

## **CHAPTER-III**

### **AN OVERVIEW OF ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES**

#### **3.1 Introduction**

Consequent upon the Seventy-fourth Constitutional Amendment in 1992, Articles 243-P to 243-ZG were inserted in the Constitution whereby the legislatures could endow certain powers and duties to the Municipalities in order to enable them to function as institutions of Self-Government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution. The Rajasthan Municipalities Act, 2009 was enacted by repealing all the prevailing municipal laws and enactments<sup>1</sup>.

As per census 2001, the urban population of Rajasthan was 1.32 crore, which constituted 23.36 *per cent* of the total population (5.65 crore) of the State. There were three Municipal Corporations<sup>2</sup> (M Cors), 11 Municipal Councils<sup>3</sup> (MCs) and 169 Municipal Boards<sup>4</sup> (MBs) in Rajasthan as on 31 March 2007.

Out of 18 functions listed in the Twelfth Schedule of the Constitution, 16 functions (*Appendix-X*) were being performed by Urban Local Bodies (ULBs) and remaining two functions i.e., Water supply and Urban planning were not being performed by ULBs as of August 2008.

#### **3.2 Organisational set up**

At the State level, Secretary, Local Self Government Department (LSGD) is the administrative head and Director, Local Bodies (DLB) is responsible for monitoring and coordination of various activities of ULBs.

1. Bikaner Municipal Act, 1923; Udaipur City Municipal Act, 1945; Alwar State Municipalities & Small Towns Act, 1934 and Rajasthan Municipalities Act, 1959 etc.
2. Municipal Corporations, Jaipur, Jodhpur and Kota.
3. Municipal Councils. Ajmer, Alwar, Beawar, Bharatpur, Bhilwara, Bikaner, Pali, Sikar, Sriganganagar, Tonk and Udaipur.
4. Municipal Boards, Class-II (with population 50,000-99,999) : 39, Class-III (with population 25,000-49,999) : 58 and Class-IV (with population less than 25,000) : 72.

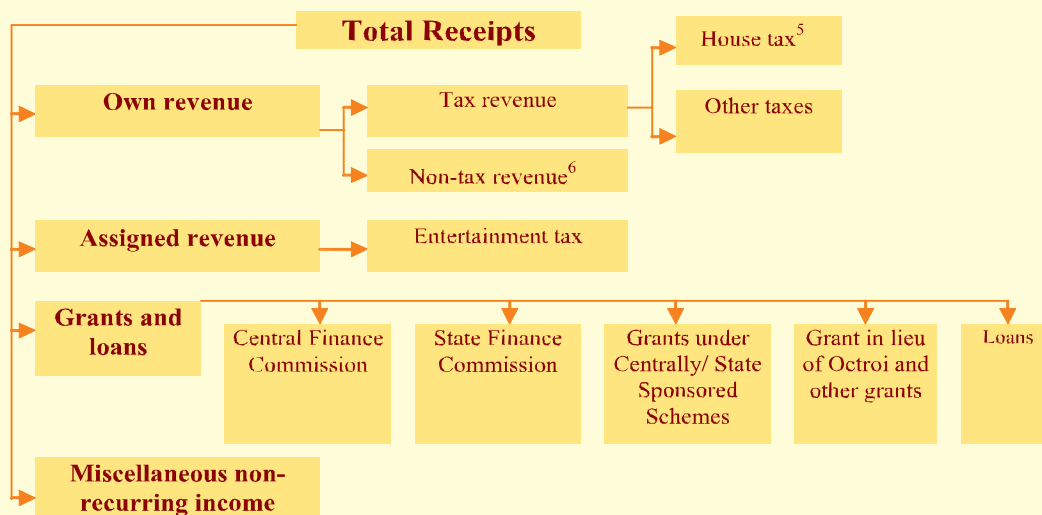
The organisational set up of ULBs is as shown below:



