
CHAPTER-III

AN OVERVIEW

OF THE FUNCTIONING, ACCOUNTABILITY

MECHANISM AND FINANCIAL REPORTING ISSUES OF

URBAN LOCAL BODIES

SECTION B

CHAPTER- III

An Overview of the Functioning, Accountability Mechanism and Financial Reporting Issues of Urban Local Bodies

3.1 Introduction

In conformity with the 74th Constitutional Amendment (1992), the Government of Maharashtra (GoM) amended (December 1994) the existing Mumbai Municipal Corporation (MbMC) Act, 1888; The Bombay Provincial Municipal Corporations Act, 1949; The Nagpur City Municipal Corporation Act, 1948; and The Maharashtra Municipal Councils, Nagar Panchayats and Industrial Townships Act, 1965. All the Municipal Corporations, except the Municipal Corporation of Greater Mumbai (MCGM) which had its own Act, are governed by the provisions of the amended (2011) Maharashtra Municipal Corporation (MMC) Act, 1949. As of February 2017, there were 27¹ Municipal Corporations and 358 Municipal Councils including 127 Nagar Panchayats (NPs) in Maharashtra.

The demographic and developmental status of the State is given in **Table 3.1.1**.

Table 3.1.1: Important statistics of the State

Population	11,23,74,333
Population density	365 km ²
Gender ratio	929:1000
Urban population	5,08,18,259
Literacy in <i>per cent</i> (Urban)	88.69%
Number of ULBs	385
(i) Municipal Corporations	27
(ii) Municipal Councils	231
(iii) Nagar Panchayats	127
Source: Information furnished by Urban Development Department and Census 2011	

3.2 Organisational Setup of ULBs

3.2.1 The organisational structure of ULBs is depicted in **Appendix –3.1**

3.2.2 As per the Census of 2011, the total population of Maharashtra was 11.24 crore of which, 45 *per cent* were in the urban areas. The State has 45 cities/urban agglomerations having a population of over one lakh.

Twenty Seven Municipal Corporations in the State have been created for urban agglomerations having a population of more than three lakh.

¹ Panvel Municipal Corporation was formed in August 2016

These 27 Municipal Corporations have been categorised² into five categories namely, A+, A, B, C and D based on the criteria of population and per capita income. At present, only MCGM falls in category A+, two³ in category A, three⁴ in category B, four⁵ in category C and 17⁶ Municipal Corporations in category D.

Similarly, 358 Municipal Councils including Nagar Panchayats have been created for smaller urban areas and categorised⁷ based on their population. At present, there are 17 'A' class, 69 'B' class and 145 'C' class Municipal Councils and 127 NPs in the State.

3.3 Functioning of Urban Local Bodies

3.3.1 The accountability structure of Municipal Corporations is shown in **Table 3.1.2.**

Table 3.1.2: Accountability structure of Municipal Corporations

Sr. No.	Name of the Authority	Accountable for
1.	General Body	Policy decisions related to expenditure from the Corporation's Municipal Fund, implementation of various projects, Schemes <i>etc.</i>
2.	Standing Committee	All functions related to approval of budget and sanction for expenditure as per the delegation. It can delegate powers to Sub-Committee/Sub-committees.
3.	Municipal Commissioner	Administration and execution of all Schemes and projects subject to conditions imposed by the General Body.
4.	Municipal Chief Accountant	Preparation of the annual budget and finalisation of accounts and to conduct internal audit.
5.	Municipal Chief Auditor	Audit of municipal accounts, preparation and submission of Audit Reports to the Standing Committee.

