

**CHAPTER – III**

**Implementation of Schemes**

**(Urban Administration and Development Department)**

**3.1 Transfer of Functions, Functionaries and Funds to Urban Local Bodies (ULBs)**

***Highlights***

The 74<sup>th</sup> Constitutional Amendment Act, 1992 (effected from June 1993) had defined the process of decentralisation of governance in India to empower Urban Local Bodies (ULBs). This led to transfer of functions, functionaries and funds to the ULBs. Functions devolved to ULBs were being performed by the PRIs. Functionaries were not found transferred to the ULBs. Some important findings were as under:-

- Functions relating to Public Health, Education and Urban Poverty Alleviation though devolved were not being performed by the ULBs.

***(Paragraph 3.1.5.1)***

- Functions devolved to the ULBs were being performed by the PRIs.

***(Paragraph 3.1.5.2)***

- 5250 functionaries though stated to have been transferred to ULBs were not actually transferred.

***(Paragraph 3.1.6.1)***

**3.1.1 Introduction**

The 74<sup>th</sup> Amendment of the Constitution Act, 1992 (effected from June 1993) had defined the process of decentralisation of governance in India. Subsequently the State Government of Madhya Pradesh had passed legislation to empower the establishment of Local Bodies up to village level. This process had led to transfer of functions, functionaries and funds to these bodies through various mechanism. In this regard the State Government had issued various orders between 1994 to 1998. The major elements of devolution were transfer of administrative control over staff and freedom to take administrative and financial decision at local level. The functions relating to the matter as enumerated in the 12<sup>th</sup> schedule of the above mentioned constitutional amendment were required to be transferred accordingly to the three levels (Nagar Nigam, Nagar Palika and Nagar Panchayat) of Urban Local Bodies (ULBs).

### **3.1.2 Organisational Setup**

In urban areas functions devolved to the ULBs were to be executed by the Commissioner, Municipal Corporation, Chief Municipal Officer, Nagar Palika and Nagar Panchayat, under the over all control of Principal Secretary and Commissioner Urban Administration and Development Department, Madhya Pradesh, Bhopal. At present these authorities were implementing the functions devolved as listed in the 12<sup>th</sup> schedule of the constitutional amendment.

### **3.1.3 Audit objectives**

The audit objectives were to evaluate whether:

- The functions, functionaries and funds envisaged to be transferred to the ULBs were actually transferred.
- The transferred functions were carried out effectively and efficiently and whether there were any overlapping in performing the functions.
- The ULBs were suitably empowered administratively and financially to discharge the enhanced responsibilities.
- Functionaries transferred were adequate and fully under the control of ULBs.
- Adequate monitoring and internal control system exists for effective planning and execution of transferred functions/ activities.

### **3.1.4 Audit Coverage**

The audit coverage of performance audit was for the period 2002-07. The records of the Commissioner, Urban Administration and Development, Commissioner, Municipal Corporation, Satna and Chief Municipal Officer, Nagar Palika Balaghat, Jhabua and Seoni were test checked during the period March - June 2008.

### **3.1.5 Audit Findings**

The audit findings are summarised in the succeeding paragraphs:-

#### **3.1.5.1 Transfer of functions**

Test-check of records of selected Municipal Corporation and Nagar Palikas revealed that the functions relating to Public Health, Education and Urban Poverty Alleviation, though devolved to the ULBs, were being performed by Government departments itself. The 18 functions devolved to ULBs were exhibited in **Appendix - XVII**.

#### **3.1.5.2 Functions devolved to ULBs were being performed by PRIs**

Test-check of records of Commissioner, Municipal Corporation (MC) Satna revealed that Mid Day Meal programme was implemented by the Municipal Corporation (MC) up to October 2006. Thereafter funds were directly made available by the CEO, ZP to the concerned Parent Teacher Association (PTA) of schools. Thus MDM programme was not implemented through ULBs in Urban areas.

Test-check of records of Municipal Corporation, Satna revealed that relief to the beneficiaries under the scheme, Rashtriya Parivar Sahayata was to be disbursed through the Municipal Corporation. But the relief was being disbursed by the CEO, ZP., Satna directly to the beneficiaries. Thus the function of ULB was being performed by the PRI in contravention of the constitutional amendment.

### **3.1.6 Transfer of functionaries**

#### **3.1.6.1 Non-transfer of functionaries**

Devolution of powers and functions to ULBs required availability of staff (functionaries) for efficient discharge of these functions. The ULBs should have full administrative control over the functionaries. The State government had also issued orders (1994 to 1998) to transfer the staff to ULBs to discharge the duties, relating to devolved functions. Further it was also seen from the consolidated information on release and utilisation of Twelfth Finance Commission (TFC) grant furnished by the State government to the Government of India that 5250 functionaries along with functions were transferred to the ULBs.

