Chapter II

2.1 Planning and Financial Management of Urban Local Bodies

2.1.1 Coverage of 74th CAA by the State level legislations

The 74th CAA introduced provisions relating to ULBs vide Article 243P to 243ZG. Suitable amendments were incorporated in the State Legislations corresponding to the Constitutional Amendment and the same is detailed in **Annexure 3**. Major provisions of the State Legislations are detailed below:

- **Article 243Q** – This article provides constitution of three types of Municipalities. The State complied with this provision vide Sections 3P, 3Q, 4, Chapter II of Tamil Nadu District Municipalities (TNDM) Act, 1920 and the respective Municipal Corporation Act.

- **Article 243R** - All the seats in a Municipality shall be filled by direct election and by persons with special knowledge in Municipal Administration nominated by the Government. The State brought in Section 7, Chapter III of TNDM Act, 1920 and the respective Municipal Corporation Act which provides for constitution of council of elected members.

- **Article 243X** - Power to impose taxes by and funds of the municipalities – The State made provision vide Section 78, Chapter VI of TNDM Act, 1920 and the respective Municipal Corporation Act which enables the ULBs to levy tax.

- **Article 243Y (read with Article 243 I)** - The State Government shall constitute finance commission to review the financial position of the Municipalities, allotment of funds and distribution between the State and the Municipalities of the net proceeds. Section 124-B Chapter VI of TNDM Act, 1920, Section 162-A of Chennai City Municipal Corporation Act, 1919 and the respective Municipal Corporation Act empowers constitution of the Finance Commission.

- **Article 243ZA** - The Superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission (SEC). In this regard, Section 3-H, Chapter I-A of TNDM Act, 1920 and the respective Municipal Corporation Act vested the procedure of election to the SEC.

The State Government had complied (between 1994 and 2006) with the provisions of the 74th CAA and necessary amendments were made in the State Acts. Audit noticed that in this regard multiple Acts were amended to accommodate all statutes as detailed in **Annexure 3**. It is also pertinent to mention that the State Government passed an exclusive Act for ULBs in 2000, to amend and consolidate the laws relating to Municipalities and Municipal Corporations in the State of Tamil Nadu, but it was kept suspended with effect from 23 August 2000 as discussed in the subsequent paragraph.

2.2 Tamil Nadu Urban Local Bodies Act, 1998

The Tamil Nadu Urban Local Bodies Act, 1998 (Act 9 of 1999 – GO Ms No.95 dated 19 May 1999) was brought into force from 01 August 2000. The purpose of this Act was to consolidate the laws relating to ULBs in the State and bring all the Acts under one umbrella for usage by all three tiers of ULBs *viz.*, Corporations, Municipalities and Town Panchayats.

This Act became effective from 01 August 2000, but it was suspended in the same month with effect from 23 August 2000[1]. The reason stated for the suspension was to provide sufficient time to the ULBs to examine the provisions of the Act and to give an opportunity to offer their remarks. However, Audit noted that there was no timeline fixed for obtaining the remarks of ULBs. Consequently, the Act suspended in August 2000 was not given effect to even after two decades of such suspension and the Act has not been re-notified till date.

The Government replied (September 2021) that the enactment of a common Act is being addressed.

2.3 Overriding powers of State Government over Urban Local Bodies

Audit noted that though the State Government incorporated necessary amendments to the State Acts in line with the constitutional mandate of the 74th CAA, it also inserted certain overriding provisions in various State Acts which has affected the decision-making capacity of the ULBs as mentioned in **Annexure 4**. Two illustrative cases in this regard are detailed below:

- **Property Tax:** The State Government has the authority to withhold any Property tax revision and have actually withheld the same in 2019 under Section 81-A (1) of the TNDM Act, 1920 thereby denying the ULBs of its power to collect additional revenue to meet their financial requirements. The financial impact of the Government's intervention has been discussed in detail in para 2.12.1.
- **Cancellation of Resolution**: The State Government has the authority to cancel a resolution under Section 36 of TNDM Act, 1920 and the State Government exercised its power and cancelled (2015) a resolution[2] passed by a Municipality for increase in lease rent.

These two illustrations indicate that the overriding provisions in the Acts affect the functional independence of the ULBs. Due to non-revision of property tax and lease rent, ULBs were forced to either rely more on grants or reduce the expenditure on their functions as discussed in Paragraphs 2.8 and 2.16.

[1] *Vide* Act 33 of 2000 (GO Ms No.295 dated 30 November 2000)
[2] Mettupalayam Municipality resolution No.174 dated 27.01.2015.

The Government replied (September 2021) that the revision of taxes could not be done periodically as per the Act due to the decision of the Government and the revision is under consideration. Regarding cancellation of council resolution, the Government replied that the same was done on the recommendations of the District Collector/ULB Commissioner after thorough scrutiny. The fact however, remains that the overriding provisions of the Acts resulted in denial of autonomy of the Municipality besides loss of their additional revenue.

2.4 Status of devolution of functions

Out of the 18 functions to be transferred, all except Fire Services were transferred in case of Corporation and Municipalities and 12 functions were transferred in the case of Town Panchayats. Audit observed that, though 17 functions are fully devolved, the Corporations and Municipalities are not having sole responsibility in discharging of certain functions. Parastatals such as Tamil Nadu Water Supply and Drainage Board (TWAD), District Town and Country Planning (DTCP) *etc*., are also entrusted with some of the functions of the ULBs. This led to a situation of Corporations/Municipalities having no / limited role in 14 out of 17 functions.

Similarly, in respect of Town Panchayat, 10 functions were fully devolved and 2 functions[3] were partially devolved to the TPs. Five functions[4] are yet to be devolved to the TPs which are discharged by the corresponding Parastatals.

The details of functions with corresponding jurisdiction of ULBs is given in **Annexure 5.**

2.5 Institutional mechanisms for empowerment of ULBs

2.5.1 State Election Commission

Article 243ZA of the Constitution of India read with Section 43-B of Tamil Nadu District Municipalities Act, 1920 confers the powers of the State Election Commission (SEC) to conduct all elections to the Municipalities. The elections for the ULBs have been conducted before the due dates in 1996, 2001, 2006 and 2011.

However, the term of the Council of ULBs expired on 24 October 2016, but no election was conducted due to the reason that a case is pending in Hon'ble Supreme Court for delimitation of wards by the State Government. It is pertinent to mention that the Government subsequently gave the power of delimitation of wards to the SEC only in July 2017. Thus, the delay in transferring the power

[3] Urban planning including town planning and Regulation of land use and construction of buildings

[4] 1. Planning for economic and social development, 2. Urban forestry protection of environment and promotion of ecological aspects, 3. Safeguarding the interest of the weaker section of society including the physically handicapped and mentally retarded, 4. Slum improvement and upgradation and 5. Promotion of cultural, educational and aesthetic aspects

of delimitation to the SEC has led to non-formation of the Council and Ward Committees till date.

In reply, the Government stated (September 2021) that the election would be conducted within the year.

Recommendation: In order to enable ULBs to function as institutions of effective democratic units of local Self Government, the State Government may consider for conduct of elections.

2.5.2 Constitution of State Finance Commission

Article 243-I of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission within one year of the commencement of the CAA and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review the financial position of the local bodies and to make recommendations to the Governor for devolution of funds. State Government through amendments in District Municipalities (DM) Act and respective Municipal Corporation Acts provided for constitution of SFC.

