

Part - B

Urban Local Bodies

CHAPTER IV

**An Overview of the Functioning, Accountability
Mechanism and Financial Reporting issues of Urban
Local Bodies (ULBs)**

Chapter-IV

An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies (ULBs)

An Overview of the Functioning of the ULBs in the State

4.1 Introduction

The 74th Constitutional Amendment, enacted as the Constitution (Seventy fourth Amendment Act), 1992, envisioned creation of Local Self Government (LSG) for the urban population, wherein municipal institutions were conferred with constitutional status for carrying out governance functions. The Amendment empowered Urban Local Bodies (ULBs) to function efficiently and effectively as autonomous entities, to deliver services for economic development and social justice, with regard to the 18 subjects listed in the XIIth Schedule of the Constitution of India

The administration of ULBs in Assam is carried under provisions of:

- Gauhati Municipal Corporation (GMC) Act, 1971,
- Assam Municipal (AM) Act, 1956 (amended up to 2012) and
- Assam Municipal Accounts (AMA) Rules, 1961.

There were 100 ULBs in the State, as on 31 March 2017, viz., one Municipal Corporation (MC), 34 Municipal Boards (MBs) and 65 Town Committees (TCs). ULBs falling under the General Areas are governed according to the provisions of the AM Act, 1956, while areas listed under the Sixth Schedule of the Constitution of India are governed by the rules framed by the respective Autonomous District Councils (ADCs).

Statistics relating to the urban population of the State, as per Census 2011 and the number of ULBs are given in **Table 4.1 below:**

Table 4.1: Statistics relating to the urban population of the State and number of ULBs

Sl. No.	Indicator	Unit	Value
1	Population	Crore	3.12
2	Population density	Persons / Sq.km.	398
3	Urban population	<i>Per cent</i>	14
4	Urban Sex Ratio	Per thousand	948 ⁴³
5	Urban Literacy Rate	<i>Per cent</i>	88.47
6	Municipal Corporation (MC)	Numbers	1
7	Municipal Boards (MB)	Numbers	34
8	Town Committees (TC)	Numbers	65

Source: *Economic Survey, Assam 2016-17 and information furnished by Director, Municipal Administration GoA*

⁴³ 948 females per 1000 males

The position of ULBs in Assam, in terms of number, area and average population, is given in **Table 4.2 below:**

Table 4.2: Position of ULBs

Level of LB	No.	Average area per ULB (Sq. Km)	Average population
Municipal Corporation (MC)	1	216.79	9,63,429
Municipal Boards (MB)	34	20.35	90,652
Town Committees (TC)	59	1.53	4,960

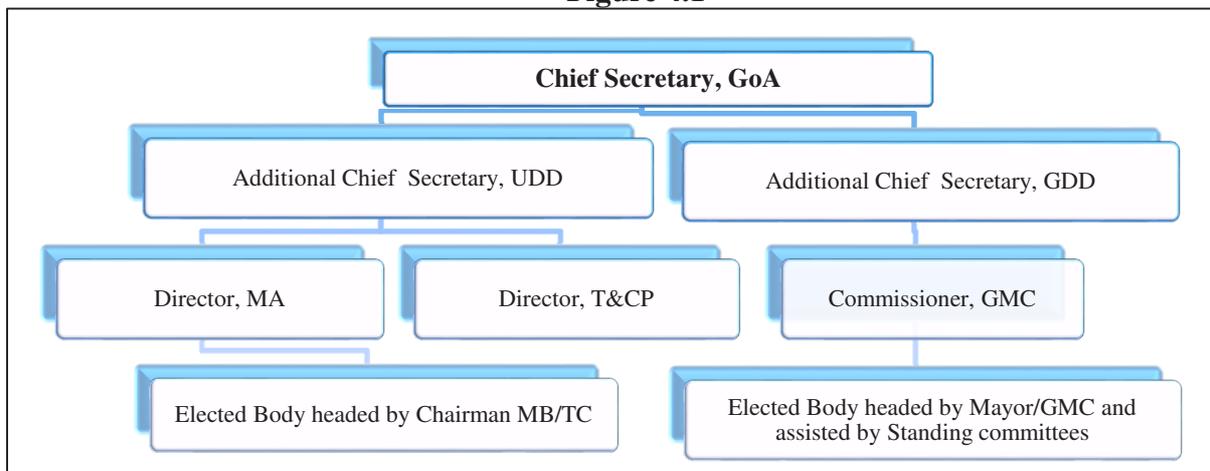
Source: Assam State Finance Commission's report submitted for 14th Central Finance Commission.

