

PREFACE

This Report is prepared for submission to the Governor under Article 151 of the Constitution. The findings arising from performance audit and audit of accounts of Local Self Government Institutions (LSGIs) for the years up to 2002-03 were included in the Report (Civil) of the Comptroller and Auditor General of India (CAG). From 2003-04 onwards a separate Report of the CAG on LSGIs is prepared each year for inclusion of audit findings relating to LSGIs.

Chapter I of this Report contains an overview of the structure and finances of the LSGIs and related observations. In Chapter II, comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision to the Director of Local Fund Audit under Section 20 (1) of the CAG's (DPC) Act, 1971 are included. The remaining chapters contain audit observations arising from performance audit and audit of accounts of all categories of LSGIs viz. District Panchayats, Block Panchayats, Grama Panchayats, Municipal Corporations and Municipalities.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the period subsequent to 2008-09 have also been included wherever necessary.

OVERVIEW

This Report comprises four chapters of which chapters I and II contain an overview of the structure and finances of Local Self Government Institutions (LSGIs) and comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision (TGS) arrangement. Chapters III and IV contain three reviews and twelve paragraphs. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies wherever received have been duly incorporated.

Structure and Finances of the Local Self Government Institutions

Against ` 1848.22 crore available for utilisation during 2008-09 under Development Expenditure Fund the actual utilisation by the LSGIs was only ` 1476.66 crore. The underutilisation of funds provided in the State Budget for implementation of State schemes transferred to LSGIs and State share of Centrally Sponsored Scheme led to lapse of ` 60.21 crore. Financial achievement in respect of SJSRY, IDSMT/UIDSSMT (except 2005-06) and JNNURM, was below 50 per cent in all the years for the period 2005-06 to 2008-09. The preparation and submission of annual accounts by LSGIs for audit were in arrears, though it is mandatory for the LSGIs to submit their accounts to Director of Local Fund Audit (DLFA) by 31 July every year. The audit of accounts of LSGIs by the DLFA was also in arrears. There were lapses on the part of PRIs in maintaining the prescribed registers in the proper form and preparation of monthly accounts and Annual Financial Statements.

(Paragraph 1.1 to 1.14.3)

Supplementary audit under the Technical Guidance and Supervision arrangement

Supplementary audit of 62 LSGIs conducted during 2008-09 revealed non-maintenance or improper maintenance of books of accounts and other records by LSGIs and lapses in the preparation of budget and Annual Financial Statements. The audit methodology adopted by DLFA also needs to be streamlined and strengthened by adopting professional auditing techniques. The staff of Local Fund Audit Department requires to be trained in IT audit, financial audit and double entry accounting.

(Paragraph 2.1 to 2.10)

Implementation of Indira Awaas Yojana

Indira Awaas yojana (IAY) implemented by Government of India as an independent scheme from January 1996 was aimed at rendering financial assistance for construction / up-gradation of dwelling units to the poor families of the Scheduled Castes, Scheduled Tribes, free bonded labourers, physically and mentally challenged persons and non-SC/ST persons living Below Poverty Line in the rural areas. The scheme was funded on cost sharing basis of 75:25 between the Central and State Governments. Some of the important points noticed during the review of the implementation of IAY are given below:

Central assistance of ` 1.03 crore could not be availed due to underutilisation of funds. State's share was short released by ` 34.22 lakh. Supplementary

assistance provided by 12 Block Panchayats was short of the amount due to the beneficiaries by ` 9.39 crore during 2004-05 to 2008-09. Five Block Panchayats falsely showed higher financial achievement by drawing cheques for ` 51.44 lakh in advance of requirement. Nine Block Panchayats had retained 521 cheques for ` 69.46 lakh drawn between March 2007 and April 2009 instead of depositing the amount in the savings bank account for IAY. Thirteen Block Panchayats had made irregular deductions amounting to ` 13.27 lakh from the payments made to 4285 beneficiaries.

(Paragraph 3.1)

Drinking Water Supply Schemes implemented by Panchayat Raj Institutions

Under the Kerala Panchayat Raj Act 1994 (KPR Act), Panchayat Raj Institutions (PRIs) are vested with the right and power to prepare and implement water supply and sewerage schemes within the area of the Panchayat. Under the provision of the Kerala Water Supply and Sewerage Act 1986, though Kerala Water Authority (KWA) is responsible for supply of drinking water in the State, Government may by notification in the gazette relieve KWA from this responsibility and transfer all plants, machinery, pumping station and all buildings and land thereto, management of water supply, distribution, levy and collection of water charge to the Panchayats for their benefit. Accordingly, 371 KWA schemes were handed over to the Grama Panchayats so far (June 2009). The review revealed that the status of coverage of the existing drinking water facilities was not available with the PRIs test-checked due to non preparation of detailed maps showing the fully benefited, partially benefited and non-benefited areas. Though PRIs were not required to pay centage charges, KWA recovered ` 3.30 crore towards centage charges from the amount deposited with them during 2004-05 to 2008-09. Unspent balance of ` 2.37 crore deposited with KWA during 2004-05 to 2008-09 in respect of 188 completed/abandoned works was not recovered. None of the PRIs had formulated projects for periodical testing and quality control of drinking water.

(Paragraph 3.2)

Integrated Development of Small and Medium Towns/Urban Infrastructure Development Scheme for Small and Medium Towns

The Centrally Sponsored Scheme for integrated Development of Small and Medium Towns (IDSMT) aimed to slow down migration of rural population to large cities by the development of selected small and medium towns as regional growth centres was launched during 1979-80. During 2005-06, subsuming IDSMT and Accelerated Urban Water Supply Programme, Government of India launched 'Urban Infrastructural Development Scheme for Small and Medium Towns' (UIDSSMT) with the objective to (i) improve structural facilities and help create durable public assets and quality oriented services in cities and towns (ii) enhance public – private partnership in infrastructural development and (iii) promote planned integrated development of towns and cities. The important points noticed during an audit of the above schemes were as given below:

Four Municipalities failed to attain the effective expenditure of 70 per cent of the grant released earlier resulting in the lapse of assistance of ` 2.78 crore under IDSMT scheme. None of the Municipalities test-checked had created the Revolving fund as contemplated in the IDSMT guidelines for development of infrastructure on a continuous basis. Deficiency in raising loans from financial institutions was compensated by five Municipalities by diverting ` 2.17 crore from the fund released for the projects not implemented. Thirty five out of 73 approved projects under IDSMT for which grant amounting to ` 5.55 crore was released were not taken up for implementation.

The expenditure incurred on the implementation of UIDSSMT scheme was ` 26.50 crore only against the total release of ` 194.70 crore during 2006-07 and 2008-09. Monitoring committees as prescribed in Government of India guidelines for IDSMT/UIDSSMT schemes were not constituted.

(Paragraph 3.3)

Transaction Audit

Audit of financial transactions subjected to test-check in various LSGIs revealed instances of loss of revenue/loss of Central assistance/unfruitful expenditure/idle investment and other irregularities as mentioned below:

Delay in complying with the directions of the High Court of Kerala to levy licence fee for manufacture and sale of food articles resulted in the loss of revenue of ` 2.58 crore.

(Paragraph 4.1)

Local Self Government Institutions of Thiruvananthapuram District failed to lift 3399.082 metric tonne of food grains valued ` 2.77 crore allotted by Government of India for implementation of Sampoorna Gramin Rozgar Yojana.

(Paragraph 4.2)

Failure of Nedumangad Municipality in fulfilling the conditions stipulated by Government of India for construction of an indoor stadium resulted in loss of Central assistance amounting to ` 67.50 lakh.

(Paragraph 4.3)

The expenditure of ` 24.03 lakh incurred by Cherthala Municipality on construction of a Town Hall remained unfruitful due to the failure of the Municipality to get the work completed even after six years.

(Paragraph 4.4)

Failure of District Panchayat, Wayanad in conducting proper feasibility study resulted in infructuous expenditure of ` 19.59 lakh on an Irrigation Project.

(Paragraph 4.5)

In Puzhakkal Block Panchayat, non completion of a water supply scheme for more than 11 years resulted in non achievement of the objective of solving water scarcity in Adat Grama Panchayat and unfruitful expenditure of ` 13.38 lakh.

(Paragraph 4.8)

Non - completion of a work shed and common facility centres in Scheduled Caste colonies in Kollam District despite spending ` 3.50 crore by the District Panchayats resulted in denial of benefit intended from the project for the past two years apart from loss of interest of ` 36.03 lakh on the blocked up funds.

(Paragraph 4.9)

Failure of Malappuram Municipality to complete the construction of a modern slaughter house even after the lapse of more than eight years led to unproductive investment of ` 20 lakh.

(Paragraph 4.10)

An incinerator purchased by Cherthala Municipality at a cost of ` 12.40 lakh had to be abandoned due to lack of proper maintenance after being used only for 14 months.

(Paragraph 4.12)

CHAPTER I

THE STRUCTURE AND FINANCES OF LOCAL SELF GOVERNMENT INSTITUTIONS

1.1 Introduction

The seventy third and seventy fourth amendments of Constitution of India, gave constitutional status to the Local Self Government Institutions (LSGIs). The Constitutional amendments established a system of uniform structure, regular election, regular flow of funds, etc. After the enactment of 73rd and 74th constitutional amendments, the State Legislature passed the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act) to enable the LSGIs to work as a third tier of Government. In particular, the LSGIs were required to prepare plans and implement schemes for economic development and social justice including those included in the Eleventh Schedule of the Constitution. Government devolved upon the Panchayats and Municipalities the responsibilities, institutions and schemes relating to matters enlisted in the schedules of the Acts with effect from October 1995.

1.2 Decentralised Planning

The Constitution and the State Acts ibid envisage that the LSGIs are to plan and implement schemes for economic development and social justice. Accordingly, the Planning and Economic Affairs Department through an executive order introduced (July 1996) decentralization of the planning process in the State during the IX Five Year Plan. Government designed (July 1996) the decentralized planning process in a campaign mode called People's Plan Campaign with active participation of all sections of the people in the form of Working Groups, Grama / Ward Sabhas and development seminars. During the X Five Year Plan the decentralized programme in the State was restructured and named 'Kerala Development Plan'. Kerala's decentralised planning has been gearing up for the execution of the XI Five Year Plan from 2007-08. The Government (Local Self Government Department) decided (May 2007) to launch the second phase of the People's Plan Programme in the State for proper institutionalisation of decentralisation during the Plan period.

1.3 Profile of LSGIs

As on 31 March 2009, there were 1223 LSGIs in the State. The details of the area, population, etc., of the LSGIs are presented in **Table 1.1**.

Table 1.1: Area, Population, Population density of LSGIs

Sl. No.	Type of LSGIs	Number	Area (Sq Km)	Average area per LSGI (Sq Km)	Population (as per 2001 census)	Average population per LSGI	Density of population per Sq Km
1	Municipal Corporations	5	477.99	95.60	2456200	491240	5139
2	Municipalities	53	1253.22	23.65	2738170	51664	2185
3	District Panchayats (DPs)	14	37123.79	2651.70	26647004	1903357	718
4	Block Panchayats (BPs)	152		244.24		175309	
5	Grama Panchayats (GPs)	999		37.16		26674	
Total		1223	38855.00		31841374		819

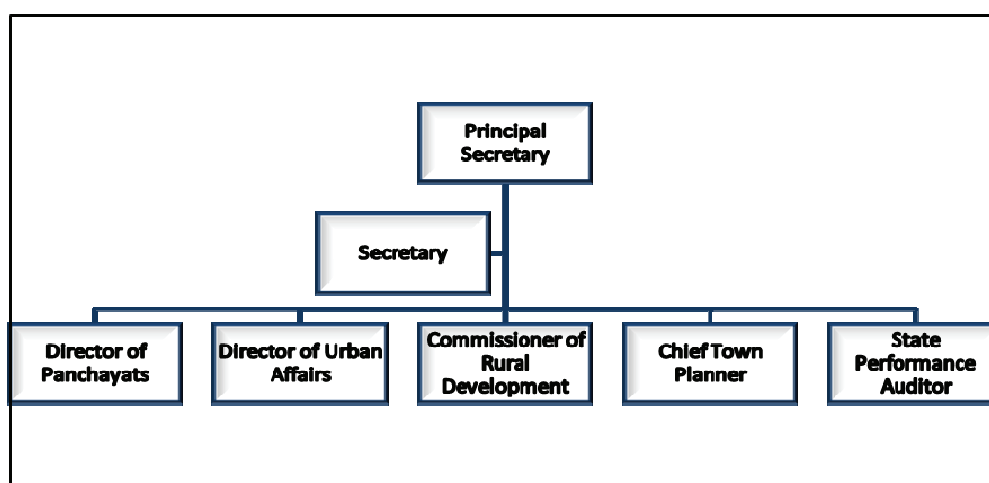
Source: Census 2001

The general election to 1223 LSGIs in Kerala was last held in September 2005 when 20554 representatives were elected.

1.4 Organisational set up

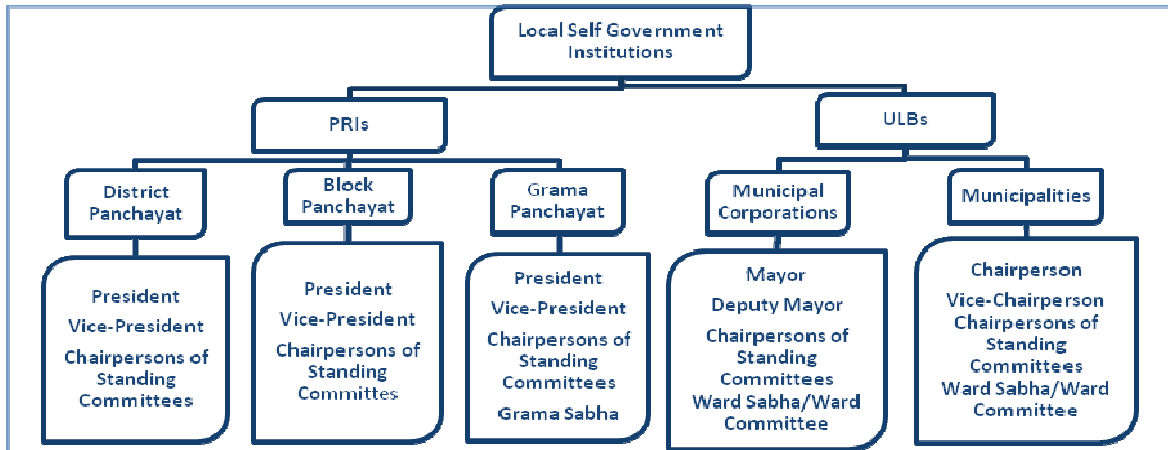
LSGIs constituted in rural and non-rural areas are referred to as Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The Government in the Local Self Government Department (LSGD) is empowered to issue general guidelines to the LSGIs in accordance with the National and State policies in matters such as finance, maintenance of accounts, office management, formulation of schemes, selection of sites and beneficiaries, proper functioning of Grama Sabha, welfare programmes and environmental regulations and the LSGIs have to comply with such directions. Government also conducts periodical performance audit in respect of the administration of the LSGIs. **Chart 1.1** depicts the executive arrangements in place in the LSGD to execute the above functions of the Government.

Chart 1.1: Executive arrangements in LSGD



The administrative control of the Grama Panchayats, Block Panchayats and the Municipalities is vested with the Director of Panchayats, Commissioner of Rural Development and the Director of Urban Affairs respectively. The District Panchayats and the Municipal Corporations are under the direct control of the Government. The State Performance Auditor audits the performance of the LSGIs as per Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and Kerala Municipality (Manner of Inspection and Audit System) Rules, 1997. **Chart 1.2** presents the three tier system in LSGIs in the State.

Chart 1.2: Organogram of LSGIs



The members of each tier of the Panchayats elect the President, Vice President and Chairpersons of the Standing Committees. Similarly, Councillors of the Municipality/Municipal Corporation elect the Chairperson/Mayor, Vice Chairperson/Deputy Mayor and Chairpersons of the Standing Committees. The President/Chairperson/Mayor is the Executive Head of the LSGIs. Each LSGI has a Secretary and he is the Executive Officer. While the Secretaries of LSGIs and employees of PRIs are Government servants, the employees of ULBs are Municipal staff.

To execute the various functions of the LSGIs, Standing Committees have been constituted. The Committees in each type of the LSGI are given in **Table 1.2**.

Table 1.2: Standing Committees in LSGIs

Name of Committee	LSGIs where the Committees are constituted
Standing Committee for Finance	Municipal Corporation, Municipality, District Panchayat, Block Panchayat, Grama Panchayat
Standing Committee for Development	
Standing Committee for Welfare	
Standing Committee for Health Education	Municipal Corporation, Municipality, District Panchayat
Standing Committee for Works	
Standing Committee for Town Planning	Municipal Corporation
Standing Committee for Appeal relating to tax	

1.5 Powers of State Government over LSGIs

Table 1.3 below shows some of the powers of the State Government over the LSGIs in the decentralised set up.

Table 1.3: Powers of State Government over LSGIs

Act/Rule/Authority	Powers exercised by Government
Section 254 of KPR Act & Section 565 of KM Act	Power to frame rules Government may, by notification in Gazette make rule to carry out all or any purpose of KPR Act and KM Act subject to approval by the State Legislature.

Act/Rule/Authority	Powers exercised by Government
Section 193 of KPR Act & Section 64 of KM Act	<p>Power to dissolve LSGIs Government shall by notification in the gazette dissolve the LSGIs, if the LSGIs fail to pass the budget of the LSGIs for the succeeding financial year before the end of the financial year which causes financial crisis. Government may dissolve LSGIs if the Government is of the opinion that the LSGIs persistently make default in performing the duties imposed on it by law. The dissolution of the LSGIs is subject to approval by State Legislature.</p>
Section 191 of KPR Act & Section 57 of KM Act	<p>Power to cancel and suspend a resolution or decision taken by LSGIs Government may cancel a resolution or decision taken by LSGIs if Government is of the opinion that it is not legally passed or in excess of the power conferred by KPR Act /KM Act / any other law or likely to endanger human life, health, public safety or communal harmony or in violation of directions issued by Government.</p>
Sections 179,180 & 181 of KPR Act and Sections 48 & 227 of KM Act	<p>Power of appointment, cadre control, transfer etc The Secretaries of LSGIs and the employees of the PRIs are Government servants. The Government shall regulate the classification, method of recruitment, conditions of service, pay and allowance, discipline and conduct of the Secretaries of the LSGIs. Government may at any time transfer the Secretary from a LSGI. The Government shall lend the service of Government officers and employees of the Panchayat as may be necessary for the implementation of any scheme, project or plan assigned to the Panchayat. An appeal against any order of the Panchayat imposing any minor penalty on any officer or employee shall lie with Government.</p>
Section 189 of KPR Act & 58 of KM Act	<p>Power to issue guidelines and to conduct enquiry Government shall have the power to issue general guidelines to the LSGIs in matters such as finance, maintenance of accounts, formulation of schemes, proper functioning of Grama Sabha, selection of sites and beneficiaries, etc. If there is any default in the implementation of the schemes or maintenance of accounts or complaint is received in the matter Government may arrange enquiry into the matter and the Panchayat shall co-operate with such enquiry.</p>

The KPR Act also empowers the State Government with the following powers so that it can monitor the proper functioning of the PRIs.

- Call for any record, register, plan, estimate, information from the PRIs
- Inspect any office or any record or any document of the PRIs
- Arrange periodical performance audit of the administration of the Panchayat
- Inspect the works and development schemes implemented by PRIs
- Take action for default by a Panchayat President or Secretary

In addition, the KPR Act and KM Act, *inter alia*, empowers the Secretary, LSGD who is the State Performance Audit Authority (SPAA) at the State level with the following powers:

- Rectification of defects and pointing out mistakes after inspecting the accounts, money transactions, office functioning and public works of the Panchayat ;

- To give necessary instructions to the Panchayats to take follow up actions on the performance audit report ;
- To ensure that the performance audit teams are conducting tri-monthly performance audit in all Panchayats.

Further, the Secretary of a Panchayat may adopt the following procedure to assist the State Government in preventing passing of illegal resolutions:

- When the Secretary is of the opinion that a resolution passed by the Panchayat has not been legally passed or passed in excess of the powers conferred by the Act, request the Panchayat, in writing, to review its decision;
- After discussion of the subject, if the Panchayat resolves to uphold its earlier decision, the Secretary shall forward the Panchayat resolution and his opinion thereon to the Government for its decision;
- The Secretary shall inform the President any direction received from the Government and shall take further action in accordance with the said direction.

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

1.6 Status of transfer of functions and functionaries

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

The State Government has transferred 26 functions to the PRIs and 17 functions to the ULBs. Three functions (minor forest produce, distribution of electricity and implementation of land reforms) relating to PRIs and one function (fire service) relating to ULBs remain to be transferred. KPR Act and KM Act define functional domain of different tiers / levels of LSGIs with great deal of precision. The functions have been divided into matters enumerated as mandatory, general and sector wise as given in **Table 1.4.**

Table 1.4: Functions of different tiers of LSGIs

Type of LSGIs	Acts/Rules/ Authority	Number of functions		
		Mandatory	General	Sector wise
Grama Panchayat	166 (1) of KPR Act	27	14	76
Block Panchayat	172 (1) of KPR Act	-	3	28
District Panchayat	173 (1) of KPR Act	-	3	65
Municipality	30 (1) of KM Act	30	14	107
Municipal Corporation	30 (1) of KM Act	30	14	107

Government transferred institutions and schemes relating to matters specified in the schedules to the KPR Act and KM Act to the LSGIs concerned. The institutions transferred to the LSGIs includes (i) Primary, Secondary and Higher Secondary Schools (ii) Dispensaries, Primary Health Centres, Community Health Centres, Taluk Hospitals (iii) Anganwadis (iv) Krishi Bhavan and District Agricultural Farms (v) Veterinary Institutions (vi) Animal Husbandry Farms (vii) Pre-matric Hostels for Scheduled Castes. The heads of the institutions are responsible for implementation of the schemes entrusted to them by LSGIs. Along with the transfer of institutions and schemes Government had also transferred the functionaries to the LSGIs.

1.7 Regulatory Environment

Mentions were made in Paragraph 1.5 of the Report of the Comptroller and Auditor General of India (LSGIs) for the years 31 March 2005, 31 March 2006, 31 March 2007 and 31 March 2008 regarding conflicting provisions in Kerala Local Fund Audit Act (KLFA Act), KPR Act & KM Act, on the due date for submission of Consolidated Audited Statement of accounts of all LSGIs to Government for placing before the Legislature. Though Government agreed (July 2007) to make suitable amendments to the KPR Act and KM Act, it has not materialised as of May 2010.

KPR Act and KM Act stipulate that an officer authorised by Government should consolidate audited accounts of LSGIs. Government stated (May 2010) that the LSGD finalised the formalities for collection and consolidation of audited accounts of LSGIs and authorised the Additional Secretary to Government (FM) to complete the process. Further progress in the matter is awaited.

Government did not frame Rules and Manuals for preparation of budget and accounts in PRIs in tune with the revised accounting formats. This contributed to the poor accounting and financial reporting by PRIs as evidenced from lapses in the preparation of Annual Financial Statements, preparation of budget, etc., mentioned in chapter II of this Report. Government stated (May 2010) that the preparation of KPR (Accounts) Rules and KPR (Accounts) Manual were at the final stage.

Section 63 of KM Act and Section 192 of KPR Act stipulate that the Administrative Report of each LSGI is to be prepared every year by 30 September of the succeeding year and forwarded to an officer authorised by the Government for consolidation and submission to the Government and the Legislative Assembly. No officer has been nominated to ensure preparation and consolidation of the Administrative Reports.

1.8 Financial Reporting

Director of Local Fund Audit (DLFA) is the statutory auditor of the LSGIs. The Comptroller and Auditor General of India (CAG) provides Technical Guidance and Supervision (TGS) under Section 20(1) of CAG's (DPC) Act, 1971 for the proper maintenance of accounts and audit of LSGIs. The CAG also conducts audit of LSGIs under the provisions of Sections 14 and 15 of the Act *ibid* wherever applicable.

According to Section 9(1) of KLFA Act, it is mandatory for the LSGIs to submit their accounts to DLFA for audit by 31 July every year. As on 31 July 2009, 1030 accounts pertaining to the period from 1996-97 to 2008-09 were in arrears as shown in **Appendix I**. Against 2947 accounts due to be received during 2008-09, the number of accounts received was 1917 (66 per cent). **Table 1.5** gives the age-wise details of pendency in submission of accounts by the LSGIs.

Table 1.5: Pendency in submission of accounts

Pendency	Number of Accounts
10 year and above	101
5 to 9 years	111
1 to 4 years	182
Less than 1 year	636
Total	1030

Source: DLFA

Analysis of arrears in submission of accounts showed that the pendency was high in Municipal Corporations followed by District Panchayats, Block Panchayats and Municipalities as shown in **Table 1.6**.

Table 1.6: LSGIs-wise arrears in submission of accounts

LSGIs	No. of LSGIs	No. of accounts in arrears	Ratio of column 3 to column 2
Grama Panchayat	999	573	0.57
Block Panchayat	152	298	1.96
District Panchayat	14	32	2.28
Municipality	53	100	1.89
Municipal Corporation	5	27	5.40

Source: DLFA

Though Rule 16 of Kerala Local Fund Audit Rules, 1996, empowers the DLFA to carry out proceedings in a Court of Law against the Secretaries of the LSGIs who default the submission of accounts, no such action was taken against the defaulting LSGIs.

1.9 Arrears in audit and issue of Audit Reports

DLFA received 14793 accounts up to July 2009 against 15823 accounts due to be received (including the accounts for 2008-09). Of these, 10048 Audit Reports were issued (July 2009). The arrears in the issue of Audit Reports were 4745 (32.08 per cent). As per Section 10 of KLFA Act, 1994, the DLFA should complete the audit of accounts submitted by LSGIs within six months of receipt of accounts. As of July 2009, 4168 accounts were pending audit. The DLFA stated (April 2010) that the audit of the accounts submitted by the auditee institutions could not be conducted on time due to shortage of staff.

1.10 Database on the finances of LSGIs

As recommended by Eleventh Finance Commission (EFC), CAG had prescribed eight standard formats for creation of database of the revenue and expenditure of all LSGIs. Though Government accepted (September 2004) the formats prescribed by CAG, the development of database was not started. Government constituted (February 2008) a committee to look into the matter. Government stated (January 2010) that the committee examined the formats for the creation of database on finances of PRIs/ULBs and arrived at the

conclusion that only after computerisation of accounts of ULBs/PRIs all the reports envisaged in the formats could be generated.

1.11 Receipts of LSGIs

The receipts of LSGIs are classified into four groups, viz., grant-in-aid, loans, own funds and other receipts. These groups are further classified into seven categories viz., Categories 'A' to 'G'. **Chart 1.3** depicts the categories of funds.

Chart 1.3: Categories of funds

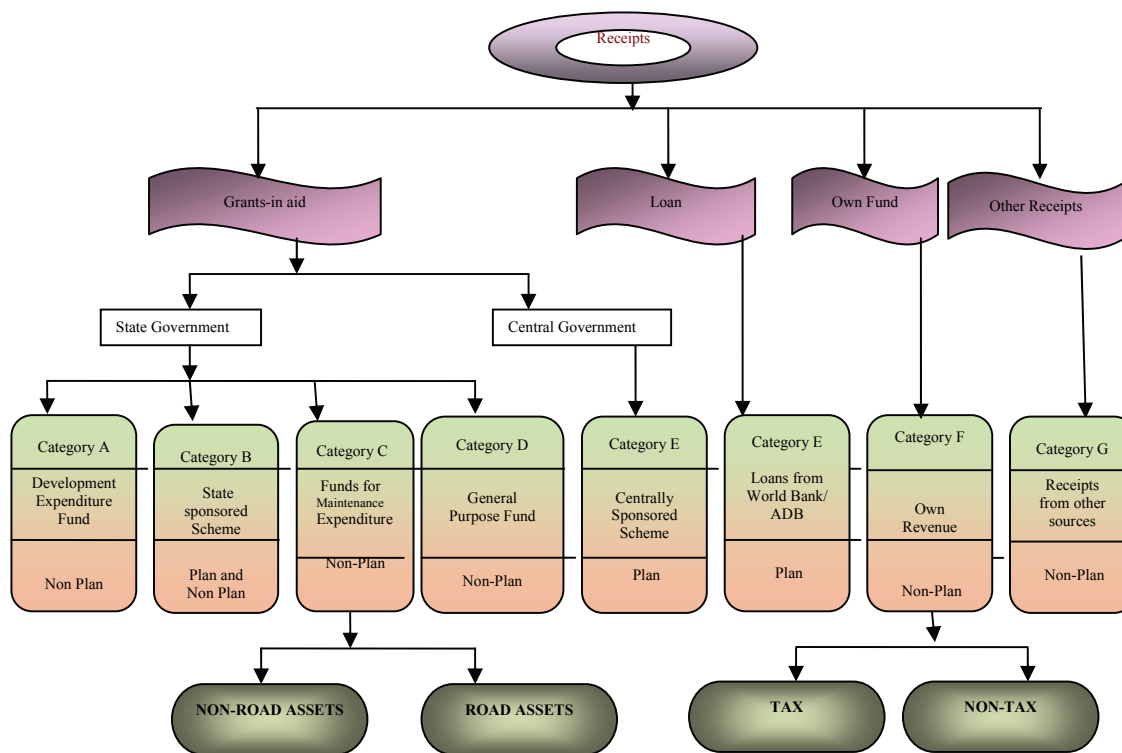


Table 1.7 presents the receipts of the PRIs and ULBs and the **Chart 1.4** depicts the trend in receipts during 2005-06 to 2008-09.

Table 1.7: Receipts of LSGIs

Receipts of LSGIs	2005-06	2006-07	2007-08	2008-09	Total
<i>(₹ in crore)</i>					
Receipts of PRIs					
Development Expenditure Fund (Category A)	854.83	1193.88	1311.49	1427.39	4787.59
State Sponsored Schemes & State share of Centrally Sponsored Scheme (Category B)	412.62	530.79	549.02	597.57	2090.00
Maintenance Expenditure Fund (Category C)	248.53	287.84	336.61	325.41	1198.39
General Purpose Fund (Category D)	203.54	239.85	263.86	291.24	998.49
Central share of Centrally Sponsored Schemes (Category E)	172.79	209.00	297.49	405.21	1084.49
Receipts from other sources (Category G)	-	100.41	0.90	2.49	103.80
Total*	1892.31	2561.77	2759.37	3049.31	10262.76

Receipts of ULBs					
Development Expenditure Fund (Category A)	153.32	206.48	226.95	242.84	829.59
State Sponsored Schemes & State share of Centrally Sponsored Scheme (Category B)	60.72	55.05	427.69	209.87	753.33
Maintenance Expenditure Fund (Category C)	58.10	62.16	68.37	72.11	260.74
General Purpose Fund (Category D)	46.81	60.11	66.12	72.74	245.78
Central share of Centrally Sponsored Scheme [#] (Category E)	31.06	114.09	157.19	405.91	708.25
Receipts from other sources (Category G)	9.50	60.01	22.24	5.32	97.07
Total*	359.51	557.90	968.56	1008.79	2894.76
Grand total*	2251.82	3119.67	3727.93	4058.10	13157.52

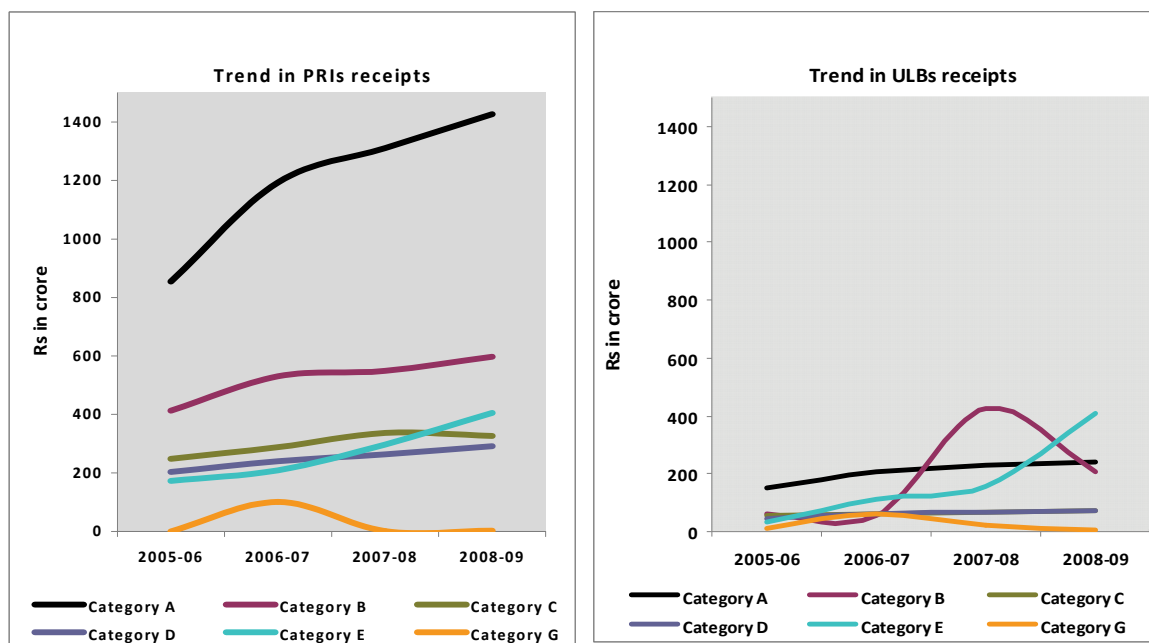
Source: Appendix IV to Budget Estimates of the State for 2005-06 to 2008-09, Appropriation Accounts for 2005-06 to 2008-09, Finance Accounts of the State, Kerala Urban and Rural Development Finance Corporation, Housing and Urban Development Corporation, Kerala State Co-operative Bank.

