



# CHAPTER-I

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



## Chapter Summary

- **Allocation to Panchayat Raj Institutions by the State Government during 2005-08 varied from 15 to 17 *per cent* of the total budget of the State**
- **Despite being pointed out in earlier Audit Reports, delays persisted in forwarding annual accounts of Zilla Panchayats and Taluk Panchayats to Principal Accountant General for audit**
- **There were steady increases in the total receipt and expenditure of Zilla Panchayats and Taluk Panchayats during 2005-08**
- **Compared with 2005-06 and 2006-07, there was sharp decline in capital expenditure during 2007-08**
- **There were delays in release of Twelfth Finance Commission grants to Panchayat Raj Institutions**



## **CHAPTER I**

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

#### **1.1 Introduction**

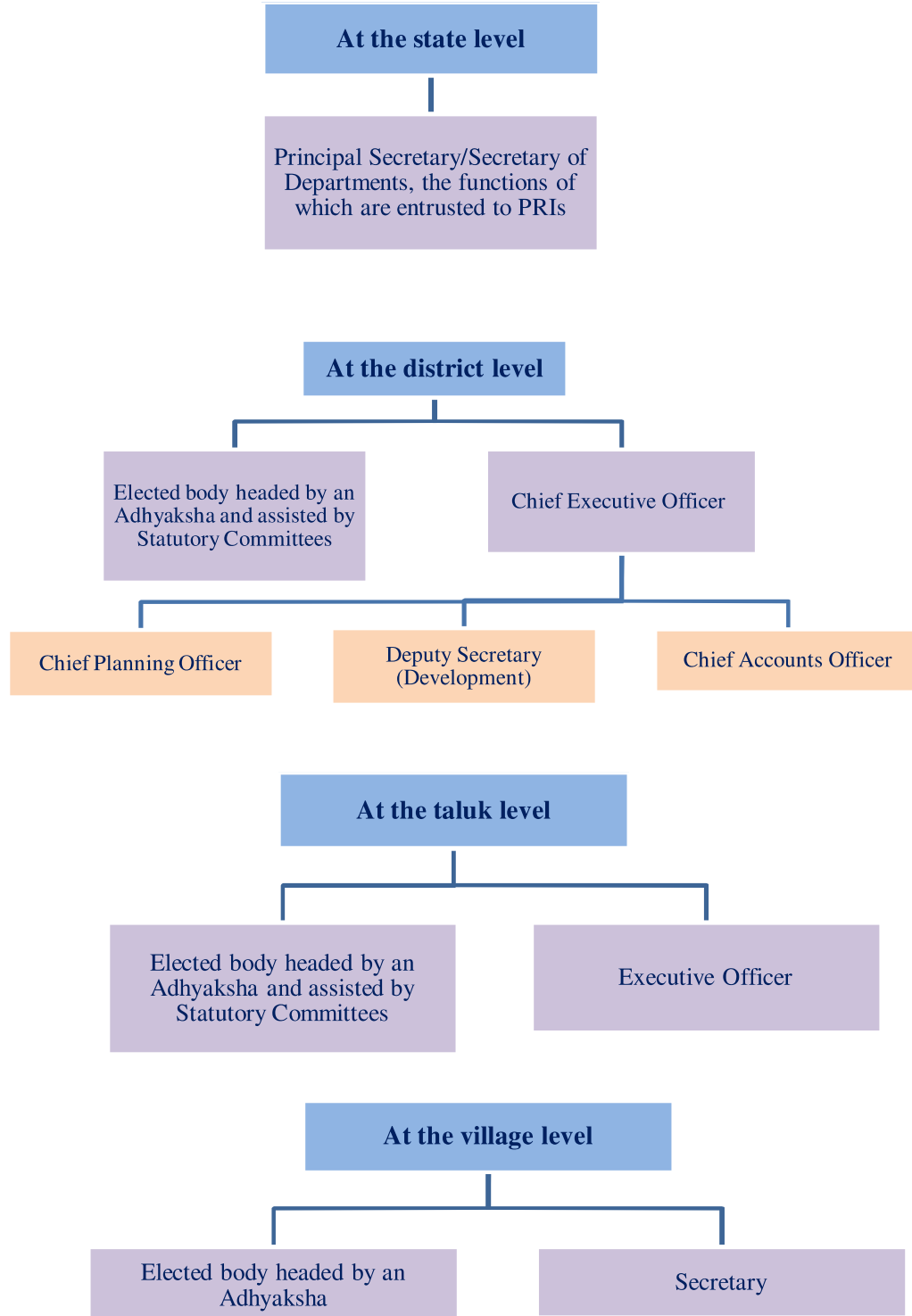
**1.1.1** The Karnataka Panchayat Raj (KPR) Act, in keeping with the 73<sup>rd</sup> Constitutional amendment, was enacted in 1993 to establish a three-tier Panchayat Raj Institution (PRI) system at the village, taluk and district levels in the State. The PRI system comprises elected bodies – Grama Panchayats (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 2009, there were 29 ZPs, 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) audits and certifies the accounts of the ZPs and TPs as entrusted under Section 19(3) of CAG's (DPC) Act, 1971. The Controller of State Accounts audits the accounts of GPs under the KPR Act.

