

## 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

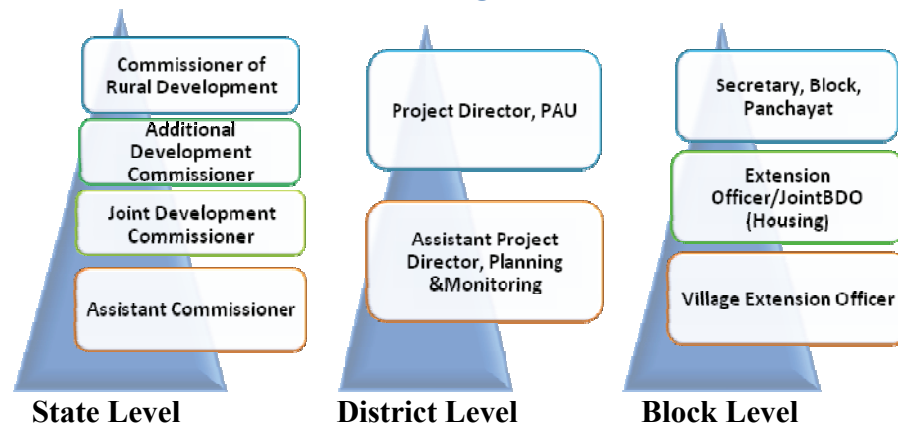
dwelling units for SC/ST BPL households, a maximum 40 per cent for non SC/ST BPL rural households and 3 per cent of the total fund is earmarked for physically and mentally challenged persons.

### 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, four<sup>1</sup> 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 BPs<sup>2</sup> (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**.

<sup>1</sup> Kollam, Kozhikode, Malappuram & Thiruvananthapuram

<sup>2</sup> 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
<b>Total</b>	<b>397.55</b>	<b>130.98</b>	<b>528.53</b>	<b>477.01</b>

\*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 12<sup>3</sup> 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 BPs<sup>4</sup>. 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**.

<sup>3</sup> Nilambur, Areacode, Malappuram, Wandoor, Kunnamangalam, Oachira, Anchal, Chadayamangalam, Kottarakkara, Nedumangad, Kilimanoor and Vamanapuram

<sup>4</sup> 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 BPs<sup>5</sup> ranged between 45 and 58 during 2007-08 and between 39 and 59 by eight<sup>6</sup> 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:

<sup>5</sup> Oachira, Nedumangad, Kunnamangalam, Thodannur, Chadayamangalam, Anchal, Balusseri, Nilambur and Wandoor

<sup>6</sup> 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 three<sup>7</sup> PAUs and three<sup>8</sup> 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 eight<sup>9</sup> 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

<sup>7</sup> Kozhikode PAU: ₹ 2.78 lakh, Malappuram PAU: ₹ 3.13 lakh and Kollam PAU: ₹ 52.38 lakh

<sup>8</sup> Vamanapuram BP: ₹ 0.70 lakh, Kilimanoor BP: ₹ 0.28 lakh, Athiyannoor BP: ₹ 0.33 lakh

<sup>9</sup> 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, nine<sup>10</sup> 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. Seven<sup>11</sup> 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 three<sup>12</sup> BPs during 2004-05 to 2006-07

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<sup>10</sup> Malappuram, Nilambur, Wandoor, Oachira, Nedumangad, Perambra, Thodannur, Balusseri, Kunnamangalam BPs

<sup>11</sup> 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

<sup>12</sup> 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 lakh<sup>13</sup>.

(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 three<sup>14</sup> 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 BPs<sup>15</sup> 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 BPs<sup>16</sup>.

### 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**.

<sup>13</sup> **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

<sup>14</sup> Anchal (₹ 1.22 lakh), Oachira (₹ 0.11 lakh), Kottarakkara (₹ 0.76 lakh)

<sup>15</sup> 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)

<sup>16</sup> Malappuram, Nilambur, Areacode, Oachira, Balusseri, Kunnamangalam, Chadayamangalam, Vamanapuram

**Table 5: Physical targets and achievements of the State**

Year	Target (Number of houses)		Achievement <sup>17</sup> (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
<b>Total</b>	<b>195173</b>	<b>57893</b>	<b>138484</b>	<b>53647</b>	<b>70.95</b>	<b>92.66</b>

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 <sup>17</sup> (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
<b>Total</b>	<b>23230</b>	<b>7363</b>	<b>17026</b>	<b>5792</b>	<b>73.29</b>	<b>78.66</b>

It was noticed that:

- 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 six<sup>18</sup> 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.