### 3.3 Financial management

#### 3.3.1 Sources of receipts and items of expenditure

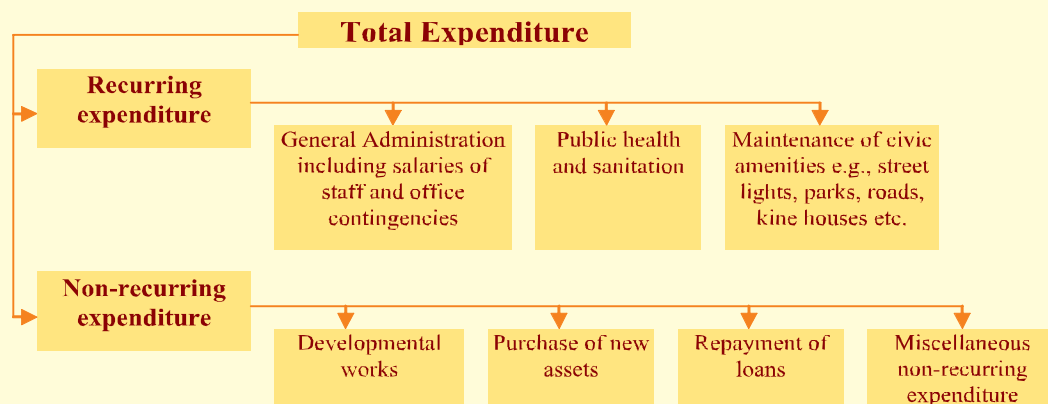
Various sources of receipts of ULBs are depicted as under:



5. Tax on annual letting value or area of building or land or both.

6. Income under By-laws and Acts, income from assets, sale of land, interest on investments and miscellaneous recurring income.

Various items of expenditure of ULBs are depicted as under:



### 3.3.2 Receipts and expenditure

The total receipts and expenditure of the ULBs during 2004-07 were as under:

#### (i) Receipts:

(Rupees in crore)

Sources of receipts	2004-05	2005-06	2006-07
(a) Tax revenue	21.80 (2.48)	41.23 (3.89)	27.56 (2.31)
(b) Non-tax revenue	159.93 (18.22)	233.84 (22.09)	300.53 (25.15)
<b>Total of own revenue</b>	<b>181.73 (20.70)</b>	<b>275.07 (25.98)</b>	<b>328.09 (27.46)</b>
(c) Assigned revenue	1.47 (0.17)	1.07 (0.10)	- -
(d) Grants and loans	602.61 (68.63)	666.24 (62.93)	749.61 (62.74)
(e) Miscellaneous non-recurring income <sup>7</sup>	92.19 (10.50)	116.37 (10.99)	117.02 (9.80)
<b>Grand Total</b>	<b>878.00</b>	<b>1,058.75*</b>	<b>1,194.72*</b>

Source: As per data provided by Director, Local Bodies, Rajasthan, Jaipur.

Note: Figures in brackets denote percentage to the total receipts.

\* Figures do not include grants released under recommendations of Twelfth Finance Commission and Third State Finance Commission as intimated (April 2010) by the State Government.

7. It includes deposits and recoveries of loans and advances.

(ii) **Expenditure:**

(Rupees in crore)

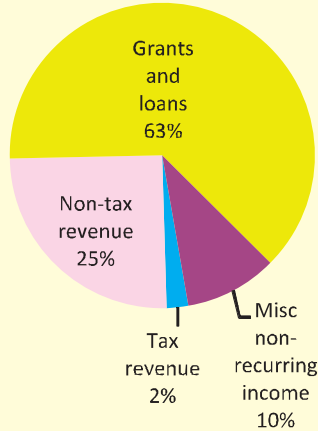
Items of Expenditure	2004-05		2005-06		2006-07	
<b>(A) Recurring expenditure</b>	484.38	(58.40)	524.98	(54.20)	594.53	(55.01)
<b>(B) Non-recurring expenditure</b>						
(a) Expenditure on developmental works	233.13	(28.11)	282.08	(29.12)	330.38	(30.57)
(b) Purchase of new assets	10.90	(1.31)	8.91	(0.92)	7.41	(0.69)
(c) Repayment of loans	11.23	(1.35)	13.92	(1.44)	8.42	(0.78)
(d) Miscellaneous non-recurring expenditure <sup>8</sup>	89.85	(10.83)	138.69	(14.32)	139.98	(12.95)
<b>Total (A+B)</b>	<b>829.49</b>		<b>968.58*</b>		<b>1,080.72*</b>	

Source: As per data provided by Director, Local Bodies, Rajasthan, Jaipur.