## 1.2 Organisational structure and functions

1.2.1 The organisational structure is indicated below:



**1.2.2** The broad details of responsibility of functionaries are as under:

<b>Authority</b>	<b>Functions</b>
Principal Secretary/Secretary assisted by Directors of Rural Development and Panchayat Raj Department	Administers the overall implementation and monitoring of ZP sector schemes
District level officers and departments of Zilla Panchayat	Preparation of budget and Annual Action Plan and implementation of developmental works/schemes
Zilla Panchayat (Elected body)	Approval of budget and Annual Action Plan
Chief Executive Officer (CEO)	Allocation of funds to implementing agencies, review of implementation of schemes and overall control and supervision of 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

Principal Secretary/Secretary of State Government departments assisted by Directors/Commissioners administers the overall implementation and monitoring of the State sector schemes.

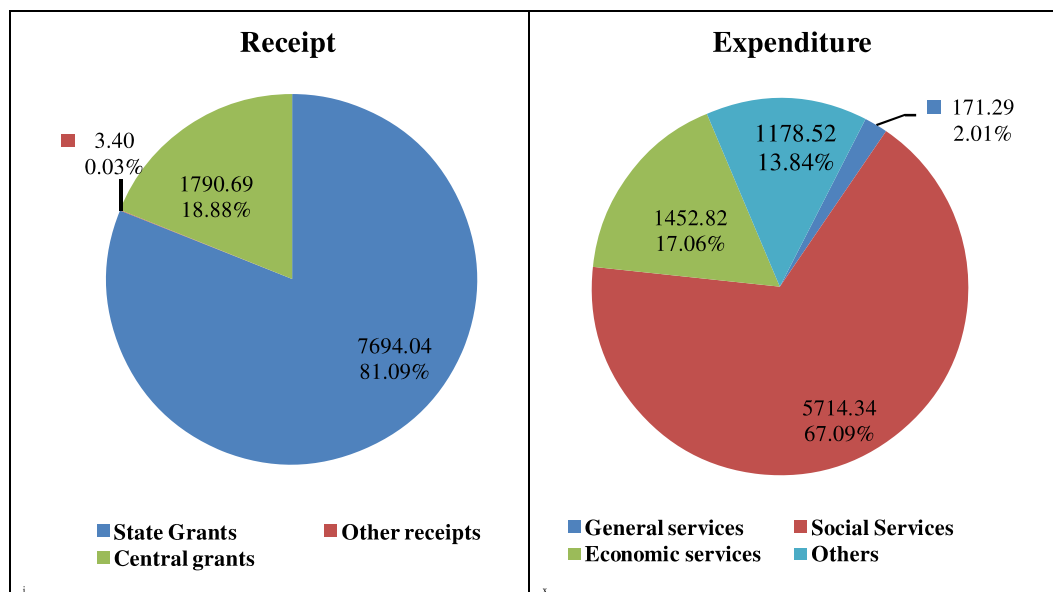
**1.3 Funding of Panchayat Raj Institutions**

**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 First and Second State Finance Commissions considering factors like population, literacy, health, irrigation, medical facilities *etc.* The receipts of the PRIs mainly consisted of grants from the State Government towards Plan and Non-plan schemes, Central and State share of Central Plan Schemes (CPS), Centrally Sponsored Schemes (CSS) and other receipts comprising rent from government accommodations/buildings, refundable deposits *etc.* The PRIs incur expenditure on developmental activities such as water supply and sanitation, roads and bridges, housing, besides on creation of wage employment, alleviation of poverty *etc.* The State Government released block grants on a quarterly basis. The total receipts and expenditure of ZPs and TPs were Rs.9,488.13 crore and Rs.8,516.97 crore respectively for the year 2007-08.

