

Annual Technical Inspection Report (Local Bodies) for the year ended 31 March 2007.

CHAPTER – I

**ANNUAL TECHNICAL INSPECTION REPORT FOR THE
URBAN LOCAL BODIES**

AN OVERVIEW OF THE URBAN LOCAL BODIES

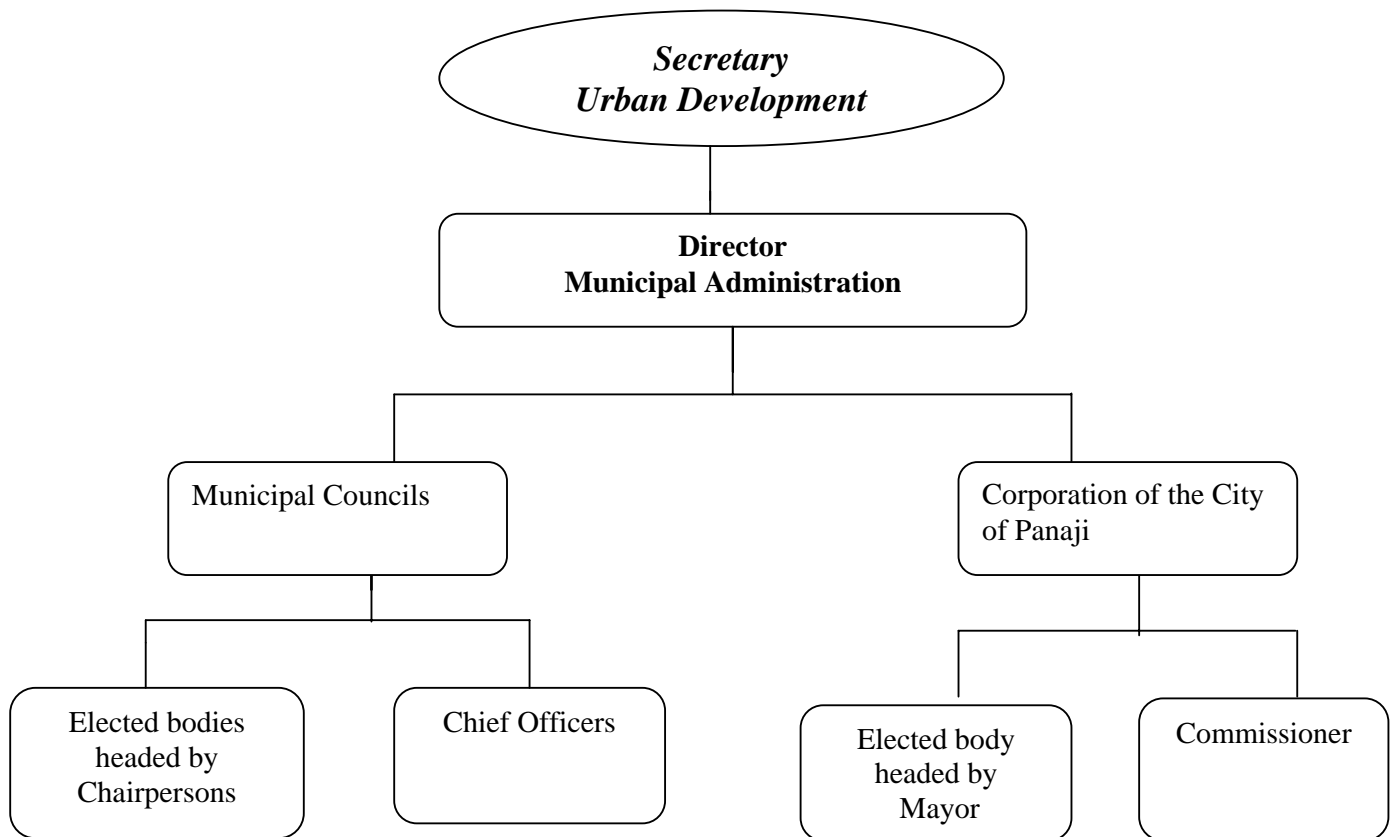
1.1 Introduction

The Urban areas of the State of Goa are administered by 13 Municipal Councils (MCs) and one Municipal Corporation for the City of Panaji (CCP). The functioning of the Municipalities in the State as institutions of Self Government is governed by the Goa Municipalities Act, 1968 duly amended in light of the 74th amendment to the Constitution. The lone CCP in the State is governed by the ‘Corporation of the City of Panaji Act, 2002’.

The last election for 11 MCs was held in October 2005 and for the CCP in March 2006. Election to the Ponda Municipal Council and Sanquelim Municipal Council, which was not held along with other MCs due to non-completion of the process of delimitation of wards and formation of new Municipal Council respectively, was held in January 2008.

1.2 Organisational set-up

The Organisational structure for ULBs in Goa is shown below:



The Secretary (Urban Development) is the Administrative Head of the Municipal Administration. He is assisted by the Director of Municipal Administration (DMA) and other officers.

The DMA exercises control and supervision over the CCP and MCs. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers, besides other staff. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government. The salaries of all other staff appointed by the CCP/MCs are paid by the ULBs concerned.

Section 63 of the Goa Municipalities Act provides for setting up of a Standing Committee. Section 68 of the Act lays down that each Council shall make bye laws to provide for the functions and powers of such Standing Committee which inter-alia should include subject of Transport Undertaking, Finance and Welfare of Conservancy staff. Section 35 of the CCP Act also provides for setting up of a Standing Committee. The Standing Committees are constituted immediately after the Council Election. The Standing Committees in various MCs and CCP were last constituted during the period November 2005 to March 2008.

1.3 Devolution of Functions

The ULBs are expected to prepare plans for economic development and social justice and perform the functions and implement schemes as may be entrusted to them. The Twelfth Schedule under Article 243W of the Constitution envisaged entrustment of 18 functions to the Urban Local Bodies. Accordingly, the Goa Municipalities Act in 1993 provided for devolution of 11 functions to the Councils (Appendix-I).

