



Report of the Comptroller and Auditor General of India for the year ended 31 March 2021

Performance Audit of Implementation of 74th Constitutional Amendment Act in Goa



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



GOVERNMENT OF GOA
Report No. 2 of the year 2024



Report of the Comptroller and Auditor General of India

For the year ended 31 March 2021

**Performance Audit of Implementation of 74th
Constitutional Amendment Act in Goa**

GOVERNMENT OF GOA

Report No. 2 of the year 2024

Table of Contents		
Paragraph Number	Contents	Page Number
Preface		iii
Executive Summary		v
Chapter I: Introduction		
1.1	74 th Constitutional Amendment	1
1.2	Urban profile of Goa	2
1.3	Urban Local Bodies of Goa	2
1.4	Organizational structure of urban governance	3
1.5	Audit objectives	4
1.6	Audit criteria	4
1.7	Audit scope and methodology	5
1.8	Acknowledgement	5
1.9	Structure of the Report	6
Chapter II: Compliance to the provisions of 74th Constitutional Amendment Act		
2.1	Compliance of State laws with 74 th Constitutional Amendment Act	7
2.2	Powers of State Government over Urban Local Bodies	8
Chapter III: Composition and organization of Urban Local Bodies		
3.1	State Election Commission	11
3.2	Composition of Urban Local Bodies	11
3.3	Organization of Urban Local Bodies	13
Chapter IV: Empowerment of Urban Local Bodies and their functioning		
4.1	Devolution of functions <i>vis-a-vis</i> 74 th Constitutional Amendment Act in Goa	17
4.2	Actual status of devolution of functions	22
4.3	Inadequate devolution of administrative and financial powers to Urban Local Bodies	29
4.4	Role of parastatals in implementation of schemes	31
4.5	Planning by Urban Local Bodies	35
Chapter V: Financial resources of Urban Local Bodies		
5.1	Sources of revenue	37
5.2	Own revenues of Urban Local Bodies	38
5.3	Own revenues of CCP	39
5.4	Fiscal transfers to Urban Local Bodies	44
5.5	State Finance Commission	47
5.6	Budget, accounts and audit of ULBs	48

Chapter VI: Human resources in Urban Local Bodies		
6.1	Adequacy of manpower	54
6.2	Capacity building	58
Appendices		
1	Delegation of financial powers to Urban Local Bodies	61
2	Parastatals and their functions	63
3	Statement showing variation in budget of Urban Local Bodies	64

Preface

This Report for the year ended 31 March 2021 has been prepared for submission to the Governor of Goa under Article 151 of the Constitution of India.

Audit of Urban Local Bodies (ULBs) is conducted under the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, which empowers the Comptroller and Auditor General of India to conduct audit of the accounts of ULBs and submit such Audit Report to the State Government for its placement in the State Legislature.

The Report covering the period 2016-17 to 2020-21 contains the results of Performance Audit of Implementation of 74th Constitutional Amendment Act in Goa.

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

Executive Summary

Executive Summary

Intent of 74th Constitutional Amendment Act

The Constitution of India provided clear mandate for democratic decentralisation through 74th Constitutional Amendment which sought to create an institutional framework for ushering in democracy at the grass root level through self-governing local bodies at the urban areas of the country. The 74th Constitutional Amendment came into effect on 01 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions listed in the Twelfth Schedule to the Constitution of India.

Why this Performance Audit?

To ascertain whether the State Government empowered the ULBs through the robust creation of institutional framework as well as transfer of functions, funds and functionaries.

Period of audit: 2016-17 to 2020-21

Sample: Five ULBs out of total 14 were selected in sample for their overall devolution of functions, funds and functionaries.

What audit found?

Compliance to provisions of 74th Constitutional Amendment Act

The provisions of the State Acts were compliant with the provisions of the 74th Constitutional Amendment Act. However, the State laws also provided for overriding powers to the State Government over the ULBs in many aspects.

Principal findings and recommendations of the Performance Audit

The chapter-wise findings that led to audit conclusions and recommendations are as follows:

Chapter III: Composition and organization of ULBs

A review of the composition of ULBs *vis-à-vis* the Constitutional Amendment Act indicated that the powers of delimitation of constituencies in Corporation of City of Panaji (CCP) were vested with the Directorate of Urban Development, instead of with the State Election Commission.

Recommendation

- *The State Government may take necessary action to entrust delimitation of wards in CCP to the State Election Commission at the earliest.*

Chapter IV: Empowerment of ULBs and their functioning

As per the mandate of the Constitutional Amendment Act, 18 functions were to be devolved to ULBs, along with necessary powers to enable their implementation. However, it was seen that most of these functions were devolved to the ULBs only partially, as Government departments or parastatals continued to implement several components of these functions and the operational scope for ULBs remained limited.

Execution of works by ULBs out of Central Finance Commission grants and State grants required departmental approvals, which limited their operational autonomy and caused delays in implementation. The parastatals were assigned the responsibility of implementing several urban infrastructure schemes without accountability to the ULBs.

Recommendations:

- *The Government may ensure that the functions devolved to the ULBs are actually carried out by them.*
- *Democratically elected ULBs must be given a greater role in the planning and implementation of schemes pertaining to local body functions as per the devolution.*
- *Adequate administrative and financial autonomy may be allowed to the ULBs in the execution of functions devolved to them.*

Chapter V: Financial Resources of ULBs

Devolution of adequate financial resources was critical for local bodies for implementation of their functions. In the absence of adequate sources of own revenues, ULBs in the State were found to be dependent on Government grants for carrying out their functions. Majority of ULBs were not able to meet even their establishment expenditure out of their own resources. Further, the ULBs were not efficient in realising the full potential of their own sources of revenue.

The State Finance Commission (SFC) was to be set within one year from the commencement of the 74th Constitutional Amendment Act as provided in the Constitution (Article 243-I read with Article 243Y) and at the expiry of every fifth year thereafter. SFCs were expected to recommend on principles governing the distribution and

assignment of revenues and fiscal transfers from Government to ULBs. There were delays in the constitution of the SFCs in the State and no action has been taken on any of the SFC recommendations by the Government, which hindered the fiscal empowerment of ULBs.

There were delays in preparation of budgets of the ULBs. The budgets were also not realistic. Further, the process of adopting the 'Accrual Based Double Entry Accounting System' (ABDEAS) was in progress in Municipal Councils (MCs).

Recommendations:

- ***ULBs may undertake a detailed review of their finances in terms of tax potential, additional resource mobilization, rationalization of tax structure, etc. in addition to strengthening their revenue collection machinery to reduce the revenue arrears.***
- ***The State Government must constitute SFCs as per the time frame prescribed in the Constitution. Recommendations of the SFC may be considered and accepted recommendations implemented in a time bound manner.***
- ***Migration to accrual-based accounting by MCs may be expedited.***

Chapter VI: Human Resources in ULBs

Availability of adequate human resources was a necessary condition for effective implementation of their mandate by the ULBs. The absence of adequate sanctioned strength in the ULBs has an adverse impact on the implementation of functions. The requirement of additional cadre posts in ULBs was under consideration of the Government. Audit also noticed that capacity building efforts for ULB personnel were inadequate.

Recommendations:

- ***Government may consider rationalizing the sanctioned strength as per the functional requirements of ULBs***
- ***Need based trainings may be imparted to the functionaries of ULBs.***

Chapter I
Introduction

Chapter I: Introduction

1.1 74th Constitutional Amendment

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 between the State Government with respect to the functions and resources as well as for regular conduct of elections and providing adequate representation for the weaker sections like Scheduled Castes, Scheduled Tribes and women.

The 74th Constitutional Amendment Act, 1992, which came into effect on 1 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 Constitutional Amendment Act incorporated Part IXA-‘The Municipalities’ and the Twelfth Schedule in the Constitution.

The Twelfth Schedule of the Constitution enumerated 18 specific functions to be devolved to ULBs as given in **Table 1.1**.

Table 1.1: Functions listed in the Twelfth Schedule of the Constitution

Sl. No.	Function
1	Urban planning including town planning.
2	Regulation of land-use and construction of buildings.
3	Planning for economic and social development.
4	Roads and bridges.
5	Water supply for domestic, industrial and commercial purposes.
6	Public health, sanitation conservancy and solid waste management.
7	Fire services.
8	Urban forestry, protection of the environment and promotion of ecological aspects.
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10	Slum improvement and upgradation.
11	Urban poverty alleviation.
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds.

Sl. No.	Function
13	Promotion of cultural, educational and aesthetic aspects.
14	Burials and burial grounds, cremations, cremation grounds and electric crematoriums.
15	Cattle pounds prevention of cruelty to animals.
16	Vital statistics including registration of births and deaths.
17	Public amenities including street lighting, parking lots, bus stops and public conveniences; and
18	Regulation of slaughterhouses and tanneries.

(Source: Constitution of India)

1.2 Urban profile of Goa

As per the census of 2001, urban population in Goa was 49.76 *per cent*, which increased to 62.17 *per cent* as per the census of 2011. In absolute terms, the urban population in the State as per census of 2011 was 9.06 lakh.

Goa has 14 statutorily recognised towns¹. However, the Census of India identified urban areas on two criteria *i.e.* statutorily recognized towns and other places satisfying the criteria of a Census Town². As per Census 2011, there were 14 Statutory Towns (ULBs), 56 Census Towns and three Urban Agglomerates³ (UA) of Margao, Mormugao and Panaji.

The demands on urban governance in the State are manifold, ranging from water supply and sanitation, waste management, disaster management, *etc.* and local bodies have an important role to play in these areas.

1.3 Urban Local Bodies of Goa

Article 243Q of the Constitution provided for constitution of three types of ULBs *viz.* Nagar Panchayats, Municipal Councils and Municipal Corporations for transitional areas⁴, smaller urban areas and larger urban areas respectively. There are two types of ULBs in Goa – Municipal Corporation and Municipal Councils. The categorization of ULBs is shown in **Table 1.2**.

¹ Statutory towns are recognized municipal areas under the Acts, such as Corporation/Municipal Councils (Schedule I of The City of Panaji Corporation Act and Schedule I of The Goa Municipalities Act)

² A place with a minimum population of 5,000; engagement of at least 75 *per cent* of the male main workers in non-agricultural pursuits; and density of population of at least 400 per sq. km.

³ An urban agglomeration is a continuous urban spread constituting a town and its adjoining urban outgrowths, or two or more physically contiguous towns together with the continuous and well recognized urban outgrowths, if any.

⁴ An area in transition from a rural area to an urban area.

Table 1.2: Different types of ULBs in the State

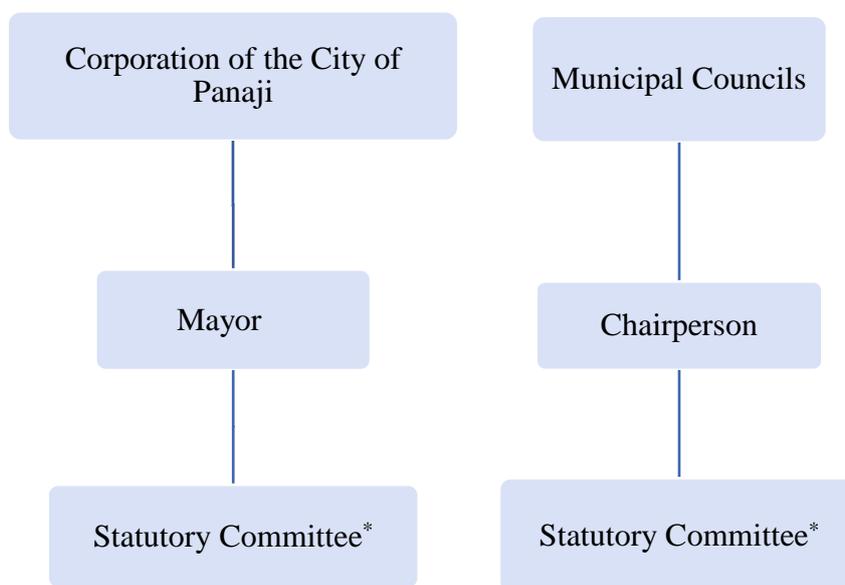
ULBs	Legislation	Total Number	
Municipal Corporation	The City of Panaji Corporation Act, 2002 (CCP Act) .	01	
Municipal Councils	The Goa Municipalities Act, 1968 (GMA).	13	02 in 'A' category
			07 in 'B' category
			04 in 'C' category

(Source: Information provided by the Department)

While there is a single Municipal Corporation in Goa, for the city of Panaji, there are 13 Municipal Councils, which are categorised⁵ on the basis of population as A, B or C.

1.4 Organizational structure of urban governance

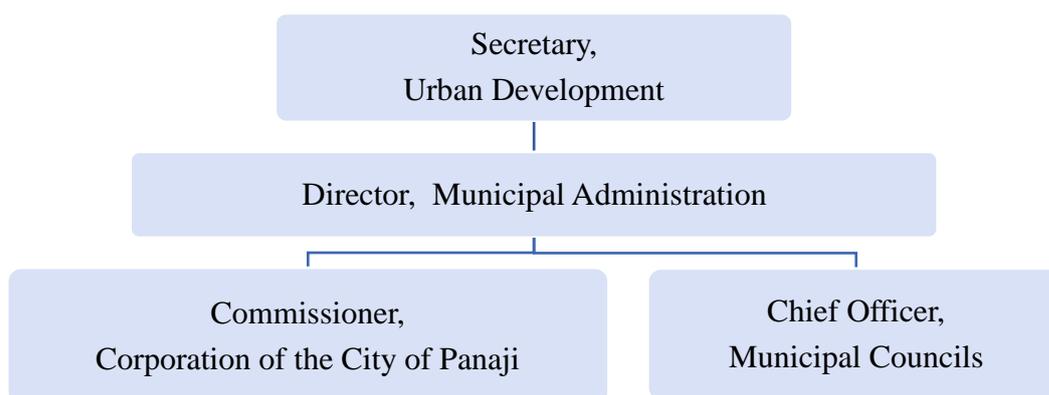
The organizational set up of ULBs is depicted in **Chart 1.1** and **Chart 1.2** given below.

Chart 1.1: Elected Bodies

* Statutory committees are required to be formed as per CCP Act and GMA, out of members of ULBs to carry out the delegated functions by the respective Urban Local Body.

⁵ MCs with more than 50,000 population fall under category 'A', those with more than 10,000 and less than 50,000 under category 'B' and those with population of less than 10,000 under category 'C'

Chart 1.2: Administrative set-up



The Secretary, Urban Development is the administrative head of the Department of Urban Development, which oversees the functioning of ULBs in the State. The Director of Urban Development (DUD) exercises control and supervision over the ULBs under the authority of CCP Act and GMA.

The CCP is headed by an elected Mayor, who is assisted by a Commissioner appointed by the State Government. Municipal Councils (MCs) are led by elected Chairpersons, who are assisted by Chief officers appointed by the Government.

1.5 Audit objectives

The Performance Audit was carried out with a view to ascertain whether:

- Provisions of 74th Constitutional Amendment Act have been adequately covered in State Legislation;
- ULBs are empowered by the State Government to discharge their functions effectively through the creation of appropriate institutions/mechanisms;
- ULBs have access and powers to raise financial resources commensurate with their functions; and
- ULBs have adequate powers to mobilize human resources commensurate with their functions.

1.6 Audit criteria

The criteria for the Performance Audit were derived from the following sources:

- The Constitution (74th Constitutional Amendment Act, 1992);
- The City of Panaji Corporation Act, 2002;
- The Goa Municipalities Act, 1968 and rules made thereunder;
- Central/State Finance Commission Reports;

- The Goa, Daman and Diu Municipal Account Code, 1972;
- The Goa Municipal Accounting Code, 2007;
- The Goa, Daman and Diu Municipalities (Consolidated Property Tax) Rules, 1971 and bye-laws made thereunder;
- Bye-laws of Urban Local Bodies;
- Central Public Works Manual; and
- Orders, notifications, circulars, guidelines, *etc.* issued by State/Central Government.

1.7 Audit scope and methodology

The performance audit covered the implementation of the 74th Constitutional Amendment Act in the State of Goa, over a period of five years *i.e.* from 2016-17 to 2020-21.

Audit methodology involved scrutiny of records, discussion with officials and analysis of data with reference to the audit criteria. Test check of records was carried out at the DUD. Stratified random sampling was used to select five⁶ ULBs (default selection of Corporation of City of Panaji and two ULBs from each of the two districts) for detailed audit. Necessary information was collected from parastatals⁷.

An Entry Conference was held (June 2021) with the Secretary, Urban Development (UD) and the audit objectives, scope and methodology of the audit were discussed. An Exit Conference was held (April 2022) with the Secretary, UD where the Audit findings were discussed. Replies of the Government have been incorporated appropriately.

1.8 Acknowledgement

Audit is grateful for the co-operation of the Urban Development Department, Finance Department and all the test-checked ULBs in providing records, information and clarifications from time to time for the smooth conduct of this Performance Audit.

