# CHAPTER IV
# TRANSACTION AUDIT

## 4.1 Non-receipt of General Purpose Fund during 2006-2007

**Thiruvananthapuram Municipal Corporation (TMC) lost Rs.1.83 crore allotted in March 2007, due to delay in reconciliation of accounts with that of District Treasury.**

Category 'D' Fund otherwise called General Purpose Fund is earmarked for general expenditure such as salary, honorarium, wages, rent, electricity, water charges, telephone charges, printing, etc. including traditional functions of LSGIs. The allocation of General Purpose Fund to each LSGI will be made in 12 equal monthly instalments from April to March every year. According to the revised guidelines relating to allocation and drawal of funds by LSGIs from the Consolidated and Public Account of the State issued (April 2006) by the Government of Kerala, funds provided under General Purpose Fund shall be transfer-credited to the heads of accounts in the Public Account of the State by presenting bills at the District Treasury (DT), Thiruvananthapuram by the Finance Department. In the case of Municipal Corporations and District Panchayats, the Secretary, LSGD will allot the amount so credited in the Public Account to the accounts of the Corporations and DPs concerned by issuing letter of authorisation to the DT, Thiruvananthapuram and the transacting treasury of the Corporations/Panchayats concerned.

In January and February 2007, Finance Department of the Government of Kerala sanctioned and transfer-credited to the Public Account, an aggregate of Rs.50 crore out of the total Budget provision of Rs.300 crore for 2006-07 under General Purpose Fund. Out of the transfer credited amount, the Secretary, LSGD allotted (March 2007) Rs.7.42 crore (Rs.1.36 crore to 14 DPs and Rs.6.06 crore to five Corporations) towards the $11^{th}$ and $12^{th}$ instalments of 2006-07 of which the share of TMC was Rs.1.83 crore. Even though TMC was in receipt of Government sanction, it did not initiate timely action to get the amount credited in its account till it was pointed out (January 2008) in audit.

On being pointed out by audit, the TMC stated (February 2008) that the matter was taken upwith the DT, Thiruvananthapuram. However, the DT informed the TMC that the amount was not credited in time for want of copy of Government sanction and since the closing balance for 2006-07 of the accounts was already reported to Accountant General, his sanction was required to credit the amount of Rs.1.83 crore to the account of the Corporation.

Had TMC carried out timely reconciliation of its accounts and taken up the matter with the DT, it could have realized the amount of Rs.1.83 crore already transfer credited by the Secretary, LSGD.Thus, the failure in the internal control mechanism in carrying out timely reconciliation of accounts and follow up action by the TMC led to non-crediting of Rs.1.83 crore.

The matter was reported to Government (October 2008); reply had not been received (May 2009).

## 4.2 Loss due to non-adoption of uniform rates of property tax

**Due to non-adoption of uniform rate of property tax in the newly annexed areas of GPs, Thiruvananthapuram Municipal Corporation (TMC) and Kollam Municipal Corporation (KMC) incurred loss of Rs. 19.68 crore and Rs. 3.74 crore respectively.**

**(A)** Sub section 2 of Section 4 of the Kerala Municipalities Act, 1994, (KM Act, 1994) stipulates that the Government may by Notification, unite the territorial area of a Panchayat geographically lying adjacent to a Municipal area, with the Municipality. Sub section 5 of Section 4 *ibid* further states that where any village Panchayat area is constituted as, or included in a Municipality, all taxes, fees or other charges levied in that area under the enactment or regulations then in force shall, from the date of constitution or inclusion, as the case may be, cease to have effect and all such taxes, fees or other charges shall be levied in that area in accordance with the provisions of this Act and the rules, regulations and bye-laws made there under. According to sub section (3) of Section 233, the taxes shall be levied at such percentage of the annual value of the buildings or lands which are occupied by or adjacent and appurtenant to buildings or both as may be fixed by the Council provided that in case of Municipal Corporation, the aggregate of the percentage so fixed shall not be less than 12 *per cent* and and more than 25 *per cent* of the annual value of all buildings, or lands, which are occupied by or adjacent and appurtenant to buildings or both and that the different components of tax shall not be less than the minimum rates prescribed in the Act from time to time. Again Section 236 of the Act requires that the taxation shall be uniform.