Source: The Mumbai Municipal Corporation Act, 1888 and The Maharashtra Municipal Corporation Act, 1949

3.3.2 Duties and Powers

To function as an institution of self-government and to carry out the responsibilities conferred upon them, the ULBs exercise their powers and functions in accordance with provision of Section 63 to 72 of the MMC Act, 1949 which provides for various functions to be exercised in the sphere of Public Works, Education, Public Health and Sanitation, Town planning and Administration *etc.*

² Category A+ (population over one crore and per capita income above ₹ 50,000): one; Category A (population between 25 lakh and one crore and per capita income above ₹ 8,000): two; Category B (population between 15 lakh and 25 lakh and per capita income above ₹ 5,000): three; Category C (population between 10 lakh and 15 lakh and per capita income above ₹ 3,000): four; and Category D (population between 03 lakh and 10 lakh): 17

³ Nagpur and Pune

⁴ Nashik, Pimpri-Chinchwad and Thane

⁵ Aurangabad, Kalyan-Dombivli, Navi Mumbai and Vasai-Virar

⁶ Ahmednagar, Akola, Amravati, Bhiwandi-Nizampur, Chandrapur, Dhule, Jalgaon, Kolhapur, Latur, Malegaon, Mira-Bhayandar, Nanded-Waghala, Parbhani City, Panvel, Sangli-Miraj-Kupwad, Solapur and Ulhasnagar

⁷ Category A (population between one lakh and three lakh): 17; Category B (population between 40,000 and one lakh): 69; Category C (population between 25,000 and 40,000): 145; and NPs (population between 15,000 and 25,000): 127

3.3.3 Devolution of Funds, Functions and Functionaries to Urban Local Bodies

Article 243W inserted through the 74th Constitutional Amendment envisaged devolution of powers and responsibilities to municipalities in respect of 18 subjects mentioned in XII Schedule of the Constitution.

Of the 18 functions referred to in the XII Schedule of the Constitution of India, 12 functions were assigned to the Urban Local Bodies (ULBs) under Sections 61 and 63 of the MbMC Act, 1888 and Section 63 of the Bombay Provincial Municipal Corporation Act, 1949, prior to the 74th amendment. The remaining six functions were also transferred/assigned to the ULBs after 1994.

Of the State Government's total revenue receipts of ₹ 1,40,031.12 crore during 2015-16 (excluding State's share of Union taxes and duties and Grants-in-aid from GoI), ULBs were allocated ₹ 9,187.23 crore (6.56 per cent).

3.4 Formation of various Committees

3.4.1 District Planning Committee

Article 243 ZD of the Constitution of India envisages formation of District Planning Committee (DPC) at district level in every State. The tenure of DPC is five years and it is required to meet at least once in three months. DPCs are constitutionally responsible to consolidate the plans prepared by local self government institutions in the district and to prepare a Draft Development Plan (DDP) for the district as a whole for onward transmission to the Government. The DPC is to monitor the quantitative and qualitative progress, especially its physical and financial achievements during the implementation of the approved DDP. The State Government, while preparing the State plan, considers the proposals and priorities included in DDPs prepared for each district by the DPC.

The status of formation of DPC in 36 districts of the State was awaited from the Urban Development Department (Department) as of February 2017.

3.4.2 Formation of Committees in Urban Local Bodies

The MMC Act, 1949 provides that there shall be two mandatory Committees in each Municipal Corporation *i.e.* Standing Committee and Transport Committee. It also provides that the Corporation may from time to time appoint out of its own body, special Committees which shall conform to any instructions that the Corporation may from time to time give them.

Reply of the Department regarding formation of Committees was awaited (February 2017).

3.5 Audit Arrangement

3.5.1 Primary Auditor

Director, Local Fund Audit (DLFA) is the primary auditor of the accounts of local bodies and discharges duties and responsibilities as per the provisions of The Maharashtra Local Fund Act, 1930.

Placing of Audit Review Report of DLFA

As per Government Resolution of March 2011, DLFA shall audit the accounts of PRIs and ULBs and submit annually a consolidated report of the accounts to the Legislative Assembly. Accordingly, the Audit Review Report on ULBs for the year 2011-12 was placed in the State Legislature in April 2015 while that of 2012-13 was under preparation.

Arrears in Audit/Certification by DLFA

As per the information furnished to audit (December 2016), DLFA completed audit of all the 26 Municipal Corporations up to 2012-13, seven⁸ Corporations up to 2013-14 and three⁹ Corporations up to 2014-15. However, certification of none of the 26 Municipal Corporations was done by DLFA for the years 2011-12, 2012-13, 2013-14 and 2014-15 due to delayed/incomplete/non-submission of approved accounts by the Municipal Corporations. Thus, there were significant arrears in audit and certification of annual accounts of the Municipal Corporations.

