

~~CHAPTER IV~~

~~TRANSACTION AUDIT~~

4.1 Kerala Information Network for Local Bodies

4.1.1 Introduction

With a view to facilitate easy and prompt communication between State Planning Board (SPB) and 1215 local bodies¹ for swift plan monitoring, Government launched a Project 'Kerala Information Network for local bodies' in August 1999. Networking, plan monitoring, service automation and training were the components of the project. The SPB initially implemented the project through Information Kerala Mission (IKM), constituted with inter-alia a group drawn from Centre for Development of Information Technology(C-DIT). IKM was headed by Executive Mission Director with Headquarters at Thiruvananthapuram. The administrative control of IKM was transferred from SPB to the Local Self Government Department (LSGD) in July 2001.

A review of the implementation of the project was conducted by Audit during February – July 2003 with reference to records in IKM headquarters, one Grama Panchayat² and two Municipal Corporations³. The bilingual data base in SQL⁴ Server in MS Access format was analysed using Computer Assisted Audit Technique and sample test method.

4.1.2 Absence of well-conceived Project Report

Project was not properly conceived at implementation stage

SPB submitted the proposal (estimated cost: Rs 47.25 crore) for the project to the Central Planning Commission in December 1998. Government sanctioned the Project for Rs 19.75 crore in August 1999 which was revised to Rs 26.59 crore in October 2000. The revised sanction did not reckon the costs for administration, training, and maintenance included in the earlier sanction. In July 2001, Government entrusted the purchase of hardware and software to local bodies and directed to limit the cost to the Central assistance of Rs 31 crore. In December 2002, Government decided to implement the project on a Public Private Participation (PPP) / Build Operate, Lease and Transfer (BOLT) mode. Though the decision would drastically reduce the cost of procurement of hardware and the off-the shelf software, the project cost was not revised suitably by excluding the cost of hardware, software and activities to be outsourced. In the absence of a well-conceived project report with component-wise cost, Government released funds on the basis of *ad hoc* proposals submitted by the Executive Mission

¹ Corporations: 5; Municipalities: 53; District Panchayat: 14, Block Panchayat: 152; Grama Panchayat: 991

² Vellanad

³ Kochi and Kozhikode

⁴ Structured Query Language

Director from time to time.

Government admitted (January 2004) that there were some ambiguities in completely demarcating all contours of the project at the start. It was stated (November 2004) that the final cost estimate of Rs 205.04 crore, including the components to be met through local bodies, was in the process of approval by Government.

4.1.3 Inconsistent procurement policy

Computers as a vital component of the project were not provided

Though the Project started in August 1999, there was delay in taking decision on procurement and also inconsistency regarding the mode of procurement of computers. It was only in December 2002 Government finally decided to provide computers to Local Bodies under BOLT mode. Though the notification inviting tenders for the supply of computers under BOLT mode was issued in July 2004, the final decision on purchase has not been taken by Government (February 2005). The computers, which are the vital component of the project, could not be provided for the last four years.

4.1.4 Non-utilisation of Central assistance

Release of Central assistance of Rs 24.33 crore lacked justification

Special Central assistance of Rs 33 crore (Grant: 30 *per cent*; Loan: 70 *per cent*) was received for the project during 1998-2001. The expenditure on the project upto March 2004 was only Rs 8.36 crore, which was less than the Central grant. While the entire loan amount remained unutilized, Government had to pay Rs 10.99 crore (up to March 2004) towards interest for the loan amount. Unutilised portion of the Central assistance of Rs 25.72 crore was released to IKM in March 2003 based on a proposal, which contained justification for activities for Rs 1.39 crore only. In view of the Government decision to provide computers under BOLT mode, there were no approved activities justifying immediate release of Rs 24.33 crore in March 2003 through Supplementary Grant.

Government stated (July 2004) that the unutilised Central assistance of Rs 25.72 crore released during March 2003, according to ways and means position, had been deposited in the PD account of the Director of Panchayats. As IKM had utilised only Rs 2.37 crore during 2003-04, there was no justification to release funds of that magnitude to them.

4.1.5 Wasteful expenditure on technical persons

Wasteful expenditure of Rs 69.78 lakh to train technical persons

For rendering technical support for implementation of the project, IKM appointed (between September 2000 and March 2001) 1353 selected persons as apprentice trainees for a period of one year from 1 April 2001. In June 2001, IKM retrenched them due to non-availability of computers in local bodies. As Government had already decided to implement the project on BOLT basis, the services of the trainees were no longer required. The expenditure of Rs 69.78 lakh incurred on selection, training and stipend to the apprentice trainees had become a waste.

