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

for the year ended March 2018

Government of Karnataka

Office of the Principal Accountant General
(General and Social Sector Audit), Karnataka

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Preface

This Report for the year ended March 2018 has been prepared for submission to the Government of Karnataka in terms of Technical Guidance and Supervision to audit of Panchayat Raj Institutions and Urban Local Bodies under Section 20(1) of the CAG's DPC Act, 1971.

The Report contains significant results of the audit of the Panchayat Raj Institutions and Urban Local Bodies in the State.

The issues noticed in the course of test audit for the period 2017-18 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 Comptroller and Auditor General of India.

Overview

Overview

This Report contains four chapters. The first and the third chapters contain a summary of the accountability framework and financial reporting in Panchayat Raj Institutions and Urban Local Bodies respectively. The second chapter contains observations arising out of compliance audits of the Panchayat Raj Institutions and the fourth chapter contains observations arising out of compliance audits of the Urban Local Bodies. A synopsis of the findings is presented in this overview.

1. Accountability framework and financial reporting in Panchayat Raj Institutions

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

(Chapter I)

2. Compliance Audit - Panchayat Raj Institutions

➢ ***Diversion of cess amount by Gram Panchayats***

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

(Paragraph 2.1)

➢ ***Misuse/wastage of public funds***

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

(Paragraph 2.2)

3. Accountability framework and financial reporting in Urban Local Bodies

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

(Chapter III)

4. Compliance Audit - Urban Local Bodies

- ***Avoidable payment of penal interest***

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

(Paragraph 4.1)

- ***Loss of revenue due to incorrect assessment of property tax***

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

(Paragraph 4.2)

- ***Loss of revenue***

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

(Paragraph 4.3)

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

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

(Paragraph 4.4)

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

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

(Paragraph 4.5)

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

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

(Paragraph 4.6)

Chapter - I

Accountability framework and financial reporting in Panchayat Raj Institutions

Chapter-I

Rural Development and Panchayat Raj Department

Accountability framework and financial reporting in Panchayat Raj Institutions

1.1 Introduction

Consequent to the 73rd Constitutional Amendment, the State Government enacted the Karnataka Gram Swaraj and Panchayat Raj Act, 1993 (henceforth referred to as KPR Act, 1993), to establish three tier Panchayat Raj Institutions (PRIs) at the village, taluk and district levels and framed rules to enable PRIs to function as institutions of local self-government. The amendment enumerated functions to be transferred to PRIs in the Eleventh Schedule of the Constitution.

PRIs aim to promote participation of people and effective implementation of rural development programmes for economic development and social justice.

1.1.1 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1**. Population growth in Karnataka in the last decade was 15.60 *per cent*, which was less than the national average of 17.70 *per cent*.

The decadal growth rates of urban and rural population were 7.63 *per cent* and 31.27 *per cent* respectively. As per Census 2011, the population of the State was 6.11 crore, of which, women comprised 49.20 *per cent*. The State has 114 backward taluks, out of which, 39 taluks spread over 14 districts are the most backward.

Table 1.1: Important statistics of the State

Indicator	Unit	State	National
Population	1,000s	61,095	12,10,855
Population density	Persons per sq km	319	382
Urban population	Percentage	38.70	31.20
Number of PRIs	Numbers	6,228	2,40,540 (approx)
Number of Zilla Panchayats (ZPs)	Numbers	30	540 (approx)
Number of Taluk Panchayats (TPs)	Numbers	176	6,000 (approx)
Number of Gram Panchayats (GPs)	Numbers	6,024	2,34,000 (approx)
Gender ratio (females per 1,000 males)	Numbers	973	943
Literacy Rate	Percentage	75.40	73.00

Source: Economic Survey Report 2016-17 and Census 2011

1.2 Organisational structure of Panchayat Raj Institutions

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

1.2.1 Standing Committees

Standing Committees are constituted to perform the assigned functions of PRIs. The constitution of the Committees is given in **Table 1.2**:

Table 1.2: Constitution of the Standing Committees

Level of PRIs	Chief Executive	Standing Committees	Executive of Standing Committees
Gram Panchayat	*Adhyaksha*	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee	a) *Upadhyaksha* b) *Adhyaksha* c) Chairman (Elected from amongst Scheduled Caste/Scheduled Tribe members)
Taluk Panchayat	*Adhyaksha*	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee	a) *Upadhyaksha* b) *Adhyaksha* c) Chairman (Elected from amongst members of other Standing Committee)
Zilla Panchayat	*Adhyaksha*	(a) General Standing Committee (b) Finance, Audit and Planning Committee (c) Social Justice Committee (d) Education and Health Committee (e) Agricultural and Industries Committee	a) *Upadhyaksha* b) *Adhyaksha* c) Chairman (Elected from amongst members of other Standing Committee) d) -do- e) -do-

Source: KPR Act, 1993

1.3 Accountability framework

1.3.1 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.

The State Government appointed (March 2014) different Government Officers as Ombudsmen through a notification, for different tiers of PRIs. This negated the spirit of appointing an independent authority for investigating complaints of corruption and maladministration.

1.3.2 Audit mandate

1.3.2.1 The Karnataka State Audit and Accounts Department (KSAD) 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.

The status of audit conducted by KSAD, as of December 2018, in respect of GPs in the State is shown in **Table 1.3**:

Table 1.3: Status of audit of GPs by KSAD, as of December 2018

Year	Number of GPs	Number of GPs audited
2013-14	5,629	5,105
2014-15	5,629	5,064
2015-16	6,022	5,267
2016-17	6,022	5,091
2017-18	6,022	3,965

Source: Information furnished by KSAD

1.3.2.2 The Comptroller and Auditor General of India (CAG) audits and certifies the accounts of ZPs and TPs under Section 19(3) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. The audit of accounts of 92[1] units under PRIs up to the year 2017-18 had been completed as of March 2018.

The State Government entrusted (May 2011) the audit of GPs under Technical Guidance and Supervision (TGS) module to CAG by amending the KPR Act, 1993. At the end of March 2018, 50 GPs were audited under TGS module for the year 2017-18.

1.3.2.3 Response to Inspection Reports

The Karnataka Zilla Panchayat (Finance & Accounting) Rules, 1996 [KZP (F&A) Rules, 1996], stipulate that the heads of the Departments/Drawing and Disbursing Officers of ZPs shall attend to the objections issued by the Accountant General promptly. It further stipulates that the ultimate responsibility for expeditious settlement of audit objections rests with the Chief Executive Officers (CEOs) of ZPs. As of March 2018, 3,542 Inspection Reports (IRs) consisting of 16,078 paragraphs were outstanding in various PRIs as detailed in **Table 1.4**.

Table 1.4: Statement showing the details of outstanding IRs and paragraphs up to the audit period 2016-17

Unit	More than 10 years (till 2007-08)		5 to 10 years (2008-09 to 2012-13)		3 to 5 years (2013-14 to 2014-15)		2015-16		2016-17		Total	
	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
ZPs including TPs and line departments	1,820	4,739	1,004	5,073	302	2,149	170	1,422	97	1,344	3,393	14,727
GPs	0	0	92	712	32	337	02	27	23	275	149	1,351
Total	**1,820**	**4,739**	**1,096**	**5,785**	**334**	**2,486**	**172**	**1,449**	**120**	**1,619**	**3,542**	**16,078**

Source: Inspection Reports

Out of 3,542 IRs outstanding, 1,820 IRs (51 *per cent*) containing 4,739 paragraphs (29 *per cent*) were pending for more than 10 years, indicating inadequate action on the part of CEOs. The details of IRs and paragraphs outstanding are in **Appendix 1.2**.

[1] All 92 units are under RDPR.

1.3.2.4 Social Audit

The Government of Karnataka notified (January 2012) the Scheme Implementation of Social Audit Rules 2011 in Karnataka. In accordance with these rules, the Social Audit Directorate headed by the Director was formed and registered (May 2012) under the Societies Registration Act, 1960. The details of Social Audit taken up during the year 2017-18 are given in **Table 1.5**.

Table 1.5: Details of Social Audit conducted during 2017-18

Sl. No.	Name of the Scheme	Number of GPs
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	1st round – 5,899 2nd round – 5,879
2	National Rural Drinking Water Programme (NRDWP)	176 blocks
3	*Swachh Bharat* Mission (SBM)	2,902
4	14th Finance Commission	9 blocks

Source: Information furnished by Social Audit Directorate

1.4 Financial profile and reporting framework

1.4.1 Financial Profile

1.4.1.1 Resources of the Panchayat Raj Institutions

The resource base of PRIs consists of their own revenue, 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 fund details of flagship schemes are given in **Appendix 1.3**.

The trends of resources of PRIs for the period 2015-16 to 2017-18 are shown in **Table 1.6**:

Table 1.6: Trends and composition of resources of PRIs

(₹ in crore)

Source	2015-16	2016-17	2017-18
Zilla Panchayats			
State Grants/Assigned Revenue	7,586.51	9,912.95	9,811.41
Grants from GoI for Centrally Sponsored Scheme (CSS)	1,866.65	474.35	
Central Finance Commission	22.60	-	-
Other Receipts	255.24[β]	70.96[¥]	183.44^
Total	**9,731.00**	**10,458.26**	**9,994.85**
Taluk Panchayats			
State Grants/Assigned Revenue	11,868.60	14,950.80	15,704.88
Grants from GoI for CSS	1,682.62	80.89	
Central Finance Commission	45.23	-	-
Other Receipt	20.61[β]	11.61[¥]	9.62^
Total	**13,617.06**	**15,043.30**	**15,714.50**

Source	2015-16	2016-17	2017-18
Gram Panchayats			
Own Revenue$^{\Sigma}$	330.53	331.67	322.76
State Grants/Assigned Revenue	2,486.16	2,900.40	3,977.52
Grants from GoI for CSS	4.19	0.00	0.00
Central Finance Commission	1,130.07	1,373.59	1,555.60
Total	**3,950.95**	**4,605.66**	**5,855.88**

Source: Finance Accounts
β Figures in respect of 29 ZPs and 164 TPs
¥ Figures in respect of 13 ZPs and 143 TPs
^ Figures in respect of 15 ZPs and 124 TPs
∑ www.panchatantra.kar.nic.in, a website of RDPR department

1.4.1.2 Application of Resources

The trends of application of resources of ZPs and TPs for the period 2015-16 to 2017-18 are given in **Table 1.7**:

Table 1.7: Application of resources

(₹ in crore)

Source	2015-16	2016-17	2017-18
Zilla Panchayats			
State Grants/Assigned Revenue	7,709.76	7,340.98	6,244.27
Grants from GoI for CSS¥	3,331.18	1,829.46	2,350.21
Central Finance Commission	102.28	6.98	6.60
Total	**11,143.22**	**9,177.42**	**8,601.08**
Taluk Panchayats			
State Grants/Assigned Revenue	11,605.30	13,616.67	10,868.42
Central Finance Commission	195.65	41.48	20.43
Total	**11,800.95**	**13,658.15**	**10,888.85**

¥ Grants from GoI for CSS includes the expenditure incurred by TPs also
Source: 2015-16 – Audited figures for 29 ZPs and 164 TPs
2016-17 – Figures as furnished by Treasury for State Grants/Assigned Revenue and annual accounts of 15 ZPs and 140 TPs for CSS/CFC
2017-18 – Figures as furnished by Treasury for State Grants/Assigned Revenue and annual accounts of 15 ZPs and 118 TPs for CSS/CFC

The consolidated details of application of resources in respect of GPs are not available as GPs are audited by CAG under TGS module and there were arrears in conduct of audit by the primary auditor (KSAD).

It can be seen from **Tables 1.6** and **1.7** that the receipts of ZPs and TPs increased (10 *per cent*) from ₹23,348.06 crore in 2015-16 to ₹25,709.35 crore in 2017-18. The expenditure relating to State Grants and assigned revenue decreased (11 *per cent*) from ₹19,315.06 crore in 2015-16 to ₹17,112.69 crore in 2017-18.

1.4.1.3 Short receipt of Fourteenth Finance Commission basic grants

The Fourteenth Finance Commission (FFC) allocated grants of ₹8,359.79 crore towards basic grants for GPs[2] of the State for the period 2015-16 to 2019-20 and ₹928.87 crore towards performance grants for the period 2016-17 to 2019-20. GoI was to release the grants for each year in two instalments (June and October) every fiscal year. The release of second instalment was subject to receipt of Utilisation Certificate (UC) for the first instalment.

The allocation of basic grant to GPs in the State for the year 2017-18 was ₹1,604.42 crore. As against this, the State received ₹1,580.18 crore in two instalments with a shortfall of ₹24.24 crore as detailed in **Table 1.8** below:

Table 1.8: Short receipt of Fourteenth Finance Commission grants

(₹ in crore)

Releases	To be released	Actually released	Shortfall	Remarks
1st instalment	802.21	790.22	11.99	Duly elected bodies existed only in 5,932 GPs as per UC dated 16.01.2017.
2nd instalment	802.21	789.96	12.25	Duly elected bodies existed only in 5,932 GPs as per UC dated 28.8.2017.
Total	**1,604.42**	**1,580.18**	**24.24**	

Source: Information furnished by RDPR

The shortfall was on account of the fact that duly elected bodies existed only in 5,932 GPs, against the existing 6,024 GPs.

1.4.1.4 Non-receipt of performance grants for 2017-18

The State Government had not received the performance grants under FFC for the year 2017-18 as of March 2018. The State Government stated (November 2018) that GoI communicated (September 2017) the revised scheme for disbursal of performance grants under FFC prescribing additional conditions and parameters for eligibility and the compliance to the same was submitted to GoI during January/February 2018. It further stated that the performance grants for the year 2017-18 were received during June 2018.

Audit, however, observed that there was delay on part of the State Government in notifying the revised scheme. As per GoI instructions, the State Government was to furnish the required information latest by 31 October 2017 but the State Government circulated the revised scheme to GPs only on 20 December 2017.

2 ZPs and TPs were not entitled for grants under FFC.

1.4.1.5 Non-release of Fourteenth Finance Commission grants to Gram Panchayats

The FFC guidelines stipulated that the funds received from GoI were to be released to GPs within 15 days of receipt. However, an amount of ₹64.63 lakh was irregularly invested by the State Government in four Sweep-in deposit accounts in State Bank of India, Vidhana Soudha Branch as at the end of March 2018. This resulted in irregular retention of funds besides violation of guidelines.

1.4.1.6 Irregular release of basic grants to ineligible Gram Panchayats

The FFC guidelines stipulated release of grants to duly constituted Panchayats[3]. As per UCs submitted (August 2017 and January 2018) to GoI by the State Government, the elected bodies were in place only in 5,932 and 5,977 respectively out of 6,024 GPs.

However, the basic grants were invariably released to all GPs irrespective of the duly elected body being in place and thus, violated the stipulations of FFC guidelines.

