

Chapter-V

Overview of Urban Local Bodies

5.1 Introduction

Consequent to the 74th Constitutional Amendment Act, 1992, three-tier ULBs comprising Municipal Corporations (M.Corps), Municipal Councils (MCs) and Town Councils (TCs) were expected to become self-reliant institutions, capable of providing improved civic amenities to the urban population in Punjab. The ULBs are governed by Punjab Municipal Corporation (PMC) Act, 1976, Punjab Municipal (PM) Act, 1911 (amended in 1994) and Punjab Municipal Accounting Manual, 2017. The details and other statistics of ULBs as of March 2023 are given below:

Table 5.1 Basic information of the ULBs as on 31 March 2023

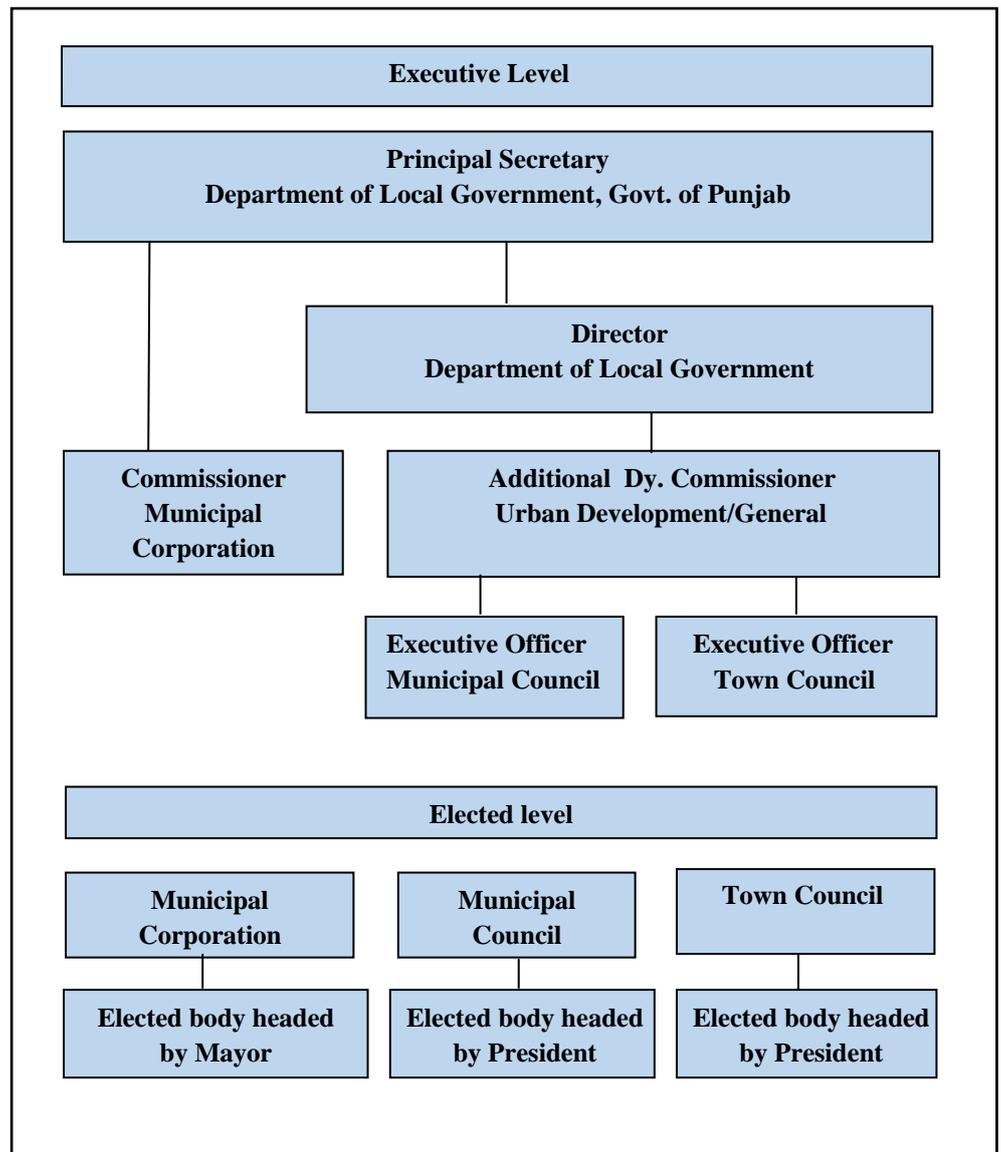
Particulars	Unit	Value
Area of Punjab	Sq. Km	50,362
Total districts	No.	23
Urban Area	Sq. Km	2,097
Urban Population	Lakh	103.99
Sex Ratio of State	Per Thousand	895.00
Urban Literacy rate	<i>Per cent</i>	83.20
Municipal Corporations	No.	13
Municipal Corporation per capita income	₹	3,858
Municipal Councils	No.	101
Municipal Council per capita income	₹	3,186
Town Councils	No.	52
Town Council per capita income	₹	1,764

