

CHAPTER I

INTRODUCTION

1.1 Background

Municipal Bodies have been accorded constitutional status in the 74th Constitutional Amendment Act of 1992 and raised to the status of 'Government' at the local level. Article 243W of the Constitution of India envisages that the State Government 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 the devolution of powers and responsibilities upon municipalities, subject to such conditions as may be specified therein, with respect to (i) preparation of plans for economic development and social justice and (ii) performance of functions and the implementation of schemes as may be entrusted to them including those in relation to matters listed in the Twelfth Schedule.

Out of 128 Urban Local Bodies¹ (ULBs) in West Bengal, 122 ULBs (119 Municipalities, two Notified Area Authorities and one Industrial Township Authority) are governed according to the provisions of the West Bengal Municipal Act, 1993. Kolkata Municipal Corporation and Howrah Municipal Corporation are governed by the respective Acts of 1980. Other four Municipal Corporations were governed by the Acts² of 1990 and 1994. With effect from 1 November 2008, all municipal corporations (except Kolkata and Howrah) have been brought under the West Bengal Municipal Corporation Act, 2006. Municipalities are categorised into five groups on the basis of the population as ascertained in the preceding census for the purpose of application of the provision of the Act. Each municipality is divided into a number of wards, which is determined and notified by the State Government having regard to the population, dwelling pattern, geographical condition and economic consideration of the respective area. Minimum number of wards is nine and the maximum number is kept between 15 and 141 depending on the size of the ULBs. An elected Councillor represents each ward. In 2011, the urban population in West Bengal was 2.91 crore spread over 5119 sq. km., with a density of 5683 per sq. km. as against the total

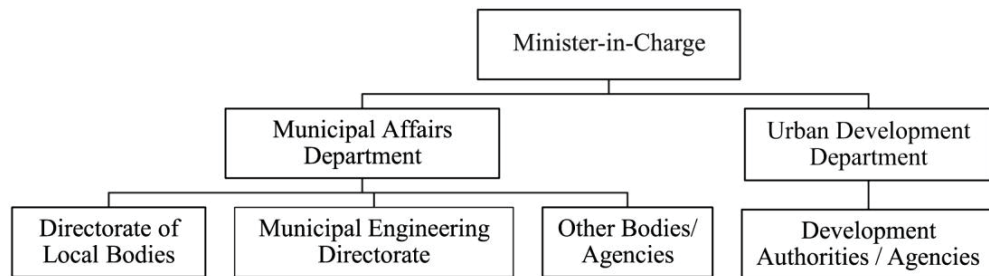
¹ Six Municipal Corporations, 119 Municipalities, two Notified Area Authorities and one Industrial Township.

² Siliguri, Asansol and Chandernagore by respective Acts of 1990 and Durgapur by the Act of 1994.

population of 9.13 crore. During 2001 to 2011, the urban population increased to 29.72 per cent, which was higher than the previous decade (20.20 per cent).

1.2 Organizational Structure

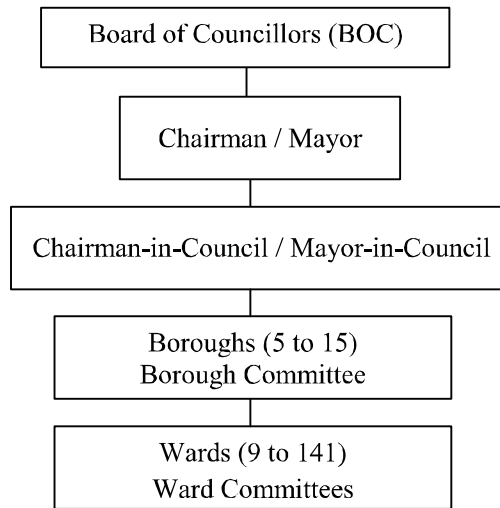
Department of Municipal Affairs is entrusted with the responsibility of providing legal and administrative support to the ULBs of the State and to implement some of the development programmes through the municipal bodies. Urban development planning and infrastructural development are looked into by the Urban Development Department through various autonomous authorities/agencies created under relevant Acts. Currently, one Minister-in-Charge looks after the affairs of the department. The Secretariat supervises the various functions of the Directorate and other organizations which are related to the department. The structure is depicted below:



