

## CHAPTER 42

### LOCAL BODIES

Local Government is a State subject figuring as item 5 in List II of the Seventh Schedule to the Constitution of India. Article 243 G of the Indian Constitution enshrines the basic principle for devolution of power to the Local Bodies. In the nation's journey towards becoming an economic power, local bodies plays an important part in enabling infrastructure availability to the citizens.

The many roles that the local government is expected to play today include:

- A Regulator, namely the administration of various acts and regulations
- A Provider, that involves providing urban services efficiently and equitably by managing its accounts effectively and efficiently.
- An Agent that takes the schemes of higher levels government to the people. This
  - includes promotion of popular participation
- A Welfare Agency, which provides active assistance to higher level governments in the equitable distribution and delivery
- An Agent of Development, who strives for improvement in the quality of life through the augmentation of infrastructure

To meet the expectations of various stakeholders, the role of the local government is being continuously modified to keep pace with the changes in expectation of local governance. The 74th Constitutional Amendment Act of 1993 has broadened the role of the local bodies formally. There have also been other changes that have occurred as a result of the economic reforms on the 1990s.

#### **Accounting Reforms as Engines of Good Governance**

An integral part of the new expectations of governance is for Public Information – without which there cannot be meaningful participation or shared decision-making. The modern citizen expects a fair account of how the government is faring in its job in much the same way as investors in a company expect fair accounts of the company's financial position and performance. Transparent accounting and financial reporting is central to the fulfillment of new age governance. The introduction of acceptable accounting practices and disclosure norms are not just technical practices but the foundations for the integrity and maturity of the government. For instance, municipal bodies in India today are facing an unprecedented growth in the demand for urban infrastructure and civic services.

Municipal accounting systems would therefore need to reflect not only financial transactions but also the 'financial performance' of the municipal governments, which includes its ability to achieve its developmental goals, meet its programme targets, its efficiency in the use of resources, its financial position including income, assets and liabilities as well as its foresight in dealing with the developmental and financial challenges of governing the city.

In dental it is necessary that accounting system has to satisfy the following basic objectives (i) be accurate in capturing the underlying transactions, (ii) enhance transparency, and (iii) be user-friendly to facilitate understanding of the accounting statements by most users. The prevailing cash-based accounting system in India is deficient on the dimensions of transparency and user-friendliness and therefore it becomes necessary to reform the accounting system.

The story of municipal accounting reforms in India is barely two decades old. The period between 1981 and 1991 can be termed the **first phase** of municipal accounting reforms in India. The **second phase** of the municipal accounting reforms can be traced from 1990 to 1995. The **third phase** presents a sudden wave of accounting reforms across the country since 1998. This phase has also witnessed broader institutional developments in municipal accounting reform. Most notably, the development of a technical guide for accounting and financial reporting by urban local bodies by the Institute of Chartered Accountants of India (ICAI) in 2000 and formulating the recommendation of the 11th Finance Commission that Comptroller & Auditor General of India (C&AG) should audit accounts of urban local bodies. The Supreme Court of India in the year 2001, while hearing a Public Interest Litigation (PIL) relating to the functioning of ULBs, opined that urban local bodies in India should take immediate steps to get their accounts converted from cash basis to accrual basis.

The proposed system is an improvement over the present cash based system and not a mere replacement of the existing system. The appropriate accounting system provides all the information that is available in the present dispensation, besides providing such additional information which will make the accounting records more complete from a users' perspective. In a nutshell, the proposed accounting system supplements the cash accounting system, and does not supplant it. While cash accounts serve the purpose of legislative control over public finances, an accrual system is helpful in expanding the efficacy of fiscal management. Many local bodies still follow the cash based accounting system. The Government has been alive to the fact that many cities are shifting to accrual based accounting systems, driven by the need for better transparency, the need to make corporations more accountable, and the need to make accounting statements more useful to Governments and other users

## **Rural Local Bodies**

As per the article 243G of the constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-Government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to the preparation of plans for economic development and social justice; the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the 29 matters listed in the Eleventh Schedule.