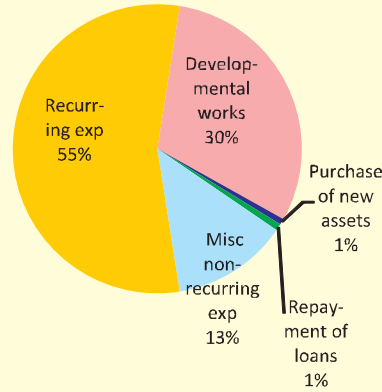
Note : Figures in brackets denote percentage to the total expenditure.

\* Figures do not include expenditure incurred out of grants released under recommendations of Twelfth Finance Commission and Third State Finance Commission as intimated (April 2010) by the State Government.

**Receipts - 2006-07**



**Expenditure - 2006-07**



(iii) The category-wise break-up of receipts and expenditure of ULBs is as under:

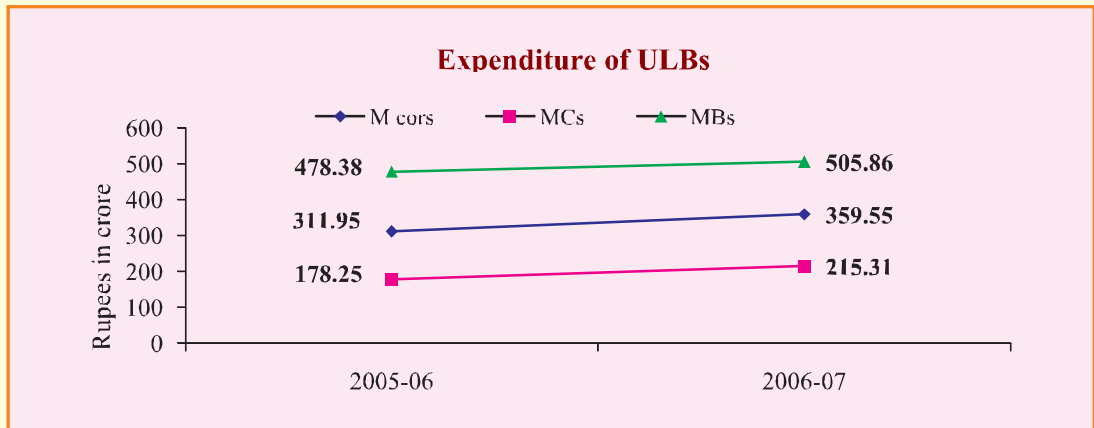
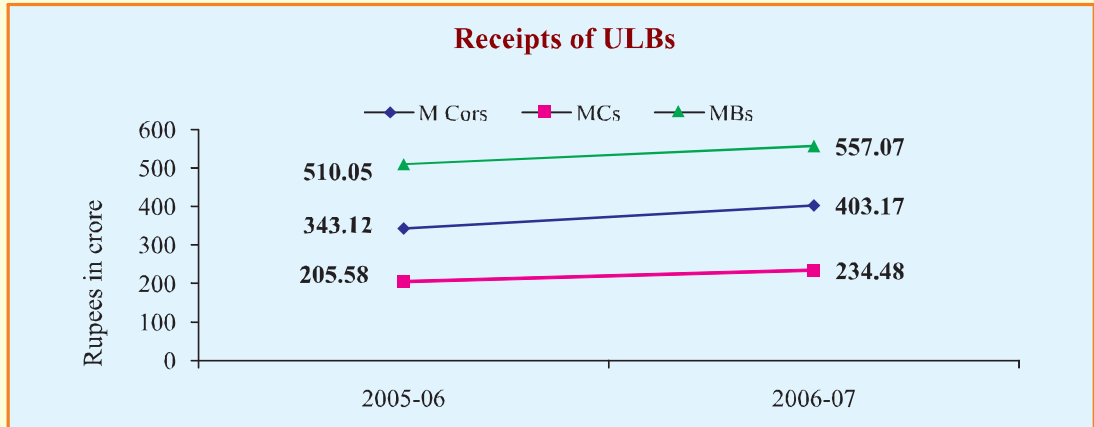
(Rupees in crore)

Category of ULBs	2005-06		2006-07		Percentage of increase (+)/ decrease (-)	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
<b>(A) Municipal Corporations</b>						
(1) Jaipur	222.99	206.56	283.27	244.19	(+) 27.03	(+) 18.22
(2) Jodhpur	53.04	42.56	54.40	52.80	(+) 2.56	(+) 24.06
(3) Kota	67.09	62.83	65.50	62.56	(-) 2.37	(-) 0.43
<b>Total (A)</b>	<b>343.12</b>	<b>311.95</b>	<b>403.17</b>	<b>359.55</b>	<b>(+) 17.50</b>	<b>(+) 15.26</b>