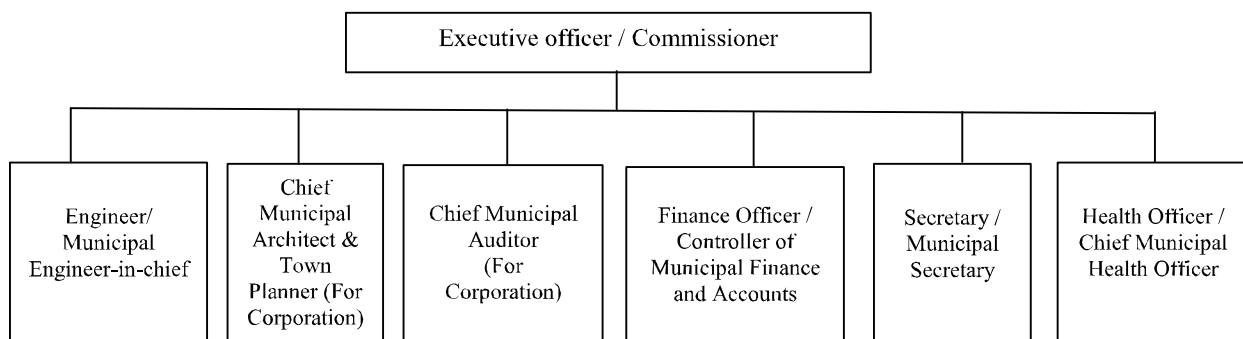
Chairman / Mayor, elected by the majority of the Board of Councillors (BOC), is the executive head of the ULB and presides over the meetings of the Chairman-in-Council / Mayor-in-Council responsible for governance of the body. The executive power of a ULB is exercised by the Council. The Chairman-in-Council / Mayor-in-Council, enjoys such power as is delegated by the Board.

Every ULB, having a population of three lakh or more, groups the wards into five (up to 15 in respect of a municipal corporation) boroughs. The boroughs are constituted with not less than six contiguous wards and a Borough Committee is constituted for each borough. The Councillors of the respective wards are the members of such Borough Committee and elect the Chairman (not being a member of Chairman-in-Council / Mayor-in-Council) from among themselves. The Borough Committee discharges such functions, as the ULB assigns. At ward level, the ULB constitutes Ward Committee under the Chairmanship of the Ward Councillor.

The organizational structure of the governing body of a ULB is as under:



Establishment of ULB is headed by an Executive Officer / a Commissioner. Other officers are also appointed to discharge specific functions of respective area / nature. Executive Officer / Commissioner, subject to the supervision and control of the Chairman / Mayor, functions as the principal executive of the ULB. The Executive Officer / Commissioner and the Finance Officer exercise such powers and perform such functions as are notified by the State Government from time to time. The structure of an Urban Local Body is as below:



1.3 Powers and Functions

ULBs exercise their powers and functions in accordance with the provisions of Article 243W of the Constitution. Some obligatory functions of ULBs are as follows:

- Water supply for public and private purpose;
- Construction and maintenance of sewage and drainage system;

- Collection and disposal of solid waste;
- Construction and maintenance of streets, bridges, flyovers, etc.;
- Construction and maintenance of public latrines, urinals and similar conveniences;
- Lighting of public streets and other public places;
- Construction and maintenance of markets;
- Preventing and checking spread of dangerous diseases including immunization;
- Town planning and development including preservation of monuments, places of historical, artistic and other importance; and
- Overall administration including survey, removal of encroachment, registration of births and deaths and pollution control of all kinds.

