

## CHAPTER IV OVERVIEW OF URBAN LOCAL BODIES

### 4.1 Introduction

The Constitution of India provided a clear mandate for democratic decentralisation through the Seventy-fourth Constitutional Amendment Act, 1992(CAA). Article 243W authorised the State Legislatures to enact laws to endow Urban Local Bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities. The 74th CAA also introduced the Twelfth Schedule and the matters enumerated therein were identified as functions which could be entrusted to ULBs. The Kerala Municipality Act, 1994 (KM Act) was enacted in line with the 74th CAA, endowing ULBs with necessary powers and authority to enable them to function as institutions of self-governments. As of March 2024, there were 87 municipalities and six municipal corporations in the State. District wise number of Urban Local Bodies (ULBs), Population and Per Capita income are given in **Table 4.1**.

**Table 4.1: District wise number of ULBs, urban population and per capita income**

Sl. No.	District	Urban population ( In lakh)	Per capita income (₹) (district)	No. of ULBs	
				Municipality	Municipal Corporation
1.	Thiruvananthapuram	17.72	145214	4	1
2.	Kollam	11.82	180947	4	1
3.	Pathanamthitta	1.32	113425	4	0
4.	Alappuzha	11.48	195817	6	0
5.	Kottayam	5.65	171528	6	0
6.	Idukki	0.52	149686	2	0
7.	Ernakulam	22.34	202863	13	1
8.	Thrissur	20.96	164800	7	1
9.	Palakkad	6.77	130112	7	0
10.	Malappuram	18.17	109422	12	0
11.	Kozhikode	20.73	136648	7	1
12.	Wayanad	0.32	104305	3	0
13.	Kannur	16.41	145441	9	1
14.	Kasaragod	5.09	127641	3	0
	<b>Total</b>			<b>87</b>	<b>6</b>

(Source:- Economic Review-2023 and Thadheshakam issued by LSGD).

### 4.2 The Status of devolution of Functions and Functionaries

The Twelfth Schedule of the Constitution consists of 18 functions pertaining to the ULBs. The KM Act envisaged transfer of functions of various Departments of the Government to LSGIs, together with the staff to carry out the functions transferred. Government of Kerala (GoK) transferred (September 1995) 14 of these functions to ULBs. Functions viz., regulation of land use and construction

of buildings, water supply for domestic, industrial and commercial purposes, fire service and Urban forestry, environmental protection and promotion of ecological aspects have not been transferred to ULBs (March 2024). Though 14 of the 18 matters in the Twelfth Schedule of the Constitution were transferred, there was no documented mapping correlating the items listed under General, Mandatory and Sector-wise functions in the First Schedule of KM Act, with the Twelfth Schedule of the Constitution. Audit noticed that ULBs were fully responsible for only seven out of 14 functions transferred and had limited/no role with regard to seven functions as detailed in **Table 4.2**.

**Table 4.2: Status of devolution of functions to ULBs**

Sl.No.	Responsibilities	Functions
1	Full jurisdiction/ Major role	<ol style="list-style-type: none"> <li>1. Slum improvement and upgradation</li> <li>2. Roads and bridges</li> <li>3. Urban poverty alleviation</li> <li>4. Burials and burial grounds, cremations, cremation grounds and electric crematoriums</li> <li>5. Vital statistics including registration of births and deaths.</li> <li>6. Public amenities including street lighting, parking lots, bus stops and public conveniences.</li> <li>7. Regulation of slaughterhouses and tanneries</li> </ol>
2	Limited role	<ol style="list-style-type: none"> <li>1. Urban planning including town planning.</li> <li>2. Planning for economic and social development.</li> <li>3. Public health, sanitation conservancy and solid waste management</li> <li>4. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.</li> <li>5. Provision of urban amenities and facilities such as parks, gardens, playgrounds.</li> <li>6. Promotion of cultural, educational and aesthetic aspects</li> <li>7. Cattle pounds; prevention of cruelty to animals</li> </ol>
3	Not transferred	<ol style="list-style-type: none"> <li>1. Regulation of land use and construction of buildings.</li> <li>2. Water supply for domestic, industrial and commercial purposes</li> <li>3. Fire services</li> <li>4. Urban forestry, protection of the environment and promotion of ecological aspects.</li> </ol>