Further, of the 358 Municipal Councils including NPs, audit of annual accounts for the years 2015-16, 2014-15, 2013-14 was completed in six, 249 and 11 Municipal Councils respectively while audit of one Municipal Council each was completed in 2011-12 and 2010-11. However, certification of one Municipal Council was done for the year 2013-14 and of eight municipal councils for the year 2012-13. The arrears in audit and certification were due to non-submission/delayed submission of approved accounts.

3.5.2 Audit by the Comptroller and Auditor General of India

The GoM entrusted (October 2002) audit of Municipal Corporations to the Comptroller and Auditor General of India under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The audit of Municipal Councils and NPs was entrusted (March 2011) to the Comptroller and Auditor General of India by GoM under Technical Guidance and Supervision.

The audit observations on financial irregularities and defects in initial accounts/records noticed during local audits but not settled on the spot are communicated to the heads of offices and Departmental authorities through Inspection Reports. Statements indicating the number of observations outstanding for over six months are also sent to the State Government for action.

The Audit Report (Local Bodies) of the Comptroller and Auditor General of India for the year ended 31 March 2015 was placed in the State Legislature in August 2016 and the Audit Report for the year ended 31 March 2014 has been taken up for discussion by Public Accounts Committee (PAC) along with paragraphs from previous reports pending for discussion.

⁸ Bhiwandi-Nizampur City, Sangli-Miraj-Kupwad, Aurangabad, Kalyan-Dombivli, Vasai-Virar and Ahmednagar

⁹ Vasai-Virar, Chandrapur and Ahmednagar

3.6 Response to Audit Observations

3.6.1 Outstanding Inspection Reports and Paragraphs of ULBs audited by Accountant General

As of February 2017, 973 Inspection Reports and 5,320 paragraphs of ULBs audited by Principal Accountant General/Accountant General, Maharashtra up to March 2016 were outstanding as shown in the **Table 3.1.3**.

Table 3.1.3: Position of outstanding inspection reports and paragraphs

Year	Inspection Reports	Paragraphs
Up to 2011-12	576	2452
2012-13	92	462
2013-14	81	445
2014-15	58	435
2015-16	166	1526
Total	973	5320

Source: Information compiled in the offices of the Principal Accountant General/Accountant General, Maharashtra (Mumbai and Nagpur)

3.6.2 Paragraphs Appeared in Audit Reports but Pending for Discussion by PAC

As of February 2017, of the 42 paragraphs pertaining to ULBs that appeared in Audit Reports from 2010-11 to 2014-15, seven paragraphs were discussed in PAC while 35 paragraphs were pending discussion as shown in the **Table 3.1.4**.

Table 3.1.4: Position of paragraphs pending for discussion by PAC

Year of Audit Report	Number of paragraphs in Audit Report	Number of paragraphs discussed in PAC	Paragraphs pending for discussion in PAC
2010-11	12	01	11
2011-12	09	04	05
2012-13	11	00	11
2013-14	06	02	04
2014-15	04	00	04
Total	42	07	35

Source: Information compiled in the offices of the Principal Accountant General/Accountant General, Maharashtra (Mumbai and Nagpur)

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

3.7 Lokayukta

The State of Maharashtra has established the institution of Lokayukta in Maharashtra on 25 October 1972 based on the concept of Ombudsman in accordance with The Maharashtra Lokayukta and Upa-Lokayukta Act, 1971. However, the Lokayukta was not exclusively formed for ULBs in Maharashtra.

3.8 Social Audit

Social audit is a continuous and ongoing process which includes verification of quantity and quality of works at different stages of implementation to ensure transparency and public accountability in the implementation of

projects, laws and policies and its results by the community with active involvement of primary stakeholders.

Information regarding social audit of ULBs was awaited from the Department (February 2017).

3.9 Property Tax Board

The 13th FC recommended setting up of a State Level Property Tax Board to assist the ULBs to put in place an independent and transparent procedure for assessing property tax. The FC also recommended that the Board shall enumerate, or cause to enumerate, all properties in the ULBs in the State and develop a database, review the property tax system and suggest suitable basis for valuation of properties, design and formulate transparent procedure for valuation of properties *etc.*

Reply of the Department regarding formation of Property Tax Board was awaited (February 2017).