**Houses were reported to be completed before actual completion**

<sup>17</sup> including incomplete houses of previous years

<sup>18</sup> 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 nine<sup>19</sup> 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 four<sup>20</sup> 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.

<sup>19</sup> Anchal, Chadayamangalam, Nedumangad, Perambra, Thodannur, Kottarakkara, Balussery, Kunnamangalam and Kilimanoor BPs

<sup>20</sup> 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 BPs<sup>21</sup>. 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.

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<sup>21</sup> 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 schedule<sup>22</sup>.

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.

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<sup>22</sup> 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

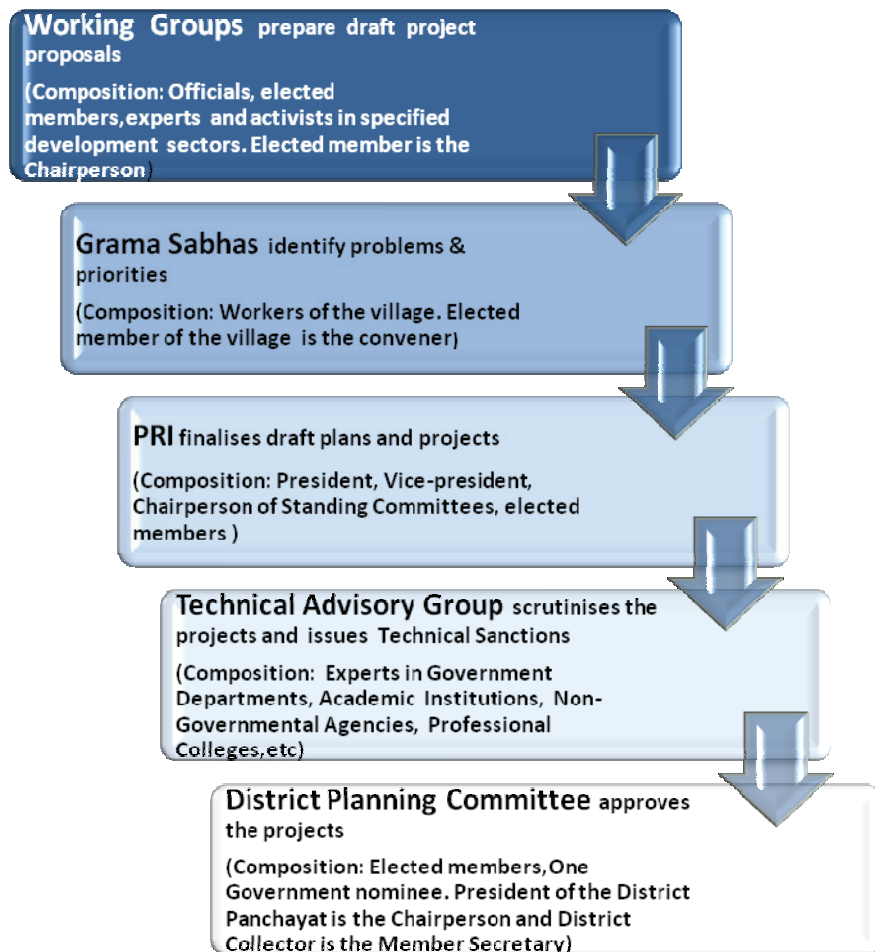
The Panchayat Raj Institutions (PRIs) are vested under the Kerala Panchayat Raj Act 1994 (KPR Act) with the right and power to prepare and implement Drinking Water Supply Schemes (DWSS) within the area of the Panchayat. Under the provision of the Kerala Water Supply and Sewerage Act 1986, though Kerala 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, three<sup>23</sup> 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 lpcd<sup>24</sup> 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.

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<sup>23</sup> Kottayam, Ernakulam, and Palakkad

<sup>24</sup> 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
<b>Total</b>	<b>496.63</b>	<b>56.78</b>	<b>39.51</b>	<b>11.43</b>	<b>69.58</b>

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 three<sup>25</sup> 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

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<sup>25</sup> 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, centage<sup>26</sup> 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 four<sup>27</sup> GPs in respect of ten<sup>28</sup> 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**.

<sup>26</sup> Charges for meeting the administrative cost of the deposit works

<sup>27</sup> Kannadi, Nattakom, Pattambi, Agali

<sup>28</sup> 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
<b>Total</b>	<b>1246</b>	<b>357</b>	<b>18</b>	<b>143</b>	<b>674</b>	<b>5</b>	<b>49</b>

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 three<sup>29</sup> 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

<sup>29</sup> 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 four<sup>30</sup> 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

<sup>30</sup> 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 GP<sup>31</sup>, Koppam GP<sup>32</sup>, Palakkad BP<sup>33</sup> and Thiruvegapuram GP<sup>34</sup>, 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.

