

**CHAPTER-VI**  
**SSCA on Implementation of the**  
**Recommendations of the 5th**  
**ASFC and Utilisation of Grants**  
**by ULBs**



## Chapter-VI

### Subject Specific Compliance Audit

#### Implementation of the recommendations of the 5<sup>th</sup> Assam State Finance Commission and Utilisation of Grants by ULBs

##### 6.1 Introduction

Article 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 Municipalities, as per the terms of the 74<sup>th</sup> Constitutional Amendment. The SFC would review the financial position to make recommendations on the measures needed for their sound finances, including distribution of taxes, duties, tolls and fees and their allocation among the various Municipalities, and grants-in-aid to the municipalities. In terms of the aforesaid Constitutional provisions, the Government of Assam had, so far, constituted six State Finance Commissions<sup>31</sup>. The constitution of the 5<sup>th</sup> Assam State Finance Commission (ASFC) was first notified in March 2013. It was further reconstituted by Government's Notification in October 2013 with the joining of the new Chairman. The Commission was required to review the financial position of the Panchayats and Municipalities in the General Areas<sup>32</sup> and to make recommendations for their all-round development covering the five-year period 2015-16 to 2019-20. Owing to delay in submission of the Report, the effective award period became 2016-17 to 2019-20.

##### 6.2 Terms of Reference of 5<sup>th</sup> ASFC

The Commission was mandated to make recommendations on the following matters:

- Sharing of the net proceeds of taxes, duties, tolls and fees leviable by the State Government, with the Local bodies.
- Taxes, duties, tolls and fees that may be assigned to the Local Bodies.
- The Grants-in-Aid to the Local Bodies from the Consolidated Fund of the State.

As per Terms of Reference (ToR), the 5<sup>th</sup> ASFC was mandated to submit its Report on 30 April 2016 with the award tenure being five-year period commencing from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2020.

<sup>31</sup>First SFC, covering the period 1996-97 to 200-01; Second, covering the period 2001-02 to 2005-06; Third, covering the period 2006-7 to 2010-11; Fourth, covering the period 2011-12 to 2015-16; Fifth, covering the period 2016-17 to 2019-20; and Sixth, covering the period 2020-21 to 2024-25.

<sup>32</sup>'General areas' refers to areas other than those notified under Sixth schedule of the Constitution of India (the Sixth Schedule of Indian Constitution contains provisions related to the Administration of Tribal Areas in the States of Assam, Meghalaya, Tripura, and Mizoram).

### 6.3 Submission of Report

Though the tenure of the 5<sup>th</sup> ASFC was to cover five-year period from 2015-16 to 2019-20, by the time even an interim report was submitted in July 2016, the first year of the original tenure had already been over. The interim report indicated the budgetary allocation for 2016-17.

The 5<sup>th</sup> ASFC submitted its final report on 30 November 2016 to the Government of Assam with a delay of seven months from the stipulated date of submission (30/04/2016). The Action Taken Report (ATR) on recommendations of the Commission was submitted by the State Government in June 2017, *i.e.*, six months after submission of report by 5<sup>th</sup> ASFC.

The 5<sup>th</sup> ASFC, in its final report, made a total of 118 recommendations out of which 46 recommendations pertained to the Urban Local Bodies (ULBs).

### 6.4 Organisational Structure

Prior to merger of Urban Development Department and Guwahati Development Department into a single department (*i.e.* the Department of Housing and Urban Affairs) in July 2021, Principal Secretary was the administrative head of the Urban Development Department, who looked after the administration of MBs. He was assisted by the Director, Municipal Administration and Director of Town and Country Planning. The Additional Chief Secretary, Guwahati Development Department was the administrative Head of the Guwahati Development Department to whom Commissioner, GMC reported.

After the merger, the Commissioner & Secretary is the administrative head of the Department of Housing & Urban Affairs (DHUA)<sup>33</sup>, Assam.

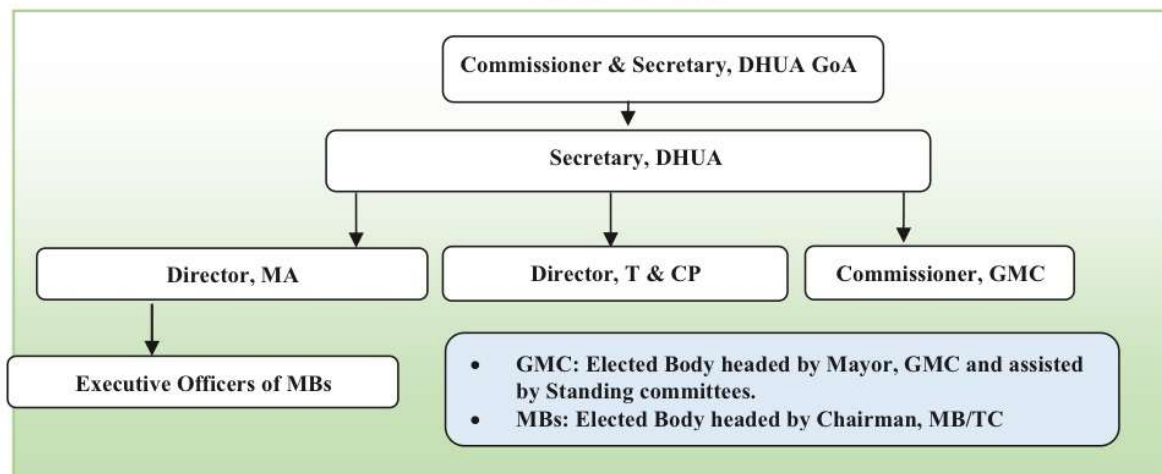
- Director, Municipal Administration (DMA) looks after matters relating to the administration of the ULBs (MBs) and
- Director, Town and Country Planning (T&CP) is responsible for preparation of Master and Zonal plans for the ULBs other than GMC.

The Commissioner looks after the administration of GMC and reports to the Commissioner & Secretary, DHUA. Organisational set up of ULBs is depicted in **Chart 6.1** below:

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<sup>33</sup>Erstwhile Guwahati Development Department (in existence since January 1994) and Urban Development Department (known as departments of Municipal Administration and Town & Country Planning prior to June 2002) were merged in July 2021 and renamed as “Department of Housing and Urban Affairs”.

**Chart 6.1: Organisational set up of State level functionaries to oversee and manage ULB related matters.**



### 6.5 Audit Objectives

The objectives of the SSCA are to assess:

- the action taken by the State Government on the recommendations of the 5<sup>th</sup> ASFC in respect of ULBs.
- the position of devolution of grants and utilisation of 5<sup>th</sup> ASFC grants.
- the effectiveness of the monitoring mechanism in place on the implementation of ASFC recommendations and execution of projects under its award for ULBs.

### 6.6 Audit Criteria

The criteria for audit scrutiny were derived from the following:

- i) Report of the 5<sup>th</sup> ASFC;
- ii) Assam Municipal Act, 1956;
- iii) Guwahati Municipal Corporation Act, 1971;
- iv) Assam Municipal (Account) Rules, 1961 and
- v) Orders and instructions issued by GoA.

### 6.7 Audit Scope, Sampling and Methodology

The SSCA covering the period of four years from 2016-17 to 2019-20, was conducted during June-October 2023. The SSCA commenced with an Entry Conference on 19 June 2023 with the Finance Department and DHUA, GoA. In the conference, audit objectives, criteria, methodology, *etc.*, were discussed. The recommendations of the 5<sup>th</sup> ASFC encompass the General areas of Assam in details with a separate chapter on Sixth Schedule Areas. However, selection of audit sample was done from General areas only as observations on Sixth Schedule areas are not to be included in this Report. For this purpose, the ULBs<sup>34</sup> in General areas were divided into eight strata based on the criteria of percentage of non-salary expenditure. Twenty-

<sup>34</sup> 79 ULBs against which funds were released out of 82ULBs under General Areas.

two (22) ULBs<sup>35</sup> (28 per cent) including Guwahati Municipal Corporation (GMC – the only Municipal Corporation in Assam during the award period of 5<sup>th</sup> SFC) covering 50.47 per cent of total funds released to the ULBs were selected applying simple random sampling method, for the audit examination including joint physical verification of Schemes. In addition, records of DHUA, GoA, Director of Municipal Administration and Finance (Economic Affairs) Department were also scrutinised during the SSCA.

The draft Report was discussed with the DHUA in an exit conference on 03 October 2024 where in the Secretary, DHUA, the Director of Municipal Administration and representative of Finance Department were present. The views expressed by the Departments during exit conference and through formal replies have been incorporated at the appropriate places in the Report.

