

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 six performance/compliance audits and eight transaction audit paragraphs. Copies of draft performance and compliance audits and transaction audit paragraphs were forwarded to the Government and replies wherever received have been duly incorporated.

Accountability framework, finances and financial reporting issues of LSGIs

Though there has been improvement in investments in Infrastructure and Service sectors (except during 2012-13) which is a positive development, the amount spent in Productive sector like Agriculture, Animal Husbandry, Fishing, etc., registered the lowest of all values during the five year period 2008-09 to 2012-13. There was increase in other expenditure like salaries, honorarium, contingency expenditure, etc. The Development Expenditure Fund released to the Grama Panchayats was short by ₹ 132.40 crore due to mistake. With reference to the cost of the projects formulated, the percentage utilisation of funds in the LSGIs was only 47.32. The largest shortfall in the implementation of the projects was noticed in Corporations. There were shortcomings in the financial administration like budget preparation, submission of monthly progress reports, preparation of monthly accounts, etc.

(Chapter II)

Implementation of EMS Total Housing Scheme

The EMS Total Housing Scheme was launched in the State in 2008. The ultimate goal of the scheme was to provide land and house to all landless and homeless in Below Poverty Line category. The scheme was to be implemented by Local Self-Government Institutions (LSGIs) with the support of the Government. The fund required was to be met out of Development Expenditure Fund, Own Fund and General Purpose Fund of LSGIs and loans from Banks. The Scheme was implemented initially for a period of three years from 2008-09 to 2010-11 which was subsequently extended up to March 2012.

Performance of the scheme during the period 2008-09 to 2011-12 was poor as 90 per cent of the homeless families in urban area and 76 per cent in the rural area remain uncovered. Though the scheme intended to give topmost priority for providing land to the landless, this component of the scheme remained largely inoperative during the scheme period. Implementation of the scheme was hampered due to shortfall in mobilization of funds. As against the requirement of ₹ 5861.56 crore for the implementation of the scheme, the LSGIs mobilized only ₹ 1452.97 crore. Expenditure of ₹ 35.50 lakh incurred by Kollam Corporation for purchase of land and construction of houses had become wasteful as the land purchased was marshy and unsuitable for construction. As one LSGI had availed loan in excess of requirement, the Government had to bear avoidable interest burden of ₹ 14.97 lakh.

(Paragraph 3.1)

Asset Management by Urban Local Bodies

Good asset management is a vital part of an organisation to assure that they are providing optimum value. It covers acquisition/creation of assets including replacement, improvements and remodeling of buildings, roads and bridges as also their accounting, utilisation, maintenance and disposal. Under decentralisation, the Urban Local Bodies(ULBs) are entrusted with certain mandatory as well as general functions relating to drinking water supply, rural housing, education, poverty alleviation, solid waste management, health, sanitation, street lighting, etc. Consequent on the above devolution of powers and functions, the Municipalities have become the custodian of diverse range of assets. The performance audit of Asset Management by ULBs revealed shortcomings in the planning and decision making for creation, accounting, utilisation and disposal of assets.

Though management of solid waste and slaughtering of animals were the mandatory functions to be performed by the ULBs, either solid waste processing plant or slaughter house or both were not in operation in 12 ULBs. Construction of a building taken up by Alappuzha Municipality had to be stopped after spending ₹ 22.22 lakh as the Municipality did not ensure ownership on the land. Expenditure of ₹ 1.02 crore incurred on the creation of slaughter house, truck terminal and a women's hostel by Kottayam Municipality had not benefitted the public. Assets created under social/service sectors at a cost of ₹ 51.53 lakh by two ULBs (Kasaragod Municipality and Kozhikode Corporation) were remaining idle for two to four years. A mortuary constructed at a cost of ₹ 9.60 lakh by Thodupuzha Municipality had not been put to use due to non-completion of electrical works. Small Industries Service Institute, acquired by Shoranur Municipality at a cost of ₹ 56.27 lakh during December 2002, was never put to use due to lack of technical knowhow and manpower. Three Municipalities (Alappuzha, Kottayam and Shoranur Municipalities) had to suffer loss of revenue amounting to ₹ 1.21crore due to non-utilisation of rooms/non-realisation of rent in shopping complexes.

