

## Chapter- 5

### Review of the Status of Decentralised Governance

#### (a) Functional Devolution and Activity Mapping

##### PRI's

- 5.1 Assam is one of the States in the country to have prepared the activity mapping document covering 23 subjects out of 29 subjects listed in the Eleventh Schedule. Way back in 2007 the activity mapping document was issued vide Notification No PDA 336/2001/Pt-III/32 dated 25<sup>th</sup> June, 2007. The activity mapping clearly defined the functions and functionaries that are to be devolved to each tier of PRIs. However, in respect of fund the amount was not quantified.
- 5.2 Consequent upon finalization of the activity mapping, government orders were issued for devolution in respect of the following 7 subjects out of 23 included in the document.
1. Agriculture including agricultural extension.
  2. Land improvement and soil conservation.
  3. Animal husbandry, dairying and poultry.
  4. Adult and non-formal education.
  5. Education including primary and secondary education .
  6. Khadi, village and cottage industries.
  7. Rural electrification, including distribution of electricity.
- 5.3 Formal orders in respect of other subjects already notified are yet to be issued. Moreover, activity mapping in respect of the remaining 6 subjects are yet to be done.
- 5.4 As per the activity mapping, activities to be performed in each subject are clearly identified for ZP, AP and GP. Of the activities listed in the document, very little is being done at the ground level. Beneficiary identification for some of the Centrally Sponsored Schemes is one such activity which is vested with the GPs. Even this limited activity cannot be carried out satisfactorily due to lack of manpower. That apart PRI functionaries are inducted in various departmental committees with a view to involving them to play an active role in planning and execution of schemes of the respective departments. However, in actual practice this has become a mere formality where PRI representatives have a limited role. In fact, the actual implementation and monitoring is being done through some other departmental committees.
- 5.5 Needless to say, deputation of functionaries from line departments to the PRIs at all levels is a pre-requisite for devolution to be meaningful. But in this regard the approach adopted so far is only partial. Belying the expectation in the activity

mapping placement of functionaries at different levels of PRIs remains more or less in the paper till date.

- 5.6 Similarly, little progress has been made so far in the matter of devolution of fund against transferred subjects as envisaged in the activity mapping. As of now only Central and State Finance Commissions funds are passed on to the PRIs on a regular basis. Apart from this, the GPs get fund under Integrated Child Development Scheme (ICDS) and Total Sanitation Campaign (TSC). Incidentally, the above two schemes also form part of 3 subjects listed in the Eleventh Schedule i.e. Family Welfare, Women and Child Development and Social Welfare. In addition, Central fund channelized through BRGF is received by PRIs at all levels while funds released through MGNREGA is received by the GPs alone.

### **ULBs**

- 5.7 Activity mapping for ULBs in respect of 18 subjects listed in the Twelfth Schedule has not been done so far. In case of ULBs activity mapping could be put on hold because quite a few subjects listed in the Twelfth Schedule are already within the functional domain of the ULBs. The following subjects listed in the Schedule are being implemented by the ULBs as their traditional functions.

1. Water Supply for domestic, industries and commercial purposes.
2. Conservancy and solid waste management.
3. Slum improvement and upgradation.
4. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
5. Burials and burials grounds, cremations, cremation grounds and electric cremations.
6. Cattle ponds.
7. Public amenities including street lighting, parking lots, bus stops and public conveniences.
8. Regulation of slaughter houses.

- 5.8 In view of the above, separate activity mapping was not carried out for the ULBs so long. Of late, Government of Assam has taken a holistic approach on decentralization of power to the ULBs. For this purpose the Assam Municipal Act has been amended on 24<sup>th</sup> May, 2011. The amended Act seek to transfer functions, functionaries and funds to the municipalities as provided in the Twelfth Schedule.

- 5.9 At the first instance, subjects relating to urban planning including town planning, land use and construction of buildings, slum improvement and upgradation shall be transferred to the respective municipalities. To facilitate implementation an official of the Directorate of Town & Country Planning shall be placed partially at the disposal of the concerned municipalities.

