

## 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<sup>5</sup>.

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<sup>6</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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.