

Chapter Summary

- ☞ **Allocation to Panchayat Raj Institutions by the State Government during 2004-07 constituted only 14 to 16 per cent of the total budget of the State**
- ☞ **Despite being pointed out in earlier Audit Reports, delays persisted in forwarding of annual accounts of Zilla Panchayats and Taluk Panchayats for audit**
- ☞ **Total receipts and expenditure in Panchayat Raj Institutions increased steadily during 2004-07**
- ☞ **Capital expenditure declined sharply during 2006-07 compared to 2005-06**
- ☞ **Abnormal delays were noticed in release of Twelfth Finance Commission grants to Panchayat Raj Institutions**
- ☞ **The devolution of funds and functions to Panchayat Raj Institutions was not as envisaged in the Constitution**
- ☞ **Despite being commented in earlier Audit Reports, the internal control mechanism in Zilla Panchayats was inadequate**

CHAPTER I

AN OVERVIEW OF THE ACCOUNTS AND FINANCES OF ZILLA PANCHAYATS AND TALUK PANCHAYATS

1.1 Introduction

1.1.1 The Karnataka Panchayat Raj (KPR) Act, in keeping with the 73rd Constitutional amendment, was enacted in 1993 to establish a three-tier Panchayat Raj Institution (PRI) system at the village, taluk and district levels in the State. The PRI system comprises elected bodies – Grama Panchayats (GPs) at the village level, Taluk Panchayats (TPs) at the taluk level and Zilla Panchayats (ZPs) at the district level. As per the 2001 census, the total population of the State was 5.29 crore, of which the rural population constituted 3.48 crore. As of March 2008, there were 29 ZPs¹, 176 TPs and 5,628 GPs in the State.

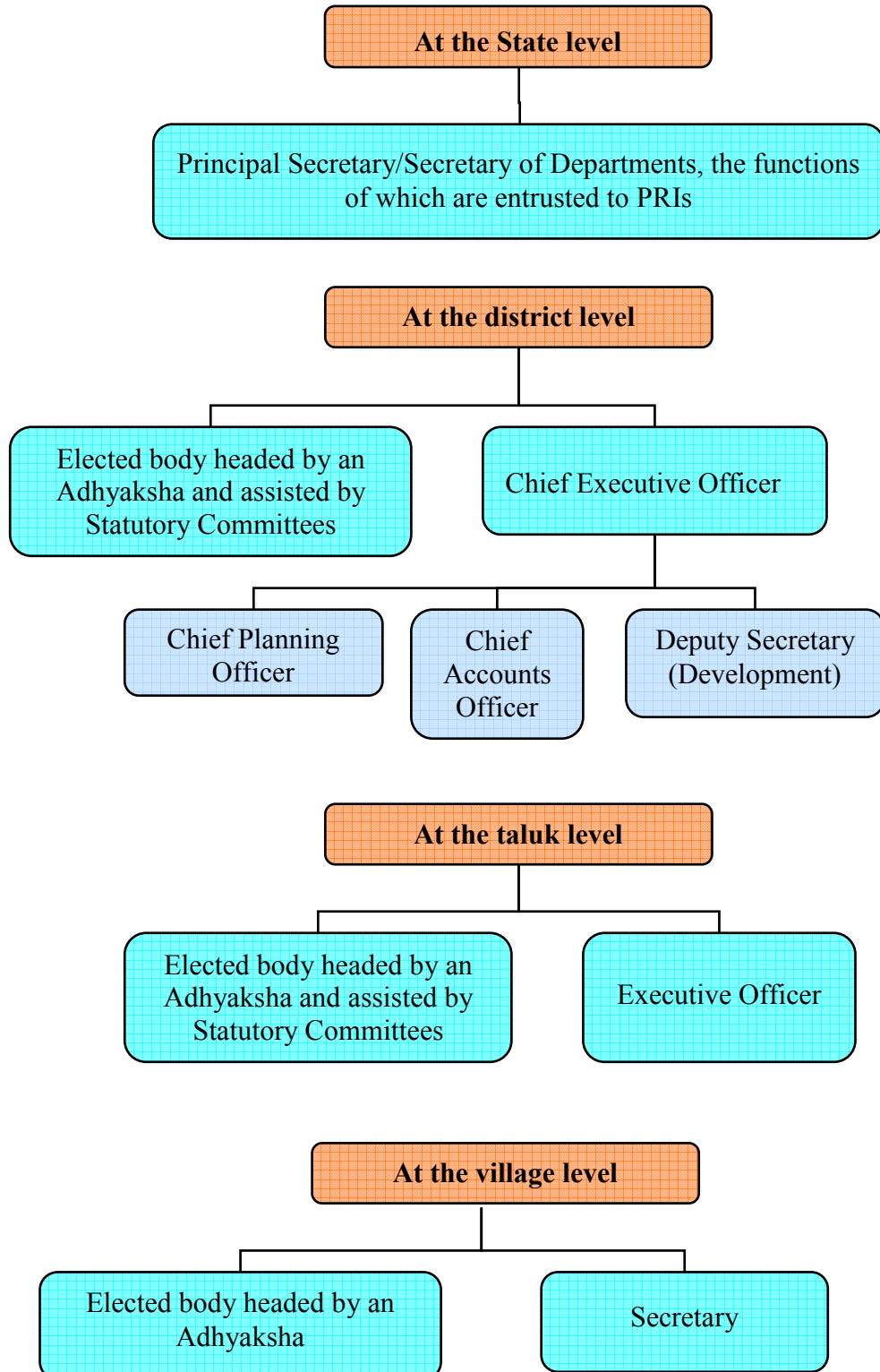
1.1.2 Besides functioning as institutions of local self government, the PRIs also aim to promote participation of people and effective implementation of rural development programmes. The overall supervision, coordination and implementation of development schemes at taluk and district levels and preparation of the plan for the development of the district is vested with the ZPs.

