

## **Press Brief**

**The Report of the Comptroller and Auditor General of India for the year ended 31 March 2020 on Performance Audit on Implementation of 74<sup>th</sup> Constitutional Amendment Act has been placed before the Table of Legislative Assembly on 24<sup>th</sup> March 2022.**

The Constitution of India provided a clear mandate for democratic decentralisation through the 74<sup>th</sup> Amendment, which 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. The 74<sup>th</sup> Constitutional Amendment Act came into effect on 1 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions listed in the 12<sup>th</sup> Schedule.

Following are the major audit findings highlighted in the Report.

### ***Empowerment of ULBs and their functioning***

- Out of 18 functions to be transferred, all except Fire Services were transferred in case of Corporation and Municipalities. In respect of Town Panchayats, only 12 functions were transferred.

**[ Paragraph 2.4 ]**

- The current term of the Council expired on 24 October 2016. No election could be conducted for urban local bodies due to the reason that a case is pending in Hon'ble Supreme Court for delimitation of wards by the State Government. In view of the above, the Ward Committee could not be formed.

**[ Paragraph 2.5.1 ]**

- The Government have accepted the 5<sup>th</sup> SFC recommendation to form a monitoring cell in the Finance Department to monitor the follow up action on implementation of accepted recommendations and to liaise and co-ordinate with the Finance Department and other stake holder Departments. However, no centralised monitoring cell was established. Therefore, the effective implementation of the accepted recommendations which would have contributed significantly to the realisation of the objectives of the 74<sup>th</sup> CAA could not be ensured.

**[ Paragraph 2.5.2.1 ]**

- District Development plans and Metropolitan Development plans were not prepared by the respective District and Metropolitan Planning Committees.

**[ Paragraphs 2.6.1 and 2.6.2 ]**

### ***Financial Management of ULBs***

- ULBs were largely dependent on fiscal transfers, which constituted about 40 *per cent* of their total revenue during the period 2015-16 to 2019-20.
- There was a shortfall of ₹ 1,306.89 crore in fiscal transfers during the period 2015-16 to 2019-20 *vis-à-vis* the recommendations of the SFC.
- Entire allocation of performance grants from GoI for the year from 2017-18 to 2019-20 of ₹ 1,323.60 crore was yet to be received.
- The non-acceptance of the property tax revision proposal resulted in overall decreased revenue of ULBs amounted to ₹ 2,598.20 crore for five years from 2013 to 2018.

**[ Paragraphs 2.8, 2.9.1, 2.10.2 and 2.12.1 ]**

- Due to withholding (2019) of general revision of property tax made during 2018 by the Government of Tamil Nadu, the ULBs were denied increased revenue to the tune of ₹ 678.31 crore. While the Government accepted the SFC recommendation for compensation, the same was not done.

**[ Paragraph 2.12.2 ]**

- Additional demand of property tax (every year) of ₹ 103.91 crore calculated during remeasurement of properties could not be made due to incorrect circular.

**[ Paragraph 2.12.3 ]**

- There were accumulated arrears of property tax, vacant land tax, non-tax revenue, water tax, *etc.* to the tune of ₹ 2,847.53 crore as on 31 March 2020.

**[ Paragraph 2.15 ]**

- Establishment expenditure forms the major portion of the ULB's expenditure and indicates an increasing trend from 36 *per cent* in 2015-16 to 41.6 *per cent* in 2019-20. Expenditure incurred towards Programmes shows a decreasing trend and it has come down from 23.66 *per cent* in 2016-17 to just 15.25 *per cent* in 2019-20.

**[ Paragraph 2.16 ]**

- Analysis of financial data relating to 200 ULBs revealed that:
  - **Fiscal Autonomy:** Only 14 ULBs could show better financial augmentation and raise 70 *per cent* of their revenue from own resources.
  - **Self-reliance:** Only 43 ULBs are able to meet more than 70 *per cent* of their expenditure from their own source of revenue in 2018-19. The number of ULBs got reduced to 32 in 2019-20.
  - **Quality of expenditure:** Only 10 ULBs have shown better quality of expenditure and spent more than 70 *per cent* of their revenue expenditure on operation and maintenance in 2018-19. In 2019-20, this position increased to 16 ULBs. In the remaining ULBs, the expenditure was more on administrative and establishment expenditure.

[ Paragraph 2.19 ]

- The ULBs raised ₹ 4,076.07 crore as loans during 2015-16 to 2019-20. Collection of 80 *per cent* of the Property Tax Arrears along with the timely availability of the Grants that are due to the ULB would have ensured sufficient availability of funds with the ULBs. This would have completely avoiding the ULBs from availing loans thus making the ULBs financially sound.

[ Paragraph 2.20 ]

### *Role of Parastatals*

- Prior to 2011, ULBs received full Assigned Revenue in time. However, Government passed orders diverting 50 *per cent* of the Assigned revenue to TURIF for it to be used for laying of road based on empowered committee recommendations. Further, the remaining 50 *per cent* was disbursed to ULBs with a delay ranging between 08 and 30 months.
- In the period between 2015-16 and 2019-20, four out of 124 Municipalities and 140 out of 528 Town Panchayats did not get any benefit through TURIF as no fund was allotted and hence no road works has been undertaken in those ULBs under TURIF in the past five years, despite having a portion of their share in TURIF.

[ Paragraph 3.3.1 ]

- Due to delay in completion of water supply schemes executed by parastatal, the test checked four ULBs lost the opportunity to raise probable additional demand of ₹ 35.83 crore every year besides non-deliverance of basic services to the public. Similar delays were also noticed in the execution of schemes relating to Underground Sewerage Schemes in the test checked two cases, the probable additional demand of ₹ 12.50 crore could not be raised besides the public denied of the service.

[ Paragraphs 3.4.1 and 3.4.2 ]

- An amount of ₹ 225.28 crore being the ULBs share of OSR charges and Development charges, collected by CMDA/DTCP during the period from 2015-16 to 2019-20 were yet to be transferred to ULBs.

[ Paragraph 3.5 ]

#### *Human resources of ULBs*

- Effective and efficient delivery of services of ULBs depends on efficient human resource management. However, Audit found that the men-in-position in different ULBs were in the range of 0.69 and 3.78 per 1,000 people based on 2011 census reduced to 0.55 and 3.35 per 1,000 people based on 2019 population.
- In three out of four Corporations test checked, as against the sanctioned strength of 244 officials, only 69 were men-in-position in revenue sections.

[ Paragraph 4.2 ]