

Executive Summary

The 74th Constitutional Amendment Act (74th CAA) 1992, which came into effect in June 1993, provided a Constitutional status to Urban Local Bodies (ULBs). It has empowered ULBs to perform 18 functions listed in the Twelfth Schedule of the Constitution of India. The aim of the Performance Audit was to ascertain whether the ULBs have been empowered by the State Government to discharge their functions/responsibilities effectively, the functions stated to have been devolved were effective on ground and the ULBs have been empowered to access adequate resources.

Government of Andhra Pradesh (GoAP) through statutes had complied with the provisions of the 74th CAA. The Performance Audit discusses various issues including timely conduct of elections, implementation of State Finance Commission (SFC) recommendations and constitution of District Planning Committees (DPC)/ Metropolitan Planning Committees (MPC). The major findings of the Performance Audit are presented below: -

1. Out of 18 functions, GoAP devolved 13 functions fully and three functions partially to Municipal Corporations and devolved only seven functions fully and five functions partially to Municipalities/ Nagar Panchayats. Out of devolved functions also, all ULBs had the full functional role in five functions only.
2. In Andhra Pradesh, the powers of delimitation of wards, reservation of seats in the Councils for Mayor/ Chairperson, Dy. Mayor/ Vice-Chairperson and Wards are still vested with GoAP instead of State Election Commission (SEC). The elections in 16 ULBs were not held for 36 months and for five newly constituted ULBs for 19 months as of July 2022. In respect of one ULB, the elections had not been held since 2005 *i.e.*, for more than 16 years. In 100 ULBs, elections were held with delays ranging from 11 to 28 months. Though elections were held in the remaining lone Municipality, Council was not formed. During the absence of elected representatives, the Administration was run by Special Officers appointed by GoAP without participation of peoples' representatives at the helm of affairs.
3. Ward Committees were not formed. Instead, Government introduced (July 2019) the system of Ward Secretariats with an intention of decentralised governance. The Ward Secretariats were formed without participation of elected representatives at ward level. Thus, formation of Ward Secretariat at ward level without formation of ward committee diluted the spirit of Constitution as envisaged for local self-governance. We recommend that Government should form Ward Committees and integrate Ward Secretariats with Ward Committees and Area Sabhas to realise self-governance.
4. Development plan lays down the targets set under different development or performance indicators for the financial year. District Planning Committee (DPC) for consolidation of plans prepared by the Panchayats and Municipalities

in the district and Metropolitan Planning Committee (MPC) for Metropolitan areas to prepare a draft development plan, were not constituted under the aegis of ULBs. Thus, local needs and matters of common interest were not considered in carrying out the Development Plan. We recommend that DPCs and MPCs may be constituted under the governance of ULBs to evolve the Development Plans with local needs.

5. Though the authority to collect property tax is vested with ULBs, powers pertaining to the rates and revision thereof, procedure of collection, exemptions *etc.*, were vested with GoAP. Thus, ULBs in the State lacked complete autonomy in generating own revenue. We observed that Property Tax Board (PTB), as per Act provisions and as desired by 13th FC to provide assistance and technical guidance to all ULBs for proper assessment of property tax on buildings and vacant lands, was not constituted. Government should constitute Property Tax Board in compliance with Act provisions.
6. The Parastatals *viz.* Urban Development Authorities (UDA) were discharging functions such as town planning, regulation of land use and the Directorate of Town & Country Planning (DTCP) was in-charge of preparation of master Plans. Thus, parastatals such as UDAs, DTCP, *etc.*, significantly eroded the autonomy of ULB in the matters of urban and town planning (Land Regularisation Scheme and Building Penalisation Scheme), Building permission, Fund Management, execution of major water supply projects and sanitation, *etc.* We recommend that powers with respect to urban planning, sanitation, *etc.*, may be assigned to ULBs instead of parastatals.
7. Hon'ble High Court suspended the Government orders issued for inclusion of four villages into Tanuku Municipality. However, we observed in these four villages, the Municipality was taking up developmental activities such as sanitation, collection of taxes, lighting, *etc.*, and pre-election exercise like delimitation of wards and reservation of seats.
8. While seeking the funds from the State Government, the recommendations of State Finance Commission are taken as criteria as they are made after reviewing the financial position of ULBs. So far, only three SFCs were constituted and submitted their Reports and recommendations. Due to delay in constitution of the SFCs, recommendations of previous SFCs were taken into consideration and funds were released. Fourth SFC was constituted (May 2018) with a delay of eight years and has not yet submitted the Report. Government should constitute State Finance Commissions within time frames to review the financial position of ULBs and pursue the constituted State Finance Commission to issue timely recommendations, for provision of funds to ULBs.
9. Due to non-enforcement of Act provisions relating to collection of property tax, we observed that an amount of ₹262.21 crore was pending towards arrears of property tax from various kinds of defaulters in 20 test-checked ULBs. Further,