The State Government has constituted five SFCs and Action Taken Notes on all the SFC have been placed in the Assembly. The details of constitution of the SFCs is detailed in **Annexure 6.**

2.5.2.1 Status of SFC recommendations

In respect of the Fifth SFC out of the total recommendations of 161, the Government have accepted 144 recommendations. 10 recommendations have been accepted with modifications and the remaining seven have not been accepted. The SFCs, in addition to the recommendations relating to devolution, have recommended several institutional measures that would strengthen ULBs in the long term. The details of recommendations of all the SFCs, accepted, not accepted, under examination, *etc* are detailed in **Annexure 7**.

Audit noted that there were 36 recommendations of 4th SFC pertaining to ULBs which were accepted by the Government and requires further action as per 5th SFC Report. Some of the significant recommendations in this regard are mentioned below:

- In respect of Property tax, it was recommended (2016) that the self-assessment system be enforced compulsorily with field inspection of self-assessed properties by the Assessing Authorities. In case of default in filing returns, a fine of 100 *per cent* property tax be imposed on such assessee.

  The Government accepted the recommendation and agreed to impose 50 *per cent* fine on assessees in case of default in filing return. However, Government in respect of GCC while notifying in September 2019 stated that on any amount remaining unpaid after the due date for its payment, the assessee shall pay, simple interest not exceeding two *per cent*. The amendment came into force with effect from 01 October 2019. However, the period for which the interest is leviable was not specified. Further, no orders have been issued for other ULBs.

- In respect of Audit, it was recommended that Internal audit be introduced in ULBs with professional Chartered Accountants/Works Accountants through outsourcing in a phased manner to facilitate better accountability and to strengthen the audit and accounting system. Though this recommendation was accepted, no action was taken in this regard.

After this was pointed out, the Finance Department in its reply (February 2021), stated that the action has been taken by the Government in respect of certain recommendations and the latest status is available with the respective Department only.

The 4th and 5th SFC has recommended to form a monitoring cell in the Finance Department to monitor the follow up action and to liaise and co-ordinate with other stake holder Departments. The Government though had accepted the recommendation relating to monitoring mechanism, no orders have been issued so far.

In the absence of a high level monitoring mechanism cell, the effective implementation of the accepted recommendations which would have contributed significantly to the realisation of the objectives of the 74th CAA could not be ensured.

Recommendation: The Government may consider forming a permanent SFC cell in the Finance Department for effective monitoring of follow-up action on accepted recommendations.

2.6 Planning

The most significant area for devolution of functions to ULBs is to ensure planning at grass-root level. The governance was mandated to be given to the people through the local bodies which would have representatives that are elected regularly and have a decisive role in planning and delivery of services. However, as no elections was conducted since October 2016, the councils and Ward Committees were not formed. Due to non-availability of the elected members in ULBs, there was no representation of the public in the planning activities of the ULBs since 2016. Instead, the planning was being carried out by the Special Officers of the ULBs.

The formation of the Council, role of Chairman, Commissioner and Ward Committee are detailed in **Annexure 8.**

There are two types of planning that pertains to ULBs *viz*.,

2.6.1 Metropolitan Development Plan

Metropolitan area means an area having a population of 10 lakhs or more, comprised in one or more districts and consisting of two or more municipalities or panchayats or other contiguous areas. As per Section 3 of the Tamil Nadu Metropolitan Planning Committee Act, 2009 read with Section 27B of the Chennai City Municipal Corporation Act, 1919, the Metropolitan Planning Committee (MPC) shall prepare a draft development plan in respect of a metropolitan area which would contain matters of common interest between municipalities and the panchayats such as coordinated plan, sharing of water resources, integrated development of infrastructure and environmental conservations, *etc*. MPC consist of elected members of municipalities and chairperson of panchayats in Metropolitan Area, representatives of Government of India (GoI), Government of the State and of other organisations as may be deemed necessary for carrying out the function assigned to the committee. MPC should be synthesising priorities set by local authority, State and Central Government.

Audit noted (March 2021) that though the population in three out of 15 Corporations[5] *viz*., GCC, Coimbatore and Madurai exceeded 10 lakh, Metropolitan Planning Committee was not formed. As such, the preparation of draft development plan for a metropolitan area as a comprehensive development package was not made and consequently the basic objective of preparation of integrated development plan for a metropolitan area could not be achieved.

2.6.2 District Development Plan

According to Section 24-A of the TNDM Act, 1920, there shall be a development plan prepared every year for the Municipality and Town Panchayat and submit to the District Planning Committee constituted under Section 241 of the Tamil Nadu Panchayat Act, 1994. Four fifths of members of these committees should be from elected representatives of both the rural and urban local bodies. The plan should include draft development plans as a whole for the district.

However, audit noted (March 2021) that in respect of the test checked Municipalities and Town Panchayats, no such development plan was prepared.

The Government replied (September 2021) that the Metropolitan Area Development Plans will be prepared once the Metropolitan Planning Committees are notified by the Government. It was further stated that the District Development Plan was not functioning from 2016 due to non-conduct of local body election.

The fact remains that the major thrust of the 74th CAA *viz*., grass root planning to enable ULBs to function as independent units of self-governance, was not achieved despite enactment of suitable State legislations.

[5] Avadi, Coimbatore, Dindigul, Erode, Greater Chennai Corporation, Krishnagiri, Madurai, Nagercoil, Salem, Thanjavur, Thoothukudi, Tiruchirappalli, Tirunelveli, Tiruppur and Vellore

Financial Management

2.7 Revenue of Urban Local Bodies

The source of revenue for an ULB can be broadly classified into two categories *viz*., Own Source of Revenue (OSR) and Grants from Central and State Governments. The OSR includes tax revenue, non-tax revenue, assigned revenue and Miscellaneous income.

The share from State Government Grants includes Capital Grant Fund, Operation and Maintenance Gap Filling Fund and Incentive fund. The ULBs also receive Grant funds from the GoI for various schemes.

The State Finance Commission recommends for the allocation of State Government Grant to the ULBs. The Central Finance Commission recommends the allocation of Central Government Grant, which is given to the ULBs in two components as Basic grant and Performance grant.

Government of Tamil Nadu (GoTN) devolve 10 *per cent* from Net State Own Tax Revenue for local bodies and the same is shared between Rural Local Bodies and ULBs in the ratio of 58:42 for the period 2015-17 and 56:44 for the period 2017-20. Out of ULBs allotment, five *per cent* is deducted as Incentive Fund and the remaining ULB's allotment is shared in the ratio of 40:29:31 between the Corporations, Municipalities and Town Panchayats respectively.

Out of this allocation, Capital Grant fund at 15 *per cent* and Operation and Maintenance Gap Filling fund at five *per cent* is being set aside from the ULBs devolution and kept with State Government financial institution (TUFIDCO) for meeting the capital expenditure based on empowered committee's recommendation.

