072010/67	21.07.10	12.08.10	GF+4	22	GPL/59/328/06122008/18	06.12.08	04.08.10	GF+2	606
GPL/13/170/07042010/22	07.04.10	14.05.10	GF+9	37	GPL/15/115/23042008/30	23.04.08	09.09.10	GF+1	869
GPL/32/146/20032010	20.03.10	14.05.10	BF+GF+4	55	GPL/16/21/07032008/27	07.03.08	04.10.10	FF+SF	941

Source: NOC issue list, 2010

Audit observed that during the calendar year 2010 (Table-5.11), as many as 392 NOCs were issued wherein GMC cleared NOCs within 55 days in case of Apartments or Commercial establishments, while in Residential houses, it took a minimum of 518 to maximum of 941 days as shown in the table above. This indicated that authority had no mechanism to clear the cases in a first come first served basis. Moreover, reasons for delay in issues of NOCs were not on record in the test-checked cases.

In reply, the Commissioner, GMC stated that processing and issue of NOC undergoes several stages hence it was delayed. The reply is not tenable as the Commissioner had not commented upon the provision envisaged in the Rule 14 of the Building Bye Laws which required the orders relating to sanction or rejection of the Building Plan to be issued within 60 to 90 days.

#### 5.4.1.16 Parking fee

“The Guwahati Municipal Corporation (Regulation of Parking and Parking Fees) Bye-laws, 1997” were brought into operation only *w.e.f.* 11 April 2009 (vide order No.GEF/84/2004/Pt-III/ nil dt.11.4.09). Thus, GMC authority took almost 12 years to implement these Bye-laws enacted in 1997. The GMC authority did not follow competitive bidding system during 2009-12. Slots were allotted on first come first chance basis without fixing the demarcation of total length of the parking area giving undue advantage to lessees. Scrutiny of the allotments made for the years 2009-10 and 2010-11 revealed the following:

- Records and allotment list furnished to Audit for the year 2009-10 disclosed that 60 road side parking places were identified of which 55 were given allotment. Cross verification of Commissioner’s approved list with the ‘Allotment Register’ maintained by the Enforcement Branch of GMC disclosed that only 12 (28 *per cent*) out of 55 approved slots got the allotments and the rest 43 slots were allotted from outside the list. Although the concerned branch had violated the Commissioner’s order, however, no action was taken against the defaulting officials.
- 28 slots were found to be allotted in the month of September/ October 2009, resulting in loss of revenue to the Corporation for delayed settlement.
- As per Bye-laws, the lessee is to deposit 50 *per cent* of the settled value of the slot as advance. The balance 50 *per cent* should be paid by the lessee on the first day of the



week or first week of the month (with reference to the date of final settlement) as may be fixed in advance. However, the GMC did not follow the provision of the Bye-law and only 10 per cent advance was taken in all cases and no time frame was fixed for deposit/collection of the subsequent instalment(s). As a result, 14 lessees left the slot without paying the instalments. No action was taken against the defaulters who were allotted slots after confirming their bio-data, addresses etc.

- GMC initially (May 2009) collected the rent on weekly basis upto 30 September 2010 and thereafter (*w.e.f.* 01.October 2010) it started to collect rent on monthly basis at the rates as prescribed for each slot. Analysis of records revealed that GMC failed to collect ₹5.92 lakh for the year 2009-10 and another amount of ₹6.36 lakh remained outstanding for the period from 01 April 2010 to 30 September 2010. Further, it was noticed that the said slots were allotted to the same lessee *w.e.f.* from 01 October 2010 without recovering the arrear dues extending undue benefits to the leases to the tune of ₹12.93 lakh (₹5.92 lakh + ₹6.36 lakh).
- During 2010-11 it was observed that 15 slots valued at ₹7.10 lakh were allotted at ₹4.70 lakh resulting in loss of Municipal revenue of ₹2.40 lakh. On being questioned, the concerned officials failed to explain and furnish any documentary evidence in regard to allotment of slots below the prescribed rates. Slots were allotted below the prescribed rate with due knowledge of the higher authority as the allotment letters were issued under the signature of the Collector. Moreover, there has no system/mechanism of periodical examination of allotment records which allowed oversee by the supervisory authority.

However, in reply, the Commissioner did not offer any specific comment to the audit observation. Moreover, the Commissioner did not furnish any reply regarding allotment of parking slots at ₹4.70 lakh against ₹7.10 lakh.

#### 5.4.1.17 Factory Licence Fee

As per GMC's office order dated 31 July 2008, the Trade Licence Fees in respect of Factory/Workshop established within the GMC area are to be realised at the revised rates depending upon the consumption of power and number of workers engaged in the factories/workshops as detailed in **Table-5.12**.

**Table-5.12: Revised rates of licence fee for factory and workshop**

(In ₹)

Electric consumption	Number of persons engaged					
	1 to 20	21 to 50	51 to 100	101 to 250	251 to 500	501 or above
0 HP to 4 HP	1,350	2,700	3,600	4,500	5,400	6,300
5 HP to 10 HP	2,700	3,150	4,050	4,950	5,850	6,750
11 HP to 19 HP	3,600	4,050	4,950	5,850	6,750	7,650
20 HP to 100 HP	4,500	4,950	5,850	6,750	7,650	8,550
101 HP to 250 HP	5,400	6,750	8,550	10,350	12,150	13,950
251 HP and above	6,300	8,100	9,900	11,700	13,500	15,300

Source: GMC Circular dt.31 July 2008

Test-check of records of 143 factories/warehouses relating to issue of trade licence within Lakhara Zone revealed the following irregularities:

- In 76 cases (53 per cent), trade licences were issued without taking into account the records of electricity consumption by the concerned factories/workshops.
- In 78 cases (55 per cent), trade licences were issued without recording the number of workers engaged in the concerned factories/ workshops.
- In 65 cases (45 per cent), trade licences were issued on the basis of self-declaration of the workers without conducting the physical verification of those factories/workshops. No step was taken to establish the actual number of workers for calculating tax liability.
- In 28 cases (20 per cent), there were short realisations of factory licence fee to the tune of ₹19,350.00.