The Government stated (November 2004) that the expenditure incurred on training of technical persons was insignificant compared to substantial cost benefits that would accrue from BOLT mode. The reply is not tenable as the wasteful expenditure represented 22% of funds earmarked for training (Rs 3.15 crore)

4.1.6 Absence of agreement with LSGD

Though the administrative control of IKM was transferred from the SPB to LSGD in July 2001, no fresh agreement was executed between C-DIT and LSGD for continuation of the project after 31 March 2001.

Government stated (November 2004) that steps were taken to sign the MoU between C-DIT and LSGD with effect from April 2001. Such agreement with retrospective effect will not serve the desired purpose.

4.1.7 Lack of supervision

Government constituted (August 1999) an Implementation Committee comprising of 16 members headed by the Minister for Local Bodies to oversee the implementation of the project and a Technical Committee comprising of 16 members to prepare the specification for equipment, documents for software and to decide on technology choice. The Implementation Committee met only four times between September 1999 and November 2000 and in April 2003 thereafter. The Technical Committee met only once in November 1999. The few number of meetings held by these Committees indicated that their working were not effective.

Government stated (September 2003) that the Implementation Committee, which met on 23 April 2003, had ratified all activities and expenditure for the period from 2001-02 to 2002-03. As the primary purpose of constitution of the Committee was to monitor and supervise the activities of the project, such ratification would not substitute supervision and prior approval.

On this being pointed out, Government stated (November 2004) that all major decisions during the period April 2001 to April 2003 had been taken at the Government level and the IKM Implementation Committee approved the other activities earlier. Evidently, there was a delay of more than two years in carrying out the activities due to inadequate supervision.

4.1.8 Delay in installation of software for Plan monitoring

A software *Sulekha* was developed in SQL Server for monitoring Plan schemes implemented through local bodies. LB Module of *Sulekha* intended for District/Block/Grama Panchayats, Municipalities and Corporations had not been installed even in the 214 local bodies where computers procured for other purposes were available.

New version of LB Module modified to suit tenth Plan schemes was not tested as of April 2004. The DPO Module meant for installation in District Planning

Working of
Implementation and
Technical committees
was ineffective

New versions of LB, DPO and SPB modules were not tested and installed

Offices (DPO) and SPB Module for installation in SPB were also to be tested and installed. In view of the delay in procuring hardware, the Government did not have any reliable information regarding the utilization of plan funds released to local bodies during IX Plan period even two years thereafter.

No attempt was made to compile the monthly progress report of Plan expenditure of local bodies at district level utilizing the computers at DPO and Block Development Office till the required network was in place in local bodies. The Government stated (November 2004) that a new mechanism for aggregating the Plan data using block level hardware and web based application would be operationalised shortly

4.1.9 Delay in development of software for Office Automation

Besides development of software for Plan monitoring, IKM was required to develop separate applications for (i) delivery of services such as issue of birth/death/marriage certificates and disbursement of destitute pension/unemployment wages (Sevana), (ii) demand & collection of about 80 sources of revenue (Sanchaya), (iii) administration of purchase and works (Sugama), (iv) preparing accounts (Samkhya), (v) automation of establishment functions (Sthapana) and (vi) work flow automation (Soochika). It was seen in audit that the applications Sevana, Sanchaya and Soochika had been installed in one Grama panchayat and the certificate module of Sevana in four Municipal Corporations. Though 24 programmers were engaged for software development for the past four years, the other applications were not in implementation stage as of April 2004. Government stated (January 2004) that staggered development was due to complexities involved in handling legacy, building up internal database and the learning curve of staff. But it was a fact that absence of specific time frame for implementation of the Project and inadequate supervision also contributed to the delay.

4.1.10 Inadequacies in software “Sevana” and “Sanchaya”

Birth/death/marriage registration module in “Sevana”

Under the manual system, the Registrar authenticated each registration of birth/death/marriage. Under the Computerised system, the primary data entered by the staff at the lowest level or back data got entered by outsourced agency was not validated at an upper level before finally saving the data. In the absence of suitable provision for validation of data at an upper level, there was a risk of issuing incorrect certificates, as the integrity of the data input cannot be vouchsafed.

Absence of provision for data validation at higher level

Absence of provision to prevent blanks in mandatory fields and duplicate records

Input/validation controls in the software were not adequate to ensure the entry of valid data and to eliminate the risk of accepting duplicate records. As a result, there were records in which dates of birth/death/marriage etc were blank or subsequent to the registration date and even the current date.

The Government stated (November 2004) that validation controls provided in the package had to be removed following widespread problems in data and plans to improve the existing databases in Corporations and Vellanad Grama Panchayat have been prepared.

