

CHAPTER IV TRANSACTION AUDIT

4.1 Welfare schemes for Scheduled Caste community implemented by District Panchayat, Kottayam

4.1.1 Introduction

Welfare schemes for Scheduled Caste implemented by the Local Self Government Institutions (LSGIs) include beneficiary oriented schemes for individuals (self employment, better education etc.) and for families (house, land etc.) belonging to the SC community. Infrastructure development schemes like improvement of basic amenities, maintenance of roads, construction of community halls, etc were also taken up in areas where 51 *per cent* or more of the beneficiaries belong to Scheduled Caste community.

Scheduled Castes constitute 19 *per cent* of the BPL population in Kerala, though they are only 9.81* *per cent* of the total population. It shows that the incidence of poverty among the Scheduled Castes is about double that of the total population. Population of Kottayam District is 19,52,901 (2001 census) out of which the Scheduled Caste population is 1,24,813 (6.39 *per cent*).

With decentralisation of plan schemes, LSGIs have the key role in eradication of poverty. During the initial three years (2002-05) of Tenth Five Year Plan, Rs.762.10 crore was allotted to LSGIs, as Plan Grant under Special Component Plan (SCP).

4.1.2 Allotment and expenditure of funds

During the period 2002-05, out of the total plan fund of Rs.31.62 crore allotted to the District Panchayat Kottayam (DPK), Rs.7.91 crore was available for implementation of schemes benefiting Scheduled Castes out of which only Rs.2.01 crore was utilised. The low utilisation (25.41 *per cent*) was due to non-identification of sufficient number of SC beneficiaries for beneficiary oriented schemes and formulation of infrastructure development projects without ensuring presence of minimum 51 *per cent* SC population in the area.

4.1.3 Projects formulated / implemented during 2002-05

The number of projects benefiting Scheduled Castes formulated and implemented during 2002-05 was as shown below:

Year	No. of projects formulated	No. of projects implemented	Percentage of implementation
2002-03	27	13	48.15
2003-04	36	13	36.11
2004-05	23	9	39.13
Total	86	35	40.70

* Source : Economic Review 2004.

Though DPK formulated 86 projects for the benefit of SC community during the period 2002-03 to 2004-05, only 35 projects could be implemented. The poor performance (40.70 *per cent*) in the implementation of the projects was due to the failure on the part of DPK in identifying suitable SC beneficiaries.

4.1.4 Non-implementation of ‘Better Education Scheme for bright Scheduled Caste students’.

In 1989, Government of Kerala introduced a scheme for better education to Scheduled Caste students selected on the basis of the marks obtained in Standard IV. The scheme envisaged admission of 50 students to standard V every year for whom all educational expenses would be met by Government.

As part of decentralisation, the scheme was transferred to Municipalities, Corporations and District Panchayats from 1999-2000 for providing benefits to more students. Under the scheme, the District Panchayat was to select students every year, admit them to residential schools in Standard V and was to monitor their education. All expenses up to Standard X or XII (if school provides classes up to standard XII) would be met from the plan fund earmarked for Special Component Plan (SCP) of the local body.

The District Development Officer for SC Kottayam identified 23 students for inclusion in this scheme during the period 1999-2000 to 2001-02. The list was not approved by DPK and no fund was set apart for implementation of the scheme. During the period 2002-03 to 2004-05 also no projects were prepared for inclusion in the annual plan for the implementation of the scheme. As the scheme was not implemented, selected SC students were deprived of the benefits of free better education.

4.1.5 Non-utilisation of plan funds of Rs 51.97 lakh deposited with Socio Economic Unit, Kottayam

In March 2002, the District Panchayat, Kottayam paid Rs.51.97 lakh to a Socio Economic Unit, Kottayam, a Non-Governmental Organisation (NGO), for implementation of the project “Mason Training and Production Centre for Scheduled Caste Women”. The project envisaged mason training to 210 Scheduled Caste women in 21 divisions of the District Panchayat, purchase and installation of machinery and equipment required for production of hollow bricks and for providing working capital of Rs 25,000 to each division.