8. It includes refund or deposits, investments made and disbursement of loans and advances.

Category of ULBs	2005-06		2006-07		Percentage of increase (+)/ decrease (-)	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
<b>(B) Municipal Councils (11)</b>	205.58	178.25	234.48	215.31	(+) 14.05	(+) 20.79
<b>(C) Municipal Boards (169)</b>	510.05	478.38	557.07	505.86	(+) 9.22	(+) 5.74
<b>Grand Total (A+B+C)</b>	<b>1,058.75</b>	<b>968.58</b>	<b>1,194.72</b>	<b>1,080.72</b>	<b>(+) 12.84</b>	<b>(+) 11.58</b>

Source: As per data provided by Director, Local Bodies, Rajasthan, Jaipur.



The above financial trends indicate that:

- Own resources of ULBs were not adequate and they were dependent on grants and loans from the Central and State Governments being 62.93 per cent and 62.74 per cent during 2005-06 and 2006-07 respectively.
- Tax revenue of ULBs had decreased by 33.16 per cent during 2006-07 due to less recovery of tax on land and building (house tax) etc.
- While recurring expenditure had increased by 13.25 per cent from Rs 524.98 crore in 2005-06 to Rs 594.53 crore in 2006-07, the expenditure on purchase of assets decreased by 16.84 per cent from Rs 8.91 crore in 2005-06 to Rs 7.41 crore in 2006-07.

- The recurring expenditure on pay and allowances of the staff, office contingencies, maintenance of civic services, public health and sanitation etc., amounted to 55.01 *per cent* of the total expenditure in 2006-07.
- In M Cor, Jodhpur while receipts had increased by three *per cent* only, expenditure had increased by 24.06 *per cent* in 2006-07 as compared to 2005-06 due to increase in cost of material to be used in development works, laying of new electricity lines and extension of public utility services in the new colonies transferred under the jurisdiction of the M Cor, Jodhpur.

### 3.3.3 Own Revenue

3.3.3.1 The category-wise position of 'Own Revenue' realised by the ULBs and the percentage of own revenue to total receipts and recurring expenditure are as under:

(Rupees in crore)

Category of ULBs	2005-06					2006-07				
	Tax	Non-Tax	Total own revenue	Percentage of own revenue to total receipts	Percentage of own revenue to recurring expenditure	Tax	Non-Tax	Total own revenue	Percentage of own revenue to total receipts	Percentage of own revenue to recurring expenditure
<b>(A) Municipal Corporations</b>										
Jaipur	16.12	78.61	94.73	42.48	81.12	10.55	124.56	135.11	47.70	92.26
Jodhpur	0.79	16.26	17.05	32.15	48.90	0.94	15.97	16.91	31.08	44.15
Kota	3.34	3.06	6.40	9.54	15.77	2.50	4.20	6.70	10.23	15.56
<b>Total (A)</b>	<b>20.25</b>	<b>97.93</b>	<b>118.18</b>	<b>34.44</b>	<b>61.48</b>	<b>13.99</b>	<b>144.73</b>	<b>158.72</b>	<b>39.37</b>	<b>69.67</b>
<b>(B) Municipal Councils (11)</b>	7.79	27.68	35.47	17.25	31.36	6.14	40.49	46.63	19.89	35.17
<b>(C) Municipal Boards (169)</b>	13.19	108.23	121.42	23.81	55.28	7.43	115.31	122.74	22.03	52.42
<b>Grand Total (A+B+C)</b>	<b>41.23</b>	<b>233.84</b>	<b>275.07</b>	<b>25.98</b>	<b>52.40</b>	<b>27.56</b>	<b>300.53</b>	<b>328.09</b>	<b>27.46</b>	<b>55.19</b>

Source: As per data provided by Director, Local Bodies, Rajasthan, Jaipur.

