

CHAPTER-VIII
Function Based Audit of Urban
Local Bodies

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8.1 Introduction

Function Based Audit with a District-Centric focus is a comprehensive approach to auditing that focuses on evaluating the performance and effectiveness of various programs and services at the district level. This method provides a localized assessment, ensuring that resources are used efficiently and that public services meet the needs of the community.

District-Centric audits are essential for fostering effective governance and sustainable development at the local level. By focusing on specific districts, these audits provide a detailed assessment of resource utilisation, service delivery, and the implementation of socio-economic programs. They promote accountability and transparency among local authorities, ensuring that public funds are used efficiently and for their intended purposes. Additionally, District-Centric audits help identify gaps and inefficiencies, leading to targeted improvements in public services.

8.2 Audit Scope and Methodology

8.2.1 Functions and Activities selected for District-Centric Audit

The 74th Constitution (Amendment) Act, 1992, envisaged the transfer of 18 functions as listed in Twelfth Schedule of the Constitution. Out of 18 functions as per Twelfth Schedule of the Constitution of India, ULBs in Assam are solely responsible for three functions⁶³; had no role in five functions⁶⁴ and in the remaining 10 functions⁶⁵, the ULBs were mere implementing agencies with minimum role or were having overlapping jurisdiction with State departments and parastatal bodies.

In case of Guwahati Municipal Corporation, though the sanitation and SWM related works are done by GMC, sanitation works are also done by PHE Department, and water supply is

⁶³ (i) Burials and burial grounds, crematoriums, cremation grounds, electric cremation grounds, electric crematoriums; (ii) Cattle pounds, prevention of cruelty to animals; (iii) Regulation of slaughter houses and tanneries.

⁶⁴ (i) Urban Planning including Town Planning and (ii) Fire Services (iii) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded, (iv) Promotion of cultural, educational, and aesthetic aspects, (v) Vital Statistics including registration of Births and Deaths.

⁶⁵ (i) Regulation of land use and construction of building (ii) Slum improvement and up gradation (iii) Roads and Bridges (iv) Urban Forestry, protection of the environment and promotion of ecological aspects (v) Planning for economic and social development (vi) Urban poverty alleviation (vii) Water Supply for domestic, industrial, and commercial purposes, (viii) Public Health, Sanitation, Conservancy, Solid Waste Management, (ix) Provision of Urban amenities and facilities such as parks, gardens, playgrounds, (x) Public amenities including street lighting, parking lots, bus stops and public conveniences.

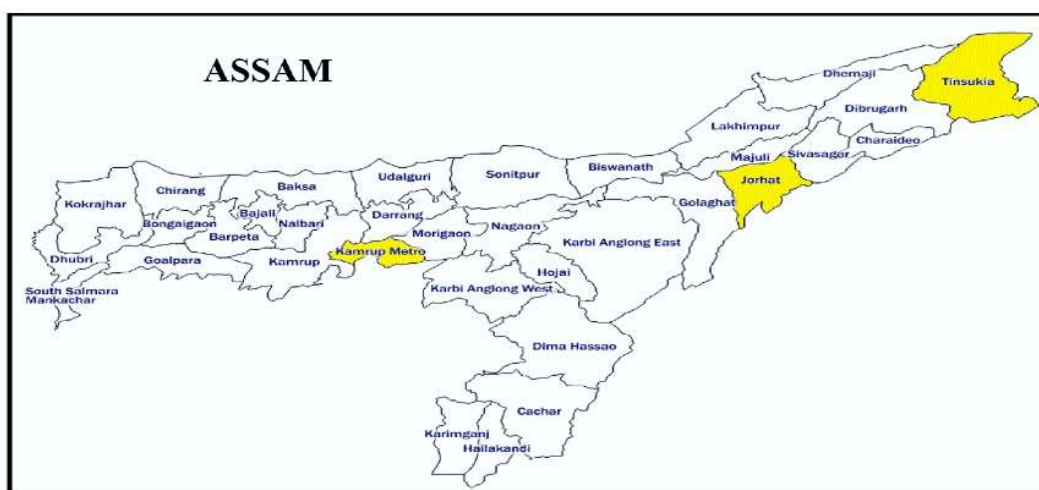
provided by Guwahati Jal Board, GMDA, PHE Department and GMC in different parts of the city. Further, the licensing of shops/ restaurants and property tax, *etc.*, are done by GMC.

