

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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Thiruvananthapuram,
The

Countersigned



(VINOD RAI)
Comptroller and Auditor General of India

New Delhi,
The