

## Chapter –V

### TRANSACTION AUDIT OF URBAN LOCAL BODIES

#### 5.1 Loss of Revenue due to non-realization of Registration Fee and Stamp Duty

Local markets, hats, bazaars, bus stands etc under the jurisdiction of Municipal Board/Town Committees are leased with individual bidder/lessee annually by inviting open tenders. As per terms and conditions of the tender notice the successful bidder/lessee should mortgage a plot of land of the same value (bid value) or more by executing a registered deed at own cost within 7 (seven) days of the settlement, failing which the settlement will be treated as cancelled. Further, as per Article 35(ii) of Assam Gazette Notification dated 05-07-1989, Stamp Duty at the rate of 3 per cent of the demand should also be borne by the lessee/bidder concerned in addition to registration fee.

Test check of records of one MB and one TC revealed that during 2000-01 to 2007-08, the markets, bus stands etc were leased with individual bidder/lessee, but no agreement deed was registered and stamp duty realized.

Thus due to non-registration of agreement deed and subsequent non-deduction of stamp duty, the Government of Assam incurred a loss of Rs.13.34 lakh. Matter has been reported to Government but reply was awaited May 2009

#### 5.2 Poor monitoring of collection of Trade License fee and Property Tax

**5.2.1 Trade License Fee:** The position of arrear demand, collection and outstanding trade license fee at the end of 2000-08 furnished by 2 ULBs is as under:

*(Rupees in lakh)*

| Year    | Demand |         | Total | Collection |         | Total | Total Outstanding |
|---------|--------|---------|-------|------------|---------|-------|-------------------|
|         | Arrear | Current |       | Arrear     | Current |       |                   |
| 2000-08 | 13.62  | 29.81   | 43.43 | 0.47       | 18.19   | 18.66 | 24.77             |

Only 43 per cent of the total demand has been collected by the ULBs during 2000-07 thereby further raising the arrear demand at the close of the year. This indicates poor monitoring in collection of trade license fee.

**5.2.2 Property Tax:** The position of demand (inclusive of arrears), collection and balance of property tax at the end of 2006-07 furnished by Barpeta Road (source DLFA, Assam) and Sonari Municipal Board are given below:

#### 5.2.3

#### 5.2.4

*(Rupees in lakh)*

| Name of MB   | Year    | Demand       |              | Total        | Collection  |              | Total        | Total outstanding |
|--------------|---------|--------------|--------------|--------------|-------------|--------------|--------------|-------------------|
|              |         | arrear       | current      |              | arrear      | current      |              |                   |
| Barpeta Road | 2006-07 | 8.73         | 17.55        | 26.28        | 5.23        | 7.46         | 12.69        | 13.59             |
| Sonari       | 2007-08 | 3.24         | 19.03        | 24.17        | 0.46        | 17.45        | 17.91        | 6.26              |
| Total        |         | <b>11.97</b> | <b>36.85</b> | <b>50.45</b> | <b>5.69</b> | <b>24.91</b> | <b>30.60</b> | <b>19.85</b>      |

Only 39 percent of the total demand has been collected thereby further raising the arrear demand at the close of the year. This trend of collection of revenue adversely affects the capacity of ULBs to provide services to their tax payers.

#### **5.3 Outstanding Kist money**

As per section 147,148 and 301 of the Assam Municipal Act 1956, the ULBs are required to recover kist money from the defaulter lessees/bidder. Test check of records of Silapathar TC revealed that the Kist money amounting to Rs.2.57 lakh was yet to be realized from the defaulter lessees/bidders during the period 2001-07 as detailed below:

*(Rupees in lakh)*

| Sl. no. | Name of MB/TC | Year               | No. of markets | Realizable Kist money | Realized | Outstanding |
|---------|---------------|--------------------|----------------|-----------------------|----------|-------------|
| 1       | Silapathar TC | 2001-02 to 2006-07 | 9              | 18.91                 | 16.34    | 2.57        |

Inaction in realization of outstanding Kist money reduced the revenue of this TC to that extent.

#### **5.4 Recovery of misappropriated receipts at the instance of audit and non-recovery of balance collected money**

According to the Assam Municipal Act 1956, all money realized and all money otherwise received by the Municipality shall be credited into the Municipal Fund.

In violation of the Act, tax collectors/collection clerks of Silapathar TC did not deposit an amount of Rs.1.52 lakh collected through receipt books towards trade license fee during the period from April 2000 to March 2007 and retained the money with him.