Source: Director, Local Government, Punjab and Statistical Abstract of Punjab, 2023.

5.2 Functioning of ULB

In Punjab, the Department of Local Government is headed by the Principal Secretary and assisted by the Director, Commissioners of Municipal Corporations and Additional Deputy Commissioners (Urban Development) etc. The organisational structure of the ULBs in the State and responsibilities of the functionaries are depicted below:

Chart 5.1: Organisational chart of the Department of Local Government



Source: Department of Local Government, Punjab

Table 5.1(a): Function and responsibilities of Functionaries

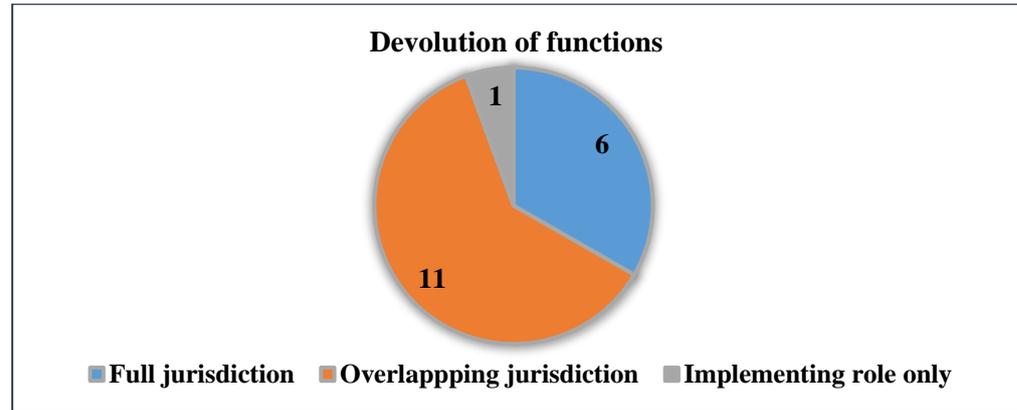
Government representative		Elected representative	
Post	Duties and Functions	Post	Duties and Functions
Commissioner, Municipal Corporation	Based on Section 52 of Punjab Municipal Corporation Act, 1976, the Commissioner is entrusted with several critical responsibilities such as Executive Authority, delegation & supervision and crisis management, as detailed under clauses of the said section.	Mayor	General functions include presiding over the meetings of the Municipal Corporations, supervision and control over the functioning of corporations, issuing directions to the Commissioner to call for reports to ensure proper functioning of the Corporations. However, function related to “presiding over the meetings of the Municipal Corporations” only is clearly defined under Section 59 of the Punjab Municipal Corporation Act, 1976.
Additional Deputy Commissioner (ADC) (Urban Development/ General)	Role of ADC (UD/G) can be categorised under Administrative, Urban development and planning, Election duties, Inspection of Municipalities etc. as notified by the Government of Punjab notification No. 12/47/2022-1LG3/1652 dated 6th September 2022	No parallel elected body.	
Executive Officer (EO), Municipal Council/ Town Council	As per the Punjab Municipal Act, 1999, Sections 98(1) and 98(2) , the EO is entrusted with the responsibility of managing the day-to-day and to exercise the functions and powers conferred upon them by the Act or any other law in force, thereby serving as a key link in the implementation of statutory provisions and government policies at the local level. Furthermore, the EO is responsible for assigning duties to, supervising and controlling the officers and employees of the municipality/ Town Council, ensuring efficient service delivery and institutional accountability.	President, Municipal Council/Town Council	As per the Punjab Municipal Act 1999, the President serves as the head of the elected body and plays a key leadership role in its functioning. As per Section 89 , the President presides over the meetings of Councils and Town Council, exercises general supervision and control over the municipality and may issue directions to the Executive Officer. The President also has the right to access council records. In emergencies, under Section 91 , the President is empowered to take immediate action to safeguard public interest, with subsequent approval from the MC/TC.

