

Chapter-IV

Empowerment of Urban Local Bodies and their functioning

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4.1 Powers of the State Government over Urban Local Bodies

Article 243W of the Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA) provides that all Municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government, which was also adopted by the State Government by making amendments to its Punjab Municipal Corporation Act, 1976 (PMC Act) and Punjab Municipal Act, 1911 (PM Act). The Report of the Fifth Punjab Finance Commission for the period 2016-2021, observed (June 2016) that both Municipal Corporations and Municipal Committees were handicapped because of certain provisions in the respective statutes which compelled them to seek prior approval of the Government for levying various taxes.

Audit observed that the State Government had overriding powers over the Urban Local Bodies (ULB) in various matters, as detailed in **Table 4.1**, which was against the spirit of the 74th CAA.

Table 4.1: Overriding powers of the State Government over ULBs

Sr. No.	Subject	Provision
1.	Power to frame Rules	The State Government may by notification in the Gazette, frame rules under PMC Act and PM Act after approval of the State Legislature (Section 397 of PMC Act and Section 240 of PM Act).
2.	Power to cancel and suspend a resolution or decision taken by ULBs	The State Government may cancel a resolution or decision taken by ULBs, if the State Government is of the opinion that it is not legally passed or in excess of the power conferred by PMC Act and PM Act, any other law or likely to endanger human life, health, public safety or communal harmony or in violation of directions issued by the Government (Section 422 of PMC Act and Section 232 of PM Act).
3.	Power to dissolve ULBs	The State Government shall, by notification in the official Gazette, dissolve the ULBs, if ULBs fail to perform or default in the performance of any of the duties imposed on them, after giving reasonable opportunity. The order of dissolution of ULBs shall be laid before the House of State Legislature with a statement of reasons thereof. The State Government may appoint such person or authority during the period of dissolution of ULBs. (Section 407 of PMC Act and Section 14 of PM Act).
4.	Sanction of regulations/ bye-laws by Government	No regulation/bye-law made by the Corporation under this Act shall have effect until it has been approved by the Government and published in the Official Gazette

Sr. No.	Subject	Provision
		(Sections 398 and 401 of PMC Act). Similarly, a Municipal Committee may make bye-laws but with the prior approval of the State Government (Section 31 of PM Act).
5.	Sanction to borrow money	Section 158 of PMC Act and Section 60 of PM Act allow ULBs to borrow money, but only after prior sanction from the Government.
6.	Lease/Sale of property	Section 172 of PMC Act allows a Corporation to lease or sell movable and immovable property belonging to them, but with certain restrictions. No corresponding provision available in the PM Act.
7.	Determination of rateable value of lands and buildings assessable to taxes	Subject to the rules, if any, made by the State Government in this behalf, such value of any land or building assessable to taxes as specified in Section 91 of PMC Act and Section 61 of PM Act.
8.	Leasing of octroi/tolls or appointment of agent for collection thereof	Subject to the directions of the State Government by general or special order from time to time, if any, ULBs shall regulate the collection of octroi either through the lessee or agent in such a manner or procedure as it may deem fit having regard to the provisions of the Act (Section 117-A of PMC Act). Further, as per Section 83 of PM Act, collection of any octroi/toll may be leased by the Committee with the previous sanction of the Deputy Commissioner.
9.	Budget estimates	The budget estimates received by the Government under sub-section (2) of Section 86 of PMC Act shall be returned to the Corporation before 31 st day of March after approval, without any modification or with such modifications as the Government may deem fit. Further, every increase in a budget-grant and every additional budget-grant made in any year under sub-section (1) of Section 87 of PMC Act shall be made with the prior approval of the State Government and after such approval shall be deemed to be included in the budget estimates finally adopted for that year. No corresponding provision available in the PM Act.
10.	Taxes to be imposed by ULBs under the relevant Acts and arrangement of certain taxes collected by Government	The taxes shall be levied at such rates as may, from time to time, be specified by the Government by notification and shall be assessed and collected in accordance with the provisions of this Act and the bye-laws made thereunder. The Government may, by special or general order, direct to impose any tax not already imposed, within such period as may be specified and the ULB shall act accordingly. (Section 90 of PMC Act and Section 61 of PM Act).
11.	Components and rates of taxes on lands and buildings	Water tax, fire tax, general tax of such percentage of the value of lands and buildings as the Government may deem reasonable, may be levied for providing services in the city. The Government shall exempt from the general tax lands and buildings of which such value does not exceed the prescribed limit. (Section 91 of PMC Act and Section 61 of PM Act).

Sr. No.	Subject	Provision
12.	Powers of Government with regard to taxes	The Government may by order exempt in whole or in part from the payment of any such tax any person or class of persons or any property or description of property (Section 157 of PMC Act and Section 71 of PM Act).

Source: PMC Act and PM Act

The Department stated (August 2021) that the powers and controls as given under the respective Municipal laws were exercised by the State in order to bring uniformity in the imposition of taxes/implementation of laws, to control the arbitrariness and to regulate the expenditure and borrowings in the best interest of the ULBs. The reply of the Department was not in line with the provisions under 74th CAA to give autonomy to ULBs to enable them to function as institutions of self-government.

4.2 Status of devolution of functions

The 74th CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 subjects specified in 12th Schedule. Accordingly, the State Government made requisite amendments to PMC Act and PM Act in the year 1994 to bring them in conformity with the Constitutional provisions. Section 50B(1) of PM Act provides that the State Government may, by notification, subject to such condition as may be specified, endow the Municipalities with such powers and authorities, as may be necessary to enable them to function as institutions of self-government. Further, Section 50B(2) of PM Act provides that nothing contained in the provisions of this section shall be construed to divest the Municipalities of various powers and functions vested in them under various provisions of this Act, rules and bye-laws made thereunder. However, there is no mention about devolution of 18 subjects to the Municipal Corporation in PMC Act though related provisions by and large have been enumerated in this Act.

Audit observed that the notification regarding devolution of functions had not been issued by the State Government (June 2021) and the ULBs were performing functions what were already entrusted to them before 74th CAA.

As per information/status obtained from the selected ULBs and parastatal bodies, the actual status of implementation of 18 subjects/functions, as enumerated in 12th Schedule of 74th CAA, being performed by ULBs/other authorities in the State of Punjab is depicted in **Table 4.2** and function-wise role of ULBs is depicted in **Chart 4.1**.

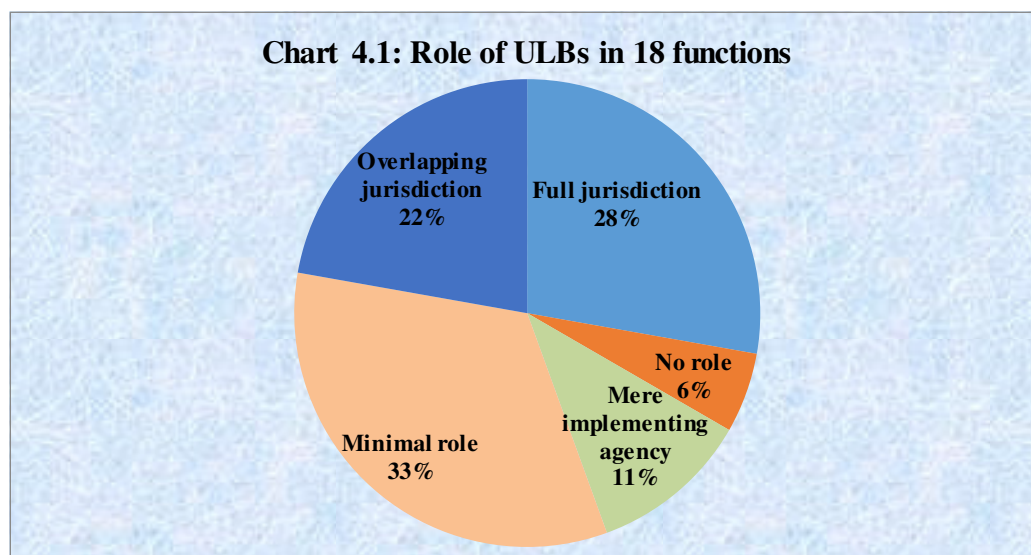
Table 4.2: Status of implementation of subjects/functions under 12th Schedule of 74th CAA

