CHAPTER I

Introduction to the Local Government in the State and its Audit

1.1 Introduction

To promote greater autonomy at the grassroots level and to involve people in the identification and implementation of developmental programs, the 73rd Constitutional Amendment Act (CAA), 1992 and the 74th CAA, 1992 were promulgated. These acts confer constitutional status on Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), respectively.

Article 243G authorises State Legislatures to enact laws granting PRIs the necessary powers and authority to function as institutions of self-government, and Article 243W empowers State Legislatures to enact laws enabling ULBs to function as self-governing institutions.

The State of Chhattisgarh, with Raipur as its capital, came into existence on 1 November 2000 by the separation of 16 districts from Madhya Pradesh. There are 33[1] districts in the State as of March 2023.

Accordingly, Chhattisgarh initially adopted Madhya Pradesh's Panchayat Raj system as a transitional arrangement. The State modified the *Madhya Pradesh Panchayat Raj evam Gram Swaraj Adhiniyam, 1993* and adopted it as the *Chhattisgarh Panchayat Raj Adhiniyam (CGPRA), 1993* for PRIs, governing the functional and fiscal domain of Panchayats. In ULBs, the Madhya Pradesh Municipal Corporation Act, 1956 and the Madhya Pradesh Municipalities Act, 1961 were adopted (August 2001) and modified as the Chhattisgarh Municipal Corporation Act (CGMCA), 1956 and the Chhattisgarh Municipalities Act (CGMA), 1961 in Chhattisgarh to consolidate and amend the laws relating to Municipal Corporations and Municipalities, and making better provision for the organisation and administration of Municipal Corporations and Municipalities.

1.1.1 State Profile

Chhattisgarh, located in central India, covers almost 4.11 *per cent* of the country's area (135,192 sq. km.) and 2.11 *per cent* of the country's total population (2.55 crore). As per the Census 2011, out of the total population of 2.55 crore in the State, the rural population is 1.96 crore (77 *per cent*) and the urban population is 59 lakh (23 *per cent*).

In accordance with Article 243B, PRIs are organised into three tiers, viz., Zila Panchayat (ZP) at the District level, Janpad Panchayat (JP) at the Block (intermediate) level and Gram Panchayat (GP) at the Village level.

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[1] 1. Balod 2.Baloda Bazar 3. Balrampur 4. Bastar 5. Bemetara 6. Bijapur 7. Bilaspur 8. Dantewada 9. Dhamtari 10. Durg 11. Gariaband 12. Gaurela-Pendra-Marwahi 13. Janjgir-Champa 14. Jashpur 15. Kabirdham 16. Kanker 17. Khairagarh-Chhuikhadan-Gandai 18. Kondagaon 19. Korea 20. Korba 21. Mahasamund 22. Mohla-Manpur-Ambagarh Chowki 23. Manendragarh-Chirmiri-Bharatpur 24. Mungeli 25. Narayanpur 26. Raigarh 27. Raipur 28. Rajnandgaon 29. Sakti 30. Sarangarh-Bilaigarh 31. Sukma 32. Surajpur 33. Surjguja

In accordance with Article 243Q, ULBs are organised into three types: *Nagar Panchayats* (NPs) for transitional areas, *Nagar Palika Parishads* (*NPPs*) for smaller urban areas, and Municipal Corporations (MCs) for larger urban areas.

The basic information about the State of Chhattisgarh is given in **Table 1.1** below**:**

Table 1.1: Basic information about the State

PRIs		ULBs	
Particulars	**Figures**	**Particulars**	**Figures**
Rural population (Crore)	1.96	Urban population (Crore)	0.59
Rural Literacy rate (*per cent*)	66	Urban Literacy rate (*per cent*)	84
Sex ratio (females per thousand males)	1,001	Sex ratio (females per thousand males)	956
Zila Panchayat (Number)	27	Municipal Corporation (Number)	14
Janpad Panchayat (Number)	146	Nagar Palika Parishad (Number)	44
Gram Panchayat (Number)	11,656	Nagar Panchayat (Number)	112

(*Source: Census 2011 final figures of the GoI website, Administrative report (2022-23) of PRDD and UADD*)

