

CHAPTER-III

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

3.1 Introduction

In pursuance of the 74th Amendment in 1992, Articles 243 P to 243 ZG were inserted in the Constitution of India whereby the State legislature could endow certain powers and duties to the Municipalities in order to enable them to function as institutions of Self-Government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution. The Rajasthan Municipalities Act (RMA), 2009 was accordingly enacted by repealing all the prevailing municipal laws and enactments to enable the Urban Local Bodies (ULBs) to function as third tier of the Government.

There were 188 ULBs¹ i.e. seven Municipal Corporations² (M Corps), 34 Municipal Councils³ (MCs) and 147 Municipal Boards⁴ (MBs) as of March 2015. As per census 2011, the important statistics of Rajasthan State are given in **Table 3.1** below:

Table 3.1

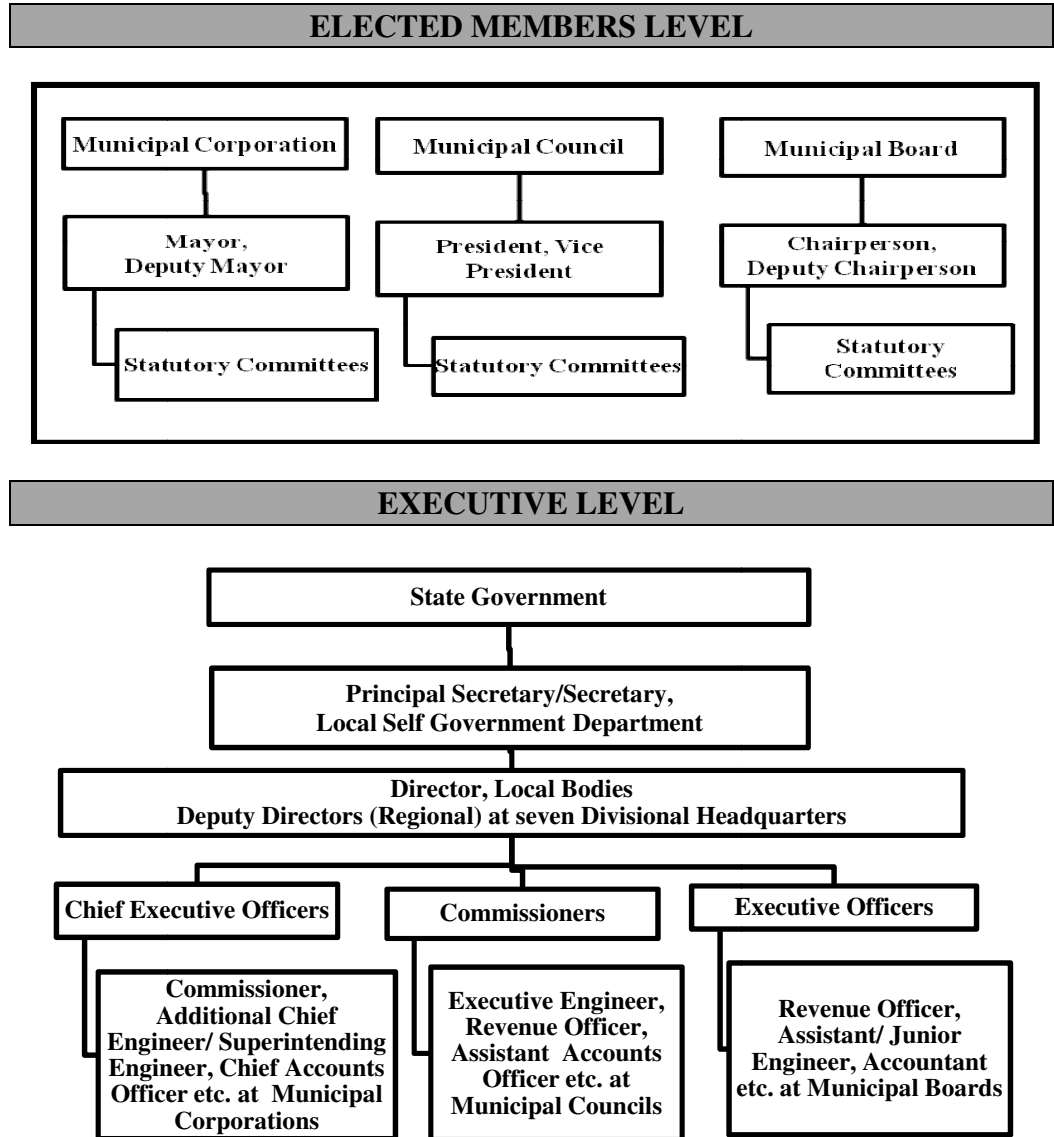
Indicator	Unit	State level
Population	Crore	6.85
Population (Urban)	Crore	1.70
Population Density	Persons per sqkm	200
Decadal Growth Rate	Percentage	21.30
Sex Ratio	Females per 1,000 males	914
Total Literacy Rate	Percentage	Male 87.90 Female 70.70
Urban Per Capita Income	Rupees per annum	65,974
Municipal Corporation	Numbers	7
Municipal Council	Numbers	34
Municipal Board	(Class II)	13
	(Class III)	58
	(Class IV)	76
<i>Source: Annual Progress Report 2014-15 of Local Self Government Department, Rajasthan</i>		

