

**Combined Annual Technical Inspection Report  
on  
Panchayat Raj Institutions and  
Urban Local Bodies**

**for the year ended March 2019 and March 2020**

**Government of Karnataka**

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



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## **Preface**

This Combined Report for the year ended March 2019 and March 2020 has been prepared for submission to the Government of Karnataka. In respect of Grama Panchayats (GPs) and Urban Local Bodies (ULBs), the primary audit is carried out by the Karnataka State Audit & Accounts Department (KSAAD). The Comptroller and Auditor General of India (C&AG) was entrusted the mandate under Technical Guidance and Supervision (TGS) under section 20 (1) of the DPC Act with effect from 1 April 2010 for GPs and 1 April 2011 onwards for ULBs. This report, therefore, is restricted to audit operations under TGS arrangements with respect to GPs and ULBs.

The Report contains significant results of the audit of the GPs and ULBs in the State.

The issues noticed as a result of test audit during the period 2018-19 and 2019-20, 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 C&AG of India.



# Overview



## Overview

*This Report contains three chapters. The first and the second chapters contain an overview of the GPs and Municipal Administration in the State respectively. The third chapter contains observations arising out of audit of accounts of GPs and ULBs under TGS. A synopsis of the findings is presented in this overview.*

### 1. An overview of the Grama Panchayats in the State

*GPs in the State were yet to adopt Model Panchayat Accounting System formats for their accounts. Against ₹24.12 crores ordered for recovery by Ombudsman under Mahatma Gandhi National Rural Employment Guarantee Scheme, ₹2.47 crore were recovered, and ₹21.65 crore was pending recovery. Tax revenue increased from ₹304.46 crore in 2015-16 to ₹379.68 crore in 2018-19 at the rate of 25 per cent and non-tax revenue decreased from ₹174.29 crore in 2015-16 to ₹131.47 crore in 2018-19. The percentage of own revenue to total receipts was in the range of 5.94 per cent (2016-17) to 9.1 per cent (2015-16) and the contribution of own revenue to revenue expenditure was less than 10 per cent. Statutory grants released to GPs increased from ₹616.62 crore in 2015-16 to ₹902.99 crore in 2018-19. Performance Grant for 2018-19 was not released to Panchayat Raj Institutions till the end of March 2019 by Government of India. Internal audit wing had not been constituted in Rural Development and Panchayat Raj department as of November 2020. As at the end of September 2020, 253 Inspection Reports consisting of 2,881 paragraphs were outstanding in various GPs.*

**(Chapter I)**

### 2. An overview of Municipal Administration in the State

*Ward Committees were not constituted in any of the City Corporations except Bruhat Bengaluru Mahanagara Palike (BBMP). District Planning Committees were constituted in all districts except Bagalkote. During the period 2014-19, the proportion of own revenue to total receipts in respect of ULBs (other than BBMP) was in the range of 26 per cent to 33 per cent only, while the same for BBMP was in the range of 41 per cent to 57 per cent. Arrears of property tax in ULBs (Other than BBMP) had increased from ₹105.74 crore in 2014-15 to ₹503.09 crore in 2018-19 and the collection decreased from 80 per cent during 2014-15 to 59 per cent during 2018-19. BBMP did not achieve the targets for collection of property tax during the period 2014-15 to 2018-19, however, the collection increased from 62 per cent during 2015-16 to 77 per cent during 2018-19. ULBs (other than BBMP) in the State have not remitted ₹378.15 crore of health cess, ₹60.63 crore of library cess and ₹24.18 crore of beggary cess to the departments/ heads of account concerned. BBMP had not remitted the entire health cess of ₹1,087.28 crore collected to the State Government, the balance of library cess (₹226.17 crore) and beggary cess (₹150.55 crore) were not remitted to the departments concerned. The duty on transfer of immovable properties for the year 2018-19 was not transferred (June 2021). Short release of State Finance Commission funds to ULBs during*

*the years 2014-15 to 2018-19 ranged between 20 per cent to 50 per cent. The Property Tax Board was not yet established in the State (July 2020). The DMA did not have an Internal Audit Wing to oversee the functions of ULBs. Out of 608 Inspection Reports outstanding, 312 Inspection Reports (52 per cent) containing 4,680 paragraphs (44 per cent) were pending for more than three years indicating inadequate action on the part of ULBs.*

**(Chapter II)**

### **3. An overview of Technical Guidance and Supervision operations**

*As per their Audit Plan, Karnataka State Audit and Account Department (KSAAD) planned to audit 92 per cent (5,881 out of 6,022) of GPs and 99 per cent (273 out of 277 ULBs) for the year ended 31 March 2018. However, as of July 2019, it had audited 5,297 GPs and 169 ULBs for the year 2017-18. Periodic returns to the Accountant General (Audit) were not furnished regularly and was sent only once in July 2018 and January 2020. In the Inspection Report of Grama Panchayat, Diddige, KSAAD had noticed the violation of Karnataka Transparency in Public Procurements Act in purchases made under Gram Vikasa Yojane and kept the entire amount of expenditure (₹23.64 lakh) under objection, instead of detailed analysis of violation. City Corporation, Tumakuru failed to enhance the rental charges at 10 per cent after completion of three years from the date of allotment or date of issue of the circular dated 26.10.2009. This had resulted in short collection of revenue amounting to ₹38.35 lakh. Unclaimed deposits of more than three years old amounting to ₹108.95 lakh were shown in the deposit register but the same was not treated as income of the Corporations. The aspect of Technical Guidance and Supervision which has a statutory backing does not find a place in the revised KSAAD manual.*

**(Chapter III)**

## **Chapter - I**

# **An Overview of the Grama Panchayats in the State**



## Chapter-I

### 1. An Overview of the Grama Panchayats in the State

#### A: Functioning of Grama Panchayats

##### 1.1 Introduction

Consequent to the 73<sup>rd</sup> Constitutional Amendment Act, the State Government enacted the Karnataka Panchayat Raj Act, 1993 (henceforth referred to as KPR Act, 1993) to establish three tier Panchayat Raj Institutions (PRIs) - Grama Panchayats (GPs) at the village, Taluk Panchayats (TPs) at the taluk and Zilla Panchayats (ZPs) at the district levels in the rural areas of the state. The KPR Amendment Act 2011 inserted sub section (i) under section 246 according to which “The Comptroller and Auditor General shall provide technical guidance and support for audit of accounts under this section in accordance with the provisions of Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971[CAG’s (DPC) Act] and also undertake test check of the accounts of the GPs”. The Act was further amended in 2013 and 2015 and was renamed in 2017 as the Karnataka Grama Swaraj and Panchayat Raj Act, 1993(KPR Act,1993).

Effective functioning of the GPs is essential in order to address the needs of the people and also for effective implementation of schemes for economic, social and cultural development.

The salient statistics in respect of rural population in the State is shown in **Table 1.1:**

**Table 1.1: Salient statistics of the State**

Indicators	Unit	State	National
<b>Population</b>	In lakhs	610.95	12105.69
<b>Rural population</b>	In lakhs	374.69	8334.63
<b>Rural population</b>	Percentage of population	61.33	68.8
<b>Population density</b>	Persons/ Sq.kms	319	382
<b>Rural Sex Ratio</b>	Per Thousand	979	949
<b>Rural Literacy rate</b>	Percentage of population	68.70	67.8
<b>Zilla Panchayats</b>	Numbers	30	540 (approx)
<b>Taluk Panchayats</b>	Numbers	176	6,000 (approx)
<b>Grama Panchayats</b>	Numbers	6022	2,34,000 (approx)

Source: RDPR Annual Report 2018-19, Census 2011 and Economic survey of Karnataka 2018-19

Karnataka is the seventh largest state in India in terms of geographical area (191791 sq km) and accounts for 5.05 *per cent* of India’s population. Rural literacy of the state (68.7 *per cent*) is better than the National literacy rate (67.8 *per cent*).

## **1.2 Organisational setup of PRIs in the State**

The Rural Development and Panchayat Raj Department (RDPR) headed by the Principal Secretary, Government of Karnataka is the nodal department for PRIs at the State level. The organisational structure with respect to functioning of PRIs in the State is given in **Appendix 1.1**.

## **1.3 Mandate of C&AG with respect to PRIs and Scope of audit**

In respect of Local Bodies on the rural side, the role of the Comptroller and Auditor General of India (CAG) is different in respect of the ZPs and TPs on the one hand and the GPs on the other.

- As per section 262 of KPR Act, 1993, the accounts of the Zilla Panchayat Fund shall be audited by the CAG in accordance with CAG's (DPC) Act. Similarly, section 253 of KPR Act, mandates that the accounts of Taluk Panchayat Fund shall be audited by the CAG in accordance with CAG's (DPC) Act. This audit is done under section 19 (3) of CAG's (DPC) Act and the arrangement is extended every five years. The latest extension is from 01.04.2017 to 31.03.2022. Accordingly, the certification of the accounts of all the 30 ZPs and 176 TPs are undertaken and Separate Audit Reports (SAR) for each ZP and one consolidated SAR for all TPs are issued. The audit observations on compliance and regularity issues are included in the usual Audit Report of the CAG.
- In respect of GPs, the primary audit is carried out by the Karnataka State Audit & Accounts Department (KSAAD) and CAG is entrusted with Technical Guidance and Support (TGS) mandate under section 20 (1) of the CAG's (DPC) Act with effect from 1 April 2010. Hence, this chapter is restricted to audit findings under TGS arrangement in respect of GPs only.

**Scope:** As per the details furnished by KSAAD (October 2019), it had conducted audit of 5,091 and 5,297 GPs for the years 2016-17 and 2017-18 during 2017-18 and 2018-19 respectively. Among those audited units, we undertook audit of 42 GPs and 80 GPs during 2018-19 and 2019-20 under TGS.

## **1.4 Devolution of functions of GPs**

The 73<sup>rd</sup> Constitutional amendment envisaged transfer of 29 functions listed in the 11<sup>th</sup> schedule of the Constitution of India to the PRIs. This is also covered in the KPR Act, 1993. Section 58 of the KPR Act, 1993 empowers the GPs to perform 31 functions as specified in the Schedule-I of the Act. Similarly, Section 145 and Section 184 of the KPR Act, 1993 empowers TPs and ZPs to perform 30 functions and 28 functions as specified in the Schedule-II and Schedule-III of the Act respectively. Though, the State Government transferred all the 29 functions as listed in the 11<sup>th</sup> Schedule to the PRIs, the activity map for distribution of all the functions among GPs, TPs and ZPs was devised only in November 2016. The Activity map is given in **Appendix 1.2**.

Some of the important functions of GPs are Drinking Water Supply, Town and Rural Schemes and Public Works, Poverty alleviation, Rural Electrification, Power and Energy, Disaster Management *etc.*

## 1.5 Formation of Committees

### 1.5.1 Standing Committees in GPs

Section 61 of KPR Act, 1993 provides that each GP shall constitute Standing Committees from among its members by election. The Standing Committees shall perform the functions as delegated to them by the GPs. The details of the roles envisaged for the Standing Committees are given in the **Table 1.2:**

**Table 1.2: Constitution of the Standing Committees and its functions**

Sl. No.	Standing Committees	Executive of Standing Committees	Functions of the Standing Committees
1.	General Standing Committee	Upadhyaksha	To perform functions relating to agricultural production, animal husbandry and rural industries and poverty alleviation programmes, education, public works and other functions of the GPs.
2.	Finance, Audit and Planning Standing Committee	Adhyaksha	To perform functions relating to the finance of the GPs, framing of budgets, examinations of receipts and expenditure statement, general supervision of revenue and expenditure of GP and any other functions relating to the development plan of the GP.
3.	Social Justice Standing Committee	Chairman (elected from amongst Scheduled Caste (SCs)/Scheduled Tribe (STs) members)	Functions shall include: (a) Promotion of educational, economic, social, cultural and other interest of the SCs and STs and backward classes and their protection from social injustice. (b) Shall address women's concerns and issues such as empowerment of women by achieving their social, cultural and economic development and to protect them against crimes of domestic violence, sexual harassment etc. Also, shall include tendering of advice on promoting gender friendly programs by ensuring adequate facilitations for women at schools, offices, factories hospitals and other public places and go about their daily lives in freedom and dignity.

Source: KPR Act, 1993

### 1.5.2 District Planning Committee

According to Section 309 of the KPR Act, 1993 every GP shall prepare a development plan annually in the prescribed form and forward it to the TP within the stipulated time. The TP consolidates the plans of all the GPs in digital form at the taluka level and places them before the Taluk Planning and Development Committee constituted under Section 309D of the KPR Act, 1993 for carrying out the integration of planning. District Planning Committee (DPC)

constituted under Section 310 (1) of the KPR Act, 1993 in every district shall consolidate the plans prepared by the ZPs, TPs, GPs, Town Panchayats, Municipal Council and Municipal Corporations in the district and prepare a draft development plan for the district as a whole. These plans are forwarded to Karnataka State Decentralised Planning and Development Committee (DPDC) formed under section 310 B of KPR Act, 1993 to enable the Government to formulate development plans. DPC was formed in all the districts of Karnataka, except Bagalkote. DPDC was reconstituted *vide* Government Order dated 3 September 2020 to formulate development plans. No DPC Meetings were held during 2018-19 & 2019-20.

## 1.6 Delegation of financial powers

The GP consists of elected members, one member for every four hundred of the population or part thereof of the panchayat area. Two members are chosen among the elected members to be Adhyaksha and Upadhyaksha. Adhyaksha is the executive head of the GP. Apart from the elected members, each GP shall have a whole time Panchayat Development Officer (PDO) and Secretary who shall be the officials of the Government and such other officials appointed by the Government.

Rule 77 & 80 of KPR (GP Budgeting & Accounting) Rules 2006 provides for delegation of financial powers with respect to sanction of estimates for developmental works of GP. The details are given in **Table 1.3**. The delegation of financial powers was being followed in the test checked GPs.

**Table 1.3: Delegation of Financial Powers**

Particulars	Authority	Financial Powers
<b>Technical Sanction</b>	GP Engineer	Up to ₹25,000/-
	AEE of ZP Sub-Dn	>₹25,000<₹4,00,000
	EE	>₹4,00,000<₹10,00,000
	SE	₹10,00,000 and above
<b>Administrative Sanction</b>	Adhyaksha of GP	Does not exceed ₹5,000 provided GP has delegated such powers to Adhyaksha by means of a resolution.
	Grama Panchayat	>₹5,000<₹10,00,000
	CEO of ZP	>₹10,00,000<₹30,00,000
	Government	>₹30,00,000

## 1.7 System of Accounting

The annual statement of accounts of GPs comprises Receipt and Payment accounts, Income and Expenditure accounts and Balance Sheet in the prescribed forms. The accounts are prepared on accrual basis by adopting Double Entry Accounting System as prescribed under KPR GPs (Budgeting and Accounting) Rules, 2006. The annual financial statement and the note on accounts shall be placed before the GP for its consideration and approval before 30 June of the succeeding year.

As per the recommendations of the Thirteenth Finance Commission (TFC), PRIs have to prepare the accounts in the Model Panchayat Accounting System (MPAS) from 2011-12 as prescribed by GoI. Unlike the earlier format, MPAS format facilitates exhibition of month wise figures of receipts and payment, budget allocation, grants released and expenditure, movable and immovable assets in the accounts. GPs in the State were yet to adopt MPAS formats for their accounts.

Ministry of Panchayat Raj (MoPR), GoI, brought Panchayati Raj Institutions Accounting Software (PRIA soft) that captures the 3-tier accounting classification and generates all the reports of PRIs in the formats prescribed by the CAG. It is a centralized Accounting Software intended for use by all the three tiers of Panchayati Raj namely ZP, TP and GP. At present, only accounts relating to payment out of Fourteenth Finance Commission (FFC) grants released to GPs are handled by the PRIA soft.

Government of Karnataka through National Informatics Centre developed a software called 'Panchatantra' to promote transparency in governance and make available all information. The Panchatantra is a web-based application with 3-tier architecture for implementing the double entry accounting system as well as for meeting the basic requirement of the GPs. The software was implemented in all the GPs with effect from 2012-13. GP wise income and expenditure statement and balance sheet can be viewed in Panchatantra. Various reports maintained by the department are also available on the portal. All the GPs are using the Panchatantra for their day-to-day accounting transactions.

## **1.8 Internal Control System of GPs**

Internal control is designed to provide reasonable assurance that the general objectives of accountability, complying with applicable laws, ensuring economical, efficient and effective operations and safeguarding resources against loss are achieved. Failure to adhere to internal controls is fraught with the risks of inefficiency, ineffectiveness, misappropriation of funds/loss or pilferage of stores.

Some of the important internal control mechanisms to be implemented by PRIs include periodical reconciliation of cashbook with bank balances, annual physical verification of fixed assets, stores and stock, preparing and passing of budget and annual accounts *etc.* Annual physical verification ensures the actual presence of stores and stock/fixed assets as exhibited in the books of account. Similarly, periodical reconciliation of cash book with bank book is to be carried out and differences between balances as per bank records and cash book if any, have to be investigated and cleared.

However, test check of 42 GPs and 80 GPs conducted during 2018-19 and 2019-20 for the period 2016-18 revealed the following:

- Annual physical verification of stores and stock was not done in 10 GPs (24 per cent) and 61 GPs (76 per cent) during 2017-18 and 2018-19 respectively. The GPs did not specifically furnish reasons for non-conduct of physical verification. However, it was stated that Annual Physical Verification of Stock will be conducted annually in future.

- Reconciliation of Cash book and bank scrolls was not conducted in 14 GPs (33 per cent) and 22 GPs (28 per cent) during 2017-18 and 2018-19 respectively.
- During 2019-20, in one GP, Diddige, Jagalur taluk, Davanagere district, payment of ₹6.64 lakh was made towards purchase of cement without recording the stock certificate. Stock register was also not maintained.

## **1.9 Functioning of Finance/Accounts section of GPs**

Section 111 of KPR Act, 1993 stipulates that there shall be a whole time Panchayat Development Officer (PDO), Secretary and other officials appointed by the Government in each GP. The Secretary and the other officials shall assist the PDO in the discharge of his duties.

The Secretary shall be responsible for preparation of budget estimates, monthly accounts, half yearly accounts, trial balances, matters relating to drawal and expenditure of funds, maintenance of accounts and rendering of accounts as per the provisions of KPR (GP Budgeting & Accounting) Rules, 2006.

The PDO shall submit the monthly accounts, furnish returns, statement of accounts and such other information when called for, by the GP, Government or the auditor.

