

CHAPTER-I

INTRODUCTION

1.1 Background

Under Section 4 of the Jharkhand Municipal Act (JMA), 2000, the State Government may declare a town as a Municipal Corporation, a Municipality/Municipal Council or a Notified Area Committee/Nagar Panchayat on the basis of a population of more than two lakh, not less than forty thousand and twelve thousand respectively provided that the town has (i) an average number of not less than 400 inhabitants per square Kilometer and (ii) three-fourth of the adult population are engaged in pursuits other than agriculture.

Three Municipal Corporations¹, one Municipality² and 14 Municipal Councils³, 19 Nagar Panchayats⁴ and two Notified Area Committees⁵ (NACs), declared by the State Government, were in existence in the State as on 31 March 2011. The Municipal Corporations are governed by Ranchi Municipal Corporation (RMC) Act, 2001, whereas Municipalities/Municipal Councils and NACs/Nagar Panchayats are governed by JMA, 2000. Elections were held in all the Urban Local Bodies (ULBs) except Jamshedpur and Mango NAC and Jugsalai Municipality.

1.2 Organisational Set-up

The ULBs are under the administrative control of the Urban Development Department (UDD), Government of Jharkhand (GoJ). The Chairman/Mayor elected by the public is the executive head of the ULB. He presides over the meetings of the Municipal Board. The executive power of ULB is exercised by the Board. To assist the Board, various committees are constituted. The Chief Executive Officer/ Executive officer appointed by the State Government is a whole time officer of the Municipal Corporation/Municipal Council/Nagar Panchayat and executive power for the purposes of carrying on the administration of ULB, subject to the provisions of the JMA/RMC Act and of any rules and bye-

¹ Deoghar, Dhanbad and Ranchi.

² Jugsalai

³ Adityapur, Chakradharpur, Chaibasa, Chas, Chatra, Dumka, Fusro, Giridih, Hazaribag, Jhumritelaiya, Lohardaga, Madhupur, Medninagar and Sahebganj.

⁴ Basukinath, Bishrampur, Bundu, Chakulia, Chirkunda, Garhwa, Godda, Gumla, Hussainabad, Jamtara, Khunti, Koderma, Latehar, Majhigawan, Mihijam, Pakur, Rajmahal, Saraikela and Simdega.

⁵ Jamshedpur and Mango

er and the general control of the Municipal Board, vests in
tes every resolution of the Board. In the absence of elected
bodies, Municipal Corporations, Municipalities and NACs are administered by an
Administrator and Special Officer. Other officers are also appointed to discharge
specific functions.

1.3 Accounting and Auditing Arrangement

Accounting arrangements:

As per Section 81 of the Bihar & Orissa Municipal Act, 1922 (adopted as JMA, 2000) the State Government may make rules consistent with the Act regarding maintenance of accounts. Accordingly, the Bihar Municipal Accounts Rules, 1928 were framed which prescribes the Forms and Accounts to be kept by the ULBs. For assessment, demand and collection of various taxes of ULBs (except Municipal Corporations), Municipal Accounts (Recovery of Taxes) Rules, 1951 was framed under the provisions of the Municipal Act.

In exercise of powers conferred by clauses (a) and (c) of section 227 and clauses (k) of sub-section (2) of section 540 of the Patna Municipal Corporation Act 1951, Patna Municipal Accounts (Recovery of Taxes) Rules, 1953 was framed. Further, in accordance with sub-section 3(2)⁶ of Patna Municipal Corporation Act, 1951, Bihar Municipal Accounts Rules, 1928 is also applicable to Municipal Corporations.

Recently the State Government issued a notification on October 10, 2012 regarding adoption of Jharkhand Municipal Accounts Manual, 2012 with immediate effect. The Manual has been prepared on the basis of National Municipal Accounts Manual prepared by the Ministry of Urban Development (MoUD) as recommended by the Task Force of the CAG constituted for this purpose.

⁶ Every appointment, rule, bye-law, form, notification, notice, tax, fee, scheme, order, licence or permission made, issued, imposed, sanctioned or given under the B & O Municipal Act 1922, or the Patna Administration Act, 1915, shall, so far it relates to the areas administered by the Patna City Municipality or the Patna Administration Committee and so far as it is enforce at the commencement of, and is not inconsistent with, this Act, be deemed to have been made, issued, imposed, sanctioned or given under the provisions of this Act, and shall, unless previously altered, modified, cancelled, suspended, surrendered or withdrawn, as the case may be, under this Act, remain in force for the period, if any, for which it was so made, issued, imposed, sanctioned or given.

