CHAPTER-IV

Performance Audit of “Efficacy of implementation of 74th Constitutional Amendment Act”
CHAPTER – IV
DEPARTMENT OF HOUSING AND URBAN AFFAIRS
PERFORMANCE AUDIT

PA on “Efficacy of implementation of 74th Constitutional Amendment Act”

4.1 Introduction

4.1.1 The 74th Constitutional Amendment Act

The 74th Constitutional Amendment Act (CAA) has accorded constitutional status to the municipal bodies by initiating a process of democratic decentralisation with the objective of making urban governance more responsive. In order to meet the growing aspirations and expectations of people and to meet the daunting challenges of urbanisation, governance in the urban local bodies needs to become more efficient, effective, responsive, citizen friendly, transparent and accountable. Absence of these features contributes to “governance deficit” to varying degrees in the urban local bodies. The report of the working group on urban governance also mentioned that the key problems in urban governance includes weak legal and institutional framework within which the ULBs operate and their poor capacity including lack of a professional and sensitised cadre, to perform their development and regulatory functions.

The Constitution of India provided a clear mandate for democratic decentralisation through the 74th Amendment 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 01 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions listed in the XIIth Schedule. The Act was aimed at empowering local self-governments with legislative and executive powers, with well demarcated powers and responsibilities. Article 243W of the Constitution authorised the State Legislatures to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities.

The XIIth Schedule of the Constitution enumerates 18 specific functions to be devolved to ULBs as listed below:

1. Urban Planning including Town Planning.
2. Regulation of land use and construction of building
3. Slum improvement and up gradation
4. Roads and Bridges
5. Urban Forestry, protection of the environment and promotion of ecological aspects
6. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded,
7. Vital Statistics including registration of Births and Deaths.
8. Planning for economic and social development
9. Urban poverty alleviation
10. Water Supply for domestic, industrial and commercial purposes,
11. Public Health, Sanitation, Conservancy, Solid Waste Management,
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, crematoriums, cremation grounds, electric cremation grounds, electric crematoriums,
15. Cattle pounds, prevention of cruelty to animals,
16. Public amenities including street lighting, parking lots, bus stops and public conveniences,
17. Regulation of slaughterhouses and tanneries,
18. Fire Services

4.1.2 Trend of urbanisation in Assam

Assam is one of the least urbanised states of the country with rural population constituting 86 per cent of the total population which is much higher than that for All-India (69 per cent). It is traditionally rural in character with agriculture and allied activities being the primary occupation of its population constituting 19 per cent of the State Gross Domestic Product. While the share of urban population to total population of Assam in 1951 was only 4.29 per cent, it increased to only 14.10 per cent by 2011.

The urbanisation in terms of share of urban population in the districts of Assam showed wide variations. While Kamrup (Metro) district has 82 per cent of the urban dwellers, Baksa district had only 1.28 per cent urban population. The important aspect of urban growth is the dominance of the capital city. The State capital city Guwahati with its population of 11.2 lakh constitutes 24 per cent of total urban population of the State and has experienced the faster urban growth primarily due to migration from infrastructure deficient areas.

4.1.3 Profile of Urban Local Bodies in Assam

In Assam, ULBs were categorised primarily on the basis of population. There were 100 Municipal Boards (MBs) covering the urban area besides one Municipal Corporation (Guwahati Municipal Corporation) for the Capital City of Guwahati. The Municipal Corporation is governed by the Guwahati Municipal Corporations Act, 1971 and other ULBs are governed by the Assam Municipal Act, 1956. Each Corporation/Municipal area has been divided into wards, which are determined and notified by the State Government for the purpose of election of Councillors. The criteria for classification of ULBs as MB or Town Committee (TC) was that each MB should comprise of not less than 10 but not more than 30 elected members and each TC should comprise of not less than 4 but not more than 10 elected members. In Assam, MBs and TCs were constituted for medium towns and transitional areas, respectively. However, in October 2018, all the town areas were converted into MBs. At present, there are 100 MBs categorised under five groups on the basis of population. No category of municipal body is kept to cover areas in transition from rural to urban area. The GMC constituted in 1974 was the only Municipal Corporation of the State.

As per Census of India 2011
4.1.4 Organisation structure of urban governance in Assam

The urban governance in Assam was vested upon the following two departments till July 2021:

- **Urban Development Department**: The Principal Secretary is the administrative head of the Urban Development Department (UDD), who looks after matters relating to the administration of ULBs (MBs), allocation of funds as well as implementation of schemes at the State level. The Pr. Secretary is assisted by Director, Municipal Administration (DMA) who functions as an interface between the State Government and ULBs. The Director, Town and Country Planning (T&CP) is responsible for Master Plan/ Development Plans/ Zonal Plans and enforcing master planning regulations in the urban areas other than Guwahati Metropolitan area.

- **Guwahati Development Department**: The Additional Chief Secretary, Guwahati Development Department (GDD), is the administrative head of the Department. The GMC is governed by Elected Body headed by Mayor and assisted by standing committees. The Commissioner is executive head of the GMC. Organisational set-up of ULBs is depicted in the following organogram:

![Organogram of Organisational structure of urban governance in Assam]

In July 2021, both the UDD and GDD were merged into a new department named as Department of Housing and Urban Affairs.

In addition to the ULBs, there are key parastatal agencies that deliver or facilitate urban infrastructure and services such as Assam Urban Water Supply and Sewerage Board (AUWS&SB), Assam Urban Infrastructure Investment Programme (AUIIP), Assam State Housing Board (ASHB), PMAY (U) Mission and Guwahati Metropolitan Development Authority (GMDA) under UDD and GDD. The details of parastatals and their functions are discussed in Paragraph 4.4.

4.2 Audit framework

4.2.1 Audit objectives

The overall objective of this Performance Audit (PA) was to ascertain whether the State Government has empowered the ULBs through creation of a robust institutional
framework as well as transfer of functions. For this purpose, the Performance Audit (PA) assessed the following:

- Whether provisions of 74th CAA have been adequately covered in State legislations?
- Whether ULBs were empowered by the State Government to discharge their functions effectively through the creation of appropriately designed institutions/ institutional mechanisms and the functioning thereof?
- Whether ULBs have access and powers to raise financial resources commensurate with their functions?
- Whether ULBs have powers to mobilise and incentivise human resources commensurate with their functions?

4.2.2 Audit criteria

The criteria for the PA were derived from the following:

- Provisions of 74th Constitutional Amendment Act, 1992;
- The Assam Municipal Act, 1956;
- The Guwahati Municipal Corporation Act, 1971;
- The Guwahati Metropolitan Development Authority Act, 1985;
- Reports of Central and State Finance Commissions;
- The Model Municipal Law, 2003;
- Report of the Second Administrative Reforms Commission, and
- Government Notifications, Orders, instructions issued by State Government.

4.2.3 Audit scope and methodology

The PA covering the period April 2015 to March 2020 was carried out for assessment of implementation of the 74th CAA by the State Government and ULBs. For this, 19 ULBs from 5 districts falling under General Areas were selected applying judgemental sampling method. ULBs under sixth scheduled areas were not selected as it does not come under the purview of the 74th CAA. The sampling methodology and list of selected ULBs are shown in Appendix 4.1. Out of 18 functions listed in the 12th Schedule, the activities viz., Water Supply, Public Health and Sanitation, Solid Waste Management, Property Tax and Water Tax/ Charges were selected for test check. The audit methodology involved document analysis and responses to the audit queries. Departmental replies, wherever received, have been factored into the Report.

4.2.4 Acknowledgement

The cooperation and assistance extended by the State Government, DMA, T&CP, parastatal bodies and the test-checked ULBs in conducting the performance audit is acknowledged.

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24 Constitution of India (CoI) has provided for constitution of separate Autonomous Councils for tribal areas of Assam under Sixth Schedule of the CoI. Areas not falling under the provision of the Sixth Schedule are known as General areas.
Audit findings

4.3 Compliance to provisions of 74th CAA

The 74th CAA introduced certain provisions relating to municipalities vide Articles 243Q to 243ZG. The State Government vide various amendments enacted between 1994 and 2019 to the Assam Municipal Act, 1956 (AM Act) and the Guwahati Municipal Corporation Act, 1969 (GMC Act), introduced provisions corresponding to the CAA provisions. A comparison of actual State-level legislations with the provisions of the 74th CAA is shown in Appendix 4.2:

Audit observed that though most of the provisions of the 74th CAA were covered within the State Acts except for Article 243 ZD (Committee for District Planning) and Article 243 ZE (Committee for Metropolitan Planning), the legal provisions were not backed by decisive actions resulting in partial implementation of 74th CAA which are discussed in subsequent chapters. The Secretary, DHUA, stated (December 2021) that steps will be taken for implementation of the provisions of the 74th CAA.