*(Source: Details furnished by Principal Directorate, LSGD)*

#### **4.2.1 Parallel implementation of schemes transferred to ULBs by Government Departments**

Audit observed that the schemes relating to the transferred functions, which were included in the Annual Plans of ULBs, were implemented in a parallel manner by the Department concerned also. Schemes relating to development of the Scheduled Castes/ Scheduled Tribes taken up by ULBs were implemented in a parallel manner by Scheduled Caste Development Department with department funds. Marriage assistance for SC women, providing laptops to SC/STs, etc., were seen implemented by both ULBs and SC/ST Development Departments. Parallel implementation of schemes by Government resulted in

beneficiary selection by departmental officers for departmental schemes implemented in ULBs. The beneficiary lists prepared by departmental officers were not subject to scrutiny by Ward Committees/Ward Sabhas and for that reason, such selection was vulnerable to the risk of duplication of beneficiaries.

Implementation of schemes of similar nature relating to the transferred functions by ULBs and Government in a parallel manner may also result in lack of accountability of ULBs and departments towards effective implementation of schemes. Further, Departments continuing to implement programmes on devolved functions go against the spirit of decentralisation, reducing the autonomy of ULBs.

#### **4.2.2 Incomplete Transfer of functionaries**

For efficient discharge of transferred functions, the LSGIs require qualified and trained personnel. Government transferred (September 1995) institutions under 10 departments to implement schemes for matters enumerated in Twelfth schedule of Constitution. However, the transfer was not performed in a complete manner. Audit noticed that though Senior Co-operative Inspector was transferred to Municipalities/Municipal Corporations, his service was not available to the ULBs. Against the requirement of 89 clerical posts assessed (July 2000) in ULBs, there existed a shortage of 61 personnel (March 2024).

Although, 74<sup>th</sup> Amendment of the Constitution had granted sufficient autonomy to Urban Local Bodies, ULBs were not completely free from governmental control. Transfer of functions, functionaries and institutions concerned to ULBs were not completed despite the passage of over 25 years since the Constitutional Amendment.