⁶ Corporation of the city of Panaji and MCs of Curchorem- Cacora, Mapusa, Margao and Pernem

⁷ Goa State Urban Development Agency (GSUDA) and Imagine Panaji Smart City Development Limited (IPSCDL)

1.9 Structure of the report

Audit findings are presented in the following chapters:

Chapter II	Compliance to provisions of 74 th Constitutional Amendment Act
Chapter III	Composition and organization of Urban Local Bodies
Chapter IV	Empowerment of Urban Local Bodies and their functioning
Chapter V	Financial resources of Urban Local Bodies
Chapter VI	Human Resources in Urban Local Bodies

Chapter II

**Compliance to provisions
of
74th Constitutional
Amendment Act**

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

2.1 Compliance of State laws with 74th Constitutional Amendment Act

Provisions relating to municipalities were incorporated in the Constitution by the 74th Constitutional Amendment Act, *vide* Articles 243Q to 243ZG. Accordingly, the State Government amended The Goa Municipalities Act, 1968 (GMA) in 1994 and enacted The City of Panaji Corporation Act (CCP Act), 2002. A comparison of the provisions of the GMA and CCP with the requirements of the 74th Constitutional Amendment Act is given in **Table 2.1**.

Table 2.1: Comparison of provisions of the 74th Constitutional Amendment Act with State ULB Acts

Provision of constitution	Provisions of Constitution incorporated by the 74 th Amendment Act	CCP Act	GMA
Article 243Q	Constitution of three types of municipalities is prescribed.	Section 7	Sections 3 and 4
Article 243R	Composition of ULBs will be from elected members, nominated members and representation of Members of Parliament and Legislative Assembly.	Section 9	Section 9
Article 243S	Constitution of Ward committees in ULBs with prescribed composition.	Section 41	No provision
Article 243T	Reservation of seats for Scheduled Caste (SC)/Scheduled Tribe (ST), Women and Backward classes in direct elections.	Section 10	Section 10
Article 243U	Duration of the municipalities shall be five years from its first meeting.	Section 17	Section 42
Article 243V	Disqualifications of a person for being a member and under any other law.	Sections 15, 21 and 23	Section 16
Article 243W read with Twelfth Schedule	Empowerment of municipalities with such powers and authority to enable their effective functioning as institutions of self-government and to carry out the responsibilities in relation to the 18 subjects in Twelfth Schedule.	Sections 59 and 60	Sections 51 and 322A read with Schedule X
Article 243X	Municipalities would be empowered to levy and collect taxes, fees, duties, <i>etc.</i>	Section 104	Sections 101 and 104
	Grants-in-aid would be given to municipalities from the State.	Section 81	Section 142A
	Constitution of funds for crediting and withdrawal of moneys by municipalities.	Section 80	Section 86

Provision of constitution	Provisions of Constitution incorporated by the 74th Amendment Act	CCP Act	GMA
Article 243-I read with Article 243Y	Constitution of State Finance Commission to review the financial position of municipalities, recommend the distribution of revenues between the State and municipalities and allotting the funds from the Consolidated Fund of the State.	Section 5(23) – definition	Section 143A
Article 243Z	Maintenance of accounts by municipalities.	Section 98	Section 98
	Audit of accounts maintained by municipalities.	Section 102	Section 100
Article 243ZA	Constitution of State Election Commission for preparation of electoral rolls for, and the conduct of, elections to municipalities.	Section 11	Section 10 A
Article 243ZD	Constitution of District Planning Committee to prepare a draft development plan for the district.	No provision	Section 184F

(Source: The Constitution of India, CCP Act, 2002 and GMA, 1968)

Article 243Q provided for the constitution of three types of municipalities depending upon the size and area *viz.* (i) Nagar Panchayat for an area in transition from rural to urban area; (ii) Municipal Council for smaller urban area; and (iii) Municipal Corporation for larger urban area. One municipal corporation and 13 municipal councils were constituted under the CCP Act 2002 and GMA 1968, (amended in 1994) respectively. There was no provision for Nagar Panchayats in Goa.

Article 243S provided for the constitution of Ward Committees in all municipalities with a population of more than three lakh. Though none of the ULBs in Goa have a population exceeding three lakh, the CCP Act provided for the constitution of Ward Committees while GMA did not.

Hence the State legislations are in compliance with the provisions of the 74th Constitutional Amendment Act. However, the State legislations also provide for overriding powers to the State Government over the ULBs in the State.

2.2 Powers of the State Government over Urban Local Bodies

The CCP Act and the GMA provided for the control of the State Government over the functioning of ULBs through the provisions as mentioned in **Table 2.2**.

Table 2.2: Powers of State Government over ULBs

Sl. No.	Subject	Provision in CCP Act	Provision in GMA
1	Power to make rules	Government may frame rules under CCP Act/GMA (Section 391 of CCP Act and Section 306 of GMA)	
2	Composition/ Removal of Councillor	Five Councillors shall be nominated by the State Government (Section 9).	Government may on its own motion remove any Councillor for misconduct, disgraceful conduct or being incapable (Section 44).
3	Appointment of Officers and Servants of ULBs	Government shall approve the appointment, salary, allowances and conditions of service of the City Engineer, Health Officer and Municipal Secretary and certain other officers and servants (Section 52).	Government shall sanction the creation of posts and prescribe the rules for qualifications, pay, conditions of service and the method of recruitment of the officers of ULBs (Section 72 and 73). <i>(Ref: Paragraph no. 6.1.3)</i>
4	Conduct of meetings of Corporation/ Councils	Not Available (NA)	Residual powers rests with Government to make rules regarding conduct of business at meetings of the Councils (Section 78). <i>(Ref: Paragraph no. 3.3.2)</i>
5	Transfer of municipal property	Contract for acquisition and disposal of immovable property involving an expenditure exceeding ₹ three lakh, shall be approved by the Government (Section 68).	Sanction of Government is required for transfer of immovable property (Section 88).
6	Institution of suit against Councillors for liability	NA	Suit may be instituted against Councillors, officers and servants for loss, damage or pending liability (Section 92).
7	Execution of resolutions or decisions by ULBs	Government/DUD has powers to suspend execution of orders and resolutions of CCP or MCs respectively (Section 378 of CCP Act and Section 293 of GMA).	
8	Reduction of establishment	Government/DUD may reduce the number of excess persons or reduce the remuneration of such person or persons (Section 377 of CCP Act and Section 295 of GMA).	

Sl. No.	Subject	Provision in CCP Act	Provision in GMA
9	Inquiry/inspection into municipal matters	Government may make an inspection, enquiry or examination of any department, office, officer, service, work or thing under the control of any Corporation authority and require CCP to initiate an action (Sections 373, 374 375 and 376).	Government may order an inquiry into any matters concerning the municipal administration or any matters with respect to which sanction, approval or consent of the Government is required (Section 296).
10	Sanction of bye-laws by Government	State Government may modify, vary, amend, delete or add to draft bye-laws of CCP and shall approve it (Section 389).	DUD and the Government (in case of any tax) are empowered to sanction the bye-laws for the MCs and prepare model bye-laws (Section 307).
11	Power to dissolve ULBs	Government may dissolve CCP in case of incompetency or default or excess or abuse of power (Section 379).	Dissolution of the Council after review of Municipal Administrator's work (Section 300).
12	Appointment of a Recovery Officer	NA	Director may appoint a Recovery Officer, in certain cases, without reference to Council (Section 163).
13	Provisions regarding revenues	Government may exempt or suspend levy of tax if the public interest is involved (Section 134).	Approval of Director is necessary to write off irrecoverable tax, fee or other amount beyond ₹ 5,000 (Section 162).

(Source: The Constitution of India, CCP Act, 2002 and GMA, 1968)

Hence, the Government had far reaching powers over the composition and functioning of ULBs in the State. Specifically, powers for removal of Councillors (GMA), appointment, salary and allowances of CCP functionaries, notification of residual powers for conduct of business of MCs (GMA), transfer of municipal properties, institution of suits against councillors (GMA), suspension of execution of resolutions/orders passed by the ULBs, reduction of establishment, inquiry into municipal matters, sanction of bye-laws, appointment of Recovery Officer (GMA) and certain provisions regarding revenues, reduced the autonomy of ULBs significantly.

Given the legislative framework as detailed above, the actual powers enjoyed by ULBs and their functioning *vis-à-vis* the provisions of the 74th Constitutional Amendment Act are detailed in the subsequent chapters.

Chapter III

**Composition and
organization of Urban
Local Bodies**

Chapter III: Composition and organization of Urban Local Bodies

A review of the composition and organization of ULBs vis-à-vis the Constitutional Amendment Act indicated that the power of delimitation of constituencies in CCP was vested with the Directorate of Urban Development, in contravention of the Constitutional Amendment Act provision that this function is to be carried out by the State Election Commission. The ULBs complied with the provisions for formation of statutory committees but necessary provisions relating to the conduct of their business were not made, which impacted their effectiveness.

The 74th Constitutional Amendment Act envisaged the establishment of necessary institutional mechanisms as detailed in **Table 2.1 (Chapter II)**, for the discharge of devolved functions by the ULBs and their empowerment as institutions of self-government. This section discusses the effectiveness of such institutional mechanisms.

3.1 State Election Commission

Article 243ZA read with article 243K of the Constitution provides for a State Election Commission (SEC) that shall supervise, direct and control the preparation of electoral rolls and conduct elections to the Urban Local Bodies (ULBs). The SEC, Goa was established in the year 1994 under Section 10A of Goa Municipalities Act (GMA).

The 74th Constitutional Amendment Act required that the SEC shall supervise, direct and control the preparation of electoral rolls and conduct elections to the ULBs. However, not all election related functions were performed by the SEC in Goa. The functions of delimitation of the wards in CCP and municipalities, and allocation of reservation in wards of municipalities were being performed by the Director of Urban Development (DUD).

Secretary, Urban Development (UD), stated (April 2022) that the amendment for transfer of all election related functions to the SEC was in the pipeline. It was further informed (January 2024) by the DUD that after Audit pointed out, functions of delimitation and reservations in Municipal Councils (MCs) were transferred to SEC.

Recommendation 1: The State Government may take necessary action to entrust delimitation of wards in CCP to the State Election Commission at the earliest.

3.2 Composition of Urban Local Bodies

Article 243R of the Constitution enabled Governments to make provisions regarding the composition of ULBs. The CCP Act (Section 9) provided for 30 elected members and five nominated members in CCP, while the GMA (Section 9) provided for 10 to 25 elected members in each MC. Audit observed the following regarding composition of ULBs:

3.2.1 Elected Members

The composition of the MCs was dependent on the population. The prescribed composition in GMA for all classes of MCs was revised in 2015 by the State Government. Number of minimum and maximum elected Councilors in each category of MCs, before and after revision was as shown in **Table 3.1**.

Table 3.1: Number of elected Councilors in MCs

Category of MCs	Before amendment		After amendment	
	Minimum	Maximum	Minimum	Maximum
A	15	20	15	25
B	10	15	10	20
C	10	10	10	10

(Source: Goa Municipalities Act, 1968 and amendment thereto in December 2015)

Sankhali MC, with a population of 13,651 (2011 Census), was a ‘C’ class MC till its reclassification (December 2017) as ‘B’ class MC. Upon reclassification, the Council was eligible for 12 councilors under revised criteria (minimum of 10 and one additional councilor for every 3,000 of the population or part thereof above 10,000). Audit observed that Sankhali MC had 11 councilors till it was a ‘C’ class MC, instead of the prescribed 10 and after reclassification as a ‘B’ class MC, the composition was revised to 13 instead of 12.

DUD replied (January 2024) that on being pointed out by Audit, the composition of Sankhali MC was revised (February 2023) from 13 members to 12 members.

3.2.2 Status of reservation

Article 243T of the Constitution of India stipulated that reservation of seats by rotation should be provided for Schedule Castes (SC), Schedule Tribes (ST) and women in different constituencies in a municipality for direct election. The reservation of seats for SC/ST was required to be in the same proportion as their population bears to the entire population of the municipal area. Further, not less than one-third of the total number of seats including seats reserved for SC/ST was required to be reserved for women. It also provided for reservation of seats to Backward Classes (BCs) by the State Legislature.

Both the CCP Act (Section 10) and GMA (Section 9 and 10) in Goa provided for reservation of seats for SC/ST in the same proportion as their population bears to the entire population of municipal area on rotation basis. CCP Act provided for reservation of 27 per cent of seats for BCs. One-third of the constituencies (including the number of seats reserved for SCs, STs and BCs) were reserved for women on rotation basis. GMA too provided for reservation of constituencies for SCs, STs and BCs in proportion to their population and not less than one-third of the constituencies were to be reserved for women on rotation basis across all categories.

Audit observed that seats reserved for SCs, STs, BCs and women in all the five-test checked ULBs, were as per the provisions contained in the Acts.

3.3 Organization of Urban Local Bodies

Article 243S of the Constitution provides for the constitution of Ward Committees in ULBs and necessary provisions in this regard were made in the CCP Act. Compliance of the provisions for Ward Committees in CCP Act and for other Statutory Committees in ULBs in CCP Act and GMA was as below:

3.3.1 Corporation of the City of Panaji

As per the CCP Act, an elected body (Corporation), a Standing Committee, three Special Consultative Committees¹ and seven Ward Committees² (Section 41, CCP Act) were to be established to carry out the functions of the CCP. The CCP Act also provided for the optional constitution of a Committee for Women and Child Welfare (Section 43).

➤ **The Corporation:**

The elected body of the Corporation is required to meet at least once every month or when so directed by the State Government as per Section 25 of the CCP Act for general transaction of business of the Corporation. Audit noticed that 28 ordinary meetings of the elected body (Corporation) were held during 2016-17 to 2020-21 in place of 60 meetings and they did not meet during 32 calendar months with intervals ranging from two to seven months between two meetings.

➤ **The Standing Committee:**

The Standing Committee was responsible for preparation of budgets, submission to the Corporation, re-appropriations, financial sanctions of works, approval of procurements, engaging services, *etc.* Decisions of the Standing Committee and the Corporation were executed by the Commissioner and subordinate officers. There was no periodicity prescribed in the CCP Act for meeting of the Standing Committee. However, the Standing Committee met 46 times during the period 2016-17 to 2020-21.

➤ **Ward Committees:**

Article 243S of the Constitution stipulated the establishment of Ward Committee consisting of one or more wards, within a territorial area of municipality having a population of three lakh or more.

Though none of the ULBs in Goa have a population exceeding three lakh, the CCP Act (Section 41) provided for the constitution of seven Ward Committees comprising such contiguous electoral wards, as may be decided by the Corporation. The composition³ of Ward Committee was laid down in the Act. The duration of the Wards Committee shall

¹ There shall be a standing committee and three Special Consultative Committees (Public Works Committee; Public Health and Markets Committee; and Hospital Committee) each consisting of not less than three and not more than seven Councilors. The terms of every Committee shall be one year.

² The Ward Committees comprising of terrestrial areas of the committee and not exceeding three other members of recognized non-Government Organizations and community-based organizations engaged in social welfare activities working within the area of the Wards Committee. The duration of these committees shall be co-terminus with the duration of the Corporation.

³ Ward Committee comprised of Councillors; the officer-in-charge of the territorial area of the Wards Committee, if any; and up to three number of nominated members from recognised non-Government organizations and community-based organizations.

be co-terminus with the duration of the Corporation. The Ward Committees were assigned the function of speedy redressal of common grievances, make recommendations on budgetary expenditure requirements in wards and to grant administrative approval and financial sanction for works upto ₹ five lakhs for inclusion in the budget. The committees were required to meet at least once in every month.

Ward Committees in the CCP were constituted only in 2020, though no meetings were ever held. However, the Ward Committees were not reconstituted when the newly elected body took over in March 2021. The system of Ward Committees was thus inactive.

➤ **Special Consultative Committees**

The CCP Act (Section 42) provided for three Special Consultative Committees (Public Works Committee, Public Health and Markets Committee and Hospital Committee). Even though the committees on Public Works and Public Health and Markets were formed, Audit noticed that the Hospital Committee was not formed subsequent to elections to CCP in 2016 and 2021.

Recommendation 2: The Government may constitute Ward Committees in the CCP to facilitate community participation in local governance and greater accountability.

3.3.2 Municipal Councils

As per Section 59 of the GMA, an elected body (Council), one Standing Committee and Subject Committees were to be constituted to carry out the functions of the Municipal Council. The Administration of the municipal area was vested in the Council (Section 51, GMA). Constitution of Standing Committee was mandatory (Section 63, GMA) and was to be constituted with such number of members as the Council may determine subject to maximum of one-third of total number of Councillors. Standing Committees were formed in all the four test-checked Councils.

Section 78 of the GMA prescribed the conduct of six Ordinary Council Meetings (OCM) every year for the disposal of general business. It also provided for the conduct of Special Council Meetings (SCM) at the request of one-third of the members. Details of meetings of OCM and SCM in the four test-checked MCs is indicated in the **Table 3.2**.

Table 3.2: Frequency of meetings of OCM and SCM during 2016-21

MC	OCM	SCM	Audit comments
Curcholem-Cacora	29	12	OCM were less than six per year in two (2017-18 and 2020-21) out of five years.
Mapusa	25	34	OCM were fewer than six per year in four out of five years (except 2019-20). Two emergency meetings were conducted in 2016-21.
Margao	23	29	OCM were fewer than six per year in four (2016-17, 2018-19, 2019-20 and 2020-21) out of five years.
Pernem	8	37	OCM were fewer than six per year in all the five years. No OCM was conducted in 2017-18 and 2020-21. Five emergency meetings were conducted in 2016-21.

