Report of the
Comptroller and Auditor General of India
on
Local Self-Government Institutions

for the year ended March 2013

Government of Kerala
Report No. 5 of the year 2014

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PREFACE

This Report for the year ended March 2013 has been prepared for submission to the Governor of Kerala under Article 151 of the Constitution of India.

The Report contains significant results of the performance audit and compliance audit of Local Self-Government Institutions, viz., District Panchayats, Block Panchayats, Grama Panchayats, Municipal Corporations and Municipalities.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2012-13 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2012-13 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report comprises four chapters of which Chapters I and II contain an overview of structure, accountability, finances and financial reporting issues of Local Self-Government Institutions (LSGIs) and comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision (TGS) arrangement. Chapters III and IV contain six performance/compliance audits and eight transaction audit paragraphs. Copies of draft performance and compliance audits and transaction audit paragraphs were forwarded to the Government and replies wherever received have been duly incorporated.

Accountability framework, finances and financial reporting issues of LSGIs

Though there has been improvement in investments in Infrastructure and Service sectors (except during 2012-13) which is a positive development, the amount spent in Productive sector like Agriculture, Animal Husbandry, Fishing, etc., registered the lowest of all values during the five year period 2008-09 to 2012-13. There was increase in other expenditure like salaries, honorarium, contingency expenditure, etc. The Development Expenditure Fund released to the Grama Panchayats was short by ₹ 132.40 crore due to mistake. With reference to the cost of the projects formulated, the percentage utilisation of funds in the LSGIs was only 47.32. The largest shortfall in the implementation of the projects was noticed in Corporations. There were shortcomings in the financial administration like budget preparation, submission of monthly progress reports, preparation of monthly accounts, etc.

(Chapter II)

Implementation of EMS Total Housing Scheme

The EMS Total Housing Scheme was launched in the State in 2008. The ultimate goal of the scheme was to provide land and house to all landless and homeless in Below Poverty Line category. The scheme was to be implemented by Local Self-Government Institutions (LSGIs) with the support of the Government. The fund required was to be met out of Development Expenditure Fund, Own Fund and General Purpose Fund of LSGIs and loans from Banks. The Scheme was implemented initially for a period of three years from 2008-09 to 2010-11 which was subsequently extended up to March 2012.

Performance of the scheme during the period 2008-09 to 2011-12 was poor as 90 per cent of the homeless families in urban area and 76 per cent in the rural area remain uncovered. Though the scheme intended to give topmost priority for providing land to the landless, this component of the scheme remained largely inoperative during the scheme period. Implementation of the scheme was hampered due to shortfall in mobilization of funds. As against the requirement of ₹ 5861.56 crore for the implementation of the scheme, the LSGIs mobilized only ₹ 1452.97 crore. Expenditure of ₹ 35.50 lakh incurred by Kollam Corporation for purchase of land and construction of houses had become wasteful as the land purchased was marshy and unsuitable for construction. As one LSGI had availed loan in excess of requirement, the Government had to bear avoidable interest burden of ₹ 14.97 lakh.

(Paragraph 3.1)

Asset Management by Urban Local Bodies

Good asset management is a vital part of an organisation to assure that they are providing optimum value. It covers acquisition/creation of assets including replacement, improvements and remodeling of buildings, roads and bridges as also their accounting, utilisation, maintenance and disposal. Under decentralisation, the Urban Local Bodies(ULBs) are entrusted with certain mandatory as well as general functions relating to drinking water supply, rural housing, education, poverty alleviation, solid waste management, health, sanitation, street lighting, etc. Consequent on the above devolution of powers and functions, the Municipalities have become the custodian of diverse range of assets. The performance audit of Asset Management by ULBs revealed shortcomings in the planning and decision making for creation, accounting, utilisation and disposal of assets.

Though management of solid waste and slaughtering of animals were the mandatory functions to be performed by the ULBs, either solid waste processing plant or slaughter house or both were not in operation in 12 ULBs. Construction of a building taken up by Alappuzha Municipality had to be stopped after spending ₹ 22.22 lakh as the Municipality did not ensure ownership on the land. Expenditure of ₹ 1.02 crore incurred on the creation of slaughter house, truck terminal and a women's hostel by Kottayam Municipality had not benefitted the public. Assets created under social/service sectors at a cost of ₹ 51.53 lakh by two ULBs (Kasaragod Municipality and Kozhikode Corporation) were remaining idle for two to four years. A mortuary constructed at a cost of ₹ 9.60 lakh by Thodupuzha Municipality had not been put to use due to non-completion of electrical works. Small Industries Service Institute, acquired by Shoranur Municipality at a cost of ₹ 56.27 lakh during December 2002, was never put to use due to lack of technical knowhow and manpower. Three Municipalities (Alappuzha, Kottayam and Shoranur Municipalities) had to suffer loss of revenue amounting to ₹ 1.21crore due to non-utilisation of rooms/non-realisation of rent in shopping complexes.

(Paragraph 3.2)

Implementation of Building Rules in Kochi Municipal Corporation

System for evolving a centralized database relating to building permits/unauthorized constructions, coordination among the sections, proper maintenance of prescribed registers and adequate vigilance mechanism were absent in Kochi Municipal Corporation (KMC). As a result, KMC could not properly exercise control over the construction activities in the municipal area. Violations of Kerala Municipality Building Rules (KMBR)/Structure Plan, compromising on safety/security requirements were noticed in the issue of building permits/ construction of buildings, which adversely affected the ecology/heritage character of the area. Violation of Coastal Zone Regulations were noticed in the case of 19 constructions, including high-rise buildings by the side of Chilavannur backwaters. Violations of KMBR/Structure Plan in issuing permits and construction of buildings in two cases resulted in revenue loss of ₹ 76.44 lakh. KMC was not properly monitoring the construction activities in the Conservation (Heritage) Zone of Fort Kochi.

(Paragraph 4.1)

Project implementation under Backward Regions Grant Fund Programme

Planning process for the implementation of Backward Regions Grant Fund (BRGF) Programme in Palakkad and Wayanad districts was deficient due to absence of baseline survey and participatory planning by Grama Sabhas and Ward Committees. There was laxity in providing training to the officials of Panchayat Raj Institutions/elected representatives of the districts. There were deficiencies in project management that led to delayed implementation, especially in Wayanad, where 72.65 per cent of works were not started or were at various stages of progress. Further, effective monitoring and evaluation was not in place in the districts.

(Paragraph 4.2)

Implementation of major components under Swarna Jayanti Shahari Rozgar Yojana

Though the guidelines of Swarna Jayanti Shahari Rozgar Yojana (SJSRY) were revised with a view to overcome the difficulties faced by the State in the implementation of the Scheme to make a dent on the urban poverty scenario, its implementation suffered setbacks. The constraints/difficulties in implementing the Scheme due to delay in preparation of action plan, rejection of bank loan applications, lack of follow-up with the financed beneficiaries to monitor the progress of their self-employment ventures as also non-survival of units set up etc., indicate a disturbing trend in achieving the primary objective of addressing urban poverty alleviation through gainful employment to urban unemployed/ underemployed poor. Even though sizeable funds were retained in the scheme accounts, the entire amount received under the scheme was shown as expenditure. The CDS Executive Committee and Kudumbashree did not discharge their responsibilities to monitor the implementation of the scheme effectively.

(Paragraph 4.3)

Implementation of projects under Hariyali

Majority of the activities executed under Hariyali were not helpful in meeting the prime objective of the scheme, viz., improvement in water conservation. The project implementation in Chadayamangalam alone was found to be in conformity with the guidelines. The Watershed Development Teams and Technical Support Agencies, who had a major role in the preparation of Detailed Action Plans (DAPs) and execution of projects, failed to identify water-harvesting projects while preparing the DAPs. In the absence of an effective system to monitor the implementation of the project at district level as well as state level, the Poverty Alleviation Units and Commissionerate of Rural Development could not ensure that the activities implemented under each project conformed to the guidelines.

(Paragraph 4.4)

Other Compliance Audit Observations

Audit of financial transactions subjected to test check in various LSGIs revealed instances of non-compliance with rules and provisions, blocking of funds, infructuous/unproductive expenditure, idle investment and other irregularities as mentioned below:

Failure of Kunnathunadu Grama Panchayat to assess Entertainment tax under Category E of the Entertainment tax slab resulted in short levy of Entertainment tax of ₹1.20 crore.

(Paragraph 4.5)

Non-compliance with the rules and provisions by Kalloorkkadu Grama Panchayat resulted in infructuous expenditure of ₹13.79 lakh on a meat and fish market and civil work of biogas plant.

(Paragraph 4.6)

Even before finalisation of list of beneficiaries/houses, the District Panchayat Palakkad transferred ₹89 lakh to the implementing agency for construction of houses for SC families, resulting in blocking of funds.

(Paragraph 4.7)

A working women's hostel remained unoccupied and in a neglected state ever since its completion in January 2003 due to lack of initiative from Pazhayannur Block Panchayat to publicise the facility leading to idle investment of ₹13.18 lakh.

(Paragraph 4.8)

A windrow composting unit set up at a cost of ₹ 29.99 lakh by Thrissur Municipal Corporation for treatment of chicken waste remained idle due to failure to tackle unhygienic conditions of the nearby slaughter house.

(Paragraph 4.9)

Pandikkad and Udayamperoor Grama Panchayats constructed buildings for establishing industrial units, without assessing the demand and financial capability of the people, resulting in available resources of ₹69.80 lakh being tied up in idle assets.

(Paragraph 4.10)

Expenditure of ₹67.24 lakh incurred by Thrissur Municipal Corporation on a tourism project remained unfruitful due to lack of planning and regular maintenance.

(Paragraph 4.11)

Valancherry Grama Panchayat initiated a Bio Fertilizer Project using bio-waste as feed, ignoring the opposition of the local people, resulting in unfruitful expenditure of ₹23.86 lakh.

(Paragraph 4.12)

CHAPTER I

Organisation, Devolution and Accountability Framework of Local Self-Government Institutions

CHAPTER I

ORGANISATION, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF LOCAL SELF-GOVERNMENT INSTITUTIONS

1.1 Introduction

The Seventy-third and Seventy-fourth amendments of the Constitution of India giving constitutional status to Local Self-Government Institutions (LSGIs), established a system of uniform structure, regular elections and flow of funds. Consequent to these amendments, the State Legislature passed the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act) to enable LSGIs to work as third tier of the Government. The Government also identified and amended other related laws to empower LSGIs. As a follow-up, the Government entrusted LSGIs with such powers, functions and responsibilities as to enable them to function as Institutions of Local Self-Government. In order to fulfill the mandate bestowed to them under the Constitution and the laws, LSGIs are required to prepare plans and implement schemes for economic development and social justice, including those included in the Eleventh and Twelfth Schedules of the Constitution.

1.1.1 Status of transfer of functions and functionaries

Under KPR Act and KM Act, it shall be the duty of LSGIs to meet the requirements of the area of their jurisdiction in respect of the matters enumerated in the respective Schedules of the Acts, and LSGIs shall have the exclusive power to administer the matters enumerated in Schedules and to prepare and implement schemes relating thereto for economic development and social justice.

The Acts envisaged transfer of functions of various Departments of the Government to LSGIs together with the staff to carry out the functions transferred. The transfer of functions to different tiers of LSGIs was to be done in such a way that none of the functions transferred to a particular tier overlapped with that of the other.

The Eleventh Schedule of the Constitution contains 29 functions pertaining to the Panchayat Raj Institutions (PRIs). As mandated by KPR Act, the Government transferred (September 1995) 26 of these functions to PRIs. The functions relating to minor forest produce, distribution of electricity and implementation of land reforms are yet to be transferred to PRIs. Likewise, the Twelfth Schedule of the Constitution contains 18 functions pertaining to Urban Local Bodies (ULBs). The Government has transferred 17 functions mandated under KM Act to ULBs and the function relating to fire service is yet to be transferred. In addition to the functions mandated under the Constitution and the State Local Bodies Acts, LSGIs also undertake agency functions like World Bank aided projects, Asian Development Bank aided projects, etc., on behalf of both Central and State Governments to implement development programmes. As part of administrative or functional decentralisation, Government have transferred public service delivery institutions such as schools, dispensaries, public health centres, hospitals, anganwadis, district farms, veterinary institutions, etc., to the LSGIs.

For efficient discharge of functions, the LSGIs require availability of qualified and trained personnel. Against the required number of 1302 posts to be deployed, 601 posts were deployed leaving a balance of 701(February 2014).

1.2 Profile of LSGIs

As on 31 March 2013, there were 1209 LSGIs in the State. The details of the area, population, etc., are presented in **Table 1.2.**

Table 1.2: Comparative position of LSGIs

Level of LSGIs	Number	Number of wards/divisions	Average area per LSGI (Sq.km.)	Average population per LSGI
District Panchayats (DPs)	14	332	2651.70	1903357
Block Panchayats (BPs)	152	2095	244.24	175309
Grama Panchayats (GPs)	978	16680	37.16	26674
Municipal Corporations	5	359	95.60	491240
Municipalities	60	2216	23.65	51664
Total	**1209**	**21682**	-	-

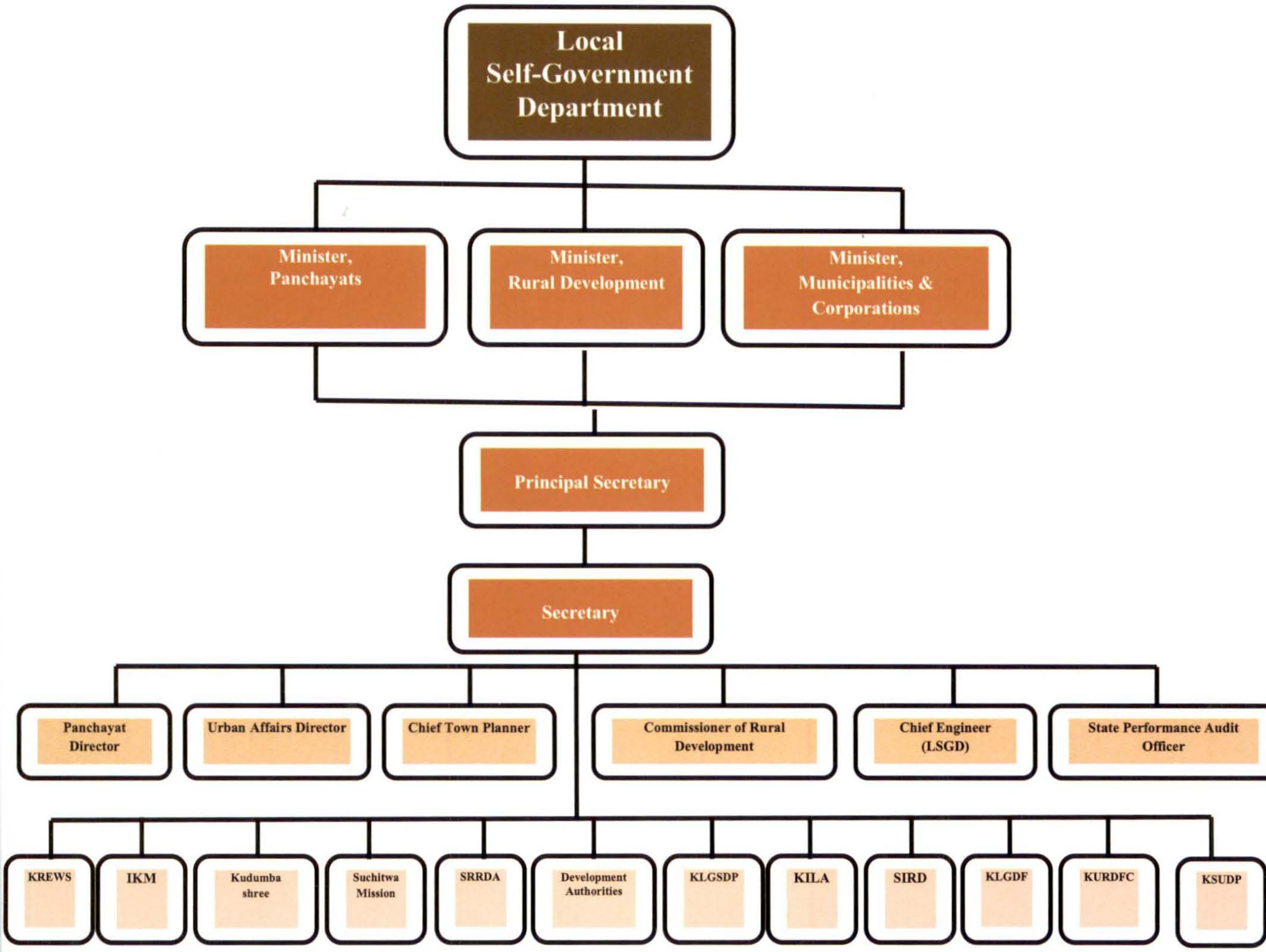
Source: Panchayat Guide-2014 published by Local Self-Government Department

1.3 Organisational set up

LSGIs constituted in rural and urban areas are referred to as PRIs and ULBs respectively. In the three-tier Panchayat Raj system in the State, each tier functions independently of the other. While the Constitution and the Acts confer autonomy and independent status to the LSGIs within the functional domain, the Government in Local Self-Government Department (LSGD) is empowered to issue general guidelines to LSGIs in accordance with the National and State policies. **Chart 1.1** depicts the organisational set up (as at the end of March 2013) in LSGD and LSGIs to execute the functions of the Government and that of LSGIs.

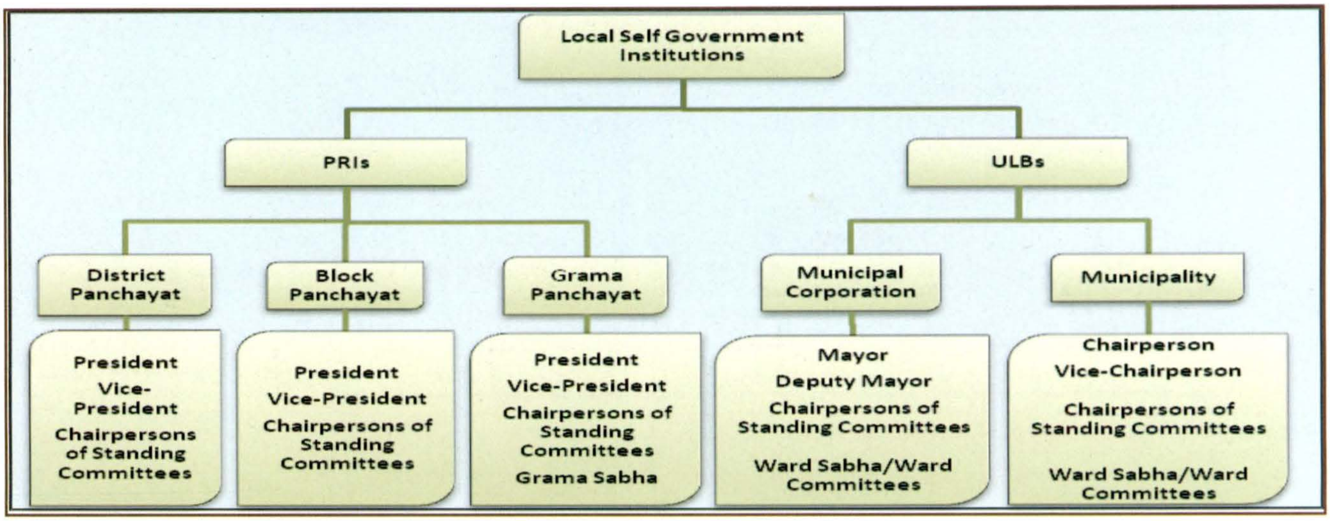
Chart 1.1: Organisation chart of LSGD and LSGIs

State Level



KREWS- Kerala Rural Employment and Welfare Society, **IKM**- Information Kerala Mission, **SRRDA**-State Rural Road Development Agency, **KLGSDP**-Kerala Local Government Service Delivery Project, **KILA**-Kerala Institute of Local Administration, **SIRD**- State Institute of Rural Development, **KLGDF**- Kerala Local Government Development Fund, **KURDFC**- Kerala Urban and Rural Development Finance Corporation, **KSUDP** - Kerala Sustainable Urban Development Project

LSGIs Level



The President/Chairperson/Mayor is the Chief Executive Head of LSGIs. Each LSGI has a Secretary who is the Chief Executive Officer. The members of each tier of PRIs elect the President, Vice-President and Chairpersons of the Standing Committees. Similarly, Councillors of the Municipality/Municipal Corporation elect the Chairperson/Mayor, Vice- Chairperson/Deputy Mayor and Chairpersons of the Standing Committees.

1.3.1 Standing Committees

KPR and KM Acts envisage a system of Standing Committees (SC) to provide an analysis of issues and proposals before they are considered by the Panchayat Committees/Councils. Accordingly, SCs have been constituted. There are four SCs for each GP and BP, five for each DP, six for each Municipality and eight for each Corporation. The details are given in **Appendix I.**

In terms of KPR Act, 1994 and KM Act, 1994, the SCs have the power to make resolutions in respect of their subjects. Every resolution passed by the SCs needs to be placed in the next meeting of the Panchayat Committee/Municipal Council of the LSGIs. The Committee/Council can modify resolutions, if considered necessary. Audit examination of the functioning of 123 SCs of 29 LSGIs in Ernakulam District during 2012-13 revealed the following:

(i) Each SC is required to prepare budget proposals and submit it to the SC for Finance. The SC for Finance, after considering the proposals, has to prepare the budget of the LSGI for the ensuing year and present it before the Panchayat Committee/Municipal Council before the second week of March. Audit noticed that the SCs of none of the LSGIs test-checked submitted budget proposals relating to their subject to the SC for Finance, for preparation of Annual Budget for the year 2012-13. As a result, the budget proposals of the LSGIs lacked in-depth analysis of issues and proposals of other SCs by the SC for Finance, before they were considered by the Panchayat Committee/Council.

(ii) Even though the SC for Finance prepared the budget for 2012-13, they did not adhere to the time schedule (before the second week of March 2012) for its presentation in the Panchayat Committee/Municipal Council meeting. Audit further noticed that 27 out of the 29 LSGIs test-checked passed the budget on the day of presentation itself, indicating inadequate deliberation on the budget as an effective instrument of financial control and decision making.

(iii) There was no regular system of reporting the resolutions of the SCs to the Panchayat Committee/ Municipal Council. In its absence, the latter could not make suggestions/modifications on the resolutions of the SCs.

(iv) Even if the resolutions were reported, the SCs did not have a regular system to receive feedbacks from the Panchayat Committee/Municipal Council. The importance of SCs, therefore, as an independent mechanism capable of analysing various critical issues gets ignored/seriously diluted.

Thus, the SCs constituted with clear functional roles could not discharge their functions effectively in the LSGIs test-checked, as envisaged in the KPR and KM Acts.

1.3.2 Steering Committee

Section 162B of KPR Act and Section 23 of KM Act envisage constitution of a Steering Committee in each LSGI for coordinating as well as monitoring the working of SCs. The Steering Committee consisted of the President/ Chairperson, Vice President/ Deputy Chairperson of the LSGIs concerned and Chairpersons of the SCs. Audit noticed that functioning of Steering Committees was not effective as evidenced from the less number of meetings held by the Committee. In the 29 LSGIs test-checked, the Steering Committees of eight LSGIs did not convene any meeting during 2012-13, seven met only once or twice and one met thrice. In the remaining LSGIs, the number of meetings of the Committee was four and above.

In the absence of periodical meetings of the Steering Committee, there is possibility of duplication/overlapping/conflict of decisions of SCs which would adversely affect the functioning of the LSGIs.

1.4 Decentralised Planning

The decentralised planning to be carried out by LSGIs has been designed envisaging active participation of all sections of people in the form of Grama/Ward Sabha, working groups and development seminars. The guidelines issued by the Government prescribed the following steps in formulation of annual plan 2012-13 by LSGIs.

Step	Committee/Group responsible
Appointment of Plan Coordinator, Constitution of Working Groups under Standing Committees	Committee/Council of LSGIs
Preparation of Status Report and draft project proposal to be discussed in Grama /Ward Sabha, Discussion with stakeholders	Standing Committees, Working Groups
Discussion of Status Report and project proposals, Proposing projects	Grama/Ward Sabha
Finalisation of Status report and Project proposals	Standing Committees, Working Groups
Preparation of Draft Development Plan for five years and Draft Annual Plan	Standing Committee for Development, Working Groups
Development Seminar to discuss Draft Development Plan and Draft Annual Plan	Committee/Council of LSGIs, Development SC

Step	Committee/Group responsible
Finalisation of Annual Plan	Committee/Council of LSGIs
Earmarking of funds for Plan/Projects	Committee/Council of LSGIs, Standing Committee for Finance
Preparation of Projects	Working Groups
Approval of Projects	Standing Committees
Approval of Project/Plan	Committee/Council of LSGIs

1.4.1 Delay in issue of guidelines 2012-13

Section 175 of the KPR Act and Section 51(2) of the KM Act prescribe preparation of a Development Plan every year by PRIs and ULBs, for the succeeding year. The LSGIs prepare Annual Plan every year following the guidelines issued by Government. The Government issued guidelines for the Five Year Plan 2012-17 as well as the Annual Plan for 2012-13 on 15 June 2012, i.e., two and half months after commencement of the financial year. These guidelines were revised on 18 August 2012, i.e., four and half months after the commencement of 2012-13. As a result the approval of Annual plans by the LSGIs was also delayed, providing them with lesser time for implementation of the projects.

1.4.2 Working Groups

Plan formulation guidelines prescribed constitution of Working Groups (WGs). Each WG functions under the control and supervision of the SC dealing with the respective subject. The Chairperson of a WG is a member of the related SC. The WGs comprising officials, elected members, experts and activists in specified development sectors have a creative role in the development plans of LSGIs.

As per the Plan formulation guidelines issued (August 2012) by the Government, an evaluation report on the ongoing projects, development vision, policy approach and priorities with reference to 12th Five Year Plan programmes was to be presented in the first general meeting of the WG. Further, discussion on the preparation of status report and draft project proposals was to be held in the first meeting of the WG. The WG was to prepare data and information for distribution in the Grama/Ward Sabhas and for inclusion in the plan proposals, etc., and monitor the implementation of projects. Audit noticed the following shortcomings in the functioning of 336 test-checked WGs.

(i) Discussions on Development Vision and Status Report were held only by four WGs. None of the WGs held discussion on preparation of data and information to be presented in the Grama/Ward Sabhas. In the absence of active involvement of WGs, the plan proposals made by the LSGIs were without adequate study of the sector concerned and lacked technical expertise, which the WGs were supposed to bring. As the WGs were working under the supervision of the SCs, the shortcomings in the functioning of WGs could be attributed to lack of supervision on the part of the SCs.

(ii) The WGs were also required to function as monitoring committees during the implementation stage of the projects. However, there was no evidence to show that the WGs had monitored the implementation of the projects.

1.4.3 District Planning Committees

In pursuance of Article 243ZD of the Constitution of India and Section 53 of KM Act, the Government constituted District Planning Committee (DPC) in each district. The procedure to be followed in the meeting of the Committee is governed by Kerala District Planning Committee (Election of Members and Proceedings of Meeting) Rules, 1995. The tenure of DPC is five years. The Committee consists of 15 members:

- President of DP in that district (Chairman of DPC)
- District Collector (Member Secretary of DPC)
- one person having considerable experience in administration and planning, nominated by the Government and
- twelve members from among the elected members of Panchayats at district level and of Municipalities in the district in proportion to the ratio between the population of rural areas and of urban areas in the district

The members of the House of the People and members of the Legislative Assembly, representing the district are permanent invitees to the respective DPCs. A member of the Council of States (Rajya Sabha) representing the State is a permanent invitee to the DPC of the district in which he is registered as elector in the electoral roll of any Municipality or Panchayat.

As per the Twelfth Five Year Plan - LSGI Plan formulation Guidelines, DPC of each district has to approve a district level perspective document highlighting the development vision and priorities, considering the plans prepared by LSGIs. None of the DPCs prepared the District Plan and the District level Perspective Document.

The Fourth State Finance Commission, in its report, pointed out that the DPCs functioned only as Committees emphasising clearance of projects of local governments. The Commission felt that the DPCs have not matured into planning institutions functioning with the prime objective of ensuring quality of planning, through provision of support services and effective co-ordination.

Though the Commission had made a number of recommendations for the effective functioning of the DPCs, which were accepted by the Government, the Government did not furnish the details of action taken to implement those recommendations.

1.5 Accountability Framework

1.5.1 Authority and Responsibility of the Government with regard to LSGIs

The Government exercises its powers in relation to LSGIs in accordance with KPR Act and KM Act. The above Acts entrust the Government with the following powers so that it can monitor the proper functioning of LSGIs:

- Call for any record, register, plan, estimate, information from LSGIs;
- Inspect any office or any record or any document of LSGIs;
- Arrange periodical performance audit of the administration of LSGIs;
- Inspect the works and development schemes implemented by LSGIs; and

- Take action for default by an LSGI President or Secretary.

In addition, the KPR Act and KM Act, *inter alia*, empower the Secretary, LSGD who is the State Performance Audit Authority at the State level with powers to rectify defects and point out mistakes in accounts, money transactions, etc., give necessary instructions to LSGIs to take follow up actions on the performance audit report and to ensure that the performance audit teams are conducting tri-monthly performance audit in all LSGIs.

Further, the Secretary of an LSGI may assist the Government in preventing passing of resolutions which are not in conformity with the Act.

Despite the above mentioned duties and powers vested in the Government for the enhancement of quality of public service and governance, Audit noticed numerous deficiencies in the implementation of schemes, matters relating to finance, selection of beneficiaries, etc., as mentioned in Chapters II, III and IV of this Report.

1.5.2 Citizens Charter

As per Sections 272 A of KPR Act and 563 A of KM Act, every LSGI should publish a Citizens Charter showing the services available to citizens from the LSGI, the conditions and the time limit prescribed for obtaining each service. The Citizens Charter has to be updated every year. Data collected from LSGIs revealed that only 15 of the 29 selected LSGIs published Citizens Charter during 2012-13.

1.6 Vigilance mechanism

1.6.1 Ombudsman for LSGIs

As envisaged in KPR Act and KM Act, Government set up an Ombudsman for LSGIs in the State in the year 2000. A former Judge of High Court only can be appointed as Ombudsman. The Ombudsman is a high powered quasi- judicial body which can conduct investigation and enquiries in respect of charges on any action involving corruption, maladministration or irregularities in discharge of administrative functions by LSGIs, officials and elected representatives of the LSGIs. Ombudsman can even register cases *suo moto* if instances of the above kind come to his notice. During the period 2012-13, out of 4005 cases (including 1961 old cases), 2592 cases (65 *per cent*) were disposed of by the Ombudsman.

1.6.2 Tribunal for LSGIs

As envisaged in Section 271 S of KPR Act and Section 509 of KM Act, a judicial tribunal for LSGIs was set up in the State in February 2004, with a District Judge as the Tribunal. The duty of the Tribunal is to consider and settle appeals and revisions by the citizens against decisions of LSGIs taken in exercise of their functions like assessment, demand and collection of taxes or fees or cess, issue of licenses, grant of permits, etc. During 2008 to 2013, 5739 cases (appeal & revision) were filed before the Tribunal, out of which 657 cases were pending disposal. Of the pending cases, 645 cases related to the years 2012 and 2013 (up to March 2013).

