

## CHAPTER III

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

#### 3.1 Introduction

**3.1.1** Consequent upon the 74<sup>th</sup> Constitutional amendments, 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** There was one Municipal Council and 15 Nagar Panchayats as of March 2013 in Tripura where 74<sup>th</sup> Constitutional amendment was applicable in the State. The ULBs are governed by the Tripura Municipal Act, 1994. Each ULB area is divided into a number of wards, which are 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

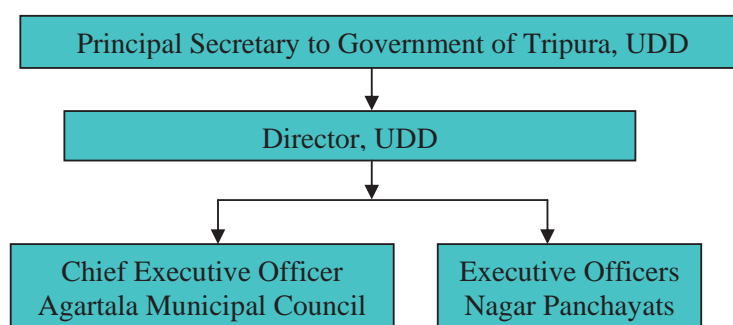
Sl. No.	Name of the ULBs	Area (in Sq.Km.)	Total Population as per 2011 Census
7	Kailashahar Nagar Panchayat	6.19	24,449
8	Udaipur Nagar Panchayat	6.10	32,781
9	Khowai Nagar Panchayat	5.81	18,407
10	Belonia Nagar Panchayat	5.75	19,938
11	Bishalgarh Nagar Panchayat	5.74	21,075
12	Sabroom Nagar Panchayat	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

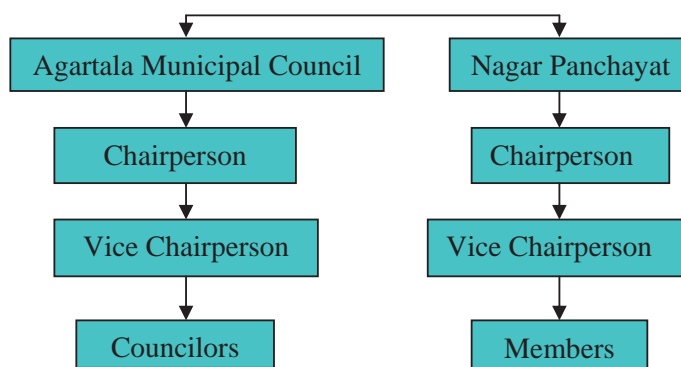
### 3.3 Organisational set up

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*. No such meeting was held in Khowai Nagar Panchayat during 2011-12 and 2012-13. Kumarghat Nagar Panchayat could hold only eight meetings in 2011-12 and five meetings in 2012-13. Similarly, only 25 meetings were held in Santirbazar Nagar Panchayat against 144 during 2011-12 and 2012-13

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

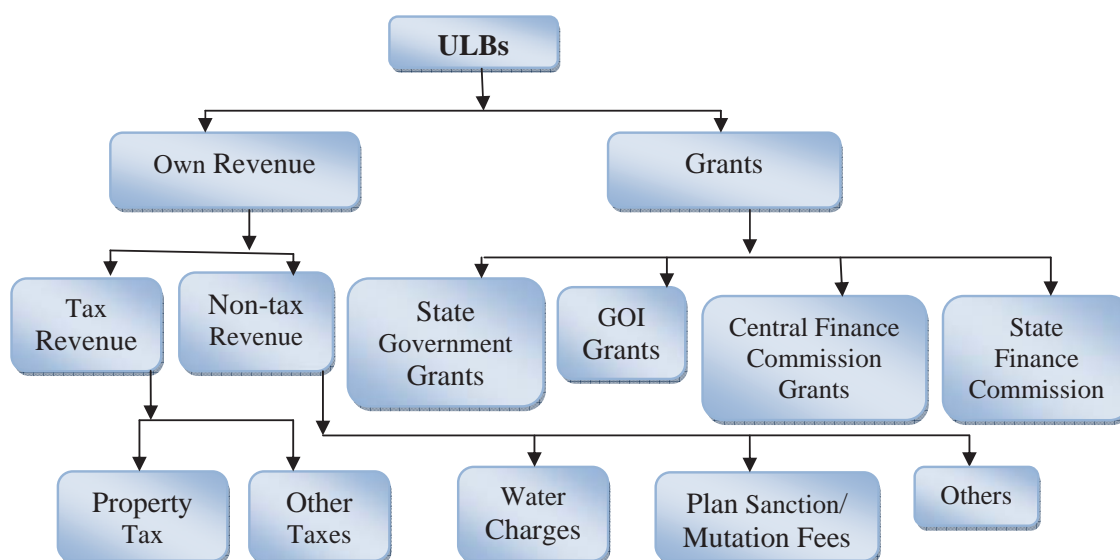
<sup>1</sup> Ambassa Nagar Panchayat, Dharmanagar Nagar Panchayat and Kamalpur Nagar Panchayat.

