

CHAPTER I

ORGANISATION, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF LOCAL SELF-GOVERNMENT INSTITUTIONS

1.1 Introduction

The Seventy-third and Seventy-fourth amendments of the Constitution of India giving constitutional status to Local Self-Government Institutions (LSGIs), established a system of uniform structure, regular elections and flow of funds. Consequent to these amendments, the State Legislature passed the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act) to enable LSGIs to work as third tier of the Government. The Government also had amended other related laws to empower LSGIs. As a follow-up, the Government entrusted LSGIs with such powers, functions and responsibilities so as to enable them to function as Institutions of Local Self-Government. In order to fulfill the mandate bestowed on them under the Constitution and various laws, LSGIs are required to prepare plans and implement schemes for economic development and social justice, including those included in the Eleventh and Twelfth Schedules of the Constitution.

1.1.1 Status of transfer of functions and functionaries

As per the provisions of KPR Act and KM Act, it shall be the duty of LSGIs to take care of the requirements of the area of their jurisdiction in respect of the matters enumerated in the respective Schedules of the Acts, and LSGIs shall have the exclusive power to administer the matters enumerated in 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 Government to LSGIs together with the staff to carry out the functions transferred. The transfer of functions to different tiers of LSGIs was to be done in such a way that none of the functions transferred to a particular tier overlapped with that of the other.

The Eleventh Schedule of the Constitution contains 29 functions (**Appendix I**) pertaining to the Panchayat Raj Institutions (PRIs). As mandated by KPR Act, the Government had transferred (September 1995) 26 of these functions to PRIs. The functions relating to minor forest produce, distribution of electricity and implementation of land reforms were yet to be transferred to PRIs as the Government had not taken any decision in this regard. Likewise, the Twelfth Schedule of the Constitution contains 18 functions (**Appendix II**) pertaining to Urban Local Bodies (ULBs). The Government have transferred 17 functions mandated under KM Act to ULBs and the function relating to fire service was yet

to be transferred. Government has not furnished any reason for the non transfer of balance functions. In addition to the functions mandated under the Constitution and the State Local Bodies Acts, the LSGIs also undertake projects with the funds provided by World Bank, Asian Development Bank, Central and State Governments.

As part of administrative or functional decentralisation, Government have transferred public service delivery institutions such as schools, dispensaries, public health centres, hospitals, anganwadis, district farms, veterinary institutions etc., to the LSGIs. All poverty alleviation programmes and welfare pension schemes are implemented through local bodies.

For efficient discharge of functions, the LSGIs require availability of qualified and trained personnel. Against the required number of 1302 personnel to be deployed, only 500 personnel were deployed (February 2015) indicating lack of efforts on the part of the Government to fill vacant posts.

1.2 Profile of LSGIs

As of 31 March 2015, there were 1209 LSGIs in the State. The details of their area, population, etc., are presented in **Table 1.1**.

Table 1.1: Comparative position of LSGIs

Level of LSGIs	Number	Number of wards/divisions	Average area per LSGI (Sq.km.)	Average population per LSGI*
District Panchayats (DPs)	14	332	2651.70	1903357
Block Panchayats (BPs)	152	2095	244.24	175309
Grama Panchayats (GPs)	978	16680	37.16	26674
Municipal Corporations	5	359	95.60	491240
Municipalities	60	2216	23.65	51664
Total	1209	21682	-	-

Source: Panchayat Guide-2015 published by Local Self-Government Department

**Population figures- Census 2011*

1.3 Organisational set up

LSGIs constituted in rural and urban areas are referred to as PRIs and ULBs respectively. In the three-tier¹ Panchayat Raj system in the State, each tier functions independently of the other. While the Constitution and the Acts confer autonomy and independent status to the LSGIs within the functional domain, the Government in Local Self-Government Department (LSGD) is empowered to issue general guidelines to LSGIs in accordance with the National and State policies.

¹ Grama Panchayat, Block Panchayat and District Panchayat

The President/Chairperson/Mayor is the Chief Executive Head of LSGIs. Each LSGI has a Secretary who is the Chief Executive Officer. The members of each tier of PRIs 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.

1.3.1 Standing Committees

Standing Committees (SC) analyse issues and proposals before they are considered for taking a decision by the Panchayat Committees/Councils. There are four SCs for each GP and BP, five for each DP, six for each Municipality and eight for each Corporation. The SCs have the power to make resolutions in respect of their subjects. Every resolution passed by the SCs needs to be placed in the next meeting of the Panchayat Committee/Municipal Council of the LSGIs. The Committee/Council can modify resolutions, if considered necessary.