1.2 Organisational Setup

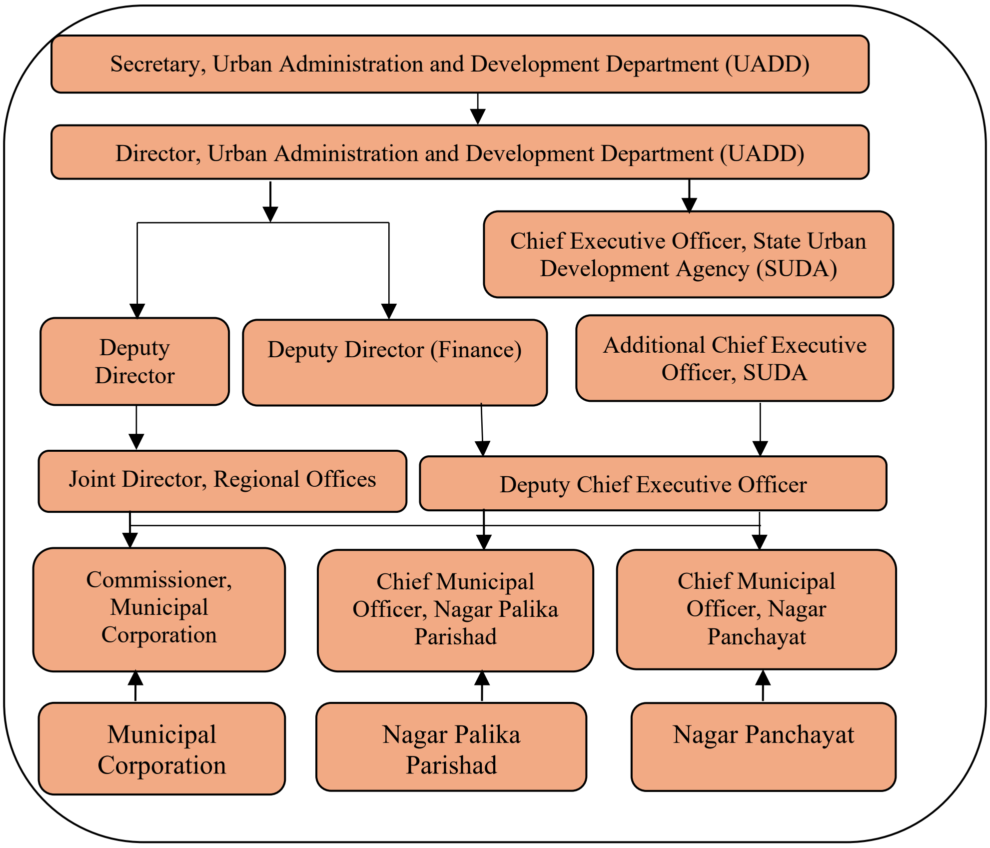
1.2.1 Organisational Setup of PRIs

The PRIs are under the administrative control of the Panchayat and Rural Development Department (PRDD) of the Government of Chhattisgarh (GoCG). The activities of the PRIs in the State are regulated according to the provisions of the *CGPRA*, 1993. The Act and the Rules/Bylaws made thereunder provide for executive/administrative as well as elected bodies to discharge their duties in carrying out the administration of PRIs. The organisational structure of governance at the State, District, Block, and Village levels is discussed in Paragraph 2.4 of Chapter II of this report.

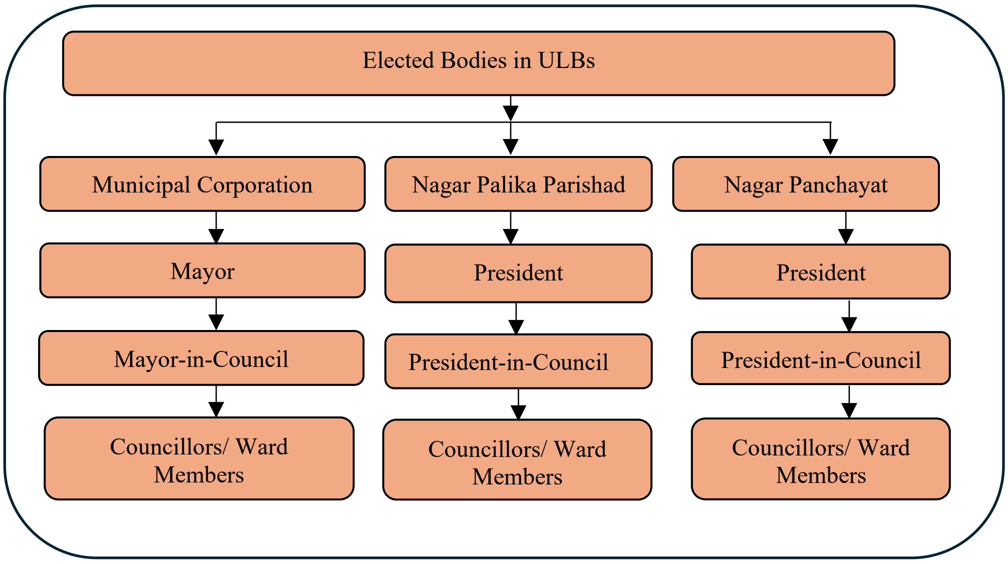
1.2.2 Organisational Setup of ULBs

ULBs are under the administrative control of the Urban Administration and Development Department (UADD) of the GoCG. The activities of the ULBs in the State are regulated by the provisions of the CGMCA, 1956, and the CGMA, 1961. The Act and the Rules/Bylaws made thereunder provide for executive/administrative as well as elected bodies to discharge their duties in carrying out the administration of the ULBs. The organisational structure of governance at the State, MC, NPP and NP levels is given below:

Organisational Chart of ULBs (Executive/Administrative)



Organisational Chart of ULBs (Elected members)



The UADD oversees policy, coordination, and supervision of the ULBs, under the administrative control of the Secretary at the State level and operational leadership of the Director. The Director is assisted by senior officials for finance, administration, and infrastructure, with regional monitoring handled by Joint Directors.

