

CHAPTER-I

AN OVERVIEW OF THE URBAN LOCAL BODIES

1.1 Introduction

1.1.1 The 74th amendment, to the Constitution carried out in 1992. The amendment provided for the following:

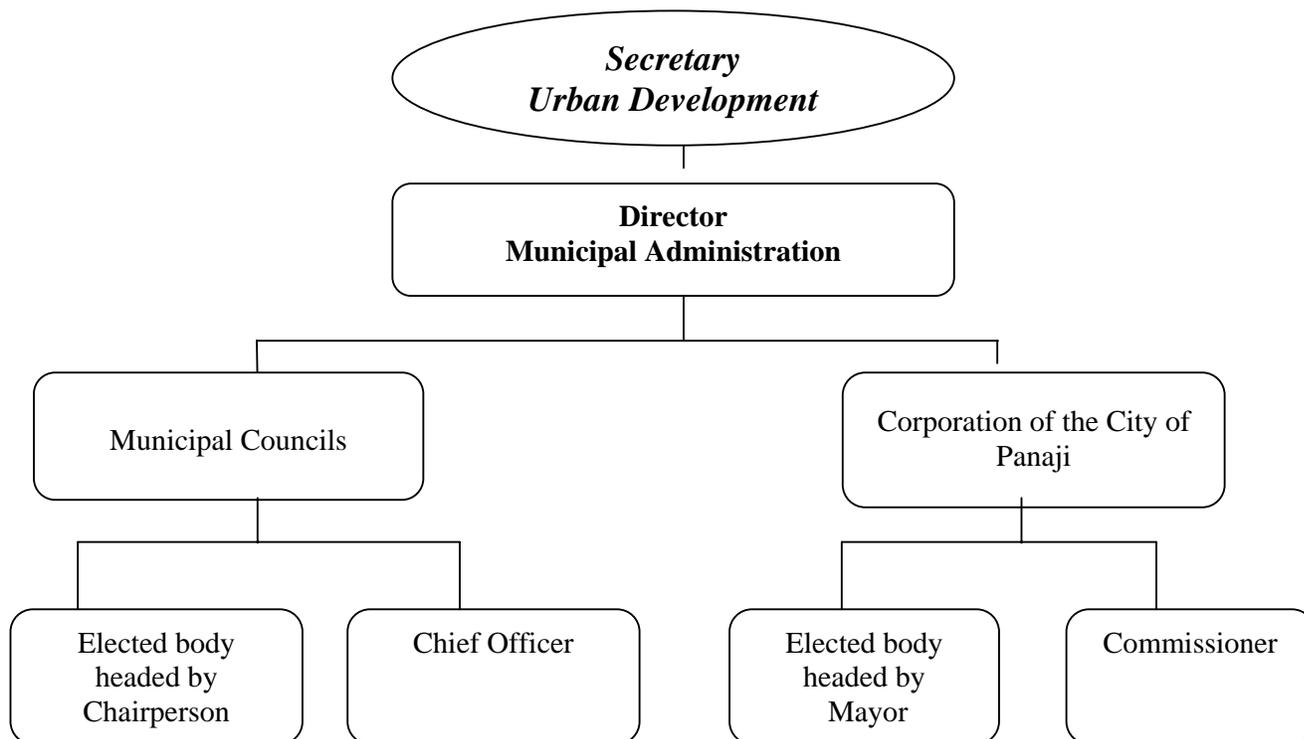
- Direct elections with a tenure of five years
- Reservation of seats for SC/ST in proportion to population
- One-third seats to be reserved for women
- Grants-in-aid to PRIs
- Setting up of a Finance Commission every five years

1.1.2 The functioning of the Municipalities in the State as the institutions of Self Government is governed by the Goa Municipalities Act, 1968 duly amended in light of the 74th amendment to the constitution. The Government of Goa has enacted the ‘Corporation of the City of Panaji Act, 2002’ to govern the lone Panaji Municipal Corporation (CCP) in the State.