(Source: Information provided by the MCs)

The Council

The Councils met frequently, considering OCM and SCM together, but the ordinary meetings were held less than the prescribed number. Delay in conducting meetings led to delays in the approval of all five budgets of Margao MC, four budgets of Pernem MC, three budgets of Curchorem-Cacora MC and one budget of Mapusa MC during the period 2016-21.

Standing and Subject Committees

Standing Committees were to be constituted with the allocation of subjects of transport undertaking, finance and welfare of conservancy staff (Section 68 of GMA). Further, additional responsibilities on subjects of fairs and pilgrims; Sanitation; Medical and Public Health were also to be allocated to Standing Committees where separate Subject Committees were not constituted. MCs were required to allot the subjects and powers to Standing and Subject Committees by making bye-laws (Section 68 of GMA). However, none of the four test checked Councils prepared the bye-laws.

Secretary, UD, agreed (April 2022) during the Exit Conference to make the functioning of Committees more effective and assured to bring in model bye-laws for the functioning of Committees.

Chapter IV

**Empowerment of Urban
Local Bodies
and
their functioning**

Chapter IV: Empowerment of Urban Local Bodies and their functioning

As per the mandate of the Constitutional Amendment Act, 18 functions were to be devolved to Urban Local Bodies (ULBs) along with necessary powers to enable their implementation. However, it was seen that most of these functions were devolved only partially, and departments of the Government or parastatals continued to implement the remaining activities. The requirement of submission of works proposals for approvals, under Central Finance Commission as well as State Grants, to the Government undermined the autonomy of the ULBs. Several important urban infrastructure schemes were implemented by parastatal agencies without accountability to the ULBs.

The 74th Constitutional Amendment Act, 1992 authorised the State Legislature to enact laws to endow the ULBs with powers and authority to enable them to function as institutions of self-government as well as make provisions for devolution of powers and responsibilities. The Twelfth Schedule of the Constitution enumerated the 18 functions to be devolved to ULBs.

4.1 Devolution of functions vis-à-vis 74th Constitutional Amendment Act in Goa

The Corporation of City of Panaji (CCP) Act, 2002 devolved 28 obligatory (Section 59) and 23 discretionary activities¹ (Section 60) to CCP. These activities, when mapped, covered 16 functions listed in the Twelfth Schedule of the Constitution.

The Goa Municipalities Act (GMA), applicable to Municipal Councils (MCs) in the State, had a provision for 21 obligatory and 22 discretionary activities² (Section 51), before 74th Constitutional Amendment Act was enacted. The GMA was amended after 74th Constitutional Amendment Act to devolve 11 functions listed in the Twelfth Schedule of the Constitution (inserted as Section 322A with enlisting of 11 functions in Schedule X to GMA). Mapping of activities devolved in GMA and 11 functions added after amendment to it, covered 17 out of the 18 functions listed in the Twelfth schedule of the Constitution. The devolution of activities/functions under the CCP Act and GMA are detailed in **Table 4.1**.

¹ Referred as 'Matters to be provided for by Corporation' in the CCP Act

² Referred as 'Obligatory duties and discretional functions of the Council' in the GMA

**Table 4.1: Devolution of functions to ULBs in Goa vis-à-vis
74th Constitutional Amendment Act**

Sl. No.	Functions in Twelfth Schedule	Activities/functions devolved under the provisions of	
		CCP Act, 2002	GMA, 1968
1	Urban planning including town planning	CCP is a planning authority (Section 255 of CCP Act)	Section 322A along with Schedule X: Urban Planning including town planning. Obligatory activity for demarcation of limits of the municipal area (Section 51 (2)(o)).
2	Regulation of land use and construction of buildings	Obligatory activities for complying with environment laws; and removal of dangerous buildings/places (Section 59 (f) and (j)). Discretionary activity for reclaiming unhealthy localities (Section 60 (a)).	Section 322A along with Schedule X: Regulation of land-use/construction of buildings. Obligatory activities for removal/reclaiming of dangerous buildings/unhealthy localities (Section 51 (2)(g)). Discretionary activity for laying out new public streets (Section 51 (3)(a)).
3	Planning for economic and social development	Obligatory activity for planning for economic and social development (Section 59 (b)). Discretionary activity for making surveys (Section 60 (k)).	Discretionary activity for making a survey (Section 51 (3)(f)).
4	Roads and Bridges	Obligatory activities for removal of unauthorised obstructions/projections in public streets/places; naming streets/numbering houses; and provision of traffic signs (Section 59 (h),(r), (y) and (q)) Discretionary activity for Constructing/maintaining roads, buildings and other Government works (Section 60)	Section 322A along with Schedule X: Roads and bridges. Obligatory activities for Constructing/altering/maintaining public streets, culverts; and removal of unauthorised obstructions/projections in public streets/places (Section 51 (2)(g) and (2)(f))
5	Water supply for domestic, industrial and commercial purposes	Obligatory activity for water supply works (Section 59 (m)) Discretionary activities for supply of water to private premises; and construction/maintenance of drinking fountains (Section 60 (n), (s)).	Obligatory activities for obtaining a supply/additional supply of water (Section 51 (2)(j)).

Sl. No.	Functions in Twelfth Schedule	Activities/functions devolved under the provisions of	
		CCP Act, 2002	GMA, 1968
6	Public health, sanitation, conservancy and solid waste management	<p>Obligatory activities for cleaning public streets/sewers; disposal of night-soil/preparation of compost; regulation of dangerous trade; construction/maintenance of public amenities/conveniences/public hospitals/dispensaries; ambulance service; vaccination; prevention of infectious disease, sewage disposal (Section 59 (d), (e), (g), (l), (n), (p), (q), (u) and (z-3)).</p> <p>Discretionary activities of sewage management; organization and management of health laboratories; regulation of offensive trades; miscellaneous matter of public health/safety/convenience (Section 60 (o), (r), (m) and (x)).</p>	<p>Obligatory activities for regulating dangerous trades, crematoriums, Public vaccination, disposing of night-soil and preparation of compost, prevention from communicable disease and public dispensaries (Section 51 (2)(e), (2)(h), (2)(l), (2)(p), (2)(q) and (2)(t)).</p> <p>Discretionary activities for regulation of offensive trades; sewage management; and disposal of sewage (Section 51 (3)(i), (3)(j) and (3)(l)).</p>
7	Fire services	<i>No provision</i>	Obligatory activity for fire extinguishing (Section 51 (2)(d))
8	Urban forestry, protection of the environment and promotion of ecological aspects	<p>Obligatory activity for urban forestry/protection of environment/promotion of ecological aspects (Section 59 (c))</p> <p>Discretionary activity for planting/maintaining trees (Section 60 (h))</p>	Section 322 A along with Schedule X: Urban forestry, environment and promotion of ecological aspects
9	Safeguarding the interests of weaker sections of society, including the handicapped	<i>No provision</i>	<i>No provision</i>

Sl. No.	Functions in Twelfth Schedule	Activities/functions devolved under the provisions of	
		CCP Act, 2002	GMA, 1968
	and mentally retarded		
10	Slum improvement and upgradation	Discretionary activity for slum improvement/upgradation (Section 60 (h))	Section 322 A along with schedule X: Slum improvement and upgradation
11	Urban poverty alleviation	Obligatory activities for prevention of vagrancy; establishing/maintaining poor houses (Section 59 (v)). Discretionary activity for urban poverty alleviation (Section 60 (c)).	Obligatory activity for relief for destitute (Section 51 (2)(r)).
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Obligatory activities for maintenance of municipal office/property/public amenities (Section 59 (x) and (z-1)) Discretionary activity for construction/maintenance of public amenities	Section 322 A along with Schedule X: Provision of urban amenities and facilities Discretionary activity of public parks/tree plantation/providing music (Section 51 (3)(c) and (3)(d))
13	Promotion of cultural, educational and aesthetic aspects	Discretionary activities for establishment and maintenance of primary schools; fairs and exhibitions; music in public places; preparation and presentation of address to persons of distinction; public reception ceremony or entertainment (Section 60 (g), (p), (t), (v) and (w)).	Section 51 (2)(u): establishing and maintaining primary schools (Obligatory). Discretionary activities for grants or donations to schools or hostels; and public reception, ceremony, fair, entertainment or exhibition (Section 51 (3)(s) and (3)(u)).
14	Burials and burial grounds; cremations, cremation grounds; and electric crematoriums	Section 59 (k): places for the disposal of the dead and disposal of unclaimed bodies (Obligatory).	Section 322 A along with Schedule X: Burials and cremation and places for them.

Sl. No.	Functions in Twelfth Schedule	Activities/functions devolved under the provisions of	
		CCP Act, 2002	GMA, 1968
15	Cattle pounds; prevention of cruelty to animals	Section 59 (i): cattle-pounds (Obligatory). Discretionary activities for cattle pounds and prevention of cruelty to animals; and destruction/detention, of dogs (Section 60 (d) and(l))	Section 322 A along with Schedule X: Cattle pounds; prevention of cruelty to animals Obligatory activities for accommodation of animals for their supply (Section 51 (2)(m)) Discretionary activities for destruction/detention/preservation of dogs; setting up of dairies or farms and acquisition and maintenance of grazing grounds (Section 51 (3)(h), (3)(t) and (3)(k))
16	Vital statistics including registration of births and deaths	Obligatory activity for registering births and deaths (Section 59 (t)) Discretionary activity for vital statistics (Section 60 (j))	Section 322 A along with Schedule X: Vital statistics Section 51 (3)(e): vital statistics (Discretionary)
17	Public amenities including street lighting, parking lots, bus stops and public conveniences	Obligatory activity for lighting public streets, places and buildings (Section 59 (a)) Discretionary activities for parking; and transport facilities (Section 60 (i) and(u)).	Section 322 A along with Schedule X: Public amenities including street lighting, parking lots, bus stops and public conveniences Obligatory activity for lighting/watering/cleaning public streets, places, sewers and buildings; and Constructing and maintaining public streets/markets/urinals/drains/tanks, <i>etc</i> ; and naming streets and numbering of premises (Section 51 (2)(a), (2)(b), (2)(c), (2)(i) and (2)(k)). Discretionary activities for establishing/maintaining public buildings and making contributions for construction/establishment/maintenance of such buildings (hospitals/schools/libraries, museums/asylums/gymnasiums <i>etc.</i>); construction of dwellings for the poorer classes; providing transport facilities; supply of electrical energy or gas (Section 51 (3)(b), (3)(o), (3)(p), (3)(q) and (3)(r)).

Sl. No.	Functions in Twelfth Schedule	Activities/functions devolved under the provisions of	
		CCP Act, 2002	GMA, 1968
18	Regulation of slaughter houses and tanneries	<p>Obligatory activity for construction/maintenance of public markets/slaughter-houses and their regulation (Section 59 (o))</p> <p>Discretionary activity for regulation of tanneries (Section 60 (e)).</p>	Section 322 A along with schedule X: Regulation of slaughter houses and tanneries

(Source: The Constitution of India, CCP Act, 2002 and GMA, 1968)

There was no provision for the constitutional function of ‘Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded’ either in the CCP Act or the GMA, while the Fire Services function was not devolved to the CCP. Also, some of the functions were only partially devolved, as discussed below.

4.2 Actual status of devolution of functions

Audit observed that 16 and 17 functions were devolved to the CCP (through 51 activities) and MCs (through 43 activities and 11 functions) respectively. However, the actual status showed only partial devolution of majority of the functions. The status of actual devolution and implementation of the constitutionally enumerated functions by ULBs in Goa is detailed in **Table 4.2**.

Table 4.2: The actual status of devolution and implementation of functions to ULBs

Sl. No.	Functions in Twelfth Schedule	CCP	Municipal Councils
1	Urban planning including town planning	Not executed by CCP as this function was carried out by the Department of Town and Country Planning. The CCP Act (Section 255) specifically provided for declaration of municipal area of CCP as a ‘Planning Area’ and CCP as a ‘Planning Authority’ under the Goa Town and Country Planning Act, 1974. However, powers and duties of a ‘Planning Authority’ continued to be executed by the North Goa Planning and Development Authority.	Not executed by MCs as this function was carried out by the Department of Town and Country Planning through the three Planning and Development Authorities in North Goa, South Goa and Mormugoa.

Sl. No.	Functions in Twelfth Schedule	CCP	Municipal Councils
2	Regulation of land use and construction of buildings	CCP's role was restricted to issuing construction licenses and providing occupancy certificates. The functions continued to be executed by the line departments. Demolition of old structures was undertaken by CCP.	Activity of removal of dangerous buildings was executed by the MCs. With regard to regulation of land use and construction of buildings, MCs' role was restricted to issuing construction licenses and providing occupancy certificates. The rest of the activities were being carried out by the three Planning and Development Authorities.
3	Planning for economic and social development	Function not executed as no activity related to planning for economic and social development or surveys was carried out by CCP.	Function not executed by MCs as these activities under the function continued to be executed by Planning and Statistics Department.
4	Roads and Bridges	The obligatory activities were being executed by CCP. However, under discretionary activities, minor maintenance works for roads and footpath was being carried out by using the municipal funds or grants from Government. Eight works amounting to ₹ 3.18 crore relating to roads, footpath, <i>etc.</i> were executed. Streets were named and house numbers were issued by the CCP. Traffic signs were executed by CCP under AMRUT Mission.	Partially executed by MCs depending on the sanction of works and release of grants. However, there was no classification of roads jurisdiction between Public Works Department (PWD) and MCs, construction and maintenance works of roads and bridges in municipal areas were taken by MCs as well as PWD.
5	Water supply for domestic, industrial and commercial purposes	The function of water supply was not transferred to CCP and still vested with Public Works Department. Cleaning and maintenance of wells are taken by CCP.	Water supply was implemented by PWD. However, one MC (Margao) executed four works related to well cleaning (₹ 1.88 lakh) during 2020-21.
6	Public health, sanitation, conservancy and solid waste management	Activities of cleaning public streets, places, and sewers and public spaces open to the enjoyment of the public and	Drive for public vaccination is carried out by Health Department. Two MCs (Mapusa and Margao) executed 27 works amounting to

Sl. No.	Functions in Twelfth Schedule	CCP	Municipal Councils
		<p>removing noxious vegetation were being carried out by CCP. Night soil is disposed of by CCP. The activity related to organization of laboratories and examinations was carried out by the Health Department. Trade licenses were issued by CCP and regulation of trade is carried out. Construction and maintenance of public toilets and urinals was executed by CCP. Medical health for public was executed by the Health Department. This activity was carried out by Health Department.</p>	<p>₹ 9.88 crore regarding solid waste management during 2020-21. Night soil is disposed by the MCs. Maintenance of factory for the disposal of sewage is maintained by the PWD. Medical health for public is executed by Health Department. Dispensaries were not vested in the MCs. This activity was carried out by Health Department.</p>
7	Fire services	<i>This function was not devolved</i>	<p>This function is carried out by the Department of Fire and Emergency. Emergency works relating to hiring of casual workers for disaster management and making laborers available to fire station for emergency clearance of uprooted trees and blockades were executed in an <i>ad hoc</i> arrangement between MCs and Department of Fire and Emergency. MCs would hire these laborers and provide them to Fire Department. The hiring work amounting to ₹ 51.84 lakh was executed for the period from 2016-17 to 2020-21 by three MCs (out of four test-checked) viz. Mapusa, Curchorem-Cacora and Pernem MCs.</p>
8	Urban forestry, protection of the environment and promotion of	This function was not carried out by CCP. This function was executed by Forest Department.	No obligatory and discretionary activities provided in the GMA. This function was not carried out by MCs. The function was executed by Forest Department.

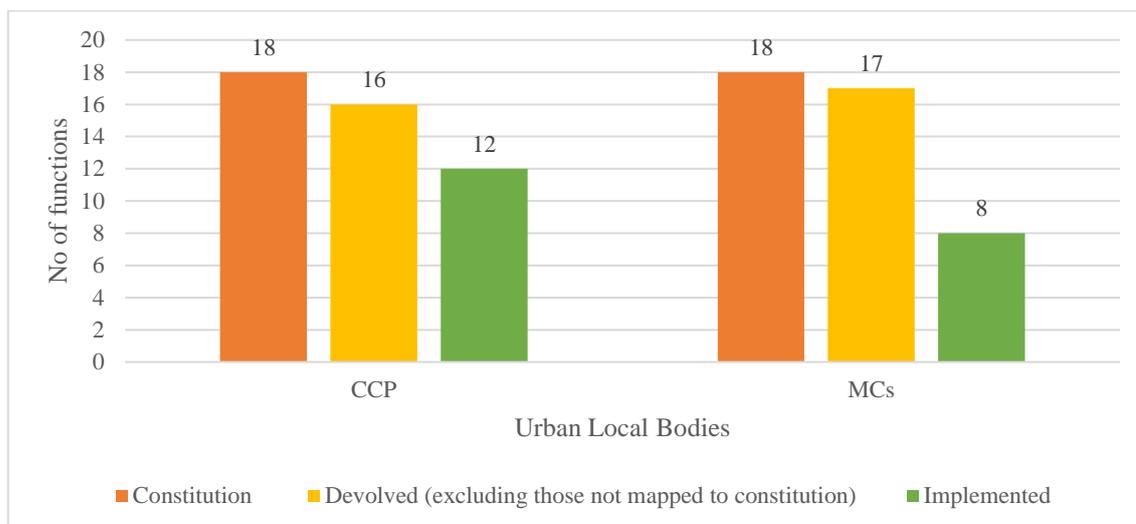
Sl. No.	Functions in Twelfth Schedule	CCP	Municipal Councils
	ecological aspects		
9	Safeguarding the interests of weaker sections of society, including handicapped and mentally retarded	<i>This function was not devolved</i>	<i>This function was not devolved</i>
10	Slum improvement and upgradation	This function was not carried out by CCP due to absence of notified slum area under CCP jurisdiction.	No obligatory and discretionary activities listed in the GMA. This function was not carried out by MCs.
11	Urban poverty alleviation	This function was executed by Social Welfare Department. The scheme on the subject was implemented by parastatal.	This function was executed by Social Welfare Department. The scheme on the subject was implemented by parastatal.
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Public amenities like parks, gardens and parking spaces were maintained by CCP. Four works amounting to ₹ 1.69 crore were executed.	Activities like maintaining public parks, gardens and providing music for people were executed by MCs.
13	Promotion of cultural, educational and aesthetic aspects	Activities related to primary education was executed by Education Department. Fairs and exhibitions were organized and stalls were regulated by CCP.	Activities related to primary education were established and maintained by Education Department. Fairs and exhibitions were fully executed by MCs.
14	Burials and burial grounds; cremations, cremation grounds; and electric crematoriums	Three burial grounds and one electric crematorium were being maintained by CCP.	Maintenance of burials and burial grounds; crematorium was executed by MCs.

