सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Performance Audit of Implementation of 74th Constitutional Amendment Act in Telangana State for the year ended 31 March 2021

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Telangana

Report No. 2 of 2022

Report of the
Comptroller and Auditor General of India

on

Performance Audit of Implementation of 74th Constitutional Amendment Act in Telangana State for the year ended 31 March 2021

Government of Telangana

Report No.2 of 2022

Table of Contents

	Reference to	
	Paragraph	Page
Preface		iii
Executive Summary		v
Chapter I – Introduction		
74th Constitutional Amendment Act, 92	1.1	1
Trend of Urbanisation in Telangana	1.2	1
Profile of Urban Local Bodies	1.3	1
Grades of Municipalities and Municipal Corporations	1.4	2
Legislations governing Urban Local Bodies	1.5	3
Organisational Structure of Urban Governance in Telangana	1.6	3
Audit Objectives	1.7	3
Audit Criteria	1.8	3
Audit Scope and Methodology	1.9	4
Acknowledgement	1.10	5
Chapter II - Compliance to provisions of 74th Constitutional Amendment Act		
Comparison of State level Legislations with 74th CAA	2.1	7
Chapter III - Empowerment of Urban Local Bodies and their functioning		
Actual status of devolution of functions	3.1	1
State Election Commission	3.2	6
Composition of Councils in Municipal Corporations/ Municipalities	3.3	6
Reservation of seats for the Councils of Municipal Corporations/Municipalities	3.4	6
Status of Elections and formation of Councils	3.5	6
Mayor/Deputy Mayor and Chairperson/Vice-Chairperson	3.6	7
Wards Committees in Municipal Corporations and Municipalities	3.7	8
District Planning Committee for Urban Local Bodies	3.8	8
Government's power and control over ULBs as per TM Acts	3.9	9

	Reference to	
	Paragraph	**Page**
Limited powers over Manpower	3.10	19
Observations on selected Functions/Activities	3.11	21
Conclusion	3.12	26
Recommendations	3.13	27
Chapter IV - Financial Resources of Urban Local Bodies		
Financial Resources of ULBs	4.1	29
Estimation of requirement of funds/expenditure	4.2	34
Conclusion	4.3	36
Recommendations	4.4	37

Appendices

Appendix No.	Subject	Reference to	
		Paragraph	**Page**
1.1	Major changes made to the Article 243 in the 74th Constitutional Amendment Act, 1992	1.5	39
1.2	Organisational structure with respect to functioning of ULBs in the State	1.6	43
1.3	List of sampled Urban Local Bodies	1.9	44
3.1	List of Parastatal Agencies	3.1	45
3.2	Control and overriding power of the State Government over ULBs as per Municipal Acts	3.9	47
3.3	Vacancy position of sampled ULBs	3.10.2	50
3.4	Statement showing the details of training programmes conducted by the ULBs during 2015-2021	3.10.3	51
3.5	Present per capita demand and supply of water in test-checked ULBs	3.11.1(A)	52
4.1	A) Test-checked ULBs-wise arrears in collection of Property Tax to end of March 2021 B) Year-wise details of Demand, Collection and Balance of PT arrears in test-checked ULBs	4.1.5.2	53
	Glossary of Abbreviations		55

Preface

This Report of the Comptroller and Auditor General of India for the year ending 31 March 2 1 has been prepared for submission to the Governor of Telangana under Article 1 of the Constitution of India, for being laid before the Legislature of the State.

The Report contains significant results of the Performance Audit of ***Implementation of 7 th Constitutional Amendment Act in Telangana State***, covering the period 2 -6 to 2 2 -2 .

The instances mentioned in this Report are among those which came to notice during the course of test audit.

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

Executive Summary

Executive Summary

The 74th Constitutional Amendment Act (74th CAA) 92, which came into effect on 20 June 92, provided a Constitutional status to Urban Local Bodies (ULBs). Article 243W of the 74th CAA authorised the State Legislatures to enact laws to enable ULBs to function as institutions of self-governance and make provisions for devolution of powers and responsibilities. It empowered ULBs to perform 18 functions listed in the Twelfth Schedule of the Constitution. Telangana Government incorporated corresponding provisions in the Telangana Municipalities Act, 2019 which superseded the earlier Acts.

(Paragraphs 1.1 and 1.5)

The aim of this Performance Audit was to see whether the ULBs are functioning in the manner as envisaged in the 74th CAA and adequately empowered to discharge the devolved functions effectively and that the devolution of funds had taken place as recommended by the Finance Commissions.

(Paragraph 1.7)

Compliance to provisions of 74th CAA

Telangana through statutes had complied with the provisions of the 74th CAA, however, compliance to the constitutional provisions by law does not guarantee effective de-centralisation on ground unless followed by effective implementation. It was observed that the legal provisions were not backed by decisive actions with respect to timely conduct of elections, implementation of State Finance Commission (SFC) recommendations and constitution of District Planning Committees (DPCs).

(Paragraph 2.1)

Empowerment of Urban Local Bodies and their functioning

Out of 18 functions, 17 functions have been devolved to ULBs except Fire Services. However, major functions such as drinking water supply and urban/town planning are entrusted to State Departments/Parastatal Agencies.

(Paragraph 3.1)

The task of delimitation to State Election Commission (SEC) as recommended by the Second Administrative Reforms Commission had not been entrusted to SEC (March 2020).

(Paragraph 3.2)

The elections of ULBs were held with delays ranging from four to sixty-six months. In the absence of an elected body, the Administration was run by Special Officers appointed by the State Government.

(Paragraph 3.5)

District Planning Committees have not been constituted in any of the districts and as a result, consolidated Draft Development Plans were not prepared considering local needs and matters of common interest.

(Paragraph 3.8)

The ULBs neither had the powers to assess the staff requirement, nor to recruit the required staff. As against sanctioned strength of 8,752, 3900 posts (45 *per cent*) were vacant in the State, resulting in dependence on outsourced staff for service delivery.

(Paragraphs 3.10.1 and 3.10.2)

There was inadequate focus on training of functionaries/staff, with 10 out of 17 ULBs test-checked, not conducting any training programme for the staff during the period 2015-21.

(Paragraph 3.10.3)

The water supply was deficient in meeting the per capita norms in 10 selected ULBs. In the selected ULBs, except for Greater Warangal Municipal Corporation (where the household coverage was only one *per cent*), none of the Urban Local Bodies had installed water meters. Water audit was not being conducted in 11 selected ULBs. State Government had not approved the draft rules for periodical revision of water charges which could result in loss of incremental revenue to ULBs.

(Paragraphs 3.11.1(A), (B), (C) and (D))

Solid Waste Management plans, as required under Solid Waste Management Rules, 2016, were not prepared in five ULBs. Urban Local Bodies failed to collect garbage charges from the households in seven ULBs. Solid Waste Management was ineffective due to non-identification of sanitary landfills sites in 15 ULBs.

(Paragraphs 3.11.2, 3.11.2.1 and 3.11.2.2)

Financial Resources of Urban Local Bodies

The fiscal transfers from Government during the period 2015-16 to 2020-21 formed 46 to 66 *per cent* of total revenue of ULBs.

(Paragraph 4.1.1)

The State Government constituted State Finance Commission (SFC) in March 2015, however, Chairperson and Members were appointed only in January 2018. In the absence of SFC recommendations, State Government released funds to ULBs taking the population as criterion, during the period 2015-16 to 2020-21. The recommendations submitted by the SFC in October 2020 are yet to be accepted by State Government (March 2022). The short releases against allocations of SFC grants during 2017-18 to 2019-20 ranged between 50 and 85 *per cent* affecting the financial position of the ULBs.

(Paragraph 4.1.2)

There was short release of ₹647.23 crore of 14th Finance Commission grants during the period 2015-16 to 2019-20.

(Paragraph 4.1.3)

Surcharge on Stamp Duty of ₹1,822.49 crore collected on transfer of properties during 2019-20 and 2020-21 was not assigned to ULBs by Registration and Stamps Department.

(Paragraph 4.1.4)

The share of Property Tax revenue to total revenue in ULBs stood at 42 *per cent* during the period 2015-16 to 2020-21. The arrears of Property Tax along with interest as on 31 March 2021 was ₹786.71 crore.

(Paragraphs 4.1.5.1 and 4.1.5.2)

Accumulated arrears of water charges amounting to ₹37.54 crore was noticed in nine selected ULBs to the end of March 2021. The Operation and Maintenance (O&M) charges towards water supply incurred by the Municipalities was generally more than the actual receipt of water charges.

(Paragraphs 4.1.5.3 and 4.1.5.4)

There were huge variations between Budget Estimates and actual income and expenditure during 2015-16 to 2020-21 which indicated unrealistic budget formulation in two sampled ULBs.

(Paragraph 4.2.1)

Chapter I

Introduction

Chapter I – Introduction

1.1 74th Constitutional Amendment Act, 1992

In order to enable the Urban Local Bodies (ULBs) to perform effectively as vibrant democratic units of self-government, it was considered necessary that provisions relating to ULBs are incorporated in the Constitution of India through an amendment. Such an amendment was to put on a firmer footing, their relationship with the State Government with respect to the functions and resources as well as for regular conduct of elections and for providing adequate representation for the weaker sections like Scheduled Castes, Scheduled Tribes and Women.

The Constitution (Seventy Fourth Amendment) Act, 1992, which came into effect on 01 June 1993, provided a Constitutional status to ULBs in the country. Article 243W of the Constitutional Amendment Act authorised the State Legislatures to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-governance and make provisions for devolution of powers and responsibilities. The Twelfth Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs**.**

1.2 Trend of Urbanisation in Telangana

Telangana is geographically the twelfth largest State of the Country, with a population of 3.52 crore. As per Census-2011, 1.36 crore[1] people reside in urban areas of Telangana, constituting 38.64 *per cent* of total population of the State. The growth rate of the population in the decade 2001-2011 was 13.58 *per cent*[2]. Each Municipality in Telangana is an extensive human settlement with high density of population with ever increasing demands on sanitation, water supply, transport and communication among others. In this scenario, ULBs have an important role to play, as most of these issues are handled best at the local level[3].

1.3 Profile of Urban Local Bodies

Article-243Q of 74th Constitutional Amendment Act (74th CAA) provided for constitution of three types of Municipalities *viz*., (i) Nagar Panchayats, (ii) Municipal Councils/Municipalities and (iii) Municipal Corporations. The Telangana Transitional Area and Smaller Urban Areas (Fixation of criteria) Rules,1995 and The Telangana Municipal Corporations (Fixation of criteria for specification of larger urban areas) Rules, 1994 as amended, provide the criteria for constitution of three types of Municipalities as detailed in **Table-1.1.**

[1] out of the total population of 3.52 crore of the State

[2] Decadal growth rate as per 'Telangana State at a Glance' published (2017) by the Directorate of Economics and Statistics, Telangana

[3] Section 107(1) of Telangana Municipalities Act, 2019 (TM Act, 2019)

Table-1.1: Criteria for constitution of Nagar Panchayats, Municipal Councils/Municipalities and Municipal Corporations

Sl. No.	Criteria of Population	Nagar Panchayat#	Municipality	Municipal Corporation
(1)	(2)	(3)	(4)	(5)
1	Population as per last Census-2011	20,000 to 40,000	Above 40,000 and up to 3 lakh	3 lakh and above with certain relaxations
2	Density of population per square km.	400	500	Not less than 5,000
3	Revenue	₹40 lakh subject to relaxations	₹60 lakh	—
4	Percentage of employment in non-agricultural activities	25 *per cent* subject to relaxations	40 *per cent* subject to relaxations	—
5	Economic importance	Availability of market facilities and potentialities to attract industries	Availability of market facilities and potentialities to attract industries	Established industries, potential for growth of industries, commerce, higher education, medical facilities and adequate infrastructure necessary for economic and industrial growth
6	Other factors	Local area acquiring urban characteristics	Local area acquiring urban characteristics, peripheral villages	The number of peripheral villages whose growth and expansion are towards the proposed larger urban area

Source: *Manual of Municipal Administration in Telangana, 2017*
 # All the Nagar Panchayats have been upgraded as Municipalities

1.4 Grades of Municipalities and Municipal Corporations

The grades of Municipalities categorised in the Manual of Municipal Administration, 2017 based on the annual income are (i) Selection Grade (₹8 crore and above), (ii) Special Grade (₹6 crore and above and below ₹8 crore), (iii) First Grade (₹4 crore and above and below ₹6 crore), (iv) Second Grade (₹2 crore and above and below ₹4 crore) and (v) Third Grade (₹1 crore and above and below ₹2 crore).

There were 73 ULBs (Six Municipal Corporations, 42 Municipalities and 25 Nagar Panchayats) that existed in 2016. Subsequently, the number of ULBs have increased to 141 (13 Municipal Corporations and 128 Municipalities) due to upgradation/bifurcation of earlier Nagar Panchayats to Municipalities and Municipalities to Municipal Corporations.

Each Municipal Corporation/Municipality area has been divided into Wards, based on the population, which are determined and notified by the State Government for the purpose of election of Corporators/Councillors (Ward Members). All ULBs have an elected body comprising Mayor/Chairperson and Corporators/Councillors.

1.5 Legislations governing Urban Local Bodies

The Municipal Corporations/Municipalities are governed by:

- The Greater Hyderabad Municipal Corporation Act, 1955 (GHMC Act, 1955);
- The Telangana Municipalities Act, 1965 (TM Act, 1965);
- The Telangana Municipal Corporations Act, 1994 (TMC Act, 1994); and
- The Telangana Municipalities Act, 2019 (TM Act, 2019).

Subsequent to the 74th CAA, 1992, all the provisions of the Act were amended in the Telangana Municipal Laws (Second Amendment Act, 1994) and all the amendments made from time to time were incorporated in the new Telangana Municipalities Act, 2019 (July 2019). The major changes pertaining to the Article-243W and 243X of the Constitution of India have been discussed in detail in Para 3.9 of the Report. The exhaustive list of amendments made with respect to the Constitution and Composition of the Municipalities, Wards Committees, Reservation of the seats for SCs, STs, BCs and Women *etc.*, to the Telangana Municipal Acts is given in ***Appendix-1.1***.

1.6 Organisational Structure of Urban Governance in Telangana

The Municipal Administration and Urban Development Department (MAUDD), headed by the Principal Secretary to the Government, is the Department which oversees the governance of all ULBs. The Commissioner and Director of Municipal Administration (CDMA) functions as an interface between the State Government and ULBs (except for Greater Hyderabad Municipal Corporation, which functions directly under MAUDD). The organisational structure with respect to functioning of ULBs in the State is indicated in ***Appendix-1.2.***

1.7 Audit Objectives

The Performance Audit seeks to ascertain whether:

- The Urban Local Bodies have been empowered by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their function;
- The functions stated to have been devolved were effective on the ground; and
- The Urban Local Bodies have been empowered to access adequate resources, including sufficient resources for discharge of functions stated to have been devolved to them.

1.8 Audit Criteria

The criteria for the Performance Audit were sourced from the following:

- ✓ 74th Constitutional Amendment Act, 1992
- ✓ Greater Hyderabad Municipal Corporation Act, 1955
- ✓ The Telangana Municipalities Act, 1965 (TM Act, 1965)
- ✓ The Telangana Municipal Corporations Act, 1994 (TMC Act, 1994)
- ✓ Telangana Municipalities Act, 2019

- ✓ Telangana Municipal Budgeting and Accounting Rules
- ✓ Telangana Financial Code
- ✓ State Finance Commission Reports
- ✓ 14th Finance Commission Report
- ✓ Telangana Urban Areas (Development) Act, 1975
- ✓ Telangana Town Planning Act, 1920
- ✓ Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual
- ✓ Solid Waste Management Rules, 2016
- ✓ State Government orders, notifications, circulars and instructions issued from time to time
- ✓ Manual of Municipal Administration in Telangana, 2017 by Centre for Good Governance

1.9 Audit Scope and Methodology

The Performance Audit on Implementation of 74th CAA in Telangana State was conducted during January to October 2021 covering the period April 2015 to March 2021.

