

KARNATAKA LOKAYUKTA

No. Compt/Uplok/BCD/118/2020/ARLO-1

Multi Storied Buildings
Dr.B.R. Ambedkar Veedhi,
Bengaluru 560 001
Dated: **01/07/2020**

REPORT UNDER SECTION 12(3) OF THE KARNATAKA
LOKAYUKTA ACT, 1984

Sub:- Proceedings against:-

- 1) Sri Subramanya, the then Panchayath Development officer, Neriga Grama Panchayath, Anekal Taluk – Presently working at Handenahalli Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- 2) Sri E. Anand, the then Panchayath Development Officer, Neriga Grama Panchayath, Anekal Taluk – Presently working at Suragajakkanahalli Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- 3) Sri E. Kantharaj, Panchayath Development Officer, Neriga Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- 4) Sri Nomesh Kumar, the then Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal – Presently working as Deputy Secretary, Zilla Panchayath, Chikkaballapur
- 5) Sri T.K. Ramesh, the then Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal – Presently working as Deputy Secretary, Zilla Panchayath, Tumakuru
- 6) Sri K.C. Devaraje Gowda, Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal.

On the basis of source information that there is mismanagement in the maintenance of accounts and submission of periodical expenditure statements by Neriga Grama Panchayath

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of Anekal Taluk and also submission of audit reports, a suo motu investigation was taken up.

2) On 27/12/2019, Upalokayukta-1 visited the office of the Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal. The Accounts officer and the Manager of Taluk Panchayath, Anekal were directed to produce the periodical returns of expenditure in relation to each of the Panchayaths within the limits of Taluk Panchayath, Anekal. The details of expenditure was not furnished by the Panchayaths. Further, at the time of spot inspection by Upalokayukta-1 to the office of the Executive Officer, Taluk Panchayath, Anekal, the audit report for the year 2016-17 of Neriga Grama Panchayath was produced, but the audit reports of subsequent years i.e., 2017-18 and 2018-19 were not produced. Therefore, the above suo-motu complaint was registered against the following Respondents for conducting further investigation into the matter.

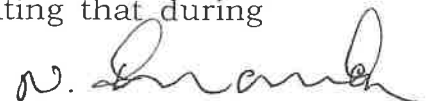
- (1) Sri Subramanya, the then Panchayath Development officer, Neriga Grama Panchayath, Anekal Taluk (for the periods from 1/1/2016 to 5/8/2016) – Presently working at Handenahalli Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- (2) Sri E. Anand, the then Panchayath Development Officer, Neriga Grama Panchayath, Anekal Taluk (for the period from 5/8/2016 to 24/8/2019) – now working at Suragajakkanahalli Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- (3) Sri E. Kantharaj, Panchayath Development Officer, Neriga Grama Panchayath, Anekal Taluk, Bengaluru Urban District (from 24/8/2019)



- (4) Sri Nomesk Kumar, the then Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal (for the period from 1/1/2016 to 18/5/2017) – Presently working as Deputy Secretary, Zilla Panchayath, Chikkaballapur
- (5) Sri T.K. Ramesh, the then Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal (for the period from 19/5/2017 to 19/7/2019) – Presently working as Deputy Secretary, Zilla Panchayath, Tumakuru
- (6) Sri K.C. Devaraje Gowda, Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal (from 24/7/2019 till date).

3) The above respondents have submitted comments to the observation note. Respondents 1 & 2 in their comments dated 12/2/2020 has stated that the present Panchayath Development Officer i.e., Respondent No.3 Sri Kantharaj has submitted the copies of budget estimates and also audit report of Neriga Grama Panchayath to this office. Respondent No.3 has submitted comments dated 11/2/2020 stating the names of Panchayath Development Officers worked at Neriga Grama Panchayath from 1/1/2016 till date. He has further stated that the concerned Panchayath Development Officers have prepared the budget for the years 2016-17 to 2019-20 and obtained the approval of the Executive Officer of Taluk Panchayath. Further, he has stated that the audit of the Neriga Panchayath was conducted for the years 2016-17 to 2018-19 and copies of the copies of Audit reports for the years 2016-17, 2017-18 are enclosed. The copy of audit report for the year 2018-19 was not received.

4) The Respondent No.4 Sri Nomesk Kumar has submitted comments dated 12/2/2020 and 27/2/2020 stating that during



his tenure as Executive Officer, Taluk Panchayath, Anekal, the Neriga Grama Panchayath had submitted the audit report for the year 2016-17 and 2017-18 to the Accounts officer of Taluk Panchayath and the accounts of the Panchayath was submitted under Section 241 and 242 of the Karnataka Grama Swaraj and Panchayath Raj Act, 1993. During his tenure there was no mismanagement of submission of accounts Further, in the comments dated 27/2/2020 he has stated that the Budget for the year 2016-17 & 2017-18 of Neriga Grama Panchayath was submitted. He had constituted an adhoc committee and the meeting of the committee was held. He had issued oral instructions regarding the subject matter stated in the audit report. The respondent No.5 Sri T.K. Ramesh has submitted comments dated 12/2/2020 and 27/2/2020 similar to the comments submitted by Respondent No.4. Respondent No.6 Sri K.C. Devarajegowda has submitted comments dated 12/2/2020 stating that he had instructed the Panchayath Development Officer of Neriga to submit the Expenditure statements and audit reports for the years 2016-17 to 2018-19.

