

KARNATAKA LOKAYUKTA

No. Compt/Uplok/BCD/78/2020/ARLO-1

Multi Storied Buildings,
Dr. B.R. Ambedkar Veedhi,
Bengaluru 560 001
Dated: **09/06/2020**

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

Sub:- Proceedings against:-

- (1) Sri P. Rangaswamy, the then Panchayath Development Officer, Handenahalli Grama Panchayath, Anekal Taluk – Presently working at Kaggalipura Grama Panchayath, Bengaluru South Taluk
- (2) Sri Subramanya, Panchayath Development officer, Handenahalli Grama Panchayath, Anekal Taluk
- (3) Sri Nomesh Kumar, the then Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal – Presently working as Deputy Secretary, Zilla Panchayath, Chikkaballapur
- (4) Sri T.K. Ramesh, the then Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal – Presently working as Deputy Secretary, Zilla Panchayath, Tumakuru
- (5) 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 Handenahalli Grama Panchayath 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

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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 Handenahalli 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 P. Rangaswamy, the then Panchayath Development Officer, Handenahalli Grama Panchayath, Anekal Taluk (for the period from 1/1/2016 to 13/6/2016) – Presently working at Kaggalipura Grama Panchayath, Bengaluru South Taluk
- (2) Sri Subramanya, Panchayath Development officer, Handenahalli Grama Panchayath, Anekal Taluk (worked as Incharge PDO for the periods from 14/6/2016 to 26/7/2016 and 18/8/2016 to 8/7/2019 and working as Regular PDO from 8/7/2019 till date)
- (3) Sri Nomesh 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
- (4) 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
- (5) 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 has stated that the present Panchayath Development Officer i.e., Respondent No.2 Sri

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Subramanya has submitted the copies of budget estimates and also audit report of Handenahalli Grama Panchayath for the years 2016-17 to this office. Respondent No.2 has submitted comments dated 12/2/2020 that the concerned Panchayath Development Officer have prepared the budget for the year 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 Handenahalli Panchayath was conducted for the years 2016-17 to 2019-19 and copies of the same are enclosed.

4) The Respondent No.3 has submitted comments dated 27/2/2020 stating that during their tenure. The Handenahalli Grama Panchayath had submitted the audit report for the year 2016-17 and Budget for the year 2017-18. 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.4 has submitted comments dated 27/2/2020 similar to the comments submitted by Respondent No.3. Respondent No.5 has submitted comments dated 12/2/2020 stating that he had instructed the Panchayath Development Officer of Handenahalli to submit the Expenditure state-ments 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, 2017-18 and 2018-19 of the Handenahalli Grama Panchayath produced by Respondent No.2 along with his comments are perused.



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 Handenahalli Grama Panchayath.

REVENUE INCOME

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Opening Revenue balance	23,36,965	19,55,131	10,83,142	40,47,470
2	Rates and Taxes	107,88,960	95,77,617	77,38,424	108,94,810
3	Revenue from the Panchayath Properties	20,00,000	4,62,000	11,62,000	4,78,500
4	Revenue from Grama Panchayath Authorities	17,75,000	40,64,666	41,82,710	39,52,929
5	Grants, Donation, Subscriptions	5,50,000	18,00,000	18,80,000	19,80,000
	Total Revenue Income	156,50,925	17859414	16046276	21353709

