

CHAPTER VI – RESULTS OF AUDIT

SECTION ‘A’ – PERFORMANCE AUDIT

URBAN DEVELOPMENT DEPARTMENT

6.1 Implementation of Welfare Schemes in Urban Local Bodies

Executive summary

The Urban Local Bodies, including Bruhat Bengaluru Mahanagara Palike, implemented various individual and community welfare activities to improve the socio-economic conditions of the urban poor belonging to Scheduled Castes/Scheduled Tribes, other economically weaker sections and differently-abled persons with the funds specifically allocated for welfare activities. However, the Urban Local Bodies, including Bruhat Bengaluru Mahanagara Palike, did not implement the welfare activities effectively.

The planning mechanism was deficient due to non-prioritisation of welfare activities, delays in finalisation of Annual Action Plans and selection of ineligible works, which led to defeating the objectives of these schemes. Physical targets for providing benefits were set without having a database of population to be targeted, which led to under-achievement of targets. The benefits could not flow to the beneficiaries due to poor Information, Education and Communication activities and lack of help to the eligible beneficiaries to fill the application forms properly.

The Urban Local Bodies had not adhered to the norms specified for the allocation, transfer and utilisation of untied State Finance Commission grants and Municipal funds meant for welfare activities. Under-utilisation of funds had affected the planning and delivery of intended benefits to more beneficiaries under the scheme. Also, non-maintenance of control registers for community works and non-submission of periodical returns by the implementing offices to higher authorities for review of actual physical and financial progress led to inadequate or non-implementation of many activities.

6.1.1 Introduction

In order to promote the socio-economic interests of the weaker sections of society and in particular, of the Scheduled Castes and Scheduled Tribes (SCs/STs), other economically weaker sections (OEWS) and differently-abled persons living in urban areas, the Urban Local Bodies (ULBs), including Bruhat Bengaluru Mahanagara Palike (BBMP), implemented various welfare schemes under health, education, employment, housing, infrastructure, etc. The guidelines for implementation of welfare schemes in respect of SCs/STs were issued in 1977 and for OEWS and differently-abled persons in February 2012. The scheme is funded by the State Government (33 per cent of State Finance Commission (SFC) untied grants and Municipal Corporations (own revenue)) to implement activities under welfare schemes in the ratio of 40:60 between individual welfare activities and community development works.

6.1.2 Organisational set-up

The organisational structure with reference to welfare scheme activities has been given below:

Authority	Responsibilities
Additional Chief Secretary to Government, Urban Development Department (UDD)	Overall supervision and release of grants to ULBs
Director, Municipal Administration (DMA)	Supervision and administration of the City Corporations (CCs)
Deputy Commissioners (DCs)	Overall monitoring and fund management
Commissioners of CCs	Implementation of welfare scheme activities

6.1.3 Audit objectives

The objectives of the performance audit were to assess whether:

- appropriate planning and institutional mechanism were in place to implement the welfare schemes for SCs/STs, OEWS and differently-abled persons.
- the identification of beneficiaries was done by following the prescribed procedures and in accordance with the norms, rules and criteria laid down.
- the implementation of welfare schemes was done economically, efficiently and effectively to achieve the objectives of the welfare schemes.

6.1.4 Audit criteria

The sources of audit criteria for the performance audit are:

- Circulars/instructions issued by Government/ULBs on the welfare schemes for SCs/STs, OEWS and differently-abled persons.
- Karnataka Financial Code (KFC) and Manual of Contingent Expenditure, 1958 (MCE).

6.1.5 Audit scope and methodology

Performance Audit of welfare schemes for the period 2012-15³¹ was conducted (April to October 2015) by test-check of records at the zonal offices of Bengaluru East and Bommanahalli of BBMP along with two out of eight CCs, *i.e.* Ballari and Kalaburagi. 'Simple random sampling without replacement' method was used to select the units.

³¹ Since welfare activities for OEWS and differently-abled persons were implemented from February 2012, performance audit was conducted for three years (2012-15).

An Entry Conference was held on 27 April 2015 to discuss the audit objectives and methodology with the Additional Chief Secretary to the Government, UDD, and Commissioners of BBMP and other ULBs. The Exit Conference was held on 15 December 2015 to discuss the audit findings.

Acknowledgement

Audit acknowledges the cooperation extended by the staff of UDD, BBMP and CCs of Ballari and Kalaburagi for conducting the performance audit.

Audit findings

The audit findings are discussed in the succeeding paragraphs.

6.1.6 Planning and Institutional Mechanism

➤ Planning

In accordance with the circular issued by UDD in February 2012 (circular), the Annual Action Plans (AAPs) for all ULBs were to be approved by the Council comprising Corporators of the respective ULBs and submitted for approval to the DC of the district, and a copy of the approved AAPs were to be submitted to the DMA. DMA's approval was essential for those activities which were not specified in the UDD circular.

In respect of BBMP, based on the funds provided in the budget for welfare schemes, the Standing Committee for Social Justice approved the zonal allocation of funds and provided the list of activities to be considered in respect of individual welfare activities. Accordingly, AAPs were prepared and submitted to BBMP by the zones for approval by the Commissioner.

6.1.6.1 Delays in preparation of AAPs

As per the UDD circular, the Council of the CC was to submit the AAPs by 30 April of each year based on the funds allocated without waiting for the release of funds and these were to be approved by the DC within 31 May of that year.

Audit noticed that AAPs were finalised after a delay³² of 63 days to 494 days for the years 2012-13 to 2014-15 at CCs, Ballari and Kalaburagi. Further, it was noticed that CC, Ballari, had not prepared the AAP for the year 2013-14 on the basis of allocation of funds. The AAP was instead prepared on the basis of release of funds which was made in three instalments as per DC's orders (July 2013, November 2013 and October 2014), resulting in delay of 483 days.

The test-checked zonal units of BBMP as well as the main office of BBMP failed to adhere to the instructions of the State Government in the preparation

³² CC, Ballari-99 days (2012-13), 185 days (2014-15);
CC, Kalaburagi- 494 days (2012-13), 63 days (2013-14), 139 days (2014-15)

of AAPs for the entire review period. Delays in processing and approval of AAPs by BBMP ranged between 240 and 300 days during 2012-15.

The delay in processing of AAPs denied the timely benefits to the targeted beneficiaries.

The State Government attributed (January 2016) the delay to administrative constraints and election code of conduct, and stated that henceforth delay would be minimised. The reply was not tenable in the absence of details of the administrative constraints and for the fact that election codes of conduct were for a limited period during March to May 2013 and April to May 2014.

6.1.6.2 Non-prioritisation of activities

As per the UDD circular, ULBs were to accord priorities for selection of various components of the scheme in the order of health, construction of individual toilets, providing gas connection, providing underground drainage and water connection, education, employment and others.

It was observed that the priority list prepared by the BBMP zones was not in accordance with the UDD circular.

The State Government replied (January 2016) that priority would be accorded as per the UDD circular.

6.1.6.3 Non-preparation of AAPs for community developmental works related to OEWS and differently-abled

As per UDD circular, out of 7.25 *per cent* funds allocated for OEWS and 3 *per cent* for differently-abled persons, ULBs were to allocate 60/50 *per cent* of the allocated funds for the community development (infrastructure) works for OEWS/differently-abled persons.

For the entire review period, in the test-checked BBMP zonal offices, it was noticed from the AAPs under the welfare schemes that at the divisional level, no community development works for the benefit of OEWS and differently-abled population were planned and executed.