5) The Budget estimates of the above Grama Panchayath for the years 2016-17, 2017-18, 2018-19 and 2019-20 and the copies of the Audit reports for the years 2016-17 and 2017-18 of the Neriga Grama Panchayath furnished by Respondent No.3 are perused.

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BUDGET PROVISIONS

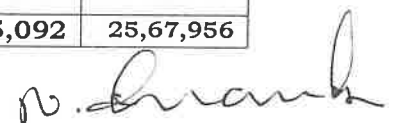
- 6) As per the Budget estimates for the years 2016-17, 2017-18, 2018-19 and 2019-20, the following income & Expenditure were estimated for the Neriga Grama Panchayath.

1. REVENUE INCOME

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Opening balance	7,13,885	10,34,659	8,85,345	24,06,100
2	Rates and Taxes	39,67,948	44,33,743	32,78,270	40,26,343
3	Revenue from the Panchayath Properties	67,500	1,43,000	3,55,000	-
4	Revenue from Grama Panchayath Authorities	21,07,801	31,17,472	45,30,105	7,14,457
5	Grants, Donation, Subscriptions	8,45,000	15,60,000	18,30,000	7,70,000
6	Other receipts				
	Total Revenue Income	77,02,134	102,88,874	108,78,721	79,16,900

REVENUE EXPENDITURES

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	General Administration				
	i) Grama Panchayath (Elected Body)	3,30,000	3,70,000	6,32,913	9,97,700
	ii) Office	15,05,352	21,10,556	24,93,433	20,74,658
	Total	18,35,352	24,80,556	31,26,345	30,72,358
2	Development Expenditure				
	1) Drinking Water	4,65,000	16,50,000	10,62,733	10,82,287
	2) Rural Sanitation	5,20,000	7,50,000	7,18,467	1,08,900
	3) General Health & Family Welfare	20,000	35,000	51,337	-
	4) Roads, Bridges & other connecting medias	2,35,000	3,50,000	75,000	97,900
	5) Buildings	1,00,000	50,000	-	17,600
	6) Electrification and Electricity supply	5,50,000	6,00,000	10,00,000	1,65,000
	7) Development of Non-conventional energy sources	5,000	5,000	-	
	8) Social Public Service programmes	82,500	55,000	2,85,753	1,61,887
	9) Motivation Services	7,16,630	7,16,630	20,000	
	Total Expenditure	26,94,130	42,11,630	32,13,290	16,33,574
	Transfer from Genl. fund	11,49,932	12,64,925	8,43,994	6,43,011
	Other Revenue Expenditure	12,30,000	12,30,000		-
	Total Revenue Expenditure	69,09,414	91,87,111	71,83,629	53,48,943
	Closing balance (i)	7,92,720	11,01,763	36,95,092	25,67,956



2. CAPITAL INCOME


Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Opening balance	17,04,286	76,55,220	-	1,00,000
2	Grants, Subscription, donation.				
3	Central and Central sponsored & State and State Sponsored Schemes (Special Rural Development Programmes)	53,00,000	73,15,000	57,47,793	62,30,424
4	Other Capital receipt				
	Total Capital Income	70,04,286	149,70,220	57,47,793	63,30,424

CAPITAL EXPENDITURES

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Development Expenditure				
	1) Drinking Water	-	-	2,20,000	2,16,579
	2) Rural sanitation	-	-	-	-
	3) Roads, Bridges & other connecting medias	-	-	22,72,978	15,16,500
	4) Buildings	-	-	1,00,000	60,500
	5) Payment of salary to staff	-	-	-	-
	6) Social & public service programmes	-	-	-	16,500
	Total Expenditure	-	-	25,92,978	18,10,079
2	Specific Project Expenditure				
	Central and Central sponsored & State and State Sponsored Schemes (Special Rural Development Programmes)	53,00,000	73,15,000	57,47,793	65,82,640
3	Procurement of Assets	-	-	30,000	-
4	Repayment of loan	-	-	-	-
	Total Capital expenditure	53,00,000	73,15,000	83,76,771	83,92,719
	Closing Balance (ii)	17,04,286	76,55,220	-26,22,978	-20,62,295

3. DEPOSITS, ADVANCES & INVESTMENTS

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Opening balance	-	-	-	-
2	Receipt	-	-	-	-
	Total Income	-	-	-	-
3	Expenditure	-	-	-	-
	Closing Balance (iii)	-	-	-	-
	Total Final Balance of the Panchayath (i) + (ii) + (iii)	25,27,006	87,21,983	10,72,114	5,05,662



7) Rule 12 of the Karnataka Panchayath Raj (Grama Panchayath Budgeting and Accounting) Rules, 2006 provides for manner of preparation of budget estimates. The following instructions were to be followed while preparation of budget estimates.

“1. Statement II (Estimate of receipts) shall be prepared by the Secretary on the basis of information available in Form IA to IC, which shall be based on the basic details from the relevant records.

2. Similarly the Secretary shall prepare Statement II (Estimate of Expenditure) by taking out details from ID to IG which shall be based on the basic details from the relevant records.

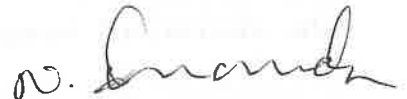
3. After Statement II and III are ready, the gross figures classified under the respective main heads of accounts of these statements are taken to the respective heads of account in Statement I which shall form the abstract figure in the annual budget of the Grama Panchayath.