### 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:



#### 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 for the year 2008-09 to 2012-13.**

(₹ in lakh)

Sl. No.	Name of the NP	Year				
		2008-09	2009-10	2010-11	2011-12	2012-13
1	Dharmanagar	52.29	55.54	53.79	30.35	66.86
2	Kailashahar	22.07	27.57	33.41	36.88	48.08
3	Kumarghat	15.15	15.43	17.78	19.04	17.35
4	Kamalpur	11.35	11.49	14.22	19.15	16.85
5	Khowai	50.31	33.27	33.94	51.08	50.70
6	Teliamura	27.75	17.62	27.46	17.41	28.46
7	Ranirbazar	13.31	12.94	25.13	18.53	20.70
8	Sonamura	23.34	17.70	25.22	30.35	40.40
9	Udaipur	117.50	59.56	83.26	77.75	81.39
10	Amarpur	7.64	13.37	13.32	17.51	21.26
11	Subroom	13.99	14.57	11.35	12.51	11.16
12	Belonia	82.67	72.95	84.03	93.37	98.50
13	Shantirbazar	NA	NA	NA	11.58	15.45
14	Bishalgarh	NA	NA	NA	8.67	13.19
15	Ambassa	NA	NA	NA	18.77	17.83

Source: Urban Development Department

The above table shows that the revenue collection in respect of Kumarghat, Kamalpur, Khowai, Subroom and Ambassa Nagar Panchayat had decreased in 2012-13 as compared to previous year. The growth in revenue of other Nagar Panchayats during 2012-13 was also not very significant except few cases.

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

The trend of own revenue income of AMC for the years 2008-09 to 2012-13 is shown in the following **Table 3.5**:

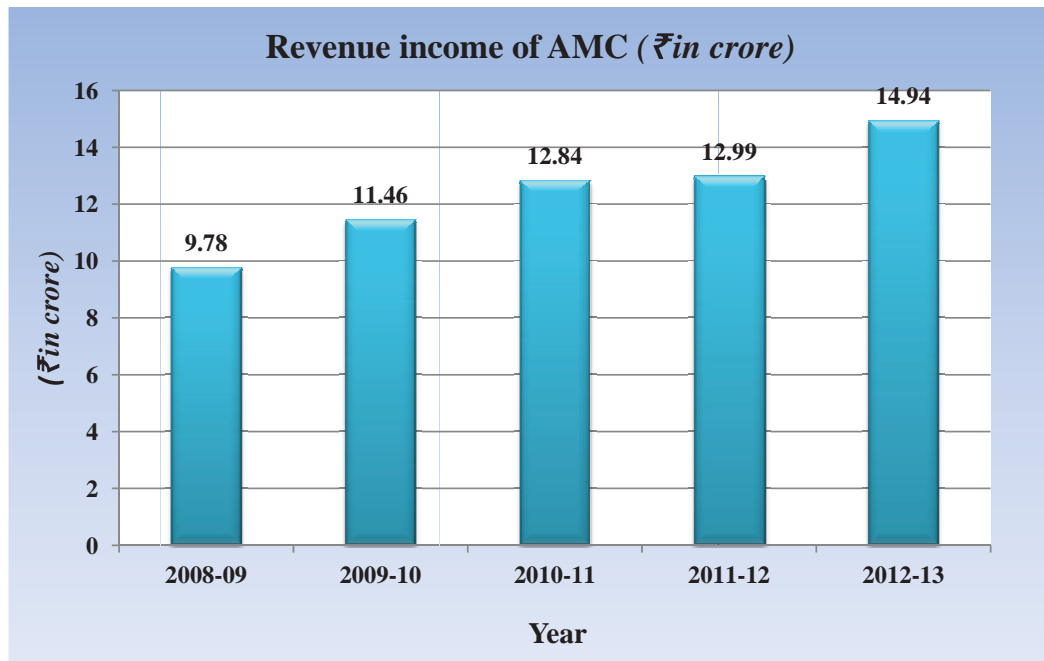
**Table 3.5: Statement showing trend of own revenue income of AMC.**

(₹ in crore)

Year	Revenue income	% Increase over last year
2008-09	9.78	52
2009-10	11.46	17
2010-11	12.84	12
2011-12	12.99	01
2012-13	14.94	15

Source: Performance Budget 2012-13, Outcome Budget 2013-14 of AMC.