The State Government stated (January 2016) that this would be complied with in future.

➤ Institutional mechanism

6.1.6.4 Inadequate manpower

In the BBMP East Zone, the Welfare Officer was assisted only by a Manager and the Welfare Officer's post in Bommanahalli Zone was held as additional charge by the Assistant Revenue Officer (ARO) with no supporting staff. Moreover, specific orders for the officials explaining their roles and responsibilities and delegation of powers for carrying out welfare activities in respect of staff holding additional charge were not issued by DMA/UDD to

the ULBs, thereby lacking in clarity with regard to the responsibilities of each officer.

In the test-checked CCs, welfare activities were implemented by the existing staff. The post of Deputy Commissioner (Administration) in-charge of welfare schemes as Nodal Officer for planning, implementation and monitoring at CCs remained vacant though the posts were sanctioned in 2011. Inadequate manpower resulted in activities proposed under AAPs either not being taken up at all or taken up in specific areas only.

The State Government accepted (December 2015 and January 2016) the audit observations and replied that as no separate posts were sanctioned in BBMP for implementation of welfare schemes, additional charge was given to AROs. However, the reply was silent regarding the delegation of powers for carrying out welfare activities and non-filling up of the post of Deputy Commissioner in-charge of welfare schemes.

Recommendation 1: ULBs may ensure adequacy of manpower for the implementation of welfare schemes intended for SCs/STs, OEWS and differently-abled persons.

6.1.6.5 Absence of mechanism for identification of community developmental activities in BBMP

In BBMP, welfare activities were implemented by the Welfare Section (for individual components) and Engineering Division (for community developmental activities) at the zonal level. Identification of works should have been finalised after assessing the requirement of the community.

In the test-checked zonal offices of BBMP, no zone-wise AAPs had been drawn up for civil works related to community development activities to be executed by the Engineering Division. This was due to lack of survey of the works required in the areas where the target groups resided.

The State Government accepted (January 2016) the deficiency in maintaining these records.

6.1.6.6 Selection of ineligible works

The Pulikeshinagar division of BBMP East Zone had proposed 19 works in AAPs which were not in the approved works list in the UDD circular, such as construction of arch/improvements to temples and installation of Vivekananda Statue, that were estimated at a cost of ₹1.42 crore for the years 2011-12 to 2014-15. Out of this, 11 works were completed (October 2015) at a cost of ₹0.60 crore.

The State Government accepted (January 2016) the audit observation that these works selected were not eligible under the scheme.

Recommendation 2: Proper and effective mechanism needs to be put in place to ensure that the activities are taken up as envisaged in the Government circular.

6.1.7 Financial performance

6.1.7.1 Allocation of fund

The welfare schemes were funded by both the State Government and Municipal Corporation, reserving 33 per cent (34.35 per cent from 2014-15) of both the SFC untied grants and own sources of revenue of the Municipal Corporation. The funds were allocated at 22.75 per cent for SCs/STs (revised to 24.10 per cent from 2014-15), 7.25 per cent for OEWS and 3 per cent for differently-abled persons to implement the welfare schemes in the ratio of 40:60 between individual welfare activities (like Education, Employment, Health and Housing) and community development (infrastructure) works.

➤ *Shortfall in allocation and release of funds for welfare schemes by DMA*

The details of allocation of SFC untied grants and releases to ULBs (other than BBMP) by DMA have been given in **Table 6.1** below:

Table 6.1: Details of allocation and releases to ULBs (other than BBMP)

(₹ in crore)					
Year	SFC untied grants	Required allocation towards welfare schemes as per prescribed percentage	Actual allocation towards welfare schemes (Percentage)	Releases made for welfare schemes	Short release for welfare schemes (Percentage)
2012-13	758.42	250.28 (33)	240.68 (31.73)	117.79	122.89 (51)
2013-14	776.69	256.31 (33)	205.76 (26.49)	101.46	104.30 (51)
2014-15	820.76	281.93 (34.35)	210.48 (25.64)	110.19	100.29 (48)
Total	2,355.87	788.52	656.92	329.44	327.48 (50)

Source: Details furnished by Poverty Alleviation Cell

It can be seen from the above table that there was short allocation of SFC untied grant by the DMA to the extent of ₹131.60 crore and even the allocated fund was short released to the extent of ₹327.48 crore for the welfare schemes during 2012-15.

The State Government replied (December 2015) that out of untied grants received by the ULBs, provision was made for spillover works of previous financial years. The reply of the State Government does not address the issue regarding short allocation of SFC untied grant by the DMA.

➤ *Incorrect determination of weightage and allocation of funds in BBMP*

The UDD order (June 2014) specified that the SFC untied grants would be allocated to various ULBs on the basis of four parameters, namely, Population (40 per cent), Geographical area (20 per cent), SC/ST population (20 per cent) and Illiteracy (20 per cent). Accordingly, weightage was assigned to each ULB on the basis of these parameters and allocations made.

Audit observed that:

- (a) The weightage determined for BBMP was 30.825 *per cent* on the basis of these four parameters. Accordingly, the allocation due for BBMP on the total SFC untied funds of ₹1,018.83 crore for the year 2014-15 worked out to ₹314.05 crore. However, the actual allocation made to BBMP was ₹207.36 crore (20.35 *per cent*) only. Thus, there was a shortfall in allocation of SFC untied funds to BBMP to the extent of ₹106.69 crore resulting in short allocation of funds of ₹36.65 crore for welfare activities.
- (b) Out of the four parameters, the figures considered for all ULBs in respect of 'Total population', 'SC/ST population' and 'Illiterates' were as per 2011 Census, whereas the figures adopted for 'Geographical area' were as per 2001 Census.

An examination with regard to the area position in respect of BBMP in terms of 2001 and 2011 Census showed that the area of BBMP had increased from 549.84 sq km to 709.96 sq km due to amalgamation of seven City Municipal Councils (CMCs), one Town Municipal Council (TMC) and 110 villages. The impact of this was increase of area weightage by 0.64 *per cent* and corresponding allocation of funds was ₹6.52 crore during the year 2014-15. Proportionate funds to be allocated for welfare scheme at 34.35 *per cent* works out to ₹2.24 crore. Thus, non-adoption of 2011 Census data for 'area' resulted in denial of ₹2.24 crore for welfare fund.

The State Government stated (January 2016) that due to non-authentication of area figures for 2011 by Census Department, 2001 figures were adopted, and action would be taken to consider correct weightage during 2016-17.

➤ **Allocation of funds in BBMP**

The State Government had allocated SFC untied grants of ₹622.23 crore to BBMP during the period 2012-15. However, the BBMP had not maintained the details of funds allocated for welfare scheme activities out of SFC grants and BBMP's own revenue. As a result, the quantum of funds actually transferable to welfare schemes could not be determined.

