

HIGHLIGHTS

Intent of the 74th Constitutional Amendment Act

The Constitution of India provided a clear mandate for democratic decentralisation through the 74th Constitutional Amendment Act (74th CAA), 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 CAA 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: 5 areas and 15 ULBs across all tiers.

What Audit found?

Compliance to provisions of 74th CAA

Statutory amendments, though enacted, were not implemented in letter and spirit of the 74th CAA.

Devolution of functions and institutional mechanism for Empowerment of Urban Local Bodies

- All Functions were transferred to ULBs.
- Actual status of implementation of 18 functions.

Role of ULB	No. of Functions
Full Jurisdiction	4
Major role with overlapping jurisdictions of State departments/parastatals	3
Functions where ULBs are mere implementing agencies	4
Limited role with overlapping jurisdictions of state departments/parastatals	5
Have insignificant role	2

- Status of elections and formation of councils in ULBs

Newly formed ULBs (Municipal Council):	1
Newly Up-graded ULBs (Municipal Committee to Municipal Council):	1
Elections held during 2015-16 to 2019-20 and councils formed:	73
Elections due during 2018-20 but not held due to delayed delimitation of wards:	12

- State Government delayed delimitation process, which in turn delayed council elections of 50 municipalities for seven to 29 months during 2015-16 to 2019-20. As a result, the people of these municipalities were deprived of their representatives.
- **Meeting of the House:** In 15 test-checked ULBs, only 226 house meetings were held as against the stipulated 710 meetings during the period 2015-20.
- **Formation of ad-hoc Committees:** Only three ULBs out of 15 test checked ULBs, constituted ad-hoc committees (ranging between four and eight), which were not also functional as very few meetings were held by these committees.
- **Wards Committees:** Although Sections 10 and 34 regarding constitution of Wards Committees were incorporated in Haryana Municipal Corporation Act and Haryana Municipal Act respectively, enabling rules were not framed under these Acts by the State Government. Resultantly, no Wards Committee in any of the eight ULBs could be constituted where population was more than three lakh as per Census 2011.
- **Area Sabha and Ward Committee:** State Government has not framed rules for nomination of Area Sabha representatives. None of the test checked 15 ULBs formed Area Sabha/Ward Committee.
- **District Planning Committee (DPC)/Metropolitan Planning Committee (MPC):** District Development Plans for urban areas were not being prepared by the respective ULBs and were being prepared by Town and Country Planning Department/Urban Local Bodies Department.
- There was delay ranging from two to 15 months in constitution of State Finance Commissions (SFCs).
- The existence of parastatals significantly eroded the autonomy of the ULBs in the implementation of functions such as urban planning.

Human resources of ULBs

- Powers to assess staff requirement and recruitment of personnel was vested with the State Government.
- The State Government also vested with itself the powers to regulate classification, method of recruitment, conditions of service, pay and allowances, initiate disciplinary action on staff of ULBs, transfer staff across ULBs or to other Government departments.
- No manpower assessment for ULBs had been conducted and implemented except fixation of standard of posts to be provided at the time of constitution of a new ULB or up-gradation of existed ULB.
- Significant vacancies existed in crucial technical posts which resulted in absence of adequate manpower affecting delivery of citizen services. The percentage of overall vacancy in 15 test-checked ULBs ranged between 21.79 to 93.54 percent as on 1 January 2020.
- DULB has neither adopted any mechanism to prepare training need analysis to assess training requirement for various cadre/employees of ULBs nor drawn up any plan as an aid to capacity building of elected members except ‘Training plan for elected women councillors’ during 2015-20.

Financial Resources of ULB

- ULBs were largely dependent on fiscal transfers, which constituted about - 50.22 *per cent* of their total revenue.
- There was short release of ₹ 102.53 crore of basic grants by Government of India (GoI) to the State Government during 2015-20 due to non-formation of elected body in the ULBs.
- Entire allocation of performance grants of ₹ 242 crore for the year 2018-20 was yet to be received.
- Own revenue of ULBs constituted only 30.04 *per cent* of their total revenue.
- ULBs were not getting their due share of stamp duty due to short release against the allotted budget to Municipalities.
- Budget exercise was flawed and resulted in preparation of unrealistic and unscientific budgets.
- ULBs had spent on an average about 57 *per cent* of the funds available with them.