Source: Departmental data

5.2.1 Status of devolution of functions to the ULBs

The 74th CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 functions specified in the Twelfth Schedule of the Constitution of India. As a follow-up, the State Government devolved all 18 functions to ULBs. Position of devolution of the functions to the ULBs in Punjab as of March 2023 is depicted below:

Chart 5.2: Status of devolution of functions



Source: Departmental data

It is evident from above that out of total 18 functions, ULBs are solely responsible for six functions and have overlapping jurisdictions with other departments and/or parastatal bodies for 11 functions, whereas ULBs functioned as mere implementing agencies for one function, as indicated below:

Table 5.1(b): Details of devolved functions to ULBs

Description and No. of functions	Name of functions
Full jurisdiction (Six functions)	(i) Burials and burial grounds; cremations, cremation grounds; (ii) Fire Services; (iii) Regulation of land-use and construction of buildings; (iv) Provision of urban amenities and facilities such as parks, gardens, playgrounds; (v) Public amenities including street lighting, parking lots, bus stops and public convenience; and (vi) Roads and bridges.
Overlapping jurisdiction (11 functions)	(i) Cattle pounds, prevention of cruelty to animals; (ii) Regulation of slaughter houses and tanneries; (iii) Urban Planning including town planning; (iv) Slum improvement and up-gradation; (v) Urban poverty alleviation; (vi) Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded; (vii) Water supply for domestic, industrial and commercial purposes; (viii) Public health, sanitation conservancy and solid waste management; (ix) Urban forestry, protection of the environment and promotion of ecological aspects; (x) Promotion of cultural, educational and aesthetic aspects and (xi) Vital statistics including birth and death registration.

Description and No. of functions	Name of functions
Mere implementing agency (One function)	Planning for Economic and Social Development.

Source: Departmental data

In response to an audit query, the Director, Local Government stated (July 2023) that the State Government was reluctant to transfer all functions to ULBs due to inter-jurisdictional implications. Further, some parastatal bodies/agencies and other departments are performing, executing and controlling many important functions, i.e., creation of infrastructure in ULBs due to vagueness and overlaps in functional devolution and as these bodies were better placed in terms of funds, infrastructure, expertise and manpower to perform these functions.

5.2.2 Position of manpower

The availability of manpower in ULBs against the sanctioned strength as of March 2023 is indicated below:

Table 5.2: Availability of manpower as of March 2023

ULBs	Provincialized		Non- Provincialized			Total Employees		Gap (-) shortfalls (+) excess
	Sanctioned	Working	Sanctioned	Working		Sanctioned	Working	
				Regular	Non-regular			
M.Corp	1,969	944	32,677	20,664	4,124	34,646	25,732	(-) 8,914
MC/TC	1,388	612	13,797	10,904	9,280	15,185	20,796	(+) 5,611
Total	3,357	1,556	46,474	31,568	13,404	49,831	46,528	(-) 3,303

Source: Director Local Government, Punjab

It is evident from the above that there was excess of 5,611 employees against the sanctioned strength in the Municipal Councils and Town Councils, whereas a shortage of 8,914 employees in the Municipal Corporations. This was attributed (June 2024) to deployment of Group-C & Group-D employees on contractual as well as outsourced basis by ULBs against the sanctioned posts.

5.3 Formation of committees

As per provision of Section 42, 42-A and 42-C of the Punjab Municipal Corporation Act, 1976, Municipal Corporation would constitute various committees such as Finance and Contract Committee, Water Supply & Sewerage Disposal Committee, House Tax Assessment Committee, Building & Roads Committee, Wards Committee and other ad-hoc committees. Further, as per Section 34 of the Punjab Municipal Act, 1911, Municipal Council/Town Council are empowered to appoint sub-committees for the management of any one or more wards.

Further, Article 243ZD and Article 243ZE of the Constitution of India provide for constitution of District Planning Committees (DPC) and Metropolitan Planning Committee (MPC) respectively. The DPC is responsible to consolidate the plans prepared by the Panchayats and the Municipalities in the District and

to prepare a Draft Development Plan for the district, whereas the MPC would prepare the Draft Development Plan of metropolitan area as a whole.

The Department of Local Government could not provide information on the constitution of Water Supply & Sewerage Disposal Committee, Building & Roads Committees and House Tax Assessment Committees. Only Municipal Corporation, Batala constituted the sub committees like Taxation Committee, Public Health committees, Wards Committee and Works Committee. Regarding DPC, the Planning Department stated (October 2024) that the DPCs were partially constituted at the district level in Punjab.

