

Chapter I Introduction

1. Introduction

1.1 74th Constitutional Amendment Act

In order to enable the Urban Local Bodies (ULBs) to perform effectively as vibrant democratic units of self-government, it was considered necessary that provisions relating to Urban Local Bodies are incorporated in the Constitution of India (CoI) through an Amendment. Such an amendment was to put on a firmer footing, their relationship between the State Government with respect to the functions, resources as well as for regular conduct of elections and providing adequate representation for the weaker sections like Scheduled Castes, Scheduled Tribes and women.

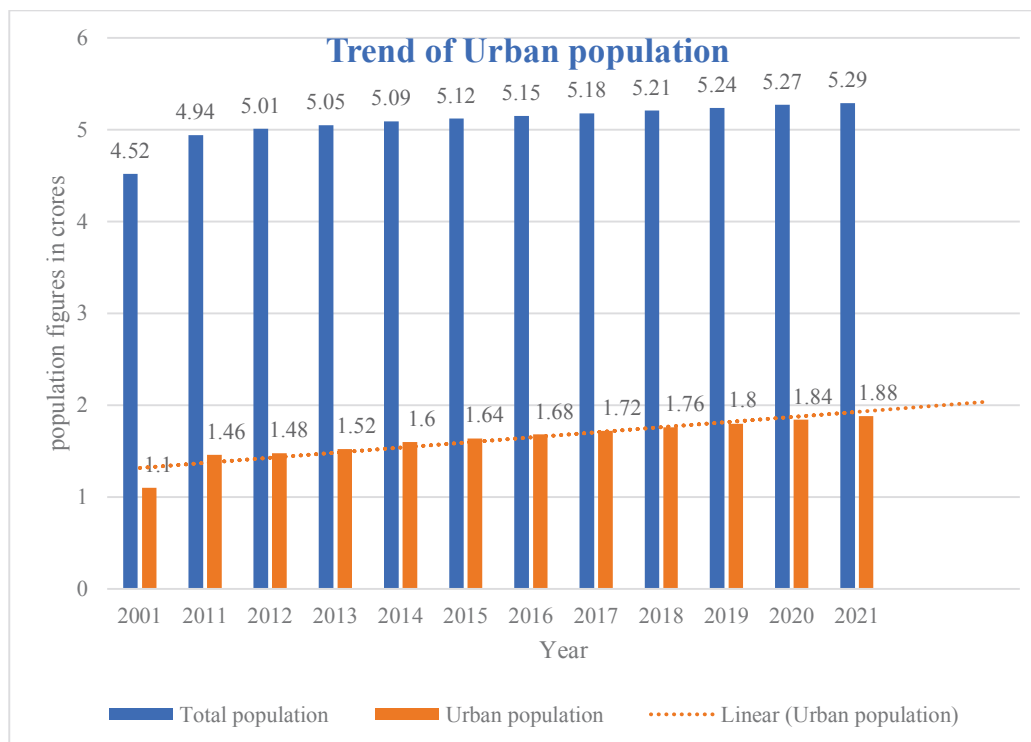
The Constitution (Seventy Fourth Amendment) Act, 1992 (74th CAA) which came into effect on 01 June 1993, introduced Part IXA (the Municipalities). The Act provided a constitutional status to Urban Local Bodies (ULBs). Article 243W of the Constitution through 74th CAA authorised the State Legislature to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities with respect to preparation of plans for economic development and social justice. The 74th CAA introduced Articles 243Q to 243ZG for the Urban Local Bodies (ULBs) relevant to their constitutions, functions, devolution *etc.* The Twelfth Schedule of the Constitution enumerates 18 specific functions (*Appendix 1.1*) to be devolved to Urban Local Bodies.

1.2 Trend of urbanization in Andhra Pradesh

As per census of 2011, 1.46 crore (29.6 *per cent*) people out of the total population of 4.95 crore reside in urban areas. The growth rate of urban population in the decades 2001-2011 was 25 *per cent*. The projected¹ urban population of the State as of 2021 is 1.87 crore (35.41 *per cent*) out of the total population of 5.28 crore. The trend of urbanization during last three decades in Andhra Pradesh is depicted in *Chart 1.1* below:

¹ estimated by National Commission on Population, Ministry of Health & Family Welfare, New Delhi

Chart 1.1: Trend of urbanization in Andhra Pradesh



1.3 Profile of Urban Local Bodies

Article 243Q of 74th CAA provided for constitution of three types of Municipalities viz., (i) Nagar Panchayats, (ii) Municipalities/Municipal Councils and (iii) Municipal Corporations. The Andhra Pradesh Municipal Corporations (Fixation of Criteria for Specification of Larger Urban Areas) Rules, 1994 and Andhra Pradesh Constitution of Nagar Panchayats and Municipalities Rules, 2019 provided the criteria (as detailed in **Appendix 1.2**) for constitution of three types of Municipalities. The State Government also categorised the Urban Local Bodies into six grades. There are 123 Urban Local Bodies in Andhra Pradesh as detailed in **Table 1.1**.

Table 1.1: Category-wise ULBs in Andhra Pradesh

Type of ULB	Number of ULBs
Municipal Corporation (MC)	17
Municipalities	76
Nagar Panchayats	30

Source: information provided by Commissioner & Director of Municipal Administration (CDMA)

Each Municipal Corporation/Municipal Council/Nagar Panchayat area has been divided into territorial constituencies *i.e.*, wards, which are determined and notified by the State Government for the purpose of election of members. All ULBs consist of elected members from each ward and members nominated by the Corporation/Council.