The rate of property tax prevailing in the areas of Thiruvananthapuram Municipal Corporation (TMC) is 18 *per cent* of the Annual Rental Value (ARV). The Grama Panchayats of Attipra, Kadakampally, Ulloor, Nemom and Thiruvallom in Thiruvananthapuram District were annexed to TMC with effect from 01 October 2000. The property tax levied in these Panchayats was six *per cent*. According to the provisions of KM Act, 1994, the property tax on buildings and lands in the annexed Panchayats should have been levied at the

prevailing rate of 18 *per cent* so as to have a uniform rate in all areas falling within the TMC.

The TMC recommended (October 2000) to government to retain the existing rate of property tax (six *per cent*) in the annexed areas till the next general revision of tax so as to avoid hardships to the people and to avoid unnecessary public agitations. Government agreed (October 2000) to continue the existing rate of property tax in the annexed areas till TMC would pass a resolution for re-assessment of taxes or till the next general revision of tax, whichever would be earlier. Subsequently, the Finance Standing Committee of the TMC recommended (May 2003) to the Corporation Council to bring about uniformity in the rates of property tax prevailing in the areas falling within the geographical limits of TMC. The Council of TMC had not so far decided on the issue (October 2008). Thus, out of 86 divisions in TMC, property tax was collected at the rate of 18 *per cent* of ARV in 50 divisions and six *per cent* in the remaining 36 divisions in violation of Section 236 of the KM Act, 1994.

Due to adoption of non-uniform rates of property tax in the different divisions of the TMC, there was a revenue loss of Rs.19.68 crore to the TMC during the period from 2001-02 to 2007-08 as detailed below:

(Rs. in crore)

| Year | Amount to be demanded at the rate of 18 *per cent* | Actual collection | Loss |
|---|---|---|---|
| 2001-02 | 2.46 | 0.62 | 1.84 |
| 2002-03 | 2.75 | 0.71 | 2.04 |
| 2003-04 | 3.01 | 0.78 | 2.23 |
| 2004-05 | 3.25 | 0.83 | 2.42 |
| 2005-06 | 3.49 | 0.82 | 2.67 |
| 2006-07 | 4.60 | 0.89 | 3.71 |
| 2007-08 | 5.09 | 0.32 | 4.77 |
| **Total** | **24.65** | **4.97** | **19.68** |

Source:Thiruvananthapuram Municipal Corporation

The Kerala Library Councils Act lays down that 5 *per cent* of building tax is to be collected as Library Cess and remitted to the State Library Council annually. Due to shortage in collection of property tax, there was a reduction in the collection of library cess also to the tune of Rs.98.44 lakh as indicated below:

(Rs. in lakh)

| Year | Library Cess to be collected | Cess actually collected | Shortage |
|---|---|---|---|
| 2001-02 | 12.28 | 3.10 | 9.18 |
| 2002-03 | 13.75 | 3.55 | 10.20 |
| 2003-04 | 15.05 | 3.92 | 11.13 |
| 2004-05 | 16.30 | 4.11 | 12.19 |
| 2005-06 | 17.43 | 4.07 | 13.36 |
| 2006-07 | 23.01 | 4.47 | 18.54 |
| 2007-08 | 25.43 | 1.59 | 23.84 |
| **Total** | **123.25** | **24.81** | **98.44** |

The above facts were brought to the notice of the Government (October 2008). The reply had not been received (May 2009).

