

CHAPTER-V
Overview of Urban Local Bodies
in Assam

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5.1 Introduction

There were 105 ULBs²³ in the State: three Municipal Corporation (MC) and 102 Municipal Boards (MBs)²⁴ as on 31 March 2025. ULBs (82 in number) falling under the General Areas are governed according to the provisions of the AM Act, 1956, while areas listed under Sixth Schedule of the Constitution of India are governed by the rules framed by the respective Autonomous District Councils.

Statistics relating to the urban population of Assam, as per Census 2011, are given in **Table 5.1**:

Table 5.1: Important Statistics of the State (Urban areas)

Sl. No.	Indicator	Unit	Value
1	Total Population of the State	Lakh	312
2	Population in urban areas	Lakh	44
3	Urban population	<i>Per cent</i>	14
4	Overall Population density	Persons / Sq.km.	398
5	Urban Sex Ratio	Per thousand	946
6	Urban Literacy Rate	<i>Per cent</i>	88.47

Source: Census 2011 and Statistical Handbook, Assam 2022

5.2 Functioning of ULBs

The ULBs in Assam were to comply with the relevant Acts and Rules for effective functioning, such as Assam Municipal Accounts Rules, 1961 that govern the financial administration, budgeting, accounting, and auditing of ULBs; Rules for Election of Commissioner under Assam Municipal Act, 1956 and Assam Municipal Validation of Election Act, 1957 which dictate the process of conducting elections of ward members and chairpersons/mayors, ensuring democratic representation; Assam Unified Building Construction (Regulation) Byelaws, 2022 and the Assam Town and Country Planning Act, 1959, which regulate building construction, land use, and development activities, with authorities like the Guwahati Metropolitan Development Authority and ULBs issuing permits; and Assam Urban Immovable Property Tax Act, 1969 pertaining to the assessment, imposition, and collection of various taxes, most notably property tax.

²³ After Patharkandi becoming an MB in October 2024, there are 105 ULBs in the State as of March 2025. These include three Municipal Corporation -Guwahati Municipal Corporation, Dibrugarh Municipal Corporation (newly upgraded from MB), Silchar Municipal Corporation (newly upgraded from MB) and 102 MBs.

²⁴ Prior to October 2018, many smaller urban areas were called Town Committees (TCs). In compliance with Assam Municipal Amendment Act, 2017, all the TCs were converted into Municipal Boards.

5.2.1 Staffing pattern of ULBs

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 workload entrusted to ULBs under different programmes, schemes, and projects.

In August 2022, in exercise of the powers conferred under sub-section (3) of Section 53 of the Assam Municipal Act, 1956, the Government of Assam notified the *Assam Urban Financial Service Rules, 2022*, *Assam Urban Engineering Service Rules, 2022* and *Assam Urban Administrative Service Rules, 2022*. These Rules provided for the creation of cadres in the respective services and laid down the regulations governing recruitment and conditions of service.

The notified Rules envisaged the creation of posts at various levels for Urban Local Bodies (ULBs) across the State, including Headquarters-level posts. Accordingly, posts in different cadres, namely Administrative Service, Financial Service and Engineering Service, as detailed in Table 5.2, were created.

Table 5.2: Creation of cadres and posts dedicated for ULBs

Name of the posts	Number of Posts created		
	Assam Urban Administrative Service	Assam Urban Financial Service	Assam Urban Engineering Service
Selection Grade	2	1	1
Senior Grade-I	7	7	2
Senior Grade-II	16	16	5
Junior Grade-I	27	27	16
Junior Grade-II	103	103	27
Junior Grade-III	-	-	103

It transpired from Department's communication (October 2024) that total 96 Executive Officers have been posted at various ULBs since March 2024. Further, the process of deployment of Urban Technical officers and Financial Management officers had also started.

The 6th ASFC recommended that staffing pattern for ULBs needs to be adopted urgently and Service Rules of employees of ULBs finalised without delay. The Commission also recommended that a statutory autonomous "Assam Municipal Service Commission" should be set up for streamlining the staffing pattern of ULBs, besides recruiting technical and suitable persons to Municipal Services.

The Department stated (November 2024) that preparation of draft proposal of staffing pattern of ULBs is in process.