Recommendation: In order to implement the mandate of the Constitution, State Government may take steps to fully implement the 74th CAA.

4.4 Empowerment of Urban Local Bodies and their functioning

4.4.1 Actual status of devolution of functions

The 74th CAA incorporated provisions for devolution of certain powers and functions to Urban Local Bodies (ULBs). It also sought to empower ULBs to perform functions and implement schemes in relation to 18 subjects specified in the XIIth Schedule of the Constitution of India (CoI). The State was expected to enact suitable legislation to implement the amendment. As per Section 53-A of the AM Act, 1956, as amended in 2011, 7 out of 18 functions stands transferred to ULBs whereas 10 functions were termed as inherent subjects and ULBs were supposed to implement those functions out of their own resources. There was no provision related to transfer of “Fire Services” to ULBs. The Third Assam State Finance Commission had recommended that GOA should draw up detailed Activity Mapping for ULBs for transfer of function and functionaries in accordance with the provisions of the Constitution. However, activity mapping for the transferred subjects had not been carried out by the Government. There were several overlaps in discharge of the functions between ULBs, parastatals and Government departments. In the test-checked ULBs, it was found that the ULBs have very minimal role in implementation of devolved functions.

The actual implementation of the devolved functions by the various authorities and the overlap in discharge of the functions is detailed in Appendix 4.3.

Audit observed several overlaps in discharge of functions between ULBs, Parastatals and Government Departments. As can be seen from Appendix 4.3, out of 18 functions, ULBs have full jurisdiction over three functions only but due to lack of infrastructure, they could perform only one function (construction and maintenance of burial grounds and crematorium), that too partially.
The Secretary DHUA while agreeing to the fact that activity mapping on 18 subjects was to be carried out for systemic development of ULBs, stated (December 2021) that the Department will prepare and issue activity mapping in consultation with the departments concerned.

**Some of the functions listed in the Twelfth Schedule of the Constitution and the ability of ULBs to carry out these functions efficiently are discussed below:**

(i) **Water supply for domestic, industrial, and commercial purposes:** This function was most appropriately to be done by the ULBs. However, the state of urban water supply was quite dismal, and most of the ULBs were either incapable of providing water supply or were not entrusted this role by the Government. The urban services delivered by parastatals (State Government’s statutory agencies) were not answerable to ULBs but only to State Government. ULBs have little control on these parastatals that operate on a larger scale which complicates incentive structures, leading to poor outcomes. The issue of water supply services by ULBs has also been pointed out under Paragraph 1.2.8.1 in C&AG’s Report on Social, General and Economic Sectors for the year ended 31 March 2018, which *inter alia* pointed out that the coverage of piped water connections was below the benchmark, water loss was above the benchmark, cost recovery in water supply services and number of metered connections was low and there was poor efficiency in collection of water tax/charges.

(ii) **Public health, sanitation, conservancy:** Public health, contrary to its significance for social and economic development of the country, was not supported by a consistent institutional structure. It was highly programme driven with the Central Government responsible for funding and planning, and State Government for implementation. With dwindling finances of ULBs and the extent of intervention required by the Government, ULBs were not well equipped to handle this function.

(iii) **Solid waste management:** ULBs are solely responsible for solid waste management in the municipal areas. It comprises of various steps *viz.*, collection, segregation, transportation, disposal and recycling of waste and is also a function that is best performed by ULBs. Solid waste was also managed by ULBs through local units of Swatch Bharat Mission. However, delivery of this function was not up to the set benchmark which was highlighted under Paragraph 1.2.8.2 of CAG’s Report on Social, General and Economic (Non-PSUs) Sectors for the year ended 31 March 2018, Government of Assam which stated that Solid Waste Management (SWM) System in ULBs was inadequate and poorly managed. The mechanism for doorstep collection, segregation, processing, recycling, scientific disposal of solid waste and recovery of SWM charges by ULBs was largely absent. Open dumping was the most common option for the disposal of solid waste. Dumping sites were situated at the bank of river/water bodies resulting in pollution of surface water, narrowing the river, *etc.*
(iv) Other functions like Urban poverty alleviation, Urban forestry, Safeguarding the interests of weaker sections of society, Provision of urban amenities and facilities, and Promotion of cultural, educational and aesthetic aspects having such a broad mandate requires high level of coordination and support from the Government to enable the ULBs to discharge this responsibility efficiently as envisioned in the Constitution.

The devolution of functions to the local bodies can meet its intended end only with a commensurate devolution of powers with sufficient autonomy, and revenue by the State Government. Further, without the administrative, institutional, and financial reforms, and capacity building, the ULBs may not be able to execute their functions successfully.

During the exit conference, Secretary, DHUA, accepted the observation on overlaps in discharge of functions by the ULBs, parastatal and Government Departments. He stated that the systemic development of the various aspects of Municipal bodies in State had not taken place.

**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.

### 4.4.2 Institutional mechanisms for empowerment of ULBs

The institutional mechanisms provided by the 74th CAA have been discussed in paragraph 4.3. This section discusses the effectiveness of such institutional mechanism.

#### 4.4.2.1 Constitution of Municipalities

Article 243Q 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.

In compliance to Article 243 Q, Sections 3(45), 4 and 335 of AM Act and Sections 4 and 5 of GMC Act, 1971 have made provisions for constitution of three types of municipalities viz., Municipal Corporation, Municipal Board and Town committee. Section 335 of AM Act provides for constitution of Town Committee for each of the areas defined as transitional area in Article 243 of the CoI.

Initially, the MBs and TCs were constituted for medium towns and transitional areas, respectively. As per Government Notification (October 2018), MB should have population size ranging between ten thousand and one lakh. However, in October 2018, the Government converted all the 66 TCs into MBs and categorised the MBs under five groups on the basis of population. Thus, no category of municipal body was defined for areas in transition from rural to urban area.

The GMC constituted in 1974 was the only Municipal Corporation of the State.
4.4.2.2 Composition of Municipalities

Section 10, 11 and 12 of AM Act provides for composition of municipalities in compliance to the requirements as per the CoI (Article 243R). Further, Section 5 (1) (a) (ii) of the GMC Act, the State Government may appoint persons having special knowledge or experience in municipal administration as the member with no voting power.

Municipal Body in the State comprises of ward members elected through direct elections and MLA(s) and the MP of the respective constituency are the ex-officio members of the Municipality.

However, there was nothing on record to show that persons having special knowledge in municipal administration were nominated by the Government, though provided in the Act. Further, to comply with the provisions of the Municipal Act, the Government directed all the MBs having less than 10 wards to make at least 10 wards in every MB. As a result, 86 new wards were created in 26 MBs.

4.4.2.3 Reservation of seats

Article 243T of the Constitution provides for reservation of seats for SC/ST, Women and Backward classes for direct election to ULBs. As per Section 11 (d) of Assam Municipal Act, the number of seats reserved for SC/ST should bear the same proportion to the total number of seats to be filled by direct election in that municipality as the SC/ST population in the municipality area bears to the total population of that municipality as per the latest census figures and such seats may be allotted to different constituencies in a municipality.

Though the seats were reserved as per provision, it was found that the proportion of SC/ST members was less than the prescribed norms in one out of 19 test-checked ULBs viz., Silchar MB25.

In reply, Secretary, DHUA stated that necessary steps will be taken to comply with the provisions of Assam Municipal Act.

4.4.2.4 Elections to the Municipalities

In compliance to Article 243U of the CoI, Section 26 of AM Act provides that every Municipality shall continue for five years from the date of first meeting of the newly constituted Board after a general election. An election to constitute a Municipality shall be completed before the expiry of its duration or before the expiration of six months from the date of its dissolution.