## **1.10 Ombudsman**

As per the recommendations of the TFC, the State Government was required to put in place a system of independent local body Ombudsman to investigate complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials. The Ombudsman would submit reports on such investigations to the Lokayukta who would forward the report with his recommendations to the Governor. No such Ombudsman was appointed by RDPR to investigate complaints of corruption and maladministration against the functionaries of Rural Local Bodies. The department stated (December 2020) that the system of appointment of Ombudsman under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was in force from 2010-11 onwards. Against 30 districts in the State, there was provision to appoint 27 Ombudsmen. For the districts of Bengaluru Urban/Rural, Hassan/Kodagu and Udupi/Dakshina Kannada, common Ombudsmen were to be appointed. As of November 2020, 23 Ombudsmen were appointed for 25 districts, and in the remaining five<sup>1</sup> districts, the post was vacant. Against ₹24.12 crore ordered for recovery, ₹2.47 crore were recovered and ₹21.65 crore was pending recovery. The reply does not address the point at issue and the fact remained that the department had not implemented the recommendation of the TFC regarding appointment of independent ombudsman.

<sup>1</sup> Bengaluru(R), Bengaluru (U), Haveri, Kalaburagi, and Kolar

**B: Financial Arrangement****1.11 Financial Overview****1.11.1 Source of funds**

The resource base of GPs consists of own revenue<sup>2</sup>, State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Government of India (GoI) grants for maintenance and development purposes. The details of receipts of GPs during 2015-19 are given in **Table 1.4**:

**Table 1.4: Receipts of GPs during 2015-19**

(₹ in crore)

Period	Central	State	Other receipts	Total
2015-16	4,096.19	692.69	479.07*	5,267.95
2016-17	5,180.35	1,054.14	394.63	6,629.12
2017-18	4,823.52	1,156.39	405.04	6,384.95
2018-19	4,971.17	1,405.96	511.64*	6,888.77

Source: IFA Section, RDPR

\*includes interest amount ₹0.32 lakh for 2015-16 and ₹0.49 lakh for 2018-19

The details of own source of revenue comprising tax and non-tax revenue for the period 2015-19 is given in **Table 1.5**:

**Table 1.5: Details of Own Revenues of GPs for the period 2015-19**

(₹ in crore)

Year	Tax Revenue	Non-Tax Revenue	Total
2015-16	304.46	174.29	<b>478.75</b>
2016-17	257.72	136.36	<b>394.08</b>
2017-18	293.08	111.96	<b>405.04</b>
2018-19	379.68	131.47	<b>511.15</b>

Source: IFA Section, RDPR

**1.11.2 Utilization of Funds**

The details of expenditure of GPs during 2015-19 are given in **Table 1.6** below:

**Table 1.6: Expenditure of GPs during 2015-19**

(₹ in crore)

Year	Revenue Expenditure	Capital Expenditure
2015-16	5,335.16	118.89
2016-17	5,908.66	188.73
2017-18	6,002.66	207.61
2018-19	6,100.52	224.75

Source: IFA Section, RDPR

<sup>2</sup> As per schedule IV of KPR Act, major sources of tax revenue of GPs are taxes on land and buildings, advertisement and hoardings, mobile towers, windmill, solar park and; sources of non-tax revenue are water charges, fees on entertainment, vehicle parking fees, market fees, fee on registration of cattle, road cutting charges for laying optical fibre cable

From the above, it can be seen that the percentage of own revenue (**Table 1.5**) to total receipts (**Table 1.4**) was in the range of 6 per cent (2016-17) to 9 per cent (2015-16) and the contribution of own revenue (**Table 1.5**) to revenue expenditure (**Table 1.6**) was less than 10 per cent. This indicates that the GPs were not self-sufficient and were dependent on grants even for their day-to-day expenditure (revenue expenditure)

## 1.12 FC Recommendations Implementation status

### 1.12.1 State Finance Commission

The Third State Finance Commission (SFC) was constituted in August 2006 and submitted its report in December 2008. The recommendations of the third SFC were accepted (October 2011) with modifications by the Government of Karnataka and were made applicable for the period 2011-12 to 2017-18. The criteria for allocation of funds to each ZP, TP and GP were based on indicators and respective weightages assigned to criteria like Rural population, Geographical area, Illiteracy *etc.*

The Fourth SFC, constituted in December 2015, submitted its report in May 2018. The Government of Karnataka accepted the recommendations of the Fourth SFC in December 2018, being applicable for the period 2018-19 to 2022-23. As per the recommendations, 7.76 per cent of the share of PRIs in Non-Loan Net Own Revenue Receipts (NLNORR)<sup>3</sup> was to be earmarked for GPs. Important recommendations of SFC and their modifications are mentioned in **Appendix 1.3**.

The details of statutory grants allocated by SFC and transferred to GPs by State Government during 2015-19 is shown in the **Table 1.7**:

**Table-1.7 Status of Grants Released**

(₹ in crore)

General Grant				
SFC	Year	Allocation	Release	Balance
Third	2015-16	616.62	616.62	0
Third	2016-17	638.04	638.04	0
Third	2017-18	623.42	623.42	0
Fourth	2018-19	902.99	902.99	0

Source: PR-1 Section, RDPR

Statutory grants released to GPs increased from ₹616.62 crore in 2015-16 to ₹902.99 crore in 2018-19.

### 1.12.2 Central Finance Commission

The FFC allocated grants of ₹8,359.79 crore towards basic grants (BG) for GPs of the State for the period 2015-16 to 2019-20 and ₹928.87 crore towards performance grants (PG) for the period 2016-17 to 2019-20. GoI

<sup>3</sup> NLNORR comprises state's own revenue inclusive of both tax and non-tax sources after deducting the cost of collection charges.

was to release the grants in two instalments (June and October) in every fiscal year. The release of second instalment was subject to receipt of Utilisation Certificate (UC) for the first instalment. The details of funds received from GoI towards FFC and transferred to PRIs by State Government during 2015-19 is shown in the **Table 1.8:**

**Table 1.8 Status of Grants Released**

(₹ in crore)

Year	Basic Grant			Performance Grant		
	Allocation	Release	Shortfall	Allocation	Release	Shortfall
2015-16	1002.85	972.36	30.49	0	0	0
2016-17	1388.62	1368.21	20.41	182.15	179.45	2.70
2017-18	1604.42	1580.18	24.24	206.13	204.08*	2.05
2018-19	1856.02	1841.54	14.48	234.08	0	234.08

Source: Finance accounts

\*released during June 2018

The allocated amount of PG for 2018-19 was not released to PRIs till the end of March 2019 by GoI. RDPR stated (September 2019) that the claim for 2018-19 PG pertaining to PRIs had been forwarded to GoI, but the grant was not released. A reminder in this regard was sent by the Hon'ble Chief Minister to the Hon'ble Finance Minister of India on 18 September 2020. Finance Department also reiterated (February 2021) that the PG for the year 2018-19 was not released by the GoI.

## **C: Public Accountability arrangements in Grama Panchayats**

### **1.13 Financial Reporting framework**

As per the KPR (GP Budgeting and Accounting) Rules, 2006, the annual financial statements for the financial year along with the note on accounts shall be placed before the GP for its consideration and approval before 30<sup>th</sup> June of the succeeding year.

### **1.14 Audit arrangements**

#### **1.14.1 Internal Audit System of GPs**

Internal Audit is an important instrument to examine and evaluate the level of compliance with rules and procedures as envisaged in the relevant Acts as well as in the Financial/Accounting Rules and provides assurance to management on the adequacy of the risk management and internal control framework in the PRIs.

The State Government did not have an Internal Audit Wing to oversee the functions of PRIs. Finance Department had given concurrence (August 2019)

for constitution of an Internal Audit Wing in RDPR. However, the internal audit wing had not been constituted as of November 2020.

### 1.14.2 External audit

#### 1.14.2.1 Audit by Primary Auditor

As per Section 246(1) of the KPR Act, 1993, the KSAAD is the statutory external auditor for GPs. Its duty, *inter alia*, is to certify correctness of accounts, assess internal control systems and report cases of loss, theft and fraud to audited entities and to the State Government.

As per section 246(12) of the KPR Act, 1993, the Principal Director, KSAAD shall submit to the Government a consolidated annual report in respect of all the GPs of the state and State Government shall lay such report before both houses of the state legislature. The consolidated annual report of the GPs up to the year 2015-16 had been laid before the state legislature.

#### 1.14.2.2 Financial statements certification

Section 246 of KPR Act, 1993 stipulates that the accounts of every GP shall be audited each year by such officer as may be authorised by the Principal Director, KSAAD. KPR (GP Budgeting and Accounting) Rules 2006 stipulates the procedure to be followed. As per the prescribed procedure, the approved accounts shall be sent to the Chief Accounts Officer of the ZP and the Assistant Controller of the concerned Local Audit Circle for taking up audit. On completion of audit, the Assistant Controller of Local Audit Circle shall issue Audit Report on behalf of the Controller, KSAAD to the GP and Executive Officer within one month after completion of audit and ensure that the Audit Report shall contain a certified statement of Annual Receipt and Payment Account, Income and Expenditure account and Balance Sheet of the GP. The audit of accounts is important as the State Government may withhold release of funds to such GPs which fail to furnish accounts to the Audit authority within the stipulated period. Details relating to certification of accounts of GPs by KSAAD is as shown in **Table 1.9:**

**Table 1.9 Status of certification of accounts of GPs by KSAAD, as of January 2021**

Year	Number of GPs	Number of GPs (accounts certified by KSAAD)
2014-15	5,629	3,637
2015-16	6,022	3,754
2016-17	6,022	3,757
2017-18	6,022	3,692
2018-19	6,022	3,936

Source: Information furnished by KSAAD

### 1.14.2.3 Compliance Audit

The status of audit conducted by KSAAD, as of January 2021, in respect of GPs in the State is shown in **Table 1.10**:

**Table 1.10 Status of audit of GPs by KSAAD, as of January 2021**

Year	Number of GPs	Number of GPs audited
<b>2014-15</b>	5,629	4,981
<b>2015-16</b>	6,022	5,401
<b>2016-17</b>	6,022	5,450
<b>2017-18</b>	6,022	5,309
<b>2018-19</b>	6,022	5,442

Source: Information furnished by KSAAD

### 1.14.2.4 Audit by CAG under Technical Guidance and Supervision

The details of audit undertaken by CAG are discussed in **Chapter 3**

### 1.14.2.5 Social audit

Social Audit is an audit of a scheme jointly conducted by the Government and the people, especially by those who are affected by, or are the intended beneficiaries of such schemes. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)<sup>4</sup> 2005, was the first Act that mandated Social Audit by the Grama Sabha of all the works under the scheme taken up within the GP. To facilitate the conduct of Social Audit, the Ministry of Rural Development (MoRD) in consultation with the CAG notified the Mahatma Gandhi National Rural Employment Guarantee Audit of Scheme Rules in 2011. Consequently, Government of Karnataka notified (January 2012) the Scheme Implementation of Social Audit Rules 2011. In accordance with these rules, the Social Audit Directorate (hereafter referred to as Social Audit Unit) headed by the Director was formed and registered (May 2012) under the Societies Registration Act, 1960.

The details of programmes/schemes where Social Audit was to be taken up and status of implementation during the year 2018-19 are given in **Table 1.11**:

<sup>4</sup> under section 17, sub-section 1, 2 and 3 of the Act, the main responsibility of Social Audit was provided to the Grama Sabha.

**Table 1.11: Details of Social Audit conducted during 2018-19**

Sl. No.	Name of the Scheme	Mandate	Periodicity	Number of audits
1	MGNREG Scheme	MGNREG Act, 2005	Twice a year in each GP (6,022)	11,942
2	National Rural Drinking Water Programme (NRDWP)	NRDWP Guidelines	Twice a year in each GP	Not Conducted
3	Swachh Bharat Mission (SBM)	SBM Guidelines	Twice a year in each GP	
4	Mid-day Meal (MDM) Scheme	Instructions of Department of School Education and Literacy (MDM)	Not available	
5	Public Distribution System (PDS)	National Food Security Act.	All fair price shops 'Periodically'	

Source: Information furnished by Social Audit Directorate

The above table indicates that Social Audit was conducted regularly only for MGNREGS.

As per the master circular<sup>5</sup>, the State Government has to establish Social Audit Units (SAU) and every Unit shall be headed by the Governing body which is responsible for overseeing the performance of the Unit periodically and also provide advice and direction to the Unit as and when needed.

The master Circular further stipulated as under

- Social Audit Reports (SARs) shall be prepared in local language and displayed on the notice board of GP and on the public domain by the SAU within 48 hours from completion of Social Audit. SAU shall also ensure that SARs are uploaded on MIS within two days of the Grama Sabha. SARs once approved by Grama Sabha/Ward Sabha are required to be submitted to the District Programme coordinator and State SAU within 24 hours of completion of the social audit.
- For every instance of financial irregularities found during a social audit, the SAU must file a written complaint addressed to the District Programme Coordinator for registration of a First Information Report.
- The implementing agency is responsible for taking follow-up action on the findings in a time bound manner.
- The Programme officer within one month from conduct of Grama Sabha/Ward Sabha should submit Action Taken Report (ATRs) to the SAU and monthly review shall be conducted by the Additional Chief Secretary/Principal Secretary/Secretary, RDPR with respect to

<sup>5</sup> a guide for programme implementation of MGNREGA for 2018-19

irregularities noticed in the report and the status of progress on the action taken by the implementing agencies. The State SAU should submit quarterly report in the prescribed format to Principal Accountant General of the State.

Some of the interesting points noticed during an audit of 'Effectiveness of Social Audit' conducted by this office for the period 2016-17 to 2018-19 are as under.

- Though, provisions of various schemes mandated for conduct of Social Audit, there was no Social Authority to oversee the conduct of Social Audit of schemes implemented in the State. The SAU in the State established exclusively for MGNREGS was entrusted with Social Audit of other schemes such as NRDWP, SBM, MDM and PDS. However, the Social Audit of these schemes was not a continuous process as in the case of MGNREGS.
- Information, Education & Communication activities creating awareness about Social Audit was ineffective and inadequate as 99 *per cent* of the Social Audit Gram Sabha (SAGS) meetings were attended by less than two *per cent* of the population.
- Follow up action on the social audit finding was very weak.
- The recoveries of the objected amounts in the SARs were less than one *per cent*.
- The monthly reviews of SARs were not conducted in the State.
- Quarterly reports were not submitted by the SAU to the Principal Accountant General during 2018-19.

For details of the observation on 'Effectiveness of Social Audit', Report of the Comptroller and Auditor General of India on General and Social Sector Audit for the year ended March 2019 (**Paragraph 3.2/** Report No.3 of the year 2020) may be referred to.

To have a comparison of the system of social audits prevailing in other states, the annual report of the Society for Social Audit, Accountability and Transparency (SSAAT), Department of Rural Development for the period 2016-17 to 2018-19 Government of Telangana was referred to. It states that along with MGNREGS, SSAAT Telangana undertakes social audit of quite a few schemes. A copy of the Report is handed over to the District Vigilance Officer of the district vigilance wing to process files and initiate action against the erring staff. The recovery of the misappropriated amount was around 30 *per cent*.

The above points indicate that Telangana has a more robust system of social audit in their state. It is recommended that Karnataka may consider adopting the steps initiated by Telangana in a phased manner for effective social audit of schemes or programmes implemented by different departments.

### 1.15 Submission of Utilisation Certificates

The details of UCs relating to FFC grants submitted during 2018-19 is shown in **Table 1.12:**

**Table 1.12: Details of UCs against the release of FFC grants during 2018-19**

(₹ in crore)

Sl. No	Particulars	Released Amount	UC No & date	Utilised Amount
1	FFC Performance Grant (2017-18)	204.08	FD/14/FCC/2017 14/08/2018	204.08
2	FFC Basic Grant 1 <sup>st</sup> instalment (2018-19)	920.77	FD/25/FCC/2015 22/11/2018	920.77
3	FFC Basic Grant 2 <sup>nd</sup> instalment (2018-19)	920.77	FD/27/FCC/2015 26/02/2019	920.77

Source: Information furnished by Finance Department, Government of Karnataka

FFC guidelines stipulated release of grants to duly constituted Panchayats<sup>6</sup>. It was observed from the UCs submitted to GoI by the State Government, the elected bodies were in place only in 5,977 out of 6,024 GPs during 2017-18 and 6,011 out of 6,022 GPs during 2018-19. However, the basic grants were invariably released to all GPs irrespective of the duly elected body being in place and thus, violated the stipulation of FFC guidelines.

### 1.16 Responsiveness to Audits

Inspection Reports (IRs) are issued by Principal Accountant General, Karnataka to audited GPs. Authorities are required to comply with the observations contained in the IRs and report their compliance within one month from the date of issue of IRs.

As at the end of September 2020, 253 Inspection Reports (IRs) consisting of 2,881 paragraphs were outstanding in various GPs as detailed in **Table 1.13:**

**Table 1.13: Statement showing the details of outstanding IRs and paragraphs**

Year	Number of IRs	Number of Paragraphs
Up to 2015-16	128	1,311
2016-17	03	37
2017-18	42	586
2018-19	80	947
<b>Total</b>	<b>253</b>	<b>2881</b>

Source: Inspection Reports

<sup>6</sup> A duly constituted Panchayat means a Panchayat where elections have been held and an elected body is in place as provided in Part IX and IX A of the Constitution of India.

Out of 253 IRs containing 2,881 paragraphs outstanding, 128 IRs (51 *per cent*) containing 1,311 paragraphs (45 *per cent*) were pending for more than three years indicating inadequate action on the part of GPs.

The details of paragraphs that appeared in Audit Reports/Annual Technical Inspection Reports during last five years with the money value and the pendency position of the discussion by Committee on Local Bodies and Panchayat Raj Institutions is given in the **Table 1.14:**

**Table 1.14: Statement showing the details of paras with money value appeared in Audit Reports and pendency of discussion.**

(₹ in crore)

Audit Report/ ATIR	No. of Paragraphs	Money Value	Status of discussion
<b>2014-15</b>	01	22.68	Completed
<b>2017-18</b>	02	01.54	Pending
<b>Total</b>	<b>03</b>	<b>24.22</b>	

Source: CAG Audit Reports and Committee on LB& PRIs meeting file



## **Chapter - II**

# **An Overview of Municipal Administration in the State**



## Chapter-II

### An Overview of Municipal Administration in the State

#### A: Functioning of Urban Local Bodies

##### 2.1 Introduction

The 74<sup>th</sup> Constitutional amendment enacted in 1992 envisaged creation of local self-governments for urban areas. The amendment sought to empower Urban Local Bodies (ULBs) to function efficiently and effectively as autonomous entities to deliver services for economic development and social justice with regard to 18 subjects listed in the Twelfth Schedule of the Constitution. In Karnataka, the ULBs are categorized according to their population<sup>7</sup>.