1.4.1.7 Non-transfer of Central/State Finance Commission grants and pooling of funds

The RDPR was operating a bank account[4] at State Bank of India, Vidhana Soudha Branch, for receipt and transfer of grants received under TFC. The grants received under FFC were operated through this account till November 2016. The RDPR was also operating the funds pertaining to SFC (statutory grants to be released to GPs) through this account.

The account had a balance of ₹5.01 crore in savings account and ₹83.16 crore in five sweep-in deposit accounts as of 31 March 2018. The retention of CFC and SFC funds in the bank accounts without transferring them to the PRIs was in violation of the guidelines of the CFC and SFC.

We further observed that there were delays of 5 to 26 days in transfer of statutory grants to the PRIs by the banks.

Consequent on pooling of funds from various sources in the same bank account, the department should ensure proper reconciliation of receipt and expenditure of funds received from these different sources. However, this had not been done. In the absence of reconciliation, we could not ensure the correctness of transfers of funds under CFC/SFC and the actual quantum of funds pertaining to CFC/SFC remaining in the account. The absence of reconciliation would also impact proper accounting/reporting of 'interest earned' on TFC, FFC and SFC grants.

[3] 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.

[4] Account No. 64062923099 with State Bank of India (erstwhile State Bank of Mysore), G-Seva Branch, for receipt and transfer of grants received under the TFC.

1.4.1.8 Release of duty on transfer of immovable properties

As per Section 205 of KPR Act, 1993, the duty on transfer of immovable property shall be levied in the form of a surcharge at the rate of three *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 the area of a TP. The entire amount collected in respect of the lands and other properties situated in the taluk shall be passed on to TPs in the State, in proportion to the population of the taluk, by the Inspector General of Registration and Commissioner of Stamps (IGR) after deducting 10 *per cent* towards collection charges.

The IGR stated (October 2018) that an amount of ₹46.78 crore for the year 2015-16 was released to TPs during September 2017 and the amounts for the years 2016-17 and 2017-18 were not transferred (October 2018). However, as per the information furnished (December 2018) by Director of Treasuries, Bengaluru, only an amount of ₹37.92 crore was transferred to the TPs. This needs to be reconciled. IGR further stated that duty on transfer of immovable properties for 2016-17 and 2017-18 would be transferred after receipt of complete information from all the District Registrars and necessary reconciliation.

1.4.2 Reporting framework

1.4.2.1 Financial reporting in PRIs is a key element of accountability. Matters relating to drawal of funds, incurring of expenditure, maintenance of accounts, rendering of accounts by ZPs and TPs are governed by the provisions of KPR Act, 1993, KZP (F&A) Rules, 1996, KPR TP (F&A) Rules, 1996, Karnataka Treasury Code, Karnataka Financial Code, Manual of Contingent Expenditure, Karnataka Public Works Accounts Code, Karnataka Public Works Departmental Code, Stores Manual, Budget Manual, other Departmental Manuals, standing orders and instructions.

1.4.2.2 Annual accounts of ZPs and TPs are prepared in five statements for Revenue, Capital and Debt, Deposit and Remittance (DDR) heads as prescribed in Rule 37(4) of KZP (F&A) Rules, 1996 and Rule 30(4) KPR TP (F&A) Rules, 1996. GP accounts are prepared on accrual basis by adopting Double Entry Accounting System as prescribed under KPR GPs (Budgeting and Accounting) Rules, 2006. As per the recommendations of TFC, PRIs have to prepare the accounts in the Model Panchayat Accounting System (MPAS) from 2011-12 as prescribed by GoI.

The ZPs prepared the accounts in MPAS formats from 2011-12 onwards. However, many of TPs had not prepared the annual accounts in MPAS format and thus, defaulted in complying with the norms, as detailed in **Table 1.9**.

Table 1.9: Status of annual accounts of TPs in MPAS format

Year	Number of TPs which submitted annual accounts	Number of TPs not prepared accounts in MPAS format
2014-15	172	7
2015-16	164	20
2016-17	143	30
2017-18	125	16

Source: Annual accounts of TPs

GPs in the State were yet to adopt MPAS formats for their accounts.

1.4.2.3 Status of accounts in Zilla Panchayats and Taluk Panchayats

The KPR Act, 1993, stipulates that the annual accounts are to be prepared and approved by the General Body of PRIs within three months from the closure of the financial year and are to be forwarded to the Accountant General/Principal Director of State Audit and Accounts Department for audit.

For the year 2017-18, while only 4 ZPs had submitted their annual accounts within the timeframe, 11 ZPs submitted the accounts with delays ranging from 1 day to 100 days. Fifteen ZPs had not submitted the accounts to the Accountant General, even at the end of October 2018. Similarly, 18 TPs had submitted their annual accounts for the year 2017-18 within the timeframe and the delays in submission of annual accounts by 107 TPs ranged from 1 days to 178 days. Fifty-one TPs had not submitted the annual accounts to the Accountant General, even at the end of October 2018.

The range of delay in submission of annual accounts by ZPs and TPs for the year 2017-18 is exhibited in **Table 1.10**.

Table 1.10: Delay in submission of annual accounts by ZPs and TPs (as of October 2018)

Delay	Number of ZPs	Number of TPs
No delay	4	18
1-30 days	8	55
31-60 days	2	26
61-100 days	1	16
More than 100 days	-	10
Total	**15**	**125**

Source: Compilation of receipt of annual accounts by this office

1.4.2.4 Deficiencies in accounts of Zilla Panchayat and Taluk Panchayat

Significant deficiencies noticed in the accounts of ZPs and TPs during 2017-18 are detailed below:

- The State Government withdrew (October 2006 and June 2007) the Letter of Credit (LOC) system in Forest Divisions and Panchayat Raj Engineering Divisions (PREDs). Consequently, both the divisions had stopped issuing cheques. However, the annual accounts of 12 ZPs (out of 15 ZPs that submitted accounts) for the year 2017-18 continued to reflect huge balances relating to earlier period as detailed in **Appendix 1.4**. This indicated that ZPs had not reconciled the encashed cheques with treasuries, resulting in incorrect reporting of expenditure.

- The State Government dispensed with (September 2004) the operation of TP and GP suspense accounts by ZPs. However, 10 ZPs (out of 15 ZPs that submitted accounts) had not taken any action to clear the suspense accounts. The balances outstanding as at the end of March 2018 are detailed in **Appendix 1.5**.

1.5 Conclusion

The receipts of ZPs and TPs increased by 10 *per cent* and the expenditure relating to State Grants and assigned revenue decreased by 11 *per cent* during 2017-18 as compared to 2015-16. There was short receipt of FFC grants of ₹24.24 crore by the State Government. The FFC grants of ₹64.63 lakh were not released to GPs but were invested in sweep-in deposit accounts. An amount of ₹5.01 crore and ₹83.06 crore pertaining to CFC/SFC grants was retained in savings account and sweep-in deposit accounts respectively by RDPR as of March 2018 without releasing it to PRIs. The IGR had not transferred the required duty on transfers for the year 2016-17 and 2017-18 to TPs as of October 2018. There was a delay in submission of annual accounts for the year 2017-18 to the Accountant General by 11 ZPs and 107 TPs (1 to 178 days). Fifteen ZPs and 51 TPs had not submitted the annual accounts for the year 2017-18 even at the end of October 2018. As of March 2018, 1,820 IRs (51.4 *per cent*) containing 4,739 paragraphs (29.5 *per cent*) were pending for more than 10 years, indicating inadequate action on the part of CEOs.

Chapter - II

Results of audit of Panchayat Raj Institutions

Chapter II – Compliance Audit

Rural Development and Panchayat Raj Department

2.1 Diversion of cess amount by Gram Panchayats

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

Sections 4A of the Karnataka Health Cess Act 1962, 30(4) of Karnataka Public Libraries Act, 1965 and 31 of the Karnataka Prohibition of Beggary Act, 1975 empower Gram Panchayats (GPs) to levy and collect Health Cess (15 *per cent*), Library Cess (six *per cent*) and Beggary Cess (three *per cent*) on the amount of tax collected on land and buildings. The GPs are entitled to deduct ten *per cent* of the amount recovered as the cost of collection, and the balance is to be remitted to the State Government or concerned authorities towards achieving the desired objectives[5].

Further, the High Court in its decision (September 2012) on a public interest litigation opined as follows:

"***After having collected the beggary cess to retain it for itself, such an action would undoubtedly, amount to misappropriation thereof, which would lead to serious penal consequences. There can be no excuse for not transferring the amount actually collected by way of beggary cess to the extent the same has to be transferred to the Central Relief Committee"***.

The State Government in response to Para 2.3 of the C&AG's Report on Local Bodies for the year ended March 2014 directed (August 2016) all the GPs to remit the various cesses collected to the concerned authorities. The State Government further directed (April 2017) the GPs to remit the various cesses by 31 March 2018.

Audit scrutiny of records and information gathered through issue of proforma (June/September 2017) in 59 GPs out of 6,022 GPs in the State showed that these 59 GPs levied and collected an amount of ₹1.45 crore (net cess amount) towards Health Cess (₹0.91 crore), Library Cess (₹0.37 crore) and Beggary Cess (₹0.17 crore) on the amount of tax on land and buildings for the period 2012-13 to 2016-17. We observed that the GPs in violation of the statutory provisions, the High Court direction and the direction of the State Government had utilised ₹1.32 crore towards meeting salary expenditure, developmental works, streetlights, water bills and other expenditure[6] of the GPs. The GPs continued to retain the balance ₹0.13 crore with them as detailed in the **Appendix 2.1** without remitting it to the concerned authorities.

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[5] Health Cess to State Government for improvement healthcare infrastructure, Library Cess to City/District Library authority for improvement and development of library sciences and Beggary Cess to Central Relief Fund for providing relief and rehabilitation to the beggars.

[6] Expenditure of ₹0.20 crore from 10 GPs did not state the purpose for which it was utilised.

This diversion of funds by the GPs for their own expenditure was irregular, and defeated the objective for which the cesses were levied and collected. The non-remittance of cesses is likely to impact the activities of the Departments of Health, Libraries *viz.* purchase of books, journals, *etc.*, and the Central Relief Fund in providing rehabilitation care to the beggars. These are only illustrative cases, and the risk of similar omission in other GPs cannot be ruled out. The State Government, therefore, needs to look into this issue in all 6,022 GPs and take appropriate remedial measures.

The State Government replied (June 2018) that the GPs of Taluk Panchayats, Kadur and Tarikere would remit the various cess amounts to the concerned authorities within six months and the other GPs had not furnished any details of remittances. The State Government also failed to initiate necessary action against the GPs.

2.2 Misuse/wastage of public funds

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

In terms of Rule 2 of the Manual of Contingent Expenditure, 1958, contingent charges include all incidental and other expenses which are incurred for the management of an office as an office or for the technical working of a department. This does not include the expenses which are classified under some other head of expenditure *e.g.*, works, stock, *etc*. Rule 16 of the Karnataka Financial Code, 1958, stipulates that it is the duty of every Government servant to be constantly watchful to see that the best possible value is obtained for all public funds spent by him or under his control and to guard scrupulously against every kind of wasteful expenditure from public funds. Further, the Hon'ble Supreme Court approved (May 2015) 'Guidelines on Content Regulation of Government advertising' with a view to preventing arbitrary use of public funds for advertising without any attendant public interest. The Court enunciated, among other things, that advertising campaigns should be justified and should be related to government responsibilities.

During the year 2017-18, Audit test-checked the records of Executive Officers (EOs) of 44 Taluk Panchayats (TPs). In one TP (Gangavathi, Koppal District), Audit observed (March 2018) that the EO, TP, Gangavathi had drawn an amount of ₹22.47 lakh during the years 2014-15 to 2016-17 on 56 Detailed Contingent (DC) bills under the Head of Account 2515-00-102-0-61 (TP maintenance grants). This amount was paid for publishing messages, conveying greetings and wishes for festivals (*Deepavali*, *Anegundi*, *Kanakagiri*), *Kannada Rajyotsava*, Independence Day, *etc.*, in print, electronic and digital media. Audit observed that such an expenditure funded from the public exchequer did not serve any public purpose and was not related to TP's responsibilities.

Audit also observed that 143 vouchers were paid through these 56 DC bills and scrutiny of these vouchers showed that:

(i) EO, TP, Gangavathi allowed payment on 55 vouchers (38 *per cent*) that did not contain the purpose of the claims.

In 91 vouchers (64 *per cent*), the dates of publication of messages were not mentioned and the details of size/measurement of the messages placed in media were not indicated in 115 vouchers (80 *per cent*).

In the absence of full and clear particulars of the claims, Audit could not vouchsafe the genuineness of the underlying transactions.

(ii) Out of 88 vouchers containing the purpose, 37 vouchers (42 *per cent*) amounting to ₹3.88 lakh pertained to conveying greetings for one festival (*Deepavali*).

(iii) In respect of 24 vouchers amounting to ₹3.01 lakh, EO, TP, Gangavathi disallowed ₹1.47 lakh, and reasons for such disallowance were not on record.

(iv) There were no documentary evidence to suggest that proposals for publishing such messages were submitted to the General Body of the TP, Gangavathi. It was also seen that EO, TP did not give any requisition to print/electronic media for publishing messages. Thus, EO, TP appropriated public funds without any justification on record and also without the sanction of the competent authority (General Body). The General Body had accorded (June 2014, April 2015 and March 2017) post-facto approvals for payment on advertisements pertaining to the years 2014-15 to 2016-17.

Thus, the expenditure of ₹22.47 lakh incurred by EO, TP, Gangavathi was not in conformity with the generally accepted principles of financial propriety and the guidelines on content regulation approved by the Hon'ble Supreme Court. This led to misuse/wastage of public funds on an activity that was not connected with a public purpose. Further, acceptance of vouchers that did not contain full and clear particulars of the claims undermined expenditure control and provided no assurance as to the accuracy of the expenditure incurred.

The State Government stated (August 2018) that these messages and greetings were published on the basis of oral requisitions of TP's Administrative Committee and the General Body had accorded approval for payment. The fact, however, remains that expenditure funded from public exchequer neither served any public purpose nor pertained to the TP's responsibilities. The reply does not address the audit observation on acceptance of vouchers without specific details. Further, EO, TP, Gangavathi, acted on the basis of oral requisitions and appropriated funds without justification/written sanction which was unjustified.

Chapter - III

Accountability framework and financial reporting in Urban Local Bodies

Chapter-III

Urban Development Department

Accountability framework and financial reporting in Urban Local Bodies

3.1 Introduction

The 74th Constitutional amendment enacted in 1992 envisaged creation of local self-governments for the urban population. 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. The category-wise ULBs in the State are shown in **Table 3.1**.