## Audit Findings

### 6.8 Action taken by the State Government on the recommendations of the 5<sup>th</sup> ASFC

The 5<sup>th</sup> ASFC made a total of 118 recommendations out of which 46 recommendations were related to the ULBs. The State Government had formally accepted (June 2017) all the 46 recommendations related to ULBs. However, it had not implemented most of the recommendations out of the 46 recommendations. The position of implementation of 46 recommendations is shown in **Table-6.1** below:

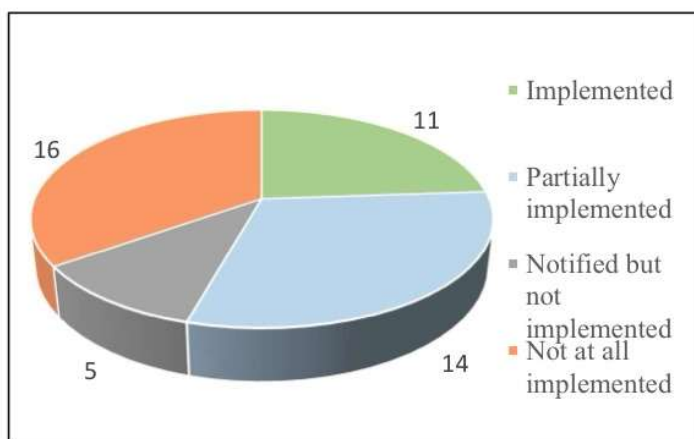
**Table 6.1: A summary status of implementation of significant recommendations of the 5<sup>th</sup> ASFC**

Status of Implementation	Nos. of recommendations	Significant recommendations
Recommendations implemented	11	<p><b>i)</b> Inclusion of all MBs and Town Committees (converted to Municipal Boards in October 2018) of Assam under the National Urban Livelihood Mission (NULM) for consideration of Govt. of India.</p> <p><b>ii)</b> Authorising the ULBs to issue permission for building construction.</p> <p><b>iii)</b> The grant component and revenue gap component of the Divisible Pool (DP) of General Areas have been segregated.</p>
Recommendations partially implemented	14	<p><b>i)</b> In order to ensure financial accountability on the part of PRIs and ULBs, the measures suggested at para 5.28 (i) to (xiii)<sup>36</sup> should be strictly enforced.</p> <p><b>ii)</b> Vehicle parking areas may be identified, and fees collected as per prescribed norms.</p>

<sup>35</sup> **Jorhat:** Jorhat MB, Titabor MB, Marioni MB; **Biswanath:** Biswanath MB, Gohpur MB; **Sivasagar:** Nazira MB Demow MB; **Lakhimpur:** North Lakhimpur MB, Narayanpur MB; **Dhubri:** Sapatgram MB; **Nagaon:** Nagaon MB; **Bongaigaon:** Bongaigaon MB; **Barpeta:** Barpeta Road MB; **Hojai:** Lumding MB; **Tinsukia:** Chapakhowa MB, Digboi MB, Margherita MB; **Dibrugarh:** Namrup MB; **Silchar:** Silchar MB; **Charaideo:** Sonari MB; **Dhemaji:** Silapathar MB.

<sup>36</sup> The measures include various steps for maintenance of records and accounts, institutional strengthening, honing up of audit arrangements, etc. These steps emanated from persisting and pervasive observations made by the C&AG audit.

Status of Implementation	Nos. of recommendations	Significant recommendations
		iii) Grants of ₹1000.81 crore for 4 years inclusive of ₹250.16 crore in 2016-17 was recommended for ULBs to be routed through Line Departments.
Notification issued but not yet implemented	5	i) Deployment of skilled manpower to ULBs is imperative to ensure professionalism. ii) The ULBs should adopt highly transparent accounting standards. iii) A District Level Monitoring Committee should be constituted.
Not implemented at all	16	i) Devolution of Functions, Functionaries and Funds to ULBs. ii) The nodal department of ULBs should provide guidelines for preparation of urban area plans and its integration with the development plans of the district as a whole. iii) State Level Monitoring Committee should be reconstituted for monitoring the CFC grant, SFC grant and other development activities of local bodies.

Chart 6.2: Status of 46 recommendations of 5<sup>th</sup> ASFC

The summary of 46 recommendations are depicted in Chart 6.2 and the status of their implementation are shown in *Appendix-6.1*.

The status of implementation of main recommendations are discussed in the following paragraphs:

## 6.9 Devolution of Functions and Functionaries

Article 243W of the Constitution of India deals with the powers, authority, and responsibilities of Municipalities. It empowers the State Legislature to endow Municipalities with necessary powers to function as institutions of self-government. This includes the devolution of powers and responsibilities to Municipalities with respect to 18 functions listed in the Twelfth Schedule. The Commission recommended that in order to translate the local governance into reality, 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<sup>37</sup> out of 18 functions listed in the Twelfth Schedule of the Constitution. Though ULBs exercising full or

<sup>37</sup> No provision was made for Fire and Emergency Services in the Assam Municipal Act, 1956.

partial jurisdiction, State Government had not issued notification for transferring any of those 17 functions to ULBs as of March 2023. As per position intimated by the Department (October 2024), out of 17 functions, ULBs were solely responsible for three functions; had no role in five 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 as shown in **Table 6.2**.

**Table 6.2: Functions with full/ partial/ no jurisdiction of ULBs**

<b>Functions with full jurisdiction of ULBs (three)</b>		
1	Burials and burial grounds, cremation grounds	These functions were traditionally under ULBs; hence, no fresh efforts for devolution needed.
2	Cattle pounds, prevention of cruelty to animals	
3	Regulation of slaughterhouses and tanneries	
<b>Functions with no role of ULBs (five)</b>		
1	Urban Planning including Town Planning	As accepted by the Department in October 2024
2	Fire services	
3	Safeguarding the interests of the weaker sections of society, including the physically handicapped and mentally unsound	
4	Promotion of cultural, educational and aesthetic aspects	
5	Vital statistics including registration of births and deaths	
<b>Functions in which ULBs are having minimal role/ having overlapping jurisdiction with State Departments/Parastatals (10)</b>		
1	Regulation of land use and construction of buildings.	The Department stated (October 2024) that functions at sl. 1, 4 and 8, are partially devolved while remaining seven were devolved to the ULBs. However, copies of formal Notification for devolution of these functions were not furnished. Audit observed that the democratically elected Boards of ULBs were not fully empowered to take decisions, plan and deliver services under these functions as recommended by the 74 <sup>th</sup> Constitutional Amendment Act.
2	Planning for economic and social development	
3	Urban poverty alleviation	
4	Water supply for domestic, industrial, and commercial purposes	
5	Public health sanitation, conservancy, and solid waste management	
6	Slum improvement and up-gradation	
7	Urban forestry, protection of environment and promotion of ecological aspects	
8	Construction of roads and bridges	
9	Provision of urban amenities and facilities such as parks, gardens and playgrounds	
10	Public amenities including street lighting, parking spaces, bus stops and public conveniences	

The actual position of devolution of the functions in the ULBs in Assam as of March 2024 is as shown in **Appendix- 5.1**.

As per Section 53(A) (2) of the Assam Municipal Act a committee was to be formed for smooth transfer of funds, function and functionaries. Since functions and funds were not fully transferred to the ULBs and the said committee was also not formed, no functionary was transferred to the ULBs.

### **6.10 Financial Accountability of ULBs**

The Commission recommended (*vide* para 5.28 (i) to (xiii) of its Report) various measures in order to improve financial accountability on the part of ULBs for sound financial management

of ULBs. Status of implementation of these measures are discussed in the following sub-paragraphs:

### 6.10.1 Maintenance of Asset Register

As per recommendation of the 5<sup>th</sup> ASFC, asset register in prescribed form should be maintained in all units of Local Bodies. This was crucial as many of the assets (*e.g.* market sheds, vendors markets, market complexes, *etc.*) created using ASFC funds or from other sources (like Central Finance Commission Grants), were aimed at generating revenue of the ULBs.

It was observed that none of the test-checked 22 ULBs maintained asset register (either physical copy or computerised) for the assets created under different programmes. The ULBs only maintained asset register for office furniture, computer equipment, *etc.*, required for maintenance of the office. As the asset registers were not maintained, the status/ utilisation of assets of the ULBs (especially the revenue generating ones) could not be monitored, thereby leaving possibility for misutilisation/ mismanagement of assets. By not maintaining the asset register, the ULBs were unable to keep track of revenue generated by such assets, which could also lead to leakage of revenue generated.

### 6.10.2 Preparation of Budget Estimates

The 5<sup>th</sup> ASFC was of the view that each unit of ULB should prepare budget estimate for a financial year and obtain approval from the DHUA. Budget estimate should be prepared realistically based on past trend of receipts and expenditure.

Out of the selected 22 ULBs, two ULBs (Chapakhowa Municipal Board (MB) and Demow MB) did not prepare budgets, whereas huge variation of actuals from budgets in both receipt and expenditure figures were observed in 17 out of 22 test-checked<sup>38</sup> ULBs. The average variation of actuals from budgets (Receipt and Expenditure) observed in test checked ULBs during the period covered in audit is shown in **Table-6.3** below:

**Table-6.3: Statement showing variation of actuals from budgets**

Receipt Budget		Expenditure Budget	
Average Variation range	No. of MBs	Average Variation range	No. of MBs
Less than 10 %	03	Less than 10 %	0
11-25 %	0	11-25 %	01
26-50%	03	26-50%	03
Above 50 %	14	Above 50 %	16

The maximum variation was seen in Margherita MB (92 *per cent*) and Lakhimpur MB (96 *per cent*) in case of receipt and expenditure, respectively.

<sup>38</sup> Substantial variations observed in the following ULBs; MB wise variations of expenditures and receipts: (+) denotes actuals falling short of budgets (-) denotes actuals surpassing budget. North Lakhimpur: 91.57% & 92.93%; Silapathar: 58.26% & 73.66%; Namrup: 63.91% & 48.93%; Sapatgram: (-) 197.2% & (-) 41.76%; Silchar: (-) 48.53% & (-) 85.10%; Nagaon: 57.92% & 62.69%; Barpeta Road: (-) 390.38% & (-) 390.38%, Lumding: 58.74% & 69.90%, Bongaigaon: 38.44% & 26.77%; Margherita: 81.14% & 85.52%; Digboi: 81.44% & 86.77%; Biswanath Chariali: 70.14% & 74.46%; Gohpur: (-)358.16% & (-) 358.16%; Narayanpur: 48.17% & 60.18%; Titabor: 54.96% & 60.22%; Jorhat MB: 73.05% & 57.94% and GMC: 31.69% & 61.98%

There was average negative variation of actuals from budget estimates in case of three<sup>39</sup> test checked ULBs on the receipt side and in five<sup>40</sup> test checked ULBs on the expenditure side, indicating under-estimation of both receipts and expenditure. The test-checked ULBs did not take into account the past trends of receipt and expenditure while preparing the budgets and the budgets were not prepared on a realistic basis.

### **6.10.3 Preparation of Monthly and Annual Accounts**

As per para 5.28 (iv) of 5<sup>th</sup> ASFC report, monthly and annual accounts as per prescribed formats furnishing the details of income and expenditure, should be prepared by ULBs.