1.1.3 As of March 2006 there were 12 Municipal Councils (MC) and the lone Corporation of City of Panaji (CCP). The last election for 11 Municipal Councils was held in October 2005 and for the CCP in March 2006. Election to the Ponda Municipal Council was not held alongwith other MCs due to non-completion of the process of delimitation of wards.

1.2 Organization

1.2.1 The Organisational structure for ULBs in Goa is shown below:



1.2.2 The Secretary (Urban Development) is the Administrative Head of the Municipal Administration.

1.2.3 The Director of Municipal Administration (DMA) exercises control and supervision over the CCP and Municipal Councils. Mayor heads the CCP and Chairperson heads the MC. The CCP is provided with a full time Commissioner, whereas the MCs are provided with Chief Officers, besides other staff. Section 63 of the Goa Municipalities Act provides for setting up of a Standing Committee. Section 68 of the Act lays down that each Council shall make bye laws to provide for the functions and powers of such Standing Committee which interalia should include subject of Transport Undertaking, Finance and Welfare of Conservancy staff. Section 35 of the CCP Act also provides for setting up of a Standing Committee. The Standing Committees

are constituted immediately after the Council Election. The Standing Committees in various MCs and CCP were last constituted during the period 15th November 2005 to 18th July 2007.

1.2.4 The ULBs are expected to prepare plans for economic development and social justice and perform the functions and implement schemes as may be entrusted to them. The Twelfth Schedule under Article 243 W of the Constitution envisaged entrustment of 18 functions to the Urban Local Bodies. Accordingly, the Goa Municipalities Act in 1993 devolved 11 functions to the Councils (Appendix III). However, only eight functions and one activity in one function have been devolved so far (March 2007). The Director of Municipal Administration stated that no separate Government Orders were issued in this regard.

1.2.5 District Planning Committees are required to be set up as per section 239 of Goa Panchayati Raj Act, 1994. District Planning Committees were set up by the Government of Goa in October 2003 in North and South Goa districts. Every year, a development plan is required to be prepared by every Municipal Council and the CCP and submitted to the District Planning Committees which would consolidate the development plans received from all the Councils and Corporation & also ZPs and prepare a draft development plan for the district as a whole and send to the Government.

The First District Planning Committees were set up by Government of Goa in October 2003, in North and South Goa Districts. These committees were reconstituted in September 2006. It is seen that the North Goa District Planning Committee conducted only one meeting in November 2003 and no further activity has been carried out so far (February 2007). In respect of South Goa District Planning Committee, no meeting has been conducted and no activity has been carried out so far. Thus, effectively the District Planning committees are non-functional, and the purpose of consolidating district level development plans remains unachieved.

1.3 Funding of the Urban Local Bodies

1.3.1 Sources of Funds

The ULBs require funds for meeting expenditure on civic administration and developmental activities. The funding to ULBs, comprises of grants-in-aid from the Central/State Government and own revenues. Since the own revenues generated by ULBs as shown in the table below, are not sufficient, they have to depend on grants-in-aid from the Government.

(Rupees in crore)

Years	CCP			MCs		
	Own Revenue	Grant-in-aid		Own Revenue	Grant-in-aid	
		Centre	State		Centre	State
2003-04	8.37	0.097	4.33	17.73	1.25	9.27
2004-05	7.78	NIL	3.52	20.89	NIL	7.39
2005-06	13.03	NIL	2.29	19.90	NIL	9.22

1.3.2 The Eleventh Finance Commission had recommended grants of Rs 4.65 crore for the period 2000-05 for ULBs in Goa. However, the Ministry of Finance (MoF), Government of India released grants of only Rs 2.79 crore during the corresponding period. In addition the State Government had released its share of Rs 0.42 crore to five MCs. Hence, the total amount to be utilized by the MCs worked out to Rs 3.21 crore. Out of this utilization certificates (u/cs) for Rs 0.34 crore have been received by the Director of Municipal Administration. An amount of Rs 2.87 crore is yet to be utilised (February 2007).