- 5.10 Similarly, roads and bridges within the municipal area shall vest on the respective municipalities. An official of the appropriate level of the State PWD shall be in charge

of implementation whose services will be placed partially at the disposal of concerned municipalities.

- 5.11 Likewise subjects of urban forestry, ecology and environment, safe-guarding the interest of weaker sections of society, vital statistics including registration of births and deaths, planning for economic and social development, urban poverty alleviation etc shall be transferred to the respective municipalities. An official of the appropriate level of the concerned department shall be placed partially at the disposal of the respective municipalities for the purpose of implementation of the above schemes.
- 5.12 Above all, there shall be a Committee consisting of 10 members headed by the Minister, Urban Development Department. The Committee will monitor the progress of transfer of funds, functions and functionaries to the municipalities at regular interval and suggest measures needed for effective implementation of the process of decentralization.
- 5.13 It is evident from the foregoing paragraphs that devolution of functions, functionaries and funds to panchayats and municipalities in respect of the transferred subjects is far below the desired level. Nevertheless, the Government of Assam has adopted an unique approach of creating a panchayat/municipal window in the State budget. In terms of the above approach, every year a substantial portion of the budgetary outlays under plan and non-plan in the revenue account is earmarked for panchayats and municipalities against the transferred subjects. For instance, in the current year a sum of Rs.5927 crores under non-plan revenue account is earmarked for PRIs and ULBs against transferred subjects. This accounts for nearly 28 percent of the non-plan revenue account of State budget. In addition, an amount of Rs.2075 crores, representing about 21 percent, is earmarked under the plan for PRIs and ULBs against transferred subjects. In the absence of suitable administrative machinery under the PRIs and ULBs, the amount earmarked is being spent through the functionaries of the respective line departments. However, the expenditure so incurred is treated for the purposes of panchayats and municipalities.

#### **(b) Financial Accountability**

- 5.14 The essence of sound financial management involving transparency and accountability is proper accounting and auditing. A well structured accounting system keeps the records of all funds coming into and going out of an organization. It is a true indicator as to whether financial activities are being carried out in line with the budget and whether the money budgetted are being utilized for the purposes intended for. Needless to say prior finalization of the budget is an essential pre-condition for accounting and its subsequent auditing.
- 5.15 The present system of accounting and auditing of both rural and urban local bodies suffers from various shortcomings relating to the formats used, manner of reporting, disposal of objections and more importantly the way budget is prepared. In this respect the Ministry of Finance, Government of India issued certain guidelines based

on the recommendations of the Eleventh Finance Commission. The guidelines state the C&AG shall be responsible for exercising control and supervision over the proper maintenance of accounts of all three tiers/levels of PRIs and ULBs. The guidelines also stipulated that the Director of Audit (Local Fund) or any other agency shall be made responsible for audit of accounts of the local bodies and shall work under the Technical Guidance and Supervision (TGS) of the C&AG. In addition the formats for budget, accounts and data base on local body finances were also required to be prescribed by the C&AG.