Hence, function-based audit was not suitable. So, cross cutting topic *viz.*, “construction and asset creation” was taken up as a topic for DCA. The audit of ULBs was done with a District Centric Approach covering cross-cutting activities (asset management, property tax, constructions, *etc.*) which were carried out in multiple horizontal units of ULBs. The focus was to assess whether constructions were completed as per desired norms and whether durable assets have been created and whether there was any established mechanism for asset management.

8.2.2 Audit Scope

The function based audits were conducted in three districts (Tinsukia, Jorhat and Kamrup (Metro)) of Assam for the period 2020-21 to 2022-23. The map of Assam showing the geographical representation of the three districts is depicted at figure 8.1 below:

Figure-8.1: Map showing the geographical representation of the three selected districts.



Coverage of Function Based Audit was for three years from 2020-21 to 2022-23.

Table 8.1: Selection of ULBs

District/ Tier of ULBs	Municipal Corporation (1)	Municipal Boards (7)
Tinsukia	Nil	Tinsukia, Digboi and Margherita
Jorhat	Nil	Jorhat, Mariani and Titabor
Kamrup (Metro)	Guwahati Municipal Corporation	North Guwahati MB

8.2.3 Audit criteria and methodology

Audit findings in this Chapter are *inter alia* benchmarked against the following criteria:

- Assam Municipal Act, 1956
- Guwahati Municipal Corporation Act, 1971
- Assam Municipal (Accounts) Rules 1961
- National Municipal Accounts Manual

- Comprehensive guideline of the Central Finance Commission
- Sanction/Release order from Government of Assam
- The Assam Financial Rules

For selecting the district, the 27 districts of general areas were divided into three strata and one district from each stratum was selected using the Simple Random Sampling Without Replacement (SRSWOR) method based on expenditure. From each district 03 ULB units (one from each type of ULB unit viz MC and MB) were selected. The units covered in DCA were seven MBs and one MC under the selected districts. In Kamrup (Metro) only two available ULB units, i.e, one MC and one MB were selected. For each district taken up for Audit, District-Centric Inspection Report (DCIR) has been brought out, culling information and findings from the Inspection Reports and issued to the HoD of the Department.

8.3 Overview of the Activities and Districts Selected

8.3.1 Overview of Cross-Cutting Activities

The maintenance of infrastructure cuts across functions devolved to the Local Bodies as well as those in which devolution is minimal or responsibility is shared with parastatals or State Government line departments. This chapter contains certain audit findings pertaining to the expenditure on creating income generating schemes, multi-purpose hall for ULBs and community assets from CFC grants and devolution fund recommended by SFC. Assets management, property tax, construction etc. are the cross-cutting activities of Local Bodies which is not one of the devolved function but carried out in multiple horizontal units in ULBs. Therefore, activities of construction were selected for DCA on cross-cutting basis.

8.3.2 Overview of Districts selected

The administrative and economic data, as well as data pertinent to understanding the service delivery in the selected districts are shown in **Table 8.2** below:

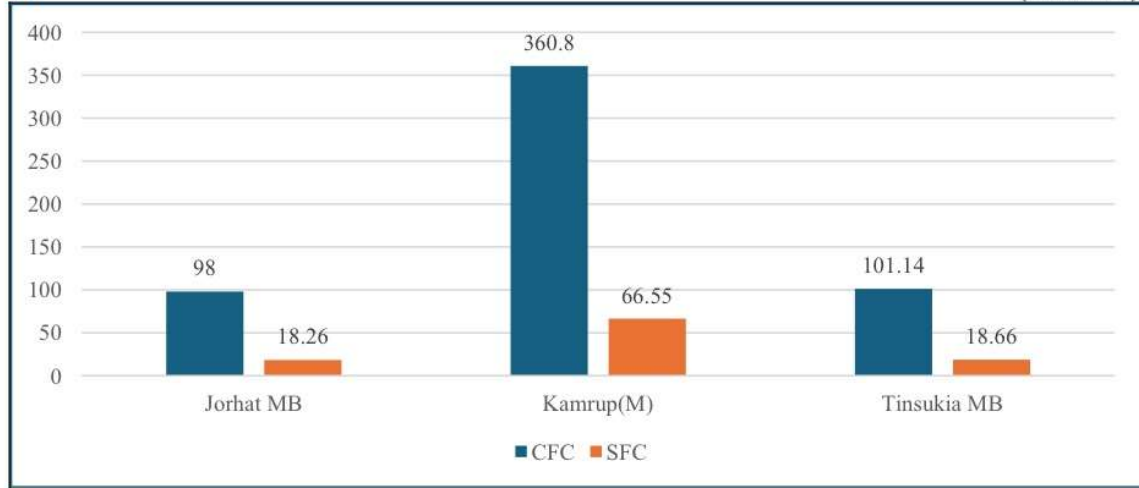
Table-8.2: Comparison of different parameters in the three selected districts

Parameter	Tinsukia	Jorhat	Kamrup (M)
Area	3790 Sq.Km.	2851 Sq.Km	1527 Sq.Km
Population	13.28 lakh	10.92 lakh	12.54 lakh
Urban Population (% of total population)	2.65 lakh (20%)	2.21 lakh (20%)	10.37 lakh (82.70%)
Number of ULBs	6	4	2
Sex-ratio (Females per 1000 males)	907	938	933
Urban Literacy Rate	87.22%	90.39%	82.57%
Poverty Ratio	14%	15%	3.50%
Employment and Livelihood Quality Index (Position within the State)	0.40 (11 th Position)	0.53 (2 nd Position)	1.00 (1 st Position)

Source: Statistical Handbook, Assam 2024 and Information provided by the Department.

The position of allocation and release of fund to the three selected districts during the period 2020-21 to 2022-23 is shown in Chart-8.1 below:

Chart 8.1: Receipt of CFC and SFC grants by the three selected districts during 2020-21 to 2023-24 (₹ in crore)



The above data shows distribution of grants among the districts with Kamrup Metro having highest urban population receiving the most share. Municipal finances in all three ULBs are predominantly funded by CFC grants.

8.4 Audit Findings

Significant Audit findings pertaining to cross cutting activities

Some of the significant findings of Audit has been elaborated in the following paragraphs:

8.4.1 Suspected misappropriation in Sonari Municipal Board

Prolonged practice of assigning revenue collection and cross verification of collected revenue to the same official, compounded by lack of monitoring on collection and deposit of revenue by the Sonari MB authority, facilitated suspected misappropriation of revenue amounting to ₹1.06 crore.

As per para 5.7 of the National Municipal Accounts Manual (NMAM), the general procedure for the receipt, deposit and accounting of the collections shall be as follows:

- For receipt of cash or any amount received in the form of cheques/draft, a Receipt, duly signed and dated, shall be issued.
- The amount collected (cash, cheques as well as drafts) shall be deposited into Designated Bank Accounts or with the other designated Collection Offices of ULBs, by the end of the day or on the next working day.
- The Collection Offices shall record the particulars of each Receipt, in the Collection Register daily.

The Manual *ibid* also outlines the process of preparation of Bank Receipt Vouchers and entry of such deposits in the Cash Book by the Accounts Department. The responsibility of cross verification of the process was vested on the Accounts Section.

Moreover, under Rule 117 of Assam Municipal Accounts (AMA) Rules, 1961, the custody and issue of receipt books should be with Vice-Chairman or Executive Officer of any MB and no new books should be issued unless the book in use is exhausted. Appendix A of the AMA Rules, 1961 also underlines the differences in roles of the Tax Collector, Tax Daroga⁶⁶ and the Accountant in an ULB.

