

CHAPTER I

INTRODUCTION

1.1 Background

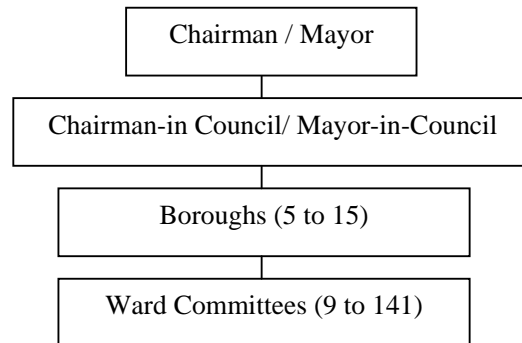
All municipalities (120) of West Bengal are governed according to the provisions of the West Bengal Municipality Act, 1993. Six municipal corporations are governed according to the provisions of the respective Acts legislated separately. Except these six municipal corporations, all other municipalities were classified 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. The minimum number of wards so determined is nine and the maximum number is kept between 15 and 141 depending on the size of the Urban Local Body (ULB). An elected Councillor represents each ward.

In 2001 the urban population in West Bengal was 2.25 crore spread over 2060 sq.km. with a density of 10915 per sq.km as against the total population of 8.02 crore. During 1991 to 2001, the urban population increased by 20.20 per cent which indicates declining trend over the previous decade (29.49 per cent).

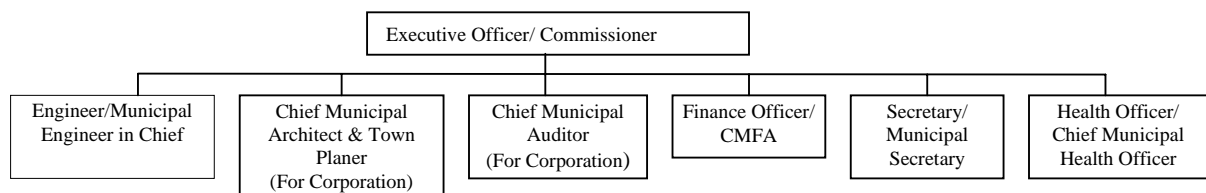
1.2 Organizational Structure

The Chairman/ Mayor, elected by the majority of the Board of Councillors, is the executive head of the Urban Local Body 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 presides over the Board of Councillors. The Chairman-in-Council/ Mayor-in-Council enjoys such power as is delegated by the Board.

Every Urban Local Body having a population of three lakh or more groups the wards into five (up to 15 in respect of municipal corporation) boroughs. Boroughs are constituted with not less than six contiguous wards and a Borough Committee is also 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 Urban Local Body requires it to discharge. At ward level, the Urban Local Body constitutes Ward Committee under the Chairmanship of the Ward Councillor. The organizational structure of the governing body of an Urban Local Body is as under:



Under the administrative control of the Board of Councillors, the Urban Local Body creates its establishment structure headed by an Executive Officer/ Commissioner. Other officers are also appointed to discharge specific functions of respective area/ nature. Subject to the supervision and control of the Chairman/Mayor, the Executive Officer/ Commissioner functions as the principal executive of the Urban Local Body. The Executive Officer/ Commissioner and the Finance Officer exercise such powers and perform such functions as notified by the State Government from time to time. The organograph of an Urban Local Body is as below:



1.3 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 the provisions of Article 243W of the Constitution. Some obligatory functions of the ULBs are as follows:-

