

CHAPTER –I

INTRODUCTION

1.1. Background

Under Section 4 of the Jharkhand Municipal Act, 2000, the State Government may declare a town as a Municipal Corporation, a Municipality or a Notified Area Committee (N.A.C.), on the basis of a population of more than two lakh, not less than forty thousand and twelve thousand respectively and if the town has (1) an average number of not less than four hundred inhabitants per square Kilometer and, (2) three-fourth of the adult population are engaged on pursuits other than agriculture.

Accordingly, two Municipal Corporations, 19 Municipalities and 18 NACs, declared by the State Government, fall under the jurisdiction of the State of Jharkhand. Dhanbad Municipal Corporation was created (February 2006) by incorporating areas of Dhanbad Municipality and four NACs. The Municipal Corporations are governed by Ranchi Municipal Corporation (RMC) Act, 2001 whereas, Municipalities and NACs are governed by Jharkhand Municipal Act, 2000. The term of elected bodies of Municipal Corporation and Municipalities is five years. The State Government dissolved all local bodies during the period 1986 to 1995 and since then fresh elections have not taken place. In the absence of elections, Urban Local Bodies, as envisaged by the 74th Constitutional Amendment, have not come into existence.

1.2. Organizational setup

As elections have not taken place since 1986, Municipal Corporations, Municipalities and NACs are being administered by an Administrator, a Special Officer and a SDO (Civil)-cum-ex-officio Chairman of the NACs respectively. In the absence of elected bodies, the Secretary, Urban Development Department, Government of Jharkhand is the controlling authority.

1.3. Powers and Functions

Powers and functions of the ULBs are described in Section 11 A of Jharkhand Municipal Act, 2000 and Section 63 A of Ranchi Municipal Corporation Act, 2001. Some of the important functions of the ULBs are as follows:

- Urban planning including town planning;
- Regulation of land use and construction of buildings;
- Construction of roads and bridges;
- Water supply for domestic, industrial and commercial purposes;
- Maintenance of public health, sanitation, conservancy and solid waste management.

In addition to the above functions, some other functions, which are also performed by the ULBs, are given in APPENDIX-1.

1.4. Financial Profile

The Urban Local Body Fund comprises of receipts from own resources and grants and loans from State Government.

Under the provisions of the Acts in force, all collections such as tax on holding, water tax, latrine tax, tax on vehicles, tax on trades, professions, callings and employments, fee on registration of vehicles etc. are sources of tax revenue and building plan sanction fees, mutation of property fees, rent on shops & buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The State Government releases grant-in-aid and loans to the ULBs to compensate their establishment expenses. Grant and assistance are also received from the State Government and the Central Government for implementation of specific schemes and projects.

A summary of the financial profile of the 18 test checked ULBs has been furnished as follows:

(Rs in lakh)

Sl. No.	Name of the ULBs	Opening Balance	Receipt during				TOTAL	Expenditure				Closing Balance
			2004-05	2005-06	2006-07	Total		2004-05	2005-06	2006-07	Total	
1.	Ranchi	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2.	Dhanbad	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
3.	Giridih	143.85	270.56	504.36	817.80	1592.72	1736.57	145.10	247.66	325.73	718.49	1018.08
4.	Godda	203.87	NA	302.84	46.90	349.74	553.61	NA	133.79	215.06	348.85	204.76
5.	Sahebganj	433.71	239.38	194.76	151.48	585.62	1019.33	156.39	181.23	213.68	551.30	468.03
6.	Madhupur	145.74	166.72	209.67	143.05	519.44	665.18	164.91	255.67	90.80	511.38	153.80
7.	Pakur	322.20	157.17	700.98	NA	858.15	1180.35	143.26	238.46	NA	381.72	798.63
8.	Jhumritelaiya	186.25	182.85	400.86	189.35	773.06	959.31	153.07	321.69	210.56	685.32	273.99
9.	Gumla	929.35	214.35	182.81	NA	397.16	1326.51	114.40	432.85	NA	547.25	779.26
10.	Chakradharpur	114.17	156.02	170.00	243.32	569.34	683.51	88.60	171.37	160.63	420.60	262.91
11.	Jamshedpur	943.94	136.90	172.55	NA	309.45	1253.39	487.24	168.30	NA	655.54	597.85
12.	Adityapur	210.97	218.55	333.09	140.06	691.70	902.67	165.68	226.80	187.39	579.87	322.80
13.	Kharsawan	170.47	198.66	379.28	NA	577.94	748.41	142.15	270.48	NA	412.63	335.78
14.	Simdega	58.87	199.22	278.44	NA	477.66	536.53	46.11	114.84	NA	160.95	375.58
15.	Hussainabad	81.99	51.91	176.51	179.70	408.12	490.11	87.37	145.74	129.87	362.98	127.13
16.	Jasidih	187.56	51.31	113.63	NA	164.94	352.50	33.34	86.13	NA	119.47	233.03
17.	Rajmahal	45.12	106.00	93.21	36.26	235.47	280.59	49.95	67.29	82.37	199.61	80.98
18.	Basukinath	283.73	105.64	103.71	NA	209.35	493.08	61.69	189.73	NA	251.42	241.66