1.1.3 The Comptroller and Auditor General of India (CAG) has been auditing and certifying the accounts of the ZPs and TPs as entrusted under Section 19(3) of CAG's (DPC) Act, 1971. The Controller of State Accounts has been auditing the accounts of GPs under the KPR Act.

¹ ZPs - Chikkaballapur and Ramanagara were formed during 2007-08

1.2 Organisational structure and functions

1.2.1 The organisational structure is indicated below:



1.2.2 The broad details of responsibility within the ZPs are as under:

Authority	Functions
District level officers and departments of Zilla Panchayat	Preparation of budget and Annual Action Plan and implementation of developmental works
Zilla Panchayat	Approval of budget and Annual Action Plan and review of implementation of schemes
Chief Executive Officer (CEO)	Allocation of funds to implementing agencies and overall control and supervision of all functions/schemes
Chief Accounts Officer (CAO)	Preparation of monthly and annual accounts and their submission to State Government
Finance, Audit and Planning Committee (FAPC)	Review of accounts, framing of budget, general supervision of Receipts and Expenditure and monitoring of programme implementation

1.3 Funding of Panchayat Raj Institutions

1.3.1 The State and Central Governments funded the PRIs through grants-in-aid for general administration and developmental activities. The funding by the State Government was on the lines of accepted recommendations of the State Finance Commission considering factors like population, literacy, health, irrigation, medical facilities, *etc.* The State Government released block grants on a quarterly basis. The Central Government also released funds directly to PRIs for developmental activities. Allocation to PRIs by the State Government during 2004-07 ranged from 14 to 16 *per cent* of the total budget of the State as shown below:

Year	Total budget provision of the State	Allocation to PRIs	Percentage
	(Rupees in crore)		
2004-05	37,380.05	5,180.62	14
2005-06	41,528.17	6,842.75	16
2006-07	52,492.16	8,135.16	16

The Second State Finance Commission had recommended (December 2002) that from the financial year 2003-04, 32 *per cent* of NLGORR² of the State was to be allocated to PRIs. The State Government did not accept this recommendation and released 24 and 27 *per cent* of NLGORR of the State to PRIs during the years 2004-05 and 2005-06 respectively. Though the State Government decided (June 2006) to release 32 *per cent* of the NLNORR³ of

² Non-Loan Gross Own Revenue Receipts

³ Non-Loan Net Own Revenue Receipts

the State from the year 2006-07 onwards, the actual releases constituted only 28 per cent, as shown below.

Year	NLGORR of the State	Amount released to PRIs	Percentage
	(Rupees in crore)		
2004-05	20,545.00	4,906.08	24
2005-06	22,507.00	6,088.61	27
	NLNORR of the State		
2006-07	27,400.00	7,767.93	28

1.3.2 The ZPs deposited grants-in-aid and receipts from other sources⁴, into ZP Funds maintained in treasuries. Such ZP Funds were outside the Consolidated Fund of the State but formed part of its Public Account. The ZPs also deposited funds received from the Government of India/externally aided projects and State share of Central Sector/Centrally Sponsored Schemes in bank accounts, as stipulated in scheme guidelines.

