

CHAPTER-I
Introduction to the Local
Governments of Assam and its
Audit

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1.1 An overview of Local Governments in the State

In keeping with the provisions of 73rd and 74th Amendments, the States have enacted relevant legislations to institutionalise rural and urban local bodies in their respective States. Accordingly, in Assam, a three tier Panchayat Raj System was established in conformity with the Assam Panchayat Act, 1994. Under the Panchayati Raj arrangements, the Gaon Panchayat (GP) consisting of a cluster of villages functions at the base level. At the intermediate level is the Anchalik Panchayat (AP) coterminous with the administrative blocks. At the apex level there is the Zilla Parishad (ZP) coterminous with the district. At present there are 2192 GPs, 181 APs and 27 ZPs in Assam (*Appendix 1.1*). Similarly, for the urban areas, a three tier Urban Local Bodies (ULB) system was introduced with Municipal Corporations (MCs) for larger urban areas, Municipal Boards (MBs) for comparatively large urban areas and Town Committees (TCs) for transitional and emerging townships. However, Government of Assam, converted (October 2018) all the TCs into MBs and grouped them into five categories¹ based on size of population. At present there are 105 MBs (including three MCs) in Assam, out of which 80 MBs are in General Areas and 22 MBs are in Sixth Schedule Areas. Apart from the Guwahati Municipal Corporation, two new MCs were formed in September, 2022 *vide* the Assam Municipal Corporation (Amendment) Act, 2022 which upgraded Silchar MB in Cachar district (November 2022) and Dibrugarh MB in Dibrugarh district (March 2024) into Municipal Corporations. However, they started functioning as MCs only from June 2024 (Dibrugarh MC) and June 2025 (Silchar MC) after the elected bodies took charge.

1.1.1 Local Government in Sixth Schedule Areas:

PRIs do not exist in the Sixth Schedule Areas of Dima Hasao and Karbi Anglong Autonomous Councils, Assam. However, in Bodoland Territorial Area², PRIs existed before the creation of Bodoland Territorial Council (BTC). Consequent upon creation of BTC, these institutions were gradually dismantled. During the post the Constitutional amendment period, the Autonomous Councils (AC) in the Sixth Schedule Areas of Assam felt the necessity of having some grass-root level organisation to carry forward the process of decentralized administration. Accordingly, BTC has constituted 415 Village Council Development Committee (VCDC) and Karbi-Anglong Autonomous Council (KAAC) has constituted 26 Village Development Council (VDC). North Cachar Hills Autonomous Council (NCHAC) is also contemplating to constitute 20 VDC. The Village Councils are analogous to the GPs in General Areas. As such,

¹ Category I includes MBs having population above one lakh, Category II: towns with population ranging between 50,001 and 1,00,000 Category III: population between 20,001 and 50,000 Category IV: population from 10,001 to 20,000 and Category V: population upto 10000

² Bodoland Territorial Area covers districts of Kokrajhar, Baksa, Udalguri, Chirang and Tamulpur

with the creation of Village Councils, the Sixth Schedule Areas of Assam are now having a single tier Panchayati Raj System.

In the prior to the Constitutional amendment period, the ULBs were functioning in the Sixth Schedule Areas in the same way as they did in General Areas, the only difference being that the Assam Municipal Act, 1956 was not applicable to them. The MBs in Sixth Schedule Areas are governed by the Rules framed by the respective Autonomous District Councils (ADCs) from time to time. As of March 2024, there were 22 MBs in the Sixth Schedule Areas, (9 in BTC, 9 in KAAC and 4 in NCHAC).

1.2 Resources of Local Bodies:

The main sources of income for Local Bodies in the State are the funds released by GoI/ GoA under various Centrally Sponsored Schemes (CSS), Finance Commission (FC) Grants, State Finance Commission (SFC) Grants and State Government Grants under various schemes. In addition, PRIs also mobilise revenue from their own sources, such as taxes, rents, license fees, etc. The composition of resources of Local Bodies for the period 2019-20 to 2023-24 is given in **Table 1.1** below:

Table 1.1: Resources of Local Bodies (both PRIs and ULBs)

