

CHAPTER III
URBAN LOCAL BODIES

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3.1 Introduction

The 74th Constitutional Amendment Act, 1992 (74th CAA) of the Constitution came into effect on 01 June 1993 with provisions for the establishment of Urban Local Bodies (ULBs) as the third tier of governance in urban areas. The Act provided constitutional status to the ULBs with an objective to entrust delivery of major civic functions to ULBs. Meghalaya is exempted from implementation of the 74th CAA under Article 243 ZC of the Constitution. The Municipal Boards in Meghalaya were constituted under Section 10 of the Meghalaya Municipal Act 1973 (MMA), which is a legislation enacted in the State of Meghalaya to govern the administration and functioning of municipal boards as well as the devolution of functions, funds and functionaries. It consists of various sections that outline the powers, responsibilities, and functions of municipal boards. Even though the 74th CAA is not applicable, the State Government had strived to enable all the local bodies to have financial autonomy and to perform functions analogous to the functions of other local bodies constituted under Part IX and Part IX-A of the Constitution while retaining the distinctive tribal identity protected by the Sixth Schedule of the Constitution of India which is foundational to the local bodies of the State. There are six Municipal Boards (MBs)⁶⁸ in the State of Meghalaya as on 31 March 2023.

3.1.1 Financial position

The sources of funds of the ULBs comprise own revenues generated by the MBs from different sources⁶⁹ and State Government grants-in-aid (GIA) released through the Director, Urban Affairs Department for maintenance & development purposes. The details of own revenue and State Government GIA of all the six MBs during the period from 2020-21 to 2022-23 is tabulated in **Table 3.1.1**.

Table 3.1.1: Details of revenue of ULBs from 2020-23

Year	Own revenue	Grants-in-aid (GIA)		CFC grants	Total
		Salary	Non-Salary		
2020-21	11.75	16.25	4.42	43.04	75.46
2021-22	10.87	17.91	31.29	21.19	81.26
2022-23	13.64	18.55	3.27	45.41	80.87
Total	36.26	52.71	38.98	109.64	237.59

Source: Information furnished by ULBs.

3.1.2 Planning and conduct of Audit

The audit process starts with the risk assessment of Government departments based on expenditure incurred criticality/complexity, level of delegated financial powers, assessment of overall internal controls, past audit findings and media reports. During

⁶⁸ 1. Shillong Municipal Board (SMB), 2. Jowai Municipal Board (JMB), 3. Tura Municipal Board (TMB), 4. Williamnagar Municipal Board (WMB), 5. Resubelpara Municipal Board (RMB) and 6. Baghmara Municipal Board (BMB).

⁶⁹ Rental income, tax revenue and user charges are the major sources of own revenue for the ULBs.

2022-23, one Subject Specific Compliance Audit on ‘Devolution of functions to the Municipal Boards in Meghalaya under the Meghalaya Municipal Act, 1973’ was conducted and no separate Inspection Report (IR) was prepared in respect of six ULBs. As of March 2023, against six Municipal Boards there were 41 IRs containing 187 paras for the period from August 1979 to March 2021 were lying outstanding.

The chapter on Urban Local Bodies contains one Compliance Audit Paragraph as discussed in the following paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

3.2 SSCA on ‘Devolution of functions to the Municipal Boards in Meghalaya under the Meghalaya Municipal Act, 1973’

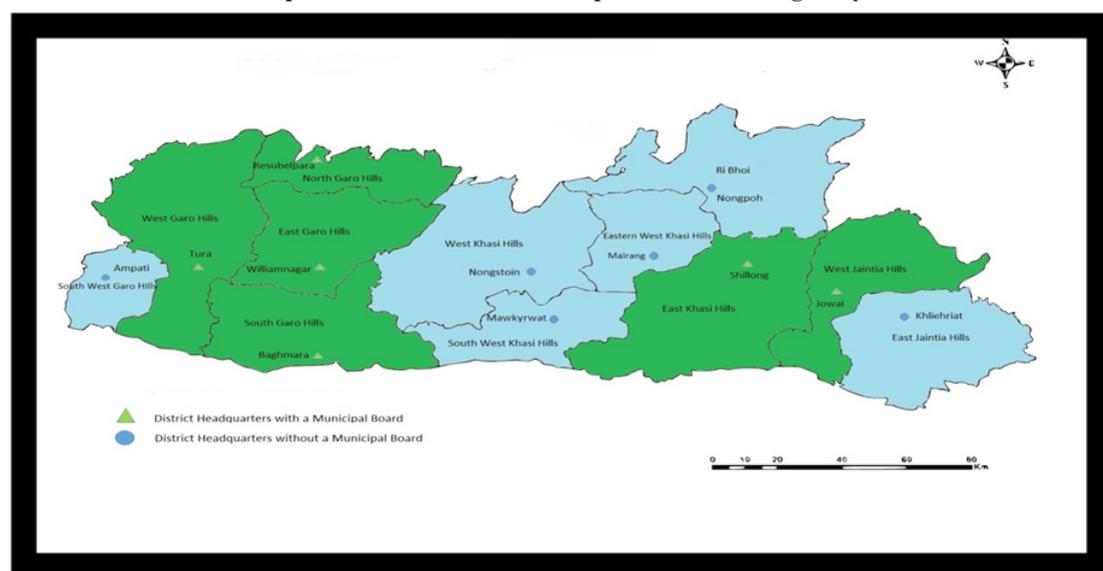
3.2.1 Introduction

The 74th Constitutional Amendment Act, 1992 (74th CAA) of the Constitution came into effect on 01 June 1993 with provisions for the establishment of Urban Local Bodies (ULBs) as the third tier of governance in urban areas. The Act provided constitutional status to the ULBs with an objective to entrust delivery of major civic functions to ULBs. Meghalaya is exempted from implementation of the 74th CAA under Article 243 ZC of the Constitution. The Municipal Boards in Meghalaya were constituted under Section 10 of the Meghalaya Municipal Act 1973 (MMA), which is a legislation enacted in the State of Meghalaya to govern the administration and functioning of municipal boards as well as the devolution of functions, funds and functionaries. It consists of various sections that outline the powers, responsibilities, and functions of municipal boards. Even though the 74th CAA is not applicable, the State Government had strived to enable all the local bodies to have financial autonomy and to perform functions analogous to the functions of other local bodies constituted under Part IX and Part IX-A of the Constitution while retaining the distinctive tribal identity protected by the Sixth Schedule of the Constitution of India which is foundational to the local bodies of the State.

