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**PART-B**  
**URBAN LOCAL BODIES**

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# **CHAPTER-IV**

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

## CHAPTER-IV

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

#### An Overview of the Functioning of the Urban Local Bodies(ULBs) in the State

#### 4.1 Introduction

Consequent upon the 74<sup>th</sup> Constitutional Amendment, the Urban Local Bodies (ULBs) were made full-fledged institutions of Local Self Governments and witnessed a significant increase in responsibilities with greater powers and distinct sharing of resources with the State Government. The amendment empowered ULBs to function efficiently and effectively and to deliver services for economic development and social justice with regard to 18 subjects listed in the XII<sup>th</sup> Schedule of the Constitution. Government of Sikkim enacted the Sikkim Municipalities Act, 2007 empowering ULBs to function as institutions of Self Government and to accelerate economic development in urban areas. Though the Sikkim Municipalities Act was enacted in March 2007, the Urban Local Bodies (ULBs) having three tier structure (viz. Municipal Corporation, Municipal Council and Nagar Panchayats) were formed only in 2010-11.

The category-wise ULBs in the State as of March 2017 are shown in table 4.1:

**Table 4.1**  
**Category-wise ULBs in Sikkim**

Sl. No.	ULBs	Number of ULBs
1.	Municipal Corporation	1
2.	Municipal Council	3
3.	Nagar Panchayats	3
	<b>Total</b>	<b>7</b>

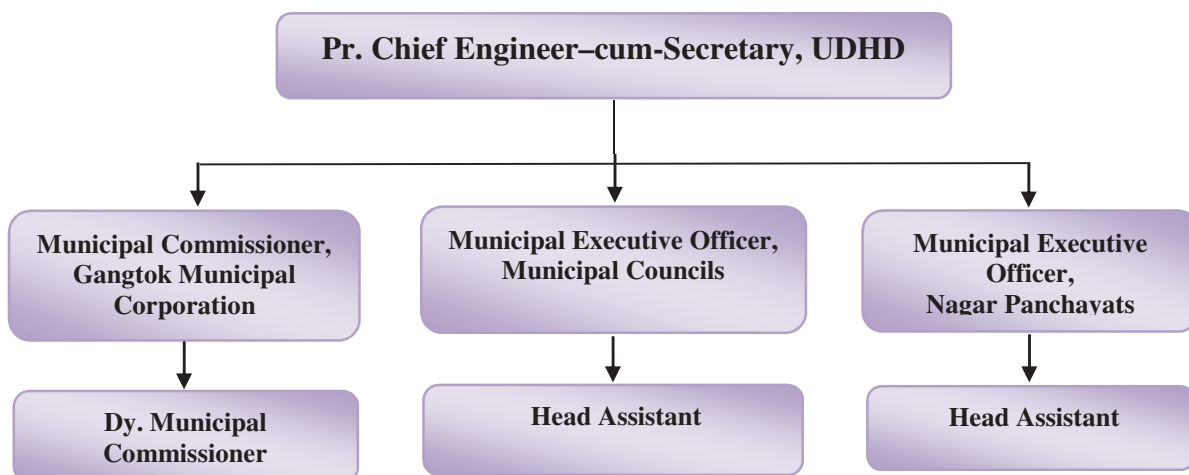
The ULBs are governed by the Sikkim Municipalities Act, 2007. Each ULB area is divided into a number of wards, which is determined and notified by State Government.

Important statistics relating to urban population, sex ratio, literacy etc. is given in *Appendix-4.1*

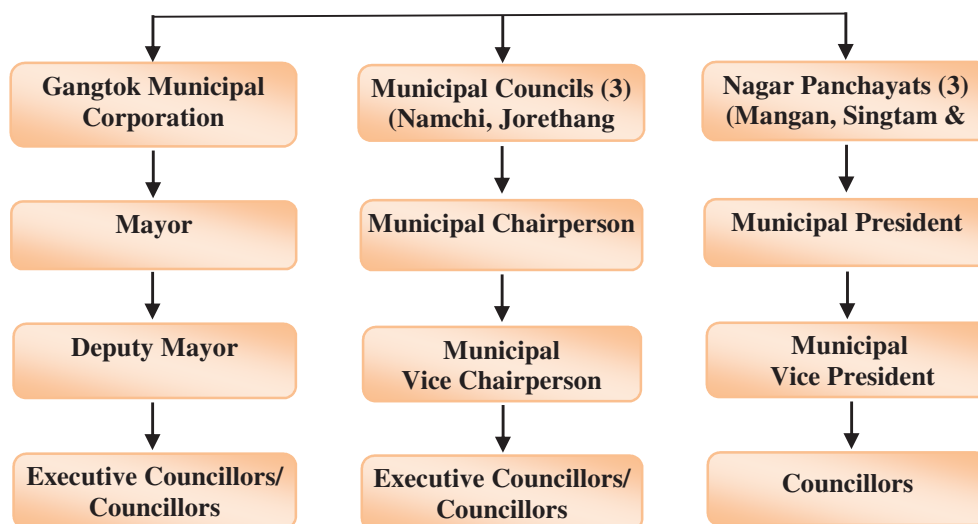
## 4.2 Organisational set up

The Pr. Chief Engineer-cum-Secretary, Urban Development & Housing Department (UDHD) is the overall in charge of ULBs in the State. The organisational structure with respect to functioning of ULBs in the State is as follows:

