

PREFACE

This report is prepared for submission to the Governor under Article 151 of the Constitution. The findings arising from performance audit and audit of accounts of Local Self Government Institutions (LSGIs) for the years up to 2002-03 were included in the Report (Civil) of the Comptroller and Auditor General of India (CAG). From 2003-04 onwards a separate Report of the CAG on LSGIs is prepared each year for inclusion of audit findings relating to LSGIs.

Chapter I of this Report contains an overview of the structure and finances of the LSGIs and related observations. In Chapter II, comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision to the Director of Local Fund Audit under Section 20 (1) of the CAG's (DPC) Act, 1971 are included. The remaining chapters contain audit observations arising from performance audit and audit of accounts of all categories of LSGIs viz. District Panchayats, Block Panchayats, Grama Panchayats, Municipal Corporations and Municipalities.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the period subsequent to 2007-08 have also been included wherever necessary.

OVERVIEW

This Audit Report includes five performance reviews of which three are mini reviews and eight audit paragraphs. In addition, it also includes observations on the structure and finances of the Local Self Government Institutions (LSGIs) and the results of supplementary audit under the Technical Guidance and Supervision arrangement. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies wherever received have been duly incorporated.

I The Structure and Finances of the Local Self Government Institutions

Accounts of many LSGIs were in arrears since 1996-97. As against the budget provision of Rs.452.74 crore under State and State share of Centrally Sponsored Schemes under Plan funds, the actual expenditure incurred by LSGIs was only Rs.154.22 crore.

As against an amount of Rs.312.36 crore available for the implementation of six Centrally Sponsored Schemes, the expenditure incurred was only Rs.61.34 crore.

(Paragraphs 1.1 to 1.15)

II Supplementary audit under the Technical Guidance and Supervision arrangement

Supplementary audit of 86 LSGIs conducted during 2007-08 revealed that the maintenance of basic accounting records by LSGIs was defective and there were lapses in preparation of Annual Financial Statement and Budget.

(Paragraphs 2.1 to 2.16)

III Performance Reviews

1 Local Self Government Institutions - Utilisation of Maintenance Grants

As per Second State Finance Commission recommendation, five and a half per cent of the State tax revenue has to be provided to the LSGIs as Maintenance Grant. However, no separate provision was made in the budget for maintenance of own assets, assets transferred from Government and assets created after 1995.

Government did not evolve formula for horizontal distribution of funds among the LSGIs based on the value of assets transferred.

LSGIs did not conduct the survey of own assets and assets transferred from Government resulting in the improper projection of maintenance grant.

The overall utilisation of maintenance grant was 71 per cent only during the period 2004-08.

Diversion of maintenance grant of Rs.8.24 crore between non-road and road assets for constructions and improvements was noticed in the test checked LSGIs.

Eight LSGIs irregularly utilised Rs.2.72 crore for maintenance of assets not owned by them.

Operational expenses in 20 LSGIs, aggregating to Rs.3.26 crore was in excess of the 10 per cent ceiling fixed.

During 2004-08, Kozhikode Corporation and Vaikom Municipality unauthorisedly transferred Rs.1.75 crore from maintenance grant to own fund.

An emergent repair work to a school building, though posed threat to the lives of school children and teachers remained unattended since four and half years.

The internal control system failed to identify/rectify the deficiencies in planning and utilisation of maintenance grant.

(Paragraph 3.1)

2 Distribution of Electricity and Water in Thrissur Municipal Corporation

In Kerala, electricity and water are distributed by Kerala State Electricity Board (KSEB) and Kerala Water Authority (KWA) respectively. Out of the 1223 LSGIs in the State, Thrissur Municipal Corporation (TMC) is the only LSGI which has undertaken the work of distribution of electricity and water.

Failure of the Electricity Department of Thrissur Corporation in the timely payment of arrears of Electricity charges resulted in avoidable financial loss of Rs.2.58 crore by way of interest paid to KSEB.

Electricity Charges on power consumed by Street lighting, Parks lights etc. amounting to Rs.11.64 crore were not realised and accounted.

Non-levy of meter rentals from the beneficiaries had resulted in loss of Rs.78.24 lakh to the TCED.

TCED had inadvertently incurred an expenditure of Rs.42.47 lakh towards audit charges due to incorrect reckoning of their own annual income.

TCED neither prepared annual accounts nor maintained Demand, Collection and Balance of its revenue.

Loss of Rs.2 crore was incurred by TMC due to collection of water charges at lesser rate than that of KWA.

(Paragraph 3.2)

3 Local self Government Institutions - Execution of Public Works

The engineering wing of the LSGIs was not equipped to meet the requirements of planning, monitoring and maintenance of the assets.

Delay in finalisation of projects resulted in lapse of funds. Works which were beyond the purview of LSGIs were also undertaken.

There were instances of defective preparation of estimates, violation of tender procedures, irregular awarding of works, avoidable expenditure due to delay in handing over sites, excess payment to contractors etc.

(Paragraph 3.3)

4 Asraya Project

Asraya Project is a composite programme designed by the State Poverty Eradication Mission (Kudumbasree) for the purpose of identification and rehabilitation of the poorest of the poor families.

The project envisaged provision for food, land for home and its up-gradation, drinking water, safe sanitation facilities, medical and educational facilities, pension, skill development and employment opportunities to the families identified.

Kudumbasree Mission retained Rs. 39.77 crore out of Rs.100 crore released by Government for distribution to LSGIs.

The guidelines issued by Government for selection of beneficiaries of Asraya Project were not followed, resulting in poorest families left unselected.

Only 30 percent of the project cost was utilised by LSGIs during 2002-08, indicative of slackness in implementation of the scheme.

The IT enabled services encompass computerisation of data of LSGIs, on-line monitoring of the project and services.

Out of 42 computers purchased at a cost of Rs.23.76 lakh under the IT enabled services, 33 were not put to use in 11 CDS for want of trained hands.

(Paragraph 3.4)

5 Unemployment Wage Scheme

The Unemployment Wage Scheme provides for payment of fixed amount (Rs.120 from April 2000) to the unemployed persons who have passed the SSLC Examination, having a family income of less than Rs. 12,000 per annum.

The Scheme excluded students and persons below 18 years and over 35 years of age. The scheme was initially implemented through the Employment Exchanges.

Panchayat Raj Institutions and Urban Local Bodies are implementing the scheme from September 1995 and November 1997 respectively.

There was delay in sanction of unemployment wage from six months to three years. Undisbursed unemployment wage was retained in the own account of some of the LSGIs.

Absence of uniform method to assess the annual family income and specific provision in the Rules to intimate the change in income to the LSGIs by the beneficiaries resulted in payment of unemployment wage to ineligible beneficiaries.

(Paragraph 3.5)

IV Transaction Audit

Thiruvananthapuram Municipal Corporation (TMC) lost Rs. 1.83 crore allotted in March 2007, due to delay in reconciliation of accounts with that of District Treasury.

(Paragraph 4.1)

Due to non-adoption of uniform rate of property tax in the newly annexed areas of GPs, Thiruvananthapuram Municipal Corporation (TMC) and Kollam Municipal Corporation (KMC) incurred loss of Rs.19.68 crore and Rs.3.74 crore respectively.

(Paragraph 4.2)

Thidanadu Grama Panchayat under took construction of Mini Civil Station without adequate provision of funds or budgetary support, resulting in expenditure of Rs.22.20 lakh as interest/penal interest on belated payment of loan.

(Paragraph 4.3)

New Mahe Grama Panchayat failed to control and regulate removal of sand from Mahe River which resulted in irreparable damage to the bio-physical environment apart from non-collection of sale proceed of sand of Rs.18 lakh.

(Paragraph 4.4)

Despite spending Rs.72.13 lakh, Perinthalmanna Municipality failed to establish Municipal Solid Waste Treatment Plant.

(Paragraph 4.5)

Failure of Parassala Block Panchayat in handing over site to the contractor within the prescribed time and in fixing the time of completion of works resulted in additional liability of Rs.18.26 lakh.

(Paragraph 4.6)

Failure of the Venkitangu Grama Panchayat, Thrissur in ensuring proper approach road to the newly constructed marketing centre and coconut-fruits processing unit had rendered the investment of Rs.40.29 lakh unfruitful.

(Paragraph 4.7)

Six LSGIs delayed payment of water charges for street taps to Kerala Water Authority, resulted in avoidable payment of interest/fine of Rs.4.17 crore.

(Paragraph 4.8)

CHAPTER I

THE STRUCTURE AND FINANCES OF THE LOCAL SELF GOVERNMENT INSTITUTIONS

1.1 Introduction

1.1.1 The Kerala Legislative Assembly passed the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act) in the year 1994. As envisaged in these Acts, the Government transferred (September 1995) to the Local Self Government Institutions (LSGIs) the functions, functionaries, institutions and schemes relating to matters enlisted in the respective Schedules to the Acts with effect from 2 October 1995. Government transferred the assets and liabilities of the transferred institutions also. Though LSGIs were made responsible for the administration of these institutions, they were not empowered to sell, transfer, alienate or pledge the transferred assets. The Government, however, continued to pay the salary of transferred employees.

1.2 Decentralised Planning

1.2.1 As envisaged in the Constitution and the State Acts *ibid* LSGIs were to plan and implement schemes for economic development and social justice. Based on this, Government decided (July 1996) to decentralise the planning process in Kerala during the Ninth Five Year Plan and earmark 35 to 40 *per cent* of the State's annual plan outlay for the projects drawn up by LSGIs. Government designed the decentralised planning process in a campaign mode called 'People's Plan Campaign' with the active participation of all sections of people in the form of Working Groups, Grama/Ward Sabhas and Development Seminars. During the 10th Plan, the decentralised programme in Kerala was re-structured and named 'Kerala Development Plan'. Kerala's decentralised planning has been gearing up for the execution of 11th Five Year Plan from 2007-08. Government has decided to launch the 2nd phase of People's Plan Programme in the State for proper institutionalisation of decentralisation during the plan period.

1.3 Profile of LSGIs

1.3.1 As on 31 March 2008, there were 1223 LSGIs in the state. The details of various categories of LSGIs, their area, population etc were as follows.

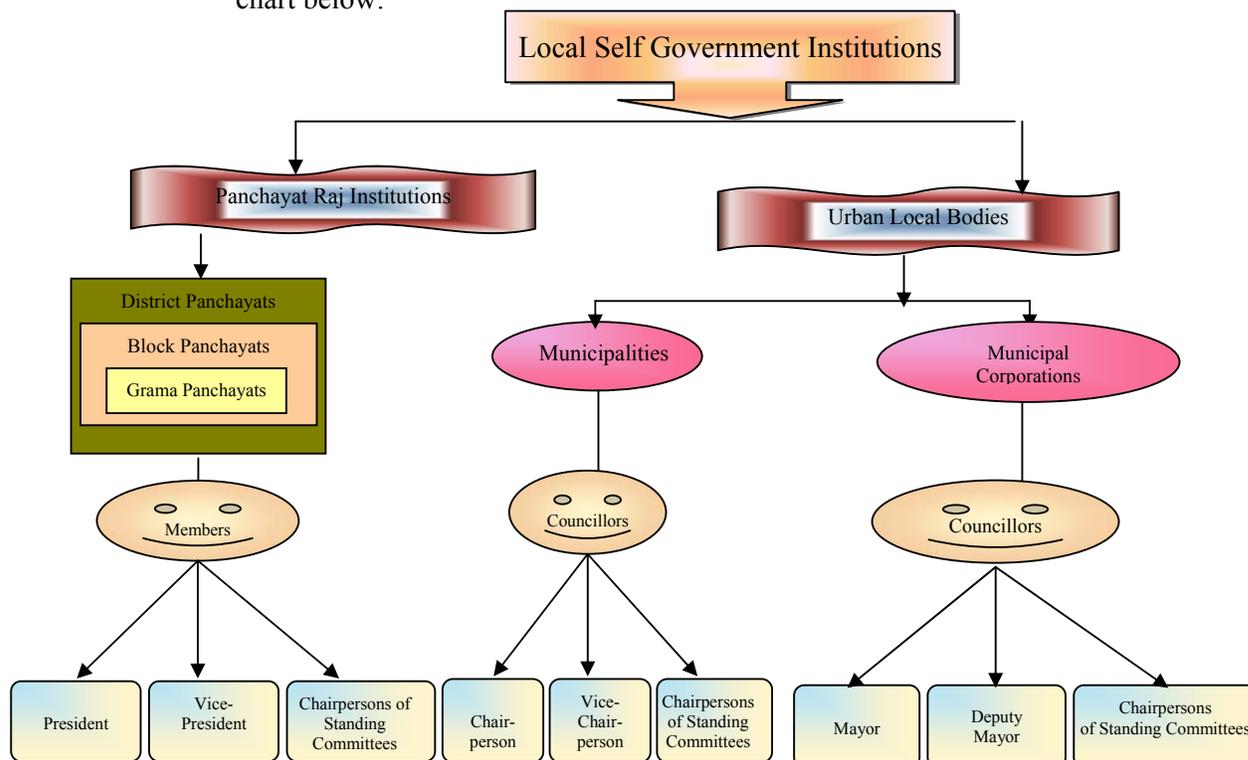
Sl. No.	Type of LSGIs	Number	Area (Sq Km)	Average area/LSGI (Sq Km)	Population (as per 2001 census)	Average Population per LSGI	Density of Population per Sq Km
1	Corporations	5	477.99	95.60	2456200	491240	5139
2	Municipalities	53	1253.22	23.65	2738170	51664	2185
3	District Panchayats (DPs)	14	37123.79	2651.70	26647004	1903357	718
4	Block Panchayats (BPs)	152		244.24		175309	
5	Grama Panchayats (GPs)	999		37.16		26674	
	Total	1223	38855.00		31841374		819

Source: Census 2001

1.3.2 The general election to 1223 LSGIs in Kerala was last held in September 2005 when 20554 representatives were elected.

1.4 Organisational set up

1.4.1 LSGIs constituted in rural and non-rural areas are referred to as Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. PRIs in the State were constituted based on a three-tier system as shown in the chart below:



The members of each tier of the Panchayats 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.

1.4.2 The President/Chairperson/Mayor is an ex-officio member of every Standing Committee and the Vice President/Vice Chairperson/Deputy Mayor is an ex-officio member and Chairperson of the Standing Committee for Finance.

1.4.3 Each PRI has a Secretary and supporting staff who are Government servants. The Secretaries of Municipalities and Municipal Corporations are Government servants while the staff belongs to the Municipal Common Service.

1.5 Regulatory Environment

1.5.1 Mentions were made in Para 1.5 of CAG's Audit Report (LSGIs) for previous years regarding conflicting provisions in Kerala Local Fund Audit Act, KPR Act & KM Act, of the date of submission of Consolidated Audited Statement of accounts of all LSGIs to Government for placing before the Legislature. Though Government agreed (July 2007) to make suitable amendments to the KPR Act and KM Act, it has not been materialised as of December 2008.

1.5.2 No officer has been authorised under KLFA Act to collect and consolidate the audited accounts of DPs, Municipalities and Corporations so far (December 2008).

Though the Deputy Directors of Panchayats (DDPs) and Assistant Development Commissioners (ADCs) were authorised (December 2004) to collect and consolidate the audited accounts of BPs & GPs respectively, they could not undertake the work as the accounts of LSGIs were in arrears at various stages. Government stated (February 2008) that measures were being taken to clear the arrears and State Performance Audit Officer was being authorised to collect and consolidate the accounts of LSGIs.

1.5.3 Government did not frame Rules and Manuals for preparation of budget and accounts in PRIs in tune with the revised accounting formats. This contributed to the poor accounting and financial reporting by PRIs.

1.5.4 Administrative Report of each LSGI was to be prepared every year by 30 September of the succeeding year and forwarded to an officer authorised by the Government for consolidation and submission to the Government and

the Legislative Assembly. No officer has been nominated to ensure preparation and consolidation of the Administrative Reports.

1.6 Financial Reporting

1.6.1 The DLFA is the Statutory auditor of the LSGIs. The CAG provides Technical Guidance and Supervision (TGS) under Section 20(1) of CAG's (DPC) Act, 1971 for the proper maintenance of accounts and audit of LSGIs. The CAG also conducts audit of LSGIs under the provisions of section 14 and 15 of the Act *ibid* wherever applicable.

1.6.2 According to Section 9(1) of KLFA Act, it was mandatory for the LSGIs to submit their accounts to DLFA for audit by 31 July every year. As on 31 July 2008, 1724 accounts pertaining to the period from 1996-97 to 2007-08 were in arrears as shown in the table below:

Year of accounts	Due during the year	Accounts received				Balance in arrears
		Up to December 2007	During 01/2008 to 03/2008	During 2008-09 (upto July 2008)	Total	
1996-97	1214	1085	60	1	1146	68
1997-98	1214	1050	94	1	1145	69
1998-99	1214	1010	128	1	1139	75
1999-00	1214	998	143	1	1142	72
2000-01	1215	1049	113	1	1163	52
2001-02	1215	1056	101	6	1163	52
2002-03	1215	992	176	5	1173	42
2003-04	1215	940	231	5	1176	39
2004-05	1215	838	330	9	1177	38
2005-06	1223	726	415	17	1158	65
2006-07	1223	0	921	136	1057	166
2007-08	1223	0	0	237	237	986
Total	14600	9744	2712	420	12876	1724

Source: DLFA

It could be seen from the above table that the LSGIs were in default in furnishing accounts from 1996-97 onwards. From 1996-97 to 1998-99, the arrears depicted an increasing trend and thereafter up to 2005-06, it showed a decreasing trend. From 2006-07 to 2007-08, it again showed an increasing trend. Accounting is a continuous process and as per the Accounting Rules, the closing balance of previous year should be taken as the opening balance of the succeeding year. Unless the accounts of previous year were closed, it could not be possible to finalise the accounts of the next year. Therefore, the arrear

position shown in the table for the period 1999-2000 to 2005-06 was not correct, as it showed a decreasing trend instead of an increasing trend.

On being pointed out, the DLFA stated (May 2009) that when the Secretaries of some of the LSGIs transferred during the end of a financial year, the successors furnished only the accounts of the year from which they assumed charge without finalizing the accounts of the previous years. The reply of the DLFA was not tenable since submission of accounts without finalizing the accounts of previous years was against accounting rules and so the audit reports issued based on these accounts could not depict a true and fair picture of the accounts of the LSGIs.

1.6.3 Age- wise details of pending accounts

Age-wise details of pendency in submission of accounts by the LSGIs were as under:

Year of accounts	Pendency	Number of accounts
1996-97	> 11 years	68
1997-98	> 10 years	69
1998-99	> 9 years	75
1999-00	> 8 years	72
2000-01	> 7 years	52
2001-02	> 6 years	52
2002-03	>5 years	42
2003-04	> 4 years	39
2004-05	> 3 years	38
2005-06	> 2years	65
2006-07	>1 year	166
2007-08	less <1 year	986
Total		1724

The number of LSGIs which did not submit their accounts even after 10 years was 137. The delay in submitting the accounts by 293 LSGIs ranged from five to nine years. Though Rule 16 of Kerala Local Fund Audit Rules, 1996, empowers the DLFA to carry out proceedings in a Court of Law against the Secretaries of the LSGIs who defaulted the submission of accounts, no such action was taken against the defaulting LSGIs.

1.6.4 Arrears in audit and issue of audit reports

DLFA received 12876 accounts up to July 2008 out of 14600 (including the accounts for 2007-08). Of these 8110 Audit Reports were issued (July 2008) as detailed below:

Year of accounts	Due during the year	Accounts received upto 31 July 2008	Audit Report issued	Arrears in issue of Audit Report
1996-97	1214	1146	1093	53
1997-98	1214	1145	1062	83
1998-99	1214	1139	1030	109
1999-00	1214	1142	1020	122
2000-01	1215	1163	972	191
2001-02	1215	1163	918	245
2002-03	1215	1173	804	369
2003-04	1215	1176	597	579
2004-05	1215	1177	352	825
2005-06	1223	1158	197	961
2006-07	1223	1057	62	995
2007-08	1223	237	3	234
Total	14600	12876	8110	4766

The arrears in the issue of Audit Report were 4766 (37.01 per cent). As per Section 10 of KLFA Act, 1994, the DLFA should complete the audit of accounts submitted by LSGIs within six months of receipt of accounts. Excluding the accounts for the year 2007-08, 4532 accounts were pending audit.

1.7 Upkeep of accounts

1.7.1 Eleventh Finance Commission (EFC) recommended payment of grant of Rs.4,000 per Panchayat per annum on an average for upkeep of accounts of GPs and BPs which did not have exclusive staff for the purpose. Despite this, 1724 accounts were still in arrears as mentioned in Paragraph 1.6.2.

1.8 Database on the finances of LSGIs

1.8.1 As recommended by EFC, the CAG prescribed eight standard formats for creation of database of the revenue and expenditure of all LSGIs. Though Government accepted (September 2004) the formats prescribed by CAG, the development of database was not started. Even though Government constituted (February 2008) a committee to look into the matter, the automation and networking of the operations of LSGIs did not materialise.

1.9 Different categories of funds

The different categories of funds operated by LSGIs are as follows:

1.9.1 Category 'A' funds are plan funds provided by the State Government to the LSGIs from the state annual plan outlay to carry out projects formulated by the LSGIs under People's Plan Campaign/Kerala Development Plan. From 2006-07, this category of funds were renamed as 'Development Expenditure Fund' and allocated from the Non-plan grants of the State Government. The share of each LSGI is predetermined every year as indicated in Appendix-IV of Detailed Budget Estimate of the State Government. As per the original budget estimate the amount provided during 2007-08 was Rs.1540 crore under three sectors viz. General, Special Component Plan (SCP) and Tribal Sub Plan (TSP) as detailed in the table below:

(Rs. in crore)

Sl. No.	Type of LSGI	No. of LSGIs	Category 'A' funds provided in Original Budget Estimates			
			General	SCP	TSP	Total
1	Corporations	5	77.55	23.64	---	101.19
2	Municipalities	53	97.58	27.57	0.75	125.90
3	District Panchayats	14	128.25	78.42	19.74	226.41
4	Block Panchayats	152	128.25	78.42	13.16	219.83
5	Grama Panchayats	999	598.52	235.25	32.90	866.67
Total		1223	1030.15*	443.30	66.55	1540.00

Source: Appendix-IV of the Budget estimates for 2007-08.

* Included provisions for special incentive of Rs.2.35 crore, Rs.50 lakh and Rs.50 lakh to outstanding GPs, BPs and Municipalities respectively.

1.9.2 Based on the recommendations of Third State Finance Commission (TSFC), funds allocated to the LSGIs for meeting their expenditure on traditional functions, maintenance and development activities were released to the LSGIs by way of transfer credit to Public Account as Deposit of Local Bodies from the Consolidated Fund of the State on instalment basis. The figures of expenditure booked in the State Accounts was the amount transferred to the Public Account and not the expenditure incurred by the LSGIs. Of the amount of Rs.1538.44 crore released, the LSGIs had drawn Rs.1396.61 crore leaving a balance of Rs.141.83 crore in the Public Account as shown below:

(Rs. in crore)

Sl. No.	Type of LSGIs	Funds allocated	Funds released	Public Account			Amount actually spent by LSGIs
				Amount transferred/ credited	Amount drawn by LSGIs	Balance (4 – 6)	
1	2	3	4	5	6	7	8
1	Corporations	101.19	101.09	101.40	99.71	1.38	99.46
2	Municipalities	125.90	125.86	126.40	116.20	9.66	114.59
3	District Panchayats	226.41	225.11	227.90	199.40	25.71	197.66
4	Block Panchayats	219.83	219.83	225.40	210.50	9.33	203.05
5	Grama Panchayats	866.67	866.55	872.60	770.80	95.75	762.73
	Total	1540.00	1538.44	1553.70*	1396.61	141.83	1377.49

Source: Detailed Appropriation Accounts 2007-08 & Information Kerala Mission.

Against the amount of Rs.1396.61crore drawn from the Public Account, the actual utilisation was Rs.1377.49 crore leaving the balance amount of Rs.19.12 crore in their Own Fund Account. However, the utilisation of Category ‘A’ funds of Rs.1377.49 crore during 2007-08 was higher than the amount of Rs.1221.37 utilised during the previous year.

1.9.3 Category ‘B’ funds consist of plan and non-plan funds for implementation of state schemes transferred to LSGIs and state share of Centrally Sponsored Schemes. The major State-Sponsored Plan schemes are Special Live Stock Breeding Programme, distribution of house sites to rural landless workers, etc. The distribution of unemployment wages, agricultural workers pension, widow pension, etc. is the non-plan schemes. The share of each LSGI is not provided in the budget and is decided by the Head of the Department to which the scheme relates. The allotment of funds is made by the District officers of the department concerned. Department/Major Head-wise allocation and utilisation of plan and non-plan funds under category ‘B’ during 2007-08 were as follows:

* included Rs. 15.26 crore being beneficiary contributions and donations received from other LSGIs, organizations, individuals etc. and credited by them.

Sl. No	Major Head	Budget provision			Expenditure			Per centage		
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2202-General Education	---	123.54	123.54	---	99.69	99.69	---	80.69	80.69
2	2210-Medical and Public Health	---	14.33	14.33	---	13.22	13.22	---	92.25	92.25
3	2217-Urban Development	375.79	---	375.79	79.68	...	79.68	21.20	...	21.20
4	2225-Welfare of SC,ST and Other Backward Classes	23.35	2.81	26.16	21.97	3.76	25.73	94.09	133.81	98.36
5	2230-Labour and Employment	---	48.84	48.84	---	48.61	48.61	---	99.53	99.53
6	2235- Social Security and Welfare	...	323.22	323.22	...	305.27	305.27	---	94.45	94.45
7	2401-Crop Husbandry	---	10.61	10.61	---	10.35	10.35	---	97.55	97.55
8	2402-Soil and Water Conservation	---	0.11	0.11	---	0.10	0.10	---	90.91	90.91
9	2403-Animal Husbandry	---	0.07	0.07	---	0.07	0.07	---	100.00	100
10	2415-Agricultural Research and Education	...	0.01	0.01	...	0.01	0.01	---	100.00	100
11	2501-Special Programme for Rural Development	23.32	...	23.32	23.24	---	23.24	99.66	---	99.66
12	2505-Rural Employment	19.89	...	19.89	19.88	---	19.88	99.95	---	99.95
13	2515-Other Rural Employment Programmes	10.39	0.39	10.78	9.45	0.39	9.84	90.95	100.00	91.28
14	2851-Village and Small Industries	...	0.04	0.04	...	0.04	0.04	---	100.00	100
Total		452.74	523.97	976.71	154.22	481.51	635.73	34.06	91.89	65.08

Source: - Detailed Appropriation Accounts 2007-08

Out of Rs.976.71 crore allocated under Category 'B', under 14 distinct Major Heads, the expenditure incurred was Rs.635.73 crore (65.08 per cent) which included plan expenditure of Rs.154.22 crore (34.06 per cent). Against the budget provision of Rs.375.79 crore under Urban Development being state share of Centrally Sponsored Schemes* the expenditure incurred was Rs.79.68 crore only (21.20 per cent). Though a total amount of Rs.452.74 crore was provided in the Budget for Plan expenditure, the expenditure incurred was Rs.154.22 crore only (34.06 per cent). From 2006-07 onwards, unutilised funds under Category 'B' shall lapse as on 31 March of each year. Thus non-utilisation of Rs.340.98 crore (Rs.298.52 crore under Plan and Rs. 42.46 crore under Non-plan) provided in the budget resulted in the lapse of funds.

* Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), Integrated Housing & Slum Development Programme (IHSDP), Kerala Sustainable Urban Development Project (KSUDP)

During the period from 2002-03 to 2007-08, against the budget provision of Rs.3350.91 crore, the amount released under Category 'B' was Rs.2916.98 crore as indicated below:

(Rs. in crore)

Year	Budget Provision			Amount released			Per centage of release		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
2002-03	125.38	351.89	477.27	97.23	338.96	436.19	77.54	96.33	91.39
2003-04	8.55	326.55	335.10	100.76	314.01	414.77	1178.48	96.16	123.77
2004-05	113.46	348.06	461.52	101.74	323.93	425.67	89.67	93.07	92.23
2005-06	110.11	404.36	514.47	101.62	371.72	473.34	92.29	91.93	92.01
2006-07	127.22	458.62	585.84	103.89	427.39	531.28	81.66	93.19	90.69
2007-08	452.74	523.97	976.71	154.22	481.51	635.73	34.06	91.89	65.08
Total	937.46	2413.45	3350.91	659.46	2257.52	2916.98	70.35	93.54	87.05

Per centage of release of plan funds except during 2003-04 and 2005-06 was less than non-plan funds as seen from the above details.

1.9.4 Category 'C' funds are non-plan grants provided by the State Government to meet the expenditure on maintenance of assets of LSGIs. Funds were provided separately for the maintenance of road and non-road assets under separate heads of accounts. As per the recommendations of TSFC, the State Government was to release under this category 5.5 per cent of state tax revenue of previous year. The Commission also recommended the amount of the Maintenance Grant (MG) to be provided to each LSGI during 2006-07. Government accepted the amount of maintenance grant proposed by the Commission for each LSGI only for the first four months of 2006-07 stating that for the payment of maintenance grant, for the remaining period, a formula would be finalised by June 2006 based on the value of actual assets transferred and the need for maintaining such assets by LSGIs. However, Government had not prescribed the formula during 2006-07 and 2007-08 and the amount proposed by the Commission was continued to be paid to the LSGIs. During the period from 2004-05 to 2007-08, State Government provided Rs.1458.76 crore in the budgets and released Rs. 1236.51 crore (42.02 per cent) as shown below:

(Rs.in crore)

Year	State tax revenue of previous year	MG due (5.5 per cent)	MG provided in the budget	Short provision	MG released	Short release with reference to entitlement	Per centage of short release
2004-05	8089	444.90	307.54	137.36	174.43	270.47	60.79
2005-06	8963	492.97	396.23	96.74	306.62	186.35	37.80
2006-07	9779	537.84	350.00	187.84	350.00	187.84	34.92
2007-08	11942	656.81	404.99	251.82	405.46	251.35	38.27
Total	38773	2132.52	1458.76	673.76	1236.51	896.01	42.02

Source: Finance Accounts and Budgets 2004-05 to 2007-08

The short release of maintenance grant during 2004-05 to 2007-08 was Rs.896.01 crore, which was in contravention of the recommendations of TSFC.

Details regarding utilisation of maintenance grants in selected LSGIs are given in Para 3.1 of Chapter III.

1.9.5 Category 'D' funds are General Purpose Funds (GPF) provided by the State Government for meeting general expenditure including the expenditure on traditional functions of LSGIs. The details of allocation of funds under Category 'C' and 'D' to each LSGI were provided in Appendix-IV of the Detailed State Budget Estimates. According to TSFC recommendations, 3.5 per cent of the state tax revenue of previous year was to be provided as GPF in lieu of Basic Tax Grant, Surcharge on Stamp Duty, Rural Pool Grant, etc. As against Rs.1357.06 crore due to the LSGIs, the State Government provided Rs.1080.97 crore only in the budgets and released Rs.1121.24 crore (82.62 per cent) during the period from 2004-05 to 2007-08 as detailed below:

(Rs. in crore)

Year	State tax revenue of previous year	GPF due (3.5 per cent)	GPF provided in the budget	GPF released	Short release with reference to entitlement	Per centage of short release
2004-05	8089	283.12	195.39	192.05	91.07	32.17
2005-06	8963	313.71	255.59	250.35	63.36	20.20
2006-07	9779	342.26	300.00	299.96	42.30	12.36
2007-08	11942	417.97	329.99	378.88	39.09	9.35
Total	38773	1357.06	1080.97	1121.24	235.82	17.38

Source: Finance Accounts and budgets 2004-05 to 2007-08

The short release of GPF during the period 2004-05 to 2007-08 was Rs.235.82 crore.

1.9.6 State Government during the period from 2002-03 to 2007-08 released Rs.12518.39 crore to LSGIs vide Category 'A' to 'D' against a budget provision of Rs.14162.33 crore as shown below:

(Rs. in crore)

Category of LSGIs	Budget provision			Release			Per centage	Per centage of share of each category of LSGI
	From 2002-03 to 2006-07	2007-08	Total	From 2002-03 to 2006-07	2007-08	Total		
Corporations	725.66	521.68	1247.34	645.54	226.14	871.68	69.88	6.96
Municipalities	969.37	267.58	1236.95	806.68	264.43	1071.11	86.59	8.56
District Panchayats	1290.95	324.86	1615.81	1049.47	343.79	1393.26	86.23	11.13
Block Panchayats	1256.96	316.58	1573.54	1137.40	327.35	1464.75	93.09	11.70
Grama Panchayats	6667.70	1820.99	8488.69	5920.79	1796.80	7717.59	90.92	61.65
Total	10910.64	3251.69	14162.33	9559.88	2958.51	12518.39	88.39	100.00

Source: - Detailed Appropriation Accounts 2002-03 to 2007-08

During 2007-08, the funds provided and released by the State Government were Rs.3251.69 crore and Rs.2958.51 crore respectively. Out of Rs.12518.39 crore released (88.39 per cent) to the LSGIs, the share of Corporations was 6.96 per cent whereas the share of GPs was 61.65 per cent. Fund allocation to ULBs and PRIs was in the ratio of 1:5.

1.9.7 Expenditure of LSGIs

The expenditure details of funds received by LSGIs from Government in respect of categories 'A' to 'D' are as detailed below:

(Rs. in crore)

Sl. No.	Category of funds	Funds allocated	Funds released	Excess (+)/Short (-)	Funds utilised	Balance funds with LSGIs
1	A	1540.00	1538.44	(-)1.56	1377.49	160.95
2	B	976.71	635.73	(-)340.98	635.73	00.00
3	C	404.99	405.46	(+) 0.47	333.55	71.91
4	D	329.99	378.88	(+) 48.89	311.12	67.76
Total		3251.69	2958.51	(-)293.18	2657.89	300.62

As the above funds were deposited in separate deposit accounts under Public Accounts (8448-Deposits of Local Funds), the credit balance in these accounts indicated the unutilised funds. Against the allocation of Rs.3251.69 crore made in the state budget, the amounts released and utilised were Rs. 2958.51 crore and Rs.2657.89 crore respectively.

1.9.8 Category 'E' Funds consist of grants received from GoI for implementation of Centrally Sponsored Schemes, funds from World Bank, Asian Development Bank, etc. and funds received from the District Collectors (for flood/drought relief), Literacy Mission, etc. The funds under this category are disbursed to the LSGIs through agencies such as District Rural Development Agencies (DRDAs) renamed as Poverty Alleviation Units (PAUs), State Poverty Eradication Mission (SPEM), Director of Urban Affairs (DUA), District Collectors, etc. The funds are to be deposited and utilised as specified by the fund provider. The details of funds received and utilised during 2007-08 for Centrally Sponsored Schemes implemented by LSGIs are given below:

(Rs. in crore)

Sl. No.	Authority / Agency which disbursed the fund	Type of LSGI	Opening Balance	Funds distributed to LSGIs		Total funds available	Funds utilised by LSGIs	Balance	Per centage of utilisation
				Central Share	State Share				
1	PAU	PRIs	58.12	297.49	86.21	441.82	371.89	69.93	84.17
2	DUA	ULBs	43.12*	117.38	39.04	199.54	19.81	179.73	9.93
3	SPEM	ULBs	18.88	39.81	6.55	65.24	14.14	51.10	21.67
Total			120.12	454.68	131.80	706.60	405.84	300.76	57.43

Source: Commissioner of Rural Development, DUA and SPEM.

LSGIs received Rs.454.68 crore as central assistance and Rs.131.80 crore as state share out of which Rs.405.84 crore (57.43 per cent) was utilised. At the end of the year there was an unspent balance of Rs.300.76 crore including the unspent balances of previous years (**Appendix-I**).

1.9.9 Category 'F' funds consist of tax and non-tax revenue of LSGIs which are also known as 'Own Funds'. Property tax, profession tax, entertainment tax, advertisement tax and timber tax constituted tax revenue. Non-tax revenue consists of licence fees, registration fees, etc. leviable under the Acts. LSGIs except District Panchayats and Block Panchayats are empowered to collect the above tax and non-tax revenues. This category also includes income derived from assets of LSGIs, beneficiary contributions, earnest money deposits, retention money, etc. However, income from transferred assets and institutions could be utilised only for their maintenance. The details of own funds of LSGIs in the State were not collected and consolidated by the Government as envisaged in the Acts. Hence the details of own fund collection of all LSGIs were not available. Though all the LSGIs were requested to forward the details of own fund in a proforma, only 129 LSGIs have responded. The details of receipts of 129 LSGIs are shown below:

(Rs. in crore)

Sl. No.	Type of LSGIs	No of LSGIs	Tax	Non-Tax	Total	Average receipt
1	Corporations	---	---	---	---	---
2	Municipalities	11	19.50	16.61	36.11	3.28
3	District Panchayats	5	---	9.01	9.01	1.80
4	Block Panchayats	18	---	0.50	0.50	0.03
5	Grama Panchayats	95	18.41	19.71	38.12	0.40
Total		129	37.91	45.83	83.74	0.65

* This figure does not agree with the closing balance shown in the Report of the previous year as some items (VAMBAY, NSDP etc.) are excluded and interest credited is added to OB.

1.9.10 Category 'G' consists of all funds which do not come under any other category. This included loans from KURDFC¹, HUDCO², KSRDB³, etc. utilisation of which was governed by instructions/guidelines issued by the competent authority from time to time.

1.9.11 Loans aggregating Rs.212.77 crore availed by LSGIs from the following sources were outstanding to be repaid as on 31 March 2008.

(Rs. in crore)

Sl. No.	Source of Loan	Loan outstanding as on 31 March 2008					Total
		Corporation	Municipality	DP	BP	GP	
1.	State Government	3.69	21.74	---	---	---	25.43
2.	KURDFC	---	26.50	---	---	1.57	28.07
3	HUDCO	21.57	0.74	95.46	---	---	117.77
4	Kerala State Co-operative Bank	2.78	3.46	---	35.26	---	41.50
Total		28.04	52.44	95.46	35.26	1.57	212.77

Of the balance amount of Rs.212.77 crore outstanding, loan amount of Rs.23.14 crore was received by the LSGIs during 2007-08.

1.10 Drawal of Funds

1.10.1 The total receipts of LSGIs under all categories as per available details were Rs.4338.15 crore during 2007-08 as detailed in the table below:

(Rs. in crore)

Sl. No	Type of LSGI	Funds received during 2007-08											Total receipts
		Category A Funds for schemes formulated by LSGIs	Category B Funds for state sponsored schemes	Category C Funds for maintenance		Category D General Purpose Fund	Category E funds for Centrally Sponsored schemes		Category 'F' Own Fund ⁴		Category 'G' Other receipts		
				Road assets	Non- road assets		Central share	State share	Tax	Non-tax	Loan	Others	
1	Corporations	101.09	351.06	12.39	17.06	42.59	157.19	45.59*	98.16	36.68	16.77	---	
2	Municipalities	125.86	76.63	17.28	21.64	28.02			87.09	55.95	5.47	---	
Total ULBs		226.95	427.69	29.67	38.70	70.61	157.19	45.59*	185.25	92.63	22.24	---	1250.93
1	DPs	225.11	19.65	32.68	37.12	21.60			---	1.11	---	---	
2	BPs	219.83	57.52	---	25.78	24.27	297.49	86.21*	---	2.03	---	---	
3	GPs	866.55	471.85	110.50	130.54	262.40			162.59	117.70	0.90	---	
Total PRIs		1311.49	549.02	143.18	193.44	308.27	297.49	86.21*	162.59	120.84	0.90	---	3087.22
Total LSGIs		1538.44	976.71	172.85	232.14	378.88	454.68	131.80*	347.84	213.47	23.14	---	4338.15

* Included under Category 'B'. Hence not reckoned for total receipts.