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Audit of ULBs is conducted by the Examiner of Local Accounts (ELA), Jharkhand under Jharkhand & Orissa Local Fund Audit Act, 1925.

Under Section 120 (1) of RMC Act, 2001, the Annual Accounts of the Municipal Corporations are subject to audit under the Jharkhand and Orissa Local Fund Audit Act, 1925. For this purpose, the Corporation is deemed to be a local authority whose accounts have been declared by the State Government to be subjected to audit under Section 3 of the Jharkhand and Orissa Local Fund Audit Act, 1925 and the municipal fund is deemed to be a local fund.

1.4 Audit Coverage

Out of 39 ULBs, accounts of eight ULBs covering the financial years 2007-09, Dhanbad Municipal Corporation for the period 2006-08 and Ranchi Municipal Corporation for 2009-10 were test checked during October 2010 to March 2011 (**APPENDIX-I**). The findings of audit are discussed in the succeeding paragraphs.

1.5 Devolution of functions, funds and functionaries

Functions:

Visualising ULBs as institutions of self-governance, the 74th Constitutional Amendment Act, 1992 left the extent of devolution to the wisdom of the State legislatures. Major elements of devolution are transfer of functions, functionaries and funds to ULBs, accompanied by freedom to take administrative and financial decisions at local level.

The ULBs are required to perform, *inter alia*, 18 functions (**APPENDIX-II**) enlisted in the Twelfth Schedule to the Constitution.

During audit, it was noticed that only six functions are being performed by all the test checked ULBs, 10 other functions are also performed by Ranchi Municipal Corporation, while process of transfer of rest of the two functions to the ULBs are in progress (February 2013) as detailed in following table:

Table-1

No.	checked ULBs	test- Performed by Ranchi Municipal Corporation	Not performed by any test-checked ULBs
1	Urban planning including town planning,	Regulation of land-use and construction of buildings,	Fire Services,
2	Water supply for domestic, industrial and commercial purposes,	Planning for economic and social development,	Promotion of cultural, educational and aesthetic aspects.
3	Sanitation, conservation and solid waste management,	Roads and bridges,	
4	Slum improvement and upgradation,	Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded	
5	Urban poverty alleviation,	Slum improvement and upgradation,	
6	Provision of urban amenities and facilities, such as parks, garden, playground etc.	Burials and burial grounds; cremations, cremation grounds and electric crematoriums,	
7		Cattle ponds, prevention of cruelty to animals,	
8		Vital statistics including registration of births and deaths,	
9		Public amenities including street lighting, parking lots, bus stops and public conveniences,	
10		Regulation of slaughter houses and tanneries.	

Source: Information provided by the ULBs

Funds:

Devolution of funds to ULBs should be a natural corollary to implement the transferred functions. It was, however, noticed that financial assistance provided to ULBs by the State Government was on a decreasing trend since 2008-09.

The financial assistance to ULBs had decreased from 5.58 *per cent* to 1.31 *per cent* of revenue receipts of the State Government during 2008-11, which was inadequate keeping in view the insufficient resources of the ULBs and the fact that 22 *per cent* of the total population of the State resided in urban areas.

Financial Profile

The ULB Fund comprises of receipts from own resources and grants and loans from the State Government and Central Government.

Under the provisions of various Acts⁷ in force, all collections such as tax on holdings, water tax, latrine tax, fee on registration of vehicles such as cycles, rickshaw, thela etc, tax on trades, professions, callings and employments, are

⁷ Section 82 and 275 of Jharkhand Municipal Act, 2000 and Section 123 and 142 of Ranchi Municipal Corporation Act, 2001.

and building plan sanction fees, mutation fees of property, buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The State Government releases grants-in-aid and loans to the ULBs to compensate their establishment expenses. Grants and assistance are also received from the State Government and the Central Government for implementation of specific schemes and projects.