On this being pointed out by audit an amount of Rs.30,000/- was deposited as on 09-02-2008 and balance Rs.1.22 lakh remained to be recovered (February 2008). No Action has been initiated by the Town Committee against the concerned officials.

#### **5.5 Loss due to inadmissible remission in kist money**

Test check of records of Sonari MB in respect of settlement of markets, bus stand revealed that the following lessees were allowed remission of Kist money as detailed below:

*(Rupees in lakh)*

| Year         | Particulars      | Settlement value | Name of lessee | Remission allowed |
|--------------|------------------|------------------|----------------|-------------------|
| 2001-02      | Daily Bazar      | 5.78             | Noda Konwar    | 0.07              |
| 2001-02      | Public Bus stand | 0.58             | Rupjyoti Mohan | 0.07              |
| 2006-07      | -do-             | 1.40             | Surajit Bora   | 0.39              |
| <b>Total</b> |                  |                  |                | <b>0.53</b>       |

There was no provision of remission of Kist money in tender paper agreed upon between Municipal authority and lessee and therefore, the allowance of remission to lessees were unauthorized and resulted in loss of revenue of Rs.0.53 lakh.

#### **5.6 Non-deduction of Labour welfare Cess from contractor on bill of construction of work**

As per Notification No GIP(RC)135/2007/100 dated 19-08-2008, Labour Welfare Cess at the rate of one per cent of the construction cost was to be deducted from the bill of the construction works done by the contractor and the same should be deposited into the Government head of account specified for the purpose.

Test check of records of Sonari MB revealed that during November 2007 to January 2008 cess of Rs.0.65 lakh was not deducted from the contractor's bill as detailed below:

| Date of payment | Total value of bill | Realizable Cess    |
|-----------------|---------------------|--------------------|
| 29-11-07        | Rs.33,93,273/-      | Rs.33,933/-        |
| 18-1-08         | Rs.31,30,507/-      | Rs.31,305/-        |
| <b>Total</b>    |                     | <b>Rs.65,238/-</b> |

This resulted in loss of revenue to the State Exchequer to the extent of Rs.0.65 lakh.

## **5.7 Eleventh Finance Commission Grants:**

Eleventh Finance Commission (EFC) had recommended total grants of Rs.1077.10 during 2003-04 to 2005-06 to augment the resources of ULBs and to enable them to provide civic services in urban areas.

### **5.7.1 Non-release of matching share of EFC grants:**

According to Para 4.10 of the guidelines of the utilization of EFC grants, Local Bodies shall raise matching resources amounting to not less than 25 per cent of the grant received from the Central Government in case of PRIs and 50 per cent in case of ULBs. In case any local body is unable to provide the matching contribution, the State Government should provide the balance within three months or earlier to the concerned LB.

Test check of records revealed that during 2002-05 GOI released Rs.10.77 crore to the State Government for implementation of the schemes under EFC for ULBs. As per guidelines 50 percent of the Central Share i.e Rs.5.38 crore should be borne by the ULBs or State Government but it was seen that neither the ULBs nor the State Government released any amount against the Central Share.

Thus due to non-release of matching contribution, the spirit of the programme was not honoured.

### **5.7.2 Financial Management related to EFC**

Out of total grants of Rs.10.77 crore released during 2003-06, Rs.31.50 lakh was earmarked for data base and Rs.1045.60 lakh for maintenance of civic services. The UC of the entire amount of EFC grants was sent to the GOI by the State Government. Although an amount of Rs.31.50 lakh was earmarked for creation of data base on Municipal finances, as per communication received from the Director of Municipal Administration, Assam, no data base so far been created and the purpose for which fund were utilized was also not stated.

### **5.7.3 Misappropriation of grants under EFC**

Test check of records of Mangaldoi MB revealed that an amount of Rs.7.00 lakh (Bank Draft No.801495 dated 13-5-05) was released by the DMA for implementation of schemes under EFC. But the said amount was not accounted for in the accounts of Mangaldoi MB. On this

being pointed out by audit, Chairman Mangaldoi MB stated that the said draft was collected by one Shri M Rahman, Ward Commissioner and was not handed over to the Chairman. However, an FIR was lodged in the Mangaldoi Police Station on 04-10-2005 and Mangaldoi PS referred the case to Dispur PS (Case No.118405). No further progress in this regard was made available to audit (May 2009).

## **5.8 Diversion of fund under Tenth Finance Commission**

The Government of India released Rs. 4.44 crore to the State Government during 1995 – 2000 for implementation of schemes under Tenth Finance Commission.