The receipts increased from Rs.3663.68 crore in 2006-07 to Rs.4338.15 crore in 2007-08; the increase being 18.41 per cent.

¹ Kerala Urban and Rural Development Finance Corporation

² Housing and Urban Development Corporation

³ Kerala State Rural Development Board (defunct)

⁴ Figures adopted by TSFC

1.11 Sectoral Allocation of Funds

1.11.1 Category 'A' funds for implementation of projects formulated by LSGIs are provided under three distinct sectors viz. General, SCP and TSP as mentioned in paragraph 1.9.1. The amount provided under these sectors during the period from 2003-04 to 2007-08 showed that provision of funds under SCP and TSP increased from 19.99 and 3.38 *per cent* during 2003-04 to 28.79 and 4.32 *per cent* during 2006-07. During 2007-08 also the fund provided for SCP and TSP was same as that of 2006-07 as detailed below:

(Rs. in crore)

Sl. No.	Sectors	2003-04		2004-05		2005-06		2006-07		2007-08		Total	
		Amount	Per centage										
1	General	1009.23	76.63	1016.67	75.30	990.36	72.03	936.50	66.89	1030.15	66.89	4982.91	71.37
2	SCP	263.33	19.99	285.20	21.13	334.47	24.32	403.00	28.79	443.30	28.79	1729.30	24.77
3	TSP	44.44	3.38	48.13	3.57	50.17	3.65	60.50	4.32	66.55	4.32	269.79	3.86
	Total	1317.00	100.00	1350.00	100.00	1375.00	100.00	1400.00	100.00	1540.00	100.00	6982.00	100.00

Source: Budgets 2003-04 to 2007-08

The LSGIs were prohibited from diverting funds earmarked for one sector to another. However, Government could not ensure that funds earmarked for a particular sector were not diverted to another sector as details of expenditure under each sector were not ascertainable from the Government Accounts.

1.11.2 Utilisation of funds provided for General, SCP and TSP Schemes by the LSGIs during 2007-08 was as under:

(Rs. in crore)

Category of LSGIs	Total No of LSGIs	General			SCP			TSP			Total		
		Provi sion	Expen diture	Per centage	Provi sion	Expendit ure	Per centage	Provi sion	Expen diture	Per centage	Provi sion	Expendit ure	Per centage
GPs	999	598.52	500.04	83.55	235.26	228.32	97.05	32.90	34.37	104.46	866.68	762.73	88.01
BPs	152	128.25	108.51	84.61	78.42	80.07	102.10	13.16	14.47	109.95	219.83	203.05	92.37
DPs	14	128.25	97.81	76.27	78.42	78.60	100.23	19.74	21.25	107.65	226.41	197.66	87.30
Municipa lities	53	97.58	85.94	88.07	27.57	27.58	100.04	0.75	1.07	142.66	125.90	114.59	91.02
Corporati ons	5	77.55	71.86	92.66	23.63	27.60	116.80	---	---	---	101.18	99.46	98.30
TOTAL	1223	1030.15	864.16	83.89	443.30	442.17	99.75	66.55	71.16	106.93	1540.00	1377.49	89.45

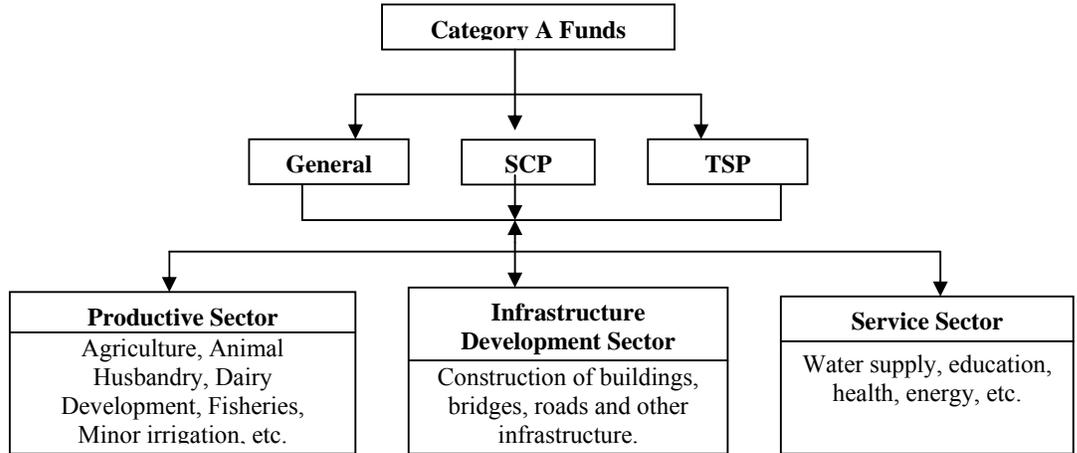
Source: Information Kerala Mission

Scrutiny revealed that the LSGIs spent Rs.864.16 crore (83.89 *per cent*) against the budget provision of Rs.1030.15 crore provided for General Category

¹ Includes EFC grant of Rs.80.98 crore.

Schemes and Rs.442.17 crore (99.75 per cent) against the budget provision of Rs.443.30 crore for SCP schemes. The utilisation of funds for TSP schemes was Rs.71.16 crore (106.93 per cent) against the provision of Rs.66.55 crore.

1.11.3 The LSGIs were to provide funds received under the above sectors further under three major sectors viz. productive sector, infrastructure development sector and service sector. The functions included under each such sector are indicated in the following chart.



Government prescribed the following ceilings for the utilisation of funds under each sector during the tenth five year plan period.

Sl. No.	Sector	PRIs	ULBs
1	Productive Sector	30 per cent (GPs and BPs) 25 per cent (DPs)	10 per cent (Minimum)
2	Infrastructure Development Sector	30 per cent (Maximum)	50 per cent (Maximum)
3	Service Sector	Not prescribed	Not prescribed

The Tier- wise and category wise details of grant-in-aid provided and expended in the Tenth Plan period (2002-07) by different LSGIs were as detailed below:

(Rs. in crore)

Tier	Productive			Service			Infrastructure			Project not classified			Total		
	Provi sion	Expen diture	Per centage	Provi sion	Expendi ture	Per centage	Provi sion	Expendi ture	Per centage	Provi sion	Expen diture	Per centage	Provi sion	Expendi ture	Per centage
GPs	969.99	609.96	62.88	1948.48	1493.09	76.63	831.22	633.78	76.25	227.62	216.13	94.95	3977.31	2952.96	74.25
BPs	197.57	113.94	57.67	470.95	360.61	76.57	208.23	169.96	81.62	69.09	70.01	101.33	945.84	714.52	75.54
DPs	208.97	116.34	55.67	475.61	384.37	80.82	218.86	151.61	69.27	10.56	9.52	90.15	914.00	661.84	72.41
Municipal ities	65.29	40.53	62.08	281.61	209.97	74.56	194.42	164.11	84.41	23.81	23.56	98.95	565.13	438.17	77.53
Corpora tions	44.13	18.80	42.60	222.77	141.28	63.42	162.96	126.79	77.80	17.73	17.37	97.97	447.59	304.24	67.97
Total	1485.95	899.57	60.53	3399.42	2589.32	76.17	1615.69	1246.25	77.13	348.81	336.59	96.50	6849.87	5071.73	74.04

Source : Economic Review 2007.

During the Tenth Plan period, the expenditure incurred on the productive sectors by GPs and BPs was 20.65 per cent and 15.95 per cent against the 30 per cent prescribed. Against the 25 per cent prescribed for DPs, the expenditure incurred was 17.58 per cent. The expenditure of ULBs was 7.99 per cent against the minimum 10 per cent prescribed (**Appendix-II**). The LSGIs also incurred Rs. 336.59 crore (6.65 per cent) for schemes outside the prescribed sectors.

1.12 Short utilisation of funds for Centrally Sponsored Schemes

1.12.1 The financial achievements in respect of the following six Centrally Sponsored Schemes by LSGIs during 2007-08 were tardy as shown below:

(Rs. in crore)

Sl. No.	Name of Scheme	Opening Balance	Fund Received	Total	Fund utilised	Balance	Per centage of utilisation
1	SJSRY ¹	12.48	8.40	20.88	7.42	13.46	35.54
2	IHSDP ²	6.40	37.96	44.36	6.72	37.64	15.15
3	TSC ³	0.38	37.05	37.43	20.71	16.72	55.33
4	IWDP ⁴	8.19	1.97	10.16	6.68	3.48	65.75
5	UIDSSMT ⁵	37.54	90.98	128.52	0.00	128.52	0.00
6	JNNURM ⁶	5.58*	65.44	71.02	19.81	51.21	27.89
Total		70.57	241.80	312.37	61.34	251.03	19.64

Out of Rs.312.37 crore available, the utilisation was only Rs.61.34 crore (19.64 per cent). Though there was Rs.128.52 crore available with UIDSSMT, no money was utilised during 2007-08. In respect of the remaining schemes, the percentage of utilisation ranged between 15.15 and 65.75.

1.13 Pendency in clearing objections raised by the CAG

1.13.1 The CAG conducted the audit of LSGIs under Sections 14, 15 and 20(1) of CAG's (DPC) Act, 1971. Objections raised in audit were communicated to the respective LSGIs in the form of Local Audit Reports (LARs) with a copy to the Government. Though the replies to the objections were to be furnished within four weeks of receipt of LARs, 890 LARs out of 1245 issued (71.49 per cent) and 9532 paragraphs out of 14672 (64.97 per cent) were pending to be settled as on 28 February 2009 for want of satisfactory replies from LSGIs concerned as detailed below:

¹ Swarna Jayanthi Shahari Rozgar Yojana - Kudumbasree

² Integrated Housing and Slum Development Programme - Kudumbasree

³ Total Sanitation Campaign - CRD

⁴ Integrated Wasteland Development Programme - CRD

⁵ Urban Infrastructure Development Scheme for Small and Medium Towns . - Chief Town Planner

⁶ Jawaharlal Nehru National Urban Renewal Mission. - KSUDP

* Against Rs.103.29 crore shown in the CB in the AR 2006-07, State Government released Rs.5.58 crore only.

Year	Opening Balance		Clearance		Outstanding	
	No. of LARs	No of Paras	No of LARs	No of Paras	No of LARs	No of Paras
1998-99 to 2002-03	361	4461	352	4193	9	268
2003-04	218	3639	1	320	217	3319
2004-05	204	2806	2	309	202	2497
2005-06	150	1385	---	126	150	1259
2006-07	167	1219	---	91	167	1128
2007-08*	145	1162	---	101	145	1061
Total	1245	14672	355	5140	890	9532

* Addition during 2007-08.

Government constituted (August 2007), Audit Monitoring Committees (AMCs) at district and state levels for different categories of LSGIs for timely settlement and clearance of audit paragraphs. The District level AMC (DLAMC) was to settle audit paragraphs in respect of GPs, BPs and Municipalities in the respective districts whereas the State Level AMC (SLAMC) was responsible for settlement of audit paragraphs in respect of DPs and Corporations. During the period from February 2008 to February 2009, seven meetings of DLAMC were held and six LARs and 613 paragraphs were settled. SLAMC did not meet during the period.

1.14 Conclusion

1.14.1 There was no database on the revenue and expenditure of LSGIs. Preparation and submission of annual accounts by 442 LSGIs was delayed by more than 5 years. Delay is noticed in conducting the audit and issue of audit reports by DLFA. The percentage of utilisation of funds received for the Centrally Sponsored Schemes was low. Utilisation of funds allotted by Government under SCP and TSP sectors could not be monitored as no separate heads of accounts for accounting the expenditure under these sectors were prescribed. Government is yet to frame Budget and Accounts Rules to give effect to the revised accounting formats. Clearance of audit objections was very poor.

1.15 Recommendations

- Creation of financial database of LSGIs should be expedited.
- Government should take effective steps to clear the arrears in the preparation and submission of accounts for audit by the LSGIs and the audit by the DLFA to ensure proper financial reporting.
- Government should ensure full utilisation of funds released for Centrally Sponsored Schemes.
- Government should prescribe separate heads of accounts for accounting the expenditure under SCP and TSP sectors.

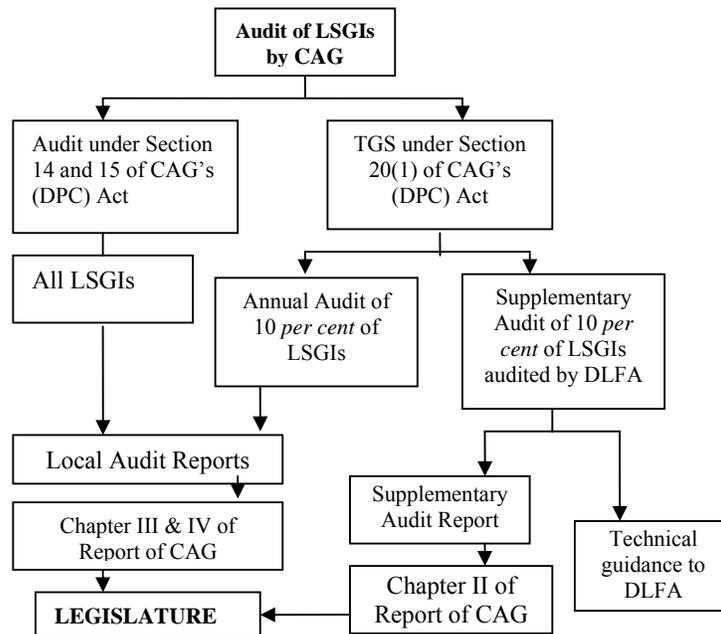
- Government should instruct the LSGIs to ensure that Category A Funds are not utilised for schemes outside the sectors prescribed.
- Government should consider appointing an authorised officer to consolidate the audited accounts of DPs and ULBs so as to get a total picture of finances of all LSGIs.
- Government should prescribe revised Budget/Account Rules for PRIs.
- Arrangement for speedy settlement of audit objections should be made to reduce the pendency.
- Loan should not be allowed unless available funds are fully utilised.

CHAPTER II

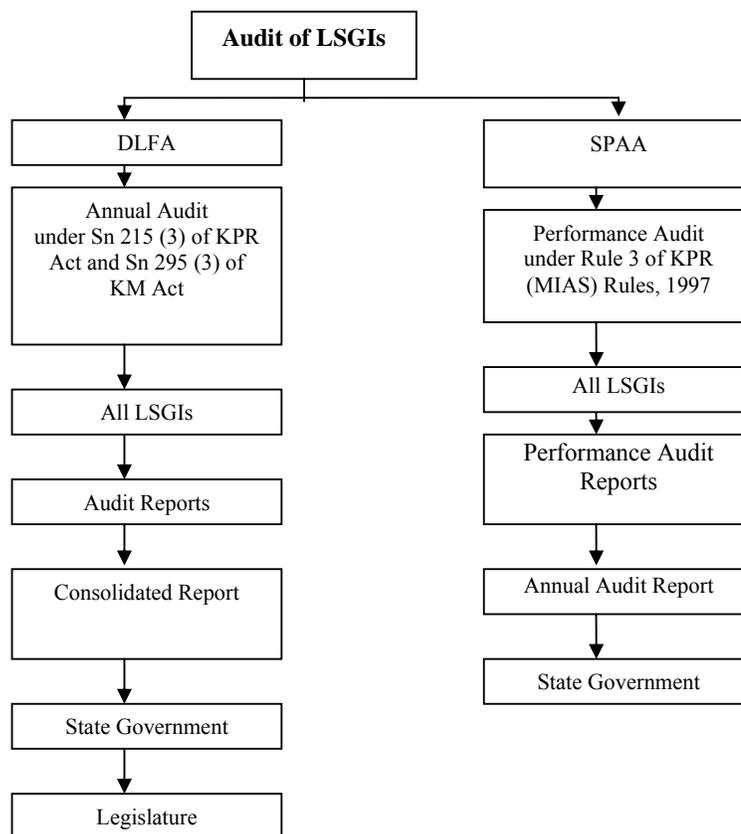
SUPPLEMENTARY AUDIT UNDER THE TECHNICAL GUIDANCE AND SUPERVISION ARRANGEMENT

2.1 Introduction

2.1.1 The Comptroller and Auditor General of India (CAG) took up the audit of LSGIs during 1998-99 under Section 14 and 15 of CAG's (DPC) Act, 1971. The CAG provides Technical Guidance and Supervision (TGS) to the Director of Local Fund Audit (DLFA) under Section 20(1) of the Act *ibid*. Government of Kerala extended (December 2007) the scheme of Technical Guidance and Supervision for a further period of five years from April 2008. Audit planning, annual audit of 10 *per cent* of institutions and supplementary audit of 10 *per cent* of the institutions audited by DLFA are carried out under TGS as detailed in the chart below:



2.1.2 DLFA is the Statutory Auditor of LSGIs as per Kerala Local Fund Audit Act, 1994, Kerala Panchayat Raj Act, 1994 (KPR Act) and Kerala Municipality Act, 1994 (KM Act). Apart from LSGIs, other local funds such as Universities, Devaswom Boards, Religious and Charitable institutions are also audited by DLFA. State Performance Audit Authority (SPAA) audits the performance of the LSGIs as per Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997. The different stages of audit by DLFA and SPAA are depicted in the following chart:



2.2 Organisational set up of DLFA

2.2.1 The department of Local Fund Audit under the State Finance Department is headed by a Director, and has District Offices in all districts headed by Deputy Directors (14), Concurrent Audit Offices at all Municipal Corporations (5), Municipal Councils (9), Universities (6) and other major institutions (10)

Staff strength of DLFA

2.2.2 The details of sanctioned strength and persons in position in the department during the period from 2005-06 to 2007-08 were as follows:

Sl. No.	Post	2005-06		2006-07		2007-08	
		Sanctioned	Persons in position	Sanctioned	Persons in position	Sanctioned	Persons in position
1	Director	1	1	1	1	1	1
2	Joint Directors	3	3	3	3	3	3
3	Deputy Directors	41	41	41	41	40	40
4	Audit Officers	151	151	151	151	150	150
5	Auditors	510	510	510	490	510	510
6	Other ancillary	202	202	202	191	202	202
Total		908	908	908	877	906	906

2.3 Training Programmes in the Department

2.3.1 In the meeting of State Level Committee on implementation of TGS held on 18 July 2008, it was decided to give training to the staff of Local Fund Audit Department every year in capacity building through Kerala Institute of Local Administration (KILA) with the help of Principal Accountant General. Modules for the training will be prepared by the DLFA in consultation with Principal Accountant General and State Performance Audit Officer.

Short term training programmes were conducted by the State Government for the benefit of staff of DLFA during the year 2007-08 on Standardising service, Right to Information Act, Special coaching programme for departmental test for employees belonging to SC/ST category, Malayalam as official language and combating corruption.

Apart from the above programmes, Statutory Departmental Training to newly recruited auditors having duration of three months was also conducted. However, training in the field of audit and accounts and related subjects were not conducted despite being highlighted in the previous Report of C&AG (LSGIs), Government of Kerala. Sufficient training relating to audit and accounts are necessary for enhancing the work skills of the staff.

2.4 Computerisation

2.4.1 During the year 2006-07, Government had allotted Rs.53.32 lakh for computerisation of the Department. However, the amount lapsed as computerisation of the department could not be undertaken due to delay in selection of Technical Service Provider. During 2007-08, no fund was provided in the budget for computerisation of the Department. Computerisation and its proper utilisation are essential for effective functioning of the department and optimum utilisation of its available resources. Failure of the department to utilise the funds when provided and subsequent failure of the department to obtain funds hampered the computerisation process of the department.

2.5 Functioning of the State Level Committee on implementation of Technical Guidance and Supervision

2.5.1 Government of Kerala extended (December 2007) the scheme of Technical Guidance and Supervision for another five years with effect from April 2008. The State Level Committee for monitoring the implementation of TGS was also reconstituted with Additional Chief Secretary (Finance), Principal Secretary (LSGD), Senior Deputy Accountant General (LBA), Director of Local Fund Audit and State Performance Audit Officer (SPA0) as members.

The first meeting of the reconstituted committee was held in July 2008. In the meeting, it was decided *inter alia* that

1. the annual accounts of LSGIs will be audited and certified by Director of Local Fund Audit by the 30th of September of every year. Ten *per cent* of such institutions will be subjected to supplementary audit by Accountant General under the TGS scheme. Transaction Audit of LSGIs will be planned by DLFA in consultation with Principal Accountant General and SPAO so as to prioritise the units and also to cover all the units in a time bound manner.
2. auditing Standards for PRIs issued by Comptroller and Auditor General of India and adopted by the State Government will be followed by DLFA and strictly monitored.
3. it was also decided to conduct the meeting of the committee every six months.

2.6 Consolidated Audit Report of the DLFA for the year 2005-06

2.6.1 The DLFA is required to send to Government annually a consolidated report of the accounts audited by him and the Government is required to place the report before the Legislative Assembly as per Section 23 of Kerala Local Fund Audit Act, 1994. The Consolidated Audit Report for the year 2005-06 had been prepared and submitted to State Government. The Report was a compilation of objections from the Local Audit Reports. The objections were arranged district wise. Topic wise analysis of deficiencies would have been given a comprehensive picture and served as a tool for rectification of flaws in the implementation of schemes by LSGIs. Government may consider specifying a suitable format for the Report to ensure clarity and to make it reader-friendly.

2.7 Delay in submission of accounts by LSGIs

2.7.1 Section 9 of Kerala Local Fund Audit Act, 1994 states that “The accounts of a local authority or local fund included in the schedule relating to a financial year shall be prepared or caused to be prepared by the executive authority, in such form and in such manner as may be prescribed and presented for audit within four months of the close of that financial year. Where an executive authority makes default in the preparation and presentation of accounts for audit within the period specified under sub section (1), he shall be punishable on conviction with fine ranging from one thousand to three thousand rupees”.

However, out of the 1223 accounts for year 2007-08 receivable by 31 July 2008, DLFA received only 237 accounts as shown in the table given below:

Sl. No.	Type of Institution	Number of Accounts for the year 2007-08 received as of July 2008	Balance
1	Corporations	1	4
2	Municipalities	17	36
3	District Panchayats	4	10
4	Block Panchayats	40	112
5	Grama Panchayats	175	824
Total		237	986

(Source: DLFA)

Though powers were conferred upon DLFA to take action against defaulting LSGIs to ensure timely submission of accounts, the arrears on this account was 80.62 per cent.

2.8 Surcharge and charge imposed by the DLFA

2.8.1 The Acts empower the DLFA to disallow any illegal payment and surcharge the person making or authorising such payment. The DLFA can also charge any person responsible for the loss or deficiency of any sum which ought to have been received. During the period 2003-04 to 2007-08 DLFA had issued 127 charge certificates for an amount of Rs.34.62 lakh and 971 surcharge certificates for Rs.3.12 crore. Against the total charged/surcharged amount of Rs.3.47 crore, Rs. 10.76 lakh was realised (3.10 per cent) as shown below:

(Rs. in lakh)

Year	Charge Certificates		Surcharge Certificates		Amount Recovered
	Number	Amount	Number	Amount	
2003-04	42	15.64	283	42.83	2.13
2004-05	32	7.53	201	84.86	0.71
2005-06	15	2.13	153	71.74	4.14
2006-07	35	9.06	274	92.11	3.43
2007-08	3	0.26	60	20.88	0.35
Total	127	34.62	971	312.42	10.76

(Source: DLFA)

The low rate of recovery indicated the weakness of the mechanism for recovery of charge/surcharge.

2.9 Results of supplementary audit

2.9.1 During 2007-08, the CAG audited, 227 LSGIs, including supplementary audit of 86 LSGIs (**Appendix-III**). During supplementary audit,

the CAG comments upon or supplements the reports of DLFA on the accounts of LSGIs. The period covered under supplementary audit ranged from 2000-01 to 2006-07. The supplementary audit of accounts of the current year was not conducted due to non submission of accounts by LSGIs and non-issue of audit reports by DLFA as highlighted in Para 2.14.5 of this report. The findings of supplementary audit are summarised in the following paragraphs.

2.10 Non-maintenance or improper maintenance of books of accounts and other records

Cash Book

2.10.1 All moneys received and payments made should be entered in the cash book and it should be closed every day. Monthly closing of cash book with physical verification of cash and reconciliation of cash book balance with bank pass book balance under proper authentication were to be done. Audit review revealed the following discrepancies in maintaining cash book by LSGIs listed in **Appendix-IV**.

- Fifty LSGIs (58.14 *per cent*) maintained more than one cash book
- Daily closing of cash book was not carried out in 49 LSGIs (56.98 *per cent*).
- Monthly closing was not carried out in 38 LSGIs (44.19 *per cent*).
- Physical verification of cash was not done in 53 LSGIs (61.63 *per cent*).
- Cash book balance was not reconciled with bank pass book balance in 25 LSGIs (29.10 *per cent*).
- Erasure and over writing were noticed in cash books maintained by 23* LSGIs (26.74 *per cent*). Cash book is the primary accounting record and overwriting is not permitted.

Register of Advances

2.10.2 All advances paid are to be recorded in the Register of Advances. Nine^Σ LSGIs did not maintain Register of Advances. In 19 LSGIs (22.10 *per cent*), the Advance Register was incomplete (**Appendix-V**). As a result of the above deficiencies, monitoring and adjustment of advances could not be ensured.

* Vathikudy, Mariyapuram, Vandenmedu, Ramamangalam, Poomangalam, Uzhamalackal, Pallassana, Eruvessy, Punnapra North, Arpookara, Upputhara, Rajakkad, Pattancherry, Karivellurperalam, Kanakkary, Varandarapilly, Panavoor, Athirapally, Valakom, Thuravoor, New Mahe and Eranholi GPs, Vypin BP.

^Σ Arpookara, Upputhara, Chavara, Kulasekharapuram, Niranam, Thaneermukkom, Poyya, Pathiyoor and Panavoor GPs.

2.11 Lapses in preparation of budget

2.11.1 Budget is the most important tool for financial planning, accountability and control. The LSGIs did not exercise due care and diligence in the preparation of budget. Major lapses noticed in the preparation of budget are given below.

2.11.2 As per KPR Act and KM Act, the Budget proposals containing Detailed Estimate of income and expenditure expected during the ensuing year were to be prepared by the respective Standing Committees after considering the estimates and proposals submitted by the Secretary and the officers dealing with respective subjects, before 15 January every year and submitted to the Standing Committee for Finance (SCF). After considering the proposals, SCF was to prepare the Budget showing the income and expenditure of the Panchayat/Council for the ensuing year and the Chairman of SCF was to place it before the LSGI not later than first week of March in a meeting convened specially for approval of the Budget. The Budget was to be passed by the Panchayat/Council before the beginning of the year it related to. The abovesaid procedure highlights the importance attached to the preparation and passing of Budget. Though the LSGIs passed the Budget before the beginning of the year, none of them followed the procedures such as preparation of detailed estimate of income and expenditure expected for next year by the respective standing committees before 15 January every year and presentation of budget before 1st week of March. As a result, the Budget proposals were not discussed adequately and subjected to detailed deliberations in the respective Panchayats/Councils, thus evading detailed scrutiny of the proposals. This led to inaccuracies and defects in the Budgets resulting in failure of budgetary control as detailed below.

Receipt

2.11.3 Supplementary audit of 40 LSGIs (46.51 *per cent*) revealed that the budget prepared by them were unrealistic due to wide variation of estimated receipts and expenditure with the actuals (**Appendix-V**). A comparison of receipts under property tax and profession tax in four LSGIs revealed that against the actual collection of Rs.33.42 lakh the amount provided in the budget was Rs.90.50 lakh as shown in the table below:

(Rs. in Lakh)

Year	Name of Grama Panchayat	Head of account	Estimate	Actual	Excess provision	Percentage of excess provision to actual
2003-04	Kanjikuzhi (Idukki)	Property Tax	15.00	4.01	10.99	274.06
		Profession Tax	6.50	4.32	2.18	50.46
2003-04	Vandanmedu	Property Tax	18.00	4.10	13.90	339.02
		Profession Tax	12.00	5.05	6.95	137.62
2003-04	New mahe	Property Tax	10.00	4.50	5.50	122.22
		Profession Tax	7.00	3.13	3.87	123.64
2003-04	Vembayam	Property Tax	15.00	4.88	10.12	207.38
		Profession Tax	7.00	3.43	3.57	104.08
Total		Property Tax	58.00	17.49	40.51	231.62
		Profession Tax	32.50	15.93	16.57	104.02
Grand Total			90.50	33.42	57.08	170.80

The amounts of collection provided in the Budgets were over estimated by 170.80 per cent. This indicated that the budget was unrealistic. Had the figures in the demand register and the actual collection during previous years been considered for preparation of the budget, it would have been more realistic and accurate. As a result, revenue collection was far less than estimation.

Expenditure

2.11.4 Against the actual expenditure of Rs.64.82 lakh under unemployment wages and agricultural workers pension, only Rs.28.00 lakh was provided in the budget of two LSGIs as detailed below:

(Rs. in lakh)

Year	Name of Grama Panchayat	Function	Estimate	Actual	Deficit provision	Percentage of deficit provision to actual
2004-05	Kadakkal	Unemployment wages	6.00	23.30	17.30	74.25
		Agricultural workers pension	6.00	19.40	13.40	69.07
2005-06	Poothakulam	Unemployment wages	10.00	14.80	4.80	32.43
		Agricultural workers pension	6.00	7.32	1.32	18.03
Total		Unemployment wages	16.00	38.10	22.10	58.01
		Agricultural workers pension	12.00	26.72	14.72	55.09
Grand Total			28.00	64.82	36.82	56.80

Though the two GPs incurred expenditure in excess of budget provision, supplementary budgets were not prepared and forwarded to Panchayat for approval.

2.12 Lapses in preparation of Annual Financial Statements

2.12.1 The LSGIs were to prepare Annual Financial Statements (AFS) containing all receipts and payments and Demand, Collection and Balance (DCB) Statements and forward them to the DLFA after approval by the Panchayat/Municipal Council/Corporation Council not later than 31 July of the succeeding year. The lapses noticed in preparation and submission of AFS are enumerated below.

2.12.2 Section 10 of the Kerala Local Fund Audit Act, 1994 lays down that the audit of the accounts prepared and presented shall be completed by the auditor within six months of the date of its presentation. However audit of 30 LSGIs (34.88 *per cent*) were delayed by more than six months (**Appendix-VI**).

2.12.3 The AFS of 20 LSGIs (23.26 *per cent*) did not contain details of all transactions (**Appendix-VI**). This led to understatement of receipts and expenditure of the LSGIs. Though the Kerala Local Fund Audit Rules, 1996 empowers the DLFA to return the defective annual accounts submitted for audit, DLFA did not get the defects rectified.

2.12.4 In 26 LSGIs (30.23 *per cent*), opening balance given in the AFS did not agree with figures of closing balance given in the AFS of previous year (**Appendix-VI**). This indicated that the accuracy of the accounts of these LSGIs is questionable.

2.13 Lapses in safeguarding assets

2.13.1 For safeguarding and maintenance of assets, proper documentation of assets with periodical stock verification was essential. Audit review revealed that:

- Asset Register was not maintained in six^{*} LSGIs and maintenance was improper in 20 LSGIs (23.26 *per cent*) (**Appendix-V**).
- Stock Register was not maintained in seven^Σ LSGIs and improperly maintained in 25 LSGIs (29.07 *per cent*) (**Appendix-V**).

^{*} Elamkunnappuzha, Kooropada, Poyya, Perumvemba, Puthenchira and Varadarappilly GPs
^Σ Vathikudy, Poomangalam, Pallassana, Elamkunnappuzha, Kooroppada, Kulasekharapuram and Poyya GPs.

2.14 Deficiencies in the DLFA's audit process

Issue of audit certificates

2.14.1 Mention was made in the Reports (LSGIs) of the CAG, Government of Kerala for the years ended March 2005, March 2006 and March 2007 about non-issue of Audit Certificates by DLFA on completion of audit in terms of Section 215 (15) of KPR Act, 1994. DLFA stated (September 2008) that a format for certification has been prepared and forwarded to all sub-offices in February 2008. During the year, DLFA had issued Audit Certificates to 36 Grama Panchayats only.

Delay in issuing Audit Report by DLFA

2.14.2 According to Rule 18 (1) of Kerala Local Fund Audit Rules, DLFA is required to send to the Heads of LSGIs concerned and the controlling authorities/Government, a report on the accounts audited and examined by him not later than three months after the completion of audit. However, delay in forwarding Audit Reports by DLFA to LSGIs was noticed in 41 cases (47.67 per cent) (**Appendix-VI**) for which there was no justification. This resulted in delay in rectification of defects pointed out in audit.

Non-preparation of Audit Plan by DLFA

2.14.3 The need for preparation of Audit Plan and adhering to it was emphasised in the previous Reports of CAG (LSGIs), Government of Kerala. DLFA stated (September 2008) that audit was being conducted as per a tentative Audit Plan. A proper Audit Plan is essential for optimum utilisation of available man power resources.

Preparation of parallel accounts and DCB statements by DLFA

2.14.4 According to Kerala Local Fund Audit Act, 1994 and Kerala Local Fund Audit Rules, 1996 the DLFA is empowered to audit the accounts of the LSGIs but not to prepare the accounts. Audit revealed that in 28 LSGIs (32.55 per cent) (**Appendix-VI**), DLFA prepared parallel accounts and DCB statements during audit, in violation of Act and Rules. Those accounts were different from those prepared by the LSGIs. Preparation of accounts of the auditee institution by the auditor is highly irregular and resulted in the existence of two sets of accounts.

Belated audit of accounts by DLFA

2.14.5 The selection of LSGIs for supplementary audit is made from the list of LSGIs forwarded by the Director of Local Fund Audit every quarter. The list contains the names of LSGIs whose audit has been conducted and Audit

Reports issued by DLFA during preceding quarter. It was noticed that the period of Accounts of several LSGIs included in the list was as back as 1991-92. A few illustrations from the list of LSGIs audited and Audit Report issued by DLFA during the quarter July to September 2007 are shown below

Sl. No.	Name of LSGI	Year of accounts	Date of issue of Audit Report
1	Anchalumoodu BP	1998-99 to 2005-06	11.09.2007
2	Mannanchery GP	1997-98 to 2000-01	04.07.2007 & 11.07.2007
3	Kallara GP	1996-97 to 2003-04	03.07.2007
4	Nattakam GP	1991-92 to 1995-96	05.09.2007
5	Pamanchery GP	1996-97 to 1997-98	04.08.2007
6	Karakurissi GP	1993-94 to 1994-95	13.09.2007
7	Payyannur Municipality	1994-95, 1995-96 & 2001-02	21.07.2007 & 17.09.2007

(Source: DLFA)

Auditing the accounts and issue of Audit Reports after the lapse of five to 15 years defeats the very purpose of Audit.

2.15 Conclusion

There was delay in submission of AFS by LSGIs to DLFA. The recovery rate of charge/surcharge imposed by DLFA was low. The maintenance of basic accounting records by LSGIs was defective. There were lapses in preparation of Budget and AFS by LSGIs. Instead of auditing the accounts prepared by LSGIs, DLFA prepared their own accounts for LSGIs and audited. Training in Audit and Accounts was not imparted to the staffs.

2.16 Recommendations

- DLFA should ensure that the basic accounting records are maintained properly by LSGIs.
- DLFA should ensure timely receipt and audit of AFS
- DLFA should issue directions to LSGIs for observing the prescribed procedures in the preparation of annual budgets.
- Training should be imparted to the staff of DLFA in the field of accounts and audit to enhance their audit skills.
- Government may consider prescribing a reader friendly format for the consolidated Audit Report.

CHAPTER III PERFORMANCE REVIEWS

3.1 Local Self Government Institutions-Utilisation of Maintenance Grants

Highlights

Local Self Government Institutions (LSGIs) became the custodian of huge array of assets consequent on the devolution of functions and institutions enlisted in the Schedules to the Kerala Panchayat Raj Act, 1994 and the Kerala Municipality Act, 1994. Apart from the existing assets, the LSGIs are also creating new assets utilising the resources available. So the maintenance requirements of assets under the control of LSGIs are increasing year after year. As maintenance expenditure is in the nature of non-plan current expenditure, it cannot be met out of plan fund. From 2004-05 onwards, the State Government began setting up of a separate fund to meet the maintenance needs of the LSGIs based on the recommendations of the Second State Finance Commission. The Government could not adopt a realistic distribution of fund for maintenance based on the requirement of assets under the custody of LSGIs as the survey of assets was not undertaken by the LSGIs. Performance review of the records of LSGIs revealed improper projection of maintenance grant by LSGIs, large scale diversions of the fund for other purpose, absence of internal control system etc.

⇒ Government did not evolve a separate formula for the horizontal distribution of funds among the LSGIs based on the value of actual assets transferred and the need for maintenance of such assets.

(Para 3.1.6)

⇒ None of the LSGIs test checked did conduct the survey of own assets and assets transferred from Government resulting in the improper projection of Maintenance Plans and resultant unscientific distribution of grant by Government.

(Para 3.1.7)

⇒ The overall utilisation of maintenance grant was 71 per cent only during the period 2004-05 to 2007-08.

(Para 3.1.8.2 (a))

⇒ Diversion of maintenance grant to the extent of Rs.8.24 crore between road assets and non-road assets was noticed in some of the test checked LSGIs during the period of review.

(Para. 3.1.9.1 to 3.1.9.4)

⇒ In eight LSGIs Rs.2.72 crore was diverted irregularly for maintenance of assets neither owned nor transferred to them.

(Para 3.1.9.5)

⇒ 20 LSGIs incurred an aggregate of Rs.3.26 crore in excess of the 10 per cent ceiling fixed for Operational expenses.

(Para.3.1.9.6)

⇒ The internal control system was not effective in rectifying the deficiencies in planning and utilisation of maintenance grant.

(Para 3.1.11).

3.1.1 Introduction

Government in September 1995 transferred all institutions, schemes, buildings and other properties, assets and liabilities connected with the matters referred to in the Third, Fourth and Fifth Schedules to the Kerala Panchayat Raj Act, 1994 (KPR Act,1994) to the Grama Panchayats, Block Panchayats and District Panchayats respectively and those referred to in the First Schedule to the Kerala Municipality Act, 1994 (KM Act, 1994) to the Municipalities and Corporations. Consequent on the above devolution of powers and functions, the LSGIs became the custodians of a vast array of assets which are classified into three categories as follows:

- (i) Assets which were owned and maintained by LSGIs prior to decentralisation.
- (ii) Assets which were transferred to the LSGIs from the Government in the process of decentralisation.
- (iii) Assets which were acquired/built in due course by utilising plan funds, surplus out of own resources and contributions from public after the inception of the process of decentralisation.

Maintenance refers to the expenditure required to keep an asset running with unimpaired productive potential during its life time. Laxity in the maintenance of infrastructure created over the past decades for social and human development will lead to sub-optimal services from the assets and their premature failure/collapse. In order to avoid such a contingency, the Second State Finance Commission (SSFC) had recommended setting up of a special fund in the form of maintenance grant for the maintenance of non-road assets and road assets under the control of LSGIs. Government allots maintenance grants to the LSGIs in two separate categories viz., one for exclusive maintenance of roads and the other for the maintenance of other assets under

their custody. As the Block Panchayats do not maintain roads, no grant under the first category is allotted to them.