This indicated that GMC issued trade licences in violation of the prescribed procedure thereby inviting the risk of loss of revenue.

In reply, the Commissioner, GMC stated that Corporation was realising Factory Licence Fee (FLF) at revised rates. Reply of the Commissioner is not tenable as during test-audit, it was observed that FLF has been collected less than the prescribed rates as pointed out in the above instant cases.

#### 5.4.1.18 Non-realisation of Trade licence fee from private parking places

As per GMC's order dated 01 June 2009, the Annual Trade Licences fees are to be realised at the rate of ₹7,500 in respect of Private Parking places established within the GMC area. Scrutiny of records disclosed that only three private parking trade licences were issued under Lokhara Zone during 2007-08 to 2011-12. However, on physical verification in and around the NH-37, as many as 15 unauthorised private parking places were found running within the GMC area without trade licence. Details are as shown in **Appendix- XXII**.

The actual loss of revenue however, could not be calculated as the concerned Zone (Lokhra) failed to furnish the dates of establishment of these private parking places.

In spite of having Enforcement Branch with adequate workforce, the Corporation, by allowing running private parking places without trade licences, not only failed to strengthen its revenue mobilisation but also extended undue benefits to private traders with sizeable loss of revenue to GMC.







Photographs of un-licensed Private Parking running under GMC area

Further, eight commercial establishments obtained trade licence for business purpose (Transport etc.) but used the establishment as 'Private Parking' place. Thus, GMC sustained loss of revenue of ₹2.16 lakh due to collection of lesser amount than the prescribed rate. Details are shown in the **Table-5.13**.

**Table-5.13: Details of commercial establishment used their Trade Licence (TL) for other purposes (In ₹)**

Sl. No.	Name of the organisation & Holding no	Type of business	Year	LF collected	To be collected	Short collected
1	M/S Wimsons Parking (560)	Transport	2007-12	6,250 (@ ₹1,250 p.a.)	37,500 (@ ₹7,500 p.a.)	31,250
2	Gargo Motor (N/A)	Parking	-Do-	12,500 (@ ₹2,500 p.a.)	37,500 (@ ₹7,500 p.a.)	25,000
3	M/S Brahmaputra Parking (N/A)	Transport	-Do-	12,500 (@ ₹2,500 p.a.)	37,500 (@ ₹7,500 p.a.)	25,000
4	M/S HRL Parking Harlalka (N/A)	Transport	-Do-	6,250 (@ ₹1,250 p.a.)	37,500 (@ ₹7,500 p.a.)	31,250
5	M/S Nilachal Parking (N/A)	T/parking	-Do-	12,500 (@ ₹2,500 p.a.)	37,500 (@ ₹7,500 p.a.)	25,000
6	M/S Ganesh Parking (N/A)	T/office	-Do-	18,750 (@ ₹3,750 p.a.)	37,500 (@ ₹7,500 p.a.)	18,750
7	M/S Usha Roadlines Parking (N/A)	Transport	-Do-	7,500 (@ ₹1,500 p.a.)	37,500 (@ ₹7,500 p.a.)	30,000
8	M/S Ganapati Career (N/A)	Commission Agent office	-Do-	7,500 (@ ₹1,500 p.a.)	37,500 (@ ₹7,500 p.a.)	30,000
<b>Total</b>				<b>83,750</b>	<b>3,00,000</b>	<b>2,16,250</b>

Source: Data furnished by the Lakhra Zone

In reply, the Commissioner, GMC stated that TLF has been collected as per revised rates (₹7,500/-). However, the reply of the Commissioner is not tenable because no supporting documentary evidences could be furnished in regards to collection at revised rate.

#### 5.4.1.19 Short realisation of Trade licence fee

The GMC vide order dated 01 June 2009 retained the existing rate (₹7,500) of annual Trade Licence Fees for independent Godown, Wholesaler, Distributor, Dealer, Drugs distributor, Builder, Wine shop, Bar, Bonded warehouse, Cable operator, Audio-video production Centre, Timber depot, Gas Agency, Petrol pump, Private parking etc. within the GMC area.

Test-check of records revealed that during 2007-12, 167 out of 182 (91.76 per cent) and 163 out of 220 (74.09 per cent) trade license holders under Lakhra and Central Zone respectively paid less trade license fee than the prescribed rate (₹7,500 p.a.) which thereby resulted in short realisation of Licence fee to the tune of ₹80.57 lakh (Central Zone: ₹43.26 lakh; Lakhra Zone: ₹37.31 lakh). No action had been taken to recover the

short realisation of the trade licence fee. Thus, due to failure to implement the order, GMC sustained loss of revenue to the said extent.

In reply, the Commissioner, GMC stated that matter is under examination. Final position is awaited (March 2014).

## 5.5 Execution of works

The major works within the GMC area are being executed by the State PWD, Guwahati Metropolitan Development Authority and by other line departments while traditional works like water works, construction of bye-lanes, drains, culverts, desilting of drains etc. are being executed by the GMC which are discussed in succeeding paragraphs:

### 5.5.1 Water works

Out of 25 obligatory matters enlisted under Section 7 of the GMC Act, 1971, supply of water to civic community and for private uses are the most important functions of the Corporation. However, due to lack of infrastructure, adequate manpower, inadequate water plants etc., only 30 *per cent* of total requirement of drinking water of the Guwahati city could be provided by the Municipal authority.