1. MBs, Roopwas (August 2014), Degana (December 2014), Kishangarhbas (March 2015) and Itawa (March 2015) were constituted as Class-IV. The newly constituted these MBs were not in function as of March 2015
2. Municipal Corporations: Ajmer, Bharatpur, Bikaner, Jaipur, Jodhpur, Kota and Udaipur
3. Municipal Councils: Alwar, Balotara, Banswara, Baran, Barmer, Beawar, Bhilwara, Bhiwadi, Bundi, Chittorgarh, Churu, Dausa, Dholpur, Dungarpur, Gangapurcity, Hanumangarh, Hindoncity, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kishangarh, Makarana, Nagaur, Pali, Pratapgarh, Rajsamand, Sawai Madhopur, Sikar, Sirohi, Sriganganagar, Sujangarh and Tonk
4. Municipal Boards: Class-II (with population 50,000-99,999): 13, Class-III (with population 25,000-49,999): 58 and Class-IV (with population less than 25,000): 76

3.2 Organisational Set up

Local Self Government Department (LSGD) is the administrative department dealing with affairs of the ULBs. An organisational chart combining the State Government administrative machinery with ULBs is given in **Chart 3.1** below:

Chart 3.1



3.3 Functioning of ULBs

Functioning of ULBs are mentioned in sections 45 to 47 and 101 to 103 of RMA, 2009 as core functions⁵, other functions in sphere of protection of

5. Public health, sanitation, conservation, solid waste management, drainage and sewerage, cleaning public streets, places and sewers and all spaces, lighting public streets, places and buildings, extinguishing fires and protecting life and property when fire occurs, etc.

environment, public health and sanitation, education and culture, public welfare, community relations and functions assigned by the Government⁶.

- ***Devolution of Funds, Functions and Functionaries to Urban Local Bodies***

Article 243W inserted through the 74th Constitutional Amendment envisaged devolution of powers and responsibilities to municipalities in respect of 18 subjects mentioned in XII Schedule of the Constitution. As per information given by Directorate, Local Bodies Department (February 2016), functions relating to 16 subjects (***Appendix-X***) were already being performed by ULBs. The remaining two functions, 'Water Supply' is being carried out by eight⁷ ULBs whereas 'Urban Planning' function is yet to be devolved to ULBs as per notification dated 6 February 2013.

3.4 Formation of Various Committees

3.4.1 District Planning Committee

In pursuance of Article 243 ZD of the Constitution of India and section 158 of RMA, 2009, the State Government constitutes District Planning Committee (DPC) in all the districts of the State. District Collector is a member of the DPC and he or his nominated officer attends the meeting of DPC. The required quorum for DPC meeting is 33 *per cent* of members elected from rural and urban areas.

The main objective of DPC is to consolidate the plans prepared by the panchayats and the municipalities in the district and to prepare a draft developmental plan for the district as a whole and forward it to the State Government.

Functioning of DPCs was not intimated by the Department (January 2016).

3.4.2 Standing Committees

As per the provision contained in section 55 of RMA, 2009, in every municipality there shall be an executive committee constituted and in addition to the executive committee, every municipality shall also constitute the following committees consisting of not more than ten members (i) finance committee, (ii) health and sanitation committee (iii) buildings permission and works committee (iv) slum improvement committee (v) rules and bye-laws committee (vi) compounding and compromising of offences committee and (vii) looking to the functions of a municipality, it may also constitute such

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6. The State Government may by general or special order, require a municipality to perform such other municipal functions as the State Government may, having regard to the necessity and the resources of the municipality, think fit to be performed by the municipality
 7. Bundi, Chomu, Jaisalmer, Karauli, Nagaur, Nathdwara, Nokha and Sriganganagar

other committees, not exceeding eight in case of M Corp, not exceeding six in case of MC and not exceeding four in case of MB, as it may deem necessary⁸.

