CHAPTER 6

Overview of Urban Local Bodies

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6.1 Introduction

To provide better amenities to citizens residing in the urban areas of the State and to make these localities clean, beautiful, liveable and developed, 115[25] ULBs comprising 05 Municipal Corporations, 47 Municipalities, and 63 NACs had been set up in the State. These ULBs are classified based on the criteria like population, density of population, revenue generation, percentage of employment in non-agricultural activities, *etc*. A population of not less than ten thousand, twenty-five thousand and three lakhs respectively, are taken as sufficient population for the purpose of specifying NAC, Municipality and Municipal Corporation respectively. While Municipalities and NACs were functioning under the provisions of the Odisha Municipal Act, 1950, Municipal Corporations were functioning under the Odisha Municipal Corporation Act, 2003.

The profile and demography of the urban population in the State are given in **Table 6.1.**

Table 6.1: Urban population in Odisha: key indicators

Indicators	State statistics	Unit
Area	1,55,707	Square km
Total population (Census 2011)	419.74	lakh
Per capita Income (2022-23)	1.45	lakh
Urban population	70.00	lakh
Urban sex ratio	932	Females per 1,000 males
Male literacy	81.59	*Per cent*
Female literacy	64.01	*Per cent*
Urban literacy rate	85.75	*Per cent*
Municipal Corporation	5	*Number*
Municipality	47	*Number*
Notified Area Council (NAC)	63	*Number*

***Source**: Census of India, 2011 and Odisha Economic Survey (2023-24)*

6.2 Functioning of ULBs

The 74th CAA, 1992 added the 12th Schedule, comprising of 18 functions, in the Constitution and mandated that all State Governments operationalise ULBs as units of self-government. States were required to devolve 18 functions and responsibilities to the ULBs, to enable them to function as institutions of local self-government. Accordingly, as per Sections 24 and 26 of the Odisha Municipal Corporation Act, 2003 and Section 374 A in Odisha Municipal Act, 1950, 17 functions were devolved (except for the 'fire services' function) as detailed in ***Appendix 6.1***. ULBs function with widely varying degrees of

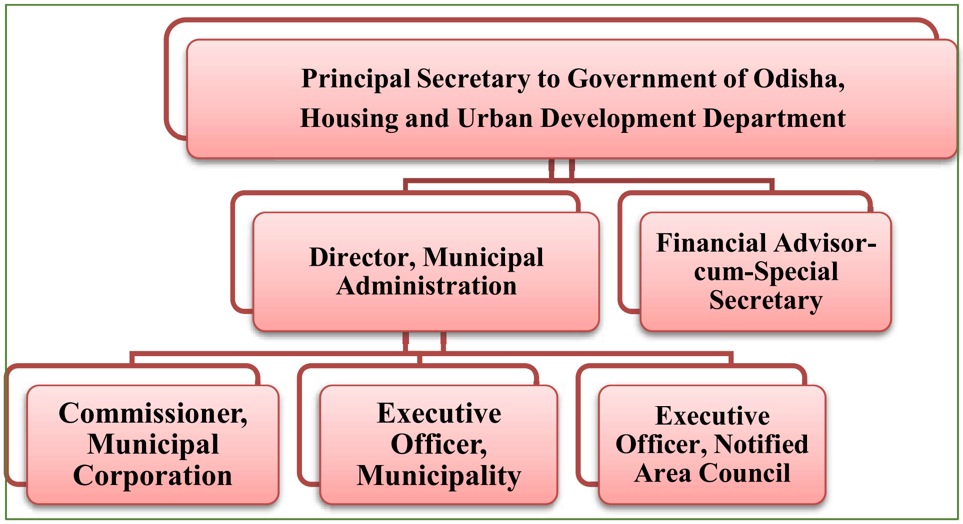
[25] Municipal Corporations: 5, Municipalities: 47, Notified Area Councils: 63

autonomy in discharging their mandated responsibilities.

6.3 Organisational setup of ULBs

The organisational hierarchy of ULBs in Odisha is indicated in ***Chart 6.1***.