REVENUE EXPENDITURE

Sl. No.	Details	2016-17	2017-18	2018-19	2019 20
1	General Administration	2,53,000	3,64,492	3,90,892	7,62,687
	i) Grama Panchayath (Elected Body)	15,71,640	20,16,981	20,82,700	20,64,133
	ii) Office				
2	Development Expenditure				
	1) Drinking Water	18,15,000	23,59,742	17,54,742	17,65,375
	2) Rural Sanitation	9,86,000	5,30,000	5,30,000	5,47,463
	3) General Health & Family Welfare	1,75,000	1,00,000	75,000	56,968
	4) Roads, Bridges & other connecting medias	3,50,000	3,00,000	1,50,000	7,32,090
	5) Buildings	1,00,000	1,00,000	50,000	56,137
	6) Electrification and Electricity supply	3,85,000	10,79,699	10,24,699	5,14,579
	7) Social Services	10,88,588	7,54,504	7,16,311	7,76,481
	8) Motivation Services	50,19,588	50,000	50,000	55,000
	Total Expenditure	5019588	5273945	4350751	4504193
	Transfer from General fund	6533329	2796716	2227956	2212770
	Total Revenue Expenditure	13377557	10452134	9052299	9543783
	Closing balance	2273368	7407280	6993977	7762456

CAPITAL INCOME

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Opening Revenue balance	18,78,727	3,21,485	-	30,81,294

2	Grants, Subscription, donation.	42,70,201	-	-	-
3	Central and Central sponsored & State and State Sponsored Schemes (Special Rural Development Programmes)	17,00,000	41,18,580	46,12,200	45,11,652
	Total Capital Income	7848928	44,40065	4612200	7592946

CAPITAL EXPENDITURE

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Development Expenditure				
	1) Drinking Water	2,60,000	10,00,000	5,00,000	10,64,532
	2) Roads, Bridges & other connecting medias	32,60,000	45,00,000	47,00,000	85,37,657
	3) Buildings	5,00,000	-	1,00,000	19,360
	Total Expenditure	40,20,000	55,00,000	53,00,000	96,21,549
2	Specific Project Expenditure				
	Central and Central sponsored & State and State Sponsored Schemes (Special Rural Development Programmes)	17,00,000	41,18,580	46,12,200	69,93,801
3	Procurement of properties	-	96,445	1,12,945	1,49,805
3	Repayment of loan	63,000	-	-	-
	Total Capital Expenditure	57,83,000	97,15,025	100,25,145	16765155
	Closing Balance	20,65,928	52,74,960	54,12,945	

INCOME FROM DEPOSITS, ADVANCES & INVESTMENTS,

Sl. No.	Details	2016-17	2017-18	2018-19	2019-20
1	Opening Revenue balance	-	2,000	2,000	3,000
2	Receipt	1,00,000	-	-	-
	Total Income	1,00,000	2,000	2,000	3,000
3	Expenditure	1,00,000			
	Total Final Balance of the Panchayath	43,39,296	21,34,320	15,83,032	26,40,718

Total final closing balance

1,73,15,000

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 Handenahalli Grama Panchayath for the years 2016-17, 2017-18 and 2018-19, it is

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observed that the above 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.

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 Handenahalli Grama Panchayath.

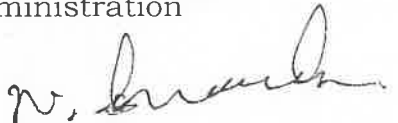
10) The Respondent No.1 Sri P Rangaswamy, was working as Panchayath Development Officer of Handenahalli Grama Panchayath from 17/12/2013 to 13/6/2016 and the Respondent No.2 Sri Subramanya was working as Panchayath Development Officer of Handenahalli Grama Panchayath from 14/6/2016 to 26/7/2016 and from 18/8/2016. The above two Panchayath Development Officers have prepared and submitted the Budget estimates stated above and are responsible for the aforesaid irregularities in the preparation of budget of the relevant years. It is seen from copies of Budget estimates that Respondent No.3 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.4 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

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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 Handenahalli 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 and 2018-19 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 Handenahalli Panchayath. Therefore, the Respondents 1 and 2 who were the Panchayath Development Officers are responsible for the same. The Respondents No. 3, 4 and 5 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, Handenahalli 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, Handenahalli 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)

14) There was deposit of Rs.2,000/- at the beginning of 1/4/2016, which was carried out for 1/4/2017 and also for 1/4/2018. The Deposit made for more than three years was not taken to Panchayath accounts.