City Corporations (CC) are governed by the Karnataka Municipal Corporations Act, 1976, (KMC Act) and other ULBs are governed by the Karnataka Municipalities Act, 1964 (KM Act). Each Corporation/Municipal area has been divided into a number of wards, which are determined and notified by the State Government considering the population, geographical features, economic status, *etc.*, of the respective area. Some important basic information relating to ULBs are given in **Table 2.1:**

**Table 2.1: Basic information of the State**

Indicators	Unit	State	National
Population	In lakhs	610.95	12105.69
Urban Population	In lakhs	236.26	3771.06
Urban Population	Percentage of population	38.7	31.2
Population density	Persons/Sq. Kms	319	382
Urban Sex Ratio	Per Thousand	963	929
Urban Literacy rate	Percentage (2011 census)	85.80	84.10
City Corporations	Numbers	11	
City Municipal Councils	Numbers	59	
Town Municipal Councils	Numbers	114	
Town Panchayats	Numbers	92	
Notified Area	Numbers	4	

Source: Annual Administration Report 2018-19 of UDD and information by KSAAD

Karnataka is the seventh most urbanised state with 38.7 *per cent* of population living in urban areas. Urban literacy of the state (85.80 *per cent*) is better than the National literacy rate (84.10 *per cent*).

<sup>7</sup> City Corporation (CC)- 3,00,000 and above, City Municipal Council (CMC)-50,000 to below 3,00,000, Town Municipal Council (TMC)-20,000 to below 50,000 and Town Panchayat (TP) 10,000 to below 20,000 and Notified Area Committees are administered separately by a Committee.

## **2.2 Municipal Administration Organisation in the State**

The Urban Development Department (UDD), headed by the Additional Chief Secretary to Government, is the nodal department. The Directorate of Municipal Administration (DMA) established in December 1984 is the nodal agency which is responsible for the administrative, development and financial activities of all ULBs except Bruhat Bengaluru Mahanagara Palike (BBMP), which functions directly under UDD.

All ULBs except Notified Area Committees (NACs) have a body comprising of Corporators/Councillors elected by the people under their jurisdiction. The Mayor/President who is elected by the Corporators/Councillors presides over the meetings of the Council. NACs are administered separately by a Committee under the control of Deputy Commissioner. The Commissioner/Chief Officer is the executive head of ULBs. The organisational structure of ULBs is as shown in **Appendix 2.1**.

## **2.3 Devolution of functions**

Rule 58 & 59 of Chapter V of KMC Act 1976 and Rule 87 & 91 of Chapter V of KM Act 1964 empower Corporations and Municipal Councils to make adequate provisions to carry out obligatory and discretionary functions. The 74<sup>th</sup> Constitutional amendment envisaged devolution of 18 functions listed in the Twelfth Schedule of the Constitution to ULBs. The list of 18 functions is shown in **Appendix 2.2**. Among the 18 functions, the State Government transferred 17 functions to ULBs, the exception being “Fire Services”.

## **2.4 Formation of Committees**

As per the provisions of KMC and KM Acts, the Corporations and Municipalities shall constitute different committees like Standing Committee, Ward Committee, District Planning Committee.

### **2.4.1 Standing Committees in ULBs**

All ULBs other than BBMP have four<sup>8</sup> Standing Committees whereas BBMP has twelve<sup>9</sup> Standing Committees. The Mayor / Deputy Mayor and the President /Vice-President of ULBs are *ex-officio* members of all the Standing Committees. The details of few committees are shown in **Table 2.2**:

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<sup>8</sup> Taxation, finance and appeals; public health, education and social justice; town planning and improvement; and accounts.

<sup>9</sup> Taxation and finance; public health; town planning and improvement; major public works; ward level public works; accounts; education; social justice; appeals; horticulture; markets; and establishment and administrative reforms.

**Table 2.2: List of Committees**

Sl. No	Committee Name	Members	Purpose/powers
1.	Taxation Committee	11 in BBMP 7 for others	Shall deal with all matters relating to finance and taxation and all matters not specifically assigned to any other standing committee.
2.	Accounts Committee	11 in BBMP 7 for others	Shall deal with all matters relating to accounts and audit.
3	Town planning and improvement Committee	11 in BBMP 7 for others	Shall deal with all matters relating to Public works, town planning and improvement.
4.	Works Committee	11 (only for BBMP)	Shall deal with all major works in the jurisdiction of Bruhat Bangalore Mahanagara Palike like Flyovers, Underpasses, Subways, Road Widening, Ring Roads, Elevated Roads and all works incidental thereto including land acquisition.
5.	Public Health Committee	11 in BBMP 7 for others	The standing committee for public health, education and social justice shall deal with all matters relating to public health and education and securing the social justice to persons belonging to the Scheduled Castes, Scheduled Tribes and other weaker sections of the society and women.

Source: KMC and KM Acts

#### **2.4.2 Ward Committee**

The Constitution provides for Ward Committees in all Municipalities with a population of three lakh or more. As per section 13H of KMC Act, Ward Committee shall be constituted by all the Corporations. The term of these bodies will be co-terminus with the council. The Ward committees were to act as a bridge between the municipal government and citizens and function as institutions of neighbourhood governance and increase proximity between elected representatives and citizens and provide a space for citizen participation at the local level planning. They were to perform duties such as preparation and submission of ward development schemes for allotment of funds, ensure proper utilisation of allotted funds, and maintenance of public utilities and safeguarding the assets of the corporation.

Ward Committees were not constituted in any of the CCs except BBMP (October 2019).

#### **2.4.3 District Planning Committee**

Article 243ZD of the Constitution of India provides for the constitution of a District Planning Committee (DPC) for consolidation of plans prepared by the panchayats and the municipalities. The DPC was to prepare a comprehensive District Development Plan (DDP) with regard to matters of common interest between the panchayats and the municipalities including spatial planning; sharing of water and other physical and natural resources; integrated

development of infrastructure and environment conservation and extent and type of available resources, whether financial or otherwise. The DDP was to be forwarded to the State Government through the Decentralised Planning and Development Committee (DPDC)<sup>10</sup> for integration into the State plan. Further, in accordance with the circular issued (April 2001) by the State Government, the DPC was to conduct meetings regularly. Funds for the DPCs were to be mobilised through annual contribution from the rural and urban local bodies.

The DPCs were constituted in all districts except Bagalkote. DPDC was reconstituted vide Government Order dated 3<sup>rd</sup> September 2020 to formulate development plans.

## 2.5 Delegation of Financial Powers

The delegation of financial powers is provided in Section 181 and 182 of KMC Act 1976 and Rule 6, 6A and also Rule 7 of KMC Rules 1977 as amended from time to time. Details of delegation of financial powers as provided in these rules are as follows:

### 2.5.1 Powers relating to works

The State Government revised (November 2016) the administrative, technical and tender approval powers relating to ULBs for undertaking basic infrastructure works. The administrative approval of powers as per the revised orders is given in **Table 2.3:**

**Table 2.3: Statement showing the administrative approval of powers for ULBs**

(₹ in lakh)

Category of ULB	Commissioner /Chief Officer	Standing Committee	Council	DC	DMA	Government
CC	≤50	>50 ≤ 100	>100 ≤ 200	>200 ≤ 500	>500 ≤ 1,000	≥1,000
CMC	≤15	>15 ≤ 30	>30 ≤ 100	>100 ≤ 500		
TMC	≤5	>5 ≤ 15	>15 ≤ 30	>30 ≤ 500		
TP	≤2	>2 ≤ 10	>10 ≤ 15	>15 ≤ 500		

Source: Government order No. UDD 184 MNE Bengaluru dated 11 November 2016

Further, the authorities indicated in the above table have the powers to approve tenders as per their administrative powers for tenders involving tender premium less than or equal to five *per cent*. For tender premium greater than five *per cent* but less than or equal to 10 *per cent*, the powers are vested with DMA and for tenders up to ₹1,000 lakhs and beyond 10 *per cent*, the powers are vested with the Government. As regards the powers for according technical sanction to estimates, the engineers of CCs, and CMCs have powers up to ₹500 lakhs, and ₹50 lakhs, respectively while the engineers of TMCs and TPs have ₹5 lakhs.

<sup>10</sup> As per Section 310 B of the Karnataka Gram Swaraj and Panchayat Raj Act, the Karnataka Decentralised Planning and Development Committee has to be constituted to review the development plan and annual economic plan of local bodies. The Chief Minister is the Chairman and Ministers of Rural Development and Panchayat Raj, Urban Development, Finance Department and Planning are the members.

### 2.5.2 Powers relating to other expenditure

The State Government amended (February 2004) the Karnataka Municipalities (Powers of Expenditure) Rules, 1986 wherein expenditure powers are specified for town and city municipalities. Expenditure limits are prescribed for various items, a few of which are indicated in **Table 2.4**. These limits have not been revised for more than 16 years.

**Table 2.4: Statement showing the expenditure limits for ULBs**

Sl. No.	Item of expenditure	Town Municipality	City Municipality
1	National celebrations like Independence Day, Republic day <i>etc.</i>	₹5,000 in each case	₹15,000 in each case
2	Tea and light refreshment charges at Council and Committee meetings	₹18,000 per annum	₹36,000 per annum
3	Major overhauls and repairs of vehicle and other machinery	₹10,000 in each case	₹50,000 in each case
4	Purchase of stationery	₹50,000 per annum	₹1,00,000 per annum
5	Prevention and suppression of epidemics	₹50,000 per annum	₹1,50,000 per annum
6	Alleviate distress caused by accidental fire or floods <i>etc.</i>	₹5,000 in each case	₹20,000 in each case

Source: Gazette notification dated 3 February 2004

## 2.6 System of Accounting

Financial reporting is a key element of accountability. On the recommendations of Eleventh Finance Commission, GoI had entrusted the responsibility of prescribing appropriate accounting formats for ULBs to CAG.

The Ministry of Urban Development, GoI had developed the National Municipal Accounts Manual (NMAM) as recommended by the CAG's Task Force. The State Government brought out the Karnataka Municipalities Accounting and Budgeting Rules, 2006 (KMABR), based on NMAM with effect from 1 April 2006. KMABR was introduced in a phased manner in all ULBs except BBMP. All ULBs were preparing fund-based accounts in double entry system. BBMP was maintaining Fund Based Accounting System (FBAS) based on the Bengaluru Mahanagara Palike (Accounts) Regulations, 2001 and has switched over to Integrated Financial Management System (IFMS) at present.

## 2.7 Internal Control Systems of ULBs

Internal control is an integral function of an organisation which helps it to govern its activities effectively and achieve its objectives. It is intended to provide reasonable assurance of proper compliance with Acts and Rules.

Some of the important internal control mechanisms to be implemented by ULBs include periodical reconciliation of cash book with bank balances, annual physical verification of fixed assets and stores and stock, preparing and passing of budget and annual accounts etc.

The department stated that action had been taken for the proper implementation of the state and centrally sponsored schemes through monitoring by District Urban Development Cell (DUDC) established at the district level. Financial Statements Audit is carried out to have control over financial transactions. Instructions have been issued to complete bank reconciliation before 31 May every year. Control checks have been incorporated in FBAS.

## **2.8 Functioning of Finance/Accounts Sections of ULBs**

As per KMABR, every municipality shall follow the chart of Accounts, accounting and budgeting procedures and maintain or cause to maintain such books of account as prescribed in these rules to adequately record all incomes, expenditures, assets and liabilities in respect of each fund. It should also maintain or cause to maintain forms and registers prescribed in the rules to record all financial transactions.

The Finance/ Accounts section assists the Municipal Commissioner or the Chief Officer in preparation of the budget. It maintains accounts related records, prepares monthly accounts and consolidated Demand Collection & Balance statements. It also prepares annual financial statements comprising Receipt and Payment account, Income and Expenditure account, Balance Sheet and significant accounting policies followed in the presentation of the financial statements and Notes to accounts which shall disclose contingent liabilities and such other information as may be useful in understanding the financial statements clearly.

## **2.9 Ombudsman**

As per the recommendations of the Thirteenth Finance Commission (TFC), the State Government was required to put in place a system of independent local body Ombudsman to investigate complaints of corruption and maladministration against the functionaries of local bodies, both elected members and officials. It was observed that independent ombudsman was not appointed.

The State Government replied that in Karnataka, there was no need for separate ombudsman for ULBs as Lokayukta looks into the complaints of corruption and maladministration in respect of functionaries of ULBs. However, the fact remains that the recommendations of the TFC to appoint an independent local body Ombudsman was not implemented.

## **2.10 Fire Hazard**

As per the guidelines of the Thirteenth Finance Commission, all municipal corporations with a population of more than one million (2001 Census) must put in place a fire hazard response and mitigation plan for their respective

jurisdictions. In Karnataka, there is only one ULB with more than one million population (2011 Census), *i.e.*, BBMP. For the city of Bengaluru, a fire hazard response and mitigation plan has been uploaded on the website [www.municipaladm.gov.in](http://www.municipaladm.gov.in). However, the same has not been published in the State Gazette.

## B: Public Finance Management Arrangements

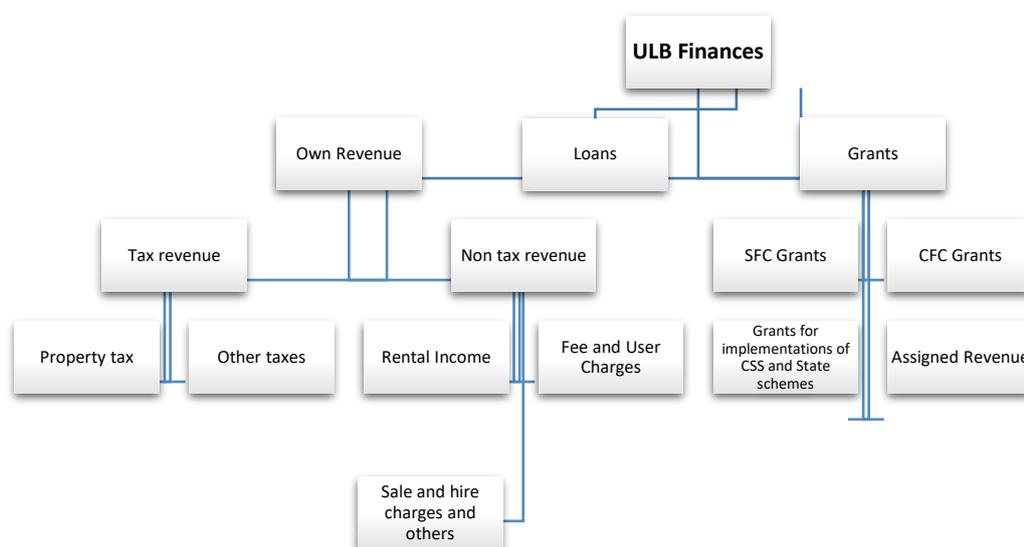
### 2.11 Financial Overview

#### 2.11.1 Source of Funds

The finances of ULBs comprise receipts from own sources, grants and assistance from Government of India (GOI)/State Government and loans procured from financial institutions or nationalised banks as the State Government may approve. The property tax on land and buildings is the mainstay of ULB's own revenue and other taxes includes entertainment tax, streetlight tax, *etc.* While power to collect certain taxes is vested with the ULBs, powers pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemptions, concessions, *etc.*, are vested with the State Government. The own non-tax revenue of ULBs comprises fee for rental income, water charges, *etc.*

Grants and assistance released by the State Government/GOI as well as loans raised from financial institutions are utilised for developmental activities and execution of various schemes. The fund flow chart of ULBs is given in **Chart 2.1**:

**Chart 2.1: A flow chart of finances of ULBs**



#### 2.11.1.1 Details of revenue of Urban Local Bodies

The details of revenue received by the ULBs (other than BBMP) and BBMP during the period 2014-15 to 2018-19 are shown in **Tables 2.5 & 2.6**:

**Table 2.5: Source of Revenue of ULBs (Other than BBMP)**

(₹ in crore)

Year	Grants		Own revenue	Total revenue
	GoK	GoI		
2014-15	663	1,536	1,062	<b>3,261</b>
2015-16	799	2,567	1,178	<b>4,544</b>
2016-17	1,029	2,283	1,353	<b>4,665</b>
2017-18	1,422	2,634	1,515	<b>5,571</b>
2018-19	1,125	2,467	1,543	<b>5,135</b>

Source: Information furnished by DMA

**Table 2.6: Sources of revenue for BBMP**

(₹ in crore)

Year	Grants		Own Revenue	Total Revenue
	GoK	GoI		
2014-15	115.48	1,445.76	2,029.92	<b>3,591.16</b>
2015-16	285.44	1,751.96	2,140.73	<b>4,178.13</b>
2016-17	351.63	2,877.10	2,643.44	<b>5,872.17</b>
2017-18	275.3	3,754.68	2,825.12	<b>6,855.1</b>
2018-19	301.72	3,417.28	2,688.88	<b>6,407.88</b>

Source: Information furnished by BBMP

As seen from Table 2.5, the capacity of ULBs (other than BBMP) to generate own revenue during the period 2014-19 was not encouraging as the proportion of own revenue to total receipts was in the range of 26 per cent to 33 per cent only. Therefore, the ULBs were more dependent on grants received from Central and State Government.

As seen from **Table 2.6**, the BBMP showed an increasing trend in generation of own revenue from 2014-15 onwards, marginally decreasing in 2018-19. However, the proportion of own revenue to total receipts was in the range of 41 per cent to 57 per cent.

### 2.11.2 Utilisation of funds

#### 2.11.2.1. Details of expenditure of Urban Local Bodies

The details of expenditure of ULBs (other than BBMP) and BBMP for the period from 2014-15 to 2018-19 is as shown in **Tables 2.7 & 2.8**:

**Table 2.7: Expenditure Details of ULBs (Other than BBMP)**

(₹ in crore)

Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue</b>	1,991	2,457	2,787	3,661	<b>3,441</b>
<b>Capital</b>	620	1,084	1,072	1,797	<b>1,171</b>

Source: Information furnished by DMA

**Table 2.8: Expenditure Details of BBMP**

(₹ in crore)

Expenditure	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Revenue</b>	2,389.31	1,270.17	2,227.53	3,354.1	<b>2,719.91</b>
<b>Capital</b>	1,973.31	2,719.03	2,834.13	4,009.16	<b>3,793.66</b>

Source: Information furnished by BBMP

It can be seen from the above table that revenue expenditure increased only by 13.83 *per cent* while the Capital expenditure almost doubled (92.24 *per cent*) during the years 2014-15 to 2018-19.

