



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
Performance Audit
of Efficacy of
Implementation of 74th Constitutional
Amendment Act**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Haryana
Report No. 1 of the year 2022

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Comptroller and Auditor General of India**

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PREFACE

This Report has been prepared for submission to the Government of Haryana in terms of Technical Guidance and Support to audit of Urban Local Bodies (ULBs) under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Report covering the period 2015-16 to 2019-20 contains the results of Performance Audit of 'Efficacy of Implementation of the 74th Constitutional Amendment Act'.

The Audit has been conducted in conformity with Auditing Standards issued by the Comptroller and Auditor General of India.

HIGHLIGHTS

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.

Chapter I

Introduction

CHAPTER-I

Introduction

1.1 74th Constitutional Amendment Act

The 74th Constitutional Amendment Act, 1992 (74th CAA) came into effect on 1 June 1993, introduced Part IX A (the Municipalities) which deals with the issues relating to municipalities. The Act provided constitutional status to the Urban Local Bodies (ULBs). Article 243W of the 74th CAA authorised the State Legislatures to enact laws to endow local bodies with powers and authority as necessary to enable them to function as institutions of Self-Government and make provisions for devolution of powers and responsibilities.

The 12th Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs as listed in **Table 4.1**.

1.2 Trend in Urbanisation in Haryana

As per census 2011, 88.42 lakh (34.88 *per cent*) out of the total population of 253.51 lakh reside in urban areas. The growth rate of urban population in the decades 2001-2011 and 2011-2020 was 44.59 *per cent*¹ and 29.41 *per cent*² respectively.

Urban Haryana faces multiple challenges, ranging from public health issues, poverty alleviation, waste management, depletion of natural resources, increasing pressure of urban population and inadequate infrastructure. In this scenario, ULBs have an important role to play, as most of these issues are handled best at the local level.

1.3 Profile of Urban Local Bodies

In Haryana, ULBs are categorised on the basis of population³ in accordance with Section 2(a) of the Haryana Municipal Act, 1973. This Section also authorises the State Government to define municipal bodies on other factors in addition to population such as density of the population, local revenue generation and level of employment in non-agriculture activities within their jurisdiction. There are 87 ULBs as on August 2020 as detailed in **Table 1.1**.

¹ Statistical Abstract of Haryana 2019-20.

² Report of the Technical Group on Population Projections constituted by the National Commission on Population (May 2006).

³ Population of 3,00,000 or more is Municipal Corporation, Population of 50,000 or more but less than 3,00,000 is Municipal Council, Population of not more than 50,000 is Municipal Committee.

Table1.1 Category-wise ULBs in Haryana

Type of ULB	Number of ULBs
Municipal Corporations	10
Municipal Councils	20
Municipal Committees	57
Total	87⁴

Source: Information provided by DULB

The Municipal Corporations are governed by the Haryana Municipal Corporation Act, 1994 (HMC Act) and Municipal Councils & Municipal Committees are governed by the Haryana Municipal Act, 1973 (HM Act). Each Corporation/Council/Committee area has been divided into territorial constituencies i.e. wards, which are determined and notified by the State Government for the purpose of election of members. All ULBs consist of elected members from each ward and members nominated by the State Government.

1.4 Organisational structure of Urban Governance in Haryana

The Urban Local Bodies Department, headed by the Additional Chief Secretary to the Government of Haryana (GoH), is the nodal department for the governance of all ULBs. The Directorate of Urban Local Bodies (DULB) functions as an interface between the State Government and ULBs. In accordance with the powers conferred under the HM Act, 1973 and HMC Act, 1994, the DULB administers, facilitates, co-ordinates and monitors the ULBs. The organisational structure with respect to functioning of ULBs in the State is indicated in *Appendix 1.1*.

In addition to ULBs, the DULB has a number of key parastatal agencies for undertaking part of the functions expected to be performed by the municipal bodies under the 74th CAA. The key parastatal entities under its control are Haryana Urban Infrastructure Development Board (HUIDB), Haryana Slum Clearance Board (HSCB), State Urban Development Authority Haryana (SUDA) and Kurukshetra Development Board (KDB). Besides there are other parastatals like Haryana Shehari Vikas Pradhikaran (HSVP), Gurugram Metropolitan Development Authority (GMDA) and Faridabad Metropolitan Development Authority (FMDA), which are under Town and Country Planning Department and also perform a part of functions required to be performed by the municipal bodies under 74th CAA. These parastatals deliver urban services like urban planning, development of slum areas, urban development, promotion of cultural events and urban poverty alleviation. The details of parastatals and their functions are in *Appendix 1.2*.

⁴ As on August 2021, there were 92 ULBs (Municipal Corporations: 11, Municipal Councils: 22 and Municipal Committees: 59).

Chapter II

Audit Framework

CHAPTER-II

Audit Framework

2.1 Audit Objective

The principal purpose of this audit is to understand whether Urban Local Bodies have been empowered in terms of funds, functions and functionaries to establish themselves as effective institutions of local self-government and whether the 74th CAA has been effectively implemented in the State. Accordingly, the following objectives were framed to assess:

- Whether provisions of the 74th CAA have been adequately covered in the State Legislation.
- Whether ULBs have been empowered by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their function.
- Effectiveness of the functions stated to have been devolved.
- Whether ULBs have been empowered to access adequate resources including sufficient resources for discharge of functions stated to be devolved to them.

2.2 Audit Criteria

The audit criteria for the Performance Audit (PA) were derived from the following:

- 74th Constitutional Amendment Act, 1992;
- Haryana Municipal Corporation Act, 1994 ;
- Haryana Municipal Act, 1973;
- Haryana Urban Development Authority Act, 1977;
- Gurugram Metropolitan Development Authority Act, 2017;
- Faridabad Metropolitan Development Authority Act, 2018;
- Punjab Scheduled Roads and Controlled Areas Restriction of Unregulated Development Act, 1963;
- Haryana Development and Regulation of Urban Areas Act, 1975;
- Municipal Accounts Code, 1930;

- Central/State Finance Commission Reports;
- Report of the Second Administrative Reforms Commission of Government of India (GoI); and
- State Government orders, notifications, circulars and instructions issued from time to time.

2.3 Audit scope and methodology

The Performance Audit covering the period April 2015 to March 2020 was carried out in two stages from September 2020 to April 2021. Stage–I comprised audit of implementation of 74th CAA by the State Government and parastatals and Stage–II comprised test-check of 15 ULBs across all tiers in respect of five selected areas i.e. (i) Water Supply, (ii) Public Health and Sanitation, (iii) Solid Waste Management, (iv) Property Tax and (v) Water Tax/Charges. The list of ULBs selected for test check is indicated in *Appendix 2.1*.

An Entry Conference was held on 11 November 2020 with the Director, ULBs, in which the audit methodology, scope, objectives and criteria were discussed and finalised. The audit methodology involved analysis of provisions of relevant Acts, Rules, Bye-laws and Regulation, examination of records of Director ULBs and selected ULBs. Report on PA has been prepared on the basis of questionnaires, examination of records, audit observations and responses to audit observations in the Report. An exit conference was held on 2 November 2021 with the Director, Urban Local Bodies wherein audit findings were discussed and deliberations of conference have been appropriately incorporated in the report.

2.4 Organisation of audit findings

The audit observations relating to status of devolution of functions, funds and functionaries are presented in the following chapters:

Chapter III – Compliance with provisions of 74th CAA.

Chapter IV – Devolution of functions and institutional mechanism for empowerment of Urban Local Bodies.

Chapter V – Human resources of Urban Local Bodies.

Chapter VI – Financial resources of Urban Local Bodies.

Chapter VII – Devolution in discharge of selected areas.

Chapter VIII – Conclusions.

Chapter III
Compliance with provisions of 74th CAA

CHAPTER-III

Compliance with provisions of 74th CAA

3.1 Comparison of State level Legislations with 74th CAA

The 74th CAA introduced certain provisions relating to municipal bodies as incorporated in Articles 243Q to 243ZG. The State Government vide amendments to HM Act and enactment of the HMC Act, introduced provisions corresponding to the 74th CAA provisions as indicated in **Table 3.1**.

Table 3.1: Comparison of State level legislations with the provisions of 74th CAA

Provisions of Constitution of India	Requirement as per provisions of Constitution of India	Provision of State Act/Acts (Section-wise)
Article 243Q	Constitution of Municipalities: It provides for constitution of three types of municipalities namely a Nagar Panchayat for transitional area, a Municipal Council for a smaller urban area and a Municipal Corporation for a larger urban area.	Section 2 (A) of HM Act and Section 3 of HMC Act
Article 243R	Composition of Municipalities: All the seats in a Municipality shall be filled by direct elections and by persons with special knowledge in municipal administration nominated by Government. The Legislature of a State may by law, provide for representation to the Municipality, Members of Parliament and Legislative Assembly whose constituencies lie within the municipal area and Members of the Council of States and State Legislative Council who are registered as electors within the city.	Section 9 of HM Act and Section 4 of HMC Act
Article 243S	Constitution and composition of Wards Committee: This provides for constitution of Wards Committees in all municipalities with a population of three lakh or more	Section 34 of HM Act and Section 10 of HMC Act
Article 243T	Reservation of seats: The seats to be reserved for Scheduled Caste (SC)/Scheduled Tribe (ST), Women and Backward Classes for direct election.	Section 10 of HM Act and Section 11 of HMC Act
Article 243U	Duration of Municipalities: The municipality has a fixed tenure of five years from the date of its first meeting and re-election to be held within the six months of end of tenure.	Section 12 of HM Act and Section 5 of HMC Act
Article 243V	Disqualifications for membership: A Person shall be disqualified for a member of a Municipality:- • If he is so disqualified by or under any law for the time being in force for the purposes of elections of the Legislature of the State concerned. • If he is so disqualified by or under any law made by the Legislature of the State.	Section 13 (A) of HM Act and Section 8 of HMC Act

Provisions of Constitution of India	Requirement as per provisions of Constitution of India	Provision of State Act/Acts (Section-wise)
Article 243W	Powers, authority and responsibilities of the Municipalities: All municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of Self-Government. The State Government shall entrust with such powers and authority to enable them to carry out the responsibilities in relation to the 12 th Schedule.	Section 66A of HM Act and Section 41 to 42 of HMC Act
Article 243X	Power to impose taxes by, and funds of the Municipalities: • Municipalities would be empowered to levy and collect the taxes, fees, duties, etc. • Grant-in-aid would be given to the Municipalities from the State • Constitution of funds for crediting and withdrawal of moneys by the Municipality	Section 56, 57, 69 and 70 of HM Act and Section 72, 78, 87 and 88 of HMC Act
Article 243Y read with Article 243I	Finance Commission: State Government shall constitute Finance Commission for • Reviewing the financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal bodies • Distributing between the State and the Municipalities the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government. • Allotting the funds to the municipal bodies in the State from the Consolidated Fund of the State.	Section 68A of HM Act and Section 82 of HMC Act
Article 243Z	Audit of accounts of Municipalities: This provides provision for maintenance of accounts by the Municipalities and the auditing of such accounts.	Section 203N of HM Act read with Para 1.7 of the Municipal Account Code, 1930 and Sections 168 of HMC Act
Article 243ZA read with Article 243K	Elections to the Municipalities: The Superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission (SEC)	Section 3A of HM Act and Section 9 of HMC Act
Article 243 ZD	Committee for District Planning: • Constitution of District Planning Committee at district level. • Composition of District Planning Committee. • Preparation of draft development plan and forwarded to the Government.	Section 203-B of HM Act

Provisions of Constitution of India	Requirement as per provisions of Constitution of India	Provision of State Act/Acts (Section-wise)
Article 243ZE	Committee for Metropolitan Planning: Provision for constitution of Metropolitan Planning Committee (MPC) in every Metropolitan area with a population of 10 lakhs or more to prepare a draft development plan for the metropolitan area as a whole.	Section 417 of HMC Act

The above table shows that the enacted statutes complied with the provisions of the 74th CAA. However, compliance with the constitutional provisions by law does not guarantee effective decentralisation on ground unless followed by effective implementation. Audit observed that the legal provisions were not backed by decisive actions resulting in a situation in which the spirit of the 74th CAA has not fructified. This was especially true in case of provisions pertaining to the devolution of functions and creation of appropriate institutional mechanisms for effective decentralisation, which are discussed in the subsequent chapters.

During exit conference, the Department confirmed the facts about the compliance of the statutes enacted (Haryana Municipal Act, 1973 and Haryana Municipal Corporation Act, 1994) with the provisions of the 74th CAA mentioned in Table 3.1 of the report.

Chapter IV

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

CHAPTER-IV

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

4.1 Actual status of devolution of functions to ULBs

The 74th CAA sought to empower ULBs to perform functions and implement schemes in relation to 18 functions specified in the 12th Schedule. Each State was expected to enact a legislation to implement the amendment. The State Government through amendments to HM Act and enactment of HMC Act transferred 18 functions to ULBs.

Audit observed several overlaps in discharge of the functions between ULBs and parastatals/Government departments. Out of 18 functions, ULBs were solely responsible for four functions; had virtually no role in two functions; had limited role in five functions; were mere implementing agencies in four functions; and in respect of three functions, ULBs have important role to play with overlapping role of parastatals/Government departments. Thus, only 22.2 *per cent* functions (four out of 18 functions) have been fully devolved. The function-wise role of ULBs is depicted in **Table 4.1**.

Table 4.1: Statement showing the actual status of implementation of functions

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
Functions where ULBs has full jurisdiction				
1	Burials and burial grounds; cremations, cremation grounds	Construction and O&M of crematoriums and electric crematoriums Construction and O&M of Burial grounds	ULBs	ULBs are wholly responsible for discharging this function.
2	Cattle pounds; prevention of cruelty to animals	Catching and keeping strays Sterilisation and anti-rabies Ensuring animal safety	ULBs	ULBs are wholly responsible for discharging this function.
3	Regulation of slaughter houses and tanneries	Ensuring quality of animals and meat Disposal of waste Operation and maintenance of slaughter houses	ULBs	ULBs are wholly responsible for discharging this function.
4	Vital statistics including registration of births and deaths	Coordinating with hospitals/crematoriums, etc. for obtaining information Maintaining and updating database	ULBs and Health Department	ULBs maintains database of births and deaths and issue certificate of birth and death in Urban Area. Health Department performs this function for non-ULB areas. At State level, Health Department is a nodal entity.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
Functions where ULBs have major role with overlapping jurisdictions of State Departments/ parastatals				
5	Roads and Bridges	Construction and maintenance of roads	ULBs and Haryana Shehri Vikas Pradhikaran (HSVP)	ULBs are constructing and maintaining roads, bridges, and footpaths within the jurisdiction of ULBs. However, they lacked autonomy in execution of developmental works as estimates and finalisation of tender upto ₹ 2.50 crore, ₹ 0.25 crore and ₹ 0.15 crore in case of Municipal Corporation, Municipal Council and Municipal Committee respectively are approved by House of municipal bodies. While estimates and finalisation of tender having value more than above mentioned limits are approved by administrative authorities of ULB Department i.e. Administrative Secretary/Director, ULBs/District Municipal Commissioner. HSVP is constructing and maintaining these infrastructures in urban estates developed by it within jurisdiction of Municipal Bodies contrary to provisions of Section 66A of HM Act and provisions of Section 41 and Section 42 of HMC Act.
		Construction and maintenance of bridges, drains, flyovers and footpaths		
6	Public amenities including street lighting, parking lots, bus stops and public conveniences.	Installation and maintenance of street lights	ULBs, HSVP and Haryana Roadways	ULBs are responsible for development and maintenance of civic amenities such as street lights, public toilets, etc. in municipal area. However, they lacked autonomy in execution of developmental works as they have limited power as per remarks given in Sr. No. 5 above. HSVP is responsible to provide these civic amenities in Urban Estates developed by it. City bus routes are decided and operated by Haryana Roadways. Only in Karnal, city bus services (six buses) are operated by Municipal Corporation Karnal while in Gurugram, it is operated by GMDA, which is parastatal body created in 2017. This is not only against the provisions of Section 66A of HM Act and provisions of Section 41 and Section 42 of HMC Act but creation of GMDA and assigning functions of Municipal Bodies to GMDA is assessed as weakening of the objectives of 74th CAA.
		Creation and maintenance of public toilets		
		Creation and maintenance of parking lots		
		Deciding and operating bus routes		

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
7	Provision of urban amenities and facilities such as parks, gardens, playgrounds	Creation of parks and gardens Operation and Maintenance	ULBs and HSVP	ULBs are developing and maintaining parks and gardens within their jurisdiction. However, they lacked autonomy in execution of development works as they have limited power as per remarks given in Sr. No. 5 above. HSVP is responsible for providing these urban amenities in Urban Estates developed by it. Part compliance to the provisions of relevant Acts is similar to the position indicated against function at Sr. No. 5.
Functions where ULBs are mere implementing agencies				
8	Planning for economic and social development	Program implementation for economic activities Policies for social development	State Government Departments and ULBs	Industry Department and other State Government Departments performs the various activities relating to program implementation for economic activities and social development. ULBs are implementing Central Government Schemes in Housing and Employment i.e. Pradhan Mantri Awas Yojana (PMAY) and National Urban Livelihood Mission (NULM). Implementation of PMAY scheme was transferred to State Government Department (Housing for All department) w.e.f. January 2021.
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded	Identifying beneficiaries Self-employment and skill wage employment to urban poor households Housing programs	State Government Departments and ULBs	State Departments such as Welfare of SC and BC Department and Social Justice and Empowerment Department are responsible for safeguarding the interest of weaker section of society through schemes. However, ULBs are merely an implementing agency for Central and State Government schemes such as NULM, PMAY and Development of SC Basties Schemes which are meant for housing and weaker section and it identifies the beneficiaries under these schemes.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
10	Slum improvement and upgradation	Identifying beneficiaries	ULBs	ULBs identify beneficiaries under PMAY and Individual Household Laterines component under SBM and are implementing these schemes. SUDA is nodal agency for PMAY whereas HSCB is nodal agency for SBM.
		Affordable Housing	ULBs and State Urban Development Authority (SUDA)	
		Upgradation	Haryana Slum Clearance Board (HSCB)	
11	Urban poverty alleviation	Identifying beneficiaries	ULBs and SUDA	ULBs identify the beneficiaries under NULM scheme which is meant for reducing poverty and vulnerability of the urban poor households by enabling them to access self-employment and skilled wage employment opportunities. SUDA as nodal agency for NULM scheme is responsible for fixation of targets, release of funds and monitoring of the scheme.
		Livelihood and employment		
		Street vendors		
Functions where ULBs have limited role with overlapping jurisdictions of State Departments/ parastatals				
12	Urban planning including town planning	Master Planning/Development Plans/Zonal Plans	Town and Country Department (TCPD)/ ULBs Department, HSVP	Development plans with respect to areas within the limits of municipality are prepared by Director, ULBs whereas Development plans for control area falling outside the limits of municipality are prepared by Director, TCPD.
		Enforcing master planning regulations	TCPD, ULBs and HSVP	Enforcement functions related to master plan, building bye-laws in respect of control area outside the municipal limit are performed by Director, TCPD whereas these functions are performed by ULBs in their areas. HSVP is responsible for enforcing building bye-laws in urban estates developed by it. Enforcement functions with respect to licenses are performed by TCPD.
		Enforcing building bye-laws and licenses		
		Group Housing	TCPD, HSVP and ULBs Department	Group housing scheme are approved by Director, TCPD, whereas HSVP approves the group housing scheme situated in its Urban Estate.
		Development of Industrial areas	TCPD	Permission for setting up Industrial Area is given by Director, TCPD.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
13	Regulation of land-use and construction of buildings	Regulating land use	ULBs Department and TCPD	Permission for change in land use (CLU) within the area of municipal limits is granted by ULBs Department and in case of license to developer TCPD grants permission for CLU.
		Approving building plans/high rises	ULBs Department, TCPD, ULBs and HSVP	ULBs can approve building plans in the municipal limits for users and sizes except commercial/institutional users for the sites of 1000 sqm and above. In case of license to developer, building plans are approved by Director, TCPD whereas HSVP approves building plans in urban estates developed by it.
		Demolishing illegal buildings	ULBs Department, TCPD, ULBs and HSVP	In municipal area this function is discharged by ULBs. However, TCPD perform this function in case of license to developer. HSVP discharge this function in the urban estates developed by it.
14	Public Health, Sanitation Conservancy and Solid Waste Management	Maintaining hospitals, dispensaries	Health Department	Health Department maintains hospitals and dispensaries in the State and carries out immunisation and vaccination.
		Immunisation/ Vaccination		
		Cleaning and disinfection of localities affected by infectious disease	ULBs	Disinfection of localities affected infectious disease and control and supervision of public markets is done by respective ULBs.
		Control and supervision of public markets		
		Solid Waste Management (SWM)	DULB and ULBs	Policy and strategy formulation for SWM projects are done by ULBs Department whereas execution of SWM is carried out by respective ULBs.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
15	Fire Services	Establishing and maintaining fire brigades	Director, Fire Services/ULBs	ULBs are establishing and maintaining the fire brigades under the direction of Director Fire Services ¹ . Approval for firefighting scheme and issuance/renewal of NOC for building with height more than 15 meter is given by Commissioner in case of Municipal Corporation and District Municipal Commissioner in case of Municipal Council/ Committee where as NOC for building less than 15 meter height is given by Assistant Divisional Fire Officer/Fire Station Officer who works under Director Fire Services.
		Providing fire NOC	ULBs/ Director Fire Services	
		Approval certificate in respect of high rise buildings		
16	Water supply for domestic, industrial and commercial purposes	Distribution of water	Public Health and Engineering Department (PHED), ULBs, HSVP and GMDA	All activities relating to water supply are performed by PHED except in four Municipal Corporations (i.e. Gurugram, Faridabad, Karnal and Sonapat) where it is performed by concerned MCs. HSVP is providing water supply in urban estates developed by it.
		Providing connections		
		Operation & Maintenance (O&M)		
		Collection of charges		
Functions where ULBs have insignificant role				
17	Urban forestry, protection of environment and promotion of ecological aspects	Afforestation	Forest Department, Haryana Pond and Waste Water Management Authority (HPWWMA) and ULBs	Forest Department plays a significant role in discharge of this function. Protection of environment and promotion of ecological aspects was solely vested with the Forest Department. Natural resources like water bodies in the State is maintained by HPWWMA. ULBs are involved in Greenification and awareness drive.
		Greenification		
		Awareness drives		
		Protection of the environment and promotion of ecological aspects		
		Maintenance of natural resources like water bodies, etc.		

¹ Earlier, Director, ULBs was Ex-officio Director of Fire Services however, w.e.f. 1 August 2021, separate post of Director Fire Service has been created and separate budget for 2021-22 allotted for maintenance of fire stations in the State.

Sr. No.	Functions	Activities	Authorities discharging the function	Remarks
18	Promotion of cultural, educational and aesthetic aspects	Schools and education	DSE and DHE	The Department of School Education (DSE) and Department of Higher Education (DHE) is discharging the main responsibility regarding school and higher education. Fair and festivals are organised by Art & Cultural Affair Department and Kurukshetra Development Board (KDB) in association with ULBs. KDB has also role in development and maintenance of cultural buildings. Directorate of Archaeology and Museum maintains heritage/monuments sites. ULBs are performing activities relating to public space beautification.
		Fairs and festivals	Art & Cultural Affair Department, KDB and ULBs	
		Cultural buildings/ institutions	Art & Cultural Affair Department	
		Heritage	Directorate of Archaeology & Museum	
		Public space beautification	ULBs	

The actual status of devolution of functions in the test checked ULBs in terms of fully/partial devolved functions is given in the **Appendix 4.1** and as per the actual status only four functions (Sr. No. 1, 2, 3 and 4 of the above table) had been fully devolved and remaining functions were partially devolved which is in contravention of Section 66A of HM Act, 1973 and Sections 41 and 42 of HMC Act, 1994.