Sr. No.	Subject/Function	Activities	Status
Functions where ULBs have full jurisdiction except for framing of rules and budgeting			
1.	Burials and burial grounds; cremations, cremation grounds; and electric crematoriums	Construction and operation and maintenance (O&M) of burial grounds and crematoriums including electric crematoriums	ULBs were wholly responsible for discharging this function.
2.	Cattle pounds; prevention of cruelty to animals	Catching and keeping strays	ULBs were wholly responsible for discharging this function.
		Sterilisation and anti-rabies	
		Ensuring animal safety	
3.	Regulation of slaughter houses and tanneries	Ensuring quality of animals and meat	ULBs were wholly responsible for discharging this function.
		Disposal of waste	
		O&M of slaughter houses	
4.	Fire Services	Establishing and maintaining fire brigades	ULBs were wholly responsible for discharging this function.
		Providing fire NOC/ approval certificate in respect of high rise buildings	
5.	Roads and Bridges	Construction and maintenance of roads	ULBs played a significant role in construction and maintenance of roads, bridges, drains, flyovers, alteration and improvement of public streets, culverts, and causeways within their jurisdiction.
		Construction and maintenance of bridges, drains, flyovers and footpaths	
Functions where ULBs have minimal role			
6.	Urban planning including town planning	Master Planning/ Development Plans/ Zonal Plans	Master plans were being prepared by Urban Development Authorities (UDA)/Town Planning Authorities (TPA).
		Enforcing master planning regulations	Enforcement was being done by UDA/TPA.
		Enforcing building bye-laws and licenses	ULBs' role was limited to issue and renewal of building licences.
		Group Housing, Development of Industrial areas	ULBs' role was to identify beneficiaries for group housing.
7.	Regulation of land use and construction of buildings	Regulating land use	Regulation of land use was primarily vested with the Department of Revenue, whereas construction of buildings was regulated by various bodies under jurisdiction of UDA. The role of ULBs was limited to issue and renewal of building licences and enforcement of building bye-laws.
		Approving building plans/ high rises	
		Demolishing illegal buildings	

Sr. No.	Subject/Function	Activities	Status
8.	Urban poverty alleviation	Identifying beneficiaries	Entrepreneurship and Livelihoods – Central and State Government schemes were vested with the Punjab Skill Development Mission. All functions in respect of implementation of National Urban Livelihood Mission and Pradhan Mantri Awas Yojna (PMAY) were being done by SUDA. The role of ULBs was limited to execute various welfare schemes through grants received for the purpose and own funds.
		Livelihood and employment	
		Street vendors	
9.	Urban forestry, protection of the environment and promotion of ecological aspects	Afforestation	Forest Department played a significant role in the discharge of this function. ULBs only undertook afforestation and awareness drives along with the Forest Department.
		Greenification	
		Awareness drives	
		Protection of the environment and promotion of ecological aspects	
		Maintenance of natural resources like water bodies, etc.	
10.	Promotion of cultural, educational and aesthetic aspects	Schools and education	Schools and education were being handled by the Education Department. ULBs along with Department of Cultural Affairs, Archives, Archaeology & Museums and UDAs undertake activities allied with public space beautification, organising fairs and festivals.
		Fairs and festivals	
		Cultural buildings/ institutions	
		Heritage	
		Public space beautification	
11.	Vital statistics including birth and death registration	Coordinating with hospitals/ crematoriums, etc. for obtaining information	Department of Health and Family Welfare was maintaining database of births and deaths. ULBs were responsible for registering and issuing certificates of birth and death.
		Maintaining and updating database	
Functions where ULBs have overlapping jurisdictions with State Departments and/or parastatal bodies			
12.	Water supply for domestic, industrial and commercial purposes	Distribution of water	In 162 out of the total 167 ULBs, the work/responsibility of water supply and sanitation is with Parastatal bodies viz. PWSSB (139 ULBs); GMADA (2 ULBs); GLADA (5 ULBs); and DWSS (16 ULBs). In case of the remaining 5 ULBs only, the function is being carried out by themselves.
		Providing connections	
		Operation and Maintenance (O&M)	
		Collection of charges	
13.	Public health, sanitation conservancy and solid waste management	Maintaining hospitals, dispensaries	ULBs had limited role in case of public health allied responsibilities, as Department of Health and Family Welfare played a significant role in maintaining hospitals and dispensaries. ULBs along with the State Department undertook immunisation/ vaccination programmes. ULBs were also responsible for cleaning and disinfection of localities affected by
		Immunisation/Vaccination	
		Registration of births and deaths	
		Cleaning and disinfection of localities affected by infectious disease	
		Solid waste management	

Sr. No.	Subject/Function	Activities	Status
		Control and supervision of public markets	infectious diseases, solid waste management and control and supervision of public markets. ULBs register and issue certificates of birth and death.
14.	Provision of urban amenities and facilities such as parks, gardens, playgrounds, etc.	Creation of parks and gardens	This function was obligatory for Development Authorities and ULBs in their respective jurisdiction.
		Operation and Maintenance	
15.	Public amenities including street lighting, parking lots, bus stops and public conveniences	Installation and maintenance of street lights	ULBs were in-charge of creation and maintenance of parking lots, public toilets and installation & maintenance of street lighting. The Punjab Road Transport Corporation shared jurisdiction in respect of provision of bus shelters. The State Transport Department was responsible for deciding and operation of bus routes.
		Creation and maintenance of parking lots	
		Creation and maintenance of public toilets	
		Deciding and operating bus routes	
Functions where ULBs act merely as implementing agencies			
16.	Planning for Economic and Social development	Programme implementation for economic activities	<p>ULBs: Implementation of various welfare schemes in sectors such as Housing, Employment, Health, basic necessities, etc., as per the guidelines issued by the State Government.</p> <p>Social Welfare Department: Safeguarding welfare of SCs/STs/OBCs and other weaker sections of the population, implementation of various programmes and schemes for upliftment of SCs/STs for their socio-economic and educational advancement, implementation of Special Component Plan and Tribal Sub Plan schemes, scholarships, maintenance of hostels, etc.</p>
		Policies for social development	
17.	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Identifying beneficiaries	Department of Social Security and Women and Child Development, Punjab and parastatal body such as State Urban Development Authority (SUDA) were responsible for these functions. ULBs were only an implementing arm for Centre and State Government schemes.
		Providing tools/benefits such as tricycles	
		Housing programs	
		Scholarships	
Functions with no role of ULBs			
18.	Slum improvement and upgradation	Identifying beneficiaries	ULBs have no role in Slum improvement and upgradation.
		Affordable housing	
		Upgradation	

Source: PMC Act, PM Act, ULBs and parastatal bodies



Source: PMC Act, PM Act, ULBs and parastatal bodies

Table 4.2 and **Chart 4.1** show that out of 18 functions, ULBs were solely responsible for five functions except for framing of rules and budgeting (28 per cent); with minimal role in six functions (33 per cent); had overlapping jurisdictions with State departments and/or parastatal bodies in four functions (22 per cent); were mere implementing agencies for two functions (11 per cent); and had no role in one function (06 per cent).

The Department stated (August 2021) that most of the functions depicted in the 74th CAA were already being performed by most of the ULBs. It was added that the ULBs were more or less performing the same functions as they used to perform prior to implementation of 74th CAA.

It was further noticed that:

➤ The State Government transferred (March 2006) the function of Primary Education in urban areas along with functionaries to the Department of Local Government for management and running of the schools by ULBs. But, the same was transferred back to the Education Department in December 2014.