Directorate of Local Bodies (DLB) stated (January 2016) that committees are being constituted in all local bodies as per section 55 of the RMA, 2009. The actual status of existing standing committees was called for, however the same has not been provided by the department (January 2016).

3.5 Audit Arrangement

3.5.1 Primary Auditor

The Director, Local Fund Audit Department (LFAD) is the Primary/Statutory Auditor for Audit of the accounts of the ULBs under Section 4 of the Rajasthan Local Fund Audit Act (RLFAA), 1954 and Rajasthan Local Fund Audit Rules, 1955. As per section 18 of RLFAA, 1954, Director, LFAD submit Annual Consolidated Report to the State Government and the Government shall lay this report before the State legislature.

The Audit Reports of LFAD, Rajasthan for the years 2011-12, 2012-13 and 2013-14 have been laid on the table of the State legislature on 22 March 2013, 20 February 2014 and 25 March 2015 respectively. Audit Report for the year 2014-15 was under process (January 2016).

The Director LFAD covered only 43 units of ULBs (M Corp: two, MCs: seven and MBs: 34) in Audit and remaining ULB units remained uncovered under Audit as of March 2015. The Director, LFAD intimated (May 2015) that the shortfall in Audit was due to vacant posts and staff engaged in general, ULBs and panchayat elections.

3.5.2 Audit by Comptroller and Auditor General of India

The Comptroller and Auditor General of India (CAG) conducts Audit of bodies substantially financed by grants or loans from the Consolidated Fund of India or any State under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. Further, Section 99-A of RMA, 2009, as amended⁹ in 2011 provides Audit of municipalities to the CAG.

A committee on Local Bodies and Panchayati Raj Institution has been constituted since 1 April 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on local bodies.

- **Implementation of Technical Guidance and Support/Supervisions**

In pursuance of recommendations of XIIIth Central Finance Commission, the Government of Rajasthan, Finance (Audit) Department has issued notification

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8. The State Government may, looking to the functions of a municipality, increase the maximum limit of committees specified in this clause
 9. The accounts of the Municipalities shall be audited by the CAG of India in accordance with the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971

(2 February 2011) for adoption of 13 parameters under the Technical Guidance and Supervision/Support (TG&S) over the Audit of all the tiers of Panchayati Raj Institutions and ULBs.

Comments/suggestions in respect of 58 factual statements and draft paragraphs proposed by Director, LFAD for inclusion in their Audit Report and comments on the 12 Inspection Reports of Director LFAD upto March 2015 were communicated to Director, LFAD under the TG&S by the Principal Accountant General (General and Social Sector Audit), Rajasthan.

3.6 Response to Audit Observations

For early settlement of Audit observations, Departmental Administrative Officers were required to take prompt steps to remove defects and irregularities brought to their notice during the course of Audit and/or pointed out through Inspection Reports (IRs).

- For the period 2010-15, 377 IRs containing 3,700 paragraphs in respect of ULBs, issued by Office of the Principal Accountant General (General and Social Sector Audit), Rajasthan involving money value of ₹ 5,853.92 crore were pending for settlement as on 31 March 2015. Out of this, even first compliance report of 1,495 paragraphs of 128 IRs was not furnished as per details given in **Table 3.2** below:

Table 3.2

Year	IRs	Paragraphs	Money value (₹ in crore)	First compliance not furnished	
				IRs	Paragraphs
2010-11	37	347	584.89	02	19
2011-12	65	478	512.45	-	-
2012-13	79	925	1,408.08	28	345
2013-14	103	957	1,862.99	38	426
2014-15	93	993	1,485.51	60	705
Total	377	3,700	5,853.92	128	1,495

This indicated lack of prompt response on the part of ULB authorities, resulting in recurrence of the deficiencies and lapses pointed out earlier.

