

CHAPTER V

**Performance Audit of “Utilisation of 13th FC and
14th FC Grants by Urban Local Bodies”**

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Performance audit of “Utilisation of 13th and 14th Finance Commission Grants by Urban Local Bodies”

Executive Summary

The 13th Finance commission was constituted on 13 November 2007 to make recommendations for the period 2010-15 whereas the 14th Finance commission was constituted on 2 January 2013 to make recommendations for the period 2015-20. The 13th and 14th Finance commissions were mandated to recommend measures needed to augment the Consolidated Funds of the states to supplement the resources of the Local Bodies. This Performance Audit examined the utilisation of 13th and 14th Finance commissions’ grants by Urban Local Bodies. The Performance of the Urban Local Bodies in Assam with respect to utilisation of 13th and 14th Finance commissions’ grants was found to be deficient and inadequate due to delay and short release of funds to ULBs. Further, there was absence of proper and sustainable planning to provide basic civic services. There were instances of blockade, diversions of funds, execution of inadmissible and regular works. Local bodies did not keep up-to-date account, indicating poor financial management.

5.1 Introduction

As per Article 280 of the Constitution of India, the President of India constitutes a Finance Commission (FC) every fifth year.

The Commission recommends the distribution of the net proceeds of taxes between the Union and the States and also the principles which would govern the Grants-in-aid of the revenues of the States out of the Consolidated Fund of India.

The President constituted the 13th FC on 13 November 2007 to make recommendations for the period 2010-15 and the 14th FC on 2 January 2013 to make recommendations for the period 2015-20. The 13th and 14th FCs recommended measures needed to augment the Consolidated Funds of the states to supplement the resources of the Panchayats and Municipalities.

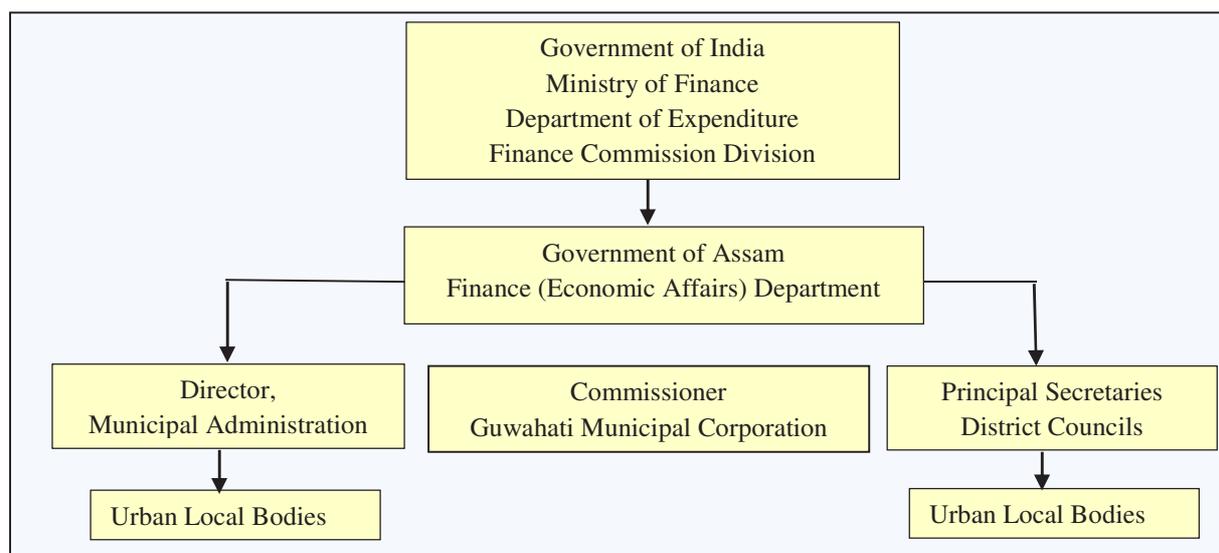
The 13th FC had recommended Grant-in-aid to local bodies as a percentage of the previous year’s divisible pool of taxes after converting this share to grant-in-aid. The 14th FC has also recommended assured transfers to the local bodies for planning and delivering of basic civic services smoothly and effectively within functions assigned to them under relevant legislation.

5.1.1 Fund flow

The Government of India (GoI) released grants under 13th and 14th FCs to the State Governments. The State Governments released the grants meant for Urban Local Bodies (ULBs) accordingly.

