

PART B URBAN LOCAL BODIES

CHAPTER – IV

FINANCE AND ACCOUNTS OF URBAN LOCAL BODIES

4.1 Introduction

Article 243 (W) 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 devolution of powers and responsibilities upon municipalities.

After the 74th Constitution Amendment, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the State Government reorganized (1993) these institutions into three tier system of Urban Local Bodies namely Municipal Corporations, Nagarpalikas and Notified Areas.

At present, there are seven Municipal Corporations, 159 Nagarpalikas and 23 Notifies Areas. The Nagarpalikas are classified into four categories on the basis of population as ascertained in the preceding census. Each Nagarpalika is divided into a number of wards, which is determined by the State Government having regard to population, geographical condition and economic consideration of the above. Elected members/councilors represent each ward. The Nagarpalikas were constituted under the provisions of Gujarat Municipalities Act, 1964, while the Municipal Corporations were constituted under the Bombay Provincial Municipal Corporations Act, 1949.

This Act has a provision for audit of accounts of the Municipal Corporation by Chief auditor appointed for the purpose. The Examiner, Local Fund Audit does not have jurisdiction over the audit of Municipal Corporations.

The Population of Gujarat is 5.07 crore (2001 census) of which 1.90 crore (37.36 per cent) resides in urban area. The last Elections were held in February 2008.

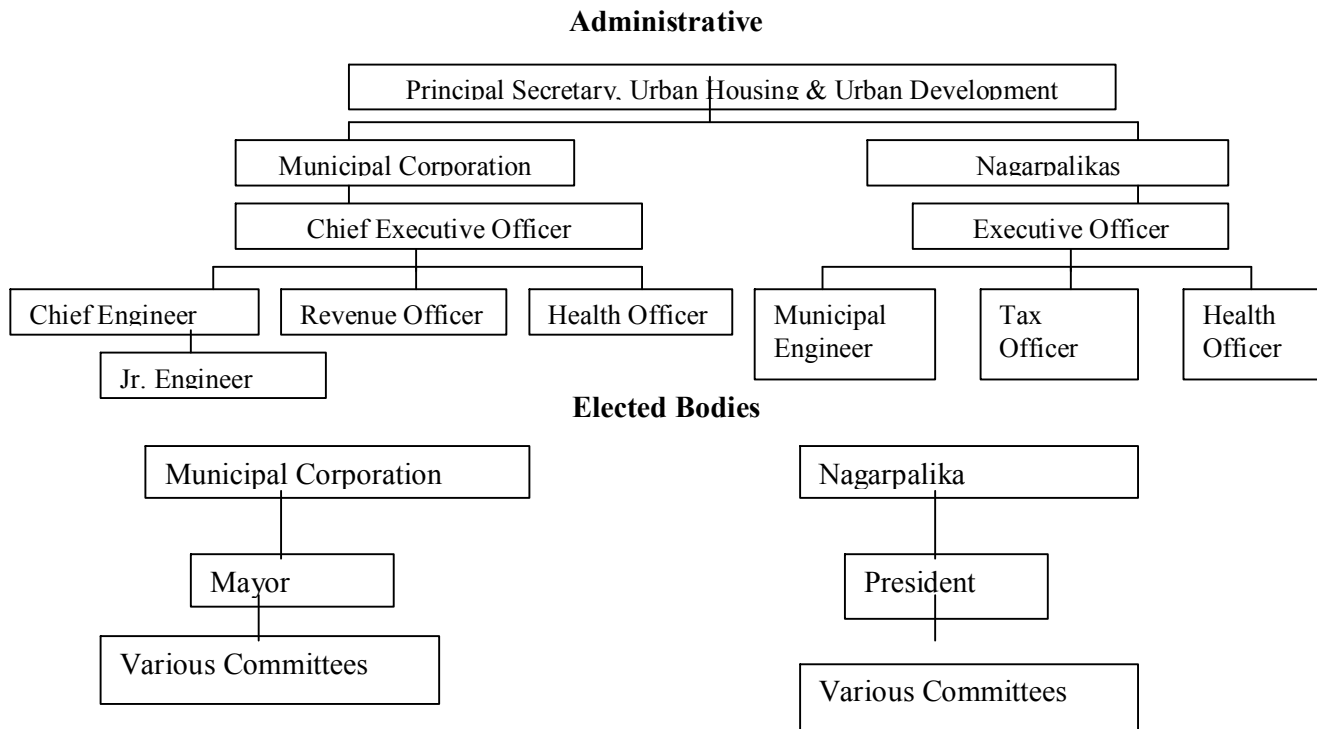
4.2 Organizational setup

The Nagarpalika/Municipal Corporation is body corporate having a Board of Councilors. All the ULBs consist of elected members (councilors) from each ward.

The President/Mayor, elected by the majority of the Board of Councilors, is the executive head of the ULB. The executive powers of ULBs are exercised by the council. The President/Mayor enjoys powers as is delegated by the Board. Various committees are formed to assist the Nagarpalika/Municipal Corporations.

The Chief Executive Officer/Executive Officer appointed by the State Government is a whole time Principal Executive Officer of the Nagarpalika/ Corporation for administrative control of the ULB. Other officers are also appointed to discharge specific function. Functions of CEO/EO include general supervision control over the officials of the ULBs, organize board meetings, and get the budget estimate prepared, monitoring and implementation of schemes including acting as the Drawing and Disbursing Officer of the ULB.

The following organogram depicts the structure of ULBs in the State of Gujarat:-



4.3 Powers and functions

To function as an institution of self-Government and to carry out the responsibilities conferred upon them, the ULBs exercise their powers and functions in accordance with provisions of Section 87 of the Gujarat Municipalities Act, 1963.

