



**Report of the
Comptroller and Auditor General of India
on Performance Audit on
Efficacy of implementation of the
Constitution (Seventy-fourth Amendment) Act, 1992**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Punjab
Report No. 7 of the year 2021

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Comptroller and Auditor General of India
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Preface

This Report of the Comptroller and Auditor General of India for the period April 2015 to March 2020 has been prepared for submission to the Governor of the State of Punjab under Article 151(2) of the Constitution of India.

The State Government entrusted the audit of Urban Local Bodies to the Comptroller and Auditor General of India for Technical Guidance and Support under Section 20(1) of Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains the results of performance audit on 'Efficacy of implementation of the Constitution (Seventy-fourth Amendment) Act, 1992' in the Department of Local Government, Government of Punjab, for the period April 2015 to March 2020.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit wishes to acknowledge the cooperation received from the Department of Local Government.

Executive Summary

Executive Summary

This Report contains significant results of the performance audit on ‘Efficacy of implementation of the Constitution (Seventy-fourth) Amendment Act, 1992’ covering the period from April 2015 to March 2020.

Introduction

The Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA) was enacted, which came into force on 1 June 1993, to give Constitutional recognition to the Urban Local Bodies (ULB) for decentralising urban governance along with the Constitutional right to exist. The 74th CAA authorised the State Government to enact laws to empower ULBs with powers and authority 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. The Twelfth Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs.

In the State of Punjab, ULBs are categorised into three types of Municipalities *viz.* Municipal Corporation, Municipal Council and Nagar Panchayat on the basis of population, revenue generated by local administration and such other factors as may deem fit, specified by a notification in the Official Gazette. As of March 2020, there were 167 ULBs in Punjab. The Municipal Corporations and other Municipalities *viz.* Municipal Councils and Nagar Panchayats are governed by the Punjab Municipal Corporation Act, 1976 (PMC Act) and the Punjab Municipal Act, 1911 (PM Act) respectively, amended in 1994.

Audit framework

The overall objective of this performance audit was to ascertain whether ULBs have indeed been empowered in terms of funds, functions and functionaries to establish themselves as effective institutions of local self-government and whether the 74th CAA has been effectively implemented in the State. The main objectives of the performance audit were to assess whether provisions of 74th CAA have been adequately covered in the State legislation; whether ULBs in the State were empowered to discharge their functions effectively through creation of appropriately designed institutions/institutional mechanisms; and whether ULBs have access to financial resources and human resources commensurate with their functions.

The audit findings, conclusions and recommendations relating to each of the four audit objectives have been reported in four distinct chapters *viz.* Chapters III to VI to facilitate easy comprehension and follow up.

Compliance with provisions of Seventy-fourth Constitutional Amendment Act

The State statutes largely complied with the provisions under 74th CAA. However, compliance with the Constitutional provisions by law did not give assurance to effective decentralisation on ground unless followed by effective implementation of functions enlisted in Twelfth Schedule of the Constitution.

[Paragraph 3.1]

Empowerment of Urban Local Bodies and their functioning

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 had 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.

[Paragraph 4.1]

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.

[Paragraph 4.2]

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.

[Paragraph 4.3.1]

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.

[Paragraphs 4.3.1.1, 4.3.1.3 and 4.3.2]

Wards Committee and District Planning Committee were not constituted in any of the ULBs.

[Paragraphs 4.3.3 and 4.3.4]

Reports of the Third, Fourth and Fifth State Finance Commissions (SFC) submitted in December 2006, May 2011 and June 2016 respectively were accepted by the Government between 175 to 675 days.

[Paragraph 4.3.5]

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

[Paragraph 4.4]

There was no substantial role of ULBs in implementation of Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart Cities Mission in the State.

[Paragraph 4.5]

Recommendations

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

- *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;*
- *entrusting the task of delimitation to State Election Commission to avoid delay in conducting elections of ULBs;*
- *constituting requisite committees viz. Wards Committee, District Planning Committee, etc. for effective planning and better execution at ULBs' level; and*
- *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, Smart Cities Mission, etc. in line with the provisions of 74th CAA.

Financial resources of Urban Local Bodies

The 74th CAA provided for fiscal transfers from the Central and State Governments to the ULBs besides empowering them to raise their own revenue. However, the ULBs were having limited access to the financial resources, which were not commensurate with their functions.

The fiscal transfers constituted about 18 *per cent* of the revenue of ULBs during the period 2015-16 to 2019-20. However, there was shortfall in release of committed funds by the State Government. Out of mandated devolution of ₹ 3,287 crore during 2015-2020 as per SFC recommendations, only ₹ seven crore (0.21 *per cent*) were released to ULBs during the same period.

[Paragraphs 5.1 and 5.1.1]

Against the allocation of ₹ 1,962.36 crore and ₹ 490.59 crore as Basic Grant and Performance Grant as per recommendations of 14th Central Finance Commission, GoP received ₹ 1,902.65 crore and ₹ 200.15 crore, thereby resulting into short receipt of ₹ 59.71 crore and ₹ 290.44 crore respectively during the period 2015-2020.

[Paragraph 5.1.2]

Recovery on account of Municipal tax (₹ 127.81 crore) from Punjab State Power Corporation Limited (PSPCL); property tax (₹ 216.84 crore); user charges (₹ 535.96 crore); rent/lease (₹ 40.30 crore); amount of ₹ 229.31 crore from Greater Mohali Area Development Authority (GMADA) was outstanding; thereby showing ineffectiveness of the ULBs in augmenting their own revenue.

[Paragraphs 5.1.3 to 5.1.7]

As against the recommendations of the Fourth and Fifth SFCs requiring the user charges to cover 90 *per cent* of the cost of expenditure on operation and maintenance (O&M), the average collection of user charges during 2015-2020 was only 18 *per cent*. The underlying reasons for short collection of user charges was short assessment of demand which was only 20 *per cent* of the expenditure incurred on O&M during the same period.

[Paragraph 5.1.5]

There was short release of ₹ 866.13 crore on account of Grants-in-aid by the State Government to Punjab Municipal Fund during 2017-2020.

[Paragraph 5.1.8]

Percentage of actual receipts *vis-à-vis* budget estimates ranged between 34.59 *per cent* and 108.61 *per cent*, and that of actual expenditure *vis-à-vis* budget estimates ranged between 38.93 *per cent* and 120.41 *per cent* in ULBs during the period 2015-16 to 2019-20. Thus, the budget estimates with variation of more than 10 *per cent* could be termed as unrealistic.

[Paragraph 5.2.1]

The powers and role of ULBs were limited in respect of administrative approvals in emergent maintenance of essential services, technical sanctions, acceptance of financial bids and other expenditure, thereby restricting the autonomy of ULBs.

[Paragraph 5.3]

During the five years' period from 2015-16 to 2019-20, despite increase in population and expansion of services, the expenditure on O&M decreased from 20.22 *per cent* in 2015-16 to 19.16 *per cent* in 2017-18.

[Paragraph 5.4]

Recommendations

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

- *ensuring release of mandated share to ULBs as per recommendations of Central/State Finance Commissions and due Grants-in-aid to Punjab Municipal Fund;*
- *putting in place an effective mechanism for the recovery of outstanding dues from the organisations/bodies concerned by ULBs to augment their own resources;*
- *taking appropriate action on the recommendations of SFC with regard to levy such charges on water supply and sewerage by ULBs so that they are able to recover 90 per cent expenditure on O&M incurred on these services, besides improving O&M on the water supply and sewerage system;*
- *ensuring preparation of realistic budget estimates by ULBs in respect of receipts and expenditure; and*
- *providing adequate powers and enhancing role of ULBs in administrative and executive spheres to enable them to function as institutions of self-government and to strengthen Municipal level governance in line with the provisions of 74th CAA.*

Human resources of Urban Local Bodies

The ULBs were having minimal access to human resources, as is evident from the following:

The ULBs neither had the powers to assess the staff requirement nor to recruit the required staff. These powers were vested with the State Government. The State Government assessed the requirement of staff based on consideration, requirements and financial capacity of the Corporations/Councils/Nagar Panchayats. The State Government had the powers to regulate classification, method of recruitment, conditions of service, pay and allowances, initiate disciplinary action on staff of ULBs, transfer of staff across ULBs, etc.

[Paragraph 6.1]

There was shortage of staff ranging from 29.08 *per cent* to 36.48 *per cent* amongst various cadres/categories during 2015-2020. In 13 Municipal Corporations, for every thousand people, four ULBs had only two employees, five ULBs had three employees, three ULBs had four employees and one ULB had five employees. Evidently, the ULBs lacked adequate manpower to carry out efficient delivery of services.

[Paragraph 6.2.1]

Training to staff for capacity building was deficient, as only 0.75 *per cent* to 1.44 *per cent* of total men-in-position (excluding Group D employees) were nominated for capacity building training programmes during 2017-18 to 2019-20.

[Paragraph 6.3]

Recommendations

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

- *empowering autonomy to ULBs to assess, recruit and manage human resources commensurate with their needs and functions; and*
- *ensuring adequate manpower to ULBs, besides imparting need-based training to staff to enable them to carry out efficient delivery of services.*

Chapter-I

Introduction

Chapter-I

Introduction

1.1 Background

Towns and cities contribute substantially to the economic development of the country. These urban centres also play an important support role in the development of rural hinterland. To keep this economic transformation in line with needs and realities at the grass-root level, it is necessary that the people and their representatives are fully involved in the planning and implementation of the programmes at local level. If democracy in Parliament and State Legislatures is to remain strong and stable, its roots must reach villages, towns and the cities where the people live.

The Constitution of India has made detailed provisions for ensuring protection of democracy in Parliament and in State Legislatures. Hence, democracy in these institutions has survived and flourished. However, the Constitution did not make Local Self Government in urban areas a clear-cut Constitutional obligation.

As a consequence of inadequate Constitutional provision for Local Self Government, democracy in Municipal governance was not stable. Though the respective Municipal Acts of the States provided for regular elections to Municipal bodies, they were frequently suspended and superseded for indefinite periods of time. Frequent and indefinite suspensions or supersessions eroded the very basis of local self-government and had a negative effect on democracy at the grass-root level. The general position with regard to financial resources of the Municipal bodies was also not satisfactory. Over the years, there was a steady encroachment on the assigned functions and revenues of Urban Local Bodies (ULB) by specialised agencies of the State Governments. As a result, many ULBs became weak and were not able to perform effectively. The weakened status of ULBs crystallised public opinion in favour of need for a Constitutional guarantee to safeguard the interests of ULBs in order to provide for:

- Regular and fair conduct of elections to these bodies;
- Holding of elections within a specified time limit in case of supersession;
- Adequate representation of SCs/STs and women in the elected bodies;
- Placing on firm footing the relationship between the State Governments and the ULBs with respect to:
 - functions and taxation powers of the ULBs;
 - arrangement for revenue sharing between the State Government and the ULBs; and

- involvement of elected representatives at grass-root level in planning at the district and metropolitan levels.

Accordingly, the Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA) was enacted, which came into force on 1 June 1993, to give Constitutional recognition to the ULBs for decentralising urban governance along with the Constitutional right to exist. The 74th CAA authorised the State Government to enact laws to empower ULBs with powers and authority 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. The Twelfth Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs, as listed in *Appendix 1.1*.

1.2 Trend of urbanisation in Punjab

Trend of urbanisation in the State of Punjab *vis-à-vis* at national level in two decades during 1991-2011 is depicted in **Chart 1.1**.

Chart 1.1: Trend of urbanisation in the State of Punjab *vis-à-vis* at national level



Source: Punjab Economic Survey, 2020

As per census 2011, 37.50 *per cent* of population reside in urban areas of the State as compared to 31.10 *per cent* at the national level. Urbanisation in Punjab grew from 30.00 *per cent* to 37.50 *per cent* *vis-à-vis* 26.00 *per cent* to 31.10 *per cent* at national level in two decades during 1991-2011.

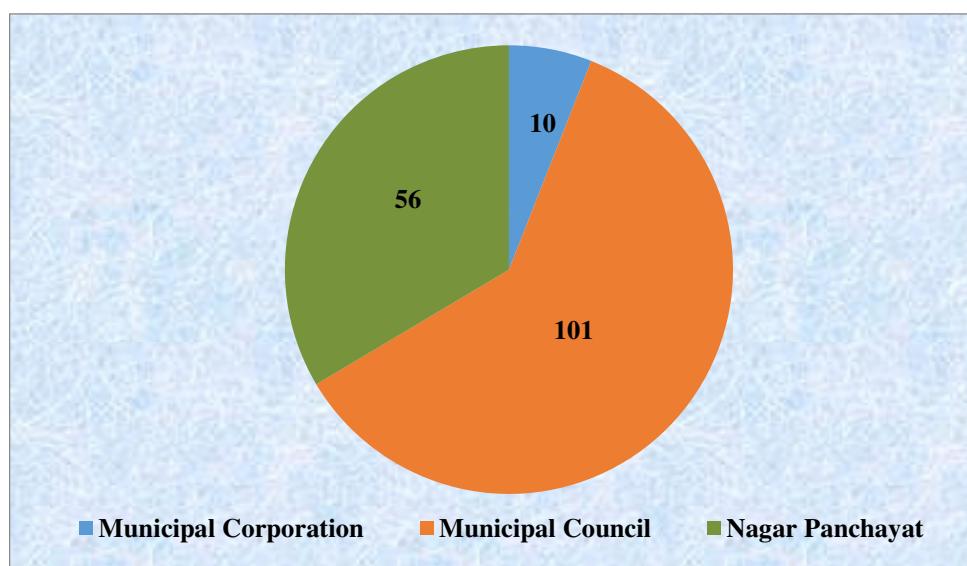
Urban Punjab faces multiple challenges such as water supply, sewerage, storm water drainage, solid waste management, roads, street lighting, etc. There is an acute pressure on these services in the wake of growing urbanisation. In

this scenario, ULBs have an important role to play, as most of these issues are handled best at the local level.

1.3 Profile of Urban Local Bodies

In Punjab, ULBs are categorised into three types of Municipalities *viz.* Municipal Corporation, Municipal Council and Nagar Panchayat on the basis of population, revenue generated by local administration and such other factors as may deem fit, specified by a notification in the Official Gazette. As of March 2020, there were 167 ULBs in Punjab, details of which are given in **Appendix 1.2**. The category wise break-up is shown in **Chart 1.2** below:

Chart 1.2: Category-wise ULBs in Punjab State



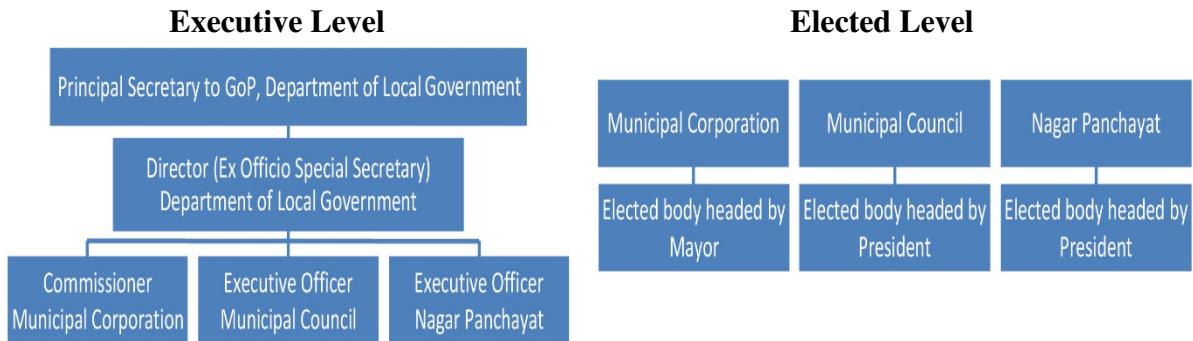
Source: Department of Local Government, Punjab

The Municipal Corporations and other Municipalities *viz.* Municipal Councils and Nagar Panchayats are governed by the Punjab Municipal Corporation Act, 1976 (PMC Act) and the Punjab Municipal Act, 1911 (PM Act) respectively, amended in 1994. The Municipal area has been divided into wards, which are determined and notified by the State Government for the purpose of election of Councillors. All ULBs have an elected body headed by Mayor in case of Municipal Corporation and President both in case of Municipal Council and Nagar Panchayat.