4.2 Organisational set up in State Government and ULBs

The Additional Chief Secretary is the administrative head of the Urban Development Department (UDD), which looks after matters relating to the administration of the ULBs (MBs and TCs). He is assisted by Director, Municipal Administration (DMA) and Director, Town & Country Planning (T&CP). The Commissioner and Secretary, UDD, is responsible for allocation of funds as well as implementation of schemes at the State level. The Additional Chief Secretary, Guwahati Development Department (GDD), is the administrative head of the Department, to whom the Commissioner, Guwahati Municipal Corporation (GMC) reports.

Organisational set up of ULBs is shown in **Figure 4.1** below:

Figure 4.1



4.3 Functioning of ULBs

As per Section 53 of AM Act, 1956, it is mandatory to appoint Executive Officers (EOs) in every MB and TC. The GoA, (in March 2015) directed that Indian Administrative Service (IAS)/Assam Civil Service (ACS) officers be entrusted with the additional charge of Executive Officers in the ULBs. Further, sub-section 2 under section 53 of the said Act mentions that all financial matters, particularly those relating to the implementation of schemes by the Municipalities funded by the Government of India (GoI) or the State Government, shall invariably be routed through the concerned EOs.

4.3.1 Staffing pattern of ULBs

The ULBs lack any approved staffing pattern resulting in variation of the staff strength of ULBs from unit to unit, depending on its size and paying capacity. However, UDD and GDD had submitted study reports on the staffing pattern of the ULBs and GMC to Fourth Assam State Finance Commission (4th ASFC), in December 2011 and in February 2012, respectively. Accordingly, the staffing pattern of ULBs had been drafted by the Departments but approval from the Finance Department was awaited (September 2017). Appropriate manning of ULBs is important for efficient and effective management of funds received as well as their accounting in a proper manner considering the enhanced workload entrusted to ULBs under different programmes, schemes and projects.

4.3.2 Status of devolution of Funds, Functions and Functionaries (3Fs)

The 74th Constitutional (Amendment) Act, 1992, empowers the ULBs to perform functions related to 18 subjects⁴⁴ listed in the XIIth schedule of the Constitution of India. The Central Finance Commissions (CFC) and the State Finance Commissions (SFC) have emphasised the need for complete transfer of the 3Fs to the ULBs for meaningful devolution. However, in Assam the 3Fs have still not been completely transferred to the ULBs. Out of the 18 subjects listed in the XIIth Schedule of the Constitution of India, only eight subjects were implemented by the ULBs in Assam as their traditional functions, while the remaining functions were with the line departments and other agencies working in parallel with ULBs within the municipal area.

Further, against 4th and 5th ASFC recommendation for devolution of ₹ 1456.60 crore, only ₹ 550.50 crore was released to ULBs during 2012-13 to 2016-17 adversely affecting the capacity of ULBs in providing civic amenities to the urban population.

4.4 Formation of various Committees

4.4.1 Committee for transfer of 3 Fs

As per Section 53 (A) (2) of the AM Act, 1956, there shall be a committee comprising of Minister in Charge, UDD as the Chairman, senior most Secretary, UDD as Vice-Chairman,

⁴⁴ 1. Urban planning including town planning. 2. Regulation of land-use and construction of buildings. 3. Planning for economic and social development. 4. Roads and bridges. 5. Water supply for domestic, industrial and commercial purposes. 6. Public health, sanitation conservancy and solid waste management. 7. Fire services. 8. Urban forestry, protection of the environment and promotion of ecological aspects. 9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded. 10. Slum improvement and upgradation. 11. Urban poverty alleviation. 12. Provision of urban amenities and facilities such as parks, gardens, playgrounds. 13. Promotion of cultural, educational and aesthetic aspects. 14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums. 15. Cattle pounds; prevention of cruelty to animals. 16. Vital statistics including registration of births and deaths. 17. Public amenities including street lighting, parking lots, bus stops and public conveniences. 18. Regulation of slaughter houses and tanneries.

DMA as Member Secretary and members from other departments to monitor the matter of early and smooth transfer of the 3Fs to Municipalities. The Committee shall meet from time to time to monitor the progress of transfer of 3Fs to the municipalities and to suggest the respective Departments for effective implementation of this Section.