Empowerment of ULBs in discharging selected activities and have access adequate resources

- Water Supply and Sewerage activities were performed by only four ULBs and in rest of 83 ULBs, this function was performed by Public Health and Engineering Department.
- Director, Urban Local Bodies Department (DULBs) has major role in Solid Waste Management policy and strategy formulation, tendering and technology selection and ULBs are just implementing the various activities under the overall supervision of DULB.
- Though the authority to collect property tax vested with ULBs, powers pertaining to the rates and revision thereof, procedure of collection, exemptions, concessions, etc., were vested with the State Government. Thus, ULBs in the State lacked complete autonomy in generating own revenue.
- As property tax was based on area based fixed rates, which tends to be relatively stagnant therefore, property tax in the State was non-buoyant with respect to market value of the property. Resultantly, ULBs were not allowed to generate additional revenue due to increase in market value of the properties in their jurisdiction.
- During 2019-20, ULBs had to forgo ₹ 14.64 crore due to rebate on property tax given by State Government against total amount due of ₹ 47.02 crore in 14¹ test-checked ULBs which constitutes 31.14 *per cent* of total amount due for 2019-20. Further, the State Government issued 15 rebate schemes during the period 2015-20. However, the State Government did not set up any mechanism to compensate such loss of property tax due to rebate/waiver.
- The State Government last decided the water charges in March 2011 and the same had not been revised since then. Further, the water charges were not fixed in a manner, which could ensure efficient use and reward conservation of water. Audit observed that the State Government notified State Urban Water Policy in March 2012. However, the same did not provide for periodic revision of water charges in order to compensate rise in cost of operation and maintenance of water supply.

What Audit recommends?

- The State Government needs to take decisive action in order to translate the vision of achieving decentralisation into reality. Steps need to be taken to ensure that the ULBs enjoy an adequate degree of autonomy in respect of the functions assigned to them.

¹ Information not provided by Municipal Committee, Naraingarh.

- In view of the fact that the delimitation has been delayed time and again by the State Government, the task of delimitation should be entrusted to the State Election Commission in order to ensure timely elections as recommended by Second Administrative Reform Commission.
- State Government should frame the enabling rules for constitution of Wards Committees and nominations of Area Sabha representative so that the priorities of citizens are factored into the decisions of the ULB.
- The full potential of the District Planning Committee and Metropolitan Planning Committee mechanism should be tapped by implementing the Urban and Regional Development Plans Formulation and Implementation guidelines issued by Ministry of Urban Development, GoI.
- The State Government should constitute SFC and implement its recommendations in timely manner. Further, the recommendations of SFC relating to devolution as well as institutional matters should be implemented in toto to the extent possible, taking into account the final purpose of creating genuine institutions of local governance.
- Adequate powers over manpower resources should be delegated to ULBs in matters such as assessment and recruitment of required staff to ensure availability of qualified manpower for discharging functions.
- Special efforts need to be made to motivate the ULBs to prepare their budgets in a scientific manner taking into account realistic projection of funds expected to be mobilised.
- Feasibility of transferring the water supply and sewerage activities to respective ULBs may be explored. Adequate Technical manpower, proper planning required for running the function should be provided by the State Government.
- The ULBs should be given full freedom in policy and strategy formation in all activities of Solid Waste Management.
- The Property Tax Board needs to be constituted in order to provide technical expertise to ULBs in compliance with 13th Central Finance Commission (CFC) recommendations.
- The Property Tax survey should be conducted at regular intervals in order to ascertain the number of taxable property.
- The system of property tax should be reviewed in order to induce buoyancy in the Property Tax.
- The recommendation of 14th CFC should be strictly followed in case of rebate/exemption in property tax.
- State Government should create a mechanism to avoid accumulation arrear of property tax against properties of various State Governments and immediately clear existing arrears.