[#] Compiled from the details furnished by Commissioner of Rural Development, Kerala Sustainable Urban Development Project, State Poverty Eradication Mission and Chief Town Planner

* Does not include own fund as the details of own fund of the LSGIs are not collected and consolidated

State Government devolves/transfers funds to LSGIs under Category A, C and D. Central and State Finance Commission mandated transfers for LSGIs are subsumed in these categories.

Chart 1.4 Receipts of PRIs and ULBs



The table and the chart show the following:

- The receipts (excluding own fund) of PRIs increased from ₹ 1892.31 crore in 2005-06 to ₹ 3049.31 crore in 2008-09 (61 per cent) while in ULBs the receipts increased from ₹ 359.51 crore in 2005-06 to ₹ 1008.79 crore in 2008-09 (181 per cent).
- The receipts of LSGIs from State Government during 2005-06 to 2008-09 amounted to ₹ 11163.91 crore constituting 85 per cent of total receipts.

- The Development Expenditure Fund dominates receipts from State Government in LSGIs. The Development Expenditure Fund of PRIs and ULBs increased from ₹ 854.83 crore and ₹ 153.32 crore in 2005-06 to ₹ 1427.39 crore and ₹ 242.84 crore in 2008-09 respectively. The increase being 67 per cent for PRIs and 58 per cent for ULBs.
- The percentage increase in receipts for implementation of Centrally Sponsored Schemes was 135 for PRIs and 1207 for ULBs during 2005-06 to 2008-09.

1.12 Receipt under different categories of fund

Category 'A' funds are provided by the State Government under three distinct sectors viz. General, Special Component Plan (SCP) and Tribal Sub Plan (TSP) to LSGIs from the State annual plan outlay to carry out projects formulated by the LSGIs under People's Plan Campaign. Based on the recommendation of Third State Finance Commission (TSFC), funds allocated to the LSGIs for meeting their expenditure on traditional functions, maintenance and developmental activities were deposited in Public Account as Deposit of Local Bodies by way of transfer credit from the Consolidated Fund of the State. The allocation to each LSGI was made in ten equal monthly instalments from the Public Account of the State. The amount provided in the budget of the State Government, the amount released, amount utilized, etc., during 2005-06 to 2008-09 are given in **Table 1.8**.

Table 1.8: Allocation, receipt and utilisation of Category A fund

(₹ in crore)

Year	Budget provision				Amount released	Amount available ¹ for utilisation	Amount actually spent	Percentage of utilisation
	General	SCP	TSP	Total allocation				
Municipal Corporation								
2005-06	74.54	17.83	-	92.37	67.40	67.40	65.70	97.48
2006-07	70.50	21.49	-	91.99	92.03	92.05	71.75	77.95
2007-08	77.55	23.64	-	101.19	101.09	121.30	99.46	82
2008-09	85.31	26.00	-	107.42	106.92	109.50	85.53	78.11
Total	307.90	88.96	-	392.97	367.44	390.25	322.44	82.62
Municipality								
2005-06	93.75	20.80	0.57	115.12	85.92	85.92	85.28	99.25
2006-07	88.70	25.06	0.69	114.45	114.45	114.83	97.08	84.54
2007-08	97.58	27.57	0.75	125.90	125.86	142.39	114.59	80.48
2008-09	107.33	30.32	0.83	135.92	135.92	146.63	125.83	85.81
Total	387.36	103.75	2.84	491.39	462.15	489.77	422.78	86.32
District Panchayat								
2005-06	124.16	59.17	14.88	198.21	117.02	117.02	113.37	96.88
2006-07	116.60	71.29	17.94	205.83	205.83	207.89	178.28	85.76
2007-08	128.25	78.42	19.74	226.41	225.11	255.97	197.66	77.22
2008-09	141.08	86.26	21.71	243.67	243.66	277.69	200.53	72.21
Total	510.09	295.14	74.27	874.12	791.62	858.57	689.84	80.35
Block Panchayat								
2005-06	123.16	59.17	9.92	192.25	140.84	140.84	130.35	92.66
2006-07	116.60	71.29	11.96	199.85	199.85	207.26	178.98	86.36
2007-08	128.25	78.42	13.16	219.83	219.83	245.97	203.05	82.55
2008-09	141.08	86.26	14.47	240.08	240.07	263.33	223.77	84.98
Total	509.09	295.14	49.51	852.01	800.59	857.40	736.15	85.86

¹ Unutilized balance of previous year and amount transfer credited

Grama Panchayat								
2005-06	574.75	177.50	24.80	777.05	596.97	596.97	592.91	99.32
2006-07	544.10	213.87	29.91	787.88	788.20	790.77	688.61	87.08
2007-08	598.52	235.25	32.90	866.67	866.55	967.06	763.09	78.91
2008-09	658.37	258.79	36.19	943.44	943.66	1051.07	841.00	80.01
Total	2375.74	885.41	123.80	3375.04	3195.38	3405.87	2885.61	84.72

Source: Appendix IV to the budget estimates, detailed Appropriation Accounts for the years 2005-06 to 2008-09 and details furnished by Information Kerala Mission

- While the utilization in all the LSGIs was above 92 per cent during 2005-06, the utilization ranged between 72 per cent and 87 per cent during 2006-07 to 2008-09.
- Against ₹ 1848.22 crore available for utilization during 2008-09 the actual utilization was ₹ 1476.66 crore. The unutilized balance amounted to ₹ 371.56 crore.
- The LSGIs are prohibited from diverting funds earmarked for one sector to another. However, Government could not ensure that funds earmarked for a particular sector were not diverted to another sector as details of expenditure under each sector were not ascertainable from the Government accounts. The figures of expenditure booked in the State Accounts was actually the amount transferred to Public Account and not the actual expenditure incurred by the LSGIs.

Category 'B' funds consist of Plan and Non-plan funds for implementation of State schemes transferred to LSGIs and State share of Centrally Sponsored Schemes. The share of each LSGI is not provided in the budget and is decided by the Head of the Department to which the scheme relates. The allotments of funds to LSGIs are made by the District officers of the Department concerned. Department/Major Heads-wise allocation and utilization of Plan and Non-plan funds under category 'B' during 2008-09 are given in **Table 1.9**.

Table 1.9: Provision and expenditure under Category B fund

(₹ in crore)

Major Head	Provision			Expenditure			Percentage		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
2202-General Education	-	144.58	144.58	-	98.56	98.56	-	68.17	68.17
2210- Medical and Public Health	-	18.89	18.89	-	8.82	8.82	-	46.69	46.69
2217- Urban Development	156.00	-	156.00	181.80	-	181.80	116.54	-	116.54
2225- Welfare of SC/ST and other backward class	34.15	2.70	36.85	31.69	2.70	34.39	92.80	100.00	93.32
2230- Labour and Employment	-	52.12	52.12	-	48.96	48.96	-	93.94	93.94
2235- Social security and Welfare	-	322.49	322.49	-	303.66	303.66	-	94.16	94.16
2401- Crop Husbandry	-	10.61	10.61	-	10.33	10.33	-	97.36	97.36
2402-Soil and Water Conservation	-	0.11	0.11	-	0.11	0.11	-	100.00	100.00
2403- Animal Husbandry	-	∞	-	-	0.04	0.04	-	-	-
2415- Agricultural Research and Education	-	0.01	0.01	-	-	-	-	-	-

∞ Amount provided : ₹ 1000

2501- Special Programmes for Rural Development	40.82	-	40.82	37.18	-	37.18	91.08	0	91.08
2505-Rural Employment	0.10	-	0.10	-	-	-	0	-	0
2515- Other Rural Employment Programmes	24.82	-	24.82	23.34	-	23.34	94.04	-	94.04
2851- Village and Small Industries	-	0.04	0.04	-	0.04	0.04	100.00	100.00	100.00
Total	255.89	551.55	807.44	274.01	473.22	747.23	107.08	85.80	92.54

Source: Appendix IV to Budget Estimates of the State, Detailed Appropriation Accounts 2008-09.

The unutilised funds under category 'B' shall lapse as on 31 March of each year. Out of ₹ 807.44 crore allocated under category 'B' under 14 distinct Major Heads, the expenditure incurred was ₹ 747.23 crore (92.54 per cent). Non-utilisation of funds provided in the budget led to lapse of ₹ 60.21 crore as at the end of 2008-09. Audit noticed that barring 2007-08, persistent underutilization existed in Medical and Public Health during 2005-06 to 2008-09. The percentage of underutilisation ranged between 47 and 62.

Category 'C' funds are Non-plan grants provided by the State Government to meet the expenditure on maintenance of assets of LSGIs. Funds were provided separately for the maintenance of road and non-road assets under separate heads of accounts. As per the recommendation of Second State Finance Commission (SSFC) and TSFC, the State Government was to release under this category 5.5 per cent of State tax revenue of previous year. The Commission also recommended the amount of maintenance grant to be provided to each LSGI during 2006-07. Government accepted the amount of maintenance grant proposed by the Commission for each LSGI only for the first four months of 2006-07 stating that for the payment of maintenance grant for the remaining period, a formula would be finalised by June 2006 based on the value of actual assets transferred and the need for maintaining such assets by LSGIs. However, Government has not prescribed the formula for the periods 2006-07 to 2008-09 and the amount proposed by the Commission is continued to be paid to the LSGIs. The details regarding maintenance grant due and the maintenance grant released and the amount short released during 2005-06 to 2008-09 are given in **Table 1.10**.

Table 1.10: Release of Maintenance grant and utilisation

(₹ in crore)

Year	MG due	MG released	Short(-)/ excess (+) release with reference to entitlement	Expenditure
2005-06	492.97	306.62	(-)186.35	*
2006-07	350.00	350.00	-	*
2007-08	385.00	404.98	(+)19.98	335.08
2008-09	424.00	397.52	(-) 26.48	359.75

Source: Appendix IV to Budget Estimates of the State & detailed Appropriation Accounts of respective years

* Not available

Short release during 2008-09 was due to shortfall in utilisation during 2006-07. Percentage of utilization against release was only 83 and 90 during 2007-08 and 2008-09 respectively.

Category 'D' funds are General Purpose Funds (GPF) provided by the State Government for meeting general expenditure including the expenditure on

traditional functions of LSGIs. According to SSFC and TSFC recommendations, 3.5 per cent of the State tax revenue of previous year was to be provided as GPF in lieu of Basic Tax Grant, Surcharge on Stamp Duty, Rural Pool Grant etc. As against ₹1306.71 crore due to LSGIs, the State Government released ₹1244.27 crore during the period from 2005-06 to 2008-09 as detailed in **Table 1.11**. The short release during the period was ₹ 62.44 crore.

Table 1.11: Release and utilisation of General Purpose Fund*(₹ in crore)*

Year	GPF due	GPF released	Short(-)/excess (+) release with reference to entitlement
2005-06	313.71	250.35	(-) 63.36
2006-07	300.00	299.96	(-) 0.04
2007-08	330.00	329.98	(-) 0.02
2008-09	363.00	363.98	(+) 0.98
Total	1306.71	1244.27	(-) 62.44

Source: Appendix IV to Budget Estimates of the State and detailed Appropriation Accounts 2005-06 to 2008-09

Category 'E' funds consist of grants received from GOI for implementation of Centrally Sponsored Schemes, funds from World Bank, Asian Development Bank, and funds received from District Collector (for flood relief/drought relief), Literacy Mission, etc. The funds under this category are disbursed to the LSGIs through agencies such as Poverty Alleviation Units (PAUs), State Poverty Eradication Mission (SPEM), Kerala Sustainable Urban Development Project, Chief Town Planner, District Collector, etc. The funds are to be deposited and utilised as specified by the fund provider. The details of funds received and utilised during 2005-06 to 2008-09 for Centrally Sponsored Schemes are given in **Table 1.12**.

Table 1.12: Receipt and utilisation of funds for Centrally Sponsored Schemes*(₹ in crore)*

Year	Type of LSGI	Funds distributed to LSGIs				Funds utilized by LSGIs	Percentage of utilisation
		Opening balance*	Central share	State share	Total		
2005-06	PRI	63.31	172.79	58.28	294.38	265.31	90
	ULB	49.63	31.06	19.84	100.53	36.78	37
Total		112.94	203.85	78.12	394.91	302.09	77
2006-07	PRI	29.07	209.00	61.58	299.65	253.12	84
	ULB	63.75	114.09	15.08	192.92	39.85	21
Total		92.82	323.09	76.66	492.57	292.97	59
2007-08	PRI	46.53	297.49	86.21	430.23	371.89	86
	ULB	153.07	157.19	45.59	355.85	33.95	10
Total		199.60	454.68	131.80	786.08	405.84	52
2008-09	PRI	58.34	405.21	90.91	554.46	439.26	79
	ULB	321.90	405.91	28.02	755.83	191.66	25
Total		380.24	811.12	118.93	1310.29	630.92	48
Grand total			1792.74	405.51		1631.82	71

Source: Commissioner of Rural Development, Kerala Sustainable Urban Development Project, Chief Town Planner and State Poverty Eradication Mission.

*This is worked out based on receipts during the respective years. The figures are at variance with those given in earlier reports due to variation in the Closing Balance and Opening Balance reported by CRD, KSUDP, CTP and SPEM

Utilisation of funds for implementation of Centrally Sponsored Schemes by ULBs during 2006-07 to 2008-09 was only in the range 10 per cent to 37 per cent. The scheme-wise utilization of funds is given in **Appendix II**. Financial

achievement of TSC², UIDSSMT³, SJSRY⁴, IHSDP⁵, Hariyali and JNNURM⁶ was between 10 per cent and 58 per cent while it was 88 per cent for BSUP⁷ and 96 per cent for SGSY⁸ during 2008-09. Financial achievement in respect of SJSRY, IDSMT/UIDSSMT (except 2005-06) and JNNURM, was below 50 per cent in all the years during 2005-06 to 2008-09.

Category ‘F’ funds consist of tax and non-tax revenue of LSGIs which are also known as ‘Own Funds’. Property tax, Profession tax, Entertainment tax, Advertisement tax and Timber tax constitute tax revenue. Non-tax revenue consists of licence fees, registration fees, etc, leviable under the Acts. The LSGIs except District Panchayats and Block Panchayats are empowered to collect the above tax and non-tax revenues. This category also includes income derived from assets of LSGIs, beneficiary contributions, earnest money deposits, retention money etc. However, income from transferred assets and institutions could be utilised only for their maintenance. The details of own funds of LSGIs in the State were not collected and consolidated by the Government as envisaged in the Acts. Hence the details of own fund collection of all LSGIs were not available. However, the details of receipts of 378 LSGIs collected during audit are given in **Table 1.13**.

Table 1.13: Own fund receipts by LSGIs

(₹ in crore)

Type of LSGIs	No. of LSGIs	Tax	Non-tax	Total	Average receipt
Corporation	4	110.97	34.22	145.19	36.30
Municipalities	30	62.40	44.56	106.96	3.56
District Panchayats	13	-*	14.53	14.53	1.12
Block Panchayats	23	-*	0.91	0.91	0.04
Grama Panchayats	308	51.54	42.79	94.33	0.31
Total	378	224.91	137.01	361.92	0.96

*District Panchayats and Block Panchayats do not collect tax revenue

Category ‘G’ funds consist of all funds which do not come under any other category. This included loans from HUDCO⁹, KURDFC¹⁰, KSCB¹¹, etc; utilisation of which was governed by instructions/guidelines issued by the competent authority from time to time. Details of loans availed by LSGIs and the loans outstanding during the period 2005-06 to 2008-09 are given in **Table 1.14**. Loans aggregating ₹185.82 crore availed by LSGIs from the State Government, KURDFC, HUDCO, Kerala State Co-operative Bank were outstanding to be repaid as on 31 March 2009.

² Total Sanitation Campaign

³ Urban Infrastructure Development Scheme for Small and Medium Towns

⁴ Swarna Jayanthi Shahari Rozgar Yojana

⁵ Integrated Housing and Slum Development Programme

⁶ Jawaharlal Nehru National Urban Renewal Mission

⁷ Basic Services to Urban Poor

⁸ Swarnajayanthi Grama Swarozgar Yojana

⁹ Housing & Urban Development Corporation

¹⁰ Kerala Urban & Rural Development Finance Corporation

¹¹ Kerala State Co-operative Bank

Table 1.14: Loans availed by LSGIs

(₹ in crore)

LSGI	Loans availed					Loan outstanding as at the end of 31 March 2009
	2005-06	2006-07	2007-08	2008-09	Total	
Municipal Corporation	1.49	12.22	16.77	1.27	31.75	29.10
Municipality	8.01	47.79	5.47	4.05	65.32	35.79
District Panchayat	0	99.47	0	0	99.47	88.49
Block Panchayat	0	0	0	1.56	1.56	31.56
Grama Panchayat	0	0.94	0.90	0.93	2.77	0.88
Total	9.50	160.42	23.14	7.81	200.87	185.82

Source: Finance Accounts of the State, Kerala Urban and Rural Development Finance Corporation, Housing and Urban Development Corporation, Kerala State Co-operative Bank.

1.13 Pendency in clearing objections raised by CAG

CAG conducts audit of LSGIs under Sections 14, 15 and 20(1) of CAG's (DPC) Act, 1971. Objections raised in audit were communicated to the respective LSGIs in the form of Local Audit Reports (LARs) with a copy to the Government. Though the replies to the objections were to be furnished within four weeks of receipt of LARs, 1018 LARs out of 1021 LARs issued (99.71 per cent) and 9803 paragraphs out of 10619 (92.31 per cent) were pending to be settled as on 31 December 2009 for want of satisfactory replies from LSGIs concerned as detailed in Table 1.15.

Table 1.15: LARs pending settlement

Year	Opening balance		Clearance		Outstanding	
	No. of LARs	No. of Paragraphs	No. of LARs	No. of Paragraphs	No. of LARs	No. of Paragraphs
1998-99 to 2002-03	09	268	0	116	09	152
2003-04	217	3319	1	244	216	3075
2004-05	202	2497	0	228	202	2269
2005-06	150	1259	2	77	148	1182
2006-07	167	1128	0	60	167	1068
2007-08	145	1061	0	21	145	1040
2008-09 ¹²	131	1087	0	70	131	1017
Total	1021	10619	3	816	1018	9803

Government constituted (August 2007) Audit Monitoring Committees (AMCs) at District and State Levels for different categories of LSGIs for timely settlement and clearance of audit paragraphs. The District level AMC (DLAMC) was to settle audit paragraphs in respect of GPs, BPs and Municipalities in the respective districts whereas the State Level AMC (SLAMC) was responsible for settlement of audit paragraphs in respect of DPs and Corporations. During the period from March 2009 to February 2010, twenty-five meetings of DLAMC were held and 170 paragraphs were settled. Two meeting of SLAMC were held during the period.

1.14 Maintenance of Accounts

Audit examined (April – May 2009) the quality of maintenance of accounts in

¹² Addition during 2008-09

PRIs for the period 2004-05 to 2008-09 in thirty¹³ PRIs consisting of seven Grama Panchayats (GPs), two Block Panchayats (BPs) and one District Panchayat (DP) each of Thiruvananthapuram, Ernakulam and Malappuram Districts.

1.14.1 Preparation of Accounts

The PRIs maintain accounts on cash basis. The receipts and payments are incorporated in the accounts in order to make the accounts complete, accurate and valid. The functional classification applied in the accounts of Union and State Governments have been adopted in accounts of PRIs.

1.14.1.1 Monthly Accounts

The Kerala Panchayat (Accounts) Rules, 1965 and the Government order issued in June 2003 prescribed that the PRIs should approve monthly accounts of each month in the first meeting of the Panchayat held after 10th of the succeeding month. Of the 30 PRIs test-checked, three¹⁴ PRIs did not prepare monthly accounts for any of the months during 2004-05 to 2008-09 and 27 PRIs approved their monthly accounts for the years 2004-05 to 2008-09 except Kazhakkoottam GP which did not approve monthly accounts for two months during 2007-08 and any of the months during 2008-09.

The monthly accounts approved by most of the PRIs were defective as none of them except Ponnundam GP prepared monthly accounts during 2004-05 to 2007-08 in the format prescribed by Government. Of the 26 PRIs which approved monthly accounts for 2008-09, Kuruva and Ponnundam GPs alone prepared monthly accounts in the prescribed format for all the twelve months and Malappuram DP for four months.

Non-preparation of monthly accounts in the prescribed format was a lapse on the part of PRIs. The heads of account provided in the Budget and Accounts formats introduced with effect from 1 April 2004 were identical. Hence, if monthly accounts were prepared in the prescribed format, it would have acted as a guide to the PRIs to take appropriate measures, if any, required for budgetary control.

1.14.1.2 Annual Financial Statement

Rule 11 (1) of Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 prescribes that the PRIs should submit Annual Financial Statements (AFSs) for audit within four months after the completion of the financial year, i.e., before 31st day of July. Following points were noticed during audit:

- All the PRIs test-checked, except Piravam GP and Ernakulam DP had prepared the AFSs for the years 2004-05 to 2007-08 and submitted the same to DLFA (April 2009).
- There was progress in timely submission of AFSs by PRIs. The number of PRIs that submitted the AFSs within four months after the

¹³ Angadippuram, Edarikkode, Kadinamkulam, Karakulam, Kazhakkuttam, Koothattukulam, Kuruva, Kuttampuzha, Makkaraparamba, Mookkannur, Mulamthuruthy, Nellanad, Ponnundam, Rayamangalam, Sreemoolanagaram, Thalakkad, Vamanapuram, Vembayam, Kallara, Piravom, Thrikkalongode GPs, Edappally, Kazhakkuttam, Malappuram, Mankada, Paravoor, Vattiyoorkavu BPs, Ernakulam, Malappuram, Thiruvananthapuram DPs

¹⁴ Mankada and Paravoor BP and Piravom GP

completion of the financial year increased from three during 2004-05 to 15 during 2007-08.

- Government revised (June 2003) the format for the AFSs of PRIs. Kazhakkootam GP and Malappuram, Mankada, Kazhakkootam and North Paravoor BPs did not prepare AFSs for the years 2004-05 to 2007-08 in the revised format.
- The AFSs prepared by all test checked PRIs during 2004-05 to 2007-08 were incomplete as they did not prepare statements such as Demand Collection Balance Statement, Capital Expenditure Statement, statement of receivables and payables, statement of loans and advances paid, statement showing utilisation of special purpose grant /loan which formed part of the revised AFSs (*vide Appendix III*). Non - preparation of the statements forming part of the AFSs resulted in non-providing of detailed analysis of the figures incorporated in the AFSs.

1.14.2 Improper maintenance of records

Maintenance of cash book, daily closing of cash book, attestation by the Authorised Officer, maintenance of Subsidiary Cash Book, maintenance of Treasury/Bank/Post office/Investment Balance Register, preparation of monthly accounts and its approval, maintenance of Asset Register, Register of Lands, Demand, Collection and Balance Register, etc are the controls prescribed by Government in the matter of accounting. This internal control system gear up the supervisory controls and management system in the organisation to insulate it from financial irregularities and frauds. Defects in the maintenance of registers noticed during audit are detailed below:

1.14.2.1 Cash Book

As per the accounting formats, all PRIs were to maintain a single Cash Book for recording all transactions. The accounting format also stipulates that (i) the Cash Book should be closed daily and the totalling of the Cash Book should be attested by the head of office or by some responsible subordinate other than the writer of the Cash Book, (ii) corrections in the Cash Book should be made by drawing the pen through the incorrect entry and inserting the correct one in red ink between the lines and got attested by the head of office, (iii) a monthly closing analysis statement should be prepared on the last working day of the month showing the details of closing balances of cash, treasury and bank accounts during the month, (iv) physical verification of the cash balance should also be conducted at the end of the month by the Secretary of the PRI. These instructions were not strictly followed by the PRIs test-checked. Details of non-observance of all or any of the instructions stipulated in the revised accounting rules for the maintenance of the Cash Book during the period 2004-05 to 2008-09 are given in **Appendix IV**. Improper maintenance of Cash Book may lead to malpractices remaining undetected.

1.14.2.2 Subsidiary Cash Book

A Subsidiary Cash Book was to be maintained for recording transactions relating to disbursement of salary and amounts to be disbursed to more than one person from a single bill such as honorarium payable to elected members of the PRIs, unemployment wages etc. Out of the 30 PRIs test-checked, the

number of PRIs that did not maintain Subsidiary Cash Book ranged between eight and 12 during 2004-05 to 2008-09 (*vide Appendix IV*). Non-maintenance of Subsidiary Cash Book revealed lack of control and monitoring over undisbursed cash in these PRIs.

1.14.2.3 Cheque Issue Register

With the introduction of revised accounting formats, a subsidiary register called Cheque Issue Register was introduced to record the details of deposits as well as withdrawals relating to each Treasury/Bank Account and for ascertaining the balance in the account after each transaction. The register was not maintained by Edappally BP.

Reconciliation of balance shown in each Cheque Issue Register with the balance shown in the respective pass book/statement at the end of each month is an effective mechanism to ensure the correctness of entries in the above records as well as to detect malpractices, if any, without delay. Out of the 30 PRIs test-checked, the number of PRIs that did not prepare monthly reconciliation statements ranged between nine and 19 during 2004-05 to 2008-09 (*vide Appendix IV*). Non-preparation of monthly reconciliation statements was a lapse on the part of the PRIs and the possibility of misappropriation remaining unnoticed could not be ruled out.

1.14.2.4 Investment Register

Government had instructed (June 2003) that the investment of surplus cash made by PRIs in fixed deposits, etc, should form part of the balance in the Cash Book and the details of investments should be recorded in the Investment Register. Of the 30 PRIs test-checked, Ernakulam DP did not maintain Investment Register during 2004-05 to 2008-09.

1.14.2.5 Treasury/Bank/Post office/Investment Balance Register

PRIs were operating more than one Treasury Account and Bank Account and transactions relating to all treasury accounts were recorded in the treasury column of the Cash Book and all bank accounts were entered in the bank column of the Cash Book. Hence the closing balances shown in the treasury and bank columns of the Cash Book represented the sum of the closing balance of all treasury accounts and the sum of closing balance of all bank accounts respectively. The closing balance shown in the bank column of the Cash Book also included the total amount of investments made by the PRI and recorded in the Investment Register. As the individual balance of each treasury /bank account was available only in the respective Cheque Issue Register and the details of investments are available in the Investment Register, daily reconciliation of closing balances shown in the Cheque Issue Registers, Investment Register and the Cash Book was to be made to ensure their correctness. For such reconciliation, Government prescribed the Treasury/Bank/Post Office/Investment Balance Register.

Of the 30 PRIs test-checked, number of PRIs that did not maintain the Treasury/Bank/Post Office/Investment Balance Register during 2004-05 to 2008-09 ranged between nine and 18 (*vide Appendix IV*). The PRIs also did not reconcile the balances of Cash Book with that of Cheque Issue Register and Treasury/Bank/Post Office/Investment Balance Register. Non-reconciliation of balances may lead to malpractices remaining undetected.

1.14.2.6 Registers of Receipts and Payments

Registers of Receipts and Payments prescribed by Government act as ledgers of receipts and payments of the PRIs and they give classified details of receipts and payments. The progressive totals under each head of account are utilised for the preparation of AFS. Of the 30 PRIs test-checked, Ernakulam and Malappuram¹⁵ DPs and all the selected six Block Panchayats did not maintain the registers. As the AFS is compiled from the details of the Receipt and Payment Registers, the correctness of figures in the AFS could not be ensured in the absence of these registers.

1.14.2.7 Advance Register

For execution of works, supply of materials, PRIs make advance payments to conveners, contractors, suppliers, employees, implementing agencies etc; and to watch the adjustment of advances made to them, Advance Registers are to be maintained. Separate page or a set of pages should be provided in the Advance Register for each individual /institution. The Advance Register should be closed monthly and the year-wise analysis of the unadjusted advances should be recorded. Of the 30 PRIs test-checked, the number of PRIs that maintained Advance Registers during 2004-05 to 2008-09 was 12,11,13,14 and 17 respectively (*vide Appendix IV*). Even in respect of PRIs which maintained the Advance Registers, following deficiencies were noticed:

- no separate pages were provided for individuals /institutions
- advance to conveners, institutions were not recorded
- Advance Registers were not closed monthly/annually
- year-wise analysis of advances pending adjustment was not recorded

Non-recording of advances to conveners, contractors, etc and lack of monitoring of unadjusted advances through monthly closing of the register and through preparation of year-wise analysis will evade actions for recoveries and make long pending advances irrecoverable. Non-maintenance/improper maintenance of Advance Register is a serious lapse on the part of the PRIs which would lead to non-adjustment of advances being left undetected.

1.14.2.8 Deposit Register

The amount received towards library cess, retention amount, provident fund recovery, etc, should be kept in deposit head of account for eventual transfer to the concerned head of account. To watch these receipts as well as adjustment of deposits, Deposit Register was to be maintained according to the procedures prescribed for the maintenance of Advance Registers. Of the 30 PRIs test checked, the number of PRIs that maintained the Deposit Register during 2004-05 to 2008-09 ranged from 20 to 24 (**Appendix III**) and of these:

- none of the test-checked PRIs which maintained deposit register closed the register monthly
- 14 to 17 PRIs did not record recoveries from salary bills such as General Provident Fund, Kerala Panchayat Employees Provident Fund, etc

¹⁵ Malappuram DP maintained the payment register from 2007-08

- 16 to 18 PRIs did not record library cess collection
- 12 to 14 PRIs did not conduct annual closing
- 16 to 18 PRIs did not record year-wise analysis of unadjusted advances

Non-maintenance and improper maintenance of the deposit register resulted in non-availability of a clear picture about the liability of PRIs towards unadjusted deposits and would cause non-crediting or delayed crediting of lapsed deposits to Panchayat Fund.

1.14.3 Budget

Government prescribed (June 2003) the format for preparation of Budget of PRIs. Failure of the PRIs to pass Budget of the succeeding financial year before the end of the current financial year would attract dissolution of the PRIs as provided in Section 193 of Kerala Panchayat Raj Act, 1994. The following deficiencies were observed in the preparation of Budgets by the PRIs mentioned in **Appendix III**.

- Budgets were not prepared in the prescribed format during the period 2004-05 to 2008-09 in 3 to 12 PRIs.
- Actuals for the previous year were not incorporated in the budget of 10 to 12 PRIs during the period 2004-05 to 2008-09
- Current years Budget Estimates were not incorporated in the Budget of 8 to 12 PRIs during the period 2004-05 to 2008-09

The deficiencies are indicative of preparation of the budget without due diligence and care.

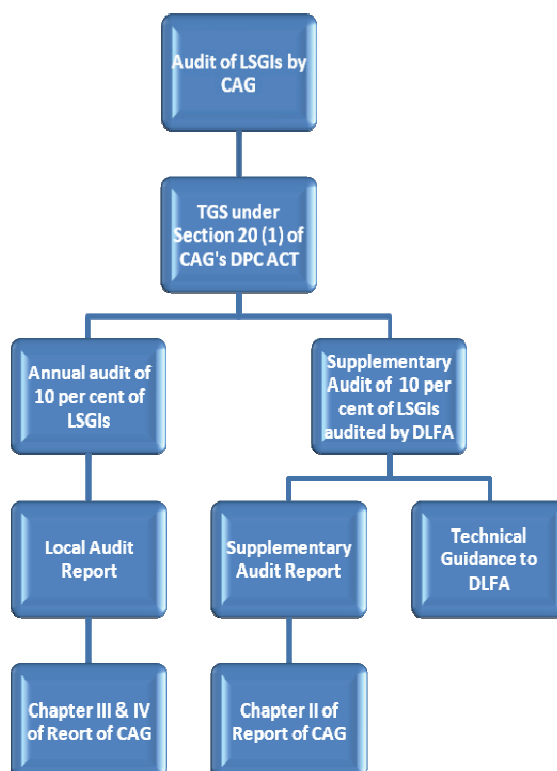
CHAPTER II

SUPPLEMENTARY AUDIT UNDER THE TECHNICAL GUIDANCE AND SUPERVISION ARRANGEMENT

2.1 Introduction

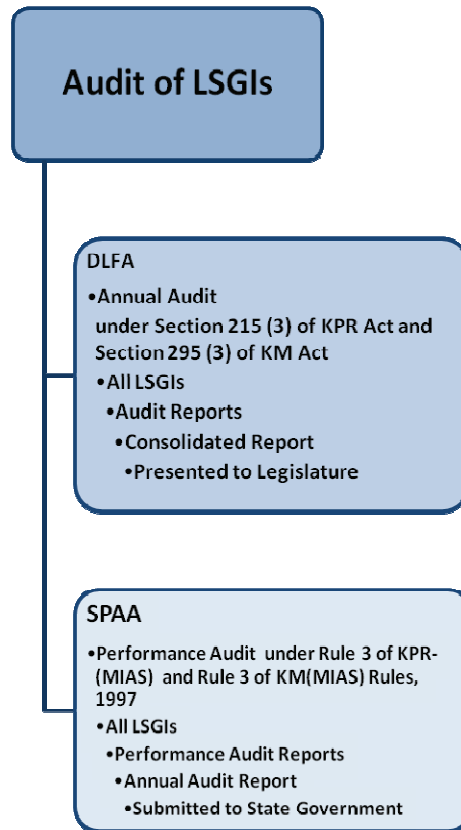
The Comptroller and Auditor General of India (CAG) took up the audit of Local Self Government Institutions (LSGIs) during 1998-99 under Section 14 and 15 of CAG's (Duties, Powers and Conditions of service) Act, 1971. The CAG provides Technical Guidance and Supervision (TGS) to the Director of Local Fund Audit (DLFA) under Section 20(1) of the Act *ibid*. Annual audit of 10 per cent of institutions and supplementary audit of 10 per cent of the institutions audited by DLFA are carried out under TGS as detailed in **Chart 2.1**.