The State Urban Development Agency (SUDA), Chhattisgarh, constituted under the UADD, primarily functions as the State-level Nodal Agency for preparing urban development plans through various state-level/district-level agencies, along with providing the required guidance, implementing schemes launched by the Central and State Government through ULBs/Special Purpose Vehicles (SPVs) and ensuring the management and maintenance of all resources and assets generated or created under these schemes.

At the ULB level, Municipal Commissioners and Chief Municipal Officers appointed by the State, manage administration and execution, reporting to the UADD via Regional Joint Directors.

Mayors and Presidents are directly elected; heads of Corporations and Councils/Panchayats, respectively, lead the Mayor-in-Council/President-in-Council and are key in setting priorities and approving budgets. Ward Councillors represent local interests and oversee project execution.

1.3 Powers and Functions of PRIs and ULBs

1.3.1 Powers and Functions of PRIs

The PRIs in the State are organised into three categories, i.e., ZPs, JPs and GPs and the State Government has defined the functions of the ZPs, JPs and GPs under Sections 52, 50 and 49 respectively, of the *CGPRA*, 1993. Further, the powers of the PRIs are set out in Sections 54 to 68 of the Act. Details of the power and function of executives and elected members at each level are summarised in the following paragraphs:

1.3.1.1 Zila Panchayat

1.3.1.1 (i) Powers and Functions of Chief Executive Officer at ZP level

ZPs are the first tier of PRIs at the district level. Section 69 (3) of the Act states that the State Government shall appoint a Chief Executive Officer (CEO) for every ZP as administrative head and may also appoint one or more Additional CEOs, who shall discharge such functions and perform such duties as may be assigned to them by the CEO. The CEO is responsible for taking action based on the resolutions of ZP and supervising, controlling and coordinating the execution of all activities at ZP, JP and GP level such as preparing budget for the planned development of the district and utilisation of the resources, drawing up annual plans for the economic development of the district and social justice of the citizens, drawing and disbursing money out of the ZP funds as per the financial rules and ensuring implementation of any schemes entrusted by the Central or State Government, appropriation of the grants received from the Central or State Government to the JPs and GPs as per the specified criteria.

1.3.1.1 (ii) Powers and Functions of President and Vice-President at ZP level

As per Section 29 of the Act, every ZP shall consist of members elected from the constituencies, who are empowered under Section 32 of the Act to elect a President and a Vice-President.

The President shall be responsible for carrying out the activities based on the resolutions of the ZP, presenting matters to the ZP for its approval, compliance with all directions issued by the State Government and all functions assigned to the ZP under Section 52 of the Act. He is also responsible for convening ZP meetings, ensuring the upkeep of records and registers and issuing cheques for payment, etc.

1.3.1.2 Janpad Panchayat

1.3.1.2 (i) Powers and Functions of Chief Executive Officer at JP level

The Janpad Panchayats (JPs) are the intermediate tier of PRIs at the block level. Section 69 (2) of the Act states that the State Government shall appoint a CEO as the administrative head for every JP and may also appoint one or more additional CEOs, who shall discharge such functions and perform such duties as may be assigned to them by the CEO. The CEO is responsible for taking action based on the resolution of JP, supervising and controlling the execution of all JP activities, and drawing and disbursing funds from JP's funds in accordance with the financial rules. The JPs have the least source of their own revenue and are primarily dependent on the block grants received from ZP.

1.3.1.2 (ii) Powers and Functions of President and Vice President at the JP level

As per Section 22 of the Act, every JP shall consist of members elected from the constituencies, who shall elect a President and a Vice-President under Section 25 of the Act.

The President is responsible for carrying out the activities based on the resolutions of the JP, all directions issued by the State Government, and all functions assigned to the JP under Section 50 of the Act. He is also responsible for convening meetings of JP, ensuring upkeep of records and registers, issuing cheques for payment, making suitable arrangements for rural development, agriculture, social forestry, animal husbandry and pisciculture, health and hygiene, adult education and cooperative work, etc.

1.3.1.3 Gram Panchayat

1.3.1.3 (i) Powers and Functions of the Secretary at the GP level

The GPs are the last tier of PRIs at the grassroots level. Section 69(1) of the Act states that the State Government or the prescribed authority may appoint a Secretary for a GP or a group of two or more GPs. The Secretary is responsible for recording the proceedings of the Gram Sabha and meetings of the GP, regulating the functioning of the GP, maintaining all the official records in the GP, preparing an annual plan of the GP, preparing estimates of revenue and expenditure, recovering taxes, fees and other dues of the GP, etc.

The Secretary is also responsible for supervising cleanliness and hygiene, drinking water, lighting on village roads, and the implementation of social welfare programs, as well as any other activities entrusted to the Secretary by the State Government, ZP or JP.

1.3.1.3 (ii) Powers and Functions of the Sarpanch and Up-Sarpanch at GP level

As per Section 13 of the Act, every GP shall consist of elected *Panchs* and a *Sarpanch*. The *Sarpanch* is elected in accordance with the provisions of Section 17 of the Act.

The *Sarpanch* shall be responsible for carrying out the activities based on the resolutions of the GP, all directions issued by the State Government, and all functions assigned to the GP under Section 49 of the Act. He would be responsible for ensuring proper maintenance of records and registers, authorising payments, issuing cheques and refunds, and related tasks.