CHAPTER II

Finances and Financial Reporting Issues of Local Self-Government Institutions

CHAPTER II

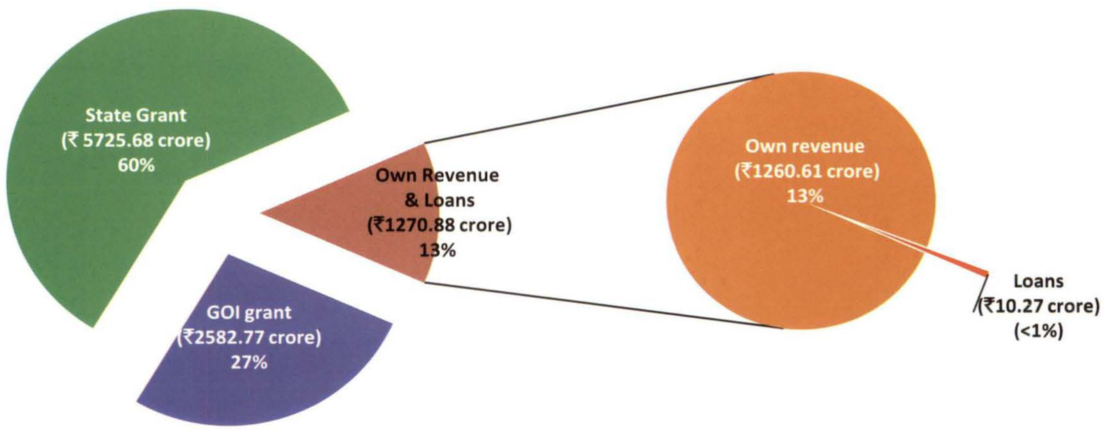
FINANCES AND FINANCIAL REPORTING ISSUES OF LOCAL SELF-GOVERNMENT INSTITUTIONS

2.1 Financial Profile of LSGIs

2.1.1 Funds flow to LSGIs

The resources of LSGIs consist of funds devolved by State Government, Government of India (GOI), Own revenues of LSGIs and loans from financial institutions. Source-wise receipts of LSGIs during 2012-13 are depicted in **Chart 2.1.**

Chart 2.1: Source-wise receipts of LSGIs during 2012-13



2.1.1.1 Resources: Trends and Composition

The composition of resources[1] of LSGIs for the period 2008-09 to 2012-13 is given in **Table 2.1**.

[1]**Source:** Details of Own Revenue furnished by LSGIs, Finance Accounts of the State for the respective years, information from Commissioner of Rural Development, Information Kerala Mission (IKM), Kerala Urban and Rural Development Finance Corporation (KURDFC), Kerala Sustainable Urban Development Project (KSUDP) and Kudumbashree

Table 2.1: Time series data on resources of LSGIs

(₹ in crore)

Resources	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Own Revenue: (i) Tax Revenue	385.36	450.76	952.97[2]	561.79	661.01	
(ii) Non -Tax Revenue	349.37	377.43		376.69	599.60	
Total Own Revenue	**734.73**	**828.19**	**952.97**	**938.48**	**1260.61**	**4714.98**
State Fund: (i) Traditional Functions	363.98	399.31	440.47	644.98	757.89	2606.63
(ii) Maintenance Expenditure (Road Assets and Non-Road Assets)	397.52	448.04	440.58	713.94	1039.45	3039.53
(iii) Expansion and Development	1670.23	1842.29	2277.72	2021.52	2062.61[3]	9874.37
(iv) Funds for State Sponsored Schemes & State share of Centrally Sponsored Schemes	807.44	840.80	1358.24	1358.45	1865.73	6230.66
Total State Fund	**3239.17**	**3530.44**	**4517.01**	**4738.89**	**5725.68**	**21751.19**
GOI grants: (i) Centrally Sponsored Schemes	811.12	832.49	1163.79	1280.72	1603.36	5691.48
(ii) Development and expansion	..	..	..	622.84	979.41	1602.25
Total GOI grant	**811.12**	**832.49**	**1163.79**	**1903.56**	**2582.77**	**7293.73**
Receipts from loans & other sources: Loans	7.81	72.35	812.36	39.16	10.27	941.95
Total Receipts	**4792.83**	**5263.47**	**7446.13**	**7620.09**	**9579.33**	**34701.85**

- Increase in the total receipts of the LSGIs during the five year period 2008-09 to 2012-13 was nearly cent *per cent*.
- Percentage increase in GOI grants was 36 and that of State grant was 21 during 2012-13 as compared to previous year.

Surrender of funds for State Sponsored Schemes/State Share of Centrally Sponsored Schemes

Out of ₹ 1869.96 crore allotted by the State Government during 2012-13 under eleven heads[4], ₹ 111.84 crore was surrendered (**Appendix II**). The major surrender was noticed under the major heads 2217- Urban Development (55.27 *per cent*), 2225- Welfare of SC/ST (35.98 *per cent*) and 2230 – Labour and Employment (35.24 *per cent*). Audit also noticed that more than 50 *per cent* of the allotment

[2] Break up of Tax & Non-tax revenue not provided by the LSGIs

[3] Includes special advance of ₹ 4.29 crore released to Wayanad DP which will be recovered in 2013-14 & 2014-15

[4] General Education, Medical and Public Health, Urban Development, Welfare of SC/ST, Labour and Employment, Social Security and Welfare, Crop Husbandry, Soil and Water Conservation, Dairy and Development, Special Programme for Rural Development, Village and Small Industries

made under Urban Development was being surrendered continuously for the last three years.

2.1.1.2 Transfer of funds from the Government and associated audit issues

(i) The State Government provides three types of funds to LSGIs from the Consolidated Fund – grants, funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes (CSSs). Appendix IV to the Detailed Budget Estimates of the Government gives the LSGI-wise allocation of funds. The Heads of Account in the Detailed Budget Estimates for drawal of funds from the Consolidated Fund, along with the releases made during 2012-13, are given in **Table 2.2**.

Table 2.2: Categories of funds and their release to LSGIs

Sl. No.	Category	Major Head of Account from which Budget Provision is released	Amount released during 2012-13 (₹ in crore)	Release mechanism
1	Grants, World Bank aided Performance grant under KLGSDP[5], KSUDP, ADB[6] assistance, Thirteenth Finance Commission award	3604-Compensation and Assignments to Local Bodies and Panchayat Raj Institutions	4126.30	Routed through Public Account
		3054-Roads and Bridges	713.06	
Total			**4839.36**	
2	State Sponsored Schemes	11 Major Heads	1758.12	Routed through State Level Nodal Agencies[7]/ Poverty Alleviation Units
3	State share of CSSs	4 Major Heads	107.61	
Grand total			**6705.09**	

(ii) The funds are credited to the Public Account by Finance Department in monthly instalments to enable LSGIs to draw money from treasuries through Controlling Officers.

(iii) **Table 2.3** gives the details of funds released by the Government under various categories during 2012-13.

[5] Kerala Local Government Service Delivery Project
[6] Asian Development Bank
[7] Kudumbashree, KSUDP, Suchitwa Mission

Table 2.3: Release of fund by Government under different categories during 2012-13

(₹ in crore)

Type of LSGIs	Development Expenditure Fund	Maintenance Expenditure Fund	General Purpose Fund	Total
Corporations	162.86	81.47	99.55	343.88
Municipalities	199.22	112.00	71.31	382.53
District Panchayats(DPs)	332.28	218.67	21.70	572.65
Block Panchayats(BPs)	375.67	35.19	30.40	441.26
Grama Panchayats(GPs)	992.58	592.12	534.93	2119.63
Total	**2062.61**	**1039.45**	**757.89**	**3859.95**

Audit noticed the following points in the release of Government funds:

- **Short release of Funds:** Against ₹ 189.56 crore to be transferred to GPs as 10th instalment of Development Expenditure Fund, the amount actually released by the Government was only ₹ 57.16 crore, resulting in short release of ₹ 132.40 crore. Government stated that there was a mistake in the amount included in the statement appended to the Government order releasing 10th instalment of the GP share.

- **Delayed release of funds:** Monthly transfer credit of fund from Consolidated Fund to Public Account was devised as a means to ensure availability of fund for incurring expenditure by LSGIs. The State Finance Department was required to transfer fund on the first working day of the month. Audit noticed that there was delay ranging from ten to 58 days in transferring funds, in 14 out of 32 transfer credits[8] made during 2012-13. Delayed transfer of funds has the effect of rush of expenditure at the fag end of the year/ non-utilisation of the entire fund during financial year itself.

- **Delay in issuing Letters of Authority:** There were delays in issuing Letters of Authority to LSGIs by the Controlling Officers. Delays ranging from ten to 142 days were noticed in 94 out of 128 instalments of LSGI funds released during 2012-13. This included 54 instances where the delay was more than one month. The delay in issuing Letter of Authority has an adverse impact on the implementation of projects formulated by LSGIs.

- **Non-release of full amount to LSGIs:** Supplementary Nutrition Programme (SNP) is being implemented by LSGIs utilising Development Expenditure Fund. GOI reimburses 50 *per cent* of the expenditure on SNP to the Government, who in turn transfers the money to LSGIs through Child Development Project Officers of Social Welfare Department. Despite being reported earlier in paragraphs 2.1.1.1 and 2.1.1.2 of the Reports of the Comptroller and Auditor General of India for the years ended March 2011 and

[8] Transfer of funds (Development Expenditure Fund in ten equal monthly instalments from May to February, Maintenance Expenditure Fund in ten equal monthly instalments from April to January and General Purpose Fund in twelve equal monthly instalments from April to March) from the Consolidated Fund to Public Account.

March 2012 about the non-release of full amount reimbursed by GOI to LSGIs under SNP, the irregularity continued in 2012-13 also. As at the end of March 2013, the Social Welfare Department had received ₹ 64.76 crore from GOI towards reimbursement of expenditure on SNP fund against which the Social Welfare Department transferred only ₹ 35.98 crore to LSGIs. The Department utilised ₹ 1.65 crore for another scheme, *viz.*, Wheat Based Nutrition Programme and retained (October 2013) the balance amount of ₹ 27.13 crore (42 *per cent*).

- **Deduction from allocation due to short utilisation:** As per the Government Order, LSGIs were to utilise at least 70 *per cent* of the allocation for 2010-11 under Development Expenditure Fund and Maintenance Expenditure Fund, failing which the unspent amount would be deducted from the budget allocation for 2012-13. Audit noticed that ₹ 229.19 crore was deducted (Development Expenditure Fund: ₹ 181.68 crore; Maintenance Expenditure Fund: ₹ 47.51 crore) from budget allocation for 2012-13, due to short utilisation of fund during 2010-11.

- **Irregular deduction from Development Expenditure Fund:** Development Expenditure Funds are provided to LSGIs for implementation of schemes proposed by them under the decentralized planning programme. Diversion of this fund to meet non-Plan expenditure is prohibited. However, during 2012-13, the Controlling Officers under the direction of Government, deducted ₹ 9.82 crore from Development Expenditure Fund and remitted the same to the Information Kerala Mission towards charges for technical support. Routine and non-plan expenditure should have been met from either Own Fund or General Purpose Fund. Utilisation of Development Expenditure Fund for routine non-plan expenses was not in order.

(iv) The funds released to LSGIs for implementation of annual plans along with the State Plan outlay for the period 2008-09 to 2012-13 are given in **Table 2.4**.

Table 2.4: State Plan Outlay vis-à-vis Development Expenditure Fund of LSGIs

(₹ in crore)

Year	State Plan Outlay	Development Fund of LSGIs	Percentage of Development Fund of LSGIs to State Plan Outlay
2008-09	7700.47	1670.23	21.69
2009-10	8920.00	1842.29	20.65
2010-11	10025.00	2277.72	22.72
2011-12	11030.00	2563.76	23.24
2012-13	14010.00	2942.02	21.00
Total	**51685.47**	**11296.02**	**21.86**

Development Fund devolved to LSGIs constituted 21 *per cent* of the State Plan outlay for the year 2012-13, while it was 23.24 *per cent* during 2011-12.

2.1.1.3 Receipts from GOI

The category-wise release of fund by GOI during 2012-13 is given in **Table 2.5.**

Table 2.5: Category-wise release of GOI fund

Category	Amount (₹ in crore)
Thirteenth Finance Commission grant[9]	591.16
Additional Central Assistance for Externally Aided projects for KLGSDP	288.25
ADB assisted KSUDP	100.00
Centrally Sponsored Schemes	1603.36
Total	**2582.77**

GOI grant for implementation of CSSs:

The GOI provided grants amounting to ₹ 1603.36 crore to LSGIs for implementation of eight flagship CSSs. The grants were provided to LSGIs through State Budget/ State Level Nodal Agencies (SLNAs)/ Poverty Alleviation Units (PAUs), etc. The details of GOI grants transferred to LSGIs for implementation of CSSs during 2012-13 are given in **Table 2.6**.

Table 2.6: Release of GOI grant for CSSs during 2012-13

Sl. No.	Authority/Agency through which the grant was released	Details of Scheme	Amount (₹ in crore)
1	State Budget	Jawaharlal Nehru National Urban Renewal Mission –Urban Infrastructure and Governance (JNNURM-UIG)	49.97
		Basic Services to the Urban Poor (BSUP)	7.45
2	Directly to State Level Nodal Agencies	Integrated Housing and Slum Development Programme (IHSDP)	18.80
		National Rural Livelihood Mission (NRLM)	35.86
		Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	26.35
3	Directly to Poverty Alleviation Unit	Indira Awaas Yojana (IAY)	153.44
		Integrated Wasteland Development Programme (IWDP)/ Hariyali	0.31
4	By online transfer to the Joint Bank Account of District Programme Co-ordinator and Joint Programme Co-ordinator	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	1311.18
Total			**1603.36**

[9]Up to 2010-11, Grants to LSGIs by Central Finance Commission were subsumed in the Development Funds devolved by the State Government. From 2011-12 onwards the Central Finance Commission Grants are released in a separate stream *viz.*, General Basic Grant, General Performance Grant, General Performance Grant forfeited by non-performing States

The State Government provided ₹ 107.61 crore as its share for implementation of CSSs. Thus, the total fund for implementation of CSSs during 2012-13 was ₹ 1710.97 crore. Compared to previous year, the GOI grant for implementation of CSSs during 2012-13 was ₹ 284.55 crore more. Substantial increase was noticed in the release of funds for MGNREGS (₹ 360.13 crore) followed by NRLM (₹ 34.86 crore) in 2012-13 over the previous year.

2.1.1.4 Own funds of LSGIs

Own funds consist of tax[10] and non-tax revenue[11] collected by LSGIs as per provisions of Kerala Panchayat Raj Act, 1994 (KPR Act)/Kerala Municipality Act, 1994 (KM Act) and allied Acts. This category also includes income derived from assets of LSGIs, beneficiary contributions, Earnest Money Deposits, Retention money, etc. The details of own fund are not compiled and consolidated by the Government as envisaged in the Act. All LSGIs were requested by audit to furnish the details of own revenue in pro forma and as per the details furnished by the 1209 LSGIs, the own revenue amounted to ₹ 1260.61 crore. Following points were noticed in the mobilization of own revenue:

(i) The basis for calculation of Property tax has been changed from annual value to plinth area of buildings with effect from October 2009 through an amendment in Kerala Municipality Act, 1994 (KM Act) and Kerala Panchayat Raj Act, 1994 (KPR Act). However, the new methodology for assessment which was expected to bring in a greater degree of transparency and enhanced collection has not been brought into effect till date (December 2013).

(ii) Fourth State Finance Commission had recommended creation of a GIS[12] based database for Property tax assessment procedure which is successfully implemented in various Indian cities. This has not been implemented by any of the LSGIs.

2.1.1.5 Loans availed by LSGIs

As per provisions of Kerala Local Authorities Loans Act, 1963, LSGIs raise loans from KURDFC, Co-operative Banks, HUDCO[13], etc. **Table 2.7** gives the details of loans availed by LSGIs during 2012-13.

Table 2.7: Loans availed during 2012-13

Source of loan	Loan availed during 2012-13 *(₹ in crore)*
State Government	1.20
Co-operative Banks (EMS housing scheme)	0
HUDCO	0.83
KURDFC	8.24
Total	**10.27**

[10] Property tax, Profession tax, Entertainment tax, Advertisement tax, etc.
[11] License fee, Registration fee, etc.
[12] Geographic Information System
[13] Housing and Urban Development Corporation Limited

2.1.1.6 Application of Resources: Trends and Composition

In terms of activities, total expenditure is composed of expenditure on Productive Sector[14], Infrastructure Sector[15], Service Sector[16] and other expenditure[17]. As per the details obtained from the LSGIs and the Controlling Officers/IKM, the total expenditure incurred by LSGIs during 2012-13 amounted to ₹ 6705.23 crore.

Table 2.8 below shows the composition of application of resources of LSGIs on these components for the period from 2008-09 to 2012-13.

Table 2.8: Application of resources

(₹ in crore)

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Productive Sector	443.94	511.49	447.69	595.77	355.82	2354.71
Infrastructure Sector	589.58	656.11	936.05	1343.41	1528.58	5053.73
Service Sector	1463.55	1842.91	2139.26	2306.59	2182.48	9934.79
Total Development Expenditure	**2497.07**	**3010.51**	**3523.00**	**4245.77**	**4066.88**	**17343.23**
Other Expenditure	1951.94	2125.96	1798.26	2618.88	2638.35	11133.39
Total Expenditure	**4449.01**	**5136.47**	**5321.26**	**6864.65**	**6705.23**	**28476.62**
Percentage of Development Expenditure to Total Expenditure	**56.13**	**58.61**	**66.21**	**61.85**	**60.65**	**60.90**

Source: Details furnished by IKM/LSGIs

There was fall in the percentages of Development Expenditure to total expenditure during the period 2010-11 to 2012-13. The fall in the ratios reflects deceleration in the commitment of LSGIs to sustain the growth momentum.

The investments in Productive sector during 2012-13 registered the lowest of all the values during the five year period 2008-09 to 2012-13. Further, the amount spent for Productive sector accounted for only 8.75 *per cent* of the total Development Expenditure during 2012-13 and 13.58 *per cent* of the total Development Expenditure during the last five years 2008-09 to 2012-13, indicating that the LSGIs had given low priority to Productive Sector like Agriculture, Animal Husbandry, Fishing, etc.

2.1.1.7 Public investment in social sector and rural development through major Centrally Sponsored Schemes – Poor utilisation of funds

Public investment in social sector and rural development through major CSSs are made to LSGIs through agencies such as PAUs and SLNAs (*viz*., Kudumbashree, KSUDP, Suchitwa Mission, etc.). The grants for CSSs enjoin upon sanctioning authorities in GOI the responsibility to ensure proper utilisation of grant money. This is to be achieved through receipt of progress reports, utilisation certificates and internal audit of scheme accounts in LSGIs.

[14] Agriculture, Animal husbandry, Diary Development, Fisheries, Minor Irrigation, etc
[15] Buildings, bridges, roads and other infrastructure
[16] Water supply, education, health, energy, etc.
[17] Salaries and honorarium, contingency expenditure, other administrative expenditure, terminal benefits, etc.

Out of ₹ 2413.04 crore[18] available for implementation of CSSs, substantial portion of the funds amounting to ₹ 450.78 crore was lying unspent with Kudumbashree (₹ 99.49 crore), PAU (₹ 144.44 crore), and KSUDP (₹ 206.85 crore), thereby defeating the purpose for which the funds were earmarked and released by GOI/State Government. Out of ₹ 1962.26 crore released, the expenditure incurred by LSGIs was ₹ 1489.73 crore (76 *per cent*). The balance amount of ₹ 472.53 crore remained unutilised with LSGIs. Thus, out of the total amount of ₹ 2413.04 crore available for utilisation under CSSs, ₹ 923.31 crore was remaining unutilised with various agencies. Unutilised fund mainly related to IAY (₹ 239.48 crore), JNNURM (₹ 208.77 crore), UIDSSMT (₹ 182.60 crore) MGNREGS (₹ 58.43 crore), SJSRY (₹ 55.89 crore), IHSDP (₹ 44.35 crore) and NRLM (₹ 42.42 crore).

2.1.2 Poor implementation of projects by LSGIs

Under decentralised planning, LSGIs in the State formulated 185122 projects with a total outlay of ₹ 8594.97 crore during 2012-13. Of these, the LSGIs had taken up 131294 projects (70.92 *per cent*) for implementation and had spent ₹ 4066.88 crore on the projects. Of the projects taken up for implementation, only 104352 projects (79.48 *per cent*) were completed during 2012-13 at a cost of ₹ 3072.44 crore. The details are given in **Table 2.9**.

Table 2.9: Details of projects taken up and expenditure incurred

Type of LSGI	Number of projects				Amount (₹ *in crore*)				Percentage of expenditure on projects taken up to total outlay of projects formulated
	Formulated	Taken up	Completed	Abandoned	Outlay on projects formulated	Expenditure on projects taken up	Expenditure on projects completed	Expenditure on projects abandoned	
Grama Panchayat	144648	103794	84666	2891	4584.50	2442.74	1979.31	32.61	53.28
Block Panchayat	12843	9732	7998	236	1389.21	575.73	417.82	1.40	41.44
District Panchayat	9014	5412	3515	68	1107.31	450.57	298.85	0.18	40.69
Municipality	13887	9616	6748	126	832.68	353.58	250.66	4.66	42.46
Corporation	4730	2740	1425	29	681.27	244.26	125.80	0.02	35.85
Total	**185122**	**131294**	**104352**	**3350**	**8594.97**	**4066.88**	**3072.44**	**38.87**	**47.32**

With reference to the outlay of projects formulated, the percentage utilisation of fund was only 47.32. The largest shortfall in implementation of projects was noticed in Corporations, followed by DPs. While there was a positive trend in utilisation of funds by the GPs compared to 2011-12, all the other tiers of LSGIs registered shortfall in utilisation of funds for implementation of projects.

Data furnished by 1209 LSGIs revealed that 3350 projects were abandoned by the LSGIs during 2012-13, after incurring expenditure of ₹ 38.87 crore. Of the total wasteful expenditure on abandoned projects, 58.2 *per cent* relate to Service Sector projects such as Solid Waste Management, Housing schemes, construction of

[18] The funds retained by the Nodal agencies in 2011-12 was not furnished as the OB during the year 2012-13.

toilets, Health and sanitation/drinking water schemes, plastic recycling plant, Biogas installation etc., which, if implemented effectively, would have resulted in enhancement of living standards of rural population. The LSGIs attributed the reasons for abandonment of projects to lack of time, delay in execution, non-receipt of BP share of funds, reluctance of contractors to take up work, non-receipt of permission from concerned Departments, etc.

2.1.3 High establishment costs in LSGIs

The LSGIs were required to meet the expenses towards establishment (including salaries) from Own revenue/General Purpose Fund. Against the total fund of ₹ 2018.50 crore available under Own Fund and General Purpose Fund, the LSGIs incurred ₹ 2638.35 crore towards establishment expenses during 2012-13. The excess expenditure of ₹ 619.85 crore over the available fund was met from the Development Expenditure Fund. Diversion of 30.05 *per cent* of Development Expenditure Fund had an adverse impact on the implementation of the plan projects by LSGIs.

2.1.4 Misappropriation, loss, defalcation, etc.

The Kerala Financial Code stipulates that each Drawing and Disbursing Officer should report all cases of loss, theft or fraud to the Principal Accountant General and the Government. The Government is required to recover the loss, fix responsibility and remove systemic deficiency, if any. A consolidated statement of the details of misappropriations, losses, theft and fraud is not available with the Government.

Table 2.10 shows the details of misappropriation/defalcation reported to the Director of Urban Affairs, Commissioner of Rural Development, Project Director of KSUDP and Director of Panchayats.

Table 2.10: Misappropriation, loss, defalcation

Name of LSGIs	Amount (₹ in lakh) (Number of cases in bracket)					Total
	2008-09	2009-10	2010-11	2011-12	2012-13	
Corporations	1.42(1)	0.42(1)	0.59(1)	0.82(1)	1.52(3)	4.77 (7)
Municipalities	--	--	3.92(1)		--	3.92 (1)
Block Panchayats	16.82(6)	15.72(9)	16.58(5)	22.14(5)	92.36(1)	163.62 (26)
Grama Panchayats	4.43(5)	4.48(6)	0.90(2)	1.13(3)	1.57(3)	12.51 (19)
KSUDP	--	--	--	13.78(2)	--	13.78 (2)
Total						198.60 (55)

2.2 Legal frame-work for maintenance of accounts

According to Section 215 of KPR Act, 1994 and Section 295 of KM Act, 1994, LSGIs are to prepare annual accounts every year. The Government has issued new accounting rules for ULBs[19] in 2007 and for PRIs[20] in 2011. The accrual based

[19] Kerala Municipal Accounts Rules, 2007
[20] Kerala Panchayat Raj (Accounts) Rules, 2011

double entry accounting system has been introduced in all the LSGIs as of March 2013.

The Government developed accounting software 'Saankhya' for the introduction of accrual based accounting in LSGIs. Some of the deficiencies noticed in Saankhya are mentioned below:

- Non-provision of facility for comparing the accounts of a particular year with previous years' figures
- No provision for generating Utilisation Certificates
- Audit Module is not available
- Absence of interface between PRIA Soft[21] and Saankhya

2.3 Financial Reporting Issues

Financial reporting in LSGIs is a key element to ensure accountability of executives. The financial administration of LSGIs including budget preparation, maintenance of accounts, monitoring of expenditure, etc., is governed by the provisions of KPR Act, 1994, KM Act, 1994, Kerala Panchayats (Accounts) Rules, 1965, Kerala Municipal Accounts Manual, Kerala Financial Code, guidelines, standing orders and instructions. Shortcomings in the financial administration of LSGIs are mentioned below:

2.3.1 Budget

As per KPR Act and KM Act, the budget proposals containing detailed estimate of income and expenditure were to be placed by the Standing Committee for Finance before the LSGI not later than the first week of March.

Though the LSGIs passed the budget before the beginning of the year, there was delay in presentation of budget by 58 (46 GPs, seven BPs, two Municipalities, two DPs and one Corporation) out of 110 LSGIs test- checked. As a result, the budget proposals were not discussed adequately and subjected to detailed deliberations, in the respective Panchayats/Councils. Further the budget prepared by 31 LSGIs (28 GPs, one BP, two Municipalities) were unrealistic as there were wide variations of estimated receipts and expenditure with the actual (**Appendix III**).

2.3.2 Monthly Progress Reports

According to the guidelines issued (April 2006) by the Government for allocation and drawal of funds, each LSGI shall prepare a Monthly Progress Report (MPR) of Expenditure for obtaining funds for subsequent month. MPR is to indicate budget provision, up to date allotment and expenditure and percentage of expenditure to allotment. LSGIs are required to forward the MPRs to designated authorities (*viz.,* Deputy Director of Panchayats for GPs, Assistant Development Commissioner (General) for BPs, Regional Joint Director for Municipalities) by the 10th of subsequent month in respect of Development Expenditure Fund and Maintenance Expenditure Fund. Such authorities are to consolidate them and forward to the Director of Panchayats, Commissioner of Rural Development and Director of Urban Affairs respectively by the 15th day of the month. These state level

[21] Panchayat Raj Institutions Accounting Software

authorities are then required to prepare State-wise consolidated progress reports of expenditure and forward them to the Secretary to Government, LSGD and to the Secretary, Finance (Expenditure) Department by 20th of the month. DPs and Corporations are required to forward their MPRs by the 10th of the succeeding month to the Secretary to Government, LSGD and to Secretary, Finance (Expenditure) Department. Funds for the subsequent months are not to be allotted to those LSGIs which fail to forward the MPRs.

Mention was made in paragraph 2.3.1 of the Reports of the Comptroller and Auditor General of India for the years ended March 2011 and March 2012 (Local Self-Government Institutions) about the laxity of the designated authorities in submission of the MPRs. Audit noticed no improvement in the situation for the period 2012-13.

Out of 228 MPRs due from DPs and Corporations during 2012-13, Finance Department had not received any MPRs. But Finance Department continued to allot funds for the subsequent months to DPs and Corporations which did not forward the MPRs, in contravention of its own orders.

On a scrutiny of MPRs submitted by DPs and Corporations to LSGD, Audit noticed that out of 228 reports due during 2012-13, 61 reports (26.75 *per cent*) only were received, resulting in shortfall of 167.

The Secretary, Finance (Expenditure) Department was to receive 36 consolidated MPRs during 2012-13 from Director of Panchayats, Commissioner of Rural Development and Director of Urban Affairs. But the Finance Department has not received any of the MPRs. Laxity in furnishing MPRs by the LSGIs points to the fact that the funds sanctioning authority had not scrupulously observed the responsibility thrust upon them.

2.4 Administration Reports

Every LSGI is required to prepare a report in respect of institutions and offices under its control every year in such form and such details as may be prescribed by the Government. According to Section 192 of the KPR Act, 1994 and Section 63 of KM Act, 1994, the LSGIs were to prepare Administration Reports every year by 30 September of the succeeding year and forward them to the officers authorised by the Government for consolidation and submission to the Government and the Legislative Assembly. If the report is not received within the said time limit, the Government may withhold the payment of grants due to LSGIs. However, the Government has not nominated any officer to ensure preparation and consolidation of the Administration Reports. Though the Act requires the Government to place the consolidated Administration Report before the Legislative Assembly, it was not done in any year.

2.5 Arrears in accounts

According to Kerala Local Fund Audit Act, 1994 (KLFA Act) it was mandatory for LSGIs to submit their accounts to Director of Local Fund Audit (DLFA) for audit by 31 July every year. Further, Rule 16 of KLFA Rules empowers DLFA to carry out proceedings in a Court of Law against the Secretaries of LSGIs who default in the submission of accounts.

As on 31 July 2013, 416 accounts pertaining to the period from 1997-98 to 2012-13 were in arrears. Of this, 67 accounts relate to 2005-06 and earlier periods.

2.6 Delay in conducting audit

Section 10 of the Kerala Local Fund Audit Act, 1994, lays down that the audit of the accounts prepared and presented shall be completed by DLFA within six months of the date of its presentation. However, delays ranging from three to 49 months were noticed in conducting audit of 13 GPs and three BPs (**Appendix IV**).

2.7 Arrears in audit and issue of audit reports

As per KLFA Act, DLFA is to complete the audit of accounts submitted by LSGIs within six months of receipt of accounts and issue Audit Report within three months from the date of completion of audit.

DLFA received 20216 accounts including 903 accounts which were received before the deadline of 31 July 2013. Of these, Audit Reports were issued in respect of 17768 accounts (October 2013). As at the end of March 2013, the arrears in issue of Audit Reports were 1545 (8 *per cent*).

The KLFA Rules stipulate that the DLFA shall, not later than 30 September every year, send to the Government a consolidated report of the accounts audited by him during the previous financial year containing such particulars which DLFA intends to bring to the notice of the Government. The Committee on Local Fund Accounts deliberates on this report. DLFA's office intimated that such reports had been submitted to the Government up to the year 2012-13 and reports up to the year 2011-12 were presented to State Legislature.

2.7.1 Surcharge and Charge imposed by the DLFA

Section 16(1) of KLFA Act, 1994, empowers the DLFA to disallow any illegal payment and surcharge the person making or authorizing such illegal payment. DLFA can also charge any person responsible for the loss or deficiency of any sum which ought to have been received.

During the period 2008-09 to 2012-13, DLFA had issued 88 charge certificates for ₹ 61.38 lakh and 549 surcharge certificates for ₹ 2.04 crore. Against the total charge/surcharge amount of ₹ 2.65 crore, only ₹ 11.10 lakh were realised (4.19 *per cent*) as shown in **Table 2.11**.

Table 2.11: Realisation of charge/surcharge amount

Year	Charge Certificate		Surcharge Certificate		Amount recovered (₹ in lakh)
	Number	Amount (₹ in lakh)	Number	Amount (₹ in lakh)	
2008-09	18	20.83	111	54.06	1.59
2009-10	23	18.42	164	53.34	2.64
2010-11	37	20.98	223	71.02	2.36
2011-12	5	0.44	28	5.91	1.60
2012-13	5	0.71	23	19.62	2.91
Total	**88**	**61.38**	**549**	**203.95**	**11.10**

The Local Fund Accounts Committee, while examining Chapter I of the Report of the CAG (LSGIs) for the years 2003-04 to 2006-07, had observed (31st Report) that as the Charge and Surcharge issued by the DLFA were not in the name of the officials responsible for the loss, the cases filed in the court got defeated. The Committee had, therefore, recommended (December 2010) that the Secretaries of all LSGIs may be made responsible to keep a register containing the details of names, addresses, posts, period of service, transfers, audit objections etc. of the officials working in the LSGIs. The action taken in this regard has not been furnished to the Committee so far (January 2014).