Though the DMA stated (October 2017) that there was a committee for monitoring smooth transfer of 3Fs, no details were provided about constitution and functioning of the committee. The scope of work of the Committee was minimal as only eight of the 18 subjects under the XIIth Schedule of the Constitution have been transferred to the municipalities.

4.4.2 Standing Committees

The AM Act, 1956 does not provide for the constitution of any standing committee in ULBs. Though, Section 20 of GMC Act, 1971 provides for constitution of Standing Committees⁴⁵ to deal respectively with Taxation and finance, and Planning and Development (or Standing Finance Committee); Public Works; Public Health, conservancy and water supply; Assessment, Markets and Trades; Appeals. No such Committee was formed by GMC. Instead, the members of Mayor-in-Council were assigned the responsibility of looking after these works.

4.4.3 Metropolitan Planning Committees

Article 243ZE of the Constitution of India states that “There shall be constituted in every Metropolitan area, a Metropolitan Planning Committee to prepare a draft development plan for the Metropolitan Region as a whole” making it mandatory for the States to set up Metropolitan Planning Committees (MPCs) in the metropolitan areas of the country. However, MPCs are yet to be constituted in the State.

4.5 Audit arrangement

4.5.1 Primary Auditor of ULBs

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

⁴⁵ *Each Standing Committee shall consist of five members elected by the Corporation from its own members other than the Mayor.*

4.5.1.1 Audit coverage by DALF

The arrears in audit of ULBs, during the period 2012-13 to 2016-17, ranged between 28 and 56 per cent. The year-wise position of units planned to be audited, and those actually audited are detailed in the following **Table 4.3**:

Table 4.3: Shortfall in covering the units planned for audit by DALF

Year	No. of units planned for audit	No. of units audited	Shortfall	Percentage of shortfall
2012-13	58	26	32	55
2013-14	57	41	16	28
2014-15	48	21	27	56
2015-16	67	41	26	39
2016-17	76	49	27	35

Source: Information furnished by DALF, Assam.

Apart from shortfall in the number of units audited against the number of units planned for audit, there were also arrear in issue of 71 audit reports, during 2012-13 to 2016-17, by the DALF. Reasons for shortfall in coverage of units to be audited by DALF was sought (September 2017), to which response was still awaited (February 2018).

4.5.1.2 Presentation of Annual Audit Report

As per para 101(i) of Assam Audit Manual, DALF is required to submit an Annual Audit Report to the Finance Department by 30th September each year, incorporating major outstanding audit objections relating to LBs which were pending for settlement for further action by the Finance Department. The status of consolidated Audit Reports submitted by DALF is shown in **Table 1.4** of Chapter-I.

Follow up action and Action Taken Report by Finance Department on the Annual Consolidated Audit Reports of DALF is wanting, weakening the accountability mechanism of ULBs.

4.5.2 Audit by Comptroller and Auditor General of India

The audit of ULBs is conducted by the CAG under Section 20(1) of the CAG's Duties, Powers and Conditions of Service (DPC) Act 1971 as per the Technical Guidance and Support (TGS) arrangements as entrusted by the State Government in May 2002 followed by acceptance of standard terms and conditions of TGS (May 2011) pursuant to the 13th FC recommendations.

The CAG being the secondary auditor for the Local Bodies in Assam, only selective audit of ULBs are done. As such, during April 2016 to March 2017, accounts of 10 ULBs (one Municipal Corporation, five MBs and four TCs) only were audited.

The status of discussion of the Audit Report by the Local Funds Accounts Committee is shown in **Table 1.6** of Chapter I.

4.6 Response to Audit observations

Inspection Reports (IRs) were issued by Accountant General (Audit), Assam, to audited ULBs, with a copy to the State Government. ULBs were required to comply with the observations contained in the IRs, rectify the defects and omissions and report their compliance promptly after the issue of IRs. Important audit findings were processed for inclusion in the CAG's Audit Report on Local Bodies. The details of outstanding paragraphs, as of March 2017 are shown in the following **Table 4.4:**

Table 4.4: The details of outstanding IRs and paragraphs

Year of issue	No. of Inspection Reports	No. of outstanding Paras	Money value (₹ in crore)
Up to 2012-13	80	983	243.67
2013-14	42	484	148.78
2014-15	05	66	8.71
2015-16	16	222	156.31
2016-17	13	161	63.48
Total	156	1916	620.95

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

As of March 2017, settlement of 1,916 paragraphs with monetary value of ₹ 620.95 crore were pending for want of replies from concerned ULBs indicating that compliance to the audit observation was not taken seriously. The Administrative Heads of the Departments concerned also did not take steps to ensure that the concerned officers of the ULBs took prompt and timely action in furnishing replies to IRs, thereby weakening the accountability mechanism of ULBs.