Chart- 6.1



Each ULB is divided into several wards, with each ward being represented by a Corporator/ Councillor. The Municipal Commissioner is the executive head of a Municipal Corporation, while an Executive Officer is the executive head of a Municipality or NAC. Both Municipal Commissioners and Executive Officers report to the Director of Municipal Administration, in the Housing and Urban Development (H&UD) Department. The Directorate of Municipal Administration, which is the apex administrative organization, regulates the functioning of all Municipal Corporations, Municipalities and NACs in the State.

While each Municipal Corporation is headed by a Mayor, each Municipality/ Notified Area Council is headed by a Chairperson. The Mayors/Chairpersons are elected directly by the electors of the respective ULBs. The Commissioner/ Executive Officer of the ULBs exercise their powers and perform their duties under the supervision and control of Mayors/ Chairpersons of the ULB.

The structure of the elected bodies of the ULBs is indicated in ***Charts- 6.2 & 6.3***.

Chart 6.2

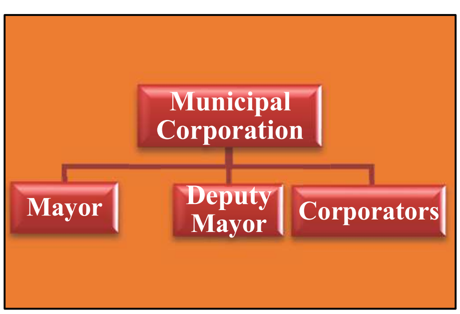
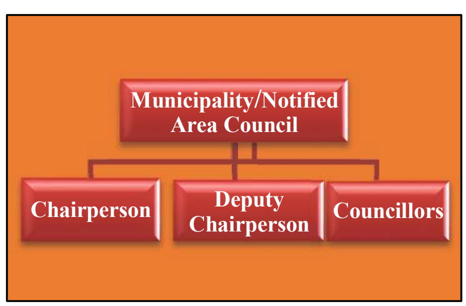


Chart 6.3



6.4 Formation of District Planning Committee

As per Section 62(A) (2) of Odisha Municipal Act 1950, a District Planning Committee (DPC), consisting of 20 members, is to be constituted in each district to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole. Out of the 20 members of the DPC, 16 members are to be formed amongst the elected members of the ZP and elected Councillors of the Municipalities in the district, while the other four members are to be nominated by the State Government, from the following list:

i. A Minister from the State's Council of Ministers, who shall be the Chairperson;
ii. The Collector of the district, who shall be the Member-Secretary.
iii. The Chairperson of the ZP of the district; and
iv. The Chairperson of a Municipality in the district.

Further, in order to ensure that the DPC functions effectively, a DPC fund is required to be created, as per Section 85 of Odisha Town Planning and Improvement Trust Act, 1956, with contributions from the related PRIs and ULBs, for meeting expenses related to the functioning of the DPC. Audit observed that the DPCs had been formed in all the test checked districts.

6.5 Central Valuation Board on Property Tax

As per Section 131(1) (a) of the Odisha Municipal Act, 1950, and Section 192 of the Odisha Municipal Corporation Act, 2003, the ULBs shall have the power to levy property tax on land and buildings. The 13th FC had recommended constitution of a State Level Property Tax Board, to assist the ULBs in putting in place an independent and transparent procedure for assessing property tax. Subsequently, to rationalise property tax, through legislation, by way of introducing the Unit Area-based taxation system, State Government amended (August 2015) Odisha Municipal Corporation Act, 2003 for formation of State Municipal Corporation Valuation Committee (SMCVC), for standardisation of property assessment and valuation across all Municipal Corporations in the State. The H&UD Department did not provide any documentation confirming establishment of these institutional mechanisms.

Without centralized valuation boards, Urban Local Bodies continue conducting property valuation and assessment through their individual systems. Audit found no standardized framework governing property tax assessment procedures across the ULBs in Odisha.