The following **Figure-5.1** depicts the funding pattern in respect of ULBs in Assam.

Figure 5.1: Flowchart showing fund flow under 13th FC and 14th FC



ULBs falling under the sixth schedule areas are governed by respective Autonomous District Councils. Hence, these ULBs were not covered under this Performance Audit.

5.1.2 Components of grants

The 13th and 14th FC grants had two components - a basic grant component *viz.*, General Basic Grant (GBG) and a performance based component *viz.*, General Performance Grant (GPG).

GBG is released to provide the ULBs a measure of unconditional support for delivering basic civic services *viz.*, water supply, sewerage, solid waste management and storm water drainage. GPG is released to a state if it complies with nine conditions under 13th FC and three conditions under 14th FC as detailed in *Appendix-XIII*.

GBG is released for all five years of the award period while GPG is released from the second year of award period subject to compliance of nine conditions stipulated as per 13th FC and three conditions as per 14th FC.

GPG is forfeited if a State fails to comply with any of the nine stipulated conditions. Out of the forfeited GPG, 50 *per cent* is to be released to both performing and non-performing states and the balance 50 *per cent* amount is to be distributed amongst the performing states which have complied with the stipulated conditions.

GoI releases GBG in two installments every year. The second installment of GBG is released along with GPG for the current year to enable flow of fund to Local Bodies during the year enabling them to plan and execute the work timely and in better manner.

5.1.3 Organizational Setup

The Additional Chief Secretary is the administrative head of Urban Development Department (UDD) who looks after matters relating to the administration of the 34 Municipal Boards (MBs) and 59 Town Committees (TCs) and also of Guwahati Development Department (GDD) which looks after matters relating to the administration of Guwahati Municipal Corporation (GMC). Organizational set up of ULBs in Assam is shown in **Figure-4.1**.

5.2 Audit Objectives

The Audit Objectives were to assess whether:

- allocation, release and utilisation of fund was made as per guidelines;
- implementation of schemes was done as per guidelines and for the intended purposes; and
- a mechanism for effective monitoring and evaluation of scheme existed.

5.3 Audit Criteria

The criteria set out for achieving the objective of the performance audit were:

- recommendations and guidelines of 13th FC and 14thFC;
- recommendations of 4th Assam State Finance Commission;
- orders and instructions issued by GoI and GoA; and,
- National Municipal Accounting Manual (NMAM).

5.4 Audit Scope, Sampling and Methodology

This Performance Audit (PA), covering the period 2010-11 to 2016-17 was conducted during April - June 2017. Ten MBs⁵¹ and 12 TCs⁵² were selected from eight districts by dividing the state into four geographical strata. The Districts were selected by Probability Proportional to Size Without Replacement (PPSWOR) method. MBs and TCs were selected by Simple Random Sampling Without Replacement (SRSWOR) sampling method. Guwahati Municipal Corporation (GMC) being the only Municipal Corporation was also selected for the PA.

The PA commenced with an Entry Conference on 20 April 2017 with the Secretary, GDD, Additional Secretary, UDD, Joint Secretary, Finance Department, and Director Municipal Administration wherein the objectives, criteria and methodology were discussed. The PA team scrutinised the records of Finance (Economic Affairs) Department, Urban Development

⁵¹ Bongaigaon, Luning, Hojai, Tezpur, BiswanathChariali, Dibrugarh, Dhubri, Barpeta Road, Hailakandi, Jorhat.

⁵² Abhayapuri, Daboka, Kampur, Gohpur, Naharkatia, Gouripur, Bilasipara, Howli, Sarthebari, Lala, Mariani, Teok.

Department, Guwahati Development Department, Director of the Municipal Administration and the selected ULBs covered under this audit.

The draft performance report was issued to the Government in August 2017 for its response on the audit findings. The audit findings were also discussed with the Government in an Exit Conference held on 16 October 2017. However, reply from the Government was yet to be received (February 2018).

Audit findings

5.5 Annual Action Plan

The 13th and 14th FC recommended that each state should develop state specific time-bound Action Plan to address the issues highlighted by these FCs for which the states would work closely with the Ministry of Urban Development (MoUD), GoI. GoA had not prepared any specific time bound Action Plan or Annual Action Plan (AAP) based on grass root inputs.