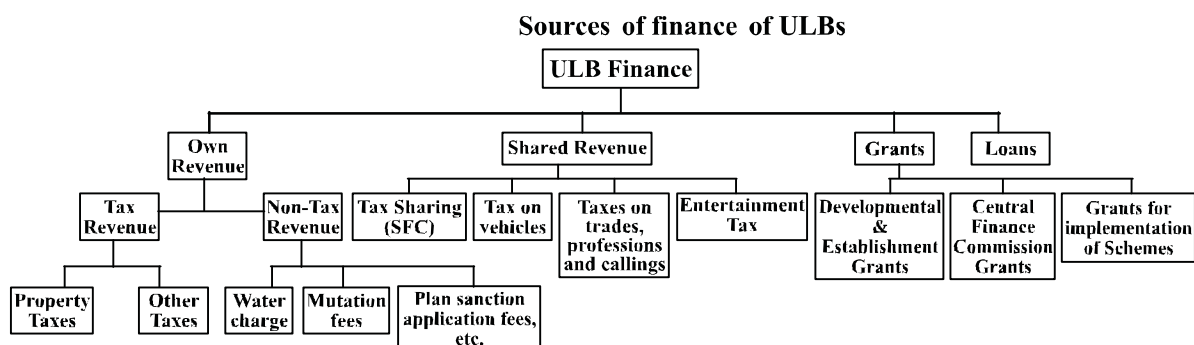
Further, ULBs may at their discretion provide the services, either wholly or partially, out of its property and funds for the following services:

- Education;
- Sanitation;
- Relief in time of famine, flood or earthquake;
- Old-age-homes, orphanage;
- Public works relating to relief, care of sick, medical service; and
- Low-cost houses for socially backward classes or citizens.

The State Government may impose or transfer any such functions and duties of the Government to the ULB including those performed by the departments. Such activities may include employment schemes and programmes, social forestry, health and family welfare, cottage and small-scale industries, formal and non-formal education, etc.

1.4 Fund Flow Arrangement

ULB fund comprises receipts from its own source, grants and assistance from governments and loans obtained from public financial institutions or nationalized banks or such other institutions as the State Government may approve. A flow chart of finances of a ULB is as under:



Property tax on land and building is the principal source of tax revenue of a ULB. Non-tax revenue of a ULB includes plan-sanction fees, mutation fees and water charges. All collections as permissible under the statute in force, such as tax and non-tax revenue, are meant to be utilized for administration and provision of services to the tax payers.

The State Government releases administrative grants to ULBs to finance their revenue expenditure. Grants and assistance released by the State Government and the Central Government are utilized for developmental activities as specified in the respective schemes or projects.

Loans raised from different sources with prior approval of the State Government are utilized for execution of various projects / schemes.

1.5 Accounting Reforms / Arrangements

Accounting Manual for ULBs (except Kolkata Municipal Corporation³) in West Bengal, based on the National Municipal Accounts Manual, was prepared in February 2006 for switching over to double entry accounting system. Accordingly, Section 84 (effective from October 2006) of the West Bengal Municipal Act, 1993 and Rule 22 (2) (effective from January 2007) of the West Bengal Municipal (Finance and Accounting) Rules, 1999⁴ were amended for mandatory preparation of Balance Sheet, Income & Expenditure Account, Receipts & Payments Account and Cash Flow Statement with effect from the financial year 2006-07 for the ULBs in Kolkata Metropolitan Area and from 2007-08 for other ULBs.

1.6 Audit Arrangement

West Bengal Municipal Act, 1993 and the Acts governing other Municipal Corporations envisage that the accounts of such bodies shall be examined and

³ Kolkata Municipal Corporation (KMC) is not governed by the Accounting Manual but has been following 'Accrual based Double Entry Accounting System'.

⁴ Not applicable in case of KMC.

audited by an auditor appointed by the State Government. Accordingly, the State Government in exercise of the power conferred by the Municipal Acts of the State appointed the Examiner of Local Accounts (ELA), an officer of the Indian Audit & Accounts Service, as the Auditor for audit of accounts of the Urban Local Bodies. The Acts further envisage that the Auditor shall prepare the report on the accounts examined and shall send such report to the Chairman / Mayor and a copy thereof to the Director of Local Bodies or such other officers as the State Government may direct.

1.7 Audit Coverage

Out of 128 ULBs, audit of 68 ULBs⁵ (**Appendix-1**) covering the financial year 2006-07 to 2011-12, was conducted during 2012-13.

