



**Performance Report of The
Comptroller and Auditor General of India
on**

Implementation of 74th Constitutional Amendment Act in Chhattisgarh



**Government of Chhattisgarh
Report No. 2 of the year 2022**

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Comptroller and Auditor General of India**

**Performance Audit on
Implementation of 74th Constitutional Amendment Act in
Chhattisgarh
for the year ended 31 March 2020**

Government of Chhattisgarh
Report No. 2 of the year 2022

TABLE OF CONTENTS		
Content	Paragraph number	Page Number
Preface		iii
Executive Summary		v
Chapter I		
Introduction		
74 th Constitutional Amendment	1.1	1
Trend of urbanisation in Chhattisgarh	1.2	1
Profile of Urban Local Bodies	1.3	1
Organisation Structure of Urban Governance in Chhattisgarh	1.4	2
Audit Objectives	1.5	2
Sources of Audit Criteria	1.6	2
Audit Scope and Methodology	1.7	3
Acknowledgement	1.8	3
Organisation of Audit Findings	1.9	4
Chapter II		
Compliance to provisions of 74th Constitutional Amendment Act		
Comparison of State level legislations with 74 th Constitutional Amendment Act	2.1	5
Powers of the State Government over Urban Local Bodies	2.2	7
Chapter III		
Empowerment of Urban Local Bodies and their functioning		
Actual status of devolution of functions	3.1	9
Limited powers over manpower	3.2	13
Staff position of urban Local Bodies	3.2.1	14
Institutional mechanism for empowerment of Urban Local Bodies	3.3	15
State Election Commission	3.3.1	16
Status of elections and formation of councils	3.3.2	16
Ward and Mohalla Committees	3.3.3	17
State Finance Commission	3.3.4	19
Response of the State Government to State Finance Commission recommendation	3.3.4.1	19
Property Tax Board and Municipal Revenue Regulatory Commission	3.3.5	20
State Institute of Urban Governance and Development	3.3.6	21
Adoption of Accrual Based Accounting	3.3.7	21
Chapter IV		
Financial Resources of Urban Local Bodies		
Sources of Revenue	4.1	24
Own Revenue of Urban Local Bodies	4.1.1	24
Transfer of funds to Urban Local Bodies	4.1.2	25
Central Finance Commission Grants	4.1.2.1	28
Property Tax	4.1.3	29
Water Charges	4.1.4	30
Solid Waste Management	4.1.5	31

Other sources of revenue	4.1.6	32
Expenditure on services	4.2	33
Expenditure of selected services	4.3	33
Effectiveness of devolved functions	4.3.1	35
Chapter V		
Conclusion	-	39

Appendices		
Appendix Number	Title	Page Number
1	Organisation Structure of Urban Governance in Chhattisgarh	41
2	Statement showing the functioning of the Government Department/Parastatal Agency	42
3	List of selected Urban Local Bodies	43
4	Statement showing the delayed transfer of stamp duty to Urban Local Bodies	44
5	Statement showing the details of outstanding revenue of Property Tax in test-checked Urban local Bodies	45
6	Statement showing the details of outstanding revenue of Water Tax in test-checked Urban local Bodies	46
7	Statement showing the details of user charges collected in test-checked Urban local Bodies	47
8	Statement showing the details of mobile tower in test-checked Urban local Bodies	48

PREFACE

This Report of the Comptroller and Auditor General of India for the year ending 31st March 2020 has been prepared for submission to the Governor of Chhattisgarh under Article 151 of the Constitution of India, for being laid before the Legislature of the State.

The Report contains significant results of Performance Audit on ‘Implementation of 74th Constitutional Amendment Act in Chhattisgarh’, covering the period 2015-16 to 2019-20.

The instances mentioned in this Report are among those which came to notice in the course of test audit.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Executive Summary

The 74th Constitutional Amendment, which came into effect on 1 June 1993, provided a clear mandate for democratic decentralization and sought to create an institutional framework for ushering in democracy at the grass root level through self-governing local bodies in urban areas of the country. It empowered Urban Local Bodies to perform 18 functions listed in the 12th Schedule of the Constitution.

Chhattisgarh, located in central India, is geographically the ninth largest State of the country, having a population of 2.55 crore of which 59.37 lakh reside in urban areas. Urban Chhattisgarh faces multiple challenges, namely, public health issues, poverty alleviation, waste management, depletion of natural resources, *etc.* In this scenario, Urban Local Bodies have an important role to play, as most of these issues are dealt best at the local level.

In Chhattisgarh, three tiers of Urban Local Bodies are categorised on the basis of population in their jurisdiction. The objective of this Audit was to see whether the State Government had empowered the Urban Local Bodies through the creation of a robust institutional framework, supported by transfer of functions, funds and functionaries.

We observed that the task of delimitation has not been entrusted to the State Election Commission and elections of Urban Local Bodies were being held in 15 Urban Local Bodies with a delay of one year.

Adherence to business procedures and regular meetings of various committees is imperative for successful functioning of Urban Local Bodies. However, we noticed that meetings of Corporations/Councils were not held as per laid down norms. Advisory Committees were not constituted in 10 Urban Local Bodies. On the other hand, Ward Committees and Mohalla Committees that were to be created to ensure community participation in local governance, were not constituted across the Urban Local Bodies. Further, due to absence of provision in the Chhattisgarh Municipal Corporations Act, the Metropolitan Planning Committees were not constituted in any city. Meetings of District Planning Committees were also not held regularly and consolidated District Developments Plans for the District as a whole by considering the matters of common interest were not prepared in any of the 12 Districts in which the 27 test-checked Urban Local Bodies were located.

Timely constitution of State Finance Commission and taking swift actions on its recommendations is critical towards strengthening the financial position of Urban Local Bodies. Delay in constitution of State Finance Commissions (first to third) and consequent delays in submission of their reports, as well as delay in acceptance and implementation of recommendations relating to devolution of funds have adversely

affected the financial position of the Urban Local Bodies. We noticed that the devolution of funds is still being carried out as per the recommendations of the Second State Finance Commission, even when the constitution of Fifth State Finance Commission was due.

We noticed that the revenue raised by Urban Local Bodies from own sources was low. Significant amounts were due to the Urban Local Bodies pertaining to Property Tax and Water Tax, which are two of their biggest revenue sources. GIS Survey, which can have a substantial progressive impact on Property Tax, too was conducted only in 10 Urban Local Bodies. Further, it was noticed that none of the selected Urban Local Bodies except Nagar Nigam Korba had installed meters for water connections and only fixed water charges were being levied which was not sufficient to even pay for expenses on operation and maintenance of water supply.

There were large variations between Budget Estimates and actual income and expenditure over several years, which indicated improper budget formulation.

Sufficient and suitably trained Human Resource is critical for effective functioning of any institution. The Urban Local Bodies neither had the powers to assess the staff requirement, nor recruit the required permanent staff except on contractual basis as these powers were vested with the State Government. The Urban Local Bodies were working with acute shortage of staff and dependent on out-sourced staff. The State Government assessed the requirement of staff based on population alone, without seeking the actual requirement from Urban Local Bodies. Majority of the staff were appointed by State Government, and the powers to regulate their conditions of services, discipline, and conduct was vested with the State Government. Though training courses have remained more or less constant over the years, participation of staff has decreased.

Chapter I

Introduction

Implementation of 74th Constitutional Amendment Act in Chhattisgarh

Chapter-I: Introduction

1.1 74th Constitutional Amendment

In order to enable the Urban Local Bodies to perform effectively as vibrant democratic units of self-government, it was considered necessary that provisions relating to Urban Local Bodies are incorporated in the Constitution of India through an amendment. Such an amendment was to put on a firmer footing, their relationship between the State Government with respect to the functions and resources as well as for regular conduct of elections and providing adequate representation for the weaker sections like Scheduled Castes, Scheduled Tribes and women.

The Constitution (Seventy Fourth Amendment) Act, 1992, which came into effect on 1 June 1993, provided a constitutional status to Urban Local Bodies in the country. Article 243W of the Constitutional Amendment Act authorised the State Legislatures to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-governance and make provisions for devolution of powers and responsibilities. The Twelfth Schedule of the Constitution enumerates 18 specific functions to be devolved to Urban Local Bodies.

1.2 Trend of urbanisation in Chhattisgarh

Chhattisgarh, located in central India, is the ninth largest State of the country. It covers almost 4.11 *per cent* of the area (135,192 Sq. km.) and 2.11 *per cent* (2.55 crore) of country's total population. As per Census 2011, 59.37 lakh (23.24 *per cent*) out of the total population resides in urban areas. During the period 2001-2011, the urban population in Chhattisgarh increased by 17.51 lakh.

Urban Chhattisgarh faces multiple challenges, namely, public health issues, poverty alleviation, waste management *etc.* In this scenario, Urban Local Bodies have an important role to play, as most of these issues are handled best at the local level.

1.3 Profile of Urban Local Bodies

In Chhattisgarh, three tiers of Urban Local Bodies are categorised on the basis of population¹ in their jurisdiction. There are 169 Urban Local Bodies as shown in **Table 1.1** below:

Table 1.1: Category-wise Urban Local Bodies in Chhattisgarh State

Types of Urban Local Body	No. of Urban Local Bodies
Nagar Nigam	14
Nagar Palika Parishad	43
Nagar Panchayat	112
Total	169

(Source: Information provided by the Urban Administration and Development Directorate)

¹ Population of 1,00,000 or more is Nagar Nigam, population of 20,000 or more but less than 1,00,000 is Nagar Palika Parishad, and population of 5,000 or more but less than 20,000 is Nagar Panchayat.

The Municipal Corporations (Nagar Nigams) are governed by the Chhattisgarh Municipal Corporations Act (Chhattisgarh Municipal Corporation) Act, 1956 and other Urban Local Bodies (Nagar Palika Parishads and Nagar Panchayats) are governed by the Chhattisgarh Municipalities Act (Chhattisgarh Municipalities) Act, 1961. Corporation/Municipal area is divided into Wards, which are determined and notified by the State Government for the purpose of election of Councillors. All Urban Local Bodies have an elected body comprising Mayor/President as head of the Urban Local Body and Parshads/ Councillors as members of the Council.

1.4 Organisation Structure of Urban Governance in Chhattisgarh

The Urban Administration and Development Department, headed by the Secretary to the Government, is the Nodal Department for the governance of all Urban Local Bodies. The Urban Administration and Development Directorate, functions as an interface between the State Government and Urban Local Bodies, which function directly under the Urban Administration and Development Department. The Urban Administration and Development Directorates headed by a Director who is assisted by five Joint Directors² at Division level. The organisation structure with respect to functioning of Urban Local Bodies in the State is indicated in **Appendix 1**.

In addition to Urban Local Bodies, the Urban Administration and Development Department has five key Parastatal agencies/other Departments that deliver or facilitate urban infrastructure and services, such as Nagar and Gram Nivesh, Chhattisgarh Housing Board, Public Works Department, Public Health Engineering Department and Chhattisgarh State Industrial Development Corporation. The details of parastatals/other Department and their functions are given in **Appendix2**.

1.5 Audit Objectives

The Performance Audit seeks to ascertain whether:

- The Urban Local Bodies have been adequately empowered by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their function;
- The functions stated to have been devolved were effective on the ground; and
- The Urban Local Bodies have been empowered to access adequate resources, including sufficient resources, for discharge of functions stated to have been devolved to them.

1.6 Sources of Audit Criteria

The criteria for the Performance Audit were derived from the following sources:

- 74th Constitutional Amendment Act 1992;
- Chhattisgarh Municipal Corporation Act 1956 and the Rules made thereunder;
- Chhattisgarh Municipalities Act 1961 and the Rules made thereunder;

² Ambikapur, Bilaspur, Durg, Jagdalpur and Raipur.

- Chhattisgarh Municipal Accounting Manual;
- Reports of 13th and 14th Finance Commission; Reports of first, second and third State Finance Commissions; and
- Instructions and circulars issued by the State Government and Directorate, Urban Administration and Development Department.

1.7 Audit Scope and Methodology

The Performance Audit covered the period of 2015-16 to 2019-20(henceforth mentioned as 2015-20) through test-check of data collected from 27 Urban Local Bodies across all tiers for selected functions. These 27 Urban Local Bodies were chosen, by using Simple Random Sampling without replacement method in the following way:

- Five Nagar Nigams, *i.e.* 35 per cent of 14 Nagar Nigams, including Raipur Nagar Nigam being Municipality of State Capital;
- 11 Nagar Palika Parishads, *i.e.* 25 per cent of 43 Nagar Palika Parishads; and
- 11 Nagar Panchayats, *i.e.* 10 per cent of 112 Nagar Panchayats of the State.

Details may be seen in **Appendix 3**. Further, at Apex level records of Director, Urban Administration and Development Directorate and Secretary, Urban Administration and Development Department have also been test-checked. Out of 18 functions identified in the 12th Schedule, following functions/activities were selected for test-check in the Urban Local Bodies:

- i) Planning for Economic and Social Development;
- ii) Water supply;
- iii) Public Health, Sanitation conservancy and Solid Waste Management;
- iv) Slum improvement and up-gradation;
- v) Provision of urban amenities and facilities such as parks, gardens, playgrounds; and
- vi) Public amenities including street lighting, parking lots, bus stops and public conveniences.

We conducted an Entry Conference on 05 March 2021 with the Secretary, Urban Administration and Development Department, in which the audit methodology, scope, objectives and criteria were shared. The audit methodology involved online requisitions of information and short visit to units for collection of documents and analysis of responses to Audit queries. An Exit Conference was held on 23 December 2021.

1.8 Acknowledgement

We acknowledge the cooperation and assistance extended by the Department, Nagar Nigams, Nagar Palika Parishads and Nagar Panchayats. However, challenges we faced specifically with regard to non-production of records and information are mentioned in the Report at appropriate places.

1.9 Organisation of Audit Findings

Our findings are organised as under:

Chapter II – Compliance to provisions of 74th Constitutional Amendment Act;

Chapter III – Empowerment of Urban Local Bodies and their functioning;

Chapter IV – Financial resources of Urban Local Bodies;

Chapter V – Conclusion.

Chapter II

Compliance to provisions of 74th Constitutional Amendment Act

Chapter-II

Compliance to provisions of 74th Constitutional Amendment Act

2.1 Comparison of State level legislations with 74th Constitutional Amendment Act

The 74th Constitutional Amendment Act introduced certain provisions relating to municipalities vide Articles 243Q to 243ZG. The provisions existing in the Chhattisgarh Municipal Corporation/Chhattisgarh Municipalities Acts and Chhattisgarh *Zila Yojana Samiti Adhiniyam*, 1995 corresponding to the Constitutional Amendment Act provisions are as indicated in **Table 2.1** below.