The analysis of the above indicates that:

- During the year 2006-07, total 'own revenue' of ULBs accounted for 27.46 *per cent* of their total receipts which was enough to meet only 55.19 *per cent* of their recurring expenditure.
- 'Own revenue' of M Cor, Jodhpur had decreased from Rs 17.05 crore in 2005-06 to Rs 16.91 crore in 2006-07 due to less realisation of income from interest on investments and sale of land, while it had increased in M Cor, Jaipur by 42.63 *per cent* from Rs 94.73 crore to Rs 135.11 crore in 2006-07 and in case of M Cor, Kota by 4.69 *per cent* from Rs 6.40 crore to Rs 6.70 crore in 2006-07 due to increase in realisation of income under By-laws, income from assets, interest on investments, sale of land etc.
- 'Own revenue' of MCs and MBs had increased from Rs 35.47 crore to Rs 46.63 crore (31 *per cent*) and Rs 121.42 crore to Rs 122.74 crore (1.09 *per cent*) respectively during 2006-07 mainly due to increased collection of income under By-laws, income from assets, sale of land etc.

**3.3.3.2** The position of tax and non-tax revenue (excluding miscellaneous receipts in respect of which no targets/projections for collection were made) projected and actually realised by M Cors during 2005-07 is as under:

(Rupees in crore)

Name of Corporation	Tax Revenue				Non-tax Revenue (excluding misc. receipts)			
	2005-06		2006-07		2005-06		2006-07	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Jaipur	36.00	16.12 (45)	40.00	10.55 (26)	39.95	33.74 (84)	69.40	58.13 (84)
Jodhpur	5.50	0.79 (14)	13.62	0.94 (7)	4.21	4.48 (106)	9.34	3.45 (37)
Kota	5.06	3.34 (66)	23.10	2.50 (11)	2.72	3.83 (141)	2.51	4.49 (179)

Source: As per figures adopted in the annual accounts of respective Municipal Corporations.

Note: Figures in brackets denote the percentage of actual realisation to the projected revenue.

The above trend indicates that during 2006-07 the realisation of tax revenue against the revenue projected in respect of three Municipal Corporations ranged between seven to 26 per cent. The M Cor, Jaipur could realise only Rs 10.55 crore against the projected amount of Rs 40.00 crore on account of tax revenue (tax on land and building – house tax). The reasons for shortfall in realisation of tax revenue by M Cor, Jaipur were attributed (April 2010) to declaration by political party to abolish the house tax and agitation of political parties on collection of house tax. Reasons advanced by M Cor, Jaipur were not convincible as effective steps prescribed under Rajasthan Municipalities Act such as issue of notices/warrants against the defaulters and action under Public Demand Recovery Act were not taken, which was indicative of non-effectiveness of internal control mechanism.

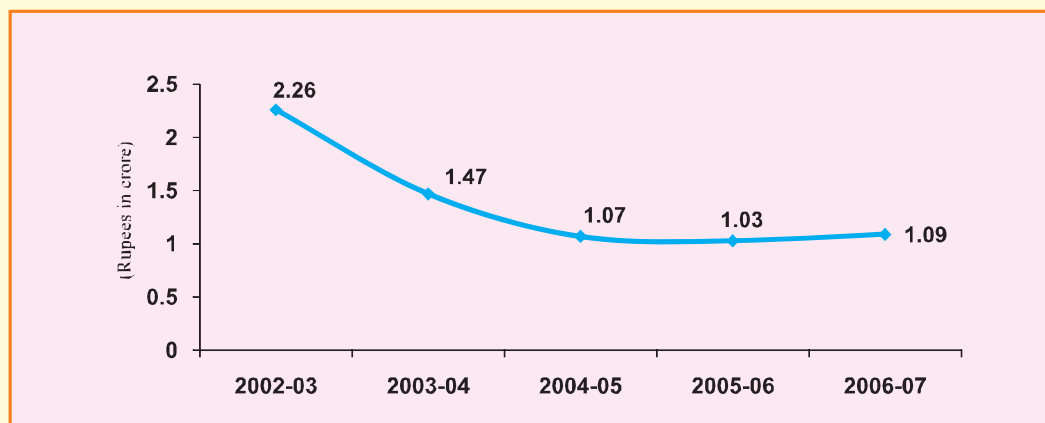
### 3.3.4 Assigned Revenue (Entertainment Tax)

The Second State Finance Commission (SSFC) had recommended that the State Government should release 15 per cent of net proceeds of entertainment tax<sup>9</sup> to ULBs.