5.4 Responses to audit observations

The status of outstanding paras as of March 2023, contained in the Inspection Reports (IRs) issued by the PAG (Audit), Punjab for ULBs was as below:

Table 5.3: Status of outstanding paragraphs

Sr. No.	Since pending	Municipal Corporation/ Municipal Council/ Town Council	
		No of IRs	No. of paras
1.	Up to 5 years old	281	4,205
2.	5 to 10 years old	212	2,030
3.	More than 10 years old	8	8
Total		501	6,243

Source: Data of Office of the Pr. AG (Audit) Punjab

The pendency of 6,243 paragraphs highlights the need for concerted efforts to address and rectify the issues pointed out by Audit.

5.5 Property Tax Board

The State Government constituted (March 2013) the Punjab Property Tax Board as recommended by the 13th Central Finance Commission to assess the property tax in the ULBs. However, neither the meeting of the Property Tax Board nor the assessment of the property tax took place till January 2024.

5.6 Source of Funds

The sources of funds of the ULBs include own resources including Municipal Tax, Property tax, Octroi on electricity, Water and Sewerage charges, Advertisement fees, Tehbazari, Building application fees, sale of property, Bus adda fees, Licence fees and assigned revenue such as auction money grant, grants received from the GoI and the State Government as per recommendation of Central and State Finance Commissions and grants for implementation of Central and State sponsored schemes. The total funds received from various sources and expenditure incurred by the ULBs during last five years from 2018-19 to 2022-23 were given below:

Table 5.4: Receipt of funds by the ULBs during FYs 2018-23

(₹ in crore)

Year	CFC grants	SFC grants ¹	State sponsored schemes	Centrally sponsored schemes	Own revenue	Other revenue	Total
2018-19	427.86	0	88.45	428.63	2,937.71	-	3,882.65
2019-20	581.64	0	21.14	333.45	2,582.89	1.35	3,520.47
2020-21	668.00	0	285.53	1,261.95	3,040.57	-	5,256.05
2021-22	493.75	0	347.92	1,677.82	3,389.27	12.39	5,921.15
2022-23	511.25	0	402.12	2,257.66	3,420.47	8.55	6,600.05

Source: Information from the Department of Local Government, Punjab

Table 5.5: Expenditure of funds by the ULB during FYs 2018-23

(₹ in crore)

Year	CFC grants	SFC grants	State sponsored schemes	Centrally sponsored schemes	Own exp.	Other exp.	Total
2018-19	427.86	0	88.45	428.63	2,756.10	-	3,701.04
2019-20	581.64	0	21.14	333.45	2,599.65	1.35	3,537.23
2020-21	668.00	0	285.53	1,261.95	2,805.49	-	5,020.97
2021-22	493.75	0	347.92	1,677.82	3,258.71	12.39	5,790.59
2022-23	511.25	0	402.12	2,257.66	3,292.89	8.55	6,472.47

Source: Information from the Department of Local Government, Punjab

It is evident from the above tables that the ULBs had largely utilised/spent the funds received during the period 2018-23. The own revenue of the ULBs has also registered a steadily increasing trend during the period 2018-23.

5.6.1 Funds management of Central and State sponsored schemes

The ULBs implemented various Centrally sponsored schemes and State sponsored schemes during 2018-19 to 2022-23. The details of allocation, receipts and expenditure under these schemes are given below:

Table 5.6: Fund management of Centrally sponsored schemes

(₹ in crore)

Scheme	Year	Allocation	Receipt	Expenditure
Swarna Jayanti Shahari Rozgar Yojana (SJSRY) National Urban Livelihood Mission (NULM)	2018-19	10.00	10.00	10.00
	2019-20	16.67	6.74	6.74
	2020-21	15.24	15.24	15.24
	2021-22	43.98	43.98	43.98
	2022-23	78.00	78.00	78.00
Total		163.89	153.96	153.96
Jawahar Lal Nehru National Urban Renewal Mission (JNNURM)/ Basic Services to the Urban Poor (BSUP)	2018-19	50.00	50.00	50.00
	2019-20	25.00	25.00	25.00
	2020-21	48.69	48.69	48.69
	2021-23	0	0	0
Total		123.69	123.69	123.69
Pradhan Mantri Awas Yojna	2019-20	228.75	30.66	30.66

¹ This represents the recommendation of sixth SFC for devolution of State share of net receipts.

