

CHAPTER-III

OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

3.1 Introduction

In pursuance of the 74th Amendment in 1992, Articles 243 P to 243 ZG were inserted in the Constitution of India whereby the State legislature could endow Municipalities with certain powers and duties in order to enable them to function as institutions of Self-Government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution. The Rajasthan Municipalities Act (RMA), 2009 was accordingly enacted by repealing all the prevailing municipal laws and enactments to enable the Urban Local Bodies (ULBs) to function as third tier of the Government.

There were 188 ULBs¹ i.e. seven Municipal Corporations² (M Corps), 34 Municipal Councils³ (MCs) and 147 Municipal Boards⁴ (MBs) as of March 2016. As per census 2011, the statistics of Rajasthan State are given in **Table 3.1** below:

Table 3.1

Indicator	Unit	State level
Population	Crore	6.85
Population (Urban)	Crore	1.70
Population Density	Persons per sqkm	200
Decadal Growth Rate	Percentage	21.30
Sex Ratio	Females per 1,000 males	914
Total Literacy Rate	Percentage	Male 87.90 Female 70.70
Urban Per Capita Income	Rupees per annum	65,974
Municipal Corporation	Numbers	7
Municipal Council	Numbers	34
Municipal Board	(Class II)	13
	(Class III)	58
	(Class IV)	76

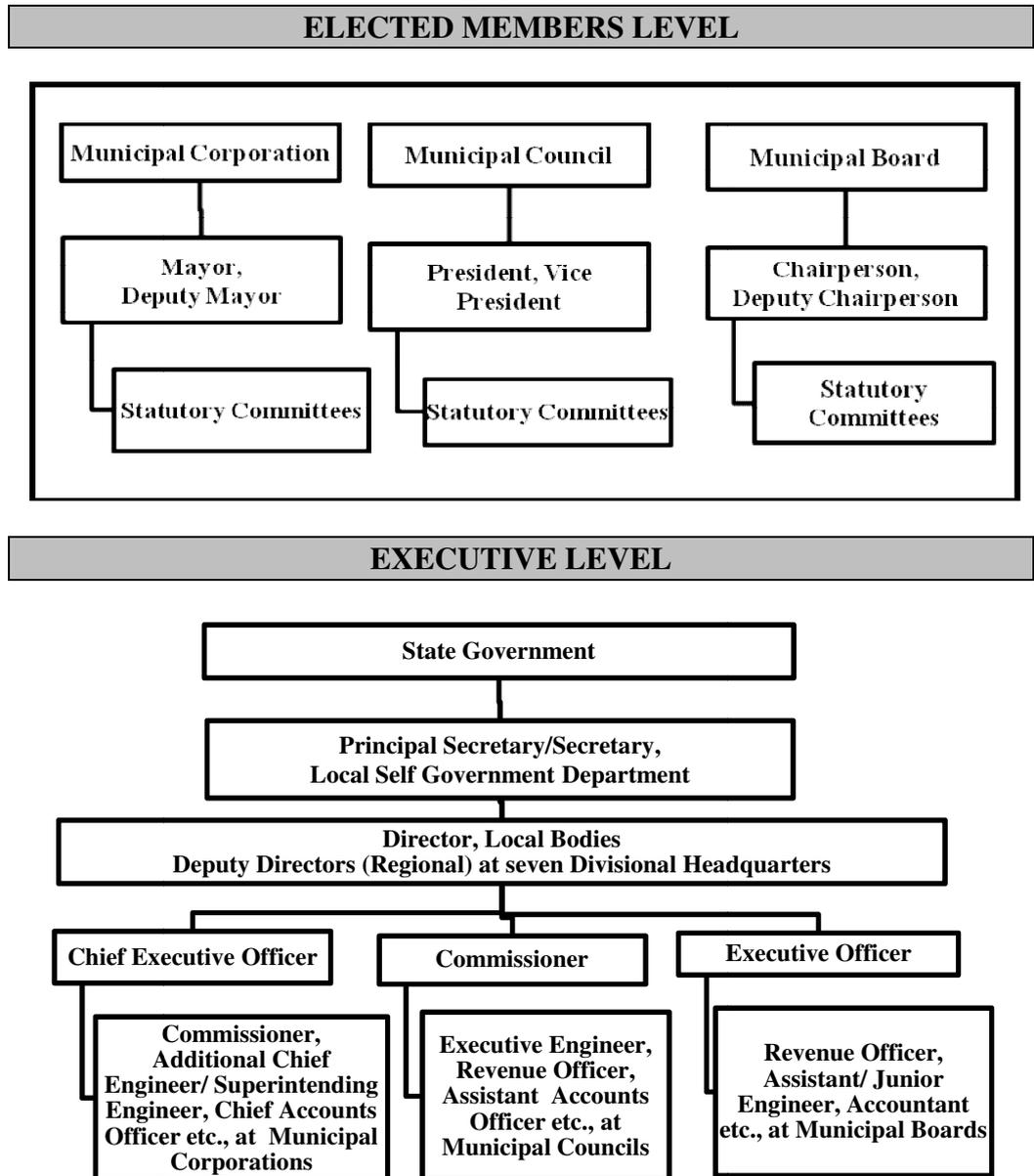
Source: Annual Progress Report 2015-16 of Local Self Government Department, Rajasthan.