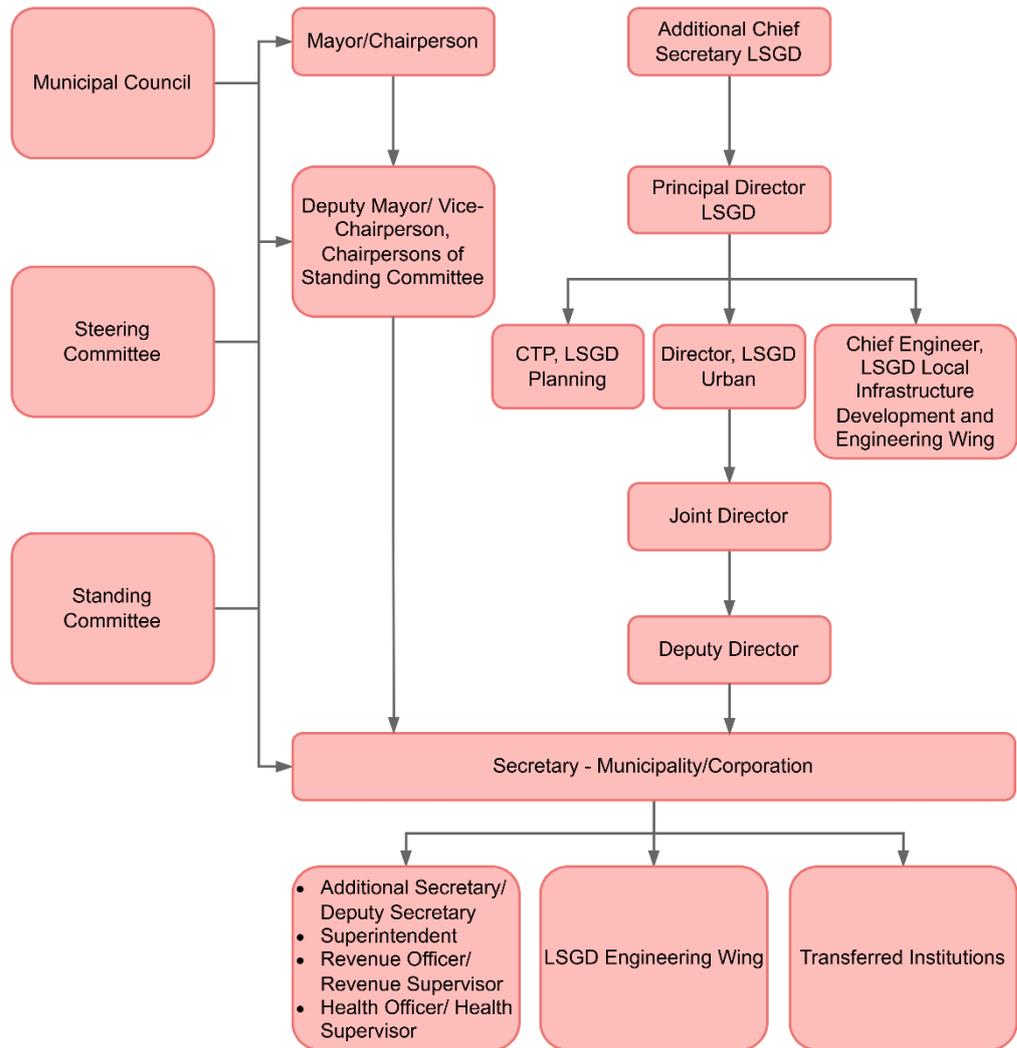
Fourth State Finance Commission observed that there was no clarity in the relationship between LSGIs and State Government including parastatals performing functions assigned to local governments and this should be laid down clearly. Though the recommendation was accepted by Government and the State Finance Commission Cell was to initiate further action, no action was taken in this regard (March 2024).

### **4.3 Organisational setup of ULBs**

The Local Self Government Department (LSGD), headed by the Additional Chief Secretary to Government, is the nodal department for the governance of all ULBs. LSGD is empowered to issue general guidelines to LSGIs in accordance with the National and State policies in matters such as finance, maintenance of accounts, office management, formulation of schemes, environmental regulations etc.

The Chairperson/Mayor is the Head of ULBs. Each ULB has a Secretary who is the Chief Executive Officer. The Councillors of ULBs elect the Chairperson/Mayor, Vice-Chairperson/Deputy Mayor and Chairpersons of the Standing Committees. Organogram at Government level and at ULB level is given in **Chart 4.1**.

**Chart 4.1: Organogram of ULBs**



#### 4.4 Formation of various Committees

The KM Act has envisaged constitution of various committees for effective discharge of the function assigned to the ULBs. Section 20 of the Kerala Municipality Act prescribed for constitution of Standing Committees in every ULB and section 23 dealt with constitution of Steering Committees.

##### Standing Committees

Standing Committees are to analyse issues and proposals before they are considered for decision by the Municipal Councils. There are six<sup>34</sup> Standing Committees for each Municipality and eight<sup>35</sup> Standing Committees for each Corporation. Members of the Standing Committees are elected under the guidance, supervision and control of State Election Commission. The

<sup>34</sup> (1) Standing Committee for Finance, (2) Standing Committee for Development, (3) Standing Committee for public works. (4) Standing Committee for Health (5) Standing Committee for Education, Arts and Sports (6) Standing Committee for Welfare