As the District Panchayat did not provide the list of beneficiaries to the implementing agency till June 2005, the implementing agency could not utilise the fund given to them. The agency deposited, in March 2002, the amount of Rs 51.97 lakh in the S.B Account and as of June 2005 the agency had an amount of Rs 56.88 lakh including interest. Thus, plan fund of Rs 51.97 lakh was retained outside Government account for the period 2002-05 due to the failure of the District Panchayat to provide details of the beneficiaries to the NGO for implementation of the project.

4.1.6 Distribution of dictionaries to Scheduled Caste /Scheduled Tribe students – Dictionaries valued Rs 3.10 lakh remaining undistributed.

The District Panchayat during 1997-98 purchased 10000 numbers of ‘NERC Dictionary of English for speakers of Malayalam’ each costing Rs.245 at a

discounted price of Rs.176 per copy for distribution to Scheduled Caste /Scheduled Tribe students. The District Panchayat paid Rs.17.60 lakh to the suppliers in June 1998.

The Deputy Director of Education, Kottayam intimated in June 1998 that the number of Scheduled Caste /Scheduled Tribe students in high school classes in Government and aided schools in the District was 10120, during 1997-98 academic year. The District Panchayat distributed 8240 dictionaries to Schools during 1998-99 to 2003-04, leaving 1760 dictionaries costing Rs.3.10 lakh undistributed as at the end of June 2005.

The undistributed dictionaries were stated to have been kept at District Institute for Education and Training office (DIET) at Pampady. Stock verification was not conducted since the last issue of dictionaries in August 2003.

4.1.7 Abandoning of project for purchase and allotment of housing plots to 50 Scheduled Caste families.

A project (2002-03) for purchase of housing plots to 25 SC families in Mundakayam Grama Panchayat in Mundakayam Division was approved by District Planning Committee (DPC) in January 2003 with a project cost of Rs.5 lakh. District Panchayat Kottayam (DPK) failed to implement the scheme since the approval of the project was communicated by DPC only in May 2003. In 2003-04, DPK formulated a new scheme for providing housing plots to 25 more SC families with a project cost of Rs.5 lakh. On the basis of a resolution (October 2003), tenders were invited and the lowest tender of Rs.5 lakh per acre was accepted. DPK requested (March 2004) the District Collector to issue land value certificate, but failed to obtain the same before 31 March 2004 resulting in non-purchase of land and lapse of funds.

The schemes were not taken up during the subsequent years. Due to the delay on the part of DPK in obtaining necessary approval for implementing the scheme, 50 SC families were deprived of the benefit of owning housing plots.

Irregular selection of beneficiaries

4.1.8 Employment training to physically handicapped Scheduled Caste women.

The District Panchayat formulated a project with an outlay of Rs.14 lakh for imparting training to 400 physically handicapped Scheduled Caste women in manufacture of wax candle, agarbathies and making of soft toys, during 2004-05 to enable them to obtain gainful employment. The training programme was conducted by Science and Technology Entrepreneurship Development Project (STED). Out of 17 beneficiaries selected, seven were selected from the list obtained from employment exchanges and the rest from list furnished by ICDS officers. Total expenditure incurred for the project was Rs.59,500.

Section 3A of Kerala Panchayat Raj Act, 1994 stipulated that, beneficiaries were to be selected by Grama Sabhas. The selection made through employment exchanges and ICDS officers was irregular. Though the project envisaged to impart training to 400 physically handicapped SC women, DPK could identify only 17 beneficiaries. The failure of DPK to enrol adequate

number of beneficiaries was indicative of poor planning in the project formulation.

The Programme Officer, District level ICDS Cell stated (June 2005) that the Grama Sabha could not identify the beneficiaries due to shortage of time.

4.1.9 Employment training to Scheduled Caste women.

A training programme in manufacturing of rexin bag, soap, soap powder, book binding, and sari polishing etc to 400 Scheduled Caste women was proposed to be implemented during 2004-05 with an outlay of Rs.17 lakh. Two hundred and forty eight women were selected through advertisement in a Malayalam daily and through Scheduled Caste Development Officers in Block Panchayat and the training was imparted by STED in different batches in March 2005 incurring expenditure of Rs.9.46 lakh.