As per the terms of reference, the Second State Finance Commission was entrusted with the work of devolution of powers, functions, responsibilities and resources to Urban Local Bodies. The Commission submitted its report in December 2007. Some of the important recommendations of the Commission are:

- Devolution of all the core functions to ULBs
- Activation of District Planning Committees
- The Formats for accrual based accounting designed by the Task Force to be made operational from 2007-08
- Adoption of Model Municipal Legislation
- Finalisation of Schemes for Panaji under JNNURM

The Commission has recommended devolving of all the 11 Functions to ULBs for economic development and social justice as listed in Schedule X, Section 322A of the Goa Municipalities Act 1968. The recommendations are yet to be accepted by the Government of Goa.

1.3.1 Transfer of Functions

Out of the 11 functions to be devolved on the ULBs, as on 31 March 2008 only eight functions and one activity in one function as mentioned below have been transferred.

Sr. No.	Function
1.	Roads and bridges (only internal roads)
2.	Slum improvement and upgradation
3.	Provision of urban amenities and facilities such as parks, gardens, playgrounds
4.	Burials and burial grounds; cremations, cremation grounds and electric crematoriums
5.	Cattle pounds; prevention of cruelty to animals
6.	Vital statistics including registration of births and deaths
7.	Public amenities including street lighting, parking lots, bus stops and public conveniences
8.	Regulation of slaughter houses and tanneries
9.	Public health, sanitation, conservancy and solid waste management (only solid waste management)

Out of the above, construction of internal roads, burial grounds, registration of births and deaths, street lighting etc. were being traditionally done by the ULBs. Further, the functions transferred are of very little importance and planning being the vital function is still being done by the State Government thereby defeating the objective of decentralized planning as envisaged in the 74th Constitutional amendment. Therefore, the transfer of these functions was only on paper. All the remaining functions except Slum improvement and upgradation are now being performed by the ULBs for which funds are sanctioned by the DMA based on specific proposals from the ULBs. These functions are not being performed directly by the Government now.