1.3.2 Powers and Functions of ULBs

Article 243X of the Constitution of India envisages that the State Legislature may vest power in ULBs to impose various taxes for revenue collection. This constitutional provision has been incorporated in Clause 132 of the CGMCA, 1956, and Clause 127 of the CGMA, 1961.

The ULBs in the State are organised into three categories, i.e., MCs, *NPPs*, and *NPs*, and the State Government has defined the powers and functions of MCs, *NPPs*, and *NPs* under Sections 66 and 67 of the CGMCA, 1956, and Sections 123 and 124 of the CGMA, 1961. Details of the power and function of executives and elected members at each level are summarised in the following paragraphs.

1.3.2.1 Powers and Functions of the Mayor and Councillors at the MC level

As per Section 9 of the CGMCA, 1956, an MC comprises a Mayor and Councillors, directly elected by citizens. Under Section 37, the Mayor-in-Council (MIC) is constituted for every MC to execute policy and oversee governance, functioning similarly to a local cabinet.

Elected Councillors actively participate in passing municipal bylaws, setting development priorities, and approving budgets to ensure essential civic services. The Mayor and MIC oversee service delivery and urban governance. Councillors represent ward interests in planning, address grievances, and ensure transparency by holding the executive accountable. Through various committees, they provide oversight of departmental functioning.

Councillors serve on various standing committees such as Finance, Health, Public Works, Education, and Sanitation, which examine sector-specific issues and make recommendations to the full Council. These committees enable decentralised governance and ensure detailed scrutiny of departmental matters.

1.3.2.2 Powers and Functions of the President and Councillors at NPP and NP level

Under Section 19 of the CGMA, 1961, *NPPs* and *NPs* governing small or transitional urban areas are composed of a President and Councillors, all of whom are directly elected. Section 70 provides for the formation of the President-in-Council (PIC), which is similar in function to MICs in Corporations.

The President and Councillors set local policies, oversee budgeting and planning, and address public grievances. Through PIC and Council meetings, they ensure community participation and monitor the timely execution of civic projects.

Councillors in Councils and NPs also participate in subject-specific committees that supervise functions of various departments. These committees are essential for decentralised oversight and ensure that elected representatives remain involved in administrative and developmental affairs.

1.4 Brief Overview of Devolution

The 73rd and 74th amendments of the Constitution, incorporating the 11th and 12th Schedules, cast certain obligatory functions on PRIs and ULBs, respectively. Article 243G empowers states to assign PRIs responsibilities for economic development and social justice across 29 functions listed in the 11th Schedule. Similarly, Article 243W empowers states to assign ULBs with responsibilities for economic development and social justice across 18 subjects listed in the 12th Schedule.

PRIs- The status and audit observations on devolution of 29 functions in respect of PRIs have been discussed in Paragraph 2.9.2 of Chapter II of this report.

ULBs- As per the fourth State Finance Commission (SFC) Report (January 2024), the mandatory and discretionary functions of MCs, *NPPs*, and *NPs* are specified in Sections 66 and 67 of the CGMCA, 1956, and in Sections 123 and 124 of the CGMA, 1961, respectively. These mandatory and discretionary functions also include those related to 18 subjects of the 12th Schedule. The works related to these 18 subjects were being carried out by the ULBs in Chhattisgarh even before the 74th Constitutional Amendment.

1.5 Maintenance of Accounts

1.5.1 Maintenance of Accounts by PRIs

According to Model Accounting System (MAS) for PRIs issued (2009) jointly by the Comptroller and Auditor General (C&AG) of India and Ministry of Panchayati Raj (MoPR), Government of India, the accounts of any PRI would consist of Annual Receipt and Payment Account (Form-I) duly supported by Consolidated Abstract (Form-II), Reconciliation Statement (Form-III), Statement of Receivables and Payables (Form-IV), Register of Immovable Property (Form-V), Register of Movable Property (Form-VI), Inventory Register (Form-VII) and Register of Demand, Collection and Balance (Form-VIII). The MoPR had incorporated the MAS in the PRIs Accounting Software (*PRIASoft*), and thereafter, *PRIASoft* has been amalgamated into the *'e-GramSwaraj'*- a single-stop IT platform catering to various requirements of panchayats. In Chhattisgarh, online accounting in *the e-GramSwaraj* Portal was implemented from April 2020. As of now, in *e-GramSwaraj*, five formats (I, II, III, VII, VIII) are available.

According to information provided by the PRDD, Chhattisgarh, PRIs maintain their accounts on cash-basis. Further, the accounting for the funds devolved from the Central Finance Commission (CFC) is being done on the *e-GramSwaraj* Portal. In contrast, the accounting for funds received from the SFC, own revenue sources, and from various schemes is being done manually.

The existing system for maintaining accounts in PRIs is in accordance with the Chhattisgarh Gram/Janpad/Zila Panchayat (Accounts) Rules, 1999. The audit observations related to preparation of PRIs' accounts have been discussed in Paragraph 2.13.3 of Chapter II of this report.