The offices covered in audit include (i) Secretariat of MAUDD, (ii) CDMA and (iii) Seventeen ULBs sampled by Audit as indicated in ***Appendix-1.3***. The 17 ULBs were selected from the 73 ULBs (that existed in 2016) through simple random sampling with population as criteria (based on Census-2011) from each tier of ULB. We selected the following five functions out of seventeen functions/activities devolved to ULBs for detailed examination:

1. Property Tax
2. Public health and sanitation
3. Solid Waste Management
4. Water supply
5. Water charges

Information was also obtained from State Election Commission (SEC) and Telangana State Pollution Control Board (TSPCB) regarding conduct of elections and management of solid waste. Audit methodology included scrutiny of records and joint physical verification, wherever necessary. Entry Conference was held on 22 January 2021 with the Principal Secretary, MAUDD and CDMA wherein the audit methodology, scope, objectives and criteria were explained. Audit findings were discussed with the CDMA and other Officers of the Department in the Exit Conference held on 14 March 2022 and Government replies have been suitably incorporated in the Report. Further, the recommendations given by Audit were accepted by the Government.

The audit observations relating to status of compliance to the 74th CAA provisions, devolution of functions, funds and functionaries are presented in the following chapters.

Chapter-II : Compliance to provisions of 74th Constitutional Amendment Act
Chapter-III: Empowerment of Urban Local Bodies and their functioning
Chapter-IV: Financial Resources of Urban Local Bodies

1.10 Acknowledgement

We acknowledge the cooperation and assistance extended by the State Government, staff of CDMA and all the test-checked ULBs in conducting the Performance Audit.

Chapter II

Compliance to provisions of 74th Constitutional Amendment Act

Chapter II – Compliance to provisions of 74th Constitutional Amendment Act

2.1 Comparison of State level Legislations with 74th CAA

The 74th CAA vide Articles 243Q to 243ZG introduced certain provisions relating to Municipalities. Provisions corresponding to the 74th CAA were incorporated by the State Government in the Telangana Municipal Acts. Details of the Telangana Municipalities Act, 2019 which superseded all earlier Telangana Municipal Acts, are indicated in **Table-2.1.**

Table-2.1: Comparison of State level Legislations with the provisions of 74th CAA

Provision of Constitution of India	Requirement as per provision of Constitution of India	Provision of TM Act, 2019
(1)	(2)	(3)
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
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 House of People and Legislative Assembly whose constituencies comprise wholly or partly the municipal area and Members of the Council of States and State Legislative Council who are registered as electors within the municipal area.	Section-5
Article 243S	**Constitution and composition of Wards Committee:** This provides for constitution of Wards Committees in all Municipalities with a population of three lakh or more.	Sections-17 and 30
Article 243T	**Reservation of seats:** The seats to be reserved for Scheduled Caste (SC)/Scheduled Tribe (ST), Backward Classes (BC) and Women for direct election.	Section-7
Article 243U	**Duration of Municipalities:** The Municipality has a fixed tenure of five years from the date appointed for its first meeting. As per article 243U(3) an election for constitution of the Municipality shall be completed before the expiry of its duration of five years.	Sections-10(1) and 15(3)
Article 243V	**Disqualifications for membership:** A Person shall be disqualified for a member of a Municipality- 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; If he is so disqualified by or under any law made by the Legislature of the State.	Sections-12 and 13

Article 243W	**Powers, authority and responsibilities of the Municipalities:** All the 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 such powers and authority to enable them to carry out the responsibilities in relation to Twelfth Schedule of the Constitution of India.	Sections-51 to 55
Article 243X	**Power to impose taxes by, and funds of the Municipalities:** Municipalities would be empowered to levy and collect the taxes, fees, duties *etc*. Grant-in-aid would be given to the Municipalities from the State Consolidated Fund for crediting and withdrawal of moneys by the Municipality.	Sections-82, 83, 84 of TM Act, 2019 and Section-197 of GHMC Act, 1955
Article 243Y read with Article 243I	**Finance Commission:** State Government shall constitute Finance Commission for Review the financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal bodies. Distributing between the State and the Municipalities of the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government. Allotting the funds to the municipal bodies in the State from the Consolidated fund of the State.	Section-113A
Article 243Z	**Audit of Accounts of Municipalities:** This provides a provision for maintenance of accounts by the Municipalities and the auditing of such accounts.	Section-110 of TM Act, 2019 and Section-196 of GHMC Act, 1955
Article 243ZA Read with Article 243K	**Elections to the Municipalities:** The superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the SEC.	Section-194
Article 243ZD	**Committee for District Planning:** Constitution of District Planning Committee (DPC) at district level. Composition of District Planning Committee. Preparation of draft development plan and forwarding it to the Government.	No provision was made in TM Acts for constitution of District Planning Committees. However, Government may constitute Planning Committees at Municipality level under Section-75(2) of TM Act, 2019.

***Source**: TM Act, 2019 and GHMC Act, 1955*

The table shows that Telangana through statutes had complied with the provisions of the 74th CAA. However, compliance to the constitutional provisions by law does not guarantee effective decentralisation on ground unless followed by effective implementation. We observed that the legal provisions were not backed by decisive actions, resulting in a situation in which the spirit of the 74th CAA has not fructified particularly with respect to timely conduct of elections, implementation of State Finance Commission (SFC) recommendations and constitution of DPCs. This was also true in the case of provisions

pertaining to the devolution of functions and creation of appropriate institutional mechanisms for effective decentralisation, as brought out in the succeeding chapters.

Government stated (March 2022) that the elections were delayed in 71 ULBs due to pending Court cases. As a major governance reform towards decentralisation of administration, the Government had created the post of Additional Collector (Local Bodies) in the districts.

Chapter III

Empowerment of Urban Local Bodies and their functioning

Chapter III - Empowerment of Urban Local Bodies and their functioning

3.1 Actual 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 the Twelfth Schedule of the Constitution of India. Each State was expected to enact a legislation to implement the amendment. The State Government through amendments to TM/TMC Acts had devolved 17 out of 18 functions to ULBs, except Fire Services. Of the 17 devolved functions, the ULBs had full jurisdiction in six, partial jurisdiction in nine, no jurisdiction in one and overlapping jurisdiction in one. Details are discussed in **Table-3.1**.

Table-3.1: Statement showing the actual status of implementation of the devolved functions

Sl. No.	Functions	Activities	Actual status of implementation of the devolved functions
(1)	(2)	(3)	(4)
Functions where ULB has full jurisdiction			
1	Burials and burial grounds; cremations, cremation grounds and electric crematoriums	Construction and Operation & Maintenance (O&M) of crematoriums and burial grounds, upgrade them as modern crematoriums and electric crematoriums	All the 17 test-checked ULBs have been carrying out this function.
2	Cattle pounds; prevention of cruelty to animals	Reduce the stray animal's population, catching strays and handing over to Animal Protection Committees	All the 17 test-checked ULBs have been carrying out this function.
		Registration of pet animals, cause vaccination	
		Ensuring safety of animals	
3	Regulation of slaughter- houses and tanneries	Ensuring quality of animals and meat	All the 17 test-checked ULBs have been carrying out this function.
		Prohibit or regulate the slaughter, cutting or skinning of animals	
		Establishment and modernisation of slaughter-houses	
4	Slum improvement and upgradation	Improvement of notified and identified slums	Nine[4] out of 17 test-checked ULBs are only carrying out the slum improvement activities.
		De-notification of developed slums	
5	Public amenities including street lighting, parking lots, bus stops and	Installation and maintenance of streetlights, conversion of conventional streetlights into energy efficient lighting mode	Public toilets were constructed in 14 ULBs. No parking lots were constructed in any of the 17 test-checked ULBs.

[4] Municipal Corporations of Boduppal, Meerpet, Ramagundam and Warangal; Municipalities of Medak, Pedda Amberpet, Sadasivapet, Shadnagar and Siddipet

	public conveniences	Development of road junctions, medians and parking spaces. Establishment and maintenance of destitute homes, night shelters and shelters for exigencies, bus stops and bus shelters	
6	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Creation of parks, gardens, community halls and sports complexes	Parks and nurseries were created in 16 ULBs but no Playgrounds exist in any of 17 test-checked ULBs.
		Operation & Maintenance	
Functions where ULB has no role			
7	Urban planning including town planning	Preparation of Master Plans	Master Plans are prepared by Urban Development Authorities (UDAs)/ Directorate of Town and Country Planning (DTCPs).
		Enforcing implementation of Master Plan regulations	Enforcement is done by UDAs/ DTCPs.
		Planned development of new areas for human settlement	
Functions where ULB has partial role			
8	Planning for economic and social development	Programme implementation for economic activities	While the State Government issues the guidelines and recognises the beneficiaries, verification is done by the ULBs for implementation of Welfare schemes such as housing and other livelihood enhancement programmes.
		Policies for social development	
9	Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded	Identifying/verification of beneficiaries	State Departments such as (i) Scheduled Castes Development, (ii) Health, Medical and Family Welfare, (iii) Women, Children, Disabled & Senior Citizens and State Engineering Departments are responsible for these functions. ULBs were only doing identification/verification of the beneficiaries.
		Providing tools/benefits such as tricycles	
		Housing programmes	
10	Urban poverty alleviation	Identifying/verification of beneficiaries	Only identification/verification of beneficiaries is done by ULBs. Scheme Implementation done by District Rural Development Agencies (DRDAs) and other
		Livelihood and employment	
		Street vendors	

			livelihood[5] activities by Mission for Elimination of Poverty in Municipal Areas (MEPMA).
11	Regulation of land-use and construction of buildings	Ensuring construction and development in accordance with the plan and land use and regulation of unauthorised buildings	Land use and building construction activities are regulated by ULBs. In case of the high-rise buildings, various bodies such as UDAs and State Fire Services are involved. The role of ULBs is restricted to issuance and renewal of building permissions and enforcement of building byelaws.
		Approving building plans/high rises	
12	Roads and bridges	Improve or repair the same ensuring public safety or convenience. Divert or close public roads. Widen or expand roads ensuring traffic flow pattern	While Roads & Buildings Department plays the lead role in construction of roads and bridges, flyovers[6], ULBs are involved in construction and maintenance of roads, bridges, drains and footpaths within the jurisdiction.
		Construction and maintenance of bridges, drains, flyovers and footpaths	
13	Public health, sanitation, conservancy and solid waste management	Construction of individual household toilets, public toilets, community toilets, SHE toilets, make Municipalities Open Defecation Free (ODF), sewage and sewerage management, faecal sludge and septage management, wastewater treatment	ULBs only have a limited role in case of public health allied responsibilities, as Department of Health, Medical and Family Welfare plays the major role in maintaining hospitals and dispensaries. The ULBs along with the State Departments/ Parastatal agencies[7] undertake immunisation/ vaccination programmes and wastewater treatment. ULBs are also responsible for cleaning and disinfecting of localities affected by infectious diseases.
		Prevention and control of infectious, communicable diseases public vaccination	
		Promotion measures for abatement of all forms of pollution, including air pollution	
		Cleaning and disinfection of localities affected by infectious diseases	
		Solid Waste Management	Solid waste management and control and supervision of public markets are vested with ULBs.
		Control and supervision of public markets	
14	Urban forestry, protection of the environment and	Afforestation	ULBs undertake afforestation and awareness drives under Harithaharam[8] along with the
		Greenification	
		Awareness drives	

[5] Training in capacity building, soft loans and skilled training
[6] Hyderabad Metropolitan Development Authority (HMDA) co-exist in construction of flyovers in Hyderabad
[7] Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB) undertakes wastewater treatment/sewerage treatment and its disposal in Hyderabad
[8] Harithaharam is a flagship programme of the State Government envisages increasing the tree cover of the State from the present 25.16 *per cent* to 33 *per cent* of the total geographical area

	promotion of ecological aspects	Protection of the environment and promotion of ecological aspects	Horticulture and Forest Departments. Hence, protection of the environment and promotion of ecological aspects is partially vested with the ULB.
		Maintenance of natural resources like lakes and water bodies protection and development, *etc.*	
15	Promotion of cultural, educational and aesthetic aspects	Promotion of cultural activities, music, physical education, sports and theatres and infrastructure therefor	Primary responsibility vests with Department of Education. ULBs along with the State Departments of Culture, Archaeology & Museums and UDAs undertake activities allied with public spaces beautification, organising fairs and festivals.
		Heritage structures/areas	
		Beautification of public spaces	
16	Vital statistics including registration of births and deaths	Coordinating with hospitals	Both ULBs and the Department of Health, Medical and Family Welfare maintain database of births and deaths. ULBs register and issue certificates of births and deaths.
		Maintaining and updating Database	
Functions with minimal role and/or having overlapping jurisdictions with State Departments and/or parastatals			
17	Water supply for domestic, industrial and commercial purposes	Water supply	Rural Water Supply and Sanitation (RWS&S)/Mission Bhagiratha Department and Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB)[9] are in charge of creation of assets. ULBs' role is restricted to distribution, operation and maintenance of water supply.
		Providing individual tap connections.	
		Operation & Maintenance, reducing non-revenue water and undertake water audit.	
		Collection of water charges	
Function not devolved			
18	Fire Services	Providing fire NOC/approval certificate in respect of high-rise buildings	This function is vested with Telangana State Disaster Response and Fire Services Department.

In Telangana State, the major functions such as water supply and urban/town planning are entrusted to State Departments/Parastatal Agencies. These parastatal agencies (detailed in ***Appendix-3.1***) are being controlled by the Government through their own Governing Bodies. The functions of parastatal agencies are as follows.

- The State Government has entrusted the function of 'supply of drinking water' to Hyderabad and surrounding ULBs such as Corporations of Meerpet, Boduppal and Municipalities of Bhongir and Pedda Amberpet to HMWS&SB. It also undertakes the work of the underground drainage in Hyderabad city.

[9] Water supply in Hyderabad city and surrounding ULBs

Government stated (March 2022) that the functions of water supply and sewerage were entrusted to HMWS&SB to ensure uniform infrastructure between GHMC and adjacent ULBs. The issues of urban agglomeration and non-availability of natural resources for water drawl by the ULBs were also kept in view.

- The functions of urban planning and regulation of land use are discharged by the eight UDAs[10] established for the planned development of important urban areas under the Telangana Urban Areas Development Act, 1975.
- The Directorate of Town and Country Planning (DTCP) is involved in preparation of Master Plans for towns in Telangana State, revision of Master Plans for the ULBs other than those covered under UDAs, giving assistance to Municipalities in development programmes and technical advice to UDAs and other Government organisations. The DTCP also gives technical approval of the layouts, group housing, commercial complexes, preparation and approval for type of designs for community and public buildings. Thirty-two Town Planning Authorities (TPAs) in the State are responsible for implementation of these functions. The DTCP has taken up preparation of Geographic Information System (GIS) based Master Plans for four UDAs[11] and six ULBs[12].

  Government stated (March 2022) that all the ULBs are also involved in preparation of Master Plans, Road Development Plans, Water Supply Network Plans, Junction Plans, Solid Waste Management (SWM) Plan, Sanitation Plans, Green Space Plan, *etc*., and are actively participating in implementation of such approved plans to improve the quality of life of citizens. However, the extent of ULBs' involvement in these activities was not forthcoming from their reply.
- The Telangana Urban Finance and Infrastructure Development Corporation Limited (TUFIDC) undertakes various projects with support from external sources such as Financial Institutions, Centrally Sponsored Schemes and State Government schemes for investment support to ULBs. The ULBs approach TUFIDC with a loan/grant proposal to support its potential investment. In this context, ULBs enter into an agreement specifying the terms and conditions of loan with TUFIDC.

The parastatal agencies were established before and after enactment of 74th CAA through issue of the notifications and are governed by the respective State Acts. The Government should have amended these Acts to comply with the provisions of 74th CAA. In the 17 test-checked ULBs, 20[13] parastatal agencies and other Departments were involved in service delivery of 11 functions.