3.1.2 Audit Objectives

The audit objectives were to examine whether:

- (i) maintenance grant was devolved upon the LSGIs based on their requirements
- (ii) the maintenance needs of assets were properly assessed and maintenance plans prepared as per the norms and guidelines prescribed by Government from time to time
- (iii) the maintenance grants were utilised as per the guidelines issued
- (iv) the receipt and utilisation of maintenance grant were properly accounted and
- (v) there existed a proper system of internal control for the effective planning and utilisation of maintenance grant.

3.1.3 Audit Criteria

The criteria used to assess the effectiveness of the LSGIs in the utilisation of maintenance grant for asset management are:

- (i) Recommendations of the Second State Finance Commission.
- (ii) Action Taken Report and Note 2 of the Report of the Third State Finance Commission.
- (iii) Guidelines issued by Government from time to time in relation to utilisation of maintenance grant.
- (iv) Provisions in Kerala Panchayat Raj Act, 1994 and Kerala Municipality Act, 1994 relevant to asset management and their upkeep.

3.1.4 Audit Methodology and Scope

Performance Review on the utilisation of maintenance grants by the LSGIs covering the period 2004-05 to 2007-08 was conducted during May to October 2008. The selection of districts and LSGIs was done on a random basis. Three districts viz., Ernakulam, Kottayam and Palakkad out of 14 in the State were

selected for audit scrutiny. Within the selected districts, six Municipalities¹, three District Panchayats (DPs),² six Block Panchayats (BPs)³ and 18 Grama Panchayats (GPs)⁴ were selected for detailed scrutiny. Apart from the above, Kozhikode Corporation was also selected. The audit was conducted through test check of records of the LSGIs such as financial statements, asset registers, appropriation control registers, files and other connected registers/records relating to preparation of maintenance plans and their implementation. While examining the accounts and records, the adequacy of the existing mechanism was also reviewed.

3.1.5 Audit Findings

The audit findings are grouped under the following sections:

- ❖ Norms for distribution of Maintenance Grant,
- ❖ Preparation of Maintenance Plans,
- ❖ Allotment of Maintenance Grant,
- ❖ Diversions of Maintenance Grant,
- ❖ Non-execution of urgent Maintenance works,
- ❖ Internal control system.

3.1.6 Norms for distribution of Maintenance Grant

The SSFC had recommended that the State Government should make available to the LSGIs each year an amount of maintenance grant amounting to five and a half *per cent* of the annual State tax revenue which may be determined on the basis of certified Accounts figures of Accountant General, which normally relates to the financial year two years before the budget year. On accepting the said recommendations, Government made separate provisions in the budget towards maintenance grant from April 2004 onwards and distributed funds among the LSGIs during 2004-05 and 2005-06 adopting the formula recommended by the SSFC.

The Third State Finance Commission (TSFC) had fixed the maintenance grant for the period 2006-07 to 2010-11 applying 10 *per cent* annual growth rate. Accordingly, the maintenance grant for 2006-07 was Rs.350 crore and that for 2007-08 was Rs.385 crore as per the report of the Commission. The fund for

¹ Aluva, Angamaly, Kottayam, Palakkad, Shoranur and Vaikom.

² Ernakulam, Kottayam and Palakkad.

³ Alathur, Kothamangalam, Mulanthuruthy, Pallom, Pattambi and Vaikom.

⁴ Alathur, Cherpu, Chottanikkara, Erimayur, Kavalangad, Kottappady, Nattakom, Nellikkuzhy, Ongallur, Panachikkad, Pattambi, Thiruvankulam, Thiruvarp, T.V Puram, Udayamperoor, Udayanapuram, Vadakkanchery and Vilayur.

maintenance would be distributed among the LSGIs following the same formula adopted for the distribution of 5.5 *per cent* of state tax revenue (final audited figures) recommended by the SSFC.

Govt did not evolve a separate formula for the horizontal distribution of funds among the LSGIs based on the value of actual assets transferred and the need for maintaining such assets.

Government accepted the above recommendations only for the first four months of 2006-07. For the remaining four years and eight months (August 2006 to March 2011), Government decided that while keeping the total at levels recommended by TSFC, the horizontal distribution of funds among the LSGIs would be based on the value of actual assets transferred and the need for maintaining such assets for which a separate formula would be evolved. The formula would have been finalised and the actual amount due to each LSGI for the remaining four years and eight months would have been announced by July 2006. However, no such formula was finalised so far (October 2008) pending collection of data regarding type, area, age etc. of assets under the control of LSGIs. Therefore, the distribution for the period 2006-07 and 2007-08 were made on the basis of recommendations of the TSFC.

The details regarding the state tax revenue (audited figure) of previous years, maintenance grant due at the rate of five and a half *per cent*, the amount provided in the budget estimates, the amounts released, short provisions, short release etc. are shown in Para 1.9.4. of Chapter I of this report.

According to the norms adopted by the State Government, separate funds were required to be earmarked for maintenance of assets created before and after 1995, the year of devolution of functions and institutions etc. in accordance with the formula recommended by the SSFC. However, while allotting the maintenance grant to LSGIs, Government did not specifically mention the quantum of maintenance grant for both categories of assets. Instead, the funds were allotted under two categories viz., Road Assets and Non-Road assets.

3.1.7 Preparation of Maintenance Plans

3.1.7.1 Improper preparation of Maintenance Plans

For preparation of maintenance plans, the LSGIs had to assess the maintenance requirements of own assets as well as those transferred to it. Based on these assessments they had to prioritise the maintenance works to be carried out in each year. For this purpose, they had to conduct a survey of assets and prepare a survey report indicating the maintenance requirements of each asset. In the case of assets belonging to transferred institutions, the LSGIs should conduct a meeting of the officers in charge of all transferred institutions and get their maintenance requirements in writing as instructed by Government in December 2004.

None of the LSGIs test checked did conduct the survey of their assets resulting in the unrealistic distribution of maintenance grant.

None of the LSGIs selected for audit had conducted the survey of own assets. In the case of Block Panchayats also, no such survey was conducted even though most of their assets were located in their own office premises.

The meetings of heads of transferred institutions convened by the selected LSGIs during 2005-06 to 2007-08 to finalise the maintenance plans were as follows:

Year	No. of LSGIs which convened the meetings
2005-06	5*
2006-07	6*
2007-08	10 [♦]

Thus the majority of the LSGIs failed to convene the meeting of heads of transferred institutions for the preparation of maintenance plans from 2005-06 onwards in accordance with the directions of government. In the absence of survey of assets in the possession of LSGIs and the meeting of heads of transferred institutions to ascertain their requirements, the maintenance plans, if any, prepared by them were unrealistic as brought out in the subsequent paras.

3.1.8 Allotment of Maintenance Grant

3.1.8.1 Disproportionate allotment of Maintenance Grant for Road assets

According to the V Schedule to the KPR Act, 1994, the construction and maintenance of all Other District Roads other than Major District Roads is the function of DPs. But the PWD is yet to transfer the control of those roads to the DPs. According to the formula for distribution of maintenance grants, 50 per cent of the share earmarked for DPs for maintenance of assets created prior to 1995 is divided among themselves in the ratio of Village roads and Other District Roads. Therefore, the DPs are receiving maintenance grant in respect of roads under the control of PWD.

Test check of the records of the three District Panchayats[∞] revealed that six Other District Roads measuring 40.3 KM in Palakkad only were transferred by the PWD. It is therefore evident that the distribution of maintenance grant for road assets was disproportionate to the actual requirements as the roads were under the possession of PWD. The availability of surplus fund enabled the

* Thiruvamkulam GP, Alathur and Pattambi BPs, Palakkad DP and Kottayam Municipality.

* Thiruvamkulam and Vilayur GPs, Alathur and Pattambi BPs, Palakkad DP and Kottayam Municipality.

♦ Kottappady, Thiruvamkulam, Thiruvarp and Vilayur GPs, Alathur, Pallom and Pattambi BPs, Palakkad DP, Kottayam and Palakkad Municipalities.

∞ Ernakulam, Kottayam and Palakkad

District Panchayats to undertake the maintenance, construction and improvements of assets not owned by them as discussed in Para 3.1.9.5.

3.1.8.2 Allotment and Utilisation of Maintenance Grant

(a) LSGI – wise Analysis:

Over all utilisation of Maintenance Grant was 71 per cent

The LSGI-wise allotment and utilisation of maintenance grants for the period from 2004-05 to 2007-08 of the 34 selected units were as follows:

(Rs. in lakh)

LSGI	No.	Allotment			Utilisation			Per cent age of utilis ation	Transfer to Own fund
		Road	Non-Road	Total	Road	Non-Road	Total		
GPs	18	697.69	869.60	1567.29	526.19	671.79	1197.98	76	0.00
BPs	6	0.00	448.26	448.26	0.00	283.08	283.08	63	0.00
DPs	3	1941.22	3399.72	5340.94	1304.41	2003.58	3307.99	62	0.00
ULBs	7	1957.56	1956.49	3914.05	1669.93	1494.36	3164.29	81	175.43 ^φ
Total	34	4596.47	6674.07	11270.54	3500.53	4452.81	7953.34	71	175.43

While the overall utilisation is 71 per cent, the utilisation of DPs is the least viz., 62 per cent. Two ULBs (Kozhikode Corporation and Vaikom Municipality) had credited 4.5 per cent of the total allotment to their own fund. (refer Para. 3.1.9.8. also).

(b) Year-wise/Category-wise Analysis:

The year-wise and category-wise allotment and utilisation of the maintenance grant of the 34 LSGIs test checked during the period 2004-05 to 2007-08 were as given below:

(Rs. in Crore)

Cate gory of asset	2004-05			2005-06			2006-07			2007-08			TOTAL		
	Allot ment	Utilis ation	Pe rc en ta ge	Allot ment	Utilis ation	Pe rc en ta ge	Allot ment	Utilis ation	Pe rc en ta ge	Allot ment	Utilis ation	Pe rc en ta ge	Allot ment	Utilis ation	Pe rc en ta ge
Roads	8.38	4.95	59	13.88	9.18	66	9.17	8.59	94	14.53	12.28	85	45.96	35.00	76
Non-roads	14.79	5.35	36	17.75	14.39	81	16.29	12.84	79	17.92	11.94	67	66.74	44.53	67
Total	23.17	10.30	44	31.63	23.57	75	25.46	21.43	84	32.45	24.22	75	112.70	79.53	71

^φ Kozhikode Corporation and Vaikom Municipality

As indicated above, the overall utilisation of maintenance grant during 2004-05 to 2007-08 was 71 per cent while it was 76 and 67 per cent for roads and non-roads assets respectively. The overall utilisation was maximum (84 per cent) during 2006-07 and minimum (44 per cent) during 2004-05. The utilisation for roads assets was maximum (94 per cent) during 2006-07 and minimum (59 per cent) during 2004-05. Further the utilisation for non-roads assets was also the minimum (36 per cent) during 2004-05 whereas it was maximum (81 per cent) during 2005-06.

(c) Utilisation for actual maintenance of non-road assets

The actual utilisation for maintenance of non-road assets was 58.55 per cent of total expenditure

Out of Rs.44.53 crore utilised for maintenance of non-road assets during the period 2004-05 to 2007-08, Rs.19.57 crore (43.94 per cent) was utilised for maintenance of own asset; Rs. 22.24 crore (49.95 per cent) for maintenance of assets of institutions transferred from Government and Rs.2.72 crore (6.11 per cent) for maintenance of assets neither owned by LSGIs nor transferred to them as shown below:

(Rs. in lakh)

Sl.No.	Name of LSGIs	Total expenditure of M.G. for NR assets	Utilisation for own assets.		Utilisation for transferred assets		Utilisation for assets neither owned nor transferred	
			Amount	Percentage of utilization	Amount	Percentage of utilization	Amount	Per centage of utilization
1	2	3	4	5	6	7	8	9
1	Alathur GP	40.95	27.16	66.32	13.79	33.68		0.00
2	Chempu GP	21.42	16.12	75.26	5.30	24.74		0.00
3	Chottanikkara GP	36.79	23.74	64.53	13.05	35.47		0.00
4	Erimayur GP	47.02	21.65	46.04	25.37	53.96		0.00
5	Kavalangad GP	37.60	21.46	57.07	16.14	42.93		0.00
6	Kottappady GP	25.66	18.21	70.97	7.45	29.03		0.00
7	Nattakom GP	37.24	24.76	66.49	12.48	33.51		0.00
8	Nellikuzhy GP	46.77	34.36	73.47	11.01	23.54	1.4	2.99
9	Ongallur GP	54.80	44.64	81.46	10.16	18.54		0.00
10	Panachikkad GP	35.39	29.32	82.85	6.07	17.15		0.00
11	Pattambi GP	22.76	11.64	51.14	11.12	48.86		0.00
12	Thiruvankulam GP	32.13	23.71	73.79	8.42	26.21		0.00
13	Thiruvarp GP	34.09	22.34	65.53	11.57	33.94	0.18	0.53
14	TV Puram GP	23.27	12.91	55.48	10.36	44.52		0.00
15	Udayamperoor GP	43.26	33.91	78.39	9.35	21.61		0.00
16	Udayanapuram GP	38.45	27.72	72.09	10.73	27.91		0.00
17	Vadakkanchery GP	48.26	40.09	83.07	8.17	16.93		0.00
18	Vilayur GP	45.93	37.10	80.78	8.83	19.22		0.00
19	Alathur BP	47.07	0.00	0.00	47.07	100.00		0.00
20	Kothamangalam BP	60.07	29.56	49.21	30.51	50.79		0.00
21	Mulanthurthy BP	30.29	18.36	60.61	11.93	39.39		0.00

M.G. – Maintenance Grant; NR – Non Road

Sl.No.	Name of LSGIs	Total expenditure of M.G. for NR assets	Utilisation for own assets.		Utilisation for transferred assets		Utilisation for assets neither owned or not transferred	
			Amount	Percentage of utilization	Amount	Percentage of utilization	Amount	Percentage of utilization
22	Pallom BP	50.59	10.55	20.85	40.04	79.15		0.00
23	Pattambi BP	67.17	13.49	20.08	52.15	77.64	1.53	2.28
24	Vaikom BP	27.89	10.28	36.86	17.61	63.14		0.00
25	Ernakulam DP	592.77	2.92	0.49	489.27	82.54	100.58	16.97
26	Kottayam DP	463.36	1.24	0.27	432.32	93.30	29.80	6.43
27	Palakkad DP	947.45	87.09	9.19	724.95	76.52	135.41	14.29
28	Aluva Municipality	56.51	48.39	85.63	7.08	12.53	1.04	1.84
29	Angamaly Municipality	62.16	46.70	75.13	15.46	24.87		0.00
30	Kottayam Municipality	214.33	165.16	77.06	49.17	22.94		0.00
31	Palakkad Municipality	238.85	225.82	94.54	13.03	5.46		0.00
32	Shoranur Municipality	106.22	82.22	77.41	24.00	22.59		0.00
33	Vaikom Municipality	71.19	48.12	67.59	21.00	29.50	2.07	2.91
34	Kozhikode Corporation	745.10	695.90	93.40	49.20	6.60		0.00
	Total	4452.81	1956.64	43.94	2224.16	49.95	272.01	6.11

M.G. – Maintenance Grant; NR – Non Road

Analysis of the total expenditure (Rs. 41.81* crore) incurred for own and transferred assets revealed that Rs.10.91 crore (26.09 per cent) was utilised towards operational expenses; Rs. 2.49 crore on new constructions and Rs.2.34 crore for improvement works inclusive of Rs. 81.32 lakh for tiles works. Thus the actual utilisation for maintenance was Rs. 26.07 crore which was 58.55 per cent of the total utilisation and 39.06 per cent of the allotment for Non-road assets as shown in **Appendix-VII**.

3.1.9 Diversions of Maintenance Grant

Diversion of maintenance grant is not allowed unless otherwise permitted by Government. It was however noticed in audit that there were large scale diversions of fund allotted for meeting the maintenance requirements of assets under the control of the LSGIs during the period 2004-05 to 2007-08 as discussed in the subsequent paras.

3.1.9.1 Diversion from road to non-road assets

Eleven GPs¹ and five ULBs² diverted Rs.1.02 crore from the grant sanctioned for maintenance of road assets during 2005-06 to 2007-08 for utilisation of non-road assets as shown below:

11 GPs and five ULBs diverted Rs. 1.02 crore earmarked for the maintenance of road assets to non road assets

* Total expenditure Rs. 44.53 crore minus Rs.2.72 crore for assets not owned/transferred.

¹ Chottanikkara, Kavalangad, Kottappady, Nattakom, Nellikuzhy, Ongallur, Panachikkad, Thiruvankulam, Udayamperoor, Udayanapuram and Vilayur GPs.

² Angamaly, Kottayam, Palakkad, Shoranur and Vaikom Municipalities

(Rs. in lakh)

Year	LSGIs				Total	
	GPs		ULBs		No. of LSGIs	Amount
	No.	Amount	No.	Amount		
2005-06	11	36.36	5	64.17	16	100.53
2006-07	1	0.24	---	---	1	0.24
2007-08	2	1.64	---	---	2	1.64
Total		38.24		64.17		102.41

The diversion of Rs. one crore made during 2005-06 was for settling the arrears of water charges due to Kerala Water Authority. The remaining amount of that year was diverted for maintenance of non-road assets by Chottanikkara and Thiruvamkulam GPs.

3.1.9.2 Diversion from non-road to road assets

Four each of GPs and ULBs diverted an aggregate amount of Rs.34.68 lakh from non road to road fund

During 2005-06 to 2007-08, four GPs (Erimayur, Kavalangad, Udayamperoor and Vadakkanchery) and four ULBs (Aluva, Angamaly and Kottayam Municipalities and Kozhikode Corporation) diverted Rs.34.68 lakh from the grant sanctioned for maintenance of non-road to road assets as shown below:

(Rs. in lakh)

Year	LSGIs				Total	
	GPs		ULBs		No. of LSGIs	Amount
	No.	Amount	No.	Amount		
2005-06	2	2.69	1	30.05	3	32.74
2006-07	1	1.25	3	0.51	4	1.76
2007-08	1	0.18	-	-	1	0.18
Total	4	4.12	4	30.56	8	34.68

Those LSGIs had diverted fund from the maintenance grant of non-road assets for meeting the increase in expenditure of maintenance of roads over and above the allotment.

3.1.9.3 Diversion for new constructions

17 LSGIs diverted Rs.2.62 crore for 49 new constructions

Creation of new assets is a developmental activity. The cost of new constructions under road and non-road categories has to be met out of the fund earmarked for development activities. It was noticed in audit that substantial amounts were diverted from maintenance grant towards new constructions under road and non-road assets. In 17 out of 34 LSGIs test checked, the amount diverted from maintenance grant for 49 new constructions (both Non-Road and Road) worked out to Rs.2.62 crore as shown below:

(Rs. in lakh)

Sl.No.	Name of LSGI	Non Road Assets		Road Assets		Total	
		No. of works	Amount	No. of works	Amount	No. of works	Amount
1	2	3	4	5	6	7	8
1	Alathur GP	1	0.25	--	--	1	0.25
2	Chempu GP	1	0.13	--	--	1	0.13
3	Chottanikkara GP	2	5.99	2	1.68	4	7.67
4	Erimayur GP	3	4.08	--	--	3	4.08
5	Kottappady GP	1	2.94	--	--	1	2.94
6	Nellikuzhy GP	10	4.54	1	1.65	11	6.19
7	Pattambi GP	2	2.50	--	--	2	2.50
8	Thiruvamkulam GP	1	3.85	--	--	1	3.85
9	Thiruvarp GP	1	2.31	--	--	1	2.31
10	Udayamperoor GP	1	8.28	--	--	1	8.28
11	Kothamangalam BP	4	8.03	--	--	4	8.03
12	Ernakulam DP	1	7.56	--	--	1	7.56
13	Kottayam DP	2	21.57	--	--	2	21.57
14	Palakkad DP	1	5.00	--	--	1	5.00
15	Kottayam Municipality	3	7.41	1	6.13	4	13.54
16	Vaikom Municipality	4	3.58	2	4.23	6	7.81
17	Kozhikode Corporation	5	160.70	--	--	5	160.70
	Total	43	248.72	6	13.69	49	262.41

The new constructions included class rooms in schools, anganwadies, veterinary hospitals and AHD buildings, auditoriums, waiting sheds, play grounds, stadiums, lamps in public parks, electrification works, drinking water schemes, construction of new roads etc.

(a) Construction of non-road assets

In 17 LSGIs, Rs.2.49 crore was utilised for creation of 43 non-road assets by diversion from maintenance grant. Kozhikode Corporation diverted Rs.1.61 crore for five works (63.64 per cent) which was the highest followed by Kottayam District Panchayat (Rs.21.57 lakh). Among the GPs, Udayamperoor diverted the maximum amount (Rs.8.28 lakh on one work) during 2006-07. Kothamangalam was the only BP which diverted an aggregate amount of Rs.8.03 lakh for four works between 2004-05 and 2007-08.

Out of Rs.1.61 crore diverted by Kozhikode corporation towards new constructions, Rs.1.05 crore was utilised for construction of a stadium complex.

(b) Construction of new roads

Six new roads were constructed at a cost of Rs.13.69 lakh in four LSGIs – two roads each in Chottanikkara GP and Vaikom Municipality and one road each in Nellikuzhy GP and Kottayam Municipality.

3.1.9.4 Improvements to existing assets

Rs. 4.25 crore
was utilised for
improvement
works

According to the financial rules the expenditure incurred on maintenance of assets is classified as revenue expenditure whereas the expenditure on construction of infrastructure is a capital expenditure. If improvements to an existing asset result in the expansion of its capacity, quality of service and increase of its life span, such expenditure should also be treated as capital expenditure. Therefore meeting expenditure for improvements of assets by diversion from maintenance grant is against the principles of classification of accounts and the instructions of government in that regard. It was noticed in audit that Rs.4.25 crore was utilised for improvements of non-road (Rs.2.34 crore) and road assets (Rs.1.91 crore) during the period 2004-05 to 2007-08 as detailed below:

(a) Improvements to non-road assets

The total amount diverted for improvement was Rs.2.34 crore (**Appendix-VII**) which comprised of 47 non-road works for Rs.1.53 crore in five GPs and three ULBs and 89 tile works for Rs.81.32 lakh in 19 LSGIs. Out of Rs.1.53 crore, Kozhikode Corporation incurred Rs.68.25 lakh for 12 works and Palakkad Municipality incurred Rs.62.86 lakh on 3 works. The expenditure incurred by Kozhikode Corporation included improvement works to Tagore Hall for Rs.31.58 lakh and that of Palakkad Municipality included Rs.62.13 lakh for improvement of Kalvakulam New Bus stand.

(b) Improvements to existing road assets

According to the directions (December 2004) of the State Government, the first tarring or first concreting of a Water Borne Macadam (WBM) road or a gravelled road should not be met from maintenance grant. Such expenditure should be met either from Plan funds or own funds or funds from other sources. It was however noticed in audit that in many of the maintenance works undertaken by the LSGIs, the first tarring or first concreting of WBM road or earthen and gravelled roads was met out of maintenance grant in violation of Government directions. A total amount of Rs.1.91 crore was spent on 221 road improvement works in 18 LSGIs during the period from 2004-05 to 2007-08 as shown below:

(Rs. in lakh)

Sl.No.	Name of LSGI	2004-05		2005-06		2006-07		2007-08		Total	
		No. of works	Amount								
1	Alathur GP			2	1.00	2	1.69			4	2.69
2	Erimayur GP			4	3.78	8	6.68			12	10.46
3	Kavalangad GP							10	3.73	10	3.73
4	Kottappady GP					2	1.88	5	4.54	7	6.42
5	Nattakkom GP			1	0.78			9	12.97	10	13.75
6	Nellikuzhy GP			10	8.67	2	0.68	6	4.25	18	13.60
7	Ongallur GP					9	3.77	3	1.00	12	4.77
8	Panachikkad GP	22	7.14	8	4.05	14	6.95	7	4.82	51	22.96
9	Pattambi GP	2	2.00	3	1.81	1	1.50	2	2.28	8	7.59
10	Thiruvankulam GP					1	0.88			1	0.88
11	TV Puram GP							1	0.86	1	0.86
12	Vadakkanchery GP			2	4.29	11	13.13	7	13.06	20	30.48
13	Vilayur GP	6	6.47	2	1.50	4	2.46			12	10.43
14	Palakkad DP			7	16.84	3	8.91	1	2.25	11	28.00
15	Aluva Municipality	5	3.82	9	5.09			5	3.14	19	12.05
16	Kottayam Municipality	1	2.31			4	2.98			5	5.29
17	Palakkad Municipality			1	1.83	1	0.96			2	2.79
18	Vaikom Municipality	3	2.10			4	4.11	11	7.64	18	13.85
Total		39	23.84	49	49.64	66	56.58	67	60.54	221	190.60

GP, Panachikkad was the LSGI which diverted the highest amount (Rs.22.96 lakh on 51 works) and the diversion was continuous from 2004-05 to 2007-08. In GP, Pattambi also there was continuous diversion of maintenance grant for road improvement works during the above period (Rs.7.59 lakh on 8 works).

3.1.9.5 Diversion of funds for maintenance of assets not owned by the LSGIs

Eight LSGIs diverted Rs.2.72 crore for the construction and maintenance of assets not owned by them

Government releases fund for undertaking maintenance of own as well as assets transferred to the control of LSGIs. It was noticed in audit that eight LSGIs utilised maintenance grant amounting to Rs.2.72 crore for construction of new assets and for maintenance of old non-road assets neither owned nor transferred during the period 2004-05 to 2007-08 (**Appendix-VII**). From the maintenance grant amounting to Rs.2.72 crore which was utilised irregularly, Rs.4.06 lakh was used for construction of three new non-road assets in Ernakulam DP. Out of the remaining amount, Rs.2.66 crore was utilised for maintenance of Government UP Schools by three DPs Viz., Ernakulam, (Rs.1.01 crore), Kottayam (Rs.0.30 crore) and Palakkad (Rs.1.35 crore). As these assets were neither owned nor transferred, the utilisation of maintenance

grant for the maintenance of these assets by the District Panchayats was a clear violation of Government directions.

The maintenance plans of LSGIs are to be approved by the District Planning Committee (DPC). If the DPC had properly scrutinised the plans before granting approval, such large scale violations of the directions of Government could have been avoided.

3.1.9.6 Maintenance Grant diverted for operational expenses in excess of ceiling

20 out of 34 LSGIs exceeded the ceiling of 10 per cent prescribed for utilisation of operational expenses.

Government had issued instructions that maintenance grant allotted to the LSGIs should not be diverted either towards entirely new constructions or for arbitrary current expenditure. As an exception, Government had permitted all LSGIs to utilise upto a ceiling of 10 per cent of the maintenance grant for meeting operational costs and current expenses.

During the years 2004-05 to 2007-08 an aggregate amount of Rs.10.91 crore was utilised for meeting operational expenses in 34 LSGIs test checked. Of that Rs.7.70 crore was utilised for meeting operational expenses of own asset and Rs.3.21 crore was utilised for that of transferred assets (**Appendix-VII**)

It was however noticed that 20 out of the 34 LSGIs exceeded the ceiling of 10 per cent prescribed by Government. The percentage of excess utilisation varied from 3.18 to 27.66 as indicated below:

(Rs. in lakh)

Sl.No.	Name of LSGI	Total Allotment	Admissible (10 per cent)	Amount utilised	Excess Utilisation	
					Amount	Per centage
1	Chempu GP	90.65	9.07	11.95	2.88	3.18
2	Chottanikkara "	80.58	8.06	13.82	5.76	7.15
3	Kavalangad "	99.31	9.93	15.11	5.18	5.22
4	Kottappady "	85.88	8.59	16.35	7.76	9.04
5	Nattakom "	99.03	9.90	22.68	12.78	12.91
6	Nellikuzhy "	103.76	10.38	34.56	24.18	23.30
7	Ongallur "	103.94	10.39	25.87	15.48	14.89
8	Panachikkad "	95.52	9.55	23.09	13.54	14.18
9	Thiruvamkulam "	61.45	6.15	15.96	9.81	15.96
10	Thiruvarp "	55.07	5.51	11.05	5.54	10.06
11	TV Puram "	49.73	4.97	9.23	4.26	8.57
12	Udayamperoor "	67.55	6.76	19.76	13.00	19.25
13	Udayanapuram "	69.64	6.96	26.22	19.26	27.66
14	Vadakkanchery "	135.35	13.54	18.75	5.21	3.85
15	Vilayur "	88.23	8.82	21.39	12.57	14.25
16	Angamaly Municipality	175.78	17.59	31.58	13.99	7.96
17	Kottayam "	479.43	47.94	111.15	63.21	13.18
18	Palakkad "	751.78	75.18	102.28	27.10	3.60
19	Shoranur "	211.23	21.12	64.45	43.33	20.51
20	Vaikom "	145.61	14.56	35.56	21.00	14.42
	TOTAL	3049.52	304.97	630.81	325.84	10.68

The main component of operational costs was water charges paid to KWA for supply of water through street taps in the LSGIs. The year-wise details of water charges included in the operational costs and its percentage are given in the table below:

(Rs. in lakh)

Year	No. of LSGIs	Amount of operational costs	Amount of water charges	Per centage
2004-05	7	28.63	25.40	89
2005-06	20	400.89	383.21	96
2006-07	19	163.59	147.52	90
2007-08	19	165.33	152.52	93
Total		758.44	708.65	93

LSGIs were required to meet charges of water supplied through street taps from own funds or General Purpose Fund. Failure of the LSGIs in remitting the water charges of street tap in time resulted in accumulation of arrears and consequent avoidable payment of interest/fine for the delay as discussed in Para 4.8 of Chapter-IV of this report.

3.1.9.7 Diversion of Maintenance Grant for construction and maintenance of revenue yielding assets

(a) Schemes other than Water Supply/Irrigation

Construction and improvements of revenue yielding assets of LSGIs shall be undertaken by using own or borrowed fund. As a normal practice the maintenance cost of such assets are met out of the revenue earned by the asset or in its absence from own fund of LSGI. Hence maintenance grant are generally not being utilised for the upkeep of revenue yielding assets.

Maintenance grant amounting to Rs.4.57* crore was utilised for 124 works such as construction/improvement/maintenance of revenue yielding assets such as shopping complexes, town halls, markets, stadiums etc., in 17 LSGIs during the period 2004-05 to 2007-08 as detailed below:

(Rs in lakh)

Year	No. of LSGIs	No. of works	Amount
2004-05	3	16	141.76
2005-06	11	30	130.70
2006-07	12	55	100.05
2007-08	9	23	84.67
Total		124	457.18

* This amount included some of the items commented under new constructions and improvements in paras 3.1.9.3 and 3.1.9.4.

17 LSGIs utilised maintenance grant of Rs.4.57 crore for 124 constructions/improvements/maintenance works of revenue yielding assets

Among ULBs, Kozhikode Corporation had utilised Rs. 2.42 crore for 47 works connected with the construction/improvement and maintenance of assets. Of that amount, Rs.92.35 lakh was utilised for solid waste management and Rs.30 lakh was utilised for construction of shopping complex cum stadium. Palakkad Municipality undertook 21 works at a cost of Rs.1.03 crore of which construction of a bus stand and its yard was a major item costing Rs.57.86 lakh. Kottayam Municipality undertook 11 works at a total cost of Rs.32.31 lakh which included the construction of a stadium at a cost of Rs.19 lakh. Among GPs, Alathur utilised Rs.11.18 lakh on three works of which the major utilisation was a shopping complex at a cost of Rs.6 lakh.

(b) Water supply /lift irrigation schemes

If the income generated from a revenue yielding scheme such as Lift Irrigation Scheme (LIS), Water Supply Scheme etc. is permitted to be re-appropriated by the implementing agencies, then there is no justification to meet the operational expenses and maintenance expenses of such assets from the fund available for maintenance of other assets of the LSGIs. It was noticed in Audit that four GPs and one DP had incurred an aggregate amount of Rs.7.67 lakh from maintenance grant for meeting charges of water supply schemes/lift irrigations schemes operated, maintained and water charges collected by the beneficiary committees as shown below:

(Rs. in lakh)

Sl. No.	Name of LSGI	Year	Nature of maintenance	Amount of maintenance grant utilised
1	Vilayur GP	2004-05	Maintenance work of LIS	1.50
2	Nellikuzhy GP	2005-06	Replacement of pump set	1.24
3	Erimayur GP	2006-07	Remittance of arrears of electricity charges of water supply schemes	3.21
4	Kavalangad GP	2007-08		0.78
5	Palakkad DP	2007-08	Maintenance works of LIS	0.94
Total				7.67

3.1.9.8 Unauthorised transfer of Maintenance Grant to own fund

Two ULBs diverted Rs.1.75 crore of maintenance grant to own fund

Two ULBs (Kozhikode Corporation and Vaikom Municipality) diverted an aggregate amount of Rs.1.75 crore from the maintenance grant of both road and non-road assets during the period 2004-05 to 2007-08 as indicated below:

(Rs. in lakh)

Year	Kozhikode Corporation			Vaikom Municipality			Total		
	Road	Non-Road	Total	Road	Non-Road	Total	Road	Non-Road	Total
2004-05	45.87	...	45.87	---	3.37	3.37	45.87	3.37	49.24
2005-06	---	15.10	15.10	---	---	---	---	15.10	15.10
2006-07	---	49.28	49.28	3.62	---	3.62	3.62	49.28	52.90
2007-08	---	54.21	54.21	2.30	1.68	3.98	2.30	55.89	58.19
Total	45.87	118.59	164.46	5.92	5.05	10.97	51.79	123.64	175.43

Own fund (Category F) of LSGIs consists of tax and non-tax revenue collected by them. In both ULBs, the diversion was highest during the year 2007-08. While Kozhikode Corporation diverted maximum amount of Rs.1.19 crore from maintenance grant of non-road assets, Vaikom Municipality diverted maximum amount of Rs.5.92 lakh from the maintenance grant for road assets. These transfers from maintenance grant were irregular since both ULBs had huge balance of own fund during the period 2004-05 to 2007-08.

3.1.9.9 Utilisation of Maintenance Grant for Prime Minister's Grameen Sadak Yojana (PMGSY) Scheme

Palakkad and Ernakulam DPs had utilised an amount of Rs. 50 lakh and Rs.52.23 lakh respectively from maintenance grant of non-road assets for shifting of utilities such as telephone/electric posts and under ground cables, pipelines of water supply schemes in connection with construction of roads under PMGSY Scheme during the year 2007-08.

PMGSY being a 100 *per cent* Centrally Sponsored Scheme, the cost of removal of the utilities in the roads where the projects are to be implemented shall be met by the State Governments. In March 2008 Government had issued directions *inter-alia*, to the effect that the cost for removing utilities shall be borne jointly by DPs, BPs and GPs under the leadership of DPs from the plan fund of the respective LSGIs concerned. Further, the roads constructed as per PMGSY Scheme should be handed over to the District Panchayats concerned only after its completion. No maintenance works need be carried out for the first five years. The maintenance of such roads would have to be carried out only after five years. The District Panchayat and the State Government were required to furnish only an undertaking that they would remit the cost of maintenance along with the project proposals. In the above circumstances, the

utilisation of Rs.50 lakh by Palakkad DP and Rs.52.23 lakh by Ernakulam DP from the maintenance grant could only be treated as a capital expenditure incurred for the construction of road. Hence those were clear cases of diversion of maintenance grant.

3.1.9.10 Diversion of Maintenance Grant for repayment of HUDCO loan

Kozhikode Corporation diverted Rs.14.45 lakh for the repayment of HUDCO loan

Diversion of maintenance grant for discharging the liabilities of LSGIs is not permitted. It was noticed in audit that Kozhikode Corporation had diverted in violation of government instructions, an amount of Rs.14.45 lakh from maintenance grant during 2004-05 and paid to HUDCO towards repayment of loan raised for construction of a stadium. Adoption of such irregular practices would result in the denial of maintenance to old assets.

3.1.9.11 Diversion of Maintenance Grant for payment of property tax of a transferred institution

The buildings of municipality are exempt from payment of municipal tax under Section 235 (1) of KM Act, 1994. However, it was noticed that the Vaikom Municipality adjusted maintenance grant aggregating to Rs.1.32 lakh towards property tax of Government Veterinary hospital and Government Ayurveda hospital under its control and credited the amount to enhance their own revenue during 2007-08. This was a violation of the Act.

3.1.9.12 Utilisation of Maintenance Grant for purchase of stores

During the year 2006-07, Ongallur Grama Panchayat utilised an amount of Rs.2 lakh from the maintenance grant for purchase of pipes for water supply schemes which were not yet identified for implementation. The items purchased were also not entered in the stock register as of October 2008. Utilisation of maintenance grant for water supply scheme was irregular as the expenditure should have been classified under capital account.

3.1.10 Non-execution of urgent Maintenance Works

3.1.10.1 Non execution of maintenance works of transferred institutions

Ernakulam DP did not undertake the emergency repair work of the damaged roof of a school reported in January 2004.

(i) The Principal, Government VHSS, Mankayil, Maradu in Ernakulam district reported (January 2004) the dangerous condition of the damaged roof of the two storey school building along with a photo of the roof to the DP, Ernakulam and requested for its urgent repairs since the concrete blocks falling from the damaged roof were a threat to the life of students and teachers and cause of destruction to the laboratory equipments.



The DP issued Administrative Sanction (AS) for the work estimating to Rs.3.62 lakh after a period of one year in January 2005. The estimate was subsequently revised to Rs.5 lakh in February 2006 and it was decided to undertake the work during 2006-07. During 2006-07 the estimate was again revised to Rs.6 lakh and the work was tendered in February 2007. As there was no response from the contractors, it was decided (September 2007) to entrust the work to Parent Teachers Association. In June 2008, the AS for the work was again revised to Rs.7.92 lakh. The work was yet to be taken up (July 2008). Thus an emergency work which was posing threat to the lives of school children and teachers remained unattended to even after the expiry of four and a half years. The delay also contributed to the irregular revision of the estimate of the work year after year.

3.1.11 Internal control system

The internal control system in the LSGIs was found to be weak and ineffective in the matter of receipt and utilisation of maintenance grant. In none of the LSGIs test checked, there existed any system to ensure that all the assets accounted for in the Asset Registers including those transferred to them were properly maintained. In the absence of proper data, no periodical review of the maintenance needs of the assets was undertaken in any of the test checked LSGIs. A few cases of lapses in internal control noticed during the course of audit are given below.

3.1.11.1 Defective maintenance of Asset Registers

The same assets were found recorded in the Asset Register of more than one LSGI.

The Asset Registers maintained were found to be incomplete in most of the LSGIs since all the relevant columns such as details of assets, year of construction, costs, details of last maintenance etc. are wanting. The absence of relevant details badly affected the preparation of annual plans as well as the norms for distribution of maintenance grant as stated below.

i) As the year of construction was not recorded in majority of the cases, LSGIs could not prepare maintenance plans for those assets created before and after 1995 separately in accordance with the quantum of maintenance grant earmarked for them as per the guidelines.

(ii) As the year and other details of last maintenance were not recorded in most of the cases, it could not be ensured whether the periodicity and norms prescribed for maintenance of assets were followed as per the Recommendations of SSFC.

(iii) In Kottayam DP, assets of 49 transferred institutions were not recorded in the asset register. Similarly, in Ernakulam DP and Aluva Municipality, assets of one and two transferred institutions respectively were not recorded in the asset register.

(iv) Inclusion of same asset in the Asset Register of different LSGIs was noticed. Kathanaruchira-Kanniyathu Nirappu road in Chottanikkara Grama Panchayat was included in the Asset Register of both DP Ernakulam and GP Chottanikkara.