**(B)** Government of Kerala constituted Kollam Municipal Corporation (KMC) with effect from 01 October 2000 by merging the areas of Kollam Municipality with the adjoining Grama Panchayats of Eravipuram, Vadakkevila, Kilikolloor and Sakthikulangara. Property tax in the areas of the merged GPs was to be reckoned at the rates prevailing in the other areas of KMC at 14 per cent of the annual rental value with effect from October 2000. Property tax in the areas falling within the merged GPs prior to October 2000 varied from 5 *per cent* to 6 *per cent*. KMC did not reassess the assessments made prior to October 2000 so as to make the rate of property tax uniform throughout its geographical limits. This resulted in KMC collecting property tax at rates varying from 14 per cent to five per cent in areas coming under its geographical limits. Non-adoption of property tax at a uniform rate of 14 *per cent* for all assessments within the KMC limits as prescribed in Section 4 (5) read with section 236 of the Kerala Municipality Act resulted in a loss of Rs.3.74 *crore* during the period from 2001-02 to 2007-08 as shown below:

(Rs. in lakh)

| Sl. No. | Name of annexed GP | Amount demanded on assessments upto 30.9.2000 at old rates | Amount due to be demanded on assessments made upto 30.9.2000 at 14 per cent from 1.10.2000 | Annual shortfall in demand | Total shortfall in demand during the period from 2001-02 to2007-08 (7 years) |
|---|---|---|---|---|---|
| 1 | Eravipuram | 6.75 | 17.19 | 10.44 | 73.08 |
| 2 | Vadakkevila | 8.10 | 18.90 | 10.80 | 75.60 |
| 3 | Kilikolloor | 9.22 | 25.82 | 16.60 | 116.20 |
| 4 | Sakthikulangara | 9.75 | 25.29 | 15.54 | 108.78 |
| | **Total** | **33.82** | **87.20** | **53.38** | **373.66** |

The shortfall in demand of property tax also resulted in short demand of library cess at the rate of 5 *per cent* on the tax amounting to Rs.18.67 lakh during the same period as enumerated below:

(Rs. in lakh)

| Sl.No. | Name of annexed GP | Shortfall in demand |
|---|---|---|
| 1 | Eravipuram | 3.65 |
| 2 | Vadakkevila | 3.78 |
| 3 | Kilikolloor | 5.81 |
| 4 | Sakthikulangara | 5.43 |
| **Total** | | **18.67** |

The matter was reported to Government (November 2008); reply had not been received (May 2009).

## 4.3 Avoidable expenditure in the construction of a Mini Civil Station

**Thidanadu Grama Panchayat undertook construction of a Mini Civil Station without adequate provision of funds or budgetary support, resulting in expenditure of Rs.22.20 lakh as interest/penal interest on belated payment of loan.**

Construction of office buildings for institutions including those transferred from the Government is a function devolved on the Grama Panchayat under the Third Schedule to the Kerala Panchayat Raj Act, 1994. Normally construction of office buildings is undertaken either with the budgetary support of State Government or by utilising own fund. Sub section (1) of Section 197 of the Act ibid states that a Panchayat may borrow any sum of money which may be required for the purposes for which the funds of the Panchayat may be applied under the provisions of the Act or any other law in force provided that while raising such loan, the assets of the Panchayat shall not be pledged for purposes other than for utilizing in remunerative development schemes.

Thidanadu Grama Panchayat in Kottayam district entered into an agreement (April 1991) with the Kerala State Rural Development Board (KSRDB) to construct a Mini Civil Station in Kondoor Village at an estimated cost of Rs.7.93 lakh by availing a loan carrying an interest of 12.5 per cent from the latter under the remunerative development schemes. According to the terms and conditions of agreement, the Panchayat was required to repay the loan amount availed for construction of the building together with the interest due in 24 half yearly instalments starting from the expiry of one year of commencement of work, failing which penal provisions as envisaged in the agreement would be invoked. In the income certificate furnished (April 1991) to the KSRDB, the Panchayat had claimed an amount of Rs.0.99 lakh being 12.5 per cent of the estimate amount as expected annual income from the building.