Government waived interest on arrears of property tax amounting to ₹20 crores in 2018-19 in the test-checked ULBs and did not compensate. Government should ensure that ULBs enforce recovery of dues from defaulters of Property Tax.

10. GoAP had taken up 110 water supply works across all ULBs with an estimated cost of ₹7,835.56 crore under various grants in 2017-18. We observed that only eight out of 110 were completed by incurring expenditure of ₹148.40 crore. The remaining works (102) involving agreement value of ₹6,424.34 crore were yet to be completed. Expenditure incurred on these works was ₹2,270.79 crore (February 2022). Further, in test-checked ULBs, water supply connections were not provided to 5,91,878 households out of 11,61,091 households as of March 2021. Government and ULBs should coordinate to complete the remaining water supply works and provide water connections to all households.
11. Fiscal transfers from the Government in the form of Grants constituted 32 *per cent* on an average of total revenues of ULBs. Basic Grants relating to 14th FC amounting to ₹129.45 crore was short released during 2015-16 to 2019-20 due to non-formation of elected bodies in all ULBs in the State. Similarly, Performance grants of 14th FC amounting to ₹28.93 crore was short released in 2016-18 and ₹423.20 crore (entire allocation) was not released in 2018-19 & 2019-20. ULBs in the State did not utilise the 14th FC grant within time period of award. Though, Government of India extended the period up to March 2022 to utilise the grants, an amount of ₹275.34 crore was lying unutilised (May 2022). As per recommendations of the 15th FC, grants amounting to ₹994 crore were allocated towards tied grant to ULBs (other than Million plus cities) and ₹497 crore was not released by GoI due to non-payment of penal interest by the State Government to ULBs for delayed transfer of Central Finance Commission grants. Therefore, we recommend that the State Government may ensure timely transfer and availability of fiscal grants to ULBs.
12. Since the delivery of municipal service comes at a cost, it was necessary to scientifically estimate the cost of each municipal service to assess the requirement and source of funds for efficient delivery. We observed that such exercise was not undertaken in the 20 test-checked ULBs. We recommend that Government may motivate ULBs to prepare realistic budgets taking into account income and expenditure and costing all the municipal services required to be offered.
13. The powers to assess, recruit and devise the service conditions of the staff in ULBs is retained completely by the State Government. Hence, there is no autonomy for ULBs in the matter of human resources. The ULBs lacked adequate manpower as 20 *per cent* of sanctioned posts were vacant in test-checked ULBs, affecting efficient service delivery. ULBs were largely dependent on outsourced staff for service delivery. We recommend that State

Government may delegate adequate powers to ULBs to assess and recruit required staff to ensure efficient service delivery.

Thus, the State Government, wherever mandated by the Constitution of India, has created appropriate legal framework through the AP Municipal Acts without provision for enforcement. We recommend that Government should endeavour to create institutional mechanism appropriately for effective decentralisation of functions with powers.