5.2.2 Status of devolution of Funds, Functions and Functionaries

The 74th Constitutional (Amendment) Act, 1992, empowers the ULBs to perform 18 functions enlisted in the Twelfth 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 funds, functions, and functionaries to the ULBs related to the above functions, for meaningful devolution.

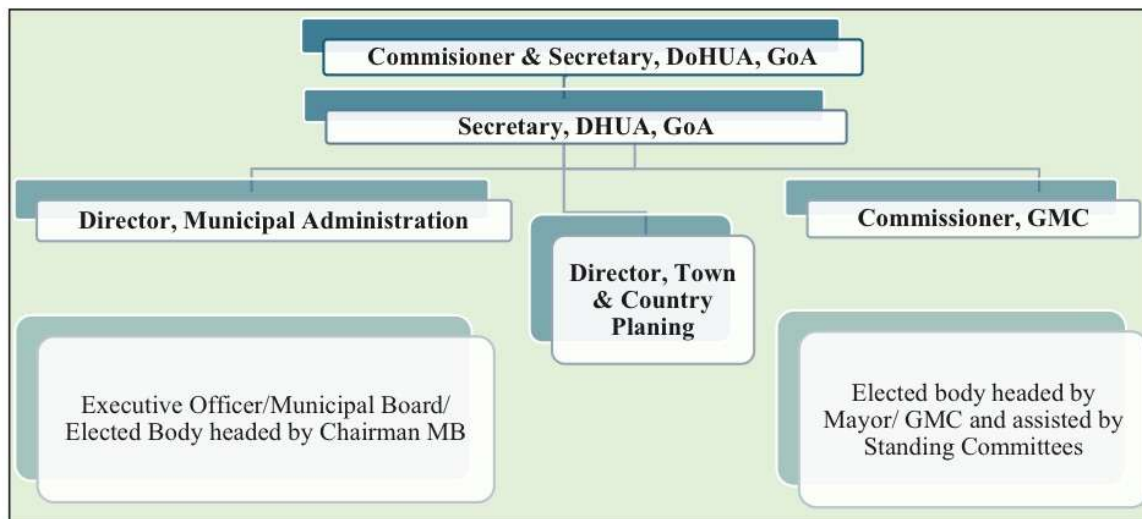
The 5th Assam State Finance Commission had recommended that urgent steps should be taken for completion of Activity Mapping of all subjects ensuring simultaneous devolution of functions, functionaries, and funds to ULBs.

The GoA made provisions in Assam Municipal Act, 1956 for transfer of 17 out of 18 functions listed in the Twelfth Schedule of the Constitution. However, State Government had not issued notification for transferring any of those 17 functions to ULBs as of March 2024. As per position intimated by the Department (October 2024), out of 17 functions, ULBs were solely responsible for three functions; had no role in four functions and in remaining 10 functions, the role of ULBs was either limited to identification and selection of beneficiaries or having overlapping jurisdiction with state departments and parastatal bodies. The actual position of devolution of the functions in the ULBs in Assam as of March 2024 is as shown in *Appendix- 5.1*.

5.3 Organisational setup of ULBs

Organisational set-up of ULBs is shown in **Chart 5.1:**

Chart 5.1: Organisational structure of ULBs



Government of Assam merged (July 2021) the Guwahati Development Department (GDD) and Urban Development Department (UDD) and renamed as Department of Housing and Urban Affairs (DHUA). The Commissioner and Secretary is the administrative head of DHUA, who looks after the matters relating to the administration of ULBs, allocation of funds as well as implementation of schemes at the State level. The Commissioner and Secretary is assisted by the Secretary, DHUA, who is further assisted by Director, Municipal Administration (DMA) who functions as an interface between the State Government and ULBs. The Director, Town and Country Planning (T&CP) is responsible for Master Plan/ Development Plans/ Zonal Plans and enforcing master planning regulations in the urban areas other than Guwahati Metropolitan area. The Commissioner is the executive head of Guwahati Municipal Corporation (GMC). The GMC is governed by an elected body headed by the Mayor and assisted by standing committees.

In case of ULBs of the Sixth Scheduled Areas, the funds are routed through the Principal Secretaries of the respective Autonomous District Councils to the Executive Officers of the Municipal Boards.

