

# URBAN LOCAL BODIES

## CHAPTER - V

### 5.1 Background

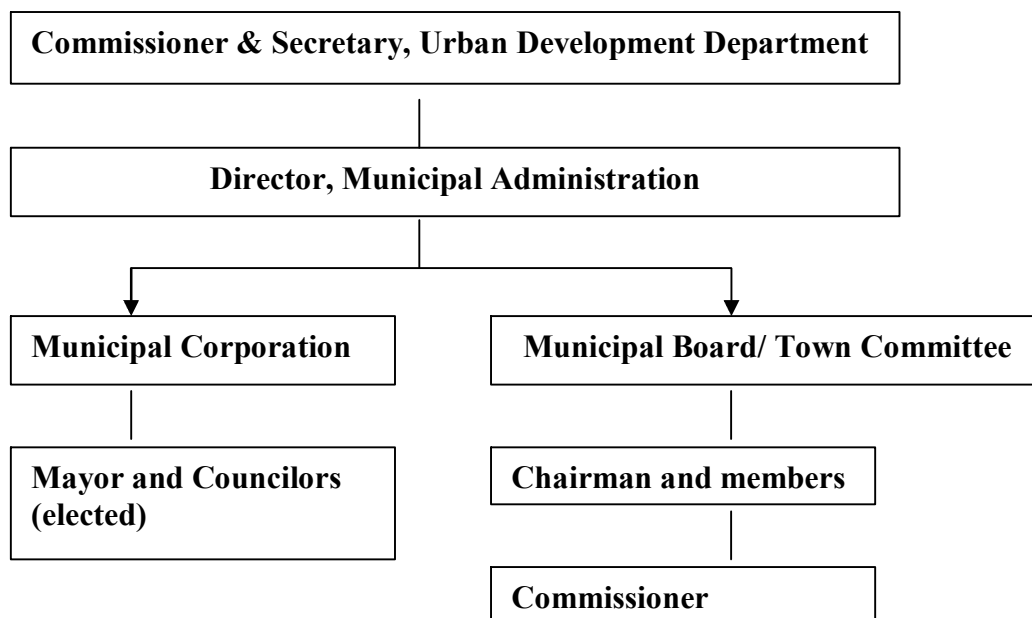
Article 243 of the Constitution of India envisages that the State Government may, by law, empower the Municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to (i) the preparation of plans for economic development and social justice and (ii) the performance of functions and the implementations of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule

Out of 87 Urban Local Bodies in Assam, 29 Municipalities and 57 Town committees are governed by the provisions of Assam Municipal Act, 1956 and one (1) Municipal Corporation is governed by the Guwahati Municipal Act, 1969 and vested with the Municipal Administration of the city of Guwahati. Each municipality is divided into number of wards, which is determined and notified by the State Government based on the population, dwelling pattern, geographical condition and economic consideration of the respective area. Each ward is represented by an elected Councilor and Ward Commissioner.

### 5.2 Organizational set up

The Chairman/Mayor elected by the Board of councilors (BOC) is the executive head of the ULB and presides over the meetings of Chairman-in-council/Mayor-in-council responsible for governance of the body. The executive power of a ULB is exercised by the council. The Chairman presides over the meeting of the Board of Councilors, the Chairman/Mayor enjoys such power as delegated by the Board.

