

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Out of 128 Urban Local Bodies<sup>1</sup> (ULBs) in West Bengal, 122 ULBs (119 Municipalities, two Notified Area Authorities and one Industrial Township Authority) are governed according to the provisions of the West Bengal Municipal Act, 1993. Kolkata Municipal Corporation and Howrah Municipal Corporation are governed by the respective Acts of 1980. Other four Municipal Corporations are governed by the Acts<sup>2</sup> of 1990 and 1994. In the year 2008, all Municipal Corporations (except Kolkata and Howrah) have been brought under the West Bengal Municipal Corporation Act, 2006<sup>3</sup>. Municipalities are categorised into five groups on the basis of population as ascertained in the preceding census for the purpose of application of provisions of the Act. Each municipality is divided into a number of wards, which is determined and notified by the State Government having regard to the population, dwelling pattern, geographical condition and economic consideration of the respective area. Number of wards was between 9 and 141 depending on the size of the ULBs. An elected councillor represents each ward. In 2011, the urban population in West Bengal was 2.91 crore spread over 5,119 sqkm, with a density of 5,683 per sqkm as against the total population of 9.13 crore. During 2001 to 2011, the urban population increased to 31.87 *per cent*, which was higher than the previous decade (27.97 *per cent*).

### 1.2 Organisational Structure

Department of Municipal Affairs is entrusted with the responsibility of providing legal and administrative support to the ULBs of the State and implementing some of the development programmes through the municipal bodies. Urban development planning and infrastructural development are looked into by the Urban Development Department through various autonomous authorities/ agencies created under relevant Acts. Currently, one

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<sup>1</sup> Six Municipal Corporations, 119 Municipalities, two Notified Area Authorities and one Industrial Township Authority.

<sup>2</sup> Siliguri, Asansol and Chandernagore by respective Acts of 1990 and Durgapur by the Act of 1994.

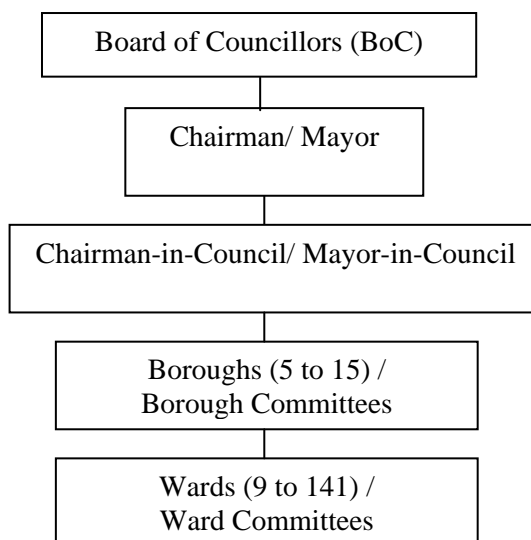
<sup>3</sup> First published in the Kolkata Gazette, Extraordinary, Part III dated 29 May 2008, vide Notification No. 957-L, dated 29 May 2008.

Minister-in-Charge looks after the affairs of both the Departments. The Secretariat supervises the various functions of the Directorate and other organisations which are related to the Department.

Chairman/ Mayor, elected by the majority of the Board of Councillors (BoC), is the executive head of the ULB and presides over the meetings of the Chairman-in-Council / Mayor-in-Council responsible for governance of the ULB. The executive power of a ULB is exercised by the Council. The Chairman-in-Council / Mayor-in-Council enjoys such power as is delegated by the Board.

Every ULB, having a population of three lakh or more, groups the wards into five (up to 15 in respect of a Municipal Corporation) boroughs. The boroughs are constituted with not less than six contiguous wards and a Borough Committee is constituted for each borough. The councillors of the respective wards are the members of such Borough Committee and elect the Chairman (not being a member of Chairman-in-Council / Mayor-in-Council) from among themselves. The Borough Committee discharges such functions as the ULB assigns. At ward level, the ULB constitutes Ward Committee under the chairmanship of the Ward Councillor.

The organisational structure of the governing body of an ULB is as under:



Establishment of ULB is headed by an Executive Officer/ Commissioner. Other officers are also appointed to discharge specific functions of respective area/ nature. Executive Officer / Commissioner, subject to the supervision and control of the Chairman/ Mayor, functions as the principal executive of the

ULB. Executive Officer/ Commissioner and Finance Officer exercise such powers and perform such functions as are notified by the State Government from time to time.