As the Asset Registers were incomplete, there were instances of same asset being maintained by different LSGIs as follows.

The maintenance work of Chottanikkara OEN road was carried out by both Chottanikkara GP and Ernakulam DP during 2007-08. Similarly, the maintenance work of Thalakkode - Mullaringad road was carried out by both Kavalangad GP and Ernakulam DP during 2006-07.

Kottayam DP and Palakkad DP carried out during 2005-06 to 2007-08, an aggregate of 144 maintenance works of assets at an expense of Rs.3.88 crore which were not included in their respective Asset Registers as shown below:

(Rs. in lakh)

Name of LSGI	2005-06		2006-07		2007-08		Total	
	No. of works	Amount	No. of works	Amount	No. of works	Amount	No. of works	Amount
Kottayam DP	9	33.17	10	23.54	24	40.94	43	97.65
Palakkad DP	32	97.42	33	71.23	36	121.67	101	290.32
Total	41	130.59	43	94.77	60	162.61	144	387.97

The absence of a built in internal control system to check duplication of maintenance works provides enough scope for false claims by LSGIs.

3.1.12 Conclusion

Government did not evolve a separate formula for the horizontal distribution of funds among the LSGIs based on the value of actual assets. Government did not conduct a survey of assets of LSGIs to determine the standard spending on maintenance as recommended by the SSFC and hence the distribution of maintenance grant was not realistic. In the absence of a reliable data regarding the assets, LSGIs could not prepare the maintenance plans as per the norms prescribed. There was under utilisation of maintenance grant to the extent of 29 *per cent* during the period 2004-05 to 2007-08. Large scale diversions of maintenance grant in violation of the norms and government guidelines were noticed during the period of review. Two ULBs had even transferred maintenance grant to the extent of Rs.1.75 crore to their own fund to avoid lapse of fund. Emergency repairs were not carried out for long periods even though such works were included in the annual plans year after year revising the estimates. The internal control mechanism in LSGIs was weak and ineffective. No effective mechanism existed to avoid diversion of fund for other purposes and for effective utilisation of resources for the proper maintenance of public properties.

3.1.13 Recommendations

- Government should take steps to conduct the survey of assets under the control of LSGIs and get the Asset Registers updated.
- Government should evolve a suitable formula for distribution of maintenance grant and make specific allotment for assets created before and after 1995 in the budget.
- Government should give directions to LSGIs to prepare realistic maintenance plans with reference to the prescribed norms
- Suitable control measures should be introduced to avoid large scale diversions of maintenance grant for development and other activities.
- The internal control system in the LSGIs should be strengthened so that the grant allotted by Government is utilised for the maintenance of assets under their control in accordance with the norms prescribed.

3.2 Distribution of Electricity and Water in Thrissur Municipal Corporation

Highlights

In Kerala, electricity and water are distributed by Kerala State Electricity Board (KSEB) and Kerala Water Authority (KWA) respectively. Out of the 1223 LSGIs in the State, Thrissur Municipal Corporation (TMC) is the only LSGI which has undertaken the distribution of electricity and water. TMC has been carrying out the distribution of electricity since 1937 and that of water from 1962. The distribution of electricity and water in the areas of five Panchayats annexed to TMC in 2000 continues to be the function of KSEB and KWA respectively.

⇒ Failure of Thrissur Corporation Electricity Department (TCED) in taking appropriate decision resulted in avoidable financial loss of Rs.2.58 crore by way of payment of interest to KSEB.

(Paragraph 3.2.7.3)

⇒ Charge for electricity consumed for street lighting, Parks etc. amounting to Rs.11.64 crore not realised and accounted.

(Paragraph 3.2.7.8)

⇒ TCED incurred an excess expenditure of Rs.42.47 lakh towards audit charges due to incorrect reckoning of annual income.

(Paragraph 3.2.7.13)

⇒ TCED did not prepare annual accounts and Demand, Collection and Balance during the period of Audit.

(Paragraph 3.2.7.15)

⇒ TMC incurred a loss of revenue of Rs.2 crore due to collection of water charges at rate lower than that of KWA.

(Paragraph 3.2.8.3)

3.2.1 Introduction

Thrissur Municipal Corporation (TMC) came into existence in October 2000 by integrating five adjoining Grama Panchayats with the erstwhile Thrissur Municipality. TMC purchases electricity from the Kerala State Electricity Board (KSEB) at bulk rates and distributes it to the customers within the erstwhile municipal area by collecting tariff as fixed by KSEB from time to time. The electricity department of TMC which functions on a commercial

basis, purchases and distributes electricity to its consumers. TMC also distributes processed water, brought by the Kerala Water Authority (KWA), within the erstwhile municipal area and collects water charges from the consumers. TMC does not pay the cost of processed water, but in lieu thereof, pays an amount of Rs.48 lakh per annum to the KWA to part finance maintenance cost of the Peechi dam where the KWA water treatment plant is located. In the Grama Panchayats annexed to the Corporation, distribution of electricity and water vests with the KSEB and the KWA respectively.

3.2.2 Organisational set up

Secretary of TMC is in overall control of Electricity Department and Water Section. The Electricity Department of the Corporation headed by the Assistant Secretary is in charge of purchase and sale of electricity. The electricity department procures and installs infrastructures such as feeder lines, distribution lines, transformers, concrete poles, consumer meters, etc., required for distribution of electricity. There is an Engineering Wing as well as an Accounts Wing within the department. The Water Section is responsible for distribution of water and collection of water charges from the consumers and it is headed by an Assistant Engineer.

3.2.3 Audit Objectives

The review was conducted in order to

- (i) evaluate the efforts of the Corporation in delivery of service to the public in relation to distribution of electricity and water
- (ii) highlight the deviations, if any, from the rules and procedures prescribed and
- (iii) ascertain the effectiveness of the internal control mechanism in achieving the objectives.

3.2.4 Audit Criteria

1. The Electricity Act, 2003.
2. Kerala State Electricity Board Terms and conditions of supply, 2005 (Terms).
3. Orders and guidelines issued by Government of Kerala, Kerala State Electricity Regulatory Commission and Kerala Water Authority.

3.2.5 Scope of Audit

Thrissur Municipal Corporation is the only local body in the state which manages distribution of electricity and water within its jurisdictional area. The review was conducted from March 2008 to June 2008 covering a period of five years from 2003-04 to 2007-08.

3.2.6 Audit Findings

Audit findings are grouped under the following sections:

- ❖ Distribution of Electricity,
- ❖ Distribution of Water,
- ❖ Internal Control System,

3.2.7 Distribution of Electricity

Thrissur Corporation Electricity Department (TCED) purchases electricity from the KSEB as a licensee and distributes the same within the corporation area excluding the area covered by five Panchayats annexed to it in the year 2000. TCED functions as a separate entity under the Corporation. KSEB supplies electricity at the Patturaikkal Sub station of TCED at bulk rates on a Contract Demand of 8000 Kilo-Volt-Ampere (KVA). KSEB has installed a main meter at the sub station premises to measure the quantum of electricity supplied to TCED and for monthly billing of the energy charges and monthly demand charges based on the maximum demand at any point of time during the month. TCED feeds the power so received into six feeders measured by means of energy meters installed at the sub station and distributes it to the consumers within the old municipal area. TCED collects energy charges and fixed charges for the connected load from the consumers at the selling rates adopted by KSEB. The revenue realised by TCED is utilized for making payment of cost of power to the KSEB and for meeting cost of distribution including capital costs incurred on feeder lines, transformers, consumer meters etc. Any surplus of revenue is kept in deposits with banks. The total number of consumers under various categories was 33570 as on 31 March 2008 and revenue realised for the period of review was Rs.194.31 crore as given below:

(Rs in lakh)

Year	No of consumers	Revenue realised
2003-04	29304	3445.69
2004-05	30060	3513.24
2005-06	33450	3867.17
2006-07	34618	4061.41
2007-08	33570	4543.53
Total		19431.04

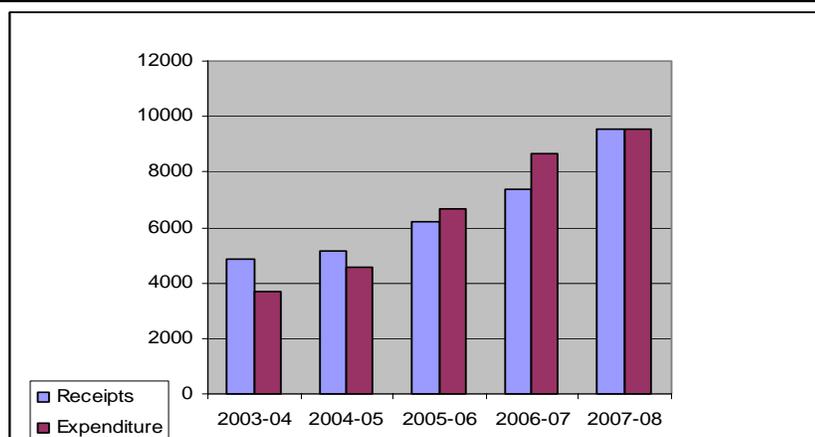
3.2.7.1 Financial position

The financial position of the Electricity Department for the years 2003-04 to 2007-08 as per the accounts and records produced to audit is as given below:

(Rs in lakh)

Particulars	Year				
	2003-04	2004-05	2005-06	2006-07	2007-08
Opening balance	2630	3797	4358	3905	2651
Receipts	4863	5155	6200	7398	9554
Total	7493	8952	10558	11303	12205
Expenditure	3696	4594	6653	8652	9546
Closing balance	3797	4358	3905	2651	2659
Percentage of expenditure with respect to receipts	76.00	89.12	107.30	116.95	99.92

Both receipts and expenditure recorded growth during the period 2003-04 to 2007-08. However, during 2005-06 and 2006-07 the increase in expenditure was more than the increase in receipts with the result that TCED was forced to utilise the accumulated income. But during 2007-08 the receipt and expenditure almost equalled as shown in the chart.



The quantum of electricity supplied by the KSEB and the energy charges and demand charges paid by TCED during the period of report are as detailed in the table given below:

(Rs in lakh)

Year	Energy charges		Demand charges	Total paid to KSEB
	No. of units (MU*)	Amount		
2003-04	83.12	1703.92	476.11	2180.03
2004-05	86.86	1780.67	495.10	2275.77
2005-06	91.08	1867.04	511.76	2378.80
2006-07	95.30	1953.55	543.93	2497.48
2007-08	101.17	2318.77	595.42	2914.19
Total	457.53	9623.95	2622.32	12246.27

3.2.7.2 Non regularisation of additional load

As per Clause 45 of KSEB Terms and Conditions of Supply, 2005 the maximum demand in 66 KV supply is 8000 KVA. Variation is permitted in respect of Extra High Tension (EHT) (66 KV and above) consumers with the approval of the State Electricity Regulatory Commission. The maximum load availed of through 66 KV supply during the years 2004-05 to 2007-08 was as follows:

Year	Maximum load of the year	Month in which maximum demand recorded
2004-05	18762 KVA	March 2005
2005-06	19259 KVA	March 2006
2006-07	20787 KVA	March 2007
2007-08	19922 KVA	April 2007

The additional load has to be regularised and agreement thereof executed with the KSEB to avoid probable invocation of penal clauses by KSEB for

* MU – Million Unit

unauthorised load as per clause 50 read with clause 51 of the Terms. However, no action was taken by TCED to increase the maximum load as of June 2008.

3.2.7.3 Avoidable loss towards interest paid to KSEB

Failure of TCED in taking appropriate decision resulted in avoidable financial loss of Rs.2.58 crore

In the Grid Tariff revision order dated 8 July 1982, KSEB prescribed separate rates for licensees/ sanction holders who avail 11 KV and 66 KV power and allowed a price rebate of 30 *per cent* on 66 KV with effect from 2 December, 1982. The rebate was later withdrawn from 01 November 1988. TCED did not accept withdrawal of the rebate and continued to pay lesser amounts than that billed for monthly by KSEB. This resulted in short payment of Rs.40.81 crore to the KSEB for the period from December 2002 to December, 2005. The matter was taken up with the Appellate Tribunal which in appeal No.40 of 2005, found that TCED failed to take part in the tariff fixation proceedings. It was held that TCED was collecting consumption charges including penal charges from its consumers at rates fixed by the board and was withholding 30 *per cent* of the charges so collected. The Tribunal ordered (January 2006) that TCED was liable to accept grid tariff revision without any rebate and to pay to the KSEB arrears of electricity charges and interest thereon for the period up to December 2005. TCED paid an amount of Rs.45.49 crore to the KSEB (February 2007) which included Rs.2.58 crore as penal interest. As observed by the Appellate Tribunal, TCED had collected the consumption charges and penal charges from the consumers and retained 30 per cent without remitting to KSEB. This has resulted in accumulation of revenue on one side and at the same time creation of liability by way of interest on the other side. It was also noticed that TCED had transferred fund from these accumulated revenue to TMC till March 2005 as discussed in para 3.2.7.6. Had TCED paid the dues as billed for by the KSEB and gone for appeal before the Tribunal, it could have been possible to claim reimbursement or to avoid payment of interest depending on the decision of the Tribunal. Thus the failure of the TCED in taking appropriate decision, resulted in avoidable financial loss of Rs.2.58 crore by way of interest.

3.2.7.4 Purchase of Transformers without observing Store Purchase Rules

TCED purchased transformers worth Rs.1.10 crore during the period 2003-04 to 2007-08. The purchases were made from the Kerala Electrical and Allied Engineering Company Ltd, a Government of Kerala undertaking on a single quotation basis at a special discount ranging from 10 *per cent* to 13 *per cent* on the basic price offered. This was in violation of Store Purchase Rules which required that any purchase above Rs.20000 should be made after inviting competitive tenders so that the TCED could procure the transformers at competitive prices.

3.2.7.5 Wasteful expenditure on unused mechanical meters

The Public Works Standing Committee of TMC vide Resolution No. 9 dated 10 February 2003 decided to purchase electronic meters for installation of new connections. Even after this decision the department purchased mechanical meters for Rs.5.59 lakh vide details given below:

Specification of meter	Quantity	Price Rs.	Purchase order	Date of supply	Supplier
2.5-10 A	500	193019	646/13-2-06	6-3-06	United Electricals Ltd, Kollam
5-20 A	1000	366000	647/13-2-06	2-3-06	Technometer Jaipur
Total	1500	559019			

After the purchase orders were placed for the mechanical meters, the Mayor ordered on 21 February 2006 that only electronic meters need be purchased thereafter. Of the 1500 mechanical meters purchased, 775 numbers of 5-20A variety were not installed at all as sufficient number of electronic meters were subsequently purchased resulting in wasteful expenditure of Rs.2.84 lakh being the purchase price of mechanical meters which could not be used for installation or replacement.

3.2.7.6 Transfer of surplus to the general funds of the corporation

According to the proceedings No.D7-Pl.15/12 dated 19 August 1937 of the Maharaja of Cochin, the electricity department of the erstwhile Thrissur municipal area had to be run as a separate entity on a commercial basis. When the profit exceeded 10 *per cent* per annum after meeting all obligations and expenses for improving services to the consumers, such excess could be utilized by the municipal council for general purposes. It was also laid down that before arriving at the profit of any year, the department should set apart an adequate amount of depreciation on the scale on which commercial undertakings make provisions in this behalf. Government of Kerala had not issued any further orders in this regard so far.

TCED had not prepared the profit and loss account and balance sheet for any year. But it had transferred a sum of Rs.14.04 crore to the general fund of TMC during the period from June 1993 to March 2005, out of which Rs.52.18 lakh was refunded by TMC. Thus an amount of Rs.13.51 crore stood transferred to the TMC as on 31 March 2008 as shown below:

Sl. No.	Period of Transfer	Amount
1	24.06.1993	8.00
2	07.07.1993	8.00
3	24.08.1994	15.00
4	12.09.1994	15.00
5	27.09.1994	13.00

(Rs. in lakh)

Sl. No.	Period of Transfer	Amount
6	06.06.1995	20.00
7	10.12.1998	70.00
8	18.12.2000	100.00
9	21.03.2001	50.00
10	22.01.2001	50.00
11	26.02.2002	64.75
12	02.01.2003	100.00
13	22.08.2003	50.00
14	20.10.2003	37.49
15	05.11.2003	10.82
16	29.12.2003	91.45
17	30.10.2004	100.00
18	26.02.2005	100.00
19	11.03.2005	500.00
Total		1403.51
Less funds refunded		
1	17.06.1995	20.00
2	25.03.2004	32.18
Total		1351.33

Transfer of money to the general fund of TMC continued even when there was outstanding liability of electricity charges and interest payable to KSEB, as discussed in para 3.2.7.3. The transfer of funds without preparation of proper accounts and without discharging the outstanding liabilities is a violation of existing orders and sound financial principles. TCED stated (May 2008) that the amounts were paid as loans to TMC and steps for realising the loans had been initiated.

3.2.7.7 Supply of electrical materials for use outside the old municipal area

TCED is responsible for distribution of electricity only in the old municipal area. In the Panchayats annexed to the Corporation this responsibility rests with the KSEB. Maintenance of street lights in the annexed area is also vested with KSEB. But the TCED had supplied materials costing Rs.77.89 lakh for maintenance of the street lights in the annexed area during the period under review as given below:

(Rs. in lakh)	
Year	Amount
2003-04	4.82
2004-05	13.46
2005-06	22.40
2006-07	16.23
2007-08	20.98
Total	77.89

3.2.7.8 Expenditure on street lighting and electricity consumption by Corporation owned buildings and parks

The energy consumed for street lighting facility in the old municipal area and by corporation owned buildings and parks were not being invoiced or accounted for by the TCED.

Charge for electricity consumed for street lighting, Parks etc. amounting to Rs.11.64 crore not realised and accounted

Year	Energy consumed (in units)			
	Street lights	Corporation buildings	Parks	Total
2003-04	3449000	132000	3680	3584680
2004-05	3464000	133020	3900	3600920
2005-06	4158000	135300	4200	4297500
2006-07	4244000	138000	5300	4387300
2007-08	4510000	142584	6200	4658784
Total	19825000	680904	23280	20529184

Since the TMC and TCED are separate entities and the TCED is run on a commercial basis, the energy consumed by the Corporation should have been invoiced and accounted for. The average sale price of electricity for the period from 2003-04 to 2007-08 is Rs.5.67 per unit. The rate would be higher for higher consumption of electricity. Failure of TCED to recover charges for electricity consumed by the Corporation led to a short realisation of Rs.11.64 crore at the rate mentioned above.

3.2.7.9 Loss on account of non levy of meter rentals

The KSEB imposed (April 2002) monthly rental charges on energy meters to be collected from electricity consumers with effect from May 2002. The rates prescribed were applicable to the consumers of the Thrissur Corporation area too. But, the Corporation Council decided (January 2004) to keep the orders in abeyance for the period up to 31 March 2005 which resulted in a loss of revenue amounting to Rs.78.24 lakh as shown below:

Sl. No.	Description of Meters	Period	No. of meters	No. of months	Rate (Rs.)	Total (Rs.)
1	Single phase	2003-04	14236	12	10	17,08,320
		2004-05	416	12	10	49,920
2	3 phase up to 20 Amps	2003-04	8542	12	20	20,50,080
		2004-05	250	12	20	60000
3	3 phase meter above 20 Amps to 30 Amps	2003-04	4271	12	50	25,62,600
		2004-05	125	12	50	75,000
4	3 phase meter above 30 Amps	2003-04	1423	12	75	12,80,700
		2004-05	41	12	75	36,900
Total						78,23,520

3.2.7.10 Short collection of security deposit from HT consumers

As per Rule 15 of Terms, security deposit payable by the consumers was a sum equal to two times the monthly current charges (three times for consumers with bi-monthly billing) and had to be reviewed in the first quarter of every financial year and updated with reference to the latest rate of energy charges. The Terms and Conditions 2005 were applicable to the TCED too in respect of its

consumers. TCED, however did not review the security deposit to be collected from HT consumers and this resulted in short collection of security deposit to the tune of Rs.55.65 lakh from 23 consumers during the period of report as given in **Appendix-VIII**.

3.2.7.11 Replacement of mechanical meters by electronic meters

Central Electricity Authority (CEA) in notification dated 17 March 2006 stipulated that all interface meters, consumer meters and energy accounting and audit meters should be of static type and as such it was mandatory to replace the electro-mechanical meters by electronic energy meters (Static Watt Hour meter). However, no time frame was fixed by the CEA for such replacement. Though the TCED started the process of replacement of mechanical meters by static meters in 2005-06 itself, the pace of replacement was very slow as shown below:

Year	Opening balance	No. of meters purchased	Total	Total No. of meters installed	Balance held in stock
2005-06	---	180	180	77	103
2006-07	103	2900	3003	2401	602
2007-08	602	16634	17236	4321	12915
Total		19714		6799	12915

Out of 33570 Electrical connections, only 6799 was provided with static meters

There were 33570 connections in the area of distribution at the end of 2007-08, but only 6799 meters had been replaced by static meters so far (June 2008). Performance of static meter is more accurate than that of mechanical meter as even minute unit of energy consumed is recorded by the former. Tardy pace of replacement of meters led to loss of revenue to TCED.

3.2.7.12 Arrears pending collection

Arrears amounting to Rs.8.52 crore were pending collection as at the end of March, 2008. Defaulters of payment of electricity charges included Government/quasi Government institutions, Public Sector Undertakings and private firms. Category-wise details of arrears are given below:

(Rs. in crore)

Sl. No.	Sector	Amount
1	Government/quasi Government	4.00
2	Public sector	0.75
3	Private companies	3.77
Total		8.52

Of the arrears, Rs.6 crore was more than three years old. Revenue recovery proceedings had been initiated against two private parties for recovery of arrears amounting to Rs.18.89 lakh. Cases were pending in four instances (Rs.25.80 lakh). Notice had been issued to one person for recovery of Rs.3

lakh. No action had been taken in respect of the other defaulters. The pace of recovery was tardy.

3.2.7.13 Excess expenditure on audit charges due to incorrect reckoning of annual income

TCED paid (March 2006 & August 2007) an aggregate of Rs.57.96 lakh to Local Fund Audit Department towards audit charges for the period 1996-97 to 2000-01. The Audit charges were calculated in accordance with Rule 24(1) of Kerala Local Fund Audit Rules, 1996 which provides for calculation of audit charges as a per centage of annual income of the local authorities excluding debt head accounts and borrowed funds. TCED being a commercial trading concern, the gross annual income should have been reckoned after deduction of the prime input cost, i.e purchase price of electricity from the gross receipts. Omission to deduct the prime input cost from the gross receipts resulted in wrong determination of annual income and audit charge. This had resulted in payment of excess audit charge of Rs. 42.47 lakh as shown below:

TCED incurred an excess expenditure of Rs.42.47 lakh towards Audit charges due to incorrect reckoning of annual income.

(Rs. in lakh)

Particulars	1996-97	1997-98	1998-99	1999-00	2000-01	Total
Amount on which Audit Fee charged	698.59	805.75	1058.41	1422.53	1985.12	5970.40
Less purchase cost	444.45	634.20	760.91	1116.30	1271.65 + 131.83	4359.34
Annual Income	254.14	171.55	297.50	306.23	581.64	1611.06
Audit fee payable	1.91	1.72	2.98	3.06	5.82	15.49
Audit fee paid*	5.24	8.06	10.58	14.23	19.85	57.96
Excess paid	3.33	6.34	7.60	11.17	14.03	42.47

3.2.7.14 Additional expenditure on payment of pension

The new pension scheme introduced vide GO (MS)No.101/90/LAD dated. 16 July 1990 was applicable to the employees of TCED. It was bound to remit the pension contribution of its employees to the Central Pension Fund operated by the Director of Urban Affairs (DUA) who would release the amount required for disbursement of pension and DCRG, thus absolving TCED of any further liability on this account. Though TCED had been promptly remitting the monthly pension contribution from 01 October 1991 onwards, it did not pay the arrears of pension contribution for the period from 16 July 1990 to 30 September 1991. Hence the DUA had been adjusting a proportionate sum from the amount of pensionary benefits released to TCED. Further the rate of pension contribution was not sufficient to run the pension scheme successfully (as brought out in Para 3.4 of CAGs Report (LSGIs), Government of Kerala for the year ended 31 March 2007). Hence TCED had to spend Rs.6.50 crore from

* At the rate of 0.75 per cent for 1996-97 and one per cent thereafter.

its own funds towards payment of pensionary benefits to its employees during the period from 2003-04 to 2007-08 as given in the table below:

(Rs. in lakh)

Year	Pensions paid	Amount received from the DUA	Additional expenditure incurred by the TCED
2003-04	77.40	---	77.40
2004-05	84.94	---	84.94
2005-06	207.43	---	207.43
2006-07	196.41	70.91@	125.50
2007-08	155.21*	---	155.21
Total	721.39	70.91	650.48

@ Relating to the years 2004-05 and 2005-06.

* Up to February 2008.

3.2.7.15 Accounts and Returns

Though TCED is functioning as a commercial trading concern, it had not prepared profit and loss account, income and expenditure account, balance sheet and DCB for any year during the period of review. Consequently, depreciation allowance was not provided for and depreciation fund was not created.

3.2.7.16 Delay in providing connection

Delay ranging from two months to one year noticed in providing electric connections

An applicant requiring electricity connection is required to apply for the same in the prescribed form after completing wiring of the premises along with a certificate to that effect from licensed electrician. The applicant is required to remit cost of service line to be provided, security deposit and inspection fee. TCED inspects the premises and on satisfying that the wiring has been done to the required standards, provides connection to the applicant. Electricity connection has to be provided, after receipt of application and remittance of charges within a period of 30 days in cases where extension is not required and 45 days in cases where distribution main is required. However delay of two months to one year was noticed in 17 cases in providing connection to the applicants as given in the table below:

Sl. No.	Consumer No.	Category	Date of deposit of connection charge	Date of connection	Delay	
					Months	Days
1	12364 A	LTVII A	20.11.2007	20.02.2008	3	1
2	12365 to 12370 A	LTVII A	20.11.2007	30.01.2008	2	11
3	12082 A to 12090 A	LTI A	24.01.2007	24.11.2007	10	1
4	11724 A	LTI A	26.11.2005	23.03.2006	3	27
5	13013 B to 13021 B	LTVII A	21.11.2006	10.04.2007	4	21
6	13041 B to 13048	LTI A	15.12.2006	25.04.2007	3	11
7	13106 B to 13117 B	LTI A	20.01.2007	24.10.2007	9	5
8	13128 B	LTI A	09.02.2007	06.03.2008	12	27
9	13169 B to 13179 B	LTI A	27.02.2007	06.09.2007	6	11
10	13198 B to 13204 B	LTI A	14.03.2007	05.10.2007	6	22
11	13206 B to 13224 B	LTI A	22.03.2007	06.10.2007	6	15
12	11950 C	LTI A	28.05.2004	21.12.2004	6	24
13	12690 C to 12708 C	LTI A	10.07.2006	19.10.2006	3	10
14	12844 C to 12856 C	LTI A	04.12.2006	01.06.2007	5	29
15	12877 C to 12887 C	LTI A	05.12.2006	26.04.2007	4	22
16	12899 C to 12914 C	LTI A	17.01.2007	12.07.2007	5	26
17	12989 C to 12996 C	LTI A	08.01.2007	19.07.2007	6	12

3.2.7.17 Meter Reading Registers

In cases where meter reading cannot be taken due to the premises being locked up, the consumer shall be provisionally charged for the average consumption. During the second instance of locked up premises, consumers will be given notice to keep open the premises and on failure to do so, the supply shall be disconnected with proper notice. The Meter Reading Register of two divisions of TMC showed that meter readings could not be taken for more than six months in respect of 61 out of 4539 consumers on account of locked up premises. No follow up action such as serving of notice to the party and disconnection had been initiated in these cases. Details of such cases are given in **Appendix-IX**.

3.2.8 Distribution of Water

3.2.8.1 Introduction

TMC is responsible for distribution of water within the old municipal area. Water required for distribution is made available by the KWA at the four reservoirs in the old municipal area. TMC distributes the water to the domestic as well as non-domestic consumers and collects water charges at the rates fixed by the Council from time to time. TMC is also responsible for laying of pipes, construction of storage tanks and establishment of other infrastructure required for distribution. KWA manages water supply in the areas of annexed GPs.

3.2.8.2 Details of consumers and revenue realized

The Corporation catered water to 16981 consumers as at the end of March, 2008. Details of domestic and non-domestic consumers in the Corporation area and total revenue realised are given in the table below:

Year	Domestic consumers	Non domestic consumers	Total	Revenue (Rs. in lakh)
2003-04	12635	3632	16267	64.57
2004-05	12847	3693	16540	63.73
2005-06	12998	3736	16734	67.95
2006-07	13092	3764	16856	69.24
2007-08	13189	3792	16981	90.86

3.2.8.3 Collection of water charges at rates lower than KWA

TMC is responsible for maintenance of the Water distribution network and collection of water charges from the consumers within the old municipal area whereas in the rest of the area of TMC, responsibility rests with KWA. TMC

TMC incurred a loss of revenue of Rs.2 crore due to collection of water charges at rate lower than that of KWA

decided (June 2003) that it shall not collect water charges at rates lower than those fixed by KWA from time to time. However TMC continued to levy water charges at rates lower than those of KWA throughout the period of review. TMC suffered a loss of Rs. two crore on this account at the minimum of the slabs as given below:

Year	Domestic					Non domestic					Total loss (Rs.)
	Monthly KWA rate for 10000 Ltr including Rs. 2 for meter inspection (Rs.)	Monthly rate charged by TMC (Rs.)	Difference (Rs)	No. of consumers	Loss sustained (Rs.) (Col 4 x Col 5 x 12 months)	Monthly KWA rate (Rs) for 10000 Ltrs	Monthly rate charged by TMC (Rs.)	Difference (Rs)	No. of consumers	Loss sustained (Rs) (Col 9 x Col 10 x 12 months)	
1	2	3	4	5	6	7	8	9	10	11	12
2003-04	22	13	9	12635	1364580	102	44	58	3632	2527872	3892452
2004-05	22	13	9	12847	1387476	102	44	58	3693	2570328	3957804
2005-06	22	13	9	12998	1403784	102	44	58	3736	2600256	4004040
2006-07	22	13	9	13092	1413936	102	44	58	3764	2619744	4033680
2007-08	22	13	9	13189	1424412	102	44	58	3792	2639232	4063644
Total					6994188					12957432	19951620

3.2.8.4 Arrears of water charges pending collection

The Water Section of TMC had prepared Demand, Collection and Balance statement only up to 2005-06. The position of demand, collection and balance in respect of water charges for the above period is as given below:

(Rs in lakh)

Year	Demand			Collection			Balance		
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
2003-04	250.52	115.02	365.54	18.25	46.31	64.56	232.27	68.71	300.98
2004-05	300.98	105.67	406.65	26.25	37.48	63.73	274.73	68.19	342.92
2005-06	342.92	113.54	456.46	25.08	42.86	67.94	317.84	70.68	388.52

The arrears outstanding as at the end of 2005-06 (Rs.3.89 crore) were 3.42 times the current demand (Rs. 1.14 crore) of that year. The list of major defaulters of water charge is given in **Appendix-X**.

3.2.8.5 Short supply of water

(a) Population of TMC was 317526 as per 2001 census and the average quantity of water required was 41.27 million litres per day (mld) as per approved standards (135 litres per capita per day - lpcd). Capacity of the

treatment plant at the Peechi dam was 50 mld and as per agreement with the KWA 21.5 mld of treated water would be made available to the TMC for distribution within the old municipal area at the four existing reservoirs. However, KWA did not supply the specified quantity of water at any time during the period of review on account of various reasons which included non availability of water at the dam site and deteriorated condition of the transmission mains. Moreover, the distribution mains had also broken down at several points causing interruptions in water supply. Hence the TMC had to resort to alternative arrangements for maintaining supply of water to its consumers. Drinking water was supplied through tanker lorries during the period of short supply from KWA. TMC had extended financial assistance to the KWA for replacement of the old transmission mains. It also carried out separate drinking water projects utilizing the plan fund available each year. Despite all these the availability of water could only be maintained at 70 lpcd per day.

(b) January to June every year has been reckoned as lean season and deficient in water availability. TMC engages its tanker lorries to fetch water from the sources other than those of KWA and distributes it in the needy areas without charging any fee for the services. It also arranges distribution of water through private water tanker lorry operators. The area requiring water supply is identified and divided into several zones. Open tenders are invited for supply of water in the zones during the entire lean season from private operators. Quality of water supplied is ensured by insisting on test certificate from the KWA. Private water tanker lorries were engaged from January to June every year during the period of review. Expenditure on this account amounted to Rs.3.75crore as given below:

(Rs. in lakh)	
Year	Amount
2003-04	48.78
2004-05	44.06
2005-06	73.50
2006-07	115.78
2007-08	93.24*
Total	375.36

On account of development of fissures at several points in the distribution line, TMC decided (February 2007) to supply water in the entire Corporation area including the old municipal area by engaging private water tanker lorries for the period up to June 2007. During the period from 01 April 2007 to 12 June 2007 a total quantity of 189.23 million litres of water was supplied to the residents of TMC through tanker lorries at a cost of Rs.93.24 lakh. Details are given in the table below:

* Rs.25.16 lakh pending payment

Sl. No.	Zone	Capacity of tanker (Litre)	Rate per trip (Rs)	No. of trips	Amount paid (Rs)	Qty of water supplied (million litre)
1	Ayyanthole	5000	270	8221	2219670	41.10
2	Vilvattom	5000	250	774	193500	3.87
3	Old Municipal area	5000	240	163	39120	0.82
4	Koorkancherry	5000	240	6737	1616880	33.68
		12000	450	846	380700	10.15
5	Ollur	5000	274	10491	2874534	52.45
		12000	493	1203	593079	14.45
6	Ollukara	5000	215	6543	1406745	32.71
Total				34978	9324228	189.23

The water fetched in each trip of the lorries whether it measured 5,000 litres or 12,000 litres, was distributed to just two or three families in the area of supply. This was evident from the detailed distribution reports contained in the form attached with the trip sheets of the respective lorries. The reason thereof had not been recorded anywhere in the form. TMC could not explain why the supply of water was restricted to a few families while several others would also be in dire need of water during the period of scarcity in the identified areas.

3.2.8.6 Delay in execution of drinking water projects executed through the KWA

TMC, in order to alleviate the problem of drinking water shortage, formulated seven projects costing Rs.64 lakh for implementation through KWA during the period 2003-04 to 2007-08 and advanced the full amount to it. Of these two projects costing Rs.18.12 lakh shown below were not commissioned even after the lapse of more than five years.

(Rs. in lakh)

Sl.No.	Project	Amount advanced	Date of advance	Present position
1	LIC aided drinking water project	7.82	28-08-02	Not commissioned
2	Ollur Padinjare Angadi kulam	4.00	3-3-04	Not commissioned
		6.30	3-3-04	
Total		18.12		

3.2.8.7 Extension of pipelines to additional areas

TMC entrusted KWA with eight projects costing Rs.92.24 lakh for extension of pipelines within the Corporation area during the period of review. The entire amount was advanced to KWA. Of these, four projects costing Rs.47.28 lakh shown below were not completed so far (June 2008).

(Rs. in lakh)

Sl. No.	Project	Amount advanced	Date of advance	Present position
1	Line extension in various divisions	5.00	29-3-05	Not commissioned
2	Line extension in various divisions	25.68	14-3-06	Partly commissioned
3	Line extension in various divisions	15.52	8-2-07	Not commissioned
4	Line extension in Division No. 42	1.08	5-1-08	Not commissioned
Total		47.28		

3.2.8.8 Diversion of funds for upkeep and maintenance of assets owned by KWA

TMC formulated three projects for Rs.5.96 crore on behalf of the KWA, utilising its own fund as detailed below.

(a) A project for replacement of broken transmission mains from Peechi dam in four reaches was formulated at a total cost of Rs. three crore as given below:

(Rs. in lakh)

Sl. No.	Reach	Estimate			
		Laying pipes	Cost of materials	Centage charges	Total
1	Mullakkan Padam Chainage 11900 M to 12750 M	14.40	74.50	11.11	100.01
2	Mukkattukara 500M	12.75	43.75	7.06	63.56
3	Puthenveedu Vazhi 500 M	11.75	43.80	6.94	62.49
4	Thottapadi 600 M	14.73	51.00	8.22	73.95
Total		53.63	213.05	33.33	300.01

TMC diverted and paid to KWA Rupees one crore from the Maintenance Grant of non road assets for replacement of broken transmission lines

TMC advanced an amount of Rs.2.35 crore (April 2007) to KWA for execution of the project. Out of this Rs.One crore was diverted from maintenance grant released to TMC for maintenance of its non-road assets.

(b) TMC advanced an amount of Rs.1.40 crore (March 2006) to KWA for executing the work of replacement of damaged 700 mm primo pipes from Peechi dam at an estimated cost of Rs.two crore as detailed below:

(Rs. in lakh)

Sl. No.	Reach	Laying Pipes	Cost of materials	Centage	Total
1	Mooppan Thuruthu Chainage 11000 M to 11900 M.	15.70	83.09	12.35	111.14
2	Nallenkara Chainage 15550 M to 16250 M.	12.77	66.08	10.00	88.85
Total		28.47	149.17	22.35	199.99

No centage charge is payable for works executed through KWA, vide para 16 of KPWA code. However, it was noticed that TMC paid centage charge of Rs.55.68 lakh (Rs.33.33 lakh and Rs.22.35 lakh) for projects at (a) and (b) above formulated by it and executed by KWA which was highly irregular.

(c) TMC paid Rs.48 lakh each from maintenance grant during March 2007 and March 2008, for maintenance of Peechi dam which is owned and operated by KWA. Peechi dam is not an asset of TMC or of any transferred institution. As per the direction of Government, maintenance grant is not to be diverted. It is to be used for maintenance of own and transferred assets. Hence diversion of Rs.1.96 crore for replacement and maintenance of assets of KWA mentioned at (a) and (c) above was irregular.

3.2.8.9 Deficiency in delivery of services

There were 2288 public taps installed in the area of annexed GPs where responsibility of distribution of water rests with KWA. TMC pays an amount of Rs.60.13 lakh per annum to the KWA as water charges for water supplied through these public taps. KWA charges Rs.2628* per tap per year on the condition that water would be available for 12 hours a day at the rate of 5 litres per minute. But water was available through the public taps at an average 4 hours a day during the period 2003-04 to 2007-08 as reported by the Secretary. The matter was not taken up with KWA for either supply of water through public taps for 12 hours a day as stipulated or for reduction of annual charges to the extent of water actually supplied.