The DMA stated (April 2017) that in spite of repeated requests made, none of the MBs/TCs submitted the AAP for utilisation of FC grants. The Commissioner, GMC also stated (July 2017) that no AAP was prepared by GMC. Thus, the State did not follow bottom-up approach for preparation of Action Plan recommended by 13th and 14th FC.

5.6 Release of grants

The year-wise details of grants under 13th and 14th FC received by GoA during 2010-17 *vis-a-vis* released to ULBs are shown in **Table-5.1** below:

Table – 5.1: Statement showing the Grants received from GoI and released to DMA & GMC

(₹ in crore)					
Year	Grants received from GOI	Grants released to ULBs through DMA	Grants released to GMC	Total release	Short release
2010-11	23.30	15.69	5.58	21.27	2.03
2011-12	44.69	32.40	9.15	41.55	3.14
2012-13	37.02	25.27	8.84	34.11	2.91
2013-14	44.43	25.18	10.20	35.38	9.05
2014-15	21.17	17.46	0.00	17.46	3.71
2015-16	46.57	33.14	20.50	53.64	(-) 7.07
2016-17	0.00	0.00	0.00	0.00	0.00
Total	217.18	149.14	54.27	203.41	13.77

NB: Minus balance indicates excess release out of available balance of previous year
(Source: Information furnished by the department)

It will be seen that out of FC grants of ₹ 217.18 crore released by GoI, GoA transferred ₹ 203.41 crore to ULBs and there was a short release of ₹ 13.77 crore. Reasons for short release were neither found on records nor furnished by GoA though called for.

The selected ULBs covered under this audit utilised ₹ 72.99 crore against release of ₹ 98.06 crore leaving an unutilised balance of ₹ 25.07 crore. Under-utilisation of grants by the ULBs was mainly due to non-completion/non-commencement of works. Thus, non-utilisation of funds in time resulted in blockade of fund besides depriving the citizens of the intended benefits.

5.6.1 Delay in release of funds

As per 13th and 14th FC recommendations the States are required to release the grants to the ULBs within 15 days from the date of receipt of grants. In case of delay the State Government was to release the instalment along with an interest at the bank rate⁵³ of RBI for the number of days of delay.

GoA, however, could not adhere to the timeline for release of grants fixed by FCs. Details of delay in release of grants by GoA to ULBs is shown in **Table-5.2** below:

Table-5.2: Statement showing the details of delay in release of grants to ULBs

(₹ in crore)										
Year	Component	Instalment	GOI to GOA	Released to DMA	Delay (Days)	Interest due to be paid	Released to GMC	Delay (Days)	Interest due to be paid	
2010-11	GBG	1 st	11.79	7.94	207	0.27	2.82	206	0.10	
	GBG	2 nd	11.51	7.75	16	0.02	2.76	16	0.72	
2011-12	GBG	1 st	14.92	9.70	0	0.00	3.93	0	0.00	
	GBG	2 nd	14.92	9.70	62	0.15	3.93	62	0.06	
	GPG	1 st	5.04	3.19	16	0.01	1.29	17	0.01	
	GPG	2 nd	5.14	5.14	23	0.03	0.00	0	0.00	
	FPG		4.67	4.67	34	0.04	0.00	0	0.00	
2012-13	GBG	1 st	15.98	10.39	4	0.01	4.21	0	0.00	
	GBG	2 nd	17.60	11.44	7	0.04	4.63	2	0.01	
	FPG		3.44	3.44	46	0.04	0.00	0.00	0.00	
2013-14	GBG	1 st	19.37	12.59	26	0.08	5.10	26	0.03	
	GBG	2 nd	19.37	12.59	04	0.01	5.10	4	0.01	
	Forfeited Performance Grant			5.69	0.00	0	0.00	5.69	258	0.36
	GBG	1 st	21.17	17.46	280	1.21	1.38	251	0.09	
2014-15	GBG	1 st	46.57	33.14	146	1.19	13.43	127	0.42	
2016-17	Nil	Nil	0.00	0.00	0	0.00	0.00	0	0.00	
	Total		217.18	149.14	-	3.10	54.27	-	1.81	

Thus, grants were released to ULBs with delays ranging from 2 to 280 days. Reason for delay in transfer of funds was neither found on record nor furnished to audit though called for.

