

## CHAPTER III

### SECTION “A” AN OVERVIEW OF URBAN LOCAL BODIES

#### 3.1 Introduction

**3.1.1** Consequent upon the 74<sup>th</sup> Constitutional amendment, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Governments and witnessed a significant increase in responsibilities with greater powers, distinct sharing of resources with the State Government. The amendment empowered ULBs to function efficiently and effectively and to deliver services for economic development and social justice with regard to 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution. The Government of Tripura enacted the Tripura Municipal Act, 1994 empowering ULBs to function as institutions of self government and to accelerate economic development in urban areas.

**3.1.2** In Tripura, there is one Municipal Council and 15 Nagar Panchayats. The ULBs are governed by the Tripura Municipal Act, 1994. Each ULB area is divided into a number of wards, which is determined and notified by the State Government. The Legislative framework for conduct of business of the ULBs includes:

- 1) The Tripura Municipal Act, 1994.
- 2) Tripura Municipal (Procedure and Conduct of Business) Rules, 1996.

#### 3.2 Size of ULBs

The comparative position of ULBs in the State of Tripura in terms of area and population is given in the following **Table 3.1**:

**Table 3.1: Statement showing area and population of ULBs**

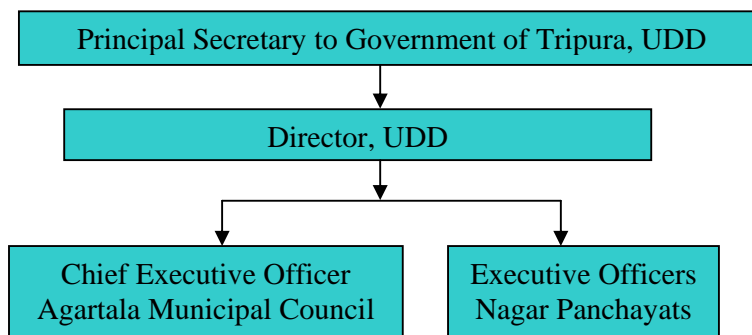
Sl. No.	Name of the ULBs	Area (in Sq. Km.)	Total Population as per 2011 Census
1	Agartala Municipal Council	58.84	3,97,619
2	Santirbazar Nagar Panchayat	26.94	11,884
3	Ambassa Nagar Panchayat	14.77	18,867
4	Dharmanagar Nagar Panchayat	10.69	40,564
5	Kamalpur Nagar Panchayat	10.16	10,868
6	Amarpur Nagar Panchayat	8.55	10,834
7	Kailashahar Nagar Panchayat	6.19	24,449
8	Udaipur Nagar Panchayat	6.10	32,781
9	Khowai Nagar Panchayat	5.81	18,407
10	Belonia Nagar Panchayat	5.75	19,938
11	Bishalgarh Nagar Panchayat	5.74	21,075
12	Sabroom Nagar Panchayat	5.06	7,134
13	Sonamura Nagar Panchayat	4.13	11,278
14	Teliamura Nagar Panchayat	3.75	21,018
15	Kumarghat Nagar Panchayat	3.50	12,914
16	Ranirbazar Nagar Panchayat	1.95	13,117
<b>Total</b>		<b>177.93</b>	<b>6,72,747</b>

Source: Urban Development Department

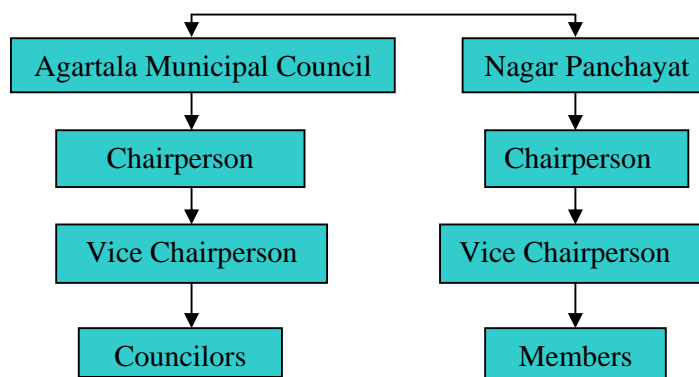
### 3.3 Organisational set up

3.3.1 The Principal Secretary, Urban Development Department (UDD) is the overall in-charge of Urban Local Bodies in the State. The organisational structure with respect to functioning of ULBs in the State is as follows:

#### Administrative Body



#### Elected Body



#### 3.3.2 Composition of ULBs

All the ULBs have a body comprising of Councilors/Members elected by the people under their jurisdiction. The Chairperson who is elected presides over the meetings of the Council/Nagar Panchayats and is responsible for overall function of the body. All the ULBs have Standing Committees to deal with their respective functions.

The Chief Executive Officer is the executive head of the Agartala Municipal Council (AMC) while the Nagar Panchayat (NP) is headed by the Executive Officer. They exercise such powers and perform such functions as prescribed in the Act and as per instructions of the Urban Development Department.

#### 3.3.3 Standing Committees

The ULBs perform their functions through the supervision of different Standing Committees as shown in the following **Table 3.2**:

**Table 3.2: Leadership of the Standing Committees**

ULB	Standing Committees	Leadership
AMC/NP	(a) Finance Committee (b) Public Health Committee (c) Public Works Committee (d) Education, Health and Sanitation Committee (e) Sports and Culture Committee (f) Poverty Alleviation Committee	Chairperson of the municipality/NP shall be the ex-officio President of the Finance Committee. The President of each Standing Committee other than the Finance Committee shall be appointed by the Chairperson from amongst the members of such Committee.

According to Rule 21 of the Tripura Municipal (Procedure and Conduct of Business) Rules 1996, every Standing Committee shall hold a meeting in the office of the Municipality once in a month on such date and at such time as may be fixed by the President. Test check of records of three Nagar Panchayats<sup>1</sup> revealed that Standing Committees Meetings were not held regularly as per the Rules *ibid*. Ambassa Nagar Panchayat conducted only 15 meetings out of required 72 number of meetings during 2011-12 and Dharmanagar & Kamalpur Nagar Panchayat conducted 24 and four meetings respectively.

Non-holding of regular meetings indicated that the activities of the Nagar Panchayats through different Standing Committees were not adequately monitored and reviewed.