#### 5.5.1.1 Incomplete water works led to huge irrecoverable GMC fund

For “Strengthening/Restoration of existing water supply system under GMC” the Corporation received ₹690.00 lakh from the GDD and payment made to M/S Kriloskar Brothers Ltd. for the work is as shown in the **Appendix- XXIII**.

As per agreement, the works were to be completed within 15 months from the date of issue of formal work order (26 October 2005). However, the party failed to complete the work within the stipulated time, or even within the extended time limit of 28 February 2008. The firm suddenly left the work on 23 July 2010 without completing it. Balance works were yet to be taken up by the GMC till date (March 2013).

As seen in the **Appendix-XXIII**, out of total work value of ₹7.00 crore, the GMC paid ₹6.62 crore to M/S KBL leaving works worth ₹0.38 crore incomplete. As of 23.07.10, ₹17.15 lakh remained un-adjusted against the Mobilisation Advance of ₹3.15 crore.

As per agreement of the contract, penalty @ one *per cent* on total work value (₹7.00 crore) was to be imposed against the party for breach of contract. Details of penalty to be imposed as per agreement are as shown in **Table-5.14**.

**Table-5.14: Details of recovery statement under various provision of the Contract Agreement**

			(In ₹)
Sl. No.	Particulars	Amount	
1	1% penalty per month on total value of work (₹7.00 crore) for delay in execution of work <i>w.e.f.</i> 1.3.08 till the date of final surrender of work 23.07.10 (28 months 23 days)	2,01,60,000	
2	Unadjusted mobilisation advance of ₹17,14,611 + 10% interest <i>w.e.f.</i> 12.03.10 upto 31.3.13 (36 months 20 days)	₹17,14,611.00 ₹ 5,22,956.00	22,37,567
5	Forfeiture of 2% EM money for breach of contract	14,00,000	
<b>Total recoverable amount (A)</b>			<b>2,37,97,567</b>

Source: Compiled data



As per records amount due to M/S KBL was ₹67.94 lakh as shown in **Table-5.15**.

**Table-5.15: Payments due to M/S KBL**

		(In ₹)
Sl. No.	Particulars	Amount
1	Works executed after 10th R/A bill	1,55,750
2	Extra work done out of Plan & Estimate	10,90,852
3	Withheld amount on 4th R/A bill	3,85,000
4	Recovery of SD money upto 10th R/A bill	51,62,686
<b>Total (B)</b>		<b>67,94,288</b>

Source: Data furnished by GMC

Analysis disclosed that no amount was due to be paid to M/S KBL, instead the GMC was to recover an amount of ₹170.03 lakh (A – B).

Thus, due to failure of internal control mechanism of the Corporation and absence of oversight role on the part of Government chance, of recovery of ₹170.03 lakh became remote.

In reply, the Commissioner, GMC has expressed his inability to recoup the penalty (₹2.00 crore) as per modified terms and conditions (1% pm for work value) and viewed to complete the remaining works as per the provision of the APWD manual. Reply of the Commissioner is not tenable and authority had not knocked the door of the court for breach of 'Contract Agreement'.

#### **5.5.1.2 Quality of GMC water**

The importance of water and waste water quality monitoring for efficient operation and management of water supply and waste water disposal system cannot be ignored. For scientific water quality management, periodical physical, chemical, bacteriological and virological tests of drinking water in a well equipped laboratory is needed in order to safeguard people against any waterborne disease and to supply potable water conforming to drinking water standards. As per "Course Manual on Laboratory Procedure for Water Quality Analysis" conducted by District Water Analysis Laboratory (PHE), Kamrup following, parameters are to be conducted/examined for water conforming to drinking water standards.

- Turbidity
- pH
- Iron
- Fluoride
- Residual Chlorine

However, during 39 years of existence of the Corporation since its inception (1974), GMC had neither submitted any proposal before the Government nor they could establish a laboratory of their own. As of March 2013, the GMC had three water plants (Panbazar, Satpukhuri and Kamakhya Water Supply Scheme) supplying 30 *per cent* of the total requirement of drinking water without conducting any laboratory test.

Thus, non-conducting of water tests at regular intervals was highly fraught with risk of the city dwellers getting infected with water borne diseases.

In reply, the Commissioner, GMC stated that as the intake point of water is same, (Brahmaputra), hence GMC considered the turbidity and pH value as per PHC records

since long back. Reply of the Commissioner indicates that GMC had no laboratory of their own and depended on the test of other department. The Commissioner also admitted that laboratory could not be made functional due to shortage of technical manpower in spite of having adequate infrastructure.

### 5.5.2 Basic Services to Urban poor

The scheme was launched by GoI in 2005-06 for integrated development of Basic Services to Urban Poor (BSUP) in the cities covered under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM). The main objectives of the scheme were to provide shelter, basic services and other related civic amenities to the urban poor.

The deficiencies noticed in implementation of project BSUP are discussed in the succeeding paragraph:

#### 5.5.2.1 Poor achievement

In the years 2008-09 and 2009-10, the Central Sanctioning and Monitoring Committee (CS&MC), Ministry of Housing and Urban Poverty Alleviation, GoI sanctioned two projects to GMC for construction of dwelling houses for slum dwellers in Sub Mission-II of 'Basic Service for Urban Poor' (BSUP) under JnNURM. The funding pattern for the scheme was 90:10.

Details of the projects sanctioned and amount received by the GMC till the date of audit (April 2013) were as shown in **Table-5.16**.