As per Section 23(xi) of the Chhattisgarh State Audit Act, 1973, the Chhattisgarh State Audit (CSA) must provide a certificate regarding the correctness of the annual accounts.

The Panchayat Directorate stated (June 2024) that certification of 11,818 PRIs' accounts for the year 2022-23 had been completed, and no accounts were pending for certification. However, from the details provided (July 2024) by CSA, it was noticed that only 10,268 PRIs accounts were certified for the year 2022-23. As such, the difference in the status of accounts certification given by the Panchayat Directorate and the CSA needs to be reconciled by the department. Reply is awaited (November 2025).

1.5.2 Maintenance of Accounts by ULBs

The Government of India, in consultation with the C&AG, had formulated (December 2004) the National Municipal Accounts Manual (NMAM) with a double-entry system for greater transparency and control over finances. Further, Section 125-B of the CGMCA, 1956 and Section 119-B of the CGMA, 1961, also provide that the State Government shall prescribe and maintain a manual to be called the Chhattisgarh Municipal Accounts Manual (CGMAM) containing details of all financial matters and procedures relating thereto in respect of municipal bodies. Accordingly, CGMAM and Chart of Accounts had been prepared in line with NMAM 2004 but their implementation is currently pending approval from the GoCG.

The SUDA informed (March 2024) that all ULBs are currently preparing the books of accounts under a single-entry cash-based accounting system. These are being migrated to double-entry accrual-based accounting by chartered accountancy firms. This migration to accrual-based accounting for ULBs' books and records was initiated in January 2023. As of March 2024, the financial statements for 2021-22 have been migrated, but those for 2022-23 and 2023-24 were still in progress.

UADD stated (June 2024) that the preparation of 162 out of the total 170 ULBs accounts for the year 2022-23 was completed.

Further, the Director, CSA, stated (August 2024) that certification of 84 out of 170 ULBs accounts for the year 2022-23 was completed.

1.6 Audit Arrangement

1.6.1 Primary Auditor

The Chhattisgarh Sthaniya Nidhi Sampariksha Adhiniyam, 1973, was enacted to provide for and regulate the Audit of local funds under the management or control of local authorities in the State. The State Government designated Chhattisgarh State Audit (CSA) (February 2004) as the primary auditor for the

Audit of the accounts of the PRIs and ULBs.

PRIs- The status of PRIs audited by the CSA and audit observations have been discussed in Paragraph 2.13.4 of Chapter II of this report.

ULBs- As per information provided (August 2024) by the Director, CSA, Audit of 33 out of 170 ULBs accounts for the year 2022-23 was completed.

1.6.2 Status of Audit Reports prepared by CSA and discussion in Public Accounts Committee (PAC)

Section 8-A (1) and (2) of the Chhattisgarh State Audit Act, 1973 state that the annual report of the Director, CSA on the Audit of local authority, shall be submitted to the State Government (Finance Department), and then the State Government (Finance Department) shall cause, the Annual Report as soon as it is received to be laid before the State Legislature.

The status of the preparation of the audit report by the CSA on the local bodies during 2018-23 is shown in **Table 1.2** below:

Table 1.2: Status of Audit Report prepared by the CSA (as of September 2025)

<table>
<tr><th>Sl. No.</th><th>Period of Audit Report</th><th>Date of Submission of Audit Report to the State Government</th><th>Date of Placing the report in the State Legislature</th><th>Date of Discussion in PAC</th></tr>
<tr><td>1.</td><td>2018-19</td><td>19/02/2020</td><td>09/06/2020</td><td rowspan="5">Not discussed yet</td></tr>
<tr><td>2.</td><td>2019-20</td><td rowspan="2">12/11/2021</td><td rowspan="2">13/12/2021</td></tr>
<tr><td>3.</td><td>2020-21</td></tr>
<tr><td>4.</td><td>2021-22</td><td>20/01/2023</td><td>28/02/2023</td></tr>
<tr><td>5.</td><td>2022-23</td><td>19/04/2024</td><td>15/07/2024</td></tr>
</table>

(Source: Information provided by CSA)

1.6.3 Test check of PRIs and ULBs by C&AG under Technical Guidance and Support (TGS)

As part of the test check of Primary Audit Institutions (PAIs), the Accountant General (AG) Audit conducts an audit of selected units that the PAIs have already audited. As per Regulation 120(5) of the Regulations on Audit and Accounts 2020, the C&AG conducts such test checks to provide technical guidance to PAIs.

During the year 2022–23, out of the units audited by the CSA, a total of 108 PRIs and ULB units were selected for the test check of PAI under the TGS arrangement.

1.7 Response to Audit Observations

The C&AG was entrusted (October 2011) with the Audit of LBs by the GoCG under sub-section (1) of Section 20 of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The entrustment read with Regulation 120 of the Regulations on Audit and Accounts, 2020, provides for suitable technical guidance and support to the Primary Auditor of LBs, *viz*., the Directorate of Local Fund Audit (DLFA), to strengthen financial management and accountability in the LBs.

1.7.1 Response to Audit Observation of PRIs

During the period 2018-19 to 2022-23, 197 PRIs units were audited, and 197 Inspection Reports (IRs) containing 2,258 audit observations were issued by the office of the AG (Audit), Chhattisgarh.