Accountability Mechanism and Financial Reporting issues

5.4 Formation of various Committees

5.4.1 Committee for transfer of Funds, Functions and Functionaries

As per Section 53 (A) (2) of the AM Act, 1956, there shall be a committee comprising Minister-in-Charge, UDD as the Chairman, senior-most Secretary, UDD as Vice-Chairman, DMA as Member Secretary and members from other departments to monitor the matter of early and smooth transfer of the funds, functions and functionaries to Municipalities. The Committee was to meet from time to time to monitor the progress of transfer of funds, functions and functionaries to the municipalities and to suggest the respective Departments for effective implementation of this Section.

However, no such committee has been formed to look after the matter of funds, functions & functionaries (November 2024).

5.4.2 Standing Committees of ULBs

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 Committees²⁵ to deal with Taxation and Finance, and Planning and Development (or Standing Finance Committee); Public Works; Public Health, conservancy and water supply; Assessment, Markets and Trades; and Appeals, no such Committee was formed by GMC.

5.4.3 Property Tax Board

As recommended under Paragraph 10.161 (vii) of the 13th FC, GoA constituted a Property Tax Board (PTB), in March 2011, comprising of (i) Principal Secretary, UDD as the Chairman, (ii) Commissioner & Secretary, GDD as Vice-Chairman, (iii) Director, Municipal Administration as Member Secretary (iv) Commissioner, GMC and (v) Director, Town & Country Planning as Members. The objective of the Committee was to assist all the Municipalities of the general areas of the State to put in place an independent and transparent procedure for assessing Property Tax. The Board was to monitor the matter of enumeration and assessment of all types of properties by the Urban Local Bodies as per the provision of the Assam Municipal Act, 1956. Accordingly, the Director of Municipal Administration (DMA) was required to depute the Chief Valuation Officer (CVO) and other Valuation officers (VO) in the field to monitor the rates of collection and time taken for collection in a particular year.

²⁵ Each Standing Committee shall consist of five members elected by the Corporation from its own members other than the Mayor.

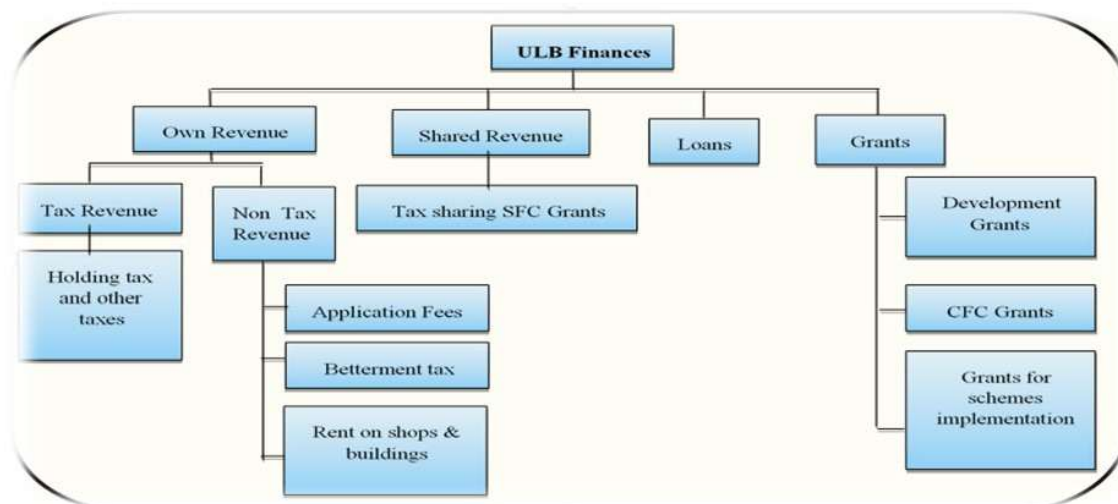
Though, two VOs were posted under DMA to monitor the rates of collection and time taken for collection in a particular year, no CVO was deputed for the purpose.

The DMA informed (October 2024) that works on assessment of Property Tax are going on in all ULBs of Assam and a “Reform Cell” has been constituted. Further, online property tax assessment and payment system as per the revised law of Assam Municipal Act, 1956 is being introduced.