### Administrative Body



### Elected Body



All the ULBs have a body comprising of Councillors /Members elected by the people under their jurisdiction. The Mayor presides over the meetings of Municipal Corporation and the Chairperson/President presides over the meetings of the Council/Nagar Panchayats and is responsible for the overall functioning of the body.

The Municipal Commissioner is the executive head of the Gangtok Municipal Corporation (GMC) while the Council/Nagar Panchayats (NP) is headed by the Municipal Executive Officer. They exercise such powers and perform such functions as prescribed in the Act and as per instructions of the UDHD.

### **4.3 Functioning of ULBs**

The Sikkim Municipalities Act, 2007 envisages transfer of functions of various departments of the State Government to ULBs. Only three functions (viz. Public health, sanitation conservancy and solid waste management; Urban poverty alleviation; and public amenities including street lighting, parking lots, bus stops and public conveniences) out of 18 functions listed in the XII<sup>th</sup> Schedule of the Constitution (*Appendix-4.2*) had been partially transferred by the State Government to the ULBs as of March 2017.

### **4.4 Formation of various Committees**

As per Section 27 (1) of Sikkim Municipality Act 2007, a Municipal Corporation may constitute a Subject Committee consisting of Councillors to deal with issues like, (a) water-supply, drainage and sewerage and solid waste management, (b) urban environment management and land use control, and (c) slum services. Besides, a Municipal Corporation or a Municipal Council or a Nagar Panchayat, singly or jointly, may constitute an *ad hoc* Committee or a Joint Committee to perform such functions as the State Government may direct.

However, the Municipal Corporation, the Municipal Council, the Nagar Panchayats had not constituted any committees as of March 2017. As a result, inputs and specialised knowledge expected from Subject Committee were not forthcoming to deal with issues like water supply, drainage and sewerage, solid-waste management, urban environment management and slum services.

### **4.5 Audit arrangement**

#### ***4.5.1 Primary Auditors***

According to Section 60(1) of the Sikkim Municipalities Act, 2007, municipal accounts as contained in the financial statements including the accounts of special funds, if any, and the balance sheet shall be examined and audited by the Director of Local Fund Audit, or any other person, as may be appointed by the State Government or an Auditor appointed

by the Municipality from the panel of professional Chartered Accountants prepared in that regard by the Government.

According to Section 61(1) of the Sikkim Municipalities Act, 2007, as soon as practicable after the completion of audit of the accounts of the Municipality, but not later than the thirtieth day of September each year, the Auditor shall prepare a report of the accounts audited and examined and shall send such report along with the report of the results of the test check of accounts by the Comptroller & Auditor General (C&AG) of India to the Chief Municipal Officer.

Audit of accounts for the year ended March 2017 was neither completed by DLFA nor by the Chartered Accountant as of September 2017 as required under the Act. Further, no report along with the results of test check of accounts by C&AG was sent to Chief Municipal Officer.

#### ***4.5.2 Audit of Comptroller and Auditor General of India***

Based on the recommendations of the 13<sup>th</sup> Finance Commission, the State Government entrusted (June 2011) audit of all ULBs in the State under Technical Guidance and Support (TGS) arrangement to the C&AG as per standard terms and conditions under section 20(1) of CAG's DPC Act, 1971. Accordingly, the audit of ULBs is being conducted from 2012-13, by the Accountant General (Audit), Sikkim. During 2016-17, a total of six units (out of seven) were audited and six Inspection Reports (IRs) involving 70 paras were issued to the ULBs.

#### ***4.5.3 Placement of Annual Technical Inspection Report (ATIR)***

The ATIR for the year 2014-15 was placed in the State Legislature. However, the State Government had not amended the Sikkim Municipalities Act, 2007 to provide mechanism for discussion of ATIR in the Legislative Assembly. Neither the Public Accounts Committee discussed the ATIR nor a separate committee of State Legislature was constituted to discuss the same as recommended by Second Administrative Reforms Commission as of March 2017.

As none of the ATIR could be discussed in the State Legislature, accountability and financial control in the functioning of ULBs could not be ensured by the State Government.