The source of receipts and sector-wise expenditure are graphically depicted in Chart 1 below:

**Chart 1: Receipts and Expenditure of ZPs and TPs**

(Rupees in crore)



Note: Other Receipts include rent on buildings, interest received on schemes funds etc.

Note: Others include expenditure on CSS and CPS, value of food grains etc.

The State Government allocation to PRIs during 2005-08 varied from 15 to 17 per cent of the budget of the State as shown in Table 1.1 below:

**Table 1.1: Statement showing State Government allocation to PRIs**

Year	Total budget provision of the State	Allocation to PRIs	Percentage
	(Rupees in crore)		
2005-06	41,528.17	6,842.75	16
2006-07	52,492.16	8,135.16	15
2007-08	57,439.15	9,751.98	17

Source: Audit Reports (Civil) – Government of Karnataka (Chapter –I Finances of the State Government) and Budget documents

The Second State Finance Commission had recommended (December 2002) that from the financial year 2003-04, 32 per cent of NLGORR<sup>1</sup> of the State was to be allocated to PRIs. The State Government did not accept this recommendation and released 27 per cent of NLGORR of the State to PRIs during the year 2005-06. Though the State Government decided (June 2006) to release 32 per cent of the NLNORR<sup>2</sup> of the State from the year 2006-07

<sup>1</sup> Non-Loan Gross Own Revenue Receipts

<sup>2</sup> Non-Loan Net Own Revenue Receipts



onwards, the actual releases constituted 28 and 31 *per cent* respectively during 2006-07 and 2007-08, as shown in Table 1.2 below:

**Table 1.2: State Government releases to PRIs**

Year	NLGORR of the State	Amount released to PRIs	Percentage
	(Rupees in crore)		
2005-06	22,507.00	6,088.61	27
	NLNORR of the State		
2006-07	27,400.00	7,767.93	28
2007-08	29,345.00	9,122.39	31

Source: Audit Report (Civil) 2007-08 – Government of Karnataka (Chapter –I Finances of the State Government)

**1.3.2** The ZPs deposited grants-in-aid and receipts from other sources<sup>3</sup>, 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/CSS in bank accounts, as stipulated in schemes guidelines.

**1.3.3** The TPs conducted their financial transactions through TP funds held in the treasury and the schemes funds held in banks. The GPs carry out their financial operations through GP funds maintained in the treasury or any approved co-operative/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 funds to TPs and GPs through ZP was discontinued and instead, 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, 25 ZPs forwarded the annual accounts of 2007-08 with delays ranging from two to seven months.

**1.4.2** The financial position of ZPs as aggregated from their certified annual accounts for the years 2005-06 to 2007-08 was as exhibited in the Table 1.3 and in Chart 2 below:

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

<sup>3</sup> Includes miscellaneous receipts like recoveries of overpayment, sale of tender forms/ unserviceable items *etc.*

**Table 1.3: Financial position of ZPs**

(Rupees in crore)

2005-06	<b>Receipts</b>	<b>4,929.76</b>	<b>Expenditure</b>	<b>4,578.27</b>
	Revenue 4,273.11		Revenue 3,442.51	
	DDR* heads 656.65		Capital 397.24	
	<b>Opening balance</b>	<b>1,183.15</b>	<b>Closing balance</b>	<b>1,534.64</b>
	<b>Total</b>	<b>6,112.91</b>	<b>Total</b>	<b>6,112.91</b>
2006-07	<b>Receipts</b>	<b>4,736.55</b>	<b>Expenditure</b>	<b>4,356.90</b>
	Revenue 4,204.78		Revenue 3,716.09	
	DDR heads 531.77		Capital 157.92	
	<b>Opening balance</b>	<b>1,451.04</b>	<b>Closing balance</b>	<b>1,830.69</b>
	<b>Total</b>	<b>6,187.59</b>	<b>Total</b>	<b>6,187.59</b>
2007-08	<b>Receipts</b>	<b>4,980.66</b>	<b>Expenditure</b>	<b>4,581.52</b>
	Revenue 4,855.69		Revenue 4,253.34	
	DDR heads 124.97		Capital 38.61	
	<b>Opening balance</b>	<b>1,654.42</b>	<b>Closing balance</b>	<b>2,053.56</b>
	<b>Total</b>	<b>6,635.08</b>	<b>Total</b>	<b>6,635.08</b>