1. Municipal Boards, Roopwas (August, 2014) was not functional as of March 2016 due to litigation process.
2. Municipal Corporations: Ajmer, Bharatpur, Bikaner, Jaipur, Jodhpur, Kota and Udaipur.
3. Municipal Councils: Alwar, Balotara, Banswara, Baran, Barmer, Beawar, Bhilwara, Bhiwadi, Bundi, Chittorgarh, Churu, Dausa, Dholpur, Dungarpur, Gangapurcity, Hanumangarh, Hindauncity, Jaisalmer, Jalore, Jhalawar, Jhunjhunu, Karauli, Kishangarh, Makarana, Nagaur, Pali, Pratapgarh, Rajsamand, Sawai Madhopur, Sikar, Sirohi, Sriganganagar, Sujangarh and Tonk.
4. Municipal Boards: Class-II (with population 50,000-99,999): 13, Class-III (with population 25,000-49,999): 58 and Class-IV (with population less than 25,000): 76.

3.2 Organisational Set up

Local Self Government Department (LSGD) is the administrative Department dealing with affairs of the ULBs. An organisational chart combining the State Government administrative machinery with ULBs is given in **Chart 3.1** below:

Chart 3.1



3.3 Functioning of ULBs

Sections 45 to 47 and 101 to 103 of RMA, 2009 have certain core functions⁵, other functions for protection of environment, public health and sanitation,

5. Public health, sanitation, conservation, solid waste management, drainage and sewerage, cleaning public streets, places and sewers and all spaces, lighting public streets, places and buildings, extinguishing fires and protecting life and property when fire occurs, etc.

education and culture, public welfare, community relations and functions assigned by the Government⁶.

3.3.1 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. As per information given by Directorate Local Bodies (DLB) Department (June 2016), functions relating to 16 subjects (***Appendix-VI***) were already being performed by ULBs. The remaining two functions, 'Water Supply' is being carried out by seven ULBs whereas 'Urban Planning' function is yet to be devolved to ULBs as per notification dated 6 February 2013.

3.4 Formation of Various Committees

3.4.1 District Planning Committee

In pursuance of Article 243 ZD of the Constitution of India and section 158 of RMA, 2009, the State Government constitutes District Planning Committee (DPC) in all the districts of the State. District Collector is a member of the DPC and he or his nominated officer attends the meeting of DPC. The required quorum for DPC meeting is 33 *per cent* of members elected from rural and urban areas.

The main objective of DPC is to consolidate the plans prepared by the panchayats and the municipalities in the district and to prepare a draft developmental plan for the district as a whole and forward it to the State Government. Details regarding the functioning of DPCs, was not intimated by the Department (December 2016).

3.4.2 Standing Committees

According to section 55 of RMA, 2009, every municipality shall constitute an executive committee. In addition to the executive committee, every municipality shall also constitute the following committees consisting of not more than 10 members (i) finance committee, (ii) health and sanitation committee (iii) buildings permission and works committee (iv) slum improvement committee (v) rules and bye-laws committee (vi) compounding and compromising of offences committee and (vii) committee for looking into the functions of a municipality. It may also constitute such other committees, not exceeding eight in case of M Corp, not exceeding six in case of MC and not exceeding four in case of MB, as it may deem necessary⁷.

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6. The State Government may by general or special order, require a municipality to perform such other municipal functions as the State Government may, having regard to the necessity and the resources of the municipality, think fit to be performed by the municipality.
 7. The State Government may, looking to the functions of a municipality, increase the maximum limit of committees specified in this clause.

As regards the actual status of standing committees constituted under section 55 of RMA, 2009, the same has not been provided by the DLB Department (May 2016).