5.5 Source 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 GoA and (iv) Grants-in-Aid from GoI under various Centrally Sponsored Schemes (CSS) and under award of successive FCs. Besides, ULBs also obtain loans from financial institutions for implementation of various schemes relating to Urban Development, Water Supply and Roads, *etc.* The fund flow of ULBs is depicted in **Chart 5.2**:

Chart 5.2: Fund flow 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.

The flow of funds to the ULBs from different sources, during 2019-20 to 2023-24, are shown in **Table 5.3** below.

Table 5.3: Time-series data on resources of ULBs

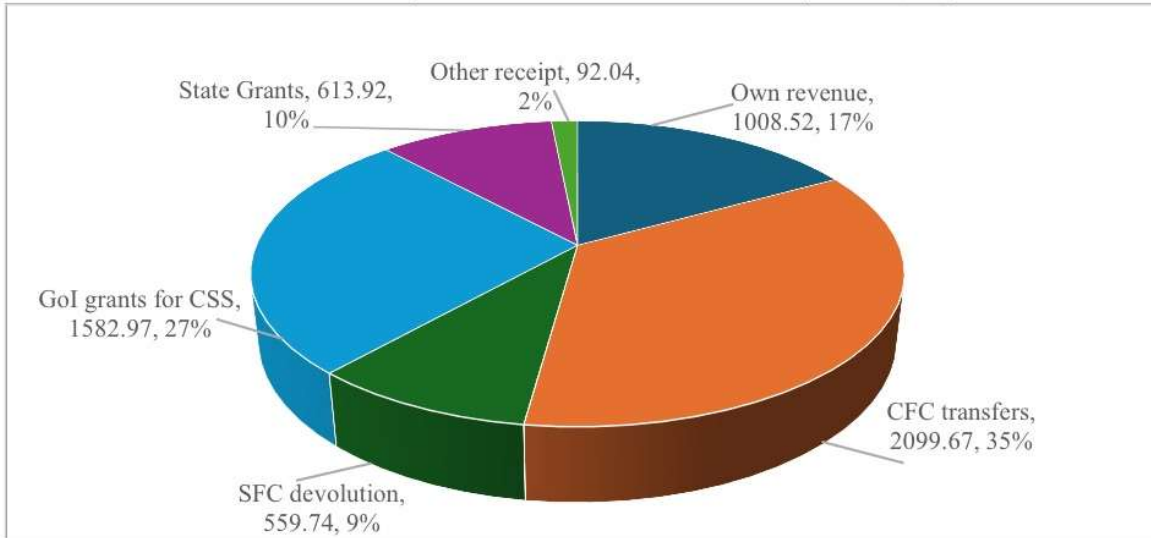
							(₹ in crore)
Sl. No	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	Own revenue	156.28	164.40	170.83	192.31	324.70	1008.52

Sl. No	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
2	CFC transfers (Finance Commission devolution)	189.80	250.20	345.04	770.85	543.48	2099.67
3	SFC transfers (State Finance Commission devolution)	109.99	0.00	39.50	159.18	251.07	559.74
4	GoI grants for CSS	344.16	448.09	373.13	371.98	45.61	1582.97
5	State Government Grants for State schemes	83.62	102.65	216.06	160.37	51.22	613.92
6	Other receipt (interest for delayed payment)	0.97	0.13	16.94	7.90	66.10	92.04
	Total	884.82	965.47	1161.50	1662.59	1282.18	5956.86

Source: Information furnished by Finance (Economic Affairs) Department, GoA, DMA and GMC.

The following **Chart 5.3** depicts the component-wise resources of the ULBs for the period 2019-20 to 2023-24.

Chart.5.3: Components of resources of ULBs (₹ in Cr, %)



The ULBs in Assam exhibit a mixed revenue profile. While there was growth in Own Revenue, the substantial dependence on CFC transfers and the fluctuations in GoI grants (CSS) and Grants for State schemes underscore the need for more stable and diversified funding mechanism. The significant reduction in central and state grants in 2023-24, combined with a decrease in total revenue for that year, suggests potential challenges in financial planning and service delivery if these trends persist.

The **Table 5.4** shows the application of resources by the ULBs during the period 2019-20 to 2023-24.

