

CHAPTER - I

PART A URBAN LOCAL BODIES

AN OVERVIEW OF THE URBAN LOCAL BODIES

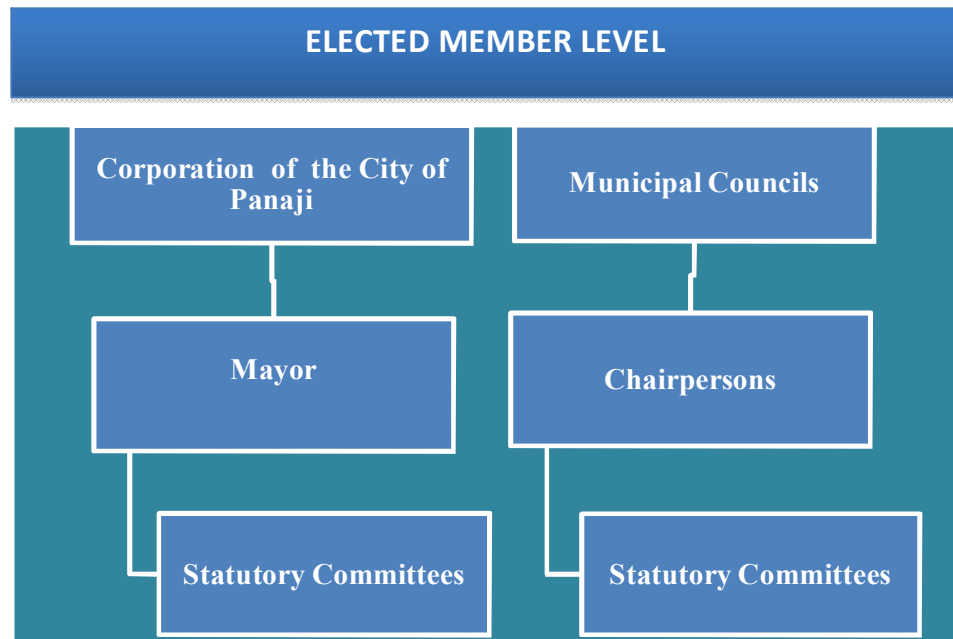
1.1 Introduction

The Urban areas of the State of Goa are administered by Municipal Corporation of the City of Panaji (CCP) and 13 Municipal Councils (MCs). The functioning of the Municipalities in the State is governed by the Goa Municipalities Act, 1968 as amended in 1994 in light of the 74th amendment to the Constitution. The lone Corporation (CCP) in the State is governed by the 'City of Panaji Corporation Act, 2002'.

The last election for 11 MCs was held in October 2010 and for the CCP in March 2011. Election to the Ponda Municipal Council and Sanquelim Municipal Council was held in January 2008.

1.2 Organizational set-up

An organisational chart combining the State Government administrative machinery with Urban Local Bodies (ULBs) is given below:



The Secretary, Urban Development is the Administrative Head of the Municipal Administration. He is assisted by the Director of Municipal Administration (DMA) and other officers.

The DMA exercises such powers and performs such duties as are conferred and imposed upon him by the Act or any Rules made there under. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers, besides other staff. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government.

Standing and Subject Committees are constituted for the Councils under Section 63 of the Goa Municipalities Act. The DMA stated (May 2011) that the Standing Committees would be constituted by the Municipal Authorities in due course from amongst the newly elected bodies.

1.3 District Planning Committees

As per section 184 F of the Goa Municipalities Act, 1968, every Council shall prepare every year a development plan and submit it to the District Planning Committee (DPC) constituted under section 239 of the Goa Panchayat Raj Act, 1994. The DPC shall consolidate the plans prepared by the MCs, Zilla Panchayat and the Village Panchayats in the district and prepare a draft development plan for the district as a whole.

There are two districts in the State of Goa - North Goa and South Goa. The Government constituted (October 2003) two DPCs for the two districts. These DPCs were reconstituted in September 2006 and August 2009 respectively and further reconstitution of the DPC was in progress (April 2011). However, only one meeting has been convened since its inception (October 2008).

Audit noticed that no draft development plan was submitted to the Government so far (April 2011). The non-submission of development plans adversely affects the identification and execution of the developmental works by assigning priority so as to bring about sustainable development.

