

CHAPTER III

AN OVERVIEW OF ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

3.1 Introduction

In pursuance of the 74th Amendment in 1992, Articles 243 P to 243 ZG were inserted in the Constitution of India whereby the State legislature could endow certain powers and duties to the Municipalities in order to enable them to function as institutions of self-government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution. The Rajasthan Municipalities Act (RMA), 2009 was accordingly enacted by repealing all the prevailing municipal laws and enactments to enable the Urban Local Bodies (ULBs) to function as third tier of the Government.

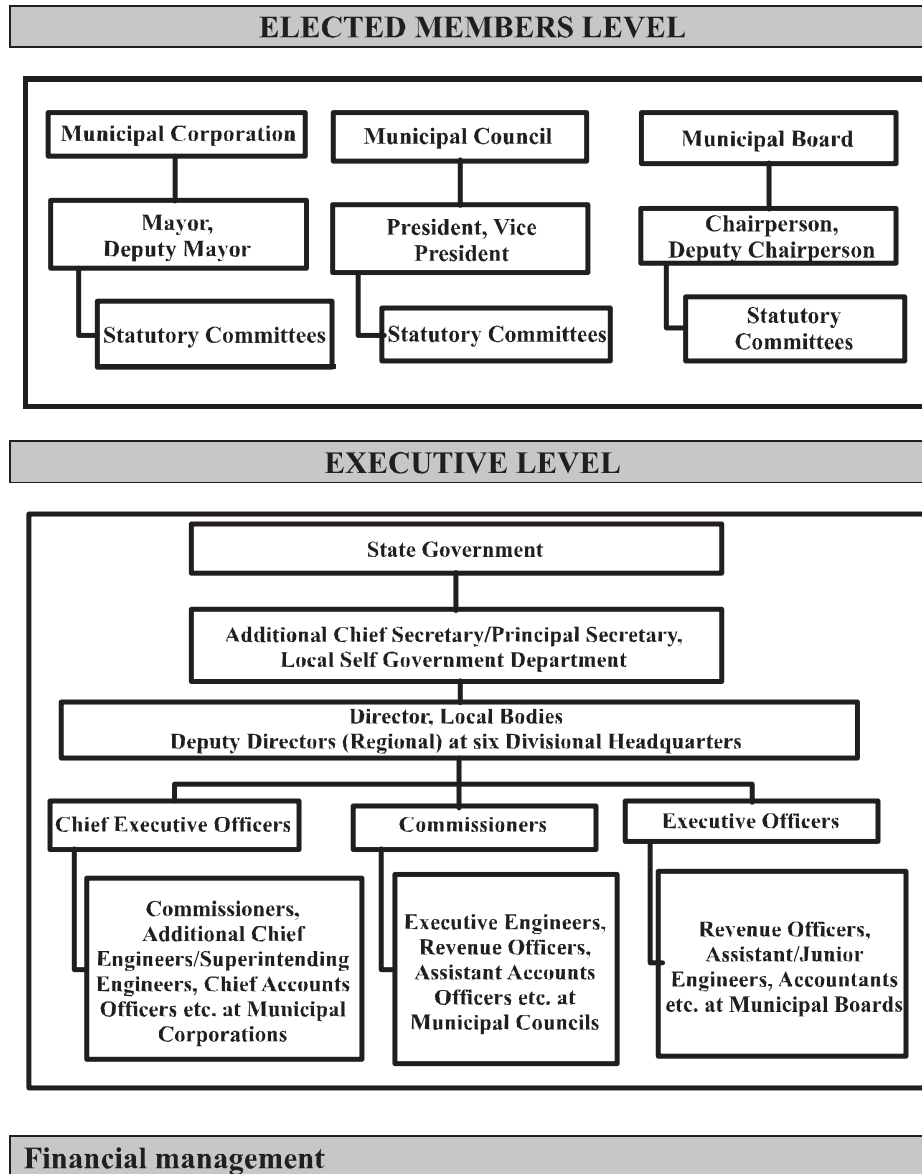
As per census 2011, the total population of Rajasthan State was 6.85 crore. The urban population of the State was 1.70 crore, which constituted 24.82 *per cent* of the total population of the State. In Rajasthan, there were 184 ULBs i.e. 5 Municipal Corporations¹ (M Corps), 30 Municipal Councils² (MCs) and 149 Municipal Boards³ (MBs) as of March 2013. The last elections to the ULBs in Rajasthan were held in five phases during November 2009 to February 2011.