<sup>35</sup> (1) Standing Committee for Finance, (2) Standing Committee for Development, (3) Standing Committee for public works. (4) Standing Committee for Health (5) Standing Committee for Education, Arts and Sports (6) Standing Committee for Welfare. (7) Town Planning (8) Tax Appeal

Chairpersons of the Standing Committees except that of the Standing Committee for Finance are elected by the members of the respective Standing Committees from among themselves. Deputy Chairperson is the ex-officio member and Chairman of the Standing Committee for Finance. The Standing Committees have the power to make resolutions in respect of their subjects. Every resolution passed by the Standing Committees needs to be placed in the next meeting of the Municipal Council of the ULBs. The Council can modify resolutions, if considered necessary.

### **Steering Committee**

According to Section 23 of KM Act, it is the responsibility of the Steering Committee to co-ordinate and monitor the functions of the Standing Committees and to perform such other powers and functions assigned to it by the Corporation/Municipality. The Steering Committee consists of the Chairperson of the LSGI and Chairpersons of all Standing Committees. The Secretary shall attend the meeting of the Steering Committee.

### **The Ward Committees/Ward Sabhas**

Ward Sabhas, in the case of Municipalities where population is less than one lakh and Ward Committees, where population exceeds one lakh, play an important role in the planning process. They decide the priorities in planning and select beneficiaries for the beneficiary oriented schemes. Ward Committees should comprise of at least 55 to 60 members from residents' associations, neighbourhood groups, political parties, heads of educational institutions, professionals, commercial establishments, etc., so as to broadly represent all categories of people in the ward. For Ward Committees, one-fifth of total members and for Ward Sabhas one tenth of total number of voters in the ward is the quorum prescribed for their meetings.

## **4.5 Response to Audit Observations**

The Handbook of Instructions for Speedy Settlement of Audit Objections/Inspection Reports(IRs)/timely disposal of draft audit paragraphs and matters pertaining to the Public Accounts Committee, issued by the State Government in 2010 and 2017 provides for prompt response by the Executive to the IRs issued by the Accountant General for rectification, in compliance with the prescribed rules and procedures and accountability for the deficiencies, lapses, etc., noticed during audit inspection. The Heads of Offices and next higher authorities are required to comply with the audit observations contained in the IRs, rectify the defects and omissions and promptly report their compliance to the Accountant General within four weeks of receipt of IRs. It was noticed that as of March 2023, 130 IRs (888 paragraphs) were outstanding in ULBs. Year-wise details of IRs and paragraphs outstanding are given in **Appendix 4.1**

### **4.5.1 Discussion of CAG's Audit Report by Legislative Committee**

The pendency in discussion of the paragraphs for ULBs, appeared in the CAG's Audit Report by the Local Fund Accounts Committee is given in the **Table 4.3**.

**Table 4.3: Discussion of CAG’s report by Legislative Committee**

Name of the Audit Report	Year of the Report	Number of paragraphs pending discussion as of June 2024
Report of the CAG of India on ‘Waste Management in Urban Local Bodies (Standalone performance Audit Report)	March 2021 (Report No. 9 of the year 2022)	Chapters IV, V, VI

## 4.6 Accountability Mechanism and Financial Reporting issues

### 4.6.1 Property Tax Board

The Thirteenth Finance Commission mandated constitution of a Property Tax Board in the State. Accordingly, Government issued (February 2011) orders for constituting a Property Tax Board with one chairperson and three members. The Board was to take action to ensure imposition and collection of property tax on all taxable properties, share expertise on valuation and arrange training in this regard to the staff of ULBs. It was to assist all Municipalities and Municipal Corporations in the State to put in place an independent and transparent procedure for assessing property tax, by enumerating all properties within the jurisdiction of ULBs and offering suggestions for a suitable basis for assessment and valuation of properties and their periodic revisions.

Though the Property Tax Board was constituted in the State, the Board has not yet started to function (February 2024).

