

PREFACE

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

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

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-10 as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the period subsequent to 2009-10 have also been included wherever necessary.

OVERVIEW

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

Finances and Financial reporting issues of LSGIs

There was no system in place to consolidate the finances of LSGIs. The correctness of the figures in the database on finances of LSGIs is doubtful. Government of India (GOI) grants increased substantially from 2007-08 onwards due to increase in the release of funds under Indira Awaas Yojana and Mahatma Gandhi National Rural Employment Guarantee Scheme. The share of GOI in the total receipt increased from seven per cent in 2005-06 to 16 per cent in 2009-10. The share of State Government in the total receipt declined from 74 per cent to 67 per cent during the same period. Annual Financial Statement and primary financial records of LSGIs were deficient. Asset register was not maintained properly as a result of which it could not be assessed whether the norms for maintenance of assets had been strictly adhered to. Government had not placed Consolidated Administration Report before the Legislature.

(Paragraph 2.1 to 2.9)

Solid Waste Management in Urban Local Bodies

The prime responsibility of providing solid waste management services in the State is vested with LSGIs. A review of the Solid Waste Management in Urban Local Bodies (ULBs) revealed failure of ULBs and State Pollution Control Board (SPCB) in discharging their responsibilities fixed by MSW Rules in relation to identification of risks to environment and health posed by waste, manual handling of waste by workers without adequate protection, non-observance of conditions specified by SPCB, non-segregation of waste at source to facilitate effective processing and disposal, disposal of waste in unscientific and unhygienic manner and environmental pollution caused by waste heaped in the dump yards. The Municipalities test-checked had not maintained any record of the quantity and composition of waste generated to assess the magnitude of the problems faced in the management of solid waste. Waste collected ranged between 18 and 85 per cent of the waste generated in the ULBs test-checked. The ULBs did not have any mechanism to ensure the quality of ground water, surface water, ambient air and standards of composting, leachate and incineration in and around landfills as stipulated in MSW Rules. Perumbavur, Cherthala and Chavakkad Municipalities resorted to land filling without observing the provisions of Act and Rules. The District Collectors did not ensure that the facilities provided in the ULBs for waste disposal were meeting the standards prescribed in the MSW Rules and the disposal of waste was carried out with due care for health and environment. Though Suchitwa Mission was entrusted with the responsibility of ensuring

proper utilisation of funds released to ULBs, the information relating to actual stage of implementation of the projects was not available with them.

(Paragraph 3.1)

Financial Management by the Panchayat Raj Institutions

The State and Central Governments provide substantial financial assistance to the Panchayat Raj Institutions for taking up various activities in their jurisdictional areas. The Grama Panchayats are empowered to levy and collect local taxes like property tax, profession tax and entertainment tax and fees like licence fee on business establishments and permit fee on construction of buildings from individuals and institutions located within their jurisdictional area. The revenues so mobilised are utilised for the developmental activities and local administration of the area. Performance Audit on Financial Management by the PRIs did not reveal an encouraging picture. There were omissions by PRIs to verify the statements of transactions received from Treasury with the office records which resulted in short credit of Development Expenditure / Maintenance Expenditure / General Purpose Funds. Development Expenditure and Maintenance Expenditure funds were under-utilised during 2006-07 to 2008-09. This resulted in short allocation of funds to PRIs by Government during 2008-09 to 2010-11. The third and subsequent instalments of the central funds for the implementation of the projects in seven blocks in Kollam, Kottayam and Malappuram districts under Integrated Wasteland Development Programme had not been received due to non-conducting of mid-term evaluation of the projects by the State Government. The PRIs were unauthorisedly retaining Development Expenditure and Maintenance Expenditure funds in Bank accounts. Funds deposited with other agencies, viz., Akshaya District Co-ordinators, Kerala Water Authority, remained idle as the amounts were deposited without assessing the requirement. The budget proposals of the PRIs were not discussed adequately and subjected to detailed deliberations as budgets were presented and passed at the end of March every year.

(Paragraph 3.2)

Transaction Audit

Audit of financial transactions subjected to test check in various LSGIs revealed instances of unfruitful expenditure, infructuous/ unproductive expenditure, excess/ avoidable payment, idle investment and other irregularities as mentioned below:

Non-segregation of power load and light load for electric crematorium in Municipal Corporation, Kozhikode led to avoidable payment of electricity charges of ₹11.24 lakh.

(Paragraph 4.1)

Two out of seven biogas plants established by Municipal Corporation, Kochi in 2007, remained idle since the date of commissioning and five plants had become non-functional since June 2008, rendering the expenditure of ₹61.61 lakh incurred on them unfruitful.

(Paragraph 4.2)

A harvester costing ₹9.93 lakh purchased by Anchal Block Panchayat without ascertaining its utility had been lying idle in a damaged condition for the last four years.

(Paragraph 4.3)

Incorrect application of tariff for Sodium Vapour Lamps in three Grama Panchayats, viz., Thavinhal, Pulpally and Chengottukave, resulted in excess payment of street light charges of ₹16.51 lakh.

(Paragraph 4.4)

Non completion of a working women's hostel in Municipal Corporation, Kozhikode, even after eight years despite spending ₹29.33 lakh led to non fulfillment of objective apart from lapse of Central assistance of ₹44.10 lakh.

(Paragraph 4.5)

Financial assistance of ₹51.04 lakh granted by Community Development Society in Kollam Corporation to 41 DWCUA units was rendered unfruitful as the units were closed down after working for two to six years.

(Paragraph 4.6)

Failure of District Panchayat, Kottayam to provide necessary infrastructural facilities for a mechanised defibering unit resulted in rusting of the machinery rendering the investment of ₹24.12 lakh on the project unproductive.

(Paragraph 4.7)

Thiruvananthapuram Municipal Corporation took up a project under a discontinued scheme without ensuring availability of funds resulting in wasteful expenditure of ₹71.78 lakh.

(Paragraph 4.8)

Failure of Municipal Corporation, Kollam to provide necessary infrastructural facilities led to idling of 57 auto three wheelers at the supplier's yard for more than one year and consequent idle investment of ₹1.11 crore.

(Paragraph 4.9)

Irregular implementation of EMS Housing Scheme by Erumapetty Grama Panchayat resulted in undue financial benefit to bank and denial of intended subsidy to beneficiaries.

(Paragraph 4.10)

Investment of ₹24.40 lakh made by Kasaragod District Panchayat on establishment of computer network system remained unfruitful for the last four years due to defects in the software developed by the contractor firm.

(Paragraph 4.11)

An old age home constructed at a cost of ₹30.01 lakh remained unutilised for the last four years as the project was conceived without considering its necessity in the locality.

(Paragraph 4.12)

CHAPTER I

ORGANISATION, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF LOCAL SELF GOVERNMENT INSTITUTIONS

1.1 Introduction

The Seventy third and Seventy fourth amendments of Constitution of India gave constitutional status to the Local Self Government Institutions (LSGIs). The constitutional amendments established a system of uniform structure, regular election, regular flow of funds etc. After the 73rd and 74th constitutional amendments, the State Legislature passed the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act) to enable the LSGIs to work as third tier of Government. The State has also identified and amended other related laws to empower LSGIs. As a follow-up, the State was required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as Institutions of Self Government. In particular, the LSGIs were required to prepare plans and implement schemes for economic development and social justice including those included in the Eleventh Schedule of the Constitution.

1.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1**. Kerala's rate of population growth is India's lowest and Kerala's decadal growth (9.4 per cent in 2001) is less than half the all-India average of 21.3 per cent. Women compose 51.42 per cent of the population. Kerala has the highest literacy rate (90.86 per cent) among Indian states and life expectancy (73 years) is among the highest in India. The service sector along with the agricultural and fishing industries dominate Kerala's economy.

Table 1.1 : Important statistics of the State

SI No.	Indicator	Unit	State value	National value
1	Population	Crone	3.18	102.87
2	Population density	Sq Km	819	313
3	Urban population	Per cent	26	Not available
4	GSDP from primary sector	Per cent	14.47	20.01
5	Gender ratio	Females per 1000 males	1058	933
6	Population below poverty line	Per cent	15	27.5
7	Literacy	Per cent	90.86	64.84
8	Birth rate	1000 population	14.7	23.1
9	Infant mortality rate	1000 population	12	55
10	Unemployment rate	Per cent	13.7	Not available
11	Gross State Domestic Product	₹ in crore	189840.82	--

Source: Economic Survey 2010-11, Planning Commission

1.3 Size of LSGIs

As on 31 March 2010, there were 1223 LSGIs in the State. The details of the area, population etc., are presented in **Table 1.2**.

Table 1.2 : Comparative position of Local Bodies

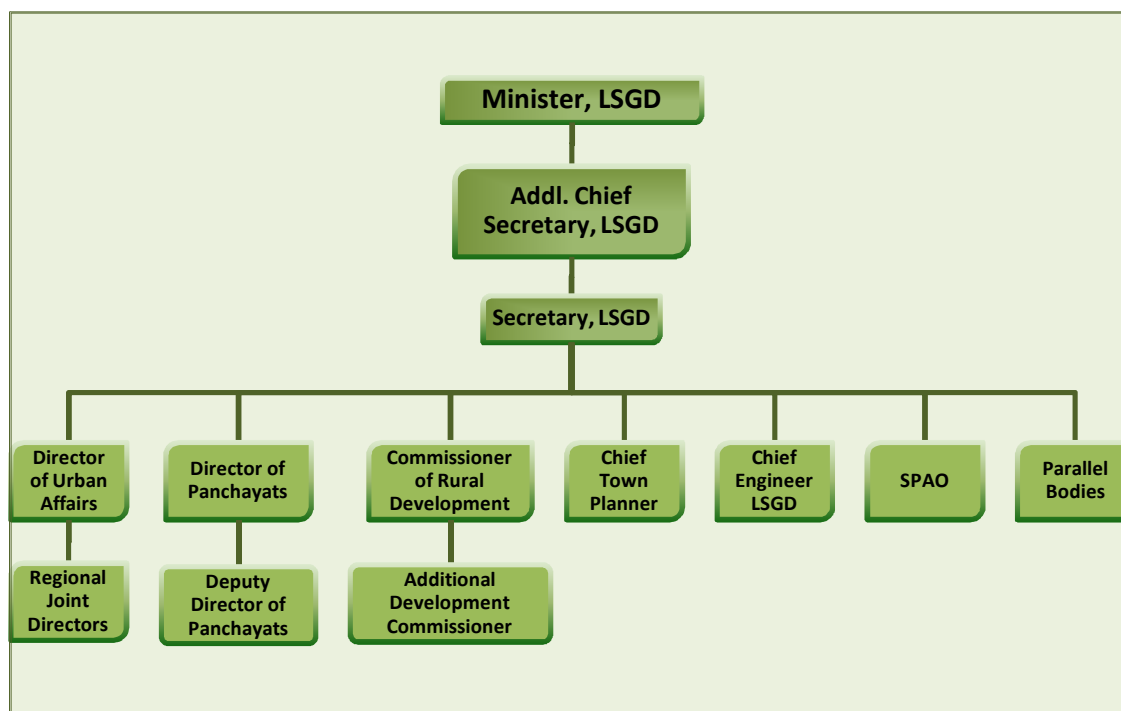
Level of LSGIs	No.	Average area per LSGI (Sq Km)	Average population per LSGI
District Panchayat	14	26.51	1903357
Block Panchayat	152	244.24	175309
Grama Panchayat	999	37.16	26674
Municipal Corporation	5	95.60	491240
Municipality	53	23.65	51664

1.4 Organisational set up in State Government and LSGIs

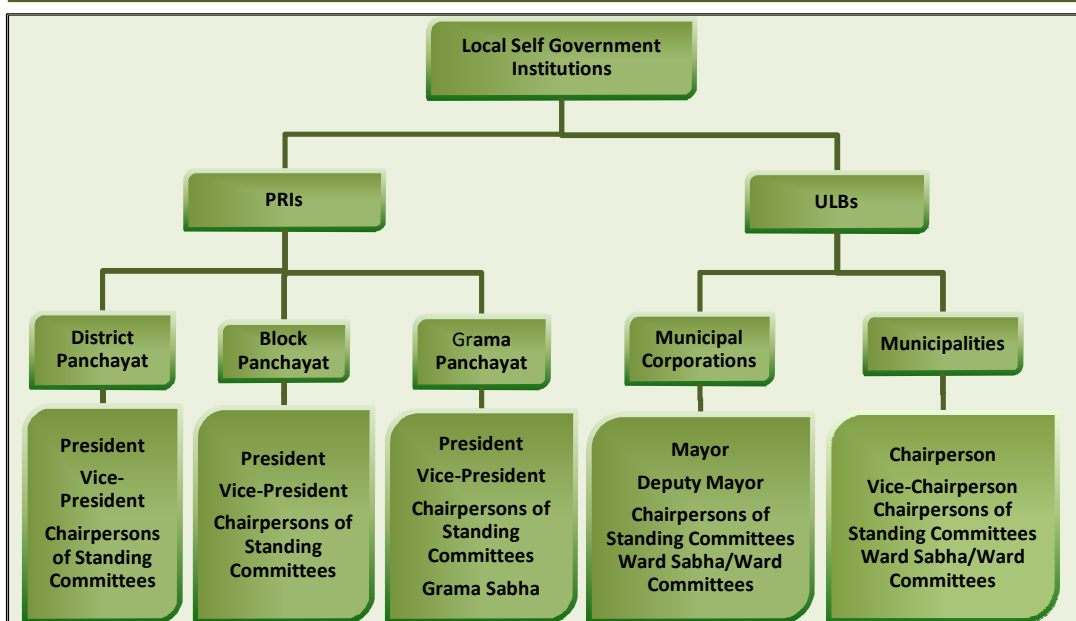
LSGIs constituted in rural and non-rural areas are referred to as Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. In the three-tier Panchayat Raj system in the State, each tier functions independently of each other. The Government in the Local Self Government Department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

Chart 1.1 : Organisation chart of LSGD and LSGIs

State Level



LSGIs Level



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

1.4.1 Standing Committees

To execute the various functions of the LSGIs, Standing Committees have been constituted. The Committees in each type of the LSGI are given in **Table 1.3**.

Table 1.3 : Standing Committees in LSGIs

Level	Chief Political Executive	Standing Committees	Political Executive	Chief Executive Officer
Grama Panchayat	President	Standing Committee on Finance Standing Committee on Development Standing Committee on Welfare	Chairpersons of Standing Committees (Elected among the members of GP, BP, DP, Municipality and Municipal Corporation)	Secretary
Block Panchayat				
District Panchayat	President	Standing Committee on Finance Standing Committee on Development Standing Committee on Welfare		
Municipality	Chairperson	Standing Committee on Health Education Standing Committee on Works		
Municipal Corporation	Mayor	Standing Committee on Finance Standing Committee on Development Standing Committee on Welfare Standing Committee on Health Education Standing Committee on Works Standing Committee on Town Planning Standing Committee on Appeal relating to tax		

The roles and responsibilities of Standing Committee are given in **Appendix I**.

1.5 Decentralised Planning

1.5.1 Status of transfer of functions and functionaries

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

The Acts envisaged transfer of functions of various Departments of the State Government to the LSGIs together with the staff to carry out the functions transferred. The transfer of functions to different tiers of Panchayat was to be done in such a way that none of the functions transferred to a particular tier overlapped with that of the other as detailed in activity mapping.

The State Government has transferred (September 1995) 26 functions to the PRIs and 17 functions to the ULBs. The services of the related officers were also transferred to the LSGIs. The functions relating to minor forest produce, distribution of electricity and implementation of land reforms though listed in the XI Schedule of the Constitution and mandated under KPR Act for transfer to the PRIs, were not transferred. Besides legally transferred subjects and activities, PRIs also undertake agency functions on behalf of both Central and State Governments to implement development programmes.

1.5.2 District Planning Committees

In pursuance of Article 243ZD of the Constitution of India and Section 53 of KM Act, the State Government has constituted District Planning Committee (DPC) in each District. The procedure to be followed in the meeting of the Committee is governed by the Kerala District Planning Committee (Election of members and proceedings of meeting) Rules, 1995. The tenure of DPC is five years. The Committee consists of 15 members of whom:

- 12 members are from among the elected members of the Panchayats at the district level and of the Municipalities in the district in proportion to the ratio between the population of the rural areas and of the urban areas in the district;
- President of the District Panchayat in that district;
- the District Collector;
- one person having considerable experience in the administration of planning nominated by the Government.

The members of the House of the people and members of the Legislative Assembly of the State, representing any area comprised in a district are permanent invitees to the DPC. A member of the Council of States (Rajya Sabha) representing the State is a permanent invitee to the DPC of the district in which he is registered as elector in the electoral roll of any Municipality or Panchayat. A member nominated to the Legislative Assembly of the State is a permanent invitee to the DPC of the district in which he ordinarily resides.

The President of the District Panchayat is the Chairman and the District Collector is the Secretary of the DPC.

The functions of the DPC include scrutiny and approval of annual plans of LSGIs, consolidation of plans prepared by LSGIs and preparation of draft development plan for the district. The DPC is to monitor the quantitative and qualitative progress, especially its physical and financial achievements in the implementation of the approved district plan schemes and State plan relating to the district and is to evaluate the action programmes already completed. The Government, while preparing the State plan consider the proposals and priority included in the draft development plans prepared for each district by the DPC. The DPCs had not forwarded the development plans to State Government for integration with the State plan.

1.6 Accountability Framework

1.6.1 Internal control system at the level of LSGIs

The internal control system at the level of each LSGI has been designed by State Government through KPR Act, KM Act, Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and Kerala Municipality (Manner of Inspection and Audit System) Rules, 1997, application of State Government’s own rules and policies relating to finance, budget, personnel matters. The significant provisions are given in **Table 1.4**.

Table 1.4 : Rules and Policies relating to finance, budget, personnel matters

Provision	Authority	Applicability to LSGI	Gist of the provision
Accounts	Section 215 of KPR Act Sections 294 & 295 of KM Act	PRIs ULBs	The Panchayats and the Municipalities shall maintain such books of accounts and other books in relation to its accounts and prepare an annual statement of accounts.
Reporting of loss due to fraud, theft or negligence	Article 297 of Kerala Financial Code	PRIs & ULBs	When any fact indicating that defalcation or loss of public moneys, stamps, stores or other property has occurred come to the notice of the Government servant he should inform the head of office immediately. The head of office should send a preliminary report immediately to the Accountant General and to the Head of the Department.
Asset register	Kerala Panchayat Accounts Rules, 1965 and Government order issued in December 2005 Kerala Municipal Accounts Manual	PRIs ULBs	A record shall be maintained for the movable and immovable fixed assets. The Panchayat and the Municipality shall have a system of conducting physical verification of fixed assets at least once in a year.
Works manual	KPR (Execution of Public Works) Rules, 1997 KM (Execution of Public Works and purchase of materials) Rules, 1997	PRIs ULBs	<ul style="list-style-type: none"> • Procedure for execution of public works • Power of various authorities to give administrative sanction • Fixing of rates for preparation of estimates • Preparation of plan and estimates • Invitation of tender • Execution of works directly by LSGIs and through beneficiary committees • Control and supervision • Purchase of materials

Provision	Authority	Applicability to LSGI	Gist of the provision
Budget	Section 214 of KPR Act, 1994 Section 293 of KM Act, 1994	PRIs ULBs	Budget proposals shall be prepared by the respective standing committees before 15 January every year and shall be submitted to the Standing Committee for Finance (SCF). The SCF shall prepare a budget for the ensuing year and present the same not later than the first week of March before the Panchayat/ Municipality for approval.
Internal audit	Rule 3 of KPR (Manner of Inspection and Audit System) Act, 1997 Rule 3 of KM (Manner of Inspection and Audit System) Act, 1997	PRIs ULBs	There shall be a Performance Audit Authority at the State Level for conducting performance audit. State Performance Audit Officer shall assist the Performance Audit Authority. The Regional Performance Audit Officers shall conduct performance audit once in three months in the LSGIs.
Inspection	Section 188A of KPR Act, 1994 Section 56(i) of KM Act, 1994	PRIs ULBs	Government or any officer empowered by Government may inspect any office under the control of any Panchayat/ Municipality.
External Audit	Section 215(3) of KPR Act, 1994 Section 295(3) of KM Act, 1994	PRIs ULBs	Director of Local Fund Audit shall be the auditor of Panchayats/ Municipalities.
Ombudsman	Section 271F to R of KPR Act	PRIs and ULBs	There shall be an authority for LSGIs at State Level known as 'Ombudsman' for making investigations and enquiries in respect of charges on any action involving corruption or maladministration or irregularities in the discharge of administrative functions by LSGIs and public servants working under them.
Citizen charter	Section 272A of KPR Act, KPR (Preparation of citizen charter) Rules, 2004 Section 256A of KM Act, KM (Preparation of citizen charter) Rules, 2000	PRIs ULBs	Every Panchayat/ Municipality shall formulate and publish citizen charter regarding the different categories of services rendered to the citizens by the Panchayat/Municipality. Citizen charter shall be renewed and updated periodically at least once in a year.
Right to Information	Section 271A to E of KPR Act Section 517 A to E of KM Act	PRIs ULBs	Every person bona fide requiring any information shall have the right to get such information from the Panchayat/ Municipality in accordance with the procedure prescribed.

1.6.2 Authority and Responsibility of State Government on LSGIs

In accordance with KPR Act and KM Act, the State Government exercises its powers in relation to LSGIs as detailed in **Table 1.5**.

Table 1.5 : Powers of State Government over LSGIs

Act/Rule/Authority	Powers exercised by Government
Section 254 of KPR Act & Section 565 of KM Act	Power to frame rules Government may, by notification in Gazette, make rules to carry out all or any purpose of KPR Act and KM Act subject to approval by the State Legislature.
Section 193 of KPR Act & Section 64 of KM Act	Power to dissolve LSGIs Government shall by notification in the gazette dissolve the LSGIs, if the LSGIs fail to pass the budget of the LSGIs for the succeeding financial year before the end of the financial year which causes financial crisis. Government may dissolve LSGIs if the Government is of the opinion that the LSGIs persistently make default in performing the duties imposed on it by law.
Section 191 of KPR Act & Section 57 of KM Act	Power to cancel and suspend a resolution or decision taken by LSGIs Government may cancel a resolution or decision taken by LSGIs if Government is of the opinion that it is not legally passed or in excess of the power conferred by KPR Act /KM Act / any other law or likely to endanger human life, health, public safety or communal harmony or in violation of directions issued by Government.
Sections 179,180 & 181 of KPR Act and Sections 48 & 227 of KM Act	Power of appointment, cadre control, transfer etc The Secretaries of LSGIs and the employees of the PRIs are Government servants. The Government shall regulate the classification, method of recruitment, conditions of service, pay and allowance, discipline and conduct of the Secretaries of the LSGIs. Government may at any time transfer the Secretary from a LSGI. The Government shall lend the service of Government officers and employees of the Panchayat as may be necessary for the implementation of any scheme, project or plan assigned to the Panchayat. An appeal against any order of the Panchayat imposing any minor penalty on any officer or employee shall lie with Government.
Sections 189 of KPR Act & 58 of KM Act	Power to issue guidelines and to conduct enquiry Government shall have the power to issue general guidelines to the LSGIs in matters such as finance, maintenance of accounts, formulation of schemes, proper functioning of Grama Sabha, selection of sites and beneficiaries, etc. If there is any default in the implementation of the schemes or maintenance of accounts or complaint is received in the matter Government may arrange enquiry into the matter and the Panchayat shall co-operate with such enquiry.

The KPR Act and KM Act entrust the State Government with the following powers so that it can monitor the proper functioning of the LSGIs.

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

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

- Rectification of defects and pointing out mistakes after inspecting the accounts, money transactions, office functioning and public works of the Panchayat;
- To give necessary instructions to the Panchayats to take follow up actions on the performance audit report;

- To ensure that the performance audit teams are conducting tri-monthly performance audit in all Panchayats.

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

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

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

1.6.3 Role of Central Government as sanctioning authority

The Central Government transfers funds to local bodies under devolved grants on the recommendation of Finance Commission and development grants directly or through state budget. Both the grants enjoin upon sanctioning authorities in Central Government the responsibility to ensure proper utilisation of grant money. This is achieved through receipt of progress reports, Utilisation Certificates and internal audit of scheme accounts in local bodies by the Internal Auditors of line ministries. Each sanction of grant should contain certain conditions of grant-in-aid mentioned in General Financial Rules, 2005.

1.7 Vigilance mechanism

1.7.1 Ombudsman for LSGIs

As envisaged in the KPR Act and KM Act, an ombudsman for LSGIs was set up in the State in May 2000. The ombudsman is a high powered quasi judicial body functioning at the State level. A former judge of High Court is appointed as ombudsman. The ombudsman can conduct investigations and enquiries into instances of maladministration, corruption, favouritism, nepotism, lack of integrity, excessive action, inaction, abuse of position, etc., on the part of officials and elected representatives of LSGIs. He can even register cases suo moto if instances of the above kind come to his notice. During the period 2008-09, out of 3181 pending cases (including 1136 old cases), 1412 cases were disposed by the ombudsman.

1.7.2 Tribunal for LSGIs

As envisaged in the Kerala Panchayat Raj Act, 1994 and the Kerala Municipality Act, 1994, a judicial tribunal for LSGIs was set up in the State in February, 2004 with a District Judge as the Tribunal to consider appeals by

citizens against decisions of PRIs taken in exercise of their regulatory functions like issue of licences, grant of permits etc.

1.8 Role of State Performance Audit Authority

The Additional Chief Secretary to Government in LSGD is the Performance Audit Authority at the State Level for conducting the performance audit. The State Performance Audit Officer assists the Performance Audit Authority. The performance audit teams constituted under Regional Performance Audit Officers conduct performance audit in the Municipalities and PRIs. The Performance Audit Authority shall submit annual reports to the Government which contain common defects in the assessment of tax and the fluctuation in the collection of tax of LSGIs, details regarding mobilisation of more resources, approximate figure of liability of LSGIs and progress regarding refund thereof, problems connected with the Panchayat/ Municipal administration to which Government may draw attention and remedies thereof.

1.9 Quality control systems in financial attest audit by DLFA

Director of Local Fund Audit (DLFA) is the Statutory Auditor of LSGIs as per Kerala Local Fund Audit Act, 1994, KPR Act and KM Act. Apart from LSGIs, other local funds such as Universities, Devaswom Boards, Religious and charitable institutions are also audited by DLFA. The Local Fund Audit Department under the State Finance Department is headed by a Director and has District offices in all the districts headed by Deputy Directors. DLFA shall maintain a continuous audit of the accounts of LSGIs and shall send a report to the LSGIs concerned and a copy thereof to Government. DLFA shall specify in the report all cases of irregular, illegal or improper expenditure or of failure to recover money or other property due to the LSGIs. The Acts empower the DLFA to disallow any illegal payment and surcharge the person making or authorising such payment. DLFA can also charge any person responsible for the loss or deficiency of any sum which ought to have been received. DLFA has adopted the auditing standards for Local Bodies prescribed by Comptroller and Auditor General of India (CAG). The guidelines issued by CAG for financial attest audit have been accepted by the DLFA. However no manual for the financial attest audit has been framed by DLFA.

1.10 Role of Comptroller and Auditor General of India

CAG conducts audit of substantially financed local bodies under section 14 (1) of CAG's (DPC) Act 1971 and audit of specific grants to local bodies under section 15 of the Act *ibid* in the office of sanctioning authority. The nature of audit by CAG is systems audit, performance audit and assessment of internal control system. The attestation of accounts is entrusted to DLFA. The State Government has entrusted technical guidance and support role of DLFA (Primary External Auditor) to CAG in October 2002 under section 20(1) of CAG's (DPC) Act 1971 for a period of five years. Government extended (December 2007) the scheme of Technical guidance and support for a further period of five years from April 2008.

CHAPTER II

FINANCES AND FINANCIAL REPORTING ISSUES OF LOCAL SELF GOVERNMENT INSTITUTIONS

2.1 Financial Profile of LSGIs

2.1.1 Funds flow to LSGIs

The resource base of LSGIs consists of own revenues, Central Finance Commission grants, funds devolved by State Government for traditional functions (General Purpose Fund), for maintenance of assets (Maintenance Expenditure Fund) and for development purposes (Development Expenditure Fund) as per the recommendation of State Finance Commission, Central Government grants and loans. The different funds operated by LSGIs are given in **Appendix II**. The fund-wise source and its custody for each tier and fund flow arrangements in flagship schemes are given below in **Tables 2.1 and 2.2**.

Table 2.1: Funds flow mechanism in each tier of PRI and ULB

Nature of fund	District Panchayat		Block Panchayat		Grama Panchayat		Municipalities		Municipal Corporation	
	Source	Custody	Source	Custody	Source	Custody	Source	Custody	Source	Custody
Own receipts	Users	Treasury/ Bank	Users	Treasury/ Bank	Assesseees/ Users	Treasury/ Bank	Assesseees/ Users	Treasury / Bank	Assesseees/ Users	Treasury/ Bank
General Purpose Fund	State Government	Treasury	State Government	Treasury	State Government	Treasury	State Government	Treasury	State Government	Treasury
Maintenance Expenditure Fund	State Government	Treasury	State Government	Treasury	State Government	Treasury	State Government	Treasury	State Government	Treasury
Development Expenditure Fund	State Government	Treasury	State Government	Treasury	State Government	Treasury	State Government	Treasury	State Government	Treasury
State Sponsored Schemes	State Government	Treasury*	State Government	Treasury*	State Government	Treasury*	State Government	Treasury*	State Government	Treasury*
Centrally Sponsored Schemes	GOI & State Government	Bank	GOI & State Government	Bank	GOI & State Government	Bank	GOI & State Government	Bank	GOI & State Government	Bank

* Funds are, however, not transfer credited to public account from the consolidated fund of the State as done in case of other funds.