The selection of beneficiaries was to be made by Grama Sabhas in accordance with the provision of Kerala Panchayat Raj Act, 1994. As the selection was made through advertisement and through officers, the selection process was irregular and was against the spirit behind decentralised planning.

The District Development Officer for SC, Kottayam attributed (July 2005) the shortage of time as the reason for non-selection of beneficiaries by Grama Sabha.

4.1.10 Irregular financial assistance to Scheduled Caste Self Help Groups selected by the members of District Panchayat.

Two schemes to provide financial assistance to Self Help Groups (SHGs) for starting self employment ventures under Scheduled Caste category, were implemented during 2004-05 in the district. According to plan guidelines for 2004-05, Swarnajayanthi Grama Swarozgar Yojana (SGSY) norms were to be followed in assisting SHGs. SGSY norms stipulate that grading of groups be done by a grading committee of Block Panchayat.

While selecting SHGs, the District Panchayat did not follow SGSY norms. Two groups in Kangazha division and nine groups in Mundakayam division were selected by the members of the respective District Panchayat divisions and were paid a total assistance of Rs.1.10 lakh.

The District Panchayat stated that they had been following the same procedure from 1997-98 onwards.

4.1.11 Unutilised balance of Rs 4.61 lakh retained by implementing agency in bank account.

The District Panchayat paid plan fund of Rs 38.13 lakh to Socio Economic Unit (SEU) in 1997-98 for implementation of S.C.P Project "house maintenance and sanitary latrine". The agency incurred expenditure of Rs.34.63 lakh till March 2003. During 2003-04 and 2004-05, no expenditure was incurred on the scheme, because DPK failed to provide list of beneficiaries to the implementing agency. As on 31 March 2005, Socio-Economic Unit had an unutilised balance of Rs 3.50 lakh and the balance remaining with the agency including bank interest, was Rs .4.61 lakh.

The District Panchayat stated (June 2005) that action would be taken to refund the amount to Government account.

4.1.12 Non-transfer of management of Post- matric hostel to District Panchayat

According to the fifth schedule of Kerala Panchayat Raj Act, 1994, the management of post-matric hostels for Scheduled Caste students has to be carried out by District Panchayats. As per section 173 (1) of the Act, it shall be the duty of District Panchayat to meet the requirements of District Panchayat area in respect of matters enumerated in fifth schedule. Audit noticed that the post-matric hostel for Scheduled Caste students at Nattakom in the district was not transferred to District Panchayat and continued to be managed by Scheduled Caste Development Department. The DPK could not take over the management of post-matric hostel as Government had not issued order in this regard.

4.1.13 Mobilisation advance paid to Convenors pending recovery.

Mobilisation advance of Rs 3.99 lakh paid during December 2000 to March 2002 to convenors of beneficiary committees for four works under S.C.P was pending recovery as of June 2005. The convenors have not executed the work.

The Executive Engineer, Local Self Government Department (Public Works Division) stated (June 2005) that notices were issued to the convenors for completing the works urgently.

4.1.14 Recommendations:-

- Projects/Schemes targeting SC families/individuals should be formulated after assessing the number of beneficiaries.
- Selection of beneficiaries is to be done strictly through Grama Sabhas as provided in Section 3A of Kerala Panchayat Raj Act, 1994.
- DPK may consider distributing the remaining dictionaries in subsequent years or to the SC beneficiaries of other districts.
- Release of plan grant to implementing agencies should be based on actual requirement and on getting utilisation certificate of previous instalment.

4.2 Unproductive expenditure on Small Hydro Electric Project

Promotion of a company for generating electricity resulted in unproductive expenditure of Rs.2 crore and avoidable further liability of Rs.1.74 crore.