It was also seen that there were no norms for allocation of funds to each ward. There were huge gaps between the SC/ST population and the funds allocated for welfare schemes in Pulikeshinagar Division, BBMP East Zone, as detailed in **Table 6.2** below:

Table 6.2: Ward-wise details of works approved and amount allocated for the period 2012-13 to 2014-15

Ward Number	Total population*	SC/ST population* (Percentage)	Number of works approved (Percentage)	Amount allocated (₹ in lakh) (Percentage)
31	41,936	5,909 (14)	5 (5)	99.00 (6)
32	39,334	5,330 (14)	9 (8)	90.00 (5)

Ward Number	Total population*	SC/ST population* (Percentage)	Number of works approved (Percentage)	Amount allocated (₹ in lakh) (Percentage)
47	42,135	8,063 (19)	54 (50)	967.34 (57)
48	35,814	7,543 (21)	-	-
60	35,334	10,321 (29)	9 (8)	90.00 (5)
61	38,050	7,038 (18)	24 (22)	391.33 (23)
78	28,835	2,691 (9)	7 (7)	63.93 (4)
Total	2,61,438	46,895	108 (100)	1,701.60 (100)

Source: Details furnished by BBMP offices

* As per 2011 Census data

It can be seen from the above table that no funds were allocated for Ward No.48 and 57 per cent of the total funds allocated to the division were provided to Ward No.47 although the SC/ST population was only 19 per cent. Similarly, uneven distribution of funds was also noticed in community development activities in these wards.

The State Government stated (January 2016) that population criteria would be adhered to for allocation of funds to wards.

6.1.7.2 Non-allocation of Entry Tax devolution fund to welfare scheme account by City Corporation

According to Government order of March 2014, CCs were to allocate 33 per cent of Entry Tax devolution fund received from Government to welfare scheme account. However, CC, Ballari, had not transferred ₹1.14 crore to welfare scheme fund out of ₹3.44 crore received as Entry Tax devolution fund during 2013-14. This has resulted in denial of ₹1.14 crore for welfare activities.

On this being pointed out, DMA stated (December 2015) that the issue would be looked into.

6.1.7.3 Delay in transfer of funds

Audit observed that CC, Ballari, had not adhered to these stipulations as there were delays ranging from 1 to 12 months in transferring the funds to welfare accounts during 2012-15. It was also seen that though the CC, Ballari, had received SFC untied grants during March 2013 (₹1.39 crore) and April 2014 (₹2.77 crore), out of this, proportionate amount of ₹0.92 crore was not transferred to welfare accounts (August 2015).

The State Government replied (December 2015) that the amount would be transferred to welfare accounts as prescribed in the guidelines.

Recommendation 3: The State Government may ensure that the norms prescribed for allocation of funds are adhered to and funds are released in a timely manner to the respective welfare accounts.

6.1.7.4 Utilisation of fund in ULBs

As per provisions of the scheme guidelines (February 2012), the funds provided for welfare schemes should be utilised in the same financial year. In

case of unavoidable circumstances, the funds should be utilised within the next financial year.

The receipts and expenditure, including grants from SFC untied and Municipal revenue, of the ULBs in respect of welfare schemes for the period 2012-15 have been given in **Table 6.3** below:

Table 6.3: Statement of receipt and expenditure in ULBs (except BBMP)

(₹ in crore)

Year	Opening balance	Current year's receipts for welfare schemes	Total available funds (col.2+3)	Expenditure incurred out of opening balance (Percentage)	Expenditure incurred out of current year's receipts (Percentage)	Total expenditure (col.5 + 6)	Unspent closing balance (Percentage)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2012-13	212.46	162.31	374.77	132.26 (62)	73.54 (45)	205.80	168.97 (45)
2013-14	168.97	147.99	316.96	134.87 (80)	66.58 (45)	201.45	115.51 (36)
2014-15	115.51	164.78	280.29	154.88 (134)	66.35 (40)	221.23	59.06 (21)

Source: Statement furnished by Poverty Alleviation Cell

There were persistent savings ranging from 21 to 45 *per cent* of the funds available. Thus, the ULBs had failed to fully utilise the funds even within the next financial year, resulting in non-implementation of welfare activities proposed in the previous year's AAPs.

In the test-checked ULBs, there were persistent savings ranging from 48 to 75 *per cent* in all the years due to activities planned in the AAP not being fully executed and also due to accumulation of previous year balances which were not spent in the subsequent years.

The State Government attributed (December 2015) the savings to non-availability of sufficient individual beneficiaries and administrative reasons such as delay in according approval, finalisation of tenders and frequent changes in activities proposed in AAPs.

6.1.7.5 Non-maintenance of the expenditure in ratio of 40:60

As per UDD circular, expenditure should be made in the ratio of 40:60 for implementing individual components (such as, housing, education, micro enterprises, providing gas stove, *etc.*) and execution of community works.

It was observed that in the test-checked CCs, Ballari and Kalaburagi, the expenditure was maintained in the ratio of 40:60.

However, this ratio was not maintained at the test-checked zonal offices of BBMP and individual welfare activities were not given their due weightage in any of the three years (2012-15) as detailed in **Table 6.4** below:

Table 6.4: Details of expenditure on individual and community works in selected zones of BBMP

Zone	Year	Total expenditure (₹ in crore)	Individual components		Community works	
			Expenditure (₹ in crore)	Percentage	Expenditure (₹ in crore)	Percentage
Bengaluru East Zone	2012-13	39.16	5.05	13	34.11	87
	2013-14	32.27	1.81	6	30.46	94
	2014-15	17.67	1.13	6	16.54	94
Bommanahalli	2012-13	7.27	1.59	22	5.68	78
	2013-14	12.92	0.49	4	12.43	96
	2014-15	9.09	0.31	3	8.78	97

Source: Furnished by BBMP offices

It was observed that BBMP had spent a much higher percentage than that prescribed for community works as compared to the individual components, thereby not adhering to Government instructions.

The State Government replied (January 2016) that action would be taken to maintain the ratio henceforth.

6.1.7.6 Inadmissible expenditure

Paragraph 7.4 of the scheme guidelines (February 2012) stipulated that a maximum of ₹50,000 in a year could be given as grant to celebrate Dr. Ambedkar Jayanthi/Babu Jagjivan Ram Jayanthi under community component.

It was seen that against the permissible limit of ₹1.50 lakh for three years (2012-15), CC, Ballari, had incurred an expenditure of ₹5.53 lakh out of SC/ST scheme funds towards celebration of Dr. Ambedkar Jayanthi/ Babu Jagjivan Ram Jayanthi on eight events conducted during 2012-15.

This not only contravened the provisions of the scheme guidelines but also resulted in reduction of ₹4.03 lakh meant for community development component.

The State Government replied (December 2015) that expenditure had been incurred as per the action plan. The reply was not acceptable as it contravened the provisions of the guidelines and approval of the DMA was also not obtained.

6.1.7.7 Non-receipt of expenditure statements and utilisation certificates

As per approved AAPs (2012-14), CC, Kalaburagi, had released ₹160.11 lakh to seven implementing agencies for executing works and procuring items. However, in none of these cases, the CC had stipulated the dates for completion and submission of utilisation certificates/expenditure statements. As of August 2015, the CC had not received the details of expenditure incurred and utilisation certificates from these seven implementing agencies. As such, the CC could ensure neither the utilisation of released amounts nor the achievement of the intended objectives. The details have been given in **Appendix 6.1**.

The State Government stated (December 2015) that utilisation certificates from implementing agencies were received. However, reason for delay in utilisation of funds was not furnished.

6.1.8 Selection of beneficiaries

6.1.8.1 Physical targets fixed without basis

The creation and maintenance of a database through proper and complete survey of the target population provides institutions an information base and knowledge inputs for the purpose of planning, policy-making, implementation, monitoring and evaluation of the programmes to achieve the intended objective. The database serves the purpose of identification of beneficiaries and setting of targets. Further, the awareness of potential beneficiaries and other stakeholders is key to ensuring the effectiveness in the implementation of all the welfare activities.