Sl. No.	Functions in Twelfth Schedule	CCP	Municipal Councils
15	Cattle pounds; prevention of cruelty to animals	One pound keeper is appointed but there was no cattle pound. CCP engaged animal welfare organizations for rescue and management of stray cattle and small animals.	Activities under this function were executed by the Department of Animal Husbandry. In three (Mapusa MC, Margao MC and Curchorem-Cacora MC) out of the four test-checked MCs, a pound keeper was appointed by MCs but was looking after clerical work.
16	Vital statistics including registration of births and deaths	Registration of births and deaths was carried out on behalf of Chief Registrar for the State.	Registration of birth and deaths was carried out by MCs.
17	Public amenities including street lighting, parking lots, bus stops and public conveniences	Activity of maintenance of parking spaces was executed by CCP. Motor transport facilities are provided by Kadamba Transport Corporation Limited for the conveyance of the public and Goa Tourism Development Corporation for tourists.	Partially devolved as street lights were maintained by MCs, they provide electric consumables for streetlight and community places. However, other activities related to electricity supply still remained with Electricity Department. MCs executed construction and maintenance of public streets, culverts, municipal boundary marks, markets, latrines, urinals, drains, sewers, drainage-works, sewerage works, baths, drinking fountains, tanks, wells, town halls, municipal offices and shops. All other activities continued to be executed by the line departments. Management of propelled transport facilities for the conveyance of the people was provided by Kadamba Transport Corporation Limited and not by MCs.
18	Regulation of slaughter houses and tanneries	CCP constructs, maintains and regulates market places. No slaughter houses and tanneries were established by CCP.	No slaughter houses and tanneries were established by MCs.

(Source: Information provided by the Department and test-checked ULBs)

The above status of devolution and implementation of functions in ULBs is depicted in **Chart 4.1**.

Chart 4.1: Status of devolution and implementation of functions by ULBs



(Source: Information provided by the Department and test-checked ULBs)

Corporation of City of Panaji

The actual status of devolution of functions *vis-à-vis* the 74th Constitutional Amendment Act is summarized in **Table 4.3**.

Table 4.3: Summary of devolution and transfer of functions to CCP

Sl. No.	Status of devolution /execution	Obligatory activities	Discretionary activities	Number of constitutional functions
1	Functions devolved in CCP Act but not executed by CCP.	03	03	04
2	Functions which are partially devolved in the CCP Act which are partially/fully implemented by CCP.	24	21	12
3	Functions which are not devolved.	--	--	02

(Source: Analysis from CCP Act and scrutiny of records)

Out of 18 constitutionally enumerated functions, four were fully devolved (through three obligatory and three discretionary activities) and 12 were partially devolved (through 24 obligatory and 21 discretionary activities) and the remaining two were not devolved at all.

Four functions were fully devolved for implementation by CCP (Urban planning including town planning; Urban poverty alleviation; Slum improvement and upgradation; and Urban forestry, protection of the environment and promotion of ecological aspects). Urban Planning was executed by the North Goa Planning and Development Authority, a parastatal organization. Urban Poverty Alleviation scheme (Deendayal Antyodaya Yojana-National Urban Livelihoods Mission) was being implemented by Goa State Urban Development Agency (parastatal). The function of ‘Urban forestry, protection of the environment and promotion of ecological aspects’ was being performed by the Forest

Department of the State. Audit noticed that CCP had not effectively implemented these fully devolved functions thereby rendering their devolution inconsequential.

Further, Audit noticed that out of twelve partially devolved functions, five³ functions were being implemented fully, six⁴ implemented partially and one function (Planning for economic and social development) was not being implemented.

Municipal Councils

The actual status of devolution of functions as observed in the four test checked MCs is summarized in the **Table 4.4:**

Table 4.4: Summary of devolution and transfer of functions to MCs

Sl. No.	Status of devolution /implementation	Activities devolved in Section 51 of GMA		Devolution in GMA (Schedule X)	Number of constitutional functions	Remarks
		Obligatory activities	Discretionary activities			
1	Functions which are partially devolved in GMA but not executed by MCs.	05	04	03	07	--
2	Functions which are partially devolved in GMA and partially/ fully implemented by MCs.	15	14	06	08	Out of 8 constitutional functions 3 ⁵ are fully implemented
3	Functions which are devolved in GMA but there is no corresponding obligatory or discretionary activity.	--	--	02	02	Not implemented
4	Functions which are not devolved.	--	--	--	01	--

(Source: Analysis from GMA and scrutiny of records)

As seen from the above table only one of the 18 functions enumerated in the Twelfth Schedule of the constitution was not devolved to the MCs and remaining 17 functions

³ i. Provision of urban amenities and facilities such as parks, garden, playground; ii. Burial and burial grounds, cremations, cremation grounds and electric crematorium; iii. Cattle pound, prevention of cruelty to animals; iv. Vital statistics including registration of births and deaths and v. Public amenities including street lighting, parking lots, bus stops and public conveniences

⁴ i. Regulation of land-use and construction of buildings; ii. Roads and bridges; iii. Water supply for domestic, industrial and commercial purposes; iv. Public health, sanitation conservancy and solid waste management; v. Promotion of cultural, educational and aesthetic aspects and vi. Regulation of slaughter houses and tanneries

⁵ i. Provision of urban amenities and facilities such as parks, gardens, playgrounds; ii. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums; and iii. Vital statistics including registration of births and deaths

were not devolved in full. Further, it is seen that seven functions⁶ of the Twelfth Schedule, which included crucial municipal functions like water supply for domestic, industrial and commercial purposes, urban poverty alleviation, *etc.* which were partially devolved in GMA (through five obligatory and four discretionary activities) were not implemented by the MCs. Only eight partially devolved functions⁷ (through 15 obligatory and 14 discretionary activities in the GMA) were implemented by the MCs. Eleven functions from the Twelfth Schedule of the Constitution were added to GMA through insertion of Section 322A (inserted in 1994). However, there were no corresponding activities (obligatory or discretionary activities) to be carried out by MCs with respect to two functions ‘Urban forestry, protection of the environment and promotion of ecological aspects’ and ‘Slum improvement and upgradation’.

During the Exit Conference (April 2022), the Secretary, Urban Development, agreed to the observations and further informed that CCP was issuing construction licenses after approval of the planning authority.

Recommendation 3: The Government may ensure that the functions devolved to the ULBs are actually carried out by them.

4.3 Inadequate devolution of administrative and financial powers to Urban Local Bodies

Appropriate enabling mechanisms for implementation of the devolved functions is essential for effective discharge of functions by ULBs. The CCP (Section 67 of CCP Act) and MCs (Section 86 read with Section 84 and 93 of the GMA) are authorized to use their respective Corporation/Municipal funds for the purposes mentioned in the respective Acts.

The CCP Act (Section 68, 212 and 214) provided powers for execution of tenders and contracts to the Commissioner, Standing Committee, Corporation and the Government with varying financial limits. Similarly, the GMA (Section 89 and 69) authorized the MCs and Standing Committees thereunder to authorize expenditure within the limits specified. Powers of technical sanction to works were assigned to the specified officers of PWD, GSUDA and Municipal Engineers. Details of delegation of powers in ULBs are given in **Appendix 1**.

Finance Commission (FC) grants were disbursed and lying in the accounts of ULBs. But the works to be carried out by ULBs, using the FC funds were subject to approvals of Directorate and Secretary, Urban Development. Similarly, State Government grants for

⁶ i. Urban planning including town planning, ii. Planning for economic and social development iii. Water supply for domestic, industrial and commercial purposes. iv. Fire services v. Urban poverty alleviation vi. Cattle pounds; prevention of cruelty to animals vii. Regulation of slaughterhouses and tanneries

⁷ i. Regulation of land-use and construction of buildings, ii. Roads and bridges iii. Public health, sanitation conservancy and solid waste management iv. Provision of urban amenities and facilities such as parks, gardens, playgrounds v. Promotion of cultural, educational and aesthetic aspects vi. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums vii. Vital statistics including registration of births and deaths viii. Public amenities including street lighting, parking lots, bus stops and public conveniences

development works were released only after approvals of Directorate and Finance Department.

Actual status of implementation of financial delegation is discussed below in relation to execution of works through grants.

4.3.1 Works executed through Central Finance Commission grants

FC grants are subject to operational guidelines in addition to other specific grant related conditions. The general administrative and financial delegation of powers to ULBs was applicable for utilisation of the grants. Further, conditions prescribed by the DUD at the time of release for submission of utilization certificate and performance report were to be complied with.

Fourteenth FC in its report recognized that a trust-based approach must be adopted for release of grants and recommended that no further conditions or directions, other than those indicated by FC should be imposed either by the Union or the State Government for the release of funds to local bodies.

Audit observed that all the works taken up by ULBs with FC grants were routed through DUD and Secretary, Urban Development for administrative approvals and financial sanctions.

4.3.2 Works executed out of State grants

Inadequate own revenues of the ULBs, as discussed subsequently and lack of assured resources in the absence of SFC recommendations made them dependent on State Government's budgetary grants for execution of works. State Government sanctioned grants ('Development grants' and grants under 'Goa Special Grants to Municipalities Scheme') amounting to ₹ 69.58 crore to ULBs for execution of public works like construction or repairs of drainages, footpaths, roads and community assets, *etc.* for the period 2016-17 to 2020-21.

Audit observed that work proposals to be executed by ULBs through Government grants were subjected to multiple administrative approvals⁸. Grants were sanctioned by the State Finance Department after tenders were finalized by ULBs. The Finance Department accorded sanctions in batches, which caused avoidable delays in the projects. The status of proposals of works by three ULBs, their administrative approvals (AA) and expenditure sanctions (ES) is shown in the **Table 4.5**.

⁸ Approval granted by respective Chief Officers/Commissioner of CCP; Councils/CCP and then by DUD

Table 4.5: Summary of work proposals and their approvals

ULB	No of works with AA	No of works with ES	No of batches for ES	Delays in test checked cases
CCP	130	34	4	AA for 38 works were accorded in April 2016. Only 26 were provided ES (after 12 months to 14 months). Twelve works were awaiting ES.
Mapusa	114	73	9	AA for 61 works were accorded during November 2017 to August 2019. Only 24 were provided ES (after 9 months to 25 months). Thirty-seven works were awaiting ES.
Margao	130	126	6	AA for 69 works were accorded in November 2016 (ES was accorded after 7 months to 14 months).
Total	374	233	19	

(Source: Information provided by DUD)

Out of 374 works proposed and administratively approved, only 233 were provided expenditure sanction in 19 batches and 141 were awaiting such sanctions. It was also seen that 37, 39, 55 and 63 *per cent* of grants sanctioned⁹ for developmental works during 2016-17 to 2020-21 remained unutilized in Margao MC, Curchorem-Cacora MC, Pernem MC and Mapusa MC respectively.

Secretary, Urban Development, confirmed during the Exit Conference (April 2022) that there were delays due to approvals at various levels and added that adequate administrative and financial autonomy for ULBs, including delegation of powers relating to public works would be considered.

Recommendation 4: Adequate administrative and financial autonomy may be allowed to the ULBs in the execution of functions devolved to them.

4.4 Role of parastatals in implementation of schemes

The 74th Constitutional Amendment Act envisaged that the delivery of urban infrastructure and services would be entrusted to the ULBs. The status of actual implementation of devolved functions by ULBs has been detailed in **Appendix 2**. Parastatal agencies such as Goa State Infrastructure Development Corporation (GSIDC), Imagine Panaji Smart City Development Limited (IPSCDL), GSUDA, Planning and Development Authorities, *etc.* were constituted to deliver or facilitate urban infrastructure and services in the State and they played an important role in the execution of functions such as water supply & sanitation, construction of roads, buildings and crematoria, urban/town planning, regulation of land use, *etc.* The parastatals implemented several

⁹ Margao MC: ₹ 2.05 crore unutilized out of ₹ 5.51 crore (37 *per cent*); Pernem MC: ₹ 1.17 crore unutilized out of ₹ 2.13 crore (55 *per cent*); Curchorem-Cacora MC: ₹ 3.33 crore unutilized out of ₹ 8.60 crore (39 *per cent*) and Mapusa MC: ₹ 5.06 crore unutilized out of ₹ 7.98 crore (63 *per cent*)

important schemes¹⁰ in these functional areas. Audit examined the role of parastatals *vis-à-vis* ULBs in the implementation of three such schemes and the findings are discussed below.

4.4.1 Implementation of Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

The Ministry of Urban Development (MoUD), Government of India (GoI) launched (June 2015) the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) with the objective of improving water supply, sewerage, public amenities, and transport in urban areas. Programme Management Structure of the scheme provided (Paragraph 10 of scheme guidelines) that at city level, the ULBs will be responsible for implementation of the mission. The Municipal Commissioner will ensure timely preparation of Service Level Improvement Plans (SLIP). The ULBs were to develop Detailed Project Reports (DPRs)/bid documents/ensure approvals for projects and appoint implementation agencies as per the approvals in State Annual Action Plans (SAAP). The ULBs were to ensure its timely completion.

The scheme guidelines provided (Paragraph 8.1) that if the ULBs did not have adequate capacity to handle projects, specialized parastatal agencies could be engaged through the execution of a tripartite Memorandum of Understanding (MoU) amongst the State Government, the specialized parastatal agencies and the concerned Municipality.

Audit observed that CCP passed a resolution (November 2015) and handed over the work of preparation SLIP and SAAP to GSIDC. However, State level High Powered Committee¹¹ (SLHPC) appointed (March 2016) GSIDC and later IPSCDL (May 2017) as the implementing agency¹² for AMRUT. GSIDC and IPSCDL were unilaterally appointed as the implementing agencies by the Government without any tripartite agreement as envisaged in the scheme guidelines.

The scheme guidelines required that funds (Central and State share) are transferred to ULBs within seven working days of release of the Central share by the MoUD. However, all the funds were directly transferred to GSIDC and IPSCDL by the Government, instead of CCP, effectively denying any control to CCP over the project implementation.

¹⁰ i. GSUDA implemented three central schemes (Deendayal Antyodaya – National Urban Livelihoods Mission (DAY-NULM), Swachh Bharat Mission (Urban), Pradhan Mantri Awas Yojana - Housing for All (Urban), (PMAY-HFA(U)) and one State scheme - Integrated Development of Major Towns (IDMT). ii. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart City Scheme are implemented by IPSCDL

¹¹ Members of SLHPC were 1. Chief Secretary; 2. Secretary (Urban Development); 3. Secretary (Finance); 4. Secretary (Planning); 5. Chief Town Planner; 6. Director of Urban Development; 7. Mayor/Commissioner, CCP; 8. Chairperson/Chief Officer, Mormugao; and 9. Chairperson/Chief Officer, Margoa; 10. Pr. Chief Engineer and 11. Representative of MoHUA

¹² CCP resolved (24.11.2015) to hand over the work of preparation of SLIPs to the GSIDC. Accordingly, GoG appointed (March 2016) GSIDC as the Directorate of Mission for implementation of AMRUT Mission. GSIDC prepared the SLIP and SAAP for the years 2015-16, 2016-17 and 2017-18 wherein 29 works (₹ 209.18 crore) were approved. Subsequently, GoG appointed (24.05.2017) IPSCDL as a nodal agency with transfer of all unutilized funds from GSIDC

The scheme recommended prioritization of works for universal coverage of water and sewerage. GSIDC proposed 29 works¹³ (₹ 209.18 crore) during the period 2015-16 to 2017-18. Out of 29 works, only four projects (₹18.57 crore) pertained to water supply and sewerage (8.88 *per cent*) but there were 22 works (₹185.47 crore) of Urban Transport (88.67 *per cent*). Further, the SLHPC decided (February 2021) to withdraw the 20 projects which had not commenced and seven¹⁴ new projects of ₹ 169.48 crore were submitted to MoHUA. Three projects out of the seven newly proposed ones were approved (September 2021) by the ministry.