The details of outstanding audit observations which appeared in the C&AG's Local Bodies Audit Reports during 2017-18 to 2021-22 are shown in **Table 1.3** below**:**

Table 1.3: Outstanding Audit Observations of C&AG's Local Bodies Audit Report for the year from 2017-18 to 2021-22 w.r.t. PRIs

Sl. No.	Audit Report for the year	Date of laying in the State Legislature	No. of Audit Paragraphs for discussion	No. of audit paragraphs discussed in PAC	No. of audit paragraphs outstanding	No. of audit paragraphs settled	No. of audit paragraphs on which an Action Taken Note was issued
1	2017-18	No separate Local Bodies Audit Report					
2	2018-19						
3	2019-20						
4	2020-21						
5	2021-22	19.03.2025	01	Nil	01	Nil	Nil

1.7.2 Response to Audit Observation of ULBs

During the period 2018-19 to 2022-23, Audits of 145 ULB units were undertaken, and 145 IRs were issued by the office of the AG (Audit), Chhattisgarh, resulting in 1,523 audit observations.

The details of outstanding audit observations which appeared in the C&AG's Local Bodies Audit Reports during 2017-18 to 2021-22 are shown in **Table 1.4** below:

Table 1.4: Outstanding Audit Observations of C&AG's Local Bodies Audit Report for the year from 2017-18 to 2021-22 w.r.t. ULBs

Sl. No.	Audit Report for the year	Date of laying in the State Legislature	No. of Audit Paragraphs for discussion	No. of audit paragraphs discussed in PAC	No. of audit paragraphs outstanding	No. of audit paragraphs settled	No. of audit paragraphs on which an Action Taken Note was issued
1.	2017-18	No separate Local Bodies Audit Report					
2.	2018-19						
3.	2019-20	26.07.2022	10	Nil	10	Nil	Nil
4.	2020-21	No separate Local Bodies Audit Report					
5.	2021-22	19.03.2025	31	Nil	31	Nil	Nil
Total			**41**		**41**		

1.8 Social Audit

A Social Audit, an audit of a scheme/programme, is conducted jointly by government functionaries and the people, especially those affected by or intended beneficiaries of the scheme/programme.

The Director is the head of Chhattisgarh Social Audit Unit (CSAU) and facilitates the conduct of Social Audit of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) works and other rural development schemes by Gram Sabha (GS) with the help and support of resource persons (members of GS/Beneficiaries) identified by the State SAU at the district and village levels in all panchayats of State at least once in every six months, in conformity with GoI's Social Audit Standards and Chhattisgarh Social Audit Rules, 2015.

The Resource Persons, along with the primary stakeholders, shall verify the records related to payments, procurement of materials, and other financial transactions, and convene GS to discuss the findings of the Social Audit and to review compliance with the findings. The Social Audit unit consolidates all the findings and prepares a Social Audit report. On the last day, a special GS is organised, during which the Social Audit findings are read out and the necessary action is recommended by the GS.

1.8.1 Important observations during social Audit by SAU

As per Report No. 9.2.4, generated from the MGNREGA website, social audits conducted by SAUs across various districts of Chhattisgarh revealed significant irregularities. The categories of major findings noticed have been listed in ***Appendix* 1.1.**

Further, the audit observations on the status of social audits conducted during the years 2018-19 to 2022-23 are discussed in Paragraph 2.11.3.1 of Chapter II of this report.

1.9 Financial Reporting

The main sources of revenue for PRIs and ULBs are government assistance/grants and own revenue. Government assistance/grants comprise funds released by the State Government and the Government of India (GoI) on the recommendations of the SFC/CFC, as well as funds received for implementing various schemes. Own revenue sources of PRIs and ULBs comprise the tax and non-tax revenues they realise.

GPs collect taxes and fees like property tax, tax on cleaning of private toilets, light tax, tax on persons carrying out any profession/trade, market fees, and fees on registration of animals sold in any market, etc., as obligatory taxes. In addition, some optional taxes and fees may be levied by GPs.

ULBs collect various taxes, such as property tax, water tax, entertainment tax, user charges for water supply, drainage, or sewerage disposal/treatment, and door-to-door collection of solid waste, etc.

Year-wise revenue receipts and utilisation by PRIs and ULBs during the period 2018-19 to 2022-23 are shown in following **Tables 1.5** and **1.6** respectively.