1.4 Organisational Structure of Urban Governance in Punjab

In the State of Punjab, ULBs are governed by the Department of Local Government (Department). The organisational structure of the Department is given in **Chart 1.3**.

Chart 1.3: Organisational Chart of Department of Local Government



Source: Department of Local Government, Punjab

Besides, the Department also has three key parastatal bodies *viz.* Punjab Water Supply and Sewerage Board (PWSSB), Punjab Municipal Infrastructure Development Company (PMIDC) and State Urban Development Authority (SUDA) which deliver or facilitate urban infrastructure and services in Punjab.

Chapter-II

Audit Framework

Chapter-II

Audit Framework

The overall objective of this performance audit was to ascertain whether Urban Local Bodies (ULB) have indeed been empowered in terms of funds, functions and functionaries to establish themselves as effective institutions of local self-government and whether the Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA) has been effectively implemented in the State. The framework for conducting the performance audit was as under:

2.1 Audit objectives

The main objectives of the performance audit were to assess:

- Whether provisions of 74th CAA have been adequately covered in the State legislation;
- Whether ULBs in the State were empowered to discharge their functions effectively through creation of appropriately designed institutions/institutional mechanisms;
- Whether ULBs have access to financial resources commensurate with their functions; and
- Whether ULBs have access to human resources commensurate with their functions.

2.2 Audit scope and methodology

The performance audit covering five years' period i.e. April 2015 to March 2020 was conducted (July 2020 - March 2021) by test-checking the records of the office of the Principal Secretary; Directorate office, Department of Local Government, Government of Punjab (GoP); and 19¹ out of 167 ULBs across all tiers. Related information was also obtained from the three parastatal bodies of the Department, *viz.* Punjab Water Supply and Sewerage Board (PWSSB), Punjab Municipal Infrastructure Development Company (PMIDC) and State Urban Development Authority (SUDA). Besides, role of ULBs in Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart Cities Mission was also examined.

¹ **Municipal Corporations:** (i) Amritsar; (ii) Ludhiana; (iii) Patiala; (iv) SAS Nagar; **Municipal Councils:** (v) Nabha, (vi) Rajpura, (vii) Samana in district Patiala; (viii) Banur; (ix) Derabassi; (x) Kharar; (xi) Kurali, (xii) Lalru, (xiii) Naya Gaon; (xiv) Zirakpur; **Nagar Panchayats:** (xv) Bhadson, (xvi) Ghagga; (xvii) Ghanour; (xviii) Patran; and (xix) Sanour, selected on judgmental basis keeping in view the Covid-19 Pandemic situation in Punjab.

An entry conference was held (October 2020) with the Secretary, Local Government Department, Punjab wherein audit objectives, scope, methodology and criteria were explained. The audit findings were discussed in the exit conference held (August 2021) with the Principal Secretary, Local Government Department, Punjab. The comments furnished by the Principal Secretary in the exit conference and the replies received (August 2021) from the Department have been suitably incorporated in the Report.

2.3 Audit criteria

The audit criteria were derived from the following sources:

- The Constitution (Seventy-fourth Amendment) Act, 1992;
- Punjab Municipal Corporation Act, 1976;
- Punjab Municipal Act, 1911;
- Model Municipal Law, 2003;
- Central/State Finance Commission Reports;
- Punjab Municipal Accounting Manual, 2017;
- Report of Second Administrative Reforms Commission; and
- Various orders, notifications, circulars and instructions issued by the State Government from time to time.

2.4 Organisation of audit findings

The audit findings, conclusions and recommendations relating to each of the four audit objectives have been reported in the following four distinct chapters to facilitate easy comprehension and follow up:

Chapter-III - Compliance with provisions of 74th CAA;

Chapter-IV - Empowerment of Urban Local Bodies and their functioning;

Chapter-V - Financial resources of Urban Local Bodies; and

Chapter-VI - Human resources of Urban Local Bodies.

2.5 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the State Government; Director, Local Government (Department); the parastatal bodies of the Department *viz.* PWSSB, PMIDC and SUDA; and all the test-checked ULBs in conducting the performance audit.

Chapter-III

Compliance with provisions of Seventy-fourth Constitutional Amendment Act

Chapter-III

Compliance with provisions of Seventy-fourth Constitutional Amendment Act

3.1 Comparison of provisions under 74th CAA with State legislations

The Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA) introduced (June 1993) certain provisions relating to Municipalities vide Articles 243P to 243ZG. Accordingly, the State Government also adopted those provisions vide amendments (1994) to their existing Acts *viz.* the Punjab Municipal Corporation Act, 1976 (PMC Act) and the Punjab Municipal Act, 1911 (PM Act), as depicted in **Table 3.1**.

Table 3.1: Comparison of provisions under 74th CAA with State legislations

Provision under 74 th CAA	Requirement as per provisions under 74 th CAA	Provisions under PMC Act, PM Act, as amended in 1994 and PFCPM Act ¹
Article 243P	Definitions: It defines various terms such as Committee, District Metropolitan Area, Municipal Area, Municipality, Panchayat and Population.	Necessary terms/definitions had been incorporated in Section 2 of PMC Act and Section 3 of PM Act.
Article 243Q	Constitution of Municipalities: It provides for constitution of three types of Municipalities, namely - a Nagar Panchayat for transitional area, a Municipal Council for a smaller urban area and a Municipal Corporation for a larger urban area.	Section 3 of PMC Act and Section 4 of PM Act.
Article 243R	Composition of Municipalities: All the seats in a Municipality shall be filled by direct elections and by persons with special knowledge in municipal administration, nominated by Government. The Legislature of a State may by law, provide for representation to the Municipality, Members of Parliament and Legislative Assembly whose constituencies lie within the municipal area and Members of the Council of State and State Legislative Council who are registered as electors within the city.	Section 5 of PMC Act and Section 12 of PM Act provide for all provisions of Article 243R, except for provision for filling up any seat in a Municipality by persons with special knowledge in Municipal administration, nominated by the Government.
Article 243S	Constitution and composition of Wards Committees, etc.: It provides for constitution of Wards Committees in all municipalities with a population of three lakh or more.	Sections 42 and 42-A of PMC Act and Section 34 of PM Act.

¹ Punjab Finance Commission for Panchayats and Municipalities Act, 1994 (PFCPM Act).

Provision under 74th CAA	Requirement as per provisions under 74th CAA	Provisions under PMC Act, PM Act, as amended in 1994 and PFPCM Act¹
Article 243T	Reservation of seats: It provides for reservation of seats for Scheduled Castes (SC)/ Scheduled Tribes (ST) and Women for direct election.	Sections 6 & 6-A of PMC Act and Section 8 of PM Act.
Article 243U	Duration of Municipalities, etc.: The Municipality has a fixed tenure of five years from the date of its first meeting and re-election to be held within the six months of end of tenure.	Section 7 of PMC Act and Section 13 of the PM Act.
Article 243V	Disqualifications for membership: A person shall be disqualified for being chosen as a member of a Municipality - <ul style="list-style-type: none">• If he is so disqualified by or under any law for the time being in force for the purposes of elections of the Legislature of the State concerned.• If he is so disqualified by or under any law made by the Legislature of the State.	Section 13 of PMC Act and Section 16 of the PM Act.
Article 243W	Powers, authority and responsibilities of the Municipalities, etc.: All Municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government. The State Government shall entrust with such powers and authority to enable them to carry out the responsibilities in relation to the 12 th Schedule.	Section 7 of PMC Act and Sections 50A and 50B of PM Act.
Article 243X	Power to impose taxes by, and Funds of, the Municipalities: <ul style="list-style-type: none">• Municipalities would be empowered to levy and collect taxes, fees, duties, etc.• Assignment to Municipalities such taxes, duties, tolls and fees levied and collected by the State Government.• Grants-in-aid would be given to the Municipalities from the State.• Constitution of funds for crediting and withdrawal of moneys by the Municipalities.	Sections 76 & 90 of the PMC Act and Sections 52 & 61 of PM Act.

Provision under 74 th CAA	Requirement as per provisions under 74 th CAA	Provisions under PMC Act, PM Act, as amended in 1994 and PFCPM Act ¹
Article 243Y read with Article 243-I	<p>Finance Commission: The Finance Commission constituted under Article 243-I shall review -</p> <ul style="list-style-type: none"> • The financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal bodies. • Distribution between the State and the Municipalities of the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government. • Allotment of funds to the Municipal bodies in the State from the Consolidated Fund of the State. 	Sections 3(i) and 9 of Punjab Finance Commission for Panchayats and Municipalities (PFCPM) Act, 1994.
Article 243Z	<p>Audit of accounts of Municipalities: Provision for maintenance of accounts by the Municipalities and the auditing of such accounts.</p>	Section 176 to 180 of the PMC Act and Section 240 of the PM Act. The accounts of the ULBs are being audited by the Examiner, Local Fund Accounts, Punjab (ELFA) (Statutory Auditor). Besides, the CAG of India has also been giving Technical Guidance and Support over the audit of ELFA.
Article 243ZA read with Article 243K	<p>Elections to the Municipalities: The superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission.</p>	Section 10 of the PMC Act and Section 240-A of the PM Act.
Article 243ZD	<p>Committee for District Planning:</p> <ul style="list-style-type: none"> • Constitution of District Planning Committee at district level. • Composition of District Planning Committee. • Preparation of draft development plan and forward to the Government. 	Section 42-B of the PMC Act.
Article 243ZE	<p>Committee for Metropolitan Planning: Provision for constitution of Metropolitan Planning Committee in every metropolitan area.</p>	Section 42-C of the PMC Act.

Source: 74th CAA; PMC Act; PM Act; and PFCPM Act.

Table 3.1 shows that the State statutes largely complied with the provisions under 74th CAA. However, compliance with the Constitutional provisions by law does not guarantee effective decentralisation on ground, unless the same is

also followed by effective implementation of functions enlisted in Twelfth Schedule of the Constitution.

Audit observed that the legal provisions were not backed by decisive actions with regard to the actual implementation, resulting in a situation in which the spirit of 74th CAA was not completely upheld. This was especially true in case of provisions pertaining to the devolution of the functions and creation of appropriate institutional mechanism for effective decentralisation, which have been discussed in subsequent Chapters.

The Department stated (August 2021) that the ULBs were more or less performing the same functions as they used to perform prior to implementation of 74th CAA.

Chapter-IV

Empowerment of Urban Local Bodies and their functioning

Chapter-IV

Empowerment of Urban Local Bodies and their functioning

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**.

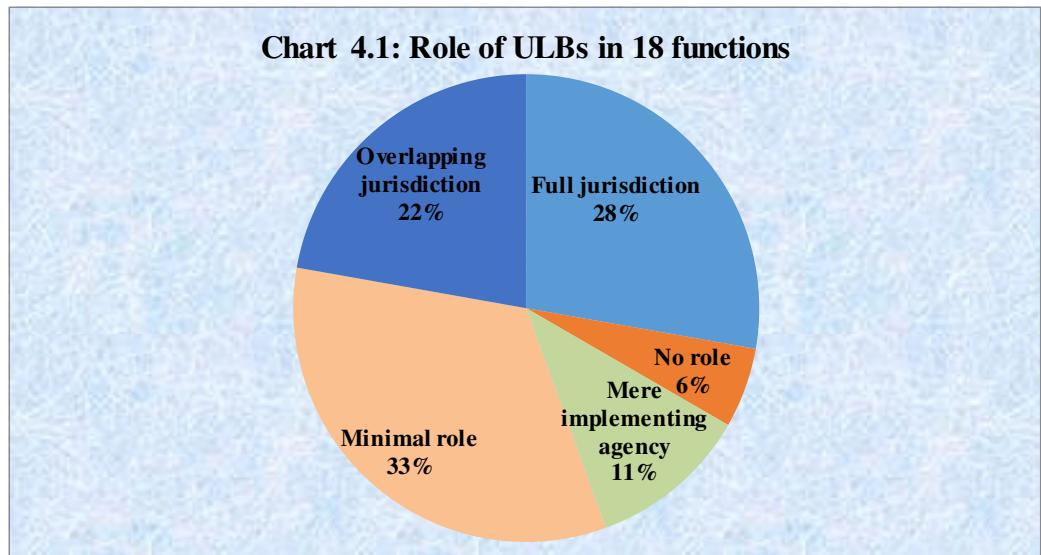
Table 4.2: Status of implementation of subjects/functions under 12th Schedule of 74th CAA

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 Livelihood and employment Street vendors	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.
9.	Urban forestry, protection of the environment and promotion of ecological aspects	Afforestation Greenification Awareness drives Protection of the environment and promotion of ecological aspects Maintenance of natural resources like water bodies, etc.	Forest Department played a significant role in the discharge of this function. ULBs only undertook afforestation and awareness drives along with the Forest Department.
10.	Promotion of cultural, educational and aesthetic aspects	Schools and education Fairs and festivals Cultural buildings/institutions Heritage Public space beautification	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.
11.	Vital statistics including birth and death registration	Coordinating with hospitals/crematoriums, etc. for obtaining information Maintaining and updating database	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.
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 Providing connections Operation and Maintenance (O&M) Collection of charges	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.
13.	Public health, sanitation conservancy and solid waste management	Maintaining hospitals, dispensaries Immunisation/Vaccination Registration of births and deaths Cleaning and disinfection of localities affected by infectious disease Solid waste management	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

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	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. 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.
		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).

