

Chapter I

1.1 Introduction

Urban local government implies the governance of an urban area by the people through their elected representatives. The Urban Local Bodies (ULBs) provide the basic services in their city or town. Prior to 74th Constitutional Amendment Act (CAA), there was no constitutional status to the ULBs.

The 74th Constitutional Amendment Act, 1992 (CAA) of the Constitution, relating to Municipalities (Urban Local Government) was passed by the Parliament in 1992. The Act recognised ULBs as the third tier of the Urban government by assigning them specific civic functions in order to empower ULBs to enable them to function as institutions of effective democratic units of local Self Government. The 74th CAA received the assent of the President of India on 20 April 1993 and Government of India notified it on 1 June 1993.

The 74th CAA prescribed institutional changes with the setting up of Ward Committees, District Planning Committees and Metropolitan Planning Committees to coordinate planning across jurisdictions, as well as the setting up of State Election Commissions and State Finance Commissions. Effectively, this Act gave ULBs a role much larger than just that of service providers that provide water, waste management and so on.

The Constitution relating to the Urban Local Bodies *inter-alia* provides for three types of Municipalities *viz.*, (i) Nagar Panchayats for areas in transition from a rural area to urban area; (ii) Municipal Councils for smaller urban areas; and (iii) Municipal Corporations for larger urban areas. The Act added a new 12th Schedule (Article 243W) to the Constitution wherein the 18 functions were listed for devolution to the ULBs are given in **Annexure 1**.

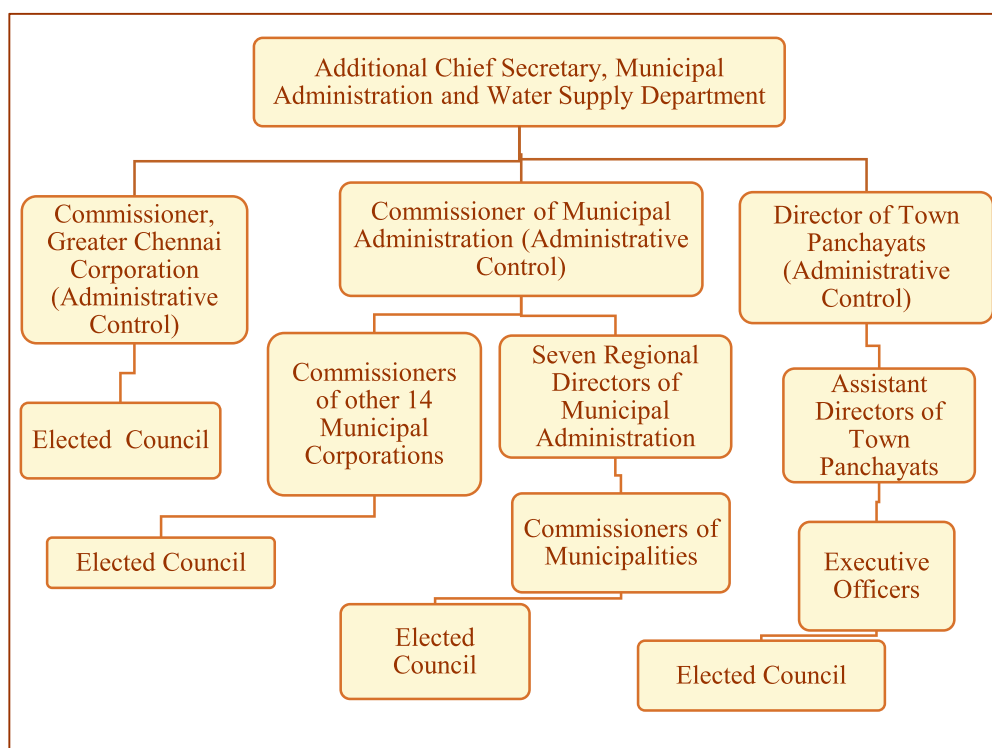
In Tamil Nadu there are 15 Corporations, 121 Municipalities and 528 Town Panchayats. The ULBs are governed by the respective City Municipal Corporation Act and Tamil Nadu District Municipalities Act, 1920.