With a view to supplementing the power demand in Palakkad, the District Panchayat promoted (January 1999) Palakkad Small Hydro Co. Ltd with an authorised capital of Rs.5 crore to generate electricity by implementing 3 MW Meenvallom Hydro Electric Project in Karimba Panchayat. The District Panchayat and other sixteen Grama / Block Panchayats invested Rs.2 crore in the equity share capital of the company. Integrated Technology Centre, the technical consultant estimated the cost of the project at Rs.9.12 crore in

February 2000. The company proposed to finance the project through equity share capital and loan of Rs.7.12 crore to be raised from financial institutions.

The company entrusted project execution to M/s Steel Industrials Kerala Ltd. (SILK) a government company in March 2000 with stipulation to complete the work within 18 months. Even as of January 2004, SILK did not commence any civil work as the forest department had not handed over the land to the Company. Between September 2000 and September 2001 SILK supplied electrical and mechanical equipments costing Rs.3.11 crore against advance payment of Rs.0.91crore.The Company had incurred pre-operative expenditure of Rs.0.63 crore as of March 2004. The machinery and equipment purchased before completion of civil work were kept in the open ground/semi covered shed leading to deterioration of their quality. The Company could not arrange the loan as envisaged as the Government did not provide guarantee. The promoters (Panchayats) also did not pursue the project properly as evidenced by their failure to mobilise adequate funds and to obtain required land from the Forest Department.

Failure of the District Panchayat to firm up land acquisition and ensure mobilisation of adequate resources before starting the project resulted in unproductive investment of Rs.2 crore. Purchase of machinery by the company before completion of the civil work created a further liability of Rs.1.74 crore*.

Government stated (May 2005) that it was the first venture of a District Panchayat to be a power producer and hence there were several risks and unforeseeable turn of events.

4.3 Unfruitful expenditure of Rs.30.58 lakh on electric crematorium

Expenditure of Rs.30.58 lakh by Kollam Municipal Corporation on an electric crematorium remained unfruitful due to the laxity on the part of the Corporation to co-ordinate the parties engaged in work.

In March 1997, Kollam Municipality (later upgraded as Municipal Corporation) placed order with M/s Truvolt Engineering Co. (P) Ltd., Calcutta for supply, erection and commissioning of an electric crematorium furnace at Polayathode burial and cremation ground at a cost of Rs.23.5 lakh. The Corporation and the Company entered into an agreement in May 1997, stipulating the completion of work within eight months. The Corporation paid an interest free advance of Rs 9.80 lakh to the Company in May 1997, on the strength of a bank guarantee valid till 31.7.1998. The Company supplied electrical and mechanical components in August 1998. In September 1998, an inspection team comprising the Municipal Engineers and the representatives of the Company found certain components defective and recommended replacement.

The Corporation simultaneously entrusted the Civil work of the crematorium to Nirmithi Kendra (a State Government autonomous body), Kollam in July

* Equipment Rs 3.11 crore+pre-operative expenditure Rs 0.63 crore – 2 crore investment in equity.

1997, at a cost of Rs.20.19 lakh. Though the Corporation paid Rs.14.31 lakh to Nirmithi Kendra, the civil work remained incomplete (August 2005) owing to the non-installation of furnace by the supplier.

In January 1999, the Corporation granted a further advance of Rs.6.47 lakh to the Company without extending the bank guarantee and on the strength of an undertaking by the Company to the effect that the damaged components would be replaced and the plant commissioned by April 1999. But, the Company did not make any further supply or replace the defective components in spite of having paid an advance of Rs.16.27 lakh. The electric crematorium could not be commissioned and the defective components supplied have been idling since August 1998.

The Corporation initiated legal action against the Company only in October 2004. In reply to the legal notice, the Company stated that they could not erect the furnace as the Corporation failed to provide the crematorium building ready in all respects. Thus the failure of the Kollam Corporation to enforce agreement conditions, payment of advance without bank guarantee and failure to co-ordinate effectively with the parties involved resulted in unfruitful expenditure of Rs.30.58 lakh.

The matter was reported to the Government in May 2005; reply has not been received (May 2006).

4.4 Idle investment on Modernisation of Slaughter house

The project ‘Modernisation of Slaughter house’ completed in December 1997 could not be made operational due to not providing the essential pre-operative requirements resulting in idle investment of Rs.1.02 crore.