Without complete devolution of the functions, the ULBs cannot be strengthened in the State.

---

[10] 1)Satavahana UDA, Karimnagar, 2)Stambhadri UDA, Khammam, 3)Nizamabad UDA, 4)Kakatiya UDA, Warangal, 5)Siddipet UDA, 6) Yadagirigutta Temple DA, Hyderabad, 7) Vemulawada Temple DA and 8) Quli Qutub Shah UDA, Hyderabad

[11] Karimnagar, Khammam, Nizamabad Corporations and Siddipet Municipality

[12] Ramagundam Corporation; Adilabad, Mahbubnagar, Miryalaguda, Nalgonda and Suryapet Municipalities

[13] DTCP (1), HMWS&SB (1), UDAs (4) and other Departments (14)

3.2 State Election Commission

The Telangana State Election Commission (SEC) was formed in September 2014. The duties of the Commission include superintendence, direction and control of the preparation of electoral rolls and the conduct of all elections to Panchayats and ULBs. The Second Administrative Reforms Commission (ARC) in its Sixth Report on Local Governance (*vide* Para 3.2.1.12) on electoral process have recommended that the task of delimitation and reservation of constituencies should be entrusted to the SECs and the same was accepted by Government of India (GoI). However, the powers regarding delimitation of wards, reservation of seats for the Council and rotation policy of seats for the posts of Mayor/Chairperson, Deputy-Mayor/Vice-Chairperson and Wards rest with the State Government.

Government accepted (March 2022) the audit observation and stated that as it was a policy decision, the Government would take a decision in the matter.

3.3 Composition of Councils in Municipal Corporations/Municipalities

Article-243R of Indian Constitution stipulates the composition of Municipalities. The Corporations and Municipalities for a specified urban area consist of elected Corporators/Councillors (Ward Members), nominated Members, Member of Legislative Assembly, Member of Legislative Council, Members of the House of People, Members of the Council of States representing the Constituencies[14]. The nominated members do not have voting power. The Mayor is elected from among the Corporators and the Chairperson from amongst the Councillors[15].

3.4 Reservation of seats for the Councils of Municipal Corporations/ Municipalities

Article-243T stipulated reservation of seats for Scheduled Castes (SCs), Scheduled Tribes (STs), Backward Classes (BCs) and Women for direct election. The Telangana Municipal Acts also provide for allotment of reserved seats in different Wards as per the rotation policy adopted by the Government. Reservation of seats shall be made for (i) SCs/STs and (ii) Backward classes (BCs) in proportion of their population, provided that the seats reserved shall not exceed 50 *per cent* of the total number of seats of the Municipality, (iii) While 50 *per cent* of the total seats are reserved for women, same 50 *per cent* ratio is to be observed for women in the respective categories also.

Further, the reservations shall be made by rotation and shall continue to remain for two consecutive terms. In all 17 test-checked ULBs, these provisions have been complied with.

3.5 Status of Elections and formation of Councils

Elections to ULBs shall be completed before the expiry of their duration. In case of dissolution, elections shall be held within six months from that date. Further, Article-243U(3)(a) of the Indian Constitution and TMC Act, 1994 stipulate a fixed tenure of five years for the Corporators/Councillors (Ward Members) of ULBs from the date of its first meeting. The status of elections and formation of Councils in the ULBs is depicted in **Table-3.2.**

[14] which comprise wholly or partly (to be chosen for one of the Municipalities) in the Municipal area
[15] as per Section-5 of TM Act, 2019

Table-3.2: Status of Elections and formation of Councils in ULBs

Name of the ULB	No. of ULBs	Due date for conduct of Election	Actual date of election	Delay in months
(1)	(2)	(3)	(4)	(5)
GHMC	1	December 2014	February 2016	14
Khammam and Warangal Corporations	2	October 2011	March 2016	52
Atchampet Municipality	1	May 2013	March 2016	33
Siddipet Municipality	1	September 2010	April 2016	66
Municipalities (120) and Municipal Corporations (10)	130	July 2019	January 2020	6
Nakrekal Municipality	1	December 2020	April 2021	4
Manuguru, Mandamarri and Palvancha Municipalities	3	-	-	Due to non-extension of TM Act, 2019 to the ULBs situated in Scheduled Areas
Zaheerabad Municipality	1	-	-	Due to pending Court Case
Total ULBs	**140 (*)**			

Source: *Information furnished by State Election Commission (*) There was no delay in one ULB viz., Jadcherla Municipality (total 141 ULBs).*

In spite of completion of the Municipal Councils' terms, the elections were conducted with a delay ranging between four and sixty-six months. There was a delay of 52 months in Khammam/Warangal Corporations. Similarly, the delay was 66 months in Siddipet Municipality and 33 months in Atchampet Municipality. The term of the Municipal Councils expired for the 130 ULBs in July 2019 but the elections were held in January 2020, due to delayed enactment of the new Municipal Act by the Government and litigations on delimitation of Municipalities/Corporations pending in the Courts. Special Officers were appointed to the ULBs and the State Government took over the functions of Councils in 17 ULBs test-checked. The State delayed the delimitation process, which in turn delayed Council elections.

Government did not furnish reasons for delay in conduct of elections in respect of GHMC, Khammam and Warangal Corporations and Atchampet Municipality. The delay in conduct of elections in other ULBs was attributed to pending Court cases and Public Interest Litigations (PILs).

3.6 Mayor/Deputy Mayor and Chairperson/Vice-Chairperson

The Mayor/Chairperson is the first citizen of the City/Town who is to be elected from amongst the elected members of the Council. He/she is empowered to preside over every meeting of the Municipal Corporation/Municipality and has the power to inspect and give direction to the Commissioner with regard to implementation of any Resolution of the Corporation/Council. He/she may call for any record of the Municipal Corporation/ Municipality from the Commissioner, who is the Executive Head.

In Telangana, the term of office of Mayor/Chairperson and Deputy Mayor/Vice-Chairperson in the case of Corporations and Municipalities is five years from the date of holding its first meeting. The offices of Mayor/Deputy Mayor and Chairperson/Vice-Chairperson are to be reserved for different categories such as SCs, STs, BCs, Women and General and rotated among them. This process was complied with in the 17 test-checked ULBs.

3.7 Wards Committees in Municipal Corporations and Municipalities

Article-243S of the Constitution of India provides for constitution of Wards Committees in all the Municipalities with a population of three lakh or more. Wards Committees shall be constituted by the Government for the Corporations. The number of Wards Committee shall be as determined by Government. Each Wards Committee shall consist of not less than ten Wards and include elected Members from the wards for which the Wards Committee is constituted. While the Wards Committees were formed in Warangal and Karimnagar Municipal Corporations, they were not formed in Nizamabad Corporation. Though Wards Committees were formed in Ramagundam Municipal Corporation, no meetings were held.

Further, four types of Ward Committees[16] shall be constituted with community participation on rotation basis annually, for each Ward, by all the Municipalities and Corporations. However, no Ward Committees were constituted in Meerpet and Nizamabad Corporations and Kamareddy Municipality. This defeated the objective of facilitating community participation in local governance. The absence of community participation would adversely impact prioritisation of development works, monitoring of execution of works, utilisation and maintenance of assets created, *etc.*

Government stated (March 2022) that there was delay in constitution of Ward Committees and the meetings could not be conducted in regular intervals due to Covid-19 pandemic. However, the Ward Committees have been constituted in Meerpet and Nizamabad Corporations and Kamareddy Municipality.

3.8 District Planning Committee for Urban Local Bodies

Article-243ZD of Constitution of India provides for constitution of a District Planning Committee (DPC) for consolidation of plans prepared by the Panchayats and Municipal Corporations/Municipalities. Government may constitute, after consultation with Municipal Corporation/Municipality, a Planning Committee for any Municipal Corporation/Municipality to prepare plans for development works.

The DPCs, as enunciated in Article-243ZD of the Constitution of India, have not been constituted in any of the Districts. Though the Commissioner, GWMC stated that DPC was formed under the Chairmanship of the District Collector, it was not a comprehensive Committee, as the Panchayat Raj Institutions were not included. Also, no Draft Development Plan (DDP) was prepared and submitted to the District Collector, taking into

[16] Youth, Women, Senior Citizens and other Eminent People of the Ward. The functions of Ward Committees include (a) upkeep and maintenance of sanitation and solid waste management, (b) tree plantations (Harithaharam), (c) maintenance of water supply, parks, playgrounds, public toilets and market places, (d) facilitate collection of taxes, fees and other dues to the municipality and (e) taking up to the authority of unauthorised constructions and encroachments, (f) encourage art and cultural activities, sports and games and (g) discourage of use of plastic

consideration the local needs and matters of common interest such as drinking water, roads and sewerage system, solid waste management, *etc.* Non-preparation of comprehensive DDP by DPC defeated the very purpose of devolvement of the functions to the ULB as envisaged in 74th CAA.

Government accepted (March 2022) the audit observation and stated that the issue would be examined.

3.9 Government's power and control over ULBs as per TM Acts

Constitution of Municipalities and their sustenance is the responsibility of the State Government as per Article-243 of the Constitution of India. State Government amended the TM Act, 1965 and introduced TMC Act, 1994. Subsequently, Government introduced TM Act, 2019 covering both the Municipal Corporations and Municipalities (except GHMC). We however, observed that while new provisions of the 74th CAA were incorporated in the Telangana State Municipal Acts, provisions which existed in the TM Act, 1965 were also retained, which accorded the State Government control and overriding powers over the ULBs. Further, these powers were retained even in the new TM Act, 2019, which allowed the State to continue with the control over the ULBs as detailed in the ***Appendix 3.2.***

In contravention of the envisaged provisions of the 74th CAA, the State Government retains the powers to call-for the records of the ULBs and take action against any Municipal Authority, if it fails to perform its duty. The State Government also enjoys the powers to cancel the resolution passed by Chairperson/Vice-Chairperson and Members of the Municipal Council. Further, the Government has powers of suspension or removal of the Chairperson/Vice-Chairperson, the Commissioner or any officer/employee of the Municipality and dissolve a Council. The State Government also has the powers to inspect the Municipal properties, call-for documents, plans, estimates, accounts or statistics, report on any municipal matters, give directions and frame the rules. The powers to levy Property Tax, prepare the Budget, sanction to borrow money for developmental works and allow works to be taken up, direct the Municipalities regarding supply of water for residential and commercial properties and establishment of slaughter-houses also vest with the State Government.

3.10 Limited powers over Manpower

3.10.1 Manpower Position of ULBs in Telangana State

Adequate and qualified Manpower based on the service-oriented functions to be discharged within the reasonable time period is required for empowerment of the ULBs. This assessment could be done best by ULBs themselves considering various criteria such as (i) type/nature of service to be provided, (ii) extent of geographical area to be covered, (iii) population to be served, (iv) number of existing properties, *etc.* However, the ULBs neither had the powers to assess the staff requirement nor to recruit the permanent staff on their own.

State Government assessed[17] the staff requirement based on population, revenue, properties *etc.*, without seeking the views of ULBs. The powers to make rules to govern the

[17] *vide* GO Ms. No.218 MA&UD(G1) Department dated 15 June 2011

classification, methods of recruitment, qualification, conditions of services, pay and allowances, trainings, discipline and conduct and other service conditions of the common municipal staff as per Section-43(2) of TM Act, 2019 were vested with the State Government. Further, the powers to transfer the officers/staff between the ULBs and to deal with the appeals, against the order of ULBs imposing penalty on any of the officers and employees, also rests with the State Government as per Section-44 and 73 of TM Act, 2019 respectively.

Scrutiny of staff position of ULBs in the State revealed that the percentage of vacancies was very high in Group IV (94 *per cent*). In Group I and III, it was over 50 *per cent*. The Group-wise details of staff position is as shown in **Table-3.3.**

Table-3.3: Statement showing the staff vacancy position as on 6 January 2021

Sl. No.	Category	Sanctioned Strength	Persons in Position	Vacancy	Percentage of vacancy
(1)	(2)	(3)	(4)	(5)	(6)
1	Indian Administrative Service/ Group-I	232	83	149	64
2	Group II	58	54	4	7
3	Group III				
	Senior Accountant	96	32	64	67
	Health Assistant	141	70	71	50
4	Group IV/Junior Assistant	99	6	93	94

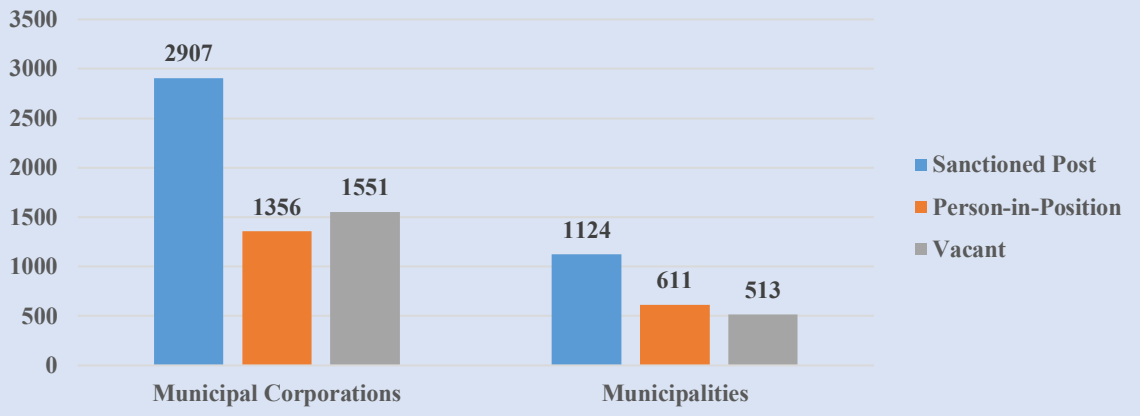
Source: *Information furnished by CDMA*

Further, it was seen from details furnished by the CDMA that 3,900 posts are vacant out of 8,752 sanctioned posts (all cadres) in the State, resulting in 45 *per cent* vacancies, affecting the delivery of services.

3.10.2 Staff position in test-checked ULBs

Tier-wise details of working strength of test-checked Urban Local Bodies showing sanctioned post, person-in-position and vacancies are given in **Chart-3.1**.

Chart 3.1: Working Strength of Test checked Urban Local Bodies



As seen, in the 17 test-checked ULBs, 2064 posts were vacant as against the sanctioned strength of 4,031, resulting in 50 *per cent* vacancies. The details are given in ***Appendix-3.3.*** We also noticed that ULBs were largely dependent on outsourced staff for service delivery and in 17 test-checked ULBs, 8087 outsourced staff were deployed during 2020-21.

In the exit conference (March 2022), Department accepted the observation of huge vacancies and large gap between the sanctioned strength and persons in position. As there was no staffing pattern earlier, the Government had framed norms (June 2011) for staffing pattern for ULBs, based on population, area and revenue to ensure uniformity in the staffing. However, the fact remains that manpower position in ULBs has not improved and the ULBs are largely dependent upon the outsourced staff for the service delivery.

3.10.3 Capacity Building

Capacity building is essential for strengthening the capabilities of personnel and for equipping them with advanced skills to deliver better services.

As per Section-42 of the TM Act, 2019 all Ward Members, Chairpersons, Vice-Chairpersons elected under this Act shall undergo training initially and in regular intervals on departmental activities and functions of ULBs, provisions of this Act and the Rules made thereunder. As per Section-72 (17) of the TM Act, 2019 capacity building programmes should be organised for the Municipal functionaries. The CDMA nominates participants from various ULBs for the training which is a continuous process to be reviewed periodically. However, no training programmes were held during 2015-2021 in 10[18] out of 17 ULBs, as detailed in the ***Appendix-3.4***. In the remaining seven ULBs, training was conducted either for the representatives or the employees only. We observed that no proposals were sent to CDMA on training requirements. The ULBs did not furnish the reasons for non-imparting the training as per the provisions of the Act. There was also no mechanism to obtain the feedback to evaluate the impact of training imparted to the staff of ULBs on the discharge of functions. We also observed that a database of trained personnel was not maintained by the Department.