There are six Municipal Boards (MBs)⁷⁰ in the State of Meghalaya as on 31 March 2023 as shown in **Map 3.2.1**.

⁷⁰ 1. Shillong Municipal Board (SMB), 2. Jowai Municipal Board (JMB), 3. Tura Municipal Board (TMB), 4. Williamnagar Municipal Board (WMB), 5. Resubelpara Municipal Board (RMB) and 6. Baghmara Municipal Board (BMB).

Map 3.2.1: Location of Municipal Boards in Meghalaya



The details of the MBs including the physical coverage and population in comparison with the State is given in **Table 3.2.1**.

Table 3.2.1: Details of Municipal areas

Sl. No.	Particulars	Meghalaya	Municipal Boards						Total (%)
			SMB	JMB	TMB	WMB	RMB	BMB	
1	Year of establishment	1972	1910 ⁷¹	1995	1979	1995	1997	1995	-
2	No. of wards	-	27	13	13	12	13	12	-
3	Physical area coverage in Sq.km	22,429	10.36	7.77	18.32	9.72	7.62	7.70	61.49 (0.27)
4	Population (2011 census)	29,66,889	1,43,229	28,430	74,858	24,597	19,595	13,131	3,03,840 (10.24)

Source: Meghalaya Census Report 2011 and information furnished by Director, Urban Affairs Department.

3.2.2 Provisions under the Meghalaya Municipal Act, 1973

Powers, responsibilities, and functions of municipal boards are defined in the MMA, as discussed in **Table 3.2.2**.

Table 3.2.2: Salient features of the Meghalaya Municipal Act, 1973

Section under MMA	Topic	Provisions
Section 4-9	Constitution of Municipalities	Chapter II of the MMA provides for constitution of municipalities. However, there is no distinction for transitional areas, smaller areas or larger urban area.
Section 10-57	Composition of Municipalities	Chapter III of the MMA provides for constitution of municipal boards in each municipality by direct election.
Section 13	Constitution and composition of Wards Committees	The State Government is empowered to divide the municipality into wards and also determine the number of commissioners to be elected from each ward.

⁷¹ The Shillong Municipal Board (SMB) was established in the year 1910, during the British colonial period.

Section under MMA	Topic	Provisions
Section 11	Reservation of seats	It provides for reservation of percentage of seats for Scheduled Tribes and Women for direct election.
Section 26	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 three months of end of tenure.
Section 15	Qualifications for membership	This prescribes the conditions of eligibility for election as Commissioner of a Municipal Board.
Section 60 (2), 62, 302, 303, etc.	Powers, authority and responsibilities of the Municipalities	The Government of Meghalaya has devolved 16 functions ⁷² mentioned in the 12 th Schedule to the ULBs as per provisions of the MM Act except for (i) Fire Service and (ii) Urban Forestry, protection of the environment and promotion for ecological aspects
Section 68	Power to impose taxes and funds of the Municipalities	This section empowers the Municipal Boards to levy and collect taxes within the limits of the municipality.
Section 151A to 151K	Maintenance and audit of accounts of Municipalities	These sections deal with the preparation of budget, maintenance of accounts, submission of financial statements to auditor and powers of auditor.
Section 12- 26	Elections to the Municipalities	It outlines the eligibility, qualification/ disqualification of candidates and voters, and general procedures to be followed in an election.

3.2.3 Audit objectives, scope and methodology

The Subject Specific Compliance Audit (SSCA) on the “Devolution of functions to the Municipal Boards in Meghalaya under the Meghalaya Municipal Act, 1973” covering the period between 2018-19 and 2022-23 was conducted during October 2023 to November 2023 to examine whether (i) the existing institutional mechanism created by Government had effectively empowered the ULBs to discharge their devolved functions; and (ii) whether the ULBs have access to raise and manage adequate financial resources.

The audit involved scrutiny of records of the Urban Affairs Department, Directorate of Urban Affairs, Meghalaya and all the six Municipal Boards (MBs) in the State.