### 4.6.2 Sources of revenue of Urban Local Bodies

Devolved functions can be carried out effectively by ULBs only when they are supported by sufficient financial resources. Financial resources are obtained through fiscal transfers facilitated by State Finance Commissions and compliance to Central Finance Commission recommendations as well as through increased access to own sources of revenue commensurate with expenditure requirements. The resources of ULBs consist of own revenue such as tax and non-tax revenue, funds devolved by State Government, Government of India (GoI) grants and loans from financial institutions. The State Government provides three types of funds to LSGIs from the Consolidated Fund viz., Grants (General Purpose Fund, Development Fund, Maintenance Fund), Funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes (CSSs). The composition of resources of ULBs for the period 2018-19 to 2022-23 is given in **Table 4.4**.

**Table 4.4: Time series data on resources of ULBs**

Resources	2018-19	2019-20	2020-21	2021-22	2022-23
<b>Own Revenue:</b>					
i. Tax Revenue	795.13	667.34	684.13	824.15	909.27
ii. Non-Tax revenue	130.20	113.56	192.58	240.81	312.17
<b>Total Own Revenue</b>	<b>925.33</b>	<b>780.90</b>	<b>876.71</b>	<b>1064.96</b>	<b>1221.44</b>
<b>State Fund:</b>					
i. Traditional Functions	493.51	351.40	367.76	413.88	385.26

Resources	2018-19	2019-20	2020-21	2021-22	2022-23
ii. Maintenance Expenditure (Road Assets and Non-Road Assets)	442.05	519.15	552.17	633.57	573.06
iii. Expansion and Development	1015.04	890.13	1298.23	1137.03	1236.76
iv. Funds for State sponsored schemes	1162.92	928.24	1156.86	623.31	1275.53
v. State share of centrally sponsored schemes	373.56	281.85	742.68	213.46	566.08
<b>Total State Fund</b>	<b>3487.08</b>	<b>2970.77</b>	<b>4117.70</b>	<b>3021.25</b>	<b>4036.69</b>
<b>GoI grants:</b>					
i. Centrally Sponsored Schemes	1002.39	385.18	284.15	457.47	674.93
ii. Development and expansion (15 <sup>th</sup> FC)	835.53	947.03	1329.85	910.29	745.48
<b>Total GoI</b>	<b>1837.92</b>	<b>1332.21</b>	<b>1614.00</b>	<b>1367.76</b>	<b>1420.41</b>
<b>Receipts from other sources:</b>					
Loans	427.19	530.42	195.03	91.81	20.86
<b>Total Receipts</b>	<b>6677.52</b>	<b>5614.30</b>	<b>6803.44</b>	<b>5545.78</b>	<b>6699.40</b>

(Source: Data collected from Information Kerala Mission, State Finance Commission Cell, Principal Directorate of LSGD, Kerala Urban and Rural Development Finance Corporation (KURDFC), Kerala State Poverty Eradication Mission (Kudumbashree))

- During 2022-23, of the total receipts, the percentage share of State, Central, Own revenue, receipts from loans and other sources was 60.25 per cent, 21.20 per cent, 18.23 per cent and 0.31 per cent, respectively.
- The share of GoI grant to total receipts decreased from 27.52 per cent in 2018-19 to 21.20 per cent in 2022-23.
- The share of State grants to total receipts ranged from 52.22 per cent to 60.52 per cent during 2018-19 to 2022-23.

### 4.6.3 Expenditure incurred by ULBs against the funds allocated by GoK

The State Government provides three types of funds viz., General purpose fund, Development fund and Maintenance fund to LSGIs from the Consolidated Fund of the State on the basis of the recommendations of State Finance Commissions. Appendix IV to the Detailed Budget Estimates of the Government gives the LSGI-wise allocation of funds. Details of funds released and expenditure incurred during 2022-23 are given in **Table 4.5**.