3.2 Organisational set up

Local Self Government Department (LSGD) is the administrative department dealing with affairs of the ULBs. An organisational chart combining the State Government administrative machinery with ULBs is given in **Chart 3.1** below:

-
1. Municipal Corporations: Ajmer, Bikaner, Jaipur, Jodhpur and Kota
 2. Municipal Councils: Alwar, Banswara, Baran, Barmer, Beawar, Bharatpur, Bhilwara, Bundi, Chittorgarh, Churu, Dausa, Dholpur, Dungarpur, Hanumangarh, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kishangarh, Nagaur, Pali, Pratapgarh, Rajsamand, Sawaimadhopur, Sikar, Sirohi, Sriganganagar, Tonk and Udaipur
 3. Municipal Boards: Class-II (with population 50,000-99,999) - 19, Class-III (with population 25,000-49,999) - 58 and Class-IV (with population less than 25,000) - 72

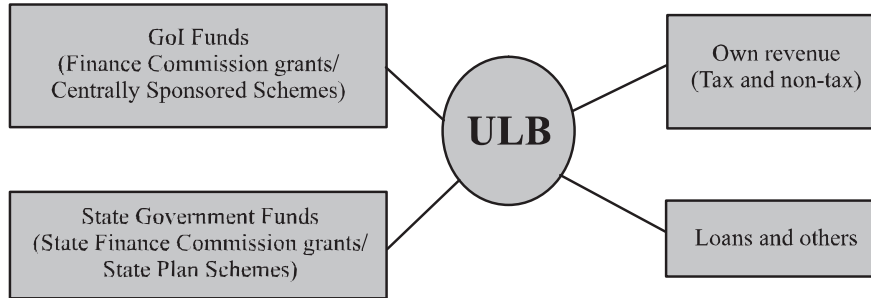
Chart 3.1: Organisational chart of ULBs



3.3 Receipts and expenditure

3.3.1 Receipts

The resource base of ULBs consists of own revenues, assigned revenues, grants received from GoI and the State Government and loans as depicted in the diagram below.



The position of receipts under various heads of the ULBs during 2008-09 to 2012-13 is given in Table 3.1 and break-up of receipts and expenditure of ULBs is given in Table 3.2 below:

Table 3.1: Receipts of ULBs

(₹ in crore)

Sources of receipts	2008-09	2009-10	2010-11	2011-12	2012-13
(A) Own revenue					
(a) Tax revenue					
(i) House tax	7.03	39.90	17.59	-	-
(ii) Urban development tax ⁴ /property tax	11.99	21.61	38.94	39.57	46.88
(iii) Octroi/Margasth fee	4.00	54.49	25.51	-	-
(iv) Tax on vehicles	0.67	0.46	0.20	-	-
(v) Passenger tax	2.02	2.23	3.52	-	-
(vi) Terminal tax	0.12	0.10	0.08	-	-
(vii) Other taxes	3.00	4.42	21.26	81.10 ⁵	205.41 ⁵
(viii) Outsourcing	-	41.13	44.33	-	-
Total of Tax revenue (a)	28.83 (1.54)	164.34 (7.55)	151.43 (7.38)	120.67 (5.29)	252.29 (7.04)
(b) Non-tax revenue⁶					
(i) Revenue from bye-laws	68.30	83.72	99.39	157.25	416.83
(ii) Revenue from assets	17.22	46.43	26.75	26.69	36.08
(iii) Revenue from Acts	18.37	35.06	49.05	-	-
(iv) Revenue from penalties	6.09	8.66	11.73	-	-
(v) Revenue from waterworks	2.30	1.84	0.32	-	-
(vi) Interest on investments	14.21	8.61	22.13	24.80	26.30
(vii) Misc. non-tax revenue	91.92	81.85	56.29	297.95	477.90
(viii) Sale of land	249.33	210.52	305.34	110.38	199.30
Total of Non-tax revenue (b)	467.74 (24.91)	476.69 (21.89)	571.00 (27.83)	617.07 (27.06)	1,156.41 (32.27)
Total of Own revenue (A)	496.57 (26.45)	641.03 (29.44)	722.43 (35.21)	737.74 (32.35)	1,408.70 (39.31)
(B) Assigned revenue/ Entertainment tax	3.00 (0.16)	7.12 (0.33)	7.21 (0.35)	7.38 (0.32)	0.01 (0.00)

