

POS No.1 – Fund released under 12th & 13th Finance Commission – Observations.

Sl.	Audit Observations	Reply
1	It may please be stated the criteria for allocation of fund under 12 th Finance Commission during the year 2005-2006 to 2009-10	Finance Department allocated Rs.157.80 crore for PRIs and Rs.16.50 crore for ULBs being the the 1 st & 2 nd Instalments of 2005-06 and 1 st instalment of 2006-07 on the basis of the interse distribution criteria of 2nd State Finance Commission. Then Finance Department adopted the interse distribution criteria of 3rd State Finance Commission for allocation of fund to PRIs and ULBs for the period from 2007-08 to 2009-10.
2	Whether the budget/fund required by the PRIs and ULBs was prepared and submitted to the competent authority.	So far as budget is concerned, PRIs and ULBs are not in practice of preparing annual budget as per CA&G prescribed budget form and submit the budget and requirement of fund to the Administrative Departments.
3	Against the allocation of fund made by GOI it was observed that there was delay in release of 1 st and 2 nd instalments, reason for delay in allocation may please be stated.	Delay was caused in the process of obtaining approval of High Level Committed (HLC), the 1 st meeting of which was held on 23.02.2006. After approval of HLC for allocation of funds for the schemes, the concerned administrative departments i.e. Panchayat and Rural Development Department, Urban Development Department and Guwahati Development Department released funds after obtaining approval of respective Finance Department.
4	It was observed from the above statement there were short release of fund of Rs.157.80 crore (PRI), 16.50 crore (ULB) under 12 th Finance Commission and Rs.326.92 crore (PRI), 51.35 crore (ULB) and 18.20 crore (Spl. Area Basic Grant) under 13 th Finance Commission by GOI against allocation made by GOI. Reasons for short release/non-release of fund may please be stated.	Three instalments of grants under 12 th FC i.e. 2 nd instalment of 2008-09 and 1 st and 2 nd instalments of 2009-10 amounting to Rs 157.80 crore for PRIs and Rs.16.50 crore for ULBs could not be released by the State Government to local bodies due to the reason that GOI did not release fund against the UCs of previous instalments submitted, as the award period of the 12 th FC was over with the close of the financial year 2009-10 on 31.03.2010. Under the award of 13 th Finance Commission fund allocated for 2012-13 has not yet been received by GOI. As such, there is short release of fund to local bodies.

POS No.2 – Payment of interest for delayed release of fund – observations thereof.

Sl.	Audit Observations	Reply
1	The reason for delay in release of grants to the PRIs and ULBs may please be stated.	The delay in transfer of grant to local bodies by the State Government under the 12 th Finance Commission was caused as the release of fund to local bodies was not kept outside the purview of the ceiling system. After issue of sanction of funds for local bodies, the ceiling was required to be obtained from Finance (Budget) Department for transfer of funds to local bodies under the award of 12 th Finance Commission. This departmental procedure caused unnecessary delay in transfer of funds to local bodies. Moreover, it takes minimum 30 days to receive sanction relating to release of funds from the Ministry of Finance, GOI under the award of 13 th FC for which delay is caused in release of grants by the State Government.
2	The reason for subsequent payment of interest for the period of delay occurred may be stated.	Delay in release of grants as mentioned above has led to subsequent payment of interest at the bank rate of RBI.
3	Even after availability of fund with GOA, the delay in release of fund indicates that the fund may be temporarily diverted to other head.	Question of diversion of funds temporarily to other head does not arise, as funds are released as soon as official formalities are completed.
4	When the State is going through acute financial crisis as such payment of interest caused additional burden on State which may be stated.	State Government is now at a comfortable position of financial stability. As such, impact of payment of interest is very negligible. However, Finance Department is taking step to release grant within stipulated 10 days as per guidelines of GOI.
5	Statement revealed that for delay in release of fund payment of interest was made during 2009-10, 2010-11 and 2011-12. Hence it may please be stated whether beyond the said period mentioned whether any other interest paid during 2005-06 to 2008-09.	No interest was paid during 2005-06 to 2008-09.

POS No.3 – Submission of Utilization Certificate – Observation thereof.

