

**CHAPTER IV**  
**TRANSACTION AUDIT**

**4.1 Avoidable advance of Rs.3.93 crore to Kerala State Electricity Board by District Panchayat, Kozhikode**

Injudicious decision to advance Rs.3.93 crore to KSEB for implementation of Arippara Hydro Electric Project without executing agreement resulted in loss of interest of Rs.1.97 crore.

According to the KPR Act, the functions of DPs relating to electricity and energy are taking over of micro-hydel projects and determining priority areas for extension of electricity. Micro-hydel projects are those with capacity less than one MW and therefore DPs were not authorised to implement hydroelectric projects with installed capacity of 3 MW which come under the category of small hydel projects.

In spite of this, District Panchayat, Kozhikode (DP) formulated (October 1998) a project at a total outlay of Rs.8 crore for implementing Arippara Small Hydroelectric Scheme with installed capacity of 3 MW and power potential of 8.028 MU in Kodanchery Grama Panchayat. The State Government permitted the DP (March 1999) to implement the scheme through Kerala State Electricity Board (KSEB) on 'Deposit Work' basis. KSEB prepared a project estimate of Rs.10.05 crore in June 2000. Even before preparing the estimate, the DP advanced Rs.2 crore to the KSEB on 29 March 1999. As KSEB had not demanded any money or executed any agreement, the payment of advance was evidently only for achieving the financial target of the year. Though the project was to be completed within two years, KSEB did not start the work till March 2004. During February 2004, they revised the estimate to Rs.13.10 crore. As 70 per cent of the project cost was decided to be met from loan raised from Rural Electrification Corporation, the balance amount of Rs.3.93 crore was to be earmarked from plan funds of the DP. Accordingly, the DP paid its balance share of Rs.1.93 crore on 30 March 2004 in addition to Rs.2 crore already paid. KSEB again revised the estimate to Rs.13.52 crore during August 2004.

To avail loan, DP had to submit a copy of the power purchase agreement (PPA) executed with the KSEB indicating the tariff for purchase. Kerala State Electricity Regulatory Commission (KSERC) was the only competent authority to fix the power tariff. They fixed (September 2006) the power tariff as Rs.2.04 per unit on the basis of approved estimate. The DP, however, did not execute the PPA as the tariff fixed by KSERC was very low and therefore they could not avail any loan.

After a lapse of more than eight years, KSEB repaid Rs.3.88 crore during September 2007 after deducting Rs.5 lakh towards the cost of preparation of Detailed Project Report.

Payment of 30 per cent of the estimated cost without ensuring the availability of the loan amount was injudicious and was a result of poor planning. Failure of the DP to execute the PPA with KSEB before transferring the amount of

Rs.3.93 crore resulted not only in non-implementation of the project, but also in loss of interest to the tune of Rs.1.97 crore calculated at the average borrowing rate of 8.4 *per cent* per annum.

The matter was reported to Government in July 2007; reply is awaited (March 2008).

**4.2 Non-implementation of Centrally Sponsored Schemes due to crediting of Central funds of Rs.49.50 lakh in State Account**

Unauthorised closure of Treasury Public account and crediting funds received for implementation of Centrally Sponsored Schemes to Government account resulted in the non-implementation of Centrally Sponsored Scheme by the Block Panchayat, Thaliparambu.

Treasury Public Account (TP Account) is a deposit account permitted to be opened in the treasuries by Government officers and LSGIs to deposit public money. As it was noticed that departmental officers kept large sums of public money drawn from the Consolidated Fund of the State in the TP Accounts, Government issued directions (January 2002) to freeze the operation of all TP Accounts of Departmental officers/ Departments. Later, Government ordered (June 2005) to credit back the outstanding balance in the frozen TP account to Government Account under Minor Head "911-Deduct Recoveries of Over Payments" below the relevant Major Head of account from which the funds were originally drawn and deposited in the TP Accounts. Government further clarified (March 2006) that the TP accounts operated by the Block Panchayat (BP) Secretaries were exempted from the purview of the Government Orders regarding closure of TP accounts.

Despite this, the Secretary, Thaliparambu BP withdrew the entire amount of Rs.75.41 lakh kept in his TP account and credited (March 2006) to Government account. This amount included Rs.49.50 lakh received for implementation of eight\* Centrally Sponsored Schemes (CSS). The BP did not take any action to get back the central fund from the State Government

The closure of TP account in violation of Government Orders thus resulted in crediting central funds to state accounts. This led to non-implementation of the CSS by the BP.