**Table 4.5: Expenditure incurred by ULBs during 2022-23**

Sl. No.	Category of Fund	Head of Account	Amount Authorised	Expenditure	Unspent balance
1	General purpose fund	3604-00-200-83 (01, 02)	385.26	384.88	0.38
2	Maintenance fund (Non-road)	3604-00-200-82 (01, 02)	244.27	191.59	52.68
3	Maintenance fund (Road)	3054-80-191-37, 3054-80-192-37	328.79	220.97	107.82
4	Expansion and Development	3604-00-200-81 (01,06,11,02, 07,12)-35	1236.76	1012.66	224.10
	<b>Total</b>		<b>2195.08</b>	<b>1810.10</b>	<b>384.98</b>

(Source: Government Orders, Voucher Level Computerisation figures)

Out of the total allotment of ₹1809.82 crore towards Development and Maintenance funds, ₹384.60 crore (21.25 per cent) lapsed at the end of the financial year.

#### 4.6.4 Application of Resources

In terms of activities, total expenditure constitutes expenditure on Productive Sector, Infrastructure Sector, Service Sector and other expenditure<sup>36</sup>. Development expenditure of ULBs from all sources of funds during the period from 2018-19 to 2022-23 is given in Table 4.6.

Table 4.6: Application of Resources by ULBs

(₹ in crore)						
Sector	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Productive Sector	81.37	52.69	155.56	97.79	124.34	511.75
Infrastructure Sector	857.93	670.25	1251.70	1132.11	1296.20	5208.20
Service Sector	754.20	420.53	1117.39	627.40	587.56	3507.08
<b>Total Development Expenditure</b>	<b>1693.50</b>	<b>1143.47</b>	<b>2524.65</b>	<b>1857.30</b>	<b>2008.10</b>	<b>9227.03</b>

(Source: Details furnished by IKM)

- The total development expenditure for the years 2018-19 to 2022-23 was ₹9227.03 crore from all sources of fund and the percentage of expenditure on productive sector, infrastructure sector and service sector were 5.55 per cent, 56.44 per cent and 38.01 per cent respectively.
- The amount spent on productive sector ranged from 4.61 per cent (2019-20) to 6.19 per cent (2022-23), indicating that the ULBs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc.

#### 4.6.5 Implementation of projects by ULBs

Details of projects formulated, taken up, completed and expenditure incurred are given in Table 4.7.

Table 4.7: Details of projects taken up and expenditure incurred (2018-19 to 2022-23)

Year	Type of LSGI	Number of projects			Amount (₹ in crore)		Expenditure on completed projects	Percentage of utilisation on total outlay of projects formulated
		Formulated	Taken up	Completed	Outlay of projects formulated	Expenditure on projects taken up		
2018-19	Municipality	30802	19382	16147	2448.17	1036.54	808.96	42.34
	Corporation	7897	4412	3257	1436.03	656.17	431.87	45.69
2019-20	Municipality	32661	13898	9226	2475.11	728.02	452.16	29.41
	Corporation	8467	2808	1566	1552.44	416.48	211.54	26.83
2020-21	Municipality	34400	24140	20115	2712.26	1441.43	1129.82	53.14
	Corporation	8599	6245	5175	1912.69	1073.47	781.09	56.12
2021-22	Municipality	18335	12270	9144	1479.83	840.00	607.12	56.76

<sup>36</sup> Salaries and honorarium, contingency expenditure, other administrative expenditure, terminal benefits, etc.

Year	Type of LSGI	Number of projects			Amount (₹ in crore)		Expenditure on completed projects	Percentage of utilisation on total outlay of projects formulated
		Formulated	Taken up	Completed	Outlay of projects formulated	Expenditure on projects taken up		
	Corporation	4306	2542	1953	1106.26	527.69	418.72	47.70
<b>2022-23</b>	Municipality	20731	12447	9234	1652.29	850.98	610.05	51.50
	Corporation	5608	2852	1897	1381.66	607.09	431.53	43.94
	<b>Total</b>	<b>171806</b>	<b>100996</b>	<b>77714</b>	<b>18156.74</b>	<b>8177.87</b>	<b>5882.86</b>	<b>45.04</b>