2.8 Results of Supplementary Audit

The Comptroller and Auditor General of India conducted supplementary audits under Section 20(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 on the accounts of 89 GPs, 14 BPs, four Municipalities, two District Panchayats and one Corporation during the year 2012-13. The findings of such audit are given in subsequent paragraphs.

2.8.1 Quality of Annual Financial Statements

The KPR Act, 1994 read with the Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and the KM Act, 1994 read with Kerala Municipality (Manner of Inspection and Audit System) Rules, 1997 stipulate that the PRIs/ULBs shall prepare Annual Financial Statements (AFS) and forward them to DLFA after approval by the Panchayat/Municipal Council/Corporation Council not later than 31 July/31 May/31 May respectively of the succeeding year. Audit noticed that in six GPs, one BP and one Municipality there was delay ranging from two to 43 months in forwarding the AFS to DLFA (**Appendix V**). Deficiencies noticed in the AFS submitted to DLFA are mentioned below.

Statements such as Demand Collection Balance statement, Capital Expenditure statement, Statement of Receivables and Payables, Statement of Loans and Advances Paid, Statement showing Utilisation of Special Purpose Grant/Loan which formed part of the AFS were not prepared and submitted by 14 GPs, three BPs and one District Panchayat (**Appendix IV**). Non-preparation of the statements forming part of the AFS resulted in non-providing of detailed analysis of the figures incorporated in the AFS.

The AFS of three BPs, two Municipalities and one Corporation did not contain all transactions (**Appendix IV**). This led to understatement of receipts and expenditure of the LSGIs.

In four GPs and one BP, opening balance given in the AFS did not agree with figures of closing balance given in AFS of previous year (**Appendix IV**).

In eight GPs, four BPs and one Municipality opening balance / closing balance of AFS did not agree with the opening balance / closing balance of cash book for the period 2005-06 to 2010-11(**Appendix VI**).

2.8.2 Preparation of Monthly Accounts

As per Government guidelines for the maintenance of Panchayat/ULB accounts, every Panchayat/ULB shall prepare monthly accounts for every month and place it before the Panchayat Committee/Council at its first meeting held after the 10th day of every month. Monthly Accounts were not prepared in 32 GPs and three BPs (**Appendix VII**).

2.8.3 Stock verification

Physical verification of stock was not done by 17 GPs, one Municipality, one DP and one BP (**Appendix VIII**).

2.8.4 Maintenance of primary financial records

(a) Cash Book

Guidelines for maintenance of Panchayat accounts and Municipal Accounting Manual issued by the Government stipulate that all moneys received and payments made should be entered in the cash book and it should be closed every day. Monthly closing of cash book with physical verification of cash and reconciliation of cash book balance with bank pass book balance under proper authentication was to be made. Supplementary audit revealed the following deficiencies in the maintenance of cash book by the LSGIs listed in **Appendix IX.**

- Cash book is the primary accounting record and over-writing is not permitted. Erasure and over-writing were noticed in cash books maintained by 45 GPs and five BPs.
- Daily closing of cash book was not carried out by 24 GPs, three BPs and two Municipalities. In 37 GPs, the daily closing of cash book was not certified.
- Monthly closing of cash book was not carried out by 20 GPs, four BPs and three Municipalities. Seven LSGIs (three GPs, two BPs and two Municipalities) did not close the cash book annually.
- 10 GPs and one BP did not certify the monthly closing of the cash book.
- 16 GPs, six BPs and one Corporation did not reconcile the cash book balance with pass book balance.
- Physical verification of cash was not done in 47 GPs, five BPs and one DP and two Municipalities.
- A monthly abstract was to be prepared on the last working day of the month showing the details of closing balance of cash, treasury and bank account during the month. Five GPs and one Municipality did not prepare such monthly abstract.
- In 40 GPs, three BPs and one Municipality the functional classification of receipt and expenditure were not recorded in the cash book.

(b) Register of Advances

Guidelines for maintenance of Panchayat accounts stipulates that all advances paid are to be recorded in the Register of Advances. Five GPs and one BP did not maintain Register of Advances. In seven GPs, three Municipalities and one Corporation the advance register maintained was incomplete (**Appendix VIII**). Non-maintenance/ improper maintenance of Advance Register could lead to deficient monitoring and adjustment of advances.

(c) Deposit Register

As per paragraph 3.37 of the Government order of June 2003 which prescribed the Accounting Format of Panchayats, each institution has to maintain Deposit Register to watch the receipts as well as adjustment of deposits. The procedures prescribed for the maintenance of Advance Registers were to be followed in the maintenance of Deposit Register. One BP and one GP did not maintain Deposit Register. Maintenance of Deposit Register was incomplete in one Corporation, one BP, two Municipalities and eight GPs (**Appendix VIII**).

(d) Asset Register

Kerala Panchayat (Accounts) Rules, 1965, Kerala Municipal Accounts Manuals and Government Order (December 2005) stipulate that each LSGI should maintain records of assets owned by it. Two GPs, one BP and one DP did not maintain Asset Register. The Asset Register maintained by 23 GPs, two BPs, one Municipality and one Corporation (**Appendix VIII)** was incomplete. Non-maintenance/improper maintenance would have adverse impact on physical verification and proper inventorisation of the assets. Shortcomings in the management of assets have been included in Chapter III of this report.

2.9 Conclusion

Though there has been steady improvement in investments in Infrastructure and Service sectors (except during 2012-13) which is a positive development, the amount spent in Productive sector like Agriculture, Animal Husbandry, Fishing, etc., registered the lowest of all values during the five year period 2008-09 to 2012-13 and there was increase in other expenditure like salaries, honorarium, contingency expenditure, etc. The Development Expenditure Fund released to the GPs was short by ₹ 132.40 crore due to mistake. With reference to the cost of the projects formulated, the percentage utilisation of funds in the LSGIs was only 47.32. The largest shortfall in the implementation of the projects was noticed in Corporations. There were shortcomings in the financial administration like budget preparation, submission of monthly progress reports, preparation of monthly accounts, etc.

CHAPTER III

Performance Audit

CHAPTER III

PERFORMANCE AUDIT

3.1 IMPLEMENTATION OF EMS TOTAL HOUSING SCHEME

Highlights

The EMS Total Housing Scheme was launched in the State in 2008. The ultimate goal of the scheme was to provide land and house to all landless and homeless in Below Poverty Line category. The scheme was to be implemented by Local Self-Government Institutions (LSGIs) with the support of the Government. The fund required was to be met out of Development Expenditure Fund, Own Fund and General Purpose Fund of LSGIs and loans from Banks. A performance review of the implementation of the scheme revealed deficiencies in identification of beneficiaries, low coverage of landless beneficiaries, shortfall in mobilization of funds, deficiencies in monitoring, etc. Some important points highlighted in the review are indicated below:

Performance of the scheme during the period 2008-09 to 2011-12 was poor as the achievement under urban and rural area was only 10 *per cent* and 24 *per cent* respectively.

(Paragraph 3.1.7.1)

Though the scheme intended to give topmost priority for providing land to the landless, this component of the scheme remained largely inoperative during the scheme period.

(Paragraph 3.1.7.1)

Expenditure of ₹ 35.5 lakh incurred by Kollam Corporation for purchase of land and construction of houses had become wasteful as the land purchased was marshy and unsuitable for construction.

(Paragraph 3.1.7.3)

Implementation of the scheme was hampered due to non-transfer of Development Expenditure Fund. As against the requirement of ₹ 5861.56 crore for the implementation of the scheme, the LSGIs mobilized only ₹ 1452.97 crore.

(Paragraph 3.1.8.1)

As one LSGI had availed loan in excess of requirement, the Government had to bear avoidable interest burden of ₹ 14.97 lakh.

(Paragraph 3.1.8.3)

3.1.1 Introduction

EMS Total Housing Scheme (EMS Housing Scheme) was launched[1] by the Government of Kerala in 2008, with the objective of providing dwelling units to all landless and homeless[2] families Below Poverty Line (BPL) residing in rural and urban areas in the State. The Scheme was implemented initially for a period of three years from 2008-09 to 2010-11, and subsequently extended up to March 2012. Local Self-Government Institutions (LSGIs) were to select the beneficiaries primarily from the BPL list. The LSGIs can also select eligible families outside the

[1] Launched in memory of the first Chief Minister of State Shri E.M. Sankaran Namboothirippad, on his10th death anniversary

[2] People having land but no house

BPL list subject to certain criteria like women head of the family, resident of panchayat for the last 10 years, girls at marriageable age, members suffering from chronic diseases etc. During the implementation period, the LSGIs were required to provide funds for purchasing land for the landless families in the first year and for construction of houses subsequently.

The assistance payable under the scheme for construction of houses was ₹ 75000, ₹ one lakh and ₹ 1.25 lakh for General, Scheduled Castes (SC) and Scheduled Tribe (ST) categories respectively. The assistance was subsequently enhanced (February 2012) to ₹ two lakh for General and SC categories and ₹ 2.50 lakh for ST category. The assistance was to be released in four instalments based on stage-wise completion of works, *viz.*, 30 *per cent* on completing earthwork excavation, 40 *per cent* on completion of basement, 20 *per cent* on completion of roofing and balance 10 *per cent* on fixing of doors and windows. For those identified as landless beneficiaries, financial assistance of ₹ 37500 for General category and ₹ 75000 for SC and ST categories was also given for the purchase of land.

The resources for the implementation of the scheme were Development Expenditure Fund, Own Fund and General Purpose Fund of LSGIs and Loans from Co-operative Banks.

3.1.2 Organisational set up

The Commissioner for Rural Development (CRD) and Director of Urban Affairs (DUA) under the Local Self-Government Department (LSGD) were responsible for the overall co-ordination of the scheme at the State level whereas the Project Directors of Poverty Alleviation Units (PAUs) in rural areas and Kudumbashree District Mission Co-ordinators in urban areas were responsible for co-ordination at district level. The Village Extension Officers (VEOs) at Grama Panchayats (GPs) and Member Secretaries of Community Development Societies (CDS) in Municipalities and Corporations were the implementing officers.

3.1.3 Audit Objectives

The audit objectives were to assess whether:

- the procedure of identification of beneficiaries was adequate
- effective management of utilisation of funds was in place
- implementation of the scheme was in conformity with the scheme guidelines, Government orders and instructions issued from time to time
- the system for monitoring and evaluation of the scheme was adequate

3.1.4 Audit Criteria

The audit criteria were derived from the following:

- Scheme guidelines
- Orders and Instructions issued by the Government
- Approved Project Reports and Action Plan prepared by LSGIs

3.1.5 Scope and Methodology of Audit

The Performance Audit on the implementation of the scheme covering the period 2008-09 to 2012-13 was conducted from April to August 2013. Audit methodology included scrutiny of records, issue of audit enquiries, obtaining replies, discussion with officials of LSGIs, conducting site inspections with officials of LSGIs, collection of data from CRD, Directorate of Panchayats, DUA, PAUs, Office of the Deputy Director of Panchayats (DDPs), District Panchayats (DPs) and Block Panchayats (BPs).

Five[3] out of the 14 districts in the State were selected using Statistical Sampling Method *viz.*, Probability Proportional to Size Without Replacement (PPSWOR). From each selected district, three Municipalities/Corporations and five GPs (total 38 LSGIs[4]) were selected for detailed scrutiny.

The performance audit commenced (16 April 2013) with an entry conference and completed (5 February 2014) with an exit conference with Principal Secretary, Local Self Government Department.

Audit Findings

3.1.6 Identification and selection of beneficiaries

As per the general survey conducted by the State Government, the projected demand for dwelling units in the State during 2007 was 10.84 lakh. Though EMS Housing Scheme aimed at providing dwelling units to all landless as well as homeless BPL families, the State had not conducted any survey on landless/ homeless families of BPL category prior to launching the scheme. As such, the State did not have data on landless / homeless families under BPL category.

The Government directed (May 2009) to include other eligible families not included in the BPL list and not covered by other housing schemes. While giving priority to the landless families, eligible candidates from SC, ST, Ashraya[5] and traditional fishermen families were to be invariably included in the list, provided they were not covered under any of the housing programmes meant for these categories.

The selection was to be made by a team consisting of VEO, Overseer, Integrated Child Development Services Supervisor in the GP and Agricultural Field Officers and other officers of transferred institutions in the Municipality. The list prepared by these officials was to be subjected to a super check at block level (minimum 10 *per cent*) and district level (minimum two *per cent*). Thereafter, the list was to be submitted to the District Planning Committee. Accordingly, the test-checked LSGIs selected 19,562 landless families and 19,737 homeless families as beneficiaries under the scheme.

Audit noticed shortcomings in the selection of beneficiaries as mentioned below:

3.1.6.1 Non-preparation of separate priority list

Scheme guidelines required that if the available assistance could not be provided to all the beneficiaries, LSGIs were to prepare separate priority lists for landless/ homeless under General, SC and ST categories. Audit observed that though the test-checked LSGIs selected beneficiaries through Grama/Ward Sabhas, separate priority lists as envisaged in the guidelines were not prepared.

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[3] Kannur, Kollam, Kottayam, Palakkad, Wayanad

[4] Wayanad District comprises of one Municipality only

[5] Ashraya introduced in the State in 2002-03, is the first integrated community based initiative for addressing issues affecting the poorest of the poor who generally are not covered by any of the designated poverty alleviation programmes.

3.1.6.2 Authenticity of super check for selection of beneficiaries

Though all the test-checked PAUs had formed verification teams for super check at block level and district level, none of the LSGIs had kept any document connected with the required practice of super checks conducted by the verification teams. Audit, therefore, could not ensure the authenticity of super checks carried out.

3.1.6.3 Non-inclusion of Ashraya families

Ashraya is the destitute identification, rehabilitation and monitoring project of the State. According to the project report of the State Poverty Eradication Mission the poorest of the poor among the society which include aged, destitute, widows/widowers and patients having chronic diseases are identified as the Ashraya beneficiaries. As per the scheme guidelines Ashraya families who had not received assistance for housing were not to be excluded from the scheme under any circumstances. Audit noticed that out of the 38 test-checked LSGIs, 29 LSGIs had not included 791 Ashraya families in the beneficiary list of EMS Housing Scheme, in spite of the fact that they were not included in any other housing scheme. Thus, the most deserving category of the society was deprived of the benefit of the scheme.

3.1.6.4 Non-inclusion of SC families

Audit noticed that 464 SC families included in the selected list of EMS Housing Scheme in eight test-checked LSGIs were not provided with any assistance on the ground that dwelling units were provided to them under Indira Awaas Yojana (IAY) and departmental housing schemes. However, Audit noticed that these beneficiaries were not given any assistance either under IAY or other departmental housing schemes. This goes against the spirit of the scheme in assigning priority in consideration to SC families.

3.1.7 Implementation of the Scheme

3.1.7.1 Physical performance

Though the period of implementation of the scheme was initially three years from 2008-09 to 2010-11, extended to one more year in February 2011, the Government had not fixed year-wise targets for LSGIs in implementing the scheme. The State-wide physical performance of the scheme for the period 2008-09 to 2012-13[6] (up to December 2012) as furnished by DUA and the Directorate of Panchayats is given in **Table 3.1.**

Table 3.1: Overall performance of the scheme

Sources of data	Beneficiaries selected		Beneficiaries received assistance		No of houses completed	Percentage of achievements
	Landless	Homeless	Landless	Homeless		
DUA	55071	33430	5576	15171	8854	10
Directorate of Panchayat	135850	334487	12856	145904	112128	23.84
Total	**190921**	**367917**	**18432**	**161075**	**120982**	**21.65**

[6] Though the Scheme ended in 2011-12, payments based on agreements executed within the scheme period were made during 2012-13.

The state-wide achievement of the scheme was very low (Urban area: 10 *per cent;* Rural area: 23.84 *per cent*).

Table 3.2 shows the physical performance of the scheme in the test-checked LSGIs.

Table 3.2: Physical performance of 38 LSGIs in five selected districts

Sl. No.	Name of District & No. of test- checked LSGIs in bracket	No. of beneficiaries selected		No. of beneficiaries to whom assistance provided			Coverage of selected beneficiaries (percentage)	
		Landless	Homeless	Landless		Homeless	Landless	Homeless
				Purchase of land	Construction of houses			
1	Wayanad (6)	1871	5287	445	375	2331	23.78	44.09
2	Kottayam (8)	1644	2479	59	38	912	3.59	36.79
3	Palakkad (8)	2782	3749	564	341	1746	20.27	46.57
4	Kannur (8)	1016	1752	62	58	1029	6.10	58.73
5	Kollam (8)	12249	6470	719	365	2710	5.87	41.89
	Total (38)	**19562**	**19737**	**1849**	**1177**	**8728**	**9.45**	**44.22**

Shortcomings in implementation of the scheme are mentioned below:

- Of 8728 homeless beneficiaries to whom assistance was provided, only 5547 had completed the houses and the houses of 3181 beneficiaries were under various stages of construction (697 availed the first instalment, 1097 the second instalment and 1387 availed the third instalment).
- Out of the 19562 landless families, assistance for purchase of land was provided only to 1849 beneficiaries (9 *per cent*).
- Of the beneficiaries to whom assistance for purchase of land was provided (1849), assistance for construction of houses was given only to 1177 beneficiaries (64 *per cent*).

Thus, the scheme objective of providing land and dwelling units to all landless families was not achieved in the districts test-checked. While the other housing schemes gave preference to beneficiaries who owned land, EMS Housing scheme was unique in the sense that it tried to give priority to landless people, but this objective remained largely unfulfilled.

LSGIs attributed (April to September 2013) the reasons for the low coverage of landless families to failure of the beneficiaries to submit the required documents, not coming forward to receive the assistance due to insufficiency of assistance provided, non-availability of land and high land cost.

3.1.7.2 Failure of departmental machinery to identify and allot land for landless families

The scheme guidelines envisage that priority was to be given to landless families, by providing them with land or assistance to purchase land in the first year and assistance for construction of houses in subsequent years. The responsibility of identifying Government land including freehold surplus/*poromboke*[7] was vested with the District Collector. A Search Committee was to be formed at GP/Municipality/Corporation level to assist the District Collector to identify land

[7] Land under complete ownership, rights, protection and use of Government

and to provide support to the beneficiaries for purchasing land. However, no Search Committee was formed in any of the LSGIs test-checked. Further, none of the LSGIs, except two, initiated action to identify available land/ acquire land for distribution among landless families.

Audit noticed that in case of the two LSGIs which identified land for distribution, the landless families in these LSGIs were not benefitted due to delayed action at different levels as mentioned below.

- Muttil GP identified 25 acres of revenue land in Muttil South Village and 104 acres of Government land illegally occupied by private parties in Muttil North Village for distribution to landless beneficiaries. Though the GP requested (September 2009 & September 2012) the District Collector/Revenue authorities to initiate action to make available the above land for distribution among the landless beneficiaries, the District Collector or Revenue authorities are yet to handover land to the GP (April 2013).
- Kangol Alappadamba GP sent proposals to District Collector (November 2009) to release 660 ares[8] of *poromboke* land for distribution to its 34 landless beneficiaries. Though the District Collector recommended allotment of land to the beneficiaries, no further action was taken by the Government to distribute the land. In this connection it may also be mentioned that as against requirement of 55.06 ares (136 cents) for 34 beneficiaries 660 ares were proposed contrary to scheme guidelines.

3.1.7.3 Procurement of land not suitable for construction of house

Kollam Corporation disbursed ₹ 28 lakh (between June 2011 and January 2013) to 43 beneficiaries towards the cost of land purchased from a private party. Out of this, 25 beneficiaries were given (between January 2012 and January 2013) ₹ 7.5 lakh as 1st instalment for construction of houses on the land purchased. However, none of the beneficiaries had started construction as the land was not suitable for construction. Audit noted that while releasing the above assistance the Corporation was aware that the beneficiaries cannot construct houses in the proposed site due to unsuitability of the land for construction. Inspection conducted by Audit along with the officials of LSGI reconfirmed the fact that the land was marshy and not suitable for construction, unless it was filled up with earth which would involve heavy expenditure. Thus ₹ 35.5 lakh incurred on the scheme (September 2013) had become wasteful.

Unsuitable land identified for construction

The Corporation stated that the payments were effected on the basis of location certificate issued by the Village Officer and site inspection report of the Building Inspector of Eravipuram Zone followed by recommendation of the zonal office.

[8] 1 are = 2.47 cents

The Corporation may take action against the officers for issuing certificate without verifying the suitability of land for construction.

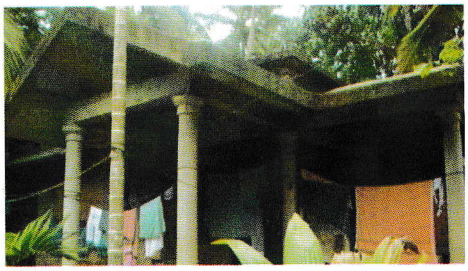
3.1.7.4 Assistance for purchase of land without ensuring eligibility

As per Government order issued in June 2008, for a beneficiary to avail assistance for purchase of land, not a single member of the family should possess land in his/her name or bear a chance to inherit land.

Test-check revealed that 18 LSGIs disbursed assistance to 637 beneficiaries for purchase of land based on certificates issued by Village Officers to the effect that the applicants had no land in the particular village they resided. While accepting such certificates, the GPs had not ensured that the family members had no land in their names and had no chance of acquiring inherited property. Thus, the eligibility certificates obtained by the GPs did not eliminate the risk of selecting ineligible beneficiaries.

3.1.7.5 Non-adherence to plinth area limitation

With a view to safeguard the beneficiaries from falling into debt trap and to deny assistance to ineligible families, Government decided (February 2011) to fix the upper limit of plinth area of houses constructed under the scheme at 60 square metre. Site verification of 104 incomplete houses revealed that construction of nine houses was without adhering to the limitation in area.



An unfinished house which did not adhere to plinth area limitation

3.1.7.6 Unauthorised disbursement of assistance

The guidelines stipulate that the assistance was to be released in four instalments based on stage-wise completion of works, *viz.*, 30 *per cent* on completing earthwork excavation, 40 *per cent* on completion of basement, 20 *per cent* on completion of roofing and balance 10 *per cent* on fixing of doors and windows.

Audit noticed that Vythiri GP paid ₹ 2.18 lakh to 18 beneficiaries as advance against the first instalment. Kollam Corporation paid ₹ 7.50 lakh to 25 beneficiaries towards first instalment based on the plan. Both these payments were released in violation of the guidelines before commencement of construction work. Further in the case of Panamaram GP although ₹ 10.20 lakh was paid to 51 beneficiaries towards first instalment, the records/certificates regarding completion of earthwork excavation were not available.

These beneficiaries had not turned up for obtaining the second instalment even after a lapse of one to three years. There was lapse on the part of the Secretaries in releasing the amount in advance without ensuring commencement of work.

3.1.7.7 Delay in completion of houses due to non-mobilisation of resources for enhanced assistance

While increasing the assistance in February 2012, the Government directed the LSGIs to mobilize the required fund through bank loan for which interest would be borne by the Government. Thirteen LSGIs stated that they could not mobilize even the balance amount of loans already sanctioned which were based on the assistance payable as per old rates as the Co-operative banks were demanding higher rate of interest. The enhanced rates of assistance entailed obtaining fresh loans at the higher rate of interest. Due to non-availability of sufficient funds, payment of enhanced amount of ₹ 9.19 crore to 1735 beneficiaries was pending in these 13 LSGIs. Thus, non-mobilisation of resources for payment of assistance at enhanced rate retarded the progress in construction.

3.1.7.8 Non-formation of Housing Implementation Committee

Scheme guidelines envisage the formation of a Housing Implementation Committee at Ward/Division level to extend a supporting hand to the poor and weaker sections of the society, who are not capable of initiating housing activities on their own. However, none of the test-checked LSGIs had taken any action to form the Committee.

3.1.7.9 Non-provision of timber to ST beneficiaries

As per Government direction (November 2009) timber required for the houses of ST beneficiaries was to be supplied free of cost from the Forest Department. Audit noticed that though there were 695 ST beneficiaries in eight test-checked LSGIs under the scheme, LSGIs except Sholayur GP, had not initiated any action to provide timber to ST beneficiaries through Forest Department. In the case of Sholayur GP, there was no response from the Forest Department to the GP's request to provide timber to ST beneficiaries. The matter was, however, not brought to the notice of Government in LSGD.

3.1.7.10 Transfer of house violating the conditions of the scheme

As per guidelines, the beneficiary was to sign a contract with the Secretary of the LSGI, registering his willingness not to transfer or alienate the property received under the scheme for a period of 10 years. Site-visit by Audit revealed that a beneficiary in Paravur Municipality sold out his house constructed under the scheme and was staying in a rented accommodation. The Municipality was unaware of the transfer. They replied that necessary action would be initiated.

3.1.8 Fund Management

3.1.8.1 Funding Pattern

The LSGIs including DPs and BPs were to set aside not less than 15 *per cent* of their Development Expenditure Fund allotted for the years 2009-10 and 2010-11 and avail bank loans to the extent of one and half times the Development Expenditure Fund allotted during 2009-10, for implementation of the scheme. The principal amount of the loan availed was to be repaid by the LSGIs from the Development Expenditure Fund of subsequent years and interest was to be paid by the Government. LSGIs were also directed to make use of own funds, unspent balance of General Purpose Fund and donations from voluntary organizations/individuals for scheme implementation.

Tables 3.3 and **3.4** show the requirement of funds, funds mobilised and expenditure incurred during the period 2008-09 to 2012-13 for the State as a whole and in the LSGIs test-checked respectively.

Table 3.3: State-wide details of funds required, available and utilised

(₹ in crore)

LSGIs (1)	Funds required (2)	Development Expenditure Fund (3)	Loan sanctioned (4)	Funds available (3+4) (5)	Expenditure incurred (6)	Unspent balance (5-6) (7)
				(Percentage in bracket)		
ULBs	988.98	186.01	53.69	239.70 (24.2)	158.40 (66)	81.30 (34)
PRIs	4872.58	417.41	795.86	1213.27 (24.9)	1208.04 (99.5)	5.23 (0.50)
Total	**5861.56**	**603.42**	**849.55**	**1452.97 (25)**	**1366.44 (94)**	**86.53 (6)**

Against the requirement of funds amounting to ₹ 5861.56 crore (worked out at pre-revised rate) for implementation of the scheme in the State, the funds available with the LSGIs was only ₹ 1452.97 crore which constituted 25 *per cent* of the funds required. Thus, there was shortage of ₹ 4408.59 crore for the implementation of the scheme. If the revised rates were reckoned, the shortage will be much more.

Table 3.4: Details of funds required, mobilised and utilised in the test-checked LSGIs

(₹ in crore)

Name of district (1)	Funds required (2)	Development Expenditure Fund provided (3)	Loan availed (sanctioned loan in bracket) (4)	Funds available (3+4) (5)	Expenditure incurred (6)	Unspent Balance (5-6) (7)
				(Percentage in bracket)		
Wayanad	75.88	7.85	12.98 (20.52)	20.83(27.45)	18.36 (88.14)	2.47 (11.86)
Kottayam	40.18	3.08	4.12 (14.04)	7.20(17.92)	7.18 (99.72)	0.02 (0.28)
Palakkad	69.85	9.74	9.70 (26.43)	19.44(27.83)	19.06 (98.05)	0.38 (1.95)
Kannur	27.32	5.15	4.78 (16.92)	9.93(36.35)	8.23 (82.88)	1.70 (17.12)
Kollam	214.19	24.30	6.20 (12.25)	30.50(14.24)	28.83 (94.52)	1.67 (5.48)
Total	**427.42**	**50.12**	**37.78 (90.16)**	**87.90 (20.57)**	**81.66 (92.90)**	**6.24 (7.10)**

In the LSGIs test-checked, the shortage of funds was ₹ 339.52 crore (₹ 427.42 - ₹ 87.90). Audit noticed that 24 out of 38 LSGIs test-checked had not transferred the minimum required amount from their Development Expenditure Fund to the scheme account, resulting in shortfall of ₹ 5.67 crore. Though BPs and DPs were also required to contribute their share of funds to the GPs to facilitate construction, the inflow of funds to GPs on this account was not encouraging. Out of the 25 GPs test-checked, only 16 had received DP share and eight GPs received BP share. Seven GPs had not received any share from either DPs or BPs.

LSGIs stated that as they had to meet the expenditure on already committed/approved schemes, sufficient amount could not be set apart from Development Expenditure Fund for the scheme. The shortage of funds got further accentuated with the Co-operative banks not willing to release loans already sanctioned as discussed in paragraph 3.1.7.7, when in fact the LSGIs needed funds beyond the already sanctioned amounts.

3.1.8.2 Non-utilisation of Special Component Plan Fund

As per guidelines, the amount earmarked under Special Component Plan Fund (SCP) can be transferred to EMS Housing Scheme Account for disbursement to SC beneficiaries alone.

Kannur Municipality transferred (April 2010) ₹ 97.50 lakh from SCP fund to EMS Housing Scheme Account against the actual requirement of ₹ 79.20 lakh to benefit 45 SC beneficiaries (38 landless and seven homeless). However, no amount was disbursed to any of these beneficiaries till date (September 2013). No specific reason was attributed by the LSGIs for non-utilisation of the fund.

3.1.8.3 Availing loan much in advance of requirement by Panamaram GP

As per the Government Order issued in November 2009, LSGIs were required to avail loan only to the extent of actual requirement, in order to avoid unnecessary interest burden on the Government. Government further directed that if any LSGI created unnecessary interest burden upon the Government by irrationally availing excess funds than required, the additional interest liability on the unutilised funds would be recovered from the concerned Secretary and implementing officer of the LSGI.

Ignoring the above instructions Panamaram GP availed a loan ₹ four crore and credited to EMS Account in four instalments during March 2010 to May 2011. While drawing (March 2011) the third instalment of ₹ 19.2 lakh and fourth instalment (May 2011) of ₹ 60.70 lakh, the GP had a balance of ₹ 1.01 crore and ₹ 1.87 crore respectively. As of March 2013, an amount of ₹ 1.93 crore remained unutilised. As the balance at the time of transfer of third and fourth instalments was sufficient to meet the payments made from March 2011 to September 2013, the transfer of the loan instalment of ₹ 79.90 lakh could have been avoided. The avoidable payment of interest on the excess loan amount drawn amounted to ₹ 14.97 lakh.

The GP replied that the huge transfer from loan account was done in anticipation of distribution to all selected beneficiaries but due to non-completion of work in time and non-execution of agreement by the beneficiaries, the funds could not be fully utilised. The fact remains that the LSGIs should have regulated the drawal of loan in accordance with the actual requirement, to avoid excess interest burden on the Government.

3.1.8.4 Interest loss due to operation of scheme fund through current account

LSGIs were required to operate a joint account in the bank from where the loan was availed, in the name of President/Chairperson/Mayor and the implementing officer. The share of the LSGIs and the loan amount were to be deposited in this account. Audit noticed that most of the LSGIs had opened Savings Bank (SB) Account which fetched four *per cent* interest. However, five[9] of the test-checked LSGIs opened Current Account instead of SB Account which fetched no interest on the amount deposited. The interest foregone during 2010-11 to 2012-13 by the LSGIs on this account amounted to ₹ 49.60 lakh.

[9] Palakkad Municipality, Kollam Corporation, Kalpetta BP, Vadakarappathy GP, Meenangadi GP

3.1.8.5 Non-crediting of interest by the bank

Sholayur GP was maintaining a joint SB Account in the Agali Branch Mobile Unit of Palakkad District Co-operative Bank for depositing the scheme fund. Audit noticed that the Bank had not credited any interest on the amount deposited. Calculated at the rate of four *per cent*, short credit of interest (July 2010 to November 2011) worked out to ₹ 9.8 lakh. The Grama Panchayat was not aware of it till it was pointed out by the audit. This indicates laxity on the part of GP in managing the fund.