Had the Municipal Authorities utilized the released grant of Rs 2.79 crore in time, they could have received an additional grant of Rs 1.86 crore from the MoF. However failure to utilize the grant received resulted in the state being deprived of funds of Rs 1.86 crore for Urban Local Bodies.

Similarly, the Twelfth Finance Commission recommended grants of Rs 12.00 crore (Rs 2.40 crore per year) for ULBs for the period 2005-10. The grants

were to be released in two installments annually from 2005-06 onwards. The Ministry of Finance, Department of Expenditure has released both the installments for the year 2005-06 amounting to Rs 2.40 crore in May 2006.

1.3.3 The State Government has set up two Finance Commissions (FC) to review the financial position of Local Bodies. The first FC, set up in April 1999, submitted its report in June 1999 containing 26 recommendations (Appendix II). Of these, nine recommendations were rejected by the Government, which included among others, a recommendation that nine per cent of the State's own tax revenue and share in central taxes be devolved to the CCP & MCs for activities transferred under non-plan.

The second FC was set up in August 2005. The Commission was required to submit the recommendations within a period of three months. In order to thoroughly examine the devolution of functions along with funds to the Municipal Councils, the period for submission of recommendations has been extended till July 2007.

1.4 Financial Position of the ULBs

1.4.1 The Financial position of the ULBs as per their accounts and information furnished by Directorate of Municipal Administration for the year 2003-04 to 2005-06 was as follows:

(Rupees in crore)

Year	Receipt			Expenditure			Surplus/ Deficit
	CCP	MCs	Total	CCP	MCs	Total	
2003-04	12.80	28.25	41.05	11.59	23.92	35.51	5.54
2004-05	11.30	28.28	39.58	11.74	30.57	42.31	(-) 2.73
2005-06	15.32	29.12	44.44	13.13	26.52	39.65	4.79

Note: Receipt includes grants from Central / State Government

1.5 Audit Arrangements

1.5.1 The audit of ULBs is carried out under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

1.5.2 As per the provisions of Section 152 of the Goa Municipal Account Code 1972, the Director of Accounts is the statutory auditor of the ULBs.

1.5.3 As per the guidelines issued by the Ministry of Finance, Government of India, based on the recommendations of Eleventh Finance Commission, the CAG should be entrusted with the responsibilities of exercising control & supervision over the proper maintenance of accounts and their audit for all the ULBs. Accordingly, the State Government has issued orders in November 2006 for entrustment of Technical Guidance & Supervision over accounts and audit of ULBs to the CAG.

1.5.4 Audit of one MC and the CCP was conducted during 2005-06.

1.6 Preparation of Accounts

1.6.1 Urban Local Bodies are maintaining their accounts on cash basis. The accounts up to 2005-06 have been finalized.

The Ministry of Urban Development, Government of India has prepared National Municipal Accounts Manual (NMAM) which has adopted accrual basis of accounting and provided formats of accounts. The state Governments are required to draft State specific municipal accounts manuals based on NMAM. The State Government has not yet adopted NMAM/accrual based system of accounting. The matter is under active consideration of the Government (March 2007).

1.6.2 The Directorate stated (July 2007) that information regarding database of finances will be furnished in due course. Action is required to be taken immediately as per the recommendations of Twelfth Finance Commission.

1.7 Revenue Arrears

As per the information furnished by the Director of Municipal Administration, the total amount of revenue arrears of all the Municipal Councils/Corporation of the city of Panaji upto December 2006 were Rs 24.54 crore. Age wise break-up of arrears was not made available to Audit.

The Directorate replied that the reasons for non-recovery and action taken to recover these arrears was being called for from the Municipal Councils/ Corporation of the city of Panaji (March 2007).