Table 2.2 : Funds flow mechanism of Centrally Sponsored Schemes

Name of Scheme	Fund flow to LSGIs
Swarnajayanthi Gram Swarozgar Yojana (SGSY)	Central Government share is released direct to the Poverty Alleviation Units (PAUs). State share provided in the Budget is released to the PAUs through District Panchayats. PAUs disburse the fund (Central and State share together) to Block Panchayats.
Indira Awaas Yojana (IAY)	
Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)	Central Government share is released direct to the PAU. State share provided in the Budget is released to the PAUs through District Panchayats. PAUs disburse the fund (Central and State share together) to Grama Panchayats through the Block Programme Officers.
Integrated Wasteland Development Programme (IWDP)	Central Government share is released direct to the PAU. State share provided in the Budget is released to the PAUs through District Panchayats. PAUs disburse the fund (Central and State share together) to Grama Panchayats through the Programme Implementation Agencies (generally the Block Panchayats).

Name of Scheme	Fund flow to LSGIs
Total Sanitation Campaign (TSC)	Central share is released direct to the Total Sanitation Mission, which is the State Level Nodal Agency (SLNA). State share provided in the Budget is also released to the SLNA. The SLNA disburses the funds to the implementing PRIs.
Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)	Central share is released direct to the State Poverty Eradication Mission (Kudumbasree), which is the SLNA. State share provided in the Budget is also released to the SLNA. The SLNA disburses the funds to the implementing ULBs.
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	Central share is released to the Kerala Sustainable Urban Development Project (KSUDP), which is the SLNA through State Government. State share provided in the Budget is also released to the SLNA. The SLNA disburses the funds to the implementing ULBs.
Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)	
Basic Services to Urban Poor (BSUP)	Central share is released to the Kudumbasree, which is the SLNA through State Government. State share provided in the Budget is also released to the SLNA. The SLNA disburses the funds to the implementing ULBs.
Integrated Housing and Slum Development Programme (IHSDP)	

2.1.2 Resources: Trends and Composition

Table 2.3 below shows the trend of resources of LSGIs for the period 2005-06 to 2009-10. Source-wise and Category-wise receipts are given in **Charts 2.1** and **2.2** respectively.

Table 2.3: Time series data on Resources of LSGIs

Resources	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Own Revenue						
(i) Tax Revenue	282.19	357.41	334.42	385.36	450.76	1810.14
(ii) Non Tax Revenue (Category F Fund)	229.02	230.25	315.08	349.37	377.43	1501.15
Total Own revenue *	511.21	587.66	649.50	734.73	828.19	3311.29
Traditional Functions (Category D Fund)	250.35	299.96	329.98	363.98	399.31	1643.58
Maintenance of Assets (Category C Fund)	306.63	350.00	404.98	397.52	448.04	1907.17
Expansion and Development (Category A Fund)	1008.15	1400.36	1538.44	1670.23	1842.29	7459.47
Funds for State sponsored schemes & State share of Centrally Sponsored Schemes (Category B Fund)	473.34	585.84	976.71	807.44	840.80	3684.13
Total State grant	2038.47	2636.16	3250.11	3239.17	3530.44	14694.35
GOI grants for Centrally Sponsored Schemes (Category E Fund)	203.85	323.09	454.68	811.12	832.49	2625.23
Receipts from other sources (Category G)	9.50	160.42	23.14	7.81	72.35	273.22
Total Receipts	2763.03	3707.33	4377.43	4792.83	5263.47	20904.09

Source: Finance Accounts of respective years. Details of own funds furnished by LSGIs, information from Commissionerate of Rural Development

* Excludes own revenue of 22 LSGIs which did not furnish the details

Chart 2.1: Source-wise receipts of LSGIs

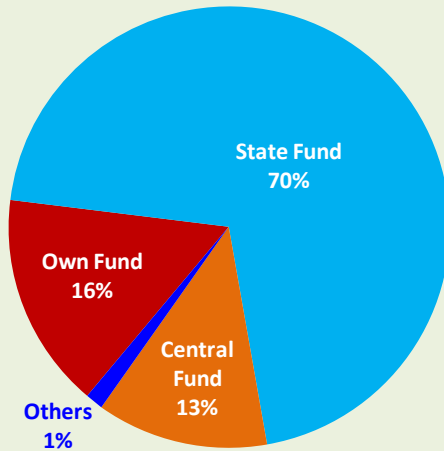
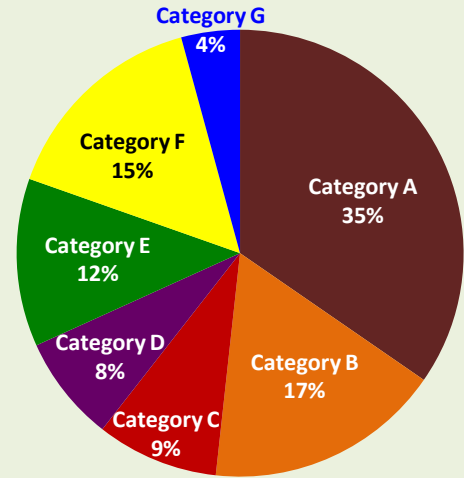


Chart 2.2: Category-wise receipts of LSGIs



- During the five year period 2005-10, the increase in total receipts of the LSGIs was 114 per cent.
- The share of GOI grant in the total receipts increased from seven per cent in 2005-06 to 16 per cent in 2009-10.
- Of the total receipts during the five year period 2005-10 the percentage share of State, Central, own revenue and other sources was 70, 13, 16 & 1 respectively. During this period GOI had released ₹ 1133.60 crore to State Government towards share of Local Bodies as per Twelfth Finance Commission (TFC) award. The releases of devolution to LSGIs by the State Government were inclusive of TFC grants. If this amount is excluded, the State grant to the LSGIs would only be 65 per cent and there would be corresponding increase in Central share.

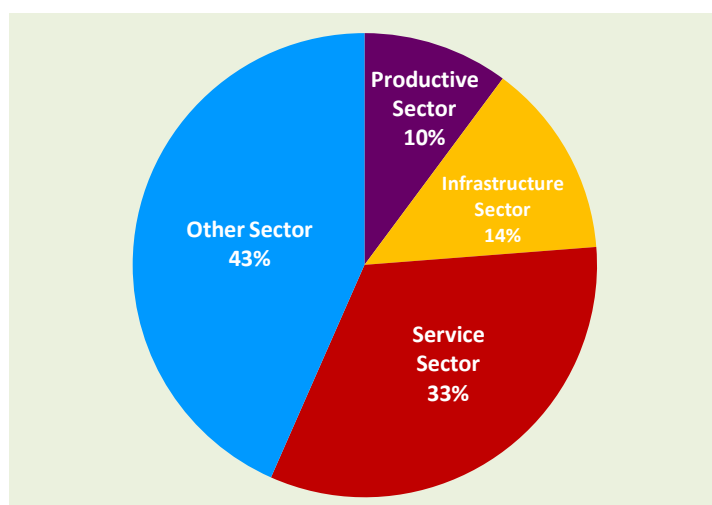
2.1.3 Application of Resources: Trends and Composition

In terms of activities, total expenditure is composed of expenditure on productive sector, infrastructure sector, service sector and other expenditure. **Table 2.4** below shows the trend of application of resources of LSGIs on these components for the period from 2005-06 to 2009-10. **Chart 2.3** indicates relative share of these components in total expenditure for the five year period.

Table 2.4: Application of resources

Sector	Year					Total
	2005-06	2006-07	2007-08	2008-09	2009-10	
Productive Sector	263.69	361.82	411.79	443.94	511.49	1992.73
Infrastructure Sector	484.56	402.42	548.84	589.58	656.11	2681.51
Service Sector	829.84	983.95	1336.56	1463.55	1842.91	6456.81
Total Development Expenditure	1578.09	1748.19	2297.19	2497.07	3010.51	11131.05
Other Expenditure	1368.89	1478.36	1607.70	1951.94	2125.96	8532.85
Total expenditure	2946.98	3226.55	3904.89	4449.01	5136.47	19663.90

Source: Details furnished by Information Kerala Mission

Chart 2.3 : Relative share of components in total expenditure

Productive sector expenditure accounted for only 10 per cent of the total expenditure indicating productive activities / works of development nature received lower priority.

2.1.4 Public investment in social sector and rural development through major centrally sponsored schemes

Public investment in social sector and rural development through major Centrally Sponsored Schemes during 2009-10 is given in **Table 2.5**.

Table 2.5: Expenditure on Centrally Sponsored Schemes

Schemes	Base Year	Base year expenditure (₹ in crore)	2009-10 expenditure (₹ in crore)	Increase in expenditure (times in bracket)
Swarnajayanthi Gram Swarozgar Yojana (SGSY)	1999-00	25.07	50.88	25.81 (1.02)
Indira Awaas Yojana (IAY)	1999-00	39.21	212.57	173.36 (4.42)
Total Sanitation Campaign (TSC)	2002-03	6.02	17.22	11.20 (1.86)
Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)	2006-07	28.03	470.39	442.36 (15.78)
Integrated Wasteland Development Programme (IWDP)	2003-04	2.04	5.13	3.09 (1.51)
Swarna Jayanathi Shahari Rozgar Yojana (SJSRY)	1999-00	4.73	10.31	5.58 (1.18)
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	2006-07	7.56	64.81	57.25 (7.57)
Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)	2005-06	6.08	53.00	46.92 (7.71)
Basic Services to Urban Poor (BSUP)	2008-09	43.81	56.22	12.41 (0.28)
Integrated Housing and Slum Development Programme (IHSDP)	2007-08	6.72	26.56	19.84 (2.95)

Source: CRD, Kudumbasree, KSUDP

Note : In the case of schemes commenced prior to 1999-2000, base year is taken as 1999-2000. In the case of schemes commenced after 1999-2000, base year is reckoned as the year of commencement/ year of incurring expenditure

The grants for Centrally Sponsored Schemes enjoin upon sanctioning authorities in Government of India the responsibility to ensure proper

utilisation of grant money. This is achieved through receipt of progress reports, utilisation certificates and internal audit of scheme accounts in LSGIs.

The expenditure in respect of MNREGS, JNNURM, UIDSSMT and IAY during 2009-10 ranged between five and 17 times the base year expenditure. In respect of other schemes it ranged between one and three. MNREGS achieved the highest expenditure and BSUP achieved the lowest expenditure during 2009-10.

2.1.5 Quality of expenditure

The Thirteenth Finance Commission has made recommendations on the need for improvement in the quality of expenditure to obtain better inputs and outcomes. The availability of better infrastructure in the social, educational and health sector in the country generally reflects the quality of its expenditure. In view of the importance of public expenditure on development heads from the point of view of social and economic development, it is important for the Government to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods and services which will enhance the welfare of the citizens. Apart from improving the allocation towards development expenditure, the efficiency of expenditure is also reflected by the ratio of capital expenditure to total expenditure. **Table 2.6** below shows the key parameters for evaluating the quality of expenditure of LSGIs:

Table 2.6: Components of expenditure with relative share

(₹ in crore)

Year	Total Expenditure	Development Expenditure (DE)	Percentage of DE to Total	Social Sector Expenditure (SSE)	Percentage of SSE to Total	Capital expenditure (CE)	Percentage of CE to Total
2005-06	2946.98	1578.09	53.55	829.84	28.16	747.84	25.38
2006-07	3226.55	1748.19	54.18	983.95	30.50	763.75	23.67
2007-08	3904.89	2297.19	58.83	1334.89	34.19	846.72	21.68
2008-09	4449.01	2497.07	56.13	1461.28	32.85	967.75	21.75
2009-10	5136.47	3010.51	58.61	1841.65	35.85	1120.46	21.81

Source: Data furnished by the LSGIs and IKM

Note: The amounts do not include expenditure of 20 GPs and 2 Municipalities which did not furnish the details

The percentage of Development Expenditure to total expenditure increased from 53.55 in 2005-06 to 58.61 in 2009-10. The percentage of Social Sector expenditure to total expenditure increased from 28.16 in 2005-06 to 35.85 in 2009-10. Though the capital expenditure increased in absolute terms from ₹ 747.84 crore in 2005-06 to ₹ 1120.46 crore in 2009-10, its percentage to total expenditure decreased during the same period.

2.1.6 Database on LSGIs' Finances

Based on the recommendations of the Eleventh Finance Commission (EFC), Comptroller and Auditor General of India (CAG) had prescribed database formats for capturing the finances of all LSGIs. The database formats were prescribed with a view to have a consolidated position of the sector-wise resource and application of funds by LSGIs, details of works executed by LSGIs and their physical progress, etc. Government accepted (September 2004) the formats prescribed by CAG and a database of the LSGIs for the year 2009-10 was created. As on 31 May 2011, 1216 LSGIs had uploaded

information in the database created. Audit noticed that figures contained in the database were at variance with the figures furnished to audit by the LSGIs.

2.1.7 Maintenance of community assets

Eleventh Schedule of the Constitution read with Kerala Panchayat Raj Act, 1994 (KPR Act) and Kerala Municipality Act, 1994 (KM Act) devolve the responsibility of maintenance of community assets to LSGIs. The Third State Finance Commission had recommended the maintenance grant for the period 2006-07 to 2010-11 applying 10 per cent annual growth rate. Government accepted the recommendations for the first four months of 2006-07. For the remaining period Government decided that the horizontal distribution of funds among the LSGIs would be based on the value of actual assets transferred and the need for maintaining such assets for which a separate formula would be evolved. No such formula has been finalised so far pending collection of data regarding type, area, age, etc. of assets under the control of LSGIs. Government also did not call for any return on nature of asset, year of creation and monetary value of the asset. The maintenance norms adopted by State Public Works Department (PWD) are made applicable to LSGIs. However, it could not be ensured that the norms of PWD are adhered to by the LSGIs due to deficiencies in the maintenance of asset registers.

2.1.8 Liabilities of LSGIs

Kerala Financial Code stipulates incurring of expenditure only after financial sanction, availability of funds and immediate requirement of goods and services. Test check of 15 LSGIs¹ in eight districts revealed that liabilities as detailed in **Table 2.7** were outstanding.

Table 2.7: Outstanding liabilities of LSGIs

Nature of liability	Amount (₹ in lakh)	Since when
Salary (DA arrears)	360.17	2003-04
Contractor's bills	897.11	2006-07
Electricity charges	52.23	2008-09
Water charges	262.14	2006-07
Pay Bill Recovery, Library Cess, Audit Fee, IT, ST, Service Tax, River Management Fund etc. to be remitted	380.35	1998-99
Loan Repayment	78.40	
Other items	308.18	2007-08
Total	2338.58	--

Source: Details furnished by LSGIs

2.1.9 Misappropriations, losses, defalcations, etc.

The Kerala Financial Code stipulates that each DDO should report any case of loss, theft or fraud to the Accountant General and State Government. The State Government will follow it up to recover the loss, fix responsibility and remove systemic deficiency, if any. A consolidated statement of the details of loss, theft and fraud is not available with the Government.

¹ Aluva, Chalakkudy, Changanassery, Chavakkad, Irinjalakuda, Kanhangad, Kannur, Koothuparamba, Kothamangalam, Kottayam, Ottappalam, Paravur, Perinthalmanna, Shoranur Municipalities and Thrissur Corporation

2.2 Legal frame-work for maintenance of accounts

According to Sections 215 and 295 of KPR Act and KM Act, LSGIs shall prepare annual accounts for every year. The PRIs maintain accounts on cash basis. The State Government has accepted the Budget and Accounting formats prescribed by the CAG, based on the Eleventh Finance Commission's recommendations and accounts are maintained in CAG's formats. In respect of the accounting formats based on National Municipal Accounts Manual (NMAM) for ULBs, the State Government has issued new accounting rules. The accrual system of accounting has been implemented in 57 out of 65 ULBs as of March 2011.

2.3 Financial Reporting Issues

Financial reporting in the LSGIs is a key element to ensure accountability of executives. The financial administration of LSGIs including budget preparation, maintenance of accounts, monitoring of expenditure, etc., are governed by the provisions of KPR Act, KM Act, Kerala Panchayat Accounts Rules, 1965, Kerala Municipal Accounts Manual, Kerala Financial Code, guidelines, standing orders and instructions.

Under the Kerala Fiscal Responsibility Act, 2003 the State Government is required to ensure greater transparency in its fiscal operations and minimise, as far as practicable, official secrecy in the preparation of annual budget. The Act also requires Government to disclose all outstanding contractual liabilities, revenue demand raised but not realised, committed liability in respect of major works and supply contracts, losses incurred in providing public goods and services, off budget borrowings and contingent liabilities created by way of guarantees having potential budgetary implications. The State Government may consider making similar disclosures mandatory for the LSGIs by incorporating necessary provisions in the KPR Act and KM Act.

CAG conducted supplementary audit under Section 20(1) of the CAG's DPC Act on the Accounts of 97 GPs, three BPs, one DP and four Municipalities for the period 2000-01 to 2007-08. The findings of such audits relating to financial reporting issues are given in subsequent paragraphs.

2.3.1 Quality of Annual Financial Statements

The Kerala Panchayat Raj Act, 1994 read with the Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and the Kerala Municipality Act, 1994 read with the Kerala Municipality (Manner of Inspection and Audit System) Rules, 1997 stipulate that the LSGIs shall prepare Annual Financial Statements (AFS) containing all receipts and payments and Demand, Collection and Balance (DCB) Statements and forward them to the Director of Local Fund Audit (DLFA) after approval by the Panchayat/ Municipal Council/ Corporation Council not later than 31 July of the succeeding year. The Kerala Local Fund Audit Rules, 1996 also empower the DLFA to return the defective annual accounts submitted for audit. Deficiencies noticed in the preparation and submission of AFS were the following:

- In 54 LSGIs (GP : 50, BP : 2, DP : 1, Municipality : 1) there was delay of 1 to 49 months in forwarding the AFS to DLFA. Of this, delay was 12 months and above in 22 cases as detailed in **Appendix III**.
- Six² PRIs (GP : 3, BP : 3) forwarded AFS without obtaining approval of the Panchayat and four³ PRIs (one GP, three BPs) did not prepare AFS in the prescribed format.
- The AFS of 11 LSGIs (GP : 9, BP : 2) for the period 2000-01 to 2006-07 did not account or short accounted transactions under IAY, SGRY, Jalanidhi, etc as detailed in **Appendix IV**. This resulted in understatement of receipts of ₹ 2.73 crore and expenditure of ₹ 2.51 crore.
- LSGIs had to prepare Capital Expenditure Statement, Statement of Receivables and Payables, Statement of Balance at the end of the year under Loans and Deposits received, Statement of Balance at the end of the year under Loans and Advances paid and Statement showing utilisation of special purpose grant/ loan along with Annual Financial Statement. 18 GPs, 2 BPs and one DP did not prepare the above statements along with AFS for the period 2004-05 to 2007-08 (**Appendix V**). Non preparation of the statements forming part of the AFS resulted in non providing of detailed analysis of the figures incorporated in the AFS.
- In 26 GPs (27 per cent), opening balance/ closing balance of AFS did not agree with the opening balance/ closing balance of cash book for the period 2001-02 to 2006-07 (**Appendix VI**). The difference between the AFS figure and Cash book figure was ₹ 4.84 crore. In 13 GPs⁴ (13 per cent), opening balance given in the AFS did not agree with the figures of closing balance given in the AFS of previous year for the periods 2004-05 to 2006-07. The difference between the closing balance and opening balance of the AFS was ₹ 2.47 crore.

2.3.2 Preparation of Monthly Accounts

As per Government guidelines for the maintenance of Panchayat accounts, every Panchayat shall prepare monthly accounts for every month and place it before the Panchayat at its first meeting held after the 10th day in every month. Monthly Accounts was not prepared in 20 GPs and one DP (21 per cent of test checked PRIs) during 2004-05 to 2007-08 (**Appendix VII**).

2.3.3 Maintenance of primary financial records

2.3.3.1 Cash Book and other subsidiary accounts

Guidelines for maintenance of Panchayat accounts and Municipal Accounting Manual issued by the State Government stipulate that all moneys received and

² Poothrika Grama Panchayat (2004-05), Chottanikkara Grama Panchayat (2005-06), Pazhayakunnummel Grama Panchayat (2006-07), Koovappady Block Panchayat (2004-05), Muvattupuzha Block Panchayat (2004-05) and Thrithala Block Panchayat (2004-05)

³ Peruvayal Grama Panchayat (2004-05), Muvattupuzha Block Panchayat (2004-05), Koovappady Block Panchayat (2004-05) and Thrithala Block Panchayat (2004-05)

⁴ Munnar (2004-05), Nedumbram (2004-05), Pulpatta (2004-05), Ayyappankoil (2005-06), Kavassery (2005-06), Thazhekkode (2005-06), Vathikudy (2005-06), Mariyapuram (2005-06), Alakkode (2006-07), Keezhariyur (2006-07), Elanji (2006-07), Koovappady (2006-07), Manjallur (2006-07)

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

- Cash book is the primary accounting record and over-writing is not permitted. Erasure and over-writing were noticed in cash books maintained by 17 GPs and two BPs (19 per cent) during the period 2003-04 to 2006-07.
- Five⁵ LSGIs (four GPs and one Municipality) maintained more than one cash book for the period 2000-01 to 2004-05.
- Daily closing of cash book was not carried out in two Municipalities, two BPs and 19 GPs (22 per cent) during 2000-01 to 2006-07.

2.3.3.2 Register of Advances

- Guidelines for maintenance of Panchayat accounts stipulate that all advances paid are to be recorded in the Register of Advances. Two BPs and 16 GPs (18 per cent) did not maintain Register of Advances for the period 2001-02 to 2006-07 (**Appendix VIII**).
- In 13 GPs⁶ (13 per cent), the Advance Register for the period 2001-02 to 2006-07 did not contain Mobilisation Advances to the convenors of Beneficiary Committees, Advances to Implementing Agencies, etc. As a result, monitoring and adjustment of advances could not be ensured.

2.3.3.3 Asset Register

Panchayat Account Rules, 1965, Kerala Municipal Accounts Manual and Government Order (December 2005) stipulate that each LSGI should maintain an asset register in prescribed form containing particulars of assets owned by it. The particulars include description of asset, year of acquisition and amount of acquisition. The scheme guidelines in respect of SSA, MDM, MNREGS, etc., also stipulate recording of assets created in implementing projects under the scheme. Further, Kerala Financial Code stipulates annual physical verification of assets. Assets Register was not maintained in Kappur GP (2001-02) and Muvattupuzha BP (2004-05) and maintenance was improper in 12 GPs, one BP and one Municipality (13 per cent) for the period 2001-02 to 2006-07 (**Appendix VIII**).

2.3.3.4 Stock Register

Stock Register of furniture/equipment/library books for the period 2004-05 to 2006-07 was not maintained in six GPs⁷. Periodical physical verification of

⁵ Manjeri Municipality (2000-01), Eriyad GP (2001-02), Porkulam GP (2001-02), Kappur GP (2001-02) and Vazhayur GP (2004-05)

⁶ Kappur GP (2001-02), Kanthalloor GP (2004-05), Nannambra GP (2004-05), Thavinhal GP (2004-05), Puthenchira GP (2004-05), Chakkupallam GP (2005-06), Chinnakkanal GP (2005-06), Thazhekcode GP (2005-06), Thiruvegappura GP (2005-06), Kakkodi GP (2005-06), Sooranad North GP (2005-06), Sasthamkotta GP (2006-07), Pattiam GP (2005-06)

⁷ Kanthalloor GP (2004-05), Nannambra GP (2004-05), Marayoor GP (2005-06), Vettikkavala GP (2005-06), Kuzhur GP (2005-06) and Poruvazhy GP (2006-07)

stock of furniture/ equipment/ library books was not conducted in 19 GPs, one BP and one Municipality (20 per cent) during the period 2001-02 to 2006-07 (**Appendix VIII**).

2.3.3.5 Reconciliation of cash book and Bank account figures

- Physical verification of cash was not done in 45 GPs, three BPs and one Municipality (47 per cent) during 2000-01 to 2007-08 (**Appendix IX**).
- Cash book balance was not reconciled with bank pass book balance in 25 GPs, two BPs, one DP and one Municipality (28 per cent) during 2000-01 to 2007-08 (**Appendix IX**).

2.3.3.6 Management and Accounting of statutory deductions

Income Tax (IT) Act and State Value Added Tax (VAT) Act require statutory deductions out of payments to contractors/ suppliers. The IT Act also requires each DDO to deduct income tax from salaries of employees. These statutory deductions are to be credited to respective Government account within specified period.

Test check of records in 105 LSGIs revealed that IT, Sales Tax/ VAT, Kerala Construction Workers' Welfare Fund (KCWWF) deducted from contractors and Library Cess collected during 1997-98 to 2006-07 were pending remittance as detailed in **Table 2.8**.

Table 2.8: Amount pending remittance to Government account

Name of LSGI	Item	Period during which collected	Amount (₹)
Pathanamthitta Municipality	IT, ST and KCWWF	2001-02	3,29,739
	Library Cess	1997-98 to 2001-02	7,32,372
Kayakkodi GP	IT, VAT and KCWWF	2004-05 to 2005-06	88,013
	Library Cess	2005-06	8,227
Pallivasal GP	Library Cess	2004-05 to 2006-07	1,06,059

2.3.3.7 Lapsed Deposits

As per Kerala Panchayat (Accounts) Rules, 1965, at the end of every financial year, any deposit in cash or balance thereof shall be lapsed and credited to the General account (own fund) of the Panchayats, if it remained unclaimed for a period of three years from the date on which the deposit became repayable consequent on its release or on the expiry of the term of the deposit. Eleven LSGIs (10 GPs and one Municipality) did not credit the lapsed deposit of ₹ 74.50 lakh during the period 2001-02 to 2006-07 to the General Account of the LSGIs⁸.

2.4 Consolidation of accounts of LSGIs

KPR Act and KM Act stipulate that an officer authorised by Government should consolidate audited accounts of PRIs. Government stated (May 2010) that the State Government (LSGD) finalised the formalities for collection and

⁸ Thavinhal GP (₹ 0.19 lakh), Kayakkodi GP (₹ 0.01 lakh), Varapetty GP (₹ 0.38 lakh), Pallivasal GP (₹ 0.88 lakh), Thazhekodde GP (₹ 0.36 lakh), Kakkodi GP (₹ 0.27 lakh), Elathur GP (₹ 0.16 lakh), Kanthalloor GP (₹ 2.71 lakh), Marayur GP (₹ 6.22 lakh), Kappur GP (₹ 0.29 lakh), Muvattupuzha Municipality (₹ 63.03 lakh)

consolidation of audited accounts of PRIs and authorised the Additional Secretary to Government (FM) to complete the process. Information with regard to progress in the collection and consolidation of accounts is awaited.

2.5 Administration Reports

According to the Kerala Panchayat Raj Act, 1994 and the Kerala Municipality Act, 1994, the LSGIs were to prepare Administration Report every year by 30 September of the succeeding year and forward them to the officers authorised by the Government for consolidation and submission to the Government and the Legislative Assembly. If the report is not received within the said time limit, Government may withhold the payment of grants due to the Panchayat. However, the State Government (LSGD) has not nominated any officer to ensure preparation and consolidation of the Administration Reports. Though the Act requires Government to place the consolidated Administration Report before the Legislative Assembly, it was not done in any year.

2.6 Arrears in accounts

According to Kerala Local Fund Audit Act, 1994 (KLFA Act) it was mandatory for the LSGIs to submit their accounts to DLFA for audit by 31 July every year. Further, Rule 16 of Kerala Local Fund Audit Rules, 1996, empowers the DLFA to carry out proceedings in a Court of Law against the Secretaries of the LSGIs who default in the submission of accounts.

As on 31 July 2010, 372 accounts pertaining to the period from 1996-97 to 2009-10 were in arrears. However, the DLFA did not take any action against the defaulting LSGIs.

2.7 Arrears in audit and issue of audit reports

As per KLFA Act, the DLFA should complete the audit of accounts submitted by LSGIs within six months of receipt of accounts and issue audit report within three months from the date of completion of audit.

DLFA received 16633 accounts up to July 2010 against 17046 accounts due to be received (including the accounts for 2009-10). Of these, audit was completed in respect of 14033 accounts and 12080 Audit Reports were issued (December 2010).

The arrears in the issue of Audit Report were 4553 (27.37 per cent). Excluding the accounts for the year 2009-10, 3540 reports were pending issue.

2.8 Presentation of annual consolidated audit report

As per KLFA Act, the DLFA is required to send to Government annually a consolidated report of the accounts audited by him and the Government is required to place the report before the Legislative Assembly.

The Kerala Local Fund Audit Rules, 1996 stipulate that the DLFA shall, not later than 30 September every year, send to the Government a consolidated report of the accounts audited by him during the previous financial year, containing such particulars which he intends to bring to the notice of the Government. The Committee on Local Fund Accounts deliberates on this report. Scrutiny of records in DLFA's office revealed that such report had been submitted to Government up to the year 2008-09 and reports up to year 2006-07 were presented to State Legislature.

2.9 Conclusions

There was no system to consolidate the finances of LSGIs. While the share of the State Government in the total receipt of LSGIs declined from 74 per cent during 2005-06 to 67 per cent during 2009-10, the share of GOI grant increased from seven per cent to 16 per cent during the same period. Annual Financial Statement and primary financial records of LSGIs were deficient. Asset register was not maintained properly as a result of which it could not be assessed whether the norms for maintenance of assets had been strictly adhered to. Government had not placed Consolidated Administration Report before the Legislature.