Table 3.1: Category-wise ULBs in Karnataka State

Urban Local Bodies	Number of ULBs
City Corporations (CCs)	11
City Municipal Councils (CMCs)	58
Town Municipal Councils (TMCs)	116
Town Panchayats (TPs)	91
Notified Area Committees (NACs)	4

Source: Information furnished by the Department

CCs 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.

3.2 Organisational structure

The Urban Development Department (UDD), headed by the Additional Chief Secretary to the 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 ULBs except Bruhat Bengaluru Mahanagara Palike (BBMP), which functions directly under UDD.

All ULBs have a body comprising 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 and is responsible for governance of the body. While ULBs other than BBMP have four Standing Committees, BBMP has 12 Standing Committees. The Commissioner/Chief Officer is the executive head of ULBs. The organisational structure with respect to functioning of ULBs in the State is given in **Appendix 3.1**.

3.3 Devolution of Functions

The 74th Constitutional amendment envisaged devolution of 18 functions listed in the Twelfth Schedule of the Constitution to ULBs. As per the information furnished (November 2017) by the Director of Municipal Administration, the State Government had transferred 17 functions, and Fire Services function had not been transferred to ULBs.

3.4 Accountability framework

3.4.1 Powers of the State Government

As per the Acts governing ULBs, the State Government has the following powers for monitoring the proper functioning of ULBs:

- to frame rules to carry out the purposes of KMC and KM Acts;
- to dissolve those ULBs which fail to perform or default in the performance of any of the duties imposed on them;
- to cancel a resolution or decision taken by ULBs if the State Government is of the opinion that it has not been legally passed or is in excess of the powers conferred by provisions of the Acts; and
- to regulate classification, method of recruitment, conditions of service, pay and allowance, discipline and conduct of the staff and officers of ULBs.

3.4.2 Vigilance mechanism

The Lokayukta appointed by the State Government has the power to investigate and report on allegations or grievances relating to the work and conduct of officers and employees of ULBs.

3.4.3 Audit mandate

3.4.3.1 The Principal Director, Karnataka State Audit and Accounts Department (KSAD), is the primary Auditor of ULBs in terms of KMC and KM Acts. The status of audit by KSAD during the period 2013-14 to 2017-18 in respect of ULBs is shown in **Table 3.2**.

Table 3.2: Statement showing the details of audit of ULBs by KSAD as of December 2018

Year	CC		CMC		TMC/TP/NAC	
	Total	Audited	Total	Audited	Total	Audited
2013-14	7	7	44	43	168	167
2014-15	7	4	44	39	168	166
2015-16	10	6	56	48	208	189
2016-17	11	1	56	37	208	163
2017-18	11	1	56	17	210	78

Source: Information furnished by KSAD

3.4.3.2 The State Government entrusted (May 2010) the audit of accounts of all ULBs except NACs to the Comptroller and Auditor General of India (CAG) under Section 14 (2) of CAG's Duties, Powers and Conditions of

Service (DPC) Act, 1971, with effect from 2008-09 and under Technical Guidance and Supervision (TGS) with effect from 2011-12 onwards, by amending the statutes (October 2011). At the end of March 2018, 135 ULBs were audited under TGS module for the year 2017-18.

3.4.4 Response to Inspection Reports

As of March 2018, 445 Inspection reports (IRs) consisting of 8,261 paragraphs were outstanding in various ULBs as detailed in **Table 3.3**.

Table 3.3: Statement showing the details of outstanding IRs and paragraphs up to the audit period 2016-17

Unit	5 to 10 years (2008-09 to 2012-13)		3 to 5 years (2013-14 to 2014-15)		2015-16		2016-17		Total	
	IRs	**Paras**	**IRs**	**Paras**	**IRs**	**Paras**	**IRs**	**Paras**	**IRs**	**Paras**
ULBs other than BBMP	110	1,321	77	1,773	53	1,502	56	1,720	296	6,316
BBMP	19	341	59	674	45	645	26	285	149	1,945
Total	**129**	**1,662**	**136**	**2,447**	**98**	**2,147**	**82**	**2,005**	**445**	**8,261**

Source: Inspection Reports

Out of 445 IRs outstanding, 265 IRs (60 *per cent*) containing 4,109 paragraphs (50 *per cent*) were pending for more than three years, indicating inadequate action on the part of ULBs. The details about IRs and paragraphs outstanding are in **Appendix 3.2**.

3.4.5 Internal Audit

The State Government did not have an Internal Audit Wing to oversee the functions of ULBs. The DMA stated that the Government approved (August 2018) the upgradation of the Directorate of Municipal Administration and has sanctioned additional posts, which would be utilised for establishing the internal audit wing.

3.4.6 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 provide for establishment of the Karnataka Property Tax Board by the State Government.

The Property Tax Board was not yet established in the State (November 2018).

3.5 Financial profile and reporting framework

3.5.1 Financial profile

3.5.1.1 Resources of Urban Local Bodies

The finances of ULBs include receipts from own sources, grants and assistance from Government of India (GoI)/State Government and loans from financial institutions or nationalised banks as the State Government may approve. ULBs do not have a large independent tax domain. The property tax on land and buildings is the mainstay of ULB's own revenue. While the authority to collect certain taxes is vested with ULBs, the authority pertaining to the rates and revision thereof, procedure of collection, method of assessment, exemptions, concessions, *etc.*, is vested with the State Government. The own non-tax revenue of ULBs comprises fee for sanction of plans/mutations, water charges, *etc*.

3.5.1.2 Release of grants to Urban Local Bodies

The details of grants[7] released by the State Government to ULBs during the period 2013-14 to 2017-18 are shown in **Table 3.4**.

Table 3.4: Statement showing release of grants

(₹ in crore)

ULBs	2013-14		2014-15		2015-16		2016-17		2017-18	
	Budget	Grants released	Budget	Grants released	Budget	Grants released	Budget	Grants released	Budget	Grants released
CCs	4,348	3,632	4,956	4,372	4,435	4,307	4,233	4,099	5,000	4,457
CMCs/TMCs	1,629	1,139	1,589	1,365	1,644	1,555	1,488	1,368	1,754	1,660
TPs/NACs	344	248	312	273	233	214	259	219	383	373
Total	**6,321**	**5,019**	**6,857**	**6,010**	**6,312**	**6,076**	**5,980**	**5,686**	**7,137**	**6,490**

Source: State Budget Estimates and Finance Accounts

It can be observed from the table that the allocated quantum of funds was not released to ULBs during any of the years from 2013-14 to 2017-18. The actual releases to ULBs showed an increasing trend during the years 2013-14 to 2017-18 except during 2016-17 when the releases decreased by six *per cent* as compared to 2015-16.

3.5.1.3 Short release of funds

As per recommendations (December 2008) of the Third State Finance Commission and decision of the State Government (October 2011), 10 *per cent* (₹9,360.69 crore) of Non-Loan Net Own Revenue Receipts (NLNORR) was to be released to ULBs during 2017-18. As against this, the State Government had only released 6.93 *per cent* (₹6,489.76 crore) of NLNORR (₹93,606.91 crore), resulting in short release of ₹2,870.93 crore to ULBs during 2017-18.

[7] Grants include State Finance Commission grants, Fourteenth Finance Commission grants, grants released for Centrally sponsored schemes and State schemes.

3.5.1.4 Release of Fourteenth Finance Commission grants

GoI released total basic grants of ₹899.25 crore, in two equal instalments to ULBs during the year 2017-18. However, the performance grants for the year 2017-18 were not released as of March 2018.

3.5.1.5 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 2018 in respect of all ULBs (except BBMP) and targets fixed and collections against targets in respect of BBMP are shown in **Tables 3.5** and **3.6** respectively.

Table 3.5: 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
2013-14	218.19	368.44	586.63	364.95	221.68	62
2014-15	221.68	458.01	679.69	423.44	256.25	62
2015-16	256.25	569.67	825.92	481.27	344.65	58
2016-17	344.65	679.46	1,024.11	553.56	470.55	54
2017-18	470.55	774.15	1,244.70	674.09	570.61	54

Source: Details furnished by DMA

From the above table, it can be seen that arrears of property tax had increased from ₹221.68 crore in 2013-14 to ₹570.61 crore in 2017-18 and the collection decreased from 62 *per cent* during 2013-14 to 54 *per cent* during 2017-18.

Table 3.6: Position of target and collection of property tax in BBMP

(₹ in crore)

Year	Budget estimate	Actual collection	Percentage of collection
2013-14	3,200.00	908.06	28
2014-15	2,135.00	1,176.01	55
2015-16	1,900.00	1,244.98	66
2016-17	2,300.00	1,452.57	63
2017-18	2,600.00	1,551.90	60

Source: Budget and details furnished by BBMP

BBMP did not achieve the targets for collection of property tax during the period 2013-14 to 2017-18 and the collection decreased from 66 *per cent* during 2015-16 to 60 *per cent* during 2017-18.

3.5.1.6 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 City Corporations including BBMP. Further, Section 4A of the Health Cess Act, 1962, Section 30 (4) of the Karnataka Public Libraries Act, 1965 and Section 31 of the Karnataka Prohibition of Beggary Act, 1975 state that the cess[8] collected by the local authorities as per the respective Cess Acts shall be remitted to the departments concerned and the local bodies are entitled to deduct 10 *per cent* of cess collected and retain as collection charges.

Scrutiny of the information furnished by DMA and BBMP showed that huge balances of cess collected during the period 2013-14 to 2017-18 were not remitted to the departments concerned as detailed in the **Table 3.7** and **Table 3.8** respectively:

Table 3.7: 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
2013-14	152.94	39.79	16.69	176.04	28.87	16.08	14.27	30.68	30.76	8.03	8.07	30.72
2014-15	176.04	47.42	20.65	202.81	30.68	19.11	13.99	35.80	30.72	9.68	6.58	33.82
2015-16	202.81	52.07	15.56	239.32	35.80	21.45	16.63	40.62	33.82	10.49	7.15	37.16
2016-17	239.32	59.47	26.97	271.82	40.62	24.59	19.58	45.63	37.16	18.95	44.96	11.15
2017-18	271.82	67.06	24.91	313.97	45.63	26.84	18.77	53.70	11.15	16.77	8.72	19.20

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

It can be seen from the above table that the ULBs in the State have not remitted ₹313.97 crore of health cess, ₹53.70 crore of library cess and ₹19.20 crore of beggary cess to the departments concerned.

Table 3.8: Details of collection, remittance and balance of cesses in BBMP

(₹ in crore)

Year	Health cess			Library cess			Beggary cess		
	Collected	Remitted	Balance	Collected	Remitted	Balance	Collected	Remitted	Balance
2013-14	136.20	0	136.20	54.48	18.50	35.98	27.24	15.00	12.24
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
Total	**950.00**	**0**	**950.00**	**379.99**	**148.58**	**231.41**	**189.99**	**71.89**	**118.10**

Source: Information furnished by BBMP

While BBMP had not remitted the entire health cess of ₹950 crore collected to the State Government, the balance of library cess (₹231.41 crore) and beggary cess (₹118.10 crore) was not remitted to the departments concerned.

3.5.1.7 Non-remittance of education cess

Section 2 of the Karnataka (Enhancement of Certain Cesses) Act, 1976 through amendment to Chapter III of the Karnataka Compulsory Primary Education Act, 1961 (KCPEA, 1961), stipulated that for the purpose of providing the cost of promoting primary education in the State, education cess shall be levied at the rate of 10 paise in the rupee on (i) land revenue, (ii) state revenue mentioned in Schedule A and (iii) items of tax mentioned in Schedule B[9]. Section 17-A stated that local authority shall be entitled to deduct

[8] Health cess: 15 *per cent* on the property tax collected; Library cess: six *per cent* on the property tax collected and Beggary cess: three *per cent* on the property tax collected.

[9] Taxes on buildings and lands and taxes on vehicles and animals.

ten *per cent* of the amount recovered as the cost of collection and the balance shall be paid to the State Government. Further, Section 146(1) of the Karnataka Education Act, 1983[10] (KEA, 1983), repealed the KCPEA, 1961 and there was no stipulation for levy and collection of education cess in the KEA, 1983.

However, test check of records in 13 ULBs showed that these ULBs had a balance of ₹50.98 lakh of education cess as of March 2017. The DMA replied (July 2018) that out of 13 ULBs, 10 ULBs had remitted the cess and 3[11] ULBs would remit the remaining cess of ₹7.30 lakh in stages.

3.5.1.8 Release of duty on transfer of immovable properties

As per Section 140 of Karnataka Municipal Act, 1976, 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 ₹21.19 crore for the year 2014-15 and 2015-16 was released to ULBs only during December 2017 and the duty on transfer of immovable properties to ULBs for the year 2016-17 and 2017-18 was not transferred (October 2018). IGR stated (October 2018) that duty on transfer of immovable properties would be transferred after receipt of complete information from all the District Registrars and necessary reconciliation.

3.5.2 Reporting framework

Financial reporting in the public sector 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 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. As of 31 March 2018, 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.

[10] The Karnataka Education Act, 1983 came into effect from 1 June 1995.
[11] Town Panchayats, Arabhavi (₹0.19 lakh), Kabbur (₹1.60 lakh) and Mallapura (₹5.50 lakh).

3.5.2.1 Preparation and certification of accounts of Urban Local Bodies

According to KMABR, 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 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 (31st 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.

For the year 2017-18, audit of 18 out of 279 ULBs were completed (October 2018).

3.5.2.2 Preparation and certification of accounts of Bruhat Bengaluru Mahanagara Palike

In terms of Provision 9(2) of part II of 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 every year.

However, the Principal Director, KSAD, who is the Statutory Auditor for BBMP, had not audited the accounts of BBMP for the years 2016-17 and 2017-18.

3.6 Conclusion

The collection of property tax *vis-a-vis* demand was poor. ULBs including BBMP had not remitted, or short remitted Health cess, Library cess and Beggary Cess. The Inspector General of Registration and Commissioner of Stamps had not transferred the required duty on transfers for the year 2016-17 and 2017-18 to ULBs as of October 2018. The State Government released only 6.93 *per cent* of NLNORR as against the stipulated 10 *per cent*. The State Government did not have an Internal Audit Wing to oversee the functions of ULBs. The Property Tax Board was not yet established in the State (November 2018). KSAD had not audited the accounts of BBMP for the years 2016-17 and 2017-18. As of March 2018, 265 IRs containing 4,109 paragraphs were pending for more than three years, indicating inadequate action on the part of ULBs.

Chapter - IV

Results of audit of Urban Local Bodies

Chapter IV - Compliance Audit

Urban Development Department

4.1 Avoidable payment of penal interest

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

Section 164 of the Karnataka Municipal Corporations Act, 1976 (KMC Act, 1976), stipulates that all payments due from a city corporation for interest on and repayment of loans should be made on priority to all other payments due from the corporation. Further, Section 167 of the KMC Act, 1976, mandates that the budget estimates prepared by the corporation should provide for repayment of principal and interest for which the corporation may be liable on account of loans.