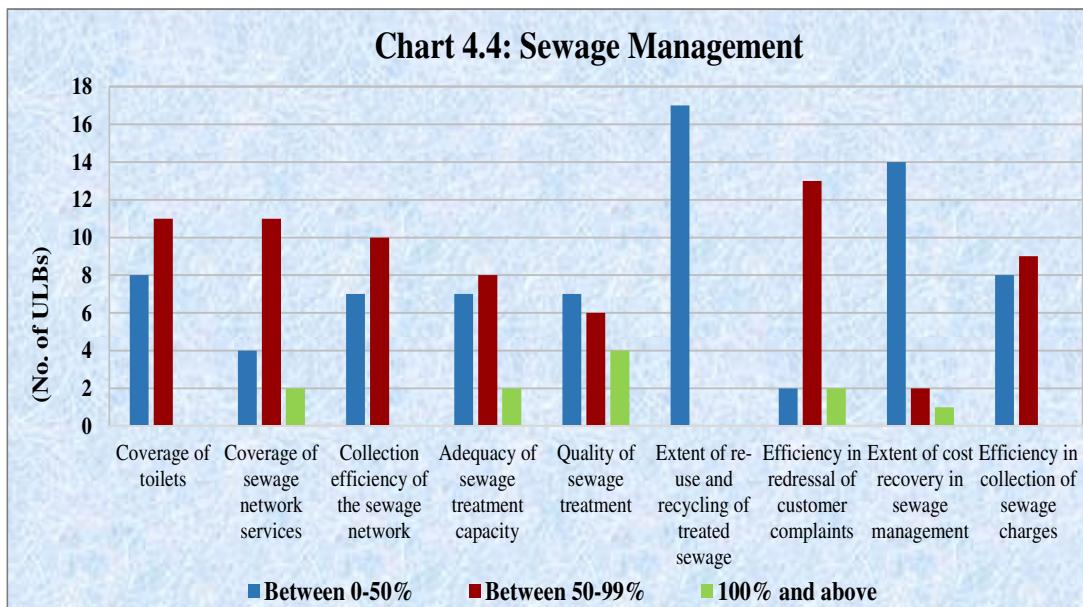
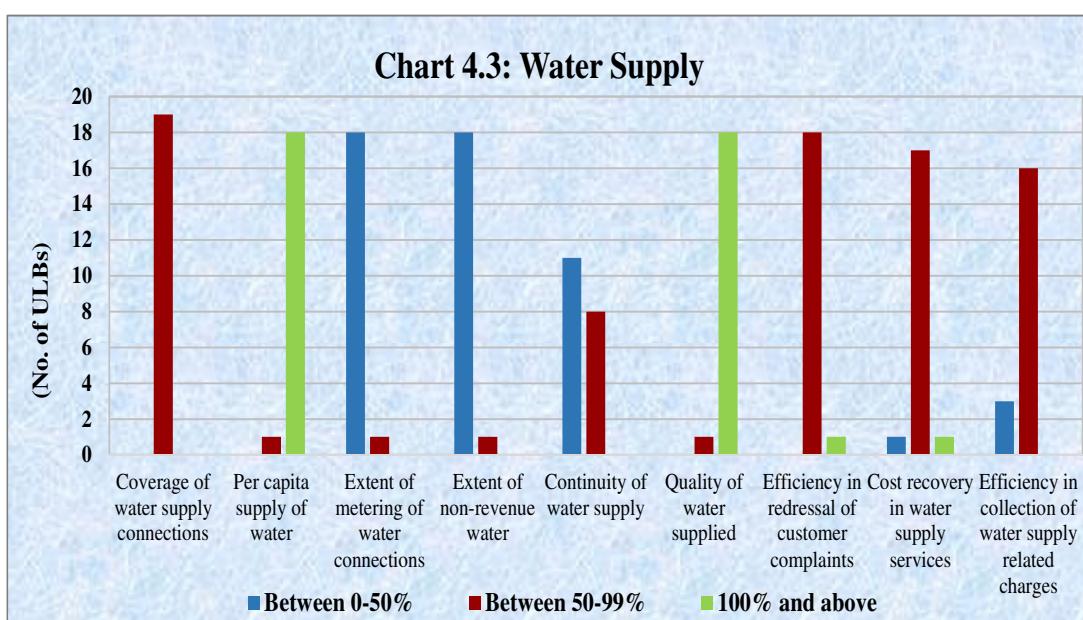
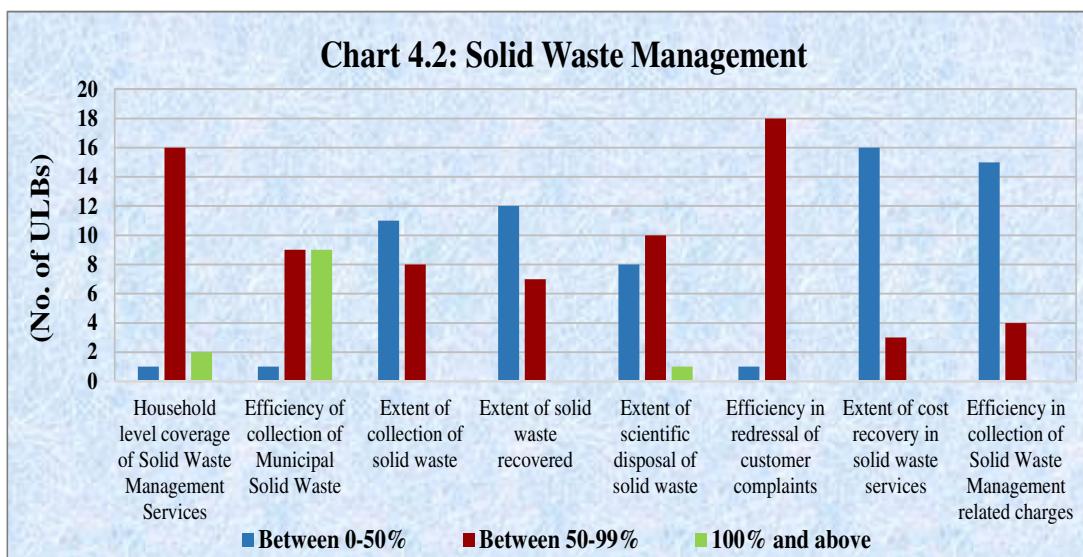
The Department stated (August 2021) that an application named ‘iHRMS’ in respect of payroll and pension had been launched in all ULBs to strengthen the accounting system and in order to implement the double entry accounting system, another application had also been rolled out in all ULBs under ‘mSeva’ 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 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 (SHPSC) 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

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 than 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.*

Chapter-V

Financial resources of Urban Local Bodies

Chapter-V

Financial resources of Urban Local Bodies

The Fifth SFC had observed that local bodies in Punjab continue to perform the same functions which they had been handling prior to the Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA). To discharge these functions, the funds required by the local bodies are not large by any means but even then, the task of balancing the budgets of local bodies remains dependent entirely on Government support. The key to make these bodies viable, dependable and successful units of self-government is to put their financial and organisational set up on a sound, stable and self-sustaining footing. The finance of Municipalities comes from a mix of internal and external resources. The internal resources comprise revenues from taxes that the Municipalities are statutorily allowed to levy, non-tax revenues from various fees, fines, levies, borrowings and State devolutions by way of share of taxes, Grants-in-aid for implementation of Centrally Sponsored Schemes and grants in pursuance of the recommendations of the Central and State Finance Commissions.

5.1 Sources of revenue

The detail of revenues of ULBs in the State during the period 2015-16 to 2019-20 is given in **Table 5.1**.

Table 5.1: Detail of revenues of ULBs during 2015-2020

Year	Own revenue	Assigned revenue	Grants-in-aid [#]	Total revenue	Percentage of own revenue to total revenue
2015-16	2,398.53	37.48	461.35	2,897.36	82.78
2016-17	2,689.32	63.19	744.71	3,497.22	76.90
2017-18	2,593.48	15.73	504.93	3,114.14	83.28
2018-19	2,963.51	21.54	579.17	3,564.22	83.15
2019-20	3,111.67	22.60	608.09	3,742.36	83.15
Total	13,756.51	160.54	2,898.25	16,815.30	81.81

Source: Departmental information

Includes grants from CFC, CSS, MPLADS, PIDB, etc.

Table 5.1 shows that during the period 2015-16 to 2019-20, major portion of the revenue of ULBs came from its own resources, which remained 81.81 *per cent* of the total revenue and the fiscal transfers from Government, which were only 18.19 *per cent*, constituted a small portion of the revenue of ULBs.

5.1.1 State Finance Commission grants

The share of financial resources of ULBs includes grants recommended by the State Finance Commission (SFC). Timely constitution of SFC and acceptance of its recommendations would have a bearing on the assured transfer of funds to ULBs. Devolution of adequate resources from State Government to local bodies will always remain critical for the financial health and stability of local bodies.

The detail of grants due as per recommendations of SFC and actually released to ULBs during the period 2015-16 to 2019-20 is given in **Table 5.2**.

Table 5.2: Detail of grants due as per recommendations of SFC vis-à-vis actually released to ULBs

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Non-Loan Net Own Revenue Receipts (NLNORR) of the State	26,200	27,280	30,005	31,156	29,209	1,43,850
Allocation as per recommendations of SFC (four <i>per cent</i> of NLNORR)	1,048	1,091	1,200	1,246	1,168	5,754
Share due to ULBs as per respective SFCs	340	682	750	779	736	3,287
Funds actually released to ULBs	0	7	0	0	0	7

Source: Departmental information

Table 5.2 shows that out of mandated devolution of ₹ 3,287 crore during 2015-2020, only ₹ seven crore (0.21 *per cent*) were released to ULBs during the same period.

The Department stated (August 2021) that sufficient funds had been released to ULBs under Central Finance Commissions and other schemes so that development works did not suffer adversely. The reply of the Department was not in line with recommendations of SFCs.

5.1.2 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 the State to supplement the resources of Municipalities based on the recommendations of the respective SFCs. The 14th CFC recommended Basic Grant and Performance Grant to ULBs as a percentage of divisible pool account.

The position of allocation and release of CFC grants during the period 2015-16 to 2019-20 is depicted in **Table 5.3**.

Table 5.3: Allocation and release of Central Finance Commission grants

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	Total (₹ in crore)
Basic Grant						
Allocation as per CFC	235.41	325.96	376.62	435.68	588.69	1,962.36
Released by GoI	233.97	322.03	337.15	427.86	581.64	1,902.65
Shortfall(-)	-1.44	-3.93	-39.47	-7.82	-7.05	-59.71
Released by GoP	233.97	161.99	160.05	337.15	1,009.49 ¹	1,902.65
Shortfall(-)	0.00	-160.04	-177.10	-90.71	427.85	0.00
Performance Grant						
Allocation as per CFC	NA	96.20	108.87	123.63	161.89	490.59
Released by GoI	NA	93.89	106.26	0.00	0.00	200.15
Shortfall(-)	NA	-2.31	-2.61	-123.63	-161.89	-290.44
Released by GoP	NA	93.89	106.26	0.00	0.00	200.15
Shortfall(-)	NA	0.00	0.00	0.00	0.00	0.00

Source: Departmental information

NA=Not applicable, as the Performance Grant was to be provided from 2016-17 onwards.

Audit observed that against the allocation ₹ 1,962.36 crore and ₹ 490.59 crore as Basic Grant and Performance Grant as per recommendations of 14th Central Finance Commission, GoP received ₹ 1,902.65 crore and ₹ 200.15 crore, thereby resulting into short receipt of ₹ 59.71 crore and ₹ 290.44 crore respectively during the period 2015-2020.

The Department stated (August 2021) that the share of Basic Grant in respect of those ULBs whose elected bodies had not been constituted, was not released by GoI during 2015-2020 and the Performance Grant for the years 2018-19 and 2019-20 was not released to any State by GoI.

5.1.3 Octroi on electricity and Municipal Tax

(i) The Government of Punjab (GoP), in exercise of the powers conferred under Section 90(b) of PMC Act and Section 62-A of PM Act directed (February 2008) all the ULBs in the State to adopt the revised octroi rate of ₹ 0.10 per unit on import of electricity into the limits of ULBs for sale, use and consumption within the period of 15 days from the date of issue of the notification. The Fifth SFC had projected the expected income from levy of octroi on electricity for the years 2015-16 to 2019-20. However, due to implementation of GST Act, the octroi on electricity consumption was abolished in July 2017.

Audit noticed that as against the expected revenue of ₹ 216.41 crore during two years' period (2015-17) projected by Fifth SFC, ULBs in the State

¹ Out of ₹ 1,009.49 crore, ₹ 290.82 crore (of 14th Finance Commission) were released by the State Government during 2020-21.

received ₹ 228.15 crore², besides collecting ₹ 186.77 crore during next three years i.e. from 2017-18 to 2019-20, which included arrears of previous years. This showed that the ULBs were not receiving revenue on account of octroi on electricity in time.

(ii) Further, in order to safeguard the revenue of ULBs in lieu of abolition of octroi on electricity, the Department of Local Government, GoP vide notifications issued (October 2017 and November 2017) under PM Act and PMC Act respectively levied two *per cent* Municipal tax on consumption, use or sale of electricity within the Municipal limits in the State of Punjab. The tax was to be collected by PSPCL and transferred to the respective ULBs, after deducting service charges at the rate of 10 *per cent* on total collection, as intimated (July 2018) by PSPCL.

The year-wise status of Municipal tax collected by PSPCL and outstanding amount to be transferred to the Department (ULBs), is depicted in the **Table 5.4**.

Table 5.4: Status of Municipal tax as of March 2020

Year	Total amount of tax collected by PSPCL	Deductible amount of service charges @ 10%	Amount due to be transferred to ULBs	Amount transferred to ULBs	Outstanding amount of tax (₹ in crore)
2017-18	25.92	2.59	23.33	2.56	20.77
2018-19	182.20	18.22	163.98	119.08	44.91
2019-20	196.34	19.63	176.71	114.57	62.13
Total	404.47	40.44	364.02	236.21	127.81

Source: Punjab State Power Corporation Limited, Patiala

Table 5.4 shows that PSPCL collected Municipal tax amounting to ₹ 404.47 crore during 2017-18 to 2019-20. However, after deductible service charges of ₹ 40.44 crore at the rate of 10 *per cent* on total collection, only ₹ 236.21 crore were transferred to the ULBs leaving an outstanding amount of ₹ 127.81 crore.

The Department stated (August 2021) that ULBs would be instructed to recover the pending amount of Municipal tax.

5.1.4 Property tax

The ULBs were empowered to levy property tax on all buildings or lands or both situated within their jurisdiction under Section 90 of the PMC Act and Section 61 of the PM Act with the prior approval of the Government. Further, as per Section 112-A of PMC Act, every owner or occupier shall calculate the

² 2015-16: ₹ 118.07 crore against the projection of ₹ 106.51 crore; and 2016-17: ₹ 110.08 crore against the projection of ₹ 109.09 crore.

tax on land and building himself. The Department developed (October 2018) an online property tax calculator (mSeva) through which property owners could assess and pay their taxes. The guidelines of Jawaharlal Nehru National Urban Renewal Mission (JnNURM) also emphasised the need to implement the reforms of at least 85 *per cent* collection efficiency of property tax.

The status regarding collection of property tax during 2015-16 to 2019-20 is depicted in **Table 5.5**.

Table 5.5: Status of collection of property tax during 2015-2020

Year	Arrears as on 1 st April	Demand assessed during the year	Total amount due	Amount realised	Arrears as on 31 st March	(₹ in crore) Percentage of amount realised
2015-16	241.37	162.20	403.57	199.80	203.77	49.51
2016-17	203.77	195.09	398.86	193.61	205.25	48.54
2017-18	205.25	224.89	430.14	210.29	219.85	48.89
2018-19	219.85	228.91	448.76	219.39	229.37	48.89
2019-20	229.37	243.48	472.85	256.01	216.84	54.14

Source: Departmental information

Table 5.5 shows that an amount of ₹ 216.84 crore on account of property tax was outstanding at the end of March 2020. The collection efficiency of property tax ranged between 48.54 *per cent* and 54.14 *per cent* only during the period 2015-16 to 2019-20.