#### 4.6 Response to Audit Observations

The Audit of ULBs commenced in the State from the financial year 2012-13. Total number of 13 IRs and 123 paras were issued to ULBs during the period 2013-17, of which 3 IRs and 47 paras were settled, leaving 10 IRs and 76 paras having a money value of ₹ 99.15 lakh outstanding as of March 2017 for want of corrective action/reply on the part of ULBs. Position of outstanding Inspection Reports and paras as on March 2017 are given in the following table:

**Table 4.2**  
**Outstanding IRs and Paragraphs**

*(₹ in lakh)*

Year	No. of Inspection Reports	No. of outstanding paras	Money value
2014-15	3	3	2.45
2015-16	1	3	0.07
2016-17	6	70	96.63
<b>Total</b>	<b>10</b>	<b>76</b>	<b>99.15</b>

Source: Outstanding para register maintained in Office of the AG (Audit), Sikkim

## Accountability Mechanism and Financial Reporting issues

### Accountability Mechanism

#### 4.7 Ombudsman

The Government of India instructed (September 2009) the State Government to set up office of the Ombudsman in accordance with the instructions in the order *ibid*. Accordingly, the State Government appointed (May 2012) Ombudsman whose responsibility *inter-alia* included to receive complaints from NREGA workers and others and consider such complaints and facilitate their disposal in accordance with law; require the NREGA authority complained against to provide information or furnish certified copies of any document relating to the subject matter of the complaint which is or is alleged to be in his possession; issue direction for conducting spot investigation; lodge FIRs against the erring parties; initiate proceedings *suomotu* in the event of any circumstance arising within his jurisdiction that may cause any grievance; engage experts for facilitating the disposal of the complaint; direct redressal, disciplinary and punitive actions; report his findings to the Chief Secretary of the State and the Secretary, State Nodal Department for appropriate legal action against erring persons.

It was noticed that the Ombudsman was not adequately functional as cases/complaints were not lodged/transferred to the authority. This may be due to the fact that the existence of Ombudsman in the State to deal with NREGA related affairs was not known to the public in the absence of adequate advertisement and public announcement. As a result, provisions of Prevention of Corruption Act, 1988 (Sec 268) was not adequately made use of towards disposal of irregularities in implementation of NREGA in the State. This was very disquieting considering a large number of issues (1,892) and recoverable amount (₹ 37.15 lakh) pointed out by Social Audit were lying unsettled for a period of 1 to 4 years as of March 2017.

#### 4.8 Social Audit

The arrangement for Social Audit of schemes/projects executed by ULBs in Sikkim had not been commenced by the State Government as of March 2017 except for Backward Region Grant Fund (BRGF). Social Audit of utilisation of BRGF was assigned by State Government to Social Audit Unit of Sikkim. Accordingly, Social Audit of BRGF was



conducted by SAU of Sikkim. Action taken report to demonstrate compliance of Social Audit Report was not submitted by ULBs to SAU/State Government. Copies of the report of the Social Audit of BRGF was also not made available to Accountant General office either by SAU or by the State Government.

#### **4.9 Lokayukta**

The State Government had appointed (February 2014) *Lokayukta* in pursuance to the sub section of the section 1 of the Sikkim *Lokayukta* Act, 2014. The *Lokayukta* comprised of chairperson, one judicial functionary, one administrative and one *ad hoc* administrative member. However, functions of *Lokayukta* were not defined in the notification issued in February 2014. The report indicating number of cases disposed off by Lokayukta during 2016-17 was not made available by State Government to Audit.

#### **4.10 Property Tax Board**

Thirteenth Finance Commission recommended for setting up of Property Tax Board. The responsibility of Property Tax Board included levy of Property tax on lands and buildings; surcharge on transfer of lands and buildings; tax on deficits in parking spaces in any non-residential building or bazaar; water tax; tax on advertisements, other than advertisements published in newspapers; surcharge on entertainment tax; tax on congregations; tax on pilgrims and tourists, etc.

However, Property Tax Board was not set-up in Sikkim as of March 2017. This was despite enabling provision to this effect in Sikkim Municipal Act, 2007 and recommendations of Thirteenth Finance Commission and Fourth State Finance Commission. Had the Property Tax Board set up by the State Government and made functional, revenue of ₹ 2.45 crore during 2016-17 could have been realised and utilised to augment own source of revenue of ULBs.

#### **4.11 Service Level Benchmark**

As a follow-up to reforms stipulated by the 13<sup>th</sup> Finance Commission and also to provide good service to the public, the State Government had set up (September 2013) service level benchmark for solid waste management service provided by Gangtok Municipal Corporation. The details are shown in *Appendix -4.3*

Subsequently, Service level benchmark was set up (April 2016) for all the ULBs in Sikkim as per the recommendation of the 14<sup>th</sup> Finance Commission. The details are shown in **Appendix- 4.4**.