4. Secretary shall ensure that the following guidelines shall be kept in view, while preparing the budget.

(i) Budget estimate shall be for what is expected to be received or paid during the year and not for demands or liabilities likely fall due within the year.

(ii) All existing liabilities, which cannot be liquidated before the commencement of the year for which the budget is being prepared shall be ascertained and provided for.

(iii) Allow for the balance at the end of the year of not less than such sum or percentage of income as may from time to time be fixed by the Government.



8) In the Audit Reports of the above Neriga Grama Panchayath for the years 2016-17 and 2017-18, it is observed that the Budget estimates were not prepared in accordance with Rule 12 of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006. Provision for repayment of opening liabilities was not made in the budget as mandated under Rule 12(4) (ii) of the above Rules. The Panchayath did not make provision for the balance at the end of the year of not less than 10% percentage of income as provided under Rule 12(4) (iii) of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounting) Rules, 2006.

9) As per Rule 15 of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006, a Budget Control Register in Form No.2 shall have to be maintained to keep a watch on expenditure to ensure that expenditure incurred under various heads of accounts are within the allocation provided in the budget. Such a Register had not been maintained by Neriga Grama Panchayath.

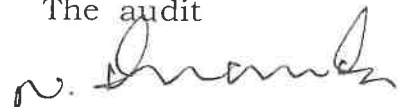
10) The Respondent No.1 Sri Subramanya, who was working as Panchayath Development Officer from 1/1/2016 to 5/8/2016 had prepared the Budget estimate for the year 2016-17; Respondent No.2 Sri E. Anand, who was working as Panchayath Development Officer from 5/8/2016 to 24/8/2019 has prepared the budget estimates for the years 2017-18 to 2019-20. The above Panchayath Development Officers have prepared and submitted the Budget estimates during their tenures stated above and are responsible for the aforesaid irregularities in the preparation of budget of the

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relevant years. The Budget estimates for the years 2018-19 and 2019-20 were also prepared on the same lines. Therefore, above irregularities are applicable to the Budget estimates for the years 2018-19 and 2019-20. It is noticed that Respondent No.4 Sri N. Nomesh Kumar, the then Executive Officer of Taluk Panchayath had approved the budget estimates for the years 2016-17 and 2017-18; Respondent No.5 Sri T.K. Ramesh, the then Executive Officer had approved the budget estimates for the years 2018-19 and 2019-20. These Executive Officers without noticing the above irregularities in the preparation of budget have approved the same and thereby they are also responsible for the above irregularities.

SUBMISSION OF MONTHLY, HALF YEARLY AND YEARLY ACCOUNTS

11) Regarding expenditure of the Panchayath, as per Rule 108 of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006 the Secretary of the Grama Panchayath shall prepare monthly receipt and payment statement in Form 53, and Monthly Trial Balance in Form 54 and place it for review by the Grama Panchayath. The approved accounts shall be sent to the Chief Accounts Officer of the Zilla Panchayath and Assistant Controller, Local Audit Circle by 20th of the subsequent month. Similarly, half yearly accounts shall have to be prepared in Form 53 and Trial Balance in Form No.54. In relation to the above Neriga Grama Panchayath, no such monthly statement was prepared and submitted to the Authorities stated above. The above Panchayath had also not prepared the annual accounts in terms of Rule 109 of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006. The audit



reports for the years 2016-17 & 2017-18 at paragraph 15 & 16 states that monthly expenditure statements, half yearly statements and yearly statements as per Rule 108 and 109 of the Karnataka Panchayath Raj (Grama Panchayath Budgeting & Accounts) Rules, 2006 were not submitted by the Neriga Panchayath. Therefore, the Respondents 1 to 3 who were working as Panchayath Development Officers are responsible for the same. The Respondents No. 4 to 6 being Taluk Executive Officers of Taluk Panchayath, Anekal had not supervised the administration and accounts of the Panchayath and are also responsible for the above lapse.

NON-MAINTENANCE OF REGISTERS/RECORDS IN THE PANCHAYATH

12) The Grama Panchayath, Neriga had not maintained the Grants Register as per Rule 99 of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006. This Register is a prominent register, which shows the opening balance, grants received and closing balance.

13) The Grama Panchayath, Neriga had not maintained the following registers.

Sl. No.	Name of Register	Rule of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006
1	Investment Register	Rule 95 (Form No.41)
2	Loan Register	Rule 96 (Form No. 42)
3	Advances Register	Rule 98 (Form No.44)
4	Deposit Register	Rule 100 (Form No.47)
5	Issuance of Licence and collection register	Rule 35 (Form No.16)

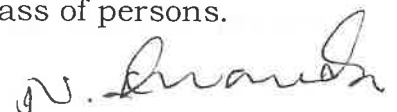
The Respondents 1 to 3 are responsible for not maintaining the above Registers as required under Rules.

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GRANTS MEANT FOR SCHEDULED CASTE AND SCHEDULED TRIBE & PHYSICALLY CHALLENGED NOT PROPERLY UTILISED FOR THE WELFARE OF ABOVE PERSONS

14) As per the Audit Report for the year 2016-17, the opening balance of amount reserved under 25% Grant for the welfare of Scheduled Caste/Scheduled Tribe as on 1/4/2016 was Rs.15,38,375/-. During the year 2016-17, a sum of Rs.1,43,550/- was reserved for the welfare of Scheduled Caste/Scheduled Tribe under 25% grant scheme. Out of the above amount, during the year 2016-17, a sum of Rs.90,350/- was spent showing the balance of Rs.15,91,575/- at the end of the year on 31/3/2017. The Respondent No.1 Sri Subramanya and Respondent No.2 Sri E Anand, who were working as Panchayath Development Officers during the year 2016-17 have not fully spent the amount under 25% scheme in accordance with Rules, thus depriving the benefits of the scheme to the above class of persons.