1.3.2 Steering Committee

Steering Committee coordinates and monitors the working of SCs. The Steering Committee consists of the President/Chairperson, Vice President/Deputy Chairperson of the LSGIs concerned and Chairpersons of the SCs.

1.4 Plan formulation process by LSGIs

Consequent on 73rd and 74th amendments to the Constitution and enactment of KPR and KM Acts in 1994, LSGIs have assumed an important role in the formulation and implementation of developmental programmes at the grassroots level which involve active participation of all sections of people in the form of Grama/Ward Sabha, Working Groups (WGs) and Development Seminars.

The LSGIs are to prepare every year a development plan for the succeeding year on the basis of the guidelines issued by the Government and submit to the District Planning Committee (DPC) before the date prescribed. The DPC scrutinizes and approves the plan prepared by the LSGIs.

In the decentralized planning set-up, WGs, Grama Sabhas, SCs, DPCs, Implementing Officers are the institutions/Groups involved in the plan formulation process and implementation.

Audit examination of the plan formulation process and implementation during 2014-15 by Alappuzha District Panchayat (DP), Mavelikkara Block Panchayat (BP), and Chettikulangara, Mavelikkara-Thekekkara and Chennithala-Thrippurumthura Grama Panchayats revealed the following:

1.4.1 Delay in finalization of projects

Section 175 (i) of KPR Act provides that the Panchayats are to prepare every year a Development Plan for the succeeding year and submit to the DPC before the date prescribed. Audit noticed that in all the LSGIs test checked, the plans were

formulated and obtained the approval of the DPC between 17th July 2014 and 18th August 2014 and not in the previous financial year (i.e., by March 2014) as mandated. The process of approval of the amended projects continued up to May 2015. Consequently, the LSGIs did not get one full year for the implementation of the project. This had resulted in delay in implementation/non implementation of the projects as 334 out of 790 projects were not executed.

1.4.2 Overlapping of functions

The functions of Panchayats at different tiers are defined in Schedules III, IV and V of KPR Act. Each tier of Panchayat should formulate projects relating to functions earmarked to it.

As per Schedule IV of the KPR Act, BPs are entrusted with the maintenance of village roads connecting more than one village Panchayat within the BP and other roads vested in the BP. However, Audit examination in Mavelikkara Block Panchayat revealed that 22 road projects formulated under infrastructure sector were neither connecting more than one GP nor vested with the BP.

The BP replied that as the maintenance on most of the roads connecting two or more Panchayats were taken over by PWD and District Panchayat, the maintenance works of above mentioned 22 roads were undertaken by them.

Similarly, Alappuzha DP had formulated 15 projects like creation of basic amenities for agricultural cultivation in barren land and other land and project for vermi-compost. Even though these projects were useful for agriculture, such projects are to be implemented by GPs. Cultivating waste land and marginal land, ensuring optimum utilization of land and production of organic manure are entrusted to GP vide Schedule III of the KPR Act. Implementation of above projects by the DP was against the provision of the Act.

All these projects were formulated and implemented after obtaining approval of DPC. The formulation of plans which were meant for other tiers and its approval by DPC, was in contravention of the provisions of the Act and therefore, encroaching the functions meant for other tiers.

1.4.3 Functioning of Working Groups

Working Groups are the most important constituents of the decentralized planning and they have a creative role in the formulation of development plans of LSGIs. The WGs consisting of officials, elected members, experts and activists in specified development sectors are required to be constituted by LSGIs every year. The vice-chairperson should be an expert in the sector concerned.

In Alappuzha DP, Audit noticed that vice-chairperson was not nominated in any of the WGs. Though the WGs were required to function as monitoring committee during the implementation of the projects, there was no evidence to show that the WGs had monitored the implementation of the projects in any of the LSGIs test checked. The WGs met only once in a year at the time of plan formulation.

On this being pointed out, the DP accepted the audit observation and stated that in future WGs would be asked to monitor the projects.

In Mavelikkara BP, a project for granting educational assistance to SC students was formulated for ₹15 lakh and expenditure of ₹2.75 lakh was incurred (18.33 per cent). As per KPR Act, the BP was entrusted with management of pre-metric hostels and promotion of co-operative societies only under the head SC/ST development and the beneficiary oriented projects were entrusted to GPs. Formulation of a project which was not entrusted to the BP was in violation of the provision of the Act. The Block Panchayat stated that they had formulated the project after discussion with Grama Panchayat authorities at the development seminar for plan formulation. But the Grama Panchayat could not give the required number of students as they had also formulated the same project. Audit observed that the reply of BP was not acceptable, as they should have ensured the availability of the beneficiaries before formulating the project. The BP had also failed to examine whether similar project was formulated by the GPs. The Working Group which was entrusted with the responsibility of advising the Standing Committee on plan formulation did not examine the necessity of the project and failed in ensuring the prerequisites of availability of eligible beneficiaries before formulating the project.