Chart 2.1: Audit arrangement of LSGIs under TGS



DLFA is the Statutory Auditor of LSGIs as per Kerala Local Fund Audit Act, 1994, Kerala Panchayat Raj Act, 1994 (KPR Act) and Kerala Municipality Act, 1994 (KM Act). Apart from LSGIs, other local funds such as Universities, Devaswom Boards, Religious and Charitable institutions are also audited by DLFA. State Performance Audit Authority (SPAA) audits the performance of the LSGIs as per Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and Kerala Municipality (Manner of Inspection and Audit System) Rules 1997. The different stages of audit by DLFA and SPAA are depicted in **Chart 2.2**.

Chart 2.2: Stages of audit of LSGIs by DLFA and SPAA



2.2 Organisational set up of Department of Local Fund Audit

The Local Fund Audit Department (LFAD) under the State Finance Department is headed by a Director, and has District Offices in all 14 districts headed by Deputy Directors.

Staff strength of Local Fund Audit Department

Details of manpower of LFAD and receipt of funds by LSGIs for the four year period 2005-09 are given in **Table 2.1**.

Table 2.1: Total receipts and manpower position of LSGIs

(₹ in crore)

Year	Total receipt of fund by LSGIs ¹	Sanctioned strength of LFAD	Persons in position
2005-06	2251.82	908	908
2006-07	3119.67	908	877
2007-08	3727.93	906	906
2008-09	4058.10	922	922

Of the sanctioned strength, the manpower deployed for audit of LSGIs during 2008-09 was 581. During the four year period 2005-09, the increase in total

¹ Does not include own fund as the details of own fund of the LSGIs are not collected and consolidated.

receipt of fund by LSGIs was 80.21 per cent and increase in manpower was 1.54 per cent over the same period. The LFAD was working with the full complement of staff sanctioned during 2005-06 to 2008-09 except for 2006-07.

2.3 Functioning of the State Level Committee on implementation of Technical Guidance and Supervision

The State Level Committee for monitoring the implementation of TGS was reconstituted in December 2007 and it met twice (May 2009 and December 2009) during 2009. In the meetings, it was decided *inter alia* that

- DLFA would submit to Government a road map/time table for audit and complete the certification of accounts of LSGIs by 31 October 2009;
- Monthly meeting of the officials of the Office of the Principal Accountant General and the LFAD would be held for co-ordinating the audit work of the LFAD;
- Training of staff of LFAD through KILA with the help of resource persons from the Office of the Principal Accountant General would continue;
- DLFA would forward major draft paragraphs relating to LSGIs to Government in the Local Self Government Department (LSGD) before inclusion in the audit report of DLFA;
- DLFA would complete certification of annual accounts of LSGIs for the year 2008-09 and report the latest position to LSGD;
- DLFA would submit the pending Consolidated Audit Report of LFAD to Government before close of the financial year 2009-10;
- DLFA would submit report on the prosecution steps taken against Secretaries of LSGIs for not submitting accounts before 31 July every year.

Government stated (April 2010) that the DLFA had not submitted road map/timetable for audit and certification of accounts of LSGIs and the latest position of certification of annual accounts of LSGIs for the year 2008-09. DLFA stated (July 2010) that prosecution action had been initiated against nine² LSGIs for non-submission of accounts within the stipulated time and that steps were being taken for the circulation of major draft paragraphs to LSGD before inclusion in the Consolidated Audit Report.

2.4 Training Programmes in LFAD

The State Level Committee on implementation of TGS, in its meeting held in May 2009/December 2009 decided to continue the training of the staff of LFAD through Kerala Institute of Local Administration (KILA) with the help of resource persons from the Office of the Principal Accountant General. The State Government conducted (July 2008 – March 2009) short term training

² Badiyadka, Balal, Karimpuzha, Marakkara, West Eleri and Vallappuzha GPs, Adoor and Vadakara Municipalities and Manjeswaram BP

programmes on capacity building programme on Human Rights - the Gender dimensions, empowerment training for women, practical approach on Kerala State Subordinate Service Rules, consumer protection, time management for women executive and training need analysis for the benefit of staff of the LFAD. In addition to this, KILA conducted (December 2008 – March 2009) intensive in-service training which included management skills, attitude towards audit, drafting of report, double entry accounting etc., for five days to 318 personnel of LFAD.

DLFA stated (April 2010) that staff of LFAD required training in the field of IT audit, financial audit, double entry accounting and drafting skills. DLFA has not taken any steps to impart training to staff in these fields.

2.5 Consolidated Audit Report of DLFA

As per section 23 of Kerala Local Fund Audit Act, the DLFA is required to send to Government annually a consolidated report of the accounts audited by him and the Government is required to place the report before the Legislative Assembly.

Rule 25 of the Kerala Local Fund Audit Rules, 1996, stipulates that the DLFA shall, not later than 30 September every year, send to the Government a consolidated report of the accounts, audited by him during the previous financial year, containing such particulars which he intends to bring to the notice of the Government. As of February 2010, the DLFA had submitted the Consolidated Audit Report to Government only up to 2005-06. The delay in preparation and submission of the Report causes delay in bringing the major audit objections to the notice of legislature.

In paragraph 2.6.1 of the Report of the CAG for the year ended 31 March 2008 (LSGIs), it was mentioned that Government might consider specifying a suitable format for the Consolidated Audit Report to ensure clarity and to make it reader-friendly. Action taken by Government in the matter is still awaited (November 2010).

2.6 Surcharge and charge imposed by the DLFA

The Kerala Local Fund Audit Act empowers the DLFA to disallow any illegal payment and impose surcharge on the person making or authorising such payment. The DLFA can also charge any person responsible for the loss or deficiency of any sum which ought to have been received. Any amount certified due from any person by the auditor shall be payable within one month after intimation unless such person has filed an application in the district court against the decision of the Director. The amount if not paid shall be recovered under the provision of the Kerala Revenue Recovery Act, 1968 for the time being in force, as if it were an arrear of public revenue on land.

During the period 2004-05 to 2008-09, DLFA had issued 103 charge certificates for ₹ 39.81 lakh and 799 surcharge certificates for ₹ 3.24 crore. Against the total charged/surcharged amount of ₹ 3.63 crore, only ₹ 10.22 lakh was realised (2.81 per cent) as shown in **Table 2.2**.

Table 2.2: Realisation of charged/surcharged amount

Year	Charge certificates		Surcharge certificates		Amount recovered (₹ in lakh)
	Number	Amount (₹ in lakh)	Number	Amount (₹ in lakh)	
2004-05	32	7.53	201	84.86	0.71
2005-06	15	2.13	153	71.74	4.14
2006-07	35	9.06	274	92.11	3.43
2007-08	3	0.26	60	20.88	0.35
2008-09	18	20.83	111	54.06	1.59
Total	103	39.81	799	323.65	10.22

Source: DLFA

Director, LFAD stated that the entire amount recovered was not intimated to the Directorate and hence not exhaustive. He added that there was a delay in issue of charge/surcharge certificate and hence surcharge certificates issued became time barred.

2.7 Results of supplementary audit

During 2008-09, CAG audited 196 LSGIs including supplementary audit of 62 LSGIs (**Appendix V**). During supplementary audit, the CAG comments upon or supplements the reports of DLFA on the accounts of LSGIs. The period covered under supplementary audit ranged from 2000-01 to 2006-07. Due to delay in completion of audit by DLFA, majority of the accounts taken up for supplementary audit pertained to periods from 2000-01 to 2004-05 (56 accounts). Hence audit of accounts of current year was not conducted due to non-submission of accounts by LSGIs and non-issue of audit reports by DLFA. The findings of supplementary audit are summarised in the following paragraphs.

2.8 Non-maintenance or improper maintenance of books of accounts and other records

Cash Book

All moneys received and payments made should be entered in the cash book and it should be closed every day. Monthly closing of cash book with physical verification of cash and reconciliation of cash book balance with bank pass book balance under proper authentication were to be done. Audit review revealed the following discrepancies in maintaining cash book by LSGIs listed in **Appendix VI**.

- Cash book is the primary accounting record and over-writing is not permitted. Erasure and over-writing were noticed in cash books maintained by 13³ LSGIs (20.97 per cent).
- Twenty four LSGIs (38.71 per cent) maintained more than one cash book.

³ Adat, Ayarkunnam, Ayiloor, Edava, Kanthalloor, Kuttampuzha, Mazhuvannoor, Pookkodu, Purapuzha, Valappad, Vazhathope GPs, Thodupuzha BP and Paravur Municipality.

- Daily closing of cash book was not carried out in 26 LSGIs (41.94 per cent).
- Monthly closing was not carried out in 19 LSGIs (30.65 per cent).
- Physical verification of cash was not done in 32 LSGIs (51.61 per cent).
- Cash book balance was not reconciled with bank pass book balance in 20 LSGIs (32.26 per cent).

Register of Advances

All advances paid are to be recorded in the Register of Advances. Eleven⁴ LSGIs did not maintain Register of Advances. In 23 LSGIs (37.10 per cent), the Advance Register (**Appendix VII**) did not contain details of advances given to all implementing agencies/convenors/contractors etc. As a result of the above deficiencies, monitoring and adjustment of advances could not be ensured.

Deposits

As per Rule 37(7A) of Kerala Panchayats (Accounts) Rules, 1965, at the end of every financial year, any deposit in cash or balance thereof shall be lapsed and credited to the General Account (Own fund) of the Panchayats, if it remained unclaimed for a period of three years from the date on which the deposit became repayable consequent on its release or on the expiry of the term of the deposit. Ten⁵ LSGIs did not credit the lapsed deposit to the General Account of the LSGIs. The lapsed deposit of seven⁶ out of the above 10 LSGIs amounting to ₹ 25.51 lakh pertained to the period 1997-98 to 2004-05.

Lapses in safeguarding assets

For safeguarding and maintenance of assets, proper documentation of assets with periodical stock verification was essential. Audit review revealed that:

- Asset Register was not maintained in nine⁷ LSGIs and maintenance was improper in 14 LSGIs (22.58 per cent) (**Appendix VII**)
- Stock Register was not maintained in seven⁸ LSGIs and improperly maintained in 15 LSGIs (24.19 per cent) (**Appendix VII**)

⁴ Avanoor, Kaviyoor, Kunnathunad, Mannarkkad, Marayoor, Mathur, Mavelikkarathamarakulam GPs, Kanjikuzhi, Parassala, Thodupuzha BPs and Malappuram District Panchayat.

⁵ Adat, Adimali, Ayilur, Edava, Kanthalloor, Kunnathunad, Marayoor, Mazhuvannoor, Vaniyamkulam GPs and Paravur Municipality

⁶ Adimali, Ayilur, Edava, Kanthalloor, Marayoor, Mazhuvannoor, Vaniyamkulam GPs.

⁷ Ananganadi, Kappur, Madappally, Mannarkkad, Mavelikkarathamarakulam, Valappad, Vaniyamkulam GPs, Parassala BP and Malappuram District Panchayat.

⁸ Akalakkunnam, Eriyad, Mulakulam, Valappad GPs, Kanjikuzhi, Parassala BPs and Malappuram District Panchayat.

2.9 Lapses in preparation of Budget

Budget is the most important tool for financial planning, accountability and control. The LSGIs did not exercise due care and diligence in the preparation of Budget. Major lapses noticed in the preparation of Budget are given below.

As per KPR Act and KM Act, the Budget proposals containing Detailed Estimates of Income and Expenditure expected during the ensuing year were to be prepared by the respective Standing Committees after considering the estimates and proposals submitted by the Secretary and the officers dealing with respective subjects, before 15 January every year and submitted to the Standing Committee for Finance (SCF). After considering the proposals, SCF was to prepare the Budget showing the income and expenditure of the Panchayat/Council for the ensuing year and the Chairman of SCF was to place it before the LSGI not later than first week of March in a meeting convened specially for approval of the Budget. The Budget was to be passed by the Panchayat/Council before the beginning of the year it related to. The above said procedure highlights the importance attached to the preparation and passing of Budget. Though the LSGIs passed the Budget before the beginning of the year, none of them followed the procedures such as preparation of detailed estimate of income and expenditure expected for next year by the respective Standing Committees before 15 January every year and presentation of Budget before first week of March. As a result, the Budget proposals were not discussed adequately and subjected to detailed deliberations in the respective Panchayats/Councils, thus evading detailed scrutiny of the proposals. This led to inaccuracies and defects in the Budgets resulting in failure of budgetary control as detailed below.

Out of the 62 LSGIs test checked, the budgets prepared by 48 LSGIs (77.42 per cent) were unrealistic due to wide variation of estimated receipts and expenditure with the actuals (**Appendix VIII**). A comparison of receipts under property tax and profession tax in 13 LSGIs revealed that the percentage of variation of estimated receipts and actual ranged between 102 and 184 under property tax in seven LSGIs and between 105 and 151 under profession tax in three LSGIs as shown in **Appendix IX**.

This indicated that the budget was unrealistic. Had the figures in the demand register and the actual collection during previous years been considered for preparation of the budget, it would have been more realistic and accurate.

2.10 Lapses in preparation of Annual Financial Statements

The LSGIs were to prepare Annual Financial Statements (AFS) containing all receipts and payments and Demand, Collection and Balance (DCB) Statements and forward them to the DLFA after approval by the Panchayat/Municipal Council/Corporation Council not later than 31 July of the succeeding year. The lapses noticed in preparation and submission of AFS are enumerated below:

Section 10 of the Kerala Local Fund Audit Act, 1994 lays down that the audit of the accounts prepared and presented shall be completed by the auditor

within six months of the date of its presentation. However, audit of 14 LSGIs⁹ (22.58 *per cent*) was delayed by more than six months.

The AFS of 31 LSGIs (50 *per cent*) did not contain details of all transactions (**Appendix VIII**). This led to understatement of receipts and expenditure of the LSGIs. The Kerala Local Fund Audit Rules, 1996 empower the DLFA to return the defective annual accounts submitted for audit. DLFA stated that in cases of defective AFSs, showcause notices were issued to Secretaries of LSGIs concerned to rectify defects.

⁹ Ananganadi, Asamannoor, Cheriyanad, Edava, Ezhupunna, Kannamangalam, Kunnathunad, Mannarkad, Mathur, Munnar, Vaniyamkulam, Vazhathope GPs, Parassala BP and Paravur Municipality.

CHAPTER III PERFORMANCE REVIEWS

3.1 Implementation of Indira Awaas Yojana

Highlights

Indira Awaas Yojana (IAY) aims at providing dwelling units free of cost to the poor families of the Scheduled Castes (SCs), Scheduled Tribes (STs), free bonded labourers and non-SC/ST persons living Below Poverty Line (BPL) in the rural areas. The review revealed failure to avail Central assistance, short release of funds by State Government and Panchayat Raj Institutions, financial assistance being inflated to obtain Central assistance, irregular deduction from payment made to the beneficiaries, non-payment of subsidy etc.

- **Government of India did not release Central assistance of ₹ 1.03 crore due to underutilization of funds. State release was short by ₹ 34.22 lakh.**

(Paragraph 3.1.6.1)

- **Supplementary assistance provided by 12 Block Panchayats was short of the amount due to the beneficiaries by ₹ 9.39 crore during 2004-05 to 2008-09.**

(Paragraph 3.1.6.2)

- **Five Block Panchayats falsely showed higher financial achievement by drawing cheques for ₹ 51.44 lakh in advance of requirement.**

(Paragraph 3.1.6.3)

- **Five hundred and twenty one cheques for ₹ 69.46 lakh drawn between March 2007 and April 2009 in the names of beneficiaries were retained by nine Block Panchayats.**

(Paragraph 3.1.6.7)

- **Thirteen Block Panchayats made irregular deductions of ₹ 13.27 lakh from the payments made to 4285 beneficiaries.**

(Paragraph 3.1.6.9)

3.1.1 Introduction

Government of India (GOI) launched Indira Awaas Yojana (IAY) during 1985-86 as a sub scheme of Rural Landless Employment Guarantee Programme. Since the launching of Jawahar Rozgar Yojana (JRY) in April 1989, IAY was continued as a sub scheme of JRY. IAY was delinked from JRY and implemented as an independent scheme from January 1996 onwards. IAY was aimed at providing financial assistance for construction / up-gradation of dwelling units to the poor families of the Scheduled Castes (SC), Scheduled Tribes (ST), free bonded labourers and non-SC/ST persons living Below Poverty Line (BPL) in the rural areas. The Block Panchayats implemented the scheme in the State. The scheme was funded on cost sharing basis of 75:25 between the Central and State Governments. The assistance was in the form of grant-in-aid. At least 60 per cent of the total IAY allocation during a financial year was to be utilized for construction/up-gradation of

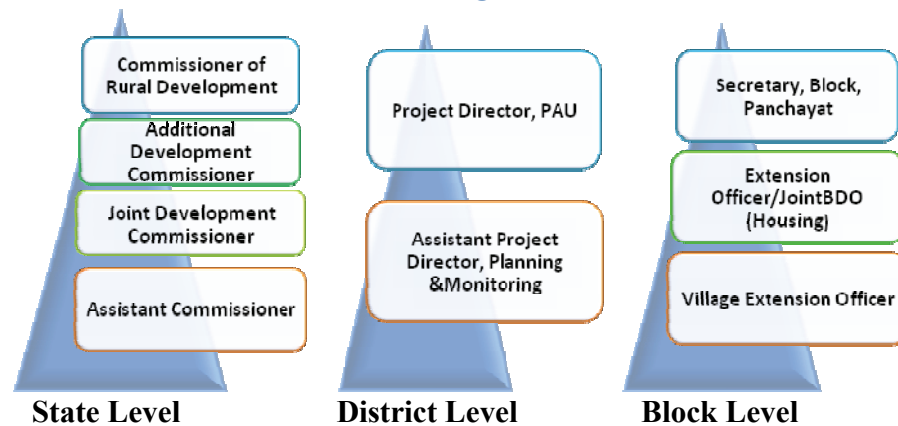
dwelling units for SC/ST BPL households, a maximum 40 per cent for non SC/ST BPL rural households and 3 per cent of the total fund is earmarked for physically and mentally challenged persons.

3.1.2 Organisational set up

The Commissioner for Rural Development (CRD) under the Local Self Government Department was in overall charge of implementation of the scheme at the State level and the Project Directors of Poverty Alleviation Units (PAUs) under the CRD were in charge at the district level. The CRD was to monitor the implementation of the scheme at the State level and forward monthly and annual progress reports received from the PAUs to the Ministry of Rural Development. The PAUs were to allocate the funds received from Central and State Governments to the Secretaries of Block Panchayats (BPs) in the respective districts. The PAUs monitored the district level implementation of the scheme. The Secretary of the Block Panchayat was the implementing officer.

An organisation chart of the agencies involved in the implementation of the scheme at State level, District level and Block level is given in **Chart 1**.

Chart 1: Organisation Chart



3.1.3 Audit objectives

The objectives of the performance audit were to ascertain whether:

- funds allocated were received and utilised as per the guidelines;
- identification and selection of beneficiaries were as per the norms prescribed;
- dwelling units were constructed/upgraded to the benefit of the rural households;
- adequate system existed for monitoring, evaluation and control.

3.1.4 Audit criteria

The audit criteria adopted for assessing the performance in the implementation of IAY were guidelines, orders and instructions issued by GOI and the State Government, monthly performance reports, annual physical and financial performance reports and Audit Reports of Chartered Accountants.

3.1.5 Audit coverage

A review of the implementation of the scheme was included in paragraph 3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Civil), Government of Kerala. After examining the paragraph the Committee on Public Accounts recommended (July 2007) that

- (i) a detailed study regarding the reasons for the low coverage of SC/ST families should be conducted and
- (ii) a detailed enquiry on the physical and financial achievements should be carried out.

Government has not furnished any action taken note to the Committee (November 2009).

A performance audit on the implementation of the scheme covering the period 2004-09 was conducted from February 2009 to June 2009. Out of the 14 districts in the State, four¹ were selected using simple random sampling. The methodology adopted was mainly scrutiny of files and records maintained by the four out of the 14 PAUs in the State and 16 BPs² (out of 51) in the selected districts and Commissionerate of Rural Development, issue of audit observations/comments, collection of data through questionnaires and analyzing data received from auditee, joint verification of houses constructed.

An exit conference was conducted with the Principal Secretary (LSGD) to Government in April 2010. The replies of Government wherever applicable have been incorporated.

3.1.6 Financial management

3.1.6.1 Funding

The expenditure under IAY was to be shared between the Central and State Governments in the ratio of 75:25. Fifty per cent of the allocation was to be released by GOI to the PAUs at the beginning of the financial year and the balance was to be released after State share corresponding to the Central share had been released and sixty per cent of the available funds were spent. In case the aggregate balance at the beginning of the financial year exceeded 10 per cent (15 per cent up to 2004-05) of the fund available, the excess over the 10 per cent would be deducted from the second instalment released by GOI. The State share was released to the PAUs by the CRD based on the budget provision. The details of receipt and expenditure of IAY fund for implementation of the scheme in the State during the period 2004-05 to 2008-09 were as given in **Table 1**.

¹ Kollam, Kozhikode, Malappuram & Thiruvananthapuram

² Athiyannoor, Nedumangad, Vamanapuram, Kilimanoor, Chadayamangalam, Oachira, Kottarakkara, Anchal, Malappuram, Areacode, Wandoor, Nilambur, Balusseri, Perambra, Thodannur and Kunnamangalam

Table 1: Receipt and Expenditure

(₹ in crore)

Year	Receipt			Expenditure *
	Central	State	Total	
2004-05	57.60	19.12	76.72	78.40
2005-06	51.69	17.62	69.31	74.21
2006-07	55.57	18.52	74.09	70.63
2007-08	76.03	25.63	101.66	101.87
2008-09	156.66	50.09	206.75	151.90
Total	397.55	130.98	528.53	477.01

*The excess expenditure over the receipt was met from the opening balance of ₹ 5.40 crore available as on 1 April 2004

Short release of fund amounted to ₹1.37 crore

As per the details furnished by the CRD, allocated funds of ₹ 1.03 crore were not released by GOI during 2004-05 and 2005-06 due to (i) short-release of State share (₹ 24.01 lakh), (ii) excess carryover (₹ 64.14 lakh) and (iii) deduction made on account of misappropriation (₹ 14.51 lakh). The corresponding reduction in State share would work out to ₹ 34.22 lakh. Thus the short release amounted to ₹ 1.37 crore. Short release of funds resulted in the denial of assistance to 498 beneficiaries. While accepting the audit observation, Government stated (April 2010) that at present there is a system in PRIs to avoid lapse of fund.

Details of funds received (including supplementary assistance mentioned in paragraph 3.1.6.2), and expenditure incurred by the 16 BPs test-checked are given in **Appendix X**. Expenditure incurred by the BPs was ₹ 105.34 crore against the available fund of ₹ 122.07 crore during 2004-05 to 2008-09. The percentage of utilization of funds by the BPs ranged between 79 and 95. Government stated (May 2010) that utilisation was slightly low in some BPs as Central share of ₹ 48.50 crore under stimulus package/additional Central assistance and the matching State share of ₹ 16.16 crore were received during fag end of the year 2008-09 leaving little time for BPs to identify beneficiaries.

3.1.6.2 Short provision of supplementary assistance by PRIs

GOI had fixed a flat rate (unit cost) for construction of new houses to all categories of beneficiaries belonging to BPL households in the rural area, as detailed in **Table 2**.

Table 2: Unit cost fixed by Government for constructing new houses

Period	Unit cost (₹)	
	Plain area	Hilly/difficult area
2004-05 to 2007-08	25000	27500
2008-09	35000	38500

The State Government, however, allowed different unit cost to different categories of BPL households. The gap between the IAY share and the unit cost fixed by the State Government was ordered (March 2004) to be met from the Development Expenditure Fund provided by the State Government to the Panchayat Raj Institutions (PRIs). Thus, in addition to the Central/State shares, supplementary assistance was given to the beneficiaries from Development Expenditure Fund by the PRIs. The unit cost of IAY houses constructed during 2004-05 to 2008-09 was as given in **Table 3**.

Table 3: Unit cost of houses constructed during 2004-09**(Amount in ₹)**

Year	Category								
	General			SC			ST		
	IAY fund	Supplementary assistance	Total	IAY fund	Supplementary assistance	Total	IAY fund	Supplementary assistance	Total
2004-05	27500	7500	35000	27500	22500	50000	27500	47500	75000
2005-06	27500	7500	35000	27500	22500	50000	27500	47500	75000
2006-07	27500	7500	35000	27500	42500	70000	27500	47500	75000
2007-08	27500	22500	50000	27500	47500	75000	27500	72500	100000
2008-09	38500	11500	50000	38500	36500	75000	38500	61500	100000

Short release of supplementary assistance by BPs amounted to ₹ 9.39 crore

During 2004-05 to 2008-09 there was short provision of supplementary assistance of ₹ 9.39 crore by 12³ BPs to 6847 beneficiaries. As a result, financial assistance ordered by the State Government was denied to the rural BPL households. Government stated (April 2010) that though it was decided to give supplementary assistance to beneficiaries from Development Expenditure Fund, the grant of supplementary assistance was not made mandatory till 2007-08. Audit, however, noticed short provision of supplementary assistance of ₹ 1.70 crore during 2007-08 and 2008-09 in 988 cases.

3.1.6.3 *Inflated expenditure to avoid reduction in Central assistance*

Expenditure was inflated by ₹ 51.44 lakh by BPs

(i) Audit scrutiny revealed issue of pre-dated cheques and drawal of cheques (₹ 51.44 lakh) in advance of requirement by five BPs⁴. Of these, cheques worth ₹ 26.05 lakh drawn during the period from 20 March 2007 to 31 March 2009 were retained by the BPs without issue to the beneficiaries.

Drawal of cheques in advance of requirements and issue of pre dated cheques were resorted to by the BPs. This led to reporting of inflated figures of expenditure and avoiding of deduction in subsequent release of Central funds. Government stated (May 2010) that instructions had been issued to all BPs not to draw any predated cheques in advance of requirement.

(ii) In Athiyannur BP, the actual expenditure for the year 2008-09 as per cheque issue register was ₹ 89.27 lakh only. However, in the progress report for 2008-09 furnished to PAU the expenditure was shown as ₹ 129.18 lakh boosting the expenditure by ₹ 39.91 lakh. The Secretary of the BP confirmed that the actual expenditure was only ₹ 89.27 lakh as recorded in the cheque issue register.

(iii) The opening balance of IAY fund for the year 2005-06 in PAU, Malappuram was understated by ₹ 30 lakh. Thereby the expenditure for 2004-05 was inflated to that extent.

3.1.6.4 *Issue of cheque in excess of fund available*

During 2007-08, PAU, Thiruvananthapuram issued cheques in excess of the total funds available for three months as detailed in **Table 4**.

³ Nilambur, Areacode, Malappuram, Wandoor, Kunnamangalam, Oachira, Anchal, Chadayamangalam, Kottarakkara, Nedumangad, Kilimanoor and Vamanapuram

⁴ Malappuram (₹ 11.37 lakh); Nilambur (₹ 14.89 lakh); Areacode (₹ 23.32 lakh); Thodannur (₹ 0.53 lakh); Kunnamangalam (₹ 1.33 lakh)

Table 4: Availability of fund and amount of cheques issued

<i>(₹ in lakh)</i>			
Month and year	Fund available	Amount of cheque issued	Balance
November 2007	419.07	462.62	(-) 43.55
January 2008	60.25	551.40	(-) 491.15
March 2008	125.67	154.60	(-) 28.93

Issue of cheques in excess of fund available indicated poor financial control exercised by the PAU.

3.1.6.5 Inadequate allocation of fund to SC/ST and physically and mentally challenged persons

Required percentage of SC/ST not covered

(i) The guidelines issued by GOI stipulated that 60 per cent of the IAY fund was to be earmarked for SC/ST beneficiaries. However, the percentage of SC/ST beneficiaries assisted by nine BPs⁵ ranged between 45 and 58 during 2007-08 and between 39 and 59 by eight⁶ BPs during 2008-09. It was also noticed that in Nilambur BP though population was 9124 in ST category, none of them was given assistance during 2004-05 to 2007-08. There were no records to show that the Secretaries of GP/BP had ensured that the required percentage of IAY funds was earmarked for SC/ST beneficiaries. Government stated (April 2010) that it was difficult to reach the level of 60 per cent allocation of IAY fund to SC/ST beneficiaries, as the eligible beneficiaries did not have land for construction of houses. Government also stated (May 2010) that ST beneficiaries preferred to avail assistance from ST Department for construction of houses as the unit cost of houses sanctioned by ST Department was higher than the amount available under IAY.

Coverage of physically and mentally challenged persons was low

(ii) According to the guidelines, three per cent of the fund available was to be earmarked for physically and mentally challenged persons. In the list of beneficiaries sent from Grama Panchayats, physically handicapped persons were not shown separately. As such, it could not be ensured that the prescribed percentage of reservation of houses was allowed to physically and mentally challenged persons. As per the progress reports, out of 1.78 lakh houses (including up-gradation) undertaken during 2004-09, only 2253 houses (1.27 per cent) were allotted to physically and mentally challenged persons. Government stated (May 2010) that instructions had been issued to the Project Directors of PAUs, to assign Grama Panchayat - wise targets under physically handicapped persons to ensure three per cent coverage to mentally and physically challenged persons.

3.1.6.6 Credit-cum-Subsidy

Under Credit-cum-Subsidy Scheme, up to 20 per cent of the total funds could be utilized for up-gradation of existing kutchha houses and payment of subsidy for construction of houses with credit from Banks/Financial Institutions. Ceiling of loan and subsidy per household was ₹ 50000 and ₹ 12500 respectively. The scheme was available to rural households having an annual income up to ₹ 32000 only. Following irregularities were noticed in the implementation of the scheme:

⁵ Oachira, Nedumangad, Kunnamangalam, Thodannur, Chadayamangalam, Anchal, Balusseri, Nilambur and Wandoor

⁶ Kottarakkara, Nedumangad, Vamanapuram, Thodannur, Perambra, Chadayamangalam, Balusseri and Malappuram

(i) Though subsidy payable for loan of ₹ 50000 was raised from ₹ 10000 to ₹ 12500 with effect from 1 April 2004, it was paid at the rate of ₹ 10000 only to 2383 beneficiaries during 2004-05 and 2005-06 by three⁷ PAUs and three⁸ BPs test-checked. The short release of subsidy on this account amounted to ₹ 59.60 lakh. Government accepted (April 2010) the audit observation and stated that all such cases will be reviewed and remedial action taken.

Interest was not received on the amount deposited in banks for disbursement of subsidy

(ii) Under the scheme, the subsidy amounts were released to the banks as soon as the loans were sanctioned. The amounts so released were kept in the Subsidy Reserve Fund Account in the bank which did not bear any interest. Undisbursed amounts of subsidy were returned by the banks after several months without giving any interest. In PAU, Kollam, 39 cheques for ₹ 9.90 lakh were received during 2004-05 (as per the register of valuables) towards refund of subsidy from various banks. As the dates on which the subsidy was released to the banks were not mentioned in the register/letter of refund, the loss of interest could not be worked out. It was seen in one case that the subsidy was released in May 2005 but refund was made only in July 2007, that is, after the lapse of more than two years. The loss of interest on this account could have been avoided if the subsidy was released to the banks on receipt of intimation that the beneficiary had availed the loan. Government stated (May 2010) that instructions had been issued to the Project Directors to monitor the utilisation of subsidy disbursed to banks and claim interest for the amount refunded after unreasonably long period.

(iii) Under Credit – cum – Subsidy scheme, though the insurance premium for the first three years was to be borne by the BPs, none of the BPs test-checked had paid any premium. Government stated (May 2010) that as the rate of collapse of houses constructed under the scheme due to natural calamities were found to be negligible, Government did not take the master policy as envisaged in the working guidelines.

3.1.6.7 Maintenance of bank accounts

The Central/State shares and the supplementary assistance received by the BPs were to be kept in a nationalised /scheduled or co-operative bank or a post office in an exclusive and separate Savings Bank (SB) account. It was noticed that eight⁹ BPs had maintained more than one SB account. Maintenance of more than one bank account might lead to misappropriation of the scheme fund. Audit noticed the following deficiencies in the maintenance of these bank accounts:

₹ 1.57 crore kept in TP account was not utilised

(i) Prior to 2002, the funds relating to Centrally Sponsored Schemes (CSS) were kept in Treasury Public (TP) Accounts. In January 2002, the State Government issued directions to freeze the operation of all TP accounts. Consequently, CSS funds kept in TP account could not be utilised. In April 2004, Government clarified that TP accounts relating to PRIs did not come under the purview of the above orders and that withdrawal of funds from the TP accounts could be made after getting clearance from the Finance

⁷ Kozhikode PAU: ₹ 2.78 lakh, Malappuram PAU: ₹ 3.13 lakh and Kollam PAU: ₹ 52.38 lakh

⁸ Vamanapuram BP: ₹ 0.70 lakh, Kilimanoor BP: ₹ 0.28 lakh, Athiyannoor BP: ₹ 0.33 lakh

⁹ Balussery, Chadayamangalam, Kilimanoor, Malappuram, Nilambur, Perambra, Thodannur and Vamanapuram BPs

Department. However, out of the IAY funds amounting to ₹ 1.57 crore in the TP accounts of six PAUs/BPs, four PAUs/BPs credited ₹ 13.77 lakh to the Consolidated Fund of the State. The action of the PAUs crediting the amount in the Consolidated Fund instead of crediting the amount in the IAY fund was irregular. No effective action was taken by two PAUs/BPs to obtain clearance from Finance Department to withdraw the balance amount of ₹ 1.43 crore retained in the TP account since 2002. The Details of the funds are given in **Appendix XI**. Government stated (April 2010) that action would be taken to release the amount retained in the TP account.