3.1.8.6 Retention of scheme fund in Own Fund Account

Twelve beneficiaries of the scheme in five[10] LSGIs refunded (June 2011 to April 2013) the assistance received together with interest amounting to ₹ 5.49 lakh as they wanted to discontinue the scheme. Audit noticed that these LSGIs had retained the amount refunded by beneficiaries in their Own Fund, instead of crediting back to the scheme account.

The GPs replied (April 2013 - July 2013) that the amount would be refunded to the scheme account.

3.1.8.7 Excess payment

As per the scheme guidelines, the assistance to SC beneficiaries for purchase of land was ₹ one lakh in Corporation area and ₹ 90,000 in Municipal area. Kollam Corporation paid (April 2012 - December 2012) assistance at the rate of ₹ 1.5 lakh to 21 SC beneficiaries and ₹ two lakh to 92 beneficiaries against the admissible rate of ₹ one lakh for purchase of land. The excess payment made by Kollam Corporation on this account amounted to ₹ 1.02 crore for purchasing the land after closure of the scheme in March 2012.

Palakkad Municipality paid (May 2013/June 2013) assistance at the rate of ₹ 1.75 lakh to two SC beneficiaries against the eligible amount of ₹ 90,000 for purchase of land resulting in excess payment of ₹ 1.70 lakh. Kollam Corporation replied (September 2013) that necessary action would be taken after taking up the matter with Scheduled Caste Development Officer. The Palakkad Municipality replied (July 2013) that the excess payment will be recovered.

3.1.9 Monitoring and evaluation

Efficient monitoring and evaluation of a scheme facilitates achievement of objectives of the scheme within the timeframe. The accountability and transparency of the scheme will be crystallized if appropriate monitoring and evaluation system exists. The scheme guidelines envisage following mechanism to monitor the implementation of the scheme:

- Constitution of Vigilance and Monitoring Committees (VMC) under Mahatma Gandhi National Rural Employment Guarantee Scheme to act as the Monitoring Committee for EMS Housing Scheme.
- Hundred *per cent* inspection by the officers of GP/BP/Corporation/ Municipality, and monitoring through the monitors of National Service Scheme in Professional Colleges and other Institutions co-ordinated by District Planning Committee.

[10] Meenangadi GP (₹255913), Vythiri GP (₹88535), Kalpetta Municipality (₹48050), Kanjirappally GP (₹108431), Pappinissery GP (₹48030)

- Entrusting suitable officers, agencies, institutions, etc., with the responsibility to ensure quality of construction.

Audit noticed that LSGD did not have any details regarding the monitoring activity conducted during the implementation of the scheme. No mid-term appraisal or evaluation of the scheme on its completion was carried out.

3.1.10 Conclusion

The major objective of providing houses to all landless and homeless families was not achieved. Ninety *per cent* of the homeless in the urban area and 76 *per cent* in the rural area are still remaining uncovered. There was no priority list of beneficiaries. Ashraya families and SC families who were essentially to be covered under the scheme were left out. The priority assigned to the landless families was not properly adhered to. The failure of the scheme in achieving its objective was due to absence of proper mechanism to identify beneficiaries and extending help in identifying and distributing land, non-mobilization and poor management of funds and lack of monitoring of the scheme.

3.1.11 Recommendation

- **Ninety *per cent* of the landless beneficiaries are still left out of the scheme due to non-availability/high cost of land. Urgent measures need to be taken to provide dwelling units to the Ashraya and SC families who were left out of the scheme.**
- **Better fund mobilization and management need to be adopted by the LSGIs for providing assistance to all identified beneficiaries.**
- **Monitoring mechanism has to be strengthened to ensure that the assistance given to beneficiaries has been utilized properly, by stipulating definite timeframes for completing each stage of construction.**

3.2 ASSET MANAGEMENT BY URBAN LOCAL BODIES

Highlights

Good asset management is a vital part of an organisation to assure that the assets are providing optimum value. Under decentralization, the Urban Local Bodies(ULBs) are entrusted with certain mandatory as well as general functions relating to drinking water supply, rural housing, education, poverty alleviation, solid waste management, health, sanitation, street lighting, etc. Consequent on the above devolution of powers and functions, the Municipalities have become the custodian of diverse range of assets. A performance audit of Asset Management of ULBs revealed shortcomings in the planning and decision making for creation and utilisation of assets, loss of revenue due to non-utilisation of shopping complexes, non-maintenance of relevant data regarding the assets in possession, non-accounting of assets, lapses in maintenance of assets, prolonged retention of unserviceable assets, etc. Some of the important points are indicated below.

Though management of solid waste and slaughtering of animals were the mandatory functions to be performed by the ULBs, either solid waste processing plant or slaughter house or both were not in operation in 12 ULBs.

Paragraph 3.2.6.2 (a)

Construction of a building taken up by the Alappuzha Municipality had to be stopped after spending ₹ 22.22 lakh as the Municipality did not ensure ownership on the land.

Paragraph 3.2.6.2 (b) (i)

Though Kottayam Municipality had incurred ₹ 1.02 crore for the creation of slaughter house, truck terminal and a women's hostel, the public could not derive any benefit as the assets were remaining incomplete/unutilised.

Paragraphs 3.2.6.2 (b) (ii), 3.2.6.2 (b) (iv) & 3.2.6.3 (iv)

Small Industries Service Institute acquired by Shoranur Municipality at a cost of ₹ 56.27 lakh during December 2002 was never put to use due to lack of technical knowhow and manpower.

Paragraph 3.2.6.2 (b) (iv)

Assets created under social/service sectors at a cost of ₹ 51.53 lakh by two ULBs (Kasaragod Municipality and Kozhikode Corporation) were remaining idle for two to four years.

Paragraph 3.2.6.3 (vi)

A Mortuary constructed at a cost of ₹ 9.60 lakh by Thodupuzha Municipality had not been put to use due to non-completion of electrical works.

Paragraph 3.2.6.3(i)

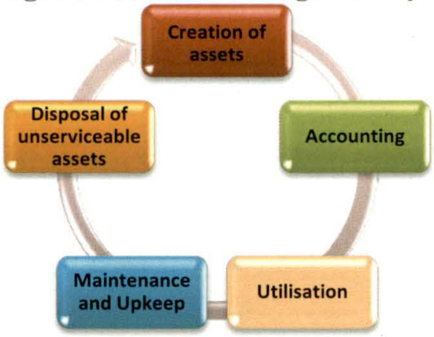
Three Municipalities (Alappuzha, Kottayam and Shoranur) had to suffer loss of revenue amounting to ₹ 1.21crore due to non-utilisation/non-realisation of rent of rooms in shopping complexes.

Paragraph 3.2.6.4

3.2.1 Introduction

Good asset management is a vital part of an organisation to assure that the assets are providing optimum value. It covers acquisition/creation of assets including replacement, improvements and remodeling of buildings, roads and bridges as also their accounting, utilisation, maintenance and disposal. Asset management encompasses full life cycle of the management of assets in order to maximise their advantage.

Diagram 3.1: Asset management cycle



Under decentralization, the Urban Local Bodies (ULBs) are entrusted with certain mandatory as well as general functions relating to drinking water supply, rural housing, education, poverty alleviation, solid waste management, health, sanitation, street lighting, etc. Government, in September 1995, transferred all institutions, schemes, buildings and other properties, assets and liabilities connected with matters referred to in the First Schedule to the Kerala Municipality Act, 1994, (KM Act) to the Municipalities and Corporations. Consequent on the above devolution of powers and functions, the Municipalities have become the custodian of diverse range of assets. These assets are classified as (i) assets owned and maintained by ULBs prior to decentralisaion, (ii) assets transferred to ULBs by decentralisation process and (iii) assets acquired and built after decentralisation by utilizing funds received from Central and State Governments, surplus out of own resources and contribution from public.

3.2.2 Organisational set up

In the decentralised planning set-up, Working Groups, Ward Sabhas, Standing Committees, Technical Advisory Committees, District Planning Committees and the Engineering Wing are the institutions/agencies involved in the management of assets. The role of these institutions/agencies is given in **flow chart 3.1.**

Flowchart 3.1: Role of various functionaries

3.2.3 Audit objectives

Audit objectives were to examine whether:

- the acquisition/creation of assets was properly planned and executed
- all assets were properly accounted /documented
- assets were effectively utilised for the intended purpose
- there was a system for the upkeep and periodical maintenance of assets
- effective system of monitoring and disposal of obsolete assets were put in place

3.2.4 Audit criteria

Audit criteria were derived from the following:

- Provisions of KM Act
- Provisions of Kerala Municipal (Accounts) Rules, 2007
- Provisions of Kerala Municipal Accounts Manual, 2007
- Guidelines and orders issued by the Government

3.2.5 Audit scope and methodology

A review of the asset management by the Local Self-Government Institutions covering the period from 2002-03 to 2005-06 was included in paragraph 3.1 of the Report of the Comptroller and Auditor General of India (Local Self-Government Institutions) for the year ended March 2006. The review highlighted instances of acquisition and creation of assets without proper planning leading to their abandonment midway, encroachment of land due to non-protection of boundaries, idling of capital assets, non-maintenance of assets, etc. The Committee on Local Fund Accounts discussed the review. Their recommendations are awaited.

A Performance Audit on the asset management by ULBs was conducted from April 2013 to October 2013, covering the period 2008-09 to 2012-13. Out of the 60 Municipalities and five Corporations in the State, 15 Municipalities[11] and two Corporations[12] were selected using Simple Random Sampling after grouping the districts into two strata, *viz.*, Southern and Northern districts. Audit methodology included scrutiny of records, physical verification, issue of audit enquiries and obtaining replies, etc.

The performance audit commenced (16 April 2013) with an entry conference and completed (5 February 2014) with an exit conference with Principal Secretary, Local Self Government Department.

Audit findings

Audit findings are organized into the following sections

- Creation and utilisation of assets
- Accounting of assets
- Maintenance of assets
- Disposal of assets

[11] **Southern Region:** Punalur, Alappuzha, Kottayam, Thrippunithura, Angamaly, Varkala, Pathanamthitta, Thodupuzha; **Northern Region**: Chavakkad, Shoranur, Tirur, Perinthalmanna, Mattannur, Kalpetta, Kasaragod

[12] **Southern Region** : Thiruvananthapuram; **Northern Region**: Kozhikode

- Control mechanism

3.2.6 Creation and utilisation of assets

3.2.6.1 Trend of utilisation of funds for asset creation

The information furnished by the 17 ULBs test-checked, regarding the details of the total expenditure and expenditure incurred on creation of assets during the five year period 2008-13 is detailed in **Appendix X**.

As per the guidelines issued (May 2007/ August 2012) by the Government for the preparation of Annual Plan during XI Plan period (2007-12) and XII Plan period (2012-17), ULBs were permitted to utilise 50 *per cent* and 55 *per cent* of the allotted fund respectively for infrastructure development. However, Audit noticed that the utilisation of fund for the creation of assets was less than 10 *per cent* in six ULBs[13]. The lowest utilisation of fund for the creation of asset was noticed in Thiruvananthapuram Municipal Corporation and Alappuzha Municipality (four *per cent* each).

3.2.6.2 Planning process

Assets intended to be created or acquired by Local Self-Government Institutions (LSGIs) should be commensurate with the immediate and long term requirements. Audit noticed that no policy for creation, periodical counting, monitoring and maintenance of assets had been prepared by the Government in respect of LSGIs.

The Government had, however, issued guidelines for the plan formulation according to which the proposals for the creation of asset were to undergo a seven-step process as shown in the flow chart given in paragraph 3.2.2. Audit noticed shortcomings, as mentioned below, in the formulation of projects for the creation of assets:

(a) As per Schedule 1 of KM Act, the mandatory functions of the ULBs include management of solid waste and regulation of slaughtering of animals. Though the selected ULBs had generally followed the seven step process for the plan formulation, there was laxity in the formulation of projects for the creation of solid waste processing plant/slaughter house during the five year period 2008-13 covered in audit. Audit noticed that either solid waste processing plant or slaughter house or both were not in operation in 12 ULBs (both solid waste processing plant and slaughter house: in seven ULBs, solid waste processing plant: in two ULBs; slaughter house: in three ULBs). In the absence of any facility for treatment of solid waste and slaughtering of animals, waste was being dumped in these municipalities without any protection to the environment.

(b) The groups entrusted with the formulation of projects were to ensure availability of hindrance free land and sufficient resources for execution of the projects. Audit noticed lapses in this regard during the planning process, leading to idling of assets as mentioned below:

(i) Construction of a building in the land not owned by the Municipality

Alappuzha Municipality formulated (2009-10) a project for construction of Vishramasamuchayam and Shopping Complex near Alappuzha Beach Rest House at an estimated cost of ₹ 25.50 lakh. In August 2011, the Department of Ports

[13] Alappuzha, Kasaragod, Mattannur, Pathanamthitta, Thiruvananthapuram and Varkala

objected to the construction as the land was owned by them. Despite such objection, the Municipality went ahead with the project and spent ₹ 22.22 lakh for the construction of a building in the land. Subsequently, the Municipality had to stop the work in February 2012 when the District Collector, Alappuzha intervened in the matter. Thus, as a result of not ensuring the ownership of the land, the expenditure of ₹ 22.22 lakh incurred on creation of the asset remained unfruitful.

(ii) Formulation of project without mobilizing sufficient fund

Kottayam Municipality awarded (December 2007) the work of construction of a modern slaughter house to a contractor at a cost of ₹ 1.21 crore, stipulating the date of completion as June 2009, which was subsequently extended up to January 2010. After executing a portion of the work (value of work done: ₹ 53.50 lakh) and receiving payment of ₹ 44.13 lakh, the contractor abandoned (January 2010) the work due to non-payment of dues. Thus, the building has remained incomplete for the last three years due to paucity of funds. The Municipality stated (May 2013) that the payments could not be made due to lack of funds and that efforts were being made to close the present contract and make available sufficient funds to complete the project. However, no action had been taken so far (November 2013) for mobilising sufficient fund to complete the project.

(iii) Construction of shopping complex without ascertaining demand

Construction of a shopping complex taken up by Pathanamthitta Municipality during January 2000 was completed in May 2008 at a cost of ₹ 3.25 crore by availing loan from KURDFC[14]. Out of 100 shops in the building, 32 shops were lying vacant from the date of completion due to lack of demand.

Audit noted that the Municipality did not conduct any feasibility study to ascertain the demand and viability of the project before venturing into it. Thus, failure of the Municipality in ascertaining the demand before launching the project has resulted in the available resources of ₹ 3.25 crore being tied up in the asset.

(iv) Taking over/creation of assets without foresight about utilisation

SISI building in dilapidated condition

- The Small Industries Service Institute (SISI), established by Government of India, to promote industrial activities in remote area, was taken over (December 2002) by Shoranur Municipality at a cost of ₹ 49.94 lakh. Subsequently, the Municipality incurred ₹ 6.33 lakh (between November 2004 and August 2010) towards construction of shed and repair to the existing buildings. As per the condition of transfer deed, the Municipality was to continue the activities of SISI for the benefit of the small scale industries. But, the SISI could not function due to lack of technical knowhow, capital investment and manpower. The Municipality

[14] Kerala Urban and Rural Development Finance Corporation

did not take any measures to overcome these difficulties. As a result, the building and the machinery of SISI were lying in dilapidated condition.

- Under the Centrally Sponsored Scheme 'Initiative for Strengthening Urban Infrastructure' Kottayam Municipality constructed a truck terminal at Kodimatha at a cost of ₹ 35.84 lakh[15] in April 2010. The truck terminal was intended to provide facilities for repairs of vehicles, basic amenities to drivers and crew members and to arrest traffic congestion in the town. These facilities had not been put to use so far for want of operators. The Municipality stated that action was being initiated to operate the terminal by its own arrangement. The Municipality, however, did not give any justification for the delay of three and a half years for making own arrangement for operating the facility.

Thus, lack of proper planning with regard to actual utilisation of the assets rendered the investment of ₹ 92.11 lakh[16] to remain idle.

3.2.6.3 Execution of projects

ULBs acquire assets as part of their infrastructure development for better civic services and also to augment their revenue resources. Since acquisition/creation of assets involves investment of scarce resources, proper execution is required to ensure economic viability and usefulness of the assets. Shortcomings in the execution of projects as noticed in audit are mentioned below:

(i) Non-execution of essential components forming part of the project

Audit noticed that assets were remaining idle due to non-execution of essential components, as discussed below:

- Execution of civil works of a Mortuary and Post Mortem Unit at Taluk Hospital included in the Annual Plan 2010-11 of Thodupuzha Municipality was completed (October 2012) at a cost of ₹ 9.60 lakh. Despite completion of building and availability of freezer unit, the mortuary could not be made operational due to non-completion of electrical works.

- A project to provide irrigation facility (estimated cost: ₹ 15 lakh) at the compound of Juvenile Home was approved by Kozhikode Corporation during 2010-11. Although the work of construction of water tank and installation of pump was executed (March 2011) at a cost of ₹ 8.21 lakh, the facility could not be used as the remaining works like installation of pipes, sprinklers and electrification were not taken up by the Corporation so far (October 2013). Thus, the expenditure of ₹ 8.21 lakh incurred on the project remained unfruitful.

Superintending Engineer stated (July 2013) that action will be taken to make the Pump set and Water tank operational.

(ii) Projects at standstill due to flaws in agreement

Alappuzha Municipality formulated (2008-09) two projects, *viz*., construction of crematorium at Chathanad (estimated cost: ₹ 15.75 lakh) and construction of a building for women (estimated cost: ₹ 19 lakh) at Allissery Ward. Execution of

[15] includes the cost of weigh bridge of ₹ 7.18 lakh
[16] (₹ 49.94 lakh + ₹ 6.33 lakh) + ₹ 35.84 lakh

these two projects entrusted to Costford[17] was at standstill since September 2010/February 2011. The total expenditure incurred on these projects amounted to ₹ 27.47 lakh. Audit noticed that the works remained incomplete as Costford demanded cost escalation and extension of time for completion, which were not allowable under the agreement, hence were not allowed by the Municipality. The Municipality, however, could not take any action against Costford as the agreement also did not contain any penalty clause and provision for enforcement of risk and cost.

(iii) Abandoned Anganwadi buildings

Construction of 13 Anganwadi Buildings taken up by Kozhikode Corporation and Alappuzha Municipality during the period 2004-05 to 2008-09 was abandoned after partial execution by Costford/convener/contractor as detailed in **Table 3.5.**

Table 3.5: Details of abandoned Anganwadi buildings

Name of ULB	To whom work entrusted	No of buildings	Year of starting	Stage at which abandoned
Kozhikode Corporation	Costford	3	2005	Roof slab level – 4, Lintel level-1, Foundation level-2, Not started-1
		3	2006	
		1	2008	
		1	2010	
Kozhikode Corporation	Convener of Beneficiary Committee	4	2005	Roof Slab concrete
Alappuzha Municipality	Contractor	1	2008-09	Not started

Kozhikode Corporation and Alappuzha Municipality had not initiated any action against the defaulting agency/convener/contractor. Further, the ULBs did not make any attempt to complete the construction of buildings intended to accommodate Anganwadi Centres functioning in rented buildings. Further details of the above cases could not be verified as the files connected with the construction were not available in the Corporation and Municipality.

(iv) Delay in construction of a women's hostel

With a view to provide accommodation for working women and students of nearby areas and outside districts, Kottayam Municipality formulated (2001-02) a project (estimated cost: ₹ 3.54 crore) for the construction of a seven-storey women's hostel in a plot of land owned by the Municipality. Though the Municipality incurred ₹ 21.90 lakh on the project towards preparation of plan and design, soil investigation, compound wall, etc. and the Government exempted the proposed site from Zoning Regulations in February 2005, no progress had been made in the implementation of the project so far (November 2013) for which reasons were not available on record. Thus, creation of an asset intended to benefit the women community did not materialize even after eight years of its clearance by the Government, mainly due to laxity on the part of the Municipality. Delay in implementation of the project would also cause considerable impact on cost escalation.

(v) Non-utilisation of land

Test-check of the records revealed that though the Municipalities had acquired land with the intention of providing specific facilities to the public, the lands remained

[17] Centre of Science and Technology for Rural Development, registered under the Travancore Cochin Literary Scientific and Charitable Societies Act, 1955 and set up in 1985, involved in low cost constructions

vacant due to inaction on the part of the Municipality to provide those facilities, resulting in blocking of funds as mentioned in **Table 3.6.**

Table 3.6: Unutilised land

Sl No	Name of ULB	Extent of land (in acres)	Year of purchase	Cost (₹ in lakh)	Purpose for which land acquired
1	Kalpetta	0.47 (4 plots)	2009	78.81	Children's Park/ Bus stand/ Town Hall
2	Shoranur	3.70 (1 plot)	2007	74.56	Developmental activities
3	Kasaragod	5.460 (5 plots)	2006	14.16	Solid waste treatment plant

(vi) Non-utilisation of assets created for welfare programmes

Audit noticed that the assets created for certain welfare programmes were remaining inoperative without any benefit to the public. The details are given in **Table 3.7.**

Table 3.7: Assets created for welfare programmes remaining idle

Name of ULB	Particulars of Buildings	Year from which idle	Cost (₹ in lakh)	Remarks
Kozhikode Corporation	Construction of Vanitha Vipanana Kendram	March 2010	13.17	Non-submission of completion certificate by Engineering Wing to Revenue Wing
Kozhikode Corporation	Construction of Vanitha Training Centre	June 2010	12.21	
Kozhikode Corporation	Food Analytical Laboratory	March 2011	17.58	For want of electrification
Kasaragod Municipality	Day care centre	March 2012	1.43	
Kasaragod Municipality	Anganwadi building	March 2012	7.14	

The Municipality/Corporation had not taken timely action to utilise these buildings.

(vii) Idle Plant and Machinery

Plant and Machinery worth ₹ 1.35 crore acquired by the ULBs were kept idle for the reason specified in **Table 3.8**.

Table 3.8: Non-utilisation of plant and machinery

Sl. No.	Name of ULB	Particulars of assets	Year from which idle	Cost (₹ in lakh)	Remarks
1	Punalur Municipality	Solid waste processing plant	June 2011	44.22	The Municipality had not made any arrangement for operating the plant.
2	Kozhikode Corporation	Biogas plants -3 numbers	1. Palayam Bus Stand - July 2010 2. Mofussil Corporation Bus Stand - March 2010	37.84	Components such as pressure release valves, pumps, solar heater, control panel for motoring operations, facility for biogas cleaning, etc., had not been completed/ executed by The Kerala Agro Industries Corporation Ltd., the implementing agency.

Sl. No.	Name of ULB	Particulars of assets	Year from which idle	Cost (₹ in lakh)	Remarks
			3. Central Market - October 2009		No action had been taken to complete the projects.
3	Kalpetta Municipality	Slaughter house and bio-gas plant	December 2006	36.08	Slaughter house was closed down due to Public protest. There was no treatment plant for processing waste. As the slaughter house (cost: ₹ 22.03 lakh) was not operational, a biogas plant built at a cost of ₹ 14.05 lakh was also remaining inoperative.
4	Thodupuzha Municipality	Biogas plant	November 2012	16.47	Non-provision of water/ electric connection.

3.2.6.4 Loss of revenue due to non-utilisation/ non-realisation of rent of shopping complexes

The primary objective of construction of shopping complexes is augmentation of revenue. It was incumbent on the ULBs to frame a well defined strategy with appropriate controls regarding fixation of rent, maintenance, periodical revision of rent, invoking penal action in case of default in payment of rent by lessees, etc. Audit noticed that due to non-adherence to these requirements, many of the shopping complexes built by ULBs were remaining without any return on investment and resultant loss of revenue as mentioned in **Table 3.9** below.

Table 3.9: Idling shopping complexes left without any return

Item/subject	Audit observation
Alappuzha Municipality- Loss of revenue due to non-acceptance of bid for rooms in Shopping complex built as part of EMS stadium	Out of the 124 rooms in the shopping complex, offers for only twenty-two rooms were received during September 2010 after two rounds of tendering. Although offer from one person for two rooms was accepted by relaxing the tender conditions (reducing the amount of deposit), the same relaxation was not extended to two other persons for 20 rooms and this was despite the fact that there was no demand for the rooms. The Municipality could not attract any takers subsequently, even though Municipal Council drastically reduced (November 2012) the deposit amount. Thus, the Municipality could not earn substantial revenue of ₹ 65.52 lakh towards rent (up to July 2013), apart from collection of an interest free deposit of ₹ 1.19 crore. The Municipality stated that the offers were rejected based on the decision (September 2010) of the Council not to accept any offers with lesser deposit/rent than that fixed by the Municipality. The reply is not tenable as the Municipality had accepted reduced amount of deposit from other bidder.
Kottayam Municipality - Non- realisation of rent due to non-execution of agreement with the tenant	The Municipality let out (September 2003) 17 rooms (3454.59 square feet) of the Municipal Rest House to the District Sports Council without any agreement. As a result, the Municipality could not recover the rent amounting to ₹ 40.50 lakh (September 2003 to March 2013). The Municipality reported (March 2013) the matter to

Item/subject	Audit observation
	Government for their intervention.
Shoranur Municipality - Building remaining idle due to non-maintenance	The Municipality has a three-storey shopping complex in old bus stand in the town with 55 rooms (660 square metre). Out of this, 11 rooms with an area of 165 square metre were lying vacant from April 2003 onwards due to non-maintenance resulting in potential revenue loss of ₹ 15.13 lakh (calculated based on the information furnished by the Municipality) for the period from May 2003 to September 2013. The Municipality stated (December 2013) that provision is being made for renovation of bus stand-cum-shopping complex in ensuing years.

3.2.7 Accounting

Asset accounting includes recording complete, reliable and unbiased information about existing assets so as to facilitate proper maintenance, periodical physical verification as well as judicious replacement or disposal of assets in time. Audit observations on asset accounting are discussed below:

3.2.7.1 Improper maintenance of registers

Kerala Municipal Accounting Manual and Government order (December 2005) stipulate that each ULB should maintain asset registers in the prescribed form. Audit noticed that the asset registers maintained were incomplete in all the ULBs test-checked. The mandatory requirements such as survey number, date of acquisition, cost of acquisition, year of construction, description of the property, area, etc were not filled up in the prescribed form of the asset registers maintained by ULBs.

The registers for immovable property, movable property and land in Forms GEN 31, 32 and 33 respectively as prescribed in the Kerala Municipal Accounts Manual (KMAM) were also not maintained in any of the 17 ULBs test-checked.

3.2.7.2 Non- accounting of assets

(a) As per Government order issued in December 2005 a separate register was to be maintained by each ULB to record the details of public lighting. None of the ULBs test-checked, except Perinthalmanna, had maintained a register for recording details of public lighting. Audit noticed that though sizeable investment was made for public lighting by Kozhikode Corporation (₹ 7.83 crore during April 2010 to March 2012) and Varkala Municipality (₹ 23.91 lakh during 2012-13), those assets were not accounted for.

(b) Movable assets such as Dumper container, Power Sprayer and bins procured by Kerala Sustainable Urban Development Project at a cost of ₹ 24.25 lakh and handed over (September/November 2012) to Kozhikode Corporation were not recorded in the Asset Register of the Corporation.

(c) In respect of five ULBs[18], out of 283 vehicles recorded in the register, although 54 vehicles were disposed of, the fact of disposal was not recorded in the register. Out of these, eight vehicles were disposed of during 2008 to 2011, whereas the disposal dates of 46 vehicles were not made available to Audit.

[18] Kozhikode and Thiruvananthapuram Corporations and Kottayam, Alappuzha and Pathanamthitta Municipalities

Further, 247 vehicles acquired during 2008-09 to 2010-11 were not accounted for in the Register.

3.2.7.3 Assets not incorporated in the Balance Sheet

The Balance sheets of Alappuzha Municipality for the years ended March 2011 and March 2012 exhibited the gross value of assets as ₹ 4.62 crore and ₹ 80.08 lakh respectively. Audit analysis of these two balance sheets revealed that the asset value as at March 2012 included only the acquisition during the year, but excluded the opening balance carried over from previous year.

As part of introduction (April 2007/April 2010[19]) of double entry accounting system, the ULBs were required to prepare an opening balance sheet at the beginning of the introduction of the system after valuing all the assets in possession. Audit noticed that:

- Out of the 17 ULBs test-checked, 11 ULBs[20] did not value the assets for the preparation of opening balance sheet. In all these Municipalities, assets acquired for the year 2010-11 alone were included in the Balance Sheet for 2010-11.
- Shoranur Municipality acquired 5.86 acres of land (3 plots)[21] during 2002-07 at a cost of ₹ 1.17 crore. This was not included in the balance sheet for the year 2010-11.
- Of the remaining six ULBs who had prepared the opening balance sheet, in respect of four ULBs[22], the records of valuation of assets for opening balance sheet were not available.

3.2.8 Maintenance of assets

3.2.8.1 Shortfall in utilisation of Maintenance Grant

Guidelines for utilisation of Maintenance Fund issued by Government from time to time stipulated that at least 80 *per cent* of the maintenance fund made available shall be utilised during 2008-09 and 2009-10; 70 *per cent* during 2010-11 and 60 *per cent* during 2011-12 and 2012-13. In the case of short-utilisation, the same shall be deducted from the allocation of second subsequent year.

In the 17 ULBs test-checked, there was shortfall in utilisation amounting to ₹ 18.51 crore during the years 2008-09 to 2012-13. The total amount deducted from the budget allocation for the years 2010-11 to 2013-14 amounted to ₹ 11.17 crore. Thus, due to laxity in utilisation, the Municipalities were deprived of Government funds that could have been used for maintenance of assets.

3.2.8.2 Non-observance of norms for maintenance of roads and buildings

As per the norms prescribed in PWD Manual while periodical maintenance such as coloring, painting, repairing the doors and windows, roofs, etc., of buildings is once in two years, white washing of buildings is to be carried out annually. However, these norms were not followed by the ULBs test-checked.

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[19] In five Corporations and two Municipalities (Alappuzha and Thalassery) with effect from 01.04.2007 and in the remaining Municipalities (58) with effect from 01.04.2010

[20] Kottayam, Punalur, Pathanamthitta, Tirur, Perinthalmanna, Mattannur, Angamali, Thodupuzha, Varkala, Kalpetta and Kasaragod

[21] Chuduvalathur -0.86 acre, Kavalappara- 3.70 acres and Kulappully- 1.30 acres

[22] Thiruvananthapuram and Kozhikode Corporations, Chavakkad and Alappuzha Municipalities

Test-check revealed the following:

- Due to non-maintenance of Government Higher Secondary School Building at Pathanamthitta, the class rooms were to be shifted (August 2012) to other buildings.
- Out of the nine schools in Punalur Municipality, maintenance was not carried out in six schools for the last five years and more.
- Out of 565 Anganwadi Centers functioning in own buildings, maintenance to 368 buildings had not been carried out during the past five to ten years (five to seven years: 128 buildings; eight to ten years: 240 buildings) in nine ULBs out of 17 test-checked.
- Government accorded (December 2010) sanction to utilise Maintenance Grant (non-road) for certain additional items like provision of drinking water facility, construction of wells, baby-friendly toilets, etc. in the Anganwadies/Balwadies. Audit noticed that out of 565 Anganwadi buildings, drinking water was not provided to 289 (51 *per cent*) buildings, toilet to 78 (14 *per cent*) buildings and electric connection to 232 (41 *per cent*) buildings by 11 ULBs out of 17 test-checked.
- Kozhikode Corporation was not giving priority to maintenance/repairs of buildings meant for health care of the poor. Out of 19 RCH (Reproductive and Child Health) Centers functioning in own buildings at different wards of the Kozhikode Corporation, maintenance to 14 buildings had not been carried out for the last nine years though the roofs of the buildings were leaking (in 6 cases) and floors, doors and windows, etc. also required repair works.