The horizontal and vertical sharing pattern adopted by all the SFCs and the detailed devolution formula are given in the **Annexure 9.**

2.8 Sources of revenue of Urban Local Bodies

The details of the revenue of ULBs in the State during the period 2015-20 is indicated in **Table 2.1** and the break-up details for five years are given in **Annexure 10.**

Table 2.1 – Details of Revenue of ULBs for the period from 2015-16 to 2019-20

(₹ in crore)

Nature of ULB	GCC	Other Corporations	Municipalities	Town Panchayat	Total
Tax	5,540.31	3,595.57	2,358.63	1,002.64	12,497.15
Non- tax	1,918.32	3,104.53	2,293.27	1,472.70	8,788.82
Assigned revenue	571.45	635.88	724.02	859.99	2,791.34
Misc income	2,581.74	0	0	0	2,581.74
Total own source of income	**10,611.82**	**7,335.98**	**5,375.92**	**3,335.33**	**26,659.05**

Grants SFC	2,652.46	3,685.37	4,710.61	4,798.97	15,847.41
Grants CFC	1,142.73	1,491.59	1,947.55	2,003.91	6,585.78
IGFF, O&M and PG	53.32	1,350.07	1,057.81	1,045.01	3,506.21
Total grants	**3,848.51**	**6,527.03**	**7,715.97**	**7,847.89**	**25,939.40**
Grants for schemes	3,445.75	2,713.59	1,710.23	964.04	8,833.61
Loan	2,082.01	1,029.85	947.47	16.74	4,076.07
Total Revenue	**19,988.09**	**17,606.45**	**15,749.59**	**12,164.00**	**65,508.13**
Percentage of own revenue including Assigned revenue to total revenue	53.09	41.67	34.13	27.42	40.70
Percentage of Grants to total revenue	19.25	37.07	48.99	64.52	39.60
Percentage of loan to total revenue	10.42	5.85	6.02	0.14	6.22
Percentage of loan to own source of revenue	19.62	14.03	17.62	0.50	15.29

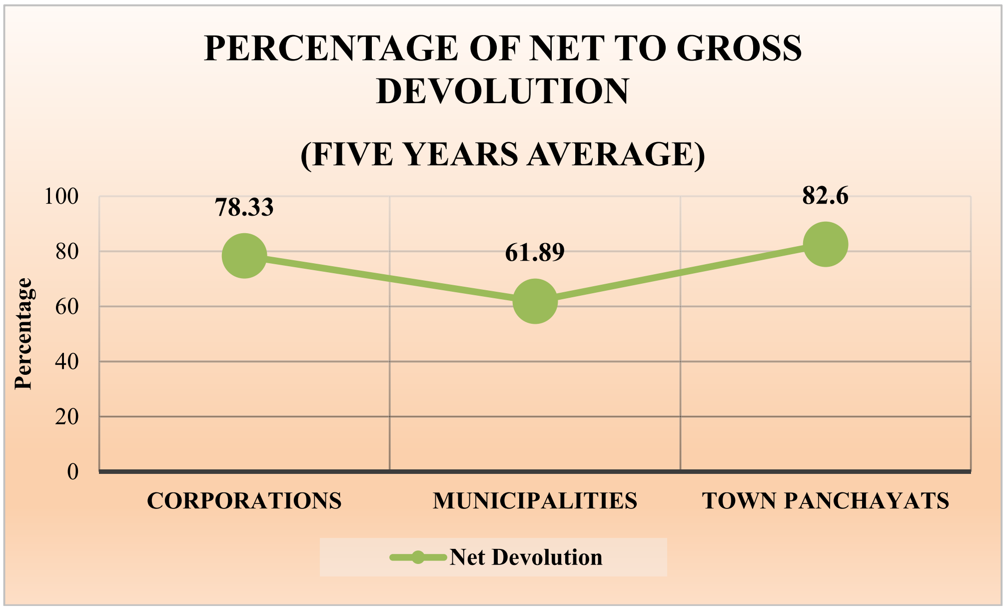
Source: Data furnished by the respective HODs

- The above table indicates that ULBs are able to generate only 41 *per cent* of their own revenue and are more dependent on the fiscal transfers from the Government Grants, which formed the significant portion of the revenue (averaging 40 *per cent*) of ULBs in the State during the period 2015-16 to 2019-20.
- The TPs were mainly dependent on fiscal transfers to the extent of 65 *per cent* as they generate only 27 *per cent* of own revenue.
- GCC is able to generate 53 *per cent* of their own revenue and their borrowing stood to 10 *per cent* of total revenue.

2.9 State Finance Commission Grants

The major share of financial resources of ULBs comprised grants recommended by SFC. The total devolution of State Grant to ULBs was ₹ 15,847.41 crore during the period 2015-20. The details of gross devolution and the deductions thereon are given in **Annexure 11.** The net devolution is detailed in **Chart 2** below:

Chart 2 – Percentage of net devolution



Source: Data furnished by the Department

On an average, around 78 and 83 *per cent* of the devolved funds reach the ULBs in the case of Corporations and Town Panchayats respectively and in the case of Municipalities, the net devolution is low at 62 *per cent.*

However, Audit noted that there were apportionments to Directorate of Local Fund Audit (DLFA) for payment of pension of retired employees and other parastatal agencies for payment towards execution of work on behalf of ULBs which resulted in reduced share to ULBs.

2.9.1 Short release of SFC grants

Audit noted that for the period 2015-20 as against the SFC grant of ₹ 20,580.59 crore, the GoTN devolved ₹ 19,273.70 crore[6] resulting in short release of grant of ₹ 1,306.89 crore. The short release ranged between 2.82 and 11.99 *per cent* during the said period. The yearly deduction, short release are given in **Annexure 12.**

Further, Audit also observed that there was delay in disbursement of the monthly instalments of SFC grants to the ULBs, the delay ranging between one and three months and the disbursements for the initial months of April and May of every year were clubbed and disbursed in the month of June of that year. It is pertinent to mention that ULBs are dependent on the SFC grants for disbursement of salaries to their employees and due to the delay, the salary disbursements in 43 ULBs (data collected) were delayed even upto one month in 2019-20 indicating that the ULBs are suffering from paucity of funds for mandatory financial commitments.

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[6] SFC grant devolved = ₹15,847.41 crore + IGFF and O&M = ₹ 3,183.38 + Incentive Fund = ₹ 227.91 crore + to TNIUS = ₹ 15 crore

Further, there was a cumulative arrears of ₹ 395.11 crore, pertaining to earlier periods (the earliest year being 1997-98) which was released in two instalments during the years 2018-19 and 2019-20 i.e., after a gap of nearly 20 years.

Thus, due to the above short/delayed release, the ULBs were denied of their rightful share in real time (diminished value of money) for utilisation of the same for needy services to the public.

The Government replied (September 2021) that the devolution funds are spent for administrative and contingency expenditure, the delay in release would not hamper the providing of services.

The reply is not tenable since the funds though utilised predominantly for the expenses like administrative and contingency, the delayed release of fund caused financial burden to the ULBs.

2.10 Central Finance Commission Grants

Article 280(3)(C) of the Constitution of India mandates the Central Finance Commission (CFC) to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Municipalities based on the recommendations of the respective SFCs. The 13th and 14th CFC recommended disbursement of Grants by the Government of India to the ULBs as a percentage of divisible pool account.

The CFC grant is divided into two components *viz*., Basic (80 *per cent*) and Performance grant (20 *per cent*). Basic grant shall be paid in two instalments *viz*., June and October of the respective financial year. The Performance Grant shall be paid alongwith the October instalment of Basic grant.