The test-checked ULBs prepared Receipt and Payment Accounts for the CFC grants only. Annual accounts were not prepared for the other grants/ funds including own funds. Though it was stated by 16 out of 22 test checked ULBs that monthly accounts were prepared, they did not provide the same to audit for verification.

The Department stated in exit conference (October 2024) that from FY 2025-26 onward double entry system of accounting would be adopted by all ULBs. Thus, recommendation of the 5<sup>th</sup> ASFC was not meaningfully implemented even during the tenure of the 6<sup>th</sup> ASFC.

### **6.10.4 Provision for Internal Audit**

The 5<sup>th</sup> ASFC observed vide para 5.25 that there was no provision of exercising Internal Audit in PRIs and ULBs and under Para 5.28 (v), recommended that the DHUA should prepare guidelines and provision for internal audit of ULBs.

However, as of May 2024, provision for internal audit was not incorporated in Assam Municipal Act, 1956. The DHUA had not prepared any guidelines for internal audit of ULBs. Internal Audit System was not in place either at the Department level or in the selected ULBs. As a result, internal audit did not take place in ULBs.

Due to absence of internal audit system, financial accountability was lacking in ULBs, giving rise to irregularities as elaborated in preceding paras 6.10.1 to 6.10.3.

The Department stated (October 2024) that provision for internal audit has not yet been made in the relevant municipal act but from 2021-22 onwards Chartered Accountants empanelled by the State Government were engaged for audit of accounts of ULBs.

### **6.10.5 Strengthening of Director of Audit, Local Fund (DALF)**

Reference was made in the 5<sup>th</sup> ASFC Report (para 5.26) to the State Government's executive orders (December 2009) designating Director of Audit, Local Fund (DALF) as primary auditor to carry out the audit of ULBs and PRIs annually. However, the annual coverage of units of ULBs for audit by DALF ranged between 26 and 59 *per cent* during 2018-19 to 2022-23. In

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<sup>39</sup> Silchar, Barpeta Road and Gohpur MB.

<sup>40</sup> Sapatgram, Silchar, Barpeta Road, Gohpur and Titabor MB.

the view of this, the 5<sup>th</sup> ASFC recommended that Govt. should take urgent step(s) for strengthening of DALF in terms of personnel augmentation and capacity building.

**Manpower deficiencies:** It was observed that despite recommendation of the 5<sup>th</sup> ASFC, strengthening of DALF did not materialise in terms of manpower. Substantial vacancies continued to exist in the posts of Audit Officers and Assistant Audit Officers in DALF as shown in **Table 6.4** below:

**Table- 6.4: Comparative position of Human resource before and after the recommendation of 5<sup>th</sup> ASFC**

Name of Post	Position as of March 2015			Position as of December 2023		
	Sanctioned Strength	Men-in-position	Vacancy	Sanctioned Strength	Men-in-position	Vacancy
Deputy Director	3	3	0 (0%)	3	1	2 (66%)
Assistant Director	23	12	11(48%)	23	20	3 (13%)
Audit Officer	159	126	33(21%)	159	108	51 (32%)
Assistant Audit Officer	220	117	103 (47%)	220	118	102 (46%)

It can also be seen from the above table that there has been no augmentation of personnel position of manpower and excepting for Assistant Director cadre, vacancy position either deteriorated or remained unchanged. In the cadre of Audit Officer, who are involved directly in field audit, the vacancy position has further deteriorated even after recommendation of the 5<sup>th</sup> ASFC.

**Coverage of ULBs by DALF:** Audit observed that during 2018-24, DALF planned to cover ULBs as per manpower availability; however, a large number of ULBs remained to be audited by DALF. Details of shortfall in achievement of audit plan by DALF is shown in the **Table 6.5** below:

**Table 6.5: Coverage of ULBs planned for audit by DALF**

Year	No. of Units Planned for Audit	No. of Units Audited	Shortfall (per cent)
2018-19	74	44	30 (41)
2019-20	69	31	38 (55)
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 continuous shortfall in audit coverage (vis-à-vis targeted) of ULBs by DALF during 2018-19 to 2023-24 ranging from 41 *per cent* to 74 *per cent*.

There is also arrear of issuance of audit reports attributable to a large extent, to shortage of manpower.

The DALF stated (September 2024) that the shortfall in audit coverage was due to insufficient audit staff, engagement of audit personnel in specially entrusted accounts by the Government from time to time, election duty, etc.

Evidently, the State Government did not accord priority to the strengthening of DALF through manpower augmentation. Services of even the existing manpower were diverted for other audits and other duties.

#### **6.10.6 Submission of Annual Administrative Reports**

Under section 136 of the Guwahati Municipal Corporation (GMC) Act, 1971, the GMC should prepare and submit Annual Administrative Report to Government. As per Para 5.28 (vii) of 5<sup>th</sup> ASFC Report, DHUA should ensure receipt of Annual Administration Reports from ULBs for consolidation and submission to the state legislature.

The DHUA did not receive any Annual Administrative Report from the test-checked ULBs during 2016-17 to 2019-20, as none of them prepared the same. The DHUA had not initiated any step to enforce preparation and submission of Annual Administrative Reports by the ULBs.

The DMA accepted (October 2024) that only 14 *per cent* of the ULBs has prepared Administrative Report despite being reminded many times, while GMC stated that they have submitted the Administrative Report for the year 2023-24. In the absence of Administrative Reports, updated administrative information and functional status at a glance remained unavailable for Government and the policy makers.

#### **6.10.7 Furnishing of Utilisation Certificates (UCs)**

The 5<sup>th</sup> ASFC, *vide* para 11.24 of its Report, observed that the flow of utilisation certificates from across the field was rather tardy. It was further commented that in some cases, the same structure was being funded from multiple sources of finance. Instances were replete of second instalment of funds being held up due to non-receipt of utilisation certificates for the first instalment. The ASFC opined that this lacuna needed to be effectively addressed and suggested that Government in the Finance Department and DHUA should take necessary action for furnishing of UCs by ULBs.

One of the conditions of sanctioning funds to the ULBs was that UCs should be submitted to the Director of Municipal Administration (DMA). As reported by DMA, the ULBs were instructed to furnish UCs and the selected ULBs furnished UCs in respect of 5<sup>th</sup> ASFC grants. While furnishing UCs for 5<sup>th</sup> ASFC grants, the ULBs certified that funds were utilised for the purpose for which funds were sanctioned. However, the certification did not reflect the reality, as a major part of the 5<sup>th</sup> ASFC funds sanctioned for non-salary purposes, were utilised by the test-checked ULBs for payment of salaries, as elaborated in paragraph 6.15.3.1 of this report. Thus, the UCs submitted by the ULBs were not based on actual utilisation.

#### **6.10.8 Submission of Annual Report by DALF**

As per para 87 of the Assam Audit Manual, Annual Report of DALF should be submitted to Finance Department invariably by 30<sup>th</sup> September of the succeeding year incorporating major outstanding audit observations relating to local bodies which are pending for settlement, for further action by the Finance Department. The same was reiterated by the 5<sup>th</sup> ASFC *vide* para 5.28 (ix) of its Report.

It was observed that prior to 2021, the DALF has not submitted any Annual Report to the Finance Department. The last Consolidated Audit Report (CAR) for the year 2021-22 was submitted on 02/09/2023. Thus, non-reporting of outstanding audit observations relating to local bodies for further action by the Finance Department indicate non-compliance of provision of the Assam Audit Manual.

#### **6.10.9 Implementation of accrual based accounting system**

The ASFC recommended (para 8.97) that the ULBs should adopt highly transparent accounting standard. There should be a monitoring system at the State level to oversee its implementation.

As reported (June 2023) by DMA, GoA had adopted (March 2011) Assam Municipal Accounting Manual (AMAM) based on the National Municipal Accounting Manual in respect of the ULBs. However, out of the test-checked 22 ULBs, only Silchar and Bongaigaon MBs started implementing accrual based accounting system, from the year 2019-20 and 2021-22, respectively.

The Department informed (October 2024) that the accrual based double entry system is under implementation through UPYOG module<sup>41</sup> on a mission mode.

#### **6.10.10 Maintenance of Macro Level Data**

Under section 5.28 (xiii), the 5<sup>th</sup> ASFC observed that while micro-level accounts, in whatever rudimentary form, are maintained in ULBs, no macro level data for the entire State is maintained in the Department. It was observed by the ASFC that a system of database for ULBs should be in place for the State.

However, as of October 2023, compilation of macro level data of ULBs for the State had not been initiated by the Department. As a result, crucial data like year-wise position of collection of own funds by ULBs, *etc.*, were not available with the DMA.

The Department stated (October 2024) that a property tax portal was launched in 2022 which host a repository of metadata along with provision for analysis of the year on year increase in property tax, recollection percentage, defaulters' details *etc.*

#### **6.11 Preparation of Urban Area Plan and its integration with District Development Plan**

The Government of Assam have constituted a District Planning Committee (DPC) in each district of Assam under the provisions of Article 243 ZD of the Constitution of India. The main objective of the DPCs is to consolidate the plans prepared by the PRIs and the ULBs in the district and consolidate a draft development plan for the district. The 5<sup>th</sup> ASFC also observed that such DPCs in Assam usually did not take cognisance of plans prepared at grass roots level while consolidating district plan. The Commission, therefore, recommended (Para 13.14) that the nodal departments of ULBs should provide guidelines for preparation of urban area plans and its integration with the development plans of the district.

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<sup>41</sup> Urban Platform for delivery of Online Governance: UPYOG is the national reference platform created for the delivery of municipal services online.

The DHUA, GoA, had not yet (October 2023) issued any guidelines for preparation of development plans for urban areas and its integration with the development plans of the district as a whole. The test-checked ULBs did not prepare plan for development of infrastructure and service sectors of the concerned urban areas. Thus, preparation of development plan for urban areas and its integration with the development plans of the district was lacking.