Table 2.1: Comparison of State level legislations with the provisions of 74th Constitutional Amendment Act

Provision of the Constitution of India	Requirement as per provision of the Constitution of India	Provision of State Act/Acts
Article 243Q	Constitution of Municipalities: It provides for constitution of three types of Municipalities, namely, a Nagar Panchayat for transitional area, a Municipal Council for a smaller urban area and a Municipal Corporation for a larger urban area.	Section 5 of Chhattisgarh Municipalities Act, 1961 Section 7 of Chhattisgarh Municipal Corporation Act, 1956
Article 243R	Composition of Municipalities: All the seats in a Municipality shall be filled by direct elections and also by persons with special knowledge in municipal administration nominated by Government. The Legislature of a State, may by law, provide for representation to the Municipality, Members of Parliament and Legislative Assembly, whose constituencies lie within the municipal area and Members of the Council, of State and State Legislative Council, who are registered as electors within the city.	Section 19 of Chhattisgarh Municipalities Act, 1961 Section 9 of Chhattisgarh Municipal Corporation Act, 1956
Article 243S	Constitution and composition of Wards Committee: This provides for constitution of Wards Committees in all municipalities with a population of 3 lakh or more.	Section 48 (A) of Chhattisgarh Municipal Corporation Act 1956 Section 72 (A) of Chhattisgarh Municipalities Act 1961
Article 243T	Reservation of seats: The seats to be reserved for Scheduled Caste/Scheduled Tribe, women and Backward Classes for direct election.	Section 29(A) of Chhattisgarh Municipalities Act, 1961 Section 11(A) of Chhattisgarh Municipal Corporation Act, 1956
Article 243U	Duration of Municipalities: The municipality has a fixed tenure of 5 years from the date of its first meeting and re-election is to be held within six months of end of tenure.	Section 36 of Chhattisgarh Municipalities Act, 1961 Section 20 of Chhattisgarh Municipal Corporation Act, 1956
Article 243V	Disqualifications for membership: A person shall be disqualified from being a member of a Municipality:	Section 35 of Chhattisgarh Municipalities Act, 1961

	• If he is so disqualified by or under any law for the time being in force for the purposes of elections of the Legislature of the State concerned, and • If he is so disqualified by or under any law made by the Legislature of the State.	Section 17 of Chhattisgarh Municipal Corporation Act, 1956
Article 243W	Powers, authority and responsibilities of the Municipalities: All municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government. The State Government shall entrust them with such powers and authority as to enable them to carry out the responsibilities in relation to the 12 th Schedule.	Section 124 of Chhattisgarh Municipalities Act, 1961 Section 69 of Chhattisgarh Municipal Corporation Act, 1956
Article 243X	Power to impose taxes by the Municipalities and their funding: • Municipalities would be empowered to levy and collect the taxes, fees, duties, etc. • Grant-in-Aid would be given to the Municipalities from the State. • Constitution of funds for crediting and withdrawal of moneys by the Municipality.	Section 129 of Chhattisgarh Municipalities Act, 1961 Section 133 of Chhattisgarh Municipal Corporation Act, 1956
Article 243Y read with Article 243I	Finance Commission: State Government shall constitute a Finance Commission for: • Reviewing the financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal Bodies. • Distributing between the State and the Municipalities of the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government. • Allotting the funds to the Municipal Bodies in the State from the Consolidated Fund of the State.	Section 3 of Chhattisgarh State Finance Commission Act, 1994
Article 243Z	Audit of accounts of Municipalities: This provides provision for maintenance of accounts by the Municipalities and the auditing of such accounts.	Section 121 of Chhattisgarh Municipalities Act, 1961 Section 125 to 131 of Chhattisgarh Municipal Corporation Act, 1956
Article 243ZA read with Article 243K	Elections to the Municipalities: The superintendence, direction and control of all procedures of election of the Municipalities shall be vested in the State Election Commission (SEC).	Section 32 of Chhattisgarh Municipalities Act, 1961 Section 14 of Chhattisgarh Municipal Corporation Act, 1956
Article 243ZD	Committee for District Planning: • Constitution of District Planning Committee at district level. • Composition of District Planning Committee. • Preparation of Draft Development Plan and forwarding to the Government.	Section 3 of Chhattisgarh Zila Yojana Samiti Adhiniyam, 1995

Article 243ZE of Constitution of India	Committee for Metropolitan Planning: Provision for constitution of Metropolitan Planning Committee in every Metropolitan area with a population of 10 lakhs or more.	No provision has been made by State Government.
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(Source: Chhattisgarh Municipal Corporation/ Chhattisgarh Municipalities Acts and Chhattisgarh Zila Yojana Samiti Adhiniyam, 1995)

As seen from Table 2.1 above, barring the constitution of the committee for the Metropolitan Planning, the State Acts/Rules have complied with all requirements as envisaged in the 74th Constitutional Amendment Act regarding inclusion of codal provisions in the State Acts/Rules. However, compliance to the constitutional provisions by law does not guarantee effective decentralisation on ground unless followed by effective implementation. We observed that the legal provisions were not backed by decisive actions, which goes against the spirit of the 74th Constitutional Amendment Act. These shortages relate to institutional mechanisms for empowerment of Urban Local Bodies, devolution of financial powers of Urban Local Bodies, manpower management, etc., as discussed in the subsequent chapters.

2.2 Powers of the State Government over Urban Local Bodies

We observed that the State Government had overriding powers over Urban Local Bodies, which was against the spirit of the Constitutional Amendment. A few provisions are indicated in **Table 2.2** below:

Table 2.2: Statement showing the overriding powers of State Government over Urban Local Bodies

Sl. No.	Subject	Provision
1	Power to frame Rules	The State Government may by notification in the Gazette, frame rules for the Chhattisgarh Municipal Corporation/ Chhattisgarh Municipalities Acts after approval of the State Legislature (Section 433 of Chhattisgarh Municipal Corporation Act and Section 355 of Chhattisgarh Municipalities Act).
2	Power to cancel and suspend a resolution or decision taken by Urban Local Bodies	The State Government may cancel a resolution or decision taken by Urban Local Bodies, if the State Government is of the opinion that it is not legally passed or in excess of the power conferred by Chhattisgarh Municipal Corporation and Chhattisgarh Municipalities Acts, any other law or likely to lead to a breach of the peace or to cause injury or annoyance to the public or to any class or body or persons or is likely to cause waste of or damage to Municipal funds in violation of directions issued by Government (Section 421 of Chhattisgarh Municipal Corporation Act and Section 323 of Chhattisgarh Municipalities Act).
3	Power to dissolve Urban Local Bodies	The State Government shall, by notification in the Gazette, dissolve the Urban Local Bodies, if Urban Local Bodies fail to perform or default in the performance of any of the duties imposed on them, after giving reasonable opportunity. The State Government may appoint Administrators during the period of dissolution of Urban Local Bodies. (Sections 422 and 423 of Chhattisgarh Municipal Corporation Act and Sections 328 of Chhattisgarh Municipalities Act).
4	Sanction of laws by Government	Section 427 of Chhattisgarh Municipal Corporation Act and Section 355 of Chhattisgarh Municipalities Act empowers the Urban Local Bodies to make by-laws. However, the by-laws made by Urban Local Bodies are

Sl. No.	Subject	Provision
		not valid unless and until sanctioned by the Government (Section 430 of Chhattisgarh Municipal Corporation Act and Section 357 of Chhattisgarh Municipalities Act).
5	Sanction to deposit and invest surplus funds	Section 108 (3) of Chhattisgarh Municipalities Act allow Municipal Council to deposit and invest surplus funds but only after prior sanction from the Government.
6	Sanction to borrow money	Section 102 of Chhattisgarh Municipal Corporation Act and Section 115 of Chhattisgarh Municipalities Act allow Municipal Council and Municipal Corporations to borrow money, but only after prior sanction from the Government.
7	Lease/sale of property	Section 80 of Chhattisgarh Municipal Corporation Act and 109 of Chhattisgarh Municipalities Act allow the Municipal Councils and Municipal Corporations to lease or sell movable and immovable property belonging to them but with certain restrictions and prior sanction of the Government.
8	Withdrawal from Reserved Fund	According to the Government instruction (April 2016) five <i>per cent</i> of income of the Urban Local Bodies should be credited in Reserved fund but prior permission has to be obtained from Urban Administration and Development Directorate for withdrawal from it.

Overriding powers by the State Government creates obstacles in the democratic decentralisation process and delays creation of an institutional framework for ushering in democracy at the grass root level of the State.

Chapter III
Empowerment of Urban Local Bodies
and their functioning

Chapter-III

Empowerment of Urban Local Bodies and their functioning

Summary

Out of total 169 Urban Local Bodies, 151 have their City Government where elections were held in December 2019. Elections were held in 15 Urban Local Bodies in December 2021 after a delay of one year. Remaining three Urban Local Bodies were working under the administrator-ship of the State Government. Thus, provisions of the Act regarding holding of election before expiry of the stipulated period, were not adhered to.

Many of the Urban Local Bodies are virtually defunct as not even the prescribed meetings of the Corporation/councils were held in 11³ out of 27 test-checked Urban Local Bodies. Advisory Committees were not constituted in 10 Urban Local Bodies. Except for Nagar Nigam, Korba, Ward and Mohalla Committees were not constituted in any of the 27 test-checked Urban Local Bodies. This defeated the objective of facilitating community participation in local governance as well as prioritization and monitoring of development works. Meetings of District Planning Committees were not held regularly and consolidated District Developments Plans for the District as a whole by considering local needs and matters of common interest were not prepared in any of the 12 districts in which the 27 test-checked Urban Local Bodies were located. 20,526 Audit Paras were pending in 27 test-checked Urban Local Bodies. Accrual Based Double Entry Accounting System has been adopted in all 169 Urban Local Bodies.

Delay in constitution of State Finance Commissions (first to third) and consequent delay in submission of their recommendation reports as well as further delay in acceptance of recommendations and implementation/devolution of funds have adversely affected the financial position of the Urban Local Bodies. Devolution of funds is being done as per Second State Finance Commission, even when the constitution of Fifth State Finance Commission was due.

The Urban Local Bodies neither have the powers to assess the staff requirement nor to recruit the required permanent staff except on contractual basis. The State Government appoints Group A, B and C staff and the powers to regulate their conditions of services, discipline, as well as the conduct are also with the State Government.

3.1 Actual status of devolution of functions

The 74th Constitutional Amendment Act sought to empower Urban Local Bodies to perform functions and implement schemes in relation to 18 subjects specified in the 12th Schedule. Each State was expected to enact a legislation to implement the amendment. Out of the 18 functions, eight each were obligatory⁴ and discretionary⁵ and two were of dual nature for Urban Local Bodies.

³ Raipur, Durg, Bhilai, Tilda, Kawardha, Dabhara, Jarahi, Gandai, Bijapur, Sukuma and Baikunthpur

⁴ The functions, which shall be done compulsorily by the Urban Local Bodies.

⁵ The functions which are not mandatory to be done by the Urban Local Bodies

We observed (**Table 3.1**) that out of 18 functions specified in the Schedule, Urban Local Bodies were solely responsible for eight functions, had no role in one function, had dual role in six functions, were mere implementing agencies in two functions, and in respect of Regulation of land-use, the Urban Local Bodies had an overlapping jurisdiction with other Departments.

Table 3.1: Status of devolution of functions

Sl. No.	Functions Obligatory(O)/ Discretionary (D)	Activities	Actual status of implementation
Functions where Urban Local Body has full jurisdiction			
1.	Water supply for domestic, industrial and commercial purposes (O)	Distribution of water	Urban Local Bodies were wholly responsible for discharging these functions.
		Providing connections	
		Operation & Maintenance (O&M)	
		Collection of charges	
2.	Slum improvement and upgradation (D)	Identifying beneficiaries	Urban Local Bodies were wholly responsible for discharging these functions.
		Affordable Housing	
		Upgradation	
3.	Urban poverty alleviation (D)	Identifying beneficiaries	Urban Local Bodies were wholly responsible for discharging these functions.
		Livelihood and employment	
		Street vendors	
4.	Provision of urban amenities and facilities such as parks, gardens, playgrounds (D)	Creation of parks and gardens	Urban Local Bodies were wholly responsible for discharging these functions.
		Operation and Maintenance	
5.	Burials and burial grounds; cremations, cremation grounds (O)	Construction and O&M of crematoriums and burial grounds and electric crematoriums.	Urban Local Bodies were wholly responsible for discharging these functions.
6.	Cattle pounds; prevention of cruelty to animals (O)	Catching and keeping strays	Urban Local Bodies were wholly responsible for discharging these functions.
		Sterilisation and anti-rabies	
		Ensuring animal safety	
7.	Public amenities including street lighting, parking lots, bus stops and public conveniences (O)	Installation and maintenance of street lights	Urban Local Bodies were wholly responsible for discharging these functions.
		Deciding and operating bus routes	Urban Local Bodies and District Urban Public Society, headed by the Collector concerned are discharging the function.
		Creation and maintenance of parking lots	Urban Local Bodies and Smart Cities are maintaining parking lots.
		Creation and maintenance of public toilets	
8.	Regulation of slaughterhouses and tanneries (O)	Ensuring quality of animals and meat	Urban Local Bodies were wholly responsible for discharging these functions.
		Disposal of waste	
		O & M of slaughter houses	

Sl. No.	Functions Obligatory(O)/ Discretionary (D)	Activities	Actual status of implementation
Functions with no role for Urban Local Bodies			
9.	Fire services (D)	Establishing and maintaining fire brigades Providing fire NOC / approval certificate in respect of high-rise buildings	This function was withdrawn (2015) from the Urban Local Bodies and now vested with Home Department. However, Fire services have not been transferred from three Urban Local Bodies. Instead, Urban Administration and Development Directorate accorded sanctioned in October 2019 for purchase of a Fire vehicle to a Nagar Palika Parishad, Sukma and was subsequently transferred to the District Commandant, <i>Nagar Sena</i> .
Functions with dual roles			
10.	Urban planning, including town planning (D)	Master Planning/Development Plans/Zonal Plans Enforcing Master Planning regulations Enforcing building byelaws and licenses Group Housing, Development of Industrial Areas	Master plans are prepared by the Nagar and Gram Nivesh, Directorate, Chhattisgarh Housing and Environment Department. Urban Local Bodies were wholly responsible for discharging this service. Urban Local Bodies and Chhattisgarh State Industrial Development Corporation are discharging this function.
11.	Roads and bridges (O)	Construction and maintenance of roads Construction and maintenance of bridges, drains, flyovers and footpaths	While Urban Local Bodies played a significant role in the construction and maintenance of roads, drains and footpaths whereas bridges and flyovers were constructed by the Public Works Department.
12.	Public Health, Sanitation Conservancy and Solid Waste Management (O&D)	Maintaining hospitals, dispensaries Immunisation/Vaccination Registration of births and deaths Cleaning and disinfection of localities affected by infectious disease Solid-waste management Control and supervision of public markets	Department of Health and Family Welfare is discharging the service Department of Health and Family Welfare and Urban Local Bodies both are discharging service. Urban Local Bodies were wholly responsible for discharging these three functions.
13.	Urban forestry, protection of the environment and promotion of ecological aspects (D)	Afforestation Greenification Awareness drives Protection of the environment and promotion of ecological aspects	Forest department is discharging these services.

