

CHAPTER I

AN OVERVIEW OF THE URBAN LOCAL BODIES

1.1 Introduction

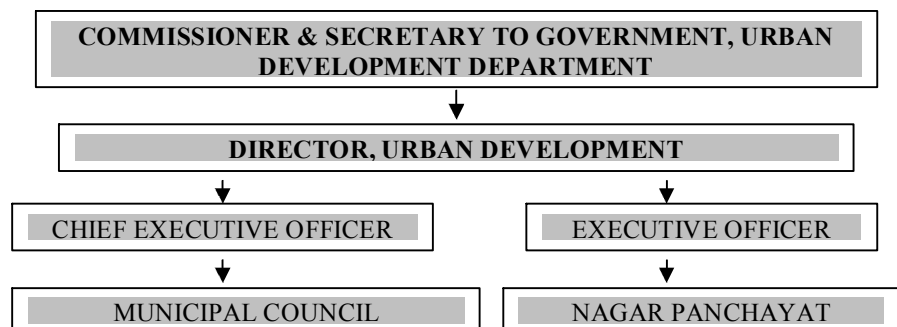
In pursuance of the 74th amendment of the Constitution envisaging three levels of Urban Local Bodies (Municipal Corporations, Municipalities and Notified Area Councils), the Tripura Municipal Act was enacted in 1994 to decentralize the powers and functions by transferring them to the Local Bodies for ensuring proper and planned growth of cities and towns with adequate infrastructure and basic amenities. At present there are 13 ULBs (1 Municipal Council and 12 Nagar Panchayat) in the state covering 17.66 *per cent* (5.65 lakh) of its total population (31.99 lakh).

The Eleventh Finance Commission (EFC) recommended that the C&AG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers/ levels of ULBs. Based on the recommendation as accepted by the Government of India (GOI), the State Government has provided Technical Guidance and Supervision (TGS) to the C&AG in the year 2002.

1.2 Organizational Set up

There are twelve Nagar Panchayats and one Municipal Council in Tripura. Urban Local Bodies (ULB) consists of elected members from each ward; the Chairperson elected by the majority of the elected members, is the executive head of the ULB and the Chairperson presides over the meeting. The executive powers of the ULB are exercised by the Council. All executive powers of the Municipality of a Smaller Urban Municipal area shall vest in the Chairperson-in-Council.

The organizational set-up of the ULBs is as follows:



The Nagar Panchayats and the Municipal Council are headed by Chairman who are elected representatives of the respective ULBs.

1.3 Devolution of Functions

The 74th amendment of the Constitution was enacted (1993) to decentralize the powers and functions to the Urban Local Bodies (ULBs) for ensuring proper and planned growth of cities and towns with adequate infrastructure and basic amenities. All the 18 functions enlisted in the 12th Schedule of the Constitution have been transferred by the Government of Tripura to the ULBs.

1.4 Sources of Funds

For execution of various developmental works, the ULBs mainly receive funds from the Government of India (GOI) and the State Government in the form of Grants. The GOI Grants include Grants assigned under the recommendations of Eleventh Finance Commission (EFC) & Twelfth Finance Commission (TFC). The State Government Grants are received through devolution of net proceeds of the total tax revenue under the recommendations of State Finance Commission (SFC). Besides, the source includes the revenue mobilized by the ULBs in form of taxes, rent, fees, issue of licenses, etc. During 2007-08 State Government provided financial assistance of Rs. 38.04 crore by way of grants to ULBs viz., Municipality and Nagar Panchayats.

1.5 Flow of Funds

The State Government on receipt of funds under the Centrally Sponsored Plan (CSP) Schemes releases the funds to the ULBs including its matching share through the budget provision of the State. The State Government also releases its own funds under State Plan and Non-Plan schemes through the State budget. However the EFC/TFC grants are transferred directly through sanction orders by the State to the ULBs once the grant amount is credited to the State account by the GOI.