The details of CFC actually allocated during the period is detailed below:

Table 2.2 – Details of CFC Grant

(₹ in crore)

Year	CFC Grant	
	Basic Grant	Performance Grant*
2015-16	790.04	-
2016-17	1,093.95	322.87
2017-18	1,263.96	365.37
2018-19	1,462.18	414.92
2019-20	1,975.71	543.31
***PG for 2016-17 alone was released so far by GoI to Tamil Nadu**		

Source: Data furnished by the Department

2.10.1 Delayed release of CFC Basic Grants

Audit scrutiny of the records of Commissioner of Municipal Administration (CMA) and Director of Town Panchayats (DTP) revealed that there was delay in release of CFC grants ranging from 3 to 11 months during the period

2015-20 by Central Government and consequently there was delay in devolution of the same to the ULBs by State Government.

It is pertinent to mention that while the Central Government directed (October 2015) the State Government to pay interest on the delayed release of CFC grants, there is no similar provision for charging of interest for delayed release of CFC grants by Central Government.

2.10.2 Non-receipt of CFC Performance Grants

The 14th Finance Commission (FC) has observed that disclosure and audit of proper accounts are the starting point for financial accountability. To promote accountability and responsibility for public money, the Central Government have introduced a concept of Performance Grants (PG) from the year 2015-16. The PG are released based on the following eligibility criteria:

- Submission of Audited Annual Accounts (Receipts and Expenditure) relate to a year not earlier than two years preceding the year in which the ULBs seeks claim of the performance grant.

- Increase in own revenue over the preceding year as reflected in the audited Accounts.

- Service Level Bench marks for Basic Services such as Water Supply, UGSS, Solid Waste and Swacch Bharat Mission shall be published for the entire plan period and make publicly available.

The PG would be released to the ULBs, which achieve all the three conditions in each year in the ratio of 40:29:31. The CFC grants are to be utilised for Water Supply Schemes, Payment of Electricity Charges, Solid waste Management, Maintenance of roads, parks, playfields *etc*.

Audit scrutiny revealed that the PG of ₹ 322.87 crore for the year 2016-17 was released on due date *viz*., February 2017. However, for the subsequent years from 2017-18 to 2019-20, the PG of ₹ 1,323.60 crore was not released by the Central Government despite fulfilment of all the eligibility criteria by the ULBs. The yearwise PG due for the ULBs is given in the **Annexure 13**. It is pertinent to mention that the State Government have also taken up the non-release of PG with the Central Government during April 2018 and August 2019, but no amount was released till date (September 2021).

On this being pointed out, the Government replied (September 2021) that the PG for the years 2017-18 to 2019-20 was not released due to non-conduct of local body election. The reply is not tenable since the conduct of elections was prescribed as a general condition for the release of CFC Grants as a whole. While the GoI has released Basic Grants of CFC every year, it has not released the PG Grant. Non-release of PG to the ULBs tantamount to deprival of much needed financial resources to the ULBs.

2.11 Incentive Fund

In the year 2017, Government introduced[7] Incentive Fund (five *per cent* of aggregate devolution intended for ULBs) in order to incentivise the ULBs which had improved their Property Tax (PT) collection by more than 20 *per cent* over the previous year. The amount of incentive will be a matching share of the collection in excess of 10 *per cent* growth rate. At the end of the five-year period from 2017-18 to 2021-22, any undisbursed incentive amount shall be made available to the Head of the Department for further use in subsequent years to carry out works relating to amenities and infrastructure.

Based on the above Government Order (GO), for the years from 2017-18 to 2019-20, the following amount are to be earmarked for incentive fund:

Table 2.3 – Incentive Fund Allocation

(₹ in crore)

Year	Incentive Fund to be earmarked
2017-18	189.90
2018-19	220.50
2019-20	227.91

Source: Data furnished by Finance Department

Audit scrutiny revealed that:

- During the financial year 2017-18 and 2018-19, no amount was earmarked separately under Incentive fund. Subsequently in July 2019 and February 2021, an amount of ₹17.48 crore[8] and ₹ 14.27 crore[9] was released for the years 2017-18 and 2018-19, respectively.
- For the subsequent year 2019-20, though the incentive fund of ₹ 227.91 crore has been set aside, the same was not released to the eligible ULBs.

The Government stated (September 2021) that the growth rate could not be achieved and the eligibility for incentive fund could not be calculated from 2019-20 onwards. Thus, the decision of the Government to revert to the old rates of property tax (discussed in Para 2.12.1) denied the ULBs for achieving higher growth rate and subsequent realisation of incentive fund for the year 2019-20.

2.12 Own revenue of Urban Local Bodies

The tax revenue of an ULB consists of Property Tax, Professional Tax, Water Tax, Advertisement Tax, *etc*. The non-tax revenue comprises of water charges, lease rent from buildings owned and leased out by the ULBs, trade licence, *etc*.

The year-wise details of major own source of revenue (OSR) for the period 2017-18 to 2019-20 are given in the **Annexure 14**.

7 GO.Ms.No.84 (MA&WS) Department dated 31.3.2017
8 Two Corporations and 21 Municipalities
9 One Corporation and 25 Municipalities

The primary source of revenue for an ULB is the property tax revenue (PTR) on land and buildings. The details of OSR and the share of Property tax for the years 2017-18 to 2019-20 are detailed below:

Table 2.4 –Details of OSR and Share of Property Tax

(₹ in crore)

Year	Total		Percentage of PTR to OSR
	OSR	PTR	
2017-18	4,850.36	2,261.07	46.62
2018-19	6,279.30	3,109.55	49.52
2019-20	6,208.85	2,431.25	39.16

Source: Data furnished by the HODs

It was noticed that though the Property tax being the mainstay of ULBs, the revenue has drastically diminished from 49.52 *per cent* in 2018-19 to 39.16 *per cent* in 2019-20 due to withholding of property tax revision by the State Government, which impacts the ULBs to a large extent as detailed in the following paragraphs.

2.12.1 Non-revision of Property Tax

As per Schedule IV [Rule 8(1)] to the TNDM Act, Property Tax is to be revised every five years. This aspect was specifically reiterated by the respective CFCs and SFCs. The 5th SFC has recommended that the Government should issue suitable instructions reiterating timely general revision of taxes by ULBs and has further stated that the stalling of the general revision is a serious setback to ULBs seeking to augment internal resources. This recommendation was accepted by the Government.

Audit noted that the property tax was last revised in the year 1998 in respect of GCC and in 2008 in respect of Municipalities and Town Panchayats. As such, the next general revision of property tax for GCC was due in 2003 and for other ULBs since 2013. In September 2012, the CMA had sought for revision of property tax from the Government. However, no decision was taken by the Government. Finally, as per the Hon'ble High Court direction, the Government revised the rate of property tax only in July 2018[10]. Audit observed that the revision was short-lived as the Government withheld[11] (November 2019) the revision of property tax, based on the representation received (July 2019) from Resident Welfare Associations, Traders *etc*., and formed a Committee to examine the issues relating to Property tax in all urban areas.