1.4 Transfer of Funds

The Government of Goa sanctions grants-in-aid (GIA) to the ULBs annually to supplement their finances, so as to enable them to take up development works in their respective areas. The Central Government also provides grant to ULBs. During the year 2006-07, the total grants sanctioned to the ULBs in Goa were Rs 19.65 crore.

1.4.1 Sources of Funds

With very limited resources of their own, the ULBs require funds for meeting expenditure on civic administration and developmental activities. The funding to ULBs comprises GIA from the Central/State Government and own revenues. Since the own revenues generated by ULBs, as shown in the table below, are not sufficient, they have to depend on grants-in-aid from the Government.

(Rupees in crore)

Years	CCP				MCs			
	Own Revenue	Grant-in-aid			Own Revenue	Grant-in-aid		
		Centre	State	Total		Centre	State	Total
2004-05	7.78	NIL	3.52	11.30	20.89	NIL	7.39	28.28
2005-06	13.03	NIL	2.29	15.32	19.90	NIL	9.22	29.12
2006-07	8.98	0.23	4.58	13.79	19.83	2.17	12.67	34.67

The grants-in-aid given by the State government (including that received from Centre) to the MCs increased from Rs 7.39 crore in 2004-05 to Rs 14.84 crore in 2006-07 and in respect of CCP it increased from Rs 3.52 crore in 2004-05 to Rs 4.81 crore in 2006-07. The grants were paid for development works, compensation in lieu of Octroi, salary grants, solid waste management, etc.

It was observed that the Government has not laid down any criteria based on which funds are to be distributed to the ULBs. Specific observation on this point is mentioned at para 3.1 of this Chapter.

1.4.2 Release of Funds received from Government of India

The Twelfth Finance Commission recommended grants of Rs 12.00 crore (Rs 2.40 crore per year) for ULBs for the period 2005-10. The grants were to be released in two installments annually from 2005-06 onwards. The Government of India, Ministry of Finance, Department of Expenditure released both the installments for the year 2005-06 amounting to Rs 2.40 crore in May 2006. This amount was distributed only during October/November 2006 to the CCP and seven of the 13 MCs, for procurement of Garbage Compactors. However interest for delayed payment as

envisaged under para 6.4 of the G.O.I. guidelines was not passed on to the Councils. Though the Twelfth Finance Commission envisaged utilization of at least 50 percent of the grants for Solid Waste Management, it was observed that the whole of the grant for 2005-06 was allotted for this, leaving no funds for other requirements such as facilitating maintenance of database of finances etc. Out of this, Rs 1.26 crore only has been utilised till February 2008.

The DMA has not received subsequent grants for the year 2006-07. It was stated (March 2008) that non-receipt of both the installments of TFC grants for 2006-07 from Government of India could be because of non-submission of Utilisation Certificates for grants released earlier.

1.4.3 Recommendations of Second State Finance Commission

The Second State Finance Commission has recommended (December 2007) an amount of Rs 650.65 crore for four Core Functions as well as Rs 818.16 crore for 12 Consultative Functions for ULBs for a five year period. The recommendations are yet to be accepted by the State Government.

1.5 Transfer of functionaries

The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers by the State Government. Besides, supervisory level accounts staff, technical officers and Accountants belonging to the common cadre are also paid by the State Government. However, the Government has not transferred any functionaries to the ULBs specifically to perform the additional functions that have been transferred to them.