Against the interest due to be paid of ₹ 4.91 crore, (₹ 3.10 crore for DMA and ₹ 1.81 crore for GMC), GoA had accorded sanctions of ₹ 1.29 crore for interest payment to ULBs for delayed release of grants under 13th FC and intimated the same to GoI. However GoA released only ₹ 0.42 crore to ULBs resulting in short release of interest to the tune of ₹ 4.49 crore.

⁵³ Bank rate: The rate of interest payable by commercial banks to RBI if they borrow money from the latter in case of shortage of resources.

5.6.2 Non-receipt of General Performance Grant

As per 13th and 14th FC recommendations, GPG is released from the second year of the award period when stipulated conditions of FCs are complied with by the state.

GoI had allocated ₹ 87.68 crore as GPG to GoA, release of which was subject to compliance of eligibility conditions for the years 2011-12 to 2014-15 as detailed in *Appendix-XIII*. GoA, however, received only ₹ 10.18 crore as GPG for the year 2011-12 on the basis of assurance of compliance of the stipulated conditions.

GoI did not release GPGs to GoA for the period 2012-15 due to non-fulfillment of eligibility conditions by the ULBs. As a result, GoA suffered a loss of GPG of ₹ 77.50 crore. During the period covered in audit, none of the selected ULBs covered under this audit had prepared the annual accounts except GMC which had prepared its annual accounts up to 2013-14. Director, Municipal Administration stated during Exit Conference (October 2017) that non-maintenance of proper account by the ULBs was one of the major issues and efforts in this regard would be taken.

5.6.3 Non-submission of Utilisation Certificate

As per recommendation of FCs, grants were to be released in two instalments in a year and release of the instalment was subject to the submission of Utilisation Certificate (UC) for the previous instalments drawn.

The 13th FC in its award period 2010-11 to 2014-15 recommended ₹ 165.62 crore as GBG for ULBs in Assam against which ₹ 146.63 crore was actually released by GoI.

The GoA stated (June 2017) to have furnished UCs to the GoI for the entire amount of ₹ 146.63 crore. However, it was noticed that as of June 2017 UCs for ₹ 41.59 crore was pending from ULBs out of ₹ 146.63 crore released to them. Hence, the GoA stating that entire amount UCs being furnished to the GoI is in contradiction to the information by DMA about pending UCs of ₹ 41.59 crore.

Further, GoA failed to furnish the UCs for the 1st instalment of GBGs of 2014-15 due to which GoI did not release ₹ 21.17 crore of the 2nd instalment of GBGs for 2014-15. This has caused a loss of ₹ 21.17 crore pertaining to the year 2014-15 due to completion of 13th FC award period by 2014-15.

5.6.4 Irregular utilisation of fund

As per 13th and 14th FC recommendations, grants distributed to the ULBs were to be utilised for delivery of core basic services viz., water supply, sewerage, storm water drainage, solid

waste management, maintenance of community assets, maintenance of roads, street lighting and other functions assigned to them under relevant legislation. The DMA instead of releasing the FC grants to the ULBs, released (between May 2012 and January 2015) ₹ 13.27 crore to the Public Works Department (PWD), Assam for construction of Urban Management Institute at Guwahati which was against the FC recommendations.

Further, the purpose of creation of Urban Management Institute also remained unachieved due to non-completion of the construction work till March 2017.

5.7 Delivery of basic services to citizens for their welfare

The FC grants were to be utilised for delivery of core basic services viz., water supply, sewerage, storm water drainage and solid waste management. Status of utilisation of FC grants for basic services are shown in the **Table 5.3** below:

Table-5.3: Expenditure on basic civil amenities out of FC grants

Water supply	Out of 23 selected ULBs covered under this audit, only 3 ULBs viz., Dhubri, Jorhat and Tezpur MB incurred expenditure of ₹ 1.30 crore for renovation/ repairing of water tanks for own water supply schemes whereas two MBs viz., Howly TC and Barpeta Road MB spent ₹ 1.18 crore towards maintenance of water supply run by PHE department. No fund was utilised by the ULBs for execution of new water supply schemes out of FC grants. Further, the ULBs did not have plan for execution of water supply scheme.
Sewerage	None of the 23 selected ULBs covered under this audit, ULBs had specific plan for sanitation. Only four ULBs viz., Barpeta Road, Tezpur, Bongaigaon, Naharkatia incurred an expenditure of ₹ 1.06 crore for purchase of cesspool out of FC grants. However, details of utilisation of cesspool were not produced to audit.
Solid Waste Management	The 23 selected ULBs covered under this audit, incurred an expenditure of ₹ 3.18 crore out of 13 th and 14 th FC Grant. The funds were utilised by the ULBs for procurement of dustbins, JCBs, carts, tricycle etc., for collection and clearance of garbage. However, except door to door collection of the garbage, no substantial efforts were taken by the ULBs for effective solid waste management.
Storm Water Drainage	All the ULBs did not have specific plan for Storm Water Drainage (SWD). Funds released under FC grants were mostly utilised for construction of roads and road side drains. Out of FC grants, the selected ULBs incurred expenditure of ₹ 5.03 crore for construction of drains and ₹ 7.30 crore for repair/renovation and construction of roads frustrating the objective of SWD to protect the city from flash flood and water logging.