- 5.16 Assam is one of the 19 States which have accepted the TGS model. In accordance with the terms and conditions of the TGS, the audit of PRIs and ULBs are entrusted to the C&AG who shall provide technical guidance and supervision to the Director of Audit (Local Fund), Assam. Despite acceptance of TGS model, compliance of the same at the ground level is far from satisfactory. In general the following shortcomings are noticed.
1. Non preparation or preparation of unrealistic budget.
  2. Non-maintenance of accounts in formats prescribed by C&AG.
  3. Lack of data base which are to be created in prescribed format.
  4. Delay in preparation of monthly and annual accounts.
  5. Inadequacy of centralized agency for timely consolidation of accounts.
- 5.17 In this context, it is pertinent to mention some observations made by the C&AG in the Annual Technical Inspection Report on PRIs and ULBs for the year ending 31<sup>st</sup> March, 2009.
- 5.18 In respect of PRIs, test audited by the C&AG, it is observed that a good number of GPs have not prepared, approved and adopted the budget for the years 2002-2009 and un-authorizedly spent money without any budgetary allocation. On the other hand, some others have prepared the budget un-realistically having scanty regard to past trend of receipt and expenditure. As a result, estimated receipts are unduly inflated and estimates of expenditure are based on such inflated receipt.
- 5.19 It is also felt that there should be more initiative on the part of government in the matter of adoption of the formats prescribed by C&AG. While a few formats were considered for adoption and incorporated in the Assam Panchayat (Financial) Rules, 2002, other formats relating to monthly and annual accounts and documents pertaining thereto are yet to be introduced and adopted.
- 5.20 The relevant Act and the Rules framed there under require the government to prescribe an authority as primary auditor to conduct audit of the accounts of the PRIs. However, it has been observed that such an authority is yet to be prescribed. Although the Director of Audit (Local Fund) is entrusted as primary auditor to conduct the audit of the accounts of PRIs by virtue of a departmental order issued by government, the relevant Act and Rules are yet to be modified. One of the most distressing factors is that out of a total of 2407 PRIs (GPs- 2202, APs- 185 and ZPs-

20) only 86 units could be audited by the Director of Audit leaving the 2361 units unaudited due to shortage of staff and other facilities.

- 5.21 The above observations made in the Annual Technical Inspection Report for the PRIs are more or less applicable in case of 11 ULBs test audited by the C&AG. As per relevant Act and the Rules framed there under, the budget estimates showing details of probable receipt and expenditure is required to be prepared in the prescribed format at least two months before the close of the year. The test check revealed that only 4 out of 11 ULBs prepared their budget estimates in the prescribed format. The budget estimates so prepared were unrealistic in its assumption of probable income and expenditure. Another 3 ULBs incurred expenditure unauthorisedly without preparing budget estimates while the remaining 4 ULBs did not furnish their budget estimates to audit.
- 5.22 In regard to accounting arrangement, the National Municipal Accounting Manual (NMAM) inter-alia provides for preparation of annual financial statement of income and expenditure and a balance sheet showing the status of assets and liabilities of the ULB at the end of a financial year. This important provision has so far been not acted upon. However, the amended Act inserted provisions for maintenance of accounts, preparation of financial statement and balance sheet. Hopefully these will be implemented from now on.
- 5.23 Internal audit is a vital component to ascertain whether the prescribed system is functioning reasonably well within an organization. It helps to ensure proper enforcement of Acts, Rules and Bye-Laws so that internal control is maintained in all financial activities. The inspection report mentioned that there is no internal auditing in the ULBs of Assam.
- 5.24 Finally there is poor response in finalizing replies to audit observations. Non-compliance and delay in response to audit queries resulted in huge accumulation of outstanding audit objections.
- 5.25 With a view to streamlining the present deplorable state of accounts maintenance and its subsequent audit the Commission would like to make the following suggestions.
1. The annual budget estimates showing the details of estimated receipt and expenditure during the year shall be prepared by each unit of LSG as per the provision of Act and Rules. Invariably the budget estimates should be prepared in the prescribed format. Sufficient care need be taken to make the estimates realistic based on past trend and ground realities. Tendency to inflate receipts and to estimate expenditure based on such inflated receipts should be curbed. Normally the budget making process should start at least two months before so that the finance committee, the board and other stake holder get an opportunity to consider the proposals well in advance. Involvement of citizen may be considered in budget making process.