1.6 Financial position of the ULBs

The Financial position of the ULBs as per their accounts and information furnished by DMA for the years 2004-05 to 2006-07 was as follows:

(Rupees in crore)

Year	Receipt			Expenditure			Surplus/ Deficit
	CCP	MCs	Total	CCP	MCs	Total	
2004-05	11.30	28.28	39.58	11.74	30.57	42.31	(-) 2.73
2005-06	15.32	29.12	44.44	13.13	26.52	39.65	4.79
2006-07	13.79	34.67	48.46	14.12	33.64	47.76	0.70

Note: Receipt includes grants from Central / State Government

1.7 Audit Coverage

As per the provisions of Section 152 of the Goa Municipal Account Code 1972, the Director of Accounts is the statutory auditor of the ULBs. Audit of all the MCs and CCP has been completed upto 2006-07 by the Director of Accounts. The audit of ULBs is carried out by the CAG under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971. Audit of seven MCs and the CCP was conducted during 2006-07.

As per the guidelines issued by the Ministry of Finance, Government of India, on the recommendations of the Eleventh Finance Commission, the State Government, in November 2006, entrusted Technical Guidance & Supervision (TGS) over accounts and audit of Urban Local Bodies to the CAG. Accordingly, in respect of three* of the seven MCs audited by the Accountant General for the year 2005-06 under TGS certain shortcomings in the ULBs such as Non-preparation of statement of annual income & expenditure and assets & liabilities, Delay in reassessment of properties, Non-preparation of Annual Development Plan, etc. not reported in the Audit Reports of the Director of Accounts were communicated to them in February 2008. Further, a training programme for the accounts staff of ULBs was also conducted under TGS in January 2008.

1.7.1 Internal Audit/Control

Scrutiny of Audit Reports of the Director of Accounts in respect of MCs sent to the DMA each year revealed that a number of paras dating back to 1970-71 were

* *Pernem, Ponda and Canacona*

outstanding. It was observed that the Audit Reports of the Director of Accounts pertaining to the MCs were merely filed, without any further action. As a result, the outstanding paras have accumulated over the years. Since some of the paras were of a serious nature, not complying with the objections in time would result in more serious irregularities. The DMA has not evolved an internal mechanism, whereby the compliance of outstanding paras is watched and progress report obtained every month, from all the councils.

1.7.2 Response to audit

Response to Audit Paras is lukewarm as replies to 106 paras pertaining to the period from 1996-97 to 2006-07 were outstanding as of December 2007 from MCs/CCP and DMA.

2. ACCOUNTING PROCEDURES

2.1 Accounting Formats

Urban Local Bodies (ULBs) are maintaining their accounts on cash basis. All the ULBs have finalized their accounts upto 2006-07. The Ministry of Urban Development, Government of India prepared (November 2004) National Municipal Accounts Manual (NMAM) which adopted accrual basis of accounting and provided revised formats of accounts. The State Governments were required to draft State specific municipal accounts manuals based on NMAM. The State Government of Goa has not yet adopted NMAM/accrual based system of accounting. However, the State Government has issued Notification (January 2008) amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats based on National Municipal Accounts Manual. It was stated that the implementation of the Accrual Based Accounting System would start from the year 2008-09, i.e. from 1.4.2008.

The eight draft formats prescribed by CAG for creation of database of finances of Urban Local Bodies were sent to the Finance Secretary in September 2003. However, no action has yet been taken in the matter.

2.2 Revenue Arrears

As per the information furnished by the DMA, the total amount of revenue arrears of all the MCs/CCP upto March 2007 was Rs 8.97 crore. Agewise and MC wise break-up of arrears was not made available to Audit. The DMA had not maintained any registers from where the figures could be verified. The reasons for non-recovery and action taken to recover these arrears were awaited (March 2008).

2.3 Outstanding utilisation certificates

The DMA releases grants to MCs every year for development work and salaries. As per terms and conditions under which the grants are sanctioned, the entire amount of the grant shall be utilized within a period of one year from the date of drawal of the grant and a utilization certificate shall be submitted to the DMA by the CCP/MCs within 18 months of drawal of the grant. It was also provided that no grant shall be sanctioned unless the previous grants are fully utilized and utilization certificates furnished.