The Panchayat was required to remit an amount of Rs.23.20 lakh comprising principal of Rs.12.94 lakh and interest of Rs.10.26 lakh in 22 half yearly instalments between March 1995 and September 2005. The Panchayat had remitted a total of Rs.11.12 lakh till March 1999 to KSRDB and defaulted the repayment thereafter. When the KSRDB initiated (August 2003) action to attach the properties to recover the outstanding amount of Rs.24.02 lakh comprising principal of Rs.12.15 lakh and interest and penal interest of Rs.11.87 lakh, the Panchayat again started repayment of the balance amount. Till October 2008, the Panchayat repaid Rs.27.12 lakh and an amount of Rs.8.02 lakh was still pending payment. Thus against the estimated cost of

Rs.7.93 lakh, the Panchayat was bound to repay an amount of Rs.35.14 lakh of which Rs.22.20 lakh forms interest and penal interest. The Panchayat stated (November 2008) that no income had been generated from the building. It was noticed in audit that the ground floor of the building was occupied by Government Ayurveda Dispensary, Krishi Bhavan, Veterinary Hospital, Village Extension Office, Public Library and Reading Room and Kudumbasree Office and the Panchayat Office was housed in the first floor.

Availing of loan under remunerative development schemes for construction of office building is not an authorised function under the KPR Act and hence is irregular. Thus the action of the Grama Panchayat in taking up the construction of Mini Civil Station without considering the availability of own fund or budgetary support of the State Government resulted in avoidable payment of interest of Rs. 22.20 lakh.

The case was reported to Government in November 2008 and reply had not been received (May 2009).

## 4.4 Unintended benefit to private parties

**New Mahe Grama Panchayat failed to control and regulate removal of sand from Mahe River which resulted in irreparable damage to the bio-physical environment apart from non-collection of sale proceed of sand of Rs.18 lakh .**

In order to prevent large scale dredging of river sand from river banks and river beds and to protect their biophysical environment system, Government of Kerala enacted the 'Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001'. As per the Act, the District Collector was to constitute a 'Kadavu Committee' for each Kadavu* to regulate the removal of sand.

As per Section 12 of the Act, the Grama Panchayat shall obtain passes from the Geology Department before carrying out the sand removal operation, which shall be issued on the recommendations of the District Committee. The District Collector shall maintain a fund called the 'River Management Fund' from which all expenses towards management of the Kadavu shall be met. As per Section 17 of the Act, every local authority having a Kadavu or river bank shall contribute 50 per cent of the amount collected by the sale of sand towards the River Management Fund. Section 15 of the Act ibid stipulates that every GP having Kadavu for sand removal shall maintain them in a safe condition and protect its bio-physical environment system by taking effective steps to control

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

river bank sliding. Further, every local authority shall erect concrete pillars at the Kadavu in such a way that no vehicle shall have direct access to the bank of the river. The local authority shall establish a check post at each Kadavu and maintain proper account of the sand removed from the Kadavu.

The New Mahe GP (GP) within which the Mahe River flows over a total length of three kilometres has three[♣] Kadavus. Even after enactment of the Act, the GP did not take any action to regulate the removal of sand and the entire operation of quarrying of river sand from the estuary portion of Mahe river bank was being carried out by private parties without the authority of the GP.

In January 2006, the GP requested the Centre for Water Resources Development and Management (CWRDM) to conduct a study on the quarrying of river sand from Mahe River. In the report submitted (March 2008), CWRDM stated that the maximum quantity of sand that could be removed from three Kadavus was 375 mini lorry loads per month for eight months and that the quantity of river sand quarried by private parties ranged from 400 to 500 mini lorry loads per month for a period of eight months in a year with no quarrying during the other four monsoon months.

The CWRDM recommended a fee of Rs.90 per load to be distributed equally as royalty to Mining and Geology Department, credit to River Management Fund and revenue to New Mahe GP. However, no fee was collected by the GP pending implementation of the provisions of the Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001.

At the minimum rate of 400 lorry loads per month, the quantity of sand removed from May 2002 (Date of effect of Act) to December 2008 works out to 20000 loads (400 x 50 months[£]). At the rate of the prescribed fee of Rs.90 per load, the unintended benefit derived by the private parties amounted to Rs.18 lakh.Thus the failure of the GP in not implementing the provisions of the Act resulted in loss of revenue of Rs. 18 lakh to GP, Mining and Geology Department and River Management fund and at the same time it was an unintended benefit to the private parties also.