### **1.3 Powers and Functions**

ULBs exercise their powers and functions in accordance with the provisions of Article 243W of the Constitution. Some obligatory functions of ULBs are as follows:

- Water supply for public and private purpose;
- Construction and maintenance of sewerage and drainage system;
- Collection and disposal of solid waste;
- Construction and maintenance of streets, bridges, flyovers, etc.;
- Construction and maintenance of public latrines, urinals and similar conveniences;
- Lighting of public streets and other public places;
- Construction and maintenance of markets;
- Preventing and checking spread of dangerous diseases including immunisation;
- Town planning and development including preservation of monuments, places of historical, artistic and other importance; and
- Overall administration including survey, removal of encroachment, registration of births and deaths and pollution control of all kinds.

Further, ULBs may at their discretion provide the services, either wholly or partially, out of their property and fund for the following services:

- Education;
- Sanitation;
- Relief at times of famine, flood or earthquake;
- Old-age-homes, orphanages;
- Public works relating to relief, care of sick, medical service; and
- Low-cost houses for socially backward classes of citizens.

The State Government may impose or transfer any such functions and duties of the Government to the ULB including those performed by the Departments. Such activities may include employment schemes and programmes, social forestry, health and family welfare, cottage and small-scale industries, formal and non-formal education, etc.

#### **1.4 Fund Flow Arrangement**

ULB fund comprises receipts from its own source, grants and assistance from Government and loans obtained from public financial institutions or nationalised banks or such other institutions as the State Government may approve.

Property tax on land and building is the principal source of tax revenue of a ULB. Non-tax revenue of a ULB includes plan-sanction fees, mutation fees and water charges. All collections as permissible under the statute in force, such as tax and non-tax revenue, are meant to be utilised for administration and provision of services to the tax payers.

The State Government releases administrative grants to ULBs to finance their revenue expenditure. Grants and assistance released by the State Government and the Central Government are utilised for developmental activities as specified in the respective guidelines of schemes or projects.

Loans raised from different sources with prior approval of the State Government are utilised for execution of various projects/ schemes.

#### **1.5 Accounting Reforms / Arrangements**

Accounting Manual for ULBs (except Kolkata Municipal Corporation<sup>4</sup>) in West Bengal, based on the National Municipal Accounts Manual, was prepared in February 2006 for switching over to double entry accounting system. Accordingly, section 84 (effective from October 2006) of the West Bengal Municipal Act, 1993 and rule 22(2) (effective from January 2007) of the West Bengal Municipal (Finance and Accounting) Rules, 1999<sup>5</sup> were amended for mandatory preparation of Balance Sheet, Income & Expenditure Account, Receipt & Payment Account and Cash Flow Statement with effect from the financial year 2006-07 for the ULBs in Kolkata Metropolitan Area and from 2007-08 for other ULBs.

#### **1.6 Audit Arrangement**

West Bengal Municipal Act, 1993 and the Acts governing other Municipal Corporations envisage that the accounts of such bodies shall be examined and

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<sup>4</sup> *Kolkata Municipal Corporation (KMC) is not governed by the Accounting Manual but has been following 'Accrual based Double Entry Accounting System'.*

<sup>5</sup> *Not applicable in case of KMC.*

audited by an auditor appointed by the State Government. Accordingly, the State Government in exercise of the powers conferred by the Municipal Acts of the State appointed the Examiner of Local Accounts (ELA), an officer of the Indian Audit & Accounts Service, as the Auditor for audit of accounts of the ULBs. The Acts further envisage that the Auditor shall prepare the report on the accounts examined and shall send such report to the Chairman/ Mayor and a copy thereof to the Director of Local Bodies or such other officers as the State Government may direct.

## 1.7 Audit Coverage

Out of 128 ULBs, audit of transaction of 65 ULBs<sup>6</sup> (**Appendix -1**) covering the financial years 2009-10 to 2013-14, was conducted during 2014-15.