Accountability Mechanism of ULBs

4.7 Ombudsman

As per guidelines issued by the Ministry of Finance on implementation of the recommendations of the 13th FC, the State Government is required to appoint an Ombudsman, to act as an independent quasi-judicial authority for LSGI at the State level, conduct investigations and enquiries in respect of any complaints of corruption and maladministration against the functionaries of Local Bodies (both elected members and officials) and recommend suitable action in accordance with the provisions of the Act. There was no provision in the AM Act, 1956 and GMC Act, 1971 regarding setting up of an Ombudsman for ULBs. As a result, there was no scope for the Ombudsman to conduct investigation into aforesaid areas.

4.8 Social Audit

The primary objective of Social Audit (SA) is to bring the activities of ULBs under close surveillance, to enable records and documents of ULBs accessible to public as this would promote transparency and accountability in the day-to-day functioning of ULBs.

The State Finance Department issued guidelines (May 2009) for SA which, *inter alia*, included the following:

- Use of Ward Committees as important vehicles for spread of awareness about social audit;
- Appointment of nodal officer at the level of Ward Committee who would register complaints and fix the date for social auditing;
- Wide publication of the date of social audit through local newspapers, hand bills, leaflets and notice boards *etc.*; and
- Presentation by the representatives of ULBs of the relevant data on revenue and expenditure of their organisations including bills, vouchers, muster rolls, measurement books, copies of sanction orders and other books of accounts and papers necessary for the purpose of social auditing.

However, the State Government had not amended (September 2017) the relevant Municipal Act to include a statutory provision for social audit.

4.9 Lokayukta

The Assam Lokayukta and Upa-Lokayukta Act, 1985 (Assam Act XX of 1985) was enacted to improve the standards of public administration and provided for investigation of complaints against ministers, legislators and public functionaries including those of ULBs. The institution was headed by the Upa-Lokayukta (since March 2001) as the post of Lokayukta had not been filled up (from March 1995 till March 2017).

Although the State Government had taken initiatives for creating public awareness about the Lokayukta and Upa-Lokayukta Act, the Upa-Lokayukta received only 15 complaints during 2016-17, none of which related to ULBs. This situation points the need to further intensify efforts to educate the public in the Municipal areas about the existence and jurisdiction of the institution of the anti-corruption mechanism to make it more effective and useful to the public.

4.10 Service Level Benchmark

In 2009, the Ministry of Urban Development (MoUD), GoI initiated the process of service level benchmarking (SLB) for basic urban services to ensure performance based accountability and optimal utilisation of infrastructure investments. The 13th FC also included SLB as one of the nine conditions to be met by the State Governments to avail performance grants.

As per the 13th FC recommendations, the State Governments were to notify or cause all the ULBs to notify the service standards for four basic sectors: water supply, sewerage, storm water drainage and solid waste management proposed to be achieved by them at the end of the succeeding fiscal year. GoA accordingly notified (March 2011) service standards for four Service Sectors to be achieved by the ULBs.

However, SLB for these basic services remain unachieved as detailed in **paragraph 5.7.1**. Moreover, DMA has no information on the status of implementation of SLB of these basic services by the ULB (September 2017).

4.11 Internal Audit and Internal Control system in ULBs

4.11.1 Internal Audit

Internal Audit is an important instrument for examining and evaluating the level of compliance with rules and procedures, as envisaged in the relevant Acts and Financial/Accounting Rules, so as to provide independent assurance to management on the adequacy of the risk management and internal control framework in the ULBs.

The system of Internal Audit has not been introduced in the Municipalities in Assam, as there is no provision for Internal Audit in the relevant Municipal Acts and Rules.

4.11.2 Internal control mechanism in ULBs

The internal control mechanism is an integral function of an organisation, which helps it to discharge its activities effectively to achieve its objectives. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and Bye-laws minimising the risk of errors and irregularities.