The DMA stated (March 2011) that the DPCs would be reconstituted by the Directorate of Panchayats and the work is in progress. The DMA also stated (March 2011) that none of the Councils forwarded the Annual Action Plan for the year 2009-10 to DPCs.

1.4 Devolution of Functions

The Twelfth Schedule (Article 243W) of the Constitution envisaged entrustment of 18 functions to the Urban Local Bodies (ULBs). However, the Goa Municipalities Act provided (1993) for devolution of 11 functions to the Councils as detailed in **Appendix 1.1**.

The Second State Finance Commission (SSFC) was entrusted with the work of recommendation for devolution of powers, functions, responsibilities and resources to ULBs. The Commission submitted its report in December 2007. The Commission recommended (December 2007) devolution of all the 11 Functions to ULBs for economic

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development and social justice as listed in the Goa Municipalities Act, 1968.

Of the 11 functions to be devolved on the ULBs, only eight functions and one activity in one function have been transferred as of March 2011 as detailed in **Appendix 1.1**. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to ULBs.

Section 143A of the Act requires that the recommendations made by the State Finance Commission together with an explanatory memorandum as to the action taken thereof shall be laid before the State Legislature. The Advocate General of Goa submitted (March 2010) before the Hon'ble High Court of Mumbai at Goa that the State would constitute a committee of ministers which would submit report to the State and thereafter the report could be tabled before the State Legislature in the session after the budget session of 2010. Accordingly, a committee consisting of six ministers was constituted (July 2010) to examine the report of the SSFC and to prepare Explanatory Memorandum on the recommendations of the Commission. The first meeting of the committee was held in March 2011. The explanatory Memorandum on the recommendations of the SSFC was awaited (April 2011).

1.5 Transfer of Funds

ULBs received grants of ` 42.45 crore from Government of Goa and no grants from Government of India (GOI) during the year 2009-10.

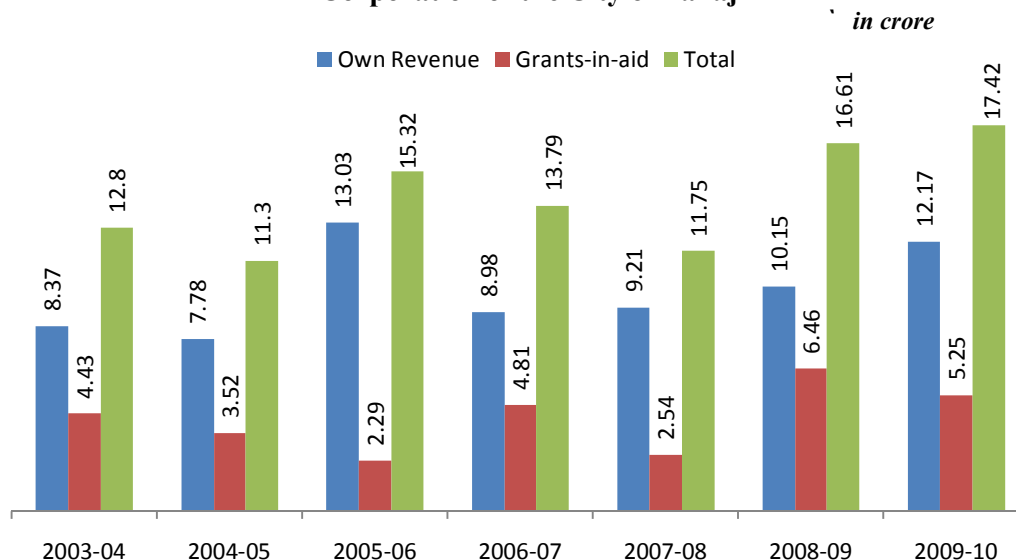
1.5.1 Sources of Funds

The position of own revenue and the grants-in-aid received during the seven years upto 2009-10 is exhibited in the table and the charts below:

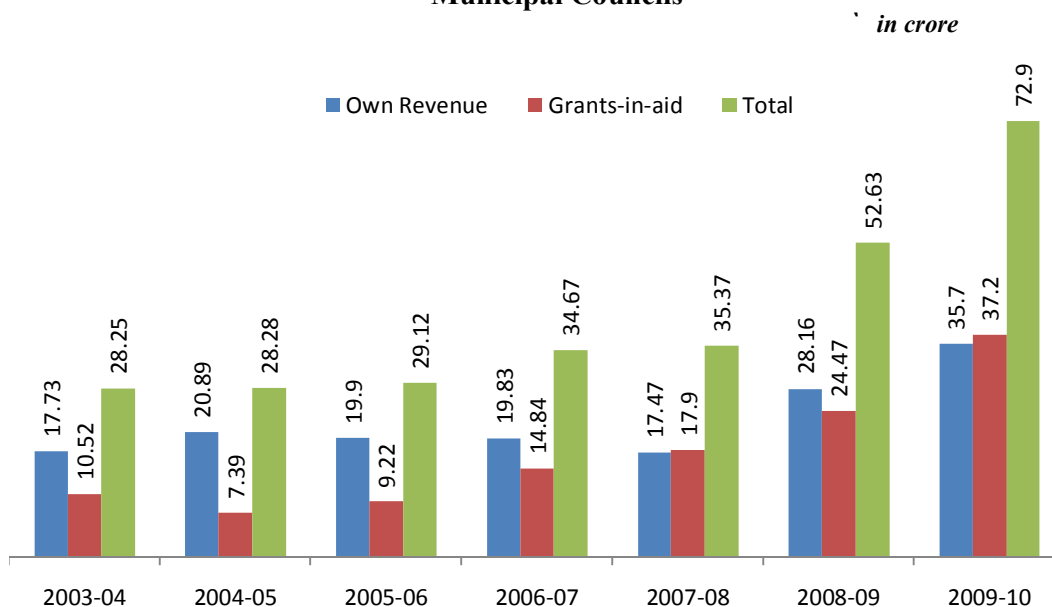
(` in crore)

Years	CCP				MCs			
	Own Revenue	Grants-in-aid		Total	Own Revenue	Grants-in-aid		Total
		Centre	State			Centre	State	
2003-04	8.37	0.10	4.33	12.80	17.73	1.25	9.27	28.25
2004-05	7.78	NIL	3.52	11.30	20.89	NIL	7.39	28.28
2005-06	13.03	NIL	2.29	15.32	19.90	NIL	9.22	29.12
2006-07	8.98	0.23	4.58	13.79	19.83	2.17	12.67	34.67
2007-08	9.21	NIL	2.54	11.75	17.47	NIL	17.90	35.37
2008-09	10.15	0.22	6.24	16.61	28.16	4.80	19.67	52.63
2009-10	12.17	NIL	5.25	17.42	35.70	NIL	37.20	72.90

Corporation of the City of Panaji



Municipal Councils



The grants-in-aid given by the Central Government to CCP reveal a fluctuating trend. The own revenue of the CCP decreased from ` 8.37 crore in 2003-04 to ` 7.78 crore in 2004-05 and increased to ` 13.03 crore in 2005-06. It again showed a decrease in 2006-07 with marginal increase in 2007-08 and stood at ` 10.15 crore in 2008-09. The own revenue has further increased to ` 12.17 crore during 2009-10.

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In respect of MCs, the grants-in-aid decreased from ` 10.52 crore in 2003-04 to ` 7.39 crore in 2004-05 and showed an increasing trend from 2005-06 and the total grants-in-aid for the year 2008-09 stood at ` 24.47 crore. During 2009-10, there was substantial increase in the release of State Government grants to MCs, whereas no Central grant was released to MCs during 2009-10. The own revenue of the MCs decreased from ` 20.89 crore in 2004-05 to ` 19.90 crore in 2005-06 and showed a decreasing trend during 2006-07 and 2007-08. The own revenue for the year 2008-09 showed an increase from ` 28.16 crore in 2008-09 to ` 35.70 crore in 2009-10. The main reason for the increase in own revenue during 2009-10 was due to release of compensation in lieu of Octroi to the extent of ` 20.32 crore as against ` 7.00 crore during 2008-09.

1.5.2 Recommendations of Second State Finance Commission

The Second State Finance Commission (SSFC) recommended (December 2007) an amount of ` 650.65 crore for nine Core Functions¹ as well as ` 818.16 crore for seven Consultative Functions² for ULBs for a five year period. The recommendations are yet to be accepted by the State Government (March 2011) as commented in para 1.4 of this report.