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

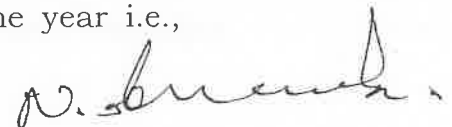
15) During the year 2016-17, the Handenahalli Grama Panchayath has spent a sum of Rs.6,58,503/- towards welfare of Schedule Caste and Scheduled Tribes under 25% scheme and no expenses made out towards welfare of physically challenged

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(differently abled) persons. The opening balance of Rs.3,66,500/- and amount of Rs.1,00,000/- reserved for the year 2016-17 towards the welfare of physically challenged persons was not spent during the year as per Rules. Respondent No.1 Sri P. Rangaswamy and Respondent No.2 Subramanya are responsible for not utilising the grant for welfare of physically challenged persons.

16) During the year 2017-18, a sum of Rs.6,64,355/- was reserved for welfare of Scheduled Caste & Scheduled Tribe and at the end of the year a sum of Rs.6,25,005/- was shown as closing balance. Under 3% physically challenged persons' grant totally a sum of Rs.5,36,911/- was available during the year. But no amount was spent for the welfare of Physically challenged persons, thereby an amount of Rs.5,36,911/- is shown as closing balance. Respondent No.2 Subramanya is responsible for not utilising the grant for the welfare of Scheduled Caste & Scheduled Tribe and for of physically challenged persons.

17) During the year 2018-19, a sum of Rs.9,15,397/- was reserved for welfare of Scheduled Caste & Scheduled Tribe and opening balance of Rs.6,25,005 was available, thus totally a sum of Rs.15,40,402/- was available for utilisation of welfare of Scheduled Caste & Scheduled Tribe persons. During the year 2018-19, only the sum reserved during the year 2018-19 was spent showing the closing balance of Rs.6,25,005/-. Under 3% physically challenged persons' grant a sum of Rs.31,920/- was reserved for the year and opening balance was Rs.5,36,911/- totally a sum of Rs.5,68,831/- was available during the year. During the year 2018-19, amount reserved during the year i.e.,



Rs.31,920/- was spent, thereby an amount of Rs.5,36,911/- is shown as closing balance. Respondent No.2 Subramanya is responsible for not utilising the grant for the welfare of Scheduled Caste & Scheduled Tribe and for of physically challenged persons.

RECEIPT BOOKS

18) The Handenahalli 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 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	2018-19
1	Opening Balance	17	02	06
2	Receipt of Receipt Books	-	20	10
3	Total	17	22	16
4	No. of receipt books utilised for the year	15	16	16
5	Balance of receipt books at the end of the year	02	06	00

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

19) The Handenahalli Grama Panchayath has 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 Panchayath Raj (Budgeting and Accounts) Rules, 2006.

COLLECTION OF TAXES AND ITS REMITTANCE TO GOVT. ACCOUNT

20) The Handenahalli Grama Panchayath had not maintained the Demand Collection Book (DCB Register) as per Rule 30 of the

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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	28,18,127	60,14,330	88,32,457	72,36,701	15,95,756
2	Water Tax	2,46,145	1,77,120	4,23,265	2,19,490	2,03,775
3	Licence	-	2,31,641	2,31,641	2,31,641	0
4	Building Rent	-	83,740	83,740	83,740	0
	Total	30,64,272	65,06,831	95,71,103	77,71,572	17,99,531

2017-18

Sl. No	Details of tax	Opening balance	Demand	Total	Collection	Closing balance
1	House Tax	15,95,756	90,30,212	1,06,25,968	90,08,172	16,17,796
2	Water Tax	2,03,775	1,77,120	3,80,895	2,53,537	1,27,358
3	Licence	0	15,00,000	15,00,000	15,00,000	
4	Building Rent	0	4,20,935	4,20,935	4,20,935	
	Total	17,99,531	1,11,28,267	1,29,27,798	111,82,644	17,45,154