The absence of prescribed institutional mechanisms means property tax assessment practices vary across municipalities without uniform standards or oversight procedures as envisioned by the 13th Finance Commission recommendations.

6.6 Sources of Funds

Urban Local Bodies in Odisha receive funding through multiple channels including Central Finance Commission grants, State Finance Commission allocations, scheme-specific grants, and internally generated revenue. Central government schemes include Pradhan Mantri Awaas Yojana-Urban, AMRUT, Swachh Bharat Mission, and Solid Waste Management programs. Statesponsored initiatives encompass BASUDHA, SUJAL, MUKTA, JAGA Mission, and GARIMA schemes. ULBs generate own revenue through property taxes, trade taxes, rental income, and various fees.

The **Table 6.2** shows total ULB receipts during 2018-19 to 2022-23 ranging from ₹3,372.70 crore to ₹4,858.67 crore.

Table 6.2 Total funds received by the ULBs in the State

(₹ in crore)

Year	CFC	SFC	Schemes[26]	Own Revenue	Total	Increase/ Decrease %
2018-19	292.73	1,196.00	1,620.89	263.08	**3,372.70**	0
2019-20	401.14	1,284.00	1,909.80	317.95	**3,912.89**	16.02
2020-21	1,087.00	1,167.00	1,314.07	315.11	**3,883.18**	-0.76
2021-22	934.67	1,319.00	1,131.87	362.36	**3,747.90**	-3.48
2022-23	889.06	1,380.00	2,133.48	456.13	**4,858.67**	29.64

***Source**: information from the H&UD Department*

Annual variations included increases of 16.02 *per cent* in 2019-20 and 29.64 *per cent* in 2022-23, while decreases occurred in 2020-21 (0.76 *per cent*) and 2021-22 (3.48 *per cent*). Own revenue collections increased from ₹263.08 crore in 2018-19 to ₹456.13 crore in 2022-23, representing 73 *per cent* growth over the five-year period.

As shown in **Table 6.3** below, the major scheme funding totalled ₹8,168.31 crore during the review period, with PMAY-U contributing ₹2,578.87 crore, AMRUT providing ₹1,743.50 crore, and BASUDHA allocating ₹1,407.70 crore.

Table 6.3: Receipt of funds from major schemes during FYs 2018-23

(₹ in crore)

Scheme	2018-19	2019-20	2020-21	2021-22	2022-23	Total
PMAY-U	700.00	400.00	517.76	408.05	553.06	2,578.87
AMRUT	429.11	673.81	26.16	13.10	601.32	1,743.50
SBM	200.00	90.00	300.00	267.74	250.00	1,107.74
SWM	00	400.00	20.00	10.00	00	430.00
BASUDHA	291.78	345.99	350.15	227.98	191.80	1,407.70
SUJAL	00	00	100.00	190.00	220.00	510.00
MUKTA	00	00	00	00	250.00	250.00
JAGA Mission	00	00	00	00	100.00	100.00
GARIMA	00	00	00	15.00	25.50	40.50
Total	**1,620.89**	**1,909.80**	**1,314.07**	**1,131.87**	**2,191.68**	**8,168.31**

***Source**: information from the H&UD Department*

New schemes including SUJAL, MUKTA, JAGA Mission, and GARIMA commenced operations during 2020-21 to 2022-23.

6.7 Recommendations of the SFCs

The 5[th] SFC (2021-26) had endeavoured to assist and advise the State Government in developing the lowest tiers of democratic institutions, as responsible units of local government. Its recommendations related to measures for strengthening the resource base of the Local Bodies, to help them evolve into responsible units of Local Self Governance. The recommendations of the 5[th] SFC (2021-26) were grouped into the following four broad heads:

1. Transfer of funds;

[26] PMAY-U, SWM, AMRUT, SBM, BASUDHA, JAGA Mission, MUKTA, GARIMA, SUJAL

2. Institutional strengthening;
3. Measures needed to enhance the own source of revenue of Local Bodies; and
4. General issues.

