

# URBAN LOCAL BODIES

## CHAPTER-V

### AN OVER VIEW OF THE URBAN LOCAL BODIES

The Assam Municipal Act, 1956 came into effect covering Assam after repeal of the Assam Municipal Act, 1923 with a view to decentralize the power under which all sections of people including the depressed classes/backward classes are given the opportunity to share power of the self governance and to provide better amenities to citizens and to make the cities/towns beautiful, clean and developed. The Assam Municipal Act, 1956 was amended twice by Amendment Act, 1994 and Amendment Act, 1997.

#### 5.1 Organizational Set Up

##### Urban Local Bodies

The ULB in Assam comprises one Municipal Corporation, 29 Municipal Boards and 57 Town Committees. Guwahati Municipal Corporation, being the lone Municipal Corporation in Assam, established in 1971 under Guwahati Municipal Act 1969 and is vested with the Municipal Administration of the city of Guwahati.

The Municipal corporation/Municipality/Town Committee is a body corporate with perpetual succession having a Board of councilors. All the ULBs consist of elected members (councilors) from each ward, and ex-officio/nominated persons having special knowledge or experience in municipal administration. Such nominated persons do not have the right to vote in the meetings of the municipality/Town Committee/Municipal Corporation.

The Chairman/Commissioners, elected by the majority of the Board of Councilors, is the executive head of the ULB and presides over the meetings of the Chairman-in-Council/Commission-in-Council responsible for governance of the body. The executive power of a ULB is exercised by the council. The Chairman presides over the Board of

Councilors. The Chairman-in-Council/Commissioner-in-Council enjoys such power as is delegated by the Board

Under the administrative control of the Board of Councilors, the Urban Local Body creates its establishment structure headed by an executive Officer/Commissioner. Other officers are also appointed to discharge specific functions of respective area/nature. Subject to the supervision and control of the Chairman, the Executive officer/Commissioner functions as the principal executive of the Urban Local Body. The executive Officer/Commissioner and the Finance Officer exercise such powers and perform such functions as notified by the State Government from time to time.

## **5.2 Power & Function of Urban Local Bodies**

The ULB exercise their powers and functions in accordance with the provisions of Section 60 (2) of Assam Municipal Act 1956 in order to function as an institution of self government and carry out the responsibilities conferred upon them.

Some of the important functions devolved to the ULBs are as follows: -

- (i) Constructions, maintenance and improvement of roads, bridges, squares gardens, tanks, ghats, walls, drains, latrine and urinals.
- (ii) Planting and reservation and felling of trees and bamboos.
- (iii) Supply of water and the lighting and watering of roads
- (iv) Establishment and maintenance of a municipal market or the taking of a market on lease.
- (v) Prevention of the spread of dangerous diseases.
- (vi) Establishment and maintenance of poor houses, hospitals and dispensaries.
- (vii) Establishment and maintenance of, or the granting of aid to public libraries and reading rooms, amateur theatrical institutions and music schools.
- (viii) Provision of burial and burning grounds and the burial or burning of paupers.
- (ix) Acquiring, keeping and equipping of open spaces for purposes of ventilation or for the promotion of physical exercise and recreation.
- (x) Holding of fair and industrial exhibitions.
- (xi) Establishment and maintenance of dairies.
- (xii) Preparation of compost manure.

### **5.3 Financial Profile**

The Urban Local Body fund comprises receipts from their own resources, grants and assistance from government and loans obtained from any public financial institutions/nationalized banks or such other institutions as the State Government may approve. Property tax on land and buildings is the principal source of tax revenue of a ULB. The main sources of non-tax revenue of a ULB are plan sanction fees, mutation fees, and application fees. If ULBs incurs losses, the State Government releases administrative grants to the ULB to compensate their revenue expenditure. For development activities, grants and assistance are obtained from the State Government and Central Government for implementation of specified schemes and projects. Loans raised from different sources with prior approval of the State Government are utilized for execution of various projects/schemes.

All collections as permissible under the statute in force, such as property tax, surcharge, tax on advertisement, application fees for trade and professions, license fees, plan sanction fees, mutation fees, rent, tools and other fees and charges.

Budget are prepared by the ULBs and sent for approval to the Director of Municipal Administration, Assam, Guwahati. Test check however revealed that Budgets were not properly made/not prepared at all.