15) In relation to the amount reserved for the welfare of Physically Challenged persons under 3% grant scheme, there was opening balance of Rs.79,495/- as on 1/4/2016. During the year 2016-17 a sum of Rs.63,047/- was reserved and during the year 2016-17 a sum of Rs.48,000/- was spent under the above scheme, thus, the closing balance as on 31/3/2017 is shown as Rs.94,542/-. The Respondent No.1 Sri Subramanya and Respondent No.2 Sri E. Anand; who were working as Panchayath Development Officers during the year 2016-17 had not spent the amount under 3% scheme in accordance with Rules, thus depriving the benefits of the scheme to the above class of persons.



16) As per the Audit Report for the year 2017-18, the opening balance of amount reserved under 25% Grant for the welfare of Scheduled Caste/Scheduled Tribe as on 1/4/2017 was Rs.15,91,575/-. During the year 2017-18, a sum of Rs.1,57,905/- was reserved for the welfare of Scheduled Caste/Scheduled Tribe under 25% grant scheme. Out of the above amount, during the year 2017-18, a sum of Rs.1,73,695/- was spent showing the balance of Rs.15,75,785/- at the end of the year on 31/3/2018. The Respondent No.2 Sri E. Anand who was working as Panchayath Development Officer during the year 2017-18 had not spent the amount under 25% scheme in accordance with Rules, thus depriving the benefits of the scheme to the above class of persons.

17) In relation to the amount reserved for the welfare of Physically Challenged persons under 3% grant scheme, there was opening balance of Rs.94,542/- as on 1/4/2017. During the year 2017-18 a sum of Rs.69,351/- was reserved and during the year 2017-18 a sum of Rs.52,800/- was spent, thus, the closing balance as on 31/3/2018 is shown as Rs.1,11,0930/-. The Respondent No.2 Sri E. Anand who was working as Panchayath Development Officer during the year 2017-18 had not spent the full amount under 3% scheme in accordance with Rules, thus depriving the benefits of the scheme to the above class of persons.

RECEIPT BOOKS

18) The Neriga Grama Panchayath had not maintained the register in Form No.5 (Rule 21) regarding the stock and issue of Receipt Books during the years 2016-17 and 2017-18. The details

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opening balance, receipt of receipt books during the year and the closing balance of receipt books are as follows;

Sl. No	Details	2016-17	2017-18
1	Opening Balance	02	04
2	Receipt of Receipt Books	05	05
3	Total	07	09
4	No. of receipt books utilized for the year	03	04
5	Balance of receipt books at the end of the year	04	05

The respondents 1 & 2 are responsible for not maintaining the Stock Register of Receipt Books for the years 2016-17 & 2017-18.

19) From the Audit Report for the year 2017-18, it is noticed that the amount collected through receipts were not remitted to the bank in time. At times, it is found that the collections were remitted twice or trice in a month. Even there are delay of one month in remitting the month. This delay in remitting the collections to the Bank leads to temporary misappropriation of fund. Further, the amount mentioned in the receipts was not mentioned against the properties in the DCB Register. The Respondent No.2 Sri E. Anand, who was working as Panchayath Development Officer during the year 2017-18 is responsible for the same.

COLLECTION OF TAXES AND ITS REMITTANCE TO GOVT.
ACCOUNTS

20) As per the Audit Report for the year 2016-17 and 2017-18 Neriga Grama Panchayath had not maintained the Tax Assessment List as required under Section 199 of the Karnataka Grama Swaraj & Panchayath Raj Act, 1993. It had not maintained the Mutation Register in Form No.10 as per Rule 29 of the Karnataka

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Panchayath Raj (Budgeting and Accounts) Rules, 2006. The Respondent No.1 Sri Subramanya; Respondent No.2 Sri E. Anand and Respondent No.3 Sri E. Kantharaj, Panchayath Development Officers of Neriga Grama Panchayath during the years 2016-17 to 2018-19 are responsible for the above lapse.

21) From the Audit reports for the years 2016-17 & 2017-18, it is noticed that Neriga Grama Panchayath had not maintained the Demand Collection Balance Register (DCB Register) as per Rule 30 of the Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006. The opening balance, demand during the year, collection during the years and the balance at the end of the year are as follows:-

2016-17

Sl. No	Details of tax	Opening balance	Demand	Total	Collection	Closing balance
1	House Tax	83,46,906	14,50,000	97,96,906	18,24,855	79,72,051
2	Water Tax	54,566	75,000	1,29,566	30,436	99,130
3	Licence	-	24,655	24,655	24,655	-
	Total	84,01,472	15,49,655	99,51,127	18,79,946	80,71,181

2017-18

Sl. No	Details of tax	Opening balance	Demand	Total	Collection	Closing balance
1	House Tax	79,72,051	15,95,000	95,67,051	80,07,340	15,59,711
2	Water Tax	99,130	82,500	1,81,630	1,33,479	48,151
3	Licence	-	15,51,484	15,51,484	15,51,484	-
	Total	80,71,181	32,28,984	113,00,165	96,92,303	16,07,862

22) In the Audit report for the year 2016-17, there are totaling mistakes of opening balance and collection of house tax and Water tax. Therefore, totaling are corrected and the closing balance is arrived at by deducting the collections shown in the audit report during the year. Accordingly, the opening balance of the year 2017-18 is taken as per the figures arrived.