- From the period of 2010-11 to March 2015, 2,38,165 paragraphs of 20,353 IRs issued by Director, LFAD were pending for settlement. Audit observations including 33 embezzlement cases involving monetary value of ₹ 0.12 crore were pending for settlement. Further, first compliance to 37 IRs was still awaited as per details given in **Table 3.3** below:

Table 3.3

Year	IRs	Paragraphs	Number of units which first compliance not furnished	Embezzlement cases	
				Number	Money value (₹ in lakh)
2010-11	5,027	57,967	08	16	2.32
2011-12	5,544	59,549	07	06	0.10
2012-13	4,870	59,920	14	05	0.05
2013-14 (upto March 2015)	4,912	60,729	08	06	9.85
Total	20,353	2,38,165	37	33	12.32

Source: As per data provided by Director, Local Fund Audit Department, Rajasthan

This indicated lack of prompt response on the part of the municipal/departmental authorities which resulted in recurrence of the deficiencies and lapses pointed out earlier.

- No Audit committee meeting was conducted by the department since February 2013, whereas Audit committee meeting is required to be conducted every quarter.

Response to Paragraphs in Audit Reports

Fifteen paragraphs involving money value ₹ 871.25 crore appeared in previous Audit Reports¹⁰ were pending for settlement for want of reply from the Government on 31 December 2015.

Impact of Audit

During 2014-15 recovery of ₹ 0.90 crore in seven cases were made at the instance of Audit.

On the basis of Draft Paragraphs issued by Audit (June 2015), MC, Bhilwara recovered an amount of ₹ 0.50 crore as conversion fee for conversion of land use from non-commercial to commercial purposes. Further, MC, Sriganganagar recovered ₹ 0.35 crore as labour welfare cess from contractors at the instance of Audit.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

3.7 Lokayukta

In the State, the Rajasthan Lokayukta and Up-Lokayuktas Act, 1973 came into force on 3 February 1973 which also covers the actions of Mayor and Deputy Mayor of a M Corp, President and Vice-President of a MC, Chairman and Vice-Chairman of a MB and Chairman of any Committee, constituted or deemed to be constituted by or under the Rajasthan Municipalities Act, 1959.

3.8 Property Tax Board

The Thirteenth Finance Commission (TFC) recommended the setting up of a State level Property Tax Board to assist the ULBs to put in place an independent and transparent procedure for assessing property tax. The commission also recommended that the board shall enumerate, or cause to enumerate, all properties in the ULBs in the State and develop a data base, review the property tax system and suggest suitable basis for valuation of properties, design and formulate transparent procedure for valuation of properties, inspection for verification in ULBs in the State.

10. Audit Report 2008-10 (four paragraphs : ₹ 659.65 crore), 2012-13 (five paragraphs: ₹ 48.77 crore) and 2013-14 (six paragraphs: ₹ 162.83 crore)

The State Government constituted (February 2011) a State Level Property Tax Board.

Information regarding current status of Property Tax Board was called (January 2016) from department but reply was awaited (February 2016).

3.9 Fire Hazard Response

As per guidelines for release and utilisation of the TFC grants, all M Corps with population of more than ten lakh (Census 2001) must put in place a fire hazard response and mitigation plan for their respective jurisdictions. Publication of these plans in the respective State Government Gazette will demonstrate compliance with this condition.

As per Census 2011, only M Corp, Jaipur prepared a fire hazard response and mitigation plan and it was notified (21 March 2011) by the State Government.

3.10 Submission of Utilisation Certificates

During 2014-15 grants of ₹ 692.23 crore and ₹ 200.26 crore under fourth State Finance Commission (SFC-IV) and TFC respectively were received and the same were released to ULBs by the Finance Department. ULBs submitted UCs of ₹ 351.37 crore (SFC-IV) and ₹ 201.30 (TFC) and UCs of ₹ 340.86 crore (49 *per cent*) in respect of SFC-IV grant were pending.

In absence of pending UCs under SFC-IV the proper utilisation of funds could not be ascertained. Reasons of pending UCs were not furnished (February 2016).

3.11 Internal Audit and Internal Control System of ULBs

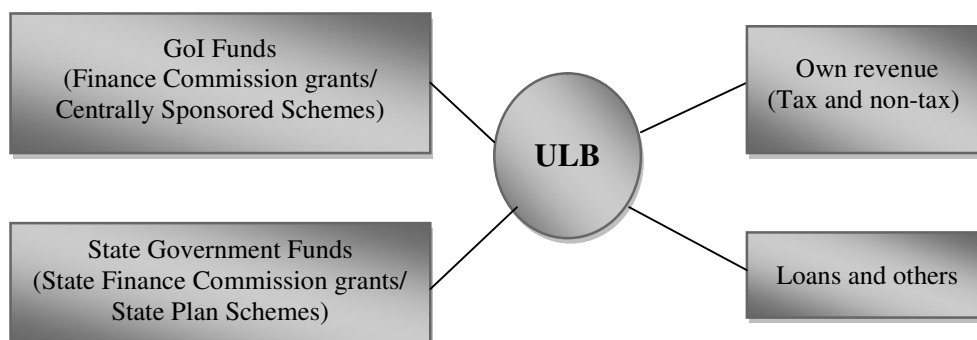
As per section 99 of RMA, 2009 the State Government or the Municipality may provide for internal Audit of the day to day account of the Municipality in the manner prescribed.