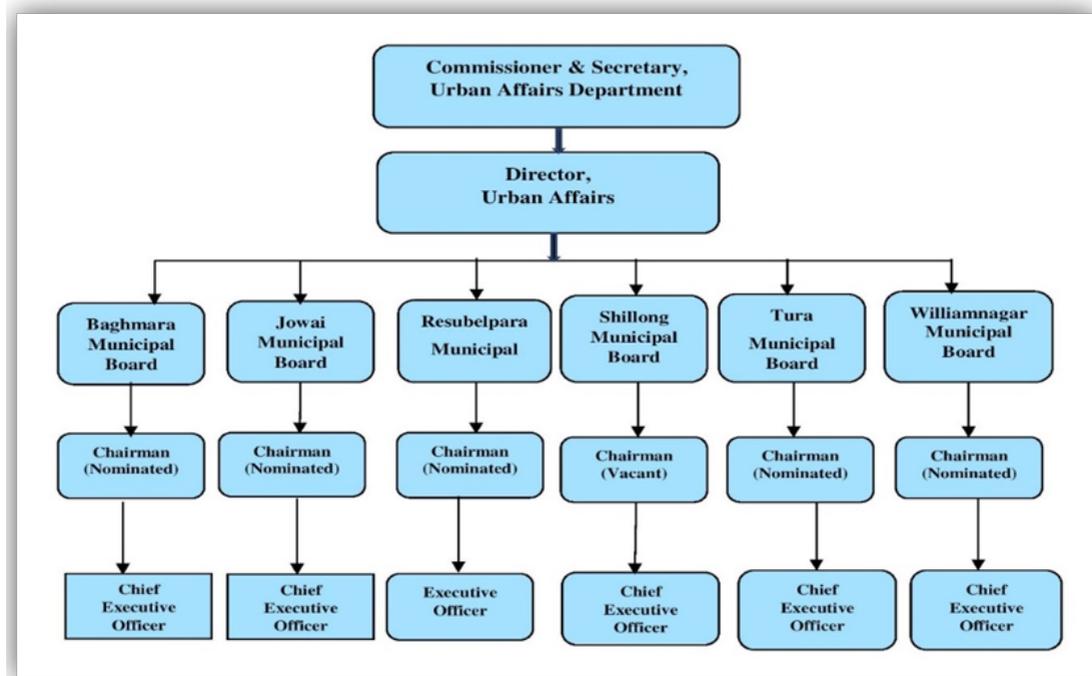
3.2.4 Organisational Setup

Commissioner & Secretary, Urban Affairs Department, Government of Meghalaya (GoM) is the administrative head of the ULBs (Municipal Boards in Meghalaya). The

⁷² The devolved functions are (1) Urban planning including town planning (2) Regulation of land-use and construction of buildings (3) Planning for economic and social development (4) Roads and bridges (5) Water supply for domestic, industrial and commercial purposes (6) Public health, sanitation conservancy and solid waste management (7) Safeguarding the interests of weaker sections of society including handicapped and mentally retarded (8) Slum improvement and upgradation (9) Urban poverty alleviation (10) Provision of urban amenities and facilities such as parks, gardens and playgrounds (11) Promotion of cultural, educational and aesthetic aspects (12) Burials and burial grounds; cremations, cremation grounds, and electric crematoriums (13) Cattle pounds, prevention of cruelty to animals (14) Vital statistics including birth and deaths (15) Public amenities including street lighting, parking lots, bus stops and public conveniences and (16) Regulation of slaughterhouses and tanneries.

Commissioner & Secretary is assisted by the Director, Urban Affairs in exercising overall control with regards to all the MBs. As per Section 33(1) of the MMA, the Chairman is the Executive Head of the MB and is to be elected by the elected Ward Commissioners. As no election has been conducted since the MMA came into effect (21 January 1972), the Chairman and Ward Commissioners are nominated by the State Government.

Chart 3.2.1: Organisational structure of urban governance in Meghalaya



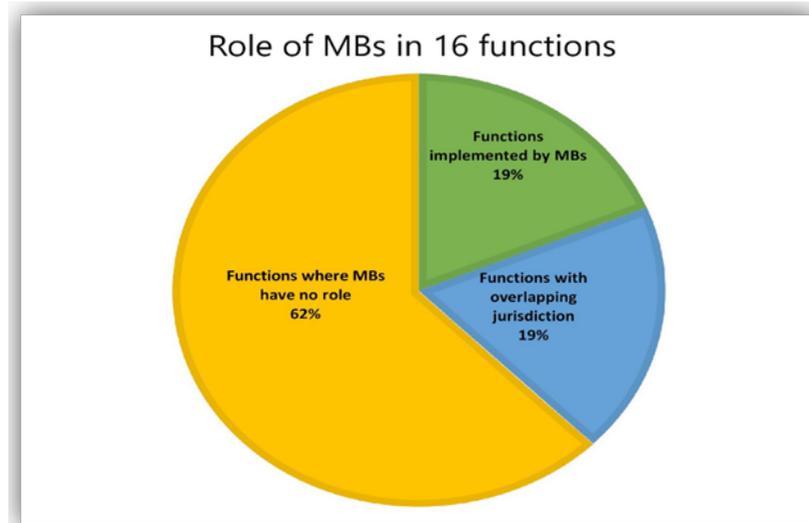
Audit Findings

3.2.5 Devolution of functions

Devolution of functions to Urban Local Bodies implies devolution of functions, funds and functionaries to enable the local bodies to deliver services at grassroots level efficiently and effectively. The MMA provides a basis for the State Government in the assignment of various essential functional responsibilities to the MBs. Audit observed (June 2023) that the Government of Meghalaya has already devolved 16 functions to the ULBs except for (i) Fire Service and (ii) Urban Forestry, protection of the environment and promotion for ecological aspects as per provisions of the MMA.

Audit observed that all the 16 functions stated to have been devolved to the MBs were not actually discharged by them as shown in **Chart 3.2.2**.

Chart 3.2.2: Role of MBs in 16 functions which was devolved to them



The position regarding the actual implementation of these 16 functions by the respective MBs is shown in **Table 3.2.3** (MB wise details are shown in **Appendix 3.2.1**).