4. Urban Development tax was introduced with effect from 29 August 2007 on abolition of House Tax from 24 February 2007

5. Income from Land revenue, tax on advertisement, Pilgrim tax. etc.

6. Income under bye-laws and Acts, income from assets, sale of land, interest on investment and miscellaneous recurring income

Sources of receipts	2008-09	2009-10	2010-11	2011-12	2012-13
(C) Grants and loans					
(i) General and special grant	65.27	51.91	40.87	642.78	1,162.55
(ii) Grant in lieu of Octroi	627.65	747.70	754.09	877.81	965.60
(iii) Special assistance and loans	417.37	484.79	351.67	14.81	47.07
Total of Grants and loans (C)	1,110.29 (59.13)	1,284.40 (58.99)	1,146.63 (55.90)	1,535.40 (67.33)	2,175.22 (60.69)
(D) Miscellaneous non-recurring income⁷	267.81 (14.26)	244.62 (11.24)	175.11 (8.54)	-	-
Grand Total (A to D)	1,877.67	2,177.17	2,051.38	2,280.52	3,583.93

Source: As per data provided (August 2013) by Directorate, Local Bodies Department (DLBD), Rajasthan
Note: Figures in brackets denote percentage to the total receipts

Table 3.2: Break-up of receipts and expenditure of ULBs

Category of ULBs	(₹ in crore)									
	2009-10		2010-11		2011-12		2012-13		Percentage of increase (+)/ decrease (-) of 2012-13 with reference to 2011-12	
	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.
(A) Municipal Corporations										
(i) Ajmer	48.65	55.13	79.67	60.91	73.72	82.20	93.68	74.62	(+27.08	(-09.22
(ii) Bikaner	37.10	37.92	42.91	42.30	70.30	48.29	76.33	63.97	(+08.58	(+32.47
(iii) Jaipur	400.30	367.54	369.30	342.23	433.32	431.93	532.88	515.77	(+22.98	(+19.41
(iv) Jodhpur	93.28	110.09	115.43	109.33	114.78	135.94	171.22	155.56	(+49.17	(+14.43
(v) Kota	89.45	95.53	120.38	80.04	129.93	116.68	163.63	129.11	(+25.94	(+10.65
Total (A)	668.78	666.21	727.69	634.81	822.05	815.04	1,037.74	939.03	(+26.24	(+15.21
(B) Municipal Councils	353.71	342.68	427.74	384.53	711.70	675.67	1,272.98	874.07	(+78.86	(+29.36
(C) Municipal Boards	1,154.68	1,241.05	895.95	803.99	746.77	1,399.64	1,273.21	1,681.92	(+70.50	(+20.17
Grand Total (A+B+C)	2,177.17	2,249.94	2,051.38	1,823.33	2,280.52	2,890.35	3,583.93	3,495.02	(+57.15	(+20.92

Source: As per data provided (August 2013) by DLBD, Rajasthan

The above financial trends indicate that:

- During the four year period (2009-10 to 2012-13), the increase in total receipts of ULBs was 64.61 per cent.
- ULBs continued to be dependent on grants and loans from Central and State Governments, as the percentage of grants and loans to total revenue increased from 55.90 per cent during 2010-11 to 67.33 per cent during 2011-12 and decreased to 60.69 per cent during 2012-13. This underscores the necessity for streamlining measures for own revenue augmentation.
- The increase in own revenue in 2012-13 from 2011-12 was under various heads like urban development tax (₹ 7.31 crore), other taxes (₹ 124.31 crore), revenue from bye-laws (₹ 259.58 crore), revenue from assets (₹ 9.39 crore), interest on investment (₹ 1.50 crore), miscellaneous non-tax revenue (₹ 179.95 crore) and sale of land (₹ 88.92 crore).