The DLB intimated (January 2016) that there was no arrangement for conducting the internal Audit whereas the internal control of ULBs was being done by the Department and Regional Offices.

3.12 Financial Reporting Issues

3.12.1 Source of Funds

The resource base of ULBs consists of own revenues, assigned revenues, grants received from GoI and the State Government and loans as depicted in the diagram below:



The position of receipts under various heads of the ULBs during 2010-11 to 2014-15 is given in **Table 3.4** below:

Table 3.4

(₹ in crore)

Sources of receipts	2010-11	2011-12	2012-13	2013-14	2014-15
(A) Own Revenue					
(a) Tax Revenue					
(i) House tax	17.59	Nil	Nil	Nil	Nil
(ii) Urban development tax ¹¹ / property tax	38.94	39.57	46.88	45.31	32.61
(iii) Octroi/ <i>Margasth</i> fee	25.51	Nil	Nil	Nil	Nil
(iv) Tax on vehicles	0.20	Nil	Nil	Nil	Nil
(v) Passenger tax	3.52	Nil	Nil	Nil	Nil
(vi) Terminal tax	0.08	Nil	Nil	Nil	Nil
(vii) Other taxes ¹²	21.26	81.10	205.41	169.94	178.39
(viii) Outsourcing	44.33	Nil	Nil	Nil	Nil
Total of Tax Revenue (a)	151.43 (7.38)	120.67 (5.29)	252.29 (7.04)	215.25 (5.55)	211.00 (6.02)
(b) Non-tax Revenue					
(i) Revenue from bye-laws ¹³	99.39	157.25	416.83	474.33	263.88
(ii) Revenue from assets	26.75	26.69	36.08	31.74	22.65
(iii) Revenue from Acts	49.05	Nil	Nil	Nil	Nil
(iv) Revenue from penalties	11.73	Nil	Nil	Nil	Nil
(v) Revenue from waterworks	0.32	Nil	Nil	Nil	Nil
(vi) Interest on investments	22.13	24.80	26.30	42.42	49.07
(vii) Misc. non-tax revenue ¹⁴	56.29	297.95	477.90	606.72	462.73
(viii) Sale of land ¹⁵	305.34	110.38	199.30	139.54	121.04
Total of Non-tax Revenue (b)	571.00 (27.83)	617.07 (27.06)	1,156.41 (32.27)	1,294.75 (33.37)	919.37 (26.24)
Total of Own Revenue (A)	722.43 (35.21)	737.74 (32.35)	1,408.70 (39.31)	1,510.00 (38.91)	1,130.37 (32.26)
(B) Assigned Revenue/ Entertainment tax	7.21 (0.35)	7.38 (0.32)	0.01 (0.00)	0.00	0.00

11. Urban Development tax was introduced with effect from 29 August 2007 on abolition of House Tax from 24 February 2007

12. Income from land revenue, tax on advertisement, pilgrim tax, other income etc

13. Income from birth and death certificate, sign advertisement board fees, tender form fees, marriage registration fees, building permission fees, license fees of hotel bye-laws etc

14. Income from sewerage tax, fair fees, application fees, income from contract of Bakra Mandi, income from cattle house, income from lease, etc

15. Receipt from sale of land to public, Government and other commercial organisation

Sources of receipts	2010-11	2011-12	2012-13	2013-14	2014-15
(C) Grants and Loans					
(i) General and special grant	40.87	642.78	1,162.55	1,308.41	1,205.06
(ii) Grant in lieu of Octroi	754.09	877.81	965.60	1,062.15	1,168.36
(iii) Special assistance and loans	351.67	14.81	47.07	Nil	Nil
Total of Grants and Loans (C)	1,146.63 (55.90)	1,535.40 (67.33)	2,175.22 (60.69)	2,370.56 (61.09)	2,373.42 (67.74)
(D) Miscellaneous Non-recurring Income¹⁶	175.11 (8.54)	Nil	Nil	Nil	Nil
Grand Total (A to D)	2,051.38	2,280.52	3,583.93	3,880.56	3,503.79
<i>Source: As per data provided (December 2015) by Directorate, Local Bodies, Rajasthan</i>					
<i>Note: Figures in brackets denote percentage to the total receipts</i>					
<i>The above figures are of 184 ULBs only as four ULBs were not functioning</i>					