1.6 Twelfth Finance Commission grants

The Twelfth Finance Commission (TFC) recommended grants of ` 12.00 crore (` 2.40 crore per year) for ULBs in the State of Goa for the period 2005-10. The Government of India released ` 2.40 crore for the year 2005-06 in May 2006.

As there was delay in producing utilization certificates by the ULBs for the grants released for the year 2005-06, there was consequential delay in the release of grants for the years 2006-07 and 2007-08. Subsequently, the GOI released (December 2008) TFC grants (` 4.80 crore) for the years 2006-07 and 2007-08, which were released to five³ MCs in January 2009 for setting up of composting station and the landfill sites within the framework of Municipal Solid Waste (Management and Handling) Rules, 2000.

Audit noticed that out of the total TFC grants of ` 7.20 crore for the years 2005-06 to 2007-08, no grant was given to four⁴ MCs till March 2011. Further, due to inordinate delay in implementing the approved schemes and producing the utilization certificates, the Government of India had not

¹ Functions related to direct responsibilities of Urban Local Bodies.

² Planning and monitoring functions including selection of beneficiaries.

³ Canacona, Sanguem, Sanquelim, Cuncolim and Ponda.

⁴ Mormugao, Margao, Bicholim and Curchorem-Cacora.

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released (March 2011) grants to the extent of ` 4.80 crore pertaining to the years 2008-09 and 2009-10.

1.7 Transfer of Functionaries

The CCP is provided with a Commissioner and the MCs are provided with Chief Officers by the State Government. Besides, supervisory level accounts staff, technical officers and accountants belonging to the common cadre are also paid by the State Government. However, the Government has not transferred any functionaries to the ULBs specifically to perform the additional functions that have been transferred to them.

1.8 Financial position of the ULBs

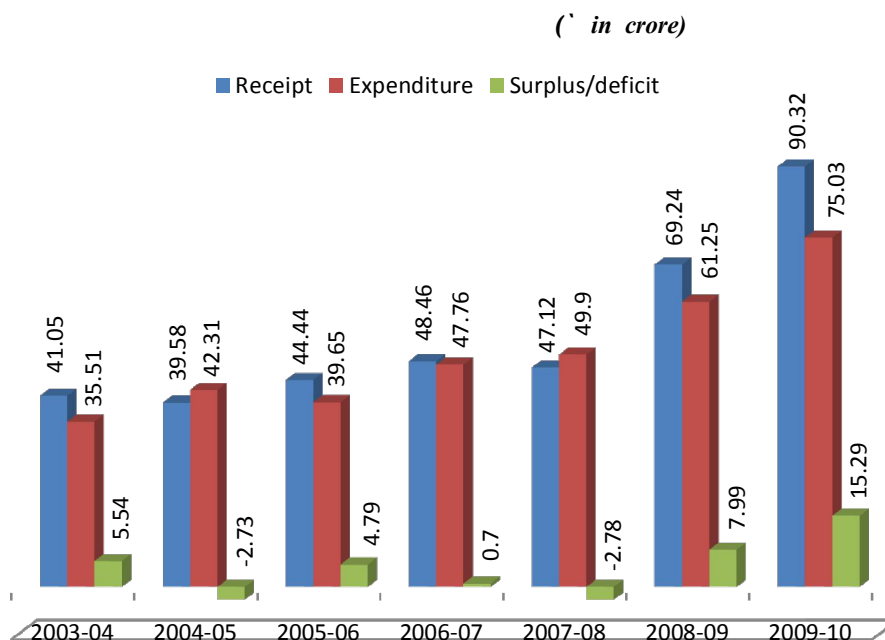
The financial position of the ULBs as aggregated from their accounts and information furnished by DMA for the seven years upto 2009-10 is exhibited in the table and the chart below:

(` in crore)

Year	Receipt			Expenditure			Surplus/ Deficit(-)
	CCP	MCs	Total	CCP	MCs	Total	
2003-04	12.80	28.25	41.05	11.59	23.92	35.51	5.54
2004-05	11.30	28.28	39.58	11.74	30.57	42.31	(-) 2.73
2005-06	15.32	29.12	44.44	13.13	26.52	39.65	4.79
2006-07	13.79	34.67	48.46	14.12	33.64	47.76	0.70
2007-08	11.75	35.37	47.12	15.99	33.91	49.90	(-) 2.78
2008-09	16.61	52.63	69.24	17.18	44.07	61.25	7.99
2009-10	17.42	72.90	90.32	16.17	58.86	75.03	15.29