Department stated (October 2024) that the urban area plan is prepared by the Directorate of Town and Country Planning in each district. The amended Assam Town and Country Planning Act of 2020 has included the directives for preparation of various urban plans and its integration with the development of urban areas and rural areas which are included within the master plan of the various towns of the district.

### 6.12 Deployment of skilled manpower to ULBs to ensure professionalism

The Commission was of the view that adequate staff strength is necessary for the purpose of effective office management. There was an urgent need of additional posts of technical and other staff. The Commission recommended (Para 8.95 and 13.37) deployment of skilled manpower to ULBs to ensure professionalism.

Three Municipal Cadres viz., Assam Urban Administrative Service, Assam Urban Engineering Service and Assam Urban Financial Service were created (October 2017). Accordingly, the following posts, as shown in **Table 6.6**, were created:

**Table 6.6: Creation of cadres and posts dedicated for ULBs**

Name of the posts	Number of Posts created	Posts belonging to the cadre	Posts created in
Executive Officer (Junior Grade-II)	103	Assam Urban Administrative Service	January 2023
Financial Management Officer (Junior Grade-II)	103	Assam Urban Financial Service	January 2023
Urban Technical Officer (Junior Grade-III)	103	Assam Urban Engineering Service	January 2023
Urban Technical Officer (Junior Grade-I)	103	Assam Urban Engineering Service	January 2023

However, no recruitment was done till the date of Audit. The Department, however, in its reply (October 2024) informed that the process of deployment of Executive officers, Urban Technical officers and Financial Management officers has started. A total 96 Executive Officers have been posted at various ULBs since March 2024 and the rest of the cadres were currently undergoing the training phase.

Thus, the process between notification for the post (October 2017) and actual creation of the posts (January 2023) took inordinately long time and could not be done within the award period of 5<sup>th</sup> ASFC. Unless recruitment of all these skilled and dedicated manpower are completed and training imparted, the functional efficiency and financial transparency of the ULBs cannot be achieved.

### 6.13 Recommendations relating to measures for Additional Resource Mobilisation (ARM) of ULBs

The 5<sup>th</sup> ASFC was of the view that the Local Bodies should gradually increase tax effort from the existing sources and encompass new revenue collection avenues. The 5<sup>th</sup> ASFC recommended six measures to be adopted by ULBs for ARM. The status of implementation of these recommendations is discussed in the following paragraphs:

#### 6.13.1 Arrear collection of revenue

The Commission observed that before going for enhancement of rate of tax and non-tax revenue, more emphasis should be given for arrear collection of taxes by ULBs, otherwise regular tax payers would suffer and the defaulters would not change their attitude. The Commission recommended several measures for Urban Local Bodies (ULBs) to increase revenue from existing sources. These include creating demand registers for major taxes and registers for year-wise arrears by the end of the 2016-17 financial year. ULBs should also present and discuss Demand Collection Balance Statements semi-annually and review tax and non-tax revenue collections quarterly in Ward Committee meetings. Finally, they should publicly display lists of major property tax defaulters, on their boards and websites, where legally permissible.

Scrutiny (July - October 2023) revealed that none of the selected 22 ULBs prepared Demand Collection Balance Statement of revenue receipts. Of these,

- Two MBs<sup>42</sup> did not have any data relating to the demand and collection of various revenues,
- Two other MBs<sup>43</sup> did not have the details of total demand,

The GMC also could not provide full details<sup>44</sup> of demand and collection of revenue indicating poor systemic control on the revenue collection.

Further, Review of collection of tax and non-tax revenues was not done in Ward Committee meetings of the selected ULBs. The selected ULBs also did not prepare list of major defaulters of property tax. Due to non-adoption of measures recommended by the Commission for arrear collection of revenues, huge arrears in collection of taxes and fees was noticed in case of selected ULBs during the period 2016-17 to 2019-20 as shown in **Table-6.7** below:

**Table-6.7: Statement showing arrear of taxes and fees in selected ULBs during the period covered under 5<sup>th</sup> ASFC 2016-20** (₹ in crore)

Sl. No	Name of the ULBs	Total demand including arrears	Total collection	Total Arrears	% age of arrear to Total demand
1	Silchar MB	52.53	6.83	45.71	87%
2	Sapatgram MB	0.45	0.07	0.37	83%
3	Barpeta Road MB	5.05	0.95	4.09	81%

<sup>42</sup> Digboi MB and Titabor MB

<sup>43</sup> Demow MB and Sonari MB

<sup>44</sup> Demand and collection details was provided by only one out of six Revenue Zones of GMC.

Sl. No	Name of the ULBs	Total demand including arrears	Total collection	Total Arrears	% age of arrear to Total demand
4	Marioni MB	1.08	0.26	0.81	76%
5	Jorhat MB	24.68	6.14	18.55	75%
6	Silapathar MB	1.45	0.44	1.01	70%
7	Margherita MB	0.54	0.17	0.37	69%
8	Nagaon MB	17.86	6.63	11.24	63%
9	Bongaigaon MB	29.85	14.54	15.30	51%
10	Narayanpur MB	0.89	0.47	0.42	48%
11	Biswanath Chariali MB	7.22	3.98	3.25	45%
12	Landing MB	3.91	2.66	1.24	32%
13	North Lakhimpur MB	4.70	3.53	1.17	25%
14	Nazira MB	2.89	2.50	0.40	14%
15	GMC West Zone	30.58	28.24	2.34	8%
16	Gohpur MB	3.22	3.11	0.10	3%
17	Namrup MB	0.39	0.39	0.00	0%
	<b>Total</b>	<b>187.45</b>	<b>83.69</b>	<b>106.38</b>	

Source: Information furnished by the selected ULBs

The above table shows that a total amount of ₹106.38 crore was in arrear for collection in respect of 17 test-checked ULBs at the end of the 5<sup>th</sup> ASFC period (March 2020). The percentage of arrear to total demand was above 50 *per cent* in 9 ULBs during 2016-2020. The arrear of revenue coupled with deficiencies in maintenance of records of arrear revenue and lack of initiative in strengthening revenue management in ULBs factored adversely against the basic objective of revenue augmentation of the ULBs in the State.

During exit conference it was stated by the DMA that major revenue collection like Property Tax has been made online (Year 2023-24 onwards) and the same is getting populated in the online portal developed by GoI. It was further intimated that it includes details of arrears as well as collection of both current and arrears of property taxes including GIS based property tax demand register (prepared for 89 ULBs). The reply may be viewed with the fact that effectiveness of online system would depend on comprehensiveness of data entry of arrear demands; hence, pro-active pursuance is necessary for actual realisation of revenue.

### 6.13.2 Identification of Vehicle Parking Areas and collection of Fee

As per para 8.104 of the 5<sup>th</sup> ASFC Report, the Commission recommended that in all ULBs, parking areas may be identified and parking lots may be developed. Parking fee may be collected from the operators of the vehicles based on rates fixed by the Boards. Multi-storeyed parking lots may be developed in large ULBs to realise more revenue from this source and for reducing traffic congestion.

Only seven (32 *per cent*) out of the test-checked 22 ULBs levied parking fees on vehicles parked in the traditional parking areas (Bus/Auto stands) and the rest (68 *per cent*) of the test-checked ULBs did not levy parking fees. Except GMC, none of the selected ULBs identified parking areas or developed parking lots to realise additional revenue from this source.

The Department, in a generalised reply, stated (October 2024) that vehicle parking areas have been identified by some ULBs and fee is collected as per prescribed norms based on their

requirement. Evidently, there remained substantial scope for additional revenue generation for the ULBs.

### **6.13.3 Levy of Track rent on service providers**

The Commission recommended vide para 8.107 of its report that Track rent should be levied by Municipal Bodies on optic fibre cable feeders laid by private parties as well as BSNL and all service providers. A minimum tax can also be levied on cable TV.

Audit observed that neither any provision for such levy was made in the relevant Acts, nor did the Government take any initiative to do the same in compliance with the Committee recommendations. None of the selected 22 ULBs levied Track rent on optic fibre cable feeders on private parties or on BSNL or tax on service providers of cable TV. By not levying Track rent on optic fibre and tax on cable TV, the ULBs did not explore a potential source of revenue which may have improved augmentation of their own revenue. The Government may initiate action to amend the relevant Acts for levy of Track rent.

The Department accepted (October 2024) that only 4 *per cent* of ULBs started levying track rent on service providers and the ULBs are instructed (with introduction of unified portal) to implement the commission's recommendation on levy of track rent.

### **6.13.4 Levy of tax on Advertisement and Hoardings**

The Commission, vide para 8.108 of its Report, observed that excepting GMC, no other ULBs collected taxes on hoardings and advertisements. The Commission recommended that although Assam Municipal Act, 1956 has not specifically made provision of collection of tax on advertisement and hoardings, this can be done simply by an order of the State Government. Amendment of Municipal Act, 1956 is not necessary for this purpose.

Out of test-checked ULBs, 12<sup>45</sup> ULBs levied tax on advertisement and hoardings. Thus, ten test-checked ULBs did not explore the possibility of mobilising revenue from potential source like advertisement tax; neither did the Government, though accepted the recommendation, issue any instructions for levy of Advertisement/ Hoarding Tax by ULBs.

### **6.13.5 Income generating Schemes**

The 5<sup>th</sup> ASFC, *vide* Para 8.111 of the Report, recommended that the ULBs should put more emphasis on implementation of income generating schemes.

The selected ULBs had taken up mostly non-income generating schemes under different programme and out of their own funds. Only a few income generating Schemes like construction of market sheds were taken up under 13<sup>th</sup> & 14<sup>th</sup> FC grants. Out of the total expenditure of ₹26.19crore incurred by the test checked 22 ULBs on non-salary heads out of 5<sup>th</sup> ASFC grants, only seven<sup>46</sup> ULBs utilised ₹1.11 crore (4 *per cent* of total expenditure by test

<sup>45</sup> Gohpur, Biswanath, Sonari, Nazira, North Lakhimpur, Lumding, Bongaigaon, Nagaon, Mariani, Jorhat, Titabor MB and GMC.