Scrutiny of records (June 2018) in the office of the Chief Accounts Officer (CAO), Bruhat Bengaluru Mahanagara Palike (BBMP), showed that the Government of Karnataka had accorded (September 2005) sanction for implementation of Karnataka Municipal Reforms Project (KMRP) with the loan assistance from International Bank for Reconstruction and Development (World Bank). The Project, costing ₹1,148.53 crore, was formulated to continue the efforts of the State Government to improve the capacity of urban local bodies in delivering efficient services, to ensure good governance, and also to improve the underground drainage facilities in Greater Bengaluru area and the road network in Bengaluru City. The terms and conditions of the loan were governed by the Government Order (September 2005) and project agreements signed between India and the World Bank (May 2006) and also between the World Bank and the State of Karnataka (May 2006). The Project was to be implemented over a period of five years from 2005-06 to 2009-10 and Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) was designated as the coordinating agency for the entire project.

One of the four components under the KMRP was the Bengaluru Development Component, under which the BBMP[12] was given loan assistance of ₹76.47 crore[13]. The rate of interest was 8.5 *per cent* per annum and the loan was repayable in 60 quarterly instalments (July-September 2011 to April-June 2026). Interest on any default in repayment was leviable at the rate of 11 *per cent* per annum.

Audit observed that BBMP had made provisions in the budget estimates (2011-12 to 2017-18) for repayment of the KUIDFC loan. The KUIDFC had issued 21 demand notices between December 2011 and October 2016 and it was also seen from the bank statements furnished by the BBMP that sufficient

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[12] The State Government issued (January 2007) a notification to merge the areas under existing Bangalore Mahanagara Palike with seven city municipal councils, one town municipal council and 110 villages around the city to form a single administrative body, BBMP.

[13] ₹73.40 crore during March 2006 to July 2009 and ₹3.07 crore during May 2015.

funds were available in its bank account during this period. Despite this, the BBMP repeatedly defaulted in making payment of quarterly dues to the KUIDFC and did not pay any amount till the quarter ended September 2016. The first payment of ₹3.86 crore was made during November 2016 and default in payment continued up to the quarter ended March 2017. Consequently, through demand notices between December 2011 and March 2017, KUIDFC made a claim of ₹20.07 crore as penal interest for delayed payments. There was no delay in payment of dues for the subsequent four quarters (April-June 2017 to January-March 2018). As of March 2018, BBMP had paid ₹109.44 crore to KUIDFC which included penal interest of ₹20.07 crore (detailed in **Appendix 4.1**).

Thus, failure of BBMP in timely repayment of loan dues despite the budgetary provisions and availability of sufficient funds resulted in avoidable payment of penal interest of ₹20.07 crore to KUIDFC.

The State Government accepted (November 2018) the audit observation regarding non-payment of quarterly dues till the quarter ended September 2016. The reply did not explain the reasons/constraints faced for non-payment of dues despite the availability of funds. The State Government needs to fix the accountability on the officials concerned for the financial burden of ₹20.07 crore.

4.2 Loss of revenue due to incorrect assessment of property tax

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

Section 108-A of the Karnataka Municipal Corporations Act, 1976 (KMC Act, 1976) provides for levy and collection of property tax on all buildings and vacant land coming under the jurisdiction of Bruhat Bengaluru Mahanagara Palike (BBMP). The State Government notified (January 2009) BBMP Property Tax Rules, 2009 to introduce self-assessment of property tax under Unit Area Value system. Different rates were determined for different areas or streets by classifying them into zones, nature of use to which the vacant land or building is being put, and for different classes of buildings and vacant lands. For this purpose, the jurisdictional area of BBMP was classified into six value zones (A, B, C, D, E and F) and properties were grouped into 18 categories (5 residential and 13 non-residential). The rate (2008-16) of property tax for non-residential buildings with central air conditioning facility (Category VIII) in 'C' Zone was ₹12 per square feet (sq ft) and the rate for parking area was ₹6 per sq ft. Multiplex theatres were classified under Category XI (ii) and the rate of tax was ₹20 per sq ft (for all the six zones).

Section 147 read with Taxation Rules (Schedule III) of KMC, Act, 1976, empowers the Commissioner, BBMP or the authorised officer to revise the property tax on the basis of inspection made and information collected, and after holding such enquiry as he considers necessary. In case of short payment of property tax, the assessee is liable to pay the evaded tax along with a penalty equal to two times the difference of tax, and interest at two *per cent* per month on the tax evaded. The Rules also provided for detailed scrutiny of cases up to 10 *per cent*.

Test-check of records (March 2018) in the office of Assistant Revenue Officer (ARO), Arakere Sub-division, Bommanahalli Zone, BBMP, showed that the ARO, Arakere scrutinised 18 out of 50,173 cases (0.04 *per cent*) during the years 2016-17 and 2017-18. Audit test-checked 8 of these 18 cases and observed that the revised assessment (March 2017) in case of a commercial building (Royal Meenakshi Mall, Bannerghatta Road) was not in accordance with the relevant provision as it wrongly assessed the corridor/service area of 81,885 sq ft at ₹6 per sq ft. This resulted in short assessment of property tax and loss of revenue of ₹6.72 crore, as detailed below:

1) BBMP specified that in case a building was completed after 1st October of any year, property tax on the constructed building was payable for the second half of the year. In respect of a building completed prior to 1st October, property tax was to be paid for the full year. Till completion of the building, the property tax was payable at the rate applicable for vacant site.

   Scrutiny showed that the Joint Director of Town Planning, BBMP, had issued the occupancy certificate for Royal Meenakshi Mall, Bannerghatta Road, in 'C' Zone during December 2010. As per the occupancy certificate, the total built-up area of the building was 6,67,630 sq ft. This comprised central air conditioning area (3,14,942 sq ft including terrace area under Category VIII), seven multiplex theatres on fifth to seventh floors (1,33,344 sq ft under Category XI (ii)) and parking area of 2,19,344 sq ft.

   As the occupancy certificate was issued during December 2010, property tax of ₹1.17 crore on the constructed building was payable for the second half of the year 2010-11. It was, however, seen that the assessee had paid (April 2010) property tax of ₹0.68 lakh for the land component only for the full year 2010-11 and the JC, Bommanahalli revised it to ₹0.88 lakh. This resulted in non-payment of property tax of ₹1.16 crore on the constructed building which was completed during December 2010 (detailed in **Appendix 4.2**).

2) BBMP property tax rules also stipulated that the entire built-up area of the building having central air conditioning (Category VIII) or multiplex theatre (Category XI (ii)) should be computed to tax at the applicable rates and there was no provision for computation of service area at half the rate as applicable for other six [14] categories of non-residential property.

   Audit, however, observed that the JC, Bommanahalli Zone, had computed 2,732 sq ft of service area having central air conditioning facility and corridor area, measuring 79,153 sq ft, on fifth to seventh

[14] (1) Hotels/restaurants - Category IX; (2) Star Hotels - Category X; (3) Cinema Theatres - Category XI(i); (4) Private Hospitals and Nursing Homes - Category XII; (5) Community Halls, *Kalyana Mantapa, etc*. - Category XIII; and (6) Industrial Buildings - Category XIV.

floors (multiplex theatre area) to tax at the rate of ₹6 per sq ft whereas the applicable rates were ₹12 per sq ft and ₹20 per sq ft respectively. The assessment of corridor/service area of 81,885 sq ft (2,732 sq ft + 79,153 sq ft) at a lower rate was contrary to the BBMP property tax rules and hence, resulted in short assessment of tax and consequent loss of revenue of ₹5.56 crore during the period 2011-12 to 2017-18 (detailed in **Appendix 4.2**.

As this is an illustrative case, BBMP should look into this aspect for other land and buildings also to preclude any further likelihood of loss of revenue.

The State Government stated (November 2018) that the date of the occupancy certificate was not considered for levy of property tax as permissions from Bengaluru Water Supply and Sewerage Board (BWSSB) and Bengaluru Electricity Supply Company Limited (BESCOM) were obtained subsequently (January 2011 and July 2011 respectively). It also stated that the corridor area of 81,885 sq ft was computed to tax at the rate of ₹6 per sq ft as it was not let out on rent and there was no commercial activity in this area. It further stated that the area of the multiplex as per the rental agreement was 34,283 sq ft and BBMP considered an area of 56,020 sq ft while calculating the property tax for the multiplex. The reply is not admissible for the following reasons:

(a) the date of completion of the building (i.e. date of occupancy certificate) is to be considered for levying property tax on the constructed building;

(b) there is no provision in property tax rules for computation of the corridor area at half the rate in respect of multiplex theatres and buildings with central air conditioning facility. Further, the contention that the corridor area was not let out on rent is irrelevant as this would also not change the fact that the building was centrally air-conditioned; and

(c) there was no consistency in BBMP's records regarding built-up area of the building. As per the occupancy certificate (December 2010) and noting of the Joint Director of Town Planning, BBMP (March 2017), the fifth, sixth and seventh floors with a total built-up area of 1,33,344 sq ft had seven multiplex theatres.

4.3 Loss of revenue

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

Article 4 (a) Chapter II of General Principles and Rules of the Karnataka Financial Code, 1958 stipulates that all transactions to which any Government servant in his official capacity is a party must, without any reservation, be brought to account, and all moneys received should be paid in full without undue delay in any case within two days, into a Government treasury, to be credited to the appropriate account. If in exceptional circumstances, the time limit of two days cannot be observed, the Heads of Departments should by specific order, extend the said time limit up to seven days. Unless the time limit is so extended by a specific order, by the Head of Department, the time limit of two days will operate. Further, in accordance with article 4(b)(ii), all cheques and drafts should be treated as cash and entered in the Cash book like other cash transactions.

Bruhat Bengaluru Mahanagara Palike (BBMP) issues trade licences on receipt of the requisite fees along with the applications. The trader collects the New/Renewal Trade Licence Certificate from the respective Medical Health Office and trade licence fee is deposited in the bank accounts[15] exclusively opened for the purpose.

Audit scrutiny of records (March 2018) of the Medical Officer, Health (MOH), Bommanahalli and Bengaluru (South), (BBMP) for the period up to 2016-17, revealed that 34 bankers' cheques/demand drafts (instruments) amounting to ₹1.77 lakh were not traceable to the bank accounts for the test-checked months (April 2014 and October 2015). Audit, therefore, obtained (July 2018) the data dump of the online trade licence system from the Information Technology (IT) Wing of the BBMP. The IT Advisor, BBMP certified (July 2018) that the data dump is complete, consistent and contained the entire data, and there was no erasure, tampering or over writing of original data. Audit also obtained the bank pass sheets from IDBI Bank and Canara Bank (October 2018) for verifying the remittance of trade licence fees.

As per the data dump, MOH, Bommanahalli and Bengaluru (South) had issued 10,598 trade licences during 2014-15 to 2017-18 by exhibiting a collection of ₹13.03 crore. Analysis of the data showed that in respect of 525 trade licences, the instrument number was left blank. As a result, Audit could not vouchsafe the remittance of these instruments, amounting to ₹27.81 lakh, to the bank accounts. Further analysis of the data showed that:

i) 881 trade licences were issued by entering the same instrument number two or more times (up to 45 times in one case) and exhibiting a collection of ₹98.17 lakh. Out of this, only an amount of ₹39.72 lakh pertaining to 270 trade licences could be traced and the balance of ₹58.45 lakh in respect of 611 trade licences could not be traced to the bank accounts. Details are given in **Appendix 4.3**.

ii) An amount of ₹3.17 crore pertaining to 2,071 instruments, that were not repeated, was also not traced to the bank accounts.

To substantiate the observation, audit ascertained (September 2018) the genuineness of these instruments from the respective banks. Two banks (State Bank of India, Padmanabhanagar Branch and Canara Bank, KR Puram) confirmed (September and October 2018) that

[15] IDBI Bank A/c No. 0008104000436250 (closed on 15.03.2016) and Canara Bank A/c No.11 (opened on 9.10.2015).

none of the 451 instruments[16] were issued by them. The responses from the other banks were awaited (July 2019).

Thus, out of 10,073 verifiable cases, audit could not trace 2,682 instruments involving an amount of ₹3.75 crore[17] to the bank accounts. It is evident from the above that the MOH, Bommanahalli and Bengaluru (South) had entered fictitious instrument numbers for issuing the trade licences. This not only facilitated embezzlement of money but also led to loss of revenue of ₹3.75 crore.

Audit also noticed that 354 instruments amounting to ₹22.44 lakh obtained towards trade licence fee for the period from 2008-09 to 2016-17 were not remitted to the bank accounts and were lying with MOH, Bommanahalli and Bengaluru (South) as of September 2018. The MOH did not furnish any reason for not remitting the instruments to the bank accounts. Unauthorised retention of instruments contravened the codal provisions and resulted in a probable loss of interest income of ₹3.81 lakh[18]. The possibility of further loss of revenue of ₹22.44 lakh could not be ruled out if the MOH, Bommanahalli and Bengaluru (South) fails to get the 354 instruments revalidated and credited to bank account. The MOH, Bommanahalli and Bengaluru (South) had not maintained the cash book, remittance register and other subsidiary registers to record the receipt of the instruments and remittance of the same to the bank accounts. In the absence of these basic records, the office had not ensured that the amount shown as remitted in their records, had actually been credited to the bank accounts concerned.

Thus, non-maintenance of statutory records coupled with irregular retention of instruments and manipulation of entries led to embezzlement of money and consequent revenue loss of ₹3.75 crore. These are only illustrative cases and the matter needs detailed investigation by the Government for fixing responsibility and taking appropriate corrective measures.

The State Government stated (November 2018) that necessary action was being taken to conduct departmental enquiry and initiate disciplinary action against the officials concerned and suitable reply would be furnished on completion of the enquiry.

BBMP stated (August 2019) that the officials concerned have been placed under suspension and the response of the officials were not accepted. It further stated a committee headed by the Special Commissioner (Finance) was being constituted to examine in detail the loss caused in the instant case and necessary action would be taken against the concerned as per law.

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[16] Out of 2,682 instruments, audit furnished the list of 260 instruments pertaining to SBI, Padmanabhanagar Branch and list of 191 instruments pertaining to Canara Bank, KR Puram for confirmation.

[17] ₹58.45 lakh (611 cases) + ₹3.17 crore (2,071 cases).

[18] Calculated at savings bank rate of interest of four *per cent* on unremitted instruments.

