

Chapter-II: Audit Framework

2.1 Audit objectives

The purpose of this audit was to evaluate 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 Constitutional Amendment Act has been effectively implemented in the State. Accordingly, the following objectives were framed to assess:

- Whether provisions of the 74th Constitutional Amendment Act 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 functions stated to be devolved to them.

2.2 Audit Criteria

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

- 74th Constitutional Amendment Act, 1992;
- Uttar Pradesh Municipal Corporation Act, 1959 (UPMC Act), Uttar Pradesh Municipalities Act, 1916 (UPM Act) and the Rules made thereunder by the State Government;
- Bye-laws/regulations of test-checked ULBs;
- Uttar Pradesh Local Self Government Laws (Amendment) Act 1994;
- Solid Waste Management Rules, 2016;
- Uttar Pradesh Water supply and Sewerage Act, 1975;
- Uttar Pradesh District Planning Committee Act, 1999 and Metropolitan Planning Committee Rules, 2011;
- The National Municipal Accounts Manual;
- Central Public Health and Environmental Engineering Organization Manual;
- 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 PA covering the period April 2015 to March 2020 was carried out from March 2021 to November 2021. Scrutiny of records was done at the office of the Director (Local Bodies) and Additional Chief Secretary, Urban

Development Department (UD Department) in order to assess the status of implementation of 74th Constitutional Amendment Act by the State Government. The role of parastatals in performing functions of ULBs were also critically analysed. Besides this, scrutiny of records of 50 ULBs (out of 707 ULBs), across all three tiers, was also done for assessment of devolution of fund, function and functionaries. ULBs were selected through Simple Random Sampling on the basis of their population as per census 2011 from each tier of ULBs. The list of selected ULBs is mentioned in **Appendix-II**.

To form an opinion regarding the effectiveness of functions stated to have been devolved, audit selected the following two functions, out of 18 functions identified in the 12th schedule, and analysed these in detail:

- i) Water supply for domestic, industrial and commercial purpose; and
- ii) Public health, sanitation conservancy and solid waste management.

Apart from above selected functions, issues related to levy and realisation of Property Tax and Water charges were also scrutinised in order to assess the revenue buoyancy of the ULBs.

The audit methodology involved requisition of records/information, document analysis and responses to audit queries.

An Entry Conference was held on 6 January 2021 with the Principal Secretary, UD Department, in which the audit methodology, scope, objectives and criteria were explained. Further, an Exit Conference was also held with the Principal Secretary, UD Department on 23 August 2022, wherein audit observations and conclusions were accepted by the Department. The UD Department also submitted detailed replies to the audit observations and conclusion of draft PA in the month of November 2022. Replies of the UD Department have been suitably incorporated in the relevant paragraphs.

Moreover, after incorporating the replies, the draft report was again forwarded to the UD Department in the month of the September 2023 for their further response. Despite issuing reminder on 4 October 2023, response of the UD Department is still awaited (February 2024).

2.4 Constraints in audit

For collection of data and information, required for preparation of PA, audit queries and on the basis of scrutiny of records, preliminary audit observations, were issued to the Director (LB) during the months of September & October 2020 and February & March 2021 respectively. However, the Director (LB) did not furnish replies to these audit queries and observations as of November 2021 (except those related with observations of Urban Transport Directorate) despite repeated reminders¹ to the Director (LB) and ACS (UD Department). Further, the Director (LB) provided replies of some audit queries and observations during the month of December 2021, most of which were either incomplete or irrelevant.

Similarly, audit queries were issued to Principal Secretary (UD Department) during the month of July 2020, however, replies to these audit queries were

¹ Letter nos. AMG-I/74-CAA/04 dated 16.10.2020, AMG-I/74-CAA/06 dated 16.11.2020, AMG-I/74-CAA/07 dated 07.12.2020, AMG-I/74-CAA/31 dated 31.03.2021, AMG-I/74-CAA/37 dated 14.06.2021, AMG-I/74-CAA/38 dated 16.06.2021, AMG-I/74-CAA/43 dated 17.08.2021 and AMG-I/74-CAA/46 dated 03.12.2021.

also not provided by the Department as of December 2022 despite repeated reminders².

Further, due to criminal proceedings against the employees and President of NP Maniyar (Ballia), required records were not produced to Audit.

2.5 Organisation of Audit findings

The audit findings related with status of devolution of functions, funds and functionaries are presented in following chapters:

Chapter III- Compliance with provisions of 74th Constitutional Amendment Act

Chapter IV- Empowerment of ULBs and their functioning

Chapter V- Effectiveness of devolved functions of ULBs

Chapter VI- Human Resources of ULBs

Chapter VII- Financial Resources of ULBs

² Letter nos. AMG-I/74-CAA/07 dated 29.07.2021, AMG-I/74-CAA/AP-02/16 dated 16.09.2021, AMG-I/74-CAA/AP-02/26 dated 03.11.2021 and AMG-I/74-CAA/AP-02/28 dated 29.11.2021.