It was noticed that utilisation certificates in respect of substantial amounts of grants sanctioned were yet to be received by DMA even after a lapse of more than 1 to 5 years as shown below:-

(Rupees in lakh)

Year	Amount Sanctioned	UCs received	Total grants for which UCs not received as of March 2007
2000-01	3.28	2.52	0.76
2001-02	21.91	20.22	1.69
2002-03	252.80	103.14	149.66
2003-04	216.30	61.97	154.33
2004-05	204.33	129.73	74.60
2005-06	542.56	254.67	287.88
2006-07	1964.47	626.53	1337.94
Total	3205.65	1198.77	2006.88

It was also observed that inspite of the non-adherence to the requirement of submission of UCs within 18 months of drawal of grants by the MCs, the DMA continued to sanction them further grants.

3. Implementation of Schemes

To supplement the finances of the Urban Local Bodies (ULBs) so as to enable them to take up development works in their respective areas, the Government of Goa

sanctions grants-in-aid (GIA) to them annually. The grants were sanctioned for construction of roads, community halls, gardens, parks, maintenance of street lights, solid waste management, purchase of vehicles, land acquisition, etc.

3.1 Arbitrary allocation of grants to Urban Local Bodies

To supplement the finances of the ULBs so as to enable them to take up development works in their respective areas, the Government sanctions grants in aid to ULBs annually. The grants were sanctioned for construction of roads, community halls, gardens, parks, maintenance of street lights, solid waste management, purchases of vehicles, etc.

Goa has one Municipal Corporation, two A Grade, seven B Grade and four C Grade Municipal Councils classified according to the population. The Government sanctioned development grants to the tune of Rs 5.01 crore, Rs 6.79 crore and Rs 7.47 crore during the years 2004-05, 2005-06 and 2006-07 respectively to these ULBs.

As the proposals for grants received from Municipal Councils are huge, the Government had decided to distribute the budget provision for the year 2004-05 according to the grade of the municipality so that the funds are evenly distributed. As such lone Municipal Corporation and two A Grade Municipal Councils would receive Rs 35 lakh each, B Grade Councils would get Rs 25 lakh each and C Grade Councils would get Rs 20 lakh each. An amount of Rs 60 lakh was retained for sanction at the discretion of higher authority.

An analysis of grants distributed to the Municipal Councils during the years 2005-06 and 2006-07 revealed that the Government had not observed any such criteria while sanctioning grants during these years. The grants to the tune of Rs 1.60 crore and Rs 1.75 crore were sanctioned during the years 2005-06 and 2006-07 respectively to a single B Grade Municipal Council (Cuncolim Municipal Council) which constituted almost 23 per cent of the total development grants sanctioned to the Municipal Councils/Corporation. Whereas, no grants were sanctioned to Canacona Municipal Council (B Grade) and a negligible sum of Rs 2.11 lakh only was sanctioned to

Mapusa Municipal Council (B Grade) during the year 2006-07 though these Municipal Councils had forwarded proposals worth Rs 29.97 lakh and Rs 119.72 lakh respectively.

The disparity in sanctioning development grants indicated grants were sanctioned arbitrarily and not based on any laid down criteria with a view to achieve overall development. The Department stated that the grants cannot be sanctioned according to the class of Municipal Councils but based on the concrete proposals from the Councils. Further, the Government has given assurance to the Hon'ble High Court that necessary financial support will be given for land acquisition as well as for setting up of Garbage Treatment Plants. As the requirements of Municipal Councils are not uniform it is difficulty to disburse grants as per the norms based on the Class of Municipal Authority.