3.2.8.3 Encroachment of school land due to non-protection of boundaries

Government LP School, Valacode, under the jurisdiction of Punalur Municipality possessed 190 cents of land against which the actual possession was only 145 cents. The remaining 45 cents had been encroached upon due to non-protection of boundaries. Municipality stated (May 2013) that the Tahasildar, Pathanapuram had been requested to survey and demarcate the land, and that action would be taken to construct compound wall.

3.2.8.4 Non-maintenance/repair of heavy vehicles

Nine heavy vehicles in three ULBs were lying unutilised for want of repairs for the period from October 2009/March 2012 as detailed in **Appendix XI**. These movable assets included some costly vehicles such as combined harvester (one number), excavators (two numbers) etc.

3.2.9 Disposal of assets

Once the movable assets become unserviceable/ obsolete and no longer capable of yielding further services, they have to be disposed of without delay to fetch maximum resale value and to avoid the expenditure on supervision, storage, maintenance and security.

Audit noticed the following in the disposal of assets:

3.2.9.1 Non-disposal of defunct incinerator

The Punalur Municipality had installed an incinerator at Taluk Hospital at a cost of ₹ seven lakh during October 2001 which became defunct in July 2008. Though the Superintendent of the Hospital had reported (July 2008) the matter to the Municipality, no action was taken to get it repaired or replaced. The ULB stated (May 2013) that a decision in this regard was still pending without citing any valid reason for the delay.

3.2.9.2 Non-disposal of vehicles

Audit noticed that 22 unserviceable vehicles were lying in the Municipality/ Corporation without being disposed of. Details are given in **Table 3.10**.

Table 3.10: Details of idle/unserviceable vehicles

Sl. No.	Name of ULB	Item	Date from which idle / unserviceable
1	Alappuzha Municipality	Three wheelers-10	Between January 2010 and January 2012
		Tractor-1	March 1997
		Road roller – 2	1997 and 1998
		Lorry – 5	2 lorries: between April 2004 and June 2005 3 lorries: between November 2011 and July 2012
2	Thiruvananthapuram Corporation	JCB – 2	March 2012
3	Shoranur Municipality	Lorry – 1	August 2006
4	Varkala Municipality	Road roller – 1	February 2010

Vehicles lying idle in Alappuzha Municipality

Prolonged retention of these idle vehicles would reduce their resale value.

3.2.10 Internal control

The internal control system relating to asset management available in the ULBs was not effective. Physical verification of assets was not being done in any of the test-checked ULBs, as a result of which the ULBs could not ensure that all assets accounted for in the stock register/asset register were physically available.

In order to avoid possible disputes about the ownership and/ or encroachment it is necessary to keep the title deeds of property under safe custody. Audit, however, noticed that against 41 plots of land (17.53 hectares) recorded in the asset register of Punalur Municipality, the Municipality possessed the title deeds of only seven plots (3.51 hectares).

3.2.11 Conclusion

There was under-utilisation of funds by ULBs for the creation of assets. In many instances the acquisition/creation of assets was dropped midway or it remained incomplete after substantial investments due to inadequacy of funds, failure to ensure ownership of land etc. Shopping complexes remained unutilized/under-utilised due to inefficient management. Lack of pragmatic decision making in accepting the offers, non-execution of agreement with the tenant, non-maintenance resulted in substantial loss of revenue to the Municipality. Basic information was lacking in the asset registers maintained by the ULBs. Periodical maintenance was not carried out in anganwadi centres, schools and health care centres. There was no system to record the details of maintenance carried out each year. Physical verification of assets was not conducted in any of the ULBs test-checked. Many of the assets, which had become unserviceable or obsolete, were not disposed of.

3.2.12 Recommendation

- **Creation of assets should be properly planned and executed considering the immediate and long term requirements.**
- **Concerted efforts should be made to avoid under-utilisation/non-utilisation of assets through periodical review of assets.**
- **Accounting of assets should be streamlined by updating the information in the asset registers.**
- **A record of the maintenance of all assets should be kept and the maintenance carried out so as to obtain optimal value.**

CHAPTER IV

Compliance Audit

CHAPTER IV

COMPLIANCE AUDIT

AUDIT OF SELECTED TOPICS

4.1 IMPLEMENTATION OF BUILDING RULES IN KOCHI MUNICIPAL CORPORATION

4.1.1 Introduction

Regulation of building construction is one of the mandatory functions of Municipalities and Municipal Corporations as per the Kerala Municipality Act, 1994 (KM Act). The Government formulated the Kerala Municipality Building Rules, 1999 (KMBR) with effect from 01 October 1999 for the planned development of the Municipalities/Municipal Corporations, and also for the safety and well being of the occupants and public. According to KMBR, no person shall construct/reconstruct any building or develop any parcel of land without obtaining permit from the Municipality/Municipal Corporation.

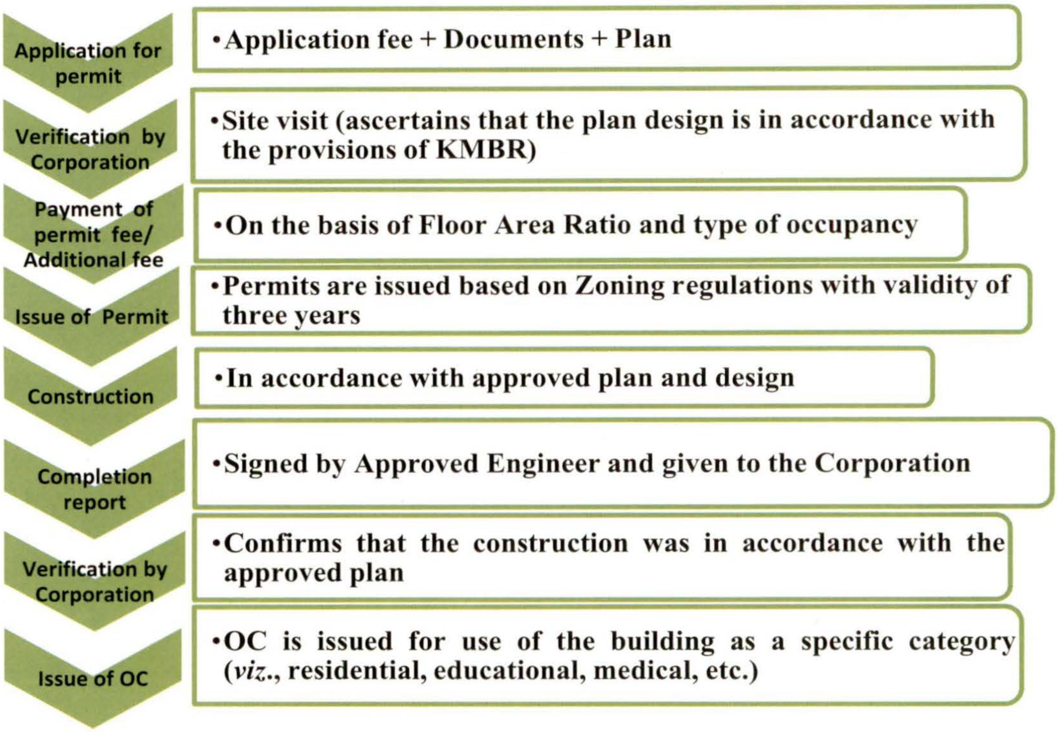
A General Town Planning Scheme (Structure Plan) has been formulated with effect from 31 May 2007 for the Kochi City area under the Town Planning Act, which supersedes the provisions of KMBR, in terms of Rule 3A of KMBR. In so far as the provisions contained in the Structure Plan are concerned, Kochi Municipal Corporation (KMC) area has been divided into eight major zones like residential, commercial, industrial, conservation, etc. Each zone has specified permitted uses, restricted uses and prohibited uses.

The objective of audit was to assess whether KMC has an effective system to ensure that constructions in the Corporation area are in accordance with KMBR/Structure Plan. Audit was conducted during April 2013 to July 2013 covering the period 2007-08 to 2012-13. Out of the total 74 Divisions in KMC, 21 Divisions were selected using Simple Random Sampling Method for detailed scrutiny. Audit methodology included scrutiny of basic records, registers, files, issue of audit enquiries, site inspection, etc.

4.1.2 Organisational set up

Being the administrative head, the Secretary of KMC (Secretary) is the authority to issue building permits and Occupancy Certificates (OCs). Government has delegated the power of issuing building permits/OCs among Assistant Engineer, Assistant Executive Engineer, Executive Engineer/Town Planning Officer and Corporation Engineer/Superintending Engineer, based on the plinth area and type of buildings. The different stages in implementation of KMBR are depicted in **Chart 4.1.**

Chart 4.1: Stages in implementation of KMBR



Audit findings

4.1.3 Processing of applications and maintenance of records for building permits

4.1.3.1 Absence of basic data relating to building permits

According to KMBR any person (other than a Central or State Government department) who intends to develop any land or construct any building should submit to the Secretary an application supported by necessary documents, together with necessary application fee. The Secretary, after verifying compliance of KM Act, KMBR and Structure Plan, shall grant or refuse to grant permission for execution of work within 30 days of receipt of the application. KMC has five Zonal Offices[1] which receive and process building permit applications concerning their jurisdiction.

(i) Audit noticed that KMC did not have consolidated database regarding the total number of permit applications received and total number of permits/OCs issued during a particular year. Even Division-wise details of permits/OCs issued were not being maintained. In the absence of consolidated database on building permits/OCs, KMC was not in a position to effectively monitor the construction activities going on in the Corporation area.

(ii) In the Permit Register maintained in KMC, basic details such as Division number, date of receipt of completion certificate, date of issue of OC,

[1] Central, Vyttila, Edappally, Palluruthy and Fort Kochi

renewals of permit etc., were not being recorded in a number of cases, on account of which it was difficult to monitor the permits issued. Government stated (November 2013) that direction would be given to KMC to keep proper register for building permit applications, permits given, permit renewals, regularization, etc.

(iii) The system of issuing building permits online was envisaged in the e-Governance programme being implemented in KMC as part of JNNURM[2]. Even though the Detailed Project Report on e-Governance costing ₹ 8.70 crore was approved in December 2008, the works relating to its implementation scheduled to be completed by March 2012 as per the agreement with Tata Consultancy Services (TCS), were entrusted to TCS only in February 2011. The project was not completed even as of December 2013.

Due to delay in implementation of e-Governance Project, scrutiny of permit applications and issue of permits/OCs were being done manually, except in the case of three zones[3], where permit applications for buildings above 60 square metre were being received online from 2011 onwards. Processing of applications and issue of permits/OCs in these three zones were also done manually. The slow pace of implementation was attributed to slackness in decision making and lapses in providing necessary infrastructure by KMC. Government stated (November 2013) that provision to submit building permit applications through e-filing had been included in KMBR *vide* Amendment made in February 2013.

4.1.3.2 System deficiency in pursuing permit applications/ lapsed permits

The Secretary, after verifying the bonafides of the ownership of land and confirming himself that the site plan and other specifications conform to the site and the provisions of KMBR, approves the site plan. The Secretary also confirms that the building plan, elevation and other specifications conform to the site and are in accordance with the rules and provisions applicable. Thereafter, the Secretary or the officer authorized in this regard, issues the building permit.

As per the details collected from the registers of the five Zonal Offices, against 42602 applications for permit received by KMC during 2007 to 2012, 40603 permits were issued and 1999 applications were pending. Of the permits issued, 531 permits were issued belatedly. Delay in issue/non-issue of permits was mainly on account of violations of KMBR/Structure Plan such as non-provision of required open space at the sides of buildings, non-adherence to limitations on Floor Area Ratio (FAR)[4], etc. Though Corporation had issued notices to the applicants pointing out the defects, it had no system to ensure that the parties did not commence constructions before obtaining permits. Site verification of eight pending applications by Audit revealed that in one case, the party had already completed construction without obtaining permit.

KMBR provide that in cases where the Secretary neither gives nor refuses permission for construction within the stipulated time, the Council can take a

[2] Jawaharlal Nehru National Urban Renewal Mission

[3] Central, Vyttila & Edapally

[4] $\frac{\text{Total area on all floors of the building}}{\text{Plot area}}$

decision thereof, on the request of the applicant. Neither the Council nor the Secretary has the powers to issue permit contravening any provisions of the Act or Rules made thereunder. Scrutiny of records revealed that in cases where the Secretary initially refrained from issuing permits as the constructions violated provisions of KMBR, he later issued those permits based on the recommendations of the Town Planning Standing Committee[5] in a routine manner, overlooking the stipulated provisions. Test-check by Audit revealed that in 49 cases, KMC issued permits for construction violating KMBR/Structure Plan, based on the recommendation of the Town Planning Committee, beyond the powers bestowed under the Act or Rules.

4.1.4 Unauthorised constructions

In respect of unauthorized constructions which have been commenced, carried on or completed without obtaining approved plan or in deviation of the approved plan and which does not violate any provisions of KM Act or KMBR, the Secretary can regularize the constructions under Rule 143 of KMBR, after realizing the compounding fee due thereon. If the constructions violate any provisions of the Act or Rules, the Secretary shall demolish those constructions, after giving necessary notice to the party concerned.

Audit noticed unauthorized constructions in the Corporation area as mentioned below:

4.1.4.1 FAR and coverage exceeded prescribed limits

- As per KMBR, maximum FAR and coverage allowable for commercial buildings during 2008 were four and 65 *per cent* respectively subject to the condition that if FAR exceeds 2.5, Additional Permit Fee of ₹ 1000 per square metre was payable. However, as per the Structure Plan of KMC which supersedes KMBR, maximum FAR and coverage allowable on the sides of MG Road, were two and 50 *per cent* respectively.

Audit noticed that KMC issued (January 2008) permit for construction of a commercial building (TCS Textiles) on the side of MG Road, based on the general provisions of KMBR ignoring provisions of Structure Plan. As per the permit issued, the FAR of the building was 3.88 and coverage was 61.49 *per cent,* which violated the provisions of Structure Plan.

- As per KMBR, area meant for parking inside the building can be excluded from the computation of FAR. Audit noticed that in addition to the basement floor of the above building, the owner had shown the 7th, 8th & 9th floors of the building also as parking area in the plans. Consequently, the area of these floors (1840.30 square metre) was excluded from the computation of FAR. Subsequent inspection conducted by the Revenue wing of KMC to verify the existing stage of the building as per Section 244(2) of KM Act revealed that the above floors were actually used by the owner for unloading and stocking textile goods, and assessed property tax of ₹ 3.76 lakh per half year for these three floors. As the above area was utilized for purposes other than parking, Additional Permit Fee was leviable for this area also as per Rule 143, which worked out to ₹ 18.40 lakh. Compounding fee (twice the amount of permit fee) leviable in this case as per Rule 146(4) of KMBR was ₹ 36.80 lakh. The Secretary stated (September 2013) that a detailed

[5] Standing Committee of the Municipality, dealing with matters of town planning

reply will be furnished after examining the case. The detailed reply has not been received till date (May 2014).

4.1.4.2 Construction made by the side of backwaters violating Coastal Zone Regulations

In accordance with Section 3(1) and Section 3(2)(v) of the Environment (Protection) Act 1986, and Rule 5(3)(d) of the Environment (Protection) Rules 1986, Central Government has declared the coastal stretches of seas which are influenced by tidal action up to 500 metre from High Tide Line and the land between the Low Tide Line and High Tide Line as Coastal Regulation Zone (CRZ). In the case of backwaters and rivers, the distance limit was 100 metre on either side or the width of river/backwaters, whichever is less. The Central Government had imposed certain restrictions on construction activities in CRZ stipulating that before undertaking any construction in CRZ area, prior approval of Coastal Zone Management Authority (CZMA), and for projects exceeding rupees five crore in such areas, environmental clearance from the Ministry of Environment and Forests is mandatory.

Audit found that KMC issued permits for construction of 19 buildings (some of which were multi storied buildings having floors up to 21) by the side of Chilavannur backwaters (declared as CRZ area), violating Coastal Zone Regulation (CZR) norms without referring the cases to CZMA, and without obtaining environmental clearance from the Ministry of Environment and Forests. In respect of 13 buildings, the CZMA had also informed (February 2011) KMC about such violations. In one case, even though KMC directed the party not to proceed with the construction, the construction continued unimpeded. Details of the buildings are given in **Appendix XII**. Government stated (November 2013) that buildings violating CZR would be brought to the notice of Coastal Zone Management Authority.

One of the buildings by the side of Chilavannur Backwaters

4.1.4.3 Constructions made without concurrence of Art and Heritage Commission

As per the Structure Plan, no development, re-development, construction including additions, alterations, renovations, replacement of architectural features, demolition of any object or building in the area marked as Conservation (Heritage) Zone shall be allowed without the prior written recommendation of the Art and Heritage Commission, in order to preserve the heritage character of the area. Specific area of Division1-Fort Kochi has been marked as Conservation Zone in the Structure Plan.

KMC was not properly monitoring the construction activities in the Conservation Zone of Fort Kochi, and was not invariably obtaining the concurrence of Art and Heritage Commission before issuing permits. Details of permits issued by KMC without the concurrence of Art and Heritage Commission, and construction carried out by parties violating the stipulations of Art and Heritage Commission are given in **Appendix XIII**. Government stated (November 2013) that buildings constructed without prior concurrence of Art and Heritage Commission would be brought to the notice of the Commission. Further developments in the matter are awaited (May 2014).

4.1.4.4 Construction made violating permit and buildings occupied without Occupancy Certificate

As per Rules 4 and 20 of KMBR, construction of buildings within the municipal area shall be done only in accordance with the permit given, and the owner shall obtain an OC from the Secretary before occupying the building. In June 1997, KMC issued permit for construction of a 13- storey residential apartment. The Revenue Wing of the Corporation detected in 2009, that the building was constructed violating various provisions of KMBR. Against permission for construction of a residential apartment of area 6448.82 square metre, the owner had constructed a 14- storey modern hotel (Emerald Hotel) of area 8406.51 square metre with 126 rooms, which was functioning from October 2009 onwards without obtaining OC. The Revenue Wing assessed the building from October 2009 onwards levying property tax of ₹ 32.03 lakh per half year.

Emerald Hotel

In March 2010, the Government informed the Secretary to take action for regularization of the building after demolishing the unlawful constructions, if the application for OC has been given by the owner within the validity period of permit. Even though application for OC had not been submitted by the owner within the validity period of the permit, no effective steps were taken by the Secretary to examine the case and take appropriate action.

4.1.4.5 Construction made violating height restriction

KMC issued (September 2000) permit to Kerala State Housing Board for construction of a 12 -storey commercial building (Revenue Tower), which was completed in March 2009. The building was within the specified distance from the airport. Hence it was mandatory for KMC to obtain No Objection Certificate (NOC) from Aviation Department with respect to aeronautical obstruction. The height of the building actually constructed was 50.60 metre against 46.60 metre stipulated in the NOC issued by Aviation Department. Audit noticed that Aviation Department had rejected (November 2001) an application submitted by the party for increasing the height of the building above 46.60 metre. KMC issued (March 2009) OC only up to the 11th floor of the building on the

Revenue Tower

condition that the 12th floor, which exceeded the stipulated height was to be demolished, if no NOC was received from Aviation Department for the same. Even though no fresh NOC allowing construction exceeding 46.60 metre has been received till date (May 2014), no action has been initiated to demolish the illegal construction.

4.1.4.6 Constructions done without permits

Rule 4 of KMBR stipulates that no person shall construct or re-construct or make addition/alteration to any building without obtaining a permit from the Secretary. Test-check of records revealed that the Revenue Wing of the Corporation had detected 19 constructions (including 14 buildings of M/s Ambuja Cements Ltd., two mobile towers) without obtaining permits. The Secretary had not initiated any action against the owners for the unauthorized constructions. Government stated (November 2013) that direction would be given to necessitate legal action against unauthorized construction of buildings violating rules.

4.1.5 Renewals of permits beyond stipulated period

If construction is not completed within the nine years validity period (including renewal periods) of permit, a fresh permit is required for continuing construction. Audit noticed that in the case of Emerald hotel, even though the maximum period up to which the permit could be renewed was 3 June 2006, instead of asking the party to apply for fresh permit, the permit was renewed two times (August 2006 and January 2009) up to 1 June 2009. The construction was completed and the hotel started functioning from October 2009 onwards. Revenue loss on account of not taking fresh permit amounted to ₹ 39.64 lakh[6].

Government stated (November 2013) that considering the practical difficulties faced by the public, Government amended KMBR in February 2013 incorporating a provision that a permit can be renewed for a period beyond nine years with or without conditions, based on the recommendation of the designated committee after verifying the genuineness of the application submitted by the party concerned in this regard.

However, regardless of the fact that the party had not submitted applications for the extension of validity period of permits till date (January 2014), the permit in this case was renewed (2009) much before the amendment came into existence.

4.1.6 Monitoring mechanism

4.1.6.1 Proper maintenance of records to monitor constructions

Audit scrutiny revealed that no records/registers were maintained in Town Planning Section dealing with regulation of building construction, for recording details of unauthorised constructions including those regularized by Government under Section 407 of KM Act. Even though the Revenue Section, entrusted with assessment of property tax, maintains register for recording details of assessments made in respect of unauthorised constructions detected by field staff during field visits, the Town Planning Wing is not systematically examining the extent of violations in respect of those cases. As per the register maintained by Revenue Section, during 2007-08 to 2012-13 KMC detected 441 unauthorised constructions, out of which 103 constructions were regularised and the remaining 338

[6] excluding the renewal fee deposited by the party

constructions were pending regularization, mainly due to the absence of proper records and lack of coordination between Town Planning Section and Revenue Section.

4.1.6.2 Vigilance mechanism to detect violations

(i) The vigilance squad headed by Senior Town Planner (Vigilance), constituted by Government, detected (July 2012) 34 cases of KMBR/Structure Plan violations in the Corporation area. KMC had, however, initiated no action to regularize/demolish these constructions.

(ii) No quarterly reports regarding permit applications received, permits issued, number of unauthorized constructions detected/regularized, etc., were being forwarded to the Government as stipulated in Rule 156 of KMBR.

(iii) The District-level vigilance squad formed by Government in August 2009 in accordance with Rule 157 of KMBR was not functional due to non appointment of Government nominee. In view of the increasing number of unauthorized constructions, it is essential that the squads are made fully functional at the earliest.

Government stated (November 2013) that a new vigilance wing headed by the Chief Town Planner (Vigilance) had been formed to address unauthorized constructions and violation of building rules.

4.1.7 Conclusion

System for evolving a centralized database relating to building permits/unauthorized constructions, coordination among the sections, proper maintenance of prescribed registers and adequate vigilance mechanism were absent in KMC. As a result, KMC could not properly exercise control over the construction activities in the municipal area. Violations of KMBR/Structure Plan, compromising on safety/security requirements were noticed in the issue of building permits/ construction of buildings, which adversely affected the ecology/heritage character of the area, and resulted in considerable loss of revenue in certain cases.

4.2 PROJECT IMPLEMENTATION UNDER BACKWARD REGIONS GRANT FUND PROGRAMME

4.2.1 Introduction

Government of India (GOI) launched a cent *per cent* centrally assisted programme *viz.,* the Backward Regions Grant Fund Programme (BRGF) in 2006-07 in 250 backward districts in the country to redress regional imbalances in development. The scheme was intended to provide financial resources to:

(i) bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,

(ii) strengthen Panchayat and Municipality level governance with adequate capacity building and professional support to facilitate participatory planning, decision making, implementation and monitoring to reflect local felt needs, and

(iii) improve the performance and delivery of critical functions assigned to Panchayats.

In Kerala, two districts, *viz.*, Wayanad and Palakkad, were selected under BRGF, as backward districts. The programme initially intended to be completed by the end of 2011-12, was subsequently extended up to 2016-17.

Wayanad, which has the highest number of Scheduled Tribe (ST) population, stands behind other districts in the overall index of socio-economic backwardness in Kerala. The district is lagging behind the State in literacy, per capita income and has higher infant mortality and maternal mortality, school dropouts, etc. In Palakkad, an agrarian district, with a higher level of rural and Scheduled Caste (SC) population, the major backwardness indices were low literacy rate, low development index, highest SC/ST student-teacher ratio, etc. The District is lagging behind others in proper infrastructure such as housing, hospitals, school buildings etc., and also facing challenges due to drought and water scarcity.

The management and implementation of the programme were to be executed by Panchayat Raj Institutions (PRIs), Municipalities and District Planning Committees (DPCs). At the State Level, a High Power Committee (HPC) formulates policy guidelines and monitors the implementation of the programme. Audit was conducted during April 2013 to July 2013 to ascertain whether there was proper planning and effective system for implementation of the programme; in addition, whether utilisation of funds was in compliance with the provisions set under the programme. The period covered was 2006-07 to 2012-13. Apart from Poverty Alleviation Units (PAU), District Collectorates (DC), District Planning Offices (DPO) and District Panchayats (DP) of these two districts, four Block Panchayats[7](BP), one Municipality[8] and six Grama Panchayats[9] in these districts were selected through Probability Proportional to Size without Replacement mode of statistical sampling. Records of Local Self-Government Department (LSGD), Commissionerate of Rural Development (CRD), Kerala Institute of Local Administration (KILA),[10] etc., were also sample-checked.

Audit Findings

4.2.2 Planning

4.2.2.1 Baseline Survey and Participatory Planning

BRGF was meant to provide financial resources for supplementing and converging existing developmental inflows into identified districts. For this, each district was required to undertake a diagnostic study of its backwardness by enlisting professional planning support and a baseline survey. Guidelines stipulate that each district shall prepare a participatory district Development Perspective Plan (DPP) for each five year plan period through people's participation, particularly through Grama Sabhas and Ward Committees, and the participatory plans prepared by Panchayats and Municipalities were to be consolidated into district plan by the District Planning Committee.

Audit observed the following in the selected Local Self-Government Institutions (LSGIs):

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[7] Kollengode, Nenmara, Sreekrishnapuram, Mananthavady

[8] Palakkad

[9] Edavaka, Mananthavady, Thavinhal, Thirunelli, Thondernad, Vellamunda

[10] An autonomous training, research and consultancy organisation constituted by State Government with the objective of strengthening decentralisation and local governance

- No baseline survey was conducted in both Palakkad and Wayanad Districts. In the absence of baseline survey, identification of critical gaps in infrastructure and later evaluation of the programme was not possible.
- Grama Sabhas and Ward Committees of both districts were not involved in selection of the programmes identified for implementation. Hence it could not be ensured that the programmes implemented in the districts encapsulate the felt needs of the people in the inter-se prioritization of the projects.
- DPP of Palakkad District for 11th and 12th plan period, prepared by a Technical Support Institution (TSI), did not include necessary items such as expected flow of funds under various schemes, convergence with various flagship programmes, project-wise anticipated outcomes, etc.
- Wayanad District had not prepared the DPP for XI and XII plan periods. However, the DPO Wayanad had prepared a DPP for the period 2009-13 which also contained similar deficiencies.

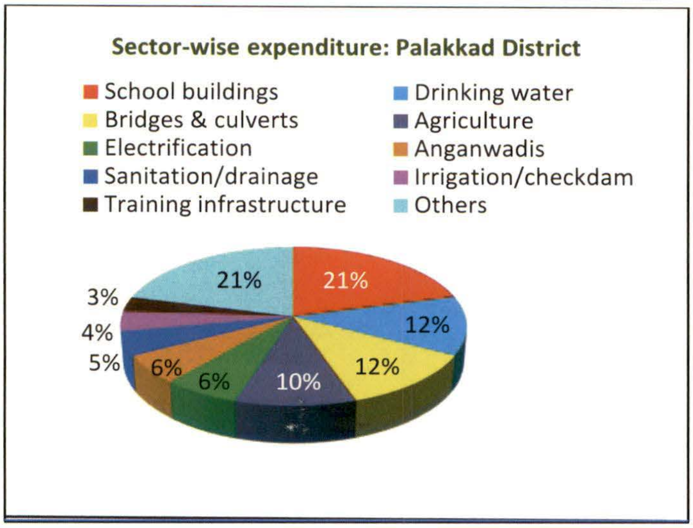
4.2.3 Programme implementation

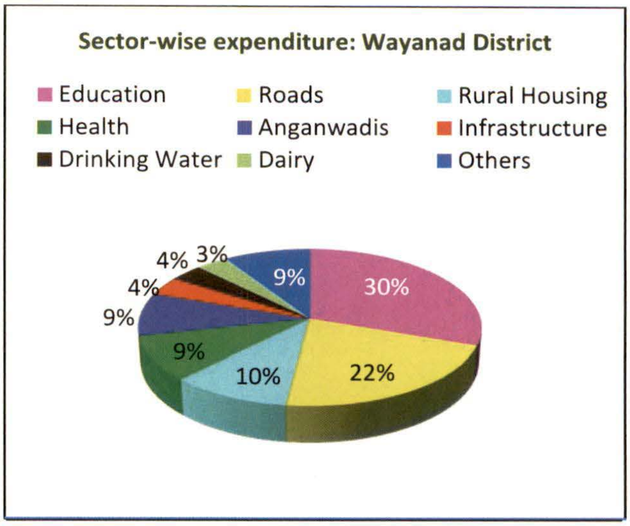
The projects which were meant to plug the gaps in infrastructure in the two districts mainly related to education, infrastructure, drinking water, housing, anganwadis, electrification, roads and bridges and were generally in sync with the backwardness indicators. Substantial portion of the expenditure was incurred on education sector in both districts followed by roads, housing and health sectors in Wayanad District and drinking water, bridges/culverts and agriculture sectors in Palakkad District.

HPC sanctioned (2006-07 to 2012-13) 1377 projects for Palakkad District estimated to cost ₹ 115.88 crore. Out of this, 1154 projects were completed (March 2013) by spending ₹ 66.75 crore.

For Wayanad, HPC sanctioned (2006-07 to October 2013) 2541 projects at an estimated cost of ₹ 117.80 crore. Out of this, 695 projects were completed (October 2013) by spending ₹ 38.37 crore. The remaining 2069 projects (Palakkad: 223, Wayanad: 1846) were either not started or at various stages of implementation. The sector-wise details of units sanctioned, completed, the funds sanctioned and expended by these districts are given in **Appendix XIV**.

Sector-wise expenditure incurred by the two districts (Palakkad: up to March 2013, Wayanad: up to October 2013) is depicted in the pie-chart below:





Audit noticed instances of shortcomings in implementation of the projects as mentioned below:

4.2.3.1 Unfruitful expenditure on Oncology Radiation Unit

The HPC approved (February 2008) setting up of an Oncology Radiation Unit costing ₹ 3.54[11] crore at Nalloornad, utilizing BRGF funds, as cancer treatment facilities were not available in Wayanad District. The main components of the project were, civil works costing ₹ 1.05 crore and purchase of cobalt therapy machine costing ₹ two crore. The District Collector released ₹ 2.12 crore in October 2009, and the balance ₹ 1.42 crore in May 2012, to the District Medical Officer (DMO) for the implementation of the project. An agreement was executed (28 February 2011) with Nirmithi Kendra for construction of civil works at a cost of ₹ 1.04 crore which was scheduled to be completed within twelve months from the date of release of first advance. In March 2011, the first advance of ₹ 52 lakh was paid to Nirmithi Kendra. Kerala Medical Service Corporation Limited (KMSCL), who was authorized to supply the cobalt therapy machine, informed (December 2011) the DMO that the machine would cost ₹ three crore, against the originally estimated cost of ₹ two crore. Accordingly, without exploring the sources for additional funds required, the DMO deposited (June 2012) ₹ three crore with KMSCL, towards the cost of machine. Payment to KMSCL was made without any agreement/work order. Site verification conducted (May 2013) by Audit revealed that civil works had not progressed after reaching the plinth level due to paucity of fund and KMSCL had not supplied the Cobalt Therapy Machine.