Table 1.5: Receipts (R) and Utilisation (U) of funds by PRIs

(₹ in crore)

Sl. No.	Source of Revenue	2018-19		2019-20		2020-21		2021-22		2022-23	
		R	U	R	U	R	U	R	U	R	U
1.	Own revenue	107.38	107.38	113.02	113.02	103.30	103.30	107.83	107.83	124.82	124.82
2.	Assigned Revenue	89.56	89.29	74.61	55.44	99.03	98.82	65.00	65.00	70.00	70.00
3.	State Government Schemes	128.67	113.95	123.09	120.31	122.28	120.88	122.70	119.75	219.74	216.86
4.	State Finance Commission	859.49	839.09	751.46	750.47	616.30	606.38	729.45	652.37	1209.36	1209.10
5.	Central Scheme	17.58	4.36	18.20	17.54	6.73	6.73	13.22	13.22	00.00	0.00
6.	Central Finance Commission	1,052.23[2]	949.46	1,415.89	1,285.76	1,454.00	171.97	1,075.00	1,145.85[3]	1,114.00	1,766.02
Total revenue		**2,254.91**	**2,103.53**	**2,496.27**	**2,342.54**	**2,401.64**	**1,108.08**	**2,113.20**	**2,104.02**	**2,737.92**	**3,386.80**

(Source: Information provided by Directorate Panchayat, Raipur)

Note: State schemes include state grants and grant-in-aid

Table 1.6: Receipts (R) and Utilisation (U) of funds by ULBs

(₹ in crore)

Sl. No.	Source of Revenue	2018-19		2019-20		2020-21		2021-22		2022-23	
		R	U	R	U	R	U	R	U	R	U
1.	**Own revenue**	611.58	582.27	577.41	475.37	654.44	608.92	851.36	780.83	1,265.38	1,067.52
2.	**Assigned Revenue**	1,525.50	895.16	1,120.32	1,120.32	1,125.31	1,125.31	1,112.76	1,112.76	1,142.57	1,142.57
3.	**State Government Schemes**	519.70	72.43	289.47	259.47	436.94	373.28	545.44	545.24	4,909.28	4,263.95
4.	**State Finance Commission**	299.76	299.76	320.73	320.73	443.93	443.93	451.45	451.45	423.00	423.00
5.	**Centrally Sponsored Scheme**	1,259.25	936.99	1,689.95	649.30	1,306.28	1,108.10	1,386.88	882.25	1,964.12	1,623.45
6.	**Central Finance Commission**	282.04	282.04	381.09	381.09	700.00	700.00	530.00	530.00	543.50	543.50
Total revenue		**4,497.83**	**3,068.65**	**4,378.97**	**3,206.28**	**4,666.90**	**4,359.54**	**4,877.89**	**4,302.53**	**10,247.85**	**9,063.99**

(Source: Information provided by UADD, Raipur)

Note: own revenue includes tax, non-tax and other receipts.

1.9.1 Recommendations of the SFC and Release of SFC Funds

As per Articles 243I and 243Y of the Constitution of India, the SFC is to be constituted every five years to recommend the devolution of funds from the State Government to Local Bodies and suggest measures for augmenting their own resources. Accordingly, the GoCG has constituted four SFCs since the formation of the State in the year 2000.

2 Includes interest ₹ 4.37 crore for delayed release of grants to PRIs.

3 During 2021-22, balance of previous year is utilised in the current year and similarly for 2022-23 also.

1.9.1.1 Recommendations of the SFCs in respect of PRIs and ULBs and acceptance by the State Government

SFCs had made various recommendations to the State Government. The summarised status of recommendations made by each SFC for PRIs and ULBs and accepted by the State Government is shown in **Table 1.7** below:

Table 1.7: Details of recommendations and acceptance

Sl. No.	Particular	First SFC (2005-12)	Second SFC (2012-20)	Third SFC (2020-26)	Total
1.	Accepted	33	95	34	162
2.	Accepted with amendments	06	11	03	20
3.	Decision after examination or after discussion with the concerned departments	03	04	02	09
4.	Not accepted	32	30	19	81
Total		74	140	58	272

(Source: Information taken from the fourth SFC Report)

A key financial recommendation of all the SFCs has been the allocation of a fixed percentage of the State's Own Net Tax Revenue (SOTR) to PRIs and ULBs. Details are discussed below:

1.9.1.2 Devolution of SOTR to PRIs

Devolution of SOTR to PRIs, as recommended by the SFCs and accepted by the State Government, has been presented in **Table 1.8 below:**

Table 1.8: Devolution of SOTR to PRIs accepted by the State Government as per the recommendation of SFCs

(in per cent)

Sl. No.	State Finance Commission	Date of Constitution	Award Period	Recommendation of Devolution by SFC	Devolution accepted by the State Government
1	**First**	22.08.2003	2005-12	6.63	4.79
2	**Second**	23.07.2011	2012-20	6.15	6.15
3	**Third**	20.01.2016	2020-26	6.91	6.91

(Source: Third and Fourth State Finance Commission Report of Chhattisgarh)

The status of funds flow of the SOTR devolution accepted, actual budget allocated and released to PRIs by the State Government and observations of Audit have been discussed in Paragraph 2.12.3 (B) of Chapter-II of this report.

1.9.1.3 Devolution of SOTR to ULBs

The devolution of SOTR to ULBs, as recommended by SFCs and accepted by the State Government, is detailed in the following **Table 1.9**.

Table 1.9: Devolution of SOTR to ULBs accepted by the State Government as per the recommendation of SFCs

(in per cent)

Sl. No.	State Finance Commission	Date of Constitution	Award Period	Recommendation of Devolution by SFC	Devolution accepted by the State Government
1	**First**	22.08.2003	2005-12	1.66	1.21
2	**Second**	23.07.2011	2012-20	1.85	1.85
3	**Third**	20.01.2016	2020-26	2.09	2.09

(Source: Fourth State Finance Commission Report)

As per the records furnished by UADD, Raipur, and the Finance Accounts of the Chhattisgarh State, the SOTR funds to be devolved for the year 2022-23, as per the accepted percentage, were ₹ 2,237.21 crore. However, the State Government allocated and released only ₹ 1,938.87 crore.