Source: Certified Annual accounts of ZPs

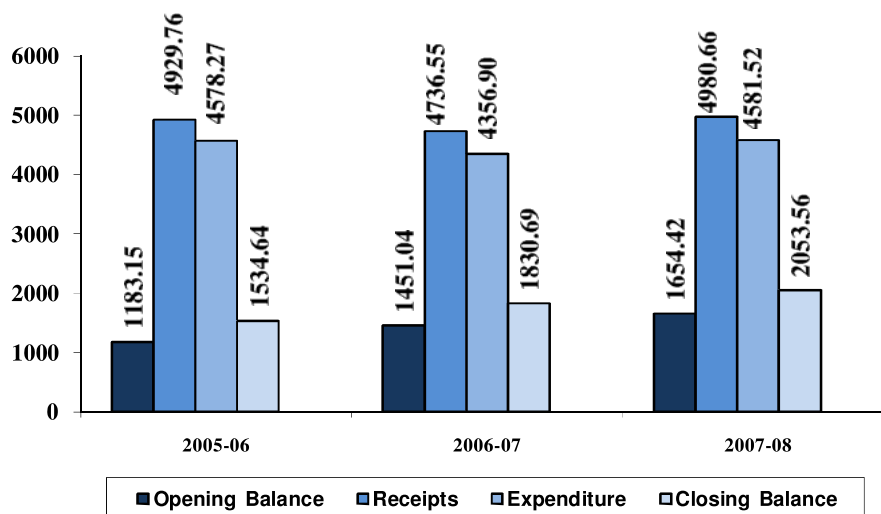
\* Debt, Deposit and Remittance

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 of Rs.83.60 crore between the opening balance of 2006-07 and the closing balance of 2005-06 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. Similarly, there was a difference of Rs.176.27 crore between 2006-07 and 2007-08. However, write-back of funds after closure of accounts is not in consonance with standard accounting practices.

**Chart 2**

**Financial position of Zilla Panchayats (Rupees in crore)**



**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

January 2010, five<sup>4</sup> TPs did not submit their annual accounts of 2007-08 for certification by Audit.

**1.4.4** The financial position of the TPs, as aggregated from their annual accounts received for the years 2005-08 {which were yet to be certified (March 2009)} was as exhibited in the Table 1.4 below:

**Table 1.4: Financial position of TPs**

(Rupees in crore)

2005-06	<b>Receipts</b>	<b>3,466.91</b>	<b>Expenditure</b>	<b>2,910.99</b>
	Revenue 3,307.36		Revenue 2,845.07	
	DDR heads 159.55		Capital 1.49	
	<b>Opening balance</b>	<b>235.18</b>	<b>Closing balance</b>	<b>791.10</b>
	<b>Total</b>	<b>3,702.09</b>	<b>Total</b>	<b>3,702.09</b>
2006-07	<b>Receipts</b>	<b>3,819.96</b>	<b>Expenditure</b>	<b>3,452.21</b>
	Revenue 3,757.56		Revenue 3,349.74	
	DDR Heads 62.40		Capital 1.63	
	<b>Opening balance</b>	<b>347.21</b>	<b>Closing Balance</b>	<b>714.96</b>
	<b>Total</b>	<b>4,167.17</b>	<b>Total</b>	<b>4,167.17</b>
2007-08	<b>Receipts</b>	<b>4,645.35</b>	<b>Expenditure</b>	<b>4,268.99</b>
	Revenue 4,632.44		Revenue 4,222.50	
	DDR Heads 12.91		Capital 2.52	
	<b>Opening balance</b>	<b>460.84</b>	<b>Closing Balance</b>	<b>837.20</b>
	<b>Total</b>	<b>5,106.19</b>	<b>Total</b>	<b>5,106.19</b>

Source: Annual accounts of TPs

Note : The differences in closing and opening balances were due to write-back of funds by State Government and adoption of audited figures.