3.10 Service Level Benchmark

As per 13th FC recommendations, State Governments must notify or cause all the Municipal Corporations and Municipalities to notify the service standards for four service sectors *viz.*, water supply, sewage, storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year.

The Department had notified service level benchmarks up to 2016-17.

3.11 Fire Hazard Response

As per 13th FC recommendations, all Municipal Corporations with a population of more than one million must put in place a fire hazard response and mitigation plan for their respective jurisdictions.

Only seven¹⁰ of 27 Municipal Corporations had published fire hazard response and mitigation plans.

3.12 Submission of Utilisation Certificates

The Bombay Financial Rules, 1959 provide that for the grants provided for specific purposes, utilisation certificates (UCs) should be obtained by the departmental officers from the grantee institutions and after verification, the UCs should be forwarded to the concerned accounting offices *i.e.* Accountant General (Accounts and Entitlements), Maharashtra within 12 months from the dates of their sanction.

Reply of the Department on pending UCs was awaited (February 2017).

3.13 Internal Audit and Internal Control System of ULBs

An effective Internal Control System and strict adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities, and helps to protect resources against loss due to waste, abuse and mismanagement.

¹⁰ Akola, Amravati, Kalyan-Dombivli, Mira-Bhayandar, Nashik, Pimpri-Chinchwad and Pune

Section 105 of MMC Act, 1949 and Section 135 of the MbMC Act, 1888 provide that the Municipal Chief Auditor (MCA) should audit the municipal accounts and submit a report thereon to the Standing Committee of the Municipal Corporation. This report should comment on the instances of material impropriety or irregularities which the MCA may, at any time, observe in the expenditure or in the recovery of the money due to the Municipal Corporation. Section 136 of the MbMC Act, 1888 further provides that the MCA shall examine and audit the statement of accounts and shall certify and report upon these accounts.

Information furnished by 16 of 26 Municipal Corporations (except Panvel), which had prepared their annual accounts, revealed that audit of accounts for the years 2015-16, 2014-15, 2013-14, 2012-13 and 2009-10 had been completed by MCA in six¹¹, two¹², three¹³, two¹⁴ and one¹⁵ Municipal Corporations respectively and reports submitted to the Standing Committees. Thus, there were arrears in audit by MCA ranging from one to six years in eight Municipal Corporations.

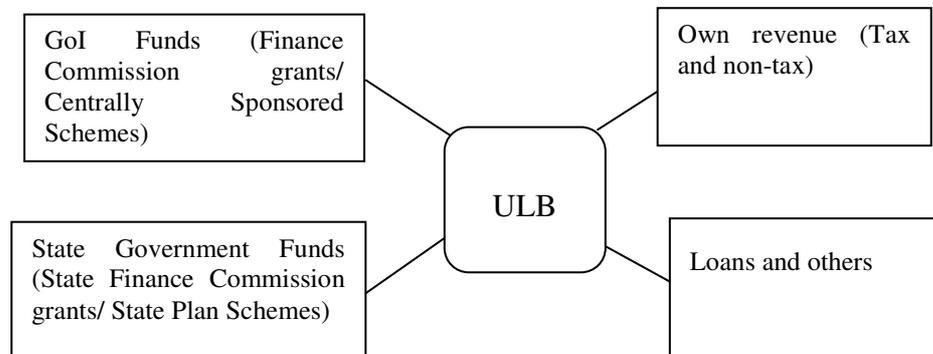
The arrears in certification and audit of the accounts of Municipal Corporations by MCA indicated weak internal controls in the Municipal Corporations.

3.14 Financial Reporting Issues

3.14.1 Source of Funds

The resource base of ULBs consists of own revenues, assigned revenues, Central/State grants and loans as depicted in the **Chart 1**:

Chart 1: Source of Funds



Information regarding receipts and expenditure for the period 2011-16 was awaited from the Department (February 2017).

3.14.2 Recommendation of the State Finance Commission

Article 243 (I) of the Constitution of India requires that the State Finance Commission (SFC) be appointed at the expiration of every fifth year.