The implementing agencies did not identify the priority areas of works in CCP initially and their delayed identification resulted in delayed execution.

The ULBs were required to monitor the projects closely through their elected representatives and direct citizen feedback using mobiles and e-groups. As CCP had no role in the implementation of these projects, no monitoring was carried out.

Thus, the CCP did not have any role in the implementation of AMRUT, which included projects for important municipal services like water supply, sewerage, public amenities, *etc.* which undermined the CCP's responsibility and accountability for service levels in these areas as well as its power and authority.

4.4.2 Implementation of Smart City Scheme

MoHUA, GoI launched (June 2015) the Smart Cities Mission (SCM) with the objective of promoting cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of 'Smart' solutions. In Goa, Panaji city was selected and the IPSCDL¹⁵ was constituted (June 2016) as an SPV to implement the Mission.

Para 14 of the scheme guideline stipulated that SCM may carry out convergence with other Central and State Government programmes/schemes to derive greater benefit and convergence was to be sought at the planning stage itself.

¹³ Out of the 29 works, four (₹ 18.57 crore) pertained to water supply and sewerage, 22 (₹ 185.47 crore) pertained to Urban Transport and three (₹ 4.14 crore) pertained to Green Spaces and Park Sector.

¹⁴ i. Upgradation of Sewage network for Panaji City (₹ 118.96 crore); ii. Upgradation of Sewage pumping installation at Panaji City (₹ 1.05 crore); iii. Rejuvenation of Campal area of Panaji City as a green space (₹ 30.09 crore); iv. Supply of treated effluent water from Tonca STP to green space and institution in Panaji City (₹ 13.12 crore); v. Development of Community green space at Caranzalem (₹ 3.45 crore); vi. Development of green space near Govt. Quarters Altinho, Panaji (₹ 1.69 crore); and vii. Landscaping for Open spaces at Altinho neighborhood greens (₹ 1.12 crore).

¹⁵ Board of Directors (BoD) of IPSCDL comprised of Government of Goa Officers like Chief Secretary as Chairman and other members included Secretary (Urban Development); Secretary (Finance); Collector, North Goa; Director of Urban Development; Commissioner, CCP; and Pr. Chief Engineer. The BoD also included Under Secretary, Ministry of Housing and Urban Affairs, Government of India; Mayor of CCP; and Member of Legislative Assembly for Panaji assembly constituency.

Audit observed that three projects¹⁶ of CCP proposed under Fourteenth and Fifteenth Finance Commission (FFC) grants had to be terminated after issuing of work orders, as the same areas were proposed for development under projects by IPSCDL. Another work¹⁷ executed by the CCP under Finance Commission grants was removed by the IPSCDL to carry out the work under SCM. Absence of convergence with the CCP's work resulted in termination of works.

4.4.3 Implementation of Swachh Bharat Mission – Urban

The Swachh Bharat Mission (SBM)-Urban is a GoI scheme where the guidelines specified a role for ULBs in all the six¹⁸ components of the mission. GSUDA was appointed as a nodal agency for implementation of the scheme. Audit observed that:

- Individual Household Latrine (IHHL) component of the scheme provided for beneficiary led construction of the IHHL by sanction of grant of ₹ 5,333 (and ₹ 6,667 w.e.f. 2017) in two instalments (Paragraph 4.4.1 and 4.4.3 of the guidelines) by the ULBs after verification of the progress. Audit observed that grant for this component was distributed through ULBs for the first instalment but the second instalment was transferred to the beneficiaries by GSUDA instead of ULBs.
- ULBs are advised (Paragraph 7.10.5 of the guidelines) to use the GeM (Government e-Market place) portal as a one-stop-shop for formally procuring all waste management equipment.

Audit observed that under the component of Solid Waste Management (SWM) of the SBM, GSUDA received the proposals from ULBs for procurements/works and the same were executed after approval of State Level High Powered Committee. Resultantly, GSUDA procured equipments for Solid Waste Management worth ₹ 87.32 lakh between February 2020 to March 2021 through GeM instead of ULBs. This was in contravention of the scheme guidelines and the ULBs were deprived of their role in implementation of SWM component of the scheme.

- Guidelines prescribed (Paragraph 8.4) that Information, Education and Communication (IEC) & Public Awareness (PA) funds were to be transferred at the rate of 50 *per cent* of the grant for utilization by the ULBs. Audit observed that since 2019-20, GSUDA did not transfer grants amounting to ₹ 3.10 crore (between 2019-20 to 2021-22) to ULBs and the same were utilized by GSUDA for expenditure of IEC component, which was contrary to the guidelines of the scheme.

The role of ULBs in implementing SBM in Goa was partially taken over by the parastatal.

DUD replied (September 2022) that GSUDA procured the equipment on behalf of ULBs being the nodal agency for implementation of the scheme. Further, Secretary, Urban

¹⁶ Construction of drain along with laying of RCC slabs in front of St. Inez church and Thakur Garage in ward No. 10 (₹ 11.08 lakh), construction of road with side drain in ward No. 02 (₹ 6.03 lakh) and construction of drain with RCC slabs near Shenaz shopping centre in ward no. 11 and 12 (₹ 7.86 lakh)

¹⁷ Providing and laying of pavers for existing footpath in ward no. 12 (₹ 7.48 lakh)

¹⁸ i. Individual Household Latrines (IHHL) including conversion of insanitary latrines into pour-flush latrines; ii. Community toilets; iii. Public toilets and urinals; iv. Solid waste management; v. IEC & Public Awareness and vi. Capacity building and Administrative and Office Expenses (A&OE)

Development stated in Exit Conference (April 2022) that works pertaining to ULBs were transferred to GSUDA.

The reply was not tenable in view of the guidelines of the scheme to transfer the funds to ULBs rather than make procurement on their behalf.

The parastatals were assigned the responsibility of implementing several urban infrastructure schemes by the State Government, and the same were implemented without accountability to the ULBs which were ultimately responsible for municipal services.

Recommendation 5: Democratically elected ULBs must be given a greater role in the planning and implementation of schemes pertaining to local body functions as per the devolution.

4.5 Planning by Urban Local Bodies

Setting up of District Planning Committee (DPC)¹⁹ is mandated as per Article 243ZD of the Constitution. The GMA provided (Section 184F) that every MC shall prepare every year, a development plan and submit it to the District Planning Committee constituted under Section 239 of the Goa Panchayat Raj Act, 1994.

Necessary planning for execution of devolved functions was mandated to be carried out through the DPC by consolidating the annual plans of MCs in the district. The district plans so prepared would have regard to matters of common interest between the local bodies including sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation, and the extent and type of available resources.

Audit observed that DPCs were formed during the audit period, 2016-21 and for 2021-26 in both the districts. While the North Goa DPC did not hold any meeting, the South Goa DPC held four meetings. However, none of the ULBs prepared/submitted any development plans to the DPC for preparation of consolidated district plans. Consolidated development plan for the district as a whole has never been prepared by either of the DPCs.

Secretary, Urban Development agreed (April 2022) with the observation during the Exit Conference and stated that planning machinery of ULBs would be activated to facilitate the preparation of developmental plans.

Recommendation 6: The State Government may ensure that DPCs are functioning effectively and prepare the District Development Plans by consolidating the plans.

¹⁹ DPC shall consist of members of the Loksabha, Rajyasabha, members of Legislative Assembly, Adhyaksha of the ZP, the President of the Municipal Council having jurisdiction over the headquarters of the district, members specified from elected members of ZP and ULBs. Adhyaksha and Chief Executive Officer of ZPs shall be the ex-officio Chairman and Secretary of the DPC respectively.

Chapter V

**Financial resources of
Urban Local Bodies**

Chapter V: Financial resources of Urban Local Bodies

Devolution of financial resources was critical for local bodies for the successful implementation of devolved functions. Finances of Urban Local Bodies (ULBs) comprised their own revenues, assigned revenues and transfers from the State and Central Governments. ULBs were highly dependent on Government grants for carrying out their functions. Full potential of collecting own revenues was not tapped by the ULBs and majority of them were not able to meet even their establishment expenditure out of their own resources. The delays in the constitution of State Finance Commissions (SFCs) and inaction on their recommendations by the Government, rendered the SFC mechanism redundant and deprived the ULBs of assured revenues. Unrealistic budgets by ULBs rendered them ineffective as an instrument of financial management and programme execution. Migration to Accrual Based Double Entry Accounting System was yet to be completed in Municipal Councils (MCs).

Successful implementation of devolved functions and delivery of services by ULBs is dependent upon the availability of adequate financial resources with them. The resources of ULBs can be broadly categorized as (i) Own revenue, which ULBs mobilise through their power to levy and collect taxes and fees; (ii) Assigned revenue, which accrues to the ULBs as a certain percentage of a tax levied and collected by the State Government and; (iii) State and Central Government grants including Central Finance Commission (CFC) grants.

5.1 Sources of revenue

Own revenues (tax and non-tax revenues), assigned revenues and Government transfers including Finance Commission (FC) grants comprised the sources of revenue for ULBs in Goa. Composition of sources of revenue of ULBs for the period 2016-17 to 2020-21 is summarized in **Table 5.1** and depicted in **Chart 5.1**.

Table 5.1: Sources of Revenues of ULBs

(₹ in crore)

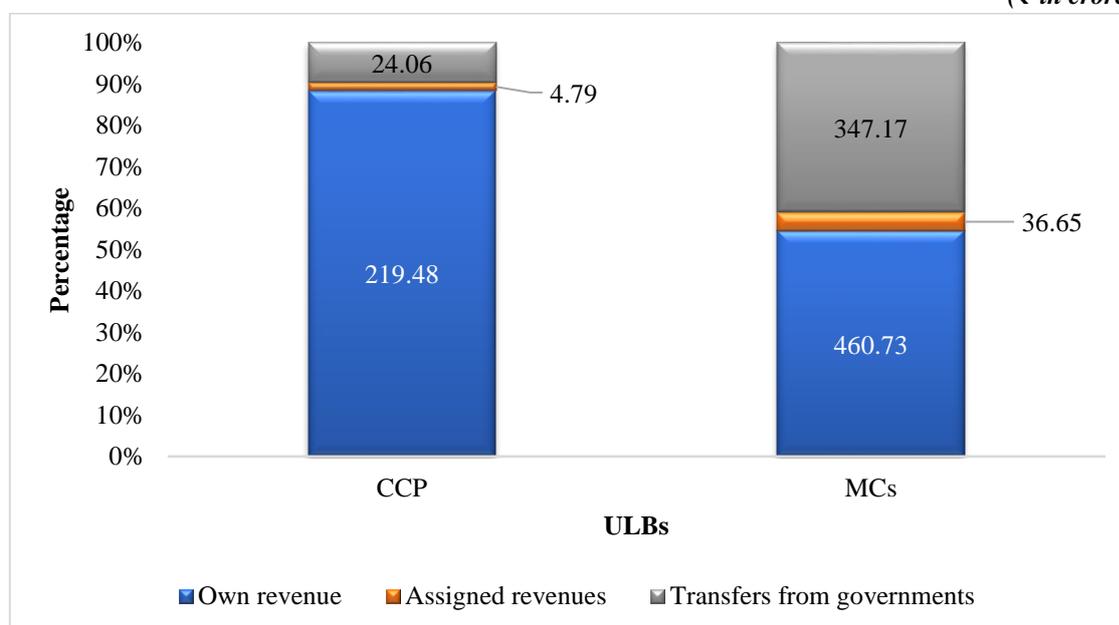
Year	Corporation of City of Panaji (CCP)					MCs				
	Own revenue	Percentage of total revenue	Assigned revenue	Grant*	Total	Own revenue	Percentage of total revenue	Assigned revenue	Grant*	Total
2016-17	32.94	94.06	2.08	--	35.02	66.00	60.99	14.21	28.00	108.21
2017-18	47.97	94.65	2.71	--	50.68	95.53	45.86	22.44	90.30	208.27
2018-19	53.99	91.11	--	5.27	59.26	103.45	68.29	--	48.03	151.48
2019-20	35.08	80.97	--	8.24	43.32	93.57	45.01	--	114.30	207.87
2020-21	49.50	82.43	--	10.55	60.05	102.18	60.56	--	66.54	168.72
Total	219.48		4.79	24.06	248.33	460.73		36.65	347.17	844.55

(Source: Information provided by Director of Urban Development)

* includes grants from both State and Central Government

Chart 5.1: Composition of revenues of ULBs during the period 2016-21

(₹ in crore)



(Source: Information provided by Directorate of Urban Development)

Own revenue of CCP constituted 88.38 per cent of the total revenue, whereas it accounted for 54.55 per cent in the rest of the MCs. Government grants for CCP and MCs constituted 9.69 per cent and 41.10 per cent of their total revenues respectively.

Audit observations on revenues of ULBs were as below:

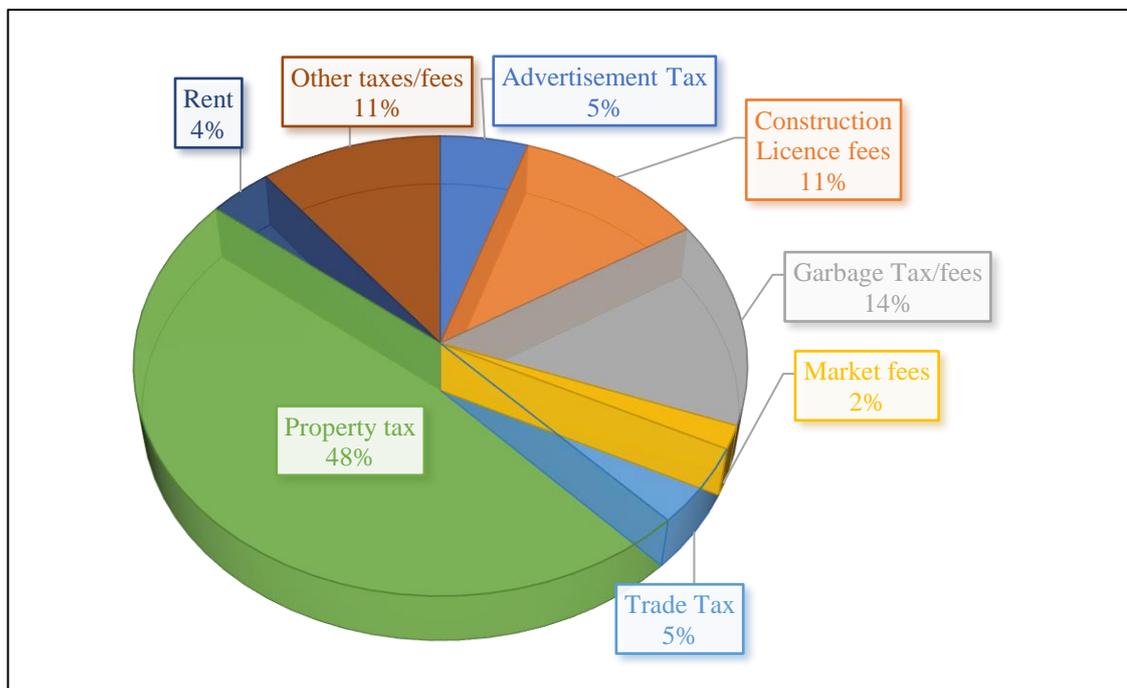
5.2 Own revenues of Urban Local Bodies

Article 243X of the Constitution *inter alia* provided that a State legislature may authorise the ULBs to levy, collect and appropriate taxes, duties, tolls and fees. Accordingly, necessary provisions were made in the Corporation of City of Panaji (CCP) Act, 2002 and Goa Municipalities Act (GMA), 1968.

5.3 Own revenues of CCP

Section 104 of the CCP Act empowered the CCP to mandatorily impose property taxes and cess on animals or goods brought within the city for sale, consumption or use and six types of discretionary taxes¹. Composition of CCP's own sources of revenue for the period from 2016-17 to 2020-21 is depicted in **Chart 5.2**.

Chart 5.2: Composition of own sources of revenues in CCP



(Source: Income and expenditure statements of CCP for the period 2016-21)

The top seven contributors to the revenues of the CCP were property tax, garbage tax, construction licence fees, advertisement tax, professional tax, rent and parking fees as shown in **Table 5.2**.

