

## CHAPTER III

### SECTION "A" AN OVERVIEW OF URBAN LOCAL BODIES

#### 3.1 Introduction

Consequent upon the 74<sup>th</sup> Constitutional Amendments, the Urban Local Bodies (ULBs), were made full fledged and vibrant institutions of Local Self Governments and witnessed a significant increase in responsibilities with greater powers, distinct sharing of resources with the State Government. The amendment empowered ULBs to function efficiently and effectively and to deliver services for economic development and social justice with regard to 18 subjects listed in the XII Schedule of the Constitution. The Government of Tripura enacted the Tripura Municipal Act, 1994 empowering ULBs to function as institutions of self government and to accelerate economic development in urban areas.

The categories-wise ULBs in the State as of March 2012 are shown in **Table 3.1** below:

**Table 3.1: Category-wise ULBs in Tripura State.**

Sl. No.	ULBs	Number of ULBs
1	Municipal Council	01
2	Nagar Panchayat	15*

The ULBs are governed by the Tripura Municipal Act, 1994. Each ULB area is divided into a number of wards, which is determined and notified by the State Government.

#### 3.2 Size of ULBs

The comparative position of ULBs in the State of Tripura in terms of area and population is given in **Table 3.2** below:

**Table 3.2: Statement showing area and population of ULBs.**

Sl. No.	Name of the Local Bodies	Area (in Sq. Km.)	Total Population as per 2011 Census
1	Agartala Municipal council (AMC)	58.840	3,97,619
2	15 Nagar Panchayats	119.101	2,75,110
<b>Total</b>		<b>177.941</b>	<b>6,72,729</b>

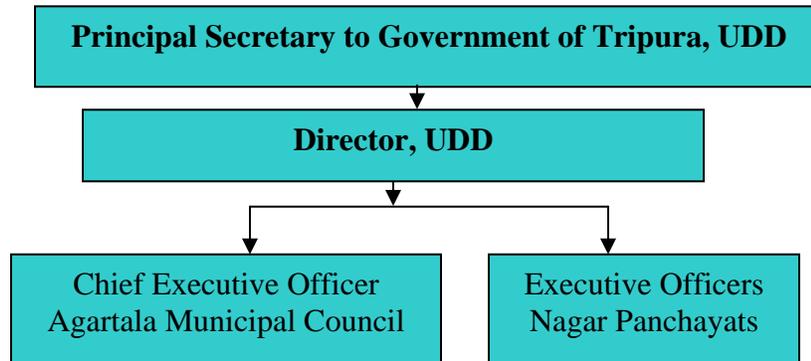
Source: Urban Development Department

\* Three Nagar Panchayats created in 2009

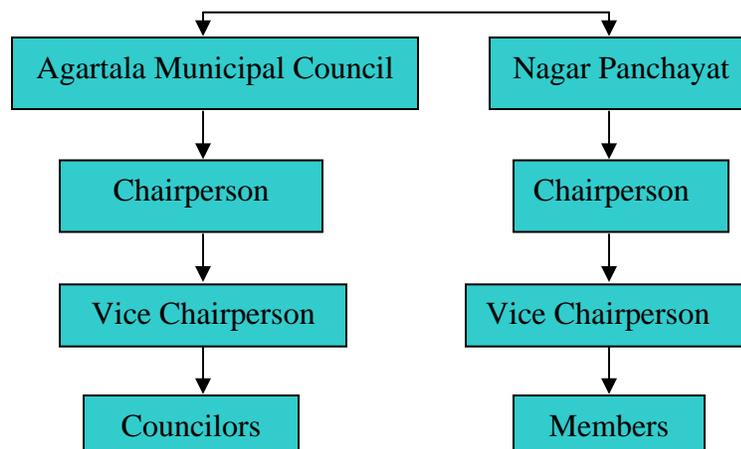
### 3.3 Organizational set up

3.3.1 The Principal Secretary, Urban Development Department (UDD) is the overall in charge of Urban Local Bodies in the State. The organizational structure with respect to functioning of ULBs in the State is as under:

#### Administrative Body



#### Elected Body



#### 3.3.2 Composition of ULBs

All the ULBs have a body comprising of Councilors/Members elected by the people under their jurisdiction. The Chairperson who is elected presides over the meetings of the Council/Nagar Panchayats and is responsible for overall function of the body. All the ULBs have Standing Committees to deal with their respective functions.