The Fourth SFC was constituted in February 2011 and was to submit its report

¹¹ Akola, Dhule, Malegaon, Mira-Bhayandar, Ulhasnagar and Kolhapur

¹² Navi Mumbai and Pune

¹³ Kalyan-Dombivli, Solapur, Sangli Miraj-Kupwad

¹⁴ Ahmednagar and Nashik

¹⁵ Pimpri-Chinchwad

to the State Government by September 2012 for implementation of its recommendations during 2011-12 to 2015-16. However, the date for submission of report was extended by the State Government up to December 2014. The report was under printing (December 2016).

3.14.3 Recommendation of the Thirteenth Finance Commission

The 13th FC recommended grants of ₹ 3,177.71 crore to the ULBs during 2010-15. The position of yearly allocation by 13th FC, actual release by GoI to GoM, subsequent release to ULBs and actual utilisation up to the period ending February 2017 is shown in **Table 3.1.5**.

Table 3.1.5: Release and utilisation of 13th FC grants

(₹ in crore)					
Year	Recommendations of 13 th FC	Actual grants released by GoI	Grants released by GoM to ULBs	Actual Utilisation of grants by ULBs	Balance to be utilised
2010-11	295.90	292.27	292.27	292.27	00.00
2011-12	460.40	560.49	560.47	560.47	00.00
2012-13	676.23	669.72	669.71	669.71	00.00
2013-14	799.70	851.16	417.71	417.71	00.00
2014-15	945.48	964.67	964.67	157.67	807.00
Total	3177.71	3338.31	2904.83	2097.83	807.00
Source: Information furnished by the Department					

It may be seen from **Table 3.1.5**, the GoM released grants of ₹ 2,904.83 crore to the ULBs against ₹ 3,338.31 crore released by GoI under 13th FC during 2010-15. However, the ULBs utilised only ₹ 2,097.83 crore leaving an unspent balance of ₹ 807 crore at the end of February 2017. The reasons for short-release of grants by GoM and the details of component-wise¹⁶ expenditure as prescribed by GoI were awaited.

The Records of Finance Department and Urban Development Department along with four¹⁷ Municipal Corporations and seven¹⁸ Municipal Councils were test-checked between January 2016 and June 2016 to ascertain whether the releases and utilisation of the grants were as per the 13th FC guidelines. The findings are given in succeeding paragraphs.

3.14.3.1 Diversion of Funds

As per GoM guidelines of October 2010, the broad categories on which 13th FC grants were to be spent included solid waste management, water supply and sanitation, improvement works, expenditure on salary and wages where financial condition of ULBs was very poor, electricity charges excluding interest on delayed payment *etc.*

Audit observed that Bhiwandi-Nizampur City Municipal Corporation made a payment (April 2015) of ₹ 2.43 crore pursuant to court's order for refund of property tax to an assessee, which was inadmissible as per guidelines. Further, Bhusawal Municipal Council paid ₹ 86.87 lakh (March 2013) towards arrears

¹⁶ Water supply, Sanitation, Solid Waste Management, Drainage, e-Governance, Transportation, Salary and wages, Strengthening of fire services, Strengthening of local fund audit department and others

¹⁷ Bhiwandi-Nizampur, Kalyan-Dombivli, Kolhapur and Solapur

¹⁸ Ambernath, Dahanu, Baramati, Bhusawal, Ichalkaranji, Kulgaon-Badlapur and Palghar

of interest for delayed payment of electricity bills which was inadmissible as per guidelines.

The CAFO stated (February 2016) that the financial condition of the Corporation was not sound and as per the court order, amount was to be released immediately hence, 13th FC grants were utilised and administrative sanction was obtained. The Chief Officer, Bhusawal Municipal Council stated (June 2016) that the matter would be examined.

The reply furnished by CAFO is not acceptable because, expenditure on refund of property tax was inadmissible as per GoM guidelines of October 2010.

3.14.3.2 Pending Utilisation Certificates

As per 13th FC guidelines, release of grants was contingent upon submission of UCs for the previous grants drawn. Audit observed that during 2010-15, six¹⁹ of the eleven test-checked Municipal Corporations/Councils did not furnish UCs amounting to ₹ 35.90 crore to the Department against ₹ 397.71 crore received by them during the same period.