2018-19

Sl. No	Details of tax	Opening balance	Demand	Total	Collection	Closing balance
1	House Tax	16,17,796	90,30,212	1,06,48,008	72,57,833	33,90,175
2	Water Tax	1,27,358	1,86,720	3,14,078	2,17,688	96,390
3	Licence		1,42,372	1,42,372	1,42,372	0
4	Building Rent		14,29,571	14,29,571	14,29,571	0
	Total	17,45,154	1,07,88,875	1,25,34,029	90,47,464	34,86,565

21) As per the above statements, huge amount in a sum of Rs.34,86,545/- towards house tax and water tax was not collected by the Panchayath, which amounts to loss caused to the State Exchequer. The respondent No.2 Sri Subramanya, Panchayath Development Officer is responsible for short collection of House Tax and Water Tax.

22) In the audit report for the year 2018-19, at Paragraph 19(c), the monthly collection of taxes and its remittance to Government

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are shown. It is shown that out of total collection of Rs.90,56,44/- a sum of Rs.90,47,464/- was remitted to the Govt. There is short remittance of a sum of Rs.8,983/- to the Government, which is nothing but misappropriation.

23) As per Form-3 of Karnataka Panchayath Raj (Grama Panchayath, Budgeting and Accounts) Rules, 2006, General Receipts 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.

NON-REMITTANCE OF CESS/SURCHARGES

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

2016-17

Sl. No	Details of Cess	Current years demand	Panchayath tax @10%	Balance cess	Opening balance	Total to be paid	Paid during the year	Balance as on 31/03/2017
1.	Health cess	8,10,078	81,008	7,29,070	50,71,621	58,00,691	613619	51,87,072
2.	Educational cess	5,40,052	54,005	4,86,047	33,83,522	38,69,569	409017	34,60,552
3.	Library cess	3,24,031	32,403	2,91,628	20,08,317	22,99,945	245476	20,54,469
4.	Beggars cess	1,62,016	16,202	1,45,814	8,40,178	9,85,992	135848	8,50,144
	Total	18,36,177	183,618	16,52,559	113,30,638	129,56,197	1403960	1,15,52,237

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2017-18

Sl. No	Details of Cess	Current years demand	Panchayath tax @10%	Balance cess	Opening balance	Total to be paid	Paid during the year	Balance as on 31/03/2017
1.	Health cess	10,08,377	100838	9,07,539	51,87,072	60,94,611	-	60,94,611
2.	Education cess	6,72,252	67225	6,05,027	34,60,552	40,65,579	-	40,65,579
3.	Library cess	4,03,351	40335	3,63,016	20,54,469	24,17,485	-	24,17,485
4.	Beggars cess	2,01,675	20168	1,81,507	8,50,144	10,31,651	-	10,31,651
	Total	22,85,655	228566	20,57,089	115,52,237	136,09,326	-	136,09,326

2018-19

Sl. No	Details of Cess	Current years demand	Panchayath tax @10%	Balance cess	Opening balance	Total to be paid	Paid during the year	Balance as on 31/03/2017
1.	Health cess	8,12,444	81244	7,31,200	60,94,611	68,25,811	-	68,25,811
2.	Education cess	5,41,629	54163	4,87,466	40,65,579	45,53,045	-	45,53,045
3.	Library cess	3,27,978	32798	2,95,180	24,17,485	27,12,665	-	27,12,665
4.	Beggars cess	1,62,489	16249	1,46,240	10,31,651	11,77,891	-	11,77,891
	Total	18,44,540	184454	16,60,086	13609,326	152,69,412	-	152,69,412

25) It is noticed during the audit that during the years 2016-17, 2017-18 and 2018-19, the Grama Panchayath had not credited the cess amount. At the close of the year 2018-19 the total cess amount to be credited to different heads of account of Government, as per the above statements was Rs.152,69,412/-. Instead the Cess / Tax amounts were utilised for other purpose of the Panchayath, which is opposed to Rules and illegal. Non-remittance of above Cess amount in a sum of Rs. 152,69,412/- amounts to misdirection of funds and causing loss to the State exchequer. The respondent Nos.1 and 2 are responsible for the same.