The following organogram will show the organizational set up



### 5.3 Power and 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 in Assam State are as follows: -

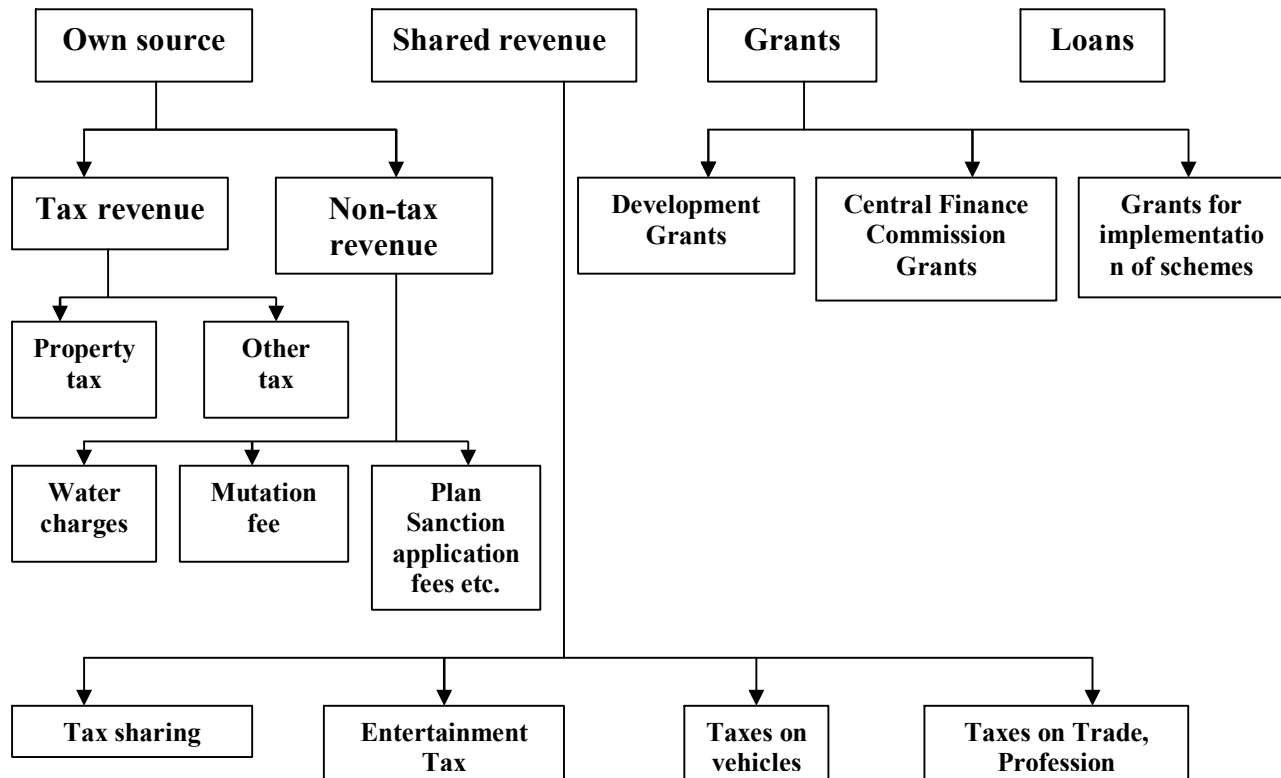
- (i) Constructions, maintenance and improvement of roads, bridges, squares, gardens, tanks, ghats, walls, drains, latrine and urinals.
- (ii) Planting and reservation of felling of trees and bamboos.
- (iii) Supply of drinking water and lighting
- (iv) Establishment and maintenance of a municipal market including taking market on lease.
- (v) Prevention of spreading of dangerous diseases.
- (vi) Establishment and maintenance of houses, hospitals and dispensaries for poor.
- (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.

## 5.4 Financial Profile

The ULB fund comprises receipt from its own sources, grants and assistance from Government and loan obtained from public financial institutions or nationalized banks or such other institutions as the State Government may approve.

A flow chart of finances of ULB is as under:

### Sources of finances of ULBs



The Property tax on land and building is the main source of revenue of a ULB. The main sources of non-tax revenue are Plan sanction fees, mutation fees and water charges.

All collection as permissible under the statute in force, such as tax and non-tax revenue of ULBs are meant for maintenance of administration & services to the tax payers. The State Government releases administrative grants to the ULBs to compensate their revenue expenditure.

The loans raised from different sources with prior approval of the State Government are utilized for execution of various projects/schemes. Grants and Assistance released by the Central and State Government are utilized for developmental activities as specified in the respective schemes or projects.

### 5.4.1 Financial outlay and application of funds

Funds allocated to ULBs (including Eleventh and Twelfth Finance Commission Grants) and the State Government during the year 2005-06 to 2006-07 through State Budgets were as under.

(Rs. in lakh)

Sl No	Year	Grant No. & Major Head	Total Grants Budget provision	Actual Expenditure	Excess +/- Savings (-)
1	2005-06	MV Tax	298.00	298.00	Nil
2	-do	General purpose Grant	2.00	2.00	Nil
3	-do-	Low Cost Sanitation Programme	11.20	11.20	Nil
4	-do-	SJSRY	144.00	136.80	After deduction of five <i>per cent</i> contingency charge
5	2006-07	-do-	843.27	801.11	-do-
6	-do-	MV Tax	298.00	298.00	Nil

The expenditure shown above was mainly on FA, providing basic services, training, preparation/maintenance of accounts and data base, Solid Waste Management etc.