The necessity for purchase of the machine arises only after completion of the civil works. Depositing the entire cost of machine with the supplier, without considering the availability of the funds to execute the balance work and without ensuring completion of civil works before supply of the machine was injudicious. Thus, despite spending ₹ 3.52 crore, the project has not become functional, thereby depriving public of the intended benefit.

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[11] The estimated cost was based on the proposal from District Planning Manager, National Rural Health Mission, Wayanad

4.2.3.2 Expenditure on inadmissible works

BRGF guidelines stipulate that funds were to be utilised only for filling critical gaps vital for development. Audit observed that ₹ 2.49 crore was incurred on inadmissible works such as renovation of District Panchayat auditorium, District Collector's suite, construction of staff quarters, other office building, etc., in five out of 13 LSGIs test-checked. The details are given in **Appendix XV.**

4.2.3.3 Capacity Building

Continuous and sustained capability building of all stakeholders such as elected representatives, officials, etc., was required for effective implementation of BRGF. The Capacity Building (CB) component envisaged investments in hardware and infrastructure, providing training programmes and follow-up of activities. KILA was the implementing agency for various activities under CB component. During the period 2007-08 to 2012-13, GOI released an amount of ₹ 5.95 crore towards CB component, out of which ₹ 5.44 crore was expended.

Audit noticed the following shortcomings in the implementation of the CB component:

- Though the fund released under CB component was required to be utilized for capacity building in the backward districts, KILA utilized the fund for the training needs of the entire State. Up to 2012-13, KILA imparted training to 9004 elected representatives and 6568 Panchayat officials. However, in the test-checked LSGIs, Audit observed that no training was imparted to the officials/elected representatives under the CB component, indicating that adequate attention was not given for the training needs of the backward districts.

- During the period 2010-11 and 2011-12, a total amount of ₹ 9.28 lakh was received as interest. This amount was not accounted for as additional resources in the Utilisation Certificates (UCs) forwarded to GOI by KILA during the respective years. Out of this, an amount of only ₹ 4.20 lakh was included as interest income in UC submitted for the year 2012-13.

4.2.4 Utilisation of funds

GOI provided the entire funds for the implementation of the programme in two streams *viz*., Development Fund (DF)[12] and Capability Building Fund (CBF)[13]. Under DF, GOI had released ₹ 127.92 crore up to 31 March 2013 against the allocation of ₹ 225.39 crore. Of the funds released by GOI, UC for ₹ 102.17 crore was submitted to GOI. The unutilized portion of DF amounting to ₹ 29.92 crore[14] was lying unspent with State Government (₹ 19.56 crore) and District Collectors (Wayanad District: ₹ 6.90[15] crore; Palakkad District: ₹ 3.46 crore). The utilisation was 77 *per cent* of the funds available. Audit also noticed that the short release of ₹ 97.47 crore by GOI was mainly due to slow pace of implementation of the programme and thereby delay in submission of UC.

[12]The DF is meant for redressing regional imbalances in development by identifying and filling up critical gaps in integrated development

[13]CBF is for building capacities in planning, implementation and monitoring of assigned schemes and functions and improving accountability and transparency at the level of PRIs

[14]Includes interest and other receipts of ₹ 4.17 crore

[15]Does not include ₹ 11.40 crore refunded by State Government to GOI

Audit noticed the following points in the distribution of DF to PRIs/ULBs:

- As per the guidelines, State was required to evolve a normative formula for allocating BRGF funds to each PRI/ULB, taking into account its backwardness. The share of BRGF funds relating to GPs in Palakkad District for the period up to 2011-12 had not been fixed and hence no fund was allocated to the GPs, except in the case of three GPs for which allocation was made at the fag end of 2011-12. Hence implementation of programmes pertaining to the GPs in Palakkad was executed either by BPs or DPs. This was against the spirit of decentralized planning, as envisaged in the Kerala Panchayat Raj Act, 1994.
- Though certain percentage of DF was required to be earmarked as performance incentives to LSGIs, no funds were earmarked for such incentives.

4.2.4.1 Furnishing of inflated UCs

The District Collectors, who were the custodians of BRGF funds, showed the advances given to PRIs/ULBs as final expenditure in their accounts (except in the case of Wayanad for 2008-09 and 2009-10) as well as in the UCs submitted to GOI, irrespective of the fact that substantial fund was lying unspent with PRIs/ULBs.

4.2.4.2 Non-refund of excess amount received

GOI released (August 2011) ₹ 17.86 crore to Wayanad District against ₹ 6.46 crore entitled to it. The District Collector drew the amount in March 2012 and deposited it in BRGF accounts. Based on the direction of GOI, though the State Government refunded (May 2012) the excess amount received, the District Collector had not recouped the amount to State Government (June 2013).

4.2.4.3 Delay in release of fund by State Government

BRGF guidelines stipulate that the Government shall transfer funds to the accounts of PRIs within 15 days of its release by GOI. Failure in this regard attracts penal interest at RBI bank rate, with effect from 18 June 2009. Audit observed that there was delay up to 71 days (18-25 days: five instalments, 26-50 days: four instalments, 51-71 days: one instalment) in transferring funds to the districts by the Government. Penal interest payable by the Government for the delayed transfer of funds to districts, worked out to ₹ 45.98 lakh.

4.2.5 Monitoring and evaluation of programmes

The Guidelines prescribed various procedures for the effective monitoring of the programme, such as conduct of peer reviews, social audit and vigilance at grass roots level, instituting a quality monitoring system, public display of scheme details, etc. Audit noticed that none of the above activities were carried out in the districts, even though these issues were regularly discussed in the District Level Review Committee/HPC meetings.

4.2.6 Conclusion

Planning process for the implementation of BRGF in the two districts was deficient due to absence of baseline survey and participatory planning by Grama Sabhas and Ward Committees. There was laxity in providing training to the officials of PRIs/elected representatives of the districts. There were deficiencies in project management that led to delayed implementation, especially in Wayanad, where 72.65 *per cent* of works were not started or were at various stages of progress. Further, effective monitoring and evaluation was not put in place in the districts.

4.3 IMPLEMENTATION OF MAJOR COMPONENTS UNDER SWARNA JAYANTI SHAHARI ROZGAR YOJANA

4.3.1 Introduction

Government of India (GOI) launched (December 1997) Swarna Jayanti Shahari Rozgar Yojana (SJSRY) to provide gainful employment to the urban unemployed and underemployed through encouraging setting up of self-employment ventures or provision of wage employment. The Scheme subsumed three earlier urban poverty alleviation programmes, namely, Urban Basic Services for the Poor (UBSP), Nehru Rozgar Yojana (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). In April 2009, the Scheme was revamped to overcome the difficulties faced by the States by bringing together four major components, namely, Urban Self Employment Programme (USEP), Urban Women Self-help Programme (UWSP), Skill Training for Employment Promotion among Urban Poor (STEP-UP) and Urban Wage Employment Programme (UWEP), and the assistance to the beneficiaries was enhanced substantially. GOI releases the fund for SJSRY as a whole to the State and the State is given flexibility to distribute the funds to the various components as per the requirement and also subject to meeting the physical targets as prescribed. The details of different components are given in **Appendix XVI**.

The State Government issued guidelines based on the revamped SJSRY in April 2010. The State Poverty Eradication Mission (Kudumbashree[16]) is the State Level Nodal Agency (SLNA) for implementation of the Scheme in Urban Local Bodies (ULBs). The Community Development Society (CDS) under Kudumbashree provides support to the ULB in various aspects of implementation of the scheme, including disbursement of subsidy to the beneficiaries through banks. The organisational set up of Kudumbashree is depicted in **Diagram 4.1**. The Secretary of the ULB is the implementing officer.

[16] Kudumbashree is a registered society under The Travancore Cochin Literary Scientific and Charitable Societies Registration Act, 1955. Its work is built around three pillars- economic empowerment, social empowerment and women empowerment to eradicate absolute poverty through the networking of two and half lakh women self-help groups in the State.

Diagram 4.1: Organisation of Kudumbashree

The Central and State shares for the implementation of the Scheme was in the ratio 75:25. The funds required for the implementation of the scheme are passed on to the CDSs through the Kudumbashree Mission to District Missions for STEP-UP and Secretary, ULBs for remaining components.

Audit conducted an assessment of the different aspects of implementation of the scheme during April 2013 to July 2013 covering the period from 2008-09 to 2012-13. Out of the 14 districts in the State, five[17] were selected using Probability Proportional to Size Without Replacement (PPSWOR). From each selected district, 33.33 *per cent* ULBs were selected applying PPSWOR. Accordingly, 20 ULBs[18] and the records maintained in the 28 CDSs under these ULBs were scrutinized. Audit methodology included beneficiary survey, joint inspection of units/beneficiaries, scrutiny of records maintained in CDSs, District Mission Offices and State Mission Office, issue of audit enquiries and obtaining replies, discussion with officials, interaction with the Department of Government, etc.

Audit findings

4.3.2 Planning

Planning is an important ingredient in the successful implementation of the Scheme. The need to act within a time limit necessitates advance planning. As per the revised guidelines issued (1 April 2010) by the State Government, CDSs had to prepare Action Plans annually for the Scheme. Audit noticed that six CDSs had not prepared Action Plan for any of the years covered in Audit. However, the period for which the Action Plan was prepared by other CDSs ranged from one to four years (six CDSs: one year, three CDSs: two years, one CDS: three years, three CDSs: four years). In respect of one CDS, no information was available.

[17] Thiruvananthapuram, Alappuzha, Ernakulam, Thrissur and Kannur

[18] Thiruvananthapuram, Attingal, Nedumangad, Varkala, Cherthala, Mavelikkara, Alappuzha, Chengannur, Kochi, Kothamangalam, Kalamassery, Angamaly, Kodungallur, Guruvayoor, Kunnamkulam, Chalakkudy, Kannur, Thalassery, Payyannur and Thaliparamba

Absence of Annual Action Plans had an impact on the fruitful utilisation of the funds allotted under the Scheme.

As per the revised guidelines, ULBs were to provide separate allocation for USEP and UWSP components in their annual plan and obtain District Planning Committee's approval for the projects. This was not done by any of the ULBs test-checked.

4.3.3 Identification of beneficiaries

SJSRY State guidelines stipulate that final lists of beneficiaries are to be prepared through Ward Committee or Ward Sabha based on the criteria prescribed in the Scheme. Audit noticed that the lists of beneficiaries prepared by NHGs/Area Development Societies (ADSs) were not prepared through the Ward Committee/Ward Sabha concerned. As such, there could be possibility of inclusion of beneficiaries not covered under the scheme, as well as exclusion of eligible beneficiaries in the lists finalised by CDSs.

4.3.4 Implementation of different components of SJSRY

Out of the four major components to be implemented under SJSRY, one component (UWEP) was not implemented.

The physical target fixed by GOI for the implementation of the remaining three components during the period 2008-09 to 2012-13, and achievements thereagainst are given in **Table 4.1.**

Table 4.1: Target and achievement during 2008-13

(No. of beneficiaries)

Year	USEP		UWSP		STEP-UP	
	Target	Achievement (Percentage in bracket)	Target	Achievement (Percentage in bracket)	Target	Achievement (Percentage in bracket)
2008-09	2449	3820 (156)[19]			3062	3632 (119)
2009-10	531	813 (153)	531	283(53)	3613	2696 (75)
2010-11	531	1065 (201)	531	254 (48)	4250	3190 (75)
2011-12	1345	1305 (97)	897	425 (48)	5362	3072 (57)
2012-13	2164	1914 (88)	1585	1353 (85)	29000	20011 (69)

The implementation under UWSP was unsatisfactory, except for 2012-13 where it was 85 *per cent*. The achievement under STEP-UP was uneven as after the first year high of 119 *per cent*, the progress declined to a low of 57 *per cent* in 2011-12. The low achievement in the implementation of these components was attributed to disinterest shown by the beneficiaries to bear the loan liability with high rate of interest, procedural delay in obtaining loans, uncertainty over the profitability of self-employment ventures, conflicts among the members of the UWSP Groups etc.

Audit noticed other deficiencies in the implementation of the components under SJSRY, which are discussed below:

[19] split-up for USEP and UWSP is not maintained by the Department.

4.3.4.1 Closing down of units due to lack of proper follow up

The GOI guidelines for project administration envisaged appointment of a Community Organizer (CO) at Community level. The success of the scheme relied upon the performance of the COs, as they were to establish a link between the urban poor community (represented through the CDS) and the implementation machinery, *viz.*, Urban Poverty Alleviation Cell at the ULB level. CO's responsibility includes regular follow up with the financed beneficiaries to monitor the progress of their self employment ventures as also the timely repayment of loans, etc. Audit noticed that 918[20] units out of 1504[21] units set up were closed down till 31 March 2013. Absence of proper system of continuous follow up by the CDSs was one of the reasons attributable for closure of units. Kudumbashree attributed (December 2013) the reasons for non-survival of the units to conflict among group members, lack of professionalism in pursuing the ventures, etc. Kudumbashree State Mission also stated that as the COs had to take up other activities like community mobilisation, preparation of action plans for CDSs, etc., it was not possible for them to continuously support the enterprises.

4.3.4.2 Non-setting up of Micro Business Centres

As per GOI guidelines, the implementing agency (Kudumbashree) was to establish Micro Business Centres (MBCs) for which financial support not exceeding ₹ 80 lakh was available under SJSRY. MBCs have the role of handholding in relation to technology, marketing and consultancy as well as in setting up micro-enterprise and marketing products for the urban poor who aspire to be self-employed by setting up their own small business or manufacturing units. Audit noticed that Kudumbashree had not initiated any action to establish MBCs. Reason for non-establishment of MBCs as attributed by Kudumbashree was lack of initiative on the part of ULBs in forwarding proposals for establishing these centres.

4.3.4.3 Additional burden of repayment

Under UWSP, Cherthala Municipality formulated (2008-09) a project, *viz.*, 'Integrated goat rearing' at a cost of ₹ 20 lakh. Fourteen activity groups, each consisting of five members, were identified for the project. Though, as per the procedure, the beneficiary groups themselves had to avail loans from the bank, CDS, Cherthala adopted an incorrect procedure of availing loan by directly approaching the banks. As a result, as on 12 June 2013, ₹ 6.57 lakh was outstanding against the loan account of the CDS. In a meeting of beneficiaries held with the District Mission Co-ordinator (June 2013), it was decided to distribute the loan liability of ₹ 6.57 lakh among the beneficiaries. Further developments in the matter are awaited (May 2014).

4.3.4.4 Availing loans from banks

(i) Out of 7559 beneficiaries identified under USEP/UWSP, 5,405 loan applications of the beneficiaries were forwarded to the banks for obtaining loans. Of these, loan amounting to ₹ 33.24 crore was sanctioned to 3,990 beneficiaries, 1,389 beneficiaries were rejected and the remaining 26 were under process.

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[20] USEP: 859 UWSP: 59

[21] USEP: 1370 UWSP: 134

(ii) Test check of the loan cases revealed that the banks did not adhere to the directions of RBI. The deviations included commencement of repayment of loans from the very next month of release (without permitting the initial moratorium of six to 18 months), deduction of subsidy from the loan amount as and when it was released to the banks instead of keeping the subsidy amount in the Subsidy Reserve Fund Account and non-refund of undisbursed subsidy.

Kudumbashree, being the SLNA, had the responsibility of taking up the issues related to availing of loans from banks, which was a major bottleneck in the smooth implementation of the scheme. Timely intervention of Kudumbashree with effective remedial measures and fruitful discussions with banks would have improved the situation.

4.3.5 Capacity building programme

The STEP-UP component of SJSRY is to ensure that potential beneficiaries for enterprise support under USEP and UWSP have the aptitude, knowledge and skills required for successful micro entrepreneurship. STEP-UP included orientation programmes (General Orientation Training (GOT) and Entrepreneur Development Programme (EDP)) for five days, followed by more specific skill training in the areas of Catering, Tailoring, Carpentry, Hotel Management, etc., for a period up to six months. The ultimate objective of SJSRY was to encourage setting up of self-employment ventures. The outcome of the programme depended on the number of units started by the beneficiaries and their continuance.

Audit noticed that while there was enough response from the participants in attending the orientation programme during the initial days, the number of participants drastically dropped as the training became more intensive and skill-based. Audit scrutiny in the test-checked ULBs revealed that the number of ventures started by the beneficiaries after attending the simple orientation programme was very low (on an average of 6.77 *per cent*), while those who had undergone skill training were more inclined to start a venture. Substantial number of dropouts of participants was attributed to uncertainty in the minds of the participants about the financial sustainability of the units, non-empanelment of skill training agencies and the likely loss of wages to BPL beneficiaries during the period of training.

The Executive Director, Kudumbashree stated (December 2013) that through GOT the participants develop a clear idea regarding the procedures and risk involved in setting up self employment enterprises and hence, genuinely interested candidates would come up for EDP and in turn for skill development programme. The Executive Director added that to address the issue of high dropouts, Kudumbashree had entered into a MoU with four reputed training agencies during 2013-14 for placement oriented training.

4.3.6 Non-implementation of Urban Wage Employment Programme

UWEP seeks to provide wage employment to unskilled BPL beneficiaries by utilizing their labour for construction of socially and economically useful public assets and 18 *per cent* of the total allocation of SJSRY is earmarked for its implementation. This component was initially decided (May 2011) to be implemented through MGNREGS Mission following the guidelines of the State Sponsored scheme, *viz.*, Ayyankali Urban Employment Guarantee Scheme (AUEGS). As UWEP was not implemented through MGNREGS Mission, Government shifted its policy and decided (May 2012) to implement the component through the Director of Urban Affairs (DUA) as part of AUEGS. The DUA, however, started implementing UWEP only in November 2013. Thus, due to frequent policy shift in assigning the agencies, the implementation of UWEP was held back.

4.3.7 Utilisation of fund

Year-wise details of receipts and expenditure of the Scheme as reflected from the records of Kudumbashree are given in **Table 4.2**.

Table 4.2: Receipts and Expenditure

(₹ in lakh)

Year	Opening balance	Receipt			Expenditure	Balance
		Central	State	Total receipt		
2008-09	0	1017.91	339.30	1357.21	1357.21	0
2009-10	0	948.13	316.04	1264.17	1264.17	0
2010-11	0	474.03	158.01	632.04	632.04	0
2011-12	0	1376.53	394.00	1770.53	1696.53	74.00
2012-13	74.00	3228.42	1185.12	4413.54	2339.25	2148.29
Total		**7045.02**	**2392.47**	**9437.49**	**7289.20**	

Audit noticed the following:

- Though a total of ₹ 94.37 crore was available for SJSRY during the period 2008-09 to 2012-13, expenditure incurred was ₹ 72.89 crore only (77 *per cent).*
- Kudumbashree furnished UCs to GOI up to 2011-12, which overstated the actual expenditure incurred on the scheme. The entire amount received from GOI was shown as expenditure for the years 2008-09 to 2010-11, even though sizeable amount was retained in the scheme accounts maintained by the State Mission Office. The balance of funds lying with State Mission Office, ULBs and CDSs were shown to have been expended in the UC.
- As per information provided to Audit, as on 31 March 2012, Kudumbashree showed a closing cash balance of ₹ 74 lakh. The actual cash balance as noticed in audit was ₹ 31.95 crore. However, the closing balance was shown to be NIL in the UC for the year 2011-12. Hence the UCs submitted to GOI were inflated by ₹ 31.95 crore.

4.3.7.1 Substantial fund remaining unutilised with ULBs and CDSs

Audit scrutiny revealed that substantial funds remained unutilised with the respective agencies like Kudumbashree, ULBs, and CDSs in the implementation cycle that came in the way of smooth implementation of the programme. From the funds transferred by Kudumbashree to ULBs, the entire amount was not transferred to CDSs and the CDSs utilised only a portion of the funds received by them. In the test-checked ULBs, out of ₹ 31.30 crore received up to 2011-12 (since 1997-98) from Kudumbashree, ₹ 11.58 crore was remaining unutilized with ULBs (₹ 3.26 crore) and CDSs (₹ 8.32 crore). Following were the reasons for the low utilisation of fund:

(i) CDSs were not fully equipped to implement SJSRY

(ii) Preparation of Action Plan and its approval had become time consuming and the LSGIs were not able to prepare the Action Plan as per the revised guidelines.

The Executive Director, Kudumbashree stated (December 2013) that Kudumbashree has launched an intensive development campaign throughout the State for the speedy implementation of the Scheme.

4.3.7.2 Non-utlilisation of fund for Special Component under SJSRY

For Poverty Alleviation Programme in Mattancherry,[22] ₹ 4.67 crore was allotted (May 2004) as a special component under SJSRY. Out of this, ₹ 25 lakh and ₹ 30 lakh were earmarked for infrastructure support to Development of Women and Children in Urban Areas (DWCUA) and marketing support respectively. Though the implementation period of the component was one year, the entire amount (₹ 55 lakh) remained unutilised with the CDS (West) of Kochi Corporation.

4.3.7.3 Delayed submission of Utilisation Certificate led to non-release of Central share

GOI releases fund after the State fulfills the prescribed criteria relating to submission of UCs as well as release of matching State share for the past releases. Belated submission of UC for 2008-09 by Kudumbashree and non-release of matching State share (against first instalment of GOI for 2010-11) resulted in non-release of second instalment of Central share of ₹ 5.86 crore for the year 2010-11.

4.3.7.4 Retention of Revolving Fund by ADS

As per SJSRY guidelines, Self-Help Groups (SHG) / Thrift and Credit Society (T&CS) were entitled to lump sum grant of ₹ 25000 as Revolving Fund. CDS, Mavelikkara had advanced ₹ 7.51 lakh to six Area Development Societies (ADSs) during 1997-99 for disbursement to T&CS as Revolving Fund. The ADS had not submitted the UC for the said amount (May 2013).

4.3.7.5 Diversion of SJSRY funds

(i) The Scheme guidelines do not envisage disbursement of funds as incentives. Kudumbashree Executive Director had, however, issued directions (December 2010) to disburse the unutilised funds remaining with CDSs as incentive for collective farming. During December 2010 to March 2013, ₹ 33.17 lakh was utilized for disbursement of incentive for collective farming. Kudumbashree stated (July 2013) that it had initiated action to recoup the amount utilised under collective farming to SJSRY Account.

(ii) Kudumbashree and CDSs had also diverted (2007-08 to 2011-12) ₹ 61.52 lakh for purposes other than that covered under SJSRY guidelines, *viz.*, repayment of thrift deposit, payment of subsidy to 'Yuvasree' beneficiaries, repayment of loans, expenses relating to BSUP, etc. The details are given in **Appendix XVII.**

4.3.8 Monitoring and Evaluation

Monitoring of SJSRY in the State was to be done at various levels, *viz.*, CDSs, ULBs, District and State. Audit noticed that no effective monitoring system was in place in the implementation of SJSRY as discussed below:

[22] Mattancherrry is the west zonal area of Kochi Corporation

Though Executive Committee meetings of CDSs were periodically convened, discussions on low coverage under the scheme were seldom held. Reasons for closure of units were not analysed and discussed at CDS/ULB level. Further, the Kudumbashree District Missions were not conducting any review on the implementation of SJSRY as stipulated in the Guidelines of the scheme.

The Executive Director, Kudumbashree stated (December 2013) that in order to address the issue of low survival of units, an Additional District Mission Co-ordinator at District Mission was made responsible for urban programmes.

4.3.9 Conclusion

Though the guidelines of SJSRY were revised with a view to overcome the difficulties faced by the States in the implementation of the Scheme to make a dent on the urban poverty scenario, its implementation suffered setbacks. The constraints/ difficulties in implementing the Scheme due to delay in preparation of action plan, rejection of bank loan applications, lack of follow-up with the financed beneficiaries to monitor the progress of their self-employment ventures as also non survival of units set up, etc., indicate a disturbing trend in achieving the primary objective of addressing urban poverty alleviation through gainful employment to urban unemployed/underemployed poor.

Even though sizeable funds were retained in the scheme accounts, the entire amount received under the scheme was shown as expenditure. The CDS Executive Committee and Kudumbashree did not discharge their responsibilities to monitor the implementation of the scheme effectively.

4.4 IMPLEMENTATION OF PROJECTS UNDER HARIYALI

4.4.1 Introduction

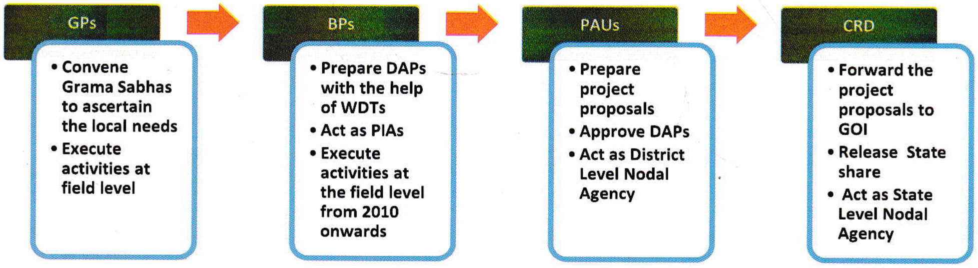
With a view to empowering Panchayat Raj Institutions both administratively and financially in the implementation of watershed development programmes of the Ministry of Rural Development, Government of India (GOI) launched (January 2003) a new initiative called Hariyali.[23] The main objective of Hariyali was to harvest every drop of rainwater for the purpose of irrigation, plantation, fisheries development, etc., to create sustainable source of income for the village community as well as for drinking water supplies. The Central and State shares for the implementation of the Scheme were in the ratio 11:1.

The Department of Land Resources in the Ministry of Rural Development was the sanctioning authority of the projects under Hariyali. The Commissioner of Rural Development (CRD) and the Poverty Alleviation Unit (PAU) were the nodal agencies at the State level and District level respectively. The Grama Panchayats (GPs) were the implementing agencies at the field level. Block Panchayats (BPs) designated as Project Implementing Agencies (PIAs) were to provide necessary technical guidance to GPs for preparation of development plans for the watershed. A multidisciplinary team designated as Watershed Development Team (WDT) and a Technical Support Agency (TSA) were constituted in each BP to give guidance for preparation of Detailed Action Plan (DAP) as well as implementation of

[23] In April 2008, the watershed programmes of GOI were brought under a comprehensive programme called Integrated Watershed Management Programme (IWMP). IWMP is being implemented in the blocks which were not covered under Hariyali.

projects. An organization chart of the agencies involved in the implementation of Hariyali is given in **Chart 4.2.**

Chart 4.2: Organisation chart of the agencies involved in the implementation of the Scheme



Audit was conducted during April 2013 to July 2013 covering the period from 2003 (year of launch) to 2013. Out of the 26 projects sanctioned (during 2005 to 2007) by GOI, ten[24] were selected by statistical sampling method, *viz.*, Probability Proportional to Size Without Replacement (PPSWOR). Audit methodology included scrutiny of records of CRD, PAUs, BPs and GPs, discussion with officials, inspection of sites, etc.

Audit undertook an assessment of the projects implemented under Hariyali. Audit findings on various aspects of implementation of the projects are mentioned below:

4.4.2 Preparation of deficient Detailed Action Plan

According to the guidelines of Hariyali, the GPs were to give emphasis to rainwater harvesting activities and undertake massive plantation works on community as well as private lands. The guidelines contained the list of permissible works to be taken up under the Scheme. These items are given in **Appendix XVIII.** The PAUs while preparing the project proposals and the BPs while drawing the DAPs were to ensure that the projects were in conformity with the guidelines. In respect of the selected ten projects, Audit noticed the following:

- DAP was not prepared in respect of one project (Lalam).
- The guidelines stipulated that Grama Sabha should be involved in the preparation of the DAPs. However, there were no documentary evidences in any of the PIAs test-checked to ensure that the needs expressed by the local populace were considered while preparing the DAPs.
- The activities covered under the DAPs of four[25] projects alone were in conformity with the guidelines. The DAPs of the remaining five projects contained activities like construction of side protection walls, motor pump sheds, tube wells, tractor ramps, de-silting and de-weeding of streams, bee keeping, poultry farming, etc., which were not in conformity with the guidelines. The department has not furnished any reply.
- The WDTs had a major role in the preparation of DAPs by conducting field study and survey for collecting information relating to the availability of water, SC/ST population, availability of public and private lands, etc. There were no

[24] Anchal, Kottarakkara, Chadayamangalam, Madappally (West), Madappally (East), Lalam, Ollukkara, Pazhayannur, Thirurangadi and Eranad

[25] Chadayamangalam, Pazhayannur, Ollukkara and Eranad

records to ensure that the WDTs had conducted field study and survey for the preparation of DAPs except in respect of one project, *viz.*, Chadayamangalam project.

- As per the guidelines, the DAPs should necessarily mention specific details of survey numbers, details of ownership and a map depicting the location of proposed activities. In none of the projects test-checked, the above details were specified in the DAPs.

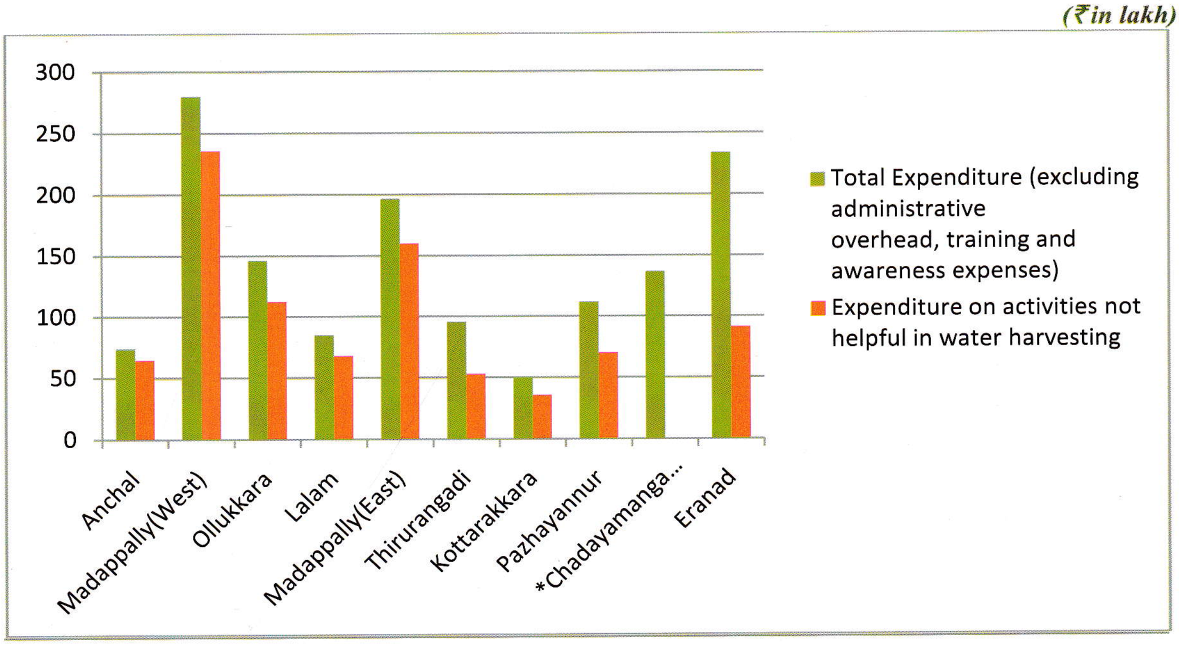
4.4.3 Execution of the project activities

4.4.3.1 Execution of activities outside the scope of the Scheme

The guidelines primarily envisaged execution of activities which improve water conservation. Audit noticed that PIAs exhibited lack of inclination in the execution of activities which helped rainwater harvesting. As a result, 39 to 87 *per cent* of the total expenditure incurred on the project activities in nine projects were outside the scope of the Scheme. **Chart 4.3** depicts the total expenditure (excluding administrative overheads, training and awareness expenses) vis-a-vis expenditure on activities not related to rainwater harvesting under the ten projects test-checked.