The share of entertainment tax due to be released by State Government (Commercial Taxation and Finance Departments) to ULBs during the year 2002-03 was Rs 2.26 crore which gradually declined (52 per cent) to Rs 1.09 crore during the year 2006-07 due to relaxation in entertainment tax on newly constructed cinema halls, theatres etc., and reduction in rate of entertainment tax from 70 per cent to 50 per cent since January 2004. The Financial Advisor, Commercial Taxation Department intimated (March 2009) that due share of entertainment tax for the years 2005-06 to 2007-08 was released during the year 2008-09.

9. Collected by Commercial Taxation Department of State Government under Section 14 of the Rajasthan Entertainment Tax and Advertisement Tax Act, 1957.

### Due share of entertainment tax to ULBs



Source: As per data provided by Financial Advisor, Commercial Taxation Department, Government of Rajasthan, Jaipur.

### 3.3.5 Recurring and non-recurring expenditure

The position of recurring and non-recurring expenditure incurred in ULBs during 2005 -07 is as under:

(Rupees in crore)

Category of ULBs	2005-06			2006-07		
	Recurring expenditure	Non-recurring expenditure	Total	Recurring expenditure	Non-recurring expenditure	Total
<b>(A) Municipal Corporations</b>						
(i) Jaipur	116.78 (57)	89.78	206.56	146.44 (60)	97.75	244.19
(ii) Jodhpur	34.87 (82)	7.69	42.56	38.30 (73)	14.50	52.80
(iii) Kota	40.58 (65)	22.25	62.83	43.07 (69)	19.49	62.56
<b>Total (A)</b>	<b>192.23 (62)</b>	<b>119.72</b>	<b>311.95</b>	<b>227.81 (63)</b>	<b>131.74</b>	<b>359.55</b>
<b>(B) Municipal Councils (11)</b>	113.10 (63)	65.15	178.25	132.57 (62)	82.74	215.31
<b>(C) Municipal Boards (169)</b>	219.65 (46)	258.73	478.38	234.14 (46)	271.72	505.86
<b>Grand Total (A+B+C)</b>	<b>524.98 (54)</b>	<b>443.60</b>	<b>968.58</b>	<b>594.52 (55)</b>	<b>486.20</b>	<b>1,080.72</b>

Source: As per data provided by Director, Local Bodies, Rajasthan, Jaipur.

Note: Figures in brackets denote the percentage of recurring expenditure to the total expenditure.

The above financial trend indicates that:

- Recurring expenditure of M Cor, Jaipur grew by 25.40 per cent from Rs 116.78 crore in 2005-06 to Rs 146.44 crore in 2006-07 due to increase in expenditure on public health services, street light and pay and allowances.



- While non-recurring expenditure of MCs grew by 27 per cent from Rs 65.15 crore in 2005-06 to Rs 82.74 crore in 2006-07 mainly due to increase in expenditure on developmental works and miscellaneous expenditure, in MBs it grew by 5.02 per cent in 2006-07.

### 3.4 Devolution of funds

#### 3.4.1 Finance Commissions grants

##### 3.4.1.1 Twelfth Finance Commission grants

The position of grants released by State Government to ULBs under recommendations of Twelfth Finance Commission (TFC) for core activities of ULBs during 2006-07 is as under:

(Rupees in crore)

Year	Instalment	Amount released by GOI	Amount released by State Government	Utilisation status
2006-07	First	22.00 (27.12.06)	22.00 (12.01.07)	Out of Rs 44.00 crore, Rs 42.95 crore was utilised up to March 2009.
	Second	22.00 (27.02.08)	22.00 (18.03.08)	
<b>Total</b>		<b>44.00</b>	<b>44.00</b>	

As per guidelines of TFC, the State Government had to mandatorily transfer the grants released by GOI to the ULBs within fifteen days of the same being credited to the State Government Accounts. It was observed that second instalment of TFC was released to the ULBs with a delay of five days from the prescribed period.

