

PART – I URBAN LOCAL BODIES

CHAPTER I

OVERVIEW OF THE URBAN LOCAL BODIES

1.1 Introduction

The State of Chhattisgarh, with Raipur as its capital, came into existence on 1 November 2000 by separation of 16 districts of Chhattisgarh region from Madhya Pradesh. The 74th Constitutional amendment gave constitutional status to Urban Local Bodies (ULBs) and established a system of uniform structure, regular election and regular flow of funds through Finance Commission etc. As a follow up, the States are required to entrust these bodies with powers, functions and responsibilities as to enable them to function as institutions of self-government.

Article 243Q of the Constitution envisages that there shall be constituted in every State, Municipal Corporation for large urban areas; Municipal Councils for smaller urban areas; and Nagar Panchayats for areas in transition from a rural to an urban area. Further, Article 243W states that the Legislature of a State may, by law, endow the municipalities with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provisions for devolution of powers and responsibilities upon Municipalities.

The Madhya Pradesh/ Chhattisgarh Municipalities Act, 1961 was enacted by the then undivided Madhya Pradesh, and was adapted (August 2001) in Chhattisgarh, with the objective of consolidating and amending the law relating to Municipalities and to make better provision for the organisation and administration of Municipalities. At present, there are 10 Municipal Corporations, 32 Municipal Councils and 127 Nagar Panchayats. The last elections for the ULBs were held during 2009-10. The total population of the 169 ULBs of the state amounts to 5.90 million urban population i.e. 23 *per cent* of the total population of the state.

The basic information about the State of Chhattisgarh is given below:

Table 1.1: Basic information about the State

Particulars	Unit	State figure	All India figure
Population*	Crore	2.55	121.02
Share in country's population*	<i>per cent</i>	2.11	100
Urban population*	Crore	0.59	38
Share of urban population*	<i>per cent</i>	23	31
Literacy rate*	<i>per cent</i>	71	74
Sex ratio (female per thousand males)*	Ratio	991/1000	940/1000
Municipal Corporations#	Number	10	139
Municipal Councils#	Number	32	1595
Nagar Panchayats#	Number	127	2108

Source: * Census 2011. # Figures as provided by UADD Raipur and 13th Finance Commission Report

1.2 Administrative arrangement

The Urban Administration and Development Department (UADD) is the administrative department for the various Municipal Corporations, Municipal Councils and Nagar Panchayats in the State. A Directorate has been established under UADD, with its regional offices at Raipur, Bilaspur, Sarguja and Jagdalpur. State Urban Development Authority (SUDA), constituted under UADD is responsible for implementation and monitoring of poverty alleviation programmes in the urban areas of the State. District Urban Development Authority (DUDA) has been established in each district under the chairmanship of the respective Collectors. Project Officers have been appointed in each DUDA and have been made responsible for the management of its operations. For the management of urban administration and fulfillment of responsibilities, each ULB has an elected Municipal Corporation/Municipal Council/Nagar Panchayat.

1.2.1 Responsibilities of the Urban Administration and Development Department

The main activities of the department are as follows:-

1. Public health and hygiene in urban areas
2. Supervision of development schemes in slum areas
3. Development of special schemes for upliftment of urban poor and their supervision
4. Provision of housing facilities to urban poor
5. General Administration and Management of finances

1.3 Accounting arrangements

Article 243X of the constitution envisages that State Legislature may, by law, vest power in ULBs to impose various taxes for revenue collection. This constitutional provision has been incorporated in Clause 127 and Clause 132 of Chhattisgarh Municipalities Act, 1961. ULBs have received funds on monthly basis under *Chungi* Compensation Grant and Passenger Tax Special Grant by the Government. In addition to this, at the ULBs level various types of taxes have been imposed including Property tax, Composite (*Samekit*) tax, Water tax, Market fee, Export tax etc. In urban areas, the process of self-assessment of the property tax has been enforced by the government to reduce the difficulties for assessment and collection of property tax.

1.3.1 Chhattisgarh Infrastructure Development Fund :

Chhattisgarh Urban Development Fund Rule 2003 had been implemented for the systematic development under urban local bodies in the state. Two types of accounts are maintained under this fund, viz. Devolution Account and Infrastructure Account. Devolution account includes the grants received under regular *Chungi* Compensation, Passenger Tax, Registration fee, Bar license fee and other compensation grants, which are utilized by the ULBs as per discretion. The Infrastructure Account consists of the funds received in

accordance with the recommendations of State Finance Commission (SFC) and funds received for items like repair and maintenance of road etc. These funds are utilized for: (i) Road repair works, (ii) Schemes related to drinking water, (iii) Reforms of Fire Brigade service, (iv) Any special scheme of the State Government, (v) Solid waste management, and (vi) Development of basic amenities.

