

EXECUTIVE SUMMARY

Executive Summary

This report comprises eight chapters of which Chapter I contains an Introduction to the Local Governments of the State. Chapters II and V contain an overview of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapter IV and VIII include function-based audit findings including compliance audit paragraphs of PRIs and ULBs respectively. Chapter III contains findings on the functioning of the Social Audit Unit of Assam, Chapter VI has one Subject-Specific Compliance Audit and Chapter VII contains result of Compliance Audit of Municipal Corporations. Copies of draft audit paragraphs were forwarded to the Government and replies, wherever received, are duly incorporated in this report. This report is a consolidation of major audit findings from 207 Panchayati Raj Institutions and 21 Urban Local Bodies audited during the years 2021–24, aiming to draw attention to critical issues for necessary remedial action.

Introduction to the Local Government of Assam and its Audit

Following the 73rd and 74th Constitutional Amendment Acts of 1992, a three-tiered local government system was established in Assam, creating a third tier of governance. For rural areas, the Panchayati Raj System consists of Gaon Panchayats (GP), Anchalik Panchayats (AP), and Zilla Parishads (ZP). For urban areas, Urban Local Bodies (ULBs) are structured with Municipal Corporations (MCs) for large cities and Municipal Boards (MBs) for other urban centres.

The main sources of income for Local Bodies are funds from the Union and State Governments, including grants from the Finance Commissions. During 2019–20 to 2023–24, 69 *per cent* of the total resources came from centrally sponsored schemes, where Local Bodies act primarily as implementing agencies with limited decision-making authority.

The own-source revenue accounts for a minimal share (3 *per cent*) of the total receipts, making Local Bodies highly dependent on government grants. Although the Constitution provides for the devolution of powers and responsibilities, including 29 subjects for Panchayats and 18 for Municipalities, there has been no meaningful devolution of functions and functionaries in Assam. This lack of empowerment limits their ability to function as truly self-governing institutions.

The primary audit body, the Director of Audit, Local Fund (DALF), has significant audit backlogs (51–63 *per cent* shortfall) and delays in submitting audit reports. The Local Bodies often do not maintain essential records like asset registers and cash books, leading to lack of transparency and a high number of unresolved audit objections. The state also lacks a formal grievance redressal mechanism like an Ombudsman for PRIs, although a Social Audit Unit exists for certain schemes.

The Committee on Local Fund Accounts (CoLFA) of Assam Legislative Assembly has partially discussed two of the last five audit reports laid before the legislature, recommendations are awaited.

(Chapters I, II, V)

Functioning of Social Audit Unit in Assam

Assam's Social Audit Unit (SAU), established to ensure transparency and accountability in rural development schemes, faces severe operational and governance challenges. Its registration has expired due to infrequent Governing Body meetings, which also hinder budget approvals and annual account certifications. The SAU operates with a significant manpower shortage (43 *per cent* overall vacancy), particularly among key field personnel, impacting its ability to meet social audit targets and conduct timely audits. Furthermore, there's a critical lack of follow-up on audit observations, evidenced by a less than 4 *per cent* recovery rate of misappropriated funds, weak state-level monitoring, and ineffective public awareness campaigns. These systemic deficiencies compromise the SAU's core objective of fostering transparency and accountability at the grassroots level.

Recommendations:

Regular Governing Body meetings of the SAU need to be ensured for timely approval of budget and annual accounts and for effective oversight. The manpower policy should be finalised and adequate recruitment of resource persons undertaken. A code of ethics for social audit facilitators should be developed and implemented. Follow-up on Social Audit Reports needs strengthening through public hearings and recovery of objected amounts.

(Chapter III)

Function Based Audit of Panchayati Raj Institutions (PRIs)

The audit of selected Panchayati Raj Institutions (PRIs) revealed significant mismanagement and financial deficiencies. Projects such as a multi-purpose hall in Morigaon and a paver block factory in Hapjan were left unfinished or defunct, resulting in blocking of funds amounting to ₹98 lakh. The report highlights a systemic lapse in income-generating schemes, with two Tinsukia GPs spending ₹32.56 lakh on assets built on private land and an RO based packaged drinking water plant (₹18 lakh) in Hapjan lying defunct for five years. Further irregularities were found in Tinsukia, where a payment of ₹10.36 lakh was made for suspicious interior decoration work. These issues collectively demonstrate a lack of proper planning, oversight, and financial management, leading to inability to achieve the desired public objectives.

Recommendations:

The Government should take immediate measures to strengthen financial management by ensuring feasibility and demand assessment prior to project approval, strengthening project monitoring with defined timelines and accountability at all PRI levels, executing projects only on legally acquired land with enforceable agreements, and investigating and recovering blocked or misused funds by fixing responsibility on officials and contractors.

(Chapter IV)

Implementation of the recommendations of the 5th Assam State Finance Commission

Despite the Government of Assam accepting the recommendations of the 5th State Finance Commission (SFC) for Urban Local Bodies (ULBs), it has not made most of them statutorily binding. This has led to a lack of meaningful devolution of functions, funds, and staff, preventing ULBs from operating as autonomous self-governing institutions. The report highlights that a minuscule portion of the recommended grants actually reached ULBs, with the revenue gap funds being improperly used for salary payments instead of asset creation. Additionally, many projects approved under the 5th SFC remain incomplete due to delayed fund releases. A key challenge is the ULBs' heavy reliance on external grants, with lack of initiative to create their own revenue sources, despite recommendations to do so. While there has been a slight improvement in financial accountability, a functional, multi-level monitoring mechanism is still lacking, which adversely affects the implementation of projects and the overall strengthening of ULBs.

Recommendations:

The Government of Assam may consider strengthening urban governance by issuing formal notifications for statutory devolution of functions, funds and functionaries; setting clear targets and timelines for ULBs to adopt accountability and financial transparency measures recommended by the 5th ASFC; strengthening DALF by filling vacancies; and guiding ULBs to augment own-source revenues, including prioritising execution and operationalisation of revenue-generating assets. Further, stalled 5th ASFC projects should be reviewed urgently with a time-bound completion roadmap, and the multi-level monitoring mechanisms envisaged by the 5th ASFC should be activated.

(Chapter VI)

Audit of Municipal Corporations

The Guwahati Municipal Corporation (GMC) deviated from the terms and conditions of tender while issuing work order for hiring of Poclain machines and thereafter extended undue financial benefit of ₹65.19 lakh to the supplier by not recovering the price of fuel issued by the GMC for those hired machines.

(Paragraph 7.1)

The construction of two market complexes by Guwahati Municipal Corporation was closed after incurring an expenditure of ₹3.07 crore as the funds earmarked for these works were diverted for payment of an arbitral award. The unfinished constructions remained abandoned even after eight years of scheduled date of completion rendering the expenditure infructuous.

(Paragraph 7.2)

Function Based Audit of Urban Local Bodies (ULBs)

The audit of selected Urban Local Bodies (ULBs) identified widespread financial mismanagement and a lapse in internal controls. Financial irregularities, including a suspected misappropriation of ₹1.06 crore in Sonari Municipal Board (MB) and the non-utilisation of a commercial complex in Tinsukia for seven years, point to a significant mismanagement and underutilisation of public funds.

Recommendations:

The Government should take immediate steps to strengthen financial management by enforcing segregation of duties in revenue collection and verification; framing and strictly implementing clear policies for sanction, utilisation and timely adjustment of advances; ensuring feasibility studies prior to project approval; strengthening project monitoring through regular reviews and inspections; and ensuring timely completion, inspection and operationalisation of projects to enable immediate utilisation and revenue generation.

(Chapter VIII)