Audit observed that the test-checked zonal offices of BBMP and CCs had not maintained a database of SCs/STs, OEWS and the differently-abled population of each ward to identify the beneficiaries for specific welfare scheme activities. Thus, no mechanism for identifying the targeted groups was in place to facilitate systematic planning of the welfare schemes.

It was also observed that physical targets fixed (2012-15) for each activity of the welfare schemes in the test-checked zones of BBMP could not be achieved and the number of applications received was 9 to 14 *per cent* of the physical targets fixed as detailed in **Table 6.5** below:

Table 6.5: Statement showing achievement of physical targets

Period	Bengaluru East Zone		Bommanahalli Zone	
	Physical target fixed as per AAPs	Number of applications received (Percentage)	Physical target fixed as per AAPs	Number of applications received (Percentage)
2012-13	18,711	1,470 (8)	5,280	360 (7)
2013-14	7,601	1,965 (26)	3,096	470 (15)
2014-15	6,698	1,277 (19)	3,680	224 (6)
Total	33,010	4,712 (14)	12,056	1,054 (9)

Source: As furnished by BBMP

This was due to lack of Information, Education and Communication (IEC) activities and absence of mechanism for identifying the targeted groups.

The State Government replied (January 2016) that a database was not created as it was not prescribed and action would be taken to conduct surveys. It was also replied that IEC activities would be promoted to create awareness among the beneficiaries.

Recommendation 4: A reliable database may be created to identify the eligible beneficiaries and set realistic targets.

6.1.8.2 Defective and invalid applications

The Audit scrutiny of applications submitted (2014-15) by the beneficiaries in the test-checked units showed that the majority of the applications submitted were invalid as the applications were incomplete, unsigned, defective and also all documents required (caste certificates, income certificates, etc.) were not found enclosed. There was no 'Help Desk' to facilitate illiterates even though the targeted population comprises a sizeable number of illiterates.

In Bommanahalli Zone, 856³³ applications received during the year 2012-15 were not processed (October 2015) as these were found defective and 198 applications received in respect of two activities (subsidy towards vehicles - auto-rickshaw and car) under Micro Enterprises component were finalised after a delay of 18 months.

The State Government replied (January 2016) that the creation of facilitation cell (Help Desk) would be considered.

Recommendation 5: The State Government may consider IEC activities to educate eligible target population and help desk to assist eligible population in applying for the benefits.

6.1.8.3 Selection of ineligible beneficiaries

Audit observed that BBMP had deviated from the conditions prescribed in the UDD circular for the implementation of welfare schemes as indicated in the **Table 6.6** below:

Table 6.6: Deviations from the conditions prescribed by UDD

Sl. No.	Issue	Conditions stipulated by BBMP	Provision in Government order
1	Age limit	SC/ST – 18 to 40 years; Backward Classes and Minorities (BCM) – 18 to 35 years	Age limit not stipulated
2	Validity period of Caste certificate	SC/ST – 5 years; BCM – Current year	Valid until it is cancelled
3	Validity of Income Certificate	For all – Current year	Valid for five years
4	Income limit for Minorities	Annual family income – ₹2 lakh	Income limit for all – ₹1 lakh for all activities except Education (₹2 lakh)

Source: Orders of UDD and BBMP

Even the conditions stipulated for selection of beneficiaries by BBMP were not adhered to (2012-14) by zonal officers of the test-checked zones. Consequently, 91³⁴ beneficiaries who were paid ₹24.11 lakh for two activities were not eligible on account of prescribed age limit, current year's income certificate, etc.

³³ SCs/STs (277), differently-abled persons (92) and OEWS/BCM (487)

³⁴ 42 beneficiaries under subsidy towards auto-rickshaws (₹16.17 lakh) and 49 under the education assistance programme (₹7.94 lakh)

The State Government accepted the audit observation and agreed (December 2015) to take necessary action.

6.1.9 Implementation of schemes

The various components of the welfare schemes included health, education, housing, micro enterprises, *etc.* The deficiencies noticed in the implementation of these components are discussed in succeeding paragraphs.

6.1.9.1 Health

➤ Non-provision of health insurance to differently-abled persons

The scheme guidelines (February 2012) had a provision for giving 'Arogyasree' Health Insurance to differently-abled persons out of the funds provided under the scheme. However, CC, Ballari, made payment (November 2013) of ₹4.22 lakh (a single premium) for 26 beneficiaries to Life Insurance Corporation of India (LIC), Ballari, for "LIC's *Bima Bachat Policy*", a money back policy which was not a health insurance coverage.

Thus, payment of ₹4.22 lakh towards a non-medical policy was not correct and defeated the objective of providing envisaged health insurance to differently-abled persons.

The State Government stated (December 2015) that money back policy was considered as paying premium amount regularly by the beneficiaries might have been difficult. The reply was not acceptable as health insurance was to be provided by the Government, and therefore premium should have been paid out of the scheme funds.

6.1.9.2 Education

➤ Extension of benefits to non-entitled students

Paragraph 6.5.3 of the scheme guidelines (February 2012) provided for reimbursement of fee to the extent of 50 *per cent* to students pursuing MBBS/BE courses in Government and Government-aided institutions.

In 2012-13, CC, Ballari, provided financial assistance for reimbursement of fee of ₹3.88 lakh to 170 students pursuing B.A./B.Sc./B.Com. courses and ₹3.81 lakh to 82 students of M.Sc./M.Com.

The entire expenditure of ₹7.69 lakh incurred by the CC, Ballari, was irregular, as the expenditure was incurred on students who were not entitled, thus, defeating the objective of the scheme.

The State Government replied (December 2015) that CC, Ballari had obtained approval for distribution of incentives to the students who were studying under various courses as per scheme guidelines Paragraph 6.5.1 and to cover maximum number of students under the programme, their college fee was reimbursed. This reply was not acceptable as prior approval of the DMA was

required for any deviation from the scheme guidelines, which had not been obtained.

➤ ***Providing financial assistance for purchase of laptops/desktops***

The scheme guidelines provided for extension of financial assistance of not more than ₹25,000 to the eligible meritorious SC/ST and OEWS students pursuing MBBS/BE courses for purchase of computer laptop/desktop.

The CC, Ballari supplied 69 computers/laptops costing ₹18.43 lakh during 2012-15 under education component. Out of this, 59 computers/laptops were issued to SC/ST and OEWS students as per norms. The deviations noticed in supply of remaining 10 computers/laptops are detailed below:

• ***Supply of computers to a school***

Five computers valued ₹1.68 lakh were supplied (October 2012) to the library of Mahanandi Kotam School to facilitate learning of computers for the students studying in SSLC and above, along with furniture and computer revolving chair costing ₹0.54 lakh.

Supply of computers and furniture to a school by incurring an expenditure of ₹2.22 lakh contravened the provisions of the scheme guidelines. Therefore, the entire expenditure of ₹2.22 lakh was irregular.

The State Government replied (December 2015) that supply of computers and furniture were made only to those schools where SC/ST students were in maximum numbers. The reply was not acceptable as it was neither provided in the UDD circular nor the approval of the DMA was obtained for such deviation.