Test check of records in selected districts, however, revealed that the functionaries attached to devolved functions have not been actually transferred to the ULBs with the result that the functions stated to have been transferred to the ULBs, could not be performed effectively.

On being pointed out the Commissioner/CMOs of selected districts stated that the departments did not transfer any functionaries to ULBs. This was also confirmed by the Commissioner, Urban Administration and Development Department Bhopal (March 2008).

### **3.1.7 Transfer of funds**

#### **3.1.7.1 Non-providing budget allotment to ULBs**

The Government of Madhya Pradesh stated that budget was to be provided to the ULBs for implementation of devolved function under the grant No. 82. The funds provided under this grant was to be drawn and utilised by the ULBs. Test-check of records of selected ULBs revealed that no specific budget for devolved functions was provided in the above mentioned grant. On being pointed out the department replied (March 2008) that the lump sump funds instead of function wise funds were provided to the ULBs and ULBs made provisions of expenditure according to their requirement of functions.

### **3.1.8 Decentralisation cell not constituted**

A decentralisation cell was required to be constituted at district level to effectively review the progress of transfer of functions along with functionaries, and funds. The decentralisation cell was not constituted at any district level. This shows that the concerned departments were irregularly enjoying the administrative and financial powers of ULBs regarding the implementation of devolved functions.

### **3.1.9 Rules for implementation of devolution of functions etc. not framed**

The State Government did not frame any rules for proper and effective implementation of devolution of functions, functionaries and funds. In the absence of rules, there was no system to watch implementation of transfer process.

### **3.1.10 Conclusion**

Though the functions were devolved to ULBs but the functionaries and funds have not been transferred accordingly. Thus there was no realistic devolution of functions.

### **3.1.11 Recommendations**

Following recommendations were proposed:-

- (1) State Government should take strict measures for transfer of functions to ULBs along with functionaries.
- (2) Budget for implementation of transferred functions should strictly be provided under grant No 82 for ULBs.
- (3) The budget provided under these grants should be drawn and utilised by the Municipal authorities of ULBs instead of respective departments.

## **3.2 Audit findings on release and utilisation of Twelfth Finance Commission's (TFC) grants of ULBs**

### **3.2.1 Interest payable to Urban Local Bodies (ULBs) not drawn and paid**

According to para 6.1 and 6.4 of Government Of India's (GOI) guidelines<sup>1</sup>, States had to mandatorily transfer the grants released by the Centre to the ULBs within 15 days from the date of its credit into the State Government's accounts. In case of delayed transfer of grant to ULBs beyond the specified period of 15 days, the State Government was required to pay interest to ULBs at the rate equal to the RBI rate. The details of TFC grant released by GOI and State Government were shown below:-

**(Rs. in crore)**

Sl. No.	Year	I <sup>st</sup> instalment			II <sup>nd</sup> instalment			Total
		Date of release by GOI	Date of release by State Govt.	Amount	Date of release by GOI	Date of release by State Govt.	Amount	
1.	2006-07	6 Sept. 06	15 Nov. 06	36.10	22 Mar. 07	26 Mar. 07	36.10	72.20

---

<sup>1</sup> Guidelines for release and utilization of grant recommended by the Twelfth Finance Commission (TFC) were issued by the Government of India, Ministry of Finance, Department of Expenditure vide DO letter No. 12 (1) FCD/2005 dated 15 June, 2005

Scrutiny of records of the Finance Department (FD) revealed (July 2007) that the GOI released first instalment of grant of Rs. 36.10 crore for the year 2006-07 on 6 September 2006 and credited into State Government's accounts on the same date. But the copy of GOI's sanction letter (dated 6 September 2006) was received on 8 November 2006 in FD and it was sent to Principal Secretary / Commissioner, Urban Administration and Development Departments (UADD) (Directorate) in November 2006. Therefore, there was delay of 69 days in releasing the amount of first instalment to ULBs. Accordingly FD issued (March 2007) a financial sanction of Rs. 0.34 crore of interest payment for 69 days to ULBs on delayed transfer of grant but the amount of the interest was not drawn and distributed to ULBs by the UADD Department /Directorate (October 2008) due to non receipt of the copy of financial sanction from FD. Comments of FD were called for (December 2007 and October 2008). FD replied that information will be furnished soon (October 2008).