Sl. No.	Functions Obligatory(O)/ Discretionary (D)	Activities	Actual status of implementation
		Maintenance of natural resources like water bodies <i>etc.</i>	Urban Local Bodies and Water Resources Department are discharging this function.
14.	Promotion of cultural, educational and aesthetic aspects (O & D)	Schools and education	School and education Function was withdrawn (2015) and Education Department is discharging the service. However, a primary school was still operational under a Nagar Palika Parishad.Four Nagar Nigams and one Nagar Panchayat collected Education Cess even though no educational institution was under their control.
		Public space beautification	Urban Local Bodies are discharging these services.
		Fairs and festivals	
		Cultural buildings /	Urban Local Bodies, Culture Department and Archaeological Department are discharging these services.
		Institutions	
		Heritage	
15.	Vital statistics including birth and death registration (O)	Coordinating with hospitals/crematoriums <i>etc.</i> for obtaining information	Urban Local Bodies and Department of Health and Family Welfare are discharging these services.
		Maintaining and updating database	
Urban Local Bodies as mere implementing agencies			
16.	Planning for economic and social development (D)	Program implementation for economic activities	State Departments such as Social welfare, Tribal welfare, Empowerment of Differently abled and senior citizens and Parastatal such as District Urban Development Authorities (District Urban Development Agency) were responsible for these functions. Urban Local Bodies were only an implementing arm for Central and State Government schemes.
		Policies for social development	
17.	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded (D)	Identifying beneficiaries	
		Providing tools/benefits such as tricycles	
		Housing programs	
		Scholarships	
Functions with minimal role and/or having overlapping jurisdictions with state departments and / or parastatal			
18.	Regulation of land-use and construction of buildings (D)	Regulating land use	Revenue Department (Collector office)
		Approving building plans/high rises	Urban Local Bodies, Nagar and Gram Nivesh
		Demolishing illegal buildings	Urban Local Bodies and Revenue Department

(Source: Information received from Urban Administration and Development Directorate, Chhattisgarh Municipal Corporation Act and Chhattisgarh Municipalities Act)

Without complete devolution of the functions, the local self-Governments cannot be strengthened in the State. The advent of Smart Cities has further eroded the space of Urban Local Bodies.

Box 1: Impact of Smart City on Urban Local Bodies in Chhattisgarh

The Government of India introduced “100 Smart Cities Mission” on 25 June 2015 with the objective to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of ‘Smart’ Solutions. In Chhattisgarh, two cities, Raipur and Bilaspur were selected to be developed as Smart Cities. The smart cities have been given financial resources amounting to ₹ 1355 crore during the period 2016-20. Under the mission guidelines, the smart cities are responsible for construction of roads and houses, development and maintenance of parks, renovation of heritage Sites etc. With the formation of Smart City, the scope and extent of work of Urban Local Bodies has further been reduced and there will also be an impact on devolved funds of the Urban Local Bodies, further diminishing the already stressed revenues of Urban Local Bodies.

Government stated (December 2021) that all the 18 functions could not be devolved to Urban Local Bodies because of insufficient manpower and lack of capacity building and necessary steps will be taken for transfer of Schools under the control of Urban Local Bodies to Education Department. It was further stated that instruction will be issued to Urban Local Bodies for transferring of Fire services to Home Department.

The fact remains that devolution of functions in the State has not been completed even after 20 years of its inception. The withdrawal of two functions from Urban Local Bodies is arbitrary and against the spirit of 74th CAA.

3.2 Limited powers over manpower

Urban Local Bodies are organised under different wings as shown in **Table 3.2:**

Table 3.2: Functional Organisations in Urban Local Bodies

Sl. No.	Name of wing/ section	Functions
1	General Administration	General Administration, including meetings of council and committees.
2	Water Works and Sewerage	Construction / O & M / networks of Water Supply and Sewerage, etc.
3	Public Works and Horticulture	Construction/ O & M of roads, drains, buildings, parks, playgrounds, water supply.
4	Revenue	Assessment and collection of various Taxes, Rent, Advertisements and other property related activities.
5	Finance and Accounts	Preparation and maintenance of accounts, preparation of budget etc.
6	Electrical and Mechanical	Street Lighting and maintenance of Heavy / Light Motor Vehicles, etc.
7	Sanitation and Solid Waste Management	Sanitation, Street sweeping, Solid Waste Management and other public health related activities.
8	Public Transport and Traffic Control	Public Transport and Traffic Control, etc.

9	Planning and Information Technology	Town Planning activities such as issue of Building Licences, etc.
10	Urban Poverty Alleviation	Implementation of Schemes relating to Social and Economic Development.

3.2.1 Staff position of Urban Local bodies

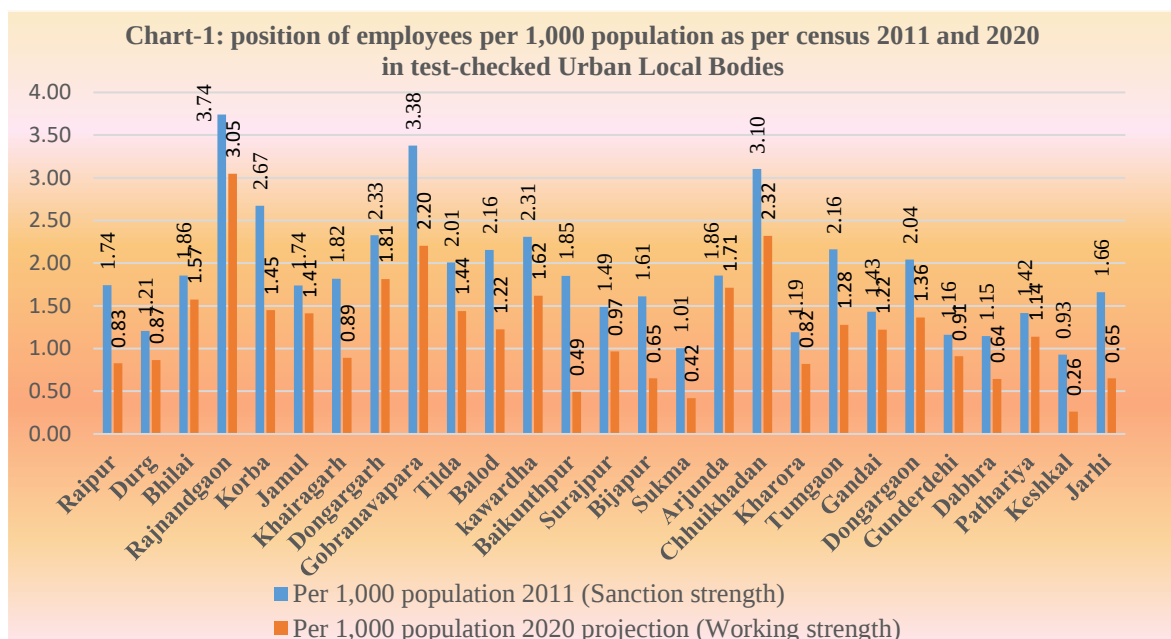
The assessment of manpower should be based on the functions undertaken by Urban Local Bodies with a view that majority of the functions which are service oriented have to be discharged within a reasonable time period. This assessment could be done best by Urban Local Bodies themselves considering various criteria such as the extent of geographical area to be covered, the extent and type of population, the number of existing properties *etc.*

We observed that Urban Local Bodies neither had the powers to assess the staff requirement nor to recruit the required permanent staff except on contractual basis. These powers are vested with the State Government. The State Government assesses the requirement of staff based on population alone, as discussed subsequently, and without seeking the actual requirement from Urban Local Bodies. We also observed that, Revenue Officials and Accountants from other than Chhattisgarh Municipal Service cadre officials were discharging the functions of Chief Municipal Officer in 63 Nagar Palika Parishad/Nagar Panchayats.

Further, the State Government can affect transfers of officers between Urban Local Bodies. An appeal against any order of Urban Local Body imposing penalty on any officer or employee rests with the State Government. Staff of Group A, B and C were appointed by State Government, and the powers to regulate their conditions of services, discipline, as well as the conduct were with the State Government.

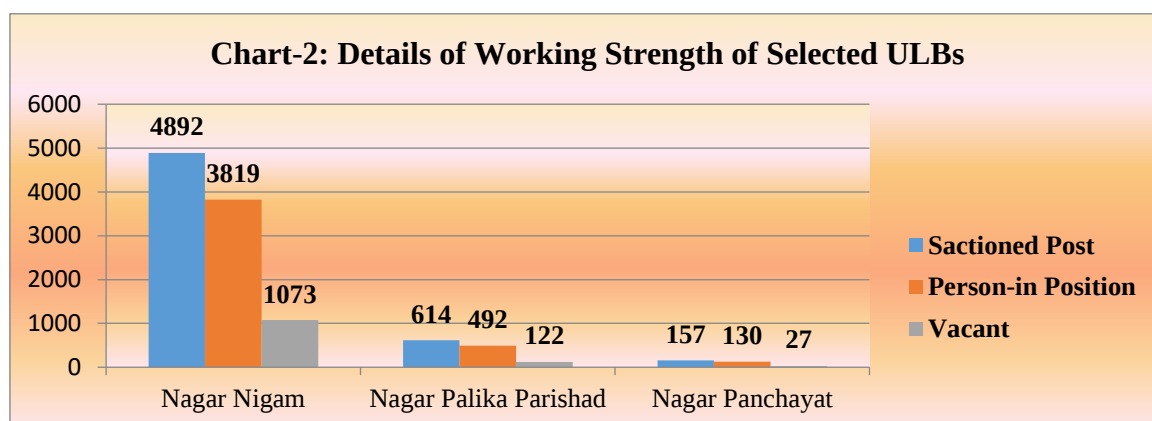
The staff strength was not revised considering the increase in population. **Chart-1** depicts the position in 27 Urban Local Bodies by the working strength per 1000 of projected population of 2020⁶. As can be seen from the Chart, the working strength in all the Urban Local Bodies was less than the sanctioned strength.

⁶ Projected population of 2020 = Population of 2011 X 120%. In Chhattisgarh, the population growth during 2001 to 2011 i.e. for 10 years was 22.61 *per cent*, hence growth for nine years from 2011 to 2020 calculated as 20 *per cent*.



(Source: Information provided by the Urban Local Bodies)

Tier wise details of working strength of selected Urban Local Bodies showing sanctioned posts, person-in-position and vacancies are given in **Chart-2**.



(Source: Information provided by the Urban Local Bodies)

As seen from **Chart-2** that the vacancy in staff strength is higher in Nagar Nigam (1073) as against Nagar Palika Parishad (122) and Nagar Panchayat (27) respectively.

Government stated (December 2021) that recruitment and promotion processes for different posts are in progress and after recruitment Chief Municipal Officers will be posted against from the Chhattisgarh Municipal Service cadre.

3.3 Institutional mechanism for empowerment of Urban Local Bodies

Table 3.1 detailed the status of devolution of 18 functions to Urban Local Bodies. The discharge of these functions can be effective only when appropriate institutions are established and enabled to function effectively.

Under the Chhattisgarh Municipal Corporation and Chhattisgarh Municipalities Acts, the Corporations and Municipalities consist of elected Parshads/Councillors, nominated Parshads/Councillors, Member of Legislative Assembly, Member of Legislative Council, Member of Lok Sabha and Member of Rajya Sabha who represent the constituencies

falling in the Municipal area. The nominated members do not have voting power. A Mayor, *i.e.* chairperson, is directly elected from the Municipal area and Councillors are directly elected from the Wards. The Nagar Nigams, Nagar Palika Parishads and Nagar Panchayats have 10, seven and five Departments respectively for discharging allotted functions. The Commissioner/Chief Municipal Officer is the executive head of Urban Local Body.

This section discusses the effectiveness of such institutional mechanisms:

3.3.1 State Election Commission

- (i) The 2nd Administrative Reforms Commission recommended that the task of delimitation and reservation of constituencies be entrusted to the State Election Commission. This recommendation was accepted by the Government of India.
- (ii) The powers of the State Election Commission include superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to Urban Local Bodies.
- (iii) However, in Chhattisgarh, the power of delimitation of local government constituencies has been retained by the State Government.

Government stated (December 2021) that the Municipalities Acts have been formulated in accordance with GOI instruction and the power of delimitation of wards, reservation of seats for the council and rotation policy of seats for the posts of Mayor/President and wards are kept with the State Government.

The reply is not acceptable since the 2nd Administrative Reforms Commission recommended that the task of delimitation and reservation of constituencies be entrusted to the State Election Commission but the same has not been done.

3.3.2 Status of elections and formation of councils

Every Nagar Nigam/Municipality, unless sooner dissolved, shall continue for five years from the date appointed for its first meeting and no longer. Elections to Urban Local Bodies shall be completed before the expiry of their duration. In case of dissolution, election shall be held within six months from that date. Subject to the provisions of these Acts, the term of Mayor/ President and every Councillor shall be co-terminus with the term of the Corporation/ the Council.

The status in 15 Urban Local Bodies out of 169 where elections were not conducted is as detailed in **Table 3.3** below:

Table 3.3: Conduct of elections of Urban Local Bodies

Sl. No.	Previous Election held		Election due but not conducted		No. of New Urban Local Bodies due for election	Total No. of Urban Local Bodies due for election	Delay in election as of December 2021 (months)
	Months/Year	No. of Urban Local Bodies	Year/Months	No. of Urban Local Bodies			
1	November 2015	1	November 2020	1	3	4	12
2	December 2015	11	December 2020	11	0	11	12
	Total	12		12	3	15	

(Source: Information provided by the Urban Administration and Development Directorate)

Out of total 169 Urban Local Bodies, elections were held in 151 in December 2019 and 15 in December 2021 after a delay of one year. In the remaining three⁷ Urban Local Bodies working under the administrator-ship of the State Government, the elections were delayed by almost a year. Thus, provisions of the Act regarding holding of election before expiry of the stipulated period, were not adhered to.

With regard to other institutional mechanisms, we found the following:

- According to the Section 27 and 54 of Chhattisgarh Municipal Corporation and Municipalities Act, the Corporation/Councils required to meet at least once in every two months for the transaction of its business. Further, Minutes of every meeting of the Corporation are required to be sent to the State Government or prescribed authority as well as a copy of the same shall be pasted on the notice board of the Corporation/ Council within seven/ten days from the date of confirmation of the Minutes.

We observed that many of the Urban Local Bodies are virtually defunct as not even the prescribed meetings of the Corporation/councils were held in 11⁸ out of 27 test-checked Urban Local Bodies.

- According to Sections 46 and 71 of Chhattisgarh Municipal Corporation and Municipalities Act, after its first meeting the Speaker is to constitute an Advisory Committee for every Department of the Nagar Nigam/Nagar Palika Parishad/Nagar Panchayat from amongst the elected Councillors which shall meet at least once in every two months.

Advisory committees have not been constituted in 10⁹ out of 27 selected Urban Local Bodies. However, after being pointed out by Audit, (January 2022) the Additional Secretary, Department of Urban Administration and Development has issued instructions (January 2022) to all Urban Local Bodies for constitution of Advisory Committees.

Government stated (December 2021) that the elections could not be conducted in time mainly due to spread of Covid-19 and the elections in 15 Urban Local Bodies have been conducted in December 2021 and instructions will be issued to Urban local Bodies for constitution of Advisory Committees.