1.8 Follow up action on Audit Reports

Reports⁶ of the Examiner of Local Accounts on Urban Local Bodies for the years 2003-04 to 2011-12 were submitted to the Government of West Bengal between May 2005 and July 2013. A State Level Audit Committee⁷ (SLAC) was constituted in February 2006 to examine the findings of the Audit Reports on Urban Local Bodies. Provision for laying the report of the ELA on ULBs along with Action Taken Report before the State Legislature every year has been made through amended section 90A of the West Bengal Municipal Act, 1993, effective from August 2011. Similar amendments have been made in section 163A of Kolkata Municipal Corporation Act in December 2012, 80A of Howrah Municipal Corporation Act in November 2012 and section 91A of West Bengal Municipal Corporation Act (for other Municipal Corporations) in November 2012.

⁵ Selected on the basis of Risk Analysis.

⁶ The Reports contained important observations on 'Accounting Procedures & Financial Management', 'Revenue Receipts / Receipts', 'Establishment', 'Material Management and Execution of Works' and 'Implementation of Schemes'. The reports included various draft paragraphs and observations on the 'Devolution of Functions, Functionaries and Funds to Urban Local Bodies', 'Heritage buildings and sites in Kolkata Municipal Corporation', 'Internal Control mechanism in Bidhannagar Municipality', 'Solid Waste Management', 'Car parking projects on PPP basis', 'Twelfth Finance Commission Grants' 'Projects under JNNURM – Kolkata Municipal Corporation' 'Internal control & service delivery mechanisms – Burdwan Municipality', etc.

⁷ Comprising the Chief Secretary (Chairman), Principal Secretary / Secretary of the Panchayats & Rural Development Department (Member), Principal Secretary / Secretary of the Municipal Affairs Department (Member), Principal Secretary of the Finance Department (Member), Accountant General (Receipt, Works & Local Bodies Audit), West Bengal (Member) and Principal Secretary of the Finance (IA) Department (Member-Secretary)- Notification No. 4010-F.B. dated 23 February 2006 of the Finance Department, Government of West Bengal.

Accordingly, ELA Reports for the year ending March 2010 and 2011 were placed in the State Assembly on 19 February 2014.

The SLAC, since its constitution, had three meetings in April 2008, September 2010 and September 2012. It was decided (April 2008) that priority would be given in the matter of submission of replies on the selected paragraphs by the Municipal Affairs Department and replies to all other paragraphs should also be submitted by the Department to the Accountant General so as to facilitate the process of consideration of the ELA Reports by the SLAC. The number of paragraphs selected for discussion *vis-à-vis* the status of discussion is given below:

Table 1

Year	Type of the paragraph	No. of selected paragraphs	No. of paragraphs discussed/ settled by the SLAC	
2003 - 04	Consolidated	20	Nil	
	Individual	6		
2004 - 05	Consolidated	8		
	Individual	7		
2005 - 06	Consolidated	12		
	Individual	4		
2006 - 07	Consolidated	9		
	Individual	3		
2007 - 08	Consolidated	11		
	Individual	6		
2008 - 09	Consolidated	6		
	Individual	3		
Total		95		Nil

1.9 Response to Audit Observations

The ULB is required to comply with the observations contained in the Inspection Reports (IRs) and rectify the defects and omissions and report their compliance to ELA within three months from the date of issue of IRs.

Details of IRs and outstanding paragraphs as of March 2013 are given below:

Up to the period	No. of Inspection Reports outstanding	No. of outstanding paras	Money Value (₹ in crore)
2012-13	469	2502	1832.15

Most of the paras / IRs were outstanding for want of replies from ULBs.

Audit Committee, comprising of the Secretary of the Department, Examiner of Local Accounts, Director of Local Bodies & officials of the ULB, is constituted as

and when required to discuss / settle the outstanding paragraphs of the IR. However, no Audit Committee Meeting was held during June 2012 to March 2013.

Important findings noticed during 2012-13, as well as matters relating to the period subsequent to 2012-13 (wherever considered necessary) are mentioned in the succeeding chapters.