Table 3.2.3: Actual status of implementation of devolved function to the MBs

Sl. No.	Functions	Status
<i>Functions which the MBs are implementing</i>		
1	Public health, sanitation conservancy and solid waste management	All the MBs are implementing this function and have dedicated manpower.
2	Urban poverty alleviation	All the MBs are implementing this function and have dedicated staff.
3	Vital statistics including birth and deaths	All the MBs except for Williamnagar MB are implementing this function.
<i>Functions where some MBs have overlapping jurisdiction with State Government Departments</i>		
4	Roads and bridges	Jowai, Tura, Williamnagar and Resubelpara MBs are involved in construction of approach roads, though most of the roads are constructed and maintained by the Public Works Department (PWD). Shillong, and Baghmara have no role in this function.
5	Water supply for domestic, industrial and commercial purposes	SMB is involved in distribution activities along with Public Health Engineering (PHE) Department, which is the main agency responsible for this function. The other MBs have no role in this function.
6	Public amenities including street lighting, parking lots, bus stops and public conveniences	This function is implemented by Shillong, Tura, Williamnagar, Resubelpara and Baghmara MB alongwith MePDCL ⁷³ , MNREDA ⁷⁴ , PWD and MUDA ⁷⁵ . Jowai MB has no role in this function.

⁷³ Meghalaya Power Distribution Corporation Limited (MePDCL).

⁷⁴ Meghalaya New & Renewable Energy Development Agency (MNREDA).

⁷⁵ Meghalaya Urban Development Authority (MUDA).

Sl. No.	Functions	Status
<i>Functions where the MBs have no role</i>		
7	Urban planning including town planning	This function is implemented by the District Urban Planner in Jowai and Tura.
8	Regulation of land-use and construction of buildings	This function is implemented by the District Urban Planner and Meghalaya Urban Development Authority in Jowai and Tura.
9	Planning for economic and social development	This function is implemented by Planning Department.
10	Safeguarding the interests of weaker sections of society including handicapped and mentally retarded	This function is implemented by the Social Welfare Department in Jowai.
11	Slum improvement and upgradation	This function is implemented by the Urban Affairs Department in Jowai.
12	Provision of urban amenities and facilities such as parks, gardens and playgrounds	This function is implemented by Forest and Soil & Water Conservation Department in Jowai and Tourism Department in Tura MB.
13	Promotion of cultural, educational and aesthetic aspects	This function is implemented by Arts and Culture Department in Jowai and Tura.
14	Burials and burial grounds; cremations, cremation grounds, and electric crematoriums	This function is implemented by the respective churches/faiths in Jowai. Tura and Shillong MBs.
15	Cattle pounds, prevention of cruelty to animals	This function is implemented by the A.H. & Veterinary Department in Jowai and Tura.
16	Regulation of slaughterhouses and tanneries.	This function is implemented by the A. H. & Veterinary Department in Shillong, Tura and Jowai.

Source: Information furnished by MBs.

Table 3.2.3 above shows that out of 16 functions stated to have been devolved by the Director, in practice, MBs in Meghalaya assumed sole responsibility for three functions (19 *per cent*); had overlapping jurisdictions with State departments in three functions (19 *per cent*); and had no role in ten functions (62 *per cent*).

3.2.6 Devolution of functionaries

3.2.6.1 Election and composition of Municipal Boards

According to Section 12 of the Meghalaya Municipal Act, 1973, election of Commissioners shall be conducted as per the provisions prescribed. In compliance to an order passed by the Division Bench of Guwahati High Court on September 1998, directing the State Government to hold the election of Ward Commissioner of Shillong Municipal Board within two months, an election was held on 17 November 1998. In the said election, only five Commissioners were elected. However, since the said order also raised issues concerning contravention of the Sixth Schedule of the Constitution, a special leave petition was filed by the State Government in the Supreme Court appealing against the order of the High Court. The Supreme Court in its judgement dated 10 December 1999, set aside the order of the High Court but also directed the State Government to hold the election within six months. The

election was again proposed to be held on 25 November 2000 for all the 27 wards of Shillong Municipality. Nomination was filed by only one person who subsequently withdrew his nomination. No other nomination was received for any other ward. As a result, election could not be conducted. Thus, no election had been conducted in any municipal board since 1972. Consequently, the State Government has appointed Commissioners along with Chief Executive Officers as per the provisions of the Act, to manage the day-to-day operations of the boards. In the absence of elected council, involvement of elected representatives in decision making and implementation, which was an essential element of democracy and devolution, was missing.

As per the provisions outlined in the Meghalaya Municipal Act, 1973, each Municipal Board shall have a body of Commissioners. The number of Commissioners for each Municipal Board shall not be less than twelve and not exceed thirty-two. Seats of Commissioners in every municipality are reserved for scheduled tribes and women as prescribed in Section 11 of the Act. A Chairman and Vice Chairman are to be elected from amongst the Commissioners. The Chairman is the functional head of the Board in the absence of an Executive Officer, and shall preside over Board meetings. An Executive Officer may be appointed by the Board with the approval of the State Government. The conditions of service, powers, duties and functions of the Executive Officer shall be determined by the State Government. The Board may also appoint, from time to time, committees to assist it in the discharge of any specific duty or class of duties devolved upon it and may delegate to any such committee all or any of its powers which may be necessary for the purpose of rendering such assistance.

It was however observed that Commissioners and Executive Officers of all the six Municipal Boards in the State have been appointed by the State Government due to non-conduct of elections.

3.2.6.2 Shortage of staff in Municipal Boards

Working strength in terms of number of employees per thousand population (as on 31 March 2023) in the six ULBs is shown in **Chart 3.2.3**.