Table-5.4: Application of resources-ULBs (₹ in crore)

Sl. No.	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	Expenditure from own revenue	85.33	69.18	82.72	190.92	461.04	889.19
2	Expenditure from CFC transfers (Finance Commission devolution)	189.80	250.20	345.04	770.85	372.19	1928.08
3	Expenditure from SFC transfers (State Finance Commission devolution)	109.99	0.00	39.50	159.18	100.20	408.87

Sl. No.	Heads	2019-20	2020-21	2021-22	2022-23	2023-24	Total
1	Expenditure from own revenue	85.33	69.18	82.72	190.92	461.04	889.19
4	GoI grants for CSS	255.76	116.29	185.38	230.69	16.95	805.07
5	State Government Grants for State schemes	83.62	102.65	216.06	160.37	31.24	593.94
6	Interest	0.93	0.02	0.97	0.43	0.00	2.35
Total		725.43	538.34	869.67	1512.44	981.62	4627.50

Source: Information received from DMA & GMC

The **Table 5.5** shows a comparison between the receipt and expenditure of ULBs for the period 2019-20 to 2023-24.

Table-5.5: Receipt and expenditure of ULBs during 2019-24 (₹ in crore)

Year	Receipt	Expenditure	Short utilisation of resources (in per cent)
2019-20	883.85	725.43	158.42 (18)
2020-21	965.34	538.34	427 (44)
2021-22	1144.56	869.67	274.89 (24)
2022-23	1654.69	1512.44	142.25 (9)
2023-24	1216.38	981.62	234.76 (19)
Total	5864.82	4627.50	1237.32 (21)

Source: Finance Accounts, Detailed Appropriation Accounts, Government of Assam

The above table summarizes financial performance from 2019-20 to 2023-24. Over this period, total receipts amounted to ₹5864.82 crore, while expenditure stood at ₹4627.50 crore. This resulted in a total short utilisation of resources of ₹1237.32 crore (21 per cent) by the ULBs. The fiscal 2020-21 had the highest short utilisation at ₹427 crore (44 per cent), which was attributable to the pandemic. On the other hand, 2022-23 showed the most efficient resource utilisation with only 9 per cent short utilisation.

5.5.1 Preparation of unrealistic budget

Section 43A of the Assam Municipal Act, 1956 prescribes the formulation and approval of Annual Budget Estimates by ULBs. The determination of expenditure estimates is contingent upon the nature of municipal services rendered by the local government and the corresponding financial outlays required for their provision. Given that the delivery of municipal services necessitates financial resources, it is imperative to undertake a scientific evaluation of service costs to ensure the accurate assessment of funding requirements and the identification of appropriate sources for efficient resource allocation.

Test check of budget and actual figures of selected ULBs for the period 2020-21 to 2022-23 revealed significant variances between budgeted and actual receipts and expenditure, indicating unrealistic budget preparation. The differences were abnormally high in North Guwahati MB during 2021-22, where actual receipts (₹805.66 lakh) exceeded the budget estimate (₹175.31 lakh) by 361.27 per cent, while in 2020-21, there was an overestimation of expenditure by 15.05 per cent. Guwahati Municipal Corporation showed wide fluctuations, including a 156.76 per cent excess in actual receipts over budget in 2021-22 and a 50.24 per cent underutilisation of budgeted expenditure in 2020-21. Smaller ULBs such as Jorhat MB, Titabor MB, Margherita MB, and Digboi MB consistently overestimated both receipts and expenditure by

60–90 per cent in multiple years, while in some years, actual realisation was less than one-third of the estimates. In certain cases (e.g., Digboi MB and Margherita MB in 2022-23), actual figures were unavailable, indicating poor monitoring. Such wide and recurring deviations from budgeted figures point to the absence of a realistic assessment of revenue potential and expenditure requirements, undermining the utility of the budget as a financial planning and control tool. Details of preparation of unrealistic budget by the selected eight ULBs is shown in *Appendix 5.2*.