## 1.8 Follow up action on Audit Reports

Reports<sup>7</sup> of the Examiner of Local Accounts on Urban Local Bodies for the years 2003-04 to 2013-14 were submitted to the Government of West Bengal between May 2005 and June 2015<sup>8</sup>. A State Level Audit Committee<sup>9</sup> (SLAC) was constituted in February 2006 to examine the findings of the Audit Reports on ULBs. Provision for laying the Report of the ELA on ULBs along with Action Taken Report (for every year) before the State Legislature has been made through section 90A of the West Bengal Municipal Act, 1993 (inserted

<sup>6</sup> Selected on the basis of Risk Analysis (risk factors considered are: expenditure, percentage of increase in expenditure over previous year, category of ULBs, etc.).

<sup>7</sup> The Reports contained important observations on 'Accounting Procedures & Financial Management', 'Revenue Receipts / Receipts', 'Establishment', 'Material Management and Execution of Works' and 'Implementation of Schemes'. The Reports included various draft paragraphs and observations on the 'Devolution of Functions, Functionaries and Funds to Urban Local Bodies', 'Heritage buildings and sites in Kolkata Municipal Corporation', 'Internal Control mechanism in Bidhannagar Municipality', 'Solid Waste Management', 'Car parking projects on PPP basis', 'Twelfth Finance Commission Grants', 'Projects under JNNURM – Kolkata Municipal Corporation', 'Internal control & service delivery mechanisms – Burdwan Municipality', 'Implementation of Waiver Scheme, 2012 – Kolkata Municipal Corporation', 'Internal control & service delivery mechanisms – Maheshtala Municipality', 'Management of water supply in urban area', 'Working of Siliguri Municipal Corporation', etc.

<sup>8</sup> For the year 2003-04 in May 2005, for the year 2004-05 in August 2006, for the year 2005-06 in July 2007, for the year 2006-07 in May 2008, for the year 2007-08 in October 2009, for the year 2008-09 in March 2011, for the year 2009-10 in July 2011, for the year 2010-11 in August 2012, for the year 2011-12 in July 2013, for the year 2012-13 in January 2015 and for the year 2013-14 in June 2015.

<sup>9</sup> Comprising the Chief Secretary (Chairman), Principal Secretary / Secretary of the Panchayat & Rural Development Department (Member), Principal Secretary / Secretary of the Municipal Affairs Department (Member), Principal Secretary of the Finance Department (Member), Accountant General (Receipt, Works & Local Bodies Audit), West Bengal (Member) and Principal Secretary of the Finance (IA) Department (Member-Secretary) vide Notification No. 4010-F.B. dated 23 February 2006 of the Finance Department, Government of West Bengal.

by the West Bengal Municipal (Amendment) Act, 2011). Similar amendments have been made by inserting section 80A in the Howrah Municipal Corporation Act, 1980 in November 2012, section 163A in the Kolkata Municipal Corporation Act, 1980 in December 2012 and section 91A in the West Bengal Municipal Corporation Act, 2006 (for other Municipal Corporations) in November 2012. Accordingly ELA Reports for the years ended March 2010, 2011, 2012, 2013 and 2014 were laid before the State Legislature between February 2014 and February 2016.

The SLAC, since its constitution, had three meetings in April 2008, September 2010 and September 2012. It was decided (April 2008) that priority would be given in the matter of submission of replies on the selected paragraphs by the Municipal Affairs Department and replies to all other paragraphs should also be submitted by the Department to the Accountant General so as to facilitate the process of consideration of the ELA Reports by the SLAC. However, SLAC has so far discussed no audit paragraphs.

### **1.9 Response to Audit Observations**

The ULB is required to comply with the observations contained in the Inspection Reports (IRs) and rectify the defects and omissions and report their compliance to ELA within three months from the dates of issue of IRs. Till 2014-15, 544 IRs with 2,242 paras were outstanding involving total money value of ₹2,884.52 crore. Most of the paras/ IRs were outstanding for want of replies from ULBs.

Audit Committee, comprising the Secretary of the Department, Examiner of Local Accounts, Director of Local Bodies and officials of the ULB, is constituted as and when required to discuss/ settle the outstanding paragraphs of the IR. However, no Audit Committee Meeting (ACM) was held since February 2012. **The Department of Municipal Affairs was requested in April 2013, September 2014 and March 2015 to issue necessary instructions for convening ACMs but no meeting was held till March 2015.**

Important findings noticed during 2014-15, as well as matters relating to the period subsequent to 2014-15 (wherever considered necessary) are mentioned in the succeeding chapters.