

CHAPTER - I

PART A

URBAN LOCAL BODIES

AN OVERVIEW OF THE URBAN LOCAL BODIES

1.1 Introduction

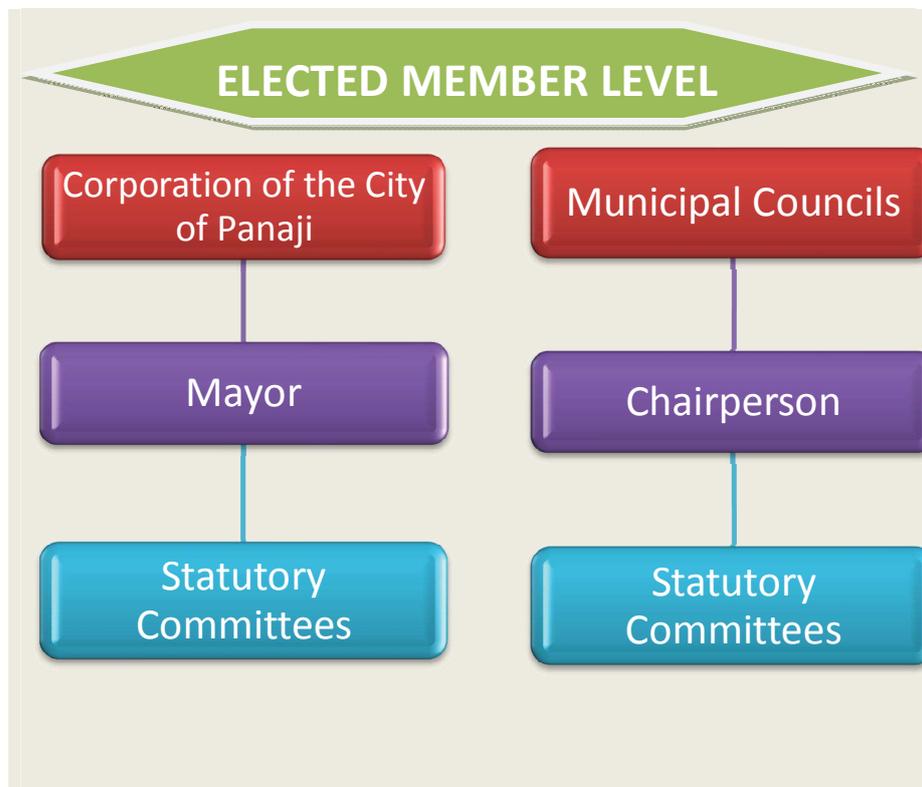
The Urban areas of the State of Goa are administered by Municipal Corporation of the City of Panaji (CCP) and 13 Municipal Councils (MCs). The functioning of the Municipalities in the State is governed by the Goa Municipalities Act, 1968 as amended in 1994 in the light of the 74th amendment to the Constitution. The lone Corporation (CCP) in the State is governed by the 'City of Panaji Corporation Act, 2002'.

The last elections for 11 MCs¹ were held in October 2010 and for the CCP in March 2011. Elections to the Ponda Municipal Council and Sanquelim Municipal Council were held in May 2013.

1.2 Organisational set-up

An organisational chart combining the State Government administrative machinery with Urban Local Bodies (ULBs) is given below:

¹ Margao, Mormugao, Mapusa, Bicholim, Cuncolim, Canacona, Curchorem-Cacora, Quepem, Sanguem, Pernem and Valpoi.



The Secretary, Urban Development is the Administrative Head of the Municipal Administration. He is assisted by the Director of Municipal Administration (DMA) and other officers.

The DMA exercises such powers and performs such duties as are conferred and imposed upon him by the Act or any Rules made thereunder. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers by the State Government. Besides, supervisory level accounts staff, technical officers and accountants belonging to the common cadre are also provided. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government. However, the Government has not transferred any functionaries to the ULBs specifically to perform the additional functions that have been transferred to them.

Standing and Subject Committees are constituted for the Councils under Section 63 of the Goa Municipalities Act. Standing, Ward and Special Consultative Committees are constituted for CCP under Sections 35, 41 and 42 of City of Panaji Corporation Act respectively.

1.3 District Planning Committees

As per Section 184 F of the Goa Municipalities Act, 1968, every Council shall prepare every year a development plan and submit it to the District Planning Committee (DPC) constituted under Section 239 of the Goa Panchayat Raj Act, 1994. The DPC shall consolidate the plans prepared by the MCs, Zilla Panchayats (ZPs) and the Village Panchayats (VPs) in the district and prepare a draft development plan for the district as a whole.

There are two districts in the State of Goa - North Goa and South Goa. The Government has reconstituted DPCs for each district from time to time. However, the preparation of district plans by these committees have not yet materialised (May 2014). The non-submission of development plans adversely affects the identification and execution of the developmental works which in turn affects sustainable development of the State.