The Chief Executive Officer is the executive head of the Agartala Municipal Council (AMC) while the Nagar Panchayat (NP) is headed by the Executive Officer. They exercise such powers and perform such functions as prescribed in the Act and as per instructions of the Urban Development Department.

### 3.3.3 Standing Committees

The ULBs perform their functions through the supervision of different Standing Committees as shown in **Table 3.3** below:

**Table 3.3: Leadership of the Standing Committees**

ULB	Standing Committees	Leadership
AMC	(a) Finance Committee (b) Public Health Committee (c) Public Works Committee (d) Education, Health and Sanitation Committee (e) Sports and Culture Committee (f) Poverty Alleviation Committee	Chairperson of the municipality shall be the ex-officio President of the Finance Committee. The President of each Standing Committee other than the Finance Committee shall be appointed by the Chairperson from amongst the members of such Committee.
NPs	(a) Finance Committee (b) Public Health Committee (c) Public Works Committee (d) Education, Health and Sanitation Committee (e) Sports and Culture Committee (f) Poverty Alleviation Committee	Chairperson of the NP shall be the ex-officio President of the Finance Committee. The President of each Standing Committee other than the Finance Committee shall be appointed by the Chairperson from amongst the members of such Committee.

According to Tripura Municipal (Procedure and conduct of business) Rules 1996, 72 number of meetings were required to be held in a year by the six Standing Committees in each ULB. During audit of Agartala Municipal Council for the year 2010-11, it was observed that the required number of standing committee meetings were not held, only 12 meetings were held against the prescribed of 72 meetings.

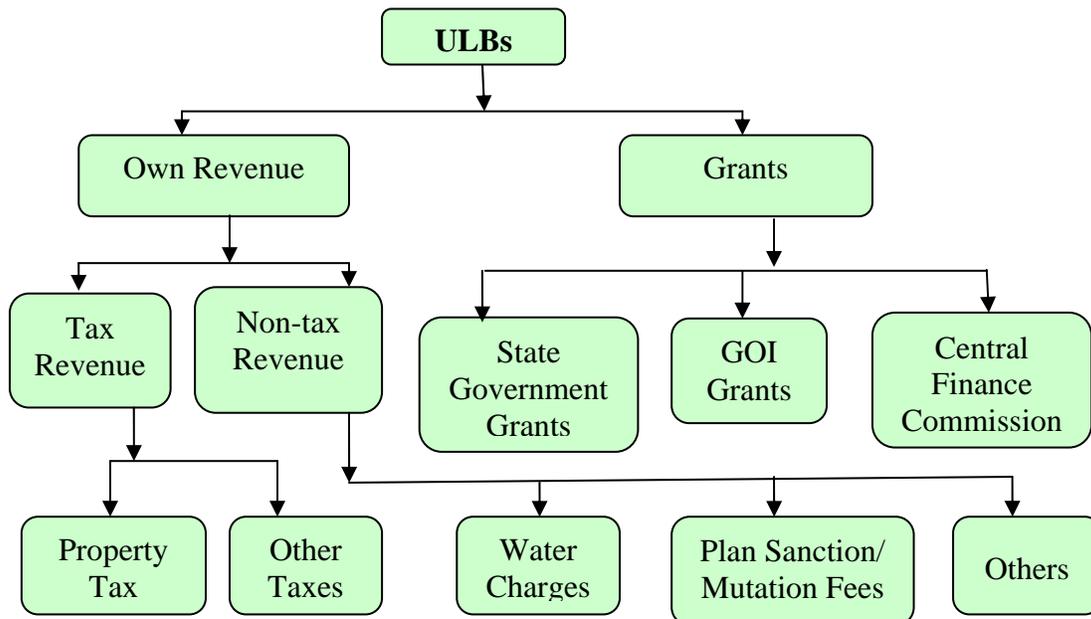
Similarly, Standing Committee meetings in respect of the Nagar Panchayats were not held regularly. During 2010-11, Dharmanagar Nagar Panchayat conducted only 31 meetings; Kailashahar 16; Khowai 04; Teliamura 24 and no meeting was held in Ranir Bazar Nagar Panchayat. Thus, the Committees were not active as required under the Act.

### 3.4 Financial profile

#### 3.4.1 Resources of ULBs

The ULBs do not have a large independent tax domain. The finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GOI)/State Government. State Government Grants are received through devolution of net proceeds of the total tax revenue under the recommendations of State Finance Commission. Property tax on land and buildings is the mainstay of ULBs own tax revenue. While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemption, concessions, etc. are vested with the State Government. The own non-tax revenue of ULBs comprise of fee for sanction of plans/mutations, water charges, etc.

