

# Chapter I

---

## Introduction

---



## Chapter I – Introduction

### 1.1 74<sup>th</sup> Constitutional Amendment Act, 1992

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

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

### 1.2 Trend of Urbanisation in Telangana

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

### 1.3 Profile of Urban Local Bodies

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

<sup>1</sup> out of the total population of 3.52 crore of the State

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

<sup>3</sup> Section 107(1) of Telangana Municipalities Act, 2019 (TM Act, 2019)

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

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

*Source: Manual of Municipal Administration in Telangana, 2017*

*# All the Nagar Panchayats have been upgraded as Municipalities*

#### 1.4 Grades of Municipalities and Municipal Corporations

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

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

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

## 1.5 Legislations governing Urban Local Bodies

The Municipal Corporations/Municipalities are governed by:

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

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

## 1.6 Organisational Structure of Urban Governance in Telangana

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

## 1.7 Audit Objectives

The Performance Audit seeks to ascertain whether:

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

## 1.8 Audit Criteria

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

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

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

### 1.9 Audit Scope and Methodology

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

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

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

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