The information regarding own revenue (Tax, Non-Tax and others) collected by ULBs and revenue actually collected and assigned to the ULBs was not made available by the Directorate of Municipal Administration. Absence of details regarding utilization of the allocated funds is a matter of concern, since it could not be ascertained whether expenditure was incurred for the purpose for which it was allocated and the desired objectives were fulfilled.

## 5.5 Audit Arrangements

The Assam Municipal Act, 1969 and Act governing Municipal Corporation envisages that the accounts of a body shall be examined and audited by an auditor appointed by the State Government. Accordingly, the State Government in exercise of power conferred by the Acts appointed the Director of Audit (Local Fund), Assam for audit of the accounts of the ULBs.

The department of local fund under the State Finance Department is headed by a Director and District Offices in all districts are headed by Deputy Directors. As per statement furnished by the Director of Audit (Local Fund), Assam in October 2008, thirteen ULBs have been audited during 2004 to 07 and sixty ULBs remained un-audited due to manpower constraint

Based on the recommendation of the Eleventh Finance Commission, the C&AG of India had been entrusted with the responsibility of TGS over maintenance of the accounts of ULBs and their audit under Section – 20 (1) of the C&AG's DPC Act, 1971.

### 5.5.1 Adoption of Accounts & Budget Formats

Formats for preparation of budget and keeping of accounts for the ULBs were prescribed by the Comptroller and Auditor General of India in 2004 which were accepted by the State Government (December 2007). However, Director, Municipal Administration, Assam (3<sup>rd</sup> December 2007) stated that CAG's formats for preparation of budget and accounts have not been received by them and therefore final action for adoption is awaited as of December 2007.

## 5.6 Twelfth Finance Commission Grants

Against the total allocation of TFC Grants of Rs.55.00 crore for the year 2005-10 (to be released in 10 equal installments), the Government of India released Rs.55.00 crore to the State Government for implementation of specified schemes during 2006-07. The State Government released the same to the ULBs during June 2006 to April 2007. The receipt and utilization of TFC grants for 2006-07 is given below:-

(Rs in lakh)

Year	Allocation	Receipt from GOI	Released to ULBs	Scheme wise allocation of TFC grants released
2006-07	550.00	550.00	550.00	Maintenance of accounts Rs.13.50 Creation of data base Rs.67.50 Solid waste management Rs.469.00

An overall audit of release & utilization of TFC grants could not be taken up due to non-furnishing of requisite documents & information by the State Government.

TFC grants are required to be utilized for developmental activities of the State Government. But test check of records of Maibong TC regarding implementation of scheme under TFC grants, revealed that the Chairman, Maibong TC had incurred an un-authorized expenditure of Rs.1.38 lakh during 2006-07 towards payment of staff salary & other miscellaneous expenditure.

## 5.7 Response to audit observation

The Chairman/Mayor is required to comply with the observations contained in the Inspection Report (IR) within 90 days from the date of issue of IR and rectify the defects and report their compliance to Audit. The details of IR & the Paras outstanding therein as of 31<sup>st</sup> December 2007 are given below:-

Year	No of IR	No of outstanding	Money value (Rs in crore)
2004-05	41	627	183.20
2005-06	4	52	3.42
2006-07	34	393	19.40

A review of the IRs which was pending due to non-receipt of replies revealed that 80 per cent auditee units whose records were inspected did not send any reply to outstanding IRs. The Secretary of the department who was informed of the position, also failed to ensure that the concerned officers of the ULBs take prompt & timely action. Although there was no proposal for constituting Audit Committee at appropriate level to discuss and settle the objection on the spot, the Director of Audit (Local Fund), Assam intimated (December 2007) that formation of High Level Committee by the Legislative Assembly has been proposed to the Government in the line of PAC for taking action on the misappropriation, defalcation and fraud cases involved in the ULBs.

Proposal was also made for placement of LB's report in the State Legislative Assembly for discussion & settlement of the objections on the spot by constituting Audit Committee at appropriate level at PAGs' end. But reply of the State Government is awaited.

## **5.8 Audit Coverage**

Out of 87 ULBs, audit of accounts of 34 ULBs covering the accounts up to 2006-07 was conducted during January 2007 to December 2007.

Important findings of audit are described in the succeeding chapter.