							(₹ in crore)
Sl. No.	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	GoI Grants for CSS	2450.46	3199.98	3242.16	12750.97	5334.77	26978.34
2	CFC transfers (Finance Commission Grants)	353.91	1587.32	1333.70	1794.53	1066.51	6135.97
3	State Government Grants for State Schemes (SOPD)	693.54	830.61	753.19	678.16	548.28	3503.78
4	SFC transfers (State Finance Commission Devolution)	110.73	0	106.34	303.73	332.72	853.52
5	Own revenue	211.72	226.80	215.67	234.61	379.00	1267.80
6	Other receipt	0.97	20.58	19.97	9.58	66.10	117.20
Total		3821.33	5865.29	5671.03	15771.58	7727.38	38856.61

(Source: Data collected from Finance Department, P&RD Department, Director Municipal Administration and eGramSwaraj)

It may be seen that substantial quantum (69 per cent of total resources) of the funds were received under CSS schemes, for which the Local Bodies act merely as implementing agency without much scope for independent decision-making. The composition of resources of Local Bodies for the period 2019-20 to 2023-24 is shown in **Charts-1.1, 1.2 and 1.3** below:

Chart 1.1: Composition of resources of Local Bodies (₹ in crore)

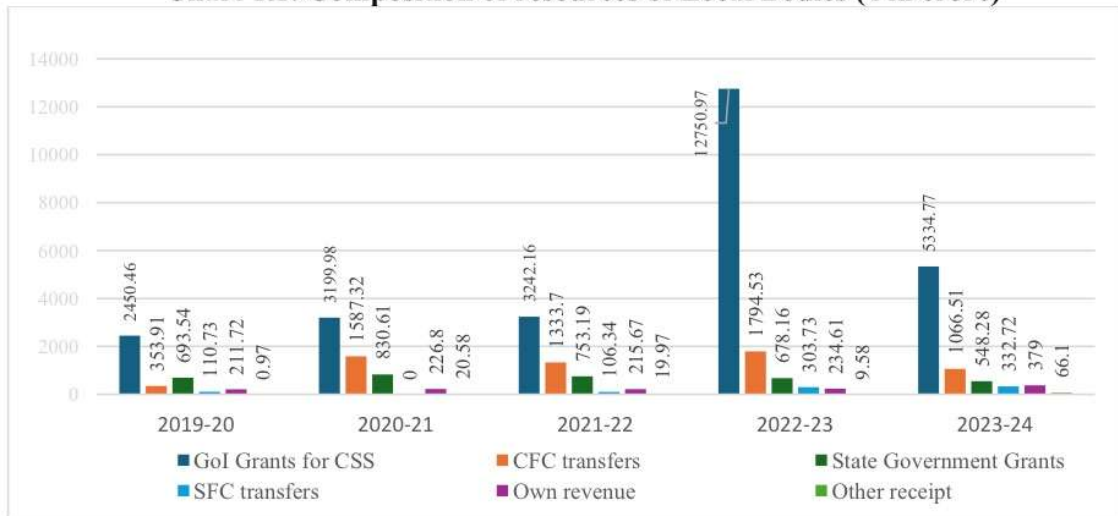
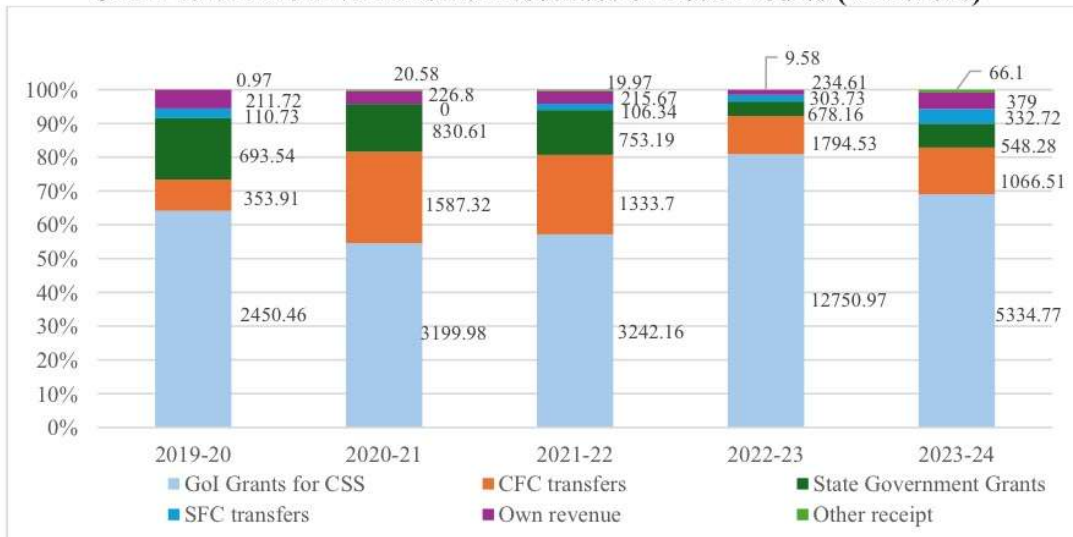
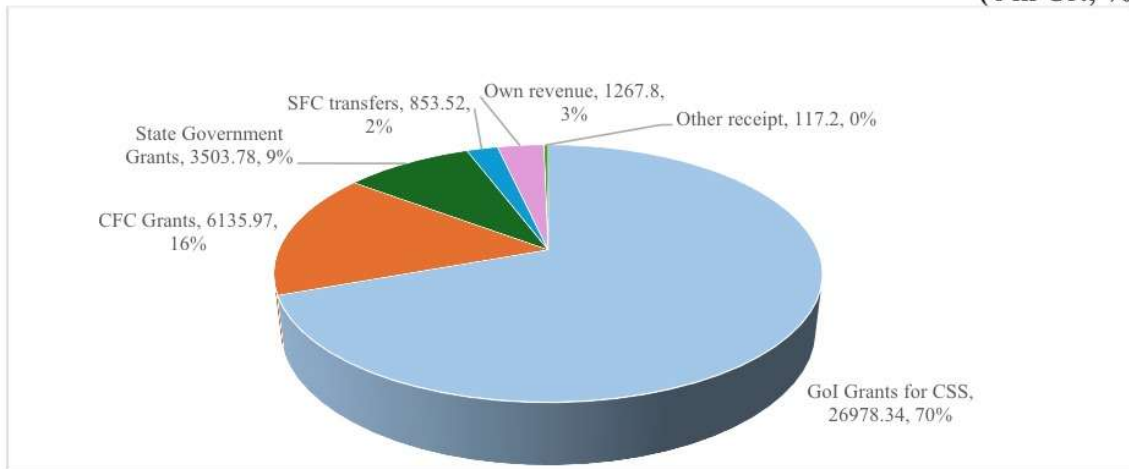