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

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

The Karnataka Electricity Reforms Act, 1999 and tariff for power supply effective during the period 2015-16 to 2017-18 stipulated that the billing demand for High Tension[19] (HT) lines would be the maximum demand recorded during the month or 75 *per cent* of the contract demand (CD), whichever was higher. If at any time the maximum demand recorded exceeds the CD or the opted demand or the entitled demand during the period of restrictions, the consumer shall pay for the quantum of excess demand at two times the normal rate per kilo volt amps (KVA) per month as deterrent charges as per Section 126(6) of the Electricity Act 2003. An HT consumer was entitled to get his CD increased or reduced according to his requirements, as per clause 34.01 and 34.02 of the 'Conditions of supply of electricity of the Distribution Licencees in the State of Karnataka'. Further, as per the Tariff Policy, HT consumers were to maintain an average power factor[20] (PF) of not less than 0.90. For this purpose, the HT consumers were required to install and maintain power capacitor (PF correction apparatus) of adequate capacity in their installations. If PF recorded was below 0.90 lag, a surcharge (penalty) of three paise per unit of power consumed was leviable for every reduction of PF by 0.01 below 0.90 lag.

Mention was made in Paragraph 4.6 of the Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2017 (Report No. 9 of the year 2017) regarding failure of the City Corporation (CC), Shivamogga, in reducing the contract demand and maintaining the power factor at the prescribed level resulted in avoidable payment of ₹46.32 lakh. The Paragraph is yet to be discussed by the Committee on Local Bodies and Panchayat Raj Institutions (January 2019).

Scrutiny of electricity bills in five[21] ULBs for the period 2015-16 to 2017-18 and additional information (copies of bills and agreements, inspection note, *etc.*) furnished subsequently showed that such omissions persisted in other ULBs also. Audit observed that:

1. the contract demand was much higher compared to the actual monthly energy consumption and the average consumption ranged from

[19] High Tension lines mean supply of electricity at voltage higher than 650 volts and up to 33,000 volts.

[20] Power factor is the ratio of useful (real) power (KW) to total (apparent) power (KVA). It is a measure of how efficiently electric power is converted into useful work output.

[21] CC, Kalaburagi (February-March 2016); CMC, Ramanagara, (April-May 2017); TMC, Harapanahalli (July-August 2017); TMC, Karkala, (September 2017) and TMC, Malavalli (September 2017).

0 *per cent* to 61 *per cent* of CD during the billing periods in respect of four[22] HT installations;

2. the consumption during the period April 2015 to February 2018 was Zero in respect of one HT installation in City Municipal Council (CMC), Ramanagara; and
3. the actual recorded demand exceeded the contract demand (CD) in one HT installation in Town Municipal Council (TMC), Harapanahalli.

As per the tariff schedule, the bills for the installations were raised at 75 *per cent* of the CD in respect of five installations and the bills were raised at two times the normal rate per KVA per month on the excess demand in respect of one installation of TMC, Harapanahalli. We observed that despite the availability of the enabling provision of increasing or reducing the CD, the ULBs did not initiate any action to get the CD altered in accordance with the consumption. This resulted in avoidable payment of ₹41.63 lakh towards cost of power not actually utilised/excess utilised as detailed in **Appendix 4.4**.

We also observed that Electricity Supply Companies had levied (2015-16 to 2017-18) PF surcharge aggregating ₹53.30 lakh in respect of 12[23] HT installations as the ULBs did not maintain PF at 0.90 as detailed in **Appendix 4.5**. This was because the power capacitors were not installed or the installed power capacitors had become dysfunctional and the ULBs did not take any action to repair them.

Thus, failure of the ULBs in initiating action to get the CD increased or reduced in accordance with consumption, and non-maintenance of power factor at the prescribed level of 0.90, resulted in excess payment of ₹94.93 lakh, which was avoidable.

The Commissioner, CC, Kalaburagi replied (March 2016) that letters had been addressed to Executive Engineer, O&M Division No.1, GESCOM for reducing and increasing the load against the actual consumption, and Karnataka Urban Water Supply and Drainage Board (KUWS&DB)[24] for change of capacitor to avoid PF penalty.

The Municipal Commissioner, CMC, Ramanagara stated (July 2018) that the maintenance of the HT installation was taken over by CMC from KUWS&DB since July 2017 and also furnished the photographic evidence for having installed the capacitor and the bill for the month of May 2018 reflecting improvement in power factor. The other three ULBs did not furnish any reply.

The State Government stated (November 2018) that directions were issued to the concerned/all the ULBs to reduce the CD appropriate with the load connected and improve PF of HT installations by connecting capacitor units of suitable capacity or adopting automatic power factor correction (APFC) panels to avoid penalties.

[22] SDBHT-2 and UDRHT-8 (CC, Kalaburagi); HT-73 (TMC, Karkala); MHT-128 (TMC, Malavalli).

[23] SDBHT-2, GHTP-8 and UDRHT-8 (CC, Kalaburagi); RMGHT-41 (CMC, Ramanagara) HTHW-1, HTHW-2 and HTHW-3 (TMC, Harapanahalli); HT-14 and HT-73 (TMC, Karkala) and MHT-128, MHT-16, and MHT-15 (TMC, Malavalli).

[24] The operation and maintenance of water supply schemes in Kalaburagi has been entrusted to KUWS&DB since December 2011.

4.5 Loss of revenue due to non-recovery of additional ground rent

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

According to Paragraph 3.8 and note thereunder of Bengaluru Mahanagara Palike Building Bye-Laws, 2003 (Bye-Laws), ground rent for stocking of building materials on public land shall be paid by the builder at prescribed rates. Ground rent is based on the total floor area of all the floors in the building that is to be constructed and is valid for a period of two years only. If the building is not completed and the occupancy certificate is not obtained within the period of two years, further rent is to be paid at half the rate per annum or part thereof till the building is completed. Further, the Commissioner, Bruhat Bengaluru Mahanagara Palike (BBMP), instructed (August 2014) that occupancy certificate in such cases should be issued only after collecting the additional ground rent.

Mention was made in Paragraph 6.7 of the Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2014 (Report No. 2 of the year 2015) regarding loss of revenue of ₹41 lakh due to non-recovery of additional ground rent. The observation was discussed by the Committee on Local Bodies and Panchayat Raj Institutions and the Committee in their 20th Report recommended (June 2017) that the ground rent due should be collected and action be taken against the concerned officials of BBMP who are responsible for non-recovery of ground rent.

Scrutiny of records (March 2018) in the office of the Assistant Director of Town Planning (ADTP), Mahadevapura Zone, BBMP showed that such omissions still persisted in BBMP. A test-check of seven building plans approved during the period March 2010 to March 2014 showed that ADTP, Mahadevapura Zone, had levied and collected (July 2016) additional ground rent in one case only (Smt. Rathnamma and others). In respect of the remaining six cases, the ADTP did not levy and collect additional ground rent though the period of construction in all these cases exceeded two years. This resulted in loss of revenue of ₹36.50 lakh as detailed in **Appendix 4.6.**

These are only illustrative cases and the possibility of more such cases cannot be ruled out. BBMP may, therefore, internally examine all such other cases to ensure that additional ground rent, wherever necessary, is recovered as per requirement and rules.

The State Government accepted the audit observation and stated (November 2018) that notices had been issued to the builders on 25.10.2018 to pay the additional ground rent and the amount would be remitted to the BBMP account by 30.11.2018. The reply was, however, silent about fixing the responsibility against the officials concerned for non-recovery of additional ground rent and was also non-committal on internal examination of similar other cases.

4.6 Loss of revenue due to short collection of improvement expenses

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

In accordance with Section 466 of the Karnataka Municipal Corporations Act, 1976, the Commissioner may, if he thinks fit and with the approval of the Standing Committee, declare the expenses on certain works to be improvement expenses and recover such expenses subject to the rules made under the Act. Section 467 of the Act stipulates that the improvement expenses shall be a charge on the premises in respect of which or for the benefit of which the same shall have been incurred and shall be recoverable in instalments from the owner or occupier of the premises, of such amounts, and at such intervals, as will suffice to discharge such expenses together with interest thereon within such period as the Commissioner may in each case determine. Further, Section 465 of the Act empowers the Commissioner to receive the payment of expenses in instalments with the approval of the Standing Committee and after obtaining an agreement from the person liable, at such intervals as will secure the payment of the whole amount due.

The Commissioner, Bruhat Bengaluru Mahanagara Palike **(**BBMP), by invoking the above cited provisions, issued (September 2012) a circular to all the concerned intimating the rates of the improvement expenses to be collected, and approved (January 2013) the collection of improvement expenses in instalments[25]. The Commissioner, with the approval (January 2014) of the Taxation and Finance Committee revised (July 2014) the rates of improvement expenses from ₹550 per square metre (sqm) to ₹250 per sqm in respect of lands converted for non-agriculture purposes in the newly included areas under the jurisdiction of BBMP. The Revenue Officers (RO) are required to maintain a register of improvement expenses and all details of demand and collection of improvement expenses are to be compulsorily entered in the register. The RO is also responsible for issuing demand notices for collection of due amounts from the owner or the occupier of the premises at the end of each month.

Audit scrutiny (March 2018) of the records of the office of the Assistant Revenue Officer, Anjanapura sub-division (ARO) for the period 2010-11 to 2016-17 showed that improvement expenses of ₹14.30 crore were due from 98 property owners of two wards (Gottigere and Anjanapura) as of March 2018. Audit test-checked ten of these cases involving ₹7.34 crore and observed that the details of issue of demand notices and other documents were not kept on record. Further scrutiny revealed that the statement of outstanding improvement expenses (from 98 property owners) furnished by ARO was not exhaustive as it did not include the case of Smt. Vijayakumari Babbar.

[25] 1) to collect improvement charges in four instalments without levy of interest in respect of those who wish to pay improvement charges in instalments within a year; 2) to collect interest @ 1.5 *per cent* per month on the original amount if the payment is made after one year.

Audit noticed that the agriculture land[26] owned by Smt. Vijayakumari Babbar (hereinafter referred to as the owner) was converted to residential/garden purposes *vide* order (6 April 2015) of the Deputy Commissioner of Bengaluru District. The owner applied (22 April 2015) for Khata[27] certificate whereupon the Commissioner, BBMP demanded improvement charges of ₹46.80 lakh[28] for the converted land. The owner agreed (13 July 2015) to pay the amount in three instalments and paid (25 November 2015) ₹15.60 lakh as the first instalment. The ARO without ensuring the complete payment of improvement expenses issued Khata certificate to the owner on the same day the first instalment was paid. In the meantime, the owner sold (20 April 2015) the property to M/s Unishire Housing LLP, Bengaluru (firm). On the same day, the firm applied for transfer of khata in its name. The ARO again failed to ensure complete payment of improvement expenses and issued (27 November 2015) the Khata certificate in the name of the firm.

Audit also observed that neither the ARO nor the RO had issued any demand notices to the owner for the outstanding dues as this instance was not included in the statement of outstanding improvement expenses.

Thus, the irregular issue and transfer of Khata certificate by the ARO and lack of control by the RO resulted in short collection of improvement expenses of the ₹31.21 lakh and consequent loss of revenue besides interest for non-payment.

The State Government replied (November 2018) that out of 98 instances of improvement expenses due from the owners, an amount of ₹3.64 crore from 60 property owners was collected and remitted to the BBMP bank account. In respect of eight cases, demand notices had been issued and details in respect of other cases would be furnished on verifying the files. It further stated that action would be taken to collect improvement expenses of ₹31.21 lakh along with the interest from M/s Unishire Housing LLP, Bengaluru, after due verification.

Bengaluru
The 04-10-2019

(E P Nivedita)
Principal Accountant General
(General and Social Sector Audit)
Karnataka

[26] measuring 4 acres 25 guntas (4.625 acres) situated in survey nos. 11/2,11/4,11/5,11/6 in Gottigere village, Uttarahalli hobli, Bengaluru South Taluk.

[27] The word 'khata' is not found in the Act, but in common parlance, over the years, is synonymous with the certificate issued by the Corporation in exercise of jurisdiction under Section 114 of the (Karnataka Municipalities) Act, recording the name of the owner/occupier of the immovable property, primarily responsible to pay the Corporation taxes – Extract of the judgement in respect of Writ Petition No. 16738 of 2005; Jayamma *vs*. Assistant Revenue Officer, Hombegowda Nagar Range and others.

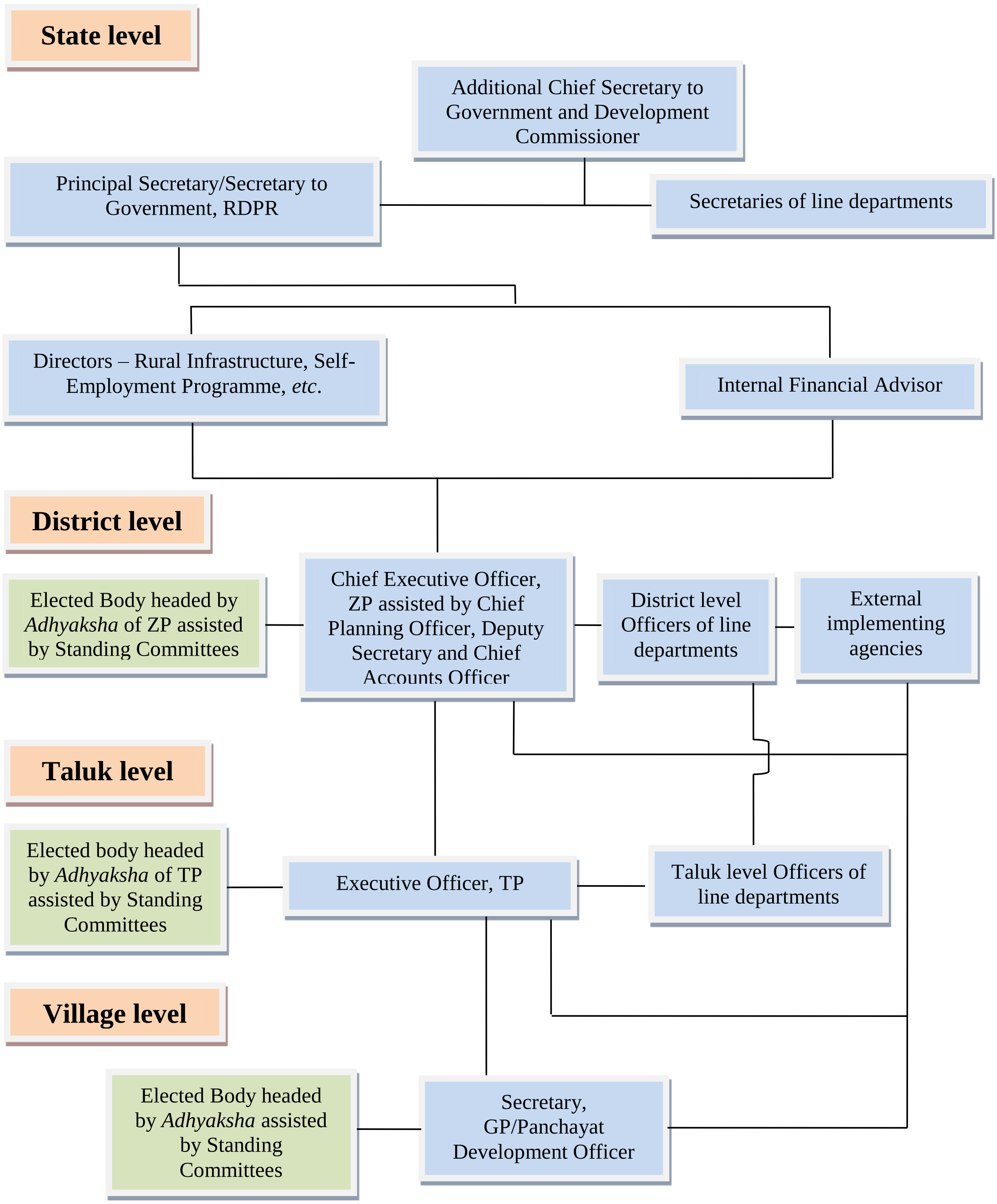
[28] 4.625 acres = 18,716.71 sqm x ₹250 per sqm.