Government of India in 1987-88, approved the scheme for ‘Modernisation of Abattoir’ (Slaughter house) at Kuriachira in Thrissur District at a total cost of Rs.1.10 crore and released a sum of Rs.30 lakh in 1988-89 as central assistance for the scheme. Even though the Municipality received Central assistance as early as in March 1989, the work was entrusted to M/S. Steel Industrials Kerala Ltd. (SILK) in November 1991 stipulating the date of completion as March 1993. M/S. SILK eventually completed the work in December 1997 at a cost of Rs.1.02 crore and the project was inaugurated in the same month.

Thrissur Municipality reported to the State Government in June 1998 and in July 2004 that it could not operate the abattoir due to non co-operation of the butchers and lack of trained labour. The butchers were not willing to adopt modern methods of slaughtering as it took more time to kill animals and the delay would affect the marketing of meat in and out of Thrissur Corporation. Further, Kerala State Pollution Control Board also declined to issue clearance certificate to the slaughter house as the slaughtering was being done by manual and unscientific methods and as the effluent treatment plant was not functioning properly. Audit noticed (February 2005) that the equipment/accessories housed in the slaughter house had got rusted and the effluent treatment plant damaged.

Though seventeen years have passed since the inception of the scheme, the failure of the Corporation to obtain necessary environmental clearance for operationalising the abattoir and convincing the users of its necessity/usefulness led to unfruitful investment of Rs.1.02 crore.

The matter was reported to Government in April 2005; reply has not been received (May 2006).

4.5 Blocking up of Rs.2.24 crore due to non-implementation of developmental scheme by Kollam Corporation.

The Kollam Corporation had envisaged the project ‘Construction of Bus Terminal with Shopping Complex’ in the land owned by Railways without ascertaining ready availability of alternative land in exchange, resulting in blocking up of Rs.2.24 crore.

Government of India (GOI), in March 1994, approved the project ‘Construction of Bus Terminal with Shopping Complex’, at Kollam town, under the Centrally Sponsored Scheme for Integrated Development of Small and Medium Towns (IDSMT). The estimated cost of Rs.2.32 crore was to be shared by Central and State Governments in the ratio 60: 40.

GOI released Rs.1.10 crore and the State Government Rs.0.73 crore (total Rs.1.83 crore) to Kollam Municipality during the period March 1994 to March 1998. The land (3.20 acres) identified by the Kollam Municipality for the construction of bus terminal belonged to the Railways where the Railway quarters were built.

The Railway authorities agreed to Kollam Municipality’s proposal that it would provide the Railways the equivalent land and also Rs. 40 lakh towards compensation and rehabilitation. In March 1996, Kollam Municipality gave Railways a sum of Rs.46.44 lakh as advance towards the cost of rehabilitation and rebuilding the quarters in the site to be acquired. Kollam Corporation (since upgraded) could acquire only an area of 1.49 acres in October 2002 at a cost of Rs.1.78 crore. Acquisition of balance land is still in correspondence with the District Collector, Kollam (July 2005).

The cardinal principle behind decentralised planning is better utilisation of resources on locally identified viable projects for the economic and social development of the local community. The Corporation envisaged the project without ascertaining the ready availability of land and deposited Rs.46.44 lakh with Railways for rehabilitation for which no land was acquired and transferred. This has resulted in blocking up of Rs.2.24 crore which could have been utilised for other developmental activities.

The matter was reported to Government in April 2005; reply has not been received (May 2006).

4.6 Loss of Rs.1.14 crore due to non mining/short mining of sand.**The failure of the Pattazhy Grama Panchayat in prompt remittance of the share towards River Management Fund and to sell the permitted quantity of sand resulted in deprival of revenue of Rs.1.14 crore.**

‘The Kerala Protection of River Beds and Regulation of Removal of Sand Act, 2001’ (Act 18 of 2001) regulated removal of river sand and matters connected therewith or incidental thereto. Section 17 of the Act stipulated that the Local Authority shall contribute fifty *per cent* of the amount collected by sale of sand towards River Management Fund and the accounts shall be settled before the 10th day of the succeeding month by remitting the balance amount due for payment.