(Vide APPENDIX-2)

From the Appendix it is clear that the ULBs are financially dependent on grants / loans from the Government and their own revenues are meager. Suitable action may be taken to enhance the revenues of the ULBs.

1.5. Audit Arrangement

The audit of the ULBs is conducted by the Examiner of Local Accounts, Jharkhand under Jharkhand & Orissa Local Fund Audit Act, 1925.

Under Section 120 (1) of R.M.C. Act, 2001, the Annual Accounts of the Corporation shall be subject to audit under the Jharkhand and Orissa Local Funds Audit Act, 1925. For the purposes of the said Act, the Corporation shall be deemed to be a local authority whose accounts have been declared by the State Government to be subject to audit under Section 3 of the said Act and the municipal fund shall be deemed to be a local fund.

1.6. Audit coverage

Accounts of eight Municipalities¹, eight NACs² and two Municipal Corporations³ for the period 2002-03 to 2006-07 were test checked and findings of the audit are set out in the succeeding paragraphs.

1.7 Supercession and non-holding of election

Under Section 16 of the Ranchi Municipal Corporation Act, 2001 and Section 29 of Jharkhand Municipal Act, 2000, the term of elected bodies of Municipal Corporation and Municipalities would be of five years. After expiry of the said period, the State Government, in exercise of powers conferred upon it under Section 530 of Patna Municipal Corporation Act, 1951 and Section 385 of Bihar Municipal Act, 1922, dissolved all local bodies during the period 1986 to 1995. Since then elections were not taken place till February 2008. No reason was assigned by the State Government for non-holding of elections in stipulated time. However, elections have been conducted in March 2008 in some of the ULBs.

1.7.1 Loss of Rs 66.09 crore due to non-receipt of grants under EFC & TFC

Due to non-holding of elections to municipal bodies, State Government did not receive Rs 66.09 crore upto 2006-07 as grants from Central Government on the recommendations of the Eleventh and Twelfth Finance Commission.

1.7.2 Loss of Rs 1294.26 crore due to non-receipt of grants under Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

JNNURM was launched by Government of India (December 2005) to ensure sustainable development of select cities. The scheme was to be implemented during 2005-2012. The State Government and ULBs seeking assistance under the JNNURM were required to enter into Memorandum of Agreement with Government of India and undertake reforms at municipal level with thrust areas like potable water supply,

¹ Gumla, Pakur, Giridih, Jhumritilaiya, Godda, Chakradharpur, Sahebganj, Madhupur,

² Simdega, Rajmahal, Hussainabad, Jasidih, Jamshedpur, Basukinath, Kharsawan, Adityapur

³ Ranchi, Dhanbad

sewerage and sanitation, solid waste management, road network, transportation, integrated development of slums, street lighting etc.

Under the scheme three cities (Ranchi, Dhanbad and Jamshedpur) of Jharkhand were selected, out of total 63 in the country. For Mission coverage, the pre condition was that the cities should have elected bodies in position. As per the Mission overview, the investment requirement for the selected ULBs were as under:

Sl.No.	Name of city/ULB	Category	Annual Funds Requirements	Grant		Loan from Financial Institutions	Loss to ULB (Central & State grant) per year
				Central	State		
1.	Ranchi	Less than one million population as per 2001 census	31.89	80%	10%	10%	28.70
2.	Dhanbad	One million plus but less than 4 million population as per 2001 census	307.62	50%	20%	30%	215.33
3.	Jamshedpur	One million plus but less than 4 million population as per 2001 census	307.62	50%	20%	30%	215.33
Total			647.13				459.36

Scrutiny revealed that the cities selected in Jharkhand neither had elected bodies nor had undertaken any reforms required under the Mission. As a result, no grant were received during 2005-07 resulting in loss of Rs 918.72 crore to the three ULBs with consequential impact on civic facilities/ development in the select cities.

1.8 Accounting reforms

1.8.1 Finalization of “State Municipal Accounts Manual”

Based on CAG’s Task Force Report on accrual accounting in ULBs, the National Municipal Accounts Manual was developed and circulated to all the States and they were requested to prepare the State specific Accounts Manual (March 2004).