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

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

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

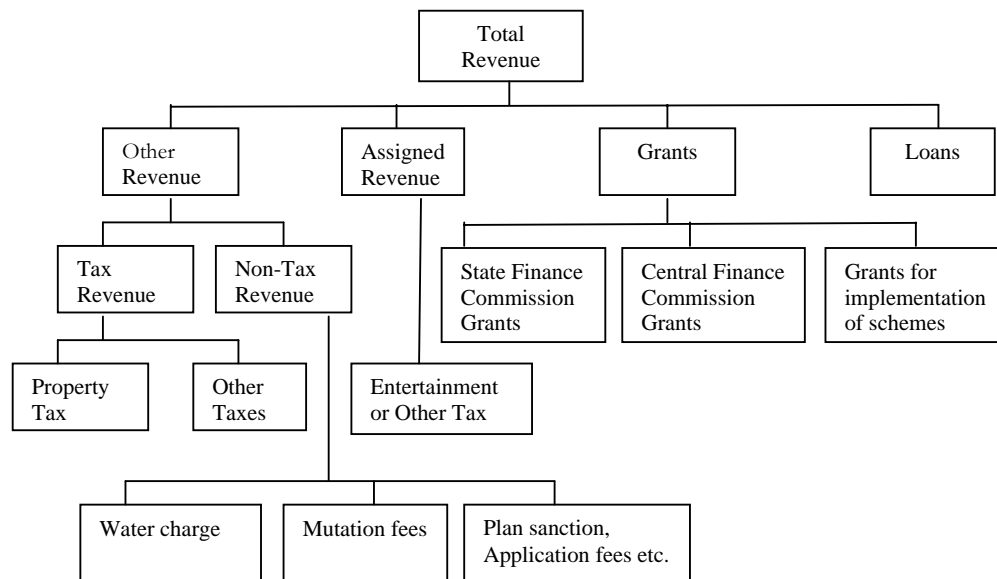
Further, the State Government may impose or transfer any such functions and duties of the Government to the Urban Local Body including those performed by the departments. Such activities may include employment

schemes and programmes, social forestry, health and family welfare, cottage and small-scale industries, formal and non-formal education etc.

1.4 Financial Profile

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

Sources of Revenue of ULBs



The property tax on land and building is the principal source of tax revenue of an Urban Local Body.

The main sources of non-tax revenue of an Urban Local Body are plan sanction fees, mutation fees and water charge.

All collections as permissible under the statute in force, such as tax and non-tax revenue are meant for maintenance of administration and services to the tax payers.

The State Government releases administrative grants to the Urban Local Body to compensate their revenue expenditure.

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

Grants and assistance released by the State Government and the Central Government are utilised for developmental activities as specified in the respective schemes or projects.

1.5 Accounting Reforms

In view of the recommendation of Eleventh Finance Commission, Ministry of Finance, Government of India entrusted the responsibility of evolving appropriate accounting formats for the Urban Local Bodies to the Comptroller and Auditor General of India.

Modified accrual based system of accounting recommended by the Comptroller and Auditor General of India was accepted by the West Bengal Government. A Steering Committee was formed (January 2004) to coordinate the implementation of the accrual system of accounting. In the first phase forty ULBs were selected for implementation of accrual based double accounting system. As of July 2005, opening balance sheets as on 1 April 2004 have been prepared for twenty ULBs.

1.6 Audit Arrangement

The recommendations of the Eleventh Finance Commission stipulate that the Comptroller and Auditor General shall be responsible for exercising control and supervision over proper maintenance of the accounts of ULBs and their audit.

The West Bengal Municipal Act, 1993 and the acts governing other Municipal Corporations envisage that the accounts of a body shall be examined and audited by an auditor appointed by the State Government. Accordingly the State Government in exercise of the power conferred by the Acts, appointed the Examiner of Local Accounts (ELA), West Bengal as the Auditor for audit of the accounts of the Urban Local Bodies. The Acts further envisage that the Auditor shall prepare the report on the accounts examined and audited 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 126 ULBs, audit of accounts of 79 ULBs (Appendix 1) covering the financial year upto 2002-03, 2003-04 and 2004-05 was conducted during May 2004 to September 2005.

1.8 Response to Audit Observations

The Chairman/ Mayor are required to comply with the observations contained in the Inspection Reports (IRs) and rectify the defects and omissions and report their compliance through proper channel to ELA within three months from the date of issue of IRs.

The details of IRs and the paragraphs outstanding as of June 2005 are given below:

| Year of issue | No. of Inspection Reports | No. of outstanding paras | Money Value (Rupees in crore) |
|----------------------|----------------------------------|---------------------------------|--------------------------------------|
| Upto 2001 | 33 | 76 | 70.74 |
| 2001-02 | 24 | 99 | 50.79 |
| 2002-03 | 63 | 283 | 181.29 |
| 2003-04 | 133 | 427 | 191.93 |
| 2004-05 | 28 | 200 | 92.88 |
| Total | | | 587.63 |

A review of the IRs, which were pending due to non-receipt of replies, revealed that the Heads of the offices, whose records were inspected by ELA, did not send any reply to a large number of IRs/ paragraphs. The Principal Secretaries/ Secretaries of the Departments, who were informed of the position through half yearly reports, also failed to ensure that the concerned officers of the ULBs take prompt and timely action. Though Departmental Audit Committee was formed, it met only twice in the year 2004-05.

Important findings of audit are described in the succeeding chapters.