1.4 Devolution of Functions

The Twelfth Schedule (Article 243W) of the Constitution envisaged entrustment of 18 functions to the ULBs. However, the Goa Municipalities Act provided (1993) for devolution of 11 functions to the Councils as detailed in *Appendix 1.1*.

The Second State Finance Commission (SSFC) was entrusted with the work of recommendation for devolution of powers, functions, responsibilities and resources to ULBs. The Commission submitted its report in December 2007 and recommended devolution of all the 11 functions to ULBs for economic development and social justice as listed in the Goa Municipalities Act, 1968.

Of the 11 functions to be devolved on the ULBs, only seven functions and one activity in one function have been transferred as of April 2014 as detailed in *Appendix 1.1*. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to ULBs.

Section 143A of the Goa Municipalities Act, 1968 requires that the recommendations made by the State Finance Commission together with an explanatory memorandum as to the action taken thereof, shall be laid before the State Legislature. The Advocate General of Goa submitted (March 2010) before the Hon'ble High Court of Mumbai at Goa that the State would constitute a Committee of Ministers which would submit report to the State Government and thereafter the report would be tabled before the State Legislature in the session after the budget session of 2010. Accordingly, a committee consisting of six ministers was constituted (July 2010) to examine the report of the SSFC and to prepare Explanatory Memorandum on the recommendations of the Commission. After the Legislative Assembly Elections (held in March 2012), a new committee consisting of five ministers was constituted (February 2013), the report of the committee is awaited. The recommendations of the SSFC are yet to be approved though the five year period envisaged by the commission ended

in March 2012. Thus, ULBs were deprived of the additional assistance recommended by the SSFC. The Third State Finance Commission for the five year period from 2012-13 to 2016-2017 has not been constituted so far (April 2014).

1.5 Transfer of Funds

1.5.1 Sources of Funds

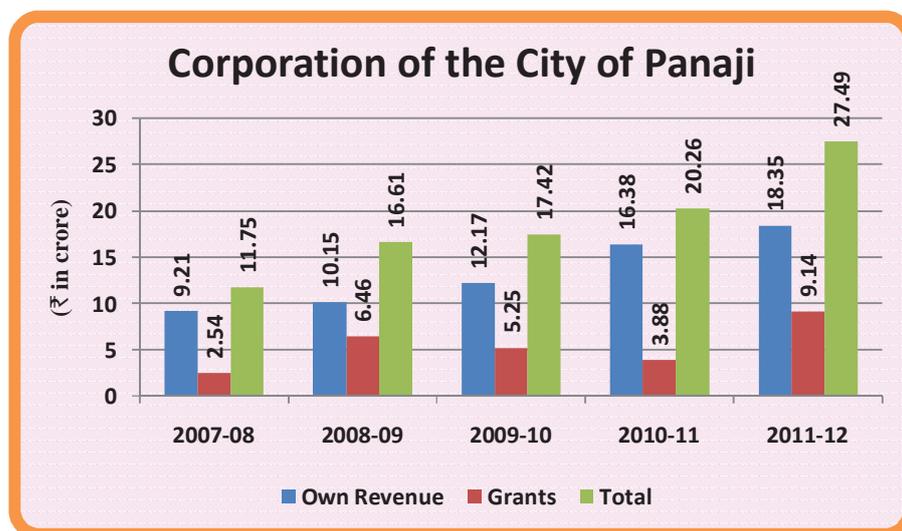
The position of own revenue and the grants-in-aid² received during the five years upto 2011-12 is exhibited in **Table I** and bar charts as follows:

Table I: Own Revenue and Grants received by CCP and MCs during the five year period ending 31 March 2012

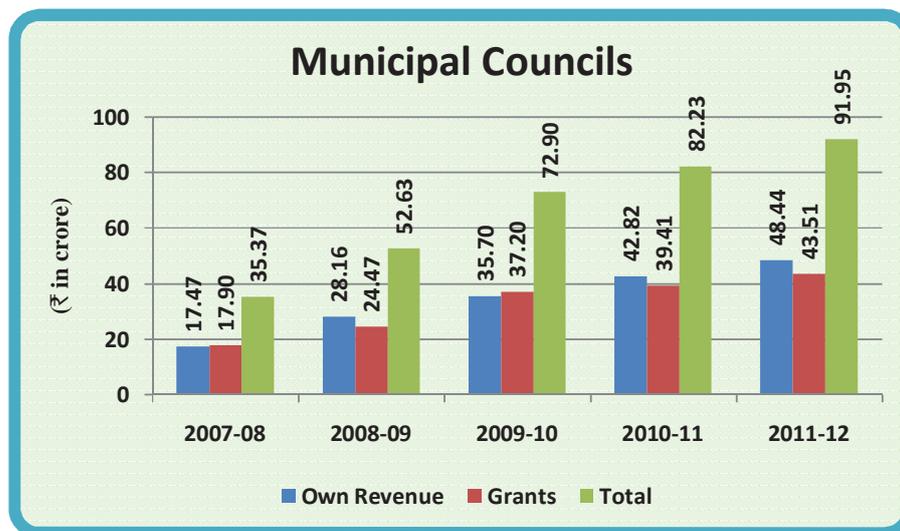
(₹ in crore)