The CAFO and Chief Officers of the concerned units stated (between March 2016 and June 2016) that UCs would be submitted in due course.

3.14.3.3 Unspent Grants

As per GoM guidelines of October 2010, ULBs were to submit UCs to the Department in the prescribed format within four months of receipt of grants. Scrutiny of cash books of 13th FC grants revealed that three Municipal Corporation/Councils²⁰ did not spend ₹ 10.04 crore received during 2010-15 which was lying idle (June 2016) in their bank accounts.

3.14.3.4 Inadequacies in Utilisation of 13th FC Grants

Audit observed the following inadequacies in utilisation of 13th FC grants by Kolhapur Municipal Corporation:

- The Corporation allocated ₹ 1.50 crore from 13th FC grants during January 2013 to March 2016 for fire-fighting equipment, land acquisition and for 'City free from open defecation' programme. However, the grant was lying idle for more than one to three years as of June 2016. In case of fire-fighting equipment, though the Corporation had allocated ₹ 25 lakh on 31 January 2013 (which was lying unspent) yet another allocation of ₹ 25 lakh was made on 30 March 2016.
- For management of solid waste, the Corporation allocated ₹ 1.5 crore in September 2012 and again ₹ five crore in May 2015 for development of two landfill sites at Tope and Takala. However, of ₹ 6.5 crore, only ₹ 1.27 crore was spent, leaving an unspent balance of ₹ 5.23 crore as of June 2016. Audit observed that the Corporation could not spend the second allocation of ₹ five crore as land for landfill sites could not be acquired.

¹⁹ Solapur, Kalyan-Dombivli, Kolhapur, Bhiwandi-Nizampur City (04 Municipal Corporations); Ichalkaranji and Bhusawal (02 Municipal Councils)

²⁰ Solapur Municipal Corporation (₹ 7.75 crore), Ichalkaranji Municipal Council (₹ 1.04 crore) and Bhusawal Municipal Council (₹ 1.25 crore)

- The Corporation took up construction of 76 million litres per day (MLD) sewage treatment plant under the Central Scheme of ‘National River Conservation Project’ to be funded by the GoI and the Corporation respectively on 70:30 basis. However, due to fund constraints, the Corporation could not meet its own share of 30 *per cent* and awarded (January 2011) the work to a concessionaire under Public Private Partnership. Though the project stood fully financed (70 *per cent* under Central Scheme and 30 *per cent* contribution by the PPP partner), yet the Corporation allocated ₹ two crore for the project from 13th FC grants, which was not only irregular but also remained unutilised as of June 2016.

3.14.4 Maintenance of Records

3.14.4.1 Cash Book

As per Rule 98 (2) (ii) of The Maharashtra Treasury Rules, 1968, all monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office in token of check.

During local audit of ULBs in 2015-16, cash books in nine²¹ of 124 test-checked units showed a number of discrepancies such as, separate cash books for various Schemes were not maintained, incomplete cash books, monthly closing of cash books not done *etc.*

3.14.4.2 Advance Register and Assessment Book

As per Rule 189 of Municipal Account Code, 1971, an account of advances shall be maintained in form 147. All balances outstanding at the end of the year shall be worked out to carry over to the register of advances of the next year. The advances were required to be recouped and adjusted regularly and promptly so as to avoid accumulation of the same. These accumulated outstanding advances should be adjusted in the accounts through recovery and recouped. Further, as per the provisions under Rule 21 (2) of Chapter VIII of The Maharashtra Municipal Corporation Act, 1949, the Commissioner shall keep assessment book as per the provisions thereunder.

During audit of ULBs in 2015-16, it was noticed that advance registers (four²² units) and assessment books (two²³ units) were either improperly maintained or not maintained.