The indiscriminate and uncontrolled removal of sand not only causes large scale sliding of river banks but also disturbs the biophysical environmental system of the river. Since no amount had been remitted to River Management Fund, no protection work had been carried out at the above Kadavus as contemplated in the Act.

On being pointed out (February 2009), Government stated (June 2009) that the Grama Panchayat did not take timely action to expedite the removal of sand

[♣] *Kallai Kamath Kadavu-1, Kallai Kamath Kadavu-2 and Challayil Kadavu*
[£] excluding monsoon months

and its sale by auction even after the expiry of 22 months of the sanction of the Kadavus (February 2007) by the District Expert Committee. The Governing body of the Grama Panchayat and its employees were liable for the loss sustained to the Panchayat.

## 4.5 Unfruitful expenditure on setting up of a Municipal Solid Waste Treatment Plant

**Despite spending Rs.72.13 lakh, Perinthalmanna Municipality failed to establish Municipal Solid Waste Treatment Plant**

The Municipal Solid Wastes (Management and Handling) Rules, 2000 stipulates that Municipal Authority shall be responsible for development of infrastructure for collection, storage, segregation, transportation, processing and disposal of Municipal Solid Wastes (MSW) from its area. The biodegradable wastes shall be processed by composting, vermicomposting, anaerobic digestion or any other appropriate biological processing for stabilization of wastes. Non-biodegradable waste shall be disposed off by land filling.

Perinthalmanna Municipality signed an agreement (June 2006) with M/s Techno group (Company), a Government approved service provider for MSW Management, for establishing a MSW Treatment Plant in the land owned by the Municipality at a cost of Rs.45 lakh. The Municipality was to pay Rs.1.40 lakh as Operation and Maintenance (O&M) charge per month to the company. As per agreement, the company was to treat/dispose off the MSW in an efficient manner which was vital from the point of protecting the environment. The bio-degradable and non-biodegradable materials were to be separated manually. The biodegradable waste was to be made into small heaps, treated and converted into organic manure. Being a technology intensive operation, the company was to provide training to persons identified by the Municipality, so that the operations could be taken over by the Municipality on termination of agreement. The Technical Committee constituted by the Municipality was to monitor the performance of the plant.

The initial project proposal envisaged that 10 tonnes of MSW would be supplied by the Municipality per day, which the company would convert to three tonnes of organic manure for the Municipality to dispose through their marketing channels. The proposal also envisaged that the project would be economically viable if the sale price of the compost was fixed at Rs.2225 per M.T. However no specific clause regarding production and supply of manure was incorporated in the agreement, though the Government Order stipulated

that the service provider should ensure the supply of manure as per the agreement.

The work of installation of the plant was completed (March 2007) at a total cost of Rs.48.50 lakh. The plant began operation in April 2007. However, the company neither produced any organic manure nor provided training to any of the persons identified by the Municipality. Besides, the Municipality paid an amount of Rs.23.63 lakhs as O & M charges for 18 months from April 2007. The Municipality stated (May 2008) that the company had not taken any action to convert the MSW into organic manure and instead it resorted to burning of the wastes which, apart from being inconsistent with the agreement clauses, was also an environmental hazard. These defects in the operation were brought to the notice of the Company by the Municipality on several occasions. The Municipality was empowered to order stoppage of service, if the machine output was found not to the expected level and the company was liable to repay the cost of machinery to the Municipality. Since the Municipality found the functioning of the plant unsatisfactory, the agreement was terminated and the operations were handed over temporarily to a Kudumbasree unit (November 2008). The Municipality was on the look out of a competent agency for operating the plant. On a site visit to the plant (December 2008), audit found that the plant was not working and smoke was emanating from the wastes dumped in the yard (see photo below):

***Heap of solid wastes dumped in the yard of waste treatment plant***

The attempt of the Municipality to set up an ecofriendly MSW treatment plant failed to yield the intended benefits in spite of incurring an expenditure of Rs.48.50 lakh towards installation of the plant and Rs.23.63 lakh as operation and maintenance charges due to lack of adequate monitoring and timely remedial action.