##### 3.4.1.2 State Finance Commission grants

Based on the recommendations (August 2001) of SSFC and Interim Report (February 2006) of Third State Finance Commission (TSFC), State Government was required to provide grants annually to the local bodies at 2.25 per cent of the net State tax revenue (excluding entertainment tax). Of this, 23.4 per cent and 24.3 per cent share was to be released to ULBs during 2000-05 and 2005-10 respectively. The grants released to ULBs by State Government under recommendations of the SSFC and TSFC during 2002-07 were as under:

(Rupees in crore)

Year	Grants to be released	Grants actually released	Short(-)/ excess (+) release of grants
2002-03	27.61	27.61	-
2003-04	27.61	27.61	-
2004-05	48.94	46.01	(-) 2.93
2005-06	50.58	53.75	(+) 3.17
2006-07	60.30	60.30	-

### **3.5 Database on finances and accounting arrangements**

National Municipal Accounts Manual (NMAM) for ULBs in India developed by the Ministry of Urban Development, GOI under the guidance of C&AG of India was introduced in February 2005. Based on the NMAM, Rajasthan Municipal Accounts Manual has been prepared. The LSGD directed (December 2009) all ULBs to maintain the accounts on Accrual Based (Double Entry) Accounting System from 1 April 2010. As regards switching over to Accrual Based Accounting System in ULBs in first instance, the work was outsourced in respect of six ULBs<sup>10</sup> under Asian Development Bank project. In respect of remaining 177 ULBs, Rajasthan Urban Infrastructure Finance Development Corporation had been authorised as a Nodal Agency for facilitating the task of outsourcing this work (April 2010).

### **3.6 Budgetary control and maintenance of accounts**

The performance of the ULBs in relation to budgetary control and maintenance of accounts was not effective due to weak internal control mechanism resulting in deficient fund management, ineffective monitoring of activities etc., as detailed in the succeeding paragraphs.

#### ***3.6.1 Non-rectification of differences between cash books and Personal Deposit/Bank pass books***

Rajasthan Municipalities Accounts Rules (RMARs), 1963 provide that at the end of each month the receipt and expenditure entered in the general cash book should be compared with those appearing in the pass books of Personal Deposit (PD)/ bank accounts and difference if any should be explained in the footnote of the cash book. The DLB also instructed (November 2001 and August 2002) the ULBs to conduct reconciliation of differences between the balance of cash books and the pass books every month.

It was observed that six MBs had not rectified the difference of Rs 41.73 lakh (**Appendix-XI**) as on 31 March 2006 between cash books and PD/Bank pass books. There was exceptionally huge difference in MBs, Bhinmal (Rs 21.37 lakh), Kuchaman City (Rs 7.62 lakh) and Vair (Rs 4.26 lakh).

On this being pointed out, five MBs stated (July-December 2006) that reconciliation would now be done. MB, Bhinmal did not furnish any reply.

#### ***3.6.2 Irregular/excess expenditure over the sanctioned budget***

No expenditure can be incurred out of municipal funds unless it is covered by a budget grant and the controlling officer should initiate action against the

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10. Municipal Corporations, Jaipur, Jodhpur, Kota and MCs, Ajmer, Bikaner and Udaipur.

Drawing and Disbursing Officers (DDOs) who incur excess expenditure over the sanctioned budget grants<sup>11</sup>.

It was observed that 35 ULBs had irregularly incurred excess expenditure of Rs 10.68 crore (*Appendix-XII*) over the sanctioned budget grants under 360 different items/schemes/heads of accounts during 2005-06, which indicated faulty budget estimation and financial indiscipline requiring regularisation or action against erring DDOs concerned. Excess expenditure was met out of unspent balances available under various other schemes. This also points to weak budgetary control mechanism being followed in these ULBs.

On this being pointed out, 22 ULBs stated that the excess expenditure would be regularised by obtaining *ex-post facto* sanction. Thirteen ULBs did not furnish any reply. Though the State Government directed (February 2010) all the ULBs to avoid the recurrence of such irregularities yet the action taken to regularise the excess expenditure incurred by the ULBs was not intimated (April 2010).

### **3.6.3 Non-adjustment/recovery of advances**

RMARs, 1963 stipulate that temporary advances made to individuals should be adjusted before the close of the year in which they are made and no fresh advance for a particular work should be made unless the previous one has been adjusted.

It was observed that in 18 ULBs advances of Rs 1.10 crore sanctioned for developmental works, repair and maintenance of vehicles, election work, organising administrative camps, cleaning of ponds, travelling allowance, food grains etc., were outstanding against individuals in 369 cases for three to 49 years as of March 2009 (*Appendix-XIII*).

On this being pointed out, 11 ULBs stated that action would be taken to recover the amount and seven ULBs did not furnish any reply.