Appendices

Appendix 1.1

(Reference: Paragraph 1.2/Page 1)

Organisational structure of Panchayat Raj Institutions



Appendix 1.2
(Reference: Paragraph 1.3.2.3/Page 3)
Statement showing Inspection Reports and Paragraphs outstanding up to the audit period 2016-17 - Panchayat Raj Institutions

Sl. No.	Zilla Panchayat	More than 10 years (till 2007-08)		5 to 10 years (2008-09 to 2012-13)		3 to 5 years (2013-14 to 2014-15)		2015-16		2016-17		Total	
		IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1	Bagalkot	33	68	31	226	12	106	8	104	0	0	84	504
2	Ballari	83	252	26	171	14	75	9	59	4	83	136	640
3	Belagavi	149	376	36	164	16	74	8	139	8	147	217	900
4	Bengaluru (Rural)	27	57	25	115	1	6	6	60	4	53	63	291
5	Bengaluru (Urban)	114	191	101	426	9	62	5	40	6	57	235	776
6	Bidar	64	193	21	207	14	117	7	53	1	37	107	607
7	Chamarajanagara	21	79	24	86	8	43	3	33	0	0	56	241
8	Chikkaballapura	62	195	35	211	11	76	7	53	2	23	117	558
9	Chikkamagaluru	45	75	50	219	7	52	4	25	4	62	110	433
10	Chitradurga	20	51	48	215	5	33	2	48	0	0	75	347
11	Dakshina Kannada	27	45	28	91	8	51	3	10	4	29	70	226
12	Davanagere	24	31	26	76	7	34	6	60	4	41	67	242
13	Dharwad	94	182	37	132	9	78	2	4	4	91	146	487
14	Gadag	63	190	30	157	6	41	2	17	0	0	101	405
15	Hassan	45	93	31	161	11	128	5	50	4	67	96	499
16	Haveri	55	109	38	257	10	70	3	17	5	75	111	528
17	Kalaburagi	97	271	30	196	15	123	7	56	6	72	155	718
18	Kodagu	25	50	21	98	7	57	2	21	2	33	57	259
19	Kolar	100	287	41	253	6	41	6	24	4	47	157	652
20	Koppal	40	150	39	260	10	87	2	11	1	20	92	528
21	Mandya	91	208	31	169	12	75	4	41	3	47	141	540
22	Mysuru	37	129	46	193	10	32	10	75	5	60	108	489
23	Raichur	81	331	31	282	9	78	1	18	3	30	125	739
24	Ramanagara	61	136	25	105	11	92	5	43	1	19	103	395
25	Shivamogga	49	101	20	120	13	73	8	66	1	10	91	370
26	Tumakuru	69	175	50	159	11	48	8	48	1	10	139	440
27	Udupi	10	46	19	32	12	94	4	20	1	17	46	209
28	Uttara Kannada	82	207	43	171	12	72	18	93	10	124	165	667
29	Vijayapura	101	240	14	64	13	108	7	62	4	30	139	504
30	Yadgir	51	221	7	57	13	123	8	72	5	60	84	533
Total		**1,820**	**4,739**	**1,004**	**5,073**	**302**	**2,149**	**170**	**1,422**	**97**	**1,344**	**3,393**	**14,727**
Gram Panchayats		**0**	**0**	**92**	**712**	**32**	**337**	**2**	**27**	**23**	**275**	**149**	**1,351**
Grand Total		**1,820**	**4,739**	**1,096**	**5,785**	**334**	**2,486**	**172**	**1,449**	**120**	**1,619**	**3,542**	**16,078**

Source: Inspection Reports

Appendix 1.3

(Reference: Paragraph 1.4.1.1/Page 4)

Statement showing fund details of flagship schemes

(₹ in crore)

Sl. No.	Scheme	Opening balance	Releases	Total fund available	Expenditure	Percentage of expenditure
1	Mahatma Gandhi National Rural Employment Guarantee Scheme	118.10	3,188.56	3,306.66	3,007.61	91
2	National Rural Drinking Water Programme	764.66	2,477.84	3,242.50	2,595.13	80
3	Pradhan Mantri Gram Sadak Yojana	128.63	4.80	133.43	48.61	36
4	Namma Grama Namma Raste Yojane	460.63	1,455.46	1,916.09	1,316.09	69
5	Swachh Bharat Mission	93.37	1,563.25	1,656.62	1,426.20	86
6	Suvarna Gramodaya Yojana/ Gram Vikasa Schemes	11.54	513.00	524.54	524.54	100

Source: Annual Report of RDPR (2017-18)

Appendix 1.4

(Reference: Paragraph 1.4.2.4/Page 9)

Statement showing amount under 'II PWD cheques' and 'II Forest cheques' under Major Head 8782 for the year 2017-18

(₹ in crore)

Sl. No.	Name of the District	PWD cheques	Forest cheques
1	Bagalkot	12.017	0.049
2	Ballari	9.809	0.663
3	Bengaluru (Rural)	(-)7.045	(-)0.415
4	Bengaluru (Urban)	5.137	0.036
5	Bidar	(-)0.540	0.245
6	Chamarajanagar	2.489	0.001
7	Davanagere	(-)4.318	(-)7.344
8	Haveri	0.0218	0.000
9	Kalaburagi	(-)30.037	0.487
10	Mysuru	21.669	3.302
11	Raichur	(-)1.603	0.197
12	Uttara Kannada	(-)10.145	(-)2.550

Source: Annual Accounts submitted by 15 ZPs

Appendix 1.5

(Reference: Paragraph 1.4.2.4/Page 10)

Statement showing balances under Taluk Panchayat and Gram Panchayat suspense accounts for the year 2017-18

(₹ in crore)

Sl. No.	Name of the District	TP Suspense account	GP Suspense account
1	Bengaluru (Rural)	0.000	(-)7.053
2	Bengaluru (Urban)	11.361	(-)0.668
3	Bidar	4.859	1.265
4	Chamarajanagar	(-)20.783	0.025
5	Davanagere	(-)0.836	0.000
6	Hassan	9.178	0.031
7	Haveri	37.312	1.194
8	Kalaburagi	1.957	0.000
9	Mysuru	5.073	(-)5.942
10	Raichur	(-)0.797	0.016

Source: Annual Accounts submitted by 15 ZPs

Appendix 2.1

(Reference: Paragraph 2.1/Page 11)

Statement showing diversion of cess amounts by 59 GPs

(₹ in lakh)

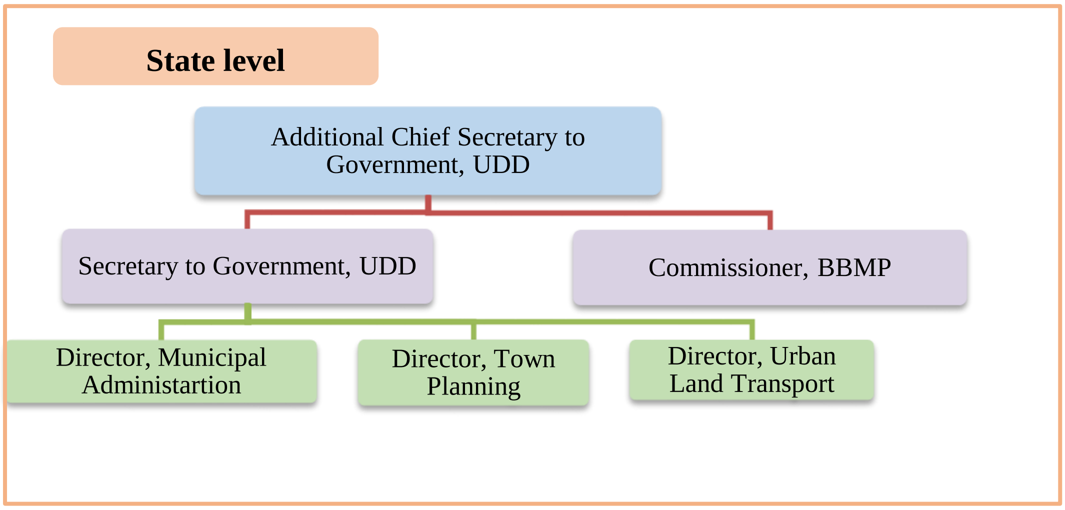
Taluk Panchayat	Total No. of GPs	Health Cess			Library Cess			Beggary Cess			Total		
		Net Cess	Expr.	CB	Net Cess	Expr.	CB	Net Cess	Expr.	CB	Net Cess	Expr.	CB
TP Bangarpet	15	22.07	22.07	0	8.82	8.82	0	4.22	4.22	0	35.11	35.11	0
TP HB Halli	14	19.78	19.78	0	8.06	8.06	0	3.29	3.29	0	31.13	31.13	0
TP Kadur	15	12.66	10.28	2.38	5.14	3.92	1.22	2.56	2.09	0.47	20.36	16.29	4.07
TP Tarikere	15	36.91	31.56	5.35	14.64	12.02	2.62	6.82	5.52	1.30	58.37	49.1	9.27
Total	**59**	**91.42**	**83.69**	**7.73**	**36.66**	**32.82**	**3.84**	**16.89**	**15.12**	**1.77**	**144.97**	**131.63**	**13.34**

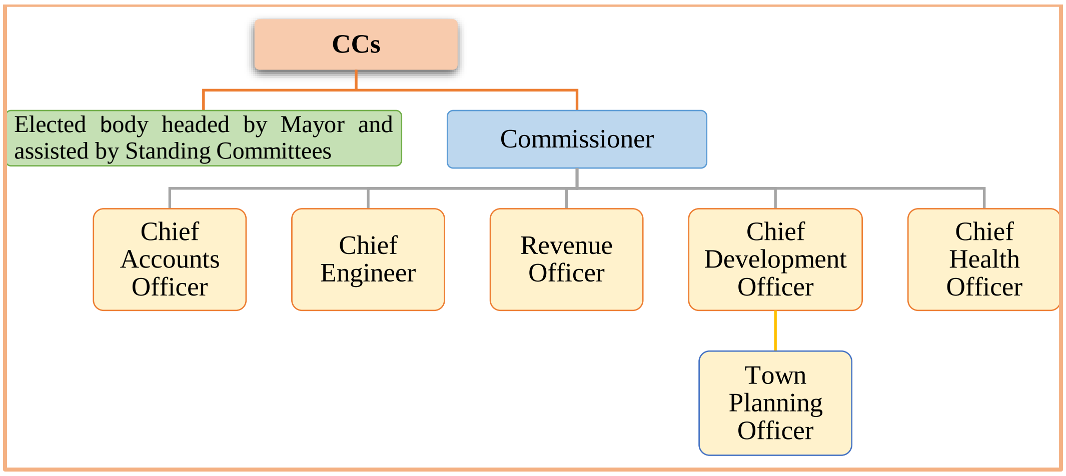
Source: Information furnished by GPs   Expr. – Expenditure; CB – Closing balance

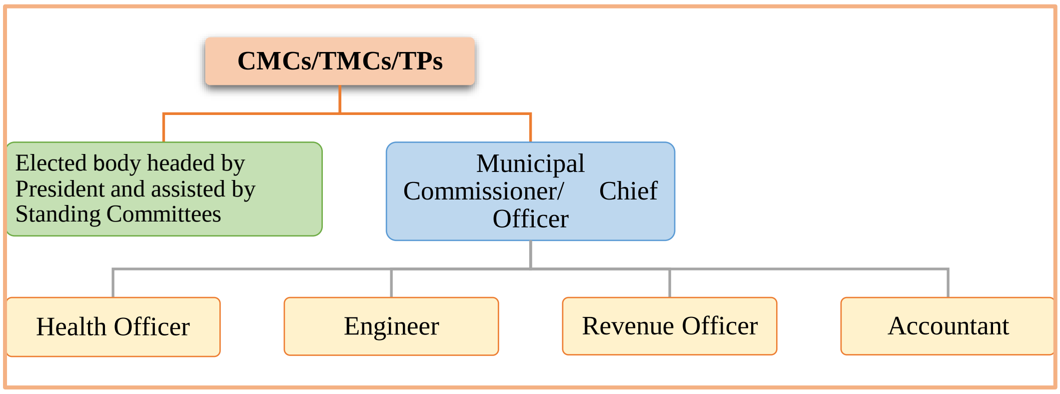
Appendix 3.1

(Reference: Paragraph 3.2/Page 15)

Organisational structure with respect to functioning of ULBs in the State







Appendix 3.2

(Reference: Paragraph 3.4.4/Page 17)

Statement showing Inspection Reports and Paragraphs outstanding up to the audit period 2016-17 – Urban Local Bodies

Sl. No.	District	5 to 10 years (2008-09 to 2012-13)		3 to 5 years (2013-14 to 2014-15)		2015-16		2016-17		Total	
		IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1	Bagalkot	5	88	6	143	5	156	0	0	16	387
2	Ballari	6	89	5	112	1	19	1	18	13	238
3	Belagavi	3	41	8	172	0	0	2	74	13	287
4	Bengaluru (Rural)	4	58	1	19	2	42	2	38	9	157
5	Bengaluru (Urban)	13	40	2	19	2	77	0	0	17	136
6	Bidar	6	65	0	0	2	88	1	16	9	169
7	Chamarajanagara	1	2	2	36	1	23	2	40	6	101
8	Chikkaballapura	0	0	4	80	2	69	0	0	6	149
9	Chikkamagaluru	4	26	2	49	4	74	1	17	11	166
10	Chitradurga	3	38	1	21	1	25	2	82	7	166
11	Dakshina Kannada	9	93	1	80	1	16	6	144	17	333
12	Davanagere	2	38	1	5	2	24	7	163	12	230
13	Dharwad	4	79	2	69	0	0	1	15	7	163
14	Gadag	3	35	3	69	1	14	2	57	9	175
15	Hassan	5	50	3	56	3	90	2	47	13	243
16	Haveri	2	49	1	8	4	115	2	43	9	215
17	Kalaburagi	7	88	3	72	1	61	3	184	14	405
18	Kodagu	0	0	4	84	0	0	0	0	4	84
19	Kolar	2	64	1	14	2	71	3	91	8	240
20	Koppal	3	60	0	0	4	188	0	0	7	248
21	Mandya	2	12	1	29	2	58	5	178	10	277
22	Mysuru	1	32	4	64	1	39	3	155	9	290
23	Raichur	1	28	3	90	1	14	1	18	6	150
24	Ramanagara	2	20	1	44	1	16	2	41	6	121
25	Shivamogga	4	37	3	87	5	82	2	56	14	262
26	Tumakuru	5	43	1	37	5	141	2	135	13	356
27	Udupi	1	4	4	55	0	0	1	19	6	78
28	Uttara Kannada	6	70	6	103	0	0	1	21	13	194
29	Vijayapura	3	34	2	76	0	0	2	68	7	178
30	Yadgir	3	38	2	80	0	0	0	0	5	118
Total		**110**	**1,321**	**77**	**1,773**	**53**	**1,502**	**56**	**1,720**	**296**	**6,316**
BBMP		19	341	59	674	45	645	26	285	149	1,945
Grand Total		**129**	**1,662**	**136**	**2,447**	**98**	**2,147**	**82**	**2,005**	**445**	**8,261**