Audit noticed in test-checked ULBs that:

- Survey of properties was not conducted by 17 out of 19 ULBs during last five years. The Municipal Corporations, SAS Nagar and Patiala, conducted the survey during 2014-15 and 2017-18 respectively. Further, only the data in respect of property owners who had paid property tax in the past was available with ULBs. As such, neither any complete database was prepared nor any other source of information was available to identify correct number of properties existing in the respective area and the property tax was being realised on the basis of self-assessment.
- The Property Tax Board constituted (March 2013) by the State Government was also not effective, as discussed in paragraph 4.3.5.4. Further, efforts to improve the recovery of property tax by launching special collection drives from time to time, collection at door steps, mutual resolution of disputes, attractive incentives for timely payments, etc. as recommended by Fifth SFC, were lacking though provisions of e-collection and penalties for defaulters were in place.

The Department stated (August 2021) that the ULBs had been advised from time to time through departmental review to improve the recovery of user charges and speed up the recovery of income under other sources of revenue by conducting special collection drives, e-collection, collection at door step, etc. Thus, earnest efforts were being made to recover the outstanding arrears.

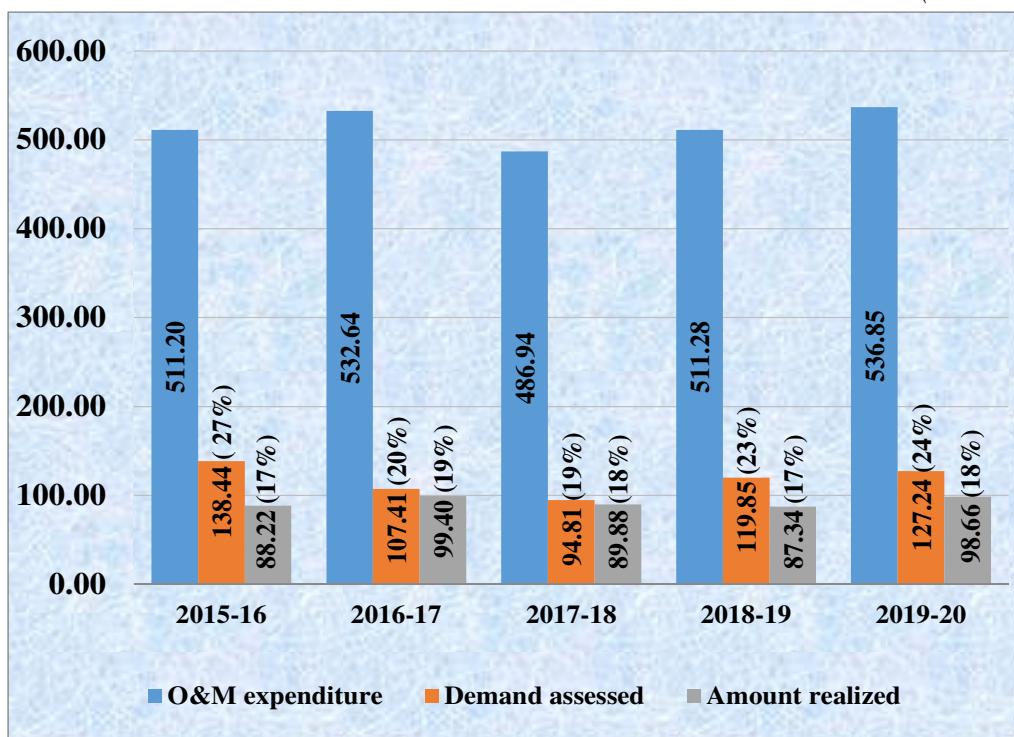
5.1.5 User charges

The expenditure on the provision of basic services like water supply, sewer, sewage treatment plant (STP) and solid waste management (SWM) in urban areas is rising enormously. The ULBs were expected to meet at least the maintenance charges of these facilities from their own sources by levying suitable charges on the beneficiaries. The Fourth SFC recommended that the ULBs should levy such charges on water supply and sewerage so that they are able to recover 90 *per cent* expenditure on operation and maintenance (O&M) incurred on these services by 2015-16. The Fifth SFC also observed that despite this recommendation accepted by the Government, the policy was still in the process of finalisation.

The year-wise position of user charges assessed *vis-à-vis* expenditure on O&M is depicted in **Chart 5.1**.

Chart 5.1: User charges assessed *vis-à-vis* expenditure on O&M during 2015-2020

(₹ in crore)



Source: Departmental information

Chart 5.1 shows that as against the recommendation of SFCs requiring the user charges to cover 90 *per cent* of the cost of expenditure on O&M, the average collection of user charges during 2015-2020 was only 18 *per cent*. The underlying reasons for short collection of user charges was short assessment of demand which was only 20 *per cent* of the expenditure incurred on O&M during the same period. The status of recovery/outstanding user charges during 2015-2020 is given in **Table 5.6**.

Table 5.6: Status of recovery of user charges during 2015-2020

(₹ in crore)

Year	Arrears as on 1 st April	Demand assessed during the year	Total amount due	Amount realised	Arrears as on 31 st March	Percentage of amount realised
2015-16	411.71	138.44	550.15	88.22	461.93	16.04
2016-17	461.93	107.41	569.34	99.40	469.94	17.46
2017-18	469.94	94.81	564.75	89.88	474.87	15.92
2018-19	474.87	119.85	594.72	87.34	507.38	14.69
2019-20	507.38	127.24	634.62	98.66	535.96	15.55

Source: Departmental information

Table 5.6 shows that collection of user charges remained between 14.69 *per cent* and 17.46 *per cent* only during the period 2015-2020 and an amount of ₹ 535.96 crore was outstanding on this account at the end of the year 2019-20.

The Department stated (August 2021) that the ULBs would be issued necessary instructions to recover the arrears.

5.1.5.1 Four authorities *viz.* (i) Municipal Corporation, SAS Nagar; (ii) Greater Mohali Area Development Authority (GMADA); (iii) Punjab Small Industries and Export Corporation (PSIEC); and (iv) Department of Water Supply and Sanitation (DWSS) were providing water supply and sewerage services/other civic services in SAS Nagar and were collecting user charges against these services. Test-check of records of Municipal Corporation, SAS Nagar revealed the following:

(i) The Municipal Corporation, SAS Nagar was providing water supply service in its jurisdiction³ and collecting water charges as per resolution passed by the House in April 2001. Though the Government had revised the water rates in September 2009, the MC continued to charge the water supply at old rates. If the Corporation too had revised the water rates, it would have received ₹ 4.99 crore instead of ₹ 1.92 crore on this account during the period 01.07.2018⁴ to 31.12.2020.

³ Industrial Area (Phase VI to IX) and Village Mohali.

⁴ Information prior to 01.07.2018 was not provided by MC, SAS Nagar.

The Department stated (August 2021) that the rates were being charged as per resolution passed by the House, therefore, there was no loss of revenue. It was added that the Corporation had now adopted the revised rates of 2009 as per resolution passed by the House. The reply was not in line with the recommendations of Fourth and Fifth SFCs which stipulated that ULBs should levy such charges on water supply and sewerage so that they were able to recover 90 *per cent* expenditure on operation and maintenance (O&M) incurred on these services. But the ULBs were able to assess demand of user charges ranging between 19 to 27 *per cent* of O&M expenditure incurred during 2015-2020, as discussed in the preceding paragraph.

(ii) The Department of Water Supply and Sanitation (DWSS) was entrusted with the work of operation and maintenance (O&M) of water supply in partial area⁵ of SAS Nagar. It was noticed that DWSS was recovering O&M expenses from the Municipal Corporation, SAS Nagar even though the water charges were being collected by the DWSS. No record/instructions/agreement was available with the Corporation for such type of arrangement. In the absence of any agreement, transfer of funds amounting to ₹ 14.84 crore during 2015-2020 on account of operation and maintenance of water supply and sewerage services was not justified.

The Department stated (August 2021) that as per policy of the State Government (September 2013), the provision of water supply and sewerage in Municipal Corporation, Mohali (SAS Nagar) had been specifically entrusted to DWSS. But, since the function of provision of water supply and sewerage fell within the domain of ULBs, therefore, the estimates thereof were passed by the Municipal Corporation for providing funds for provision of such services. However, the Department did not clarify under which circumstances the DWSS was recovering the expenses on O&M from the Corporation, when the user charges were being collected by DWSS.

5.1.6 Rent and lease money

The ULBs were empowered to collect rent from the buildings/premises let out to private agencies. The position of assessment and recovery of rent/lease money during 2015-16 to 2019-20 is depicted in **Table 5.7**.

⁵ Phase I to XI, Sectors 48, 70 and 71, Village Shahi Majra, Madanpura, Mataur and Industrial Area (Phase I to V).

Table 5.7: Position of assessment and recovery of rent/lease money during 2015-2020

Year	Arrears as on 1 st April	Demand assessed during the year	Total amount due	Amount realised	Arrears as on 31 st March	Percentage of amount realised
2015-16	21.27	23.71	44.98	21.21	23.77	47.15
2016-17	23.77	25.02	48.79	22.11	26.68	45.32
2017-18	26.68	28.98	55.66	23.29	32.37	41.84
2018-19	32.37	28.95	61.32	25.00	36.32	40.77
2019-20	36.32	31.17	67.49	27.19	40.30	40.29

Source: Departmental information

Table 5.7 shows that at the end of March 2020, rent/lease of ₹ 40.30 crore was in arrears. The recovery rate ranged between 40.29 *per cent* and 47.15 *per cent* which was in decreasing trend during the period 2015-2020, thereby showing the ineffectiveness of the ULBs in augmenting their own revenue.

The Department stated (August 2021) that the ULBs would be issued necessary instructions to recover the arrears.

5.1.7 Short receipt of revenue from GMADA

The work of urban planning and development in SAS Nagar is mainly vested in the Greater Mohali Area Development Authority (GMADA). Test-check of records of Municipal Corporation, SAS Nagar revealed the following:

(i) As per decision taken in the meetings held (July 2016) under the chairmanship of the Principal Secretary, Housing and Urban Development, Punjab, GMADA, after initial development, handed over (August 2016) the areas of Sectors 48 to 71 and Sectors 76 to 81 to the Municipal Corporation, SAS Nagar for further maintenance and capital works. For this purpose, GMADA was to release funds maximum up to ₹ 50 crore per annum to Municipal Corporation, SAS Nagar for first five financial years (2016-17 to 2020-21) and ₹ 22.50 crore per annum for the next five financial years (2021-22 to 2025-26) on certain terms and conditions.

It was, however, observed that GMADA released ₹ 35 crore (out of due amount of ₹ 250.00 crore) during the period of five years i.e. 2016-17 to 2020-21, whereas the Corporation had already executed works amounting to ₹ 100.10 crore from their own funds during 2018-19 to 2019-20 in the areas handed over to it by GMADA. However, the balance funds of ₹ 215.00 crore had not been released by GMADA in line with the decision (July 2016) of the Department of Housing and Urban Development, thereby overburdening the Municipal Corporation.

The Department stated (August 2021) that the efforts were being made by the Municipal Corporation to recover the amount as per agreement executed between both the authorities.

(ii) The building plans in SAS Nagar were approved by GMADA and all the charges receivable were also collected by them. It was decided in the meeting held (June 2011) under the chairmanship of the Chief Minister that GMADA would transfer 50 *per cent* of the collection on account of scrutiny fee and non-construction charges to Municipal Corporation, SAS Nagar retrospectively w.e.f. 01 April 2008.

Accordingly, GMADA transferred (July 2011) ₹ 4.30 crore for the period from April 2008 to June 2011 to MC, SAS Nagar on account of scrutiny fee and non-construction charges and thereafter, neither any fee was transferred nor any details thereof were given to the Corporation. Audit noticed that GMADA collected scrutiny fee and non-construction charges amounting to ₹ 28.62 crore during 2015-16 to 2019-20, but the requisite share of ₹ 14.31 crore was not transferred to the Corporation.

The Department stated (August 2021) that efforts were being made by the Municipal Corporation, SAS Nagar to recover the due amount from GMADA.

5.1.8 Short release of grant to Punjab Municipal Fund

The Government of Punjab enacted (October 2006) the Punjab Municipal Fund Act, 2006 to assign⁶ amount of tax levied and collected under the Punjab Value Added Tax Act, 2005 to the Municipalities and to provide for constitution of the Punjab Municipal Fund (PMF) with a view to compensate Municipalities for the loss of revenue, suffered due to abolition of octroi in the State of Punjab and for the matters connected therewith or incidental thereto. Thereafter, the GoI enacted (June 2017) Goods and Services Tax (GST) Act, 2017 and VAT was subsumed under the GST. Accordingly, the Government decided (June 2017) that the Grants-in-aid so provided to PMF would not be less than the sum provided during the year 2015-16 with 14 *per cent* annual increase.

The details of Grants-in-aid (GIA) provided to PMF during the period 2015-16 to 2019-20 is depicted in **Table 5.8**.

⁶ As per Section 3(2) of the PMF Act, 2006, 11 *per cent* of VAT collected shall be credited direct to the PMF provided that the amount so collected to the fund shall not be less than ₹ 550 crore.

Table 5.8: Details of Grants-in-aid provided to PMF during 2015-2020

(₹ in crore)

Year	Budget estimate	Amount due after including 14 per cent annual increase	Total amount received	Amount short received
2015-16	1,449.99	NA	1,449.99	0.00
2016-17	1,564.58	NA	1,564.58	0.00
2017-18	1,933.99	1,884.41	1,783.43	-150.56
2018-19	1,984.73	2,148.22	1,834.73	-150.00
2019-20	2,107.20	2,448.98	1,541.63	-565.57
Total	9,040.49	6,481.61	8,174.36	-866.13

Source: Departmental information

NA=Not applicable

Note: Prior to 01.07.2017, 11 per cent share of VAT was being credited direct to PMF.

Table 5.8 shows that there was short release of ₹ 866.13 crore on account of GIA provided to PMF during 2017-2020 against the decision of the Government (June 2017). Further, the Government also ignored the factor of annual increase of 14 per cent while preparing the budget estimates in respect of PMF for years 2017-18 to 2019-20.

The Department stated (August 2021) that the proposal of 14 per cent annual increase was not approved by the Council of Ministers in its meeting held in June 2017. Audit, however, noticed that the Local Government Minister had observed that exclusion of 14 per cent increase was an omission in recording the minutes and directed (June 2017) that the matter be taken up with the Chief Secretary for amending the minutes suitably so that the decision which was actually taken, be recorded and implemented. Further outcome of the matter was awaited.

5.2 Budget estimates and expenditure

In accordance with the provisions of Section 86 of PMC Act, the Corporation shall, not later than the first week of February of every year, prepare the budget estimate for the ensuing year which shall be an estimate of the income to be received and expenditure to be incurred by the Corporation on account of the Municipal Government of the city and forward it to the State Government.

The budget estimate received by the Government shall be returned to the Corporation before 31st 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 shall be made with the prior approval of the Government and after such approval, shall be deemed to be included in the budget estimate finally adopted for that year.

As per paragraph 31.9 of Punjab Municipal Accounting Manual, 2017, Class I Municipal Councils send their budget proposals to the Department and

Class II & III Councils including Nagar Panchayats forward their budget proposals to the concerned Regional Deputy Directors for approval.