It could be seen from the above table that, ULBs in the State play significant role in providing urban infrastructure, public and urban amenities within its jurisdiction, which require huge financial resources due to growing urbanisation. The own financial resources of the ULBs in the State were not sufficient to meet their revenue expenditure, as discussed in Paragraph 6.3.1 and they were totally dependent on grants from the Government for the mandated activities. Therefore, there is a dire need to augment own resources of the ULBs to carry out their core responsibilities. Land is a powerful instrument for mobilisation of resources to meet the growing needs for urban infrastructure and amenities. Further, the land being finite resource and lack of planning as per local requirements may restrict provisioning of urban infrastructure and amenities by ULBs.

Given the backdrop, devolution of functions like urban planning including town planning and regulation of land use to ULBs assumes prominence not only for raising own financial resources but also for overall planning purposes to meet the needs for growing urbanisation by ULBs. However, it is evident from the above table that the State Government had not fully devolved these functions relating to land to ULBs. The TCPD alongwith HSVP play a major

role in these functions thereby restricting the autonomy of ULBs despite adequate provisions in the Constitution.

During exit conference, the department stated that four functions had been fully devolved and remaining functions were partially devolved by ULBs. Further, the department assured that the effort would be made to provide more autonomy in respect of functions enumerated in the Constitutional Amendment.

Recommendation: 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.

4.2 Institutional mechanisms for empowerment of Urban Local Bodies

4.2.1 State Election Commission

As per article 243ZA(1) of 74th CAA, the powers of the State Election Commission (SEC) include superintendence, direction and control of the preparation of electoral rolls for and the conduct of all elections to municipalities. However, the power of delimitation of wards, reservation of seats for the council and rotation policy of seats for the posts of Mayor/President and wards were vested with the State Government as per Haryana Municipal (Delimitation of ward) Rules, 1977. This was not in accordance with the recommendation of the Second Administrative Reforms Commission (SARC), which recommended to entrust the task of delimitation and reservation of constituencies to SEC, which was accepted by the GoI.

Further, the State Government delayed delimitation process, which in turn delayed council elections of 50 municipalities for 7 to 29 months during 2015-16 to 2019-20. As a result, the people of these municipalities could not get their elected representatives in time.

During exit conference, the department stated that the efforts would be made to avoid the delay in future.

4.2.1.1 Composition of Municipalities

Article 243R of 74th CAA stipulates the composition of Municipalities. As per the HMC and HM Acts, the Corporations and Municipalities consist of Elected Members as well as Nominated Members in accordance with Article 243R of 74th CAA. The nominated members do not have voting power.

The Commissioner/Executive Officer/Secretary are the executive head of the Municipal Bodies. The Commissioner in the case of Municipal Corporation,

the Executive Officer in the case of a Municipal Council and the Secretary in the case of Municipal Committee, shall have the right to attend all the meeting of the municipality and to take part in discussion but shall not have the right to vote therein.

Audit observed that the composition of municipalities were as per the prescribed norms.

4.2.1.2 Reservation of seats

Article 243T of 74th CAA stipulated reservation of seats for SC/ST, Women and Backward Classes in every municipality for direct election. The Article provides for reservation of seats for SC/ST in proportion to SC/ST population to the total population of that municipality and reservation of minimum one-third of the total number of seats for women belonging to the SC/ST. The Article also provides for reservation of minimum one-third of the total seats for women (including the number of seats reserved for women belonging to the Scheduled Castes and the Scheduled Tribes). The Article further empowers the State Legislature to provide reservation for Backward Class and rotation of reserved seats.

The HM Act and HMC Act also provide for reservation of seats for SC and women in all Municipalities and rotation of seats as per the requirement of constitution. Both the Acts provides for reservation of two seats in each municipality for Backward Classes.

Audit observed that the seats reserved for SC/Women and rotation of the reserved seats were as per the prescribed norms.

4.2.1.3 Status of elections and formation of councils

The election shall be conducted by SEC as stipulated in HMC (Election) Rules, 1994 and HM (Election) Rules, 1978. Elections of ULBs shall be completed before the expiry of their duration or in case of dissolution before the expiry of a period of six months. Further, as per Article 243U(3)(a) of Constitution of India and provisions of the HMC/HM Acts, a fixed tenure of five years for the members of ULBs from the date of first meeting has been prescribed. The status of elections and formation of councils in the ULBs of the State as of September 2020 is depicted in **Table 4.2**.

Table 4.2: Status of elections and formation of councils in ULBs

Total No. of ULBs	87
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

Source: Information furnished by DULB

As evident from the above that there were no councils in 12² ULBs. In the absence of an elected council, the involvement of elected representatives in decision making and implementation, which is an essential element of democracy is missing.

Recommendation: 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 Reforms Commission.

4.2.1.4 Mayor/President

In Haryana, the post of Mayor as well as President is filled by direct election from November 2018 to December 2019 onwards amongst the persons belonging to the General Category, Scheduled Castes, Backward Classes and Women by rotation. The number of offices of the Mayor and President is reserved for SCs and BCs in proportion to the population of these categories in the State. The term of office of Mayor in the Corporations is five year or residue of the term of his office while the term of President is five year from the date of first meeting of the municipality. Mayor is empowered to preside over every meeting of the Corporation, enjoys the power of inspection, may give direction to the Commissioner (Executive Head) with regard to implementation of any resolution of the Corporation and may call for any record of the Corporation from the Commissioner. The President has the power of general control over all the works of municipality. President is also empowered to pass orders on all matters that may be referred to him through the Executive Officer or the Secretary. The President also has extraordinary powers in cases of emergency. On the occurrence or threatened occurrence of any event/involving/likely to involve extensive damage to property/danger to human life/grave inconvenience to the public, the President, may, direct the execution of any such work which the committee is empowered to execute, and may direct that the expense of executing such work be paid from the municipal fund.

4.2.1.5 Meeting of House

As per Section 52(1) of the HMC Act and Section 25 of the HM Act, Corporation/Council/Committee shall ordinarily hold at least one meeting in every month for the transaction of its business. Scrutiny of records of selected ULBs revealed that only 226 meetings were held during April 2015 to March 2020 as against the stipulated 710 meetings. Thus, adequate numbers of

² Municipal Corporation: Ambala, Panchkula and Sonapat, Municipal Council: Rewari, Municipal Committee: Bass, Dharuhera, Ismailabad, Kundli, Sadhaura, Sampla, Sisai and Ukalana.

meetings were not held in compliance of the State municipal laws. The detail of meetings held by each test checked ULBs is given in **Appendix 4.2**.

4.2.1.6 Formation of ad-hoc committees

Section 40 of HMC Act provides that Corporation may constitute ad-hoc committees for discharge of its functions. Bye-law 22 of Haryana Municipal Corporation Business bye-laws, 2009 provides for formation of 14 ad-hoc committees (**Appendix 4.3**) in Municipal Corporation to conduct the business for the purpose of carrying out the provisions of HMC Act. Bye-law 17 of HM Business Bye Laws, 1981 provides that a Municipal Council/Committee may appoint three Sub-Committees (i.e. Finance, Public Works & Building and Sanitation & Water Supply) to assist the Council/Committee in its administration. These bye-laws further provide that all such functions shall be transacted in the respective committees before its resolution in the house and approval of Commissioner/Government and meeting of these committees shall be convened once in a month and such shorter period as the Committee or Sub Committee may decide.

Audit observed that out of 15 test-checked ULBs, only three³ ULBs constituted ad-hoc committees (ranging between four and eight), which were not also functional as very few meetings were held by these committees as detailed in **Appendix 4.3**.

During exit conference, the department stated that instructions would be given to the concerned ULBs to hold adequate numbers of meetings as well as ensure formation and functioning of ad-hoc committees as may be relevant to the status in the concerned Municipal Body.

4.2.2 Wards Committees

Article 243S (1) of the Constitution provides for Wards Committees (consisting of one or more wards) in all Municipalities with a population of three lakh or more. It further requires State Legislature to make provisions with respect to (a) the composition and the territorial area of a wards committee (b) manner in which seats in a Wards Committee shall be filled.

Audit observed that Sections 10 and 34 regarding constitution of Wards Committees were incorporated in HMC Act and HM Act respectively. However, enabling Rules specifying composition, territorial area, term, power and functions of Wards Committees were not framed under these Acts by the State Government for implementation of related provisions of the Acts. Audit further observed that out of 87 ULBs, eight⁴ ULBs were having population of

³ (i) Panchkula, (ii) Ambala and (iii) Yamunnagar.

⁴ (i) Faridabad, (ii) Gurugram, (iii) Hisar, (iv) Karnal, (v) Panipat, (vi) Rohtak, (vii) Sonapat and (viii) Yamunanagar.

three lakh or more as per censuses 2011. However, no Wards Committee were constituted in these ULBs as prescribed under the Article 243 S (1) of the Constitution.

Thus, due to non-framing of Rules by the State Government, the crucial constitutional provision for Wards Committees remained unimplemented which hampered the decentralisation in local governance.

4.2.3 Area Sabha and Ward Committee

Article 243S (5) of 74th CAA empowers the State Government for making any provision for constitution of committees in addition to Wards Committees. In this regard, the State Legislature enacted Haryana Municipal Citizen's Participation Act, 2008 to institutionalise citizen participation in municipal functions by setting up of Area Sabha and Ward Committee. As per provisions of the *ibid* Act, Area Sabha shall consist of all the person registered in the electoral rolls pertaining to every polling booth and person nominated by Area Sabha will acts as an Area Sabha representative, who shall be the Ex-officio member of the Ward Committee. Further, a Ward Committee for each ward in a municipality shall be constituted consisting of not less than three and not more than 10 persons representing the civic society as Area Sabha representatives, from the ward, to be nominated by municipality

The main functions of the Area Sabha is to (a) determine priority of scheme/developmental programmes to be implemented in the area, (b) identify most eligible beneficiaries and (c) identify deficiencies in the civic amenities, etc. The main functions of ward committee is to (a) assist in preparation of wards plans in a manner consistent with the district plans, ward budget, (b) to map the ward infrastructure index of ward and (c) conduct supervision of sanitation work in the ward, etc.

Audit observed that the State Government has not framed rules for nomination of Area Sabha representatives. Further, Area Sabha/Ward Committee were not formed in 15 test checked ULBs. Resultantly, citizen participation in local governance through Area Sabha and Ward Committee could not be ensured which defeated the objective of facilitating community participation in local governance.

During exit conference, the department assured that necessary steps would be taken in this regard.

Recommendation: 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.

4.2.4 District Planning Committee and Metropolitan Planning Committee

Article 243ZD of 74th CAA provides for the constitution of a District Planning Committee (DPC) for consolidation of plans prepared by the Panchayats and the municipalities. The DPC was to prepare a Draft Development Plan (DDP) with regard to matters of common interest between the Panchayats and the municipalities including spatial planning; sharing of water and other physical and natural resources; integrated development of infrastructure and environment conservation and extent and type of available resources, whether financial or otherwise. State Government framed DPC Rules, 1997 with regard to composition, functions and role of DPC under Section 203B of HM Act. The DPCs were constituted in all districts.

Article 243ZE of 74th CAA provides for Constitution of a Metropolitan Planning Committee (MPC) in every Metropolitan area⁵, to prepare a draft development plan for the Metropolitan area as a whole on matters of common interest between municipalities and the panchayats. State Government has framed Rules with regard to composition, functions and role of MPC under Section 417 of HMC Act and constituted (June 2017) MPC for metropolitan area, Faridabad, which had population of more than 10 lakh as per 2011 census.

DPCs/MPC formed in the State did not prepare Draft Development Plan as per the constitutional provisions, however, they were involved in finalisation of Draft Development Plan of the respective urban areas in the State which is statutory plan prepared under Section 5 of Punjab Scheduled Roads and Controlled Areas Restriction of Unregulated Development Act, 1963. Its purpose is to allocate land for various uses and plan infrastructure within a particular area or city for future. Urban Development Plans Formulation and Implementation Guidelines, 1996 issued by Ministry of Urban Development (MOUD), GoI recommended that DPC/MPC should be constituted under State Urban and Regional Planning Act in order to institutionalise the planning process at district level as envisaged in 74th CAA. Further, URDPFI⁶ Guidelines, 2015 issued by MOUD pointed out that the Area Planning and Development Authorities constituted to prepare and enforce development plans of urban centres under the State Town and Country Planning Act or other Acts may have a conflict of role and functions with the Urban Local Authorities constituted under modified State Municipalities Act and therefore, it suggested that taking into consideration the spirit of 74th CAA, these bodies

⁵ Metropolitan area” means an area having a population of 10 lakhs or more comprised in one or more districts and consisting of two or more Municipalities or Panchayats or other contiguous areas, specified by the Governor by public notification to be a Metropolitan area for the purposes of this Part.

⁶ Urban and Regional Development Plans Formulation and Implementation.

should be merged or work as technical wings of the MPC and DPC wherever the case may be and administrative amalgamation process should be effectively decided by the State Governments.

Audit observed that DDPs for urban areas were not being prepared by the respective ULBs and were being prepared by TCPD/DULB after consultation with ULBs. The same were then forwarded to DPC/MPC for their recommendations. State Level Committee (SLC) of TCPD approved the same after considering the recommendations of DPC/MPC. The above procedure of approval of development plans is not as per the spirit of 74th CAA as State Government had not taken any action as per the guidelines of UDPFI/URDPFI.

Audit further observed that during 2015-16 to 2019-20, DPC was not involved in approval of Annual District Plan which includes various developmental works relating to Panchyats and Municipalities as the State Government had formed (October 2012) another committee i.e. District Development and Monitoring Committee⁷ (DDMC) for approval of Annual District Plans in place of DPC in all the districts.

As per Rule 12 of DPC Rules, DPC was required to meet for transaction of business at least once in three months. Audit in this regard observed that in six test checked districts⁸, only 11 meetings of DPC were held during April 2015 to August 2020.

During exit conference, the department stated that the matter would be taken with State Government to provide greater autonomy to the DPC & MPC.

Recommendation: 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.

4.2.5 State Finance Commission

Article 243-I read with Article 243-Y of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission within one year of the commencement of the 74th CAA and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review the financial position of the local bodies and to make

⁷ Committee is chaired by Minister-in-charge of District Grievance Redressal Committee and other members consisting of Deputy Commissioner, Additional Deputy Commissioner, MP and MLA of district concerned, Commissioner and Mayor/Deputy Mayor of Municipal Corporation, all President of Municipal Council/Committee, President and Vice President of Zila Prishad and all Chairman of Panchyat *Samiti*.

⁸ Ambala, Karnal, Kurukshetra, Kaithal, Panchkula and Yamunanagar.

recommendations to the Governor for devolution of funds. State Government through amendments in HM and HMC Acts provided for constitution of SFC.

4.2.5.1 Delay in constitution of the SFC and implementation of recommendations

State Government were required to constitute a SFC within one year of the commencement of the 74th CAA and thereafter on expiry of every five years as mandatory in Article 243-I read with Article 243-Y of the Constitution of India.

In Haryana, Six SFCs were constituted between May 1994 and September 2020 with delay ranging from two months to 15 months. The details of constitution, acceptance and implementation of recommendations of these Five SFCs Reports were given in *Appendix 4.4*.

Five SFCs (1st to 5th SFC) could not finalise their report in the allotted time of one year and accordingly, the time had to be extended due to various reasons such as delay in providing of office accommodation, allocation in budgetary provision, appointment of technical staff, difficulties in getting reliable information from local bodies, non-availability of database relating to previous SFC and non-appointment/delay in appointment of full time member secretary.

As per 5th SFC recommendations, sixth SFC should be established by September 2019 and finalisation of its report by December 2020 to facilitate adoption of the Sixth SFC proposals from the 2021-22 fiscal year. However, the State Government constituted Sixth SFC in September 2020 after delay of one year.

4.2.5.2 Response of the State Government to SFC recommendations

The State Government may accept the recommendations of the SFC in totality or with certain modifications. Audit observed that the State Government accepted few of the recommendations with modifications. The SFC-wise recommendations and their acceptance/modifications with reference to transfer of funds are given in the *Table 4.3*.

Table 4.3: SFC-wise important recommendations and their acceptance/modifications

SFC	Recommendations	Modifications
First	Devolution of 50 <i>per cent</i> of the net proceeds from entertainment duty and entire net income from show tax of State Government.	25 <i>per cent</i> of the net proceeds from entertainment duty and entire net income from show tax only.
	Devolution of 20 <i>per cent</i> of the royalty on minor minerals of State Government.	Not accepted
	Grant-in-aid of ₹ 50 per capita for Municipal Corporation/ Council/ Committee.	Not accepted
Second	Devolution of 50 <i>per cent</i> of entertainment duty and show tax (estimated at ₹ 8.78 crore for the year 2005-06).	₹ five crore (lump-sum) from entertainment duty and show tax for 2005-06.
	Devolution of 20 <i>per cent</i> of the vehicle tax (estimated at ₹ 30.34 crore for the year 2005-06) of State Government.	₹ 16 crore (lump-sum) from vehicle tax for 2005-06.
	Devolution of 20 <i>per cent</i> of the royalty on minor minerals of State Government (₹ 17.57 crore for the year 2005-06).	₹ 10 crore (lump-sum) from the royalty on minor minerals
	Grant-in -aid of ₹ 25 per capita for Municipal Corporation/ Council/ Committee (₹ 21.25 crore for the year 2005-06).	₹ 19 crore (lump-sum) as Grant-in-aid
	Waive of loan liability of ₹ 5.92 crore as one time measure	Not accepted
Third	Devolution of four <i>per cent</i> of the net own tax revenue of the State in addition to Excise and Local Area Development Tax (LADT)	Two <i>per cent</i> of the net own tax revenue of the State in 2006-07, 2007-08, 2010-11 and at Three <i>per cent</i> in 2008-09 and 2009-10.
Fourth	Devolution of 2.5 <i>per cent</i> of the net own tax revenue of the State in addition to surcharge on VAT and excise.	The State Government did not constitute the Cabinet Sub-Committee to examine the recommendations of the SFC. Therefore, no recommendation was accepted.
Fifth	Devolution of seven <i>per cent</i> of the State own tax revenue (SOTR) and Stamp duty of two <i>per cent</i> over and above the recommended devolution	No modification.

Besides the above recommendations relating to devolution, the SFCs recommended several institutional and other measures that would strengthen ULBs in the long term. An illustrative list of recommendations, which are not implemented are indicated below:

- Creation of an incentive fund with 10 *per cent* of annual entitlement of ULBs to reward better performing local bodies in their resource raising efforts (3rd SFC Para 11.53).
- To transfer water supply to ULBs in gradual manner covering operations and maintenance (O&M) initially followed by capital works subsequently (3rd SFC Para 13.50).
- ULBs should be given full freedom to levy taxes, duties, fee, etc. within the limits prescribed by law subject to floor or ceiling rates fixed by the State Government (4th SFC Para 15.34).
- Setting up of separate institution to address the capacity building for all stakeholders relating to functioning of ULBs (4th SFC Para 15.145).
- To rationalise revenue raising powers of the Municipalities. In reviewing the revenue raising powers of the municipalities, it would be appropriate to ensure that they are also authorised to levy and collect all taxes, fees and toll, which can be collected by the Municipal Committees and Councils and vice-versa (5th SFC Para 4.7.9).

- To put in place a mechanism to prepare monthly Management Information System (MIS) of the feedback received from the local residents (be it complaints or suggestions), analyse and classify these to identify the problem areas and the areas where improvement may be made (5th SFC Para 4.5.18).
- To establish a State Level Urban Shared Services Center (USSC) to provide technological support and expertise to ULBs to improve their delivery of public amenities and services (5th SFC Para 4.2.17).
- To conduct professional assessment of staff required for ULBs to perform in a manner for desired outcomes (5th SFC Para 4.11.8).

Implementation of the above recommendations would have contributed significantly to the realisation of the objectives of the 74th CAA. Non-implementation was a setback to the process of achieving envisaged decentralisation. The detailed list of other Fifth SFC recommendations which had not been implemented yet is given in **Appendix 4.5**.

During exit conference, the department stated that matter would be taken up with the State Government in this regard.

Recommendation: 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.

4.3 Powers of the State Government over ULBs

Audit observed that the State Government had overriding powers over ULBs, which was against the spirit of the 74th CAA. Illustrative list of provisions are indicated in the **Table 4.4**.

Table 4.4: Statement showing the overriding powers of State Government over ULBs

Sr. No.	Subject	Provision
1	Power to frame Rules	The State Government may by notification in the Gazette make rules consistent with the HMC/HM Act. HMC Act also requires approval of State Legislature in this regard (Section 257 of HM Act and Section 390 (2) of HMC Act).
2	Power to cancel and suspend a resolution or decision taken by ULBs	Deputy Commissioner/State Government may suspend the execution of any a resolution or order of ULBs, if in their opinion it is in excess of the powers conferred under HM/HMC Acts or any other law, or contrary to the interest of public or is likely to lead to breach of the peace or cause injury and/or annoyance to the public or any class or body of persons (Section 246 of HM Act and Section 414 of HMC Act).

Sr. No.	Subject	Provision
3	Power to dissolve ULBs	The State Government may, by notification, in which the reasons for so doing shall be stated, dissolve an ULB, in case ULB remain incompetent to perform, or persistently makes default in the performance of the duties imposed on it by or under this or any other Act, or exceed or abuse its power after conducting an enquiry by an officer, not below the rank of an Extra Assistant Commissioner, appointed by the State Government and the ULB concerned has been given a reasonable opportunity of being heard. (Section 254 of HM Act and Section 400 of HMC Act).
4	Power to sanction Bye-laws	Section 392 of HMC Act empowers the Municipal Corporation to make bye-laws. However, the bye-laws made by Municipal Corporation are not valid unless and until approved by the State Government. Further, the State Government has power to change and to cancel the bye-law (Section 394 of HMC Act). In case of Municipal Council and Committee, power to make bye-laws rest with the State Government. (Section 200 of HM Act).
5	Power to sanction for borrowing money	Section 150 of HMC Act allows Municipal Corporation to borrow money, but only after prior sanction from the Government. However, there is no specific provision with regard to borrowing power of Municipal Council and Committee in HM Act.
6	Power for lease/sale of property	As per Section 164 of HMC Act prior approval of the State Government is required for disposal of movable/immovable property exceeding in value of ₹ 20,000. Similarly, the State Government approval is required for lease of immovable property for lease period exceeding 10 years or for lease in perpetuity of any immovable property exceeding ₹ 20,000 in value or the annual rent of which exceeds ₹ 10,000. Prior approval of the State Government is required for sale/lease of property by Municipal Council and Committee (Rule 6 and 7 of Haryana Management of Municipal Properties and State Properties Rules, 2007).
7	Power in respect of taxation	Section 149 of HMC Act allows the State Government to exempt in whole or part of the payment of any tax any person or class of persons or any property. Further, the State Government may suspend the levy of any tax if in their opinion it is unfair in its incidence. As per Section 75 of HM Act, the State Government may modify the rate of any tax imposed by Municipal Council and Committee.
8	Approval of Budget Estimates	As Section 83 (3) of HMC Act, budgets estimates of municipal corporation are approved by State Government. As per Section 257 (3) of HM Act read with Para II.8 of Municipal Account Code, 1930, Divisional Commissioner/Deputy Commissioner approves the budget for municipal councils/committees.