The matter was referred to Government in January 2009 and reply had not been received (May 2009).

## 4.6 Extra liability due to departmental lapses

**Failure of Parassala Block Panchayat in handing over site to the contractor within the prescribed time and in fixing the time of completion of work resulted in additional liability of Rs. 18.26 lakh.**

Parassala Block Panchayat (BP) in Thiruvananthapuram District undertook the work of 'Reconstruction of Panchikattukadavu Kurumanal bund road in Thirupuram Panchayat' under National Bank for Agriculture and Rural Development (NABARD) assisted Rural Infrastructure Development Fund (RIDF) IX scheme. The project was originally sanctioned with an outlay of Rs.88 lakh including RIDF loan of Rs.70.40 lakh. The rate of interest charged by NABARD for projects sanctioned under RIDF IX was 6.5 *per cent* per annum. According to the agreement signed in April 2004 between the contractor and the BP, the amount of contract was Rs.85.83 lakh and the date of completion was 30 November 2004. By the stipulated date of completion, only 25 *per cent* of the work was completed. The contractor requested (November 2004) for extension of time till 30 June 2005 due to 'non-availability of sufficient land width in the last portion' which was granted. Again after completion of almost three-fourth portion of the work, the contractor requested (June 2005) for extension of time till 31 March 2006 attributing the reason for delay as 'heavy rain', which was also granted.

NABARD informed Government (September 2005) that they had decided to review the costs of projects sanctioned under RIDF IX and X which had not been grounded[♣] till then due to revision of Schedule of Rates and requested to furnish the details of such works. Even though more than 65 *per cent* of the work was executed, the BP decided (December 2005) to submit proposals to Government for revision of the project cost from Rs.88 lakh to Rs.105.66 lakh. Government included the work in the list of projects 'not grounded' and recommended for cost escalation. NABARD approved the proposal (March 2006) with an outlay of Rs.105.66 lakh including RIDF loan of Rs.84.53 lakh.

[♣] physical work not commenced

Thus the proposal for cost escalation was mooted by the BP in violation of the condition stipulated by NABARD. The total expenditure as per the final bill was Rs.104.09 lakh.

Time is the essence of all contracts. Public Works Departmental Manual prohibits invitation of tender before making sure that land required for the work would be ready for handing over to the contractor. The period of execution of work was to be carefully assessed after taking into account the climatic condition such as rainy seasons etc., prevailing in the work site. The BP did not comply with these requirements. The failure of the BP in making available the site required for the road work to the contractor in time and also in fixing the time of completion of work without considering the rainy seasons resulted in granting cost escalation to the contractor and consequent extra liability of Rs. 18.26 lakh

The matter was reported to Government in February 2009; the reply had not been received(May 2009).

## 4.7 Idle expenditure due to purchase of land without proper approach road

**Failure of the Venkitangu Grama Panchayat, Thrissur in ensuring proper approach road to the newly constructed marketing centre and coconut-fruits processing unit had rendered the investment of Rs. 40.29 lakh unfruitful.**

The Venkitangu Grama Panchayat in Thrissur district purchased (March 2003) 70 cents of land at a cost of Rs.15.40 lakh to set up a Market building and Taxi Stand during 2005-06 at an estimated cost of Rs. 15 lakh. Later the Panchayat decided to establish a 'Coconut and fruits processing and marketing centre' under the SGRY Scheme at an estimated cost of Rs.5.65 lakh in the same place. The estimates of the two works were approved (May 2005) by District Planning Committee and the work commenced in August 2005. By March 2006, construction of coconut and fruit processing and marketing centre and part of the market building and taxi stand was completed. For completing the balance work, the Panchayat prepared and got approved another estimate of Rs.13 lakh during 2007-08. The balance work was entrusted to Nirmithi Kendra, Thrissur and got completed during the first quarter of 2009. The total expenditure incurred upto November 2008 worked out to Rs.40.29 lakh. The building could not be put to use for want of approach road to the site.

