CHAPTER III

AUDIT OF URBAN LOCAL BODIES

URBAN ADMINISTRATION AND DEVELOPMENT DEPARTMENT

3.1 Delay in Allotment of shops on rent

Loss of potential revenue of ₹ 39.11 lakh from rent due to delay in allotment of shops constructed in the *Subhash Dwar* Business Complex by Municipal Corporation, Rajnandgaon

The Chhattisgarh Municipal Corporation *(Achal Sampatti ka Antaran)*[1] Rules 1994 stipulate that immovable property shall be leased out, sold or transferred to the person who proposes the highest rate in the tender invited for such purpose. As per the provision (c) of sub-section (2) of Section 80 of the Chhattisgarh Municipal Corporation Act, 1956, the Commissioner may lease, sell or otherwise convey any immovable property belonging to the Corporation, with the sanction of the Corporation (General Body).

Scrutiny of records (April 2022) in the office of the Commissioner, Municipal Corporation (MC), Rajnandgaon revealed that the MC had constructed (2015) 12 shops (six on the ground floor and six on the first floor) in the commercial premises located in the *Subhash Dwar* (*Delhi Darwaja)* Business Complex of the Corporation area. The MC had initiated the auction process in October 2015 for the allotment of shops on rent. The completion certificate was subsequently issued in March 2018. The general conditions attached with the auction for the shops stipulated that the monthly rent of the shop can be increased by 15 *per cent* after every three years, or as per the instructions of the State Government and the Corporation and the increased rent will be automatically implemented every three years starting from the first day of next month.

It was further observed that the highest bid received for the six shops on the ground-floor[2] was approved in the Mayor-in-Council (MIC) meeting in November 2015 and subsequently in the General Body meeting in December 2015. Five years after the General Body's approval (October 2020), the proposal to accept the highest bid was sent to the State Government. The Collector of Rajnandgaon approved it in August 2022. However, as per Section 80 of the aforesaid Act, State Government approval was not required beyond the General Body approval.

The agreement was entered (August 2024) with the highest bidders after a further delay of two years. Further, only three out of six bidders paid monthly rent amounting to a total of ₹ 0.88 lakh after the agreement was entered into (August 2024). Had the MC taken prompt action to complete the requisite formalities soon after the approval of the highest bid by the MIC and the General

[1] Transfer of Immovable Property

[2] Bidders furnished bids only for the six shops on ground floor.

Body, the MC could have realised a potential revenue of ₹ 39.11 lakh on account of monthly rent from April 2018[3] to July 2024 as detailed in the **Table 3.1:**

Table 3.1: Details of potential loss of rent in respect of Ground-floor shops

Shop	Monthly Rent (Amount in ₹) (A)	Total Months (April 2018 to July 2024) (B)	Total Potential loss of rent (Amount in ₹) (C) = (A)*(B)
G-1	10,521	76	7,99,596
G-2	10,521	76	7,99,596
G-3	10,521	76	7,99,596
G-4	10,521	76	7,99,596
G-5	4,874	76	3,70,424
G-6	4,512	76	3,42,912
Total	-	-	**39,11,720**

(Source: Information provided by the MC, Rajnandgaon and compiled by Audit)

On this being pointed out by Audit, the Commissioner replied (May 2022) that the highest bids in the auction were recommended in the MIC meeting (November 2015) as well as in the General Body meeting (December 2015). Meanwhile, the departmental work was affected due to COVID-19 pandemic and the requirement of other related information. The proposal was sent (October 2020, September 2021 and December 2021) to the State Government for approval after the recommendation of the General Body.

The reply is not acceptable. The General Body had recommended the highest bids in December 2015, and the completion certificate was issued in March 2018. The COVID-19 pandemic commenced only in March 2020, providing a 51-month window (December 2015 to March 2020) to complete the formalities. The reply does not specify what 'other related information' was required or why it could not be obtained during this period. Further, as per Section 80 of the CGMC (Immovable property) Act, State Government approval was also not required; however, the Corporation sought such approval, resulting in avoidable delay and loss of potential revenue.

The matter was reported (December 2024) to the State Government. However, reply is awaited (November 2025).

3.2 Incomplete work of water supply infrastructure

Failure to enforce contractual provisions and non-recovery of liquidated damages amounting to ₹ 5.18 crore from contractors for delayed and incomplete execution of water supply infrastructure.

The Urban Administration and Development Department (UADD) accorded Administrative Approval (AA) in October 2017 to two ULBs in Janjgir-Champa district (*Nagar Palika Parishad* (NPP), Janjgir-Naila and NPP, Akaltara) for the execution of water distribution pipeline works. The rate contracts for these works were approved by the UADD in October 2018 and March 2019, respectively. Subsequently, the works were awarded to the contractors[4] (October 2018 and June 2019) for ₹ 34.55 crore (Janjgir-Naila) and ₹ 27.59

[3] Completion certificate was issued in March 2018.

