

Chapter-2
Audit Framework

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2.1 Audit Objectives

The purpose of this audit is to understand whether ULBs have been empowered in terms of funds, functions and functionaries to establish themselves as effective institutions of local self-government and whether the 74th CAA has been effectively implemented in the State. Accordingly, the following objectives were framed to assess:

- Whether provisions of the 74th CAA have been adequately covered in the State Legislation;
- Whether 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;
- Effectiveness of the functions stated to have been devolved; and
- Whether ULBs have been empowered to access adequate resources including sufficient resources for discharge of function stated to be devolved to them.

2.2 Audit Criteria

The criteria for the PA were derived from the following:

- 74th Constitutional Amendment Act, 1992;
- The Uttaranchal (Uttar Pradesh Municipal Corporation Act, 1959) Adaptation & Modification order 2002;
- The Uttar Pradesh Municipality Act, 1916 (Uttaranchal Amendment) 2002, Uttarakhand Slum Improvement, Regulation, Rehabilitation, Resettlement and Prohibition of Encroachment Rules, 2016;
- Central Finance Commission Reports;
- State Finance Commission Reports; and
- Bye-laws formulated by the sampled ULBs.

2.3 Audit Scope and Methodology

An assessment of the efficacy of the implementation of the 74th CAA has been done in order to understand if the ULBs are indeed envisaged and empowered as a nodal body or authority in the urban space and have adequate capacity and resources to fulfil the obligations/responsibilities in respect of these functions. In Uttarakhand eight NN, 41 NPP

and 42 NP are in existence as detailed in **Appendix-2.1**. For the Performance Audit 23 ULBs were selected for scrutiny but due to Covid-19 pandemic, the audit of four units¹ could not be taken up and the scrutiny of records of only 19 ULBs was done. The selection has been done as per Probability Proportional to Size Without Replacement. The list of ULBs selected and audited is indicated in **Appendix-2.2**. The audit methodology involved analysis of provisions of relevant Acts, Rules, Bye-laws and Regulation, examination of records of Director, ULBs and selected ULBs.

An Entry Conference was held on 03 September 2020 with the Principal Secretary, UDD through video conference due to outbreak of pandemic in which the audit methodology, scope, objectives and criteria were discussed and finalised.

The exit conference was held on 14 July 2022 wherein audit findings were discussed. Replies of the Government have been appropriately incorporated in the report.

2.4 Organisation of Audit Findings

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

Chapter 3 - Compliance with provisions of 74th CAA.

Chapter 4 - Devolution of functions and institutional mechanism for empowerment of Urban Local Bodies.

Chapter 5 - Human resources of Urban Local Bodies.

Chapter 6 - Financial resources of Urban Local Bodies.

¹ NPP Bageshwar, NP Augustmuni, NP Chamiyala, NP Gangolihat.