(Paragraph 3.2)

Implementation of Building Rules in Kochi Municipal Corporation

System for evolving a centralized database relating to building permits/unauthorized constructions, coordination among the sections, proper maintenance of prescribed registers and adequate vigilance mechanism were absent in Kochi Municipal Corporation (KMC). As a result, KMC could not properly exercise control over the construction activities in the municipal area. Violations of Kerala Municipality Building Rules (KMBR)/Structure Plan, compromising on safety/security requirements were noticed in the issue of building permits/ construction of buildings, which adversely affected the ecology/heritage character of the area. Violation of Coastal Zone Regulations were noticed in the case of 19 constructions, including high-rise buildings by the side of Chilavannur backwaters. Violations of KMBR/Structure Plan in issuing permits and construction of buildings in two cases resulted in revenue loss of ₹ 76.44 lakh. KMC was not properly monitoring the construction activities in the Conservation (Heritage) Zone of Fort Kochi.

(Paragraph 4.1)

Project implementation under Backward Regions Grant Fund Programme

Planning process for the implementation of Backward Regions Grant Fund (BRGF) Programme in Palakkad and Wayanad districts was deficient due to absence of baseline survey and participatory planning by Grama Sabhas and Ward Committees. There was laxity in providing training to the officials of Panchayat Raj Institutions/elected representatives of the districts. There were deficiencies in project management that led to delayed implementation, especially in Wayanad, where 72.65 per cent of works were not started or were at various stages of progress. Further, effective monitoring and evaluation was not in place in the districts.

(Paragraph 4.2)

Implementation of major components under Swarna Jayanti Shahari Rozgar Yojana

Though the guidelines of Swarna Jayanti Shahari Rozgar Yojana (SJSRY) were revised with a view to overcome the difficulties faced by the State in the implementation of the Scheme to make a dent on the urban poverty scenario, its implementation suffered setbacks. The constraints/difficulties in implementing the Scheme due to delay in preparation of action plan, rejection of bank loan applications, lack of follow-up with the financed beneficiaries to monitor the progress of their self-employment ventures as also non-survival of units set up etc., indicate a disturbing trend in achieving the primary objective of addressing urban poverty alleviation through gainful employment to urban unemployed/ underemployed poor. Even though sizeable funds were retained in the scheme accounts, the entire amount received under the scheme was shown as expenditure. The CDS Executive Committee and Kudumbashree did not discharge their responsibilities to monitor the implementation of the scheme effectively.

(Paragraph 4.3)

Implementation of projects under Hariyali

Majority of the activities executed under Hariyali were not helpful in meeting the prime objective of the scheme, viz., improvement in water conservation. The project implementation in Chadayamangalam alone was found to be in conformity with the guidelines. The Watershed Development Teams and Technical Support Agencies, who had a major role in the preparation of Detailed Action Plans (DAPs) and execution of projects, failed to identify water-harvesting projects while preparing the DAPs. In the absence of an effective system to monitor the implementation of the project at district level as well as state level, the Poverty Alleviation Units and Commissionerate of Rural Development could not ensure that the activities implemented under each project conformed to the guidelines.

(Paragraph 4.4)

Other Compliance Audit Observations

Audit of financial transactions subjected to test check in various LSGIs revealed instances of non-compliance with rules and provisions, blocking of funds, infructuous/unproductive expenditure, idle investment and other irregularities as mentioned below:

Failure of Kunnathumadu Grama Panchayat to assess Entertainment tax under Category E of the Entertainment tax slab resulted in short levy of Entertainment tax of ₹1.20 crore.

(Paragraph 4.5)

Non-compliance with the rules and provisions by Kalloorkkadu Grama Panchayat resulted in infructuous expenditure of ₹13.79 lakh on a meat and fish market and civil work of biogas plant.

(Paragraph 4.6)

Even before finalisation of list of beneficiaries/houses, the District Panchayat Palakkad transferred ₹89 lakh to the implementing agency for construction of houses for SC families, resulting in blocking of funds.

(Paragraph 4.7)

A working women's hostel remained unoccupied and in a neglected state ever since its completion in January 2003 due to lack of initiative from Pazhayannur Block Panchayat to publicise the facility leading to idle investment of ₹13.18 lakh.

(Paragraph 4.8)

A windrow composting unit set up at a cost of ₹29.99 lakh by Thrissur Municipal Corporation for treatment of chicken waste remained idle due to failure to tackle unhygienic conditions of the nearby slaughter house.

(Paragraph 4.9)

Pandikkad and Udayamperoor Grama Panchayats constructed buildings for establishing industrial units, without assessing the demand and financial capability of the people, resulting in available resources of ₹69.80 lakh being tied up in idle assets.

(Paragraph 4.10)

Expenditure of ₹67.24 lakh incurred by Thrissur Municipal Corporation on a tourism project remained unfruitful due to lack of planning and regular maintenance.

(Paragraph 4.11)

Valancherry Grama Panchayat initiated a Bio Fertilizer Project using bio-waste as feed, ignoring the opposition of the local people, resulting in unfruitful expenditure of ₹23.86 lakh.

(Paragraph 4.12)