The matter was reported to Government in November 2007; reply is awaited (March 2008).

\*

Employment Assistance Scheme (SGRY)	7,19,770
Indira Awas Yojana	6,04,260
Swarnajayanthi Grama Swarozgar Yojana	90,855
DWCRA	97,699
NABARD Aid	2,55,768
CRSP	9,00,300
Million Well Scheme	20,81,474
RDP	2,00,000
<b>Total</b>	<b>49,50,126</b>

**4.3 Unfruitful expenditure due to sinkage of road constructed at a cost of Rs.43.26 lakh**

Failure to conduct sub soil test by Block Panchayat, Cherpu resulted in sinkage of road leading to abandonment of the work after spending Rs.43.26 lakh.

The Block Panchayat, Cherpu during 1999-2000 took up a project for construction of road of 1618 metre length and eight metres width across the kole\* fields connecting Block Panchayats of Cherpu and Puzhakkal with the object of reducing the distance to Thrissur town by 5 KM. The main items of the work were formation of the road involving earth filling at an average height of 5 metre, construction of three culverts and metalling and tarring the road which was estimated to cost Rs.55.93 lakh. The project decided to be implemented under RIDF-III scheme of NABARD was awarded (December 1999) to a contractor at estimate rates. The stipulated date of completion was 31 March 2000.

It was observed in audit that during February 2001, when the height of land filling reached 4.5 metre in chainage 620 M to 780 M, the embankment sank up to 2.75 metre as seen from the photos given on next page. According to the Report on Quality Assessment prepared (14 May 2001) by the consultants of LBS Centre for Science and Technology, they had during their visit before the start of construction required the Block Panchayat (BP) to conduct a sub soil investigation in the middle section of the proposed road. The BP however did not arrange for carrying out this test due to paucity of fund. Meanwhile, as the contractor could not complete the work within the stipulated time, the period of contract was extended (supplemental agreement dated 17 January 2002) upto 31 March 2002. According to the consultants the existing sub soil except at the tail end having a length of 600 meters was very weak. In the absence of any sub soil investigation, it was not possible to ascertain the depth of the soft sub soil and to assess the carrying capacity and consolidation behaviour of the soil. Therefore, the consultants could not suggest an exact solution for the problem of sinking. However, they recommended to construct the embankment in stages giving six months time for each stage for consolidation which was accepted by the BP. Accordingly, BP decided (December 2002) to close the work and make payment to the contractor on the basis of measurement of the work executed till then.

---

\* Deep paddy fields below MSL in Thrissur district are called Kole fields.



#### **Views of sunken embankment**

The value of work done by the contractor was worked out by the BP at Rs.50.89 lakh which was paid (December 2002) after withholding retention money of Rs.7.63 lakh. The BP did not restart the work as suggested by the consultants and the work was in an abandoned stage. Thus, the failure of the BP to carry out sub soil investigation as recommended by the consultants before the commencement of the work led to sinkage of the embankment and stoppage of the work resulting in unfruitful expenditure of Rs.43.26 lakh.

The matter was reported to Government in November 2007; reply is awaited (March 2008).

**4.4 Unfruitful expenditure of Rs.2.23 crore on Rice Park**

Injudicious decision of the District Panchayat, Thrissur to hand over the construction and working of the rice park to ASIRVAD without ensuring proper monitoring and control mechanism on its working resulted in closing down of the Rice Park.

The District Panchayat, Thrissur (DPT) decided (December 1997) to establish a Rice Park consisting of a modern rice mill (par boiling unit), a rice powder unit and a rice flake unit at Chelakkara at a cost of Rs.1.77 crore for providing direct employment to 35 SC persons and creating indirect employment opportunities to 200 others. DPT registered (June 1998) Ambedkar Society for Industrial Rural and Vocational Advancement (ASIRVAD- a charitable society) consisting of SC members only, for implementation of the project.

DPT transferred Rs.80 lakh to ASIRVAD during 1998-99. The estimate was revised to Rs.2.43 crore (July 2000) to provide Rs.70 lakh towards working capital. During 2000-01, DPT transferred Rs.1.38 crore making the total transfer Rs.2.18 crore. From the initial advance, ASIRVAD commenced the work of construction of rice park in September 1999. The construction was completed in July 2000 at a total cost of Rs.1.73 crore. The rice mill had a capacity of 24 MT per day for two shifts.