**Table-5.16: Details of projects sanctioned, amount released and received by GMC**  
(₹ in crore)

Name of project	Date of approval	No. Of dwelling units (DUs)	Cost for civil construction	Cost of amenities	Total approved cost	Fund received by GMC			Total
						Central share	State share	Beneficiaries share	
BSUP-I	05.02.08	1,232	32.18	21.77	53.95	24.28	2.76	0.16	27.20
BSUP-II	11.02.09	1,028	31.03	23.46	54.49	24.52	2.46	0.00	26.98

Source: Data compiled from concerned files

The contractors to whom the works were awarded, number of dwelling units (DU) to be constructed, due date of completion and present status of the projects were as given in **Table-5.17**.

**Table-5.17: Details status of BSUP project (March 2012)**

Name of project	Location of project	No of Dus	Contract value	Name of contractor	Date of signing of agreement	Due date of completion	Status	
Phase-I	Package-I	Fatashil	1,104	51.80	Nymi Enterprise Pvt. Ltd.	26.02.09	26.05.10	352 units completed, Contract terminated
	Package-II	Morashali	64	9.11	Hirise Inf. Pvt. Ltd.	26.02.09	09.08.10	64 units completed
		Solapara	64					Not started
Phase-II	---	Amingaon	1,108	54.94	Nymi Enterprise Pvt. Ltd.	25.01.10	25.07.11	Work stopped as of

Source: Data compiled from concerned files

(A) **BSUP Phase-I:** As can be seen from the table above, in Phase-I (Package-I & II), total 1,232 DUs were to be completed by August 2010. However, even after signing of agreements (February 2009), the GMC could complete only 416 DUs (33.77 per cent) out of the proposed 1,232 DUs and 379 DUs of the completed DUs were



allotted to slum dwellers during April 2012 to February 2013. The contract agreement of the remaining 816 (1,232 – 416) units under Package-I were terminated (January 2013) due to delay in execution of works by the contractor. As such, construction of remaining DUs (816) was yet to be taken up (March 2012). Further, proposed projects at Solapara under Package-II, could not be started as of May 2013 due to vehement protest from the local people.

**(B) BSUP Phase-II:** Construction of DUs at Amingaon project (Phase-II) remained held up since 2011 after completion of 80 *per cent* site development works with expenditure of ₹4.70 crore (payment made to contractor) as the consultant engaged for the above project felt the necessity for piling work in the foundation, whereas no provision of such piling works was in the original DPR prepared by HUDCO. Accordingly, a revised estimate based on fresh soil test was prepared and submitted (Dec 2011) to the Chief Engineer, Assam Public Works Department (APWD) for vetting but approval of the same was awaited (April 2013).

Further, it was noticed that in spite of pending approval of the revised estimate, the GMC constructed more than 6,000 granular piling works worth ₹114.20 lakh (unmeasured value), against which payment of ₹68.54 lakh (Chq. No.253429 dt.23.03.11) was made to the contractor. Execution of works without approval of estimates and payment made there against was irregular.

Thus, due to delay in execution of projects, the intended objective of providing shelter to slum dwellers remained unachieved in spite of huge investment amounting ₹5.39 (₹4.70 + ₹0.69) crore.

The Commissioner, GMC admitted the audit observations and stated that the proceeding of construction of remaining units would be started soon. Final position is awaited (March 2014).

### 5.5.3 Public Toilet

Section 7 of the GMC Act, 1971 provides for 25 obligatory matters that ‘it shall be incumbent on the Corporation to make adequate provision by any means or measures which it is lawfully competent to use or take the construction, maintenance and cleaning of drains and drainage works and public latrines, urinals and similar conveniences’.

Test-check of records revealed that during 2007-12 the Corporation incurred ₹25.35 crore<sup>17</sup> towards Solid Waste Management, maintenance and cleaning of drains and drainage works. However, only meagre amount was earmarked for providing public toilets and urinals in the city during the period covered under PA. It is pertinent to say that the Corporation did not have any information in regard to number of public toilets available in the city against their requirement. The GMC was also unaware as to whether any survey was conducted to assess the requirement of public toilets in the city and whether any public toilets were constructed during 2007-12. As per information furnished, ₹12.50 lakh (₹2.00lakh under National Slum Development

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<sup>17</sup> a) Divisions:	₹03.42 crore
b) Garage branch:	₹02.30 crore
c) Payment to GWMCL:	₹19.63 crore
<b>Total -</b>	<b>₹25.35 crore</b>

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Programme (NSDP) and ₹10.50 lakh under SJSRY) was received by GMC from GoI during 2009-10 for construction of five toilets in the Municipal area. There was no record in support of construction of two toilets under NSDP and of three toilets approved (October 2009) under SJSRY for construction at Dispur Supermarket, Adabari and Beltola. Only one toilet was constructed and that too at an unapproved site at Ganeshguri. No financial and physical progress reports in respect of construction of three toilets under SJSRY by the construction committee could be shown to Audit. Further, the Finance Department, GoA sanctioned ₹1.64 crore (March 2011) under the award of Third SFC for construction of public toilets in GMC areas. The entire amount was released (August 2012) belatedly to GMC which was lying unspent (April 2013).

Thus, due to laxity on the part of the GMC/Government, as the entire sanctioned amount of ₹1.64 crore was lying unspent, one of the most important basic amenities could not be provided to the citizens as well as thousands of daily commuters.

In reply, the Commissioner, GMC stated that progress of scheme is under way and was on the verge of completion. Final position is awaited (March 2014).

