

OVERVIEW

This Report contains eight chapters, containing observations of audit on accounting procedures and financial management, revenue receipts, establishment, material management, implementation of schemes, as well as other important issues and conclusions and recommendations of Audit. A synopsis of the Audit findings is presented in this overview.

As against the recommendation of the Second State Finance Commission (February 2000) for the devolution of 3.2 *per cent* share of State taxes to the ULBs, the State Government released 0.69 and 0.52 *per cent* of State taxes in 2005-06 and 2006-07 respectively. During 2005-07, the releases fell short by of Rs.574.32 crore of the recommended entitlement.

[Paragraph 1.5.4]

Excess expenditure of Rs 9.49 crore over the budget provision incurred by 11 ULBs during 2003-04 to 2005-06 has not been regularized.

[Paragraph 2.1(b)]

Eight ULBs neither made any provision for capital expenditure during 2004-07 nor expended any amount for the same. There was an overall shortfall in actual capital expenditure by 51 *per cent* which adversely impacts the extension of social and economic infrastructure network and creation of assets by the municipalities.

[Paragraph 2.1(c)]

Due to non-preparation of annual accounts by seven ULBs, receipt of Rs 48.18 crore and expenditure of Rs 44.10 crore incurred during 2004-07 by these local bodies could not be vouchsafed.

Eighteen ULBs did not reconcile their books of account with the actual bank balance.

None of the ULBs audited, except Kolkata Municipal Corporation, submitted Balance Sheet upto the year ending March 2006.

[Paragraph 2.2(a), (b) and (c)]

Eight out of 68 ULBs in 2005-06 and one out of 24 ULBs in 2006-07 could utilise 80 *per cent* and above of the available funds respectively.

[Paragraph 2.4]

Ten ULBs diverted Rs 1.31 crore sanctioned for specific purposes during the years 2002-03 to 2006-07 depriving the beneficiaries of the intended benefits.

[Paragraph 2.5]

Nineteen ULBs did not repay loan of Rs 33.27 crore and accumulated huge liability of Rs 58.23 crore. The increasing liabilities adversely impact the financial stability of the ULBs and in turn reduce their capacity to raise market loans for developmental works.

[Paragraph 2.7]

All primary schools under the municipalities stood transferred to the District Primary School Council (DPSC) together with their lands, buildings and other properties. All teachers and other staff shall be deemed to be employed by DPSC with effect from 15 April 1992.

Despite the above arrangement for taking over liabilities of primary schools, 12 ULBs incurred a total expenditure of Rs 4.37 crore towards salary of employees and maintenance of primary schools during the period 1992-2007.

[Paragraph 2.10]

Delay by 15 ULBs ranging from one month to 22 years in crediting money in Provident Fund resulted in loss of interest on Provident Fund account to the tune of Rs 1.57 crore which accrued during the intervening period, thereby creating an additional burden on them.

[Paragraph 2.13]

No arrangement has been made in 54 ULBs for internal audit of their accounts.

[Paragraph 2.17]

Due to delay in revision of property tax ranging from six months to five years, seven ULBs suffered a loss of revenue of Rs 9.03 crore.

[Paragraph 3.3]

Inadmissible remission allowed in property tax resulted in loss of revenue of Rs 5.41 crore in five ULBs.

[Paragraph 3.4]

Non imposition of surcharge on commercial / industrial holdings by 27 ULBs resulted in loss of revenue of Rs 9.38 crore during 1997-2007.

[Paragraph 3.5]

Twelve ULBs sustained a loss Rs 5.00 crore due to non imposition or under imposition of water charge during the period from February 2003 to March 2007.

[Paragraph 3.6]

Despite prohibition, 23 ULBs irregularly spent Rs 8.77 crore during the years 2002-07 on engagement of casual staff.

[Paragraph 4.1]

Contai and Bolpur municipalities did not create Special Fund and failed to pay gratuity and pension to the retired employees and accrued a liability of Rs 55.85 lakh as of May 2007.

[Paragraph 4.4]

Six ULBs purchased materials/equipment worth Rs 1.16 crore without inviting any tender/ quotations during 2004-07.

[Paragraph 5.1]

Works left incomplete by eight ULBs, even after the lapse of a considerable period, deprived the local people of the benefits and blocked funds of Rs 4.13 crore.

[Paragraph 5.4]

Dum Dum and Chakdah municipalities did not utilize assets created at the cost of Rs 43.22 lakh.

[Paragraph 5.5]

Under utilisation of grants under National Slum Development Programme (NSDP) during 2005-06 undermined efforts of the Government in providing basic amenities to slum dwellers.

Twenty two ULBs spent Rs.20.47 crore under NSDP during 2002-07 without declaring slum areas which frustrated the objectives. Works valued at Rs.16.27 crore were executed through contractors by 28 ULBs without involving the beneficiaries.

Sixteen ULBs diverted Rs.4.25 crore from NSDP grants during 2002-07 and 39 ULBs did not take up any work for construction of shelters during 2002-07, thus depriving shelterless beneficiaries from getting the benefit of earmarked funds of Rs.4.19 crore.

[Paragraph 6.1]

Seven ULBs did not utilise any amount under the scheme of Basic Minimum Services during 2005-06 though Rs 36.14 lakh was available for this purpose. Twelve ULBs engaged contractors for execution of works valuing Rs.1.99 crore and six ULBs diverted Rs.30.19 lakh from BMS beyond the scope/purview of the scheme.

[Paragraph 6.2]

The percentage of utilisation of Swarna Jayanti Sahari Rozgar Yojana grants in 38 ULBs during 2005-06 was 56 *per cent* only.

[Paragraph 6.3]

Out of 1363 identified heritage buildings/sites in Kolkata Corporation in 1998, only 179 (13 *per cent*) were documented, 125 (9 *per cent*) were graded and 137 (10 *per cent*) were declared as heritage buildings and sites for conservation and preservation by Kolkata Municipal Corporation as of March 2007.

Buildings declared as heritage sites were de-listed without obtaining prior approval of the State Government.

Identified heritage buildings were demolished due to delay by KMC in taking effective protective measures.

Despite spending Rs.12.54 crore, the reconstructed auditorium including *sikhara* and façade of the Star Theater could not redeem the original architectural significance and design and thus the standard of the works was not commensurate with the expenditure.

The information management system on heritage buildings/sites in KMC, including its web site, was inadequate and faulty.

(Paragraph 7.1.)

KMC incurred an avoidable expenditure of Rs 33.11 lakh on air freight on the ground of urgent circumstances, although the Corporation itself at several stages delayed the approval and execution of the project for improvement of water supply.

(Paragraph 7.2)

Non allotment of stalls of shopping complex by Asansol Municipal Corporation constructed at a cost of Rs 53.76 lakh frustrated the scope of improving the infrastructure and generating revenue.

(Paragraph 7.3)

Absence of proper monitoring over implementation of mid-day-meal in Primary schools under Durgapur Municipal Corporation (DMC) resulted in misappropriation of 188.12 MT of rice worth Rs 29.06 lakh by the distributor during April 2006 to 12 September 2007.

(Paragraph 7.4)