Further, in compliance to Article 243 ZA read with Article 243 K of the Constitution, Section 12-A of Assam Municipal Act provided that superintendence, direction and control of preparation of electoral rolls, and conduct of all elections to the Municipalities and Town Committees shall be vested in the State Election Commission (SEC) constituted by GoA. However, the power of delimitation of wards, reservation

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25 No seat reserved against three seats to be reserved.
Performance Audit of “Efficacy of implementation of 74th Constitutional Amendment Act”

of seats for the council and rotation policy of seats for the posts of Mayor/ President, Deputy-Mayor/ Vice-Presidents and ward members were vested with the State Government. This was not in accordance with the recommendations of the Second Administrative Reforms Commission (ARC) to entrust the task of delimitation and reservation of constituencies to SEC, which was accepted by Government of India. The State delayed delimitation process, which was required for new wards formed after upgradation of TCs into MBs. This, in turn, delayed municipal elections. Though the current term of the MBs expired in April 2020, the elections were held only in March 2022 due to delayed completion of delimitation process. The delay in municipal elections in MBs happened in 2009 and 2015 too. Besides, election to GMC was held only in April 2022 though it was due in June 2018. It was intimated by the ULBs that due to delay in delimitation of wards by the Government, the election could not be held in time. Further, election was also delayed due to Covid-19.

**Recommendation:** *In view of the fact that the delimitation has been delayed time and again by the State Government, the task of delimitation may be entrusted to the SEC in order to ensure timely elections.*

### 4.4.2.5 Power to impose taxes by the Municipalities

Article 243X of the Constitution empowered the municipalities to levy and collect the taxes, fees, duties, *etc.* Grants-in-Aid would be given to the Municipalities from the State and constitution of Municipal fund for crediting and withdrawal of moneys by the Municipality.

In compliance to Article 243X, Sections 68 and 69 of Assam Municipal Act empowered the MBs to levy and collect taxes, fees, duties, *etc.* Municipalities were mainly levying holding tax, license fee, market rent, hoarding tax and parking fee. However, change in existing method of property tax (Property tax collection to be changed from Annual Rental Value method to Unit Area Method) was recommended by the first and third Assam State Finance Commissions and also accepted by the Government but the same was not revised as discussed in Paragraph 4.5.1.2.

### 4.4.2.6 Audit of accounts of Municipalities

Article 243Z of the Constitution provided for maintenance of accounts by the Municipalities, and the auditing of such accounts. Under the AM Act, 1969, the audit of accounts of ULBs was to be conducted by a body or authority prescribed by the Government. Government of Assam (GoA) entrusted the audit of ULBs to Director of Audit, Local Fund (DALF), Assam. Further, as per para 101(i) of Assam Audit Manual, DALF has to submit Annual Audit Report to the Finance Department by 30th September each year.

However, audit observed that the DALF, Assam has delayed submission of consolidated Annual Audit Report for the period 2016-17 to 2018-19 to the Finance Department for follow up action (as mentioned in Table 1.4). This would adversely impact the accountability of ULBs. There was an urgent need for DALF to bring in operational efficiency leading to timely issue of Audit reports.
4.4.2.7 Committee for District Planning

Article 243ZD of the Constitution provides for constitution and composition of District Planning Committee at district level and preparation and submission of draft development plan to the Government.

It was observed that DPCs were not functioning in any of the test-checked districts. The guidelines for urban areas plans and integration of these plans with the departmental plans for the district as a whole was yet to take place.

During exit conference, Secretary, DHUA stated that the DPC were constituted but they were dealing with the Plan submitted by the PRIs (under MGNREGS) and that ULBs were yet to be involved in the DPC’s Plan. The Secretary further added (December 2021) that the matter will be taken up with the Finance Department.

4.4.2.8 State Finance Commission

Article 243Y of the Constitution provide for constitution of Assam State Finance Commission (ASFC) for:
- reviewing the financial position of Municipalities and recommending measures to improve the financial condition of Municipal bodies;
- distribution of the net proceeds of the taxes, fees, tolls, and duties that are charged by the State Government, between the State and the Municipalities; and
- allotting the funds to the municipal bodies in the State from Consolidated fund of the State.

Accordingly, six ASFCs were constituted since June 1995 as per Section 3(47) of AM Act and Section 2(1) of the Assam Finance Commission (Miscellaneous Provision) Act, 1995. The position of Constitution of ASFCs and submission of its report is shown in Table 4.1.

<table>
<thead>
<tr>
<th>No. of SFC (Period)</th>
<th>To be constituted/ Actually constituted</th>
<th>Date of submission of report</th>
<th>Date of Action Taken Report</th>
<th>Delay in ATR</th>
</tr>
</thead>
</table>

Table 4.1: Details of the six ASFCs constituted
### 4.4.2.8.1 Delay in constitution of the State Finance Commission and implementation of recommendations

As per Terms of reference (ToR), the tenure of 5th ASFC covered the five-year period commencing from 1st April 2015 to 31st March 2020. However, by the time its report was tabled (November 2016), the first year was already over. As an interim report was submitted in July 2016 indicating the budgetary allocation for 2016-17, the report was applicable for a period of four years only commencing from 01 April 2016.

As per the Constitutional provisions and the Acts, implementation of the recommendations of the 6th ASFC was due from April 2020. Though the 6th ASFC was constituted in November 2018, its report was submitted to the Government only in April 2020. However, Government has not yet (September 2021) accepted the recommendations of the 6th ASFC.

### 4.4.2.8.2 Response of the State Government to SFC recommendations

Besides recommendations relating to devolution, the SFCs have recommended several institutional measures that would strengthen ULBs in the long term. An illustrative list of recommendations where action was yet to be initiated by the Government is indicated in **Table 4.2**:

<table>
<thead>
<tr>
<th>SFC</th>
<th>Recommendations</th>
<th>Action by the Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Change in the existing method of property tax, Levy of a tax on vacant land, Transfer of registration of birth and death to local bodies, and Setting up of a Tariff Commission</td>
<td>These recommendations, though accepted, remained unimplemented.</td>
</tr>
<tr>
<td>Second</td>
<td>Recommended measures for augmentation of resources, Termination of dual authority in the matter granting building permission, Separate pay structure for local bodies, Separate norms for maintenance of assets by local bodies, and Creation of data bank</td>
<td>These recommendations were accepted but remained unimplemented.</td>
</tr>
<tr>
<td>Third</td>
<td>(1) Property tax collection to be changed from Annual Rental Value method to Unit Area Method, (2) Floor rate of taxes instead of ceiling limit, (3) Abolition of dual authority in granting building permission, (4) Abolition of the system of provincialisation of local body employees, etc.</td>
<td>All these recommendations were accepted except for abolition of the system of provincialisation of panchayat employees. However, the recommendations were not implemented fully.</td>
</tr>
</tbody>
</table>

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**Table 4.2: SFC-wise important recommendations and their compliance by the State**

<table>
<thead>
<tr>
<th>No. of SFC (Period)</th>
<th>To be constituted/ Actually constituted</th>
<th>Date of submission of report</th>
<th>Date of Action Taken Report</th>
<th>Delay in ATR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sixth (2020-2025)</td>
<td>June 2020/ November 2018</td>
<td>February 2020/ April 2020</td>
<td>Yet to be accepted by GoA</td>
<td>2 months</td>
</tr>
</tbody>
</table>

(43)
### SFC Recommendations Action by the Government

<table>
<thead>
<tr>
<th>SFC</th>
<th>Recommendations</th>
<th>Action by the Government</th>
</tr>
</thead>
</table>
| Fourth | (1) Apart from other recommendations, the Fourth ASFC had recommended for an appropriate staffing pattern for panchayat and municipal employees with corresponding scales of pay.  
(2) It also recommended against the existing practice of provincialisation of staff of PRIs so that total control over manpower remain vested with the elected representatives of PRIs. | The recommendation regarding staffing pattern of PRIs and ULBs with corresponding scales of pay has been proposed by the respective departments of GoA but the approval was not accorded by Finance Department. Contrary to the above recommendation, the State Government decided that provincialisation would continue in respect of panchayat employees and proposed to provincialise the employees of ULBs as well. |
| Fifth | (1) The nodal departments of ULBs should provide guidelines for preparation of urban area plans and its integration with the development plans of the district as a whole.  
(2) Deployment of skilled manpower to ULBs is imperative to ensure professionalism.  
(3) All ULBs should take recourse to Advertisement and Hoarding tax. | The guidelines for urban areas plans and integration of these plans with the Departmental Plans for the District as a whole is yet to take place. Three Municipal Cadres viz., Assam Municipal Administrative Service, Engineering Service and Accounts Service are created. However, creation of post is yet to happen in DHUA, and no recruitment has been done against these cadres. Not yet imposed by the ULBs but provision is there in the Assam Municipal Act, 1956. |

Implementation of the above recommendations would have contributed significantly to the realisation of objectives of the 74th CAA. Non-implementation was a setback to the process of achieving genuine decentralisation. Further, no timeline was drawn to implement these recommendation, without which they have no impact and defeat the very purpose of the SFC report. Regarding recommendation of Fifth SFC, the Secretary, DHUA, in reply (December 2021) agreed to instruct the municipalities to take steps for assigning levy of advertising and Hoarding Tax to ULBs.