Section 87 of the Gujarat Municipalities Act, 1963 provides for various functions to be exercised in the sphere of Public Works⁶, Education⁷, Public Health & Sanitation⁸, Development⁹, Town Planning¹⁰ and Administration¹¹.

⁶ Naming streets and number of premises, giving immediate relief in the event of natural calamities.

⁷ Establishing & monitoring primary school

⁸ Regulating and abating offensive or dangerous trades or practice, securing and removing dangerous buildings or places and reclaiming unhealthy localities, obtaining a supply or and additional supply of water, proper and sufficient for preventing danger to the health of inhabitants from the insufficiency or unwholesomeness of the existing supply, when such supply or additional supply can be obtained at a reasonable cost, Public vaccination, watering public streets and places, cleaning public streets, introducing and maintaining the system of water closet, depositing night soil and rubbish, providing special medical aid accommodation for the sick in the time of dangerous disease, establishing & maintaining public hospitals, dispensaries and family planning centres and providing public medical relief.

4.4 Sources of revenue

To perform the above functions, ULBs raises funds from taxes, grants received from Central/State, EFC/TFC grants and loans from financial institutions. The receipts and sector wise expenditure incurred during the last three year ending March 2007 is given below:

A Receipts

(Rs. in Crore)				
SI no.	Description	2004-05	2005-06	2006-07
		Receipt	Receipt	Receipt
1.	State Government grant	560.61	457.29	636.17
2.	Government of India Grant	36.49	43.31	77.27
3	Own Revenue	121.51	122.43	132.69
4.	Loans	0.18	0.40	0
5	EFC grant, TFC Grant	136.02	82.80	41.40
Total		854.81	706.23	887.53

Source: Municipal Finance Board/Director of Municipalities.

B Expenditure

(Rs. in Crore)							
SI No.	Description	2004-05		2005-06		2006-07	
		Receipt	Expenditure	Receipt	Expenditure	Receipt	Expenditure
1	General sector	126.83	198.49	139.16	297.73	151.98	314.20
2	Economic Sector	229.22	285.86	286.03	402.03	358.48	501.74
3	Social Sector	498.58	230.57	280.64	539.07	377.07	353.66
4	Loans	0.18	0.18	0.40	0.40	Nil	Nil
Total		854.81	715.10	706.23	1239.23	887.53	1169.60

The expenditure on Social Services Sector although increased by 133 percent in 2005-06 as compared to 2004-05, the same was reduced by 35 percent in 2006-07 as compared to preceding years. Reasons for the reduction were not furnished.

⁹ Constructing, altering and maintaining public streets, suitable accommodation for calves, cows and buffalos, printing such annual report of the municipal administration, paying the salary and contingent expenditure on account of such police or guards as may be required by the municipality and improving agriculture by suitable majors.

¹⁰ Devising town planning within the limits of borough according to the law relating to town planning.

¹¹ Lighting public streets, places and buildings, extinguishing fires and protecting lives and property when fires occur. Removing obstruction and projections in public places, erecting substantial boundary marks and registering births, marriages and deaths.

4.5 Annual Accounts

Eleventh Finance Commission (EFC) recommended that the Comptroller & Auditor General of India (C&AG) shall exercise control and supervision over the maintenance of accounts and audit of the ULBs.

The annual accounts of the ULBs were being prepared on 'receipts and payments' basis without exhibiting the position of assets and liabilities. Further the Accrual Based Accounting System as suggested by CAG has been accepted and operationalised with parallel running of cash based system on trial basis in selected ULBs.

The formats for Database on finances of ULBs as prescribed by the C&AG have been accepted by the Government (September 2004 & August 2007); however, these are yet to be operationalised (March 2008).

4.6 Audit arrangements

DLFA is the primary Auditor of the Nagarpalika whereas in case of Municipal Corporations, this work has been assigned to the Chief Auditor of the respective Municipal Corporation. Details of completion of audit of Nagarpalika by the DLFA till 31st March 2008 are given below:

Year	Total number of Nagar Palikas	Nagarpalikas audited by DLFA
2003-04	159	142
2004-05	159	141
2005-06	159	26

4.7 Pending Inspection Report Paragraphs

There are 139417 numbers of paras of Inspection Report as issued from time to time by DLFA outstanding as on 30 June 2008. This needs the aggressive pursuance to get the proper compliance for closing outstanding paras.

4.8 District Planning Board

The State Government constituted District Planning Board (DPB) (1979) for each District headed by Minister in charge of the concerned district. The Government nominates the member from the presidents of the Nagarpalikas of the State. The N.Ps send proposals of the work to be taken up in their respective areas to the DPB for approval. The DPB approves the works and allocate to the NP for execution/implementation.

4.9 Audit coverage

Accounts for the period 2003-06 of 20 NPs were planned and audited during 2007-08. Results of audit are given in the succeeding chapters.

4.10 Conclusion

The State Government has not devolved all the functions enlisted in the 12th Schedule of the Constitution to the ULBs. Though the formats for database on the finances of ULBs prescribed by CAG have been adopted by the State Government, the same is yet to be operationalised. Pendency of audit by DLFA and arrears in settlement of outstanding Inspection Report paragraphs of DLFA and AG (Civil Audit) indicates weak internal control system in ULBs.

4.11 Recommendations

The following measures are recommended for ensuing better accountability system in ULBs.

- All functions enlisted in the 12th Schedule may be devolved to the ULBs with adequate funds and functionaries.
- Database on finances of ULBs may be maintained in the formats prescribe by CAG.
- Outstanding Inspection Report paragraphs may be settled by effective compliance.