23) As per the above statements, as on 31/3/2018, huge amount in a sum of Rs.16,07,862/- towards house tax and water tax was not collected by the Neriga Grama Panchayath, which amounts to loss caused to the State Exchequer. The Respondent No.1 Sri Subramanya and Respondent No.2 Sri E. Anand, Panchayath Development Officers of Neriga Grama Panchayath during the years 2016-17 and 2017-18 are responsible for short collection of House Tax and Water Tax during the relevant years.

24) In the audit reports for the years 2016-17 and 2017-18 it is observed that the Neriga Grama Panchayath had not revised the rates of tax for every 4 years, as per Rule 14 of the Karnataka Panchayath Raj (Tax) Rules, 1994.

25) As per Rule 20 of Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006, General Receipts in Form No.3 have not been incorporated. The Registers in relation to the Cheque/DD is not maintained and temporary receipts as per Form-3A were not issued. The information was not provided regarding the inclusion of all buildings and sites to which the tax had to be levied and collected. In relation to receipt of taxes by Cheque/DD, the amounts were directly credited to the Panchayath Fund without issuing the temporary receipts in Form No.3A. Further, the amount received was belatedly credited to the Panchayath fund, which amounts to temporary misappropriation of funds.



26) In the Audit reports for the years 2016-17 and 2017-18 the following irregularities were noticed in relation to collection of amount by Neriga Grama Panchayath.

- i) In respect of collection of amount through DD/Cheques, temporary receipts in Form No.3A were not issued, instead the amount was directly credited to Panchayath funds.
- ii) The amount collected was not remitted on the same day, it was remitted belatedly.
- iii) The amount noted in the Receipts was not entered in the DCB Register against the properties.
- iv) The DCB demand was not revised.

NON-REMITTANCE OF CESS/SURCHARGES

27) The details regarding the surcharge/cess levied on taxes and its collection, remittance and the balance are as follows:-

2016-17

Sl. No	Details of Cess	Current year's collection	Panchayath tax @10%	Balance cess	Opening balance for the year	Total to be remitted	Remitted during the year	Balance as on 31/03/2017
1.	Health cess	2,04,275	20428	1,83,847	19,789,239	21,62,086	-	21,62,086
2.	Education cess	1,36,183	13618	1,22,565	13,18,910	14,41,475	-	14,41,475
3.	Library cess	81,710	8171	73,539	7,91,645	8,65,184	-	8,65,184
4.	Beggars cess	40,855	4086	36,769	2,65,606	3,02,375	-	3,02,375
	Total	4,63,023	46303	4,16,720	43,54,400	47,71,120	-	47,71,120

2017-18

Sl. No	Details of Cess	Current year's collection	Panchayath tax @10%	Balance cess	Opening balance for the year	Total to be paid	Paid during the year	Balance as on 31/03/2018
1.	Health cess	8,96,344	89634	8,06,710	21,62,086	29,68,796	-	29,68,796
2.	Education cess	5,97,563	59756	5,37,807	14,41,475	19,79,282	-	19,79,282
3.	Library cess	3,58,538	35854	3,22,684	8,65,184	11,87,868	-	11,87,868
4.	Beggars cess	1,79,269	17927	1,61,342	3,02,375	4,63,717	-	4,63,717
	Total	20,31,714	203171	18,28,543	47,71,120	65,99,663	-	65,99,663

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28) It is noticed from audit reports of the years 2016-17 and 2017-18, the Neriga Grama Panchayath, had not deposited the above cess/surcharge amount collected to the concerned heads of account of Government. At the close of the year 2017-18 the cess amount to be deposited to different heads of account was Rs.65,99,663/-. As per the Audit reports, the Neriga Grama Panchayath, instead of depositing the above Cess amount to the concerned heads of account of Government had utilized the same for other purposes, which is illegal and opposed to Rules. The Panchayath had also not explained as to which purpose, the Cess amount was utilized. Non-remittance of above Cess amount in a sum of Rs.64,55,023/- as stated above, amounts to misdirection of funds and loss to the State exchequer. The respondent Nos.1 & 2 are responsible for the same.

**NON-PRODUCTION OF KHATA FILES RELATING TO
MUTATION/E-PROPERTIES REGISTERS**

29) The Neriga Grama Panchayath, had not maintained the files relating to change of Khatha, which were noted in the Tax Registers. Without maintenance of the files relating to transfer of khatas, it could not be verified whether the transfer of khatas was on the basis of conversion of lands by the Deputy Commissioner or on the basis of Pavathi Varsa or purchase. The Panchayath Development Officer is responsible for illegal transfer of khathas or creation of bogus khatas if any.

IRREGULARITIES IN PAYMENTS

30) In relation to payments, it is observed in the Audit reports for the years 2016-17 and 2017-18 that no approval was obtained in the concerned files respect of each payments; in respect of

works and purchases, quality test of materials/works was not conducted. Failure to follow the above procedure, lead to misappropriation of funds.