<sup>46</sup> Gohpur, Chapahowa, Narayanpur, Demow, Silapathar, Jorhat and Nagaon MB.

checked ULBs) towards execution of income generating schemes like development of parks, construction and renovation of market sheds, weaving centres, etc. The percentage of utilisation of funds for income generating schemes to total non-salary expenditure by the seven ULBs, was also very low ranging from five *per cent* (Narayanpur MB) to 34 *per cent* (Gohpur MB).

From the preceding paras it is evident that the selected ULBs did not adopt the measures recommended for additional resource mobilisation. This indicated inaction on the part of the DMA/ Department as well as ULBs to implement the recommendations for additional resource mobilisation. Due to not adopting the measures recommended for Additional Resource Mobilisation, the ULBs could not augment finances from existing and new sources and continued to rely on devolution funds.

Department stated (October 2024) that several income generating schemes have been taken up, such as, water user charges, property tax, STP as in Nagaon, hall booking, market, trade licence, cesspool cleaning, etc. Moreover, several services can be booked via the unified portal. However, such efforts would translate into augmentation of ULBs' revenue only through their expeditious execution and seamless operationalisation, which calls for pro-active pursuance by the Department/ DMA as there were several instances of delays in execution of income generating projects. It was a matter of concern that even as of March 2023, i.e. three years after close of the award period 5<sup>th</sup> ASFC, contribution of own source revenue to the total receipts for MBs like Mariani and Margherita, hovered around 10 *per cent* only. There were also instances of increasing/ high level of arrears of property tax, Short Collection of User Charges on Solid Waste Management, accumulation of arrears in the collection of Trade Licence fees/ rents/ kist money, *etc.*, under the ULBs of Jorhat and Tinsukia districts.

#### **6.14 Constitution of a separate State Finance Commission (SFC) Cell**

The successive Central Finance Commissions and State Finance Commissions had stressed the need for creation of a separate and permanent SFC Cell in State Finance Department. In this regard, the 5<sup>th</sup> ASFC, vide para 1.23 of its Report, emphasised the need for having similar SFC Cell in the Departments of Panchayat and Rural Development as well as in Urban Development Department (presently Department of Housing and Urban Affairs).

Separate SFC Cell had not yet been set up in the Urban Development Department. Even the SFC Cell in the Finance Department was not of permanent nature. Due to non-constitution of permanent and separate SFC Cell, the institutional memory for continuous availability of data/ information pertaining to successive Finance Commissions, was not ensured.

It is seen from above that although the State Government had accepted all the recommendations, as of October 2024, it had not made any legal provision for implementation of most of the recommendations. Though there have been developments in areas like deployment of skilled manpower, centralised monitoring mechanism through online portals, etc. as of October 2024, transfer of functions and functionaries to ULBs did not progress much. There was also lack of efforts to implement recommendations intended for additional resource mobilisation. Due to non-implementation of the main recommendations of the Commission,

the intention of the Constitution to endow the municipalities with adequate power, functions, resources and responsibilities to enable them to function as autonomous institutions of self-government, remained a distant goal.

## 6.15 Devolution and utilisation of 5<sup>th</sup> ASFC grants

### 6.15.1 Devolution of grants

The 5<sup>th</sup> ASFC recommended for funds devolution of total ₹2256.27 crore over a period 2016-20 in three components *viz.*,

- Tax devolution to cover revenue gap (₹811.48 crore);
- Specific purpose grant routed through ULBs (₹413.98 crore); and
- Grants to be routed through line departments for rectifying the deficiencies in physical infrastructure and service delivery currently being faced by GMC and other ULBs (₹1030.81 crore).

The position of funds (Grants and Tax Devolution) due to be devolved to ULBs as per recommendation of 5<sup>th</sup> ASFC and actually devolved and released to ULBs during the period 2016-17 to 2019-20, is given in **Table-6.8** below:

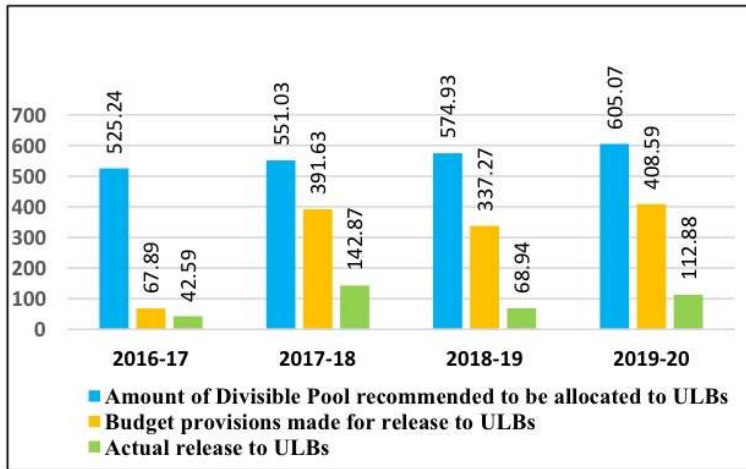
**Table-6.8: Statement showing the Grants and Tax Devolution (Revenue Gap) due to be devolved to ULBs and released to ULBs during the period 2016-17 to 2019-20 (₹ in crore)**

Year	Amount of Divisible Pool (DP) recommended to be allocated to ULBs including line departments			Budget provision made for release to ULBs including line departments			Actual release to ULBs including line departments		
	Grants	Tax Devolution	Total	Grants	Tax Devolution	Total	Grants	Tax Devolution	Total
2016-17	359.78	165.46	525.24	0	67.89	67.89	0	42.59	42.59
2017-18	362.94	188.09	551.03	223.59	168.04	391.63	15.35	127.52	142.87
2018-19	360.86	214.07	574.93	149.25	193.02	337.27	0	68.94	68.94
2019-20	361.21	243.86	605.07	164.44	244.15	408.59	2.89	109.99	112.88
<b>Total</b>	<b>1444.79</b>	<b>811.48</b>	<b>2256.27</b>	<b>537.28</b>	<b>673.10</b>	<b>1205.38</b>	<b>18.24</b>	<b>349.04</b>	<b>367.28</b>

Source: Report of 5<sup>th</sup> ASFC & Figures furnished by Finance Department and Department of Housing and Urban Affairs, Government of Assam.

It is seen from **Table-6.8** above that against ₹2256.27 crore recommended by the Commission to be devolved to ULBs and through the line departments in General Areas including GMC, only ₹1205.38 crore (53 *per cent* of recommended amount) was actually allocated to ULBs including GMC and line departments resulting in less allocation of ₹1050.89 crore than the recommended amount.

**Chart 6.3: Comparison of Grants and Tax Devolution (Revenue Gap) recommended, amount budgeted and actual release to ULBs**



Further, against the allocated amount of ₹1205.38 crore, only ₹367.28 crore (30 per cent of allocation) was released directly to the ULBs and through the line departments<sup>47</sup> resulting in short release of ₹838.10 crore than the actual allocation/ budget provision.

Evidently, there was a lack of prioritisation on part of Finance Department as well as DHUA, as neither the Finance Department nor the DHUA furnished any reason for short allocation and short release of funds respectively with respect to the recommendation of the 5<sup>th</sup> ASFC.

#### 6.15.2 Devolution of Specific Purpose Grant

The 5<sup>th</sup> ASFC recommended allocation of ₹413.98 crore specific purpose grant to be routed through ULBs and ₹1030.81 crore grants to be routed through line departments for rectifying the deficiencies in physical infrastructure and service delivery currently being faced by GMC and other ULBs and to upgrade operational infrastructure. The position of Grants due to be devolved to ULBs and line departments as per recommendation of 5<sup>th</sup> ASFC and actually devolved and released to ULBs and line departments during the period 2016-17 to 2019-20, is given in **Table-6.9** below:

**Table-6.9: Position of devolution of funds to ULBs and line departments as Specific Purpose Grants during the period 2016-17 to 2019-20 (₹ in crore)**

Year	Amount of Divisible Pool (DP) recommended for allocation to ULBs			Budget Provision	Actual Release
	Through ULBs including GMC	Through Line Departments	Total Grants		
2016-17	103.49	257.70	361.19	0	0
2017-18	103.49	257.70	361.19	223.59	15.35
2018-19	103.49	257.70	361.19	149.25	0
2019-20	103.51	257.70	361.22	164.44	2.89
<b>Total</b>	<b>413.98</b>	<b>1030.81</b>	<b>1444.79</b>	<b>537.28</b>	<b>18.24</b>

The purposes of these Specific Purpose Grants are outlined in **Table 6.10** below:

<sup>47</sup> Since the ULBs are deficient in capacity to handle technical works, the ASFC grants are routed through Line Departments to ensure proper monitoring, accountability, and efficient utilisation of funds. By routing the grants through Line Departments, the government can better oversee the implementation of projects

**Table 6.10: Purposes of major Specific Purpose Grants released to GMC and other ULBs**

Pertaining to GMC		Pertaining to other ULBs	
Recommended amount	Purpose	Recommended amount	Purpose
<b>Grants routed through ULBs ₹413.98 crore</b>			
₹132.80 crore	<ul style="list-style-type: none"> <li>• Solid Waste Management (₹20.00 crore),</li> <li>• construction/ improvement of markets (₹10 crore),</li> <li>• Bus Stands (₹10.00 crore),</li> <li>• Public Toilet (₹80.00 lakh),</li> <li>• Deep Tube Well (₹8 crore) and</li> <li>• Roads and Drains (₹84 crore)</li> </ul>	₹281.18 crore	<ul style="list-style-type: none"> <li>• Solid Waste Disposal (₹184.00 crore),</li> <li>• Bus Stand and Bus Terminus including park (₹42.70 crore),</li> <li>• Market (₹46.20 crore),</li> <li>• Sulabh Toilet (₹7.28 crore)</li> <li>• Library cum Auditorium (₹1.00 crore)</li> </ul>
<b>Grant of ₹1030.81 crore to be routed through Line Departments</b>			
₹30.00 crore	<ul style="list-style-type: none"> <li>• Town Hall cum Office (₹25 crore) to be executed by State PWD Building Wing and</li> <li>• Landfill Sites (₹5 crore) to be executed by State PWD Road Wing</li> </ul>	₹1000.81 crore	<ul style="list-style-type: none"> <li>• Water Supply Plant (₹382.55 crore),</li> <li>• Town Hall (₹490.00 crore),</li> <li>• Landfill Sites (₹112.00 crore),</li> <li>• Training (₹14.86 crore) and</li> <li>• Roads (₹1.40 crore).</li> </ul>