The total demand raised by ULBs as on 31-3-06 was Rs. 1,71,93,330/- out of which an amount of Rs. 46,02,713/- was collected and the outstanding dues were Rs. 1,25,90,617/-.

### **5.4 Audit Arrangement**

In keeping with the recommendation of the Eleventh Finance Commission the State Government has entrusted the audit of PRIs & ULB's to the C & AG of India under Section 20 (1) of C & AG's (DPC) Act.1971 vide their letter No. F.M. 23/2000/68 dated 18.5.2002.

## **5.5 Audit Coverage**

Audit of accounts of 4 (four) ULBs covering the accounts upto 31.3.05 have been conducted during July 2005 to January 2006.

## **5.6 Response to Audit Observations**

The CAG conducted the audit of ULBs under 20(1) of CAG's (DPC) Act, 1971. Objections raised in audit were communicated to the respective ULBs in the form of Local Audit Reports (LARs) with copy to the Government. No replies to the objections which were to be furnished within 90 days of receipt of LARs were received. Thus 4 LARs and 52 paras for Rs 3.42 crore were pending to be settled as on 31 December 2006 for want of satisfactory replies from PRIs concerned.

There was no proposal even for constituting Audit Committees at appropriate levels to discuss and settle the objections on the spot.

Important findings of audit are described in succeeding chapters.

## **ACCOUNTING PROCEDURES AND FINANCIAL MANAGEMENT**

### **5.7 Annual Accounts**

Each ULB is required to prepare annually a Balance Sheet of assets and liabilities in the prescribed form, which is to be placed before the competent authorities.

Test check of 4 (four) ULBs revealed that none of the ULBs had prepared annual financial statement for the periods from 1.4.2000 to 31.3.2005. This indicates poor financial management and complete lack of monitoring in the ULBs.

### **5.8 Report on Management and Working and Periodical Audit**

The responsibility for proper management and working in ULBs vests entirely with the State Government and District Administration i.e. the Deputy Commissioner. During the period covered by audit, (1.4.2000 to 31.3 2005) it was observed that neither a single audit was conducted by State Government (Director of Local Fund Audit) nor inspected by the Deputy Commissioner.

### **5.9 Non-Adjustment of Advances**

Test check of records of 4 ULB units revealed that advances totaling Rs.3.18 lakhs (Kokrajhar MB Rs. 36,600/- from October 2003, Chabua TC - Rs. 1,59,804/- from May 2001, Moran TC - Rs. 72,500/- from July 2000 and Doomdooma TC-Rs. 49,400/- from February 2000) granted to Staff and contractors for various purposes during the period from 1.4.2000 to 31.3.2005 are yet to be adjusted. The practice of non-adjustment of advances for several years has encouraged the undesirable practice of blocking of institutional funds for indefinite period and providing undue benefits.

### 5.10 Tax Collected but not reflected in Cash Book and Bank Pass Book

Test check records of 3 ULB units revealed that **Rs 12.85 lakh** collected/received as various taxes, fees etc. as per Receipt Books was neither reflected in the Cash Book nor in the Bank Pass Book. Thus the entire amount remained unaccounted and embezzlement/misappropriation cannot be ruled out.

Sl. No.	Name of Unit	Periods	Amount (in Rupees)
1	Moran TC	2000-01 to 2004-05	8,49,803
2	Doomdooma TC	2001-02 to 2004-05	1,25,340
3	Chabua	2001-02 to 2003-04	3,10,000
			<b>12,85,143</b>

### 5.11 Outstanding Government Loans and Interest

The Doomdooma Town Committee failed to repay various loans amounting to Rs. 8,47,178/- (Principal) received long back (8 to 24 years) for which an amount of Rs. 38,01,148/- was interest accrued on 31<sup>st</sup> March 2005. This non-repayment has steadily increased the liabilities of the Town Committee. (**Annexure-S**)

### 5.12 Non-remittance of C.P.F.

Contributory Provident Fund subscription collected by deductions from employee's salary and equal amount of employer's share is to be credited to the fund account. Test check of the records of Doomdooma TC revealed that although Rs.6.5 lakhs being C.P.F. subscription was deducted from employee's salary during April 2002 to March 2005, the employer's share along with the employee's subscription yet to be deposited into individual accounts. This deprived the employees of their CPF benefits to the tune of Rs 13.00 lakhs\* plus interest, which is yet to be worked out.