Government stated (March 2022) that the training was imparted to elected representatives on departmental activities and functions of ULBs through Regional Centre for Urban Environmental Studies (RCUES), Ministry of Housing and Urban Affairs, GoI, Hyderabad.

3.11 Observations on selected Functions/Activities

To assess the efficiency of service delivery, five functions/activities devolved to ULBs have been selected for examination in the performance audit. Out of the five selected functions/activities, three functions *viz.,* 1. Public Health and Sanitation, 2. Solid Waste Management and 3. Water supply have been discussed in this Chapter, along with brief introduction of Water charges. Further, the observations relating to Property Tax and Water charges have also been discussed in detail in Para 4.1.5 of Chapter-IV of the Report.

[18] Municipal Corporations of Boduppal, Karimnagar, Meerpet, Nizamabad and Ramagundam; and Municipalities of Kamareddy, Medak, Medchal, Siddipet and Wanaparthy

3.11.1 Water Supply system in Telangana

Water supply to residential, commercial and industrial establishments is an obligatory and important function of the ULBs, devolved by the State Government as per Article-243W of the Constitution. The ULBs receive bulk water supply from rivers through Mission Bhagiratha network, in addition to their own source of surface and ground water. As per the Service Level Benchmarks (SLBs) fixed by Ministry of Urban Development (MoUD) and recommended by 13th and 14th Finance Commissions, water is to be supplied to households on daily basis.

(A) Per capita norms for water supply

Telangana Government launched Mission Bhagiratha (2015) for supply of bulk drinking water drawn from the river sources through grid network to all households in the State. As per the project, quantity of water to be supplied was 100 lpcd[19] (Rural areas/Gram Panchayats), 135 lpcd (Urban areas/Municipalities) and 150 lpcd (Urban areas/Municipal Corporations).

As per the recommendations of the 14th Finance Commission, the ULBs have to notify the SLBs of the basic services to be provided every year in the District Gazette. The ULBs had notified SLBs in the Gazette relating to four functions *viz.,* (1) water supply, (2) wastewater management, (3) solid waste management and (4) storm water drains. As per the SLBs, water was to be supplied at 135 lpcd (24 hours water supply) in the ULBs with 100 *per cent* coverage of connections. We noticed that the water supply was deficient in 10[20] out of 17 test-checked ULBs and the percentage of shortfall ranged from 10 to 68 *per cent* as indicated in ***Appendix-3.5***. Though water is supplied daily in nine[21] ULBs, the duration of supply ranged between half-an hour and one hour. In the remaining eight ULBs where water is supplied through parastatal agencies[22], it was noticed that in six[23] ULBs water is supplied once in two/three/six days in a week. Further, the effective quantity of water supply in seven[24] ULBs, where the supply was not made on daily basis ranged between 14 lpcd and 68 lpcd, indicating acute shortage of water.

Government stated (March 2022) that the per capita water supply under Mission Bhagiratha (8 ULBs) would be achieved on completion of the works such as additional storage reservoirs, distribution pipelines in uncovered/extended areas and by providing additional household connections. In respect of the two ULBs located within the Outer Ring Road, per capita water supply could be achieved through HMWS&SB on completion of the comprehensive scheme sanctioned in September 2021. Further, the CDMA accepted that the water supply indicators mentioned in the SLBs were not fully achieved.

---

[19] litres per capita, per day

[20] Meerpet Corporation and Bhongir, Bodhan, Jangaon, Kamareddy, Medchal, Pedda Amberpet, Sadasivapet, Shadnagar and Wanaparthy Municipalities

[21] Municipal Corporations: Karimnagar, Nizamabad, Ramagundam and Warangal; Municipalities: Bodhan, Jangaon, Medak, Siddipet and Wanaparthy

[22] HMWS & SB and Mission Bhagiratha

[23] Municipal Corporation of Meerpet & Municipalities of Bhongir, Kamareddy, Medchal, Pedda Amberpet and Shadnagar

[24] Municipal Corporations: Boduppal and Meerpet; Municipalities: Kamareddy, Medchal, Pedda Amberpet, Sadasivapet and Shadnagar

(B) Non-Fixation of water meters

As per the SLBs fixed by MoUD (GoI) and recommended by the 13th and 14th Finance Commissions, meters were to be installed in 100 *per cent* of the water connections. However, no water meters were installed in any of the test-checked ULBs, except Warangal. In Warangal Corporation also, only a meagre 648 (less than 1 *per cent*) out of 1,74,666 households were fixed with water meters.

Government stated (March 2022) that the ULBs are encouraged to switchover to water meter system. However, the switchover to meter system would take time in view of the financial implications *i.e.,* cost of meters, additional staff required for meter reading and other factors. Further, the elected Councils of the ULBs have to take initiative in this regard.

(C) Increased extent of Non-Revenue Water (NRW) supply

As per the SLB 1.4 of 14th Central Finance Commission, the extent of non-revenue water supply should not be more than 20 *per cent* of the total supply. In Warangal Corporation, the water losses accounted for 33 *per cent i.e.,* loss of 55.80 Million Liters per Day (MLD) out of 168.92 MLD. In Ramagundam Corporation, water losses accounted for 28 *per cent i.e.,* loss of 10 MLD out of 36 MLD. No information on water losses was furnished by Bhongir Municipality and Meerpet Corporation and in respect of other 13 test-checked ULBs, it was within permissible limits.

Further, water audit[25] is to be conducted where piped water supply was being made, to detect the pilferage, losses *etc*. However, this was not done in 11[26] out of 17 test-checked ULBs. No information was furnished by two ULBs *viz.,* Meerpet and Nizamabad Corporations. The other four ULBs *viz.,* Boduppal Corporation and Kamareddy, Pedda Amberpet and Siddipet Municipalities informed that the water audit was being conducted. However, we were not provided the details/reports of such audit.

Government stated (March 2022) that the bulk meters were provided in 10 ULBs under AMRUT[27] scheme and 24x7 water supply had been taken up on pilot basis in Karimnagar Municipal Corporation for controlling Non-Revenue Water supply.

(D) Periodic Revision and fixation of water supply rates

We observed that the water charges were revised only in five out of 17 test-checked ULBs *viz.,* Ramagundam Corporation, Sadasivapet Municipality, Pedda Amberpet Municipality, Warangal Corporation and Wanaparthy Municipality.

Further, as per TM Act, 2019, the Government may make rules governing the allocation and classification of supply of water for residential and commercial purposes including shops, hotels, industrial undertakings and other such non-residential undertakings and determine the levy of charges for different categories. The draft Telangana Municipalities Water Supply, Drainage and Sewerage (Fixation of charges) Rules, 2020 had been submitted[28] by CDMA to Government on 10 December 2020. However, the same has not yet been approved (March 2022).

---

[25] as per Section-115 of the TM Act, 2019 and Para 15.2 of CPHEEO O&M Manual

[26] Municipal Corporations of Karimnagar, Ramagundam and Warangal & Municipalities of Bhongir, Bodhan, Jangaon, Medak, Medchal, Sadasivapet, Shadnagar and Wanaparthy

[27] Atal Mission for Rejuvenation and Urban Transformation

[28] CDMA Lr.Roc.No.27226/2020-H2 dated 10 December 2020

Government stated (March 2022) that instructions were issued (December 2020) for collection of water charges on monthly basis and Municipalities are taking action accordingly. However, Government did not reply on the issue relating to revision of water charges.

3.11.2 Solid Waste Management

In accordance with Solid Waste Management Rules, 2016 (SWM Rules, 2016[29]), the State Government had framed the Telangana Solid Waste Management Policy and Strategy (TSWMP&S) in September 2018. Further, Rule-4 of Municipal Solid Waste (Management and Handling) Rules, 2000 states that every Municipal authority shall, within the territorial areas of the Municipality, be responsible for the implementation of the provisions of these rules and for any infrastructure development for collection, storage, segregation, transportation, processing and disposal of municipal solid wastes.

The Urban Local Bodies are required to ensure that solid waste generated in the city/town is managed in accordance with the provisions of SWM Rules, 2016. These rules also state the duties of solid waste management of various Departments/agencies like Urban Local Bodies, State Pollution Control Boards, Hospitals and Industries, *etc*. Further, every ULB has to prepare a Solid Waste Management (SWM) Plan within six months from the date of notification as per the TSWMP&S (September 2018). However, SWM Plan was not prepared in five of the 17 ULBs *viz.,* Municipalities of Medak, Sadasivapet and Wanaparthy and Corporations of Meerpet and Warangal. Absence of a SWM plan affects the effectiveness of the waste management system and impact functions such as door-to-door collection of garbage, training to waste pickers, formation of Self Help Groups, collection of user charges, *etc*.

Government stated (March 2022) that the SWM Plans were prepared by all ULBs. Further, 100 *per cent* door to door garbage collection, training to staff at regular intervals and awareness campaign to households are being done in all ULBs.

3.11.2.1 Non-collection of User charges for collection of garbage

The ULBs can collect the User charges for the civic services like solid waste management, *i.e.,* for collection of garbage and disposal. Further, as per Telangana Solid Waste Management Policy and Strategy, 2018, the ULBs shall notify the User charges for door-to-door garbage collection for different categories once in two years. The User charges shall be informed to the public through Press statement and ULBs are also to achieve service level bench marking of 90 *per cent* in respect of collection of User charges. We noticed that in seven[30] out of 17 test-checked ULBs, User charges were not being collected from residential households.

Government stated (March 2022) that the ULBs have outsourced the collection and transportation of solid waste through Swachh Autos, being operated on owner-cum-driver basis on collection of nominal charges to reduce the financial burden.

[29] As notified by the Ministry of Environment, Forests & Climate Change
[30] Municipalities of Bhongir, Jangaon, Kamareddy, Medak, Sadasivapet, Siddipet and Wanaparthy

3.11.2.2 Non-identification of site for Sanitary Landfills in the Urban Local Bodies

As per Rule 15-zi of Solid Waste Management Rules 2016, every ULB shall undertake construction, operation and maintenance of sanitary landfill and associated infrastructure for disposal of residual wastes. The sanitary landfills are required to be established in and around the dumping yards. These sanitary landfills are necessary for disposal of the various types of waste *i.e.,* (i) non-biodegradable waste (ii) co-mingled waste (iii) pre-post processing rejects and (iv) non-hazardous waste not processed or recycled causing harm to the environment. Further, Rule-22 prescribes that the identification of suitable[31] site should be completed within a year of notification of SWM Rules, 2016.

The TSPCB had issued the Implementation Schedule[32] wherein the ULBs were instructed to identify the sites/land for the sanitary landfills by taking environmental issues into consideration and construct well-designed engineered sanitary landfill facility.

However, only two out of 17 test-checked ULBs *viz.,* municipalities of Sadasivapet and Siddipet had identified sites for sanitary landfills. The garbage/rejects in the remaining 15 ULBs is being dumped in open areas.

Government stated (March 2022) that all the ULBs have land for dump yards totaling to an extent of 966.81 acres. ULBs have also established the compost units for processing of wet waste and Dry Resource Collection Centres (DRCCs). Further, bio-medical domestic hazardous waste was handed over to the TSPCB certified agencies for processing. Due to this, there was drastic reduction in inerts *i.e.,* less than 10 *per cent.* The construction of sanitary landfills is being pursued on regional basis by taking into consideration the availability of resources *viz.,* technical manpower, land and finance.

3.11.2.3 Observations on Joint Physical Verification of dump yards

We conducted the Joint Physical Verification (JPV) of dump yards along with the ULB officials in 10 ULBs, to ascertain the compliance to the SWM Rules, 2016 in the functioning and maintenance of dump yards. The details of the JPV are shown in **Table-3.4**.

Table-3.4: Observations made during the Joint Physical Verification of dump yards

Sl. No.	Observations of Audit	Name of the ULB
(1)	(2)	(3)
(i)	Compound wall or fence for the dump yards was not existing in four ULBs and partially existed in two ULBs.	Nizamabad, Ramagundam Corporations and Jangaon, Medak Municipalities
		Warangal Corporation and Sadasivapet Municipality
(ii)	Approach road and internal roads did not exist in four ULBs and partially existed in one ULB.	Ramagundam Corporation and Jangaon, Medak, Wanaparthy Municipalities
		Sadasivapet Municipality

[31] Common regional sanitary landfill facilities for a suitable cluster of local authorities up to 0.5 million population. For the population of 0.5 million or more, a common/standalone sanitary landfill site

[32] Member Secretary, TSPCB Lr.No.MSW-03/TSPCB/CPCB-AR/2019 dated 19 July 2021 (Annexure-III/Schedule-II)

(iii)	Provisions like weigh bridge to measure quantity of waste and fire protection equipment not available in the dump yard, in four ULBs.	Ramagundam Corporation and Medak, Sadasivapet, Wanaparthy Municipalities
(iv)	Plantation to minimise the soil erosion was not done in six ULBs.	Ramagundam, Karimnagar, Warangal Corporations and Jangaon, Sadasivapet, Wanaparthy Municipalities
(v)	Green belt around the boundaries of the dump yards was not covered in six ULBs.	Karimnagar, Ramagundam, Warangal Corporations and Jangaon, Sadasivapet Wanaparthy Municipalities

3.11.3 Public Health and Sanitation in Urban Local Bodies

Health, Medical and Family Welfare (HM&FW) Department through Government hospitals discharge major functions relating to public health in urban areas. The role of ULBs is restricted to assessment of infectious diseases, control of mosquito growth and taking up of preventive measures. As contemplated in the TM Act, 2019, the activities of immunisation, vaccination, spraying, fogging, *etc.,* are to be conducted by ULBs in coordination with HM&FW Department. In addition to this, Municipal authorities shall ensure implementation of Food Safety and Standards Act, 2006, handling of Construction and Demolition waste by identifying suitable places and modernisation of Slaughter-houses in accordance with TM Act, 2019.

(i) The Municipalities have to handle the Construction and Demolition (C&D) waste and have to identify suitable place for its disposal and processing. It was noticed that six[33] out of 17 test-checked ULBs did not identify any land for construction and demolition waste. Though the land was identified in Karimnagar Corporation, the same was not put into use.

Government stated (March 2022) that it is planning to establish C&D waste processing plants on cluster basis considering the quantities being generated in the ULBs. The C&D waste processing facilities at Greater Warangal Municipal Corporation and Municipalities of Nalgonda and Sangareddy have been approved by the GoI.

(ii) The duty of regulation and scientific management of Slaughter-houses and Tanneries rests with the ULBs. It was observed that there were no Slaughter-houses in three out of 17 test-checked ULBs *viz.,* Bhongir, Kamareddy and Medak Municipalities. Though Slaughter-houses existed in two ULBs *viz.*, Nizamabad and Warangal Corporations, these were not scientifically maintained as defined in the Prevention of Cruelty to Animals (Slaughter-House) Rules, 2001.

3.12 Conclusion

Out of 141 Urban Local Bodies (ULBs) in the State, 137 ULBs have their Local Self Government where elections were held between February 2016 and April 2021 with a delay ranging between four and sixty-six months. In the absence of an elected body, the Administration was run by Special Officers appointed by the State Government. State Government had not entrusted (March 2022) the task of delimitation to State Election

[33] Nizamabad, Ramagundam, Warangal Corporations and Jangaon, Sadasivapet, Wanaparthy Municipalities

Commission as recommended by the Second Administrative Reforms Commission and accepted by Government of India (GoI). Ward Committees were not constituted in three ULBs. District Planning Committees have not been constituted in any of the districts and no consolidated Draft Development Plans for considering local needs and matters of common interest were prepared. Though the provisions of the 74th CAA enunciates devolution of functions to the ULBs, most of the functions were discharged by State Government through its Departments/Parastatal agencies.