7. Including deposits and recoveries of loans and advances

- Similarly, increase of 87.40 per cent in non-tax revenue from 2011-12 to 2012-13 was mainly due to increase in revenue from bye-laws (165.07 per cent), miscellaneous non-tax revenue (60.40 per cent) and sale of land (80.56 per cent), under special campaign of regularisation of urban land i.e. issue of lease deeds, etc.
- There was negligible assigned revenue (entertainment tax) of ₹ 0.01 crore during 2012-13, against ₹ 7.38 crore during 2011-12, due to exemption given by the Government to Cinema Halls, Cable and Direct to Home Operators. The Department stated (September 2013) that ₹ 0.01 crore was from taxes on fairs, etc.
- ULBs received higher general and special grants in 2012-13 as compared to the years 2010-11 and 2011-12. The general and special grant in 2010-11 was ₹ 40.87 crore while it was ₹ 642.78 crore in 2011-12 and ₹ 1,162.55 crore in 2012-13.

3.3.2 Expenditure

The position of expenditure in ULBs during 2008-09 to 2012-13 is given in Table 3.3 below:

Table 3.3: Expenditure of ULBs

(₹ in crore)

Items of Expenditure	2008-09	2009-10	2010-11	2011-12	2012-13
	Amount	Amount	Amount	Amount	Amount
(A) Recurring expenditure					
(i) General administration	237.21 (13.08)	324.43 (14.42)	519.03 (28.47)	966.84 (33.45)	1,090.10 (31.19)
(ii) Public health and sanitation	440.33 (24.28)	623.40 (27.71)	359.19 (19.70)	637.66 (22.06)	772.28 (22.10)
(iii) Maintenance of civic amenities	147.35 (8.12)	230.60 (10.25)	220.89 (12.11)	737.67 (25.52)	898.26 (25.70)
Total of Recurring expenditure (A)	824.89 (45.48)	1,178.43 (52.38)	1,099.11 (60.28)	2,342.17 (81.03)	2,760.64 (78.99)
(B) Non-recurring expenditure					
(i) Expenditure on developmental works	820.58 (45.24)	805.94 (35.82)	408.33 (22.39)	394.56 (13.66)	518.72 (14.84)
(ii) Purchase of new assets	9.27 (0.51)	11.69 (0.52)	24.03 (1.32)	NA	NA
(iii) Repayment of loans	13.69 (0.76)	40.76 (1.81)	85.08 (4.67)	NA	NA
(iv) Miscellaneous non-recurring expenditure ⁸	145.32 (8.01)	213.12 (9.47)	206.78 (11.34)	153.62 (05.31)	215.66 (6.17)
Total of Non-recurring expenditure (B)	988.86 (54.52)	1,071.51 (47.62)	724.22 (39.72)	548.18 (18.97)	734.38 (21.01)
Grand Total (A+B)	1,813.75	2,249.94	1,823.33	2,890.35	3,495.02

Source: As per data provided (August 2013) by DLBD, Rajasthan

Note: Figures in brackets denote percentage to the total expenditure

The above financial trends indicate that:

- The recurring expenditure increased by 17.87 per cent from ₹ 2,342.17 crore during 2011-12 to ₹ 2,760.64 crore during 2012-13. The increases were 12.75 per cent, 21.11 per cent and 21.77 per cent under general administration (₹ 123.26 crore), public health and sanitation (₹ 134.62 crore) and maintenance of civic amenities (₹ 160.59 crore) respectively during 2012-13 over 2011-12.

8. It includes refund or deposits, investments made and disbursement of loans and advances

- Similarly, non-recurring expenditure also increased by 33.97 per cent from ₹ 548.18 crore during 2011-12 to ₹ 734.38 crore during 2012-13, due to increase of expenditure on developmental works (31.47 per cent) and on miscellaneous items (40.39 per cent).
- There was difference in figures of receipts and expenditure as provided by Directorate, Local Bodies Department (DLBD), Rajasthan and the annual accounts of respective M Corps during 2011-12 and 2012-13 as given in **Table 3.4** below:

Table 3.4: Difference in figures of receipts and expenditure maintained in M Corps and at Directorate level

(₹ in crore)