The procedure of preparation and approval of budget in respect of ULBs, as laid down in the Punjab Municipal Accounting Manual, 2017, is detailed in **Table 5.9**.

Table 5.9: Procedure of preparation and approval of budget in ULBs

Category of ULB	Preliminary edition of budget	Finalisation of preliminary budget	Budget approval
Municipal Corporation	Commissioner	Finance Sub-Committee	Secretary to Government of Punjab, Department of Local Government
Municipal Council (Class-I)	Executive Officer	President	Director, Department of Local Government
Municipal Council (Class-II & III)/ Nagar Panchayat	Executive Officer	President	Concerned Regional Deputy Director

Source: Punjab Municipal Accounting Manual, 2017

Thus, the provisions of PMC Act, stipulating the role of State Government in sanctioning/modifying the budget, were not in consonance with the provisions of 74th CAA.

5.2.1 Unrealistic budget estimates

Expenditure estimation depends on services to be provided by the Local Government and the costs associated with the provision of these services. It should include both the capital and O&M expenditure that the local body will have to incur to achieve appropriate service levels.

Since the delivery of Municipal services comes with a cost, it was necessary to scientifically estimate the cost of each Municipal service to assess the requirement and source of funds for efficient delivery.

The details of budget estimates *vis-à-vis* actuals in respect of receipts and expenditure of ULBs during the period 2015-2020 are shown in **Table 5.10**.

Table 5.10: Budget estimates *vis-à-vis* actual receipt and expenditure of ULBs
(₹ in crore)

Category of ULB	Year	Receipts (Own Revenue)			Expenditure		
		Budget	Actuals	Percentage of actuals to budget	Budget	Actuals	Percentage of actuals to budget
Municipal Corporation	2015-16	1,645.15	1,423.63	86.53	1,659.13	1,461.16	88.07
	2016-17	1,721.84	1,580.56	91.79	2,246.90	1,410.12	62.76
	2017-18	1,934.50	1,537.53	79.48	2,435.11	1,424.73	58.51
	2018-19	2,073.07	1,738.22	83.85	2,147.68	1,495.96	69.65
	2019-20	2,317.12	1,825.12	78.77	2,197.42	1,570.76	71.48

Category of ULB	Year	Receipts (Own Revenue)			Expenditure		
		Budget	Actuals	Percentage of actuals to budget	Budget	Actuals	Percentage of actuals to budget
Municipal Council	2015-16	1,038.78	852.18	82.04	1,073.16	935.52	87.17
	2016-17	908.01	986.19	108.61	953.87	1,148.52	120.41
	2017-18	943.95	941.64	99.76	1,036.13	981.89	94.77
	2018-19	1,024.67	1,083.30	105.72	1,091.72	1,030.98	94.44
	2019-20	1,256.15	1,137.46	90.55	1,346.97	1,082.53	80.37
Nagar Panchayat	2015-16	163.32	122.72	75.14	172.06	132.08	76.76
	2016-17	315.66	122.57	38.83	336.54	189.88	56.42
	2017-18	330.49	114.31	34.59	347.78	135.40	38.93
	2018-19	337.37	141.99	42.09	336.00	142.17	42.31
	2019-20	189.33	149.09	78.75	198.87	149.28	75.06

Source: Departmental information

Table 5.10 shows that percentage of actual receipts *vis-à-vis* budget estimates during the period 2015-16 to 2019-20 ranged between 34.59 *per cent* and 108.61 *per cent*, and that of actual expenditure *vis-à-vis* budget estimates ranged between 38.93 *per cent* and 120.41 *per cent* in ULBs. Thus, the budget estimates with variation of more than 10 *per cent* could be termed as unrealistic.

The Department stated (August 2021) that the ULBs would be instructed to meet the budget targets so that development works or implementation of other activities as planned in the budget did not suffer adversely. Further, ULBs would also be advised to adopt minimum standards prescribed for civic services and ascertain the requirement of funds as well as analyse actual expenditure to be incurred in the succeeding year so as to minimise the variations in the budget estimation of receipts and expenditure.

5.3 Financial powers of Urban Local Bodies

Fiscal autonomy can be complete only when supported by decentralisation of financial and administrative powers. The decentralisation provides for -

- ✓ creating an efficient and reliable administration;
- ✓ intensified and improved local governance;
- ✓ enhanced accountability and responsiveness;
- ✓ improved capacity of the local people to participate in the decision making process, especially with regard to service delivery; and
- ✓ increased motivation.

In order to streamline the process of execution of development works and procurement of goods in Local Government Department, a Standard Operating

Procedure was prepared (August 2018) by the State Government for administrative, technical and tender approval powers relating to ULBs for undertaking basic infrastructure works.

The ULBs shall preferably procure goods at the Rate Contracts with the registered suppliers for such goods with Controller of Stores, Punjab or through Government e-Marketplace (GeM) portal. The GeM portal shall be utilised by the ULBs for direct on-line purchases as under:

Sr. No.	Procedure	Amount
1.	Available supplier on the GeM	Upto ₹ 50,000
2.	GeM seller having lowest price amongst the available sellers, of at least three different manufacturers, on GeM, meeting the requisite quality, specification and delivery period.	Above ₹ 50,000 and up to ₹ 30 lakh
3.	Supplier having lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool provided on GeM.	Above ₹ 30 lakh

The administrative approval powers of ULBs in emergent maintenance of essential services are as under:

Sr. No.	Authority/Type of ULB	Amount (₹)
1.	Commissioner, Municipal Corporation	1,00,000
2.	Executive Officer for Class I Municipal Council	40,000
3.	Executive Officer for Class II Municipal Council	30,000
4.	Executive Officer for Class III Municipal Council and Nagar Panchayat	20,000

Provided that the total expenditure on such emergent maintenance works shall not exceed two *per cent* of the total annual budget for development and maintenance works of ULBs.

The powers of ULBs in respect of technical sanction are as under:

Sr. No.	Officer competent to accord technical sanction	Amount up to which the technical sanction can be accorded
1.	Junior Engineer	Up to ₹ 2 lakh
2.	Assistant Municipal Engineer/ Assistant Corporation Engineer	Above ₹ 2 lakh up to ₹ 25 lakh
3.	Municipal Engineer/ Corporation Engineer	Above ₹ 25 lakh up to ₹ 50 lakh
4.	Superintending Engineer	Above ₹ 50 lakh up to ₹ 1 crore
5.	Chief Engineer	Above ₹ 1 crore up to ₹ 5 crore
6.	Committee of three Chief Engineers	Above ₹ 5 crore

The comparative statements shall be vetted by the authorities as under:

Sr. No.	Officer competent to accord technical sanction	Amount of financial bid up to which to be vetted by the technical officer
1.	Assistant Municipal Engineer/ Assistant Corporation Engineer	For works up to ₹ 5 lakh
2.	Municipal Engineer/Corporation Engineer	Above ₹ 5 lakh up to ₹ 25 lakh
3.	Superintending Engineer	Above ₹ 25 lakh to ₹ 50 lakh
4.	Chief Engineer	Above ₹ 50 lakh up to ₹ 5 crore
5.	Committee of three Chief Engineers	Above ₹ 5 crore

- ✓ Purchases of goods up to ₹ 5,000 occasionally or in emergent needs may be made without inviting quotations or bids on the basis of certificate to be recorded by the competent authority.
- ✓ All tenders above ₹ 20,000 shall be invited through e-tendering mode only.

The powers to incur other expenditure *viz.* celebration of Independence Day and Republic Day and on works of emergent nature are as under:

(Amount in ₹)			
Sr. No.	Type of ULB	For celebration of Independence Day and Republic Day (fixed in January 2004)	For emergent nature works (fixed in February 2016)
1.	Municipal Corporation	30,000	--
2.	Municipal Council Class-I (at District level)	20,000	30,000
3.	Municipal Council Class-I	15,000	30,000
4.	Municipal Council Class-II	10,000	30,000
5.	Municipal Council Class-III	7,000	30,000
6.	Nagar Panchayat	7,000	20,000

Audit observed that the powers and role of ULBs were limited in respect of administrative approvals in emergent maintenance of essential services, technical sanctions, acceptance of financial bids and other expenditure, thereby restricting the autonomy of ULBs.

The Department stated (August 2021) that issues raised by Audit would be considered at the time of renewing the Standard Operating Procedure in respect of ULBs.

5.4 Expenditure of Urban Local Bodies

(i) The expenditure of ULBs can be divided into five major categories/heads such as salaries and wages; contingencies; capital expenditure; operation and maintenance (O&M) and repayment of loan and interest. The detail of expenditure incurred by ULBs in the State for the period 2015-2020 is exhibited in **Table 5.11**.

Table 5.11: Trend of expenditure of ULBs

(₹in crore)

Head	2015-16	2016-17	2017-18	2018-19	2019-20	Total	Percentage of total expenditure
Salaries and wages	1,326.49	1,422.79	1,522.94	1,599.08	1,679.04	7,550.34	56.81
Contingencies	338.47	221.87	170.92	179.46	188.43	1,099.15	8.27
Capital expenditure	314.30	526.69	319.99	335.99	352.79	1,849.76	13.92
Operation and maintenance	511.20	532.64	486.94	511.28	536.85	2,578.91	19.40
Repayment of loan and interest	38.30	44.54	41.24	43.30	45.46	212.84	1.60
Total	2,528.76	2,748.53	2,542.03	2,669.11	2,802.57	13,291	

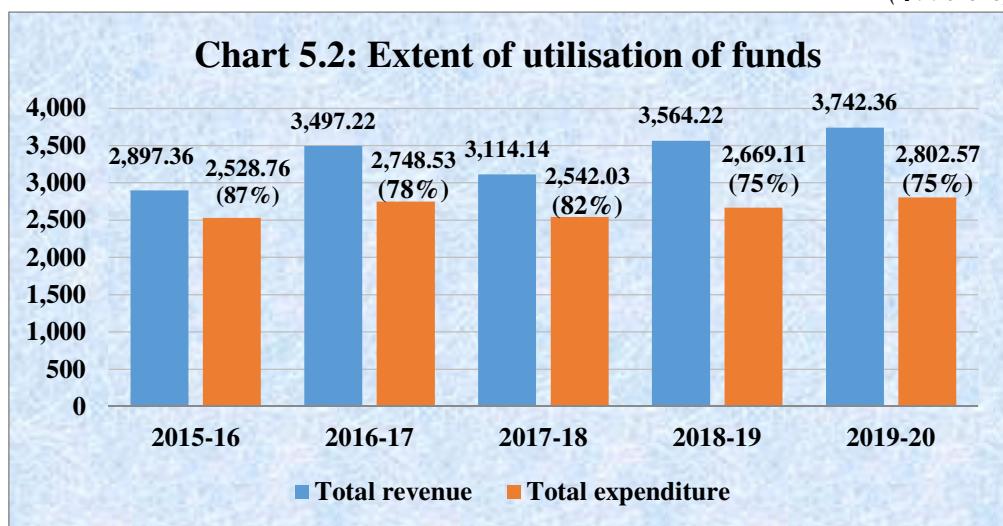
Source: Departmental information

The Fifth SFC emphasised that O&M of water supply and sewerage system was either supply driven or complaint driven without any kind of assessment of quality of services. There is, thus, an urgent need to improve the O&M of these services so as to provide satisfactory facilities to the public, who in turn will normally be happy to pay for these services. **Table 5.11** shows that during the five years' period from 2015-16 to 2019-20, the average expenditure on O&M was 19.40 *per cent* only, and it decreased from 20.22 *per cent* in 2015-16 to 19.16 *per cent* in 2017-18 and remained at this level during 2018-2020. Thus, despite increase in population and expansion of services, the expenditure on O&M remained nearly static during this period.

The Department stated (August 2021) that instructions would be issued to the ULBs to make every effort to increase their expenditure on O&M works so that satisfactory facilities could be provided to public.

(ii) A comparison of the total expenditure with total revenue for the period from 2015-16 to 2019-20 showed that ULBs were able to utilise 75 *per cent* to 87 *per cent* of the available funds during the period of five years, as depicted in **Chart 5.2**.

(₹in crore)



Source: Departmental data

It was further noticed that expenditure more than 100 *per cent* of their own revenue was incurred by 57 ULBs.

The Department stated (August 2021) that the ULBs would be instructed to make earnest efforts to increase the extent of utilisation of funds in a time bound manner so that satisfactory facilities could be provided to public.

5.5 Solid Waste Management

Unscientific disposal of Municipal Solid Waste has serious consequences on the environment as well as on human health. To tackle these problems, Ministry of Environment, Forest and Climate Change, GoI notified (April 2016) Solid Waste Management (SWM) Rules, 2016 and also defined the duties of the Urban Development Department in the States and Union Territories for management of solid waste.

Rule 11 of SWM Rules provided that the State Government would prepare a State Policy and SWM Strategy for the State through Director, Local Bodies Department within one year from the notification of SWM Rules. Further, as per Rule 15, ULBs would also prepare a SWM plan as per State Policy and Strategy on SWM within six months from the date of notification issued by the State Government in this regard and submit a copy of the same to the Local Bodies Department. Under these rules, ULBs were authorised to collect user fee as determined by it from time to time on its own or through its authorised agency from all waste generators.

The State Government notified (July 2018) Punjab State SWM Policy, 2018 and SWM Strategy, prepared by Punjab Municipal Infrastructure Development Company (PMIDC), for the State in accordance with SWM Rules after analysing the deficiencies of earlier cluster approach for filling all gaps in respect of infrastructure for door-to-door collection of segregated waste at source, transportation, processing and disposal which have the provision of collection of user charges from categories of waste generators.

Audit observed (April 2021) that 100 *per cent* door-to-door collection of solid waste was being done in 137 out of 163 ULBs⁷ (84.05 *per cent*) and 100 *per cent* source segregation of solid waste was also being done in 72 ULBs (44.17 *per cent*). During test-check of records related to SWM in selected ULBs, audit noticed the following:

5.5.1 Payment made without realising intended benefits due to non-commissioning of Solid Waste Processing Project

Prior to implementation of SWM Rules, 2016, the Department of Local Government, GoP, had divided (August 2013) the State into eight clusters⁸ for development of Municipal SWM Project.

⁷ Position in respect of four ULBs was not provided by the Department.

⁸ (i) Amritsar; (ii) Bathinda; (iii) Ferozepur; (iv) Jalandhar; (v) Ludhiana; (vi); Pathankot; (vii) Patiala; and (viii) SAS Nagar (GMADA).

During test-check of records (January 2021) in Municipal Corporation, Patiala, it was noticed that 22 ULBs were to be covered under Patiala Cluster under the project. While tenders for SWM project were in progress, the acquisition process of land for dumping site at village Dudhar for Patiala Cluster was finalised and possession taken (November 2013) by the Municipal Corporation, Patiala though the agreement for the purpose in respect of *Shamlat* land measuring 20 acres was executed for 33 years with Gram Panchayat, Dudhar village in January 2015.