3.3.3 Ward and Mohalla Committees

- Article 243S of the Constitution and Section 48A & 72A of Chhattisgarh Municipal Corporation and Municipalities Act provides that a Ward Committee, consisting of one or more wards, should be constituted for every Municipality having a population of three lakh or more within thirty days from the date of election of Speaker. The second and third SFC have also recommended for constitution of these Committees.
- Section 48(B) of Chhattisgarh Municipal Corporation Act provides that in every Municipal area, which is notified by the State Government in this behalf, a Mohalla Committee is also to be constituted within three months from the date of notification. We observed that Ward Committee was constituted only in Korba and

⁷ Three Nagar Panchayat constituted in December 2020.

⁸ Raipur, Durg, Bhilai, Tilda, Kawardha, Dabhara, Jarahi, Gandai, Bijapur, Sukuma and Baikunthpur

⁹ Arjunda, Chhuikhadan, Dongargaon, Gandai, Gunderdehi, Jamul, Khairagarh, Korba, Pathariya and Sukuma.

Mohalla Committees were not constituted in the selected Urban Local Bodies. This defeated the objective of facilitating community participation in local governance and would adversely impact prioritisation of development works, monitoring of execution of works, utilisation and maintenance of assets created, etc.

➤ Article 243ZD of the Constitution and Section 3 of District Planning Committee Act provides that a District Planning Committee is to be constituted in every District to consolidate the plans prepared by the Panchayats and the Municipalities in the District and to prepare a Draft Development Plan for the District as a whole. These plans would cover spatial planning; sharing of water and other physical and natural resources; integrated development of infrastructure and environmental conservation and extent and type of available resources whether financial or otherwise. The Development Plan was to be integrated into the State plan. Further, the meeting of the Committee shall be held at least once in every quarter of the Financial Year. We observed that though District Planning Committees were constituted during the period 2015-20, no meetings of the committees were held in Durg, Kondagaon and Sukuma district, only one meeting was held in Surajpur and Kabirdham and three meetings were held in Raipur during 2015-20. Further, consolidated District Development Plan for the District as a whole was prepared without getting the plans from Urban Local Bodies in any of the 12 Districts in which the 27 test-checked Urban Local Bodies were located, which may affect the effective implementation of functions of Municipalities, budget assessment and prioritisation of developmental works.

➤ Every metropolitan area¹⁰ will have a Metropolitan Planning Committee to prepare its Draft Development Plan. We observed that Metropolitan Planning Committees were not constituted in any city due to absence of provision in the Chhattisgarh Municipal Corporation Act. Thus, comprehensive development of metropolitan area and matters of common interest between the local authorities which includes mainly, coordinated spatial planning of the area, sharing of water, sharing of other physical and natural resources and the issue of integrated development of infrastructure and environmental conservation are likely to be carried out in a sub optimal manner.

➤ A Municipal Accounts Committee must be constituted to consider the report of the auditor. Defects or irregularities pointed in audit are to be remedied and a report sent to the State Government within a period of four months from the date of receipt of the Audit Report. The Municipal Account Committee was not formed in any of the selected Nagar Nigams. In all 20,526 Audit Paras were pending in 27 selected Urban Local Bodies relating to the period since inception to 2019-20.

Government stated (December 2021) that Ward Committee has been constituted in Nagar Nigam Raipur, resolution has been passed in Nagar Nigam, Korba and remaining Nagar Nigams will be instructed to constitute Ward Committees on priority and District Collectors will be instructed to expedite the process of Mohalla Committees at Urban Local Bodies level. It was further stated that instructions will be issued to Urban

¹⁰ An area having a population of 10 lakh or more.

Local Bodies for preparation and timely submission of their Annual Plans to District Planning Committee for inclusion in District Development Plans.

3.3.4 State Finance Commission

A State Finance Commission constituted every five years shall review the financial positions of the Municipalities and make recommendations to the Governor.

Accordingly, the fifth State Finance Commission was due from 2021-22. However, as on date, recommendations of the second State Finance Commission were being implemented. Although, the recommendations of the third State Finance Commission have been accepted (October 2019) with modifications, their implementation has been delayed. The delays in constitution of State Finance Commission and implementation of State Finance Commission recommendations are detailed in **Table 3.4** below:

Table 3.4: Delay in constitution of State Finance Commission and implementation of recommendations

State Finance Commission	To be constituted as per constitution	To be constituted with reference to previous State Finance Commissions	Actually constituted	Delay in days from proposed constitution	Date of submission of Recommendations	Acceptance by the Government	Days taken for acceptance (in days)	Period covered
First	2001-02 ¹¹	01.04.2001	22.08.2003	774	30.05.2007	30.07.2009	790	2005-2011
Second	2006-07	21.08.2008	23.07.2011	1066	31.03.2013	July 2013	122	2011-2020
Third	2011-12	22.07.2016	20.01.2016	No delay	30.09.2018	October 2019	396	2020-2025

(Source: Finance Commission reports and notification of acceptance)

The delay in constitution of State Finance Commissions and implementation of the State Finance Commission's recommendations resulted in further delay in devolution of funds to the Urban Local Bodies affecting the financial position of the Urban Local Bodies adversely. The impact thereof is discussed in **paragraph 4.1.2**.

3.3.4.1 Response of the State Government to State Finance Commission recommendations

The State Government may accept the recommendations of the State Finance Commission in totality or with certain modifications. We observed that the State Government accepted few of the recommendations with modifications, and action was yet to be initiated on other recommendations. The important recommendations of first, second and third State Finance Commissions and their modifications with reference to transfer of funds are given in **Table 3.5** below:

¹¹ Chhattisgarh State carved out of Madhya Pradesh State and came into existence on 01 November 2000 and the first State Finance Commission in Madhya Pradesh was constituted for the period from 1996-2001.

Table 3.5: State Finance Commission wise important recommendations and their modifications

State Finance Commission	Recommendations	Modifications
First	Devolution of 1.66 <i>per cent</i> of the Own Tax Revenue of the State to Urban Local Bodies.	State Government accepted 1.21 <i>per cent</i> of the Own Tax Revenue of the State over a period from 2005-06 to 2009-10.
Second	Devolution of 1.85 <i>per cent</i> of the Own Tax Revenue of the State to Urban Local Bodies.	State Government accepted 1.85 <i>per cent</i> of the Own Tax Revenue of the State from 2012-13 to 2016-17.
Third	Devolution of 2.09 <i>per cent</i> of the SOTR to Urban Local Bodies from 2017-18.	State Government accepted 2.09 <i>per cent</i> of the Own Tax Revenue of the State from 2020-21 to 2024-25 and instead of 2.09 <i>per cent</i> , 1.85 <i>per cent</i> was given for the period 2017-18 to 2019-20.

(Source: Recommendations of State Finance Commissions Reports)

Government stated (December 2021) that the State Finance Commissions have been constituted by the State Government and the recommendations of State Finance Commissions will be accepted after the approval of Cabinet and State Government decision.

The reply is not acceptable because the delay in constitution and implementation of the State Finance Commission recommendations restricted the role of State Finance Commissions in facilitating the Urban Local Bodies for financial autonomy as well as in realisation of the objectives of 74th Constitution Amendment Act.

3.3.5 Property Tax Board and Municipal Revenue Regulatory Commission

The 13th Finance Commission recommended the State Government to constitute a Property Tax Board to assist all Corporations and Municipalities to put in place an independent and transparent procedure to enumerate all properties, assess property tax, review the present property tax system, make suggestions for a suitable basis for assessment and valuation of properties and make recommendations on modalities for periodic revisions.

We observed that Property Tax Board has not been constituted in the State even after lapse of a decade.

Second State Finance Commission had also recommended for constitution of the Chhattisgarh Municipal Revenue Regulatory Commission for Municipal finances to undertake a survey of properties and bring the un-assessed and under-assessed properties into the purview of Property tax and carry out related functions.

Although the State Government had enacted Chhattisgarh Municipal Revenue (Establishment of Regulatory Commission) Act, 2011 (May 2011), the Commission is yet to be constituted.

Government stated (December 2021) that State Government has notified the Chhattisgarh Municipality 'Determination of Taxable Property Value of Building/land' Rule in February 2021. Hence, the Property Tax Board and Chhattisgarh Municipal Revenue Regulatory Commission are not required.

The reply is not acceptable as the Property Tax Board was not constituted as recommended by Thirteenth Finance Commission. Further, as recommended by the Second State Finance Commission, the State Government enacted Chhattisgarh Municipal Revenue (Establishment of Regulatory Commission) Act, 2011 (May 2011) which mandated the constitution of Chhattisgarh Municipal Revenue Regulatory Commission, but the same was not constituted.

3.3.6 State Institute of Urban Governance and Development (SIUGD)

All three State Finance Commissions had recommended for establishment of training institute for providing training to all Municipal functionaries mandatorily to both elected and appointed ones.

We noticed that SIUGD had not been established and training was provided to only 245 out of 4441 officers/officials in the State Institute of Rural Development during 2015-2020. Absence of proper training is likely to impact, the implementation of Central and State schemes, survey for actual assessment and collection of various taxes/fees/charges etc. Further, no training program was arranged for the elected representatives of Urban Local Bodies during 2015-2020.

Government stated (December 2021) that trainings to staffs have been provided in State Administrative Academy, State Institute of Rural Development, Nimora and National Institute Regional Centre for Urban and Environmental Studies, Lucknow. Hence, there is no requirement for a separate Training Institute for UADD.

The fact remains that no training program was arranged for the elected representatives of Urban Local Bodies during 2015-2020.

3.3.7 Adoption of Accrual Based Accounting

On the recommendation of 11th Finance Commission, the CAG of India had constituted a Task Force to recommend budget and accounting formats for Urban Local Bodies in India. The CAG Task Force in its report, *inter alia*, suggested adoption of accrual basis of accounting by Urban Local Bodies. The Government of Chhattisgarh introduced Accrual Based Double Entry Accounting System w.e.f. 2011 in all the Urban Local Bodies and the Accrual Based Double Entry Accounting System was adopted as per Chhattisgarh Municipal Accounting Manual in phased manner.

We observed that Urban local bodies were maintaining accounts in the single entry system manually. Thereafter Chartered Accountants are hired to prepare accounts in Double entry from the single entry system. As a result, Audited accounts till the year 2019-20 has been compiled and audited, and accounts for the year 2020-21 is under compilation.

Recommendations:

1. *The Government may take decisive action in order to translate the vision of decentralisation into reality, besides providing adequate degree of autonomy to Urban Local Bodies in respect of functions assigned to them in line with the Constitutional provisions.*

2. *The Government may grant autonomy to ULBs to assess, recruit and manage human resources commensurate with their needs and functions.*
3. *The Government may consider entrusting the task of delimitation to the State Election Commission and ensure timely elections of the Urban Local Bodies.*
4. *Various Committees, like Advisory Committee, Ward Committees and Mohalla Committees, may be constituted in the Urban Local Bodies as per the Chhattisgarh Municipal Corporations/Chhattisgarh Municipalities Acts and they should be nurtured and encouraged to function effectively.*
5. *Government may avoid delays in constituting the State Finance Commission and ensure prompt implementation of their recommendations.*

Chapter IV

Financial Resources of Urban Local Bodies

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Financial Resources of Urban Local Bodies

Summary

The share of Own Revenue (₹ 2572.47 crore) in total financial resources (₹ 15256.23 crore) of the Urban Local Bodies is approximately 17 *per cent*. On the other hand, devolution of funds by the State Government to the Urban Local Bodies during 2015-2020 was short of the norms of the third State Finance Commission by ₹ 256.10 crore.

The average collection of Property Tax for the period 2015-20 was 63 *per cent* of total demand. The collection declined from 67 to 58 *per cent* during the period 2015-19. An amount of ₹ 41.74 crore was outstanding for collection as on March 2020 in the selected Urban Local Bodies. GIS Survey was conducted only in 10 (six *per cent*) of Urban Local Bodies.

Similarly, in case of Water Charges of 26 Urban Local Bodies, during 2016-20, collection has declined from 67 to 58 *per cent*. An amount of ₹ 30.09 crore of water tax was outstanding in selected Urban Local Bodies as of March 2020. Further, we noticed that none of the selected Urban Local Bodies except Korba had installed meters for water connections and only fixed water charges were being levied. Therefore, the collection of monthly water charges from the beneficiaries was insufficient against the expenses incurred on Operation and Maintenance of water supply. Shop Rent amounting to ₹ 3.52 crore was also outstanding against leaseholders/occupiers.

The Urban Local Bodies spent 17 to 40 *per cent* of budgeted amount in water supply and 61 to 86 *per cent* of budgeted amount in Public Health, Sanitation and Solid Waste Management respectively.

In terms of effectiveness of devolved functions on ground, Urban Local Bodies were generally effective in achieving the coverage of toilets and household level coverage of Solid Waste Management, but as far as other parameters are concerned, there were gaps.

Sustainable Financing is paramount to ensure discharge of any function. The devolved functions can be carried out effectively by Urban Local Bodies only when they are supported with sufficient financial resources. Such financial resources could take the form of predictable fiscal transfers or access to own revenue streams that are buoyant and commensurate with the expenditure obligations, accompanied by appropriate expenditure powers. Predictable fiscal transfers to Urban Local Bodies need to be ensured through a robust State Finance Commission mechanism and compliance with State and Central Finance Commission recommendations. Access to own sources of revenue would include both the power to levy and collect from specific revenue streams. Expenditure powers refer to reasonable delegation limits that allow the Urban Local Bodies to utilise their financial resources.

4.1 Sources of Revenue

The detail of revenue of Urban Local Bodies in the State during the period 2015-20 is indicated in **Table 4.1** below:

Table 4.1: Details of revenues of Urban Local Bodies during the period 2015-20

(₹ in crore)

Year	Own Revenue	Assigned Revenue	Grants	Total Revenue	Percentage of Own Revenue to Total Revenue	Percentage of fiscal transfer to Total Revenue
2015-16	445.25	889.00	544.10	1878.35	23.70	28.97
2016-17	520.22	1071.46	1889.63	3481.31	14.94	54.28
2017-18	538.08	1351.26	1653.93	3543.27	15.19	46.68
2018-19	530.42	881.76	1542.20	2954.38	17.95	52.20
2019-20	538.50	1106.92	1753.50	3398.92	15.84	51.59
Total	2572.47	5300.40	7383.36	15256.23	16.86	48.40

(Source: Information by Urban Administration and Development Directorate)

The share of Own Revenue to total financial resources of the Urban Local Bodies is approximately 17 *per cent*. Thus, the Urban Local Bodies rely largely on other revenue streams, which are not under their control. Moreover, the share of own resources was falling over the period 2018-20.

Government stated (December 2021) that as the scope of source of revenue at Urban local Bodies level are very limited, Grants were provided for other development works under different schemes.

