
OVERVIEW

This Audit Report includes seven performance reviews of which four are mini reviews and ten audit paragraphs. In addition, it also includes observations on the structure and finances of the Local Self Government Institutions (LSGIs) and the results of supplementary audit under the scheme of Technical Guidance and Supervision. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies wherever received have been duly incorporated in this Report.

I The Structure and Finances of the Local Self Government Institutions

Accounts of LSGIs were in arrears since 1996-97. Cash books were not maintained and closed properly leading to internal control failure.

Though funds of Rs.260.80 crore were available for implementation of seven centrally sponsored schemes, actual utilisation was only Rs.70.63 crore (27.08 per cent).

(Paragraphs 1.1 to 1.18)

II Technical Guidance and Supervision and the results of supplementary audit

The Comptroller and Auditor General of India (CAG) provides Technical Guidance and Supervision to Director of Local Fund Audit under section 20 (1) of the CAG's (DPC) Act, 1971. The scheme of TGS comprises audit planning, audit of 10 per cent of institutions and supplementary audit of 10 per cent of institutions audited by DLFA. In 2006-07, supplementary audit of 91 LSGIs was conducted. It revealed improper maintenance of various registers of accounts, lapses in preparation of budgets and Annual Financial Statements and temporary misappropriations.

(Paragraphs 2.1 to 2.16)

III Performance Reviews

1 Implementation of National Rural Employment Guarantee Act

National Rural Employment Guarantee Act, 2005 guarantees 100 days of employment to all households whose adult members are willing to do unskilled manual work. The planning process was defective leading to poor performance of the scheme. Unemployment allowance was not paid to any beneficiary.

The process of planning was weakened due to non-preparation of labour budget and District perspective plan.

With grama sabhas not being convened in any test checked GPs in Palakkad district and door to door survey not being conducted at the commencement of the Act, in 13 out of 16 GPs in Palakkad and Wayanad districts, prospective beneficiaries were not made fully aware of the benefits entitled to them.

Majority of the job card holders (108913 out of 213840) in the state did not apply for work due to lack of awareness and restrictions imposed on them from applying for jobs.

Out of 267614 registered households in the state, employment was provided only to 99107 households (37 per cent) and the number of households who got employment for 100 days was 537 (0.54 per cent).

Rate of wages paid in 12 out of 16 Grama Panchayats in the selected districts was less than the minimum wage rate of Rs 125 and there was a delay of upto 56 days for payment of wages in eight selected GPs in Wayanad.

Unemployment allowance was not paid to any household in the State.

(Paragraph 3.1)

2 Implementation of Building Rules in Municipal Corporations

Regulation of building construction in accordance with the provisions of Kerala Municipality Act, 1994, Kerala Municipality Building Rules, 1999, zoning regulations and other related rules and Government orders is one of the functions of Municipal Corporations. Audit noticed numerous unauthorised constructions as a result of issue of permits in violation of the Act and Rules by Municipal Corporations. Short realisation of revenue and unsatisfactory delivery of services to the public were also noticed.

No action was taken on 26.12 per cent of applications seeking for building permit in Thiruvananthapuram and Kozhikode Municipal Corporations.

Short realisation of additional fee of Rs. 36.28 lakh was noticed due to non-application of correct Floor Area Ratio (FAR).

Thiruvananthapuram Municipal Corporation (TMC) issued building permit to a hospital in violation of zoning regulations.

The selected Corporations regularised 11433 unauthorised constructions during 2004-05 to 2006-07.

Though TMC detected unauthorised construction of a temporary shed, no action was taken either to regularise or demolish the construction.

Unauthorised permission granted by TMC to construct residential building resulted in construction of 14 storey building in violation of KMBR and zoning regulations.

Even though incinerators were to be installed in hospitals as per KMBR, 67 hospitals in both the Corporations were running without incinerators for disposing of bio wastes.

(Paragraph 3.2)

3 Internal Controls in Urban Local Bodies in Ernakulam District

A built in internal control mechanism to ensure effectiveness in carrying out the traditional functions and the transferred functions by the Urban Local Bodies (ULBs) is provided in the Kerala Municipalities Act, 1994, rules made thereunder and Government Orders and guidelines. The internal control system in ULBs was very weak as rules regarding various control measures were not complied with. The system could not ensure efficiency and economy of operation and failed to provide reasonable assurance against loss and misappropriation.