1.4 Legislations governing Urban Local Bodies

The Municipal Corporations/Municipalities are governed by

- Greater Hyderabad Municipal Corporation Act, 1955 and the Rules made thereunder (Andhra Pradesh Adaptation) Order, 2015
- The Andhra Pradesh Municipalities Act, 1965 (APM Act, 1965);

Subsequent to the 74th Constitutional Amendment Act, 1992, the provisions of the Acts were amended from time to time in the Andhra Pradesh Municipal Laws. The major changes pertaining to the Article 243W and 243X of the Constitution of India are discussed in detail in *Paragraph 3.2* of the Report.

1.5 Organisational Structure of Urban Governance in Andhra Pradesh

The Municipal Administration and Urban Development Department (MAUDD), headed by the Principal Secretary to the Government of Andhra Pradesh (GoAP), is the department which oversees the governance of all ULBs. The Commissioner and Director of Municipal Administration (CDMA) functions as an interface between the State Government and ULBs. In accordance with the powers conferred under the Andhra Pradesh Municipal Corporation Act² (APMC Act) and APM Act, the CDMA administers, facilitates, co-ordinates and monitors the ULBs. The organisational structure with respect to functioning of ULBs in the State is indicated in *Appendix 1.3*.

In addition to ULBs, the Municipal Administration and Urban Development Department (MAUDD) has key parastatal agencies such as Andhra Pradesh Urban Finance Infrastructure Development Corporation (APUFIDC), Urban Development Authorities (UDAs), Directorate of Town and Country Planning (DTCP), the Andhra Pradesh Greening and Beautification Corporation (APGBC), Mission for Elimination of Poverty in Municipal Areas (MEPMA), Public Health & Municipal Engineering department and Swatchha Andhra Corporation (SAC) for undertaking some of the functions expected to be performed by the ULBs under the 74th CAA. These parastatals deliver services like urban planning, development of slum areas, urban development, development of parks and gardens, promotion of cultural events and urban poverty alleviation. The details of parastatals and their functions are in *Appendix 1.4*.

1.6 Audit framework

1.6.1 Audit Objectives

The Performance Audit (PA) seeks to ascertain whether:

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

² GHMC Act was adopted on 23 February 2015 with certain modifications for the state of Andhra Pradesh under APMC Act

- the functions stated to have been devolved were effective on ground and
- the ULBs have been empowered to access adequate resources including sufficient resources for discharge of functions stated to be devolved to them

1.6.2 Audit Criteria

The Criteria for the PA were derived from the following:

- ❖ Constitutional (74th) Amendment Act 1992
- ❖ Greater Hyderabad Municipal Corporation Act, 1955 and the rules made thereunder (Andhra Pradesh Adaptation) Order, 2015
- ❖ Andhra Pradesh Municipalities Act 1965
- ❖ The Andhra Pradesh (Andhra Area) Town Planning (AFTP) Act 1920
- ❖ Central Public Health Engineering and Environment Organisation (CPHEEO) Manual
- ❖ Recommendations of the Second Administrative Reforms Commission (SARC)
- ❖ Urban Development Authorities Act
- ❖ Andhra Pradesh Municipalities (Gradation of Municipal Councils and Nagar Panchayats) Rules 1994
- ❖ Andhra Pradesh District Planning Committees Act 2005
- ❖ Andhra Pradesh Metropolitan Planning Committee Act 2007
- ❖ Andhra Pradesh Municipalities Development Control Rules 2008
- ❖ GHMC (Assessment of Property Tax) Rules 1990
- ❖ Andhra Pradesh Building Rules 2017
- ❖ Solid Waste Management (SWM) Rules 2016
- ❖ Andhra Pradesh Finance Code
- ❖ Andhra Pradesh Municipalities (Preparation of Accounts) Rules 2017
- ❖ State Government Orders, notifications, circulars and instructions issued from time to time
- ❖ White paper released by the MAUD Department on Municipal Administration and Urban Development in December 2018

1.6.3 Audit scope and methodology

The Performance Audit covering the period April 2016 to March 2021 was carried out from September 2021 to February 2022. The offices covered in audit include (i) Secretary to the Government of Municipal Administration (ii) CDMA (iii) Directorate of Town and Country Planning (DTCP) and (iv) Twenty ULBs sampled by Audit as indicated in *Appendix 1.5*. The twenty ULBs out of 123, selected through

simple random sampling method with population as criteria based on census 2011 from each types of ULB.

We selected the following five functions out of eighteen functions according to 74th CAA for detailed examination:

1. Property Tax
2. Regulation of land use and construction of building
3. Water supply for domestic, industrial and commercial purpose
4. Solid Waste Management
5. Public amenities including street lighting, parking lots, bus stops and public conveniences

An Entry Conference was held on 02 September 2021 with the Special Secretary, Municipal Administration Department, in which the audit methodology, scope, objectives and criteria were explained. Audit methodology involved analysis of records, issue of questionnaires, and eliciting responses of audited institutions through audit queries. An exit conference of the PA was conducted with the Commissioner and Director of Municipal Administration and other officials of the Department on 28 December 2022, wherein the observations in the report were discussed in detail. Departmental replies wherever received are suitably included in the Report. Further, the recommendations given by audit were accepted by the Department.

1.6.4 Audit findings - Structure

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

Chapter II – Compliance to provisions of 74th Constitutional Amendment Act

Chapter III– Empowerment of ULBs and their functioning

Chapter IV – Effectiveness of selected functions

Chapter V – Financial Resources of ULBs

Chapter VI – Human Resources of ULBs

1.7 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the State Government, CDMA and all the test-checked ULBs in conducting the Performance Audit.