The above table indicates the following:

- The total receipts of ULBs decreased by ₹ 376.77 crore during 2014-15 (a decline of 9.71 *per cent*) over the previous year.
- Tax revenue comprised only 6.02 *per cent* of the total revenue during 2014-15. Total tax revenue declined by 1.97 *per cent* during 2014-15 over the previous year. The major decrease in tax revenue was under urban development tax which declined by 28.03 *per cent* (₹ 12.70 crore).
- Non-tax revenue comprised 26.24 *per cent* of the total revenue during 2014-15. It declined by 28.99 *per cent* during 2014-15 over the previous year, despite an increase in interest on investments by ₹ 6.65 crore. The decrease in non-tax revenue was under various heads like revenue from bye laws¹⁷ ₹ 210.45 crore (44.37 *per cent*), revenue from assets ₹ 9.09 crore (28.64 *per cent*) miscellaneous non-tax revenue ₹ 143.99 crore (23.73 *per cent*) and sale of land ₹ 18.50 crore (13.26 *per cent*).
- Urban Local Bodies received lesser amount in ‘general and special grants’ amounting to ₹ 103.35 crore i.e. a decline of 7.90 *per cent* over the previous year. The ‘grant in lieu of octroi’ amounting to ₹ 106.21 crore increased by 10 *per cent* over the previous year.
- During 2014-15 own revenue (tax and non-tax) comprised 32.26 *per cent* of total receipts. In 2013-14 own revenue comprised 38.91 *per cent* of total receipts. This indicates an increase in dependency of ULBs on grants and loans.

Expenditure

The position of expenditure in ULBs during 2010-11 to 2014-15 is given in **Table 3.5** below:

16. Including deposits and recoveries of loans and advances

17. The municipal bodies have power to make bye-laws under Section 340 of the Municipalities Act, 2009

Table 3.5

(₹ in crore)

Items of Expenditure	2010-11	2011-12	2012-13	2013-14	2014-15
(A) Recurring Expenditure					
General administration	519.03 (28.47)	966.84 (33.45)	1,090.10 (31.19)	1,129.71 (28.56)	1,157.04 (33.33)
Public health and sanitation	359.19 (19.70)	637.66 (22.06)	772.28 (22.10)	197.30 (4.99)	228.21 (6.57)
Maintenance of civic amenities	220.89 (12.11)	737.67 (25.52)	898.26 (25.70)	862.68 (21.81)	671.97 (19.36)
Total of Recurring Expenditure (A)	1,099.11 (60.28)	2,342.17 (81.03)	2,760.64 (78.99)	2,189.69 (55.36)	2,057.22 (59.27)
(B) Non-recurring Expenditure					
Expenditure on developmental works	408.33 (22.39)	394.56 (13.66)	518.72 (14.84)	1,401.32 (35.43)	1,150.42 (33.14)
Purchase of new assets	24.03 (1.32)	NA -	NA -	Nil -	Nil -
Repayment of loans	85.08 (4.67)	NA -	NA -	24.22 (0.61)	31.79 (0.92)
Miscellaneous non-recurring expenditure ¹⁸	206.78 (11.34)	153.62 (5.31)	215.66 (6.17)	339.95 (8.60)	231.79 (6.68)
Total of Non-recurring Expenditure (B)	724.22 (39.72)	548.18 (18.97)	734.38 (21.01)	1,765.49 (44.64)	1,414.00 (40.73)
Grand Total (A+B)	1,823.33	2,890.35	3,495.02	3,955.18	3471.22

Source: As per data provided (December 2015) by Directorate Local Bodies, Rajasthan
Note: The above figures are of 184 ULBs only as four ULBs were not functioning

The above table indicates the following:

- Recurring expenditure in 2014-15 decreased by ₹ 132.47 crore (6.05 per cent) over the previous year. This was mainly due to decline in expenditure incurred on maintenance of civic amenities by ₹ 190.71 crore (22.11 per cent).
- Non-recurring expenditure declined in 2014-15 by ₹ 351.49 crore (19.91 per cent) over the previous year, this was mainly due to decline in developmental work, miscellaneous non-recurring expenditure and increase in repayment of loans.