Disbursement module in “Sevana”

Absence of provision to prevent selection of ineligible applicants

The Disbursement module was intended to select beneficiaries and disburse pension under different schemes and the unemployment dole. Minimum age and income of the applicant were the parameters for deciding the eligibility for certain pensions such as Old Age Pension, Agriculture Workers Pension etc. Test data entry made by audit to assess the performance of the application revealed that applicants with age of 22 years and the family income exceeding Rs 50,000 were allowed to be saved to the database for Old Age Pension.

Age and the documents submitted in support of age were unavoidable information without which an application for pension could not be processed. The record was saved even if the field ‘documents submitted in support of age’ was blank. Other important fields such as Pension No., Date of disbursement etc., were also blank in many records due to absence of validation control.

The Government stated(November 2004) that it was not possible to provide validation control for pension module as pension schemes were originally handled by various Departments and steps have been taken to overcome the limitations of the legacy data. As the objective of office automation was to eliminate such irregularities and to ensure transparency and accuracy, it was essential to provide validation controls to prevent selection of ineligible beneficiaries.

The Profession tax module in “Sanchaya”

No provision to capture date of service of demand notice

The profession tax module had no provision for (i) initiating penal action under Section 205 K of Kerala Panchayat Raj Act 1994 for non-payment of tax by Employer/Head of Office, (ii) capturing the date of service of demand notice, due date of remittance etc., which were essential for taking further action on demand not remitted (iii) follow up action on LPC in the case of transfer of employees (iv) accounting of penalty/fine recovered for belated payment (v) watching/initiating revenue recovery steps for collection of arrears in demand. Government stated (January 2004) that necessary provision would be incorporated while integrating Sanchaya with Sookhika in the next version of the software.

No provision to follow up demand

4.1.11 Absence of online transaction in Vellanad Grama Panchayat

Online transaction not implemented

Vellanad Grama Panchayat was one of the 5 Panchayats selected for Pilot-roll out of Plan Monitoring System. IKM installed one computer at the Panchayat on 24 November 2000 for the purpose. Five computers and one server provided by one local entrepreneur were installed on 13 January 2003. The Panchayat was declared as the first fully computerized Grama Panchayat on 25 January 2003.

Though the software Sevana, Sulekha, Soochika, and Sanchaya, were installed in the server, no transaction was done through computers online.

The Government stated (November 2004) that online operation of Soochika and Sevana had commenced. But online operation of Sulekha, Sanchaya and Samkhya is yet to start.

4.1.12 Non-involvement of staff and inadequate security controls

The software-Soochika installed for workflow automation, included a module for marking attendance by staff by logging in and logging out of the System. The staff were, however, not regular in marking attendance. As per the database different persons had logged on to the system 683 times between 12 August 2002 and 18 June 2003. But log out details were missing in 415 records. While user ID was not allotted to two persons currently working, five non-employees had logged on to the system. Data entry relating to Profession tax, collection of licence fees, pension disbursement was not current. IKM had been periodically updating the database on back data entry mode by engaging daily wage staff instead of utilising the services of Panchayat staff for current data entry.

Due to inadequate controls for authorizing and capturing system access logs, the security of the system cannot be vouchsafed.

The Government stated (November 2004) that Panchayat has taken steps to resolve inadequacies in marking of attendance by staff. It was also stated that the responsibility for updating data had been entrusted to Panchayat staff.

4.1.13 Defective maintenance of database

Analysis of electronic data kept in the server at Janasevanakendram at Vellanad revealed that the database contained several impurities as discussed below.

(i) Many fields such as date, name, place etc vital for generation of birth and death certificates were blank.

(ii) The Building Master table relating to property tax included 1423 houses under non-existent ward No.15, for which neither house numbers were assigned nor assessment particulars were available. The table containing 84809 records of Building tax assessment from 1993-94, first half onwards, included 58448 uncollected demands amounting to Rs 19,36,076 whereas the uncollected demand as per details furnished by the Secretary was Rs 4,89,545 only. Thus the database relating to assessee and demand was not accurate and reliable.

(iii) Employee Master table relating to Profession tax assessment contained 2117 records of which the vital fields such as transfer in date, transfer out date, date of relief and date of joining were blank in most of the cases. Due to omission to capture these vital data, any demand raised or demand collection and balance (DCB) prepared may not be accurate. Rs 8.5 lakh spent on data entry remained unfruitful due to non-completion of validation process even after one year.

**Missing log off details
of system access**

The Government stated (November 2004) that the Panchayat had been requested to initiate a process for correction of the data.