The mechanism of collection and deposit of municipal taxes⁶⁷ as intimated (October 2023) by the Chairman, Sonari Municipal Board (MB), Charaideo District, showed that taxes are collected from the Tax payers by officials designated as License Assistants (LA) and Tax Collectors (TC), who were responsible for recording the details of the collected amount in the Challan Register and submit the same to the Tax Daroga. In deviation from the above mentioned Rule 117 read with Appendix A of the AMA Rules, 1961, the responsibility of issuing Receipt Books to the LA and TCs was assigned to the Tax Daroga. As per the information furnished by the Chairman, Sonari MB, the Tax Daroga receives the collected revenue and after verifying the Challan Register with Receipt Book, enters the same in the Daily Collection Register. The Tax Daroga was to deposit all the collected amount in the bank account of Sonari MB and the bank scroll is handed over to the Cashier/Accountant for entering the same in the Cash Book.

Audit observed (October 2023) that since 2019, one License Assistant⁶⁸ of Sonari MB was also holding the charge of Tax Daroga and was in possession of 23⁶⁹ Receipt Books for collection of revenue from the taxpayers. Scrutiny (October 2023) of counterfoils of receipt books (March 2019 to February 2021) used by the said License Assistant cum in-charge Tax Daroga (LAcTD), revealed that the said LAcTD collected an amount of ₹53.80 lakh during the period from March 2019 to February 2021. However, it was found that instead of recording ₹53.80 lakh in the Challan Register and Daily Collection Register, only ₹18.95 lakh was recorded by the LAcTD as revenue receipt. The remaining ₹34.86 lakh was neither recorded in the Challan Register and Daily Collection Register, nor deposited in the Bank account of Sonari MB till the date of audit (October 2023). This was tantamount to suspected misappropriation of ₹34.86 lakh.

The Chairman of the Sonari MB was neither aware of the short deposit of revenue by the LAcTD, nor did he know the whereabouts of the non-deposited revenue of ₹34.86 lakh. At the instance of Audit, a show cause notice was served (October 2023) to the concerned LAcTD and a preliminary enquiry was conducted by the Chairman, Sonari MB. The

⁶⁶ A post in MB administration which is superior to Tax Collectors and License Assistants, and responsible for receiving collected revenue from Tax Collectors and License Assistants after initial checking

⁶⁷ Municipal taxes consisting of Trade License, Building Permission fees, Kist money for settlement of markets, Market rent, House rent, Private Bus stand fee etc.

⁶⁸ There were one License Assistant and three Tax Collectors (including one contractual TC)

⁶⁹ Receipt Book No. 1007 to 1029

preliminary enquiry revealed that, over and above the misappropriation of ₹34.86 lakh pointed out by Audit, another ₹70.97 lakh was misappropriated by the same LAcTD between the period April 2021 and July 2023 in a similar way. The LAcTD collected ₹82.27 lakh from the taxpayers using 24 Receipt Books between April 2021 and July 2023, but deposited only ₹11.30 lakh in the bank account against actual collection. The Chairman, Sonari MB filed (November 2023) a complaint to lodge an FIR with the Sonari Police Station and suspended (June 2024) the LAcTD. However, the Secretary stated (December 2024) that the concerned LAcTD is not traceable since filing of FIR and no action could be initiated against him.

Evidently, assigning the duty of the License Assistant (*i.e.* collector of revenue) as well as Tax Daroga (initial receiver and cross-verifier of the collected revenue from the License Assistant) to the same official for a prolonged period diluted the built-in control mechanism envisaged in the Manual/ Rules. The stipulated control on issue of receipt books was also missing in Sonari MB as the Tax Daroga was seen to have a number of receipt books in his custody. All these lacunae, compounded by lack of cross-verification of collection and remittances of receipts by Accounts Section, facilitated continuance of the above-mentioned serious irregularity undetected for years.

Thus, prolonged imprudent practice of assigning the duty of Tax Daroga and License Assistant to the same person, coupled with laxity on issue of receipt books and lack of monitoring of collection and deposit of revenue by the Sonari MB authority, facilitated suspected misappropriation of revenue amounting to ₹1.06 crore⁷⁰.

Necessary action may be initiated to fix the responsibility and appropriate action taken against the delinquent officials including recovery of the misappropriated money.

8.4.2 Idle expenditure on construction of a Multi-storey Car Parking cum City Hall in Jorhat Municipal Board

Lapse on the part of the Jorhat MB in handing over a clear site and structural drawings to the Contractor followed by termination of contract on a flimsy ground, led to non-completion of the construction of a Multi-storey Car Parking cum City Hall at Jorhat for nine years from the original target date of completion of the work. As a result, expenditure of ₹5.08 crore remained idle while requirement of the Jorhat city remained unfulfilled.