Advances amounting to Rs.10.37 crore paid by the selected ULBs during 1975-76 to 2006-07 remained unadjusted as a result of control lapse.

Non-adherence to internal controls prescribed in respect of assessment and collection of tax and non-tax revenue led to non-realisation of revenue.

Non-maintenance of Personal Register led to lapse in internal controls for ensuring prompt action by the ULBs with respect to the documents received by them.

Inadequate internal controls led to awarding the same work to a contractor as two different works in Municipal Corporation of Kochi (MCK)

There was no provision in the Act and Rules for conducting internal audit to check the efficiency of the internal control system.

(Paragraph 3.3)

4 Death cum retirement benefit scheme in Urban Local Bodies

Receipts and payments under Central Pension Fund (CPF) were not properly accounted by the Director of Urban Affairs (DUA). Fourteen Urban Local Bodies (ULBs) did not remit pension contribution on the due date resulting in arrears. The pension fund was not sufficient to meet the expenditure on pension payments. At the existing rates of contribution, it was not possible to run the scheme successfully. Though administrative expenses of Rs.74.64 lakh were to be met from CPF, it was incurred from Government funds.

(Paragraph 3.4)

5 Implementation of RIDF projects

Out of 617 projects undertaken during 1997-2006, only 369 could be completed. Government did not release Rs.38.07 crore to the Block Panchayats out of Rs.138.66 crore released by NABARD. Two works undertaken by two BPs were abandoned after spending Rs.38.64 lakh due to non-availability of land. It was noticed that three BPs did not account

Rs.98.36 lakh received for implementation of the scheme and the expenditure received therefrom.

(Paragraph 3.5)

6 Management of food grains in Sampoorna Grameen Rozgar Yojana (SGRY) in Block Panchayats and District Panchayats

Instead of issuing foodgrains from authorised retail dealers to the labourers based on actual work done, the foodgrains were issued directly from FCI godown to the convenors in lumpsum resulting in diversion and fraud. The convenors of 403 works derived undue benefit of Rs.5.44 crore by diverting 7666.66 MT of food grains to open market.

While the records of FCI showed that the entire allotment of 2243 MT of rice for the year 2002-03 in respect of District Panchayat (DP) Kollam had been lifted, the DP could not account for 1438.643 MT of rice valuing Rs.2.04 crore.

(Paragraph 3.6)

7 Special Live Stock Breeding Programme

Funds released by Government and LSGIs exceeded the actual requirement with reference to the actual number of calves enrolled resulting in irregular excess release of Rs.11.94 crore. The dropout rate was as high as 24.93 per cent in selected districts. The subsidy amount was not sufficient to issue feeds for the prescribed period due to non-revision of subsidy rates in synchronisation with the increase in price rates of feeds. The calving age of calves could be reduced only in respect of 27.72 per cent of the calves enrolled in selected districts.

(Paragraph 3.7)

IV Transaction Audit

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.

(Paragraph 4.1)

Unauthorised closure of Treasury Public account and crediting funds of Rs.49.50 lakh received for implementation of Centrally Sponsored Schemes to Government account resulted in the non-implementation of Centrally Sponsored Scheme by the Block Panchayat, Thaliparambu.

(Paragraph 4.2)

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

(Paragraph 4.3)

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 and resultant unfruitful expenditure of Rs.2.23 crore.

(Paragraph 4.4)

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.

(Paragraph 4.5)

A bridge across Kannadichal 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 resulting in unfruitful expenditure of Rs.64.45 lakh..

(Paragraph 4.6)

Embezzlement of food grains costing Rs.34.03 lakh by the staff of Arattupuzha Grama Panchayat in connivance with convenors in arranging works relating to Tsunami relief, detected in audit.

(Paragraph 4.7)

To avoid the laid down tendering procedures, Municipal Corporation of Kochi resorted to splitting the work of supply and installation of sodium vapour lamps. This resulted in adoption of higher market rates in the estimates and excess expenditure of Rs.45.35 lakh.

(Paragraph 4.8)

Non-realisation of value of sand extracted by contractor for 5 ½ months led to undue benefit of Rs.12.72 lakh to the contractor in Aruvappulam Grama Panchayat.

(Paragraph 4.9)

Plan fund of Rs.27.87 lakh 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.

(Paragraph 4.10)