CHAPTER III PERFORMANCE AUDITS

3.1 Solid Waste Management in Urban Local Bodies

Executive Summary

The prime responsibility of providing solid waste management services in the State is vested with Local Self Government Institutions. The provisions of solid waste management services in the Urban Local Bodies are detailed in the Kerala Municipality Act, 1994. The Municipal Solid Waste (Management and handling) Rules, 2000 (MSW) entrust the municipal authorities with the responsibility for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. A review of the Solid Waste Management in Urban Local Bodies (ULBs) revealed failure of ULBs and State Pollution Control Board (SPCB) in discharging their responsibilities fixed by MSW Rules in relation to identification of risks to environment and health posed by waste, manual handling of waste by workers without adequate protection, non-observance of conditions specified by SPCB, non-segregation of waste at source to facilitate effective processing and disposal, disposal of waste in unscientific and unhygienic manner and environmental pollution caused by waste heaped in the dump yards. The Municipalities test-checked had not maintained any record of the quantity and composition of waste generated to assess the magnitude of the problems faced in the management of solid waste. Waste collected ranged between 18 and 85 per cent of the waste generated in the ULBs test-checked. The ULBs did not have any mechanism to ensure the quality of ground water, surface water, ambient air and standards of composting, leachate and incineration in and around landfills as stipulated in MSW Rules. Perumbavur, Cherthala and Chavakkad Municipalities resorted to land filling without observing the provisions of Act and Rules. The District Collectors did not ensure that the facilities provided in the ULBs for waste disposal were meeting the standards prescribed in the MSW Rules and the disposal of waste was carried out with due care for health and environment. Though Suchitwa Mission was entrusted with the responsibility of ensuring proper utilisation of funds released to ULBs, the information relating to actual stage of implementation of the projects was not available with them.

3.1.1 Introduction

Waste represents a threat to the environment and human health if not handled or disposed of properly. Surface and ground water contamination takes place when waste reach water bodies. Residues from waste can change the water chemistry, which can affect all levels of an ecosystem. A specific environmental hazard caused by waste is leachate, which is the liquid that forms, as water trickles through contaminated areas leaching out the chemicals. Movement of leachate from landfills, effluent treating plants and waste disposal sites may result in hazardous substances entering surface water, ground water or soil. Emissions from incinerators or other waste burning devices and landfills can cause air contamination. Landfills are a big source of release of green house gases, which are generated when organic waste

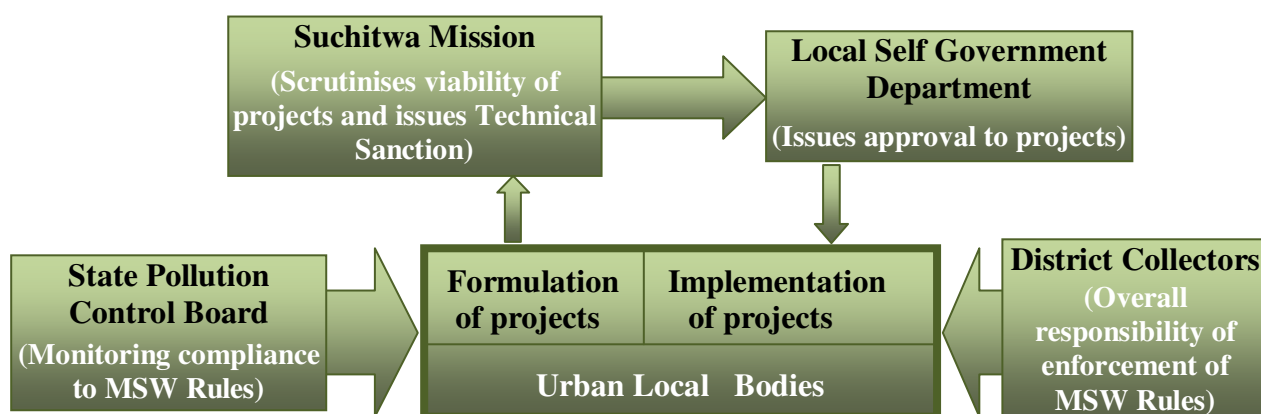
decomposes in landfills. Thus, improper handling of waste has consequences both on the environment as well as on the health of the people.

The State has a density of population of 819 persons per square kilometre as against an all India average of 363 and the average density of population in the urban areas is 2996 persons per square kilometer. Due to rapid urbanisation and high density of population, the State has been facing significant challenges in the area of municipal solid waste management which have severely strained the resources of the government and its agencies.

The responsibility of solid waste management in the State is vested with Local Self Government Institutions both in the urban and rural areas. The provisions of solid waste management in the Urban Local Bodies (ULBs) are detailed in the Kerala Municipality Act, 1994. Ministry of Environment and Forests, Government of India had notified (September 2000) the Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules) entrusting the Municipal authorities the responsibility for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. As per these Act and Rules, the ULBs, State Pollution Control Board (SPCB) and District Collectors are entrusted with specific responsibilities, roles and functions.

3.1.2 Organisational set up

Government had constituted (February 2003) Clean Kerala Mission with the aim of strengthening managing capacity and responsibility of the community and local Government in planning and implementing solid waste management facilities and services. In January 2008, Government integrated the Clean Kerala Mission with Kerala Total Sanitation and Health Mission and renamed it as Suchitwa Mission which is headed by an Executive Director who is assisted by four Directors. The Director, Solid Waste Management is entrusted with the responsibility of providing technology and capacity building support to the ULBs in the implementation of solid waste management projects. The management and control of Suchitwa Mission is entrusted to a Governing Body. The ULBs formulate various projects which are submitted to Suchitwa Mission for technical approval. The Suchitwa Mission after scrutinising the viability of the projects submits the projects to Local Self Government Department (LSGD) of the State Government which accords administrative sanction for the projects. The ULBs implement the projects through service providers/accredited agencies approved by Government. Compliance to MSW Rules is monitored by the SPCB. The District Collectors have the overall responsibility for the enforcement of MSW Rules.



3.1.3 Audit objectives

The audit objectives were to examine whether:

- the quantum of waste being generated in the State was accurately assessed and the risks to environment and health posed by waste identified;
- the various agencies involved in the process have been identified and allocated clear responsibility and accountability for waste management and whether or not a mismatch/gap/overlap exists among the responsibility centers;
- compliance with laws regarding municipal solid waste is taking place and the monitoring mechanism is effective in checking non-compliance;
- funding and infrastructure was adequate for the implementation of the rules and whether the funds/ infrastructure has been used economically, efficiently and effectively.

3.1.4 Audit criteria

Audit adopted the following criteria:

- The provisions of Kerala Municipality Act, 1994
- The provisions of Municipal Solid Waste (Management and Handling) Rules, 2000
- Instructions, guidelines issued by SPCB, Suchitwa Mission etc.
- Rules, policies, directions issued by the Government on solid waste management from time to time
- Manual on municipal solid waste management

3.1.5 Scope and methodology of audit

A review on the effectiveness of Solid Waste Management measures taken by the five Municipal Corporations of the State was conducted in 2004 and the findings included as paragraph 3.2 in the Report of the Comptroller and Auditor General of India (Local Self Government Institutions) for the year ended 31 March 2004. The Committee on Local Fund Accounts discussed the paragraph in November 2009 and their recommendations are awaited.

The present Performance Audit on ‘Solid Waste Management in Urban Local Bodies’ conducted between April 2010 and July 2010 covers the issues relating to collection, segregation and storage, transportation, processing and disposal of solid waste in the areas under the jurisdiction of Municipalities and Municipal Corporations. Audit methodology included test-check of records of selected ULBs, collection of data from State Pollution Control Board, Suchitwa Mission, nine District Collectorates¹ and the Local Self Government Department. It also included discussion with officials of the ULBs and inspection of sites. An entry conference was conducted with the Principal Secretary, LSGD in June 2010. Audit methodology, coverage and other essential features of audit were explained at the meeting. An exit conference

¹ Thiruvananthapuram, Pathanamthitta, Alappuzha, Ernakulam, Thrissur, Kozhikode, Malappuram, Kannur and Kasaragod

was held with the Principal Secretary LSGD in February 2011. The audit conclusions and recommendations were discussed in this meeting.

3.1.6 Sample selection

Fifteen² out of 58 ULBs were selected by means of a statistical sampling, viz., Probability Proportional to Size without Replacement. Besides, Cherthala Municipality was included for the study as suggested by the Principal Secretary to Government, Local Self Government Department.

Audit findings

3.1.7 Assessment of waste generation

Data on quantity and composition of waste generated provide information on the magnitude of the problems faced in the management of solid waste. According to MSW Rules, all ULBs have to furnish the details of quantity and composition of solid waste generated to the concerned District Collectors annually. None of the ULBs test checked had maintained any records of the quantity and composition of the wastes generated. However, the ULBs furnished to audit the figures of waste generated during the period 2005-06 to 2009-10 based on mere approximation. As there were no reliable data on generation of quantity of waste generated in ULBs, audit adopted the study report (2006) of Socio Economic Unit Foundation (SEUF) on Solid Waste Management under WSP³. As per the report, per capita waste generation per day was 300 gm in Municipalities and 400 gm in Corporations. The mismatch between the figures furnished by the ULBs and that worked out based on the study report of SEUF is shown in **Table 3.1**.

Records for quantity and composition of waste generated were not maintained

Table 3.1: Waste generated in ULBs test checked

Name of ULB	Population (2001)	Waste generated as per report of SEUF (in MT)	Quantity of waste reported by ULBs (in MT)				
			2005-06	2006-07	2007-08	2008-09	2009-10
Adoor	28952	8.68	6.66	6.68	6.70	6.71	6.73
Alappuzha	177029	53.11	45-50	45-55	50.00	55.00	60.00
Angamaly	33409	10.02	8.00	8.00	8.00	8.50	9.00
Attingal	33831	10.15	16.50	16.50	18.00	18.00	19.00
Chavakkad	38138	11.44	8.00	8.25	8.50	8.60	9.00
Cherthala	45102	13.53	9.00	9.50	10.00	10.50	11.00
Kanhangad	65503	19.65	20.00	20.00	20.00	20.00	20.00
Kasaragod	52683	15.80	12.00	13.00	13.00	15.00	15.00
Kozhikode	440000	176.00	300.00	300.00	300.00	300.00	300.00
Malappuram	58491	17.55	10.00	10.00	15.00	15.00	15.00
Payyannur	68711	20.61	4.50	4.70	5.00	5.50	6.00
Perinthalmanna	44612	13.38	15.00	15.00	17.00	17.00	17.00
Perumbavur	26547	7.96	7.00	8.00	8.50	9.00	9.50
Taliparamba	67507	20.25	8.00	8.00	8.00	8.00	8.00
Tirur	53654	16.10	10.00	10.00	12.00	15.00	15.00
Thrissur	317526	127.01	45.00	50.00	50-55	50-55	45-50

² Adoor, Alappuzha, Angamaly, Attingal, Chavakkad, Kasaragod, Kanhangad, Kozhikode, Malappuram, Payyannur, Perinthalmanna, Perumbavur, Taliparamba, Tirur and Thrissur

³ Water and Sanitation Project, World Bank

The figures furnished by Attingal, Kozhikode and Perinthalmanna ULBs were more than (27 to 87 per cent) the average per capita norms and those furnished by Payyannur, Taliparamba, Thrissur were much less by 60 to 71 per cent. None of the ULBs have furnished data on physical composition of the municipal solid waste. Implementation Schedules II and III to MSW Rules stipulate that the ULBs should ensure that all the wastes being generated are disposed of in an environmentally safe manner. In the absence of reliable data on waste generated, composition of waste and an assessment of the current capacity to handle waste, any programme for the management of waste would be ineffective. Government stated (February 2011) that log book would be maintained for the waste generated, collected and processed.

3.1.8 Collection of waste

No records of waste collected were maintained

The MSW Rules require that all municipal solid waste generated shall be collected and no waste remains uncollected posing risk to public health and environment. However, none of the ULBs except Kozhikode Municipal Corporation had maintained any records showing the quantum of waste collected. A comparison of the quantum of waste collected (based on approximation) as reported by the ULBs with the quantum based on average per capita norms are shown in **Table 3.2**.

Table 3.2: Waste collected and transported by the ULBs test checked

Name of ULB	Total number of wards	Quantity of waste generated as per report of SEUF (in MT)	Quantum of waste collected and transported per day (in MT)	Percentage of waste collection
Adoor	25	8.68	3.3	38
Alappuzha	50	53.11	45.0	85
Angamaly	27	10.02	8.0	80
Attingal	28	10.15	14.0	138
Chavakkad	29	11.44	6.5	57
Cherthala	32	13.53	8.5	63
Kanhangad	40	19.65	7.0	36
Kasaragod	35	15.65	8.0	51
Kozhikode	55	176.00	50.0	28
Malappuram	37	17.55	10.0	57
Payyannur	41	20.61	4.5	22
Perinthalmanna	31	13.38	15.0	112
Perumbavur	24	7.96	5.0	63
Taliparamba	41	20.25	3.6	18
Tirur	35	16.10	13.0	81
Thrissur	52	127.01	42.5	33

Waste collected and transported was much less than the waste generated

The quantity of waste reported to have been collected by Attingal and Perinthalmanna Municipalities was 38 per cent and 12 per cent more than the quantity of waste generated. In the remaining ULBs, collection of waste was in the range of 18 per cent to 85 per cent only. In six of these ULBs the percentage of collection was below 50. The uncollected waste pose risks to public health and environment.

3.1.9 Segregation and storage of waste

As per the implementation schedule (Schedule II), each ULB shall organise house-to-house collection of municipal solid waste through any of the methods like community bin collection (central bin), house to house collection,

collection on regular pre-informed timings and scheduling by using bell ringing. The ULBs shall collect the organic waste and inorganic waste separately for facilitating an effective processing and disposal of waste. The ULBs have to provide covered and differently coloured community bins (green for biodegradable waste, white for non-biodegradable and black for other waste). Collection of waste by providing differently coloured community bins was not adopted by any of the ULBs test checked.

Nine ULBs had introduced the system of house to house collection of waste partially with the help of Kudumbasree units. The service-level bench-mark prescribed by Ministry of Urban Development, Government of India was to be 100 per cent coverage of SWM services by the ULBs. But in the selected ULBs, the percentage of collection of waste from house-holds varied from zero to 34, except in Kochi where it was 100. In five ULBs the percentage of collection of waste from shops was nil. The details are given in **Table 3.3**.

Table 3.3: Number of houses and shops from which waste was collected by Kudumbasree units

Name of ULB	Total number of houses	No. of houses from where waste collected	Percentage of collection	Total No. of shops	No. of shops from which waste collected	Percentage of collection	Whether segregated or not
Alappuzha	52897	12000 to 15000	23 to 28	5909	Nil	Nil	Not segregated
Attingal	11188	3800	34	1660	1655	100	Segregated
Chavakkad	7233	750	10	1250	Nil	Nil	Not segregated
Kozhikode	76030	76030	100	16855	16855	100	Segregated
Malappuram	16000	2000	13	2106	Nil	Nil	Not segregated
Payyannur	17393	200	1	2507	Nil	Nil	Segregated
Perinthalmanna	16880	Nil	Nil	2068	2068	100	Segregated
Thrissur	93843	15165	16	11055	3373	31	Not segregated
Tirur	10171	350	3	2982	Nil	Nil	Not segregated

Segregation of waste was not effective in many ULBs

According to Schedule II of MSW Rules, the Municipal authorities shall organise awareness programme for segregation of waste and shall promote recycling or reuse of segregated materials. Only seven ULBs⁴ had arranged awareness programmes for the public on effective management of solid waste by segregation, reduction and reuse of waste.

It was noticed that only Perinthalmanna, Kozhikode and Attingal Municipalities had provided differently coloured bins for collecting segregated waste at source. In the remaining Municipalities recyclable waste such as plastic, paper, metal etc. were disposed of by the people along with the domestic food waste, trade waste etc., without segregating the same at source. Government stated (February 2011) that segregation of waste at household level would be further streamlined and that the public would be made aware of the importance of segregation through Malinya Muktha Keralam Campaign.

⁴ Kozhikode, Payyannur, Taliparamba, Malappuram, Perinthalmanna, Kanhangad and Cherthala

Waste was allowed to be dumped at roadsides at various points before transporting to dump yard. Most of these sites were open and at a few sites very small bins were placed which were overflowing with waste. On joint physical verification with the authorities of the 16 selected ULBs it was found that in many places municipal solid waste was dumped in open space on the roadsides and even burnt openly. The streets had become a receptacle of waste as evident from the photographs below:

Streets had become a receptacle of waste



Alappuzha Municipality



Thrissur Corporation



Kanhangad Municipality

Section 340(2) of the Kerala Municipality Act, 1994 stipulates that any person who put or cause to be put any rubbish or filth or debris in any public place not intended for the same shall be fined by the Secretary. Failure to pay the fine imposed would lead to prosecution of the person concerned. Though the Audit team noticed instances of violation of provisions of the Act in four Municipalities (Kasaragod, Kanhangad, Thrissur and Alappuzha), no record of penal action taken against the violators was available.

3.1.10 Transportation of waste

According to MSW Rules, transportation of municipal solid waste is to be done using covered vehicle only so as to avoid scattering and exposure to environment. The vehicle shall be so designed to avoid multiple handling of waste prior to final disposal. Out of 136 vehicles used by the 16 ULBs, only 39 vehicles were covered and 28 were designed to avoid multiple handling.

Vehicles used to transport waste were uncovered and not designed to avoid multiple handling



Transportation of waste in Thrissur Corporation

3.1.11 Processing of waste

The implementation schedule (Schedule IV) of the MSW Rules stipulates that the biodegradable waste shall be processed by composting, vermi composting, aerobic digestion or any other appropriate biological processing so as to minimise the burden on landfill. The mixed waste containing recoverable resources shall follow the route of recycling and the end products of processing comply with the standards specified in the Schedule. In the 16 ULBs test-checked, Payyannur Municipality had established a small vermi compost plant which could process limited quantity of biodegradable waste.

Kozhikode and Thrissur Corporations had established processing plants years back. Kasaragod, Angamali, Perumbavur and Cherthala Municipalities had not established the processing plants. Details of the projects implemented by the remaining nine ULBs are given in **Table 3.4**.

Table 3.4: Status of construction of waste processing plants

Name of ULB	Method of processing	Agreement date/ Date of commencement of work	Project cost (₹ in lakh)	Scheduled date of completion	Expenditure incurred (₹ in lakh)	Name of Service provider	Whether completed or not	Reason for non-completion
Kanhangad	Windrow composting	September 2006	52.55	March 2007	39.82	KSSS	Incomplete	Contractor was not willing to execute the work as per agreed rate
Malappuram	Windrow composting	March 2005	43.00	--	38.55	KAICO	Completed in August 2005 and processing started	--
Alappuzha	Windrow composting	August 2005	37.70	February 2007	275.15	APTDC	Incomplete	Public protest and labour dispute
Taliparamba	Windrow composting	March 2008	66.25	March 2008	24.88	KAICO	Incomplete	Specific reasons not furnished
Chavakkad	Windrow composting	February 2008	61.66	April 2008	25.60	SEUF	Incomplete	Specific reasons not furnished
Attingal	Windrow composting	February 2006	45.56	--	53.71	KSSS	Completed in July 2007 and processing started	--
Perinthalmanna	Windrow composting	Not available	49.48	--	49.48	Techno group	Completed in April 2007 and processing started	--
Tirur	Windrow composting	March 2007	46.11	--	37.53	Techno group	Completed in April 2008 and processing started	--
Adoor	Vermi composting	December 2006	14.27	March 2007	9.95	KSSS	Incomplete	Specific reasons not furnished

Following points were noticed in audit:

- Though Taliparamba, Alappuzha, Chavakkad, Kanhangad and Adoor started the work between 2005 and 2008, the processing plants had not been commissioned even as of April 2010. Non-completion of the projects was indicative of improper monitoring by Suchitwa Mission which released financial assistance to the ULBs.
- In six ULBs which started waste processing, Attingal and Perinthalmanna did not maintain any records of the quantities of waste received in the processing plant, waste processed, manure produced and sold, etc. The only detail available in the other four ULBs was the quantity of waste brought to site and manure produced. As per the norm adopted by Suchitwa Mission, the quantity of organic manure obtainable was 25 per cent by weight of the quantity of waste processed. Based on this norm, the quantity of waste processed (ranging from 2 per cent to 30 per cent) by the four ULBs was low. The details are given in **Table 3.5**.

Major portion of the waste was dumped in the dump yard without processing

Table 3.5 : Quantity of waste processed

Name of ULBs	Period of processing	Waste brought to site	Manure produced	Quantity processed as per norm	Percentage of processing	Operation and Maintenance charges paid to service provider (₹ in lakh)
Thrissur	April 2008 to March 2009	15792	87.63	350.52	2	39.48
Kozhikode	November 2006 to June 2008	39900	1736	6944	17	146.46
	January 2009 to December 2009	14647.37	1088	4352	30	Nil*
Tirur	April 2009 to March 2010	3978	30.96	123.84	3	2.20
Malappuram	August 2005 to March 2010	15960	756	3024	19	68.41

* The Corporation received royalty of ₹ 4.80 lakh per annum

From the table it would be seen that 70 to 98 per cent of the waste collected by the Municipalities was dumped in the dump yard as crude waste. This would only put further pressure on scarce land resources available with the ULBs apart from associated environmental problems.

3.1.12 Disposal of waste

3.1.12.1 Inadequacy of land

Landfilling is the disposal of residual solid waste on land designed with protective measures against pollution of ground water, surface water and fugitive dust, bad odour, fire hazard, bird menace, pests or rodents, green house gas emission, slope instability, erosion etc. The MSW Rules prescribe the disposal of non-biodegradable, inert waste and rejects of processing by land filling as a mandatory requirement. The waste processing facility was to be planned as an integral part of the landfill site which should be large enough to last for 20-25 years. Thrissur and Kozhikode Municipal Corporations had initiated action to establish landfill facilities.

Based on the projected population and waste generated, the Ombudsman for LSGIs after conducting a study had prescribed (July 2008) the extent of land required for 20 years for each ULB. The areas of land arrived at by the Ombudsman and those in possession with the ULBs test-checked were as given in **Table 3.6**.

Table 3.6: Requirement and possession of land (In acres)

Name of ULB	Land required	Land in possession
Alappuzha	22.10	11.00
Angamaly	4.76	0.50
Attingal	4.45	4.20
Chavakkad	4.17	0.50
Kanhangad	8.17	2.00
Kasaragod	6.57	7.05
Kozhikode	54.48	16.00
Malappuram	7.30	2.50
Payyannur	8.58	3.50
Perinthalmanna	5.57	5.00
Perumbavur	3.31	1.56

ULBs did not possess required extent of land for waste disposal

Name of ULB	Land required	Land in possession
Taliparamba	8.42	2.02
Thrissur	39.62	6.91
Tirur	6.70	4.97
Adoor	3.61	1.05
Cherthala	5.63	Nil

Kasaragod Municipality possessed the required extent of land but the land could not be made use of due to public protest. None of the remaining ULBs possessed the required extent of land. The ULBs had not taken any fruitful action to acquire additional land required. Buffer zones around the landfill sites were not provided by any of the ULBs except Perinthalmanna Municipality. Government stated (February 2011) that the public protest against the setting up of solid waste management plant was not only on health grounds but for fear of crash in the land value of nearby sites and added that Government was very much aware of the situation and had already discussed the matter with Members of Parliament and Legislative Assembly for finding an appropriate solution.

3.1.12.2 Unauthorised filling and development of private land

MSW Rules stipulate that landfill sites shall be based on examination of environmental issues. The landfill sites shall be away from habitation clusters, water bodies, wetlands, national parks etc. Further, as per Kerala Conservation of paddy land and wetland Act, 2008 conversion or reclamation of paddy land and any kind of reclamation of wetland is prohibited. Audit noticed instances of landfill done by three Municipalities without observing the provisions of the Act and Rules as detailed below:

Land filling was done without observing provisions of Act and Rules



Perumbavur Municipality

(1) **Perumbavur Municipality** was dumping crude waste in the low lying water logged lands owned by two individuals with their permission. The land in one case was located in the midst of the town behind an auditorium (Seema Auditorium) owned by the same individual. The Municipality had not assessed the harmful effects on the ecological system, water sources and agriculture of the neighbouring land due to crude dumping. The development of the wet land at the expense of the Municipality without the permission of Revenue authorities was illegal.

(2) **Cherthala Municipality** was dumping the municipal solid waste collected on the low lying agricultural lands, old ponds and water logged area owned by private individuals till 2009. The Municipality had ignored the harmful effects on the ecological system and public health. No records showing details of the land fill done by the Municipality were maintained.

(3) In **Chavakkad Municipality**, the solid waste dumped (about 4000 MT) in the dump yard during the past 20 years was excavated and removed (November 2006) to a private land. As the Municipality had executed the land filling without sufficient soil covering and without observing any

precautionary measures, the land owner and nearby residents approached (April 2007) the Municipal authorities for remedy. The Municipality had not taken any action to redress their grievances. The Municipality had not obtained any authorisation from SPCB for the disposal of municipal solid waste as stipulated in the MSW Rules.

3.1.12.3 Disposal of waste in unscientific manner

Audit noticed that the disposal of waste was being carried out by the test checked ULBs in an unscientific and unhygienic manner. Though a buffer zone of no development was to be maintained around the landfill site, waste was being dumped in open dump yards located in close proximity to residential areas. The land used for the treatment and disposal of municipal solid waste was inadequate.

Leachate treatment plant was to be provided at the dump yard and treatment plants in order to prevent the problems of pollution from dumping/landfill sites. None of the ULBs test-checked had provided the leachate treatment plant at dumping sites/ processing plants. The openly heaped waste at the

Openly heaped waste in the dump yard caused health and environmental problems

View of dumping yard



Thrissur Corporation



Kasaragod Municipality

dump yard of these ULBs was causing alarming unsanitary conditions and pollution problems of air, land and water.

At the Laloor dump yard in Thrissur Municipal Corporation, about 18000 MT of waste was dumped in the trenching ground. During heavy rain in July 2009 waste water and leachate from the trenching ground oozed out through the compound wall and flowed across the public road to adjoining residential premises polluting even the wells. Stagnant pool was formed with polluted water having foul smell and worms. As a result, the local people started agitation which warranted the intervention of High Court. Though the Corporation had taken temporary remedial measures, they could not find a permanent solution to the problem.

Untreated waste allowed to flow into Kallai River

Bio waste from meat and fish markets was being dumped in the trenching yard in Njeliyanparamba in Kozhikode Corporation for long periods for windrow composting. No leachate treatment plant was provided in the dump yard. The leachate oozing out from the plant as well as trench yard was collected in the pond



Kozhikode Corporation

situated in north east side of the plant. The untreated leachate was allowed to flow into Kallai River. Though the SPCB directed the Corporation to construct leachate treatment plant, the Corporation had not taken any action.

3.1.12.4 Improper disposal of waste by Cherthala Municipality

In Cherthala Municipality, collection, transportation, processing and disposal of solid waste were being done through a private agency, viz., Amala Enterprises on their own arrangements. The LSGD approved (December 2009) the scheme fixing ₹ 500 per MT up to a maximum of ₹ 1500 per day as a temporary measure and subject to authorisation from the SPCB. However, no authorisation was obtained so far (June 2010). Further, the Municipality allowed the contractor to collect user fees at prescribed rates from the shop owners, institutions and households. The contractor had entered into agreement with the owner of a private land in the outskirts of the Municipality for processing vegetable waste only. When the contractor resorted to dumping of crude waste on the land it created environmental problems and public protest. The owner of the land approached the High Court and as per the direction of the High Court to the Secretary, Cherthala Municipality, the Environmental Engineer of the SPCB visited the site and reported (June 2010) that of the 3.5 acres of land, 10 cents of land was used for composting plant and an approximate quantity of 8.38 cubic metre of waste including chicken waste, food waste, disposable plates, plastics and bottles of medicines and injections etc. were buried in various parts of the land without any precautionary measures causing environmental problems. As per the court verdict, all extra items of waste other than vegetable waste not covered in the agreement were to be removed to any convenient site. The Municipality did not comply with the court order (June 2010). The contractor continued the improper method of waste disposal on the land (July 2010).

3.1.12.5 Installation of Biogas plants

Out of the 16 ULBs test checked, seven ULBs formulated projects for bio gas plants for processing portion of the municipal solid waste, preferably soft vegetable waste and waste from fish/ meat markets and slaughter houses. The details of the projects undertaken by the municipalities are given in **Table 3.7**.

Table 3.7: Status of construction of biogas plants

Name of ULB	No. of plants	Capacity	Expenditure as of June 2010 (₹ in lakh)	Present condition
Alappuzha	1	Not available	13.50	Not completed
Attingal	2	25M ³	4.09	Completed in December 2008
		57M ³	3.75	Not completed
Kanhagad	2	25M ³	16.00	Not completed
		15M ³		Not completed
Kozhikode	4	2000 Kg	18.7	Not completed
		650 Kg	8.00	Not completed
		650 Kg	8.00	Not completed
		600Kg	2.86	Not completed
Perumbavur	1	Not available	4	Completed in August 2008. Not working from August 2009
Thrissur	1	40M ³	15.38	Completed in March 2009
Tirur	1	25M ³	4.7	Completed in March 2005. Not working from February 2008

The two plants installed in Tirur and Perumbavur Municipalities were defunct for want of proper maintenance. The Municipalities had not planned any programme to utilise the biogas produced in the two completed plants in Thrissur and Attingal ULBs. None of the ULBs had obtained authorisation from the SPCB for the implementation of the projects.