The following deficiencies were observed in the functioning of the ULBs, indicating lack of an effective internal control mechanism therein:

- Periodical reports/returns in respect of implementation of various schemes and other activities in the district, were not submitted to higher authorities. Thus, an effective monitoring system, ensuring compliance in terms of the physical and financial implementation of schemes/programmes did not exist. These facts have been detailed in **Chapter-VI**.
- There was no readily available data on “Own Revenue Resources” of the ULBs and expenditure incurred there against. In spite of repeated requests, the DMA did not provide information on overall collection of own revenues by the ULBs. The DMA stated (September 2017) that there was no centralised system of maintenance of database.

- Out of total 100 ULBs the instances of non-submission of budget proposal is shown in **Table 4.5** below.

Table 4.5

Year	2012-13	2013-14	2014-15	2015-16	2016-17
No. of ULBs by whom Budget Proposals were not Submitted during the Year	53	32	38	40	23

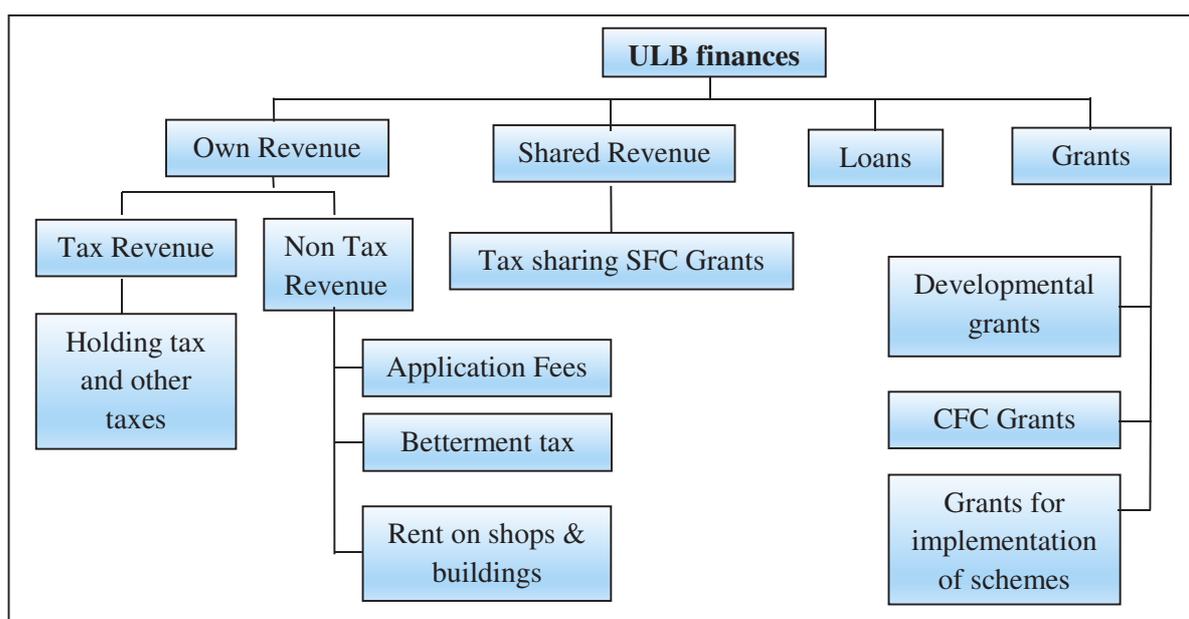
Though these shortcomings were pointed out to ULBs and the State Government in previous Audit Reports, no corrective action in this regard was available on records. The Government may initiate effective action *e.g.*, withholding the grants to the defaulting ULBs, so that the ULBs prepare and submit their budgets regularly.