1.6 Functioning of ULBs

The ULBs perform their functions through the supervision of different Standing Committees such as, Committee on Finance, Public Health and Public Works.

1.7 Accounting Arrangement

The Chief Finance Officer is responsible for maintenance of accounts in Municipal Council whereas the Executive Officers in case of Nagar Panchayat maintain the accounts with the assistance of accountants.

1.8 Audit Arrangement

Directorate for Local Fund Audit has not been established in the State. Accounts of all the 12 Nagar Panchayats and one Municipal Council are in arrears since their inception (**Appendix – I**). Audit of ULBs are conducted by the C&AG of India under section 20 (1) of the C&AG's (DPC) Act, 1971.

1.9 Audit Coverage

The audit of the accounts of 12 Nagar Panchayats (Appendix-I) were test checked during 2008-09. The important audit findings are summarized in the succeeding paragraphs and chapters.

1.10 COMMENTS ON ACCOUNTS

1.10.1 Receipt and Expenditure of funds under ULBs

The funds in form of grants received along with unspent balance of previous year vis-à-vis the expenditure incurred by the Urban Local Bodies (ULBs) of the State during 2007-08 is as under (**Appendix - II**):

(Rupees in crore)			
Type of ULBs	Receipt	Expenditure	Balance
Municipal Council	44.29	24.93	19.36
Nagar Panchayat	35.54	21.60	13.94
Total	79.83	46.53	33.30

Of the total grants received by the ULBs, 10 *percent* (Rs. 0.80 crore) pertained to Twelfth Finance Commission (TFC) grants. The information regarding the receipt of fund by the ULBs from their own sources was not available with the Government. No centralized agency has been created to consolidate such information. Analysis of allocation of grants amongst ULBs revealed, per capita allocation in Municipal Council was Rs. 550.00, while in Nagar Panchayats it was

Rs. 894.00 during 2007-08. There was nothing on record to explain the difference of per capita expenditure for Municipal Council and Nagar Panchayat.

1.10.2 Non-utilization of Funds

Test check of Receipt and Expenditure statements of one Municipal Council and all the twelve Nagar Panchayats revealed that the unutilized balances of Rs. 26.98 crore and Rs 33.28 crore (**Appendix-III**) constituted 5 to 82 *per cent* of the total funds available to the ULBs for expenditure during 2006-07 and 2007-08 respectively. During these years the percentage of expenditure to the total fund available was 63 and 58 respectively. Poor utilization of funds indicates defective planning and inadequate financial management which deprived the people, of the benefits of developmental works implemented by the ULBs.

1.10.3 Non preparation of Annual Accounts

Within three months of the close of a year, a financial statement for the preceding year in respect of a Municipality is required to be prepared in the form and manner prescribed. Municipalities are also required to prepare annually, a balance-sheet of assets and liability within six months of the close of a year. In violation of the above, all the twelve Nagar Panchayats and Agartala Municipal Council did not prepare the financial statement and balance-sheet since their inception. Due to non maintenance of accounts, the actual position of income and expenditure could not be verified and that the accounts presenting true and fair view could not be ascertained.

1.10.4 Certification of Accounts

The State Government has not made any provisions in the State Acts/Rules for certification of accounts for the ULBs by the Examiner of Local Fund Audit or any such state Auditing Authority.

1.10.5 Non- maintenance of Records/Registers

Scrutiny of records of Kumarghat , Teliamura, Sonamara and Udaipur Nagar Panchayats revealed that important records and registers like Advance Register, Stock Register of materials procured, Register of unserviceable materials, proper recordings in MBs etc. were not maintained by them. Due to non-maintenance of records, actual position of materials procured, utilized and details of works executed etc. could not be ascertained.

1.10.6. Non compliance with the provisions of the Tripura Municipal Act, 1994

As per provision (Sec. 86, 87 and 88) of the Tripura Municipal Act, 1994, the State Govt. was empowered to formulate rules and regulations for management of Municipal fund, its custody and application etc. The Act further provides (Sec. 262 & 263) that a Municipality shall require to prepare annually a financial statement and Balance sheet of assets and liabilities for the preceding year in the form prescribed, within three months/ six months of the closing of a year for its presentation before the meeting of the Municipality.