As per the Purchase deed of the land, there is an approach road having 4 M width from the Panchayat road to the site through which all type of vehicles could ply. It was however found that the width of the approach road was not uniform and for about 12 M from the Panchayat road, the width of the road varied between 2.7 M and 3.6 M with concrete buildings on both the sides. Hence heavy vehicles could not enter the premise.

The Director of Panchayat stated (May 2009) that the Panchayat had taken step to purchase 8.75 cents of land for the approach road for which an estimate of Rs.6.50 lakh was prepared and got approved by DPC. Thus the failure on the part of the Panchayat to ensure the availability of an encroachment free land for approach road at the time of procurement resulted in idle investment of Rs. 40.29 lakh in addition to the additional liability of Rs. 6.50 lakh towards purchase of land.

The matter was reported to Government in August 2008 and Government confirmed (June 2009) the statement made by the Director of Panchayats.

## 4.8 Avoidable payment of interest/fine

**Six LSGIs delayed payment of water charges for street taps to Kerala Water Authority, resulted in avoidable payment of interest/fine of Rs.4.17 crore.**

Maintenance of water supply schemes within their respective areas is a function of Municipality and Grama Panchayats as per Schedule I and III of the Kerala Municipality Act, 1994 and Kerala Panchayat Raj Act, 1994. According to Section 315 and 234A of the Municipality and Panchayat Raj Acts, all the existing water supply and sewerage services under the Kerala Water Authority (KWA) vest with the respective Municipality and Panchayat from a date specified by Government by notification in the Gazette. Pending transfer of the existing water supply and sewerage services, the KWA is discharging its functions and levying water charges from the consumers including the LSGIs for belated payment of water charges, KWA levies interest/fines at the rates fixed by it from time to time.

LSGIs were paying charges of water supplied through street taps from its own fund. But the LSGIs were not prompt in remitting water charges even when sufficient funds were available with them with the result that the arrears accumulated year after year. Analysis of details regarding water charges of six LSGIs collected from the offices of the Kerala Water Authority revealed that the demands for 2004-05 and 2005-06 included interest/fine aggregating to Rs.4.17 crore as shown below:

(Rs. In lakh)

| Sl. No. | Name of LSGI | Water charge (excluding interest/ fine) | | Interest/fine charged | | | Per centage of fine to water charge | |
|---|---|---|---|---|---|---|---|---|
| | | 2004-05 | 2005-06 | 2004-05 | 2005-06 | Total | 2004-05 | 2005-06 |
| 1 | Shoranur Municipality | 338.12 | 429.42 | 86.85 | 107.63 | 194.48 | 25.69 | 25.06 |
| 2 | Vilayur GP | 199.24 | 257.18 | 51.80 | 65.42 | 117.22 | 26.00 | 25.44 |
| 3 | Ongallur GP | 94.33 | 129.77 | 23.19 | 29.41 | 52.60 | 24.58 | 22.66 |
| 4 | Kavalangad GP | 4.44 | 4.49 | 12.43 | 15.15 | 27.58 | 280.00 | 337.42 |
| 5 | Nellikuzhy GP | 7.94 | 9.78 | 7.42 | 8.30 | 15.72 | 93.45 | 84.87 |
| 6 | Pindimana GP | 1.63 | 1.63 | 3.94 | 5.00 | 8.94 | 241.72 | 306.75 |
| **Total** | | **645.70** | **832.27** | **185.63** | **230.91** | **416.54** | **28.75** | **27.75** |

The interest/fine charged ranged from 22.66 to 337.42 per cent of the water charges during the above period. As these LSGIs were having sufficient balances in their own fund account, they could have avoided the payment of interest/fine by remitting the water charges in time. Thus the laxity on the part of these six LSGIs resulted in avoidable payment of Rs.4.17 crore towards interest/fine due to belated payment of water charges of street taps.

The matter was reported to Government in May 2009; reply had not been received.

Thiruvananthapuram, **(S.NAGALSAMY)**
The Principal Accountant General (Audit), Kerala

Countersigned

New Delhi, **(VINOD RAI)**
The Comptroller and Auditor General of India