3.14.4.3 Reconciliation of Balances as per Cash Book with Bank Pass Book

As per Rule 24 of The Maharashtra Municipal Account Code, 1971, the balances in bank accounts at the end of each month were required to be

²¹ Chief Officer, Rajura Municipal Council (Chandrapur); Chief Officer, Desaiganj Municipal Council (Gadchiroli); Chief Officer, AUSA Municipal Council (Latur); District Urban Development Authority (DUDA), Parbhani; DUDA, Buldhana; DUDA, Washim; CAFO, Bhiwandi-Nizampur City Municipal Corporation; Market Department, MCGM; and Municipal Corporation of Parbhani

²² General Administrative Department, Bhiwandi-Nizampur City Municipal Corporation; CAFO, Malegaon Municipal Corporation; Education Department, Mira-Bhayandar; and Health Department, Thane Municipal Corporation

²³ Tax Department, Nashik Municipal Corporation and Tax Department, Thane Municipal Corporation

reconciled with the balances as per cash books. During audit of ULBs in 2015-16, reconciliation of balances as per cash books with bank pass books was not done in eight²⁴ units.

3.14.5 Maintenance of Accounts by ULBs

Section 93 of The Maharashtra Municipal Corporation Act, 1949 and Section 123 of the MbMC Act, 1888 provide that the accounts of the Municipal Corporations should be maintained in the formats prescribed by the Standing Committees. In pursuance of the 11th FC recommendations, the Ministry of Urban Development, GoI in consultation with the Comptroller and Auditor General of India had finalised the National Municipal Accounts Manual (NMAM) for implementation of accrual based accounting system by ULBs in November 2004.

The GoM adopted (July 2005) the NMAM for implementation from 2005-06. As per the NMAM guidelines, all Municipal Corporations were to maintain their accounts on accrual basis from 2005-06. The Steering Committee constituted by the GoM also recommended (January 2007) implementation of accrual system of accounting in the ULBs. However, the GoM published (January 2013) the Maharashtra Municipal Account Code, 2013 prescribing the procedure for maintenance of accounts of receipts and disbursements for the Municipal Councils only. No such Account Code was prepared by the Director, Municipal Administration (DMA) for the Municipal Corporations even after 11 years of adoption of NMAM for implementation from 2005-06. Further, the notification for the implementation of Maharashtra Municipal Account Code, 2013 was issued by GoM in November 2014 *i.e.* after a delay of nearly two years. Further information regarding maintenance of accounts as per Maharashtra Municipal Account Code, 2013 was awaited from the Department (February 2017).

Information furnished by 17 of 26 Municipal Corporations (except Panvel) revealed that the accounts for the years 2015-16, 2014-15, 2013-14, 2012-13 and 2009-10 had been prepared by six²⁵, two²⁶, three²⁷, two²⁸ and one²⁹ Municipal Corporations respectively. Thus, preparation of accounts by ULBs were in arrears.

Of the total 358 Municipal Councils including NPs, the Department furnished information of annual accounts in respect of 239 Municipal councils. Of these, one, two, five and 181 Municipal Councils had finalized their accounts for the years 2009-10, 2012-13, 2013-14 and 2015-16 respectively.

²⁴ CAFO, Malegaon Municipal Corporation; Health Department, Bhiwandi-Nizampur City Municipal Corporation; CAFO, Nashik Municipal Corporation; CAFO, Thane Municipal Corporation; Chief Officer, Desaiganj Municipal Council (Gadchiroli); Chandrapur Municipal Corporation; DUDA, Aurangabad and DUDA, Nanded

²⁵ Akola, Dhule, Malegaon, Mira-Bhayandar, Ulhasnagar and Kolhapur

²⁶ Navi Mumbai and Pune

²⁷ Kalyan-Dombivli, Solapur, Sangli-Miraj-Kupwad

²⁸ Ahmednagar and Nashik

²⁹ Pimpri-Chinchwad

Recommendation: The Department may ensure that all ULBs finalise their accounts as per the prescribed time schedule so that the certification of accounts is done in time.

3.14.6 Issues related to Abstract Contingent and Detailed Contingent Bills

As per the Maharashtra Treasury Rules, 1968, the Drawing and Disbursing Officers were required to submit Detailed Contingent (DC) bills (comprising vouchers in support of final expenditure) drawn against Abstract Contingent (AC) bills, within 30 days to the office of the Accountant General (Accounts and Entitlements), Maharashtra.

As of March 2016, DC bills in respect of 11 AC bills involving ₹ 0.03 crore pertaining to the Department were outstanding.