5.7.1 Service standards for basic services

As per 13th and 14th FC recommendations, the State Governments would notify or cause all the ULBs to notify the service standards for four service sectors: water supply, sewerage, storm water drainage and solid waste management. Each ULB had to achieve the notified standard by the end of the succeeding fiscal year. GoA accordingly notified (March 2011) service standards for four Service Sectors to be achieved by the ULBs.

In the 23 ULBs covered in this audit, coverage of basic services is as detailed in **Table-5.4** below:

Table-5.4: Status of coverage of basic services by the ULBs as reported by the selected ULBs

Sl. No.	Name of the service	No of ULBs which are providing Basic services	No of ULBs which are not providing Basic services
1.	Water supply	5	18
2.	Sewerage	2	21
3.	Solid Waste Management	16	7
4.	Storm Water Drainage	5	18

It is seen from the above that number of ULBs providing basic services were very few. Further, only a few ULBs reported to achieve set bench marks in terms of water supply, sewerage and storm water drainage. For Solid Waste Management, 16 ULBs though reported achievement of set benchmarks; it was mostly on the basis of expenditure incurred for procuring carts, tricycle, van, JCB for collection of solid wastes.

Nine out of 23 selected ULBs covered under this audit did not have any dumping grounds resulting dumping of solid wastes in nearby low lying areas posing threat to health and causing adverse impact on environment.

In Dibrugarh, solid wastes were dumped on the bank of river Brahmaputra which severely contaminated the river water. Further, segregation and disposal of wastes were not carried out. The untreated dumped wastes as shown in the photographs below, pose serious health hazards.



Solid Wastes are being dumped in bank of Brahmaputra river in Dibrugarh MB



Garbage being thrown on road side by Barpeta Road MB

Thus, the main objective of providing FC grants for better civic services to urban areas remained unachieved and selected ULBs had failed to provide the intended benefits of FC grants to the citizens.

5.7.2 Blockade of fund

As per instructions contained in the sanction letters issued by Finance Department, ULBs should utilise the grant as per provision made and submit the UC to the DMA along with photographic evidence.

Jorhat MB received GBG of ₹ 2.97 crore under 13th FC and 14th FC during 2013-15. Jorhat MB, instead of utilising the fund, withdrew an amount of ₹ 2.75 crore from its bank account and deposited the same in Fixed Deposit (FD) for one year in Central Bank of India, Gar Ali, Jorhat.

Later, out of the above amount of ₹ 2.75 crore, ₹ 1.25 crore was encashed (Oct 2016) with accrued interest of ₹ 0.03 crore and deposited to the 13th FC bank account keeping the balance amount of ₹ 1.50 crore in FD. Parking of money into fixed deposit instead of using it in intended purpose was in violation of Department's order.

5.7.3 Diversion of fund

The FCs recommended that GBGs were to be utilised for delivering basic civic services by ULBs. Nine ULBs out of the 23 selected ULBs in violation of FC guidelines incurred expenditure of ₹ 6.89 crore for payment of salary, retirement benefit, electricity bill and honorarium for chairperson and members, *etc.*, out of 13th and 14th FC grants as detailed in **Table-5.5** below:

Table-5.5: Statement showing diversion of fund

(₹ in crore)			
Sl. No.	Name of Unit	Name of work/ scheme	Amount diverted
1	Dhubri MB	Monthly salary to staff , Sweeper & MR Staff	0.86
		Provident Fund & Assam Professional Tax of staff	0.09
		Part payment of Gratuity to the retired employees	0.05
2	Abhyapuri TC	Monthly salary paid to office staff	0.16
		CPF, GSLIS, Assam Professional Tax	0.02
3	Tezpur MB	Monthly salary paid to staff for the month from Jan/2016 to March/2016	0.36
		Fixed pay, Honorarium for chairperson, Vice Chairman & Ward Commissioner, Special Allowance for Executive Officer, Allowances & Inspecting charges to UHO & Vetty. Officials, Festival Advance, Labour payment for cleaning work (Temporary) to Horizon & MR employee	0.11
		Retirement benefits to 8 Nos. of employees @₹ 30000 each	0.02
4	Sarthebari TC	The fund utilised for implementation of schemes under 4 th ASFC	0.33

5	Jorhat MB	Payment of salary to staff	0.32
		Payment of Electricity bill	0.23
6	Hailakandi MB	Payment of salary to staff	0.16
7	LalaTC	Payment of salary to staff	0.11
8	GMC	Payment of salary to staff	2.72
9	Lumding MB	Payment of Electricity bill	1.35
		Total	6.89

The expenditure of ₹ 6.89 crore spent on salary and payment of electricity bills was an irregular diversion of FC grants at the cost of providing basic services to the urban population.

5.7.4 Irregular expenditure

(i) Clause 16 of the Bye-Laws, 2000 under GMC Act, 1971 relating to collection, removal and disposal of Municipal Solid Waste (MSW) and efficient cleaning and scavenging of streets, drains and premises states that door to door collection of MSW shall be made by the corporation on full cost recovery basis.

GMC engaged Non-Government Organisations (NGOs) in 31 Wards for primary collection from households and commercial complexes since September 2013.

The NGOs had to collect user charges from the households and commercial complexes at specified rate and deposit the same in the GMC's bank account from which NGOs service charges would be paid. During 2016-17, GMC, however, paid ₹ 0.65 crore as service charges to NGOs from the grants received under 13th FC which was irregular. Further, these NGOs were required to segregate waste initially at household level as per instruction of GMC but the same had not been followed. Instead, the collected waste had been dumped at the disposal site at Boragaon within GMC area.



Dumping site at Boragaon

(ii) Finance (Economic Affairs) Department, GoA sanctioned and released (23 March 2015) ₹ 5.10 crore being 2nd instalment of 2013-14 under 13th FC Award to GMC for 2013-14 for utilisation against the core basic services like water supply, sewerage, SWM, storm water drainage, street lighting, roads, markets, etc.

Out of the released amount of ₹ 5.10 crore, the GMC incurred an expenditure of ₹ 0.75 crore from 13th FC grants for clearance of outstanding payment to contractors against the works done/executed under 4th Assam State Finance Commission award as detailed in **Table-5.6** below :

Table-5.6: Statement showing details of outstanding payment

(₹ in crore)				
Sl. No.	Name of the contractor	Item of work done	Cheque no. & date	Amount
1.	Global Trade Enterprise	Improvement of road and drain in GMC areas under 4 th FC, 2012-13	579757 dt.30/03/2015	0.33
2.	Oriental Engineers	Beautification protection of river Bharalu under 4 th FC, 2011-12	969888 dt.10/04/2015	0.40
3.	Simony System of Solutions	Supply of 5 nos. Acer Laptop	969987 dt.30/07/2015	0.02
			Total	0.75

Thus, the action taken by GMC for clearance of payment to contractors for schemes other than as intended under 13th FC was irregular.

5.7.5 Unfruitful expenditure

(i) The Executive Engineer, Division-II, GMC issued (15 October 2012) work order to a contractor for execution of the work “Construction of drain at Hedyatpur from P.D. Chaliha Road end in Ward No. 34, 35 under 13th FC grant” at tendered value of ₹ 10.80 lakh. The work was scheduled to be completed in 60 days. However, after physical progress of 60 *per cent*, the work was abandoned without any recorded reason. GMC paid (December 2012) ₹ 7.46 lakh to the contractor for the works executed. Thus, the expenditure of ₹ 7.46 lakh proved to be unfruitful as the purpose of construction of the drain remained unachieved. The Commissioner, GMC stated (October 2017) that action has been initiated for completing the work departmentally.

(ii) GMC took up a work “Construction of boulder masonry storm water drain from Gandhibasti to Paltanbazar” under 13th FC grant at an estimated cost of ₹ 0.95 crore to prevent water logging in the locality due to the artificial flooding during rainy season.