1.2 Organisational Setup

The Additional Chief Secretary, Municipal Administration and Water Supply Department (MA&WS) is the overall in-charge at the Government level. The Commissioner of the Municipal Administration is the Head of the Department and has overall control of the functions of the Corporations and Municipalities and the Director of Town Panchayat is in-charge of Town Panchayats (TPs).

The Organisational setup is as follows:

Chart 1 – Organisational Set up



1.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- the provisions of the 74th CAA have been covered in State legislations and the functions were transferred to the ULBs, alongwith the institutional mechanism to discharge their functions,
- the ULBs have access to raise and manage adequate financial resources commensurate to their devolved functions,
- the ULBs have been provided with adequate functionaries to carry out their functions effectively.

1.4 Audit Criteria

The audit criteria for the Performance Audit are taken from the following sources:

- 74th Constitutional Amendment Act, 1992.
- Municipal Corporation Acts in respect of Chennai, Coimbatore, Madurai and Tiruchirappalli.
- Tamil Nadu District Municipalities Act, 1920.
- District Town and Country Planning Act, 1971.

- State and Central Finance Commission Reports.
- Tamil Nadu Metropolitan Planning Committee Act, 2009.
- Tamil Nadu Panchayat Act, 1994.
- Tamil Nadu State Property Tax Board Act, 2013.

1.5 Scope, Methodology of Audit and Sample

The period of Audit coverage was five years from 2015-16 to 2019-20. Out of the total 18 functions identified, following three functions and two related activities were selected for test check:

- i. Water supply for domestic, industrial and commercial purposes
- ii. Public health, sanitation conservancy and solid waste management
- iii. Urban planning including town planning
- iv. Property Tax
- v. Water Charges

A Pilot study was undertaken in the ULBs of Greater Chennai Corporation (GCC), Pallavapuram Municipality and Thirumazhisai Town Panchayat between August and October 2020. An Entry Conference was conducted on 12 November 2020 in which the Audit objectives, criteria and methodology of the Performance Audit was explained to the Additional Chief Secretaries, Finance Department and Municipal Administration and Water Supply Department and Principal Secretary, Housing and Urban Development Department.

The State was divided into four¹ geographical (zone) areas and four Corporations, one from each zone with the highest population was selected. Further, in respect of Municipalities and Town Panchayats, the selection was based on stratified random sampling² with one each from one zone and tier. Thus, out of 664 ULBs, four Corporations, 16 Municipalities and 16 Town Panchayats were selected for Audit. The list of ULBs selected are indicated in **Annexure 2**.

In addition, the records of the Municipal Administration and Water Supply Department, Finance Department along with HODs *viz.*, Commissioner of Municipal Administration, Directorate of Town Panchayat were also scrutinised. Data from Directorate of Local Fund Audit, Tamil Nadu Institute of Urban Studies (TNIUS), Parastatal agencies like TUFIDCO, TNUFSL, TWAD, CMWSSB, DTCP, CMDA, *etc.*, were also examined.

The Exit Conference was held on 16 August 2021 with the above mentioned Additional Chief Secretaries/Principal Secretary wherein the Audit observations were discussed. The views expressed at the meeting and the replies furnished by the Departments were considered and duly incorporated in relevant paragraphs of the Report.

¹ North, East, West and South

² One ULB from each tier *viz.*, Special Grade, Selection Grade, Grade I and Grade II for each zone in respect of Municipality and Town Panchayat

1.6 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Additional Chief Secretary, MA&WS Department, Additional Chief Secretary, Finance Department, Commissioner of Municipal Administration, Directorate of Town Panchayat, all ULBs, and Parastatal agencies in conducting the Performance Audit.