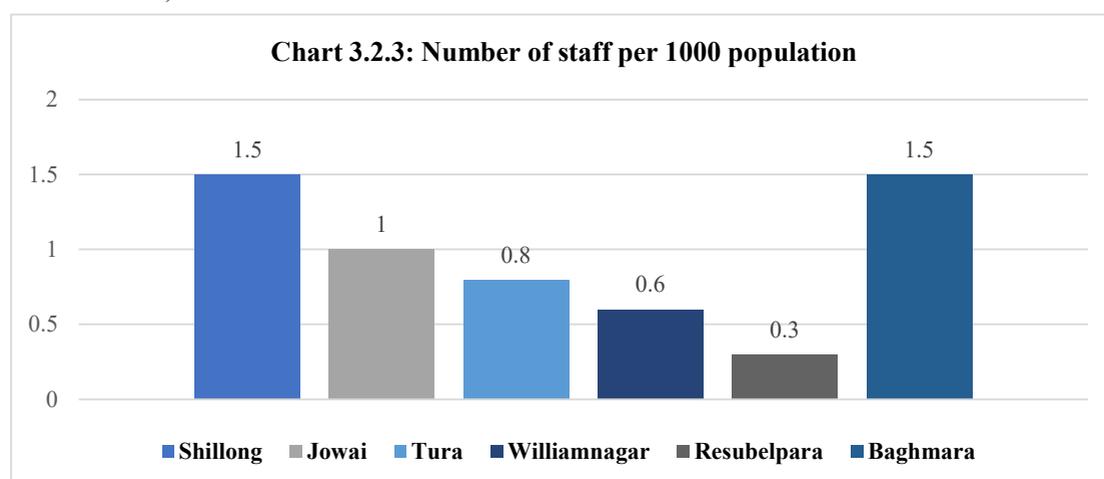


Chart 3.2.3⁷⁶ shows that out of six MBs, Shillong, Baghmara and Jowai had one staff or more for every 1000 population while the remaining MBs had less than one staff for every 1000 population. Thus, the MBs lacked adequate manpower to carry out efficient delivery of services.

Further, providing of adequate and regular training to the staff enhances the service delivery skills of the personnel in the local governments. As far as training of staff was concerned, only SMB had conducted training for their staff while the remaining five⁷⁷ MBs had not imparted any training to their staff during the period covered by audit. SMB conducted five trainings under which only 18 personnel were trained during the period from 2018-23. Serious efforts should be made to arrange training programmes for staff of MBs so as to enhance their skills.

3.2.7 Devolution of funds

The sources of funds of the ULBs comprise own revenues generated by the MBs from different sources⁷⁸ and State Government grants-in-aid (GIA) released through the Director, Urban Affairs Department for maintenance & development purposes. Rental income, tax revenue and user charges are the major sources of own revenue for the ULBs. The details of own revenue and State Government GIA of all the six MBs during the period from 2018-19 to 2022-23 is given in **Table 3.2.4**.

Table 3.2.4: Details of revenue of ULBs from 2018-23

Year	Own revenue	Grants-in-aid (GIA)		CFC grants	Total	Percentage (own revenue to total revenue)
		Salary	Non-Salary			
2018-19	15.72	7.99	0.55	Nil	24.26	65
2019-20	12.80	5.83	0.24	Nil	18.87	68
2020-21	11.74	16.25	4.42	43.04	75.45	16
2021-22	10.87	17.91	31.29	21.19	81.26	13
2022-23	13.09	18.55	3.27	45.41	80.32	16
Total	64.22	66.53	39.77	109.64	280.1	23

Source: Information furnished by ULB.

The above table shows that during the period 2018-19 to 2022-23, major portion of the revenue of ULBs came from Government Grants, which amounted to 77 per cent of the total revenue and their own revenue constituted only 23 per cent of the total revenue. This indicates the dependence of ULBs on Government Grants to function.

3.2.7.1 Own Revenue

The details of own revenue (user charges and fees, tax revenue, rental income, etc.) generated by all the six MBs in Meghalaya during the audit period is shown in **Table 3.2.5**.

⁷⁶ Population of MBs as on 2011: SMB-143229, JMB-28430, TMB-74858, WMB-24597, RMB-19595, BMB-13131. Staff position of MBs as on 2023: SMB-221, JMB-30, TMB-64, WMB-14, RMB-6, BMB-20.

⁷⁷ Jowai Municipal Board, Tura Municipal Board, Williamnagar Municipal Board, Resubelpara Municipal Board, Baghmara Municipal Board.

⁷⁸ User charges and fees, tax revenue, rental income, etc.

Table 3.2.5: Amount of own revenue generated by MBs during 2018-23

						(₹ in crore)
MB	2018-19	2019-20	2020-21	2021-22	2022-23	Total
SMB	11.41	8.36	8.55	7.13	8.88	44.33
JMB	0.52	0.57	0.41	0.43	0.24	2.17
TMB	3.19	3.13	2.20	2.70	3.14	14.36
WMB	0.33	0.48	0.24	0.48	0.51	2.04
RMB	0.22	0.20	0.32	0.08	0.27	1.09
BMB	0.05	0.06	0.02	0.05	0.05	0.23
Total	15.72	12.80	11.74	10.87	13.09	64.22

Source: Information furnished by MBs.

From the table above, it could be seen that during the five years period (2018-19 to 2022-23) SMB earned highest revenue from own source constituting 69 per cent, where as revenue earned by other five MBs ranged from 0.36 per cent (BMB) to 22.36 per cent (TMB). It was also being seen that apart from WMB and RMB, all other MBs saw a declining trend or remained stagnant in generating own source of revenue during 2018-23 which indicates that they were not able to augment their own resources.