Government of India (GoI), Ministry of Development of North-Eastern Region (DoNER) accorded Administrative and Financial approval (December 2010) under Non-Lapsable Central Pool of Resources (NLCPR) for construction of a Multi-storey Car Parking cum City Hall at Jorhat at a total cost of ₹10.52 crore. Administrative approval for the work was given by the Urban Development Department, Government of Assam in February 2012. The

⁷⁰ ₹34.86 lakh pointed out by audit and ₹70.97 lakh detected by the MB.

objective of the Project was to cater to the demand of the city for a large Conference Hall and for meeting the parking requirement of the people of the area.

Technical Sanction for the Project was accorded (May 2013) by the Chief Engineer, Public Works Department (PWD), Building Division, Assam, Guwahati. Jorhat Municipal Board awarded the work to a contractor (M/s Engineers Guild, Khanapara, Guwahati) in June 2013. An agreement was signed (September 2013) with the contractor and work order was issued (September 2013) with an instruction to complete the work within two years (by September 2015) of receipt of the work order.

Audit observed that there were delays on the part of the Jorhat MB in handing over hindrances⁷¹-free site and structural drawings⁷² to the contractor. There were a series of communications⁷³ from the contractor flagging these delays and requesting for expeditious handing over of structural drawings and site clearance. Jorhat MB handed over the clear site to the contractor only in January 2016 (28 months from date of work order issued) *i.e.*, four months after due date of completion of the Project. Further, the complete structural drawing was handed over only in April 2018 (55 months from date of work order issued). However, the contract was terminated by the MB in September 2019 stating slow progress of work and inability to complete the work in spite of repeated reminders⁷⁴ by the MB.

Records of the MB further showed that till September 2019, Jorhat MB received ₹5.47 crore from the Government for this project, out of which ₹4.25 crore was paid to the contractor. Nothing was on record to show any further initiative taken by Jorhat MB in completing the project. Instead, the unspent amount (₹1.22 crore) was also refunded by the Jorhat MB to the Department. The project remained incomplete as of December 2023 without any further progress as shown in the pictures below.



⁷¹ The site had electric pole, trees, boundary walls, toilet blocks, shops, concrete slabs, etc., which had to be cleared from the site.

⁷² Another consultant (Structural Engineer) was engaged by the MB for the structural drawing.

⁷³ Letters dated 16/06/2014, 03/09/2014, 12/09/2014, 10/10/2014, 15/06/2015, 10/07/2015, 14/08/2015, 07/01/2016 and 20/04/2018.

⁷⁴ The Jorhat MB in its contract termination letter cited reminders dated 10/08/2018, 01/10/2018 and 04/10/2018.

The contractor filed (December 2019) an Arbitration Case against the termination of the Contract. As per the Arbitral Award (October 2023), the delay in execution was attributable to the lapse on the part of the Jorhat MB in timely handing over the complete site to the contractor and delay in providing structural drawings. It transpired from the arbitral award that the Jorhat MB could not handover clear site to the contractor since a part of the proposed site was occupied by a shop which could not be evicted in time by the Jorhat MB and for which the contractor had communicated several times between 2013 and 2018. Under the Arbitral Award, Jorhat MB was directed to clear the dues⁷⁵ of the contractor within three months, failing which interest would be payable at the rate of 10 *per cent per annum* till realisation of the amount. Audit observed that the Jorhat MB, in compliance to the Arbitration Award, paid an amount of ₹54.00 lakh to the contractor between January 2024 and November 2024. However, there remained a further liability of ₹29.00 lakh.

Thus, inability of the Jorhat MB in timely handing over the hindrances-free site and structural drawings to the contractor, followed by termination of contract, led to non-completion of the construction of a Multi-storey Car Parking cum City Hall at Jorhat for nine years from the original target date of completion of the work. As a result, an expenditure of ₹4.25 crore remained idle and requirements of the Jorhat city stood unfulfilled. Additionally, ₹0.54 crore was made to the contractor due to an arbitration award, with a further ₹0.29 crore remaining as committed liability to the contractor from the same award.

