

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 observations arising out of performance and compliance audits of the Panchayat Raj Institutions. The fourth chapter contains one performance audit and five paragraphs based on the audit of financial transactions of Urban Local Bodies. A synopsis of the findings 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 2008-13. The District Planning Committee meetings were not held regularly. There was no mechanism at the apex level to oversee the devolution of functions to Panchayat Raj Institutions. No action was taken to revise the Activity Map. Balances under suspense heads of accounts were not reconciled. Utilisation certificates were not obtained from the implementing agencies.

(Paragraphs 1.1 to 1.18)

2. Indira Awaas Yojana

Indira Awaas Yojana (IAY) is a flagship scheme of the Ministry of Rural Development, Government of India for meeting the housing needs of the rural population. The Department of Housing, Government of Karnataka had entrusted the implementation of this Scheme to Rajiv Gandhi Rural Housing Corporation Limited.

A performance audit of the Scheme for the period 2008-13 showed that only 3.43 lakh houses could be completed against the target of 6.64 lakh houses. Out of 5.74 lakh beneficiaries selected, 3.05 lakh (53 per cent) belonged to Scheduled Caste/Scheduled Tribe categories and minorities were 0.75 lakh (13 per cent), which was less than the stipulated targets of 60 and 15 per cent respectively.

Out of available funds of ₹2,457.12 crore, a sum of ₹2,158.67 crore (88 per cent) was utilised during 2008-13. Financial management was deficient as reconciliation was not done between cash book and bank balances. There were instances of loss of central assistance, delay in certifying the accounts and payments made to non-IAY beneficiaries. The entire fund of ₹215.81 crore, released under Homestead scheme, remained unfruitful as sites developed under the Scheme after incurring an expenditure of ₹121.38 crore were not distributed to the beneficiaries.

A permanent waiting list, as required, was not prepared. In 298 cases benefits had been extended to ineligible beneficiaries. The joint inspection of beneficiaries pointed out 76 cases of beneficiaries owning large houses and 89

beneficiaries using the assistance for constructing extensions to existing houses, indicating that these beneficiaries were not eligible under the Scheme.

Information, Education and Communication activities were not conducted, and beneficiaries did not receive any technical assistance though stipulated in the guidelines. Efforts were not made to facilitate the beneficiaries in getting basic amenities through convergence of programmes. Monitoring of the implementation of the Scheme was not adequate.

The Information Technology audit showed that there were instances of invalid, incomplete and blank data indicating poor input controls and rendering data unsuitable for decision-making process. The password control policy, audit trails, disaster recovery and business continuity plan were also absent. There was lack of transparency as the data was not accessible to the beneficiaries.

(Paragraph 2.1)

3. Implementation of Backward Regions Grant Fund Programme

The Government of India had launched (February 2007) Backward Regions Grant Fund Programme to redress regional imbalances in development and to provide financial resources for supplementing and converging existing developmental inflow into identified districts. In Karnataka, six districts were covered under the Programme. Performance Audit of the Programme for the period 2007-13 was conducted during May-September 2013.

Performance Audit of the Programme showed that Perspective Plan had not been prepared in Raichur district and guidelines for inter se allocation of funds within the Panchayat Raj Institutions considering district specific backwardness indicators had not been prepared. Financial management was deficient as evidenced by loss of central assistance, delays in release of funds, etc. There were instances of lack of transparency in tendering and contract management. Training for capacity building as stipulated in the guidelines had not been imparted adequately. Monitoring was not adequate and evaluation of the training programme had not been done.

(Paragraph 2.2)

4. Compliance Audit – Panchayat Raj Institutions

➤ **Implementation of Bhagyalakshmi Scheme**

Bhagyalakshmi Scheme was launched by the Government of Karnataka during 2006-07 for Below Poverty Line (BPL) families. The objective of the Scheme was to empower the girl child by way of financial assistance and benefits under the Scheme were limited to two girls in each BPL family.

Financial management was deficient as there were instances of delay in release of funds to Life Insurance Corporation of India (LIC) and non-reconciliation of figures with LIC. There were inconsistencies in establishing BPL criteria resulted in enrolment of ineligible girl children. Applications

were not verified properly by the departmental officers and there were discrepancies in the birth certificates, income certificates, BPL criteria, etc. Tracking of beneficiary children was not done. Department was not aware of the whereabouts of 7,814 children. There were instances of incorrect calculation of projected maturity value. Coordinating Committees had not been formed. The data was not updated periodically and fields relating to financial data were altogether missing in the database.

(Paragraph 2.3)

➤ **Implementation of Rashtriya Krishi Vikas Yojana**

Rashtriya Krishi Vikas Yojana (RKVY) was launched in May 2007 with the aim of achieving four per cent annual growth in agricultural sector during the XI plan period (2007-12) by ensuring holistic development of agriculture and allied sectors.

Financial management was deficient as evidenced by incorrect reporting of expenditure, diversion of funds, parking of funds in fixed deposits, idle equipment, etc. Agricultural plans were prepared without conducting any study on the existing resources. The approved projects did not have any convergence with other ongoing schemes. The objectives of the test-checked projects were not achieved due to non-execution of all the envisaged components, deviations from the project guidelines, shortfall in manpower, etc. There were differences between the data uploaded in RKVY Database and Management Information System (RDMIS) and information available with the implementing agencies. Erroneous entries had been made in the RDMIS and there was no system of monitoring this data by RKVY Cell.