The Govt. informed (March 2007) that the draft of 'State Municipal Accounts Manual' has been prepared on the basis of National Municipal Accounts Manual and is under review at the Govt. level. Despite reminder (January 2008) the Govt. has not yet intimated any progress in this regard.

1.8.2 Non-constitution of Steering Committee

As per the decisions taken in the National Seminar Organized (September 2003) by the Ministry of Urban Development, a Steering Committee was to be formed in all the states to oversee the implementation of budget and accounting formats in ULBs. A representative of State A.G. was also to be made as member of Steering Committee as an observer. Urban Development Department, Govt. of Jharkhand formed a Steering Committee (February 2004) without a representative of A.G. The Government was requested (April 2004) to include the Examiner of Local Account, Jharkhand as Member-Observer of the Steering Committee and several correspondences were made for formation of the said Committee (last reminder in September 2007), but nothing has been heard from the Government (March 2008).

1.8.3 Adoption / acceptance of database formats on finances of ULBs

Formats of database on finances of ULBs prescribed by the C & AG as per Eleventh Finance Commission, was sent to the State Govt. (October 2003) and Hindi version of the same, as desired was also sent (August 2005) for adoption and implementation by ULBs.

In spite of several reminders, formal adoption / acceptance of the same has not been received from the Government.

1.9 Devolution of functions, funds, and functionaries

Functions:

Visualizing ULBs as institutions of self-government, the 74th Constitutional Amendment Act left the extent of devolution to the wisdom of the State Legislatures. Major elements of devolution are transfer of functions, functionaries and funds to ULBs, accompanied by administrative control over staff and freedom to take administrative and financial decisions at local level. The Bihar Municipal Act, 1922 was amended by the Act 2 of 1995 and a new Section 11-A was inserted and the ULBs are entrusted with the functions listed in the 12th Schedule of the Constitution. Out of 18 functions mentioned in the Schedule, the number of functions transferred to the ULBs was not intimated by the State Government.

Funds:

Devolution of fund to ULBs should be a natural corollary to implement the transferred function. The State Finance Commission (SFC) was constituted by the State Government in January 2004 under Section 80-B of Jharkhand Municipal Act, 2000. The major function of the SFC was to frame the principle that would govern the distribution between the State and ULBs of the net proceeds of taxes, duties etc. and also the grants-in-aid to ULBs with the main aim of enhancing the financial position of ULBs. The recommendation of Commission and implementation by the State Govt. thereon, was not intimated to this office.

Functionaries:

Devolution of powers and functions on the ULBs requires availability of qualified and trained personnel at all levels for efficient discharge of those functions. The ULBs should have administrative control over the staff to command loyalty and directions of purpose in the new scenario. A review of the system of transfer of functionaries to ULBs revealed that the available manpower in ULBs is not sufficient and requires attention of the State Government.

The following was the position of sanctioned post and men- in- position in respect of the 15 ULBs as of 31 March 2007:

<i>Sl. No.</i>	<i>Name of the ULB</i>	<i>Sanctioned Post</i>	<i>Men in Position</i>	<i>Shortage</i>	<i>Percentage of shortage</i>
1	Ranchi	1382	903	479	34.66
2	Dhanbad	432	203	229	47.00
3	Giridih	310	137	173	56.80
5	Sahebganj	210	111	99	47.14
6	Madhupur	156	88	68	43.59
7	Pakur	26	25	01	3.84
8	Jhumritelaiya	82	58	24	29.26
9	Gumla	36	13	23	63.88
10	Chakradharpur	115	52	63	54.78
11	Kharsawan	09	04	05	44.44
12	Simdega	Nil	13	(+)13	--
13	Jasidih	26	19	07	26.93
14	Rajmahal	09	08	01	11.11
15	Basukinath	09	07	02	22.22
	Total	2802	1641	1161	41.43

The above table shows that the ULBs would be facing trouble in running offices and in performing their duties with regard to civic facilities to their inhabitants due to shortage of staff, which ranged from 3.84 *per cent* to 63.88 *per cent*.

To combat this, 16 ULBs had engaged large number of casual staff/labourer and spent Rs 3.67 crore during 2000-2007 on wages (APPENDIX-3) despite prohibition on engaging casual labourer vide Personnel and Administrative Reforms Department letter No. 3/LB-102/85-7639 dated 11 June 1986.

Rs 3.67 crore was spent irregularly on wages of casual staff.

Appointment of regular staff against vacancy may be considered instead of engaging labourers on casual basis.