Grants and assistance released by the Governments are utilized for developmental activities and execution of various schemes. Flow chart of finances of ULBs is as shown below:



#### 3.4.2 Custody of fund in ULBs

The grants received for implementation of various schemes are kept in banks accounts of the ULBs duly authorized by the State Government. The Drawing and Disbursing Officers under ULBs are empowered to draw the fund from the banks after obtaining sanction from the State Government.

### 3.4.3 Position of funds of ULBs

The details position of funds of ULBs for the period from 2006-07 to 2010-11 are shown in **Table 3.4** below:

**Table 3.4: Statement showing the position of funds of ULBs for the last five years.**

*(₹ in crore)*

ULBs	AMC				NPs			
	Year	Central Grants	State Grants	Own Revenue	Total	Central Grants	State Grants	Own Revenue
2006-07	2.07	12.23	6.99	21.29	4.49	12.76	2.31	19.56
2007-08	5.49	14.77	6.42	26.68	4.77	13.01	1.85	19.63
2008-09	18.69	15.48	9.78	43.95	19.48	14.91	4.37	38.76
2009-10	1.87	23.26	11.46	36.59	26.80	26.59	3.52	56.91
2010-11	36.34	34.31	12.84	83.49	11.43	29.37	4.23	45.03
<b>Total</b>	<b>64.46</b>	<b>100.05</b>	<b>47.49</b>	<b>212.00</b>	<b>66.97</b>	<b>96.64</b>	<b>16.28</b>	<b>179.89</b>

Source: Urban Development Department

### 3.4.4 Grants received and expenditure there from

Receipts and expenditure by the AMC and 15 NPs during the year 2010-11 are shown in **Table 3.5** below:

**Table 3.5: Statement showing grants received and expenditure there from of ULBs during 2010-11.**

*(₹ in crore)*

Type of ULBs	Grants received	Expenditures	Balance unspent
AMC	70.65	33.84	36.81
NPs	40.80	22.00	18.80
<b>Total</b>	<b>111.45</b>	<b>55.84</b>	<b>55.61</b>

Source: Urban Development Department

For the above, it would be seen that AMC could utilize only 47.89 percent of the funds received during 2010-11 and all the NPs utilized only 53.92 percent indicating slow implementation of developmental schemes depriving the people from intended benefit of the schemes in time.

### 3.4.5 Own revenue of ULBs

Own revenue of ULBs include property tax, building permission fees, trade license, hoarding tax, mutation fees, rent from stalls, etc. Collection of own revenue in respect of 12 ULBs during the last five years is shown in **Table 3.6** below:

**Table 3.6: Statement showing collection of own revenue of 12 ULBs during the last five years.**

(₹ in lakh)

Sl. No.	Name of the ULB	Year				
		2006-07	2007-08	2008-09	2009-10	2010-11
1	NP Dharmanagar	52.27	34.88	52.29	55.54	53.79
2	NP Kailashahar	23.53	13.91	22.07	27.57	33.41
3	NP Kumarghat	9.79	7.16	15.15	15.43	17.78
4	NP Kamalpur	8.11	7.65	11.35	11.49	14.22
5	NP Khowai	25.49	18.57	50.31	33.27	33.94
6	NP Teliamura	7.75	5.89	27.75	17.62	27.46
7	NP Ranirbazar	7.06	8.04	13.31	12.94	25.13
8	NP Sonamura	8.63	13.63	23.34	17.70	25.22
9	NP Udaipur	46.09	31.19	117.50	59.56	83.26
10	NP Amarpur	4.81	7.19	7.64	13.37	13.32
11	NP Subroom	10.61	11.17	13.99	14.57	11.35
12	NP Belonia	26.48	26.20	82.67	72.95	84.03
<b>Total</b>		<b>230.62</b>	<b>185.48</b>	<b>437.37</b>	<b>352.01</b>	<b>422.91</b>

Source: Urban Development Department

The above table indicates that the revenue collection trend in respect of NPs is not consistent. The growth in revenue is also not very significant except few cases.