The comparative position of recommended amounts under Specific Purpose Grants, allocation thereagainst by the Government of Assam and actual release to the ULBs is shown at **Table 6.11** below:

**Table 6.11: Recommendation-Allocation -Release of Specific Purpose Grants**

Amount Recommended by 5 <sup>th</sup> ASFC	Amount allocated by the Govt.		Amount actually released to the ULBs as of 31 March 2023	
₹1444.79 crore	₹537.28 crore (37 %)	Short Allocation: ₹907.51 crore	₹18.24 crore (1% of recommendation and 3% of the allocation)	short release: ₹519.04 crore

Out of ₹18.24 crore released under Specific Purpose Grant, GMC received ₹15.35 crore<sup>48</sup>; while ₹2.89 crore was released to Assam Urban Water Supply and Sewerage Board, a parastatal body.

The non-release of grants to ULBs other than GMC was attributed to non-furnishing/ delay in furnishing of DPR, plan and estimates for schemes by the ULBs. However, the GoA had also not issued any instructions for submission of proposals for Schemes by ULBs. Therefore, the objective of improving solid waste management, water supply, city amenities, *etc.*, based on locally felt needs in the ULBs, remained unattended.

The above position of short allocation (63 *per cent* of recommendation not allocated) and abysmally low release (97 *per cent* of allocated sum not being released) puts to question the priorities of the State Government in strengthening the ULBs for meaningful devolution of functions in compliance with the 74<sup>th</sup> Amendment of the Constitution.

<sup>48</sup>Includes ₹1.00 crore for Deep Tube Well, ₹0.10 crore for Toilet, ₹1.25 crore for Bus Stand, ₹10.50 crore for Roads and Drains and ₹2.50 crore for Solid Waste Disposal.

### 6.15.3 Utilisation of Grants

Scrutiny (July-October 2023) of records of test checked ULBs showed that even the 5<sup>th</sup> ASFC grants that percolated to the ULBs, were not utilised in accordance with what had been envisaged by the SFC. As discussed in subsequent paragraphs, while most of the funds were used up on salary expenditure in deviation from SFC guidelines, there were instances of incomplete execution of projects and other procedural/ financial irregularities leading to frustration of objectives and excess expenditures.

#### 6.15.3.1 Diversion of Grants for meeting salary expenditure

As per Para 10.88 of 5<sup>th</sup> ASFC Report, tax devolution of ₹811.48 crore for ULBs for the period 2016-17 to 2019-20, intended to cover revenue gap, was to be primarily used for asset creation like roads, buildings, drinking water supply, markets, etc. As per para 8.85 (v) of the 5<sup>th</sup> ASFC report, salary and wages of the employees should be met out of own resources with a maximum of 30 *per cent* of devolution of funds meant for bridging revenue gap. The amount recommended each year as tax devolution may be provided in the State Budget of the respective year under the concerned major head of account showing the minor and detailed heads separately for each category of ULBs.

The Government released a total amount of ₹359.13 crore to ULBs as tax devolution for revenue gap during the period 2016-17 to 2019-20 from the budget under the Head of Account “2217-Urban Development-80-General-192-Assistance to Municipalities/Town Committees-32-Grants-in-Aid (Non-Salary)-99-others” under Grant No. 34 -Urban Development. In the sanction orders for release of funds, it was stated that the funds for revenue gap may be utilised by ULBs as recommended by the 5<sup>th</sup> ASFC vide recommendation at para 10.88 (*i.e.* primarily for asset creation like road, building, drinking water supply, village markets, etc.). However, in January 2018, GoA relaxed the 30 *per cent* limit of grants for utilisation for payment of salary and wages and released the entire amount of ₹42.58 crore for the year 2017-18 for payment of salary and wages.

Out of 82 ULBs in General Areas of Assam, three ULBs<sup>49</sup> did not get any ASFC funds as these were newly constituted MBs. Only GMC has utilised the 5<sup>th</sup> ASFC funds for non-salary purposes. The percentage of salary expenditure met out of 5<sup>th</sup> ASFC grants by the remaining 78 ULBs is depicted in the **Table 6.12** below:

**Table 6.12: Utilisation of 5<sup>th</sup> ASFC fund on salary by ULBs during 2016-17 to 2019-20**

Sl. No.	Percentage of utilisation of 5 <sup>th</sup> ASFC fund for salary	No. of ULBs
1	100	22
2	Between 90 and 99	28
3	Between 70 and 89	18
4	Between 30 and 69	9
5	Below 30	1

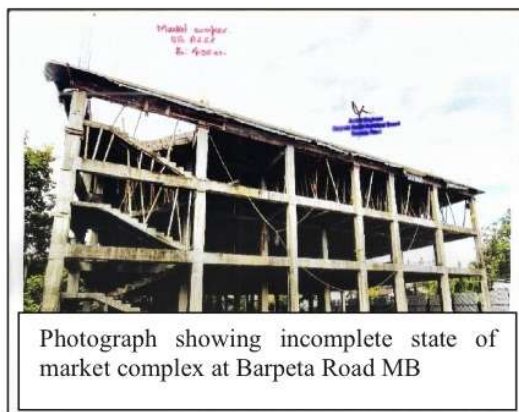
<sup>49</sup> No fund was released to Sootea, Jamugurihat and Golokganj MB as these were newly constituted MBs.

This indicated that the ULBs utilised devolution grants released under 5<sup>th</sup> ASFC recommendations mainly for payment of salaries to regular and contractual staff instead of utilising it for development works, ignoring the recommendation of the 5<sup>th</sup> ASFC as well as conditions of sanction of funds. This was mainly due to the fact that the ULBs did not have sufficient own source of income. The Government had also acted against the basic tenet of the Commission's recommendation by abolishing the limit (30 per cent) of expenditure on salary out of the devolution grants. Thus, due to utilisation of Tax Devolution for Revenue Gap by ULBs mainly for salary purpose, the objective of granting *i.e.*, for creation of assets like road, building, drinking water supply, village markets, *etc.*, remained unfulfilled.

The Department stated (October 2024) that the above limit was relaxed by the Government as per the decision of the Cabinet.

### 6.15.3.2 Incomplete Works

**i) Incomplete market complex:** As per recommendations of 5<sup>th</sup> ASFC, grant amounting to ₹4.00 crore was to be provided to Barpeta Road MB for construction of Market Complex during the four years 2016-17 to 2019-20. The Commission recommended ₹1.00 crore per year in four phases for the said project.



Photograph showing incomplete state of market complex at Barpeta Road MB

Barpeta Road MB took resolution to construct Market Complex at Ward No. 9 of the MB out of the funds recommended by the Commission and submitted DPR for the Scheme in October 2017. Director of Municipal Administration requested the Secretary to the GoA, DHUA, Dispur in November 2017 to accord necessary Administrative Approval (AA) to the Scheme and accorded financial sanction of ₹1.00 crore for the year 2017-18. DHUA accorded AA to the scheme in October 2019, *i.e.*, after almost two years from the matter being submitted to it. Executive Officer, Barpeta Road MB floated tender for the work in June 2020 for estimated value of ₹4.00 crore. The work order was issued in July 2020 with stipulated time for completion as 48 months.

As reported by the Executive Officer, Barpeta Road MB, 60 per cent physical progress was made as of September 2023, but no funds were released against the work under 5<sup>th</sup> ASFC. DHUA accorded a revised AA to the work in November 2021 and an amount of ₹2.40 crore was released to the MB under 6<sup>th</sup> ASFC out of which an amount of ₹1.99 crore was paid to the contractor against the executed work.

Thus, the work taken up for execution under 5<sup>th</sup> ASFC grants remained incomplete till date (September 2023), as shown in the photograph, due to initial delay by the Department in giving AA followed by revision of the AA and delay in release of funds. The work remained incomplete even after lapse of almost seven years from submission of DPR, defeating the

objective of providing market infrastructure in Barpeta Road municipal area within the 5<sup>th</sup> ASFC award period.

The Department, however, did not offer any cogent reason behind delay in according AA. It was only informed (October 2024) that out of ₹4.00 crore, ₹2.40 crore has already been released during 2022-23 to Barpeta Road MB and the work had 80 *per cent* progress. Now they have submitted the physical progress report of 80 *per cent* completion of work. Proposal for revalidation of Administrative Approval has been submitted which is under the disposal of Finance Department.

**ii) Incomplete bus-stand:** As per recommendation of 5<sup>th</sup> ASFC, a grant of ₹15.75 crore was to be released to 21 MBs including Barpeta Road MB at the rate of ₹75.00 lakh per MB for construction of Bus Stands.