Source: Inspection Reports

Appendix 4.1

(Reference: Paragraph 4.1/Page 24)

Statement showing the payment of penal interest by BBMP

(₹ in crore)

Sl. No.	Quarter	Overdue at the beginning of quarter	Penal interest	Demand for the quarter	Total demand	Amount paid by BBMP	Balance
1	Jul-Sep 2011	0	0	3.71	3.71	0	3.71
2	Oct-Dec 2011	3.71	0.08	3.67	7.46	0	7.46
3	Jan-Mar 2012	7.46	0.16	3.63	11.25	0	11.25
4	Apr-Jun 2012	11.25	0.24	3.60	15.09	0	15.09
5	Jul-Sep 2012	15.09	0.32	3.57	18.98	0	18.98
6	Oct-Dec 2012	18.98	0.40	3.53	22.91	0	22.91
7	Jan-Mar 2013	22.91	0.49	3.50	26.90	0	26.90
8	Apr-Jun 2013	26.90	0.57	3.46	30.93	0	30.93
9	Jul-Sep 2013	30.93	0.66	3.43	35.02	0	35.02
10	Oct-Dec 2013	35.02	0.74	3.40	39.16	0	39.16
11	Jan-Mar 2014	39.16	0.83	3.36	43.35	0	43.35
12	Apr-Jun 2014	43.35	0.92	3.33	47.60	0	47.60
13	Jul-Sep 2014	47.60	1.01	3.29	51.90	0	51.90
14	Oct-Dec 2014	51.90	1.10	3.26	56.26	0	56.26
15	Jan-Mar 2015	56.26	1.20	3.22	60.68	0	60.68
16	Apr-Jun 2015	60.68	1.29	3.28	65.25	0	65.25
17	Jul-Sep 2015	65.25	1.39	3.28	69.92	0	69.92
18	Oct-Dec 2015	69.92	1.48	3.25	74.65	0	74.65
19	Jan-Mar 2016	74.65	1.59	3.21	79.45	0	79.45
20	Apr-Jun 2016	79.45	1.69	3.17	84.31	0	84.31
21	Jul-Sep 2016	84.31	1.79	3.14	89.24	0	89.24
22	Oct-Dec 2016	89.24	1.90	3.10	94.24	3.86 80.04	10.34
23	Jan-Mar 2017	10.34	0.22	3.07	13.63	13.63	0
24	Apr-Jun 2017	0	0	3.03	3.03	3.03	0
25	Jul-Sep 2017	0	0	3.00	3.00	3.00	0
26	Oct-Dec 2017	0	0	2.96	2.96	2.96	0
27	Jan-Mar 2018	0	0	2.92	2.92	2.92	0
	Total		**20.07**	**89.37**		**109.44**	

Source: Information furnished by BBMP

Appendix 4.2

(Reference: Paragraph 4.2/Pages 25 and 26)

Statement showing short assessment of property tax and loss of revenue

(₹ in lakh)

Year	Property tax payable@	Property tax demanded by BBMP	Amount paid by assessee			Short assessment by JC, Bommanahalli, BBMP	Loss of revenue
			Property tax excluding interest, penalty and SWM cess	Interest, penalty and SWM Cess	Total		
1	*2*	*3*	*4*	*5*	*6=4+5*	*7=2-3*	*8=2-4*
2010-11 (second half)	116.71	0.44	0.34	0.00	0.34	116.27	116.37
2011-12	233.41	200.70	71.06	11.91	82.97	32.71	162.35
2012-13	233.41	200.70	142.13	43.47	185.60	32.71	91.28
2013-14	233.41	200.70	179.25	0.00*	179.25	32.71	54.16
2014-15	233.41	200.70	159.39	20.61*	180.00	32.71	74.02
2015-16	233.41	200.70	142.13	61.12	203.25	32.71	91.28
2016-17	291.76#	250.87	250.51	52.69	303.20	40.89	41.25
2017-18	291.76#	250.87	250.51	11.35	261.86	40.89	41.25
Total	**1,867.28**	**1,505.68**	**1,195.32**	**201.15**	**1,396.47**	**361.60**	**671.96**

* Despite repeated reminders, BBMP did not furnish the details of interest and penalty paid by the assessee during the year 2013-14 and first half of the year 2014-15. Hence, it has been considered as 'Nil'. Interest and penalty of ₹20.61 lakh considered during the year 2014-15 pertains to the second half of the year 2014-15.

BBMP revised the property tax rates during the year 2016-17 and increase in property tax was capped to 25 *per cent* for non-residential properties when compared to property tax for the year 2015-16.

@ There was no consistency in BBMP's records regarding built-up area of the building. For the purpose of calculating property tax payable, built-up area (6,67,630 sq ft) as per occupancy certificate and noting of Joint Director, Town Planning, BBMP and Assistant Revenue Office, Arakere (March 2017) has been considered. In BBMP's notice (March 2017), the built-up area considered was 6,69,465 sq ft.

Source: Information furnished by Assistant Revenue Officer, Arakere and BBMP Property Tax Handbook (2008-11)

Appendix 4.3
(Reference: Paragraph 4.3/Page 27)
Statement showing details of instruments repeated and traced/untraced to bank accounts

(Amount in ₹)

Sl. No.	Instrument Number	Traced		Untraced		Total	
		Count	Sum	Count	Sum	Count	Sum
1	625144	1	11,700	44	1,39,300	45	1,51,000
2	385421			42	1,45,900	42	1,45,900
3	333180			32	1,21,700	32	1,21,700
4	333176	1	2,000	27	1,58,100	28	1,60,100
5	361334			19	59,600	19	59,600
6	905085			14	17,98,800	14	17,98,800
7	214559			13	76,800	13	76,800
8	330000			9	13,500	9	13,500
9	913510			8	73,640	8	73,640
10	500490	2	6,520	3	17,500	5	24,020
11	500496			5	35,400	5	35,400
12	9197	1	2,000	3	6,000	4	8,000
13	40081	1	10,000	3	30,000	4	40,000
14	120661	1	9,000	3	9,000	4	18,000
15	500645			4	13,000	4	13,000
16	502950	1	5,000	3	14,000	4	19,000
17	541264			4	4,800	4	4,800
18	566914	1	10,000	3	30,000	4	40,000
19	905135			4	17,000	4	17,000
20	910513			4	29,780	4	29,780
21	951423	1	6,500	3	21,000	4	27,500
22	147			3	13,500	3	13,500
23	461	2	14,800	1	2,000	3	16,800
24	464	1	5,500	2	17,000	3	22,500
25	1975	1	500	2	16,000	3	16,500
26	1976	1	2,100	2	18,000	3	20,100
27	7519			3	4,600	3	4,600
28	10256			3	8,500	3	8,500
29	14372			3	11,500	3	11,500
30	62238	1	5,500	2	11,000	3	16,500
31	62414			3	4,500	3	4,500
32	64949	1	20,000	2	40,000	3	60,000
33	87890	1	3,600	2	7,000	3	10,600
34	95234			3	4,500	3	4,500
35	101627			3	45,700	3	45,700
36	152544	1	25,500	2	51,000	3	76,500
37	188228			3	9,500	3	9,500
38	235927	1	6,200	2	12,400	3	18,600
39	269917			3	11,400	3	11,400
40	480439	1	6,000	2	15,500	3	21,500
41	502952	1	5,000	2	18,000	3	23,000
42	524501			3	17,000	3	17,000
43	524504	1	1,20,600	2	4,000	3	1,24,600
44	524506	1	1,20,600	2	12,000	3	1,32,600
45	524509			3	14,000	3	14,000
46	613510			3	4,500	3	4,500
47	621101			3	9,500	3	9,500
48	743758			3	14,000	3	14,000
49	754252			3	10,500	3	10,500
50	849859	1	10,500	2	19,900	3	30,400

Appendix 4.3 (contd.)

Sl. No.	Instrument Number	Traced		Untraced		Total	
		Count	Sum	Count	Sum	Count	Sum
51	851385	1	3,000	2	21,500	3	24,500
52	907021			3	13,500	3	13,500
53	38	2	13,500			2	13,500
54	49	1	25,000	1	25,500	2	50,500
55	119	1	10,000	1	3,500	2	13,500
56	167	1	2,000	1	2,000	2	4,000
57	169	1	2,700	1	61,000	2	63,700
58	239	1	1,900	1	2,000	2	3,900
59	326	2	15,500			2	15,500
60	431	2	23,500			2	23,500
61	735	1	6,400	1	1,500	2	7,900
62	852	2	7,500			2	7,500
63	883	2	30,000			2	30,000
64	920	1	10,000	1	10,000	2	20,000
65	1021	1	2,500	1	2,500	2	5,000
66	1439	2	10,800			2	10,800
67	1514	1	20,000	1	5,500	2	25,500
68	1593	2	41,100			2	41,100
69	1639	1	5,500	1	3,600	2	9,100
70	1652	1	5,000	1	8,200	2	13,200
71	1709	1	6,500	1	10,000	2	16,500
72	1754	1	1,000	1	1,500	2	2,500
73	1808	2	11,000			2	11,000
74	1876	2	14,500			2	14,500
75	2129			2	20,500	2	20,500
76	2314	1	10,000	1	15,000	2	25,000
77	2395	2	9,000			2	9,000
78	2846	1	3,500	1	2,500	2	6,000
79	3211			2	7,800	2	7,800
80	3215	1	5,000	1	5,540	2	10,540
81	3226	1	1,200	1	4,000	2	5,200
82	3474	2	5,000			2	5,000
83	3710	1	2,500	1	5,500	2	8,000
84	4168	1	1,00,000	1	1,500	2	1,01,500
85	4485	2	1,19,600			2	1,19,600
86	4561	2	10,500			2	10,500
87	4564	1	20,000	1	20,000	2	40,000
88	5110	2	52,000			2	52,000
89	5135			2	8,000	2	8,000
90	5490	1	56,000	1	56,000	2	1,12,000
91	5576	1	500	1	8,400	2	8,900
92	5929	2	11,500			2	11,500
93	6893	2	4,500			2	4,500
94	7342			2	4,000	2	4,000
95	7936	1	2,000	1	5,000	2	7,000
96	8591	1	20,000	1	9,500	2	29,500
97	9151	1	20,000	1	500	2	20,500
98	9552	1	5,000	1	5,500	2	10,500
99	9713	1	5,000	1	1,500	2	6,500
100	10461	2	19,500			2	19,500
101	11200	1	500	1	500	2	1,000
102	11347			2	21,000	2	21,000
103	11506	1	5,000	1	5,500	2	10,500
104	12752	1	500	1	11,600	2	12,100

Appendix 4.3 (contd.)

Sl. No.	Instrument Number	Traced		Untraced		Total	
		Count	Sum	Count	Sum	Count	Sum
105	12755	2	1,500			2	1,500
106	12803	1	10,000	1	75,200	2	85,200
107	12805	1	10,800	1	6,000	2	16,800
108	13008	1	63,000	1	63,000	2	1,26,000
109	13202	1	5,000	1	5,000	2	10,000
110	14346	2	5,000			2	5,000
111	15448	1	2,500	1	2,00,000	2	2,02,500
112	15862	1	1,000	1	20,500	2	21,500
113	16645	1	10,000	1	10,000	2	20,000
114	17114	2	12,800			2	12,800
115	17843	2	86,800			2	86,800
116	17844	2	1,19,000			2	1,19,000
117	17863	1	50,000	1	55,000	2	1,05,000
118	19626			2	1,94,000	2	1,94,000
119	19714			2	8,000	2	8,000
120	21273			2	11,000	2	11,000
121	22151	2	5,000			2	5,000
122	22256	1	30,200	1	1,000	2	31,200
123	24337	1	11,820	1	11,820	2	23,640
124	24338	1	10,000	1	10,500	2	20,500
125	24410	1	3,000	1	3,000	2	6,000
126	24497	1	1,300	1	1,300	2	2,600
127	24804	1	5,320	1	5,500	2	10,820
128	26015	2	25,000			2	25,000
129	26307	2	3,400			2	3,400
130	26882	1	10,000	1	5,000	2	15,000
131	26883	2	15,000			2	15,000
132	26884	2	10,500			2	10,500
133	33646	1	2,500	1	2,500	2	5,000
134	33692			2	7,000	2	7,000
135	35947	1	3,000	1	3,500	2	6,500
136	40183	1	3,600	1	3,600	2	7,200
137	40184	2	2,84,950			2	2,84,950
138	55608	1	10,000	1	11,000	2	21,000
139	56437	1	5,500	1	5,500	2	11,000
140	63253	1	1,000	1	1,500	2	2,500
141	67264	1	2,500	1	3,500	2	6,000
142	68351	2	21,500			2	21,500
143	80883	1	5,500	1	5,500	2	11,000
144	94784	1	1,500	1	1,500	2	3,000
145	96542			2	7,000	2	7,000
146	97138			2	3,000	2	3,000
147	102535	1	4,200	1	4,700	2	8,900
148	102968	1	5,000	1	5,000	2	10,000
149	103111	2	7,000			2	7,000
150	103217	1	3,000	1	2,000	2	5,000
151	103243	1	2,000	1	1,500	2	3,500
152	104460	1	5,500	1	5,500	2	11,000
153	104462			2	3,000	2	3,000
154	104463	1	1,000	1	1,000	2	2,000
155	104464	1	500	1	500	2	1,000
156	106159	1	5,000	1	5,000	2	10,000
157	106455	1	5,500	1	5,500	2	11,000
158	117029	1	7,500	1	7,500	2	15,000

Appendix 4.3 (contd.)