During exit conference, the department stated that matter would be taken up with the State Government in this regard.

4.4 Parastatals, their functions and impact on Urban Local bodies

The objective of the 74th CAA was to entrust delivery of major civic functions to ULBs. On one hand, the various departments of the State Government are delivering core civic functions such as urban planning, regulation of land use,

water supply and sewerage (except in four⁹ Municipal Corporations) and public health and on other hand, functions such as development of urban infrastructure/amenities, urban planning for metropolitan, poverty alleviation, affordable housing, slum improvement and promotion of cultural activities are being delivered by parastatals constituted before 74th CAA as well as newly created parastatals constituted after 74th CAA. The role of parastatals and their impact on the devolved functions is discussed in the subsequent paragraphs.

4.4.1 Haryana Shehri Vikas Pradhikaran

Haryana Shehri Vikas Pradhikaran (HSVP) (erstwhile Haryana Urban Development Authority) was constituted under the Haryana Urban Development Authority Act, 1977 (HUDA Act¹⁰). The members of HSVP consist of Chief Minister as Chairman and Chief Secretary as Vice-Chairman, other members appointed by the State Government including Chief Administrator who shall be responsible for general supervision of operations of the HSVP. The governing body of HSVP does not have any representation from ULBs. The main functions of the HSVP are to promote and secure development of urban areas (including municipal areas) by acquiring undeveloped land. It carries out physical infrastructure development works like roads and bridges, water supply and sewerage systems, storm water drainage systems and horticulture works on undeveloped land and disposes of the developed land for residential, industrial, institutional and commercial purposes after making zonal/sector plan in accordance with the development plan of the area.

The State Government, at the request of the HSVP, acquires land and on payment of the compensation awarded for the land by the HSVP, the land is owned by HSVP. HUDA Act empowers State Government to suspend the powers of municipalities relating to the control on development and use of land/building and transfer such power to HSVP in respect of land acquired. Consequent upon transfer of such power, HSVP shall be deemed to be municipality concerned and the Chief Administrator of HSVP shall be deemed to be the committee of the municipality. HSVP is also empowered to levy additional stamp duty at the rate of one to three *per cent* (in addition to stamp duty payable under Indian Stamp Act, 1899) on registration of independent floors in the Urban Estates/Sectors developed by HSVP subject to approval of the same by the State Government. Consequently, HSVP has been approving building plans and enforcing building bye-laws in the area developed by it.

HUDA Act also empowers HSVP to transfer the responsibility for maintenance of amenities of developed sectors to ULBs concerned in whose

⁹ Municipal Corporation: Faridabad, Gurugram, Karnal and Sonapat.

¹⁰ HUDA Act, 1977 was renamed as Haryana Shehri Vikas Pradhikaran Act, 1977 vide Gazette Notification No. 15-HLA of 2018/15/4102 dated 10 March 2018

limit, developed sector is situated as per the terms and conditions agreed upon. In this regard, the State Government decided (March/April 2016) to transfer 207 developed sectors in various parts of the State to respective ULBs for maintenance of water supply, sewerage, storm water, street-lights and roads, etc. Audit observed that only 166 sectors could be transferred to respective ULBs till October 2020.

As per terms and conditions of the transfer, HSVP was required to share 75 *per cent* of receipts (i.e. extension fee, building application fee and composition charges) with respective ULBs on monthly basis. Further, HSVP had to transfer 50 *per cent* of profit margin of the sale/auction receipt of the unsold sites to the concerned ULBs.

Audit observed that HSVP did not release any amount on account of 75 *per cent* share of ULBs in the said fee/charges to ULBs upto April 2018. HSVP proposed (April 2018) that it might release ₹ 265.57 crore as one time measure for repair/maintenance roads of transferred sectors with the condition that no further payment in lieu of the 75 *per cent* share shall be made to ULBs in future. The State Government approved (May 2018) the proposal in view of financial crunch being faced by HSVP. Accordingly, HSVP released (May 2018) ₹ 265.57 crore for ULBs. No mechanism was evolved (upto September 2020) either to ascertain the amount due on account of 50 *per cent* profit margin and regular transfer of the due amount to respective ULBs. In absence of any mechanism, the amount due for recovery from HSVP could not be ascertained. Resultantly, ULBs were deprived of their due share of revenue required for maintenance of civic amenities in these sectors.

It was observed that the State Government did not transfer functions relating to building regulations, disposal landfills site for solid waste management and sewerage treatment plants to the respective ULBs and HSVP continued to discharge these functions in these sectors despite the fact that these functions have been devolved to ULBs under HMC and HM Acts consequent to implementation of 74th CAA.

Thus, the ULBs were not allowed to discharge their constitutionally mandated role in urban planning, regulation of land use, provision of urban infrastructure and civic amenities in urban estate/sectors developed by HSVP. Further, the role assigned to ULBs in the transferred urban estates/sectors is only in letter and not in spirit of 74th CAA.

4.4.2 Gurugram Metropolitan Development Authority and Faridabad Metropolitan Development Authority

The Government established (December 2017) Gurugram Metropolitan Development Authority (GMDA) under Gurugram Metropolitan Development Authority Act, 2017 for development of municipal area of Municipal

Corporation, Gurugram, Municipal Council, Sohna, three Municipal Committees, Farukhnagar, Hailey Mandi and Pataudi and *abadideh*¹¹ of any Panchayat in Gurugram District. The governing body of the GMDA consist Chief Minister of the State as Chairperson and other members including TCP Minister, Urban Development Minister, Transport Minister, MPs/MLAs falling within notified area, Mayor and Deputy Mayor, Commissioner, Deputy Commissioner of Municipal Corporation, Gurugram, Zila Parishad Chairman, senior officials of TCPD and DULB.

The mandate of GMDA is to prepare integrated and coordinated plans for infrastructure development including urban amenities, mobility management, sustainable management of the urban environment and take measures for social, economic and industrial development for metropolitan area in coordination with local authorities (i.e. ULBs, Gram Panchayat, Panchayat Samiti and Zila Parishad) and GoI and other Government agencies and to establish a modern geospatial-based system for planning purposes. The Act empowered GMDA to carry out function relating to urban planning and regulation of land use and to acquire land for implementation of infrastructure development works and sustainable management of the urban environment. The GMDA has the power to direct the local authority to remove any obstruction or encroachment on roads including cycling tracks, open spaces, pedestrian footpaths or properties and call for report, return or information from local authorities. GMDA is also operating the city bus service through Gurugram Metropolitan City Bus Services i.e. a company incorporated under the Companies Act, 2013 for the metropolitan area.

The Act empowers GMDA to levy duty (not more than two *per cent*) on transfer of immovable properties situated within the limits of notified area in addition to duty imposed under Indian Stamp Act, 1899 and on sale and consumption of liquor in notified area with prior approval of the State Government.

The State Government has imposed (April 2021) one *per cent* stamp duty to be collected by GMDA as discussed in Paragraph 6.1.2.1. GMDA is also providing bulk water supply to bulk consumers in Gurugram and it had recovered ₹ 183.95 crore from consumers/users during 2017-20 for various types of user charges (e.g. water sewerage bill charges, water tanker and new water connections sewerage charges, etc).

As per Section 32 (1)(c) of the GMDA Act, it shall maintain its own fund which shall consist all money received by GMDA as a grant, loans and advances received from the GoI/State Government and Municipal Corporation, Gurugram. The State Government approved (October 2017) grant of ₹ 500 crore to GMDA from the income of Municipal Corporation, Gurugram as per the above mentioned provision under GMDA Act subject to

¹¹ In inhabitant site of village.

condition that the said sum of money can be utilised only for the purpose of infrastructure development and provision of urban amenities within the limits of Municipal Corporation, Gurugram. Audit observed that out of ₹ 500 crore, ₹ 46.94 crore was diverted and incurred on external development works relating to licenses provided to developers for which developers were required to deposit external development charges (EDC) to GMDA. Further, GMDA initiated development works of only ₹ 282.16 crore against ₹ 500 crore upto June 2021 in Municipal Corporation, Gurugram area.

The objective of 74th CAA was that the State Government should devolve planning powers to the third tier of Government and desist from making plans for them. As recommended in the URDPFI Guidelines (discussed in Paragraph 4.2.5), this type of body should serve as technical arm of the MPC. Further, overall structure of GMDA and financial powers assigned to it undermines the role of ULBs in local governance.

On similar lines, the State Government established (February 2019) Faridabad Metropolitan Development Authority (FMDA) for Municipal Corporation, Faridabad and *abadideh* of any Panchayat in Faridabad District by enactment of Faridabad Metropolitan Development Authority Act, 2018.

4.4.3 Haryana Urban Infrastructure Development Board

The Haryana Urban Infrastructure Development Board (HUIDB) was constituted (April 2002) by amending HM Act to raise resources for provision and upgradation of urban infrastructure; town planning implementation techniques; providing training facilities/human resources development in urban management and coordination, planning and implementation of the approved schemes/projects of the municipalities. The governing body of HUIDB consists of a Chairman, Vice-Chairman, Chief Administrator, Secretary and nine other ex-officio members appointed by the State Government and there was no representation from ULBs.

As per Section 203L of HM Act, HUIDB constituted a fund¹² consisting of receipt on account of license fee, scrutiny fee, land use conversion charges, composition fee for granting license to private developers and permission for change in land use by the DULB Department under State Municipal Acts, grants, loans and financial assistance provided by GoI/State Government and any other fee/charges specified by the Government.

Audit noticed that DULB deposited ₹ 158.11 crore on account of external development charges collected from developers/institutions with the HUIDB upto November 2020. This amount was required to be transferred to concerned ULBs for carrying out development works. However, the same is lying unspent with HUIDB.

¹² Haryana Urban Infrastructural Development Fund.

HUIDB also received ₹ 129.88 crore on account of license fee, composition fee, scrutiny fee, etc. during 2015-16 to 2019-20. Audit observed that out of ₹ 129.88 crore, ₹ 88.97 crore was lying unspent with HUIDB as of December 2020.

The State Government declared (July 2015) HUIDB as nodal agency for implementation of “Atal Mission for Rejuvenation and Urban Transformation” (AMRUT), a Centrally sponsored scheme with a mission period of five years (2015-20) with a aim of strengthening Urban infrastructure and improvement of slums. The AMRUT was being implemented through 18¹³ ULBs of the State in association with project consultants. Funds for implementation of the scheme are shared between Centre and State Government. The respective ULBs prepared Service Level Improvement Plans (SLIPs) after assessing service level gaps in the areas of water supply, sewerage, drainage and parks. On the basis of SLIPs, the State Annual Action Plan (SAAP) was prepared (November 2015) by the Board. HUIDB receives the funds from the GoI and State Government to implement the SAAP. Further, the funds are released to the concerned ULBs for the implementation of various projects as approved in SAAP. HUIDB has appointed consultants for preparation of detailed project reports/tender documents, bidding process, award of contract, supervision and contract management.

4.4.4 Kurukshetra Development Board

The Kurukshetra Development Board (The Board) was constituted (August 1968) by the State Government under the Societies Registration Act, 1860. The governing body of the Board consists of Governor as Chairman, Chief Minister as Vice-Chairman and 18 other members including Urban Development Minister, Revenue Minister, Finance Minister, etc. There is no representation from the elected representatives of the concerned ULBs.

The objectives of the Board are overall comprehensive development of various *tirths*¹⁴ in Kurukshetra and other Area of the State including its landscaping, renovation of historical buildings and tanks, providing civic amenities to the visiting pilgrims and tourists as well as upkeep and maintenance of the *tirthas*. The Board has preserved and developed various *tirths* in the State and also allotted land to various voluntary organisations for the construction of dharamshalas to provide cheaper accommodation to the visiting pilgrims and tourists. As part of fair and festivals, the Board organises *Suryagrahan* and Gita Mahotasav as international events and various local events like somvati

¹³ (i) Gurugram, (ii) Panchkula, (iii) Ambala, (iv) Yamunanagar, (v) Karnal, (vi) Hisar, (vii) Rohtak, (viii) Faridabad, (ix) Panipat, (x) Kaithal, (xi) Rewari, (xii) Bhiwani, (xiii) Thanesar, (xiv) Sonapat, (xv) Bahadurgarh, (xvi) Palwal, (xvii) Sirsa and (xviii) Jind.

¹⁴ Religious/pilgrimages places.

Amavasya mela, sarsawati puja, etc. State Government released grant-in-aid of ₹ 114.79 crore to the Board for various development works during 2015-20.

Thus, the role of KDB is inconsistent with the spirit of 74th CAA as both HMC and HM Act stipulate cultural promotion as one of the function of ULBs as mentioned in 12th schedule of the Constitution.

4.4.5 State Urban Development Authority

The State Urban Development Authority (SUDA) is nodal agency for implementation of Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM) which is a centrally sponsored mission to reduce poverty and vulnerability of urban poor households by enabling them to access self-employment and skilled wage opportunity. SUDA performs its function as per DAY-NULM guidelines issued from time to time by the Ministry of Housing and Urban Affairs (MoHUA). In Haryana, SUDA works as State Urban Livelihood Mission (State Mission) which is supported by a State Mission Management Unit (SMMU) headed by State Mission Director. SMMU looks after the implementation of the Mission. At the city level, a City Mission Management Unit (CMMU) has been established in all DAY-NULM Cities¹⁵ to work under the overall guidance of the SMMU. The ULBs are implementing the DAY-NULM activities through CMMUs. The CMMUs have technical specialists having expertise in various fields like social mobilisation, institution and capacity building, livelihood/micro enterprises, micro finance, etc. which are funded under Capacity Building and Training component of DAY-NULM and such support under the Mission is limited to five years. Within the stipulated period, ULBs are required to build their internal capacities for effective implementation of urban poverty alleviation programmes. SUDA prepares the Annual Action Plan (AAP) on the basis of budgetary allocation received from the MoHUA and on the basis of AAP the MoHUA approve the targets for the States under the Mission. The SUDA further allocates the targets for the ULBs accordingly. SUDA has been receiving grants sanctioned by GoI/State Government and releasing the same to ULBs/CMMU.

Further, the SUDA was nodal agency for the monitoring of Pradhan Mantri Awas Yojana (Urban) Mission, (PMAY-U). The targeted population under the schemes (NULM and PMAY) was identified through a demand survey conducted by SUDA in association with ULBs through private agency.

Audit observed that though 74th CAA empowers ULBs to discharge responsibility with respect to Urban Poverty Alleviation, however, ULBs in

¹⁵ All District Headquarter Towns and all other cities with a population of 1,00,000 or more as per 2011 census.

the State were only implementing the schemes prepared by GoI that to under the overall supervision of SUDA.

4.4.6 Haryana Slum Clearance Board

Haryana Slum Clearance Board (HSCB) was constituted (April 1990) under the provisions of Punjab Slum Areas (Improvement and Clearance) Act, 1961. The objective of the Board is to undertake the development or re-development of slum areas, rehabilitation of slum dwellers in the State of Haryana (including municipal areas). All the powers related to improvement of the slum area, clearance of a slum area and re-development of a slum clearance are vested with the Board. The governing body of the HSCB does not have any representation from ULBs.

Audit observed that though HMC Act empowers Municipal Corporation to prepare a scheme in the slum improvement and upgradation of the slum area as provided in the Punjab Slum Areas (Improvement and Clearance) Act, 1961, all the powers of improvement/clearance of a slum area and re-development of the area vest with the HSCB. HSCB has not implemented/executed any scheme related to slums during 2015-16 to 2019-20. Resultantly, existence of the HSCB undermines the role of ULBs and its accountability to the people in the devolved function of slum improvement and upgradation.

HSCB was declared (February 2015) as nodal agency for implementation of Swachh Bharat Mission (Urban) in urban areas of the State. HSCB receives the funds from GoI and State Government. Thereafter, the funds are released by HSCB to the concerned ULBs for the implementation of various components¹⁶ as envisaged in SBM guidelines. A Project Management Unit (PMU) at directorate level and 21 Project Implementing Units at ULBs level have been established by HSCB through an outsourced agency to assist HSCB and ULBs for implementation of the Mission as envisaged in Mission guidelines. Thus, the role of HSCB as nodal agency for SBM is inconsistent with the spirit of 74th CAA as sanitation is core function of the municipal bodies.

4.4.7 Role of ULBs in Smart City Mission

Ministry of Urban Development (MoUD), GoI launched (June 2015) Smart City Mission (SCM) with aim to cover 100 cities during five years (2015-16 to 2019-20). As per the mission guidelines, each potential city will prepare smart city proposals (SCPs) with the help of consulting firm selected by the State Government from a panel prepared by MoUD. Final selection of cities was done by MoUD, on the basis of SCPs approved by the State Government. The implementation of the Mission at city level is to be done by Special Purpose

¹⁶ (i) Household Toilets, (ii) Community Toilets, (iii) Public Toilets and Urinals, (iv) Solid Waste Management and (v) IEC and Public Awareness.

Vehicle (SPV) created by State Government and the concerned ULB with equity participation of 50:50. Two cities in the State were declared as Smart City and accordingly, two SPVs i.e. Faridabad Smart City Limited (FSCL) and Karnal Smart City Limited (KSCL) were formed. As per the mission guidelines, projects of smart city will be financed through grants received from GoI funds and matching contribution by the State Government. In addition to this KSCL will also raise funds (either debt or equity) from public, institutional-investor, banks, financial institution and other sources such as user charges, tax and surcharge as determined by the State Government.

During the examination of the records of selected unit (MCK), audit observed that the House of the Municipal Corporation approved (April 2017) the SCPs containing projects of ₹ 1,295.81 crore to be executed by SPV. Accordingly, Karnal Smart City Limited (KSCL) under the Companies Act, 2013 was formed (December 2017) with paid capital of ₹ 10 lakh with equal contribution from the State Government and MCK. The main objective of the KSCL was to implement the projects of SCP and exercise such power, rights and obligations of MCK with respect to SCPs as may be delegated by the State Government/the Municipal Corporation under HMC Act, 1994 from time to time. The management of KSCL is vested in the Board of Directors¹⁷.

Audit observed that MCK has no role in execution of smart city projects as the same is within the purview of Board of Directors of KSCL. Further, there was no representation from elected members of MCK in the Board of Directors. The State Government has formed a city advisory forum at the city level which *inter alia* includes Mayor, MCK (as a member) for advising and monitoring of projects of smart city as per mission guidelines. The State Government released ₹ 120 crore (including ₹ 60 crore share of GoI) to KSCL upto October 2020.

During exit conference, the department confirmed the facts about substantial role of the parastatals like Haryana Shehari Vikas Pradhikaran (HSVP), Gurugram Metropolitan Development Authority (GMDA), the Kurukshetra Development Board, etc. and other Government Departments in carrying out some functions enumerated in the Constitutional Amendment for the Urban Local Bodies. It was further stated that State Urban Development Authority (SUDA), Haryana Slum Clearance Board (HSCB) and Haryana Urban Infrastructure Development Board (HUIDB) are ancillaries of the Urban Local Bodies Department.

¹⁷ Consisting of Additional Chief Secretary, ULBs Department (as Chairman), Director, ULBs Department, Deputy Commissioner, Karnal (as Chief Executive Officer), Municipal Commissioner, MCK, Chief Administrator, HSVP and Deputy Secretary, MoHUA, GoI.

Chapter V

Human resources of Urban Local Bodies

CHAPTER-V

Human resources of Urban Local Bodies

5.1 Limited powers over manpower

The status of exercising power in respect of executive functionaries provided to the ULBs in the State is given in the **Table 5.1**. The details in respect of the powers of executive functionaries are discussed in subsequent paragraphs.

Table 5.1: Status of exercising power in respect of executive functionaries provided to the ULBs in the State

Activities relating to functionaries	Authorities exercising the power in respect of functionaries	Remarks
Creation of municipal services	State Government	The Haryana Municipal Corporation Employees (Recruitment and Conditions) Services Rules, 1998 and the Haryana Municipal Services (Integration, Recruitment and Conditions of Service) Rules, 2010 list out the municipal services created for the municipalities and provisions regulating thereof.
Making rules relating to recruitment, pay, transfer and other conditions of service of persons appointed to the municipal Services and revision thereof		
Grouping of municipal services in order to define rank and responsibilities	State Government	No clear classification of the post of municipal services as Group A, B and C except that the employees working in municipal corporations having grade pay of ₹ 6,000 (Pay band 15,600-39,100) or above as group 'A'.
Providing sanctioned strength to the posts of municipal services	Administrative Secretary, ULB Department	Sanctioned strength for the newly/upgraded municipalities as well as already existed is decided by Administrative Secretary, ULB Department.
Selection and Recruitment to the posts of municipal services	Haryana Public Service Commission (HPSC) and Haryana Staff Selection Commission (HSSC)	Municipalities send vacancies positions to the ULB Department who makes requisition to HSSC and HPSC for selection. Appointing authorities make recruitment on the basis of recommendation by HPSC and HSSC.
Deployment of executive head and staffs including engaging through outsourcing	State Government, Administrative Secretary and DULB	Municipalities are required to get prior sanction for engagement and extension of staff on outsourcing from the DULB. This power has been delegated to District Municipal Commissioner for engaging lower level staff against the vacancies from September 2020.
Power to impose penalty and an appeal against any order imposing penalty on any officer or employee	State Government, Administrative Secretary, Director, Commissioner, District Municipal Commissioner	The concerned appointing authorities to the posts of municipal services are empowered to impose penalty. Appointing authorities for some important posts are discussed in subsequent paragraphs.
Power to transfer any officer or employee within/outside municipalities	State Government and Appointing authorities	Appointing Authority to the posts of municipal services are State Government, Administrative Secretary, Director, ULB Department, Municipal Commissioner and District Municipal Commissioner.

Activities relating to functionaries	Authorities exercising the power in respect of functionaries	Remarks
Annual Performance Appraisal Report (APAR) of Executive Head of Municipalities	Administrative Secretary, ULB Department and District Municipal Commissioner	APAR of the Commissioner of the Municipal Corporation is reported by Administrative Secretary in consultation with Mayor of Municipal Corporation. APAR of the District Municipal Commissioner (Newly created post with delegation of some powers of Deputy Commissioner of District in respect of affairs of Councils & Committee from August 2020) is reported by Administrative Secretary in consultation with DULB. APAR of the Executive Officer/Secretary of the Municipal Council/Committee is reported by District Municipal Commissioner in consultation with Sub-Divisional Officer of the District.
Provisions for capacity building in Acts/Rules	State Government	Both the State Municipal Acts and Rules mentioned above are silent about Capacity Building.
Budgetary provisions for capacity building	DULB and ULBs	No such budgetary provision except for elected women councilors during 2015-20. State Government has issued instruction for making budgetary provision of 2.5 <i>per cent</i> of salary budget from 2021-22 in compliance of Haryana State Training Policy 2020, which was in process till completion of audit.
Training policy and modules	DULB and ULBs	No training policy and modules have been framed.
Induction Training/ Job-oriented Training	DULB and ULBs	No such system exists.