3.1.13 Compliance to provisions of Acts/ Rules

3.1.13.1 Authorisation for setting up waste processing and disposal facility

As per the compliance criteria set out in Schedule I to MSW Rules, the setting up of solid waste management facilities was to be completed by all the ULBs before 31 December 2003. The waste processing and disposal facilities including landfills shall be set up only after obtaining authorisation from the SPCB. Out of the 16 ULBs test-checked, only 10 had obtained authorisation from SPCB for running the disposal facilities, that too after a delay of three to five years. Waste disposal was being done by the remaining six ULBs⁵ without obtaining authorisation from the SPCB. Joint physical verification of the waste disposal site revealed that most of the conditions specified in the authorisation remained unattended. The details are given below:

Conditions specified in the authorisation were not observed by ULBs

- The waste processing and disposal sites were to be protected to prevent entry of unauthorised persons and stray animals. However, no proper arrangements for protection were made around the waste processing and disposal sites in any of the ULBs test-checked. Fencing was not provided in four ULBs. Large number of stray dogs were wandering in waste processing and disposal site.
- Fire protection equipment was not provided in any of the ULBs test-checked. There were instances of fire hazards in Kasaragod, Tirur and Taliparamba.
- In Kozhikode Corporation frequent fire hazards occurred during January 2006, February 2006 and January 2008 which could not be easily controlled due to emission of combustible gases. The fire force expressed difficulty to move their vehicle through the dump yard. Despite this, the Municipal Corporation has not set up a fire protection system in the dump yard.
- Schedule II to MSW Rules prohibit burning of waste. Kanhangad Municipality used to burn the dumped waste openly till May 2008.
- None of the ULBs had set up leachate treatment plant and taken any action to prevent the contamination of air and water by the leachate oozing out. In Kozhikode Corporation and Perumbavur Municipality the leachate was allowed to flow to the nearby river and Angamali, Adoor and Attingal



Animals wandering in waste disposal sites

⁵ Angamaly, Kanhangad, Kasaragod, Payyannur, Perumbavur and Taliparamba

Municipalities let off the leachate to the nearby low lying agricultural lands.

- Contamination of water in the nearby wells was reported in Thrissur, Kasaragod and Taliparamba ULBs. As a result, residents near the sites were agitating against the municipal authorities.
- As per the Municipal Solid Waste (Management and Handling) Rules, 2000 the incinerators are to meet certain operating and emission standards. Though the Pollution Control Board, Malappuram had not given permission to Malappuram Municipality to run the incinerator as it did not conform to the standards prescribed, the Municipality was continuing the incineration defying the directions of the Pollution Control Board.
- There was no monitoring by the SPCB to see that the waste processing and disposal facilities meet the compliance criteria outlined in the authorisation issued by it. Inefficient monitoring was evident from the fact that only the District Office of SPCB, Ernakulam had initiated (May 2010) legal proceedings against the Secretary and the Chairman of Kalamassery Municipality against improper handling of municipal waste allowing the leachate from the dump yard reaching Periyar River even though there were many instances of violation of MSW Rules in other ULBs.

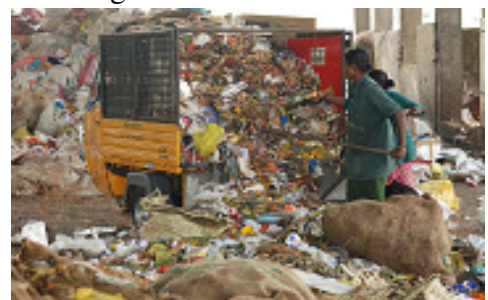
3.1.13.2 Identification of risks to environment posed by waste

Identification of risks to environment and health posed by waste is essential so that damage to health and environment can be minimised.

According to Schedules III and IV to MSW Rules, the ULBs have to ensure the quality of ground water, surface water, ambient air and standards of composting, leachate and incineration in and around the landfill sites. However, none of the 16 ULBs test-checked had conducted quality tests specified in the schedules at any time. The District Collectors, who have the overall responsibility for the enforcement of the MSW Rules, had not taken any action against ULBs for non-compliance of the Rules (July 2010). Rule 6 of MSW Rules authorises the SPCB to monitor the compliance with the standards regarding ground water, ambient air, leachate quality and compost quality by the ULBs. Apart from specifying these standards while issuing authorisation, the SPCB had not discharged their responsibility fixed by the Rules. In the absence of proper identification of risks, the municipal authorities as well as the public remain unaware of the risks posed by waste.

3.1.13.3 Risks to waste handlers

Risk involved in manual handling of waste is high. Out of 75 cases of death while in service which occurred during 2005-06 to 2009-10 in the test-checked ULBs, 59 (78.67 per cent) were sanitary workers. The MSW Rules envisages that manual handling of waste shall be carried out only under proper protection with due care for safety of workers. Audit team along with the municipal authorities visited



Thrissur Corporation

ULBs had not conducted quality tests specified in MSW Rules

Manual handling was carried out without precautionary gears

(March to June 2010) the processing plants / dump yards of all the selected ULBs and noticed that manual handling of waste was carried out without adequate protective gears like gloves, gum boots, face masks. Government agreed (February 2011) to examine the possibility of giving assistance for medical check-up to all sanitary workers.

3.1.13.4 Failure of Suchitwa Mission to monitor implementation of SWM projects

State Government constituted Suchitwa Mission⁶ (Mission) as the sole technical approval agency for the solid waste management projects formulated by Local Self Government Institutions. While issuing technical sanction the Mission has to ensure financial viability and technical feasibility of the project. State Government releases the financial assistance for the development of solid waste management to the municipalities through the Mission.

During 2004-05 to 2009-10, State Government released ₹ 31.98 crore to the Mission for implementation of various schemes under Suchitwa Keralam Projects including Solid Waste Management Projects in Municipalities. The Mission released ₹ 17.17 crore to 52 Municipalities for implementing Solid Waste Management projects.

The Mission was entrusted with the responsibility of ensuring proper utilisation of the funds released and completion of the project as approved by them. However, the Mission was unaware of the actual stage of implementation of the projects in the Municipalities and failed to monitor the execution of the projects as revealed from the following paragraph:

As per the records of the Mission, 20 Municipalities had commissioned the processing plants and installation was in progress in 22 Municipalities. The remaining ten Municipalities to whom assistance of ₹ 3.13 crore was given had not commenced implementation of the projects (July 2010). During site inspection of the selected municipalities by the audit team it was noticed that:

- In Kasaragod Municipality where the work was stated to be in progress, no work was executed due to public protest. The assistance of ₹ 41.26 lakh released in May 2009 was kept in the savings bank account of a nationalised bank (June 2010). The land (5.46 acres) purchased (January 1996) at a cost of ₹ 14.27 lakh in Madhur Grama Panchayat for the purpose of setting up of solid waste processing plant has not been utilised.
- The plant in Kanhangad Municipality for which assistance of ₹ 52.55 lakh was provided has not been completed so far (May 2010).
- Adoor Municipality obtained (March 2005) Mission assistance of ₹ 30.99 lakh by presenting a windrow composting project⁷ for ₹ 79.79 lakh. As per the report furnished by the Mission the project was commissioned. Audit noticed that the Municipality instead of establishing the above project constructed a vermi-composting project at a cost of ₹ 9.50 lakh. The windrow composting project was proposed for processing all kinds of

⁶ erstwhile Clean Kerala Mission

⁷ Production of compost by piling organic matter or biodegradable waste in long rows (windrows). This method is suited to producing large volumes of compost.

waste excluding non-biodegradable waste with capacity of processing 10 MT per day whereas vermi-composting is restricted to waste from markets and other vegetable wastes which require segregation of spicy/ oily food wastes. As such vermi-composting was not a suitable substitute for windrow composting project. The Mission had also not taken any action to assess the assistance admissible for the project actually established and get the excess amount refunded.

3.1.14 Deficiencies in the implementation of projects

3.1.14.1 Kanhangad Municipality

A comprehensive project (outlay: ₹ 52.55 lakh) for establishment of solid waste management system for Kanhangad Municipality was approved by Suchitwa Mission in October 2006. In addition to ₹ 32.75 lakh provided by the Mission, ₹ 26 lakh received under UIDSSMT was also earmarked for the project. The work was entrusted to the Kasaragod Social Service Society⁸ in September 2006 and an advance of ₹ 26 lakh paid in two instalments (October 2006 and December 2006) as directed by the Mission. Though the work was to be completed in March 2007, construction of the windrow composting shed and office building costing ₹ 30.65 lakh alone was completed even as of June 2010. The remaining components of the project had not been executed by the society. The Municipality had not taken any action against the society other than issuing a notice to them. The request of the society for revision of estimates was pending with Suchitwa Mission (June 2010). Till June 2010 the Municipality paid ₹ 38.91 lakh to the Society which included unadjusted advance of ₹ 8.25 lakh. Thus solid waste management problems faced by the Municipality remained unsettled despite spending ₹ 38.91 lakh.

Unfruitful expenditure of ₹ 38.91 lakh on windrow composting

3.1.14.2 Taliparamba Municipality

As part of the solid waste management projects, Taliparamba Municipality purchased (July 2008), buckets, MS handcart, wheel barrows, vermi compost box through M/s RAIDCO at a total cost of ₹ 20 lakh. One pair of buckets (one green and one white) each was proposed to be supplied to shopkeepers for ensuring segregation of waste at source. Fifty per cent of the cost of each pair (₹ 450 for a pair of 50 litre and ₹ 200 for a pair of 20 litre) of buckets was to be paid by the shopkeepers. Till March 2010, 140 pairs of 50 litre and 336 pairs of 20 litre buckets only were distributed. Poor response from the shopkeepers was attributed to the high cost of buckets demanded by the Municipality. The undistributed buckets (cost: ₹ 7.95 lakh) were stored in the town hall building in the Municipal compound. The Municipality had not planned any other solid waste management programme for utilisation of the undistributed buckets (March 2010).

Buckets, MS handcart, Wheel barrows, Vermi compost box costing ₹ 16.40 lakh had not been put to use

The vermi-compost boxes (500 numbers) purchased (cost: ₹ 7 lakh) for supplying to households for promoting micro-level vermi-composting so as to reduce the municipal solid waste had not been utilised as no such projects were formulated till March 2010. The seven wheel barrows (₹ 0.70 lakh) and five handcarts (₹ 0.75 lakh) were also lying unutilised in the town hall.

⁸ a Government approved service provider for solid waste management in local bodies

Defective planning and improper implementation rendered the expenditure of ₹ 16.40 lakh⁹ unfruitful.

3.1.14.3 Tirur Municipality

Despite spending ₹ 41 lakh on waste processing plant, major portion of the waste collected was dumped in the dump yard without processing

Tirur Municipality had installed a solid waste processing plant at a total cost of ₹ 41 lakh through M/s Technogroup, Aluva and commissioned the plant in April 2008. Though the plant was established at a total cost of ₹ 41 lakh with a processing capacity of 10 metric tonne per day, the average quantity of waste processed per day was negligible (0.311 metric tonne) during 2009-10. The technology adopted was WASTEPRO in which the input waste was crushed before windrow composting. Suchitwa Mission had not accorded technical sanction to this project due to high capital cost and operational cost and low quality of manure produced. The Mission had, however, released (December 2005) assistance of ₹ 29.33 lakh to the Municipality with the direction to change the technology of processing. The Municipality did not comply with the direction of Suchitwa Mission. Despite spending ₹ 41 lakh on the installation of the waste processing plant, major portion of the waste collected (97 per cent) by the Municipality was being dumped in the dump yard without processing with attendant risk to health and environment.

3.1.14.4 Chavakkad Municipality

Project scheduled to be completed in August 2008 has not been completed

The quantum of waste generated in the Municipality was nearly 11.44 MT per day and the waste collected and transported to the dump yard was 6.5 MT per day. The Municipal council decided (November 2007) to establish a comprehensive solid waste management project at a cost of ₹ 61.66 lakh and entrusted (February 2008) the work to Socio Economic Unit Foundation (SEUF) with period of completion as six months. The work was not completed till date (May 2010) due to slow progress in the work. As of May 2010, the Municipality had paid ₹ 25.60 lakh to SEUF. Due to the delay in completing the project, the Municipality is still resorting to crude dumping of waste. It was noticed in audit that the proposed plant was having a capacity to process 1.5 MT only against the 6.5 MT of waste brought to site. Thus even after completion of the plant the Municipality would be able to process less than 25 per cent of the waste brought to site.

3.1.14.5 Alappuzha Municipality

Waste processing plant constructed in March 2007 has not been commissioned due to labour problems

The Municipality entered (February 2006) into an agreement with M/s Andhra Pradesh Technology Development Centre (APTDC) for setting up a waste processing plant at an estimated cost of ₹ 3.77 crore. The Plant was scheduled to be completed in March 2007. As per the agreement, after commissioning the project, APTDC was to conduct 12 months trial run to prove the efficiency of the plant and then operate the plant for another 12 months free of cost. The plant was formally inaugurated in May 2010 and the total cost of construction was ₹ 3.04 crore. The plant has, however, not been commissioned due to labour disputes.

⁹ Cost of undistributed buckets	: ₹ 7.95 lakh
Cost of vermi-compost box	: ₹ 7.00 lakh
Cost of seven wheel barrows	: ₹ 0.70 lakh
Cost of five hand carts	: ₹ 0.75 lakh
Total	: ₹ 16.40 lakh

While approving the DPR, the Suchitwa Mission had directed the Municipality to constitute a technical committee to monitor the execution of the project and make payment only after check measurement by the Municipal Engineer and approval by the Technical Committee. But no such committee was constituted and all the payments were made on the running account bills submitted by the APTDC without any check measurement. It was noticed that the Municipality had also made payment of ₹ 19 lakh for the item of work 'bioremediation of old waste' which was not executed.

3.1.15 Fund Management

3.1.15.1 Provision of expenditure for SWM

The funds provided for the solid waste management in the annual plan and expenditure incurred by the ULBs test-checked for the five years 2005-10 were as given in **Table 3.8**.

Table 3.8: Provision and expenditure

(₹ in lakh)				
Sl. No.	Name of ULB	Fund provided in the annual plan for SWM	Expenditure	Percentage of expenditure to provision
1	Perumbavur	170.26	24.35	14.30
2	Attingal	676.00	148.00	21.89
3	Thrissur	626.56	398.14	63.54
4	Angamaly	293.34	65.31	22.26
5	Payyannur	54.55	20.81	38.15
6	Taliparamba	153.55	33.33	21.71
7	Cherthala	528.00	14.71	2.79
8	Kanhangad	569.50	64.40	11.31
9	Alappuzha	738.30	272.65	36.93
10	Tirur	115.86	81.35	70.21
11	Kasaragod	371.00	33.96	9.15
12	Chavakkad	163.62	25.80	15.77
13	Malappuram	524.63	126.17	24.05
14	Perinthalmanna	379.52	134.42	35.42
15	Kozhikode	941.11	514.63	54.68
16	Adoor	175.22	154.74	88.31

Utilisation of fund provided in the annual plan by the ULBs ranged between three per cent and 89 per cent. Due to non-establishment of processing plants for want of suitable land, Cherthala, Kasaragod and Perumbavur made very low utilisation of funds. Non-utilisation of funds provided in the annual plan for solid waste management was indicative of laxity on the part of the ULBs in executing solid waste management projects.

3.1.15.2 Undue benefit to service provider

Kasaragod Social Service Society (Society) was a service provider in solid waste management sector. The society not being an accredited agency was not entitled to any advance and exemptions from taxes. Instances of undue benefit granted to the Society by Suchitwa Mission are mentioned below:

(1) As per Panchayat Raj (Execution of Public Works) Rules, 1997 and direction (July 1999) of LSGD, payment of advance is allowed only to beneficiary committees and accredited agencies. In October 2006 and December 2006, Suchitwa Mission directed the Secretaries of Kanhangad and

Unutilised balance of advance of ₹ 12.51 lakh paid to service provider not refunded

Adoor Municipalities to pay advances to the Society which was not an accredited agency for the implementation of solid waste management projects. Accordingly, the Secretaries of Kanhangad and Adoor Municipalities paid (December 2006/ January 2007) ₹ 26 lakh and ₹ 7.5 lakh respectively to the Society. The unutilised balance of the advance of ₹ 12.51 lakh (Kanhangad: ₹ 8.25 lakh and Adoor: ₹ 4.26 lakh) was retained by the Society even as of May 2010.

Statutory deductions
of ₹ 5.35 lakh not
deducted

(2) Construction of solid waste management plant and a biogas plant in Attingal Municipality was executed by the Society and final payment made in January 2009 and December 2009. Suchitwa Mission directed the Municipality not to deduct taxes from the contractor and the Municipality to meet the same. The Municipality met statutory deductions (VAT, IT, Kerala Construction Workers' Welfare Fund Contributions) amounting to ₹ 5.35 lakh on behalf of the Society.

3.1.15.3 Fund released by Suchitwa Mission for SWM projects remained unutilised

(1) Angamali Municipal Council approved (March 2009) a DPR for implementation of solid waste management project with a total outlay of ₹ 82 lakh on the land (0.87 acre) possessed by it at Ayyayipadam. The Suchitwa Mission accorded Technical Sanction for ₹ 68 lakh and released financial assistance of ₹ 25.70 lakh in April 2009. The project was, however, not implemented so far (June 2010) owing to protest from residents. The funds of ₹ 25.70 lakh still remained unutilised in bank. The Municipality was dumping the whole waste collected in the 50 cents of land meant for construction of a slaughter house. As this land was exhausted the Municipality had started dumping the waste in the nearby private lands.

(2) Government approved (March 2005) a solid waste management project (outlay: ₹ 1.25 crore) for Cherthala Municipality and Suchitwa Mission sanctioned ₹ 32.88 lakh for the project. The SPCB granted (May 2007) authorisation to set up and operate waste processing and disposal facility on the land of area 2.7 acres proposed to be acquired in Kokkothamangalam village. Owing to strong protest from nearby residents, the Municipality decided (June 2009) to abandon the project on the proposed site. Meanwhile, a comprehensive solid waste management project was approved (December 2006) by the Chief Town Planner with Central assistance of ₹ 1.06 crore under UIDSSMT but it was deferred (March 2007) by the State Level Sanctioning Committee for want of suitable land. As of June 2010, Municipality could not identify a suitable land for establishing the project and failed to utilise the assistance (₹ 1.39 crore) sanctioned.

(3) Perumbavur Municipality procured 1.56 acres of land in May 2005 at a cost of ₹ 16.47 lakh for establishing a solid waste management project. The Municipality prepared the DPR and got it approved (November 2007) by Government at an estimated cost of ₹ 82.67 lakh. Suchitwa Mission released ₹ 30.26 lakh in January 2008 as Mission assistance. The Municipality had not taken up the work; reasons for which were not on record. The Municipality was resorting to unauthorised dumping of waste in private lands. The assistance of ₹ 30.26 lakh received from the Suchitwa Mission was retained in fixed deposit in a bank.

Assistance of
₹ 30.26 lakh released
by Suchitwa Mission
was in fixed deposit

3.1.15.4 Non-recovery of advance

Adoor Municipality entrusted (July 2005) the construction of compost plant with KAICO at a total cost of ₹ 40 lakh without preparing a DPR. Though advance of ₹ 10 lakh was paid (July 2005) to KAICO, the site was not handed over by the Municipality. KAICO informed (January 2006) their inability to execute the work at the agreed rate and demanded increase in the rates. The Municipality cancelled the agreement as they found that the project was not viable. KAICO did not remit back the advance in spite of repeated requests from the Municipality. Though Government instructed (July 2007) the Municipality to take legal action for recovering the advance they had not initiated any legal action in this regard.

3.1.15.5 Blocking of Government funds with KURDFC

Government had recognised (March 1999) Kerala Urban Rural Development Finance Corporation (KURDFC) as the implementing agency for solid waste management in ULBs and sanctioned ₹ 1.21 crore to the Chief Town Planner (CTP) for transfer crediting to the KURDFC. The intention of the Government was to enable the ULBs to take up solid waste management schemes by availing soft loans from KURDFC who would mobilise institutional finance using the fund from Government as seed capital. The fund was provided by Government by re-appropriation from other funds considering the urgency of taking up the solid waste management schemes in consonance with the interim direction of the Supreme Court. The fund drawn by CTP in March 1999 was transferred to KURDFC in May 1999. The project report submitted (July 1999) by KURDFC to provide soft loans of ₹ 30 lakh each to 12 ULBs at an interest rate of 11.5 per cent was approved (March 2000) by Government. Subsequently, Government intimated (July 2000) KURDFC to provide loans to ULBs subject to a maximum of ₹ 10 lakh at an interest rate not exceeding two per cent. However, no progress was achieved in implementing the scheme except release of ₹ 10 lakh to Kozhikode Corporation in September 2000. The balance of ₹ 1.11 crore was kept in fixed deposit in Treasury up to 20 January 2009 and thereafter in Vijaya Bank for the next one year. KURDFC then transferred the amount to Treasury Public Account. Interest earned on the deposit up to 20 January 2010 was ₹ 1.06 crore. The loan released to Kozhikode Corporation was refunded with an interest of ₹ 0.99 lakh as on 31 March 2008. The interest earned on the deposit was appropriated by KURDFC as their interest income. Thus the fund released by Government for implementation of solid waste management in ULBs remained unutilised with KURDFC for the past 11 years. As Government is providing funds to ULBs for implementation of solid waste management programmes through Suchitwa Mission, there is no necessity to retain the funds in KURDFC.

₹ 1.21 crore given to KURDFC remained unutilised for the past 11 years

3.1.16 Monitoring and enforcement

The Kerala Municipality Act, 1994 and the MSW Rules require the ULBs to take the following steps to improve the system of solid waste management.

- ensure storage of waste at source in a segregated manner
- primary collection of waste from doorstep

- daily street sweeping
- abolish open waste storage bins and provide covered containers
- transportation of waste in covered vehicles
- processing of waste by composting or energy recovery methods
- disposal of non-biodegradable waste by engineered land filling

District Collectors did not ensure compliance to MSW Rules

Each ULB has to furnish an annual report on solid waste management services in Form II to the District Collector on or before 30 June every year. As per Rule 5(2) of MSW Rules, the District Collectors have the responsibility for enforcement of the provisions of the Rules within their territorial jurisdiction. Only Malappuram Municipality had submitted the annual reports to the District Collector under Rule 4(4)(b) of MSW Rules.

Thus the District authorities did not ensure that the facilities provided in the ULBs for waste disposal were meeting the standards prescribed in the Rules and the manner of disposal was safe for health and environment.

3.1.17 Conclusion

The ULBs had no reliable information about the quantum of municipal solid waste being generated in their jurisdiction. This made any kind of trend analysis impossible. The ULBs and SPCB failed to discharge their responsibility fixed by rules in relation to identification of risks to environment and health posed by waste. The ULBs did not conduct quality tests specified in the MSW Rules. Though Suchitwa Mission was entrusted with the responsibility of ensuring proper utilisation of funds released to ULBs, the information with regard to actual stage of implementation of the projects was not available with them. Waste reduction, recycling and reuse strategies which are the steps to the issue of waste management and which would result in lessening the amount of wastes for final disposal were not adopted by any of the ULBs test-checked. The ULBs had not adhered to the conditions specified in the authorisation issued by SPCB. The quantum of waste collected and transported to the dump yard was far less than the quantum of waste generated. In the absence of community bins of required size, colour and design the waste was allowed to be dumped on roadsides and the streets had become a receptacle of waste. Even though provisions existed in Environment (Protection) Act/ Kerala Municipality Act for taking action against polluters, penal action was seldom taken for violations of the provisions of these Acts. The quantity of waste processed by ULBs was very low. Major portion of the waste was dumped as crude waste. The activities outlined in the Implementation Schedule for the development of landfills were not carried out by any of the ULBs test-checked. None of the ULBs possessed the required extent of suitable land for waste disposal. In the absence of waste processing and scientific land filling, open dumping of wastes would continue causing contamination of environment and public health hazard due to unsanitary conditions.

3.1.18 Recommendations

- The ULBs should estimate the current capacity to handle the solid waste and ensure that additional capacity of waste infrastructure is created for safe disposal.
- The ULBs and SPCB should carry out waste related pollution impact monitoring on a regular basis to study the effects of improper disposal of waste on the environment. Regular monitoring of waste disposal facilities like compost plants, incinerators etc., should be done by SPCB.
- The ULBs should make greater efforts to collect regularly and completely process the solid waste generated. The ULBs could utilise effectively the services of Kudumbasree workers as done in Kozhikode and Thrissur ULBs.
- Segregation should be given greater emphasis by means of publicity and awareness campaigns with housing associations and non-governmental organisations.
- Periodic monitoring of dumpsites by ULBs against contamination of environment should be made mandatory.
- Identification of land for setting up landfills should be done on priority basis and landfill should be developed by each ULB according to a time bound programme.
- The Municipal Councils should take special interest in settling the local disputes and public protests against the waste management projects and also in safeguarding health and surroundings of the local residents.
- The ULBs should give more importance to waste reduction, reuse and recycling rather than waste disposal. For waste reduction they shall promote installation of micro level biogas plants. Feasibility of including recycling units as part of solid waste management projects shall also be considered.

3.2 Financial Management by the Panchayat Raj Institutions

Executive Summary

The State and Central Governments provide substantial financial assistance to the Panchayat Raj Institutions for taking up various activities in their jurisdictional areas. The Grama Panchayats are empowered to levy and collect local taxes like property tax, profession tax and entertainment tax and fees like licence fee on business establishments and permit fee on construction of buildings from individuals and institutions located within their jurisdictional area. The revenues so mobilised are utilised for the developmental activities and local administration of the area. Performance Audit on Financial Management by the PRIs did not reveal an encouraging picture. There were omissions by PRIs to verify the statements of transactions received from Treasury with the office records which resulted in short credit of Development Expenditure / Maintenance Expenditure / General Purpose Funds. There was under-utilisation of Development Expenditure and Maintenance Expenditure funds during 2006-07 to 2008-09. This resulted in short allocation of funds to PRIs by Government during 2008-09 to 2010-11. The third and subsequent instalments of the central funds for the implementation of the projects in seven blocks in Kollam, Kottayam and Malappuram districts under Integrated Wasteland Development Programme had not been received due to non-conducting of mid-term evaluation of the projects by the State Government. The PRIs were unauthorisedly retaining Development Expenditure and Maintenance Expenditure funds in Bank accounts. Funds deposited with other agencies, viz., Akshaya District Co-ordinators, Kerala Water Authority, remained idle as the amounts were deposited without assessing the requirement. The budget proposals of the PRIs were not discussed adequately and subjected to detailed deliberations as budgets were presented and passed at the end of March every year.

3.2.1 Introduction

The Panchayat Raj Institutions (PRIs) are entrusted with public resources for the delivery of public programmes and services. They have a responsibility to manage these resources with prudence and probity and due regard to economy, efficiency and effectiveness. They are required to maintain proper accounts regarding utilisation of these resources. The important services and amenities for which PRIs are responsible include drinking water, rural housing, education, poverty alleviation programmes, collection and disposal of solid waste, health and sanitation, street lighting, etc. The State Government and Central Government provide substantial financial assistance to the PRIs for taking up these activities in their jurisdictional areas. The Grama Panchayats are empowered to levy and collect local taxes like property tax, profession tax and entertainment tax and fees like licence fee on business establishments and permit fee on construction of buildings from individuals and institutions located within their jurisdictional area. The revenues so mobilised are utilised for the developmental activities and local administration of the area.

3.2.2 Organisational set up

In the three tier Panchayat Raj system (District Panchayat (DP), Block Panchayat (BP) and Grama Panchayat (GP)) in the State, each tier functions independently. As of June 2010, there were 1165 PRIs in the State. The President is the Executive head of the PRI and is directly responsible for the due fulfilment of the duties imposed upon the respective PRI by or under the Kerala Panchayat Raj Act, 1994 (KPR Act). The administrative control of all the PRIs is vested with the Principal Secretary, Local Self Government Department of the State Government. The President of the PRI is the ex-officio member of every standing committee and the Vice President is the ex-officio member and Chairman of the Standing Committee for Finance. Each Panchayat has a Secretary and supporting staff. The Secretary who is executive officer shall implement the resolutions of the Panchayat and is responsible for the safe custody of the Panchayat fund.

3.2.3 Audit objectives

The audit objectives were to assess whether :

- funds flow was regulated in accordance with the guidelines issued by Government
- system of control of expenditure was effective
- Property tax, Profession tax and Entertainment tax were properly assessed and collected by the Grama Panchayats in accordance with the provisions of the relevant Acts and Rules
- system of internal control for planning and utilisation of funds was effective

3.2.4 Audit criteria

The audit criteria adopted for assessing the efficacy of financial management by PRIs were provisions of Kerala Panchayat Raj Act, 1994, recommendations of the Second and Third State Finance Commissions and the action taken on the recommendations, provisions of Kerala Panchayat Raj (Execution of Public Works) Rules, 1997, Budgets, Accounts and Plan documents/ Administrative Reports of PRIs and reports of State Development Council, State Rural Development Board and State Planning Board.