1.3.3 The TPs conducted their financial transactions through TP funds held in the treasury and the scheme funds held in banks. The GPs carried out their financial operations through GP funds maintained in the treasury/any approved cooperative/scheduled bank.

1.4 Financial position of Zilla Panchayats/Taluk Panchayats

The State Government modified (September 2004) the accounting procedure and method of release of funds to various levels of PRIs from 2005-06. The method of routing the funds to TPs and GPs through ZP was discontinued and funds were directly released to the respective PRIs. The accounts of the TPs were excluded from the annual accounts of ZPs since 2005-06.

1.4.1 The KPR Act stipulated that the annual accounts were to be passed by the ZPs within three months from the close of the financial year and forwarded to the Principal Accountant General (PAG) for audit. Despite being pointed out in earlier Audit Reports, there were, however, delays ranging between two and nine months in forwarding of annual accounts for 2006-07 by 23 ZPs.

**Delays
persisted in
forwarding of
annual
accounts for
audit**

⁴ Includes miscellaneous receipts like recoveries of overpayment, sale of tender forms/ unserviceable items, etc.

1.4.2 The financial position of ZPs as aggregated from their certified annual accounts for the years 2004-05 to 2006-07⁵ was as exhibited in the table and in Chart I.

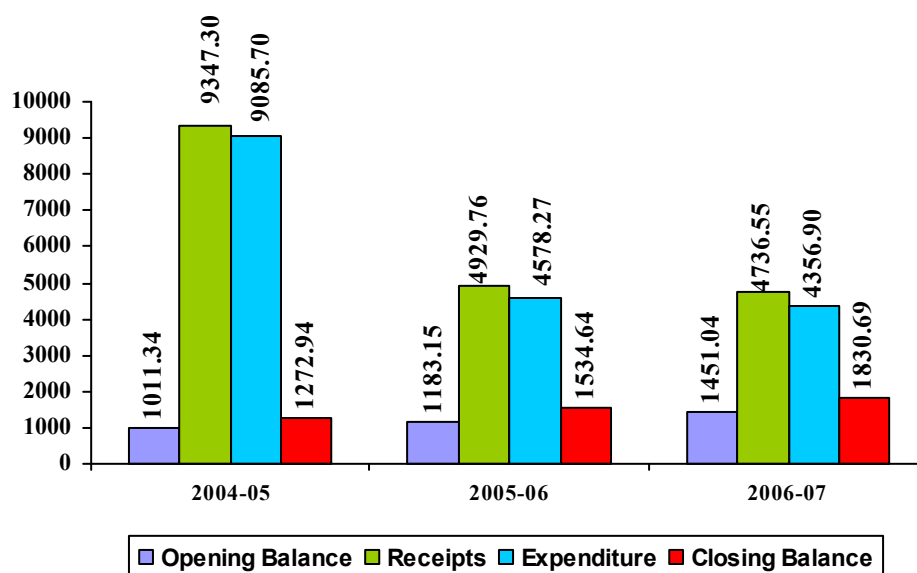
		(Rupees in crore)			
2004-05	Receipts	9,347.30	Expenditure	9,085.70	
	Revenue	6,035.78	Revenue	5,485.99	
	DDR ^{^^} heads	3,311.52	Capital	312.71	
	Opening balance	1,011.34	DDR heads	3,287.00	
	Total	10,358.64	Closing balance	1,272.94	
2005-06	Receipts	4,929.76	Expenditure	4,578.27	
	Revenue	4,273.11	Revenue	3,442.51	
	DDR heads	656.65	Capital	397.24	
	Opening balance	1,183.15	DDR heads	738.52	
	Total	6,112.91	Closing balance	1,534.64	
2006-07	Receipts	4,736.55	Expenditure	4,356.90	
	Revenue	4,204.78	Revenue	3,716.09	
	DDR heads	531.77	Capital	157.92	
	Opening balance	1,451.04	DDR heads	482.89	
	Total	6,187.59	Closing balance	1,830.69	

^{^^} Debt, Deposit and Remittance

Note: Figures from the year 2005-06 do not include receipts and expenditure of TPs which are exhibited under paragraph 1.4.4.

The difference between the opening balance of the current year and the closing balance of the previous year was due to revision of annual accounts consequent to write-back of funds by State Government and adoption of figures audited by Chartered Accountants in respect of schemes accounts

Chart I
Financial position of Zilla Panchayats
(Rupees in crore)



⁵ Comments restricted to the year up to which Audit had certified the accounts of ZPs

1.4.3 Similar to ZPs, the TPs were also required to approve the annual accounts, within three months from the close of the financial year and forward the same to the PAG for audit. The provisions of KPR Act stipulated a consolidated certified report to be placed in the Legislature. As of December 2008, the position of receipt of annual accounts from TPs and their audit was as shown below.