1.9.2 Recommendations of the CFC and Release of CFC Funds

1.9.2.1 14th Finance Commission (14th FC) Grants

14th FC had recommended two types of grants, namely, Basic Grant (BG) and Performance Grant (PG), for PRIs and ULBs. The purpose of the BG is to provide unconditional support to the GPs and municipalities for delivering the basic functions assigned to them under their respective statutes. In case of PG, a detailed procedure for disbursal of PG to ULBs and PRIs (on revenue improvement) shall be designed by the State Government concerned, subject to certain eligibility criteria.

The details of allotment and expenditure of the 14th FC grants in PRIs are given in the **Table 1.10** below:

Table 1.10: Details of allocation and expenditure of 14th FC grants in PRIs

(₹ in crore)

Year	Component	Recommended Allocation as per 14th FC	Actual release by GOI to GOCG	Release to PRIs by GOCG	Expenditure
2018-19	BG	1,047.86	1,047.86	1,047.86[4]	949.46
	PG	132.16	00	00	00
2019-20	BG	1,415.89	1,415.89	1,415.89	1,285.76
	PG	173.05	00	00	00
Total		**2,768.96**	**2,463.75**	**2,463.75**	**2,235.22**

(*Source: Information provided by Panchayat Directorate, Raipur*)

The audit observation regarding the delay in the State Government's release of grants to PRIs has been discussed in Paragraph 2.12.5 (A) of Chapter II of this report.

The details of allocation and release of 14th FC grants in ULBs during the period 2018-19 to 2019-20 are given in following **Table 1.11**:

[4] Additionally, GoCG had paid an amount of ₹ 4.37 crore as interest to PRIs on account of delayed release of 14th CFC grants during the year 2018-19.

Table 1.11: Details of allocation and expenditure of 14th FC grants in ULBs

(₹ in crore)

Year	Component	Recommended Allocation as per 14th FC	Actual release by GOI to GOCG	Release to ULBs by GOCG	Expenditure
2018-19	BG	282.04	282.04	282.04	282.04
	PG	80.03	00	00	00
2019-20	BG	381.09	381.09	381.09	381.09
	PG	104.80	00	00	00
Total		**847.96**	**663.13**	**663.13**	**663.13**

(*Source: Information provided by UADD, Raipur*)

1.9.2.2 15th Finance Commission (15th FC) Grants

15th FC had recommended two types of grants, namely, Tied grants and Untied grants. Tied grants (60 *per cent*) are earmarked for drinking water, sanitation and rainwater harvesting, while untied grants (40 *per cent*) are to be utilised at the discretion of PRIs for improving basic services and by the ULBs on felt needs under the 18 functions included in the 12th Schedule of the Constitution.

The details of allotment and expenditure of the 15th FC grant in PRIs for the period 2020-21 to 2022-23 are given in the **Table 1.12** below:

Table 1.12: Details of allocation and expenditure of 15th FC grant in PRIs

(₹ in crore)

Year	Component	Recommended Allocation as per 15th FC	Actual release by GOI to GOCG	Release to PRIs by GOCG	Expenditure
2020-21	Tied Grant	727.00	727.00	727.00	171.97
	Untied Grant	727.00	727.00	727.00	
2021-22	Tied Grant	645.00	645.00	645.00	1,145.85[5]
	Untied Grant	430.00	430.00	430.00	
2022-23	Tied Grant	668.40	668.40	668.40	1,766.02
	Untied Grant	445.60	445.60	445.60	
Total		**3,643.00**	**3,643.00**	**3,643.00**	**3,083.84**

(*Source: Information provided by Panchayat Directorate, Raipur*)

The details of the allotment and expenditure of the 15th FC grant in ULBs for the period 2020-21 to 2022-23 are given in the following **Table 1.13**:

5 During 2021-22, balance of previous year was utilised in the current year and similarly for 2022-23 also.

Table 1.13: Details of allocation and expenditure of 15th Finance Commission grants in ULBs

(₹ in crore)

Sl. No.	Year	Recommended Allocation as per 15th FC	Actual Release to State Government by GoI	Actual Release to ULBs by the State Government	Total Expenditure
1.	2020-21	700.00	700.00	700.00	700.00
2.	2021-22	530.00	530.00	530.00	530.00
3.	2022-23	549.00	543.50	543.50	543.50
Total		**1,779.00**	**1,773.50**	**1,773.50**	**1,773.50**

(*Source: Information provided by UADD, Raipur*)

In addition, the State Government received (30 May 2022) ₹ 14.70 crore as an incentive for achieving the best performance in maintaining ambient air quality in cities.

1.10 Acknowledgement

The office of the Accountant General (Audit), Chhattisgarh, acknowledges the cooperation and assistance rendered by the officials of PRDD, UADD, CSA and field-level officials of PRIs and ULBs.