3.2.5 Scope and methodology of audit

The performance audit was conducted from April 2010 to August 2010, covering the period from 2005-06 to 2009-10. Out of the 14 District Panchayats in the State four¹⁰ were selected using statistical sampling viz., Probability Proportional to Size Without Replacement (PPSWOR). Within each District Panchayat, three Block Panchayats¹¹ and from each Block Panchayat one Grama Panchayat¹² were selected using PPSWOR. Audit methodology adopted included scrutiny of files, records and documents in the selected PRIs, interaction with the officials of the PRIs, field visits to project

¹⁰ Kollam, Kottayam, Malappuram, Kozhikode

¹¹ Ithikkara, Anchal, Vettikkavala, Kaduthuruthy, Pallom, Ettumanoor, Kuttippuram, Perinthalmanna, Perumpadappa, Kozhikode, Chelannur, Koduvally

¹² Chathannur, Melila, Edamulakkal, Velloor, Manarkad, Athirampuzha, Marakkara, Vettathoor, Nannammukku, Feroke, Kakkodi, Koodaranhi

sites for verification of assets, collection of evidence etc. An entry conference was conducted with the Principal Secretary (Local Self Government Department) in June 2010. Audit methodology, coverage and other essential features of the audit were explained at the meeting. Audit findings and recommendations were discussed with the Additional Chief Secretary to Government in the exit conference held in February 2011.

3.2.6 Funding

The funds received from Government of India (GOI) and State Government for implementation of specific schemes was to be utilised according to the guidelines issued by Government. Implementation of schemes/ projects undertaken by the PRIs was to be monitored by the monitoring committees constituted by the PRIs concerned. At the district level, the progress of implementation of schemes, including centrally sponsored/ state-sponsored schemes undertaken by PRIs, was to be reviewed every month in the review meeting held under the chairmanship of the Chairperson of District Planning Committee (DPC) in the presence of the District Collector who is also the Member Secretary of the DPC. The District Collector was to send the detailed report on the meeting to the Chief Secretary. The progress of schemes under various sectors was also to be reviewed by the heads of departments concerned and report thereon was to be handed over to the Principal Secretary, Local Self Government Department (LSGD) during the meeting convened every month at State level by the Principal Secretary, LSGD/ Secretary, Planning and Economic Affairs Department. The problems identified in the review meetings at various levels were to be discussed every month in the meetings of State Level Co-ordination Committee. The Principal Secretary, LSGD/ Secretary, Planning and Economic Affairs Department was to report the progress of implementation of schemes in the meetings held tri-monthly by the Chief Minister.

The main sources of income of PRIs are Funds received from State Government on the basis of recommendations of State Finance Commission (Category A -Development Expenditure Fund, Category C - Maintenance Expenditure Fund and Category D - General Purpose Fund), Funds received through various Departments for specified purposes (Category B), Funds received from GOI for Centrally Sponsored Schemes (Category E), Own Fund and Loans. **Table 3.9** presents the receipts of the PRIs test-checked and **Chart 3.1** depicts the trend in receipts during 2005-06 to 2009-10.

Table 3.9: Receipts during 2005-06 to 2009-10 of PRIs test-checked

Receipts of PRIs	2005-06	2006-07	2007-08	2008-09	2009-10	Total
(₹ in lakh)						
Development Expenditure Fund (Category A)						
Grama Panchayats	848.75	919.11	1022.61	1099.15	1217.21	5106.83
Block Panchayats	1383.01	1703.98	1891.64	2166.35	2281.17	9426.15
District Panchayats	4639.50	6286.32	7000.40	7171.60	8017.61	33115.43
State Sponsored Schemes & State share of Centrally Sponsored Schemes (Category B)						
Grama Panchayats	414.30	425.62	541.13	607.84	665.08	2653.97
Block Panchayats	56.80	41.61	58.94	76.67	38.06	272.08
District Panchayats	725.54	912.14	1259.36	2478.75	2575.50	7951.29
Maintenance Expenditure Fund (Category C)						
Grama Panchayats	240.75	257.13	289.68	282.05	295.29	1364.90
Block Panchayats	186.56	200.63	220.93	225.75	233.02	1066.89
District Panchayats	1413.96	1395.86	2093.67	1558.22	2176.51	8638.22

Receipts of PRIs	2005-06	2006-07	2007-08	2008-09	2009-10	Total
General Purpose Fund (Category D) and Own Fund (Category F)						
Grama Panchayats	944.31	919.27	943.09	1114.66	1286.23	5207.56
Block Panchayats	158.48	149.30	411.49	299.87	439.41	1458.55
District Panchayats	1366.96	1377.33	1861.57	1550.70	1071.18	7227.74
Central share of Centrally Sponsored Schemes (Category E)						
Grama Panchayats	156.18	116.26	147.72	177.00	344.08	941.24
Block Panchayats	966.77	1047.23	1624.42	2525.15	3593.77	9757.34
District Panchayats	629.45	1233.84	2806.37	1683.90	3047.80	9401.36
Total receipt						
Grama Panchayats	2604.29	2637.39	2944.23	3280.70	3807.89	15274.50
Block Panchayats	2751.62	3142.75	4207.42	5293.79	6585.43	21981.01
District Panchayats	8775.41	11205.49	15021.37	14443.17	16888.60	66334.04

Chart 3.1: Trend of receipts of PRIs during 2005-06 to 2009-10

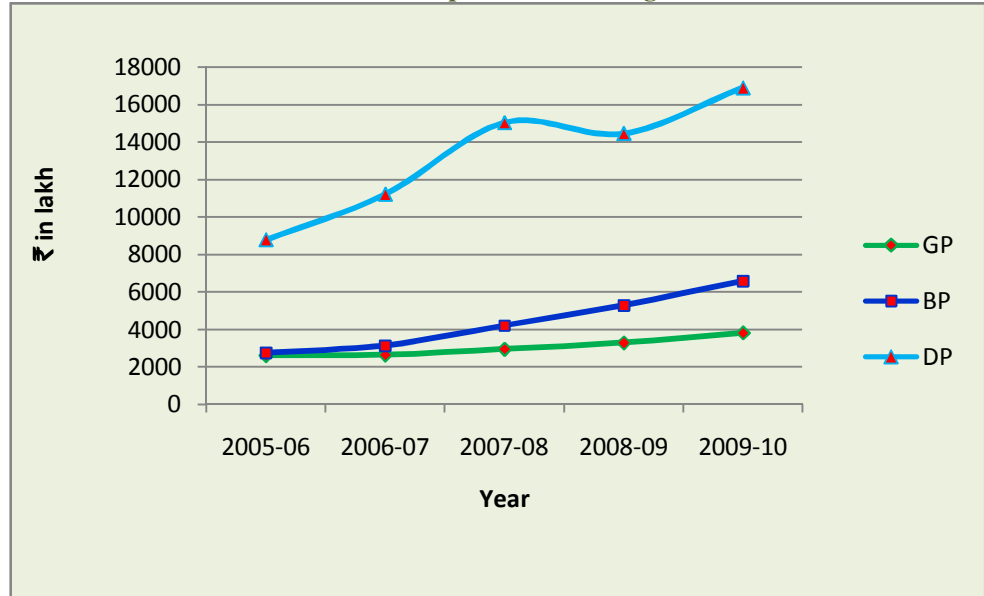
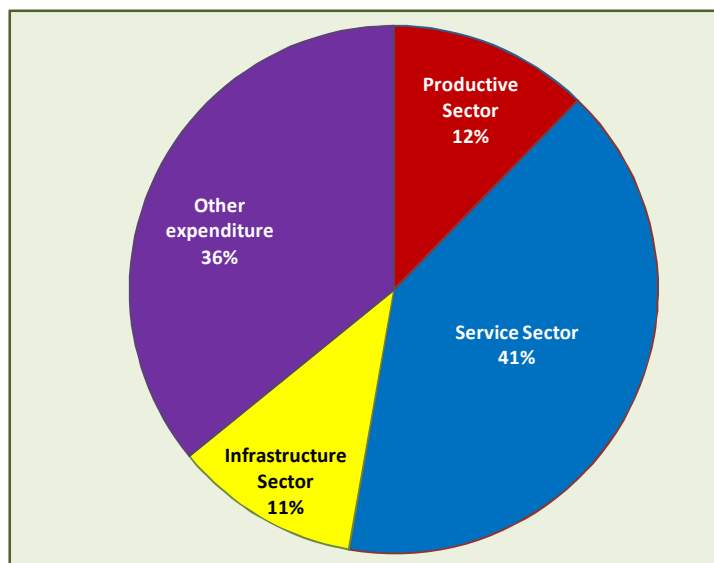


Table 3.10 and Chart 3.2 below presents the sector-wise application of funds during 2005-06 to 2009-10 by the PRIs test-checked.

Table 3.10: Sector wise expenditure during 2005-06 to 2009-10 of PRIs test checked (₹ in lakh)

Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Productive Sector						
Grama Panchayats	312.35	327.93	380.45	307.99	381.11	1709.83
Block Panchayats	219.79	453.72	572.27	618.26	680.67	2544.71
District Panchayats	586.00	1068.16	1631.54	1665.99	2257.47	7209.16
Service Sector						
Grama Panchayats	749.48	579.10	854.82	1045.37	1121.85	4350.62
Block Panchayats	1350.01	1649.79	1745.19	2243.34	2654.15	9642.48
District Panchayats	2292.89	3635.38	5564.52	4790.91	7548.56	23832.26
Infrastructure Sector						
Grama Panchayats	432.22	266.09	431.20	510.19	713.75	2353.45
Block Panchayats	359.17	423.62	367.08	383.53	419.12	1952.52
District Panchayats	1400.57	866.47	1425.03	1081.11	1571.67	6344.85
Other expenditure						
Grama Panchayats	864.68	980.22	934.33	1111.94	1604.02	5495.19
Block Panchayats	908.32	598.86	1101.36	1222.51	2915.69	6746.74
District Panchayats	2513.42	3994.77	4484.51	4648.13	5617.35	21258.18
Total expenditure						
Grama Panchayats	2358.73	2153.34	2600.80	2975.49	3820.73	13909.09
Block Panchayats	2837.29	3125.99	3785.90	4467.64	6669.63	20886.45
District Panchayats	6792.88	9564.78	13105.60	12186.14	16995.05	58644.45

Chart 3.2: Sector-wise expenditure of PRIs during 2005-06 to 2009-10



Audit findings

3.2.7 Management of fund flow

3.2.7.1 Short credit of Development Expenditure/ Maintenance Expenditure/ General Purpose Fund

The funds provided to PRIs in the State Budget are transferred to the relevant heads of account in the Public Account of the State in instalments by the Finance Department by presenting bills at the District Treasury, Thiruvananthapuram. The controlling officers responsible for allotment of funds to PRIs mark copy of the Letter of Authority to the District Treasury Officer, Thiruvananthapuram and to the transacting treasury of the PRI concerned. On receipt of the Letters of Authority, the District Treasury Officer, Thiruvananthapuram makes corresponding reduction in allocation under the Head of Account opened in the Public Accounts for PRIs and the treasury officers of the transacting treasuries of PRIs shall provide matching funds under the corresponding Heads of Account of the PRIs concerned. The Government order issued in April 2006 stipulated that the treasury shall on or before the fifth of each month issue a computerised statement of transactions during the previous month under each deposit head to the Secretary of the PRI concerned. The Secretary shall, on or before tenth of each month, verify the correctness of the statement with his office records and report the difference, if any, to the treasury. Any amount short credited in the account shall be adjusted by the treasury on receipt of such a report. During 2006-07 to 2008-09, the transacting treasuries of four PRIs (Malappuram DP, Anchal BP, Perumpadappa BP and Edamulakkal GP) did not provide credits for allotments of ₹ 1.14¹³ crore in the Accounts of the PRIs. The Secretaries of the PRIs had not reported the omissions to the treasury officers within the stipulated time. Failure on the part of the PRIs in taking timely action to detect the short credit in the account had resulted in non receipt of ₹ 1.14 crore provided to them by

Failure to verify statements of transactions issued by treasury with office records resulted in short credit of fund amounting to ₹ 1.14 crore

¹³ Malappuram DP : ₹ 70.98 lakh, Anchal BP : ₹ 25.68 lakh, Perumpadappa BP : ₹ 14.33 lakh, Edamulakkal GP : ₹ 2.98 lakh

State Government. Though Anchal BP reported the fact of non receipt of funds to the controlling officer in June 2009, the amount had not been credited to their account (June 2010). Government stated (February 2011) that there was lapse on the part of the PRIs to reconcile the accounts. Government also added that the amount short-credited was lying in the Public Account of the State and the amount could be released to the PRIs, on concurrence of Government.

3.2.7.2 Non receipt of Central assistance due to laxity in implementation of the IWDP project

GOI, Ministry of Rural Development (MORD) had approved (2005 and 2006), eight projects (Project cost: ₹ 25.11 crore) under Integrated Wasteland Development Programme (IWDP) for implementation in eight blocks in Kollam, Kottayam, Malappuram and Kozhikode Districts. The projects were to be implemented in accordance with Hariyali guidelines through the Poverty Alleviation Units (PAUs) of District Panchayats. The shares of the Central and State Governments were ₹ 5500 and ₹ 500 per hectare respectively. The expenditure on the implementation of the projects was to be incurred over a period of five years from the date of sanction of each project. While the first instalment of Central fund was to be released along with project sanction unconditionally, subsequent instalments were to be released when the unutilised balance of the earlier instalments was not more than 50 per cent. As per Hariyali guidelines, the Secretary, Local Self Government Department was responsible for regular monitoring of the projects and conducting a midterm evaluation of the projects through independent evaluators with due approval of the Department of Land Reforms, MORD after receipt of 45 per cent of the project fund. The third and further instalments were to be released only on submission of satisfactory midterm evaluation of the projects.

Central assistance of ₹ 11.92 crore was not received

Central and State shares amounting to ₹ 10.33 crore were released (July 2005 to March 2010) to the respective PAUs towards the first and second instalments. As of March 2010, the expenditure incurred on these projects was ₹ 5.30 crore. The progress reports/ utilisation certificates were being submitted to the Department of Land Reforms through the State Government. It was noticed in audit that Block Panchayats failed to implement the planned projects within the period of five years as stipulated in the Hariyali guidelines. The project period of three projects was already over in July 2010 and in respect of the remaining projects, the project period would expire between November 2010 and July 2011. Further, though seven Block Panchayats had received 45 per cent of the project fund between December 2007 and April 2009, the State Government had not initiated any action to conduct midterm evaluation. Laxity on the part of the State Government to conduct midterm evaluation after receipt of 45 per cent of the fund and utilisation of 50 per cent thereof resulted in non receipt of balance of Central grant of ₹ 11.92 crore meant for integrated development of 42000 hectares of wasteland. Details of projects undertaken, funds so far released, stage of implementation of the projects and the amount not received are given in **Appendix X**. Government stated (February 2011) that action had been taken to complete all the projects by June 2012.

3.2.7.3 Unauthorised retention of Development Expenditure Fund in Panchayat Fund/ Bank account

Development Expenditure Fund of ₹ 26.97 lakh was unauthorisedly retained in Panchayat Fund

(1) According to the Government order (April 2006) on the revised guidelines for drawal of funds by Local Self Government Institutions, Development Expenditure Fund drawn in excess of requirement /drawn but remained unutilised during previous years was to be remitted back to the Consolidated Fund of the Government. Audit noticed that Development Expenditure Fund amounting to ₹ 26.97 lakh drawn during previous years but remained unutilised was retained in the Panchayat Fund by four PRIs¹⁴ instead of remitting back to the Consolidated Fund. Government stated (February 2011) that direction would be given to the PRIs to remit back the amount to the Consolidated Fund.

(2) Government had permitted (April 2006) the PRIs which draw money from non banking treasuries to open one bank account to enable them to deposit the Development Expenditure / Maintenance Expenditure Funds and to make payments above ₹ 1000 by way of demand drafts subject to the condition that the balance remaining unutilised for more than 30 days from the date of credit of the amount shall be remitted back to the treasury.

Marakkara and Nannammukku Grama Panchayats, which were transacting with non banking sub treasuries at Valancherry and Changaramkulam respectively, operated three Bank accounts for the purpose of making payments by way of demand draft for more than ₹ 1000. As of April 2010, the balance available in the two accounts operated by Marakkara Grama Panchayat amounted to ₹ 7.79 lakh and that in the account operated by Nannammukku Grama Panchayat amounted to ₹ 2.78 lakh. The two treasuries started functioning as banking treasuries from October 2009 onwards. But the Grama Panchayats had not closed the accounts and remitted the balance amounts in the accounts back to the Consolidated Fund (April 2010).

(3) According to the instructions issued by Government, contributions for joint venture projects received from other panchayats were to be deposited in the Public Account with the treasury. It was noticed in audit that out of ₹ 2.12 crore received by eight¹⁵ PRIs as contribution from other panchayats during 2007-08 to 2009-10 towards joint venture projects, only ₹ 1.23 crore was utilised. The balance funds (₹ 89.47 lakh) were retained in Own Funds of the PRIs.

3.2.7.4 Development Expenditure Fund / Maintenance Expenditure Fund idling with PRIs and other agencies

Government order issued in April 2006 stipulated that if the unutilised balances under Development Expenditure Fund and Maintenance Expenditure Fund exceeded 20 per cent of the funds allotted for the years 2006-07 to 2009-10 (except for the year 2007-08 where limit was 30 per cent), allotment for the subsequent year would be reduced by the amount exceeding the prescribed limits.

¹⁴ Malappuram DP (₹ 23.12 lakh), Feroke GP (₹ 0.84 lakh), Melila GP (₹ 0.61 lakh), Nannammukku GP (₹ 2.40 lakh)

¹⁵ Kottayam DP (₹ 23.92 lakh); Velloor GP (₹ 11.07 lakh); Chelannur BP (₹ 27.25 lakh); Koodaranhi GP (₹ 3.35 lakh); Edamulakkal GP (₹ one lakh); Feroke GP (₹ 7.68 lakh); Kuttipuram GP (₹ one lakh); Malappuram DP (₹ 14.20 lakh)

In order to circumvent the Government order PRIs make deposit with project co-ordinators/other agencies etc., in excess of the actual requirement/ far in advance of requirement and the funds were idling with them. The details of such cases are mentioned below :

(1) Development Expenditure Fund lying unutilised with Akshaya District Project Co-ordinators

A computer literacy programme named Akshaya was launched by the State Government in 2002 and the Scheme was being implemented by Grama Panchayats by providing computer literacy training to at least one person from every family. The cost of training per beneficiary in rural areas was ₹ 120 which would be shared among the Grama Panchayat, Block Panchayat, District Panchayat and beneficiary. As per the direction issued (June 2004) by Government, the PRIs had to deposit the required fund in special Treasury Savings Bank (TSB) account opened for the purpose in the name of the Member Secretary of the District Planning Committee, who is also the District Project Co-ordinator of Akshaya Project.

During 2004-05 to 2009-10, 21 PRIs had deposited ₹ 2.55 crore in the special TSB account on the basis of total number of families as per 2001 census instead of actual number of persons who were in need of computer training. The District Project Co-ordinators had utilised only ₹ 86.23 lakh and retained the unutilised balance amount of ₹ 1.69 crore. The PRIs had not initiated action to get the amount refunded and remitted to Government as the PRIs originally drew the amount from the Development Expenditure Fund. The details of amount deposited by PRIs and the amount utilised for Akshaya Computer Literacy Programme are given in **Appendix XI**. Had the PRIs deposited the funds on the basis of the number of computer-illiterate families instead of the total number of families, ₹ 1.69 crore blocked with Akshaya District Project Co-ordinators could have been utilised for other developmental activities. Government stated (February 2011) that orders were being issued to the Akshaya District Project Officers to refund the unutilised amounts to the PRIs concerned.

(2) Development Expenditure Fund withdrawn for Asraya project kept idling in bank account

The Nannammukku Grama Panchayat had withdrawn (March 2008/March 2009) ₹ six lakh from Development Expenditure Fund for implementation of two Asraya projects taken up during 2007-08 and 2008-09 and deposited the amount in a separate bank account with the State Bank of Travancore. As the Grama Panchayat did not prepare the details of the projects to be implemented, the amount remained unutilised in the bank. Drawal of Development Expenditure Fund without foreseeing its utilisation was against the principles of sound financial management.

₹ six lakh was withdrawn from Development Fund without foreseeing utilisation

(3) Advance payment to IT mission before identifying beneficiaries

Government had permitted (July 2005) the PRIs to implement computer training course (E-Vidya) conducted by Akshaya Kendras to eligible BPL beneficiaries.

Five PRIs¹⁶ took up projects for E-Vidya course during 2007-08 and 2008-09 and paid ₹ 12.61 lakh in advance to the Akshaya District Project Co-ordinators concerned. The PRIs were to prepare the beneficiary lists for the course but they did not prepare it even as of May 2010. Deposit of Development Expenditure Fund with Akshaya Project Officer before finalising the beneficiaries was not in order.

(4) Excess deposit for Akshaya computer literacy programme

Vettikkavala Block Panchayat and Athirampuzha Grama Panchayat had deposited during 2004-05 to 2008-09 a total amount of ₹ 15.91 lakh drawn from Development Expenditure Fund with Akshaya District Project Office for implementation of Akshaya computer literacy programme. Government had prescribed the share of each LSGI for implementation of the programme. Audit noticed that Vettikkavala Block Panchayat and Athirampuzha Grama Panchayat had deposited ₹ 5.04 lakh¹⁷ in excess of that prescribed by Government. The excess amount of ₹ 5.04 lakh deposited with Akshaya District Project Office had not been got refunded and remitted back to Consolidated Fund.

Deposit made by two PRIs for Akshaya computer literacy programme was in excess by ₹ 5.04 lakh

(5) Deposit with Kerala Water Authority without creating benefit to beneficiaries

The PRIs entrust majority of their drinking water supply schemes with the Kerala Water Authority (KWA) for which they make deposit with the KWA from the Development Expenditure Fund. The KWA executes the works and furnishes a report to that effect to the PRIs. The benefits of expenditure from the Development Expenditure Fund are thus made available to the beneficiaries. Audit noticed that substantial amounts deposited by Malappuram District Panchayat were blocked with KWA as detailed below:

The District Panchayat, Malappuram deposited (March 2008, March 2009 and March 2010) ₹ 9.26 crore with KWA for implementation of 147 water supply schemes. The KWA utilised only ₹ 1.82 crore for execution of 69 schemes, of which only 28 schemes were completed. The works on the remaining 78 schemes were not commenced / abandoned due to non-preparation of estimates, non response to tenders, revision of estimates, non availability of water, non identification of proper sites etc. The amount (₹ 1.29 crore) deposited with KWA relating to abandoned works should have been got refunded and utilised for other developmental activities. Government stated (February 2011) that there were inordinate delays in completion of the projects entrusted to KWA.

Inadequate planning before entrusting works to KWA

(6) Development Expenditure Fund of District Panchayat idling with Grama Panchayat

The District Panchayat, Kozhikode proposed (2008-09) to disburse assistance of ₹ five lakh each to five Grama Panchayats which submit proposals for Intensive Cattle Development Programme. No Grama Panchayats except Thiruvallur Grama Panchayat submitted proposals for the Programme. The

₹ 25 lakh disbursed to one Grama Panchayat, instead of five Grama Panchayats, remained unutilised

¹⁶ Kozhikode DP (2007-08: ₹ 10 lakh), Feroke GP (2008-09: ₹ one lakh), Kakkodi GP (2007-08: ₹ 0.48 lakh), Koodaranhi GP (2007-08: ₹ 0.50 lakh) and Melila GP (2007-08: ₹ 0.63 lakh)

¹⁷ Vettikkavala BP (₹ 3.34 lakh), Athirampuzha GP (₹ 1.70 lakh)

District Panchayat withdrew ₹ 25 lakh in March 2009 and disbursed the entire amount to Thiruvallur Grama Panchayat. Thiruvallur Grama Panchayat also could not identify beneficiaries for the project even as of June 2010. Disbursement of ₹ 25 lakh to one Panchayat was not in conformity with the approved project.

3.2.7.5 Non-utilisation of fund received towards reimbursement of expenditure on Supplementary Nutrition Programmes

Consequent on decentralisation of planning process, the Grama Panchayats were implementing Supplementary Nutrition Programme (SNP) in Anganwadis, utilising their Development Expenditure Fund, Own Fund and contributions received from the Development Expenditure Fund of the respective Block Panchayats. Government of India (GOI) agreed to reimburse 50 per cent of the admissible expenditure on SNP from 2005-06 onwards, on the basis of accounts furnished by the State Government. Test check of the accounts of 12 Grama Panchayats and 12 Block Panchayats revealed that the PRIs had kept the amount reimbursed by Central Government each year in their Own Fund / separate bank account and utilised a portion of the amount for the implementation of the programme in the subsequent year. The amount released by GOI during 2007- 08 to 2009-10 towards reimbursement from 2005-06 onwards and kept in bank account/Own fund amounted to ₹ 5.94 crore. From this, the PRIs had utilised only ₹ 2.86 crore for the implementation of SNP in the subsequent years and retained the balance of ₹ 3.08 crore¹⁸. Out of the balance of ₹ 3.08 crore retained in the account, ₹ 3.06 crore (excluding ₹ 2.03 lakh relating to four Grama Panchayats which utilised Own Fund) was originally drawn from Development Expenditure Fund Account of the PRIs. The amount received from GOI towards reimbursement of 50 per cent expenditure on implementation of SNP should have been taken as receipt into the relevant account and utilised for development schemes. Government stated (February 2011) that detailed guidelines on how to account the amount towards reimbursement of expenditure on SNP had not been issued.

3.2.7.6 Payment of excess subsidy to Self Help Groups

Swarnajayanti Gram Swarozgar Yojana (SGSY) is a Centrally Sponsored Scheme intended for empowerment of rural poor by promoting their entrepreneurship through formation of Self Help Groups (SHGs). As per SGSY guidelines banks are required to sanction loans to the SHGs to cover the entire project cost and GOI gives subsidy to each SHGs which is limited to 50 per cent of the project cost (i.e. 50 per cent of the loan sanctioned by banks) or ₹ 1.25 lakh whichever is less. Subsidy is paid to the banks which keep the subsidy amount in a separate reserve account for adjustment against

¹⁸ GPs : Velloor (₹ 10.79 lakh), Melila (₹ 4.12 lakh), Athirampuzha (₹ 7.84 lakh), Marakkara (₹ 8.66 lakh), Feroke (₹ 21.57 lakh), Koodaranhi (₹ 2.89 lakh), Vettathoor (₹ 5.27 lakh), Edamulakkal (₹ 13.11 lakh), Chathanoor (₹ 7.03 lakh), Manarkad (₹ 5.15 lakh), Kakkodi (₹ 2.16 lakh), Nannammukku (₹ 2.94 lakh) and BPs : Vettikkavala (₹ 16.66 lakh), Kaduthuruthy (₹ 10.08 lakh), Ithikkara (₹ 34.62 lakh), Perinthalmanna (₹ 5.30 lakh), Kozhikode (₹ 21.05 lakh), Chelannur (₹ 12.81 lakh), Kuttippuram (₹ 12.76 lakh), Koduvally (₹ 21.12 lakh), Pallom (₹ 23.55 lakh), Anchal (₹ 46.72 lakh), Ettumanoor (₹ 6.53 lakh), Perumpadappa (₹ 5.69 lakh)

repayment of final instalments of the loan. The Block SGSY committee is to monitor the progress of different swarozgaris every month.

Six SHGs¹⁹ in Kozhikode Block Panchayat undertook (March 2010) various activities such as tailoring, direct marketing, catering etc., at total project cost of ₹ 10.50 lakh. The bank sanctioned loan of ₹ 5.50 lakh to the SHGs in March 2010. The bank had not released the balance amount of the project cost of ₹ five lakh. The Block Panchayat had not ascertained from the bank the reasons for not sanctioning the entire project cost as loan. The subsidy admissible as per SGSY guidelines was ₹ 2.75 lakh (50 per cent of loan sanctioned) against which the Poverty Alleviation Unit, Kozhikode released ₹ five lakh to State Bank of India, Beypore branch. Excess subsidy disbursed was ₹ 2.25 lakh. The Block Panchayat did not either get the excess subsidy refunded from the bank or take up the matter with the bank for sanctioning the balance amount of the project cost.

3.2.8 System of control over expenditure

3.2.8.1 Short utilisation of Development Expenditure Fund and Maintenance Expenditure Fund

The PRIs were expected to utilise the allotment under Development Expenditure Fund and Maintenance Expenditure Fund for the purpose for which it was released during the year of receipt itself.

In 12 out of the 28 PRIs test checked, out of ₹ 164.59 crore available under Development Expenditure Fund for the years 2006-07 to 2009-10, the amount utilised was only ₹ 93.61 crore. On account of the short utilisation of fund for the years 2006-07 to 2008-09²⁰, ₹ 14.23 crore was deducted from the budget allotment for the years 2008-09 to 2010-11, *vide* details given in **Appendix XII**. Of these, the under-utilisation was more than 40 per cent of the allotment under Development Expenditure Fund for the years 2007-08 to 2009-10 in seven²¹ PRIs.

In 25 PRIs, out of the total fund of ₹ 100.08 crore available under Maintenance Expenditure Fund for the period 2006-07 to 2009-10, the amount utilised was only ₹ 62.91 crore, the utilisation being 62.86 per cent. The total amount deducted from the allotment for the years 2008-09 to 2010-11 for under-utilisation of fund was ₹ 11.06 crore, *vide* **Appendix XIII**. Of these, the under-utilisation was more than 50 per cent for the years 2007-08 to 2009-10 in 14 PRIs²².

