

Executive Summary

The 74th Constitutional Amendment Act, which came into effect on 1 June 1993, provided a clear mandate for democratic decentralisation and sought to create an institutional framework for ushering in democracy at the grass root level through self-governing local bodies in urban areas of the country. It empowered Urban Local Bodies (ULBs) to perform 18 functions as listed in the 12th Schedule of the Constitution. Accordingly, the State Government enacted (May 1994) “Uttar Pradesh Local Self Government Laws (Amendment) Act, 1994”, to incorporate necessary provisions of 74th Constitutional Amendment Act into the Uttar Pradesh Municipality Act, 1916 (UPM Act) and Uttar Pradesh Municipal Corporation Act, 1959 (UPMC Act) for empowering ULBs in terms of funds, functions and functionaries.

The aim of this Audit was to ascertain empowerment of ULBs through creation of appropriately designed institutions and devolution of adequate resources for effective discharge of functions, as enshrined in 12th Schedule of the Constitution.

Audit observed deficiencies in provisioning and functioning of institutional mechanism of ULBs as out of 18 functions, the State Government devolved 15 functions fully and one function partially to ULBs. Further, ULBs lack autonomy in discharge of these devolved functions as they were solely responsible for implementation of only one function and had either limited role or no role in execution of other functions.

Delay in delimitation of wards resulted in delays in elections of ULBs in 2017. Subsequent elections to ULBs were held in May 2023. The State Government nominated members to the Councils with delays. The meetings of Council and Executive committee were also deficient in test-checked ULBs and agenda of meetings was also not served to Corporators/Members prior to scheduled time of meeting. Test-checked ULBs did not constitute various committees such as Ward committees and Joint committees as required under provisions of UPM Act and UPMC Act.

The planning process was also deficient as the yearly Development plan was not prepared in any of the test-checked ULBs. Further, District Development Plan with regard to matters of common interest between the Panchayats and the Municipalities was not prepared by the District Planning Committee in selected districts. Besides, Metropolitan Planning Committee was also not constituted in the State for preparation of development plan for metropolitan region. The Solid waste management plan was also not prepared in test-checked ULBs in conformity with the provisions of Solid Waste Management

Rules 2016. Role of ULBs was also limited in planning process of Centrally/State sponsored schemes. Besides, role of ULBs in execution of selected functions was limited to operation and maintenance. Test-checked ULBs could not provide selected services as per the service level benchmark of the Central Public Health and Environment Engineering Organisation.

ULBs lack authority over human resources as powers regarding sanction of posts, to decide emoluments *etc.* for staff were vested with the State Government and ULBs had no role in recruitment of staff under various services, resulting in shortfall in human resources to the extent of 43 *per cent* under the various services.

Audit also observed inadequacy of resources of ULBs as the State Government had powers to determine the revenue base of ULBs. The Own revenue of ULBs was nominal and the Fiscal transfers from the Central and State Governments, on the basis of recommendations of Central and State Finance Commissions, constituted major share of the revenue of ULBs. Many possible sources of own revenue were not optimised by the ULBs. Besides, there was shortfalls in release of assigned revenue to ULBs.

There was not only delay in constitution of the State Finance Commissions but also in submission and acceptance of its reports. Besides, implementation of accepted recommendations of SFC was also delayed or yet to be implemented. The budget estimates of test-checked ULBs were unrealistic and formats of UP Municipal Accounts Manual 2018 for preparation of budget estimates and financial accounts were also not adopted by the ULBs. Besides, Budget estimates were either not submitted to Council or approved by Council with delays. The State Government directly transferred grants, to parastatals, appropriated by the State Legislature under Minor Heads of Accounts meant for aiding ULBs. Besides, the State Government also transferred receipts of ULBs on account of additional stamp duty to the Dedicated Urban Transport Fund. ULBs were not provided any compensation due to subsumption of Entry tax (levied on movement of goods to form an infrastructural development fund for the use of ULBs) under the Goods and Services Tax.

Many restrictions/limitations were imposed on ULBs in respect of utilisation of funds, financial and administrative sanctioning powers and execution of functions.