Test check of the records of the AMC revealed that rules and regulations for the management of Municipal fund were not framed by the State Government. The financial statements and balance sheets were also not prepared annually since inception. Instead, the AMC prepared annually statement of (1) Income (Revenue/ non-revenue) (2) Expenditure (Plan) and (3) Expenditure (Non Plan) of the preceding year at the close of the year.

1.10.7. Release and use of TFC Grants

Twelfth Finance Commission (TFC) recommended Rs. 5,000 crore for Urban Local Bodies (ULB) of the country payable during the period 2005-2010 to be used to improve the Service delivery in respect of solid waste management through public-private partnership and creation of database and maintenance of accounts at grass root levels. As per inter- state allocations, the State of Tripura was allocated Rs. 8.00 crore to be paid and utilized during 2005-2010. The State have to mandatorily transfer grant released by the Centre to the ULBs within 15 days of the same being credited to State Account, failing which the State has to transfer to ULBs, interest, at a rate equal to RBI Bank rate along with such delayed transfer of grants.

Test check of records of Government in the Finance Department and Urban Development Department revealed that Rs. 0.80 crore was released by GOI to the State as the first installment on 05.04.2006 and the same was credited to the State Account on 24.04.2006. The amount was transferred to ULBs on 15.06.2006 after a delay of 48 days beyond the stipulated period of 15 days there by making the State liable for payment of Rs. 0.63 lakh to ULBs as interest for delayed transfer of grants.

(Rupees in lakh)

Year	Date of release by GOI and date of credit to State account		Grant transferred to controlling department of ULBs		Controlling department transferred to ULBs		Period of delay (days)
	GOI	Credit to State	Date of transfer	Amount transferred	Date of transfer	Amount transferred	
2005-06	05.04.2006	24.04.2006	28.04.2006	80	15.06.2006	80	48

As of now, State Government has not transferred the interest amount of Rs. 0.63 lakh to the ULBs for delayed transfer of the grants.

During the year 2007-08, the State provided Rs. 0.80 crore for ULBs in its own budget towards payment of grant amount in anticipation of release of grant from the GOI but till date, the 2nd installment has not been released. Reasons for not releasing the 2nd instalment have not been furnished by the Government.

1.10.7.1. Non-utilization of TFC Grants

Twelfth Finance Commission guidelines provide for utilization of grants on solid waste management and creation of database and maintenance of accounts.

Test check of records of five Nagar Panchayats and Agartala Municipal Council (Appendix-IV) revealed, Rs. 30.14 lakh of the TFC grants received by them were not utilized as on 31.03.2008.

1.10.7.2 Non-maintenance of database on the finances as prescribed by C&AG

On the recommendations of the EFC, data base on finances were required to be maintained at all levels of ULBs for securing accountability and transparency in maintenance of accounts. Accordingly, the database formats on Finances were prescribed by the C&AG which have not yet been adopted by the Government. Accounting Manual and Municipal law on the basis of the “National Municipal Accounts Manual” and the “Model Municipal Law” have not yet been prepared. Apart from this no centralized accounting and financial information system has been put in place by the Government. As such the financial and physical progress of the activities of ULBs could not be ascertained.

1.10.7.3 Submission of utilization certificates in respect of grants kept unspent

Urban Development Department furnished utilization certificate (July 2007) for the entire amount of Rs. 80 lakh released by them keeping unspent balance of Rs. 30.14 lakh (**Appendix-IV**) with five Nagar Panchayats and Agartala Municipal Council as on 31.03.2008.

1.10.7.4. Diversion of grant

Twelfth Finance Commission guidelines provide for utilization of grants on solid waste management and creation of database and maintenance of accounts.

Test check of records of Agartala Municipal Council revealed that Rs. 2.20 lakh was spent for payment of audit fees.