

## 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 two performance audit reviews and nine paragraphs based on the audit of financial transactions of the Panchayat Raj Institutions. The fourth chapter contains a performance review and six paragraphs based on the audit of financial transactions of Urban Local Bodies. A synopsis of the findings contained in the performance reviews and paragraphs is presented in this overview.*

### **1. An overview of Panchayat Raj Institutions**

*A review of finances of Panchayat Raj Institutions revealed that there was steady increase in the allocation of funds to Panchayat Raj Institutions by the State Government during the period 2005-10. Zilla Panchayats' control over expenditure was ineffective to the extent of direct transfer of Government of India funds to the implementing agencies. Medium Term Fiscal Plans were not prepared by any of the Panchayat Raj Institutions, defeating the purpose of enactment of the Karnataka Local Fund Authorities Fiscal Responsibility Act, 2003. Financial reporting was deficient as evidenced from arrears in accounts, non-submission of Utilisation Certificates, non-submission of NDC bills, non-maintenance of subsidiary registers, etc.*

**(Paragraphs 1.1 to 1.14)**

### **2. Grama Swaraj – Karnataka Panchayats Strengthening Project**

*In order to provide opportunities to the identified backward Grama Panchayats in the State towards improving their present conditions, particularly with respect to the management of public resources and the delivery of relevant services, the State Government introduced 'Grama Swaraj-the Karnataka Panchayats Strengthening Project' during 2006-07. Implementation of the Project was deficient. Grants were released to Grama Panchayats without ensuring achievement of the envisaged performance indicators. The objective of the Grama Swaraj Project to achieve online communication and face-to-face training suffered due to delay in establishment of Taluk Resource Centres/Satellite Communication Centres. There was no material improvement in collection of taxes and in the response of the rural population towards grama sabhas. Impact study on the effectiveness of service delivery in Gram Swaraj Project areas is yet to be conducted. Among other shortcomings, operation of Project funds through current accounts in banks resulted in loss of interest aggregating ₹1.06 crore. There were cases of misappropriation of funds because of which subsequent instalments were not released to the Grama Panchayats, depriving the rural poor of the intended benefits.*

**(Paragraph 2.1)**

**3. Implementation of developmental programmes in selected departments of Zilla Panchayat, Chitradurga**

*The declared objectives in setting up Panchayat Raj Institutions are decentralisation of powers and functions to promote democratic institutions and secure greater participation by the people in local and Government affairs. With the formation of Panchayat Raj Institutions, substantial functions of the State Government have been transferred to them. Zilla Panchayat, Chitradurga was implementing various developmental activities through Taluk/Grama Panchayats, line departments and Engineering Division. A review on implementation of developmental programmes in selected departments of Zilla Panchayat, Chitradurga during 2005-10 revealed that the Annual District Development Plans finalised by District Planning Committee were framed in a routine manner without visualising an overall plan for the district development. The lack of financial discipline and financial control resulted in irregular drawal of funds on self cheques, deposit of ₹8.70 crore outside Government account, besides lapse of grants of ₹88.92 lakh. Operational controls were inadequate as evidenced from denial of safe drinking water facility to rural habitations, non-distribution of school books and bags to Scheduled Caste/Scheduled Tribe children on time, incomplete stadia for more than a decade and non-functioning of trauma care centres. Critical health services were affected in the absence of essential staff in health centres. The monitoring and internal control mechanism was not effective due to inadequacy in coverage of internal audit as well as external audit and non-submission of periodical returns by lower tiers of Panchayat Raj Institutions.*

**(Paragraph 2.2)**

**4. Major Audit paragraphs – Panchayat Raj Institutions**

*Improper action of the Director, Rural Development and Panchayat Raj Department in according administrative approval before ensuring availability of the land coupled with failure of the Executive Engineers, Panchayat Raj Engineering Divisions, Bagalkot, Belgaum, Chikkodi and Chikmagalur in acquiring land before commencement of water supply schemes resulted in unfruitful expenditure of ₹37.39 crore besides denial of safe drinking water to the rural population.*

**(Paragraph 2.3)**

*Failure of the Deputy Directors, Khadi and Village Industries Commission to obtain legally binding documents and to initiate follow-up action for recovery in co-ordination with the financial institutions/banks and guarantors resulted in irrecoverable loss of ₹4.80 crore to the State exchequer.*

**(Paragraph 2.4)**

*Failure of the Executive Engineer, Panchayat Raj Engineering Division, Karwar to prepare a comprehensive estimate, non-posting of staff by the State Government coupled with improper monitoring at all levels led to idle investment of ₹69.45 lakh on two Primary Health Centres.*

**(Paragraph 2.5)**

*Failure of the Executive Engineer, Panchayat Raj Engineering Division, Gulbarga to ensure existing connectivity, proper alignment, availability of*

land and technical/practical feasibility prior to proposing the road work resulted in abandoning the work rendering the expenditure of ₹25.17 lakh wasteful.