The reply is not tenable as despite concrete proposals from Municipal Councils, the grants were not sanctioned to Canacona Municipal Council and only negligible sum was sanctioned to Mapusa Municipal Council in the year 2006-07 when compared to Rs 1.75 crore sanctioned to Cuncolim Municipal Council. Further the grant for solid waste management was sanctioned separately and not included in the grants for development works.

3.2 Non-utilisation of Night Soil Tanker procured at Rs 15.94 lakh

The Cuncolim MC (CMC) proposed in February 2004 to procure a Night Soil Tanker (NST) for sanitary work in the Council area at an estimated cost of Rs 16.17 lakh which was approved by the DMA in August 2005. The CMC placed order in September 2005 for supply of the NST at a cost of Rs 15.94 lakh. The NST was received in October 2005.

Audit observed that the NST has not been put to use so far by the CMC as a suitable dumping site for disposing the waste was not identified. Consequently, the NST procured at a cost of Rs 15.94 lakh has been lying idle for over 30 months.

The CMC stated (August 2007) that they had expected to utilize the sewage treatment plant belonging to the Public Works Department (PWD) (Div.II) at Fatorda. However the plant was temporarily closed and there was no response to further correspondence. The reply is not tenable as the CMC did not obtain any assurance from the PWD before procuring the NST that its waste would be treated at the Sewage treatment plant of the PWD. The CMC also did not identify a suitable site even after purchase of the NST.

3.3 Implementation of Municipal Solid Waste (Management and Handling) Rules, 2000

The Municipal Solid Waste (Management and Handling) Rules, 2000 of Government of India provide for managing Municipal and Urban Wastes/Garbage in an environmentally friendly manner. These rules apply to every Municipal Authority responsible for collection, segregation, storage, transportation, processing and disposal of Municipal Solid Waste. The Councils are responsible for the implementation of the provision of these rules. The Councils are required to obtain authorization from the State Pollution Control Board. Further, the Councils are required to furnish its Action Taken Report to the concerned District Magistrate as per Rule 5 (1) of the said Rules and the concerned District Magistrate has overall responsibility for enforcement of the provisions of these Rules in the State of Goa.

The implementation schedule envisaged in the said rules was as follows:

Sr. no.	Compliance Criteria	Schedule
1.	Setting up of waste processing and disposal facilities	By 31.12.2003 or earlier
2.	Monitoring the performance of waste processing and disposal facilities	Once in six months
3.	Improvement of existing landfill sites as per provisions of these rules	By 31.12.2001 or earlier
4.	Identification of landfill sites for future use and making sites ready for operation	By 31.12.2002 or earlier

The Hon'ble Supreme Court, while hearing a Writ Petition No.888 of 1996, had in its hearing in July 2004 taken serious view of non-compliance of the provisions of the said Rules and directed Chief Secretaries of States to ensure compliance.

As per the information furnished by DMA in March 2008 the 'Implementation Status' at 13 MCs & CCP was as follows:

- Though the CCP has identified the site, NOC by Town & Country Planning Department, authorisation by the Goa State Pollution Control Board (GSPCB) and land acquisition proceedings are not yet initiated. As a result, the garbage was being dumped in the open in the heart of the city causing inconvenience to the citizens of the Capital city.
- Though all the 13 MCs have identified sites and have been granted authorization by GSPCB (June 2005 to January 2008 valid upto November/December 2008) and NOC by the Town and Country Planning Department (January 1999 to May 2007), only three MCs* have acquired the land. The remaining MCs are in the process of acquiring the land.

The last date for setting up of waste processing and disposal facilities as per the Rules ibid was 31.12.2003. However, even after a lapse of four years none of the MCs in Goa had implemented the Rules. The delay in implementation of the Rules was due to delay in land acquisition which was attributed to opposition from locals against dumping waste material in the identified sites.