3.2.8.10 Delay in granting water connections

An application for water connection has to be submitted to TMC in the prescribed form accompanied by a work completion certificate from a licensed

* Five litres per minute for 12 hours a day ie 3.6 kilolitres per day @ Rs.2 per KL. Total for the year 3.6KLxRs.2x365 days = Rs.2628.

plumber and the required Security Deposit (SD) and inspection fee. Road restoration charges wherever road cutting is involved is also collected from the applicant. TMC grants connection after inspection of the site. Water meter installed in the premises is sealed by TMC to safe guard against tampering. Meter readers from the Corporation take the readings once in two months and the consumer is required to pay the water charges regularly. In all, the Corporation had granted 1409 connections during the period of review. The connections could have been given within a period of one month of receipt of the required certificate and inspection fee. But delay exceeding three to sixty four months was noticed in granting the connections as shown below:

Consumer No.	Date of remittance of SD and other fees	Date of connection	Delay in connection
16273	07.05.2003	28.08.2003	3 months
16280	04.05.2003	06.09.2003	4 months
16393	07.06.2003	15.12.2003	6 months
16653	31.01.2003	23.06.2004	18 months
16695	08.08.1998	18.12.2003	64 months
16747	05.01.2004	06.01.2005	12 months
16748	05.01.2004	06.01.2005	12 months
16750	05.01.2004	06.01.2005	12 months
16961	01.03.2005	02.09.2005	6 months
16985	18.05.2005	22.10.2008	5 months

3.2.9 Internal Control System

3.2.9.1 Non-reconciliation of meter readings of KSEB and TCED

KSEB supplies through a 66 KV line the power required by the TCED for distribution to the public residing within the erstwhile Thrissur Municipal area. The point of sale is the Patturaikkal Sub Station premises where the KSEB has installed the Main Meter for ascertaining the quantum of power supplied to TCED. It feeds the power received into six 11 KV feeder lines. Power received and fed into the six feeder lines are metered by six separate meters installed adjacent to the meter of KSEB at the start of the feeder lines. The meter readings are taken every hour and the consumption of energy noted down in daily log sheets maintained at the sub station duly attested by the sub station engineer. Total consumption of power for any month is available by totalling the entries in the log sheets. This figure should agree with the reading of the Main meter of the KSEB with negligible variation as no transmission of power is involved between the main meter and the feeder meters. KSEB calculates the quantum of power supplied to the corporation on the basis of readings of the Main meter in the sub station premises and issues monthly bills of energy charges and demand charges. But differences were noticed in the meter readings of KSEB and TCED as shown in the table below. The KSEB meter reading was 41 *per cent* to 68 *per cent* higher than the feeder readings every time but the matter has never been reported to the KSEB for reconciliation. The

loss, if any, could not be established for want of details regarding the correctness of the readings recorded by the meters installed by the KSEB and TCED. This points to a serious lapse in internal control.

Year	Power supplied as per KSEB meter (MU)	Power consumed for distribution to the consumers(feeder readings) (MU)							Total (MU)	Difference between the meter reading of KSEB & TCED	
		Feeder 1 Koorkancherry	Feeder 2 Ramanilayam	Feeder 3 Mission Quarters	Feeder 4 Bini	Feeder 5 Poothole	Feeder 6 Aranattukara	Power consumed by sub station		Units (MU)	per centage
2003-04	83.120	13.945	9.317	13.181	8.039	14.615	0.000	0.008	59.105	24.015	40.63
2004-05	86.860	14.717	8.162	14.232	8.584	15.355	0.000	0.008	61.058	25.802	42.26
2005-06	91.081	15.747	9.461	14.267	7.312	13.971	0.000	0.009	60.767	30.314	49.88
2006-07	95.300	12.841	7.793	12.742	8.030	15.345	0.122	0.009	56.882	38.418	67.54
2007-08	101.170	5.476	10.972	14.615	22.726	10.164	5.366	0.010	69.329	31.841	45.93
Total	457.531	62.726	45.705	69.037	54.691	69.450	5.488	0.044	307.141	150.390	48.93

3.2.9.2 Non maintenance of Asset Registers

The TCED had net assets worth Rs.20.76 crore valued as at 31 March 2006 which included feeder lines, transformers, service lines, connected meters etc. But an asset register incorporating the details of the assets such as date of acquisition, cost of acquisition, disposals and balance etc. had not been maintained.

3.2.9.3 Non-functioning of investigation and enforcement wing

Section 126 of the Electricity Act, 2003 enables the department to form investigation squad to guard against theft and unauthorized use of electricity within the corporation area and for enforcement of the various rules and procedures prescribed. The department accordingly constituted an Anti Power Theft Squad on 08 February 2005. The squad functioned till 02 September 2005. During the very short period the Squad conducted 20 inspections and could detect 17 cases of theft or misuse of electricity involving Rs.18.56 lakh. However the Squad was abolished within just 7 months of its formation. No investigation squad had been formed thereafter. No investigation wing had been formed in water distribution section either.

3.2.10 Conclusion

The review on distribution of Electricity and Water in Thrissur Municipal Corporation revealed that the manner and form in which accounts were to be maintained by TCED were not specified by the Government so far (June 2008). There was revenue loss in TCED and Water Section due to non-adherence to Rules. The internal control mechanism of TCED and Water Section was weak.

3.2.11 Recommendations

- Government should issue orders clearly defining the role and functions of TCED including preparation of annual accounts.
- Government should prescribe the methods for calculation of profit and transfer of funds to TMC.
- TCED should take timely action to recover the arrears of revenue.
- TMC should revise the water charges in conformity with the rates prescribed by KWA.
- Works of drinking water projects and extension of pipelines should be expedited.
- Internal Control Mechanism should be strengthened by forming Anti-Theft Squad to prevent pilferage of water and electricity.

3.3 Local Self Government Institutions-Execution of Public Works

3.3.1 Introduction

Execution of public works in Local Self Government Institutions (LSGIs) is governed by the Kerala Panchayat Raj (Execution of Public Works) Rules, 1997 (KPR (EPW) Rules) and the Kerala Municipality (Execution of Public Works and Purchase of Materials) Rules, 1997 (KM (EPM) Rules) under the Kerala Panchayat Raj Act, 1994 (KPR Act) and the Kerala Municipality Act, 1994 (KM Act). Wherever rules are not expressly provided for, the procedure followed with regard to public works in the Public Works Department of Government shall be followed by the LSGIs for preparation of estimates, plans, invitation of tenders, execution of works, payments and accounting of public works. LSGIs are responsible for survey and investigations, designing, constructions, maintenance and repairs of buildings, roads, pathways, culverts, bridges, minor and medium irrigation structures, water supply projects, soil conservation works, street lighting, mini/macro hydel projects etc., in accordance with the powers, functions and responsibilities devolved on them under the Acts.

The District Panchayats of Kannur, Malappuram and Thiruvananthapuram were selected for review. Besides, two Block Panchayats¹ (BPs), six Grama Panchayats² (GPs) each were chosen in Kannur, Malappuram and Thiruvananthapuram districts. As regards ULBs, the Municipal Corporation of Kochi and six Municipalities³ were selected. In addition to the records in the selected LSGIs, records of the Chief Engineer (LSGD), Director of Urban Affairs, Offices of the Superintending Engineers (LSGD), North and South Circles were also test checked. The period of audit coverage was from 2003-04 to 2007-08. The review was conducted during the period from April to August 2008.

¹ Thalassery and Payyannur in Kannur district, Thirurangadi and Tirur in Malappuram district and Kazhakkootam and Chirayinkeezh in Thiruvananthapuram district.

² Kottayam (Malabar), New Mahe, Kadirur, Kunhimangalam, Kankol Alapadamba and Madai in Kannur district; Thirurangadi, Thenhipalam, Vallikkunnu, Vettom, Thalakkad and Thirunavaya in Malappuram district and Andoorakonam, Pothencode, Mangalapuram, Chirayinkeezh, Vakkom and Kadakkavur in Thiruvananthapuram district.

³ Kannur, Thalassery, Payyannur, Thaliparambu, Tirur and Varkala

3.3.2 Audit Findings

Audit findings are grouped under following Sections:

- ❖ Funding,
- ❖ Role of LSGIs in the Execution of Public Works,
- ❖ Staff Pattern in the LSGIs,
- ❖ Approval of Works by District Planning Committee
- ❖ Preparation of Estimates, Technical Sanctions
- ❖ Tendering, Awarding of works, Agreements, Security Deposits etc.
- ❖ Execution of works, Deposit Works
- ❖ Delay in handing over sites,
- ❖ Excess Payment/Non-remittance of Taxes,
- ❖ Internal Control System

3.3.3 Funding

LSGIs receive funds for execution of developmental activities from various sources viz, State Government Grants, Central Government Grants, own funds, loan from various agencies etc.

The funds received under various categories for implementation of projects formulated by LSGIs are grouped under three sectors - Productive Sector, Infrastructure Development Sector and Service Sector. Development and maintenance funds remained unutilised in the year of release lapsed to Government up to the financial year 2005-06. From 2006-07 onwards, the amount in excess of 20 per cent of the unutilised balance of the LSGI will be reduced from its budget provision in the second succeeding financial year.

3.3.4 Role of LSGIs in the execution of Public Works

Under the decentralised planning, the Grama Sabha/ Ward Committee identifies the full needs of the community and submits suggestions/demands to the LSGIs. The LSGIs prepare exhaustive development reports which are translated into projects by the working groups constituted at LSGI level. From those projects, the LSGIs finalise their annual plans and five year plans based on the availability of resources and submit the plans for the approval of District Planning Committee (DPC) through the Technical Advisory Committee (TAC). The TAC vets the project proposals keeping in mind the mandatory guidelines issued by the Government from time to time, the prevailing technical

specifications and cost effectiveness. Then the projects are submitted to DPC which approves the projects for implementation.

3.3.4.1 Lapse of Plan funds due to delay in finalisation of projects and award of works

Delay in finalisation of projects and award of work by LSGIs resulted in the lapse of plan funds amounting to Rs.16.71 crore for 827 works

The works taken up by the LSGIs were generally executed towards the end of the financial year due to delay in finalisation of projects and award of works. Moreover works were awarded one to three months after approval by DPC. The delay led to non-completion of work within the time schedule fixed in the original project reports. As stated in para 3.3.3, plan funds remaining unutilised upto the year 2005-06, lapsed to Government. It was noticed in audit that 827 projects which could not be completed during the years 2002-03 to 2005-06 were taken up as spill over works in 2003-04 to 2006-07 resulted in lapse of plan funds to the extent of Rs 16.71 crore as shown below:

(Rs .in lakh)			
Sl.No.	Name of LSGI	No. of spill over works	Expenditure on spill over works during 2003-04 to 2006-07
1	Payyannur Municipality	99	112.23
2	Varkala Municipality	18	33.80
3	Kannur DP	143	500.77
4	Payyannur BP	72	554.86
5	Thalassery BP	58	52.84
6	Tirur BP	83	87.91
7	Tirurangadi BP	76	142.65
8	Kottayam(Malabar) GP	17	16.48
9	Kunhimangalam GP	22	11.02
10	Madai GP	35	10.89
11	New Mahe GP	26	12.07
12	Thalakkad GP	20	14.58
13	Thenhipalam GP	11	8.54
14	Thirunavaya GP	12	9.13
15	Tirurangadi GP	85	76.87
16	Vallikkunnu GP	50	26.71
Total		827	1671.35

3.3.5 Staff pattern in the LSGIs

The staff strength of engineering personnels fixed in LSGIs for execution of work was unrealistic and the men in position was far below the sanctioned strength.

Although the State Government framed rules for execution of public works in LSGIs in 1997, no separate engineering cadre was formed for the purpose till 2007. Government did not fix the staff strength of technical/engineering personnel for the execution of public works in the LSGIs.

Government created an Engineering cadre for LSGI only in July 2007 by drawing staff from the following departments:

- (i) PWD and Water Resource Department.
- (ii) All Engineering staff of Municipalities and Corporations.

- (iii) All Engineering staff of the Panchayat Department.
- (iv) All Engineering staff of Block Panchayats, Poverty Alleviation Units (PAUs), Kerala State Rural Roads Development Agency (KSRRDA) and the Rural Development Department.

The cadre strength as fixed in March 2008 and the men in position were as follows:

Sl. No.	Name of posts	PRIs	ULBs	Department staff in Block	PAUs	KSRRDA	Total sanctioned strength	Men in position
1	CE						1	1
2	SE	3	4			1	8	6
3	EE	17	14		14		45	38
4	AEE	94	43		24	1	162	128
5	AE	522	103	152			777	508
	Total	636	164	152	38	2	993	681

The Chief Engineer, LSGD stated (August 2008) that the cadre strength fixed by Government was based on the availability of engineering staff that can be deployed to LSGIs from State Government Departments. It could not meet the actual requirements of PRIs considering the increase in work load in GPs due to implementation of building rules. The strength fixed in ULBs was inadequate as they carried out several State and Centrally Sponsored Schemes and externally aided projects in addition to plan schemes.

3.3.6 Approval of works by District Planning Committee

3.3.6.1 Execution of Public Works without the approval of DPC

DPC while according approval to the plans submitted by LSGIs, considers whether the plan had been prepared according to the due process prescribed by the Government and whether the guidelines regarding the broad sectoral allocation, special component plan, tribal sub plan and structure of the plan documents have been adhered to.

In Municipal Corporation of Kochi, 71 works were tendered (March-August 2006) without formulation of projects and approval by DPC. The expenditure of Rs.1.04 crore incurred on the above works was met from the maintenance grant for the year 2006-07. The works were however, not included in the Maintenance Plans and Annual Plans submitted for approval of DPC. In the absence of approval of DPC, audit could not ascertain whether the plan proposal for the works were prepared according to the due process prescribed by Government.

Municipal Corporation of Kochi tendered 71 works without the approval of DPC during March – August 2006

3.3.6.2 Execution of works by LSGIs beyond the powers conferred by the Act

KM Act and KPR Act do not authorise the LSGIs to construct buildings for other undertakings and to maintain their assets. It was noticed in audit that six LSGIs got the approval of DPC to execute works amounting to Rs.2.46 crore which were not supposed to be undertaken by them as shown below:

Sl. No.	Name of LSGI	Name of Work executed	Period	Expenditure Incurred (Rs. in lakh)
1	Municipal Corporation of Kochi	Repairs/replacement of pipelines belonging to KWA	2003-04 to 2007-08	193.60
2	Thalassery Municipality	Construction of a bus depot (including provision for infrastructural facilities) for KSRTC, a public sector undertaking	2001-02 to 2006-07	28.47
3.	Thiruvananthapuram DP	KSRTC Vizhinjam Depot & waiting shed	2004-05 & 2005-06	9.49
		Construction of KSRTC Bus stand, Palode	2007-08	3.70
4.	Kazhakkootam BP	Construction of rest room for KSRTC employees at Puthukurichi.	2006-07 & 2007-08	1.85
		Construction of an open air auditorium for a cultural organisation	2007-08	1.00
5	Thenhipalam GP	Maintenance of Water Supply Scheme owned by KWA	2007-08	0.88
6	Vakkom GP	Providing individual water connections to households.	2003-04 to 2007-08.	7.19
Total				246.18

Execution of works relating to other departments/ agencies utilising own plan funds, instead of taking up the matter with the concerned authorities, resulted in limitation of funds for execution of works relating to other development activities to that extent. Had the DPC carefully scrutinised the proposals submitted by the LSGIs before approval, such violations of the provisions of the Acts could have been avoided.

3.3.6.3 Execution of works outside the purview of District Panchayats/Block Panchayats

The duties and functions of the three tier Panchayats are enumerated in Schedules III, IV and V of KPR Act. Audit scrutiny revealed that 10 PRIs executed works/purchases costing Rs.11.94 crore in respect of institutions assigned to other tiers of PRIs during the period from 2003-04 to 2007-08 (**Appendix-XI**).

Failure of the DPC in restricting the plans to the functions assigned to the respective PRIs resulted in unauthorised expenditure of Rs.11.94 crore. Further,

such diversions of plan funds deprived the people of these LSGIs of their rightful developmental needs.

3.3.7 Preparation of Estimates

Before execution of work, the LSGIs have to prepare detailed plan and estimates and obtain technical sanction from the competent authority who should properly scrutinise and accord sanction. Violations noticed are given in the succeeding paras.

3.3.7.1 Execution of work without preparation of estimates

Rule 6 of KPR (EPW) Rules prohibits taking up of work without budget provision, Administrative Sanction and Technical Sanction and without preparing detailed plan and estimate. Without complying with the above requirements Kadakkavur Grama Panchayat executed two works viz., Water supplies to Scheduled Caste families (Rs. 5.20 lakh) and Repair of CF Lamps (Rs.0.50 lakh) aggregating to Rs.5.70 lakh. Violation of Rules in the preparation of estimates and obtaining technical sanction deprived the LSGIs of the benefit of exercising proper control over the expenditure on these works by comparing the schedule of rates fixed for each item with that of the actual expenditure. Further, stability and durability of works executed could not also be ensured in the absence of proper technical sanction from competent authority.

3.3.7.2 Defective preparation of estimates

The District Panchayat, Malappuram obtained (March, 2002) Technical Sanction for the work “Constructions for development of District hospital, Manjeri” and awarded the work to a Contractor at 15.1 *per cent* below the estimate cost of Rs.7.98 crore with date of completion as March 2005. The work had not been completed as of June 2008.

In the original estimate of the work, there was an item “Protected blasting and removing of hard rock” for a total quantity of 50 M³ and the rate agreed was Rs.3206.26 per 10 M³. When the item of work was executed, the quantity increased to 8223.29 M³ (164.5 per cent) as per the last work bill paid. Against the estimated expenditure of Rs. 0.16 lakh, the contractor was paid Rs. 26.37 lakh excluding tender deduction. These resulted in an extra expenditure of Rs.26.21 lakh. In the revised Technical Sanction accorded in May 2006 raising the estimate to Rs. 9.41 crore, the quantity of the item was shown as 8916.43 M³. These facts showed that the LSGI was preparing the estimates of works without proper investigation and adequate survey of the site condition. The lapses of LSGI led to abnormal increase in the cost of projects by way of extra expenditure.

3.3.7.3 Excess expenditure due to incorrect observed data for flooring work

Adoption of incorrect observed data for flooring work resulted in excess expenditure of Rs.29.58 lakh in 24 LSGIs

Standard data for floor work with ceramic tiles were not included in the Standard Data Book 1965. The rate for this item had to be prepared by LSGIs and got approved and certified by the CE as per the provisions contained in the Standard Data Book. Audit scrutiny revealed that the LSGIs in Kannur, Malappuram and Thiruvananthapuram districts prepared the rate adopting the data for dadoing walls in place of data for flooring during the years 2004-05 to 2007-08 as indicated below:

(Rs .in lakh)				
Sl. No.	Item of Work	Name of LSGI	Period	Amount
1	Flooring with grip tiles.	Thaliparambu Municipality	2006-07	1.20
2	Flooring with vitrified tiles	Tirur Municipality	2005-06 & 2006-07	0.14
		Tirurangadi BP	2006-07	1.00
3	Flooring with ceramic tiles in CM 1:4 ,12 mm thick	Thaliparambu Municipality	2006-07	2.21
4	Flooring with ceramic tiles in CM 1:3, 12 mm thick	Kannur Municipality	2004-05 to 2006-07	0.50
		Thalassery Municipality	2004-05 and 2005-06	0.28
		Tirur Municipality	2006-07	0.76
		Varkala Municipality	2005-06	1.33
		Malappuram DP	2004-05	0.96
		Kannur DP	2006-07	10.04
		Thiruvananthapuram DP	2007-08	0.83
		Payyannur BP	2004-05	0.94
		Tirur BP	2004-05	1.03
		Chirayinkeezh BP	2005-06	3.06
		Kazhakkootam BP	2005-06	1.34
		Tirurangadi BP	2005-06	1.00
		Kunhimangalam GP	2004-05	0.49
		Madai GP	2004-05	0.47
		Thirunavaya GP	2005-06	0.07
		Vallikkunnu GP	2005-06	0.30
		Vettom GP	2005-06	0.13
		Thalakkad GP	2006-07	0.03
		Thenhipalam GP	2006-07	0.50
		Andoorkonam GP	2007-08	0.65
Chirayinkeezh GP	2007-08	0.12		
Kadakkavur GP	2007-08	0.05		
Mangalapuram GP	2007-08	0.15		
Total				29.58

The rates for dadoing are higher than that of flooring. The rate thus prepared had not been approved and certified by the CE. The incorrect data adopted by the LSGIs in flooring works led to an excess expenditure of Rs.29.58 lakh in 24 institutions test checked .

3.3.7.4 Excess expenditure due to non adoption of Taluk level average transportation rate for materials

As per Rule 18 of KM (EPM) Rules 97, the Taluk level average Conveyance (transportation) rates for materials adopted in the preparation of estimates by PWD were applicable to public works executed by LSGIs as well. These were not adopted by Thalassery and Kannur Municipalities. Instead, they fixed their own rates in respect of materials such as broken stone, granite metal, laterite stone and sand which were higher than the PWD rates. This resulted in excess expenditure of Rs.11.63 lakh as indicated below:

(Rs. in lakh)			
Municipality	Year	No. of works	Excess
Kannur	2003-04 to 2006-07	130	6.07
Thalassery	2003-04	94	5.56
Total		224	11.63

3.3.7.5 Excess expenditure due to inclusion of Contractor’s Profit in the estimates for works executed through convenors/accredited agencies etc.

For works executed through convenors of beneficiary committees, accredited agencies etc. contractor’s profit was not to be included in the estimates. However, while preparing estimates of certain works executed through convenors/accredited agencies, four LSGIs included contractors profit resulting in excess expenditure of Rs.16.33 lakh as shown below:

(Rs. in lakh)					
Sl. No.	Name of LSGI	Period	No. of work	To whom awarded	Excess expenditure
1	Thalassery Municipality	2006-07	37	Accredited agency	13.66
2	Kannur DP	2003-04 to 2006-07	10	Convenors	2.17
3	Vakkom GP	2004-05	1	-do-	0.22
4	Mangalapuram GP	2004-05	3	-do-	0.28
Total			51		16.33

Failure of the LSGIs in applying relevant provisions of the rules while preparing the estimates resulted in the avoidable excess expenditure of Rs.16.33 lakh.

3.3.8 Technical Sanction

3.3.8.1 Irregularity in according Technical Sanction (TS)

In Municipal Corporation of Kochi, the CE & SE accorded sanction for 19 works which were beyond their authority.

(a) For every plan and estimate relating to any public work, TS shall be obtained from the Engineer who is in charge of the public works of the LSGI subject to the financial powers specified to each grade of engineer by the government by notification from time to time. A scrutiny of records of Municipal Corporation of Kochi (MCK) revealed that TS was being issued by the engineers exceeding the monetary limits prescribed. Details are given below:

Sl. No.	No of works	Estimate amount	Authority competent to issue TS	Authority who issued TS	Monetary limit of the authority who issued TS
1	13	Above Rs.15 lakh each	SE	EE	Upto Rs.15 lakh
2	6	Above Rs.45 lakh each	CE	SE	Above Rs.15 lakh and upto Rs.45 lakh.

(b) As per Rule 7 of the KM (EPM) Rules, all electrical works with estimate cost of Rs.6.5 lakh and above should be sent to the PWD Electrical Wing for obtaining TS. No estimate was however sent to the PWD Electrical Wing for TS. The electrical works were being split to bring the estimate cost below Rs.6.5 lakh with a view to avoid referring the cases to the PWD Electrical Wing.

In MCK, the works of erection of SV lamps and erection of high mast lights were split up into several small ones with estimate below Rs.6.50 lakh each and no technical sanction was obtained from PWD Electrical Wing as shown below:

A Erection of SV lamps

Year	Total estimate cost Rs.in lakh	Total no. of works undertaken during the year	Split up works with estimate cost.		No. of days in which tendered	No. of tenderers participated in the tender
			Below Re.1 lakh	Re.1 lakh and above but below Rs.6.5 lakh		
2003-04	176.34	163	150	13	29	1 to 2
2004-05	288.74	277	266	11	44	1 to 2
2005-06	246.60	237	225	12	38	1 to 2
2006-07	276.36	275	265	10	33	1 to 2
2007-08	229.82	168	147	21	26	2 to 3

B Erection of highmast lights

Year	Total Value of work Rs. in lakh	Total number of works tendered and executed	Split up works with estimate cost below Rs. 6.5 lakh	No. of tenderers participated	No. of days in which quotations invited	Remarks
2004-05	85.25	14	14	3	3	10 works tendered on 3.11.04
2005-06	51.60	9	9	3	4	
2006-07	50.19	10	10	2 to 3	6	
2007-08	54.10	11	11	2 to 3	1	All quotations were on 30.06.07

The splitting up of works resulted in avoidance of publication of notice inviting tenders in the newspapers as contemplated in Rule 9 of KM (EPM) Rules and consequent non-receipt of competitive rates. Had the works been tendered without splitting up the estimates and after giving wide publicity, the response from the tenderers would have been better and there would have been considerable reduction in the expenditure.

3.3.9 Tendering

3.3.9.1 Invitation of quotations in lieu of tenders

The KPR (EPW) Rules and the KM (EPM) Rules require invitation of tenders for works/purchases, the estimate cost of which exceeded Rs.20,000. Test check of the tender registers in the Municipal Corporation of Kochi revealed that quotations were invited in lieu of tenders in the following cases where the estimated cost exceeded Rs.20,000.

Year	Nature of work	No. of quotations received	No. of works
2007-08	Repair works, maintenance works, AMC, purchase of computers etc.	94	24
2004-05 to 2007-08	Erection of highmast lights.	121	44

Had tenders been invited in the above cases, the corporation would have received more competitive offers. Further, the invitation of tenders would also have fetched revenue of Rs.1.41 lakh by way of sale proceeds of tender forms.

3.3.9.2 Excess payment due to erroneous preparation of tender schedules

According to the existing norms, tender excess or tender reduction are not included when estimate of works is prepared. In Kazhakkootam BP, three electrical works were executed during the period 2004-05 to 2005-06 based on the estimate furnished by the PWD Electrical Division which included

anticipated tender excess of 35 *per cent*. Works were got executed allowing tender excess quoted by the contractor. The tender excess thus paid to the contractor was based on the estimates which contained 35 per cent anticipated tender excess erroneously included by the PWD Electrical Division. Thus there was an excess payment of Rs. 0.74 lakh. This excess payment would have been avoided had proper scrutiny of the estimates done before tendering the work.

3.3.9.3 Manipulation of tender documents

Manipulation of tender documents resulted in excess payment of Rs.0.47 lakh in three works in Tirur Block Panchayat.

In Tirur Block Panchayat, tenders for 18 works were opened on 11.11.2003 and the details thereof were entered in the Register of Tenders. The signatures of the contractors present at the time of opening of tenders were obtained in the tender register. Subsequently another tender register was opened and details in respect of the above works were recorded in the new register. While doing so, the lowest rates originally quoted in respect of six works were enhanced making unauthenticated corrections in the tender documents. Of these only four work files were produced to audit and in three cases, works were awarded based on the rates recorded in the duplicate register resulting in excess payment of Rs.0.47 lakh. On being pointed out, the State Government conducted an enquiry through District Performance Audit Wing and ordered (January 2008) the BP to recover the excess payment from the Secretary concerned.

3.3.10 Awarding of Works

3.3.10.1 Awarding tender excess in violation of rules

As per Rule 12 of KPR (EPW) Rules, expenditure exceeding five *per cent* of the estimated amount may be sanctioned by the Panchayat with the prior sanction of the Technical Committee. In Tirur BP, technical sanction was accorded (April 2005) for an estimate prepared based on the Schedule of Rates 2004 for Construction of a foot path at Padinjarekkara Beach. The work was awarded (May 2005) at 15 *per cent* above estimates without the sanction of the technical committee. The work was completed in April 2007 and the final payment of Rs.41.93 lakh was made in August 2007. The payment of 15 *per cent* tender excess for the work without prior approval of Technical Committee was irregular.

3.3.10.2 Irregular award of work

(i) Thalassery BP invited tenders (November 2000) for the work of Renovation of Pandakappara/Kayalode Road in Pinarayi Panchayat at an estimated cost of Rs.23 lakh. Though 17 contractors purchased tender schedules, only two tenders were received – one from Shri A. Abdulla Kunhi at 10 *per cent* above estimate rate and the other from Shri K.Mohammed at 24.99

per cent below estimate rate. The rate quoted by Shri. K. Mohammed was subsequently corrected as 20 per cent above estimate rates without attestation and the work was awarded to Shri. Abdulla Kunhi who alone was present at the time of opening of tenders, at estimate rates on negotiation. The work was completed in March 2003 at an expenditure of Rs.21.18 lakh. The meagre participation of contractors in the tender procedure and correction in the quoted rates indicated collusion among contractors with the knowledge of the officer concerned especially since he did not record/attest the correction nor record the rates quoted in his own handwriting as required in the KPR (EPW) Rules. The loss on this account amounted to Rs.5 lakh.*

(ii) Similarly in the following cases, the rates originally quoted were corrected without attestation by the officer who opened the tenders:

Sl. No.	Name of LSGI	Name of work	Rate originally quoted	Modified rate
1.	Payyan nur BP	Repairs to Ezhom PHC building	10 per cent below estimate rate	10 per cent above estimate rate
2.	-do-	Vridhasadanam Building	Estimate rate	10 per cent above estimate rate

The upward corrections resulted in the tenders being rejected thereby facilitating award of works to another contractor who quoted estimate rates.

3.3.10.3 Excess expenditure due to non issue of work order within the firm period

Kannur DP accepted (2003-04) the lowest rate of 6.10 per cent below estimate rate quoted for the work, “ Construction of building for Tailoring and Garment Making Center” at Naruvambram. The estimate cost of the work was Rs. 7 lakh. However the work order was not issued within the firm period (120 days). Subsequently, the work was re-tendered and awarded at 7.50 per cent above estimate rate. The failure of the Panchayat in this regard resulted in excess expenditure of Rs.0.68 lakh¹.

3.3.11 Security Deposits/Retention Money

3.3.11.1 Non-realisation of Security Deposit (SD) and Retention Money

According to Rule 10 (15) of KM (EPW) Rules, a person whose tender has been accepted shall deposit five per cent of the amount of agreement including Earnest Money Deposit (EMD) and shall sign an agreement deed. In the following cases, Security Deposit/Retention Money for the fulfilment of the contract was not realised.

* 24.99 per cent of the value of work done less cost of departmental materials.

¹ At 13.60 per cent of value of work done less cost of departmental materials.

Sl. No.	Name of LSGI	Name of work	Amount due to be realised
1	Varkala Municipality	Beachside beautification & pathway construction. Agt. No.29/04-05	Rs.1.95 lakh as Retention Money from first and second Part bills.
2	-do-	Construction of windrow shed*, toilet and security room. Agreement dated 24.3.06	Rs.1 lakh as Security deposit.

Acceptance of Security deposit /Retention Money is a guarantee in monetary terms for proper completion of work by the contractors and in case of bad work, the security amount stand forfeited. Violation of Rules deprived the LSGIs of the benefit of enforcing penal provisions in these cases.

3.3.11.2 Lapsed Deposits

According to Para 15.4.1.of the KPWA code, EMDs received in cash remaining unclaimed for more than three years shall be treated as lapsed deposits and credited to revenue. It was noticed that deposit amounting to Rs.12 lakh received during the period from 1979-80 to 2003-04 and remaining unclaimed were not credited to revenue in the following LSGIs.

In 14 LSGIs, EMD amounting to Rs.12 lakh received in cash which remained unclaimed for more than three years was not credited to revenue

(Rs. in lakh)

Sl. No.	Name of LSGI	Period	Amount
1	Thiruvananthapuram DP	1990-91 to 2003-04	0.26
2	Thirunavaya GP	1979-80 to 2003-04	0.31
3	Chirayinkeezh GP	1986-87 to 2003-04	0.16
4	Thalakkad GP	1995-96 to 2003-04	0.31
5	Kadakkavur GP	1996-97 to 2003-04	0.30
6.	Madai GP	1997-98 to 2003-04	3.27
7	Pothencode GP	1999-00 to 2003-04	0.39
8	AndoorkonamGP	2002-03 & 2003-04	0.31
9	Kankol Alapadamba GP	2002-03 to 2003-04	1.90
10	Kottayam Malabar GP	2002-03 & 2003-04	0.22
11	New Mahe GP	2002-03 & 2003-04	0.14
12	Kunhimangalam GP	2003-2004	0.16
13	Tirurangadi GP	2003-2004	3.62
14	Vallikkunnu GP	2003-2004	0.65
	Total		12.00

Had the lapsed deposits aggregating to Rs.12 lakh been credited to the revenue, the LSGIs could have utilised the amount for developmental activities.

*A shed for the production of compost by piling organic matter or biodegradable wastes in long rows.

3.3.11.3 Interest bearing securities remaining unclaimed for more than three years

In 12 LSGIs, interest bearing Securities aggregating to Rs.22.49 lakh received between August 1981 & March 2005 was neither renewed on maturity nor credited to revenue

a) Interest bearing securities worth Rs.22.49 lakh received from contractors during the period August 1981 to March 2005 towards Security Deposits remained uncashed for more than 3 years in 12 LSGIs test checked as detailed below. These securities, viz, Indira Vikas Patras, Kisan Vikas Patras, Post Office Time deposits, Fixed deposits, Term deposit receipts, 6 year NSCs, cash certificates and deposit receipts were not renewed on maturity. No action was taken to credit the amounts to revenue. As such huge amounts remained blocked up in these securities without any utility.

(Rs. in lakh)

Sl. No.	LSGIs	No. of cases	Period.	Amount
1	MCK (Fort Kochi Zone)	5	1999-2004	0.24
2	Kannur Municipality	50	1993-2004	3.12
3	Payyannur Municipality	7	2002-2004	1.70
4	Thalassery Municipality	11	1993-1994	1.17
5	Thaliparambu Municipality	50	1998-2004	2.47
6	Tirur Municipality	49	1987-2004	1.94
7	Varkala Municipality	2	2003-2004	0.67
8	Malappuram DP	17	2000-2004	8.41
9	Thiruvananthapuram DP	19	1981-2003	1.39
10	Kazhakkootam BP	2	2002-2004	0.16
11	Kadakkavur GP	1	2002-2003	0.10
12	Kankol Alapadamba GP	3	2003-2005	1.12
	Total	216		22.49

b) Nine LSGIs[∇] test checked retained DD/ Cheque worth Rs. 5 lakh received towards EMD/SD during the period from 1981-82 to March 2008. As per Negotiable Instruments Act, the period of validity of DD/ cheque is six months from the date of issue. As the cheques/ DDs were not encashed/renewed within the period of validity, unclaimed items if any, on these sureties could not be credited to revenue.

3.3.12 Delay in handing over sites

3.3.12.1 Avoidable expenditure due to delay in handing over sites

Delay in handing over site for more than three years resulted in avoidable expenditure of Rs.29.89 lakh in Thaliparambu Municipality .

Para 15.2.2. of the KPWD Manual stipulates that in no case tenders be invited before making sure that the land required for the work was ready for handing over to the contractor. Thaliparambu Municipality decided (December 1990) to construct a bus stand cum shopping complex at the existing bus stand site. Tenders were invited for the work in October 1994 and the work was awarded

[∇] MCK; Payyannur, Thaliparambu, Tirur and Varkala Municipalities; Malappuram and Thiruvananthapuram DPs; Kazhakkootam BP and Vallikkunnu GP.

in February 1995 at 75 per cent above the estimate (92 Schedule of Rates) cost of Rs.64.85 lakh. As per the agreement, the work was to be completed by August 1996. As the Municipality could not hand over the site within the stipulated date of completion by shifting the bus stand temporarily to some other suitable site, the contractor demanded (September 1997) enhancement of tender excess from 75 to 115 per cent. However, based on the direction of the Government, the Municipality declined the request of the contractor and retendered the work in October 1998. Though, on retender the work was awarded (March 1999) to M/s Kerala State Construction Corporation Limited (KSCC Ltd) at 80 per cent above the estimate rates, the former contractor moved the Hon'ble High Court against the award of the work to KSCC Ltd and obtained stay orders. As the construction work was indefinitely delayed, based on the direction (January 2004) of Government, the Municipality awarded (March 2004) the work to the original contractor at 115 per cent above estimate rate and the site was handed over during March 2004. The work was completed in June 2007. The tender excess paid at the enhanced rate of 115 per cent was Rs.74.74 lakh and the avoidable expenditure thus paid was Rs.29.89 lakh.

Though the work was originally awarded in February 1995, the Municipality handed over the site only in March 2004, after the lapse of more than nine years. The abnormal delay in handing over the site resulted in avoidable expenditure of Rs.29.89 lakh.*

3.3.12.2 Loss of interest due to payment of advance much before handing over of site

Thalassery BP decided (1997-98) to set up a Mini industrial estate at Kundoomala in Eranholi GP, in the land owned by Rural Development Department at the estimated cost of Rs.33.83 lakh on the presumption that the land stood transferred to the BP. The work was entrusted to Nirmiti Kendra and advance amounting to Rs.27.54 lakh was paid in February–March 1999. However the site could not be handed over as the Rural Development Department did not permit the construction work in their land. Meanwhile Pinarayi GP transferred (February 2004) 61 cents of land for setting up the estate and the BP had to limit the construction to six work sheds against 15 numbers originally envisaged. The work was completed in March 2005 at a cost of Rs.13.50 lakh. As the land provided was insufficient for construction of more work sheds, the balance fund was utilised for providing infrastructure facilities to the sheds already constructed. The mini industrial estate was commissioned in August 2005. Payment of advance before handing over of site

Payment of advance much before handing over site resulted in the blocking up of fund and consequent loss of interest of Rs.15.15 lakh.

* 40 per cent(115-75 per cent) of Rs.74.74 lakh

resulted in blocking up of funds and consequent loss of interest of Rs.15.15 lakh¹ for the period from February 1999 to February 2004.

3.3.12.3 Entrustment of subway work to Railways without acquisition of land for approach road

Entrustment of work without acquisition of land resulted in blocking up of fund of Rs.59 lakh.

Based on the project proposed by the Hon. Member of Parliament (Ernakulam), the Divisional Railway Manager (Works), Thiruvananthapuram forwarded (June 2000) to the Dist. Collector, Ernakulam, an estimate amounting to Rs.23.43 lakh for construction of a subway at Makkaparambu near Edappally station under MPLAD Scheme. Consequent on the untimely demise of the Hon.MP, the Minister for Fisheries and Tourism directed (September 2003) the Mayor, Corporation of Kochi to remit the entire amount of Rs.23.43 lakh from the Corporation fund in advance which would be reimbursed from his MLA fund for the year 2003. The estimate was revised (November 2003) to Rs.27 lakh including centage charges and the Corporation remitted the amount from its own fund to the Railways in November 2003 and July 2004. Further, due to revision of estimate to Rs.59 lakh by the Railways in September 2007, Rs.32 lakh was also remitted from the Plan fund of the Corporation in March 2008.

Though the Corporation requested (January 2005) for reimbursement of Rs.27 lakh from MLA fund, the District Collector did not pay the amount so far (August 2008). The project was taken up without ensuring availability of land required for the approach road to the subway. The Corporation had not taken any effective step to acquire land even though no Corporation land was available on either side of the sub way. Pending acquisition of land the construction of the subway had not been started by the Railway (March 2008). Remittance of money without ascertaining the availability of land for approach road resulted in blocking up of funds to the tune of Rs.59 lakh.

3.3.13 Agreements

3.3.13.1 Irregular Execution of Agreements

Tenders should be invited only after carefully assessing the time required for completion of works taking into account, the seasonal variations, probable time required for procuring materials, the sequence of operations contemplated and such other limiting factors. The time of completion of work and a clause pertaining to the levy of penal charges for delay in execution of work should invariably be included in the agreement executed. In the following cases, time of completion was not stipulated in the agreement executed with the contractors for execution of work.

¹ at the borrowing rate of plan funds by Govt. viz. 11 per cent

(Rs. In lakh)

Sl. No.	Name of LSGI	Name of work	Year of agreement	Up-to-date expenditure	Remarks
1	Thaliparambu Municipality	Cross bar work	2001	5.77	Not completed Completed in 3/2006. Completed in 7/2006
		Industrial sheds for women	2002	7.49	
		VCB Work	2003	8.56	
2	Tirur Municipality	Construction of paramedical administrative block attached to Taluk Hospital .	2000	6.00	Not completed
3	Varkala Municipality	Construction of Solid waste management sheds (Revised)	2007	20.00	Not completed.
4	Tirur BP	Construction of Anganwadi building at Kakkayam	2008	0.38	Not completed
		-do- at Ossanpadi	2008	0.38	Not completed
5	Kottayam Malabar GP	Water supply scheme at Moverly Lakshamveedu colony	2004	0.25	Not completed

Omission to include the clause relating to the stipulated date of completion in the agreements not only delayed the completion of work but also deprived the people of the intended benefits from the schemes. Further the omission of the LSGIs helped the contractors in keeping public money in their hands for indefinite period.