To keep an account of Income and Expenditure of Panchayati Raj database formats for PRIs at the district and state levels suggested by CAG has been accepted by Ministry of Panchayati Raj and NIC has been entrusted to develop input screens on the Ministry's portal and link this to all states for uploading of state-wise data.

### **Highlights :**

- The total income of Municipal Corporation, Hyderabad increased from ` 2571.39 million in 2000-01 to ` 13920.858 million in 2008-09, whereas, its revenue expenditure increased from ` 1955.18 million to ` 9156.566 million during the same period.
- The total income of Municipal Corporation of Delhi increased from ` 13728.45 million in 2000-01 to ` 31659.68 million in 2008-09, whereas, its revenue expenditure increased from ` 13728.02 million to ` 36414.31 million during the same period.
- The total income of New Delhi Municipal Council increased from ` 7495.14 million in 2000-01 to ` 14134.103 million in 2008-09, whereas, its expenditure increased from ` 7472.29 million to ` 17524.04 million during the same period.
- The total income of Municipal Corporation of Chennai increased from ` 3563.74 million in 2000-01 to ` 10950.76 million in 2010-11, whereas, its expenditure increased from ` 6176.48 million to ` 10720.32 million during the same period.
- The total income of Municipal Corporation of Nasik, Maharashtra increased from ` 2418.94 million in 2000-01 to ` 7680.77 million in 2009-10, whereas, its expenditure increased from ` 2464.69 million to ` 7817.52 million during the same period.
- The total income of Municipal Corporation, Belguan increased from ` 2801.66 million in 2000-01 to ` 12173.37 million in 2010-11, whereas, its revenue expenditure increased from ` 2820.299 million to ` 7323.78 million during the same period.

- There were 640 districts, 570 District Rural Development Agencies (DRDA), in 2011, whereas, there were 618 districts, 609 DRDAs and 5637 blocks in 2008. Besides, there were 640852 villages in the country as per Census 20011.
- While the number of Village Panchayats increased from 227590 in 2001 to 232855 in 2008, the number of elected representatives decreased from 273966 to 2645883 during the same period. The number of Intermediate Panchayats increased from 5906 to 6094 and the number of elected representatives therein increased from 147701 to 156794, whereas, the number of District Panchayats increased from 474 to 633 and the number of elected representatives therein increased from 15389 to 15613 during the same period.
- In Gram Panchayats, the Scheduled Caste (SC) elected representatives increased from 371868 in 2001 to 485825(30.6%) in 2008 and the Scheduled Tribe (ST) elected representatives increased from 258998 to 304350(17.5%), whereas women elected representatives increased from 685155 to 975057 (42.3%) during the same period.
- In Intermediate Panchayats, the SC elected representatives increased from 18517 in 2001 to 32968 (78%) in 2008 and the ST elected representatives increased from 7252 to 11406 (57.2) during the same period, whereas women elected representatives increased from 23596 in 2002 to 58191(46.6) in 2008.
- In District Panchayats, the SC elected representatives increased from 1830 in 2001 to 2729 (49.1) in 2008 and the ST elected representatives increased from 1197 to 1723(43.90), whereas, the women elected representatives increased from 3460 to 5810(67.9) during the same period.
- Out of the total elected representatives of Village Panchayats in 2008, there were 18.4% SCs and 11.5% STs, whereas, 36.9% elected representatives were women. In Intermediate Panchayats, 21.0% elected representatives were SCs, 7.3% elected representatives were STs, whereas, 37.1% elected representatives were women. There were 17.5% SCs, 11.0% STs and 37.2% women elected representatives in District Panchayats.

**This chapter contains the following tables:**

**Table 42.1-** Income and Expenditure of Corporations during 2000-01 to 2010-11

**Table 42.2-** Income and Expenditure of Corporations during 2009-10

**Table 42.3-** Number of Districts/DRDAs/Blocks/Villages in the Country (2000-2008)

**Table 42.4-** Number of Panchayati Raj Institutions and Elected representatives (2001-2008)

**Table 42.5-** Number of elected representatives of Panchayati Raj Institutions (2001-2008)