The service level benchmark for solid waste management was devised for the period 2016-21 for all the seven ULBs as against the earlier period of 2011-21 for GMC. Although, the service level benchmarks for GMC was set up in 2013-14, no assessment was carried out upto 2016-17 to ascertain the extent of achievement. A comparison of service level benchmark announced in September 2013 for GMC with that of April 2016 was attempted by Audit. The comparison revealed that there were downward trend in service level in all category. The coverage was reduced from 100 to 75, extent of segregation from 80 to 55, extent of recovery from 75 to 65 and cost recovery from 80 to 60 *per cent*. This indicated that benchmark announced in September 2013 was neither based on sound rationale nor adequate steps were taken by GMC to achieve the targeted level of service benchmark as of March 2017.

#### 4.12 Submission of Utilisation Certificates

The ULBs receive grants-in-aid from State Government through UDHD. Utilisation certificates (UC) are required to be submitted within three months of receiving grants. The details of grants received *vis-à-vis* utilisation certificate submitted to State Government is given below:

**Table 4.3**

Year	Name of the Scheme	Amount (₹ in lakh)	Due date of submission of UC	Actual date of submission of UC	Delay (in months)
2012-13	TFC	16.66	April 2013	January 2014	9
	State Fund	275.08	October 2013	October 2014	12
2013-14	TFC	18.12	April 2014	March 2015	12
	State Fund	330.60	October 2014	October 2014	Nil
2014-15	TFC	17.14	April 2015	Not submitted	Not submitted
	State Fund	375.32	October 2015	-do-	-do-
2015-16	TFC	5.17	March 2016	March 2016	Nil
	14 <sup>th</sup> FC	239.50	March 2016	December 2015-January 2016	Nil
	Swachh Bharat Mission (SBM)	136.43	March 2016	March 2016	Nil
	Swachh Bharat Mission (State fund)	34.28	March 2016	UC not submitted as of June 2016	4

	4 <sup>th</sup> SFC	223.18	March 2016	March 2016	Nil
2016-17	14 <sup>th</sup> FC	767.00	March 2017	February 2017 (₹ 8.07 lakh) May 2017 (₹ 499.02 lakh)  Not submitted as on June 2017 (₹ 259.91 lakh)	1
	Swachh Bharat Mission (SBM)	65.82	March 2017	June 2017	2
	Swachh Bharat Mission (State fund)	9.59	March 2017	June 2017	2
	4 <sup>th</sup> SFC	187.27	March 2017	September 2016 to February 2017 (₹ 68.40 lakh) May 2017 (₹ 40.63 lakh) Not submitted (₹ 78.24 lakh)	--  1

The delay in submission of UCs ranged from 9 to 12 months for the period 2012-13 to 2014-15 primarily due to lack of monitoring by UDHD. The position has shown improvement in 2015-16 as the UCs were submitted in time except for SBM (State Fund). Again, during 2016-17, while UC for ₹ 259.905 lakh of 14<sup>th</sup> FC and UC for ₹ 78.24 lakh of 4<sup>th</sup> SFC Grants was not submitted by ULBs; there were delays for 1 to 2 months in submission of UC for SBM and 4<sup>th</sup> SFC Grants. Thus, the delay in submission of UC was persistent.

#### 4.13 Internal Audit and Internal Control System of ULBs

Internal Audit of ULBs is done by Chartered Accountants and also by Director, Local Fund Audit (DLFA). Chartered Accountants had completed audit of ULBs upto 2015-16.

It was noticed that observations relating to non-maintenance of Fixed Assets Registers and absence of physical verification of fixed assets had not been attended to by two ULBs (Gangtok Municipal Corporation and Singtam Nagar Panchayat) against whom the observations were recorded in the Audit Report on Financial Statements from 2010-11 to 2014-15 by Chartered Accountants.