3.5 Audit Arrangement

3.5.1 Primary Auditor

The Director, Local Fund Audit Department (LFAD) is the Primary/ Statutory Auditor for Audit of the accounts of the ULBs under Section 4 of the Rajasthan Local Fund Audit Act (RLFAA), 1954 and Rajasthan Local Fund Audit Rules, 1955. As per section 18 of RLFAA, 1954, Director LFAD submit Annual Consolidated Report to the State Government and the Government shall lay this report before the State Legislature.

The Audit Report of LFAD, Rajasthan for the year 2014-15 has been laid on the table of the State Legislature on 28th March 2016. Audit Report for the year 2015-16 was in process (June 2016).

The Director LFAD covered only 70 units of ULBs (M Corp: one, MCs: 15 and MBs: 54) in Audit as of March 2016. The Director, LFAD intimated (July 2016) that the shortfall was due to vacant posts, staff engaged in special inspections and staff being deputed to District Election Office for long periods.

3.5.2 Audit by Comptroller and Auditor General of India

The Comptroller and Auditor General of India (CAG) conducts Audit of bodies substantially financed by grants or loans from the Consolidated Fund of India or any State under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. Further, Section 99-A of RMA, 2009, as amended⁸ in 2011 provides for Audit of municipalities by the CAG.

A committee on Local Bodies and Panchayati Raj Institution has been constituted since 1 April 2013 in Rajasthan Vidhan Sabha to examine and discuss the Audit Reports of Comptroller and Auditor General of India on local bodies. Audit Report for the year 2004-05 has been discussed by the committee and subsequent reports are yet to be discussed.

3.5.3 Implementation of Technical Guidance and Support/Supervisions

In pursuance of recommendations of XIIIth Central Finance Commission, the Government of Rajasthan, Finance (Audit) Department has issued notification (2 February 2011) for adoption of 13 parameters under the Technical Guidance and Supervision/Support (TG&S) over the Audit of all the tiers of Panchayati Raj Institutions and ULBs.

8. The accounts of the Municipalities shall be audited by the CAG of India in accordance with the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

Comments/suggestions in respect of 44 factual statements and draft paragraphs proposed by Director, LFAD for inclusion in their Audit Report and comments on the 12 Inspection Reports (IRs) of Director, LFAD upto March 2016 were communicated to Director, LFAD under the TG&S by the Principal Accountant General (General and Social Sector Audit), Rajasthan.

3.6 Response to Audit Observations

For early settlement of Audit observations, Departmental Administrative Officers were required to take prompt steps to remove defects and irregularities brought to their notice during the course of Audit and/or pointed out through IRs.

3.6.1 For the period 2011-16, 440 IRs containing 4,245 paragraphs in respect of ULBs, issued by the Office of the Principal Accountant General (General and Social Sector Audit), Rajasthan involving money value of ₹ 9,276.82 crore were pending for settlement as on 31 March 2016. Out of this, even first compliance report of 869 paragraphs of 77 IRs were not furnished as per details given in **Table 3.2** below:

Table 3.2

Year	IRs	Paragraphs	Money value (₹ in crore)	First compliance not furnished	
				IRs	Paragraphs
2011-12	64	434	414.22	1	12
2012-13	76	703	1,304.96	3	48
2013-14	101	820	1,682.70	13	144
2014-15	113	1,018	2,418.46	23	240
2015-16	86	1,270	3,456.48	37	425
Total	440	4,245	9,276.82	77	869

3.6.2 For the period from 2011-12 to March 2016, 2,42,718 paragraphs of 20,538 IRs issued by Director, LFAD were pending for settlement. Audit observations including 32 embezzlement cases involving monetary value of ₹ 0.49 crore were pending for settlement. Further, first compliance to 30 IRs was still awaited as per details given in **Table 3.3** below:

Table 3.3

Year	IRs	Paragraphs	Number of units which first compliance not furnished	Embezzlement cases	
				Number	Money value (₹ in lakh)
2011-12	5,544	59,549	2	6	0.10
2012-13	4,870	59,920	6	5	0.04
2013-14	4,923	60,650	8	6	6.97
2014-15 (upto March 2016)	5,201	62,599	14	15	41.81
Total	20,538	2,42,718	30	32	48.92

Source: As per data provided by Director, LFAD, Rajasthan.

This indicated lack of prompt response on the part of the municipal/ Departmental authorities.

3.6.3 Only a meeting of Audit Committee was conducted (11 March 2016) during the year 2015-16 by the Department whereas Audit Committee meeting was required to be conducted every quarter.