**Recommendation:** Delays in implementation of recommendations of the SFCs should be avoided. Further the recommendations of SFC relating to devolution as well as institutional matters should be implemented to the extent possible and at the earliest, taking into account the final purpose of creating genuine institutions of local governance.

### 4.4.2.9 Property Tax Board

The 13th FC recommended constitution of a Property Tax Board on the lines of West Bengal Valuation Board, which was constituted in the year 1980. The Board was to assist all municipalities and municipal corporations in the State to put in place an independent and transparent procedure for assessing property tax.

Audit observed that Urban Development Department, GoA had issued (March 2011) notification for constitution of a State Level Property Tax Board to assist all the municipalities (Municipal Corporation, Municipal Boards and Town Committees) of the general areas of the State to put in place an independent and transparent procedure for assessing property tax. The Department also notified (March 2011) work plan of the State Property Tax Board to monitor enumeration and assessment of all types of properties including monitoring of rate of collection and the time taken for collection.
by deputing Chief Valuation Officer, and other Valuation Officers in the field by the Director of Municipal Administration, Assam. However, the members of the Board have not been appointed till date (March 2022). Enumeration and assessment of properties of the municipalities were also not carried out in the State. As a result, ULBs lacked technical assistance for assessment and revision of property tax. Above facts indicate that Property Tax Board was formed only to fulfil the conditions for obtaining performance grant as per the 13th CFC award.

During the exit conference, the Additional Commissioner, GMC stated that the Government had initiated steps for application of Unit Area Method for assessing the value of property by all ULBs. The Secretary, DHUA while accepting the audit observation stated (December 2021) that necessary steps will be taken for making the Property Tax Board functional.

**Recommendation:** The Property Tax Board needs to be made functional in order to provide technical expertise to ULBs.

### 4.4.3 Involvement of Parastatals and other Organisations

The objectives of the 74th CAA were to entrust delivery of major civic functions to ULBs. However, functions such as urban/ town planning, regulation of land use, water supply & sanitation and slum development continue to be delivered by parastatals. These parastatals were controlled by the Government and have their own governing bodies. They were directly accountable to the State Government rather than ULBs. Since most of the parastatals were established before the constitutional amendment through notifications and governed by the respective Acts, the Government could have amended these Acts to comply with the constitutional amendment, thereby making them accountable to ULBs. The list of parastatal bodies delivering the functions devolved to the ULBs are shown below:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of Parastatal</th>
<th>Sector/ Activity</th>
<th>Funding Agency</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Guwahati Metropolitan Development Authority (GMDA)</td>
<td>Water Supply</td>
<td>JnNURM</td>
<td>The primary work of the GMDA for which it was constituted, was preparation of Master Plan and Zoning Regulation; preparation and execution of development schemes; to carry out or cause to be carried out such works as are contemplated in the Master Plan to regulate and control the development through statutory plans and other measures; and to co-ordinate development activities of other public agencies operating within Guwahati Metropolitan Area.</td>
</tr>
<tr>
<td>2</td>
<td>Assam Urban Infrastructure Investment Programme (AUUIP).</td>
<td>Water Supply</td>
<td>ADB</td>
<td>The Assam Urban Infrastructure Investment Program (AUUIP), the Programme, funded by Asian Development Bank (ADB), is a key urban infrastructure initiative of GoA, which aims to improve the urban environment and quality of life in the cities of Guwahati and Dibrugarh. However, the activities performed by the AUUIP also overlap with the roles and function recommended to be</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Assam Urban Water Supply Sewerage and Sanitation Board (AUWSSB)</td>
<td>Water Supply</td>
<td>State Govt.</td>
<td>transferred by the 74th CAA to GMC and the Dibrugarh MB. The Board was dealing with the function of water supply, which was one of the 18 functions to be transferred to the ULBs as prescribed in the 12th Schedule of the Constitution and have also been recommended by successive ASFCs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Water Supply</td>
<td>UIDSSMT under JnNURM</td>
<td>Hojai Town Water Supply Scheme and Lakhipur (Cachar) Town Water Supply Scheme</td>
</tr>
<tr>
<td>4</td>
<td>Assam State Housing Board (ASHB)</td>
<td>Urban Housing</td>
<td>State Govt.</td>
<td>A statutory body constituted under ASHB Act, 1972 is the main agency for implementation of all types of Housing Schemes under the administrative control of DHUA, GoA.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>State and Central Govt.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>PMAY (U) Mission</td>
<td>Urban Housing</td>
<td>PMAY (U)</td>
<td>The ULBs had a bare minimum role in the function related to urban housing.</td>
</tr>
</tbody>
</table>

The Secretary, DHUA stated (December 2021) that GMDA was the only implementing agency for water supply project under JnNURM and on completion, it would be handed over to Guwahati Jal Board for operation and maintenance. The Secretary added that GMDA has also been entrusted with the creation, running & maintenance of city park, parking lots, etc. Since these functions belong exclusively to GMC as per 74th CAA, it seems that the Government lacks interest in transferring these functions to GMC.

**Recommendation:** The Government should take initiative to fully involve the democratically elected ULBs in the Planning and Regulations of urban areas. The ULBs should be empowered by different mechanisms to effectively deliver the core services and functions such as water supply, sanitation, sewage and planning and development.

It should be ensured through various mechanisms to empower the ULBs for effectively coordinating and controlling the role and functions of various parastatals and agencies.

### 4.5 Financial resources of Urban Local Bodies

Sustainable financing is paramount in ensuring 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. 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.

#### 4.5.1 Sources of revenue

The details of revenue of ULBs in the State during the period 2015-16 to 2019-20 is indicated in Table 4.4.
Table 4.4: Details of revenue of ULBs during the period 2015-16 to 2019-20

<table>
<thead>
<tr>
<th>Year</th>
<th>CFC Grants</th>
<th>SFC Grants</th>
<th>Own Revenue*</th>
<th>Total Revenue</th>
<th>Extent of dependence on Government Grants (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>82.57</td>
<td>0</td>
<td>80.34</td>
<td>162.91</td>
<td>50.68</td>
</tr>
<tr>
<td>2016-17</td>
<td>98.39</td>
<td>92.59</td>
<td>93.59</td>
<td>284.56</td>
<td>67.11</td>
</tr>
<tr>
<td>2017-18</td>
<td>112.12</td>
<td>140.88</td>
<td>82.35</td>
<td>335.34</td>
<td>75.45</td>
</tr>
<tr>
<td>2018-19</td>
<td>155.35</td>
<td>68.94</td>
<td>92.89</td>
<td>317.18</td>
<td>70.71</td>
</tr>
<tr>
<td>2019-20</td>
<td>0</td>
<td>56.72</td>
<td>81.88</td>
<td>138.60</td>
<td>40.92</td>
</tr>
</tbody>
</table>

Total 448.43 359.13 431.05 1,238.59 65.20

Source: Information furnished by Finance Department, DMA and GMC
*Pertains only to GMC as consolidated data for all the ULBs was not available with UDD

4.5.1.1 Fiscal transfers to Urban Local Bodies

Funds were devolved to ULBs through transfer by the Central and State Government in the form of grants. As can be seen from the table above, the fiscal transfers from Government formed a major portion of the revenue (averaging 65 per cent) of ULBs in the State during the period 2015-16 to 2019-20 indicating dependence of ULBs mainly on the Grants provided by the Government.

There were, however, certain shortcomings under fiscal transfers as discussed in the following paragraphs.