The Department stated (August 2021) that keeping in view the demands of agitating teachers to come under the Education Department, the function of Primary Education was transferred back from the Department of Local Government to the Education Department by the State Government.

➤ In accordance with the decision (September 2013) of the State Government, the function of water supply and sewerage (earlier being performed by Municipal Council, Rajpura) along with related staff was transferred (September 2014) to the Punjab Water Supply and Sewerage Board (PWSSB). However, the Municipal Council continued to bear expenditure on this account (March 2020).

The Department stated (August 2021) that PWSSB was a specialised executing agency for water supply and sewerage. Thus, to avail the benefit of its specialisation, the Municipal Council had resolved in 2014 to handover its water supply and sewerage O&M work to PWSSB. Accordingly, 2/11th share of its Punjab Municipal Fund (PMF) was being transferred to the PWSSB and collection of user charges was also being made by PWSSB to meet O&M expenditure. The reply of the Department, however, did not justify the reasons for bearing expenditure on account of O&M by the Municipal Council, Rajpura when PWSSB was receiving share from PMF and collecting the user charges itself.

Thus, the above actions of the Government were against the spirit of 74th CAA to provide autonomy to the ULBs.

4.3 Institutional mechanism for empowerment of Urban Local Bodies

Though the State Government did not issue any notification for devolution of functions, the ULBs were performing some functions solely/partially, what were already entrusted to them before 74th CAA, as discussed in preceding paragraph. However, discharge of functions/subjects enumerated in the 12th schedule of 74th CAA can be effective only when functions are devolved to ULBs and when appropriate institutions are established and adequately empowered. The 74th CAA provided for establishment of such institutional mechanisms as can be seen from **Table 3.1**. The effectiveness of such institutional mechanisms is discussed in the succeeding paragraphs.

4.3.1 State Election Commission

Article 243ZA of 74th CAA read with Article 243K of the Constitution of India provide that the superintendence, direction and control of preparation of electoral rolls for, and the conduct of, all elections to Municipalities shall be vested in the State Election Commission (SEC). The PMC Act and PM Act also provide that elections of ULBs shall be completed before the expiry of their duration. In case of dissolution, elections shall be held within six months from date of their dissolution. Further, Article 243U(1) of the Constitution of India and provisions of the PMC Act and PM Act, stipulate a fixed tenure of five years for the ULBs from the date of first meeting.

Audit observed that:

➤ Out of 167 ULBs, elections in respect of 166 ULBs were held during 2015-16 to 2019-20. Of these, though elections of one ULB i.e. Nagar Panchayat, Nurpurbedi were held in February 2015, the council was dissolved in its first meeting. Elections in respect of one ULB i.e. Nagar Panchayat, Bhagta Bhai Ka¹ due in April 2018 could not be held as of December 2020.

¹ Election could not be held due to Court case regarding change in Municipal limits.

➤ The power of delimitation of wards, reservation of seats for ULBs and rotation policy of seats for the posts of Mayor/President, Deputy Mayor/Vice-President and wards were vested in the State Government, in spite of the recommendation of the Second Administrative Reforms Commission (2007) to entrust the task of delimitation and reservation of constituencies to SEC. It was noticed that the State Government delayed the delimitation process, which in turn delayed elections in 128 ULBs (excluding Nagar Panchayat, Bhagta Bhai Ka) for two years and the elections due in 2013 were actually held in the year 2015. During this intervening period, these 128 ULBs were functioning without an elected body. Further, in case of Nagar Panchayat, Bhagta Bhai Ka, the elected body was not constituted due to an ongoing court case. Subsequently, the elections of 129 ULBs (including Nagar Panchayat, Bhagta Bhai Ka) due in February 2020 were not held as of December 2020. Further, the elections of two ULBs viz. Nagar Panchayats Bhadson and Talwara due in April 2018 were actually held in June 2019 due to delay in delimitation process.

The Department attributed (December 2020) the reasons for not holding elections of 128 ULBs due in February 2020 to Covid-19 pandemic. The reply of the Department was not acceptable as the elections in respect of 129 ULBs were due in February 2020 and the Department should have initiated the process well before February 2020. However, nothing on records was found to indicate that process of holding the elections was started prior to pandemic which spread in March 2020.

As regards delay in elections due to delayed delimitation process, the Department stated (August 2021) that the State Government had taken decision to hold the elections of Municipalities on the basis of new delimitation and attributed the delay in holding elections to lengthy procedure of delimitation of wards and other procedural activities like reservation of wards. It was assured that every effort would be made in future to complete the election process within time. The reply of the Department was not in line with the Constitutional provisions and recommendation of the Second Administrative Reforms Commission (2007).

Thus, in the absence of elected council, involvement of elected representatives in decision making and implementation, which was an essential element of democracy, was missing. Further, a ULB without a council cannot be held accountable to citizens, besides affecting discharge of functions in matters of policy involving public interest such as prioritisation of development works, etc.

4.3.1.1 Composition of Municipalities

Article 243R stipulates the composition of Municipalities. As per the PMC Act and PM Act, the Municipal Corporations and other Municipalities i.e.

Municipal Councils and Nagar Panchayats consist of elected Mayor/Deputy Mayor, President/Vice President/Councillors, Member of Legislative Assembly representing the constituencies which comprise wholly or partially the Municipal area. The Mayor/President is elected from amongst the Councillors and is assisted by the Standing Committees. The Commissioner/Executive Officer is the executive head of the ULB. Each Municipal Corporation shall constitute a Finance and Contract Committee and may constitute any other Ad-hoc committee e.g. Water Supply and Sewerage Disposal Committee, etc. for the exercise of any power or discharge of any function which the Corporation may by resolution delegate to them or for inquiring into, reporting or advising upon any manner which the Corporation may refer to them as per provision of Sections 42, 42-A, 42-B & 42-C of the PMC Act.

Audit noticed that composition in respect of selected ULBs (04 Municipal Corporations; 10 Municipal Councils; and 05 Nagar Panchayats) was in accordance with the provisions above.

4.3.1.2 Upgradation of Municipality

As per Section 4(2) of PM Act, 1911, where an area is specified as a transitional area or as a smaller urban area under sub-section (1), the State Government may, by notification in the official Gazette, constitute for the transitional area so specified a Nagar Panchayat and for the smaller urban area so specified a Municipal Council of the first class, second class or third class, provided that the State Government may, after consulting the Municipal Council by notification, changes its classification from one class to another.

Further, Government of Punjab (GoP) prescribed (November 2011) the classification of Municipalities as Class I, II and III on the following financial criteria:

Sr. No.	Category	Annual income
1.	Municipal Council (Class I)	Above ₹ 10 crore
2.	Municipal Council (Class II)	Above ₹ two crore but less than ₹ 10 crore
3.	Nagar Panchayat/Municipality (Class III)	Up to ₹ two crore

Audit observed that Nagar Panchayat, Lalru was upgraded to Municipal Council (Class I) in January 2017 without fulfilling the prescribed eligibility financial criteria, as during the years 2015-16 and 2016-17, the annual income of the Nagar Panchayat was less than ₹ 10 crore. The Executive Officer, Municipal Council, Lalru stated (February 2021) that the matter would be taken up with the higher authorities. The Department did not furnish any reply (July 2021).

➤ The House of the Municipal Council, Banur passed (October 2016) a resolution regarding change of classification of Council from Class-III to Class-II after fulfilling the criteria of annual income between ₹ two crore and ₹ ten crore. However, in spite of matter being taken (February 2017-March 2019) with the Department/State Government, no action to upgrade the classification of Municipal Council, Banur as Class II was taken.

On this being pointed (February 2021) in audit, the Department stated (August 2021) that Municipal Council, Banur had been upgraded to Class-II in June 2021.