NON-PRODUCTION OF MUTATION REGISTERS

26) The Grama Panchayath, Handenahalli 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 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.

SHORT CREDITING OF AMOUNTS

27) As per the Audit for the year 2016-17, out of the amount of Rs.76,75,838/- collected through various receipts, a sum of Rs.76,58,951/- was deposited by to the bank and thereby there was short remittance of Rs.16,887/-. It is stated that a sum of Rs.16,887/- was remitted to the Bank on 28/12/2017. Therefore, there was temporary misappropriation of a sum of Rs.16,887/-

28) As per the Audit report for the year 2018-19, out of the total amount of Rs.90,56,447/- collected through various receipts, a sum of Rs.90,47,464/- was deposited by to the bank and thereby there was short remittance of Rs.8,983/-. This amount was misappropriated and Respondent No.2 is responsible for the same.

REGARDING EXPENDITURE OF PANCHAYATHS

29) In relation to payment of expenditures the Grama Panchayath, Handenahalli Grama Panchayath had not obtained approval in relation to each payment. In relation to purchases and

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works, quality tests were not conducted, which had lead to misappropriation of funds.

30) In the audit reports of Handenahalli 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. RDP242 Ji.Pa.Sa 2000 dated 9/4/2001 and PWD 33 FC 111/2001 dated 23/3/2001, were not followed.
- (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 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.



REGARDING SCHEMES OF GOVERNMENT

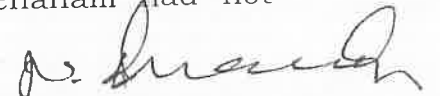
31) During the year 2016-17, the Handenahalli Panchayath has not utilised a sum of Rs.18,800/- under 14th Finance Scheme and Rs.1,36,205/-under 13th Finance Scheme and thus failed accomplish its full target, which results in failure of objects of the scheme. It is also noticed during the audit that the grants of 13th finance scheme was not utilised as per the guidelines of the scheme, and instead it has been diverted to other purposes, thereby the objects of the scheme is frustrated.

32) During the year 2017-18, the Handenahalli Panchayath has not utilised a sum of Rs.5,74,040/- under 14th Finance Scheme and thus failed accomplish its full target, which results in failure of objects of the scheme. It is also noticed during the audit that the grants of 14th finance scheme was not utilised as per the guidelines of the scheme, and instead it has been diverted to other purposes, thereby the objects of the scheme is frustrated.

33) In the Audit reports for the years 2016-17 and 2017-18, it is stated that the Handenahalli 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.

REGARDING MEASUREMENT BOOKS

34) In the Audit Reports for the year 2016-17 and 2017-18 it is noticed that the Grama Panchayath of Handenahalli 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. 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

35) During the audit for the year 2016-17, 2017-18 AND 2018-19, 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
Opening balance on 1/4/2016	14,671	1,64,078	10,85,942	7,370
Deductions for 2016-17	1,32,761	2,54,814	64,842	64,842
Total	1,47,432	4,18,892	11,50,784	72,212
Remitted to Govt. during 2016-17	94,039	1,47,242	39,442	38,646
Balance to be remitted as on 31/3/2017	53,393	2,71,650	11,11,342	33,566

W. Sundar

2017-18

Details	Royalty	Sales Tax	Income Tax	Labour Welfare fund	CBF
Opening balance on 1/4/2017	53,393	2,71,650	11,11,342	33,566	
Deductions for 2017-18	97,280	2,81,362	72,819	72,676	3154
Total	1,50,673	5,53,012	11,84,161	1,06,242	3154
Remitted to Govt. during 2017-18	1,404	4,954	1,239	1,239	-
Balance to be remitted as on 31/3/2018	1,49,269	5,48,058	11,82,922	1,05,003	3154