### 2.11.2.2 Position of Receipts and Expenditure of Major Schemes

Receipt and expenditure incurred on major schemes implemented by ULBs during the period from 2014-15 to 2018-19 is given in **Table 2.9**:

**Table 2.9: Receipts and Expenditure of major schemes**

(₹ in crore)

Year	Receipts				Expenditure			
	SBM	AMRUT	UIDSSMT	PK-GBY	SBM	AMRUT	UIDSSMT	PK-GBY
2014-15	—	—	52.74	10	—	—	36.23	0
2015-16	106.68	175.55	178.22	50	28.3	0	100.61	7.43
2016-17	117.48	249.23	7.74	5	62.73	125.1	296.42	39.23
2017-18	131.27	408.86	326.08	42.9	86.46	814.9	198.6	57.1
2018-19	399.71	856.34	145.97	42.9	37.61	1,012.2	111.13	17.12

Source: DMA

SBM: Swachh Bharat Mission

AMRUT = Atal Mission for Rejuvenation and Urban Transformation

UIDSSMT= Urban Infrastructure Development Scheme for Small and Medium Towns

PK-GBY = Pourakarmika Gruha Bhagya Yojane

It can be seen from the above table that the expenditure incurred on the schemes was far less compared to the receipts except in the case of AMRUT for the year 2017-18 and 2018-19 where the expenditure exceeded the receipts. The reason for the same was not forthcoming from the records.

### 2.11.3 Status of collection of Property Tax

The State Government had introduced the Self-Assessment Scheme (SAS) for payment of property tax applicable to all Municipalities of the State with effect from 1 April 2002. The position of property tax demanded, collected and outstanding at the end of March 2019 in respect of all ULBs (except BBMP) and targets fixed and collections against targets in respect of BBMP are shown in **Tables 2.10** and **2.11** respectively:

**Table 2.10: Position of demand, collection and balance of Property Tax in ULBs**

(₹ in crore)

Year	Opening balance	Current year demand	Total demand	Collection	Balance	Percentage of collection to total demand
2014-15	71.26	458.01	529.27	423.53	105.74	80
2015-16	105.75	569.68	675.43	481.36	194.07	71
2016-17	194.07	680.15	874.22	555.33	318.89	64
2017-18	318.88	794.43	1,113.31	744.86	368.45	67
2018-19	368.45	858.75	1,227.20	724.11	503.09	59

Source: Details furnished by DMA

From the above table, it can be seen that arrears of property tax had increased from ₹105.74 crore in 2014-15 to ₹503.09 crore in 2018-19 and the collection decreased from 80 per cent during 2014-15 to 59 per cent during 2018-19.

**Table 2.11: Position of target and collection of property tax in BBMP**

(₹ in crore)				
Year	Number of properties	Budget estimate	Actual collection	Percentage of collection
2014-15	16,36,152	2,900.00	1,810.13	62
2015-16	16,98,457	2,900.00	1,960.19	68
2016-17	17,49,811	3,000.00	1,997.24	67
2017-18	18,11,178	3,300.00	2,133.12	65
2018-19	19,30,423	3,300.00	2,544.56	77

Source: Budget and details furnished by BBMP

BBMP did not achieve the targets for collection of property tax during the period 2014-15 to 2018-19, however, the collection increased from 62 per cent during 2015-16 to 77 per cent during 2018-19.

#### 2.11.4 Non/short remittance of cess

Section 108A of KMC Act provides for levy and collection of Property Tax along with the applicable cess such as health, library and beggary cess in respect of CCs including BBMP. The authority mandating the levy of cess, the rates and the head of account/institution to which the cess is to be remitted are indicated in **Table 2.12**:

**Table 2.12: Table showing the details of cesses to be levied on property tax by ULBs**

Sl. No	Type of cess	Authority mandating levy of cess	Effective from	Rate	Purpose	Remitted to
1	Health Cess	The Karnataka Health Cess Act, 1962	September 1962	15%	Improve primary/basic health care infrastructure	0045-00-109-0-01 (State Fund)
2	Library Cess	The Karnataka Public Libraries Act, 1965	April 1966	6%	Improvement and development of library services	District Central/City Library
3	Beggary Cess	The Karnataka Prohibition of Beggary Act, 1975	April 1976	3%	Provide relief and rehabilitation to the beggars	Central Relief Fund

Source: KMC Act

Scrutiny of the information furnished by DMA and BBMP showed that huge balances of cess collected during the period 2014-15 to 2018-19 were not remitted to the departments concerned as detailed in the **Table 2.13** and **Table 2.14** respectively:

**Table 2.13: Details of Collection, remittance and balance of cesses in ULBs (other than BBMP)**

(₹ in crore)

Year	Health Cess				Library Cess				Beggary Cess			
	OB	C	R	CB	OB	C	R	CB	OB	C	R	CB
2014-15	195.43	47.42	20.66	222.19	35.17	19.12	13.99	40.30	9.34	9.68	6.58	12.44
2015-16	222.19	52.07	15.56	258.71	40.30	21.46	16.64	45.11	12.44	10.49	7.15	15.78
2016-17	258.71	59.51	26.98	291.24	45.11	24.61	19.59	50.13	15.78	13.49	9.03	20.24
2017-18	291.24	68.19	29.30	330.13	50.13	26.98	20.91	56.20	20.24	14.19	12.21	22.22
2018-19	330.13	67.50	19.48	378.15	56.20	26.76	22.33	60.63	22.22	14.64	12.68	24.18

Source: Information furnished by DMA C: Collected R: Remitted

It can be seen from the above table that the ULBs in the State had not remitted ₹378.15 crore of health cess, ₹60.63 crore of library cess and ₹24.18 crore of beggary cess to the departments/ heads of account concerned.

**Table 2.14: Details of collection, remittance and balance of cesses in BBMP**

(₹ in crore)

Year	Health Cess			Library Cess			Beggary Cess		
	C	R	B	C	R	B	C	R	B
2014-15	176.40	0	176.40	70.56	8.00	62.56	35.28	5.00	30.28
2015-16	186.74	0	186.74	74.69	58.08	16.61	37.34	12.67	24.67
2016-17	217.88	0	217.88	87.15	50.00	37.15	43.57	20.00	23.57
2017-18	232.78	0	232.78	93.11	14.00	79.11	46.56	19.22	27.34
2018-19	273.48	0	273.48	109.39	78.09	31.30	54.69	10.00	44.69
<b>Total</b>	<b>1,087.28</b>	<b>0</b>	<b>1,087.28</b>	<b>434.90</b>	<b>208.17</b>	<b>226.73</b>	<b>217.44</b>	<b>66.89</b>	<b>150.55</b>

Source: Information furnished by BBMP C: Collected R: Remitted

While BBMP had not remitted the entire health cess of ₹1087.28 crore collected to the State Government, the balance of library cess (₹226.73 crore) and beggary cess (₹150.55 crore) were not remitted to the departments concerned.

### 2.11.5 Release of duty on transfer of immovable properties

As per Section 140 of KMC Act, the duty on transfer of immovable property shall be levied in the form of a surcharge at the rate of two *per cent* of the duty imposed by the Karnataka Stamp Act, 1957, on instruments of sale, gift, mortgage, exchange and lease in perpetuity of immovable property situated within the limits of a larger urban area. The entire amount collected in respect of the lands and other properties situated in the urban areas shall be passed on to ULBs in the State, in proportion to the population of the ULBs by the Inspector General of Registration and Commissioner of Stamps (IGR) after deducting 10 *per cent* towards collection charges.

The duty on transfer of immovable properties of ₹27.18 crore for the years 2016-17 and 2017-18 was released to ULBs only during February 2019 and the duty on transfer of immovable properties to ULBs for the year 2018-19 was not transferred (June 2021). The Deputy IGR stated that the duty would be transferred at the earliest after receipt of complete information from all the District Registrars.

## 2.12 Finance Commission Recommendations Implementation status

### 2.12.1 State Finance Commission

The mandate of the State Finance Commission (SFC) is to review the financial position of the PRIs and ULBs and make recommendations to the Governor as regarding matters affecting their finance and devolution of funds from the State Government. The Government of Karnataka has so far constituted four SFCs<sup>11</sup>. The recommendations of the Fourth SFC cover the period 2018-19 to 2022-23.

The State Government may accept the recommendations of the SFC in totality or with certain modifications. The State Government accepted few of the recommendations with modifications. The important recommendations and their modifications with reference to transfer of funds under 4<sup>th</sup> SFC are given in **Table 2.15**:

**Table 2.15: Implementation Progress Tracker**

FC Report Ref	Recommendations	Accepted Recommendations/ Modifications	Status Remarks
<b>Fourth</b>	Devolution of 12 per cent of the Non-Loan Net Own Revenue Receipts (NLNORR) of the State to be devolved to ULBs apart from BBMP.	12 per cent of NLNORR to be passed on in a phased manner i.e., 10.5 per cent to 12 per cent over a period five years i.e., increase of 0.5 per cent each year.	It was recommended in 2 <sup>nd</sup> , 3 <sup>rd</sup> and 4 <sup>th</sup> SFCs that CFC grants should not be part of devolution as it is not part of NLNORR. But the State Government has been considering these grants as a part of devolution which resulted in short release of the SFC grants to the ULBs.

Source: SFC Report and Government Order

#### 2.12.1.1. Short release of funds under SFC

The details of funds due as per the orders of the State Government and actually released to ULBs during 2014-15 to 2018-19 is shown in **Table 2.16**:

**Table 2.16: SFC Grants**

(₹ in crore)

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Allocation</b>	7,487	8,090	8,875	9,361	10,878
<b>Release</b>	6,010	6,076	5,686	6,490	5,425
<b>Short release (S/R)</b>	1,477	2,014	3,189	2,871	5,453
<b>Percentage of S/R</b>	20	25	36	31	50

Source: Finance accounts

<sup>11</sup> First SFC- 1997-98 to 2001-02, second SFC-2006-07 to 2010-11, third SFC-2011-12 to 2015-16 (period extended up to 2017-18), Fourth SFC cover the period 2018-19 to 2022-23

It can be seen from the table above that the short release to ULBs during the years 2014-15 to 2018-19 ranged between 20 to 50 per cent.

### 2.12.2 Central Finance Commission

The details of funds received from Government of India (GoI) towards Fourteenth Finance Commission (FFC) and transferred to ULBs by State Government during 2015-19 is shown in **Table 2.17**:

**Table 2.17: Details of release of 14<sup>th</sup> FC Grants to ULBs during 2015-19**

(₹ in crore)

Year	Basic Grant			Performance Grant		
	Allocation	Release	Shortfall	Allocation	Release	Shortfall
2015-16	562.08	562.08	00	00	00	00
2016-17	778.29	778.29	0.00	229.70	229.70	00
2017-18	899.25	899.25	0.00	259.94	256.16	3.78
2018-19	1,040.27	1,040.27	00	295.20	0	295.20

Source: Information furnished by DMA

There was a short release of Performance Grant during the year 2017-18 amounting to ₹3.78 crore. Performance Grant was not released to ULBs during 2018-19. A reminder in this regard was sent by the Hon'ble Chief Minister to the Hon'ble Finance Minister of India on 18 September 2020.

### 2.13 Property Tax Board

The Thirteenth Finance Commission recommended that State Governments must put in place a state level Property Tax Board, which would assist all municipalities and municipal corporations in the State to put in place an independent and transparent procedure for assessing property tax. Further, Sections 102A to 102Y under Chapter IX-A of KMC Act provides for establishment of the Karnataka Property Tax Board by the State Government.

The Property Tax Board was not yet established in the State (July 2020).

## C: Public Accountability Arrangements in States

### 2.14 Financial Reporting Framework

#### 2.14.1 Financial statements certification in ULBs

According to KMABR (Rule 125), ULBs shall prepare the financial statements consisting of Receipts and Payments Account, Balance Sheet and Income and Expenditure Account along with Notes on Accounts in the form and manner prescribed and submit them to the Chartered Accountants (auditor) appointed by the State Government, within two months from the end of the financial year.

The auditor should complete the audit within four months (July) from the date of closure of financial year (31<sup>st</sup> March) and after completion of audit, should

submit a report along with the audited accounts to the Municipal Council and the State Government. The audited accounts should be adopted by the Council within five months from the end of the financial year.

Financial attest audit of 145 ULBs and 136 ULBs were completed for the years 2017-18 and 2018-19 respectively out of 276 ULBs (January 2021).

#### **2.14.2 Financial statements certification in BBMP**

In terms of provision 9(2) of part II Schedule IX to KMC Act, the Commissioner, BBMP is required to prepare annual accounts every year and produce the accounts along with relevant records to the Chief Auditor for scrutiny not later than the first day of October in the year succeeding to which such account and registers relate.

However, the Principal Director, Karnataka State Audit Accounts Department (KSAAD), who is the statutory Auditor for BBMP, had audited the accounts of BBMP up to 2018-19.

### **2.15 Audit Arrangements**

#### **2.15.1 Internal audit**

Internal Audit is an important instrument to examine and evaluate the level of compliance with rules and procedures as envisaged in the relevant Acts as well as in the Financial/Accounting Rules so as to provide independent assurance to management on the adequacy of the risk management and internal control framework in the ULBs.

The DMA stated (December 2020) that there was no exclusive internal audit wing in the Directorate. The eight additional posts in the Accounts wing had been sanctioned by the Government in August 2018 and it was proposed to utilise them for internal audit work.

#### **2.15.2 External audit**

##### **2.15.2.1 Audit by Karnataka State Audit and Accounts Department**

The Principal Director, KSAAD, is the Primary Auditor of ULBs as per Section 150 of KMC Act and Section 290 of KM Act. The Primary Auditor's duty, *inter alia*, is to certify correctness of accounts, assess internal control system and report cases of loss, theft and fraud to audit entities and to the State Government. The status of audit by KSAAD during the period 2014-15 to 2018-19 in respect of ULBs is shown in **Table 2.18**. The auditor is required to prepare a report on the accounts audited and examined and send a report to the municipal council concerned and the DMA. The Principal Director, KSAAD shall send consolidated Annual Audit Report pertaining to CMCs, TMCs, and TPs to the State Government for being placed before both Houses of the State Legislature. The Act/Rules are silent about the discussion of the consolidated annual audit report.

**Table 2.18: Statement showing the details of audit of ULBs by KSAAD as of December 2020**

Year	CC		CMC		TMC		TP	
	Total	Audited	Total	Audited	Total	Audited	Total	Audited
2015-16	11	11	59	59	113	113	88	88
2016-17	11	11	59	59	114	114	88	88
2017-18	11	11	59	57	114	112	91	88
2018-19	11	6	59	35	114	77	92	58

Source: Information furnished by KSAAD

As seen above, the number of units audited by the KSAAD for 2018-19 was less compared to previous years.

### 2.15.2.2 Audit by CAG

The Government of Karnataka entrusted the audit of ULBs to CAG from the year 2008-09 under section 14(2) of Comptroller and Auditors General (Duties, Powers and Conditions) Act, 1971 [CAG's (DPC) Act]. Subsequently, KM Act 1964 amended section 290(1) as 'audit of all City Municipal Councils, Town Municipal Councils and Town Panchayats in a year shall be subjected to Technical Guidance and supervision by the Comptroller and Auditor General of India through complementary audit and submission of Annual Technical and Inspection Report'. Similarly, the amendment to KMC Act 1976 inserted sub section (2-A) under section 150 according to which 'the audit of all transactions of receipts and expenditure of Municipal Corporations shall be subject to technical guidance and supervision of the Comptroller and Auditor General of India'. With effect from 1 April 2011, Government of Karnataka entrusted Technical Guidance and Support (TGS) under section 20(1) of CAG's (DPC) Act. During the year 2018-19, this office audited 114 ULBs (includes 40 auditee units of BBMP) and during 2019-20, this office test checked 14 ULBs among the ULBs audited by KSAAD. The details are given in Chapter 3. CAG undertakes Performance Audits and Compliance Audits also in ULBs.

#### *Performance audit*

During 2019-20, this office conducted Performance Audit on Implementation of 74<sup>th</sup> Constitutional Amendment Act. Performance Audit is conducted under section 13, 14, 15,16,17,19 and 20 read with Section 23 of CAG's (DPC) Act, 1971 and regulation 45 to 52 of Regulation on Audit and Accounts-2020. The report was placed in the legislature during September 2020

#### *Compliance audit*

During 2018-19, this office conducted the Compliance Audit of 114 ULBs under section 14(2) of CAG's (DPC) Act. Significant observations during audit under 14(2) were included in the Audit Report on the General and Social Sector for the year ended 31 March 2019.

## 2.16 Submission of Utilisation Certificates

The details of Utilisation Certificates (UCs) relating to FFC grants submitted during 2018-19 is shown in **Table 2.19:**

**Table 2.19: Details of UCs against the release of FFC grants during 2018-19**

					(₹ in crore)
Sl. No	Particulars	Released Amount	UC No & date		Utilised Amount
1	FFC Basic Grant 1 <sup>st</sup> instalment	520.14	FD/25/FCC/2015	01/01/2019	520.14
2	FFC Basic Grant 2 <sup>nd</sup> instalment	520.14	FD/25/FCC/2015	05/03/2019	520.14

Source: Information furnished by Finance Department, Government of Karnataka

## 2.17 Audit Reports Review

The Second Administrative Reforms Commission recommended (October 2007) that audit reports on local bodies should be placed before the State Legislature and these reports should be discussed by a separate committee of the State Legislature on the same lines as the Public Accounts Committee.

The State Government constituted the Committee on Local Bodies and Panchayat Raj Institutions on 12 March 2010 for discussing the audit reports on local bodies.

The details of paragraphs that appeared in Audit Reports/Annual Technical Inspection Reports during last four years with money value and the pendency position of the discussion is given in the **Table 2.20:**

**Table 2.20: Statement showing the details of paras with money value appeared in Audit Reports and pendency of discussion.**

				(₹ in crore)
Audit Report/ ATIR	No. of Paras	Money Value	Status of discussion	
2013-14	07	58.10	Discussed	
2014-15	05	85.36	Discussed	
2015-16	07	8.28	Not Discussed	
2016-17	06	109.66	Not Discussed	
2017-18	06	32.39	Not discussed	
Total	31	293.79		

Source: CAG Audit Reports and Committee on LBs & PRIs meeting files

## 2.18 Responsiveness to Audit

Inspection Reports (IRs) were issued by Principal Accountant General, Karnataka to audited ULBs. Authorities were required to comply with the observations contained in the IRs and report their compliance within one month

from the date of issue of IRs. The details of outstanding paragraphs in respect of ULBs as of March 2019 are shown in **Table 2.21**:

**Table 2.21: Statement showing the details of outstanding IRs and paragraphs**

Year	Number of IRs	Number of Paragraphs
Up to 2014-15	192	2,485
2015-16	120	2,195
2016-17	131	3,126
2017-18	98	1,801
2018-19	67	1,144
<b>Total</b>	<b>608</b>	<b>10,751</b>

Source: Monthly Progress Report

Out of 608 IRs outstanding, 312 IRs (52 *per cent*) containing 4,680 paragraphs (44 *per cent*) were pending for more than four years indicating inadequate action on the part of ULBs.