4.3.1.3 Reservation of seats

Article 243T of 74th CAA stipulates reservation of seats for SCs/STs and women for direct election. The PMC Act and PM Act also provide for allotment of reserved seats to different constituencies as per the rotation policy adopted by the Government. As regards reservation for women, not less than one-third (including the number of seats reserved for women belonging to the Scheduled Castes) of the total number of seats to be filled by direct election, shall be reserved for women and such seats may be allotted by rotation to different wards in the city.

Audit observed in the selected ULBs that the seats for direct elections were being reserved for SCs/STs and women as per the prescribed norms and the seats of Councillors were being rotated as per reservation policy for each election.

4.3.2 Mayor/President

As per Section 38 of PMC Act and Section 20 of PM Act, the Mayor/President elected from amongst the elected members of the Municipalities, is empowered to preside over every meeting of the Municipality, enjoys the power of inspection, may give direction to the Commissioner/Executive Officer with regard to implementation of any resolution of the Corporation/Council and may call for any record of the Municipality from the executive head. The Model Municipal Law, 2003, circulated by the Ministry of Urban Development (MoUD), Government of India (GoI), provides that the term of office of the Mayor/President shall be coterminous with the duration of the Municipality. The office of the Mayor/President in the Municipality shall be reserved for SCs, STs and Women to such extent, and in such manner, as may be prescribed.

Audit observed that in the State of Punjab, the term of office of Mayor, Senior Deputy Mayor and Deputy Mayor in the case of a Municipal Corporation was coterminous with their term as Councillor. The term of the office of the President of a Council was also coterminous with the term of the Municipality,

whereas the term of office of the Vice President would be as the Municipality may fix under its bye-laws.

4.3.3 Wards Committee

Article 243S of the Constitution provides for Wards Committee in all Municipalities with a population of three lakh or more. Section 42-A of PMC Act also provides that Wards Committee shall be constituted by all the Corporations. As per Report of the Second Administrative Reforms Commission (2007), the Wards Committee can be entrusted with sub-local functions like street lighting, local sanitation, management of local schools, management of local health centres, etc.

Audit observed that no Wards Committee was constituted in any such Municipal Corporation in the State.

The Department stated (August 2021) that the concerned Councillors of the wards generally seek participation of residents of their wards to prioritise development works, etc. It was, however, assured that the process of constitution of Wards Committees would be initiated soon so that objective of facilitating community participation in local governance was not defeated.

4.3.4 District Planning Committee

Article 243ZD of the Constitution and Section 42-B of PMC Act, provide for the constitution of a District Planning Committee (DPC) to consolidate the plans prepared by the Corporation in the district and to prepare a draft Development Plan for the district as a whole. The DPC was to prepare a comprehensive District Development Plan (DDP) with regard to matters of common interest between the Panchayats and the Municipalities including spatial planning; sharing of water and other physical and natural resources; integrated development of infrastructure and environment conservation and extent and type of available resources, whether financial or otherwise. The Chairperson of every DPC shall forward the DDP, as recommended by such Committee, to the Government.

Audit observed that the DPCs had not been constituted in the State. Hence, no comprehensive development plans, taking into consideration the local needs and matters of common interest such as drinking water, roads and sewerage system, solid waste management etc., were prepared at district level, which may affect the effective implementation of functions by Municipalities.

The Department while admitting the facts stated (August 2021) that all ULBs generally took into consideration their local needs and matters of common interest such as drinking water, roads, sewerage, etc. while preparing development plans so that functions entrusted to them are effectively

implemented by them from the municipal funds and grants received from different agencies. The reply of the Department was not in line with Constitutional provisions *ibid*.

4.3.5 State Finance Commission

Article 243Y read with 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 74th CAA and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review the financial position of local bodies and to make recommendations to the Governor for devolution of funds.

Audit observed that the State Government had been constituting the SFC as per the legislation/provisions made in Punjab Finance Commission for Panchayats and Municipalities Act, 1994 (PFCPM Act) in line with the Constitutional provisions above.

The status of constitution of the SFCs after enactment of 74th CAA is given in **Table 4.3**.

Table 4.3: Status of constitution of SFCs

SFC	To be constituted as per Constitution	To be constituted with reference to previous SFCs	Actually constituted	Delay in constitution of SFC (In days)	Date of submission of Report of SFC	Date of acceptance of Report of SFC	Time taken in acceptance of Report (In days)	Period covered in SFC
First	31.05.1994	NA, being first	25.07.1994	54	20.12.1995	NA	--	1996-97 to 2000-01
Second	1999-2000	July 1999	21.09.2000	419	15.02.2002	NA	--	2001-02 to 2005-06
Third	2004-05	July 2004	17.09.2004	53	28.12.2006	22.06.2007	175	2006-07 to 2010-11
Fourth	2009-10	July 2009	05.11.2008	No delay	30.05.2011	05.04.2013	675	2011-12 to 2015-16
Fifth	2014-15	July 2014	18.09.2013	No delay	23.06.2016	13.06.2017	354	2016-17 to 2020-21

Source: Departmental information

Note: Date of acceptance of first and second SFCs Report was not available with the Department.

Table 4.3 shows that the reports of the Third, Fourth and Fifth SFCs were submitted in December 2006, May 2011 and June 2016 respectively, which were accepted by the Government between 175 to 675 days. However, it did not affect the financial devolution to ULBs which remained the same (four *per cent*) during the course of all the three SFCs.

4.3.5.1 Response of the State Government to SFC recommendations

The State Government accepted all the recommendations of SFCs. The SFC-wise recommendations on devolution of funds to the ULBs are given in **Table 4.4**.

Table 4.4: Recommendations of SFCs in respect of devolution of funds

SFC	Recommendation	Modification, if any
First	Devolution of 20 <i>per cent</i> share of the net proceeds of five taxes (Stamp Duty, Motor Vehicle Tax, Electricity Duty, Entertainment Tax and Cinematography Shows); receipts of the State Government amongst ULBs and PRIs based on Urban and Rural area collection of five taxes.	No modification
Second	Devolution of 4 <i>per cent</i> of the net total tax receipts of the State Government amongst ULBs and PRIs based on population ratio of 32.5:67.5.	No modification
Third	Devolution of 4 <i>per cent</i> of the net total tax receipts of the State Government amongst ULBs and PRIs based on population ratio of 3:2.	No modification
Fourth	Devolution of 4 <i>per cent</i> of the net total tax receipts of the State Government amongst ULBs and PRIs based on population ratio of 32.5:67.5.	No modification
Fifth	Devolution of 4 <i>per cent</i> of the net total tax receipts of the State Government amongst ULBs and PRIs based on population ratio of 37.5:62.5.	No modification

Source: Departmental information

4.3.5.2 Devolution of funds recommended by SFCs and funds actually released by the State Government

The 5th SFC had observed that the local bodies in Punjab continue to perform practically the same functions, which they had been handling in the period prior to the 73rd and 74th Constitutional Amendments. To discharge these limited functions, the funds required by the local bodies are not large by any means, but even then the task of balancing the budget of local bodies remains dependent on Governmental support. The terms of reference of the SFC mandate it to make recommendations regarding the principles for sharing of State taxes with ULBs and to suggest measures needed to improve the financial status of Municipalities and bridge the gap through devolution. The status of devolutions recommended by SFCs and funds actually released by the State Government there-against are depicted in the **Table 4.5**.

Table 4.5: Status of recommended devolution by SFC vis-à-vis release of funds by the State Government

SFC	Period covered in SFC	Funds recommended to be devolved by SFC	Funds actually released by the State Government	Shortfall	Percentage shortfall
First	1996-97 to 2000-01	180.65	78.04	102.61	56.80
Second	2001-02 to 2005-06	412.92	95.37	317.55	76.90
Third	2006-07 to 2010-11	860.36	53.75	806.61	93.75
Fourth	2011-12 to 2015-16	1,695.85	6.35	1,689.50	99.63
Fifth	2016-17 to 2020-21	2,095.13	7.00	2,088.13	99.67

Source: Departmental information

Table 4.5 shows that the percentage of shortfall in releasing of funds by the State Government continuously increased from 56.80 *per cent* to 99.67 *per cent* against the recommendations of SFCs.