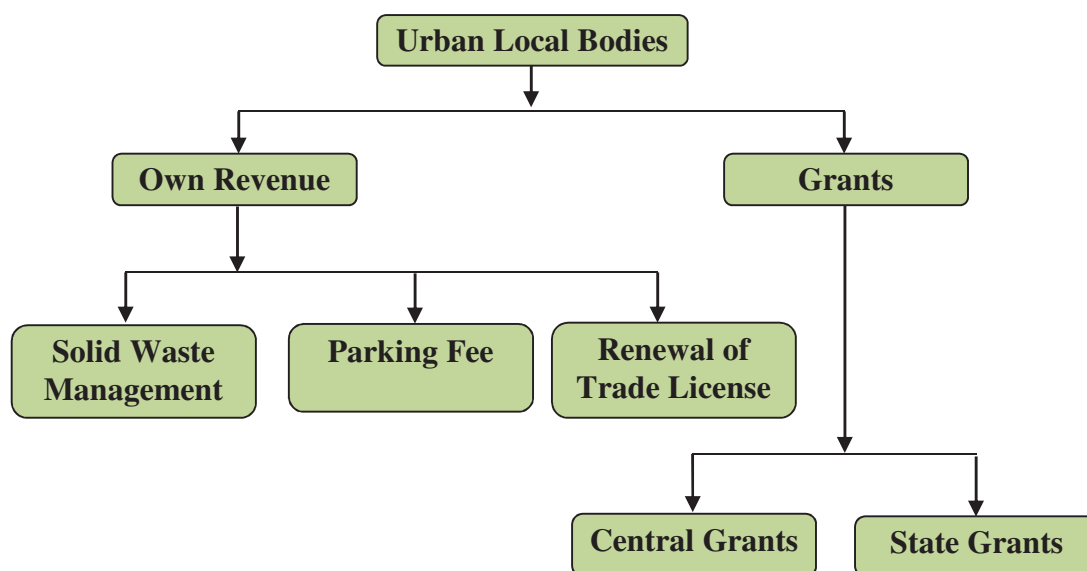
Similarly, DLFA conducted audit of four ULBs during 2016-17 and recorded observations relating to variation in accounts figures, excess payments, non-remittance of deductions, wasteful expenditure, violation of rules, etc. However, adequate corrective actions had not been initiated by ULBs as of September 2017.

#### 4.14 Financial Reporting Issues

##### 4.14.1 Source of Funds

The Finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GOI) and State Government. State Government Grants are received through devolution of net proceeds of the total tax revenue on the recommendations of the State Finance Commission. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, etc. are vested with the State Government. The own non-tax revenue of ULBs comprise of fee for solid waste management, parking fee and renewal of trade license, etc.

Grants and assistance released by the Governments are utilised for extending civic facilities to the urban population. Flow chart of finance of ULBs is as follows:



##### ➤ Custody of funds in ULBs

The grants received for implementation of various schemes/programmes are kept in bank accounts of the ULBs duly authorised by the State Government. The Drawing & Disbursing Officers under ULBs are empowered to draw the funds from the banks after obtaining sanction from the Mayor/Chairperson/President.

➤ **Position of funds of ULBs**

The detailed position of funds of ULBs for the period from 2012-13 to 2016-17 are shown in the following table :

**Table 4.4**  
**Statement showing the position of funds of ULBs for the last five years**  
(₹ in lakh)

ULBs Year	GMC				Councils / NPs			
	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue	Total
2012-13	54.82	387.93	554.15	996.90	155.74	109.53	151.89	417.16
2013-14	11.70	204.25	391.27	607.22	48.36	133.61	234.96	416.93
2014-15	134.48	221.39	378.06	733.93	90.41	170.46	224.45	485.32
2015-16	188.07	345.20	429.29	962.56	178.24	519.20	261.44	958.88
2016-17	529.10	255.78	401.33	1,186.21	229.50	206.10	295.12	730.72

Source: Information furnished by the ULBs

➤ **Own revenue of ULBs**

Own revenue of ULBs includes revenues from solid waste management, parking fee and renewal of trade license, etc. Collection of own revenue in respect of seven ULBs during the last five years is shown in table 4.5:

**Table 4.5**  
**Statement showing collection of own revenue of seven ULBs**  
(₹ in lakh)

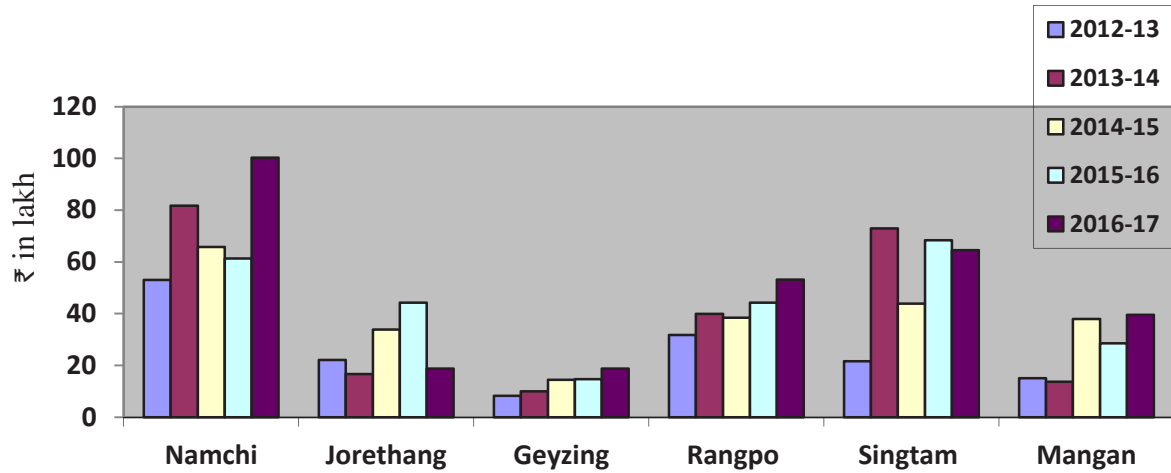
Sl. No.	Name of the ULB	2012-13	2013-14	2014-15	2015-16	2016-17
1	Gangtok Municipal Corporation	554.15	391.27	378.06	429.29	401.33
2.	Namchi Municipal Council	53.05	81.76	65.84	61.35	100.24
3.	Jorethang Municipal Council	22.13	16.65	33.92	44.22	18.78
4.	Geyzing Municipal Council	8.27	9.96	14.41	14.71	18.78
5.	Rangpo Nagar Panchayat	31.73	39.92	38.49	44.20	53.18
6.	Singtam Nagar Panchayat	21.65	72.98	43.87	68.43	64.54
7.	Mangan Nagar Panchayat	15.06	13.69	27.92	28.53	39.60
	<b>Total</b>	<b>706.04</b>	<b>626.23</b>	<b>602.51</b>	<b>690.73</b>	<b>696.45</b>

Source: Information furnished by the ULBs

The above table indicates that the revenue collection recorded an increase during 2016-17 over previous year (2015-16) in case of two Municipal Councils (Namchi and Geyzing), two Nagar Panchayats (Rangpo and Mangan) by 63.39, 27.66 and 20.31, 38.80 per cent respectively and decrease in case of Gangtok Municipal Corporation, Jorethang Municipal Council and Singtam Nagar Panchayat by 6.51, 57.53 and 5.68 per cent respectively. Reasons for decrease in revenue has not been intimated by ULBs.

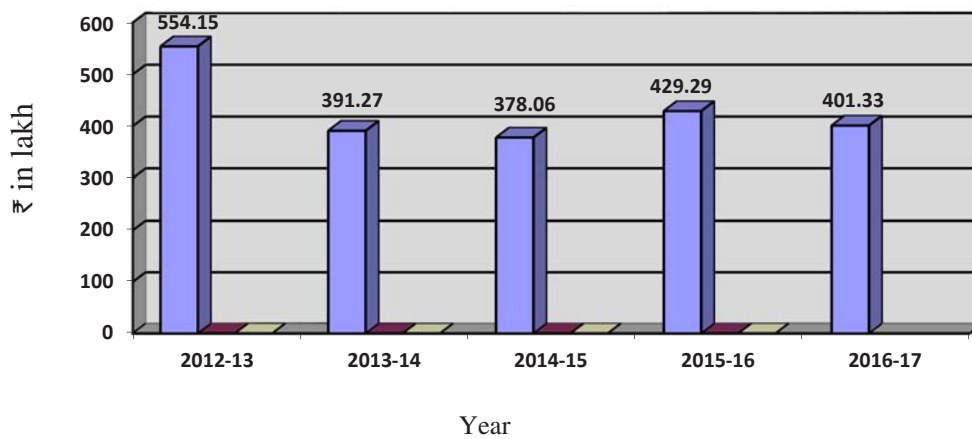
The trend of own revenue collection by GMC, Municipal Councils and NPs are shown in the following bar graphs:

**Chart – 4.1**  
*Trend of own Revenue realisation for Municipal Council and Nagar Panchayats*



In case of GMC, the own revenue collection decreased from ₹ 429.29 lakh to ₹ 401.33 lakh during the period 2016-17 as compared to 2015-16 as shown in the following bar graph:

**Chart 4.2**  
**Own Revenue of GMC**



➤ **Grants received and expenditure therefrom**

Receipts and expenditure by the GMC, three Municipal Councils and three NPs during the year 2016-17 are shown in table 4.6:

**Table 4.6****Statement showing grants received and expenditure there from of ULBs during 2016-17***(₹ in lakh)*

Type of ULBs	Grants received (Central and State)	Expenditure	Balance
Gangtok Municipal Corporation	784.88	409.52	375.36
3 Municipal Councils	217.84	196.38	21.46
3 Nagar Panchayats	217.76	259.05	(-) 41.29*
<b>Total</b>	<b>1220.48</b>	<b>864.95</b>	<b>355.53</b>

\* Expenditure done from previous year's balance

Source: Information furnished by ULBs

From the above, it is seen that GMC could not utilise the entire funds received during 2016-17. Analysis of closing balances revealed that unutilised funds (₹ 375.36 lakh) of Special Assistance Fund, 14<sup>th</sup> FC Fund and Swacha Bharat Abhiyan Fund were kept in various Banks without being utilised. Analysis of closing balances of Municipal Councils/Nagar Panchayats revealed that unutilised fund (₹ 21.46 lakh) of 14<sup>th</sup> FC fund, Solid Waste Management fund, State funds were kept in various Banks without being utilised.