3.3.14 Execution of Works

3.3.14.1 Excess payments for earth filling due to non deduction of one lead and lift

The rate for earth filling using contractors own earth is arrived at by clubbing the rates for earthwork excavation and the rates for conveyance by lorry. Both the rates contain the component of one lead and one lift (equal to 2.1 women labour). Hence while clubbing, rate for one lead and one lift has to be deducted to avoid duplication as clarified in the Technical Circular issued (April 1986) by the Chief Technical Examiner. In six LSGIs such deduction was not made while arriving at the rates for earth filling resulting in excess payment of Rs.19.19 lakh as shown below:

Non deduction of one lead and lift for earth filling works resulted in excess expenditure of Rs.19.19 lakh in six LSGIs

Sl. No.	Name of LSGI	No. of works	Period	Rate allowable /10M ³ (Rs.)	Rate at which paid /10M ³ (Rs.)	Difference in rate (Rs.)	Quantity	Excess payment (Rs in lakh)
1	MCK	1	2006-07	1570	1780	210	85690.00	17.99
2	Kazhakkootam BP	2	2003-04	873	1044	171	344.44	0.06
		1	2003-04	794	949	155	215.09	0.03
3	Andoorkonam GP	5	2003-04	873	1044	171	1102.81	0.19
4	Mangalapuram GP	19	2003-04	873	1044	171	3223.92	0.55
5	Pothencode GP	5	2003-04	794	949	155	1184.63	0.18
		1	2003-04	873	1044	171	205.38	0.04
6	Tirurangadi GP	1	2006-07	1028	1236	208	742.87	0.15
Total								19.19

3.3.14.2 Excess payment /Undue financial aid to contractors

Nine LSGIs paid an excess amount of Rs.17.99 lakh to contractors due to adoption of incorrect rates, allowance of inadmissible tender excess, non-application of quoted tender deduction, etc. during the period from 2003-04 to 2007-08 as shown below:

(Rs. in lakh)			
Sl. No.	Name of LSGI	Item of expenditure	Excess payment
1	Payyannur Municipality	Allowance of average lead instead of actual lead for materials in respect of major works costing more than Rs.50 lakh.	0.13
2	Thaliparambu Municipality	Allowance of inadmissible tender excess (115 per cent) for an item on revision of estimates	9.58
		Cost of bitumen allowed at Rs.13700 per MT instead of the agreed rate of Rs.8453 per MT as shown in the agreement	4.55
3	Tirur Municipality	Allowance for excess rates for earth filling	1.13
4	Varkala Municipality	Allowance for excess rates for earth filling	0.52
5	Kazhakkootam BP	Application of incorrect rate for earth filling	0.61
		Non forfeiture of EMD	0.03
6	Tirur BP	Rates paid for earth filling was that of hard soil instead of ordinary soil	0.13
		Non deduction of quantity of earth excavated in earth filling	0.16
		Allowance for excess rates for earth filling	0.13
7	Chirayinkeezh GP	Allowance of inadmissible tender excess for items of works executed at market rates	0.09
8	Kadakkavur GP	Allowance for excess rates for earth filling	0.04
9	Mangalapuram GP	Payment of bills at estimate rate without considering tender deductions quoted	0.89
Total			17.99

3.3.14.3 Avoidable expenditure on survey and preparation of asset register of SV lamps in East Zone (Municipal Corporation of Kochi)

In Municipal Corporation of Kochi the work ‘Conducting survey and preparation of Asset Register of SV lamps in East Zone’ was awarded (November 2007) to a contractor at Rs.3.50 lakh after inviting quotations. The work was completed in May 2008 and payment was made to the contractor. The Corporation officials should have verified the number and location of SV lamps installed and recorded the details thereof in the Asset Registers before making payment in respect of the installing work of SV lamps. Had the Asset Registers been maintained properly and updated periodically, the expenditure incurred on the survey work could have been avoided.

3.3.14.4 Payment for works without taking measurement

The KP(EPW) Rules and KM (EPM) Rules stipulate that no partial or final payment for any public work shall be allowed other than on the basis of measurement recorded in the Measurement Book and without ensuring the quality of work carried out. In January 1999, Government directed that in respect of works executed by the accredited agencies also measurement books shall be maintained and produced for scrutiny by authorised engineers. In the following cases measurement books were not maintained and payments were made based on utilisation/completion certificates.

In two LSGIs, Rs. 23.74 lakh was paid without taking measurement of works

				Rs. in lakh
Name of LSGI	Name of work	Name of contractor	Period	Amount paid
Thalassery BP	SHG Training Centre	Pinarayi Ind. Co-op Society Ltd.	01/2007 - 03/2008	17.10
	Building for Melur Khadi Centre	Do	03/2008	4.46
Kannur Municipality	Construction of ferro cement water tanks	Olavara Water Distribution Society	April, May 2006	2.18
Total				23.74

In view of the violation of Rules and Government instructions, the LSGIs could not ensure the quality of work and that the payment made was for the actual quantity of work executed.

3.3.14.5 Delay in execution of works

Sixteen development works aggregating to Rs.1.99 crore undertaken by the LSGIs from 1994-95 to 2004-05 remained incomplete even after the lapse of a considerable period beyond the scheduled date of completion (**Appendix-XII**).

Failure in completing the works within the stipulated time not only deprived the local people of the intended benefits but also caused blocking up of funds to the tune of Rs.1.99 crore.

3.3.15 Deposit Works

Funds for deposit works are transferred to the executing agencies viz, Ground Water Department (GWD), Public Works Department (PWD), Kerala State Electricity Board (KSEB), Kerala Water Authority (KWA) etc. for execution of works by issuing cheques after executing agreements with them in the form prescribed by the Government. The funds transferred and expenditure therefrom are to be accounted for by the LSGIs properly. Audit scrutiny revealed the following irregularities.

3.3.15.1 Irregular payment of centage charges

According to Para 16.2.6 of PWD Account Code, works executed on behalf of Panchayats in the state are exempt from payment of centage charges. However, Chirayinkeezhu BP paid centage charges amounting to Rs.0.31 lakh to the PWD from April 2005 to April 2007 in respect of two works.

3.3.15.2 Register of advances paid for works not maintained

All the 34 LSGIs test checked did not maintain registers showing complete details of deposit works. Though LSGIs were required to enter the details of amounts advanced in the Advance Register, this was not being done by any of the LSGIs test checked. As proper records were not maintained by LSGIs, the exact amounts pending adjustment could not be ascertained and excess payments to the executing agencies could not be ruled out.

3.3.15.3 Deposit works not monitored

Rs.5.08 crore out of 10.71 crore advanced to KWA during 1997-98 to 2007-08 remained unclaimed

As per the records of KWA, 21 selected LSGIs had entrusted 301 deposit works to KWA during 1997-98 to 2007-08. Of these, 178 works were completed, 19 works were abandoned and 104 works were pending completion as of March 2008 as shown in the **Appendix-XIII**.

Out of Rs.10.71 crore advanced for execution of works, KWA utilised Rs.5.63 crore (including expenditure on incomplete projects). No monitoring of implementation of deposit works was done and the balance amount of Rs.5.08 crore pertaining to the period from 1997-98 onwards was not claimed by the LSGIs. The advances given by LSGIs were shown as final expenditure instead of showing it as advance in their accounts. This practice of LSGIs resulted in the creation of fictitious assets. The LSGIs also did not take any action to recover the advance amount in respect of 19 works abandoned.

3.3.16 Payment of advances

3.3.16.1 Temporary advances pending adjustment-Rs. 6.21 crore

Temporary advance amounting to Rs.6.21 crore paid in 1015 cases from 1997-98 onwards remained unadjusted

As per the Kerala Municipal Corporation Accounts Rules 1967, no advance shall remain unadjusted for more than a month in ordinary case and for more than three months in special case. A scrutiny of the Register of Advances for the period 1997-98 to 2007-08 in Municipal Corporation of Kochi, however, revealed that an amount of Rs.6.21 crore paid to departmental staff in 1015 cases was pending adjustment as on 31.3.08 vide details given below:

(Rs. in lakh)		
Year	No. of advances pending adjustment	Amount
1997-98	86	8.19
1998-99	87	6.90
1999-00	94	77.02
2000-01	108	61.10
2001-02	107	5.79
2002-03	105	14.71
2003-04	73	9.01
2004-05	75	14.58
2005-06	79	25.41
2006-07	57	11.34
2007-08	144	386.59*
Total	1015	620.64

The above advances were disbursed to officers of different wings of the Corporation viz. Health, Engineering, Town Planning etc. for works such as desilting of drains, urgent repairs and disposal of garbage. Out of 3092 advances given during the above period only 2077 were adjusted.

3.3.16.2 Non adjustment of advances

Rs. 3.51 crore paid to convenors of beneficiary committees of various works from 1997-98 to 2007-08 remained unsettled

Advances paid to convenors of beneficiary committees, accredited agencies, etc. are shown as final expenditure in the accounts of the LSGIs and are not being posted in the advance registers. Advances amounting to Rs.3.51 crore granted by LSGIs to convenors of beneficiary committees for various works during the period from 1997-98 to 2007-08 were not adjusted (August 2008). Laxity in adjustment of advances over the years resulted in blocking up of funds to the extent of Rs.3.51 crore as shown below:

* Includes Rs.319.49 lakh advanced to District collector, Ernakulam for disposal of garbage as directed by Government.

(Rs. in lakh)

Sl. No.	Name of LSGI	Period	Amount of advance Rs.	To whom paid
1	Payyannur Municipality	1998-99 to 2006-07	6.12	Convenors
2	Thaliparambu Municipality	1998-99 to 2002-03	2.53	Convenors
3	Varkala Municipality	2007-08 2006-07 2006-07 & 2007-08	3.47 13.30 20.00	Convenors Spl. Tahsildar (LA) Kasargod Service Society.
4	Kannur DP	2003-04 & 2004-05 2006-07 & 2007-08	11.03 55.94	Convenors Nirmiti Kendra
5	Malappuram DP	1998-99 to 2006-07	137.70	Convenors
6	Chirayinkeezh BP	2001-02 to 2003-04	7.80	Convenors
7	Kazhakkootam BP	2002-03 to 2004-05	5.35	Convenors
8	Payyannur BP	2007-08	1.14	Convenor
9	Thalassery BP	2006-07 & 2007-08	23.64	Accredited agency
10	Tirur BP	1999-00 2007-08	4.74 0.42	Convenor Mangalam GP
11	Tirurangadi BP	1998-99 2006-07 2007-08	0.50 4.75 2.96	Convenor Convenor Convenor
			1.54	Raidco
12	Kankol Alapadamba GP	2007-08	0.38	Convenor
13	Madai GP	2004-05 & 2006-07	0.48	Convenors
14	New Mahe GP	1998-99 to 1999-00	0.72	Convenor
			17.10	Matsyafed
15	Thirunavaya GP	1998-99, 1999-00 & 2001-02	4.48	Convenors
16	Thalakkad GP	1998-99 to 2001-02	12.07	Convenors
17	Vallikkunnu GP	1998-99 to 2001-02	3.06	Convenors
18	Thenhipalam GP	1998-99 to 2007-08	9.58	Convenors
Total			350.80	

3.3.17 Excess Payment/Non-remittance of Taxes

3.3.17.1 Excess payment of Value Added Tax

Four LSGIs* have paid Value Added Tax at 12.5 per cent for purchase of bitumen and for works by beneficiary committee as against four per cent prescribed under the Kerala Value Added Tax Act, 2003 resulting in excess payment of Rs.6.90 lakh. Though the excess amount paid stand forfeited to Government, as per Sub section 3 of Section 72 of Kerala Value Added Tax Act, LSGIs can apply to the assessing authority for reimbursement of forfeited amount within a period of one year from the date on which the order of forfeiture was passed. However, none of these LSGIs took any step to get the reimbursement of excess VAT paid.

* Kannur D.P, Kankol Alapadamba G.P, Varkala Municipality, and MCK

3.3.17.2 Statutory Deductions

In Municipal Corporation of Kochi, statutory deductions on account of income tax, sales tax, contribution to Kerala Construction Workers Welfare Fund (KCWWF) etc. recovered from M/s Popular Environment Management Services for the work 'Removal of Solid Waste' for the period from February 2006 to May 2007 amounting to Rs16.08 lakh were not remitted to the departments concerned. Non - remittance of statutory deductions invites penal action from the administering authority.

3.3.18 Internal Control System

Internal control mechanism in the LSGIs with regard to the execution of public works was ineffective as detailed in the following paragraphs.

Internal control mechanism is ineffective resulting in the non observance of codal provisions

3.3.18.1 Interest bearing securities not kept under safe custody

In nine* out of 34 LSGIs test checked in audit, interest bearing securities (NSCs, FDs etc) worth Rs.5.46 lakh received from contractors during the period 2003-04 to 2007-08 towards security deposit in respect of 41 works were filed in the concerned work files/vouchers or separately without keeping them under safe custody. Para 15.6.1 of the KPWA code stipulates maintenance of a register of interest bearing securities (Form KPW 81) to watch the receipt and disposal of interest bearing securities received towards security deposit from contractors. No such register was maintained by the above LSGIs. These securities were to be returned to the contractors etc. on successful completion of works failing which the LSGIs were bound to compensate for any loss of such securities. In the absence of maintenance of the register of interest bearing securities, audit could not ascertain the quantum of securities received and returned in these LSGIs.

3.3.18.2 Non maintenance of work files in GPs

The LSGIs are bound to maintain work files relating to each project/engineering work and produce them for verification in audit. In all the GPs test checked in audit, the documents were filed along with the vouchers and the work files were not maintained. As such it could not be verified whether the prescribed procedures were followed in the execution of public works in GPs.

* Malappuram DP, Payyannur BP, Tirur BP, Madai GP, Kadirur GP, Vallikkunnu GP, Thirurangadi GP, Thenhipalam GP, MCK.

3.3.18.3 Non-maintenance/defective maintenance of registers

(i) Advance Register

The Kerala Municipal Rules, 1965 and the Kerala Panchayat (Accounts) Rules, 1965 and various Government orders issued from time to time stipulate maintenance of advance register in LSGIs for watching payment and adjustment of advances paid to contractors/convenors, implementing officers and various agencies. The register was not maintained in Kannur and Payyannur Municipalities and BP Tirur.

(ii) Register of roads, Culverts, Bridges and drains

On noticing cases of repairs on culverts/bridges which were not in existence and repairs on one and the same culverts/ bridges for more than once a year, the Deputy Director of Panchayat directed (December 1980) all LSGIs to maintain the basic registers on roads, culverts, bridges and drains. In spite of these instructions, these registers were either not maintained or did not contain essential details such as year of construction, expenditure incurred, annual expenditure on maintenance etc. in all the LSGIs text checked. As such the possibility of further malpractices could not be ruled out.

(iii) Irregularities in keeping tender registers

The PWD Manual prescribes that all tender forms should be priced and the price printed or hand written on the form. The tender forms should be kept in the custody of an officer of the level of Junior Superintendent/Head Clerk. All the tender forms received shall be entered in the Register of Valuables. The receipt and issue of forms for specific tenders shall be recorded in the Register of Sale of Tender Forms with date, name of purchaser and amounts received. Of the 34 LSGIs test checked 29 did not maintain the register. Only five* LSGIs maintained the register of sale of tender forms where irregularities were also noticed.

(iv) Vitiating of tender procedure

The number of participants in the tender procedure for a work in Payyannur BP (2006-07) was only two against 42 tender forms sold. Similarly in Malappuram DP (2004-05) only 21 tenders were received for 9 works against 263 tender forms sold. The Departmental Manual stipulates blacklisting of contractors who fail repeatedly three times to submit tenders after buying tender documents. In the absence of details of sale of tender documents, Audit could not verify whether there was any lapse on the part of LSGI in initiating action against erring contractors.

* Thalassery, Tirur BPs, Vakkom GP, Kannur, Tirur Municipalities.

3.3.19 Conclusion

Though decentralisation of powers envisaged participatory monitoring by beneficiaries, working groups etc. projects were not being formulated sufficiently in advance or completed in time. LSGIs undertook works beyond the powers conferred by the Act as DPC failed to restrict the plan proposals with reference to the delegation of powers. Defective preparation of estimates led to excess expenditure. Deployment of engineering and technical personnels was not completed. Therefore shortage of engineers and technical staff affected the pace of execution of projects. Absence of proper supervision and monitoring led to delay in completion of works and blocking up of funds. Deposit works were not monitored as the payment of advance was recorded as final expenditure in the accounts. Internal control mechanism was weak and ineffective.

3.3.20 Recommendations

- Government should fix the staff strength of engineers and technical staff with reference to the volume of work to be executed in LSGIs.
- Deployment of engineers and technical staff may be expedited to augment the required manpower in LSGIs.
- Formulation of annual plans by the LSGIs at the beginning of the financial year and timely approval thereof by the DPCs should be ensured so as to avoid delay in completion of works.
- DPC should be instructed to review the projects proposal meticulously to avoid over lapping and overriding of functions and powers devolved on the LSGIs.
- Monitoring of Deposit works by LSGIs may be insisted.
- Availability of land and infrastructure should be ensured before awarding works.
- Internal control may be strengthened for the effective execution of Public Works.

3.4 Asraya Project

3.4.1 Introduction

Asraya, the Destitute Identification, Rehabilitation and Monitoring (DIRM) Project is the first integrated programme for tackling the poorest of the poor – the really "excluded" who constitutes two per cent of the population of Kerala, living at the margins of the economy, society and polity without a voice or the power of choice or the capabilities to access their rightful entitlements. This is a composite programme designed by the State Poverty Eradication Mission (Kudumbasree) for the purpose of identification and rehabilitation of the poorest of the poor families in the state and for their integration with the mainstream. The project consisted of two components, viz. Destitute Identification and Rehabilitation and IT enabled services. The first component of the project envisaged provision for food, land for home, shelter and its up-gradation, drinking water, safe sanitation facilities, medical and educational facilities, pension, skill development and employment opportunities to the families identified on the basis of certain indicators of poverty and deprivation through Neighbour Hood Groups (NHG) and Area Development Societies (ADS) functioning within the LSGIs. The IT enabled services encompass computerization of data of LSGIs, on-line monitoring of the project and services to the public such as issue of certificates, dissemination of information relating to LSGIs and Governments.

Government in March 2003 approved the Asraya project proposed by the Kudumbasree and issued detailed guidelines in November 2003 for implementation of the project through the Community Development Societies (CDS) attached to the LSGIs. The scheme was implemented from 2002-03 onwards. During 2002-03 and 2003-04, the scheme was implemented in 179 LSGIs. 156 and 261 LSGIs were covered during 2004-05 and 2005-06 respectively. In 2006-07 and 2007-08 the number of LSGIs covered was 17 and 97 respectively. Thus, as on 31 March 2008, the scheme covered 710 LSGIs comprising of 688 PRIs and 22 ULBs and the total number of families who benefited from the scheme was 57,985. The district-wise status of implementation was as follows:

(Rs. in lakh)

Sl. No.	Name of district	PRI	ULB	Total LSGIs	No. of families identified	Project cost
1	Thiruvananthapuram	39	0	39	4,239	1,766
2	Kollam	31	1	32	2,354	1,430
3	Pathanamthitta	44	2	46	3,422	2,008
4	Alappuzha	46	3	49	3,426	2,406
5	Kottayam	54	1	55	2,756	1,632
6	Idukki	46	0	46	2,792	2,013
7	Ernakulam	36	0	36	3,144	1,401
8	Thrissur	59	3	62	8,965	4,454
9	Palakkad	78	1	79	7,960	3,390
10	Malappuram	52	2	54	5,149	2,565
11	Kozhikode	73	2	75	6,688	3,914
12	Wayanad	25	1	26	1,813	931
13	Kannur	74	6	80	3,752	2,116
14	Kasaragod	31	0	31	1,525	1,169
Total		688	22	710	57,985	31,195

Source: Kudumbasree Mission

The districts of Malappuram and Kozhikode were selected for the review. Implementation of the scheme during 2003-04 to 2007-08 in 14 Grama Panchayats[£] and four Municipalities* in the aforesaid districts was reviewed during March to May 2008.

3.4.2 Audit Findings

Audit findings are grouped under following sections:

- ❖ Financial Management,
- ❖ Identification of Destitute Families and formulation of Projects,
- ❖ Implementation of Projects,
- ❖ Diversion of fund,
- ❖ Package of Care Services,
- ❖ IT enabled Services.

3.4.3 Financial Management

The LSGIs were responsible for converging various services and resources available and to mobilise the funds for implementing the project. Government provided funds to LSGIs through Plan grants and Kudumbasree provided 25

[£] Vallikkunnu, Parappanangadi, Pookkottur, Morayur, Chelambra, Nirmaruthur, Pallikkal, Thiruvambadi, Vanimel, Mukkom, Koodaranhi, Kizhakkoth, Unnikkulam, Feroke Grama Panchayats.

* Tirur, Malappuram, Koyilandy and Vatakara Municipality.

per cent of the Project Cost or Rs.10 lakh whichever was less as Challenge Fund to the LSGIs for the implementation. Government subsequently enhanced (February 2008) the rate of Challenge Fund to 40 per cent of the Project Cost subject to maximum of Rs. 15 lakh with retrospective effect from 2002-03.

As of March 2008, Government sanctioned projects costing Rs.311.95 crore proposed by 710 LSGIs in the State. Kudumbasree provided Challenge fund of Rs.60.10 crore. In addition, it also released Rs.11.38 crore for IT enabled services to 508 CDS in the state.

3.4.3.1 Non release of fund by Kudumbasree Mission

Government allocated Rs.100 crore consisting of Challenge fund of Rs.75 crore and Special Central assistance of Rs.25 crore to the Kudumbasree Mission for implementation of Asraya Projects. Kudumbasree was required to release 25 per cent of the project cost subject to a maximum of Rs.10 lakh to the LSGIs as Challenge fund. (The enhancement of ceiling was ordered only in February 2008). However, Kudumbasree Mission released Rs.60.23 crore only during the above period and retained the balance of Rs.39.77 crore.

Kudumbasree Mission retained Rs.39.77 crore out of Rs.100 crore received for allotment to LSGIs.

On pointing out the retention of huge amount of plan fund for implementation of Asraya Project, the Executive Director Kudumbasree Mission stated (March 2009) that Government had been releasing funds in anticipation of project to Kudumbasree. As funds for all LSGIs were available, Kudumbasree did not request for release of further amount. As of March 2009, the scheme was implemented in 756 out of 1057* LSGIs. 127 LSGIs started preparation of projects and 174 LSGIs have not taken up the project. Total receipts and expenditure for Asraya Project upto February 2009 was Rs.100.20 crore and Rs.66.70 crore respectively.

Release of huge fund by Government in anticipation of schemes and retention of huge amount as unspent balance by Kudumbasree Mission are violations of financial rules and hence highly irregular.

3.4.4 Identification of Destitute Families and formulation of Projects

Government in November 2003 issued detailed Guidelines for identification of destitute families and formulation of the Asraya Project by the LSGIs. The guidelines for identification of destitute families were modified in June 2004. The modified guidelines prescribed that the NHGs and ADS should conduct field studies within their area and prepare a list of beneficiary families satisfying the indicators prescribed. In PRIs, families which satisfy seven out of

* DPs & BPs are excluded.

nine indicators and one out of eight additional indicators and in ULBs, families which satisfy six out of nine indicators and one out of ten additional indicators are to be considered as beneficiaries. This list requires the approval of the Grama Sabha/Ward Committee of the concerned LSGI. The LSGIs then formulate detailed projects for providing the Package of Care Services such as food, shelter, medical and educational facilities etc. to the beneficiaries utilizing plan grants and submit it to Government for approval with copy to Kudumbasree for providing Challenge Fund. Government sanctions the projects and Kudumbasree releases its share to LSGIs for implementation of the projects.

3.4.4.1 Ineligible families selected as beneficiaries

Of the 2455 beneficiaries selected by 18 LSGIs, 928 were ineligible

A poor family should satisfy the criteria laid down in the guidelines to be categorized as a destitute family. It was noticed in audit that the identification of destitute families was not based on the guidelines issued by Government in certain LSGIs with the result that poorest of the poor families were not selected as beneficiaries. Out of a total of 2455 beneficiaries (refer table in para.3.4.5.1) in the selected 18 LSGIs, 928 beneficiaries in 13 LSGIs are ineligible families as shown in the table below:

Sl. No.	Name of LSGI	No. of destitute families identified	No. of ineligible beneficiaries selected	Percentage	Remarks
1	Kizhakkoth GP	74	74	100.00	Selection not based on the norms
2	Koodaranhi GP	205	205	100.00	No record available to show selection of beneficiaries.
3	Mukkom GP	70	70	100.00	Selection not based on the norms. Beneficiaries selected by political parties.
4	Pookkottur GP	83	83	100.00	Selection not based on the norms.
5	Unnikkulam GP	94	94	100.00	Selection not based on the norms.
6	Vanimel GP	91	91	100.00	Selection not based on the norms. No prescribed form available.
7	Koyilandy Municipality	247	18	7.28	1 to 5 indicators considered and in two cases no additional indicator.
8	Malappuram Municipality	35	25	71.42	4 to 5 indicators only and no additional indicator.
9	Vatakara Municipality	281	5	1.78	Only 5 indicators considered and no additional indicator.
10	Chelambra GP	100	20	20.00	Only six indicators considered and no additional indicator.
11	Pallikkal GP	184	164	89.13	3 to 6 indicators only and no additional indicator.
12	Thiruvambadi GP	255	62	24.31	4 to 6 indicators only and no additional indicator.
13	Vallikunnu GP	182	17	9.34	2 to 6 indicators only and in 3 cases no additional indicator.
	Total	1901	928		

Of these, 617 families belonging to six LSGIs mentioned at Sl. No. 1 to 6 of the table were selected not on the basis of any norm prescribed. The 311 families in seven LSGIs mentioned at Sl. No. 7 to 13 of the table did not have the prescribed seven/six primary indicators and rarely have an additional indicator.

3.4.5 Implementation of Projects

3.4.5.1 Slackness in the implementation of the scheme

The selected 18 LSGIs incurred Rs.4.76 crore only which is 30 per cent of the project cost.

During the period 2002-03 to 2007-08, the scheme was implemented in the selected 18 LSGIs at an estimated cost of Rs.15.85 crore including contribution of Rs.1.74 crore from Challenge Fund. The number of beneficiaries identified was 2455. The expenditure incurred upto 31.03.2008 was Rs.4.76 crore which comprised 30 per cent of the project cost. The utilisation of fund with reference to the year of commencement of scheme is given in the table below:

(Rs. in lakh)

Year of Commencement	No. of LSGIs	No. of beneficiaries	Project cost	Expenditure upto 31.03.2008	Challenge Fund	Percentage of expenditure
2002-03	5	563	290.12	150.64	50.00	52
2003-04	6	615	374.35	174.39	57.05	47
2004-05	3	707	392.14	76.83	30.00	20
2005-06	1	153	70.41	63.32	10.00	90
2006-07	2	316	364.09	10.37	17.25	3
2007-08	1	101	93.57	0.49	10.00	0.05
Total	18	2455	1584.68	476.04	174.30	30

It is noticed that except for the projects sanctioned during the year 2005-06, utilisation of fund recorded a decrease in trend commencing from 52 per cent for projects sanctioned during 2002-03 to less than one per cent for projects sanctioned in 2007-08. Some of the GPs in Malappuram district recorded a better performance. GP Pookkottur which introduced the scheme in 2002-03 alone had utilised the full amount of the project cost. GPs Pallikkal and Niramathur which undertook the scheme during 2003-04 & 2005-06 respectively had utilised 90 per cent of the project cost by 31.03.2008. GPs Morayur (2002-03) and Chelambra (2003-04) had utilised 83 and 81 per cent respectively of the project cost. The utilisation of other Panchayats and Municipalities in both districts was far from satisfactory. The scheme was implemented in Koyilandy Municipality during 2004-05, Malappuram and Vatakara in 2006-07 and Tirur in 2007-08. The utilisation of fund in those Municipalities was only 20, 17, 2 and 0.05 per cent respectively.

The poor utilisation of fund is an indication that the LSGIs were not showing adequate interest in the implementation of the scheme.

3.4.6 Diversion of fund

3.4.6.1 Diversion of Asraya fund to VAMBAY scheme

Out of Rs1.13 crore received by Koyilandy Municipality during 2004-05 for execution of the project, expenditure of only Rs. 24 lakh was incurred upto 31.03.2008. The Municipality diverted (June 2005) an amount of Rs. 3 lakh from plan funds earmarked for the Asraya project towards remittance of municipal share of the VAMBAY scheme in violation of the guidelines.

3.4.7 Package of Care Services

The LSGIs were required to formulate a “Package of Care Services” exclusively for the benefit of the Asraya families within their jurisdictional area in addition to any existing poverty alleviation programmes. Package of Care Services includes provisions for food, health care, land, shelter, drinking water, education, priority for old age and other pensions, assistance to mentally and physically challenged persons and avoidance of social isolation.

3.4.7.1 Food

The Scheme prescribed various measures to address the problems of the destitutes deprived of sufficient food as follows:

1. Issue of food grains to all destitutes aged above 65 years under the Annapoorna Project.
2. Supply of food grains free of cost through ration shops under ‘Antyodaya Anna Yojana’ (AAY) to all destitute families having no pension or any other income and to those suffering from severe poverty.
3. Serving of prepared food to all overaged, severely ill, mentally and physically challenged persons etc. through Anganwadies.
4. Priority for allotment of employment under SGRY etc.

The guidelines did not provide for payment of assistance in cash in lieu of any of the above. It was noticed that several LSGIs had formulated and implemented projects for the Asraya families without adhering to the prescribed guidelines as detailed below:

(a) Payment of Food allowance in cash

The CDS attached to the Morayur Grama Panchayat had disbursed Rs. 66,000¹ as monthly fixed allowance at the rate of Rs.100 in cash to each of the 77 Asraya families selected for food assistance during the period from April to December 2004 out of 150 families identified by the panchayat. The scheme was not continued thereafter and no further action was taken to make available free supply of food grains through ration shops.

Instead of providing food grains under Annapoorna project, (AAY,) Morayur GP and Malappuram Municipality disbursed fixed cash assistance and Mukkom GP and Vatakara and Tirur Municipalities purchased and supplied rice/provisions.

Malappuram Municipality fixed distribution of food assistance at the rate of Rs.500 per head and supplied rice and provisions for an amount of Rs.2.57 lakh to all the 35 Asraya families for five months from May to August 2007 and March 2008.

Vatakara and Tirur Municipalities purchased rice and provisions for Rs.2.01 lakh and Rs.44,945 and distributed to 150 and 99 families in September 2007 and March 2008 respectively. Mukkom GP distributed provisions costing Rs.500 each to 20 families during 2006-07 and to 21 families during 2007-08. The remaining LSGIs did not implement the food component of the package.

3.4.7.2 Health Care

The Scheme prescribed the following activities for the benefit of the Asraya families requiring health care assistance.

1. Conduct of medical camps with the participation of qualified doctors and medical technicians and arrange medical treatments at the nearby Government hospitals in the case of beneficiaries suffering from Cancer, T B, Leprosy, AIDS etc. The medicines required should also be made available to the patients free of cost.
2. Seek sponsors from individuals, charitable institutions and voluntary organizations for meeting expenditure of medical treatment of the patients.
3. Steps to make available assistance from Prime Minister's/Chief Minister's Relief Fund for the treatment of destitutes suffering from chronic illness.

The selected LSGIs did not arrange any medical camp or seek the assistance of any charitable institutions or voluntary organizations. Medicines were also not made available to the patients. However, a few LSGIs paid medical allowance at fixed rate and provided insurance coverage to destitute families in violation of the prescribed guidelines as discussed below:

¹ 67 families x 9 months x Rs.100 = Rs. 60,300
9 families x 6 months x Rs.100 = Rs.5,400
1 family x 3 months x Rs.100 = Rs.300.

(a) Payment of medical allowance

Morayur Grama Panchayat had paid a fixed monthly medical allowance of Rs.100 to 45 beneficiary families without considering their actual needs during the period of nine months from April to December 2003.

Malappuram Municipality paid annual medical allowance of Rs 64,000 to 32 families at the rate of Rs.2000 during the year 2006-07 and Rs.32000 as first instalment for the year 2007-08 irrespective of the gravity of illness and requirements of the members of each family.

(b) Insurance coverage for the destitute families

Koodaranhi GP insured all the 132 Asraya families at a cost of Rs.0.16 lakh for 13 months from May 2007 in violation of the Guidelines of the scheme

Koodaranhi GP insured all the 132 Asraya families with a private hospital situated in the Thiruvambadi Grama Panchayat for the period from May 2007 to May 2008 for an aggregate premium of Rs.15695. As the scheme had covered diseases diagnosed only after the date of enrolment, it was not useful for the chronic patients identified under the Asraya project. Medical Insurance schemes were not envisaged in the health care package under the Asraya project.

3.4.7.3 Assistance for purchase of land for construction of houses

Under this package, the landless destitute families have to be provided land up to 3 cents* in rural areas and up to 1.5 cents in urban areas for construction of houses. The total assistance per family for purchase of land should be the actual cost of land subject to a maximum of Rs.19,500 in rural areas, Rs.20,000 in Municipalities and Rs.25000 in Corporation areas. Government in February 2008 enhanced the cost of land to Rs.45000, Rs.50000 and Rs.60000 in respect of rural, municipal and corporation areas respectively with effect from the financial year 2007-08. The assistance should be paid direct to the owner of the plot and not to be paid to the beneficiary.

(a) Payment of cost of land direct to the beneficiaries

In six LSGIs assistance aggregating to Rs.23.28 lakh towards the cost of land was paid in cash to 125 destitute families instead of the owners of the land in violation of the guidelines as shown below:

Sl. No.	Name of LSGI	No of Beneficiaries	Unit Cost Rs.	Total Amount Rs.
1	Koyilandy Municipality	15	20,000	300000
2	Feroke GP	47	19,500	916500
3	Kizhakkoth GP	13	19,500	253500
4	Pallikkal GP	15	19,500	292500
5	Parappanangadi GP	26	15,000	390000
6	Vallikkunnu GP	9	19,500	175500
Total		125		2328000

* Cent = 40.47 Square metres

Vallikkunnu GP stated that the assistance was paid in cash to the beneficiaries as they had initially met the cost of land by raising loans. Parappanangadi GP stated that it was not aware of the relevant Government instructions.

(b) Payments made in excess of the actual cost of the plot

The assistances paid for purchase of land were not restricted to actual cost or the ceiling fixed which ever is lower as stated in the guidelines in three cases in two Grama Panchayats test checked in audit as shown below:

Sl.No.	Name of GP	Name of beneficiary	Cost of land Rs.	Amount paid Rs.	Excess amount paid Rs.
1	Kizhakkoth	Smt. Othayoth Mariyoma	2,000	19,500	17,500
2	Parappanangadi	Smt.Nalakathu Nafeesa	6,000	15,000	9,000
3.	Do	Smt.Arangottil Santhakumari	8,000	15,000	7,000

On pointing out the excess payment, the GPs admitted (March 2008) the fact and initiated action for recovery of the amount paid in excess. Further development is awaited (May 2009).

3.4.7.4 Assistance for construction of houses

The guidelines stipulate that all the destitute families having land of their own should be given priority over BPL families for the assistance for construction of houses and further that the construction of houses should be executed through the NHGs. The assistance should not be given in cash. In all the 16 LSGIs where projects for construction of houses for the destitute families were undertaken, the assistance was given in cash and the NHGs were very sparingly associated with the constructions. A total of Rs.3.50 crore was given in cash direct to 1067 beneficiaries for construction of houses in 16 LSGIs during the period of report as shown below:

Rs. 3.50 crore was disbursed in cash direct to 1067 beneficiaries for construction of houses in 16 LSGIs in violation of the guidelines

Sl.No.	Name of LSGI	No. of houses for which cash assistance paid	Unit cost (Rs.)	Amount paid (Rs. in lakh)
1	Koyilandy Municipality	44	40,000	17.60
2	Vatakara Municipality	1	50,000	0.50
3	Chelambra GP	62	35,000	20.13
4	Feroke GP	46	35,000	16.10
5	Kizhakkoth GP	51	35,000	17.85
6	Koodaranhi GP	62	35,000	21.70
7	Morayur GP	62	30,000	18.60
8	Mukkomm GP	30	35,000	10.50
9	Niramaruthur GP	139	25,000 50,000	39.25
10	Pallikkal GP	184	35,000	59.83
11	Parappanangadi GP	55	35,000	18.45

Sl.No.	Name of LSGI	No. of houses for which cash assistance paid	Unit cost (Rs.)	Amount paid (Rs. in lakh)
12	Pookkottur GP	83	35,000	28.81
13	Thiruvambadi GP	50	35,000 50,000	15.85
14	Unnikkulam GP	67	35,000	19.44
15	Vallikkunnu GP	55	35,000	18.65
16	Vanimel GP	76	35,000	26.60
Total		1067		349.86

Most of the LSGIs stated that the beneficiaries were more interested in the construction of their houses themselves rather than the CDS since they were in a better position to raise additional resources from the public. Vallikkunnu GP stated that the beneficiaries were in isolated places and the houses being built were not of a uniform model. The Beneficiary Committees were not constituted and hence assistance was given in cash direct to the beneficiaries.

(a) Abnormal delay in construction of houses

134 beneficiaries who were given assistance of Rs. 26.96 lakh during the period 2003-04 to 2007-08 in 13 LSGIs had not completed the construction of houses so far (August 2008) (**Appendix-XIV**). The LSGIs stated that the beneficiaries have been directed to complete the houses without further delay.

(b) Alienation of the land and house by the beneficiaries

In Vallikkunnu G.P in Malappuram and Thiruvambadi G.P.in Kozhikode districts, two beneficiaries who had obtained assistance for purchase of land and construction of house under the Asraya project had alienated the same on a subsequent date as given below.

Sl. No.	Name of GP	Name of beneficiary	Purpose and Amount given Rs. (Month & year of payment)	Date of alienation
1	Vallikkunnu	Bhargavi wife of Soman	Land 19,500 (1/2004) House 20,000 (10/2004)	August 2007
2.	Thiruvambadi	Saidalavi Pathoor	House 35,000 (7000 - 4/2004, 13000 - 6/2004, 15000 - 11/2007)	June 2005

On pointing out the alienation, the Vallikkunnu GP stated (March 2008) that action would be taken for recovery of the assistance given. The Thiruvambadi GP stated (April 2008) that the land and house were taken back by the beneficiary through the intervention of the Panchayat and a third instalment of assistance was paid by the GP to the beneficiary.

134 beneficiaries to whom Rs.26.96 lakh paid did not complete the construction of houses even after 5 years

3.4.7.5 Drinking water

The guidelines stipulate that the destitute families are to be provided facilities for safe drinking water by way of construction of public stand posts close to their houses under the existing schemes and digging of public open wells. In the case of new drinking water projects, priority will be given to places having a large number of destitute families. No separate drinking water project should be undertaken or assistance in cash be given to any individuals for wells.