Though ordinary variety of paddy alone could be processed in the modern rice mill, ASIRVAD purchased 112.54 MT of Basmati paddy costing Rs.16.88 lakh in June and November 2001 and stored it in the godown of the mill. Basmati paddy is not normally grown in the state and the Basmati paddy purchased was that grown in a few places on experimental basis during 2001. To process the Basmati paddy, ASIRVAD decided (March 2002) to install a Basmati rice plant in the rice room and finished goods godown of the modern rice mill instead of constructing a separate building. However, during May 2002, commercial production of modern rice mill commenced and 105 MT of ordinary variety of paddy was processed till October 2003. Thereafter, the unit was closed and installation of Basmati plant with capacity of 2 MT per hour started (November 2003) which was completed in May 2005 at a cost of Rs.11.44 lakh. During trial run conducted from 23 August to September 2005, a quantity of 2.05 MT of Basmati paddy was processed and it was found that the rice produced was of poor quality and had no commercial value. Therefore commercial production did not start.

ASIRVAD could not operate the modern rice mill from November 2003, since the Basmati plant was installed in the same building as that housed the modern rice mill. Even, the Basmati plant which rendered the modern rice mill non-operational, could not be operated from September 2005 onwards as the Basmati paddy already in stock of ASIRVAD was in such a bad condition that it could not be processed. Further, as Basmati paddy was not normally grown in the state it was not financially viable to operate the Basmati plant. The injudicious decision to install Basmati plant to process Basmati paddy grown in the state on an experimental basis led to closing down the rice park resulting in unfruitful expenditure of Rs.2.23 crore (including Rs.0.05 crore transferred in November 2004). Besides, intended employment opportunities to SC beneficiaries were denied for the past five years.

This could be attributable to the injudicious decision of the DPT to hand over the construction and working of the rice park to ASIRVAD without proper monitoring and control on its working.

Government admitted (December 2007) that there was some flaw in the initial planning and steps were taken to lease out the plant on condition that employment should be provided to SC beneficiaries. Further developments were awaited (March 2008).

**4.5 Excess release of General Purpose Grant leading to diversion of plan funds for non-plan expenditure - Rs. 1.29 crore.**

Allotment of General Purpose Grant to the Corporation of Kochi during 2005-06 without deducting the amount already allotted resulted in release of funds in excess of budget provision leading to irregular diversion of plan funds of Rs.1.29 crore for payment of salary and other non-plan expenditure.

An amount of Rs.7.01 crore was provided in the State Budget for 2005-06 towards General Purpose Grant(GPG) to the Municipal Corporation of Kochi (MCK). The Director of Urban Affairs (DUA) released (July 2005) the first instalment of Rs.1.29 crore to the Corporation. Though the Corporation was entitled to receive only the balance amount of Rs.5.72 crore, the DUA released (September 2005) Rs.7.01 crore by mistake without deducting first instalment of Rs.1.29 crore already released. Thus a total release of Rs.8.30 crore was made against the budgeted provision of Rs.7.01 crore. This resulted in excess release of Rs.1.29 crore to the Corporation.

During October 2005, DUA noticed that the entire budget allotment of GPG for 2005-06 was released by mistake to all Urban Local Bodies (ULB) in the state without deducting the amount already released. Accordingly, DUA directed (October 2005) Secretaries of all ULBs to surrender the allotment letters issued to them and to obtain fresh allotment letters. The Corporation immediately intimated their inability to remit the amount as it had been already spent for the expenses connected with pay and allowances, pension, works and maintenance. This argument of the Corporation was not justifiable as they were not entitled to draw amounts in excess of the budget provision even though release order authorised excess amount. Upon this, DUA directed (January 2006) the Corporation to remit back the excess amount of Rs.1.29 crore released to them. As the amount was to be refunded to the Government Account before the close of the financial year, permission was sought for (March 2006) from the Government to divert Rs.1.29 Crore from Plan funds. As permitted by the Government (31 March 2006) the Corporation refunded (March 2006) the amount by diverting Plan funds earmarked for implementation of three projects. This tantamounts to diversion of plan funds of Rs.1.29 crore for payment of pay and allowances, pension and expenditure on works and maintenance which were not included in the annual plan approved by the District Planning Committee. The failure of DUA in restricting the allotments to the ULBs within the budget provision led to incurring expenditure exceeding budget provision by MCK. MCK also should have restricted their expenditure in accordance with the amount entitled to them as per budget failing which diversion of plan funds for pay and allowances and other forbidden expenditure took place.