#### **5.5.4 Extra avoidable expenditure**

Article 5.11 of the 'Concession Agreement' between the GMC and Guwahati Waste Management Company Ltd. (GWMCL) provides that the GWMCL shall be responsible for street sweeping as well as drain desilting activities (upto two feet depth) within the Municipal area as per guidelines of the integrated policy formulated for segregated door-to-door collection of Municipal Solid Waste (MSW) from all waste generators w.e.f. 01 October 2008. Further, Article 5.13 of the agreement stipulated that the GWMCL shall be solely responsible for transportation of segregated waste to the Project Site as per the guidelines for transportation of MSW.

Scrutiny of records and information furnished by the Corporation revealed that expenditure to the tune of ₹19.36 crore was already incurred by GMC towards payment to GWMCL for primary and secondary collection and transportation of garbage to the dumping site at Paschim Boragaon during the period from November 2008 to March 2012. In spite of Concession Agreement, GMC incurred extra expenditure of ₹7.81 crore towards sweeping and transportation of garbage by engaging casual labourers/drivers with GMC's own vehicles. Desilting works were done through contractors and procurement of vehicles/machineries for execution of conservancy works departmentally. Details of expenditure are shown in **Table-5.18**.



**Table-5.18: Details of additional expenditure of GMC on conservancy works**

(₹ in crore)

Sl. No.	Purposes for which expenditure incurred	Period of expenditure	Amount spent	Detailed in
1	Cleaning and transportation of garbage from the Corporation areas to the dumping site by Garage Branch, GMC	01.11.08 to 31.03.12	2.50	<b>Appendix XXIV</b> Part (i)
2	Execution of desilting works within Guwahati City by Six Divisions of GMC	-Do-	3.42	<b>Appendix XXIV</b> Part (ii)
3	Procurement of vehicles /machineries under different programmes/schemes for use in conservancy works during January, 2009 to April, 2010	-Do-	1.89	<b>Appendix XXIV</b> Part (iii)
<b>Grand Total</b>			<b>7.81</b>	

Source: Data collected from the Corporation

Thus, due to failure to enforce the proviso of the Agreement, the GMC was saddled with the extra burden of ₹7.81 crore during the period from November 2008 to March 2012.

**Photographs show the sample of activities carried out by the GWMCL/Divisions**



Dustbin placed at middle of the road & road side garbage not collected by the GMC till 12 Noon (Dated 04.05.2013)

However, the Commissioner, GMC did not furnish any specific reply to the audit observation.

#### **5.5.5 Irregular awarding of works**

As per prevailing codal provision of Notice Inviting Quotation/Notice Inviting Tender, minimum of three quotations are required for comparing the price bids for acquiring intended goods/material/assets etc. When price bids could not be fixed for want of third bidder, retendering had to be notified immediately. In case third bidder did not turn up in the re-tendering process, then with due knowledge of Administrative Department, the department would acquire materials/assets etc. on the basis of prices of two bidders.

Test-check of records of works executed in three out of six divisions (50 per cent) under the GMC revealed that during 2007-08 to 2011-12 against the estimated works worth ₹1.06 crore, works valued at ₹1.01 crore were executed on the basis of single or less than three tenders. A brief analysis of works awarded contravening the prevailing norms are given in **Table-5.19**.

**Table-5.19: Details of works awarded on the basis of single tender or less than three tenders**

(In ₹)						
Sl. No.	Name of Division	Name of work	Estimated value	Names of tenderer	Awarded to whom	Tendered value
1	Div-II	1. Improvement of City Roads Package No.4 ( 2009-10)	21,32,000	i) M/S Global Hitech Enterprise	M/S Global Hitech Enterprise	20,46,720
		2. Improvement of Nawjan Path, Group-B, Sl. No. 12 under 10% lump-sum scheme (2010-11)	17,48,000	i) M/s Koustav Construction	M/s Koustav Construction	17,48,000
		3. Improvement of Lalmati Road, Group-B, Sl. No.14 under 10% Lump-sum Scheme (2010-11)	20,49,000	i) Madan Boro ii) Khanindra Brahma	Khanindra Brahma	18,44,100
2	Div-III	4. Improvement of different roads (Package No.-9)	20,06,400	i) Rongdeo Associates ii) Sibsaran Pathak	Rongdeo Associates	19,06,080
3	Div-V	5. Improvement of Sankar Dev Path, Ward No-55	15,00,000	i) M/s M.P. Farm	M/s M.P. Farm	13,50,000
		6. Improvement of city roads (Group-13)	12,00,000	i) Uddhab Saikia ii) Borluit Enterprise	Uddhab Saikia	12,00,000
<b>Total</b>			<b>1,06,35,400</b>			<b>1,00,94,900</b>

Source: *Work files of concerned divisions*

The analysis disclosed that for execution of six instant works (₹1.06crore), the GMC authority not only violated the codal provision of NIT system but also sacrificed transparency in the matter of allotment of the works. As such, mis-utilisation of Municipal fund towards execution of works could not be ruled out.

However, the Commissioner, GMC did not furnish any specific reply to the audit observation.

## **5.6 Adequacy in internal control system**

### **5.6.1 Citizens' Charter**

A model 'Citizens' Charter' is a document that describes the specific steps to be taken in implementing the provisions of the Act and lays down the minimum service levels mandated by these provisions covering all aspects of the duties and responsibilities of the GMC and its officials. The Citizens' Charter is to be displayed in all the GMC offices as well as in prominent public places to inform the people living in the GMC area about their rights. However, GMC authority was yet to develop a model Citizens' Charter for the civic citizens as of March 2012. This indicates that the GMC had yet to develop a complete form of a "Citizens' Charter" and discharging the day to day activities without any mandate and within a specific



timeframe for Corporation and their officials. Thus, the civic citizens of the Guwahati are unaware of duties and functions of the GMC particularly.

However, an initiative was taken on 4 March 2013 to bring one Model Citizens' Charter under Rule 6 of the said Act. However, the Model Citizen's Charter so prepared was yet to be displayed in the GMC offices and other prominent places of Guwahati city.