Scheme	Year	Allocation	Receipt	Expenditure
(PMAY)	2020-21	275.41	180.30	180.30
	2021-22	406.77	17.40	17.40
	2022-23	272.60	188.75	188.75
Total		1,183.53	417.11	417.11
Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	2018-19	423.34	257.86	257.86
	2019-20	280.00	98.47	98.47
	2020-21	481.73	470.91	470.91
	2021-22	825.00	824.99	824.99
	2022-23	848.72	848.72	848.72
Total		2,858.79	2,500.95	2,500.95
Smart City Mission	2019-20	154.00	104.00	104.00
	2020-21	435.11	410.55	410.55
	2021-22	860.00	758.67	758.67
	2022-23	1229.00	861.00	861.00
Total		2,678.10	2,134.22	2,134.22
Swachh Bharat Mission (Urban)	2018-19	131.79	45.46	45.46
	2019-20	86.00	68.58	68.58
	2020-21	133.61	133.61	133.61
	2021-22	113.77	16.81	16.81
	2022-23	284.51	281.19	281.19
Total		749.68	545.65	545.65
National River conservation programme	2018-19	65.31	65.31	65.31
	2019-23	0	0	0
Total		65.31	65.31	65.31
Strengthening of Fire and Emergency Services	2018-19	2.65	0	0
	2019-20	2.00	0	0
	2020-21	2.65	2.65	2.65
	2021-22	15.97	15.97	15.97
	2022-23	0	0	0
Total		23.27	18.62	18.62

Source: Data provided by Department of Local Government, Punjab

It is evident that the actual funds receipts in respect of NULM, PMAY, AMRUT, Smart City Mission and Swachh Bharat Mission in many years during the period 2018-23 were less than the allocated amounts. Further, no funds were allocated during 2021-22 and 2022-23 for JNNURM and regarding the strengthening of Fire & Emergency Services, the ULBs were allocated ₹ 2.65 crore (2018-19) and ₹ 2.00 crore (2019-20), of which nothing was received or spent. No allocation was made during 2022-23.

Despite the audit queries (April/September 2025), no reply indicating the reasons or justifications for the short release of funds or under-utilisation thereof has been furnished till date.

Table 5.7: Fund management of State sponsored schemes

(₹ in crore)

Scheme	Year	Allocation	Receipt	Expenditure
Punjab Municipal Service Improvement Project	2018-22	0	0	0
	2022-23	100	100	100
Municipal Development Fund	2018-19	8.85	6.85	6.85
	2019-20	21.14	21.14	21.14
	2020-21	228.65	228.65	228.65
	2021-22	300	291.71	291.71
	2022-23	360	281.87	281.87

Scheme	Year	Allocation	Receipt	Expenditure
Amritsar Sewerage Project Funded by JICA	2018-19	100	33.14	33.14
	2019-23	0	0	0
Prevention of pollution in river Satluj	2018-19	48.17	48.17	48.17
	2019-23	0	0	0
Cow Cess	2018-20	0	0	0
	2020-21	56.88	56.88	56.88
	2021-22	29.47	29.47	29.47
	2022-23	35.00	20.25	20.25
Urban Renewal Programme	2018-19	0.29	0.29	0.29
	2019-23	0	0	0
Construction of Multilevel parking at Bathinda	2021-22	26.74	26.74	26.74

Source: Department of Local Government, Punjab

It is evident from above that the State Government released ₹ 360.00 crore in 2022-23 under Municipal Development Fund. However, the ULBs used only ₹ 281.87 crore, resulting in non-utilisation of ₹ 78.13 crore. Similarly, out of ₹ 35.00 crore released in 2022-23 under cow cess, only ₹ 20.25 crore was utilised, leaving unspent amount of ₹ 14.75 crore. For other schemes viz. Punjab Municipal Service Improvement Project, Amritsar Sewerage and Pollution Prevention in River Satluj, there was no allocation or limited utilisation.

The Department of Local Government assured (August 2024) to provide the appropriate reply. However, despite lapse of about 14 months and subsequent audit query (September 2025), no response has been received so far.