Name of M Corp	Receipts						Expenditure					
	2011-12			2012-13			2011-12			2012-13		
	M Corp level	Directorate level	Diff-erence	M Corp level	Directorate level	Diff-erence	M Corp level	Directorate level	Diff-erence	M Corp level	Directorate level	Diff-erence
Ajmer	71.15	73.72	2.57	92.15	93.68	1.53	82.20	82.20	-	70.59	74.62	4.03
Bikaner	69.29	70.30	1.01	77.30	76.33	0.97	48.29	48.29	-	63.96	63.97	0.01
Jaipur	424.41	433.32	8.91	529.77	532.88	3.11	431.93	431.93	-	515.77	515.77	-
Jodhpur	106.10	114.78	8.68	180.93	171.22	9.71	136.19	135.94	0.25	155.56	155.56	-
Kota	124.16	129.93	5.77	161.87	163.63	1.76	114.97	116.68	1.71	128.53	129.11	0.58
Total	795.11	822.05		1,042.02	1,037.74		813.58	815.04		934.41	939.03	

Source: As per data provided (August 2013) by DLBD, Rajasthan and respective M.Corps

Differences in figures of receipts and expenditure of Municipal Corporations maintained at Directorate level and at concerned Municipal Corporations level indicate improper maintenance of accounts. The accounts were not reconciled and as such, correctness of receipt and expenditure could not be ascertained in audit.

3.3.3 Devolution of functions

Chief Accounts Officer (CAO), DLBD intimated (June 2013) that out of 18 functions listed in the Twelfth Schedule of the Constitution, 16 functions (*Appendix-VII*) have been fully devolved to ULBs. As regards the remaining 2 functions, 'Water Supply' function is being carried out by 7⁹ out of 181 ULBs whereas 'Urban Planning' function is yet to be devolved to ULBs as per notification dated 6 February 2013.

3.3.4 Finance Commission grants

3.3.4.1 Thirteenth Finance Commission grants

The period of Thirteenth Finance Commission (FC) is from 2010-11 to 2014-15. After recommendations of 13th FC, GoI released grants of ₹ 111.36 crore in 2010-11, ₹ 209.49 crore in 2011-12 and ₹ 252.06 crore in 2012-13 to the State Government.

The position of release of grants by GoI to State Government and further release by State Government to ULBs under 13th FC and their utilisation by ULBs for the years 2010-11 to 2012-13 is given in **Table 3.5** below:

9. Bundi, Chomu, Jaisalmer, Karauli, Nagaur, Nathdwara and Nokha

Table 3.5: Utilisation of Grants recommended by 13th FC

(₹ in crore)

Year	Grants to be released by Gol	Actual grants released by Gol	Grants released to ULBs by State Government	UCs received (August 2013) from ULBs		UCs pending	
				Amount	Percentage	Amount	Percentage
2010-11	111.36	111.36	111.36	60.49	54.32	50.87	45.68
2011-12	173.30	209.49	187.56	98.64	52.59	88.92	47.41
2012-13	254.49	252.06	273.99	95.62	34.90	178.37	65.10
Total	539.15	572.91	572.91	254.75	44.47	318.16	55.53

Source: As per data provided (June and September 2013) by DLBD, Rajasthan

- DLBD intimated (February 2013) that the Gol released excess grants of ₹36.19 crore in 2011-12 due to redistribution of share of states which did not fulfil terms and conditions of general performance grant. Further, in respect of short release of ₹21.93 crore to ULBs (₹209.49 crore – ₹187.56 crore) in 2011-12, the CAO, DLBD stated (June 2013) that this amount was released to ULBs during the year 2012-13.
- As of August 2013, UCs in respect of 45.68 per cent, 47.41 per cent and 65.10 per cent of funds released in 2010-11, 2011-12 and 2012-13 respectively were outstanding, which indicated slow utilisation of funds by ULBs and lack of monitoring at Directorate level.

3.3.4.2 Fourth State Finance Commission grants

The Fourth State Finance Commission (SFC) constituted on 11 April 2011 is concurrent with the 13th FC (i.e. from 2010-11 to 2014-15). For the years 2010-11 and 2011-12, the Fourth SFC had recommended (in its first interim report of July 2011) devolution of 3 per cent of State's net own tax revenue (excluding entertainment tax) to local bodies in the ratio of 75.70 : 24.30 to PRIs and ULBs on provisional basis and budgeted figures were to be adopted for quantifying the divisible pool. Similarly, for the year 2012-13, the SFC had recommended (in its second interim report of September 2012) devolution of 5 per cent of State's net own tax revenue (excluding entertainment tax) to local bodies in the ratio of 75.10 : 24.90 to PRIs and ULBs. As per budget document, the State's net own tax revenue (excluding entertainment tax) for the years 2010-11, 2011-12 and 2012-13 worked out to ₹18,500.66 crore, ₹20,295.14 crore and ₹26,110.93 crore respectively and the amount transferable to ULBs for the years 2010-11, 2011-12 and 2012-13 worked out to ₹134.87 crore, ₹147.95 crore and ₹325.08 crore respectively.