**(Paragraph 2.7)**

Faulty action of Taluk Social Welfare Officer, Turuvekere to construct a residential school building for Hanumapura village Scheduled Tribe students on a site other than the one allotted coupled with non-monitoring of work by District Social Welfare Officer, Tumkur resulted in unfruitful expenditure of ₹19.81 lakh besides depriving the tribal students of better facilities.

**(Paragraph 2.8)**

Failure of Taluk Social Welfare Officer, Bangalore (East) to obtain utilisation certificate and monitor timely disbursement of scholarship amount to Scheduled Caste students of a college resulted in suspected misuse of ₹12.75 lakh by the college authorities besides denial of the intended benefits to the students.

**(Paragraph 2.9)**

## **5. An overview of Urban Local Bodies**

The 74<sup>th</sup> Constitutional amendment envisioned creation of local self-governments for the urban areas and envisaged devolution of 18 functions to Urban Local Bodies. However, the State Government had transferred only 14 functions. The annual accounts prepared by Urban Local Bodies were not certified by the Chartered Accountants for the years 2008-10. Persistent savings were observed in both revenue and capital expenditure vis-à-vis budget provision over the last three years. The Urban Local Bodies utilised only 42 per cent of Twelfth Finance Commission grants on solid waste management during the period 2005-10 as against the prescribed 50 per cent. Diversion of Twelfth Finance Commission grant for other works in contravention of guidelines was also observed. Financial reporting was weak as evidenced from improper maintenance of investment register, non-accountal of transaction in the books of account, etc.

**(Paragraphs 3.1 to 3.12)**

## **6. Unit area value based self assessment scheme of property tax in Bruhat Bangalore Mahanagara Palike**

The Bruhat Bangalore Mahanagara Palike provides civic services and infrastructure facilities to the citizens of Bangalore while discharging its functions as per the provisions of the Karnataka Municipal Corporation Act, 1976. The Bruhat Bangalore Mahanagara Palike is statutorily empowered to levy and collect tax and non-tax revenues. The property tax has traditionally been and continues to be the principal source of revenue to upkeep the basic services in the city. The implementation mechanism in property tax management suffered from several deficiencies. Among others, the abnormal delay in conducting the physical survey of properties by Bruhat Bangalore Mahanagara Palike based on the digital mappings of the area geographical information system resulted in absence of a comprehensive database of properties. Instances of incorrect declaration of properties and their usage pattern led to short payment of property tax of ₹207.35 crore during the years

2008-10. Control mechanism as regards revenue collection was ineffective as evidenced from non-maintenance of database, registers, non-verification of returns filed, unencashed cheques, etc.

**(Paragraph 4.1)**

## **7. Audit paragraphs - Urban Local Bodies**

Cash management in Bruhat Bangalore Mahanagara Palike revealed that huge funds were retained in several bank accounts without transferring to nodal bank accounts and the balances were not reconciled. Bank accounts were operated in the name of individuals which is fraught with the risk of misappropriation of funds. Cash books in respect of bank accounts were either not maintained or were incomplete.

**(Paragraph 4.2)**

Unjustified action of the Chief Engineer, Bruhat Bangalore Mahanagara Palike in changing the scope of road drain work led to undue benefit of ₹87 lakh to a contractor.

**(Paragraph 4.3)**

Action of the Chief Engineer, Bruhat Bangalore Mahanagara Palike in not following the prescribed specifications led to avoidable extra payment of ₹39.49 lakh on a road widening and strengthening work.

**(Paragraph 4.4)**

Failure of the Commissioner, Bruhat Bangalore Mahanagara Palike to invoke the defect liability provisions in the agreement led to extra expenditure of ₹87 lakh on a road which had developed defects within four to seven months of construction.

**(Paragraph 4.5)**

Failure of the Commissioner, Bruhat Bangalore Mahanagara Palike in taking possession of the requisite land before commencement of work resulted in wasteful investment of ₹4.31 crore on partially constructed cable ducts.

**(Paragraph 4.6)**

Improper action of the Chief Engineer, Bruhat Bangalore Mahanagara Palike in irregularly adopting the specification applicable for excavation for foundation of culverts and inflating the estimated rate for two desilting works led to excess payment of ₹90.25 lakh to two chosen contractors.

**(Paragraph 4.7)**