## **Chapter - III**

### **An Overview of Technical Guidance and Support operations**



## Chapter-III

### 3. An Overview of Technical Guidance and Support operations

#### 3.1 Introduction

The State Government entrusted (May 2011) Technical Guidance and Support (TGS) mandate in respect of Grama Panchayats (GPs) to the Comptroller and Auditor General of India (CAG) under Section 20(1) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971 [CAG's (DPC) Act]. The entrustment was initially given for a period of five years from 2010-11 to 2014-15 and the validity was extended for a further period of five years with effect from the financial year 2020-21 to 2024-25. The TGS mandate was extended to Urban Local Bodies (ULBs) with effect from 2011-12.

As per the standard terms, CAG shall provide suitable TGS to primary statutory Auditors of GPs and ULBs viz., the Controller, State Accounts Department (now renamed as Karnataka State Audit and Accounts Department) for strengthening Public Finance Management and Accountability in GPs/ULBs. Sections 120 to 122 of Audit Regulations 2020 issued under section 23 of CAG's (DPC) Act prescribe the areas where TGS support is to be extended i.e., planning, methodology/procedure, advice on improvements to the existing systems followed by the primary Auditor, assistance for developing a system of internal control and training & capacity building. Information in respect of these Parameters is obtained through specific returns/reports to be submitted by the primary Auditor as discussed below.

#### 3.2 Audit Planning

Audit Planning is essential in view of the need to prioritize manpower resources and focus on important aspects. It involves risk analysis of units based on various pre-decided parameters. The KSAAD is required to prepare the Annual Audit Plan (AAP) by the end of March every year for audit of GPs and ULBs in the next financial year and forward it to the offices of Accountant General (Audit) (hereafter referred to as AG(Audit)) of the State.

Chapter IV of the KSAAD manual highlights the importance of risk analysis and usage of sampling in audit:

- A hundred percent audit check is not only highly expensive but also unwarranted as the objective of audit could be well achieved by a test check (Para 68)
- Since it is not possible to verify all the transactions, events, records, *etc.*, the auditor uses risk to narrow down to areas or groups of transactions for audit (Para 69)

Chapter VI of the KSAAD manual deals with the audit planning and manpower allocation to different types of audit units. The number of man-

days allotted for each type of institution is indicated in the **Table 3.1:**

**Table 3.1: Number of man days allotted for audit**

Sl No	Institution	Man days
1	Gram Panchayat	Maximum 6
2	Town Panchayat	25-40
3	Town Municipal Council	40-50
4	City Municipal Council	150-200
5	Mahanagara Palike	As decided by the Joint Director, LAC, in consultation with the Regional Office

Source: KSAAD Manual

The Audit Plan for the years 2017-18 and 2018-19 submitted by the KSAAD did not indicate any risk analysis conducted before the preparation of the Audit Plan. During the year 2017-18, KSAAD planned to audit 100 *per cent* (6024 out of 6024) of GPs and 100 *per cent* (275 out of 275 ULBs) for the year ended 31 March 2017. However, the number of units actually audited was 5091 GPs and 201 ULBs as of July 2019. Similarly, KSAAD planned to audit 92 *per cent* (5881 out of 6022) of GPs and 98.6 *per cent* (273 out of 277 ULBs) for the year ended 31 March 2018. However, the number of units actually audited was 5297 GPs and 169 ULBs as of July 2019. Further, an attempt to audit such a high number of units reduces the time that can be allotted for each unit. To illustrate, each GP is audited in just 2-3 days, which is low considering the volume of transactions and records to be checked in a GP.

The KSAAD replied (February 2021) that the scope and extent of audit generally depend on the internal control systems in the auditee institutions. It was further stated that the internal control systems in the GPs/ULBs were nonexistent and majority of the financial transactions take place outside the treasury. As the GPs collect the revenue receipts in cash and deposit it into the bank on periodical basis, audit of the entire transactions rather than the test check method is adopted to establish reliability. From the audit year 2021-22, KSAAD will increase the number of man days for GPs from six to eight.

The Indian Audit and Accounts Department (IA&AD) categorizes all units to be audited into High, Medium and Low Risk units based on detailed risk analysis *viz.*, trend of expenditure or receipts, past audit findings or Inspection Reports, five-year plans and working group reports/ Annual plans *etc.*, High risk units are audited annually; the rest of the units are covered over a period of 2-5 years. The risk analysis methodology followed in IA&AD was shared (July 2020) with the primary Auditor through the Finance Department for reference and adoption with modification if any. The detailed guidelines are available in the official website<sup>12</sup> of the CAG.

<sup>12</sup><https://cag.gov.in/uploads/guidelines/Compliance-Guidelines-approved-final-preface-05de4efef9159d0-85033036.pdf> and <https://cag.gov.in/uploads/guidelines/PAGuidelines2014-05de4f757ca0964-06548165.pdf>

KSAAD may consider adopting this practice.

In its reply, KSAAD stated that, from the audit year 2021-22 it would examine categorization of universities and other institutions based on risk analysis to determine prioritization for taking up audit. The reply was silent about taking up audit of GPs/ULBs based on risk analysis.

### **3.3 Audit Methodology and Procedure**

The audit methodology and procedures for audit of PRIs and ULBs are designed to check compliance with the various Acts and statutes enacted by the State Government and as per the guidelines prescribed by the CAG.

KSAAD was following the system of conducting 100 *per cent* voucher audit. Audit of very high number of the GPs and ULBs in one year and check of 100 *per cent* transactions of each GP/ULB is not feasible due to time/manpower constraints. In IAAD, transactions for a period of two months are selected for detailed check usually based on the importance/magnitude of transactions during the selected month. If any discrepancies are noticed in the selected months, the check of transactions is extended to the other months as well.

KSAAD may consider adopting this practice.

The department stated that for reasons explained in the reply to the earlier para, KSAAD will have to continue with check of 100 *per cent* transactions of each GP/ULB.

### **3.4 Periodic Returns**

The Assessment of the primary Auditor is based on scrutiny of returns in Annexure A to H prescribed by the CAG, local audit reports and scrutiny of records of GPs and ULBs selected for audit under TGS module. The details regarding the returns furnished by the primary Auditor to the AG (Audit) for the years 2017-18 and 2018-19 are given in **Table 3.2:**

**Table 3.2 Returns furnished by the primary Auditor**

	Name of the return	Periodicity	2017-18		2018-19	
			Due date	Actual date of submission	Due date	Actual date of submission
<b>Annexure A</b>	Annual Audit Plan	Annual	March 2017	16-07-2018	March 2018	16-01-2020
<b>Annexure B</b>	Implementation of Audit Plan	Annual	15-04-2018	16-07-2018	15-04-2019	16-01-2020
<b>Annexure C</b>	Serious Irregularities	Quarterly	15-07-2017 15-10-2017 15-01-2018 15-04-2018	16-07-2018	15-07-2018 15-10-2018 15-01-2019 15-04-2019	16-01-2020
<b>Annexure D</b>	Training Programmes	Half yearly	15 <sup>th</sup> April 15 <sup>th</sup> October	16-07-2018	Aug-2018 Feb-2019	16-01-2020
<b>Annexure E</b>	Progress report of IRs & Paras of DLFA	Annual	15-4-2018	16-07-2018	15-4-2019	16-01-2020
<b>Annexure F</b>	Progress report of IRs & Paras of test checked units forwarded by AG to DLFA	Annual	15-4-2018	16-07-2018	15-4-2019	16-01-2020
<b>Annexure G</b>	Consolidated Performance Report	Half yearly	15-10-2017 15-04-2018	16-07-2018	15-10-2018 15-04-2019	16-01-2020
<b>Annexure H</b>	Status of Certification of Accounts	Annual	15-04-2018	Not furnished	15-04-2019	16-01-2020

Source: Information furnished by KSAAD

The department replied that the returns would be furnished as per schedule from the year 2021-22 onwards.

### **3.5 Copies of Inspection Reports**

Copies of Inspection Reports in respect of selected local bodies shall be forwarded by the primary Auditor to the AG (Audit) for advice on system improvements and the AG (Audit) shall review the same with a view to make suggestions for improvement of existing systems being followed by the KSAAD.

The issues noticed during the review of Inspection Reports of KSAAD and results of a more detailed analysis by the AG (Audit) team are discussed in **Para 3.6** below.

### **3.6 Test check of units audited by primary Auditor**

The AG (Audit) conducts test check of some of Panchayat Raj Institutions in order to provide technical guidance. The report of the test check is to be sent to the primary Auditor for pursuance of action to be taken by the local bodies. The primary Auditor is required to pursue the compliance of such paragraphs in the Inspection Reports of the AG (Audit) in the same manner as if these are its own reports.

The department replied that compliance would be pursued with the test checked auditee offices.

During the year 2018-19, AG(Audit) audited 42 GPs and 114 ULBs. The observations thereon are included in the Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2017 and Annual Technical Inspection Report for the year ended March 2018. A list of the observations included in the above two reports are given in **Appendix 3.1** for reference.

### **3.6.1 Test check of GPs**

During the year 2018-19, the primary Auditor had audited 3965 GPs as on December 2018. Among them, AG (Audit) selected 80 GPs (around 2 per cent) subject to completion of primary audit by the KSAAD and based on expenditure incurred during 2015-16 to 2017-18 and the available manpower in the Office of the AG (Audit). The list of GPs test checked is given in **Appendix 3.2**.

During the test check of the units audited by KSAAD, we observed that KSAAD made an observation in respect of GP Diddige which is reproduced in box below:

***Review of Inspection Report: KSAAD had noticed the violation of KTPP Act in purchases of Cement and LED lamps made under Gram Vikasa Yojane (GVY) and kept the entire amount of expenditure (₹23.64 lakh) under objection.***

The details of observations noticed by AG Audit team on the same issue is as shown below:

#### ***Irregularities in purchase of Cement***

- During 2017-18, the GP, Diddige purchased cement bags at different rates out of GVY scheme funds from M/s Deeksha Enterprises.
- The GP did not maintain a stock register for watching purchases, receipt and issue of cement.
- There was no need for the GP to purchase cement bags, as the civil works relating to GVY in GP Diddige were entrusted to M/s. Karnataka Rural Infrastructure Development Limited (KRIDL).
- The GP had neither executed any civil work under GVY nor maintained any records in support of the utilisation of cement.
- The GP had furnished bills in support of payments made to M/s. Deeksha Enterprises, Davanagere, for cement bags at ₹675/- per bag which was more than double the market rate of the top brands of cement during the year 2017-18.
- It was evident that the entire payment of ₹6,64,169/- (**Appendix-3.3**) made to M/s Deeksha Enterprises was based on questionable bills and hence needs to be re-examined by the department.

#### ***Irregularities in purchase of LED lamps***

- During 2017-18, the GP, Diddige purchased 100 LED streetlights amounting to ₹8,22,480 and other fittings for Hurulikatte village from M/s Deeksha Enterprises out of GVY scheme funds.

- The GP did not maintain a stock register for watching purchases, receipt and issue of LED streetlights.
- On physical inspection, only 10 LED lights amounting to ₹74,950 had been installed and remaining 90 LED lights were not traceable.
- The expenditure of ₹7.47 lakh (**Appendix-3.4**) incurred for 90 LED lights (₹8,22,480- ₹74,950 = ₹7,47,530) was doubtful.

**Suggestion: It is suggested that the KSAAD may conduct detailed analysis as shown above and bring out the serious irregularities viz. doubtful payments of ₹14.11 lakhs made towards procurements of Cement and LED lamps.**

The department replied that the suggestion would be communicated to the Local Audit Circle.

### 3.6.2 Test check of ULBs

Similarly, during the year 2018-19, the primary Auditor had audited 132 ULBs up to the year 2017-18 as on December 2018. Among them, AG (Audit) test checked 14 ULBs (around 10 *per cent*) during the year 2019-20. As Tumkuru was the only City Corporation audited by the KSAAD, it was selected. Simple Random Sampling method<sup>13</sup> was adopted for selection of City Municipal Corporations, Town Municipal Corporations & Town Panchayats by applying expenditure incurred as the criteria. List of ULBs test checked are given in **Appendix 3.5**. The category-wise ULBs selected are as under:

**Table 3.3: Category wise ULBs audited under TGS**

Sl. No	Type of ULB	No. of units audited by KSAAD	No. of units test checked under TGS
1	CCs	1	1
2	CMCs	29	4
3	TMCs	63	4
4	TPs	39	5
	<b>Total</b>	<b>132</b>	<b>14</b>

Source: Information furnished TGS Cell of Audit I

During test check of the units audited by KSAAD, AG audit team noticed the following.

#### a) Inspection Report of City Corporation, Tumakuru:

***Review of Inspection Report: The KSAAD commented on non-collection of rent/outstanding rent receivable***

The details of observations noticed by AG Audit team on the same issue is as shown below:

<sup>13</sup> Random tables were generated for each category of ULB and selected the units from top left to right of the random table.

- Government *vide* its circular dated 26.10.2009 directed that if any commercial establishment was constructed under Infrastructure Development of Small and Medium Towns (IDSMT) scheme or under 10<sup>th</sup> /11<sup>th</sup> Finance Commission or under Externally Aided Projects, the same may be leased through auction process. The circular further stated that lease period shall be allowed for 12 years and rent shall be enhanced at the rate of 10 *per cent* after completion of every three years
- If the lessee fails to pay the rent within 10<sup>th</sup> of the following month, then penalty at two *per cent* on the rent payable for every month shall be levied
- CC, Tumakuru failed to enhance the rental charges at 10 *per cent* after completion of three years from the date of allotment or date of issue of the circular dated 26.10.2009. This resulted in short collection of revenue amounting to ₹38.35 lakh.

***Suggestion: It is suggested that KSAAD carry out necessary checks and comment on loss of revenue due to non-enhancement of rent as per Government's circular dated 26.10.2009 which would augment the revenue of the Corporation.***

**b) Inspection Reports of CMC, Gadag-Betageri, TP, Alanavar and TP, Holalkere:**

***Review of Inspection reports: KSAAD had pointed out non-maintenance of security deposit/Earnest Money Deposit register.***

The details of observations noticed by AG Audit team on the same issue is as shown below

- As per Rule 117 of the Karnataka Municipalities Accounting and Budgeting Rules, 2006, deposits remaining unclaimed for three consecutive financial years after their refunds have fallen due, shall be lapsed. An advice in KMF No 69 shall be prepared by the concerned department and, after obtaining approval from the Municipal Commissioner or Chief Officer as the case may be, it shall be sent to Accounts Department for passing necessary entries in the books of account.
- Such lapsed deposits shall be recognised as income of the ULB in the year when they are so forfeited or lapsed. At the end of each accounting year, the Accounts Department shall, along with the concerned departments, examine such items, and prepare a list of such lapsed deposits.
- The Accounts Department shall obtain Deposit Refund/Adjustment/Lapse Advices from concerned departments in respect of deposits to be lapsed, and pass necessary journal entries, after obtaining the approval of the Commissioner or Chief Officer, as the case may be.

- AG(Audit) noticed in three<sup>14</sup> ULBs that the unclaimed deposits of more than three years old amounting to ₹108.95 lakh was shown in the deposit register but the same was not treated as income of the Corporations.

***Suggestion: It is suggested that KSAAD carry out proper check of records and quantify the lapsed deposit amount and treat it as income which would augment the revenue of the Corporation.***

The department replied that the suggestion would be communicated to the Local Audit Circle.

**c) Inspection report of TP, Holalkere**

***Review of inspection report: The issue of levy of service charges as pointed out by AG Audit on exempted properties was not noticed /brought out in KSAAD Inspection Report.***

The details of observations noticed by AG Audit team on the same issue is as shown below:

- As per Section 94(2) of the KM Act, notwithstanding the exemptions granted under Section 94(1-A), it shall be open to the Municipal Council to collect service charges for providing civic amenities and for general or special services rendered at such rates as may be prescribed.
- The decision taken by the Town Panchayat to collect service charges, quantum of service charges to be levied, list of properties exempted from payment of property tax and the service charges collected there against, besides details on the number of tax returns filed seeking tax exemption from the Chief Officer of the Town Panchayat so far, number of tax returns for which Chief Officer accorded exemption, number of cases rejected by the Chief Officer and intimation sent to property holder to pay the tax amount and the Register maintained for monitoring the above details was not forthcoming.
- As per the statement furnished to audit by the Town Panchayat, there are 58 Public Worship places, 7 Government Schools, 2 State/Central Government office buildings and 2 Government Hospitals in the jurisdiction of Town Panchayat. No information was provided about the collection of service charge from those exempted properties.
- The Chief Officer replied that the issue will be placed in the council meeting and decision will be taken to levy service charge on exempted properties.

***Suggestion: It is suggested that KSAAD carry out proper check of compliance with the Acts, Rules or Manuals as pointed out by AG Audit team which would augment the revenue of the Corporation.***

The department replied that the suggestion would be communicated to the Local Audit Circle.

<sup>14</sup> CMC Gadag-Betageri (₹99.21 lakh), TP Alanavar (₹6.42 lakh) and TP Holalkere (₹3.32 lakh)

### 3.7 Internal Control System developed by the Primary Auditor

As per the regulations, the primary Auditor shall develop, in consultation with AG(Audit), a system of internal control in his organization. Chapter II (Audit Concepts) of the KSAAD Audit manual gives details about the Internal Control Framework to be adopted such as executing orderly, ethical, economic efficient and effective operations, complying with applicable laws and regulations, fulfilling accountability obligations and safeguarding resources against loss, misuse and damage. It is suggested that in addition to the practices given in the Manual, maintenance of calendar of returns and peer review of the work between different Local Audit Circles may also be considered for adoption.