Vanimel Grama Panchayat utilized an amount of Rs.20,000 for digging two open wells for the use of the destitute families. No other LSGIs attempted any such projects.

(a) Payment of subsidy for wells

The guidelines did not provide for payment of subsidy for digging of wells. However it was noticed that four GPs had paid subsidies aggregating to Rs.4.51 lakh to 85 beneficiaries for digging wells in their own land in violation of the guidelines during the period from 2003-04 to 2007-08 as detailed below:

Sl. No.	Name of GP	Unit cost Rs.	No. of beneficiaries	Total expenditure (Rs. in lakh)
1	Kizhakkoth	4,900	1	0.05
2	Niramaruthur	5,000	45	2.25
3	Parappanangadi	5,000	26	1.30
4.	Vallikkunnu	7,000	13	0.91
Total			85	4.51

3.4.7.6 Educational assistance

The guidelines prescribed the following measures for providing school education to the children of the destitute families.

1. Children below the age of 18 years who have not joined school for formal education or who have discontinued their education should be traced out and persuaded to continue their studies in schools.
2. Study materials, uniforms, umbrellas, chappals, school bags, etc. must be made available to the children through sponsorship of individuals, voluntary organisations, etc.
3. Support groups consisting of teachers, graduates and college students may be formed at LSGI level to conduct coaching camps to upgrade the standard of education of children of destitute families utilizing the Asraya fund.

The guidelines did not provide for any direct assistance in cash by way of scholarship or otherwise by the LSGIs to the beneficiaries. However it was noticed that some LSGIs violated the above guidelines as detailed below.

(a) Distribution of educational assistance, uniform clothes etc. to students

Four LSGIs had distributed educational assistance to a few students, uniform clothes for one year etc. as given below:

Sl.No.	Name of LSGI	Amount spent Rs.	Purpose for which spent
1	Malappuram Municipality	13,000	Educational assistance at the rate of Rs.1000 per student for 13 students during 2007-08
2	Morayur GP	500	Educational assistance to one student in July 2003
3.	Mukkom GP	14,000	Educational assistance at the rate of Rs 1000 to 14 students in 2005-06
4.	Thiruvambadi GP	32,731	Uniform clothes to 90 students in September 2003

3.4.7.7 Assistance to physically and mentally challenged persons

The guidelines require that:

None of the LSGIs provided assistance to physically and mentally challenged persons

(i) in the utilisation of the three per cent fund earmarked for the physically and mentally challenged persons under the Centrally Sponsored Schemes like SGRY, IAY etc. special priority should be given to those belonging to the Asraya families.

(ii) projects to provide employment training to the destitutes should be encouraged with the co-operation of the Kerala State Handicapped Persons Welfare Corporation Ltd, the Kerala Federation of the Blinds etc.

(iii) LSGIs should encourage projects for providing employment to the physically and mentally challenged persons from destitute families by utilising the General Purpose Fund.

(iv) LSGIs should initiate action to make available financial assistance for employment related projects from Central/State Social Welfare Advisory Board.

None of the programmes referred to above were undertaken by the selected LSGIs during the period 2003-04 to 2007-08.

3.4.7.8 Priority in sanctioning pensions to the destitutes

The guidelines require that the LSGIs should give top priority while sanctioning old age pension and other pensions to the eligible destitutes. There is no provision for payment of any pension from the Asraya scheme. It was however noticed that instead of giving priority in sanctioning of pension, Malappuram Municipality had disbursed pension aggregating Rs.34560 (at the

rate of Rs.120 per month for 12 persons for two years) earmarked for Asraya scheme.

3.4.7.9 Expenditure on inadmissible components of Package of Services

11 LSGIs disbursed assistance amounting to Rs.19.04 lakh under inadmissible components

The Asraya project does not envisage assistance for electrification of houses, repair of houses, construction of latrines, payment of pension etc. There is no provision for any subsidy for self employment or free supply of clothes. It was noticed in audit that 11 LSGIs¹ had disbursed assistance amounting to Rs.19.04 lakh for various inadmissible components during the period 2003-04 to 2007-08 as shown below:

(i) In six LSGIs, Rs. 10.93 lakh was paid to 107 beneficiaries during 2003-04 to 2007-08 for repair of houses as follows:

(Rs. in lakh)

Sl.No.	Name of LSGI	No. of beneficiaries	Amount
1	Malappuram Municipality	6	0.15
2	Feroke GP	1	0.07
3	Kizhakkoth GP	3	0.23
4	Koodaranhi GP	2	0.20
5	Morayur GP	57	7.58
6	Vallikkunnu GP	38	2.70
Total		107	10.93

In Morayur GP, assistance for repair of house was paid at the rate of Rs.15000 to 45 beneficiaries during 2003-04 which is double the rate fixed by Government. On pointing out the excess payment in audit, the Panchayat stated (March 2008) that the amount was disbursed prior to receipt of Government instructions.

(ii) Rs.6.23 lakh was paid to 83 persons as self employment assistance at the rate of Rs.7500 per person in Pookkottur GP.

(iii) Rs.1.14 lakh was paid for construction of latrines at the rate of Rs.2000 to 57 persons in Niramaruthur GP (29 persons) and Parappanangadi GP (28 persons).

(iv) Clothes worth Rs.71500 were distributed to 44 families/persons in Malappuram Municipality (at the rate of Rs.2000 to 33 families) and Mukkom GP (at the rate of Rs.500 to 11 persons).

(v) For electrification of houses, assistance of Rs.1000 each was paid to two families in Malappuram Municipality.

¹ Malappuram Municipality, Feroke, Kizhakkoth, Koodaranhi, Morayur, Mukkom, Niramaruthur, Parappanangadi, Pookkottur, Vallikkunnu & Vanimel GPs

3.4.8 IT enabled Services

IT enabled service is an innovative component of Asraya project. This component envisages a system of online web enabled monitoring of identification and rehabilitation of Asraya families in addition to computerisation of data of LSGIs by providing two or three computers with internet facilities, touch screen, scanner, printers etc. to CDS attached to each LSGI at an estimated cost of Rs.3 lakh. With the help of computers, the CDS can create and maintain the database of BPL families, destitute families identified for rehabilitation, destitute family-wise convergence plan, department-wise activity plan, monitoring formats, preparation of Demand, Collection and Balance (DCB) of tax collection, registration of births and deaths etc. Apart from that there will be services to the public which include dissemination of information relating to various programmes of governments, preparation and issue of various certificates, information concerning Panchayats, information kiosk with internet facilities etc. Suitable computer trained women from NHGs will be identified and engaged for operating the systems. A nominal fee from the customers and general public will be charged for using the services of the computer systems.

For implementation of IT enabled services as envisaged in the Asraya project, Kudumbasree Mission had released an amount of Rs.11.38 crore to 508 CDS (at Rs.3 lakh per unit to 83 CDS in March 2003, at Rs.2.50 lakh per unit to 78 CDS in March 2004 and at Rs.2 lakh per unit for 347 CDS during the period from 2004-05 to 2007-08) for purchase of computer systems and net working accessories from any one of the 5 approved Kudumbasree hardware units. The systems recommended for purchase consisted of one Computer with two nodes, one each of Laser jet printer, Ink jet printer, Scanner, Modem, UPS and networking and software at an aggregate cost of Rs.1.65 lakh.

For purchase of computer systems, Rs.43.50 lakh was released to the 16 CDS in the LSGIs selected for review in between April 2003 and October 2007. The CDS in Malappuram and Tirur Municipalities did not purchase the computer systems. The remaining 14 CDS purchased 3 computers each and other networking accessories from the approved Kudumbasree hardware units at a total cost of Rs.23.76 lakh as shown below:

(Rs. In lakh)

Sl.No.	Name of LSGI	Date of release of funds	Amount	Year of purchase of computer systems	Expenditure	Whether used
1	Kizhakkoth GP	30.04.2003	3.00	2003-04	1.81	No
2	Pookkottur GP	04.06.2003	3.00	-do-	1.94	Yes
3	Morayur GP	16.09.2003	3.00	-do-	1.71	No
4	Mukkom GP	29.04.2004	3.00	2004-05	1.55	Yes
5	Vallikkunnu GP	19.07.2003	3.00	-do-	1.70	No
6	Parappanangadi GP	18.12.2003	3.00	-do-	1.75	No
7	Vanimel GP	06.05.2004	3.00	-do-	1.94	Yes
8	Chelambra GP	30.07.2004	3.00	-do-	1.59	No
9	Thiruvambadi GP	27.09.2004	3.00	-do-	1.59	No
10	Pallikkal GP	07.10.2004	3.00	-do-	1.59	No
11	Unnikkulam GP	27.12.2004	2.50	-do-	1.81	No
12	Niramaruthur GP	27.10.2005	2.00	2005-06	1.63	No
13	Koodaranhi GP	04.11.2005	2.00	-do-	1.58	No
14	Feroke GP	22.04.2003	3.00	-do-	1.57	No
15	Tirur Municipality	25.10.2007	2.00	---	----	----
16	Malappuram Municipality	25.10.2007	2.00	---	----	----
Total			43.50		23.76	

Out of 42 computers purchased at a total cost of Rs.23.76 lakh, 33 systems were not put to use for want of trained hands

Thus, out of 42 computers purchased between 2003-04 and 2005-06, only nine computers in three LSGIs (Pookkottur, Vanimel and Mukkom GPs) were reportedly put to use at the time of audit and remaining 33 computer systems were idling for want of trained hands. Thus Rs.18.33 lakh spent for purchase of 33 computers in 11 LSGIs remained idle.

On this being pointed out (May 2008), the Project Officer, Kudumbasree Mission stated (May 2008) that a proposal had been prepared to impart computer training to two CDS functionaries of each LSGIs and the training would be commenced shortly. Further developments are awaited (October 2008).

3.4.8.1 Blocking up of the balance funds with the CDS

As already stated in previous para, the Kudumbasree Mission had released Special Central Assistance ranging from rupees two to three lakhs to the 508 CDS in the state with direction to purchase Computer Systems worth Rs. 1.65 lakh. However, no further direction was issued for the utilisation of the balance fund except to the fact that permission was issued to impart computer training to one or two functionaries utilising the fund. It was noticed in audit that out of Rs.43.50 lakh released to the 16 CDS test checked in Kozhikode and

Malappuram districts, Rs.19.74 lakh (45.38 per cent) remained unutilised as on May 2008. Specific reason for allotment of fund in excess of requirement or for the delay in giving instructions for utilising the balance amount by the CDS was not available on record.

3.4.8.2 Irregular payment of Annual Maintenance Contract by the CDS

11 CDS paid
Rs.3.74 lakh
towards AMC
for the computer
systems
uninstalled

A computer normally fetches a warranty of the manufacturer from the date of purchase for a fixed period. The question of Annual Maintenance Contract (AMC) arises only after installation and expiry of warranty period. If the computer purchased is not installed and used, the question of entering into an AMC does not arise. The 11 CDS of the test checked LSGIs which procured the computer systems between April 2003 and October 2007 neither installed nor operated the systems as of May 2008. However, they paid AMC aggregating to Rs.3.74 lakh to Kudumbasree hardware units for periods of one to two years from the date of purchase. When the systems purchased remained uninstalled, the payment of AMC of Rs.3.74 lakh for computers kept idle was irregular.

3.4.9 Conclusion

In several cases Asraya beneficiaries were selected not on the basis of primary and additional indicators of poverty and destitution as prescribed in the guidelines issued by Government in November 2003 and June 2004. As a result, the eligible families were left unselected and a large number of ineligible beneficiaries got included in the selected list. The monitoring committees at the LSGI level were ineffective. LSGIs did not verify the adequacy of the number of poverty indicators and the admissibility of various schemes under the Asraya project with the result that the project proposals made by the LSGIs contained a number of inadmissible items such as assistance for self employment, pension, repairs of houses, construction of wells and latrines, free supply of clothes etc. Kudumbasree did not examine the eligibility of the beneficiaries and admissibility of the components in the proposals before release of its share of challenge funds to the CDS. In respect of the IT enabled component also, Kudumbasree neither undertook a study of the necessity of the computer systems including server and nodes and networking facilities including web cam for installation in the CDS office nor ascertained the training needs of the CDS functionaries with the result that the computer systems procured in 11 out of 14 CDS remained idle. All these deficiencies clearly underline the inadequacy of internal control in monitoring the implementation of the project.

3.4.10 Recommendations

- The CDS and the LSGIs should strictly adhere to the guidelines issued by Government from time to time in the identification of destitute families, formulation of projects for their rehabilitation and in the monitoring of the project so that the really excluded category, i.e., the poorest of the poor gets the maximum benefits of the scheme.
- Kudumbasree Mission should closely monitor the progress of the projects at each stage.
- Instructions should be issued to the implementing agencies to utilise the fund allocated under the scheme on various components of the scheme as per guidelines so as to avoid idling of funds.
- The computer systems should be installed immediately in CDS and computer training to the functionaries be imparted so that optimum benefits as envisaged in the scheme could be derived from the computerisation.

3.5 Unemployment Wage Scheme

3.5.1 Introduction

Government of Kerala introduced a novel Welfare Scheme to provide temporary financial assistance to the youth who remained unemployed after registration in the Employment Exchange for a specified continuous period. The scheme which commenced with effect from 01 November 1982 was called "The Kerala Unemployment Assistance and Self Employment Scheme, 1982". The scheme provides for payment of a fixed amount as prescribed by government from time to time to the unemployed persons who have passed the SSLC Examination, having a family income of less than Rs. 4000 per annum, whose name has been validly registered in an Employment Exchange in the State and who has been continuing without employment in the live register for the preceding three years. The scheme excluded students and persons below 18 years and over 35 years of age.

The scheme was initially implemented through the Employment Exchanges in the State. Consequent on the devolution of powers, the implementation of the Scheme was transferred to the Panchayat Raj Institutions and Urban Local Bodies in September 1995 and November 1997 respectively. For entrusting the full functions connected with the implementation of the scheme, Government framed (May 1998) the revised rules called "The Kerala Unemployment Wage Scheme (Revised Rules), 1998". In the Revised Rules the annual family income ceiling was raised from Rs.4000 to Rs. 12000.

The quantum of assistance and the mode of payment were as fixed by Government from time to time. As per the Revised Rules, 1998, the disbursement of wage was required to be made monthly on dates specified by Government at the rate of Rs.100 p.m. With effect from April 2000, the quantum of unemployment wage was increased to Rs.120 per month.

An aggregate amount of Rs.280.78* crore was disbursed to the beneficiaries as unemployment wage during the period from 2003-04 to 2007-08. The year-wise, district-wise details of disbursements and beneficiaries are as follows:

* According to the Finance Accounts, the total amount of unemployment wage disbursed during 2003-04 to 2007-08 was Rs. 237.50 crore only.

(Rs. in crore)

District	2003-04		2004-05		2005-06		2006-07		2007-08		TOTAL	
	Beneficiary - ary	Amo - unt	Beneficiary - ary	Amo unt	Beneficiary - ary	Amo unt	Beneficiary - ary	Amo unt	Beneficiary - ary	Amo unt	Beneficiary - ary	Amou nt
Tvm	52,000	4.23	58,500	13.78	61,722	18.32	62,725	6.84	63,435	9.03	2,98,382	52.20
Klm	65,446	4.34	52,350	12.44	53,253	15.25	52,881	7.76	46,677	6.83	2,70,607	46.62
Pta	8,865	0.81	9,001	2.16	10,424	0.43	9,693	1.29	10,102	1.30	48,085	5.99
Idu	12,837	0.80	12,524	2.45	11,138	2.99	11,559	1.58	11,235	1.51	59,293	9.33
Ktm	22,219	1.58	21,350	5.31	19,912	5.49	20,498	2.84	19,607	2.72	1,03,586	17.94
Alp	24,866	0.35	70,591	10.17	49,319	15.68	50,341	7.25	45,617	6.57	2,40,734	40.02
Ekm	21,165	2.50	21,180	4.52	20,231	5.04	19,286	2.65	19,198	2.65	1,01,060	17.36
Tsr	18,363	1.23	17,860	3.63	16,232	4.80	18,178	2.85	21,169	3.10	91,802	15.61
Pkd	10,232	0.12	10,510	2.09	10,701	3.04	11,827	1.73	11,952	1.91	55,222	8.89
Mpm	18,010	1.30	18,270	4.25	19,442	5.64	20,269	2.95	24,351	3.29	1,00,342	17.43
Kde	32,215	2.32	31,140	7.48	31,103	8.93	29,905	4.92	36,779	5.13	1,61,142	28.78
Way	3,345	0.24	3,407	0.81	3,597	1.01	3,682	0.57	3,972	0.60	18,003	3.23
Knr	14,574	0.95	14,248	3.08	14,242	3.98	15,439	2.17	16,596	2.29	75,099	12.47
Ksd	6,533	0.41	6,311	1.34	7,260	1.89	7,530	0.12	7,720	1.15	35,354	4.91
Total	3,10,670	21.18	3,47,242	73.51	3,28,576	92.49	3,33,813	45.52	3,38,410	48.08	16,58,711	280.78

Source: Director, National Employment Services (Kerala)

Three districts of Kollam, Ernakulam and Palakkad were selected for review. Implementation of the scheme in Kollam Corporation in Kollam District, Aluva and Palakkad Municipalities in Ernakulam and Palakkad districts respectively and four Grama Panchayats* each from the selected districts were reviewed during February-April 2008. The accounts and records of the above LSGIs for the period from 2003-04 to 2007-08 were reviewed. The districts and auditee units were selected following Simple Random Selection Method.

3.5.2 Audit Findings

Audit findings are grouped under following sections:

- ❖ Financial Management,
- ❖ Selection of Beneficiaries,
- ❖ Implementation,
- ❖ Internal Control Systems

* Elampalloor, Kottamkara, Thrikkadavoor and Thrikkovilvattom Grama Panchayats in Kollam district; Cheranelloor, Choornikkara, Edathala and Thrikkakara Grama Panchayats in Ernakulam district and Akathethara, Kannadi, Malampuzha and Puthuppariyaram Grama Panchayats in Palakkad district.

3.5.3 Financial Management

Funds for the scheme are provided in the State budget. The details of fund provided in the budget and the expenditure incurred therefrom during the period of review are as follows:

(Rs. in lakh)

Year	Details	Municipal Corporations	Municipalities	Grama Panchayats	Total
2003-04	Budget Estimate	101.10	168.22	2139.01	2408.33
	Expenditure	119.09	132.35	2153.06	2404.50
	Excess (+)/ Savings (-)	(+) 17.99	(-) 35.87	(+) 14.05	(-) 3.83
	Percentage of Excess/Saving	(+) 17.79	(-) 21.32	(+) 0.66	(-) 0.16
2004-05	Budget Estimate	328.19	537.00	6533.24	7398.43
	Expenditure	320.15	475.17	6226.89	7022.21
	Excess (+)/ Savings (-)	(-) 8.04	(-) 61.83	(-) 306.35	(-) 376.22
	Percentage of Excess/Saving	(-) 2.45	(-) 11.51	(-) 4.69	(-) 5.09
2005-06	Budget Estimate	396.22	669.62	8222.38	9288.22
	Expenditure	392.76	636.02	7717.48	8746.26
	Excess (+)/ Savings (-)	(-) 3.46	(-) 33.60	(-) 504.90	(-) 541.96
	Percentage of Excess/Saving	(-) 0.87	(-) 5.02	(-) 6.14	(-) 5.83
2006-07	Budget Estimate	197.74	341.01	4471.47	5010.22
	Expenditure	160.46	239.39	4293.75	4693.60
	Excess (+)/ Savings (-)	(-) 37.28	(-) 101.62	(-) 177.72	(-) 316.62
	Percentage of Excess/Saving	(-) 18.85	(-) 29.80	(-) 3.97	(-) 6.32
2007-08	Budget Estimate	178.88	324.52	438.09	941.49
	Expenditure	192.02	283.22	438.61	913.85
	Excess (+)/ Savings (-)	(+) 13.14	(-) 71.30	(+) 0.52	(-) 27.64
	Percentage of Excess/Saving	(+) 7.35	(-) 21.97	(+) 0.12	(-) 2.94

Source: Detailed Appropriation Accounts 2003-04 to 2007-08

There were savings during the period from 2003-04 to 2007-08. The aggregate of the savings varied from 0.16 to 6.32 per cent. In the case of Municipal Corporations, the savings varied between 0.87 and 18.85 per cent. In the case of Municipalities, savings were noticed in all the years and the percentage of savings was between 5.02 and 29.80. In the case of PRIs, the percentage of savings was less than 6.14.

The savings for the year 2003-04 was due to the Government decision to release only a part of the provision earmarked for unemployment scheme. The reasons for the final savings during the year 2004-05 were due to less requirement of fund by GPs, non utilisation of fund by Municipalities and non surrender of final savings by the LSGIs. In respect of 2005-06 and 2007-08, the savings were attributed to decrease in the number of beneficiaries eligible for unemployment wage in the LSGIs. However, the reason for 2007-08 is not

convincing as the number of beneficiaries who received unemployment wage during the said year had recorded an increase as compared to the previous year. The reason for savings for 2006-07 was not furnished by Government.

3.5.4 Selection of Beneficiaries

According to Rule 6 (i) of the Kerala Unemployment Wage Scheme (Revised Rules), 1998, a person who is eligible to become a beneficiary of the scheme has to submit an application in duplicate in Form No.1 to the LSGI where he resides. Within 45 days from the date of receipt of such application, the LSGI should cause to verify the bonafides of the facts and details furnished in the application and issue sanction, if the applicant is found eligible for the scheme or reject the same showing the reasons thereof in detail under intimation to the applicant in Form No.8. In the case of Municipality and Corporation, the Welfare Standing Committee is the authority competent to sanction or reject unemployment wage. The LSGIs should publish the list of beneficiaries whose applications were accepted and whose applications were rejected in Form No.2 & 3 respectively for the information of public and should also read out such lists in the Grama Sabha/Ward Committee. It should also send a copy of such lists together with the duplicate copy of the applications to the Employment Exchange for information and verification. If the Employment Exchange on verification notices any ineligible persons, it should bring such facts to the notices of the concerned LSGIs for cancellation of sanction. The LSGIs should also maintain a register showing the number of applications received, sanctioned and rejected in Form No.4.

The LSGI is competent to inquire into the eligibility of the beneficiary at any stage and to withhold payment of wage to any beneficiary at any time based on complaints received and can restore or cancel payment based on subsequent verifications. The LSGI is also the authority to determine the income of the applicant. However, it is at liberty to demand income certificate from the Village Officer, if found necessary.

Appeal on the decision of LSGI is to be filed before the District Collector within 60 days which should be disposed of within 45 days from the date of receipt.

3.5.5 Assessment of requirement of fund

The Director, National Employment Services (NES) is the Controlling Authority for the operation of the Head of Account provided in the budget. He collects the details regarding the number of beneficiaries who have been sanctioned unemployment wage, period for which payments are in arrears etc.

from the LSGIs. He then estimates the requirement of fund at the prescribed rate and submits proposal to government for inclusion in the budget estimates of the respective year. On approval of the budget, the Director, NES releases the fund in four quarterly instalments to the LSGIs through the District Employment Officers. Release of fourth and final instalment of fund to LSGIs will be made after obtaining and furnishing utilisation certificates for the previous quarterly payments and also after getting prior sanction for release from Government. Sanction and disbursement of wages are done by the respective LSGIs.

3.5.6 Implementation

3.5.6.1 Delay in sanction of unemployment wage

There was delay in sanction of unemployment wage ranging from 6 months to 3 years

According to Rule 6 (ii) of the Kerala Unemployment Wage Scheme (Revised Rules), 1998, the LSGIs shall conduct enquiry to ensure the correctness of information furnished in the application and if found eligible, unemployment wage should be sanctioned within 45 days of receipt of application and if found otherwise, the fact should be intimated to the applicant recording reasons thereof. In 1553 applications scrutinised in 15 LSGIs, it was noticed that only 95 cases were sanctioned within 45 days. There was delay in sanction ranging up to six months in 294 cases, up to one year in 262 cases and up to three years in 573 cases (**Appendix-XV**). The delay in sanction caused further delay in payment of unemployment wage to the eligible beneficiaries and eventually resulted in the non-utilisation of amount provided in the budget. In the case of GP, Thrikkadavoor in Kollam district, the delay could not be ascertained as the date of sanction of unemployment wage was not recorded and maintained. It was also noticed that only in 1224 applications (78.82 per cent) out of 1553 scrutinised in 15 selected LSGIs, the date of sanction was recorded in application forms as well as in the Register of applications received, sanctioned and rejected.

3.5.6.2 Delay in the disbursement of unemployment wage

Delay up to 25 months was noticed in payment of unemployment wage

The scheme provides for payment of monthly assistance at the rate of Rs.120 to the unemployed beneficiaries whose income from employment do not exceed Rs.100 per month. It was however noticed that the unemployment wage was by and large disbursed only in arrears as shown in the table below:

Period of wage	No. of months paid	Year of payment of arrear wage
04/2001 to 09/2001	6	2003-04
10/2001 to 05/2003	20	2004-05
06/2003 to 06/2005	25	2005-06
07/2005 to 07/2006	13	2006-07
08/2006 to 08/2007	13	2007-08

It is noticed that there was delay in disbursement of wage up to 25 months to the beneficiaries which is contrary to the mode of payment envisaged in the scheme.

3.5.6.3 Fixation of annual family income of the applicants

According to Rule 5 of the Kerala Unemployment Assistance and Self Employment Scheme, 1982, the Employment Officer shall, on receipt of the application, verify the eligibility of the applicants with reference to the records in the Employment Exchange and then causes enquiries to be conducted in respect of such eligible cases by the Village Officers concerned who in turn shall after enquiries record the findings thereon as to the family income and employment status etc. of the applicant in the application and return it to the former for necessary further action. The above provision was made optional when the revised rules were framed in 1998. As per Rule 6 (i) of the Revised Rules, LSGI is the authority competent to determine the annual family income of the applicant. However the LSGI is at liberty to insist on an income certificate from the Village Officer, if necessary. Due to the flexibility allowed in determining the family income of the applicants, different methods were being adopted by the LSGIs. While some LSGIs insisted on the production of ration cards, some others insisted on the production of income certificates from the Village Officers and others verified the income of the beneficiaries using their own staff. Due to the non-uniformity in the method of determination of annual family income of the applicants, the possibility of payment of unemployment wages to ineligible persons cannot be ruled out.

To ascertain the effectiveness of the system followed by the LSGIs, audit conducted a test check in two GPs—Choornikkara and Edathala—in Ernakulam district. As part of the review, a self appraisal form was designed and got filled up by the existing beneficiaries of those Panchayats. The analysis of the details collected revealed that in Choornikkara GP, all the 45 beneficiaries are women of which 43 were married either before or after the date of application. The spouses of 34 beneficiaries are employed as Drivers (2), Bus Conductor (1), Painter (1), Lottery Ticket Seller (1) and Unskilled Manual Labourers (29). In Edathala GP, out of 113 beneficiaries, 109 are women of which 86 were married. Spouses of 67 beneficiaries are employed as Drivers (9), Photographer (1), Employed abroad (1), Spinning Mill employee (1), Temple employee (1), Hotel/Shop employees (4), Electricians (3), Welder (1), Unskilled Manual Labourers (38) and Employment not specified (8). The annual income of most of the categories of employees mentioned above would be well above the prescribed family income ceiling of Rs 12,000 p.a. applicable for beneficiaries of the scheme.

Absence of a uniform method to determine the annual family income and specific provision in the Rules to intimate the change of such income to LSGIs by the beneficiaries resulted in payment of unemployment wages to ineligible persons

The Rules do not however, specifically insist on the beneficiaries to intimate the changes, in the annual family income which render them ineligible to receive the benefit, to the LSGIs as and when it occurs. But the LSGIs are authorised to invoke Rule 4 (i) of the Revised Rules, 1998 which provides for appropriate penal measures against beneficiaries who furnish false information or hold back the correct information. Further, the LSGI is empowered to enquire into the annual income of the beneficiaries at any time *suo moto* and if necessary, cancel the sanction once issued after giving notice to the persons as per Rule 8 of the Revised Rules, 1998. Despite these provisions in the Rules, the LSGIs were disbursing the unemployment wage to the ineligible persons. Adoption of irrational methods in the determination of annual family income and absence of a specific provision in the Rules requiring the beneficiaries to intimate the changes in the annual family income to the LSGIs concerned resulted in the payment of unemployment wage to ineligible persons.

3.5.6.4 Payment of unemployment wage to ineligible beneficiaries

According to the Kerala Unemployment Wage Scheme (Revised Rules), 1998, an unemployed person who satisfies the eligibility norms has to submit an application in the prescribed form together with prescribed documents/certificates to the LSGI where he/she is a resident. An eligible unemployed person is entitled to unemployment wage from the month following the date of submission of application till the month in which he/she completes 35 years of age, provided that the employment registration is renewed on due dates from time to time during the entire period of receipt of unemployment wage. On change of residence from the LSGI, the beneficiary has to inform the fact to the LSGI and has to submit fresh application in the LSGI to which the residence is shifted.

In seven out of 15 selected LSGIs, unemployment wage of Rs.0.30 lakh was disbursed to 41 ineligible beneficiaries as detailed in **Appendix-XVI**. Of the 41 persons, 26 over aged persons and three under aged persons were paid Rs.7940. Nine persons to whom Rs.18960 was paid, did not have valid registration in employment exchanges. In the remaining three cases, disbursements were made to beneficiaries whose income exceeded the ceiling, whose payment was in the month of registration and whose name was not included in the family ration card.

It was also noticed that in four out of 15 LSGIs test checked, an aggregate amount of Rs.7080 disbursed to nine ineligible beneficiaries was later detected by the LSGIs itself and the amount was recovered from the beneficiaries as detailed in the table below:

Sl. No.	Name of LSGI	Reason for ineligibility	Number of cases	Amount paid Rs.	Amount recovered Rs.	Date of recovery (Amount)
1	Kollam Corporation	(i)Over age	2	960	960	20.10.05 (Rs.480) 04.12.07 (Rs.480)
		(ii)Under age	1	2,160	2,160	20.10.05
2	Palakkad Municipality	(i) Non-renewal of employment registration	2	480	480	25.04.05
3	Kottamkara GP, Kollam District	(i) Under age	2	2,280	2,280	18.12.06 (Rs.1420) 19.12.06 (Rs.860)
		(ii) Income exceeds limit	1	720	720	23.12.06
4	Thrikkadavoor GP, Kollam District	(i) Under age	1	480	480	05.08.04
Total			9	7,080	7,080	

It is evident from the above facts that the LSGIs are not observing the control mechanism envisaged in the scheme properly for avoiding payment to ineligible beneficiaries.

3.5.6.5 Retention of undisbursed unemployment wage in own fund

The expenditure on account of unemployment wage is debited to the Consolidated Fund of the State. According to the financial rules, the unspent balance out of the amount withdrawn from the Consolidated Fund for disbursement of unemployment wage is to be refunded to the government account before the close of the respective financial year. It was noticed in audit that nine out of 15 LSGIs which had received fund for disbursement of unemployment wage were retaining the unspent balances in their own fund for long period without remitting it back to Government account as shown below:

Nine out of 15 LSGIs retained undisbursed unemployment wage in their own fund without refunding to Government account.

(Rs. in lakh)

Name of LSGI	From 2003-04 to 2007-08					
	Allotment	Withdrawal	Disbursement	Refund	Retained	Percentage of utilisation
Kollam Corporation	422.16	404.39	367.35	26.79	19.09	87.02
Palakkad Municipality	23.15	22.90	21.48	1.35	1.47	92.79
Cheranelloor GP	5.57	3.92	3.30	0.16	0.47	59.25
Akathethara GP	7.17	6.60	5.99	0.16	0.45	83.54
Kottamkara GP	55.73	55.88	54.18	1.36	0.19	97.22
Edathala GP	9.77	9.52	8.63	0.79	0.17	88.33
Kannadi GP	13.05	13.05	12.92	0.00	0.13	99.00
Malampuzha GP	2.41	2.41	2.28	0.01	0.12	94.61
Choornikkara GP	4.49	4.44	4.22	0.22	0.03	93.99
Total	543.50	523.11	480.35	30.84	22.12	88.38

Source: LSGIs

Analysis of the allotments *vis -a-vis* the disbursements for the period from 2003-04 to 2007-08 of Kollam Corporation revealed that the aggregate

utilisation of allotment was only 87 per cent. As the allotments for 2003-04 and 2004-05 were in excess of the requirements, the balance amount was retained by Kollam Corporation in their own fund without refunding to Government account. It was also noticed that in the case of other LSGIs also the allotments during 2003-04 and 2004-05 were more than their requirements for the relevant years resulting in the accumulation of undisbursed wages.

3.5.6.6 Misappropriation of Fund

Undisbursed amount of Rs.4680 was misappropriated in Kannadi GP

Kannadi Grama Panchayat in Palakkad district deposited the unemployment wage drawn from treasury in the State Co-operative Bank (SCB) account and withdrew the amount for disbursement to beneficiaries as and when necessary. Out of Rs.108240 drawn from SCB during the period from 13 April 2004 to 31 August 2004, an amount of Rs.103560 only was disbursed. The balance amount of Rs.4680 was neither remitted to Panchayat's own fund account nor to Government account till it was pointed out (July 2008) in audit. The amount was recovered from the officials responsible and was remitted to the Consolidated Fund of the State on 23 July 2008. However no further action was taken against the officials for misappropriation of Government money for more than four years.

3.5.7 Internal Control System

The internal control system in the LSGIs for scrutiny of applications, sanction and disbursement of unemployment wage was not proper and adequate.

3.5.7.1 List of beneficiaries not furnished to Grama Sabha/Ward Committee

In 10 out of 15 LSGIs, the list of selected and rejected beneficiaries was not read out in Grama Sabha/ Ward Committee

According to the devolution of powers under the KPR Act and KM Act, 1994, the Grama Sabha/Ward Committee has the authority to know the rationale behind every decision taken by the LSGIs in their respective areas. In order to meet the requirements of the Acts and to introduce accountability, transparency and also to increase the awareness of the scheme among the public, Rule 6 (ii) of the Kerala Unemployment Wage Scheme (Revised Rules), 1998 requires that the list of selected and rejected beneficiaries of the unemployment scheme shall be read out in the Grama Sabha/Ward Committee. In 10^f out of the 15 selected LSGIs, the list was not read out in the Grama Sabha/Ward Committee which was a violation of the statutory requirement of the scheme. It was stated by Akathethara, Thrikkakara and Thrikkovilvattom GPs (May, June and March 2008) that the list of beneficiaries was read out in the Grama Sabha. But it was

^f Cheranelloor, Choornikkara, Elampalloor, Kannadi, Kottamkara, Malampuzha, Puthuppariyaram and Thrikkadavoor G.Ps ; Palakkad Municipality and Kollam Corporation

not seen recorded in the minutes of Grama Sabha. Another two LSGIs (Aluva Municipality and Edathala GP) stated (June and May 2008) that the list was read out in the Grama Sabha and approved by Grama Sabha.

3.5.7.2 List of selected/rejected beneficiaries not published

According to Rule 6 (iii) of the Scheme, the list of selected/rejected beneficiaries is to be published in the LSGI office in Form No 3. However, this was not published in Kottamkara and Kannadi GPs.

3.5.7.3 Acceptance of incomplete/defective applications

Except GP Thrikkadavoor, all the remaining 14 selected LSGIs had accepted defective/incomplete applications for payment of unemployment wage. Out of 1396 applications scrutinised in 14 LSGIs, 482 were found (34.53 per cent) defective/incomplete (**Appendix-XVII**). The percentage of defective application noticed varied from 1.52 to 100. The highest percentage of defects (100 per cent) was noticed in Kannadi GP and Aluva Municipality where all the applications sanctioned (100 and 16 respectively) were defective. In Thrikkovilvattom GP, 91.53 per cent of the sanctioned applications was found defective. Lowest percentage of defects was noticed in Kollam Corporation (1.52 per cent). Defects noticed included non furnishing of information regarding date of birth and its proof, family income, date of registration in employment exchange, details of employment in last three years, date of submission of application, residential address, furnishing of income different from that shown in ration card etc. Defective or incomplete applications, if accepted, will defeat the very purpose of the scheme.

3.5.7.4 Receipt of applications not acknowledged

A detachable receipt printed in the application form for unemployment wage should be filled up and given to the beneficiary as a token of acknowledgement for receipt of application. In seven out of 15 selected LSGIs, the acknowledgement for receipt of application form was not given to the beneficiaries in 642 cases out of 708 scrutinised (90.68 per cent) as shown below:

Sl. No.	Name of LSGI	No of applications scrutinised	No of cases in which acknowledgement not given	Per centage
1	Kollam Corporation	200	163	81.50
2	Palakkad Municipality	90	90	100.00
3	Akathethara GP	42	42	100.00
4	Kannadi GP	100	99	99.00
5	Malampuzha GP	19	17	89.47
6	Puthuppariyaram GP	100	99	99.00
7	Thrikkadavoor GP	157	132	84.08
TOTAL		708	642	90.68

No application was acknowledged by the Akathethara GP and Palakkad Municipality. Kannadi and Puthuppariyaram GPs acknowledged only one per cent of the application received by them.

3.5.7.5 Maintenance of records

Major defects noticed in the maintenance of records were as follows:

(a) Acquittance Register (Form No.6)

The LSGIs are required to maintain a Register in Form No.6 as prescribed in the Rules for obtaining the acquittance of the beneficiaries who received the unemployment wage. It was noticed in audit that no such register was maintained in Thrikkovilvattom GP. In three¹ GPs signature of the beneficiaries was not obtained and in five² GPs the amount paid to the beneficiaries was not recorded in the Acquittance Register. In view of the above omissions, the possibility of fraud, misappropriation etc. could not be ruled out.

(b) Register of application received, accepted and rejected (Form No. 4)

The Register of applications received, accepted and rejected was not maintained in the prescribed form in six[♦] LSGIs. Details regarding date of receipt of application, nature of decisions taken, sanction number and date etc. were not seen recorded and authenticated by the competent authority in the register maintained in some of the LSGIs test checked.

3.5.8 Conclusion

The Kerala Unemployment Wage Schemes (Revised Rules), 1998 prescribed a time limit of 45 days for disposal of fresh applications. It was however noticed that only 6.12 *per cent* of the applications sanctioned was disposed of within the prescribed time limit of 45 days. Delay up to three years was noticed in the issue of sanctions which led to denial of benefits to the eligible persons and consequent lapse of budget provisions. As against the disbursement in monthly instalments as envisaged in the scheme, the wage was paid in arrears. The magnitude of arrears was such that the wage for 25 months was disbursed to the beneficiaries during 2005-06. During the period 2003-04, 2004-05 and 2006-07, nine LSGIs transferred an aggregate of Rs. 22.12 lakh of the undisbursed amounts to their own account instead of refunding it to Government Account. These amounts are not refunded by these LSGIs so far (March 2008). Due to absence of a prescribed procedure for determining the annual family income, the LSGIs were free to adopt their own methods with the results that ineligible persons were included in the beneficiary lists. Only one third of the LSGIs test checked had furnished the list of selected and rejected beneficiaries for reading

¹ Kannadi, Puthuppariyaram and Thrikkadavoor

² Cheranelloor, Choornikkara, Edathala, Elampalloor and Thrikkakara

[♦] Kollam Corporation, Aluva Municipality, Akathethara, Cheranelloor, Edathala and Thrikkakara GPs.

out in the Grama Sabha/Ward Committee. The Rules do not specifically insist on the beneficiaries to report any change in their annual family income to the LSGIs as and when it occurs. The internal control mechanism was not proper and adequate.