3.6.4 Response to Paragraphs in Audit Reports

Twelve paragraphs involving money value ₹ 117.89 crore which appeared in previous Audit Reports⁹ were pending for settlement for want of reply from the Government as on 31 December 2016.

3.6.5 Impact of Audit

During the year 2015-16, recovery of ₹ 0.11 crore was made in nine cases at the instance of Audit.

Recommendation: 1

Efforts should be made by LSGD to regularly conduct the Audit Committee meetings to settle the pending paragraphs.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

3.7 Lokayukta

In the State, the Rajasthan Lokayukta and Up-Lokayuktas Act, 1973 came into force on 3 February 1973 which also covers the actions of Mayor and Deputy Mayor of a M Corp, President and Vice-President of a MC, Chairman and Vice-Chairman of a MB and Chairman of any Committee, constituted or deemed to be constituted by or under the Rajasthan Municipalities Act, 1959.

The Department stated (September 2016) that no such body of Lokayukta has been constituted at district level.

3.8 Property Tax Board

The Thirteenth Finance Commission (TFC) recommended (February 2011) 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 commission also recommended that the Board should enumerate, or cause to enumerate, all properties in the ULBs in the State and develop a data base, review the property tax system and suggest suitable basis for valuation of properties, design and formulate transparent procedure for valuation of properties, inspection for verification in ULBs in the State. The State Government constituted (February 2011) State Level Property Tax Board and first meeting of the board was held on 28 April 2011. Till date the Board was non-functional (December 2016).

9. Audit Report 2012-13 (four paragraphs: ₹ 5.35 crore), 2014-15 (Eight paragraphs: ₹ 112.54 crore).

3.9 Fire Hazard Response

According to guidelines for release and utilisation of the TFC grants, all Municipal Corporations with population of more than 10 lakh (Census 2001) must put in place a fire hazard response and mitigation plan for their respective jurisdictions. Publication of these plans in the Gazette of respective State Government would demonstrate compliance with this condition.

As per Census 2011, three¹⁰ cities of Rajasthan had population more than one million, but only M Corp, Jaipur had prepared fire hazard response and mitigation plan which was notified (21 March 2011) by the State Government.

3.10 Submission of Utilisation Certificates

During 2015-16 grants of ₹ 773.95 crore and ₹ 433.12 crore under Fifth State Finance Commission (SFC-V) and Fourteenth Finance Commission (FFC) respectively were received and the same were released to ULBs by the Finance Department.

Details of utilisation of grants and pendency in submission of UCs for the year 2015-16 are shown in **Table 3.4** below:

Table 3.4

(₹ in crore)

Particulars of grants	Actual grant (FFC) released by GoI	Actual grants released to ULBs by State Government	UCs received from ULBs		UCs pending	
			Amount	Percentage	Amount	Percentage
Grant of FFC	433.12	433.12	153.05	35.34	280.07	64.66
Grant of SFC-V	773.95	773.95	201.64	26.05	572.31	73.95

In addition to above, out of grant of ₹ 692.22 crore of Fourth State Finance Commission (SFC-IV), UCs of ₹ 167.74 crore (24.32 per cent) were still pending (September 2016). In absence of pending UCs under SFC-IV, SFC-V and FFC the proper utilisation of funds could not be ascertained.

3.11 Internal Audit and Internal Control System of ULBs

As per Section 99 of RMA, 2009 the State Government or the Municipality may provide for Internal Audit of the day to day accounts of the Municipality in the manner prescribed.

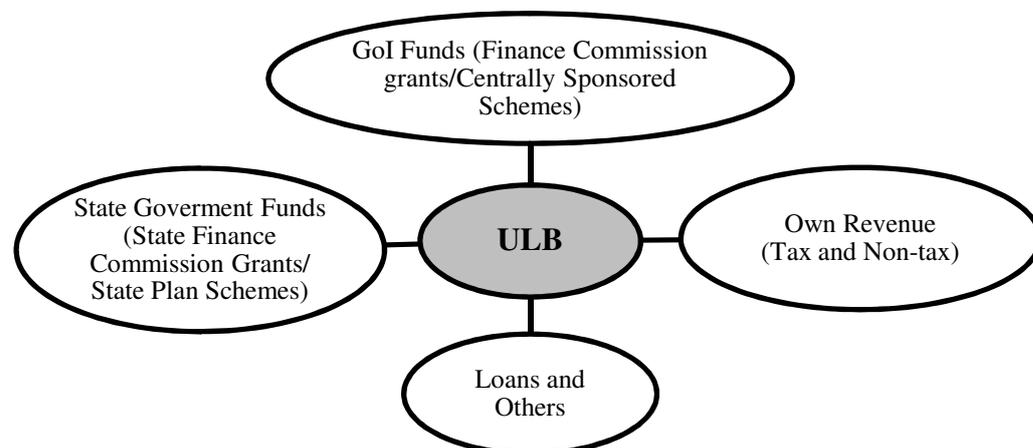
The DLB Department intimated (October 2016) that there was no arrangement for conducting the Internal Audit at Department's level whereas internal control of ULBs was being done by the Department and Regional Offices.