Chart 1.2: Annual variation of resources of Local Bodies (₹ in crore)



- During 2019-24, of the total receipts, the percentage share of own revenue, SFC grants and CFC grants were 3, 2 and 16 respectively.
- The share of own revenue and SFC grants were significantly low compared to CFC grants during the period 2019-20 to 2023-24.

Chart 1.3: Composition of resources of Local Bodies of Assam during 2019-24
(₹ in Cr., %)



This indicates that the own revenue of Local Bodies accounts for only a miniscule part of its total sources, making them heavily dependent on Government/ CFC grants.

1.3 Devolution of functions to Local Bodies:

As per Constitutional provisions, the Panchayats and Municipalities are endowed with powers, authority and responsibilities including raising of revenue, to function as institutions of self-governance. The devolution of powers and responsibilities involve preparation of plans for economic development and social justice and its implementation including 29 subjects (*Appendix-1.2*) listed in the Eleventh Schedule for the Panchayats and 18 subjects (*Appendix-1.3*) listed in the Twelfth Schedule for the Municipalities. Though the Panchayats and Municipalities of Assam had benefitted from the awards of State Finance Commissions and Central Finance Commissions, there seems to be no perceptible improvement in the ground realities as devolution of functions and functionaries has not taken place as yet.

1.4 Audit Mandate and Methodology:

1.4.1 Audit Mandate

(i) **Audit by Comptroller and Auditor General of India:** The authority for audit of Local Bodies by the Comptroller and Auditor General of India (C&AG) is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act). Section 14, 15 and 20(1) of CAG's DPC Act empowers C&AG to conduct audit of the Local Bodies of the State. The principles and methodologies of various types of audit are prescribed in the Auditing Standards and Regulations on Audit and Accounts, issued by the C&AG.

According to Section 20(1) of CAG's DPC Act and Section 120 of the Regulations on Audit and Accounts, 2020, functions of Technical Guidance and Support (TGS) for Audit of Local Bodies has been entrusted to C&AG. In Assam, TGS arrangements were entrusted to the

C&AG by the State Government in May 2002. The Standard terms and conditions of TGS, as recommended by 13th FC, were accepted in May 2011.