2. As soon as may be at the close of each month, monthly accounts in prescribed format showing the progressive income and expenditure during the month shall be prepared and after scrutiny by the finance committee placed before the board.
3. Similarly, at the end of each year, annual accounts as per prescribed format showing the details of income and expenditure during the year duly supported by necessary documents shall be prepared. The reasons for major variations and discrepancies may be suitably explored. Before submission to Government the annual accounts should be approved by the respective board.
4. Audit of accounts of panchayats and municipalities shall be conducted as per Articles of 243 J and 243 Z of the Constitution. The CEO, EO and Secretary of the ZP, AP and GP respectively shall ensure that the annual accounts for the year to be audited are closed and made ready for audit before the 15<sup>th</sup> of May of the succeeding year. At the time of audit the aforesaid officers shall cause to lay before the audit authorities all accounts registers, documents and other subsidiary papers as may be necessary and render all assistance required by them. The objection statement issued by the auditor in course of audit shall be returned back forthwith showing the action taken or proposed to be taken. Similar procedure may be followed in respect of the ULBs. But before that it needs to be ensured that each ULB is provided with a post of Executive Officer for carrying out the job.
5. The delay in finalizing reply to audit observations should be eliminated and prompt response ensured.
6. Above all, the Directorate of Audit (Local Fund) should be suitably strengthened so that the inspection report and the annual consolidated report of audit conducted by them are reported timely and regularly to government.

### **(c) Administrative Issues**

- 5.26 The administrative set up of panchayats in the State consists of a three tier system – GP at the village level, AP at the intermediate level co-terminus with the Blocks and ZP at the district level. As of now there are 2407 PRIs consisting of 2202 GPs, 185 APs and 20 ZPs within the General Areas of Assam. The Constitution enjoins the State Government to make appropriate legislation regarding devolution of powers and functions to the panchayats in such a way as to enable them to function as institution of self government. In doing so due care is needed to ensure that what is appropriate for a given tier is entrusted to that tier only and not to any higher or lower level. For smooth operation of all the tiers an environment of co-operation among them is needed to be established. All the tiers will have to be equipped with adequate administrative paraphernalia. Initially qualified and skilled manpower has to be put in place at all levels of PRIs to carry out their traditional functions besides implementation of schemes for social and economic development as well as subjects listed in the Eleventh Schedule. The legislative framework for conduct of business of the PRIs include (i) The Assam Panchayat Act, 1994 (ii) The Assam Panchayat Financial Rules, 2002 (iii) The Assam Panchayat (Administrative) Rules, 2002 and (iv) Government instructions issued from time to time. Further, subject to the provisions of the Act, a panchayat may make bye-laws to carry out its business. However,

framing of bye-laws and amendments of Acts and Rules as necessary has not been done so far.

- 5.27 The administrative set up of ULBs in the State are based on three levels viz, (i) a Municipal Corporation for a larger urban area, (ii) a Municipal Board for a smaller urban area and (iii) a Town Committee for transitional area. At present there are 72 urban civic bodies within the General Areas of Assam consisting of 1 Municipal Corporation, 31 Municipal Boards and 40 Town Committees. The administration of urban civic bodies are governed by the provisions of the Guwahati Municipal Corporation Act, 1971, the Assam Municipal Act, 1956 and the Assam Municipal Accounts Rule, 1961 (Rules on Municipal Account and Budget Estimate) as amended from time to time. The Municipal Boards and Town Committees in Assam were functioning so long without an Executive Officer for running day to day administration. Of late, the Municipal Act has ensured putting in place an Executive Officer for each and every Municipal Board and Town Committees.

#### **(d) Role of Parastatals**

- 5.28 Activities of parastatals in providing civic services need to conform to those that are listed in the Eleventh and Twelfth Schedules. The rural sector in the State has not, so far, engaged any parastatal or community level bodies in the provision of civic services. Even in the urban sector only GMC has experimented with the idea of outsourcing in respect of solid waste management only.
- 5.29 Linkages between the community level bodies and the concerned local body will depend on terms and conditions of the agreement entered into between them. Obviously, they have to function under the overall supervision and guidance of the concerned local body. Their relationship with each other will be worked out in mutual consultations. Wherever necessary the initiative for creation of parastatal bodies may come from the respective panchayats and municipalities. However, the parastatals shall be accountable to concerned local bodies in all respect.