In reply, the Commissioner, GMC stated that the Corporation was offering 9 services under the provision of Assam Right to Public Service Act, 2012 since 1 April 2013. A Citizens' Charter was also issued whose monthly report was being submitted to Deputy Commissioner (Kamrup). This shows that Audit rightly pointed out that GMC was functioning without any Citizens' Charter during the period covered by audit (2007-12).

### 5.6.2 Unauthorised occupation of GMC land

Analysis of records furnished to Audit it was noticed that the land belonging to GMC measuring 122 bighas, 1 Kathas and 8.4 Lessas under 5 revenue villages were under unauthorised occupation of individuals, committee, youth club etc. The summarised positions of unauthorised occupation of GMC land are shown in the **Table-5.20**.

**Table-5.20: Illustrative example of unauthorised occupation of GMC land**

Sl. No.	Revenue village	Location	Mouza	Area of land		
				Bigha	Katha	Lessa
1	Sahar Guwahati, Block-2	Chatrbari	Guwahati	2	4	19
2	Sahar Guwahati, Block-4	Lakhtakia	Ulubari	2	0	10.3
3	Sahar Guwahati, Block-5	Ugratara Devalaya	-Do-	0	1	18.1
4	Fatasil 1 <sup>st</sup> Part	Fatasil Bazar	-	15	4	1
5	2 No Fatasil	Datalpara	-	101	0	0
<b>Total</b>				<b>120</b>	<b>9</b>	<b>48.40</b>
<b>Converted to</b>				<b>122</b>	<b>1</b>	<b>8.4</b>
<b>(20 Lessas = 1 Katha; 5 Kathas = 1Bigha)</b>						

Source: Data furnished by the Land Record Branch, GMC Note

However, there was no record to show that the GMC authority had taken any effective step to bring the land under its occupation nor was there any plan for allotment of the land at market value to the occupiers which could be a source of mobilisation of revenue for the Corporation.

In reply, the Commissioner, GMC assured that matter would be placed before the General Council for formulation of policy. Final report is awaited (March 2014).

### 5.6.3 Un-authorised retention/non-deduction of Labour Cess

(i) Building and other construction work (Regulation of Employment and Service Regulation) Act, 1996 read with Workers Welfare Cess Act, 1996 came into force in the State of Assam with effect from 26 September 2007. As per the Act, the establishments which undertake works like construction/alteration/repairing and

maintenance or demolition exceeding ₹10.00 lakh have to pay one per cent “Labour cess” on the total value of works. The leviable cess is to be collected by the Department concerned from the contractor’s bill and to be transferred by cheque to “Assam Building and Construction Workers’ Welfare Board” (AB&CWFB) within thirty days. It was noticed that GMC started deduction of one per cent cess w.e.f. March 2011 and operated a Bank account (SBI A/C No. 31656335703) for this purpose wherein labour Cess amounting to ₹133.43 lakh was retained unauthorisedly without being forwarded or transferred to AB&CWFB. Further, Under Section 3(2) of Building and Other Construction Workers Welfare Cess Act, 1996 cess shall be collected from every employer in such a manner and at such time, including deduction at source in relation to a building or other construction work of a Government or of a Public Sector Undertaking or advance collection through Local Authority where an approval of such building or other construction works by local authority is required. Records disclosed that the Planning Branch of the GMC collected advance cess of ₹282.03 lakh (upto March 2012) on account of approval for building permission but the drafts/cheque were not forwarded to Labour Welfare Board as per provision of the Act and were retained with the authority till February 2013. Moreover, the validity of most of the Drafts/Cheques had been expired. Thus, un-authorised retention of drafts/cheques amounting to ₹415.46 lakh (₹133.43 lakh + ₹282.03 lakh) did not only tantamount to violation of the provision of the Act, but this also deprived the poor labour community in the State from the intended benefits of the scheme.

(ii) Moreover, in case of execution of BSUP project, GMC paid total amount of ₹22.72 crore to various contractors against their running account bills without deducting

1 per cent labour cess amounting ₹22.72 lakh. Thus, the authority did not follow the Government order and failed to transfer ₹22.72 lakh to the concerned Labour Commissionerate for development activities of poor labourers working under contractors.

(iii) Further, during July 2008 to February 2012, 3 Divisions viz. II, III & V under GMC had executed some works like de-siltation and improvement of roads valuing ₹221.83 lakh. Records disclosed that one per cent Labour Cess deducted from the contractor’s bill was short by ₹0.87 lakh.

In reply, the Commissioner, GMC assured that labour cess accumulated in the bank account (No.31656335703) would be transferred at the earliest. Reply furnished regarding the accumulated amounts in ‘Planning Branch’ is not satisfactory because due to system deficiency and lack of interdepartmental coordination labour cess which was unnecessarily held up deprived of poor labourers from their intended benefits.