5.6.2 Own resources

As per Section 90 of the PMC Act, 1976 and Section 61 of the PM Act, 1911, M.Corps and MCs/TCs can impose the various taxes in their respective areas. Further, Section 76 of the PMC Act, 1976 and Section 51 of the PM Act, 1911, provide for the establishment of the Corporation Fund and Municipal Fund, respectively, into which all money received by or on behalf of the ULBs would be credited. ULBs receipts from various sources or components of own revenues pertaining to the period 2018-23 are as given below:

Table 5.8: Components of ULBs' own sources

Sources of funds	(₹ in crore)									
	2018-19		2019-20		2020-21		2021-22		2022-23	
	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual	Estimated	Actual
Municipal tax	107.85	72.72	153.67	66.17	142.16	95.52	110.49	40.38	114.45	29.35
Property tax	336.19	270.63	373.28	303.80	429.21	270.25	335.83	284.55	317.45	400.59
Octroi on electricity	25.39	8.59	0	0	0	0	0	0	0	0
Punjab Municipal Fund ²	1,879.5	1,834.05	1,979.20	1,535.13	1,748.80	1,833.70	1,997.20	2,010.29	2,432.50	1,918.09
Water and Sewerage charges	230.39	139.29	236.91	150.98	236.56	174.33	225.99	117.42	139.48	154.95

² Punjab Municipal Fund: a fund created under the Punjab Municipal Fund Act, 2006 for the purpose of providing financial compensation to Municipalities, post abolition of Octroi.

Audit Report on Local Bodies for the period ended March 2023

Sources of funds	2018-19		2019-20		2020-21		2021-22		2022-23	
	Estimated	Actual								
Advertisement fees	46.75	30.79	84.69	45.12	68.52	10.52	41.22	37.45	49.09	38.01
Tehbazari	61.09	38.61	60.01	39.18	53.36	48.23	47.71	33.34	50.89	44.34
Building application fees	238.26	228.99	266.35	229.58	283.45	280.40	289.90	440.24	414.25	458.35
Auction money grant	185.80	142.87	206.99	0	204.14	170.73	198.24	157.05	207.25	126.30
Sale of property	143.65	10.04	171.09	28.29	133.77	13.61	180.70	41.85	118.18	14.48
Bus Adda fees	11.54	10.71	11.77	10.12	11.10	3.32	8.84	6.66	9.11	8.58
License fees	9.59	5.61	11.53	4.72	10.47	5.16	8.79	5.37	8.28	6.06
Bank interest	14.42	15.04	13.91	22.79	20.13	25.73	16.94	23.56	19.35	25.17
Others	144.69	129.77	193.17	147.02	196.19	109.09	194.58	191.11	196.85	196.20
Total	3,435.10	2,937.71	3,762.60	2,582.89	3,537.86	3,040.59	3,656.43	3,389.27	4,077.13	3,420.47

Source: Department of Local Government, Punjab

From the above table, it is evident that the actual revenue collected by the ULBs from various components of own sources was significantly less than the estimated revenue, particularly in case of property tax, water and sewerage charges, Tehbazari, auction money etc. This highlights the need for organised assessment of revenue, improved collection methodology, periodic monitoring and reviews of collections etc. so as to improve the collection of own revenues of ULBs and thereby reducing their dependence on the Government grants and other sources of funds.

5.6.3 Expenditure of Urban Local Bodies

The expenditure of ULBs can be divided into major categories *viz.* salaries and wages, contingencies, committed and non-committed expenditure, operation and maintenance, repayment of loan and interest. Details of expenditure incurred by ULBs out of own revenue during period 2018-23 is given below:

Table 5.9: Showing component wise actual expenditure

(₹ in crore)

Categories	2018-19		2019-20		2020-21		2021-22		2022-23	
	Estimate	Exp.	Budget	Exp.	Budget	Exp.	Budget	Exp.	Budget	Exp.
Administration expenditure	1709.69	1579.46	1774.74	1498.80	1707.12	1590.02	1806.43	1731.11	2090.92	2084.12
Contingencies	118.90	107.22	133.03	102.16	118.87	111.89	128.80	139.42	160.85	132.52
Committed expenditure	834.21	573.61	937.15	542.07	872.28	534.98	758.52	554.86	721.73	482.94
Non-committed expenditure	810.60	395.22	1044.24	456.62	1105.28	568.61	1072.90	833.32	1079.16	593.31
O & M	50	49.11	0	0	0	0	0	0	0	0
Repayment of loan and interest	52	51.48	0	0	0	0	0	0	0	0
Total	3575.40	2756.10	3889.16	2599.65	3803.55	2805.50	3766.65	3258.71	4052.66	3292.89

Source: Department of Local Government, Punjab

It is evident from the above table that the actual expenditure was substantially less than the estimated expenditure year on year basis during the period from

2018-19 to 2022-23. The Department of Local Government stated (August 2024) that appropriate reply would be given in due course of time. However, despite lapse of more than 14 months and subsequent audit query (September 2025), no response has been received so far (October 2025).