The tenders for Patiala SWM Cluster could not be finalised till May 2018, when it was decided by PMIDC under the control of the Department to combine Patiala and GMADA Clusters. The land for the project for Patiala Cluster had already been acquired on lease in village Dudhar, whereas acquisition of land for GMADA Cluster was under process, due to which tenders for the combined Patiala-GMADA cluster could not be finalised. However, as per agreement (January 2015), Municipal Corporation, Patiala kept paying rent to Gram Panchayat, village Dudhar @ ₹ 10.00 lakh per annum with annual increase of 10 *per cent* (₹ one lakh) without utilising the land for any purpose. This resulted into unfruitful expenditure amounting to ₹ 94.75 lakh for the period from November 2013 to March 2021 (*Appendix 5.1*).

The Department stated (August 2021) that the Dudhar based plant was a collective enterprise of 22 ULBs including Patiala and liquidation of the same could be done only if all stakeholders agreed to the same. The Municipal Corporation, Patiala on its own, was not authorised to release the land marked for utilisation of all the constituent ULBs. Thus, it was prudent not to give up the stake over land as so much homework had already been done. The fact, however, remains that expenditure of ₹ 94.75 lakh on rent/lease had already been incurred for more than seven years without utilising the land for any purpose.

5.6 Conclusions

The 74th CAA provided for fiscal transfers from the Central and State Governments to the ULBs besides empowering them to raise their own revenue. However, the ULBs were having limited access to the financial resources, which were not commensurate with their functions.

- The fiscal transfers constituted about 18 *per cent* of the revenue of ULBs during the period 2015-16 to 2019-20. However, there was shortfall in release of committed funds by the State Government. Out of mandated devolution of ₹ 3,287 crore during 2015-2020 as per SFC recommendations, only ₹ seven crore (0.21 *per cent*) were released to ULBs during the same period.

- Against the allocation of ₹ 1,962.36 crore and ₹ 490.59 crore as Basic Grant and Performance Grant as per recommendations of 14th Central Finance Commission, GoP received ₹ 1,902.65 crore and ₹ 200.15 crore, thereby resulting into short receipt of ₹ 59.71 crore and ₹ 290.44 crore respectively during the period 2015-2020.
- There was short release of ₹ 866.13 crore on account of Grants-in-aid by the State Government to Punjab Municipal Fund during 2017-2020.
- Recovery on account of Municipal tax (₹ 127.81 crore) from PSPCL; property tax (₹ 216.84 crore); user charges (₹ 535.96 crore); rent/lease (₹ 40.30 crore); amount of ₹ 229.31 crore from GMADA was outstanding; thereby showing ineffectiveness of the ULBs in augmenting their own revenue.
- As against the recommendations of the Fourth and Fifth SFCs requiring the user charges to cover 90 *per cent* of the cost of expenditure on operation and maintenance (O&M), the average collection of user charges during 2015-2020 was only 18 *per cent*. The underlying reasons for short collection of user charges was short assessment of demand which was only 20 *per cent* of the expenditure incurred on O&M during the same period.
- During the five years' period from 2015-16 to 2019-20, despite increase in population and expansion of services, the expenditure on O&M decreased from 20.22 *per cent* in 2015-16 to 19.16 *per cent* in 2017-18.
- Percentage of actual receipts *vis-à-vis* budget estimates ranged between 34.59 *per cent* and 108.61 *per cent*, and that of actual expenditure *vis-à-vis* budget estimates ranged between 38.93 *per cent* and 120.41 *per cent* in ULBs during the period 2015-16 to 2019-20. Thus, the budget estimates with variation of more than 10 *per cent* could be termed as unrealistic.
- The powers and role of ULBs were limited in respect of administrative approvals in emergent maintenance of essential services, technical sanctions, acceptance of financial bids and other expenditure, thereby restricting the autonomy of ULBs.

5.7 Recommendations

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

- (i) *ensuring release of mandated share to ULBs as per recommendations of Central/State Finance Commissions and due GIA to Punjab Municipal Fund;*
- (ii) *putting in place an effective mechanism for the recovery of outstanding dues from the organisations/bodies concerned by ULBs to augment their own resources;*

- (iii) *taking appropriate action on the recommendations of SFC with regard to levy such charges on water supply and sewerage by ULBs so that they are able to recover 90 per cent expenditure on O&M incurred on these services, besides improving O&M on the water supply and sewerage system;*
- (iv) *ensuring preparation of realistic budget estimates by ULBs in respect of receipts and expenditure; and*
- (v) *providing adequate powers and enhancing role of ULBs in administrative and executive spheres to enable them to function as institutions of self-government and to strengthen Municipal level governance in line with the provisions of 74th CAA.*

Chapter-VI

Human resources of Urban Local Bodies

Chapter-VI

Human resources of Urban Local Bodies

6.1 Limited powers over human resources

Adequate and qualified manpower is essential for the empowerment of Urban Local Bodies (ULB). Fifth SFC also recommended that a uniform staffing pattern for all ULBs in the State should be established and common norms should be fixed in this regard. 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. The broad framework of functions carried out by ULBs is depicted in **Table 6.1**.

Table 6.1: Broad framework of functions carried out by ULBs

Sr. No.	Wing/Section	Functions
1.	Administration	General administration, including meetings of Councils and Committees
2.	Revenue	Assessment and collection of various taxes, rent, advertisements and other property related activities
3.	Accounts	Preparation and maintenance of accounts, preparation of budget, etc.
4.	Public Health	Sanitation, street sweeping, solid waste management and other public health related activities
5.	Engineering	Construction/O&M of roads, drains, buildings, parks, playgrounds, water supply and street lighting, etc.
6.	Town Planning	Town planning activities such as issue of building licences, etc.
7.	Welfare	Implementation of schemes relating to Social and Economic development.

Source: Departmental information

Section 71 of Punjab Municipal Corporation Act, 1976 (PMC Act) and Section 38 of Punjab Municipal Act, 1911 (PM Act) provide the following powers related to human resources to the State Government:

- The Government may make rules for regulating the recruitment and the conditions of service of members of the Corporation/Municipal Services and the classification of such services and for the duties and functions of the members of such services.
- The Government may transfer any member of a Corporation/Municipal Services from a post in one Corporation/Municipal Service to a post carrying the same scale of pay in another Corporation/Municipal Service.

- The salary, allowances, gratuity, annuity, pension and other payments required to be made to the members of the Corporation/Municipal Services in accordance with the conditions of their service shall be charged from the Corporation/Municipal Fund in the prescribed manner.
- Creation of posts in a Corporation/Municipal Service and appointment of members thereto shall be made by the Government or by an authority empowered by the Government in this behalf after taking into consideration the requirements of the Corporation/Municipal Service and their financial capacity but no such member shall be deemed to have been appointed to any Civil Service or post under the State.
- The powers of punishment or dismissal of any officer rests with the State Government.

The assessment of manpower should be based on the functions undertaken by ULBs with a view that majority of the functions which are service oriented have to be discharged within a reasonable time period. This assessment could be done best by ULBs themselves considering various criteria such as the extent of geographical area to be covered, the extent and type of population, the number of existing properties, etc. Audit observed that ULBs neither had the powers to assess the staff requirement nor to recruit the required staff. These powers were vested in the State Government. The State Government assessed the requirement of staff based on consideration and requirements of the Corporations/Councils/Nagar Panchayats and their financial capacity, as discussed in subsequent paragraphs.

The Department stated (August 2021) that the Government or Directorate was having various powers related to human resources in respect of provincialised cadre employees. Whereas, such powers with regard to non-provincialised cadre employees, who were higher in numbers *vis-à-vis* provincialised employees, vested with the concerned Municipality. It was added that majority of the functionaries were under the administrative control of Municipalities. The powers with the Government were not absolute and were generally exercised in the best interest of ULBs to streamline their functioning. The reply of the Department showed that the full autonomy had not been given to the ULBs to enable them to function as self-government institutions in line with the provisions of 74th CAA.

6.1.1 Recruitment of staff

In accordance with the Acts governing ULBs, the State Government regulates the classification, method of recruitment, conditions of service, pay and allowances, discipline and conduct of staff and officers of ULBs. The Punjab Municipal Corporation Services (Recruitment and Conditions of Service) (Third Amendment) Rules, 2015 lists out the Appointing Authorities for various categories of posts as indicated in **Table 6.2**.

Table 6.2: Appointing authorities for recruitment of staff

Sr. No.	Name of the post	Appointing Authority
1.	Executive Officer (Class I, II & III)	Government
2.	Joint Deputy Director	Government
3.	Chief Engineer	Government
4.	Superintending Engineer	Government
5.	Municipal Engineer	Government
6.	Senior Town Planner	Government
7.	Town Planner	Government
8.	Assistant Divisional Fire Officer	Government
9.	Assistant Town Planner	Director
10.	Assistant Municipal Engineer	Director
11.	Junior Engineer	Director
12.	Legal Assistant	Director
13.	Station Fire Officer	Director
14.	Sub Fire Officer	Director
15.	Superintendent (Grade II)	Director
16.	Head Draftsman	Director
17.	Draftsman	Director
18.	Accountant Grade I & II	Director
19.	Senior Assistant/ Inspector	Director
20.	Senior Scale Stenographer	Director
21.	Chief Sanitary Inspector	Director
22.	Sanitary Inspector	Director
23.	Building Inspector (Technical)	Director
24.	Personal Assistant	Director

Source: Government notification

The Department stated (August 2021) that the control at the end of the Government had been retained in order to maintain uniformity of rules, guidelines for implementation by ULBs. The reply of the Department was not in line with the provisions of 74th CAA.

6.1.2 Method of recruitment

As per provisions contained in the Punjab Municipal Corporation Services (Recruitment and Conditions of Service) (Third Amendment) Rules, 1975, recruitment for various category of posts in a service at the time of initial consideration shall be made by the appointing authority by absorption of persons already holding corresponding posts in the service of a Municipality provided they are found fit by an authority appointed by the Government in this behalf for becoming member of the service after taking into consideration their qualification and service record. The remaining vacancies and the vacancies which may occur thereafter shall be filled up in the following manner namely:

- ✓ Fifty *per cent* of the vacancies by direct recruitment; and
- ✓ Fifty *per cent* of the vacancies by promotion on seniority-cum-merit basis.

Provided that if no suitable candidate is available for appointment by direct recruitment or by promotion, the vacancies may be filled up by transfer or deputation.

The Government may from time to time by notification constitute a Selection Committee consisting of at least three officers of the Government and two non-officials who have sufficient experience in the functioning of ULBs and different Selection Committees for different categories of posts in a Service. Provided that at least one member of the Selection Committees shall belong to the Scheduled Caste.

6.1.2.1 During test-check of records of the Department of Local Government, Punjab (Department) Audit noticed that the Government of Punjab approved (October 2012) recruitment of vacant posts in different cadres/categories in Municipal Corporations/Councils/Nagar Panchayats, Improvement Trusts and PWSSB and decided that test for recruitment of these posts would be conducted through an independent agency. The Panjab University, Chandigarh was selected (March 2013) by three-member Committee for this purpose.

Accordingly, the Department invited (July 2015) applications to fill up 670 posts in different cadres/categories. The Hon'ble Punjab and Haryana High Court in a civil writ petition stayed (August 2015) the result of 32 posts of Executive Officers (Grade I & II), though the selection process was allowed to be continued. The written test for the purpose was conducted in November 2015. However, while the work of appointment was in progress, a vigilance case was registered (April 2016) and the recruitment process of 456 posts was cancelled (November 2016) by the Hon'ble Court with the directions to re-conduct the test of cancelled posts (March 2018); besides staying the result of 25 posts of Junior Draftsman.

Out of remaining 157 posts, only 84 candidates were selected for appointment under different cadres and no candidate was found eligible for selection in respect of balance 73 posts. However, the Department did not conduct re-test in respect of 456 posts, as per directions of the Hon'ble Court.

The Department stated (August 2021) that the recruitment in ULBs could not be made due to on-going court cases and efforts were being made to speed up the recruitment process. It was added that in order to meet the shortage of staff in respect of provincialised cadre employees, adjustments by way of giving additional charge, etc. was made by the Government so that urgent work in ULBs did not suffer. The reply of the Department was not convincing as in spite of shortage of staff, recruitment of only 84 posts in different categories was made during 2015-16 to 2019-20.

6.1.3 Powers over staff

The Second Administrative Reforms Committee (ARC) opined (October 2007) that the ULBs should have autonomy to recruit human resources and assess their performance measurement with suitable incentives and penalties.

It was, however, noticed that the powers to promote officials, initiate disciplinary action, impose penalties, etc. in respect of the provincialised cadre was with the State Government. In case of non-provincialised cadre, the ULBs exercised the power only with the approval of the State Government.

The Department stated (August 2021) that powers of promotion, disciplinary action, etc. were exercised by the Government/Director only in respect of provincialised cadre employees. The autonomy to recruit staff of non-provincialised cadre staff rested in ULBs and was being exercised by them. The reply of the Department in respect of provincialised staff was not in line with the recommendation of ARC.

6.2 Sufficiency and functioning of staff

6.2.1 Shortage of staff in Urban Local Bodies

The staff position under various categories of ULBs in the State during the period 2015-16 to 2019-20 is depicted in **Table 6.3.**

Table 6.3: Staff position under various categories during 2015-2020

Year	Category	Sanctioned Strength	Men-in-position	Vacancy	Percentage of shortage
2015-16	A	463	259	204	44.06
	B	2,131	1,240	891	41.81
	C	7,898	4,546	3,352	42.44
	D	27,470	20,877	6,593	24.00
Total		37,962	26,922	11,040	29.08
2016-17	A	475	283	192	40.42
	B	2,147	1,236	911	42.43
	C	7,864	4,349	3,515	44.70
	D	27,336	20,520	6,816	24.93
Total		37,822	26,388	11,434	30.23
2017-18	A	475	265	210	44.21
	B	2,154	1,275	879	40.81
	C	7,813	4,060	3,753	48.04
	D	27,309	19,933	7,376	27.01
Total		37,751	25,533	12,218	32.36
2018-19	A	473	264	209	44.19
	B	2,165	1,251	914	42.22

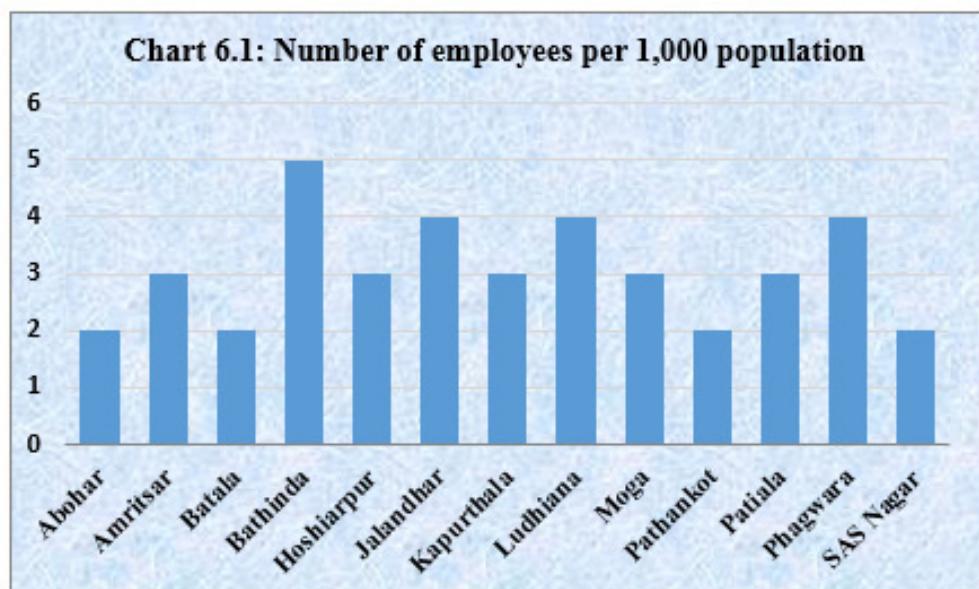
Year	Category	Sanctioned Strength	Men-in-position	Vacancy	Percentage of shortage
	C	7,810	3,927	3,883	49.72
	D	27,158	19,281	7,877	29.00
Total		37,606	24,723	12,883	34.26
2019-20	A	473	267	206	43.55
	B	2,161	1,238	923	42.71
	C	7,798	3,718	4,080	52.32
	D	27,102	18,620	8,482	31.30
	Total	37,534	23,843	13,691	36.48

Source: Departmental information

Table 6.3 shows that there was shortage of staff ranging from 29.08 *per cent* to 36.48 *per cent* amongst various cadres/categories during 2015-2020. It was further noticed that:

- In 13¹ Municipal Corporations, the staff in different categories was short by 42.84 *per cent*.
- In five ULBs², 34 officers/officials under different cadres were posted in excess of the sanctioned strength and such excess staff could be deployed against the vacant posts in other ULBs. But no efforts were made by the Department in this regard.