Due to non-completion of the work, the Project was handed over (August 2023) to the Assam Public Works Department (Building), Jorhat as per the direction (July 2023) of Hon'ble Chief Minister of Assam. There was no further development in this matter (December 2024).

8.4.3 Unproductive Expenditure on a Commercial-cum-Office Complex at Tinsukia

Three floors of a four-storey Commercial-cum-Office Complex constructed under the Tinsukia Municipal Board meant for generation of revenue and creation of employment opportunities, remained unused for seven years as the floors, though completed, was not handed over by the contractor and full payment was not made by the MB.

The Chairman, Tinsukia Municipal Board (TMB) took up a project for construction of a four-storey building with an estimated cost of ₹7.33 crore⁷⁶. The project included four-storey building with parking facilities, campus lighting with sub-station facilities, firefighting facilities, etc. for commercial use. The objective and purpose of the project was income generation of the Municipal Board (MB) as well as employment generation for the inhabitants of MB.

⁷⁵ 1) Payment of ₹20.36 lakh against the interest for delayed payment against the four RA Bills submitted by the contractor. 2) Security Deposit amounting to ₹33.58 lakh was to be released to the contractor which was retained by Jorhat MB. 3) Admissible amount against the 5th RA Bill to be calculated arrived at after deducting the amount raised for extra items of work and shall be paid with the same rate of interest with effect from December 2019.

⁷⁶ The expenditure for the project was sourced from Entry Tax and grants received from the 4th ASFC.

The work for the project was awarded to a contractor⁷⁷ (February 2012) at a formal work value of ₹7.33 crore. The project of four-storey building had the provision for the following:

Table 8.3: Details of the project of four storey building

Ground floor	12750 Sqft	17 Stalls and a Conference Hall
First Floor	11247 Sqft	13 Stalls and Conference Hall
Second Floor	12994 Sqft	Office of Tinsukia MB
Third Floor	12994 Sqft	Space for renting out to office/ bank/ Companies, etc.

The contractor received a payment of ₹5.73 crore⁷⁸ during June 2012 to April 2014. On the request of the TMB, the contractor handed over the second-floor where the office of the TMB was inaugurated by the Hon'ble Chief Minister of Assam in August 2017. The Contractor, in their communication (August 2017) requested the TMB for release of the remaining amount. It was observed that on request of the contractor for clearance of dues⁷⁹, another ₹30 lakh was paid to the Contractor (taking the total payment to ₹6.03 crore) in October 2017. At present, the Municipal Board is functioning from the second floor. However, as of October 2023, the remaining three floors of the four-storey building, though completed, were lying unused. No further payment was released to the Contractor and based on formal work value and amount paid so far, ₹1.30 crore was yet to be paid (*i.e.* award value ₹7.33 crore *minus* ₹6.03 crore paid).

It was observed that the impasse has been continuing since completion of the building in 2017 and as of October 2023, as the Contractor did not hand over three floors of the multi-storey building (except 2nd floor) due to non-payment of remaining ₹1.30 crore. The MB was also unable to clear the dues from their own resources. Instead, TMB requested the contractor in December 2019 to hand over the ground floor, 1st floor and 3rd floor of the completed building and stated that the remaining dues of the contractor would be cleared from the security money to be collected from renting out of the stalls and halls.

There has not been any further development in this matter and as a result, the MB was unable to start leasing/ letting out the commercial spaces for generation of revenue and creation of employment opportunities as envisaged by it, even after seven years from completion of the construction. No further efforts⁸⁰ were forthcoming from records either to clear the dues of the contractor or to take over of the remaining floors of the completed building to start renting them on a commercial basis.

⁷⁷ This work had been taken up first in October 2003; however, litigation started during selection process of contractor. The Court disposed of the case in February 2012. with a direction that the work was to be awarded to the present contractor

⁷⁸ **From Entry tax funds:** June 2012: ₹85.28 lakh; October 2013: ₹201.44 lakh; August 2014: ₹102.31 lakh
From 4th ASFC award: October 2012: ₹141.44 lakh; February 2013: ₹42.62 lakh.