### 3.4.6 The trend of own revenue income of AMC

The trend of own revenue income of AMC for the last five years is shown in **Table 3.7** below:

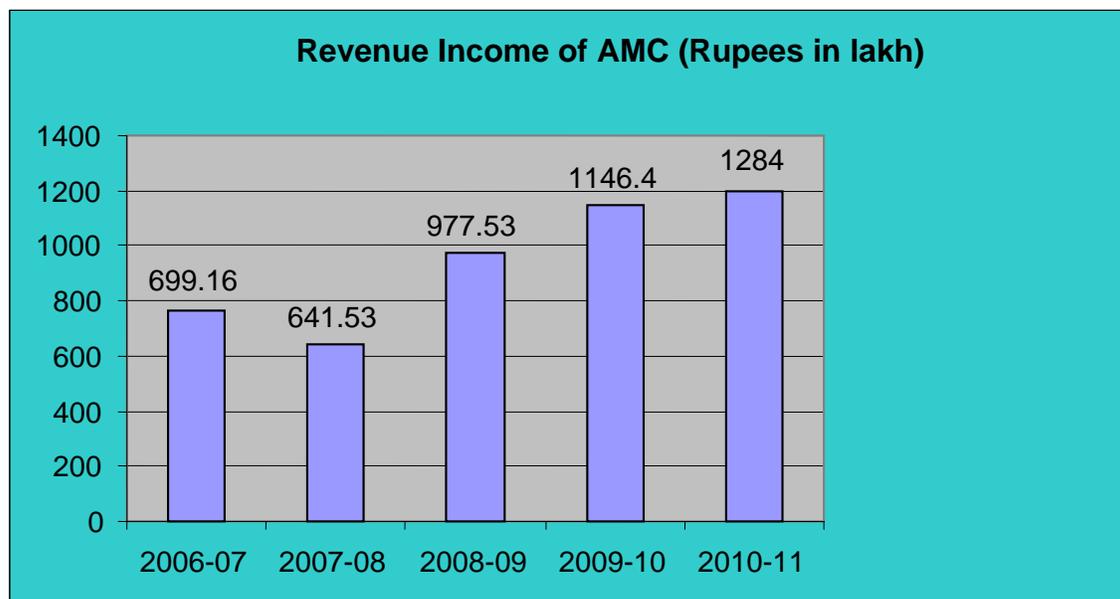
**Table 3.7: Statement showing trend of own revenue income of AMC.**

(₹ in lakh)

Year	Revenue income	% Increased over last year
2006-07	699.16	47
2007-08	641.53	(-) 8
2008-09	977.53	52
2009-10	1146.4	17
2010-11	1284.00	12

Source: Performance Budget 2010-11, Outcome Budget 2011-12 and IR of AMC.

From the above, it would be seen that the revenue income has increased substantially in last five years, however, the growth rate is not consistent rather it has got reduced in recent years.



### 3.5 Investment through major schemes

Receipts *vis-à-vis* expenditure incurred for major schemes implemented by ULBs during 2008-09, 2009-10 and 2010-11 are given in **Table 3.8** below:

**Table 3.8: Statement showing receipts and expenditure of major schemes**

Name of the Scheme	2008-09		2009-10		2010-11	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
Swarna Jayanti Shaahari Rojgar Yojana (SJSRY)	298.39	298.39	24.88	24.88	279.25	279.25
Urban Infrastructure Development Scheme for Small and Medium Towns (IDSSMT)	2005.00	1151.00	1097.80	130.50	89.72	1479.00*
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	1760.85	41.75	2250.00	235.25	797.30	1060.30*
Integrated Housing and Slum Development Programme (IHSDP)	Nil	Nil	911.86	911.86	705.65	705.65

Source: Urban Development Department

\* Expenditure also incurred from the previous year's unspent balances available under the schemes.

The above table shows that there was 100 *percent* utilization of funds in respect of SJSRY and IHSDP Schemes over the years. However, during 2008-09 and 2009-10 utilization of funds in respect of IDSSMT and JNNURM Schemes was not sufficient reasons for which was not furnished to audit.

### **3.6 Status of devolution of functions**

The Tripura Municipal Act 1994 envisaged transfer of functions of various departments of the State Government to ULBs. All the 18 functions listed in the XII Schedule of the Constitution have been transferred by the State Government to the ULBs. But in practice, functions like fire service, road and bridges are still controlled by the State Government departments.