Working strength in terms of number of employees per thousand population in 13 ULBs is shown in **Chart 6.1**.



Source: Departmental data

¹ (i) Abohar; (ii) Amritsar; (iii) Batala; (iv) Bathinda; (v) Hoshiarpur; (vi) Jalandhar; (vii) Kapurthala; (viii) Ludhiana; (ix) Moga; (x) Pathankot; (xi) Patiala; (xii) Phagwara and (xiii) SAS Nagar (MCs Abohar, Batala and Kapurthala came into existence after the audit period i.e. March 2020).

² (i) Batala; (ii) Jalandhar; (iii) Ludhiana; (iv) Patiala; and (v) SAS Nagar.

Chart 6.1 shows that out of 13 ULBs, for every thousand people, four³ ULBs had only two employees, five⁴ ULBs had three employees, three⁵ ULBs had four employees and one⁶ ULB had five employees. Evidently, the ULBs lacked adequate manpower to carry out efficient delivery of services. Thus, acute shortage of staff in the ULBs could hamper smooth/effective functioning of the ULBs.

The Department stated (August 2021) that every effort would be made to ensure that ULBs did not lack adequate manpower to carry out delivery of services in an efficient manner.

The Principal Secretary stated (August 2021) that a proposal of recruitment of 1,000 posts had been submitted to Punjab Public Service Commission and ULBs had been directed to recruit Group D staff on contractual basis keeping in view the revenue being generated by them.

6.2.2 Functioning of the Municipal Commissioner/Executive Officer

The Municipal Commissioner/Executive Officer was the executive head of the Municipality. In terms of the provision under Section 47 of PMC Act, the Government shall, by notification in the Official Gazette, appoint a Class I Officer of the Government with a minimum service as such of ten years as the Commissioner of the Corporation. Further, Section 3 of PM (Executive Officer) Act, 1931 read with Section 5(a) of PM Act provide that the Committee shall, by resolution to be passed by not less than five-eighths of the total number of members constituting the Committee for the time being, appoint a person within three months from the date of notification with the approval of the State Government as Executive Officer for a renewable period of five years. The Punjab Municipal Service (Recruitment and Conditions of Service) Rules, 1975, provided that the appointing, punishing, appellate authority in case of Executive Officer (Class-I, II and III) would be the State Government. Audit noticed that the provisions *ibid* were being complied with in the State of Punjab.

6.3 Capacity building

Special training programmes for the staff of ULBs may be helpful in the enhancement of their working knowledge and capabilities. The State Government should also take steps to create teams consisting of qualified technical experts in the field of finance, accounting, engineering and urban planning, etc. which could regularly undertake field visits and impart hands on training to the staff.

³ Abohar, Batala, Pathankot and SAS Nagar.

⁴ Amritsar, Hoshiarpur, Kapurthala, Moga and Patiala.

⁵ Jalandhar, Ludhiana and Phagwara.

⁶ Bathinda.

Audit observed that no Training need analysis had been done for the staff by any of the test checked ULBs. It was further noted that while no training for capacity building was imparted during 2015-16 and 2016-17, 182 officers/officials ranging between 0.75 *per cent* and 1.44 *per cent* of total men-in-position (excluding Group D employees) were nominated for capacity building training programmes during 2017-18 to 2019-20. The expenditure incurred on such training/courses was met directly from the grants released by MoUD.

It was further noticed that no mechanism existed to evaluate the impact of the training imparted to the staff of ULBs on the discharge of their functions. In the absence of any such evaluation, Audit could not ascertain whether the training imparted helped the participants in improving their skills and whether the course design needed revision.

Thus, non-providing adequate training to the staff as per requirement resulted in non-acquisition of enhanced skills by the personnel.

The Department stated (August 2021) that serious efforts would be made to arrange training programmes for staff of ULBs so as to enhance their skills. It was added that the course design of training programmes would be revised as per the present circumstances.

6.4 Conclusions

The ULBs were having minimal access to human resources, as is evident from the following:

- The ULBs neither had the powers to assess the staff requirement nor to recruit the required staff. These powers were vested with the State Government. The State Government assessed the requirement of staff based on consideration, requirements and financial capacity of the Corporations/Councils/ Nagar Panchayats.
- The State Government had the powers to regulate classification, method of recruitment, conditions of service, pay and allowances, initiate disciplinary action on staff of ULBs, transfer of staff across ULBs, etc.
- There was shortage of staff ranging from 29.08 *per cent* to 36.48 *per cent* amongst various cadres/categories during 2015-2020. In 13 major ULBs (Municipal Corporations), for every thousand people, four ULBs had only two employees, five ULBs had three employees, three ULBs had four employees and one ULB had five employees. Evidently, the ULBs lacked adequate manpower to carry out efficient delivery of services.
- Training to staff for capacity building was deficient, as only 0.75 *per cent* to 1.44 *per cent* of total men-in-position (excluding Group D employees) were nominated for capacity building training programmes during 2017-18 to 2019-20.

6.5 Recommendations

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

- (i) *empowering autonomy to ULBs to assess, recruit and manage human resources commensurate with their needs and functions; and*
- (ii) *ensuring adequate manpower to ULBs, besides imparting need-based training to staff to enable them to carry out efficient delivery of services.*

Chandigarh
The 22 February 2022



(PUNAM PANDEY)

Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 28 February 2022



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendices

Appendix 1.1

(Referred to in paragraph 1.1; page 2)

List of functions (with activities) enumerated in the Twelfth Schedule of the Constitution of India, to be devolved to Urban Local Bodies

Sr. No.	Functions	Activities
1.	Burials and burial grounds; cremations, cremation grounds	Construction and O&M of crematoriums and burial grounds and electric crematoriums
2.	Cattle pounds; prevention of cruelty to animals	Catching and keeping stray animals
		Sterilisation and anti-rabies
		Ensuring animal safety
3.	Regulation of slaughter houses and tanneries	Ensuring quality of animals and meat
		Disposal of waste
		O & M of slaughter houses
4.	Fire Services	Establishing and maintaining fire brigades
		Providing fire NOC/ approval certificate in respect of high rise buildings
5.	Urban planning including town planning	Master Planning/ Development Plans/ Zonal Plans
		Enforcing master planning regulations
		Enforcing building bye-laws and licenses
		Group Housing, Development of Industrial areas
6.	Slum improvement and upgradation	Identifying beneficiaries
		Affordable Housing
		Upgradation
7.	Planning for Economic and Social development	Program implementation for economic activities
		Policies for social development
8.	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Identifying beneficiaries
		Providing tools/benefits such as tricycles
		Housing programs
		Scholarships
9.	Urban poverty alleviation	Identifying beneficiaries
		Livelihood and employment
		Street vendors
10.	Roads and Bridges	Construction and maintenance of roads
		Construction and maintenance of bridges, drains, flyovers and footpaths
11.	Regulation of land-use and construction of buildings	Regulating land use
		Approving building plans/ high rises
		Demolishing illegal buildings
12.	Water supply for domestic, industrial and commercial purposes	Distribution of water
		Providing connections
		Operation and Maintenance (O&M)
		Collection of charges

Sr. No.	Functions	Activities
13.	Public health, sanitation conservancy and solid waste management	Maintaining Hospitals, Dispensaries Immunisation/Vaccination Registration of births and deaths Cleaning and disinfection of localities affected by infectious disease Solid waste management Control and supervision of public markets
14.	Urban forestry, protection of the environment and promotion of ecological aspects	Afforestation Greenification Awareness drives Protection of the environment and promotion of ecological aspects Maintenance of natural resources like water bodies, etc.
15.	Provision of urban amenities and facilities such as parks, gardens, playgrounds, etc.	Creation of parks and gardens Operation and Maintenance
16.	Promotion of cultural, educational and aesthetic aspects	Schools and education Fairs and festivals Cultural buildings/ institutions Heritage Public space beautification
17.	Vital statistics including birth and death registration	Coordinating with hospitals / crematoriums, etc. for obtaining information Maintaining and updating database
18.	Public amenities including street lighting, parking lots, bus stops and public conveniences	Installation and maintenance of street lights Creation and maintenance of parking lots Creation and maintenance of public toilets Deciding and operating bus routes

Source: 74th CAA and Department of Local Government, Punjab

Appendix 1.2

(Referred to in paragraph 1.3; page 3)

List of total Urban Local Bodies in Punjab

Sr. No.	Name of ULB	Sr. No.	Name of ULB
Municipal Corporation			
1.	Amritsar	6.	Moga
2.	Bathinda	7.	Mohali
3.	Hoshiarpur	8.	Pathankot
4.	Jalandhar	9.	Patiala
5.	Ludhiana	10.	Phagwara
Municipal Council			
11.	Abohar	62.	Kurali
12.	Adampur	63.	Lehragaga
13.	Ahmedgarh	64.	Longowal
14.	Alawalpur	65.	Machiwara
15.	Amloh	66.	Majitha
16.	Baghapurana	67.	Malerkotla
17.	Balachaur	68.	Malout
18.	Banga	69.	Mansa
19.	Banur	70.	Maur
20.	Bareta	71.	Morinda
21.	Bariwala	72.	Mukerian
22.	Barnala	73.	Mullanpur Dakha
23.	Bassi Pathana	74.	Nabha
24.	Batala	75.	Nakodar
25.	Bhadaur	76.	Nangal
26.	Bhawanigarh	77.	Nawanshahr
27.	Bhikhi	78.	Nurmahal
28.	Bhogpur	79.	Patran
29.	Bhucho Mandi	80.	Patti
30.	Budhlada	81.	Payal
31.	Dasuya	82.	Phillour
32.	Dera Baba Nanak	83.	Qadian
33.	Derabassi	84.	Rahon
34.	Dhanaula	85.	Raikot
35.	Dharamkot	86.	Rajpura
36.	Dhariwal	87.	Raman
37.	Dhuri	88.	Ramdas
38.	Dinanagar	89.	Rampuraphul
39.	Doraha	90.	Rupnagar
40.	Faridkot	91.	Sahnewal
41.	Fatehgarh Churian	92.	Samana
42.	Fazilka	93.	Samrala
43.	Ferozepur	94.	Sanaur
44.	Gardhiwala	95.	Sangat
45.	Garhshankar	96.	Sangrur

Sr. No.	Name of ULB	Sr. No.	Name of ULB
46.	Gidderbaha	97.	Sardulgarh
47.	Gobindgarh	98.	Shamchurasi
48.	Goniana	99.	Sri Anandpur Sahib
49.	Gurdaspur	100.	Sri Muktsar Sahib
50.	Guruharsahai	101.	Sirhind
51.	Hariana	102.	Sri Hargobindpur
52.	Jagraon	103.	Sujanpur
53.	Jaito	104.	Sultanpur Lodhi
54.	Jalalabad	105.	Sunam
55.	Jandiala Guru	106.	Talwandi Bhai
56.	Kapurthala	107.	Tapa
57.	Kartarpur	108.	TarnTaran
58.	Khanna	109.	UrmurTanda
59.	Kharar	110.	Zira
60.	Kotfatta	111.	Zirakpur
61.	Kotkapura		
Nagar Panchayat			
112.	Ajnala	140.	Kotshamir
113.	Amargarh	141.	Lalru
114.	Arniwala Sheikh Suban	142.	Lehra Mohabbat
115.	Badhnikalan	143.	Lohiankhas
116.	Ballianwali	144.	Mahilpur
117.	Begowal	145.	Makhu
118.	Bhadson	146.	Mallanwala Khas
119.	Bhagta Bhai Ka	147.	Maloud
120.	Bhai Roopa	148.	Maluka
121.	Bhikhiwind	149.	Mamdot
122.	Bhulath	150.	Mandikalan
123.	Bilga	151.	Mehatpur
124.	Boha	152.	Mehraj
125.	Chauke	153.	Moonak
126.	Cheema	154.	Mudki
127.	Dhilwan	155.	Nadala
128.	Dirba	156.	Narot Jaimal Singh
129.	Fatehgarhpanjtur	157.	Nathana
130.	Ghagga	158.	Naya Gaon
131.	Ghanaur	159.	Nihal Singh Wala
132.	Goraya	160.	Rajasansi
133.	Handiaya	161.	Rampura
134.	Joga	162.	Rayya
135.	Khamano	163.	Shahkot
136.	Khanauri	164.	Sri Chamkaur Sahib
137.	Khemkaran	165.	Sri Kiratpur Sahib
138.	Kot Ise Khan	166.	Talwandi Sabo
139.	Kothaguru	167.	Talwara

Source: Department of Local Government, Punjab

Appendix 4.1

(Referred to in paragraph 4.3.5.3(iii); page 26)

Details of number of selected units which achieved the benchmarks set by the Finance Commissions

Civic Service	Indicators/ Components	Bench marks	No. of units achieved benchmarks		
			Between 0-50 %	Between 50-99 %	100% and above
Solid Waste Management	House hold level coverage of Solid Waste Management Services	100%	1	16	2
	Efficiency of collection of Municipal Solid Waste	100%	1	9	9
	Extent of collection of solid waste	100%	11	8	0
	Extent of solid waste recovered	80%	12	7	0
	Extent of scientific disposal of solid waste	100%	8	10	1
	Efficiency in redressal of customer complaints	80%	1	18	0
	Extent of cost recovery in solid waste services	100%	16	3	0
Water Supply	Efficiency in collection of solid waste management related charges	90%	15	4	0
	Coverage of water supply connections	100%	0	19	0
	Per capita supply of water	135 lpcd	0	1	18
	Extent of metering of water connections	100%	18	1	0
	Extent of non-revenue water	20%	18	1	0
	Continuity of water supply	24 hours	11	8	0
	Quality of water supplied	100%	0	1	18
	Efficiency in redressal of customer complaints	80%	0	18	1
Sewage Management	Cost recovery in water supply services	100%	1	17	1
	Efficiency in collection of water supply related charges	90%	3	16	0
	Coverage of toilets	100%	8	11	0
	Coverage of sewage network services	100%	4	11	2
	Collection efficiency of the sewage network	100%	7	10	0
	Adequacy of sewage treatment capacity	80%	7	8	2
	Quality of sewage treatment	100%	7	6	4
	Extent of re-use and recycling of treated sewage	20%	17	0	0