The Kerala Panchayat Raj Act, 1994 stipulates that the Panchayats at every level shall prepare a development plan for every financial year before the

¹⁹ Tripti, Marad (₹ 0.50 lakh), Thankam, Marad (₹ 0.375 lakh), Karunyam, Marad (₹ 0.25 lakh), Sakti, Beypore (₹ 0.25 lakh), Thoufique, Beypore (₹ 0.50 lakh), Abhayam, Marad (₹ 0.375 lakh)

²⁰ The deduction for under-utilisation of fund for the year 2009-10 is to be made from the budget allotment for the year 2011-12

²¹ Kottayam DP, Malappuram DP, Kozhikode BP, Velloor GP, Manarkad GP, Vettathur GP, Feroke GP

²² Kottayam DP, Vettikkavala BP, Kaduthuruthy BP, Ettumanoor BP, Perinthalmanna BP, Kuttippuram BP, Perumpadappa BP, Kozhikode BP, Chathannur GP, Velloor GP, Vettathur GP, Marakkara GP, Nannammukku GP and Feroke GP

Budget allotments were reduced by ₹ 25.29 crore due to short utilisation of fund

beginning of the financial year. But the PRIs did not prepare their Annual Plans for the years 2005-06 to 2009-10 and obtain approval of DPC before the commencement of the financial year.

3.2.8.2 Budgetary control

Section 214 (1A) of the Kerala Panchayat Raj Act, 1994 prescribes that the budget proposals containing detailed estimates of income and expenditure expected for the ensuing year were to be prepared by the respective Standing Committee before 15 January every year and submitted to the Standing Committee for Finance (SCF). After considering the proposals, the SCF shall prepare a budget showing the income and expenditure of the Panchayat for the ensuing year and the Chairman of the SCF is to place it before the Panchayat not later than the first week of March in a meeting convened specially for approval of the budget. The budget is to be passed by the Panchayat before the beginning of the year it related to.

(1) *Delayed preparation of Budget*

All the PRIs test-checked presented and passed the budgets only at the end of March every year. As a result, the PRIs did not get adequate time for discussion of the budget proposals and detailed deliberations in the Panchayats, thus making detailed scrutiny of the proposals difficult.

(2) *Variation in actual receipts and expenditure from the budgeted figures*

The anticipated receipts and expenditure included in the budget shall be as accurate as possible. It was noticed that there were wide variations between the budgeted figures of both receipt and expenditure and the actuals during 2005-06 to 2009-10. Out of 140 budgets passed for the years 2005-06 to 2009-10, in 75 budgets passed by 27 PRIs, the percentage of variation between estimated receipts and actual receipts ranged between 25 and 158. The variation was above 50 per cent in 35 cases. Similarly, estimated expenditure varied from actual expenditure to the extent of 25 per cent to 113 per cent in 107 budgets of 27 PRIs. Of these, the variation was above 50 per cent in 57 cases.

Wide variation between budgeted figures and actuals

(3) *Rush of expenditure in the last quarter of financial year*

Financial rules stipulate that rush of expenditure in the closing month of the financial year should be avoided. The Government released Development Expenditure Fund and Maintenance Expenditure Fund to the PRIs in 10 equal monthly instalments so as to enable them to implement the projects formulated in a systematic manner and at proper pace. It was noticed that during the five year period 2005-10, 50 to 100 per cent of the expenditure was incurred during the last quarter of the financial year by all the PRIs test-checked, which was indicative of deficient financial management. Though Government has a mechanism to watch the monthly progress of expenditure of Development Expenditure Fund and Maintenance Expenditure Fund, the undue rush of expenditure towards the end of the financial year to prevent lapse of funds is indicative of deficient financial control mechanism in place with the Government. Government stated (February 2011) that quarterly target of expenditure would be sent to Local Self Government Institutions in order to avoid rush of expenditure towards the end of financial year.

Fifty to hundred per cent of expenditure was incurred during the last quarter of financial year

3.2.8.3 Excess Expenditure on current expenses

Utilisation of maintenance grant for current expenses was in excess of norm

Grama Panchayats meet current expenses from their General Purpose Fund/ Own Fund. Government have permitted (December 2004) to utilise Maintenance Expenditure Fund also for current expenditure like electricity charges, water charges, rent, purchase of medicines, purchase of furniture for schools, etc., subject to a maximum of 10 per cent of the total allocation under Maintenance Expenditure Fund (road and non road). During 2006-07 to 2009-10, nine²³ out of 12 Grama Panchayats test checked exceeded the limit by substantial amount. The Secretaries of the GPs and the DPC overlooked the direction issued by Government while formulating/approving the projects. The percentage of excess utilisation of Maintenance Grant for operational expenses ranged between 27 and 267. Government stated (February 2011) that instructions were being issued to the PRIs to transfer the excess amount utilised from their General Purpose Fund to Maintenance Fund Account.

3.2.9 Management of receipts and receivables

3.2.9.1 Non assessment of profession tax

Profession tax had not been demanded from 53 institutions

Profession tax is leviable from every company/person who transact business or exercise profession generally within the area of the PRIs for not less than sixty days, based on the income/ turnover as prescribed in the Act and the Rules made thereunder. The Grama Panchayats have to maintain a database of all potential assesseees to bring all those who are liable to pay profession tax under the Act in the profession tax net. In paragraph 3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, it was mentioned that the Local Self Government Institutions were not following the internal control system prescribed in the rules to mitigate the risk of assesseees escaping levy of profession tax. Audit noticed that similar lapses still persist in most of the PRIs test-checked. Nine out of 12 Grama Panchayats test-checked had not assessed profession tax of 53 institutions though the employees of the institutions were duly assessed to tax during 2005-06 to 2009-10. The shortfall in collection of profession tax from these institutions was ₹ 5.45 lakh as detailed in **Appendix XIV**.

It was also noticed that Athirampuzha, Koodaranhi and Marakkara Grama Panchayats had not issued notices to 26 employers requiring them to furnish names of all employees with a statement of their salaries or income and to assess all those employees who were liable to pay taxes. As a result, the employees of these institutions were not assessed to tax.

3.2.9.2 Hire charge receipts of harvester not brought into Own Fund account

Velloor GP purchased a combined harvester for ₹ 18.57 lakh in January 2010 for hiring out to the farmers in the Panchayat area. Receipts on account of hire charges for the period up to May 2010 amounted to ₹ 3.05 lakh and the expenditure on diesel and other maintenance charges amounted to ₹ 1.43 lakh. Receipt and expenditure on account of harvester hiring was transacted through a

²³ Velloor GP (₹ 2.22 lakh), Melila GP (₹ 3 lakh), Manarkad GP (₹ 9.54 lakh), Nannammukku GP (₹ 2.71 lakh), Athirampuzha GP (₹ 7.65 lakh), Feroke GP (₹ 3.82 lakh), Vettathur GP (₹ 1.62 lakh), Chathannur GP (₹ 0.90 lakh), Kakkodi GP (₹ 3.18 lakh)

separate bank account operated jointly by the Panchayat President and the Agricultural Officer and was not taken to the own fund account of the Panchayat. This was violative of Rule 30 of the Kerala Panchayat Raj (Accounts) Rules, 1965 which stipulates that no moneys received on behalf of the Panchayat shall be utilised for its expenditure without first being brought into the accounts of the Panchayat and remitted into treasury or bank where Panchayat fund is deposited. Similarly, receipt of ₹ 3.13 lakh and running and maintenance expenditure of ₹ 1.73 lakh relating to the paddy harvester lent on hire were not taken to the Panchayat accounts by Kaduthuruthy Block Panchayat from 11 October 2008 onwards.

3.2.10 Internal control

The main objective of internal control system is to gear up the supervisory controls and management system in the organisation so as to minimise financial irregularities, frauds and also to have a proper control over implementation of various programmes. Systematic accounting, internal audit and statutory audit to pin point systemic or other deficiencies are the tools for effective internal control.

3.2.10.1 Accounting

Government prescribed revised accounting formats with effect from April 2004. The procedure for maintenance of cash book as also other instructions contained in the Government Order (June 2003) were not closely followed by several PRIs test checked. Following deficiencies were noticed in the maintenance of records:

- Cash book shall be closed daily under the signature of the officer in charge of the cash book. He should ensure the correctness of the totaling of entries in cash book or has this done by an officer other than the writer of the cash book and initial them as correct. In Vettikkavala Block Panchayat, cash book was not closed daily during 2005-06 to 2008-09. In Chathannoor Grama Panchayat, daily closing of cash book was not signed by the Secretary during 2005-06 to 2009-10. In Melila Grama Panchayat, only the closing for the last day of the month was signed by the Secretary. In Kollam District Panchayat, Kaduthuruthy Block Panchayat and Velloor Grama Panchayat, daily closing of cash books were signed by the officers in charge only up to 31 October 2009, 14 January 2010 and 1 January 2010 respectively.
- At the end of every month, analysis of closing balance shall be recorded in the cash book under the signature of the officer in charge of the cash book. Kollam District Panchayat²⁴, Ettumanoor Block Panchayat, Anchal Block Panchayat and Chathannoor Grama Panchayat had not recorded analysis of cash balance in the cash book in any of the months during 2005-06 to 2009-10. Velloor Grama Panchayat had not recorded analysis of monthly closing balance during July 2009 to March 2010.

²⁴ Except for the period January 2009 to June 2010

- In five PRIs²⁵ cash book balance as on 31 March 2010/ date up to which cash book was closed/date up to which cheque issue registers were written up varied with the balance as per the cheque issue registers by ₹ 16.07 crore.
- At the end of every month, the officer in charge of the cash book shall verify the cash balance and record his dated signature in token of check. Physical verification of cash balance was not conducted and a certificate to that effect not recorded by the Secretaries of Kollam District Panchayat and Kaduthuruthy Block Panchayat in any month during the period from 2005-06 to 2009-10.
- At the end of every month, the balance as per cash book shall be reconciled with that of the balances as per the pass books/ scrolls of Treasury/ Bank Accounts. In nine PRIs²⁶, the balance as per the cash book was not reconciled with the balance as per pass books or scrolls of treasury/ bank accounts at the end of each month during 2005-06 to 2009-10. In Marakkara and Velloor Grama Panchayats, reconciliation was not done during 2005-06 to November 2009 and August 2009 to March 2010 respectively. Of this, the amount left unreconciled by three PRIs²⁷ as on 31 March 2010 was ₹ 8.35 crore.
- PRIs had to maintain Advance Register to watch the adjustment of all advances given to contractors, suppliers, staff etc. Six PRIs²⁸ did not maintain Advance Register during 2005-06 to 2009-10. The Register maintained in Block Panchayat, Pallom and Grama Panchayats, Melila and Velloor did not contain the details of Mobilisation Advances to convenors of works and advances to implementing agencies.
- PRIs had to maintain Deposit Register to record the amount of deposits received and their repayment/ adjustment. District Panchayat, Kollam, Block Panchayats, Anchal, Pallom and Vettikkavala and Grama Panchayat, Nannamukku did not maintain Deposit Register during the period 2005-06 to 2009-10. The Register maintained in Grama Panchayats Chathannoor, Melila and Velloor did not contain Library Cess, work bill recovery, pay bill recovery, etc.

3.2.10.2 Retention of Government fund outside Government account

Guidelines for drawal of funds by the Local Self Government Institutions from the Consolidated Fund and Public Account of the State stipulate that at the end of every month Demand Drafts (DDs) which remain undisbursed for more than 30 days from the date of drawal shall be remitted back to the treasury by means of chalan. But Government had not prescribed any register to watch prompt disbursement of all demand drafts received from Treasury. The lapse on the part of the Secretary of Kozhikode District Panchayat in ensuring

²⁵ Anchal BP (₹ 0.30 crore), Ettumanoor BP (₹ 2.24 crore), Pallom BP (₹ 1.62 crore), Kaduthuruthy BP (₹ 11.89 crore), Velloor GP (₹ 0.02 crore)

²⁶ DP : Kollam, BPs : Ettumanoor, Vettikkavala, Pallom, Kaduthuruthy, Koduvally, Anchal, GPs : Chathannur, Nannammukku.

²⁷ Ettumanoor BP (₹ 2.17 crore), Pallom BP (₹ 1.60 crore), Kollam DP (₹ 4.58 crore)

²⁸ Kollam DP, BPs : Anchal, Koduvally, Vettikkavala, GPs : Chathannoor, Nannammukku

prompt disbursement of DDs through proper registers had resulted in retention of plan fund amounting to ₹ 62.68 lakh outside Government account for two to three years and consequent loss of interest of ₹ 14.13 lakh. The details are given below:

(i) Kozhikode District Panchayat withdrew (November 2006) ₹ 25.37 lakh from plan fund by way of demand draft in favour of the Executive Engineer, KSEB, Perambra for implementation of the project 'electrification of Muthukad 4th block colony in Chakkittappara Panchayat'. The demand draft was, however, not delivered to the Executive Engineer, KSEB, Perambra as the project had already been implemented utilising other resources. The District Panchayat retained the demand draft for more than two and a half years. The demand draft was cancelled and the proceeds credited to Government only in March 2009. Thus the plan fund of ₹ 25.37 lakh which could have been utilised for development activities was kept outside the Government account for a period of more than two and half years for no bona fide purpose. The loss of interest suffered by the District Panchayat on the amount worked out to ₹ 6.27 lakh (calculated at the rate of 11 per cent per annum).

(ii) In March 2007, Kozhikode District Panchayat had drawn four demand drafts for a total amount of ₹ 37.31 lakh from plan fund in favour of the Akshaya District Project Officer for implementation of Akshaya computer literacy programme. Though the amount was booked as expenditure in the accounts, the District Panchayat did not deliver the demand drafts to the Akshaya District Project Officer in the financial year 2006-07. After a period of two years, the District Panchayat cancelled the DDs and drew fresh DD for the amount and issued to the District Project Officer in March 2009. Imprudent handling of cash resulted not only in delay in making payment to the Project Officer but also in parking the Government fund outside Government account for two years. The resultant loss of interest at the rate of 11 per cent would work out to ₹ 7.86 lakh. Government stated (February 2011) that this had happened due to lapse on the part of the staff of the District Panchayat and that the matter was being examined for appropriate action.

3.2.10.3 Internal audit

Internal audit of the PRIs is being conducted by the performance audit wing of the State. The Principal Secretary in charge of the Local Self Government Department is designated as the State Performance Audit Authority and there is a State Performance Audit Officer. The performance audit is to be conducted tri-monthly in every PRI as per Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and the annual reports are to be prepared and submitted to Government. Performance Audit helps in assessing organisational system and procedures in order to prevent fraud, errors etc and also in detecting problems as and when they occur and solving them. At present, Performance Audit is conducted tri-monthly only in GPs. In BPs and DPs, Performance Audit is conducted only half-yearly and annually. The fact that Performance Audit was not conducted in prescribed intervals in BPs and DPs enhanced the risk of non detection of problem in time.

3.2.11 Conclusion

There were omissions by the PRIs to verify the statements of transactions received from treasury with the office records which resulted in short credit of funds. Central grant of ₹ 11.92 crore allotted for the implementation of the Integrated Waste Land Development Programme in Kollam, Kottayam and Malappuram Districts was not released as the State Government had not conducted midterm evaluation of the Programme. As there was underutilisation of Development Expenditure Fund and Maintenance Fund during 2006-07 to 2008-09, the allocation of funds to 25 PRIs during the period 2008-09 to 2010-11 was reduced by ₹ 25.29 crore. Budgetary control of the PRIs was not effective. As the PRIs presented the budget at the end of March every year, it was not discussed adequately and subjected to detailed deliberations in the Panchayats. There were wide variations between budgeted figures of receipts and expenditure and actual figures. The PRIs had incurred 50 to 100 per cent of the expenditure during the last quarter of the financial year which was indicative of deficient financial control. Audit noticed that the PRIs had incurred expenditure on purchases far in advance of requirements, made advance payments to implementing agencies before identifying the beneficiaries and deposited amount in excess of that prescribed by Government for computer literacy programme. As the Grama Panchayats failed to maintain up-to-date database of all potential assesseees of profession tax, 53 institutions and employees of 26 institutions were not assessed to profession tax. There were defects in the maintenance of primary accounting records of PRIs.

3.2.12 Recommendations

- Government should take steps for timely submission of utilisation certificates.
- Government may issue detailed guidelines for the accounting and utilisation of amounts received from Government of India towards reimbursement of expenditure.
- Government should strengthen the control and monitoring mechanism to ensure that the PRIs do not draw Development Expenditure Fund in excess of actual requirement from Treasury and keep them in bank accounts and other agencies for the purpose of avoiding lapse of funds.
- Government should ensure that the Grama Panchayats maintain up-to-date database of all potential assesseees of profession tax.
- Government should ensure, through performance audit system, that no amounts which are due to be remitted back to the Consolidated Fund are retained in Panchayat funds.
- Government should prescribe a suitable mechanism to ensure prompt disbursement of all demand drafts received from Treasury.

CHAPTER IV

TRANSACTION AUDIT

4.1 Avoidable payment of electricity charges due to non segregation of power load and light load for electric crematorium

Non segregation of power load and light load for electric crematorium in Municipal Corporation, Kozhikode led to avoidable payment of electricity charges of ₹ 11.24 lakh.

Municipal Corporation, Kozhikode (MCK) established (June 2002) an electric crematorium with connected load of 59 kilo watt for which the Low Tension IV- Industry electricity tariff was applicable. According to the Low Tension (other than public lighting) Tariff Order 2002¹ of the Kerala State Electricity Board, the power load and lighting load of Low Tension IV industrial consumers was to be segregated and metered by separate meters. Where segregation was not done, the entire charges (fixed charge and energy charge) would be increased by 50 per cent. MCK did not segregate the power load and light load of its electric crematorium by installing separate meters and had been paying 50 per cent extra on fixed and energy charges. Failure to segregate power load and light load led to avoidable payment of electricity charges of ₹ 11.24 lakh for 77 months (between October 2002 and September 2009) for which details of consumption of power for electric crematorium could be gathered in audit (October 2009). It was seen from the office notes that MCK was aware of the fact that it could avoid payment of electricity charges at the increased rates had segregation of power load and light load been done. Even though Mayor of the Corporation had ordered (February 2004) to install separate meter for light load, Assistant Engineer (Electrical) did not take any further action (October 2009).

Government stated (August 2010) that the existing three phase connection would be utilised for the furnace alone and that estimate has been prepared and tenders invited for providing separate wiring for the lights and fans in the crematorium. Government may take similar action if such instances exist in other LSGIs.

4.2 Unfruitful expenditure on biogas plants

Two out of seven biogas plants established by Municipal Corporation Kochi in 2007 remained idle since the date of commissioning and five plants had become non-functional since June 2008, rendering the expenditure of ₹ 61.61 lakh incurred on them unfruitful.

Under decentralisation of Waste Management Scheme, Municipal Corporation Council, Kochi approved (January 2007) construction of ten biogas plants² for treating the biodegradable waste at various wards of the

¹ effective from October 2002

² Nine plants each of capacity 40 m³ and one plant of capacity 60 m³.

Corporation. District Planning Committee (DPC) approved the project in February 2007. The plants were intended to treat the biodegradable waste generated in the Kochi Corporation areas; thereby reducing the quantity of waste to be handled in the proposed centralised waste processing project at Brahmapuram. The Municipal Corporation awarded the work to the lowest bidder, M/s Jyothi Biogas and Rural Social Service Centre, Thiruvananthapuram (firm) at the negotiated cost of ₹ 96.56 lakh. The firm completed construction of seven plants by May 2007. The Municipal Corporation could not make available the sites for construction of the remaining three plants due to public protest. This reveals the casual manner in which DPC approved the project, without ensuring availability of hindrance-free site with the Municipal Corporation. The total cost of construction of the seven biogas plants was ₹ 68.87 lakh of which the amount paid to the firm up to December 2009 was ₹ 61.61 lakh.

As per the contract, the firm was to operate the plants at its own cost for one year. But the firm operated only five plants for one year. These plants became non-operational since June 2008. The firm never operated the remaining two plants. The Secretary, Municipal Corporation Kochi stated (June 2011) that since the contractor did not operate the two plants, 10 per cent of construction cost (₹ 1,84,591) was reduced from the amount paid to the contractor. The guarantee period of all the plants expired by May 2009. As the plants installed were not functioning, the Municipal Corporation requested (December 2008) the Project Officer, ANERT³ to conduct detailed study and report on the causes of failure of the plant. ANERT did not conduct any such study. The Municipal Corporation also failed to follow up the matter with ANERT. The Municipal Corporation had been treating the Solid Waste at the newly commissioned treatment plant at Brahmapuram since June 2008.

Thus, the attempt of the Municipal Corporation to set up biogas plants for the decentralised treatment of biodegradable waste failed to yield the intended benefits in spite of spending ₹ 61.61 lakh towards installation of the plants due to lack of adequate monitoring and timely remedial action.

The matter was referred to Government in June 2010; reply has not been received (May 2011).

4.3 Infertuous expenditure on harvester

A harvester costing ₹ 9.93 lakh purchased by Anchal Block Panchayat without ascertaining its utility was lying idle in a damaged condition for the last four years.

Anchal Block Panchayat formulated a project under the Kerala Development Plan 2003-04 for purchase of a harvester for the benefit of paddy cultivators in the Block Panchayat area. The District Planning Committee (DPC) approved the project in June 2003 at an estimated cost of ₹ 15 lakh. The Block Panchayat purchased (March 2004) one Kukje Shakthi Combined

³ Agency for Non-Conventional Energy and Rural Technology

Harvester for ₹ 9.93 lakh from RAIDCO⁴. The Block Panchayat operated (between January 2005 and April 2006) the machine only for 72 hours and it became non-operational since May 2006. It was noticed in audit that due to high incidence of transportation charges, the operation of the machine was not economical in places like Anchal where the paddy fields are small and scattered in different places. There was no evidence on record to show that the Block Panchayat had conducted any feasibility study before submitting the project to the DPC. The DPC also approved the project in a routine manner without insisting on a feasibility study. The Technical Advisory Committee before giving clearance to the project had also not ensured the suitability of the machine in the Block Panchayat area. The failure of the Block Panchayat, DPC and Technical Advisory Committee to ascertain the utility of the machine before its purchase rendered the expenditure of ₹ 9.93 lakh on the harvester infructuous.

Government stated (November 2010), that the purchase of the harvester was irregular as it was purchased without assessing its utility in the area and in violation of store purchase rules and that suitable action would be taken against persons involved in the improper implementation of the scheme.

4.4 Excess payment of street light charges due to incorrect application of tariff

Incorrect application of tariff for Sodium Vapour Lamps in three Grama Panchayats resulted in excess payment of street light charges of ₹ 16.52 lakh.

The monthly street light charges payable for Sodium Vapour Lamp (SVL) burning 12 hours per day as per the Kerala State Electricity Board (KSEB) Low Tension Public Lighting Tariff Order 2002 (effective from 1 October 2002) were ₹ 100 for one 250 watt SVL and ₹ 375 for one 250 watt SVL on Semi-high mast.

Test check of the payments of street light charges made during the period October 2002 to March 2010 by three Grama Panchayats⁵ (GPs) revealed that, monthly electricity charges were being levied and paid for at the higher rate of ₹ 375 per lamp applicable for SVL on semi high mast instead of ₹ 100 per lamp applicable for SVL. This had resulted in excess payment of street light charges of ₹ 16.52 lakh in the three Grama Panchayats.

The excess payment of electricity charges made by the GPs over a long period point to the weakness in internal control mechanism of the GPs. The GPs could have detected the excess demand raised by the KSEB if they had conducted timely verification of the invoice cards with the tariff rates for street lights.

Government stated (October 2010) that matter had been taken up with KSEB for remedial action.

⁴ Regional Agro Industrial Development Co-operative of Kerala Limited

⁵ Thavinhal GP (₹ 2.60 lakh), Pulpally GP (₹ 8.58 lakh), Chengottukave GP (₹ 5.34 lakh)

4.5 Unfruitful investment on working women's hostel

Non completion of a working women's hostel in Municipal Corporation, Kozhikode, even after eight years despite spending ₹ 29.33 lakh led to non fulfillment of objective apart from lapse of Central assistance of ₹ 44.10 lakh.

The Municipal Corporation, Kozhikode took up the construction of a working women's hostel (estimated cost at 1992 Schedule of Rate: ₹ 80 lakh) at Mankave to accommodate 210 women under the Government of India (GOI) Scheme 'Assistance for construction of hostel building for working women'. GOI sanctioned (1995-96) grant-in-aid of ₹ 63 lakh of which the Municipal Corporation obtained (June 1996) ₹ 18.90 lakh. The Municipal Corporation also availed (July 1998 and October 1998) loan of ₹ 23.33 lakh from HUDCO⁶ for the work.

The Director of Municipal Administration accorded (May 1996) administrative sanction and the Superintending Engineer, Greater Cochin Development Authority issued (June 1996) technical sanction for the construction of the building. The work was entrusted (August 1997) to M/s Kerala State Construction Corporation Limited (KSCC), a State Government undertaking, at the agreed PAC⁷ of ₹ 1.36 crore, stipulating the period of completion as one year. Though the Municipal Corporation handed over the site to KSCC in September 1997, KSCC could not carry out the work till January 2000. A group of individuals filed a suit against the construction of the hostel as it involved demolition of the existing dispensary building. KSCC demanded (May 2000) increase in rates and requested for extension of time for completion of the work. The Municipal Corporation did not consider increase in rates, but the time for completion was extended (October 2001) till June 2002. KSCC, after completing the RCC frame work of the ground floor and a portion of the first floor, stopped the work following a suit between KSCC and their sub contractor. KSCC did not resume the work till November 2006. Though KSCC was bound to complete the work within the extended time of completion, the Municipal Corporation did not take any action against them. The building still remains incomplete (February 2011). The payment made to KSCC up to May 2002 amounted to ₹ 18.95 lakh. The Municipal Corporation also paid (April 1997 – June 2002) ₹ 10.38 lakh towards interest on the loan availed from HUDCO.

The Municipal Corporation had not made any request to GOI for release of further instalments presumably due to stoppage of work. This had resulted in lapse of GOI assistance of ₹ 44.10 lakh. Inordinate delay in completion of the project was indicative of the weak internal control mechanism existing in the State Government in monitoring timely implementation of a GOI Scheme.

The laxity on the part of the Municipal Corporation to terminate contract with KSCC in June 2002 at their risk and cost rendered the expenditure of ₹ 29.33 lakh unfruitful for more than eight years. As a consequence, the benefit of the hostel building could not be provided to the working women.

⁶ M/s Housing and Urban Development Corporation

⁷ Probable Amount of Contract

The matter was referred to Government in July 2010; reply has not been received (May 2011).

4.6 Unfruitful financial assistance to DWCUA units

Financial assistance of ₹ 51.04 lakh granted by Community Development Society in Kollam Corporation to 41 DWCUA units was rendered unfruitful as the units were closed down after working for two to six years.

The scheme for Development of Women and Children in Urban Areas (DWCUA) is a sub scheme of Urban Self Employment Programme (USEP) coming under the Swarna Jayanti Shahari Rozgar Yojana (SJSRY). The scheme is aimed at providing assistance to groups of urban poor women for setting up gainful self employment ventures. A DWCUA group consisting of at least 10 urban poor women is entitled to subsidy of ₹ 1.25 lakh or 50 per cent of the cost of the project whichever is less. Where the DWCUA group sets itself up as a thrift and credit society, in addition to its other entrepreneurial activity, the group/ thrift and credit society shall also be entitled to a lump sum grant of a maximum of ₹ 0.25 lakh as revolving fund at the rate of ₹ 1000 per member.

The Community Development Society (CDS) in Kollam Corporation granted financial assistance of ₹ 76.04 lakh (subsidy: ₹ 73.34 lakh; revolving fund: ₹ 2.70 lakh) to 60 DWCUA units during the period from 1999-2000 to 2006-07 for setting up gainful self employment ventures. After working for two to six years, 41 of these units became defunct mainly due to lack of training to the members before commencement of units, non co-operation among members and absence of marketing facility to market the products of the units. Thus, the financial assistance of ₹ 51.04 lakh granted to the 41 DWCUA units remained largely unfruitful.

SJSRY guidelines for project administration envisaged appointment of (i) a community organiser at community level (for implementation and monitoring the progress of self employment ventures), (ii) a project officer at town level (for co-ordinating the activities of the CDSs) and (iii) a District Project Officer at District level (for effective implementation of urban poverty alleviation initiatives in all urban areas falling within the District). These mechanisms were not put into place in Kollam Corporation resulting in poor implementation and monitoring of the scheme which eventually led to closure of most DWCUAs.

Government stated (October 2010) that the Corporation would impart training in developmental activities, skill upgradation etc. to members of the DWCUA units which are to be formed as per the modified SJSRY guidelines. Government also stated that the Corporation had decided to re-organise the defunct units and effectively monitor all the units to be formed in future.

4.7 Unproductive investment due to improper planning

Failure of District Panchayat, Kottayam to provide necessary infrastructural facilities for a mechanised defibering unit resulted in rusting of the machinery rendering the investment of ₹ 24.12 lakh on the project unproductive.

District Panchayat, Kottayam (DPK) got approval (February 1999) from District Planning Committee for 'Establishment of a mechanised defibering

unit' for producing coconut fibre from raw coconut husk (estimated cost: ₹ 27.23 lakh). The unit was proposed to be established in 1.60 acres of land owned by Chemmanakari Coir Vyavasaya Co-operative Society Limited (Society) in Kulasekharamangalam Village. As the project was not started, it was continued as a spill over project in 2001-02 (estimated cost: ₹ 24.20 lakh).

In July 2001, the Society purchased alternative site for establishing the unit, as the ground of original site was not hard enough to install and operate the machinery. The District Panchayat purchased machinery worth ₹ 10.60 lakh in March 2002 though the machinery was required only after completion of the construction of the building with necessary infrastructural facilities. As per the agreement entered into (March 2001) with the supplier of machinery, ₹ one lakh was payable as advance on execution of the agreement and further amount up to 90 per cent was to be released on erection, commissioning and satisfactory trial run of the machinery. The balance 10 per cent was payable after one year from the date of trial run. However, 90 per cent of the total cost of the machinery amounting to ₹ 9.54 lakh was paid (including advance of ₹ one lakh paid in March 2001) to the supplier immediately on procurement of the machinery in March 2002, without conducting trial run. The balance 10 per cent was not paid. The construction of the building which commenced in March 2002 was completed only in March 2005 at a cost of ₹ 10.76 lakh. Total expenditure incurred on the project amounted to ₹ 24.12 lakh (December 2008).