10. Jaipur (30,46,163), Jodhpur (10,33,756) and Kota (10,01,694).

3.12 Financial Reporting Issues

3.12.1 Source of Funds

The resource base of ULBs consists of own revenues, assigned revenues, grants received from GoI and the State Government and loans as depicted in the diagram below:



3.12.1.1 Receipts

The position of receipts under various heads of the ULBs during 2011-12 to 2015-16 is given in **Table 3.5** below:

Table 3.5

(₹in crore)

Sources of receipts	2011-12	2012-13	2013-14	2014-15	2015-16*
(A) Own Revenue					
(a) Tax Revenue					
(i) House tax	Nil	Nil	Nil	Nil	Nil
(ii) Urban development tax ¹¹ / property tax	39.57	46.88	45.31	32.61	59.70
(iii) Octroi/ <i>Margasth</i> fee	Nil	Nil	Nil	Nil	Nil
(iv) Tax on vehicles	Nil	Nil	Nil	Nil	Nil
(v) Passenger tax	Nil	Nil	Nil	Nil	Nil
(vi) Terminal tax	Nil	Nil	Nil	Nil	Nil
(vii) Other taxes ¹²	81.10	205.41	169.94	178.39	221.42
(viii) Outsourcing	Nil	Nil	Nil	Nil	Nil
Total of Tax Revenue (a)	120.67 (5.29)	252.29 (7.04)	215.25 (5.55)	211.00 (6.02)	281.12 (9.32)
(b) Non-tax Revenue					
(i) Revenue from bye-laws ¹³	157.25	416.83	474.33	263.88	188.44
(ii) Revenue from assets	26.69	36.08	31.74	22.65	26.52
(iii) Revenue from Acts	Nil	Nil	Nil	Nil	Nil
(iv) Revenue from penalties	Nil	Nil	Nil	Nil	Nil

11. Urban Development tax was introduced with effect from 29 August 2007 on abolition of House tax from 24 February 2007.

12. Income from land revenue, tax on advertisement, pilgrim tax, other income etc.

13. Income from birth and death certificate, sign advertisement board fees, tender form fees, marriage registration fees, building permission fees, license fees of hotel bye-laws etc.

Sources of receipts	2011-12	2012-13	2013-14	2014-15	2015-16*
(v) Revenue from waterworks	Nil	Nil	Nil	Nil	Nil
(vi) Interest on investments	24.80	26.30	42.42	49.07	47.92
(vii) Misc. non-tax revenue ¹⁴	297.95	477.90	606.72	462.73	322.17
(viii) Sale of land ¹⁵	110.38	199.30	139.54	121.04	67.64
Total of Non-tax Revenue (b)	617.07 (27.06)	1,156.41 (32.27)	1,294.75 (33.37)	919.37 (26.24)	652.69 (21.64)
Total of Own Revenue (A)	737.74 (32.35)	1,408.70 (39.31)	1,510.00 (38.91)	1,130.37 (32.26)	933.81 (30.97)
(B) Assigned Revenue/ Entertainment tax	7.38 (0.32)	0.01 (0.00)	Nil	Nil	Nil
(C) Grants and Loans					
(i) General and special grant	642.78	1,162.55	1,308.41	1,205.06	1,262.39
(ii) Grant in lieu of octroi	877.81	965.60	1,062.15	1,168.36	819.30
(iii) Special assistance and loans	14.81	47.07	Nil	Nil	Nil
Total of Grants and Loans (C)	1,535.40 (67.33)	2,175.22 (60.69)	2,370.56 (61.09)	2,373.42 (67.74)	2,081.69 (69.03)
(D) Miscellaneous Non-recurring Income¹⁶	Nil	Nil	Nil	Nil	Nil
Grand Total (A to D)	2,280.52	3,583.93	3,880.56	3,503.79	3,015.50

Source: As per data provided (October 2016) by DLB Department, Rajasthan.

