

CHAPTER I**INTRODUCTION****1.1 Background**

Municipal Bodies have been accorded constitutional status in the 74th Constitutional Amendment Act of 1992. 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 127 Urban Local Bodies (ULBs) in West Bengal, 121 municipalities are governed according to the provisions of the West Bengal Municipal Act, 1993. Kolkata and Howrah Municipal Corporations are governed by the Acts of 1980. Other four municipal corporations were governed by the Acts¹ of 1990 and 1994. With effect from 1 November 2008, all municipal corporations (except Kolkata and Howrah) have been brought under the West Bengal Municipal Corporation Act, 2006. The 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.

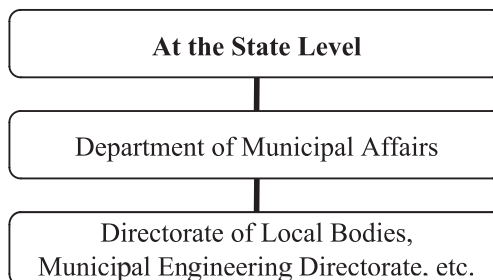
In 2001 the urban population in West Bengal was 2.25 crore spread over 2060 sq. km., with a density of 10,915 per sq. km. as against the total population of 8.02 crore. During 1991 to 2001, the urban population increased by 20.20 *per cent*, which was lower than the previous decade (29.49 *per cent*).

1.2 Organizational Structure

The Department of Municipal Affairs is entrusted with the responsibility of providing legal and administrative support to the ULBs of the State and to implement some of the development programmes through the municipal bodies. The department is

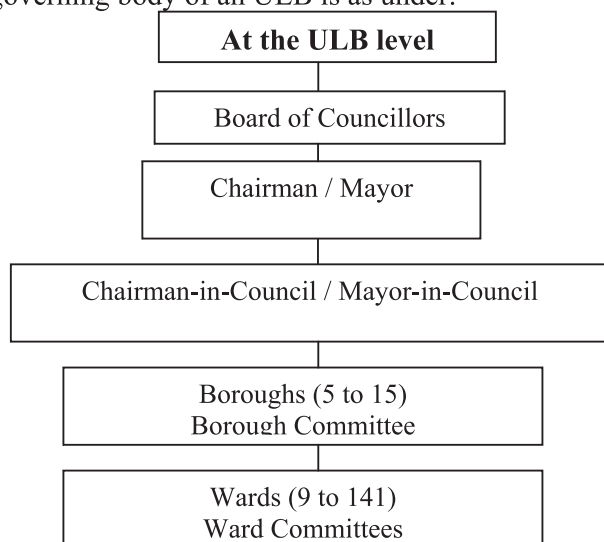
¹ Siliguri, Asansol and Chandernagore by respective Acts of 1990 and Durgapur by the Act of 1994.

headed by the Minister-in-Charge. The Secretariat is looking after various functions of the Directorate and other organizations, which are related with the Department. The structure is depicted below:



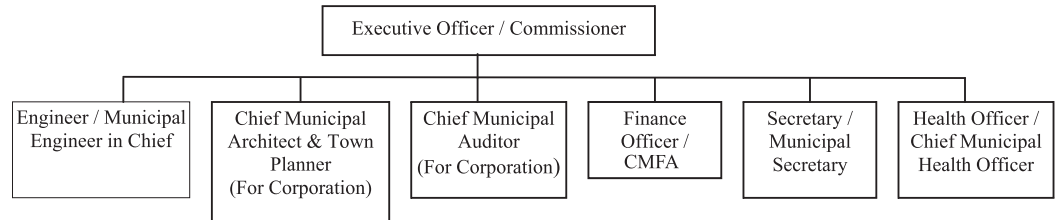
Whereas the Chairman / Mayor, elected by the majority of the Board of Councillors (BOC), is the executive head of the ULB and presides over the meetings of the Chairman-in-Council / Mayor-in-Council responsible for governance of the body. The executive power of a ULB is exercised by the Council. The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

Every ULB having a population of three lakh or more, groups the wards into five (up to 15 in respect of a 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 assigns. 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:



The establishment of ULB is 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 are 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 their property and fund for the following services:

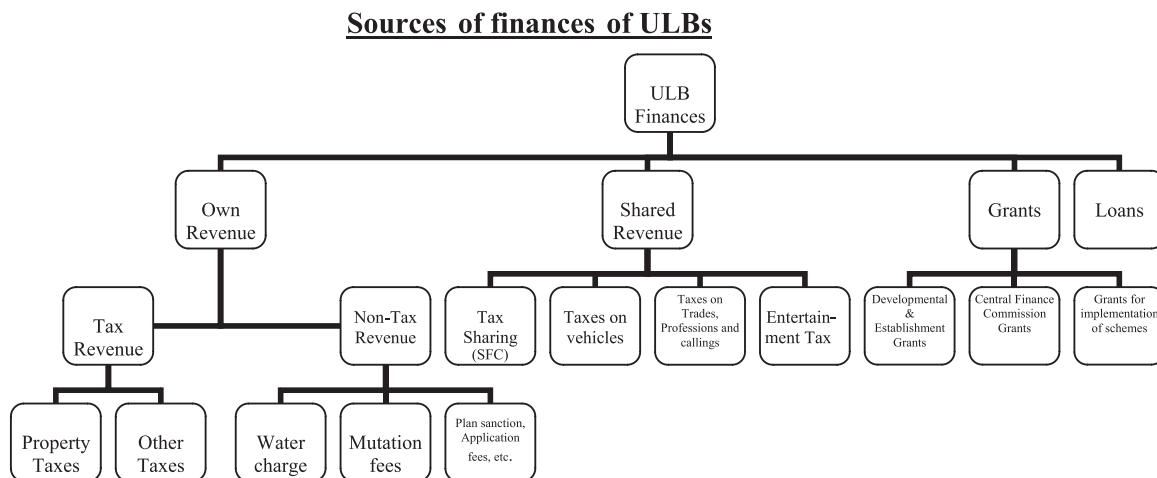
- Education;
- Sanitation;
- Relief in the time of famine, flood or earthquake;
- Old-age-homes, orphanage;
- Public works relating to relief, care of sick, medical service; and
- Low-cost dwelling houses for socially backward classes or citizens.