₹ 69.46 lakh drawn from plan fund was retained by BPs instead of remitting into bank

(ii) For giving supplementary assistance to the beneficiaries, the BPs were to draw amounts from their share of Development Expenditure Funds from treasury and deposit the same in the SB accounts for IAY in the banks. Instead of depositing the amounts in banks, nine¹⁰ out of 16 BPs test-checked, drew bills from treasury and obtained banker's cheques for the amount in the names of the beneficiaries to avoid lapse of fund. The cheques were, however, not issued to the beneficiaries. Audit scrutiny revealed that 521 cheques for ₹ 69.46 lakh drawn during the period from 19 March 2007 to 22 April 2009 were retained by the nine BPs. Had the funds been drawn from treasury and kept in the SB account for IAY, interest could be earned and cheques could be drawn and issued as and when the beneficiaries turned up for payment.

3.1.6.8 Collection of insurance premium on houses

Collection of premium for the coverage of insurance on houses was not envisaged under IAY scheme. The BPs in Kollam District, however, collected premium at the rate of ₹ 100 from each beneficiary. The amounts so collected up to 2005-06 were transferred to PAU, Kollam for taking insurance policy. The amount was, however, deposited in SB Account in Canara Bank, Chinnakkada Branch, instead of taking policy from the insurance company. The balance in the above account as on 31 January 2009 amounted to ₹ 3.95 lakh after settling the claims amounting to ₹ 25000 in respect of 3 beneficiaries.

3.1.6.9 Irregular deductions from the payments made to beneficiaries

Irregular deductions from payment made to beneficiaries amounted to ₹ 13.27 lakh

(i) The IAY guidelines did not provide for deduction from payments made to the beneficiaries for non-electrification of the houses. Seven¹¹ BPs test-checked had deducted amounts at different rates for non-electrification of houses, from the final payments made to 599 beneficiaries during 2004-05 to 2008-09. The irregular deduction made on this account during 2004-05 to 2008-09 amounted to ₹ 4.53 lakh.

(ii) According to the guidelines, if the beneficiary was unable to construct smokeless chulha and sanitary latrine recovery at the rate of ₹ 100 and ₹ 600 respectively was to be made from the assistance. Deductions were, however, made at higher rates (₹ 200 / ₹ 400) by three¹² BPs during 2004-05 to 2006-07

¹⁰ Malappuram, Nilambur, Wandoor, Oachira, Nedumangad, Perambra, Thodannur, Balusseri, Kunnamangalam BPs

¹¹ Nilambur (₹ 3.02 lakh), Areacode (₹ 0.41 lakh), Malappuram (₹ 0.11 lakh), Wandoor (₹ 0.72 lakh), Anchal (₹ 0.08 lakh), Thodannur (₹ 0.14 lakh), Balussery (₹ 0.05 lakh) BPs

¹² Anchal, Kottarakkara, Wandoor BPs

for non-construction of smokeless chulhas by 184 beneficiaries resulting in excess deduction of ₹ 42000.

It was also noticed that though the Ministry of Rural Development dispensed with the above deductions in December 2006, the BPs recovered amounts from the beneficiaries at different rates during 2007-08 to 2008-09 for non-construction of sanitary latrines and smokeless chulhas. Irregular recovery from the beneficiaries on this account amounted to ₹ 6.23 lakh¹³.

(iii) According to the guidelines, efforts were to be made to dovetail funds from Total Sanitation Campaign (TSC) for providing sanitary latrine so that more money could be made available for construction of IAY house. As such, no recovery was to be made from the IAY beneficiaries who had already constructed sanitary latrines under TSC. It was noticed that three¹⁴ BPs made recoveries from 108 beneficiaries on this account at the rate of ₹ 2000/1200 during the period 2004-05 to 2007-08. This had resulted in irregular recovery of ₹ 2.09 lakh.

Government stated (May 2010) that instructions had been issued to all Secretaries of BPs not to make any deduction which were not authorised in the guidelines.

3.1.6.10 Amount pending realisation under revenue recovery

₹14.93 lakh was pending revenue recovery

Though the houses were to be completed within two years, construction of many of the houses had not been completed even after the lapse of more than four years. In the test-checked 16 BPs, Revenue Recovery (RR) action was initiated only by 8 BPs¹⁵ for realisation of the amount paid up to 2005-06. Even in cases referred for RR no follow up action was taken by the BPs. The amount pending realisation under RR was ₹ 14.93 lakh in 122 cases in 8 BPs¹⁶.

3.1.7 Implementation of the Scheme

3.1.7.1 Physical targets and achievements

The physical targets and achievements as reported by the CRD to the Ministry of Rural Development were as given in **Table 5**.

¹³ **Sanitary latrines**: Nilambur, Areacode, Wandoor, Anchal, Perambra and Thodannur BP: 151 beneficiaries; ₹ 1.08 lakh ; **Smokeless Chulha** : Malappuram, Areacode, Wandoor, Anchal, Nedumangad, Perambra, Thodannur, Kottarakkara, Balussery, Kunnamangalam, Vamanapuram, Kilimanoor BPs: 3243 beneficiaries; ₹ 5.15 lakh

¹⁴ Anchal (₹ 1.22 lakh), Oachira (₹ 0.11 lakh), Kottarakkara (₹ 0.76 lakh)

¹⁵ Malappuram (₹ 0.12 lakh), Nilambur (₹ 2.93 lakh). Areacode (₹ 2.63 lakh), Oachira (₹ 0.71 lakh), Balussery (₹ 2.87 lakh), Kunnamangalam (₹ 0.65 lakh), Chadayamangalam (₹ 1.57 lakh) and Vamanapuram (₹ 3.65 lakh)

¹⁶ Malappuram, Nilambur, Areacode, Oachira, Balusseri, Kunnamangalam, Chadayamangalam, Vamanapuram

Table 5: Physical targets and achievements of the State

Year	Target (Number of houses)		Achievement ¹⁷ (Number of houses)		Percentage of achievement	
	New construction	Up- gradation	New construction	Up- gradation	New construction	Up- gradation
2004-05	29511	7378	28830	11001	97.69	149.10
2005-06	28781	10865	24560	9684	85.33	89.13
2006-07	26804	10144	21407	8349	79.86	82.30
2007-08	39155	14758	26842	9600	68.55	65.04
2008-09	70922	14748	36845	15013	51.95	101.80
Total	195173	57893	138484	53647	70.95	92.66

The CRD had not maintained figures of achievement against target fixed for each year. As the achievement included incomplete houses of earlier years achievement did not represent the true picture. The physical target and achievement in respect of the test checked BPs were as given in **Table 6**.

Table 6: Targets and achievements of test-checked BPs

Name of Block Panchayats	Target (Number of houses)		Achievement ¹⁷ (Number of houses)		Percentage of achievement	
	New construction	Up- gradation	New construction	Up- gradation	New construction	Up- gradation
Chadayamangalam	1733	574	1561	262	90.08	45.64
Oachira	852	192	748	182	87.79	94.79
Kottarakkara	1347	347	1181	318	87.68	91.64
Malappuram	808	309	258	91	31.93	29.45
Areacode	1255	370	815	316	64.94	85.41
Wandoor	1951	350	1491	222	76.42	63.42
Nilambur	2469	565	1420	457	57.51	80.88
Kunnamangalam	1465	665	1317	590	89.90	88.72
Balusseri	1462	456	681	341	46.58	74.78
Perambra	1175	238	837	181	71.23	76.05
Thodannur	584	128	237	44	40.58	34.38
Athiyannoor	1252	649	1177	613	94.01	94.45
Nedumangad	1177	524	885	425	75.19	81.10
Vamanapuram	2242	757	1482	722	66.10	95.38
Kilimanoor	1631	663	1257	492	77.07	74.20
Anchal	1827	576	1679	536	91.90	93.06
Total	23230	7363	17026	5792	73.29	78.66

It was noticed that:

Houses were reported to be completed before actual completion

- The figures of incomplete houses contained in the progress reports forwarded by the Secretaries of the BPs to PAUs were much less than those recorded in the beneficiary registers. Against 119 houses shown as incomplete in the progress reports of six¹⁸ BPs test-checked for the years 2004-05 to 2006-07, the actual number of incomplete houses as per the beneficiary register was 944. On completion of roofing, the houses were treated as completed and included in the progress reports whereas the houses were treated as completed in beneficiary register only on completion in all respects. Government stated (May 2010) that strict instructions had been issued to all BPs to report houses as complete only after completing all items of work and after settlement of final payment.

¹⁷ including incomplete houses of previous years

¹⁸ Anchal, Oachira, Perambra, Kottarakkara, Balussery and Kunnamangalam BPs

- The maximum time allowed for completion of houses was two years. However, in respect of the houses constructed the time taken ranged between 37 months and 57 months in nine¹⁹ BPs test-checked.
- Use of asbestos sheets for roofing in respect of houses constructed utilising financial assistance from Local Self Government Institutions (LSGIs) was prohibited by the State Government from 2007-08 onwards. Test-check of the photographs of houses kept in the BPs revealed that 99 houses in four²⁰ BPs were completed during 2007-08 with AC sheet roofing. Government stated (May 2010) that all implementing officers had been instructed to see that final payment was not given to beneficiaries who completed the houses with AC roof.
- As per guidelines, the houses constructed should be provided with smokeless chulhas and sanitary latrines. In test checked 16 BPs, out of 25475 houses constructed during 2004-05 to 2008-09, 16059 houses (63.04 per cent) were not provided with smokeless chulhas and 10175 houses (39.94 per cent) were not provided with sanitary latrines.

3.1.7.2 Deficiencies in identification and selection of beneficiaries

According to the guidelines, the Grama Sabhas were to select the beneficiaries from the list of eligible BPL households and their selection was final. The Grama Panchayats were, however, sending the lists of beneficiaries to the BPs without verifying the eligibility of the beneficiaries. Though the State Government had directed (November 2001) the Secretaries of Grama Panchayats to furnish certificate to the effect that all the beneficiaries included in the list belonged to BPL category, no such certificate was furnished to BPs. Verification of the lists of beneficiaries by Village Extension Officers (VEOs) revealed that the lists contained beneficiaries who did not possess land, who had already got dwelling units under other schemes, non-SCs/STs in the list of SC/ST beneficiaries, etc. Following deficiencies were also noticed in audit in the identification of beneficiaries.

₹ 2.81 lakh was paid to 24 beneficiaries not approved by Grama Sabha

(i) During 2005-06, Kilimanoor BP had given financial assistance of ₹ 2.81 lakh to 24 beneficiaries from the list of 35 beneficiaries not approved by Grama Sabha. Payments made to five beneficiaries (₹ 50000) only were recovered by the BP in February 2008. The Government stated (May 2010) that the departmental action had been taken against the Housing Extension Officer responsible for the irregularity.

(ii) As per GOI direction (April 2005), the Grama Panchayats had to prepare two permanent wait lists based on BPL Census 2002 - the one for SC/ST shelterless BPL families and the other for beneficiaries other than SC/ST. The selection of beneficiaries for IAY from 2005-06 onwards was to be done from the above list strictly following the order of priority. There was no permanent IAY list in the State as envisaged by GOI due to the absence of approved BPL list in the State.

¹⁹ Anchal, Chadayamangalam, Nedumangad, Perambra, Thodannur, Kottarakkara, Balussery, Kunnamangalam and Kilimanoor BPs

²⁰ Anchal, Oachira, Chadayamangalam and Kilimanoor BPs

3.1.7.3 Construction of houses entrusted to private agency remained to be completed

The IAY guidelines prohibit construction of houses through contractors/Government Departments and grant of supplementary assistance from funds other than plan/own funds of PRIs. In violation of the above guidelines, Kunnamangalam BP entrusted construction of 39 houses for the ST beneficiaries in Vattachira Adivasi Colony to an agency viz, Centre for Overall Development, Thamarassery (COD) during 2006-07 and met supplementary assistance of ₹ 47500 per house from Tribal Resettlement Development Mission (TRDM) fund. As against ₹ 29.25 lakh payable to the agency, ₹ 25.56 lakh (IAY fund: ₹ 10.24 lakh, TRDM fund: ₹ 15.32 lakh) was paid. Government stated (May 2010) that COD is non-profit making NGO and is accredited for entrusting Tribal Development Activities under the Tribal Development Department and that payment was made to them only through beneficiaries.

Beneficiaries had to occupy incomplete houses constructed by private agency

Though the houses were to be completed before February 2008, works relating to the construction of smokeless chulhas, electrical wiring and fixing of doors were remained to be completed (June 2009). The delay in completion was attributed to delay in timely release of TRDM funds. The beneficiaries had occupied the incomplete houses and they were not getting water through the taps provided by the Kerala Water Authority. Thus, construction of the houses entrusted to private agency in contravention of the guidelines of IAY had not been completed and the beneficiaries were forced to occupy the houses without doors, electricity and water supply. Government stated (May 2010) that Water Supply Scheme for ₹ 16 lakh had been sanctioned for Tribal Development Department for execution by Kerala Water Authority.

3.1.7.4 Sale of houses constructed under IAY

Five beneficiaries sold houses after receiving financial assistance of ₹ 0.98 lakh

As per the agreement entered into by the beneficiaries with the BPs, sale of houses constructed under IAY was prohibited for 12 years. Alienation of houses/land by the beneficiaries after receiving financial assistance of ₹ 98250 was noticed in three BPs²¹. Government stated (April 2010) that the system of registration of houses with the Sub Registrar would be introduced in IAY.

3.1.7.5 Non-availability of drinking water supply

As per the guidelines, availability of drinking water supply was to be ensured by the agencies responsible for implementation of IAY. Scarcity of drinking water was reported in certain areas of Nilambur, Kilimanoor, Balussery and Chadayamangalam BPs.

3.1.7.6 Other points of interest

(i) In Thodannur BP, the construction of the house of an SC beneficiary was recorded as completed (February 2009) in the beneficiary register and the beneficiary was paid ₹ 61000, which was more than the maximum amount (₹ 50000) admissible. On joint physical verification (June 2009), it was seen that the house was completed only up to lintel level. Government stated (May 2010) that disciplinary action will be taken against officers responsible.

²¹ Anchal (cases: 2, ₹ 31250), Oachira (cases: 1, ₹ 40000), Vamanapuram (cases: 2, ₹ 27000)



View of a house shown as completed

(ii) As per the GOI guidelines, the plinth area of houses constructed under IAY should not be less than 20 square metre (M^2). However, the plinth area prescribed by State Government was 25-40 M^2 , in view of the supplementary assistance granted. It was noticed that in seven BPs, out of 71 cases test-checked, the plinth area ranged between 41 M^2 to 95 M^2 in 44 cases. It was further noticed that the eight beneficiaries in six BPs had constructed houses with plinth area 75.76 M^2 to 95 M^2 by spending ₹ 3 lakh to ₹ 4.20 lakh, though the scheme was aimed at providing financial assistance for construction / up-gradation of dwelling units to the BPL families. The details are given in **Appendix XII**. Government stated (May 2010) that instructions had been given to Block Panchayat Secretaries not to release further instalments of assistance if plinth area exceed 40 M^2 .



IAY house costing more than ₹ 4 lakh

3.1.8 Monitoring, Evaluation and Control Mechanisms

3.1.8.1 Monitoring and Evaluation

The system of monitoring the progress of completion of houses by the BPs was not effective as the houses remained incomplete even after lapse of four to five years. Though the figures of achievements included in the progress reports were inflated, the CRD/PAUs did not ensure that the figures furnished by the BPs were correct which showed lack of monitoring at higher level.

As per circular issued by CRD in June 2007, the officers in CRD in the cadre of Additional Development Commissioner, Joint Development Commissioner and Assistant Development Commissioner had to inspect at least five units/works in a month in the Districts allotted. The Assistant Development Commissioner did not inspect any unit/work during the period 2004-05 to 2008-09. The number of inspections conducted by Additional Development Commissioner and Joint Development Commissioner ranged between three and six per year during 2004-05 to 2008-09. District Level Officers in the four districts test-checked also did not conduct any inspection of units/works as per schedule²².

Though the guidelines envisaged periodic evaluation studies on the implementation of IAY, no evaluation was done by any agency in the four districts test-checked. IAY guidelines envisaged that the houses constructed should be disaster resistant and environmental friendly adopting technologies necessary for low cost material. However, technological evaluation of the houses constructed under IAY was not conducted.

Though the implementing agencies were required to maintain a complete inventory of houses constructed/upgraded under the IAY, giving details regarding dates of commencement and completion of houses, occupation and other relevant particulars of the beneficiaries, it was not maintained by any of the 16 BPs test-checked in audit. Instead, year-wise beneficiary registers were maintained showing only name and category of beneficiary and details of payments made. In the absence of an inventory, it was difficult to ascertain the number of houses remaining incomplete for taking timely remedial action.

3.1.8.2 Internal Control

There was no effective system of internal control at Grama Panchayats level for the verification of eligibility of the beneficiaries identified by Grama Sabhas. The internal control mechanism in the BPs was weak with regard to the payment of subsidy under Credit-cum-Subsidy Scheme leading to short release of subsidy to beneficiaries, release of subsidy in advance to bank even before availing loan by beneficiaries, etc.

3.1.9 Conclusion

Grama Panchayats were sending the lists of beneficiaries to BPs without verifying their eligibility. The BPs and GPs did not ensure that the beneficiaries had not availed financial assistance previously for housing from PRIs/SC&ST Department. The progress reports contained inflated figures of achievement. There were short provisions of supplementary assistance by PRI resulting in denial of benefit to the beneficiaries. The BPs drew funds in advance of requirements in order to show inflated figures of expenditure. In violation of the Government directions, eight BPs maintained more than one SB account for depositing IAY funds. There was short release of subsidy of ₹ 59.60 lakh under Credit-cum-Subsidy Scheme. Irregular deductions from the payments made to the beneficiaries were noticed in the test-checked BPs.

²² Two inspections by Project Director, PAU; three inspections each by Assistant Project Officer, ADC (GL), RIO, and DWVO

3.1.10 Recommendations

- Government may consider issuing directions to the BPs to ensure that the beneficiaries did not obtain financial assistance previously for housing from PRIs/other departments.
- Steps may be taken to withdraw and utilise huge amounts lying idle for more than eight years in TP Accounts of BPs/PAUs.
- Drawal of funds in advance of requirements should be curtailed.
- Government may consider pledging of the documents relating to IAY houses to Government for 12 years to avoid sale of houses by the beneficiaries.
- Government should evaluate the impact of the scheme in the State to strengthen its implementation.

Government stated (May 2010) that action to implement the recommendations will be taken.

3.2 Drinking Water Supply Schemes of Panchayat Raj Institutions

Highlights

The Panchayat Raj Institutions (PRIs) are vested under the Kerala Panchayat Raj Act, 1994 with the right and power to prepare and implement water supply and sewerage schemes within the area of the Panchayat. The review revealed defective planning in the implementation of the projects, absence of reliable data for planning DWSS, entrustment of projects for execution to Kerala Water Authority/Ground Water Department at the fag end of the year to avoid lapse of fund, preparation of unrealistic estimates resulting in excess deposits etc.

- **The status of coverage of the existing drinking water facilities was not available with the PRIs test-checked due to non preparation of detailed maps showing the fully covered, partially covered, non-covered areas.**

(Paragraph 3.2.6.1)

- **An amount of ₹ 2.37 crore deposited in excess with KWA during 2004-05 to 2008-09 in respect of 188 completed/abandoned works had not been recovered.**

(Paragraph 3.2.7.1)

- **Kerala Water Authority recovered ₹ 3.30 crore towards centage charges from the amount deposited during 2004-05 to 2008-09 though PRIs were not required to pay centage charges.**

(Paragraph 3.2.7.4)

- **No projects had been formulated for periodical testing and quality control of drinking water by any of the PRIs test-checked.**

(Paragraph 3.2.9.4)

- **Internal Control Mechanisms in PRIs was ineffective.**

(Paragraph 3.2.9.5)

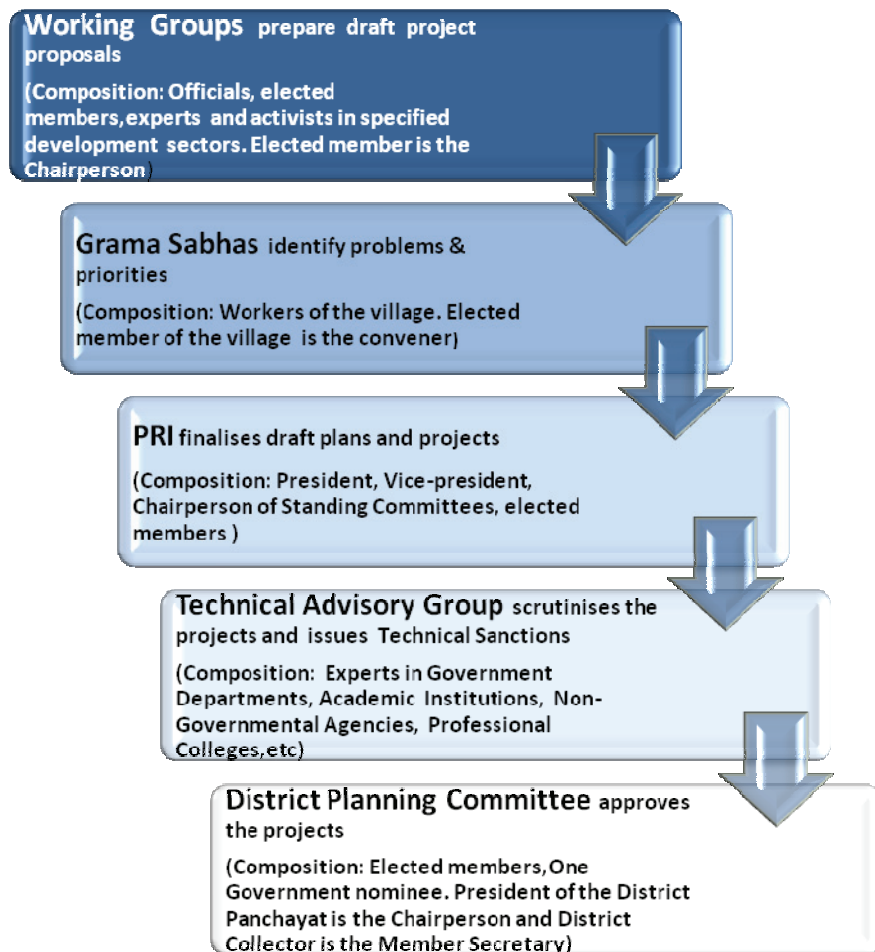
3.2.1 Introduction

The Panchayat Raj Institutions (PRIs) are vested under the Kerala Panchayat Raj Act 1994 (KPR Act) with the right and power to prepare and implement Drinking Water Supply Schemes (DWSS) within the area of the Panchayat. Under the provision of the Kerala Water Supply and Sewerage Act 1986, though Kerala Water Authority (KWA) is responsible for supply of drinking water in the State, Government may by notification in the gazette relieve KWA and for the benefit of the panchayat, transfer all plants, machinery, pumping station and all buildings and land thereto, management of water supply, distribution, levy and collection of water charge to that panchayat. Accordingly, 371 KWA schemes have been handed over to the Grama Panchayats so far (June 2009).

3.2.2 Organisational set up

Local Self Government Department is the administrative department at the state level handling the overall affairs of PRIs. Secretaries of the PRIs are the implementing officers of DWSS. The organizational set up for the planning of DWSS in PRIs consists of Working Group, Grama Sabha, PRI, Technical Advisory Group, District Planning Committees. The role of various committees /groups in the formulation of DWSS is shown in the flow **Chart 1** given below:

Chart 1: Flow chart depicting the role of various committees/groups in the formulation of DWSS



The projects approved by the District Planning Committee are executed through contractors or as deposit works with Kerala Water Authority (KWA), Ground Water Department (GWD), Kerala Agro Industrial Corporation (KAICO) etc.

3.2.3 Audit objectives

The performance audit was conducted to ascertain whether

- planning for implementation of DWSS was proper;
- available fund was utilized economically and effectively;

- programme implementation was efficient;
- proper mechanism exists to ensure smooth operation and maintenance, monitoring and control.

3.2.4 Audit criteria

The audit criteria used for assessing the performance in the implementation of the DWSS were relevant provisions of Kerala Panchayat Raj Act, 1994 and rules made thereunder, Guidelines issued for the X and XI Plan Schemes, State Water Policy (2008) and draft project reports and project implementation plan for individual schemes.

3.2.5 Audit scope and methodology

The performance audit was conducted during February 2009 to June 2009 covering the period 2004-05 to 2008-09. Out of the 14 districts in the State, three²³ were selected for audit on the basis of random sampling method. Wayanad, being a backward district having hilly terrain was also selected for audit. Within the four selected districts, seven Block Panchayats (BPs) and 26 Grama Panchayats (GPs) were selected for detailed audit (**Appendix XIII**). Methodology adopted was mainly scrutiny of files, records and site inspections.

Audit findings and recommendations were discussed with the Principal Secretary to Government in the exit conference held in April 2010. Replies wherever applicable have been included.

3.2.6 Planning

The State has 13289 habitations (Panchayat wards) of which only 8381 habitations (63.07 per cent) were covered with the required quantity of 40 lpcd²⁴ safe drinking water.

3.2.6.1 Absence of reliable data

Detailed maps of DWSS were not prepared by the GPs

As per plan guideline issued (March 2004) by the Planning Department, each PRI should prepare detailed map showing the fully covered, partially covered and non-covered areas by the existing water supply facilities. The PRIs had to prepare drinking water supply projects based on these maps so that each household in the Panchayat get adequate safe drinking water. However, none of the GPs test-checked prepared the map and the detailed drinking water supply projects. Due to non preparation of such maps, audit could not ascertain whether DWSS taken up for implementation were selected giving priority to the areas which suffered from scarcity of drinking water. Government stated (May 2010) that steps would be taken to prepare the distribution map in respect of the drinking water supply projects that are included in the annual plan.

²³ Kottayam, Ernakulam, and Palakkad

²⁴ litres per capita per day

3.2.6.2 Defective Planning

Projects were prepared without the decision of Grama Sabhas

As per KPR Act, formulation of all developmental schemes should be based on the Grama Sabha decisions. The four District Panchayats (DPs) and seven BPs selected for the review implemented 744 schemes approved by the concerned District Planning Committees during 2004-05 to 2008-09 at a total cost of ₹ 34.33 crore. None of the schemes were formulated based on the decisions of Grama Sabhas and recommended by the GPs except Angamaly BP which executed three schemes based on Grama Sabha decisions of the Karukutty GP.

As per KPR Act 1994, the management of the DWSS within a GP is vested with the GP concerned. However, the DWSS created by DPs and BPs test-checked were not transferred to the GPs except Mankunnu DWSS executed by Pampady BP which was transferred to Kooroppada GP in 2008-09. As a result, the GPs were not in a position to monitor the functioning of schemes implemented by DPs and BPs and carry out their maintenance.

3.2.7 Financial Management

The State Government releases Development Expenditure Fund (DEF) for implementation of Annual Plan Schemes formulated by PRIs. The PRIs utilise a portion of the fund for implementation of DWSS included in the Annual Plan.

Percentage of utilization of fund was 69.58

The DEF released by Government to the PRIs test-checked, amount provided by the PRIs for the implementation of DWSS and the expenditure therefrom during the five years from 2004-05 to 2008-09 are as shown in **Table 1**.

Table 1: Expenditure details of DWSS

Category of PRI (Number of PRIs test-checked in bracket)	DEF released by Government	Provision for DWSS in the Annual Plan	Expenditure	₹ in crore)	
				Percentage of provision against DEF	Percentage of expenditure against provision for DWSS
District Panchayat (4)	331.50	44.80	31.76	13.51	70.89
Block Panchayat (7)	59.37	4.43	2.57	7.46	58.01
Grama Panchayat (26)	105.76	7.55	5.18	7.14	68.61
Total	496.63	56.78	39.51	11.43	69.58

The amount provided by PRIs for implementation of DWSS was 11.43 per cent of the DEF released by Government.

3.2.7.1 Inflated expenditure

The PRIs implemented DWSS through KWA and GWD as deposit works. The amounts deposited with them were to be reckoned as advances and the adjustment and utilisation of the deposit amount should be watched through the advance register. Twenty seven PRIs deposited ₹ 29.93 crore with KWA and GWD during 2004-05 to 2008-09 for 518 works. Though only 357 works were completed by KWA/GWD as of June 2009, the entire amount was treated as final expenditure on the date of deposit itself, thereby inflating the expenditure to that extent.

Unspent balances of ₹ 2.37 crore for deposit works were not refunded by KWA

It was further noticed that unspent balances amounting to ₹ 2.37 crore in 188 works deposited with KWA during 2004-05 to 2008-09 were retained by 10 KWA Divisions (*vide Appendix XIV*) though as per agreement with KWA, unspent balance of works completed/dropped should be refunded to the PRIs. The PRIs did not take any action to get the unspent balance refunded from KWA.

3.2.7.2 Refund of unspent balance by KWA

The Executive Engineer, KWA Division, Shornur issued (April 2007) a cheque for ₹ 39.44 lakh to the Secretary, DP, Palakkad being the unspent balances of the deposit works entrusted to the Division during 1997-98 to 2004-05. This amount was, however, not accepted by the DP with a view to adjust the amount against the probable excess amount in respect of other works.

3.2.7.3 Lapse of fund

Deposits were made at the fag end of financial year without conducting feasibility study and preparation of estimates

Proper feasibility study, preparation of design and estimates, allocation of funds, identification of beneficiaries etc., were to be carried out before entrusting the projects for execution by the public sector undertakings. Deficiencies noticed due to non-observance of the above procedures by the PRIs are discussed below:

(i) Wayanad DP deposited (30 March 2004) ₹ 35.27 lakh with KWA, Sulthan Bathery for drilling 63 bore wells before identifying the sites and obtaining detailed estimates from KWA. As KWA did not execute the work, a high level meeting was held at the Government level in October 2004 and the work was entrusted to GWD. An amount of ₹ 9.65 lakh was transferred to GWD. The GWD completed the bore wells in 14 sites at a total cost of ₹ 6.43 lakh. The balance amount of ₹ 28.84 lakh remained unutilised with KWA and GWD (KWA: ₹ 25.62 lakh and GWD: ₹ 3.22 lakh). In order to adjust the advance pending with KWA, the President of the DP permitted (December 2007) KWA to execute three²⁵ DWSS utilising the balance amount of ₹ 25.62 lakh without administrative sanction/approval of DPC. The works were yet to be completed (June 2009) and the amount of ₹ 25.62 lakh remained unadjusted for more than five years.

(ii) Ernakulam DP deposited (March 2008) ₹ 3.87 crore with KWA for execution of 29 water supply works even before conducting feasibility study by KWA. The amount was deposited on the basis of rough cost estimates made by KWA. Out of these works, KWA completed 16 works at a cost of ₹ 1.43 crore and remaining 13 works had not been completed even as of December 2009.

(iii) Thiruvegapuram GP deposited ₹ 7.09 lakh with KWA, Shornur in March 2008 for execution of two DWSS, viz, Pannikkunnu and Chembra based on the rough cost estimate prepared by KWA. When the detailed estimate was prepared by the KWA it went up to ₹ 22 lakh and consequently the GP

²⁵ DWSS, Kakkavayal (Meenangadi GP), Kallupadi (Muttill GP), Choorimala (Sulthan Bathery GP)

dropped the project for want of funds. The GP had not taken any action to get the refund of the deposit of ₹ 7.09 lakh.

In all the above cases the amounts deposited at the fag end of the financial year without conducting proper survey/estimate were to avoid lapse of plan fund.

3.2.7.4 Centage and supervision charges

Contrary to codal provisions centage charges of ₹ 3.30 crore paid to KWA

As per Kerala Public Works Account Code, centage²⁶ charges was not to be levied for the deposit works executed for Panchayats. However, the deposit of ₹ 29.50 crore made to KWA during 2004-05 to 2008-09 included centage charges of ₹ 3.30 crore. Moreover, the centage charges were paid for the renovation/extension or replacement of the existing distribution system owned by KWA and the expenditure was met from the Plan Fund of PRIs.

In addition to centage charge, Mulavukad GP and Ernakulam DP paid supervision charges of ₹ 0.49 lakh and ₹ 0.13 lakh respectively to KWA for the deposit work without any authority.

3.2.7.5 Payment of advances

In January 2000, Government recognised KAICO as an accredited agency for executing public works. The Secretary, DP, Kottayam paid the estimated amount of ₹ 40.05 lakh for 31 works as advance even before declaring KAICO as an accredited agency and the estimated amount of the balance 34 works (₹ 89.58 lakh) after recognition. Even as an accredited agency, KAICO was eligible for only 20 per cent of the estimated amount (₹ 17.92 lakh) as advance. As such, the payment of full amount of ₹ 1.29 crore as advance was not in order.

3.2.7.6 Ineffective mechanism to realise water charges

Arrears of water charges of ₹ 36.87 lakh was not realised

KWA transferred 371 DWSS to various GPs in the State. In respect of the schemes transferred, GPs had to realise water charges from the consumers and incur expenditure on the running and maintenance of the schemes. As of June 2009, water charges amounting to ₹ 46.37 lakh was pending collection by four²⁷ GPs in respect of ten²⁸ DWSS transferred during May to September 2002.

Government stated (May 2010) that ₹ 9.50 lakh had been realised from Kannadi GP (₹ 2.25 lakh), Pattambi GP (₹ 6.20 lakh) and Agali GP (₹ 1.05 lakh). In the case of Nattakom GP, the water charges were not realized as there was no distribution of water through the pipe line.