The Department stated (August 2021) that efforts were made to get the funds released from the State Government. Sufficient funds were released by the State and other State Agencies like PIDB, PMIDC under CFCs and other State and Central schemes to ULBs. The reply of the Department was not convincing as the funds released from other sources as mentioned in the reply were for the specific schemes and purposes, which did not fall within the ambit of devolution recommended by SFCs.

The Principal Secretary stated (August 2021) that the Department was regularly taking up the matter with the Finance Department of the State Government for release of funds.

4.3.5.3 Status of other recommendations by SFC

Besides recommendations relating to devolution of funds, the SFCs also recommended several institutional measures that would strengthen ULBs in the long term. An illustrative list of recommendations of Fifth SFC (2016-21) along with status thereof are discussed as under:

(i) Computerisation and e-Governance: The project of Computerisation and e-Governance aims to bring high level of citizen satisfaction through integrated service delivery on anytime, anywhere basis; in a transparent, effective and efficient manner.

It was however noted that the exact details of the services to be brought out under the ambit of the project was not spelt out explicitly by the SFC. During test check of selected ULBs, it was noted that few services² related to online assessment and application, were being provided through the 'mSeva' portal developed under the project.

The Department stated (August 2021) that many services under the project had been rolled out and stabilised.

(ii) Accounting and Auditing System: The Thirteenth Central Finance Commission stressed upon the adoption of an accounting framework based on the National Municipal Accounts Manual for ULBs. The Fourteenth Finance Commission further recommended that the books of accounts prepared by the local bodies should distinctly capture income on account of own taxes and non-taxes, assigned taxes, devolution and grants for any agency functions assigned by the Union and State Governments.

² Online billing and collection of water and sewerage charges; online application of water and sewerage connections; online assessment and collection of property tax; online application of fire NOC; online application of trade licence, etc.

The State Government issued (September 2017) notification for the enactment of Punjab Municipal Accounts Manual, 2017 to be adopted by all ULBs. It was, however, noticed in test-checked ULBs that though the consolidated figures of budget, receipt and expenditure were available with them, function-wise/activity-wise details thereof were not being maintained in various forms as prescribed in the Manual.

Further, the State Government specifically constituted a Legislative Committee on the lines of Public Accounts Committee of the State Legislature, for the purpose of reviewing the audit reports on the accounts of ULBs submitted by the Examiner, Local Fund Accounts (ELFA)/ the Comptroller and Auditor General of India (CAG).

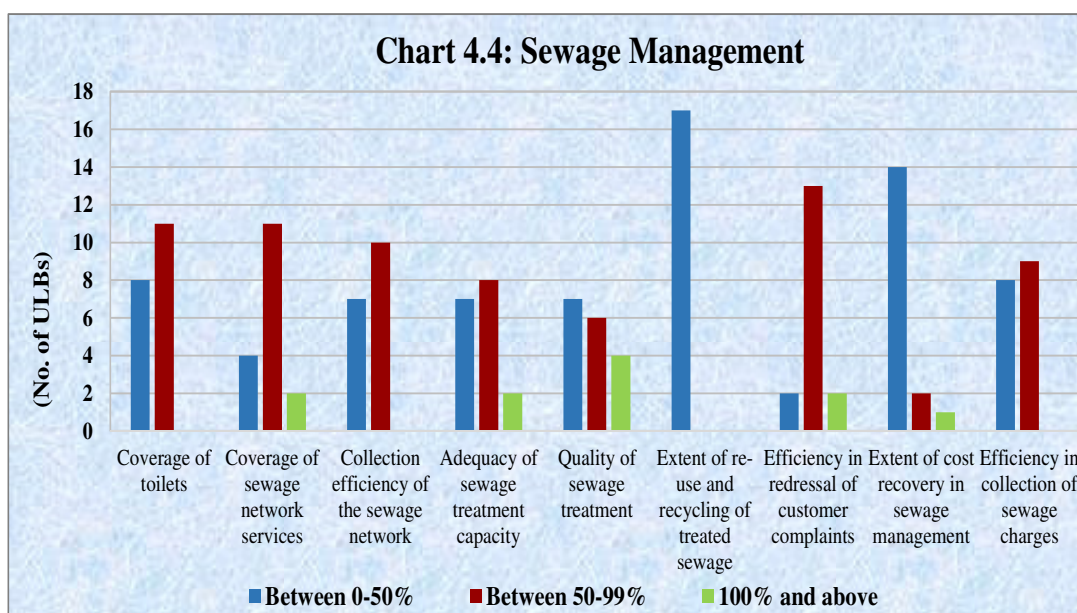
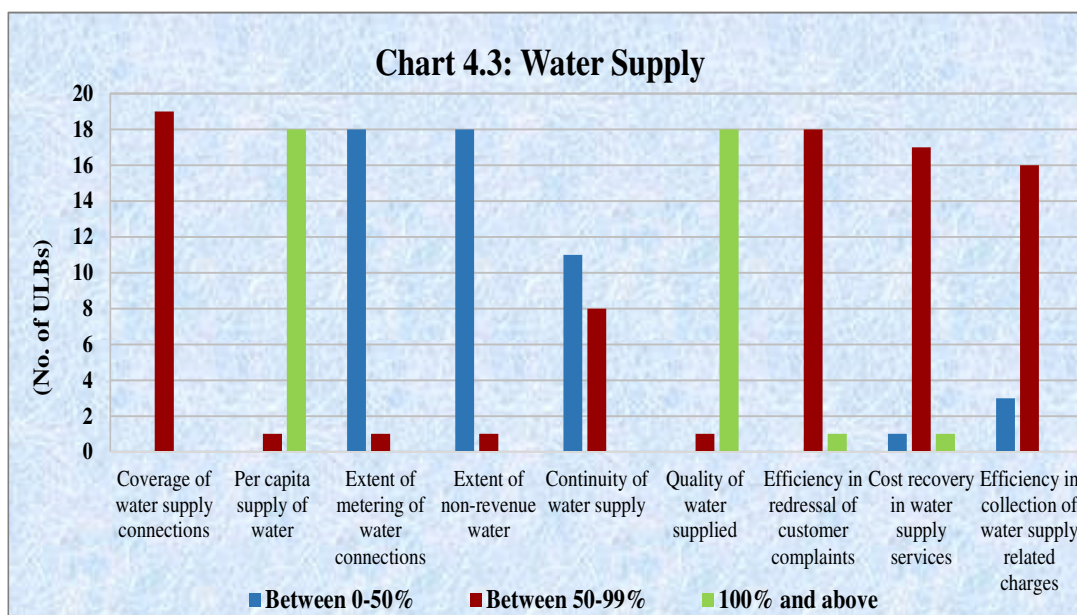
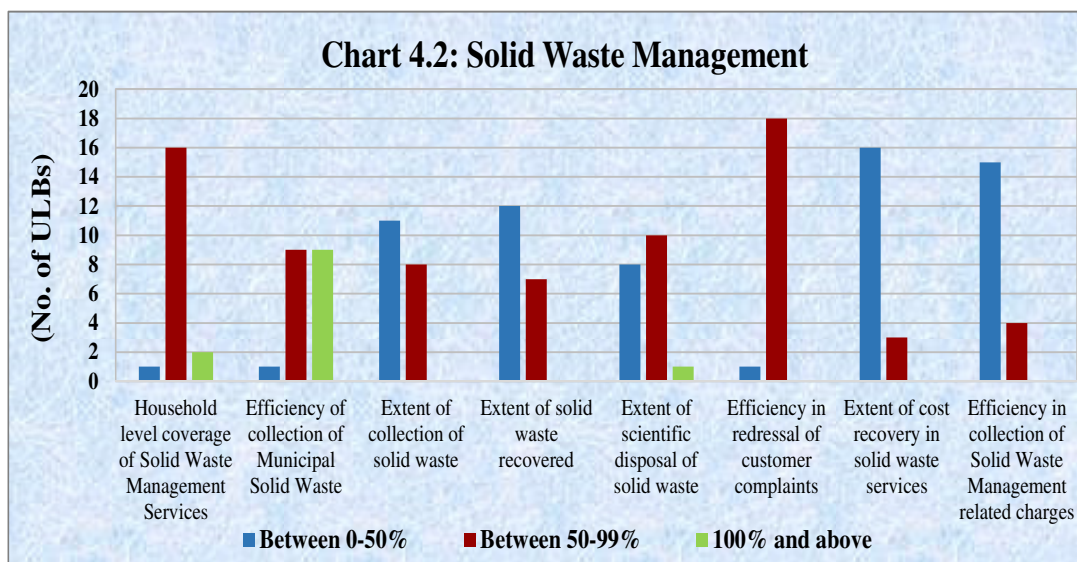
The Department stated (August 2021) that an application named 'iHRMS' in respect of payroll and pension had been launched in all ULBs to strengthen the accounting system and in order to implement the double entry accounting system, another application had also been rolled out in all ULBs under 'mSeva' portal. The reply of the Department was not convincing as the above applications did not cover all the requisite provisions of the manual, for which no reply was furnished to Audit (October 2021).