Sl. No.	Instrument Number	Traced		Untraced		Total	
		Count	Sum	Count	Sum	Count	Sum
159	117543	2	1,400			2	1,400
160	118354	2	48,200			2	48,200
161	126832			2	2,500	2	2,500
162	127382	2	16,500			2	16,500
163	127383	2	6,500			2	6,500
164	129751	1	10,000	1	5,500	2	15,500
165	129960	1	5,500	1	5,500	2	11,000
166	136167	1	7,600	1	7,600	2	15,200
167	144000	1	3,500	1	3,500	2	7,000
168	144696			2	20,000	2	20,000
169	145022			2	8,000	2	8,000
170	145089	1	5,500	1	5,500	2	11,000
171	150299			2	6,800	2	6,800
172	151516	2	12,400			2	12,400
173	152504	1	5,000	1	6,700	2	11,700
174	155068	1	50,000	1	26,800	2	76,800
175	157112	1	6,000	1	5,000	2	11,000
176	160900	1	10,000	1	10,000	2	20,000
177	171935	1	500	1	500	2	1,000
178	172464	1	3,000	1	4,400	2	7,400
179	175642			2	11,000	2	11,000
180	178042	2	5,980			2	5,980
181	178688	1	5,000	1	6,640	2	11,640
182	181518	1	2,000	1	2,500	2	4,500
183	192266	1	5,500	1	5,500	2	11,000
184	201109	1	2,000	1	4,000	2	6,000
185	203410			2	5,000	2	5,000
186	207895			2	7,000	2	7,000
187	214561			2	3,800	2	3,800
188	218771			2	4,700	2	4,700
189	243001	1	4,000	1	4,000	2	8,000
190	246546			2	9,000	2	9,000
191	250890	1	20,000	1	1,500	2	21,500
192	252766	1	5,000	1	5,000	2	10,000
193	265877	1	3,000	1	3,000	2	6,000
194	266250	1	3,000	1	5,000	2	8,000
195	268633	1	15,500	1	15,500	2	31,000
196	270250	2	4,500			2	4,500
197	270369	1	5,500	1	6,000	2	11,500
198	272164	1	6,000	1	6,000	2	12,000
199	290188	1	10,000	1	2,000	2	12,000
200	314399	1	500	1	500	2	1,000
201	318011	1	3,800	1	3,800	2	7,600
202	320640	1	20,000	1	20,000	2	40,000
203	332947	1	1,000	1	3,000	2	4,000
204	333181			2	50,500	2	50,500
205	334066	1	1,500	1	1,500	2	3,000
206	346310	1	2,000	1	2,000	2	4,000
207	351579	1	2,500	1	2,500	2	5,000
208	357615	1	2,500	1	2,500	2	5,000
209	361902	2	23,000			2	23,000
210	363526	1	48,600	1	48,600	2	97,200
211	375131			2	9,000	2	9,000
212	395704	1	11,000	1	11,000	2	22,000

Appendix 4.3 (contd.)

Sl. No.	Instrument Number	Traced		Untraced		Total	
		Count	Sum	Count	Sum	Count	Sum
213	396235	1	3,000	1	2,500	2	5,500
214	396240	1	30,000	1	1,500	2	31,500
215	396243	1	2,000	1	2,500	2	4,500
216	410494	1	6,800	1	6,800	2	13,600
217	421590	1	1,60,000	1	10,500	2	1,70,500
218	433621	1	960	1	960	2	1,920
219	457843	1	7,000	1	1,200	2	8,200
220	457854	1	5,000	1	1,500	2	6,500
221	459457	1	5,000	1	5,000	2	10,000
222	464729	1	2,400	1	3,500	2	5,900
223	479786	1	3,000	1	3,500	2	6,500
224	480401			2	7,000	2	7,000
225	481880			2	11,800	2	11,800
226	493687	1	2,500	1	2,500	2	5,000
227	500497			2	12,800	2	12,800
228	500644	1	3,000	1	15,600	2	18,600
229	500847	1	10,000	1	6,900	2	16,900
230	501566	1	5,000	1	5,000	2	10,000
231	502961	1	3,000	1	1,500	2	4,500
232	503740	1	5,500	1	5,500	2	11,000
233	506009	2	62,600			2	62,600
234	506752	1	1,500	1	1,500	2	3,000
235	508431	1	1,320	1	1,320	2	2,640
236	523538	1	4,33,200	1	10,000	2	4,43,200
237	524502	1	48,200	1	10,000	2	58,200
238	524503	1	84,400	1	8,800	2	93,200
239	524508			2	12,000	2	12,000
240	524518			2	41,700	2	41,700
241	541268			2	9,000	2	9,000
242	546545			2	17,900	2	17,900
243	584681			2	23,000	2	23,000
244	595191	1	2,500	1	2,500	2	5,000
245	601629	1	10,000	1	10,000	2	20,000
246	611706	1	5,000	1	5,000	2	10,000
247	612311	1	5,000	1	3,500	2	8,500
248	612324	1	10,000	1	10,000	2	20,000
249	613517			2	4,900	2	4,900
250	613719			2	5,000	2	5,000
251	623917			2	21,000	2	21,000
252	627081	1	10,500	1	10,500	2	21,000
253	628828			2	17,200	2	17,200
254	629476	1	1,000	1	1,000	2	2,000
255	629499	1	26,500	1	26,500	2	53,000
256	644267			2	1,900	2	1,900
257	652874	1	14,500	1	14,500	2	29,000
258	654645			2	10,100	2	10,100
259	654654			2	7,000	2	7,000
260	654687			2	4,000	2	4,000
261	656454			2	2,500	2	2,500
262	656464			2	3,080	2	3,080
263	671052			2	3,000	2	3,000
264	676123	1	15,000	1	15,500	2	30,500
265	681118	1	3,500	1	1,500	2	5,000
266	687885	1	10,000	1	10,000	2	20,000

Appendix 4.3 (concld.)

Sl. No.	Instrument Number	Traced		Untraced		Total	
		Count	Sum	Count	Sum	Count	Sum
267	691051			2	2,000	2	2,000
268	715632			2	11,000	2	11,000
269	717626			2	8,200	2	8,200
270	720506	1	1,000	1	1,000	2	2,000
271	720899	2	60,000			2	60,000
272	720926	1	1,000	1	1,500	2	2,500
273	737607	1	2,100	1	2,100	2	4,200
274	739137	1	30,000	1	30,000	2	60,000
275	760921	2	39,200			2	39,200
276	767001	1	1,000	1	1,000	2	2,000
277	773777	1	590	1	590	2	1,180
278	775310	1	10,000	1	9,900	2	19,900
279	788980	2	25,000			2	25,000
280	788981	2	68,600			2	68,600
281	814819			2	4,000	2	4,000
282	815797	1	5,000	1	5,000	2	10,000
283	819081	1	10,100	1	8,780	2	18,880
284	828089	1	49,800	1	49,800	2	99,600
285	830719	1	1,000	1	1,000	2	2,000
286	839063	1	4,000	1	5,120	2	9,120
287	842036	1	10,000	1	10,000	2	20,000
288	847220			2	6,500	2	6,500
289	849857			2	15,000	2	15,000
290	853637	1	19,900	1	2,800	2	22,700
291	864733	2	33,125			2	33,125
292	867378	1	15,000	1	2,500	2	17,500
293	878842	1	3,000	1	3,500	2	6,500
294	890275			2	3,000	2	3,000
295	895212	1	1,000	1	1,500	2	2,500
296	900721			2	14,000	2	14,000
297	905136			2	7,000	2	7,000
298	905137			2	37,000	2	37,000
299	906114	1	2,000	1	13,700	2	15,700
300	906116	1	2,000	1	10,500	2	12,500
301	907001			2	12,000	2	12,000
302	913151			2	60,700	2	60,700
303	913153			2	78,900	2	78,900
304	913710			2	45,700	2	45,700
305	915105			2	3,600	2	3,600
306	917513			2	6,000	2	6,000
307	936787	1	3,000	1	3,500	2	6,500
308	946842	2	18,500			2	18,500
309	956149	1	5,000	1	5,000	2	10,000
310	964282	1	85,000	1	85,000	2	1,70,000
311	969473			2	4,000	2	4,000
312	985965			2	9,800	2	9,800
313	986453			2	5,000	2	5,000
314	986532			2	7,800	2	7,800
315	986545			2	16,300	2	16,300
316	986548			2	4,700	2	4,700
Total (Repeated)		**270**	**39,71,785**	**611**	**58,44,870**	**881**	**98,16,655**
Not repeated		7,121	8,59,42,923	2,071	3,17,24,723	9,192	11,76,67,646
Grand Total		**7,391**	**8,99,14,708**	**2,682**	**3,75,69,593**	**10,073**	**12,74,84,301**

Source: Information furnished by BBMP/banks and compiled by Audit

Appendix 4.4

(Reference: Paragraph 4.4/Page 30)

a) Statement showing avoidable excess payment due to non-reduction of contract demand

Name of the ULBs	HT installation (RR No.)	Month wise electricity bills	Contract Demand (in KVA)	Actual recorded demand (in KVA)		Billing demand (in KVA)		Demand charges paid (₹ in lakh)	Demand charges payable on actual recorded demand (₹ in lakh)	Avoidable payment (₹ in lakh)
				Range	Total	75% of Contract Demand	Total			
CC, Kalaburagi	SDBHT-2	April 2015 to Jan 2018	1,750	825 to 1,350 (51%)	30,525.00	1,313.00	42,016.00	58.29	41.14	17.15
	UDRHT-8	April 2015 to Jan 2018	351	20 to 360# (14%)	1,800.00	263.25	6,318.00	11.25	2.69	8.56
TMC, Karkala	HT-73	April 2015 to Jul 2017	80	45 to 81 (61%)	1,382.00	60.00	1,680.00	3.21	2.59	0.62
TMC, Malavalli	MHT-128	April 2015 to Jul 2017	82	0 to 57 (3%)	319.00	61.50	1,537.50	3.28	0.62	2.65
CMC, Ramanagara	RMGHT-41	April 2015 to Feb 2018	210	0 to 0	0	157.50	5,512.50	10.49	0.00	10.49
Total										**39.47**

one bill (8/2015) shown actual recorded demand more than the contract demand.

b) Statement showing avoidable excess payment for failure to increase the contract demand

Name of the ULB	HT installation (RR No.)	Month wise electricity bills	Contract Demand (in KVA)	Actual recorded demand (in KVA)		Units in excess of contract demand (in KVA)		Demand charges paid (₹ in lakh)	Demand charges payable (₹ in lakh)	Avoidable payment (₹ in lakh)
				Range	Total	Range	Total			
TMC, Harapanahalli	HTHW-2	April 2015 to Jul 2017	200	244 to 270	5,572.00	44 to 70	1,172.00	12.44	10.28	2.16

Source: Electricity bills made available by CC, CMC and TMCs

Appendix 4.5

(Reference: Paragraph 4.4/Page 30)

Statement showing power factor surcharge levied by the Electricity Supply Companies on the ULBs for the period from 2015-16 to 2017-18

(Amount in ₹)

Sl. No.	Name of the ULBs	Name of the Installation	Years			Total
			2015-16	2016-17	2017-18	
1	CC Kalaburagi	SDBHT-2	9,23,346.00	6,44,323.50	0.00	15,67,669.50
		GHTP-8	93,583.80	7,14,576.90	3,75,210.90	11,83,371.60
		UDRHT-8	34,415.40	39,730.80	35,335.80	1,09,482.00
Total (CC, Kalaburagi)			**10,51,345.20**	**13,98,631.20**	**4,10,546.70**	**28,60,523.10**
2	CMC Ramanagara	RMGHT-41	**6,148.68**	**8,641.26**	**57,238.56**	**72,028.50**
3	TMC Harapanahalli	HTHW-1	1,25,925.00	1,73,237.78	68,922.90	**3,68,085.68**
		HTHW-2	3,12,184.00	2,92,521.60	71,851.08	**6,76,556.68**
		HTHW-3	3,19,343.00	2,12,550.44	98,386.80	**6,30,280.24**
Total (TMC, Harapanahalli)			**7,57,452.00**	**6,78,309.82**	**2,39,160.78**	**16,74,922.60**
4	TMC Karkala	HT- 14	80,884.96	93,296.45	61,564.05	2,35,745.46
		HT- 73	50,504.43	41,272.23	11,003.67	1,02,780.33
Total (TMC, Karkala)			**1,31,389.39**	**1,34,568.68**	**72,567.72**	**3,38,525.79**
5	TMC Malavalli	MHT-128	1,920.75	13,333.65	9,401.55	24,655.95
		MHT-16	79,564.86	56,537.46	28,041.81	1,64,144.13
		MHT-15	78,303.90	70,611.72	46,743.59	1,95,659.21
Total (TMC, Malavalli)			**1,59,789.51**	**1,40,482.83**	**84,186.95**	**3,84,459.29**
Grand Total			**21,06,124.78**	**23,60,633.79**	**8,63,700.71**	**53,30,459.28**

Source: Electricity bills made available by CC, CMC and TMCs

Appendix 4.6

(Reference: Paragraph 4.5/Page 31)

Statement showing loss of revenue due to non-recovery of additional ground rent

Sl. No.	Name of the Developer/ Licence Plan (LP) No./ (Rate of Ground rent)	Total built up area (in sqm)	Date of Plan sanction	Date of expiry of Plan sanction	Date of completion	Number of days for which additional ground rent was leviable / (Rate per sqm per annum)	Ground rent not recovered (₹ in lakh)
1.	M/s Mckinley Ventures, LP No. 122/2009-10/ (₹40 per sqm)	8,197.25	31.03.10	30.03.12	21.04.14	752 days (₹20)	3.38
2.	K. Shalini and Pravalika, LP No. 130/2010-11/ (₹40 per sqm)	22,252.39	06.07.11	05.07.13	03.03.14	241 days (₹20)	2.94
3.	M/s DSR Constructions, GPA Holder M/s. Sri. Mithra Builders and Developers, LP No. 115/2011-12/ (₹40 per sqm)	15,689.93	26.12.12	25.12.14	28.04.15	124 days (₹20)	1.07
4.	Smt. Muniyamma, GPA Holder M/s. Mayur Signature, LP No. 278/2011-12/ (₹40 per sqm)	11,292.07	29.09.12	28.09.14	02.03.15	155 days (₹20)	0.96
5.	M/s. Samhitha Constructions LP No. 36/2010-11/ (₹40 per sqm)	58,393.07	20.05.10	19.05.12	06.08.14	809 days (₹20)	25.88
6.	M/s. Durga Projects, LP No. 40/2012-13 (₹100 per sqm)	2,754.38	17.05.12	16.05.14	08.01.16	602 days (₹50)	2.27
Total							**36.50**

Note: Calculations are done on pro-rata basis.
Source: Records furnished by ADTP, Mahadevapura Zone, BBMP