3.2.7.2 Constitution of State Finance Commission

The Government of Meghalaya enacted the Meghalaya State Finance Commission Act, 2012 on 30 March 2012. As per Section 3(1) of this Act, “the State Government shall as soon as may be one year from the enactment of the Act and thereafter at the expiry of every fifth year, constitute a body to be known as the Meghalaya State Finance Commission to review the financial position of the traditional bodies, municipalities or municipal boards not with standing any term by which ULBs are called in the State”. As per Section 10 of this Act, the State Government had also framed the Meghalaya Finance Commission Rules, 2013 which was notified in the Gazette of Meghalaya in December 2013. The objective of the Meghalaya State Finance Commission Act was to make all the local bodies of the State to have financial autonomy to further democratic decentralisation and recommend the principle which will govern the distribution of revenue between the State Government and the Local Bodies.

The State Government had however, not constituted (June 2023) the State Finance Commission. Thus, the objective of the Act, which was to govern the distribution of revenue between the State Government and the Local Bodies to ensure their financial autonomy and to further democratic decentralisation, remained unfulfilled.

3.2.8 Accountability mechanism

3.2.8.1 Preparation/approval of Annual Budget

Sections 151A and 151 B of the Meghalaya Municipal (Amendment) Act, 2012 envisage that each MB shall prepare a budget estimate for every financial year in the format as may be prescribed in the Meghalaya Municipal Accounting Manual. The Annual Budget approved by the respective Board shall be submitted to the State Government for inclusion in the State Budget as a supplement to the State budget for local bodies before 31 January in each year.

It was noticed that there was persistent delay by all the six MBs in submission of the Annual Budget to the Director, UAD for onward submission to the Government, as shown in the table below (MB wise details are shown in **Appendix 3.2.2**).

Table 3.2.6: Delay in submission of Annual Budget by the MBs to the Director, UAD during 2018-23.

Sl. No.	Name of MB	Status of submission of Annual Budget
1	Shillong	Information regarding submission of the Annual Budget during 2020-21 was not provided. Delay in submission in the remaining years ranged between two to four months.
2	Jowai	There was no delay during 2020-21 while delay in the remaining years ranged between one to four months.
3	Tura	There was no delay during 2022-23 while delay in the remaining years ranged between two to six months.
4	Williamnagar	Information regarding submission of the Annual Budget during 2020-21 was not provided while delay in the remaining years ranged between five days to four months.
5	Resubelpara	There was no delay during 2020-21. Information regarding submission of the Annual Budget during 2018-19 and 2022-23 was not provided while delay in the remaining years ranged between five to eight months.
6	Baghmara	There was no delay during 2018-19. Information regarding submission of the Annual Budget during 2019-20 and 2020-21 was not provided while delay in the remaining years ranged between one to four months.

Source: Information furnished by the Director, UAD.

Further, the State Government has not prepared any supplementary budget for Local Bodies though the same was mandated in Section 151A and 151 B of the MMA. Reasons for delay were neither on record nor stated, though called for (February 2024).

Persistent delays in submitting annual budgets by all six MBs along with the State Government's inability to prepare supplementary budget for MBs, as mandated by MMA, may lead to uncertainty about fund allocation.

3.2.8.2 Status of Municipal Accounts

Preparation of Annual Accounts

Sections 151F to 151H of the Meghalaya Municipal (Amendment) Act, 2012 provide for preparation of annual financial statement (Income & Expenditure, Receipts & Payments and Balance Sheet) within three months of the next financial year for the preceding financial year. The financial statements prepared under section 151F & 151G shall be submitted to the primary auditor who is the the Directorate of Local Fund Audit (DLFA⁷⁹). The status of preparation of Annual Accounts by the MBs during the period covered by audit is as shown in **Table 3.2.7**.

⁷⁹ Re-designated from the Examiner of Local Accounts (ELA) on 05 October 2015.

Table 3.2.7: Status of preparation of Annual Accounts by MBs

Name of MB	Whether accounts prepared				
	2018-19	2019-20	2020-21	2021-22	2022-23
SMB	Yes	Yes	No	No	No
JMB	No	No	No	Yes	No
TMB	No	Yes	Yes	Yes	Yes
WMB	No	No	Yes	Yes	Yes

Source: Information furnished by MBs.

Resubelpara MB and Baghmara MB did not furnish the above information though called for (November 2023 & February 2024). It could be seen from the above that preparation of Annual Accounts was not uniform nor upto-date by the MBs. Further, it was observed that none of the six ULBs had submitted their annual accounts to the DLFA due to which none of the annual accounts have been audited.

Constitution of Municipal Accounts Committee

Section 49 A⁸⁰ of the Meghalaya Municipal Act, 1973 (as amended) specifies that the respective Boards may constitute Municipal Accounts Committees (MACs). The responsibilities of the MAC *inter alia* include (i) the examination of the accounts of the Board and also checking whether the audit observations and instructions made or given from time to time have been complied with; (ii) undertaking any physical verification of cash, stock and assets of the Board; and (iii) discharging such other function as may be entrusted.

Audit noticed that the MAC was not constituted in any of the MBs (November 2023). Thus, the said provision of the Act remained unfulfilled.

Inability of MBs to submit Annual Accounts to DLFA and the absence of MAC as mandated by MMA indicates poor financial management, inadequate internal controls, poor accounting practices and lack of transparency. The authorities should address these deficiencies to ensure proper financial management within the MBs.

3.2.8.3 Status of audit

Primary Auditor

As per Section 151J (1) of the MMA⁸¹ the Directorate of Local Fund Audit (DLFA⁸²), Meghalaya is the primary auditor of the six ULBs in the State. The status of audit of the MBs by DLFA was not furnished by the Director, DLFA, though called for (December 2023).

Audit by the Comptroller & Auditor General of India

Section 151J (2) of the Meghalaya Municipal (Amendment) Act, 2012 specifies that the Comptroller & Auditor General (C&AG) of India shall provide Technical Guidance and Support (TGS) over the proper maintenance of accounts and audit of the accounts

⁸⁰ Inserted vide Meghalaya Municipal (Amendment) Act, 2012.

