

CHAPTER I

INTRODUCTION

1.1 Background

Municipal Bodies have been accorded constitutional status in the 74th Constitutional Amendment Act of 1992 and raised to the status of 'Government' at the local level.

Article 243W 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 the devolution of powers and responsibilities upon Municipalities, subject to such conditions as may be specified therein, with respect to (i) the preparation of plans for economic development and social justice and (ii) the performance of functions and the implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule.

Out of 126 Urban Local Bodies (ULB) in West Bengal, 120 municipalities are governed according to the provisions of the West Bengal Municipal Act, 1993 and six municipal corporations¹ 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 is nine and the maximum number is kept between 15 and 141 depending on the size of the ULB. An elected Councillor represents each ward.

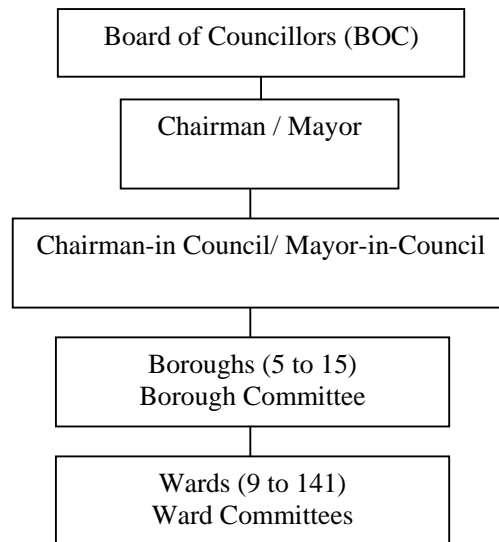
In 2001 the urban population in West Bengal was 2.25 crore spread over 2060 sq.km. with a density of 10915 per sq.km as against the total population of 8.02 crore. During 1991 to 2001, the urban population increased by 20.20 *per cent*, which was lower than the previous decade (29.49 *per cent*).

1.2 Organizational Structure

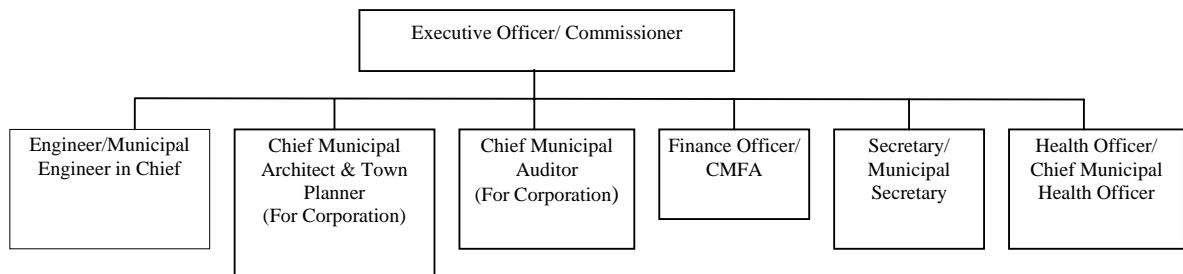
The Chairman/ Mayor, elected by the majority of the Board of Councillors (BOC), is the executive head of the ULB and presides over the meetings of the Chairman-in-Council/ Mayor-in-Council responsible for governance of the body. The executive power of a ULB is exercised by the Council. The Chairman presides over the Board of Councillors. The Chairman-in-Council/ Mayor-in-Council enjoys such power as is delegated by the Board.

¹ Kolkata, Howrah, Siliguri, Asansol, Durgapur and Chandernagore municipal corporations. With effect from November 2008, except Kolkata and Howrah, all Municipal Corporations are brought under the West Bengal Municipal Corporation Act, 2006.

Every ULB 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 ULB requires it to discharge. At ward level, the ULB constitutes Ward Committee under the Chairmanship of the Ward Councillor. The organizational structure of the governing body of an ULB is as under:



Under the administrative control of the Board of Councillors, the ULB 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 ULB. 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 structure of an Urban Local Body is as below:



1.3 Powers and Functions

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;
- Collection and disposal of solid waste;
- 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;
- Preventing and checking spread of dangerous diseases including immunization;
- Town planning and development including preservation of monuments, places of historical, artistic and other importance; and
- Overall administration including survey, removal of encroachment, dangerous buildings, registration of births and deaths and 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:

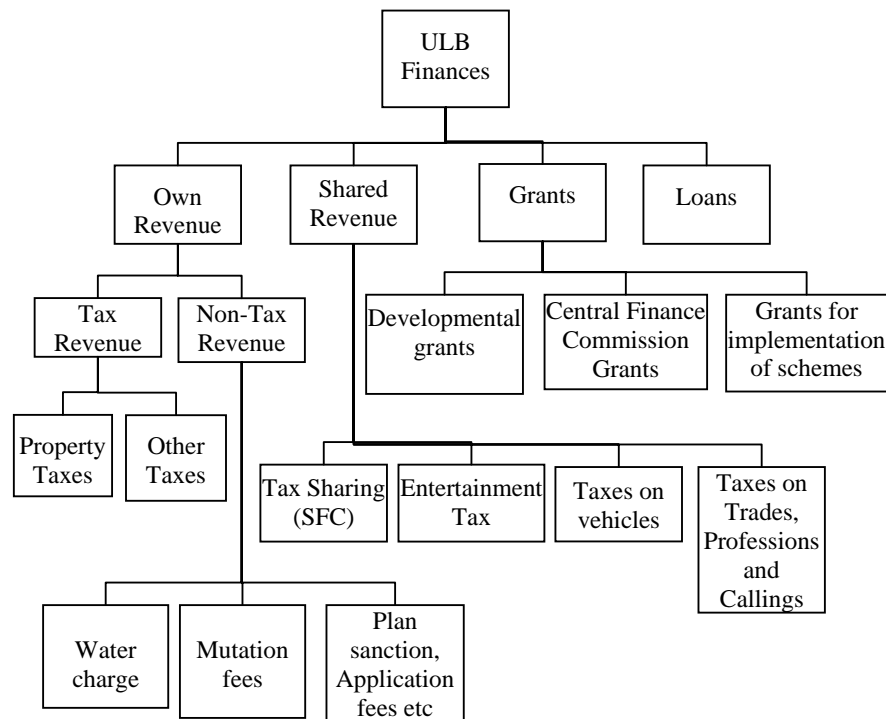
- Education;
- Sanitation;
- Relief in the time of famine, flood or earthquake;
- Old-age-homes, orphanage;
- Public works relating to relief, care of sick, medical service; and
- Low-cost dwelling houses for socially backward classes or citizens.

The State Government may impose or transfer any such functions and duties of the Government to the ULB 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 ULB 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. A flow chart of finances of a ULB is as under:

Sources of finances of ULBs



The property tax on land and building is the principal source of tax revenue of an ULB.

The main sources of non-tax revenue of an ULB are plan sanction fees, mutation fees and water charges. 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 ULBs to compensate their revenue expenditure. 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.

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

1.5 Twelfth Finance Commission Grants

The Twelfth Finance Commission (TFC) allotted Rs.393.00 crore for the ULBs of West Bengal for the five years (2005-10) to be paid in ten equal instalments with the recommendation to provide at least 50 *per cent* of the grants-in-aid for Solid Waste Management (SWM). The State Government may assess the requirement of funding support for data building and maintenance of accounts for each local body and earmark funds accordingly out of the total allocation. According to the recommendation, it is mandatory for the State Government to transfer the grants released by the Government of India (GOI) to the ULBs within 15 days of the amount being credited to the State Accounts.

GOI released the entire approved grant of Rs.235.80 crore for the years 2005-08 in six installments of Rs.39.30 crore each. The second instalment of a particular year was released in the following financial year. The receipt of TFC grants for 2005-2008 (up to July 2008) and utilisation are shown below:

(Rupees in crore)				
Year	Approved allocation	Receipt from Govt. of India	Released to ULBs	Expenditure
2005-06	78.60	39.30	39.30	20.04
2006-07	78.60	78.60	78.83	42.49
2007-08	78.60	78.60	78.60	118.13*
		39.30*	39.30*	
Total	235.80	235.80	236.03	180.66

* The amount released in July 2008 pertaining to the year 2007-08.

An amount of Rs.23.06 lakh was released by the State Government towards interest for delay in release of the first installment of 2005-06. Rs.55.37 crore remained unspent and the tax payers were deprived of intended services aimed under the scheme.

Test check of accounts of 25 municipalities revealed that during 2005-08, these municipalities had received a total of Rs.41.83 crore which included Rs.18.42 crore earmarked for Solid Waste Management (SWM). The expenditure incurred on SWM and on other development works during 2005-08 is as shown below:

Name of the ULB	Receipt			Expenditure		
	SWM	NSWM	Total	SWM	NSWM	Total
Asansol	129.01	198.03	327.04	53.36	195.14	248.50
Baruipur	26.99	35.31	62.30	19.24	27.25	46.49
Basirhat	67.32	77.45	144.77	0.00	48.72	48.72
Bhatpara	162.59	214.73	377.32	20.17	183.00	203.17
Chandernagore	121.57	109.27	230.84	49.62	83.40	133.02
Dhulian	37.44	39.51	76.95	10.76	31.90	42.66
Dum Dum	28.53	36.90	65.43	32.58	41.06	73.64
Durgapur	170.57	230.01	400.58	123.8	187.67	311.47
Englishbazar	115.00	105.8	220.8	0.00	59.24	59.24
Gayespur	30.50	44.29	74.79	21.76	35.51	57.27
Kamarhati	72.99	107.05	180.04	38.69	107.98	146.67
Kulti	126.40	158.57	284.97	53.03	126.45	179.48
Mirik	22.50	26.58	49.08	7.29	12.91	20.20
North Barrackpore	54.55	66.10	120.65	52.23	61.00	113.23
Panihati	113.10	171.57	284.67	37.39	140.26	177.65
Rajarhat-Gopalpur	105.40	134.48	239.88	78.23	77.63	155.86
Rishra	49.98	60.04	110.02	32.37	52.70	85.07
Serampur	53.84	75.90	129.74	36.84	78.19	115.03
Taki	50.62	70.03	120.65	27.27	69.03	96.30
Mathabhanga	17.63	19.86	37.49	14.47	17.29	31.76
Bidhannagar	106.18	106.18	212.36	58.19	38.61	96.80
Naihati	85.78	85.78	171.56	57.45	85.52	142.97
Garulia	32.06	46.68	78.74	12.08	51.88	63.96
Titagarh	48.89	60.39	159.28	23.10	40.51	63.61
Baranagar	12.70	10.73	23.43	12.56	10.67	23.23
Total	1842.14	2291.24	4183.38	872.48	1863.52	2736.00