4.5.1.1.1 State Finance Commission grants

One of the sources of finance of the ULBs is the grant recommended by ASFC. Timely constitution of ASFC and acceptance of its recommendations have a bearing on the assured transfer of funds to ULBs. The year-wise position of grants due to be released as per recommendation of ASFC, actual allocation of grants and actual release made to the ULBs is shown in Table 4.5.

Table 4.5: Year-wise position of grants due to be released, actual allocation of grants and actual release made to the ULBs

<table>
<thead>
<tr>
<th>Year</th>
<th>State’s own tax revenue</th>
<th>Amount of Divisible Pool required to be allocated to ULBs (per cent of State’s own revenue)</th>
<th>Actual allocation/ budget provision for ULBs including GMC</th>
<th>Short allocation (3)-(4)</th>
<th>Actual release to ULBs</th>
<th>Short release (4)-(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>12,079.56</td>
<td>525.24 (4.35)</td>
<td>117.89</td>
<td>407.35</td>
<td>92.59</td>
<td>25.30</td>
</tr>
<tr>
<td>2017-18</td>
<td>13,215.52</td>
<td>551.03 (4.17)</td>
<td>292.22</td>
<td>258.81</td>
<td>140.88</td>
<td>151.34</td>
</tr>
<tr>
<td>2018-19</td>
<td>15,924.85</td>
<td>574.96 (3.61)</td>
<td>431.80</td>
<td>143.16</td>
<td>68.94</td>
<td>362.86</td>
</tr>
<tr>
<td>2019-20</td>
<td>16,528.69</td>
<td>605.07 (3.66)</td>
<td>412.74</td>
<td>192.33</td>
<td>56.72</td>
<td>356.02</td>
</tr>
</tbody>
</table>

Total 57,748.62 2,256.30 1,254.65 1,001.65 359.13 895.52

Source: Finance Accounts, Figures furnished by Finance Department

(i) Deprival of grants

As discussed in paragraph 4.2.13.1, there was considerable delay both in constitution of ASFCs and implementation of ASFC recommendations. As can be seen from the above Table, ULBs were deprived of ₹ 1,001.65 crore due to less allocation/ budget provision by the State Government consequent upon delayed constitution and submission of 5th ASFC Report (2016-17 to 2019-20) alone.
(ii) Short release of funds under ASFC

Audit observed that besides deprivations of grants amounting to ₹1,001.65 crore from the mandated devolution (₹2,256.30 crore) recommended by 5th ASFC during 2016-17 to 2019-20, the funds (₹359.13 crore) actually released to ULBs was also far short (₹895.52 crore) of actual allocation/ budget provision (₹1,254.65) for ULBs. The extent of shortage was 21 per cent in 2016-17 to 86 per cent in 2019-20.

Thus, non-allocation of mandated devolution and short release of allocated funds to ULBs indicates lack of urgency on part of the Government in assisting the ULBs.

During exit conference, the representative of the Finance Department assured to furnish reasons for delay in constitution of the ASFCs and short allocation of funds to the ULBs. However, information in this regard is yet to be received (May 2022).

### 4.5.1.1.2 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. The 14th FC recommended General Basic Grant and General Performance Grant26 to ULBs as a percentage of divisible pool account. Table 4.6 depicts the allocation and release of CFC grants during the period 2015-16 to 2019-20.

<table>
<thead>
<tr>
<th>Period</th>
<th>Details of allocation</th>
<th>Details of release</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Basic Grant (GBG)</td>
<td>General Performance Grant (GPG)</td>
</tr>
<tr>
<td>2015-16</td>
<td>93.14</td>
<td>0</td>
</tr>
<tr>
<td>2016-17</td>
<td>128.97</td>
<td>38.06</td>
</tr>
<tr>
<td>2017-18</td>
<td>149.01</td>
<td>43.07</td>
</tr>
<tr>
<td>2018-19</td>
<td>172.38</td>
<td>48.92</td>
</tr>
<tr>
<td>2019-20</td>
<td>232.92</td>
<td>64.05</td>
</tr>
<tr>
<td>Total</td>
<td>776.42</td>
<td>194.10</td>
</tr>
</tbody>
</table>

Source: Information provided by Finance Department

The 14th FC recommended a total allocation of ₹776.42 crore under General Basic Grant (GBG) for the period 2015-20. However, there was short release of GBG of ₹95.07 crore during the aforesaid period. Further, GPG was not released by GoI as the performance criteria prescribed by the FC has not been met by the ULBs.

### 4.5.1.2 Own revenue of urban local bodies:

The ULBs raise revenue from citizens in the form of certain taxes, fees, and fines, as prescribed under the AM Act, 1956 and the GMC Act, 1969. As revenue collection by ULBs remains inadequate to cover the expenditure required for their activities, they remain dependent on augmentation of their resources by means of government grants.

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26 subject to fulfilment of the criteria prescribed by the 14th FC viz., maintenance of proper books of accounts, showing annual increase in own revenue and achievement of service level benchmark with respect to the delivery of core basic services
The property tax on land and buildings is the mainstay of ULB’s own revenue. The own non-tax revenue of ULBs comprises water charges, rent from commercial establishments, trade licenses, fee for sanction of plans/mutations, etc. While the authority to collect certain taxes like property tax, advertisement tax is vested with ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemptions, concessions, etc., were vested with the State Government. The ULBs, thus, lacked complete autonomy in generating own revenue. The share of own revenue (₹727.93 crore) to total revenue27 (₹1,478.11 crore) of ULBs for the period 2015-16 to 2018-19 was around 49 per cent as depicted in Chart 4.1.

The constraints/deficiencies in realisation of own revenue by the test-checked ULBs are discussed below:

4.5.1.2.1 Property tax

The GMC and MBs were empowered to levy property tax every year on all buildings or vacant lands, or both situated within their jurisdiction under Section 144 of the GMC Act and Section 68 of the AM Act. However, instead of introducing self-assessment scheme, the ULBs continued with the old basis of calculation of property tax viz., Annual Rental Value of property.

Audit observed the following deficiencies in assessing and collecting property tax:

- Survey of properties was not conducted by any of the test-checked ULBs.
- Arrears in collection of property tax and improper maintenance of Demand, Collection and Balance statements were noticed in all the test-checked ULBs.
- The accumulated arrears of property tax in test-checked ULBs as at the end of March 2020 was ₹22.67 crore.

In reply, Secretary, DHUA stated (December 2021) that the GoA has amended Section 79 B of the Assam Municipal Act, 1956 in September 2021 to determine the land value as per prevailing circle rate. The Secretary further added that steps will be taken for early collection of accumulated arrears of property tax.

4.5.1.2.2 Water charges

As per Section 144 of the GMC Act and Section 68 of the AM Act, the Corporation/Municipalities may fix water tax as certain percentage of annual value of the property as component of property tax for providing water supply in the municipality area as the board deem reasonable. ULBs in the State levied water charges only against water

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27 The chart depicts data for 2015 to 2019 only as own revenue figures of ULBs (except GMC) for 2019-20 was not available with the Department
supply schemes run by Public Health Engineering (PHE) Department for which the ULBs carried out only O&M activity. The parastatal agency, viz., Assam Urban Water Supply and Sewerage Board (AUWS&SB) levied and collected water charges for providing water supply in most of ULBs. The position of levy and collection of water charges by test-checked ULBs is shown below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of ULBs which provided water supply partially and collected water charges for water supplied by it (GMC)</td>
<td>1</td>
</tr>
<tr>
<td>No. of ULBs which carried out only O&amp;M for water supply provided by PHE Department and collected water charges (Barpeta, Silchar, Lakhipur, Patacharkuchi and Nagaon)</td>
<td>5</td>
</tr>
<tr>
<td>No. of ULBs in which water supply was provided by AUWS&amp;SB and PHE Department and water charges collected by them. (Pathasala, Sarthebari, Barpeta Road, Sonai, Howli, Kampur, Raha, Dhing, Namrup and Naharkatia)</td>
<td>10</td>
</tr>
<tr>
<td>No. of ULBs where there was no provision of water supply (Kampur, Dibrugarh and Chabua)</td>
<td>3</td>
</tr>
</tbody>
</table>

It was evident from above that the ULBs bear the operation and maintenance cost of the water supply schemes executed by other parastatal bodies and collect a marginal amount as water charges from the households. Further, there was no uniformity in rates of water charges imposed by the test-checked ULBs which ranged from ₹50/- to ₹100/- per connection per month. Even the rates were also not revised since 2003.