The Urban Local Bodies have no powers either to assess staff requirement or to recruit the staff, except outsourcing personnel as the State Government has retained these powers. Out of 8,752 sanctioned posts in the State, 3,900 posts (45 per cent) are vacant, resulting in larger dependence on outsourced staff for service delivery.

Water supply was deficient in terms of per capita norms in 10 out of 17 test-checked ULBs. Water meters have not been installed in any of the ULBs except in Warangal where the coverage is one per cent. Water Audit was not being done in 11 test-checked ULBs to detect the pilferage/losses. Draft Rules for periodical revision of water charges are yet to be approved by State Government and the ULBs were unable to meet the cost of water supply. Solid Waste Management was ineffective due to non-identification of sites for sanitary landfills in 15 out of 17 ULBs and non-collection of garbage charges from the households in seven out of 17 ULBs. Thus, the ULBs could not achieve the SLBs in water supply and solid waste management functions.

3.13 Recommendations

i. Legal and administrative arrangements

- The Government may ensure timely elections to Urban Local Bodies to enable them to function as Institutions of self-governance.
- Various Committees like Ward Committees, District Planning Committees may be constituted in the Urban Local Bodies as envisaged in the Telangana Municipalities Act, 2019 and encouraged to function effectively as envisaged in 74th CAA.

ii. Manpower/Staffing

- The Government may delegate adequate powers to Urban Local Bodies to assess and recruit staff required for efficient service delivery.
- The Government may impart training to all functionaries/employees in regular intervals to equip them to discharge their duties effectively.

Chapter IV

Financial Resources of Urban Local Bodies

Chapter IV - Financial Resources of Urban Local Bodies

4.1 Financial Resources of ULBs

Sustainable financing is paramount to ensure discharge of any function. The devolved functions can be carried out effectively by ULBs only when they are supported with sufficient financial resources. Such financial resources could take the form of predictable fiscal transfers or access to own revenue streams that are buoyant and commensurate with the expenditure obligations, accompanied with appropriate financial powers of expenditure. Predictable fiscal transfers to ULBs need to be ensured through a robust State Finance Commission mechanism and compliance with State and Central Finance Commission recommendations. Access to own sources of revenue would include both the power to levy and collect taxes/charges/duty/fee from specific revenue streams. Financial powers or expenditure powers refer to reasonable delegation limits that allow the ULBs to utilise their financial resources.

Source of revenue of ULBs consist of own revenues[34] included tax and non-tax receipts, assigned revenues[35] apportioned to ULBs, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts[36]. Summary of grants/receipts of ULBs for the years 2015-16 to 2020-21 are given in the **Table-4.1.**

Table-4.1: Details of grants/receipts of ULBs in the State during the period 2015-16 to 2020-21

(₹ in crore)

Year	Grants	Assigned Revenue*	Own Revenue	Total Revenue	Percentage of own revenue to total revenue	Percentage of fiscal transfers to total revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2015-16	592.83	118.86	451.46	1163.15	38.81	61.19
2016-17	860.55	115.61	504.89	1481.05	34.09	65.91
2017-18	665.62	100.24	540.32	1306.18	41.37	58.63
2018-19	668.99	152.74	697.99	1519.72	45.93	54.07
2019-20	1038.42	135.81	850.55	2024.78	42.01	57.99
2020-21	889.00	2.91	1068.17	1960.08	54.50	45.50
Average					**42.78**	**57.22**

Source: *Information furnished by CDMA; (*) The amounts shown in column (3) include arrears of previous years*

The details of revenues of the 17 test-checked ULBs during the period 2015-16 to 2020-21 are indicated in **Table-4.2.**

[34] Property Tax, Advertisement Tax, Water Charges, Rents from markets, shops and other properties, auction proceeds *etc.*

[35] Surcharge on Stamp Duty, Entertainment Tax collected by Departments of 'Registration and Stamps' and 'Commercial Taxes' respectively

[36] Donations, Interest on Deposits, *etc.*

Table-4.2: Details of revenues in 17 test-checked ULBs during the period 2015-16 to 2020-21

(₹ in crore)

Year	Grants	Assigned Revenue	Own Revenue[37]	Total	Percentage of Own Revenue to Total Revenue	Percentage of fiscal transfers to Total revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2015-16	115.62	59.14	118.77	293.53	40.46	59.54
2016-17	123.66	48.83	135.63	308.12	44.02	55.98
2017-18	62.69	34.56	155.91	253.16	61.59	38.41
2018-19	146.67	53.52	178.71	378.90	47.17	52.83
2019-20	196.68	30.96	190.84	418.48	45.60	54.40
2020-21	112.01	0.00	175.68	287.69	61.07	38.93
Average					**49.98**	**50.02**

Source: *Information furnished by the ULBs*

Note: 1) Grants includes 14th Finance Commission and State Government grants received by the test-checked ULBs. Information regarding 14th FC grants in respect of five[38] ULBs and information regarding State Government grants in respect of eight[39] ULBs is not furnished.

2) Assigned Revenue includes Stamp Duty (SD) and Entertainment Tax (ET) received by the ULBs. Information on SD was not furnished by three[40] ULBs for all the above years. ET is subsumed in GST from July 2017. Information on ET was provided by seven[41] ULBs.

3) Own Revenue includes Property Tax (PT) and Water Charges (WC) only collected by the test-checked ULBs. Information on PT furnished partially in six[42] ULBs. Information on Water Charges was not furnished by three[43] ULBs for all the years and eight[44] ULBs furnished partially.

4.1.1 Fiscal transfers of Government to ULBs

As per the recommendations of the Central Finance Commission and State Finance Commission, funds were devolved to ULBs through transfer by the Central and State Governments in the form of grants. As seen from the **Table-4.1** above, the fiscal transfers from Government constituted 57 *per cent* of the total revenue of ULBs in the State during the period 2015-16 to 2020-21. The year-wise fiscal transfer of funds ranged between 46 and 66 *per cent*. The shortcomings observed in fiscal transfers are discussed below.

4.1.2 State Finance Commission (SFC) Grants

Article-243Y read with Article-243I of the Constitution of India makes it mandatory for the State Government to constitute the Finance Commission within one year of the commencement of the 74th CAA and thereafter on expiry of every five years. The mandate of the SFC is to review the financial condition of the ULBs and to make recommendations to the Government.

---

[37] Revenues pertaining to Property Tax and Water charges

[38] 2015-16: Boduppal Municipal Corporation and Pedda Amberpet Municipality; 2020-21: Kamareddy, Medak and Wanaparthy Municipalities

[39] Municipalities of Bhongir (2020-21), Jangaon (2015-16), Kamareddy (2020-21), Medak (2020-21) and Pedda Amberpet (2015-16); Siddipet (2015-16, 2016-17) and Wanaparthy (2020-21); and Municipal Corporation: Boduppal (2015-16, 2017-18)

[40] Medak, Medchal and Wanaparthy Municipalities

[41] Karimnagar, Nizamabad Corporations for 2015-16 to 2017-18; Ramagundam Corporation, Bhongir and Siddipet Municipalities for 2015-16 to 2016-17; and Jangaon and Kamareddy Municipalities for 2016-17

[42] Boduppal, Jangaon, Medak, Medchal, Sadasivapet and Wanaparthy Municipalities

[43] Bodhan Municipality; and Boduppal and Meerpet Corporations

[44] Siddipet and Wanaparthy Municipalities for 2015-16 to 2019-20; Shadnagar Municipality for 2015-16, 2016-17 and 2020-21; Kamareddy Municipality for 2015-16 and 2016-17; Medchal, Pedda Amberpet and Sadasivapet Municipalities for 2020-21; Medak Municipality for 2015-16

The State Government constituted the SFC in March 2015[45] without any Members. The Chairman, Member Secretary and Members were appointed only in January 2018, after three years of formation of the Commission. Thus, there were no recommendations for the period 2015-16 to 2019-20. State Government released funds taking the population as criterion[46] for the distribution of the funds. Further, the SFC submitted its Report in October 2020 and the same is yet to be accepted by Government (March 2022).

Timely constitution of SFC and taking swift actions on its recommendations is critical towards strengthening the financial position of Urban Local Bodies. State Government, however released funds of only ₹1,974 crore[47] (in lieu of SFC grants) (*63 per cent*) out of the allocation of ₹3,144 crore[48] during the years 2015-16 to 2020-21. The short releases against allocations during 2017-18 to 2019-20 ranged between 50 and 85 *per cent*. This adversely affected the financial position of the ULBs.

Government stated (March 2022) that it would provide a matching amount equal to the municipality-wise devolution under the Finance Commission, over and above the own resources of the Municipality, as per Section-107(2) of the TM Act, 2019. Any deficit in the matching grant contribution from the State Government shall be carried forward to the next year.

4.1.3 Central Finance Commission (CFC) Grants

Article-280(3)(c) of the Constitution of India mandates the CFC to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Municipalities, based on the recommendations of the respective SFCs. The 14th Finance Commission (14th FC) recommended grants under Basic Grant[49] and Performance Grant[50] to ULBs in the ratio of 80:20. The allocation and release of 14th FC grants in the State during the period 2015-16 to 2019-20 are given in **Table-4.3.**

Table-4.3: Allocation and Release of 14th FC Grants during 2015-16 to 2019-20

(₹in crore)

Year	Amount allocated by GoI			Amount received by State Government			Balance to be received
	Basic Grant	Performance Grant	Total	Basic Grant	Performance Grant	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2015-16	325.23	0	325.23	291.95	0	291.95	33.28
2016-17	450.33	132.91	583.24	428.89	109.79	538.68	44.56
2017-18	520.32	150.41	670.73	474.61	126.01	600.62	70.11
2018-19	601.92	170.81	772.73	531.73	0	531.73	241.00
2019-20	813.32	223.66	1036.98	778.70	0	778.70	258.28
Total	**2,711.12**	**677.79**	**3,388.91**	**2,505.88**	**235.80**	**2,741.68**	**647.23**

Source: *Information furnished by the CDMA*

[45] vide G.O.Ms. No. 31 (PR&RD) dated 16 March 2015
[46] CDMA Lr.Roc.No.138990/2021/B3 dated 31 August 2021
[47] 2015-16: ₹300.88 crore, 2016-17: ₹321.87 crore, 2017-18: ₹65.00 crore, 2018-19: ₹137.26 crore 2019-20: ₹259.72 crore and 2020-21: ₹889.00 crore
[48] 2015-16: ₹300.88 crore, 2016-17: ₹321.87 crore, 2017-18: ₹198.79 crore, 2018-19: ₹911.92 crore, 2019-20: ₹521.74 crore and 2020-21: ₹889.00 crore
[49] Basic Grants are meant for basic services like water supply, solid waste management, sanitation including septage management, public health and sanitation, drainage, sewerage storm water drains, maintenance of community assets, maintenance of roads, footpaths, streetlights, burials and other basic services
[50] Performance Grants are released after satisfying the conditions like improvement of own revenues, submission of audited accounts within two years, relating to the preceding two years in which the ULB claims for performance grants, ULBs publish the Service Level Benchmarks (SLBs), submission of utilisation certificates for the grants *etc*.

As seen from the **Table-4.3** above, there was short release of ₹647.23 crore of Basic Grants and Performance Grants during the award period of 2015-16 to 2019-20.

Basic Grants are released in two installments, *i.e.*, June and October every year and Performance Grants relating to previous financial year are required to be released in October month of the succeeding financial year, along with the 2nd installment of Basic Grant. However, we observed that the Performance Grant of 2016-17 and first installment of Basic Grant for 2017-18, were released by State Government to ULBs with delays of 6 and 93 days respectively. As a result, the State Government had to pay penal interest of ₹3.76 crore to the ULBs. Further, there were delays[51] in release of 1st and 2nd installments of Basic Grants from GoI to State Government, during 2018-19 and 2019-20.

Government accepted the audit observation and stated (March 2022) that 14th FC funds were released only to the ULBs with elected bodies. Further, delay in conduct of elections was attributed to delay in taking up of pre-election process such as delimitation of Wards, publication of electoral rolls, reservations, *etc.,* in Siddipet and Warangal ULBs.

4.1.4 Assigned Revenue

As per Section 105 A, B and C of TM Act, 2019 and Para-1.11.3(ii) of Manual of Municipal Administration in Telangana 2017, the duty on transfer of immovable property shall be levied in the form of Surcharge on Stamp Duty at the rate of 1.5 *per cent* of the value of instrument *i.e.*, sale, gift, mortgage, exchange and lease in perpetuity of immovable property situated within the limits of a Municipal area. The entire amount of Surcharge on Stamp Duty collected shall be passed on to ULBs in the State. This is one of the main sources of assigned revenue to ULBs.

Out of total amount of Surcharge on Stamp Duty collected (₹1,879.66 crore) during 2019-20 and 2020-21 by the Registration and Stamps Department, an amount of ₹57.17 crore was transferred to ULBs during 2019-20. However, the balance amount of ₹1,822.49 crore has not been transferred to the ULBs since May 2019.

Registration and Stamps Department replied that the amount was kept under abeyance[52] based on the Treasuries & Accounts Department (TAD)'s instructions (January 2020). However, the TAD instructions referred to, were applicable to Panchayat Raj and Rural Development Department and not to MAUDD.

Further, Entertainment Tax (ET), which was another source of assigned revenue, was subsumed in GST, with effect from 1 July 2017. There was no arrangement to compensate/reimburse the loss of revenue to ULBs in lieu of the ET since 2017. Thus, the ULBs were deprived of all the assigned revenue sources *viz.,* Surcharge on Stamp Duty and Entertainment Tax, resulting in reduction of revenues of the ULBs.

Government accepted the audit observation and stated (March 2022) that the Surcharge on Stamp Duty was not received after May 2019 due to some technical reasons and it is in the process of releasing to the ULBs.

---

[51] ranging from four to eight months

[52] letter No.F4/827/2016, dated 08 January 2020 addressed to Finance Department by Director of Treasuries and Accounts, Telangana

4.1.5 Own Revenues

4.1.5.1 Revenue on Property Tax (PT)

Property tax is levied on all buildings or vacant land or both, for each half year under Section-85 and 91 of the TM Act, 1965 and Sections-92 and 100 of the TM Act, 2019. The PT is levied on the basis of Annual Rental Value[53] (ARV) and the tax so fixed together with the incidence of library and education cess shall not exceed 25 *per cent* and 33 *per cent* of the ARV of residential and non-residential buildings respectively. Alternatively, the Property tax can also be levied on the Capital Value method[54] or such basis as prescribed in the latest TM Act, 2019.

The share of Property tax revenue to total revenue in the 17 test-checked ULBs stood at 42 *per cent* during the period 2015-16 to 2020-21 as shown in **Table-4.4.**

Table-4.4: Revenue on Property Tax in the test-checked ULBs during 2015-16 to 2020-21

(₹ in crore)

Year	Total Revenue	Property Tax	Percentage of Property Tax over Total Revenue
(1)	(2)	(3)	(4)
2015-16	293.53	96.85	33.00
2016-17	308.12	110.93	36.00
2017-18	253.16	131.79	52.06
2018-19	378.90	154.70	40.83
2019-20	418.48	164.36	39.28
2020-21	287.69	146.28	50.85
Average			**42.00**

***Source**: Information furnished by ULBs*

Government stated (March 2022) that ULBs are in the process of converting to Capital Value system from Annual Rental Value system. For the purpose, an integrated software system[55] has been developed which would help to improve the revenue of ULBs and to have an accountable system.

We noticed the following constraints/deficiencies in levy and collection of Property tax and maintenance of records in the 17 test-checked ULBs.

4.1.5.2 Arrears in collection of Property Tax and User Charges in lieu of Property Tax

Property tax shall be levied every half year and shall be paid by the owner of the assessed premises within 30 days after commencement of the half year. In case of failure to pay the PT within the due date (by the end of June or December as the case may be), a simple interest at two *per cent* per month shall be charged.