(Source: Details furnished by IKM)

- Against projects formulated, projects taken up for implementation ranged from 43 per cent to 70 per cent in Municipalities and 33 per cent to 73 per cent in Corporations.
- Against projects taken up for implementation, percentage of completed projects ranged from 66 per cent to 83 per cent in Municipalities and 56 per cent to 83 per cent in Corporations.
- With reference to the outlay of projects formulated, the percentage of utilisation of fund ranged from 29 per cent to 57 per cent in Municipalities and 27 per cent to 56 per cent in Corporations.

#### 4.7 Recommendations of the State Finance Commission (SFC) and utilisation of SFC Funds

##### 4.7.1 Constitution of SFCs

Article 243-Y envisaged that the Finance Commission constituted to review the financial position of Panchayats should also review the financial position of Municipalities. The first SFC was constituted on 23 April 1994, covering the period 1996-2001. Since then, six SFCs have been constituted in the State (December 2023).

##### 4.7.2 Recommendations of the State Finance Commission (SFC)

The status of acceptance and implementation of recommendations of fifth and sixth SFCs by Government are given in **Table 4.8**.

**Table 4.8: Status of acceptance and implementation of recommendations of SFCs by Government**

SFC	Period	Total no. of recommendations	Accepted by GoK	Deferred	Not accepted	Partially accepted	Implemented
Fifth SFC	2016-17 to 2020-21	103	74	3	26	0	36
Sixth SFC	2021-22 to 2025-26	136	109	3	20	4	44

(Source: Action Taken Reports on the Reports of State Finance Commissions and Part I and Part II of the Report of the Sixth SFC)

Out of the 74 accepted recommendations of fifth SFC, only 36 recommendations have been implemented by the State. Of the 109

recommendations of sixth SFC, only 44 recommendations have been implemented (December 2024).

### 4.7.3 Status of transfer of funds and sharing of revenue between State and ULB

The SFCs had recommended for providing Development funds, Maintenance funds and General purpose funds to LSGIs. The major share of financial resources of ULBs comprised grants recommended by SFCs. SFC allocation accepted by the State and funds released to ULBs during the period 2018-19 to 2022-23 are given in **Table 4.9**:

**Table 4.9: Details of SFC grants due and released during 2018-19 to 2022-23**

(₹ in crore)

Year	SFC allocation as accepted by State	Actual allocation in Budget-Appendix IV	Actual release from Finance Department GoK <sup>37</sup>	Short (-) / Excess (+) release	Percentage of short (-) / Excess (+) release
2018-19	1719.33	1948.19	1950.59	(+) 231.26	(+) 13.45
2019-20	1706.46	1706.46	1760.68	(+) 54.22	(+) 3.18
2020-21	1864.49	1881.63	2218.16	(+) 353.67	(+) 18.97
2021-22	1964.19	2070.79	2184.48	(+) 220.29	(+) 11.22
2022-23	2152.85	2192.97	2195.07	(+) 42.22	(+) 1.96
<b>Total</b>	<b>9407.32</b>	<b>9800.04</b>	<b>10308.98</b>	<b>(+) 901.66</b>	<b>(+) 9.58</b>

(Source: Data furnished by SFC Cell, Finance Department)

#### 4.7.3.1 The delayed release/short release of SFC allocation

According to Government instructions (March 2015), Finance Department was to issue orders of allotment of funds for a financial year in three instalments on or before 25 of March, July and November every year and the LSGIs were to utilise the funds with effect from the first working day of the next month. The funds not drawn up to 31 March of a financial year would lapse automatically. Audit observed that there was delay up to 80 and 42 days in the allotment of Development funds and Maintenance funds respectively during 2022-23. Delayed release of funds reduced the time available to LSGIs for utilising these funds.