REGARDING EXPENDITURE OF PANCHAYATHS

31) In the audit reports of Neriga Grama Panchayath, in relation to payment of bills, it is observed that;

(i) The provisions of Karnataka Transparency in Public Procurement Act were not followed in procurement of goods. The purchase rules as clarified in Govt. Circular No. RDP 242 Ji.Pa.Sa 2000 dated 9/4/2001 and PWD 33 FC 111/2001 dated 23/3/2001, were not followed. The Karnataka Transparency in Public Procurement Rules, 2000 was not followed in respect of purchases.

(ii) In relation to purchase of materials of water supply and electricity, (a) the quotations were not called for, for most of the purchases; (b) In many cases, after payment, the Bills were not cancelled and certified; (c) Certificate with regard to qualitative procurement of goods were not mentioned; (d) After payment, the bills were not converted as Vouchers and numbers were not given; (e) On some of the Bills, Bill Passing Orders were not noted; (f) on the obverse of the Bills, certificate with regard to the materials taken to stock register is not noted; (g) in relation to issuance of materials and balance, date wise entries were not attested.

(iii) In relation to repair of motor pumps, (a) estimates for repair were not prepared through Junior Engineer and for payment of repair bills, approval of estimates were not obtained; (b) the log book in respect of drilling of bore wells, mentioning the details of

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bore wells drilled, depth of bore well, place of bore well, was not maintained. The details of installation of motor and its previous repairs, complaints regarding repair and other details are not mentioned in the Log Book; (c) the dead stock materials removed after repairs were not taken to stock and the same were not disposed of.

32) From the Audit Report for the year 2017-18, it is noticed that purchase of spare parts for Drinking Water for a sum of Rs.40,000/- was made without calling for quotation, as required under Govt. Order No. FD 01 TCE 2012, Dated 21/6/2012 and Rule 55(49) of the Karnataka Manual of Contingent Expenditure. The amount relating to the above purchase was made through cheque No.212872 dated 17/8/2017. The purchase of materials without calling quotations is illegal and opposed to above instructions and Rules. The respondent No.2 Sri E. Anand is responsible for the above irregularity.

REGARDING SCHEMES OF GOVERNMENT

33) The details of grants available in the Neriga Grama Panchayath for implementation of various schemes, its utilization and balance available at the end of the year, as shown in the Audit Reports of the relevant year are as follows:-

For the year 2016-17

Sl. No.	Name of the Scheme	Opening balance	Grants for the year (including interest & others)	Total	Total expenditure during the year	Balance at the end of year
1	13 th Finance	47,00,973	6,59,436	53,60,409	53,22,191	38,218
2	14 th Finance	-	38,98,059	38,98,059	23,45,898	15,52,161
3	Ashraya	21,18,493	74,601	21,93,094	21,93,094	-
4	TSC	21,459	1,783	23,242	21,579	1,663

W. Anand

For the year 2017-18

Sl. No.	Name of the Scheme	Opening balance	Grants for the year (including interest & others)	Total	Total expenditure during the year	Balance at the end of year
1	14 th Finance	15,52,161	30,22,448	45,74,609	43,67,896	2,06,713
2	13 th Finance	38,218	3,53,574	3,91,792	3,90,469	1,323

As per the above statements, the Neriga Grama Panchayath had not fully utilized the grants under different schemes and thus failed accomplish its full target, which results in depriving the benefits of the scheme to the beneficiaries. From the audit reports for the years 2016-17 and 2017-18, it is noticed that the grants of 13th and 14th finance scheme were not utilized as per the guidelines of the scheme, and instead it has been diverted to other purposes, thereby the objects of the scheme is frustrated. The Respondents 1 and 2 who were working as Panchayath Development Officers during the years 2016-17 and 2017-18 are responsible for the above irregularities.

IRREGULARITIES FOUND IN RESPECT OF PROJECT EXPENDITURES

34) From the Audit reports for the years 2016-17 and 2017-18, it is noticed that the Neriga Grama Panchayath had not maintained the Works Register in Form No.35 as per Rule 79 of the Karnataka Panchayath Raj (Grama Panchayath Budgeting and Accounts) Rules, 2006. As per Grama Panchayath Budgeting and Accounting Rules, 1994 and Rule 94 of the Karnataka Public Works Code, the Stock Register of works and maintenance of machineries were not maintained.

N. Srinivas

REGARDING MEASUREMENT BOOKS

35) From the Audit Reports for the year 2016-17 and 2017-18 it is noticed that the Neriga Grama Panchayath, had not procured the Measurement books from Government Printing Press. If the Govt. Printing Press had not supplied the Measurement books, the procedure as prescribed under KTPP Act shall have to be followed. It is noticed that the measurement books were purchased from private agencies, which is a serious lapse. The stock register of measurement book was not maintained. The measurement book is an important document, which should be preserved for number of years.

NON - REMITTANCE/SHORT REMITTANCE OF ROYALTY, ETC TO CONCERNED HEADS OF ACCOUNT OF GOVERNMENT

36) From the audit reports for the year 2016-17 and 2017-18 it is noticed that the following amount of royalty, sales tax, income tax and labour welfare tax which were deducted from works bills were not remitted to the concerned heads of the Government.