The position of grants released and utilisation under the Fourth SFC during 2010-11, 2011-12 and 2012-13 is given in **Table 3.6** below:

Table 3.6: Grants of Fourth SFC to ULBs

(₹ in crore)

Year	Grant to be released by the State Government	Grants released by the State Government	Grants released to ULBs	Short (-)/ Excess(+) release of grants	UCs received (August 2013) from ULBs		UCs pending	
					Amount	Percentage	Amount	Percentage
2010-11	134.87	132.12	45.00	(-) 87.12	29.91	66.47	15.09	33.53
2011-12	147.95	150.70	237.53	(+) 86.83	106.77	44.95	130.76	55.05
2012-13	325.37	325.37	325.66	(+) 0.29	28.05	8.62	297.32	91.38
Total	608.19	608.19	608.19	-	164.73	27.10	443.17	72.90

Source: As per data provided (June and September 2013) by CAO, DLBD, Jaipur

The CAO, DLBD stated (June 2013) that short release of ₹ 87.12 crore of 2010-11 was disbursed in 2011-12 and short release of ₹0.29 crore of 2011-12 was disbursed in 2012-13.

3.4 Database on finances and accounting arrangements

3.4.1 National Municipal Accounts Manual (NMAM) for ULBs in India developed by the Ministry of Urban Development, GoI was introduced in February 2005. On the lines of NMAM, Rajasthan Municipal Accounting Manual has been prepared. Accordingly, the LSGD directed (December 2009) all ULBs to maintain the accounts on Accrual Based (Double Entry) Accounting System from 1 April 2010. However, during audit it was observed that (except Municipal Corporation, Jodhpur) none of the ULBs was preparing the accounts on accrual basis.

3.4.2 A scrutiny of accounts of Municipal Corporation, Jodhpur for the years 2011-12 and 2012-13 revealed that grants received/loans raised by Municipal Corporation were not utilised as indicated in Table 3.7 below:

Table 3.7: Position of grant/loan received by Municipal Corporation, Jodhpur

(₹ in crore)

Particulars	2011-12			2012-13	
	Opening balance (as on 1 April 2011)	Grant/loan received	Unspent balance (as on 31 March 2012)	Grant/loan received	Unspent balance (as on 31 March 2013)
(A) Grants					
Special grant for Swarna Jayanti Shahri Rozgar Scheme	0.15	1.78	1.93	0.01	1.94
Special grant from State Finance Commission	2.40	7.56	9.96	0.00	9.96
Special grant from Member of Legislative Assembly quota	0.36	0.46	0.82	0.05	0.87
Special grant for Integrated Housing and Slum Development Programme	0.00	6.99	6.99	1.51	8.50
Special grant for 13th Finance Commission	5.50	8.70	14.20	14.70	28.90
Total	8.41	25.49	33.90	16.27	50.17
(B) Loans					
Building loan from Rajasthan Bank	3.13	Nil	3.13	Nil	3.13
Loan for Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)	4.83	Nil	4.83	Nil	4.83
Loan for construction work and liability	7.00	Nil	7.00	Nil	7.00
Total	14.96	Nil	14.96	Nil	14.96
Grand Total (A+B)	23.37	25.49	48.86	16.27	65.13

- The above table indicates that the Municipal Corporation, Jodhpur did not utilise grants and loans of ₹ 23.37 crore lying with it at the end of the year 2010-11 nor did it utilise the grants of ₹ 41.76 crore subsequently received during the years 2011-12 and 2012-13. Thus, under various heads/schemes the unspent balance increased from ₹ 23.37 crore to ₹ 65.13 crore during this period. Therefore, the M Corp had to bear the interest liability on the loans raised on the one hand, and on the other, due to non utilisation of grants, it would have run the risk of non-release of further grants by Central/State Government.
- Non-utilisation of grants/loans defeated the purposes for which these were raised and the public was deprived of intended benefits.
- As on 1 April 2011, balance of loans raised for building (₹ 3.13 crore), UIDSSMT (₹ 4.83 crore) and for construction work and liability (₹ 7 crore) was ₹ 14.96 crore. This amount has not been put to use till 31 March 2013. This indicated that loans were taken without any requirement and possibilities of incurring interest liability on loan amounts also cannot be ruled out.