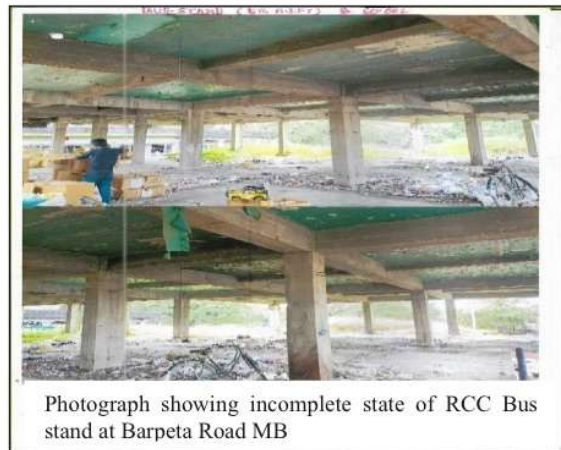
DHUA, GoA accorded AA (November 2019) to the work of construction of R.C.C Bus Stand Building at Barpeta Road MB under 5<sup>th</sup> ASFC grants for creation of capital assets for an amount of ₹60.00 lakh. Barpeta Road MB prepared plan and estimates for the work which was technically approved by Additional Chief Engineer, PWD (Buildings) Assam, in March 2020. Executive Officer, Barpeta Road MB floated tender for the work in June 2020 for an estimated value of ₹60.00 lakh. The Board awarded the work (August 2020) with stipulated time for completion as 48 months. The Board authority reported 70 *per cent* physical progress with a bill value of ₹41.93 lakh as of February 2021. However, no funds were received against the work, from the GoA till September 2023 and no payment was made to the contractor. The work remained incomplete as of September 2023, as shown in the photograph.

Thus, the Department accorded AA; but, did not release any funds for 3 years and 11 months for construction of a RCC bus stand at Barpeta Road municipal area. The work, initiated on the AA halted midway, leaving an unpaid liability of ₹41.93 lakh under 5<sup>th</sup> ASFC. No pursuance by the ULB was found to be on records. The primary SFC objective of creation of bus-stand infrastructure for citizens remained unachieved.

The Director Municipal Administration, Assam stated (October 2024) that since the AA expired in the year 2022-23, the proposal for revalidation of AA amounting to ₹60 lakh has been submitted to the Government.

**iii) Incomplete water supply projects:** The 5<sup>th</sup> ASFC recommended for allocation of ₹382.55 crore for installation of water Supply Plants in ULBs to be executed through Line Departments.

Accordingly, the Urban Development Department (later renamed as Housing & Urban Affairs Department) made budget provision for a total amount of ₹239.10 crore for Water Supply Schemes for ULBs. The scheme included construction of reservoirs cum



Photograph showing incomplete state of RCC Bus stand at Barpeta Road MB

treatment plants and laying and installation of distribution pipes. The Department accorded (September 2018) AA to nine Water Supply Schemes (WSS) for a total amount of ₹78.90 crore to be executed by the Assam Urban Water Supply & Sewerage Board (AUWSSB). AUWSSB initially floated tender for the works in January 2019 followed by re-tendering, and work orders were issued in July 2019. A total amount of ₹288.77 lakh was released (March 2020) against five WSSs out of the seven schemes. However, actual commencement of the works was delayed as there was delay in handing over of sites. Out of the nine works against which Administrative Approval was accorded,

- Two works (Doomdooma and Badarpur WSS) were not commenced till September 2023 and work orders were cancelled.
- The physical progress of the remaining seven works ranged from 2 per cent (in Dhemaji WSS) to 18 per cent (in Barpeta WSS) only till date of Audit.

It was stated (October 2024) by AUWSSB that the works (excepting those for which work orders were cancelled) are in progress now as the AA has been received from the Government under the 6<sup>th</sup> ASFC and the work orders issued in December 2023 and March 2024. However, as of September 2024 *i.e.* even after lapse of more than four years and a half from release of funds, physical progress ranged only between 8 and 25 per cent.

Thus, due to delay in handing over of sites for execution coupled with delayed release of funds, two projects remained non-starters while none of the remaining seven water supply works progressed much as of October 2024.

### 6.15.3.3 Excess expenditure due to preparation of inflated estimates

GMC, Barpeta Road MB and Nagaon MB prepared plan and estimates for works executed under 5<sup>th</sup> ASFC grants based on Assam Public Works Department, Schedule of Rates (SOR) for the year 2016-17 & 2017-18. The basic rates of SOR were inclusive of all octroi charges, toll tax, sale tax, VAT (@ 5 per cent), municipal taxes, forest royalty and other local taxes, etc. including loading and unloading.

However, it was found in audit that the ULBs ignored the 5 per cent VAT included in the SOR and prepared the plans and estimates adding GST at the rate of 12 per cent on the items of works which was inclusive of VAT. This resulted in the estimates getting inflated by ₹7.03 lakh as elaborated in **Table -6.13** below:

**Table-6.13 Details of inflated estimates prepared by the selected ULBs** (₹ in lakh)

Name of ULB & (nos. of works)	APWD SOR referred	Basic rate inclusive of 5 % VAT	Adjusted basic rate excluding 5 % VAT	Estimates prepared after charging 12% GST on rate inclusive of VAT (col 3)	Estimate after charging 12 % GST on adjusted rate (col 4)	Excess estimates (Col 5 - col 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
GMC (9 works)	2017-18	38.65	36.81	43.29	41.23	2.06
Barpeta Road (1 work)	2016-17	12.33	11.74	13.81	13.15	0.66
Nagaon MB (5 works)	2018-19	80.74	76.90	90.43	86.12	4.31
		<b>131.72</b>	<b>125.45</b>	<b>147.53</b>	<b>140.50</b>	<b>7.03</b>

Due to preparation of inflated estimates, these ULBs provided undue financial benefit to contractors amounting to ₹7.03 lakh in respect of 15 works, records of which were made available to audit. The respective authorities may fix responsibility upon the concerned officer for preparing inflated estimates resulting in extra expenditure.

Department stated (October 2024) that letter was being issued to the respective ULBs and further action is being processed.

#### **6.15.3.4 Works awarded without competitive bidding**

The conditions of Administrative Approval and Financial Sanction accorded by the Joint Secretary, Urban Development Department, Government of Assam for utilisation of grants under 5<sup>th</sup> ASFC, *inter alia*, provide for calling of NIT for fixation of rates as per Assam Financial Rules, 1939 and relevant rules and procedures.

**(i) Work awarded based on single tender:** Joint Secretary, Guwahati Development Department<sup>50</sup> accorded (March 2018) AA to an amount of ₹21.00 crore for the work “Roads and Drains” under 5<sup>th</sup> ASFC during the year 2017-18 to be executed by the Commissioner, GMC. On the strength of the said AA, GMC authority prepared Plan and Estimates for 65 works and technical sanction was accorded by the Chief Engineer, GMC in July 2018.

As per Bid Evaluation Summary of different works, tender was floated through e-Procurement System. As per the Minutes of the meeting of Tender Evaluation Committee held on 10/09/2018, only one tender was received in case of eight packages consisting of total 24 works. The Committee decided to open the single tender received against each of the works and the works were awarded (September 2018) to the single bidder for a total award value of ₹220.97 lakh on the ground that the works were to be taken up on priority basis.

The sense of urgency in the work was, however, not forthcoming from records as there was a gap of almost seven months from the date of AA to the award of the work.

Thus, by not resorting to re-tendering, availability of competitive rates was not ensured.

**ii) Works without tender formalities:** No tender was floated by Silapathar MB (eleven works) and Mariani MB (one work) which were executed through contractors and incurred a total expenditure of ₹37.10 lakh out of funds received under 5<sup>th</sup> ASFC. Awarding of works without inviting tender was irregular and as a result, economy in execution through competitive bidding could not be ensured.

**iii) Non-selection of lowest bidder:** Lakhimpur MB awarded eight works to the highest bidders without valid reasons sustaining loss of total amount of ₹2.50 lakh due to ignoring lowest bidding value. Both the Chairman and the Executive officer (EO) of the MB approved the Comparative Statement based on which work orders were issued resulting excess expenditure of ₹2.50 lakh.

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<sup>50</sup> Later merged into Housing & Urban Affairs Department

**6.15.3.5 Irregular Expenditure**

As per the conditions of Administrative Approval and Financial Sanction accorded by the Joint Secretary, Urban Development Department, Government of Assam, Technical Sanction was to be obtained before execution of works from the competent technical authority<sup>51</sup>.

Audit observed that Digboi MB executed 46 Schemes (Improvement of Roads) by splitting the original work valuing ₹1.05 crore simply to avoid obtaining Technical Sanction to the Plan and Estimates. Splitting of work without obtaining Technical Sanction was violation of conditions of Administrative Approval and Financial Sanction, leading to irregular expenditure of ₹104.88 lakh incurred against these works.

**6.15.3.6 Doubtful supply of dustbin**

Executive Officer, Mariani MB procured 154 Nos. of Dustbins through suppliers at the total cost of ₹13.71 lakh out of 5<sup>th</sup> ASFC funds during the year 2017-18. However, neither delivery challans (which was to contain vehicle Registration No., certificates of receipt of materials, stock entry certificate, *etc.* on its face) nor any stock book were available in support of delivery of dustbins. In absence of delivery challans, stock entry, material receipt certificate, *etc.*, actual supply of the Dustbins worth ₹13.71 lakh could not be verified in audit.

Department stated (October 2024) that the ward level committee was instructed as per board decision to implementation of the project; but, due to oversight, the vehicle registration number was not recorded but Challan of the delivery of dustbin would be produced to audit. Thus, the ULB/ Department was unable to produce challans even after passage of more than six years.

**6.15.3.7 Creation of liability under 5<sup>th</sup> ASFC**

For construction/ improvement of bus-stand in ULBs and ULB markets, total amount of ₹3820.00 lakh at the rate of ₹955.00 lakh per year was recommended by the 5<sup>th</sup> ASFC. As per Annexure 8.8 of 5<sup>th</sup> ASFC Report, an amount of ₹75.00 lakh was to be allocated to Barpeta Road MB for construction/ improvement of market building and ₹200.00 lakh was to be allocated to Bongaigaon MB for construction of Market complex and Bus Stand at the rate of ₹100.00 lakh each.