Adequate and qualified manpower is a pre-requisite for the empowerment of ULBs. The broad framework of functions carried out by ULBs is depicted in **Table 5.2.**

Table 5.2: Broad framework of functions carried out by ULBs

Sr. No.	Wing/sections	Functions
1.	Administration	General administration, including meetings of council and committees
2.	Taxation	Assessment and collection of various taxes, rent, advertisements and other property related activities
3.	Accounts	Preparation and maintenance of accounts, preparation of budget, etc.
4.	Sanitation	Sanitation, street sweeping, solid waste management and other public health related activities
5.	Engineering/Technical	Construction/O & M of roads, drains, buildings, parks, play grounds, water supply and street lighting, etc.
6.	Town Planning	Town planning activities such as issue of building licences, etc.

The constitution of municipal services and assessment of manpower should be based on the functions undertaken by ULBs with a view that majority of the functions which are service oriented have to be discharged within a reasonable time period. This assessment could be done best by ULBs themselves considering various criteria such as the extent of geographical area to be

covered, the extent of population, the number of properties existing, etc. As per recommendation of Second Administrative Reform Commission, Local Government should have the power to appoint all officials and to hold them accountable.

Audit observed that ULBs did not have powers to constitute municipal services, to determine the strength of the Municipal Services so constituted or to recruit the required staff. These powers are vested with the State Government under Sections 38, 39 and 40 of the HM Act and Section 67 of the HMC Act. The State Government has the power to make rules relating to recruitment, pay, transfer and other conditions of service of persons appointed to the said Services. Further, Rules¹ framed under State Municipal Acts allow the State Government/appointing authority to transfer any officer of a municipality to another municipality or local authority or any Government department. Performance appraisal of key functionaries of Municipal Bodies is vested with the State Level administrative authorities.

5.1.1 Recruitment of staff

In accordance with the Acts and the Rules governing municipal services, the State Government regulates the method of recruitment, conditions of service, pay and allowance, discipline and conduct of staff and officers of ULBs. The Haryana Municipal Corporation Employees (Recruitment and Conditions) Services Rules, 1998 and the Haryana Municipal Services (Integration, Recruitment and Conditions of Service) Rules, 2010, list out the Appointing Authorities for various municipal posts as indicated in **Table 5.3**.

Table 5.3: Statement showing the appointing authorities for recruitment

Various posts	Authority
Executive Officer, Secretary, Chief Engineer, Superintending Engineer, Executive Engineer, Municipal Engineer/Assistant Engineer, Senior Town Planner, Dy. Town Planner, Assistant Town Planner, Chief Accounts Officer, Accounts Officer, Assistant Account Officer, Senior Architect, Medical Officer, Zonal Taxation Officer, Circle Heads Draftsman, Tehsildar.	Government of Haryana/Administrative Secretary of Urban Local Bodies Department
Office Superintendent, Tax Superintendent, Accountant, Chief Sanitary Inspector, Head Draftsman, Junior Engineer, Accountant	Director of Urban Local Bodies (DULB)
Fire Station Officer, Assistant Fire Station Officer, Building Inspector, Naib Tehsildar, Patwari, Land Officer, Draftsman, Light/Tax/Sanitary Inspector, Assistant, Stenographer, Clerk, Electricians, Garden Supervisor, Librarian, Mali, Chowkidar, Driver, Peon, etc.	Commissioner of Municipal Corporation and DC of the concerned District in case of Municipal Councils and Committees

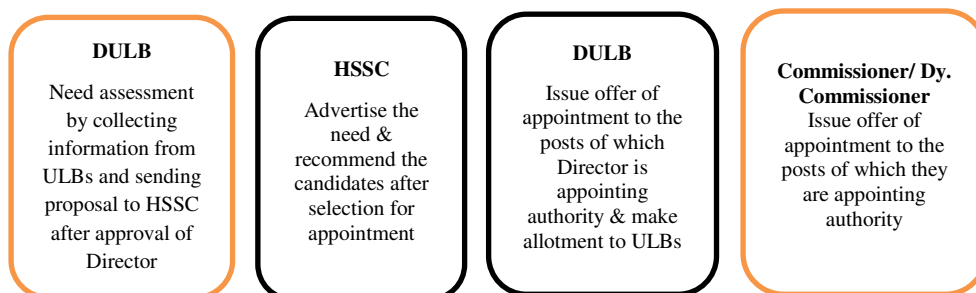
There was no classification of the post of municipal services as Group A, B and C which broadly corresponded to the rank, status and the degree of the level of responsibility attached to the posts.

¹ Haryana Municipal Corporation Employees (Recruitment and Conditions) Services Rules, 1998 and Haryana Municipal Services (Integration, Recruitment and Conditions of Service) Rules, 2010.

5.1.2 Recruitment process for Human resources of ULBs

The recruitment to various posts of ULBs was done through the Haryana Public Service Commission (HPSC) and Haryana Staff Selection Commission (HSSC). The various stages of recruitment through HSSC are depicted in *Chart 5.1*.

Chart 5.1: Flow chart of recruitment process through HSSC



Analysis of the records of recruitment made by DULB for Class IV- post (i.e. peon, mali, chowkidar, etc.) and accountants during the period 2015-20 showed the following:

- The total time taken commencing from forwarding the proposals to HSSC till final appointment of persons was 1905 days in case of 822 posts of peon, mali, chowkidar, etc. and 2471 days in case of 35 posts of accountant as detailed in *Appendix 5.1*.
- DULB sent proposal to HSSC for recruitment of 822 posts of peon, mali, chowkidar, etc. while need for 967 posts was sent by various ULBs. The reason for not sending proposal of 145 posts was not available on records.
- DULB took 1,720 days in case of posts of peon, mali, chowkidar, etc. and 1,520 days in case of post of accountant in making need assessment, sending proposal, attending queries of HSSC in respect of proposals and deciding recruitment agency. The State Government also put on hold the recruitment process for 155 days.
- HSSC took 161 days in case of posts of peon, mali, chowkidar, etc. and 930 days in case of posts of accountant for completion of selection process from receiving proposal to sending final list of selected candidates.

Thus, it is evident from above that the time taken by State Government/HSSC for recruitment of staff for ULBs was two to six years in the above case which is abnormally high and affected the proper functioning of ULBs.

5.1.3 Administrative powers over staff

ULBs have no power to impose penalty or to appeal against any order imposing penalty on any officer or employee and the same rests with the State Government/Administrative Secretary/Director/Dy. Commissioner/Municipal Commissioner. Municipal Councils and Committees are required to get prior sanction for engagement of staff on outsourcing from the DULB.

During exit conference, the department stated the necessary steps would be taken to avoid unnecessary delay in recruitment of staff in future. Further, necessary action would be taken for deciding grouping of the staff as category 'A', 'B' & 'C' with defined role and responsibilities attached to the posts.

Recommendation: *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.*

5.2 Sufficiency and functioning of staff

State Government fixed (February 2018) standard sanctioned strength for different posts to be provided for newly constituted/upgraded municipality based on the type of municipalities (Municipal Corporation/Council/Committee). The basis for determining the standard sanctioned strength for each type of municipality was not furnished to audit.

Audit observed that not only sanctioned strength of various posts in the ULBs in the State was not in consonance with standard sanctioned strength decided by the State Government also there was shortage in availability of manpower with respect to the sanctioned posts among the various categories leading to vacancy position ranging from 31.58 to 65.87 per cent as shown in **Table 5.4**.

Table 5.4: Statement showing the staff position in ULBs in the State.

Particulars	No. of ULBs	Human Resource (as on January 2020)			
		Sanctioned	Vacant	Vacancy position (per cent)	Outsourced staff
M. Corporations	10	14,323	4,523	31.58	2,608
M. Councils	19	2,772	1,343	48.45	642
M. Committees	53	2,312	1,523	65.87	995

Source: Information provided by DULB, out of 87, data for 82 ULBs were provided.

Audit observed that the State Government took more than two years in sanctioning (December 2020) the various posts for four² newly created municipal committees since constitution (October to December 2018) of these ULBs. Functions of these municipalities were being performed with outsourced staff and by giving additional charge to the officials of nearby municipalities.

² (i) Kundli, (ii) Sadhaura, (iii) Ismailabad and (iv) Bass.

Non-provision of adequate specialised manpower required for delivery of the selected functions and other core functions is discussed in the following paragraph:

5.2.1 Executive head of ULBs

Audit observed that there was no sanctioned post for Executive Officer in Municipal Council, Jhajjar. Further, post of Municipal Commissioner was vacant in two Municipal Corporations³ and post of Executive Officer was vacant in 23 ULBs (four⁴ Municipal Councils and 19⁵ Municipal Committees). Functions of these municipalities were being supervised by additional charge held given to executive head of nearby municipalities. However, no information in respect of the additional charges held during the audit period was available with the DULB. The State Government introduced (February 2020) a system of link officers of executive head of ULBs where the post is vacant to ensure smooth functioning of the ULBs.

5.2.2 Specialised Manpower

Adequate specialised manpower especially in the field of Taxation, Public Health, Engineering, Accounting and Sanitation is pre-requisite for providing better urban services to the citizen.

Specialised manpower for Taxation, Public Health, Engineering, Accounting and Sanitation across all types of municipalities were inadequate. The overall shortage of specialised manpower, as on January 2020, across the above mentioned cadres with respect to the standard fixed by the State Government in February 2018 was 199 (79 *per cent*) in Taxation; 95 (98 *per cent*) in Public Health; 422 (83 *per cent*) in Sanitation; 178 (38 *per cent*) in Engineering; and 167 (67 *per cent*) in Accounting in all the ULBs of the State. The shortages of specialised manpower were acute in municipal councils and committees of the State. The details are indicated in **Appendix 5.2**.

5.2.3 Safai Karamchari

The State Government decided (June 2014) norm of one Safai Karamchari for every 400 inhabitants. As per the norm, shortage in sanctioned post of Safai Karamchari was 4,712 (36 *per cent*) in Municipal Corporations, 3,150 (64 *per cent*) in Municipal Councils and 1,546 (50 *per cent*) in Municipal Committees based on 2011 census. Further, shortage of available manpower with respect to

³ (i) Panipat and (ii) Sonapat.

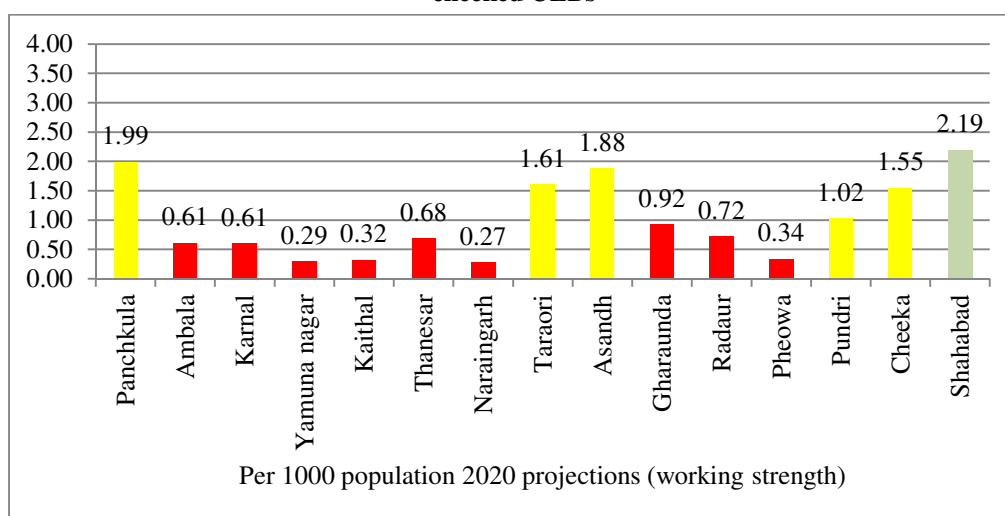
⁴ (i) Narnul, (ii) Gohana Mandi, (iii) Dabwali and (iv) Palwal.

⁵ (i) Naraingarh, (ii) Nilokheri, (iii) Assandh, (iv) Kalayat, (v) Gannaur, (vi) Siwani, (vii) Bawani Khera, (viii) Hathin, (ix) Nuh, (x) Haily Mandi, (xi) Mohindergarh, (xii) Kanina, (xiii) Ateli Mandi, (xiv) Barwala, (xv) Sisai, (xvi) Bhuna, (xvii) Rania, (xviii) Jakhal Mandi and (xix) Julana.

sanctioned post was 489 (six *per cent*) in Corporations, 342 (19 *per cent*) in Council and 458 (30 *per cent*) in Committees. The overall shortage of Safaikaramcharis with respect to norm was 10,697 (50 *per cent*) in all the ULBs of the State. The shortage will further increase with respect to population in 2020.

Audit observed that percentage of vacancy in 15 test-checked ULBs ranged between 21.79 and 93.54 *per cent*, as detailed in **Appendix 5.3**. Further, analysis of the working strength in the test-checked ULBs, in terms of the number of employees per 1,000 population as per 2020 projected population, showed that it ranged between 0.27 and 2.19 as indicated in **Chart 5.2**.

Chart 5.2: Working strength of ULBs in terms of employees per 1,000 population in test-checked ULBs



Nine ULBs (indicated in red colour) had less than one employee for every 1,000 people, five ULBs (yellow colour) had between one and two employees and only one ULB (Green colour) had between two and three employees.

5th SFC in their report observed (September 2017) that the sanctioned staffs in the ULBs at all levels are based on 2001 census and since then size and distribution of populations, the context of policy making, technology and other instruments available, and state priorities have changed. Thus, it recommended that a professional assessment of the staff required for the DULB and for the ULBs to perform in a manner, which produces desired outcomes be undertaken in order to focus on functions (and not individual activities) including the function of coordination and planning. It further recommended to conduct an analysis as to what kind of functions can be outsourced and to what extent for guiding the ULBs in outsourcing activities and hiring contractual staff.

Audit observed that no such assessment had been conducted and implemented except fixation of Standard Sanctioned posts to be provided at the time of constitution of a new ULB or upgradation of existing ULBs. Further, number of various sanctioned posts had not been reviewed and provided as per the standard mentioned in above paragraph.

During exit conference, the department assured that it would take necessary steps for the newly created ULBs and avoid delay in sanctioning of the posts. Further, the department stated that assessment of requirement of manpower at Directorate level had been made recently and the assessment of requirement of manpower for the ULBs would be carried out as recommended by the 5th SFC.

Recommendation: A professional assessment of the staff required for the ULBs to perform in a manner, which produces desired outcomes may be undertaken in order to focus on functions including the function of coordination and planning as recommended by 5th SFC. Accordingly, manpower needs to be provided to the ULBs so that ULBs are enabled to provide urban services to the citizen.

5.3 Capacity building for human resources of ULBs

Second Administrative Reform Commission recommended (October 2007) that the capacity building efforts in rural and urban local self-governing institutions must attend to the professional and skills up-gradation of individuals associated with these bodies, whether elected or appointed. Relevant Panchayat and Municipal Legislations and manuals framed thereunder must contain clear enabling provisions in this respect. Training of elected representatives and personnel should be regarded as a continuing activity. There should be special capacity building programmes for women members. As an aid to capacity building, suitable schemes need to be drawn up under State Plans for Rural and Urban Development for documentations of case studies, best practices and evaluation with reference to the performance of the prescribed duties and responsibilities of such bodies. The 5th SFC suggested that a more outcome and effectiveness-oriented system of training of ULB officials, both administrative and elected, merits serious considerations.

GoI while realising the need for development of human resources in view of the changed environment in all spheres of governance, which inter alia include 73rd and 74th CAA, issued National Training Policy in January 2012. The policy *inter alia* recommended that each state would formulate a training policy based on National Training Policy. The State Government framed its Training Policy in July 2020. The following shortcomings in respect of capacity building for human resources of ULBs were noticed:

- Both the State Municipal Acts are silent about the Capacity Building for Human Resources of ULBs. There is no enabling provision available in this respect in the Haryana Municipal Services (Integration, Recruitment and Conditions of Service) Rules, 2010 and the Haryana Municipal Corporation Employees (Recruitment and Conditions) Services Rules, 1998 made there under.

- The State Government did not draw any plan as an aid to capacity building except 'Training plan for elected women councillors during 2015-20. An amount of ₹ 32.30 lakh was incurred on elected women members during 2016-19.
- DULB has not adopted any mechanism to prepare training need analysis to assess training requirement for various cadre/employees of ULBs. During 2015-2020, DULB nominated only 31 personnel (six from ULBs and 25 from DULB) for attending the training under seven training programmes (relating to accounts, pay fixation and elimination of bonded labour). Audit observed that DULB did not arrange any training programme relating to urban governance for employees of ULBs during 2015-20.

During exit conference, the department stated that the ULBs have been instructed for making budgetary provision of 2.5 *per cent* of salary budget from 2021-22 for capacity building in compliance of Haryana State Training Policy, 2020. Further, guidance from the Haryana Institute of Public Administration has been sought in order to develop a sound training system for staff and elected members of the ULBs.

Chapter VI
Financial resources of Urban Local Bodies

CHAPTER-VI

Financial resources of Urban Local Bodies

Sustainable financing is paramount to ensure discharge of any function. The devolved functions can be carried out effectively by ULBs only when they are supported with sufficient financial resources. Such financial resources could take the form of predictable fiscal transfers or access to own revenue streams that are buoyant and commensurate with the expenditure obligations, accompanied by appropriate expenditure powers. Predictable fiscal transfers to ULBs need to be ensured through a robust State Finance Commission mechanism and compliance with State and Central Finance Commission recommendations. Access to own sources of revenue would include both the power to levy and collect from specific revenue streams. Expenditure powers refer to reasonable delegation limits that allow the ULB to utilise their financial resources.

6.1 Source of revenue

The details of various sources of revenues of ULBs in the State during the period from 2015-16 to 2019-20 are indicated in **Table 6.1**.

Table 6.1: Details of revenues of ULBs during the period 2015-20

(₹ in crore)

Year	Grants	Own Revenue	Assigned Revenue ¹	Total Revenue	Percentage of own revenue to total revenue
2015-16	1,122.65	1,100.55	492.25	2,715.45	40.53
2016-17	2,120.04	1,096.72	602.98	3,819.74	28.71
2017-18	3,130.02	1,247.11	1,371.20	5,748.33	21.70
2018-19	1,348.91	1,661.83	761.83	3,772.57	44.05
2019-20	2,279.77	876.36	703.68	3,859.81	22.70
Total	10,001.39	5,982.57	3,931.94	19,915.90	30.04

Source: Information provided by DULBs

Funds were devolved to ULBs through transfer by the Central and State Government in the form of grants. As can be seen from the above table, the fiscal transfers from Government in form of grants formed the major portion, i.e. 50.22 *per cent* of the total revenue for the period 2015-20. Own and assigned revenue constituted 30.04 and 19.74 *per cent* of total revenue respectively during the period 2015-20.

In addition to the above, ULBs received grant of ₹ 364.73 crore under SBM (IHHL), PMAY and DAY-NULM for transfer of funds to beneficiaries during

¹ Tax/Duty/Cess/Surcharge/Levy, etc. which are collected by State Government on behalf of Local Bodies.

2015-20. Audit observed certain shortcomings under fiscal transfer in form of grants, which are discussed in succeeding paragraphs.

During exit conference, the Department confirmed the facts and figures and replied that the efforts would be made for increasing own revenue of the ULBs.

6.1.1 Fiscal transfer to urban local bodies

6.1.1.1 State Finance Commission's Grants

The year-wise recommended devolution by SFCs and allocated devolution made by the State Government to the ULBs is given in the **Table 6.2**.

Table 6.2: Detail of recommended devolution by SFCs and allocated devolution made by the State Government to the ULBs

(₹ in crore)

Sr. No.	Particulars	2015-16 (4 th SFC)	2016-17 (5 th SFC)	2017-18 (5 th SFC)	2018-19 (5 th SFC)	2019-20 (5 th SFC)	Total
1	Net State own tax revenue (SOTR) ²	32,584.41	39,604.40	42,689.64	48,394.76	50,338.43	2,13,611.64
2	Recommended devolution ³	814.61	2,772.31	2,988.27	3,387.63	3,523.69	13,486.51
3	Recommended share of ULBs ⁴	285.11	1,247.54	1,344.72	1,524.43	1,585.66	5,987.46
4	Budgeted devolution for ULBs w.r.t Sr. No. 3	189.96 ⁵	1425.65 ⁶	2604.00 ⁶	1,394.78 ⁶	840.00 ⁶	6,454.39
5	Short (-)/excess (+) allocation of grants (3-4)	(-) 95.15	(+) 178.11	(+) 1,259.28	(-) 129.65	(-) 745.66	(+) 466.93
6	Funds actually released to ULBs	189.96 ⁵	1,585.44 ⁶	2,211.29 ⁶	1,011.18 ⁶	936.42 ⁶	5,934.29
7	Short (-)/excess (+) release from recommended allocation (3-6)	(-) 95.15	(+) 337.90	(+) 866.57	(-) 513.25	(-) 649.24	(-) 53.17

Source: Budget Document of the State and SFC's Report

The delay in constitution of SFC and acceptance of its recommendations has a bearing on the assured transfer of funds to ULBs. As already discussed in Paragraph 4.2.6.1, there was considerable delay both in constitution of SFCs and implementation of SFC's recommendations. The loss of grant to ULBs due to delayed acceptance of report of 4th SFC was ₹ 95.15 crore during the period 2015-16. Though there was short release of ₹ 53.17 crore vis-à-vis recommended share and ₹ 520.10 crore against the budgeted devolution for 2015-20, however, there was excess release of grant of ₹ 41.98 crore to ULBs vis-à-vis recommendation of 5th SFC for the period 2016-20.

² SOTR did not include share from Central Taxes, net of collection cost of two per cent and 1.5 per cent respectively in 2015-16 and during 2016-20.

³ As per 4th and 5th SFCs recommended devolution 2.5 per cent and 7 per cent of SOTR respectively.

⁴ As per 4th and 5th SFCs recommended share of ULBs 35 per cent and 45 per cent of total recommended devolution respectively.

⁵ VAT and Excise Tax not included.

⁶ Includes Surcharge on VAT and Excise Duty on liquor in budget and actual released which was discontinued after acceptance of recommendations of 5th SFC.

During exit conference, the department stated that matter would be taken up with the State Government for timely constitution of the State Finance Commissions and acceptance of its recommendations so that ULBs could get its due share of grants in time.

6.1.1.2 Central Finance Commission grants

Article 280(3)(C) of the Constitution mandates the Central Finance Commission (CFC) to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Municipalities based on the recommendations of the respective SFCs. 14th Finance Commission (14th FC) recommended basic grant (80 *per cent*) and performance grant (20 *per cent*) to ULBs as a percentage of divisible pool account. Details of the allocation and release of Basic and Performance Grants to ULBs as per 14th FC recommendations during the period 2015-16 to 2019-20 is depicted in **Table 6.3**.