5.5.2 Arrears in collection of Property Tax

Section 68 of the Assam Municipal Act, 1956, and the Assam Urban Immovable Property Tax Act, 1969 empowers the Municipal Boards in Assam to assess, impose, and collect property taxes on land and buildings within their jurisdictions. The Guwahati Municipal Corporation (GMC) operates under the Guwahati Municipal Corporation Act, 1971. Information furnished by selected ULBs in the three selected districts showed huge arrears in collection of Property Tax as on 31st March 2023. Summary of outstanding Property Tax is shown in **Table 5.6** below:

Table 5.6: Position of outstanding Property Tax in the selected ULBs (₹ in crore)

Sl. No.	Name of the ULB	Demand including Arrear	Collection	Shortfall	Percentage of Shortfall
1	Tinsukia MB	8.96	4.33	4.63	51.67
2	Margherita MB	0.57	0.38	0.19	33.33
3	Digboi MB	0.86	0.76	0.10	11.63
4	Jorhat MB	10.23	3.92	6.31	61.68
5	Mariani MB	0.33	0.21	0.12	36.36
6	Titabor MB	0.32	0.26	0.06	18.75
7	North Guwahati MB	2.53	1.10	1.43	56.52
8	GMC	370.40	116.69	253.71	68.50

The above table indicates a significant shortfall in collection of revenue, particularly for the Guwahati Municipal Corporation, followed by Jorhat MB, North Guwahati MB and Tinsukia MB, which have substantial outstanding arrear demands. While the arrear demands for other municipal boards are smaller, their respective percentage of total demand varies from 11.38 per cent to 36.36 per cent.

This suggests a significant issue with the collection process and potential weaknesses in the system for managing overdue payments, impacting the organisation's financial stability and ability to fulfil its statutory obligations.

5.5.3 Arrears in collection of Trade Licence

Section 68, 228, 229 and 230 of the Assam Municipal Act, 1956 empowers the Municipal Boards in Assam to assess, impose, and collect Trade License from shops, business establishments and all businesses involved in trading activities. Information furnished by selected ULBs in the three selected districts revealed that there are huge arrears in collection of Trade Licence as shown in **Table 5.7** below:

Table 5.7: Position of outstanding Trade Licence Fee in the selected ULBs (₹ in crore)

Sl. No.	Name of the ULB	Demand including Arrear	Collection	Shortfall	Percentage of Shortfall
1	Tinsukia MB	4.48	0.50	3.98	88.84
2	Margherita MB	0.91	0.06	0.85	92.91
3	Digboi MB	0.15	0.14	0.02	12.43
4	North Guwahati MB	0.12	0.02	0.10	82.29
5	GMC	48.96	29.41	19.55	39.93
6	Jorhat MB	1.62	1.10	0.53	32.42
7	Mariani MB	0.20	0.01	0.13	66.73
8	Titabor MB	0.14	0.08	0.05	38.00

The absence of a valid trade license indicates non-compliance with local municipal laws and regulations along with potential loss of revenue to the ULBs.

5.5.4 Arrear in collection of Rent

The primary legal framework governing the collection of rent by municipal boards, particularly for their own properties or properties under their management, is governed by Section 148 and Section 149 of the Assam Municipal Act, 1956. Information furnished by selected ULBs in the three selected districts revealed that there are huge arrears in collection of Trade License as shown in **Table 5.8** below:

Table 5.8: Position of outstanding Rent in the selected ULBs (₹ in crore)

Sl. No.	Name of the ULB	Demand including Arrear	Collection	Shortfall	Percentage of Shortfall
1	Tinsukia MB	1.65	0.82	0.84	50.64
2	Digboi MB	0.09	0.08	0.01	14.21
3	Margherita MB	0.04	0.02	0.02	46.13
4	Jorhat MB	1.86	0.52	1.34	71.83
5	Mariani MB	0.36	0.11	0.25	70.36
6	Titabor MB	0.09	0.09	0.00	0.00

The above table indicates a significant shortfall in collection of revenue, particularly for the Jorhat MB, Mariani MB, Tinsukia MB and Margherita MB which have substantial outstanding arrear rent. While the arrear demands for Digboi MB is comparatively low. It may be mentioned that there is no outstanding in case of Titabor MB.

This suggests a significant issue with the collection process and potential weaknesses in the system for managing overdue payments, impacting the organisation's financial stability and ability to fulfil its statutory obligations.