[53] Deemed to be the gross annual rent reasonably be expected from letting with reference to its location, plinth area, age of the building, nature of use and such other criteria as may be prescribed

[54] The value fixed by Registration and Stamps Department for the purpose of registration of lands/buildings

[55] called *emunicipal.telangana.gov.in*

The total arrears of Property tax along with interest (as on 31 March 2021) was ₹786.71 crore in the State[56]. Accumulated arrears of Property tax in the 17 test-checked ULBs[57] amounted to ₹54.58 crore out of the total assessed demand of ₹274.60 crore. The ULB-wise and year-wise details are given in ***Appendix-4.1.*** The total arrears constitute 20 *per cent* of the total demand.

Further, User charges (in lieu of Property Tax) shall be levied on properties of Central Government (CG) Departments for providing at 75 *per cent* (full services) or 50 *per cent* (partial services) or 33 1/3 *per cent* (nil services) of PT, as the case may be. There are no CG properties in four[58] ULBs. It was noticed that User Charges in five[59] test-checked ULBs are not being levied and two ULBs (Medchal and Shadnagar Municipalities) had not identified the CG properties. User charges amounting to ₹10.96 crore (96 *per cent* of total demand of ₹11.43 crore) in respect of CG properties situated in six[60] ULBs were in arrears, as of March 2021.

Government stated (March 2022) that ULBs are taking steps for collection of Property tax including arrears by conducting special drives. Multiple options are provided to citizens to enable them to make online payments and through UPI/QR Codes. Further, ULBs are taking up IT based initiatives under Smart Cities or through Bhuvan based Property Mapping (GIS platform). The activity will help to levy on not only the Central Government properties, but also tap the un-assessed/under-assessed properties.

4.1.5.3 Revenue on Water Charges

As per Section-138 of TM Act, 1965 and Section-82 (2)(b)(i) of TM Act, 2019, for all the water supplied, payment shall be made on such basis, at such times and such conditions laid down in the ULB Bye-laws and shall be recoverable in the same manner as the property tax.

We observed that the accumulated arrears of water charges in nine[61] out of 17 test-checked ULBs to the end of March 2021 amounted to ₹37.54 crore[62] (56 *per cent* out of the total demand of ₹66.97 crore).

4.1.5.4 Non-coverage of Operation and Maintenance (O&M) expenses of water charges

As per Section 2.1.8 of SLB issued by MoUD (GoI), cost recovery in respect of water supply services should be 100 *per cent*. However, we noticed that the O&M charges towards water supply incurred by the Municipalities was generally more than the actual receipt of water charges.

4.2 Estimation of requirement of funds/expenditure

The Council of the ULB shall, in each year, frame a budget showing the probable receipts and the expenditure which it proposes to incur during the following year and shall submit a copy of the budget to the Government before such date as may be fixed by them in that

[56] as per the information furnished by the CDMA
[57] Data of Jangaon, Medchal and Sadasivapet Municipalities pertaining to 2019-20 has been considered
[58] Boduppal and Meerpet Municipal Corporations; and Pedda Amberpet and Wanaparthy Municipalities
[59] Municipal Corporations of Karimnagar (26) and Ramagundam (1); and Municipalities of Bodhan (13), Jangaon (82), Sadasivapet (3)
[60] Municipal Corporations of Nizamabad and Warangal; and Municipalities of Bhongir, Kamareddy, Medak, and Siddipet
[61] eight ULBs did not furnish data for 2020-21
[62] Municipal Corporations of Karimnagar: ₹0.90 crore, Nizamabad: ₹9.18 crore, Ramagundam: ₹1.65 crore and Warangal: ₹11.50 crore; Municipalities of Bhongir: ₹1.70 crore, Jangaon: ₹3.48 crore, Kamareddy: ₹0.62 crore, Medak: ₹2.89 crore and Siddipet: ₹5.62 crore

behalf. A copy of budget for the ensuing year shall be submitted to the Government at least a fortnight before the end of the financial year.

Further, if in the course of a year, the Council finds it necessary to modify the figures shown in the budget with regard to its receipts or to the distribution of the amounts to be expended on the different services it undertakes, it may submit a supplemental or revised budget, provided that no alteration shall be made without the consent of the Government or any agency, specified therefor.

4.2.1 Unrealistic Budget exercise

Expenditure estimation depends on services to be provided by the local government and the costs associated with the provisions of these services. Since the delivery of municipal services comes with a cost, it is necessary to realistically estimate the cost of each municipal service to assess the requirement and source of funds for efficient delivery. However, such an exercise was not undertaken either by ULBs or by State Government.

Statement showing the variation between budget and actuals noticed in two sampled units of ULBs, for the years 2015-2021 is given in **Table-4.5**.

Table-4.5: Details of Receipts and expenditure proposed in Budget estimates and actuals during 2015-2021

(₹ in crore)

Name of the ULB	Year	Receipts			Expenditure		
		Budget Estimates	Actuals	Percentage of over estimation of Budget	Budget Estimates	Actuals	Percentage of over estimation of Budget
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Kamareddy Municipality	2015-16	24.21	20.92	13.60	21.92	12.22	44.25
	2016-17	52.62	15.26	70.99	45.27	12.09	73.29
	2017-18	43.62	15.88	63.58	43.18	16.58	61.61
	2018-19	42.56	21.67	49.10	41.51	17.41	58.06
	2019-20	45.78	37.27	18.60	43.17	34.48	20.14
	2020-21	54.81	29.62	45.97	53.21	27.42	48.46
Nizamabad Municipal Corporation	2015-16	76.13	70.66	7.19	76.06	45.51	40.17
	2016-17	167.21	48.54	70.97	167.12	48.87	70.76
	2017-18	133.96	121.48	9.31	133.77	109.36	18.24
	2018-19	454.33	138.00	69.63	626.48	159.82	74.49
	2019-20	494.72	186.50	62.30	566.99	155.43	72.59
	2020-21	341.79	151.89	55.56	341.47	123.66	63.78

Source: *Budget Estimates and Annual Accounts of ULBs*

The budget receipts were overestimated in all these years and the variation in actual receipts *vis-à-vis* the budget during 2015-16 to 2020-21 ranged between 14 and 71 *per cent* in Kamareddy Municipality and 07 and 71 *per cent* in Nizamabad Municipal Corporation. Further, the *budget* expenditure was also overestimated ranging from 20 *per cent* to 73 *per cent* in Kamareddy Municipality and 18 *per cent* to 74 *per cent* in Nizamabad Corporation.

4.2.2 Expenditure of Urban Local Bodies

The expenditure of ULBs can be categorised into five major categories of expenses such as Establishment, Administrative, O&M, Interest and finance charges and Programme

expenses. The details of expenditure incurred by 14 test-checked ULBs[63] in the State during the period 2015-16 to 2019-20 is exhibited in **Table-4.6**.

Table-4.6: Details of expenditure incurred by sampled ULBs during 2015-16 to 2019-20

(₹ in crore)

Year	Establishment expenses (percentage of total expenditure)	Administrative expenses (percentage of total expenditure)	Operations and Maintenance (percentage of total expenditure)	Interest and Finance Charges (percentage of total expenditure)	Programme Expenses (percentage of total expenditure)	Total Expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2015-16	72.36 (39)	35.58 (19)	75.04 (41)	0.12 (0)	1.55 (1)	184.67
2016-17	87.43 (41)	20.21 (10)	99.41 (47)	0.01 (0)	4.47 (2)	211.53
2017-18	88.00 (39)	17.56 (08)	115.98 (51)	0.18 (0)	5.4 (2)	227.12
2018-19	124.03(42)	20.94 (07)	139.61 (48)	0.57 (0)	6.84 (2)	291.99
2019-20	133.37 (35)	41.87 (11)	155.24 (41)	32.04 (8)	17.55 (5)	380.08
Total	**505.19 (39)**	**136.16 (11)**	**585.28 (45)**	**32.92 (2)**	**35.81 (3)**	**1295.39**

Source: *Annual Accounts (Income and Expenditure statements)*

The O&M expenses constituted about 45 *per cent* of the total expenditure followed by Establishment expenses at 39 *per cent*. The capital expenditure *i.e.*, Programme expenses incurred by ULBs from their own revenue sources (consisting of both Municipal General Fund and Capital Projects Fund) was merely three *per cent* of the total expenditure during the period 2015-2020. This indicates that ULBs attach least importance to developmental programmes in terms to expenses.

4.3 Conclusion

The State Government constituted the SFC in March 2015, however, Chairman and Members were appointed only in January 2018. In the absence of SFC recommendations, State Government released funds to ULBs taking the population as criterion[64], during the period 2015-16 to 2020-21.

The year-wise fiscal transfers from Government during the period 2015-16 to 2020-21 formed 46 to 66 per cent of total revenue of ULBs. The short releases against allocations of SFC grants during 2017-18 to 2019-20 ranged between 50 and 85 per cent affecting the financial position of the ULBs. Further, there was short release of ₹647.23 crore of 14th Finance Commission grants during the period 2015-16 to 2019-20.

Surcharge on Stamp duty of ₹1,822.49 crore collected on transfer of properties during 2019-20 and 2020-21 was not assigned to ULBs, by Registration and Stamps Department.

Property Tax and Water charges form a major share in the own revenue of ULBs. The share of Property Tax revenue to total revenue in ULBs stood at 42 per cent during the period 2015-16 to 2020-21. The arrears of Property Tax along with interest as on 31 March 2021 was ₹786.71 crore.

Accumulated arrears of water charges amounting to ₹37.54 crore was noticed in nine out of 17 test-checked ULBs up to the end of March 2021. The Operation and

[63] Annual Accounts was not furnished by Municipal Corporations of Boduppal and Meerpet; and Jangaon Municipality
[64] CDMA Lr.Roc.No.138990/2021/B3 dated 31 August 2021

Maintenance (O&M) charges towards water supply incurred by the Municipalities was generally more than the actual receipt of water charges.

Since the delivery of municipal services comes with a cost, it is necessary to estimate the cost of each municipal service to realistically assess the requirement and source of funds for efficient delivery. We noticed that the budget exercise in Nizamabad Corporation and Kamareddy Municipality was not based on realistic assessment as there was over estimation of receipts and expenditure in budget preparation during the years 2015 to 2021.

4.4 Recommendations

Finance and Budget management

(i) Government may avoid delays in constitution of the State Finance Commission and ensure prompt implementation of their recommendations in timely manner.

(ii) Government may ensure timely transfer of fiscal grants to Urban Local Bodies so that financial position of ULBs would be strengthened.

(iii) Government may motivate Urban Local Bodies to prepare realistic budgets, taking into account their most probable income and expenditure.

(SUDHA RAJAN)
Accountant General (Audit)
Telangana

Hyderabad
The

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The

Appendices

Appendix-1.1
(Reference to paragraph 1.5, page 3)

Major changes made to the Article 243 in the 74th Constitutional Amendment Act, 1992

1. **Article-243Q: Constitution of three types of Municipalities**: The Hyderabad Municipal Corporation and Municipalities have been constituted under GHMC Act, 1955 and TM Act 1965 respectively. The Nagar Panchayats were constituted as per Section-2A inserted by Act 17 of 1994. The Municipal Corporations (other than GHMC) have been constituted as per the Municipal Corporations Act, 1994. All the Municipal Corporations (except GHMC) and Municipalities have been included in Section-3(2) of TM Act 2019. Further, all the Nagar Panchayats were deemed to have been upgraded as Municipalities. Consequent of this, two types of Municipalities (Municipalities and Municipal Corporations) are in existence in the State from July 2019.
2. **Article-243R**: **Composition of Municipalities**: There shall be elected Members to the Council, having right to vote (*Section-5 of TM Act, 1965).* Member of Legislative Assembly, Member of House of the people and Member of Council of States representing a constituency which comprises wholly or partly the municipal area will be the ex-officio Members, without having voting rights (Substituted by Act 5 of 1999). Required number persons having special knowledge or experience in Municipal Administration and persons belonging to Minority will be the co-opted Members, without having voting rights (Substituted by Act 14 of 2000 and 25 of 1995 respectively). However, ex-officio Members have been given voting rights as per Section-5(3)(e) of TM Act 2019. The Chairperson/ Mayor will be elected directly as per Section-23(1)(a) of TM Act, 1965. However, the Chairperson will be elected by the Ward Members as per Section-20(1) of TM Act, 2019.
3. **Article-243S**: **Constitution and composition of Wards Committees**: As per Section-5B of TM Act, 1965 inserted by Act 17 of 1994, Wards Committees for the Municipalities, having more than three lakh population to be constituted and each Wards Committee shall consist of not less than five Wards. Where population is less than three lakh, CDMA may determine to constitute Wards Committees. The Chairperson of the Wards Committee shall be elected among the Members of the Ward. As per Section-17, 30 and 31 of TM Act, 2019, four Ward Committees representing Youth, Women, Senior Citizens and other Eminent People shall be constituted for each Ward, to consider and advice on the issues referred to them. Each Ward committee shall consist of a maximum of 15 members.
4. **Article-243T**: **Reservation of seats SC, ST, BC and Women:** As per Section-8 of TM Act, 1965 substituted in Act 17 of 1994*,* in every Municipality, out of the total strength of elected members determined under Section 5, seats shall be reserved (a) in favour of SC/ST in proportion to their respective population of the Municipality, (b) one-third of the total number of seats shall be reserved to the Backward Classes, (c) Not less than one-third of the seats reserved for SC, ST and BCs shall be reserved to Women and (d) Not less than one-third of total seats including reserved for SC, ST and BCs shall be reserved to Women. As per Section-7 of TM Act, 2019, the one-third limit of reservation enhanced to 50 *per cent*.
5. **Article-243U**: **Duration of Municipalities**: Five years from date appointed for first meeting of the Council [Section-20 of TM Act, 1965]. As per Section-10(1) of TM Act, 2019, the duration will be five years from date first meeting of the Council, after the ordinary election.
6. **Article-243V**: **Disqualification of Members:** A person holding an office of profit under a Municipality, Central/Sate Government shall be disqualified to be the Member. Further, a

person with unsound mind, deaf-mute or suffering from leprosy and an applicant to be adjudicated an insolvent or un-discharged insolvent shall be disqualified [Section-14 & 15 of TM Act, 1965]. Similar provision exists in Section-12 of TM Act, 2019.

7. **Article-243W**: **Powers, authority and responsibilities of Municipalities**: Municipal administration shall vest in the Council, for the purpose the Council shall exercise such powers and perform such functions as may be conferred upon it [Section-30 of TM Act, 1965]. The Chairperson will convene the Council meetings, refer any resolution to the Council for its re-consideration, perform all the functions specifically conferred on him, all official correspondence between the Council, Government/Head of the Department. He/she will have the powers to incur the contingent expenditure and have power to direct the execution of any work, in case of emergency for which the Council resolution is required [Section-47, 48 & 49 of TM Act, 1965]. The Commissioner shall carry into effect all the resolutions of the council, furnish to the council about the progress. He/she exercise the executive powers, discipline over the employees, collection of taxes, custody of municipal records, inspect places of entertainment [Section-56 of TM Act, 1965]. No amendment made to this provision in the new TM Act, 2019.

   (i) Subject to the provisions of this Act and the rules which the Government may make in this behalf, the Council may frame regulations in respect of officers and employees of the municipality appointed under the Section-74 [Section-76 of TM Act, 1965].

   (ii) State Institute of Urban Excellence will be established by the State Government which will not only impart training but will also be a hub for urban excellence, specialising in the broad domains of urban development, management, governance, finance, poverty and policy. It shall aim at quality research, undertake training, consultancy services and policy reforms on urban sector issues [Section-81 of TM Act, 2019]. However, there was no such provision in TM Act, 1965.

   (iii) There shall be compulsory training and orientation for all chairpersons, vice-chairpersons and ward members to make them aware of the Act at regular intervals [Section-42 of TM Act, 2019]. However, there was no such provision in TM Act, 1965.

   (iv) Manual system existed for issue of birth and death certificates and corrections [Section-308 of TM Act,1965]. As per Section-165 of TM Act, 2019, the birth and death certificates are being issued through online system.