Year	Total number of TPs	Annual accounts received	Audited	Remarks
2005-06	176	175	166	Annual Accounts of TP - Sindhanur yet to be received
2006-07		173	143	Annual Accounts not received from TPs - Bangarpet, Manvi and Sindhanur

1.4.4 The financial position of the TPs, as aggregated from their annual accounts received for the years 2005-06 and 2006-07 (which were yet to be certified) was as exhibited in the table below.

(Rupees in crore)

2005-06	Receipts	3,466.91	Expenditure	2,910.99
	Revenue	3,307.36	Revenue	2,845.07
	DDR heads	159.55	Capital	1.49
			DDR heads	64.43
	Opening balance	235.18	Closing balance	791.10
	Total	3,702.09	Total	3,702.09
2006-07	Receipts	3,819.96	Expenditure	3,452.21
	Revenue	3,757.56	Revenue	3,349.74
	DDR Heads	62.40	Capital	1.63
			DDR Heads	100.84
	Opening balance	347.21	Closing Balance	714.96
	Total	4,167.17	Total	4,167.17

Note : The difference in closing balance of 2005-06 and opening balance of 2006-07 was due to write-back of funds by State Government and incorporation of audited figures.

1.5 Sectoral Finances of Panchayat Raj Institutions

1.5.1 Sector-wise data on the finances of the PRIs for the past three years is given as follows:

(Rupees in crore)

	2004-05			2005-06			2006-07		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
RECEIPTS*									
Total Receipts⁶	2576.14	3459.64	6035.78	3454.67	4125.80	7580.47	3621.49	4340.85	7962.34
EXPENDITURE*									
Revenue Expenditure	2063.60	3422.39	5485.99	2682.75	3604.83	6287.58	3241.19	3824.64	7065.83
General Services	-	84.16	84.16	0.19	96.62	96.81	0.22	94.85	95.07
Stamp Duty	-	-	-	0.23	-	0.23	-	-	-
Public Works	-	84.16	84.16	(-0.04)	96.62	96.58	0.22	94.85	95.07
Social Services	842.62	2383.61	3226.23	1507.48	3075.88	4583.36	1486.27	3237.85	4724.12
Education, Sports, Art and Culture	221.01	1840.40	2061.41	706.16	2445.26	3151.42	719.87	2560.65	3280.52
Health and Family Welfare	114.39	271.21	385.60	151.90	303.61	455.51	211.97	281.06	493.03
Water supply and Housing	294.41	1.64	296.05	276.43	4.03	280.46	112.46	2.83	115.29
Welfare of SC/ST/OBC	81.78	216.26	298.04	145.55	247.93	393.48	183.95	286.38	470.33
Social Welfare and Nutrition	131.03	54.10	185.13	227.44	75.05	302.49	258.02	106.93	364.95
Economic Services	785.99	462.98	1248.97	1054.94	428.46	1483.40	923.45	460.04	1383.49
Agriculture and allied activities	128.04	176.44	304.48	195.59	216.04	411.63	223.11	219.03	442.14
Rural Development	512.51	211.46	723.97	674.50	126.76	801.26	473.21	148.01	621.22
Special Areas Programmes	27.02	-	27.02	39.04	-	39.04	10.74	-	10.74
Irrigation and Flood Control	3.28	24.09	27.37	0.82	13.76	14.58	0.36	15.45	15.81
Energy	3.03	-	3.03	0.99	0.13	1.12	0.22	-	0.22
Industry and Minerals	4.58	35.00	39.58	8.23	39.88	48.11	9.44	41.44	50.88
Science, Technology and Environment	0.30	-	0.30	0.34	-	0.34	0.36	0.04	0.40
Transport	106.84	11.43	118.27	130.94	27.15	158.09	201.07	30.81	231.88
General Economic Services	0.39	4.56	4.95	4.49	4.74	9.23	4.94	5.26	10.20
TP/GP expenditure	182.44	468.04	650.48	5.19	-	5.19	-	-	-
Deposits of Local Bodies – Zilla Panchayat funds	-	-	-	-	-	-	0.58	-	0.58
Deposits of Local Bodies – Taluk Panchayat funds	-	-	-	6.55	3.87	10.42	54.72	30.61	85.33
Bank (ZP and TP)	252.55	23.60	276.15	108.40	-	108.40	775.95	1.29	777.24
Capital Expenditure	312.71	-	312.71	398.73	-	398.73	159.55	-	159.55
General Services									
Public Works	-	-	-	-	-	-	-	-	-
Social Services	280.35	-	280.35	377.76	-	377.76	140.76	-	140.76
Education, Sports, Art and Culture	2.93	-	2.93	18.48	-	18.48	4.94	-	4.94
Health and Family Welfare	3.63	-	3.63	0.60	-	0.60	0.59	-	0.59
Water Supply and Housing	265.14	-	265.14	355.66	-	355.66	127.76	-	127.76
Welfare of SC/ST/OBC	1.99	-	1.99	1.84	-	1.84	6.88	-	6.88
Social Welfare and Nutrition	6.66	-	6.66	1.18	-	1.18	0.59	-	0.59