4.1.1 Own Revenue of Urban Local Bodies

Urban Local Bodies do not have a large independent tax domain. The Property Tax on land and buildings is the mainstay of Urban Local Bodies' Own Revenue. The own non-tax revenue of Urban Local Bodies comprises Water Charges, rent from commercial establishments, trade licences, fee for sanction of plans/mutations, *etc.* The share of Own Revenue to Total Revenue of Urban Local Bodies for the period 2015-20 in test checked Urban Local Bodies ranged from 16 to 29 *per cent* as shown in **Table 4.2** below:

Table 4.2: Details of total own revenue against total financial resources for 2015-20

(₹ in crore)

Type of Urban Local Body	Assigned Revenue	Own Revenue	Government Grants	Total financial resources	Percentage of Own Revenue against financial resources (in per cent)
Nagar Nigam	523.07	1461.95	3106.73	5091.75	28.71
Nagar Palika Parishad	60.76	101.64	470.43	632.83	16.06
Nagar Panchayat	14.50	28.74	137.33	180.57	15.92

(Source: Information provided by the Urban Local Bodies)

It is evident from the above table that financial condition of the Nagar Palika Parishads and Nagar Panchayats is highly critical and they are totally dependent on the Government Grants. Even the Nagar Nigams are collecting only around 29 *per cent* of total revenue as their Own revenue. The details of Own tax revenue of Urban Local Bodies for the period 2015-20 in test checked Urban Local Bodies is shown in **Table 4.3**.

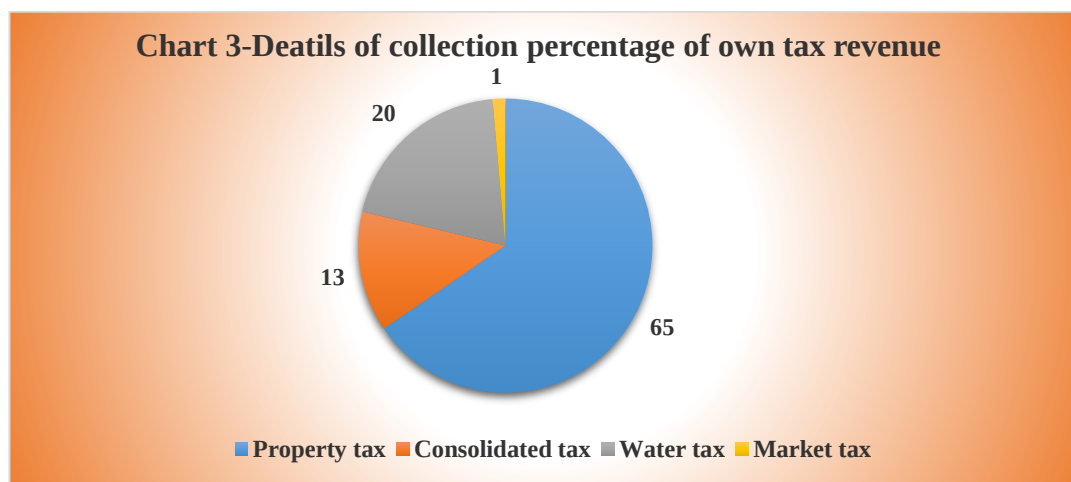
Table 4.3: Details of year wise own tax revenue for the period 2015-20 in test checked Urban Local Bodies

(₹ in crore)

Year	Type of own tax revenue				Total own tax revenue
	Property tax	Consolidated tax	Water tax	Market tax	
2015-16	90.48	23.84	35.86	5.00	155.18
2016-17	156.59	25.78	40.58	4.60	227.55
2017-18	141.57	28.73	40.02	4.14	214.46
2018-19	130.06	26.64	40.44	0.00	197.14
2019-20	129.87	26.59	40.96	0.00	197.42
Total	648.57	131.58	197.86	13.74	991.75

(Source: Information provided by the Urban Local Bodies)

The property tax is the major contributor of own tax revenue during the period 2015-20 in test checked Urban Local Bodies as depicted in **Chart 3**.



4.1.2 Transfer of funds to Urban Local Bodies

Funds were transferred to Urban Local Bodies by the Central and State Governments in the form of grants. Grants from Government based on the recommendations of the State Finance Commission, account for 48 *per cent* of revenue of Urban Local Bodies in the State during the period 2015-20.

a. Short release of divisible fund

Successive State Finance Commissions recommended (accepted by State Government in July 2013 and October 2019) that 1.85 to 2.09 *per cent* of divisible fund of the State Government should be devolved to Urban Local Bodies. The funds to be devolved and those actually devolved by the State Government are given in **Table 4.4** below:

Table 4.4: Details of short devolution of State Finance Commission Grant

(₹ in crore)

Year	Own tax revenue /divisible Fund of the State	Funds to be devolved as per second and third State Finance Commissions recommendation	Funds devolved to Urban Local Bodies by State Government	Short release
2015-16	17074.86	315.88	228.24	87.64
2016-17	18945.21	350.49	339.98	10.51
2017-18	19894.68	415.80	547.45	-131.65
2018-19	21427.26	447.83	299.76	148.07
2019-20	22117.85	462.26	320.73	141.53
Total	99459.86	1992.26	1736.16	256.10

(Source: State Finance Accounts and Urban Administration and Development Directorate)

It can be seen from the above table that devolution of funds by the State Government to the Urban Local Bodies was short by ₹ 256.10 crore as compared to the norms of the second and third State Finance Commission.

Government stated (December 2021) that to match the period of 15th Finance Commission, Government has extended the period of Second State Finance Commission up to 2019-20 and started the period of Third State Finance Commission from 2020-21. However, no reply was furnished regarding short devolution of funds to urban local Bodies.

b. Trend in growth of Assigned Revenue

Assigned Revenue constitutes 35 *per cent* of the total revenue during the period 2015-2020. The year wise break-up of the Assigned Revenue is given in **Table 4.5** below:

Table4.5: Year wise break-up of the Assigned Revenue

(₹ in crore)

Year	<i>Chungi</i> ¹² compensation	Stamp duty	Excise duty	Bar license	Entertainment tax	Passenger tax	Total assigned revenue
2015-16	767.16	65.44	13.19	19.20	16.01	8.00	889.00
2016-17	916.08	79.00	13.51	35.50	19.37	8.00	1071.47
2017-18	1204.20	69.00	14.46	35.50	20.10	8.00	1351.26
2018-19	791.52	49.02	14.46	12.76	6.00	8.00	881.76
2019-20	1000.00	71.35	10.47	17.10	0.00	8.00	1106.92
Total	4678.96	333.81	66.09	120.06	61.48	40.00	5300.40

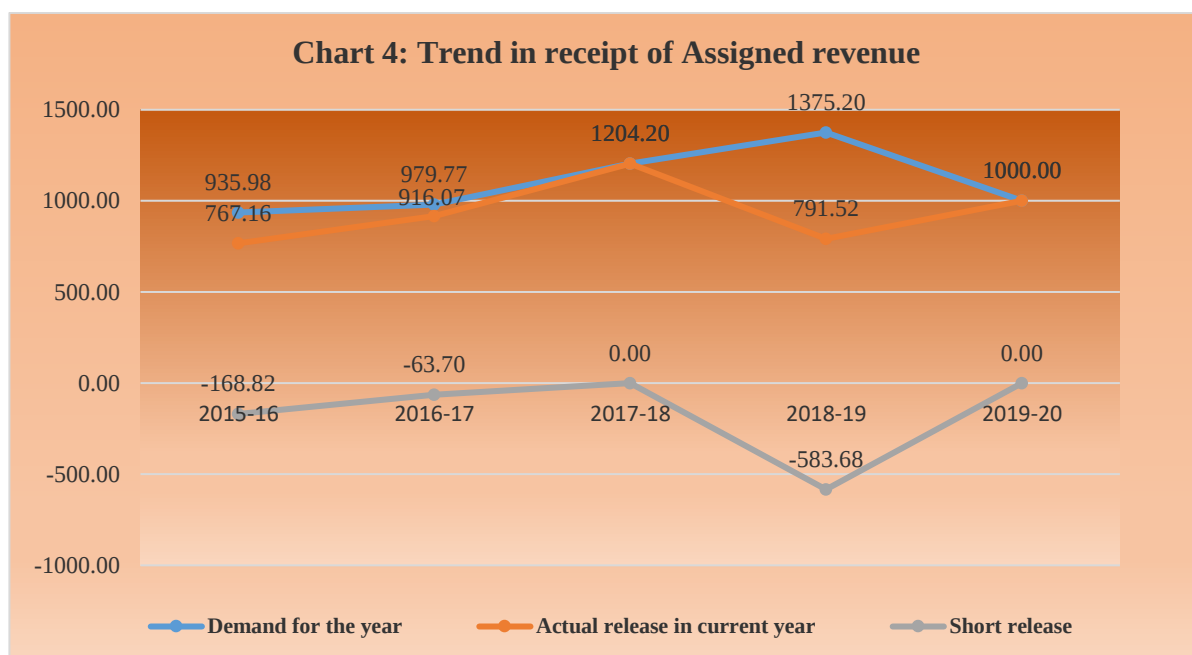
(Source: Urban Administration and Development Directorate)

c. *Chungi* compensation

Subsequent to withdrawal of power of levy and collection of *Chungi* compensation the third Finance Commission recommended that the Government will collect the tax and make it available to Urban Local Bodies on population basis as Assigned Revenue. Further, State Government fixed (2003) the rate of ₹ 26 as per population of Census 2001 and gradual increase at the rate of 10 *per cent* each year. The State Government abolished (September 2007) the criteria of increasing the *Chungi* compensation by 10 *per cent* each year, and decided that this rate would be increased as and when considered appropriate. Further, second State Finance Commission had recommended transfer of total amount of *Chungi* compensation to Urban Local Bodies without any conditions, State Government accepted the recommendation and decided to increase the rate (August 2014), but no action has since been taken. Hence, even after 17 years, the rate of *Chungi* compensation has not been revised by the State Government, despite rapid increase in population and establishment expenditure of the Urban Local Bodies.

Assigned Revenue in total should also gradually increase in terms of *Chungi* compensation, but we noticed negative growth in assigned revenue during the years 2015-20 except in 2017-18 and 2019-20, as depicted in **Chart 4** below:

¹² A duty levied on various goods entering a town or city. Government of erstwhile Madhya Pradesh withdrew the *Chungi* from Urban Local Bodies to avoid traffic congestion or unwanted delay in trade and business.



(Source: information received from Urban Administration and Development Directorate)

Government stated (December 2021) that in addition to *Chungi* compensation, additional funds were provided to Urban Local Bodies according to their demand for pending liability of pay and allowances. Further, the proposal for increase in the rate of *Chungi* compensation will be submitted for Cabinet decision.

d. Stamp Duty

Duty of one *per cent* is imposed on transactions relating to immovable property. The Inspector General Registration and Stamps (IGRS), Chhattisgarh, collected the amount on account of transfer of immovable properties.

We noticed that second State Finance Commission recommended to make the procedure of transfer of stamp duty easier and institute a system for timely transfer of stamp duty to Urban Local Bodies. However, no such procedure has been established by the Government.

We also noticed that transfer of total ₹ 47.88 crore of stamp duty to 33 Urban Local Bodies was delayed ranging from six months to 10 years (**Appendix 4**). Further, during the years 2015-16 and 2018-19 against the budgeted provision of ₹ 83.95 crore, Urban Administration and Development Directorate (UADD) withdrew only ₹ 58.06 crore for Urban Local Bodies. The remaining amount of ₹ 25.89 crore lapsed at year end as detailed in **Table 4.6**.

Table 4.6: Statement showing the lapsed amount of stamp duty during the year 2015-16 and 2018-19

(₹ in crore)				
ULB	Year	Budget provision	Amount withdrawn	Lapsed amount
Nagar Panchayat	2015-16	12.60	9.04	3.56
	2018-19	12.60	5.76	6.84
Nagar Palika Parishad	2018-19	9.50	6.25	3.25
Nagar Nigam	2018-19	49.25	37.01	12.24
Total		83.95	58.06	25.89

(Source: Information compiled from records of UADD)

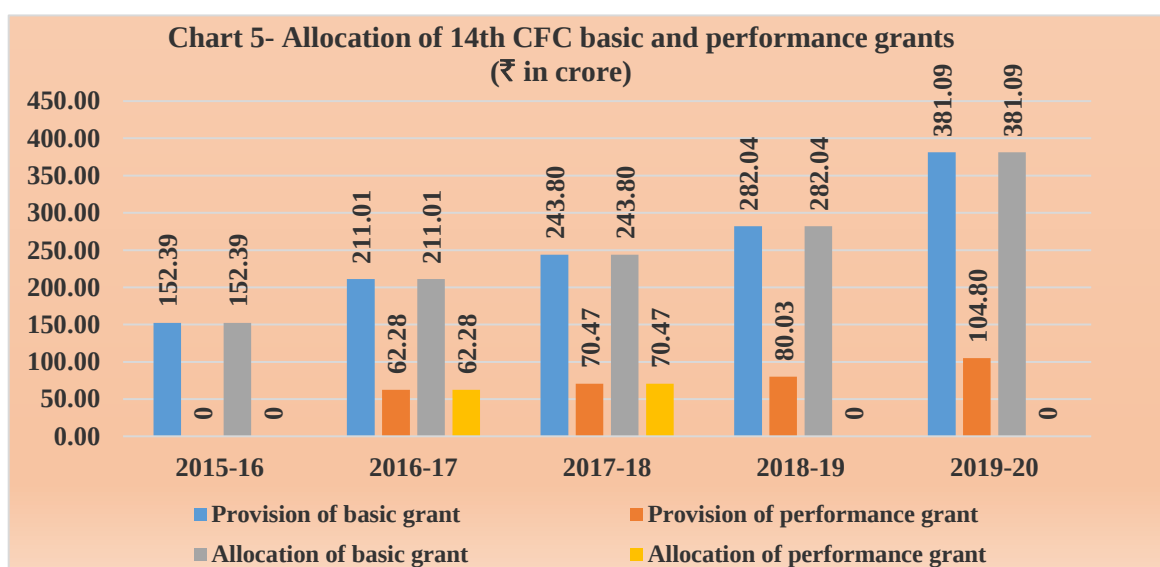
Government stated (December 2021) that a system will be developed for ensuring timely availability of data of stamp duty from the Director General, Registration & Superintendent of Stamp so that the actual budget provision could be made, and fund will be provided to Urban Local Bodies on time. Further, the budget provision of Stamp Duty lapsed due to non-clearance of bills by the Treasury in the month of March of respective years.

4.1.2.1 Central Finance Commission Grants

The Fourteenth Finance Commission recommended Basic Grant and Performance Grant to Urban Local Bodies as a percentage of divisible pool account.

On the recommendation of Fourteenth Finance Commission, the State Government fixed the following conditions for distribution of Performance Grant among Urban Local Bodies:

- i) The Municipality will have to submit audited account that relate to the year, not earlier than two years preceding the year, in which the municipality seeks to claim the Performance Grant.
- ii) The Municipality will have to show an increase in its own revenue over the preceding year as reflected in the audited accounts.
- iii) The Municipality must measure and publish the Service Level Benchmarks to basic urban services each year for the period of the award and make it publicly available.



(Source: Information received from Urban Administration and Development Directorate)

We observed that all 169 Urban Local Bodies received the Basic Grants of ₹ 1270.33 crore on the recommendations of Fourteenth Finance Commission during 2015-20 but did not receive Performance Grants for the period from 2018-20, amounting to ₹ 184.83 crore¹³ from the State Government. The reasons for non-receipt of Performance Grants were not furnished by the department.