(iii) Benchmarking and Evaluation: The standards of service level benchmarking is the yardstick to judge the level of services provided to the people. Hence, Fifth SFC, in accordance with the recommendations of 13th Central Finance commission (CFC), recommended that the set Service Level Benchmarks (SLB) should be finalised and regularly monitored. For this, a proper monitoring mechanism should be created in the concerned departments and bottlenecks in achievement of set targets regarding service level benchmarks may be identified and rectified regularly, so that required goal of providing these basic services to rural and urban population may be achieved.

Further, 14th CFC also recommended that the Municipalities must measure and publish the SLBs relating to basic urban services (Solid Waste Management, Water Supply and Sewerage Management) each year for the period of the award (2015-2020) and make it publically available. The SLBs of the Ministry of Urban Development may be used for this purpose.

The State Government notified (March 2016-June 2019) the requisite benchmarks in compliance to recommendations of Fifth SFC and 13th CFC. The sector-wise position of achievement of SLBs in the selected ULBs with regard to the constituent components/indicators as of 31 March 2019³, is detailed in *Appendix 4.1* and shown in **Charts 4.2 to 4.4**.

³ Achievement of SLBs for the years 2015-16 and 2019-20 were not maintained.



Source: Departmental Information

Charts 4.2 to 4.4 shows that as of March 2019, out of 19 test-checked ULBs, no ULB had achieved the targets of all 26 indicators/components fixed under three services *viz.* Solid Waste Management, Water Supply and Sewage Management.

The Department stated (August 2021) that since 14th Finance Commission recommended Performance Grant from the year 2016-17 onwards and the award period was up to 2019-20, achievement of SLBs were not maintained by the ULBs for the years 2015-16 and 2019-20. It was added that actual implementation of SLBs as notified by the State Government was being monitored by the technical wings at the level of State as well as ULBs though no institutional monitoring mechanism had been set up.

In the exit conference, the Principal Secretary stated (August 2021) that the Department was making every effort to keep pace with the growth of urbanisation to cover the newly created extensions of the Municipal areas under water supply and sewerage schemes. It was added that a post of Additional Deputy Commissioner (Urban Development) had been made functional in each district to look after the needs of the urban development.

(iv) Use of Solar energy for energy saving and conservation: Fifth SFC recommended that the State was witnessing a great surge in tapping of solar energy. For energy saving and conservation, particularly in street lighting, the use of solar energy may be very useful. It would reduce the recurring expenditure on electricity bills along with the expenditure on O&M of the street lighting in the long run, as Electricity Department claims commercial bills from Municipal Committees.

Audit observed that no targets/benchmarks in regard to timelines and coverage of ULBs for use of solar energy were fixed by the State Government/Department. The solar power projects had been considered only under Smart Cities Mission covering three cities *viz.* Ludhiana, Jalandhar and Amritsar. Thus, adequate efforts had not been made by the Department in line with the recommendation of SFC with regard to use of solar energy.

(v) Uniform staffing pattern and common norms for all ULBs: A uniform staffing pattern and common norms for all the ULBs should be fixed in the State. Interaction among ULBs should be encouraged so that best practices of particular ULBs may be followed by others. Regional seminars may also be organised for this purpose. The Directorate of Local Bodies should play a pivotal role in this regard.

Audit observed that no uniform staffing pattern and common norms were fixed for all ULBs, as is evident from the shortfall of staff pointed out in paragraph 6.2.1. Besides, negligible staff was nominated for capacity building

training programmes during 2017-18 to 2019-20, as discussed in paragraph 6.3.

The Department stated (August 2021) that the ULBs were already being instructed either in departmental meetings or by issuance of separate guidelines from time to time to adopt the best practices to improve their functioning. However, necessary instructions in this regard would be issued to all ULBs for compliance of the recommendations of the SFC.

Implementation of the above recommendations would have contributed significantly to realisation of objectives of the 74th CAA. Non-implementation was a setback to the process of achieving genuine decentralisation.

4.3.5.4 Property Tax Board

The 13th Central Finance Commission mandated constitution of a Property Tax Board (Board) on the lines of West Bengal Valuation Board. The Board shall assist all Municipalities in the State to put in place an independent and transparent procedure for assessing property tax. The Board (a) shall, or cause to, enumerate all properties within the jurisdiction of the municipalities and corporations; (b) shall review the present property tax system and make suggestions for a suitable basis for assessment and valuation of properties; and (c) shall make recommendations on modalities for periodic revisions.

Audit observed that though GoP had constituted (March 2013) Punjab State Property Tax Board, it was not performing its mandated task of assisting the municipalities in putting in place an independent and transparent procedure for assessing property tax.

The Department stated (August 2021) that in order to provide the technical guidance for assessment, staff of ULBs was given handholding from time to time and property tax had also been revised from time to time as per requirement. Thus, the main purpose of constituting Property Tax Board to assist the ULBs was being fulfilled by the Department. The reply of the Department was not convincing as 17 out of 19 test checked ULBs had not conducted survey of properties, enumeration of properties and revision of rates, besides there was short realisation of property tax, as discussed in paragraph 5.1.5.

4.4 Parastatal bodies, their functions and impact on Urban Local Bodies

The objective of the 74th CAA was to entrust delivery of major civic functions to ULBs. However, functions such as urban/town planning, regulation of land

use, water supply, sewerage and sanitation, etc. were being carried out mostly by the parastatal bodies⁴, as discussed in Table 4.1.

The role of parastatal bodies under the control of the Department and their impact on the functions in the test checked ULBs is discussed in the succeeding paragraphs.

4.4.1 Punjab Water Supply and Sewerage Board

Water supply for domestic, commercial and industrial purposes was an obligatory function of ULBs. Out of 167 ULBs, the work/responsibility of water supply and sanitation in respect of 139 ULBs was with Punjab Water Supply and Sewerage Board (PWSSB). PWSSB was constituted by the State Government in 1976 for the purpose of regulation and development of drinking water supply and sewerage in the State. The Board shall perform all functions regarding investigating and surveying the requirements of water supply and sewerage; planning and preparing schemes and executing such drinking water-supply or sewerage facilities schemes as may be transferred by the Government from the Department of Public Health to the Board.

In case of a scheme relating to local authority, a representative of such authority, shall be invited to attend the meeting convened for the purpose to examine the draft scheme in all aspects to express his opinion but shall not be entitled to vote.