3.2.8 Implementation of DWSS

Status of implementation of the DWSS taken up by the test-checked PRIs during 2004-05 to 2008-09 are given in **Table 2**.

²⁶ Charges for meeting the administrative cost of the deposit works

²⁷ Kannadi, Nattakom, Pattambi, Agali

²⁸ Kannadi, Chathan Kalangara, Pallom, Chingavanam, Pattambi, Pallipadu, Kandamthodu, Puthukulam, Agali and Pattimalam

Table 2: Status of implementation of DWSS

Year	Total projects taken up	Works entrusted to KWA/GWD			Works entrusted to conveners/contractors		
		Completed works	Dropped	Incomplete works	Completed works	Dropped	Incomplete works
2004-05	211	58	2	-	149	-	2
2005-06	219	88	1	14	114	1	1
2006-07	375	112	4	53	195	3	8
2007-08	228	55	4	43	115	1	10
2008-09	213	44	7	33	101	-	28
Total	1246	357	18	143	674	5	49

Out of the 1246 projects taken by the PRIs, 1031 projects were completed at a cost of ₹ 24.72 crore, 192 projects on which ₹ 14.09 crore (up to September 2009) was incurred were at various stages of implementation and 23 were dropped / abandoned. Deficiencies in the implementation of the projects noticed during audit are discussed below:

3.2.8.1 Non-completion of long pending DWSS

Thirty DWSS were remaining incomplete for the past several years

The DP, Ernakulam in its Annual Plan for 2007-08 formulated two projects for completion of 30 DWSS taken up from 1998-99 to 2004-05 and which were yet to be completed. A budgetary provision of ₹ 77.37 lakh was made for these projects in the budget for 2007-08. In June 2008 without recording any valid reason, the DP dropped 25 projects which included three²⁹ DWSS on which ₹ 24.69 lakh had already been incurred during 1998-99 to 2001-02. No expenditure was incurred on the remaining five projects. Thus the intention of completing long pending DWSS intended to benefit the people was not fulfilled besides rendering the expenditure of ₹ 24.69 lakh incurred on three projects infructuous.

3.2.8.2 Unrealistic estimation of projects

PRIs deposited amounts with KWA without scrutiny of estimates prepared by KWA

Based on the estimate prepared by KWA, DP, Palakkad deposited ₹ 58.09 lakh with KWA, Shornur Division during 2004-05 to 2008-09 for implementation of eight DWSS. The Shornur Division completed and commissioned the eight schemes during 2008-09 at a total cost of ₹ 16.13 lakh which was only 28 per cent of the amount deposited. The balance amount of ₹ 41.96 lakh was not refunded to the DP. The balance amount retained by KWA in each work ranged between ₹ 2.01 lakh to ₹ 6.97 lakh.

Non-availability of suitable mechanism in PRIs to scrutinise the unrealistic estimates prepared by KWA resulted in the excess deposits with the implementing agencies. Though the Panchayat Raj Act envisaged deployment of sufficient number of employees to PRIs to implement and maintain the water supply schemes in the panchayats, none of the panchayats had initiated action to get the staff transferred from KWA.

3.2.8.3 Idling of solar water pumping system

Solar water pumping system installed at a cost of ₹ 5.75 lakh was idling

DP, Ernakulam installed (June 2008) a solar water pumping system in Vengoor GP at a total cost of ₹ 5.75 lakh for implementation of water supply scheme to tribal people in Ponginchodu colony. However, no proposal for construction of storage tank, distribution system etc, required for the completion of the project was included even in the plan proposal for 2008-09. Due to delay in completion of the civil works the solar pumping system

²⁹ Manjalikkunnu WSS, Pottumudi Chaluchira WSS , Erupuram WSS

installed remained unutilised. Government stated (May 2010) that a project for construction of tank and pipe laying would be included in the Annual Plan 2010-11 of the DP.

3.2.8.4 *Non-acquisition of source of drinking water*

Project not commissioned due to non-acquisition of source of water

Ithikkayal DWSS was formulated by Kumarakom GP in 1999-2000 at an estimated cost of ₹ 5.50 lakh. The project included construction of well in the natural pond (Ithikkayal), and supply of water through the existing pipeline of KWA after multilayered purification process. The construction of well, shed and filtration plant was completed at a total expenditure of ₹ 9.75 lakh. The project had not been commissioned due to (i) non-acquisition of the source of water (Ithikkayal) identified for the project which belonged to a private party and (ii) objection by KWA to utilize their distribution line for the project. Due to delay in commissioning the project the filter tank constructed nine years back had been damaged due to corrosion. Thus, due to poor planning, the project formulated for providing purified drinking water was not commissioned even after nine years. Government stated (May 2010) that, 90 per cent of the project had been completed and it would be commissioned within three months.

3.2.9 Operation, Maintenance and Control Mechanisms

3.2.9.1 *Excess liability on maintenance of public taps*

Drinking water supplied by KWA through the public taps were charged at the rate of ₹ 3500 per annum (₹ 1750 up to August 2008) from the respective GPs. In the 26 GPs test-checked, five GPs had no public taps of KWA, others had not maintained a proper account of the public taps installed within their geographical limit. To ensure that the payments for the public taps were charged for the actual number of public taps installed in the GPs, Government instructed (June 2006) to conduct joint physical verification by the KWA and PRI officials. Following points were noticed in audit:

Four GPs had made excess payment of ₹ 3.96 lakh for public water taps not installed

i) In the 26 GPs test-checked, only eight GPs conducted joint inspection. Of these, the joint inspections by seven GPs in Wayanad and Kottayam Districts were delayed by nine to 27 months (Vythiri, Muttill, Meenadom, Edavaka, Pampady, Nattakom, Pallikkathode). During joint inspection (March 2007 – October 2008), it was found that four³⁰ out of the seven GPs were making excess payments of ₹ 3.96 lakh for 173 public taps.

As per the procedure adopted by KWA, the excess/short payments for the public taps would be regularised only from the date of joint inspection. As such, the excess payment of ₹ 3.96 lakh made by the GPs could not be recovered from KWA.

ii) None of the eight GPs test-checked in Ernakulam District initiated any action for joint verification despite repeated instructions from the Director of Panchayats.

iii) The Secretary, Kumarakom GP stated (August 2009) that though the number of public taps giving water was less than 200, KWA was charging for

³⁰ Edavaka, Pampady, Nattakam and Pallikkathode

333 taps. It was only in April 2009 the GP requested KWA for joint verification. The verification had not been completed (July 2009).

iv) In spite of requests (May 2007 & August 2008) from Koppam GP for joint verification, the KWA had not responded.

The delay in conducting joint verification would lead to excess liability on GPs on account of water charges for non-existent public taps.

3.2.9.2 *Defunct schemes due to non-maintenance*

Due to non-maintenance two water supply schemes had become defunct

Varadimala Maranatty DWSS in Sholayur GP implemented by DP, Palakkad at a cost of ₹ 51.97 lakh through the KWA, Shornur Division was completed and commissioned in October 2004. The DP did not transfer the scheme for management by the GP as required under KPR Act. KWA maintained the scheme up to May 2008 utilising ₹ 4.75 lakh deposited by the DP (March 2007). The operation and maintenance was discontinued thereafter for want of funds.

Similarly, the Mukkali WSS in Agali GP implemented by DP, Palakkad at an expenditure of ₹ 3.08 lakh and commissioned in April 2005 was not working since June 2008. For the running and maintenance of this scheme ₹ four lakh was expended by the DP up to May 2008.

Laxity on the part of the DP in transferring the water supply schemes to the GP for maintenance resulted in non-functioning of water supply schemes on which ₹ 55.05 lakh was incurred.

3.2.9.3 *Sustainability and recharging of water sources not ensured*

As per the plan guidelines, at least one third of the fund earmarked for the schemes under the productive sector of the plan fund (General) was to be expended for schemes of rainwater harvesting, water conservation etc. Though GWD had identified erratic variation in the availability of rainfall which caused depletion of water levels and instances of failed DWSS due to drying of water sources in Pattambi GP³¹, Koppam GP³², Palakkad BP³³ and Thiruvegapuram GP³⁴, no projects for rainwater harvesting and water conservation schemes were formulated by these PRIs.

Government stated (May 2010) that Pattambi GP and Thiruvegapuram GP would implement water conservation schemes during 2010-11.

3.2.9.4 *Quality control*

While transferring the water supply schemes, Government entrusted (November 1998) the PRIs the responsibility of ensuring quality of water supplied by them. The scientific data available with GWD and the water quality survey report of KWA revealed the presence of E Coli, fluoride, iron, nitrate and pollutants in the water resources in Wayanad District and excess content of coliform in Agali GP, by Socio Economic Unit Foundation, but none of the PRIs test-checked had formulated any project for periodical testing and quality control of drinking water supplied through their schemes.

³¹ DWSSs in Kaithali street, Kalorkunnu, Kandamthode, Vadakummuri

³² DWSSs in Vietnampadi, Kokkaramukku, Vydyarpadi, Paravettuchal, Parakkalpadi

³³ DWSS in Nayadikunnu SC Colony

³⁴ DWSS in Pottakkav, Kalapramthodi

3.2.9.5 Internal control

Efficient internal control mechanism ensures smooth functioning of an organisation. The internal control failures in PRIs in the implementation and maintenance of DWSS are discussed below:

- *Asset Register*

The GPs were to incorporate assets created by implementation of DWSS in a separate Asset Register. Eleven³⁵ GPs had not incorporated the assets created under the DWSS after 2006 and 2 GPs viz., Kumarakom and Panachikkad did not maintain the asset registers. Government stated (May 2010) that steps had been taken to maintain the Asset Register in the proper form.

- *Status of functioning of projects not available with DP*

No information available with DP on the status of functioning of projects entrusted to KAICO

As per the progress report for the month of December 2004, KAICO had completed 42 projects. The DP, Kottayam had, however, not transferred these projects to the GPs. The District Panchayat had no information on the status of functioning of the projects, benefit derived out of the projects etc. As the latest position of the schemes entrusted to KAICO was not available with the DP, the audit team conducted site verification of one completed project and three ongoing projects along with officials of the BP/GP and noticed that

- Elampully Market DWSS in Pallikkathode GP which was reported to have been completed at a cost of ₹ one lakh was being used by a private party for his poultry farm and brick manufacturing unit.
- A well and pumphouse and RCC tank constructed each for Makkelpadi DWSS in Kooroppada GP and Thekkanamkunnu DWSS in Ayarkunnam GP at a total cost of ₹ 8.46 lakh were in dilapidated condition. These two schemes were included in the list of schemes in progress.

3.2.10 Conclusion

The absence of proper guidelines and earmarking of funds has affected the successful implementation of the DWSS. Of the 1246 projects formulated during 2004-05 to 2008-09 by the PRIs test-checked, 192 projects were not completed. Lack of co-ordination among the different tiers of the PRIs has affected the running and maintenance of schemes. The PRIs accounted the deposits made with KWA and GWD for execution of DWSS as final expenditure to show utilization of Plan funds. The PRIs had not ensured the quality of the drinking water through periodical testing. Due attention was not given to the sustainability and recharging of the water sources.

3.2.11 Recommendations

- Detailed guidelines for the formulation and implementation of DWSS need to be prescribed defining the role of implementing agencies like KWA.

³⁵ Meenadam, Nattakom, Ayarkunnam, Elamkunnapuzha, Malayattoor Neeleswaram, Karukutty, Kalady, Kanjoor, Pallikkathode, Pampady, Ongalloor GPs

- The GPs need to conduct detailed survey of drinking water facilities available and assess the extent of coverage till date and prepare a master plan for formulation of future projects.
- The DPs and BPs should formulate their schemes after ensuring the necessity of the GPs and the assets so created should necessarily be transferred to the GPs concerned for ensuring smooth operation, maintenance and monitoring of the schemes.
- Each GP needs to formulate projects for conducting periodical quality tests to ensure that only safe water is available for drinking.
- Projects for ensuring sustainability and recharging of water sources should invariably be included in the Annual Plan.

3.3 Implementation of Integrated Development of Small and Medium Towns Scheme/Urban Infrastructure Development Scheme for Small and Medium Towns

Highlights

The Centrally sponsored scheme of Integrated Development of Small and Medium Towns (IDSMT) launched during 1979-1980 aimed to slow down migration of people from rural areas and smaller towns to large cities. During 2005-06, subsuming IDSMT and Accelerated Urban Water Supply Programme, Government of India (GOI) launched Urban Infrastructural Development Scheme for Small and Medium Towns (UIDSSMT). The review on the implementation of the IDSMT scheme revealed improper utilisation of grant, defective planning, inordinate delays in implementation of projects and non-implementation of approved projects. The progress of implementation of the projects under UIDSSMT was tardy.

- **Four Municipalities failed to attain the effective expenditure of 70 per cent of the grant released earlier resulting in the lapse of assistance of ₹ 2.78 crore under IDSMT scheme.**

(Paragraph 3.3.7.2)

- **None of the Municipalities test-checked had created the Revolving fund as contemplated in the IDSMT guidelines for development of infrastructure on a continuous basis.**

(Paragraph 3.3.7.4)

- **Deficiency in raising loans from financial institutions was compensated by five Municipalities by diverting ₹ 2.17 crore from the fund released for the projects not implemented.**

(Paragraph 3.3.7.5)

- **Thirty five out of 73 approved projects for which grant amounting to ₹ 5.55 crore was released were not taken up for implementation.**

(Paragraph 3.3.8.6)

- **Monitoring committees as prescribed in GOI guidelines for IDSMT/UIDSSMT schemes were not constituted.**

(Paragraph 3.3.11.1)

3.3.1 Introduction

The Centrally sponsored scheme for Integrated Development of Small and Medium Towns (IDSMT) primarily aimed to slow down migration of rural population to large cities by the development of selected small and medium towns as regional growth centres was launched during 1979-80. The guidelines for implementation of the scheme were revised in August 1995. The objectives of the scheme were:

- improving infrastructural facilities and helping in the creation of durable public assets in small and medium towns having potential to emerge as regional centres of economic growth and employment

- decentralising economic growth and employment opportunities
- increasing the availability of serviced sites for housing, commercial and industrial uses
- integrating spatial and socio-economic planning and preparing and implementing Town/City Development Plans
- promoting resource-generating schemes for the urban local bodies to improve their overall financial position and ability to undertake long-term infrastructure development programmes

During 2005-06, IDSMT scheme was subsumed with Accelerated Urban Water Supply Programme and a new scheme, 'Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)' was launched by GOI. The components of assistance under UIDSSMT were solid waste management, water supply and sewerage schemes.

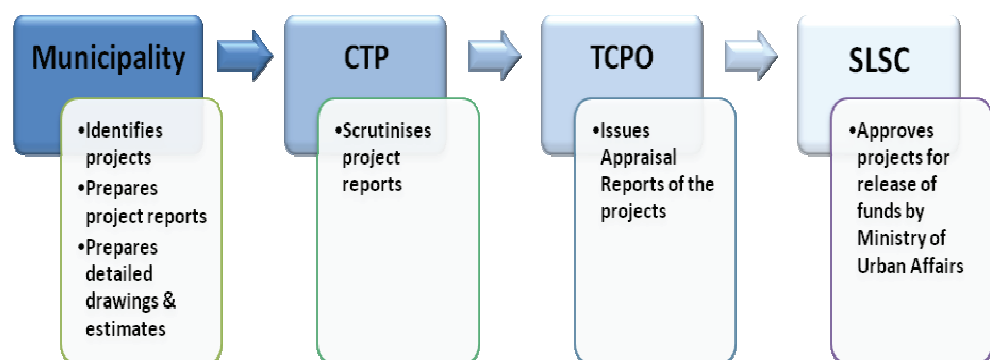
3.3.2 Organisational set up

The Principal Secretary to Government in the Local Self Government Department (LSGD) is in overall charge of the implementation of the schemes at State level and controls the release of funds. The Chief Town Planner (CTP) was responsible for monitoring the progress of implementation of the projects.

The Municipalities identify the projects to be implemented in each town, prepare project reports and forward to the CTP. The CTP after scrutiny forwards the project reports to Town and Country Planning Organisation (TCPO) under the Ministry of Urban Development for appraisal. After receiving the appraisal reports the State Level Sanctioning Committee (SLSC) approves the projects and sends to the Ministry of Urban Affairs through TCPO for release of funds. The Municipalities execute the projects.

An organisation chart of the agencies involved in the implementation of the schemes is given in **Chart 1**.

Chart 1: Organisation chart of the agencies involved in the implementation of the schemes



3.3.3 Audit objectives

The main objective was to examine the effectiveness of the scheme to slow down migration of people from rural areas and smaller towns to large cities. For a more precise understanding, this broad objective was split into the following sub-objectives:

- whether programming of project was proper ;
- whether funds were utilised economically and efficiently;
- whether projects were executed in cost effective and time bound manner;
- whether assets were created as envisaged in the guidelines of the schemes;
- whether proper control, monitoring and evaluation of the projects were carried out.

3.3.4 Audit criteria

The audit criteria used for assessing the performance in the implementation of IDSMT and UIDSSMT were guidelines issued for the schemes, orders, circulars issued by GOI, State Government, TCPO and CTP, relevant provisions of the Kerala Municipalities (Execution of Public Works) Rule, 1997, Kerala Public Works Account Code and Kerala Public Works Manual.

3.3.5 Scope and methodology of audit

The Performance Audit was conducted from January 2009 to May 2009 covering the period from 2002-03 to 2005-06 relating to IDSMT and from 2006-07 to 2008-09 relating to UIDSSMT. During 2002-03 to 2005-06 IDSMT scheme was implemented in 26 Municipalities (out of 53) in the State. Nine³⁶ out of the 26 Municipalities were selected for detailed audit using stratified sampling.

UIDSSMT scheme was implemented in nine Municipalities during 2006-07 and in 16 Municipalities during 2007-08. None of the projects sanctioned during 2007-08 were taken up for implementation by the Municipalities as of June 2009. Performance Audit of the implementation of projects sanctioned under UIDSSMT during 2006-07 was conducted through test-check of the records of four³⁷ out of the nine Municipalities. Audit findings and recommendations were discussed with the Principal Secretary to Government in the exit conference held in April 2010. Replies wherever applicable have been included.

Audit findings

Audit scrutiny revealed various deficiencies in the implementation of the two schemes as indicated below:

³⁶ Perinthalmanna, Kunnamkulam, Kuthuparamba, Payyannur, Paravur, Mavelikkara, Perumbavoor, Kalamassery and Thalipparamba

³⁷ Payyannur, Perinthalmanna, Alappuzha and Pathanamthitta

Integrated Development of Small and Medium Towns

3.3.6 Planning

Projects were prepared and got approved without conducting feasibility study

(i) In accordance with the State Urban Development Strategy and Town/City Master Plan, the Municipalities had to prepare the Town/City Development (Investment) Plans. However, none of the Municipalities test-checked had prepared the Town/City Development (Investment) Plan taking into account of the long/medium term development need of the Municipalities. As a result, the CTP/Government could not conduct an examination of the existing infrastructure and service levels and an assessment of the future growth and development pattern of human settlement in each Municipality. Further, the funding requirement for each Municipality to achieve the objectives of the schemes could not be assessed in the absence of Town/City Development Plan. IDSMT projects were drawn up by the Municipalities without considering the type of urban infrastructural facilities that would be required in the Town.

(ii) The primary aim of the scheme was to slow down migration of people from rural areas and smaller towns to larger cities, by strengthening infrastructure facilities. The Municipalities had failed in their planning process for the timely completion of the projects. No evaluation of the scheme to study the impact of the projects on slowing down the migration of people from rural and small and medium towns to larger cities was conducted either by LSGD or CTP.

3.3.7 Financial Management of IDSMT

3.3.7.1 Funding

Based on the population, the Municipalities were classified under five categories (A, B, C, D & E) and the minimum project cost fixed by GOI ranged from ₹ one crore to ₹ 7.50 crore for each category. The financing pattern based on population and minimum project cost were as shown in **Table 1**.

Table 1: The financing pattern under IDSMT

Category of Municipality (Population in bracket)	Minimum project cost	Central assistance (Maximum)	State share	(₹ in lakh)
				Own fund of LSGI/Institutional finance
A (< 20000)	100	48	32	20
B (20000-50000)	200	90	60	50
C (50000-one lakh)	350	150	100	100
D (one lakh-three lakh)	550	210	140	200
E (three lakh-five lakh)	750	270	180	300

During the period covered in audit (2002-07), GOI sanctioned 227 projects, estimated to cost ₹ 75.44 crore for implementation under IDSMT scheme in 26 Municipalities in the State. Out of these, only 106 projects were completed, 36 projects were at different stages of implementation and the remaining 85 projects were not taken up. As of March 2009, the total expenditure on the projects was ₹ 45.35 crore. The details of the projects taken up for implementation in the 26 Municipalities are given in **Appendix XV**.

Table 2 shows the number of projects sanctioned, project costs, grant sanctioned by Central and State Governments and funds to be raised from other sources in respect of the Municipalities test-checked.

Table 2: Details of projects in test-checked Municipalities

(₹ in lakh)

Sl. No	Name of Municipality	Number of projects sanctioned	Project cost	Grant sanctioned			Fund from other sources
				Central share	State share	Total	
1.	Perinthalmanna	7	249.78	90.00	60.00	150.00	99.78
2.	Kuthuparamba	6	258.38	90.00	60.00	150.00	108.38
3.	Kunnamkulam	7	345.00	48.00	32.00	80.00	265.00
4.	Payyannur	9	332.58	142.53	95.02	237.55	95.03
5.	Paravur	9	230.75	90.00	60.00	150.00	80.75
6.	Mavelikkara	10	250.28	90.00	60.00	150.00	100.28
7.	Perumbavoor	6	387.00	90.00	60.00	150.00	237.00
8.	Kalamassery	9	555.00	150.00	100.00	250.00	305.00
9.	Taliparamba	10	428.50	150.00	100.00	250.00	178.50
Total		73	3037.27	940.53	627.02	1567.55	1469.72

Municipalities did not raise adequate fund from financial institutions

Against the approved cost of ₹ 30.37 crore, the amount sanctioned by GOI was ₹ 15.68 crore. The balance amount of ₹ 14.69 crore was to be met by the Municipalities from their own resources or by raising loan from financial institutions. However, six³⁸ Municipalities made available ₹ five crore only (against the required amount of ₹ 9.69 crore) for implementation of their projects. Three Municipalities (Payyannur, Kalamassery and Mavelikkara) had neither availed loan from financial institutions nor made available fund from other sources. In view of the fact that institutional finance could not be raised to the level contemplated in the project reports prepared, the sanctions issued were not reflective of actual resource availability. There was thus no realistic assessment of the available resources, while preparing projects. As adequate funds were not raised by the Municipalities as envisaged in the approved project reports, 35 approved projects (cost: ₹ 16.92 crore) were not implemented. Government accepted (April 2010) the audit observation.

3.3.7.2 Lapse of fund

Central assistance of ₹ 2.78 crore lapsed

Out of the total sanctioned amount of ₹ 15.68 crore (Table 2), the nine Municipalities test-checked³⁹ received ₹ 12.90 crore as Central and State assistance and they utilised ₹ 8.74 crore. The balance of ₹ 4.16 crore was kept in the banks by seven Municipalities. As the amount was not fully utilised before the end of 2005-06 by the Municipalities, GOI extended the utilisation period for one more year up to 2006-07. Even after extension by one year, four

³⁸ Kuthuparamba (₹ 1.37 lakh), Thaliparamba (₹ 2.17 crore), Perumbavur (₹ 2.48 crore), Perinthalmanna (₹ 4.16 lakh), Paravoor (₹ 25.62 lakh) & Kunnamkulam (₹ 3.97 lakh)

³⁹ Mavelikara (Grant ₹ 143.52 lakh, Exp: ₹ 53.74 lakh), Kalamassery (Grant: ₹ 250 lakh, Exp: ₹ 136.84 lakh), Perumbavoor (Grant: ₹ 150 lakh, Exp: ₹ 150 lakh), Paravoor (Grant: ₹ 150 lakh, Exp: ₹ 49.14 lakh), Payyanur (Grant: ₹ 120.27 lakh, Exp ₹ 96.77 lakh), Kunnamkulam (Grant: ₹ 80 lakh, Exp: ₹ 50.42 lakh), Kuthuparamba (Grant: ₹ 75 lakh, Exp: ₹ 54.81 lakh), Taliparamba (Grant: ₹ 250 lakh, Exp: ₹ 210.45 lakh), Perinthalmanna (Grant: ₹ 72 lakh, Exp: ₹ 72 lakh)

Municipalities⁴⁰ could not achieve an effective expenditure of minimum 70 per cent of the amount already released as contemplated in the guidelines, resulting in lapse of ₹ 2.78 crore out of total amount of ₹ 6.88 crore sanctioned. It was observed in audit that till June 2009 these Municipalities did not take up 17 projects scheduled for completion between June 2006 and March 2007 due to paucity of funds. Government accepted (April 2010) the audit observation.

3.3.7.3 Non-creation of Urban/Municipal Development Fund

IDSMT guidelines envisaged that the State Government should create a State Urban/ Municipal Development Fund at the State level in order to make available loan to the Municipalities for implementation of IDSMT scheme in case institutional finance was not forthcoming. The LSGD had not created the Fund (June 2009).

Government stated (April 2010) that as Kerala Urban and Rural Development Finance Corporation was giving loans to Local Self Government Institutions, a separate fund by the name 'State/Municipal Urban Development Fund' had not been created. However, since there is scope for raising low cost resources from capital market by way of issue of bonds, Government may consider the desirability of creating a State/Municipal Urban Development Fund to provide loans for IDSMT schemes.

3.3.7.4 Non creation of Revolving Fund

The critical requirement of the scheme was the creation of a revolving fund by each Municipality for the development of infrastructural assets on a continuing and sustainable basis.

The guidelines envisaged that the grants released by Central and State Governments would flow to the Revolving fund at the Municipal level and only 25 per cent of the amount released could be accounted for as outright grant from the fund in the case of non-remunerative projects. The remaining 75 per cent of the amount would be treated as corpus to be returned to the Revolving fund for self sustainable development, keeping in view the fragile revenue base of small and medium towns. The amount spent on remunerative projects should be recouped to the Revolving fund within a period of 10 years in the case of categories A and B Municipalities and within seven years in the case of other categories. However, none of the Municipalities test-checked had created the Revolving funds as contemplated in the guidelines. The State Government in the LSGD had not taken any effective action to constitute the Revolving fund by the Municipalities other than issuing a circular in February 2002 to all Municipalities.

3.3.7.5 Diversion of fund

Grant of ₹18.97 lakh was diverted for projects not included in IDSMT scheme

(i) As per Financial Rules, expenditure should be incurred for the purposes for which funds were provided. The amount sanctioned by Government for IDSMT projects was based on the project reports forwarded by the Municipalities and therefore expenditure should be incurred for the projects included in the Project Reports. However, Perumbavur and Mavelikkara

⁴⁰ Kuthuparamba (₹ 75.00 lakh); Mavelikara (₹ 6.48 lakh); Payyannur (₹ 118.78 lakh); Perinthalmanna (₹ 78.00 lakh)

Municipalities diverted ₹ 18.97 lakh for projects (drain near Perumkulam Puncta: ₹ 4.50 lakh and development of site and construction of compound wall: ₹ 14.47 lakh) not included under IDSMT schemes. The Municipalities diverted the amount though seven approved projects still remained to be taken up (June 2009).

Grants of ₹ 2.17 crore were not utilised for the projects for which the funds were released

(ii) As per IDSMT guidelines, grant sanctioned for each project included in the project report should be utilised for that particular project only and diversion of amount from one project to another was not permissible. Of the nine Municipalities test-checked, five Municipalities without taking up 23 projects for implementation, diverted ₹ 2.17 crore out of the grant of ₹ 4.73 crore released for these projects for execution of other projects. The amount diverted had not been recouped so far (December 2009). The Municipality-wise details of the amount diverted are given in **Table 3**.

Table 3: The Municipality-wise details of the amount diverted

(₹ in lakh)			
Name of Municipalities	Number of projects not taken up	Amount released for works not taken up	Amount diverted
Kunnamkulam	5	63.66	34.08
Payyannur	5	85.63	62.13
Mavelikkara	5	113.85	24.07
Perumbavur	2	45.00	45.00
Kalamassery	6	164.75	51.59
Total	23	472.89	216.87

The Municipalities diverted the amount to complete the work already taken up since sufficient fund was not raised from financial institutions as envisaged in the project reports. Government stated (April 2010) that direction would be given to the Municipalities to recoup the amount diverted.

3.3.7.6 Loss of revenue

Taliparamba Municipality had constructed a Sathram at Parassinikadavu in October 2007 and a Vishramkendra at Taluk Hospital compound in December 2007 after incurring total expenditure of ₹ 90.01 lakh. The Sathram constructed at the Taluk Hospital compound was not provided with water connection by the Municipality and both the buildings were not let out so far (December 2009). As a result, the Municipality could not generate returns from the buildings. The estimated loss of revenue sustained by the Municipality from November 2007 to March 2009 amounted to ₹ 23.70 lakh.

3.3.8 Execution of IDSMT projects

The scheme envisaged a mix of three categories of projects, viz., (i) remunerative, (ii) user charge-based and (iii) non-remunerative (basic service projects). The implementing agencies had to adopt a basket type approach so that the expenses incurred on non-remunerative projects and for the weaker sections were made up through adequate returns from remunerative components such as market complexes, shopping centres, bus and truck terminals etc. The user charge based recovery projects such as town hall, dining hall, crematorium, comfort stations etc were meant for providing better service to the public by collecting user charge for maintaining the assets.

Of the 73 approved projects (remunerative: 19; user charge based: 24; non-remunerative: 30) nine Municipalities completed only 26 projects

(remunerative: 3; user charge based: 6; non-remunerative:17) till June 2009 spending ₹ 10.25 crore.

Table 4 gives the details of the completed projects as of September 2009 by the nine Municipalities test-checked.

Table 4: Status of projects in the test-checked Municipalities

(₹ in lakh)

Municipality	Approved projects						Completed projects						
	Remunerative		User charge based		Non-remunerative		Remunerative		User charge based		Non-remunerative		Expenditure
	No	Project cost	No	Project cost	No	Project cost	No	Project cost	No	Project cost	No	Project cost	
Mavelikkara	3	124.10	4	45.25	3	80.93	1	9.10	3	45.25	1	25.93	39.27
Kuthuparamba	2	150.00	1	48.00	3	60.38	0	0	1	48.00	2	12.38	38.29
Thaliparamaba	3	189.40	4	99.20	3	139.90	1	103.50	1	9.77	1	28.29	251.84
Perumbavur	1	191.00	1	99.00	4	97.00	1	191.00	0	0	2	31.00	386.82
Kunnamkulam	2	150.00	2	90.00	3	105.00	0	0	0	0	1	10.39	10.39
Perinthalmanna	2	157.19	2	17.21	3	75.38	0	0	0	0	1	30.39	21.11
Paravur	1	102.00	5	64.75	3	64.00	0	0	1	7.00	2	51.50	58.83
Payyannur	2	112.00	2	116.48	5	104.10	0	0	0	0	4	97.00	95.27
Kalamassery	3	242.00	3	200.00	3	113.00	0	0	0	0	3	113.00	122.84
Total	19	1417.69	24	779.89	30	839.69	3	303.60	6	110.02	17	399.88	1024.66

Delay of more than one year was noticed in completing four projects by four⁴¹ Municipalities. Three shopping complexes constructed at a cost of ₹ 5.51 crore by three Municipalities had not been put to use partially/completely. Expenditure of ₹ 3.22 crore incurred on these remunerative projects remaining unfruitful as detailed below:

3.3.8.1 Projects taken up without proper survey for demand

Idle investment of ₹ 3.13 crore on space remaining unutilised in two shopping complexes

(i) During 2003, Perumbavur Municipality undertook construction of a five storied Market-cum-Shopping Complex Building (estimated cost: ₹ 1.91 crore) in Perumbavur town after demolishing the existing market building which was in a dilapidated condition. The Municipality got the project completed through a contractor at a total cost of ₹ 3.45 crore.

The shopping complex consisted of 34 stalls and 170 shops. Out of these, the Municipality could so far (June 2009) let out only 36 shops and there was no demand for 98 shops. There was failure on the part of the Municipality in assessing the demand for the shops in the building before taking up the construction. It was noticed in audit that though 36 shops were let out, full amount of deposit and advance rent was received in respect of four rooms only. Only partial payment was received for the remaining 32 rooms. Though the Municipality anticipated an annual rental income of ₹ 26.48 lakh and deposit of ₹ 5.20 crore on letting out 204 rooms, the actual amount received (March 2009) towards deposit and advance rent was ₹ 1.64 crore and ₹ 3.22 lakh respectively. The idle investment on account of the vacant rooms amounted to ₹ 2.84 crore⁴².

⁴¹ Kalamassery, Payyannur, Kuthuparamba, Paravur Municipalities

⁴² (₹ 345 lakh divided by 204) x 168 shops not let out.

(ii) Taliparamba Municipality constructed (September 2007) a three storied shopping complex with a plinth area 1202 m² at the bus stand at a total cost of ₹ 1.97 crore. Though the shopping complex was completed in September 2007, the Municipality could so far let out only an area of 1025.28 m², leaving the remaining 176 m² vacant. Though the Municipality tendered the vacant area (176 m²) thrice for letting out, there was no response from the public. Idle investment on the vacant space of the building constructed was ₹ 28.81⁴³ lakh.