⁶ The ZPs exhibited in their annual accounts, receipts distinctly under 'Plan' and 'Non-Plan', as allocated by State Government and as stipulated in the ZP Rules. Such depiction, however, is not required either according to normal Government accounting practice or in the accounts formats suggested by the CAG, for PRIs.

	2004-05			2005-06			2006-07		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
Economic Services	32.35	-	32.35	20.97	-	20.97	18.79	-	18.79
Agriculture and allied activities	0.17	-	0.17	0.98	-	0.98	1.35	-	1.35
Rural Development	-	-	-	-	-	-	6.15	-	6.15
Irrigation and Flood Control	5.26	-	5.26	2.05	-	2.05	0.61	-	0.61
Industry and Minerals	0.13	-	0.13	0.17	-	0.17	0.19	-	0.19
Transport	26.78	-	26.78	17.77	-	17.77	10.47	-	10.47
Others	0.01	-	0.01	-	-	-	0.02	-	0.02
TP expenditure	0.01	-	0.01	-	-	-	-	-	-
Total Expenditure	2376.31	3422.39	5798.70	3081.48	3604.83	6686.31	3400.74	3824.64	7225.38

Note: Figures as rounded off

* Includes TP figures, however, as mentioned in paragraph 1.4.4 they are not certified.

Non-Plan expenditure exceeded the Plan expenditure. There was a sharp decrease in capital expenditure during 2006-07

1.5.2 It would be observed from the data given that the total receipts of PRIs during 2006-07 increased by 32 *per cent* from the year 2004-05. Though there was steady increase under both 'Plan' and 'Non-plan' revenue expenditure during 2004-07, 'Non-plan' expenditure exceeded the 'Plan' expenditure during all the years. While the revenue expenditure during 2006-07 increased by 29 and 12 *per cent*, the capital expenditure drastically decreased by 49 and 60 *per cent* compared to 2004-05 and 2005-06 respectively. This was attributable mainly to lesser expenditure on basic services like 'water supply and housing' and 'education, sports, art and culture' during 2006-07.

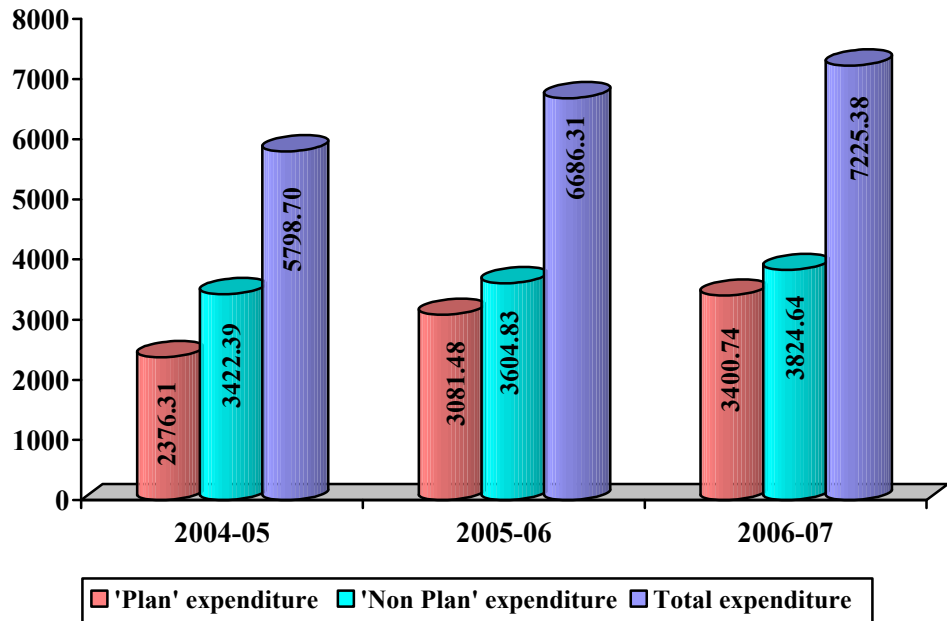
Further, though there was overall increase in revenue expenditure under Social Sector Services, the expenditure booked under 'water supply and housing' during 2006-07 declined by 59 *per cent* compared to previous year. The expenditure on Economic Services showed a fluctuating trend during 2004-07 which was attributable to variation in expenditure under 'Rural Development' heads.