8. **Article-243X**: **Powers to impose taxes by, and funds of, the Municipalities**: Every Council shall by resolution, levy the taxes-property tax, tax on carriages and carts and tax on animals [Section-81 of TM Act,1965]. Transfer Duty on Properties shall be levied, Tax on animals shall be levied, if the Council determines and Tax on Advertisements shall be levied under Section-82, 113 & 114 of TM Act,1965. All moneys received by the Municipality constitute the Municipal Fund Section-125 of TM Act, 1965. The principal and interest on the loans floated by the Council bears the guarantee of Government to such an amount as may be fixed and subjected to certain conditions [Section-131 of TM Act,1965]. The Government is entitled to recover the loan or advance made to any Council [Section-132 of TM Act, 1965]. The provisions for assessment of Property Tax and Municipal Fund and Government Guarantee exist under Section-92, 106 and 112 in the TM Act, 2019.

   (i) The Council shall frame and approve the annual Budget and submit a copy to the Government every year [Section-126 of TM Act, 1965]. Participation of District Collector in the Budget exercise included in Section-107(3) of TM Act, 2019.

(ii) Every Building shall be assessed together with its site and its adjacent premises occupied as an appurtenance thereto based on the annual rental value [Section-87 of TM Act, 1965]. As per Section-93 of TM Act, 2019, Property Tax on buildings shall be levied on the basis of (a) Capital Value or (b) Annual Rental Value or (c) such other basis as prescribed. Further, a provision is available for self-assessment in case of new construction or reconstructions [Section-94 (1), (2), (3) of TM Act, 2019].

(iii) Government may constitute special task force at the district level to detect and monitor the unauthorised constructions and take timely enforcement action in the manner as prescribed [Section-178 (1) of TM Act, 2019]. However, there was no such provision in TM Act, 1965.

(iv) Building permissions for construction will be given on personal visit to the office and submission of application in the concerned Municipality. As per Section-174(7) of TM Act, 2019, building permission can be obtained through online system.

(v) Not less than 10 *per cent* of Municipal Budget shall be allocated towards Green Budget for plantations and nursery [Section-107 (4) (d) of TM Act, 2019]. However, there was no such provision in TM Act, 1965.

(vi) District Level Committee headed by the District Collector consisting of District Forest Officer, in-charge of Haritha haram and respective Commissioners shall draw up ward-wise and Municipality-wise Green Action Plan year-wise for a period of five years [Section-24 of TM Act, 2019]. However, there was no such provision in TM Act, 1965.

9. **Article-243Y read with 243I**: **Finance Commission**: As per Section-132-A of TM Act, 1965 (inserted by Act 17 of 1994), the Finance Commission constituted under Article-243-I, shall also review the financial position of Municipalities and make recommendations to the Government on (i) distribution of taxes, duties, tolls, fee, (ii) determination of taxes, duties, tolls, fee which may be assigned to Municipalities, (iii) Grants-in-Aid from the Consolidated Fund of State *etc*. Similar provision is available in Section-113-A of TM Act, 2019.

10. **Article-243Z**: **Audit of accounts of Municipalities:** The Government shall appoint auditors for audit of the accounts of receipts and expenditure of the Municipal Fund [Section-128 of TM Act, 1965]. As per Section-109 & 110 of TM Act, 2019, the Annual Accounts shall be prepared in Double Entry accrual-based accounting system and forwarded to the Director of State Audit for conduct of Audit. The Government shall prescribe the procedure for Audit of the Annual Accounts of the Municipal fund. The Municipality shall provide for pre-audit and internal audit of the regular accounts of the Municipality for submission to the Municipal Council. Government may appoint any person to carry out a special audit on specific accounts or whole of the accounts of any period and submit the special audit report to the Government.

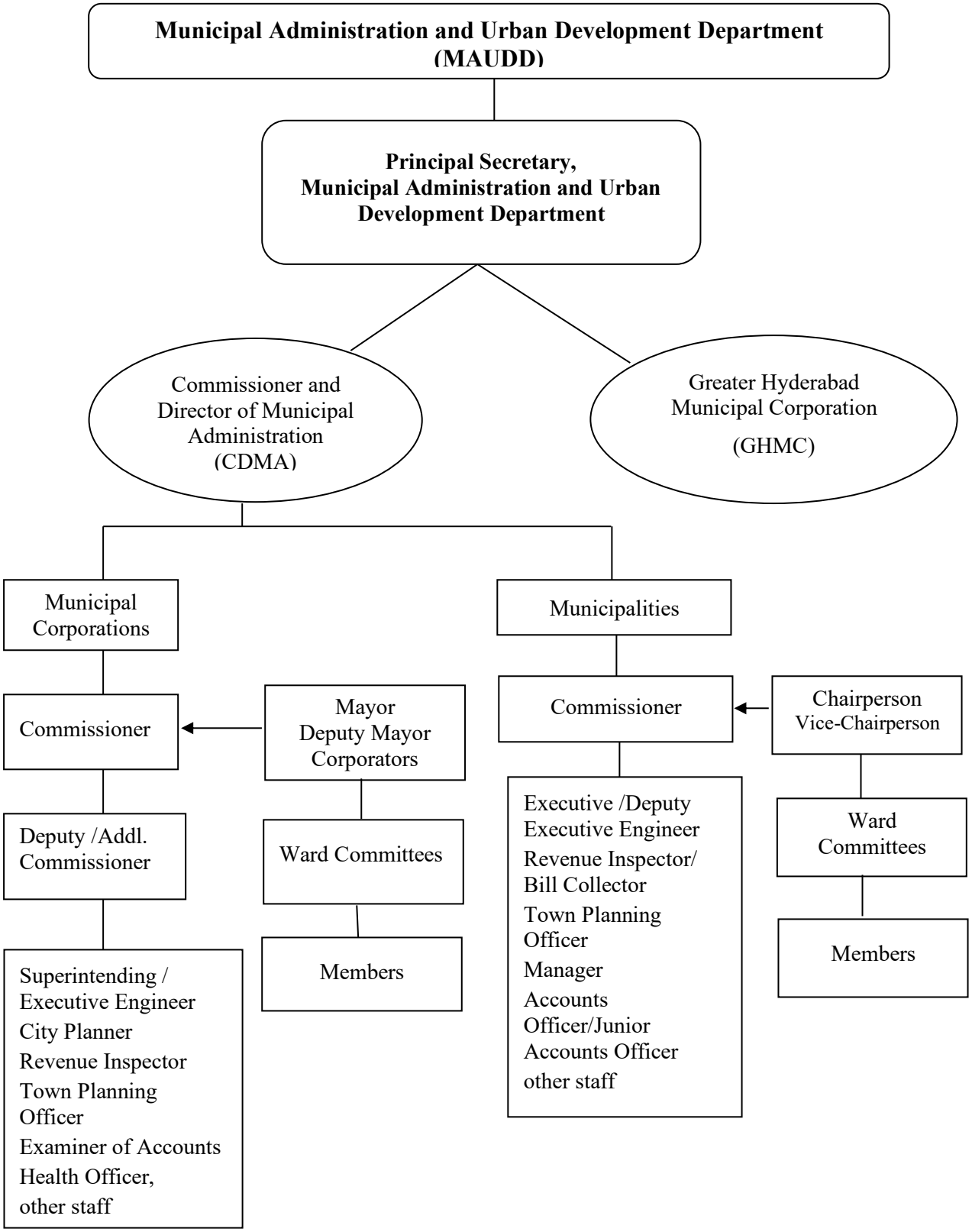
11. **Article-243ZA read with 243K**: **Elections to Municipalities:** For the purpose of election of Members, to a Council, the Government may, after consultation with the Council, divide the Municipality into as many single member wards. Determine the wards in which seats reserved *etc* [Section-10 of TM Act, 1965].

    The preparation of electoral rolls for, and the conduct of elections to, all Municipalities in the State shall be under the superintendence, direction and control of the State Election Commission [Section-10-A of TM Act,1965 as inserted by Act 17 of 1994]. For the purpose of election of Members of a Municipal Council, each municipality shall be divided into such number of wards on territorial basis as prescribed by notification in such a manner that all wards have as far as practicable, equal number of voters and one member shall be elected from each ward. Determine the wards in which seats reserved shall be set apart [Section-6(1) of TM Act, 2019]. The preparation of electoral rolls for, and the conduct of elections to, all Municipalities

in the State shall be under the superintendence, direction and control of the State Election Commission [Section-194 (1) of TM Act, 2019].

12. **Article-243ZD: Committee for District planning:** The Government may, after consultation with the Council, constitute Planning Committees for any Municipality, consisting of such number of members as may be appointed by them, for the purpose of preparing plans in respect of such developmental works as may be approved by the Government for execution within the Municipality; and the Council shall undertake all such works [Section-65 (2) of TM Act,1965]. As per Section-75(2) of TM Act, 2019, a provision for formation of Planning Committees was made. However, no provision was made in TM Acts for constitution of District Planning Committees.

Appendix-1.2
(Reference to paragraph 1.6, page 3)
Organisational structure with respect to functioning of ULBs in the State



Appendix-1.3
(Reference to paragraph 1.9, page 4)
List of sampled Urban Local Bodies

Sl. No.	Name of the ULB	Category	District	
			Old	New
1	Greater Warangal	Corporation	Warangal	Warangal
2	Karimnagar	Corporation	Karimnagar	Karimnagar
3	Nizamabad	Corporation	Nizamabad	Nizamabad
4	Ramagundam	Corporation	Karimnagar	Peddapally
5	Bhongir	Municipality	Nalgonda	Yadadri Bhongir
6	Bodhan	Municipality	Nizamabad	Nizamabad
7	Boduppal	Municipality (upgraded as Corporation)	Rangareddy	Rangareddy
8	Jangaon	Municipality	Warangal	Jangaon
9	Kamareddy	Municipality	Nizamabad	Kamareddy
10	Medak	Municipality	Medak	Medak
11	Meerpet	Municipality (upgraded as Corporation)	Rangareddy	Rangareddy
12	Sadasivapet	Municipality	Medak	Sangareddy
13	Shadnagar	Municipality	Rangareddy	Rangareddy
14	Siddipet	Municipality	Medak	Siddipet
15	Wanaparthy	Municipality	Mahabubnagar	Wanaparthy
16	Medchal	Nagar Panchayat (Upgraded as Municipality)	Rangareddy	Medchal Malkajgiri
17	Pedda Amberpet	Nagar Panchayat (Upgraded as Municipality)	Rangareddy	Rangareddy

Appendix-3.1
(Reference to paragraph 3.1, page 14)
List of Parastatal Agencies

Sl.No.	Name of the Parastatal bodies	Locations
1.	Hyderabad Metropolitan Water Supply and Sewerage Board (HMWS&SB)	Hyderabad
2.	Telangana Urban Finance and Infrastructure Development Corporation Limited (TUFIDC)	Hyderabad

Sl.No.	Name of the Parastatal bodies – Urban Development Authorities	Location
1	Satavahana Urban Development Authority	Karimnagar
2	Stambhadri Urban Development Authority	Khammam
3	Nizamabad Urban Development Authority	Nizamabad
4	Kakatiya Urban Development Authority	Warangal
5	Siddipet Urban Development Authority	Siddipet
6	Yadagirigutta Temple Development Authority	Hyderabad
7	Vemulawada Temple Development Authority	Vemulawada
8	Quli Qutub Shah Urban Development Authority.	Hyderabad

Sl.No.	Name of the Parastatal bodies - Town Planning Authorities	Location
	Regional office	
1	Regional Deputy Director of Town and Country Planning, Hyderabad Region	Hyderabad
2	Regional Deputy Director of Town and Country Planning KUDA, Warangal Region	Hanamkonda
	Old District	
1	The District Town and Country Planning Officer	Adilabad
2	The District Town and Country Planning Officer	Nalgonda
3	The District Town and Country Planning Officer	Mahabubnagar
4	The District Town and Country Planning Officer	Nizamabad
5	The District Town and Country Planning Officer	Khammam
6	The District Town and Country Planning Officer	Karimnagar
7	The District Town and Country Planning Officer	Hyderabad (RR district)
8	The District Town and Country Planning Officer	Medak
9	The District Town and Country Planning Officer	Hanamkonda, Warangal
	New Districts	
1	The District Town and Country Planning Officer	Kothagudam
2	The District Town and Country Planning Officer	Mancherial
3	The District Town and Country Planning Officer	Suryapet
4	The District Town and Country Planning Officer	Sangareddy
5	The District Town and Country Planning Officer	Kamareddy
6	The District Town and Country Planning Officer	Nagarkurnool

7	The District Town and Country Planning Officer	Wanaparthy
8	The District Town and Country Planning Officer	Gadwal
9	The District Town and Country Planning Officer	Vikarabad
10	The District Town and Country Planning Officer	Bhongir
11	The District Town and Country Planning Officer	Medchal
12	The District Town and Country Planning Officer	Siddipet
13	The District Town and Country Planning Officer	Mahabubabad
14	The District Town and Country Planning Officer	Bhupalapally
15	The District Town and Country Planning Officer	Jangaon
16	The District Town and Country Planning Officer	Jagitial
17	The District Town and Country Planning Officer	Peddapally
18	The District Town and Country Planning Officer	Sircilla
19	The District Town and Country Planning Officer	Asifabad
20	The District Town and Country Planning Officer	Nirmal
21	The District Town and Country Planning Officer	Mulugu
22	The District Town and Country Planning Officer	Narayanpet
23	The District Town and Country Planning Officer	Hanamkonda

Appendix-3.2

(Reference to paragraph 3.9, page 19)

Control and overriding power of the State Government over ULBs as per Municipal Acts

1. **Power to call-for records, *etc.*:** Government or the District Collector may enter on and inspect, any immovable property or work in progress and also competent to (i) call for any document; (ii) require any return, plan, estimate, statement, account or statistics; (iii) require any information or report on any municipal matter and (iv) record in writing, any observation in regard to its duties [Section-67 of TM Act, 1965]. Similar provision exists in Section-71 of TM Act, 2019.
2. **Power to take action, when any Authority fails to perform its duty:** If any Municipal authority fails to perform its duties, Government fixes a time to perform to do so and if not done, appoints some person to perform it [Section-64 of TM Act, 1965]. Similarly, as per Section-74 TM Act, 2019, if it appears to the Government or District Collector that the Municipal Council, the Chairperson/Vice-Chairperson or the Members or the Committees has made any default in performing any duty imposed, the Government may in writing fix a period for the performance of such duty.
3. **Power on Cancellation and Suspension of Resolution:** Government may either *suo-motu* or on a representation of a Member, Chairperson or Commissioner, cancel any resolution passed, order issued, license or permission granted or prohibit doing of any act which is about to be done or being done, if opined that it has not been made in accordance with law [Section-59 of TM Act, 1965]. Similar provision exists in Sections 65(1) and 80 of TM Act, 2019.
4. **Suspension of Chairperson, Vice-Chairperson or Member:** Government is competent to suspend Chairperson/Vice-Chairperson or Member who in their opinion, willfully misbehaved or manhandled any other member or officer or employee of the municipality or destroyed the property of municipality or used unparliamentary language or abused his position in the course of meetings of the Council or during the discharge of any duty, so as to lead a situation in which municipal administration cannot be carried on in accordance with the provisions of the Act or the financial stability of Municipality is threatened [Section-59A of TM Act, 1965]. Similar provision exists in Section-66 of TM Act, 2019.
5. **Power to remove Chairperson or Vice-Chairperson:** Government is empowered to remove Chairperson or Vice-Chairperson in the cases of (i) willfully omits or refuses to carry out or disobeys the provisions of the Act, rules, bye-laws, regulations or lawful orders, (ii) abuses his position or the powers vested in him [Section-60 of TM Act, 1965]. As per Section-67 of TM Act, 2019, the additional provisions added *viz.,* (i) failed in performing functions or discharging the duties, (ii) omitted or refused to carry out the orders of Government for proper working of the Municipality, (iii) guilty of misconduct in the discharge of his duties, guilty of embezzlement of Municipal fund, (iv) persistently defaulted functions and duties and (v) become incapable of such performance.
6. **Power to dissolve Council:** Government is competent to dissolve the Council in the cases: (i) when the Council is not competent to perform or persistently makes default in performing its duties, (ii) exceeds or abuses its position or powers, (iii) a situation exists in which the municipal administration cannot be carried on in accordance with the provisions of the Act and (iv) the financial stability or credit of the Council is threatened (Section- 62 of TM Act, 1965). As substituted in Act 17 of 1994 and also included in Section-68 of TM Act, 2019, the Government when dissolved the Municipality with effect from specified date and reconstituted either immediately or with effective from another specified date not later than six months from the date of dissolution; notification shall be laid before both houses of State Legislature.
7. **Power to give directions:** Government is competent to give such directions not inconsistent with the provisions of the Act or rules made thereunder to the Council, as it may consider

necessary for carrying out the purposes of the Act [Section-387A of TM Act, 1965]. A similar provision exists as substituted in Act 20 of 1994 and also included in Section-74(1) of TM Act, 2019.