### **3.7 Accountability framework**

#### ***3.7.1 Power of the State Government***

Acts governing the ULBs entrusts the State Government with the following powers so as to enable it to monitor the proper functioning of the ULBs:

- Frame rules to carry out the purposes of the Tripura Municipal Act;
- Dissolve the ULBs, if the ULBs fail to perform or default in the performance of any of the duties imposed on them;
- Removal of difficulties in giving effect to the provisions of the Act;
- Creation, abolition, recruitment and placement of staff of State Government at the disposal of the Municipality;

#### ***3.7.2 Audit mandate***

As per Section 264, 265 and 266 of the Tripura Municipal Act, 1994, the accounts of the Municipality shall be examined and audited by an auditor appointed in that behalf by the State Government. The State Government shall, by rules, make provision with respect to the maintenance of accounts of the Municipalities and auditing of such accounts, including the power of the auditor. The auditor shall submit the audit report to the Chairperson of the Municipality and a copy thereof to the State Government. C&AG is conducting audit of ULBs under Section 20(1) of C&AG's DPC Act 1971 as entrusted by

the State Government in 1996. Based on the recommendations of the Thirteenth Finance Commission, the State Government has entrusted (March 2011) audit of all ULBs in the State under Technical Guidance and Support (TGS) to the C&AG as per standard terms and conditions.

The audit of the accounts of Agartala Municipal Council and four\* Nagar Panchayats was test checked during 2011-12 (upto November 2011).

### **3.7.3 Internal Audit**

The State Government established a Directorate of Audit in June 2004 for internal audit of various State Government Departments, Public Sector Undertakings including Urban Local Bodies. Till the year 2011, the internal audit of ULBs had been conducted regularly by the Director of Audit.

## **3.8 Conclusion**

The ULBs perform their functions through the supervision of different Standing Committees. However, it was observed that the required number of Standing Committee meetings were not held. The revenue collection trend in respect of NPs and AMC is not consistent. Tripura Municipal Act 1994 envisaged transfer of all the 18 functions listed in the XII Schedule of the Constitution. But in practice, functions like fire service, road and bridges are still controlled by the state Government.

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\* Ranirbazar, Bishalgarh, Santirbazar, Teliamura

## SECTION “B”

### Financial Reporting

#### 3.9 Legal Framework

**3.9.1** Financial reporting is a key element of accountability. Best practices require preparation of General Purpose Financial Statement (GPFS) for each entity. According to Section 262 (1) of the Tripura Municipal Act, 1994, the ULBs should prepare the Annual Financial Statements which would include Income and Expenditure Accounts for the preceding year within three months of the close of a financial year in such form and manner as prescribed. Section 263 of the said Act provides that every Municipality should prepare annual Balance Sheet of assets and liabilities in the prescribed form within six months of the close of the financial year.

#### *3.9.2 Accounting Reforms*

Based on the recommendations of Eleventh Finance Commission, the Ministry of Urban Development, GOI in consultation with Comptroller and Auditor General of India developed the National Municipal Accounts Manual (NMAM) which is based on double entry accrual based system of accounting. The Urban Development Department, Government of Tripura has drafted (June 2010) the ‘Tripura Municipal Accounting Manual’ based on the NMAM. The Manual has been finalized in June 2011 and not yet implemented.

#### *3.9.3 Non finalization of Annual Accounts*

The ULBs have not the finalized their annual accounts. The accounts of Agartala Municipal Council and all the Nagar Panchayats are in arrears since inception (**Appendix 3.1**). The different ULBs have engaged the Chartered Accountants for preparation of accounts during 2011. The preparations of accounts are still in progress. Due to non maintenance of accounts the true and fair view of actual financial position of ULBs could not be ascertained.

### **3.9.4 Budget**

Under section 260(1) of the Tripura Municipal Act, 1994, the Budget Estimates of Municipality for a year should be prepared in the prescribed form and presented before a meeting of Municipality, specially convened for the purpose, not later than the tenth day of March every year and should be adopted after discussion within two weeks of presentation. A copy of the Budget Estimates adopted by the Municipality should be sent to the State Government and a revised budget for the current year should be framed in the prescribed form and presented before the Municipality for adoption after the first day of October every year, but not later than the thirty first day of December.

Test check of records of four Nagar Panchayats revealed that none of the Nagar Panchayats has prepared the budget till now and expenditures were incurred without preparation and approval of the budget. Thus, Non preparation of budget indicates lack of internal control in the management of finances in the Nagar Panchayats. The Agartala municipal Council however, prepares its annual budget regularly.

### **3.9.5 Certification of Accounts**

The State Government has not made any provisions in the State Acts/Rules for certification of accounts for the ULBs.

## **3.10 Conclusion**

The accounts of Agartala Municipal Council and all the Nagar Panchayats are in arrears since inception. None of the Nagar Panchayats has prepared the budget till now and expenditures were incurred without preparation and approval of the budget.