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



The revenue income of AMC during 2011-12 had not increased significantly as compared to 2010-11. However, the collection of revenue in 2012-13 had increased to 15 percent over the previous year.

### 3.5 Investment through major schemes

Receipts *vis-à-vis* expenditure incurred for major schemes implemented by ULBs for the year 2009-10 to 2012-13 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	2009-10		2010-11		2011-12		2012-13	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
Swarna Jayanti Shahari Rojgar Yojana (SJSRY)	24.88	24.88	279.25	279.25	30.00	30.00	NA	NA
Urban Infrastructure Development Scheme for Small and Medium Towns (IDSSMT)	1097.80	130.50	89.72	1479.00 <sup>3</sup>	800.00	800.00	NA	NA
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	2250.00	235.25	797.30	1060.30 <sup>3</sup>	1091.32	1091.32	NA	NA
Integrated Housing and Slum Development Programme (IHSDP)	911.86	911.86	705.65	705.65	1235.68	1235.68	NA	NA

**Source:** Urban Development Department

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



The receipts of funds under different schemes were not consistent and expenditure under IDSSMT and JNNURM during 2009-10 was not significant as such large amount of funds remained un-utilised. The information for the year 2012-13 was not furnished by the department though called for (March 2014).

### **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 had been transferred by the State Government to the ULBs. However, 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; and
- Creation, abolition, recruitment and placement of staff of State Government at the disposal of the Municipality.

#### **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 State Government had not appointed any auditor for audit of accounts of Municipalities (March 2014).

**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.

The transactions audit of AMC and four<sup>4</sup> NPs was carried out during 2013-14 covering the period upto 31<sup>st</sup> March 2013.

### **3.8 Conclusion**

The ULBs perform their functions through the supervision of different Standing Committees. However, it was observed that the required number of meetings by Standing Committees were not held. The increase of revenue income in respect of AMC in 2012-13 was only 15 *percent* 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. However, functions like fire service, road and bridge were still controlled by the State Government.

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<sup>4</sup> Khowai Nagar Panchayat ,Amarpur Nagar Panchayat, Santirbazar Nagar Panchayat and Kumarghat Nagar Panchayat



## 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 (UDD), Government of Tripura had drafted (June 2010) the ‘Tripura Municipal Accounting Manual’ based on the NMAM. Though the Manual had been finalised in 2011 but was not yet implemented by the ULBs. The UDD instructed the Agartala Municipal Council and 15 Nagar Panchayats to switch over to the Accrual Based Double Entry Accounting System explicitly w.e.f April 2011. However, none of the ULBs had introduced the same.

#### **3.9.3 Annual Accounts**

Different ULBs had engaged Chartered Accountants for preparation of annual accounts in 2011. However, the annual accounts for the year 2012-13 had not yet been prepared by the four<sup>5</sup> test checked ULBs. The Khowai Nagar Panchayat had prepared the Annual Accounts upto 2010-11 and thereafter all the accounts were pending. The Kumarghat Nagar Panchayat prepared Annual Accounts for the period from 2006-07 to 2011-12 only. Amarpur and Santirbazar Nagar Panchayats had not prepared annual

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<sup>5</sup> Khowai, Amarpur, Santirbazar and Kumarghat.

accounts for the year 2012-13. Due to non preparation of annual accounts, their actual financial position for the year 2012-13 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 four<sup>6</sup> 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. However, Agartala Municipal Council prepares the budget every year.

### **3.10 Conclusion**

None of the ULBs had adopted the accrual based double entry accounting system. The test audited four ULBs neither prepared annual accounts nor had they prepared budget for the year 2012-13. Though, this issue was reported in our earlier reports as well, no compliance had been done on this account.

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<sup>6</sup> Khowai, Amarpur, Santirbazar and Kumarghat.