3.3.8.2 Building not put to use due to delay in carrying out rectification works

Building constructed was not put to use as cracks developed on the roof

The work of construction of superstructure with a built up area of 228 m² over the existing single storied commercial building (estimated cost: ₹ 9.10 lakh) at Mavelikkara town was taken up by Mavelikkara Municipality in June 2004. The work awarded to a contractor in October 2004 was completed in December 2005 at a total cost of ₹ 8.69 lakh. The building was, however, not put to use as the existing ground floor over which the new building was constructed developed cracks and roof plastering started falling. It was only in February 2009, that the Municipality requested the Chief Engineer to make available technical experts to ascertain the structural soundness of the building. The delay in taking rectification measures was attributed by the Municipality to frequent transfer of engineers and secretaries by the LSGD. Further developments are awaited (November 2009).

Thus a building for commercial purposes completed as early as December 2005 at a total cost of ₹ 8.69 lakh had not been gainfully put to use due to delay in ensuring its structural stability.

3.3.8.3 Idle investment on projects

Works on six projects were at standstill

Audit observed that out of the 12 projects in respect of which the works were stated to be in progress, in six projects the works were at stand still due to defective planning, defective preparation of site plan and design of the building, delay in preparation of estimates etc and consequently the investment on these projects had become an idle investment / blocking of funds as discussed in the following paragraphs:

Idle investment of ₹ 19.07 lakh on a solid waste management project

(i) In order to dispose of the waste in a scientific and eco-friendly method, Kuthuparamba Municipality took up (December 2004) the project ‘Solid Waste Management by Windrow Composting Method’ (estimated cost: ₹ 48 lakh). The site selected for the project was in 411 cents of land owned by the Municipality. Apart from office building, the work included composting shed, two leach pits, compound wall, concrete yard, rain water harvesting tank, overhead water tank, landscaping etc. Though the work was scheduled to be completed by December 2007, it was only in January 2007 that the Municipality prepared and obtained technical sanction for two components of the project viz., office building and composting shed and awarded the work to a contractor at an estimated cost of ₹ 15.23 lakh. The work was completed in October 2008 at a total cost of ₹ 19.07 lakh. The remaining components of the work had not been taken up even as of June 2009. The Municipality could not adduce any specific reason for the delay in completion of the project.

⁴³ (₹ 196.73 lakh divided by 1202 M²) x 176 M²

The estimated quantity of solid waste generated in the Municipality was 15 tonnes per day. As the implementation of the project did not materialise, the waste generated was dumped at the municipal dumping yard causing environmental problems. Further, the expenditure of ₹ 19.07 lakh incurred on the project remained idle.

Unfruitful expenditure of ₹ 40.97 lakh on drainage improvement works

(ii) With a view to avert flooding in the town during monsoon and also to facilitate the flow of effluent and sewage stagnating in the town, Taliparamba Municipality included the project 'Improvement of Kakkathodu (an existing natural drain)' in the IDSMT scheme. The estimated cost of the project was ₹ 85.59 lakh. The Municipality in the project report did not provide for a treatment plant. The Detailed Project Report only mentioned that installation of the treatment plant would be taken up at a later stage. The work was not tendered due to protest from the local people as the waste water from the drain would be allowed to flow to the Kuttikel river without treatment which would cause health hazard and environmental problems. The Municipality completed (May 2008) 540 metre length of the drain work through a contractor at a cost of ₹ 28.04 lakh. An additional amount of ₹ 12.93 lakh was incurred for levelling the yard for the installation of a treatment plant. But no action was taken to install the treatment plant (June 2009). Failure of the Municipality in completing the project caused health hazard and the environmental problems continued to prevail due to effluent and sewage stagnating in the town.

Laxity in ensuring the standard specified for loose soil resulted in non-completion of a remunerative project

(iii) The projects approved by GOI in June 2004 for Mavelikkara Municipality included the work of construction of a three storied shopping complex (estimated cost: ₹ 1.02 crore). The Municipality anticipated an annual income of ₹ 21.01 lakh towards rent in addition to the one time premium of ₹ 57.30 lakh. The work was to be commenced in July 2004 and completed by December 2006. The Municipality, however, tendered the work only in December 2005 and this resulted in the revision of estimate to ₹ 1.14 crore based on 2004 Schedule of Rates. The work was awarded in March 2006 with the stipulation to complete the work by March 2008. The estimate of the work was again revised to ₹ 1.18 crore on the recommendation (May 2006) of LBS Centre for Science and Technology (LBS Centre) for densification of the very loose sand of the site up to a depth of 4.25 metre. Though LBS Centre recommended the Municipality to carry out the work under the strict supervision of the Municipal Engineer to ensure the previously recommended standards, the Municipality had not taken any action to commence the work (June 2009). The Municipality has so far incurred an expenditure of ₹ 5.09 lakh towards soil testing, estimate preparation, etc.

Thus, failure on the part of the Municipality in ensuring the standard specified by the LBS Centre in the densification of soil resulted in the non-completion of a remunerative project even after five years.

Advance of ₹ six lakh given to Nirmithi Kendra remained blocked for more than two and a half years

(iv) Paravur Municipality had taken up the project 'Construction of a canteen building at the municipal office premises' (estimated cost: ₹ 10 lakh) in December 2004. The work was awarded (March 2007) to Nirmithi Kendra at an agreed amount of ₹ 10.48 lakh and ₹ six lakh was paid as advance (March 2007) to them. In the agreement executed with Nirmithi Kendra, the Municipality did not include the essential clause regarding the date of commencement and completion of the building. After partial excavation of

soil for pillar foundation, the firm stopped the work in May 2008 and demanded revision of rates. As the Municipality did not settle the issue, Nirmithi Kendra had not resumed the work so far.

As per Kerala Municipality (Execution of public works and purchase of materials) Rules, advance to contractors are prohibited and payments are to be made to the contractors after measuring the actual work executed. In the case of work awarded to accredited agencies, advance amounting to 20 per cent of the total cost of the work can be made on execution of agreement. Accordingly, Nirmithi Kendra was eligible to get an advance of ₹ two lakh only and the excess payment of ₹ four lakh made to them was irregular.

Further, the Municipality could not impose penal clause for delayed completion of work since it failed to include the clause as to the commencement and completion of work in the agreement. Due to delay in completion of the work, the amount of ₹ six lakh advanced to Nirmithi Kendra remained blocked for more than 30 months. Government accepted (April 2010) the audit observation.

(v) Perumbavur Municipality undertook (2003) the project ‘Construction of a stadium with amenities like play room, public toilet, stores etc’. The project was to be implemented by filling three acres of water logged land owned by the Municipality. The estimated cost of the project was ₹ 50 lakh. The work was scheduled to be commenced in October 2003 and completed by December 2004. Though Government released (February 2003) assistance amounting to ₹ 35 lakh for implementation of the project, the Municipality prepared an estimate amounting to ₹ 11.63 lakh for filling water logged land alone. The work awarded (February 2004) to a contractor at 45 per cent below the estimate was completed in May 2004 at a total cost of ₹ 6.29 lakh. The Municipality was yet to prepare the estimate for the other components of work. Laxity on the part of the Municipality in the execution of the project resulted in the expenditure of ₹ 6.29 lakh being rendered unfruitful for over five years and in the non-realisation of benefit to the public. Besides, the delay in commissioning the project would also have an inevitable impact on costs.

(vi) Taliparamba Municipality undertook construction of a three storied commercial complex building (Plinth area: 1219.37 m²) in 3.15 acres of land owned by the Municipality at Dharmasala. The architectural and structural design and estimate of the building, prepared by a private engineer was got approved (December 2005) by the Superintending Engineer, Kozhikode Corporation. The estimated cost of the project was ₹ 62 lakh. The anticipated annual rental income⁴⁴ from the building was ₹ 10.86 lakh in addition to the one time premium of ₹ 41.53 lakh.

44 Ground floor-18 rooms @ ₹2500 per month	: ₹ 5.40 lakh
First floor-14 rooms @ ₹ 2000 per month	: ₹ 3.36 lakh
Second floor – Office space 175 square metre @ ₹100 per square metre	: ₹ 2.10 lakh
	₹ 10.86 lakh

A commercial complex building was completed after a delay of about two and a half years due to change in structural design

Though the work was to be commenced in July 2004 and completed by December 2005, the work was awarded to a contractor only in September 2006 at an agreed amount of ₹ 63.73 lakh. As per the agreement, the work was to be completed by September 2007. After commencement of work, the Municipal Engineer noticed that the shopping complex with the approved dimensions could not be accommodated in the actual site. Accordingly, the Municipality changed the design of the building based on the actual site. Technical sanction of the revised plan was got approved from the authorities of the Government College of Engineering, Kannur. The estimate of the work was also revised (December 2006) to ₹ 72.40 lakh and the work was resumed by the contractor. The work was completed in March 2010. A total payment of ₹ 30.71 lakh was made to the contractor till June 2009. Failure on the part of the Municipal Engineer in ensuring the accuracy of the site plan prepared by the private architect resulted in defective preparation of the structural design of the building and consequent revision of estimate from ₹ 62 lakh to ₹ 72.40 lakh after award of work. The estimated loss of revenue on account of the delay in completion of the building amounted to ₹ 26 lakh for 29 months from the stipulated date of completion.

3.3.8.4 Long delay in commencement of projects

Delay in awarding the work caused additional liability of ₹ 4.18 crore due to revision of SOR

The projects under IDSMT schemes proposed by the Municipalities were approved by GOI during 2002-03 to 2004-05 and the first instalment of grants was released during this period itself. However, four Municipalities did not take timely action in awarding the work relating to four projects resulting in abnormal increase in the project cost due to revision of estimate based on prevailing Schedule of Rates (SOR). Additional liability in four works on account of revision of rates amounted to ₹ 4.18 crore⁴⁵.

3.3.8.5 Time overrun

Twelve projects, the stipulated dates of completion of which were between April 2006 and November 2007, were in progress as of December 2009. These projects included six remunerative projects and six basic service (non-remunerative) projects. There was significant time overrun relating to these projects ranging from 27 to 55 months (up to December 2009). Delay in completion of these projects deprived the public of the intended benefit apart from loss of income to the Municipality.

3.3.8.6 Projects yet to start

Thirty five projects were not taken up

Till June 2009, nine⁴⁶ Municipalities did not take up 35 projects for which ₹ 5.55 crore was available and due for completion between December 2004 and December 2007. Though agreements were executed during 2006 and 2007 for implementation of eight projects, no work was started as of December 2009. The reasons for non-commencement of the work were change in pile design, non-rectification of defects in foundation pile, non-shifting of high tension power line, delay in evicting tenants, non-availability of land, etc. The

⁴⁵ Piravam (₹ 90 lakh), Mavelikkara (₹ 64.85 lakh), Kuthuparamba (₹ 43 lakh) and Payannur (₹ 2.21 crore)

⁴⁶ Kunnankulam : 5 projects, Payannur : 5 projects, Perumbavur : 2 projects, Kalamassery : 6 projects, Mavelikara : 5 projects, Paravur : 4 projects, Taliparamba : 1 project, Kuthuparamba : 2 projects, Perinthalmanna : 5 projects.

estimates of the projects were prepared based on 1999 and 2004 SOR. Inordinate delay in awarding of works relating to 35 projects would require revision of estimates for which additional resources have to be mobilised by these Municipalities.

Urban Infrastructure Development Scheme for Small and Medium Towns

3.3.9 Financial Management of UIDSSMT

3.3.9.1 Funding

Under UIDSSMT the project cost was to be shared between Central and State Governments in the ratio 80:10 and the balance 10 per cent was to be raised by the nodal agency / implementing agencies from the financial institutions. Fifty per cent of the Central Share would be released on signing Memorandum of Agreement by the State nodal agency after ascertaining availability of State share. Balance 50 per cent of the Central share would be released on submission of utilisation certificates by the nodal agency for 70 per cent of the funds released earlier. The nodal agency was authorised to release 25 per cent of Central grant to the Municipalities after ensuring the availability of State share and the balance grant after release of State share and assessment of the progress of the implementation of projects. The CTP was the State Level Nodal Agency (SLNA) for the implementation of UIDSSMT. The details of the funds released by GOI, State Government and CTP during the period 2006-07 to 2008-09 were as given in **Table 5**.

Table 5: Funds released by GOI, State Government and CTP

(₹ in lakh)

Year	GOI share received by State Government (Date of receipt in bracket)	Amount released by State Government to SLNA (Date of release in bracket)			Amount released by SLNA to Municipalities (Date of release in bracket)
		GOI share	State share	Total	
2006-07	3363.04 (31 March 2007)	-	-	-	-
2007-08	3128.40 (6 July 2007) 2065.87 (28 March 2008)	3363.04 (31 March 2008)	391.05 (21 November 2007)	3754.09	-
2008-09	491.20 (14 January 2009) 8292.22 (17 January 2009)	2065.87 (26 March 2007) 11911.82 (31 March 2009)	248.90 (26 March 2009) 1488.98 (31 March 2009)	15715.57	1350.00 (30 April 2008) 1163.22 (10 June 2008) 36.00 (10 June 2008) 36.00 (12 June 2008) 19.20 (16 June 2008)
2009-10	-	-	-	-	5300.01 (4 August 2009)
Total	17340.73	17340.73	2128.93	19469.66	7904.43

Out of the total amount of ₹ 194.70 crore received, the amount released by CTP to the Municipalities was ₹ 79.04 crore. The CTP had not released the balance amount of ₹ 115.66 crore due to non-receipt of ways and means clearance from State Government.

3.3.9.2 Low utilisation of funds

Utilisation was only 34 per cent

During 2006-07 and 2007-08, GOI sanctioned 25 projects with total estimated cost of ₹ 425.79 crore under UIDSSMT for implementation in 22 Municipalities in the State. Out of these, the Municipalities had taken up seven projects and completed none of the projects so far (September 2009). The Municipality-wise details of projects sanctioned, project cost, fund received, amount utilised etc., are given in **Table 6**.

Table 6: Projects sanctioned, project cost, fund received, amount utilized under UIDSSMT

(₹ in lakh)							
Sl. No	Name of Municipality	Number of projects sanctioned	Project cost	Fund received	Projects in progress	Projects not taken up	Amount utilized
1	Neyyattinkara	1	349.00	26.91	0	1	0
2	Attingal	1	306.00	142.29	1	0	69.33
3	Punalur	1	482.00	115.68	1	0	33.87
4	Changanassery	2	781.90	241.78	1	1	41.58
5	Pathanamthitta	1	380.00	91.20	1	0	5.81
6	Perinthalmanna	2	1333.00	367.78	1	1	90.81
7	Payyannur	1	4019.00	1868.84	1	0	1868.84
8	Alappuzha	2	9617.00	1914.72	1	1	539.71
9	Chalakkudy	1	4978.00	0	0	1	0
10	Nedumangad	1	229.00	35.31	0	1	0
11	North Paravur	1	183.00	28.22	0	1	0
12	Aluva	1	185.00	28.53	0	1	0
13	Guruvayoor	1	3144.33	484.84	0	1	0
14	Chavakad	1	1900.67	293.08	0	1	0
15	Thalassery	1	4120.00	635.29	0	1	0
16	Vadakara	1	2091.75	322.54	0	1	0
17	Kalpetta	1	3217.00	496.05	0	1	0
18	Chittur Thathamangalam	1	650.00	100.23	0	1	0
19	Thiruvalla	1	627.90	96.82	0	1	0
20	Ottappalam	1	1800.00	277.55	0	1	0
21	Malappuram	1	1976.00	304.69	0	1	0
22	Koyilandi	1	208.00	32.07	0	1	0
Total		25	42578.55	7904.42	7	18	2649.95

As of September 2009, the total expenditure incurred by the Municipalities was only ₹ 26.50 crore, which was only 34 per cent of the fund received.

3.3.10 Execution of UIDSSMT projects

Implementation of UIDSSMT was tardy

Audit scrutiny of the records of four Municipalities test checked revealed that the progress of implementation of UIDSSMT projects was tardy. The projects which are scheduled to be completed by 2009/2010 were still at the initial stages of implementation (June 2009). Status of implementation of projects is given below:

3.3.10.1 Perinthalmanna Municipality

The project 'Solid Waste Management' was approved by GOI in March 2007 at a project cost of ₹ 5.22 crore. The stipulated date of completion of the project was March 2010. The Municipality has not so far awarded the work on the major components of the project, viz., plant & buildings, approach roads, administration block etc. As of September 2009, the Municipality incurred an

expenditure of ₹ 90.81 lakh on purchase of two tipper lorries, work on greenbelt, biogas plant, compound wall and internal roads.

3.3.10.2 Alappuzha Municipality

GOI sanctioned the project ‘Augmentation of Urban Water Supply Scheme’ (project cost: ₹ 91.94 crore) in March 2007. The work was scheduled to be completed in April 2009. The Municipality proposed to execute the scheme on a war footing as ground water available in the area was inadequate and contained fluoride beyond the permissible limit for human consumption. The Municipality entrusted the work to the Kerala Water Authority (KWA) in November 2007. However, no physical progress was achieved (June 2009). The reasons for the slow progress in work was attributed to (i) delay in handing over site to KWA for construction of intake well-cum-pump house (ii) delay in getting sanction from the Railway authorities for laying pipe across the railway lines and (iii) deviation in the route of pipeline due to delay in getting sanction from National Highway Authorities to lay pipe along the side of NH 47. The expenditure incurred till September 2009 was ₹ 5.39 crore which was the amount transferred to KWA.

3.3.10.3 Pathanamthitta Municipality

The project ‘Solid Waste Management’ was approved by GOI in March 2007 at a project cost of ₹ 380 lakh. The work was stipulated to be completed in March 2009. The work was not commenced as the Municipality did not obtain clearance from Kerala State Pollution Control Board for the establishment of the treatment plant. The expenditure on the project was ₹ 5.81 lakh. The expenditure represented the amount advanced (March 2009) to Socio Economic Unit Foundation for installation of two biogas plants at two markets. The biogas plants have also not been established so far (September 2009).

3.3.10.4 Payyannur Municipality

GOI approved a Water Supply Scheme in March 2007 at a project cost of ₹ 40.19 crore. The project was scheduled to be completed in June 2009. The Municipality entrusted the work to KWA in September 2007. The work consisted of six packages, viz., (i) construction of intake well-cum-pump house, supply and laying of pumping main, (ii) construction of treatment plant and ground level sump, (iii) supply and laying pipes for gravity main, (iv) construction of weir (two numbers), (v) supply and laying distribution network and (vi) supply and erection of pumpset and transformers. Of these, packages (i), (ii), (iii) and (v) were started in July 2008 and packages (iv) and (vi) were in the tender stages. The expenditure of ₹ 20.60 crore till September 2009 represented amount transferred to KWA towards charges incurred on advertisement, payment made for road transformation charges and cost of pipes purchased.

3.3.11 Monitoring, Evaluation and Control mechanisms

3.3.11.1 Monitoring and evaluation

As per the guidelines issued for implementation of IDSMT/UIDSSMT, SLSC was to monitor and evaluate the progress of implementation. Similar committees were also to be set up at town level under the District Collector for IDSMT. The meetings of SLSC were convened at the time of sanctioning of the projects. No periodicity was prescribed for the meetings of SLSC to

monitor the progress of implementation of the projects. Of the nine Municipalities test-checked, District Level Committees (DLC) to monitor IDSMT projects were formed by the Payyannur and Taliparamba Municipalities only. Meetings of DLC were held once (July 2005) in Payyannur and twice (February 2005 and July 2005) in Taliparamba Municipalities. Government in the LSGD or the CTP had not conducted an evaluation of the scheme at any stage to study the impact of the implementation of the projects taken up under IDSMT. In the case of UIDSSMT, Municipality level Monitoring Committees were constituted in 11 Municipalities in October 2009, after a lapse of 18 months from the date of release of funds. The Monitoring Committees were not formed in the remaining 11 Municipalities. Though the guidelines for UIDSSMT stipulate that the SLSC should meet at least thrice in a year to review the progress of ongoing projects, the SLSC constituted in October 2006 met only five times till February 2009. The SLSC did not meet thereafter (February 2010).

3.3.11.2 Internal control system

The main objective of the internal control system is to gear up the supervisory controls and management systems in the organization so as to have a proper control over implementation of various programmes and also to insulate it from financial irregularities. The internal control system in the Municipalities test-checked was not effective in the matter of implementation of schemes. In none of the Municipalities there existed a system to ensure that the projects were executed within the stipulated time. There was no control mechanism in place in the office of the CTP to monitor the financial flows vis-à-vis physical performance and report to Government for taking remedial action.

3.3.12 Conclusion

Projects under IDSMT were aimed at strengthening the infrastructure facilities, creating employment opportunities to the rural population so as to achieve the overarching objective of the scheme viz., slow down migration of people from rural areas and smaller towns to large cities. The Government in the LSGD or the CTP had not conducted an evaluation of the scheme at any stage to study the impact of implementation of projects taken up under IDSMT scheme on slowing down migration from rural areas and medium towns to large cities. It was, however, noticed in audit that in the test-checked Municipalities, out of the 73 projects approved by GOI under IDSMT, only one-third of the approved projects (26 projects) were completed. Most of the approved projects were either not taken up or at stand still due to laxity on the part of the Municipalities to raise adequate finance, diversion of fund for projects not included under IDSMT, defective planning, defective preparation of site plan, delay in preparation of estimates etc. Though the completed projects included three remunerative projects, those projects were not effectively put to use due to failure of the Municipalities to conduct proper feasibility study before taking up the projects/defect in the construction. The objective of creating and maintaining a revolving fund for the development of infrastructure on a continuous basis was not achieved.

Implementation of projects under UIDSSMT was tardy. Though GOI started releasing fund from 2006-07 onwards for implementation of projects under

UIDSSMT, none of the projects were completed even as of February 2010. Against the total fund of ₹ 79.04 crore released to the Municipalities for UIDSSMT projects, the expenditure incurred was only ₹ 26.50 crore (33 per cent). There was no effective monitoring mechanism at State level and District level.

3.3.13 Recommendations

- Municipalities should formulate an action plan for optimum utilization of Government grant for successful implementation of all approved projects in a time bound manner.
- Funds provided by GOI should be utilised for the purpose for which those are granted. Diversion of funds should be avoided.
- Effective monitoring of the implementation of the projects should be done by State and District level Committees.
- Action needs to be taken at Government level and Municipal level to raise the additional fund required to complete the incomplete projects.

The above points were referred to Government in December 2009; their reply is awaited (November 2010).

CHAPTER IV AUDIT OF TRANSACTIONS

4.1 Loss of revenue towards levy of licence fee for manufacture and sale of food articles

Delay in complying with the directions of the High Court of Kerala to levy licence fee for manufacture and sale of food articles resulted in the loss of revenue of ₹ 2.58 crore.

Government in the Health and Family Welfare Department (H&FWD) promulgated (February 2007) the Kerala Prevention of Food Adulteration Rule, 2007 (KPFA Rules) under Section 24 of the Prevention of Food Adulteration Act, 1954. This Rule was passed in supersession of the existing KPFA Rules, 1957. The new Rules came into effect from 01 February 2007. In the KPFA Rules, 2007 Government, *inter alia*, enhanced the licence fee (ranging from ₹ 200 to ₹ 10000) to be levied for manufacture and sale of food articles of different items as the originally fixed rates (ranging from ₹ two to ₹ 20) based on KPFA Rules, 1957 were never revised till the year 2007.

Based on the writ petition filed by the aggrieved against Government order enhancing licence fee, the High Court of Kerala in its interim order directed (April 2007) the Government to renew the licence on payment of 25 times of the pre-existing licence fee on condition that the applicants file an undertaking to the effect that if ultimately the writ petitions were dismissed, the balance amount should be paid. Instead of complying with the directions of the High Court, Government suspended (June 2007) the implementation of the KPFA Rules, 2007 until further orders. On 9 January 2009, Government reintroduced KPFA Rules, 2007 with the conditions prescribed by the High Court.

According to Sub rule (7) of Rule 7 of the KPFA Rules 2007, a licence shall, unless sooner suspended or cancelled, be in force till the end of the financial year and may be renewed for a period of one financial year at a time. As the implementation of the revised rate of licence fee was frozen till 9 January 2009, the Local Self Government Institutions (LSGIs) could not levy the enhanced rate of licence fee while issuing the licences during 2006-07 to 2008-09. Had the H&FWD followed the directions of High Court without delay, instead of issuing the orders freezing the implementation of the enhanced rates, the LSGIs could have collected the licence fee accordingly.

Thus the delay on the part of H&FWD in implementing the directions of the High Court resulted in loss of revenue of ₹ 2.58 crore being the difference between the existing licence fee and the enhanced licence fee in 38 LSGIs test-checked (details are given in **Appendix XVI**).

The matter was referred to Government in November 2009; their reply has not been received (November 2010).

4.2 Non-lifting of food grains allotted for implementation of SGRY

Local Self Government Institutions of Thiruvananthapuram District failed to lift 3399.082 MT of food grains valued ₹ 2.77 crore allotted by GOI for implementation of Sampoorna Gramin Rozgar Yojana.

Sampoorna Gramin Rozgar Yojana (SGRY) launched by Government of India (GOI) in August 2001 was aimed to provide additional wage employment opportunities in rural areas and food security along with creation of durable social, economic and community assets and infrastructure development for the benefit of rural poor. The programme was to be implemented by District Panchayats (DPs), Block Panchayats (BPs) and Grama Panchayats (GPs). The scheme envisaged execution of work, the material cost of which should not exceed 40 per cent of the total value of work. To ensure food security to the rural workers, a part of the wage was to be paid in food grains, the cost of which was to be borne by Government of India (GOI). The balance cash component of the wage was to be shared between Central and State Governments in the ratio of 75:25. Under the scheme guidelines, the State Government could give five kilograms of food grains per worker per day.

GOI allotted (July/November/December 2007) 4399 Metric Tonne (MT) (rice: 2933 MT and wheat: 1466 MT) of food grains to the Project Director, Poverty Alleviation Unit, Thiruvananthapuram (PAU) for distribution to the DP, BPs and GPs in Thiruvananthapuram District in the ratio of 20:30:50 respectively under intimation to Food Corporation of India (FCI). The release order was valid up to 31 March 2008 and release of food grains was to be made within three months of allotment.

Though the PAU issued indent to the DP, BPs and GPs in Thiruvananthapuram District to lift the allotted quantity of food grains from FCI, none of the LSGIs lifted the food grains till February 2008. The delay in taking up the works included in the Annual Action Plan by the LSGIs was the reason for the poor lifting of food grains. As the progress in lifting the food grains by the LSGIs was poor, the State Government directed (March 2008) all the LSGIs to expedite lifting of allotted quantity of food grains, failing which responsibility would be fixed on the Secretaries of the LSGIs concerned for the loss of Central assistance sustained by the State. In spite of the Government direction, 3399.082 MT of food grains out of the allotted quantity of 4399 MT remained unlifted in the FCI as on 31 March 2008. The value of 3399.082 MT of food grains (rice: 2260.063 MT and wheat: 1139.019 MT) not lifted amounted to ₹ 2.77 crore¹. The assistance under SGRY was stopped by GOI by 31 March 2008.

On being pointed out in audit, the PAU stated that though the LSGIs were informed (January 2008) of the closure of assistance under SGRY by 31 March 2008 by GOI, the laxity on the part of the LSGIs in the implementation of the scheme included under the Annual Action Plan resulted in the non-lifting of the allotted quantity of food grains in time. The Secretary of the District Panchayat, Thiruvananthapuram attributed the delay in

¹ Rice – 2260063 x ₹ 8.90 = ₹ 20114560.70; Wheat – 1139019 x ₹ 6.70 = ₹ 7631427.30

implementation of the scheme to the elaborate procedure for getting the Annual Action Plan of LSGIs approved by the District Planning Committee.

GOI allotted the food grains for the implementation of work approved under the Annual Action Plan prepared by the LSGIs under SGRY. Failure in lifting the allotted quantity of food grains resulted in the non-implementation of the approved work under Annual Action Plan for 2007-08 in addition to the reduction in the creation of employment (6.80 lakh mandays) and food security to the rural poor.

Government stated (March 2010) that against the GOI allotment of 4399 MT of food grains only 2199 MT was available with FCI for distribution in the district under SGRY and PRIs had lifted 999.92 MT of food grains and hence the quantity of food grains not lifted was only 1199.08 MT and the notional loss was ₹ 97.78 lakh. Government added that the Panchayats were reluctant to lift the food grains on the ground that they could not utilise it after 31 March 2008 as GOI had informed in March 2008 of their intention to wind up SGRY scheme and to introduce with effect from April 2008 the National Rural Employment Guarantee Scheme in which food grains do not form part of wage component.

The fact, however, remains that though allotments of food grains were received in July/November and December 2007 there was no progress in lifting of food grains till February 2008. The food grains provided in each allotment were preferably to be uplifted within three months of the allotment. Since there was no upliftment of allotted food grains till February 2008, the contention of Government regarding the actual availability of food grains with FCI does not hold good.

4.3 Loss of Central Assistance

Failure of Nedumangad Municipality in fulfilling the conditions stipulated by Government of India for construction of an indoor stadium resulted in loss of Central assistance amounting to ₹ 67.50 lakh.

Under the scheme “Grants for Creation of Sports Infrastructure”, Government of India, Ministry of Youth Affairs and Sports conveyed approval (February 2004) for providing Central assistance of ₹ 67.50 lakh for “Construction of Indoor Stadium – Category II” by Nedumangad Municipality at Karippur in Thiruvananthapuram District. The approval was subject to the condition that the commitment of Government of India was valid for two years from 20 December 2004 and that the Municipality should spend at least 50 per cent of its share first in the cost of the project before approaching the Ministry for release of Central financial assistance.

The Municipality prepared (November 2004) estimate amounting to ₹ 1.55 crore for the work. On getting technical sanction (May 2005) tenders were invited for the work estimating ₹ 1.48 crore (excluding ₹ seven lakh for electrification, fire and safety works). The work was awarded (July 2005) to the lowest tenderer at 5.9 per cent above estimate rate, subject to approval of Government. The tender excess was, however, not approved by Government (August 2005). The lay out of the indoor stadium was sent for the approval of

the Chief Town Planner only in October 2005. The Town Planner observed (February 2006) that the same plot was identified by the Municipality for construction of a Town Hall under the Integrated Development of Small and Medium Town (IDSMT) Scheme. While sending the layout of indoor stadium for approval, the Municipality did not mention the fact that the site of the indoor stadium was the site originally proposed for construction of town hall. As such, the Town Planner informed (February 2006) the Municipal Secretary to commence construction of indoor stadium only after convincing the Chief Town Planner the above fact and getting approval from him. The layout has not been approved so far (November 2009). The total value of work done (construction of retaining wall, earth filling, etc.) and paid for (March 2007) amounted to ₹ 25.97 lakh.

While reporting (August 2005) the fact that Government of India had discontinued the scheme from April 2005, the Director of Sports and Youth Affairs requested the Municipality to expedite the work so as to claim Central assistance, as there was only remote chance for getting any extension of the validity period. Though the validity period for claiming Central assistance was extended (May 2006) by the Ministry up to the end of June 2006, the Municipality could not furnish utilisation certificate and progress report due to the delay in construction. The request of the Municipality for further extension of time was turned down and the sanction issued for the project was cancelled by the Ministry in July 2008. Audit scrutiny revealed that:

- though Government of India approved provision of financial assistance in February 2004, the estimate for the work was prepared only in November 2004 and technical sanction obtained only in May 2005 leading to inordinate delay in awarding the work.
- there was also considerable delay in sending the layout of the indoor stadium (October 2005) for approval of Chief Town Planner.
- timely intimation of the fact that the location of the indoor stadium was the site proposed earlier for the Town Hall was not given to the Chief Town Planner.
- the Municipality could not furnish utilisation certificate and progress report for availing central assistance despite repeated requests from the Director of Sports and Youth Affairs.

The failure of the Municipality in fulfilling the conditions stipulated by Government of India resulted in loss of Central assistance of ₹ 67.50 lakh. Besides, the objective of the scheme could not be achieved even after the lapse of more than four years despite spending ₹ 25.97 lakh on the project.

In reply to the audit observation (October 2009) the Municipal Secretary stated (November 2009) that the Chief Town Planner did not approve the layout so far. As such the Municipality could not complete the work in a time bound manner and avail the Central assistance.

The matter was referred to Government in January 2010; their reply has not been received (November 2010).

4.4 Unfruitful expenditure on construction of a town hall

The expenditure of ₹ 24.03 lakh incurred by Cherthala Municipality on construction of a town hall remained unfruitful due to the failure of the Municipality to get the work completed even after six years.

Cherthala Municipal Council and Greater Cochin Development Authority accorded (August 2003) Administrative and Technical sanctions respectively for construction of a town hall at Cherthala at an estimated cost of ₹ 60 lakh. The project was conceived as a remunerative project with anticipated annual income of ₹ 15 lakh. The Municipality awarded (November 2003) the work to the lowest tenderer for a contract amount of ₹ 52.46 lakh (12.56 per cent below estimate) fixing the time of completion as one year. The contractor, however, did not complete the work within the stipulated time reportedly due to labour problem and scarcity of materials and the Municipality extended the time of completion till August 2006. After executing the civil work up to the lintel level of the building and receiving (March 2006) ₹ 15.65 lakh towards value of work done, the contractor stopped the work. Though the contractor did not resume the work despite several notices issued to him, the Municipality did not take any action to terminate the contract and rearrange the work at his risk and cost. As a result, the construction of the town hall remained incomplete even after six years.

As of September 2009, the total expenditure incurred on the work was ₹ 18.61 lakh. Besides, the interest liability on the loan amount of ₹ 15 lakh availed (June 2005) by the Municipality for the construction of the town hall would come to ₹ 5.42 lakh. On the whole, the expenditure of ₹ 24.03 lakh incurred on the project remained unfruitful. Failure of the Municipality to invoke the risk and cost clause of the agreement and get the work completed rendered the expenditure of ₹ 24.03 lakh unfruitful, besides loss of potential revenue of ₹ 65 lakh towards rent for the period from December 2004 to March 2009.