➤ **Implementation of Major schemes**

Receipt vis-a-vis expenditure incurred for major schemes implemented by ULBs during 2012-13 to 2016-17 are given in table 4.7:

**Table 4.7****Statement showing receipts and expenditure of major schemes***(₹ in lakh)*

Year	Name of the schemes	SJSRY	BRGF	CFC (13 <sup>th</sup> /14 <sup>th</sup> FC)	NRHM	Swachh Bharat Mission	ICLEI Fund	Total
2012-13	Receipts	13.09	172.36	9.49	0	0	0	194.94
	Expenditure	31.92*	78.40	3.46	0	0	0	113.78 (58)
2013-14	Receipts	4.27	65.30	6.18	0	0	0	75.75
	Expenditure	9.48*	68.20	3.54	0	0	0	81.22 (107)
2014-15	Receipts	0.60	85.72	4.57	9.48	0	0	100.37
	Expenditure	3.00*	87.52*	4.21*	9.48	0	0	104.21 (104)
2015-16	Receipts	0	0.34	263.86	0	102.07	0	366.27
	Expenditure	0	25.40	232.82	0	22.57	0	280.79 (77)
2016-17	Receipts**	0	0	668.34	0	78.06	12.20	758.60
	Expenditure**	0	0	200.76	0	74.88	0	275.64 (36)
<b>Total</b>	Receipts	17.96	323.72	952.44	9.48	180.13	12.20	1,495.93
	Expenditure	44.40	259.52	444.79	9.48	97.45	0	855.64 (57)

Source: Information furnished by ULBs

Figures in bracket indicate percentage.

\* Expenditure also incurred from the previous year's unspent balances available under the schemes.

Out of ₹ 17.96 lakh available for SJSRY, ₹ 44.40 lakh was utilised indicating 247 *per cent* utilisation. Similarly, ₹ 259.52 lakh and ₹ 444.79 lakh were utilised for BRGF and CFC as against the availability of ₹ 323.72 lakh and ₹ 952.44 lakh respectively. The expenditure of BRGF and CFC was 80 *per cent* and 46 *per cent* respectively. In Swachh Bharat Mission, ₹ 97.45 lakh was utilised out of available fund of ₹ 180.13 lakh. Reasons for low utilisation of funds were neither reflected in records nor furnished to Audit.

#### **4.14.2 Recommendation of State Finance Commission (SFC)**

State Finance Commission (SFC) had been set up to recommend:

- The distribution between the State and the Zilla Panchayats, Gram Panchayats, Municipalities, Municipal Councils and Nagar Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under Part IX and IX A of the Constitution of India, and the allocation between the Zilla Panchayats, Gram Panchayats and Urban Local Bodies at all levels of their respective shares of such proceeds,
- The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Zilla Panchayats, Gram Panchayats, Municipalities, Municipal Councils and Nagar Panchayats, and
- The grants-in-aid to the Zilla Panchayats, Gram Panchayats, Municipalities, Municipal Councils and Nagar Panchayats from the Consolidated Fund of the State.

Accordingly, the Fourth State Finance Commission (4<sup>th</sup> SFC) of the State of Sikkim recommended (May 2013) certain measures for improving the fiscal health of Panchayats and Municipalities. The recommendations were accepted by the State Government. However, it was not adhered to in the following cases:

- The 4<sup>th</sup> SFC recommended (Para 7.26 and Table 7.16) for transfer of ₹ 297.31 lakh for seven ULBs during 2016-17 (2.5 *per cent* of the divisible pool of taxes (Net Tax Revenue based on actual) for vertical sharing to the Local Bodies (PRIs– 80 *per cent* & ULBs – 20 *per cent*)) which was approved by the State Government. As against this, only ₹ 253.87 lakh was transferred to ULBs leading to short release of ₹ 43.44 lakh. Details are given below:



**Table 4.9****Actual transfer of funds to ULBs during 2016-17 vis-à-vis 4<sup>th</sup> SFC recommendation***(₹ in lakh)*