## 1.5 Sectoral Finances of Zilla Panchayats and Taluk Panchayats

**1.5.1** Sector-wise data on the finances of ZPs and TPs for the past three years is given in Table 1.5 below:

**Table 1.5: Sector-wise data on the finances of ZPs and TPs**

(Rupees in crore)

	2005-06			2006-07			2007-08		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
<b>RECEIPTS</b>									
<b>Total Receipts<sup>5</sup></b>	<b>3454.67</b>	<b>4125.80</b>	<b>7580.47</b>	<b>3621.49</b>	<b>4340.85</b>	<b>7962.34</b>	<b>4012.89</b>	<b>5475.24</b>	<b>9488.13</b>
<b>EXPENDITURE</b>									
<b>Revenue Expenditure</b>	<b>2682.75</b>	<b>3604.83</b>	<b>6287.58</b>	<b>3241.19</b>	<b>3824.64</b>	<b>7065.83</b>	<b>3513.62</b>	<b>4962.22</b>	<b>8475.84</b>
<b>General Services</b>	<b>0.19</b>	<b>96.62</b>	<b>96.81</b>	<b>0.22</b>	<b>94.85</b>	<b>95.07</b>	<b>21.85</b>	<b>149.44</b>	<b>171.29</b>
Stamp Duty	0.23	-	0.23	-	-	-	-	-	-
Public Works	(-0.04)	96.62	96.58	0.22	94.85	95.07	21.85	149.44	171.29
<b>Social Services</b>	<b>1507.48</b>	<b>3075.88</b>	<b>4583.36</b>	<b>1486.27</b>	<b>3237.85</b>	<b>4724.12</b>	<b>1571.74</b>	<b>4108.51</b>	<b>5680.25</b>
Education, Sports, Art	706.16	2445.26	3151.42	719.87	2560.65	3280.52	683.34	3280.10	3963.44

<sup>4</sup> TPs - Aland, Deodurga, Gauribidanur, Raichur and Sindhanur

<sup>5</sup> 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 format suggested by the CAG, for PRIs

	2005-06			2006-07			2007-08		
	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL	PLAN	NON-PLAN	TOTAL
and Culture									
Health and Family Welfare	151.90	303.61	455.51	211.97	281.06	493.03	216.33	316.75	533.08
Water supply and Housing	276.43	4.03	280.46	112.46	2.83	115.29	103.82	3.24	107.06
Welfare of SC/ST/OBC	145.55	247.93	393.48	183.95	286.38	470.33	244.12	390.10	634.22
Social Welfare and Nutrition	227.44	75.05	302.49	258.02	106.93	364.95	324.13	118.32	442.45
<b>Economic Services</b>	<b>1054.94</b>	<b>428.46</b>	<b>1483.40</b>	<b>923.45</b>	<b>460.04</b>	<b>1383.49</b>	<b>814.05</b>	<b>631.73</b>	<b>1445.78</b>
Agriculture and allied activities	195.59	216.04	411.63	223.11	219.03	442.14	142.14	292.27	434.41
Rural Development	674.50	126.76	801.26	473.21	148.01	621.22	452.77	193.65	646.42
Special Areas Programmes	39.04	-	39.04	10.74	-	10.74	16.80	-	16.80
Irrigation and Flood Control	0.82	13.76	14.58	0.36	15.45	15.81	0.01	16.52	16.53
Energy	0.99	0.13	1.12	0.22	-	0.22	0.04	-	0.04
Industry and Minerals	8.23	39.88	48.11	9.44	41.44	50.88	15.44	52.15	67.59
Science, Technology and Environment	0.34	-	0.34	0.36	0.04	0.40	0.37	-	0.37
Transport	130.94	27.15	158.09	201.07	30.81	231.88	184.50	71.30	255.80
General Economic Services	4.49	4.74	9.23	4.94	5.26	10.20	1.98	5.84	7.82
<b>TP/GP expenditure</b>	<b>5.19</b>	<b>-</b>	<b>5.19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deposits of Local Bodies – Zilla Panchayat funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.58</b>	<b>-</b>	<b>0.58</b>	<b>0.45</b>	<b>-</b>	<b>0.45</b>
<b>Deposits of Local Bodies – Taluk Panchayat funds</b>	<b>6.55</b>	<b>3.87</b>	<b>10.42</b>	<b>54.72</b>	<b>30.61</b>	<b>85.33</b>	<b>39.92</b>	<b>68.13</b>	<b>108.05</b>
<b>Bank (ZP and TP)</b>	<b>108.40</b>	<b>-</b>	<b>108.40</b>	<b>775.95</b>	<b>1.29</b>	<b>777.24</b>	<b>1064.80</b>	<b>4.41</b>	<b>1069.21</b>
<b>Foodgrains (TP)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.81</b>	<b>-</b>	<b>0.81</b>
<b>Capital Expenditure</b>	<b>398.73</b>	<b>-</b>	<b>398.73</b>	<b>159.55</b>	<b>-</b>	<b>159.55</b>	<b>41.13</b>	<b>-</b>	<b>41.13</b>
<b>General Services</b>									
Public Works	-	-	-	-	-	-	-	-	-
<b>Social Services</b>	<b>377.76</b>	<b>-</b>	<b>377.76</b>	<b>140.76</b>	<b>-</b>	<b>140.76</b>	<b>34.09</b>	<b>-</b>	<b>34.09</b>
Education, Sports, Art and Culture	18.48	-	18.48	4.94	-	4.94	0.75	-	0.75
Health and Family Welfare	0.60	-	0.60	0.59	-	0.59	1.50	-	1.50
Water Supply and Housing	355.66	-	355.66	127.76	-	127.76	25.48	-	25.48
Welfare of SCs/STs/OBCs	1.84	-	1.84	6.88	-	6.88	5.99	-	5.99
Social Welfare and Nutrition	1.18	-	1.18	0.59	-	0.59	0.37	-	0.37
<b>Economic Services</b>	<b>20.97</b>	<b>-</b>	<b>20.97</b>	<b>18.79</b>	<b>-</b>	<b>18.79</b>	<b>7.04</b>	<b>-</b>	<b>7.04</b>
Agriculture and allied activities	0.98	-	0.98	1.35	-	1.35	1.73	-	1.73
Rural Development	-	-	-	6.15	-	6.15	3.17	-	3.17
Irrigation and Flood Control	2.05	-	2.05	0.61	-	0.61	0.69	-	0.69
Industry and Minerals	0.17	-	0.17	0.19	-	0.19	0.22	-	0.22
Transport	17.77	-	17.77	10.47	-	10.47	1.19	-	1.19
Others	-	-	-	0.02	-	0.02	0.04	-	0.04
<b>Total Expenditure</b>	<b>3081.48</b>	<b>3604.83</b>	<b>6686.31</b>	<b>3400.74</b>	<b>3824.64</b>	<b>7225.38</b>	<b>3554.75</b>	<b>4962.22</b>	<b>8516.97</b>