### 3.8 Non-inclusion of TGS aspect in the manual of KSAAD

The KSAAD was governed by the Mysore Local Fund Audit Manual 1967 and other manual/instructions issued from time to time. Due to the amendments to relevant Acts and Rules and major changes in the system of accounting of many of the auditees including GPs and ULBs, the KSAAD manual was revised and submitted to the State Government in November 2014 for approval and the approved manual was brought out in August 2016. Though the audit of GPs and ULBs were entrusted to CAG under TGS with effect from 2010-11 and 2011-12 respectively, this aspect is not mentioned in the manual. Insertion of the entrustment to CAG under TGS module and its terms and conditions in the manual will create awareness among the audit staff of KSAAD and streamline the TGS system and make it more fruitful.

The department replied that the above aspect will be taken into consideration after having review of the provision in the audit manual.

Bengaluru  
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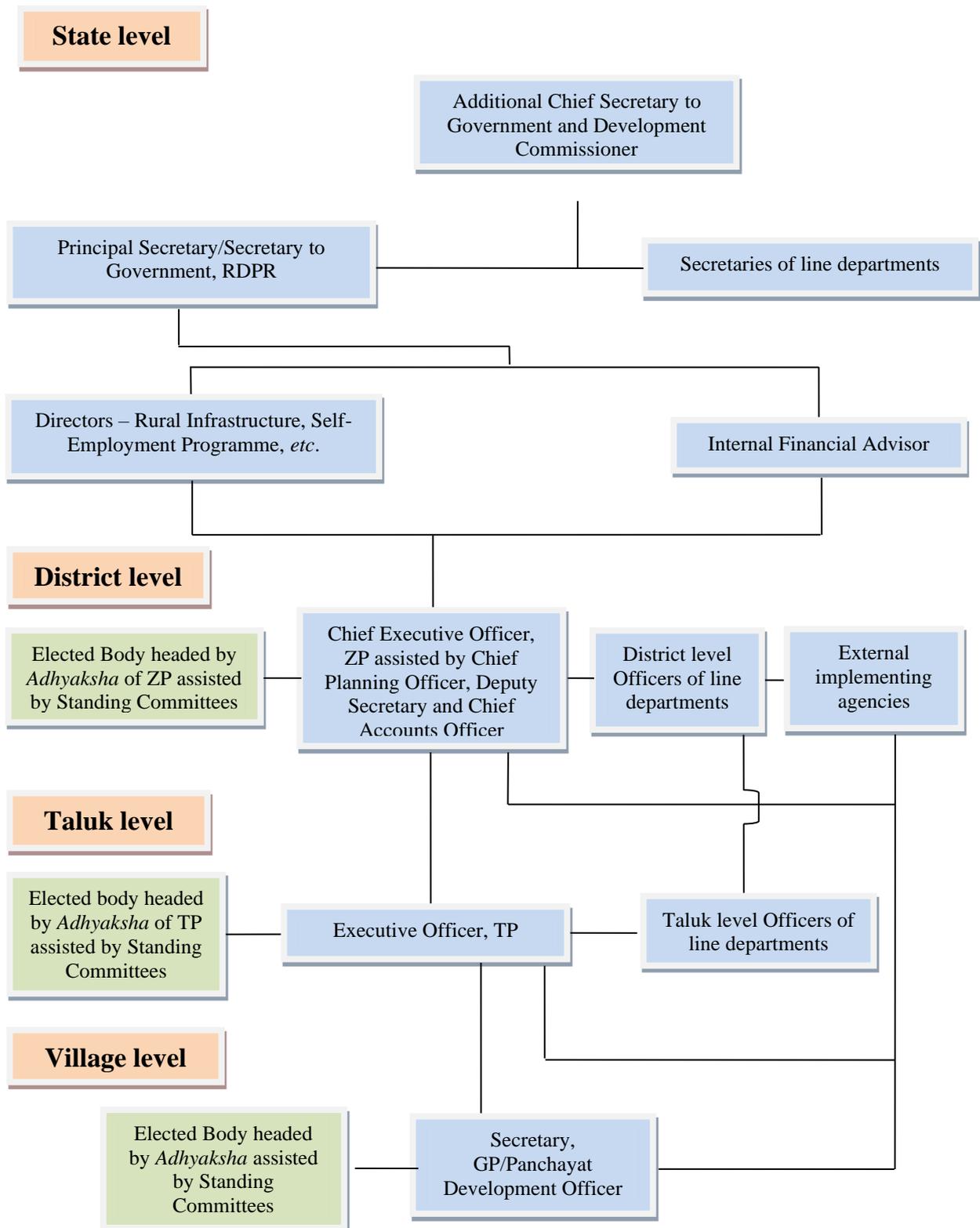
(Shanthi Priya. S)  
Principal Accountant General  
(Audit-I), Karnataka



# Appendices



**Appendix 1.1**  
**(Reference: Paragraph 1.2/ Page No. 2)**  
**Organisational structure of Panchayat Raj Institutions**



**Appendix 1.2**  
**(Reference: Paragraph 1.4/ Page No. 2)**  
**Devolution of functions to Panchayat Raj Institutions**

Planning and functions of different departments entrusted to Grama Panchayats, Taluk Panchayats and Zilla Panchayats are specified below:

<b>Sl. No</b>	<b>Subject</b>	<b>Grama Panchayat</b>	<b>Taluk Panchayat</b>	<b>Zilla Panchayat</b>
1.	General functions	<ol style="list-style-type: none"> <li>1) Preparing Annual action plan for panchayats area development</li> <li>2) Preparing Annual budget</li> <li>3) Providing compensations to Natural disasters</li> <li>4) Preventing encroachment of public assets</li> <li>5) Organising Self-service and providing contribution to community programmes</li> <li>6) Maintaining important statistics of villages</li> </ol>	<ol style="list-style-type: none"> <li>1) Preparing annual action plans with regard to plans entrusted by Zilla Panchayats or Government in line with the Act and submitting it to Zilla panchayats for inclusion in the Zilla Plans within the specified time period.</li> <li>2) Verifying, mobilizing and submitting mobilized plans to Zilla Panchayats, the Annual plans of all villages in the Grama panchayats.</li> <li>3) Preparing annual budget of taluk panchayats and submitting it to the Zilla Panchayat within the prescribed time</li> <li>4) Doing functions entrusted by Government or Zilla panchayats and implementing the works</li> <li>5) Providing compensation in natural disasters</li> </ol>	<ol style="list-style-type: none"> <li>1) Monitoring, coordinating and mobilizing the Developmental schemes and preparing district development plan</li> </ol>
2	Agriculture, Horticulture and Sericulture	<ol style="list-style-type: none"> <li>1) Preparing comprehensive plan, consulting with grama sabha for increase in horticulture products, preparing plans for comprehensive rural agriculture, horticulture and sericulture and monitoring their activities</li> <li>2) Preparing plans for Agriculture, Horticulture, and sericulture for</li> </ol>	<ol style="list-style-type: none"> <li>1) Preparing Agriculture and horticulture comprehensive rural plans and conducting general and technical training at GP level for implementing them, encouraging agriculture and horticulture and developing them</li> <li>2) Maintaining Agriculture seed centres (including horticulture Nurseries)</li> <li>3) Conducting Agriculture fairs and marketing of vegetables, fruits and flowers</li> </ol>	<ol style="list-style-type: none"> <li>1) Developing infrastructure with regard to adopting of biotechnology for increase in horticultural produces</li> <li>2) Maintaining combined watershed area for areas having more than one GP area</li> <li>3) Establishing Agricultural and Horticultural farms and commercial farms and maintaining them</li> <li>4) Providing agricultural inputs like money, water, seeds and fertilisers</li> </ol>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
3	Minor Irrigation	<p>ensuring maximum utilisation of grazing land including barren land.</p> <ol style="list-style-type: none"> <li>3) Establishing nurseries out of GP funds and maintaining them</li> <li>4) Preparing plan for agriculture mechanisation, recommending and monitoring</li> <li>5) Facilitating establishment of community Agriculture cooperative societies</li> <li>6) Monitoring soil, water and seed protection.</li> <li>7) Maintenance of watershed area</li> <li>8) Exhibiting market prices</li> <li>9) Monitoring agricultural insurances and implementing them</li> </ol>	<ol style="list-style-type: none"> <li>4) Providing technical support by giving training to technical staff and giving training to farmers and broadcasting improved agricultural methods.</li> <li>5) Recommending establishment of Godowns and cold storages depending on the necessity, facilitating Taluk level cooperative societies and agricultural markets and monitoring basic infrastructure at taluk level.</li> <li>6) Accumulating the statics collected by GPs and preparing taluk level plans for agricultural produces and markets.</li> <li>7) Collection of pesticides and distributing them</li> </ol>	<ol style="list-style-type: none"> <li>5) Establishing godowns and maintaining them</li> <li>6) Providing market facilities to agricultural produces and conducting agricultural fairs and exhibitions</li> <li>7) Conducting programmes for popularising new research and pilot studies.</li> <li>8) Conducting Activities for suitable research and development at local level</li> <li>9) Establishing Agriculture and horticulture extension and training centres</li> <li>10) Framing and implementing land improvement and protection programmes entrusted by Government</li> <li>11) Giving training to farmers</li> </ol>
		<ol style="list-style-type: none"> <li>1) Preparing, implementing, renewing and maintaining all minor irrigation projects of 0-10-hectare ahecut area within grama panchayat area</li> <li>2) Maintaining and implementing all minor and small irrigation projects in 0-10 hectares of ahecut area of grama panchayat level timely and allocation of available water equally and utilising it completely.</li> <li>3) Recharging ground water and implementing and developing projects related to Rainwater harvesting</li> <li>4) Maintaining all documents including mapping of all irrigation sources in the GP area.</li> </ol>	<ol style="list-style-type: none"> <li>1) Assisting ZP and Government in construction and maintenance of minor irrigation works</li> <li>2) Implementing community irrigation and individual irrigation works</li> </ol>	<ol style="list-style-type: none"> <li>1) Developing ground water resources</li> <li>2) Implementing and maintaining small irrigation projects for 40-hectare area</li> </ol>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
4	Animal Husbandry, Dairying, Poultry and Fisheries	<ol style="list-style-type: none"> <li>1) Implementing projects related to farms of Dairying, Poultry and sheep entrusted to GPs</li> <li>2) Implementing cattle development schemes entrusted to GPs</li> <li>3) Taking action for controlling epidemic diseases</li> <li>4) Implementing programmes relating to development of fisheries coming in irrigation works under GP jurisdiction.</li> <li>5) Establishing rural Fish and Meat markets and maintaining them.</li> <li>6) Development of grass land</li> </ol>	<ol style="list-style-type: none"> <li>1) Maintenance of Primary Veterinary Centres, First Aid Centres and mobile veterinary clinics</li> <li>2) Providing Medicine, medical assistance to GPs for taking action to control epidemic diseases</li> <li>3) Providing technical experts assistance to farmers and conducting trainings</li> <li>4) Development of breeds of Cattle, Poultry and others</li> <li>5) Encouraging cooperative societies with regard to activities of Animal Husbandry, poultry and Fisheries</li> </ol>	<ol style="list-style-type: none"> <li>1) Preventing epidemic diseases</li> <li>2) Establishing Veterinary Laboratories, Clinics and Mobile clinics</li> <li>3) Establishing Taluk and Village veterinary Hospitals, First aid centres and Mobile veterinary clinics</li> <li>4) Encouraging District Milk Producers Cooperative societies</li> <li>5) Conducting district level training programmes to Farmers</li> <li>6) Providing Medicines, Medical equipment and injections</li> <li>7) Developing Fisheries in the irrigation works coming under Zilla Panchayat</li> <li>8) Implementing Fisheries and Fishermen welfare programmes</li> <li>9) Encouraging Dairying, Poultry and Pig framing</li> </ol>
5	Social forestry	<ol style="list-style-type: none"> <li>1) Afforestation in barren land</li> <li>2) Developing Social forestry, Farm Forestry</li> <li>3) Establishing Markets for Produces of Social Forestry, maintaining the disposing them</li> <li>4) Growing of trees for cattle feed, fuel and Fruits</li> <li>5) Implementing Agricultural Forestry Scheme</li> <li>6) Establishing Nurseries and maintaining them</li> <li>7) Maintaining small forest produces except Reserve Forest, Protected Forest, and Wildlife protected area</li> </ol>	<p>Planting trees and maintaining them along roadside and other public places of its jurisdiction.</p> <p>Growing saplings necessary for GPs and distributing saplings and seeds to GPs</p> <p>Conducting training programmes for providing technical guidance for Fodder Development and fuel plants.</p>	<ol style="list-style-type: none"> <li>1) Preparing guidelines with regard to social forestry and biodiversity maintenance for use of GP and TP</li> <li>2) Encouraging Social and Farm forestry, Fuel Plant, and fodder development</li> <li>3) Maintenance of small forest produces grown in community land</li> </ol>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
6	Tourism	<p>8) Planning projects for social forestry and Farm forestry and implementing them.</p> <p>9) Planting trees and maintaining them along roadside and other public places of GP jurisdiction.</p> <p>1) Identifying the tourist places in GPs and submitting proposals regarding their development</p> <p>2) Facilitating tourism activities</p> <p>3) Providing infrastructure to Tourist Bungalows entrusted to GPs and maintaining them</p> <p>4) Collecting entrance fees and parking fees in tourist places other than maintained by Indian Archaeological department or local departments.</p>	<p>1) Identifying the tourist places in Taluks and framing proposals for their development</p> <p>2) Encouraging tourism activities</p> <p>3) Providing basic infrastructure in tourist centres entrusted to Taluk Panchayats</p> <p>4) Developing Tourist Attraction Centres entrusted to TPs and maintaining them</p>	<p>1) Identifying the tourist places in Taluks and framing proposals for their development</p> <p>2) Framing District Tourism Policy and tourism activities</p> <p>3) Providing infrastructure in Tourist centres</p> <p>4) Starting tourism attractions and maintaining them</p> <p>5) Appointing Tourist Guides, Green Police, Watchmen, Lifesavers in the tourist centres of Taluk and collecting entry fees and parking fees in the tourist centres entrusted to them</p>
7	Small scale industries and Village Industries, Khadi, Handicraft, Art, Gramodyoga and food processing industries	<p>1) Encouragement of Gud industries, Khadi industries, village industries, food processing industries and other non-agricultural activities</p> <p>2) Arranging Exhibition and Market facility</p> <p>3) Framing State Committees and All India Committees for Gudi industries, Khadi industries, village industries, food processing industries and implementing them</p> <p>4) Collecting information with regard to available raw material and Value-added products</p>	<p>1) Establishing giving assistance strategic plans to Gudi industries, Khadi industries, village industries, food processing industries and other non-agricultural activities</p> <p>2) Conducting Conference, Seminars, and training programmes</p> <p>3) Establishing small scale industries units</p> <p>4) Framing Self-employment schemes and implementing them</p> <p>5) Creating Accessory service centres</p> <p>6) Providing financial assistance to General Facility centres of cluster level.</p>	<p>1) Establishing system with regard to development of Gudi Industries development</p> <p>2) Conducting training programmes at GP and TP level, Providing Technical guidance, and related and relating things</p> <p>3) Establishing Training and Produce Centres and maintaining them</p> <p>4) Arranging Market system for Gudi Industries Khadi industries and Handicrafts</p> <p>5) Developing link system for implementing State Committees and All India Committees and Commissions with regard to developing village industries and Gudi Industries</p> <p>6) Conducting district level entrepreneurship programmes</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
5)		Conducting market survey and broadcasting information to general public 6) Encouraging food processing and Produce marketing activities.	7) Maintaining General Facility Centres at Block level or Hobli level.	7) Framing cooperative schemes for Khadi and Village industries and Food processing industries and implementing them. 8) Implementing Schemes of State Committees and All India Committees and Commissions with regard to development of village industries and Gudi industries
8	Rural Housing	1) Identifying houseless and site less people and migrant workers. 2) Participating in all Rural housing schemes including Fishermen housing schemes 3) Participating in implementation of housing upgradation scheme 4) Implementing seasonal facilities to seasonal migrant workers 5) Encouraging rural Housing Cooperative Societies 6) Identifying the government land and recommending to DC for site allocation or site reservation to houseless 7) Sanctioning rural Housing and Layout schemes as per the orders of Government	1) Implementation of housing schemes outside Gramatana and distributing sites 2) Adopting techniques of low-cost housing construction and informing them to GPs. 3) Providing Technical assistance and equipment to GPs 4) Encouraging Taluk level Housing cooperative societies.	1) Encouraging district level Housing Construction societies
9	Drinking water supply	1) Collecting information about water quality and scope and preparing programme regarding that. 2) Maintaining water supply schemes in GPs and monitoring them 3) Control, prevention and protection of water pollution 4) Maintenance of traditional drinking water sources	1) Preventing water pollution and controlling 2) Establishing Drinking water supply to GPs and maintaining them 3) Providing Equipment and Technical assistance to GPs for implementing drinking water supply schemes	1) Establishing Drinking water supply schemes or multi taluk drinking water supply schemes 2) Establishing drinking water testing laboratories 3) Providing financial assistance to TPS and GPs with regard to implementation of water supply schemes