3.4 Jawaharlal Nehru National Urban Renewal Mission

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by the Government of India on 3 December, 2005. The Scheme aims at providing incentives to select cities to undertake institutional, structural and fiscal reforms necessary to improve service delivery systems that are sustainable, enhance local economic performance and bring about transparency and accountability in functioning of the Municipal Authorities. The City of Panaji was selected for development with central assistance under JNNURM. The duration of the Scheme is seven years from the date of launching. The release of funds by the Government of India is contingent on various reforms to be undertaken by the State Government and Municipal Authorities.

* *Mormugao, Madgaon and Sanguem*

Even though an outlay of Rs 60 crore was proposed in the State Budget during 2006-07, no funds were released to CCP. It was stated that funds would be released only after Draft Project Reports are submitted and approved by Government of India.

It was observed in audit that though two years have elapsed since the launching of the Scheme, the CCP has not yet been able to avail the benefits of the Scheme due to non-implementation of the prescribed reforms. It was also observed that a Memorandum of Agreement laying down the reforms to be undertaken and conditions under which funds would be released has been signed with the JNNURM by the State Government, Government of India and CCP on 26 December 2007. The CCP has not yet acquired the requisite qualified manpower required for implementation of the Scheme.

4. Other points of interest

4.1 Loss due to non-encashment of Bank guarantee in time

As the arrears of revenue to be collected was Rs 4.93 crore, the CCP entrusted (10 April 2006) the work of collection of arrears of revenue to M/s Avion Air Services, Panaji (contractor) from 1.6.2006 to 31.3.2007 for a fee of 10 per cent of the amount collected. As per the Agreement the contractor was to collect a minimum of Rs 1.50 crore of arrears due to the CCP within the period of the contract and to ensure this, the contractor had furnished a bank guarantee for Rs 5.00 lakh from Dena Bank, Panaji valid upto 31.5.2007.

The CCP assessed the amount collected by the contractor as Rs 67,54,607. Accordingly, Rs 7,58,137 (being the agreed commission of 10 per cent of the amount collected plus Service Tax i.e. Rs 6,75,461 + Rs 82,676), was paid to them.

Audit observed that even though the contract expired on 31.3.2007 and the contractor had not collected the minimum of Rs 1.50 crore, the CCP did not encash the performance Bank guarantee of Rs 5.00 lakh within its validity period. Consequently, the CCP lost Rs 5.00 lakh which it could have received had timely action been taken to encash the Bank guarantee.

4.2 Short recovery of lease rent

The erstwhile Panaji Municipal Council (PMC) had entered into an agreement with M/s Rao & Company in November 1975 for renewal of lease of 1594 Sq. Mtrs. of land belonging to the PMC for a period of 30 years for the purpose of building a Cinema house. The Agreement provided that the Lessee shall pay an annual lease rent of Rs 37,500. There was no provision for any periodical increase in rent. The lease expired on 24.11.2005.

Audit observed that though the lease agreement provided that after expiry of the period of 30 years, the lessor could take over possession of the land and building after paying the lessee the compensation for the building as per the prevailing fair market value at that time, but excluding the value of goodwill of the business, the PMC (later, CCP) did not take any timely action to take over the land.

The Agreement also provided that instead of the PMC taking over the land and building, the lease might be extended by mutual agreement. It was observed that though the lessee had intimated the CCP in October 2005 about the impending expiry of the lease agreement, no action was taken by the CCP till April 2007. CCP continued to accept the old lease rent.

The Goa Municipalities (Amendment) Act, 1996 provided that in respect of immovable property of a Council where the lease has already expired and the leases are not renewed, the Councils may renew the leases at such rate of rental, which shall not be less than Rs 30 per Sq. mtr. per month. This was effective from June 1997. Accordingly, in the subject lease which expired in November 2005, the monthly rent recoverable w.e.f. December 2005 @ Rs 30 per sq. mtr. was Rs 47,820 as against which the CCP recovered only Rs 3125 per month. Thus for the period of sixteen months from December 2005 to March 2007, there was a short recovery of Rs 7,15,120.