The Board prepares a feasibility report for every project and after detailed examination or entire satisfaction about the feasibility of the draft scheme, the same shall be forwarded to Government for approval, instead of ULBs. After approval, the scheme becomes final and shall be hereinafter called the approved scheme while notified by the Government in Official Gazette. The cost of investigation, preparation and execution of such scheme undertaken by the Board shall initially be incurred by the Board subject to recovery from the concerned local authority.

4.4.2 Punjab Municipal Infrastructure Development Company

With the objective to promote upliftment of the living standard of urban population including urban poor in the State of Punjab and for the purpose to assist the ULBs and other agencies by augmenting essential resources including, but not limited to through pooled manner⁵, facilitate urban infrastructure projects, operate as a complementary window to assist the ULBs

⁴ (i) Punjab Water Supply and Sewerage Board (PWSSB); (ii) Punjab Municipal Infrastructure Development Company (PMIDC); (iii) State Urban Development Authority (SUDA); (iv) Greater Mohali Area Development Authority; etc.

⁵ Pooled financing arrangements allow the local bodies to pool their resources and access the capital market.

in addressing the problems of urban poor not with the motive of profit, a company called Punjab Municipal Infrastructure Development Company (PMIDC) was incorporated (March 2009) as a public limited company under the Companies Act, 1956, in the State of Punjab.

PMIDC undertakes various projects with support from external sources under pooled finance structure to borrow or raise monies or loan or receives grants or accepts contribution from financial institutions, multilateral agencies, agencies of Government, Centrally Sponsored Schemes and State Government schemes for providing capacity building and investment support to ULBs. There shall be constituted a Fund, to be called the Punjab Municipal Infrastructure Development Fund, which shall be vested in the State Government. Twenty *per cent* of the additional tax, levied and collected under the Punjab Value Added Tax Act, 2005 shall be credited to the Fund, provided that the amount so credited shall not be less than ₹ 200 crore per annum. In the event of amount falling short of ₹ 200 crore, the State Government shall make it up by giving the amount so falling short, as Grants-in-aid. The Fund shall be utilised to raise resources for infrastructure development projects from the National or Scheduled Banks or financial institutions for providing financial assistance to the Municipalities for the development of infrastructure development projects.

The ULBs concerned shall identify and prioritise the urban development projects. The estimates of the project, so identified shall be prepared and forwarded to PMIDC for release of funds. PMIDC shall release the funds to ULBs, as decided by High Powered Committee for the execution of the projects. High Powered Committee shall consist of a Chairman, a Vice-chairman and Members who are also accountable to Government instead of ULBs. The ULBs shall execute the project under the superintendence of the PMIDC and shall send physical and financial progress report of the project to Punjab Municipal Infrastructure Development Company.

4.4.3 State Urban Development Authority

The Government of Punjab declared (December 2014) that the State Urban Development Authority (SUDA) would work as Punjab State Urban Livelihood Mission (PSULM) as per National Urban Livelihood Mission (NULM) scheme guidelines and instructions issued by the Government of India/State Government from time to time.

NULM aims to reduce poverty and vulnerability of the urban poor household by enabling them to access self-employment and skilled wage employment opportunities, resulting in an appreciable improvement in their livelihoods on sustainable basis, through building strong grassroots level institutions of the

poor. The mission aim at providing shelter equipped with essential services to the urban homeless in a phased manner. In addition, the Mission would also address livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit, social security and skills to be urban street vendors for accessing emerging market opportunities.

The governing body of the Mission consists of the Director, Local Government as Mission Director, the Additional/Joint/Assistant Commissioners of all Municipal Corporations in the State as City Project Officers, and the Superintendents/Accounts/Other officials of all the Municipal Councils/Nagar Panchayats in the State as Town Project Officers for implementation of the scheme and were directly accountable to the State Government. Audit observed that the governing body of the Mission was constituted in December 2014, but no elected members were included in the Governing body of the Mission.

The above parastatal bodies were being controlled by the Government and have their own governing bodies which did not include elected representatives of ULBs, thereby making them unaccountable to the elected body of ULBs.

The Department stated (August 2021) that the parastatal bodies were specialised executing agencies, which helped ULBs immensely in the provision of basic civic amenities in a time bound and effective manner. Audit is of the view that though these parastatal bodies were handling various activities in urban areas of the State, it undermined the powers and authority of the ULBs as may be necessary to enable them to function as institutions of self-government to transfer various responsibilities to Municipalities and to strengthen Municipal level governance in line with the 74th CAA.

4.5 Role of ULBs in AMRUT and Smart Cities Mission

4.5.1 AMRUT Mission

The Ministry of Urban Development (MoUD), Government of India (GoI) launched (June 2015) the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) to ensure (i) every household has access to a tap with assured supply of water and a sewerage connection; (ii) increase the amenity value of cities by developing greenery and well-maintained open spaces (e.g. parks); and (iii) reduce pollution by switching to public transport or constructing facilities for non-motorised transport (e.g. walking and cycling). All these outcomes are valued by citizens, particularly women, and indicators and standards have been prescribed by the Ministry of Urban Development (MoUD) in the form of Service Level Benchmarks (SLBs). The Mission period for AMRUT was from 2015-16 to 2019-20.

Under AMRUT Mission, 16 cities⁶ of the State with population of more than one lakh (as per census 2011) were covered. As per guidelines, the following components were to be covered under the Mission:

- Water Supply
- Sewerage
- Septage
- Storm Water Drainage
- Urban Transport
- Green Space and Parks
- Reform Management and Support
- Capacity Building

As per Mission guidelines, projects will be executed by ULBs. In case the ULBs do not have adequate capacity to handle projects, the State Government may recommend in State Annual Action Plan (SAAP⁷), upon a resolution passed by the ULB, for the execution of the projects by specialised parastatal agencies of the State or Central Governments. Such arrangements should necessarily be executed by way of a tripartite Memorandum of Understanding (MoU) amongst the State Government, the specialised parastatal agencies and the concerned Municipality.

In urban area, the Municipal Commissioner will ensure timely preparation of Service Level Improvement Plan (SLIP). The role of ULBs in implementation of Mission would be as under:

- Preparation of Detailed Project Reports (DPR) and bid documents for projects approved in the State Annual Action Plan (SAAP);
- Ensure city level approvals of DPRs and bid documents, and forward these to the State Level Technical Committee (SLTC)/State Level High Powered Steering Committee (SHPS) for approvals;
- Employ/procure implementation agencies as provided in the financial rules and regulations. After award of work, ensure its timely completion and for this, they will take support from Project Development and Management Consultants (PDMC) to perform these activities;
- Develop a roadmap for Reform implementation and capacity building;

⁶ (i) Abohar; (ii) Amritsar; (iii) Barnala; (iv) Batala; (v) Bathinda; (vi) Ferozepur; (vii) Hoshiarpur; (viii) Jalandhar; (ix) Khanna; (x) Ludhiana; (xi) Malerkotla; (xii) Moga; (xiii) Pathankot; (xiv) Patiala; (xv) SAS Nagar; and (xvi) Sri Muktsar Sahib.

⁷ The SLIPs of all Mission cities will be aggregated into the SAAP. The basic building block for the SAAP will be the SLIPs prepared by the ULBs.

- Responsible for building coordination and collaboration among stakeholders for timely completion of projects without escalation of project cost; and
- Monitor the projects through their elected representatives and ULBs and through direct citizens' feedback using mobiles and e-groups.

The State Government has appointed Punjab Municipal Infrastructure Development Company (PMIDC) as a Nodal Agency for implementation of AMRUT Mission in the State.

Audit noticed that SAAP for ₹ 2,785.40 crore (Centre share: ₹ 1,204.47 crore and State share: ₹ 1,580.93 crore) was approved (December 2015) under AMRUT Mission. As of September 2020, 113 works for ₹ 2,275.65 crore across the selected cities were awarded to the different contractors. Of these, only nine works involving expenditure of ₹ 108.40 crore were completed; 75 works were under progress ranging between one *per cent* and 95 *per cent*; and 29 works with estimated cost of ₹ 1,177.50 crore were not yet started.