### **3.2.2.1 Delay in release of grant by GOI**

According to para 6.1 of guidelines<sup>1</sup> local bodies grants were to be released in two equal instalments in July and January every year. Scrutiny of records of the FD revealed (July 2007) that the amount of Rs. 404.80 crore<sup>2</sup> for the year 2006-07 were released by GOI on 6 September 2006 and 22 March 2007 respectively and credited into State Government's accounts on the same dates. This resulted in delay ranging 36 to 49 days in release of the grant by the GOI.

According to para 6.2 of the guidelines<sup>1</sup> two sets of details i.e. one on allocation of funds and another on release of funds were to be furnished to GOI by the State government in the prescribed format prior to the release of each instalment by the GOI. State Finance Secretary was also required to provide a certificate within 15 days of the release of each instalment. But it was noticed that the above prescribed certificate and information for release of second instalment (2006-07) were sent to the GOI on 29 January 2007 after 128<sup>3</sup> days delay excluding prescribed period of 15 days.

### **3.2.2.2 Delay in release of grant by UADD**

It was further noticed during test check of records of Nine ULBs as shown in **Appendix -XVIII** that an amount of Rs. 7.84 crore of II<sup>nd</sup> instalment of 2006-07 was credited by UADD in their bank accounts in the month of April 2007 while the grant was released by GOI on 22 March 2007. Therefore, the second instalment of the grant for the year 2006-07 could not be utilised by the ULBs in the same year (2006-07). Reasons for the same were called for (December 2007) reply of the Commissioner (UADD) was awaited. (October 2008)

---

<sup>2</sup> Total amount received: Rs. 404.80 crore—I<sup>st</sup> instalment: Rs. 202.4 crore (PRIs Rs. 166.30 crore and ULBs: Rs. 36.10 crore) and II<sup>nd</sup> instalment: Rs. 202.4 crore (PRIs Rs. 166.30 crore and ULBs: Rs. 36.10 crore).

<sup>3</sup> Prescribed date for mailing the certification and information was 21.9.2006 as the date of receipt of I<sup>st</sup> instalment was 6.9.2006. Therefore, further delay was 128 days (22.9.2006 to 28.1.2007)

### **3.2.3 Non-fulfilment of all parameters of Solid Waste Management (SWM)**

GOI published (September 2000) Urban Solid Waste Management (Management and Handling) Rules (June 2000) in gazette. According to the schedule 2 of the rules (Rule 6 (i) and (iii), 7 (i)) some parameters were fixed along with its compliance criteria for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes. Fifty per cent of TFC grant pertaining to ULBs were earmarked for the work of SWM, which was to be executed through public private partnership. Test check of records of seven ULBs<sup>4</sup> revealed that Rs. 12.56 crore were incurred during 2005-06 to 2006-07 for SWM as detailed in **Appendix - XIX** only on collection and transportation of waste and other remaining activities (like: Segregation, Storage, Processing and Disposal of Municipal Solid Waste) were not taken-up. This resulted in non-fulfillment of all the parameters of TFC recommendations. On being pointed out, these ULBs (except Bhopal) stated (September - November 2007) that the work according to all the parameters were not started due to delay/non-allocation of land for trenching ground. Reply of Nagar Nigam Bhopal was awaited. It was further noticed that five test-checked ULBs (Bairasia, Dabra, Gwalior, Nagda and Ujjain) did not carryout the work of SWM through Public Private Partnership.

### **3.2.4 Irregular utilisation of grant for meeting out the old liability**

TFC grant was released to execute all the works related with TFC objectives. Therefore, the grant received in a financial year was to be utilised for the expenditure pertaining to that year and not to discharge the old liability. Scrutiny of records of MC Gwalior revealed that out of TFC grant of 2006-07, an amount of Rs. 24.04 lakh was paid (February 2007) for 750 Wheel Barrows (Total cost: Rs. 29.24 lakh) purchased during the year 2004-05 for the objectives of Asian Development Bank Project (ADBP). Utilisation of these Wheel Barrows was also started in the year 2004-05. This resulted in meeting out the old liability of the year 2004-05 from the current year's grant of TFC. On being pointed out in audit, the Commissioner (MC) Gwalior stated (September 2007) that the payment of such purchase could not be made at that time due to inquiry and subsequently such liability to the extent of Rs. 24.04 lakh was met out from the head of SWM of TFC grant for 2006-07. The reply was not acceptable as the TFC grant released during the year 2006-07 was not to be utilised for payment of old liability.

---

<sup>4</sup> Seven ULBs: Berasia, Bhopal, Dabra (Gwalior), Gwalior, Indore, Nagda and Ujjain