---

\*Employees share = Rs. 6,49,877/-  
Employers share = Rs. 6,49,877/-

### 5.13 Non-remittance of Professional Tax.

Professional Tax is to be deducted from the monthly salary of the employees by the DDOs at rates prescribed by the State Government from time to time and should be deposited to the proper Head of Accounts of the State Govt. Test check of 2 ULB units revealed that the units failed to realize and deposit the Professional Tax amounting to Rs1.32 lakhs as on 31<sup>st</sup> March 2005 from the concerned employees. <sup>Δ</sup>

### 5.14 Diversion of Fund/Grant

Funds amounting to **Rs.28.6 lakh** sanctioned under various schemes were diverted by 4 ULBs for other purposes without proper authorization. Such diversion of funds not only defeated the objectives for which the funds were sanctioned but also deprived the beneficiaries from intended benefits. (**Annexure-T**)

### 5.15 Suspected mis-appropriation of Government Grants under NSDP and EIS Scheme

Grants of Rs.3.00 lakhs for National Slum Development Programme and Rs 1.00 lakhs for Environmental Improvement of Urban Slum Scheme were released to Moran TC with the condition to deposit the joint account of Chairman/Executive Officer of CTC with District Officer, Town and Country Planning against A/C No. 5891/UBI and A/C No. C 81/C-33120/SBI, Moran Branch respectively for implementation. The grants were neither deposited into the above-mentioned accounts nor entered into the Cash Book, which leads to suspected mis-appropriation.

<sup>Δ</sup>

SI No.	Name of Unit	Amount (in rupees)	
1	Kokrajhar MB	From 4/2000 to 3/2005	121820
2	Chabua TC	From 4/2004 to 3/2005	10400
Total			132220

Grant	Sanction letter and authority	Bank draft No. and date **	Amount of Draft (In Rs.)	Bank A/C No.
N.S.D.P	No. TP/NSDP/14/2002/30 dt. 4-6-2002	200506 dt. 31-3-2002	1,50,000	To be deposited in A/C 5891/UBI but not deposited.
-do-	TP/NSDP/14/2002/31 dt. 30-1-2003	200507 dt. 31-3-2002	1,50,000	-do-
E.I.U.S	TP/FIS/5/2000/15 dt. 25-6-2001	338641 dt. 4-4-01	1,00,000	A/C C 81/C-33120 SBI but not deposited.
<b>Total</b>			<b>4,00,000</b>	

\*\*Forwarding letters of draft did not reveals whether Bank drafts were A/c Payee

## 5.16 System deficiencies

(A) Some of the common and persistent deficiencies notice in the maintenance of Cash Book in the ULBs

- (i) Cash Book was not maintained in all the ULBs in the prescribed format, instead only a receipt and payment statement was being prepared.
- (ii) Transactions were recorded in the Cash Book without indicating the date of transaction.
- (iii) Pages of Cash Book were left blank without any reason and also were not struck out leading to entries being inserted at later dates.
- (iv) Narration for a number of transactions was not mentioned in the Cash Book.
- (v) Voucher number and Head of Accounts were not indicated against numerous transactions.
- (vi) Vouchers were not numbered serially and there were cases of missing sequences.
- (vii) Cash Book was not authenticated by the competent authority.
- (viii) Cash Book was not being closed on a daily basis.
- (ix) Correction and alteration in Cash Book were made without any authentication by the competent authority.
- (x) All receipts were not recorded in the Cash Book.
- (xi) Cashier's cash Book was not maintained.



**(B) Non-maintenance of basic records**

The prescribed basic records viz. Stock Register, Demand Register, Collection Register, Works Register, Contractor's Ledger, Advance Register, Final Payment Register, Tools & Plant Register, Unpaid Bill Register, Bank Scroll and Challan Files, Contingent Register, Register/Records relating engagement of Master Roll Workers, Purchase and Supply Orders Files, Files/Records of flood damage repair works, Files/records regarding utilization of MLA Local Area Development fund, Files/Records regarding schemes undertaken for the benefit of SC/ST women and Children/Backward Classes etc. were not maintained in most of the ULBs.

Further, there were instances of deficiencies in the maintenance of Stock Register. Entries were not recorded in the prescribed columns for receipts and issues of materials in several instances, daily balances were not worked out, entries were not attested and balances were not physically verified by the competent authority in majority cases.

Annual physical verification as prescribed in the GFRs was not carried out in any ULBs.