

CHAPTER - I

AN OVERVIEW OF THE URBAN LOCAL BODIES

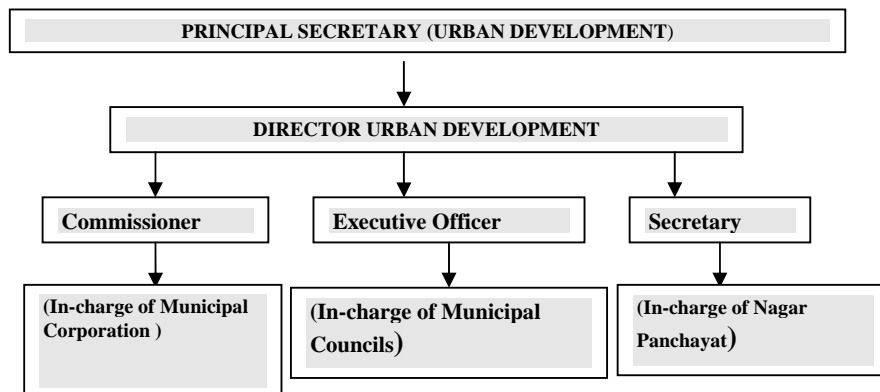
1.1 Introduction

The 74th Constitutional Amendment paved the way for decentralization of powers and transfer of 18 functions as listed in the 12th schedule of the Constitution alongwith funds and functionaries to the local bodies. To incorporate the provision of the 74th Constitutional Amendment, the Himachal Pradesh (Local Self Government) enacted the Himachal Pradesh Municipal Corporation Act, 1994 and Himachal Pradesh Municipal Act, 1994. Prior to enactment of these Acts, the functions listed in the 12th schedule of the Constitution were not devolved upon the ULBs, however the obligatory and discretionary functions were with ULBs.

The Eleventh Finance Commission (EFC) recommended that the Comptroller and Auditor General of India shall be responsible for exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers/levels of Panchayati Raj Institutions and Urban Local Bodies (ULBs). The State Government accordingly allowed (April 2004) the audit of accounts of ULB to be done by the Accountant General according to which Accountant General will be at liberty to conduct audit of such number of ULBs in such manner as it deems fit since all ULBs were in receipt of grants from the consolidated fund of the Centre/State and issue audit/inspection reports. Notification in this regard was also issued by the State Government in October, 2008.

1.2 Organizational Set up.

The Organizational set up of ULBs is as under:-



There is one Municipal Corporation, 20 Municipal Councils (MCs) and 28 Nagar Panchayats (NPs) in the State.

The Mayor heads the Municipal Corporation whereas the President heads both MCs and NPs.

1.3 Powers and functions

To function as institution of self-government and to carry out the responsibilities conferred upon them, the ULBs exercise their powers and functions in accordance with the provisions of the Constitution. Some obligatory functions of the ULBs are as follows:-

- **Water supply for public and private purpose;**
- **Construction and maintenance of sewage and drainage system;**
- **Collection and disposal of solid waste;**
- **Construction and maintenance of streets, bridges, culverts etc;**
- **Construction and maintenance of public latrines, urinals and similar conveniences;**
- **Lighting of public streets and other public places;**
- **Construction and maintenance of markets;**
- **Preventing and checking spread of dangerous diseases including immunization;**
- **Town planning and development including preservation of monuments, places of historical, artistic and other importance;**
- **Overall administration including survey, removal of encroachment, dangerous buildings, registration of births and deaths and pollution control of all kinds.**

Further, the ULBs may at their discretion provide the following services either wholly or partially out of its property and fund:

- **Education;**
- **Sanitation;**
- **Music and other entertainments in public places;**
- **Houses for deaf, dumb, disabled and destitute persons;**
- **Public works relating to relief, care of sick, medical service;**
- **Measure to promote public safety, health, convenience or general welfare.**

The State Government may impose or transfer any such functions and duties of the Government to the ULBs including those performed by the departments.

1.4 Audit Coverage.

Test check of the records of one Municipal Corporation, Shimla, seven¹ MCs and nine² NPs out of 20 MCs and 28 NPs was conducted during 2007-08. The important audit findings are incorporated in the succeeding paragraphs.

1.5 Sources and allocation of Funds.

For execution of various developmental works, the ULBs mainly received funds from the Government of India and the State Government in the form of Grants. The Government of India Grants include Grants assigned under the recommendations of EFC and Twelfth Finance Commission (TFC). The State Government Grants are received through devolution of net proceeds of the total tax revenue under the recommendation of the State Finance Commission (SFC). Besides, the source includes the revenue mobilized by the ULBs in the form of taxes, rent, fees, issue of license, etc.

Position of funds released to the ULBs during 2004-07 is given below:-

Year	Receipts				Total expenditure incurred ³
	State Govt.	Central Govt.	Own revenue	Total	
2004-05	2778.80	56.00	3301.88	6136.68	6392.16
2005-06	2702.10	28.00	3648.03	6378.13	6483.56 ⁴
2006-07	4410.91	81.98	4135.42	8223.50	8223.50
Total	9891.81	165.98	11085.33	20738.31	21099.22

The grants are allocated among the Municipal Corporation, MCs and NPs on the basis of total population and revenue earned by them from their own resources.

