

# CHAPTER -1

## *INTRODUCTION*

### *1.1. Background*

The State Government may declare a town as a Municipal Corporation, a Municipality and a Notified Area Committee, on the basis of more than two lakh, not less than forty thousand and twelve thousand inhabitants respectively, under Section 4 of the Jharkhand Municipal Act, 2000, if the town has (1) an average number of not less than four hundred inhabitants per square Kilometer and, (2) three-fourth of the adult population engaged on pursuits other than agricultural.

Accordingly, one Municipal Corporation, 20 Municipalities and 22 Notified Area Committees (NACs), declared by the State Government, fall under the jurisdiction of State of Jharkhand (created on 15 November 2000). The Municipal Corporation is governed by Ranchi Municipal Corporation (RMC) Act, 2001 whereas Municipalities and Notified Area Committees are governed by Jharkhand Municipal Act, 2000. The term of elected bodies of Municipal Corporation and Municipalities is five years. The State Government dissolved all local bodies during the period 1986 to 1995 and since then the State Government has not yet issued notification for holding fresh elections. In the absence of the elected body, Corporations for Urban Area, Municipal Councils for a smaller Urban area, and Nagar Panchayats for a transitional area have not come into existence as per the provisions of the Constitution (74<sup>th</sup> amendment Act, 1992).

### *1.2. Organisational setup*

As elections have not taken place since 1986, Municipal Corporation, Municipalities and Notified Area Committees are being administered by an Administrator, a Special Officer and a SDO (Civil)-cum-ex-officio chairman of the NACs respectively. In the absence of elected bodies, the Secretary, Urban Development Department, Government of Jharkhand is the controlling authority.

### **1.3. Powers and Functions**

Powers and functions of the ULBs are described in section 11 A of Jharkhand Municipal Act, 2000 and section 63 A of Ranchi Municipal Corporation Act, 2001. Some of the important functions of the ULBs are as follows:

- The preparation of plans for economic development and social justice;
- Urban planning including town planning;
- Regulation of land use and construction of buildings;
- Plan for economic and social development;
- Construction of roads and bridges;
- Water supply for domestic, industrial and commercial purposes;
- Maintenance of public health, sanitation, conservancy and solid waste management.

In addition to the above functions, some other functions are given in APPENDIX-1.

### **1.4. Financial Profile**

The Urban Local Body Fund comprises of receipts from own resources and grants and loans from State Government. All collections, as permissible under the statute in force, such as property tax, professional tax, application fees for offensive and dangerous trade, plan sanction fees, mutation fees, rent, tolls and other fees and charges etc. constitute the revenue receipt. The property tax (Holding tax) on buildings is the principal source of tax revenue of an Urban Local Body. The main sources of non-tax revenue of an Urban Local Body are plan sanction fees, mutation fees and application fees etc.

### **1.5. *Audit Arrangement***

The audit of the ULBs is conducted by the Examiner of Local Accounts, Jharkhand under Jharkhand and Orissa Local Fund Audit Act, 1925.

Under Section 120 (1) of R.M.C. Act, 2001, the Annual Accounts of the Corporation shall be subject to audit under the Jharkhand and Orissa Local Funds Audit Act, 1925. For the purposes of the said Act, the Corporation shall be deemed to be a local authority whose accounts have been declared by the State Government to be subject to audit under Section 3 of the said Act and the municipal fund shall be deemed to be a local fund.

### **1.6. *Audit coverage***

Accounts of eight Municipalities<sup>1</sup>, four NACs<sup>2</sup> and a Municipal Corporation<sup>3</sup> for the period 2004-05 to 2005-06 were test checked and findings of the audit are set out in the succeeding paragraphs.

### **1.7. *Response to Audit Observation***

The Administrator, Special Officer and S.D.O are required to comply with observations contained in the Audit Reports (ARs) and rectify the defects and omissions and report their compliance through proper channel to Examiner of Local Accounts (E.L.A.) within three months from the date of issue of audit report. The details of ARs and paragraphs outstanding as of 31 March 2006 are given on the next page:

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<sup>1</sup> Deoghar, Hazaribagh, Dumka, Daltonganj, Lohardaga, Chaibasa, Jugsalai, Chas,

<sup>2</sup> Mihijam, Adityapur, Khunti, Bundu

<sup>3</sup> Ranchi Municipal Corporation

Sl. No.	Name of U.L.B.	No. of I.Rs	Period	Total No. of paras		Outstanding paras		Value of outstanding paras (Rs in lakh)
				M.V.	N.M.V.	M.V.	N.M.V.	
1.	Ranchi	8	93-94 to 04-05	286	298	276	271	4936.96
2.	Adityapur	9	82-83 to 03-04	44	212	39	153	194.29
3.	Bundu	6	90-91 to 03-04	39	135	36	68	29.76
4.	Khunti	8	90-91 to 04-05	51	176	35	64	508.28
5.	Chaibasa	14	80-81 to 03-04	163	331	130	170	256.63
6.	Jugsalai	9	84-85 to 04-05	113	234	82	111	299.34
7.	Lohardaga	6	93-94 to 02-03	59	154	50	74	207.88
8.	Hazaribagh	8	89-90 to 04-05	152	246	90	124	656.00
9.	Mihijam	8	84-85 to 01-02	40	138	37	62	23.63
10.	Chas	7	85-86 to 04-05	71	135	70	127	779.71
11.	Deoghar	7	86-87 to 04-05	115	280	94	153	477.87
12.	Daltonganj	9	85-86 to 04-05	139	219	117	140	417.95
13.	Dumka	2	98-99 to 03-04	17	49	17	49	334.92
	<b>Total</b>	<b>101</b>		<b>1289</b>	<b>2607</b>	<b>1073</b>	<b>1566</b>	<b>9123.22</b>

(Unit wise details given in Appendix- 2)

A review of the Audit Reports revealed that the Heads of the offices, whose records were inspected by E.L.A, did not send any reply in respect of above outstanding audit reports /paragraphs. The Secretary of the Urban Development Department, who was informed of the position, failed to ensure that concerned officers of the ULBs take prompt and timely action. The Secretary of the Urban Development Department and the Chief Secretary of the Government were also apprised of the position in meetings with the Government held on 03.08.2005 and 15.06.2006 respectively. In addition, the Chief Secretary to the State Government was also requested to take action for the disposal of outstanding paras having surcharge cases but no action has been taken as yet.