Sl.	Audit Observations	Reply
1	Against the fund received 368.20 crore and 38.50 crore for PRIs & ULBs respectively UC furnished to GOI for 310.50 and 23.56 for PRIs and ULBs respectively against fund available were furnished every year to the higher authority.	No comment, as meaning against the item is not clear.
2	As per guidelines of 12 th FC, UC should be submitted immediately after closure of the financial year but records revealed that there was delay in submission of UCs ranging from 1-3 years.	As per guidelines of 12 th FC, certificate not UC relating to two sets of information – one on allocation and another on release of funds was required to be reported by the State Government in the prescribed Format to the GOI against each previous instalment for release of subsequent of instalments by the GOI. Delay in submission of certificate happens due to not receipt of UC from the concerned Administrative Departments.
3	Against the total fund available Rs.368.20 crore and Rs.38.50 crore for PRIs and ULBs under 12 th Finance Commission (2005-06 to 2009-10), Utilization statement submitted to the higher authority for Rs.310.50 crore and Rs.23.56 crore for PRIs and ULBs respectively as on date of audit (September 2012). Reason for short submission of utilization statement may be stated.	Reason is due to non-receipt of UC from the concerned Administrative Departments.
4	As per communication made with the GOI vide letter No.FEA(SFC) 171/2006/Pt/168 dated 20.3.2010, the GOA requested Ministry of Finance, GOI for release of remaining 3 (three) balance instalments Rs.157.80 crore for PRIs and 4 (four) balance instalment of Rs.22.00 crore for ULBs. As such, it may please be stated whether the balance amount has been received by GOA as on date of audit i.e. September 2012.	GOA has not received balance amount as on date of audit i.e. September 2012.
5	As seen from the U/C (Annexure-II) the fund was released to local bodies for maintenance of accounts, creation of database, O&M cost, water supply & sanitations, income generating source, construction of block building and for schemes of solid waste management. However, the utilization of the fund by local bodies was not made against creation of database and maintenance of accounts. As such, the very purpose of grants-in-aid released by GOI for upgradation of urban bodies was denied which may please be stated.	As per guidelines of GOI, Finance Department is required to transfer the funds to the local bodies within the stipulated days after receipt from GOI and the responsibility of utilisation of funds against allocation lies with the local bodies. Finance Department at best insist the concerned departments to submit UC against release of funds. Until and unless Finance Department submits certificate relating to transfer of funds to local bodies to GOI against the previous instalment, GOI will not release the next instalment.

POS No.4 – Submission of Utilization Certificate – Observation thereof.

Sl.	Audit Observations	Reply
1	As per guidelines, the condition for release of General Performance Grant will be subject to utilisation certificate for the previous instalment drawn and the State Government must put budget documents separately for PRIs and ULBs furnishing details, the plan and the non-plan wise classification of transfer for PRIs & ULBs and details of fund transferred to Local Bodies outside the guideline. Further, one of the conditions was also included that all local bodies must be fully enabled to levy property tax. Hence, it may please be stated all these conditions have been fulfilled by the Local Bodies for release of General Performance Grant.	As per guidelines, State Government will be eligible for its share of performance grant for PRI and ULBs, if it complies with 9 (nine) conditions and submit certificates/documents in support of those 9 (nine) conditions before the month of July of every financial year to the GO. State Government was able to comply with those 9 (nine) conditions for the financial year 2011-12 and GOI released Rs.3643 lakh being 1 st instalment of performance grant of 2011-12 during 2011-12.
2	As per guidelines of 13 th Finance Commission, General Performance Grant is available for a period of 4 years from 2011-12 to 2014-15. For the first year i.e. 2011-12, the General Performance Grants are available @ 0.5% and thereafter every year it will be 1%. As such, it may please be stated that the amount admissible for General Performance Grant for the year 2011-12 compared to the rate of 0.5% as applicable.	No comment.
3	Further records revealed that GOA released Rs.34,63,00,000/- and Rs.1,80,00,000/- under the head General Performance Grant and Special Areas Performance Grant relating to the year 2011-12 (1 st instalment) and Rs.26,64,50,000/- relating to the year 2011-12 (1 st instalment) released in 2012-13 under the head General Performance Grant.	GOA released Rs.3643 lakh being 1 st instalment of performance grant of 2011-12 to local bodies during 2011-12 on receipt of grant from GOI. GOA received forfeited performance grant of Rs.2664.50 lakh relating to the year 2011-12 from GOI and released the amount to local bodies in 2012-13. When one or more States are unable to meet 9 (nine) conditions by 31 st March of a particular fiscal year, GOI forfeit its entitlement of performance grant of that particular year and distribute the forfeited performance grant among the States that have complied with the stipulated conditions as per

		criteria as laid down in the guidelines.
4	Reasons for non-release of 2 nd instalment under the head General Performance and Special Areas Performance Grant may please be stated.	GOA has not released interest payment at the bank rate of RBI to local bodies for the days of delay caused in transfer of the 1st instalment of performance grant of 2011-12 to local bodies beyond the stipulated days from the date of issue of the sanction for grant by GOI. When asked by the GOI for release of interest to local bodies, GOA has released the interest payment to local bodies for the days of delay and informed GOI accordingly. GOI is now likely to release 2 nd instalment of Performance Grant of 2011-12 to GOA shortly.

POS No.5 – High Level Monitoring Committee – Observation thereof.