Table 6.3: Details of the allocation and release of Basic and Performance Grants to ULBs as per 14th FC recommendations

(₹ in crore)

Period	Basic Grants			Performance Grants		
	Allocation	Released by GoI	Short released	Allocation	Released by GoI	Short released
2015-16	199.61	184.64	14.97	-	-	-
2016-17	276.39	255.66	20.73	81.57	75.45	6.12
2017-18	319.35	305.45	13.90	92.31	92.31	0.00
2018-19	369.42	353.47	15.95	104.83	0.00	104.83
2019-20	499.18	462.20	36.98	137.27	0.00	137.27
Total	1,663.95	1,561.42	102.53	415.99	167.76	248.22

As per guidelines for implementation of recommendations of 14th FC issued (October 2015) by Ministry of Finance, GoI grants shall be released to State Government for duly constituted⁷ ULBs in two instalments in June (50 *per cent* of basic grants) and October (remaining portion of basic grants and full performance grants) in each year. Release of second and subsequent instalments of grants (both basic and performance) will be subject to receipt of utilisation certificate for the previous instalment. The Audit observed following shortcoming in the release of grant:

Basic Grants

- There was short release of ₹ 102.53 crore of basic grants by GoI to the State Government during 2015-20 due to non-formation of elected body in all the ULBs of the State as discussed in Paragraph 4.2.1 and 4.2.1.3. Further, GoI had to withhold Basic Grants of ₹ 97.92 crore (relating to

⁷ Either an elected body is in place or is under the process of being in place as per law.

2015-16) for more than 15 months due to delay in formation of elected body in 44 ULBs.

- There was delay ranging from 13 to 559 days in release of basic grant by GoI to State Government during 2015-20 due to delay in submission of utilisation certificates by the State Government.
- As per GoI guidelines, State Government are required to release the grants to ULBs within 15 days of credit to their account by GoI. In case of delay, the State Governments are required to release the same alongwith interest (i.e. bank rate of RBI) from its own funds. Audit observed that there were delays of 19 and 26 days at two instances in release of funds to ULBs by the State Government during 2015-17. However, the State Government did not release the interest amounting to ₹ 1.16 crore⁸ for delay in release of funds to ULBs in compliance with directions of GoI.

During exit conference, the department stated that matter would be taken up with the State Election Commission for timely election of the ULBs. Further, the efforts would be made for timely submission of the Utilisation Certificates to the Government of India.

Performance grants

14th FC recommended performance grant to ensure accountability of ULBs by specifying three performance criteria i.e. timely availability of audited accounts, improvement in own revenues and publication of service level benchmarks for basic services. These grants were to be disbursed from 2016-17, so as to give sufficient time and enable the State Government and ULBs to put in place a scheme and mechanism for implementation of the guidelines.

- The State Government devised (October 2016) a scheme regarding release of performance grants as recommended parameters by 14th FC. GoI approved (November 2016) and released performance grants of ₹ 75.45 crore for the period 2016-17. Audit observed that the State Government distributed the amount among all the 80 ULBs. From the records produced to the Audit it could not be examined as to whether the State Government had ensured that ULBs complied with the performance criteria for receipt of the grant or not. The main objective of performance grant was to incentivise the better performing ULBs. However, distribution of the same to all the ULBs, defeated the objective.

It is pertinent to mention that GoI devised new scheme for release of performance grant from 2017-18 and onwards assigning maximum

⁸ Worked out at RBI's bank rate of 6.75 per cent per annum.

score of 100 to the three performance criteria. ULBs which got score of 40 during 2017-18 and 60 during 2018-19 and 2019-20 were eligible for performance grant. Resultantly, only 40, 47 and 46 ULBs could qualify for the performance grant for the year 2017-18, 2018-19 and 2019-20 respectively.

- There was short receipt of performance grant of ₹ 6.12 crore for the year 2016-17 and the entire allocation of ₹ 242.10 crore for the year 2018-19 and 2019-20 was not released by GoI to State Government. The reasons for short receipt/non-receipt were not found on record.

During exit conference, the department stated that the reasons for short receipt/non-receipt of performance grants for the year 2018-19 and 2019-20 by the Government of India would be ascertained and intimated to audit.

6.1.2 Assigned revenue of Urban Local Bodies

Assigned revenue of ULBs includes collection on account of additional stamp duty and municipal tax on consumption of electricity. The shortcomings with regard to additional stamp duty and municipal tax on consumption of electricity are discussed below:

6.1.2.1 Additional Stamp Duty

As per Section 69(c) of HM Act and Section 87(c) of HMC Act a duty (presently two *per cent* of transaction value) on transfer of immovable property is levied in addition to duty imposed under the Indian Stamp Act, 1899 on instruments of sale, gift, mortgage, exchange and lease in perpetuity of immovable property situated within the limits of municipal area. The said duty is collected by the Registrar or Sub-Registrar in the shape of non-judicial stamp paper at the time of registration of the document and intimation thereof is sent to the ULBs concerned immediately. The State Municipal Acts further provides that the amount of the duty collected shall be paid to ULBs concerned.

Prior to April 2012, the share of municipalities in the stamp duty collections was paid to them at the point of registration and did not form part of the State budget. However, this amount is routed through the State's budget as per the revised mechanism (April 2012). Director, ULBs distributes the budget to Deputy Commissioner on the basis of sale of non-judicial stamp papers during the last financial year and Deputy Commissioner releases the amount to ULBs on the basis of actual sale of non-judicial stamp papers.

Audit observed that ULBs were not getting their due share of stamp duty due to short release of funds against the allotted budget to municipalities.

Consequently, there was short release of ₹ 1,364.03⁹ crore in nine Municipal Corporations (MCs), out of 10 MCs (except MC, Yamunanagar) during the period 2014-20. The State Government sanctioned budget (Supplementary Estimates for the year 2020-21) of ₹ 1,074 crore against the arrear of ₹ 1,364.03 crore. Further, MCs could withdraw ₹ 135.06 crore against the sanctioned budget of ₹ 1,074 crore. Thus, leaving an arrear of ₹ 938.94 crore.

4th SFC and 5th SFC recommended that a system of direct transfer of stamp duty collection in real time to the ULBs must be put in place. 4th SFC further recommended to increase the rate of stamp duty from two to three *per cent*. The State Government vide its notifications dated 5 March 2021 amended the procedure for transfer of amount of stamp duty collection to ULBs. As per the amended procedure, the stamp duty shall be paid equally into (a) account of respective ULBs on monthly basis and (b) consolidated account for all the ULBs of the State maintained and managed by the DULB for this purpose. Resultantly, only one *per cent* of stamp duty would be directly transferred to the respective ULBs. Therefore, the recommendation of SFCs was not implemented by the State Government.

The State Government vide its notifications dated 8 April 2021/15 July 2021 revised the rate of stamp duty from two *per cent* to one *per cent* in case of MC, Gurugram and Faridabad. The State Government further imposed one *per cent* duty to be paid to GMDA/FMDA within the limits of the Area of GMDA/FMDA, thereby undermining the importance of Local Government vis-à-vis parastatal.

Consequently, revenue on account of stamp duty remains unpredictable on the part of ULBs and they could not depend upon this revenue for the purpose of any expenditure planning, affecting their smooth functioning. Further, due to not increasing the rate of stamp duty from two to three *per cent* as per recommendation of 4th SFC, the State Government deprived the ULBs from additional revenue generation.

During exit conference, the department stated that detailed reasons for not withdrawing the arrears of Stamp Duty would be ascertained from the concerned ULBs and intimated to audit.

6.1.2.2 Municipal tax on consumption of electricity

Section 70 of HM Act and Section 87 of HMC Act provide for levy of two *per cent* municipal tax on consumption of electricity, which is collected by Electricity Distribution Companies (DISCOMs) from the consumers. 5th SFC

⁹ (i) Ambala: ₹ 7.86 crore, (ii) Faridabad: ₹ 134.22 crore, (iii) Gurugram: ₹ 978.02 crore, (iv) Hisar: ₹ 14.45 crore, (v) Karnal: ₹ 5.76 crore, (vi) Panchkula: ₹ 71.01 crore, (vii) Panipat: ₹ 24.38 crore, (viii) Rohtak: ₹ 54.53 crore and (ix) Sonapat: ₹ 73.80 crore.

in this regard observed that the ULBs were not receiving any tax in this regard as DISCOMs claimed that the ULBs had not paid electricity bills and tax amount payable to them gets adjusted with the bill amount. Therefore, 5th SFC recommended (September 2017) to resolve this issue at the State level. Resultantly, ULB-wise reconciliation of amount receivable on account of tax after adjusting of electricity bills was done. As per information provided by DULB, as on December 2020, ₹ 234.71 crore was recoverable from DISCOMs by 53 ULBs and ₹ 155.16 crore was payable to DISCOMs by 29 ULBs after adjusting amount relating to electricity bills. Accordingly, net amount of ₹ 79.55 crore was payable by DISCOMs. Audit observed that the State Government directed (May 2021) nine ULBs¹⁰ to pay ₹ 20.83 crore to DISCOMs as per the claim of DISCOMs (31 December 2020) despite the fact that as on 31 December 2020, the receivables of ULBs works out to ₹ 79.55 crore. As per the State Government directions, nine ULBs paid (June 2021) ₹ 20.83 crore to DISCOMs pending internal liabilities amongst ULBs arising after this settlement. Resultantly, dues of the ULBs could not be settled. Each Municipal Body(ies) is a separate legal entity and receivables and payables of any municipal entity cannot be adjusted against receivable and/payables of any other body.

During exit conference, the department stated that amount payable/recoverable from DISCOMs by the ULBs as on 31st December 2020 would be obtained and final position intimated to audit.

6.1.3 Own revenue of Urban Local Bodies

HM Act and HMC Act empowers ULBs in the State to tap various sources of own revenue. The detail of the revenue sources, status of levy and statutory provisions are indicated in *Appendix 6.1*.

The property tax on land and buildings is the mainstay of ULB's own revenue. The own non-tax revenue of ULBs comprises advertisement fee, water charges, rent from commercial establishments, trade licences, fee for sanction of plans/mutations, etc. The constraints/deficiencies in realisation of property tax and water charges in the test-checked ULBs (being selected areas) are discussed in Chapter-VII and some other sources of own revenue such as solid waste management charges, advertisement permission fee and trade licence fee are discussed below:

6.1.3.1 Solid Waste Management charges

As per SWM Rule 2016, ULBs are authorised to collect user fee as determined by it from time to time on its own or through its authorised agency from all

¹⁰ Municipal Corporation: Gurugram, Faridabad, Manesar, Karnal, Panchkula, Yamunagar, Sonapat, Municipal Council: Bhadurgarh and Thanesar.

waste generators for solid waste management to cover its operating cost fully or partly. The State Government notified (October 2011) indicative monthly user charges for various categories of waste generators and ULBs are authorised to levy their own user charges and revise the same from time to time. Audit observed that five¹¹ ULBs, out of 15 test checked, did not notify the user charges. Remaining 10 ULBs notified (March 2019 to February 2021) the user charges. It was also observed that 13 test checked ULBs incurred expenditure of ₹ 183.55¹² crore during 2015-20 on various works relating to SWM, whereas only four ULBs¹³ collected ₹ 1.39 crore during 2015-20 which works out to 0.73 *per cent* of cost of carrying out SWM operations. The remaining 11 ULBs did not collect the user charges.

During exit conference, the department stated that the concerned ULBs would be instructed to recover the Solid Waste Management charges from the users as well as intimate to audit.

6.1.3.2 Advertisement permission fee

Entry 55 in List II of Schedule VII to the Constitution of India empowering States to levy tax/fee on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television was omitted (8 September 2016) by the Constitution (One Hundred and first Amendment) Act, 2016. Section 88 (1) and Section 121 of HMC Act under which advertisement tax/fee could be levied was subsumed into the Goods and Services Tax.

Despite omission of the Entry 55 in list II of Schedule VII, the State Government notified (28 September 2016) advertisement bye-laws for Municipal Corporations. However, the same was kept in abeyance in compliance with the directions (October 2016) of Punjab and Haryana High Court and the State Government issued (March 2018) revised Haryana Municipal Corporation Advertisement Bye-laws, 2018.

The *ibid* bye-laws prescribe advertisement permission fee *inter-alia* on advertising structures on public land which shall be fixed through tendering/e-auction under Section 122 of HMC Act. Subsequently, Section 122 of HMC Act, 1994 has been amended (March 2021) for levy of advertisement permission fee by State Government.

Audit observed that four test checked Municipal Corporations could not finalise tender process to earn advertisement permission fee for public space under Haryana Municipal Corporation Advertisement Bye-laws, 2018 due to

¹¹ (i) Naraingarh, (ii) Radaur, (iii) Pehowa, (iv) Cheeka and (v) Shahabad.

¹² 13 ULBs incurred an expenditure of ₹ 183.55 crore whereas two ULBs (Panchkula and Naraingarh) did not provide information for the same.

¹³ Municipal Corporation: Ambala, Municipal Committee: Naraingarh, Radour and Pehowa.

delay in start of tendering process, incorrect application of rates for fixation of reserve price and inadequate response from the bidders. Resultantly, these Municipal Corporations could not earn advertisement permission fee during 2018-20.

In case of test checked Municipal Committees, it was observed that none of the test checked Municipal Committees conducted survey for identifying the locations for advertisement on public land and did not invite any tender for giving permission for advertisement. Resultantly, these ULBs could not earn advertisement permission fee from auction of advertisement locations on public lands.

During exit conference, the department stated that the comments of the concerned ULBs would be obtained and necessary actions taken.

6.1.3.3 Trade License Fee

The Chapter XVIII of the Haryana Municipal Corporation Act, 1994 read with the Section 352 (2) of the Act provide that various trades, commercial activities, etc. can only be performed in the municipal corporation area after getting permission/license for these purposes and payment of requisite fee. Section 128 of Haryana Municipal Act, 1973 provides for regulation of offensive and dangerous trades and various Bye-laws¹⁴; provide for levy of fee to get permission in this respect by Municipal Council and Municipal Committee.

Further, Chapter IX of the Municipal Account Code, 1930 provides that issue of license for the period not more than a year as well as prosecution in case of not taking license and renewal.

Audit observed that out of 15 test checked ULBs, only Municipal Corporation, Yamuna Nagar conducted survey to identify business activities for the purpose of levying trade license fee during 2015-20. However, the survey was not used for assessing and collecting trade license fees. The 15 test-checked ULBs collected trade license fee as and when the applicant applied and could only collect trade license fee amounting to ₹ 6.96 crore during 2015-20. Further, record in respect of invoking penal provisions under Municipal Account Code against the business owner for non-obtaining/non-renewal of trade licenses were not available in test checked ULBs.

During exit conference, the department stated that all ULBs would be instructed to conduct a survey for trade Licence Fees and recover the amount of Trade Licence fee.

¹⁴ Haryana Municipal (Sale of Fruits, Vegetable, Potatoes & Sugarcane) Bye-laws, 1976, Haryana Municipal (Regulation & Control of sale of Ice & Aerated water) Bye-Laws, 1976, etc.

6.1.3.4 Entertainment Duty

The State Government notified (August 2019) Haryana Municipal Entertainment Duty Act, 2019, which provides for levy of duty on payment for admission to entertainment. The Act was amended (September 2020) for imposing duty on Cable operators, Video Parlours and IPTV service providers, which were previously not covered under the Act. However, the rates of the duty could not be notified till (May 2021) Resultantly, ULBs could not earn revenue from this source.

During exit conference, the Department stated that matter would be taken up with the State Government for notification of the rules for Entertainment Duty so that revenue loss could be avoided.

6.2 Estimation of requirement of funds/expenditure

6.2.1 Budget making process

Each ULB prepares the budget estimates indicating the estimated receipt of funds from various sources and allocates the resources to various activities undertaken by it. The process for approval of budget as per provisions of the State Municipal Acts is discussed in succeeding paragraphs.

6.2.1.1 Municipal Corporations

As per Section 83 of HMC Act, budgets estimates prepared by Municipal Corporation are approved by the State Government. All functions relating to budget is performed by Finance and Contract Committee. The Municipal Corporation may alter the approved budget estimates (i.e. increase in any budget grant or additional budget grant) on the recommendation of the Commissioner with the prior approval of the State Government.

6.2.1.2 Municipal Council/Committee

Section 257 (3) of Haryana Municipal Act, 1973 and Chapter II of the Municipal Account Code, 1930 provide provisions in respect of Budget. Budgets estimates prepared by Municipal Council/Committee are approved by Divisional Commissioner/Deputy Commissioner. All functions relating to budget is performed by President or Finance Sub-Committee (in case sub-committee is formed) in association with Executive Officer/Secretary. The Municipal Council/Committee may alter the approved budget with the prior approval of Divisional Commissioner/Deputy Commissioner.

The authorities involved in budget making process as well as details of per capita budget in test checked ULBs are given in the **Appendix 6.2**. The appendix shows that ULBs did not have budget approving power in the State, which undermine role of local governance and its accountability to the people.

During exit conference, the department confirmed the facts and figures.

6.2.2 Unrealistic budget exercise

Expenditure estimation depends on services to be provided by the Local Government and the costs associated with the provision of these services. It should include both the capital and O&M expenditure that the local body will have to incur to achieve appropriate service levels.

During the early 1960s, the Zakaria Committee formulated minimum standards of services for different levels of ULBs and estimated the annual recurring requirements for each municipal service to be provided by the ULBs. The Committee also felt that it was possible to maintain various services if adequate taxes and charges were levied for the services provided. Since the delivery of municipal services comes with a cost, it was necessary to scientifically estimate the cost of each municipal service to assess the requirement and source of funds for efficient delivery. Such an exercise was not undertaken by any of the test checked ULBs or the State Government. Thus, the budget exercise by ULBs was not based on a scientific assessment of the cost that would be incurred in delivery of various municipal services.

Audit observed that the method of budget preparation suffered from a basic flaw as the stipulated date for approval of the budget for ULBs was 15th January of the preceding financial year whereas the State Budget was usually placed before the Legislature in the month of February/March. Resultantly, all the test checked ULBs were preparing budget without considering actual/expected allocation of funds by the Government in form of grants (i.e. SFC/ CFC grant and other grants).

Illustrative examples of preparation of unrealistic budget in each category of ULBs is shown in *Appendix 6.3*.

As evident there from, the variation in actual income vis-à-vis the budget during the period 2015-16 to 2019-20 ranged between (-) 23 and (-) 59 *per cent* in MC Panchkula; (-)8 and (-)65 *per cent* in Municipal Council, Kaithal and (-) 46 and (-) 55 *per cent* Municipal Committee, Cheeka. On the other hand, revenue expenditure was over estimated in all the years except 2018-19 in case of Municipal Corporation, Panchkula, Municipal Council, Kaithal and Municipal Committee, Cheeka. Further due to non-consideration of any receipt on account of grant from State Budget, variation in actual development expenditure vis-à-vis the budget was ranging between (-) 54 and 63 *per cent* in Panchkula, between 8 and 868 *per cent* in Kaithal and between (-) 18 and 176 *per cent* in Cheeka indicating poor planning in execution of development works.

During exit conference, the department stated that ULBs would be instructed to consider actual/expected allocation of funds by the Government in form of grants (i.e. SFC/CFC grant and other grants) at the time of preparing budget.

Recommendation: 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.

6.3 Expenditure of Urban Local Bodies

The expenditure of ULBs can be categorised into four major categories such as human resources expenses, general expenses, development/programme expenses and other expenses. The details of expenditure incurred by ULBs in the State for the period 2015-16 to 2019-20 is given in **Table 6.4**.

Table 6.4: Details of major categories expenditure incurred by ULBs

(₹ in crore)

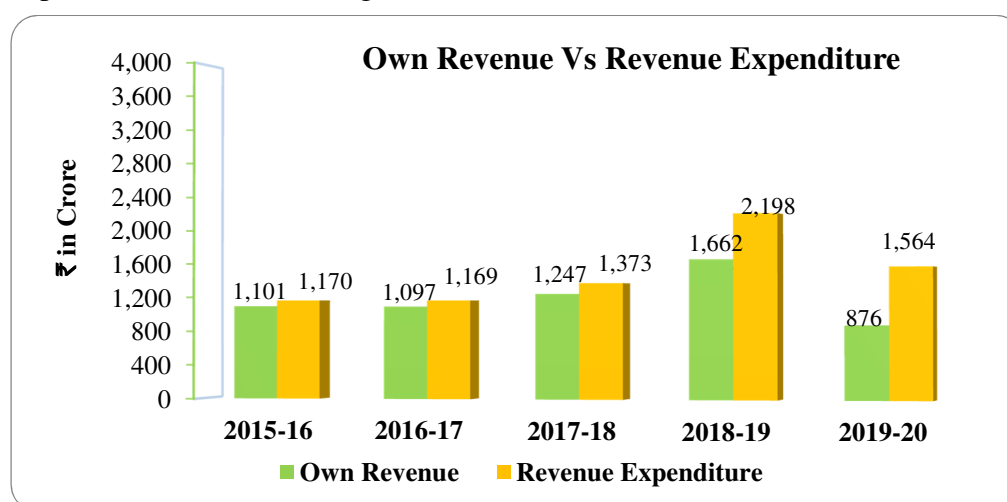
Year	Human Resources Expenses	General Expenses	Development/ Programme Expenses	Others Expenses	Total Expenses
2015-16	637.37	196.14	252.10	336.95	1,422.56
2016-17	783.68	182.62	915.00	202.81	2,084.11
2017-18	899.88	163.24	1,483.53	309.61	2,856.26
2018-19	980.43	335.72	521.79	881.87	2,719.81
2019-20	1,072.99	239.55	716.67	251.83	2,281.04
Total	4,374.35	1,117.27	3,889.09	1,983.07	11,363.78
Expenditure (in per cent)	38.49	9.83	34.22	17.46	100.00

The Human resource expenses constituted about 38 *per cent* of the total expenditure followed by programme/development expenses at 34 *per cent*. Further analysis of the expenditure is discussed in succeeding paragraphs.

During exit conference, the department confirmed the facts and figures.

6.3.1 Resource-expenditure gap

The gap between own revenue and revenue expenditure of ULBs in the State is presented in the following chart.



Audit observed that the ULBs in the State were not able to generate own revenue resources to meet their revenue expenditure during 2015-20.

During exit conference, the department stated that efforts would be made for increasing own revenues of the ULBs.

6.3.2 Analysis of financial data of urban local bodies

The Audit analysed data in respect of all ULBs for the year 2019-20 to study the fiscal autonomy, self-reliance and their dependence on various grants by following three ratios:

- **Local fiscal autonomy:** This is the share of own revenue to the total revenue of the ULBs.
- **Coverage of revenue expenditure from own revenue sources (self-reliance):** This is the proportion of revenue expenditures that are covered through the own revenue sources.
- **Local dependence on fiscal transfer:** This is the share of CFC and SFC grants to the total fiscal revenue of the ULBs.