Chart 4.3: Expenditure on activities not related to Hariyali against total expenditure

(₹in lakh)



*In Chadayamangalam project in Kollam District, the expenditure on project was in conformity to the DAP and guidelines

A gist of the activities included in the DAPs and the activities executed are mentioned in **Appendix XIX.**

Audit observed that some of the activities like construction of protection walls to paddy fields/streams, deepening, desilting and deweeding of streams etc. undertaken by PAUs may have socially useful or desirable goals and have created meaningful, social and public assets, but these strictly fall outside the domain of the Hariyali and could not be construed to be furthering the cause of water harvesting or water conservation. These activities, therefore, could have been carried out under other schemes of Government/Panchayats.

An analysis of the activities implemented under the ten projects test-checked revealed the following:

- Though the activities included in the DAPs of four projects were in conformity with the guidelines, in respect of only one project, *viz*., Chadayamangalam project, the implementation corresponded to the DAP/ guidelines. In respect of the other three projects, *viz*., Ollukkara, Pazhayannur and Eranad, majority of the activities executed were in deviation from the DAP and were not capable of harvesting rainwater or soil conservation.
- Anchal BP had incurred (December 2012) an expenditure of ₹ 51.80 lakh (against the meager original estimate of ₹ 1.32 lakh included in the DAP) on the construction of side protection walls to roads/private lands having length of up to 500m, due to substantial increase in the quantity and the rates of work executed. As per the circular issued by the Government in July 2007, the construction of side protection walls to roads does not fall under the category of soil and water conservation works. Further, the BP had not adhered to the directions of CRD to obtain approval for the revised estimate from the Technical Committee at CRD level.

Side protection wall at Akamon Laksham Veedu Colony in Edamulakkal GP

4.4.3.2 Wasteful expenditure on remuneration to TSAs

The TSAs were set up by the State to assist the BPs in the preparation of DAPs. The State empanelled 16 institutions for the purpose. The Government decision to involve TSAs was aimed at improving the quality and efficacy of the projects with their expertise. Audit noticed lapses in the preparation of DAPs by TSAs as mentioned below:

(i) In five out of ten projects test-checked, the DAPs prepared by the TSAs included activities which were not covered under the guidelines of the scheme and were not related to water harvesting. The failure of TSAs to properly identify water-harvesting projects while preparing the DAPs for the five projects rendered the payment of ₹ 21.82 lakh towards their remuneration largely unfruitful.

(ii) In one project (Lalam), even though ₹ 5.63 lakh was paid (March/ July/August 2006) in advance to the TSA, *viz.,* Centre for Integrated Rural & Urban Studies (CIRUS) towards fee for preparation of DAP, no DAP was prepared. The BP had not taken any action against the TSA.

4.4.3.3 Excess expenditure under administrative overheads

As per the guidelines, the project cost was to be released in five instalments. Each instalment includes two *per cent* of the project cost towards administrative overhead. It was noticed that PIAs did not restrict their actual administrative overhead to the amount received for the purpose. As a result, expenditure incurred under administrative overhead exceeded the actual amount received for the purpose by ₹ 50.27 lakh (73.63 *per cent*) in five projects[26].

4.4.3.4 Non-specification of exit protocol in DAP

As per the guidelines, while preparing the DAP, the Grama Sabhas/Grama Panchayats were to evolve proper Exit Protocol for the watershed development project under the guidance of WDTs, specifying the mechanism for the maintenance of assets created, utilization of Watershed Development Fund (WDF), etc. While approving the DAP, the PAUs were to ensure that a detailed mechanism for such Exit Protocol forms part of the Action Plan. None of the PAUs test-checked ensured that a detailed mechanism for such Exit Protocol formed part of DAPs. In five projects[27], WDF was also not created.

In the absence of adequate provision for WDF, maintenance of assets could assume critical proportion if sufficient funds from PRIs are not made available.

4.4.3.5 Best practices in the State

Implementation of the project was found, during field visit by Audit, to be in conformity with the guidelines only in Chadayamangalam project. Well recharging, construction of rain pits, check dams, construction and maintenance of ponds, were the major components of works executed for harvesting and conserving rainwater. Through these activities, there was improvement in the availability of water in wells and ponds for domestic as well as agricultural purposes throughout the year, thus furthering the cause of harvesting rainwater.

Photographs of some of the activities implemented under Chadayamangalam project:

Renovation of ponds

Check dam

4.4.3.6 Payment made for work not executed

Records relating to Kottarakkara project showed that ₹ 1.81 lakh was incurred (March 2011) towards the cost of construction of seven check dams in Ezhukone Grama Panchayat. The photographs of the check dams stated to have been constructed were also available in the files concerned. However, joint verification of the sites in June 2013 by the audit team, along with the departmental staff, revealed that no such check dams were in existence at any of the seven locations. In reply (October 2013) it was stated that payment for the work was made after the scrutiny of work by authorities and based on certificate issued by concerned authorities.

[26] Anchal: ₹ 2.97 lakh, Chadayamangalam: ₹ 4.17 lakh, Madappally (East): ₹ 1.23 lakh, Lalam: ₹ 37.25 lakh, Thirurangadi: ₹ 4.64 lakh

[27] Pazhayannur, Anchal, Kottarakkara, Thirurangadi and Eranad

However, considering the facts noticed in joint site verification, the genuineness of the records and photographs submitted along with the request for release of funds by the Grama Panchayat requires further investigation.

Photograph in Vattamankavu Temple in the file, which claimed to be a check dam

Photograph in Vattamankavu Temple taken on joint site visit, which shows no such structure

4.4.4 Utilisation of fund

During the scheme period (2003-2013), GOI sanctioned 26 projects, estimated to cost ₹ 71.72 crore for implementation and released ₹ 33.13 crore. As of March 2013, the State had released ₹ 2.94 crore. Against the total available fund of ₹ 38.14 crore including interest of ₹ 2.07 crore, expenditure incurred on the projects was ₹ 31.95 crore. An amount of ₹ 2.05 crore was surrendered by fourteen projects and the unspent amount of ₹ 4.14 crore is still (September 2013) lying with the implementing agencies/PAUs. Out of the 26 projects sanctioned, none of the projects were completed even after expiry of the project period (March 2013) with all the activities included in DAP, even though the amounts received from GOI have been fully/substantially spent in some of the projects. Details of projects sanctioned, project costs, Central and State shares released and the expenditure incurred are shown in **Appendix XX**.

4.4.4.1 Delayed release of fund to implementing agencies

As per the guidelines, the Central share was to be released to the PAUs in five instalments. The State was to release its corresponding share to the PAUs within 15 days from the date of receipt of Central share. The PAUs were to release the funds to the PIAs within 15 days from the date of receipt of funds from Central/State Governments. Audit noticed the following:

(i) In three PAUs[28], due to slow progress in the implementation of the projects by PIAs, PAUs withheld and released funds belatedly leading to delay in release ranging from three months to two years (one to six months – nine cases, six to 12 months – six cases, 12 to18 months – four cases and 18 to 24 months – five cases). Further, lack of regular monitoring by PAUs contributed to the slow progress and consequent delayed releases.

(ii) Third instalment of Central share of ₹ 1.24 crore in respect of one project[29] received in July 2012 was not released by the PAU even as of July 2013.

[28] Kollam, Kottayam and Thrissur

[29] Chadayamangalam

Due to non-release of fund all the activities of the project came to a standstill.

(iii) Delay ranging from three months to three years[30] in the release of State share was also noticed in Audit.

4.4.4.2 Loss of Central assistance due to non-submission of release proposals

According to the guidelines, the third instalment of the Central share would be released only after the submission of release proposals along with satisfactory mid-term evaluation report by an independent evaluator. Out of the ten projects test-checked, mid-term evaluations were conducted in respect of eight projects and the release proposals were submitted only for five projects. In respect of the remaining projects[31], release proposals were not submitted to the GOI and hence the third instalment of the Central share was not released. Loss of Central assistance due to non-conduct of mid-term evaluation and non-submission of proposals to the GOI amounted to ₹ 4.30 crore.

4.4.5 Monitoring and control mechanism

A District Level Monitoring Committee to monitor the activities of each project was to be formed under PAUs as per the direction of the Government. Though the PAUs stated that the activities were monitored through District Vigilance and Monitoring Committees, Audit noticed that the Committees did not meet regularly, and even in the few number of meetings held, issues connected with the execution of works outside the scope of the scheme were seldom discussed.

In order to have supervisory control over the implementation of the projects, the guidelines stipulated an internal control mechanism for watching the progress of implementation through submission of Quarterly Progress Reports (QPRs) to GOI. Audit noticed that there was no regular submission of QPRs. A progress report was seen prepared only for the purpose of release of fund by GOI.

Thus, in the absence of regular system to monitor the activities under each project and lack of control mechanism, the PAUs and CRD could not ensure that the activities conformed to the guidelines.

4.4.6 Conclusion

Majority of the activities executed under Hariyali were not helpful in meeting the prime objective of the scheme, *viz.*, improvement in water conservation. The project implementation in Chadayamangalam alone was found to be in conformity with the guidelines. The WDTs and TSAs, who had a major role in the preparation of DAPs and execution of projects, failed to identify water-harvesting projects while preparing the DAPs. In the absence of an effective system to monitor the implementation of the project at district levels as well as state level, the PAUs and CRD could not ensure that the activities implemented under each project conformed to the guidelines.

[30] One to six months – six cases, six to 12 months – two cases, 12 to 18 months – one case, 30 to 36 months – one case

[31] Anchal, Kottarakkara, Madappally (West), Lalam and Thirurangadi

OTHER COMPLIANCE AUDIT OBSERVATIONS

4.5 Short levy of Entertainment tax

Failure of Kunnathunadu Grama Panchayat to assess Entertainment tax under Category E of the Entertainment tax slab resulted in short levy of Entertainment tax of ₹ 1.20 crore.

Section 3B of the Kerala Local Authorities Entertainments Tax (Amendment) Act, 2005 (Act), effective from 01 April 1999, provides the rates to be fixed by the local authority for levy of entertainment tax for amusement parks. The rate for each category (A to E)[32] is fixed on the basis of the amount of investment as well as the area utilised for the park, excluding parking area and other unutilised/vacant area. As per Explanation 2 under Section 3B of the Act, if both the investment and area of land do not come under any of the above categories, but either the investment or the area comes under any one of the categories, the amusement park is to be assessed in the category to which the higher rate of tax is applicable.

Veega Holidays and Parks Private Limited (Veega Land), amalgamated with Wonderla Holidays Private Limited with effect from 01 April 2008, is situated in Kunnathunadu Grama Panchayat (GP) of Ernakulam District. As per drawings and documents made available (February 2007) by Veega Land to Kunnathunadu GP, area utilised for park comes to 16.507 acre (6.68 hectare). Audit scrutiny (July 2012) of the records revealed that the GP fixed (2007-08) the rate of Entertainment tax on the basis of these drawings and documents made available by Veega Land. Taking into consideration that the area of the park was between six hectares and 10 hectares, the GP classified Veega Land under Category D of the Entertainment tax slab and Entertainment tax was levied at the rate of ₹ 60 lakh per annum from 2007-08 onwards.

Verification of the Balance Sheet and Schedules forming part of the Balance Sheet of Veega Land revealed that the investment was above ₹ 50 crore from 2007-08 onwards and hence the park was to be assessed under Category E since 2007-08. Calculated at the minimum applicable rate under Category E (₹ 80 lakh per annum), short levy of Entertainment tax for the period 2007-08 to 2012-13 worked out to ₹ 1.20 crore.

When this was pointed out in Audit, the Secretary of the GP stated (November 2013) that action has been initiated to reassess the tax by including the additional investments and area of the park.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

[32]**Category A**: Investment up to ₹ 3 crore and area 2 hectares and below, Tax: ₹ 3 lakh to ₹ 6 lakh;
Category B: Investment ₹ 3 crore to ₹ 10 crore and area 2 hectares to 4 hectares, Tax: ₹ 10 lakh to ₹ 15 lakh;
Category C: Investment ₹ 10 crore to ₹ 20 crore and area 4 hectares to 6 hectares, Tax: ₹ 25 lakh to ₹ 30 lakh;
Category D: Investment ₹ 20 crore to ₹ 50 crore and area 6 hectares to 10 hectares, Tax: ₹ 50 lakh to ₹ 60 lakh;
Category E: Investment ₹ 50 crore and above and area 10 hectares and above, Tax: ₹ 80 lakh to ₹ 100 lakh

4.6 Unfruitful expenditure due to non-compliance with rules and provisions

Non-compliance with the rules and provisions by Kalloorkkadu Grama Panchayat resulted in infructuous expenditure of ₹ 13.79 lakh on a meat and fish market and civil work of biogas plant.

District Collector, Ernakulam, accorded (November 2008) Administrative Sanction for construction of a building for meat and fish market at Kalloorkkadu Grama Panchayat (GP) under Members of Parliament Local Area Development (MPLAD) Scheme at an estimated cost of ₹ 10 lakh. Assistant Executive Engineer, Local Self Government Department Sub Division, Muvattupuzha accorded Technical Sanction for the work in November 2008. The major components of the proposed building consisted of two slaughter rooms, two fish stalls, two meat stalls, one cattle shed and a generator/control room. The work awarded (December 2008) to the convener of beneficiary committee was completed in August 2009 at a cost of ₹ 10 lakh.

Meat and fish market of Kalloorkkadu GP in an abandoned condition

Secretary, Kalloorkkadu GP, entered (September 2010) into an agreement with M/s Kerala Agro Industries Corporation Limited for construction of a biogas plant for management of solid waste at the meat and fish market, Kalloorkkadu at an estimated cost of ₹ 7.99 lakh. The source of fund for the project was Suchitwa Mission Grant and Nirmal Puraskar. Civil works of the plant was completed (February 2011) at a cost of ₹ 3.79 lakh.

Rule 3 (2) of the Kerala Panchayat Raj (Issuance of Licence and Control of Public and Private Markets) Rules, 1996, stipulates that the Panchayat shall, before providing a public market, obtain the opinion of the District Medical Officer regarding the public health problems which may arise by the opening of such a market at that place. Audit scrutiny revealed (November 2012) that the Grama Panchayat officials requested the District Medical Officer (Health) for his opinion only in November 2010, i.e., after construction of the building and not before, as stipulated in the rules above. As the slaughter house was within 90 metres from dwelling houses and within 30 metres from the main road, District Medical Officer informed (January 2011) that the place was not suitable for functioning of slaughter house. This conformed to Rule 5 under the Kerala Panchayat Raj (Slaughter Houses and Meat Stalls) Rules, 1996, according to which a slaughter house shall not be within 90 metres of any dwelling house or within 150 metres from hospitals with inpatient treatment or public educational institutions or places of worship and 30 metres from the public road. The slaughter house, therefore, could not be made operational.

Non-compliance with the rules and provisions and lack of foresight on the part of Kalloorkkadu GP in locating the slaughter house in an area free from public health hazards, resulted in the expenditure of ₹ 13.79 lakh on the meat and fish market as well as the civil work of biogas plant to remain infructuous.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.7 Payment of advance for construction of houses without finalising list of beneficiaries

Even before finalisation of list of beneficiaries/houses, the District Panchayat Palakkad transferred ₹ 89 lakh to the implementing agency for construction of houses for SC families, resulting in blocking of funds.

District Panchayat, Palakkad (DPP), in association with Attappady Hills Area Development Society (AHADS)[33], formulated (2009-10) three projects (estimated cost: ₹ 89 lakh[34]) for construction of houses for Scheduled Caste (SC) families, with the Secretary of DPP as the Implementing Officer. The District Planning Committee approved the Project in March 2010. In April 2010, with the permission of the Government, the Secretary of DPP transferred the entire amount of ₹ 89 lakh to AHADS, by Demand Drafts. The instructions for construction of houses in Maranatti, Chemmannur hamlets of Agali Grama Panchayat (Agali GP), Mattathukad and Naikkarpadi hamlets in Sholayur GP were, however, issued to AHADS only in September 2010, after a lapse of five months. As of September 2013, ₹ 89 lakh was lying unutilised with AHADS. Audit observed the following lapses in the implementation of the projects:

- There was inordinate delay in finalising the list of beneficiaries/the number of houses to be constructed. The list of 33 beneficiaries of Chemmannur SC colony was handed over to AHADS in February 2012 by Agali GP which was forwarded (March 2012) by AHADS to DPP for approval. In July 2013, a revised list of 33 beneficiaries was forwarded by AHADS, which the Secretary of DPP approved in August 2013. The list of beneficiaries in the other hamlets had not been given to AHADS even as of September 2013.
- As per the Government order issued in July 2009, the maximum amount of subsidy for construction of house for SC family was ₹ one lakh. This was enhanced to ₹ two lakh *vide* the Government order issued in February 2012. Since no decision was taken as of date by the DPP on the number of dwellings to be constructed in Maranatti, Mattathukad and Naikkarpadi hamlets, even if the maximum subsidy for construction of a house is taken as ₹ two lakh, the advance paid to AHADS for construction of 33 houses was in excess by ₹ 23 lakh. AHADS stated (December 2013) that the amount advanced could be utilised for the construction of 33 houses only, as the cost of construction of each house would be ₹ 2.70 lakh. The action of AHADS is violative of the Government Order issued in February 2012.

Thus, payment of cost of the project in advance to the construction agency, without even finalising the list of beneficiaries and the number of houses to be constructed,

[33] Transformed into Centre for Comprehensive Participatory Resource Management (CCPRM) since June 2013

[34] Two housing schemes for Scheduled Castes (Estimated costs: ₹ 60 lakh and ₹ 14 lakh) and one housing scheme for Scheduled Caste Women (Estimated cost: ₹ 15 lakh)

resulted in plan fund of ₹ 89 lakh remaining with the construction agency for over 42 months, without any benefit to the SC families.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.8 Non-utilisation of a working women's hostel for the last ten years

A working women's hostel remained unoccupied and in a neglected state ever since its completion in January 2003 due to lack of initiative from Block Panchayat to publicise the facility leading to idle investment of ₹ 13.18 lakh.

Pazhayannur Block Panchayat (BP) in Thrissur District constructed in January 2003 a working women's hostel in the site allotted free of cost by Chelakkara Grama Panchayat with a view to providing accommodation to the working women in Chelakkara and neighbouring Grama Panchayats who had to endure prolonged hours of daily travel to and from work, on account of lack of proper hostel facilities. The BP incurred total expenditure of ₹ 13.18 lakh which included expenditure on maintenance of ₹ 1.36 lakh[35].

The building, however, never functioned as a hostel. The BP Secretary stated that no local survey to identify working women in need of hostel facility was attempted. The BP neither conducted any effective campaign to attract working women travelling to the area nor analysed the probable adversities associated with the location of the hostel for lodging of women.

The BP Secretary informed (May 2013) that co-ordinated efforts of the nearby Grama Panchayats would be utilised to publicise the facility to the working women in the locality. No such effort has been initiated by the Secretary till date (September 2013).

Thus, a building constructed with the social objective of providing lodging facility to the women working in the Grama Panchayat's area, to reduce the hardships of prolonged journey, remained unutilised and in a neglected condition for the last ten years, rendering investment to the tune of ₹ 13.18 lakh unfruitful.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.9 Unfruitful expenditure on a windrow composting unit

A windrow composting unit set up at a cost of ₹ 29.99 lakh by Thrissur Municipal Corporation for treatment of chicken waste remained idle due to failure to tackle unhygienic conditions of the nearby slaughter house.

Thrissur Corporation proposed a project for setting up a windrow composting unit in the poultry waste treatment plant near an existing slaughter house at Kuriachira under the Peoples Plan Programme in 2006-07, at an estimated cost of ₹ 23.65 lakh. The project, which was for processing poultry wastes generated within the Corporation area and transforming them to manure in an environment-friendly manner, was the first of its kind in the State. The Socio-Economic Unit Foundation (SEUF) Thrissur, an accredited agency, was entrusted (February 2007) with the setting up of the unit on the condition that the work was to be implemented within three months.

[35] ₹ 0.37 lakh during 2005-06 and ₹ 0.99 lakh during 2012-13

The plant was inaugurated in February 2009 and the waste treatment process was operationalised in December 2009. However, the plant stopped functioning in February 2011 owing to local protest. As of September 2013, the total expenditure incurred on the project was ₹ 29.99 lakh, including incidental expenses [36] amounting to ₹ 4.80 lakh.

Audit scrutiny revealed the following:

- The Corporation, while implementing the project, failed to ensure a clean and healthy working atmosphere in the plant premises. Meat waste and blood from the nearby slaughter house flowed into the plant premises due to which the Kudumbashree women were unwilling to work in the plant. As a result, untreated poultry waste accumulated in the plant premises dissipating foul odour which aroused public protest.
- Non-provision of a conducive environment for the smooth functioning of the compost unit was brought to the notice of the Corporation at the initial stage itself by SEUF. The Corporation, instead of tackling the problem of inflow of waste from slaughter house and dumping of waste in the plant premises, decided to close down the plant.

Thus, the failure of the Corporation in addressing the issue associated with the running of a windrow composting unit for the treatment of chicken waste, resulted in the plant remaining idle, rendering expenditure of ₹ 29.99 lakh unfruitful.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.10 Idle investment on industrial estates

Pandikkad and Udayamperoor Grama Panchayats constructed buildings for establishing industrial units, without assessing the demand and financial capability of the people, resulting in available resources of ₹ 69.80 lakh being tied up in idle assets.

(i) Pandikkad Grama Panchayat (GP) in Malappuram District constructed (between 2008 and 2010) four buildings at Kolaparambu at a total cost of ₹ 39.06 lakh. The buildings were constructed over a portion of the five acres of land purchased in 1999 at a cost of ₹ 11 lakh for establishment of industrial units. The buildings were intended for establishment of small scale industrial units by women entrepreneurs. The buildings were, however, not utilised due to lack of demand. Parts of the building are now in a dilapidated condition and the rolling shutters have started corroding. Secretary, Pandikkad GP stated (January 2013) that request made to the District Industries Centre, Malappuram to take up the building for

Idling industrial estate in Pandikkad Grama Panchayat

[36] Internal roads, storm water drainage, weldmesh protection, installation of machineries etc.

development of small scale industries was pending, after a meeting in June 2012 with the District Collector.

(ii) Udayamperoor GP in Ernakulam District formulated (2007-08) a project for construction of a building for establishing industrial units by people from Scheduled Caste community. The total expenditure incurred on the project as of March 2013 was ₹ 19.74 lakh. Due to lack of demand for the units, the building was left in neglected condition and the densely overgrown grass and bushes in its premises caused deterioration to the structure. Secretary, Udayamperoor GP stated (August 2013) that due to non-identification of eligible Scheduled Caste beneficiaries and non-formation of co-operative societies, the project could not be launched.

Idling industrial estate in Udayamperoor Grama Panchayat

Audit observed that feasibility study including identification of benificiaries was not conducted by Pandikkad and Udayamperoor GPs, before embarking on such projects, resulting in an idle investment of ₹ 69.80 lakh in these two GPs.

Secretary, Pandikkad GP stated (September 2013) that though training was provided to women entrepreneurs, they were unable to mobilize resources for establishing industrial units, as the beneficiaries belonged to economically weaker sections of society. Secretary of Udayamperoor GP also stated (August 2013) that the beneficiaries were reluctant to enter the handicrafts industry due to low remuneration, compared to investment. The reply is not acceptable as a feasibility study and identification of people interested and finanacially capable of setting up units should have preceeded construction of the buildings. The fact remains that failure of Pandikkad and Udayamperoor GPs to assess the demand and financial capability of the people with regard to the establishment of industrial units resulted in the available resources of ₹ 69.80[37] lakh being tied up in idle assets.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.11 Failure of a tourism promotion project

Expenditure of ₹ 67.24 lakh incurred by Thrissur Municipal Corporation on a tourism project remained unfruitful due to lack of planning and regular maintenance.

Thrissur Municipal Corporation (TMC) formulated the 'Vanchikulam Tourism Project' in the Annual Plan for 2008-09 at an estimated cost of ₹ 69.10 lakh utilising its own resources. The work was started in March 2009 and completed in July 2010, after incurring an expenditure of ₹ 67.24 lakh.

[37] ₹ 39.06 lakh + ₹ 11.00 lakh + ₹ 19.74 lakh

Scrutiny of records and site visit (September 2013) by audit team revealed that though the pond was given a facelift, subsequent maintenance and upkeep was not proper, resulting in the pathetic state of Vanchikulam. The pond has become polluted with bottles and thrown away waste. Accessibility to the pay-and-use toilets was denied by profuse growth of grass and weed. Many of the cast iron railings encircling the pond were missing. Over all, the total area was in an abandoned state, unfit for a tourist destination.

Neglected condition of the tourism promotion project

The Executive Engineer of the Corporation stated (September 2013) that the entire benefits of the project would accrue only after taking up further works in the next phase. The reply is not acceptable as the expenditure incurred so far has been unfruitful because the Corporation did not foresee and plan for the regular maintenance and upkeep of the pond and its surroundings.

Thus, a project intended to promote tourism in the Corporation area turned out to be a failure due to non-maintenance and upkeep, leading to unfruitful expenditure of ₹ 67.24 lakh.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.12 Unfruitful expenditure on a Bio Fertilizer Project

Valancherry Grama Panchayat initiated a Bio Fertilizer Project using bio-waste as feed, ignoring the opposition of the local people, resulting in unfruitful expenditure of ₹ 23.86 lakh.

Valancherry Grama Panchayat (GP) formulated (2006-07) a Bio Fertilizer Project in 1.77 acres of land purchased (December 2001) for the purpose at Kattipparuthi Village in Tirur Taluk of Malappuram District. The project was intended to process the bio-waste generated in the GP in a safe and useful manner and to provide good quality bio-fertilizers at reduced rates to farmers. District Planning Committee (DPC) approved (June 2006) the project costing ₹ 40 lakh[38], with Secretary of the GP as implementing officer. Clean Kerala Mission accorded (September 2006) approval for the detailed estimate prepared by the Kasaragod Social Service Society (Society), an accredited agency for solid waste management, for an amount of ₹ 37.10 lakh. In October 2006, the GP entered into an agreement with the Society for implementation of the project, stipulating date of completion of the project as 31 July 2007. The GP provided (March 2007) ₹ 6.58 lakh to the Society as advance and also deposited ₹ 1.24 lakh (March 2007) with Kerala State Electricity Board (KSEB) for extension of electric line up to the site.

Due to public protest against the use of waste in the proposed plant, which could have the potential of being an environmental and public health hazard, the Society

[38] Source of fund - Development Fund: ₹ 13.50 lakh, Own Fund: ₹ 6.50 lakh and Contribution from Clean Kerala Mission: ₹ 20 lakh

had to stop the work in January 2008 and KSEB was also unable to start the work. The Society supplied (March 2007) roof trusses to the GP, which are lying idle at the site of the project in an abandoned condition, and have started corroding. The GP also purchased a tipper in April 2008 at a cost of ₹ 8.15 lakh. The total expenditure on the project amounted to ₹ 23.86 lakh, which included the cost of land of ₹ 7.29 lakh, maintenance of tipper for which ₹ 0.60 lakh was incurred and ₹ 15.97 lakh spent on the actual project.

Audit scrutiny (September 2012) revealed the following:

- Even before formulation of the project, there was local resistance, since 2004, against dumping of waste in the proposed site. Later, on the directions of Hon'ble High Court, several meetings were conducted during 2005 to reach a consensus, but no amicable solution could be reached. Despite being aware of the stiff resistance from the public and the ward members, the GP went ahead with the project.

- Even though the project was at a standstill since January 2008, the GP purchased (April 2008) a tipper at a cost of ₹ 8.15 lakh, for transportation of biodegradable waste as well as bio fertilizer from and to the site. Decision of the GP to purchase the vehicle when the work on the project was at standstill was untimely and avoidable.

Thus, ignoring the opposition of the local people before initiating the project and failure of Valancherry GP to find an amicable solution, resulted in unfruitful expenditure of ₹ 23.86 lakh. The original issue of waste management too remained unaddressed.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

Thiruvananthapuram,
The 30 June 2014

(N. NAGARAJAN)
Accountant General (General and Social Sector Audit), Kerala

Countersigned

New Delhi,
The 03 July 2014

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

APPENDICES

APPENDIX I
Standing Committees constituted in LSGIs
(Reference: Paragraph 1.3.1; Page 4)

Sl. No.	Name of Standing Committees	Standing Committees constituted				
		GPs	BPs	DPs	Municipalities	Municipal Corporations
1	Standing Committee for Finance	√	√	√	√	√
2	Standing Committee for Development	√	√	√	√	√
3	Standing Committee for Welfare	√	√	√	√	√
4	Standing Committee for Health & Education	√	√	√		
5	Standing Committee for Public Works			√	√	√
6	Standing Committee for Health				√	√
7	Standing Committee for Education, Arts & Sports				√	
8	Standing Committee for Town Planning					√
9	Standing Committee for Appeal relating to Tax					√
10	Standing Committee for Education & Sports					√

APPENDIX II
Surrender of funds during 2012-13
(Reference: Paragraph 2.1.1.1, Page 10)

Major Head	Name of Major Head	Budget Provision (₹ in crore)	Amount Surrendered (₹ in crore)	Percentage of surrender	Net Budget (₹ in crore)
2202	General Education	210.97	1.36	0.64	209.61
2210	Medical and Public Health	11.92	0.49	4.02	11.43
2217	Urban Development	60.03	33.18	55.27	26.85
2225	Welfare of SC/ST	58.04	20.88	35.97	37.16
2230	Labour and Employment	51.12	18.02	35.25	33.10
2235	Social Security and Welfare	1345.48	34.28	2.54	1311.20
2401	Crop Husbandry	11.38	0	0	11.38
2402	Soil and Water Conservation	0.03	0.01	33.33	0.02
2404	Dairy Development	23.33	0.003	0.01	23.33
2501	Special programmes for Rural Development	97.41	3.62	3.71	93.79
2851	Village and Small industries	0.25	0	0	0.25
Total		**1869.96**	**111.84**	**5.98**	**1758.12**

(Source: Figures obtained from VLC Cell)

APPENDIX III

List of LSGIs which prepared unrealistic budget/delay in presentation of budget

(Reference: Paragraph 2.3.1, Page 19)

Sl. No.	Name of LSGI	Year of Audit	Nature of defect	
			Unrealistic Budget	Delay in presentation of Budget
1	Thiruvananthapuram Corporation	2010-11		√
2	Varkala Municipality	2008-09	√	√
3	Mavelikkara Municipality	2006-07	√	√
4	Kozhikode DP	2009-10		√
5	Idukki DP	2008-09		√
6	Ithikkara BP	2010-11		√
7	Nemom BP	2008-09		√
8	Mala BP	2008-09	√	√
9	Kalpetta BP	2006-07		√
10	Pazhayannoor BP	2005-06		√
11	Edappally BP	2009-10		√
12	Oachira BP	2010-11		√
13	Kadakkal GP	2008-09	√	√
14	Pavithreswaram GP	2008-09		√
15	Vettikkavala GP	2009-10		√
16	Neendakara GP	2009-10		√
17	Nilamel GP	2009-10		√
18	Kalluvathukkal GP	2010-11	√	√
19	Chithara GP	2008-09	√	√
20	Alayamon GP	2008-09	√	√
21	Thirupuram GP	2008-09		√
22	Vithura GP	2010-11	√	
23	Kilimanoor GP	2009-10		√
24	Anad GP	2009-10	√	√
25	Parassala GP	2009-10	√	√
26	Mangalapuram GP	2008-09	√	√
27	Chirayinkeezhu GP	2009-10	√	√
28	Unnikulam GP	2010-11	√	
29	Payyoli GP	2010-11		√
30	Balal GP	2008-09	√	√
31	Chenkala GP	2006-07		√
32	Mogral Puthur GP	2007-08		√

APPENDIX III (Concld.)