Year	CCP			MCs		
	Own Revenue	Grants	Total	Own Revenue	Grants	Total
2007-08	9.21	2.54	11.75	17.47	17.90	35.37
2008-09	10.15	6.46	16.61	28.16	24.47	52.63
2009-10	12.17	5.25	17.42	35.70	37.20	72.90
2010-11	16.38	3.88	20.26	42.82	39.41	82.23
2011-12	18.35	9.14	27.49	48.44	43.51	91.95

Source: Information furnished by Director of Municipal Administration (figures are not available in State Finance Accounts)



² Grants-in-aid are released by the State Government under section 86(2) of the Goa Municipalities Act, 1968 for the purposes of construction and maintenance of roads, pay and allowances to officers/ servants of the MCs etc.



The own revenue of the CCP showed an increasing trend during the five year period ending March 2012 and increased from ₹ 9.21 crore in 2007-08 to ₹ 18.35 crore in 2011-12. The grants sanctioned to CCP revealed a fluctuating trend.

In respect of MCs, the own revenue of the MCs showed an increasing trend during the five year period ending March 2012. It increased from ₹ 17.47 crore in 2007-08 to ₹ 48.44 crore in 2011-12. The grants also increased from ₹ 17.90 crore in 2007-08 to ₹ 43.51 crore in 2011-12.

1.5.2 Recommendations of Second State Finance Commission

The SSFC recommended (December 2007) an amount of ₹ 650.65 crore for nine core functions as well as ₹ 818.16 crore for seven consultative functions for ULBs for a period of five years from 2007-08 to 2011-12 as detailed in *Appendix 1.2*. However, no expenditure was incurred towards these functions, as no budgetary provision was made, pending acceptance of the recommendations by the State Government (April 2014) as commented in para 1.4 of this report.

1.6 Thirteenth Finance Commission

The Thirteenth Finance Commission (FC-XIII) was constituted under Article 280 of the Constitution to make recommendations for the period 2010-11 to 2014-15. The FC-XIII grants are divided into two components

– (i) a basic component (equivalent to 1.50 *per cent* of previous year divisible pool). All states have access to this component for all the five years as per the stipulated criteria and rates. This would be disbursed in two instalments each year subject to submission of a utilisation certificate for the previous instalment drawn and no other documentation was stipulated; and (ii) a performance based component (fixed at 0.50 *per cent* for the year 2011-12 and 1 *per cent* thereafter upto 2014-15). This would be released from the year 2011-12 upto 2014-15 to only those states which met the stipulated conditions by the end of a fiscal year for the succeeding fiscal year. According to the recommendations, each state is entitled to a share of the basic grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards, subject to compliance of nine conditions³. The details of basic grant and performance grant recommended to ULBs of Goa State for the five year period from 2010-11 to 2014-15 are exhibited in the **Table II** below:

Table II: Details of general basic grant and general performance grant recommended by the FC XIII to the ULBs of the State for the five year period from 2010-11 to 2014-15

(₹ in crore)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
General Basic grant	7.60	8.83	10.31	12.21	14.44	53.39
General Performance grant	0.00	2.99	7.08	8.36	9.83	28.26
Total	7.60	11.82	17.39	20.57	24.27	81.65

The ULBs of the State had received (March 2014) ₹ 5.48 crore, out of which an amount of ₹ 4.90 crore was utilised and Utilisation Certificate (UC) was furnished for an amount of ₹ 1.74 crore. The entire amount received under the FC-XIII was placed at the disposal of the ULBs.

1.7 Financial position of the ULBs

The financial position of the ULBs for the five years upto 2011-12 is exhibited in the **Table III** below:

Table III: Financial position of ULBs for the five years ending 2011-12

³ Budget & accounting, auditing, ombudsman, electronic transfer of funds, membership of state finance commission, levy of property tax, property tax board, standards for service sectors and fire hazard mitigation

(₹ in crore)

Year	Receipt			Expenditure			Surplus/ Deficit(-)
	CCP	MCs	Total	CCP	MCs	Total	
2007-08	11.75	35.37	47.12	15.99	33.91	49.90	(-) 2.78
2008-09	16.61	52.63	69.24	17.18	44.07	61.25	7.99
2009-10	17.42	72.90	90.32	16.17	58.86	75.03	15.29
2010-11	20.26	82.23	102.49	19.73	68.19	87.92	14.57
2011-12	27.49	95.48	122.97	23.38	74.10	97.48	25.49

Source: Information furnished by the Director of Municipal Administration.