Local fiscal autonomy and local dependence on fiscal transfer are inversely proportional to each other. Higher the fiscal autonomy lesser is the dependence on fiscal transfer. The ratio-wise performance of ULBs for the year 2019-20 is depicted in the table below:

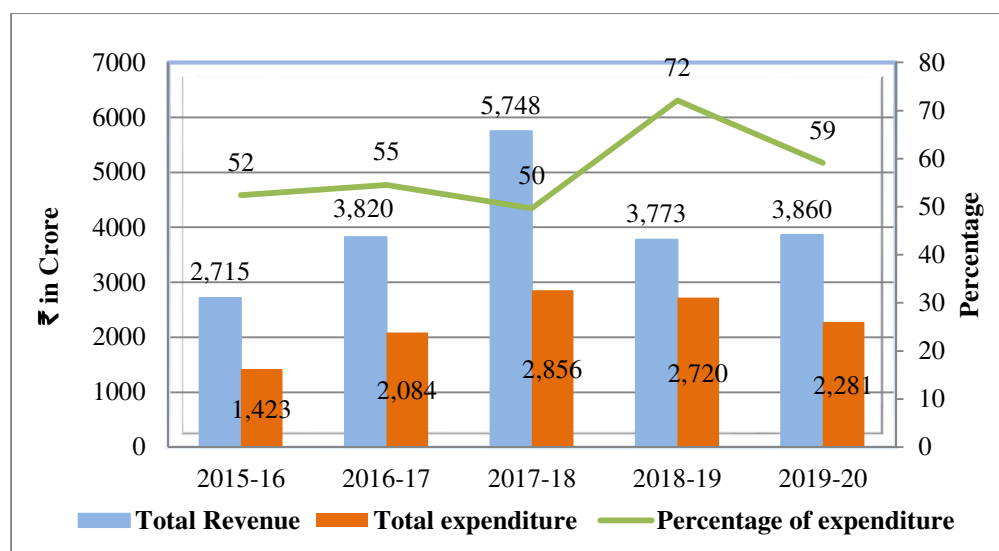
Percentage of expenditure	≤ 25	> 25 ≤ 50	> 50 ≤ 75	> 75 ≤ 100 or more
Fiscal Autonomy	66	19	02	0
Coverage of Expenditure /self-reliance	10	23	30	24
Local dependence on fiscal transfer	0	06	55	26

- Sixty six out of 87 ULBs were dependent on fiscal transfers in excess of 75 *per cent* of their total revenue and no ULB was able to score the ratio of own revenue to total revenue higher than 75 *per cent*.
- In 24 ULBs, the coverage of revenue expenditure from own revenue sources was more than 75 *per cent*, of which eight ULBs had coverage more than 100 *per cent* and only 10 ULBs coverage of revenue expenditure from own revenue sources was less than 25 *per cent*.
- In 26 out of 87 ULBs, local dependence on fiscal transfer were in excess of 75 *per cent* of their total revenue and in 55 ULBs, dependency on fiscal transfer were more than 50 *per cent* but equal or less than 75 *per cent*.

During exit conference, the department confirmed the facts and figures.

6.3.3 Extent of utilisation of funds

A comparison of the total expenditure with total revenue for the period 2015-16 to 2019-20 showed that ULBs were able to utilise on an average about 57 *per cent* of the available funds each year as depicted in **Chart**.



The constraints in utilisation of funds could include the restriction/limitations on financial and administrative powers of ULBs as discussed in succeeding Paragraph 6.4 and shortage of manpower as discussed in Paragraph 5.2.

During exit conference, the department stated that efforts would be made to overcome the shortage of manpower by recruitment.

6.4 Financial power of Urban Local Bodies

Fiscal autonomy can be complete only when supported by decentralisation of financial and administrative powers. The decentralisation provides for (i) creating an efficient and reliable administration; (ii) intensify and improve local governance; (iii) enhance accountability and responsiveness; (iv) improved capacity of the local people to participate in the decision making process, especially with regard to service delivery; and (v) increased motivation *etc.*

6.4.1 Power related to development works-

State Government revised (May 2018) financial powers of various authorities for according the administrative approval of the estimates and approval of tenders for developmental works in municipalities, which are given in the **Table 6.5**.

Table 6.5: Details of financial powers of various authorities

(₹ in lakh)

Category of Municipalities	Commissioner Municipal Corporation/District Municipal Commissioner ¹⁵	Corporation/ Council/ Committee	Director, ULB	Administrative Secretary, ULB
Corporation	≤ 100	>100 ≤ 250	>250 ≤ 300	>300
Council	>25 ≤ 50	≤ 25	>50 ≤ 300	>300
Committee	>15 ≤ 50	≤ 15	>50 ≤ 300	>300

¹⁵

District Municipal Commissioner w.e.f 1st August 2020.

It was observed that elected body of Municipal Corporation had more power than Commissioner of Municipal Corporation whereas elected body of Municipal Council/Committee had less power than District Municipal Commissioner.

During exit conference, the department confirmed the facts and figures.

6.4.2 Power related to other expenditure

As per Section 37D of Haryana Municipal Corporation Business Bye-laws, 2009, power in respect of purchase of value or amount exceeding ₹ 20,000 but less than ₹ 50,000 are delegated to Municipal Corporation (more than five members including Mayor/Dy. Mayor) and if purchase of value or amount exceeds the limit of ₹ 50,000 powers are vested in Commissioner provided provision exist in the budget.

As per Section 49 of Haryana Municipal Business Bye-laws, 1981, Council/Committee has powers to incur non-contingent expenditure up to limits specified below:

President	Upto ₹ 5,000 in any case
Executive Officer	Upto ₹ 3,000 in any one case
Secretary	Upto ₹ 1,000 in any one case

The power of ULBs is thus insignificant for proper day-to-day functioning of the municipalities.

During exit conference, the department confirmed the facts and figures.

6.5 Accounting arrangement of ULBs

Based on the Eleventh Central Finance Commission recommendations and the guidelines issued by the Ministry of Finance, GoI, CAG constituted a task force to recommend budget and accounting formats for ULBs in India. The CAG Task Force suggested accrual basis of accounting, budget and accounting formats for ULBs. Based on the task force report, MoUD, GoI prepared (November 2004) National Municipal Accounts Manual (NMAM). The manual is to be adopted by the State Government in order to draft state specific municipal accounting manual.

The maintenance of accounts of ULBs in the State is governed by Municipal Account Code, 1930 which is outdated as role of ULB in Urban Governance has changed completely and amendment in the Municipal Account Code in line with NMAM is under progress since 2011. Presently, ULBs in the State are following cash based accounting system. No uniform codification structure of different heads of income and expenditure and uniform accounting format for ULB have been prescribed. Though Municipal Account Code, 1930 prescribe format for annual accounts, however, the same is outdated and in

absence of any uniform accounting format and coding structure, test checked ULBs were preparing income and expenditure statement on cash basis in different accounting formats.

During scrutiny of audit and inspection report for the year 2019-20 of the Director, Local Audit Funds it was noticed that even the prescribed accounting system of Municipal Account Code, 1930 was not being followed in test checked 13 ULBs (Audit and Inspection Reports of Municipal Corporation, Karnal and Municipal Committee, Gharaunda was not found in office of Director, Local Audit Funds). Audit further observed that monthly/annual accounts have not been maintained by the 13 ULBs as required under Municipal Account Code, 1930. Irregularities like reconciliations of main cash book with other cash book not done, cash book not verified by AO indicate that cash book/bank reconciliations system are weak and do not provide assurance with respect to the accounting records.

Further, DULB does not maintain consolidated accounting data at State level. In the absence of any uniform accounting format, Directorate of Local Audit, Haryana who is primary auditor of ULBs was not certifying the accounts of ULBs.

During exit conference, the department stated that amendment in the Municipal Account Code in line with NMAM is under process.

Chapter VII

Devolution in discharge of selected areas

CHAPTER-VII

Devolution in discharge of selected areas

Audit selected five areas (Water supply, Public Health and Sanitation, Solid Waste Management, Property Tax and Water Charges) in order to assess whether ULBs were adequately empowered to discharge these functions effectively. The audit finding in this regard are discussed in succeeding paragraphs.

7.1 Water Supply

(i) Empowerment of ULBs for delivery of water supply activities

Section 277-A of HM Act provides that the State Government may entrust the duties and responsibility relating to water supply and sewerage to PHED. Accordingly, the State Government transferred (April 1993) the core functions of municipalities to PHED except Municipal Corporation, Faridabad. Subsequently, the State Government transferred the core functions back to three other Municipal Corporations i.e. Gurugram (w.e.f. 2013), Karnal and Sonapat (w.e.f. 2018). Thus, presently only four, out of 87 ULBs are performing the water supply and sewerage activities in their respective municipal area and in the rest of the municipalities, these activities including collection of water and sewerage charges are performed by PHED.

During exit conference, the department confirmed the facts and figures.

(ii) Assignment of water supply activity to Municipal Corporation, Karnal

(a) *Non-providing of adequate technical manpower*

The State Government while transferring the activity to Municipal Corporation, Karnal (MCK) decided (September 2018) to send nine¹ technical officers who were looking after the water and sewerage services and 167 regular mechanical establishment (RME) staff deployed on operation and maintenance of these services from PHED to MCK on deputation for one year.

During the examination of records of MCK, it was observed that PHED transferred only six² technical officers and 144 RME staff against above mentioned officers and RME staff. It was further observed that as of December 2020, there were only two Junior Engineers and 11 RME staff looking after the activity of water supply and sewerage in the Municipal Corporation and rest of technical manpower alongwith RME staff had been

¹ Executive Engineer: 1, Sub-Divisional Engineers: 2 and Junior Engineers: 6.

² Executive Engineer: 1, Sub-Divisional Engineers: 2 and Junior Engineers: 3.

repatriated to PHED. The existing technical manpower of the MC was given additional work responsibilities to look after this function also. Further, MCK has hired additional manpower on outsourcing basis against the RME staff.

During exit conference, the department stated that efforts would be made to overcome the shortage of manpower by recruitment.

(b) *Non-formation of Subject Committee*

Section 40 of HMC Act read with bye-law 22 of Haryana Municipal Corporation Business Bye-laws, 2009 provide for formation of *ad-hoc* committee on water supply and sewerage for framing schemes/proposals for water supply, sewerage and drainage and connected affairs and carry out survey for existing consumption and demand of water and prepare estimates for future water supply requirements, ascertaining wholesomeness of water supply and keeping regular check up in water supply sewerage staff, etc. Audit observed that MCK had neither formed any *ad-hoc* committee nor prepared/conducted any plan/survey to prepare estimates for future water supply requirements. There are 1.40 lakh households and 0.41 lakh connections for water supply within the municipality limits of MCK as on March 2020.

During exit conference, the department stated that reasons for non-formation of Subject Committee by MC Karnal has been called for.

(c) *Non-coverage of entire municipal area*

As per directions (March 2016) of the State Government, HSVP transferred 14 developed sectors to MCK falling within its municipal area for maintenance of water supply, sewerage, storm water, street lights and roads, etc. However, the MCK expressed (October 2016) its inability to take over the water supply and sewerage works in these sectors. It was further observed that water supply and sewerage in these sectors continues to be discharged by HSVP even after transfer of the function by PHED to MCK for entire municipal area in September 2018.

During exit conference, the department confirmed the facts and figures.

(d) *Non-providing of Budgetary Support*

As discussed in succeeding paragraph 7.5, the MCK is not able to recover its operation and maintenance (O&M) cost incurred on water supply as rates of water charges are fixed by the State Government. Further, the State Government did not provide any budgetary support to MCK despite the fact that the same was provided to PHED through State Budget before transfer of the function.

Thus, it is evident that though the State Government transferred the core function of water supply to the MC belatedly in compliance of 74th CAA but the Municipal Corporation was not adequately empowered in terms of functionaries and funds to discharge the function of water supply in an effective manner. Besides, the transfer of function itself stands curtailed in view of limited coverage of municipal area for this function.

During exit conference, the department confirmed the facts and figures.

Recommendation: 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.

7.2 Public Health and Sanitation

(i) Empowerment of ULBs in delivery of Public Health and Sanitation activities

Section 132 to 143 of HM Act and Section 193 to 215 of HMC Act deals with provision of sewerage and storm water drainage. Section 144 to 149 of the HM Act and Section 287 to 302 of the HMC Act and Haryana Municipal (Sanitation and Public Health) Bye-laws, 1976 deals with various measures taken by a municipality to safeguard residents from dangerous/infectious disease. The Rules³ framed under HM Act and Section 275 to 279 of HMC Act provide for provision of public latrines and urinals and keeping the same clean and in proper condition. Further, Haryana Municipal Business Bye-laws, 1981 framed under HM Act provides that Municipal Medical Officer shall be in-charge of the Sanitation, Public Health and Health Departments of a Committee. He shall supervise the sanitary conditions within the municipal area and shall be responsible for making arrangements for the disinfection in connection with the occurrence of an infectious disease or a threatened outbreak of such disease.

As discussed in the paragraph 7.1 (i) only four⁴ ULBs were performing the water supply and sewerage activities in their respective municipal area and in the rest of the municipalities the function of sewerage is performed by PHED on behalf of ULBs. Further, Health Department maintains hospitals and dispensaries in the State and carries out immunisation and vaccination. However, sanitation including construction of public latrines, maintenance thereof and disinfection of localities affected by infectious disease is done by respective ULBs.

³ Haryana Constructions and Maintenance of Municipal Latrines and Urinals Rules, 1976.

⁴ Municipal Corporation: Faridabad, Gurugram, Karnal and Sonapat.

Audit observed that there were 10 sanctioned posts for Medical Officer in 10 Municipal Corporations of the State against which only one Medical Officer (Municipal Corporation, Gurugram) was available as of January 2020. There was no sanctioned post for Medical Officer or any para-medical staff in the Municipal Council/Committee. Similarly, there was acute shortage of specialist/expert in sanitation and *Safai Karmacharis* in all the ULBs of the State as discussed in paragraphs 5.2.2 and 5.2.3.

Audit further observed that out of all the test checked ULBs, only one ULB i.e. MCK was running a dispensary under its administrative control and had deployed one pharmacist and one sweeper in it, whereas technical manpower i.e. one doctor, one lab technician one staff nurse and six Auxiliary Nursing Midwives were deputed by Health Department. The MCK had not incurred any expenditure for operation of this dispensary except salary of two staff members.

(ii) National Urban Sanitation Policy

National Urban Sanitation Policy-2008 (NUSP-2008) requires State Government to prepare State Urban Sanitation Strategies to ensure assigning of responsibility to ULBs as envisaged in 74th CAA and where the assignment is partial or incomplete, States are required to make concerted efforts to devolve powers, roles and responsibilities along with financial and personnel resources necessary for ULBs to discharge their functions. The policy also suggested that the ULBs will also have to be accorded wide-ranging powers over agencies that currently carry out sanitation related activities in the city which are not directly accountable to them, e.g. parastatals and PHED.

Further, GoI launched (October 2014) Swachh Bharat Mission (SBM). SBM guidelines prescribe that without a proper City Sanitation Plan⁵ (CSP) for each city and State Sanitation Strategy as indicated in NUSP-2008 objectives of SBM can not be achieved.

Audit observed that the State Government did not prepare any State Sanitation Strategy to devolve full powers, roles and responsibilities along with financial and personnel resources necessary for ULBs to discharge this core municipal function as per NUSP-2008 and SBM guidelines. Further, only two⁶ cities prepared their CSP. It was also observed that State had got eighth rank among the State Ranking in Sanitation Survey (i.e. Swachh Survekshan 2020)

⁵ City sanitation plan include all the aspects such as plan for development of institutions/organisations responsible for sanitation with their roles and responsibilities, plan for ensuring 100 *per cent* sanitation access to different socio-economic groups with related O&M systems, plan for safe collection, conveyance, treatment of sanitary wastes and plans for other significant local aspects.

⁶ Panchkula and Rohtak.

conducted by Ministry of Housing and Urban Affairs, GoI and got 1,678.7 marks⁷ out total 6,000 marks.

Thus, the State Government failed to devolve powers, roles and responsibilities along with personnel resources necessary for ULBs to discharge their functions to full extent. Majority of functions related to public health and sanitation were being discharged by the State Government Departments. Further, comprehensive planning through CSPs at ULBs level and State Sanitation Strategy at the State Government level was not formulated as envisaged in NUSP-2008 and SBM guidelines.

During exit conference, the department confirmed the facts and figures.

7.3 Solid Waste Management

(i) Empowerment of ULBs in delivery of Solid Waste Management

As per Rule 11 of Solid Waste Management Rules, 2016 issued by GoI, the State Government was required to prepare a State Policy and Solid Waste Management Strategy for the State through the DULB within one year from the notification of SWM Rules, 2016. Further, as per Rule 15 of SWM Rules, 2016, ULBs were required to prepare a SWM plan within six months from the date of notification of State Policy and Strategy on Solid Waste Management and submit a copy of the same to the DULB.

In compliance with this, the DULB formulated (July 2018) a State Policy and Solid Waste Management Strategy (the Policy) as required under Rule 11 of SWM Rules, 2016. DULB also prepared ULBs level plans as required under Rule 15 of SWM Rules, 2016. Cluster-wise plan was formulated by DULB and not by individual ULB, which undermines the role of the ULBs in formulation of SWM plans. The policy prescribed State Level Integrated Solid Waste Management (SLISWM) action plan on cluster based approach under PPP mode. Accordingly, the entire State was divided into 14 clusters.

Out of 14 clusters, in four⁸ clusters, State Level Integrated Solid Waste Management on waste to Energy based technology were planned, while remaining 10 clusters⁹ were planned on technology based on Waste to Compost and Refused Derived Fuel¹⁰. Out of these 14 clusters, only two

⁷ Performance in support to cities: 978.3 of 1800 marks, performance in Garbage free star (GFS) rating open defecation free (ODF): 500 out of 1,800 marks and Performance in Swachh Survekshan 2020: 280.4 out of 2,400 marks.

⁸ (i) Gurugram-Faridabad, (ii) Ambala-Karnal, (iii) Rohtak and (iv) Sonapat-Panipat

⁹ (i) Jind, (ii) Hisar, (iii) Dabwali-Sirsa, (iv) Rewari, (v) Panchkula, (vi) Bhiwani, (vii) Yamunanagar, (viii) Punhana, (ix) Farukhnagar and (x) Fatehabad.

¹⁰ Means fuel derived from combustible waste fraction of solid waste like plastic, wood, pulp or organic waste, other than chlorinated materials, in the form of pellets or fluff produced by drying, shredding, dehydrating and compacting of solid waste.

clusters namely Gurugram-Faridabad and Sonapat-Panipat had been awarded (April 2017) under PPP mode by DULB and was under progress (October 2020). The remaining clusters could not be awarded due to lack of adequate response from the private bidders. The State Government reorganised (July 2020) the remaining 12 clusters into 11 clusters and decided to retender these clusters on open technology (waste to compost, Refused Derived Fuel, Bio-methanation, waste to energy or any other suitable technology) under PPP mode.

As per annual report for the year 2019-20, all ULBs in the State generated solid waste averaging 5,232 ton per day (TPD). Out of which, ULBs could collect 4,809 TPD (92 *per cent*) and process/treat 1,621 TPD solid waste (34 *per cent*) of collected solid waste. The remaining solid waste of 3,188 TPD was dumped at various dump sites without following the system of sanitary landfilling¹¹. Door to door collection was being done in 1,439 (93 *per cent*) out of 1540 wards and source segregation of solid waste was achieved in 988 wards (64 *per cent*). There were four common sanitary landfills sites for disposal of solid waste by all the ULBs in the State, however, the same were not operational.

Thus, it was evident from the aforesaid that the State Government/DULB has major role in policy and strategy formulation, tendering and technology selection in core ULBs function of Solid Waste Management and ULBs are just implementing the various activities under the overall supervision of State Government/DULB. This arrangement undermines the role of ULBs in the Local Self Governance.

During exit conference, the department confirmed the facts and figures.

Recommendation: The ULBs should be given full freedom in policy and strategy formation in all activities of Solid Waste Management Function.

7.4 Property Tax

The property tax on land and buildings is the main source of ULB's own revenue and the same constitute 39.60 *per cent* of own revenue during the period 2015-16 to 2019-20. The ULBs in the State, were empowered to levy property tax on buildings or vacant lands situated within their jurisdiction under Section 69 (read with Section 84) of the HM Act and Section 87 (read with Section 149) of the HMC Act. The State Government amended (2012) HM and HMC Acts with effect from April 2010 and accordingly, assessment

¹¹ Means the final and safe disposal of residual solid waste and inert wastes on land in a facility designed with protective measures against pollution of ground water, surface water and fugitive air dust, wind-blown litter, bad odour, fire hazard, animal menace, bird menace, pests or rodents, greenhouse gas emissions, persistent organic pollutants slope instability and erosion.

of property tax based on annual value was completely abolished and the same was leviable based on various fixed rates as specified for different plot sizes, city in which the building or land is situated (four categories i.e. A1, A2, B and C cities) and purpose of its utilisation (i.e. residential, industrial and commercial, etc.). Audit observed following shortcomings in property tax system in the State:

- Though the authority to collect property tax is 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.
- 13th Finance Commission (TFC) recommended (December 2009) constitution of a Property Tax Board (PTB) to put in place an independent and transparent procedure for assessing property tax, enumerating all the properties of ULBs and review/revision of property tax system. However, the State Government has not established any PTB in compliance with the recommendations of TFC. Consequently, ULBs in the State lacked independent and transparent mechanism for assessment, revision of property tax and technical guidance in this regard.
- Second Administrative Reform Commission (SARC) recommended (October 2007) that all ULBs should switch over to the Unit Area Method¹² or Capital Value Method¹³ for assessment of property tax in time bound manner in order to make the property tax buoyant. The State Government had not adopted any of the method recommended by SARC and ULBs were collecting property tax on various fixed rate specified for different plot sizes, its purpose and city as decided by the State Government in October 2013. Area-based property tax tends to be relatively stagnant as it is unresponsive to changes in property prices pending revisions in tax rate and only source of increase in property tax is the increase in the number of properties. Therefore, property tax in the State was non-buoyant with respect to market value of the property. Resultantly, ULBs were unable to generate additional revenue due to increase in market value of the properties in their jurisdiction.

¹² The Unit Area Method captures various parameters/factors of property (i.e. Location factor, Structural factor, Age factors, Occupancy factor and Usage factors, etc.) for assessment of property tax and solve the problem of tax buoyancy to some extent by periodic revision of parameters/factors without revision of tax rate.

¹³ Under capital value method property tax is assessed based on the market value prescribed for the property.

- Section 97 to 100 of HMC Act and Section 76 to 81 of HM Act require ULBs to prepare property list of all land and buildings in their jurisdiction and amend, update and alter the detail of the same from time to time for the purpose of levying property tax. In this regard, ULBs were required to get property survey done for a period of five years and supplementary survey every year. SARC recommended (October 2007) that a computerised database of all the properties using GIS mapping should be prepared for ULBs. The State Government allotted (October 2018) work relating to preparation of computerised database of all the properties using GIS mapping to a private agency for all the ULBs in the State. The work was scheduled to be completed by December 2019, however, the same has not been completed till November 2020. Audit noticed that in the absence of GIS based survey, 49 ULBs were assessing the property tax for the year 2019-20 based on property survey conducted prior to 2014-15. Further, only one test checked ULB (MC, Karnal) was conducting supplementary survey every year for inclusion of new property. It was also observed that none of the test checked ULBs were using other sources of information like water and electricity connection data, building plan approvals, etc. to arrive at the correct number of properties that are taxable. Consequently, the property tax base could not be increased to its maximum potential for want of proper data pertaining to potential assesseees.
- SARC also recommended that categories of exemptions from property tax need to be reviewed and minimised. Further, 14th FC recommended for not providing such exemption in normal course and wherever it is necessary the loss may be compensated by State Government. Audit in this regard observed that properties which were exempted from paying property tax in 15 test-checked ULBs constituted 19.68 *per cent* in four corporations, 16.97 *per cent* in two councils and 0.69 *per cent* in nine committees of total properties in area of the ULBs during 2015-20. Further, 14 test-checked¹⁴ ULBs had to forgo ₹ 14.64 crore against total amount due of ₹ 47.02 crore under two rebate schemes implemented during 2019-20 which constitutes 31.14 *per cent* of total amount due. During the period 2015-20, the State Government issued 15 rebate schemes. However, the State Government did not set up any mechanism to compensate ULBs of such loss of property tax due to rebate/exemptions. Resultantly, significant portion of own revenue of ULBs on accounts of exemption/waiver was foregone.

¹⁴ Information not provided by MC, Naraingarh.