¹³ ₹ 184.83 crore (₹ 80.03 crore for 2018-19 and ₹ 104.80 crore for 2019-20).

Government stated (December 2021) that proposals for release of funds have been forwarded to Ministry of Finance, GOI with due recommendations from Ministry of Housing & Urban Affairs, but funds are yet to be released.

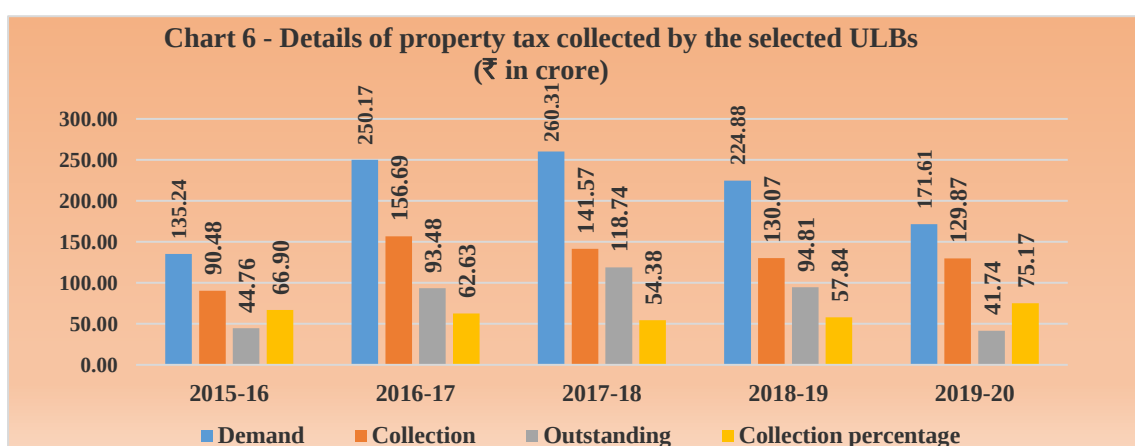
Based on the recommendation of the Fourteenth Finance Commission for Performance Grant to Urban Local Bodies, State Government fixed certain conditions like submission of audited accounts that relate to the year, showing an increase in its own revenue over the preceding year and measure and publish the Service Level Benchmarks to basic urban services each year for the period of the award. Although the audited accounts were being prepared on time, own revenue did not increase from previous years (refer *para 4.1.1*). Further, the performance of Urban Local Bodies against Service Level Benchmarks was also not satisfactory (refer *para 4.3.1*) and indicate that these may be the reasons for non-release of performance grants by the Ministry of Finance, GoI. State Government may make efforts to get the Performance Grants released at the earliest.

4.1.3 Property Tax

The Urban Local Bodies were empowered to levy Property Tax every year on all buildings or vacant lands or both situated within their jurisdiction. Every owner is to assess the Annual Letting Value of his land or building and deposit the amount of Property Tax along with a return in this behalf, in the prescribed form, on or before the date fixed by the Council on the basis of self-assessment. Following are our findings on property tax collection.

a. Short Realisation of Property Tax

We noticed in the test checked 27 Urban Local Bodies that the average collection of Property Tax for the years from 2015-20 was 63 *per cent* of total demand and it was declining in the year 2017-18 and 2018-19 (**Chart 6**). An amount of ₹ 41.74 crore of these selected Urban Local Bodies was outstanding as on March 2020. Details are given in the **Appendix 5**.



(Source: Information received from selected Urban Local Bodies)

b. **Revision** of Property Tax

As **per** Section 132 of Municipal Corporation Act, 1956, the Property Tax is levied at the rate not less than six percent and not more than 20 *percent* of the Annual Letting Value,

as may be determined by the Corporation for each Financial Year as decided by State Government.

Out of 27 test checked Urban Local Bodies, in 24 Urban Local Bodies the last revision was in 2015-16, while three Urban Local Bodies¹⁴ did not provide the information.

c. Geographical Information System (GIS) survey for enhancing Property Tax

The Third State Finance Commission recommended use of GIS survey in levy of property tax.

We noted that GIS was conducted (2017-18) in only 10 Urban Local Bodies. Even in these Urban Local Bodies, 100 *per cent* demand on the basis of GIS survey was not being raised. Further, State Government accorded administrative approval (March 2020) for survey of property, collection of property tax, and GIS mapping in 46¹⁵ Urban Local Bodies.

However, the following deficiencies were noticed in assessment, imposition and collection of Property tax in test checked Urban Local Bodies: -

- Online property tax collection system has not been introduced in any of the Nagar Palika Parishads, and Nagar Panchayats, however, it is partially implemented in test checked Nagar Nigams.
- During test check it was found that demand and collection registers of tax were not maintained properly. During the years 2015-20 in Nagar Nigam, Raipur the amount of tax recovered was more than the demand raised for by 18 to 87 *per cent* indicating the amount of tax demand was not calculated properly.
- Among the test checked Urban Local Bodies, the property tax on vacant land was noticed in only one case in Nagar Nigam, Raipur, where tax of ₹ 8.72 lakh was assessed on two vacant lands in February and June 2019. However, the tax has not been collected. No property tax was assessed on vacant land in other test checked Urban Local Bodies.

Government stated (December 2021) that the Module for online property tax collection system has been prepared and will be rolled out. State Government has also notified the Chhattisgarh Municipality 'Determination of Taxable Property Value of Building/land' Rule in February 2021.

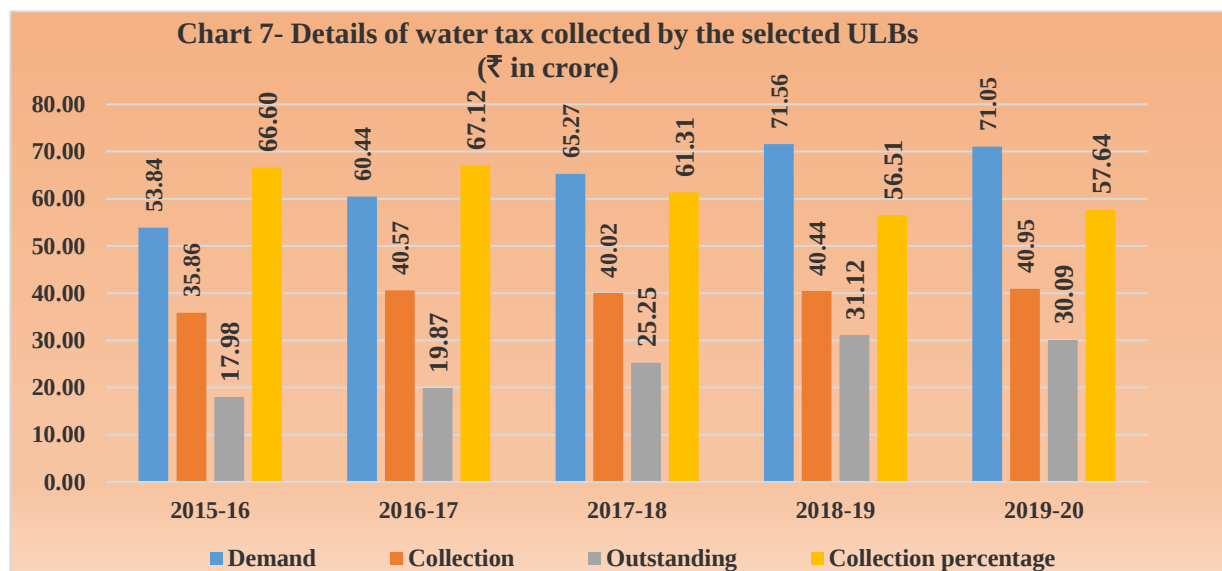
4.1.4 Water charges

As per Section 132 of Municipal Corporation Act, 1956, the Urban Local Bodies were empowered to levy water tax in respect of lands and buildings to which water supply is ensured or which are connected by means of pipeline under municipal water works according to the rates fixed by State Government.

¹⁴ Nagar Nigam Korba, Nagar Palika Parishad Khairagarh and Nagar Panchayat Keshkal have not provided data.

¹⁵ Three Nagar Nigam and 43 Nagar Palika Parishad

Test check of Water Charges in 26¹⁶ out of 27 Urban Local Bodies revealed that average collection for the period 2015-20 was only 61.65 *per cent* of the total demand (**Chart 7**). During the period 2016-20, the collection declined from 67.12 to 57.64 *per cent*. An amount of ₹ 30.09 crore of these selected Urban Local Bodies was outstanding as of March 2020. Details are at **Appendix 6**.



(Source: Information provided by the selected Urban Local Bodies)

- The water tax rates prescribed by the State Government have not been revised since January 2011.
- We also noted that none of the selected Urban Local Bodies except in Korba had installed meters with the water connections and generated bill as per actual reading on volumetric basis.
- The water charges collected could not meet the expenses incurred by the Urban Local Bodies on Operation and Maintenance and electricity bill of water supply. As a result, Urban Administration and Development Directorate provided separate fund for Operation and Maintenance to Urban Local Bodies and paid all the electricity bills on behalf of Urban Local Bodies.

Government stated (December 2021) that survey for laying of distribution pipeline has been completed in Tumgaon and the project will be completed soon. Water metering under AMRUT Mission will be completed by March 2022 in nine Nagar Nigams and in remaining Urban Local Bodies water meters will be provided under AMRUT 2.0. Necessary instructions will be issued to Urban Local Bodies for recovery of outstanding water Tax.

4.1.5 Solid Waste Management

According to Solid Waste Management Rules 2016, domestic waste should be collected by the Urban Local Bodies and the Urban Local Bodies have power to decide and levy user charges on Solid Waste Management. However, the Urban Administration and

¹⁶ Water supply pipeline has not been laid in Nagar Panchayat, Tumgaon till date.

Development Department had prescribed the rates of user charges to be collected by the Urban Local Bodies.

a. Non-levy of user charges for Solid Waste Management

We noticed that in test checked 25¹⁷ out of 27 Urban Local Bodies, ₹ 30.93 crore was collected as user charges during 2017-20. We also noted that survey of different categories of establishment was not done and Urban Local Bodies were charging user charges at a flat minimum slab rate, as a result of which in 18 out of 27 test checked Urban Local Bodies, user charges of ₹ 10.64 crore was set for collection instead of ₹ 14.93 crore as per slab rates applicable to different category of establishments of which ₹ 4.29 crore was outstanding as of March 2020 as detailed in **Appendix 7**.

Thus, there was lack of financial autonomy to Urban Local Bodies since they cannot determine the rates of property tax, water charges, user charges etc. on their own.

Government stated (December 2021) that the collection of user charges was increased gradually, and instructions has already been issued for collection of user charges according to the category of establishment. Further, public is not paying the full amount of user charges as due resulting in outstanding balances.

4.1.6 Other sources of revenue

Sub-Section 6 of the Section 132 of Chhattisgarh Municipal Corporation Act and Section 127 of the Chhattisgarh Municipalities Act, provides for urban local bodies to explore other sources of revenue by levying other kinds of taxes like water tax, general sanitary cess, drainage tax etc. We noticed that 25 Urban Local Bodies collected ₹86.34 crore from other sources during 2015-20. Our finding on other sources are as detailed below:

a. Levy on Outdoor Advertisement

Out of 27 selected Urban Local Bodies, only four¹⁸ levied tax on outdoor advertisement and collected ₹ 29.52 crore during 2015-20.

b. Levy on Mobile Tower

Twenty-three Urban Local Bodies collected ₹ 3.57 crore as levy on mobile towers. Out of 1298 mobile towers installed in the vicinity of the 23 Urban Local Bodies, 155 mobile towers located under the jurisdiction of four Urban Local Bodies¹⁹, were found to be unauthorised but no action for regularisation as well as levy of penalty was initiated by the Urban Local Bodies concerned. Further, renewal fee amounting to ₹ 6.62 crore of 1143 towers (22 Urban Local Bodies) was outstanding (August 2021) but action for recovery of renewal fee was not initiated by the Urban Local Bodies concerned as detailed in **Appendix 8**.

¹⁷ Data not provided by Arjunda and Jarahi

¹⁸ Bhilai, Durg, Korba and Raipur

¹⁹ Unauthorised mobile towers at Baikunthpur-2, Jarahi-5, Raipur-146 and Surajpur-2

c. Shop Rent

In 25²⁰ out of 27 sampled Urban Local Bodies, shop rent amounting ₹ 3.52 crore was outstanding as of March 2020 as shown in **Table 4.7**.

Table 4.7: Details of outstanding Shop Rent

(₹ in lakh)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance	494.50	479.52	447.46	450.56	513.52
Demand	783.35	878.32	995.89	1041.38	1062.32
Total Demand	1277.85	1357.84	1443.35	1491.94	1575.84
Total Collection	955.57	966.14	1179.23	1193.35	1224.34
Closing Balance	322.28	391.70	264.12	298.59	351.50

(Source: Information provided by the selected Urban Local Bodies)

4.2 Expenditure on services

Chhattisgarh Municipalities Act, 1961 is not in consonance with the spirit of the 74th Constitutional Amendment Act, as in the case of Nagar Palika Parishads and Nagar Panchayats, Budget is to be sent to the State Government for information, indicating the control of State Government on these tiers.

There was significant variation between Budget Estimates and actual income and expenditure (**Table 4.8**).

Table 4.8: Showing the details regarding preparation of unrealistic budget

(₹ in crore)

Year	Revenue				Expenditure			
	Estimate	Actual	Difference	Percentage of actuals to budget	Estimate	Actual	Difference	Percentage of actuals to budget
2015-16	3052.28	928.09	2124.19	30.41	3382.60	936.44	2446.17	27.68
2016-17	3472.45	1210.85	2261.60	34.87	3744.79	1081.87	2662.92	28.89
2017-18	3775.81	1507.52	2268.30	39.93	4200.65	1289.27	2911.38	30.69
2018-19	4048.83	1339.17	2709.66	33.08	4337.31	1335.36	3001.95	30.79
2019-20	4332.40	1704.43	2627.97	39.34	4669.06	1690.89	2978.17	36.21

(Source: Information provided by the Urban Local Bodies)

The actual revenue of the Urban Local Bodies was on an average only 36 *per cent* of estimated revenue, which indicates that the budget preparation was unrealistic. There was over estimation of revenue by 64 *per cent* during 2015-20.

Government stated (December 2021) that due to non-availability of sufficient funds at Department under the schemes and funds being provided to Urban Local Bodies based on priorities, differences arise between amount of Grant proposed and actual Grant received.

4.3 Expenditure on selected services

We noticed in test checked 27 selected Urban Local Bodies that separate provision for Public Health, Sanitation and Solid Waste Management was not made by the Urban Local Bodies. Further, the requisite information in respect of Water Supply and Public Health and Solid Waste Management has not been provided by six²¹ Urban Local Bodies. In the

²⁰ No shops have been constructed by Nagar Panchayat Jarahi and Pathariya.

²¹ Arjunda, Dongargarh, Gunderdehi, Khairagarh, Pathariya and Rajnandgaon

remaining 21 Urban Local Bodies, we found that expenditure on selected services, viz. Water Supply, Public Health, Sanitation and Solid Waste Management fell short of the plan during the period 2015-20 (**Table 4.9**).

