

CHAPTER I

INTRODUCTION

The Constitution of India provided a clear mandate for democratic decentralization through the 74th Amendment. It sought to create an institutional framework for ushering in democracy at the grassroots level through self-governing local bodies in urban areas of the country. The Constitution (Seventy-Fourth Amendment) Act, 1992 (74th CAA) inserted Part IX A (The Municipalities) consisting of Articles 243P to 243ZG, thereby imparting constitutional status to Urban Local Bodies (ULBs)¹. Article 243W authorized 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-government and make provisions for devolution of powers and responsibilities. The 74th CAA also introduced the Twelfth Schedule and the matters enumerated therein were identified as functions which could be entrusted to ULBs.

1.1 Decentralisation in Kerala

The State of Kerala laid emphasis on decentralisation through devolving substantial development funds to Local Self Government Institutions (LSGIs) for implementing locally appropriate development projects and programmes through initiatives such as the People's Planning Campaign (1996). The Kerala Municipality Act (KM Act) 1994 was enacted in line with the 74th CAA, endowing ULBs with necessary powers and authority to enable them to function as institutions of self-government.

1.2 Organizational structure of urban governance in Kerala

The Local Self Government Department (LSGD), headed by the Additional Chief Secretary to Government, is the nodal department for the governance of all ULBs. The Directorate of Urban Affairs (DUA), established in 1962, is concerned with the responsibility of administration of the Municipalities and Municipal Corporations in the State.

There are 87 Municipalities / Municipal Councils and six Municipal Corporations in the State categorised on the basis of population. The Municipal Corporations and Municipalities are governed by the KM Act, 1994 which came into force on 30 May 1994. There were 3527 wards² in 93 ULBs in the State with number of councillors varying from 25 (Koothattukulam Municipality) to 100 (Thiruvananthapuram Corporation). In the test-checked ULBs, the number of wards ranged from 26 (Aluva Municipality) to 100 (Thiruvananthapuram Corporation).

In addition to ULBs, there are agencies that support, deliver or facilitate urban infrastructure and services such as Kerala Water Authority (KWA),

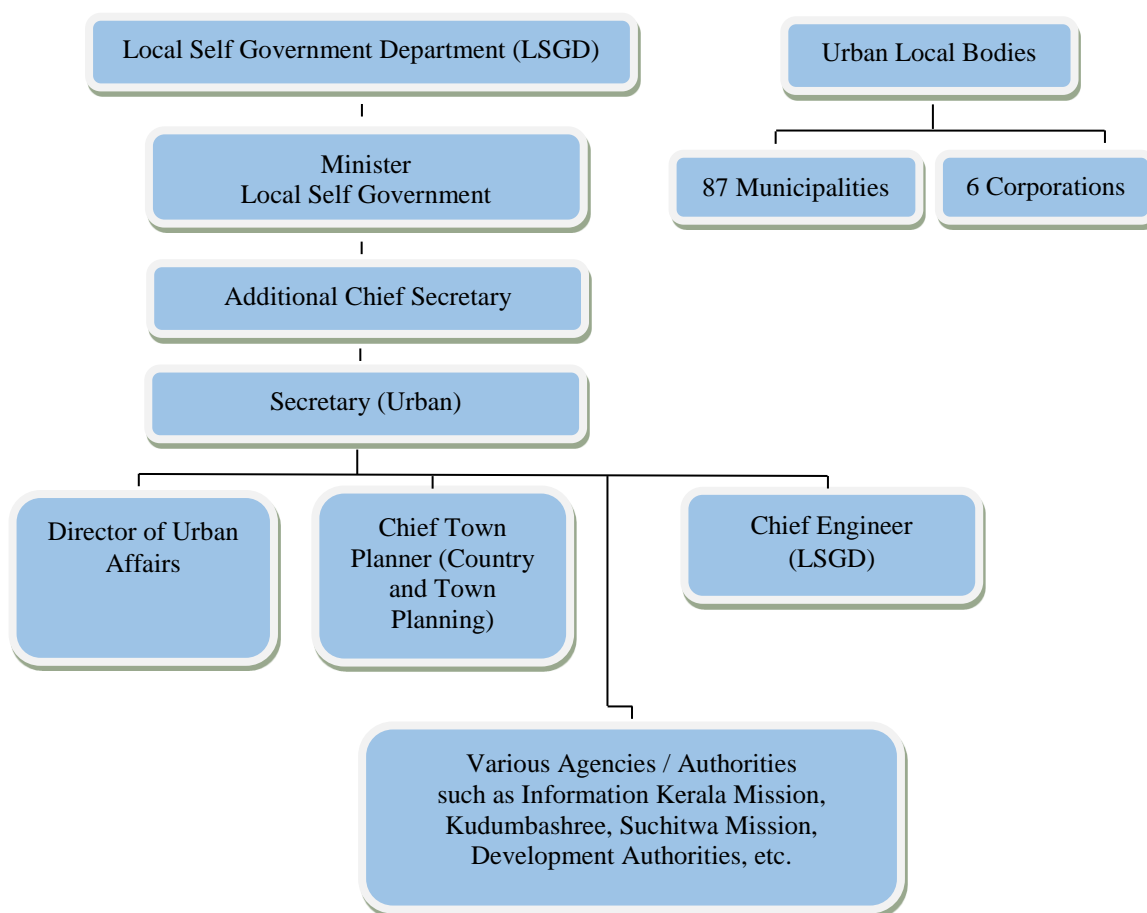
¹ The Statement of Objects and Reasons appended to the Constitution (73rd Amendment) Bill, 1991 recorded that it was considered necessary that provisions relating to ULBs are incorporated in the Constitution for putting on a firmer footing the relationship between the State Government and ULBs with respect to the functions, taxation powers, arrangements for revenue sharing, for ensuring regular conduct of elections and timely elections in the case of supersession, and for providing adequate representation for the weaker sections.