¹ (a) A tax payable by the owners on all or any vehicles or animals used for riding, driving, draught, or burden, or on dogs where such vehicles, animals or dogs are kept within the city; (b) A toll on vehicles and animals used as aforesaid entering the city and on boats moored within the city; (c) Fees on the registration of cattle sold within the city; (d) A lighting rate where the lighting of public streets, places and buildings is undertaken by the Corporation; (e) Market dues on persons exposing goods for sale in any market or in place belonging to or under the control of the Government or of the Corporation and; (f) Any other tax not being a tax on professions, trades, calling and employments which the State Legislature has power to impose in the State under the Constitution

Table 5.2: Collection of revenues of CCP for the period 2016-21

Type of Revenues	2016-17	2017-18	2018-19	2019-20	2020-21
Property tax	13.30	13.71	15.81	19.70	20.34
Garbage tax	4.54	4.98	5.05	5.25	5.32
Construction License Fees	4.46	2.24	4.23	2.90	5.30
Advertisement tax	1.60	1.64	1.76	1.88	1.89
Professional tax	1.49	1.85	1.81	2.03	2.37
Rent	0.88	1.02	1.07	1.33	2.05
Parking fee	0.11	0.09	0.03	0.11	0.80
Total	26.38	25.53	29.76	33.20	38.07

(₹ in crore)

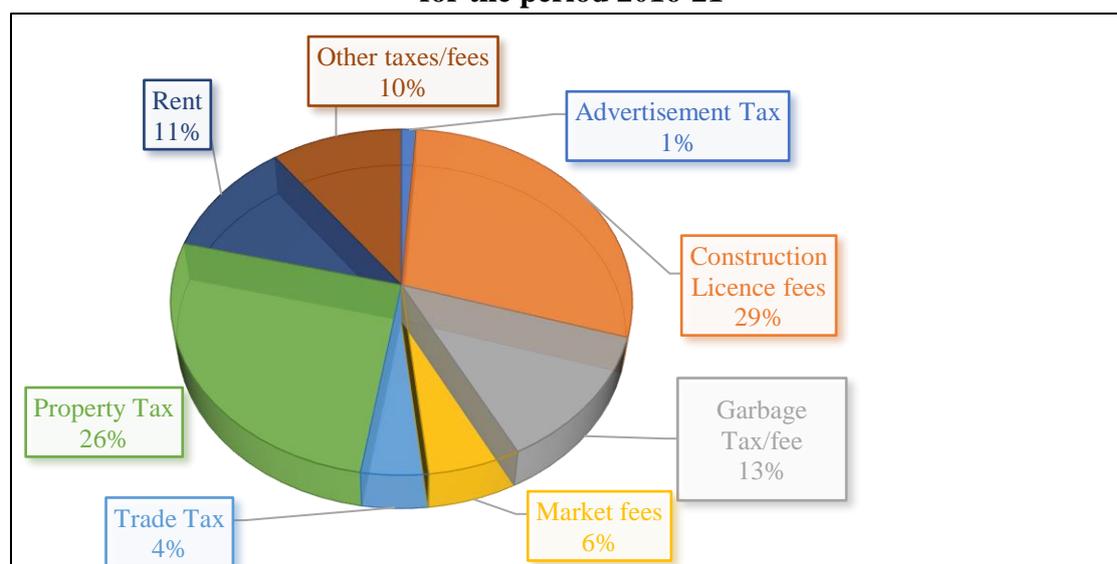
(Source: Income and expenditure statements of CCP for 2016-21)

Compared to 2016-17 all the revenues have increased in 2020-21 as evident from the above table.

5.3.1 Own revenues of MCs

Section 101 and 104 of the GMA empowered the MCs to impose compulsory taxes², discretionary taxes and toll. MCs may also charge fees for certain licences, permissions (Section 143 of GMA), and stallages³ and rents for market space (Section 257 of GMA). The four test checked MCs (Curchorem-Cacora, Mapusa, Margao and Pernem) levied property tax, professional tax, advertisement tax, garbage tax, construction licence fees, market fees, rent and other fees (like parking fee, transfer fee of property/trade, registration of birth and death, etc.). Composition of the taxes/fees collected by the MCs is depicted in **Chart 5.3**.

Chart 5.3: Composition of own revenues in test checked MCs for the period 2016-21



(Source: Income and expenditure statements of the MCs for the period 2016-21)

² Taxes on lands/buildings, professions, trades, calling, employment, theatre and advertisement could be levied
³ Rental, taxation or fees charge for the holding of a stall in a market

Major contribution (79 per cent) to the revenues of MCs was from four sources (Construction license fees, property tax, garbage tax and rent). Revenue from important sources in test checked MCs was as shown in the **Table 5.3**.

Table 5.3: Revenues of test checked MCs for the period 2016-21

(₹ in crore)					
Type of Revenues	2016-17	2017-18	2018-19	2019-20	2020-21
Construction License Fees	5.26	10.85	13.19	8.66	11.24
Property tax	7.08	9.59	10.37	9.85	8.40
Garbage tax	2.05	5.54	4.61	4.60	4.76
Rent	3.80	3.94	3.70	3.57	3.70
Market fees	1.87	2.60	2.22	2.25	1.19
Other income	1.50	1.71	1.81	1.51	0.79
Professional tax	1.21	1.42	1.68	1.45	1.59
Total	22.77	35.65	37.58	31.89	31.67

(Source: Receipt and Payment accounts of the MCs for the period 2016-21)

As evident from the table there was an overall increase of revenue of ₹ 8.90 crore in 2020-21 as compared to 2016-17. However, revenues from ‘rent’, ‘market fees’ and ‘other income’ decreased in 2020-21 as compared to 2016-17.

5.3.2 Efficiency of revenue collection mechanism

Deficiencies noticed in the revenue collection mechanism of the ULBs were as below:

5.3.2.1 Pending revision of rates of property tax

As per the GMA, consolidated property tax (Section 101) could be levied by MCs on lands and buildings based on their ‘rateable value⁴’. It was further instructed (November 2007) by Director of Urban Development (DUD) that the plinth area rate fixed by the PWD be adopted as the basis for assessment of property tax. The revised plinth areas rates were published by the PWD in August 2016. These rates were applicable during the audit period for adoption by MCs for revision of rates of property tax. Audit observed that ULBs did not adopt the PWD plinth area rates for property tax rates. The CCP revised (April 2016) property tax for residential (₹ 97.20 per sq. m.) and commercial properties (₹ 594 per sq.m.). Details of property tax rates based on PWD notified plinth area rates and rates in test-checked MCs were as shown in **Table 5.4**.

⁴ Rateable value (Section 110 of the GMA) is value of property for which it might be reasonably expected to let, or which it is actually let, whichever is greater, after deduction of a sum equal to ten per cent for repairs.

Table 5.4: Comparative rates of Property Tax as of March 2021

(Amount in ₹)

Name of MCs	Class of MCs	Date of last revision of property tax	Rate of property tax based on PWD rates (per sq. m.)		Rates of ULB (per sq. m.)	
			Residential rate	Commercial rate	Residential rate	Commercial rate
Margao	A	12/03/2018	178.00	206.00	18.75	25.00
Mapusa	B	20/03/2023	143.00	165.00	10.00	30.00
Curchorem-Cacora	B	03/07/2020	143.00	165.00	19.50	66.30
Pernem	C	17/05/2016	107.00	124.00	7.00	10.00

(Source: Data made provided by four test-checked MCs)

The rates adopted by the test-checked MCs were very low in comparison to PWD plinth area rates.

Pernem MC assured (March 2022) to submit the proposal for adoption of property tax rates before the Council.

5.3.2.2 Inefficient revenue recovery mechanism

Rule 9 of General Financial Rules, 2017, requires that all receipts and dues have to be correctly and promptly assessed, collected and duly credited to the concerned fund.

City Corporation of Panaji

Consolidated arrears of revenues⁵ in CCP were as shown in **Table 5.5** below:

Table 5.5: Consolidated arrears of revenues of CCP for the period 2016-21

(₹ in crore)

Year	Demand				Collection				Arrears	Percentage increase over previous year
	Arrears	Interest	Current demand	Total demand	Arrears	Interest	Current collection	Total collection		
1	2	3	4	5=(2+3+4)	6	7	8	9=(6+7+8)	10=(5-9)	11
2016-17	15.20	4.61	20.31	40.12	2.71	0.69	14.76	18.16	21.96	NA
2017-18	18.62	5.27	22.19	46.08	3.61	0.73	16.20	20.54	25.54	16.25
2018-19	20.73	5.93	25.12	51.78	3.83	0.75	17.79	22.37	29.41	15.16
2019-20	23.34	6.84	28.31	58.49	2.93	0.62	17.87	21.42	37.07	26.04
2020-21	31.16	9.72	29.60	70.48	3.85	1.06	17.54	22.45	48.03	29.57

(Source: Information provided by CCP)

As evident from the above table consolidated arrears of revenues increased from ₹ 21.96 crore to ₹ 48.03 crore during the audit period. Yearly increase in percentage terms over previous year was also showing increasing trend from 16.25 per cent (2017-18) to 29.57 per cent (2020-21). Audit noticed in the test-check of three taxes (property tax,

⁵ i. Property tax; ii. Garbage Tax; iii. Advertisement Tax; iv. Professional Tax; and v. Rent

advertisement/signboard tax and trade tax) that statutory procedure⁶ of issue of bills and demand notices for collection of advertisement/signboard tax and trade tax was not followed. Further, survey for identification of illegal houses and identification of expired or illegal licenses of professions were not being carried out. This resulted in accumulation of arrears.

The Corporation stated (September 2022) that bills would be issued and recovery commenced.

Municipal Councils

Consolidated arrears of revenues⁷ in test checked MCs were as shown in the **Table 5.6** below:

Table 5.6: Consolidated arrears of revenues in MCs for the period 2016-21

(₹ in crore)

Year	Demand				Collection				Arrears	Percentage increase over previous year
	Arrears	Interest	Current demand	Total demand	Arrears	Interest	Current collection	Total collection		
1	2	3	4	5=(2+3+4)	6	7	8	9=(6+7+8)	10=(5-9)	11
2016-17	11.49	2.05	9.63	23.17	2.13	0.29	6.23	8.65	14.52	NA
2017-18	12.59	2.36	10.98	25.93	3.18	0.29	7.83	11.30	14.63	0.75
2018-19	12.97	2.70	15.85	31.52	2.28	0.33	10.00	12.61	18.91	29.25
2019-20	17.31	3.06	13.67	34.04	2.76	0.31	8.63	11.70	22.34	18.14
2020-21	20.33	3.90	14.32	38.55	2.13	0.41	8.12	10.66	27.89	24.84

(Source: Information provided by the MCs)

There was increase in total arrears of four important taxes during the audit period from ₹14.52 crore to ₹ 27.89 crore. Audit noticed that there was no system⁸ of issue of notices and warrants to recover the arrears in revenue.

It was stated (March 2022) by three MCs (Margao, Mapusa and Curchorem-Cacora) that the reasons would be analysed and corrective measures taken. Further, DUD also stated (April 2022) that MCs would be instructed to take measures to collect the arrears.

Property Tax Board

The Thirteenth CFC recommended the establishment of a Property Tax Board which would assist all the ULBs in the State to put in place an independent and transparent procedure for assessing property tax. However, the State Government did not constitute the Property Tax Board and decisions pertaining to tax slab rates were left to the individual ULBs.

⁶ Chapter XII 'Recovery of Corporation's Claims' in the CCP Act details the procedure for issue of bills (Section 144), demand notice (Section 145), warrant (Section 146), breaking open of premises (Section 148) and execution of warrant (Section 149)

⁷ i. Property tax ii. Advertisement tax iii. Professional tax and 4. Rent

⁸ Test-check of recovery procedure in three taxes 1. Property tax 2. Professional tax and 3. Advertisement tax

Recommendation 7: ULBs may undertake a detailed review of their finances in terms of tax potential, additional resource mobilization, rationalization of tax structure, etc. in addition to strengthening their revenue collection machinery to reduce the revenue arrears.

5.4 Fiscal transfers to Urban Local Bodies

Fiscal transfers, in the form of grants of CFC and State Government grants contributed 20 per cent to 49 per cent of the total revenue in ULBs during the period 2016-17 to 2020-21.

5.4.1 Central Finance Commission Grants

The Fourteenth Finance Commission (XIV FC) recommended assured transfers in the form of basic grants and performance grants to the ULBs for efficient delivery of basic services within the functions assigned to them. The Fifteenth Finance Commission (XV FC) recommended grants *inter alia* for Non-Million Plus Cities (NMPCs) for ULBs in two parts as Untied and Tied grants for the award year 2020-21 and for the period 2021-26. As per the operational guidelines, untied grants were to be utilized on need basis under the eighteen subjects of Twelfth schedule of the Constitution. Fifty per cent of the tied grants were required to be utilized on ‘Sanitation and Solid Waste Management’ and attainment of star ratings as developed by Ministry of Housing and Urban Affairs (MoHUA). Remaining tied grants (50 per cent) was to be utilized for ‘Drinking water, rainwater harvesting and water recycling’.

5.4.2 Sanctions and releases

Details of the sanctioned fiscal transfers to ULBs under the XIV FC and XV FC for the period 2015-16 to 2020-21 and the actual releases against them was as given in Table 5.7.

Table 5.7: Finance Commission grants sanctioned and released

(₹ in crore)

Commission	Year	Sanctioned		Released	
		BG [*]	PG [^]	BG	PG
XIV FC	2015-16	21.10	--	21.10	--
	2016-17	29.21	8.62	29.21	8.62
	2017-18	33.76	9.76	33.76	9.76
	2018-19	39.05	11.08	39.05	--
	2019-20	52.76	14.51	52.76	--
	Total	175.88	43.97	175.88	18.38
XV FC		Tied	Untied	Tied	Untied
	2020-21	18.00	18.00	18.00	18.00

(Source: Information provided by DUD)

(*BG- Basic grant, ^PG- Performance grant)

It was observed that Performance grants amounting to ₹ 25.59 crore for the years 2018-19 and 2019-20 sanctioned by the Government of India (GoI) were not released to the State Government. Further, as a result of non-compliance with the requirement of

releasing the basic grant to ULBs within 15 days of receipt from GoI, the Government of Goa (GoG) had to pay an interest of ₹ 74.2 lakh for delays of 11 to 288 days to ULBs during the period 2015-20 as shown in **Table 5.8** below:

Table 5.8: Delay in release of grant and interest paid by the State Government

Year (Instalment No.)	Type of grant	Date of release of grant by GoI	Amount (₹ in crore)	Date of release by GoG	Delay (days)	Interest paid to ULBs (₹ in lakh)
2015-16 (1 st)	Basic Grant	13-07-2015	10.55	27-04-2016	288	53.28
2016-17	Performance Grant	31-03-2017	8.62	06-06-2017	51	4.82
2017-18	Performance Grant	23-08-2019	9.76	30-09-2019	22	2.53
2018-19 (1 st)	Basic Grant	11-02-2019	19.53	01-04-2019	33	10.15
2019-20 (1 st)	Basic Grant	03-09-2019	26.38	30-09-2019	11	3.42
Total						74.20

(Source: Information as provided by Department of Urban Development)

According to the DUD, delay of 288 days in releasing grants to ULBs was on account of non-availability of account head. However, audit observed that delays have continued in subsequent years also, though to a smaller extent.

Accepting the delay, Secretary, Urban Development assured (February 2024) that timeline to disburse the XV FC grants would be adhered to.

5.4.2.1 Utilization of grants under XIV FC

Utilization of XIV FC grants in test-checked three ULBs (CCP, Margao and Mapusa) was as detailed in **Table 5.9**.

Table 5.9: Utilization of XIV FC grants in test checked ULBs

Year	CCP		Margao MC		Mapusa MC		Total		Utilization (percentage)
	Receipt	Exp.	Receipt	Exp.	Receipt	Exp.	Receipt	Exp.	
2016-17	1.10	0.06	1.10	--	0.75	0.06	2.95	0.12	4.06
2017-18	5.03	0.76	8.16	0.45	4.09	0.41	17.28	1.62	9.37
2018-19	3.16	0.12	6.88	0.40	3.21	3.60	13.25	4.12	31.09
2019-20	6.14	0.98	18.73	1.38	8.97	1.05	33.84	3.41	10.07
2020-21	2.47	5.06	--	0.27	2.51	4.35	4.98	9.68	194.37
Total	17.90	6.98	34.87	2.50	19.53	9.47	72.30	18.95	26.21

(Source: Information provided by ULBs)

The utilization of grants by the ULBs was subject to the approvals of the DUD and Secretary, Urban Development. ULBs could utilize only 26.21 per cent till March 2021. Revision of proposals by ULBs subsequent to scrutiny by DUD as well as delay in approval by DUD/Secretary, Urban Development impacted the timely utilization of funds by the ULBs. In the case of Margao MC, utilization of grant was only 7.16 per cent. Approvals for works/purchases of ₹ 13.32 crore was given by DUD during the above period to Margao MC but the MC could utilise only ₹ 2.50 crore.

5.4.2.2 Utilization of grants under XV FC

DUD released the grants of ₹ 36 crore under XV FC to the ULBs in 2020-21. In the test-checked three ULBs (CCP, Mapusa MC and Margao MC) an amount of ₹ 7.54 crore was disbursed. However, only ₹ 1.42 crore was expended up to 2020-21. Dilution of delegated powers of ULBs with respect to FC grants was one of the reasons for under-utilization of the grants and was discussed in **Paragraph 4.3.1**.

5.4.3 State Grants to ULBs

The CCP Act (Section 81) and the GMA (Section 142A) provided for release of grants to the respective ULBs by the Government of Goa. In the absence of principles of distribution of finances recommended by State Finance Commission, GoG allocated grants to the ULBs as per a Pattern of Assistance (PoA) notified (2019) by the State Government. PoA specified the purposes and timelines of issue of grants. Accordingly, grants were released for salaries, development works, and execution of activities like Solid Waste Management and special grants (under notified scheme to MCs). The grants for works were to be issued according to the priority of works of ULBs. Grants were sanctioned and released as detailed in **Table 5.10**.