(ii) Audit by Primary Audit Institutions (PAIs): The 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 PRIs & ULBs in the State. The Directorate under the Finance Department, Government of Assam, is responsible for (i) carrying out the Audit of Local Funds with the help of 20 Circle offices, each of which is headed by an Assistant Director to perform audit functions at the district level; and (ii) facilitating submission of Audit Reports of administrative departments. The audit is conducted in conformity with the Assam Audit Manual, 1918 (latest revision in 2002), as also the relevant Government Rules and Amendments thereto, issued by the Government from time to time.

The details of audit coverage by the DALF in respect of PRIs & ULBs in the state is given in Chapter – II and Chapter – VI respectively.

1.4.2 District-Centric Service Delivery oriented approach to audit:

The Audit Report of the C&AG of India for Local Bodies is focused primarily on the assessment of the quality of the Service Delivery by the Local Bodies with respect to the functions devolved to them, and to assess to what extent Services have positively impacted the citizens at the grass-roots under their jurisdiction. However, as devolution of functions to the Local Governments is yet to materialise meaningfully in Assam, cross-cutting subjects like, creation and management of assets, utilisation of CFC/ SFC grants, are covered in audit.

This has been attempted by generally adopting a District-Centric approach, where the similar selected activities were assessed horizontally & vertically across all tiers of the Local Government in a District to arrive at a comprehensive conclusion vis-à-vis the sample units of Local Bodies chosen for audit.

Other issues of importance, noticed by Audit across Local Bodies, have also been included for necessary remedial action.

1.5 Overview of CAG's Audit Reports:

This report provides an overview of the functioning of PRIs and ULBs in the State and draws the attention of the executive departments, to major findings of audits conducted during 2023-24, for taking appropriate remedial action.

1.5.1 Discussion of Audit Reports by Legislature

The Committee on Local Fund Accounts (CoLFA), constituted by the Assam State Legislature, discusses the Audit Reports on Local Bodies. The position of discussion of Audit Reports, by the Committee, is shown in **Table 1.2:**

Table 1.2: Position of Audit Reports discussed by the CoLFA

Year of Report	Laid before the Legislature	Whether discussed by Legislature	Action Taken Report, if any
2014-15	18 July 2016	Not yet discussed	Nil
2015-16	10 March 2017	Not yet discussed	Nil
2016-17	24 September 2018	Partially discussed	Nil
2017-21	11 September 2023	Partially discussed	Nil
2021-23	25 March 2025	Not yet discussed	Nil

It can be seen from the above table that two out of five Audit Reports laid before the Legislature have been partially discussed by CoLFA. However, recommendations were awaited (March 2025).

1.6 Scope of Audit:

The cases mentioned in this Report are a consolidation of major audit findings arising out of audit of accounts of 207 PRIs and 21 ULBs which came to notice during the years 2021-24 as well as those which had come to notice in earlier years but could not be reported in previous Reports. The observations have, however, been updated wherever required, for better topicality of contents.

The audit also encompasses cross-cutting issues like creation and management of assets (especially income generating ones), reviewing receipts, accounting, allocation, expenditure propriety, adherence to grant conditions, impact, and transparency in utilisation of Central and State Finance Commission Grants, etc. The specific scope is refined based on objectives, risk, materiality, regulations, resources, and stakeholder needs.

1.7 Criteria/ Sources of Criteria:

For arriving at the audit observations and for firming up audit conclusions, Audit had to depend on data collected from two Departments viz., P&RDD and DHUA and audit of selected PRIs and ULBs. The following Acts, Rules and Government instructions were used as the criteria for framing audit comments.

For PRIs

- The Assam Panchayat Act, 1994 (AP Act, 1994)
- The Assam Panchayat (Financial) Rules, 2002 (AP (F) Rules, 2002)
- The Assam Panchayat (Administrative) Rules, 2002 (AP (A) Rules, 2002) and
- Government instructions issued from time to time.

For ULBs

- The Guwahati Municipal Corporation Act, 1971 (GMC Act)
- The Assam Municipal Act, 1956 (amended up to 2012) (AM Act)
- The Assam Municipal Accounts Rules, 1961 (AMA Rules); and
- Government instructions, issued from time to time.

1.8 Acknowledgement:

Audit acknowledges the co-operation and assistance extended by the Panchayat & Rural Development Department, Housing & Urban Affairs Department and all test-checked PRIs and ULBs in the smooth conduct of the audit.