2016-17

Details	Royalty	Sales Tax	Income Tax	Labour Welfare fund	CBF
Opening balance as on 1/4/2016	18,880	48,553	18,722	2,834	-
Deductions for 2016-17	1,09,278	1,23,836	95,671	76,500	-
Total	1,28,158	1,72,389	1,14,393	79,334	-
Remitted to Govt. during 2016-17	-	-	-	-	-
Balance to be remitted as on 31/3/2017	1,28,158	1,72,389	1,14,393	79,334	-

W. S. Sankar

2017-18

Details	Royalty	Sales Tax	Income Tax	Labour Welfare fund	CBF
Opening balance as on 1/4/2017	1,28,158	1,72,389	1,14,393	79,334	-
Deductions for 2017-18	1,39,878	1,00,120	1,97,473	46,296	4,513
Total	2,68,036	2,72,509	3,11,866	1,25,630	4,513
Remitted to Govt. during 2017-18	-	-	-	-	-
Balance to be remitted as on 31/3/2018	2,68,036	2,72,509	3,11,866	1,25,630	4,513

As on 31/3/2018 a sum of Rs.2,68,036/- towards Royalty; Rs.2,72,509/- towards sales tax; Rs.3,11,866/- towards Income Tax; Rs.1,25,630/- towards labour Welfare Fund and Rs.4,513/- towards Contractors' Benevolent fund are due to be remitted to the concerned heads of Government. Non-remittance of above Royalty, Sales Tax, Income Tax, Labour Welfare Fund and CBF to the concerned Heads of Department of Government amount to misdirection of funds and loss to the State exchequer. Respondents 1 and 2, who were Panchayath Development Officers are responsible for non-remittance of the above amount to the concerned heads of Government during the relevant years.

37) From the audit reports for the years 2016-17 and 2017-18 it is noticed that the following amount of royalty, sales tax, income tax, labour welfare tax and CBF which were deducted from Contractors/materials suppliers were not remitted to the concerned heads of the Government.

N. Srinivas

2016-17

Taxes	Schemes	Amount to be deducted during 2016-17	Amount deducted during the year 2016-17	Amount short deducted /left out	Amount remitted to Treasury	Amount short remitted to treasury.
Royalty	13 th finance	55,869	55,869	-	-	55,869
	14 th finance	53,409	53,409	-	-	53,409
Total		1,09,278	1,09,278	-	-	1,09,278
Sales Tax	13 th finance	66,488	66,488	-	-	66,488
	14 th finance	57,348	57,348	-	-	57,348
Total		1,23,836	1,23,836	-	-	1,23,836
Income Tax	13 th finance	45,841	45,841	-	-	45,841
	14 th finance	49,830	49,830	-	-	49,830
Total		95,671	95,671	-	-	95,671
Labour Welfare Board Fee	13 th finance	26,670	26,670	-	-	26,670
	14 th finance	49,830	49,830	-	-	49,830
Total		76,500	76,500	-	-	76,500
Grand Total		4,05,285	4,05,285	-	-	4,05,285

2017-18

Taxes	Schemes	Amount to be deducted during 2017-18	Amount deducted during the year 2017-18	Amount short deducted /left out	Amount remitted to Treasury	Amount short remitted to treasury.
Royalty	Group 1 & 2	1,39,723	1,39,723	-	-	1,39,723
	14 th finance	155	155	-	-	155
Total		1,39,878	1,39,878	-	-	1,39,878
Sales Tax	Group 1 & 2	37,401	37,401	-	-	37,401
	14 th finance	62,719	62,719	-	-	62,719
Total		1,00,120	1,00,120	-	-	1,00,120
Income Tax	Group 1 & 2	1,58,956	1,58,956	-	-	1,58,956
	14 th finance	38,517	38,517	-	-	38,517
Total		1,97,473	1,97,473	-	-	1,97,473
Labour Welfare Board Fee	Group 1 & 2	30,888	30,888	-	-	30,888
	14 th finance	15,408	15,408	-	-	15,408
Total		46,296	46,296	-	-	46,296
CBF	Group 1 & 2	3,089	3,089	-	-	3,089
	14 th finance	1,424	1,424	-	-	1,424
Total		4,513	4,513	-	-	4,513
Grand Total		4,88,280	4,88,280	-	-	4,88,280

As per the above Statements, in relation to the year 2016-17 an amount of Rs.4,05,285/- collected towards Royalty, Sales Tax, Income Tax and Labour Welfare fund was not remitted to the concerned Heads of Account of Government. In relation to the year 2017-18 an amount of Rs.4,88,280/- collected towards Royalty, Sales Tax, Income Tax, Labour Welfare fund and Contractors' Benevolent fund was not remitted to the concerned Heads of Account of Government. Non-remittance of above Royalty, Sales Tax, Income Tax, Labour Welfare Fund and Contractor's Benevolent Funds to the concerned Heads of Department of Government amount to misdirection of funds and loss to the State exchequer. The respondents 1 & 2 who were working as Panchayath Development Officers during the relevant years, are responsible for above misdirection of above funds and causing loss to the Government exchequer.

As per Govt. Order No. LD 300 LET 2006 dated 18/1/2007, 1% of the Development/Maintenance works shall have to be deducted towards Labour Cess and the same amount shall be remitted to the Chief Executive Officer, Buildings and other construction Labour Welfare Board, Karmika Bhavan, Bannerghatta Road, Bangalore. The Neriga Panchayath had not followed the above instructions.

38) As per Audit Reports for the years 2016-17 & 2017-18, the Neriga Grama Panchayath, had not maintained the following registers, which are required to be maintained in the Panchayath.