The Coir Project Officer, Vaikom reported (August 2006) to the Secretary of the District Panchayat that the unit could not start functioning pending completion of works relating to compound wall, well and tank for soaking the husks. The District Panchayat, however, did not take any decision to execute these works. In the meantime, the machinery rusted due to idling for seven years. The technical expert who inspected the unit in March 2009 opined that technology of the unit was obsolete, the electric motors installed were not working and that it was not possible to get spare parts of the machinery. As such, expenditure of ₹ 9.54 lakh incurred on the machinery had become infructuous and the expenditure of ₹ 24.12 lakh incurred on the unit was rendered unproductive.

The District Panchayat erred in the procurement of the machinery long before completion of the building which caused its rusting and the consequent infructuous expenditure of ₹ 9.54 lakh. The District Panchayat's failure to complete the civil works in time also contributed to the infructuous expenditure on the machinery.

The Secretary, District Panchayat, stated (June 2010) that orders were placed for the machinery before commencement of construction of the building with the intention of installing it immediately on completion of the building. But, the construction was delayed due to change of proposed site. The reply does not explain the reason for not taking any action to install the machinery and make it operational even after completion of the building in March 2005.

The matter was referred to Government in July 2010; reply has not been received (May 2011).

4.8 Wasteful expenditure under a discontinued scheme

Thiruvananthapuram Municipal Corporation took up a project under a discontinued scheme without ensuring availability of funds resulting in wasteful expenditure of ₹ 71.78 lakh.

Thiruvananthapuram Municipal Corporation (TMC) Council decided (February 2003) to construct Community Development Society (CDS) residential training centre at Attukal under National Slum Development Programme (NSDP). The training centre was intended for imparting training to resident community volunteers belonging to BPL category/other core group members, organising training programmes of CDS/other municipalities, conducting classes for empowerment of women neighbourhood groups in slum areas, etc. The final plan of the building was got prepared by a private firm in June 2006 for an estimated cost of ₹ 1.82 crore for which administrative and technical sanctions were accorded in October 2006 and January 2007 respectively.

The work was entrusted (October 2006) to M/s Kerala State Nirmithi Kendra, Thiruvananthapuram (NKT) an accredited agency, for an estimated amount of ₹ 1.82 crore. An amount of ₹ 36 lakh (20 per cent of the estimated cost) was paid (January 2007) as advance to NKT in terms of the Memorandum of Understanding (MoU) made with them. The period of completion of the work was not specified though it was to be fixed by mutual consent as per the MoU. The site was handed over in March 2007. After completing the work of 102 piles for foundation in December 2007, NKT stopped the work demanding revision of estimate (which was prepared based on 2004 Schedule of Rates) as per the prevalent market rates for the balance works. The Secretary, TMC requested (March 2008) Government in the Local Self Government Department to give directions to NKT to complete the work at the agreed rates or to allow payment at revised rates. No reply has, however, been received from Government (March 2010).

Audit scrutiny revealed the following:

- The kinds of infrastructure that could be taken up under NSDP and the conditions for implementation of works are detailed in the guidelines of the scheme. The decision of the Municipal Council was against the guidelines of the scheme as the guidelines did not envisage taking up major works such as construction of a three storied CDS residential training centre for an estimated cost of ₹ 1.82 crore under NSDP.
- The guidelines stipulate that action plan shall be presented separately in the annual budget as well as in the plan write up for the approval of District Planning Committee (DPC). This was not done. Approval of DPC as required under Kerala Municipal Act, 1994 was also not obtained for the project. The Secretary of the TMC was responsible for these lapses. The Director of Urban Affairs also failed to ensure compliance with these prior requirements before release of fund.
- NKT had completed only the work of 102 piles. For piling works the estimate was only ₹ 40.78 lakh. NKT was, however, paid ₹ 66.54 lakh

(₹ 36 lakh as advance and ₹ 30.54 lakh in CC I & Part). This has resulted in over payment of ₹ 25.76 lakh.

- As per the MoU, TMC was to deposit with NKT 20 per cent of the estimate amount as advance before starting the work and balance amount was payable on submission of part bills by NKT. However, while making payment of the first part bill the advance amount was not adjusted.
- Technical sanction for the work (estimate ₹ 1.82 crore) was accorded by the Corporation Engineer who was in the rank of a Superintending Engineer. Only the District Level Technical Committee with Superintending Engineer as convener (equivalent to Chief Engineer) was competent to accord technical sanction for works costing more than ₹ 45 lakh and upto ₹ 2 crore.
- NSDP was discontinued in December 2005 consequent upon launching of Integrated Housing and Slum Development Programme (IHSDP). The Member Secretary, CDS of TMC reported (June 2006) that the amount available with CDS for commencing the work was only ₹ 70 lakh as against the estimated cost of ₹ two crore (approx.) for the work. Though the Executive Director, Poverty Eradication Mission (Kudumbasree), in turn, sought clarification (July 2006) as to how it was proposed to meet the balance amount in view of the fact that NSDP was discontinued from December 2005, there was no response from CDS. Due to shortage of funds in the NSDP account the first part bill (₹ 30.54 lakh) of NKT was paid from Own Fund of the Corporation.
- As per NSDP guidelines the Director of Poverty Eradication Mission was in charge of monitoring the implementation of NSDP. The Director of Urban Affairs (the erstwhile Director of Municipal Administration) was also to monitor the physical and financial progress of projects under the scheme. No records were available either with the Director of Poverty Eradication Mission or with Director of Urban Affairs to show that they had monitored the implementation, physical and financial progress of the work, which indicated the weak monitoring mechanism that existed in the Directorate of Poverty Eradication Mission/Directorate of Urban Affairs. Reasons for non-monitoring the project called for from the Director of Poverty Eradication and the Director of Urban Affairs in March 2011 are awaited.

Thus the project was taken up under a discontinued scheme without ensuring availability of funds and in violation of the scheme guidelines. The work was at a standstill since January 2008 and the chances of resuming the work are very remote. As such, the expenditure of ₹ 71.78 lakh incurred on the work had become wasteful.

The matter was referred to Government in July 2010; reply has not been received (May 2011).

4.9 Idle investment on three wheelers intended for collection of solid waste

Failure of Municipal Corporation Kollam to provide necessary infrastructural facilities led to idling of 57 auto three wheelers at the supplier's yard for more than one year and consequent idle investment of ₹ 1.11 crore.

The City Level Steering Committee of Municipal Corporation Kollam (MCK) decided (January 2008) to purchase 57 auto tipper three wheelers for solid waste management project. The Project Manager, Project Implementation Unit of Kerala State Urban Development Project (KSUDP) Kollam invited (March 2008) tenders for the supply of 57 auto tipper three wheelers. Out of five bids received, the lowest bid for ₹ 1.11 crore approved by the Empowered Committee and the Corporation Council was accepted. Accordingly, the Project Manager, KSUDP placed (June 2008) orders with the lowest tenderer (supplier) for supply of 57 vehicles. The vehicles were supplied in November 2008 after registration. KSUDP paid 90 per cent of the cost of the vehicles in November 2008 and balance 10 per cent in February 2009.

MCK executed (November 2008) an agreement with the supplier to keep the vehicles in the supplier's yard up to January 2009 which was further extended up to April 2009, due to lack of facilities to park the vehicles. The suppliers had intimated (April 2009) the Secretary, MCK that they were not in a position to extend the period beyond April 2009 due to non availability of space for their business purpose. It was also stated that the supplier would not be responsible for any damage caused to the vehicles if they were not taken delivery on or before 25 April 2009. MCK did not make any action to take delivery of the vehicles by arranging appropriate parking space. Moreover, no arrangements were made for door to door collection of waste which would have enabled the effective use of the vehicles. As such, 57 brand new auto three wheelers were lying idle in the supplier's yard since November 2008 leading to idle investment of ₹ 1.11 crore. The one year warranty period of the vehicles has also expired.

On this being pointed out (February 2010) in audit the Deputy Director (Finance), KSUDP, stated that simultaneous tendering was done for both the packages for Solid Waste Management viz., compost plant and land fill and vehicles. Award of work for compost plant was delayed due to non receipt of tenders and that the plant was expected to be completed by May 2010. The project implementation unit went ahead with procurement of vehicles as there was enough response to that package. It was further stated that KSUDP would only provide one time support for procuring plants and machinery and it was the duty of MCK to put the vehicles to use for the routine waste collection and removal operations. Secretary, MCK stated (August 2010/ March 2011) that the construction of the plant had been completed and out of the 57 auto three wheelers procured, 15 had since been taken over by Kollam Corporation and the vehicles were being operated by trained women of Kudumbasree units. The remaining 42 vehicles were still lying at the yard of the supplier due to non availability of space to park these vehicles.

The matter was referred to Government in July 2010; reply has not been received (May 2011).

4.10 Undue financial benefit to bank

Irregular implementation of EMS Housing Scheme by Erumapetty Grama Panchayat resulted in undue financial benefit to bank and denial of intended subsidy to beneficiaries.

State Government launched (2008-09) the 'EMS Housing Scheme' with the objective of providing subsidy for (i) purchase of land and construction of houses to all landless BPL families and (ii) construction of houses to all houseless BPL families. The scheme was to be implemented through Local Self Government Institutions (LSGIs). The funds required for giving subsidy were to be met from Development Expenditure Fund, Own Fund, General Purpose Fund, loan from banks, donation, etc. The repayment of loan was to be made from the Development Expenditure Fund.

Under the scheme, Erumapetty Grama Panchayat (GP) formulated a project of giving subsidy for construction of houses at the rate of ₹ 50000 each to 170 beneficiaries belonging to the general category, availing loan from Thrissur District Co-operative Bank (Bank). The project was approved by District Planning Committee in October 2008.

The Erumapetty Branch of the Bank disbursed (between 20 February 2010 and 15 July 2010) loan of ₹ 52.31 lakh in instalments (based on stage certificate) to 130 beneficiaries identified by the GP. Even before disbursing the loan by the Bank in February 2010, the GP repaid ₹ 34.06 lakh (₹ 15.60 lakh in June 2009 and ₹ 18.46 lakh in January 2010) from the Development Expenditure Fund. The agreement executed (February 2009) with the Bank stipulated that the Bank was to give credit for the amount repaid to the individual loan accounts. As against ₹ 34.06 lakh repaid by the GP in June 2009 and January 2010, the Bank had given credit for ₹ 1.20 lakh only (principal plus interest) to the individual loan accounts of six beneficiaries and that too by the end of March 2010. This had resulted in undue financial benefit to the Bank.

Audit scrutiny (September 2009/ July 2010) further revealed the following:

- The subsidy available for general category was originally ₹ 50000 only. The GP decided (June 2009) to authorise the Bank to provide assistance to the beneficiaries at the rate of ₹ 45000 only after adjusting ₹ 5000 towards interest on the ground that interest would not be available from Government. But in supersession of the orders issued earlier, Government revised the scheme guidelines in November 2009, according to which the beneficiaries under general category were entitled to a maximum subsidy of ₹ 75000 with effect from April 2009 and the entire interest burden was to be borne by Government. Though subsidy was given by the GP only from February 2010 onwards, the GP disbursed maximum subsidy of only ₹ 45000 to the beneficiaries as against the admissible subsidy of ₹ 75000.
- Out of ₹ 34.06 lakh repaid by the GP, ₹ 1.20 lakh was adjusted towards principal and interest in respect of six beneficiaries and the balance of

₹ 32.86 lakh was lying in the suspense account at Bank without earning any interest. The GP had not taken any action to clear the suspense account even as of July 2010.

- As per the guidelines, the GP was to open a joint account at the bank wherefrom loan was availed, in the name of the President and the implementing officer. The loan amounts received in stages from the bank, funds received from different sources (Development Expenditure Fund, Own Fund, General Purpose Fund, etc.) were to be deposited in this account and the admissible financial assistance was to be transfer credited to the bank accounts of the beneficiaries on the basis of stage certificate. However, the GP did not open any joint account nor earmark funds from other sources. Instead, the subsidy was made available to the beneficiaries as loan direct from the bank.

Government stated (June 2011) that orders have been issued to recover the loss of ₹ 1.03 lakh from the officers and members of the Panchayat who were responsible for the loss. But the reply is silent about the remaining issues raised in audit.

4.11 Unfruitful expenditure on establishment of computer network system

Investment of ₹ 24.40 lakh made by Kasaragod District Panchayat on establishment of computer network system remained unfruitful for the last four years due to defects in the software developed by the contractor firm.

Kasaragod District Panchayat proposed (2003-04) a project, viz., Education network system to utilise the potential benefits of Information Technology to upgrade the standard of education by co-ordinating the activities of various schools in the district. The State Planning Board sanctioned (February 2004) the project for implementation.

The Secretary of the District Panchayat was the implementing officer of the project. A Technical Committee was constituted (March 2004) to ensure the completeness of the Software Requirement Specifications. The Secretary, District Panchayat invited (March 2004 and August 2005) tenders for supply and installation of hardware and application software for Educational Offices and Schools in the District. Based on the recommendation of the Technical Committee, a firm supplied (March 2004 and March 2006) main server, computers, software, UPS, printers etc costing ₹ 24.40 lakh and installed these items in 12 Educational Offices and 27 Schools. Even though the computers and software were installed in all the Educational Offices, Government Schools and District Panchayat, the connectivity between server installed in the District Panchayat and the computers in the various offices/schools could not be established due to defects in the software developed by the firm. According to the Memorandum of Understanding, the District Panchayat was required to pay the firm only after successful functioning of the software. The Secretary, however, released (March 2004/ March 2006) full payment of ₹ 24.40 lakh to the firm without obtaining evaluation report from the Technical Committee. Though the firm agreed to rectify the defects

in the software before June 2007, they did not initiate any action to rectify the defects even as of August 2010.

The failure of the District Panchayat to evaluate the software before making payment rendered the investment of ₹ 24.40 lakh for the establishment of computer network system in the schools and education offices unfruitful for the last four years. Besides, the objective of the project to upgrade the standard of education remained unfulfilled.

The matter was referred to Government in September 2010; reply has not been received (May 2011).

4.12 Unfruitful expenditure on construction of old age home and day care centre

An old age home constructed at a cost of ₹ 30.01 lakh remained unutilised for the last four years as the project was conceived without considering its necessity in the locality.

The District Panchayat (DP), Pathanamthitta formulated a project (estimated cost: ₹ 19 lakh) during 2005-06 for construction of buildings for day care centres for infants belonging to the scheduled castes at four different parts of the district using SCP⁸ fund. The District Planning Committee (DPC) approved the project in July 2005. The DP instead decided (January 2006) to construct an old age home and day care centre at Kunnida in Enadimangalam Grama Panchayat utilising the entire amount set apart for all centres on the plea that sufficient land was not available for day care centres at different locations and accorded administrative sanction for construction of a two-storey building at an estimated cost of ₹ 28.50 lakh. DPC approved the revised project in January 2006. The DP also formulated (December 2005) a project (estimated cost: ₹ 8.52 lakh) for construction of a road to the proposed old age home and day care centre. Though the DPC approved only ₹ one lakh for construction of the road, the Technical Committee accorded Technical sanction for ₹ 25.50 lakh. While the construction was in progress, the DP revised (January 2007) the estimate of the building to ₹ 33.24 lakh and that of the road to ₹ 31.85 lakh for which they had not obtained the approval of the DPC. The construction of the building was completed in October 2006 at a cost of ₹ 30.01 lakh and the road in December 2007 at a cost of ₹ 28.78 lakh. The DP had not taken any action to provide basic amenities like water supply, electric connection, furniture and kitchen in the building (February 2011).

As the DP could not utilise the building either as old age home or as day care centre they transferred (May 2009) the responsibility of running and maintaining the old age home to Enadimangalam Grama Panchayat. The Secretary, DP stated (August 2010) that ₹ five lakh has been included in the annual plan (2010-11) for providing basic amenities and that the building was being used for Grama Sabha meetings, medical camp and other common activities connected with the inhabitants of the SC colony. Utilising the SCP

⁸ Special Component Plan (Fund meant for SC population)

Fund meant for the benefit of SC population to construct a building for occasional use of the Grama Panchayat was not justified.

The DP constructed a large scale old age home and day care centre without properly assessing the need and suitability of location. The DP also did not plan the deployment of staff and the source of income to meet the recurring expenditure in running the institution. The DPC also approved the works in a routine manner without insisting on feasibility/ assessment reports. The above-mentioned deficiencies rendered the expenditure of ₹ 30.01 lakh on the building unfruitful for the last four years.

The matter was referred to Government in September 2010; reply has not been received (May 2011).



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Appendix I

Functions of Standing Committees

(Reference: Paragraph 1.4.1; Page 4)

(a) Standing Committees in a Grama Panchayat

(i) *Standing Committee for Finance* shall deal with the subjects of finance, tax, accounts, audit, budget, general administration, appeal relating to tax and subjects not allotted to other Standing Committees.

(ii) *Standing Committee for Development* shall deal with the subjects of development planning, socio-economic planning, spatial planning, agriculture, soil conservation, social forestry, animal husbandry, dairy development, minor irrigation, fisheries, small-scale industry, public works, housing, regulation of building construction, electricity etc.

(iii) *Standing Committee for Welfare* shall deal with the subjects of development of scheduled caste / scheduled tribe, development of women and children, social welfare, social security, slum improvement, poverty alleviation, public distribution system, public health sanitation, education, art and culture and entertainment, water supply (drinking water), sewerage and environment.

(b) Standing Committees in a Block Panchayat

(i) *Standing Committee for Finance* shall deal with the subjects like finance, accounts, audit, budget, general administration and subjects not allotted to other Standing Committees.

(ii) *Standing Committee for Development* shall deal with the subjects like development planning, socio-economic planning, agriculture, animal husbandry, minor irrigation, fisheries, small scale industry, public works, housing, electricity and maintenance of water shed.

(iii) *Standing Committee for Welfare* shall deal with the subjects like development of scheduled caste / scheduled tribe, development of women and children, social welfare, poverty alleviation, public health, education, art, culture and entertainment and environment.

(c) Standing Committees in a District Panchayat

(i) *Standing Committee for Finance* shall deal with the subjects like finance, accounts, audit, budget, general administration and subjects not allotted to other Standing Committees.

(ii) *Standing Committee for Development* shall deal with the subjects like development planning, socio-economic planning, agriculture, soil

conservation, animal husbandry, minor irrigation, fisheries, small scale industry, electricity etc.

(iii) Standing Committee for Welfare shall deal with the subjects like social welfare, development of women and children, development of scheduled caste / scheduled tribe and eradication of poverty.

(iv) Standing Committee for Public Works shall deal with the subjects like public works, housing, spatial planning and environment.

(v) Standing Committee for Health & Education shall deal with subjects like public health and education.

The Standing Committees of the Panchayats may perform such other powers and functions of the Panchayat as may be entrusted to it by the Panchayat in addition to the powers and duties conferred on it by rules made in this behalf.

(d) Standing Committees in a Municipality

(i) Standing Committee for Finance

- shall supervise the utilisation of the budget grants and watch carefully the timely assessment and collection of taxes, fees, rents and other sums due to the Municipal Council;
- shall inspect frequently the accounts of the Municipal Council;
- shall watch carefully the release of grants by the Government and its proper utilisation;
- shall conduct monthly audit of accounts and check the monthly demand, collection and balance and abstract of receipts and expenditure of the preceding month as furnished by the Secretary;
- shall scrutinise the annual accounts, demands, collection and balance;
- shall prepare and present the budget estimate before the council under Section 286;
- shall verify whether any amount proposed to be expended by the Municipal Council is within the budget provisions approved by the Council and whether there is sufficient fund for this purpose;
- may, subject to such rules as may be prescribed, write off such sums due to the Council as appear to the Committee as irrecoverable.

(ii) Standing Committee for Development shall deal with matters of agriculture, soil conservation, social forestry, animal husbandry, dairy

development, minor irrigation, fisheries, small scale industry, co-operation and institutional finance and shall prepare the development plans for the Municipal Council integrating the proposals of other Standing Committees.

(iii) Standing Committee for Welfare shall deal with matters relating to the welfare of women and children, development of scheduled castes / scheduled tribes, social welfare, social security pension and financial assistance, poverty alleviation, slum improvement and public distribution system.

(iv) Standing Committee for Public Works shall deal with the subjects like public works, housing, town planning including regulation of building constructions, environment, electricity, water supply, drainage and sewerage.

(v) Standing Committee for Health & Education shall deal with the matters of public health and health services, sanitation, control of dangerous and offensive trade, education, art, culture and sports etc.

(e) Standing Committees in a Municipal Corporation

(i) Standing Committee for Finance

- shall supervise the utilisation of the budget grants and watch carefully the timely assessment and collection of taxes, fees, rents and other sums due to the Municipal Corporation;
- shall inspect frequently the accounts of the Municipal Corporation;
- shall watch carefully the release of grants by the Government and its proper utilisation;
- shall conduct monthly audit of accounts and check the monthly demand, collection and balance and abstract of receipts and expenditure of the preceding month as furnished by the Secretary;
- shall scrutinise the annual accounts, demands, collection and balance;
- shall prepare and present the budget estimate before the Council under Section 286;
- shall verify whether any amount proposed to be expended by the Municipal Corporation is within the budget provisions approved by the Council and whether there is sufficient fund for this purpose;
- shall enquire into the allegations against the employees of the Municipal Corporation if directed by the Council and bring the result of it to the notice of the Council;
- may, subject to such rules as may be prescribed, write off the sums due to the Council as appears to the Committee as irrecoverable.

(ii) Standing Committee for Development shall deal with matters of agriculture, soil conservation, social forestry, animal husbandry, dairy development, minor irrigation, fisheries, small scale industry, co-operation and institutional finance and shall prepare the development plans for the Municipal Corporation integrating the proposals of other Standing Committees.

(iii) Standing Committee for Welfare shall deal with the matters of welfare of women and children, development of scheduled castes / scheduled tribes, social welfare, social security pension and financial assistance, slum improvement, poverty eradication and public distribution system.

(iv) Standing Committee for Public Works shall deal with matters of public works, housing, electricity, water supply, drainage and sewerage.

(v) Standing Committee for Health & Education shall deal with the matters of public health and health services, sanitation, education and sports.

(vi) Standing Committee for Town planning shall deal with matters of town planning including regulation of building constructions, environment, urban beautification, promotion of art and culture and preservation of monuments and places and buildings of archaic importance, heritage value and natural beauty.

(vii) Standing Committee for Appeal relating to Tax shall dispose of appeals on taxation and give directions to the Secretary to levy tax in respect of cases which escaped assessment and to reassess under-valued cases.

Appendix II

Different funds operated by LSGIs

(Reference: Paragraph 2.1.1; Page 10)

Category of fund	Description
A	Category 'A' funds renamed as 'Development Expenditure Fund' are plan funds provided by the State Government to PRIs from the State annual plan outlay to carry out projects formulated by the PRIs under People's Plan Campaign. The Funds are allocated from the Non - plan grants of the State Government. The share of each PRIs is predetermined every year as detailed in the Budget Estimates of the State Government.
B	Category 'B' funds consist of Plan and Non-plan funds for implementation of State schemes transferred to PRIs and State share of Centrally Sponsored Schemes. The major State Sponsored Plan Schemes are Educational assistances to Scheduled Castes and Self employment programmes under Rural Development whereas distribution of unemployment wages, agricultural workers pension, widow pension, etc are the Non-plan schemes. The share of each PRI is not provided in the budget and is decided by the Head of the Department to which the scheme relates. The allotment of funds to PRIs are made by the District officers of the Department concerned.
C	Category 'C' funds are Non-plan grants provided by the State Government to meet the expenditure on maintenance of assets of PRIs. Funds are provided separately for the maintenance of road and non-road assets under separate heads of accounts.
D	Category 'D' funds are General Purpose Funds (GPF) provided by the State Government for meeting general expenditure including the expenditure on traditional functions of PRIs.
E	Category 'E' funds consist of grants received from GOI for implementation of Centrally Sponsored Schemes, funds from World Bank, Asian Development Bank etc. and funds received from District Collector (for flood relief/drought relief), Literacy Mission, etc. The funds under this category are disbursed to the PRIs through agencies such as Poverty Alleviation Units (PAUs), State Poverty Eradication Mission (SPEM), Kerala Sustainable Urban Development Project, Chief Town Planner, District Collector, etc. The funds are to be deposited and utilised as specified by the fund provider.
F	Category 'F' funds consist of tax and non-tax revenue of PRIs which are also known as 'Own Funds'. Property tax, Profession tax, Entertainment tax, Advertisement tax and Timber tax constitutes tax revenue. Non-tax revenue consists of licence fees, registration fees etc leviable under the Acts. The PRIs except District Panchayats and Block Panchayats are empowered to collect the above tax and non tax revenues. This category also includes income derived from assets of PRIs, beneficiary contributions, earnest money deposits, retention money etc. However, income from transferred assets and institutions could be utilised only for their maintenance.
G	Category 'G' funds consist of all funds which do not come under any other category. This includes loans from Housing & Urban Development Corporation (HUDCO), Kerala Urban & Rural Development Finance Corporation (KURDFC), Kerala State Co-operative Bank (KSCB), etc; utilisation of which was governed by instructions/ guidelines issued by the competent authority from time to time.