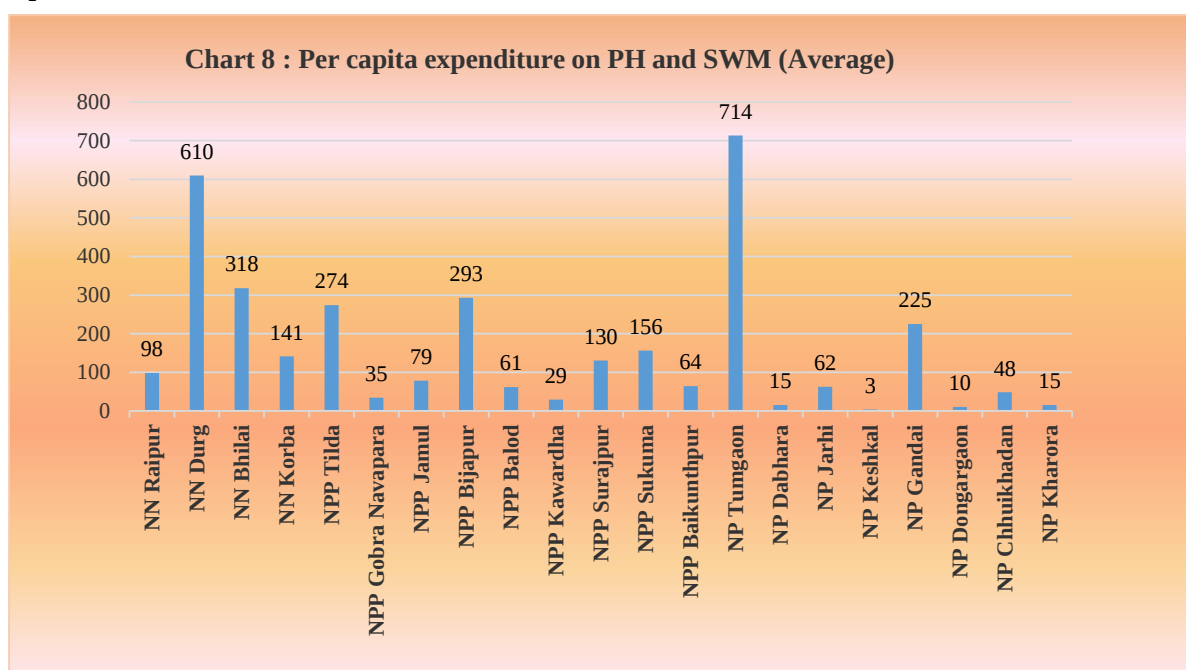
Table 4.9: Details of plan and expenditure of the selected services

(₹ in crore)

Services	Particulars	Years				
		2015-16	2016-17	2017-18	2018-19	2019-20
Water Supply	Planning	199.91	266.65	296.48	233.53	274.70
	Expenditure	73.26	107.39	88.12	65.10	45.80
	Difference percentage	63.35	59.73	70.28	72.12	83.33
Public Health, Sanitation and Solid Waste Management	Planning	39.38	42.05	49.97	88.65	92.50
	Expenditure	33.75	35.51	40.79	53.98	76.63
	Difference percentage	14.30	15.55	18.37	39.11	17.16

(Source: Information provided by the Urban Local Bodies)

The average per capita expenditure on these services varied significantly ranging from ₹ 3 to ₹ 714 for the period 2015-20 (**Chart 8**). The main reason for such huge variation is the difference in population density and the level of infrastructure development required in particular areas.



(Source: Information provided by the Urban Local Bodies)

The Urban Local Bodies incurred on an average 40 per cent of expenditure on these functions. As per the 74th Constitutional Amendment Act, the functions of Water Supply and Public Health were to be completely devolved to the Urban Local Bodies. It can be seen from **Table 4.10** below that in case of water supply the expenditure incurred by Urban Local Bodies have considerably increased over the period 2015-20, however, in the Public Health major expenditure/work is still being carried out by Public Health and Family Welfare Department during the period 2015-20 (**Table 4.10**).

Table 4.10: Expenditure incurred on urban and rural water supply and Public Health and Solid Waste Management

(₹ in crore)

Expenditure incurred on the Functions		2015-16	2016-17	2017-18	2018-19	2019-20
Water Supply	Urban Local Bodies	3.34	230.34	211.09	256.09	469.96
	Public Health Engineering Department	360.62	441.24	345.80	343.66	234.50
	Percentage of expenditure of Urban Local Bodies	0.93	52.20	61.04	74.52	200.41
Public Health, Sanitation and Solid Waste Management	Urban Local Bodies	44.73	260.88	217.18	156.86	38.91
	Public Health and Family Welfare Department	1767.96	2183.65	1614.74	2320.83	2187.80
	Percentage of total expenditure	2.53	11.95	13.45	6.76	1.78

(Source: Information provided by UADD and Appropriation Account)

4.3.1 Effectiveness of devolved functions

Benchmarking is an important mechanism for introducing accountability in service delivery. Recognising its importance, Ministry of Urban Development, Government of India prescribed Service Level Benchmarks since 2008 for performance management of basic services. Ministry of Urban Development had also issued Service Level Benchmarks Handbook prescribing the standardised framework for performance monitoring in respect of four basic municipal services, viz., water supply, sewerage, solid waste management and storm water drainage. SLB indicators include coverage of water supply connections, quality of water, cost recovery in water supply, coverage of toilets, coverage of sewage network service, household coverage of solid waste management, segregation and disposal of municipal solid wastes and coverage of storm water drainage network.

Handbook on Service Level Benchmarking developed by the Ministry of Urban Development, seeks to:

- Identify a minimum set of standard performance parameters for the water and sanitation sector that are commonly understood and used by all stakeholders across the country;
- Define a common minimum framework for monitoring and reporting on these indicators; and
- Set out guidelines on how to operationalize this framework in a phased manner.

Urban Local Bodies are to generate performance reports on Service Level Benchmarks periodically and institutionalise systems for performance management.

Out of the 28 parameters under four heads (Water Supply, Sewerage and Solid Waste Management), we analysed 17 parameters under three heads of Water Supply, Sewerage and Solid Waste Management, in 24²² out of 27 Sampled Urban Local Bodies. **Table 4.11** indicates the Service Level Benchmarks set for these parameters.

22

Nagar Palika Parishad Bijapur, Khairagarh and Dongargarh have not provided the data.

Table 4.11: Details of indicators for Service Level Benchmark

Water Supply		
Sl. No.	Indicator	Benchmark
1.	Coverage of Water Supply Connections	100 %
2.	Per Capita Supply of Water	135 lpcd
3.	Continuity of Water Supplied	24 Hours
4.	Extent of metering	100 %
5.	Cost Recovery	100 %
6.	Efficiency in Collection of Water Charges	90 %
Sewerage		
1.	Coverage of Toilets	100 %
2.	Coverage of Sewage Network	100 %
3.	Adequacy of Sewage Treatment Capacity	100 %
4.	Cost Recovery	100 %
5.	Efficiency in Collection of Sewage Water Charges	90 %
Solid Waste Management		
1.	Household Level Coverage	100 %
2.	Efficiency in Collection of Solid Waste	100 %
3.	Extent of Segregation of Municipal Solid Waste	100 %
4.	Extent of Scientific Disposal of Municipal Solid Waste	100 %
5.	Cost Recovery	100 %
6.	Efficiency in Collection of Solid Waste Management Charges	90%

(Source: Handbook on Service Level Benchmarking)

a. Water Supply:

Nineteen Urban Local Bodies were yet to meet the target of achieving 100 *per cent* connection to households. Only Nagar Nigam Korba and four²³ Nagar Panchayats had provided connections to 100 *per cent* of the households. 18 Urban local Bodies had provided connections to 16 to 85 *per cent* of households. Further, 16 Urban Local Bodies are still not able to provide the per capita requirement of 135 lpcd of water. In case of continuity of water supply, Service level benchmarks provided for 24 hours water supply. Atal Mission for Rejuvenation and Urban Transformation and Jawaharlal Nehru National Urban Renewal Mission also prescribed the criteria of 24 hours water supply. However, only 16 Urban Local Bodies were able to provide water for two to six hours per day as against these parameters.

b. Sewerage:

Coverage of toilets has increased considerably over the period, with 15 Urban Local Bodies indicating 100 *per cent* coverage. However, coverage of sewage network is abysmal, with 13²⁴ Urban Local Bodies indicating nil capacity in sewerage treatment.

c. Solid Waste Management:

Household Level Coverage has improved considerably, with 17 Urban Local Bodies indicating 100 *per cent* coverage. Similarly, Collection Efficiency was also reported as 100 *per cent* by 16 Urban Local Bodies. 18 Urban Local Bodies reported 100 *per cent*

²³ Arjunda, Chhuikhadan, Gunderdehi and Jarahi

²⁴ Arjunda, Balod, Baikunthpur, Dabhara, Dongargaon, Gandai, Gunderdehi, Jarhi, Kawardh, Korba, Pathriya, Sukma and Tumgaon

segregation of solid waste and only four Urban Local Body reported upto 85 per cent segregation.

Recommendations:

1. *Devolution of funds to the Urban Local Bodies, as recommended by State Finance Commission, may be done in a timely manner so that Urban Local Bodies have adequate financial resources to carry out their developmental activities.*
2. *Monitoring mechanism for realisation of revenue due to the Urban Local Bodies may be strengthened so that receivable amounts are realised fully and in time.*
3. *The Government may ensure preparation of realistic budget estimates by ULBs in respect of receipts and expenditure.*
4. *The Government may provide adequate powers to the Urban Local Bodies in administrative and executive spheres to enable them to function effectively as institutions of self-government and to strengthen Municipal level governance in line with the provisions of 74th CAA.*

Chapter V

Conclusion

Chapter-V: Conclusion

The 74th Amendment introduced Part IX A (the Municipalities) containing Articles 243P to 243ZG in the Constitution. This amendment which came into effect on 1 June 1993 authorised State Legislatures to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities (Article 243W). The 12th Schedule lists out the 18 functions to be carried out by Urban Local Bodies.

Each State had to enact a legislation to implement the 74th Constitutional Amendment Act. The Urban Local Bodies in the State were governed by the Chhattisgarh Municipal Corporation Act, 1956 and the Chhattisgarh Municipalities Act, 1961. After enactment of the 74th Constitutional Amendment Act, the State Government had made some rules to comply with the provisions of 74th Constitutional Amendment Act. These rules were, however, not supported by firm action thus, defeating the spirit of the constitutional amendment specifically with reference to devolution of functions and creation of appropriate institutional mechanisms.

Out of the 18 functions, Urban Local Bodies were solely responsible for eight functions, had no role in one function, had dual role in six functions, were mere implementing agencies in two functions, and in respect of one function, the Urban Local Bodies had minimal role or were having overlapping jurisdiction with State Departments/Parastatal.

The power of delimitation of wards, reservation of seats for the council and rotation policy of seats for the posts of Mayor/President, Deputy-Mayor/Vice-Presidents and wards were vested with the State Government.

It was also seen that in three Urban Local Bodies, elections were not held and hence, in the absence of elected local government, development of these Urban Local Bodies may be hampered, besides mandate of 74th Constitutional Amendment Act to empower the Urban Local Bodies was also getting violated.

Advisory Committees, Wards and Mohalla Committees, Municipal Accounts Committees and Metropolitan Planning Committees were not found constituted in case of some of the Urban Local Bodies. Though the District Planning Committees were constituted, meeting of the committees were not held regularly.

There are significant difference between planning and expenditure on the services of Water Supply and Public Health, Sanitation and Solid Waste Management by the Urban Local Bodies. Further, there were wide variations between per capita money spent under Water Supply and Public Health, Sanitation and Solid Waste Management among different Urban Local Bodies.

Urban Local Bodies were found to be generally effective in terms of achieving the coverage of Sanitation and household level coverage of Solid Waste Management, but as far as other parameters were concerned, there were huge gaps. As per indicators of Service Level Benchmarks, when seen in conjunction with the fact that Urban Local Bodies have not been able to collect the requisite charges appropriately and are not

making adequate efforts to recover cost of services, shows a dire situation of their financials which is adversely impacting the implementation of services.

As per the constitutional provisions and the Acts, implementation of the recommendations of the fifth State Finance Commission was due from 2021-22. However, as on date, recommendations of the second State Finance Commission were being implemented. The devolution of funds by the State Government to the Urban Local Bodies was short by up to ₹ 256.10 crore, compared to the norms of the third State Finance Commission.

The share of Own Revenue to Total Revenue of Urban Local Bodies for the period 2015-20 in test checked Urban Local Bodies was meagre (Nagar Panchayats 15.92 *per cent*, Nagar Palika Parishads 16.06 *per cent* and Nagar Nigams 28.71 *per cent*). This shows that the financial condition of the Urban Local Bodies was highly critical and they were totally dependent on the Government grants. Instances of short realisation of various taxes/charges in respect of Property tax, Service Charges and Water Charges were also observed.

In case of Human Resources, most of the Urban Local Bodies were found to be functioning with acute shortage of staff and were highly dependent on outsourced staff. We also noted that the training needs of the staff and the councillors were not adequately addressed with a view towards improving their efficiency.