Rule 83 of Bihar Municipal Accounts Rules, 1928 (as adopted by Government of Jharkhand) provides for preparation of Annual Accounts but none of the 10 test checked ULBs prepared annual accounts during the period under audit. However, as ascertained in audit on the basis of cashbooks/ information made available by ULBs, the financial profile of six ULBs was as summarised in the table below:

Table-2

(₹ in lakh)

Sl. No	Name of ULBs	Period	Opening Balance	Receipts			Grand Total	Expenditure		Total	Closing Balance
				Grant	Loan	Own/Other Sources		Establishment	Scheme		
1	Dhanbad	2006-08	Not furnished to audit.								
2	Fusro	2007-09	Not furnished to audit.								
3	Bundu	2007-09	98.28	61.29	29.75	20.68	210.00	39.48	57.63	97.11	112.89
4	Garhwa	2007-09	161.66	171.93	103.79	53.41	490.79	68.35	101.69	170.04	320.75
5	Hussainabad	2007-09	128.06	74.40	59.05	18.51	280.02	19.94	82.32	102.26	177.76
6	Khunti	2007-09	188.66	171.39	115.55	23.36	498.96	36.66	268.94	305.60	193.36
7	Latehar	2007-09	152.31	137.04	94.46	71.75	455.56	32.26	125.78	158.04	297.52
8	Mihijam	2007-09	417.28	58.95	53.94	14.36	544.53	11.76	143.94	155.70	388.83
9	Rajmahal	2007-09	Not furnished to audit								
10	Ranchi	2009-10	Not furnished to audit								

Source: Information provided by the ULBs

From the above table it was clear that the ULBs were financially dependent on grants/loans from the Government and their own revenues were meager.

Functionaries:

Devolution of powers and functions to the ULBs required availability of qualified and trained personnel at all levels for efficient discharge of these functions. The ULBs should have administrative control over the staff to command loyalty and direction of purpose in the new scenario. A review of the system of transfer of functionaries to ULBs revealed that the available manpower in ULBs was not sufficient and required attention of the State Government.

The position of sanctioned posts and persons- in- position in respect of eight ULBs was as under:

Table-3

			Sanctioned Strength	Men in Position	Shortage	Percentage of shortage (%)	Position as of 31 st March
1	Dhanbad	Dhanbad Circle	437	191	246	56.29	2008
		Sindri Circle	261	104	157	60.15	
2	Bundu		21	Nil	21	100	2009
3	Fusro		29	Nil	29	100	2009
4	Garhwa		44	21	23	52.27	2009
5	Hussainabad		22	13	09	40.90	2009
6	Khunti		Not furnished				2009
7	Latehar		21	Nil	21	100	2009
8	Mihijam		19	9	10	52.63	2009
9	Rajmahal		Not furnished				2009
10	Ranchi		1330	721	609	45.79	2010
Total			2184	1059	1125	51.51	

Source: Information furnished by ULBs

The above table shows that three ULBs⁸ have no permanent staff against the sanctioned posts whereas in other ULBs the shortage of staff ranged from 41 to 60 *per cent*. Due to shortage of manpower, the ULBs were facing difficulties in performing duties such as collection of revenue, non-maintenance of basic records etc. This also affected the compliance of Acts/Provisions/Orders as brought out in paragraph 2.3.5.

1.6 State Finance Commission Reports

The State Finance Commission (SFC) is constituted by the State Government under Section 80-B of JMA, 2000. The major function of the SFC was to frame the principles that would govern the distribution of the net proceeds of taxes, duties etc. between the State and Local Bodies and also grants-in-aid to Local Bodies to strengthen their financial position. The State Government constituted the first SFC in January 2004 which submitted its Report in April 2009 while the second SFC was constituted in December 2009. The Second State Finance Commission had not submitted its report (February 2013). Further, the Joint Secretary of the Urban Development Department informed in November 2012 that to consider one of the recommendations of the First SFC, of providing a per capita Core Municipal Services Provision Grant⁹ of ₹ 375 in 2009-10 with annual growth rate of 10% in the subsequent four years in lieu of taxes not assigned and taxes not shared with ULBs, a High Level Committee would be constituted.

1.7 Recommendations

- Government should prepare a time-bound action plan for devolution of functions, funds and functionaries as envisaged by the 74th Constitutional Amendment Act.
- Action on the recommendations may also be ensured by the State Government timely.

⁸ Bundu, Fusro and Latehar.

⁹ Water Supply, Sanitation, Street Lights, Primary Education, Health and Municipal Roads