



PRESS BRIEF

**PERFORMANCE AUDIT REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA**

ON

Implementation of 74th Constitutional Amendment Act



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



GOVERNMENT OF UTTAR PRADESH
REPORT NO. 5 OF THE YEAR 2024

Press Brief

Audit Report No. 5 of 2024 of the Comptroller and Auditor General of India on Performance Audit of Implementation of 74th Constitutional Amendment Act

Report of the Comptroller and Auditor General of India on Performance Audit of Implementation of 74th Constitutional Amendment Act in respect of Government of Uttar Pradesh (Report No. 5 of the year 2024) has been laid before the State Legislature on Significant points of the Report are:

The 74th Constitutional Amendment Act, which came into effect on 1 June 1993, provided a clear mandate for democratic decentralisation and sought to create an institutional framework for ushering in democracy at the grass root level through self-governing local bodies in urban areas of the country. It empowered Urban Local Bodies (ULBs) to perform 18 functions as listed in the 12th Schedule of the Constitution. Accordingly, the State Government enacted (May 1994) “Uttar Pradesh Local Self Government Laws (Amendment) Act, 1994”, to incorporate necessary provisions of 74th Constitutional Amendment Act into the Uttar Pradesh Municipality Act, 1916 (UPM Act) and Uttar Pradesh Municipal Corporation Act, 1959 (UPMC Act) for empowering ULBs in terms of funds, functions and functionaries.

(Paragraph 1.1 & 4.1)

The aim of this Audit was to ascertain empowerment of ULBs through creation of appropriately designed institutions and devolution of adequate resources for effective discharge of functions, as enshrined in 12th Schedule of the Constitution.

(Paragraph 2.1)

Audit observed deficiencies in provisioning and functioning of institutional mechanism of ULBs as out of 18 functions, the State Government devolved 15 functions fully and one function partially to ULBs. Further, ULBs lack autonomy in discharge of these devolved functions as they were solely responsible for implementation of only one function and had either limited role or no role in execution of other functions.

(Paragraph 4.1)

Delay in delimitation of wards resulted in delays in elections of ULBs in 2017. Subsequent elections to ULBs were held in May 2023. The State Government nominated members to the Councils with delays. The meetings of Council and Executive committee were also deficient in test-checked ULBs and agenda of meetings was also not served to Corporators/Members prior to scheduled time of meeting. Test-checked ULBs did not constitute various committees such as Ward committees and Joint committees as required under provisions of UPM Act and UPMC Act.

(Paragraph 4.2.1.1, 4.2.1.2, 4.2.2.1, 4.2.3.1, 4.2.3.2, 4.2.3.4 & 4.2.3.5)

The planning process of ULBs was deficient. The yearly Development plan was not prepared in any of the test-checked ULBs. Further, District Development Plan with regard to matters of common interest between the Panchayats and the Municipalities was not prepared by the District Planning Committee in selected districts. Besides, Metropolitan Planning Committee was also not constituted in the State for preparation of development plan for metropolitan region. The Solid waste management plan was not prepared in test-checked ULBs in conformity with the provisions of Solid Waste Management Rules 2016. Role of ULBs was also limited in planning process of Centrally/State sponsored schemes. Besides, role of ULBs in execution of selected functions was limited to operation and maintenance. Test-checked ULBs could not provide selected services as per the service level benchmark of the Central Public Health and Environment Engineering Organisation.

(Paragraph 4.2.3.6, 4.2.5, 4.2.6, 5.2, 5.2.1, 5.3.4 & 5.4)

ULBs lack authority over human resources as powers regarding sanction of posts, to decide emoluments *etc.* for staff were vested with the State Government and ULBs had no role in recruitment of staff under various services, resulting in shortfall in human resources to the extent of 43 *per cent* under the various services.

(Paragraph 6.1 & 6.2)

Audit also observed inadequacy of resources of ULBs as the State Government had powers to determine the revenue base of ULBs. The Own revenue of ULBs was nominal and the Fiscal transfers from the Central and State Governments, on the basis of recommendations of Central and State Finance Commissions, constituted major share of the revenue of ULBs. Many possible sources of own revenue were not optimised by the ULBs. Besides, there was shortfalls in release of assigned revenue to ULBs.