**4.5.1.2.3 Solid Waste management**

There was no such provision under the AM Act and the GMC Act for levy and collection of Solid Waste Management Cess. However, the test-checked ULBs had enacted bye-laws for Solid Waste Management in the municipal area which had provision for collection of user charges from the household. Audit observed variations in the way the solid waste was managed by the test-checked ULBs. While some ULBs engaged NGOs for door-to-door collection of garbage from the household, other ULBs did it on their own without engaging any NGOs. Further, some ULBs shared the user charges with the NGOs while other ULBs did not collect any user charges from the households. The position of collection of user charges by the test-checked ULBs is given in **Chart 4.2**.

**Chart 4.2: Position of user charges collected by test checked ULBs**

- User charges collected by NGOs and shared with the ULB
- User charges collected by NGOs but not shared with the ULB
- ULB neither engaged any NGO nor impose any user charge
It was seen from above that out of 19 test-checked ULBs, only seven ULBs received share (ranging from 10 to 50 per cent) of user charges collected by NGOs engaged for collection of garbage from households and shops. While five ULBs engaged NGOs for garbage collection they did not receive any share of user charges collected by the NGOs. Remaining seven ULBs neither engaged any NGO for collection of garbage nor collected any user charges from the household against door-to-door garbage collection. It is evident from above that although the ULBs enacted bye-laws for collection of user charges, wholehearted effort was lacking in collection of user charges form the households. Paragraph 1.2.8.2 of Audit Report on Social, General and Economic (Non-PSUs) Sectors for the year ended 31 March 2018 may be referred which discusses in detail, the management of solid waste by ULBs.

Accepting the reply, Secretary, DHUA stated (December 2021) that necessary steps would be taken in this regard.

### 4.5.1.2.4 Trade license

Section 144 (I) (f) of GMC Act provides for levy of a tax on profession, trade and calling and Section 68 (I) (gg) of AM Act provides for levy of license fees in connection with trade and business. Audit observed that out of total demand of ₹41.15 crore in 19 test-checked ULBs as on March 2020, ₹18.31 crore pertained to GMC alone. This indicated that business establishments continued to function without valid licenses. No mechanism existed for monitoring the renewal of trade licenses.

In reply (December 2021), Secretary, DHUA stated that steps will be taken for proper monitoring and renewal of trade licence.

### 4.5.1.2.5 Tapping of various sources of revenue by ULBs

Section 68 of AM Act provides for levy of 15 types of tax and non-tax revenue such as building tax on holding, trade license, rent from shops/ markets/ commercial establishments, tax on water, tax on latrine, tax on drainage, etc. by ULBs to augment their own resources. Audit observed that the 18 test-checked MBs could tap only 6 out of 15 identified sources. Similarly, GMC could tap only 6 out of the 15 identified sources of revenue provided under Section 144 of GMC Act, 1969 and collected ₹370.36 crore during 2015-16 to 2019-20 from these sources. Further, tax on mobile towers could be a good source of revenue but it was not levied by any of the test-checked ULBs although the ULBs were authorised to levy any tax and fee other than prescribed in the AM Act and the GMC Act with the approval of the Government. The ULBs may consider initiating process to levy this tax.

During exit conference, Secretary, DHUA accepted the facts. The Additional Commissioner, GMC while accepting the fact of non-provision of levy and collection of Solid Waste Management cess stated that the GMC is levying scavenging tax along with other taxes.

28 Barpeta Road, Pathsala, Pattacharkuchi, Barpeta, Chabua, Nagao MB and GMC.
29 Sonai, Howly, Lakhipur, Dibrugarh and Silchar MB.
30 Sorbhog, Sarthebari, Kampur, Dhing, Naharkatia, Raha and Namrup MB.
Recommendation: GMC and other municipalities may increase their revenue substantially from trade licence fees by periodic revision of rates in accordance with the provision of relevant rules. There is tremendous scope of expanding the tax net under trade licence fee through inclusion of emerging trades like shopping malls, business hubs, multiplexes, chain restaurants and eateries, etc. which are rapidly coming up. All such emerging trades should be included in the schedule of taxes under Trade Licence Fees through appropriate amendment of the relevant Act and Rules. Further, the Government should also discourage the involvement of parastatals who are taking away the potential sources of revenue meant for the ULBs.

4.5.2 Preparation of budget estimates

Section 43A of the AM Act, 1956 and Section 119 (A) of the GMC Act, 1969 provides for preparation and approval of Annual Budget Estimates by the ULBs.

Expenditure estimation depends on services to be provided by the local government and the costs associated with the provision of these services. 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. However, 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. Though the ULBs stated that budget was prepared considering the actual receipts and payments of previous years, huge variations were observed in the actuals and the budgeted receipts and expenditure in all the test checked ULBs. Illustrative examples of preparation of unrealistic budget in five test-checked ULBs is shown in Table 4.7.

Table 4.7: Statement showing variation in budget in each category of ULBs

<table>
<thead>
<tr>
<th>Name of ULB</th>
<th>Year</th>
<th>Receipts</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Budget Estimates</td>
<td>Actuals</td>
</tr>
<tr>
<td>GMC</td>
<td>2015-16</td>
<td>25331.50</td>
<td>17799.82</td>
</tr>
<tr>
<td></td>
<td>2016-17</td>
<td>22792.54</td>
<td>17389.11</td>
</tr>
<tr>
<td></td>
<td>2017-18</td>
<td>31531.90</td>
<td>21464.64</td>
</tr>
<tr>
<td></td>
<td>2018-19</td>
<td>40427.89</td>
<td>20207.46</td>
</tr>
<tr>
<td></td>
<td>2019-20</td>
<td>43561.47</td>
<td>19114.36</td>
</tr>
<tr>
<td>Silchar MB</td>
<td>2015-16</td>
<td>3570.00</td>
<td>1825.97</td>
</tr>
<tr>
<td></td>
<td>2016-17</td>
<td>3625.00</td>
<td>1715.09</td>
</tr>
<tr>
<td></td>
<td>2017-18</td>
<td>4415.12</td>
<td>2530.76</td>
</tr>
<tr>
<td></td>
<td>2018-19</td>
<td>4515.96</td>
<td>4531.56</td>
</tr>
<tr>
<td></td>
<td>2019-20</td>
<td>3933.22</td>
<td>3002.77</td>
</tr>
<tr>
<td>Barpeta MB</td>
<td>2015-16</td>
<td>5213.45</td>
<td>259.20</td>
</tr>
<tr>
<td></td>
<td>2016-17</td>
<td>5004.10</td>
<td>281.52</td>
</tr>
<tr>
<td></td>
<td>2017-18</td>
<td>5127.30</td>
<td>309.66</td>
</tr>
<tr>
<td></td>
<td>2018-19</td>
<td>4529.3</td>
<td>395.53</td>
</tr>
<tr>
<td></td>
<td>2019-20</td>
<td>4659.05</td>
<td>4531.56</td>
</tr>
<tr>
<td>Barpeta Road MB</td>
<td>2015-16</td>
<td>1736.17</td>
<td>957.04</td>
</tr>
<tr>
<td></td>
<td>2016-17</td>
<td>6746.3</td>
<td>6746.3</td>
</tr>
<tr>
<td></td>
<td>2017-18</td>
<td>3970.74</td>
<td>430.52</td>
</tr>
<tr>
<td></td>
<td>2018-19</td>
<td>3183.27</td>
<td>491.92</td>
</tr>
<tr>
<td></td>
<td>2019-20</td>
<td>3233.68</td>
<td>1362.08</td>
</tr>
<tr>
<td>Nagaon MB</td>
<td>2015-16</td>
<td>1042.82</td>
<td>300.00</td>
</tr>
<tr>
<td></td>
<td>2016-17</td>
<td>1222.15</td>
<td>427.02</td>
</tr>
</tbody>
</table>

(52)
Maximum variation of 95 and 92 per cent was noticed in actual receipts and expenditure vis-à-vis their budget during the period 2015-16 to 2019-20 in Barpeta MB. There was continuous variation in actual and estimated receipts and expenditure in all the years indicating that the ULBs never considered the previous year’s estimates and actuals while preparing the budget.

The Secretary DHUA accepted the audit observation during exit conference and stated (December 2021) that necessary steps will be taken for preparation of Municipal Budget showing realistic projection of funds expected to be mobilised.