1.8 Non-utilization of Development Grants sanctioned by the Director of Municipal Administration to the Municipal Councils in Goa

The Director of Municipal Administration releases grants to Municipal Councils every year for development work and salaries. As per condition II (6) attached to the Pattern of Assistance of the grants, the entire amount of the grant should be utilized within a period of one year for the purpose for which it was sanctioned. After utilizing the grant, utilization certificate should be furnished by the Municipal Councils within one month from the date of utilization but not later than 18 months from the date of drawal.

It was noticed that utilisation certificates in respect of substantial amounts of grants sanctioned were yet to be received by DMA even after a lapse of one to three years as shown below:-

(Rupees in lakh)

Nature of Grants	Upto 2003-04	2004-05	2005-06	Total grants for which UCs not received as of December 2006
1. Development Grants	288.40 (1091.03)	87.64 (679.84)	340.92 (801.70)	716.96 (2572.57)
2. Solid Waste	7.75 (8.44)	20.10 (33.83)	97.57 (170.34)	125.42 (212.61)
Total	296.15 (1099.47)	107.74 (713.67)	438.49 (972.04)	842.38 (2785.18)

Note: Figures in brackets indicate total grants released.

1.9 Impact of audit, response to audit, conclusion & recommendations

Response to Audit Paras is lukewarm as replies to 134 paras pertaining to the period from 2004-05 to 2006-07 were outstanding as of June 2007 from Municipal Councils and Director of Municipal Administration. The grants are released without ascertaining the achievements of the purpose for which they were released. Hence it is recommended that -

- Utilisation Certificates for all the grants released should be obtained within the prescribed time limit.

- Performance and Achievement reports should be received from all the Municipal Councils for the grants released.
- Initial Physical Verification of the assets created should be done by the Director of Municipal Administration.

AUDIT OF TRANSACTIONS

1.10 Avoidable expenditure on procurement of a luxury car for Rs 5.74 lakh

The Mapusa Municipal Council (MMC) had a Mahindra Jeep purchased in December 1997 at a cost of Rs 3.23 lakh. This was being used by the field staff for inspection. In June 2004, it was proposed to convert the Jeep into a “small medical garbage collector” and in its place, procure a ‘TRAVERA vehicle (10 Seater Jeep)’ at a cost of Rs 5.65 lakh. The proposal was approved by the MMC in November 2004. Approving a proposal to replace an ordinary jeep with a luxury vehicle was irregular considering the entitlement of the field staff and uncalled for in view of the accumulated deficit of Rs 1.79 crore as of March 2004.

Accordingly, a Chevrolet TRAVERA vehicle was purchased in December 2004 at a cost of Rs 5.74 lakh. Further, the Mahindra jeep was not converted into a garbage collection vehicle as proposed, but was retained as such for general use.

Thus, the procurement of a luxury vehicle as replacement of an existing Jeep while continuing to retain the jeep resulted in avoidable expenditure of Rs 5.74 lakh.

The MMC stated (May 2006) that the proposal to convert the Mahindra Jeep into a garbage collection vehicle was dropped by the Council and it was decided to allot the new vehicle to the Chairperson, as the vehicle allotted to the Chairperson was not working satisfactorily.

The reply is not tenable as the Chairperson was already having a Maruti Esteem car procured in August 1999. The same could have been repaired if not working satisfactorily.

1.11 Avoidable expenditure on procurement of Hydraulic garbage compactor for Rs 19.64 lakh

The Curchorem-Cacora Municipal Council (CCMC) had a Hydraulic garbage compactor procured in September 2002 at a cost of Rs 15.88 lakh. This was being satisfactorily utilized for an average of 23 days per month for garbage clearance within the jurisdiction of CCMC.

In December 2004 the Government sanctioned grant-in-aid of Rs 17.63 lakh to the CCMC for procurement of another garbage compactor.

Accordingly, in March 2005, another Garbage compactor costing Rs 19.64 lakh with same capacity was procured by the CCMC. Audit observed that since the deployment of the additional compactor, the same quantum of work was distributed between the two compactors.