Note: Receipt includes grants from Central/State Government

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The receipts and expenditure of the ULBs during 2003-04 to 2009-10 revealed that the surplus/deficit varied widely ranging from a surplus of ` 5.54 crore during 2003-04 to a deficit of ` 2.73 crore in 2004-05. It was again a surplus of ` 4.79 crore during 2005-06, turned to a deficit of ` 2.78 crore in 2007-08 and further to a surplus of ` 7.99 crore in 2008-09. During the year 2009-10 the surplus has increased to ` 15.29 crore due to release of more grants (` 11.52 crore) as compared to 2008-09.

1.9 Accounting Procedures

1.9.1 Accounting Formats

The Ministry of Urban Development, Government of India in collaboration with CAG prepared (November 2004) National Municipal Accounts Manual (NMAM) with accrual basis of accounting and provided revised formats of accounts. Based on this, the State Government issued (January 2008) Notification amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats. However, the ULBs are maintaining their accounts on cash basis and none of MCs have followed the accrual based double entry system and prepared the Income and Expenditure Account and the Balance Sheet (March 2011).

The eight formats prepared by CAG for creation of database of finances of ULBs were sent to the Finance Secretary in September 2003. However, these formats were not implemented by any of MCs.

The DMA stated (March 2011) that the Accrual Based Accounting System would be implemented by April 2011.

1.9.2 Revenue Arrears

The total revenue arrears as on March 2010 was ` 25.95 crore. As against the total recoverable amount of ` 41.84 crore until 2009-10⁵, ` 15.89 crore was recovered during the year 2009-10.

The accumulation of arrears was attributed to the non-issue of demand notice and non-appointment of Recovery Officers under Section 163 of the Goa Municipalities Act to collect the arrears of revenue.

1.9.3 Outstanding Utilization Certificates

As per terms and conditions for release of the grants, the entire amount of grant shall be utilized within a period of one year and a utilization certificate (UC) shall be submitted by the CCP/MCs within 18 months.

It was observed that 623 UCs in respect of grants amounting to ` 159.58 crore were outstanding from CCP/MCs as of June 2010 (**Appendix 1.2**).

1.10 Audit Coverage

As per the provisions of Section 152 of the Goa Municipal Account Code, 1972, the Director of Accounts is the statutory auditor of the ULBs and the audit of CCP and all the 13 MCs upto 2009-10 were completed.

CAG conducts audit of ULBs under Section 14 (1) of CAG's DPC Act, 1971. In addition to this, the audit is also conducted under the Technical Guidance & Supervision arrangement under section 20 (1) of DPC Act. The audit of eight MCs⁶ was conducted during 2010-11 and results of the audit are included under Chapter II of this Report.

1.10.1 Audit Reports of Director of Accounts

The Director of Municipal Administration stated (March 2011) that 868 paras in the Audit Reports of Director of Accounts were pending clearance as of March 2010 in respect of CCP and 13 MCs. Out of this 349 paras were pertaining to the period upto 2000-01 and the remaining 519 paras

⁵ The arrears of ` 2.64 crore as of March 2009 in respect of Mapusa and CurchoremCacora MCs were taken as the opening arrears for the year 2009-10 for want of details.

⁶ Bicholim, Canacona, Pernem, Ponda, Margao, Mapusa, Mormugao and Sanquelim.

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were pertaining to the period 2001-02 to 2009-10. The DMA stated (March 2011) that the proposal regarding the setting up of internal control mechanism to watch the compliance of outstanding paras in respect of CCP/MCs is under examination.

1.10.2 Poor response to Inspection Reports

The position of outstanding paras of the Inspection Reports of Accountant General in respect of CCP and 13 MCs is as under:

Year	No. of Inspection Reports	No. of Paras
2004-05	1	2
2005-06	2	3
2006-07	3	7
2007-08	9	31
2008-09	7	51
2009-10	13	170
Total	35	264

The Responses to Audit Paras are not satisfactory as replies to 264 paras in 35 Inspection Reports (issued upto 30 June 2010 and outstanding as on 31 December 2010) pertaining to the period from 2004-05 to 2009-10 were outstanding from CCP and all the MCs.