Even though the property tax revision was done in 2018, after a gap of 20 years in GCC and 10 years in other ULBs, it was withheld after a year. As Property tax is the major source of revenue to the ULBs, the loss to the ULBs due to non-revision of property tax during the period 2013-18, is as follows:

10 vide G.O (Ms) No.73, MA&WS department, dated19.07.2018 and G.O (Ms) No.76 (amended), MA&WS department, dated 26.07.2018

11 vide G.O.Ms.No.150 dated 19 November 2019

Table 2.5 – Details of loss to ULBs due to non-revision of property tax

(₹ in crore)

For the period between 2013 and 2018	Municipalities and Corporations (except GCC)	GCC	Town Panchayats
Existing demand per half year	348.34	251.08	124.23
If revision had been made, demand per half year	480.70	347.49	155.28
Incremental revenue per half year	132.36	96.41	31.05
Incremental revenue for 5 years	**1,323.60**	**964.10**	**310.50**

Source: Data furnished by the Department

Due to non-revision of property tax since 2013, the loss of revenue suffered by ULBs amounted to ₹ 2,598.20 crore for five years from 2013 to 2018. This loss of revenue would continue for the subsequent years also as Audit observed that during the year 2019-20, the ULBs lost additional revenue of ₹ 678.31 crore[12] despite increase in the number of assessments by 1,67,505 **(Annexure 15)** since the general revision proposed in 2018 was reversed and the rates fixed in 2008 continues till date.

Despite the acceptance of the recommendation of 5th SFC, the Government did not revise of property tax quinquennially. Thus, the autonomy of the local body for generation of own source of revenue was compromised. The decreased revenue will continue to affect the ULBs till the Committee submits its recommendations.

The Government replied (September 2021) that the TNDM Act, 1920 needs to be amended to make general revision of property tax mandatory in all ULBs once in five years and the proposal in this regard has been sent to Government in April 2014 and the same is awaited. The reply is not acceptable since it is silent about the corresponding amendment for corporations. Further, had the revision took place periodically, the impact of the revision in 2018 in the form of a sudden rise in property tax rate would not have been felt by the public which forced the Government to withhold the revision.

2.12.2 Non-compensation of loss of revenue by the Government

The Fifth SFC recommended (December 2016) that there should be no further postponement of the general revision of the property tax and in the event of further postponements of general revision, the Government should compensate the ULBs for the loss of revenue. It is pertinent to mention that the SFC's recommendation was accepted by the Government.

Audit scrutiny revealed that due to withholding of revision (2019), increased revenue of ₹ 678.31 crore for the year 2019-20 could not be augmented by the ULBs as explained in the above observation. As such, the ULBs though are

12 Demand for 2018-19 = ₹ 3,109.55 crore (LESS) Demand for 2019-20 = ₹ 2,431.24 crore

eligible for compensation as recommended by the SFC, the same was not done till date. This has resulted in denial of rightful funds to the ULBs.

2.12.3 Re-measurement and Re-classification – Non-realisation of additional revenue

In Property Tax assessments, Re-measurement is an additional scope through which the area and the usage of the property can be correctly assessed by ULBs authorities warranting increase/decrease in the rate of property tax.

During 2017-18, various review meetings were conducted by MA&WS Department in order to review the assessment of property tax so as to find out any additional properties which were not assessed or properties which were under assessed. Along with this exercise, the usage of the properties was also to be scrutinised and the properties reclassified accordingly.

Audit observed that the Corporations (except GCC) and Municipalities found (4 December 2017) that there were cases of underassessment and misclassifications in the properties resulting in loss of revenue of ₹ 98.89 crore per annum as detailed below:

Table 2.6 -Details of Re-measurement and Re-classification as on 30.11.2017

(₹ in crore)

ULBs	Total assessments	Assessments reviewed	No change	Non-assessed	Under assessed	Addl. Demand per year
Corporations	20,43,654	16,98,828	10,61,803	50,001	5,87,024	59.76
Municipalities	25,35,084	24,87,777	17,49,059	57,368	6,81,350	39.13
Total	**45,78,738**	**41,86,605**	**28,10,862**	**1,07,369**	**12,68,374**	**98.89**

Source: Data furnished by the Department

Besides the above, in respect of the properties situated in Town Panchayats, the additional demand that could accrue on account of re-measurement was ₹ 5.02 crore (41,334 Domestic and 1,389 Commercial assessments). Thus, the overall additional demand per year on account of re-measurement would be ₹ 103.91 crore.

However, the Commissioner of Municipal Administration vide circular[13] in November 2019 issued orders to the Corporations/Municipalities to collect the property tax as per the old rate and not to give effect for re-measurement. This order is in contravention to the Government order issued (November 2019) and the consequent non realisation of additional revenue that could have been accrued amounted to ₹103.91 crore for the year 2018-19 alone.

It is pertinent to mention that the Fifth SFC had recommended (March 2017) for GIS mapping for all ULBs to bring out left out properties to assessment of property tax and the same was accepted by the Government. However, Audit noted that GIS property mapping has been completed only in 17 ULBs but was not implemented for rest of the ULBs even after four years of such

[13] No.40032/2012/R1 dated 29.11.2019.

recommendation. Had the GIS mapping was completed, the above cases of non/under assessment would have been avoided.

2.13 Taxation Appeals Committee

According to Section 23-A of TNDM Act, 1920, for every municipality there shall be a Taxation Appeals Committee with the Chairman of the Municipal Council and four councillors elected by the council. The business of the taxation appeals committee shall be transacted in accordance with the rules made by the State Government in this behalf.

Audit scrutiny revealed that while the taxation appeal committee was active till the existence of the Council (i.e., October 2016), the said committee became non-existence/inactive after October 2016.

Thus, the grievances of the public with regard to the property tax based on which the general revision was withheld could have been avoided had this Committee was in place. This could not be enforced due to non-conduct of municipal elections and consequent elected body not in place.

2.14 Property Tax Board

The Government gave (June 2012) 'in principle' approval[14] for formation of Tamil Nadu State Property Tax Board (TNSTB) in compliance to the condition laid down by the 13th Finance Commission to draw its share of General Performance Grant.

The Tamil Nadu State Property Tax Board Act, 2013[15] came into force with effect from 1 November 2014. The main functions of the Board are, to review the property tax amount, suggest suitable guidelines for valuation of properties, recommend modalities for periodical revision of property tax.

However, Audit noticed that though the approval was given in 2014, the Government actually constituted the Board with Principal Secretary, MA&WS Department as the Chairperson only in January 2018[16] after more than three years.

Further, to an earlier Audit query during November 2018 as to the role played/suggestions given by the Board to the Government during the latest general revision of the property tax, it was replied (June 2019) that there was no supporting officer and staff appointed to the Tamil Nadu State Property Tax Board and the HODs were requested to issue necessary guidelines for general revision as was done earlier. Further it was also replied that after the appointment of the Secretary and staff, the function and regulation of the Board for activating the functions of the Board will be framed.

14 G.O.(Ms.) No.59 dated 15.6.2012
15 G.O.(Ms.) No. 132 dated 31.10.2014 and the rules vide G.O.No.133 dated 31.10.2014
16 vide G.O.Ms.7 dated 25.1.2018

Thus, even after six years (2012-2018) from the order providing 'in principle' approval for formation of the Board, the board is yet to take off with its functions thus denying the ULBs of a proper advisory committee for providing guidelines for revision of property tax more importantly during the general revision of 2018.