Note : Figures in brackets denote percentage to the total receipts.

* The above figures for the year 2015-16 are of 136 ULBs only. Information of remaining 52 ULB has not been provided by DLB Department.

It could be seen from the table above that:

- Tax revenue comprised only 9.32 per cent of the total revenue during the year 2015-16. It increased by 3.30 per cent during 2015-16 over the previous year. The increase in tax revenue was under the heads of urban development tax and other taxes.
- Non-tax revenue comprised 21.64 per cent of the total revenue during 2015-16. It decreased by 4.60 per cent during 2015-16 over the previous year. The decrease in non-tax revenue was under various heads like revenue from bye laws, miscellaneous non-tax revenue and sale of land etc.
- During 2015-16 own revenue (tax and non-tax) comprised 30.97 per cent of total receipts. In 2014-15 it is comprised of 32.26 per cent of total receipts. It indicates marginal increase in dependency of ULBs on grants and loans.
- Under the head “Grants and Loans” ULBs received 1.29 per cent amount more than previous year 2014-15.

3.12.1.2 Expenditure

The position of expenditure in ULBs during 2011-12 to 2015-16 is given in **Table 3.6** below:

14. Income from sewerage tax, fair fees, application fees, income from contract of Bakra Mandi, income from cattle house, income from lease, etc.
15. Receipt from sale of land to public, Government and other commercial organisation.
16. Including deposits and recoveries of loans and advances.

Table 3.6

(₹ in crore)

Items of Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16*
(A) Recurring Expenditure					
General administration	966.84 (33.45)	1,090.10 (31.19)	1,129.71 (28.56)	1,157.04 (33.33)	875.60 (33.17)
Public health and sanitation	637.66 (22.06)	772.28 (22.10)	197.30 (4.99)	228.21 (6.57)	168.41 (06.38)
Maintenance of civic amenities	737.67 (25.52)	898.26 (25.70)	862.68 (21.81)	671.97 (19.36)	329.10 (12.47)
Total of Recurring Expenditure (A)	2,342.17 (81.03)	2,760.64 (78.99)	2,189.69 (55.36)	2,057.22 (59.27)	1,373.11 (52.01)
(B) Non-recurring Expenditure					
Expenditure on developmental works	394.56 (13.66)	518.72 (14.84)	1,401.32 (35.43)	1,150.42 (33.14)	967.40 (36.64)
Purchase of new assets	NA	NA	Nil	Nil	Nil
Repayment of loans	NA	NA	24.22 (0.61)	31.79 (0.92)	Nil
Miscellaneous non-recurring expenditure ¹⁷	153.62 (5.31)	215.66 (6.17)	339.95 (8.60)	231.79 (6.68)	299.51 (11.34)
Total of Non-recurring Expenditure (B)	548.18 (18.97)	734.38 (21.01)	1,765.49 (44.64)	1,414.00 (40.73)	1,266.91 (47.99)
Grand Total (A+B)	2,890.35	3,495.02	3,955.18	3,471.22	2,640.02

Source: As per data provided (October 2016) by DLB Department, Rajasthan.
Note: Figures in brackets denote percentage to the total expenditure.
**The above figures for the year 2015-16 are of 136 ULBs only. Information of remaining 52 ULBs has not been provided by DLB Department so far.*

It could be seen from the table above that:

- Recurring expenditure in 2015-16 decreased by 7.26 per cent over the previous year 2014-15. This was mainly due to less expenditure under the head “Maintenance of civic amenities” by the Department.
- Non-recurring expenditure increased in 2015-16 by 7.26 per cent over the previous year 2014-15, this was due to increase in expenditure on developmental work (an increase of 3.50 per cent) and miscellaneous non-recurring expenditure (an increase of 4.66 per cent). Breakup of receipt and expenditure of category wise ULBs is given in **Table 3.7** below:

Table 3.7

(₹ in crore)