2018-19

Details	Royalty	Sales Tax/ GST	Income Tax	Labour Welfare fund	CBF
Opening balance on 1/4/2018	1,49,269	5,48,058	11,82,922	1,05,003	3154
2018-19	60,575	96,663	38,362	38,361	5,318
Total	2,09,844	6,44,721	12,21,284	1,43,364	8472
Remitted to Govt. during 2018-19	--	-	-		
Balance to be remitted as on 31/3/2019	2,09,844	6,44,721	12,21,284	1,43,364	8472


Non-remittance/Short 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 causing loss to the State exchequer by Respondent No.1, who was working as Panchayath Development Officer at the end of the Years 2016-17, 2017-18 and 2018-19. At the end of 31/3/2019, totally an amount of Rs.22,27,685/- was not remitted to the concerned Heads of Account of Government.



36) During the audit for the year 2016-17, 2017-18 and 2018-19, 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.

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 shorted remitter to treasury.
Royalty	Group 1	97,774	97,774		92,606	5,168
	13 th finance	1,404	1,404		-	1,404
	14 th finance	42,038	33,583	8,455	1,433	32,150
Total		1,41,216	1,32,761	8,455	94,039	38,722
Sales Tax	Group 1	1,58,759	1,58,759		1,40,253	18,506
	13 th finance	4,954	4,954		-	4,954
	14 th finance	91,101	91,101		6,989	84,112
Total		2,54,814	2,54,814		1,47,242	1,07,572
Income Tax	Group 1	39,689	39,689		37,695	1,994
	13 th finance	1,239	1,239		-	1,239
	14 th finance	23,914	23,914		1,747	22,167
Total		64,842	64,842		39,442	25,400
Labour Welfare Board Fee	Group 1	39,689	39,689		36,899	2,790
	13 th finance	1,239	1,239		-	1,239
	14 th finance	23,914	23,914		1,747	22,167
Total		64,842	64,842		38,646	26,196
CBF	Group 1	4,052	4,052		-	-



	13 th finance	124	124		-	-
	14 th finance	2,440	2,440		-	-
Total		6,616	6,616		-	-
Grand Total		5,32,330	5,32,330		3,19,369	1,97,890

2017-18

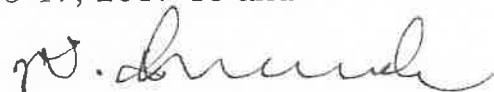
Taxes	Schemes	Amount to be deducted during 2017-18	Amount deducted during the year 2017-18	Amount short deducted / left out	Amount remitted to Treasury	Amount shorted to remitter to treasury.
Royalty	Group 1	83,198	78,393	4,805	-	78,393
	14 th finance	19,791	18,887	904	-	18,887
Total		1,02,989	97,280	5,709		97,280
Sales Tax	Group 1	2,25,564	2,25,564	-	-	2,25,564
	14 th finance	55,798	55,798			55,798
Total		2,81,362	2,81,362			2,81,362
Income Tax	Group 1	59,507	59,507			59,507
	14 th finance	13,312	13,312			13,312
Total		72,819	72,819			72,819
Labour Welfare Board Fee	Group 1	59,472	59,364	108	-	59,364
	14 th finance	13,312	13,312			13,312
Total		72,784	72,676	108		59,364
CBF	Group 1	6,871	4,537	2,334	-	4,537
	14 th finance	1,472	652	820	-	652
Total		8,343	5,189	3,154		5,189
Grand Total		5,38,297	5,29,326	8,971		5,29,326

W. Srinivas

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 shorted remitter to treasury.
Royalty	Group 1	52,678	52,678		-	52,678
	14 th finance	7,897	7,897		-	7,897
Total		60,575	60,575		-	60,575
Sales Tax	Group 1	1,05,800	81,282	24,518	-	81,282
	14 th finance	24,352	15,381	7,399	-	15,381
Total		1,30,152	96,663	31,917	-	96,663
Income Tax	Group 1	30,963	30,963		-	30,963
	14 th finance	7,399	7,399		-	7,399
Total		38,362	38,362		-	38,362
Labour Welfare Board Fee	Group 1	30,962	30,962		-	30,962
	14 th finance	7,399	7,399		-	7,399
Total		38,362	38,362		-	38,362
CBF	Group 1	4,166	4,166			4,166
	14 th finance	1,152	1,152		-	1,152
Total		5,318	5,318		-	5,318
Grand Total		2,72,768	2,39,279	31,917	-	2,39,279