Recommendation: The Government may consider the following:

- **Quinquennial revision of property tax may be made mandatory.**
- **For efficient system for assessment of property tax, the co-ordination between the Town Planning and Revenue Wings may be structurally strengthened through an automated work flow process with prompt data sharing.**
- **Geographic Information System (GIS) mapping of all ULBs may be completed to bring left out properties to assessment.**
- **"Any time anywhere" remittance systems may be enabled for Property Tax in all ULBs as prevalent in GCC.**
- **May collect property tax on re-measured and re-classified properties.**
- **Constituting the Taxation Appeals Committee and may also provide sufficient resources for effective functioning of the Property Tax Board.**

2.15 Arrears of revenue of Urban Local Bodies

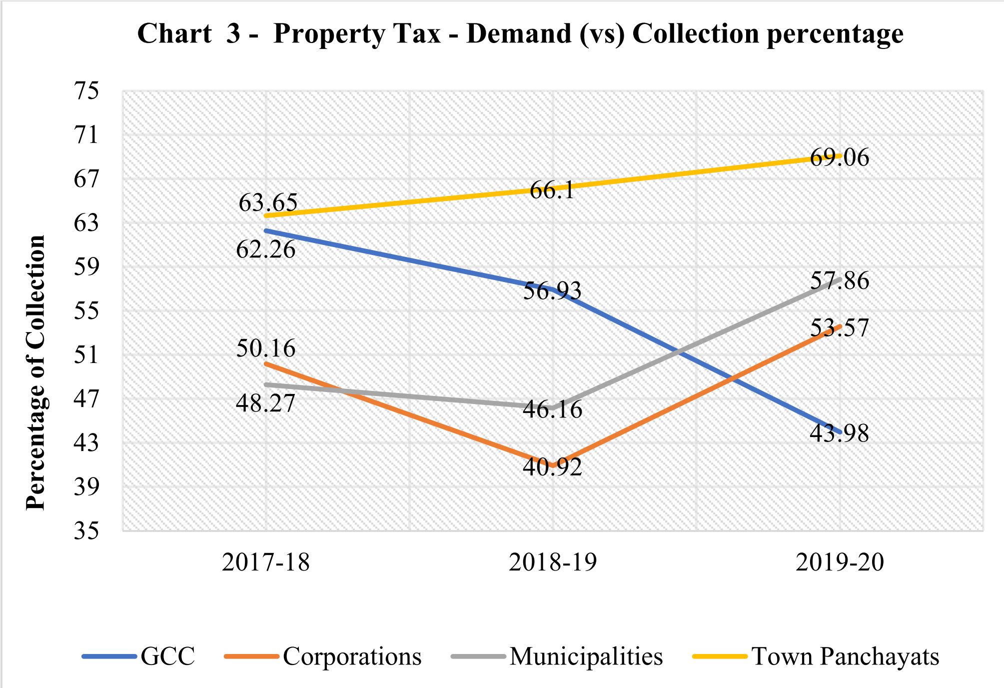
Demands for property tax and other tax and non-tax revenue shall be raised by the respective ULBs and the collections effected promptly. The total demand and the collection made during the years 2017-18 to 2019-20 in respect of Property Tax is given below:

Table 2.7 – Demand and collection Property Tax

(₹ in crore)

ULBs	Particulars	2017-18	2018-19	2019-20
Greater Chennai Corporation	Total demand	1,157.56	1,174.09	1,079.58
	Total collection	720.73	668.39	474.76
Corporations (except GCC)	Total demand	1,032.53	1,366.45	1,121.50
	Total collection	517.96	559.21	600.73
Municipalities	Total demand	640.13	947.96	735.41
	Total collection	336.08	437.56	425.52
Town Panchayats	Total demand	211.17	271.83	265.18
	Total collection	134.41	179.78	183.13
Total demand and total collection shown above includes both arrear and current demand and collection.				

Source: Data furnished by the Department



Audit analysis from the above table and the graph reveals that:

- The overall average Property tax collection percentage with respect to the demand, for three years, stood at 55 *per cent* only.
- the percentage of collection in respect of Corporations (except GCC) ranged between 40.92 and 53.57 *per cent*.
- In respect of Municipalities it ranged between 46.16 and 57.86 *per cent* and for TPs it was between 63.65 and 69.06 *per cent* respectively.
- The collection percentage of GCC has drastically reduced from 62.26 *per cent* (2017-18) of the demand to 43.98 *per cent* (2019-20) of the demand, which needs immediate attention.
- The collection percentage of TPs alone are showing a linear increase from 63.60 *per cent* in 2017-18 to 69 *per cent* in 2019-20.

While the non-revision of the property tax rates affects the income generation of the ULBs, there is also arrears of property tax as well as in other revenue like vacant land tax, professional tax, non-tax revenue, *etc* as detailed below:

Table 2.8 - Arrears of revenue as on 31 March 2020

(₹ in crore)

Nature of Revenue	Corporations (excluding GCC)	Municipalities	Town Panchayats	Total
Property Tax	520.76	309.89	82.05	912.70
Vacant Land Tax	129.84	43.51	0.65	174.00
Professional Tax	80.57	58.71	17.05	156.33
Water (Supply) Tax	175.92	101.59	20.55	298.06
UG Sewerage Service Charges	131.19	46.21	0	177.40
Non-Tax Revenues	261.29	161.28	32.93	455.50

Solid Waste User Charges	26.92	41.80	Not Available	68.72
Total	**1,326.49**	**762.99**	**153.23**	**2,242.71**

Source: Data furnished by the Department

The arrears of property tax of GCC amounted to ₹ 604.82 crore[17]. The above table indicates that the ULBs need to improve the collection mechanism as the total accumulated arrears including property tax increased to ₹ 2,847.53 crore (₹ 2,242.71 crore and ₹ 604.82 crore).

In view of the fact, the revision of tax not being implemented as discussed earlier, there was an urgent need for the ULBs to improve the collection efficiency which is within their purview.

In reply, the Government stated (September 2021) that the ULBs are taking action to improve the revenue collection performance in general and arrear demand in particular and the same is monitored. Necessary instructions are being issued to collect pending arrear demand.

2.16 Expenditure of Urban Local Bodies

The expenditure of ULBs can be broadly classified into the following heads:

1. Establishment expenditure
2. General Expenses
3. Operation and Maintenance
4. Interest and finance charges
5. Programme expenses

(i) The details of revenue expenditure[18] incurred by the ULBs during the period 2015-16 to 2019-20 as against the own source of revenue is given below:

Table 2.9 – Own Source of Revenue to Total Revenue Expenditure

(₹ in crore)

Year	Total revenue expenditure	Own Source of income	Difference	Difference (in *per cent*)
2015-16	8,825.58	4,704.92	4,120.66	53.31
2016-17	8,753.23	4,615.48	4,137.75	52.73
2017-18	8,887.19	4,850.40	4,036.79	54.58
2018-19	10,241.42	6,279.34	3,962.08	61.31
2019-20	11,019.34	6,208.91	4,810.44	56.35
Total	**47,726.76**	**26,659.05**	**21,067.72**	**55.86**

Source: Data furnished by the Department

The ULB-wise breakup details are given in **Annexure 16.**

17 GCC's property tax: total demand ₹ 1079.58 crore (-) total collection ₹ 474.76 crore= ₹ 604.82 crore (refer Table 2.7)

18 Expenditure towards Establishment, General Expenses, O & M and Interest and finance charges

Audit analysis from the above table indicates the following:

- The revenue generated by the ULBs could match only 56 *per cent* of their Revenue Expenditure. The balance expenditure was met out of the devolution grants of the State Government.
- In 2018-19, the increase of revenue (61 *per cent*) was due to the reason that the property tax rates was increased. Subsequently, it fell to 56 *per cent* in 2019-20 due to the withholding of the property tax revision. This clearly showed the effect of Property tax revision and the need to protect the financial sustainability of the ULBs.
- As the own revenue of the ULBs cover only half of their revenue expenditure, the ULBs are becoming more and more reliant on the State and Central grants.