Recommendation: Special efforts need to be made to motivate the ULBs to prepare their budgets in a scientific manner for a realistic projection of funds expected to be mobilised.

### 4.5.3 Expenditure of Urban Local Bodies

The expenditure of ULBs can be categorised into five major categories such as programme expenses, operations and maintenance (O&M), general expenses, human resource expenses and interest and finance charges. The details of expenditure incurred by ULBs in the State for the period 2015-16 to 2019-20 is exhibited in Table 4.8.

<table>
<thead>
<tr>
<th>Year</th>
<th>Human Resource Expenses</th>
<th>General Expenses</th>
<th>O &amp; M</th>
<th>Interest and Finance Charges</th>
<th>Programme Expenses, Grants</th>
<th>Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>404.29</td>
<td>1,244.33</td>
<td>521.81</td>
<td>0.05</td>
<td>2,006.37</td>
<td>4,176.85</td>
</tr>
<tr>
<td>2016-17</td>
<td>552.43</td>
<td>1,612.23</td>
<td>741.98</td>
<td>0.07</td>
<td>2,011.68</td>
<td>4,918.39</td>
</tr>
<tr>
<td>2017-18</td>
<td>777.84</td>
<td>1,492.17</td>
<td>802.03</td>
<td>0.37</td>
<td>1,656.88</td>
<td>4,729.29</td>
</tr>
<tr>
<td>2018-19</td>
<td>591.82</td>
<td>1,660.65</td>
<td>643.93</td>
<td>0.4</td>
<td>1,665.97</td>
<td>4,562.77</td>
</tr>
<tr>
<td>2019-20</td>
<td>508.79</td>
<td>1,706.24</td>
<td>823.5</td>
<td>0.63</td>
<td>4,640.13</td>
<td>7,679.29</td>
</tr>
<tr>
<td>Total</td>
<td>2,835.17</td>
<td>7,715.62</td>
<td>3,533.25</td>
<td>1.52</td>
<td>11,981.03</td>
<td>26,066.59</td>
</tr>
</tbody>
</table>

Source: Information furnished by ULBs

The General expenses, O&M and expenses on human resource constituted about 54 per cent of the total expenditure whereas the capital expenditure i.e., programme expenses and expenses out of grants incurred by ULBs was 46 per cent of the total expenditure.

#### 4.5.3.1 Analysis of financial data of Urban Local Bodies

The details of revenue and expenditure for the period 2015-16 to 2019-20 furnished by the test-checked ULBs was analysed to study the fiscal autonomy in the ULBs. Audit analysed the following issues in regard to fiscal autonomy of ULBs.
1. **Local fiscal autonomy**: This is the share of own revenue to the total revenue of the ULB.

2. **Local dependency 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 dependency on fiscal transfer are inversely proportional to each other. Higher the fiscal autonomy, lesser is the dependency on fiscal transfer.

3. **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.

4. **Quality of expenditure**: This is the share of O&M expenditure in total revenue expenditure. If this ratio is high, the quality of expenditure is considered better.

The ratio-wise performance of ULBs for the year 2019-20 is depicted in **Chart 4.3**.

Of the 19 test-checked ULBs, it was found that none of the ULBs were fully self-reliant. The highest level of fiscal autonomy was only 64 per cent in case of Dibrugarh MB whereas twelve ULBs were found dependent on fiscal transfers in excess of 75 per cent of their total revenue.

Only three out of 19 test-checked ULBs could cover 100 per cent of their revenue expenditure from their own revenue sources whereas six ULBs could not cover even 25 per cent of their revenue expenditure from their own resources.

The quality of expenditure was also not very satisfactory in the test-checked ULBs as the share of O&M in the total revenue expenditure was less than 25 per cent in 12 out of 19 ULBs. The share of O&M expenditure was above 50 per cent in only one MB (Lakhipur MB).

**4.5.3.2 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 about 48 to 71 per cent of the available funds each year as depicted in **Chart 4.4**.
The Secretary, DHUA, during exit conference, accepted all the audit observations discussed above and stated in his reply (December 2021) that necessary steps will be taken in this regard.

The State Government should show urgency in assisting ULBs by allocating the mandated devolution and releasing the allocated fund. The ULBs should also be empowered to fix the rates of Taxes and Fees and revision thereof, method of assessment, exemption and concessions, etc. so as to augment generation of own revenue. Further, the ULBs should prepare budget based on realistic estimation of cost of each municipal service to minimise variations between estimates and actuals.

### 4.6 Human Resources of Urban Local Bodies

#### 4.6.1 Manpower management

Adequate and qualified manpower is not only essential for the empowerment of ULBs but also critical to handling functions that have been devolved to ULBs. The ULBs should have adequate human resources to carry out service delivery and have control over recruitment of human resources. Further, 13th FC has also recommended that states should be incentivised to delegate funds, functions and functionaries to the local bodies.

The broad framework of functions carried out by ULBs is depicted in **Table 4.9**.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Branch</th>
<th>Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>General Branch</td>
<td>All the correspondence received in the office and all matters relating to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>meeting of the Board and service of the employees of the Municipal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Board/ Town Committee, including appointment, promotion and transfer.</td>
</tr>
<tr>
<td>2</td>
<td>Urban Poverty Alleviation</td>
<td>All matters connected with Urban Poverty Alleviation.</td>
</tr>
<tr>
<td></td>
<td>Cell</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Accounts Branch</td>
<td>All matters of accounts, audit and preparation of budget and accounts.</td>
</tr>
<tr>
<td>4</td>
<td>Revenue</td>
<td>Assessment and collection of various taxes, rent, advertisements and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>other property related activities</td>
</tr>
<tr>
<td>5</td>
<td>Works Branch</td>
<td>Formulation and preparation of project reports, arranging to get those</td>
</tr>
<tr>
<td></td>
<td></td>
<td>technically vetted from the competent authority and execution of all such</td>
</tr>
</tbody>
</table>

*Table 4.9: Broad framework of functions carried out by ULBs*
Audit Report on Local Bodies for 2017-2021

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Branch</th>
<th>Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>schemes relating to roads, drainage, solid waste management, or any scheme.</td>
</tr>
<tr>
<td>6</td>
<td>Sanitation Branch</td>
<td>Sweeping of the roads, cleansing of the drains and dustbins, removable of garbage from the town.</td>
</tr>
<tr>
<td>7</td>
<td>Miscellaneous Services Branch</td>
<td>All matters relating to the supply of water in the town and the matters relating to street lighting. Moreover, any other service to be provided to the inhabitants and not covered by any other branch mentioned above shall be a function to be dealt with by this Branch.</td>
</tr>
<tr>
<td>8</td>
<td>Town Planning Cell</td>
<td>All matters relating to permission for construction of building/alteration, modification or re-erection of building, in the Town.</td>
</tr>
</tbody>
</table>

### 4.6.1.1 Requirement of staff

The 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 and type of population, the number of properties existing, etc. However, Audit observed that the State Government assessed the requirement of staff without seeking the actual requirement from ULBs.

In reply, Secretary, DHUA stated (December 2021) that staffing pattern of ULBs is yet to be finalised and the GoA is considering constitution of Municipal Service Cadre.

### 4.6.1.2 Improper assessment of requirement of staff

The basis for determining the sanctioned strength for each ULB furnished to audit by the DMA showed that population of ULBs alone was considered as criteria for determining the sanctioned strength. However, considering criteria such as the extent of geographical area to be covered, the extent and type of population, the number of properties existing, etc. would have helped in more accurate assessment for requirement of staff.

Analysis showed that the sanctioned strength was not commensurate with the population in the test-checked ULBs where the number of employees per 1,000 population varied in each test-checked ULBs.

Analysis of the working strength in the 19 test-checked ULBs, in terms of the number of employees per 1,000 population as per 2011 census, also showed that it ranged between 0.49 and 3.43. The position of sanctioned strength and persons-in-position, per 1,000 population, as of March 2020 in 19 test-checked ULBs is indicated in Chart 4.5.
It can be seen that the sanctioned strength of employees varied from 1.17 (Silchar MB) to 6.39 (Patacharkuchi MB) per 1,000 population (as per Census 2011). The details are given in Appendix 4.4. Against sanctioned strength, the persons-in-position per 1000 population in all the test-checked ULBs was less than 3.5 persons.