Urban Development Department, Government of Assam accorded administrative approval to the aforesaid works and the concerned ULBs (Barpeta Road MB and Bongaigaon MB) floated tenders and awarded the works to contractors as shown in **Table-6.14** below:

**Table-6.14: Details of approval and award of works** (₹ in lakh)

Sl. No.	Name of work	Date of Admin. Approval	Date of Floating Tender	Date of Awarding work	Tender Value
1	Construction/ improvement of market building at Barpeta Road MB	06/12/2019	07/03/2020	06/08/2020	30.00
2	Construction of RCC three storied Bus Stand at Bongaigaon MB	16/11/2019	29/02/2020	19/03/2020	48.15

<sup>51</sup> Executive Engineer of respective department is the Competent authority for technical sanction to original works upto ₹10 lakh

Sl. No.	Name of work	Date of Admin. Approval	Date of Floating Tender	Date of Awarding work	Tender Value
3	Construction/ improvement of Ground Floor market Complex at Bongaigaon MB	06/12/2019	05/02/2020	25/02/2020	39.96
	<b>Total</b>				<b>118.11</b>

It is seen from above that there was delay in according AA and subsequent finalisation of contracts and awarding of works. Although, 100 *per cent* physical progress was achieved in all the three works, no payment was made to the contractors due to non-release of funds by DHUA against the works. As a result, total liability of ₹118.11 lakh was created towards execution of the works under 5<sup>th</sup> ASFC.

This represented lacuna in financial management of ASFC funds. In spite of specific approval of the 5<sup>th</sup> ASFC for construction of market/ bus stand, the Government did not ensure expeditious execution and timely flow of funds for their completion within the award period. The DHUA intimated (October 2024) that proposal has been submitted to the Government for revalidation of expired AAs. However, during exit conference, the Finance Department stated that for ensuring timely execution of SFC projects, decision has been taken not to release further funds for unfinished works of one SFC from subsequent SFCs. Thus, clearance of the above-mentioned liability relating to 5<sup>th</sup> ASFC projects remained uncertain.

## 6.16 Monitoring Mechanism

The Assam Municipal Act, 1956 and GMC Act, 1971 contain provisions enabling the GoA to monitor and ensure proper functioning of the Urban Local Bodies. The 5<sup>th</sup> ASFC was of the opinion that in view of increasing fund flow in the form of own Revenue Receipts, transfer from SFC and CFC grants, a multi-level multi-pronged well-structured monitoring mechanism was required for guiding the implementation of various schemes effectively, besides overseeing the overall functioning of the ULBs. The status of implementation of recommendations regarding monitoring mechanism in ULBs is discussed in the following paragraphs:

### 6.16.1 Reconstitution of High-Power State Level Monitoring Committee

While reiterating the recommendation of previous SFC (4<sup>th</sup> ASFC) for constitution of a High Level Monitoring Committee, the 5<sup>th</sup> ASFC recommended to include more members and cover additional matters in its ambit. The Commission recommended to reconstitute the existing High Level Monitoring Committee headed by the Chief Secretary with Finance Secretary and Secretaries of concerned Departments as members, through inclusion of more members covering heads of the concerned line departments. Apart from monitoring the CFC grants, it should cover SFC grants and other development activities of Local Bodies.

Although there existed a High Level Monitoring Committee headed by the Chief Secretary with Finance Secretary and Secretaries of concerned Departments as members for monitoring Central Finance Commission Grants, the State Government did not reconstitute the Committee including more members covering Heads of the concerned line departments. Further, monitoring of State Finance Commission Grants and other development activities of ULBs

remained outside the ambit of the Committee. As the High Power State Level Monitoring Committee was not reconstituted by the State Government, proper monitoring of SFC grants was lacking, which facilitated excess expenditure, irregular expenditure, incomplete works, delay in according AA and release of funds as elaborated in preceding Paras 6.15.3.1 to 6.15.3.7.

#### **6.16.2 Constitution of District Level Monitoring Committee**

The 5<sup>th</sup> ASFC recommended that a District Level Monitoring Committee should be constituted to review the status reports and recommendations of the review meeting held at ULBs. The Committee should include representatives from independent agencies, in addition to those from ULBs, and will meet twice in a year during April and October. The proceedings of the meeting with views and recommendations should be submitted to the High Level State Committee for monitoring the activities of ULBs.

It was reported by the DMA, that a District Level Monitoring Committee was constituted by Finance (Economic Affairs) Department headed by Deputy Commissioner as Chairperson and officials and elected representatives of ULBs as members. However, no such committee existed in fifteen out of 22 test-checked districts and in the remaining seven test-checked districts, although such committee existed, no activities/ meetings were carried out by these committees.

#### **6.16.3 Deployment of Technical Persons for Physical Verification and Supervision of Works**

The 5<sup>th</sup> ASFC emphasised the need of physical verification on execution of works relating to ULBs by technical personnel of Directorate of Municipal Administration (DMA). The Superintendent Engineer and Sanitary Engineering Adviser, Assistant Engineer along with Junior Engineer of DMA, Assam should supervise the field works through physical verification of execution of schemes in order to facilitate issuance of utilisation certificate. The technical personnel from the office of the Deputy Director of Town and Country Planning should also supervise and monitor the activities of the MB in their jurisdiction.

Although it was reported (June 2023) by DMA that Technical persons from DMA and Directorate of Town and Country Planning supervised and monitored works executed by the ULBs, no monitoring reports were available. Absence of monitoring may be viewed with instances of works remaining incomplete as elaborated earlier in this report (*vide* para 6.15.3.2).

The DMA stated (October 2024) that Assistant Engineers, Junior Engineers, and Urban Technical Officers had been recruited and field visits were being conducted from time to time. Thus, execution of projects under 5<sup>th</sup> ASFC was affected by absence of Engineering staff at ULB level for the whole of award period of 5<sup>th</sup> ASFC and most of the award period of 6<sup>th</sup> ASFC.

#### **6.16.4 Monitoring through Social Audit**

The 5<sup>th</sup> ASFC was of the view that one of the key monitoring mechanisms was the continuous social auditing of the performance of ULBs. The concept of Social Audit and participation of

people should be encouraged and Ward Committee/Area Sabha should be given the responsibilities for Social Audit of ULBs. The objective of Social Audit is to make the people aware of the activities of ULBs by way of enabling them access to its records and documents, thereby promoting transparency and accountability in the activities of Local Bodies.

In none of the test checked ULBs, “Area Shabha”/ Ward Committees were constituted. Due to non-constitution of “Area Sabha”/ Ward Committees, monitoring of the progress of schemes/ works through Social Audit did not materialise. In the absence of Social Audit, the progress of 5<sup>th</sup> ASFC works as well as another beneficiary-oriented flagship program like PMAY (U)<sup>52</sup> were not sufficiently monitored.

### **6.17 Conclusion**

Although the Government of Assam accepted all the recommendations of the 5<sup>th</sup> ASFC relating to ULBs, it had not made it statutorily binding on itself by incorporating legal provisions for implementation of most of the recommendations. Out of the recommendations for which notifications were also issued, only a few recommendations were implemented. Due to non-transfer of Functions and Functionaries and inadequate transfer of Funds to ULBs, the intention of the Constitution to endow the municipalities with adequate power, functions, resources and responsibilities to enable them to function as autonomous institutions of self-government, did not materialise.

Overall unpreparedness of the ULBs in making use of the SFC grants was evident from the instances of diversion of devolution grants (Revenue Gap) meant for asset creation for salary expenditure, inordinate delay in initiation of projects and stalling/ non-completion of projects, etc.

Though successive SFCs emphasised on income generating schemes for augmenting own source revenue of ULBs, there was little initiatives towards the same and the ULBs remained heavily dependent on grants from CFC/ SFC/ Departments.

Only a minuscule part of the grants (both grants for addressing revenue gap and Special Purpose Grants) recommended by the 5<sup>th</sup> SFC, actually percolated to the ULBs. Even thereafter, substantial part of revenue gap grants was utilised to meet salary expenditure in deviation from scheme guidelines. The situation was found to be further compounded by instances of works approved under 5<sup>th</sup> ASFC remaining incomplete for non-release of funds by the Department.

As regards the financial accountability and transparency of the ULBs, though there has been a positive shift since Audit flagged areas of lacunae, sustained pursuance is needed for maintenance of accounting records, adoption of new accounting methods, etc.

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<sup>52</sup> Progress of works under PMAY (G) was not satisfactory as the percentage of completion of houses to houses sanctioned ranged from 17 to 93 *per cent* in ULBs and only three ULBs attained 100 *per cent* completion of houses sanctioned.

A well-structured multi-level monitoring mechanism (*e.g.* High-Power State Level Monitoring Committee, District level Monitoring Committees, etc.) for analysing and sorting out the bottlenecks in implementation of ASFC recommendations and functioning of the ULBs was yet to be made fully functional. This adversely affected implementation of projects under 5<sup>th</sup> ASFC and also overall progress in strengthening of the ULBs to assume necessary powers to function as institutions of self-government.

#### **6.18 Recommendations**

**The GoA may consider implementation of the following measures:**

- i) Bringing out formal notifications for devolution of functions making devolution of funds and functionaries statutorily binding;**
- ii) Setting target dates/ attainable milestones for the ULBs for adoption of accountability and financial transparency related measures recommended by the 5<sup>th</sup> ASFC and pursuing them with more pro-active approach;**
- iii) Strengthening of DALF through filling up of vacancies;**
- iv) Guiding the ULBs for tapping potential sources of their own revenue and closely pursuing their implementation in sustained manner for ensuring financial strengthening of ULBs. The status of 5<sup>th</sup> ASFC projects stalled midway owing to dearth of funds needs to be reviewed on priority and a roadmap needs to be created for their timebound completion;**
- v) Assigning utmost priority on taking up, execution and operationalisation of revenue generating assets by the ULBs;**
- vi) Activating the multi-level monitoring mechanism envisaged by the 5<sup>th</sup> ASFC (*e.g.* High-Power State Level Monitoring Committee, District level Monitoring Committees, etc.).**