Further, Audit also noticed that due to the above reasons, in 43 ULBs (test checked and data collected), even the salary disbursement to the officials during 2019-20 was delayed. The ULBs concerned attributed the reasons for delayed disbursement to insufficient/paucity of funds.

(ii) The break-up details of expenditure incurred by ULBs including capital expenditure for the years from 2015-16 to 2019-20 is detailed below:

Table 2.10 –Expenditure of ULBs

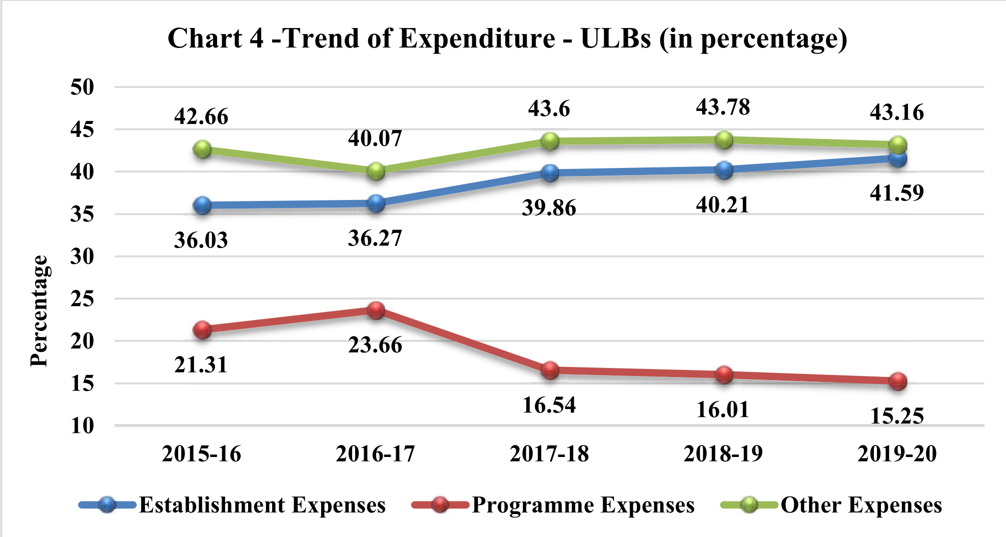
(₹ in crore)

Year	Establish-ment Expenses	Operation & Main-tenance	Programme expenses	General and Admn. Expenses.	Interest. & Finance Expenses	Total
2015-16	4,040.59	1,603.11	2,389.98	1,514.22	1,666.77	11,214.67
2016-17	4,159.18	1,885.37	2,712.49	1,505.00	1,203.70	11,465.74
2017-18	4,244.72	1,804.25	1,760.84	1,499.63	1,338.67	10,648.11
2018-19	4,903.65	1,900.98	1,952.41	1,698.88	1,737.93	12,193.85
2019-20	5,407.03	2,125.16	1,982.52	1,811.57	1,675.59	13,001.87
Total	**22,755.17**	**9,318.87**	**10,798.24**	**8,029.30**	**7,622.66**	**58,524.24**

Source: Data furnished by the Department

The trend in expenditure in percentage for establishment, programme and other expenses [19]over the period from 2015-16 to 2019-20 is detailed in **Chart 4**.

[19] Operation & Maintenance, General and Administration Expenses and Interest and Finance Charges



Audit scrutiny revealed that:

- Establishment expenditure forms the major portion of the ULB's expenditure and is on a year-on-year increasing trend from 36 *per cent* in 2015-16 to 41.60 *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.
- Thus, with other expenditures maintain a nearly uniform stand over the years, the increase in establishment expenditure is affecting the spending towards programme expenditure as evident from the reduction in expenditure.

Further, in 24 out of 36 test checked offices, out of 17 functions, the expenditure incurred was only in respect of four[20] functions or even less due to the above-mentioned reason.

In reply (September 2021), the Government stated that the expenditure towards programmes is incurred in accordance with the scheme works approved and it varies annually. It was also stated that only four or five functions out of 17 functions are essential and the others involve sporadic expenditure. ULBs carry out the major function that needs to be executed on priority basis.

Recommendation: The Government may consider timely release of balance SFC grants and take necessary steps to obtain the Performance grant from the Central Government in order to augment the financial resources of ULBs to meet their expenditure.

[20] a) Roads and bridges; b) Water supply for domestic, industrial and commercial purposes; c) Public health, sanitation conservancy and solid waste management; d) Public amenities including street lightings, parking lots, bus stops and public convenience

2.17 Budget Management

As per Section 120 of TNDM Act, 1920, the Municipal Council shall in each year frame a budget showing the probable revenue and the expenditure which it proposes to incur during the following year and shall submit a copy of the budget to the State Government. The State Government may modify any part of the budget so as to maintain a working balance for the due discharge of all liabilities.

Section 121 of the Act ibid provides that if in the course of a year, a Municipal Council finds it necessary to modify the figures shown in the budget it may submit a supplemental or revised budget, provided that no alteration shall be made without the consent of the State Government in the amount allotted for the service of debt or in the working balance.

Expenditure (both the capital and O&M expenditure) estimation depends on services to be provided by the local government and its costs to achieve appropriate service levels. Audit scrutiny of the budgetary provisions for the period between 2015-16 to 2019-20 of the ULBs revealed that the budget preparation was not based on scientific analysis and there was wide gap between the budget estimates and actual revenue and expenditure. The deficiencies noticed in some of the ULBs are detailed below:

- **Kumbakonam**: There is a wide gap between budget estimates and revised estimates in respect of revenue ranging between 38 and 250 *per cent* and actual expenditure between 41 and 132 *per cent*.
- **Nagapattinam and Arani:** The budgets for both revenue and expenditure was fixed by adding a random amount to the previous years' budget.
- **Tenkasi and Dhaliyur**: The figures furnished to Audit revealed that the gap between budget estimates and actuals were one and the same for all the five years leading to the conclusion that the budget figures given was mere arithmetic rather than arriving scientifically.
- **Rajapalayam**: The gap ranged between 55 and 119 *per cent* in respect of revenue and between 56 and 113 *per cent* in respect of expenditure.
- **Eriodu:** The gap ranged between 74 and 114 *per cent* in respect of revenue and between 84 and 135 *per cent* in respect of expenditure.
- **Velankanni:** Only revised estimates were prepared.

The analysis shows that the budget estimates were not prepared taking into account the average revenue/expenditure incurred during last three years or at least the previous year along with the anticipated revenue /expenditure that are likely to be made during the year.

The budget estimates, revised estimates and actuals for the period between 2015-16 and 2019-20 in respect of 24 ULBs out of 36 sampled ULBs are detailed in **Annexure 17.**

The Government stated (September 2021) that necessary instructions will be given for preparing realistic budget.

Recommendation: Action may be taken to prepare the ULBs budget in a scientific manner taking into account requirements of capital expenditure as well as a realistic projection of both revenue and expenditure considering the previous years' actual and the funds expected to be mobilised.