The matter was reported to Government in November 2007; reply is awaited (March 2008).

**4.6 Unfruitful expenditure of Rs.64.45 lakh on construction of a bridge and approach roads**

A bridge across Kannadichal<sup>1</sup> constructed in January 2002 in Kumarakom Grama Panchayat could not be used as the approach road sank twice despite technical feasibility study carried out by Government Engineering College, Thiruvananthapuram.

A bridge across Kannadichal in Kumarakom Grama Panchayat was constructed (January 2002) under MP's Local Area Development Scheme, at a cost of Rs.33.91 lakh. The Block Development Officer, Pallom was the implementing officer of the project. The construction of approach roads on both ends of the bridge was not included in this work. During 2001-02, the District Panchayat, Kottayam (DP) undertook the construction of approach roads of the bridge under three works which were entrusted to the beneficiary committee for execution. Though a total amount of Rs.11.43 lakh was paid, the works were not completed for reasons as stated below:-

Sl No	Name of work	No and date of agreement	Amount paid (Rs)	Reason for non-completion
1	Construction of Approach Road on southern side	38/EE/DPK/01-02/dated 24 December 2001	1,92,979	When the works were progressing, the approach road at a length of 40 metres sank by 3 metres on 22 July 2002 causing damage to the side protection wall.
2	Construction of side protection wall on southern side	163/EE/DPK/DF/01-02 dated 30 March 2002	2,72,785	
3	Construction of Approach Road on northern side	105/EE/DPK/DF/01-02 dated 10 March 2002	6,77,015	As the convenor did not execute balance work after payment of third part bill, DP terminated the contract in December 2004.
<b>Total</b>			<b>11,42,779</b>	

The construction of approach road and construction of side protection wall on the southern side of the bridge was not completed as the approach road sank on 22 July 2002. Taking up the work without conducting a detailed soil investigation to study subsoil conditions of the site resulted in sinking of the approach road. One and a half years after sinking of the approach road on the southern side was noticed, DP conducted a detailed soil investigation at the site through the Department of Civil Engineering of Government College of Engineering, Thiruvananthapuram during January 2004. Standard penetration test by taking three bore holes at depths of about 20 to 21 metre conducted by the Engineering College revealed that the soil even at that depth was of poor resistance and there was water table near the ground surface. Ignoring the weakness of sub soil even at the depths of 20 metre, the Engineering College recommended (March 2004) to install sand piles only at a depth of 10 to 12 metre with a spacing of about 1.50 metre centre to centre. Based on this recommendation an estimate for Rs.26.78 lakh was prepared for

<sup>1</sup> A rivulet

reconstruction of the approach road and the side protection wall which contained provision for sand piles of a total length of 3350 metre at an average depth of 10 to 12 metre costing Rs.10.85 lakh. The project was approved by the District Planning Committee on 20 May 2005 and technical sanction accorded on 23 May 2005 for Rs.26.83 lakh. The work was awarded to a contractor at estimate rates who executed the agreement on 23 November 2005 and commenced the work immediately. The work executed by him was measured on 3 March 2006 and accordingly part bill for Rs.19.11 lakh was paid. When the work was progressing further, the embankment constructed for the approach road sank again (24 May 2006) displacing the sub soil to the nearby canal forming an island almost filling the canal as seen in the photo of the site given below:



View of sunken approach road at Kannadichal

Non-conducting soil investigation before taking up the project during 2001-02 resulted in sinkage of embankment twice. There was visible contradiction between the findings of the soil study and the recommendations made by the Engineering College. The study revealed that sub soil even at a depth of 20 metres was very weak whereas the recommendation was to install sand piles only at a depth of 10 to 12 metres. The failure of the District Level Technical Committee chaired by an Executive Engineer to identify the contradiction resulted in non-prescription of piles upto a depth where hard strata of soil was present. This eventually led to sinkage of the embankment again and unfruitful expenditure of Rs.64.45 lakh (33.91 + 11.43+19.11) incurred on construction of the bridge and approach roads as the bridge constructed in January 2002 could not be used for the last six years.

The matter was reported to Government in November 2007; reply is awaited (March 2008).