• ***Issue of computers/laptops to reporters***

For the year 2012-13, DC, Ballari, instructed (July 2012) the Commissioner, CC, Ballari, to include the activity of issue of laptop/desktop to SC/ST reporters. Accordingly, the CC, Ballari, issued (October 2012) supply order to M/s. Blue Soft, Ballari, for supply of five computers/laptops at unit rate of ₹0.40 lakh (Directorate General of Supplies and Disposals rate) and distributed these to reporters.

Inclusion of the activity of issue of computers/laptops to SC/ST reporters in the AAP and providing computers/laptops valuing ₹2.00 lakh to the reporters contravened the prescribed norms and also resulted in avoidable expenditure to that extent.

The State Government replied (December 2015) that laptops were issued to SC/ST reporters as per the approved AAP. The reply was not acceptable as the approval of the DMA was required in case of any deviation from the scheme guidelines.

6.1.9.3 Housing

➤ Delay in completion of houses

The beneficiary had to construct the house within six months. The details of physical and financial progress of construction of houses in the two test-checked zones of BBMP have been given in **Table 6.7** below:

Table 6.7: Statement showing status of individual houses in Bommanahalli and East Zone, BBMP (August 2015)

Year	Sanctioned work		Completed works		Work in progress		Yet to start
	Number	Amount (₹ in lakh)	Number	Amount (₹ in lakh)	Number	Amount (₹ in lakh)	Number
Bengaluru East Zone							
2012-13	540	2,247	50	150	266	1,023	224
2013-14	317	862	17	51	152	433	148
2014-15	75	230	0	0	48	149	27
Bommanahalli Zone							
2012-13	83	249	28	84	53	159	2
2013-14	116	348	22	66	71	213	23
2014-15	0	0	0	0	0	0	0
Total	1,131	3,936	117	351	590	1,977	424

Source: Progress reports of BBMP zonal offices

Audit observed the following:

Out of 1,131 houses sanctioned for the period 2012-15, only 117 houses (10 per cent) were completed and 424 beneficiaries were yet to commence the construction of the houses. It was also seen that 590 houses were incomplete, which rendered the expenditure of ₹19.77 crore incurred on these incomplete houses as unfruitful.

In both these zonal offices, control registers to monitor the progress of construction of houses were not maintained, which indicated absence of monitoring at the zonal level.

The State Government replied (January 2016) that control registers would be maintained for effective monitoring. The reply does not explain the reason for delay in completion of houses.

➤ Non-adherence to the norms in release of funds

As per BBMP circular (September 2008), ₹3.00 lakh to each beneficiary towards construction of *pucca* house was to be released in four instalments.

In contravention, three beneficiaries in Bommanahalli Zone were paid full amount of ₹3.00 lakh each in single instalment and 83 beneficiaries were paid more than 50 per cent in a single instalment. Amount involved in these 86 cases was ₹172.21 lakh. Payment of amount in lump sum without linkage to progress of construction of houses was irregular.

The State Government replied (January 2016) that norms prescribed for release of fund would be adhered to.

➤ ***Non-execution of housing project***

Under Housing component for Mundargi Ashraya Scheme, ₹36 lakh was released (February and December 2014) by CC, Ballari to Rajiv Gandhi Housing Corporation Limited, Ballari for 120 applicants (differently-abled persons) at ₹30,000 each. However, the funds remained unused as the project was yet to start (August 2015) and thus, the purpose of this welfare activity was not served.

The State Government replied (December 2015) that action would be taken to complete the project.

6.1.9.4 Micro enterprises

The ‘Swavalambane’ (self-reliance) scheme, an economic support programme for unemployed youths, provided for financial subsidy towards purchase of commercial vehicles. Each selected beneficiary was eligible for financial assistance at the rate of 25 per cent of the cost of the vehicle or 25 per cent of the loan availed by the applicant for the purpose, whichever is less, subject to a maximum limit of ₹1.00 lakh.

➤ ***Delay in release of subsidy***

At BBMP East Zone, 257 applications for financial assistance under ‘Swavalambane’ Scheme were received between January 2013 and April 2014. The Committee headed by the Joint Commissioner (JC), East Zone, BBMP scrutinised (June 2014) the applications and finalised the list of 116 beneficiaries for financial assistance. However, only 90 selected beneficiaries received the subsidy amount. The selected candidates were referred to the firms/dealers (M/s. Prerana Motors Pvt. Ltd. and M/s. RNS Motors Ltd.) for making the initial down payment and to arrange for loan from banks/financial institutions.

M/s. Prerana Motors Pvt. Ltd. intimated (June 2014 and July 2014) the receipt of applications from 53 beneficiaries and requested for release of subsidy amount of ₹1.00 lakh each to facilitate the delivery of vehicles.

M/s. RNS Motors Ltd. intimated (July 2014) the receipt of applications from 37 beneficiaries and requested for release of subsidy amount of ₹1.00 lakh each to facilitate the delivery of vehicles.

The JC, East Zone, BBMP, submitted (August 2014) the DC bill for ₹90 lakh to the Chief Accounts Officer, BBMP. However, the amount was released during August 2015 after a delay of 12 months.

As a result of delay in release of funds, 90 beneficiaries lost the opportunity of gaining self-employment from May 2014 despite payment of ₹25,000 each as margin money deposit.

In Bommanahalli Zone, BBMP, 66 applications were selected in July 2014 for being provided financial assistance under this scheme. The vehicle dealer confirmed the receipt of applications and payment of margin money deposit in September 2014. However, the subsidy amount in respect of 31 out of 66 selected applicants had not been released by BBMP to the dealer (June 2015). This had deprived these 31 identified beneficiaries the opportunity of becoming self-employed.

The State Government replied (January 2016) that due to shortage of funds for welfare activities, timely payment of subsidy could not be made. The reply was not acceptable as BBMP should have obtained its due share from the SFC untied grants from the Government as detailed in *Paragraph 6.1.7.1*.

6.1.9.5 Purchase of bicycles under Kanakasiri scheme

The ‘*Kanakasiri*’ scheme envisaged to provide bicycles to unemployed youths belonging to economically weaker sections of SCs/STs and BCM categories to engage themselves in activities like milk/vegetable/fruit/flower vending and newspaper delivery. The AAP for the year 2011-12 of BBMP East Zone stipulated a physical target of 20 bicycles to each ward at the rate of ₹5,000 per unit, with a financial target of ₹44 lakh and physical target of 880 bicycles. The scheme was implemented by the Welfare Officer, BBMP East Zone during the year 2012-13.

The JC (Welfare) East Zone, BBMP, Bengaluru accorded (February 2013) permission to procure and supply 2,684 bicycles for distribution to 61 beneficiaries in each of the 44 wards of BBMP East Zone. The Commissioner, in an order (May 2012) directed East Zone, BBMP, to procure bicycles from the District Supply and Marketing Co-op Society (DSMS), Bengaluru, or from M/s. Shah Cycle Trading Company at the quoted rate of ₹4,750, which was the lowest. Work orders were given (July 2012) to M/s. Shah Cycle Trading Company for supply of a total of 1,342 bicycles and to DSMS for supply of 1,342 bicycles within 15 days from the date of the work order.

In this regard, the Audit observed as under:

- As against the original proposal of 2,684 bicycles, only 2,046 were procured. The reason for short procurement was not available on record.
- Though the bicycles were to be supplied within July 2012, the same were supplied after a delay of 4-16 months but no penalty was levied for violation of the contractual terms.
- As per the codal provisions, payment for supplies is not permissible unless stores have been received and surveyed.