Source: Annual accounts of ZPs (certified) and TPs

**Non-Plan expenditure exceeded the Plan expenditure. There was sharp decrease in capital expenditure during 2007-08**

**1.5.2** It would be observed from the data given that the total receipts of ZPs and TPs during 2007-08 increased by 25 per cent from the year 2005-06. Though there was steady increase under both ‘Plan’ and ‘Non-plan’ revenue expenditure during 2005-08, ‘Non-plan’ expenditure exceeded the ‘Plan’ expenditure in all the years. While the revenue expenditure during 2007-08 increased by 35 and 20 per cent, the capital expenditure drastically decreased by 90 and 74 per cent compared to 2005-06 and 2006-07 respectively. This was attributable mainly to lesser expenditure on basic services like ‘water supply and housing’, ‘education, sports, art and culture’ and ‘transport’ during 2007-08.

Further, though there was overall increase in revenue expenditure under Social Services, the expenditure booked under ‘water supply and housing’ during 2007-08 declined by 62 and 7 per cent compared to 2005-06 and 2006-07 respectively. The revenue expenditure on Economic Services showed a fluctuating trend during 2005-08 which was attributable to variation in expenditure under ‘Rural Development’ heads.

## **1.6 Twelfth Finance Commission Grants**

The Twelfth Finance Commission (TFC) recommended grants of Rs.888 crore to PRIs in the state during the period 2005-10. The PRIs were to utilise such funds 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 2009, the GOI released an amount aggregating Rs.621.60 crore to the State Government (share of PRIs). Audit-check of the records in selected PRIs<sup>6</sup> regarding funds received and expenditure incurred under TFC grants revealed the following.

### **1.6.1 Delayed release of funds**

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 (RBI) rate was to be paid for the delayed period. Delays ranging from 58 to 213 days were observed in release of second instalment of grants during 2007-08 and first instalment during 2008-09 by the State Government. The interest of Rs.2.71 crore was yet to be released by the State Government to PRIs.