5.7 Recommendations and release of the State Finance Commission Grants

The Government of Punjab constituted sixth Punjab Finance Commission for Panchayats and Urban Local Bodies in July 2018. The Commission submitted (March 2022) its report, containing *inter-alia* 10 recommendations relating to ULBs, out of which six were accepted by the Government. No action was deemed necessary for two recommendations and two were pending for examination. Position of funds devolved to ULBs as per the recommendations of this Commission is indicated below:

Table 5.10: Allocation and release of State Finance Commission Grants

Recommendations		Year	Total amount	Amount to be devolved to ULBs	Amount devolved
3.5 per cent of State net tax own revenue to be devolved to the panchayats and the municipalities (45 per cent to ULBs)	1	2021-22	1316.00	592.20	0.00
	2	2022-23	1353.00	608.85	
Grant-in-Aid (16 per cent share of Addl. excise duty on MFL + assessed fee on Beer + 10 per cent auction from PML)	3	2021-22	323.00	193.00	180.00
	4	2022-23	338.00	203.00	148.26
Entire proceed (100 per cent) of 'Tax on Professions, trades, calling and employment' in T-1	5	2021-22	0.00	0.00	0.00
	6	2022-23	157.00	126.00	
Total for 2021-22 (1+3+5)				785.20	180.00
Total for 2022-23 (2+4+6)				937.85	148.26

Source: Department of Local Government, Punjab

The State Government has not released all the amount of grants to the ULBs as per recommendations of 6th Finance Commission. The short release ranged between 6.74 per cent and 100 per cent.

On being pointed out (August 2024), the department stated that appropriate reply would be given in due course of time. However, despite lapse of more than 13 months since assurance of August 2024 and follow up (September 2025), no update has been received so far.

5.8 Recommendations of the Central Finance Commission (CFC) and utilisation of CFC Funds

Article 280(3)(c) of the Constitution of India mandates the Central Finance Commission to recommend measures to augment the Consolidated Fund of the State to supplement the resources of Municipalities based on the recommendations of the respective State Finance Commission.

The 14th CFC classified the grants as Basic Grants and Performance Grants in

the ratio of 80:20, whereas the 15th CFC categorised the ULBs, based on population, into Million Plus Cities (MPCs), which are eligible for 100 *per cent* grants are performance-linked through the MPC Challenge Fund (MCF); and Non-Million Plus Cities (NMPCs), eligible for Tied and Untied grants.

As per the operational guidelines, 14th CFC (Para 17) required the State Governments to transfer grants to ULBs within 15 working days of receipt from Government of India (GoI), while the 15th CFC (Para 4) mandated the grants transfer within 10 working days. The year-wise position of CFC grants during the 2018-23 period is depicted below:

Table 5.11: Allocation and release of Central Finance Commission Grants

(₹ in crore)

Nature of grant	2018-19 (14 th FC)		2019-20(14 th FC)		2020-21 (15 th FC)		2021-22(15 th FC)		2022-23(15 th FC)	
	CFC allocation	Actual release	CFC allocation	Actual release	CFC allocation	Actual release	CFC allocation	Actual release	CFC allocation	Actual release
Basic	435.68	427.86	588.69	581.62	0	0	0	0	0	0
Performance	123.63	0	161.89	0	0	0	0	0	0	0
MPC-Air quality	0	0	0	0	90.00	90.00	45.00	33.75	47.00	35.25
MPC-SWM	0	0	0	0	90.00	90.00	90.00	90.00	93.00	93.00
NMPC-Tied	0	0	0	0	244.00	244.00	222.00	222.00	229.80	229.80
NMPC-Untied	0	0	0	0	244.00	244.00	148.00	148.00	153.20	153.20
Total	559.31	427.86	750.58	581.62	668.00	668.00	505.00	493.75	523.00	511.25

Source: Data provided by the Department of Local Government, Punjab

It is evident from the above that the ULBs did not receive the Performance Grants of the 14th CFC in the years 2018-19 and 2019-20, though they largely received basic grants. Further, under the 15th CFC (2020-23), the ULBs received grants largely in line with allocations, except for minor shortfalls of ₹ 11.25 crore (2021-22) and ₹ 11.75 crore (2022-23), attributable to partial release of performance-linked grants for MPCs.

