

# Highlights



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### Intent of the 74<sup>th</sup> Constitutional Amendment Act

The Constitution of India provided a clear mandate for democratic decentralisation through the 74<sup>th</sup> Constitutional Amendment Act 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 74<sup>th</sup> Constitutional Amendment Act came into effect on 1 June 1993 and empowered Urban Local Bodies to perform 18 functions listed in the 12<sup>th</sup> schedule.

### Why this Performance Audit?

To ascertain whether the State Government empowered Urban Local Bodies through the creation of a robust institutional framework as well as devolution of functions, funds and functionaries.

Period of audit: 2015-16 to 2019-20

Sample: 19 Urban Local Bodies across all categories.

### What Audit found?

- Audit observed that the legal provisions were not backed by decisive actions resulting in a situation in which the spirit of the 74<sup>th</sup> Constitutional Amendment Act has not fructified. This was especially true in case of provisions pertaining to the devolution of functions and creation of appropriate institutional mechanism for effective decentralisation.

*(Paragraph 3.1, page 7)*

- Out of 18 functions, specified in 12<sup>th</sup> Schedule of the Constitution, 14 functions have been devolved either fully or partially. However, four functions viz. Urban planning including town planning, Regulation of land use and construction of building, Water Supply and Fire Services were yet to be devolved by the State Government.

*(Paragraph 4.2, page 11)*

- The powers of delimitation of wards, reservation of seats for the council and rotation policy of seats for the posts of Mayor/President were vested with the State Government. There was delay in holding of elections of the Urban Local Bodies in the years 2003, 2008 and 2018 due to delay in delimitation and reservation of seats.

*(Paragraph 4.3.1 and 4.3.2, page 12 and 13)*

- Audit observed that the Ward Committees were not constituted in Dehradun municipal area which was otherwise eligible for constitution of such committee and thus the objective of facilitating community participation in local governance was defeated.

*(Paragraph 4.3.8, page 15)*

- Urban Local Bodies were not submitting any proposals to the District Planning Committee for incorporation in the draft development proposal of the district.

*(Paragraph 4.3.9, page 16)*

- State Finance Commission - There was delay in submission of Action Taken Report by the State to State Finance Commission and the accepted recommendations of State Finance Commission regarding imposition of professional tax and assigning to Urban Local Bodies, institutional mechanism at the State level to periodically review the situation and advise State Government in taking decisions in constitution of different levels of municipalities and to set up a training and research institute in Urban Management were not implemented.

*(Paragraph 4.3.10, page 16)*

- Property Tax Board was not constituted. Consequently, Urban Local Bodies lacked technical guidance for assessment and revision of property tax and an independent and transparent mechanism.

*(Paragraph 4.4, page 18)*

- The unrealistic approach of the State Government to set forth the target of Individual House Hold Latrines led to 43 *per cent* of allotted amount as unspent/ unutilized with the Urban Local Bodies.

*(Paragraph 4.6.1, page 20)*

- The implementation of Pradhan Mantri Awas Yojana scheme was at a slow pace as the construction was pending at various stages for years and the completion percentage being seven *per cent* is miniscule.

*(Paragraph 4.6.2, page 22)*

- The parastatal agencies function totally independent from the local governments and these agencies are directly accountable to the State Government. This precludes effective participation of citizens in the management of these services.

*(Paragraph 4.7, page 24)*

- There was shortfall in men-in-position ranging from 62 to 75 *per cent* in Urban Local Bodies and the highest shortfall lies with the centralized staff which provides leadership to municipal bureaucracy.

*(Paragraph 5.3, page 31)*

- Due to acute shortage of regular Executive Officers in the various Urban Local Bodies, In-charge Executive Officers were being appointed. The department had no policy or criteria in this regard.

*(Paragraph 5.5.1, page 32)*

- The fiscal transfers from Government formed the major portion of the revenue (averaging 86 *per cent*) of Urban Local Bodies in the State during the period 2015-16 to 2020-21. The funds allocated by the Central Government were fully released. However, the Performance Grant for the year 2018-19 and 2019-20 was not released by the Government of India.

*(Paragraph 6.1 and 6.1.1.3; page 35 & 37)*

- The establishment expenditure constituted about 48 *per cent* of the total expenditure followed by other capital and revenue expenses at 46 *per cent*. The Urban Local Bodies were able to generate own resources only to the extent of 19.77 *per cent* of the revenue expenditure during the period from 2015-16 to 2020-21.

*(Paragraph 6.2 and 6.2.1, page 39)*

### **What Audit recommends?**

1. The State Government may take necessary steps to devolve all the activities/ functions and responsibilities to the Urban Local Bodies as envisaged in the 12<sup>th</sup> schedule.
2. The State Government may take proactive steps for timely delimitation of wards and reservation of seats so that State Election Commission can hold timely elections.
3. The State Government may constitute Property tax board for technical guidance and Ward Committee for community participation in local governance.

*(Paragraph 4.9, page 27)*

4. State Government may scientifically assess workload of each Urban Local Body and accordingly sanction human resources. Pending long-term solution, outsourcing at all levels may be allowed to fill vacant posts.

*(Paragraph 5.9; page 33)*

5. To promote financial autonomy of the Urban Local Bodies, concrete steps with milestones may be undertaken. This includes adoption of best practices in property tax collection, increase in non-tax revenues (solid waste management charges, user charges and fees), and use of information and communication technology to control establishment expenditure.
6. The Government may ensure implementation of double entry accrual-based accounting system at least in all large Urban Local Bodies.
7. For large Urban Local Bodies, the option of raising of funds through Municipal Boards should be seriously considered.

*(Paragraph 6.6, page 41)*