Sl. No.	Major Head	Head	Tax receipt	Collection cost deduction (in per cent)	Net tax receipt	Funds to be transferred to Local Bodies (2.50 per cent of Net tax receipt)	Funds to be transferred to ULBs (20 per cent of Col. 7)	Tax Transferred to ULBs
1	2	3	4	5	6	7	8	9
1.	0029	Land Revenue	639.55	25.00	479.66	11.99	2.40	253.87
2.	0030	Stamp & Registration	1,256.59	25.00	942.44	23.56	4.71	
3.	0039	State Excise	15,623.66	6.32	14,636.24	365.90	73.18	
4.	0040	Taxes on Sales, Trades etc.	36,481.81	3.10	35,350.87	883.77	176.75	
5.	0041	Taxes on vehicles	2,490.24	17.01	2,066.65	51.66	10.33	
6.	0045	Other Taxes and Duties	7,982.69	25.00	5,987.01	149.67	29.93	
		<b>Total</b>	<b>64,474.54</b>		<b>59,462.87</b>	<b>1,486.55</b>	<b>297.31</b>	<b>253.87</b>

Source: Finance Accounts 2016-17 and information furnished by Urban Development & Housing Department.

➤ In addition to the above tax transfer, the 4<sup>th</sup> SFC recommended (Para 7.30 and Table 7.17) for transfer of ₹ 195.43 lakh towards Grants-in-aid to seven ULBs during 2016-17. Against this ₹ 187.27 lakh was transferred towards Grants-in-aid during 2016-17 to ULBs. As a result, developmental activities relating to three transferred subjects could not be taken up adequately by ULBs to provide better civic amenities to the citizens of urban areas.

**4.14.3 Recommendation of Central Finance Commission (CFC)**

The details of fund received from GOI towards 13<sup>th</sup>/14<sup>th</sup> FC and transferred to ULBs by State Government during 2012-17 is shown below:

**Table 4.10****Statement showing utilisation of CFC fund***(₹ in lakh)*

Year	Amount Released by GOI	Date of receipt of Fund from GOI	Date of release of fund to ULBs	Delay (in days)
<b>2012-13</b>	15.00	21.8.2012	12.9.2012	8
	1.66	31.3.2012	30.4.2012	15
<b>2013-14</b>	15.00	12.3.2014	31.3.2014	4
	3.12	24.4.2013	02.5.2013	--
<b>2014-15</b>	17.14	19.3.2015	31.3.2015	--
	5.17	24.3.2015	02.5.2015	24
<b>2015-16</b>	239.50	3.9.2015	18.9.2015	1
<b>2016-17</b>	239.50	15.12.2016	23.12.2016	--
	331.50	17.2.2017	1.3.2017	--
	196.00	18.1.2017	2.2.2017	--
<b>Total</b>	<b>1,063.59</b>			

Source: Information furnished by State Government (UDHD)

As would be noticed from the above table, fund amounting to ₹ 276.33 lakh was released belatedly (delay ranging from 1 to 24 days) during 2012-17 which is in contravention to CFC recommendations to release funds to ULBs within 15 days of receipt of funds from Government of India.

#### ***4.14.4 Maintenance of Accounts by ULBs***

Financial reporting is a key element of accountability. According to Section 57(1) and 58(1) of the Sikkim Municipalities Act, 2007, the ULBs should prepare the Annual Financial Statements which would include Income and Expenditure Accounts for the preceding year within four months of the close of a financial year. The annual Balance Sheet of assets and liabilities in the prescribed form should be prepared within three months of the close of the financial year.

Based on the recommendation of XI<sup>th</sup> Finance Commission, the Ministry of Urban Development, GOI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which is based on double entry accrual based system of accounting. The Urban Development & Housing Department, Government of Sikkim had drafted (March 2008) the Sikkim Urban Local Bodies Accounting Manual (SULBAM) based on the NMAM. The Manual (Sikkim Municipal Accounting Manual (SMAM)) was approved by the Government during September 2017. Reason for abnormal delay in approval of SMAM was neither reflected in records nor furnished by UDHD, the Administrative Department for ULBs in the State. The accounts of ULBs, however, continued to be maintained under cash based Double Entry System. Also, certification of accounts was not done, for any year, by the Primary auditor (DLFA) since its formation in June 2012.

#### ***4.14.5 Maintenance of records***

According to the Sikkim Municipality Act, 2007 (Section 56), the State Government shall prepare and maintain a Manual to be called the Municipal Accounting Manual containing details of all financial matters and procedures relating thereto, in respect of the Municipality. Accordingly, Sikkim Urban Local Bodies Accounting Manual (SULBAM) had been drafted by the State Government (which is approved during September 2017) and distributed to all ULBs for maintenance of registers such as Demand and Collection Register for rent, Register for bill payment, Register of movable property, Register of dishonoured cheques and drafts, Register of Security Deposits, Deposit Work Register etc. It was, however, noticed that none of the above registers were maintained by ULBs.