Sl.	Audit Observations	Reply
1	<p>During the meeting held on 23.2.2006, the HLC suggested that the fund released in respect of upgradation of data base of the PRI & ULB under the award of Eleventh Finance Commission, but as on date of audit (September 2012) the upgradation of database has not been done even after the completion of 12th Finance Commission and 2 (two) years elapsed of 13th Finance Commission. Even in the meeting it was decided that high priority shall be accorded for evaluation of database and maintenance of accounts for fulfilling the spirit of the 73rd and 74th Constitutional amendments.</p>	<p>Finance Department has no comment. Panchayat & Rural Development Department and Urban Development Department may be asked to furnish the present status of upgradation of database.</p>
2	<p>It was observed from the agenda of the meeting held on 20.4.2011 that the State Government lost substantial amount of grants for local bodies under the 11th & 12th Finance Commission due to non-submission of utilisation certificate in the prescribed format to the Ministry of Finance, GOI. As per recommendation of the 13th Finance Commission, GOI also prescribed format for UC for the previous instalments to secure release of the next instalment from the GOI. However, State Government after communication made with GOI furnishing utilisation certificate certifying the release of fund to the local bodies alongwith interest. Reasons for non-furnishing of utilisation certificate in the prescribed format may please be stated.</p>	<p>Finance Department submitted UC in prescribed Format to Ministry of Finance, GOI under the award of 12th Finance Commission. 13th Finance Commission has prescribed different type of Format for UC., which the concerned departments like Panchayat & Rural Development Department and Urban Development Department find difficult to furnish. Ministry of Finance, GOI relaxed the condition of submission of UC and submission of Certificate relating to transfer of grants and interest if any, to Local Bodies will make the State Government eligible for entitlement of next instalment of grant under 13th FC.</p>
3	<p>It may also be observed from the agenda of the meeting held on 20.4.2011 that 2nd instalment of basic grant for the year 2010-11 for Local Bodies was not released on the ground that interest against the delayed payment was made @5% instead of 6% bank rate. Reasons for non-payment of interest at the prescribed rate may please be stated.</p>	<p>It was not known to Finance Department that the bank rate of RBI was shot up to 6% from 5%, when the interest payment was made @5%. When the Ministry of Finance, GOI pointed out that bank rate was raised to 6%, Finance Department released the balance interest @1% to Local Bodies and the GOI released the next instalment of basic grant.</p>

POS No.6 – Formation of SFC Cell – Observation thereof.

Sl.	Audit Observations	Reply
1	Whether all the prescribed duties and functions of SFC Cell are being maintained. If so, copy of the monitoring report may please be furnished to audit.	SFC Cell of Finance (Economic Affairs) Department is unable to perform its duties and functions fully as prescribed due to deficiency of required staff. All the PRIS and ULBs are not unable give information/data as required, as the staff of local bodies are not well equipped with sufficient knowledge in maintenance of accounts and data base. However, Local Bodies are in the process of developing software for capturing required data. If these are done, SFC Cell will be able to get all information relating to fund utilisation, scheme implementation etc.

POS No.7 – Shortfall in achievement – Observation thereof.

Sl.	Audit Observations	Reply
1	Initiative taken and status of the progress of the accounts maintained and position of the data bases as well as accounts maintained by the local bodies for which the efforts have been taken by Finance Commission.	The data base and maintenance of accounts of the local bodies are not yet fully developed commensurate with the funds released to local bodies under the award of Central Finance Commission.

POS No.8 – Funds released under the 13th Finance Commission – Observation thereof.

Sl.	Audit Observations	Reply
1	Reasons for difference of figures –1 Rs.8888.00 lakh as 1 st instalment of basic grant of 2010-11 released by GOI and Rs. 8683.00 lakh as per record of Finance Department	Rs.8888.00 lakh was the 1 st instalment and Rs.8683.00 lakh was the 2 nd instalment of Basic Grant of 2010-11. Release of grant made by GOI depends upon the tax collection of GOI. Hence, the difference arises between the figures of 1 st and 2 nd instalments.

POS No.9 – Submission of Utilisation Certificate – Observation thereof.

Sl.	Audit Observations	Reply
1	Reasons for short submission of UC against the grants received from GOI under 13 th Finance Commission.	GOI relaxed that there is no requirement of submission of UC against the funds. Instead of UC, a certificate from Finance Department regarding full transfer of funds to local bodies will make the State eligible for entitlement of next instalment. Accordingly, Finance Department submitted certificates to GOI relating to transfer of all funds received from GOI till date.

POS No.10 – Release of funds to ULBs – Observation thereof.

Sl.	Audit Observations	Reply
1	Information sought	The particular funds relate to 3 rd SFC.

POS No.11 – Formation of State Finance Commission – Observation thereof.

Due to long drawn official procedure, constitution of each State Finance Commission was delayed. Since the reports of the 1st and 2nd State Finance Commissions were not accepted by the Government, it was placed before the Assembly.

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