5.6 Recommendations of the State Finance Commission (SFC) and utilisation of SFC Funds

Articles 243 I and 243 Y of the Constitution of India require that State Finance Commissions (SFC) be appointed at the expiration of every fifth year to review the financial position of the Panchayats and Municipalities, respectively, as per the terms of the 73rd and 74th Constitutional Amendments. Key recommendations typically cover the distribution and assignment of state taxes, duties, tolls, and fees, the quantum of grants-in-aid, measures to enhance the financial

position of local bodies, and other relevant financial matters. Assam has had six SFCs so far²⁶, each with specific recommendations. Funds devolved based on SFC recommendations are intended for essential services, developmental activities, salaries and operational costs, infrastructure development, specific projects, and capacity building in PRIs and ULBs. The status of devolution of SFC funds to the ULBs is depicted in the **Table 5.9** below:

Table 5.9: SFC fund devolution of ULBs (₹ in Crore)

Sl No.	Year	Net proceeds of Tax Revenue of State Government	Funds to be devolved	Funds devolved	Short devolution (Per cent in bracket)
1	2019-20	16528.69	198.20	109.98	88.22 (45)
2	2020-21	17133.61	68.64	0.00	68.64 (100)
3	2021-22	19533.10	123.14	39.50	83.64 (65)
4	2022-23	24502.02	133.63	159.18	Nil
5	2023-24	28020.00	175.06	69.93	60.05 (60)

Source: Information provided by the Department

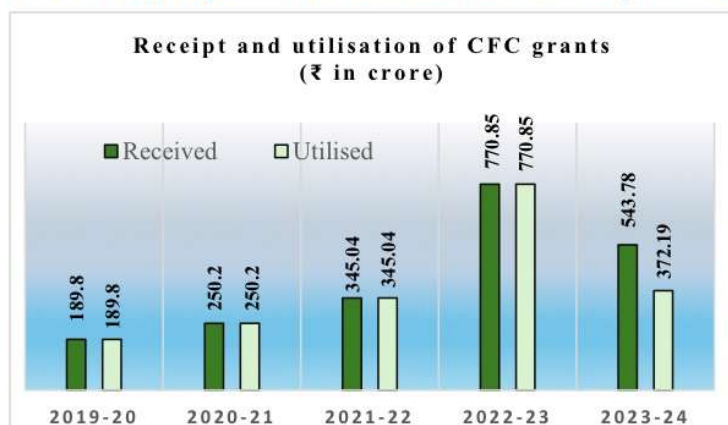
It can be seen from the above table that there was persistent short devolution (60 to 100 *per cent*) of SFC funds by the Government during the period from 2019-20 to 2023-24, except for 2022-23. The timely and effective utilisation of SFC funds was crucial for strengthening local governance and ensuring that the benefits of these resources reach the grassroots level in Assam.

5.7 Recommendations of the Central Finance Commission (CFC) and utilisation of CFC Funds

The Central Finance Commission (CFC) is a constitutional body that recommends the distribution of financial resources between the Union and State Governments, including grants to local bodies (PRIs and ULBs). For Assam, the CFC, such as the 15th Finance Commission (2021-2026), specifies the state's share in central taxes and various grants-in-aid.

The CFC grants for local bodies were transferred to PRIs and ULBs for basic services and infrastructure, with monitored utilisation. Sector-specific and special grants had to be used for their intended purposes according to central guidelines. The receipt and utilisation of CFC grants by the ULBs is depicted in **Chart 5.4** below:

²⁶ The Seventh Assam State Finance Commission is still in place and is yet to submit its Report

Chart 5.4: Receipt and Utilisation of CFC Grants by the ULBs

The grants received show an increasing trend from 2019-20 to 2022-23, followed by a decrease in 2023-24. While utilisation matched receipt for the first four years, a significant amount (₹171.59 crore) remained unutilized in 2023-24.

5.8 Maintenance of Records

Maintenance of records and registers is one of the important tools of internal control mechanism. However, in the 21 test checked ULBs following irregularities in maintenance of records were observed:

5.8.1 Non- maintenance of basic records

Out of 21 ULBs audited during 2023-24, 12 ULBs did not maintain basic records such as Cash Book, Service Book, Demand Register, Measurement Book, Receipt Book, Collection Register, Asset Register and Stock Register as detailed in *Appendix-5.3*. In the absence of these records, actual receipt and utilisation of materials could not be monitored by the ULBs. This could lead to increased possibility of misutilisation of material intended for implementation of the schemes. Further, non-maintenance of the Register of Receipt Book and Collection Register indicates non-existent control of the ULB administrations against risks of embezzlement/misappropriation of ULBs' own receipts.