Break-up of receipts and expenditure of category wise ULBs is given in **Table 3.6** below:

Table 3.6

(₹ in crore)

Category of ULBs	2013-14		Surplus (+)/ Shortfall (-)	2014-15		Surplus (+)/ Shortfall (-)
	Receipts	Exp.		Receipts	Exp.	
(A) Municipal Corporations						
(i) Ajmer	96.83	90.72	(+) 6.11	103.23	86.01	(+) 17.22
(ii) Bikaner	67.89	72.25	(-) 4.36	61.66	65.94	(-) 4.28
(iii) Jaipur	662.49	715.15	(-) 52.66	667.23	478.18	(+) 189.05
(iv) Jodhpur	165.28	290.01	(-) 124.73	184.79	227.04	(-) 42.25
(v) Kota	174.44	146.48	(+) 27.96	186.09	181.55	(+) 4.54
(vi) Udaipur	124.24	132.68	(-) 8.44	147.32	175.63	(-) 28.31
(vii) Bharatpur ¹⁹	-	-	-	45.90	40.06	(+) 5.84
Total (A)	1,291.17	1,447.29	(-) 156.12	1,396.22	1,254.41	(+) 141.81
(B) Municipal Councils	1,272.17	1,241.52	(+) 30.65	1,002.57	988.71	(+) 13.86
(C) Municipal Boards	1,317.22	1,266.37	(+) 50.85	1,105.00	1,228.10	(-) 123.10
Grand Total (A+B+C)	3,880.56	3,955.18	(-) 74.62	3,503.79	3,471.22	(+) 32.57

Source: As per data provided (February 2016) by Directorate Local Bodies, Rajasthan

18. It includes refunds or deposits, investment made and disbursement of loans and advances

19. Bharatpur had Municipal Council, which was upgraded to M Corp during June 2014

The above table indicates the following:

- During 2014-15, M Corps, Bikaner, Jodhpur, and Udaipur incurred expenditure more than the receipts.
- During 2014-15, M Corp, Ajmer, Bharatpur, Jaipur and Kota had a surplus.
- During 2014-15, there was an overall surplus of ₹ 32.57 (0.93 per cent) crore.

The position of funds received directly/through State Government for implementation of major schemes/programmes and actual expenditure of last five years was called for (December 2015) and the same has not been provided by the department (February 2016)

3.12.2 Recommendations of the State Finance Commission

The SFC-IV constituted on 11 April 2011 is concurrent with the TFC. For the years 2010-11 to 2014-15, the SFC-IV had recommended devolution of five per cent of State's net own tax revenue (excluding land revenue and 25 per cent of entry tax) to local bodies in the ratio of 75.10:24.90 to PRIs and ULBs on provisional basis and budgeted figures were to be adopted for quantifying the divisible pool.

The position of grants required to be released by the State Government under the SFC-IV during 2010-11 to 2014-15 and their utilisation is given in **Table 3.7** below:

(₹ in crore)

Year	Grants to be released by the State Government	Grants released by the Finance Department to Director, Local Bodies	Grants released to ULBs by Director, Local Bodies	Short (-)/ Excess (+) release of grants	UCs received from ULBs		UCs Pending from ULBs	
					Amount	Percentage	Amount	Percentage
2010-11	134.87	132.12	45.00	(-) 87.12	29.91	66.47	15.09	33.53
2011-12	147.95	150.70	237.53	(+) 86.83	106.77	44.95	130.76	55.05
2012-13	325.37	325.37	325.66	(+) 0.29	153.24	47.06	172.42	52.94
2013-14	325.08	325.08	325.08	Nil	126.06	38.78	199.02	61.22
2014-15	692.23	692.23	692.23	Nil	351.37	50.76	340.86	49.24
Total	1,625.50	1,625.50	1,625.50	Nil	767.35	47.21	858.15	52.79

Source: As per data provided (January 2016) by Directorate Local Bodies, Rajasthan

As on January 2016, only 47.21 per cent UCs were received and 52.79 per cent were still pending.