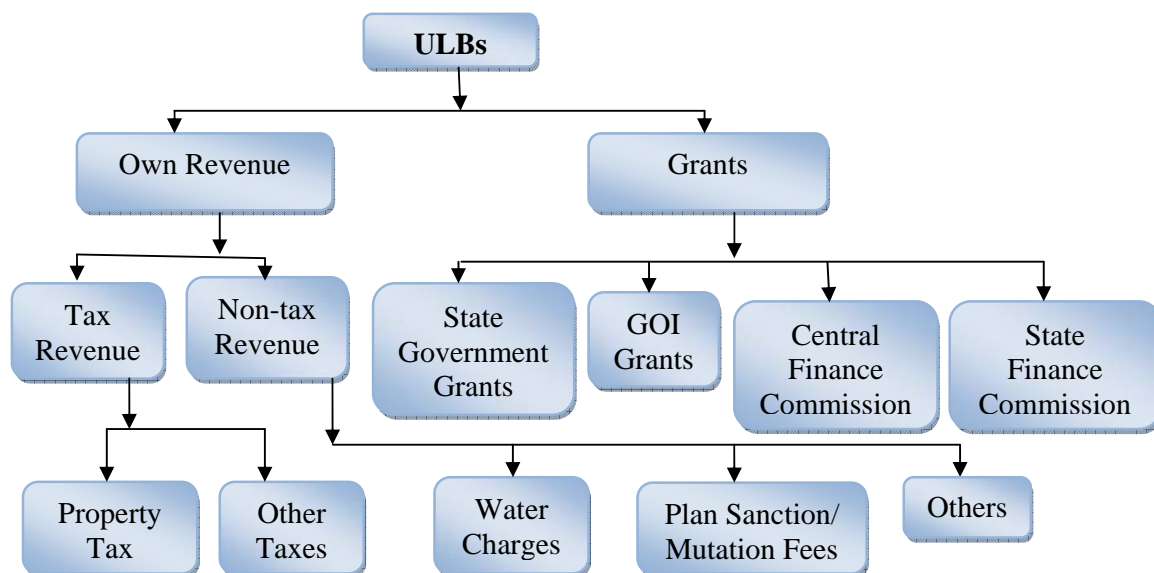
### **3.4 Financial profile**

#### **3.4.1 Resources of ULBs**

The finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GOI) and the State Government. State Government Grants are received through devolution of net proceeds of the total tax revenue under the formula prescribed by State Finance Commission. Property tax on land and buildings is the main contributor of ULBs' own tax revenue. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, etc. are vested with the State Government. The own non-tax revenue of ULBs comprise of fee for sanction of plans/mutations, water charges, etc.

Grants and assistance released by the Governments are utilised for developmental activities and execution of various schemes. Flow chart of finances of ULBs is as follows:

<sup>1</sup> Ambassa Nagar Panchayat, Dharmanagar Nagar Panchayat and Kamalpur Nagar Panchayat.



### 3.4.2 Custody of fund in ULBs

The grants received for implementation of various schemes are kept in bank accounts of the ULBs duly authorised by the State Government. The Drawing and Disbursing Officers under ULBs are empowered to draw the fund from the banks after getting sanction from the State Government.

### 3.4.3 Revenues of NPs

Own revenue of NPs include property tax, building permission fees, trade license, hoarding tax, mutation fees, rent from stalls, etc. Collection of own revenue in respect of 15 NPs<sup>2</sup> during the last five years is shown in the following **Table 3.4**:

**Table 3.4: Statement showing own revenue of 15 Nagar Panchayats during the last five years**

(₹ in lakh)

Sl. No.	Name of the NP	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
1	Dharmanagar	34.88	52.29	55.54	53.79	30.35
2	Kailashahar	13.91	22.07	27.57	33.41	36.88
3	Kumarghat	7.16	15.15	15.43	17.78	19.04
4	Kamalpur	7.65	11.35	11.49	14.22	19.15
5	Khowai	18.57	50.31	33.27	33.94	51.08
6	Teliamura	5.89	27.75	17.62	27.46	17.41
7	Ranirbazar	8.04	13.31	12.94	25.13	18.53
8	Sonamura	13.63	23.34	17.70	25.22	30.35
9	Udaipur	31.19	117.50	59.56	83.26	77.75
10	Amarpur	7.19	7.64	13.37	13.32	17.51
11	Subroom	11.17	13.99	14.57	11.35	12.51

<sup>2</sup> Three Nagar Panchayats i.e. Santirbazar, Bishalgarh and Ambassa came into existence in 2009.

(₹ in lakh)

Sl. No.	Name of the NP	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
12	Belonia	26.20	82.67	72.95	84.03	93.37
13	Shantirbazar	--	--	--	--	11.58
14	Bishalgarh	--	--	--	--	8.67
15	Ambassa	--	--	--	--	18.77

Source: Urban Development Department

The above table indicates that the revenue collection trend in respect of NPs was not consistent. The growth in revenue was also not very significant except in few cases.

#### 3.4.4 The trend of own revenue income of AMC

The trend of own revenue income of AMC for the last five years is shown in the following Table 3.5:

Table 3.5: Statement showing trend of own revenue income of AMC

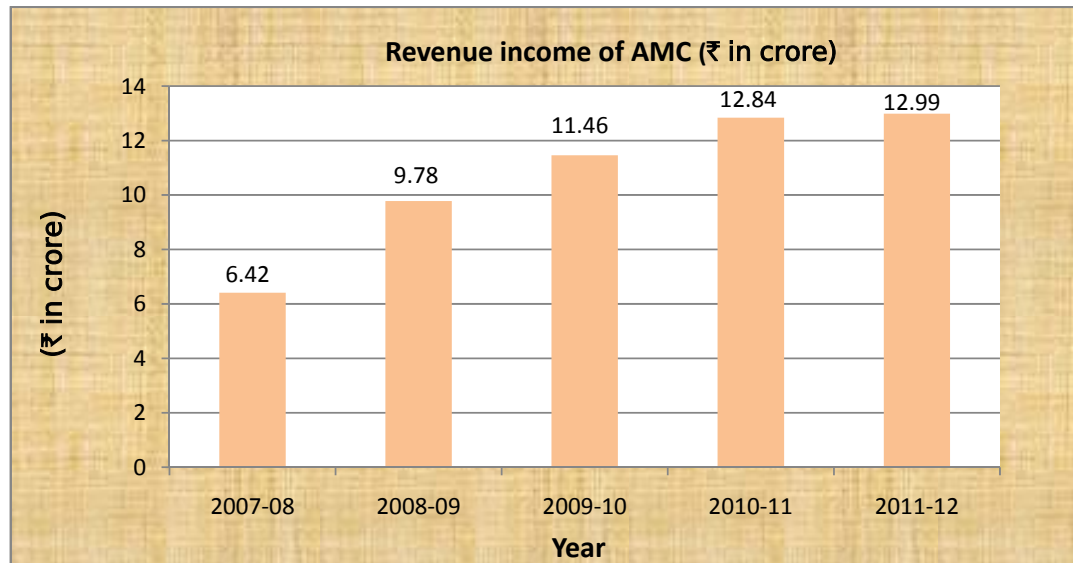
(₹ in crore)

Year	Revenue income	% Increase over last year
2007-08	6.42	(-) 8
2008-09	9.78	52
2009-10	11.46	17
2010-11	12.84	12
2011-12	12.99	1.17

Source: Performance Budget 2010-11, Outcome Budget 2011-12 and information furnished by AMC.

The large chunk of revenue income in years 2008-09 and 2009-10 had been due to collection of the arrears pending for last 5 to 10 years and mobilised through one time settlement. During 2011-12, the collection of revenue had increased to 1.17 per cent only over the previous year.

Chart No. 3.1



### 3.5 Investment through major schemes

Receipts *vis-à-vis* expenditure incurred for major schemes implemented by ULBs during last four years are given in the following **Table 3.6**:

**Table 3.6: Statement showing receipts and expenditure of major schemes**

(₹ in lakh)

Name of the Scheme	2008-09		2009-10		2010-11		2011-12	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
Swarna Jayanti Shahari Rojgar Yojana (SJSRY)	298.39	298.39	24.88	24.88	279.25	279.25	30.00	30.00
Urban Infrastructure Development Scheme for Small and Medium Towns (IDSSMT)	2005.00	1151.00	1097.80	130.50	89.72	1479.00 <sup>3</sup>	800.00	800.00
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	1760.85	41.75	2250.00	235.25	797.30	1060.30 <sup>3</sup>	1091.32	1091.32
Integrated Housing and Slum Development Programme (IHSDP)	Nil	Nil	911.86	911.86	705.65	705.65	1235.68	1235.68

**Source:** Urban Development Department

The receipts of funds under different schemes were not consistent and expenditure under IDSSMT and JNNURM during 2009-10 was not significant as large amounts of funds remained un-utilised.

### 3.6 Devolution of functions

The Tripura Municipal Act 1994 envisages transfer of functions of various departments of the State Government to ULBs. All the 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution of India had been transferred by the State Government to the ULBs. However, in practice, functions like fire services, roads and bridges were still controlled by the State Government departments. The ULBs with the approval of the Government appointed non-gazetted staff to perform various functions

### 3.7 Accountability framework

#### 3.7.1 Power of the State Government

Acts governing the ULBs entrusts the State Government with the following powers so as to enable it to monitor the proper functioning of the ULBs:

- Frame rules to carry out the purposes of the Tripura Municipal Act;
- Dissolve the ULBs, if the ULBs fail to perform or default in the performance of any of the duties imposed on them;
- Removal of difficulties in giving effect to the provisions of the Act;
- Creation, abolition, recruitment and placement of staff of State Government at the disposal of the Municipality.