- The accumulated arrears of property tax in the 14¹⁵ test-checked ULBs, as on 31 March 2020 was ₹ 615.92 crore. Out of which ₹ 180.29 crore was pending against various State Government properties which constituted 29.27 *per cent* of total arrear. This was despite the fact that the State Government was already paying property tax at half of normal rate. Audit observed that the pendency of arrear of property tax in respect of five¹⁶ test-checked ULBs was more than ten years while one ULB (i.e. MC, Karnal) had arrear since 2010-11. The test-checked Municipal Committees did not maintain records in this respect. It was also observed that all test-checked ULBs were issuing show-cause notices under Section 104 of HMC Act/94 of Section of HM Act. However, only four¹⁷ test checked ULBs were exercising the power under Section 130 of the HMC Act/Section 94 of the HM Act to recover the dues by attachment of rent, as arrear of land revenue, by attachment and sale of immovable properties, by suit, etc.

The average collection efficiency in respect of test checked four Municipal Corporations, two Municipal Councils and eight Municipal Committees during the period 2015-20 works out to be 36.50 *per cent*, 42.03 *per cent* and 61.28 *per cent* respectively.

- As per Section 92 of HMC Act, Central Government properties are exempted from payment of property tax. It is mentioned in the section *ibid* that section does not prevent the Municipal Corporation from levying service charges in lieu of services provided. SARC, 11th FC and 13th FC also recommended collection of services charges from all Central and State Government properties which are exempted from payment of property tax. Audit observed that all the test checked ULBs had not levied service charges on Central Government properties. Further, none of the test-checked ULBs was collecting the service charge from the State Government properties which were exempted from property tax.
- There was shortage of specialised manpower for taxation in all types of ULBs. As per the standard fixed (February 2018) by the State Government, there should be 30 post for Zonal Taxation Officers, 92 post for Taxation Superintendents and 131 post for Taxation Inspectors. However, there were shortages of 24 (80 *per cent*) Zonal Taxation Officer, 88 (96 *per cent*) Taxation Superintendents and

¹⁵ Information not provided by MC, Assandh.

¹⁶ Municipal Corporation: Ambala, Panchkula and Yamunnagar; Municipal Council: Thanesar and Kaithal.

¹⁷ Municipal Corporation: Ambala, Karnal, Yamunnagar and Municipal Council, Thanesar.

84 (64 *per cent*) Taxation Inspectors as on January 2020 with respect to the standard.

Thus, power in respect of rates and revision of property tax, exemption, etc. retained with State Government contrary to the provisions of Article 243 X of the Constitution and forfeit the sole purpose of empowering ULBs to levy and collect taxes so that the devolved functions can be carried out effectively by ULBs.

During exit conference, the department stated that the State Government has retained such powers in order to enforce a uniform rate of property tax in the State. The Government has constituted a committee for recommendation of rate of Property Tax and the necessary actions would be taken after receiving of recommendations of the committee. State Government provided rebate/exemption in property tax in order to expedite collection of outstanding property tax. However, alternative measures as mentioned under Section 130 of the HMC Act/Section 94 of the HM Act to recover the dues by attachment of rent, as arrear of land revenue, by attachment and sale of movable/immovable properties, etc. would be taken in order to collect the outstanding property tax. State Government Departments would be instructed to make payment of outstanding property tax. The ULBs have been instructed to take necessary actions for charging service charge.

Recommendations:

- *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 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.*

7.5 Water Charges

National Water Policy, 2012 stipulates that pricing of water should ensure its efficient use and reward conservation and the same should be determined on volumetric basis and be reviewed periodically. Section 70 (1) (xv) of HM Act

and Section 89 (1) (A) of HMC Act provides ULB to collect water charges at rates decided by the State Government from time to time for supply of water in municipal area. Thus, ULBs in the State lack autonomy in deciding the water charges and even the power of giving exemptions/concessions is vested with the State Government.

The State Government had decided/fixed 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 as there were only two rates for water charges i.e. one for domestic usage (₹ one per kilo litre) and other for industrial/commercial/institutional usage (₹ four per kilo litre). Consequently, the existing water charges remained unrevised since March 2011 and structure of the rates did not incentivise conservation of water as envisaged in National Water Policy 2012. It was further observed that the State Government notified State Urban Water Policy in March 2012, which however does not provide for periodic revision of water charges in order to compensate rise in cost of operation and maintenance of water supply. Examination of records of MC, Karnal revealed following deficiencies with regard to collection of water charges:

- **Recovery of water charges:** Ministry of Urban Development, GOI, prescribed (2008) user charges should be designed in such a manner that they are equivalent to the cost of operation and maintenance (O&M) of the service. Audit observed that the Corporation was not able to meet the cost of O&M of supplying water within its municipal area through levy of water/user charges as the same are determined by the State Government. Audit observed that MC, Karnal assessed water charges amounting to ₹ 2.32¹⁸ crore during 2019-20 which works out to 12.41 *per cent* of the cost of operation and maintenance (O&M) of the water service, ₹ 18.70 crore during 2019-20. No budgetary support for performing this activity was provided by State Government to MCK whereas, the same was being provided to PHED. Audit further observed that the Corporation could recover only ₹ 1.72 crore (23 *per cent*) against total demand of ₹ 7.43 crore (including arrear of ₹ 5.11 crore) during 2019-20. There was no system of issuing notices or other measures to recover the default amount from the users.
- **Unmetered water connection:** Metered connections are pre-requisite for recording actual consumption of water by the users, collection of user charges and reward water conservation. Audit observed that there were 40,574 water connections (domestic: 39,360, commercial:

¹⁸ On the basis of water charges fixed by the State Government in March 2011. Demand of ₹ 2.90 crore to water charges for the year 2019-20 includes sewerage charges at the rate of 25 *per cent* of water charges. Thus, demand for water charges worked out of ₹ 2.32 crore for the year 2019-20.

839, Industrial: 353 and Institutional: 22) in the municipal area. Out of which 11,000 domestic connections (28 *per cent*) were unmetered. Further, no prescribed mechanism existed at MC, Karnal to ascertain whether water meters have been fixed for all households, commercial and non-commercial properties.

- **Unauthorised connection/leakages:** Audit observed that MC, Karnal had not evolved any mechanism/system to watch over any illegal/unauthorised connections and to prevent loss of water due to leakages, etc. and necessary action to disconnect unauthorised connections and prevent loss of water due to leakages was taken on receipt of complaints in this regard.
- **Raising of bills:** The Municipal Corporation issues water bills on six monthly basis (i.e. January to June and July to December). However, water bills for the period from July 2018 to June 2019 were issued in August 2019, July 2019 to December 2019 in March 2020 and water bills from period January 2020 to June 2020 were not issued till January 2021 which indicates that water bills were not being issued regularly and timely.
- **Meter reading:** There was no system of taking water reading to work out actual consumption of water for domestic connections and issue of water bills accordingly. Audit observed that water bills to users of domestic category were issued on the basis of minimum amount of ₹ 48 per month instead of actual consumption. Further, there was no mechanism/system to identify faulty meter and replace the same as the billing software did not have any provision for recording fresh meter reading.

During exit conference, the department stated that Municipal Corporation, Karnal would be instructed to take necessary actions in this regard.

Chapter VIII

Conclusions

CHAPTER-VIII

Conclusions

The 74th Constitutional Amendment Act (74th CAA) introduced Part IX A (the Municipalities) containing Articles 243P to 243ZG in the Constitution. 74th CAA, which came into effect on 1 June 1993, authorised the State Legislature 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 (Article 243W). The 12th Schedule lists out the 18 functions to be carried out by ULBs.

8.1 Audit Objectives

Whether provisions of the 74th CAA have been adequately covered in the State Legislation?

Each State had to enact a legislation to implement the 74th CAA. The ULBs in the State were governed by the HM Act, 1973. The State Government vide amendments to HM Act and enactment of the HMC Act, 1994 introduced provisions corresponding to the 74th CAA. These amendments were, however, not supported by firm action. Thus, defeating the spirit of the constitutional amendment especially with reference to devolution of areas and creation of appropriate institutional mechanisms.

Whether ULBs have been empowered by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their function?

Transfer of functions: The State Government transferred all the 18 functions. Out of 18 functions, ULBs were solely responsible for four functions; had insignificant role in two functions; had limited role in five functions; were mere implementing agencies in four functions; and in respect of three functions ULBs have important role to play with overlapping role of parastatals/Government Departments. Thus, the discharge of devolved functions was highly restricted.

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 Section 10 and 34 regarding constitution of Wards Committees were incorporated in HMC Act and HM 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 15 test checked 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.

State Finance Commission: Six SFCs were constituted between May 1994 and September 2020 with delay ranging from two to 15 months.

Impact of parastatals on ULBs: The functions of urban/town planning, regulation of land use were delivered by parastatals as well as State Government Departments. These parastatals had their own governing bodies, which did not include elected representative of ULBs. This arrangement infringed on the ability of ULBs to discharge their mandated functions and undermined the objective of accountability to the people.

Whether effectiveness of the functions stated to have been devolved?

Water Supply and Sewerage: These activities were performed by only four ULBs and in rest of 83 ULBs, these function was performed by PHED.

Solid Waste Management: DULB had major role in Solid Waste Management policy and strategy formulation, tendering and technology selection and ULBs are just implementing various activities under the overall supervision of DULB.

Whether ULBs have been empowered to access adequate resources including sufficient resources for discharge of functions stated to be devolved to them?

Fiscal Transfer to ULBs: The 74th CAA provided for fiscal transfers from the Central and State Governments besides empowering them to raise their own revenue. The fiscal transfers constituted about 50.22 *per cent* of the revenue of ULBs during the period 2015-20.

Share of own and assigned revenue: Own and assigned revenue constituted 30.04 and 19.74 *per cent* of total revenue respectively during the period 2015-20.

SFCs Grants: The loss of grant to ULBs due to delayed constitution and acceptance of report of 4th SFC was ₹ 95.15 crore during the period 2015-16. However, there was excess release of grant of ₹ 41.98 crore to ULBs vis-à-vis recommendation of 5th SFC during 2016-20.

Additional Stamp Duty: ULBs were not getting their due share of Additional Stamp Duty due to short release of funds against the allotted budget through Supplementary Estimates.

Autonomy in generating own revenue: The ULBs lacked autonomy in generating their own revenue. While the authority to collect certain taxes/fee like property tax and water charges vested with ULBs, powers pertaining to the rates and revision thereof, procedure of collection (property tax), method of assessment, exemptions, concessions, etc., is vested with the State Government. The intervention of the State Government constrained the ULBs.

Buoyancy of property tax system: Property tax system was non-buoyant and non-revision of rates periodically affected the revenue generation of ULBs.

Budget making process: Budget making process was flawed and unrealistic. Scientific estimation of cost of each municipal service was not carried out, leading to huge variations between estimates and actuals. ULBs were able to generate own resources to the extent of only 80 *per cent* of revenue expenditure and had utilised on an average about 57 *per cent* of the available funds.

Financial and Administrative process: The expenditure constraints included limited financial and administrative powers to ULBs and shortage of manpower.

Power to assess requirement and recruitment of Staff: ULBs were not vested with the powers to assess staff requirement and recruit staff. These were vested with the State Government. The State Government had the powers regarding 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.

Adequacy of Manpower: The ULBs lacked adequate manpower as there were huge vacancies across all cadres affecting efficient delivery of services. This impacts the efficacy of service delivery by ULBs.

The above points have been referred (September 2021) to the Government of Haryana for comments and replies. Response from the Government was awaited (November 2021).



(VISHAL BANSAL)

Chandigarh

Dated: 09 March 2022

Principal Accountant General (Audit) Haryana

Countersigned



(GIRISH CHANDRA MURMU)

New Delhi

Dated: 11 March 2022

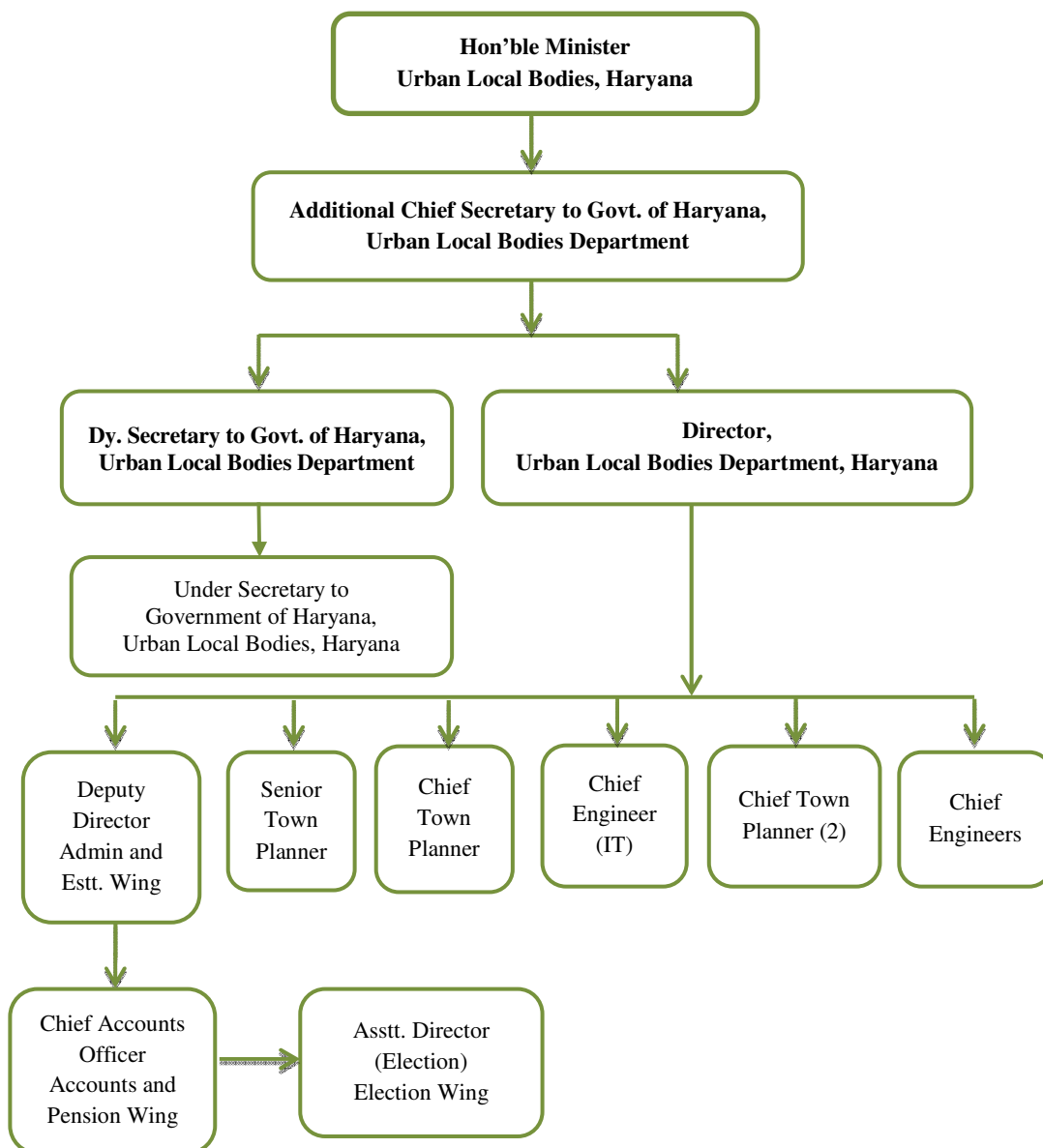
Comptroller and Auditor General of India

Appendices

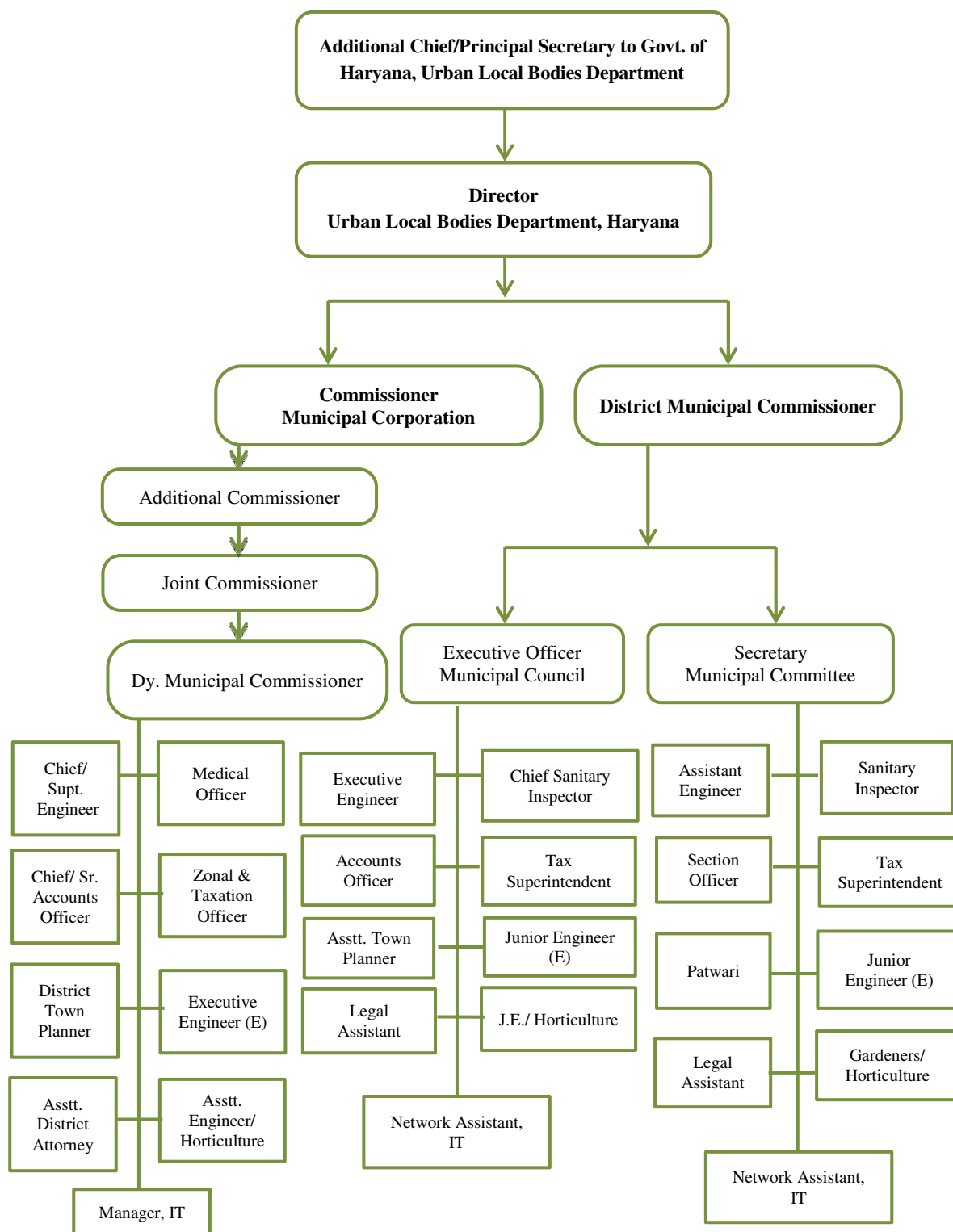
Appendix 1.1

(Reference: Paragraph 1.4; Page 2)

Organisational structure with respect to functioning of ULBs in the State



Source: Website of Directorate, Urban Local Bodies.



Source: Branch-wise Standard for Sanctioned Strengths in Municipalities fixed by GoH in 2018.

Appendix 1.2

(Reference: Paragraph 1.4; Page 2)

Details of parastatals and their functions

Sr. No.	Parastatal	Functions
1	Haryana Shehri Vikas Pradhikaran (HSVP)	Formed in January 1977. Its main functions are: • To promote and secure development of urban areas (including municipal areas) by acquiring undeveloped land. • To carry out physical infrastructure development works like roads & bridges, water supply and sewerage systems, storm water drainage systems and horticulture works on undeveloped land and disposes of the developed land for residential, industrial, institutional and commercial purposes after making zonal/sector plan in accordance with the development plan of the area.
2	Gurugram Metropolitan Development Authority (GMDA)	Established in December 2017 for development of Gurugram Metropolitan Area. The mandate of GMDA is to prepare integrated and coordinated plans for infrastructure development including urban amenities, mobility management, sustainable management of the urban environment and take measures for social, economic and industrial development for metropolitan area in coordination with local authorities, Central Government and other Government agencies and to establish a modern geospatial-based system for planning purposes.
3	Faridabad Metropolitan Development Authority (FMDA)	Established in February 2019 for development of Faridabad Metropolitan Area. The mandate of FMDA is to prepare integrated and coordinated plans for infrastructure development including urban amenities, mobility management, sustainable management of the urban environment and take measures for social, economic and industrial development for metropolitan area in coordination with local authorities, Central Government and other Government agencies and to establish a modern geospatial-based system for planning purposes.
4	Kurukshetra Development Board (KDB)	Established in August 1968. The broad functions for which the Board was constituted are as under: • To undertake the overall comprehensive development of various <i>tirths</i> in Kurukshetra including its landscaping, renovation of historical building and tanks. • Provision of sheds and huts, etc. for pilgrims. • Provision of civic amenities for pilgrims. • Provision of suitable accommodation arrangement for tourists. • Maintenance of cleanliness at all the sacred places throughout the year.
5	Haryana Slum Clearance Board (HSCB)	Constituted in April 1990 with the objective to undertake the development or re-development of slum areas, rehabilitation of slum dweller in the State of Haryana (including municipal areas). HSCB is also declared (February 2015) as the nodal agency for implementation of Swachh Bharat Mission (Urban) in urban areas of the State.

Sr. No.	Parastatal	Functions
6	Haryana Urban Infrastructure Development Board (HUIDB)	Constituted in April 2002 to raise resources for provision and upgradation of Urban Infrastructure in all municipalities, upgradation and modernisation of Town Planning and its implementation techniques, training facilities in Urban Management and Human resources Development of Municipalities and Urban Development Department by organising seminars, workshops and conferences on Urban Management, coordinating, planning and implementing the approved schemes/projects of the municipalities and for other such purposes. In July 2015, HUIDB as nodal agency for implementation of 'Atal Mission for Rejuvenation and Urban Transformation' (AMRUT)
7	State Urban Development Authority Haryana (SUDA)	Constituted in October 1991 and further re-constituted in March 2014 for implementation of Deendayal Antyodaya Yojana-National Urban Livelihood Mission (DAY-NULM) which is a centrally sponsored mission. It was also declared (July 2015) as nodal agency for monitoring of Pradhan Mantri Awas Yojana (Urban) Mission (PMAY).