² 3113 wards in Municipalities and 414 in Corporations.

Kudumbashree, Suchitwa Mission, Trivandrum Development Authority (TRIDA), Greater Cochin Development Authority (GCDA), Goshree Islands Development Authority (GIDA), IMPACT Kerala Ltd., Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart City Thiruvananthapuram Limited (SCTL), Cochin Smart City Mission Limited (CSML), etc.

The organisational set up of urban governance in the State is presented in **Chart 1.1:**

Chart 1.1: Organisational set up of Urban Governance in the State



The Audit Objectives, criteria, scope and methodology are as detailed below.

1.3 Audit Objectives

The Performance Audit (PA) sought to ascertain

- whether the ULBs have been empowered by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their functioning thereof;
- the effectiveness of devolution of functions stated to have been devolved;
- whether the ULBs have been empowered to access adequate financial and human resources for discharge of functions stated to be devolved to them.

1.4 Audit criteria

Audit observations were benchmarked against the criteria derived from the following:

- i) The Constitution (74th Amendment) Act, 1992
- ii) The Kerala Municipality Act, 1994
- iii) Reports of Central/State Finance Commissions
- iv) State Government Orders, notifications, circulars and instructions issued from time to time.

1.5 Audit scope and methodology

The Performance Audit covering the period from 2015-16 to 2019-20³ was carried out from August 2020 to March 2021. Twenty-one ULBs were selected through simple random sampling with population as per 2011 census as the basis (**Appendix 1.1**). Out of the 18 matters listed in the 12th Schedule, activities relating to following were selected for test check.

- a) Water Supply
- b) Public Health and Sanitation
- c) Solid Waste Management
- d) Property Tax
- e) Water tax/ charges

The Entry Conference was held on 22 October 2020 with the Principal Secretary, LSGD in which the audit methodology, scope, objectives and criteria were explained and agreed upon. The Exit Conference of the PA was conducted with the Additional Chief Secretary, Local Self Government Department (ACS LSGD) on 05 November 2021, wherein the observations in the report were discussed in detail. The audit methodology involved analysis of records, discussion with Government/ULB staff and eliciting responses of audited institutions through audit queries.

1.6 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Local Self Government Department, Government of Kerala, Directorate of Urban Affairs and all test-checked ULBs in the smooth conduct of the performance audit.

³Though the five year period from 2015 to 2020 was reckoned as the audit period, the updated position as of March 2021 pertaining to the facts discussed in the report have been obtained and included wherever made available.