

Overview

This Report contains four chapters. The first and the third chapters contain a summary of accountability framework and financial reporting in Panchayat Raj Institutions and Urban Local Bodies respectively. The second chapter contains observations arising out of compliance audits of the Panchayat Raj Institutions. The fourth chapter contains one thematic audit and observations arising out of compliance audits of the Urban Local Bodies. A synopsis of the findings is presented in this overview.

1. Accountability framework and financial reporting in Panchayat Raj Institutions

The receipts of Zilla Panchayats and Taluk Panchayats increased by 13 per cent and the expenditure relating to State Grants and assigned revenue increased by 15 per cent during 2016-17 as compared to 2014-15. There was short receipt of Fourteenth Finance Commission grants by ₹23.10 crore. The Thirteenth Finance Commission grants of ₹13.92 crore, which included an interest of ₹7.66 crore and the Fourteenth Finance Commission grants of ₹55.84 lakh were not released to the Gram Panchayats but were invested in sweep-in deposit accounts. The Inspector General of Registration and Commissioner of Stamps had not transferred the required additional stamp duty for the year 2016-17 to Taluk Panchayats. There was a delay in submission of annual accounts for the year 2016-17 by the Zilla Panchayats (5 to 86 days) and Taluk Panchayats (5 to 110 days) to the Accountant General. As of March 2017, 1,735 Inspection Reports (46 per cent) containing 4,149 paragraphs (25 per cent) were pending for more than 10 years, which was indicative of inadequate action on the part of Chief Executive Officers.

(Chapter I)

2. Compliance Audit - Panchayat Raj Institutions

➤ *Inadmissible payment of special allowance*

Drawing and Disbursing Officers paid special allowance to teachers/lecturers appointed after 1st August 2008 in contravention of the Government's instructions, resulting in inadmissible payment of ₹8.33 crore.

(Paragraph 2.1)

➤ *Unfruitful expenditure on construction of Block Education Officer's office building at Tumakuru*

Insufficient release of funds by the Government resulted in non-completion of the Block Education Officer's office building at Tumakuru despite lapse of eight years and unfruitful expenditure of ₹50 lakh.

(Paragraph 2.2)

➤ ***Unproductive investment on a water supply scheme***

A water supply scheme to Nagaral and five other villages in Mudhol taluk, Bagalkot district, remained non-functional due to sub-standard execution and inordinate delays in taking up remedial measures. This resulted in unproductive investment of ₹9.70 crore, besides depriving the targeted population of safe drinking water supply even after 10 years of sanction of the scheme.

(Paragraph 2.3)

➤ ***Unfruitful expenditure on a multi village water supply scheme***

The selection of a source that was not reliable and appropriate for a water supply scheme resulted in non-commissioning of the scheme for more than six years thereby rendering the expenditure of ₹3.98 crore incurred on the scheme unfruitful.

(Paragraph 2.4)

➤ ***Non-utilisation of funds for construction of pre-matric boys' hostel building for Scheduled Tribe students***

Zilla Panchayat, Chitradurga released ₹30 lakh to Nirmithi Kendra, Chitradurga, without ensuring the availability of land. This contravened the codal provisions and resulted in funds remaining unutilised for more than seven years.

(Paragraph 2.5)

➤ ***Non-utilisation of funds for construction of anganwadi centres***

Zilla Panchayat, Chitradurga violated the codal provisions of ensuring availability of land before entrusting the construction of anganwadi centres. This resulted in non-utilisation of ₹20 lakh for more than five years besides depriving the anganwadi children of intended benefits.

(Paragraph 2.6)

3. Accountability framework and financial reporting in Urban Local Bodies

Out of 18 functions to be devolved to the Urban Local Bodies, the State Government had devolved 17 functions. As of March 2017, 132 Inspection Reports containing 1,911 paragraphs were pending for more than three years, indicating inadequate action on the part of Urban Local Bodies. The State Government did not have an Internal Audit Wing to oversee the functions of Urban Local Bodies. The Karnataka State Audit and Accounts Department had not audited the accounts of Bruhat Bengaluru Mahanagara Palike for the years 2014-15 to 2016-17. Bruhat Bengaluru Mahanagara Palike had not remitted health cess and had short remitted library and beggary cess. The State Government released only 6.41 per cent of Non-Loan Net Own Revenue

Receipts as against the stipulated 10 per cent. The State Government did not release the interest amounting to ₹1.70 crore to Urban Local Bodies for delayed transfer of Fourteenth Finance Commission grants. Bruhat Bengaluru Mahanagara Palike, though ineligible, received ₹81.77 crore as performance grants during 2016-17.

(Chapter III)

4. Thematic Audit - Collection and Remittance of cesses in Urban Local Bodies

The thematic audit on Collection and remittance of cess in Urban Local Bodies showed that the growth rate of remittance of the cesses levied on property tax did not correspond with growth rate of their collection during the period 2012-13 to 2016-17. Non-adherence to the provisions of various Cess Acts led to non-levy of cesses. There were instances of non-remittance and short remittance of cess by the Urban Local Bodies. The percentage of remittance to departments with a monitoring mechanism was significantly higher than those without a monitoring mechanism. Library cess, beggary cess, urban transport cess and slum development cess were largely utilised for the intended purposes. The utilisation of labour cess was poor and needs examination by the Government. There was no evidence for utilisation of health cess by the department concerned.

(Paragraph 4.1)

5. Compliance Audit - Urban Local Bodies

➤ Avoidable payment of interest

Urban Development Department, Bruhat Bengaluru Mahanagara Palike and Special Land Acquisition Officer, Bengaluru, failed to ensure timely settlement of land compensation resulting in avoidable payment of interest of ₹12.26 crore.

(Paragraph 4.2)

➤ Loss of revenue due to non-collection of urban transport cess

Bruhat Bengaluru Mahanagara Palike lost revenue of ₹95.63 crore due to non-collection of urban transport cess during 2013-14 to 2016-17.

(Paragraph 4.3)

➤ Short levy of ground rent

Bruhat Bengaluru Mahanagara Palike failed to adopt the applicable rates of service tax resulting in short levy/realisation of ground rent aggregating ₹57.58 lakh.

(Paragraph 4.4)

➤ ***Loss of revenue due to non-collection of enrolment fee***

Commissioner, Bruhat Bengaluru Mahanagara Palike failed to ensure enrolment of film theatre owners as commercial advertisers and consequently did not collect enrolment/renewal fee resulting in loss of revenue of ₹29.89 lakh.

(Paragraph 4.5)

➤ ***Avoidable payment due to non-reduction of contract demand and non-maintenance of power factor***

City Corporation, Shivamogga, failed to initiate action to get the contract demand reduced in accordance with consumption and did not maintain power factor at the prescribed level resulting in avoidable payment of ₹46.32 lakh during 2013-14 to 2016-17.

(Paragraph 4.6)

➤ ***Undue benefit to the contractor***

Chief Officer, Town Panchayat, Turuvekere, released mobilisation advance to the contractor in excess of the amount specified in the agreement leading to undue benefit to the contractor and resultant cost escalation of ₹43.13 lakh.

(Paragraph 4.7)