It may be seen from the above table that the releases for SWM in respect of these 25 ULBs fell short by Rs.2.50 crore of the entitlement of Rs.20.92 crore. However, the ULBs spent only Rs 8.72 crore being 47 *per cent* of Rs.18.42 crore available for SWM. The prescribed standards of management of solid waste viz. segregation at source, processing of waste and maintenance of landfill could not be achieved by these ULBs.

1.6 Accounting Reforms / Arrangements

In view of the recommendation of Eleventh Finance Commission (EFC), Ministry of Finance, Government of India entrusted the responsibility of prescribing appropriate accounting formats for the ULBs to the Comptroller and Auditor General of India (CAG).

The CAG constituted a Task Force which recommended (2002) accrual based double entry system of accounting for the ULBs. Accordingly the Ministry of Urban Development, GOI in association with the CAG developed the National Municipal Accounts Manual (NMAM) as recommended by the CAG's Task Force. The recommendations were accepted by the West Bengal Government and a Steering Committee was formed (January 2004) to coordinate the implementation of the accrual based system of accounting.

To bring about the change in the accounting system, the Accounting Manual for ULBs, West Bengal (excluding municipal corporations) was prepared in February 2006 based on the NMAM. Accordingly, the West Bengal Municipal Act, 1993 was amended (effective from 1 October 2006) and the West Bengal Municipal (Finance and Accounting) Rules, 1999 were amended with effect from 1 January 2007. The implementation of reform was started from the financial year 2006-07 for the ULBs in Kolkata Metropolitan Area and from 2007-08 for other municipalities.

As of 31 March 2008² no accounts in double entry system were prepared by the municipalities except the Kolkata Municipal Corporation (KMC). The Steering Committee entrusted (February 2004) KMC to prepare its accounting manual within a period of one year but they could not complete the work till March 2009.

1.7 Audit Arrangement

The recommendations of the EFC stipulate that the CAG 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 ULBs. The Acts further envisage that the Auditor shall prepare the report on the accounts examined and shall send such report to the Chairman/

² As of February 2009 opening balance sheets in respect of 15 ULBs in KMA (Bansberia, Baranagar, Barasat, Barrackpore, Baruipur, Gayespur, Hooghly-Chinsurah, Kamarhati, Konnagar, Madhyamgram, New Barrackpore, Pujali, Rajpur-Sonarapur, Rishra and South Dum Dum) and 10 ULBs in non-KMA (Birnagar, Burdwan, Chakdah, Dainhat, Joynagar-Mozilpur, Kalna, Katwa, Mathabhanga, Taki and Tarakeswar) have been received.

Mayor and a copy thereof to the Director of Local Bodies or such other officers as the State Government may direct.

1.8 Audit Coverage

Out of 126 ULBs, audit of accounts of 49 ULBs (**Appendix 1**) covering the financial year upto 2004-05, 2005-06, 2006-07 and 2007-08 was conducted during July 2007 to May 2008.

1.9 Follow up action on Audit Reports

Reports of the ELA on ULBs for the years 2003-04, 2004-05, 2005-06 and 2006-07 were submitted to the Government of West Bengal in May 2005, August 2006, July 2007 and May 2008 respectively. A State Level Audit Committee was constituted on 23 February 2006 to examine the findings of the Audit Reports on ULBs. Only one meeting was held on 24 April 2008 and Audit Report for the year 2003-04 was taken up for consideration.

1.10 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 to ELA within three months from the date of issue of IRs.

The details of IRs and the paragraphs outstanding as of December 2008 are given below:

Year of issue	No. of Inspection Reports	No. of outstanding paras	Money Value (Rupees in crore)
Upto 2001	191	416	210.14
2001-02	106	337	207.82
2002-03	81	263	167.44
2003-04	361	764	884.97
2004-05	141	520	533.56
2005-06	243	1076	605.15
2006-07	182	1735	1053.39
2007-08	338	3061	1829.58
Total	1643	8172	5492.05

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. Although a Departmental Audit Committee was formed, it met only thrice in the year 2007-08.