<sup>6</sup> 22 ZPs, 54 TPs and 226 GPs

In respect of PRIs test-checked<sup>7</sup>, for releases during the period from 2005-06 to 2008-09, it was noticed that interest of Rs.15.93 lakh was due (as worked out by Audit at the rate of 5.5 per cent) as there were delays ranging from 2 to 443 days in actual credit of allocated funds to individual account of PRIs by the State Government.

### 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<sup>8</sup> incurred an expenditure of Rs.6.73 crore during 2005-09 on execution of works (formation of roads, construction activities etc.) not contemplated in the TFC guidelines. The expenditure incurred on such ineligible works deprived the beneficiaries of the intended objective of these funds.

## 1.7 Laxity of internal controls

1.7.1 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 with those booked by the CAOs.

1.7.2 At the end of March 2008, recoveries aggregating Rs.95 lakh made by 12 ZPs towards income tax, sales tax and royalty had not been remitted to Government account as detailed in Table 1.6 below:

**Table 1.6: Details of statutory recoveries not remitted by ZPs**

Serial Number	Zilla Panchayat	Recoveries not remitted		
		Income tax	Sales tax	Royalty
(Rupees in lakh)				
1	Bangalore (Rural)	-	8.63	0.64
2	Belgaum	1.17	0.49	2.11
3	Bellary	13.69	17.92	-
4	Bidar	1.95	7.28	-
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	-	1.14	-
12	Udupi	-	0.06	-
<b>Total</b>		<b>24.92</b>	<b>44.26</b>	<b>26.22</b>
<b>Grand total</b>		<b>95.40</b>		

Source: Annual Accounts of ZPs

<sup>7</sup> 33 TPs and 208 GPs

<sup>8</sup> 3 ZPs, 26 TPs and 26 GPs

**In 12 ZPs, detailed accounts for Rs.4.76 crore drawn on AC bills were not submitted**

**1.7.3** 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 15<sup>th</sup> of the following month. However, it was noticed that 76 DDOs under the jurisdiction of 12 ZPs did not submit the NDC bills (January 2010) for amounts aggregating Rs.4.76 crore drawn on 281 AC bills, some of which were drawn as early as in 1986-87 (**Appendix 1.1**).

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

**1.7.4** The Controlling Officers/heads of departments of ZPs were responsible for reconciliation of their expenditure figures with those booked by CAOs. However, five Controlling Officers of two ZPs had not reconciled (January 2010) the expenditure incurred during 2008-09 as detailed in Table 1.7 below:

**Table 1.7: Non-reconciliation of expenditure figures**

Serial Number	Zilla Panchayat	Number of departmental officers	2008-09	
			Number of departmental officers whose expenditure was not reconciled	Amount not reconciled (Rupees in crore)
1	Bijapur	22	1	Not Furnished
2	Kolar	19	4	24.91
<b>TOTAL</b>			<b>5</b>	<b>24.91</b>

Source: As furnished by ZPs

## **1.8 Investment without returns**

**In 11 ZPs, investment of Rs.7.68 crore on 26 incomplete works remained idle**

As of March 2009, 26 works taken up for execution prior to 2006-07, on which 11 ZPs made an aggregate investment of Rs.7.68 crore, remained incomplete (information as furnished by the ZPs) even though these works were to be completed in two years indicating idle investment (**Appendix 1.2**).

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

## **1.9 Cases of misappropriation/defalcation**

**357 cases of misappropriation/defalcation involving Rs.18.62 crore were pending**

As of March 2009, 357 cases of misappropriation/defalcation involving Rs.18.62 crore were pending at various stages in 22 ZPs (**Appendix 1.3**).

The pendency, as furnished by the ZPs, is detailed in Table 1.8 below:

**Table 1.8: Cases of misappropriation/defalcation pending**

(Rupees in crore)

Under investigation		Pending in Court		Others		Total	
Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
303	15.13	15	2.67	39	0.82	357	18.62

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

### **1.10 Conclusion**

Despite being commented upon in earlier Audit Reports, delay in forwarding of Annual Accounts to PAG for audit persisted. The total receipts and expenditure of ZPs and TPs steadily increased during the period 2005-08. 'Non-plan' expenditure exceeded the 'Plan' expenditure during all the years. There was a sharp decline in expenditure on capital assets during 2007-08 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 internal controls in the ZPs were inadequate as there were instances of non-reconciliation of expenditure figures and non-submission of NDC bills for funds drawn on AC bills. Large number of cases of misappropriation/defalcation was under investigation or pending in Courts.

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