Table 5.10: Different types of grants sanctioned and released by GoG

(₹ in crore)						
Type of grant	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Salaries	13.93	37.36	9.42	13.91	23.22	97.84
Development grants including special component plan for SCs and STs	3.57	25.84	10.15	5.04	14.41	59.01
Goa special grants to municipalities scheme	--	--	--	4.95	5.60	10.55
Solid Waste Management (SWM)	4.15	3.49	0.89	1.04	3.40	12.97
e-Governance (to GSUDA)	--	--	0.50	0.50	0.40	1.40
Grant to compensate in lieu of octroi	16.13	25.15	--	--	--	41.28
Grants under IDMT* scheme (to GSUDA)	19.76	54.34	21.63	25.02	18.82	139.57
Total	57.54	146.18	42.59	50.46	65.85	362.62

(Source: Appropriation accounts of GoG and information furnished by DUD)

* Integrated Development of Major Towns (IDMT)

Grants of ₹ 264.78 crore and ₹ 97.84 crore were sanctioned during 2016-17 to 2020-21 to ULBs under Pattern of Assistance (PoA) and salaries respectively. Overall, trend of sanction of grants was increasing except in the year 2018-19. The decrease in the year 2018-19 was on account of reduction in major grants (Development grants, Solid Waste Management grant and grants under IDMT scheme) besides discontinuation of grant to compensate in lieu of octroi.

Grants for e-governance and IDMT scheme (for major works in ULBs) were made to a parastatal (GSUDA) for execution of works in ULBs. Their utilization was made by the parastatal. Grants pertaining to development works including grants under special scheme (Goa special grants to municipalities scheme) and for SWM were to be utilized by the ULBs after approval of the DUD and Finance Department. The consequent delays resulted in grants ranging from 37 to 63 *per cent*, for developmental works, remaining unutilized for the period 2016-17 to 2020-21 in test-checked MCs as pointed out in **Paragraph 4.3.2**.

Recommendation 8: The Government may review and streamline the system and processes for sanction/disbursement of grants to enable the ULBs to ensure their timely utilisation by the ULBs.

5.5 State Finance Commission

The Constitution provided (Article 243-I read with Article 243Y) for setting up a State Finance Commission (SFC) within one year from the commencement of the Constitution Amendment Act, and thereafter at the expiry of every fifth year. SFCs were expected to reduce intra-state disparities through their recommendations on principles governing the distribution and assignment of revenues to Local Bodies (LBs) and fiscal transfers from Governments. SFCs consider factors like area, population, density of population and economic factors for recommending the principles of distribution of resources.

As per the provisions of the GMA and Goa Panchayat Raj Act, the Government of Goa constituted (April 1999) the first SFC with three members that submitted its report in June 1999. The second SFC was constituted in August 2005 and the third in December 2016. Audit observed that:

- The Government constituted only three SFCs during the period 1999 to 2021 as against six required as per the provisions of the Constitution. The First SFC *inter alia* recommended the transfer of State's own revenues and share of Central taxes to ULBs (nine *per cent*) for transferred activities. Out of the 26 recommendations of the first SFC on functions, administration and finances, 15 were accepted, nine rejected and two partly accepted.
- The second SFC *inter alia* undertook the task of mapping the devolved functions with activities, to facilitate their implementation and made recommendations on devolution of finances according to the programmes/schemes executed by different tiers. The committee⁹ constituted by the Government (July 2010) to consider the recommendations did not submit its report for more than 11 years (March 2022), rendering the work of the Commission redundant.
- Reports of both the SFCs were pending to be submitted to the Legislature by the Government, along with Action Taken Reports.

⁹ A committee was constituted by the Government (July 2010) of five members for examination of the report of the second SFC. The composition of the committee was changed in February 2013. The report of the committee was awaited as of July 2022.

- The third SFC was constituted (December 2016) after a delay of more than six years. The Commission could not commence its functioning as the Government failed to provide infrastructure support like office space, *etc.*
- One of the pre-conditions for release of grants from the year from 2022-23, under XV FC was that the states shall issue notification for the constitution of SFC so as to have the recommendations available for tabling in the State Legislature on or before March 2024. The State Government notified the reconstitution of third SFC in January 2022.

Recommendation 9: The State Government must constitute SFCs as per the time frame prescribed in the Constitution. Recommendations of the SFC may be considered and accepted recommendations implemented in a time-bound manner.

5.6 Budget, accounts and audit of ULBs

Article 243Z of the Constitution provides that the Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by municipalities respectively and auditing of such accounts. Adequacy of provisions and their compliance related to preparation of budget, accounts and audit were verified in Audit.

5.6.1 Delays in budget preparation

The Municipal Account Code, 1972 (replaced in 2007) prescribed that the budgets of MCs and CCP are approved by the Standing Committee and the Councils/Corporation before the first of March every year. Audit observed that out of 25 budgets of five ULBs during 2016-21, 16 were approved with a delay¹⁰ ranging from 07 to 77 days.

5.6.2 Unrealistic budgets

ULBs prepared their budgetary revenue estimates based on expected own revenues and allocation of funds by the Government and Finance Commission Grants. The expenditure estimates were based on capital, Operation & Maintenance (O&M) and other expenditure for carrying out the activities/services required by them. Statement showing variation in budgets of ULBs during the audit period is depicted in **Appendix 3**.

- In the case of test-checked ULBs for the period 2016-17 to 2020-21, variation of actual receipts *vis-à-vis* the budget ranged between five to 126 *per cent*¹¹. The budgeted receipts were overestimated in all the years except in three budgets where the actual

¹⁰ Margao MC, Mapusa MC, Pernem MC and Curchorem-Cacora MCs approved their five, one, four and three budgets respectively (out of five each) with delay ranging from 07 to 77 days during the period. from 2016-21. CCP delayed approval of its budgets with a delay of 20 to 59 days during the same period

¹¹ 5.03 to 34.39 *per cent* in Curchorem-Cacora MC ; 18.64 to 97.20 *per cent* in Pernem MC; 23.33 to 70.10 *per cent* in Margao MC; 32.78 to 61.80 *per cent* in Mapusa MC and 37.63 to 126.18 *per cent* in CCP

receipts were more than 90 *per cent*¹². The variation in actual expenditure *vis-à-vis* the budget ranged between 05 to 86 *per cent*¹³. The budgeted expenditure was overestimated by 60 *per cent* on average during 2016-17 to 2020-21.

- Though ULBs budgeted for subjects like Animal Husbandry, Health and Social Welfare, no expenditure was incurred during any of the financial years from 2016-21. No plans were prepared to execute these functions and to incur expenditure.
- Expenditure on development works was negligible (7.70 *per cent* of the budgeted amount) indicating the absence of realistic estimates in the ULBs' budgets.
- Budgets in Margao MC and Mapusa MC were prepared by the Finance/Accounts wings without inputs from the concerned sections of the Municipal Councils.

Thus, budgeting in these ULBs served as more of an administrative exercise rather than an instrument of financial management and programme execution.

During the Exit Conference (April 2022), Secretary, Urban Development, stated that a Standard Operating Procedure would be issued to ULBs for budget preparation and training programmes undertaken for the staff.

5.6.3 Delays in preparation of accounts and audit

Section 98 of CCP Act and Section 98 of GMA provided that the Commissioner, CCP and the Chief Officers of MCs, respectively, shall arrange to prepare the accounts for the year. Accounts of all the 14 ULBs were prepared up to 2021-22.

Audit of all the 14 ULBs was completed till 2019-20 by engaging Chartered Accountants and for the year 2020-21 audit of 12 ULBs (except CCP and Mapusa MC) was completed. Director of Accounts (DoA), who was the Statutory Auditor for the MCs¹⁴, discontinued the audits with effect from April 2018 with the approval of the Government of Goa due to lack of manpower. However, the audits were resumed since April 2023.

5.6.4 Delay in migration to Accrual Based Double Entry Accounting System

Based on the National Municipal Accounts Manual (NMAM) prepared by the Ministry of Urban Development (MoUD), GoI, State Governments were required to prepare state-level accounting manuals according to their requirements. The State Government issued notification (January 2008) introducing 'the Goa Municipal Accounting Code, 2007' with Accrual Based Double Entry Accounting System (ABDEAS). The CCP migrated to ABDEAS during 2013-14. GSUDA was engaged to facilitate adoption of ABDEAS in the MCs. The accounts were being migrated through a computerized application *viz.*

¹² CCP - During 2017-18, the Government grants received, other receipts and deposits were more than that budgeted for CCP and during 2018-19, fees and user charges earned and interest on bank deposits were more than estimated. In Pernem MC; 97.20 *per cent* of actual realisation was noticed against estimation of revenues (2020-21).

¹³ 5.05 to 20.47 *per cent* in Curchorem-Cacora MC; 07 to 86 *per cent* in Pernem MC; 27.37 to 68.53 *per cent* in Margao MC; 28.62 to 43.14 *per cent* in Mapusa MC and 49.19 to 66.28 *per cent* in CCP

¹⁴ Section 100 of GMA read with Rule 152 of Municipal Accounts Code, 1972

Financial Accounting System on UPYOG platform developed and maintained by MoHUA under National Urban Digital Mission.

Secretary, Urban Development informed (February 2024) that ABDEAS is under adoption.

Recommendation 10: Migration to accrual-based accounting by MCs may be expedited.

5.6.5 High percentage of establishment expenditure

Expenditure of test-checked five ULBs has been categorized by audit into four categories *i.e.* establishment (salaries and contingent), O&M (maintenance of roads, buildings/markets, sewers, parks, gardens, wells, *etc.*), programmes/activities (social welfare, health and sanitation, libraries, *etc.*) and miscellaneous for analytical purposes. Details of these expenditure categories are shown in **Table 5.11**.

Table 5.11: Details of expenditure incurred by test-checked ULBs

(₹ in crore)

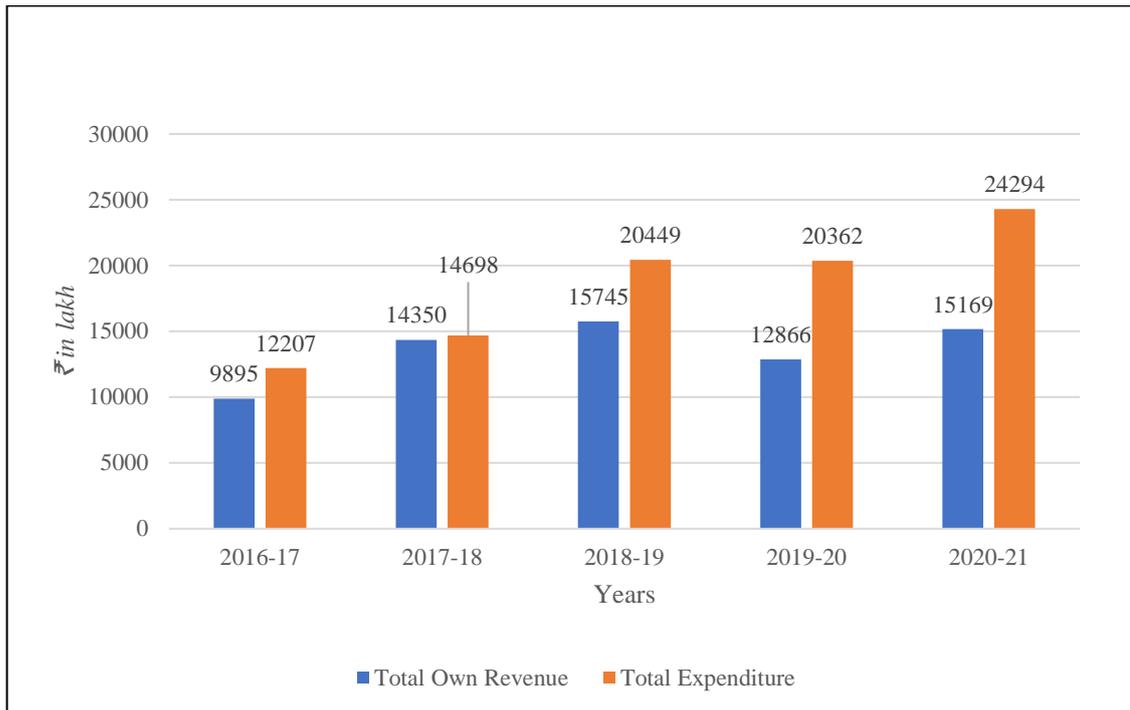
Year	Establishment	Expenditure on activities of ULBs			
		O&M	Execution of programmes	Others	Total
2016-17	55.37	10.75	1.06	2.27	69.45
2017-18	67.90	13.18	0.84	2.09	84.01
2018-19	74.71	18.50	3.19	1.86	98.26
2019-20	81.56	18.43	7.79	0.03	107.81
2020-21	75.89	14.61	10.47	2.06	103.03
Total	355.43	75.47	23.35	8.31	462.56
Percentage	77	16	05	02	

(Source: Information furnished by five ULBs)

As can be seen above, expenditure on O&M and execution of schemes/programmes was 21 per cent, while establishment expenditure accounted for 77 per cent of the total expenditure. Application of 77 per cent of financial resources on establishment severely affected the capacity of ULBs to spend on public amenities and on new projects/schemes.

5.6.6 Resource - Expenditure gap

Analysis of trends of revenue and expenditure for ULBs revealed that the ULBs were able to generate own revenues to the extent of 74 per cent of their total expenditure. A comparison of the own revenue to total expenditure is depicted in **Chart 5.4**.

Chart 5.4: Own revenue-expenditure gap in ULBs

(Source: Information provided by the DUD)

Audit observed that in the test-checked five ULBs, only CCP and Margao MC managed to raise enough own revenues (excluding compensation in lieu of octroi received from GoG during 2016-17 to 2017-18) to meet their establishment expenditures during all the five years. Mapusa MC was self-sufficient in four years (2017-18 to 2020-21) and Pernem MC in 2016-17 and 2018-19. Curchorem-Cacora MC was not able to meet its establishment expenditure out of own revenues during the audit period.

Chapter VI

**Human resources in
Urban Local Bodies**

Chapter VI: Human resources in Urban Local Bodies

Availability of human resources is a necessary condition for effective implementation of their mandate by the Urban Local Bodies (ULBs). There was variation in the sanctioned strength of staff vis-à-vis the population across ULBs. Proposal of the Director, Urban Development (DUD) to augment the sanctioned strength of ULBs is under consideration of the State Government.

The 74th Constitutional Amendment Act required the State Governments to devolve functions enumerated in the Twelfth Schedule to the ULBs as well as to endow them with the necessary powers and authority to carry out their functions. Broadly, the functional framework for the ULBs to discharge their responsibilities is as mentioned in **Table 6.1**.

Table 6.1: Functional framework in ULBs

Sl. No.	Wing/section	Functions
1.	Administration	General administration, including meetings of the Council, Committees, <i>etc.</i>
2.	Revenue	Assessment and collection of taxes, rent, advertisements, <i>etc.</i>
3.	Accounts	Preparation of budgets and maintenance of accounts.
4.	Public Health	Sanitation, street sweeping, solid waste management and other public health related activities.
5.	Town Planning	Issue of construction licenses, execution of development works.
6.	Engineering	Construction/Operation & Maintenance (O&M) of roads, drains, buildings, water supply and street lighting <i>etc.</i>
7.	Welfare	Schemes for social, economic development.

(Source: Information provided by the ULBs)

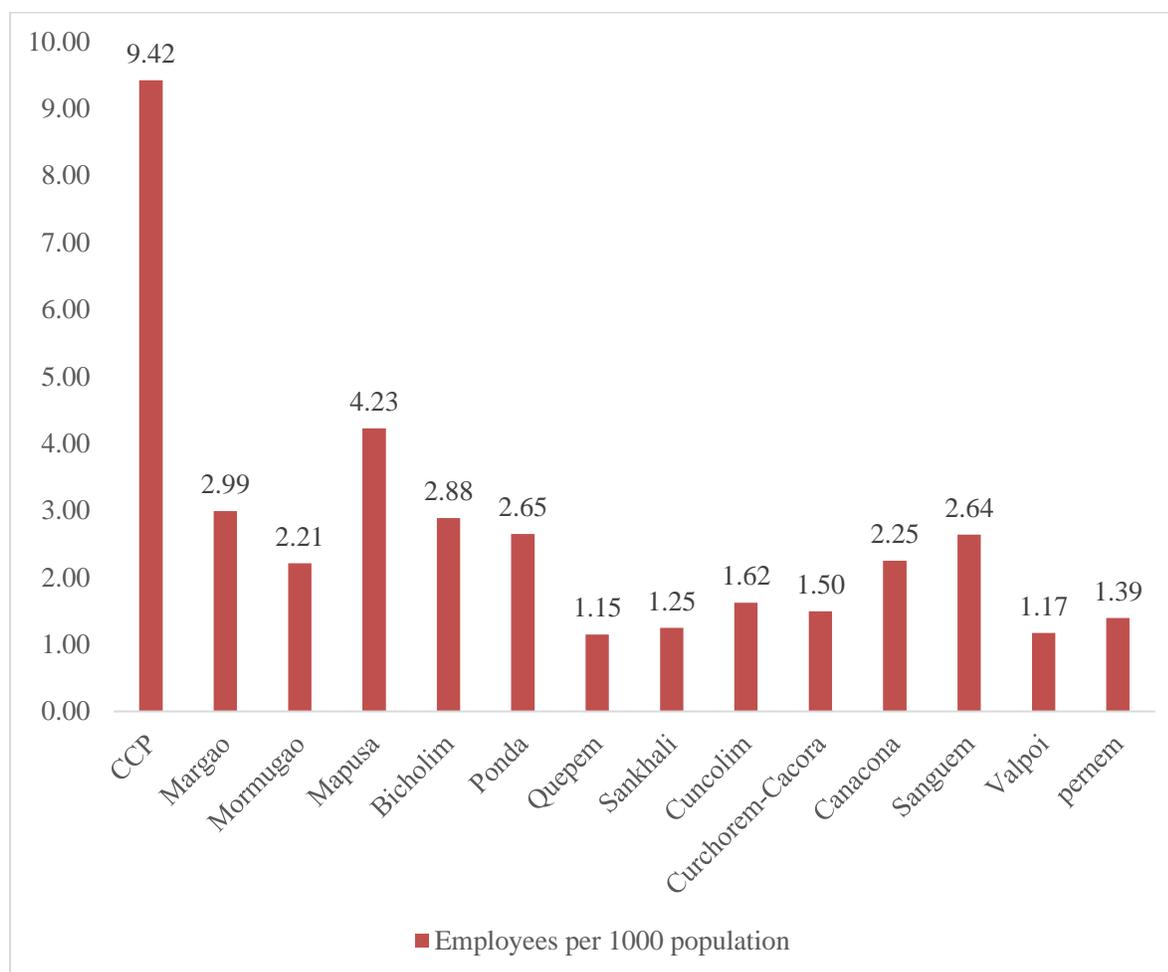
Availability of adequate and qualified manpower is a pre-requisite for any organization to discharge their functions in an efficient and effective manner. Audit observed wide variation in the sanctioned strength *vis-a-vis* the population and inadequacy of staff among the various ULBs. Adequacy of manpower and capacity building in ULBs are discussed below.