Approximately 12 Kms of the river ‘Kallada’ flows through ‘Pattazhy’ Grama Panchayat. Based on a request by the Grama Panchayat, the Centre for Earth Science Studies (CESS – a State Government Autonomous Body) submitted, in May 2002, a feasibility report on sand mining. CESS recommended that 22 truck loads of sand per day could be mined from five ‘Kadavus’* in the Panchayat. The District Collector, Kollam, in October 2001, fixed the value of sand per load (4m³) as Rs.1280 (Rs.600 labour charges, Rs.600 to be shared equally (50:50) between Grama Panchayat and District Collector towards River Management Fund (RMF) and Rs.80 as royalty to Mining and Geology Department.)

The District Collector, Kollam, in May 2002, withdrew the permission given to Pattazhy Grama Panchayat for sand mining as the Grama Panchayat failed to remit the share of Rs.8.20 lakh towards RMF out of the revenue of Rs.26.31 lakh realised during 1998-99 to 2002-03 from sand mining. The Grama Panchayat stopped sand mining with effect from 30 June 2002. Considering the huge loss sustained by the Grama Panchayat/Government due to non-mining of sand by Grama Panchayat, and due to incidence of unauthorised sand mining, the District Collector, in October 2004, granted permission to resume sand mining with effect from 27 December 2004. The District Collector, however, changed the share ratio of proceeds of Rs.600 per load from 50:50 to 20:80 between Grama Panchayat and contribution to RMF till the remittance of arrears of Rs.8.20 lakh to RMF by Grama Panchayat.

The loss of revenue sustained by Grama Panchayat/Government due to non-mining of sand from October 2002 to December 2004, worked out to Rs.93.89 lakh. The Grama Panchayat mined only 1076 truck load of sand against the permitted 3960 truck load during January 2005 to June 2005. The loss on account of the short mining during this period worked out to Rs.19.61 lakh. The total loss sustained by Grama Panchayat/Government was Rs.1.14 crore. The failure of the Grama Panchayat in complying with the provisions of the Act in timely remitting the share towards RMF/settling the accounts before the 10th day of the succeeding month and to sell the permitted quantity of sand resulted in deprival of revenue of Rs.1.14 crore.

* Kadavu – A River bank or water body where removal of sand is carried out. (Section 2(e) of Kerala Protection of River banks and Regulation of Removal of Sand Act, 2001)

Government stated (January 2006) that due to financial constraints the Panchayat utilised the share towards RMF for meeting expenditure from own funds.

4.7 Loss due to unauthorised mining of sand

The failure of the Venmony Grama Panchayat to prevent unauthorised sand mining and to sell the authorised quantity of 15 truck loads of sand per day resulted in a loss of Rs.48.60 lakh of revenue for the period from October 2002 to March 2005.

About 10 Kms stretch of river 'Achankovil' flows through Venmony Grama Panchayat. The Centre for Earth Science Studies (CESS), in March 2002, reported to the District Collector, Alleppey that, per day 30 truck loads of sand was being mined /quarried from the three Kadavus of the Panchayat. Based on the recommendations of the CESS, the District Collector, in July 2002, permitted the Secretary, Venmony Grama Panchayat to quarry 15 truck loads per day from the four Kadavus (the fourth kadavu' to be identified by the Panchayat) in the Panchayat. The District Collector also asked the Panchayat (July 2002) to convene the Kadavu Committees and to forward him the minutes of the meetings. The Panchayat, in April 2002, by a resolution fixed the cost of sand as Rs.450/- per load. The Expert Committee meeting held in the Collectorate (July 2002) decided that the Panchayat should remit 50 per cent of the sand revenue to River Management Fund.

Even though the Panchayat formed Kadavu Committees in June 2002, they took no action to commence sand mining. The emergency meeting of the Panchayat held in September 2002, observed that the sand mining workers were reluctant to obtain permits from Panchayat and quarry sand but continued unauthorised sand mining. The Panchayat, in September 2002, requested the Superintendent of Police, Alappuzha to take measures to prevent the unauthorised sand mining. Thereafter no proper action was initiated by the Panchayat to prevent unauthorised sand mining and to sell the permissible quantity of sand through Kadavu Committees.