Financial Reporting Issues of ULBs

4.12 Sources of Funds

The principal sources of revenue of ULBs are (i) Collection from tax and non-tax sources allocated to them under the relevant Act, (ii) resource transfers from the State in the form of devolution of shared taxes and duties; (iii) grants-in-aid from the Government of Assam (GoA) and (iv) grants-in-aid from Government of India (GoI) under various Centrally Sponsored Schemes (CSS) and under award of successive CFCs. Besides, ULBs also obtain loans from financial institutions for implementation of various schemes relating to Urban Development, Water Supply and Roads *etc.*, as shown in the following **Figure 4.2:**

Figure 4.2: A flow chart of finances of ULBs



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

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

4.12.1 Resource trends of ULBs and their composition

The trend of resources of ULBs, for the period 2012-13 to 2016-17, is shown in the following **Table 4.6:**

Table 4.6

Source	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Own Revenue ⁴⁶	248.07	50.61	56.05	80.34	93.59
SFC transfers	149.59	133.11	169.07	0.00	92.59
CFC transfers	44.28	0.00	39.74	46.57	0.00
Interest for delayed payment of CFC grants	0.33	0.12	0.18	0.00	1.51
State Sponsored Scheme	4.14	8.22	12.29	0.91	2.28
GoI grants for CSS	33.41	25.57	11.03	15.17	111.29

Source: The FASFC Report and information furnished by DMA and Director, T&CP GoA.

Consolidated figure of actual receipts in respect of own revenues of all the ULBs in Assam was not available with the UDD which indicated lack of monitoring by the Government on the resources of ULBs. Further, under SFC transfers, no fund was released by the Government during 2015-16, whereas in 2016-17 only ₹92.59 crore was released by the Government against the allocated amount of ₹117.89 crore⁴⁷. Non-release/short release of funds under CFC and SFC hampered the ULBs in providing civic amenities to urban population. Also, the Government had to pay penal interest of ₹2.14 crore to ULBs for late release of funds.

4.12.2 Allocation and release of funds

During 2014-15 to 2016-17, public investment in urban development, through major CSS, and the corresponding State share, is shown in the following **Table 4.7:**

Table 4.7: Statement showing investment through major CSS and SSS

(₹ in crore)

Sl. No.	Name of schemes	Nature of grants (Share)	2014-15			2015-16			2016-17		
			Budget provision	Allocati on made	Fund released	Budget provision	Allocati on made	Fund released	Budget provision	Allocati on made	Fund released
1	IHSDP ⁴⁸	Central	1.71	1.01	1.01	8.77	0.70	0.70	6.56	4.86	4.86
		State	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	UIDSSMT ⁴⁹	Central	30.33	30.33	1.06	23.27	23.27	0.00	0.00	0.00	0.00
		State	1.40	1.40	0.00	1.19	1.19	0.00	0.00	0.00	0.00

⁴⁶ Own revenue figures for the years 2013-14 to 2016-17 pertained to GMC only as DMA could not provide details of own revenue of ULBs other than GMC.

⁴⁷ As per the information furnished by Finance Department, GoA

⁴⁸ Integrated Housing and Slum Development Programme.

⁴⁹ Urban Infrastructure Development Scheme for Small and Medium Towns.

3	10 per cent Pool Fund	Central	12.79	6.63	6.63	17.24	11.74	11.74	48.75	16.45	16.45
		State	2.00	0.21	0.21	2.37	1.05	1.05	0.25	0.25	0.25
4	Night Shelter for Urban Slum	Central	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		State	2.00	1.00	0.60	1.00	1.00	0.00	0.45	0.44	0.44
5	C.M's Special Package	Central	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		State	1.50	1.50	1.50	9.45	9.45	0.31	0.00	0.00	0.00
6	Basti-sudhar	Central	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		State	1.00	1.00	1.00	0.00	0.00	0.00	0.62	0.62	0.62

Source: Director, MA, Director, T&CP and Secretary, GDD, Assam.

Although information on scheme-wise budget provisions, allocations and releases of funds was provided by the Department, there was no readily available data on how much amount was spent in a particular year on the above mentioned schemes. Hence, there is a need to establish a mechanism for proper accounting of these schemes for better accountability and achieving maximum outcomes.

4.12.3 Fourteenth Finance Commission Grant

The distribution of funds among the States, by the 14th Finance Commission (14th FC), was done on the basis of 90 per cent on population (as per 2011 population data) and 10 per cent on area. The grant to each States was to be divided into two parts - a grant to duly constituted gram panchayats and a grant to duly constituted municipalities on the basis of the urban and rural population of each State, using the data of Census 2011. An amount of ₹ 970.54 crore was recommended for the ULBs in Assam. The amount so recommended has two components *viz.*, General Basic Grants (80 per cent of the recommended amount) and Performance Grants (20 per cent of the recommended amount).