The ZPs did not follow the stipulations of KPR Act scrupulously

The formats prescribed for the preparation of accounts under KPR Act stipulated that the sector-wise expenditure had to be exhibited. It was, however, noticed during 2006-07 that 13 ZPs⁷ did not indicate sector-wise expenditure for an amount of Rs.619.77 crore in respect of funds held in bank accounts. Similarly, 51 TPs did not indicate sector-wise expenditure for an amount aggregating Rs.157.47 crore.

⁷ Bangalore (Rural), Bellary, Bidar, Dakshina Kannada, Davanagere, Gadag, Hassan, Kodagu, Mysore, Raichur, Shimoga, Tumkur and Uttara Kannada

Chart II
'Plan' and 'Non-Plan' expenditure in total expenditure during
2004-05 to 2006-07
(Rupees in crore)



1.6 Twelfth Finance Commission Grants

The Twelfth Finance Commission (TFC) recommended grants of Rs.888 crore to PRIs in the State for the years 2005-06 to 2009-10. The funds were to be utilised by the PRIs to improve the service delivery in respect of water supply and sanitation. The State Government allocated (November 2005) TFC grants in the ratio 10:20:70 among ZPs, TPs and GPs and issued guidelines delineating the items of works to be executed by each level of PRI. As of March 2008, the Government of India (GOI) released an amount aggregating Rs.444 crore to the State Government (share of PRIs). Audit-check of the records in selected⁸ PRIs regarding funds released and expenditure incurred under TFC grants revealed the following.

1.6.1 Delayed/non-release of funds

(i) TFC guidelines stipulated that the GOI was to release the funds to State Government which in turn was to be transferred to different tiers of PRIs within 15 days of receipt failing which interest at the Reserve Bank of India rate was to be paid for the delayed period. As there were delays in transfer of funds, the State Government released (May 2006 and October 2007) an amount of Rs.68.61 lakh as interest to PRIs.

⁸ 10 ZPs, 67 TPs and 422 GPs

It was, however, noticed that interest of Rs.60.28 lakh itself was due in respect of PRIs test-checked (as worked out by Audit at the rate of 5.5 *per cent*) as there were delays ranging from 17 to 547 days in actual credit of allocated funds to individual account of PRIs.

Further, it was also noticed that the interest payment was irregularly charged to a “Plan” Head of account⁹, under RDPR resulting in denial of funds (to the extent of interest paid) to envisaged rural developmental activities.

(ii) Even as of March 2008, 55 test-checked PRIs had not received amounts aggregating Rs.55.93 lakh due to them under different instalments. The failure of the nodal department (RDPR) in following up the releases and actual credit to respective accounts facilitated blocking up of above funds with different banks.

1.6.2 Execution of ineligible works

The guidelines issued by the State Government broadly classified the items of works to be taken up by different tiers of PRIs. It was noticed that the test-checked PRIs incurred an expenditure of Rs.8.64 crore during 2005-08 on execution of works (formation of roads, construction activities, *etc.*) not contemplated in the guidelines. The expenditure incurred on such ineligible works was, thus, irregular.

1.7 Devolution of funds, functions and functionaries

The 73rd amendment to the Constitution envisaged devolution of functions mentioned in the 11th Schedule to PRIs. Audit observed the following deficiencies in devolution of functions, funds and functionaries to the PRIs.

1.7.1 Transfer of Functions

1.7.1.1 Activity Map

The State Government with an intention to strengthen the independent functioning of PRIs issued (August 2003) an Activity Map (AM) indicating the redistribution of functions specified among the PRIs. Scrutiny of records of 113 PRI units¹⁰ revealed that all the functions listed in the AM are not being carried out by the PRIs as detailed in **Appendices 1.1 and 1.2**. Few deficiencies noticed in transfer of functions to PRIs are detailed as follows:

⁹ 2515-00-101-0-09-101 (Plan)