Appendix III

Delay in submission of AFS
(Reference: Paragraph 2.3.1; Page 17)

Sl. No.	Name of LSGI	Year	Due date for sending AFS	Date of Sending AFS	Delay in months
1	Koothali GP	2006-07	31.7.2007	20.2.2008	6
2	Meppayoor GP	2005-06	31.7.2006	30.5.2007	10
3	Maruthamkara GP	2005-06	31.7.2006	24.10.2007	14
4	Keezhariyoor GP	2006-07	31.7.2007	24.1.2008	5
5	Valayam GP	2005-06	31.7.2006	12.7.2007	12
6	Thondernadu GP	2004-05	31.7.2005	4.5.2007	21
7	Thavinhal GP	2004-05	31.7.2005	21.11.2006	15
8	Kayakkodi GP	2005-06	31.7.2006	28.11.2006	3
9	Vellamunda GP	2005-06	31.7.2006	19.12.2006	4
10	Pathanamthitta DP	2006-07	31.7.2007	22.1.2008	5
11	Nedumbram GP	2004-05	31.7.2005	22.11.2006	15
12	Pathanamthitta Municipality	2001-02	31.7.2002	23.5.2005	33
13	Poothrika GP	2004-05	31.7.2005	16.4.2007	20
14	Edavanakkad GP	2006-07	31.7.2007	12.9.2007	1
15	Chottanikkara GP	2005-06	31.7.2006	31.5.2007	10
16	Manjalloor GP	2006-07	31.7.2007	26.10.2007	2
17	Varappetty GP	2006-07	31.7.2007	2.11.2007	3
18	Muvattupuzha BP	2004-05	31.7.2005	7.12.2007	28
19	Muvattupuzha Municipality	2001-02	31.7.2002	20.12.2004	28
20	Ayyappankoil GP	2005-06	31.7.2006	14.5.2007	9
21	Kumaramangalam GP	2004-05	31.7.2005	21.3.2007	19
22	Erattayar GP	2005-06	31.7.2006	29.11.2006	3
23	Mariyapuram GP	2005-06	31.7.2006	20.9.2007	13
24	Upputhara GP	2005-06	31.7.2006	27.1.2007	5
25	Chakkupallam GP	2005-06	31.7.2006	13.11.2006	3
26	Chinnakanal GP	2005-06	31.7.2006	3.2.2007	6
27	Arakkulam GP	2005-06	31.7.2006	10.7.2007	11
28	Niramaruthur GP	2004-05	31.7.2005	2.1.2006	5
29	Elamkulam GP	2006-07	31.7.2007	14.1.2008	5
30	Nediyiruppu GP	2005-06	31.7.2006	15.6.2007	10
31	Thazhakode GP	2005-06	31.7.2006	30.5.2007	9
32	Vazhayur GP	2004-05	31.7.2005	28.12.2006	16
33	Nannambra GP	2004-05	31.7.2005	30.11.2006	15
34	Pulpatta GP	2004-05	31.7.2005	27.3.2006	7
35	Marakkara GP	2004-05	31.7.2005	27.7.2007	23
36	Edakkad GP	2005-06	31.7.2006	31.5.2007	10
37	Pattiam GP	2005-06	31.7.2006	19.2.2007	6
38	Pazhayakunnummal GP	2006-07	31.7.2007	21.11.2007	3
39	Kadakkavur GP	2006-07	31.7.2007	23.11.2007	3
40	Porkulam GP	2001-02	31.7.2002	28.11.2003	15
41	Eriad GP	2001-02	31.7.2002	13.9.2006	49
42	Kattakambal GP	2005-06	31.7.2006	28.4.2007	8
43	Kuzhur GP	2005-06	31.7.2006	31.1.2007	6
44	Kavasseri GP	2005-06	31.7.2006	26.2.2007	6
45	Elappully GP	2006-07	31.7.2007	8.2.2008	6
46	Pattanchery GP	2005-06	31.7.2006	25.9.2006	1
47	Thrithala BP	2004-05	31.7.2005	18.6.2007	22
48	Kakkodi GP	2005-06	31.7.2006	11.1.2007	5
49	Sooranad North GP	2005-06	31.7.2006	28.7.2007	11
50	Kanthalloor GP	2004-05	31.7.2005	1.6.2007	22
51	Koottikkal GP	2004-05	31.7.2005	5.1.2007	17
52	Mutholy GP	2005-06	31.7.2006	13.8.2007	12
53	Kottayam GP	2004-05	31.7.2005	31.1.2007	17
54	Peringalam GP	2004-05	31.7.2005	30.12.2006	16

Appendix IV

Transactions not included/ short accounted in AFS

(Reference: Paragraph 2.3.1; Page 17)

Sl. No.	Name of LSGI	Year	Transaction	Receipts (₹ in lakh)			Expenditure (₹ in lakh)		
				Actual	Acco unted	Short	Actual	Acco unted	Short
1	Pulpatta GP	2004-05	Jalanidhi	162.54	0.00	162.54	157.99	0.00	157.99
2	Poothrika GP	2004-05	Bank interest	0.18	0.00	0.18	0.00	0.00	0.00
3	Muvattupuzha BP	2004-05	IAY	16.68	0.00	16.68	14.53	0.00	14.53
4	Koovappady BP	2004-05	SGRY	5.43	0.00	5.43	4.85	0.00	4.85
			Bank interest	0.66	0.00	0.66	0.00	0.00	0.00
5	Meppayur GP	2005-06	Bank interest	0.07	0.00	0.07	0.00	0.00	0.00
6	Mariyapuram GP	2005-06	Bank interest	0.37	0.11	0.26	0.00	0.00	0.00
			Jalanidhi	67.49	0.00	67.49	67.49	0.00	67.49
			Rural Pool Grant	9.18	8.04	1.14	0.00	0.00	0.00
			VTC	5.60	4.20	1.40	0.00	0.00	0.00
			Drainage Tax	4.90	0.00	4.90	0.00	0.00	0.00
			Market Receipts	1.25	0.00	1.25	0.00	0.00	0.00
			Water rates	0.92	0.00	0.92	0.00	0.00	0.00
7	Marayoor GP	2005-06	SGRY	6.01	0.00	6.01	6.01	0.00	6.01
8	Koothali GP	2006-07	Bank interest	0.51	0.24	0.27	0.00	0.00	0.00
9	Koovapady GP	2006-07	Bank interest	0.44	0.42	0.02	0.00	0.00	0.00
10	Vakkom GP	2006-07	SGRY	2.76	2.26	0.50	0.00	0.00	0.00
11	Kadakkavoor GP	2006-07	SGRY	6.62	3.07	3.55	0.00	0.00	0.00
Total				291.61	18.34	273.27	250.87	0.00	250.87

Appendix V

List of LSGIs which did not prepare statements forming part of AFS
(Reference : Paragraph 2.3.1; Page 17)

Sl. No.	Name of PRI	Year
1	Marakkara GP	2004-05
2	Nannambra GP	2004-05
3	Pattanchery GP	2004-05
4	Pulpatta GP	2004-05
5	Puthenchira GP	2004-05
6	Thondernadu GP	2004-05
7	Vazhayur GP	2004-05
8	Koovappady BP	2004-05
9	Muvattupuzha BP	2004-05
10	Chottanikkara GP	2005-06
11	Arakkulam GP	2005-06
12	Edarikkode GP	2005-06
13	Kavassery GP	2005-06
14	Kuzhur GP	2005-06
15	Pattiam GP	2005-06
16	Thazhekcode GP	2005-06
17	Valayam GP	2005-06
18	Elappully GP	2006-07
19	Manjallur GP	2006-07
20	Pallivasal GP	2006-07
21	Pathanamthitta DP	2006-07

Appendix VI

List of LSGIs in which the opening/ closing balance of AFS did not agree with opening/ closing balance of cash book
(Reference : Paragraph 2.3.1; Page 17)

Sl. No.	Name of PRI	Year	Difference between AFS & Cash book figures of	
			Opening balance	Closing balance
1	Porkkulam GP	2001-02	0	304305
2	Kuttampuzha GP	2003-04	281	381
3	Koottickal GP	2004-05	4828	0
4	Kumaramangalam GP	2004-05	624227	267824
5	Marakkara GP	2004-05	0	1221543
6	Munnar GP	2004-05	1455804	2077617
7	Poothrika GP	2004-05	31	0
8	Arakkulam GP	2005-06	4584	200
9	Ayyappankoil GP	2005-06	0	2219699
10	Chinnakkanal GP	2005-06	754967	0
11	Kattakambal GP	2005-06	577	0
12	Kavassery GP	2005-06	523157	499611
13	Kodur GP	2005-06	0	200
14	Mariyapuram GP	2005-06	3248127	3279173
15	Pattanchery GP	2005-06	110	30412
16	Upputhara GP	2005-06	0	248980
17	Vettathur GP	2005-06	24737463	2207226
18	Elanji GP	2006-07	0	99489
19	Edavanakkad GP	2006-07	2497818	0
20	Elappully GP	2006-07	106524	0
21	Koothaly GP	2006-07	1.12	0
22	Manjalloor GP	2006-07	0	2
23	Ramamangalam GP	2006-07	110408	0
24	Ranni Angadi GP	2006-07	0	1242621
25	Kumbalangi GP	2006-07	219051	0
26	Sasthamkotta GP	2006-07	366137	0
Total			34654095.12	13699283
Grand total			48353378.12	

Appendix VII

**List of LSGIs which did not prepare monthly accounts
(Reference : Paragraph 2.3.2; Page 17)**

Sl. No.	Name of PRI	Year
1	Maneed GP	2004-05
2	Kumaramangalam GP	2004-05
3	Kanthalloor GP	2004-05
4	Nedumpuram GP	2004-05
5	Vazhayur GP	2004-05
6	Kavassery GP	2005-06
7	Marayur GP	2005-06
8	Vathikudy GP	2005-06
9	Chinnakkanal GP	2005-06
10	Arakkulam GP	2005-06
11	Meppayur GP	2005-06
12	Thazhekode GP	2005-06
13	Vettikkavala GP	2005-06
14	Elamkulam GP	2006-07
15	Koothaly GP	2006-07
16	Poruvazhy GP	2006-07
17	Kadakkavur GP	2006-07
18	Keezhariyur GP	2006-07
19	Pazhayakunnummel GP	2006-07
20	Pathanamthitta DP	2006-07
21	Rayamangalam GP	2007-08

Appendix VIII

Deficiencies in the maintenance of account registers
(Reference: Paragraph 2.3.3.1, 2.3.3.2, 2.3.3.3, 2.3.3.4; Pages 18, 19)

Erasure and over-writing in cash book (19 LSGIs)
Kuttampuzha GP (2003-04), Poothrika GP (2004-05), Kanthalloor GP (2004-05), Thennala GP (2004-05), Nannambra GP (2004-05), Kattakambal GP (2004-05), Thavinhal GP (2004-05), Puthenchira GP (2004-05), Koovappady BP (2004-05), Thrithala BP (2004-05), Mutholi GP (2005-06), Valayam GP (2005-06), Maruthomkara GP (2005-06), Kodur GP (2005-06), Thiruvegappura GP (2005-06), Vathikudy GP (2005-06), Alakode GP (2006-07), Pallivasal GP (2006-07), Kumbalangi GP (2006-07)
Daily closing of cash book not done (23 LSGIs)
Manjeri Municipality (2000-01), Pathanamthitta Municipality (2001-02), Porkulam GP (2001-02), Eriyad GP (2001-02), Kuttampuzha GP (2003-04), Poothrika GP (2004-05), Kanthalloor GP (2004-05), Pulpatta GP (2004-05), Kattakambal GP (2004-05), Puthenchira GP (2004-05), Muvattupuzha BP (2004-05), Koovappady BP (2004-05), Vathikudy GP (2005-06), Mariyapuram GP (2005-06), Upputhara GP (2005-06), Mutholi GP (2005-06), Valayam GP (2005-06), Kavassery GP (2005-06), Kuzhur GP (2005-06), Vellamunda GP (2005-06), Sasthamkotta GP (2006-07), Poruvazhy GP (2006-07), Elamkulam GP (2006-07)
Register of Advances not maintained (18 LSGIs)
Porkulam GP (2001-02), Kattakambal GP (2004-05), Muvattupuzha BP (2004-05), Koovappady BP (2004-05), Kumaramangalam GP (2004-05), Munnar GP (2004-05), Vazhayur GP (2004-05), Pulpatta GP (2004-05), Chottanikkara GP (2005-06), Pattiam GP (2005-06), Pattanchery GP (2005-06), Kuzhur GP (2005-06), Elanji GP (2006-07), Manjallur GP (2006-07), Varapetty GP (2006-07), Poruvazhy GP (2006-07), Puzhakkattiri GP (2006-07), Elappully GP (2006-07)
Improper maintenance of Asset register (14 LSGIs)
Pathanamthitta Municipality (2001-02), Marakkara GP (2004-05), Munnar GP (2004-05), Kooroppada GP (2004-05), Kattakambal GP (2005-06), Kuzhur GP (2005-06), Pattanchery GP (2005-06), Mariyapuram GP (2005-06), Chinnakkanal GP (2005-06), Alakode GP (2006-07), Parappur GP (2006-07), Puzhakkattiri GP (2006-07), Poruvazhy GP (2006-07), Pathanamthitta DP (2006-07)
Periodical verification of Stock items not done (21 LSGIs)
Muvattupuzha Municipality (2001-02), Porkulam GP (2001-02), Eriyad GP (2001-02), Munnar GP (2004-05), Kattakambal GP (2004-05), Thennala GP (2004-05), Pulpatta GP (2004-05), Marakkara GP (2004-05), Koovappady BP (2004-05), Thiruvegappura GP (2005-06), Chinnakkanal GP (2005-06), Sooranad North GP (2005-06), Chottanikkara GP (2005-06), Kodur GP (2005-06), Elamkulam GP (2006-07), Parappur GP (2006-07), Manjalloor GP (2006-07), Chengamanad GP (2006-07), Alakode GP (2006-07), Puzhakkattiri GP (2006-07), Elappully GP (2006-07)

Appendix IX

**Details of LSGIs which did not conduct physical verification of cash/
non-reconciliation of cash book balance**

(Reference: Paragraph 2.3.3.5; Page 19)

Physical verification of cash not done (49 LSGIs)		Non-reconciliation of cash book balance with bank pass book (29 LSGIs)	
Sl No.	Name of LSGI	Sl No.	Name of LSGI
1	Manjeri Municipality 2000-01	1	Manjeri Municipality 2000-01
2	Porkulam GP 2001-02	2	Munnar GP 2004-05
3	Eriyad GP 2001-02	3	Nannambra GP 2004-05
4	Kuttampuzha GP 2003-04	4	Kanthalloor GP 2004-05
5	Poothrika GP 2004-05	5	Poothrika GP 2004-05
6	Munnar GP 2004-05	6	Pulpatta GP 2004-05
7	Kanthalloor GP 2004-05	7	Puthenchira GP 2004-05
8	Nannambra GP 2004-05	8	Thondernadu GP 2004-05
9	Niramaruthur GP 2004-05	9	Koovappady BP 2004-05
10	Pulpatta GP 2004-05	10	Thrithala BP 2004-05
11	Puthenchira GP 2004-05	11	Kakkodi GP 2005-06
12	Thavinhal GP 2004-05	12	Kavassery GP 2005-06
13	Thennala GP 2004-05	13	Meppayur GP 2005-06
14	Thondernad GP 2004-05	14	Marayur GP 2005-06
15	Koovappady BP 2004-05	15	Mariyapuram GP 2005-06
16	Muvattupuzha BP 2004-05	16	Thiruvegappura GP 2005-06
17	Thrithala BP 2004-05	17	Upputhara GP 2005-06
18	Marayoor GP 2005-06	18	Vellamunda GP 2005-06
19	Kodur GP 2005-06	19	Edavanakkad GP 2006-07
20	Mariyapuram GP 2005-06	20	Elappully GP 2006-07
21	Chinnakkanal GP 2005-06	21	Koothali GP 2006-07
22	Upputhara GP 2005-06	22	Pallivasal GP 2006-07
23	Chottanikkara GP 2005-06	23	Poruvazhy GP 2006-07
24	Kavassery GP 2005-06	24	Puzhakkattiri GP 2006-07
25	Kuzhur GP 2005-06	25	Sasthamkotta GP 2006-07
26	Sooranad North GP 2005-06	26	Vakkom GP 2006-07
27	Thiruvegappura GP 2005-06	27	Pathanamthitta DP 2006-07
28	Arakkulam GP 2005-06	28	Rayamangalam GP 2007-08
29	Mutholy GP 2005-06	29	Elathur GP 2007-08
30	Kakkodi GP 2005-06		
31	Maruthomkara GP 2005-06		
32	Meppayur GP 2005-06		
33	Nediyirippu GP 2005-06		
34	Alakode GP 2006-07		
35	Elamkulam GP 2006-07		
36	Elappully GP 2006-07		
37	Keezhariyur GP 2006-07		
38	Koothali GP 2006-07		
39	Parappur GP 2006-07		
40	Sasthamkotta GP 2006-07		
41	Pallivasal GP 2006-07		
42	Puzhakkattiri GP 2006-07		
43	Manjalloor GP 2006-07		
44	Varapetty GP 2006-07		
45	Kumbalangi GP 2006-07		
46	Koovappady GP 2006-07		
47	Vakkom GP 2006-07		
48	Pathanamthitta BP 2006-07		
49	Elathur GP 2007-08		

Appendix X

Details of Central share of IWDP funds not received

(Reference: Paragraph 3.2.7.2; Page 49)

(₹ in lakh)

District/ block/ area	Estimated cost of project (Central share given in bracket)	Funds released					Month of expiry of project	Balance of Central share to be received
		Month	Instal- ment	Central share	State share	Total		
Kollam								
1. Anchal block/ 3047 ha	182.82 (167.59)	July 2005 February 2009	1 2	25.14 47.75	2.29	27.43 47.75	July 2010	94.70
2. Kottarakkara block/ 2218 ha	133.08 (121.99)	March 2006	1 2	18.30 35.55	1.66 3.23	19.96 38.78	March 2011	68.14
3. Chadayamangalam block/ 7899 ha	473.94 (434.45)	July 2006	1 2	65.17 129.22	5.92	71.09 129.22	July 2011	240.06
Kottayam								
1. Lalam block/ 5000 ha	300.00 (275.00)	July 2005 July 2010	1 2	41.25 81.03	3.75 7.50	45.00 88.53	July 2010	152.72
2. Madapally east/ 5000 ha	300.00 (275.00)	July 2005 March 2009	1 2	41.25 81.15	3.75 7.50	45.00 88.65	July 2010	152.60
3. Madapally west/ 10815 ha	648.90 (594.83)	March 2006 March 2010	1 2	89.22 174.25	8.11	97.33 174.25	March 2011	331.36
Malappuram								
Tirurangadi/ 5000 ha	300.00 (275.00)	November 2005 December 2007	1 2	41.25 81.30	3.75 7.39	45.00 88.69	November 2010	152.45
Total	2338.74 (2143.86)			951.83	54.85	1006.68		1192.03

Appendix XI

Utilisation of funds for Akshaya Computer Literacy Programme
(Reference: Paragraph 3.2.7.4(1); Page 51)

(₹ in lakh)

Sl. No.	Name of PRI	Amount deposited for Akshaya Computer Literacy Programme by the PRI	Amount utilised for Akshaya Computer Literacy Programme by the concerned Akshaya District Project Office	Balance of funds with the concerned Akshaya District Project Office
1	District Panchayat, Kollam	55.59	11.68	43.91
2	District Panchayat, Kottayam	44.65	3.03	41.62
3	District Panchayat, Kozhikode	64.90	34.78	30.12
4	Block Panchayat, Anchal	5.98	1.73	4.25
5	Block Panchayat, Ithikkara	5.00	2.25	2.75
6	Block Panchayat, Vettikkavala	9.21	2.12	7.09
7	Block Panchayat, Ettumanoor	4.79	0.36	4.43
8	Block Panchayat, Kaduthuruthy	3.98	0.17	3.81
9	Block Panchayat, Pallom	3.60	0.34	3.26
10	Block Panchayat, Chelannur	4.30	3.72	0.58
11	Block Panchayat, Koduvally	5.38	4.65	0.73
12	Block Panchayat, Kozhikode	5.32	3.90	1.42
13	Grama Panchayat, Chathannur	7.12	3.81	3.31
14	Grama Panchayat, Edamulakkal	5.74	1.80	3.94
15	Grama Panchayat, Melila	3.20	1.88	1.32
16	Grama Panchayat, Athirampuzha	6.70	0.48	6.22
17	Grama Panchayat, Manarkad	3.85	0.38	3.47
18	Grama Panchayat, Velloor	3.38	0.00	3.38
19	Grama Panchayat, Feroke	5.34	4.74	0.60
20	Grama Panchayat, Kakkodi	4.44	2.82	1.62
21	Grama Panchayat, Koodaranhi	2.50	1.59	0.91
Total		254.97	86.23	168.74

Appendix XII

Details of under-utilisation of Development Expenditure Fund
(Reference: Paragraph 3.2.8.1; Page 54)

(₹ in lakh)

Name of PRI	Year	Allotment for the year	Balance c/o from previous years	Total	Amount utilised	Percentage of utilisation	Deduction made
Kottayam DP	2008-09	1495.60	443.94	1939.54	797.46	41.12	460.70
	2009-10	1645.16	1142.08	2787.24	1582.94	57.00	-
Malappuram DP	2006-07	2023.64	-	2023.64	1234.49	61.00	384.42
	2007-08	2226.01	789.15	3015.16	1703.03	56.48	413.54
	2009-10	2279.94	1135.11	3415.05	1873.21	55.00	-
Ettumanoor BP	2008-09	132.23	28.91	161.14	104.86	65.08	5.03
	2009-10	145.49	56.28	201.77	155.91	77.27	-
Kozhikode BP	2006-07	144.42	-	144.42	88.62	61.36	26.96
	2008-09	147.62	44.02	191.64	105.67	55.14	31.72
	2009-10	192.08	85.98	278.06	195.21	70.20	-
Melila GP	2006-07	65.42	-	65.42	48.49	74.12	4.88
	2009-10	87.14	27.37	114.51	94.45	82.48	-
Chathannur GP	2006-07	76.85	-	76.85	58.05	75.54	3.43
	2008-09	89.60	26.70	116.30	70.11	60.28	5.49
	2009-10	102.35	46.20	148.55	133.14	89.63	-
Velloor GP	2006-07	65.23	-	65.23	43.18	66.20	9.01
	2007-08	71.77	22.05	93.82	52.44	55.90	15.33
	2008-09	69.96	41.38	111.34	42.29	37.99	35.02
	2009-10	71.55	69.04	140.59	92.08	65.50	-
Manarkad GP	2008-09	69.26	16.56	85.82	49.87	58.12	5.91
	2009-10	76.20	35.94	112.14	63.66	57.00	-
Vettathur GP	2006-07	77.92	-	77.92	59.65	76.55	2.21
	2008-09	92.11	25.41	117.52	69.71	59.32	4.75
	2009-10	103.78	47.81	151.59	78.59	51.84	-
Marakkara GP	2007-08	85.26	6.09	91.35	69.71	76.31	3.99
	2009-10	99.24	26.01	125.25	77.59	61.95	-
Nannammukku GP	2006-07	71.48	-	71.48	43.80	61.28	7.67
	2008-09	78.87	3.49	82.36	72.93	88.55	1.01
	2009-10	95.21	40.82	136.03	95.53	70.00	-
Feroke GP	2006-07	111.67	-	111.67	87.23	78.11	2.10
	2009-10	148.74	56.81	205.55	116.78	57.00	-
Total		12241.80	4217.15	16458.95	9360.68	56.87	1423.17

Appendix XIII

Details of under-utilisation of Maintenance Expenditure Fund
(Reference: Paragraph 3.2.8.1; Page 54)

(₹ in lakh)

Name of PRI	Year	Allotment	Unutilised balance of previous year	Total fund	Amount utilised	Percentage of utilisation	Amount deducted
Kottayam DP	2006-07	257.66	-	257.66	211.70	82.16	0.12
	2007-08	332.79	45.96	378.75	184.97	48.84	84.15
	2008-09	311.65	193.78	505.43	127.85	25.29	274.12
	2009-10	258.80	377.58	636.38	287.28	45.14	-
Malappuram DP	2006-07	428.44	-	428.44	274.85	64.15	67.90
	2007-08	598.88	153.60	752.48	476.33	63.30	49.15
	2008-09	450.50	276.15	726.65	441.55	60.77	149.19
	2009-10	521.10	285.10	806.20	600.43	74.48	-
Kozhikode DP	2008-09	480.95	71.57	552.52	441.39	79.89	21.75
	2009-10	778.48	111.14	889.62	698.65	79.00	-
Kollam DP	2006-07	312.29	-	312.29	217.48	69.64	44.22
	2007-08	446.60	114.16	560.76	383.60	68.41	45.90
	2008-09	333.66	177.16	510.82	310.45	60.78	64.56
	2009-10	369.76	200.37	570.13	425.14	74.57	-
Vettikkavala BP	2006-07	15.52	-	15.52	*	-	3.38
	2007-08	17.08	6.55	23.63	12.18	51.54	4.24
	2009-10	16.42	4.97	21.39	4.69	22.00	-
Anchal BP	2007-08	27.46	3.97	31.43	17.65	56.16	3.52
	2008-09	30.21	13.77	43.98	22.12	50.30	12.41
	2009-10	29.71	21.86	51.57	27.02	52.39	-
Kaduthuruthy BP	2007-08	15.52	1.41	16.93	6.89	40.70	4.07
	2008-09	17.07	8.77	25.84	17.73	68.61	2.94
	2009-10	14.70	8.11	22.81	16.31	71.50	-
Ettumanoor BP	2006-07	15.32	-	15.32	10.46	68.28	1.80
	2007-08	16.85	4.86	21.71	6.84	31.51	7.63
	2008-09	16.74	14.87	31.61	9.75	30.84	14.96
	2009-10	12.76	21.85	34.61	26.28	75.93	-
Pallom BP	2008-09	23.71	5.91	29.62	16.09	54.32	7.61
	2009-10	26.08	13.54	39.62	28.04	70.77	-
Perinthalmanna BP	2008-09	18.89	11.76	30.65	3.34	10.90	15.73
	2009-10	20.78	27.31	48.09	18.04	37.51	-
Kuttippuram BP	2007-08	15.48	1.66	17.14	9.31	54.32	2.68
	2008-09	17.03	7.83	24.86	9.66	38.86	7.75
	2009-10	16.05	15.20	31.25	12.54	40.13	-
Perumpadappa BP	2006-07	11.34	-	11.34	*	-	5.43
	2007-08	12.48	7.70	20.18	2.24	11.10	11.89
	2008-09	8.30	17.94	26.24	12.37	47.14	8.62
	2009-10	3.21	13.87	17.08	13.13	76.87	-
Chelannur BP	2006-07	15.15	-	15.15	*	-	1.01
	2008-09	17.32	5.15	22.47	17.92	79.75	0.06
	2009-10	20.16	4.56	24.72	15.24	61.65	-

* Information not furnished

(Appendix XIII conclud.....)

(₹ in lakh)

Name of PRI	Year	Allotment	Unutilised balance of previous year	Total fund	Amount utilised	Percentage of utilisation	Amount deducted
Kozhikode BP	2006-07	17.89	-	17.89	8.89	49.69	5.42
	2008-09	16.22	7.14	23.36	10.88	46.57	7.81
	2009-10	23.81	12.48	36.29	20.29	55.91	-
Melila GP	2006-07	21.37	-	21.37	15.08	70.57	2.71
	2007-08	23.50	6.28	29.78	17.73	59.54	5.31
	2008-09	23.15	12.05	35.20	26.60	75.57	3.32
	2009-10	23.13	8.60	31.73	26.45	83.36	-
Edamulakkal GP	2006-07	23.93	-	23.93	12.91	53.95	6.43
	2007-08	26.32	11.02	37.34	23.51	62.96	2.99
	2008-09	22.52	13.82	36.34	25.40	69.90	3.57
	2009-10	28.86	10.94	39.80	35.11	88.22	-
Chathannur GP	2006-07	31.96	-	31.96	12.11	37.89	2.65
	2008-09	19.65	6.57	26.22	19.34	73.76	6.88
	2009-10	24.53	6.87	31.40	26.65	84.87	-
Velloor GP	2006-07	20.38	-	20.38	9.01	44.21	7.29
	2007-08	22.42	11.37	33.79	18.07	53.48	5.58
	2008-09	17.37	15.72	33.09	7.32	22.12	19.15
	2009-10	21.54	25.78	47.32	24.78	52.37	-
Athirampuzha GP	2006-07	26.76	-	26.76	21.69	81.05	1.35
	2007-08	29.43	5.08	34.51	24.92	72.21	1.68
	2008-09	31.03	9.59	40.62	33.30	81.98	0.80
	2009-10	33.94	7.32	41.26	33.62	81.48	-
Manarkad GP	2007-08	22.09	0.82	22.91	12.96	56.57	3.33
	2008-09	24.30	9.94	34.24	24.82	72.49	4.95
	2009-10	23.39	9.42	32.81	32.34	98.57	-
Vettathur GP	2006-07	17.21	-	17.21	11.46	66.59	2.41
	2007-08	18.93	5.75	24.68	9.98	40.44	7.30
	2008-09	18.42	14.70	33.12	23.14	69.87	4.21
	2009-10	15.61	9.98	25.59	12.70	49.63	-
Marakkara GP	2007-08	27.26	1.36	28.62	6.87	24.00	13.16
	2008-09	29.99	21.75	51.74	29.40	56.82	12.03
	2009-10	19.83	22.34	42.17	24.77	58.74	-
Nannammukku GP	2006-07	20.52	-	20.52	4.43	21.59	9.90
	2007-08	22.65	16.15	38.80	11.22	28.92	13.94
	2008-09	15.01	27.58	42.59	17.55	41.21	15.53
	2009-10	13.46	25.05	38.51	21.02	54.58	-
Kakkodi GP	2006-07	20.80	-	20.80	15.55	74.76	2.17
	2007-08	22.88	5.25	28.13	21.31	75.75	0.89
	2008-09	23.00	6.82	29.82	26.05	87.36	0.23
	2009-10	26.80	3.77	30.57	27.28	89.24	-
Feroke GP	2006-07	24.03	-	24.03	18.86	78.49	1.70
	2007-08	26.40	5.14	31.54	23.25	73.71	1.02
	2008-09	27.34	8.29	35.63	15.46	43.39	13.05
	2009-10	30.92	20.17	51.09	29.74	58.21	-
Total		7373.45	2634.90	10008.35	6291.33	62.86	1105.55

Appendix XIV

Short levy of profession tax from institutions

(Reference: Paragraph 3.2.9.1; Page 56)

Name of Panchayat	Name of institution	Profession tax due from	Tax due up to 31 March 2010
Kakkodi (Kozhikode District)	(i)BSNL, (ii)Maveli Store, (iii)KSEB, (iv)Muthoot Mercantile, (v)Star Weaver's Workshop Co-operative Society	1 April 2005	62500
Koodaranhi (Kozhikode District)	(i)Koodaranhi Ksheerolpadaka Sahakarana Sangam (assessed from 1 st April, 2007), (ii)Kakkadampoyil Ksheerolpadaka Sahakarana Sangam (assessed from 1 st April, 2007), (iii)Koodaranhi Co-operative Rural Housing Society (assessed from 1 st April, 2007), (iv)Maveli Store, Koodaranhi, (v)BSNL, Koombara, (vi)KSEB, Uruni, (vii)Stella Mary English Medium School	1 April 2005	65000
Marakkara (Malappuram District)	(i)PMSA HSS, Pilathara, (ii)Al Huda English School, Kadampuzha, (iii)MES School, Poovanchira (assessed from 1 st April, 2009), (iv)Nuzrut School, Randathani, (v)Kerala State Civil Supplies Corporation, Tirur, Branch: Marakkara, (vi)Executive Engineer, Electrical Division, Tirur, Branch: Marakkara, (vii) BSNL	1 April 2005	85000
Velloor (Kottayam District)	(i)Maveli store, Velloor, (ii)Bhavans news print, Velloor, (iii)BSNL, Velloor	1 April 2005	37500
Manarkad (Kottayam District)	(i)BSNL, (ii)KWA, (iii)Maveli Store, (iv)St.Mary's ITC, (v)St.Mary's English Medium School	1 April 2005	62500
Athirampuzha (Kottayam District)	(i)KSEB, (ii)BSNL, (iii)Maveli store, (iv)KEEHSS, Mannanam, (v)Ettumanurappan college	1 April 2005	62500
Edamulakkal (Kollam District)	(i)BSNL, Ayoor, (ii)Sabari Super Market, Ayoor, (iii)Ayoor Ksheera Vyavasaya Co-op Society, (iv)St. Ann's School, Ayoor, (v)Cherupushpa Central School, Ayoor	1 April 2005	62500
Chathannur (Kollam District)	(i)BSNL, (ii)KSRTC, Chathannur, (iii)Vimala Central School, (iv)Sree Narayana Central School, (v)Sree Niketan Central School, (vi)Christos Marthoma Public School, (vii)Labham Market, Chathannur, (viii)KWA, (ix)KSBC, (x)MES Inst. of Technology	1 April 2005 1 April 2008 1 April 2006 1 October 2008 1 October 2009	12500 5000 10000 3750 1250
Melila (Kollam District)	(i)KSEB, Chengamanad, (ii)BSNL, (iii)Maveli Store, (iv)MPM ITC, (v)Vijaya school of Paramedical Science, (vi)BRM Central School Chettadi	--	75000
TOTAL	53		545000