2.18 Financial powers of Urban Local Bodies

Governance at the grass root level in conformity with the objectives of the 74th CAA can be completed only when supported by decentralisation of financial and administrative powers. The decentralisation provides for:

- Creation of good and reliable administration
- Local governance
- Accountability and responsiveness
- Localised participation in decision making process

The administrative approval powers of the officers of the ULBs for incurring expenditure are detailed below:

Table 2.11 – Financial Powers

(₹ in lakh)

Category	Commi-ssioner/ Special Officer/ Executive Officer	Standing Committee	Council	RDMA/ ADTP	CMA/ DTP	Govern-ment
Corporations	Between 10.00 and 100.00	20.00 to 30.00	50	NA	Upto 135.00	Above 135.00
Municipalities	55.00	55.00	55.00	68.00	Upto 650.00	Above 650.00
Town Panchayats	-	-	1.00 to 2.00	5.00	Upto 100.00	Above 100.00

For GCC

Ward Committee	Zonal Committee	Dy Commr.	Mayor	Standing/ Subject Committee	Steering Committee/ Mayor in Council	Council	State Government
Upto₹ 10 lakh	Upto₹ 10 lakh	Between ₹ 10 and ₹ 50 lakh	₹ 50 to ₹ 60 lakh	₹ 60 – ₹ 75 lakh	₹ 75 lakh to ₹ 1 crore	₹ 1 to ₹ 10 crore	Above ₹ 10 crore

Source: Data furnished by the Department

In this regard Audit noted that the municipal bodies in the States of Andhra Pradesh, Bihar, Gujarat, Kerala and Maharashtra were vested with complete administrative powers.

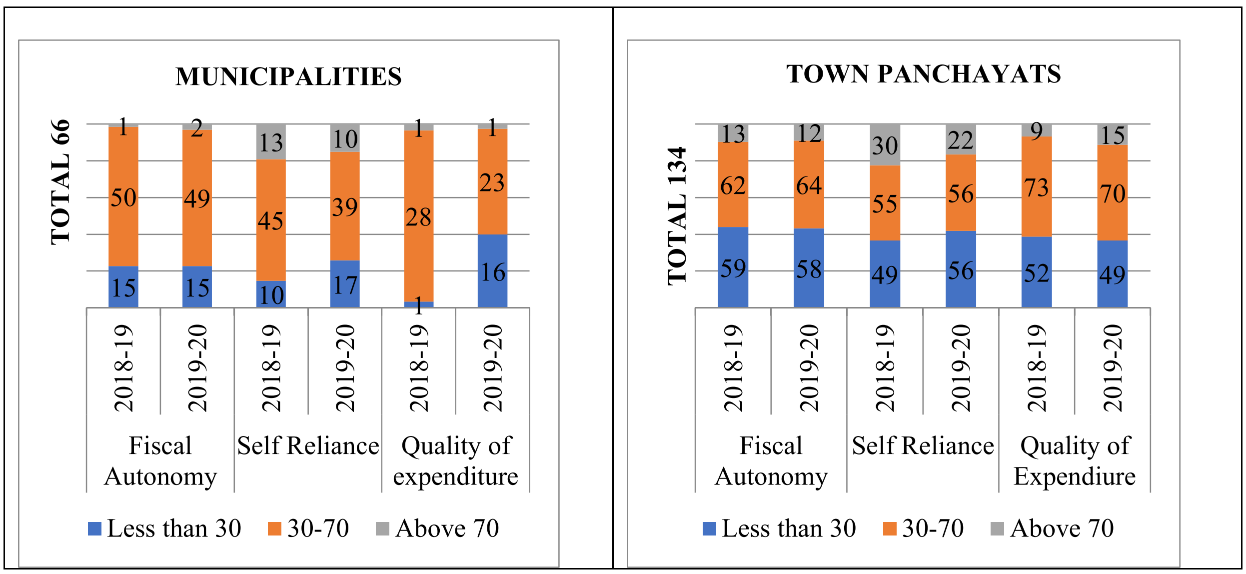
The restrictions/limitations on the powers of ULBs as above negate the movement towards greater decentralisation.

Audit observed that while in the States mentioned above, the administrative powers were fully delegated and vested with the Municipalities, the situation is not so in Tamil Nadu, which shows lack of administrative sanction power at the grass root level in Tamil Nadu.

2.19 Analysis of financial data

In order to analyse the financial management of ULBs in a holistic way, Audit collected data from 200 ULBs (66 municipalities and 134 town panchayats) for the year 2018-19 and 2019-20. The analysis for Fiscal Autonomy, dependency on Grants, coverage of revenue expenditure from Own Source and the Share of O&M expenditure were carried out with the available data. The financial data of ULBs are given in **Annexure 18** and Fiscal autonomy, self-reliance and quality expenditure of ULBs are mentioned below:

Chart 5 - Fiscal Autonomy, Self-Reliance and Quality Expenditure of ULBs



Source: Data furnished by the Department

Analysis of financial data[21] relating to 200 ULBs revealed that:

- **Fiscal Autonomy (Share of own revenue to total revenue)**: Only 14 ULBs could show better financial augmentation and raise 70 *per cent* of their revenue from own resources.
- **Self-reliance (Coverage of revenue expenditure from own source)**: Only 43 ULBs are able to meet more than 70 *per cent* of their

[21] Financial data as "Financial Management of ULBs" shown in Annexure 18.

expenditure from their own source of revenue in 2018-19. The number of ULBs got reduced to 32 in 2019-20.

- **Quality of expenditure (Share of O&M expenditure should be high for quality 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.

In reply (September 2021), the Government stated that emphasis will be made to increase the quality of expenditure and also to restrict administrative and establishment expenses.

2.20 Loans raised by Urban Local Bodies

In order to meet their ever-increasing expenses, the ULBs resorted to borrowings (loan) thereby paying interest and consequent additional financial burden. In the past five years, the amount of loan raised by the ULBs was ₹ 4,076.07 crore.

In order to analyse the financial position of ULBs, Audit compared the loans raised by the ULBs against the grants (SFC and Performance Grant) which were due to the ULBs. The results are as follows:

Table 2.12 – Comparison of Loans to Outstanding Revenue of the ULBs

(₹ in crore)

Year	Loan raised by ULBs (A)	Grant Due to the ULBs		
		SFC Grants (Short Release)	Performance Grant (Non-Release)	Total (B)
2016	470.83	177.71	0.00	177.71
2017	1,357.01	150.84	0.00	150.84
2018	1,501.35	229.73	365.37	595.10
2019	464.19	127.77	414.92	542.69
2020	282.69	620.84	543.31	1164.15
Total	**4,076.07**	**1,306.89**	**1,323.60**	**2,630.49**

Source: Data furnished by Department

In addition, the property tax arrears amounted to ₹ 1,517.52 crore to be collected by the ULBs as on 31 March 2020.

Audit analysis revealed that:

- Due to dependency of the ULBs on the Grants, short release / non-release of the same forced the ULBs to raise loans.

- The availability of the rightful share of grants to the ULBs in a timely manner could have greatly reduced raising of loans by 64.54 *per cent*, thereby ensuring better financial management.

In reply (September 2021), the Government stated that efforts are taken to incur scheme expenditure from various grants and borrowing will be avoided to the possible extent. It was further stated that ULBs will be instructed to increase their own revenue.

Recommendation:

The Government may issue instructions to ULBs for effective collection of property tax and may ensure timely release of grants due for ULBs.