According to the 14th FC, for the period 2015-20, States will be eligible to draw their Basic Grants, which will remain fixed for each State, and Performance Grant can be drawn only after submission of audited annual accounts that relate to a year not earlier than two years preceding a year in which the ULBs seek to claim the performance grant. Moreover, the ULBs will also have to show an increase in the own revenues over the preceding year, as reflected in the audited accounts.

4.12.4 Penal interest for late release of fund by the State Government

The position of grants released to ULBs during 2012-13 to 2016-17 by the GoI, and further released by the State Government, as per the recommendations of the 14th FC, is shown in the following **Table 4.8:**

Table 4.8: Statement showing penal interest for late release of CFC funds to ULBs
(₹ in crore)

Programme year	Scheme components	Funds received/released		Penal interest for late release of funds
		Received from GoI	Released to ULBs	
2012-13	General Performance Grant	20.03	3.65	0.33
	General Basic Grant	30.67	30.67	
2013-14	General Performance Grant	23.62	0.00	0.12
	General Basic Grant	34.59	0.00	
2014-15	General Performance Grant	30.52	0.00	0.18
	General Basic Grant	44.84	39.24	
2015-16	General Performance Grant	0.00	0.00	0.00
	General Basic Grant	93.14	46.57	
2016-17	General Performance Grant	0.00	0.00	1.51
	General Basic Grant	0.00	0.00	
TOTAL		277.41	120.13	2.14

Source: Director, Finance (Economic Affairs) Department, GoA.

It was observed that the GoI had released an amount of ₹ 277.41 crore during 2012-13 to 2016-17, out of which the State Government had released only ₹ 120.13 crore to the ULBs (43.30 per cent of the total amount released by GoI). Due to non-release/late release of funds, the State Government had to pay a penal interest of ₹ 2.14 crore to the ULBs.

The delay in release and non-release of funds hampered the timely implementation of the projects in the field as time factor plays an important role in Assam, in view of the season-specific limitations in the execution of works.

4.12.5 Maintenance of records

Maintenance of records and registers is one of the important tools of Internal Control Mechanism. However, compliance audit conducted during 2016-17, it was noticed that in 10 test-checked⁵⁰ ULBs, the basic records were not being maintained by ULBs as shown in the following **Table 4.9:**

Table 4.9: Basic records not being maintained by ULBs

Register not maintained	Name of ULBs	Implication
Stock Register and Register of Receipt Book	Pacharkuchi TC.	Actual receipt and utilisation of material could not be monitored by the ULBs.
Asset Register	Nagaon MB, Dhekiajuli MB, Bongaigaon MB and Pacharkuchi TC.	The assets of the ULBs could not be monitored, which may cause mis-utilisation/mis-management of assets. Moreover, as some of the assets were revenue generating, the ULBs would not be able to keep track of the revenue generated by such assets, which could also lead to misappropriation of revenue generated by such assets.

⁵⁰ Guwahati Municipal Corporation, Nagaon MB, Dhekiajuli MB, Bongaigaon MB, Pacharkuchi TC, Tinsukia MB, Digboi TC, Gosaingaon TC, Basugaon TC, Biswanath Chariali MB.

Advance Register	Nagaon MB and Biswanath Chariali MB	The purpose, duration and amount of advance, to be recovered/adjusted, as on 31 st March every year, could not be monitored, which could result in the advance remaining unrecovered even after completion of the work.
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4.12.6 Maintenance of Accounts

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

Although the DMA stated that the Accrual Based Double Entry Accounting System has been implemented by few of the ULBs, the details were not provided to audit. Further, no information on the present status of preparation of accounts *i.e.* up to which years the accounts were finalised, was available with the DMA.

During the period covered in audit none of the test checked ULBs had prepared the annual accounts. GMC, however, prepared its annual accounts up to 2013-14. As the Annual Accounts were not maintained, head-wise receipts and expenditure and the financial performance of ULBs could not be ascertained.

Moreover, due to non-fulfilment of eligibility conditions by the ULBs *viz.*, making available reliable data on ULBs receipt and expenditure and improvement of its own revenue, GoI did not release GPGs to GoA for the period 2012-15. Due to non-receipt of the GPG, issues like preparation of annual accounts, improvement of own revenue remained unaddressed.

Further, the objective of creation of database and preparation of accounts remained unachieved even after expenditure of ₹ 1.61 crore in 22 test-checked ULBs as detailed in para 5.8.2 of Chapter-V.