Government stated (October 2010) that Municipal Council had decided to terminate the contract and to complete the work at the risk and cost of the contractor.

4.5 Infructuous expenditure on Irrigation Project

Failure in conducting proper feasibility study resulted in infructuous expenditure of ₹ 19.59 lakh incurred on the setting up of an Irrigation Project.

The District Planning Committee approved (January 2001) the Chekuthanthodu Irrigation Project near 10th mile Chekuthanthodu, proposed under People's Plan Programme by District Panchayat (DP), Wayanad for improving paddy yield in 19 hectares of land owned by 31 families. The work comprised of construction of a well and a pumphouse at Kariyadan Kunnu near Kakkathodu, a water tank at Kappikunnu which was 38 metre high and 750 metre away from Kariyadan Kunnu and laying PVC distribution line. The estimated cost of the project was ₹ 22.15 lakh.

The civil work of the reservoir, well and pumphouse, entrusted to the convenor of the beneficiary committee in March 2001 was completed in December 2004 at a total cost of ₹ 9.42 lakh. Before completion of civil works, though the DP purchased (March 2002) two 30 HP electric motors from Regional Agro Industrial Development Co-operative of Kerala Limited (RAIDCO) at a total cost of ₹ 6.43 lakh, those motors were not installed even after the completion of civil work. The District Panchayat Council (DPC) decided (February 2005) to purchase another diesel pump set instead of two electric motors on the plea that huge amount (₹ seven lakh) could be avoided towards remittance of deposit for electric connection. The DPC decided to purchase the diesel pump set ignoring the advice (February 2004) of RAIDCO that the capacity and performance of the diesel pump set was less than that of electric motors already supplied and 28 HP diesel pump set would not lift the water from the pump house to the height (38 feet) of the tank already constructed. The Secretary, DP purchased (March 2007) one 28 HP capacity diesel pump set (cost: ₹ 3.74 lakh) from RAIDCO and installed the pump in March 2007. The project was, however, not commissioned on the ground that the issue of sharing of recurring cost of the operation of the pump had not been settled. The Audit team along with the Assistant Engineer of the DP and the convenor of the beneficiary committee conducted (July 2009) a joint inspection of the project area and found that there was no cultivation of paddy any where in the locality. The Secretary, DP stated (September 2009) that the beneficiaries for whom the project was intended had switched over to Plantain and Areca nut cultivation as cultivation of paddy was not remunerative.

Thus, due to failure of the DP in conducting proper feasibility study, the expenditure of ₹ 19.59 lakh incurred on the setting up of the irrigation project with the intention of improving paddy yield became infructuous.

The matter was referred to Government in November 2009; reply has not been received (November 2010).

4.6 Idle investment on a market yard building

A market yard building consisting of 11 rooms completed in September 2004 could not be let out even after five years for want of takers resulting in idle investment of ₹ 10.25 lakh.

Vengad Grama Panchayat (GP) in Kannur District undertook (2003-04) construction of a rural market yard building at Thattari for improvement of shopping facility of the locality under Rural Infrastructure Development Fund Scheme (RIDF VII). The estimated cost of the work (₹ 11 lakh) was to be met from NABARD² (₹ 10 lakh) and GP's own fund. The work, awarded to a contractor (March 2004) was completed in all respects (including electricity and water supply) in September 2004 at a total cost of ₹ 10.25 lakh.

The building with 11 rooms and open yard platform was proposed to be let out. However, even after the lapse of more than five years since its construction, none of the rooms could be let out (November 2009) for want of takers. The GP should have conducted proper feasibility study before

² National Bank for Agriculture and Rural Development

submitting the project for approval of District Planning Committee (DPC). Lack of proper feasibility study before taking up of the project resulted in idle investment of ₹ 10.25 lakh. Besides, the interest liability of the State Government on the amount of ₹ 8.33 lakh reimbursed (₹ 1.74 lakh on 28 February 2004 and ₹ 6.59 lakh on 30 September 2007) by NABARD to the GP worked out to ₹ 1.70 lakh (November 2009) at the rate of seven per cent per annum.

On this being pointed out (August 2009) in audit, the Secretary, GP stated (December 2009) that no feasibility study was conducted. The Secretary further stated that the building was constructed about 200 metres away from the main junction towards the eastern side. However, the locality developed towards the opposite side adversely affecting the project. As there were no takers for the rooms despite annual auctions conducted, the GP decided (March 2009) to contact the people personally and to allot the rooms. However, as of December 2009, no rooms could be let out.

Government stated (March 2010) that the development of the town was completely shifted to the western side as at the time of construction of the market yard building a new medical college had come up at a place two kilometers from the junction. Government added that the GP would take all efforts to make the market yard functional by giving awareness to the local people.

4.7 Misappropriation of money

Failure to exercise proper internal checks led to misappropriation of money to the tune of ₹ 0.83 lakh in Rayamangalam Grama Panchayat in Ernakulam District.

In Rayamangalam Grama Panchayat (Ernakulam District) an amount of ₹ 83082 drawn (between April 2004 and June 2008) from Panchayat's own fund for remittance to various accounts was misappropriated by an Upper Division Clerk as under.

- Amount of ₹ 8254 drawn (April 2004) for remittance of employees' pension contribution was shown as remitted to treasury using fictitious chalan.
- Two chalans for ₹ 10 each used for making payment of subscription towards Family Benefit Scheme on 9 January 2007 and 15 April 2008 respectively were fraudulently corrected showing fictitious remittance of employees' pension contribution of ₹ 14601 and ₹ 19434. Thus, an amount of ₹ 34035 drawn on this account was misappropriated.
- An amount of ₹ 20793 drawn (December 2007) for remittance to Kerala Construction Workers Welfare Fund was shown as sent by Demand Draft (DD) No. 394718. However, no such DD was reportedly issued by the bank.
- Though an amount of ₹ 186990 was drawn (June 2008) for remittance to Kerala Panchayat Employees' Provident Fund, the amount actually remitted to treasury was only ₹ 166990 thereby misappropriating

₹ 20000. In this case, the figure ₹ 166990 originally written in the chalan was subsequently corrected as ₹ 186990 in the office copy.

Guidelines issued (June 2003) by Government on the maintenance of accounts of Panchayat Raj Institutions prescribed that the head of the institutions or some responsible subordinate other than the writer of the cash book should verify the entries in the cash book corresponding to all remittances into treasury/bank/post office with reference to the chalan or pay in slip and attest all the entries. The failure of the Secretary of the Grama Panchayat to discharge his responsibility in the maintenance of cash book led to this misappropriation. On this being pointed out (October 2009) during the first audit of the institution the delinquent official admitted the offence and remitted ₹ 63082 immediately and reported that the amount of ₹ 20000 misappropriated in June 2008 was remitted in June 2009 (that is after one year). This was verified in audit and found to be correct.

Government stated (February 2010) that the misappropriated amount has been recovered from the concerned official and the official has been placed under suspension.

4.8 Non-completion of a Water Supply Scheme

In Puzhakkal Block Panchayat, non-completion of a water supply scheme for more than 11 years resulted in non-achievement of the objective of solving water scarcity in Adat Grama Panchayat and unfruitful expenditure of ₹ 13.38 lakh.

Puzhakkal Block Panchayat (BP) accorded (July 1997) administrative sanction for the project ‘Water Supply to Vilangan Hills in Adat Grama Panchayat (GP)’ with a view to solve water scarcity during summer season in five wards of the GP (lying on the valley of the hills). The Assistant Engineer, Puzhakkal Block accorded (April 1998) technical sanction for the work. The construction of pump house and cistern, erection of motor/pump and laying pipes to the overhead tank (Phase I) was entrusted (June 1998) to M/s Nirmithi Kendra, Thrissur (NKT), an accredited agency, at their estimated cost of ₹ 10 lakh. The estimate was subsequently revised (December 1998) to ₹ 11.38 lakh due to certain deviations from the original proposal. The second phase of the project (laying pipe lines for distribution of water) was also entrusted (May 2001) to the same agency at the estimated cost of ₹ two lakh in spite of the fact that they did not complete the first phase even after three years.

The BP had paid ₹ 13.38 lakh to M/s NKT in five instalments between June 1998 and March 2002. The first and second phases of the project were to be completed in six months on receipt of the advance amount. However, the first phase was completed only in March 2004. Though electric connection was obtained in April 2005, the trial run of the motor was yet (December 2009) to be conducted. The reasons attributed (April 2005/June 2009) by M/s NKT for not conducting trial run were voltage drop and disconnection of power supply to the premises for non payment of electricity charges. However, the Assistant Engineer, Electrical Sub Division, Muthuvara reported (December 2009) that the power supply was not disconnected and that non functioning of

the motor was due to higher capacity (35 HP) of the pump connected to the 25 HP motor and not due to low voltage.

Audit scrutiny revealed that:

- the Grama Panchayat had been remitting electricity charges in respect of the above connection on an average rate of ₹ 875 per month from May 2005 to November 2009 in spite of the fact that the motor was non functional.
- instead of supplying and installing 25 HP motor and pump set, M/s NKT had supplied and installed 25 HP motor and 35 HP pump set. This aspect was discussed during the meeting with the supplier (M/s NKT) and KSEB officials by the Block Panchayat and clarified that to run the pump of 35 HP, motor capacity should be more than the pump capacity. Due to this technical problem of compatibility /mismatch the pump set was not put to operation.
- M/s NKT did not even commence the second phase of the project. As per the agreement (May 2001) the BP was to follow the norms stipulated (January 1999) by Government for payment viz. 20 per cent of the total cost on execution of agreement and balance in five stages. However, payment of the total cost of ₹ two lakh for the second phase was made in March 2000 (₹ one lakh) before execution of agreement and in March 2002 (₹ one lakh). This was in violation of the Government orders in this regard.
- there was no clause in the agreement entered into with M/s NKT for levy of penalty for delay in completion of the project. While executing the agreement, the Secretary, BP failed to ensure that the agreement contained adequate provisions for safeguarding the interest of the BP.

The above facts were verified and confirmed by the BP (December 2009). Thus, failure of the BP in getting the work completed even after the lapse of more than 11 years rendered the expenditure of ₹ 13.38 lakh incurred on the scheme unfruitful. Besides, the objective of the scheme, namely, solving water scarcity in five wards of Adat GP could not be achieved.

While accepting the facts, Government stated (February 2010) that instructions had been issued to the District Collector to convene a meeting of the District Nirmithi Kendra, Kerala State Electricity Board, representatives of the Block and Grama Panchayats to make the scheme functional without further delay.

4.9 Non-fulfilment of project objective

Non-completion of work sheds and common facility centres in SC colonies in Kollam District despite spending ₹ 3.50 crore resulted in denial of benefit intended from the project for the past two years apart from loss of interest of ₹ 36.03 lakh on the blocked up funds.

District Panchayat (DP), Kollam accorded administrative sanction (March 2007) under Special Component Plan for the scheduled castes (SC), for the project 'Construction of work shed and common facility centres' one each in

35 SC colonies to enable SC entrepreneurs to start traditional and self employment enterprises in their colonies. The DP entrusted (March 2007) the work to the Government recognized agency, Nirmithi Kendra, Kollam (NKK) at their estimated cost of ₹ 3.50 crore (@ ₹ 10 lakh per unit). As of January 2010, technical sanction was obtained (January and March 2008) for work in 28 colonies only. In terms of the agreement executed (March 2007) between the Executive Secretary, NKK and the Secretary DP, the total cost of the work amounting to ₹ 3.50 crore was deposited (April 2007) with NKK. Following deficiencies were noticed in implementation of the project:

(i) Construction of all the 35 work sheds and common facility centres was to be completed and handed over by September 2007 as per the agreement. Subsequently, the period was extended up to December 2008 and again up to September 2009. As of September 2009, NKK had completed construction of work sheds only in six colonies (March – August 2009). In 11 colonies the percentage of completion was 50 to 90 and in 12 colonies it was 20 to 50. The construction had not even started in the remaining six colonies, of which one colony was excluded from the project due to protest from local people and two colonies for want of technical sanction.

The objective of the scheme was to establish common work shed and common facility centres one each in 35 SC colonies of the District to enable SC entrepreneurs to start traditional and self employment enterprises in their colonies and thereby provide better living condition to at least 350 SC families. Non-completion of the project resulted in denial of the intended benefit for the past two years.

(ii) In January 1999, Government in the Local Administration Department prescribed the procedure for implementation of public works by authorized non-governmental organizations like Nirmithi Kendra. According to this, payment could be made at 20 per cent of the total cost on execution of agreement at stage one, 20 per cent each of the total cost at stages two, three and four and 10 per cent of the total cost at stage five on production of utilization certificate with documents for 90 per cent of the advance amount given at that stage. The final 10 per cent could be paid after approval by the technical committee. As such, payment of the total cost in lumpsum to NKK was in violation of the Government directions. While seeking ratification (February 2008) from Government for payment of ₹ 3.50 crore made to NKK as 100 per cent advance, the DP reported that the work was commenced in 16 out of 35 centres and that NKK had agreed to complete the above works by March 2008 and the entire project by June 2008. Government ratified (March 2008) the payment for the reason that implementation of the project had been completed even though none of the work sheds were completed as of March 2008.

Audit scrutiny revealed the following:

- NKK did not complete construction of work shed and common facility centre by June 2008 as promised even though Government ratified the payment of total cost in lumpsum.
- the project was to be implemented in SC colonies that could surrender at least three cents of land for the work shed. The District Scheduled Caste

Development Officer reported (July 2007) that the required land was not available in most of the colonies listed in the project report. The Secretary, DP stated (January 2009) that the required land could not be handed over to NKK even by the end of December 2008 for construction work in 10 colonies. Thus, payment of the entire amount to NKK was without even ensuring the availability and suitability of the land required for construction.

- the DP had shown ₹ 3.50 crore in its accounts as expenditure incurred during 2006-07, though it was given as advance.

Payment of the total cost of the work in advance to NKK in violation of Government directions and without ensuring availability of land resulted in blocking of ₹ 1.31 crore³ for 30 months (April 2007-September 2009) assuming that 10 per cent, 50 per cent and 100 per cent respectively of the unit cost of 29 incomplete works was blocked up with NKK. The loss of interest on the above amount worked out to ₹ 36.03 lakh @ 11⁴ per cent per annum.

The matter was referred to Government in December 2009; the reply has not been received (November 2010).

4.10 Unproductive investment on a slaughter house

Failure of Malappuram Municipality to complete construction of a modern slaughter house even after the lapse of more than eight years led to unproductive investment of ₹ 20 lakh.

Under the Centrally Sponsored Scheme “Assistance for modernisation of slaughter houses” Malappuram Municipal Council accorded administrative sanction (January 2001) for the project “Construction of modern slaughter house at Malappuram Municipality” submitted by M/s Steel Industrials Kerala Limited (SILK), a Government company. The Municipality did not obtain technical sanction for the work. The State Government had approved (February 1998) M/s SILK as the nodal agency for execution of the projects for construction of modern slaughter houses for Urban Local Bodies, as it was the only agency in Kerala approved by Government of India for turnkey execution of slaughter house modernisation programme. Accordingly, the work was entrusted (August 2001) to M/s SILK at their estimated cost of ₹ 39.93 lakh stipulating the period of completion as eight months. M/s SILK did not make any earnest attempt to complete the work despite repeated letters sent to it. Nevertheless, the Municipality paid ₹ 20 lakh to the firm between August 2001 and August 2005. The firm had constructed only a shed the cost of which was estimated as ₹ five lakh. The Municipality informed (October

³ 11 works @ 10% of the unit cost = 11x₹ 1 lakh = ₹ 11.00 lakh
 12 works @ 50% of the unit cost = 12x₹ 5 lakh = ₹ 60.00 lakh
 6 works @ 100% of the unit cost = 6x₹ 10 lakh = ₹ 60.00 lakh

Total	= ₹ 131.00 lakh
	=====

⁴ Rate of interest on the amount borrowed by State Government and given as grant to local bodies (10th Five Year Plan guidelines issued in GO(MS)40/04/Plg dated 31.03.2004).

2005) the firm that no work other than AC sheet roofing, painting etc., was done by them since August 2005 and requested the firm to complete the balance work early. The roofing work was reportedly done by the firm after the steel columns and truss began to rust. As the discussions held with the officials of SILK to resume the work were not fruitful, the Municipal Chairman sought (August 2006) intervention of Government in the matter. Accordingly, Government directed (September 2006) the firm to complete the work within three months and informed the possibility of blacklisting the firm for breach of contract. However, the firm did not resume the work. Failure of the Municipality to get the work completed even after the lapse of more than eight years led to unproductive investment of ₹ 20 lakh.

Audit scrutiny (August 2009) further revealed that:

- the agreement with SILK did not contain any clause for levy of penalty for delay in completion of work or to terminate the contract at their risk and cost for breach of contract.
- in terms of the agreement, 40 per cent of the contract amount was payable as mobilisation advance and the balance on pro rata basis. However, ₹ 20 lakh was paid to the firm against the admissible advance of ₹ 15.97 lakh.
- the proposed site for the modern slaughter house was close to the pumping station of Kerala Water Authority on the banks of Kadalundi river. The Municipality did not obtain clearance of the State Pollution Control Board for the slaughter house.
- as construction of the slaughter house was not completed, meat stall owners were slaughtering animals on their own without any check by the Municipality, posing threat to public health and environment.

On this being pointed out (August 2009) in audit, Government replied (August/October 2010) that the Municipality entrusted the work to M/s SILK and paid the advance on the conviction that being a Government company they would complete the work satisfactorily. Government added that the value of the work done by SILK has been assessed as ₹ 3.56 lakh and that the Secretary, Malappuram Municipality has been directed to recover the advance amount from the company with 12 per cent interest after adjusting the value of the work done.

4.11 Supply of scooters to mentally and physically challenged persons in violation of Government guidelines

Manjeri Municipality supplied 26 numbers of three wheeler scooters costing ₹ 10.40 lakh to mentally and physically challenged persons in violation of Government guidelines.

Manjeri Municipality formulated (2007-08) three projects (total outlay: ₹ 15.90 lakh) for supply of various equipment, free of cost, to mentally and physically challenged persons. The items supplied included 26 numbers of three wheeler scooters costing ₹ 10.40 lakh purchased from M/s Keltron Electro Ceramics Limited, Kuttippuram.

As per the guidelines issued (July 2007) by Government on subsidy and related issues of Local Governments, only tricycles (run by hand or by motor) could be provided free of cost to mentally and physically challenged persons. Any violation of the subsidy norms would be deemed to be misutilisation of Local Government funds and any excess subsidy paid was recoverable from the person (s) responsible as per the provisions of law. The supply of 26 numbers of three wheeler scooters valued at ₹ 10.40 lakh was therefore not in order. This was pointed out by audit in June 2009.

It would be worth mentioning in this connection that Government had specifically stated (November 2008) that while it was permissible to supply tricycles (run by hand or by motor) to mentally and physically challenged persons, supply of scooters was not permissible. Had motorised tricycles been supplied instead of scooters, the benefit of subsidy could have been extended to more number of beneficiaries with the amount available. Again in 2008-09 a project was formulated proposing to supply, among other things, five numbers Kinetic Honda scooters fitted with two additional wheels (cost: ₹ 2.25 lakh). Based on the audit observation, the suppliers were informed not to supply the scooters and the amount drawn on this account was refunded in July 2009.

The matter was referred to Government in January 2010; their reply has not been received (November 2010).

4.12 Wasteful expenditure on an incinerator

An incinerator costing ₹ 12.40 lakh had to be abandoned due to lack of proper maintenance after being used only for 14 months.

Cherthala Municipality purchased (March 1999) an oil fired incinerator for ₹ 12.40 lakh for burning the biomedical waste generated at the Taluk Head Quarters Hospital. The hospital used the incinerator for nine months (March–November 2000). The Municipality handed over (June 2001) the machinery to the Hospital Development Committee on the pretext that the operating expenses were high. The Committee, however, began using the incinerator after the lapse of more than two years, that is, only from September 2003 onwards. The Superintendent, Taluk Head Quarters Hospital reported (July 2008) that the incinerator became inoperative in January 2004 and was not repaired since the Hospital Development Committee could not bear the huge repair charges/running expenses. Records evidencing conduct of feasibility study/assessment of probable amount of operating expenses, before purchase of incinerator were not available. Evidence of assessment of the capability of Hospital Development Committee to meet the operating expenses/periodical maintenance and repair charges of the equipment before handing over were also not available. The incinerator was lying idle in the hospital compound in an abandoned stage. The bio-medical waste generated in the hospital was being disposed of by the hospital utilising the service of a Palakkad based firm. The Hospital had incurred ₹ 4.61 lakh up to 2008-09 for disposing of the biomedical waste.

On this being pointed out (July 2009) in audit, the Municipal Secretary stated (October 2009) that the incinerator got rusted while it was kept idle for more

than two years by the Hospital Development Committee and that timely repairs could not be done due to procedural delay. Thus, lack of proper maintenance caused damage to the incinerator and its abandonment after use for 14 months (March to November 2000, September 2003 to January 2004) rendered the expenditure of ₹ 12.40 lakh wasteful.

The matter was referred to Government in January 2010; their reply has not been received (November 2010).



Thiruvananthapuram,
The

(G.N. SUNDER RAJA)
Principal Accountant General (C&CA), Kerala

Countersigned



New Delhi,
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix I
Arrears in submission of accounts to DLFA by LSGIs
(Reference: Paragraph 1.8; page 7)

Year of accounts	Accounts due during the year	Accounts received		Total	Balance in arrears
		Up to July 2008	August 2008 to July 2009		
1996-97	1214	1146	27	1173	41
1997-98	1214	1145	39	1184	30
1998-99	1214	1139	45	1184	30
1999-00	1214	1142	44	1186	28
2000-01	1215	1163	30	1193	22
2001-02	1215	1163	31	1194	21
2002-03	1215	1173	20	1193	22
2003-04	1215	1176	21	1197	18
2004-05	1215	1177	18	1195	20
2005-06	1223	1158	42	1200	23
2006-07	1223	1057	119	1176	47
2007-08	1223	237	894	1131	92
2008-09	1223	-	587	587	636
Total	15823	12876	1917	14793	1030

Source: DLFA

Appendix II
Details of allocation and utilisation of funds for Centrally Sponsored Schemes
(Reference: Paragraph 1.12; page 13)

(₹ in crore)

Swarnajayanthi Grama Swarozgar Yojana (SGSY)				Indira Awas Yojana (IAY)			Swarnajayanthi Grama Swarozgar Yojana (SGSY) Special Project		
Year	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation
2005-06	24.91	24.20	97.15	77.65	71.50	92.08	6.21	2.66	42.83
2006-07	27.31	27.18	99.52	80.24	70.63	88.02	18.02	11.50	63.82
2007-08	40.44	39.32	97.23	111.27	101.87	91.55	29.30	24.59	83.92
2008-09	49.08	47.21	96.19	216.05	151.91	70.31	-	-	-

Sampoorna Grameen Rozgar Yojana (SGRY)				Total Sanitation Campaign(TSC)			Integrated Development of Small and Medium Town (IDSMT) Urban Infrastructure Development Scheme for Small and Medium Towns(UIDSSMT)		
Year	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation
2005-06	165.64	155.33	93.78	14.13	8.74	61.85	6.08	6.08	100.00
2006-07	109.06	102.41	93.90	10.78	10.62	98.52	5.16	1.93	37.40
2007-08	116.70	95.35	81.71	37.21	20.71	55.66	94.21	0	0
2008-09	--	--	--	24.78	9.48	38.25	251.37	26.04	10.36

Swarnajayanthi Shahari Rozgar Yojana (SJSRY)				National Slum Development Programme(NSDP)			Valmiki Ambedkar Awas Yojana (VAMBAY)		
Year	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation
2005-06	20.36	6.90	33.89	26.41	14.48	54.83	47.68	9.32	19.55
2006-07	21.98	9.52	43.31	11.93	5.25	44.01	43	15.59	36.26
2007-08	20.86	7.42	35.57	--	--	--	--	--	--
2008-09	26.62	11.55	43.39	--	--	--	--	--	--

Integrated Housing and Slum Development Programme(IHSDP)				Basic Services to Urban Poor (BSUP)		
Year	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation
2005-06	--	--	--	--	--	--
2006-07	--	--	--	--	--	--
2007-08	37.96	6.72	17.70	--	--	--
2008-09	52.88	30.30	57.30	50	43.81	87.62

Integrated Wasteland Development Programme / Hariyali				National Rural Employment Guarantee Scheme (NREGS)			Jawaharlal Nehru National Urban Renewal Mission (JNNURM)		
Year	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation	Fund available	Amount utilised	Percentage of utilisation
2005-06	5.84	2.88	49.32	--	--	--	--	--	--
2006-07	5.60	2.75	49.11	48.64	28.03	57.63	110.85	7.56	6.82
2007-08	4.82	6.68	--	90.49	83.37	92.13	168.73	19.81	11.74
2008-09	10.76	6.25	58.09	229.59	224.41	97.74	340.87	79.96	23.46

- (1) Utilisation was more than fund available due to availability of unutilised balance of earlier years.
- (2) IDSMT subsumed as UIDSSMT.
- (3) IHSDP launched in 2006-07 by combining VAMBAY, NSDP.
- (4) SGRY fund transferred to NREGS from 2008-09

Appendix III

Details of PRIs which did not adhere to the rules for submission of AFSs

(Reference: Paragraph 1.14.1.2, 1.14.2.8, 1.14.3; page 17, 19, 20)

(A) Submission of AFS on time

Edarikkode GP (2004-08), Kadinamkulam GP (2007-08), Karakulam GP (2005-08), Kazhakuttom GP (2007-08), Koothattukulam GP (2006-08), Kuttampuzha GP (2007-08), Mookkannur GP (2005-08), Nellanad GP (2007-08), Ponmundam GP (2006-08), Rayamangalam GP (2006-08), Thalakkad GP (2007-08), Vamanapuram GP (2007-08), Vembayam GP (2007-08), Edappally BP (2007-08), Thiruvananthapuram DP (2005-08), Sreemoolanagaram GP (2006-07), Kazhakuttom BP (2006-07), Kallara GP (2006-07), Piravom GP (2005-06), Ernakulam DP (2004-05), Malappuram DP (2004-05), Malappuram BP (2005-07).

(B) Incomplete AFS

Edarikkode GP (2004-05 to 2007-08), Kadinamkulam GP (2004-08), Karakulam GP (2004-06), Kazhakuttom GP (2006-08), Kuttampuzha GP (2004-07), Mookkannur GP (2004-07), Rayamangalam GP (2006-07), Sreemoolanagaram GP (2004-06), Thalakkad GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-07), Kazhakuttom BP (2006-08), Thiruvananthapuram DP (2004-08), Kallara GP (2004-08), Piravom GP (2005-06), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-07).

(C) Deposit register maintained

Angadipuram GP (2004-09), Edarikkode GP (2004-09), Kadinamkulam GP (2004-09), Karakulam GP (2004-09), Kazhakuttom GP (2004-09), Koothattukulam GP (2004-09), Kuruva GP (2004-09), Kuttampuzha GP (2004-09), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Mulamthuruthy GP (2004-09), Nellanad GP (2004-09), Ponmundam GP (2004-09), Rayamangalam GP (2004-09), Sreemoolanagaram GP (2004-09), Thalakkad GP (2004-09), Vamanapuram GP (2004-09), Vembayam GP (2006-09), Edappally BP (2007-09), Kazhakuttom BP (2004-09), Malappuram BP (2008-09), Malappuram DP (2004-05), Kallara GP (2004-09), Piravom GP (2004-09).

(D) Recoveries from salary bills not recorded

Angadipuram GP (2006-09), Kadinamkulam GP (2004-09), Kazhakuttom GP (2004-09), Karakulam GP (2004-09), Koothattukulam GP (2006-09), Kuruva GP (2004-09), Kuttampuzha GP (2004-09), Makkaraparamba GP (2004-08), Mookkannur GP (2004-09), Mulamthuruthy GP (2004-09), Nellanad GP (2004-09), Sreemoolanagaram GP (2004-09), Thalakkad GP (2004-07), Vamanapuram GP (2004-09), Vembayam GP (2006-09), Kallara GP (2004-09), Piravom GP (2004-09).

(E) Library cess collected not recorded

Angadipuram GP (2006-09), Kadinamkulam GP (2004-09), Kazhakuttom GP (2004-09), Karakulam GP (2004-09), Koothattukulam GP (2004-09), Kuruva GP (2004-09), Kuttampuzha GP (2004-09), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Mulamthuruthy GP (2004-09), Nellanad

Appendix III – Contd.

GP (2004-09), Rayamangalam GP (2004-09), Sreemoolanagaram GP (2004-09), Thalakkad GP (2004-07), Vamanapuram GP (2004-09), Vembayam GP (2006-09), Kallara GP (2004-09), Piravom GP (2004-09).

(F) Annual closing not done

Kadinamkulam GP (2004-09), Koothattukulam GP (2004-09), Kuttampuzha GP (2004-09), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Mulamthuruthy GP (2004-09), Rayamangalam GP (2008-09), Sreemoolanagaram GP (2004-09), Thalakkad GP (2004-06), Vamanapuram GP (2004-09), Vembayam GP (2006-09), Kallara GP (2004-09), Piravom GP (2004-09), Kazhakuttom BP (2004-09), Malappuram DP (2005-09).

(G) Year-wise analysis of unadjusted balance not recorded

Kadinamkulam GP (2004-09), Kazhakuttom GP (2004-09), Karakulam GP (2004-09), Koothattukulam GP (2004-09), Kuttampuzha GP (2004-09), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Mulamthuruthy GP (2004-09), Nellanad GP (2004-09), Rayamangalam GP (2004-09), Sreemoolanagaram GP (2004-09), Thalakkad GP (2004-06), Vamanapuram GP (2004-09), Vembayam GP (2006-09), Kallara GP (2004-09), Piravom GP (2004-09), Kazhakuttom BP (2004-09), Malappuram DP (2005-09).

(H) Budget not prepared in the prescribed format

Koothattukulam GP (2004-05), Mulamthuruthy GP (2004-05), Rayamangalam GP (2004-05), Sreemoolanagaram GP (2004-08), Vamanapuram GP (2004-05), Vembayam GP (2004-06), Edappally BP (2004-08), Malappuram BP (2004-09), Mankada BP (2004-09), Paravoor BP (2004-05), Vattiyoorkavu BP (2004-09), Ernakulam DP (2004-05).

(I) Actual for previous year not incorporated

Koothattukulam GP (2005-09), Kuruva GP (2008-09), Kuttampuzha GP (2004-09), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Sreemoolanagaram GP (2005-09), Vembayam GP (2005-06), Kallara GP (2004-09), Piravom GP (2004-08), Thrikkalongode GP (2004-09), Malappuram BP (2004-09), Mankada BP (2004-08), Paravoor BP (2004-05), Vattiyoorkavu BP (2004-09).

(J) Current years budget estimates not incorporated in the budget

Angadipuram GP (2006-07), Koothattukulam GP (2005-06), (2008-09), Kuruva GP (2008-09), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Mulamthuruthy GP (2005-09), Sreemoolanagaram GP (2005-09), Vembayam GP (2005-06), Kallara GP (2004-06), Piravom GP (2004-06), Thrikkalongode GP (2004-09), Malappuram BP (2004-09), Mankada BP (2004-08), Paravoor BP (2004-05), Vattiyoorkavu BP (2004-09).

(K) Non Preparation of DCB statement

Kazhakuttam BP (2004-08), Malappuram BP (2006-08), Ernakulam DP (2004-08), Malappuram DP (2004-08), Thiruvananthapuram DP (2004-08), Piravom GP (2004-05), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-08).

Appendix III- Concl.d.

(L) Capital expenditure statement not forwarded along with AFS

Edarikkode GP (2004-08), Kadinamkulam GP (2004-08), Karakulam GP (2004-06), Kazhakkuttam GP (2006-08), Kuttampuzha GP (2004-07), Mookkannur GP (2004-07), Rayamangalam GP (2006-07), Sreemoolanagaram GP (2004-06), Thalakkad GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-07), Kazhakkuttam BP (2006-08), Malappuram BP (2007-08), Malappuram DP (2004-08), Thiruvananthapuram DP (2004-08), Kallara GP (2004-08), Piravom GP (2005-06), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-08).

(M) Statement of payables and receivables not forwarded along with AFS

Edarikkode GP (2004-08), Kadinamkulam GP (2004-08), Karakulam GP (2004-06), Kazhakkuttam GP (2006-08), Kuttampuzha GP (2004-07), Mookkannur GP (2004-07), Rayamangalam GP (2006-07), Sreemoolanagaram GP (2004-06), Thalakkad GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-07), Kazhakkuttam BP (2006-08), Malappuram BP (2007-08), Malappuram DP (2004-08), Thiruvananthapuram DP (2004-08), Kallara GP (2004-08), Piravom GP (2005-06), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-08).

(N) Statements of loans and deposit received not forwarded with AFS

Edarikkode GP (2004-08), Kadinamkulam GP (2004-08), Karakulam GP (2004-06), Kazhakkuttam GP (2006-08), Kuttampuzha GP (2004-07), Mookkannur GP (2004-08), Rayamangalam GP (2006-07), Sreemoolanagaram GP (2004-06), Thalakkad GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-07), Kazhakkuttam BP (2006-08), Malappuram BP (2007-08), Malappuram DP (2004-08), Thiruvananthapuram DP (2004-08), Kallara GP (2004-08), Piravom GP (2005-06), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-08).