¹⁰ 7 ZPs, 13 TPs and 93 GPs

- In the AM issued by the State Government, the subject of Public Distribution System had not been transferred to any tier of the PRIs. The State Government transferred (July 2005) the subject to PRIs but subsequently (February 2006) modified its earlier decision and centralised the distribution of essential commodities and other food items under the direct control of Commissioner of Food, Civil Supplies and Consumer Affairs, a State Government Department. This resulted in grass-root democratic institutions having no role in the distribution of essential commodities to the needy people.
- As per the AM, the function of establishment and management of student hostels for SC/ST under the subject of Social Welfare was to be transferred to PRIs. It was, however, noticed that the said function was implemented both by the State Government and PRIs.
- The State Government established (June 2001) Backward Classes Department Buildings Construction Society as an agency for implementation of the function of establishment and management of hostels for backward classes. Even after the function was devolved to PRIs, the Society continued to undertake the said function against the spirit of devolution.
- Similarly, District Milk Unions and Karnataka Milk Federation and Karnataka Co-operative Poultry Federation were the State Government agencies established for implementation of Dairy Development and Poultry Development functions respectively under the subject of Animal Husbandry resulting in diluting the spirit of decentralisation.

1.7.1.2 Non-transfer of schemes to PRIs

- State Government issued orders (October 2004) for implementation of certain schemes relating to transferred subjects to PRIs with budgetary allocations effective from April 2005. Scrutiny, however, revealed that two schemes¹¹ under Public Health Sector even though transferred were continued to be implemented under the State sector.
- Scrutiny also revealed that for 178 Community Health Centres (CHCs) in the state, only 136 ambulances were provided, of which 23 ambulances were off road. Similarly, no blood banks were established in health institutions under ZP sector in the entire state. The Director, Health and Family Welfare Services, Bangalore stated (February 2009) that provision of blood storage units in 109 First Referral Units were

¹¹ Provision of ambulance and establishment of blood banks

under consideration out of National Rural Health Mission funds to meet the need for safe blood in emergency situation.

1.7.2 Transfer of Funds

Devolution of funds to PRIs was a natural corollary to implement the transferred functions. Scrutiny revealed that the State Government entrusted the procurement and supply of medicines for health centres/institutions under PRIs to Government Medical Stores (GMS), Bangalore through Karnataka State Drugs Logistic and Warehousing Society. However, the funds were allocated to the extent of 60 *per cent* through budgetary allocation to PRIs and the rest 40 *per cent* directly to GMS. Even the stipulated allocation was not adhered to and the percentage of reduction in allocation to ZP sector ranged from 9 to 41 during the years 2005-06 to 2007-08 as detailed in **Appendix 1.3**. In respect of health institutions such as sub-centres, mobile health units, dental units, *etc.*, under the jurisdiction of PRIs, 100 *per cent* allocation was provided to GMS which was against the spirit of devolution of funds to PRIs. Audit also observed that funds amounting to Rs.15.38 crore pertaining to GMS were surrendered by Director of Health and Family Welfare Services at the end of the financial years for 2005-08. Out of this, Rs. 3.30 crore pertained to allocation made to GMS for procurement of medicines to health institutions under the jurisdiction of PRIs. Thus, the purpose for which the funds were provided was defeated.

1.7.3 Transfer of Functionaries

1.7.3.1 Control over functionaries

The KPR Act stipulated that the State Government as it considered necessary may depute the required personnel of Group A, B, C & D including officers belonging to All India Services to ZPs and TPs for discharge of the functions entrusted to them. The PRIs had no powers to transfer these officials. The CEO of the ZP had the powers under Karnataka Civil Service (Classification, Control & Appeal Rules 1957) Rules to take disciplinary action and to impose minor penalties. This had resulted in dual control over these officials by State Government as well as by the ZP.

1.7.3.2 Shortage of functionaries

The AM had assigned (August 2003) 210 functions to the GPs as brought out in **Appendix 1.1**. Though the State Government decided (January/ March 2008) the staffing pattern for GPs by creation of additional posts, no additional posts were sanctioned till March 2008. This resulted in GPs not having

adequate staff to discharge the newly assigned functions. The State Government stated (March 2008) that action was being initiated for strengthening the GPs.

1.8 Laxity of internal controls

1.8.1 The KPR Act and codal provisions, *inter alia*, prescribed the following internal control mechanism for PRIs and the CAOs of ZPs:

- ✓ ensure remittance of statutory deductions to Government account
- ✓ watch submission of non-payable detailed contingent (NDC) bills for amounts drawn on abstract contingent (AC) bills
- ✓ ensure reconciliation of expenditure figures by the Controlling Officers/heads of departments of ZPs.