<sup>3</sup> Expenditure also incurred from the previous year's unspent balances available under the schemes.

### **3.7.2 Audit mandate**

**3.7.2.1** As per Sections 264, 265 and 266 of the Tripura Municipal Act, 1994, the accounts of the Municipality shall be examined and audited by an auditor appointed in that behalf by the State Government. The State Government shall, by rules, make provision with respect to the maintenance of accounts of the Municipalities and auditing of such accounts, including the power of the auditor. The auditor shall submit the Audit Report to the Chairperson of the Municipality and a copy thereof to the State Government. However, the Government had not appointed any auditor so far for audit and certification of accounts of ULBs.

**3.7.2.2** Based on the recommendations of the Thirteenth Finance Commission, the State Government entrusted (March 2011) audit of ULBs under Technical Guidance and Support (TGS) to the C&AG as per standard terms and conditions u/s 20(1) of C&AG's DPC Act 1971.

Accordingly, audit of ULBs are being conducted by C&AG. During 2012-13 the audit of the accounts of AMC and 11 NPs were carried out.

## **3.8 Conclusion**

The ULBs perform their functions through the supervision of different Standing Committees. However, it was observed that the required numbers of meetings by Standing Committees were not held. The revenue collection trend in respect of ULBs was not consistent. The growth in revenue was also not very significant except in few cases. The increase of revenue income in respect of AMC in 2011-12 was only 1.17 *per cent* over the previous year. The Tripura Municipal Act 1994 envisages transfer of all the 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution. But in practice, functions like fire service, road and bridge were still controlled by the State Government.

## SECTION “B”

### Financial Reporting

#### 3.9 Framework

**3.9.1** Financial reporting is a key element of accountability. Best practices require preparation of General Purpose Financial Statement (GPFS) for each entity. According to Section 262 (1) of the Tripura Municipal Act, 1994, the ULBs should prepare the Annual Financial Statements which would include Income and Expenditure Accounts for the preceding year within three months of the close of a financial year in such form and manner as prescribed. Section 263 of the said Act provides that every Municipality should prepare annual Balance Sheet of assets and liabilities in the prescribed form within six months of the close of the financial year.

#### **3.9.2 Accounting Reforms**

Based on the recommendations of Eleventh Finance Commission, the Ministry of Urban Development, GOI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which was based on double entry accrual based system of accounting. The Urban Development Department, Government of Tripura had drafted (June 2010) the ‘Tripura Municipal Accounting Manual’ based on the NMAM. The Manual had been finalised in June 2011 but was yet to be implemented.

#### **3.9.3 Annual Accounts**

Different ULBs had engaged Chartered Accountants for preparation of annual accounts in 2011. However, the accounts had not yet been finalised. Due to non finalisation of accounts, the actual financial position of the ULBs could not be ascertained.

#### **3.9.4 Budget Estimates**

Under section 260(1) of the Tripura Municipal Act, 1994, the Budget Estimates of Municipality for a year should be prepared in the prescribed form and presented before a meeting of Municipality, specially convened for the purpose, not later than the tenth day of March every year and should be adopted after discussion within two weeks of presentation. A copy of the Budget Estimates adopted by the Municipality should be sent to the State Government and a revised budget for the current year should be framed in the prescribed form and presented before the Municipality for adoption after the first day of October every year, but not later than the thirty first day of December.

Test check of records of 11 Nagar Panchayats revealed that none of the Nagar Panchayats prepared the budget estimates and expenditures were incurred without



preparation and approval of the budget. Despite non-preparation of budget estimates, the State Government was releasing fund to the Nagar Panchayats.

### **3.10 Conclusion**

None of the ULBs had finalised their annual accounts nor had they prepared budget till date. Though, this issue was reported in our earlier reports as well, no compliance had been done on this account (November 2013).