Evidently, the ULBs lacked adequate manpower to carry out efficient delivery of service. There was also wide variation of staff strength to the sanctioned strength per 1,000 population across ULBs which ranged from 0.28 (Barpeta MB) to 5.07 (Patacharkuchi MB). Further, in case of five MBs31, there was excess staff than the sanctioned strength per 1,000 population. This indicated that staff pattern of ULBs was not uniform.

Further, the State Government had not constituted the Municipal Service Commission and Officers from ACS cadre were given additional charge as Executive Officer of the ULBs which has affected prompt discharge of functions by the ULBs.

4.6.1.3 **Insufficient staff in Urban Local Bodies**

The discharge of functions would be ineffective if sufficient human resources are not available with the ULBs. Scrutiny of staff position of test-checked ULBs in the State revealed the following:

- The posts of Group A were crucial in ULBs. However, it was found that there were no regular Executive officers in seven test-checked MBs and the Additional Deputy Commissioners were deputed in the MBs as Executive officers with additional charge. This hampered the efficient discharge of the devolved functions besides resulting in absence of adequate supervision.
- The vacancies in technical posts such as Assistant/Junior Engineers and Sanitary Inspectors, etc. which ranged between 50 per cent and 100 per cent, affected the delivery of public health services and development works.
- Audit also observed that vacancies to the extent of 100 per cent in six out of 19 test-checked ULBs in the cadres of Assistant Tax Collector, Tax Collector and

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31 Barpeta Road, GMC, Chabua, Dibrugrah and Silchar MB.
Tax Daroga affected the collection of revenue/arrears resulting in lesser realisation of own revenue as discussed in Paragraph 4.5.1.2.

- Vacancies of 100 per cent in five and twelve MBs in the cadres of Accountant and Cashier respectively out of 18 test-checked MBs affected proper accounting and maintenance of basic records. The posts of Chief Accounts and Audit Officer, Accounts Officer and Head Cashier in GMC were lying vacant which affected proper accounting and maintenance of accounts in the largest ULB of the State.

The 5th ASFC had also identified that day-to-day development works were affected by vacancies and recommended filling up all vacant posts. Though the status of manpower was available with the DMA, no action was taken to fill the vacancies as the Government has put a ban on appointment till finalisation of the staffing pattern.

Analysis of the working strength in the 19 test-checked ULBs, in terms of the number of employees per 1,000 populations as per 2011 census, showed that it ranged between 0.49 and 3.43 as indicated in Chart 4.5.

It can be seen that the work strength per 1000 population in all the test-checked ULBs was less than 3.5 persons. The situation was even worse in Nagaon and Lakhipur MB where the work load per employee when compared with its population turned out to be 2030 and 1879 respectively as shown in Appendix 4.5. Evidently, the ULBs lacked adequate manpower to carry out efficient delivery of service.

Further, the State Government had not constituted the Municipal Service Commission and Officers from ACS cadre were given additional charge as Executive Officer of the ULBs which has effected in prompt discharge of functions by the ULBs.

During the exit conference, Secretary DHUA accepted the facts and stated (December 2021) that FC has recommended staffing pattern for GMC and the GMC should be given liberty to approach the Government for creation of post if it considers that staffing pattern is inadequate. The Secretary further stated that staffing pattern for ULBs has not yet been finalised and constitution of Municipal Service Cadre is under consideration.

### 4.6.2 Recruitment of staff

Administrative control over the functionaries was key to bottom-up governance to enable the municipal bodies to carry out functions such as urban planning, housing, construction of roads, bridges and water supply, etc. efficiently which was carried out by parastatal bodies.

The Second Administrative Reforms Committee reiterated that adequate staffing of local bodies was a matter that requires considerable attention of the State Finance Commissions in active association with the State Governments in order to endow these bodies with greater capacities. Though as per AM Act, the ULBs have power to assess requirement of staff and recruit the required staff to mobilise staff according to their required activities, the State Government has put a hold on appointment by the ULBs till the proposed Staffing Pattern for the ULBs is approved by the Government. Evidently the State Government was reluctant to devolve such powers to ULBs as the
draft Staffing Pattern has not yet been approved by the Government though the process was started in October 2011.

4.6.3 Capacity Building

Organisational capacity building is, to a large extent, dependent on formulation of the appropriate recruitment and personnel policies and finding the right mix of ‘in-house’ provision of services and out-sourcing of functions. Capacity building is important for strengthening the capabilities of personnel and for equipping them with advanced skills to deliver better services.

4.6.3.1. Lack of personnel with appropriate skill sets

Professionalisation of urban management requires immediate attention as the personnel engaged in management of urban affairs and municipal services are usually not trained. Specific areas like socio-economic planning, environmental management, urban planning, citizen participation, public relations, urban reforms, municipal accounting and financial management, e-Governance, municipal service delivery including water supply, solid waste management, sewerage and sanitation require professional skill. But the ULBs lacked skilled human resources as is evident from the fact that technical and skilled posts like Senior/ Junior Health Inspector, Water Works Superintendent, Revenue Officer/ Inspector, Technical Assistant (Environment), etc. were lying vacant in test-checked ULBs. It was observed in the test-checked ULBs that the functionaries of the ULBs have never received any training in their career. Government did not nominate any persons with special knowledge in municipal administration as member of the ULBs. As a result, the ULBs were deprived of valuable guidance in their functioning.

Though the State Government has initiated action for capacity building of the ULB staff by spending ₹ 18.41 crore towards construction of three urban training centres in three districts\(^\text{32}\) during the period 2012-13 and one Urban Management Institution in Guwahati, it could not serve any purpose due to unavailability of required infrastructure like furniture, training materials and faculty. Thus, non-utilisation of training facilities resulted in non-acquisition of enhanced skills by ULB personnel.

The Secretary, DHUA accepted the facts and stated (December 2021) that necessary steps would be taken in this regard.

4.6.4 Performance of ULBs

The capacity of personnel in ULBs in areas of town planning, sanitation, waste water management, financial management, project management and accounting was inadequate.

Some illustrative instances are shown below:

(i) Municipal Performance Index, 2021 was launched by the Ministry of Housing and Urban Affairs to assess and analyse the performance of Indian municipalities based

\(^{32}\) Sonitpur, Golaghat and Cachar.
on their defined set of functions. Among the million plus population municipalities, GMC has performed the worst in the country. It has scored a mere 18.14 out of 100 in the index. Amongst the areas taken for evaluation of municipalities, GMC has scored ‘zero’ in the areas of Health, Planning & its implementation, Sanitation, Solid waste management, Fiscal decentralisation, and Transparency & Accountability. In other areas too, such as infrastructure, fiscal management, Budgeting, Governance, Effectiveness, etc. it has scored low. This indicated that GMC has not been efficient and effective enough to undertake the devolved functions under the framework of 74th CAA. Also, the State Government has not taken adequate steps and efforts to empower the Corporation. Instead, the Government has created a parallel organisation (GMDA) to prepare master plan and zoning regulations for Guwahati Metropolitan Area. Moreover, GMDA has undertaken almost every function that was to be done by the GMC.

(ii) During field visit, it was found that the office building including all records/documents of Chabua MB was damaged in fire in December 2019. As there was no system of keeping any back up of accounts of the MB, all information regarding outstanding revenue in respect of Market rent, Lease money, Property tax, Trade license, etc. were lost and the MB was not in a position to assess the actual outstanding revenue. Analysis of Audit report prepared by the DALF, Assam on the Accounts of Chabua MB for the period 2017-18 revealed that ₹49.88 lakh was outstanding on account of Municipal tax, Market rent and Trade license but assessee-wise details was not available with the MB for recovery of the same.

(iii) None of the test-checked MBs had a reliable database as a result of which crucial financial data was not consistent as can be seen from Appendix 4.5 showing inconsistent data in their financial statement, data submitted to the 6th ASFC and information furnished to audit.

The Secretary, DHUA accepted the facts and stated (December 2021) that necessary steps would be taken in this regard.

**Recommendation:** Adequate powers over manpower resources should be delegated to ULBs in matters such as assessment and recruitment of required staff to ensure availability and qualified manpower for discharging functions. Capacity Building of the ULB functionaries at various levels and also of the institutions working in the sector needs emphasis. Management Information Systems at the State and City levels may be created so as to facilitate efficient urban management.