Audit observed that the portion from chainage 42.48 m to 710.26 m (667.78m length) of the existing drain is *Kutch* drain and was already blocked. GMC took up the work measuring 516.92 m from chainage 42.48 m to 559.40 m.

GMC awarded (March 2013) the work to a contractor at tendered value of ₹ 0.79 crore. The work was completed in October 2013 at a cost of ₹ 0.74 crore. GMC, however, did not initiate any action to construct the remaining portion of the drain covering length of 150.86 m. (667.78-516.92) As a result, the purpose of construction of the storm water drain to reduce water logging in the area remained unachieved which resulted in unfruitful expenditure of ₹ 0.74 crore.

5.7.6 Inadmissible Works

As per the recommendation of FCs, grants were to be utilised for four core services to achieve the targets set by the State in this regard. The State High Level Monitoring Committee (HLMC) in its meeting held in August 2010 decided that ULBs including GMC would take up all maintenance works relating to the services for four service sectors, street lighting and other public utilities like parks, gardens, playground, places for social event, footpath, community toilet, waiting shed and health & sanitation, roads, markets, office building, etc.

Out of 23 ULBs covered under audit, ten ULBs spent ₹ 4.88 crore for construction of roads, community halls, repairing of departmental vehicles, purchase of tyres, tubes, etc., violating the HLMC's directive, as shown in **Table-5.7**.

Table-5.7: Statement showing fund incurred on inadmissible works

(₹ in crore)			
Sl. No.	Name of ULB	Name of work/ scheme	Expenditure
1	Gohpur TC	Construction of community hall	0.03
		Construction of road	0.20
2	Bongaigaon MB	Construction of community hall	0.10
3	Biswanath Chariali MB	Construction of road & <i>Bibah Bhawan</i>	0.34
4	Abhayapuri TC	Construction of road	0.22
5	Tezpur MB	Construction of road	0.17
6	Gouripur TC	Construction of road	0.13
7	Dibrugarh MB	Construction of road	0.03
8	Kampur TC	Construction of road	0.23
9	Daboka TC	Construction of road	0.05
		Construction of road	0.07
10	GMC	Construction of road	3.05
		Repairing of departmental vehicles, purchase of tyres, tubes etc.	0.26
Total			4.88

In the backdrop of ULBs failing to achieve the target of providing core basic services set by GoA as mentioned above, ₹ 4.88 crore incurred on inadmissible items was avoidable.

5.7.7 Gross negligence in purchases

As per Rule 129 of the General Financial Rule (GFR), each Drawing and Disbursing Officer (DDO) has to invite tender/quotation from the registered Supplier/Firm while procuring any items.

Four ULBs incurred expenditure of ₹ 2.04 crore out of FC grants without following necessary purchase procedures as shown in **Table-5.8** below:

Table-5.8: Statement showing fund incurred without necessary procedure**(₹ in crore)**

Sl. No.	Name of ULB	Procurement	Expenditure
1	Jorhat MB	Computer, Compactor machine, Bins, Pressurised plates, Mini refuse collector <i>etc.</i>	1.48
2	Gohpur TC	Open drain cleaning machine (<i>Nalaman</i>), Hydraulic Rickshaw Tipper, Garbage picker, Two wheeler Tipping Trolley <i>etc.</i>	0.23
3	Hailakandi MB	construction materials	0.16
4	Mariani TC	Computer related items, mobile garbage container and water tanks <i>etc.</i>	0.17
Total			2.04

Further, the Mariani TC executed seven works valuing ₹ 38.48 lakh through contractor during 2013-14 to 2015-16 without inviting tender.

Thus, due to non-observance of the codal formalities, genuineness of rates remained unassessed.

5.8 Monitoring and Evaluation

As per para 9.1 of 13th FC guideline and para 23 of the 14th FC guidelines, each State Government had to constitute a High Level Monitoring Committee (HLMC) headed by Chief Secretary with the Finance Secretary and other departmental concerned Secretaries. HLMC was responsible for monitoring and carrying out concurrent evaluation of the Local Bodies receiving the grant to ensure that funds are utilised for the purpose recommended by the Finance Commission.

Accordingly, HLMC was constituted and it decided (26 August 2010) to form three types of monitoring and evaluation committees for proper implementation of schemes within stipulated time.

