

Chapter-II

Audit Framework

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The overall objective of this performance audit was to ascertain whether Urban Local Bodies (ULB) have indeed been empowered in terms of funds, functions and functionaries to establish themselves as effective institutions of local self-government and whether the Constitution (Seventy-fourth Amendment) Act, 1992 (74th CAA) has been effectively implemented in the State. The framework for conducting the performance audit was as under:

2.1 Audit objectives

The main objectives of the performance audit were to assess:

- Whether provisions of 74th CAA have been adequately covered in the State legislation;
- Whether ULBs in the State were empowered to discharge their functions effectively through creation of appropriately designed institutions/institutional mechanisms;
- Whether ULBs have access to financial resources commensurate with their functions; and
- Whether ULBs have access to human resources commensurate with their functions.

2.2 Audit scope and methodology

The performance audit covering five years' period i.e. April 2015 to March 2020 was conducted (July 2020 - March 2021) by test-checking the records of the office of the Principal Secretary; Directorate office, Department of Local Government, Government of Punjab (GoP); and 19¹ out of 167 ULBs across all tiers. Related information was also obtained from the three parastatal bodies of the Department, viz. Punjab Water Supply and Sewerage Board (PWSSB), Punjab Municipal Infrastructure Development Company (PMIDC) and State Urban Development Authority (SUDA). Besides, role of ULBs in Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart Cities Mission was also examined.

¹ **Municipal Corporations:** (i) Amritsar; (ii) Ludhiana; (iii) Patiala; (iv) SAS Nagar; **Municipal Councils:** (v) Nabha, (vi) Rajpura, (vii) Samana in district Patiala; (viii) Banur; (ix) Derabassi; (x) Kharar; (xi) Kurali, (xii) Lalru, (xiii) Naya Gaon; (xiv) Zirakpur; **Nagar Panchayats:** (xv) Bhadson, (xvi) Ghagga; (xvii) Ghanour; (xviii) Patran; and (xix) Sanour, selected on judgmental basis keeping in view the Covid-19 Pandemic situation in Punjab.

An entry conference was held (October 2020) with the Secretary, Local Government Department, Punjab wherein audit objectives, scope, methodology and criteria were explained. The audit findings were discussed in the exit conference held (August 2021) with the Principal Secretary, Local Government Department, Punjab. The comments furnished by the Principal Secretary in the exit conference and the replies received (August 2021) from the Department have been suitably incorporated in the Report.

2.3 Audit criteria

The audit criteria were derived from the following sources:

- The Constitution (Seventy-fourth Amendment) Act, 1992;
- Punjab Municipal Corporation Act, 1976;
- Punjab Municipal Act, 1911;
- Model Municipal Law, 2003;
- Central/State Finance Commission Reports;
- Punjab Municipal Accounting Manual, 2017;
- Report of Second Administrative Reforms Commission; and
- Various orders, notifications, circulars and instructions issued by the State Government from time to time.

2.4 Organisation of audit findings

The audit findings, conclusions and recommendations relating to each of the four audit objectives have been reported in the following four distinct chapters to facilitate easy comprehension and follow up:

Chapter-III - Compliance with provisions of 74th CAA;

Chapter-IV - Empowerment of Urban Local Bodies and their functioning;

Chapter-V - Financial resources of Urban Local Bodies; and

Chapter-VI - Human resources of Urban Local Bodies.

2.5 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the State Government; Director, Local Government (Department); the parastatal bodies of the Department *viz.* PWSSB, PMIDC and SUDA; and all the test-checked ULBs in conducting the performance audit.