Category of ULBs	2014-15		Surplus (+)/ Shortfall (-)	2015-16*		Surplus (+)/ Shortfall (-)
	Receipts	Exp.		Receipts	Exp.	
(A) Municipal Corporations						
(i) Ajmer	103.23	86.01	(+) 17.22	124.40	94.50	(+) 29.90
(ii) Bikaner	61.66	65.94	(-) 4.28	106.00	73.41	(+) 32.59
(iii) Jaipur	667.23	478.18	(+) 189.05	NA	NA	NA
(iv) Jodhpur	184.79	227.04	(-) 42.25	275.93	212.14	(+) 63.79
(v) Kota	186.09	181.55	(+) 4.54	261.64	197.32	(+) 64.32
(vi) Udaipur	147.32	175.63	(-) 28.31	NA	NA	NA
(vii) Bharatpur ¹⁸	45.90	40.06	(+) 5.84	58.30	47.58	(+) 10.72
Total (A)	1,396.22	1,254.41	(+) 141.81	826.27	624.95	(+) 201.32
(B) Municipal Councils	1,002.57	988.71	(+) 13.86	1,010.99	959.87	(+) 51.12
(C) Municipal Boards	1,105.00	1,228.10	(-) 123.10	1,178.26	1,055.18	(+) 123.08
Grand Total (A+B+C)	3,503.79	3,471.22	(+) 32.57	3,015.52	2,640.00	(+) 375.52

Source: As per data provided (October 2016) by DLB Department, Rajasthan.
** The above figures for the year 2015-16 are of 136 ULBs only. Information of remaining 52 ULBs has not been provided by DLB Department so far.*

17. It includes refunds or deposits, investment made and disbursement of loans and advances.

18. Bharatpur had Municipal Board, which was upgraded to M Corp during June 2014.

It could be seen from the table above that:

- During 2015-16, there was an overall surplus of ₹ 375.52 (12.45 per cent) crore of receipts over expenditure in the M Corps, MCs and MBs.
- During 2015-16, M Corp, Ajmer, Bikaner, Bharatpur, Jodhpur and Kota had a surplus of receipts over expenditure.
- Status of receipts and expenditure of M Corp Jaipur and Udaipur for the year 2015-16 has not been provided by DLB Department (November 2016).
- During 2015-16, MCs had a surplus of receipts over expenditure by ₹ 37.26 crore.
- During 2015-16, MBs have strengthened their financial position from a shortfall of ₹ 123.10 crore in 2014-15 to a surplus of ₹ 123.08 crore in 2015-16.

Recommendation:2

The ULBs should take effective steps to strengthen their financial position by focusing on collection of own tax and non-tax revenue.

3.12.2 Recommendations of the State Finance Commission

The SFC-IV constituted on 11 April 2011 is concurrent with the TFC. For the years 2010-11 to 2014-15, the SFC-IV had recommended devolution of five per cent of State's net own tax revenue (excluding land revenue and 25 per cent of entry tax) to local bodies in the ratio of 75.10 : 24.90 to PRIs and ULBs on provisional basis and budgeted figures were to be adopted for quantifying the divisible pool.

The position of grants required to be released by the State Government under the SFC-IV and SFC-V during 2011-12 to 2014-15 and 2015-16 and their utilisation is given in **Table 3.8** below:

Table 3.8

(₹ in crore)

Year	Grants to be released by the State Government	Grants released by the Finance Department to DLB	Grants released to ULBs by DLB	Short (-)/ Excess (+) release of grants	UCs received (June 2016) from ULBs		UCs Pending (June 2016) from ULBs	
					Amount	Percentage	Amount	Percentage
The position of grants required to be released by the State Government under the SFC-IV								
2011-12	147.95	150.7	237.53	(+) 86.83	106.77	44.95	130.76	55.05
2012-13	325.37	325.37	325.66	(+) 0.29	153.24	47.06	172.42	52.94
2013-14	325.08	325.08	325.08	Nil	126.06	38.78	199.02	61.22
2014-15	692.22	692.22	692.22	Nil	524.48	75.79	167.74	24.21
Total	1,490.62	1,493.37	1,580.49	-	910.55	57.61	669.94	42.39
The position of grants required to be released by the State Government under the SFC-V								
2015-16	773.95	773.95	773.95	Nil	201.64	26.05	572.31	73.95

Source: As per data provided (September 2016) by DLB Department, Rajasthan.

As the period of SFC-IV had already expired, however, as on September 2016, 42.40 per cent UCs of SFC-IV (2011-12 to 2014-15) and 74 per cent of UCs of SFC-V were still pending.

This indicated poor utilisation of grants by the implementing agencies and poor mentoring by the DLB Department.