Further, despite the mandate to transfer the grants of the 14th CFC and 15th CFC to ULBs within 15/10 working days of receipt from GoI, the State Government delayed the release of the grants to ULBs upto 157 days and paid interest of ₹ 18.02 crore on delayed transfers.

The Department of Local Government accepted the delay in transferring grants to ULBs and attributed the same to (i) non-release of grants by GoI for ULBs where elected bodies were not constituted, (ii) non-release of Performance Grants for 2018-19 and 2019-20 to any State and allocation of only 75 per cent of allocated grant in 2021-22 and 2022-23 due to non-achievement of the highest outcome scores.

While the State largely complied with CFCs grant utilisation, delays in transfer to ULBs and failure to qualify for performance grants indicate gaps in governance and capacity at both State and ULB levels, resulting in delayed

availability of funds to ULBs.

5.9 Maintenance of records

The ULBs were required to maintain certain records including Cash Book, Stock Register and Demand & Collection Register etc. Further, as required under clause 2.1 (ix) of the Standard Operating Procedure, 2018 (SOP), none of the audited ULBs had maintained the prescribed Estimate History Register containing details such as estimate number, name of the work, estimated cost, original/maintenance, date & authority of technical sanction, resolution number & date of administrative approval, tender details, allotment records, name of the executing agency and final expenditure. On being pointed out in the audit, 11 ULBs stated (August 2023 to March 2024) that the requisite registers would be maintained.

5.10 Maintenance of accounts by ULBs

As per Chapter 5.1 of Punjab Municipal Accounts Manual, ULBs were required to maintain books of accounts to record transactions for each financial year including Cash Book (Form AC-I), Journal Book (Form AC-II), Ledger form (AC-III), Subsidiary Ledger (AC-VI), Vouchers and Payment Vouchers (GEN-21). As per clause 28.1, ULBs were required to prepare annual financial statements including Balance Sheet, Income and Expenditure account, Receipt and Payment account and Statement of Cash Flows. The ULBs were maintaining the Cash Book, Payment Vouchers, annual financial statements etc.

5.11 Audit of Accounts maintained by Urban Local Bodies

As per Section 176(2) of the Punjab Municipal Corporation Act, 1976, the ELFA was required to conduct an audit of Municipal Corporations. Further, audit of Municipal Councils and Town Councils was to be conducted annually or half-yearly, as the Government may direct. Position of audits of Municipal Corporations and Municipal Councils/Town Councils conducted by ELFA during 2018-23 is given below:

Table 5.12: Position of audit conducted by ELFA

Year	No. of units planned for audit	No. of units audited	Shortfall in units audited	Percentage of shortfall
2018-19	63 ³	66 ⁴	00	0.00
2019-20	59 ⁵	45 ⁶	14	23.72
2020-21	40 ⁷	31 ⁸	09	22.50
2021-22	20 ⁹	17 ¹⁰	06	30.00

³ 10 M.Corps 53 MCs/TCs.

⁴ 10 M.Corps 56 MCs/TCs.

⁵ 10 M.Corps 49 MCs/TCs.

⁶ 10 M.Corps 35 MCs/TCs.

⁷ 10 M.Corps 30 MCs/TCs.

⁸ 10 M.Corps 21 MCs/TCs.

⁹ 6 M.Corps 14 MCs/TCs.

¹⁰ 9 M.Corps 8 MCs/TCs.

Audit Report on Local Bodies for the period ended March 2023

Year	No. of units planned for audit	No. of units audited	Shortfall in units audited	Percentage of shortfall
2022-23	24 ¹¹	19 ¹²	05	20.83

Source: Information supplied by Examiner, Local Fund Accounts, Punjab

The ELFA attributed (March 2024) the shortfall in the audit of ULBs to the diversion of staff for the audit of PRIs and the shortage of staff.

Regarding certification of accounts of ULBs, the Department of Local Government stated (January 2025) that there was no provision in the Municipal Acts for certification of accounts of ULBs. The auditor's opinion on the financial statements, is provided by Chartered Accountants, as and when required, through their audit report and findings.

The matter was referred to the Government (September 2024), their reply was awaited (September 2025)

¹¹ 9 M.Corps, 15 MCs/TCs.

¹² 9 M Corps, 10 MCs/TCs.