#### 5.6.4 Short/non-deduction of government dues

Finance Department, GoA vide Notification No.FM.64/2003/321 dt.13.7.2010 had intimated all Govt. Departments and functionaries to deduct Forest Royalty/Taxes under AVAT Act, 2003 at source. Non-deduction or short deduction that causes financial loss to the State Government for negligence of functionaries is liable to legal action under Section 8(1) and 8(2) of Assam Fiscal Responsibility and Budget Management (AFRBM) Act, 2005. The shortcomings noticed towards deduction of taxes are discussed in the succeeding paragraphs:

#### 5.6.5 AVAT

As per provision of section 47 of Assam Value Added Taxes 1993 which came into force w.e.f. 1.5.05 all drawing and disbursing officers of Govt. Departments and Govt. Undertakings are to deduct VAT at source in respect of the following transactions:

1. Transfer of property of goods involving execution of works contract @12.5 per cent of the taxable turnover of such works contract;
2. Transfer of right to use of any goods (lease transaction) @ 12.5 per cent

The tax so deducted is to be deposited into the designated banks through Challan (Form-25) within 10 days from the expiry of each calendar month. The rate of VAT was further enhanced from 12.5 to 13.5 *per cent* w.e.f. 31.10.2009 vide Govt. Notification No. FTX-55/2005/Part-III/118 dated 31.10.09. The shortcomings noticed are discussed in the succeeding sub-paragraphs:

- (A) Test-check of records revealed that the GMC hired private vehicles for official use, but bills were passed for payment without deducting or short deducting of VAT amounting to ₹5.74 lakh. Thus, GMC authority failed to comply with the Government order causing loss of revenue.
- (B) As per revised rate, supply of electrical goods including installation of goods with separate installation charge, attracts VAT @12.5 *per cent*. Records revealed that GMC repaired 418 street lights between 6.9.08 and 30.11.08 under the supervision of 5 Divisions at the total cost of ₹34.64 lakh. However, at the time of payment, GMC deducted VAT @ 4 *per cent* (₹1.39 lakh) on total bill value of ₹34.64 lakh from the supplier's bill (M/s Dutta Electricals, Guwahati) instead of @ 12.5 *per cent* (₹4.12 lakh) on cost of materials resulting in short realisation of ₹2.73 lakh (₹4.12 lakh - ₹1.39 lakh).

(C) In case of execution of work under BSUP project, the authority deducted AVAT @ 4 per cent instead of 5 per cent. Thus, ₹25.96 lakh was deducted short as shown in **Appendix-XXV**.

(D) During July, 2008 to February, 2012, 3 Divisions viz. II, III & V under GMC had executed some works like de-siltation and improvement of roads valuing ₹221.83 lakh. Records disclosed that the Corporation short deducted AVAT amounting to ₹11.40 lakh from the contractor's bills.

Thus, due to laxity on the part of the GMC, there was revenue loss of ₹45.83 lakh (A+B+C+D) to the State Government on account of non/short deduction of AVAT.

The Commissioner, GMC accepted all the cases of short deduction of AVAT and stated that necessary action would be taken. Final reply is awaited (March 2014).

#### 5.6.6 Income Tax

Section 194 of Income Tax Act, 1961 provides that any person responsible for paying any sum to any contractor for carrying out any work including supply of labour, in pursuance of a contract between the contractor and a specified person shall, at the time of payment by cash, cheque, draft or by any other mode, has to be deduct an amount equal to two per cent of bill value where the payment is being made or given to a person other than an individual or a Hindu undivided family.

(A) Scrutiny of Running Account bills in case of payment released to contractors for execution of BSUP projects revealed that the GMC authority deducted IT at the rate of one per cent instead of prescribed two per cent. Thus, Income Tax amounting to ₹25.96 lakh was deducted short in contravention of the provision of the Act (refer **Appendix-XXV**).

(B) Against the total bill value of ₹19.63 crore paid to the GWMC Ltd. for primary and secondary collection and transportation of garbage, GMC deducted ₹39.89 lakh as IT against the actual amount of deduction of ₹43.87 lakh. Thus, ₹3.97 lakh IT was deducted short from the firm concerned. Details of short deduction of IT are shown in **Appendix-XXVI** (refer Col. 8).

(C) During July 2008 to February 2012, 3 Divisions viz. II, III & V under GMC had executed some works like de-siltation and improvement of roads valuing ₹221.83 lakh. Records disclosed that the GMC authority deducted IT amounting ₹1.05 lakh short from the contractor's bills.

Thus, due to laxity on the part of the GMC, there was revenue loss of ₹30.99 lakh (A+B+C) to the Government on account of non/short deduction of IT.



#### 5.6.7 Unauthorised retention of IT/AVAT/Cess

GMC had deducted a sum of ₹133.02 lakh being taxes (AVAT: ₹103.83 lakh; IT: ₹25.96 lakh; Cess: ₹3.24 lakh) from contractors bills against the payments towards execution of BSUP projects. However, no records/challans etc. in respect of the deposit of said amounts to the respective revenue heads of the Govt. could either be found on records or shown to Audit. Thus, there was unauthorised retention of ₹133.02 lakh collected on account of AVAT, IT and Cess.

In reply, the Commissioner, GMC assured that outstanding balances (IT/AVAT/Cess) lying with GMC would be deposited at the earliest. Final position was awaited (March 2014).

#### 5.6.8 Response to Audit

An order of the State Government (March 1986) provides for prompt response by the executive to the IRs of test-check conducted by the AG to ensure satisfactory compliance with the prescribed rules and procedures. The authorities of the offices and Department concerned are required to examine the observations contained in the IRs in the light of the given rules and regulations and prescribed procedures and rectify the defects/omissions promptly and report their compliance to the AG.

It needs to be mentioned here that the Accountant General (Audit), Assam conducted audit of the accounts of the GMC on three occasions and issued the Inspection Reports to the Commissioner, GMC with copies marked to the Government. Details of audit conducted by the AG are as shown in Table-5.21.