The proposed committees were:

- a) Commissioner or Director Level Committee;
- b) District Level Monitoring Committee (DLMC); and,
- c) Local Self Government Institute Monitoring Committee (LSGIMC)

GoA did not form the Commissioner/ Director Level Committee. However, DLMC and LSGIMC were formed during March 2016 and January 2016 respectively but no monitoring was carried at any level nor any evaluation of utilisation of FC grants was carried out in the absence of which the grant funds were open to mismanagement and misutilisation.

5.8.1 Non-maintenance of separate bank accounts

As per FC recommendations, GoA transferred funds electronically to bank accounts of the ULBs.

16 out of 23 ULBs covered under this audit did not maintain separate bank accounts for FC grants. ULBs deposited the funds received as FC grants in bank account meant for their own revenues. In Seven ULBs⁵⁴, separate accounts were maintained but interest amounting to ₹ 4.38 crore remained unutilised.

Further, audit observed that GMC maintained two savings accounts (State Bank of India and Axis Bank Ltd.) in respect of FC grants. During the period covered in Audit, GMC earned interest of ₹ 3.93 crore which was not accounted for in the Cash book. Due to non-accountal, the possibility of misutilisation of unaccounted amount existed.

Audit could not ascertain the position of accrual of interest on FC grants and its utilisation in 16 ULBs due to non-maintenance of separate bank accounts for FC grants.

5.8.2 Creation of Database

HLMC in its meeting on 26 August 2010 decided to create database for maintenance of Accounts out of 13th FC Grants. GoA accordingly released ₹ 4.84 crore during 2010-11 to 2012-13 to ULBs for preparation of database software for tax and revenue management system as per Assam Municipal Accounting Manual (AMAM). Audit however observed that out of ₹ 1.61 crore released to 22 out of 23 ULBs⁵⁵ covered under this audit, nine ULBs did not utilise the funds of ₹ 30 lakh sanctioned for the purpose and six ULBs could not make data base functional, though, an amount of ₹ 29.93 lakh was incurred on it as detailed in *Appendix-XIV*. The ULBs failed to achieve the objective of creation of database and preparation of accounts even after expenditure of ₹ 1.61 crore.

5.8.3 Tax Revision

As per recommendation of 13th and 14th FC, every ULB had to ensure proper tax reform including objective determination of the base and its regular revision to adjust for inflation.

Except GMC, none of the ULBs revised taxes as intended to improve their own revenues. As a result of non-revision of tax rates, the ULBs failed to generate additional revenue to augment their resources from time to time. It also resulted in denial of GPG to GoA as discussed in paragraph 5.6.2 above.

⁵⁴ Barpeta Road MB, Bongaigaon MB, Jorhat MB, Tezpur MB, Sarthebari TC, Teok TC and GMC.

⁵⁵ No fund was released to GMC for creation of database.

5.9 Conclusion

Based on the units covered under this audit, performance of the urban local bodies in Assam with respect to utilisation of 13th and 14th FC grants was found to be deficient and inadequate as detailed below.

- Proper and sustainable planning to provide basic services, as envisaged under the FC recommendations was absent.
- Delayed and short release of funds to ULBs was common.
- GPG and Second instalment of GBG for 2014-15 and 2015-16 could not be released due to non-compliance of eligibility conditions and non-submission of UCs respectively.
- Full funds were not utilised which resulted in blockade of central funds; besides, there were diversion of funds, execution of inadmissible and irregular works.
- Database for tax and revenue management system was not created in the MBs and TCs although funds were provided to them.
- Local bodies did not keep up to date accounts, indicating poor financial management.
- Monitoring and evaluation were not carried out in time to facilitate mid-course correction.
- Violation of General Financial Rules was observed in purchasing of items.
- Basic civic services *viz.*, water supply, sewerage, SWM and SWD could not be provided as per the set benchmarks.

5.10 Recommendations

GoA may implement the following recommendations for proper utilisation of FC grants:

- Strengthening of internal control and monitoring system for appropriate financial management, evaluation and timely intervention for effective implementation of programmes and utilisation of resources.
- Timely and full release of Grants to ULBs.
- Timely submission of UCs and compliance of eligibility conditions for GPG.
- Proper planning and utilisation of FC grants for the intended purposes
- Compliance of General Financial Rules in all transactions.
- Government should take urgent initiative to start SWM in at least selected cities/towns.