While there was a deficit of (-) ₹ 2.78 crore in 2007-08, the ULBs started generating surplus which increased from ₹ 7.99 crore in 2008-09 to ₹ 25.49 crore during 2011-12.

1.8 Accounting Procedures

1.8.1 Accounting Formats

The Ministry of Urban Development, Government of India in consultation with the Comptroller and Auditor General of India (CAG) prepared (November 2004) National Municipal Accounts Manual (NMAM) with accrual basis accounting and provided revised formats of accounts. The eight formats prepared by the CAG for creation of database of finances of ULBs were sent to the Finance Secretary in September 2003. Based on this, the State Government issued (January 2008) Notification amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats. However, the ULBs are maintaining their accounts on cash basis and none of the MCs have prepared the Income and Expenditure Accounts and the Balance Sheet using the accrual based double entry system (September 2013). The DMA replied (November 2013) that all the ULBs were directed to adopt the Accrual Based Accounting Formats.

1.8.2 Revenue Tax Arrears

In accordance with Section 101 of the Goa Municipalities Act, 1968, the ULBs levy taxes on property, profession/ trade, theatre and advertisements other than advertisements published in the newspapers. As against the total recoverable tax amount of ₹ 39.37 crore as of March 2012, only ₹ 17.15 crore could be recovered as detailed in Appendix 1.3, leaving a

balance amount of ₹ 22.22 crore as tax revenue arrears to be recovered as at the end of March 2012.

The accumulation of arrears was attributed to the non-issue of demand notice and non-appointment of Recovery Officers under Section 163 of the Goa Municipalities Act. The DMA replied (November 2013) that attempt would be made to post Recovery Officers.

1.8.3 Outstanding Utilisation Certificates

As per the terms and conditions for release of the grants, the entire amount shall be utilised within a period of one year and utilisation certificates (UC) shall be submitted by the CCP/MCs within 12 months.

Audit noticed that out of 864 UCs for ₹ 268.26 crore released during the period from 1995-96 to 2010-11, 854 UCs (amounting to ₹ 266.44 crore) remained outstanding from CCP/ MCs as of June 2012 (*Appendix 1.4*). The DMA replied (November 2013) that all the MCs and CCP were requested to submit the UCs or refund the grants along with interest earned on them.

1.9 Audit Coverage

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. The audit of CCP and all MCs were completed upto 2012-13 (March 2014).

The CAG conducts audit of ULBs under Section 14 (1) of CAG's DPC Act, 1971. In addition to this, the audit is also conducted under the Technical Guidance & Supervision arrangement. The audit of all the 13 MCs⁴ was conducted during 2012-13 and results of the audit are included under Chapter II of this Report.

1.9.1 Audit Reports of Director of Accounts

The DMA stated (February 2013) that 961 paragraphs in the Audit Reports of Director of Accounts were pending clearance as of February 2013 in

⁴ Margao, Mormugao, Mapusa, Ponda, Bicholim, Cuncolim, Canacona, Curchorem-Cacora, Quepem, Sanguem, Pernem, Valpoi and Sanquelim.

respect of CCP and 13 MCs. Out of this 309 paragraphs pertained to the period upto 2000-01 and the remaining 652 paragraphs pertained to the period 2001-02 to 2011-12. The DMA replied (November 2013) that action would be taken to clear outstanding paragraphs.

1.9.2 Poor response to Inspection Reports

The position of outstanding paragraphs of the Inspection Reports of the Office of the Accountant General, Goa in respect of CCP and 13 MCs is shown in **Table IV**.

Table IV: Position of Inspection Reports and paragraphs relating to ULBs issued upto 30 June 2012 and outstanding as on 31 December 2012

Year	No. of Inspection Reports	No. of Paragraphs
2004-05	1	2
2005-06	2	3
2006-07	3	7
2007-08	9	24
2008-09	7	33
2009-10	14	101
2010-11	6	77
2011-12	10	182
Total	52	429

There was no clearance of outstanding paragraphs of the Inspection Reports during the year and the responses to Audit Paragraphs were not satisfactory as replies to 429 paragraphs in 52 Inspection Reports (issued upto 30 June 2012 and outstanding as on 31 December 2012) pertaining to the period from 2004-05 to 2011-12 remained outstanding from CCP and other MCs.

The FC-XIII had recommended (December 2009) the placing of Annual Report of the Director of Local Fund Audit before the State Legislature. The DMA replied (November 2013) that the Annual Report of the Director of Local Fund Audit had not yet been tabled before the State Legislature, certification of accounts and Local Audit were not conducted during the year 2011-12.