The failure of the Venmony Grama Panchayat to effect authorised sale of sand of 15 truck loads per day resulted in loss of Rs.48.60 lakh of revenue (Rs.24.30 lakh to the Panchayat and Rs.24.30 lakh to River Management Fund) for the period from October 2002 to March 2005 (excluding monsoon season).

The matter was brought to the notice of Government in August 2005; reply has not been received (May 2006).

4.8 Unauthorised diversion of plan fund of Rs.30 lakh by Cherthala Municipality

Lapses in the internal control system of Cherthala Municipality have resulted in unauthorised diversion of Plan fund of Rs.30 lakh.

In view of large scale devolution of funds upon local bodies from 1997-98 onwards, the Government of Kerala, in August 1997 issued instructions/guidelines for the utilisation of funds (Category A – Plan fund for schemes formulated by local bodies and category B fund comprising plan grants for state sponsored schemes and non-plan maintenance grants). The Government permitted each local body to maintain in the Treasury a General PD Account for keeping its funds (receiving transfer credits) and plan PD Account for incurring expenditure. Local bodies could also continue to operate their original PD Account to handle transactions relating to their own fund. The Government clarified that no fund received other than Category A & B were to be deposited in the General PD account and the implementing officers were to incur expenditure only on the basis of plans and schemes approved and authorised by the local body supported by its resolution.

The Sub-Treasury Officer, Cherthala, by mistake, recorded the Opening Balance of the own fund PD Account of the Cherthala Municipality as Rs.56,24,644/- instead of Rs.27,31,414/- as on 1.4.1999. The Municipality issued cheques during the period from April 1999 to December 2000, for effecting payments to meet expenditure relating to own fund against the excess credit recorded which finally led to the overdrawal of Rs.27.48 lakh. On detection of the error, the Secretary, Cherthala Municipality unauthorisedly withdrew plan fund of Rs.30 lakh from the general PD account and credited to its own fund PD account in January 2001.

This was indicative of weak internal control mechanism in Cherthala Municipality, besides improper maintenance of basic records like cash book, cheque issue register, appropriation register and non-reconciliation of balances with treasury.

The irregularity was pointed out to Government in July 2005; reply has not been received (May 2006).

4.9 Non-recovery/adjustment of advances – Rs.41.14 lakh

Failure of the Municipal Corporation Thiruvananthapuram to comply with provisions of Kerala Municipal Corporation Accounts Rules 1967 resulted in non-adjustment /non-recovery of advances amounting to Rs.41.14 lakh.

The Municipal Corporation, Thiruvananthapuram, paid various advances like tour, contingent, works, medical etc. to its employees and others. Two hundred and fifty three cases of advances paid during the period 1999-2000 to 2003-04 remained unadjusted/un-recovered as at the end of March 2005 as given below:

Year	No. of advances	Amount of advances pending adjustment (Amount in Rs.)
1999 – 2000	38	6,23,090
2000 – 2001	40	7,25,937
2001 – 2002	44	12,94,218
2002 – 2003	50	3,10,110
2003 – 2004	81	11,60,730
Total	253	41,14,085

These items included 7 advances paid to one official and 6 advances paid to another official.

A “Register of Advances” is required to be maintained by the Accounts department and the Register closed every half year over the signature of the Accounts Officer and the Commissioner. It should be ensured that no advance remained unadjusted for more than one month in the ordinary course or more than three months in special cases.

The Corporation did not maintain any records to provide assurance that the advances drawn were utilised for the purposes for which they were sanctioned. Advances kept unadjusted for a long time is fraught with the risk of gross misuse of government money.

Failure of the Municipal Corporation to comply with provisions of Kerala Municipal Corporation Accounts Rules, 1967 resulted in non-adjustment /non-recovery of Rs.41.14 lakh.

The matter was reported to Government in September 2005; reply has not been received (May 2006).

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