3.12.3 Recommendation of the Central Finance Commission

The position of grants released by the Government of India to State Government and further released by the State Government to ULBs under the

TFC during 2010-11 to 2014-15 and their utilisation is given in **Table 3.8** below:

Table 3.8

(₹ in crore)

Year	Grants to be released by GoI	Actual grants released by GoI	Grants released to ULBs by State Government	UCs received from ULBs		UCs pending	
				Amount	Percentage	Amount	Percentage
2010-11	111.36	111.36	111.36	60.49	54.32	50.87	45.68
2011-12	173.30	209.49	187.56	98.64	52.59	88.92	47.41
2012-13	254.49	252.06	273.99	95.62	34.90	178.37	65.10
2013-14	361.81	361.81	361.81	218.81	60.48	143.00	39.52
2014-15	355.96	333.15	200.26 ²⁰	200.26	100.00	Nil	Nil
Total	1,256.92	1,267.87	1,134.98	673.82	59.37	461.16	40.63

Source: As per data provided (January 2016) by Directorate Local Bodies, Rajasthan

As on January 2016, UCs amounting to ₹ 461.16 crore were pending. This indicated slow utilisation of funds by ULBs and lack of monitoring at Directorate level.

3.12.4 Annual Financial Statement

As per section 92(1) of RMA, 2009, the Chief Municipal Officer shall, within three months of the close of a financial year, cause to be prepared a financial statement containing an income and expenditure account and a receipts and payments account for the preceding financial year in respect of the accounts of the municipality and a balance sheet of the assets and liabilities of the municipality for the preceding financial year.

Directorate Local Bodies Department intimated (January 2016) that books of accounts and reports/returns maintained at ULB level. No reports/returns are being received at Directorate level.

3.12.5 Maintenance of Accounts by Urban Local Bodies

- As per rule 25(xi) of Rajasthan Local Fund Audit Rules 1955, a certificate of correctness of annual accounts shall be included in Director's Report. The Director, LFAD intimated (May 2015) that certification of accounts of 30 ULBs²¹ for the period 2009-10 to 2013-14 has been done by the LFAD and in remaining ULBs certification of accounts could not be done due to non-maintenance of annual accounts and ledger in prescribed format. Thus, accounts of all 188 Urban Local Bodies are required to be certified every year, whereas, certification of accounts of only 30 Urban Local Bodies has been done by the Local Fund Audit Department between 2009-14.

- National Municipal Accounts Manual (NMAM) for ULBs in India developed by the Ministry of Urban Development, GoI was introduced in February 2005. On the lines of NMAM, Rajasthan Municipal Accounting

20. General Basic Grant: ₹ 199.64 crore, General Performance Grant: ₹ Nil, Special Areas Basic Grant: ₹ 0.18 crore and Special Areas Performance Grant: ₹ 0.44 crore
 21. 2009-10: one, 2010-11: seven, 2011-12: seven, 2012-13: 11, 2013-14: four

Manual has been prepared. Accordingly, the LSGD directed (December 2009) all ULBs to maintain the accounts on Accrual Based (Double Entry) Accounting System from 1 April 2010.

However, the DLB intimated (January 2016) that Accrual Base Double Entry Accounting System is a specialised work and appropriate manpower is not available at ULB level for this work. It was also intimated that tenders have been invited for empanelment of Chartered Accountant firms for the work.

3.12.6 Maintenance of Database and the Formats therein on the Finances of Urban Local Bodies

The Ministry of Urban Development, GoI has issued (April 2010) seven database formats to be adopted by ULBs as prescribed by the TFC. The DLB intimated (June 2015) that prescribed database formats have been forwarded to all ULBs and relevant information as to its adoption was being collected.

3.13 Conclusion and Recommendations

- As is evident by the data provided by DLB, own resources generated by ULBs were not adequate and they were largely dependent on grants and loans from Central/State Government. The receipts of ULBs showed increasing trend till 2013-14 and then declined during 2014-15 due to less realisation of income mainly from urban development tax, revenue from bye-laws, miscellaneous non-tax revenue and sale of land.

The ULBs should take steps to become self-sufficient by focusing on collection of own tax & non tax revenue.

- Absence of timely finalisation of accounts in the prescribed formats and lack of certification of accounts resulted in denial of correct information to stakeholders. Maintenance of records was not monitored at higher level. Accounts of all 188 Urban Local Bodies are required to be certified every year, whereas, certification of accounts of only 30 Urban Local Bodies has been done by the Local Fund Audit Department between 2009-14.

ULBs should follow the prescribed formats and guidelines related to accounting as provided by TFC and NMAM. These bodies should also make efforts to prepare the accounts on time and get them certified.

- The huge pendency in attending Audit observations and delay in their settlement are fraught with the risk of continuance of irregularities/deficiencies observed during Audit.

Efforts should be made by LSGD to regularly conduct the Audit Committee meetings and Sub-Audit Committee meetings to settle the pending paragraphs.