Similarly in Alappuzha DP and Chettikulangara GP, Special Component Plan (SCP) Fund was utilized for maintenance of roads situated outside the SC colony when the Guidelines stipulated that the utilisation of SCP funds was limited to roads within the SC colony only. This was due to the laxity on the part of WGs in advising the Standing Committees in plan formulation.

On this being pointed out, the DP and BP stated that the construction of road benefited the SC people staying on either side of the road. This reply is not tenable as the guidelines stipulated that SCP Fund should be used for road work situated inside the SC colony.

1.4.4 Grama Sabha

Grama Sabha is a forum to assess the felt needs of the people, to solve their problems, to decide how to use the available resources optimally in ways desired by them, and to benefit the beneficiaries of the Panchayat/Municipality through direct democratic and participatory planning.

The KPR Act, 1994 empowers the Grama Sabhas to formulate plan. They decide the priorities in planning and prepare the list of beneficiaries.

Audit noticed that in all the GPs test checked, Grama Sabhas meetings were not convened four times in a year as required by the Act. Audit also noticed delay up to seven months in the finalization of the beneficiary list in the Grama Sabhas. Since the finalization of beneficiary list was delayed, the implementing officers were provided with lesser time for implementation of projects. There was no documentary evidence to suggest that the Grama Panchayat had placed before the

Grama Sabha, a report relating to the developmental programmes and its expenditure, annual statement of accounts and the administrative report of the previous year, as required by the Act. This deprived Grama Sabhas of the opportunity to discuss the implementation of the previous year's projects.

Chettikulangara GP stated that Grama Sabha meeting was convened after the approval of the projects by the DPC and the beneficiary list was submitted in October 2014 for approval. Mavelikkara - Thekkekara GP stated that the delay in finalisation of beneficiary list was due to difficulty in locating beneficiaries who were actually interested in productive sector projects. In all the LSGIs test checked, 456 out of 790 projects formulated were executed.

1.5 Implementation of projects

The LSGIs were required to formulate projects under three sectors *viz.*, Productive Sector², Service Sector³ and Infrastructure Sector⁴. As per the Guidelines issued by the Government for plan formulation for LSGIs for 2012-17, priority was to be given for sustained growth of productive sector.

Section 175 (i) of KPR Act provides that the Panchayats are required to prepare every year a Development plan for the succeeding year and submit to the DPC before the date prescribed. Plans are required to be formulated after proper assessment of the development requirement and prospects of the projects. Audit scrutiny in the selected LSGIs revealed that out of 790 new projects formulated in the year 2014-15, 334 were not executed. Similarly, out of 268 projects taken up as spill over, 59 projects could not be executed. Delay in finalization of the plans up to four months, absence of beneficiaries and the unwillingness of the contractors to take up certain works under SCP were cited as reasons for non execution of the projects.

1.5.1 Implementation of projects under Infrastructure Sector

Guidelines issued by the Government had listed activities like construction of roads, bridges, bus stands and waiting sheds, walkways, office buildings, shopping complex, electrification of office buildings etc. to be taken up under infrastructure sector. The Guidelines also stipulated that the LSGIs should prepare a development plan for road and non-road assets owned and controlled by them by utilizing the maintenance fund and the own fund earmarked for the purpose.

Details of projects formulated and executed under infrastructure sector during 2014-15 by the LSGIs test checked are given in the **Table 1.2** below:

² Agriculture, Animal husbandry, Diary Development, Fisheries, Minor Irrigation, etc

³ Water supply, education, health, energy, etc.

⁴ Buildings, bridges, roads and other infrastructure

Table 1.2: Allotment vs Actual expenditure during 2014-15

Name of LSGIs	Projects formulated		Projects implemented		Percentage of implementation	
	Number	Amount (₹ in lakh)	Number	Amount (₹ in lakh)	Number	Amount
Alappuzha DP	268	2515.92	157	1253.14	58.58	49.81
Mavelikkara BP	32	162.55	26	144.17	81.25	88.69
Chettikulangara GP	67	195.55	38	96.27	56.72	49.23
Mavelikkara Thekkekara GP	69	166.28	42	77.74	60.87	46.75
Chennithala ThrippurumthuraGP	81	134.05	47	45.04	58.02	33.6

Thus the projects implemented were less when compared to the number of projects formulated due to delay in finalisation of projects and beneficiary list.

