
Executive Summary

Executive Summary

The 74th Constitutional Amendment Act (74th CAA) 1992, which came into effect on 01 June 1993, provided a Constitutional status to Urban Local Bodies (ULBs). Article 243W of the 74th CAA authorised the State Legislatures to enact laws to enable ULBs to function as institutions of self-governance and make provisions for devolution of powers and responsibilities. It empowered ULBs to perform 18 functions listed in the Twelfth Schedule of the Constitution. Telangana Government incorporated corresponding provisions in the Telangana Municipalities Act, 2019 which superseded the earlier Acts.

(Paragraphs 1.1 and 1.5)

The aim of this Performance Audit was to see whether the ULBs are functioning in the manner as envisaged in the 74th CAA and adequately empowered to discharge the devolved functions effectively and that the devolution of funds had taken place as recommended by the Finance Commissions.

(Paragraph 1.7)

Compliance to provisions of 74th CAA

Telangana through statutes had complied with the provisions of the 74th CAA, however, compliance to the constitutional provisions by law does not guarantee effective de-centralisation on ground unless followed by effective implementation. It was observed that the legal provisions were not backed by decisive actions with respect to timely conduct of elections, implementation of State Finance Commission (SFC) recommendations and constitution of District Planning Committees (DPCs).

(Paragraph 2.1)

Empowerment of Urban Local Bodies and their functioning

Out of 18 functions, 17 functions have been devolved to ULBs except Fire Services. However, major functions such as drinking water supply and urban/town planning are entrusted to State Departments/Parastatal Agencies.

(Paragraph 3.1)

The task of delimitation to State Election Commission (SEC) as recommended by the Second Administrative Reforms Commission had not been entrusted to SEC (March 2022).

(Paragraph 3.2)

The elections of ULBs were held with delays ranging from four to sixty-six months. In the absence of an elected body, the Administration was run by Special Officers appointed by the State Government.

(Paragraph 3.5)

District Planning Committees have not been constituted in any of the districts and as a result, consolidated Draft Development Plans were not prepared considering local needs and matters of common interest.

(Paragraph 3.8)

The ULBs neither had the powers to assess the staff requirement, nor to recruit the required staff. As against sanctioned strength of 8,752, 3900 posts (45 *per cent*) were vacant in the State, resulting in dependence on outsourced staff for service delivery.

(Paragraphs 3.10.1 and 3.10.2)

There was inadequate focus on training of functionaries/staff, with 10 out of 17 ULBs test-checked, not conducting any training programme for the staff during the period 2015-21.

(Paragraph 3.10.3)

The water supply was deficient in meeting the per capita norms in 10 selected ULBs. In the selected ULBs, except for Greater Warangal Municipal Corporation (where the household coverage was only one *per cent*), none of the Urban Local Bodies had installed water meters. Water audit was not being conducted in 11 selected ULBs. State Government had not approved the draft rules for periodical revision of water charges which could result in loss of incremental revenue to ULBs.

(Paragraphs 3.11.1(A), (B), (C) and (D))

Solid Waste Management plans, as required under Solid Waste Management Rules, 2016, were not prepared in five ULBs. Urban Local Bodies failed to collect garbage charges from the households in seven ULBs. Solid Waste Management was ineffective due to non-identification of sanitary landfills sites in 15 ULBs.

(Paragraphs 3.11.2, 3.11.2.1 and 3.11.2.2)

Financial Resources of Urban Local Bodies

The fiscal transfers from Government during the period 2015-16 to 2020-21 formed 46 to 66 *per cent* of total revenue of ULBs.

(Paragraph 4.1.1)

The State Government constituted State Finance Commission (SFC) in March 2015, however, Chairperson and Members were appointed only in January 2018. In the absence of SFC recommendations, State Government released funds to ULBs taking the population as criterion, during the period 2015-16 to 2020-21. The recommendations submitted by the SFC in October 2020 are yet to be accepted by State Government (March 2022). The short releases against allocations of SFC grants during 2017-18 to 2019-20 ranged between 50 and 85 *per cent* affecting the financial position of the ULBs.

(Paragraph 4.1.2)

There was short release of ₹647.23 crore of 14th Finance Commission grants during the period 2015-16 to 2019-20.

(Paragraph 4.1.3)

Surcharge on Stamp Duty of ₹1,822.49 crore collected on transfer of properties during 2019-20 and 2020-21 was not assigned to ULBs by Registration and Stamps Department.

(Paragraph 4.1.4)

The share of Property Tax revenue to total revenue in ULBs stood at 42 *per cent* during the period 2015-16 to 2020-21. The arrears of Property Tax along with interest as on 31 March 2021 was ₹786.71 crore.

(Paragraphs 4.1.5.1 and 4.1.5.2)

Accumulated arrears of water charges amounting to ₹37.54 crore was noticed in nine selected ULBs to the end of March 2021. The Operation and Maintenance (O&M) charges towards water supply incurred by the Municipalities was generally more than the actual receipt of water charges.

(Paragraphs 4.1.5.3 and 4.1.5.4)

There were huge variations between Budget Estimates and actual income and expenditure during 2015-16 to 2020-21 which indicated unrealistic budget formulation in two sampled ULBs.

(Paragraph 4.2.1)