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<sup>31</sup> DWSSs in Kaithali street, Kalorkunnu, Kandamthode, Vadakummuri

<sup>32</sup> DWSSs in Vietnampadi, Kokkaramukku, Vydyarpadi, Paravettuchal, Parakkalpadi

<sup>33</sup> DWSS in Nayadikunnu SC Colony

<sup>34</sup> 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. Eleven<sup>35</sup> 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.

<sup>35</sup> 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.

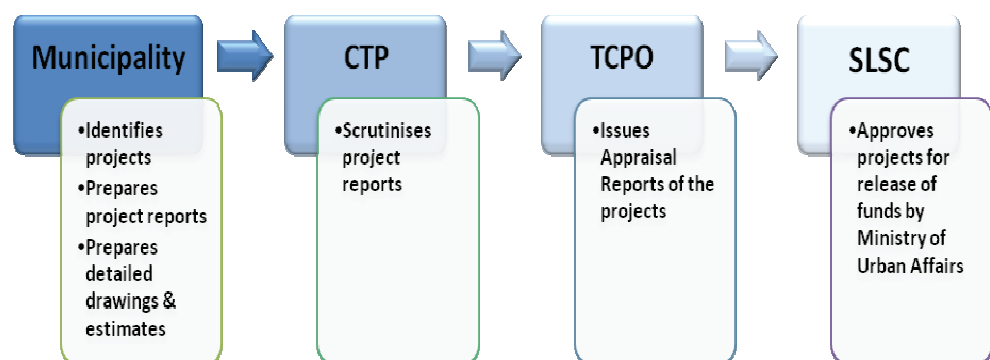
### 3.3.2 Organisational set up

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. Nine<sup>36</sup> 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 four<sup>37</sup> 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:

<sup>36</sup> Perinthalmanna, Kunnamkulam, Kuthuparamba, Payyannur, Paravur, Mavelikkara, Perumbavoor, Kalamassery and Thalipparamba

<sup>37</sup> 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
<b>Total</b>		<b>73</b>	<b>3037.27</b>	<b>940.53</b>	<b>627.02</b>	<b>1567.55</b>	<b>1469.72</b>

**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, six<sup>38</sup> 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-checked<sup>39</sup> 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

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

<sup>39</sup> 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)

Municipalities<sup>40</sup> 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

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<sup>40</sup> 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
<b>Total</b>	<b>23</b>	<b>472.89</b>	<b>216.87</b>

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
<b>Total</b>	<b>19</b>	<b>1417.69</b>	<b>24</b>	<b>779.89</b>	<b>30</b>	<b>839.69</b>	<b>3</b>	<b>303.60</b>	<b>6</b>	<b>110.02</b>	<b>17</b>	<b>399.88</b>	<b>1024.66</b>

Delay of more than one year was noticed in completing four projects by four<sup>41</sup> 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 crore<sup>42</sup>.

<sup>41</sup> Kalamassery, Payyannur, Kuthuparamba, Paravur Municipalities

<sup>42</sup> (₹ 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 m<sup>2</sup> 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 m<sup>2</sup>, leaving the remaining 176 m<sup>2</sup> vacant. Though the Municipality tendered the vacant area (176 m<sup>2</sup>) thrice for letting out, there was no response from the public. Idle investment on the vacant space of the building constructed was ₹ 28.81<sup>43</sup> 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 m<sup>2</sup> 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.

<sup>43</sup> (₹ 196.73 lakh divided by 1202 M<sup>2</sup>) x 176 M<sup>2</sup>

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 m<sup>2</sup>) 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 income<sup>44</sup> from the building was ₹ 10.86 lakh in addition to the one time premium of ₹ 41.53 lakh.

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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
	<b>₹ 10.86 lakh</b>

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**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 crore<sup>45</sup>.

#### **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, nine<sup>46</sup> 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

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

<sup>46</sup> 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)
<b>Total</b>	<b>17340.73</b>	<b>17340.73</b>	<b>2128.93</b>	<b>19469.66</b>	<b>7904.43</b>

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
<b>Total</b>		<b>25</b>	<b>42578.55</b>	<b>7904.42</b>	<b>7</b>	<b>18</b>	<b>2649.95</b>

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).