1.8.2 At the end of March 2007, recoveries aggregating Rs.1.04 crore made by 12 ZPs towards income tax, sales tax and royalty had not been remitted to Government account as detailed below:

Serial Number	Zilla Panchayat	Recoveries not remitted		
		Income tax	Sales tax	Royalty
(Rupees in lakh)				
1	Bangalore (Rural)	-	8.63	0.64
2	Belgaum	1.04	1.97	2.10
3	Bellary	14.28	18.81	-
4	Bidar	1.95	7.28	6.00
5	Chikmagalur	0.05	-	-
6	Dakshina Kannada	-	0.25	1.06
7	Gulbarga	5.36	6.08	21.44
8	Hassan	1.52	1.69	0.97
9	Haveri	0.28	0.59	-
10	Kolar	0.90	0.13	-
11	Kodagu	-	1.15	-
12	Udupi	-	0.06	-
Total		25.38	46.64	32.21
Grand total		104.23		

(Source: Annual Accounts of ZPs)

In 14 ZPs, detailed accounts for Rs.4.64 crore drawn on AC bills were not submitted

1.8.3 While codal provisions permit Drawing and Disbursing Officers (DDOs) to draw funds on AC bills towards contingent charges required for immediate disbursement, DDOs are required to submit the NDC bills to the CAOs before the 15th of the following month. However, it was noticed in 14 ZPs that NDC bills were not submitted (December 2008) by 49 drawing officers for amounts aggregating Rs.4.64 crore drawn on more than 303 AC bills, some of which were drawn as early as 1986-87 (**Appendix 1.4**).

Despite this irregularity having been pointed out in previous Reports, the CAOs did not initiate action against officers who had failed to render detailed accounts.

1.8.4 The Controlling Officers/heads of departments of ZPs were responsible for reconciliation of their expenditure figures with those booked by CAOs. However, seven Controlling Officers of three ZPs¹² had not reconciled (December 2008) expenditure of Rs.62.28 crore incurred during 2007-08 as detailed below:

Serial Number	Zilla Panchayat	Number of departmental officers	2007-08	
			Number of departmental officers whose expenditure was not reconciled	Amount not reconciled (Rupees in crore)
1	Bidar	21	1	0.28
2	Chamarajanagar	19	1	2.69
3	Kolar	19	5	59.31
TOTAL			7	62.28

1.9 Investment without returns

In 10 ZPs, investment of Rs.6.78 crore on 28 incomplete works remained idle

As of March 2008, 28 works taken up for execution prior to 2005-06, on which 10 ZPs made an aggregate investment of Rs.6.78 crore, remained incomplete (information as furnished by the ZPs) even though these works were to be completed in two years and the State Government had issued instructions to accord priority to incomplete works in allocation of funds over the new works (**Appendix 1.5**).

Many such instances have been highlighted under Chapter II of this Report and in earlier Reports.

1.10 Cases of misappropriation/defalcation

397 cases of misappropriation/defalcation involving Rs.24.47 crore were pending

As of March 2008, 397 cases of misappropriation/defalcation involving Rs.24.47 crore were pending at various stages in 26 ZPs (**Appendix 1.6**). The pendency, as furnished by the ZPs, was as under.

Under investigation		Pending in Court		Others		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
269	15.34	47	5.67	81	3.46	397	24.47

(Rupees in crore)

¹² Bidar, Chamarajanagar and Kolar

Delays in settlement of these cases may result in postponement of recoveries/non-recovery and officials responsible for irregularities going unpunished.

1.11 Conclusion

Despite being commented in earlier Audit Reports, the delay in forwarding of Annual Accounts persisted. The total receipts and expenditure of PRIs steadily increased during the period 2004-07. ‘Non-plan’ expenditure exceeded the ‘Plan’ expenditure during all the years. There was a sharp decline in expenditure on capital assets during 2006-07 compared to previous years. There were delays in transfer of funds to PRIs under TFC Grants. Substantial expenditure had been incurred on ineligible works out of TFC grants. The devolution of funds and functions to PRIs was not as envisaged in the Constitution. The internal controls in the ZPs were inadequate as there were instances of non-reconciliation of expenditure figures and non-submission of NDC bill for funds drawn on AC bills. Large number of cases of misappropriation/ defalcation was pending in ZPs.

1.12 Recommendations

- ✓ Annual accounts should be forwarded within the stipulated time frame.
- ✓ There is need to ensure timely release of funds under TFC grants to avoid interest liability.
- ✓ Thrust should be given on devolution of funds, functions and functionaries to PRIs to have meaningful decentralisation.
- ✓ Immediate steps be initiated for submission of NDC bills and settlement of misappropriation cases.

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