1.5.2 Implementation of projects under Productive Sector

The Guidelines issued by the Government emphasized the necessity to invest in productive sectors as implementation of projects in this sector is essential for the economic development of the people.

Audit noticed slackness in the implementation of projects under productive sector. During 2014-15, though the LSGIs in Kerala had formulated projects under productive sector to the tune of ₹1183.68 crore, the amount actually utilized was ₹493.10 crore only (41.66 per cent). Details of amount provided for projects formulated under productive sector and the actual expenditure incurred during 2014-15 by the LSGIs test checked is given in the **Table 1.3** below:

Table 1.3: Amount allotted and actual expenditure during 2014-15

Name of LSGIs	Amount allotted (₹ in lakh)	Expenditure incurred(₹ in lakh)	Percentage of expenditure
Alappuzha DP	1084.66	401.26	36.99
Mavelikkara BP	120.55	29.06	24.11
Chettikulangara GP	72.24	27.28	37.76
Mavelikkara Thekkekara GP	48.70	28.86	59.26
Chennithala Thrippurumthura GP	57.60	24.84	43.13

Audit observed that though the LSGIs had formulated projects under productive sector, actual expenditure incurred was very low. Audit examination revealed following factors responsible for low utilization of fund.

- Delay in finalization of the beneficiary list and lack of co-ordination in sharing the information among the various tiers of LSGIs.
- Formulation of projects without identifying the beneficiaries
- Necessity to produce caste certificate by the beneficiaries in every six months for the projects under SCP.
- Unwillingness to pay beneficiary contribution by the beneficiaries.
- Lack of infrastructure and difficulty in marketing the products
- Lack of awareness among the people about the projects organized by the LSGIs for their benefit.
- Lack of interest of people to engage in manual labour due to change of life style from agrarian to consumer.

The LSGIs accepted the audit observation and assured to look into the same.

1.5.3 Implementation of projects under Women component plan

The guidelines issued by the Government emphasised the need to earmark ten *per cent* of the development fund (general) and Special Component Plan/Tribal Sub Plan for women component plan for enhancing the employment and income, housing for families headed by women, construction of toilets for women in public places, etc.

During 2014-15, though the LSGIs in Kerala had formulated projects under Women Component Plan for ₹1072.69 crore, the amount actually utilized was ₹491.78 crore only (45.85 *per cent*). Verification of records in the test checked LSGIs revealed that even though required amount had been provided for women component plan during the period, Alappuzha DP and Mavelikkara BP had utilized only 76 and 56 *per cent* respectively of the allotted funds under the sector. Lack of eligible beneficiaries was the reason stated by the LSGIs for low expenditure. Reply is not acceptable as the LSGIs should have identified the beneficiaries at the time of formulation of project itself.

1.5.4 Implementation of projects under Special Component Plan

The LSGIs showed slackness in the implementation of projects for Scheduled Castes. Out of 191 projects formulated by the LSGIs test checked, only 107 projects were implemented by spending 11.78 *per cent* of total outlay allotted for the purpose. Lack of beneficiaries, delay in finalization of beneficiary list, contractors' reluctance to undertake development work in SC colony were the reasons stated by the LSGIs for non/partial implementation of projects. Audit observed that the LSGIs failed to ascertain the necessity, suitability and feasibility of the project and the availability of the beneficiaries before formulating the projects.

In Alappuzha DP, project for distribution of agricultural equipments to various SC groups for an amount of ₹1.2 crore could not be implemented due to non

availability of beneficiary list from the Grama Panchayats. Further, in Mavelikkara BP, a project meant for Educational Assistance to SC students could not be implemented fully in the absence of beneficiaries. The project was formulated without ensuring the availability of the adequate number of beneficiaries. Audit observed that the project was already implemented by the Grama Panchayats and hence beneficiaries could not be located. This shows lack of co-ordination among the various tiers of the PRIs.

1.5.5 Implementation of projects under palliative care and differently abled

It was a mandatory requirement for the LSGIs to provide five *per cent* of the Development Fund for Palliative care including projects for children, differently abled and senior citizens. Test check in the selected LSGIs revealed that Alappuzha DP and Mavelikkara BP had not incurred any expenditure during 2014-15 for palliative care and differently abled, though provision of funds was made in the annual plan. Absence of response even in re-tender and implementation of same program by the Health Department were the reasons for non-execution of the projects in Alappuzha DP. In the case of differently abled category, the delay in completing tender formalities was the reason for non-implementation of project. Mavelikkara BP did not give any reason for non-implementation of projects under the sector. Formulation of projects without ensuring the availability of beneficiaries and necessity of the projects shows the deficiency in the functioning of LSGIs.