It was observed that the combined use of both the compactors was about 21 days in a month between September 2005 and March 2006, indicating that there was no necessity for the second compactor for the CCMC. The procurement of a second Garbage Compactor therefore resulted in avoidable expenditure of Rs 19.94 lakh (including Rs 29,970/- paid for insurance).

The CCMC stated (June 2006) that the under utilization was mainly due to shortage of drivers and this was brought to the notice of the Director of Municipal Administration. The reply is not tenable as the daily garbage load of the CCMC is just enough for one compactor only.

1.12 Avoidable expenditure of Rs 20.65 lakh due to defective agreement

The Mapusa Municipal Council (MMC) took up reconstruction of 80 existing stalls on the plot opposite to Taxi Stand adjoining KTC Bus Stand, as a self-

financing scheme by collecting contributions from the lessees of the existing shops.

Based on the estimated cost of Rs 85.50 lakh for reconstruction, an agreement with individual lessees was entered into, requiring them to contribute Rs 1,06,871/- each. There was no provision for supplementary contribution for increase in cost of construction after actual execution.

The work awarded in two phases (in January 2004 for Phase I and June 2004 for Phase II) at a cost of Rs 79.09 lakh has been delayed. The revised estimates are placed at Rs 106.15 lakh, i.e. Rs 20.65 lakh more than the originally estimated cost. In the absence of a clause for supplementary contribution, the MMC will have to bear this additional expenditure which could have been avoided had the proper care been taken while drafting agreement or execution monitored closely to ensure timely completion.

1.13 Irregular pledging of Fixed Deposits of GPF/CPF of Rs 1.61 crore as security for obtaining loan of Rs 50.00 lakh for works

The Mapusa Municipal Council (MMC) had availed a loan/overdraft of Rs 50.00 lakh from Indian Overseas Bank for funding the construction of shops/stalls. Audit observed that the loan was obtained against the security of Fixed Deposits of Rs 1.61 crore, pertaining to the Provident Fund of employees of MMC.

Placing the Fixed Deposits pertaining to employees' Provident Fund as security for obtaining loan for construction work was irregular as it amounted to pledging assets not belonging to the MMC with the bank.

The MMC stated (December 2006) that the practice of obtaining loan on security of fixed deposits would be stopped in future.

1.14 Short release of grant in lieu of octroi

Upto 2000-01 the Village Panchayats/Municipal councils in the state were levying octroi on petrol, diesel and petroleum products. In March 2001, the Government abolished the octroi and decided to compensate the village Panchayats/Zilla Panchayats and Municipal Councils by increasing sales tax

on these products by two per cent and allotting this additional tax collection to Village Panchayats/Zilla Panchayats and Municipal Council in the ratio of 75:50:75.

The details of additional tax collection and grants released to Municipal Council/CCP are given below:

(Rupees in crore)

Year	Additional Sales Tax Collected	Amount of Additional Sales Tax due to Municipal Councils	Amount of Grant Released to MCs /CCP	Short Release of Grant
2002-03	10.13	3.80	4.00	(+) 0.20
2003-04	12.45	4.67	4.00	0.67
2004-05	14.63	5.48	4.00	1.48
2005-06	19.16	7.19	4.00	3.19
Total	56.37	21.14	16.00	5.14

Though the Government collected additional sales tax in lieu of abolished octroi, of Rs 56.37 crore during 2002-06, the amount due was not fully passed on to MCs/CCP. The short release of grants of Rs 5.14 crore to Municipal Council / CCP has deprived them of their rightful resources. The Directorate of Municipal Administration stated (November 2006) that efforts were made for obtaining Council wise details of Sales Tax collected from the Sales Tax Department, but the Sales Tax Department had asked them to obtain the details from the Petrol Pumps.

The Directorate's reply is not tenable as even when the statements were received from the Sales Tax Departments, the Directorate did not release the adequate grants to Municipal Councils. Further, the Directorate could have collected the requisite information from the Sales Tax Department through better liaison and by taking up the matter at higher level.