5.8.2 Non-reconciliation of Cash and Bank Balances

Chapter 30 of the National Municipal Accounts Manual emphasise the need for reconciliation of Cash Book with Bank accounts.

During audit, it was seen that eight ULBs²⁷ did not reconcile the balances in the Cash Book with the Bank Passbook during 2023-24 resulting in un-reconciled balances with differences ranging from ₹0.14 lakh to ₹50.22 lakh.

As no reconciliation was done by the ULBs, differences in figures of Cash Book and Bank Passbook remained undetected and un-reconciled until the same was pointed out by Audit. It dilutes the built in control mechanism in the system against risks of fraud and embezzlement of Government money.

²⁷ Gossaigaon MB, Udalguri MB, Tangla MB, Bijni MB, Kokrajhar MB, Makum MB, Dhemaji MB and Jamurighat MB.

The Government should take steps to ensure that all the ULBs reconcile their Cash Book with their Bank accounts on monthly basis.

5.9 Maintenance of Accounts by ULBs

Government of Assam (GoA) 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. 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 Receipts and Payment Accounts, at the end of each quarter.

However, audit scrutiny²⁸ revealed that only Silchar and Bongaigaon MBs started implementing accrual based accounting system, from the year 2019-20 and 2021-22, respectively. The rest of the test-checked ULBs had not implemented (till 2023-24) the accrual-based accounting system and continued to maintain their accounts on cash basis. Further, there was no monitoring system at the State level to oversee the implementation of NMAM.

The Department informed (October 2024) that the Accrual based Double entry system is under implementation through UPYOG module²⁹ on a mission mode. It was further stated (November 2024) that Financial Management Officer have been posted across the ULBs for preparation and maintenance of Accounts as per the formats prescribed in NMAM.

5.10 Audit of accounts of the ULBs

Directorate 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, administratively affiliated to the Finance Department, is responsible for (i) carrying out 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, 2002 and other prescribed Rules and Amendments thereto promulgated by Government from time to time.

5.10.1 Audit coverage by DALF

The year-wise position of units planned to be audited and those actually audited, are detailed in **Table 5.10**.

Table 5.10: Coverage of ULBs planned for audit by DALF

Year	No. of Units Planned for Audit	No. of Units Audited	Shortfall (<i>per cent</i>)
2019-20	69	31	38 (55)

²⁸ Audit of 22 ULBs covered under the Subject Specific Compliance Audit on Implementation of recommendations of the 5th Assam State Finance Commission as included in this report vide Chapter VI of this Report.

²⁹ Urban Platform for delivery of Online Governance: UPYOG is the national reference platform created for the delivery of municipal services online.

Year	No. of Units Planned for Audit	No. of Units Audited	Shortfall (per cent)
2020-21	69	37	32 (46)
2021-22	57	15	42 (74)
2022-23	57	31	26 (46)
2023-24	83	28	55(66)

Source: Information furnished by DALF, Assam

The above table shows that there was shortfall in coverage of audit by DALF during 2019-20 to 2023-24 ranging from 46 per cent to 74 per cent.

The DALF stated (September 2024) that the shortfall in audit coverage was due to insufficient audit staff, huge vacancies of audit personnel, substantial numbers of other accounts to be audited as assigned by the Finance Department, specially entrusted accounts by the Govt., other special duties like election, *Gunotsov*³⁰, etc.

5.10.2 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) Act, 1971 as per the Technical Guidance and Support (TGS) arrangements 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. Hence, CAG undertakes a selective audit of ULBs under TGS. During April 2023 to March 2024, accounts of 22 ULBs were test-audited.

5.11 Response to Audit Observations

Inspection Reports (IRs) were issued by office of the 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, in respect of ULBs (as of March 2024), are shown in **Table 5.11**.

Table 5.11: Details of outstanding IRs and paragraphs in respect of ULBs

Year	No. of IRs issued	No. of Paras	First reply furnished
2019-20	15	132	0
2020-21	04	23	0
2021-22	04	118	0
2022-23	07	26	0
2023-24	20	188	0
Total	50	487	0

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

³⁰ *Gunotsov* is a comprehensive evaluation programme initiated by the GoA, to assess various aspect of Government and Provincialised Schools.

As of March 2024, settlement of 487 paragraphs were pending for want of replies from ULBs concerned 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.