⁷⁹ Total Due: ₹1.60 crore (Contract amount: ₹7.33 crore – ₹5.73 crore (paid up to April 2014))

⁸⁰ Excepting a letter (June 2019) from the MLA Tinsukia to the Minister of States, Urban Development for arranging for alternative source of ₹1.50 crore to clear the dues of the contractor.

On a conservative estimate, an expenditure of ₹3.19 crore⁸¹ (out of ₹6.03 crore spent on the construction so far) was incurred on the three unused floors of the building, which remained unproductive for almost seven years defeating the objectives of generating revenue and employment opportunities.



Present status of unused floors of the Commercial-cum-Office Complex under Tinsukia MB

The matter has been reported to the Government in October 2024; their reply has not been received (June 2025).

8.4.4 Unfruitful expenditure on Solid Waste Management project under Lumding Municipal Board

The objective of installation of a solid waste management project in Lumding Municipality, Hojai District remained unfulfilled for five years despite availability of funds under Swachh Bharat Mission-Urban. Lack of active pursuance compounded by payment of unsecured advance to the project contractor by the Lumding Municipal Board, resulted in an expenditure of ₹30.51 lakh remaining unproductive, of which ₹4.68 lakh remained with the Contractor.

Under the Assam Financial Rules⁸², 1939, advances to contractors are, as a rule, prohibited. However, when an advance payment is unavoidable under exceptional circumstances, the same can be made only under the orders of competent authority and after taking all necessary precautions for securing the interest of the Government against loss.

Under the Swachh Bharat Mission-Urban (SBM-U), the Mission Director (SBM-U), Assam sanctioned (May 2018) and released (July 2018) ₹65.10 lakh⁸³ to Lumding Municipal Board (LMB), Hojai District for a Solid Waste Management (SWM) project. As per the DPR, this SWM project would also generate revenue⁸⁴ for the LMB.

⁸¹ Total proportionable amount in terms of floor space = (Payment made: ₹6.03 crore *minus* expenditure prior to masonry work: ₹1.73 crore). Floor wise expenditure arrived on the basis of proportion of floor space.

⁸² As per Rule 236 read with Rule 274 of the Assam Financial Rules, an advance to the contractor can be made but security must be taken for its summary recovery in the event of its not being adjusted by work done.

⁸³ Project cost for SWM ₹61.58 lakh and Consultancy fee for preparation of DPR ₹3.52 lakh.

⁸⁴ As assessed in the DPR, 7051 kgs of biodegradable waste was supposed to be processed per day from which 2115 kgs of compost would have been produced per day. Potential revenue generation of ₹9.34 lakh (Against projected running expenses of ₹6.64 lakh) per month was also envisaged in the DPR.

The LMB authority invited quotations for supply and installation of Solid Waste Management (SWM) plant in July 2019 and selected a contractor,⁸⁵ being the lowest bidder for supply and installation of SWM plant as shown in the **Table 8.4** below.

Table 8.4: Component wise rate of supply and installation of SWM plant

Sl. .	Products/items	Quantity(s)	Rate/Unit (₹ in lakh)
01	Automatic 300 kg capacity composting machine	01	20.58
02	Ape Tipper with Two Chambers (Biodegradable and Non-biodegradable)	02	10.50
03	Plastic Waste Shredding Machine 700 kg/Hr.	01	16.75
04	Safety items for Labour	30 pair	1.00
05	Cesspool cleaner 3500 L	01	9.99
06	Construction of Industrial shed	01	2.20
	Total		61.02

The work order was issued, and formal agreement was entered into in July 2019 between the contractor and LMB for supply and installation of the SWM plant within 45-60 days of signing of agreement. However, the agreement did not protect the interests of the MB as discussed below.

It was observed in the agreement (July 2019) entered with the contractor that the LMB agreed to pay 50 *per cent* of the contract value as advance, without obtaining any security. Accordingly, LMB paid ₹30.51 lakh (50 *per cent* of ₹60.02 lakh) as advance to the contractor in July 2019. However, neither any approval of higher authorities nor any security from the contractor was obtained. Moreover, there was nothing in the agreement to bind the contractor in the event of default on his part.

