

**Combined Annual Technical Inspection Report
on Panchayat Raj Institutions and
Urban Local Bodies
for the period 2020-2022**

**Government of Karnataka
Office of the Principal Accountant General
(Audit-I), Karnataka**

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Preface

This Combined Annual Technical Inspection Report on Panchayat Raj Institutions and Urban Local Bodies for the period 2020-22 is prepared for submission to the Government of Karnataka.

The State Government entrusted the audit of Panchayat Raj Institutions (Gram Panchayats) and Urban Local Bodies to the Comptroller and Auditor General of India under Section 20(1) of CAG's DPC Act, 1971 under Technical Guidance and Supervision with effect from April 2010 for Gram Panchayats and April 2011 onwards for Urban Local Bodies. However, the primary audit of the institutions is carried out by the Karnataka State Audit and Accounts Department.

The issues noticed as a result of test audit for the period 2020-22 as well as those which came to notice in earlier years but could not be dealt with in the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with auditing standards issued by the CAG of India.

Overview

This Report contains three chapters. The first and the second chapters contain an overview of the Panchayat Raj Institutions and Urban Local Bodies in the State respectively. The third chapter contains observations arising out of audit of accounts of GPs and ULBs under Technical Guidance and Supervision. A synopsis of the findings is presented in this overview.

1 Accountability framework and financial reporting in Panchayat Raj Institutions

The total receipts and expenditure of Zilla Panchayats (ZP), Taluk Panchayats (TP) and Gram Panchayats (GP) for the years 2020-21 and 2021-22 is as follows:

PRIs	(₹ in crore)			
	2020-21		2021-22	
	Receipts	Expenditure	Receipts	Expenditure
ZP	17,470.50	16,943.24	14,929.12	12,201.12
TP	21,624.03	21,391.42	23,483.53	16,876.40
GP	6,393.30	5,879.03	5,849.05	4,271.45

The Inspector General of Registration and Commissioner of Stamps could not transfer the Additional Stamp Duty to the Taluk Panchayats for the period 2019-2022 due to non-reconciliation of receipts with Sub Registrar Offices.

ZPs and TPs did not remit the unspent previous Finance Commission's grants to the tune of ₹29.35 crore to the Government account.

As at the end of March 2022, 271 Inspection Reports consisting of 1,590 paragraphs, 808 Inspection Reports consisting of 5,094 paragraphs and 389 Inspection Reports consisting of 4,260 paragraphs were outstanding in various ZP, TP and GPs respectively.

Against ₹11.81 crore ordered for recovery by Ombudsman under Mahatma Gandhi National Rural Employment Guarantee Scheme only ₹3.51 crore was recovered (March 2022).

(Chapter-I)

2 Accountability framework and financial reporting in Urban Local Bodies

During the period 2017-22, the proportion of own revenue to total receipts in respect of ULBs (other than BBMP) was in the range of 27 *per cent* to 41 *per cent* only, while the same for BBMP was in the range of 41 *per cent* to 64 *per cent*.

Arrears of property tax in ULBs (other than BBMP) had increased from ₹653 crore in 2017-18 to ₹1,666 crore in 2021-22 and the collection decreased from 53 *per cent* during 2017-18 to 36 *per cent* during 2021-22.

Arrears of property tax in BBMP had increased from ₹ 1,600 crore in 2017-18 to ₹1,860 crore in 2021-22 and the collection increased from 57 *per cent* during 2017-18 to 62 *per cent* during 2021-22.

ULBs (other than BBMP) in the State have not remitted ₹504.00 crore of health cess, ₹54.00 crore of library cess and ₹30.00 crore of beggary cess to the departments / heads of account concerned. BBMP had not remitted the entire health cess of ₹1,275.18 crore, library cess of ₹256.36 crore and beggary cess of ₹31.48 crore.

The duty on transfer of immovable properties to ULBs for the year 2019-20 to 2021-22 was under progress (January 2023). The Property Tax Board was established in the State only during July 2020. The State Government formed Internal Audit Wing to oversee the functions of ULBs only during March 2022. In respect of BBMP, the Draft Rules and Regulations are yet to be approved by the State Government.

Out of 681 Inspection Reports outstanding, 625 Inspection Reports containing 10,873 paragraphs were pending for more than three years indicating inadequate action on the part of ULBs.

(Chapter-II)

3	Results of audit of Gram Panchayats and Urban Local Bodies under TGS Module
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Improper collection of building license fees - ₹45.61 lakh and short/non-collection of building license fees ₹86.05 lakh

(Paragraph-3.6.1 and 3.6.2)

Loss of revenue due to non-realization of dues on account of dishonoured cheques - ₹48.74 lakh.

(Paragraph-3.6.3)

Short collection of rent on advertisement hoardings erected in the GP premises ₹4.01 lakh.

(Paragraph-3.6.4)

Irregular receipt of cheques from GPs by TP official in his personal capacity towards procurement of receipt books and other purchases.

(Paragraph-3.6.5)

Improper certification of earth work excavation by manual means instead of mechanical means facilitated payment of excess amount to the contractors ₹13.06 lakh.

(Paragraph-3.6.6)