1.6 Utilisation of Twelfth Finance Commission Grants.

(i) The TFC has earmarked Rs. 8.00 crore for the ULBs of Himachal Pradesh for the period 2005-2010 with the recommendations to provide at least 50 percent of the grants-in-aid for solid waste management. According to the recommendation, it is mandatory for the State Government to transfer the grants

¹ Hamirpur, Kangra, Nurpur, Parwanoo, Poanta Sahib, Rampur Bushehar & Theog.

² Banjar, Bhuntar, Chowari, Dehra, Daulatpur Chowk, Joginder Nagar, Jubbal, Kotkhai & Rohru.

³ The department has no separate detail of expenditure incurred under revenue and capital.

⁴ More expenditure made as the ULBs received grants from other departments.

released by the Government of India to the ULBs within fifteen days of the amount being credited to the State Accounts.

TFC grants released by the Government of India during the year 2005-06 and 2006-07 are given below:-

(Rs. in lakh)

Sr.No.	Year of release	No. of installments	Amount	Date of credit in State Govt. Account	Date of release of funds to ULBs	Delay
1.	2005-06	1 st	80.00	20-12-2005	18-02-2006	45 days
2.	2005-06	2 nd	80.00	23-03-2006	18-02-2006	---
3.	2006-07	1 st	80.00	20-07-2006	15-11-2006	102 days
4.	2006-07	2 nd	80.00	14-03-2007	17-01-2006	--

The above table would indicate that the State Government has released the first installment of Rs. 80.00 lakh each during the year 2005-06 & 2006-07 to ULBs after 45 days and 102 days after its receipts from Government of India respectively. However, second instalment of Rs. 0.80 crore each for the year 2005-06 and 2006-07 was released in anticipation of its receipt from the Government of India.

(ii) As per TFC guidelines, the funds released should be utilised on priority for implementation of Solid Waste Management Project.

Test check of records of MCs Parwanoo and Poanta Sahib revealed that Director, Urban Development released (*March, 2006*) Rs. 51.29 lakh to each of the MCs for implementation of Solid Waste Management Projects. Of this Rs. 17.93 lakh (Parwanoo: Rs. 5.15 lakh and Poanta Sahib: Rs.12.78 lakh) was spent on Solid Waste Management, leaving unspent amount of Rs. 84.65 lakh (Parwanoo: Rs.46.14 lakh and Poanta: Rs. 38.51 lakh). While MC Parwanoo kept the amount in fixed deposit with UCO Bank, MC Poanta kept the unspent amount in the saving bank account. EO MC Parwanoo stated (*September 2008*) that the amount was lying unspent due to non-availability of suitable land as the land allotted for this project was in slopping site which was not suitable. Besides for seeking some clarifications, the matter was pending with the Director, Urban Development. Now the work is in progress and Rs. 36.14 lakh has been incurred so far (*September 2008*). While EO MC Poanta stated (*September,2008*) that land provided by Deputy Commissioner Sirmour for implementation of Solid Waste Management Project was out of MC area and villagers of that area have objected for development of the site, as such the work

could not be started. However, to finalise the site the matter has now been taken with the State Government.

1.7 Audit Arrangement.

The recommendations of EFC stipulate that the Comptroller and Auditor General of India shall be responsible for exercising control and supervision over proper maintenance of the accounts of ULBs and their audit.

The audit of ULBs is being conducted by the Director Urban Development through Local Audit Department. The Accountant General also conducts test audit under Technical Guidance and Supervision as per recommendations of EFC. For this purpose the State Government has given executive orders only but has not issued any notification for this purpose.

1.8 Pending of Audit objections.

The Commissioner/Executive Officer/Secretary of the Municipal Corporation, MC and NP respectively having administrative powers are required to comply with the observations contained in the Inspection Reports (IRs) issued by this office and rectify the defects/omissions and report their compliance to settle the observations. The detail of IRs and paragraphs outstanding as on 31st March 2008 are given below:-

Year of issue	No. of IRs issued	No. of outstanding paragraphs
2006-07	15	183
2007-08	17	207

1.9 Internal Audit of Urban Local Bodies

Under the provisions of Municipal Corporation and Municipal Committees Acts, 1994, the accounts of local body shall be audited by a separate and independent agency.

The Local Audit Department under the direct control of Director, Urban Development conducts internal audit of ULBs. All the ULBs are required to be audited annually. It was noticed that coverage of audit by the local audit department was between 18 and 37 percent during the last three years as shown below:-

Sr. No.	Year	Total units/units to be audited	Numbers of units actually audited	Percentage of units audited
1.	2004-05	49/49	14	29
2.	2005-06	49/49	18	37
3.	2006-07	49/49	09	18

The Director stated (*February 2008*) that due to shortage of staff, the audit of all the local bodies could not be conducted.