(Paragraph 2.4)

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

The Zilla Panchayat, Bellary took up a water supply scheme to Kudithini village in Bellary taluk which remained non-functional as the water could not be stored in the impounding reservoir due to seepage. This resulted in unproductive investment of ₹6.14 crore, besides depriving the targeted population of drinking water supply.

(Paragraph 2.5)

➤ **Unfruitful expenditure on water purification systems**

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Chitradurga to include liability clause in the agreements and take action to repair Stand Alone Water Purification Systems resulted in unfruitful expenditure of ₹26.84 lakh, besides denial of safe drinking water to students.

(Paragraph 2.6)

➤ **Wasteful expenditure on construction of a deck slab bridge**

Failure of the Executive Engineer, Panchayat Raj Engineering Division, Raichur to complete the construction of a deck slab bridge resulted in wasteful expenditure of ₹20.45 lakh. The Executive Engineer also failed to ensure safe custody of materials which resulted in loss of ₹9.96 lakh.

(Paragraph 2.7)

5. An overview of Urban Local Bodies

The 74th Constitutional amendment envisioned creation of local self-governments for the urban areas and envisaged devolution of 18 functions to Urban Local Bodies (ULBs). However, the State Government had not transferred two functions. The ULBs had not adopted Geographic Information System (GIS) to identify the properties to levy Property Tax. There was shortfall in certification of accounts by Chartered Accountants during the years 2008-13. The budgets prepared by the ULBs were not realistic as evidenced by savings in both receipts and payments vis-a-vis budget provisions. The ULBs did not utilise the entire Thirteenth Finance Commission grants during the period 2010-13. Internal Control mechanism was inadequate as there was no Internal Audit Wing and there were instances of improper maintenance of cash books, bank books and non-submission of statement of expenditure. There were deficiencies and omissions in the annual accounts of Bruhat Bangalore Mahanagara Palike and other ULBs.

(Paragraphs 3.1 to 3.17)

6. Solid Waste Management in Bruhat Bangalore Mahanagara Palike

Bruhat Bangalore Mahanagara Palike discharges its obligatory function of solid waste management as per the provisions of Karnataka Municipal Corporations Act, 1976. A performance audit of solid waste management in Bruhat Bangalore Mahanagara Palike showed, inter alia, the absence of a notified policy for solid waste management, resulting in lack of direction for effective management and scientific disposal of waste. Absence of reliable and complete data about quantum of waste generated in the city, non-preparation of contingency plan and inadequate institutional mechanism rendered waste management programmes ineffective. Consequently, the main objectives of minimising the burden on the landfills, as envisaged in Municipal Solid Waste Rules and prevention of environmental degradation were not achieved.

Inadequate operational controls resulted in weak financial management, leading to unfruitful and excess expenditure as well as diversion of funds. Bruhat Bangalore Mahanagara Palike had lost the assistance of ₹280.17 crore due to delay in preparation of master plan. Efficiency in collection of waste was poor and no efforts had been made to promote waste segregation. Lack of scientific processing facilities at landfill sites and non-compliance with the rules resulted in open dumping of mixed wastes leading to

environmental pollution. Adequate efforts to mobilise revenue resources through user charges were not made to meet the cost of operation and maintenance for waste management. Cases of improprieties in contract management of works relating to waste management wherein payment of ₹630.28 crore made to contractors for packages and additional works were also observed. Lack of monitoring by Bruhat Bangalore Mahanagara Palike and Urban Development Department resulted in unscientific disposal of wastes posing potential public health hazards.

(Paragraph 4.1)

7. Compliance Audit - Urban Local Bodies

➤ *Wasteful expenditure*

Failure of Bruhat Bangalore Mahanagara Palike in ensuring availability of land before commencement of works led to stoppage of the project proposed for treatment of sewage entering the storm water drain of Vrishabhavathi valley. This resulted in wasteful expenditure of ₹7.46 crore and defeated the very objective of keeping the environment clean.

(Paragraph 4.2)

➤ *Loss of revenue*

The City Municipal Council, Bijapur lost revenue of ₹3.01 crore due to delay of one year in giving effect to the revised water tariff approved by the Government.

(Paragraph 4.3)

➤ *Unauthorised exemption resulting in loss of revenue*

In contravention of the provision of Karnataka Municipalities Act, Town Municipal Council, Sankeshwar, exempted a firm from paying property tax under capital value system. This resulted in loss of revenue of ₹1.98 crore.

(Paragraph 4.4)

➤ *Avoidable expenditure on road markings*

Executive Engineer, C.V. Raman Nagar division of Bruhat Bangalore Mahanagara Palike executed the work of providing road markings on roads where these were not required, resulting in an avoidable expenditure of ₹22.50 lakh.

(Paragraph 4.5)

➤ ***Doubtful execution of works***

Potholes filling work and maintenance of roads in Ward No.86 of Bruhat Bangalore Mahanagara Palike had been completed at a cost of ₹15.40 lakh. However, within 20 days of completion, an identical estimate was prepared incorporating the items of works already completed and the works were executed again by incurring an expenditure of ₹15.40 lakh, which was doubtful.

(Paragraph 4.6)