Non-remittance/Short 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 causing loss to the state exchequer by Respondent No.1, who was working as Panchayath Development Officer at the end of the Years 2016-17, 2017-18 and



2018-19. At the end of 31/3/2019, totally an amount of Rs.22,27,685/- was not remitted to the concerned Heads of Account of Government.

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 Handenahalli Panchayath had not followed the above instructions.

37) The Handenahalli Grama Panchayath, had not maintained the following registers, which shall be maintained in the Panchayath.

- (i) Advertisement demand and collection Register
- (ii) Water charges demand and collection register
- (iii) Property register through which income is generated
- (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.

38) Apart from the above Registers Handenahalli 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 Booking 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.

39) In the preparation of financial statements for the year 2016-17, the Grama Panchayath, Handenahalli has committed the following flaws.

- (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.

40) 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 Handenahalli Grama Panchayath.

Sl. No.	Name of the Executive Officer	Period of work at Taluk Panchayath Anekal
1	Sri N. Nomesh Kumar	13/7/2015 to 19/5/2017
2	Sri T.K. Ramesh	19/5/2017 to 12/7/2019
3	Sri K.C.Devarajgowda	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, Handenahalli Panchayath. Due to their lapses in properly supervising the accounts and administration of Grama Panchayaths, the irregularities/misappropriation stated supra at Handenahalli Grama Panchayath had crept in. Therefore,

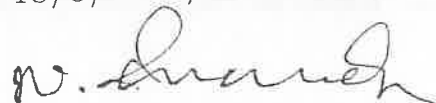
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they are also responsible for the irregularities/ misappropriation, stated supra.

41) The respondents while submitting their comments have stated that the budgets of the Handenahalli Gram Panchayath were prepared every year as per rules and audits of Handenahalli Gram Panchayath was conducted. They have not explained the irregularities/loss to the State exchequer/misappropriation stated supra. Their comments cannot be accepted. In view of the above discussions, there is prima facie material to hold that the respondents have committed misconduct.

42) Therefore, now 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 same to this institution under Rule 14A of the Karnataka Civil Services (Classification, Control and Appeal) Rules, 1957.

- i) **Respondent No.1** Sri P. Rangaswamy, the then Panchayath Development Officer, Handenahalli Grama Panchayath, Anekal Taluk (for the period from 1/1/2016 to 13/6/2016) – Presently working at Kaggalipura Grama Panchayath, Bengaluru South Taluk.
- ii) **Respondent No.2** Sri Subramanya, Panchayath Development officer, Handenahalli Grama Panchayath, Anekal Taluk (worked as Incharge PDO for the periods from 14/6/2016 to 26/7/2016 and 18/8/2016 to 8/7/2019 and working as Regular PDO from 8/7/2019 till date).
- iii) **Respondent No.3** Sri Nomesesh Kumar, the then Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal (for the period from 1/1/2016 to 18/5/2017) – Presently

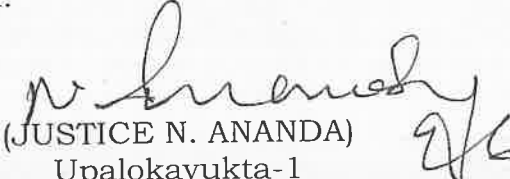


working as Deputy Secretary, Zilla Panchayath, Chikkaballapur.

- iv) **Respondent No.4** 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.
- v) **Respondent No.5** Sri K.C. Devaraj Gowda, Taluk Executive Officer, Taluk Panchayath, Anekal Taluk, Anekal (from 24/7/2019 till date).

43) As per Section 12(4) of the Karnataka Lokayukta Act, 1984, 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.