Test check of records and as per audit report of DLFA, Assam, the Chairman Barpeta Road MB diverted Rs.17.00 lakh received from the DMA, Assam during October 2000 to June 2001 under Tenth Finance Commission grant to MB fund account and spent it towards payment of Pay & Allowances of Staff, maintenance of roads, culverts etc.

### **5.8.1 Receipt and utilization of TFC grants**

Scrutiny of records relating to Twelfth FC revealed that an amount of Rs. 1650.00 lakhs was released by the Government of India to the State Government for implementation of schemes. Out of this Rs. 1650.00 lakhs, an amount of Rs. 48.30 lakhs was earmarked for maintenance of accounts and Rs 102.30 lakh for creation of database. Despite regular correspondences with the Urban Development Department/DMA requesting furnishing of information relating to release and utilization of fund (ULB wise) under TFC grants, no communication has so far been received (May 2009).

## **5.9 Non-realization of loan amount and contribution from the beneficiaries for construction of low cost sanitary latrine**

The Municipal Administration Department released Rs 3.00 lakhs to Sonari M.B during 96-97 under Low Cost Sanitation Programme (LCSP) for providing loan to the beneficiaries for construction of Low Cost sanitary latrine with a condition that recovery of loan and contribution from beneficiaries was to be collected by Sonari MB. Test check of records of Sonari M.B revealed that an amount of Rs. 8.53 lakh of loan and contribution from beneficiaries was not recovered (March 08). Though no reasons were intimated, recovery could not be affected as the agreements were not executed between the beneficiaries and Municipal Board.

### 5.10 Non-utilizations of Government grants within stipulated period

Centrally sponsored schemes such as Integrated Development of Small and Medium Towns (IDSMT) and JNNURM were being implemented through ULBs.

The position of receipt and release of fund received from Director Town and Country Planning is given below:

*(Rupees in lakh)*

| Name of scheme | Year    | Fund received  | Fund released to ULBs | Outstanding    |
|----------------|---------|----------------|-----------------------|----------------|
| IDSMT          | 2007-08 | 255.00         | 191.64                | 63.36          |
| JNNURM         | -do-    | 3041.70        | 1487.29               | 1554.41        |
| <b>Total</b>   |         | <b>3296.70</b> | <b>1678.93</b>        | <b>1617.77</b> |

Out of Rs.3296.70 lakhs received during 2007-08, an amount of Rs. 1678.93 lakhs was released to the ULBs for implementation of scheme leaving a balance of Rs. 1617.77 lakh.

Therefore grants of Rs 1617.77 lakh released to the State Government for aforesaid specific purposes were lying unspent till May 09. This deprived the people of the state from the intended benefits of the scheme.

### 5.11 Pending utilization certificate

Funds were given to executing agencies for execution of works in two or three installments and they were required to submit utilization certificates (UCs) within 14 days of incurring expenditure to obtain subsequent installment of funds. UCs worth Rs. 38.10 crore pertaining to various schemes were awaited for the last 5 years as detailed below.

*(Amount in crore)*


| Period    | Name of scheme | Amount       |
|-----------|----------------|--------------|
| 2001-2008 | SJSRY          | 25.26        |
| 2005-2006 | IDSMT          | 3.44         |
| 2006-2007 | -do-           | 3.56         |
| 2007-2008 | -do-           | 1.85         |
| 2007-2008 | JNNURG/UIDSSMT | 3.99         |
|           | <b>Total</b>   | <b>38.10</b> |

**Recommendation:**

**In the light of audit findings the following recommendations are made**

- 1 Data base should be developed on prescribed formats.
- 2 Functions, Functionaries and Funds should be transferred to ULBs by the concerned departments.
- 3 Effective steps may be taken to adjust/recover the various outstanding advances granted to working agencies.
- 4 Expeditious action should be taken by ULBs to recover taxes, rent, fees for issue of licenses and property tax etc.
- 5 The provision of MML should be incorporated in the act of Municipal corporations and Municipalities.
- 6 Necessary amendments in ULB Act to empower the DLFA should be made, taking into account TGS arrangements.
- 7 Arrangement for maintenance of information of State level receipts and expenditure of ULBs should be made for easy analysis of data.

**Guwahati  
The**

  
**Sr. Deputy Accountant General  
(Local Bodies Audit & Accounts)  
Assam, Guwahati**

**Countersigned by**

**Guwahati  
The**

  
**Principal Accountant General (Audit)  
Assam, Guwahati**