

Executive Summary

Intent of 74th Constitutional Amendment Act

The Constitution of India provided clear mandate for democratic decentralisation through 74th Constitutional Amendment which sought to create an institutional framework for ushering in democracy at the grass root level through self-governing local bodies at the urban areas of the country. The 74th Constitutional Amendment came into effect on 01 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions listed in the Twelfth Schedule to the Constitution of India.

Why this Performance Audit?

To ascertain whether the State Government empowered the ULBs through the robust creation of institutional framework as well as transfer of functions, funds and functionaries.

Period of audit: 2016-17 to 2020-21

Sample: Five ULBs out of total 14 were selected in sample for their overall devolution of functions, funds and functionaries.

What audit found?

Compliance to provisions of 74th Constitutional Amendment Act

The provisions of the State Acts were compliant with the provisions of the 74th Constitutional Amendment Act. However, the State laws also provided for overriding powers to the State Government over the ULBs in many aspects.

Principal findings and recommendations of the Performance Audit

The chapter-wise findings that led to audit conclusions and recommendations are as follows:

Chapter III: Composition and organization of ULBs

A review of the composition of ULBs *vis-à-vis* the Constitutional Amendment Act indicated that the powers of delimitation of constituencies in Corporation of City of Panaji (CCP) were vested with the Directorate of Urban Development, instead of with the State Election Commission.

Recommendation

- *The State Government may take necessary action to entrust delimitation of wards in CCP to the State Election Commission at the earliest.*

Chapter IV: Empowerment of ULBs and their functioning

As per the mandate of the Constitutional Amendment Act, 18 functions were to be devolved to ULBs, along with necessary powers to enable their implementation. However, it was seen that most of these functions were devolved to the ULBs only partially, as Government departments or parastatals continued to implement several components of these functions and the operational scope for ULBs remained limited.

Execution of works by ULBs out of Central Finance Commission grants and State grants required departmental approvals, which limited their operational autonomy and caused delays in implementation. The parastatals were assigned the responsibility of implementing several urban infrastructure schemes without accountability to the ULBs.

Recommendations:

- *The Government may ensure that the functions devolved to the ULBs are actually carried out by them.*
- *Democratically elected ULBs must be given a greater role in the planning and implementation of schemes pertaining to local body functions as per the devolution.*
- *Adequate administrative and financial autonomy may be allowed to the ULBs in the execution of functions devolved to them.*

Chapter V: Financial Resources of ULBs

Devolution of adequate financial resources was critical for local bodies for implementation of their functions. In the absence of adequate sources of own revenues, ULBs in the State were found to be dependent on Government grants for carrying out their functions. Majority of ULBs were not able to meet even their establishment expenditure out of their own resources. Further, the ULBs were not efficient in realising the full potential of their own sources of revenue.

The State Finance Commission (SFC) was to be set within one year from the commencement of the 74th Constitutional Amendment Act as provided in the Constitution (Article 243-I read with Article 243Y) and at the expiry of every fifth year thereafter. SFCs were expected to recommend on principles governing the distribution and

assignment of revenues and fiscal transfers from Government to ULBs. There were delays in the constitution of the SFCs in the State and no action has been taken on any of the SFC recommendations by the Government, which hindered the fiscal empowerment of ULBs.

There were delays in preparation of budgets of the ULBs. The budgets were also not realistic. Further, the process of adopting the ‘Accrual Based Double Entry Accounting System’ (ABDEAS) was in progress in Municipal Councils (MCs).

Recommendations:

- ***ULBs may undertake a detailed review of their finances in terms of tax potential, additional resource mobilization, rationalization of tax structure, etc. in addition to strengthening their revenue collection machinery to reduce the revenue arrears.***
- ***The State Government must constitute SFCs as per the time frame prescribed in the Constitution. Recommendations of the SFC may be considered and accepted recommendations implemented in a time bound manner.***
- ***Migration to accrual-based accounting by MCs may be expedited.***

Chapter VI: Human Resources in ULBs

Availability of adequate human resources was a necessary condition for effective implementation of their mandate by the ULBs. The absence of adequate sanctioned strength in the ULBs has an adverse impact on the implementation of functions. The requirement of additional cadre posts in ULBs was under consideration of the Government. Audit also noticed that capacity building efforts for ULB personnel were inadequate.

Recommendations:

- ***Government may consider rationalizing the sanctioned strength as per the functional requirements of ULBs***
- ***Need based trainings may be imparted to the functionaries of ULBs.***