[4] M/s. Multiurban Infra Services Pvt. Ltd., Nagpur (lowest bidding contractor in both the ULBs)

crore (Akaltara), with a stipulated completion period of 24 months i.e. by October 2020 for Janjgir-Naila and May 2021 for Akaltara. A total payment of ₹ 36.68 crore comprising ₹ 24.35 crore (70.48 *per cent*) in Janjgir-Naila and ₹ 12.33 crore (44.69 *per cent*) in Akaltara was made up to October 2025, corresponding to physical progress of 64.48 *per cent* and 55.11 *per cent*, respectively.

During scrutiny of the records of both the ULBs, audit observed that the Chief Municipal Officer (CMO), Janjgir-Naila granted a 24 months' time extension based on the contractor's application, citing the COVID-19 pandemic and other miscellaneous factors, up to October 2022. However, the work remained incomplete and the CMO further allowed a time extension of 13 months up to November 2023. Similarly, based on the contractor's application, the CMO, Akaltara granted 715 days extension up to March 2023, but the work remained incomplete. Thus, despite an expenditure of ₹ 36.68 crore, both the works are incomplete as of September 2025 even after a lapse of 22 and 30 months respectively from the last date of the extended period.

However, the CMOs of both ULBs failed to take penal action in accordance with condition No. 13 of the contracts, which stipulates that the entire work would be completed in all respects within 24 months from the date of issue of the commencement (work) order. If, for any reason, the work is not completed to the satisfaction of the CMO within the stipulated period, the contractor shall forfeit a sum of ₹ 37,500 per day (Janjgir-Naila) / ₹ 30,000 per day (Akaltara) to the CMO of ULB as ascertained and liquidated damages for each day of delay.

Further, it was noticed that a total amount of ₹ 1.67 crore (₹ 1.08 crore from Janjgir-Naila and ₹ 0.59 crore from Akaltara) was withheld as security deposit (SD) from the contractors' running bills. The liquidated damages recoverable from the contractors for the delay beyond the extended period amount to ₹ 5.18 crore. Accordingly, the SD of ₹ 1.67 crore should have been forfeited against the total liquidated damages of ₹ 5.18 crore, and the remaining ₹ 3.51 crore should have been recovered from the contractors. However, instead of enforcing the provision, the CMOs of both the ULBs merely issued notices to the contractors. The calculation of the recoverable amount of damages as of September 2025 is given in **Table 3.2** below:

Table 3.2: Liquidated damages amount calculation

Sl. No.	Name of the ULB	Contract sum (₹ in crore)	Scheduled date of completion	Revised completion date after extension	Delay in months from the revised completion date (up to September 2025)	Liquidated damages rate (₹/day)	Amount recoverable as liquidated damages[5] (₹ in crore)
1	NPP, Janjgir-Naila	34.55	04.10.2020	30.11.2023	22	37,500	2.48
2	NPP, Akaltara	27.59	13.06.2021	31.03.2023	30	30,000	2.70
Total		**62.14**	**-**		**-**	**-**	**5.18**

(Source: Information provided by the ULBs and compiled by Audit)

[5] a)Janjgir-Naila: Calculation: ₹ 37,500 × 22 months × 30 days = ₹ 2.48 crore (Within the 10% LD cap)
b)Akaltara: Calculation: ₹ 30,000 × 30 months × 30 days = ₹ 2.70 crore (Within the 10% LD cap)

Above table shows that despite prolonged delays, liquidated damages amounting to ₹ 5.18 crore have not been recovered. The ULBs should have initiated prompt recovery and ensured adherence to the contractual provisions.

On being pointed out by audit, the CMO of NPP, Janjgir-Naila stated (December 2023) that the work remained incomplete and the contractor had not executed the work despite delay beyond the revised completion date. The CMO of NPP, Akaltara stated (October 2023) that appropriate action would be taken as per rules.

The replies are not acceptable, as both the ULBs failed to enforce the contractual provisions despite prolonged delays and substantial payments. Immediate action should have been taken to impose liquidated damages as per Condition 13 of the contracts and to initiate proceedings against the defaulting contractors.

Reply of State Government is awaited (November 2025).

Raipur
The : 20 June 2026

(MOHD. FAIZAN NAYYAR)
Accountant General (Audit)
Chhattisgarh

Countersigned

New Delhi
The : 24 June 2026

(K. SANJAY MURTHY)
Comptroller and Auditor General of India