

Overview

This Report contains four chapters. The first and the third chapters contain a summary of the 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 and the fourth chapter contains 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 10 per cent and the expenditure relating to State Grants and assigned revenue decreased by 11 per cent during 2017-18 as compared to 2015-16. There was short receipt of Fourteenth Finance Commission grants of ₹24.24 crore by the State Government. Fourteenth Finance Commission grants of ₹64.63 lakh were not released to Gram Panchayats but were invested in sweep-in deposit accounts. An amount of ₹5.01 crore and ₹83.06 crore pertaining to Central/State Finance Commission grants was retained in savings account and sweep-in deposit accounts respectively by Rural Development and Panchayat Raj Department as of March 2018 without releasing it to Panchayat Raj Institutions. The Inspector General of Registration and Commissioner of Stamps had not transferred the required duty on transfers for the year 2016-17 and 2017-18 to Taluk Panchayats as of October 2018. There was a delay in submission of annual accounts for the year 2017-18 to the Accountant General by 11 Zilla Panchayats and 107 Taluk Panchayats (1 to 178 days). Fifteen Zilla Panchayats and 51 Taluk Panchayats had not submitted the annual accounts for the year 2017-18 even at the end of October 2018. As of March 2018, 1,820 Inspection Reports (51.4 per cent) containing 4,739 paragraphs (29.5 per cent) were pending for more than 10 years, indicating inadequate action on the part of Chief Executive Officers.

(Chapter I)

2. Compliance Audit - Panchayat Raj Institutions

➤ *Diversion of cess amount by Gram Panchayats*

Non-remittance of various cess amounts by Gram Panchayats allowed them to divert ₹1.32 crore for their own expenditure, and defeated the objective for which the cesses were levied and collected.

(Paragraph 2.1)

➤ *Misuse/wastage of public funds*

The Executive Officer, Taluk Panchayat, Gangavathi, spent ₹22.47 lakh on publishing greetings and messages in print/electronic media without any attendant public interest.

(Paragraph 2.2)

3. Accountability framework and financial reporting in Urban Local Bodies

The collection of property tax vis-a-vis demand was poor. Urban Local Bodies including Bruhat Bengaluru Mahanagara Palike had not remitted or short remitted Health cess, Library cess and Beggary Cess. The Inspector General of Registration and Commissioner of Stamps had not transferred the required duty on transfers for the year 2016-17 and 2017-18 to Urban Local Bodies as of October 2018. The State Government released only 6.93 per cent of Non-Loan Net Own Revenue Receipts as against the stipulated 10 per cent. The State Government did not have an Internal Audit Wing to oversee the functions of Urban Local Bodies. The Property Tax Board was not yet established in the State (November 2018). The Karnataka State Audit and Accounts Department had not audited the accounts of Bruhat Bengaluru Mahanagara Palike for the years 2016-17 and 2017-18. As of March 2018, 265 Inspection Reports containing 4,109 paragraphs were pending for more than three years, indicating inadequate action on the part of Urban Local Bodies.

(Chapter III)

4. Compliance Audit - Urban Local Bodies

➤ Avoidable payment of penal interest

Bruhat Bengaluru Mahanagara Palike repeatedly defaulted in repaying the loan instalments despite the budgetary provisions and availability of sufficient funds, resulting in avoidable payment of penal interest of ₹20.07 crore.

(Paragraph 4.1)

➤ Loss of revenue due to incorrect assessment of property tax

Joint Commissioner, Bommanahalli Zone, Bruhat Bengaluru Mahanagara Palike wrongly assessed corridor/service area of a building at a lower rate. He also did not consider the date of occupancy certificate for levying property tax. These resulted in short assessment of tax and consequent loss of revenue of ₹6.72 crore.

(Paragraph 4.2)

➤ Loss of revenue

Fraudulent issue of trade licences and manipulation of Online Trade Licence System with fictitious instrument numbers at the office of the Medical Officer, Health, BBMP, Bommanahalli resulted in revenue loss of ₹3.75 crore. Further, the Medical Officer failed to comply with the codal provisions by not remitting 354 bankers' cheques/demand drafts worth ₹22.44 lakh to the bank account.

(Paragraph 4.3)

➤ ***Avoidable payment due to non-variation/alteration of contract demand and non-maintenance of power factor***

City Corporation, Kalaburagi, City Municipal Council, Ramanagara and Town Municipal Councils, Harapanahalli, Karkala and Malavalli did not initiate action to get the contract demand altered in accordance with consumption and did not maintain power factor at the prescribed level resulting in avoidable payment of ₹94.93 lakh during 2015-16 to 2017-18.

(Paragraph 4.4)

➤ ***Loss of revenue due to non-recovery of additional ground rent***

Failure of Bruhat Bengaluru Mahanagara Palike to collect additional ground rent in six test-checked cases where the buildings were not completed within two years from the dates of issue of building licences resulted in loss of revenue of ₹36.50 lakh.

(Paragraph 4.5)

➤ ***Loss of revenue due to short collection of improvement expenses***

Short collection of improvement expenses by Assistant Revenue Officer, Bruhat Bengaluru Mahanagara Palike, Anjanapura sub-division resulted in loss of revenue of ₹31.21 lakh.

(Paragraph 4.6)