However, the fact remains that inaction on the part of these ULBs in timely adjustment/recovery had resulted in accumulation of advances of Rs 1.10 crore, besides loss of interest. This was also indicative of lack of effective internal control mechanism in these ULBs. Possibilities of recovery of outstanding advances since long are also remote.

### **3.7 Audit arrangement and position of entrustment of TGS to C&AG**

The C&AG of India conducts audit of ULBs under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

11. Paragraphs 29 and 32 of Appendix-A to the Rajasthan Municipalities (Budget) Rules, 1966.

The State Government is yet to entrust Technical Guidance and Supervision (TGS) of audit by Director, Local Fund Audit Department to the C&AG as recommended by EFC.

### 3.8 Arrears of audit and audit fee of Director, Local Fund Audit Department

Director, Local Fund Audit Department (DLFAD) is the Statutory Auditor for accounts of ULBs. Audit fee at prescribed rate is payable to DLFAD by ULBs. As of March 2009, Rs 23.83 lakh towards audit fee for the year 2006-07 remained to be paid by 105 ULBs.

Audit of one M Cor, seven MCs and 65 MBs by the DLFAD was pending as of March 2009 due to vacant posts of staff and involvement of staff in special audit.

### 3.9 Lack of response to audit observations

For early settlement of audit observations, Departmental Administrative Officers were required to take prompt steps to remove defects and irregularities brought to their notice during the course of audit and/or pointed out through Inspection Reports (IRs)<sup>12</sup>.

It was observed that :

(i) At the end of March 2009, 29,072 IRs issued upto 2006-07 containing 6,92,752 paragraphs issued by DLFAD remained pending for settlement. These included 1,853 cases of embezzlement of money amounting to Rs 14.06 crore of which only Rs 6.17 lakh was recovered. Further, first compliance to 125 IRs was still awaited.

(ii) Five hundred eighty one IRs containing 5,605 paragraphs issued during the years 2002-07 by office of the Principal Accountant General (Civil Audit) upto July 2004 and thereafter by office of the Senior Deputy Accountant General (Local Bodies Audit & Accounts) with effect from August 2004 to March 2007 were also pending for settlement as of March 2010 due to lack of satisfactory compliance of the paragraphs from ULBs/department. The year-wise position of outstanding paragraphs is as under:

Year	Pending	
	IRs	Paragraphs
2002-03	3	47
2003-04	74	484
2004-05	129	1,378
2005-06	183	1,708
2006-07	192	1,988
<b>Total</b>	<b>581</b>	<b>5,605</b>

12. Section 307 (3) of Rajasthan Municipalities Act, 1959 and Rule 15 (1) of Rajasthan Municipalities Accounts Rules, 1963.

This indicated lack of prompt response on the part of the municipal/departmental authorities which had not only resulted in recurrence of the deficiencies and lapses pointed out earlier but also eroded the accountability of the ULBs/departmental officers.

### **3.10 Impact of audit**

During 2006-07, recoveries amounting to Rs 1.02 crore (71 cases) and rectification of mistakes/irregularities involving Rs 1.21 crore (five cases) were made at the instance of C&AG's audit.

### **3.11 Conclusion**

While both the receipts and expenditure of ULBs showed an increasing trend, they were largely dependent on Government funds because of low 'Own Revenue' base. The expenditure on purchase of assets actually declined in comparison to the increase in recurring expenditure.

Inadequate budgetary and internal control mechanism in ULBs resulted in expenditure in excess of the allotted funds, piling up of differences in balances as per cash books and PD/Bank pass books and non-adjustment/recovery of outstanding advances against individuals for a long time.

Annual accounts of 177 out of 183 ULBs were still being maintained in the conventional formats on cash basis instead of accrual basis. The huge pendency of audit observations and delay in their settlement are fraught with the risk of continuance of irregularities/deficiencies observed during audit.

### **3.12 Recommendations**

Following recommendations are made:

- The ULBs should take effective steps to augment their own resources so as to minimise dependency on Government assistance and to provide better civic facilities.
- ULBs should ensure that effective budgetary controls are in place. The internal control mechanism needs to be strengthened to ensure prompt adjustment/recovery of advances and regular reconciliation and rectification of the differences between balances as per cash books and PD/Bank pass books.
- The Government should ensure proper and timely compliance to the audit observations.