Though advance was given by the LMB, the contractor did not supply the components in full and install the SWM even after the lapse of five years (July 2024), though the agreed period was 60 days from the date of issue of work order. The Chairperson, Lumding MB issued three reminders to the Contractor in October 2019, December 2019 and February 2020. In August 2020, the Contractor supplied only the Composting Machine (₹20.58 lakh) and one Ape Tipper



with Two Chambers (₹5.25 lakh). There was no further development towards supply of remaining components or operationalisation of the plant. However, no active pursuance and intervention with the contractor was noticed on the part of the LMB between August 2020 and April 2023 (date of Audit). The Composting Machine, supplied by the contractor, has been lying idle since its supply in an open area till July 2024, as shown in the photograph.

⁸⁵ M/s Advance Steel World, Jorhat

In the absence of any security against the advance, the contractor ignored the scheduled timeline of supply and installation of the SWM and even retained balance amount of ₹4.68 lakh (₹30.5 lakh advanced *minus* material supplied worth ₹25.83 lakh). Further, the condition and usability of the Composting Machine also remained uncertain as the same has never been put to use and was lying idle in open area for years together.

Thus, despite availability of funds, the basic objective of installation of a solid waste management project in Lumding Municipality remained unfulfilled for five years since awarding of the work and payment of advance of ₹30.51 lakh, of which ₹4.68 lakh remained with the Contractor. The remaining part of the SBM-U funds received for the project, remained parked with LMB. This was attributable to undue lenience shown by the LMB authorities to the contractor in the form of paying unsecured advance followed by lack of active pursuance through legal recourse. Had the project been functional, it could have also helped the MB in augmentation of its revenue resource.

The Chairperson, LMB stated (July 2024) that a complaint was filed (October 2023) against the contractor with the Lumding Police Station to lodge an FIR, as the contractor was not traceable. The reply was not acceptable as the LMB authorities lodged the complaint only after a lapse of four years since the contractor did not supply the materials and six months after the matter had been flagged by Audit. However, in December 2024 the Government endorsed another reply from the LMB which stated that the contractor had assured to complete the remaining work.

The Government should verify the actual progress of work and fix appropriate responsibility for giving unsecured advance by the LMB to the contractor and initiate action to recover the amount from the contractor at the earliest.

8.5 Audit Conclusion

The above observations highlight significant financial irregularities and mismanagement within the Municipalities. A recurring theme is the lack of effective oversight, internal controls, and timely project completion, which collectively led to substantial financial losses and unfulfilled public objectives.

The absence of proper checks and balances in revenue collection and verification facilitated the suspected misappropriation of ₹1.06 crore in Sonari MB. Adding to these concerns, the Tinsukia Municipal Board's inability to finalize the handover and payment for a Commercial-cum-Office Complex meant for revenue generation and employment has left three floors unused for seven years, representing a significant underutilisation of public investment.

8.6 Audit recommendation

The Government should initiate immediate steps to strengthening Financial Management and:

- Immediately implement strict segregation of duties for revenue collection, recording, and verification. No single official should be responsible for both collecting and cross-verifying revenue. This significantly reduces the opportunity for misappropriation.
- Develop and strictly enforce clear policies regarding the issuance of advances, specifying conditions, approval levels, and repayment schedules.
- Implement a strict timeline for the adjustment of advances against work completed or recovery of unutilized amounts, with penalties for delays.
- Conduct thorough feasibility studies, including realistic cost estimations, risk assessments, and clear benefit analysis, before initiating any project.
- Implement a robust system for regular progress reviews at various stages of project execution, including site visits, performance assessments, and detailed reporting.
- Establish efficient procedures for the timely inspection, acceptance, and handover of completed projects to ensure immediate utilisation and revenue generation.

By implementing these recommendations, the municipal bodies can significantly mitigate the risks of financial irregularities, improve project delivery, and ensure that public funds are utilized efficiently and effectively for the benefit of citizens.

Guwahati

Dated : 16/02/2026



(KUMAR ABHAY)

Accountant General (Audit), Assam

Countersigned

New Delhi

Dated : 19 FEB 2026



(K. SANJAY MURTHY)

Comptroller and Auditor General of India