**Table-5.21: Details of outstanding position of past Inspection Reports**

Period of Inspections	Year of Accounts	Date of issue of IR	No of paras	
			Part-II (A)	Part-II (B)
June-March, 2004	2001-03	19.10.04	17	12
Jan-March, 2009	2003-08	15.08.09	5	13
August-Oct, 2010	2008-09	09.11.10	8	28

Source: *Inspection Reports*

Records disclosed that:

- First round replies to first two IRs (2001-03 & 2003-08) containing 22 Part-II (A) and 25 Part-II (B) paras were still awaited as of March 2013.
- The Commissioner furnished reply to the 3rd IR (2008-09) in August 2011 of which 9 paras were settled and communicated to the Commissioner. Further clarification in respect of rest of the paras was still awaited.
- Further, 15 paras featured in the 1<sup>st</sup> IR were forwarded to Government in May 2011 for settlement of the objections. Action Taken Note on these paras was still awaited.

It is to be noted that the Commissioner, GMC assured in the 'Entry Conference' held on 26 February 2013 that prompt action would be taken to furnish replies and records relating to outstanding audit paras to review and settle them during inspection by the PA team. However, no reply/records were furnished to Audit for review.

In reply, the Commissioner, GMC assured that replies to outstanding audit para would be furnished shortly. Final position is awaited (March 2014).

### 5.6.9 Internal Audit

The GMC had no 'Internal Audit Wing' of their own. Records disclosed that Corporation had five sanctioned posts (Sr. Auditor-1; Auditor-4) of which three officials were on the roll as of March 2013. Scrutiny of records revealed that against the available manpower, one official has been dealing with settlement of outstanding paras for Local Audit as well as AG Audit and other two officials were attached with other branches of the GMC. Apart from this, GMC had one Govt. appointed Chief Accounts & Audit Officer (Gr.-I) and one contractual Chartered Accountant (CA). In spite of having such qualified manpower, the GMC was yet to create an independent Internal Audit Wing of its own. No audit plan was found to be prepared for conducting internal audit of the Corporation. Thus, the desired objective of strengthening the internal control system through periodical internal audit had not been achieved. As a result, pay and allowances paid towards the said staff (₹70.16 lakh) was unfruitful. Details of pay and allowances paid for auditors during the period of PA by the GMC (excluding CA&AO) are as given in **Table-5.22**.

**Table-5.22: Details of Pay & Allowances incurred towards Internal Audit wing**  
(₹ in lakh)

Sl. No.	Year	Staff position	Pay and Allowance	Total
1	2007-08	1. Six Auditors 2. One CA*	10.17 02.70	12.87
2	2008-09	1. Six Auditors 2. One CA*	09.19 01.20	10.39
3	2009-10	1. Two Auditors 2. One CA*	05.35 05.60	10.95
4	2010-11	1. Three Auditors 2. One CA*	12.23 06.00	18.23
5	2011-12	1. Three Auditors 2. One CA*	12.72 05.00	17.72
<b>Total</b>			<b>70.16</b>	<b>70.16</b>

Source: Data furnished by the GMC \* Contractual Staff

In reply, the Commissioner, GMC assured that creation of IA is under active consideration. Final result is awaited (March 2014).

### 5.7 Conclusion

The GMC did not prepare long term Perspective Plan and priority based Annual Action Plan for implementation of scheme/programme since its inception (1974). The GMC did not pressurise the Government for implementation of 74<sup>th</sup> CCA and




Government had not taken any initiative for transfer of 3Fs to the GMC as per 12<sup>th</sup> schedule of the Constitution. The financial management of the GMC was in a very deplorable condition as 61.75 to 90.48 *per cent* of expenditure was made before the approval of the Annual Budget. In spite of receipt of adequate funds from the Government, the Corporation did not optimally utilise the available funds in time and ₹12.80 crore to ₹117.15 crore fund was lying unspent at the end of every financial year. Rooms/Stall rent of 'GMC Rented Market' were not realised prolonged period. The GMC leased markets were not settled resulting in loss of revenue. Adequate measures were not taken to check pilferage of GMC revenue. Incomplete water works led to huge irrecoverable GMC fund. The intended objective of providing shelter to slum dwellers under JnNRUM remained unachieved in spite of huge investment. The GMC had no Internal Audit Wing of their own and thus the desired objective of strengthening internal control system could not be achieved.

## **5.8 Recommendations**

- A structured system of planning - long, medium and short term and systematic reporting mechanism needs to be implemented to enable improvement in the deliverables of the Corporation and provide adequate feedback to all stakeholders.
- Budget formulation should be realistic and completed within the time frame as stipulated in the GMC Act, 1971. No expenditure should be made before the approval of the Annual Budget.
- Fund management of the GMC should be streamlined to ensure that Cash Book is written and closed on a daily basis, all financial transactions should be reflected in the Cash Book, funds collected are deposited forthwith and reconciliation with banks is carried out regularly.
- The Market, Advertisement & Enforcement activities need to be strengthen. Effective monitoring, supervision by the higher authorities should be ensured to stop pilferage of revenue.
- Strict monitoring as envisaged in the Bye-laws is required so that construction cannot be done beyond the permitted limits. First come first served system needs to be adopted so that NOC may be issued within the time frame for prompt collection of revenue. All fees need to be charged as per Bye-laws for augmentation of the GMC revenue. Database of NOC issued should be transferred to Revenue Zones for prompt assessment of Property Tax etc.
- Parking slots need to be settled through bidding system and completed well in advance to avoid loss of revenue and advance collection of settled money ensured as provided in the Bye-laws. Area of the slots need to be well demarcated by displaying owner name, rates and recommended capacity of the parking for public view and uniform, identity cards etc. of collectors should be mandatory.


- Effective action needs to be taken to ensure dwelling houses to urban poor are completed as per schedule.
- Action needs to be taken to bring all of GMC's landed properties to GMC own possessions and made encroachment free.

Guwahati  
the

  
(Dattaprasad S. Shirsat)  
Deputy Accountant General  
(Social Sector)

Countersigned by

Guwahati  
the

  
(C. H. Kharshiing)  
Accountant General (Audit)