(Paragraph 7.1, 7.1.1.3 & 7.2)

There was not only delay in constitution of the State Finance Commissions but also in submission and acceptance of its reports. Besides, implementation of accepted recommendations of SFC was also delayed or yet to be implemented. The budget estimates of test-checked ULBs were unrealistic and formats of UP Municipal Accounts Manual 2018 for preparation of budget estimates and financial accounts were also not adopted by the ULBs. Besides, Budget estimates were either not submitted to Council or approved by Council with delays. The State Government directly transferred grants for aiding ULBs to parastatals. Besides, the State Government also transferred receipts of ULBs on account of additional stamp duty to the Dedicated Urban Transport Fund. ULBs were not provided any compensation due to subsumption of Entry tax (levied on movement of goods to form an infrastructural development fund for the use of ULBs) under the Goods and Services Tax.

(Paragraph 7.1.1.1, 7.1.1.3, 7.7.1, 7.7.2, 7.7.3 & 7.7.4)

Many restrictions/limitations were imposed on ULBs in respect of utilisation of funds, financial and administrative sanctioning powers and execution of functions.

(Paragraph 7.8.2 & 7.9)

We have also given 19 Recommendations to the Government as detailed below:

Recommendation 1: *State Government may take necessary steps to devolve all the activities/functions and responsibilities to the ULBs as envisaged in the 12th schedule of the Constitution.*

Recommendation 2: *State Government may take decisive action in order to translate the vision of achieving decentralisation into reality. Steps need to be taken to ensure that ULBs enjoy an adequate degree of autonomy in respect of the functions assigned to them.*

Recommendation 3: *The State Government may ensure early completion of the tasks related with delimitation of wards and reservation of seats and posts for timely conduct of elections of the Urban Local Bodies.*

Recommendation 4: *Various Committee like Advisory Committee, Ward Committee and Development Committee, etc. may be constituted in the Urban Local Bodies as per the Uttar Pradesh Municipal Corporations/ Municipalities Acts and they should be nurtured and encouraged to function effectively.*

Recommendation 5: *Timely meetings of Council and Executive Committee may be ensured for proper functioning of Urban Local Bodies and Council may exercise their powers for implementation of works in a transparent manner.*

Recommendation 6: *Service Level Benchmarks for improving service delivery system under Water Supply, Sanitation & Sewerage services and Solid Waste Management should be strictly adhered to.*

Recommendation 7: *The State Government may consider to delegate adequate powers over manpower resources to Urban Local Bodies in matters such as assessment and recruitment of required staff. Vacancies against sanctioned strength may be filled in Urban Local Bodies to enhance their efficiency and for better services to citizen.*

Recommendation 8: *To promote financial autonomy of the ULBs, concrete steps with milestones may be undertaken.*

Recommendation 9: *The State Government may avoid delays in constituting the State Finance Commission and ensure prompt implementation of their recommendations.*

Recommendation 10: *The State Government should avoid deviations while implementing the accepted recommendations of State Finance Commission.*

Recommendation 11: *Transfer of funds to the Urban Local Bodies, as recommended by State Finance Commission, may be done as per the commitment of the State Government and in a timely manner so that Urban Local Bodies have adequate financial resources to carry out their developmental activities.*

Recommendation 12: *The State Government should monitor the release of grants to Urban Local Bodies so that allocated grants are released fully and in time.*

Recommendation 13: *The State Government should release due share of Urban Local Bodies on account of additional stamp duty according to the provisions of relevant Acts in this regard.*

Recommendation 14: Monitoring of the realisation of revenue due to the Urban Local Bodies should be strengthened so that accumulation of arrear is avoided and receivable amounts are realised fully and in time.

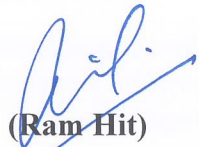
Recommendation 15: The Property Tax survey should be conducted at regular intervals in order to ascertain the number of taxable property and assessment of properties should be ensured at prescribed intervals with the revised monthly rate of rent from time to time.

Recommendation 16: The State Government should ensure adoption of best practices in property tax collection and use of information and communication technology for better results.

Recommendation 17: Efforts should be made for increasing the realisation of the own non-tax revenue and raising demands in time by Urban Local Bodies.

Recommendation 18: Efforts need to be made to motivate the ULBs to prepare their budgets in a scientific manner taking into account realistic projection of funds expected to be mobilised.

Recommendation 19: Funds should be released to parastatals through the Urban Local Bodies so that financial control of local government over activities of executive agencies is ensured.



(Ram Hit)

Principal Accountant General

For any further information on these subjects, please contact us at following address:

Spokesperson : Sr Dy. Accountant General
O/o the Principal Accountant General (Audit-I),
Uttar Pradesh, Prayagraj-211001

Email : dagadm.n.up2.au@cag.gov.in **Website** : <https://cag.gov.in/ag1/uttar-pradesh/en>

Phone : 0532-2624757 **Fax No.** : 05322424102