The total resource transfer to ULBs, recommended by the 4th and 5th SFCs, for the financial years 2018-19 to 2022-23, is detailed in **Table 6.4**.

Table 6.4: Resource transfer recommended by SFCs

(₹ in crore)

Year	Recommendation	Transfer	Short Transfer
2018-19	1,124.78	1,124.78	0.00
2019-20	1,205.84	1,205.84	0.00
2020-21	1,318.75	1,229.71	89.04
2021-22	1,382.41	1,379.85	2.56
2022-23	1,351.63	1,351.63	0.00

***Source**: information from the H&UD Department*

6.8 Recommendations of the CFCs

Year-wise allocation of grants to ULBs, as recommended by the 14th and 15th CFCs, is given in **Table 6.5.**

Table 6.5: Resource transfer recommended by the CFCs

(₹ in crore)

Year	Recommendation	Transfer	Short Transfer
2018-19	404.16	292.73	111.43
2019-20	542.37	401.14	141.23
2020-21	1,087.00	1,087.00	0.00
2021-22	934.67	934.67	0.00
2022-23	958.55	889.06	69.49

***Source**: information from the H&UD Department*

There was shortfall in release of funds during the years 2018-19, 2019-20 and 2022-23. During 2018-19 and 2019-20 the short receipt was due to non-fulfilment of mandatory criteria for receiving Performance Grants.

6.9 Maintenance of Records

The ULBs maintain their Cash Book in Double Entry Accrual Based Accounting System (DEABAS) in digital mode. Further, records for citizen centric services like building permit approval, property tax, water and sewerage management, trade license, marriage registration, faecal sludge and septage management, *etc.,* are maintained on SUJOG portal. The ULBs also maintain manual registers like Assets Register, Advance Register, Stock Register, Demand Register, Receipt Register, Deposit Register, *etc.*

6.10 Maintenance of Accounts by ULBs

- The State has accepted the guidelines set out in the National Municipal Accounting Manual and developed the Odisha Municipal Accounting Manual.
- The ULBs prepare their accounts which are certified by the Director, Local Fund Audit (DLFA), as per Rule 20 (h) of the Odisha Local Fund Audit Rules, 1951.

- During the FY 2022-23, out of 115 ULBs, the DLFA had certified accounts of 100 ULBs with 60 *per cent* shortfall in case of Municipal Corporations, as detailed in **Table 6.6.**

Table 6.6: Accounts of ULBs certified by DLFA during the FYs 2022-23

Category of ULB	Total ULBs	Accounts of ULBs certified	Accounts of ULBs pending to be certified
Municipal Corporation	05	02	03
Municipality	47	39	08
NAC	63	59	04
Total	**115**	**100**	**15**

***Source**: information furnished by DLFA, Odisha*

6.11 Audit of Accounts maintained by ULBs

The DLFA, under the Finance Department of the Government of Odisha, has been the primary Auditor for the ULBs since 2012. The DLFA conducts departmental/ internal audit of the ULBs of all 30 districts of the State, through 26 District Audit Offices, as per the Odisha Municipal Act, 1950 and Odisha Municipal Corporation Act, 2003. Details of audit coverage by the DLFA during the FYs 2020-23 are given in **Table 6.7**.

Table 6.7: Position of audit of ULBs by DLFA

FY	ULBs planned for Audit	ULBs audited	Shortfall
2020-21	114	106	08
2021-22	64	57	07
2022-23	100	100	00

***Source**: information furnished by DLFA, Odisha*

The Pr. Accountant General scrutinised 24 Inspection Reports (IRs) of ULBs issued by DLFA and suggested inclusion of the following issues in the IRs.

- Linking inadequate inspections to non-completion of projects;
- Economic preparation of estimates following schedule of rates;
- Expenditure within the sanctioned amount;
- Payment of social security assistance with thorough check of eligibility;
- Loss to government for non-compliance to government instructions;
- Analysis of eligibility criteria for provision of Public Distribution System beneficiaries.

No response, on action taken on these suggestions, has been received from DLFA (October 2025).