4.1.14 Ineffective computerisation in Urban Local bodies

Computerisation of Municipal corporations behind schedule

Computerisation of Kozhikode Corporation estimated to cost Rs 70.71 lakh was entrusted to IKM in March 2001 stipulating the period of completion as nine months. Though *Janasevanakendram** comprising of eight counters started functioning from January 2003, only the cash collection other than fee was computerised.

Software applications yet to be installed

The Kochi Corporation entrusted (June 2002) the computerisation of all functional areas to IKM. The project costing Rs 1.33 crore was to be completed within one year. But apart from the setting up of *Janasevanakendram* in January 2003 for issue of birth/death and marriage certificates using *Sevana*, no other software had been installed for online transaction. IKM did not fulfill its obligation to supply software relating to Plan Monitoring (*Sulekha*), Revenue Module (*Sanchaya*) to the Corporations. The software for disbursement of services - *Sevana* did not include the module for Pension disbursement. The birth and death registration at Kochi covered only four out of seven Zones of the Corporation. Certificates were issued on the same day, only if the data in computer matched the details in manual record. In Kozhikode Corporation, there was delay of three days in issuing birth and death certificates as the certificates were to be verified with the original records. Thus in both the Corporations, the databases were not reliable.

Certificates issued after verification of manual records

In Kozhikode, Property tax and other taxes were collected at the counter using software supplied by IKM. In the absence of database relating to assessee under the different sources of Revenue, the details of collection could not be updated in the ledger. Revenue collection by Bill Collectors was remitted in bulk at the counter but the details of assessees were not captured. The present system would only help to compile the collection of revenue on a particular day as IKM had not installed the software *Sanchaya* for revenue collection till date (April 2004).

The Government stated (November 2004) that *Sulekha* software has been supplied to all Corporations and the system of maintenance of stock of preprinted stationery had been put in place. But obligation on the part of IKM to install *Sanchaya* and *Sevana* (Pension Module) has not been fulfilled so far.

4.1.15 Improper maintenance of database on birth/death/marriage

Analysis of the electronic data kept in the server at *Janasevanakendrams*, Kochi and Kozhikode Corporations revealed the following:

In the data relating to birth at Kozhikode (306464 cases) and Kochi (196756 cases) Corporations, the vital fields such as date of birth (128 cases), reporting

* Public service centre

date (303 cases), sex of child (312 cases), registration date (188 cases) and child's mother's name (158 cases) were blank. The fields-date of birth and reporting date included future dates in 70 cases. There were 1723 pairs of duplicate records. In 2808 cases the date of registration was before the date of birth.

In the data relating to death in Kozhikode (67058 cases) and Kochi (67166 cases) Corporations the fields such as date of death (294 cases), registration date (359 cases), reporting date (359 cases), name of dead person (538 cases) etc were blank. The date of death included future dates in 64 cases and date of registration was before the date of death in 1008 cases. There were 125 pairs of duplicate records.

In respect of marriage data in Kozhikode (4651 cases) and Kochi (3310 cases) Corporations the vital fields such as registration date (115 cases), marriage reporting date (3111 cases), name of bride and bride groom (193 cases) place of marriage (682 cases) were blank. Date of marriage was after date of registration in 540 cases.

The Government stated (November 2004) that the improper maintenance of database was due to poor verification of records by Corporation staff and the process of verification by IKM was in an advance stage. The process of 100 *per cent* verification which was to be completed before commencement of Janasevanakendram in January 2003 is yet to be completed and hence the Corporation had resorted to manual verification of registration data defeating the very purpose of computerization.

~~4.2 Erroneous computation of rate for earth filling~~

~~Payment for earth filling with contractors' own earth at erroneous rates resulted in excess payment of Rs 40 lakh.~~

~~The Kerala Panchayat Raj (Execution of Public Works) Rules 1997 and the Kerala Municipality (Execution of Public Works and purchase of materials) Rules 1997 prescribe the procedures for execution of public works by Local Self Government Institutions (LSGIs). The Rules provide that LSGIs shall follow procedures applicable to the Public Works Department (PWD) in the case of matters not specified in these rules.~~

~~The rate for 'earth work filling with contractors' own earth' is arrived at by clubbing the rate for two components, namely, earth work excavation in ordinary soil and conveyance of the earth by lorry as provided in the Standard Data Book and Schedule of Rate respectively. The rate for earthwork excavation in ordinary soil, includes one lead and one lift. The rate for conveyance of earth by lorry also includes one lead and one lift at loading and unloading points. The Chief Technical Examiner Finance Inspection Wing, had instructed (April 1986/May 2004) that when the item 'earth work excavation' was clubbed in the item 'conveyance by lorry', the labour for one lead and one lift should be deducted~~