The Department stated (August 2021) that in view of spread of Covid pandemic situation, the progress of works had suffered and some of the projects could not be completed. It was added that the completion date of works had been extended up to March 2023 by GoI.

The component-wise status under the AMRUT Mission is detailed in **Table 4.6**.

Table 4.6: Component-wise status under AMRUT Mission as of September 2020

Sr. No.	Component	Status
1.	Water Supply	Only 37.74 <i>per cent</i> of population of ULBs had been covered, out of the targeted 100 <i>per cent</i> .
2.	Sewerage	Only 11.29 <i>per cent</i> of population of ULBs had been covered, out of the targeted 100 <i>per cent</i> .
3.	Septage	Since all the cities were proposed to have 100 <i>per cent</i> coverage by sewerage system, there was no requirement of septage management.
4.	Storm Water Drainage	No work was done under these components due to shortage of funds and priority to cover water supply and sewerage.
5.	Urban Transport	
6.	Green Space and Parks	Development works of 73 green spaces costing ₹ 22.12 crore were approved (September 2017-August 2020), of which 41 green spaces (56.16 <i>per cent</i>) at a cost of ₹ 11.86 crore were awarded, which have still

Sr. No.	Component	Status
		remained incomplete. Further, no action was initiated in respect of remaining 32 green spaces.
7.	Reform Management and Support	PMIDC stated (February 2021) that timelines for reforms to be implemented in the ULBs had been prepared and being implemented accordingly.
8.	Capacity Building	53 training programmes were conducted during 2016-2020 and 1,427 participants of ULBs covered for the purpose.

Source: Departmental information

The Department though provided (August 2021) the updated status of various components under the Mission, it did not supply any document in support thereof.

It was noticed in the selected ULBs that in Amritsar, the AMRUT Mission was being implemented solely by the Municipal Corporation, whereas in another three ULBs viz. Ludhiana, Patiala and S.A.S. Nagar, the Mission was being jointly handled by the respective Municipal Corporations and PWSSB/DWSS.

4.5.2 Smart Cities Mission

The Ministry of Urban Development (MoUD), GoI launched (June 2015) Smart Cities Mission (SCM) with aim to cover 100 cities during the period of five years i.e. up to June 2020. The objective of the Mission is to promote cities that provide core infrastructure⁸ and give a decent quality of life to its citizens, a clean and sustainable environment and application of ‘Smart’ Solutions. The focus is on sustainable and inclusive development and the idea is to look at compact areas, create a replicable model which will act like a light house to other aspiring cities. The implementation of the Mission at city level would be done by Special Purpose Vehicle (SPV) promoted by the State Government. In the State of Punjab, three cities viz. Amritsar; Jalandhar; and Ludhiana were selected to be covered under the Mission.

Audit observed that three companies (SPVs) viz. Amritsar Smart City Limited (ASCL); Jalandhar Smart City Limited (JSCL); and Ludhiana Smart City Limited (LSCL) were constituted under the control of PMIDC, a nodal

⁸ (i) Adequate water supply; (ii) assured electricity supply; (iii) sanitation, including solid waste management; (iv) efficient urban mobility and public transport; (v) affordable housing, especially for the poor; (vi) robust IT connectivity and digitalization; (vii) good governance, especially e-Governance and citizen participation; (viii) sustainable environment; (ix) safety and security of citizens, particularly women, children and the elderly; and (x) health and education.

agency, for implementation of SCM. There was no substantial role of ULBs in execution of projects under the Mission. The status of projects under the SCM as of October 2020 is depicted in **Table 4.7**.

Table 4.7: Status of projects under Smart Cities Mission as of October 2020

(₹ in crore)

Status of project	ASCL		JSCL		LSCL		Total	
	Projects	Cost	Projects	Cost	Projects	Cost	Projects	Cost
Total projects sanctioned	32	1,116.93	49	982.90	43	971.55	124	3,071.38
Completed	5	12.64	3	9.54	7	18.51	15	40.69
Under progress	9	74.90	12	54.54	12	357.70	33	487.14
Yet to be started	18	1,029.39	34	918.82	24	595.34	76	2,543.55

Source: Departmental information

Table 4.7 shows that as of October 2020, out of total 124 projects amounting to ₹ 3,071.38 crore, only 15 projects (12.10 per cent) in respect of three Smart Cities were completed by incurring expenditure of ₹ 40.69 crore. The remaining projects were either under progress or yet to be started. The details of progress of the above projects have been given in **Appendix 4.2**.

The Department though provided (August 2021) the updated status of the projects under the Mission, it did not supply any document in support thereof. It was added that the Mission period had been extended up to March 2023 by GoI.

4.6 Conclusions

Though the State Government carried out necessary amendments in State statutes viz. PMC Act, PM Act, etc., to comply with the provisions of 74th CAA, these amendments were not supported by firm action in terms of empowerment of ULBs to discharge their functions freely and effectively, thus, defeating the spirit of the Constitutional amendment, as is evident from the following inconsistencies noticed during the course of performance audit:

- The State Government was having overriding powers over the Urban Local Bodies in various matters viz. power to frame rules, power to cancel and suspend a resolution or decision taken by ULBs, power to dissolve ULBs, sanction of regulations/bye-laws, sanction to borrow money, lease/sale of property, power in regard to taxes, budget estimates, etc.
- Notification regarding devolution of functions had not been issued by the State Government and the ULBs were performing functions what were already entrusted to them before 74th CAA. Out of 18 functions, ULBs were solely responsible for five functions except for framing of rules and

budgeting; with minimal role in six functions; had overlapping jurisdictions with State departments and/or parastatal bodies in four functions; were mere implementing agencies in two functions; and had no role in one function.

- The State Government delayed the delimitation process on two occasions, which in turn delayed the election process for up to two years in 130 ULBs.
- Composition in respect of test-checked ULBs was in accordance with the provisions. The seats for direct elections were being reserved for SCs/STs and women as per the prescribed norms and the seats of Councillors were being rotated as per reservation policy for each election. The term of office of Mayor in the case of a Municipal Corporation and the President in case of a Council was coterminous with the term as Councillor and Municipality respectively.
- Wards Committee and District Planning Committee were not constituted in any of the ULBs.
- Reports of the Third, Fourth and Fifth SFCs submitted in December 2006, May 2011 and June 2016 respectively were accepted by the Government between 175 to 675 days. However, it did not affect the financial devolution to ULBs during the course of all three SFCs.
- The parastatal bodies being controlled by the Government were having their own governing bodies which did not include elected representatives of ULBs. They were directly accountable to the State Government rather to ULBs. Though these parastatal bodies were handling various activities in urban areas of the State, it undermined the powers and authority of the ULBs as may be necessary to enable them to function as institutions of self-government to transfer various responsibilities to Municipalities and to strengthen Municipal level governance in line with the 74th CAA.
- There was no substantial role of ULBs in implementation of AMRUT Mission and Smart Cities Mission in the State.

4.7 Recommendations

In the light of the audit findings, the State Government may like to consider:

- (i) *taking decisive action in order to translate the vision of decentralisation into reality, besides providing adequate degree of autonomy to ULBs in respect of functions assigned to them in line with the Constitutional provisions;*

- (ii) *entrusting the task of delimitation to State Election Commission to avoid delay in conducting elections of ULBs;*
- (iii) *constituting requisite committees viz. Wards Committee, District Planning Committee, etc. for effective planning and better execution at ULBs' level; and*
- (iv) *involving democratically elected representatives of ULBs in functions such as urban/town planning, regulation of land use, water supply, sewerage and sanitation, besides ensuring role of ULBs in AMRUT Mission, Smart Cities Mission, etc. in line with the provisions of 74th CAA.*