

Highlights

Intent of the 74th Constitutional Amendment Act (74th CAA)

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

Why this Performance Audit?

To ascertain whether the State Government empowered ULBs through the creation of a robust institutional framework as well as transfer of functions, funds and functionaries.

Period of audit: 2014-15 to 2018-19

Sample: 11 functions and 44 ULBs across all tiers.

What Audit found?

Compliance to provisions of 74th CAA

- ▶ Statutory amendments, though enacted, were not implemented in letter and spirit.

Empowerment of ULBs and their functioning

- ▶ Out of the 18 functions to be transferred all except Fire Services, were transferred.
- ▶ Though all functions were to be mandatory, the State classified the functions as obligatory and discretionary.
- ▶ Actual status of implementation of functions.

Role of ULBs	No. of functions
Full jurisdiction	3
No role	2
Mere implementing agency	3
Dual role	1
Minimal role / overlapping jurisdictions	8

- The status of elections and formation of councils was as below:

Status	No. of ULBs
Elections held and councils formed	63
Elections held and councils not formed	187
Elections due but not held	23

- Tenure of Mayor/President – Mayor had a one-year term and President had a term of 2^{1/2} years. The tenures were not coterminous with the term of the Council. This affected long term planning and led to instability at the top.
- Ward Committees were not constituted in any of the City Corporations except Bruhat Bengaluru Mahanagara Palike leading to absence of community participation in local governance.
- District Planning Committee (DPC) was absent in Bagalkote district and in 29 districts where constituted, they did not function as required. Hence, comprehensive District development plan was not prepared.
- Metropolitan Planning Committee (MPC) was formed for Bengaluru area but there was no development plan.
- Delays in constitution of State Finance Commissions (SFC) and delay in implementation of the recommendations led to delays in fiscal transfers by State impacting ULBs revenues.
- The need to seek approval of the District Administration for works to be taken up from own sources of ULBs despite prior approval by the respective Councils went against the autonomy of ULBs.
- The existence of parastatals significantly eroded the autonomy of the ULBs in the implementation of functions such as urban planning and regulation of land use, slum improvement and water supply and sanitation.

Financial resources of ULBs

- ULBs were largely dependent on fiscal transfers, which constituted about 63 *per cent* of their total revenue.
- There was a shortfall of ₹15,564 crore in fiscal transfers during the period 2014-15 to 2018-19 *vis-a-vis* the recommendations of the SFC.
- Entire allocation of performance grants of ₹295.20 crore for the year 2018-19 was yet to be received, the reasons for which were not furnished.
- Assigned revenue for the year 2018-19 was yet to be released.
- Own revenue of ULBs constituted only 37 *per cent* of their total revenue. The State laws did not provide complete autonomy to ULBs in generating their own revenue.
- Omissions attributable to ULBs such as absence of reliable database, non-revision of rates *etc.*, also contributed to lesser revenue generation.

- Budget exercise was flawed and resulted in preparation of unrealistic and unscientific budgets.
- ULBs had spent on an average about 69 *per cent* of the funds available with them.
- The State limited the financial and administrative powers of ULBs which hampered the utilisation of funds.

Human resources of ULBs

- Powers to assess staff requirement and recruitment of such personnel was vested with the State Government.
- The State also vested with it the powers to regulate classification, method of recruitment, conditions of service, pay and allowances, initiate disciplinary action on staff of ULBs, transfer staff across ULBs or to other Government departments.
- Population alone was considered as a criterion for determining the sanctioned strength. This was incorrect and necessitates frequent revision with increase in population.
- The sanctioned strength varied from 2.24 to 5.80 employees per 1,000 population (2001) to 1.94 to 5.38 employees per 1,000 population (2011) in the test-checked ULBs.
- Huge vacancies across all cadres specifically in crucial technical posts resulted in absence of adequate manpower affecting delivery of citizen services.
- The executive function was being discharged by non-KMAS officers such as Revenue Officers, Managers, Senior Health Inspectors, First Division Assistants in violation of the statutory provisions. On the contrary, KMAS officers were discharging the functions of Revenue Officers, Managers and Senior Health Inspectors.
- C&R Rules provided for filling up of large number of posts (40 per cent) in the cadre of Group A in City Corporations through deputation. Posts such as Junior Health Inspector, First Division Assistant, Community Organiser were filled up on deputation, though there was no such provision. This impacts the accountability of deputed personnel to the Governing Council and Chief Executive of ULBs

What Audit recommends

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

- ✓ *In view of the fact that the delimitation has been delayed time and again by the State Government, the task of delimitation should be entrusted to the State Election Commission in order to ensure timely elections.*
- ✓ *Ward Committees should be constituted as per the KMC Act and should be nurtured and encouraged to function effectively so that the priorities of citizens are factored into the decisions of the ULB.*
- ✓ *The full potential of the DPC and MPC mechanism should be tapped by ensuring that they meet regularly to result in optimal decision making.*
- ✓ *Delays in constitution and implementation of recommendations of the SFCs should be avoided. Further, the recommendations of SFC relating to devolution as well as institutional matters should be implemented in toto to the extent possible, taking into account the final purpose of creating genuine institutions of local governance.*
- ✓ *The Property Tax Board needs to be made functional in order to provide technical expertise to ULBs.*
- ✓ *There is a need to fully involve the democratically elected ULBs in the Planning, Regulation, Slum development and Water supply and sanitation functions.*
- ✓ *Limitations on the ability of the ULBs to raise revenues through sources such as property tax, advertisement tax, solid waste management cess etc., need to be removed urgently.*
- ✓ *Special efforts need to be made to motivate the ULBs to prepare their budgets in a scientific manner taking into account requirements of capital expenditure as well as a realistic projection of funds expected to be mobilised.*
- ✓ *Delegation of powers relating to works and other expenditure needs to be revised in order to ensure efficiency.*
- ✓ *Adequate powers over manpower resources should be delegated to ULBs in matters such as assessment and recruitment of required staff to ensure availability of qualified manpower for discharging functions.*
- ✓ *Personnel from KMAS should be deployed in ULBs to the maximum extent possible. In particular, it needs to be ensured that ULBs are headed by persons of sufficient seniority and calibre.*