

Executive Summary

Intent of the 74th Constitutional Amendment Act (74th CAA)

The Constitution of India provided a clear mandate for democratic decentralisation through the 74th Amendment which sought to create an institutional framework for ushering in democracy at the grass root level through self-governing local bodies in urban areas of the country. The 74th Constitutional Amendment came into effect on 1 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions listed in the 12th Schedule.

Why this Performance Audit?

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

Period of audit:	2015-16 to 2019-20
Sample:	Three functions, one major revenue source (Property tax) and 14 ULBs across all tiers.

What Audit found?

Compliance to provisions of 74th CAA

Statutory amendments, though enacted, were not implemented in letter and spirit.

Principal findings and recommendations of the performance audit

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

Chapter IV: Empowerment of ULBs and their functioning

Devolution of functions under Rajasthan Municipalities Act, 2009

- The State classified the functions as core and others, though all functions were to be devolved mandatorily. Two functions i.e. Urban forestry, protection of the environment & promotion of ecological aspects and safeguarding the interest of weaker sections of society were not notified as core functions.

(Paragraph 4.1)

- Out of the 18 functions to be transferred all except Slum Improvement & Upgradation and Urban Poverty alleviation were transferred.

(Paragraph 4.1.1)

- Actual status of implementation of functions was found as follows:
 - Full jurisdiction of ULBs - 2 functions
 - No role of ULBs - 1 function
 - ULBs as mere implementing agencies - 4 functions
 - Minimal role or overlap with State Departments/ parastatals - 11 functions

(Paragraph 4.1.1)

Institutional mechanism for empowerment of urban local bodies

- Ward Committees were not constituted in any of the Municipal Corporations leading to absence of community participation in local governance.

(Paragraph 4.2.6(ii))

- District Planning Committees (DPC) though formed in all districts, did not function as required, as comprehensive District Development Plans were not prepared as envisaged.

(Paragraph 4.2.7)

- Metropolitan Planning Committee (MPC) was not formed for integrated development of the metro cities.

(Paragraph 4.2.8)

- Delays in constitution of State Finance Commissions (SFC), non-acceptance of many recommendations and delay in implementation of the recommendations led to delays in fiscal transfers by State, impacting ULBs revenues.

(Paragraph 4.2.9.1)

- The State Government deducted an amount of ₹ 726.74 crore during 2017-20 from the SFC grants to be given to ULBs and transferred such amount to other agencies/ parastatals.

(Paragraph 4.2.9.2)

Recommendations:

- *The State Government should initiate action to devolve all functions with full jurisdiction to ULBs in accordance with the 74th CAA and endeavour to minimise overlapping jurisdictions for devolution in true spirit.*
- *The State Government should ensure timely constitution of the Statutory Committees and Ward Committees. The Government should also ensure that regular meetings of Statutory Committees are held for effective monitoring of functions of ULBs.*

- *The State Government should ensure constitution and effective functioning of Metropolitan Planning Committees for integrated development of the area.*

Chapter V: Financial Resources of Urban Local Bodies

Sources of Revenue

- ULBs could generate only 17 *per cent* revenue of its own and remained significantly dependent on the grants for delivery of services.

(Paragraph 5.1)

Grants

- During the period 2015-16 to 2019-20 the State Government disbursed a sum of ₹ 17,059.77 crore to ULBs against SFC grants. There was a shortfall of ₹ 52.58 crore in fiscal transfers during the period 2015-16 to 2019-20 due to non-acceptance of recommendations of the SFC.

(Paragraph 5.1 and 5.2.1)

- Entire allocation of performance grants of ₹ 525.32 crore for the year 2018-19 and 2019-20 was yet to be received from GoI.

(Paragraph 5.2.2)

Own Revenue of Urban Local Bodies

- None of the test checked ULBs had a reliable data base of tax demanded, collected and outstanding at the end of financial year

(Paragraph 5.3.1)

- No survey was conducted by revenue branch of ULBs to enlist sites of advertisement attracting tax, which deprived ULBs of this potential revenue source.

(Paragraph 5.3.2)

- Test check of records of two Municipal Corporations, i.e., Jaipur and Ajmer revealed that PHED Jaipur recovered sewerage charges but did not transfer full amount to M Corp Jaipur while PHED Ajmer did not remit any amount to M Corp Ajmer during the period 2015-16 to 2019-2020.

(Paragraph 5.3.4)

Budget Planning and Expenditure

- Budget exercise was flawed and resulted in preparation of unrealistic and unscientific budgets.

(Paragraph 5.5.1)

Recommendations:

- *ULBs should have more autonomy in raising revenues and for augmentation of its own resources. Efforts should be made for enhancing tax collection*

capacity of ULBs through provision and training of staff, provision of electronic tax payment and improved assessment processes. PHED and other parastatals should pass on all the revenue collected on behalf of ULBs for strengthening their financial position.

- *The State Government should work on enhancing the capacity of ULBs by direct devolution even through separate budgeting for ULBs. Efforts should also be made to form finance committees in ULBs and to revise the delegation of powers for greater autonomy.*

Chapter VI: Human resources of ULBs

Limited Powers over Manpower

- ULBs neither had the powers to assess the staff requirement nor to recruit the required staff. These powers are vested with the State Government.

(Paragraph 6.1)

- Population alone was considered as a criterion for determining the sanctioned strength; geographical area, quantum of functions and number of properties existing were not considered.

(Paragraph 6.1)

- The sanctioned strength varied from 2.15 to 11.36 employees per 1,000 population (2011) and working strength from 0.26 to 6.30 employees per 1,000 population (Projected 2020) in the test-checked ULBs.

(Paragraph 6.1.1)

- Almost 61 *per cent* post of Executive Officers, Revenue Officers, Revenue/Sanitary Inspectors were lying vacant which was affecting the important functions such as revenue/tax collection and sanitation.

(Paragraph 6.1.1)

Recommendations:

- *ULBs should have adequate powers over manpower resources regarding assessment, requirement and recruitment of skilled staff to effectively discharge devolved functions and efficiently collect revenue. Sanctioned strength of manpower in ULBs should commensurate with the functions (Tax collection load/Accounting/regulatory role etc) in consultation with the State Government. Administrative costs should be passed on to the ULBs where they are implementing agencies.*
- *Officers of Municipal Services should be posted in municipality as Executive Officers and capacity building/training needs of municipal staff should be ensured by regular training programme/fixed training period for enhancing the efficiency.*