**4.7 Embezzlement of food grains costing Rs.34.03 lakh**

**Fraud committed by the staff of Arattupuzha Grama Panchayat in connivance with convenors in arranging works relating to Tsunami relief, detected in audit.**

The District Rural Development Agency, Alappuzha accorded administrative sanction (August and November 2005) for 12 projects for reconstruction of roads as part of tsunami relief works under Special Component of Sampoorna Grameen Rozgar Yojana in Arattupuzha Grama Panchayat (GP) in Alappuzha District at a total estimated cost of Rs.60.63 lakh. Of this, Rs.31.84 lakh was cash component and Rs.28.79 lakh was food grain component. The works were entrusted to beneficiary committees as per agreements executed during October/November 2005. The Project Officer (PO), DRDA, Alappuzha accorded sanction (October 2005) to release food grains of 103.70 MT to the GP in respect of eight works. During November 2005, the PO sanctioned release of 245.95 MT of food grains relating to the remaining four works. Accordingly, the PO issued two authorisations to the Secretary of the GP on 28 October 2005 and 22 November 2005 to lift rice of 103.70 MT and 245.95 MT respectively from the Food Corporation of India (FCI) Depot, Alappuzha. Based on these authorisations, entire quantity of rice (349.65 MT) was lifted by the GP in November 2005. Out of this, the GP distributed 245.95 MT of rice to the convenors of four works on 30 November 2005 whereas the balance quantity of 103.70 MT was neither distributed nor taken into stock.

As none of the convenors commenced the works, the GP issued notice to them on 11 September 2006 informing that the cost of food grains issued to them would be recovered with interest under the provisions of Revenue Recovery Act, unless they commenced the work within 20 days of the notice. It was detected in audit that one of the convenors to whom the work of “Construction of road from pump house junction to Lakshmi House junction” was entrusted on 5 October 2005 was a person who died nine years earlier on 14 December 1996.

Despite 245.95 MT of rice costing Rs.34.03 lakh at the rate of Rs.13837 per MT being issued to four convenors in November 2005, none of them commenced the works even after expiry of more than two years (March 2008). Issue of food grains to convenors of works which were not even commenced and entrusting work to a person who died nine years ago are indicative of the fraudulent nature of arranging execution of works by the GP in connivance with the convenors. This fraud cost the exchequer Rs.34.03 lakh.

The balance quantity of 103.70 MT of rice costing Rs.14.35 lakh was embezzled by a former Upper Division Clerk (UDC) of the GP who lifted the rice from FCI godown on 24 November 2005. The embezzlement was unearthed when one of the convenors who received the notice issued by the GP in September 2006 approached (28 September 2006), the Ombudsman complaining that no food grains was issued to him as stated

in the notice. Based on the verdict of Ombudsman (May 2007) that the UDC was responsible for diversion of food grains, Deputy Director of Panchayats placed him under suspension. Thus four convenors and a former employee of the GP embezzled the entire quantity of 349.65 MT of rice costing Rs.48.37 lakh allotted to Tsunami relief works which could have been avoided if it was ensured that the rice lifted from FCI had been brought to stock of the GP and issue of rice to convenors been regulated in accordance with the progress of the work. Further developments were awaited (March 2008).

The matter was reported to Government in December 2007; reply is awaited (March 2008).

<b>4.8</b>	<b>Excess expenditure of Rs.45.35 lakh due to wrong adoption of market rates</b>
------------	--

Adoption of higher market rates in the estimate for supply and installation of sodium vapour lamps in Municipal Corporation of Kochi led to excess expenditure
--

According to Kerala Municipality (Execution of Public Works and Purchase of Materials) Rules, 1997 no Municipal Corporation shall commence any work unless provision for sufficient funds therefor has been made in the budget and Administrative Sanction (AS) obtained from the competent authority (Standing committee upto Rs. One lakh and Council exceeding Rs. One lakh) and a detailed plan and estimate are prepared and Technical Sanction (TS) obtained from the competent authority (competent engineer of the Electrical Wing of Public Works Department (PWD) in the case of electrical works exceeding Rs.6.50 lakh). Further, tenders should be invited if a work was executed through a contractor and Notice Inviting Tenders (NIT) should be published in the office notice board of the Corporation and in the offices of the PWD and in news papers (in two Malayalam dailies having circulation all over the state and in an English daily having circulation at National level compulsorily in respect of works with estimated cost exceeding Rs.50 lakh). However, it was observed in audit that Municipal Corporation of Kochi (MCK) did not follow the above procedures while arranging the works of supply and installation of Sodium Vapour Lamp (SV Lamp) for street lighting during the period from 2002-03 to 2006-07 as shown in the table below:

(Rs in lakh)

Year	No of works tendered	Works with estimated cost of less than Rupees one lakh		No of tenders received			Details of works estimated cost of which were available	
		No	Estimated cost	1	2	More than 2	No of works	Amount
2002-03	111	99	75.36	43	65	3	111	108.48
2003-04	160	114	95.88	15	143	2	127	126.15
2004-05	264	250	230.48	2	260	2	262	270.61
2005-06	178	162	148.48	---	178	---	170	171.30
2006-07	274	263	236.88	---	274	---	273	257.00
<b>Total</b>	<b>987</b>	<b>888</b>	<b>787.08</b>	<b>60</b>	<b>920</b>	<b>7</b>	<b>943*</b>	<b>933.54</b>

Though the estimated cost of the work each year was more than Rs.50 lakh, the works were split into 987 works of which 888 works (89.97 per cent) were costing less than Rs. One lakh. As a result of this irregular splitting of works, MCK could avoid obtaining AS from the Corporation Council and TS from Electrical Wing of PWD and publishing the NIT in two Malayalam dailies having circulation all over the state and in an English daily having circulation all over India. This led to inclusion of incorrect rates in the estimates and poor response from the contractors. More than two tenders were received only in respect of 7 out of 987 (0.71 per cent) works and only one tender was received in respect of 60 works. Due to non-publishing the NIT in newspapers and the resultant low response from contractors, 985 works out of 987 were to be awarded at 35 to 42 per cent above estimate rates. From the above, it was evident that the whole process of arranging the works costing about Rs.10 crore during the period was vitiated.

As a result of avoiding scrutiny of estimates by competent authorities, exorbitant rates for SV Lamp were included in the estimates. As the rates for SV Lamp street light fitting with complete accessories were not provided in the PWD Schedule of Rates, market rates were adopted by MCK during the period from 2002-03 to 2006-07. It was however, noticed in audit that the rates adopted were much higher than the rates at which a neighbouring Municipality (Aluva) purchased SV Lamps and fittings during 2004-05 as shown below:

SI No	Specification of one complete set of SV lamp	Market rate adopted by MCK (Rs)	Rate at which lamp was purchased by Aluva Municipality (Rs)	Excess (Rs)	Percentage of excess	No of lamps supplied	Excess amount paid approx (Rs)
1	70 Watts	2560	2075	485	23.37	1222	592670
2	150 Watts	4135	2850	1285	45.09	2938	3775330
3	250 Watts	4655	3090	1565	50.64	107	167455
	<b>Total</b>						<b>4535455</b>

\* Estimated cost of 44 works were not available.

There was nothing on record to show how MCK ascertained the above mentioned market rates. Thus, the splitting of work to avoid the laid down tendering procedures resulted in adoption of wrong market rates. This led to excess expenditure of Rs.45.35 lakh in 284 test checked cases.

Government stated (February 2008) that work was split into several works as the proposals for installation were on the basis of divisions. This argument is not tenable as the number of works arranged each year was more than the number of divisions (71) in MCK. Besides, there was no difficulty in consolidating the proposals received from each division before arranging the work. It was also mentioned in the reply that market rate provided by MCK was for reputed and quality products whereas the other local body would have purchased items of lesser quality. This is also not tenable as the Aluva Municipality purchased fittings manufactured by reputed companies such as GE and Havels.

**4.9 Loss of revenue to the tune of Rs.12.72 lakh due to non-realisation of value of sand extracted**

Non-realisation of value of sand extracted by contractor led to undue benefit to the contractor in Aruvappulam Grama Panchayat

Aruvappulam Grama Panchayat (GP) extracts sand from the following three stretches of the Achankovil River which flows through the GP.

- 1 From Konnonmuzhi kadavu\* to Thottamuzhi kadavu
- 2 From Thottamuzhi kadavu to Vattappara kadavu
- 3 From Vattappara kadavu to Aruthakandam kadavu

During 1999-2000, the GP arranged extraction of sand through two distinct systems viz. permit and auction systems. Under permit system, permits were issued every day for extracting a specific quantity of sand on realisation of permit fee as fixed by the GP. Extraction of sand could be restricted or regulated by the GP under this system as it was done under close supervision of the GP and based on permits issued whereas under auction system, the successful bidder could extract sand without any restriction during the whole year causing environmental hazards such as drying up of rivers, soil erosion, etc. The GP auctioned (16 February) the right for extraction of sand from the first stretch above for Rs.27 lakh as against permit system followed in the remaining two stretches. The contractor remitted 25 per cent of the quoted amount (Rs.6.75 lakh) to the GP in March 1999 including the Earnest Money deposit of Rs. two lakh already remitted on the auction day.