1.3.2 Adoption of Budget and Accounting formats

Consequent upon adoption of the budget and accounting format for ULBs as prescribed by the Task Force constituted by Government of India in association with the Comptroller & Auditor General of India (CAG), the UADD Chhattisgarh initiated the process of accrual accounting system. Department stated that all the Municipal Corporations, 28 out of the 32 Municipal Councils and 73 out of the 127 Nagar Panchayats have implemented the accrual system of accounting. In addition to this 20 administrative offices of the UADD have also implemented the accrual system of accounting.

As per the decisions taken in the National Seminar organized (September 2003) by the Ministry of Urban Development, GoI, a Steering Committee was to be formed in all the States to oversee the implementation of budget and accounting formats as suggested by the Task Force. The formation of any such committee was not intimated by the department.

1.4 Source of revenue

There were mainly two sources of revenue for local bodies (i) Government grants and (ii) own revenues. Own revenue resources of ULBs comprise tax and non-tax revenues realised by them. Government grants comprise funds released by the State Government and Government of India (GoI) on the recommendation of SFC, Central Finance Commission and GoI share for implementation of various schemes. The ULBs also obtain loans for implementation of various schemes relating to urban development.

1.5 Overview of schemes

1.5.1 State sponsored general schemes operated by the UADD

The following main schemes are operated by the UADD for the development of urban areas:

- (i) **Sarovar Dharohar Yojana:** This scheme aims for environmental reform, renovation and beautification of ponds situated in urban areas;
- (ii) **Pushp Vatika Udyan Yojna:** The scheme was implemented to develop the vacant land area existing between colonies situated in urban areas and convert them to gardens;
- (iii) **Pandit Sundar Lal Sharma Safai Kamgar Awas Yojana:** The objective of the scheme is to provide housing facilities to the *safai kamgar* employed in ULBs;

(iv) **Baba Guru Ghasidas Gandhi Basti Utthan Yojana:** This scheme envisages basic amenities like drinking water, drains, electricity supply, sanitation etc. in slum areas of cities.

(v) **Mukhyamantri Swabalamban Yojana:** The scheme aimed to provide shops/platforms to unemployed youth under all ULBs for self employment;

(vi) **Bhagirathi Nal Jal Yojana:** The objective of the scheme was to provide free drinking water to urban poor families living in congested inhabitations.

1.5.2 Central sponsored general schemes operated by the UADD

The following main Centrally sponsored schemes are being operated by the UADD:

(i) **Swarna Jayanti Shahari Rojagar Yojana:** The objective of the scheme is to provide opportunity for employment of members of poor families residing in urban areas along with imparting training for their skill development. There is also provision for sanction of loans through banks to those youth/women who are interested in self employment. In addition to this, the scheme has provisions for empowerment of women of poor families through community structure by way of providing financial assistance of upto ₹ 10 lakh to women self help groups.

(ii) **Jawahar Lal Nehru National Urban Renewal Mission:** The scheme was launched for urban development and eradication of poverty. Under this scheme, 80 *per cent* of the funds is provided by Central Government, 10 *per cent* of the funds was to be provided by the State Government and the balance 10 *per cent* amount was to be borne by the ULB.

(iii) **Urban Infrastructure Development Schemes for Small and Medium Towns:** The scheme aims at providing the infrastructure in small and medium towns through decentralisation and to encourage the participation of private sector for development of requisite infrastructure in well planned manner. The funding pattern is the same as that in Jawahar Lal Nehru Urban Renewal Mission.

(iv) **Integrated Housing and Slum Development Project:** The scheme aims to provide suitable housing facilities and basic amenities in the slum areas of selected towns, so that a better and healthy environment is provided to the people living in slums. Cluster approach is to be employed for the implementation under the scheme.

1.6 Audit arrangement

The State Government has appointed Director/Commissioner of Local Fund Audit (DLFA) as a primary auditor of accounts of Urban Local Bodies. The office of the Accountant General (Audit) (AG) is conducting audit of ULBs under Technical Guidance and Supervision (TGS) module as notified (October 2011) by the State Government. The CAG of India shall have the right to conduct such test check of the accounts and to comment on and

supplement the report of the Statutory Auditor, as he may deem fit under sub-section (1) of section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act 1971.

