

OVERVIEW

This Report contains six chapters. The first and the second chapters contain an overview of finances and observations on financial reporting in Panchayat Raj Institutions. The third chapter contains observations arising out of performance and compliance audits of the Panchayat Raj Institutions. The fourth and the fifth chapters contain an overview of finances and observations on financial reporting in Urban Local Bodies. The sixth chapter contains observations arising out of performance and compliance audits of the Urban Local Bodies. A synopsis of the findings is presented in this overview.

1. An overview of Panchayat Raj Institutions

The Inspector General of Registration and Commissioner of Stamps had not transferred the required additional stamp duty for the years 2013-14 and 2014-15 (November 2015) to Taluk Panchayats. The State Government had also not devised activity maps for distribution of activities for the functions of 'Welfare of weaker sections', 'Public Distribution System' and 'Maintenance of community assets'.

(Paragraph 1.1)

2. Financial Reporting in Panchayat Raj Institutions

The annual accounts of Zilla Panchayats and Taluk Panchayats were submitted after due dates. The balances under suspense heads of accounts were not reconciled. The Gram Panchayats had irregularly utilised the Cess amount collected without remitting it to authorities concerned. There was delay in release of Thirteenth Finance Commission grants to Panchayat Raj Institutions. The State Government had not written back unspent balances under Zilla Panchayat and Taluk Panchayat funds. Unspent amounts of scheme funds were locked up in non-operative bank accounts.

(Paragraph 2.1)

3. Upgradation of rural roads under Namma Grama Namma Raste Yojane

With a view to giving priority and funds for improvement of rural roads, the State Government launched (October 2009) a Scheme, Namma Grama Namma Raste Yojane, for improvement of 10,000 kilometres (km) of rural roads in a phased manner. A performance audit of the Scheme covering the period 2010-15 was conducted between May and November 2015.

It was observed during audit that the objective of the Scheme of upgrading 10,000 km of rural roads by the end of March 2014 was not achieved owing to various deficiencies in planning, ineffective monitoring and operational deficiencies. Against the targeted length of 9,406.47 km for Phases I and II, only 5,725.09 km (61 per cent) of roads had been upgraded by March 2014.

The Programme Implementation Units did not maintain the updated status of connectivity and condition of roads under their jurisdiction. As a result, selection of road works was flawed and there were instances of selecting works which were not as per the priority list and taking up of works which did not conform to the prescribed provisions. There were deficiencies in detailed project reports, rendering many of them unreliable and unrealistic. This led to preparation of inflated estimates and consequential avoidable expenditure and higher costs of construction. Lack of coordination among various agencies implementing the road works in rural areas resulted in frequent changes to works and abandonment. The system of award of work was inadequate as there were cases of invitation of tenders without technical sanctions, acceptance of single tenders, delays in finalisation of tenders, and failure to ensure mandatory insurance of works. Execution of works was deficient as instances of substantial time overruns, abandonment of works, non-recovery of liquidated damages, non-maintenance of electronic measurement books, etc., were noticed.

The three-tier quality control mechanism was not adequately operationalised and monitoring was ineffective, leading to execution of works in violation of the standard design and specifications prescribed in the Rural Roads Manual. Many of the road works completed under the Scheme for which huge investments were made, were not maintained properly, thereby not achieving the objective of providing good quality all-weather roads in the designated rural areas.

(Paragraph 3.1)

4. Compliance Audit-Panchayat Raj Institutions

➤ ***Irregular award of work***

Commissioner, Department of Public Instructions had issued a work order for installing steam boilers in 365 schools without following the prescribed norms. The work order was subsequently cancelled, which resulted in locking up of funds amounting to ₹9.89 crore.

(Paragraph 3.2)

➤ ***Non-construction of kitchen-cum-stores***

Failure to utilise central assistance of ₹7.76 crore by the Zilla Panchayat, Kalaburagi resulted in non-construction of kitchen-cum-stores in 1,293 schools, thereby depriving the school children of the facility for storage and preparation of their food under hygienic conditions.

(Paragraph 3.3)

➤ ***Incorrect computation leading to short collection of revenue***

There was short collection of property tax of ₹22.68 crore by six Gram Panchayats due to non-adoption of Annual Letting Value for calculation of property tax in respect of resorts.