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 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:



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

The main sources of non-tax revenue of ULBs 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 urban local bodies for establishment, administrative operations and maintenance expenses, etc. 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 **Accounting Reforms / Arrangements**

Accounting Manual for ULBs in West Bengal (except Kolkata Municipal Corporation) based on the National Municipal Accounts Manual was prepared in February 2006 for switching over to double entry accounting system. Accordingly, Section 84 of the West Bengal Municipal Act, 1993 (effective from 1 October 2006) and Rule 22 (2) of the West Bengal Municipal (Finance and Accounting) Rules, 1999 (with effect from 1 January 2007) were amended for mandatory preparation of Balance Sheet, Income & Expenditure Account, Receipts & Payments Account and

Cash Flow Statement with effect from the financial year 2006 – 07 for the ULBs in Kolkata Metropolitan Area and from 2007 – 08 for other ULBs.

1.6 **Audit Arrangement**

The West Bengal Municipal Act, 1993 and the acts governing other Municipal Corporations envisage that the accounts of such bodies 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 Municipal Acts of the State appointed the Examiner of Local Accounts (ELA), an officer of the Indian Audit & Accounts Service, 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 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 127 ULBs, audit of 54 ULBs (**Appendix - 1**) covering the financial years 2005–06, 2006–07, 2007–08 and 2008–09 was conducted during May 2007 to June 2009.

1.8 **Follow up action on Audit Reports**

Reports² of the Examiner of Local Accounts on Urban Local Bodies for the years 2003 – 04, 2004 – 05, 2005 – 06, 2006 – 07, 2007 – 08 and 2008 – 09 were submitted to the Government of West Bengal in May 2005, August 2006, July 2007, May 2008, October 2009 and March 2011 respectively. A State Level Audit Committee³ (SLAC) was constituted⁴ on 23 February 2006 to examine the findings of the Audit Reports on Urban local Bodies.

Two meetings were held on 24 April 2008 and 3 September 2010. It was decided (April 2008) that while priority would be given to submission of replies to selected paragraphs by the Department of Municipal Affairs, replies to all other paragraphs would also have to be submitted by the Department to the Accountant General so as

² The reports contained important observations on ‘Accounting Procedures & Financial Management’, ‘Revenue Receipts / Receipts’, ‘Establishment’, ‘Material Management and Execution of Works’ and ‘Implementation of Schemes’. The reports included various draft paragraphs and observations on the ‘Devolution of Functions, Functionaries and Funds to Urban Local Bodies’, ‘Twelfth Finance Commission Grants’, ‘Heritage buildings and sites in Kolkata Municipal Corporation’, ‘Internal Control mechanism in Bidhannagar Municipality’, ‘Solid Waste Management’, ‘Car parking projects on PPP basis’, etc.

³ Comprising the Chief Secretary (Chairman), Principal Secretary / Secretary of the Panchayats & Rural Development Department (Member), Principal Secretary / Secretary of the Municipal Affairs Department (Member), Principal Secretary of the Finance Department (Member), Accountant General (Receipt, Works & Local Bodies Audit), West Bengal (Member) and Principal Secretary of the Finance (IA) Department (Member-Secretary).

⁴ *Vide* Gazette Notification No. 4010-F.B. dated 23 February 2006 of the Finance Department, Government of West Bengal.

to facilitate the process of consideration of the Audit Reports by the SLAC. The number of paragraphs selected for discussion *vis-à-vis* the status of discussion is given below :

Year	Type of the paragraph	No. of selected paragraphs	No. of paragraphs discussed / settled by the SLAC	
2003 - 04	Consolidated	20	Nil	
	Individual	6		
2004 - 05	Consolidated	8		
	Individual	7		
2005 - 06	Consolidated	12		
	Individual	4		
2006 - 07	Consolidated	9		
	Individual	3		
2007 - 08	Consolidated	11		
	Individual	6		
Total		86		Nil

1.9 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 outstanding paragraphs held under objection as of September 2010 are given below :

Up to the period	No. of Inspection Reports	No. of outstanding paras	Money Value (₹ in crore)
2009 – 10	482	3074	1827.86

A review of the IRs, which were pending due to non-receipt of replies, revealed that the Heads of the ULBs, whose records were inspected by ELA, did not send any reply to a large number of IRs / paragraphs.

To settle the outstanding paragraphs, four Audit Committee Meetings were held during April 2009 to September 2010. In the Audit Committee Meetings 11 Inspection Reports and 146 paragraphs having money value ₹ 426.55 crore were settled as detailed below :

Date of ACM	Name of Auditee Institution	No. of IR Settled	No. of Para Settled	Money Value (₹ in crore)
9 April 2010	Asansol	5	69	325.22
13 July 2010	Panihati	3	28	61.31
13 July 2010	Champdani	1	14	6.25
2 August 2010	Rishra	1	27	12.87
2 August 2010	Dum Dum	0	0	0.00
2 September 2010	Kolkata	1	8	20.90
Total		11	146	426.55

Important findings noticed during the period of Audit, as well as matters relating to the period subsequent to 2008-09 (wherever considered necessary) are described in the succeeding chapters.