Appendix 2.1**(Reference: Paragraph 2.3; Page 4)****The list of ULBs selected for test check**

ULBs' Type	Sr. No.	ULBs' Name
Municipal Corporation	1	Panchkula
	2	Ambala
	3	Karnal
	4	Yamunanagar
Municipal Council	5	Kaithal
	6	Thanesar
Municipal Committee	7	Naraingarh
	8	Taraori
	9	Asandh
	10	Gharaunda
	11	Radaur
	12	Pehowa
	13	Pundri
	14	Cheeka
	15	Shahabad

Appendix 4.1

(Reference: Paragraph 4.1; Page 15)

Status of the devolution of functions in test-checked Urban Local Bodies

Function number and description		Panchkula	Ambala	Karnal	Yamunanagar	Kaithal	Thanesar	Naraingarh	Taraori	Asandh	Gharaunda	Radaur	Pheowa	Pundri	Cheeka	Shahabad
1	Urban Planning including town planning															
2	Regulation of land-use and construction of buildings.															
3	Planning for economic and social developments															
4	Roads and Bridges															
5	Water supply for domestic, industrial and commercial purposes															
6	Public health, sanitation conservancy and solid waste management															
7	Fire services															
8	Urban forestry, protection of the environment and promotion of ecological aspects															
9	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded															
10	Slum improvement and upgradation															
11	Urban poverty alleviation															
12	Provision of urban amenities and facilities such as parks, gardens, playgrounds															
13	Promotion of cultural, educational and aesthetic aspects															
14	Burials and burial grounds; cremations, cremation grounds and electric crematoriums															
15	Cattle pounds, prevention of cruelty to animals															
16	Vital statistics including registration of births and deaths															
17	Public amenities including street lighting, parking lots, bus stops and public conveniences															
18	Regulation of slaughter houses and tanneries															
Devolved: Where all the sub-activities relating to the function are devolved		Partially Devolved: Where some but not all sub-activities relating to the function are devolved								Not Devolved: Where no sub-activity relating to the function is devolved						

Appendix 4.2

(Reference: Paragraph 4.2.1.5; Page 19)

Statement showing the numbers of House Meetings held and shortfall in the meetings held in test checked ULBs during 2015-20

Sr. No.	Name of ULBs	Meetings required*	Meetings held	Shortfall in meetings	Shortfall of meetings
		(In numbers)			In per cent
1	Municipal Corporation, Panchkula	39	5	34	87.18
2	Municipal Corporation, Ambala	39	9	30	76.92
3	Municipal Corporation, Karnal	55	21	34	61.82
4	Municipal Corporation, Yamunanagar	55	18	37	67.27
5	Municipal Council, Kaithal	56	20	36	64.29
6	Municipal Council, Thanesar	49	16	33	67.35
7	Municipal Committee, Naraingarh	47	16	31	65.96
8	Municipal Committee, Taraori	47	20	27	57.45
9	Municipal Committee, Assandh	47	15	32	68.09
10	Municipal Committee, Gharaunda	47	12	35	74.47
11	Municipal Committee, Radaur	31	14	17	54.84
12	Municipal Committee, Pehowa	47	20	27	57.45
13	Municipal Committee, Pundri	57	16	41	71.93
14	Municipal Committee, Cheeka	47	12	35	74.47
15	Municipal Committee, Shahabad	47	12	35	74.47
		710	226	484	68.17

* Excluding the period when House was dissolved.

Appendix 4.3

(Reference: Paragraph 4.2.1.6; Page 19)

Detail of the Subject Committees constituted and number of meeting in test checked ULBs held during the period April 2015 to March 2020

Sr. No.	Name of Subject Committee	MC, Panchkula		MC, Ambala		MC, Yamunanagar	
		Whether constituted or not	If Yes, no. of Meeting held	Whether constituted or not	If Yes, no. of Meeting held	Whether constituted or not	If Yes, no. of Meeting held
1	Finance and Contract Committee	Yes	-	Yes	1	Yes	-
2	Accounts and Audit Committee	No	-	No	-	No	-
3	Building Regulation Committee	Yes	1	Yes	-	Yes	-
4	Water Supply, Drainage and Disposal Committee	Yes	2	Yes	-	No	-
5	Assessment of various Taxes and Fees Committee	Yes	1	Yes	1	Yes	-
6	Extension and Prevention of Fire Committee	No	-	No	-	No	-
7	Education and Social Welfare Committee	No	-	Yes	1	No	-
8	Planning Improvement and Resource Committee	No	-	No	-	No	-
9	Beautification, Sanitation and Public Health Committee	No	-	Yes	1	Yes	-
10	Rural and Slum Development Committee	No	-	Yes	-	No	-
11	Market. Slaughterhouse and Trade Committee	No	-	No	-	No	-
12	Vigilance Committee	No	-	No	1	No	-
13	Implementation Committee	No	-	Yes	-	No	-
14	Any other Committee so constituted by the Corporation	No	-	No	-	Yes	-
	Total number of meetings held of all Subject Committees	-	4	-	5	-	-

Appendix 4.4

(Reference: Paragraph 4.2.5.1; Page 23)

Statement showing the delay in constitution of SFC and implementation of recommendations

SFC	To be constituted as per the Constitution	To be constituted with reference to previous SFCs	Actually constituted	Delay in constitution w.r.t previous SFC (in months)	Month of submission	Month of acceptance	Delay in acceptances [#] (in months)	Period covered as per Report of SFC	Period for which recommendations on devolution were accepted
1 st	By May 1994 [@]	Not applicable	May 1994	-	March 1997	September 2000	35	1997-98 to 2000-01	2000-01
2 nd	1999-2000	May 1999	September 2000	15	September 2004	December 2005	8	2001-02 to 2005-06	2005-06
3 rd	2004-05	September 2005	December 2005	2	February 2008	August 2008	-	2006-07 to 2010-11	2006-07 to 2010-11
4 th	2009-10	December 2010	April 2010	-	June 2014	March 2015	2	2011-12 to 2015-16	-
5 th	2014-15	April 2015	May 2016	12	September 2017	September 2018	5	2016-17 to 2020-21	2018-19 to 2020-21

[@] Within one year from the commencement of the 74th CAA.

[#] After adjusting six months period for acceptance of report as recommended by SFCs.

Appendix 4.5

(Reference: Paragraph 4.2.5.2; Page 25)

List of 5th SFC recommendations which are yet to be implemented

Sr. No.	Recommendations
1	To consider Ambala Cantonment in the list of beneficiaries of SFC.
2	To strengthen the Directorate of ULBs of the State based on the scientific assessment of the human resource requirements for various functional responsibilities entrusted to it by clearly defined roles and responsibilities of various administrative verticals in the Directorate.
3	A 'Standard Operating Procedure' for (how to start levying or collect a new tax or a toll or a fee), be prepared at the State Level and be circulated in all ULBs so that the ULBs wanting to take such initiative have clarity on what is permissible, how rate can be determined and what is the procedure.
4	A clear 'Standard Operating Procedure (SOP)' for collection of taxes should be circulated to all municipalities and internal control mechanisms should be prescribed for adoption thereby, and the municipalities may be instructed to adhere to that SOP.
5	To adapt Water Policy, 2013 of the Government of India for its context, including measures to recover cost of supply through differentiated user charges from the beneficiaries. The user charges should be structured not in nominal terms, where real value declines with time. A formula based user charges which help preserve real value merits serious consideration.
6	Research on augmentation of revenue should be a continuous exercise where the potential may be explored for newer ways of earning revenue and for exploiting the existing ways to the optimum. A professional institution suggests Swarna Jayanti Haryana Institute for Fiscal Management may be helpful in this regard.
7	A uniform form of accounting with uniform coding should be adopted and used in all ULBs in Haryana.
8	To adopt application 'National Asset Directory' developed by Government of India to record the assets of ULBs for ULBs in the State.
9	Internal control mechanisms be established for the ULBs at the State Level in the form of statements in specified formats to be filled and transmitted to the appropriate officer of the Directorate of ULBs in the form of MIS and a small software programme may be made to identify larger deviations and risk areas so that corrective actions can be taken accordingly.
10	Role mapping for the work positions in ULBs and SOPs for such roles including the reporting and MIS and responsibility factor may be done and the information be placed at a defined and known medium which can be accessed easily, but with appropriate checks and balances.
11	Budget Document of the ULBs should be based on a uniform format. This would include the function wise estimation of expenditure and revenue attributed to the function. Also, appropriate explanations should be given for the differences between budget estimates and actual realisation.

Appendix 5.1

(Reference: Paragraph 5.1.2; Page 38)

Statement of events for recruitment to the post of Accountant in ULBs during 2015-20

Sr. No.	Description of events	Date	Time taken	Total time taken
1.	Need assessment at DULB after collecting information in respect of vacancies in ULBs	19.12.2011		
2.	Forwarding proposal for recruitment to 39 posts to HSSC by DULB	18.01.2012	By State Government, 1,520 days	2471 days
3.	HSSC returned back the proposal on instruction of State Government (Order dated 28.10.2014) to hold the recruitment process till future order	24.11.2014		
4.	State Government issued instruction to send revised proposal to HSSC	29.04.2015		
5.	Forwarding proposal for recruitment to 40 posts to HSSC by DULB	02.07.2015		
6.	Forwarding proposal for recruitment to 35 posts to HSSC by DULB after attending queries on the proposal received from HSSC	18.03.2016		
7.	Advertisement for recruitment by HSSC vide advertisement no. 06/2016	02.12.2016	By HSSC, 930 days	
8.	DULB received a list of 35 candidates from HSSC after selection	08.10.2018		
9.	DULB issued offer of appointment to 32 candidates after document verification	29.10.2018		

Note: The number of days are calculated considering one month=30 days & one year=365 days.

Statement of events for recruitment to the post of Various Class-IV posts in ULBs during 2015-20

Sr. No.	Description of events	Date	Time taken	Total time taken
1.	State Government issued instruction to send proposal to General Administration Department (General Services-I Branch) in the O/o Chief Secretary (CS), GoH	21.06.2013		
2.	Forwarding proposal for recruitment of class vi staff to CS, GoH by PS, ULB	21.11.2013	By State Government, 1720 days	1905 days
3.	Advertisement for recruitment by CS, GoH	22.02.2014		
4.	State Government issued instruction to send revised proposal to CS, GoH as advertisement dated 22.02.2014 was to be re-advertised due to increase in upper age from 40 years to 42 years	06.07.2015		
5.	Forwarding proposal for recruitment of 130 posts to CS, GoH by DULB after need assessment	29.12.2016		
6.	State Government issued instruction to send revised proposal to HSSC and proposal sent earlier to CS, GoH treated as withdrawn	22.12.2017		
7.	Forwarding proposal for recruitment of 822 posts to HSSC by DULB after need assessment out of 967 received from ULBs (reasons for sending 145 less is not available on records)	11.08.2018	By HSSC, 161 days	
7.	Advertisement for recruitment by HSSC vide advertisement no. 04/2018	26.08.2018		
8.	DULB received a list of 822 candidates from HSSC after selection	22.01.2019		
9.	DULB make allotment to ULBs to issue offer of appointment to candidates after document verification	23.01.2019		
10.	ULBs issued offer of appointment to candidates after document verification	11.02.2019		

Note: The number of days are calculated considering one month=30 days & one year=365 days.

Appendix 5.2

(Reference: Paragraph 5.2.2; Page 40)

Statement showing the specilised manpower in ULBs in the State

(Figures in bracket in percentage)

Post	10 Corporations			19 Councils			53 Committees		
	Standard for an ULB	Shortage in SS w.r.t. Standard	Vacancy w.r.t. SS	Standard for an ULB	Shortage in SS w.r.t. Standard	Vacancy w.r.t. SS	Standard for an ULB	Shortage in SS w.r.t. to Standard	Vacancy w.r.t. SS
Taxation									
ZTO	3	5 (17)	19 (76)	-	-	-	-	-	-
TS	2	4 (20)	16 (100)	1	8 (42)	8 (73)	1	52 (98)	1 (100)
TI	4	+36 (90)	31 (41)	2	31 (82)	7 (100)	1	51 (96)	2 (100)
Engineering									
SE	1	0	2 (20)	0	0	0	0	0	0
EE	3	1 (3)	+2(6)	1	0	6 (32)	0	0	0
AE	6	0	5 (8)	2	2 (5)	18 (50)	1	3 (6)	32 (64)
JE	8	+38 (47)	53 (45)	4	3 (4)	34 (47)	2	52 (49)	9 (17)
Sanitation									
CSI	2	+4 (20)	15 (62)	1	5 (26)	10 (71)	0	0	0
SI	6	23 (38)	15 (41)	2	14 (37)	6 (25)	1	33 (62)	4 (20)
ASI	10	43 (43)	38 (67)	6	114 (100)	0	2	106 (100)	0
Public Health									
MO	1	+1 (10)	9 (82)	0	0	0	0	0	0
VS	1	2 (20)	8 (100)	1	19 (100)	0	0	0	0
AVS	2	13 (65)	7 (100)	2	38 (100)	0	0	0	0
Accounting									
SAO	1	2 (20)	2 (25)	0	0	0	0	0	0
AO	0	+ 8 (0)	2 (25)	1	9 (47)	5 (50)	0	0	0
SO	2	+3 (15)	6 (26)	2	32 (84)	6 (100)	1	53 (100)	0
Acct.	2	+17 (85)	31 (84)	2	9 (24)	12 (41)	1	1 (2)	25 (48)

SS: Sanctioned Strength, ZTO: Zonal Taxation Officer, TS: Tax Superintendent, TI: Tax Inspector, SE: Superintendent Engineer, EE: Executive Engineer, AE: Assistant Engineer, JE: Junior Engineer, CSI: Chief Sanitary Inspector, SI: Sanitary Inspector, ASI: Assistant Sanitary Inspector, MO: Medical Officer, VS: Veterinary Surgeon, AVS: Assistant Veterinary Surgeon, SAO: Senior Accounts Officer, AO: Accounts officer, SO: Section Officer and Acct: Accountant.

Appendix 5.3

(Reference: Paragraph 5.2.3; Page 41)

Status of Human Resources in test checked ULBs as on January 2020

Sr. No.	ULBs	No. of Sanctioned Post	Vacant Post	Vacancy Position (in per cent)	Outsourced Staff	No. of Employees per 1000 population
Municipal Corporations						
1	Panchkula	1,021	955	93.54	917	1.99
2	Ambala	816	752	92.16	121	0.61
3	Karnal	335	73	21.79	18	0.61
4	Yamunanagar	306	115	37.58	18	0.29
Municipal Councils						
5	Kaithal	74	27	36.49	13	0.32
6	Thanesar	227	108	47.58	18	0.68
Municipal Committees						
7	Naraingarh	15	9	60.00	2	0.27
8	Sahabad	107	60	56.07	74	2.19
9	Pehowa	23	10	43.48	4	0.34
10	Taraori	79	51	64.56	26	1.61
11	Radaur	17	6	35.29	4	0.72
12	Gharaunda	113	90	79.65	22	0.92
13	Assandh	81	65	80.25	50	1.88
14	Cheeka	56	27	48.21	49	1.55
15	Pundari	38	26	68.42	13	1.02
Total		3,308	2,374	71.77	1,349	0.84

Appendix 6.1

(Reference: Paragraph 6.1.3; Page 51)

Details of revenue sources, status of levy and statutory provisions in Test Checked ULBs during 2015-20

Sr. No.	Revenue sources	Status of levy in test checked ULBs	Whether the ULB is empowered to fix the rate of Tax/Fee/charge Independently (Yes or No)	State Government Order & Circular Reference		
				HMC Act, 1994		
1	Property Tax	Levied	No	Section- 87 (1)		85/HA16/1994/S87/2013 and 86/HA24/1973/S69/2013 dt. 11.10.2013
2	Fire Tax/Fire Event Charges	Levied	No	Section-87 (2f)		Section- 35, Haryana Fire Service Act, 2009
3	Entertainment Duty	Not levied	No	-		Notified by the Government, however, rates for entertainment duty to be collected not notified. Haryana Municipal Entertainment Duty Act, 2019
4	Tax on Profession	Not levied	No	Section- 87 (2a)		Not notified by the Government
5	Development Tax	Not levied	No	Section- 87 (2c)	Section- 70 (1) (viii d)	Not notified by the Government
6	Tax on Vehicle and Animal	Not levied	No	Section-87 (2b)	Section- 70 (1) (ii & iii)	Not notified by the Government
7	Show Tax	Not levied	No	Section- 87 (2d)	Section- 70 (1) (v)	Not notified by the Government
8	Toll Tax	Not levied	No	Section-87 (2f)	Section- 70 (1)(vi)	Not notified by the Government
9	Sanitation Tax	Not levied	No	Section-87 (2f)	Section- 70 (1)(viii b)	Not notified by the Government
10	Tax on boat	Not levied	No	Section-87 (2f)	Section- 70 (1)(vii)	Not notified by the Government
Non-Tax Revenue						
1	Rent/Lease Money of Land	Levied	Yes	Section-327 (a-i)&(b)	-	

Sr. No.	Revenue sources	Status of levy in test checked ULBs	Whether the ULB is empowered to fix the rate of Tax/Fee/charge Independently (Yes or No)	State Government Order & Circular Reference		
				HMC Act, 1994		
2	Advertisement permission fee	Partially levied in Municipal Corporations and Councils. Not levied in Municipal Committees	No	Section-122	Section 200 (p) and Haryana Municipalities Outdoor Advertising Policy, 2010	HMC Advertisement Bye-laws-2018
3	Trade License Fees	Levied in the Municipal Corporations	Yes	Section-330, 331, 335 & 336	-	
4	Trade License Fees (Dangerous and Offensive Trade)	Levied in the Municipal Councils and committees	No	-	Section-128	HM (dangerous and offensive trade) Bye-laws, 1982 and Bye-laws Amendment, 1997
5	Scrutiny/Building Application Fee	Levied	No			Haryana Building Code, 2017
6	Development Fee/Charge	Levied	No	-	-	Haryana Management of Civic Amenities & Infrastructure Deficient Municipal Areas Act, 2016
7	Mobile Tower Fee	Levied in Municipal Corporations and Councils. Not levied in Municipal Committees	No	-	-	HMC (Communication & Connectivity Bye-laws, 2013 and HM (Communication & Connectivity Infrastructure Amendment Bye-laws, 2013
8	Cable lying fee (Road Cut Charge/Road Damage Recovery Fee)	Levied in Municipal Corporations and Councils. Not levied in Municipal Committees	No	-	-	HMC (Communication & Connectivity Bye-laws, 2013 and HM (Communication & Connectivity Infrastructure Amendment Bye-laws, 2013
9	Dog Registration Charge	Levied in Panchkula & Thanesar	No	Section-311	-	HMC Bye-laws, 2008 (Registration & Proper Control of Dogs) and HM Bye-laws, 2005 (Registration & Proper Control of Dogs)
10	Birth & Death Registration Charge	Levied	No	-	-	As per Haryana Compulsory Registration of Births and Deaths Act, 1969 & Haryana Registration of Births and Deaths Rules, 2002
11	Marriage Form/Certificate Fee	Levied	No	-	-	As per Haryana Compulsory Reg. of Marriages, 2008

Sr. No.	Revenue sources	Status of levy in test checked ULBs	Whether the ULB is empowered to fix the rate of Tax/Fee/charge Independently (Yes or No)	State Government Order & Circular Reference		
				HMC Act, 1994		
12	Tehbazari fee/fare fee	Five test checked ULBs. Except MC Panchkula and nine Municipal Committees	Yes	Section-327 (a-i & ii)		Haryana Municipal (Licensing of the Tent Owners) Bye-laws, 1999
13	Parking fee	Not levied		Section-327(a-i) & (b)	-	
14	Slaughtering Fee	Not levied		Section-327 (a-iv)		Haryana Municipal (Regulation of Slaughter house) Bye-laws, 1977
15	Charges for unauthorised construction	Levied	No		Section 203-A	State Government notification 19/4/2012--6C-1 dated 26 June 2018 Haryana Municipal (Charging of Composition Fees for Regularisation of Unauthorised Construction) Rules, 2003
16	Lightening fee	Not levied	No	Section-88(iv)	Section-70 (1) (xi)	
17	Service Charges in lieu of property tax		No	Section-92	-	Hon'ble Supreme Court's decision dated 19 November 2009 & Instructions vide O.M. dated 15/17 December 2009 of Ministry of Urban Development, GOI

Appendix 6.2

(Reference: Paragraph 6.2.1.2; Page 54)

Budget making process from preparation to approval

City	Budget proposed by	Budget approved by	Budget per capita (₹)
Panchkula	House of the Corporation	State Government	2,617
Ambala	Finance and Contract Committee House of the Corporation	State Government	3,580
Karnal	House of the Corporation	State Government	3,569
Yamunanagar	House of the Corporation	State Government	1,527
Kaithal	House of the Council Deputy Commissioner	Divisional Commissioner	1,730
Thanesar	House of the Council Deputy Commissioner	Divisional Commissioner	1,581
Naraingarh	House of the Committee	Divisional Commissioner	1,987
Taraori	House of the Committee	Divisional Commissioner	2,380
Asandh	House of the Committee	Divisional Commissioner	1,931
Gharaunda	House of the Committee	Divisional Commissioner	2,321
Radaur	House of the Committee	Divisional Commissioner	1,390
Pheowa	House of the Committee	Divisional Commissioner	1,794
Pundri	House of the Committee	Divisional Commissioner	1,081
Cheeka	House of the Committee	Divisional Commissioner	2,422
Shahabad	House of the Committee	Divisional Commissioner	1,658

Appendix 6.3

(Reference: Paragraph 6.2.2; Page 55)

Statement showing variation in budget in each category of ULBs

Amount: ₹ in crore										
Municipal Corporation, Panchkula										
Year	Budgeted			Actual				Variation (per cent)		
	Income	RE	DE	Grants	Income	RE	DE [#]	Income	RE	DE
	A	B	C	D	E	F	G	H = (E-A)/E *100	I = (F-B)/F *100	J = (G-C)/C *100
2015-16	76.81	31.80	44.00	27.46	44.97	26.15	20.36	-41.45	-17.77	-53.73
2016-17	85.77	34.88	48.80	37.49	52.54	29.64	48.16	-38.74	-15.02	-1.31
2017-18	89.42	45.56	56.67	68.24	61.85	41.11	73.04	-30.83	-9.77	28.89
2018-19	98.92	48.56	61.67	36.79	75.95	58.55	100.40	-23.22	20.57	62.80
2019-20	123.15	64.48	64.91	56.81	50.42	61.33	40.83	-59.06	-4.89	-37.10
Municipal Council, Kaithal										
Year	Budgeted			Actual				Variation (per cent)		
	Income	RE	DE	Grants	Income	RE	DE	Income	RE	DE
2015-16	36.98	19.42	15.05	15.62	12.80	12.29	16.32	-65.39	-36.71	8.44
2016-17	29.99	20.46	8.90	24.59	13.81	12.34	19.60	-53.95	-39.69	120.22
2017-18	37.12	27.65	8.90	63.47	14.57	14.04	15.80	-60.75	-49.22	77.53
2018-19	37.12	30.22	6.90	35.25	34.16	18.05	29.24	-7.97	-40.27	323.77
2019-20	31.91	26.44	6.00	63.85	14.16	24.20	58.05	-55.63	-8.47	867.50
Municipal Committee, Cheeka										
Year	Budgeted			Actual				Variation (per cent)		
	Income	RE	DE	Grants	Income	RE	DE	Income	RE	DE
2015-16	11.41	6.06	5.31	5.74	5.83	4.05	6.13	-48.90	-33.17	15.44
2016-17	11.65	6.84	4.80	14.97	5.25	3.82	11.61	-54.94	-44.15	141.88
2017-18	11.96	7.86	3.74	10.34	6.49	5.29	10.31	-45.74	-32.70	175.67
2018-19	12.15	9.29	2.80	4.97	6.08	4.27	2.30	-49.96	-54.04	-17.86
2019-20	11.85	9.41	2.80	10.66	5.54	5.69	4.93	-53.25	-39.53	76.07

RE: Revenue Expenditure, DE: Development Expenditure

#: Development Expenditure includes Capital Expenditure

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