

CHAPTER - V

FINANCIAL MANAGEMENT

5.1 Inadequate Financial Control

In Amreli Nagar Palika, the estimates of receipt and expenditure included in the Budget were not realistically prepared. Non-enhancement of water charges resulted in expenditure on water supply schemes far exceeding the user charges collected every year. Ineffective collection of taxes resulted in huge arrears of tax revenue.

As per Section 76 of Gujarat Municipal Act, 1963 read with Article 24 to 27 of Bombay Municipal Account Code, Nagar Palikas are required to prepare the budget estimates for the income and expenditure for the ensuing year and lay before the general meeting of the Nagar Palika which shall be held between the 10 January and 15 March as may be fixed in this behalf by the rules of the Nagar Palika. The ways and means of advances will also be decided by the Nagar Palika and no sum shall be expended by or on behalf of the Nagar Palika unless such sum is included in the budget estimates. These budgetary control systems were provided to have a better financial control. If these procedures are not properly followed, there are chances of mismanagement of funds and failure in achievement of targeted goals.

Scrutiny of accounts of Amreli Nagar Palika for the period 2003-04 to 2005-06 revealed that:

- (i) The estimates of receipt and expenditure included in the Budget were not realistic and highly inflated as during these years the actual receipt ranged from 41.55 to 55.56 per cent whereas the expenditure ranged from 38.32 to 54.20 per cent of the budget estimates. Details were as under:

(Rs. in crore)

Year	Budgeted Receipt	Actual Receipts	Percentage	Budgeted expenditure	Actual expenditure	Percentage
2003-04	13.79	5.73	41.55	13.78	5.28	38.32
2004-05	15.19	8.44	55.56	15.18	6.25	41.17
2005-06	18.23	7.78	42.68	18.23	9.88	54.20

- (ii) As envisaged in State Government Resolution No. P & RD/MSW/1026-4587/F dated 23 October 1966, water supply scheme should be run on 'No Profit & No Loss' basis. This was again reiterated by the State Government in January 2003. However, it was observed that the expenditure on water supply scheme far exceeded the user charges collected every year. There is a need for enhancement of water charges and expedite the collection of arrears of water charges as detailed below:

(Rs. in lakh)

Year	Income	Expenditure	Shortfall in income as compared to expenditure
2003-04	39.21	42.10	2.89
2004-05	34.91	85.62	50.71
2005-06	36.60	67.31	30.71

(iii) As per section 133 (i) of the Gujarat Municipalities Act, 1963, Nagar Palika should recover taxes from public for the basic amenities provided. If the amount is not paid, the same was to be recovered through Revenue Officers by sale of movable property or attachment and sale of immovable property. However, it was observed that the recovery of water tax, property tax and drainage tax was very low and an amount of Rs. 2.65 crore was outstanding as on 31 March 2006. Details of outstanding taxes pending recovery were as under:

(Rs. in lakh)

Nature of tax	Opening Balance. as on 1 April 2005	Tax due in 2005-06	Total	Recovery during the year	Closing balance as on 31 March 2006
House tax	155.16	128.83	283.99	98.27	185.72
Water tax	105.70	3.65	109.35	29.45	79.90
Gutter collection tax	0.05	0.28	0.33	0.13	0.20
Total	260.91	132.76	393.67	127.85	265.82

On this being pointed out, the Chief Officer assured (May 2007) that cost cutting measures would be taken and expenditure would be controlled and necessary steps would also be taken to augment the source of income.

5.2 Expenditure on water supply schemes vis-à-vis Revenue Collection

Non-enhancement of water charges by five Nagarpalikas resulted in expenditure on water supply schemes far exceeding the user charges collected.

Scrutiny of record of five Nagarpalikas revealed that the directives of the State Government to make the water distribution system self reliant was not followed as these Nagarpalikas continue to incur loss on the water supply scheme. The expenditure on maintenance of water supply works was much more than the water charges collected from the beneficiaries during 2005-06. The details were as under:

(Rs. in lakh)				
Sr. No.	Nagarpalika	Receipt	Expenditure	Difference
1	Chandkheda	17.86	91.40	73.54
2	Dahegam	17.00	48.93	31.93
3	Petlad	72.06	112.36	40.30
4	Kalol	36.00	120.00	84.00
5	Mansa	24.48	73.83	49.35
Total		167.40	446.52	279.12

Thus, due to not following the 'No loss no profit' policy, the test checked five Nagarpalikas incurred an excess expenditure of Rs. 2.79 crore on water supply scheme during the year 2005-06.