⁸¹ Inserted vide Meghalaya Municipal (Amendment) Act, 2012.

⁸² Re-designated from the Examiner of Local Accounts (ELA) on 05 October 2015.

of the Board and shall prepare an Annual Technical Inspection Report on the test check of accounts of the municipalities and forward a copy of the report to the State Government. The audit of accounts of the ULBs under the TGS arrangement had been entrusted to the C&AG in March 2012 under Section 20(1) of C&AG's (Duties, Powers and Conditions of Services) Act, 1971 by the State Government.

Accordingly, the first Annual Technical Inspection Report (ATIR) for the year ending 31 March 2014 was laid in the Meghalaya Legislative Assembly on 24 September 2015, which was followed by ATIRs for the years ending 31 March 2015 and 31 March 2016 which was placed before Legislative Assembly on 14 December 2017 and ATIRs for the year ending 31 March 2017 and 31 March 2018 which were placed before Legislative Assembly on 28 March 2023.

3.2.8.4 Non receipt of performance grants under 14th Finance Commission

Article 280(3)(c) of the Constitution of India mandates the Central Finance Commission (CFC) to recommend measures to augment the Consolidated Fund of the State to supplement the resources of Municipalities based on the recommendations of the respective SFCs. The 14th CFC recommended Basic Grant and Performance Grant to ULBs as a percentage of divisible pool account.

The position of allocation and release of 14th FC grants during the period from 2015-16 to 2019-20 is depicted in **Table 3.2.8**.

Table 3.2.8: Position of allocation and release of 14th FC grants

(₹ in crore)	
Particulars	Total
Basic Grant	
Allocation as per CFC	25.23 ⁸³
Released by GoI	25.23
Shortfall	-
Released by GoM	25.23
Shortfall	-
Performance Grant	
Allocation as per CFC	6.30 ⁸⁴
Released by GoI	Nil
Shortfall	6.30

As per the guidelines for the implementation of recommendations of the 14th FC with regard to Local Bodies, the eligibility criteria for performance grants for municipalities are as follows:

- (i) The municipality would have to submit audited accounts that relate to year not earlier than two years preceding the year in which the municipality seeks to claim the performance grant.

⁸³ Allocation during 2015-16 - ₹ 3.03 crore; 2016-17 – ₹ 4.19 crore; 2017-18 - ₹ 4.84 crore; 2018-19 – ₹ 5.60 crore and 2019-20 - ₹ 7.57 crore.

⁸⁴ Allocation during 2015-16 - Nil; 2016-17 – ₹ 1.24 crore; 2017-18 - ₹ 1.40 crore; 2018-19 – ₹ 1.59 crore and 2019-20 - ₹ 2.80 crore.

- (ii) The Municipality would have to show an increase in its own revenues over the preceding year as reflected in the audited accounts.
- (iii) The Municipality should measure and publish the Service Level Benchmarks⁸⁵ relating to basic urban services each year for the period of the award and make it publicly available.

Scrutiny of records revealed that the GoM received five letters⁸⁶ from GoI reminding them to submit their claims for the performance grants. In November 2019, the Director, Urban Affairs informed the State Government that till then, only Shillong Municipal Board and Tura Municipal Board have submitted (June 2019) their information for claiming of Performance Grant while the remaining Boards were yet to submit the claims. There were no records to indicate that the GoM had made any claims for the Performance Grant.

Audit further noticed that the SMBs would not have been eligible for the Performance Grant since the GoM notified SLBs for four basic services *viz.* (i) water supply, (ii) sewerage, (iii) storm water drainage and (iv) solid waste management in March 2012. However, these SLBs were notified only for Shillong Municipal Board to be implemented in 2012-13. GoM has still not notified the SLBs for the other five MBs⁸⁷. However, SMB had not measured or published the Service Level Benchmarks relating to basic urban services each year for the period of the award.

As a result, the ULBs were deprived of the much-needed resources due to non-achievement of the conditions put forward by the 14th FC. Lack of these funds hindered their ability to improve urban services and infrastructure. Further, non-compliance with FC guidelines reflects poorly on governance and financial management practices besides leading to missed opportunities for development.

3.2.8.5 Payment of interest due to delay in release of 14th Finance Commission grants

The first instalment of the Basic grant under 14th Finance Commission amounting to ₹ 1.52 crores was released by GoI on 20 March 2020 while the second instalment amounting to ₹ 23.71 crores was released on 31 March 2020. One of the conditions of the release order was that the State Government had to release the amount within 15 days of receipt from GoI. Any delay will require the State Government to release the instalment with interest at bank rate⁸⁸ of RBI, for number of days of delay. The details of release of 14th Finance Commission grants from GoI to GoM and from GoM to ULBs is given in **Table 3.2.9**.

⁸⁵ The Ministry of Urban Development, GoI, launched (2008) the Service Level Benchmarking (SLB) initiative covering water supply, waste water, solid waste management and storm water drainage. The 14th FCs have also endorsed the principle of benchmarking and included SLB as one of the conditions for the allocation of performance-based grants to ULBs.

⁸⁶ (i) D.O No. N-11025/63/2015-LSG-I Dt. 08.09.2016, (ii) D.O No. N-11025/63/2015-LSG-I (Pt-I) Dt. 04.10.2016, (iii) No. Nil dt. 04.06.2019, (iv) No. N-11025/12/2019-AMRUT-IIB (part)/9061697 Dt. 03.10.2019, and (v) No. N-11025/12/2019-AMRUT-IIB (part)/9061697 Dt. 23.10.2019.