Source: Departmental information

Appendix 4.2

(Referred to in paragraph 4.5.2; page 36)

Details of progress of projects under Smart Cities Mission

(A) Status of works completed under Ludhiana Smart City Limited

Sr. No.	Name of the Project	Estimated / Awarded cost (₹ in crore)	Physical Progress
1.	Installation of Rooftop Solar Panels on existing buildings (Phase I)	2.64	95%
2.	Construction of building for ICCC	0.35	99%
3.	Procurement of Sewer Cleaning Machines	5.94	74%
4.	Supply, Installation, Testing and Commissioning of Flow and Quality Management Instrument including AMC for five years for existing STPs at Balloke, Bhattian and Jamalpur in the city of Ludhiana under Smart Cities Mission	2.08	66%
5.	Proposed Façade Lighting of iconic Clock Tower	0.63	56%
6.	Installation of Wayfinding & Signages (Digital & Analogue)	6.13	58%
7.	Procurement of Poclains	0.74	
Total		18.51	

(B) Status of works in progress under Ludhiana Smart City Limited

Sr. No.	Name of the Project	Estimated / Awarded cost (₹ in crore)	Physical Progress
1.	LED Street Lighting	57.78	98%
2.	Fabrication, Installation, and Commissioning of Prefabricated DUAC Toilet Blocks at different locations in Ludhiana City under Smart Cities Mission	3.10	68%
3.	Construction & Commissioning of Masonary Toilet Blocks at different locations in Ludhiana City under Smart Cities Mission	3.40	58%
4.	Retrofit of Sarabha Nagar Market & Development of Malhar Road as Smart Road	38.63	58%
5.	Development of Smart School Class Room in Government Schools at Ludhiana City (Phase-I)	6.28	98%
6.	24x7 Water Supply Scheme for ABD Area	46.50	13%
	Rehabilitation of existing Sewerage System for ABD Area	39.30	
	Rehabilitation of Storm Water Drainage System for ABD Area	17.79	
7.	RoB / RuB at Pakhowal Road and Construction of obligatory span of RoB and RuB on Pakhowal Road Railway Crossing	124.00	40%
8.	Selection of Contractor for setting up of Carcass Utilisation Plant at Ludhiana on Design, Built, Operate, Maintain and Transfer (DBOMT) basis	7.98	40%

Sr. No.	Name of the Project	Estimated / Awarded cost (₹ in crore)	Physical Progress
9.	Water Front Development including Landscaping and Beautification along Sidhwan Canal -I	4.74	85%
10.	Extension of Animal Birth Control Centre	0.97	60%
11.	Installation of Rooftop Solar panels on existing Buildings Phase -2	4.00	34%
12.	Provision of Flow Bypass Arrangement for STP and Final Polishing Unit at Bhattian STP	3.23	2%
Total		357.70	

(C) Status of works for which DPRs were approved and tendered but works not yet started under Ludhiana Smart City Limited

Sr. No.	Name of the Project	Estimated / Awarded cost (₹ in crore)
1.	Sewer Rehabilitation- Malhar Road by trenchless technology	82.22
2.	Retrofit & Development of Ghumar Mandi market and Smart Road Phase II (Rotary Club Road)	18.93
3.	Water Front Development and Landscaping on Sidhwan Canal Front (From Dugri Chowk to Pakhowal Road) - Phase II	5.22
4.	Compactors in Ludhiana Municipal Corporation (Civil Works Only)	13.62
5.	Installation of Chain Link Fencing along the 14 Km stretch along Budha Nallah within the city of Ludhiana.	13.42
6.	AMC of Safe City & Establishment of MCC	55.00
7.	Procurement of Machinery for Municipal Corporation, Ludhiana under Smart Cities Mission	
a)	Procurement of 3 Nos of Wheel Loader Machines	0.51
b)	Supply of backhoe loaders - 3 Nos	0.86
c)	Supply of Dumper (5 cum capacity) - 3 Nos	0.47
d)	Supply of Dumper (10.5 cum capacity) - 5 Nos	1.20
8.	Selection of Contractor for Supply, Installation, Testing, Commissioning, Operation and Maintenance of façade light illumination of flyover at Sidhwan Canal in the city of Ludhiana under Smart Cities Mission (2 nd Call)	3.51
9.	Fire Fighting Upgradation and other Aspects under Disaster Management Plan	
a)	Supply of life detector type - I	0.66
b)	Portable emergency lighting system	0.11
c)	Thermal Imager	0.42
d)	Combi tool	0.75
e)	Supply and Fabrication of 4 Nos. Quick Response Tender (QRT) based on water mist technology	0.88

Sr. No.	Name of the Project	Estimated / Awarded cost (₹ in crore)
f)	Fabrication & supply of different types of fire-fighting vehicles on suitable chassis	8.03
g)	Fabrication and supply of 50M and above working height Hydraulic Platform to be mounted on Suitable BS VI (Euro 6) chassis of reputed make for firefighting and rescue operation with 5 years CSMC as per the specifications of Ludhiana Fire Brigade under Smart Cities Mission	8.55
h)	Supply of Fire-fighting Portable Pump sets for Fire Brigade Department of Municipal Corporation Ludhiana under Smart Cities Mission	0.60
10.	Supply of Fire-fighting Suits for Fire Brigade Department of Municipal Corporation Ludhiana under Smart Cities Mission.	
a)	Option 1: Supply of Fire-fighting /Approach Suit certified as per NFPA-1971-2018.	0.47
b)	Option II: Supply of aluminised Fire-fighting Proximity suits certified as per EN-1486-2007.	0.10
11.	Smart Multi Level Car Parking (MLCP) at Feroze Gandhi Market	77.11
12.	Supply, Installation, Testing and Commissioning of Façade Lighting of Zone D office of Municipal Corporation Ludhiana under Smart Cities Mission	0.71
13.	Procurement of Portable Multi Gas Detectors for Fire Brigade Department of MCL under Smart Cities Mission.	0.13
14.	Procurement of Foam Fire-fighting media AFFF for use in firefighting under Smart Cities Mission	0.19
15.	Digital Library Web Portal and Mobile App for the Library of Municipal Corporation Ludhiana at Guru Nanak Bhawan	3.10
16.	Trenchless Rehabilitation of existing Storm water Drains in Dugri Area	41.35
17.	Comprehensive Road Safety Project for Ludhiana city	26.00
18.	Beautification of parks in Ludhiana city	25.00
19.	Construction and Demolition of (C&D) Waste Management Plant in Ludhiana	5.00
20.	Development of Sports Park Phase-1 (Rakh Bagh) - All weather swimming pool at Indoor stadium of MC, upgradation of Guru Nanak Stadium, Development of Sports Infra at Govt. College, Ludhiana	20.00
21.	Development of Basketball Court and Badminton Court refurbishment at Guru Nanak Stadium & Olympic Size Swimming Pool at Rakh Bagh Sports Complex	26.79
22.	Rejuvenation of Buddha Nala - Rehabilitation of STPs at Jamalpur, Bhattian, Balloke; Construction of 225 MLD STP at Jamalpur and 60 MLD STP at Balloke; Rehabilitation of IPSs	150.00
23.	Beautification and Refurbishment of Mini Rose Garden with three years of Annual Maintenance Contract at Ludhiana under Smart Cities Mission (1 st Call)	3.98
24.	Beautification of parks in Ludhiana city	0.45
Total		595.34

(D) Status of completed works under Jalandhar Smart City Limited

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)	Physical progress
1.	Procurement of self-propelled sweeping machine for ABD area	2.17	100%
2.	Development of Smart E-Class Room (Deposit Work)	6.53	100%
3.	Truck mounted sweeping machine	0.84	100%
Total		9.54	

(E) Status of works in progress under Jalandhar Smart City Limited

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)	Physical progress
1.	Installation of Rooftop Solar Panels on Government buildings (17 Nos.)	17.83	82%
2.	Way finding and Traffic Signage	1.98	61%
3.	Park Development - B.R. Ambedkar Park (Part of Green Area Phase I)	0.29	35%
4.	3 Green Areas under flyovers	3.90	28%
5.	Park Development - Industrial Area Park	1.07	22%
6.	Park Development - Beant Singh Park	1.26	20%
7.	Park Development - Tanki Wala Park	0.62	20%
8.	Traffic Junction Improvement (11 Nos.)	20.32	16%
9.	Park Development - Tobri Mohalla Park	0.42	15%
10.	Park Development - Urban Estate Park	2.40	13%
11.	Construction of ICC building	1.67	60%
12.	Green Area Development of Bist Doab canal area Rejuvenation	2.78	10%
Total		54.54	

(F) Status of works not yet started under Jalandhar Smart City Limited

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)
1.	Bulk surface water supply Scheme Jalandhar	200.00
2.	Installation of LED Lights at PAN City	43.84
3.	Augmentation of storm water drainage System in ABD area	20.99
4.	City level disaster management activities plan	20.22
5.	Foot over bridge, circulating area works and escalator and other allied works at Jalandhar City Railway Station (Deposit work)	6.26
6.	Safety and Security measures for Rainak bazar street using utility duct for overhanging electrical wires	2.71

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)
7.	Installation of reverse vending machines for PET bottle	1.40
8.	Installation of Sanitary vending Machine & Electric Incinerators at various locations in Jalandhar	0.90
9.	Development of Burlton park integrated Sports hub (on PPP basis)	250.00
10.	Selection of MSI for Integrated Command & Control Centre (ICCC)	116.94
11.	Wariyana Dumpsite remediation (Bio Mining) project	60.00
12.	Development of Smart roads	36.16
13.	Development of C&D Waste Management at City Level	4.48
14.	Digitization of the existing Guru Nanak Dev Library	2.09
15.	Construction of ROB and its approaches on existing level crossing (to be executed through PWD-B&R Jalandhar)	119.15
16.	Traffic Management and Pedestrian crossing	7.74
17.	Development of Street Vending Zone at 4 Locations in Jalandhar city under Jalandhar Smart City Limited	5.94
18.	Procurement of Sewer Cleaning machines for MC Jalandhar	3.15
19.	Jetting cum suction machines and de-silting machines for Jalandhar city	3.03
20.	Infrastructure Development of C&D Waste Management at City Level	2.41
21.	Construction of new road in Urban Estate Phase II park from Cool Road towards disposal under Jalandhar Smart City Limited.	2.37
22.	Installation of GIS-Linked Property UID Number plates and its integration with MIS existing services of MCJ	2.20
23.	Rooftop Rain Water Harvesting Structures under Jalandhar Smart City Limited (to be executed through Department of Soil and Water Conservation - Jalandhar).	1.56
24.	Procurement of Poclain Machine for cleaning of Kala Singhian Nallah and for maintaining of Wariana MSW Dumping Site	1.22
25.	Development and upgrading of Anganwadi Centres in Jalandhar city	1.00
26.	Design, Fabrication, Supply, Commissioning and testing and handing over of 4 (Four) Nos Quick Response Tender (QRT) Based on Water Mist Technology to be fabricated on small commercial vehicle having minimum payload of one Ton Capacity including Procurement of Chassis, for Fire Brigade Department of MC Jalandhar	0.89
27.	Kabir Vihar Park	0.84
28.	Chokan Kalan Park redevelopment	0.26
29.	Rose Park	0.23
30.	Guru Nanak Park redevelopment	0.21
31.	Lajpat Nagar Park redevelopment	0.21
32.	Maharaja Agrasen Park redevelopment	0.19
33.	Procurement of Portable Multi Gas Detectors for Fire Brigade Department of MCJ	0.13
34.	Mast Ram Park	0.10
Total		918.82

(G) Status of works completed under Amritsar Smart City Limited

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)	Physical progress
1.	Free Wi-Fi	2.21	100%
2.	Fire Safety-I	1.59	100%
3.	Anganwadi Centre	0.14	100%
4.	Smart Class room	6.17	100%
5.	RVM	2.53	100%
Total		12.64	

(H) Status of works in progress under Amritsar Smart City Limited

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)	Physical progress
1.	LED Street Lighting	35.75	85%
2.	Rooftop Solar - Government Buildings	10.40	80%
3.	Development of Open spaces under flyovers (Civil)	7.35	45%
4.	Development of Open spaces under flyovers (Electrical)	4.77	75%
5.	Construction of FOBs (2 Nos.)	5.35	25%
6.	Development of Parks - Phase 1(17 parks)	3.70	80%
7.	Automatic Sanitary Napkin Vending Machines and Electric Incinerators	0.58	70%
8.	Development of NMT Infrastructure - Pilot	1.93	20%
9.	Development of Existing Sports Facility at Golbagh	5.07	2%
Total		74.90	

(I) Status of works not yet started under Amritsar Smart City Limited

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)
1.	Smart Road	118.65
2.	Junction Improvement	21.89
3.	Self Service Tourist Kiosk	3.99
4.	Smart Street	0.90
5.	Truck Mounted Sweeping Machine	0.86
6.	Grab Bucket	0.77
7.	Design, Build and Operation of 440 MLD Water Treatment Plant and associated Transmission Network and Over Head Service Reservoirs in City of Amritsar (Total Project Cost: ₹ 1156.20 crore and ASCL Share: ₹ 450 crore)	450.00
8.	Procurement of SWM Materials - Phase 2 (1. C&D 2. Sewerage Cleaning Machine)	23.15

Sr. No.	Name of the project	Estimated / Awarded cost (₹ in crore)
9.	Shaheedan Sahib Plaza (Multiple Foot over Bridge, Skywalk Plaza on Circular road)	53.14
10.	Signage Branding	25.00
11.	Integrated Command & Control Centre (ICCC)	124.66
12.	Improvement in Electrical Distribution (IED)	82.00
13.	Procurement of Aerial Ladder Hydraulic Platform	8.57
14.	MLCP Kairon Market	32.07
15.	Procurement of SWM Materials - Phase I	8.57
16.	Development of Parks & open Spaces Phase II	5.19
17.	Procurement of Fire Safety Equipment Phase II	3.00
18.	Construction of Trunk Storm Water Drainage & Rehabilitation of Sewer Network	66.98
Total		1,029.39

Source: Departmental data

Appendix 5.1*(Referred to in paragraph 5.5.1; page 56)***Details of payment made to Gram Panchayat, Dudhar
on account of lease money***(₹in lakh)*

Sr. No.	Year	Cheque/Voucher No. and Date	Amount
1.	2013-14	506883 dated 12.02.2014	5.00*
2.	2014-15	509621 dated 09.03.2015	8.75
3.	2015-16	512581 dated 20.05.2015	11.00
4.	2016-17	526676 dated 13.07.2016	12.00
5.	2017-18	533743 dated 26.04.2017	13.00
6.	2018-19	33104 dated 30.05.2018	14.00
7.	2019-20	PR tax No. 08 dated 27.05.2019	15.00
8.	2020-21	PR tax No.-nil-dated 09.07.2020	16.00
Total			94.75

*Source: Departmental records*** Includes ₹1.25 lakh pertaining to the year 2014-15.*

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