

**Chapter-II**  
**Audit Framework**



**2.1 Audit objectives**

The Performance Audit (PA) seeks to ascertain

- Adequacy in coverage of provisions of 74<sup>th</sup> CAA in the State Legislation;
- **Empowerment of ULBs** by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their functions and **extent of devolution** of the functions to the ULBs by the State Government;
- To assess whether the ULBs have been empowered to **access adequate financial resources** for discharge of functions stated to be devolved to them; and
- To assess whether the ULBs have been empowered to **access adequate human resources** for discharge of functions stated to be devolved to them.

**2.2 Audit criteria**

The criteria for the PA were derived from the following:

- Constitutional (74<sup>th</sup> Amendment) Act, 1992;
- Himachal Pradesh Municipal Corporations Act, 1994;
- Himachal Pradesh Municipal Act, 1994;
- Himachal Pradesh Municipal Services Act, 1994;
- Municipal Corporation / Councils Business Bye-Laws;
- Central/State Finance Commission Reports;
- Report of the Second Administrative Reforms Commission; and
- State Government orders, notifications, circulars and instructions issued from time to time.

**2.3 Audit scope and methodology**

The Performance Audit covering the period April 2015 to March 2020 was carried out during the months of September 2020 to March 2021. Test-check of 14 ULBs out of 54 ULBs across all tiers and selected 05 parastatals was done. ULBs were selected through simple random sampling, with population as per 2011 census as the size measure from each tier of ULBs. The list of ULBs selected is indicated in **Appendix 2.1**.

Apart from above, a test-check was done to assess the ULBs efficacy and adequacy in management of the following five selected areas:

- (i) Property Tax
- (ii) Water Supply
- (iii) Water Tax/Charges
- (iv) Public Health and Sanitation
- (v) Solid Waste Management

An entry conference was held on 02 November 2020 with the Secretary, UD, in which the audit methodology, scope, objectives and criteria were explained. Departmental replies wherever received have been factored into the Report. The audit methodology involved document analysis and responses to audit queries.

An exit conference was held on 13 January 2022 with the Principal Secretary to Government of Himachal Pradesh, Urban Development Department wherein audit findings were discussed and deliberations of conference have been appropriately incorporated in the report.

## **2.4 Acknowledgement**

Audit acknowledges the cooperation and assistance extended by the State Government, UDD, SJPNL, HPSIDC, HIMUDA, Smart City, and all the test-checked ULBs in conducting the performance audit.

## **2.5 Organisation of audit findings**

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

Chapter III – Compliance with provisions of 74<sup>th</sup> CAA

Chapter IV – Devolution of Functions and Empowerment of Urban Local Bodies

Chapter V – Financial Resources of ULBs

Chapter VI– Human Resources of ULBs

Chapter VII– Conclusion