

EXECUTIVE SUMMARY

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The Constitution (Seventy-fourth) Amendment Act, 1992 (CAA) which came into effect from 1 June 1993, introduced Part IXA (the Municipalities) and Schedule XII in the Constitution of India. The CAA authorised the State Legislature to enact laws to endow the Urban Local Bodies (ULBs) with powers and authority and devolve upon them powers and responsibilities for 18 functions listed in the Twelfth Schedule. The most important feature of the Seventy-fourth CAA was to give constitutional status to Municipalities as a third tier of the Government. In Maharashtra, three Acts governed the Municipal Corporation of Greater Mumbai (MCGM), other Municipal Corporations in the State and Municipal Councils and Nagar Panchayats. All the three Acts were amended to comply with the requirements of the Seventy-fourth CAA.

This performance audit was conducted to assess whether Seventy-fourth CAA had been adequately covered in State legislations and the ULBs had strong institutional arrangements, sufficient funds and functionaries to perform the functions devolved upon them. Audit was conducted for the period 2015-16 to 2020-21 and records in 44 out of 396 ULBs in the State comprising of Municipal Corporations, Municipal Councils and Nagar Panchayats were test-checked. Audit covered water supply, sanitation and fire services functions in these ULBs.

Principal findings and recommendations of the Performance Audit

The chapter-wise audit findings are as follows:

Chapter IV: Empowerment of Urban Local Bodies and their functioning

Of the 18 functions, six functions related to urban planning, regulation of land-use and construction of buildings, slum improvement and upgradation, water supply, public health and roads and bridges were also performed by the parastatal agencies, thereby diluting the envisaged devolvement and empowerment to the ULBs.

(Paragraph 4.2)

The Mayor of the Municipal Corporations did not have any executive powers while both the Mayor of Municipal Corporations and President of the Municipal Councils/Nagar Panchayats were not elected directly by the people.

(Paragraph 4.3.2)

The Metropolitan Planning Committee of Aurangabad did not hold any meeting since its formation in February 2015 while the Metropolitan Planning Committee of Nashik held only one meeting since its formation in June 2016. The development plan of the metropolitan area was yet to be prepared.

(Paragraph 4.5)

There was shortfall in constitution of Ward Committees and holding of meetings.

(Paragraphs 4.6)

Delays in constitution of the State Finance Commission (SFC), delays in consideration of its recommendations and failure to devolve funds as per the accepted recommendations of SFC led to delays/short release of funds to ULBs.

(Paragraphs 4.8.1 and 4.8.2)

Recommendations:

- *The Government needs to take time-bound action to achieve complete devolution of powers and responsibilities to the ULBs as per the Constitution and provide adequate autonomy in discharging these functions within their area.*
- *The State Government should consider the recommendations of the Administrative Reforms Commission for entrusting executive powers to the Mayor and direct election of Mayor/President by the people.*
- *The State Government should ensure effective functioning of Metropolitan Planning Committee for integrated development of the metropolitan area.*
- *The Government should take steps to constitute Ward Committees and Area Sabha and ensure its effective functioning.*
- *The State Government should constitute the SFC within the stipulated time frame and ensure that the report of SFC is submitted to Government expeditiously. The State Government should also ensure that the recommendations are considered within a defined time frame and accepted recommendations are implemented promptly.*
- *The State Government may set up a mechanism for collecting data of professional tax collection in urban areas and ensure 50 per cent of it is devolved to ULBs in a timely manner.*

Chapter V: Financial resources of Urban Local Bodies

The average property tax collection efficiency during 2015-16 to 2019-20 in the test-checked ULBs was 53 per cent, while the collection efficiency in Municipal Corporation of Greater Mumbai during the said period was only 28 per cent. Charges in lieu of property tax on Central and State Government properties were not levied in 30 per cent of the test-checked ULBs. Geographic Information System (GIS) mapping of the properties was not completed in 34 out of 44 test-checked ULBs to implement GIS-based taxation system. Only three out of 44 test-checked ULBs was levying property tax based on capital value.

(Paragraph 5.2.1)

There was shortfall of ₹ 1,220.22 crore in disbursement of Additional Stamp Duty to ULBs during the period 2015-16 to 2020-21.

(Paragraph 5.3.1)

There was short disbursement of *Nagarpalika Sahayak Anudan*, Pilgrim Tax and Road Grant to the tune of ₹ 2,679.15 crore during the period 2015-16 to 2020-21.

(Paragraphs 5.4.1, 5.4.3 and 5.4.4)

Recommendations:

- *The internal control mechanism in the ULBs may be strengthened to ensure that charges in lieu of property tax on Central and State Government properties are levied by all ULBs. The State Government may also ensure that ULBs levy property tax on capital value and complete GIS mapping of properties in a time-bound manner.*
- *The Government may consider a mechanism for direct credit of additional stamp duty to the ULBs as recommended by the Fifth SFC and in the interim, arrange to transfer the entire collected proceeds to the ULBs.*
- *Government should ensure that assigned revenue and grants to ULBs are disbursed in full without any delay.*

Chapter VI: Human Resources in Urban Local Bodies

There was wide variation in the sanctioned strength of staff *vis-à-vis* the population which ranged from 0.35 per thousand population to 15.46 per thousand population in the test-checked ULBs. The shortfall in manpower in the test-checked ULBs was 31 *per cent*.

(Paragraph 6.1)

Audit noticed that Maharashtra Public Service Commission was not given the responsibility to function as the Consultative Authority for selection of grade A, B and C of common services in Municipal Councils. Development of cadre services for Municipal Corporation area, as recommended by Fifth State Finance Commission, was pending.

(Paragraph 6.2)

Recommendations:

- *Government may review the sanctioned strength in ULBs considering the recommendation of fifth SFC and ensure that the vacancies are filled in a time-bound manner.*
- *Government may take action to assign responsibility to Maharashtra Public Service Commission to function as the Consultative Authority for appointment of staff for common services and take expeditious action for the development of cadre services for Municipal Corporations.*

Chapter VII: Effectiveness of delivery of water supply, sanitation and fire services

The Service Level Benchmarks for 100 *per cent* coverage of water supply connections and supply of 135 litres of water per capita per day was not achieved in 83 *per cent* and 69 *per cent* of the test-checked ULBs respectively. In 67 *per cent* of the test-checked ULBs, water supply was not metered while in 42 *per cent*, water was not potable. In 89 *per cent* of the test-checked ULBs, the water charges being levied was not sufficient to meet the cost of supply and in 88 *per cent*, the collection efficiency was less than 90 *per cent*.

(Paragraphs 7.1.1 to 7.1.5)

Only one out of the 42 test-checked ULBs had achieved the target of 100 *per cent* coverage of sewage network of wastewater.

(Paragraph 7.2.2)

There was 61 *per cent* shortage of fire stations in the test-checked ULBs.

(Paragraph 7.3.3)

Recommendations:

- *The Government may review the poor performance of the ULBs in achieving the service level benchmarks related to water supply and sewage services and take steps for its improvement in a time-bound manner.*
- *Government may ensure 100 per cent metering of water connections in all the ULBs to improve the collection efficiency and avoid loss of revenue, thereby increasing the financial resources of the ULBs.*
- *The Government may address the shortage of fire stations in the ULBs on top priority.*