It was, however, seen that there was no mention of the brand name and serial numbers of the bicycles in the invoices. There were also no certificates endorsing the availability of the various fittings as per the Schedule of specifications and quality assurance certificates, in the

records. The zonal office made the payments but did not have any documents to indicate the correctness of the quality and quantity.

- Advertisement about the scheme, number of applications received, scrutinised, rejected, shortlisted and selected for each ward was not made available to Audit. This indicates that the procurement of bicycles was not demand-based but executed in a routine manner without any details of basic data/demand. It also indicates that beneficiaries were selected only after procurement.
- Actual dates and actual number of bicycles distributed to beneficiaries were not available on record. There were no documents available regarding acknowledgements obtained from the beneficiaries for the 2,046 bicycles distributed. In the absence of proper records/acknowledgements, it could not be confirmed that the bicycles had actually been distributed to the beneficiaries.

Thus, the zonal office had not followed any of the regular procedures such as receiving of applications, shortlisting of the applications, taking inventory into stock, obtaining acknowledgements from the beneficiaries, *etc.* In the absence of documentary/photographic evidence for the receipt and distribution and the absence of basic records regarding implementation of this scheme, the actual purchase of 2,046 bicycles costing ₹67.94 lakh appeared doubtful.

The State Government concurred (January 2016) with the audit observations.

6.1.9.6 Non-supply of equipment to beneficiaries

As per the UDD circular, the timeline prescribed for completion of the process of receipt and finalisation of application for individual benefits was October every year.

It was seen that 1,216 applications were received at the BBMP East Zone for availing individual benefits such as cooking gas, tailoring machines, vehicle for handicapped, dhobi kit, barber kit, push cart, bicycle and water filter during 2012-13 to 2014-15. However, even as of December 2015, the BBMP had not supplied the above equipment due to non-completion of the tender process. Failure to complete the tender process in time, despite receipt of applications, resulted in denial of the scheme benefits to the targeted beneficiaries.

The State Government accepted the observation and stated (January 2016) that reason for non-finalisation of tender would be looked into and intimated to Audit.

6.1.9.7 Non-implementation of the scheme of providing gas connection

The UDD circular made provision for rendering financial assistance for providing gas connection and cylinder from Government-owned companies to families having no gas connection.

The CC, Ballari paid ₹20.35 lakh to gas agencies in June 2014, to provide gas connection to 1,272 beneficiaries. Out of this, 600 beneficiaries (47 per cent) had not taken gas connection from the gas agencies (July 2015). Thus, ₹9.60 lakh remained with the gas agencies for more than one year as no time limit was fixed by CC either for the beneficiaries to avail the benefit or for the gas agencies to return the funds related to the unavailed gas connection.

The State Government, while concurring with the audit observation, stated (December 2015) that the funds lying with gas agencies were adjusted in 2014-15. The fund was not utilised as the beneficiaries were not able to purchase accessories. The reply was silent about the action taken to get the gas connections for the remaining 600 beneficiaries.

The CC, Kalaburagi, had allocated ₹51 lakh in the AAPs for 2012-15 for providing gas connection and gas cylinder to the urban poor and 214 beneficiaries were shortlisted (July 2014). However, this was not provided to beneficiaries (August 2015).

The State Government stated (December 2015) that scrutiny of applications was held up due to elections and tenders would be called for after the Member of Legislative Council (MLC) election. The reply was not acceptable as public sector gas companies should have been involved for providing gas connections instead of calling for tenders.

6.1.10 Monitoring

6.1.10.1 Poor monitoring by DMA

The Poverty Alleviation Cell established by the DMA for monitoring the schemes under Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was given the additional responsibility of monitoring the implementation of the welfare schemes. The Poverty Alleviation Cell had reviewed only financial progress under welfare schemes, but not the physical progress of activities as it was not prescribed by the DMA. There were variations between the figures maintained in the ULBs and Poverty Alleviation Cell which indicated poor monitoring by DMA. The details have been given in **Table 6.8** below:

Table 6.8: Variation in figures between CC and Poverty Alleviation Cell

(₹ in crore)

Unit	Year	Total available funds			Expenditure			Unspent balance		
		Poverty Alleviation Cell	CC	Difference	Poverty Alleviation Cell	CC	Difference	Poverty Alleviation Cell	CC	Difference
CC, Ballari	2012-13	9.29	8.56	0.73	4.11	4.47	(-) 0.36	5.18	4.09	1.14
	2013-14	8.96	6.48	2.48	2.77	2.18	0.59	6.19	4.30	2.49
	2014-15	6.99	10.83	(-)3.84	1.78	2.28	(-) 0.50	5.21	8.55	(-)3.34
CC, Kalaburagi	2012-13	27.66	21.61	6.05	5.43	7.33	(-)1.90	22.23	14.28	7.95
	2013-14	28.06	22.38	5.68	5.20	5.45	(-)0.25	22.86	16.93	5.93
	2014-15	32.67	28.01	4.66	10.25	10.19	0.06	22.42	17.82	4.60

Source: As furnished by CCs and Poverty Alleviation Cell

The State Government replied (December 2015) that action would be taken to reconcile the figures.

6.1.10.2 Absence of provision to monitor correctness of fund transfer to welfare account

In respect of Municipal Fund, though the actual municipal revenue collected and the amount transferred to the welfare account were shown in the statement of financial progress furnished by ULBs to DMA, the percentage of amount to be transferred to the welfare account could not be determined as there was no provision in the statement to indicate either the permissible aggregate deductions or the net municipal revenue, or both. In the absence of the provision, DMA could not verify and ensure the correctness of the fund transferred to the welfare account by all ULBs.

6.1.10.3 Absence of monitoring mechanisms in BBMP

In order to monitor physical and financial status of works approved and executed, a control register has to be maintained at divisional/zonal offices.

BBMP had neither prescribed a system of maintaining checks in the form of a control register in the divisions nor issued directions to the divisional/zonal offices to furnish periodical reports on various works. These reports are to inform on the status of works approved, reasons for delay and the actual expenditure incurred by the divisional offices besides indicating the status of pending bills. As a result, consolidated details of the scheme activities (individual and community benefits) were not maintained at the zonal office.

The State Government stated (January 2016) that control registers would be maintained for effective monitoring of the activities approved.

6.1.10.4 No Grievance Redressal Mechanism

No Grievance Redressal Mechanism was in place in BBMP/ULBs and the requisite Complaint Register was not maintained to facilitate the targeted population to address its grievances to the competent authorities on receipt of benefits under the welfare schemes.

The State Government replied (December 2015) that the existing Public Grievance Redressal Cell in ULBs monitors all complaints registered pertaining to all sections and DMA would be establishing shortly, a State Level Cell Centre for public grievance redressal. The reply was not acceptable as the existing Public Grievance Redressal Cell was addressing only the general complaints related to ULBs' functions but not related to the welfare schemes.

6.1.10.5 No Impact Assessment Study

It was observed that Impact Assessment Study on the implementation of activities under the welfare schemes had not been conducted. Thus, due to non-evaluation of the individual and community benefits provided under the schemes, the extent of improvement in the socio-economic condition of the beneficiaries could not be assessed (October 2015).

The State Government stated (January 2016) that impact assessment was not conducted as the same was not envisaged in the guidelines. However, non-study of the impact on beneficiaries would result in no feedback on the achievement and hence would not enable any course correction.