Further, as the Agreement did not provide for any increase in rent from time to time the lease rent could not be increased as per the rate prescribed by the amended Act of 1996. Due to the absence of such an enabling provision, the PMC/CCP lost an amount of Rs 45.59 lakh for 102 months from June 1997 to November 2005.

4.3 Non-discharge of liability towards payment of interest on loan

The erstwhile Village Panchayat (VP) of Cuncolim was sanctioned a loan of Rs 4.21 lakh in September 1981 and a further sum of Rs 0.35 lakh in May 1987 by the Collector of Goa for funding construction of shops and Community hall. Consequent upon up-gradation of the VP into a Municipality and formation of the Cuncolim MC (CMC) in July 1987, all assets and liabilities of the VP devolved on the CMC. The loan was repayable in installments commencing from one year after receipt of the second installment. The first and second installment of the first loan was received in March 1982 and August 1985 and the second loan in November 1987.

It was observed that the CMC had repaid the principal amount of the loan by November 1998. However, interest on the loan was not paid. The interest @ 11.25 percent (including penal interest) outstanding as of June 1988 was Rs 2,21,453. Due to non settlement, the interest liability rose to Rs 25,02,121 (@ 13.75 per cent) upto 31st March 2007.

The CMC had appealed to the Director of Panchayats in February 2007 for waiver of the liability. However the same was rejected (July 2007). Thus, the CMC carries with it an undischarged liability of Rs 25.02 lakh, as a result of its failure to pay the interest amount in time.

4.4 Short release of grants in lieu of Octroi

Upto the year 2000-01 the Village Panchayats/Municipal Councils in the State were levying Octroi on petrol, diesel and petroleum products. In March 2001, the Government abolished the Octroi and decided to compensate the revenue loss to the local bodies/PRI's on this account by increasing sales tax on these products by two percent and allotting this addition tax collection to the Village Panchayats/Zilla Panchayats and Municipal Councils in the ratio 75:50:75.

The allotment of funds for an year was to be made based on the amount of additional sales tax collected during the previous year. However, the details of amount collected as two per cent additional Sales Tax during 2005-06 were not available with the DoP.

It was observed in audit that during the year 2006-07 the DMA released only Rs 5.00 crore to the CCP/MCs. In the absence of information regarding amount of tax collected during 2005-06, had the grants been released on the basis of figures available for 2004-05 (which was Rs 19.16 crore) the CCP/MCs should have been allotted Rs 7.19 crore. Hence, there was a short release of Octroi grants to CCP/MCs to the tune of Rs 2.19 crore.

4.5 Loss due to retention of funds in Current accounts

The Grants-in-aid received by the Cuncolim MC (CMC) are deposited in three accounts in the Canara Bank, Cuncolim.

It was observed that the CMC operated Current accounts instead of Savings bank accounts and there were substantial balances in these accounts which the CMC did not require for its day-to-day activities. As no interest accrues for the amounts remaining in the Current accounts, the CMC did not earn any interest on the balances in these accounts.

The closing balances in these accounts during the last three years were as indicated in the table given below:

(Rupees in lakh)

Account number	Balance as on 31.3.2004	Balance as on 31.3.2005	Balance as on 31.3.2006
68	25.05	12.00	26.66
99	01.63	10.73	11.26
101	31.10	55.38	157.46
Total	57.78	78.11	195.38

Had these amounts remained in the Savings account they would have earned interest of Rs 7.98 lakh. The CMC should streamline the system to ensure that excess funds are transferred to Fixed Deposits.

5 Recommendations

- **The accrual based accounting formats should be adopted by the ULBs.**
- **Action should be taken for compliance of the Municipal Solid Waste (Management & Handling) Rules, 2000.**
- **Norms for distribution of development grants should be formulated so as to avoid disparity.**
- **UCs in respect of TFC grants should be furnished promptly so that subsequent grants do not lapse.**