3.12.3 Recommendation of the Central Finance Commissions

The position of grants released by the Government of India to State Government and further released by the State Government to ULBs under the Thirteenth Finance Commission and Fourteen Finance Commission during 2011-12 to 2014-15 and 2015-16 and their utilisation is given in **Table 3.9** below:

Table 3.9

(₹ in crore)

Year	Grants to be released by GoI	Actual grants released by GoI	Grants released to ULBs by State Government	UCs received (June 2016) from ULBs		UCs pending	
				Amount	Percentage	Amount	Percentage
The position of grants required to be released by the State Government under the TFC							
2011-12	173.3	209.49	187.56	98.64	52.59	88.92	47.41
2012-13	254.49	252.06	273.99	95.62	34.9	178.37	65.1
2013-14	361.81	361.81	361.81	218.81	60.48	143	39.52
2014-15	355.96	333.15	200.26*	200.26	100	Nil	Nil
2015-16	Nil	132.89	132.89	132.89	100	Nil	Nil
Total	1,145.56	1,289.40	1,156.51	746.22	64.52	410.29	35.48
The position of grants required to be released by the State Government under the FFC							
2015-16	433.12	433.12	433.12	153.05	35.34	280.07	64.66

Source: As per data provided (September 2016) by DLB Department, Rajasthan.
 * General Basic Grant: ₹ 199.64 crore, General Performance Grant: ₹ Nil, Special Areas Basic Grant: ₹ 0.18 crore and Special Areas Performance Grant: ₹ 0.44 crore.

As on September 2016, UCs amounting to ₹ 280.07 crore and ₹ 410.29 crore were pending in respect of FFC and TFC respectively. This indicated slow pace of utilisation of funds by ULBs and lack of monitoring at Directorate level.

3.12.4 Annual Financial Statement

As per Section 92(1) of RMA, 2009, the Chief Municipal Officer shall, within three months of the close of a financial year, cause to be prepared a financial statement containing an income and expenditure account and a receipts and payments account for the preceding financial year in respect of the accounts of the municipality and a balance sheet of the assets and liabilities of the municipality for the preceding financial year.

It was observed that there was no record maintained by DLB Department which indicated that how many ULBs prepared their annual accounts within prescribed time. In reply, the DLB Department confirmed (June 2016) the facts.

3.12.5 Maintenance of Accounts by Urban Local Bodies

3.12.5.1 As per Rule 25(xi) of Rajasthan Local Fund Audit Rules 1955, a certificate of correctness of annual accounts shall be included in Director's

Report. As such accounts of all 188 ULBs were required to be certified every year. For the period 2009-10 to 2014-15, Director, LFAD intimated (June 2016) that out of 188 ULBs; certification of accounts of only 114 ULBs (61 *per cent*) had been done. In absence of certification of accounts, the correctness of accounts could not be verified by Audit.

3.12.5.2 National Municipal Accounts Manual (NMAM) for ULBs in India developed by the Ministry of Urban Development, GoI was introduced in February 2005. On the lines of NMAM, Rajasthan Municipal Accounting Manual has been prepared. Accordingly, the LSGD directed (December 2009) all ULBs to maintain the accounts on Accrual Based (Double Entry) Accounting System from 1 April 2010.

The DLB Department intimated (June 2016) that all the ULBs have been directed to adopt the Accrual Based Double Entry Accounting System and all ULBs are maintaining the accounts on above system. However, Director, LFAD intimated (July 2016) that only four ULBs are maintaining the accounts on above system.

3.12.6 *Maintenance of Database and the Formats therein on the Finances of Urban Local Bodies*

The Ministry of Urban Development, GoI has issued (April 2010) seven database formats to be adopted by ULBs as prescribed by the TFC. The DLB Department intimated (June 2016) that information in prescribed database formats upto year 2015-16 are being collected and will be forwarded after receiving the same by August 2016. This information is still awaited (December 2016).

Recommendation: 3

ULBs should follow the prescribed formats and guidelines related to accounting as provided by TFC, FFC and NMAM. These bodies should also make sincere efforts to prepare the accounts on time and get them certified.

3.13 Conclusion

The own resources generated by ULBs were not adequate to take care of their expenditure and ULBs were largely dependent on grants and loans from Central/State Government. The receipts of ULBs showed increasing trend only in 2015-16.

Absence of timely finalisation of accounts in the prescribed formats and lackadaisical approach in certification of accounts resulted in denial of correct accounting information to the stakeholders. From 2009-15, as against accounts of 188 ULBs required to be certified every year, certification of accounts of only 114 ULBs (61 *per cent*) has been done by the LFAD.

There were also huge delays in attending to Audit observations and in their settlement. Failure to timely respond to Audit observations is fraught with the risk of continuance of irregularities/deficiencies.