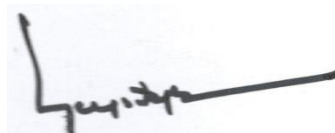
(Dinesh R. Patil)

**Principal Accountant General (Audit)
Chhattisgarh**

Raipur

The : 03 Jun 2022

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

New Delhi

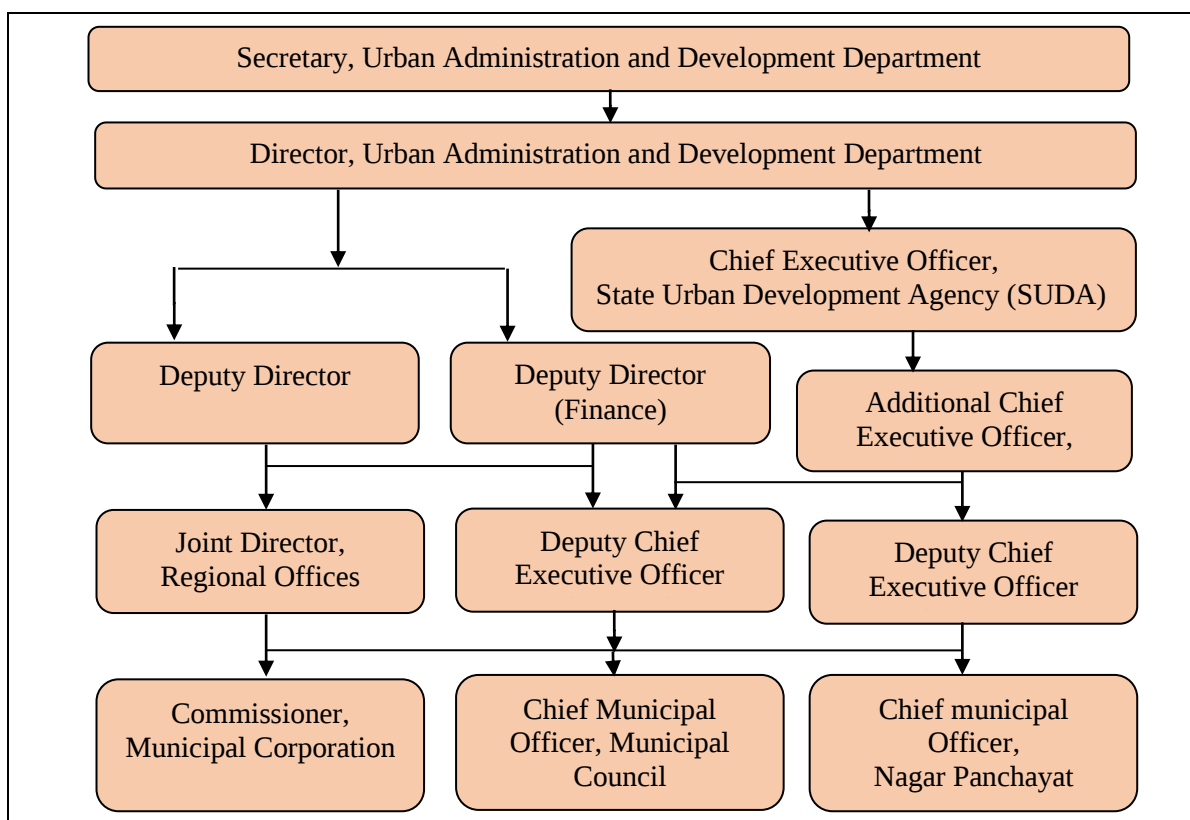
The : 28 Jun 2022

Appendices

Appendix 1

(Reference Paragraph 1.4, Page 2)

Organisation Structure of Urban Governance in Chhattisgarh



(Source: Administrative Report 2020-21)

Appendix 2

(Reference Paragraph 1.4, Page 2)

Statement showing the functioning of the Government Department/Parastatal Agency

Sl. No.	Name of Government Department/Parastatal Agency	Functioning of Government Department/Parastatal Agency
1	Town and Country Planning	In order to achieve a holistic and planned development in the State, Town and Country Planning Directorate prepares Regional Plans and various development plan for different towns and also coordinate with allied Government/ Semi Government and Urban Local Bodies and private developers in delivering advisory/ consonant/ License. Further, to develop land and to have control on its use in the state, Directorate is responsible to sanction development license and development control under Bhumi Vikas Niyam, 1984 and adopted Regional Plans and Development Plans prepared under C.G. Town and Country Planning Act, 1973.
2	Public Works Department	The Department is the principal agency of the Government of Chhattisgarh responsible for Architecture, Surveys, design, construction, improvement and maintenance of roads and bridges of the State. Design, construction and maintenance of public buildings of the State. Carrying out any other works assigned from time to time.
3	Public Health Engineering Department	The Department is the principal agency of the Government of Chhattisgarh responsible for preparation and execution of the water supply and sanitation projects in the State, maintenance of which may be done either by itself or through local agencies. Carrying out any other works assigned from time to time.
4	Chhattisgarh Housing Board	In order to ensure dwellings with necessary support infrastructure for all its citizens. To provide shelter to all homeless rural families on subsidized rates and on priority basis. To assist all the citizens of Chhattisgarh and in particular the rural poor to, secure for themselves affordable dwellings. Remove legal and administrative barriers for robust housing activities in the state. Mobilize resources and ensure increased investments in housing by promoting strong partnerships among public, private, co-private, self-help groups and local government institutions. Promote integrates housing development for the establishment of viable, society and economically integrated communities situated in areas which allow convenient access to economic opportunities as well as health, educational and social facilities.
5	Chhattisgarh State Industrial Development Corporation (CSIDC)	CSIDC is a Government undertaking under the control of Department of Commerce and Industry and is the Nodal agency to facilitate and promote industrial development in the State. Development, maintenance and upgradation of industrial areas.

Appendix 3*(Reference Paragraph 1.7, Page 3)***List of selected Urban Local Bodies**

Sl. No.	Division	District	Unit selected for Sample		
			Nagar Nigam	Nagar Parishad	Palika
1	Raipur	Raipur	Raipur		
2				Tilda	
3				Gobaranavapara	
4					Kharora
5					Tumgaon
6	Durg	Durg	Durg		
7			Bhilai		
8				Jamul	
9		Balod		Balod	
10					Arjunda
11					Gundardehi
12		Kabirdham		Kawardha	
13		Rajnandgaon	Rajnandgaon		
14				Khairagarh	
15				Dongargarh	
16					Dongargaon
17					Gandai
18					Chhuikhadan
19	Bilaspur	Korba	Korba		
20		Mungeli			Pathariya
21		Janjgir-Champa			Dabhara
22	Bastar	Kondagaon			Keshkal
23		Bijapur		Bijapur	
24		Sukuma		Sukuma	
25	Sarguja	Surajpur		Surajpur	
26					Jarahi
27		Koriya		Baikunthpur	

Appendix 4

(Reference Paragraph 4.1.2, Page 27)

Statement showing the delayed transfer of stamp duty to Urban Local Bodies

(₹ in lakh)

Year	Month of transfer	Amount
2006-07	March 2017	2.99
2007-08	March 2017	2.48
2008-09	June and December 2016	0.40
2009-10	June and December 2016	0.85
2010-11	June and December 2016	1.04
2011-12	June and December 2016 and February 2020	3.17
2012-13	June and December 2016 and February 2020	5.61
2013-14	June, September, October and December 2016, March and July 2017 and February 2020	32.51
2014-15	June, July, October and December 2016 and July 2017	58.44
2015-16	October 2016, February, March and May 2017 and January 2018	1959.26
2016-17	March, May and November 2018	1478.89
2017-18	February and October 2020	52.14
2018-19	October 2016, October 2019, March and October 2020	185.13
2019-20	October 2020	1004.70
	Total	4787.61

(Source: Information compiled from records of UADD)

Appendix 5

(Reference Paragraph 4.1.3, Page 29)

Statement showing the details of outstanding revenue of Property Tax in test-checked Urban Local Bodies

(₹ in lakh)

Sl. No.	Name of ULB	Current year demand		Outstanding demand		Total		
		Demand	Recovery	Demand	Recovery	Demand	Recovery	Outstanding
1	Raipur	6289.69	5188.94	703.46	801.66	6993.15	5990.60	1002.55
2	Bhilai	2500.00	1945.11	600.00	902.54	3100	2847.65	252.35
3	Durg	645.31	608.26	195.51	213.50	840.82	821.76	19.06
4	Rajnandgaon	313.08	194.02	103.40	80.88	416.48	274.90	141.58
5	Korba	3258.18	2282.28	1644.36	191.28	4902.54	2473.56	2428.98
6	Baikunthpur	21.60	19.75	11.81	15.10	33.41	34.85	-1.44
7	Surajpur	11.50	4.80	5.41	4.26	16.91	9.06	7.85
8	Gobaranavapara	43.32	31.47	13.55	11.62	56.87	43.09	13.78
9	Tilda	39.67	29.16	20.76	7.85	60.43	37.01	23.42
10	Balod	45.14	30.51	18.46	9.07	63.6	39.58	24.02
11	Jamul	121.07	109.16	7.92	6.94	128.99	116.10	12.89
12	Kawardha	57.95	51.49	12.02	11.11	69.97	62.60	7.37
13	Dongargarh	39.14	16.10	31.67	13.54	70.81	29.64	41.17
14	Khairagarh	25.00	8.34	41.93	13.26	66.93	21.60	45.33
15	Bijapur	21.27	11.70	14.71	8.39	35.98	20.09	15.89
16	Sukuma	23.89	21.27	6.57	5.85	30.46	27.12	3.34
17	Jarahi	21.99	1.20	20.62	39.35	42.61	40.55	2.06
18	Pathariya	6.25	3.87	13.45	4.65	19.7	8.52	11.18
19	Dabhara	9.57	4.75	16.41	5.27	25.98	10.02	15.96
20	Kharora	19.46	15.73	3.50	2.27	22.96	18.00	4.96
21	Gunderdehi	8.50	5.63	4.65	3.70	13.15	9.33	3.82
22	Arjunda	7.29	6.77	1.05	0.70	8.34	7.47	0.87
23	Chhuikhadan	5.10	3.78	1.90	1.74	7	5.52	1.48
24	Gandai	4.79	5.09	6.69	0.11	11.48	5.20	6.28
25	Dongargaon	16.52	9.16	24.95	5.59	41.47	14.75	26.72
26	Tumgaon	13.52	6.72	12.47	4.92	25.99	11.64	14.35
27	Keshkal	16.14	4.82	33.23	9.15	49.37	13.97	35.40
	Total	13582.32	10610.31	3578.60	2376.84	17160.92	12987.15	4173.77

Appendix 6

(Reference Paragraph 4.1.4, Page 31)

Statement showing the details of outstanding revenue of Water Tax in test-checked Urban local Bodies

(₹ in lakh)

Sl. No.	Name of ULB	Current year demand		Outstanding demand		Total		
		Demand	Recovery	Demand	Recovery	Demand	Recovery	Outstanding
1	Raipur	2404.17	1850.06	436.41	461.51	2840.58	2311.57	529.01
2	Bhilai	400.00	192.15	250.00	235.73	650.00	427.88	222.12
3	Durg	447.78	369.18	153.92	119.81	601.70	488.99	112.71
4	Rajnandgaon	325.29	176.19	416.72	88.50	742.01	264.69	477.32
5	Korba	293.72	79.81	780.00	41.32	1073.72	121.13	952.59
6	Baikunthpur	18.00	8.83	20.29	12.95	38.29	21.78	16.51
7	Surajpur	6.00	1.63	9.20	1.75	15.20	3.38	11.82
8	Gobaranavapara	48.98	24.11	72.68	11.79	121.66	35.90	85.76
9	Tilda	26.30	11.05	45.89	8.87	72.19	19.92	52.27
10	Balod	53.35	29.26	73.89	13.11	127.24	42.37	84.87
11	Jamul	40.50	19.54	52.92	9.31	93.42	28.85	64.57
12	Kawardha	99.09	74.88	144.51	36.99	243.60	111.87	131.73
13	Dongargarh	43.07	19.82	80.60	8.21	123.67	28.03	95.64
14	Kharora	38.76	23.14	49.73	11.74	88.49	34.88	53.61
15	Bijapur	34.72	17.43	23.93	7.46	58.65	24.89	33.76
16	Sukuma	13.00	6.04	5.87	5.08	18.87	11.12	7.75
17	Jarahi	0.52	0.57	0.06	0.13	0.58	0.70	-0.12
18	Pathariya	6.45	4.90	7.80	4.73	14.25	9.63	4.62
19	Dabhara	2.05	0.69	1.74	2.41	3.79	3.10	0.69
20	Kharora	20.82	18.77	10.96	3.27	31.78	22.04	9.74
21	Gunderdehi	8.86	5.43	2.90	1.29	11.76	6.72	5.04
22	Arjunda	11.94	13.84	1.07	1.07	13.01	14.91	-1.90
23	Chhuikhadan	13.45	13.81	6.72	7.59	20.17	21.40	-1.23
24	Gandai	10.93	11.03	10.37	0.41	21.30	11.44	9.86
25	Dongargaon	22.19	9.11	19.33	8.63	41.52	17.74	23.78
26	Tumgaon	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27	Keshkal	25.11	6.27	12.44	4.66	37.55	10.93	26.62
	Total	4415.05	2987.54	2689.95	1108.32	7105.00	4095.86	3009.14

Appendix 7

(Reference Paragraph 4.1.5, Page 32)

Statement showing the details of user charges collected in test-checked Urban local Bodies

(₹ in lakh)

Sl. No.	ULB	Period	Total Houses	Total establishment	Target to be as per minimum slab rate*	Target Set for user charges	Recovery of User charges
1	Raipur	2018-21				0.00	272.43
2	Korba	2018-20				0.00	54.30
3	Tilda	2018-20				0.00	9.54
4	Kawardha	2018-20				0.00	10.85
5	Dongargarh	2017-20				0.00	18.78
6	Rajnandgaon	2017-21				524.31	210.91
7	Bhilai	2017-20				1600.00	1757.99
8	Durg	2017-20	64613	7007	899.62	625.18	625.53
9	Gobranavapara	2017-20	4571	901	65.59	48.36	25.24
10	Jamul	2017-20	5641	476	69.49	30.77	16.72
11	Balod	2018-20	5439	610	76.31	12.40	11.23
12	Khairagarh	2018-20	4850	315	61.45	38.70	16.24
13	Bijapur	2017-20	4445	237	41.12	52.05	2.03
14	Sukma	2018-20	3339	365	31.05	52.39	0.00
15	Surajpur	2018-20	3476	30	25.60	52.00	18.70
16	Baikunthpur	2018-20	3454	181	28.35	58.78	4.98
17	Kharora	2018-20	1737	669	20.53	39.91	9.57
18	Gunderdehi	2018-20	1993	314	18.12	27.85	4.33
19	Dongargaon	2017-20	3498	330	43.72	32.43	5.55
20	Gandai	2018-20	2385	359	32.22	26.43	6.23
21	Chhuikhadan	2017-20	1562	390	23.89	35.53	4.84
22	Pathariya	2018-20	1053	125	9.08	8.56	0.58
23	Dabhara	2018-20	1811	359	17.35	29.90	1.81
24	Keshkal	2018-20	1728	194	14.77	21.70	3.16
25	Tumgaon	2018-20	1641	215	14.39	11.18	1.46
	Total				1492.64	1063.05	3093.00

* Calculated on the information provided by ULB based on minimum user charges of ₹30 per household and ₹80 per establishments for Nagar Nigam & Nagar Palika Parisgad and ₹50 per establishments for Nagar Panchayat

Appendix 8

(Reference Paragraph 4.1.6, Page 32)

Statement showing the details of mobile tower in test-checked Urban local Bodies

(₹ in lakh)

Sl. No.	Name of ULB's	Mobile tower Pending for regularisation and renewal			
		Number of unauthorised Tower	Number of valid Tower	Amount recovered as renewal fee	Outstanding renewal fee
1	Raipur	146	392	118.42	247.12
2	Surajpur	2	13	2.00	6.70
3	Jarhi	5	0	0.14	0.00
4	Durg		124	80.89	0.00
5	Bhilai		243	99.17	181.70
6	Korba		209	7.35	126.44
7	Tilda		13	5.28	4.00
8	GobraNavapara		17	0.40	15.50
9	Jamul		13	4.10	10.28
10	Balod		18	10.81	10.55
11	Kawardha		17	7.81	12.69
12	Dongargarh		10	1.11	9.58
13	Bijapur		9	7.03	2.05
14	Sukma		6	1.45	3.60
15	Baikunthpur	2	12	2.20	14.90
16	Kharora		7	1.74	1.93
17	Tumgaon		5	1.05	1.20
18	Arjunda		5	1.04	1.00
19	Dongargaon		5	0.74	0.89
20	Gandai		6	1.68	2.20
21	Chhuikhadan		2	0.79	0.22
22	Dabhara		7	0.09	2.97
23	Keshkal		10	2.00	7.30
	Total	155	1143	357.28	662.81

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