(O) Non forwarding of statement showing utilization of special purpose Grant/Loan to LFA along with AFS

Edarikkode GP (2004-08), Kadinamkulam GP (2004-08), Karakulam GP (2004-06), Kazhakkuttam GP (2006-08), Kuttampuzha GP (2004-07), Mookkannur GP (2004-08), Rayamangalam GP (2006-07), Sreemoolanagaram GP (2004-06), Thalakkad GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-07), Kazhakkuttam BP (2006-08), Malappuram BP (2007-08), Malappuram DP (2004-08), Thiruvananthapuram DP (2004-08), Kallara GP (2004-08), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-08).

(P) Non forwarding of statement showing loans and advances paid with AFS

Edarikkode GP (2004-08), Kadinamkulam GP (2004-08), Karakulam GP (2004-06), Kazhakkuttam GP (2006-08), Kuttampuzha GP (2004-07), Mookkannur GP (2004-08), Rayamangalam GP (2006-07), Sreemoolanagaram GP (2004-06), Thalakkad GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-07), Kazhakkuttam BP (2006-08), Malappuram BP (2007-08), Malappuram DP (2004-08), Thiruvananthapuram DP (2004-08), Kallara GP (2004-08), Piravom GP (2005-06), Mankada BP (2007-08), Paravoor BP (2007-08), Vattiyoorkavu BP (2005-08).

Appendix IV

Details of PRIs which did not maintain proper registers

(Reference: Paragraph 1.14.2.1, 1.14.2.2, 1.14.2.3, 1.14.2.5, 1.14.2.7; page 17, 18, 19)

A. Non-closing of cash book

Karakulam GP (2004-09), Sreemoolanagaram GP (2004-08), Vattiyoorkavu BP (2004-07).

B. Improper corrections in cash book

Angadipuram GP (2004-09), Edarikode GP (2004-05), (2007-08), (2008-09), Kazhakuttom GP (2004-09), Koothattukulam GP (2004-09), Kuruva GP (2004-09), Makkaraparamba GP (2004-07), Nellanad GP (2004-09), Ponmundam GP (2005-08), Rayamangalam GP (2004-09), Vamanapuram GP (2005-06), Vembayam GP (2004-06), Piravom GP (2005-07), Thrikkalongode GP (2006-09), Edappally BP (2004-07), Kazhakuttom BP (2004-09), Malappuram BP (2004-06), (2007-09), Paravoor BP (2004-06), Thiruvananthapuram DP (2006-07).

C. Non-preparation of monthly closing analysis statement

Angadipuram GP (2007-08), Kadinamkulam GP (2004-09), Kazhakuttom GP (2004-09), Karakulam GP (2004-09), Kuttampuzha GP (2004-08), Makkaraparamba GP (2004-09), Mulamthuruthy GP (2004-07), Nellanad GP (2004-09), Ponmundam GP (2004-06), Rayamangalam GP (2004-06, 2007-09), Sreemoolanagaram GP (2004-07), Thalakkad GP (2004-08), Vamanapuram GP (2004-09), Vembayam GP (2004-06), Kallara GP (2005-09), Piravom GP (2005-07), Thrikkalongode GP (2004-06), Edappally BP (2004-06), Kazhakuttom BP (2004-09), Malappuram BP (2005-09), Mankada BP (2004-09), Paravoor BP (2004-09), Vattiyoorkavu BP (2004-09), Thiruvananthapuram DP (2004-07), Ernakulam DP (2004-09), Malappuram DP (2005-06).

D. Physical verification not done

Angadipuram GP (2007-08), Kadinamkulam GP (2004-09), Kazhakuttom GP (2004-09), Karakulam GP (2004-09), Koothattukulam GP (2004-09), Kuruva GP (2004-08), Kuttampuzha GP (2004-08), Makkaraparamba GP (2004-08), Mookkannur GP (2004-09), Mulamthuruthy GP (2004-07), (2008-09), Nellanad GP (2004-08), Ponmundam GP (2004-06), (2008-09), Rayamangalam GP (2004-08), Sreemoolanagaram GP (2004-09), Thalakkad GP (2004-07), Vamanapuram GP (2004-09), Vembayam GP (2004-07), Kallara GP (2004-09), Piravom GP (2004-09), Thrikkalongode GP (2004-06), Kazhakuttom BP (2004-09), Malappuram BP (2004-09), Mankada BP (2004-09), Paravoor BP (2004-09), Vattiyoorkavu BP (2004-09), Thiruvananthapuram DP (2004-07), Ernakulam DP (2004-09).

E. Non-maintenance of subsidiary cash book

Makkaraparamba GP (2004-09), Vembayam GP (2004-09), Kallara GP (2004-08), Piravom GP (2004-07), Thrikkalongode GP (2005-09), Edappally BP (2004-07), Kazhakuttom BP (2004-09), Malappuram BP (2004-09), Mankada BP (2004-09), Paravoor BP (2004-05), Vattiyoorkavu BP (2004-09), Ernakulam DP (2004-09), Malappuram DP (2004-07).

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F. Non-preparation of monthly reconciliation statement

Angadipuram GP (2007-08), Kadinamkulam GP (2004-07), Kazhakuttom GP (2004-09), Kuttampuzha GP (2004-07), Makkaraparamba GP (2004-09), Mookkannur GP (2004-09), Nellanad GP (2004-09), Thalakkad GP (2004-07), Vamanapuram GP (2004-09), Kallara GP (2005-08), Piravom GP (2004-07), Thrikkalongode GP (2004-06), Edappally BP (2004-09), Kazhakuttom BP (2004-09), Malappuram BP (2004-06), Mankada BP (2004-06), Paravoor BP (2004-08), Vattiyoorkavu BP (2004-09), Thiruvananthapuram DP (2004-07), Malappuram DP (2004-09).

G. Non-maintenance of investment balance register

Kadinamkulam GP (2004-07, 2008-09), Kazhakuttom GP (2004-09), Karakulam GP (2004-09), Kuruva GP (2004-08), Kuttampuzha GP (2004-07), Nellanad GP (2004-09), Sreemoolanagaram GP (2004-08), Vamanapuram GP (2004-08), Vembayam GP (2004-06), Kallara GP (2005-08), Piravom GP (2004-05), Thrikkalongode GP (2004-05), Kazhakuttom BP (2004-09), Malappuram BP (2004-07), Mankada BP (2004-06), Paravoor BP (2004-08), Vattiyoorkavu BP (2004-09), Thiruvananthapuram DP (2004-09), Malappuram DP (2004-09).

H. Maintenance of advance register

Angadipuram GP (2004-07), Edarikkode GP (2004-09), Kadinamkulam GP (2006-09), Karakulam GP (2004-09), Koothattukulam GP (2004-09), Makkaraparamba GP (2004-05), (2008-09), Mookkannur GP (2004-09), Nellanad GP (2004-09), Ponnundam GP (2004-09), Rayamangalam GP (2008-09), Sreemoolanagaram GP (2008-09), Thalakkad GP (2004-09), Edappally BP (2007-09), Kazhakuttom BP (2004-09), Malappuram BP (2007-09), Malappuram DP (2005-09), Kallara GP (2004-05), Thrikkalongode GP (2004-09), Mankada BP (2006-09).

Appendix V
Supplementary Audit conducted during 2008-09
(Reference: Paragraph 2.7; page 25)

Sl.No	Name of LSGIs	Period of Accounts
Grama Panchayats		
1.	Adat	2004-05
2.	Adimaly	2005-06
3.	Akalakkunnam	2004-05
4.	Ananganadi	2003-04
5.	Arimpoor	2000-01
6.	Aroor	2001-02
7.	Asamannoor	2001-02
8.	Avanoor	2003-04
9.	Ayarkunnam	2003-04
10.	Ayiloor	2005-06
11.	Balaramapuram	2004-05
12.	Cheriyamad	2006-07
13.	Cheruthana	2001-02
14.	Chokkad	2003-04
15.	Edava	2004-05
16.	Eriyad	2001-02
17.	Erumapetty	2002-03
18.	Ezhupunna	2004-05
19.	Kallara (Vaikom)	2003-04
20.	Kannamangalam	2003-04
21.	Kannampra	2003-04
22.	Kanthalloor	2004-05
23.	Kappoor	2000-01
24.	Karunapuram	2005-06
25.	Kaviyoor	2003-04
26.	Kuttampuzha	2000-01
27.	Kottuvalli	2003-04
28.	Kunnathunad	2003-04
29.	Madappally	2004-05
30.	Malayattoorneeleswaram	2002-03
31.	Mannanchery	2000-01

Appendix V – Concl.d.

Sl.No	Name of LSGIs	Period of Accounts
32.	Mannarkkad	2002-03
33.	Marayoor	2003-04
34.	Mathoor	2002-03
35.	Mavelikkarathamarakkulam	2004-05
36.	Mazhuvannoor	2004-05
37.	Mulakkulam	2003-04
38.	Munderi	2005-06
39.	Munnar	2003-04
40.	Nedumbassery	2003-04
41.	Pallickathode	2004-05
42.	Pookod	2002-03
43.	Porkkulam	2001-02
44.	Purakkad	2004-05
45.	Purappuzha	2004-05
46.	Thalayolaparamb	2000-01
47.	Thalikulam	2004-05
48.	Thazhakkara	2001-02
49.	Thekkumkara	2004-05
50.	Thiruvaniyoor	2003-04
51.	Thottappuzhassery	2004-05
52.	Vadakkekkad	2004-05
53.	Valappad	2002-03
54.	Vaniyamkulam	2001-02
55.	Vazhathope	2004-05
Block Panchayats		
1.	Kanjikuzhi Block Panchayat	2005-06
2.	Parassala Block Panchayat	2003-04
3.	Thodupuzha Block Panchayat	2004-05
District Panchayat		
1.	Malappuram District Panchayat	2004-05
Municipality		
1.	Kunnamkulam Municipality	2002-03
2.	Paravoor South Municipality	2004-05
3.	Perinthalmanna Municipality	2002-03

Appendix VI
List of LSGIs in which irregularities relating to cash book were noticed
(Reference: Paragraph 2.8; page 25)

Sl. No	LSGIs which maintained more than one cash book	LSGIs which did not close cash book daily	LSGIs which did not close cash book monthly	LSGIs which did not physically verify cash	LSGIs which did not reconcile cash book balance with pass book balance
Grama Panchayat					
1	Akalakkunnam	Akalakkunnam	Akalakkunnam	Adat	Arimpur
2	Ananganadi	Avanoor	Ananganadi	Akalakkunnam	Cheriyana
3	Arimpur	Ayarkunnam	Avanoor	Ananganadi	Cheruthana
4	Avanoor	Cheruthana	Cheriyana	Ayarkunnam	Chokkad
5	Ayarkunnam	Chokkad	Cheruthana	Ayiloor	Ezhupunna
6	Cheruthana	Eriyad	Eriyad	Cheruthana	Kanthalloor
7	Chokkad	Kallara (Vaikom)	Kaviyoor	Eriyad	Mannanchery
8	Eriyad	Kanthalloor	Mannanchery	Kanthalloor	Mannarkkad
9	Kappur	Kaviyoor	Mannarkkad	Kaviyoor	Marayoor
10	Kottuvally	Kuttampuzha	Marayoor	Kottuvally	Mavelikkarathamarakulam
11	Kunnathunad	Kottuvally	Mathur	Kunnathunad	Mazhuvannoor
12	Malayattoorneeswaram	Kunnathunad	Munderi	Malayattoorneeswaram	Mulakulam
13	Mannanchery	Malayattoorneeswaram	Pallickathodu	Mannanchery	Munnar
14	Mannarkkad	Mannarkkad	Purakkad	Mannarkkad	Pallickathodu
15	Mathur	Mulakulam	Thazhakkara	Marayoor	Purakkad
16	Mulakulam	Nedumbassery		Mavelikkarathamarakulam	Vadakkekkad
17	Nedumbassery	Pallickathodu		Mazhuvannoor	
18	Pookkode	Thazhakkara		Mulakulam	
19	Thazhakkara	Thottappuzhassery		Nedumbassery	
20	Thottappuzhassery	Vadakkekkad		Pallickathodu	
21	Valappad	Valappad		Pookkode	
22	Vaniyamkulam	Vaniyamkulam		Purakkad	
23		Vazhathope		Purapuzha	
24				Thiruvaniyoor	
25				Thottappuzhassery	
26				Vadakkekkad	
27				Valappad	
28				Vaniyamkulam	
29				Vazhathope	
Municipality					
1	Paravur	Paravur	Paravur	Perinthalmanna	Paravur
2		Perinthalmanna			
Block Panchayat					
1	Thodupuzha	Thodupuzha	Kanjikuzhi	Kanjikuzhi	Kanjikuzhi
2			Thodupuzha		Thodupuzha
District Panchayat					
1			Malappuram	Malappuram	Malappuram

Appendix VII
List of LSGIs which did not maintain various registers properly
(Reference: Paragraph 2.8; page 26)

Sl.No	LSGIs which maintained incomplete advance register	LSGIs which maintained incomplete stock register	LSGIs which maintained incomplete asset register
Grama Panchayat			
1	Adat	Adat	Adat
2	Adimaly	Kallara(Vaikom)	Akalakkunam
3	Ananganadi	Kuttampuzha	Kallara (Vaikom)
4	Aroor	Kottuvally	Kottuvally
5	Ayarkunnam	Kunnathunad	Malayattoorneeswaram
6	Balaramapuram	Malayattoorneeswaram	Mannanchery
7	Edava	Marayoor	Munderi
8	Ezhupunna	Munderi	Munnar
9	Kallara (Vaikom)	Nedumbassery	Pallickathodu
10	Kannamangalam	Pallickathodu	Pookkode
11	Kanthalloor	Pookkode	Thalayolaparambu
12	Kappur	Thalayolaparambu	Thazhakara
13	Kaviyoor	Thazhakara	Valappad
14	Madappally	Vadakkekkad	Vaniyamkulam
15	Malayattoorneeswaram		
16	Mazhuvannoor		
17	Munderi		
18	Pookkode		
19	Purapuzha		
20	Thekkumpuzha		
21	Valappad		
22	Vazhathope		
Block Panchayat			
1		Thodupuzha	
Municipality			
1	Paravur		

Appendix VIII
List of LSGIs which prepared unrealistic Budget and incomplete AFS
(Reference: Paragraph 2.9, 2.10; page 27, 28)

Sl.No	LSGIs which prepared unrealistic budget	LSGIs which prepared incomplete AFS
Grama Panchayat		
1	Ayilur	Adat
2	Vaniyamkulam	Adimaly
3	Vazhathope	Akalakkunnam
4	Mulakulam	Ananganadi
5	Thiruvaniyoor	Arimpoor
6	Pallickathodu	Avanoor
7	Kanthalloor	Ayarkunnam
8	Mathur	Ayilur
9	Kunnathunad	Cheriyana
10	Vadakkakkad	Cheruthana
11	Nedumbassery	Chokkad
12	Mazhuvannoor	Edava
13	Karunapuram	Kannamangalam
14	Mannarkkad	Kappur
15	Adimali	Kottuvally
16	Kannamangalam	Kunnathunad
17	Munnar	Madappally
18	Kottuvally	Mannarkkad
19	Mannancherry	Marayoor
20	Malayattoor neeleswaram	Mathur
21	Thottappuzhassery	Mavelikkara thamarakulam
22	Ezhupunna	Mulakulam
23	Marayoor	Nedumbassery
24	Aroor	Pallickathodu
25	Mavelikara thamarakulam	Pookkode
26	Kaviyoor	Purapuzha
27	Thazhakara	Thazhakara
28	Purakkad	Thekkumkara
29	Madappally	Thiruvaniyoor
30	Avanur	
31	Arimpur	
32	Valapad	
33	Adat	
34	Eriyad	
35	Cheruthana	
36	Pookkode	
37	Thekkumkara	
38	Chokkad	
39	Kappur	
40	Akalakunnam	
41	Kallara(Vaikom)	
42	Cheriyana	
43	Ananganadi	

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Sl.No	LSGIs which prepared unrealistic budget	LSGIs which prepared incomplete AFS
48	Edava	
Municipality		
1	Perinthalmanna	Paravur
2	Kunnamkulam	
3	Paravur	
Block Panchayat		
1	Kanjikuzhy	Kanjikuzhi

Appendix IX

List of LSGIs in which substantial variation between budget and actual was noticed
(Reference: Paragraph 2.9; page 27)

(₹ in lakh)

Year	Name of Grama Panchayat	Head of Account	Estimate	Actual	Excess Provision	Percentage of excess provision to actual
2001-02	Eriyad	Property Tax	17.00	9.11	7.89	86.61
		Profession tax	8.00	3.89	4.11	105.66
2002-03	Mannarkkad	Property Tax	25.00	15.16	9.84	64.91
		Profession Tax	20.00	13.95	6.05	43.37
2003-04	Mulakulam	Property Tax	10.50	3.70	6.80	183.78
		Profession Tax	6.00	3.95	2.05	51.90
2003-04	Munnar	Property Tax	55.00	19.78	35.22	178.06
		Profession Tax	40.00	22.44	17.56	78.25
2003-04	Avanur	Property Tax	10.00	4.94	5.06	102.43
		Profession Tax	7.75	5.76	1.99	34.55
2004-05	Kanthalloor	Property Tax	1.90	0.83	1.07	128.92
		Profession Tax	1.35	0.99	0.36	36.36
2004-05	Kallara(Vaikom)	Property Tax	5.00	3.69	1.31	35.50
		Profession Tax	3.00	2.50	0.50	20.00
2004-05	Kaviyoor	Property Tax	11.55	5.62	5.93	105.52
		Profession Tax	7.00	2.79	4.21	150.90
2004-05	Mavelikara Thamarakulam	Property Tax	7.10	5.58	1.52	27.24
		Profession Tax	7.00	4.57	2.43	53.17
2004-05	Pallickathodu	Property Tax	6.00	4.71	1.29	27.39
		Profession Tax	4.00	3.39	0.61	17.99
2004-05	Thottappuzhassery	Property Tax	20.00	7.09	12.91	182.09
		Profession Tax	3.50	2.11	1.39	65.88
2004-05	Vadakkekad	Property Tax	12.00	8.93	3.07	34.38
		Profession Tax	7.00	4.82	2.18	45.23
2005-06	Marayoor	Property Tax	8.93	3.37	5.56	164.99
		Profession Tax	5.98	2.62	3.36	128.24
Total		Property Tax	189.98	92.51	97.47	105.36
		Profession Tax	120.58	73.78	46.80	63.43
Grand total			310.56	166.29	144.27	86.76

Appendix X
Details of receipt of fund and expenditure by Block Panchayats test-checked
(Reference: Paragraph: 3.1.6.1; page 32)

(₹ in lakh)

Name of BP	Fund Received (2004-05 to 2008-09)				Expenditure (2004-05 to 2008-09)	Percentage of expenditure
	IAY Fund	Development Expenditure Fund (including fund from GPs and DPs)	Interest received	Total fund		
Athiyannur	523.31	332.47	-	855.78	709.94	83
Nedumangad	384.35	208.56	1.78	594.69	514.79	87
Vamanapuram	716.68	339.04	-	1055.72	885.06	84
Kilimanoor	481.30	255.95	1.27	738.52	659.82	89
Chadayamangalam	667.64	416.36	2.28	1086.28	988.94	91
Anchal	632.19	492.29	3.99	1128.47	923.23	82
Kottarakkara	522.28	300.79	4.68	827.75	692.38	84
Oachira	324.65	152.24	1.88	478.77	423.41	88
Nilambur	620.44	385.79	3.39	1009.62	829.25	82
Wandoor	621.59	426.06	2.75	1050.40	964.24	92
Areacode	389.78	263.85	0.71	654.34	586.73	90
Malappuram	234.71	92.07	2.31	329.09	273.70	83
Kunnamangalam	495.10	308.81	1.36	805.27	763.29	95
Perambra	397.85	233.92	2.96	634.73	527.88	83
Balussery	431.16	232.10	3.56	666.82	525.50	79
Thodannur	169.78	119.12	1.79	290.69	266.23	92
Total	7612.81	4559.42	34.71	12206.94	10534.39	86

Appendix XI
Details of funds retained in Treasury Public Accounts
(Reference: Paragraph: 3.1.6.7; page 36)

(₹ in lakh)

Sl. No.	Name of PAU/BP	TP A/c No.	Amount kept	Remarks
1.	BPs under PAU, Kollam	Various TP Accounts	32.27	Matter reported to Government in July 2004 & February 2005 and requested clearance for withdrawal of the amount. No clearance was seen obtained and the matter was not pursued with.
2.	BP, Perambra	230	5.40	The BP refunded the entire balance in TP account to the consolidated fund of State on 22 March 2006. This included IAY fund of ₹ 5.40 lakh.
3.	BP, Thodannur	130	5.16	Consequent on freezing of TP account, the balance of IAY fund (₹ 5.16 lakh) in TP account No. 130 was also transfer credited by the treasury to the Consolidated fund.
4.	PAU, Thiruvananthapuram	16	110.64	Funds relate to EAS (SGRY) and IAY. Breakup details not available. Pass book and unused cheques surrendered to STO on 1 August 2003.
5.	PAU, Malappuram	121	1.51	Amount released to Kondotty BP. Account closed and balance refunded vide letter No. B-426/06 dated 3.2.09
6.	BP, Athiyannur	216	1.70	Balance as on 31 March 2006 refunded to Consolidated fund of State on 31 March 2006.
Total			156.69	

Appendix XII
Details of houses constructed with plinth area 75.76 M² and above
(Reference: Paragraph 3.1.7.6(ii); page 41)

Sl. No.	BP	Name of beneficiary/ category	Amount paid (in ₹) / year of construction	Remarks
1	Areacode	Sumathi, W/o Ayyappan / SC Kavannur	<u>50,000</u> 2004-05	Cost of construction ₹ 3 lakh as reported by the beneficiary during joint verification. Procured tiles for flooring.
2	Areacode	Raina w/o Ajayan (GI)	<u>38,500</u> 2008-09	Plinth area 75.76 m ² as per permit issued by GP on 10 July 2008 seen in joint verification.
3.	Oachira	Ambika (GI) Vavallurkizhathil, Klappana	<u>50,000</u> 2007-08	Cost of construction more than ₹ 3 lakh as reported by the beneficiary during joint verification. Provided flooring tiles and concrete roof.
4.	Thodannur	Jami (SC) Valiyaparampath	<u>72,000</u> 2007-08	Plinth area more than 80 m ² as agreed to by the BDO during joint verification.
5	Oachira	Sivanandan (GI) Manakkadanpillil	<u>50,000</u> 2007-08	Plinth area 79.38m ² as per permit shown during joint verification. Provided RCC Roof, and Flooring tiles. Cost of construction more than ₹ 4 lakh according to the beneficiary.
6.	Vamanapuram	B. Indira (SC) Charuvila puthen veedu	<u>65,830</u> 2007-08	Plinth area 88 m ² as stated by the beneficiary during joint verification.
7.	Malappuram	Malini Haridasan (SC)	<u>70,000</u> 2006-07	The estimate cost of the construction was ₹ 3 lakh. The beneficiary stated that she had spent approximately ₹ 5 lakh for the construction of the house. Provided vitrified tiles for flooring.
8.	Perambra	Babu (SC) Chaliyarath House, Edavanad	<u>68,000</u> 2006-07	Provided RCC Roof, vitrified tiles for flooring. Plinth area 95 m ² . Cost ₹ 4.20 lakh as per the valuation report of Overseer, BP

Appendix XIII
List of institutions selected for review
(Reference: Paragraph 3.2.5; page 46)

District Panchayat	Block Panchayat	Grama Panchayat
Palakkad	Palakkad, Agali	Ongalloor, Thiruvegapuram, Kannadi, Koppam, Mundoor, Pattambi, Agali, Sholayur
Ernakulam	Vypin, Angamali	Mulavukad, Elamkunnappuzha, Kuzhuppilly, Nayarambalam, Malayattoor Neeleswaram, Kalady, Kanjoor, Karukutty
Kottayam	Pallam, Pampady	Panachikkad, Ayarkunnam, Kumarakam, Nattakam, Pampady, Meenadam, Pallikkathod
Wayanad	Mananthavady	Muttil, Vythiri, Edavaka

Appendix XIV
Unspent balance with the various Divisions of KWA
(Reference: Paragraph 3.2.7.1; Page 48)

(Amount in ₹)

Name of PRI	Name of KWA Division	Unspent balance with the various Divisions of KWA					
		(No. of projects in bracket)					Total
		2004-05	2005-06	2006-07	2007-08	2008-09	
Ernakulam DP	PH Dn Muvattupuzha	-	-	182238 (1)	156833 (6)	44809 (2)	383880 (9)
Ernakulam DP	PH Dn Perumbavur	-	631557 (8)	781946 (6)	25004 (1)	-	1438507 (15)
Ernakulam DP	PH Dn Piravom	-	-	166779 (2)	-	-	166779 (2)
Ernakulam DP	PH Dn Kochi	-	-	12423 (1)	-	-	12423 (1)
Ernakulam DP	W.S Dn, Kochi	-	79639 (2)	6505 (2)	498865 (2)	-	585009 (6)
Ernakulam DP	PH Dn, Aluva	91293 (1)	53688 (3)	438360 (2)	-	-	583341 (6)
Wayanad DP	PH Dn, Sulthan Bathery	209620 (13)	-	-	-	-	209620 (13)
Palakkad DP	PH Dn, Shornur	955803 (9)	1457729 (10)	4214660 (14)	3753775 (7)	-	10381967 (40)
Palakkad DP	PH Dn, Palakkad	2018000 (13)	2270000 (14)	2442500 (12)	1594000 (3)	-	8324500 (42)
Angamaly BP	PH Dn, Perumbavur	-	-	-	63770 (4)	-	63770 (4)
Palakkad BP	PH Dn, Palakkad	40000 (1)	-	676000 (4)	209556 (1)	-	925556 (6)
Kalady GP	PH Dn, Perumbavur	-	-	22384 (7)	-	-	22384 (7)
Kanjoor GP	PH Dn, Perumbavur	-	1794 (2)	1830 (1)	38796 (3)	-	42420 (6)
Karukutty GP	PH Dn, Perumbavur	-	-	2181 (1)	142 (1)	2653 (1)	4976 (3)
Malayattoor GP	PH Dn, Perumbavur	22162 (3)	6559 (3)	108026 (6)	-	-	136747 (12)

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Name of PRI	Name of KWA Division	Unspent balance with the various Divisions of KWA (No. of projects in bracket)					
		2004-05	2005-06	2006-07	2007-08	2008-09	Total
Mulavukad GP	PH Dn, Kochi	-	62112 (2)	77166 (3)	-	-	139278 (5)
Nayarambalam GP	W.S Dn, Kochi	-	-	173393 (1)	-	-	173393 (1)
Ongallur GP	PH Dn, Shornur	-	-	43750 (1)	-	-	173393 (1)
Muttill GP	PH Dn, Sulthan Bathery	1667 (1)	4143 (2)	5380 (1)	-	-	11190 (4)
Edavaka GP	PH Dn, Sulthan Bathery	2373 (1)	4704 (1)	11452 (1)	-	-	18529 (3)
Nattakom GP	PH Dn, Kottayam	2572 (1)	22430 (1)	-	-	-	25002 (2)
Total		3343490 (43)	4594355 (48)	9366973 (66)	6340741 (28)	47462 (3)	23693021 (188)

Appendix XV
Details of projects taken up for implementation under IDSMT
(Reference: Paragraph 3.3.7.1 ; Page 58)

(₹ in lakh)

Sl. No	Name of Municipality	No. of projects	Estimate cost	Completed		No. of ongoing projects	Expenditure	No. of projects not taken up
				No. of projects	Expenditure			
1	Attingal	10	160.18	7	95.50	1	2.43	2
2	Adoor	13	178.40	4	26.21	1	1.10	8
3	Vaikom	6	191.33	5	180.56	1	62.47	0
4	Pala	9	373.00	4	286.12	0	0	5
5	Angamaly	12	315.25	3	42.77	5	67.02	4
6	North Paravur	13	208.00	9	125.62	1	17.30	3
7	Thripunithura	9	342.55	7	266.56	0	0	2
8	Kothamangalam	10	161.54	9	203.70	1	2.76	0
9	Muvattupuzha	15	162.93	6	59.96	3	38.92	6
10	Kodungallur	2	101.90	2	278.42	0	0	0
11	Irinjalakuda	7	328.16	6	183.11	1	15.82	0
12	Chittoor Thathamangalam	10	295.75	1	62.28	2	68.15	7
13	Ottappalam	8	267.62	1	20.76	1	129.20	6
14	Ponnani	7	434.00	2	103.37	1	18.29	4
15	Koyilandi	7	393.91	6	366.91	0	0	1
16	Mattannur	9	220.46	2	23.70	5	51.03	2
17	Kanhangad	7	372.15	6	167.11	1	230.00	0
18	Perinthalmanna	7	249.78	1	21.11	1	55.05	5
19	Kuthuparamba	6	258.38	3	38.29	1	17.89	2
20	Kunnamkulam	7	345.00	1	10.39	1	44.00	5
21	Payyannur	9	332.58	4	95.27	0	0	5
22	Paravur	9	230.75	3	58.83	2	10.00	4
23	Mavelikkara	10	250.28	5	39.27	0	0	5
24	Perumbavur	6	387.00	3	386.82	1	10.79	2
25	Kalamassery	9	555.00	3	122.84	0	0	6
26	Taliparamba	10	428.50	3	251.84	6	175.62	1
Total		227	7544.40	106	3517.32	36	1017.84	85

Appendix XVI

List of LSGIs which did not levy licence fee at revised rates

(Reference: Paragraph 4.1; Page 72)

(Amount in ₹)

Sl.No.	Name of LSGI	Year	Amount collected	Amount to be collected as per High Court order	Short collection
1.	Kollam Corporation	2007-08	127878	3196950	3069072
2.	Thrissur Corporation	2007-08	118958	2973950	2854992
3.	Kozhikode Corporation	2007-08	68104	1702600	1634496
4.	Thodupuzha Municipality	2007-08	8044	201100	193056
		2008-09	9060	226500	217440
5.	Paravur Municipality	2007-08	5383	134575	129192
		2008-09	3801	95025	91224
6.	Chengannur Municipality	2007-08	6028	150700	144672
		2008-09	5523	138075	132552
7.	Pala Municipality	2007-08	5094	127350	122256
		2008-09	5280	132000	126720
8.	Cherthala Municipality	2006-07 to 2007-08	6859	171475	164616
9.	Malappuram Municipality	2007-08	33152	828800	795648
		2008-09	3547	88675	85128
10.	Neyattinkara Municipality	2007-08	14060	351500	337440
		2008-09	12877	321925	309048
11.	Kunnamkulam Municipality	2006-07 to 2008-09	11975	299375	287400
12.	Thiruvalla Municipality	2007-08	9610	240250	230640
		2008-09	8581	214525	205944
13.	Angamali Municipality	2007-08	6460	161500	155040
14.	Palakkad Municipality	2007-08	64667	1616675	1552008
15.	Kottayam Municipality	2007-08	41944	1048600	1006656
		2008-09	359430	8985750	8626320
16.	Mankulam Grama Panchayat	2008-09	2444	61100	58656
17.	Kadangod Grama Panchayat	2007-08	3735	93375	89640
		2008-09	1611	40275	38664
18.	Njarakkal Grama Panchayat	2007-08	3590	89750	86160
		2008-09	1294	32350	31056
19.	Thirumittacode Grama Panchayat	2007-08	420	10500	10080
		2008-09	780	19500	18720
20.	Kakkodi Grama Panchayat	2007-08	1808	45200	43392
		2008-09	1898	47450	45552
21.	Thiruvegapuram Grama Panchayat	2007-08	756	18900	18144
		2008-09	1195	29875	28680
22.	Nedumpuram Grama Panchayat	2007-08	1371	34275	32904
		2008-09	1530	38250	36720
23.	Upputhara Grama Panchayat	2007-08	3449	86225	82776
		2008-09	5524	138100	132576
24.	Elavancherry Grama Panchayat	2007-08	821	20525	19704
		2008-09	480	12000	11520
25.	Kottappadam Grama Panchayat	2006-07 to 2008-09	2621	65525	62904

Appendix XVI – Concl'd.

Sl.No.	Name of LSGI	Year	Amount collected	Amount to be collected as per High Court order	Short collection
26.	Thavinjal Grama Panchayat	2007-08	4938	123450	118512
		2008-09	6508	162700	156192
27.	Kumaramangalam Grama Panchayat	2007-08	448	11200	10752
		2008-09	456	11400	10944
28.	Poruvazhy Grama Panchayat	2006-07	1792	44800	43008
		2007-08	2158	53950	51792
		2008-09	1648	41200	39552
29.	Kavasseri Grama Panchayat	2007-08	4196	104900	100704
		2008-09	1924	48100	46176
30.	Elamkulam Grama Panchayat	2007-08	438	10950	10512
		2008-09	964	24100	23136
31.	Elathoor Grama Panchayat	2007-08	480	12000	11520
		2008-09	924	23100	22176
32.	Karakurissi Grama Panchayat	2007-08	1733	43325	41592
		2008-09	408	10200	9792
33.	Vellamunda Grama Panchayat	2007-08	7774	194350	186576
		2008-09	2068	51700	49632
34.	Peruvayal Grama Panchayat	2007-08	10267	256675	246408
		2008-09	5389	134725	129336
35.	Thannithode Grama Panchayat	2007-08	18274	456850	438576
		2008-09	18274	456850	438576
36.	Thenkara Grama Panchayat	2007-08	2562	64050	61488
		2008-09	3650	91250	87600
37.	Vechoochira Grama Panchayat	2007-08	554	13850	13296
		2008-09	1738	43450	41712
38.	Arakulam Grama Panchayat	2006-07	2609	65225	62616
		2008-09	2125	53125	51000
Total			1075941	26898525	25822584