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
10	Town and Rural schemes and Public works (roads, Bridges, waterways and other linking ways)	<p>5) Collection of water samples from drinking water sources for testing</p> <p>6) Regular cleaning of drinking water sources</p> <p>7) Providing water to houses and commercial establishments by collecting user fees</p> <p>8) Establishing water treatment plants and maintaining them.</p> <p>9) Providing assistance to authorities for ground water misuse.</p> <p>1) Framing schemes for the following and construction and maintenance</p> <p>Footpaths</p> <p>Village Roads</p> <p>Bridges, culverts</p> <p>Buildings</p> <p>Drains</p> <p>Structures other than entrusted to National Highways, State Highways and MDR, local bodies or Government departments.</p> <p>2) Establishing and maintaining the following:</p> <p>Shelters for travellers/ parking place for vehicles</p> <p>Playgrounds</p> <p>3) Constructing all types of Burial grounds and graveyards and maintaining them. Framing rules regarding use of all GP level graveyards and burial grounds</p>	<p>1) Not in the control of any local authority or State Government or central Government GP level and TP level</p> <p>a) Roads</p> <p>Footpaths</p> <p>Taluk roads</p> <p>Bridges culverts</p> <p>Buildings</p> <p>Drains</p> <p>Not in the control of State or Central Government on local authority.</p> <p>2) Maintaining Boats, Ferries and water ways in the GP jurisdiction under the control of TPs</p> <p>3) Framing plans for High school buildings, Taluk Hospital and other Taluk level public institutions, constructing and maintaining them</p>	<p>1) Framing Schemes for all district roads passing through more than one taluk and relating to those taluks other than National Highways, State Highways and MRDS, Bridges, Culverts not in the control of any local authority or Government.</p> <p>2) Providing technology to GPs and TPs with regard to building construction and maintenance</p> <p>3) On request from GPs and TPs providing technical guidance and technology.</p> <p>4) Establishing multi taluk level civil amenities like Markets, Playgrounds, Stadiums etc. and maintaining them</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
		<p>4) Maintaining Boat, Ferry and water ways</p> <p>5) Maintaining rainwater drains</p> <p>6) Establishing community necessities like Bathing places, public markets etc</p> <p>7) Developing Residential areas</p> <p>8) Constructing residential layouts</p> <p>9) Preparing plans for construction of school buildings, Hospitals and other public institutions entrusted to GPs, constructing them and maintaining them</p> <p>10) Preparing comprehensive village development plan.</p>		
11	Rural Electrification/ Power and Fuel	<p>1) Providing streetlights in roads and public places and maintenance</p> <p>2) Framing schemes for small traditional and non-traditional power plants like roof solar plates, solar electricity, biogas, windmill, small hydropower plants out of GP funds, implementing and maintaining them and encouraging them</p> <p>3) Marketing excess non-traditional fuel to others</p> <p>4) Providing assistance to rural electrification by way of doing self-service to GPs.</p>	<p>1) Coordinating with Electric supply companies with a view to continuously supplying quality electricity on special occasions and main crop seasons</p> <p>2) Preparing plans for suitable strength traditional and non-traditional fuel plants, implementing, and maintaining them.</p> <p>3) Marketing traditional and non-traditional fuel to others</p>	<p>1) Preparing plans for suitable strength traditional and non-traditional fuel plants, implementing, and maintaining them</p> <p>Marketing traditional and non-traditional fuel to others</p>
12	Poverty alleviation	<p>1) Identifying the poor and implementing poverty alleviation programmes</p> <p>2) Identifying and selection of beneficiaries of all poverty alleviation programmes</p>	<p>1) Providing technical equipment to GPs with regard to implementation of poverty alleviation programmes</p> <p>2) Carrying out self-employment programmes at taluk level</p>	<p>1) Developing crafts of poor identified by GPs</p> <p>2) Conducting technical training programmes</p> <p>3) Framing employment guarantee programmes in partnership with GPs and implementing them</p> <p>4) Conducting job fairs</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
		<p>3) Facilitating Grama Sabhas for selection of beneficiaries under various programmes of GP level</p> <p>4) Planning, implementation, monitoring and distributing poverty alleviation programmes benefits</p> <p>5) Providing infrastructure to self-employment programmes</p> <p>6) Organising self-help groups and neighbouring groups and strengthening them</p> <p>7) Analysing necessities of poverty alleviation</p> <p>8) Preparing plans for self-employment and wage employment and implementing them.</p> <p>9) Providing basic necessities under various schemes</p> <p>10) Participating in craft development programmes and creating awareness in public encouragement in employment opportunities</p>	<p>3) Linking self-help groups in all individual and Government programmes</p>	
13	Public distribution system	<p>1) Maintaining distribution of food grains and other daily needs</p> <p>2) Monitoring Public Distribution system and creating awareness about it.</p> <p>3) Construction of Godowns and Rural Stockyards out of GP funds and maintaining them</p>	<p>1) Distributing essential stock</p>	
14	Disaster Management	<p>1) Conducting surveys to identify disaster prone areas</p>	<p>1) Giving training to GP and TP level maintenance staff in disaster management programmes.</p>	<p>1) Creating infrastructure essential for disaster management</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
15	Education (Primary and Secondary Education, Technical vocational education, Adult and informal education	<p>2) Creating disaster management facility and maintaining them</p> <p>3) Identifying Local and outside experts in disaster management</p> <p>4) Providing compensation and loss compensation to disaster prone persons according to guidelines issued by Government out of GPs own fund</p> <p>1) Preparing plans for providing traditional and non-traditional Education at panchayats level and Monitoring</p> <p>2) Sending proposals regarding opening of lower and upper primary schools to competent authority and obtaining sanctions.</p> <p>3) Monitoring Government lower and upper primary school</p> <p>4) Constructing buildings for Government lower and upper primary schools and maintaining them</p> <p>5) Collecting details of children and updating the data</p> <p>6) Implementing Literacy programmes, informal and non-formal educational programmes, giving encouragement to adult literacy</p> <p>7) Maintaining quality control including Administration and Monitoring</p> <p>8) Reviewing and Evaluation of Educational programmes at Grama Panchayat level</p>	<p>1) Encouraging adult education</p> <p>2) Preparing plans for providing traditional and non-traditional Education at taluk level and Monitoring</p> <p>3) Sending proposals regarding opening of higher primary schools to competent authority and obtaining sanctions.</p> <p>4) Conducting Central and State sponsored programmes with regard to education</p> <p>5) Constructing buildings for Government Primary and secondary schools and maintaining them</p> <p>6) Providing necessary assistance like books, reading material, training inputs etc to schools at grama panchayat level.</p> <p>7) Encouraging community education through youth clubs and Mahila Mandali</p> <p>8) Preparing plans to start schools/ hostels for backward classes, Girls, Disabled and minority classes and maintaining them.</p>	<p>1) Preparing plans for providing traditional and non-traditional Education at district level and Monitoring</p> <p>2) Sending proposals regarding opening of Higher secondary schools, PU colleges, ITI, Polytechnics to competent authority and obtaining sanctions</p> <p>3) Establishing Government PU colleges, ITI, Polytechnic colleges and maintaining them.</p> <p>4) Preparing plans with respect to hostels coming under Zilla panchayats institutions</p> <p>5) Coordinating Central and State sponsored educational programmes and reviewing and monitoring of educational programmes.</p> <p>6) Arranging village handicraft and vocational training programmes</p> <p>7) Providing technical inputs, material and Financial assistance to Grama panchayats and taluk panchayats</p> <p>8) Providing hostels to PU students, providing vocational training to students, girls and disabled of backward classes, providing vocational and technical education to students of minority classes, preparing plans for adult education, and maintaining them.</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
		<p>9) Monitoring higher secondary schools/ hostels of backward classes, Girls, Disabled and minority classes.</p> <p>10) Encouraging village handicrafts and giving them vocational training</p> <p>11) Ensuring full attendance in Primary and Upper Primary schools.</p>		<p>9) Appointing guest teachers to educational Institutions coming under the purview of Zilla panchayats.</p> <p>10) Establishing special schools and hostels for disabled children and maintaining them.</p> <p>11) Encouraging non-formal educational programmes</p>
16	Libraries	<p>1) Maintaining GP level Libraries and monitoring them</p>	<p>1) Framing schemes for establishing Taluk level libraries and monitoring them</p> <p>2) Upgradation of libraries</p>	<p>1) Framing schemes with regard to establishing ZP level Libraries which are not coming under the control of other local bodies or Government and maintaining and monitoring</p>
17	Sports and cultural activities	<p>1) Construction playgrounds and maintaining them</p> <p>2) Identifying Art and cultural programmes</p> <p>3) Protecting cultural programmes at GP level and reviving them</p> <p>4) Encouraging youth clubs</p> <p>5) Providing assistance to poor and destitute artists and giving protection to them</p> <p>6) Maintaining communal and religious harmony</p> <p>7) Construction of Cultural centres, Community centres, open theatres at GP and community level and maintaining them</p> <p>8) Conducting youth festivals at GP and community levels</p> <p>9) Giving life skill and leadership education and training to youths and</p>	<p>1) Encouraging rural crafts and vocational training</p> <p>2) Providing platform to exhibit their talent of cultural groups including youth</p> <p>3) Conducting youth fairs at taluk level</p> <p>4) Establishing youth centre at taluk level for youth</p> <p>5) Constructing playgrounds at taluk level and maintaining them.</p>	<p>1) Recording rural Art and cultural activities and recording crafts produces</p> <p>2) Protecting the almost extinct heritage and reviving it.</p> <p>3) Establishing cultural centres at District level and maintaining them. Conducting craft fairs</p> <p>4) conducting youth fairs at district level</p> <p>5) Monitoring sports schools at district level</p> <p>6) Started giving annual awards to GPs for performing best in protection in the field of Communal and religious harmony, Children, minority, women rights violation etc.</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
18	Providing Market and facility conducting cattle fairs	Conducting entertainment programmes. 1) Establishing public markets at GP level, providing facilities and maintaining them 2) Controlling cattle fairs and festivals and conducting them 3) Maintaining rural agricultural produces and craft produces and encouraging their marketing 4) Providing storage and cold storage facility for agricultural produces 5) Providing facilities to farmers for direct market and e-market for agricultural produces.	1) Establishing TP level Public markets and maintaining them 2) Framing rules regarding conducting cattle fairs, festivals etc 3) Creating basic infrastructure for Self-help groups and JLJs and encouraging marketing of their produces	1) Framing rules regarding conducting cattle fairs, festivals etc at state level
19	Public health (Hospitals, health including Public health and family welfare	1) Monitoring Indian Health facilities like Allopathic, Siddha, Yunani and Nature cure and Yoga at Grama Panchayati level 2) Sending proposals to competent authorities for establishing Health sub centres at GP level and obtaining sanction for them and providing health care facilities and monitoring them, providing hospitals 3) Implementing Family planning programmes at GP 4) Conducting vaccination and other immunity programmes 5) Providing licence to food and entertainment institutions 6) Killing street dogs	1) Submitting proposals to competent authority regarding establishing primary health centres and taluk hospitals and obtaining sanctions 2) Encouraging immunisation and vaccination programmes 3) Monitoring Primary health centres and taluk hospitals 4) Arranging continuous assistance to GPs for programmes of Health services and sanitation programmes. 5) Providing facilities to special groups, disabled and mentally retarded and opening centres for them 6) Monitoring Laboratories and disease exploration services at taluk level and providing them to GPs 7) Framing schemes regarding family welfare programmes at TP level and implementing them	1) Framing schemes with regard to providing both traditional and non-traditional public health facilities and maintaining them 2) Submitting proposals for establishing community health centres and district hospitals and obtaining sanction for them 3) Maintaining Community health centres and district hospitals which are outside the control of Government or any local authority 4) Obtaining Equipment, medicine etc for TP level, cluster level and GP level Health centres and supplying medical equipment and other medical items. 5) Establishing Pandemic disease controlling system and implementing them 6) Establishing taluk level laboratories and disease exploring services

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
20	Sanitation	<p>7) Preventing pandemic diseases and enforcing compensatory actions against them</p> <p>8) Monitoring Obstetrics and Children welfare centres</p> <p>9) Controlling sale of perishable food items like Meat, Fish and other foods</p>	<p>1) Encouraging Health and sanitation programmes in Fairs and festivals</p> <p>2) Establishing Multi village solid waste management systems and maintaining them</p> <p>3) Providing technical assistance to GPs</p>	<p>7) Implementing Obstetrics and child health programmes at district level and implementing and maintaining them</p> <p>8) Coordinating Centre and State sponsored programmes at district level</p> <p>9) Establishing Health service centres for disabled and mentally retarded</p> <p>10) Arranging family welfare programmes at district level and implementing them</p>
		<p>1) Cleaning and protecting Public roads, drains, Ponds and other public places</p> <p>2) Establishing and maintaining Cemetery and Burial grounds</p> <p>3) Establishing Liquid waste management system and maintaining them</p> <p>4) Collecting, segregating and transporting solid waste to Multi village solid waste management plants</p> <p>5) Constructing Individual, Community toilet, bathrooms and Hygiene complexes and maintaining them</p> <p>6) Conducting GP level sanitation programmes including habitations, Public places and all local institutions and implementing them</p> <p>7) Developing Health and sanitation policies and implementing them</p>		<p>1) Mobilising district sanitation programmes</p> <p>2) Providing necessary assistance to GPs and TPs</p> <p>3) Framing District policies and exchanges and evaluating them</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
21	Welfare of Women and child, Welfare of disabled and mentally retarded	<p>8) Disposing unclaimed dead bodies of animals and controlling skin processing and painting</p> <p>9) Implementing Sanitation and waste management programmes at GP level</p> <p>1) Participating in implementation and monitoring of Women and child welfare programmes</p> <p>2) Participating in Health and nutritional food programmes of school children and implementation and maintenance</p> <p>3) Encouraging getting assistance from local development agencies, Private agencies, self-help groups in women and child development and empowerment</p> <p>4) Submitting proposals to competent authority for establishing Anganawadi centres and obtaining sanction</p> <p>5) Monitoring anganawadies</p> <p>6) Sending beneficiaries list selected in grama sabhas under Pension to Widows, Aged persons, disabled, etc schemes to the respective departments</p> <p>7) Facilitating implementation of group insurance schemes to poor</p> <p>8) Participating in social welfare programmes for Disabled, mentally retarded, community groups outcasted etc and monitoring the implementation of the programmes.</p>	<p>1) Framing schemes at taluk level for comprehensive child development programmes, implementing and monitoring them</p> <p>2) Encouraging, implementing, and monitoring programmes with regard to development and empowerment of women and child at taluk level</p> <p>3) Encouraging school health and nutritional health programmes and monitoring them</p>	<p>1) Implementing programmes with regard to technical inputs</p> <p>2) Implementing programmes for women empowerment and child development</p> <p>3) Conducting School health and nutritional food programmes</p> <p>4) Running and maintaining post metric hostels, boys' hostels and orphanages</p>

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
22	Scheduled caste, scheduled tribes and other backward classes	<p>1) Providing basic infrastructure in SC/ST colonies</p> <p>2) Providing educational assistance to SC/ST students out of panchayats own funds on priority basis</p> <p>3) Framing, implementing and coordinating programmes creating awareness regarding law and other issues among weaker section of the society specially SC and ST</p> <p>4) Participating in welfare programmes of weaker sections and monitoring their implementation</p> <p>5) Planning establishment of hostels at GP level for SC, ST and backward classes and monitoring them</p> <p>6) Preventing community and traditional activities which are against a particular person or community</p>	<p>1) Framing schemes for establishment of hostels for SC/ST and backward classes at taluk level and maintaining them</p> <p>2) Framing schemes regarding establishing pre metric hostels and maintaining them</p> <p>3) Preventing community and traditional activities which are against a particular person or community</p> <p>4) Monitoring Old age pension, widow pension and disabled pension</p> <p>5) Social welfare programmes including Disabled, Mentally retarded and orphan's welfare</p>	<p>1) Preventing methods which are against certain person or community</p> <p>2) Monitoring and maintaining post metric hostels at district level</p> <p>3) Running vocational training programmes with regard to SC/ST and other backward classes</p> <p>4) Distributing grants, loans and grants in aid to individuals under schemes relating to welfare schemes of SC/ST and other backward classes</p>
23	Livestock breeding centres, Car, Auto rickshaw and bus stands, bullock stands construction and maintenance	<p>Livestock breeding centre, community cattle feed centres, Rural bus stands, rickshaw stand, Taxi/auto stand, slaughterhouses and commercial complexes construction and maintenance</p>	<p>Car/Auto and Bus stands construction and maintenance</p>	
24	Giving all types of certificates	<p>No objection certificates for Mines and Geology, Electrification, Excise, Ecology, Land conversion, Home stay, Resorts, Bar and Restaurants, Hostels,</p>		

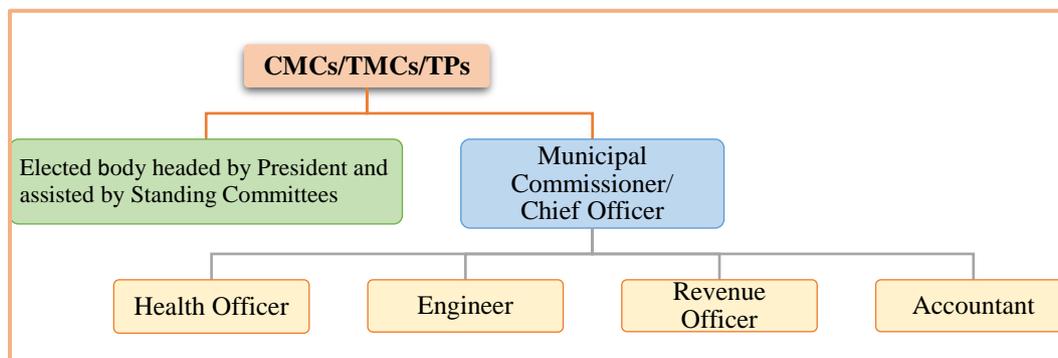
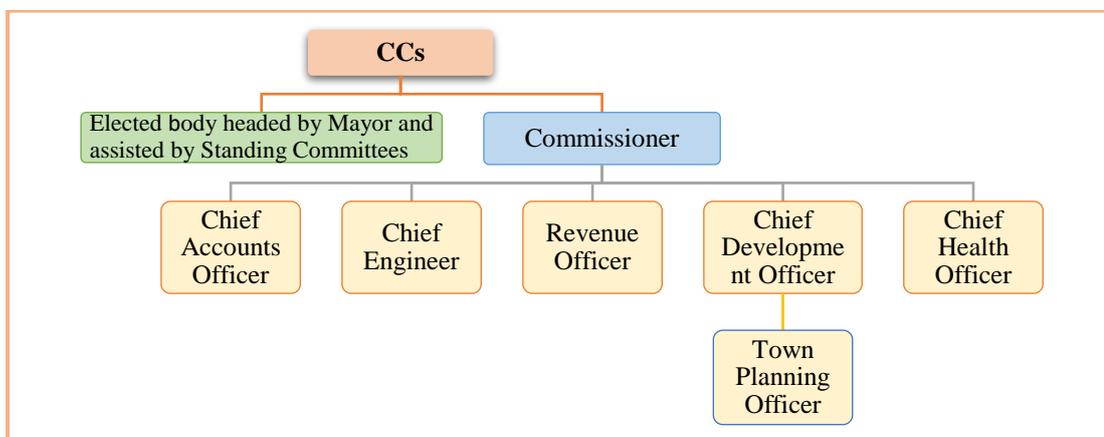
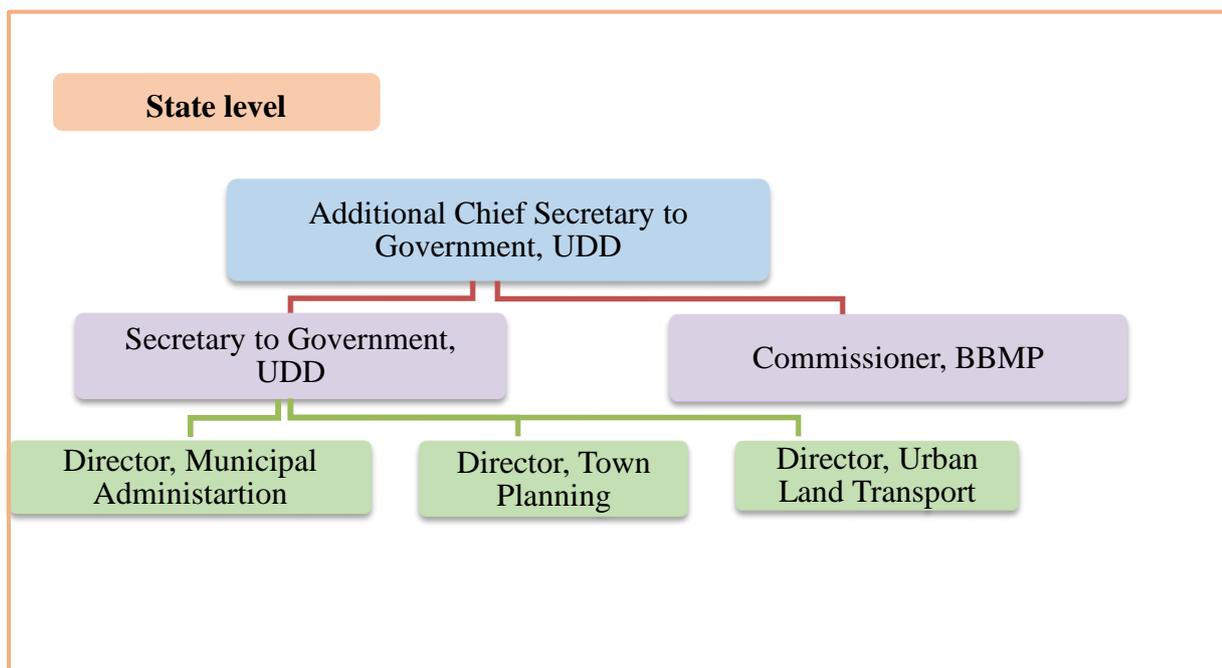
Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
25	Statistics maintenance	Bars, Burial ground and crematorium etc., for licences Collecting all statistics related to villages, preparing statements and updating	Collecting Taluk statistics	1) Collecting district statistics 2) Preparing and finalising district plans depending on taluk viewpoints
26.	Planning	Creating group of technical and subject experts for preparing long vision plans and annual plans	1) Accumulating plans received from GPs preparing TP level plans, receiving and creating taluk planning committee to submit it to ZP 2) Providing technicians help to GPs with regard to collection of statistics and information and framing schemes. 3) Monitoring the progress of all government programmes including Special component programme (SSP) and Tribal sub plan (TSP) and ensuring quality implementation.	1) Preparing district level plans 2) Accumulating plans received from TPs, preparing district level plans and forming committee for getting approval for district level plans. 3) Providing technicians help to TPs with regard to collection of statistics and information and framing schemes. 4) Monitoring the progress of all government programmes including Special component programme (SSP) and Tribal sub plan (TSP) and ensuring quality implementation. 5) Evaluating the schemes
27.	Cooperation	Preparing activities for strengthening and popularising cooperation programmes	Providing necessary facility to encourage all block and taluk level cooperating societies	Providing facilities to all district level cooperative societies
28	Rural Environment and ecology	1) Framing schemes for protecting Rural environment and ecology in accordance with national and state policies 2) Establishing ecology maintaining committees 3) Preparing ecology diversity register 4) Preparing schemes and activities for ecology Act 2002 and implementing them 5) Protecting environmentally sensitive areas 6) Preparing schemes		