Recommendation 6: Effective implementation of welfare activities should be ensured by close monitoring at the level of DMA and the ULBs/BBMP by devising suitable registers and returns.

6.1.11 Conclusion

The ULBs, including BBMP, did not implement the welfare activities effectively. The planning mechanism was deficient due to non-prioritisation of welfare activities, delays in finalisation of AAPs and selection of ineligible works, which led to defeating the objectives of these schemes. Physical targets for providing benefits were set without having a database of population to be targeted, which led to under-achievement of targets. The benefits could not flow to the beneficiaries due to poor IEC activities and lack of help to the eligible beneficiaries to fill the application forms properly.

The ULBs had not adhered to the norms specified for the allocation, transfer and utilisation of untied SFC grants and Municipal funds meant for welfare activities. Under-utilisation of funds had affected the planning and delivery of intended benefits to more beneficiaries under the scheme.

Also, non-maintenance of control registers for community works and non-submission of periodical returns by the implementing offices to higher authorities for review of actual physical and financial progress led to inadequate or non-implementation of many activities. This resulted in below-par implementation of the welfare scheme, with the result that the schemes did not deliver the expected benefit to beneficiaries as envisaged. Also, the lack of feedback on the progress of the welfare schemes, in the absence of an Impact Assessment Study, resulted in loss of the opportunity to make mid-course corrections during implementation of the welfare schemes.

SECTION 'B'- COMPLIANCE AUDIT

6.2 Short payment of property tax

Incorrect classification of property and non-payment of property tax for a constructed building resulted in short payment of tax to the extent of ₹83.45 crore.

The State Government notified (January 2009) Bruhat Bengaluru Mahanagara Palike (BBMP) Property Tax Rules, 2009 to introduce self-assessment of property tax under Unit Area Value system. Different rates were determined for different area or street by classifying into zones, different nature of use to which the vacant land or building is put and for different class of buildings and vacant lands. For this purpose, the jurisdictional area of BBMP was classified into six value zones (A, B, C, D, E and F) on the basis of guidance value published by the Department of Stamps and Registration and properties were categorised into 18 groups (five residential and 13 non-residential). Large scale industrial buildings, including Information Technology and Biotechnology companies, came under Category XIV (i) and were liable to pay tax at the rate of ₹8 (tenanted) and ₹4 (self-occupied) per square feet (sft). However, all non-residential buildings with central air conditioning facility were classified under Category VIII, for which the property tax in 'D' Zone was payable at the rate of ₹10 per sft.

It was also stipulated that in case of completion of building prior to 1 October, property tax on constructed building was to be paid for the full year. In case of short payment of property tax, the assessee was liable to pay twice the difference of tax as penalty along with interest at two *per cent* per month on the tax evaded.

The audit scrutiny of property tax returns filed by M/s. Manyata Promoters Private Limited (assessee) at Rachenahalli Village, Bengaluru East Taluk showed that the assessee had incorrectly declared the buildings³⁵ under Category XIV (i) and had paid the property tax at the rate of ₹8 per sft. The correct classification would be Category VIII as the buildings were equipped with central air conditioning facility. Accordingly, the assessee was liable to pay property tax at the rate of ₹10 per sft (D Zone/Category VIII). As per the information furnished (January 2016) by the Assistant Revenue Officer, Byatarayanpura Sub-division, Yelahanka Zone, BBMP (ARO), the short payment of property tax for one year worked out to ₹9.61 crore.

It was also observed during audit that the Karnataka Industrial Area Development Board (KIADB) had issued occupancy certificate on 10 September 2012 for the Block 'G4' constructed by the assessee. The Development Officer and Executive Engineer-II, KIADB had certified that the building was complete in all respects and was ready for occupation. It was, however, seen that instead of paying the tax on constructed building for the full year (2012-13), the assessee had paid (September 2013) property tax of ₹51.57 lakh on constructed building only for the second half of 2012-13. For

³⁵ 18 Blocks - JA, B, C, D1, D2, D3, D4, E, F2, F3, G1, G2, G4, H1, H2, K, L5 and L6

the first half of 2012-13, the property tax was paid (August 2013) for the vacant site which amounted to ₹0.92 lakh, which was incorrect.

Thus, incorrect classification of property and non-payment of property tax on constructed building (G4) resulted in short payment of tax to the extent of ₹83.45 crore for the period 2008-16 (detailed in **Appendix 6.2**).

While accepting audit observation, the State Government stated (January 2016) that at the instance of Audit, the demand notice for short payment of property tax had been issued on 1 June 2015. The assessee had filed (16 December 2015) a Writ Petition in the Hon'ble High Court of Karnataka and the Hon'ble Court had directed BBMP not to initiate coercive action till the next date of hearing. Further progress in this case was awaited (February 2016).

6.3 Loss of additional Stamp Duty

City Corporation, Belagavi lost revenue of ₹91.88 lakh receivable as additional stamp duty.

As per Section 140 of Karnataka Municipal Corporation Act, 1976, a duty on transfer of immovable property shall be levied in the form of surcharge at the rate of two *per cent* of the duty imposed by the Karnataka Stamp Act, 1957 (KSA) on instrument of sale, gift, mortgage, exchange and lease in perpetuity of immovable property situated within the limits of a larger urban area.

The Karnataka Municipal Corporations Rules, 1977 - Chapter II (Taxation) Rules 3(2) & (3) also stipulate that the District Registrar shall credit the additional stamp duty (surcharge) collected to the Corporation fund after deducting three *per cent* towards expenses incurred thereof.

The Section 33 of the KSA envisages that every person in-charge of a public office before whom the instrument is produced shall impound it, in case, it is not duly stamped.

As per the District Registrar, Belagavi (February 2011), additional stamp duty (surcharge) pertaining to the period from April 2005 to June 2009 to be released to the City Corporation (CC), Belagavi was ₹122.39 lakh. Out of this, based on the inspection report of the Deputy Inspector General of Registration (Vigilance Wing), Bengaluru (December 2003), an amount of ₹91.88 lakh was deducted towards acceptance of documents without payment of requisite stamp duty during the period 1990-2002. Details have been indicated in the **Table 6.9** below:

Table 6.9: Details of short collection of stamp duty by CC, Belagavi from April 1990 to March 2002

(₹ in lakh)			
Sl. No.	Nature of document	No. of cases	Amount of stamp duty short paid on documents
1	Lease Deed (Rent)	583	11.22
2	Trade License	10,307	3.04

Sl. No.	Nature of document	No. of cases	Amount of stamp duty short paid on documents
3	Sale Deed	32	5.52
4	Gift Deed (<i>Bakshees</i>)	46	25.52
5	Right of Relinquishing Deed	165	15.50
6	Partition Deed	143	18.14
7	Family Settlement Deed	14	8.15
8	Others (<i>Korike Patra</i>)	6,839	4.79
Total			91.88

Source: Inspection Report of Deputy Inspector General of Registration (Vigilance Wing), Bengaluru

The negligence in accepting various instruments submitted to CC without proper scrutiny and lapse on the part of the Commissioner, CC, Belagavi by not invoking Section 33 of the KSA in impounding those instruments where requisite Stamp Duty was not paid, under intimation to the Deputy Registrar, resulted in loss of revenue of ₹91.88 lakh from the additional stamp duty (surcharge) payable to the CC, Belagavi for the period from April 2005 to June 2009.