(Paragraph 3.4)

➤ ***Avoidable payment of interest***

Inordinate delay in settlement of full compensation towards land acquisition resulted in avoidable payment of interest of ₹17.39 lakh.

(Paragraph 3.5)

➤ ***Diversion of grant***

An amount of ₹1.00 crore was irregularly diverted out of grant earmarked for constructing a building at Chitradurga, towards acquisition of a site at Bengaluru on lease basis.

(Paragraph 3.6)

5. An overview of Urban Local Bodies

There was short collection of property tax and water charges. There were cases of shortfall in realisation of rent from commercial properties. Out of 18 functions to be devolved to the Urban Local Bodies, the State Government had devolved only 14 functions. There was shortfall in remittance of Cess amount by the Urban Local Bodies and the Bruhat Bengaluru Mahanagara Palike had not remitted the Health Cess collected on behalf of the State Government. There was poor response to audit observations by Urban Local Bodies.

(Paragraph 4.1)

6. Financial Reporting in Urban Local Bodies

In spite of preparation of accounts by Urban Local Bodies, there was shortfall in certification of accounts by the Chartered Accountants during the years 2012-15. Annual Accounts of Bruhat Bengaluru Mahanagara Palike for the years 2008-13 were not yet certified. Statement of expenditure was not obtained from external agencies to which Urban Local Bodies had paid advances. The Urban Local Bodies did not utilise the entire Thirteenth Finance Commission grants during the period 2010-15. Internal control mechanism was inadequate as there was no Internal Audit Wing and there were instances of non-maintenance of cash books and bank books.

(Paragraph 5.1)

7. Implementation of Welfare Schemes in Urban Local Bodies

The Urban Local Bodies, including Bruhat Bengaluru Mahanagara Palike, implemented various individual and community welfare activities to improve the socio-economic conditions of the urban poor belonging to Scheduled Castes/Scheduled Tribes, other economically weaker sections and differently-abled persons with the funds specifically allocated for welfare activities. However, the Urban Local Bodies, including Bruhat Bengaluru Mahanagara Palike, did not implement the welfare activities effectively.

The planning mechanism was deficient due to non-prioritisation of welfare activities, delays in finalisation of Annual Action Plans and selection of ineligible works, which led to defeating the objectives of these schemes. Physical targets for providing benefits were set without having a database of population to be targeted, which led to under-achievement of targets. The benefits could not flow to the beneficiaries due to poor Information, Education and Communication activities and lack of help to the eligible beneficiaries to fill the application forms properly.

The Urban Local Bodies had not adhered to the norms specified for the allocation, transfer and utilisation of untied State Finance Commission grants and Municipal funds meant for welfare activities. Under-utilisation of funds had affected the planning and delivery of intended benefits to more beneficiaries under the scheme. Also, non-maintenance of control registers for community works and non-submission of periodical returns by the implementing offices to higher authorities for review of actual physical and financial progress led to inadequate or non-implementation of many activities.

(Paragraph 6.1)

8. Compliance Audit-Urban Local Bodies

➤ Short payment of property tax

Incorrect classification of property and non-payment of property tax for a constructed building resulted in short payment of tax to the extent of ₹83.45 crore.

(Paragraph 6.2)

➤ Loss of additional Stamp Duty

City Corporation, Belagavi lost revenue of ₹91.88 lakh receivable as additional stamp duty.

(Paragraph 6.3)

➤ ***Unproductive expenditure on construction of vermi pits***

Failure to operationalise and generate vermi compost even after construction of the vermi compost pits, resulted in unproductive expenditure of ₹50.00 lakh for over four years.

(Paragraph 6.4)

➤ ***Incorrect declaration of built-up area resulting in short payment of property tax***

Incorrect declaration of built-up area in property tax returns resulted in short payment of tax to the extent of ₹31.56 lakh, besides non-levy of interest and penalty.

(Paragraph 6.5)

➤ ***Loss of revenue***

City Corporation, Davanagere lost revenue of ₹17.80 lakh due to non-collection of urban transport cess during 2013-14.

(Paragraph 6.6)