

OVERVIEW

This report comprises four chapters of which Chapter I and II contain an overview of organisation, devolution, 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 by the Comptroller and Auditor General of India. Chapter III and IV contains three performance/compliance audits and five individual compliance audit paragraphs. Copies of draft performance and compliance audits and other compliance audit paragraphs were forwarded to the Government and replies, wherever received, are duly incorporated in this report.

ACCOUNTABILITY FRAMEWORK, FINANCES AND FINANCIAL REPORTING ISSUES OF LSGIs

Modified guidelines of the Twelfth Five Year Plan of LSGIs emphasised the need to give priority to projects under productive sector like Agriculture, Animal Husbandry, Fishing, Industries, etc. But the amount spent on productive sector during 2016-17 accounted for only 10.45 *per cent* of the total Development Expenditure and 8.15 *per cent* during the last five years 2012-13 to 2016-17, indicating that the LSGIs accorded low priority to productive sector. Out of ₹ 3,475.25 crore available for implementation of Centrally Sponsored Schemes, an amount of ₹ 813.46 crore was retained by State Level Nodal Agency/Poverty Alleviation Units/Kerala State Urban Development Project thereby defeating the purpose for which the funds were earmarked and released by Government of India/Government of Kerala.

Out of the Fourteenth Finance Commission (FFC) grant of ₹ 785.42 crore and ₹ 1,310.05 crore released during 2015-16 to 2016-17 respectively, ₹ 366.44 crore and ₹ 528.24 crore remained unutilised. Though the FFC and Ministry of Finance emphasised that no expenditure will be incurred out of the FFC grant except for basic services, an expenditure of ₹ 22.72 crore was incurred by 35 test-checked LSGIs for projects not meant for delivery of basic services. Similarly, ₹ 10.60 crore was utilised by these LSGIs for projects included in negative list issued by Government of India, Ministry of Panchayati Raj (December 2015), on which, expenditure from FFC grant was prohibited.

(Chapters I & II)

PLANNING AND IMPLEMENTATION OF WOMEN COMPONENT PLAN BY LOCAL SELF-GOVERNMENT INSTITUTIONS

During the Ninth Five Year Plan period, the Government of Kerala introduced Women Component Plan (WCP) at the Local Self-Government levels. The objective of the plan was to mobilise activities, which improve the social and financial status of women and to include projects that benefit women directly.

Though the project planning and subsidy guidelines for Twelfth Five Year Plan (2012-17) stipulated that 10 *per cent* of the Development Fund shall mandatorily be allocated under WCP, allocation and utilisation of WCP fund by the selected LSGIs was less than the mandatory limit of 10 *per cent* of Development Fund. Planning tools like gender analysis, gender segregated data and gender budgeting were not prepared and used for assessing the needs and requirement of women. There was inadequate intervention by forums like Special Grama Sabha/Working Group, which were to discuss the feasibility and necessity of various schemes. The actual utilisation of WCP fund for benefit of women was only 2.39 *per cent* of the Development Fund. Infrastructure worth ₹ 7.30 crore created by LSGIs for utilisation in women empowerment remained idle. Similarly, infrastructure worth ₹ 4.92 crore constructed using WCP fund was not being used for the purpose for which it was created. Jagratha Samithis meant to protect the rights of women and children were not functional in 10 out of 30 selected LSGIs.

(Paragraph 3.1)

IMPLEMENTATION OF KERALA LOCAL GOVERNMENT SERVICE DELIVERY PROJECT

Kerala Local Government Service Delivery Project (KLGSDP) is a World Bank assisted project of Government of Kerala (GoK) meant to enhance and strengthen the institutional capacity of the local government system in Kerala to deliver services and undertake basic administrative and governance functions more effectively and in a sustainable manner. The project covers all the Grama Panchayats and Municipalities in Kerala.

The objective of incrementally strengthening the institutional capacity of Local Self-Government Institutions (LSGIs), so that 70 *per cent* of LSGIs pass the performance assessment, was not achieved. Strengthening the capacity of LSGIs to absorb funds rather than diluting mandatory conditions would have resulted in better utilisation of fund. Delay in utilisation of funds led to extension of loan period for two years and non-receipt of loan amount to the tune of ₹ 45.45 crore. Lapses in implementation of works in two test-checked LSGIs resulted in unproductive expenditure of ₹ 1.60 crore. Capacity building programmes did not materialise even after lapse of five years since the commencement of the project. The day to day project management, co-ordination and monitoring of projects by Project Management Unit was ineffective. The three Committees constituted with the objective of providing guidance for implementation of the project did not meet as envisaged, resulting in lack of effective monitoring and oversight.

(Paragraph 4.1)

IMPLEMENTATION OF PROJECTS FOR SOLID WASTE MANAGEMENT IN PANCHAYAT RAJ INSTITUTIONS

Sections 219 A to X of Kerala Panchayat Raj Act, 1994, stipulate various provisions for Solid Waste Management (SWM) in Panchayat Raj Institutions (PRIs). Audit was conducted to ascertain whether the projects for the Management of Solid Waste by PRIs were implemented in accordance with the provisions in various Acts/Rules and orders of Government of India/Government of Kerala. Though the responsibility of SWM was vested with PRIs, they failed to optimally utilise the funds provided to them for this purpose. The schemes implemented by PRIs for household solid waste management were not successful, as the PRIs were not able to identify sufficient number of beneficiaries to implement the schemes. The assets created for solid waste treatment were not properly maintained leading to wasteful expenditure and unscientific disposal of waste resulting in pollution of land and water. None of the test-checked Grama Panchayats complied with various provisions in the Kerala Panchayat Raj Act, Plastic Waste Management Rule, 2016, etc., regarding house to house collection of waste, collection of e-waste and plastic waste, minimum price for plastic carry bags, etc. Failure of District Suchitwa Missions to monitor projects undertaken by PRIs led to large number of schemes remaining incomplete/not taken up.

(Paragraph 4.2)

OTHER COMPLIANCE AUDIT OBSERVATIONS

Audit of financial transactions subjected to test check in various LSGIs revealed instances of creating liability, unfruitful/avoidable expenditure as mentioned below:

Non-functioning of 27 e-toilets installed in 16 Grama Panchayats by Pathanamthitta District Panchayat resulted in unfruitful expenditure of ₹ 1.56 crore.

(Paragraph 4.3)

Five Local Self-Government Institutions created a liability of ₹ 38.40 lakh on account of non-collection of Service Tax from tenants.

(Paragraph 4.4)

Failure of Chapparapadavu Grama Panchayat to follow the prescribed procedure and lack of co-ordination with Government of Kerala and District Collector led to abandoning the work of reconstruction of the foot overbridge after incurring an expenditure of ₹ 25.20 lakh.

(Paragraph 4.5)

Pathanamthitta Municipality did not complete the project on Geographic Information System as per the conditions of agreement, which led to an unfruitful expenditure of ₹ 20 lakh.

(Paragraph 4.6)

Failure of Idukki District Panchayat in adhering to the provisions contained in the Guidelines for Procurement of Goods and Services led to an avoidable expenditure of ₹ 15.06 lakh on purchase of tri-scooters to differently abled persons.

(Paragraph 4.7)