- (i) Advertisement demand and collection Register
- (ii) Water charges demand and collection register



- (iii) Revenue yielding Property register
- (iv) Licence Issue Register,
- (v) Entertainment Taxes demand register
- (vi) Stock and Issue Register of purchases
- (vii) Register of estimates of works.
- (viii) Nominal Muster Rolls Register
- (ix) Works Register
- (x) Measurement books' Register
- (xi) Loan Repayment Register
- (xii) Land records register
- (xiii) Immovable properties (Other than lands)
- (xiv) DCB Register of Taxes
- (xv) Mutation Register,
- (xvi) Register of newly created properties.

39) Apart from the above Registers Neriga Grama Panchayath had not maintained the following registers and ledgers

- (i) Double entry system of Cash Book in Form No. 49 as per Rule 104 of Karnataka Panchayath Raj (Grama Panchayath Budgeting and Accounts) Rules, 2006
- (ii) Journal Book in form No.50 as per Rule 106 of Karnataka Panchayath Raj (Grama Panchayath Budgeting and Accounts) Rules, 2006.
- (iii) Ledger Accounts in Form No. 52 as per Rule 107 of Karnataka Panchayath Raj (Grama Panchayath Budgeting and Accounts) Rules, 2006.



- 40) In the preparation of financial statements for the years 2016-17, 2017-18 and 2018-19, the Grama Panchayath, Neriga has committed the following irregularities.
- (i) The Classification of receipts and payments was not made in specified heads. Certain assets were formed under schemes, which were not shown under expenditure. Instead they were shown under Revenue expenditure.
 - (ii) In the cash book, all the cash flows in the Cash/Bank column were not properly classified under different heads and the same was not brought to statement.
 - (iii) The revenue expenditures met out under grants of specified schemes, were not brought under other revenue expenditure accounts.
 - (iv) While computing the incomes and expenditure all the incomes (whether received or not received) and all expenditures (whether actually incurred or not incurred) were not considered.
 - (v) The depreciation on the properties were not accounted and shown as loss.
 - (vi) In the receipt and expenditure statement, index numbers were not mentioned.
 - (vii) The income derived due to sale of dead stock materials and properties of Grama Panchayath were not shown in the profit and loss statement.
 - (viii) In the balance sheet also, there are several discrepancies.

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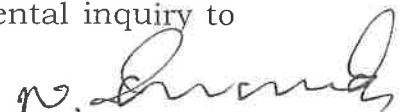
41) The following Executive Officers were working at Taluk Panchayath Anekal, who had control and supervision over the working of the Grama Panchayaths within the limits of Anekal Taluk, which includes the Neriga Grama Panchayath.

Sl. No.	Name of the Executive Officer	Period of work at Taluk Panchayath Anekal
1	Sri N. Nomesesh Kumar	13/7/2015 to 19/5/2017
2	Sri T.K. Ramesh	19/5/2017 to 12/7/2019
3	Sri K.C.Devarajegowda	24/7/2019 till date

The above Executive Officers, during their tenure at Anekal Taluk Panchayath had not supervised the accounts and administration of Grama Panchayath, Neriga Panchayath. Due to their lapses in properly supervising the accounts and administration of Grama Panchayaths, the irregularities/ misappropriation stated supra at Neriga Grama Panchayath had crept in. Therefore, they are also responsible for the irregularities/ loss caused, stated supra.

42) The respondents while submitting their comments have stated that the budgets of the Neriga Gram Panchayath were prepared every year as per rules and audits of Neriga Gram Panchayath was conducted. They have not explained the irregularities/loss to the State exchequer stated supra. Their comments cannot be accepted. In view of the above discussions, there is prima facie material for initiating disciplinary proceedings against Respondents 1 to 6.

43) Therefore, acting under Section 12(3) of the Karnataka Lokayukta Act, 1984, recommendation is made to the Competent Authority for initiating disciplinary proceedings against the following Respondents and to entrust the Departmental inquiry to

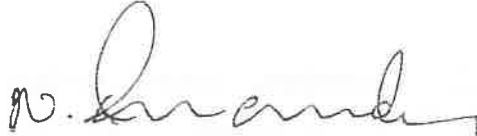


this institution as per Rule 14A of the Karnataka Civil Services (Classification, Control and Appeal) Rules, 1957;

- (1) **Respondent No.1** Sri Subramanya, the then Panchayath Development officer, Neriga Grama Panchayath, Anekal Taluk – Presently working at Handenahalli Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- (2) **Respondent No.2** Sri E. Anand, the then Panchayath Development Officer, Neriga Grama Panchayath, Anekal Taluk – now working at Suragajakkanahalli Grama Panchayath, Anekal Taluk, Bengaluru Urban District
- (3) **Respondent No.3** Sri E. Kantharaj, Panchayath Development Officer, Neriga Grama Panchayath, Anekal Taluk, Bengaluru Urban District)
- (4) **Respondent No.4** Sri Nomesh Kumar, the then Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal – Presently working as Deputy Secretary, Zilla Panchayath, Chikkaballapur
- (5) **Respondent No.5** Sri T.K. Ramesh, the then Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal – Presently working as Deputy Secretary, Zilla Panchayath, Tumakuru
- (6) **Respondent No.6** Sri K.C. Devaraje Gowda, Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal.

44) As per Section 12(4) of the Karnataka Lokayukta Act, the Competent Authority shall intimate or caused to be intimated the action taken or proposed to be taken on the above recommendation within three months from the date of receipt of this report.

Connected records are enclosed.


(JUSTICE N. ANANDA)
Upalokayukta-1
State of Karnataka, Bengaluru

6/7