

OVERVIEW

This Report contains four chapters. The first and the third chapter contain a summary of finances and financial reporting of Panchayat Raj Institutions and Urban Local Bodies respectively. The second chapter contains one performance review, one thematic audit and a paragraph based on the audit of financial transactions of the Panchayat Raj Institutions. The fourth chapter contains a performance review and one thematic audit based on the audit of financial transactions of Urban Local Bodies. A synopsis of the findings contained in the performance reviews and thematic audits are presented in this overview.

1. An overview of Panchayat Raj Institutions

A review of finances of Panchayat Raj Institutions revealed that there was no mechanism at the apex level to oversee the devolution of functions to Panchayat Raj Institutions. The Grama Panchayats did not initiate any steps/campaigns to ensure participatory planning in Ward Sabha/Grama Sabha meetings during 2006-11. Zilla Panchayats' control over expenditure was ineffective due to direct transfer of Government of India funds to implementing agencies. Balances under suspense heads of accounts were not reconciled. Internal control mechanism was weak as instances of non-remittances of Government dues, statutory deductions and non-submission of detailed accounts for the amounts drawn on AC bills were noticed.

(Paragraphs 1.1 to 1.12)

2. District Rural Social Sector Audit

With a view to improving the socio-economic conditions of the rural population, various centrally sponsored, central plan and state/district sector developmental programmes are implemented in the districts. A review on Rural Social Sector Audit of Tumkur and Koppal districts revealed that while no District Planning Committee was formed in Tumkur district, there was no vision for sectoral development in both the districts. Operational controls in implementation of rural social sector schemes were inadequate as evidenced by misappropriation of scheme funds, payment of wages on fictitious nominal muster rolls, increase in maternal mortality rate, lack of infrastructure facilities in elementary schools and health care units, abnormal delay in completion of water supply projects, etc. The monitoring and internal control mechanism was ineffective due to absence of internal audits, delay in preparation of monthly and annual accounts by Panchayat Raj Institutions.

(Paragraph 2.1)

3. Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

The theme-based review on implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme revealed that lapses and irregularities such as non-preparation of district perspective plan, execution of works not recommended by Grama Sabhas, non-conducting of Social Audit, etc., reported by Audit in earlier Audit Report (Panchayat Raj Institutions)–2007 still persisted. Deficiencies in enumeration procedure, unrealistic labour

budgets, irregularities in utilisation of funds, and non-maintenance of mandatory control registers facilitated misappropriation of Scheme funds. Instances of delay in payment of wages, irregular payments, and failure to provide 100 days of employment to majority of the households defeated the spirit of the Scheme. Monitoring of the Scheme was inadequate.

(Paragraph 2.2)

4. An overview of Urban Local Bodies

The State Government had decided to increase the devolution to Urban Local Bodies from six to eight per cent of Non-Loan Net Own Revenue Receipts of the State during the period from 2005-06 to 2009-10, however, the devolution actually decreased from 8.41 to 7.29 per cent during 2007-10 and was further reduced to 7.11 per cent during 2010-11. The Secretary/Director of Municipal Administration failed to ensure prompt and timely action by executives of Urban Local Bodies in respect of audit objections raised by the Comptroller and Auditor General of India.

(Paragraphs 3.1 to 3.4)

5. Road and drain works in Bruhat Bangalore Mahanagara Palike

The Bruhat Bangalore Mahanagara Palike discharges obligatory and discretionary functions by providing civic services and infrastructure facilities to the citizens of Bangalore as per the provisions of Karnataka Municipal Corporations Act, 1976. The Performance review on Road and drain works in Bruhat Bangalore Mahanagara Palike revealed, inter alia, that the planning process was undertaken without any proper need assessment, or taking into account the road history. There was no sanctity in the approval of programme of works due to execution of large number of works over and above the budgeted works. There were irregularities in accounting of deposits, misutilisation of deposits and irregular discounting of bills, etc. Operational controls were not in place and the tendering process was vitiated, tenders were manipulated, estimates were tampered with, and funds were siphoned off. Works were executed to benefit the contractors resulting in doubtful, wasteful, irregular and avoidable works. Monitoring and internal control mechanism was absent at all levels.

(Paragraph 4.1)

6. Non-tax revenue management in the City Corporations and City Municipal Councils

The system for assessment and collection of Non-tax revenue in the City Corporations and City Municipal Councils was deficient. No survey was conducted to assess the existing business establishments and collect trade licence fee. Trade licences were not renewed leading to arrears in collection of fee. There were also arrears in collection of rent and water charges. There was significant shortage of manpower for revenue collection in test-checked City Corporations and City Municipal Councils which further compounded the problem of insufficient collection of Non-tax revenue.

(Paragraph 4.2)