As the indiscriminate sand mining under auction system would cause environmental problems, local residents filed a complaint (7 June 1999) before the GP and the GP found that the complaints were genuine and appointed (11 June 1999) a sub committee to study various aspects involved. Based on the report of the sub committee, the GP decided (30 June 1999) to cancel the auction and to extract sand under permit system as done in the remaining stretches. However, the GP did not implement the decision.

\* Kadavu- A river bank or water body where removal of sand is carried out.

The petitioners filed an Original Petition (August 1999) before the Honourable High Court alleging that the contractor was extracting sand indiscriminately and requesting for issue of direction to the GP to implement their decision and to regulate collection of river sand on a permit basis. The Honourable High Court on 8 September 1999 directed the GP to implement their decision dated 30 June 1999 and accordingly the GP cancelled the auction on 20 September 1999 and refunded (22 September 1999) the amount of Rs.6.75 lakh deposited by the contractor. As the contract was valid from 1 April 1999 to 19 September 1999 (172 days), the proportionate bid amount based on the number of days of validity of contract should have been realised from him. However, no amount was realised. This resulted in loss of revenue of Rs.12.72\* lakh leading to undue benefit to the contractor, besides indiscriminate sand mining leading to irreparable damage to the environment. Unless orders preventing LSGIs from sand extraction from rivers under auction system are issued, indiscriminate sand extraction would continue causing environmental hazard.

The matter was reported to Government in December 2007; reply is awaited (March 2008).

<b>4.10 Plan fund to be utilised on housing diverted for repayment of loan of Rs.27.87 lakh.</b>
--

Plan fund meant for providing house plots and houses to purambokku* dwellers was diverted by MCK for liquidating loan liability of beneficiaries of housing scheme implemented by Greater Cochin Development Authority.
---

Municipal Corporation of Kochi (MCK) during 2005-06 formulated a project for providing house plots and houses to 264 BPL beneficiaries residing in purambokku land for more than 10 years at a total outlay of Rs.1.58 crore. The project envisaged providing assistance of Rs.20000 (Plan funds) for purchasing land and Rs.40000 for construction of house in the land so purchased, under Valmiki Ambedkar Awas Yojana\* (VAMBAY). The District Planning Committee (DPC) approved the project on 8 June 2005.

Instead of implementing the project, MCK called for (November 2005) the list of defaulters of housing schemes for slum dwellers already implemented by the Greater Cochin Development Authority (GCDA) during 1979-1981. In response, GCDA furnished (December 2005) a statement showing the names of 279 beneficiaries and the amount of arrears due to be remitted by them to GCDA. Accordingly, MCK remitted (15 March 2006) Rs.27.87 lakh out of the amount of Rs.52.80 lakh earmarked for the purchase of house plots for purambokku dwellers without the approval of Corporation Council. The Corporation Council took a decision for remitting the amount to GCDA only after three months (27 May 2006) which had no approval of the DPC either. The payment of amount defaulted by the beneficiaries of a housing scheme implemented by GCDA was unauthorised and irregular. As a result of this

---

\*  $(Rs.27 \text{ lakh} / 365 \text{ days}) \times 172 \text{ days} = Rs.12.72 \text{ lakh}$

\* Unassessed lands which are the property of Government or used/reserved for public purposes.

\* A Centrally Sponsored Scheme for providing houses to urban poor.

diversion, the project for providing house plots and houses to purambokku dwellers below poverty line could not be implemented. Besides, the funds provided by GoI for implementation of VAMBAY could not be utilised.

MCK replied (January 2008) that land was not available in the area at the rate of Rs.10000 per cent and hence the project was not viable. This indicated that the formulation of the project itself was defective which led to the diversion of funds.

The matter was reported to Government in December 2007 and reply awaited (March 2008).



**(S.NAGALSAMY)**

Principal Accountant General (Audit), Kerala

Thiruvananthapuram,  
The

Countersigned



**(VINOD RAI)**

Comptroller and Auditor General of India

New Delhi,  
The