The Department stated (September 2013) that for proper maintenance of accounts of M Corp, Jodhpur, a panel of Chartered Accountants was being prepared.

- Possibilities of similar irregularities regarding utilisation of funds by other ULBs due to non-preparation of accounts on accrual basis (double entry accounting system) cannot be ruled out.

3.4.3 As per RMA, 2009 read with Rajasthan Local Fund Audit Rules, 1955, Local Fund Audit Department (LFAD) is to certify the annual accounts of ULBs. The Director, LFAD intimated (July 2013) that his Regional offices have been instructed (July 2013) to certify the correctness of the accounts of ULBs while conducting audit. This indicates that accounts were not certified by Director, LFAD.

3.4.4 The Ministry of Urban Development, GoI has issued (April 2010) database formats to be adopted by ULBs as prescribed by the 13th FC. The CAO, DLBD intimated (June 2013) that prescribed database formats have been forwarded to all the 184 ULBs of the State and relevant information as to its adoption was being collected.

3.5 Arrears of audit of Director, Local Fund Audit Department

Director, LFAD is the Statutory Auditor for audit of accounts of ULBs. The Director, LFAD intimated (July 2013) that out of 184 ULBs, audit of 126 ULBs (3 M Corps, 8 MCs and 115 MBs) was pending for the period 2012-13 due to shortage of staff.

3.6 Audit arrangement

The CAG conducts audit of bodies substantially financed by grants or loans from the Consolidated Fund of India or any State under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. Further,

Section 99-A of RMA, 2009, as amended in 2011 provides for audit of accounts of municipalities by the CAG.

3.7 Lack of response to Audit observations

For early settlement of audit observations, Departmental Administrative Officers were required to take prompt steps to remove defects and irregularities brought to their notice during the course of audit and/or pointed out through Inspection Reports (IRs).

It was observed that:

3.7.1 At the end of May 2013, a large number of paragraphs (59,549) included in 5,544 IRs in respect of ULBs issued by Director, LFAD were pending for settlement. These observations include 225 embezzlement cases with monetary implication of ₹ 1.67 crore.

3.7.2 Similarly, 1,086 IRs containing 10,241 paragraphs in respect of ULBs issued by Office of the Principal Accountant General (General & Social Sector Audit), Rajasthan involving money value of ₹ 4,753.86 crore, were also pending for settlement as on 31 March 2013. Out of this, even first compliance reports on 2,368 paragraphs of 218 IRs were not furnished (31 March 2013). The year-wise position of outstanding paragraphs is given in **Table 3.8** below:

Table 3.8: Outstanding paragraphs of ULBs

Year	Pending			Non-receipt of first compliance	
	IRs	Paragraphs	Money value (₹ in crore)	IRs	Paragraphs
Upto 2003-04	74	451	239.99	-	-
2004-05	126	1,180	557.65	-	-
2005-06	181	1,528	513.56	1	110
2006-07	188	1,746	539.20	1	138
2007-08	140	1,385	274.14	15	167
2008-09	150	1,413	214.24	65	860
2009-10	92	1,004	653.20	48	90
2010-11	41	494	664.28	20	175
2011-12	74	736	599.96	52	565
2012-13	20	304	497.64	16	263
Total	1,086	10,241	4,753.86	218	2,368

This indicated lack of prompt response on the part of the municipal/departmental authorities which resulted in recurrence of the deficiencies and lapses pointed out earlier. Only one meeting of Audit Committee was held on 13 February 2013 in which steps for concrete compliance, discussion of paragraphs at regional level, formation of sub-committees etc. were discussed. No individual paragraphs were discussed and settled.

3.8 Impact of Audit

During 2012-13, recovery of ₹ 6.52 lakh in 9 cases was made at the instance of CAG's audit.

3.9 Conclusion

- Own resources of ULBs were not adequate and they were largely dependent on grants and loans from Central/State Government.
- Absence of timely finalisation of accounts in the formats prescribed and prompt audit resulted in denial of information to stakeholders.
- The huge pendency of audit observations and delay in their settlement are fraught with the risk of continuance of irregularities/deficiencies observed during audit.