The CAG may provide suitable Technical Guidance and Supervision to primary external auditors of ULBs viz the Local Fund Audit (Statutory Auditor) for the purpose of strengthening Public Finance Management and Accountability in Urban Local Bodies. The parameters of such TGS are as given in Section 152 to 154 of Audit and Account Regulation, 2007 issued by the CAG of India under Section 23 of the CAG's (DPC) Act, 1971, which are as under:

- The Local Fund Auditor shall prepare an annual audit plan for next financial year by the end of March every year.
- The audit methodology and procedure for the audit of ULBs by the DLFA shall be as per Statutes enacted by the State Government and guidelines prescribed by CAG of India.
- Copies of inspection reports (IRs) shall also be forwarded by DLFA to the AG (Audit) for advice on system improvement.
- DLFA shall furnish returns in such format as may be prescribed by the CAG for advice and monitoring.
- The AG (Audit) would conduct test check of some units in order to provide technical guidance and report of the test check would be sent to the DLFA for pursuance of action.
- Irrespective of the money value, any serious irregularities shall be intimated to the AG (Audit)
- DLFA shall develop a system of internal control in his organisation in consultation with the AG (Audit).
- The AG (Audit) shall also undertake training and capacity building of the Local Fund Audit staff.

In this regard, the office of Accountant General (Audit), Chhattisgarh imparted two successful training programmes on efficacy of TGS for conduct of audit of PRIs and ULBs and audit methodology to the staff of DLFA.

1.6.1 Outstanding Audit observations

The number of outstanding audit objections of ULBs was 56001 as of March 2014 pertaining to the period 2008-09 to 2012-13. The number of outstanding objections of AG's Inspection Reports was 50 as of March 2014. Details of outstanding objections are as under:

Table 1.2: Outstanding audit objections of DLFA

Sl. No.	Financial Year	ULB			
		Total No. of outstanding audit objections	Objection taken during the year	No. of objections settled	No. of objections Outstanding
1.	2008-09	45692	1912	245	47359
2.	2009-10	47359	1469	17	48811
3.	2010-11	48811	2114	35	50890
4.	2011-12	50890	3037	295	53632
5.	2012-13	53632	2497	128	56001

Table 1.3: Outstanding audit objections of AGs Inspection Reports

Sl. No.	Financial Year	ULB			
		Total No. of Units audited during the year	Objection taken during the year	No. of objections settled (Till March 2014)	No. of objections Outstanding (Till March 2014)
1.	2008-09	00	00	00	00
2.	2009-10	00	00	00	00
3.	2010-11	00	00	00	00
4.	2011-12	00	00	00	00
5.	2012-13	06	50	00	50
Total No. of outstanding objections (Till March 2014)					50

The format for audit report by DLFA was sent to AG for approval, on which suggestions were given. The audit plan was not sent by DLFA to AG for approval. The copies of inspection reports were also not forwarded to AG for advice.

1.7 Budgetary Allocation and Expenditure

Funds (share of tax revenue of the state, schemes funds & grants etc.) allocated to ULBs by the State Government through budget including State share of the GoI schemes and grants recommended by Twelfth Finance Commission (TFC) were as under:-

Table 1.4: Details of allocation and expenditure of funds

(₹ in crore)

Sl. No.	Budgetary Allocation				Expenditure		
	Year	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1.	2008-09	613.52	519.22	1132.74	230.84	509.64	740.48
2.	2009-10	551.14	558.87	1110.01	333.93	491.02	824.95
3.	2010-11	515.06	734.98	1250.04	291.91	711.71	1003.62
4.	2011-12	668.09	780.55	1448.64	392.77	744.41	1137.18
5.	2012-13	1201.38	989.84	2191.22	924.43	925.65	1850.08
Total		3549.19	3583.46	7132.65	2173.88	3382.43	5556.31

Source:- Provided by UADD

The above table indicates that the budget provisions increased by 93 per cent in ULB sector during the year 2012-13 as compared to the year 2008-09. As against the allocation of ₹ 7133 crore during 2008-09 to 2012-13, the expenditure was ₹ 5556 crore.

1.8 Conclusion

The steps to be taken by DLFA under TGS have not been followed. Although training for the staff of DLFA had been conducted by the AG, approval of AG on audit plan was not obtained by the DLFA and sample Inspection Reports were not sent.