⁸⁷ Jowai, Tura, Williamnagar, Baghmara and Resubelpara MBs.

⁸⁸ Bank rate during 20 March 2020 was 5.40 *per cent* and during 31 March 2020 was 4.65 *per cent*.

Table 3.2.9: Delay in release of 14th Finance Commission grants by GoM to ULBs

(₹ in lakh)

Year	Instalment	Type of grant	Amount	Date of transfer by GoI to GoM	Date of transfer by GoM to ULBs	No of days in delay	Interest payable
2020-21	1 st	Basic	151.50	20 March 2020	30 June 2020	87	1.95 ⁸⁹
2020-21	1 st	Basic	2,371.50	31 March 2020	30 June 2020	76	26.28 ⁹⁰

From the above table, it could be seen that the State Government was liable to pay an additional amount of ₹ 28.23 lakh to the ULBs due to delay in release of funds. There was however nothing on record to indicate that the State Government had transferred the interest amount to the ULBs.

3.2.8.6 Payment of interest due to delay in release of 15th Finance Commission grants

The Fifteenth Finance Commission (15th FC) was constituted by the President on 27 November 2017 and was, *inter-alia*, mandated to recommend measures needed to augment the Consolidated Funds of the States to supplement the resources of the *Panchayats* and Municipalities during 2020-25. Subsequently, the Commission was mandated to submit two reports, one for the year 2020-21 and the final Report for the period 2021-22 to 2025-26. The Commission submitted its first Report covering the financial year 2020-21 to the President on 05 December 2019. The Urban Local Body grant allocated to Meghalaya for the year 2020-21 was ₹ 88.00 crore, of which 50 per cent was to be released as basic grant⁹¹ (untied) and the remaining 50 per cent was to be released as tied grant in two instalments.

The 1st instalment of untied grant amounting to ₹ 22 crore was released by GoI on 19 May 2020 while the 1st instalment of tied grant was released on 05 November 2020.

One of the conditions was that on receipt of the grant, the States should transfer the grants-in-aid directly to all ULBs within ten working days of receipt from the Union Government without any deduction. Any delay beyond ten working days would require the State Government to release the same with interest as per the effective rate of interest on market borrowings/State Development Loans (SDLs) for the previous year. The details of release of these grants by GoI to GoM and GoM to the ULBs are shown in **Table 3.2.10**.

Table 3.2.10: Delay in release of 1st instalment of 15th FC grants by GoM to MBs

(₹ in crore)

Year	Instalment	Type of grant	Amount	Date of transfer by GoI to GoM	Date of transfer by GoM to ULBs	No of days in delay
2020-21	1 st	Untied	22.00	19 May 2020	22 January 2021	248
2020-21	1 st	Tied	22.00	05 November 2020	24 February 2022	475

Source: Release orders/Grant Transfer certificates.

⁸⁹ Interest = ₹ 151.50 lakh x 5.40 x 87 days/365 x 100.

⁹⁰ Interest = ₹ 2,371.50 lakj x 4.65 x 76 days/365 x 100.

⁹¹ While basic grant (untied) can be utilised for location specific needs except for salary and establishment expenses, tied grants are to be utilised for (a) drinking water and (b) solid waste management.

Due to delay in releasing the 1st instalment to the ULBs, the State had to pay (July 2022) interest amounting to ₹ 1.08 crore under untied grant and ₹ 2.07 crore under tied grant being the amount of interest payable to the ULBs. In spite of this, the State Government again delayed releasing the 2nd instalment as highlighted in **Table 3.2.11**.

Table 3.2.11: Delay in release of 2nd instalment of 15th FC grants by GoM to MBs

(₹ in crore)						
Year	Instalment	Type of grant	Amount	Date of transfer by GoI to GoM	Date of transfer by GoM to ULBs	No of days in delay
2020-21	2 nd	Untied	22.00	01 September 2022	24 March 2023	205
2020-21	2 nd	Tied	22.00	01 September 2022	31 March 2023	212

Source: Release orders/Grant Transfer certificates.

Again, due to delay in releasing the 2nd instalment to the ULBs, the State had to pay (August 2023) interest amounting to ₹ 0.89 crore under untied grant and ₹ 0.93 crore under tied grant being the amount of interest payable to the ULBs. Thus, the inability of the State Government to transfer the funds to the MBs within the stipulated time had resulted in avoidable expenditure of ₹ 4.97 crore⁹² by the State Government.

3.2.9 Conclusion

The Meghalaya Municipal Act, 1973 aimed to enhance the organisation and administration of municipalities in Meghalaya. However, in spite of the existence of the legal framework and though the State Government claimed devolution of functions, audit noticed that there was a lack of effective empowerment of Municipal Boards. In practice, Municipal Boards had limited responsibility for functions, overlapping jurisdictions with State departments, and no role in a significant percentage of functions. No municipal elections had been conducted since 1972, leading to the appointment of Commissioners and Chief Executive Officers by the State Government. The State Finance Commission, vital for financial autonomy and democratic decentralisation, had not been constituted. Performance grants under the 14th Finance Commission were not received due to non-fulfilment of the prescribed eligibility criteria. Government grants constituted 77 per cent of ULBs revenue from 2018-19 to 2022-23, with their own revenue contributing only 23 per cent of the total revenue. Municipal Accounts Committees were not formed, and there were persistent delays by all Municipal Boards in submission of the Annual Budget.

3.2.10 Recommendations

- *The State Government may take constructive action to match the devolution of funds and functionaries with the devolution of functions.*
- *The State Government should take steps to augment the resources of the Local Bodies to ensure their financial autonomy.*

⁹² ₹ 1.08 crore + ₹ 2.07 crore + ₹ 0.89 crores + ₹ 0.93 crore.