The State Government replied (January 2016) that in all these eight cases, there was no loss to the Government exchequer but had issued notices in respect of cases pertaining to Sl. Nos. 4 to 7 of Table 6.9 as per Accountant General's direction to collect the differential amount of stamp duty. The reply is not acceptable as the requisite stamp duty should have been levied as per the provisions of KSA, which had not been done and hence there has been a loss to the exchequer.

6.4 Unproductive expenditure on construction of vermi pits

Failure to operationalise and generate vermi compost even after construction of the vermi compost pits, resulted in unproductive expenditure of ₹50.00 lakh for over four years.

The Municipal Commissioner, City Municipal Council (CMC), Raichur had proposed construction of vermi pits and other development works as part of Solid Waste Management (SWM) in landfill site at Raichur City under State Finance Commission (SFC) grants. The total estimated cost of the work was ₹50 lakh. The Deputy Commissioner, Raichur approved the action plan (January 2009) and a short term tender was called for during September 2009. The work was entrusted to a contractor (October 2009) at the negotiated rate of ₹49.55 lakh. The work order was issued (November 2009) for completion of the work within 90 days.

The work had three components *viz*; (i) construction of vermi pits as part of SWM, (ii) earthwork in excavation and levelling of inertisation area, (iii) construction of compost yard in landfill site for SWM and its related works. The vermi pits were constructed to process solid waste into vermi compost.

All the three components of work were completed (February 2011) after a delay of one year for which an amount of ₹50 lakh was paid to the contractor.

The audit scrutiny of records of CMC, Raichur (March 2014) revealed that despite lapse of four years from the date of completion of this work, the CMC had not started vermi composting activities at the landfill site. It was also observed during joint physical verification (February 2015) that the vermi pits were surrounded by stone pillars. The thatched roof constructed earlier, above vermi pits, was not in existence and no composting activities were being carried out.



This resulted in unfruitful expenditure of ₹50 lakh and the objective of avoiding organic wastes from filling up landfill as well as producing natural fertiliser could not be achieved. This had also posed health hazards and adversely affected the environment.

On this being pointed out by Audit, the Municipal Commissioner stated (October 2014) that a notice had been issued to the Environmental Engineer concerned.

The State Government replied (December 2015) that the construction of vermi pits had been completed and that the vermi pits were being used to produce vermi compost which had been sold to local farmers and income of ₹7.50 lakh earned during 2015-16. However, the reply is not satisfactory as the vermi pits were not operational during the period 2011-15 and no vermi compost was produced in these four years.

6.5 Incorrect declaration of built-up area resulting in short payment of property tax

Incorrect declaration of built-up area in property tax returns resulted in short payment of tax to the extent of ₹31.56 lakh, besides non-levy of interest and penalty.

The provisions of Karnataka Municipal Corporations Act, 1976 provide for levy and collection of property tax on all buildings and vacant land under the jurisdiction of Bruhat Bengaluru Mahanagara Palike (BBMP). The State Government had notified (January 2009) BBMP Property Tax Rules, 2009 to introduce self-assessment of property tax under Unit Area Value system. The non-residential buildings on Ballari Road, Bengaluru were categorised under 'D' Zone and were liable to pay tax at the rate of ₹8 (tenanted) and ₹4 (self-occupied) per square feet (sft). For parking area, the tax was payable at

50 per cent of these rates. In case of short payment of property tax, the assessee was liable to pay twice the difference of tax as penalty along with interest at two per cent per month on the tax evaded.

Test-check of records (January 2015) in the office of the Assistant Revenue Officer, J.C. Nagar Sub-division, Bengaluru East Zone, BBMP showed that M/s. HMT Limited (assessee) had declared (2008-09) built-up area of 1,36,282 sft (Ground floor + six floors) for HMT Bhavan (Property Identification Number 98-46-59) situated on Ballari Road, Bengaluru. This included self-occupied area of 75,795 sft and tenanted portion of 60,487 sft, with car parking area as 'Nil'. Accordingly, the assessee computed the property tax payable as ₹20.74 lakh and paid (March 2009) ₹19.70 lakh, after availing rebate of ₹1.04 lakh (@ five per cent). For the years 2009-14, the assessee continued to pay property tax with the built-up area as 1,36,282 sft.

Audit obtained the floor-wise details of built-up area from the ARO and observed that the built-up area was 2,00,288 sft which included basement area of 28,159 sft. The Audit calculated the property tax on built-up area of 2,00,288 sft, considering the tenanted portion of 60,487 sft (as declared by the assessee) and treating basement (28,159 sft) as parking area. The tax payable worked out to ₹26 lakh.

Thus, incorrect declaration of built-up area in the property tax returns filed by the assessee had resulted in short payment of ₹5.26 lakh every year, aggregating to ₹31.56 lakh for the period 2008-14. The short payment of ₹31.56 lakh for the years 2008-14 was, therefore, recoverable from the assessee along with penalty of ₹63.12 lakh and interest thereon.

The ARO, J.C. Nagar Sub-division replied (January and October 2015) that the built-up area of 2,00,288 sft, as furnished to Audit, was based on the information provided by the assessee himself. It was further stated that demand notice for the differential built-up area would be issued after re-assessing the tax liability.

At the instance of Audit, the State Government instructed (4 January 2016) the Assistant Director, Town Planning (East), BBMP, to verify the built-up area of HMT Bhavan. The built-up area was found (5 January 2016) to be 1,84,049 sft (self-occupied – 95,190 sft and tenanted portion – 88,859 sft), on which the property tax payable worked out to ₹28.765 lakh for one year.

While accepting audit observation, the State Government stated (13 January 2016) that the demand notice for differential amount of ₹64.20 lakh (2008-16) had been issued on 7 January 2016. The status of payment of differential amount by the assessee was awaited (January 2016).

6.6 Loss of revenue

City Corporation, Davanagere lost revenue of ₹17.80 lakh due to non-collection of urban transport cess during 2013-14.

The State Government constituted (August 2012) an Urban Transport Fund to finance initiatives and capacity building for urban transport, with budgetary

support and amount to be raised through cess on property tax. For this purpose, the State Government notified (20 August 2013) the Karnataka Municipal Corporations (Urban Transport Fund) Rules, 2013 (UTF Rules, 2013) which provided for levy of urban transport cess on property tax. These rules stipulated that all demands raised on property tax from the date of these rules coming into effect, shall include two *per cent* cess on the property tax so levied. It also stipulated that in case the property tax on any property had already been collected for the year 2013-14, a supplementary demand of two *per cent* towards urban transport cess was to be raised and collected.

Audit scrutiny of records (February 2015) in the office of the Commissioner, City Corporation, Davanagere (CC) showed that the CC had collected property tax of ₹8.90 crore for the year 2013-14. However, the urban transport cess for 2013-14 was not collected as the CC had passed (January 2014) a resolution to levy the cess only from 1 April 2014. This was in contravention of the provisions of UTF Rules, 2013 which mandated levy of urban transport cess from the year 2013-14 onwards.

Thus, the decision of the CC not to levy urban transport cess for the year 2013-14, as mandated by the UTF Rules, 2013, resulted in revenue loss of ₹17.80 lakh (@ two *per cent*) in respect of property tax of ₹8.90 crore collected during the year 2013-14.


The State Government accepted (November 2015) the audit observation and stated that action would be taken to collect the differential amount of cess for the year 2013-14.



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The

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