### 4.8 Recommendation of the Central Finance Commission (CFC) and utilisation of CFC Funds

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

While 14<sup>th</sup> CFC recommended for providing of Basic grant and Performance grant to ULBs, 15<sup>th</sup> CFC recommended for providing untied Basic Grant and Tied Grant. The details of 14<sup>th</sup> and 15<sup>th</sup> CFC grants received by ULBs in the State during the audit period are shown in **Table 4.10**:

<sup>37</sup> Includes re-authorisation of unspent balances of previous year

**Table 4.10: Details of Fourteenth and Fifteenth CFC grants received by ULBs in the State during 2018-19 to 2022-23<sup>38</sup>**(*₹ in crore*)

Year	General Basic Grants			Performance/Tied Grants			Utilisation
	Allocation by GoI	Release by GoI to State	Release from State to ULBs	Allocation by GoI	Release by GoI to State	Release from State to ULBs	
2018-19	650.84	650.84	650.84	184.69	0	184.69	476.45
2019-20	879.42	879.42	879.42	241.83	0	0	248.64
2020-21	222.50	222.50	222.50	561.50	561.50	561.50	760.64
2021-22	134.40	134.40	134.40	457.60	457.60	457.60	484.88
2022-23	139.20	139.20	139.20	473.80	473.80	473.80	509.31
<b>Total</b>	<b>2026.36</b>	<b>2026.36</b>	<b>2026.36</b>	<b>1919.42</b>	<b>1492.90</b>	<b>1677.59</b>	<b>2479.92</b>

*(Source: Data furnished by SFC Cell, Finance Department)*

Though Performance grant of ₹426.52 crore was due for the years 2018-19 and 2019-20, GoI had not released the same till date. Of ₹426.52 crore, State released ₹184.69 crore to ULBs.

#### 4.9 Maintenance of Records

Reports/returns prescribed in the KM Act for submission to Government by ULBs are given in **Table 4.11**.

**Table 4.11: Submission of reports/returns by ULBs**

Names of the reports/returns prescribed as per Act/Rules	To whom submitted	Rule Provision
Budget	The Government and the DPC	KM Act-289
Development plans	DPC	KM Act-69(1)
Annual Administration report	The Government for placing it in the Legislature	KM Act-63
Annual Accounts	Local Fund Examiner- KSAD	KM Act-295

#### 4.10 Maintenance of Accounts by ULBs

Saankhya double entry (accrual based) accounting system is being followed by ULBs in the State from 2007-08. Saankhya double entry accounting system is based on National Municipal Accounts Manual, 2004 (NMAM) prescribed by Ministry of Housing Urban Development (MoHUA) and accepted by Government. The accounts are prepared in Saankhya software, developed by GoK through Information Kerala Mission (IKM), and Annual Financial statements are submitted to Statutory Auditor, the Kerala State Audit Department (KSAD)<sup>39</sup>. According to Kerala Municipality (Accounts) Rules 2007, the Kerala State Audit Department is the responsible authority for Audit of accounts of ULBs. The KSAD, the Primary Auditor has completed the audit

<sup>38</sup> Does not include reauthorisation of unspent balances and Health Sector Grant

<sup>39</sup> Certification of Accounts of ULBs

of all ULBs for the period 2022-23 and have uploaded in City Finance Portal. The accounts of these ULBs up to the period 2022-23 were certified by the statutory Auditor (June 2024).

#### **4.11 Supplementary Audit by CAG**

A total of 10 Accounts<sup>40</sup>, audited by KSAD have been further test-checked by CAG under TGS<sup>41</sup> during the period 2021-22 and 2022-23. Improper accounting of Assets and Liabilities were noticed in nine cases and improper accounting of Income and Expenditure (Receipts and payments) in 10 cases. Non-inclusion of comparative amounts in AFS and non-inclusion of financial/key ratio were noticed in nine and two cases respectively. Details are given in **Appendix 4.2**.

---

<sup>40</sup> Corporation - One, Municipality - Nine

<sup>41</sup> GO(P) No.101/2023/Fin dated 25 September 2023