8. **Power to frame the Rules:** Subject to the provisions of the Act and the rules which the Government may make in this behalf, the Council may make rules in respect of officers and employees of the Municipality appointed- (a) fixing the amount and nature of the security to be furnished (b) prescribe education and other qualifications (c) grant of leave and other allowances (d) regulating the pensions and gratuities, (e) establishing and maintaining provident funds (f) regulating the conduct and (g) generally prescribing the conditions of service [Section-76 of TM Act, 1965]. Further, the Government shall have powers to make rules to regulate the classification and methods of recruitment, conditions of service, pay and allowances, disciplinary conduct of officers [Section 72(1)(a) of TM Act, 1965]. The Government may place the services of any Government employee at the disposal of the Municipality [Section-79 of TM Act, 1965].

   As per Section-43 & 45 of TM Act, 2019, the Government may constitute a Common Municipal Service and sanction the posts and shall appoint any other officers or employees to the Municipalities. Further, as per Section-46 of TM Act, 2019, the Government may place the services of the Government servant to perform the duties of the Municipality.

9. **Power of suspension:** The District Collector may suspend Municipal Commissioner and any other employees, if they fail to perform duties entrusted to them [Section-48(3) of TM Act, 2019]. However, there was no such provision in respect of suspension of Municipal Commissioner in TM Act, 1965.

10. **Levy of property tax:** The Government may after consultation with the Council by order published in the Gazette, direct any Council to levy the property tax or any class of such tax at such rate and with effect from such date [Section-86 of TM Act, 1965].

    As per Section-82 (1) of TM Act, 2019, subject to directions from the Government, Municipality shall collect revenues which include (i) property tax on land and buildings, any surcharge on the mutation, (ii) levy of user charges for civic services *viz.,* water supply, drainage, sewerage, solid waste management, (iii) parking of vehicles and (iv) any other specific services render under the act.

11. **Exempted properties:** The buildings and lands *i.e.,* (a) places set apart for public worship, (b) choultries, (d) ancient monuments protected under the law, (e) charitable hospitals and dispensaries, (f) railway hospitals, (g) burial grounds and (h) buildings and lands belonging to the Council shall be exempted from the property tax (Section-88 of TM Act, 1965). Item (c) recognised educational institutes including hostels, public buildings and places used for the charitable purposes, sheltering destitute, animals, libraries and playgrounds has been substituted by Act 3 of 1994. As per Section-92 (4) of TM Act, 2019, the Government shall exempt any residential building occupied by the owner from the Property Tax, where the area of the building is or less than 75 square yards, having ground or ground plus one floor. In all such cases, a nominal amount of ₹100 per annum shall be paid by them towards Property Tax.

12. **Budget preparation:** The council shall in each year frame a budget showing the probable receipts and expenditure and shall submit a copy to Government [Section-126 of TM Act, 1965]. As per Section-107 (3) of TM Act, 2019, in order to have uniformity in the budget formation exercise and to ensure that there are earmarked funds for all the essential functions of the Municipality, the District Collector shall be a part of budget preparation exercise. The District Collector shall be present during the budget meeting and guide them in its preparation.

13. **Sanction to borrow money:** The principal and interest to the extent fixed on the loans floated by the Council shall carry the guarantee of the Government subject to such conditions imposed [Section-131 of TM Act, 1965]. Similar provision exists in Section-112 (1) of TM Act, 2019.

14. **Government to take up works with the consent:** The Government may with the consent of the Council, undertake on its behalf the construction of water supply, drainage or other works. A planning committee may be appointed for preparation of plans for developmental works [Section-65 of TM Act, 1965]. Similar provision exists in Section-75 (1) TM Act, 2019.
15. **Directions to the Municipality on water supply:** The Government may constitute water board for one or more municipalities or other local authorities. The Council shall, so far as the funds at its disposal admit, provide sufficient water to the habitats. Further, the Council may, on the direction of the Government, supply water to local authority or other person outside the municipality [Section-138 & 143 of TM Act, 1965]. Similar provisions exist in Section-116 (2) of TM Act, 2019.
16. **Establishment of Slaughter-houses:** The Council shall provide a sufficient number of places as municipal slaughter-houses within or outside with the permission of Government and charge rent and fees at such rates. The Council may place the collection of such rents and fees under the management [Section-271(1)(2)(3) of TM Act, 1965]. As per Section-152(1)(2)(3) TM Act, 2019, subject to such rules made by the Government, every Municipality may designate places for use as public slaughter-houses and charge rents and fees for the places so designated. If such land for the purpose is not available, it shall be the duty of the District Collector to provide land available under his control. The Municipality shall in consultation with the District Collector and CDMA make efforts to modernise all the existing slaughter-houses in a time bound manner.

Appendix-3.3
(Reference to paragraph 3.10.2, page 21)

Vacancy position of sampled ULBs

Sl. No.	Category of ULB	Name of the ULB	Sanctioned Strength	Persons In Position	Vacancies
(1)	(2)	(3)	(4)	(5)	(6)
1.	Municipal Corporation	Boduppal	4	3	1
2.	Municipal Corporation	Karimnagar	497	230	267
3.	Municipal Corporation	Meerpet	4	4	0
4.	Municipal Corporation	Nizamabad	661	369	292
5.	Municipal Corporation	Ramagundam	230	91	139
6.	Municipal Corporation	Warangal	1,511	659	852
Total (A)			***2,907***	***1,356***	***1,551***
7.	Municipality	Bhongir	141	88	53
8.	Municipality	Bodhan	143	71	72
9.	Municipality	Jangaon	132	62	70
10.	Municipality	Kamareddy	162	80	82
11.	Municipality	Medak	133	76	57
12.	Municipality	Medchal	5	3	2
13.	Municipality	Pedda Amberpet	2	0	2
14.	Municipality	Sadasivapet	86	55	31
15.	Municipality	Shadnagar	58	29	29
16.	Municipality	Siddipet	170	85	85
17.	Municipality	Wanaparthy	92	62	30
Total (B)			***1,124***	***611***	***513***
Grand total (A + B)			**4,031**	**1,967**	**2,064**

Appendix-3.4

(Reference to paragraph 3.10.3, page 21)

Statement showing the details of training programmes conducted by the ULBs during 2015-2021

Sl. No.	Category	Name of the ULB	Whether proposals sent to CDMA	Whether training conducted	Whether evaluation sent
(1)	(2)	(3)	(4)	(5)	(6)
1	Municipality	Bhongir	Details not furnished	Yes	Details not furnished
2	Municipality	Bodhan	No	Yes	No
3	Corporation	Boduppal	No	No	No
4	Corporation	Warangal	No	Yes	Yes
5	Municipality	Jangaon	Details not furnished	Yes	Details not furnished
6	Corporation	Karimnagar	No	No	No
7	Municipality	Medak	No	No	No
8	Municipality	Medchal	No	No	No
9	Corporation	Meerpet	No	No	No
10	Corporation	Nizamabad	No	No	No
11	Municipality	Pedda Amberpet	Details not furnished	Yes	Details not furnished
12	Corporation	Ramagundam	No	No	No
13	Municipality	Sadasivapet	No	Yes	No
14	Municipality	Shadnagar	No	Yes Details not furnished	No
15	Municipality	Siddipet	No	No	No
16	Municipality	Wanaparthy	No	No	No
17	Municipality	Kamareddy	No	No	No

Appendix-3.5

(Reference to paragraph 3.11.1(A), page 22)

Present per capita demand and supply of water in test-checked ULBs

Name of the ULB	Present Demand-MLD	Present supply-MLD	Short fall MLD	*Per cent* of short fall on Demand	Quantity of water Supply made	
					As per ULB (in lpcd)	Effective as per frequency of supply (lpcd)
(1)	(2)	(3)	(4)	*(5)*	(6)	(7)
Bodhan Municipality	12.21	10	2.21	18	110 one hour daily	110
Bhongir Municipality	8.08	5.31	2.77	34	96 frequency not stated	96
Boduppal Corporation	NA	12	NA	0	135 one and half hour, twice/ thrice in a week	67.5
Jangaon Municipality	8.77	7.80	0.97	11	130 one hour daily	130
Kamareddy Municipality	14.75	9.60	5.15	35	113 once in two days	56.5
Karimnagar Corporation	60	60	0	0	135 45 minutes daily	135
Medak Municipality	8.00	8.00	0	0	120 one hour daily	120
Medchal Municipality	6	3.5	2.5	42	135 30 minutes once in two days	67.5
Meerpet Corporation	12.5	4.0	8.5	68	43 twice in a week	14.3
Nizamabad Corporation	40	40	0	0	135 one hour daily	135
Pedda Amberpet Municipality	8.77	7.60	1.17	13	116 twice in a week	38.6
Ramagundam Corporation	36	36	0	0	135 daily	135
Sadasivapet Municipality	7.43	4.00	3.43	46	90 one hour, once in three days	30.0
Shadnagar Municipality	9.45	6.25	3.20	34	100 one hour, once in six days	16.7
Siddipet Municipality	18.75	18.75	0	0	135 30 minutes daily	135
Wanaparthy	13.20	11.90	1.30	10	135 one hour daily	135
Warangal Corporation	168.92	168.92	0	0	138.28 daily	138.28

Appendix-4.1

(Reference to paragraph 4.1.5.2, page 34)

A) Test-checked ULBs-wise arrears in collection of Property Tax to end of March 2021

(₹ in lakh)

Name of the ULB	Demand			Collection			Balance			Percentage of Balance
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Bhongir	30.59	448.57	479.16	29.37	445.40	474.77	1.22	3.17	4.39	0.92
Bodhan	391.40	215.54	606.94	370.69	202.13	522.82	13.41	34.12	47.53	7.83
Boduppal	324.26	1049.42	1373.68	207.02	670.76	877.78	117.24	378.66	495.9	36.10
Jangaon	235.92	141.55	377.47	227.99	137.84	365.83	7.93	3.71	11.64	3.08
Kamareddy	223.36	601.10	824.46	191.23	510.47	701.70	32.13	90.63	122.76	14.89
Karimnagar	368.92	2626.97	2995.89	359.74	2192.66	2552.40	9.18	434.31	443.49	14.80
Medak	157.46	356.00	513.46	153.39	350.04	503.43	4.07	5.96	10.03	1.95
Medchal	157.65	505.14	662.79	108.38	311.83	420.21	49.27	193.31	242.58	36.60
Meerpet	278.58	886.71	1165.29	192.69	507.41	700.10	85.89	379.301	465.19	39.92
Nizamabad	3637.30	3520.83	7158.13	2859.30	3092.30	5951.60	778	428.53	1206.53	16.86
Pedda Amberpet	414.21	446.12	860.33	350.85	408.79	759.64	63.36	37.33	100.69	11.70
Ramagundam	271.11	550.95	822.06	255.57	529.23	784.80	15.54	21.72	37.26	4.53
Sadasivapet	126.06	275.37	401.43	15.50	228.00	243.50	110.56	47.37	157.93	39.34
Shadnagar	20.14	335.41	355.55	13.41	268.39	281.80	6.73	67.02	73.75	20.74
Siddipet	1047.80	637.28	1685.08	798.48	140.54	939.02	249.32	496.74	746.06	44.27
Wanaparthy	400.01	287.94	687.95	216.85	219.97	436.82	183.16	67.97	251.13	36.50
Warangal	1632.84	4857.26	6490.10	1070.33	4378.86	5449.19	562.51	478.4	1040.91	16.04
Total	**9717.61**	**17742.16**	**27459.77**	**7420.79**	**14594.62**	**21965.41**	**2289.52**	**3168.25**	**5457.77**	**19.88**

B) Year-wise details of Demand, Collection and Balance of PT arrears in test-checked ULBs

(₹ in lakh)

Year	Demand	Collection	Balance	Percentage of collection against demand	Percentage of arrears against demand
2015-16	12,764.31	10,797.14	1,967.14	84.59	15.41
2016-17	14,445.30	11,854.07	2,592.98	82.06	17.94
2017-18	16,513.86	14,171.90	2,340.24	85.82	14.18
2018-19	19,555.02	16,972.59	2,577.90	86.79	13.21
2019-20	21,961.35	17,799.81	4,080.90	81.05	18.95
2020-21	26,018.08	20,935.87	5,045.62	80.47	19.53

Glossary of Abbreviations

ARC	Administrative Reforms Commission
ARV	Annual Rental Value
BC	Backward Classes
C&D	Construction and Demolition
CAA	Constitutional Amendment Act
CDMA	Commissioner and Director of Municipal Administration
CFC	Central Finance Commission
CG	Central Government
CPCB	Central Pollution Control Board
CPHEEO	Central Public Health and Environmental Engineering Organisation
DDP	Draft Development Plan
DPCs	District Planning Committees
DRCCs	Dry Resource Collection Centres
DRDAs	District Rural Development Agencies
DTCP	Directorate of Town and Country Planning
ET	Entertainment Tax
GHMC	Greater Hyderabad Municipal Corporation
GHMC Act, 1955	The Greater Hyderabad Municipal Corporation Act, 1955
GIS	Geographic Information System
GoI	Government of India
GST	Goods and Services Tax
HM&FW	Health, Medical and Family Welfare
HMDA	Hyderabad Metropolitan Development Authority
HMWS&SB	Hyderabad Metro Water Supply and Sewerage Board
IT	Information Technology
JPV	Joint Physical Verification
KUDA	Kakatiya Urban Development Authority
lpcd	Litres Per Capita per day
MAUDD	Municipal Administration and Urban Development Department
MEPMA	Mission for Elimination of Poverty in Municipal Areas
MLD	Million Litres per Day
MoUD	Ministry of Urban Development
NOC	No objection certificate
O&M	Operation and Maintenance
ODF	Open Defecation Free
PIL	Public Interest Litigation
PT	Property Tax
RR District	Ranga Reddy District
RWS&S	Rural Water Supply and Sanitation

SC	Scheduled Castes
SD	Stamp Duty
SEC	State Election Commission
SFC	State Finance Commission
SLB	Service Level Benchmark
ST	Scheduled Tribes
SWM	Solid Waste Management
TAD	Treasuries & Accounts Department
TM Act, 1965	The Telangana Municipalities Act, 1965
TM Act, 2019	The Telangana Municipalities Act, 2019
TM Acts	The Telangana Municipal Acts
TMC Act, 1994	The Telangana Municipal Corporations Act, 1994
TPAs	Town Planning Authorities
TSPCB	Telangana State Pollution Control Board
TSWMP&S	Telangana Solid Waste Management Policy and Strategy
TUFIDC	The Telangana Urban Finance and Infrastructure Development Corporation Limited
UDAs	Urban Development Authorities
ULBs	Urban Local Bodies
WC	Water Charges

© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
https://cag.gov.in

© COMPTROLLER AND
AUDITOR GENERAL OF INDIA
https://cag.gov.in

https://cag.gov.in/ag/telangana