Sl. No.	Name of LSGI	Year of Audit	Nature of defect	
			Unrealistic Budget	Delay in presentation of Budget
33	Vallicode GP	2007-08		√
34	Aranmula GP	2005-06		√
35	Kunnathunad GP	2009-10	√	√
36	Chellanam GP	2010-11	√	√
37	Kottuvally GP	2009-10	√	√
38	Koothattukulam GP	2009-10		√
39	Kalloorkkad GP	2008-09	√	√
40	Thuravoor GP	2009-10	√	√
41	Mannanchery GP	2009-10	√	√
42	Thazhakkara GP	2009-10	√	√
43	Kuttippuram GP	2006-07	√	√
44	Valanchery GP	2008-09	√	√
45	Kalpakanchery GP	2007-08	√	√
46	Vazhikadavu GP	2008-09		√
47	Chungathara GP	2008-09		√
48	West Kallada GP	2009-10	√	
49	Polpully GP	2010-11		√
50	Mundakayam GP	2006-07		√
51	Krishnapuram GP	2009-10	√	√
52	Pampady GP	2009-10	√	√
53	Ettumanoor GP	2009-10	√	√
54	Poonjar Thekkekara GP	2010-11	√	√
55	Kalikavu GP	2008-09		√
56	Vazhoor GP	2008-09	√	√
57	Udayamperoor GP	2010-11		√
58	Chettikulangara GP	2007-08		√
59	Edathua GP	2007-08		√
60	Perumbalam GP	2009-10		√
61	Muttar GP	2009-10	√	
62	Karuvatta GP	2007-08		√

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX IV

List of LSGIs in which delay in conduct of audit by DLFA / irregularities in the AFS submitted to DLFA were noticed

(Reference: Paragraphs 2.6, 2.8.1, Pages 21, 22)

(Year of accounts in brackets)

Sl. No.	LSGIs which did not prepare / submit appending statements of AFS	LSGIs which did not include all transactions	LSGIs in which CB of previous year's AFS did not agree with OB of current year	LSGIs in which there was delay in conducting Audit by DLFA
		Corporation		
1		Thiruvananthapuram (2010-11)		
		Municipality		
1		Varkala (2008-09)		
2		Mavelikkara (2006-07)		
		District Panchayat		
1	Malappuram (2009-10)			
		Block Panchayats		
1	Edappally (2009-10)	Mala (2008-09)	Kodakara (2009-10)	Mala-18 months (2008-09)
2	Chittumala (2010-11)	Chittumala (2010-11)		Koipuram-18 months (2008-09)
3	Oachira (2010-11)	Koipuram (2008-09)		Kalpetta-3 months (2006-07)
		Grama Panchayats		
1	Pavithreswaram (2008-09)		Pazhayannoor (2010-11)	Vettikkavala-13 months (2009-10)
2	Vettikkavala (2009-10)		Manakkad (2009-10)	Neendakara-6 months (2009-10)
3	Alayamon (2008-09)		Kuttippuram (2006-07)	Nilamel-17 months (2009-10)
4	Kadinamkulam (2009-10)		Thazhakkara (2009-10)	Kallikkad-5 months (2009-10)
5	Vithura (2010-11)			Kadinamkulam-8 months (2009-10)
6	Paralam (2007-08)			Balal-14 months (2008-09)
7	Karalam(2006-07)			Delampady -49 months (2005-06)
8	Chenkala (2006-07)			Chenkala-37 months (2006-07)
9	Aranmula (2005-06)			Vallikode -16 months(2007-08)
10	Chungathara(2008-09)			Aranmula-41 months(2005-06)
11	Kalikavu(2008-09)			Edakkad -8 months(2008-09)
12	Chempu(2009-10)			Kalikavu-18 months(2008-09)
13	Chettikulangara(2007-08)			Edathua-20 months(2007-08)
14	Edathua(2007-08)			

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX V
List of LSGIs which delayed sending AFS to DLFA
(Reference: Paragraph 2.8.1, Page 22)

Sl. No.	Name of LSGI & Year of Audit	Due date	Date of sending	Delay in months
Municipality				
1	Pathanamthitta 2005-06	31-Jul-06	31-Aug-09	37
Block Panchayat				
1	Kalpetta 2006-07	31-Jul-07	1-Mar-11	43
Grama Panchayats				
1	Balal 2008-09	31-Jul-09	7-Oct-09	2
2	Chenkala 2006-07	31-Jul-07	10-Dec-07	4
3	Vallicode 2007-08	31-Jul-08	15-Sep-08	2
4	Aranmula 2005-06	31-Jul-06	24-Jul-07	12
5	Edakkad 2008-09	31-Jul-09	2-Nov-09	3
6	Edathua 2007-08	31-Jul-08	25-Nov-08	4

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX VI

List of LSGIs in which Opening Balance/Closing Balance of AFS did not agree with Opening Balance/Closing Balance of cash book

(Reference: Paragraph 2.8.1, Page 22)

Name of LSGI	Year of Audit	Opening Balance			Closing Balance		
		AFS	Cash Book	Difference	AFS	Cash Book	Difference
Kodungallur Municipality	2005-06	4435014	5133250	698236	-	-	-
Ithikkara BP	2010-11	24030555	23957472	73083	-	-	-
Oachira BP	2010-11	-	-	-	19989010	40027597	20038587
Kodakara BP	2009-10	26720671	26011751	708920	14107046	61871220	47764174
Koipuram BP	2008-09	2110000	3530000	1420000	8263000	4982000	3281000
Chithara GP	2008-09	13186964	13684724	497760	14586234	14646778	60544
Alayamon GP	2008-09	-	-	-	92980	107980	15000
Balal GP	2008-09	5847361	5871841	24480	-	-	-
Nedumkandam GP	2007-08	4767271	6034661	1267390	-	-	-
Delampady GP	2005-06	-	-	-	2176172	1937235	238937
Nellikuzhy GP	2006-07	2564328	2563198	1130	30153	79658	49505
Kalloorkad GP	2008-09	3543491	3619786	76295	-	-	-
Edathua GP	2007-08	-	-	-	8171177	8299789	128612
Total				**4767294**			**71576359**

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX VII

List of LSGIs which did not prepare monthly accounts

(Reference: Paragraph 2.8.2, Page 23)

Sl. No.	Name of LSGI	Year of Audit
Block Panchayats		
1	Chittumala	2010-11
2	Koipuram	2008-09
3	Oachira	2010-11
Grama Panchayats		
1	Vettikavala	2009-10
2	Nilamel	2009-10
3	Thrikkovilvattam	2009-10
4	Kalluvathukkal	2010-11
5	Alayamon	2008-09
6	Kallikkad	2009-10
7	Pallichal	2009-10
8	Vithura	2010-11
9	Kilimanoor	2009-10
10	Anad	2009-10
11	Mangalapuram	2008-09
12	Payyoli	2010-11
13	Anthikkad	2008-09
14	Mogral Puthur	2007-08
15	Aranmula	2005-06
16	Koothattukulam	2009-10
17	Mannanchery	2009-10
18	Kalpakanchery	2007-08
19	Vazhikkadavu	2008-09
20	Chungathara	2008-09
21	Pampady	2009-10
22	Ettumanoor	2009-10
23	Poonjar Thekkekara	2010-11
24	Kalikavu	2008-09
25	Vazhoor	2008-09
26	Udayamperoor	2010-11
27	Chempu	2009-10
28	Chettikulangara	2007-08
29	Perumbalam	2009-10
30	Muttar	2009-10
31	Karuvatta	2007-08
32	Enadimangalam	2007-08

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX VIII

List of LSGIs with non-maintenance/ improper maintenance of Registers

(Reference: Paragraphs 2.8.3, 2.8.4, Pages 23, 24)

Sl. No.	Name of LSGI	Year of Audit	Did not maintain Advance Register	Advance Register maintained but not properly	Did not maintain Deposit Register	Deposit Register maintained but not properly	Asset Register maintained but not properly	Did not maintain Asset Register	Physical verification of stock not done
Corporation									
1	Thiruvananthapuram	2010-11		√		√	√		
Municipalities									
1	Varkala	2008-09		√		√			
2	Pathanamthitta	2005-06		√		√			
3	Mavelikkara	2006-07		√			√		√
District Panchayats									
1	Idukki	2008-09							√
2	Malappuram	2009-10						√	
Block Panchayats									
1	Ithikkara	2010-11				√			
2	Nemom	2008-09							√
3	Kalpetta	2006-07						√	
4	Oachira	2010-11	√		√		√		
5	Pazhayannoor	2005-06					√		
Grama Panchayats									
1	Nedumpram	2009-10	√					√	
2	Kadakkal	2008-09					√		
3	Pavithreswaram	2008-09				√	√		√
4	Neendakara	2009-10	√						√
5	Nilamel	2009-10							√
6	Kalluvathukkal	2010-11		√			√		√
7	Chithara	2008-09					√		
8	Alayamon	2008-09				√			√
9	Pallickal	2009-10	√				√		
10	Thirupuram	2008-09		√			√		
11	Karakulam	2010-11	√				√		
12	Kallikkad	2009-10					√		
13	Pallichal	2009-10			√			√	
14	Vithura	2010-11							√
15	Parassala	2009-10							√
16	Mangalapuram	2008-09					√		
17	Chirayinkeezhu	2009-10							√
18	Mattathoor	2010-11					√		
19	Chenkala	2006-07					√		√
20	Vallicode	2007-08					√		

APPENDIX VIII (Concld.)

Sl. No.	Name of LSGI	Year of Audit	Did not maintain Advance Register	Advance Register maintained but not properly	Did not maintain Deposit Register	Deposit Register maintained but not properly	Asset Register maintained but not properly	Did not maintain Asset Register	Physical verification of stock not done
21	Chellanam	2010-11		√					√
22	Pulinkunnu	2009-10	√				√		
23	Karukutty	2009-10				√			
24	Thuravoor	2009-10		√		√			√
25	Chunakkara	2009-10					√		
26	Valanchery	2008-09		√		√	√		√
27	Kalpakanchery	2007-08					√		
28	West Kallada	2009-10					√		√
29	Polpully	2010-11				√			
30	Krishnapuram	2009-10		√		√	√		√
31	Ettumanoor	2009-10					√		√
32	Kalikavu	2008-09					√		
33	Vazhoor	2008-09		√		√	√		
34	Perumbalam	2009-10					√		√
35	Muttar	2009-10					√		√

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX IX

List of LSGIs in which various deficiencies were observed in maintenance of cashbook

(Reference: Paragraph 2.8.4, Page 23)

Sl No	Name of LSGI	Year of Audit	Erasure & over-writing in cashbook	Absence of daily closing of cash book	Daily closing of Cash Book not certified	Absence of monthly closing of cash book	Monthly closing of cash book not certified	Absence of Annual closing of cash book	Non – reconciliation of cash book balance with pass book balance	Monthly abstract not prepared	Physical verifica-tion of cash not done	Classification not recorded in Cash Book
						Corporation						
1	Thiruvananthapuram	2010-11							√			
						Municipalities						
1	Varkala	2008-09		√		√					√	
2	Kodungallur	2005-06				√		√				
3	Pathanamthitta	2005-06		√		√		√		√	√	√
						District Panchayat						
1	Idukki	2008-09									√	
						Block Panchayats						
1	Ithikkara	2010-11	√	√		√			√		√	
2	Chittumala	2010-11							√		√	√
3	Kalpetta	2006-07	√			√			√		√	√
4	Edappally	2009-10	√						√			
5	Pazhayannoor	2005-06	√	√		√	√	√				
6	Oachira	2010-11		√		√		√	√		√	
7	Koipuram	2008-09	√						√		√	√
						Grama Panchayats						
1	Nedumpram	2009-10	√	√	√						√	√
2	Kadakkal	2008-09		√	√						√	√
3	Neendakara	2009-10		√		√			√		√	√
4	Nilamel	2009-10				√			√		√	√
5	Thrikkovilvattam	2009-10		√								√
6	Kalluvathukkal	2010-11	√	√		√						
7	Chithara	2008-09	√	√	√				√		√	
8	Alayamon	2008-09	√		√						√	√
9	Thirupuram	2008-09			√					√	√	
10	Karakulam	2010-11									√	
11	Kallikkad	2009-10	√			√			√		√	
12	Pallichal	2009-10									√	
13	Vithura	2010-11		√		√					√	√
14	Anad	2009-10		√	√				√		√	√
15	Parassala	2009-10	√								√	
16	Mangalapuram	2008-09	√		√				√		√	√
17	Chirayinkeezhu	2009-10	√		√							

APPENDIX IX (Contd…)

Sl No.	Name of LSGI	Year of Audit	Erasure & over-writing in cashbook	Absence of daily closing of cash book	Daily closing of Cash Book not certified	Absence of monthly closing of cash book	Monthly closing of cash book not certified	Absence of Annual closing of cash book	Non – reconciliation of cash book balance with pass book balance	Monthly abstract not prepared	Physical verification of cash not done	Classification not recorded in Cash Book
18	Poothadi	2008-09							√			
19	Kuttiyadi	2008-09	√		√							
20	Unnikulam	2010-11	√		√						√	√
21	Payyoli	2010-11	√		√							√
22	Balal	2008-09	√			√					√	√
23	Nedumkandam	2007-08	√		√	√					√	
24	Paralam	2007-08			√							
25	Anthikkad	2008-09			√		√				√	√
26	Mattathoor	2010-11									√	
27	Delampady	2005-06	√		√						√	√
28	Chenkala	2006-07	√	√	√	√			√			√
29	Aranmula	2005-06			√	√	√				√	√
30	Manakkad	2009-10	√	√	√				√		√	√
31	Kunnathunad	2009-10	√		√				√		√	
32	Chellanam	2010-11	√		√							√
33	Kottuvally	2009-10	√						√		√	
34	Pulinkunnu	2009-10			√					√	√	
35	Koothattukulam	2009-10			√		√				√	√
36	Nellikuzhy	2006-07	√		√						√	√
37	Kalloorkad	2008-09	√		√							
38	Thuravoor	2009-10	√									√
39	Mannanchery	2009-10	√	√	√						√	√
40	Thazhakkara	2009-10	√	√	√	√	√			√	√	√
41	Kuttippuram	2006-07	√	√	√	√	√				√	
42	Valanchery	2008-09	√	√	√	√	√				√	√
43	Kalpakanchery	2007-08	√	√	√		√		√		√	
44	Wandoor	2010-11	√	√		√					√	√
45	Vazhikadavu	2008-09	√	√	√						√	√
46	West Kallada	2009-10				√					√	
47	Vilayoor	2007-08	√		√	√		√	√		√	√
48	Edakkad	2008-09	√	√					√			
49	Polpully	2010-11			√			√			√	
50	Mundakayam	2006-07			√		√	√			√	
51	Krishnapuram	2009-10	√									√
52	Pampady	2009-10	√						√		√	√
53	Ettumanoor	2009-10	√		√					√		√

APPENDIX IX (Concld.)

Sl No.	Name of LSGI	Year of Audit	Erasure & over-writing in cashbook	Absence of daily closing of cash book	Daily closing of Cash Book not certified	Absence of monthly closing of cash book	Monthly closing of cash book not certified	Absence of Annual closing of cash book	Non – reconciliation of cash book balance with pass book balance	Monthly abstract not prepared	Physical verifica-tion of cash not done	Classification not recorded in Cash Book
54	Poonjar Thekkekara	2010-11	√	√	√	√					√	√
55	Kalikavu	2008-09									√	√
56	Vazhoor	2008-09	√								√	
57	Udayamperoor	2010-11	√		√							√
58	Chempu	2009-10	√	√		√				√	√	√
59	Chettikulangara	2007-08	√	√			√					√
60	Edathua	2007-08	√	√	√	√	√		√		√	√
61	Perumbalam	2009-10	√									√
62	Muttar	2009-10	√	√							√	√
63	Kalady	2010-11	√									
64	Karuvatta	2007-08	√	√		√					√	√
65	Enadimangalam	2007-08	√			√					√	√

(Source: Supplementary Inspection Reports issued during 2012-13)

APPENDIX X

Total expenditure and expenditure on creation of assets during 2008-09 to 2012-13

(Reference: Paragraph 3.2.6.1, Page 40)

(₹ in crore)

Sl. No.	Name of ULB	Total expenditure	Expenditure on creation of assets	Percentage of expenditure on creation of assets to total expenditure
1	Alappuzha	188.03	6.87	4
2	Angamaly	43.89	7.43	17
3	Chavakkad	15.19	4.51	30
4	Kalpetta	73.26	25.68	35
5	Kasaragod	51.62	18.42	36
6	Kottayam	123.46	7.56	6
7	Kozhikode	481.27	117.67	24
8	Mattannur	44.98	2.51	6
9	Pathanamthitta	63.12	3.52	6
10	Perinthalmanna	78.61	9.33	12
11	Punalur	51.22	7.07	14
12	Shoranur	52.59	7.44	14
13	Thodupuzha	57.41	11.48	20
14	Thrippunithura	83.06	13.57	16
15	Tirur	49.47	5.73	12
16	Thiruvananthapuram	1084.78	43.35	4
17	Varkala	37.75	1.75	5

APPENDIX XI

Details of vehicles lying unutilised for want of repairs

(Reference: Paragraph 3.2.8.4, Page 48)

Sl. No.	Name of ULB	Description of vehicle	Date from which idling	Reasons
1	Kottayam Municipality	Combined harvester purchased in March 2009 (cost: ₹ 23.75 lakh)	March 2012	No specific reason
2	Kozhikode Corporation	Excavator purchased in July 2003 (cost: ₹ 19 lakh)	October 2009	Shortage of spare parts
3	Thiruvananthapuram Corporation	Lorry – four numbers Excavator – one number Tractor – two numbers	March 2012	Work order on quotations received during March 2012 for repairing the vehicles has not been issued

APPENDIX XII
Permits given in Coastal Regulation Zone without the concurrence of Coastal Zone Management Authority
(Reference: Paragraph 4.1.4.2, Page 55)

Sl. No	Name of project	Number of Buildings	Distance of construction site from river boundary (in meters)
1	Galaxy developers (13 - storey building with 4 blocks)	4	9.80
2	Heera Constructions (18 - storey building)	1	17.17
3	Ambady Retreats (Building with 9 floors)	1	60
4	Ambady Retreats (Adukkala Restaurant)	1	18.50
5	Jewel Homes (10- storey building with 2 blocks)	2	32.50
6	Jewel Homes (Car porch)	1	17.50
7	M.A Yousafali (3 - storey building)	1	10
8	Rain Tree Realms	1	10
9	Abad Lotus	1	16.30
10	Blue Lagoon (Water front enclave)	1	7.20
11	M/s Adelie Builders & Developers (P) Ltd (21 - storey building with 5 blocks)	5	27.54
		19 Buildings	

APPENDIX XIII
Irregular constructions in Heritage Zone
(Reference: Paragraph 4.1.4.3, Page 56)

Sl. No.	Details of construction	Remarks
1	File No. FCP 1-183/06 of A.R. Abdul Wahab	The building permit and OC were issued without getting the concurrence of Art and Heritage Commission. The Secretary stated (July 2013) that a detailed reply will be given after examining the case. No detailed reply has been received from the Secretary so far (May 2014).
2	File No. FCP 1-281/07 of K. A. Muhammed Ashraf	Against the permission granted by Art and Heritage Commission for constructing two floors of plinth area 256.26 sq.m, the Party constructed two floors of area 350.28 sq.m. Even though permit was issued for 'D-Assembly' occupancy, construction was completed as a dormitory 'A2-Residential' occupancy.
3	Constructions beside St. Francis Church, Fort Kochi	As per the provisions of the Ancient Monuments and Archaeological Sites and Remains Act, 1958 and Rules 1959, Central Government had declared the area up to 300 metre from the protected limits of Centrally Protected Monuments of national importance, as prohibited/regulated areas for constructions. The Art and Heritage Commission had directed local bodies not to issue permits for construction in the area comprising 300 meters from the protected limits of Centrally Protected Monuments, without the No Objection Certificate (NOC) from Archaeological Survey of India (ASI), and to intimate the action taken on such cases to Art and Heritage Commission. St. Francis Church, Fort Kochi (The earliest European Church in India where Vasco-da-Gama was buried during 1524 AD), situated in the Conservation (Heritage) Zone is one such Centrally Protected Monument. ASI had detected various unauthorized constructions[1] in the area, and informed KMC of the violation. However, KMC did not take up the matter with Art and Heritage Commission to examine the extent of violation in this regard.

[1] 1.Global Resorts Pvt. Ltd., Fort Kochi 2. St. Mary's AIGHS, Fort Kochi, 3. Vikas Narayan , Fort Kochi 4. The Procurator, Bishop House, Fort Kochi 5. Lovely Eustace, Fort Kochi.

APPENDIX XIV

Sector-wise details of schemes proposed and implemented under BRGF

(Reference: Paragraph 4.2.3, Page 60)

Palakkad District

(Figures are up to 31 March 2013)

Sl. No.	Sector	No. of units sanctioned	No. of units completed	Amount sanctioned (₹ in lakh)	Expenditure* (₹ in lakh)
1	School buildings	116	90	2193.47	1385.33
2	Drinking Water	162	120	1599.70	801.78
3	Bridges/Culverts	6	4	950.00	800.00
4	Agriculture/allied activities	30	17	885.97	671.92
5	Electrification	7	7	428.73	428.73
6	Anganwadis	170	112	635.55	389.85
7	Sanitation/drainage	64	44	584.90	322.62
8	Irrigation/Checkdam	38	23	949.16	263.66
9	Training Infrastructure	11	8	330.15	208.85
10	Others[2]	773	729	3030.63	1402.17
	Total	**1377**	**1154**	**11588.26**	**6674.91**

Wayanad District

(Figures are up to 31 October 2013)

Sl. No.	Sector	No. of units sanctioned	No. of units completed	Amount sanctioned (₹ in lakh)	Expenditure* (₹ in lakh)
1	Education	418	108	2711.23	1167.69
2	Roads	406	133	2236.43	824.66
3	Rural Housing	500	201	500.10	392.30
4	Health	1	0	354.00	354.00
5	Anganwadis	300	119	1320.45	343.35
6	Infrastructure	109	20	770.89	142.26
7	Drinking Water	306	37	998.89	135.69
8	Dairy	29	12	550.10	130.99
9	Others[3]	472	65	2338.08	346.04
	Total	**2541**	**695**	**11780.17**	**3836.98**

[2] includes Health, Housing, Social Welfare, Road, Veterinary Services and Playground

[3] includes Electrification, Irrigation, Public Health and Tourism

*includes expenditure on ongoing units

APPENDIX XV
Details of expenditure on inadmissible works incurred under BRGF
(Reference: Paragraph 4.2.3.2, Page 62)

Sl. No.	Name of LSGIs	Name of work	Expenditure (₹ in lakh)
1	District Panchayat, Palakkad	Construction of quarters for Senior Officers of Agriculture Department, Malampuzha, Construction of conference hall in PAU, Construction of Secretariat building for DPC, Construction of sevana kendras for MPs of Palakkad District	148.48
2	District Panchayat, Wayanad	Renovation/ modification of auditorium of District Panchayat, Maintenance of District Collector's suite at Collectorate and electrification of Camp Office	12.69
3	Block Panchayat, Kollengode	Office building for ICDS at Puthunagaram, Rajiv Gandhi Seva Kendra for MGNREGS	30.15
4	Block Panchayat, Nenmara	Construction and electrification of Doctor's Quarters at Community Health Centre, Nenmara	33.44
5	Block Panchayat, Sreekrishnapuram	Construction of Block Panchayat Office building	24.00
		Total	**248.76**

APPENDIX XVI

Details of components of SJSRY

(Reference: Paragraph 4.3.1, Page 64)

Name of major components	Details of components/ assistance to beneficiaries
USEP	Give assistance to individual urban poor beneficiaries for setting up gainful self-employment ventures. The maximum allowable project cost is ₹ two lakh for which subsidy is 25 *per cent* subject to maximum of ₹ 50,000, beneficiary contribution is five *per cent* and the balance amount is to be received through bank loan.
UWSP	It is a special incentive extended for urban poor women to set up self employment ventures in a group consisting of at least five urban poor women. The group is entitled to a subsidy of ₹ three lakh or 35 *per cent* of the cost of project or ₹ 60,000 per member of group whichever is less. The remaining amount will be mobilized through bank loan and margin money.
STEP-UP	Provide assistance for skill formation/upgradation of the urban poor to enhance their capacity to undertake self employment as well as access better salaried employment. The average unit cost allowed for training will not exceed ₹ 10,000 per trainee.
UWEP	Seeks to provide wage employment to BPL beneficiaries by utilising their labour for construction of socially and economically useful public assets only in towns/cities with population up to five lakh. Material labour ratio for work under the programme shall be maintained at 60:40.

APPENDIX XVII
Diversion of SJSRY fund
(Reference: Paragraph 4.3.7.5; Page 70)

Name of Institution	Period	Amount diverted from SJSRY	Purpose for which the fund diverted
Chalakudy CDS	2007-08	349740	Repayment of thrift deposit
Cherthala CDS	2008-09	45000	Payment of subsidy to 'Yuvasree' beneficiaries
Kudumbashree State Mission	2007-08 to 2010-11	4917000	Expenses relating to BSUP, salary to consultants in DMCs, etc.
Kunnamkulam CDS	2010-11	87500	Various miscellaneous expenses
Nedumangad CDS	2008-09 to 2011-12	380997	Various miscellaneous expenses
Thalassery CDS	3/2007	371435	Repayment of KURDFC loan
Total		**6151672**	

APPENDIX XVIII

Activities to be executed under the project as per the guidelines

(Reference: Paragraph 4.4.2, Page 72)

i. Development of small water harvesting structures such as low-cost farm ponds, nalla bunds, check-dams, percolation tanks and other ground water recharge measures.

ii. Renovation and augmentation of water sources, desiltation of village tanks for drinking water/irrigation/fisheries development.

iii. Fisheries development in village ponds/tanks, farm ponds etc.

iv. Afforestation including block plantations, agro-forestry and horticultural development, shelterbelt plantations, sand dune stabilization, etc.

v. Pasture development either by itself or in conjunction with plantations.

vi. Land Development including in-situ soil and moisture conservation measures like contour and graded bunds fortified by plantation, bench terracing in hilly terrain, nursery raising for fodder, timber, fuel wood, horticulture and non-timber forest product species.

vii. Drainage line treatment with a combination of vegetative and engineering structures.

viii. Repair, restoration and up-gradation of existing common property assets and structures in the watershed to obtain optimum & sustained benefits from previous public investments.

ix. Crop demonstrations for popularizing new crops/varieties or innovative management practices.

x. Promotion and propagation of non-conventional energy saving devices, energy conservation measures, bio fuel plantations etc.

APPENDIX XIX
Analysis of DAPs and activities executed
(Reference: Paragraph 4.4.3.1, Page 73)

Name of project	Activities covered in DAPs violating the guidelines	Activities executed in violation of DAPs and guidelines
Anchal	Construction of side protection wall to streams, cleaning and deepening of streams, construction of bore wells	Construction of side protection walls to roads, private lands, side protection wall to private lands on the banks of streams, goat rearing units, centripetal terracing of coconut tree, vegetable cultivation, construction of culvert, stone bund, protection work of a path
Kottarakkara	De-silting of drainage canals, side protection works of streams	Construction of side protection walls to streams, de-silting of streams, stone pitched and earthen boundaries to private lands, field bund
Chadayamangalam	In conformity with guidelines	In conformity with guidelines
Madappally (West)	Construction of protection bunds to paddy fields, deepening/de-weeding of streams. Side protection to streams, construction of motor pump sheds, lift irrigation, tractor bund, drainage canal, etc.	Construction of protection bunds to paddy fields, de-silting, deepening and de-weeding, renovation of streams, construction of side protection wall to streams and construction of motor pump sheds, banana and vegetable cultivation
Madappally (East)	Construction of protection bunds to paddy fields, de-silting, deepening and de weeding of streams, construction of side protection wall to streams, construction of motor pump sheds, bee keeping, poultry, etc.	Construction of protection bunds to paddy fields, deepening and de-weeding of streams, construction of tube wells, side protection wall to streams, construction of motor pump sheds, cattle and goat rearing, bio gas plant, bee keeping, banana cultivation, construction of culvert, processing unit
Lalam	DAP was not prepared	Construction of side protection wall to streams, and roads, de-silting of streams, construction of canal to paddy fields, earthen bunds to private lands
Ollukkara	In conformity with guidelines	Construction of side protection of private lands, culverts, agricultural activities, biogas plants, bee keeping, poultry farming, distribution of nutmeg seedling, ginger, distribution of fertilizer, construction of culvert, wormy compost, cultivation of banana, vegetable and coconut
Pazhayannur	In conformity with guidelines	De-silting of canals, side protection to streams/ roads, horticulture, repair of cheerp, renovation of canal
Thirurangadi	Connectivity of field by tractor ridges and ramp, widening, deepening, de-weeding of streams, stream bank stabilization, canal repair, etc.	Construction of canal, side protection and tractor slab to streams, side protection works to paddy fields, renovation work to lift irrigation
Eranad	In conformity with guidelines	Side protection to streams, renovation of canals and streams, side protection to paddy fields, construction of stream

APPENDIX XX

Details of expenditure on each project

(Reference: Paragraph 4.4.4, Page 76)

(₹in lakh)

Sl. No.	Name of project	Total project cost	Central Share received	State share received	Total fund including interest	Expenditure[4]	Surrendered Amount	Balance with Implementing Agencies
1	Devikulam	300.00	41.25	3.75	55.01	54.58	Nil	0.42
2	Ottappalam	300.00	200.99	18.52	233.10	232.82	0.60	(-) 0.32
3	Eranadu	300.00	201.55	18.75	236.28	233.79	2.72	(-) 0.23
4	Perumkadavila	300.00	119.44	11.25	136.15	127.06	Nil	9.09
5	Parassala	300.00	119.47	11.25	131.11	122.91	Nil	8.20
6	Anchal	182.82	72.90	6.86	84.87	80.28	3.60	0.99
7	Koipuram	107.16	43.44	3.95	51.08	48.16	Nil	2.92
8	Madapally (East)	300.00	201.94	11.25	220.19	215.88	Nil	4.31
9	Veliyanadu	119.40	47.74	4.48	54.00	49.68	4.38	(-) 0.06
10	Lalam	300.00	119.47	11.25	144.89	125.52	2.76	16.61
11	Elamdesam	300.00	122.24	11.11	134.87	22.34	Nil	112.53
12	Ollukkara	300.00	201.70	11.25	232.99	155.20	77.77	0.02
13	Malampuzha	147.48	59.89	5.53	69.86	68.86	0.63	0.37
14	Thirurangadi	300.00	122.55	11.14	144.84	108.58	37.65	(-) 1.39
15	Parakkode	125.94	51.95	4.73	61.69	60.41	Nil	1.28
16	Kottarakkara	133.08	53.84	4.90	61.61	47.17	14.44	Nil
17	Pandalam	222.84	90.89	8.27	102.14	52.66	Nil	49.48
18	Aryadu	175.20	70.93	6.57	79.47	60.47	18.99	0.01
19	Madapally (West)	648.90	263.47	24.33	301.65	299.36	3.38	(-) 1.09
20	Pazhayannur	385.80	259.89	23.89	294.87	258.56	36.31	Nil
21	Chelannur	172.14	23.66	2.15	27.77	20.43	Nil	7.34
22	Ambalappuzha	341.10	138.35	12.79	159.89	159.75	0.59	(-) 0.45
23	Pattanakkadu	228.39	90.31	9.32	101.61	100.45	1.20	(-) 0.04
24	Neeleswaram	354.00	144.75	13.15	172.48	123.19	Nil	49.29
25	Manjeswaram	354.00	144.76	13.27	173.34	110.94	Nil	62.40
26	Chadayamangalam	473.94	306.07	29.90	348.08	255.87	Nil	92.21
Total		**7172.19**	**3313.44**	**293.61**	**3813.84**	**3194.92**	**205.02**	**413.90**

[4] Includes administrative expenses