

CHAPTER-II

Audit Framework

2.1 Audit Objective

The principal purpose of this audit is to understand whether Urban Local Bodies 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.
- Whether ULBs have been empowered to access adequate resources including sufficient resources for discharge of functions stated to be devolved to them.

2.2 Audit Criteria

The audit criteria for the Performance Audit (PA) were derived from the following:

- 74th Constitutional Amendment Act, 1992;
- Haryana Municipal Corporation Act, 1994 ;
- Haryana Municipal Act, 1973;
- Haryana Urban Development Authority Act, 1977;
- Gurugram Metropolitan Development Authority Act, 2017;
- Faridabad Metropolitan Development Authority Act, 2018;
- Punjab Scheduled Roads and Controlled Areas Restriction of Unregulated Development Act, 1963;
- Haryana Development and Regulation of Urban Areas Act, 1975;
- Municipal Accounts Code, 1930;

- Central/State Finance Commission Reports;
- Report of the Second Administrative Reforms Commission of Government of India (GoI); 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 in two stages from September 2020 to April 2021. Stage–I comprised audit of implementation of 74th CAA by the State Government and parastatals and Stage–II comprised test-check of 15 ULBs across all tiers in respect of five selected areas i.e. (i) Water Supply, (ii) Public Health and Sanitation, (iii) Solid Waste Management, (iv) Property Tax and (v) Water Tax/Charges. The list of ULBs selected for test check is indicated in *Appendix 2.1*.

An Entry Conference was held on 11 November 2020 with the Director, ULBs, in which the audit methodology, scope, objectives and criteria were discussed and finalised. The audit methodology involved analysis of provisions of relevant Acts, Rules, Bye-laws and Regulation, examination of records of Director ULBs and selected ULBs. Report on PA has been prepared on the basis of questionnaires, examination of records, audit observations and responses to audit observations in the Report. An exit conference was held on 2 November 2021 with the Director, Urban Local Bodies wherein audit findings were discussed and deliberations of conference 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 III – Compliance with provisions of 74th CAA.

Chapter IV – Devolution of functions and institutional mechanism for empowerment of Urban Local Bodies.

Chapter V – Human resources of Urban Local Bodies.

Chapter VI – Financial resources of Urban Local Bodies.

Chapter VII – Devolution in discharge of selected areas.

Chapter VIII – Conclusions.