

The 74<sup>th</sup> Amendment introduced Part IX A (the Municipalities) containing Articles 243P to 243ZG in the Constitution. This amendment (June 1993) authorized State Legislatures to enact laws to bestow ULBs with powers and authority as may be necessary to enable them to function as institutions of self-government and to make provisions for devolution of powers and responsibilities in relation to 18 functions listed out in the 12<sup>th</sup> Schedule.

#### Audit Objective 1

### Whether provisions of 74<sup>th</sup> CAA have been adequately covered in State legislations?

Each State had to enact a legislation to implement the provisions of the Act. The ULBs in the State were governed by the RMA, 2009. The State Government carried out necessary amendments to the Act to comply with the provisions of 74<sup>th</sup> CAA. These amendments were however not supported by firm action to minimize overlapping in respect of many functions, defeating the very purpose of the constitutional amendment for devolution of functions and creation of appropriate institutional mechanism.

#### Audit Objective 2

Whether ULBs have been empowered by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanism and their functions?

**Transfer of functions -** The State Government devolved 16 functions out of 18 functions. Further, out of these 16 devolved functions two functions were categorized as other functions instead of core functions. ULBs has full jurisdiction in two functions, was merely an implementing agency in four functions, had minimal/overlapping role with other agencies in eleven functions and one function has still not been devolved. Thus, the actual devolution of functions is far less than that envisioned in the 74<sup>th</sup> CAA.

**Committees** - Ward Committees were not constituted in any of the ULBs which deprived community participation in local governance. District Planning Committees (DPCs) were constituted in all 33 districts, but DPC meetings were not found held regularly in test checked seven districts. This resulted in non-preparation of the consolidated District Development Plan involving matters of common interest between the panchayats and the municipalities. Metropolitan Planning Committee was also not constituted and as such a comprehensive development plan could not be prepared in Metro cities.

**State Finance Commission** - There were delays in constitution of SFCs ranging from 472 days to 723 days (3rd to 5<sup>th</sup> SFC). The 6<sup>th</sup> SFC was also not constituted upto 31 March 2021 although it was due to be constituted by 30 May 2019. Further, the State Government accepted and implemented partially the recommendations of the SFCs with delays ranging between 19 days to 237 days. This affected the financial position of the ULBs adversely.

**Status of Elections and Formation of Councils-** Elections in six ULBs were delayed by eight months to fifty six months.

**Statutory and Ward Committees-** Out of 14 test checked ULBs, 11 ULBs did not form statutory committees and in remaining three the committees were constituted with delay.

#### Audit Objective 3

## The functions stated to have been devolved have actually been devolved effectively

**Impact of parastatals on ULBs** - Eleven functions such as urban/town planning, regulation of land use, water supply, urban forestry and slum development, etc. were being performed by other parastatals also in the State. These parastatals had their own governing bodies which did not include elected representative of ULBs. This overlapping arrangement infringed on the ability of ULBs to discharge their mandated functions and undermined the objective of accountability to the people.

### Audit Objective 4

# The ULBs have been empowered to access adequate resources for discharge of functions devolved to them

The 74th CAA provided for fiscal transfers from the Central and State Government besides empowering them to raise their own revenue.

Various grants/ transfers from Central/State Government constituted about 83 *per cent* of the total revenue of ULBs during the period 2015-16 to 2019-20. ULBs were also deprived of transfer of grant amounting to ₹ 52.58 crore due to non-acceptance of recommendations of the SFC. The State Government deducted a sum of ₹ 726.74 crore from the Grants to be released to ULBs and transferred it to various parastatals, which affected the financial position of ULBs badly.

ULBs are responsible for collection of various taxes such as UD Tax, advertisement tax etc. However, the authority to approve the procedure, methods, assessment, exemption and concession vested with the State Government thereby constraining the ULBs. Further, the State Government also failed to monitor the efficiency in maintaining reliable, updated and complete data base of taxable properties and rectify deficiencies in maintenance of

demand, collection and balance registers. Survey of taxable properties had also not been conducted in several ULBs since the imposition of UD Tax.

Budget estimation process of the ULBs was not based on sound footings resulting in huge variations between estimates and actuals. The actual receipts varied from 13.30 *per cent* to 155 *per cent* while the actual expenditure varied from 9 *per cent* to 137 *per cent*.

The ULBs lacked adequate manpower as there were huge vacancies across all cadres affecting efficient delivery of services. The State Government had not taken action to fill up the vacancies though it was aware of the status of manpower.

In brief, various deficiencies in implementation of 74<sup>th</sup> CAA and RMA, coupled with role of ULBs overlapping with parastatals and State Government departments undermined the effective functioning of the ULBs. The ULBs were neither financially self-reliant nor had required manpower for delivery of efficient services. Thus, the objectives of the 74<sup>th</sup> CAA as envisaged have not been fulfilled even after 30 years of enactment since 1992 in absence of adequate devolution of political, financial and other powers to the ULBs.

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