Sl. No	Subject	Grama Panchayat	Taluk Panchayat	Zilla Panchayat
29	Revenue creating activities	for protecting environment and implementing them. Maintaining parks 7) Controlling waste pits and controlling rural markets	Creating assets in Taluk centres and renting them	Creating assets in district centres and renting them out
30	Knowledge management	Undertaking various revenue creation activities to mobilise own resources 1) Collection of databases of families and database management 2) Recording village history, culture and heritage 3)Conducting village development reviews and studies 4) Calculating human resource development database 5) To make available database of all GP public 6) Creating awareness and Information, Education and link activities for all Government programmes.	Creating assets in Taluk centres and renting them 1) Collecting statistic relating to Taluk's and maintaining database 2) Recording Taluk's history, culture and heritage 3) Conducting surveys and studies with regard to deciding taluk's human resource development. 4) Computation of human resource development index regularly 5) To make available general public all database 6) Creating awareness about Government programmes and conducting activities of information, Education and communication	1) Creating awareness regarding all Government activities and conducting activities of information, Education and communication 2) Collecting district statistics and maintaining database 3) Recording district's history, culture and heritage 4) Conducting surveys and studies with regard to deciding district's human resource development 5) Computation of human resource development index regularly 6) To make available general public all database
31	Community asset management	1) Protection and maintenance of community assets by GPs, their mapping, survey, recording and Maintenance 2) Tanks, water channels, agricultural pits, bore wells and other tanks, afforestation etc recording and protection	1) Maintaining all community assets transferred from Government or local authority in TP 2) Protecting and maintenance of other community assets	

**Appendix 1.3**  
**(Reference: Paragraph 1.12.1/ Page No.8)**  
**Details of SFC recommendations and modifications**

<b>SFC</b>	<b>Recommendations</b>	<b>Modifications</b>
Third	Devolution of 23 per cent of Net Own Revenue Receipts of the State to PRIs, de-linking salary component of officials working in PRIs.	32 per cent of Non-Loan Net Own Revenue Receipts (NLNORR) of the State to be assigned to PRIs this would be inclusive of salary expenditure
	Statutory development grants to be distributed to GPs in the following manner Category I (Population below 4000): ₹ 9 lakhs per GP per year. Category II (Population 4001 to 8000): ₹2 lakhs per GP per year. Category III (Population above 8000): ₹15 lakhs per GP per year.	Annual grants of ₹8 lakhs to be provided to each GP
Fourth	Devolution of 35 per cent of NLNORR of the State to PRIs	Funds to Local Bodies to be devolved from 43 per cent to 48 per cent of NLNORR in a phased manner from 2018-19 to 2022-23 and funds to ULBs also to be increased in a phased manner from 10.5 per cent to 12 per cent of NLNORR during the above period. Thus, leading to devolution of funds to PRIs in a phased manner from 32.5 to 36 per cent over the period of five years
	Allocation to ZP, TP & GP in ratio 38.61:53.64:7.76	To have flexibility in apportioning grants among various categories of PRIs which would best address the needs at each level as against the exact ratios prescribed in the recommendations.
	Enhancement of untied grants to GPs from ₹12 lakh minimum to ₹35 lakhs maximum per annum to all GPs based on their population and area	Grants ranging from ₹12 lakh minimum to ₹35 lakhs maximum per annum to all GPs based on their population and area from 2019-20 onwards

**Appendix 2.1**  
**(Reference: Paragraph 2.2/Page No.18)**  
**Organisational structure with respect to functioning of ULBs in the State**



**Appendix 2.2**  
**(Reference: Paragraph 2.3/Page No.18)**  
**List of 18 items under the Twelfth Schedule of the Indian Constitution**

1. Regulation of land use and construction of land buildings
2. Urban planning including the town planning
3. Planning for economic and social development
4. Urban poverty alleviation
5. Water supply for domestic, industrial and commercial purposes
6. Fire services
7. Public health sanitation, conservancy and solid waste management
8. Slum improvement and up-gradation
9. Safeguarding the interests of the weaker sections of society, including the physically handicapped and mentally unsound
10. Urban forestry, protection of environment and promotion of ecological aspects
11. Construction of roads and bridges
12. Provision of urban amenities and facilities such as parks, gardens and playgrounds
13. Promotion of cultural, educational and aesthetic aspects
14. Burials and burials grounds, cremation and cremation grounds and electric crematoriums
15. Cattle ponds, prevention of cruelty to animals
16. Regulation of slaughterhouses and tanneries
17. Public amenities including street lighting, parking spaces, bus stops and public conveniences
18. Vital statistics including registration of births and deaths

**Appendix 3.1**

(Reference: Paragraph 3.6/ page No.39)

**List of observations included in Report of CAG on Local Bodies for the year ended March 2017  
and in Annual Technical Inspection Report for the year ended March 2018**

**i) Report of CAG on Local Bodies for the year ended March 2017**

Education	Para 2.1	Inadmissible payment of special allowance
Education	Para 2.2	Unfruitful expenditure on construction of Block Education Officer's office building at Tumakuru
RDPR	Para 2.3	Unproductive investment on a water supply scheme
RDPR	Para 2.4	Unfruitful expenditure on multi village water supply scheme
Tribal welfare & RDPR	Para 2.5	Non-utilisation of funds for construction of pre-matric boy's hostel building for Scheduled Tribe students
Women & Child Development	Para 2.6	Non-utilisation of funds for construction of anganwadi centres
UDD	Para 4.1	Collection and Remittance of cesses in Urban Local Bodies
BBMP	Para 4.2	Avoidable payment of interest of ₹12.26 crore by BBMP due to delay in settlement of land compensation
BBMP	Para 4.3	BBMP lost revenue of ₹95.63 crore due to non-collection of urban transport cess during 2013-14 to 2016-17.
BBMP	Para 4.4	BBMP failed to adopt the applicable rates of service tax resulting in short levy/realisation of ground rent aggregating ₹57.58 lakh.
BBMP	Para 4.5	BBMP 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.
CC Shimoga	Para 4.6	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.
TP Turuvekere	Para 4.7	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

ii) **Annual Technical Inspection Report for the year ended March 2018**

GPs	Para 2.1	Diversion of cess amount by GPs during 2012-13 to 2016-17-₹1.32 crore
TP, Gangavathi	Para 2.2	Misuse/wastage of public funds ₹22.47 lakh
BBMP	Para 4.1	Avoidable payment of penal interest ₹20.07 crore
BBMP	Para 4.2	Loss of revenue due to incorrect assessment of property tax ₹6.72 crore
BBMP	Para 4.3	Loss of Revenue due to fraudulent issue of Trade Licences – ₹3.75 crore
CC, Kalaburagi CMC, Ramanagara TMCs  Harapanahalli Karkala Malavalli	Para 4.4	Avoidable payment due to non-variation of contract demand and non-maintenance of power factor ₹94.93 lakh
BBMP	Para 4.5	Loss of revenue due to non-recovery of additional ground rent ₹36.50 lakh
BBMP	Para 4.6	Loss of revenue due to short collection of improvement expenses ₹31.21 lakh

**Appendix 3.2**  
**(Reference: para 3.6.1/Page No.39)**  
**List of Test Checked Grama Panchayats**

Sl. No	District	Taluk	Grama Panchayat
1	CHITRADURGA	CHALLAKERE	MEERASABIHALLI
2	CHITRADURGA	CHITRADURGA	BHARAMASAGARA
3	CHITRADURGA	CHITRADURGA	SIRIGERE
4	CHITRADURGA	HIRIYUR	IKKANURU
5	CHITRADURGA	HIRIYUR	RANGENAHALLI
6	CHITRADURGA	HOLALKERE	CHIKKAJAJUR
7	CHITRADURGA	HOSDURGA	MATTODU
8	CHITRADURGA	HOSDURGA	SRIRAMPURA
9	CHITRADURGA	MOLAKALMURU	B.G.KERE
10	CHITRADURGA	MOLAKALMURU	RAMPURA
11	DAVANAGERE	DAVANAGERE	MALALAKERE
12	DAVANAGERE	DAVANAGERE	BELAVANUR
13	DAVANAGERE	HARAPANAHALLI	BENNIHALLI
14	DAVANAGERE	HARAPANAHALLI	HIREMEGALAGERE
15	DAVANAGERE	HARIHARA	BANNIKODU
16	DAVANAGERE	HARIHARA	BELLUDI
17	DAVANAGERE	HONNALI	ARABAGHATTE
18	DAVANAGERE	JAGALUR	DIDDIGI
19	DAVANAGERE	CHANNAGIRI	BASAVAPATTANA
20	DAVANAGERE	CHANNAGIRI	HONNEBAGHI
21	HASSAN	ALUR	MAGGE
22	HASSAN	ARKALGUD	KONANUR
23	HASSAN	ARKALGUD	RAMANATHAPURA
24	HASSAN	ARSIKERE	KACHIGATTA
25	HASSAN	BELUR	HALEBEEDU
26	HASSAN	CHANNARAYAPATNA	DINDAGOOR
27	HASSAN	HASSAN	DUDDA
28	HASSAN	HASSAN	MANACANAHALLI
29	HASSAN	SAKALESHPUR	BAAGE
30	HASSAN	HOLENARSIPUR	BAAGIBALU
31	HAVERI	BYADGI	MALLUR
32	HAVERI	HANAGAL	BAICHAVALLI
33	HAVERI	HAVERI	DEVIHOSUR
34	HAVERI	HAVERI	KARJAGI
35	HAVERI	HIREKERUR	ABALUR
36	HAVERI	HIREKERUR	KANAVISIDDAGERI
37	HAVERI	RANEBENNUR	HONNATTI
38	HAVERI	RANEBENNUR	RAHUTANAKATTI
39	HAVERI	SAVANUR	KADAKOL
40	HAVERI	SHIGGAON	TADAS
41	KODAGU	MADIKERI	BHAGAMANDALA

Sl. No	District	Taluk	Grama Panchayat
42	KODAGU	MADIKERI	HODDURU
43	KODAGU	MADIKERI	KANTURU MARNADU
44	KODAGU	MADIKERI	NAPOKLU
45	KODAGU	SOMVARPET	BETTADALLI
46	KODAGU	SOMVARPET	KUDUMANGALORE
47	KODAGU	SOMVARPET	MULLUSOGE
48	KODAGU	VIRAJPET	BITTANGALA
49	KODAGU	VIRAJPET	KUTTA
50	KODAGU	VIRAJPET	NALKERI
51	BELAGAVI	ATHNI	BADACHI
52	BELAGAVI	BAILAHONGAL	DODAVAD
53	BELAGAVI	BELAGAVI	KANGRALI BK
54	BELAGAVI	CHIKKODI	ANKALI
55	BELAGAVI	CHIKKODI	KHADAKALAT
56	BELAGAVI	GOKAK	BALOBAL
57	BELAGAVI	KHANAPUR	GANDIGAWAD
58	BELAGAVI	KHANAPUR	JAMBOTI
59	BELAGAVI	RAYBAG	KUDACHI (RURAL)
60	BELAGAVI	SAVADATTI	MADAMAGERI
61	UTTARA KANNADA	ANKOLA	ACHAVE
62	UTTARA KANNADA	ANKOLA	BELASE
63	UTTARA KANNADA	BHATKAL	BENGRE
64	UTTARA KANNADA	HALIYAL	TATWANAGI
65	UTTARA KANNADA	KUMTA	GOKARNA
66	UTTARA KANNADA	KUMTA	HEGDE
67	UTTARA KANNADA	KUMTA	VALAGALLI
68	UTTARA KANNADA	MUNDGOD	CHIGALLI
69	UTTARA KANNADA	SIRSI	BANAVASI
70	UTTARA KANNADA	YELLAPUR	IDAGUNDI
71	BENGALURU	ANEKAL	HENNAGARA
72	BENGALURU	ANEKAL	KALLUBALU
73	BENGALURU	ANEKAL	NERALURU
74	BENGALURU	BENGALURU EAST	DODDAGUBBI
75	BENGALURU	BENGALURU NORTH	ARAKERE
76	BENGALURU	BENGALURU NORTH	DODDA JAALA
77	BENGALURU	BENGALURU NORTH	MAADANAAYAKANA HALLI
78	BENGALURU	BENGALURU NORTH	RAJAANU KUNTE
79	BENGALURU	BENGALURU NORTH	SOMASHETTIHALLI
80	BENGALURU	BENGALURU SOUTH	KONAPPANA AGRAHAARA

**Appendix 3.3**  
**(Reference to Para No. 3.6.1/Page No.39)**  
**Irregularities in purchase of Cement**

Name of the Dealer	Invoice No	Particulars	Bill No/Date	Cheq No/Date	Amount (₹)
M/S Deeksha Enterprises	01	Cement (Bag) QTY- 184X679.5=125028	02/22.07.2017	502090/22.07.2017	1,25,028
	06	Cement (Bag) QTY- 133X675.6=89858	04/22.07.2017	502092/22.07.2017	89,858
	07	Cement (Bag) QTY- 133X675=89856	05/20.07.2017	502093/22.07.2017	89,856
	03	Cement (Bag) QTY- 133X675=89855	08/21.07.2017	502096/22.07.2017	89,855
	04	Cement (Bag) QTY- 133X675.6=89858	06/20.07.2017	502094/22.07.2017	89,858
	05	Cement (Bag) QTY- 133X675.6=89858	09/21.07.2017	502097/22.07.2017	89,858
	08	Cement (Bag) QTY- 133X675=89856	07/21.07.2017	502095/22.07.2017	89,856
<b>Total</b>					<b>6,64,169</b>

**Appendix 3.4**  
**(Reference to Para No. 3.6.1/Page No.40)**  
**Irregularities in purchase of LED lamps**

Name of the Dealer	Invoice No	Particulars	Quantity	Bill No/Date	Cheque No/Date	Amount (₹)
M/S Deeksha Enterprises	52	LED Street light, Pipe	10	01/20.06.2017	502089/04.07.2017	87,200
	53	LED Street light, Pipe	10	01/20.06.2017	502089/04.07.2017	87,200
	54	LED Street light, Pipe	10	01/20.06.2017	502089/04.07.2017	87,200
	55	LED Street light, Pipe	10	01/20.06.2017	502089/04.07.2017	87,200
	481	LED Light	10	09.02.2017	502078	89,880
	485	LED Light	10	22.02.2017	502082/22.02.2017	84,000
	525	LED Light	10	12.02.2017	502086/17.02.2017	74,950
	527	LED Light	10	11.02.2017	502085/17.02.2017	74,950
	528	LED Light	10	12.08.2017	505087/17.02.2017	74,950
<b>Total</b>						<b>7,47,530</b>

**Appendix 3.5**  
**(Reference: para 3.6.2/Page No.40)**  
**List of Institutions audited under TGS Module**

<b>Sl. No.</b>	<b>Institutions</b>
1	City Corporation, Tumkuru
2	City Municipal Council, Challakere
3	City Municipal Council, Gadag-Betageri
4	City Municipal Council, Kollegal
5	City Municipal Council, Hebbagodi
6	Town Municipal Council, H D Kote
7	Town Municipal Council, Jewargi
8	Town Municipal Council, Kadur
9	Town Municipal Council, Nargund
10	Town Panchayat, Tarikere
11	Town Panchayat, Alnavara
12	Town Panchayat, Holalkere
13	Town Panchayat, Nidagundi
14	Town Panchayat, Yelburga