6.1 Adequacy of manpower

6.1.1 Inadequate sanctioned strength

The manpower requirement in a ULB would primarily depend on the geographical area, size of the population, services to be provided, *etc.* Creation of posts and recruitment in ULBs are governed by Sections 48, 51 and 52 of the Corporation of City of Panaji (CCP) Act and Section 72 and 73 of the Goa Municipal Act (GMA) and are vested with the State Government. Audit observed that there were no uniform criteria for sanctioned strength of ULBs. An analysis¹ of the sanctioned strength in ULBs, in terms of the number of employees per 1,000 population (as per 2011 census) showed that it ranged between 1.15 to 9.42 as indicated in **Chart 6.1**.

Chart 6.1: Employees per 1000 population



(Source: Information provided by the DUD)

¹ Staff strength ratio on per thousand population = (existing staff strength of ULBs x 1000)/Population of ULB

In six MCs (Quepem, Sanquelim, Cuncolim, Curchorem-Cacora, Valpoi and Pernem) there were less than two staff per 1,000 population while in six other MCs (Margao, Mormugao, Bicholim, Ponda, Cancona and Sanguem) there were two to three staff per 1000 population. The CCP was the outlier with 9.42 employees per 1000 population while the MC of Mapusa had the highest staff strength per 1000 population among the MCs at 4.23.

Thus, the staff strength and the population to be served by each ULB had no correlation as seen from the wide variation in the sanctioned strength of staff *vis-à-vis* the population, which can have adverse implications for the efficient discharge of services by the ULBs.

6.1.2 Shortage of staff *vis-a-vis* sanctioned strength

During scrutiny of test-checked MCs and CCP it was observed that 22.35² *per cent* posts of the total sanctioned strength were vacant at the end of March 2022 as given in **Table 6.2**.

² Total vacant post (235) x 100/1051 (Total Sanctioned Strength)

Table 6.2: Sanctioned strength (SS) vis-a-vis person in position (PIP) in test-checked ULBs

Designation	Margao MC			CCP			Mapusa MC			Curchorem – Cacora MC			Pernem MC		
	SS	PIP	Vacant	SS	PIP	Vacant	SS	PIP	Vacant	SS	PIP	Vacant	SS	PIP	Vacant
Officers ³	01	01	-	01	01	-	01	01	-	01	01	-	01	01	-
Technical Officer ⁴	10	10	-	09	09	-	05	05	-	03	03	-	01	01	-
Accounts ⁵	04	04	-	05	05	-	03	03	-	01	01	-	01	01	-
Revenue Recovery officer/Municipal Inspector	06	03	03	09	09	-	01	-	01	02	01	01	-	-	-
LDC/DEO/UDC	56	35	21	60	59	01	31	20	11	10	08	02	03	01	02
Skilled labour ⁶	98	46	52	37	35	02	19	18	01	14	09	05	01	01	-
Peon/MTS	09	06	03	-	-	-	05	03	02	02	02	-	02	02	-
Workers	199	130	69	294	280	14	133	96	37	13	05	08	-	-	-
Total	383	235	148	415	398	17	198	146	52	46	30	16	09	07	02

(Source: Data provided by test-checked ULBs)

Revenue Recovery/Municipal Inspectors were functionaries for effecting revenue recovery and hence were important from the perspective of revenue efficiency of ULBs. However, the sole post of Revenue Recovery/Municipal Inspector in the case of Mapusa was vacant, while in the case of Margao MC and Curchorem-Cacora MC half of the posts were vacant. The overall vacancy position of Margao MC was the most concerning with 38.60 per cent vacancies.

6.1.3 Cadre management in ULBs

In the CCP, powers of making rules and regulations for the post of Commissioner, Principal Officers (Deputy Commissioner, City Engineer, Health Officer and Municipal Secretary) and other officers, their appointment, transfer, salary and power of punishment are vested with the State Government. Similar was the case with the MC's functionaries as well.

The Government framed Rules for three types of Common Cadre staff – The Goa Municipalities (Common Cadre of Chief Officer) Rules, 1997, Goa Municipalities (Common Accounts Cadre of Municipal Employees) Recruitment Rules, 2006 and Goa Municipalities (Common Cadre of Municipal Engineers) Recruitment Rules 2006 under Section 72 of the

³ Officers include posts of Executive Officers, Commissioners, Additional commissioners, etc.

⁴ Municipal Engineer, Automobile Engineer, etc.

⁵ Accounts and Taxation Officer, Accounts and Administrative Officer, Accountant, etc.

⁶ Driver, Mechanic, Electrician, Plumber, Carpenter, Gardener, Pound keeper, etc.

GMA. The Goa Municipalities (Common Accounts Cadre of Municipal Employees) Recruitment Rules, 2006 and Goa Municipalities (Common Cadre of Municipal Engineers) Recruitment Rules, 2006 were extended to the CCP.

The post of Commissioner of the CCP is manned mostly by the officers of the Indian/State Administrative Services. The officers below the rank of Commissioner are from the Corporation or appointed on deputation from State Government. In the MCs, the Chief Officer is appointed by the State Government from the State Administrative Services. The Administrative, Accounts employees and Engineers in the CCP and MCs are from the Common Cadre of ULBs. The Common Cadre employees are recruited by a Departmental Selection Committee comprising of Director of Urban Development as Chairman, senior most Municipal Engineer Grade I and Under Secretary dealing with Municipal Administration as Members. Subordinate staff of the CCP is recruited through a selection process and approved by a Selection Committee comprising the Mayor, Commissioner and the DUD. The Selection Committee for subordinate staff in the case of MCs comprised the Chairperson of MCs, the Chief Officer and a representative of the DUD.

Audit observed that the DUD carried out an assessment in all 14 ULBs on the request of ULBs to increase the sanctioned strength to address the increase in workload. The DUD proposed creation of 2,510 additional posts other than common cadre and deputation posts (February 2019). The Secretary, Urban Development informed (February 2024) that the proposal was returned by the State Government for rectification and the revised proposals are under preparation by DUD.

Similarly, DUD's proposal (October 2021) to create 51 posts⁷ under Common Cadres was only partially approved (24.11.2021) by the Government and as per the recommendation of the Administrative Reforms Department (ARD) only 10⁸ posts were sanctioned. Thus, an exercise carried out to rationalize and increase the manpower of ULBs at subordinate level as well as in Common Cadres was pending approval/partially accepted by Government.

The Secretary, Urban Development informed (February 2024) that proposal of the DUD and ULBs to create additional posts was under revision.

Recommendation 11: Government may consider rationalizing the sanctioned strength as per the functional requirements of ULBs.

⁷ Municipal Engineers (ME), Asst Accounts Officer, Accounts cum Taxation Officer (ATO) and Accountant under the common cadre staff

⁸ Four and six posts under ME grade II and ME grade III respectively

6.2 Capacity building

Capacity building of employees to improve their competencies in terms of skills, knowledge and mindsets for improved service delivery are an important aspect of strengthening the performance of ULBs.

6.2.1 Lackadaisical approach to training of ULB personnel

The training institute ‘Goa Institute of Public Administration and Rural Development’(GIPARD) was established to provide training to Government and Local Body employees as well as elected representatives of Local Bodies, Self Help Groups (SHGs), etc. Audit observed the following with regard to capacity building of ULBs:

Scrutiny of records of GIPARD revealed that only three training programmes for elected councilors were conducted by GIPARD during 2016-17 to 2020-21 and no training programmes were planned or carried out for ULBs staff⁹ as given in **Table 6.3**.

Table 6.3: Details showing position of year-wise training programme

(₹in lakh)

Year	Funds provisioned	Utilization of fund	Total no. of training programmes planned	Total no. of training programmes organized	Nominated participants	Attended participants
2016-17	40.00	--	--	--	--	--
2017-18	40.00	--	--	--	--	--
2018-19	19.49	1.70	01	01	250	250
2019-20	05.00	0.22	02 (Workshops)	02	95	95
2020-21	01.00	0.54	--	--	--	--
Total	105.49	2.46	03	03	345	345

(Source: Information provided by the DUD)

DUD had provisioned ₹ 1.05 crore for awareness/training on environmental issues in urban areas in their annual budget during 2016-17 to 2020-21. Out of the budgeted funds, an amount of only ₹ 2.46 lakh was spent on conducting three training programmes. No training for capacity building was imparted during 2016-17, 2017-18 and 2020-21. Further, the total trainees (345) included only 50 staff members of MCs, who were provided one day training.

⁹ Fifty MCs staffs were imparted in a training programme during 2018-19.

During scrutiny of records of test-checked ULBs, it was observed that only Margao MC made provisions for training programmes in their annual budget. However, out of provision amounting to ₹ 1.40 crore only ₹ 8,260 were spent on participation in a workshop.

Thus, poor utilization of training budgets resulted in loss of opportunities for enhancement of skills and knowledge by ULB personnel.

Recommendation 12: Need based trainings may be imparted to the functionaries of ULBs.



(ANITHA BALAKRISHNA)
Principal Accountant General

Panaji
The 06 May 2024

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 08 May 2024

Appendices

APPENDIX 1

(Referred to in paragraph 4.3)

Delegation of financial powers to Urban Local Bodies

Corporation of the City of Panaji (CCP)			
Provision	Authority	Subject	Financial limit
Section 68 of CCP Act.	Commissioner	Contracts and tenders	₹ 3,00,000 subject to approval by the Standing Committee.
Section 68 of CCP Act.	Commissioner with the information of the Standing Committee.	Contracts and tenders	Between ₹ 50,000 and ₹ 3,00,000.
Section 212 of CCP Act.	Commissioner with reference to the Corporation for orders.	Scheme related to drainage, sewage and waterworks.	Sum exceeding ₹ 1,00,000.
Section 214 of CCP Act.	Corporation	Scheme related to drainage, sewage and waterworks.	Up to ₹ 5,00,000.
Section 214 of CCP Act.	State Government	Scheme related to drainage, sewage and waterworks.	Sum exceeding ₹ 5,00,000.

Municipal Councils			
Provision	Authority	Subject	Financial limit
Section 89 of GMA	Chief Officer	Contracts and tenders	Subject to provision of item of expenditure in budget or resolution of the MC.
Section 59(2) of GMA	Chairpersons	Emergency expenditure	Subject to information to the council.
Section 69 of the GMA	Standing Committee and the Subject Committees of Councils.	Financial sanction of varying limits in different classes of MCs: Standing Committee (A class - ₹10,00,000; B class - ₹ 6,00,000; and C class- ₹ 4,00,000)	Financial sanction in subject allotted.

**Delegation of powers of technical sanction of works for all
ULBs in 'Goa Municipalities
(Competent Authorities for granting technical sanction) Rules, 1979**

Authority	Limit	Jurisdictional area
Chief Engineer (CE), PWD and Chief Project Officer (CPO), GSUDA.	Full powers	Powers of technical sanction by CE PWD over municipal works and by CPO, GSUDA over works undertaken by them either directly or at the request of ULBs.
Superintending Engineer (SE), Circle I and Circle II PWD, Panaji	Up to ₹ 10 crore	Jurisdiction of two SEs over specified ULBs.
Municipal Engineer, Grade I	Up to ₹ one crore	Jurisdiction over the works in the ULBs where they are posted and other specified MCs.
Executive Engineer, Building, Circle I Building Division XIV-Ponda	Up to ₹ one crore	Jurisdiction over the works in Ponda Municipal Council.
Municipal Engineer of 'B' Class Municipal Councils	Up to ₹ six lakhs	Jurisdiction over the works in the specified Municipal Councils.

(Source: Goa Municipalities Act, 1968 & Corporation of City of Panaji Act, 2002)

APPENDIX 2
(Referred to in paragraph 4.4)
Parastatals and their functions

Sl. No.	Parastatal	Function
1	Imagine Panaji Smart City Development Limited (IPSCDL)	IPSCDL, a wholly owned Government Company and Special Purpose Vehicle (SPV) of the GoG acts as the State Mission Directorate for AMRUT and State Level Nodal Agency and the State Mission Management Unit for Smart Cities Mission. IPSCDL has been formed with an objective to plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate development projects in Panaji City.
2	Goa State Urban Development Agency	The Goa State Urban Development Agency (GSUDA) Society registered under the Societies Registration Act, 1860 under the administrative control of the Directorate of Urban Development, Government of Goa. GSUDA is the Nodal Agency for co-ordination, monitoring and implementation of Centrally sponsored schemes like Deendayal Antyodaya – National Urban Livelihoods Mission (DAY-NULM), Swachh Bharat Mission (Urban), Pradhan Mantri Awas Yojana - Housing for All (Urban), (PMAY-HFA(U)). The agency also implemented one State scheme - Integrated Development of Major Towns (IDMT) intended at improving infrastructural facilities and creation of durable public assets.
3	Planning and Development Authorities	Planning and Development Authorities (PDA) were constituted for effective implementation of 'Town and Country Planning Act' and preparation of Outline Development Plans. The North Goa PDA is having jurisdiction over Panaji Planning Area, Mapusa Planning Area and Calangute-Candolim Planning Area. The South Goa PDA is having jurisdiction over Margao Planning Area, Ponda Planning Area and the Mormugao PDA having its jurisdiction over Vasco-da-Gama Planning Area and Sancoale Planning Area.

(Source: Information provided by the DUD)

APPENDIX 3

(Referred in paragraph 5.6.2)

Statement showing variation in budget of Urban Local Bodies

(₹ in crore)

Name of ULB	Year	Receipt			Expenditure		
		Budget	Actuals	Percentage of actuals to budget	Budget	Actuals	Percentage of actuals to budget
Corporation of the City of Panaji	2016-17	47.10	38.78	82.34	46.06	30.53	66.28
	2017-18	51.49	64.97	126.18	59.89	38.31	63.97
	2018-19	65.70	59.65	90.79	69.96	44.01	62.91
	2019-20	77.51	44.97	58.02	79.84	39.27	49.19
	2020-21	66.09	24.87	37.63	77.32	39.84	51.53
Pernem Municipal Council	2016-17	11.48	2.14	18.64	11.31	0.83	7.34
	2017-18	8.70	2.01	23.10	8.67	1.07	12.34
	2018-19	6.83	2.47	36.16	8.01	1.47	18.35
	2019-20	7.80	3.62	46.41	9.28	2.19	23.60
	2020-21	2.86	2.78	97.20	3.46	2.97	85.84
Mapusa Municipal Council	2016-17	51.25	21.06	41.09	46.23	20.20	43.69
	2017-18	50.86	31.43	61.80	50.33	22.72	45.14
	2018-19	64.84	24.36	37.57	57.57	25.23	43.82
	2019-20	63.46	29.52	46.52	71.95	24.69	34.32
	2020-21	82.73	27.12	32.78	82.69	23.67	28.62
Margao Municipal Council	2016-17	85.67	19.99	23.33	80.97	22.16	27.37
	2017-18	87.94	53.86	61.25	81.08	29.47	36.35
	2018-19	75.28	39.12	51.97	68.70	31.32	45.59
	2019-20	71.88	50.39	70.10	63.45	43.48	68.53
	2020-21	66.38	44.03	66.33	58.32	34.58	59.29
Curchorem-Cacora Municipal Council	2016-17	88.49	4.45	5.03	73.30	3.70	5.05
	2017-18	27.22	9.36	34.39	37.00	5.16	13.95
	2018-19	41.73	9.43	22.60	43.58	7.38	16.93
	2019-20	43.82	7.91	18.05	45.76	6.91	15.10
	2020-21	49.13	7.84	15.96	48.08	9.84	20.47
Total		1296.24	626.13		1282.81	511.00	

(Source: Information provided by ULBs)

© **COMPTROLLER AND AUDITOR GENERAL OF INDIA**
<https://cag.gov.in/en>

<https://cag.gov.in/ag/goa/en>