3.5.9 Recommendations

- Government should examine the reasons for the delay in sanction of unemployment wage by LSGIs and issue appropriate instructions to avoid such delay in future.
- Government may consider timely payment of wage as envisaged in the scheme.
- Government should issue instructions to the LSGIs to refund to Government account, the undisbursed wage credited in their own account or to adjust those amount from the future allotments.
- Government should issue instructions to the LSGIs to publish the list of beneficiaries who received the unemployment wage in a quarter in its notice boards and also to read out the list in the next meeting of the Grama Sabha/Ward Committee in order to establish transparency in the implementation of the scheme and to increase the awareness of the scheme among the public.
- Government should consider incorporation of specific provisions in the Rules to the effect that the beneficiaries should report the changes in the annual family income as and when it occurs or regularly once in a year to the LSGIs.
- Government should issue instructions to LSGIs to improve the internal control mechanism for the effective implementation of the scheme.

CHAPTER IV TRANSACTION AUDIT

4.1 Non-receipt of General Purpose Fund during 2006-2007

Thiruvananthapuram Municipal Corporation (TMC) lost Rs.1.83 crore allotted in March 2007, due to delay in reconciliation of accounts with that of District Treasury.

Category 'D' Fund otherwise called General Purpose Fund is earmarked for general expenditure such as salary, honorarium, wages, rent, electricity, water charges, telephone charges, printing, etc. including traditional functions of LSGIs. The allocation of General Purpose Fund to each LSGI will be made in 12 equal monthly instalments from April to March every year. According to the revised guidelines relating to allocation and drawal of funds by LSGIs from the Consolidated and Public Account of the State issued (April 2006) by the Government of Kerala, funds provided under General Purpose Fund shall be transfer-credited to the heads of accounts in the Public Account of the State by presenting bills at the District Treasury (DT), Thiruvananthapuram by the Finance Department. In the case of Municipal Corporations and District Panchayats, the Secretary, LSGD will allot the amount so credited in the Public Account to the accounts of the Corporations and DPs concerned by issuing letter of authorisation to the DT, Thiruvananthapuram and the transacting treasury of the Corporations/Panchayats concerned.

In January and February 2007, Finance Department of the Government of Kerala sanctioned and transfer-credited to the Public Account, an aggregate of Rs.50 crore out of the total Budget provision of Rs.300 crore for 2006-07 under General Purpose Fund. Out of the transfer credited amount, the Secretary, LSGD allotted (March 2007) Rs.7.42 crore (Rs.1.36 crore to 14 DPs and Rs.6.06 crore to five Corporations) towards the 11th and 12th instalments of 2006-07 of which the share of TMC was Rs.1.83 crore. Even though TMC was in receipt of Government sanction, it did not initiate timely action to get the amount credited in its account till it was pointed out (January 2008) in audit.

On being pointed out by audit, the TMC stated (February 2008) that the matter was taken up with the DT, Thiruvananthapuram. However, the DT informed the TMC that the amount was not credited in time for want of copy of Government sanction and since the closing balance for 2006-07 of the accounts was already reported to Accountant General, his sanction was required to credit the amount of Rs.1.83 crore to the account of the Corporation.

Had TMC carried out timely reconciliation of its accounts and taken up the matter with the DT, it could have realized the amount of Rs.1.83 crore already transfer credited by the Secretary, LSGD. Thus, the failure in the internal control mechanism in carrying out timely reconciliation of accounts and follow up action by the TMC led to non-crediting of Rs.1.83 crore.

The matter was reported to Government (October 2008); reply had not been received (May 2009).

4.2 Loss due to non-adoption of uniform rates of property tax

Due to non-adoption of uniform rate of property tax in the newly annexed areas of GPs, Thiruvananthapuram Municipal Corporation (TMC) and Kollam Municipal Corporation (KMC) incurred loss of Rs. 19.68 crore and Rs. 3.74 crore respectively.

(A) Sub section 2 of Section 4 of the Kerala Municipalities Act, 1994, (KM Act, 1994) stipulates that the Government may by Notification, unite the territorial area of a Panchayat geographically lying adjacent to a Municipal area, with the Municipality. Sub section 5 of Section 4 *ibid* further states that where any village Panchayat area is constituted as, or included in a Municipality, all taxes, fees or other charges levied in that area under the enactment or regulations then in force shall, from the date of constitution or inclusion, as the case may be, cease to have effect and all such taxes, fees or other charges shall be levied in that area in accordance with the provisions of this Act and the rules, regulations and bye-laws made there under. According to sub section (3) of Section 233, the taxes shall be levied at such percentage of the annual value of the buildings or lands which are occupied by or adjacent and appurtenant to buildings or both as may be fixed by the Council provided that in case of Municipal Corporation, the aggregate of the percentage so fixed shall not be less than 12 *per cent* and and more than 25 *per cent* of the annual value of all buildings, or lands, which are occupied by or adjacent and appurtenant to buildings or both and that the different components of tax shall not be less than the minimum rates prescribed in the Act from time to time. Again Section 236 of the Act requires that the taxation shall be uniform.

The rate of property tax prevailing in the areas of Thiruvananthapuram Municipal Corporation (TMC) is 18 *per cent* of the Annual Rental Value (ARV). The Grama Panchayats of Attipra, Kadakampally, Ulloor, Nemom and Thiruvallom in Thiruvananthapuram District were annexed to TMC with effect from 01 October 2000. The property tax levied in these Panchayats was six *per cent*. According to the provisions of KM Act, 1994, the property tax on buildings and lands in the annexed Panchayats should have been levied at the

prevailing rate of 18 *per cent* so as to have a uniform rate in all areas falling within the TMC.

The TMC recommended (October 2000) to government to retain the existing rate of property tax (six *per cent*) in the annexed areas till the next general revision of tax so as to avoid hardships to the people and to avoid unnecessary public agitations. Government agreed (October 2000) to continue the existing rate of property tax in the annexed areas till TMC would pass a resolution for re-assessment of taxes or till the next general revision of tax, whichever would be earlier. Subsequently, the Finance Standing Committee of the TMC recommended (May 2003) to the Corporation Council to bring about uniformity in the rates of property tax prevailing in the areas falling within the geographical limits of TMC. The Council of TMC had not so far decided on the issue (October 2008). Thus, out of 86 divisions in TMC, property tax was collected at the rate of 18 *per cent* of ARV in 50 divisions and six *per cent* in the remaining 36 divisions in violation of Section 236 of the KM Act, 1994.

Due to adoption of non-uniform rates of property tax in the different divisions of the TMC, there was a revenue loss of Rs.19.68 crore to the TMC during the period from 2001-02 to 2007-08 as detailed below:

(Rs. in crore)

Year	Amount to be demanded at the rate of 18 <i>per cent</i>	Actual collection	Loss
2001-02	2.46	0.62	1.84
2002-03	2.75	0.71	2.04
2003-04	3.01	0.78	2.23
2004-05	3.25	0.83	2.42
2005-06	3.49	0.82	2.67
2006-07	4.60	0.89	3.71
2007-08	5.09	0.32	4.77
Total	24.65	4.97	19.68

Source:Thiruvananthapuram Municipal Corporation

The Kerala Library Councils Act lays down that 5 *per cent* of building tax is to be collected as Library Cess and remitted to the State Library Council annually. Due to shortage in collection of property tax, there was a reduction in the collection of library cess also to the tune of Rs.98.44 lakh as indicated below:

(Rs. in lakh)

Year	Library Cess to be collected	Cess actually collected	Shortage
2001-02	12.28	3.10	9.18
2002-03	13.75	3.55	10.20
2003-04	15.05	3.92	11.13
2004-05	16.30	4.11	12.19
2005-06	17.43	4.07	13.36
2006-07	23.01	4.47	18.54
2007-08	25.43	1.59	23.84
Total	123.25	24.81	98.44

The above facts were brought to the notice of the Government (October 2008). The reply had not been received (May 2009).

(B) Government of Kerala constituted Kollam Municipal Corporation (KMC) with effect from 01 October 2000 by merging the areas of Kollam Municipality with the adjoining Grama Panchayats of Eravipuram, Vadakkevila, Kilikolloor and Sakthikulangara. Property tax in the areas of the merged GPs was to be reckoned at the rates prevailing in the other areas of KMC at 14 per cent of the annual rental value with effect from October 2000. Property tax in the areas falling within the merged GPs prior to October 2000 varied from 5 per cent to 6 per cent. KMC did not reassess the assessments made prior to October 2000 so as to make the rate of property tax uniform throughout its geographical limits. This resulted in KMC collecting property tax at rates varying from 14 per cent to five per cent in areas coming under its geographical limits. Non-adoption of property tax at a uniform rate of 14 per cent for all assessments within the KMC limits as prescribed in Section 4 (5) read with section 236 of the Kerala Municipality Act resulted in a loss of Rs.3.74 crore during the period from 2001-02 to 2007-08 as shown below:

(Rs. in lakh)

Sl. No.	Name of annexed GP	Amount demanded on assessments upto 30.9.2000 at old rates	Amount due to be demanded on assessments made upto 30.9.2000 at 14 per cent from 1.10.2000	Annual shortfall in demand	Total shortfall in demand during the period from 2001-02 to 2007-08 (7 years)
1	Eravipuram	6.75	17.19	10.44	73.08
2	Vadakkevila	8.10	18.90	10.80	75.60
3	Kilikolloor	9.22	25.82	16.60	116.20
4	Sakthikulangara	9.75	25.29	15.54	108.78
	Total	33.82	87.20	53.38	373.66

The shortfall in demand of property tax also resulted in short demand of library cess at the rate of 5 per cent on the tax amounting to Rs.18.67 lakh during the same period as enumerated below:

(Rs. in lakh)

Sl.No.	Name of annexed GP	Shortfall in demand
1	Eravipuram	3.65
2	Vadakkevila	3.78
3	Kilikolloor	5.81
4	Sakthikulangara	5.43
	Total	18.67

The matter was reported to Government (November 2008); reply had not been received (May 2009).

4.3 Avoidable expenditure in the construction of a Mini Civil Station

Thidanadu Grama Panchayat undertook construction of a Mini Civil Station without adequate provision of funds or budgetary support, resulting in expenditure of Rs.22.20 lakh as interest/penal interest on belated payment of loan.

Construction of office buildings for institutions including those transferred from the Government is a function devolved on the Grama Panchayat under the Third Schedule to the Kerala Panchayat Raj Act, 1994. Normally construction of office buildings is undertaken either with the budgetary support of State Government or by utilising own fund. Sub section (1) of Section 197 of the Act ibid states that a Panchayat may borrow any sum of money which may be required for the purposes for which the funds of the Panchayat may be applied under the provisions of the Act or any other law in force provided that while raising such loan, the assets of the Panchayat shall not be pledged for purposes other than for utilizing in remunerative development schemes.

Thidanadu Grama Panchayat in Kottayam district entered into an agreement (April 1991) with the Kerala State Rural Development Board (KSRDB) to construct a Mini Civil Station in Kondoor Village at an estimated cost of Rs.7.93 lakh by availing a loan carrying an interest of 12.5 per cent from the latter under the remunerative development schemes. According to the terms and conditions of agreement, the Panchayat was required to repay the loan amount availed for construction of the building together with the interest due in 24 half yearly instalments starting from the expiry of one year of commencement of work, failing which penal provisions as envisaged in the agreement would be invoked. In the income certificate furnished (April 1991) to the KSRDB, the Panchayat had claimed an amount of Rs.0.99 lakh being 12.5 per cent of the estimate amount as expected annual income from the building.

The Panchayat was required to remit an amount of Rs.23.20 lakh comprising principal of Rs.12.94 lakh and interest of Rs.10.26 lakh in 22 half yearly instalments between March 1995 and September 2005. The Panchayat had remitted a total of Rs.11.12 lakh till March 1999 to KSRDB and defaulted the repayment thereafter. When the KSRDB initiated (August 2003) action to attach the properties to recover the outstanding amount of Rs.24.02 lakh comprising principal of Rs.12.15 lakh and interest and penal interest of Rs.11.87 lakh, the Panchayat again started repayment of the balance amount. Till October 2008, the Panchayat repaid Rs.27.12 lakh and an amount of Rs.8.02 lakh was still pending payment. Thus against the estimated cost of

Rs.7.93 lakh, the Panchayat was bound to repay an amount of Rs.35.14 lakh of which Rs.22.20 lakh forms interest and penal interest. The Panchayat stated (November 2008) that no income had been generated from the building. It was noticed in audit that the ground floor of the building was occupied by Government Ayurveda Dispensary, Krishi Bhavan, Veterinary Hospital, Village Extension Office, Public Library and Reading Room and Kudumbasree Office and the Panchayat Office was housed in the first floor.

Availing of loan under remunerative development schemes for construction of office building is not an authorised function under the KPR Act and hence is irregular. Thus the action of the Grama Panchayat in taking up the construction of Mini Civil Station without considering the availability of own fund or budgetary support of the State Government resulted in avoidable payment of interest of Rs. 22.20 lakh.

The case was reported to Government in November 2008 and reply had not been received (May 2009).

4.4 Unintended benefit to private parties

New Mahe Grama Panchayat failed to control and regulate removal of sand from Mahe River which resulted in irreparable damage to the bio-physical environment apart from non-collection of sale proceed of sand of Rs.18 lakh .

In order to prevent large scale dredging of river sand from river banks and river beds and to protect their biophysical environment system, Government of Kerala enacted the ‘Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001’. As per the Act, the District Collector was to constitute a ‘Kadavu Committee’ for each Kadavu* to regulate the removal of sand.

As per Section 12 of the Act, the Grama Panchayat shall obtain passes from the Geology Department before carrying out the sand removal operation, which shall be issued on the recommendations of the District Committee. The District Collector shall maintain a fund called the ‘River Management Fund’ from which all expenses towards management of the Kadavu shall be met. As per Section 17 of the Act, every local authority having a Kadavu or river bank shall contribute 50 per cent of the amount collected by the sale of sand towards the River Management Fund. Section 15 of the Act *ibid* stipulates that every GP having Kadavu for sand removal shall maintain them in a safe condition and protect its bio-physical environment system by taking effective steps to control

* Kadavu – A river bank or water body where removal of sand is carried out.

river bank sliding. Further, every local authority shall erect concrete pillars at the Kadavu in such a way that no vehicle shall have direct access to the bank of the river. The local authority shall establish a check post at each Kadavu and maintain proper account of the sand removed from the Kadavu.

The New Mahe GP (GP) within which the Mahe River flows over a total length of three kilometres has three* Kadavus. Even after enactment of the Act, the GP did not take any action to regulate the removal of sand and the entire operation of quarrying of river sand from the estuary portion of Mahe river bank was being carried out by private parties without the authority of the GP.

In January 2006, the GP requested the Centre for Water Resources Development and Management (CWRDM) to conduct a study on the quarrying of river sand from Mahe River. In the report submitted (March 2008), CWRDM stated that the maximum quantity of sand that could be removed from three Kadavus was 375 mini lorry loads per month for eight months and that the quantity of river sand quarried by private parties ranged from 400 to 500 mini lorry loads per month for a period of eight months in a year with no quarrying during the other four monsoon months.

The CWRDM recommended a fee of Rs.90 per load to be distributed equally as royalty to Mining and Geology Department, credit to River Management Fund and revenue to New Mahe GP. However, no fee was collected by the GP pending implementation of the provisions of the Kerala Protection of River Banks and Regulation of Removal of Sand Act, 2001.

At the minimum rate of 400 lorry loads per month, the quantity of sand removed from May 2002 (Date of effect of Act) to December 2008 works out to 20000 loads (400 x 50 months[£]). At the rate of the prescribed fee of Rs.90 per load, the unintended benefit derived by the private parties amounted to Rs.18 lakh. Thus the failure of the GP in not implementing the provisions of the Act resulted in loss of revenue of Rs. 18 lakh to GP, Mining and Geology Department and River Management fund and at the same time it was an unintended benefit to the private parties also.

The indiscriminate and uncontrolled removal of sand not only causes large scale sliding of river banks but also disturbs the biophysical environmental system of the river. Since no amount had been remitted to River Management Fund, no protection work had been carried out at the above Kadavus as contemplated in the Act.

On being pointed out (February 2009), Government stated (June 2009) that the Grama Panchayat did not take timely action to expedite the removal of sand

* *Kallai Kamath Kadavu-1, Kallai Kamath Kadavu-2 and Challayil Kadavu*

£ excluding monsoon months

and its sale by auction even after the expiry of 22 months of the sanction of the Kadavus (February 2007) by the District Expert Committee. The Governing body of the Grama Panchayat and its employees were liable for the loss sustained to the Panchayat.

4.5 Unfruitful expenditure on setting up of a Municipal Solid Waste Treatment Plant

Despite spending Rs.72.13 lakh, Perinthalmanna Municipality failed to establish Municipal Solid Waste Treatment Plant

The Municipal Solid Wastes (Management and Handling) Rules, 2000 stipulates that Municipal Authority shall be responsible for development of infrastructure for collection, storage, segregation, transportation, processing and disposal of Municipal Solid Wastes (MSW) from its area. The biodegradable wastes shall be processed by composting, vermicomposting, anaerobic digestion or any other appropriate biological processing for stabilization of wastes. Non-biodegradable waste shall be disposed off by land filling.

Perinthalmanna Municipality signed an agreement (June 2006) with M/s Techno group (Company), a Government approved service provider for MSW Management, for establishing a MSW Treatment Plant in the land owned by the Municipality at a cost of Rs.45 lakh. The Municipality was to pay Rs.1.40 lakh as Operation and Maintenance (O&M) charge per month to the company. As per agreement, the company was to treat/dispose off the MSW in an efficient manner which was vital from the point of protecting the environment. The bio-degradable and non-biodegradable materials were to be separated manually. The biodegradable waste was to be made into small heaps, treated and converted into organic manure. Being a technology intensive operation, the company was to provide training to persons identified by the Municipality, so that the operations could be taken over by the Municipality on termination of agreement. The Technical Committee constituted by the Municipality was to monitor the performance of the plant.

The initial project proposal envisaged that 10 tonnes of MSW would be supplied by the Municipality per day, which the company would convert to three tonnes of organic manure for the Municipality to dispose through their marketing channels. The proposal also envisaged that the project would be economically viable if the sale price of the compost was fixed at Rs.2225 per M.T. However no specific clause regarding production and supply of manure was incorporated in the agreement, though the Government Order stipulated

that the service provider should ensure the supply of manure as per the agreement.

The work of installation of the plant was completed (March 2007) at a total cost of Rs.48.50 lakh. The plant began operation in April 2007. However, the company neither produced any organic manure nor provided training to any of the persons identified by the Municipality. Besides, the Municipality paid an amount of Rs.23.63 lakhs as O & M charges for 18 months from April 2007. The Municipality stated (May 2008) that the company had not taken any action to convert the MSW into organic manure and instead it resorted to burning of the wastes which, apart from being inconsistent with the agreement clauses, was also an environmental hazard. These defects in the operation were brought to the notice of the Company by the Municipality on several occasions. The Municipality was empowered to order stoppage of service, if the machine output was found not to the expected level and the company was liable to repay the cost of machinery to the Municipality. Since the Municipality found the functioning of the plant unsatisfactory, the agreement was terminated and the operations were handed over temporarily to a Kudumbasree unit (November 2008). The Municipality was on the look out of a competent agency for operating the plant. On a site visit to the plant (December 2008), audit found that the plant was not working and smoke was emanating from the wastes dumped in the yard (see photo below):



Heap of solid wastes dumped in the yard of waste treatment plant

The attempt of the Municipality to set up an ecofriendly MSW treatment plant failed to yield the intended benefits in spite of incurring an expenditure of Rs.48.50 lakh towards installation of the plant and Rs.23.63 lakh as operation and maintenance charges due to lack of adequate monitoring and timely remedial action.

The matter was referred to Government in January 2009 and reply had not been received (May 2009).

4.6 Extra liability due to departmental lapses

Failure of Parassala Block Panchayat in handing over site to the contractor within the prescribed time and in fixing the time of completion of work resulted in additional liability of Rs. 18.26 lakh.

Parassala Block Panchayat (BP) in Thiruvananthapuram District undertook the work of 'Reconstruction of Panchikattukadavu Kurumanal bund road in Thirupuram Panchayat' under National Bank for Agriculture and Rural Development (NABARD) assisted Rural Infrastructure Development Fund (RIDF) IX scheme. The project was originally sanctioned with an outlay of Rs.88 lakh including RIDF loan of Rs.70.40 lakh. The rate of interest charged by NABARD for projects sanctioned under RIDF IX was 6.5 *per cent* per annum. According to the agreement signed in April 2004 between the contractor and the BP, the amount of contract was Rs.85.83 lakh and the date of completion was 30 November 2004. By the stipulated date of completion, only 25 *per cent* of the work was completed. The contractor requested (November 2004) for extension of time till 30 June 2005 due to 'non-availability of sufficient land width in the last portion' which was granted. Again after completion of almost three-fourth portion of the work, the contractor requested (June 2005) for extension of time till 31 March 2006 attributing the reason for delay as 'heavy rain', which was also granted.

NABARD informed Government (September 2005) that they had decided to review the costs of projects sanctioned under RIDF IX and X which had not been grounded* till then due to revision of Schedule of Rates and requested to furnish the details of such works. Even though more than 65 *per cent* of the work was executed, the BP decided (December 2005) to submit proposals to Government for revision of the project cost from Rs.88 lakh to Rs.105.66 lakh. Government included the work in the list of projects 'not grounded' and recommended for cost escalation. NABARD approved the proposal (March 2006) with an outlay of Rs.105.66 lakh including RIDF loan of Rs.84.53 lakh.

* physical work not commenced

Thus the proposal for cost escalation was mooted by the BP in violation of the condition stipulated by NABARD. The total expenditure as per the final bill was Rs.104.09 lakh.

Time is the essence of all contracts. Public Works Departmental Manual prohibits invitation of tender before making sure that land required for the work would be ready for handing over to the contractor. The period of execution of work was to be carefully assessed after taking into account the climatic condition such as rainy seasons etc., prevailing in the work site. The BP did not comply with these requirements. The failure of the BP in making available the site required for the road work to the contractor in time and also in fixing the time of completion of work without considering the rainy seasons resulted in granting cost escalation to the contractor and consequent extra liability of Rs. 18.26 lakh

The matter was reported to Government in February 2009; the reply had not been received(May 2009).

4.7 Idle expenditure due to purchase of land without proper approach road

Failure of the Venkitangu Grama Panchayat, Thrissur in ensuring proper approach road to the newly constructed marketing centre and coconut-fruits processing unit had rendered the investment of Rs. 40.29 lakh unfruitful.

The Venkitangu Grama Panchayat in Thrissur district purchased (March 2003) 70 cents of land at a cost of Rs.15.40 lakh to set up a Market building and Taxi Stand during 2005-06 at an estimated cost of Rs. 15 lakh. Later the Panchayat decided to establish a 'Coconut and fruits processing and marketing centre' under the SGRY Scheme at an estimated cost of Rs.5.65 lakh in the same place. The estimates of the two works were approved (May 2005) by District Planning Committee and the work commenced in August 2005. By March 2006, construction of coconut and fruit processing and marketing centre and part of the market building and taxi stand was completed. For completing the balance work, the Panchayat prepared and got approved another estimate of Rs.13 lakh during 2007-08. The balance work was entrusted to Nirmithi Kendra, Thrissur and got completed during the first quarter of 2009. The total expenditure incurred upto November 2008 worked out to Rs.40.29 lakh. The building could not be put to use for want of approach road to the site.

As per the Purchase deed of the land, there is an approach road having 4 M width from the Panchayat road to the site through which all type of vehicles could ply. It was however found that the width of the approach road was not uniform and for about 12 M from the Panchayat road, the width of the road varied between 2.7 M and 3.6 M with concrete buildings on both the sides. Hence heavy vehicles could not enter the premise.

The Director of Panchayat stated (May 2009) that the Panchayat had taken step to purchase 8.75 cents of land for the approach road for which an estimate of Rs.6.50 lakh was prepared and got approved by DPC. Thus the failure on the part of the Panchayat to ensure the availability of an encroachment free land for approach road at the time of procurement resulted in idle investment of Rs. 40.29 lakh in addition to the additional liability of Rs. 6.50 lakh towards purchase of land.

The matter was reported to Government in August 2008 and Government confirmed (June 2009) the statement made by the Director of Panchayats.

4.8 Avoidable payment of interest/fine

Six LSGIs delayed payment of water charges for street taps to Kerala Water Authority, resulted in avoidable payment of interest/fine of Rs.4.17 crore.

Maintenance of water supply schemes within their respective areas is a function of Municipality and Grama Panchayats as per Schedule I and III of the Kerala Municipality Act, 1994 and Kerala Panchayat Raj Act, 1994. According to Section 315 and 234A of the Municipality and Panchayat Raj Acts, all the existing water supply and sewerage services under the Kerala Water Authority (KWA) vest with the respective Municipality and Panchayat from a date specified by Government by notification in the Gazette. Pending transfer of the existing water supply and sewerage services, the KWA is discharging its functions and levying water charges from the consumers including the LSGIs for belated payment of water charges, KWA levies interest/fines at the rates fixed by it from time to time.

LSGIs were paying charges of water supplied through street taps from its own fund. But the LSGIs were not prompt in remitting water charges even when sufficient funds were available with them with the result that the arrears accumulated year after year. Analysis of details regarding water charges of six LSGIs collected from the offices of the Kerala Water Authority revealed that the demands for 2004-05 and 2005-06 included interest/fine aggregating to Rs.4.17 crore as shown below:

(Rs. In lakh)

Sl. No.	Name of LSGI	Water charge (excluding interest/fine)		Interest/fine charged			Per centage of fine to water charge	
		2004-05	2005-06	2004-05	2005-06	Total	2004-05	2005-06
1	Shoranur Municipality	338.12	429.42	86.85	107.63	194.48	25.69	25.06
2	Vilayur GP	199.24	257.18	51.80	65.42	117.22	26.00	25.44
3	Ongallur GP	94.33	129.77	23.19	29.41	52.60	24.58	22.66
4	Kavalangad GP	4.44	4.49	12.43	15.15	27.58	280.00	337.42
5	Nellikuzhy GP	7.94	9.78	7.42	8.30	15.72	93.45	84.87
6	Pindimana GP	1.63	1.63	3.94	5.00	8.94	241.72	306.75
Total		645.70	832.27	185.63	230.91	416.54	28.75	27.75

The interest/fine charged ranged from 22.66 to 337.42 per cent of the water charges during the above period. As these LSGIs were having sufficient balances in their own fund account, they could have avoided the payment of interest/fine by remitting the water charges in time. Thus the laxity on the part of these six LSGIs resulted in avoidable payment of Rs.4.17 crore towards interest/fine due to belated payment of water charges of street taps.

The matter was reported to Government in May 2009; reply had not been received.

Thiruvananthapuram,
The

(S.NAGALSAMY)
Principal Accountant General (Audit), Kerala

Countersigned

New Delhi,
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix-I

Statement showing details of allocation and utilisation of Funds for Centrally Sponsored Schemes
(Reference to Paragraph 1.9.8; page 13)

(Rs. in crore)

Sl. No.	Name of Scheme	Opening Balance	Distribution to LSGIs			Total available fund	Funds utilised by LSGIs	Balance	Percentage of utilisation
			Central Share	State Share	Total				
Funds distributed through District Rural Development Agencies (DRDA)/Poverty Alleviation Units (PAU)									
1	Swarnajayanthi Grama Swarozgar Yojana (SGSY)	0.55 0.27*	30.23	10.08	40.31	41.13	39.32	1.81	95.60
2	Indira Awas Yojana (IAY)	8.02 0.01*	76.03	25.63	101.66	109.69	101.87	7.82	92.87
3	Swarna Jayanti Grama Swarozgar Yojana (Special Project)	3.01 0.27*	17.58	5.20	22.78	26.06	24.59	1.47	94.36
4	Sampoorna Grameen Rozgar Yojana (SGRY)	8.04 0.25*	82.55	27.50	110.05	118.34	95.35	22.99	80.57
5	Total Sanitation Campaign(TSC)	0.16 0.22*	27.17	9.88	37.05	37.43	20.71	16.72	55.33
6	Integrated Wasteland Development Programme (IWDP)	8.10 0.09*	1.62	0.35	1.97	10.16	6.68	3.48	65.75
7	National Rural Employment Guarantee Scheme (NREGS)	28.99 0.14*	62.31	7.57	69.88	99.01	83.37	15.64	84.20
	Total	56.87 1.25*	297.49	86.21	383.70	441.82	371.89	69.93	84.17
Funds distributed by Director of Urban Affairs (DUA)									
8	Integrated Development of Small and Medium Towns (IDSMT) subsumed as UIDSSMT#	37.54	51.94	39.04	90.98	128.52	---	128.52	---
9	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	5.58	65.44	---	65.44	71.02	19.81	51.21	27.89
	Total	43.12	117.38	39.04	156.42	199.54	19.81	179.73	9.93
Funds distributed by Kudumbasree –State Poverty Eradication Mission (SPEM)									
10	Swarnajayanthi Shahari Rozgar Yojana (SJSRY)	12.48	6.30	2.10	8.40	20.88	7.42	13.46	35.54
11	Integrated Housing and Slum Development Programme (IHSDP)*	6.40	33.51	4.45	37.96	44.36	6.72	37.64	15.15
	Total	18.88	39.81	6.55	46.36	65.24	14.14	51.10	21.67
	Grand Total	120.12	454.68	131.80	586.48	706.60	405.84	300.76	57.43

* Interest and other receipt accrued during 2006-07 and accounted as receipt during 2007-08

UIDSSMT – Urban Infrastructure Development Scheme for Small and Medium Towns

* IHSDP launched in 2006-07 by combining Valmiki Ambedkar Awas Yojana (VAMBAY) and National Slum Development Programme (NSDP) which existed till 2006-07. Closing balances of VAMBAY AND NSDP for 2006-07 were transferred to LSGIs except Rs. 6.40 crore which is shown as Opening Balance for 2007-08.

Appendix II

Utilisation of Fund under Productive, Infrastructure Development and Service Sectors during 10th Five Year Plan (2002-07)

(Reference to Paragraph 1.11.3; page-17)

A Productive Sector

(Rs in crore)

Sl. No.	Category of LSGI	Total Expenditure	Percentage of expenditure prescribed	Expenditure due to be incurred	Expenditure actually incurred	Percentage of actual expenditure
1	GP	2952.96	30	885.89	609.96	20.65
2	BP	714.52	30	214.36	113.94	15.95
3	DP	661.84	25	165.49	116.34	17.58
4	ULB	742.41	10	74.24	59.33	7.99
Total		5071.73			899.57	17.73

B Infrastructure Development Sector

Sl. No.	Category of LSGI	Total Expenditure	Percentage of expenditure prescribed	Expenditure due to be incurred	Expenditure actually incurred	Percentage of actual expenditure
1	GP	2952.96	30	885.89	633.78	21.46
2	BP	714.52	30	214.36	169.96	23.79
3	DP	661.84	30	198.55	151.61	22.91
4	ULB	742.41	50	371.21	290.90	39.18
Total		5071.73			1246.25	24.57

C Service Sector

Sl. No.	Category of LSGI	Total Expenditure	Percentage of expenditure prescribed	Expenditure actually incurred	Percentage of actual expenditure
1	GP	2952.96	Not prescribed	1493.09	50.56
2	BP	714.52		360.61	50.47
3	DP	661.84		384.37	58.08
4	ULB	742.41		351.25	47.31
Total		5071.73		2589.32	51.05

D Not in Sector

Sl. No.	Category of LSGI	Total Expenditure	Percentage of expenditure prescribed	Expenditure actually incurred	Percentage of actual expenditure
1	GP	2952.96	Not prescribed	216.13	7.32
2	BP	714.52		70.01	9.80
3	DP	661.84		9.52	1.44
4	ULB	742.41		40.93	5.51
Total		5071.73		336.59	6.65

Appendix III
List of LSGIs in which Supplementary Audit was conducted in 2007-08
(Reference to Paragraph 2.9.1; page-24)

Sl.No.	Name of LSGIs	Period of Accounts.
Grama Panchayats		
1.	Kanakkary	2000-01
2.	Marad	2000-01
3.	Ramankary	2000-01
4.	Velur	2000-01
5.	Annamanada	2001-02
6.	Arookkutty	2001-02
7.	Chalissery	2001-02
8.	Cheppad	2001-02
9.	Chingoli	2001-02
10.	Eranholi	2001-02
11.	Kottappady	2001-02
12.	Manjoor	2001-02
13.	Melukavu	2001-02
14.	Mezhuveli	2001-02
15.	Ongallur	2001-02
16.	Panavoor	2001-02
17.	Panmana	2001-02
18.	Pathiyoor	2001-02
19.	Peruvemba	2001-02
20.	Punnapra North	2001-02
21.	Punnapra South	2001-02
22.	Vadavucode Puthencruz	2001-02
23.	Alappad	2002-03
24.	Arpookkara	2002-03
25.	Elamkunnapuzha	2002-03
26.	Eruvessy	2002-03
27.	Kadukutty	2002-03
28.	Kannadi	2002-03
29.	Kareepra	2002-03
30.	Karivellurperalam	2002-03
31.	Keezhattur	2002-03
32.	Kumaranalloor	2002-03
33.	Poyya	2002-03
34.	Pulimath	2002-03
35.	Puthenchira	2002-03
36.	Ramamangalam	2002-03
37.	Tuvvur	2002-03
38.	Uzhamalackal	2002-03
39.	Varandarappilly	2002-03
40.	Vellarada	2002-03
41.	Athirappilly	2003-04
42.	Idukki-Kanjikuzhy	2003-04
43.	Kayakkodi	2003-04

44.	Kilimanoor	2003-04
45.	Kooroppada	2003-04
46.	Kumarapuram	2003-04
47.	Mariyapuram	2003-04
48.	Melarcode	2003-04
49.	Muhamma	2003-04
50.	Nedumpuram	2003-04
51.	New Mahe	2003-04
52.	Niranam	2003-04
53.	Pattancherry	2003-04
54.	Perinad	2003-04
55.	Sooranad South	2003-04
56.	Thalavoor	2003-04
57.	Thalayazham	2003-04
58.	Thanneermukkom	2003-04
59.	Thazhava	2003-04
60.	Ullyeri	2003-04
61.	Vandenmedu	2003-04
62.	Vathikudy	2003-04
63.	Vembayam	2003-04
64.	Chavara	2004-05
65.	Cheriyamad	2004-05
66.	Kadakkal	2004-05
67.	Karakulam	2004-05
68.	Kulasekharapuram	2004-05
69.	Pallassana	2004-05
70.	Poomangalam	2004-05
71.	Porur	2004-05
72.	Rajakkad	2004-05
73.	Thuravoor	2004-05
74.	Upputhara	2004-05
75.	Vallachira	2004-05
76.	Venkitangu	2004-05
77.	Poothakulam	2005-06
78.	Valakom	2006-07
Block Panchayats		
1	Vypin	2000-01
2	Nedumangad	2001-02
3	Chirayinkeezh	2002-03
District Panchayats		
1	Thiruvananthapuram	2000-01
2	Wayanad	2000-01
Municipalities		
1	Ottappalam	2000-01
2	Varkala	2001-02
3	Vatakara	2003-04

Appendix IV
List of LSGIs in which irregularities relating to cash book were noticed
(Reference to paragraph 2.10.1; page-25)

Sl. No.	LSGIs which maintained more than one cash book	LSGIs which did not close cash book daily	LSGIs which did not close cash book monthly	LSGIs which did not physically verify cash	LSGIs which did not reconcile cash book balance with pass book balance
Grama Panchayats					
1	Annamanada	Annamanada	Annamanada	Annamanada	Annamanada
2	Arookkutty	Arookkutty	Arookkutty	Arookkutty	Cheriyanaad
3	Arpookkara	Chalissery	Cheriyanaad	Arpookkara	Eranholi
4	Athirappilly	Cheriyanaad	Eranholi	Athirappilly	Eruvessy
5	Chalissery	Chingoli	Eruvessy	Chalissery	Kadakkal
6	Chingoli	Eranholi	Kadakkal	Cheriyanaad	Kanadi
7	Eranholi	Eruvessy	Kanakkary	Eranholi	Kanakkary
8	Eruvessy	Kadakkal	Kannadi	Eruvessy	Kooroppada
9	Kanakkary	Kanakkary	Karakulam	Kadakkal	Kottappady
10	Kanjikuzhy	Kanjikuzhy	Karivellurperalam	Kanakkary	Kulasekharapuram
11	Kannadi	Kannadi	Kilimanoor	Kanjikuzhy	Melarcode
12	Karivellurperalam	Karakulam	Kooroppada	Kannadi	Nedumpuram
13	Kilimanoor	Karivellurperalam	Kulasekharapuram	Karakulam	New Mahe
14	Kooroppada	Kilimanoor	Kumarapuram	Karivellurperalam	Panavoor
15	Kottappady	Kooroppada	Mezhuveli	Kottappady	Poomangalam
16	Kulasekharapuram	Kottappady	Nedumpuram	Kulasekharapuram	Rajakkad
17	Kumarapuram	Kulasekharapuram	New Mahe	Kumarapuram	Thazhava
18	Mariyapuram	Kumarapuram	Panmana	Mariyapuram	Tuvvur
19	Melarcode	Mariyapuram	Perinad	Melarcode	Uzhamalackal
20	Mezhuveli	Melarcode	Pulimath	Mezhuveli	Vallachira
21	Nedumpuram	Mezhuveli	Punnapra North	New Mahe	Vathikudy
22	New Mahe	Nedumpuram	Punnapra South	Panavoor	Vellarada
23	Panavoor	New Mahe	Puthenchira	Panmana	
24	Panmana	Panmana	Ramamangalam	Poomangalam	
25	Pattancherry	Pattancherry	Ramankary	Porur	
26	Perinad	Perinad	Thalavoor	Pulimath	
27	Pulimath	Pulimath	Thazhava	Punnapra North	
28	Punnapra North	Punnapra North	Tuvvur	Punnapra South	
29	Punnapra South	Punnapra South	Ullyeri	Puthenchira	
30	Puthenchira	Puthenchira	Uzhamalackal	Rajakkad	
31	Ramamangalam	Ramamangalam	Vallachira	Ramamangalam	
32	Ramankary	Ramankary	Varandarappilly	Ramankary	
33	Thalavoor	Thalavoor	Vellarada	Thalavoor	
34	Thazhava	Thazhava	Vembayam	Thazhava	
35	Tuvvur	Tuvvur		Thuravoor	
36	Ullyeri	Ullyeri		Tuvvur	
37	Uzhamalackal	Uzhamalackal		Ullyeri	
38	Vandenmedu	Vallachira		Uzhamalackal	
39	Varandarappilly	Vandenmedu		Valakom	
40	Vathikudy	Varandarappilly		Vallachira	
41	Vellarada	Vathikudy		Vandenmedu	
42	Velur	Vellarada		Varandarappilly	
43	Vembayam	Velur		Vathikudy	
44		Vembayam		Vellarada	
45				Velur	
46				Vembayam	
47				Venkitangu	

Block Panchayats					
1	Chirayinkeezh	Chirayinkeezh	Vypin	Chirayinkeezh	Chirayinkeezh
2	Vypin	Vypin		Vypin	Vypin
District Panchayats					
1	Thiruvananthapuram			Thiruvananthapuram	
2	Wayanad			Wayanad	
Municipalities					
1	Ottappalam	Ottappalam	Ottappalam	Ottappalam	Varkala
2	Varkala	Varkala	Varkala	Varkala	
3	Vatakara	Vatakara	Vatakara		

Appendix V
List of LSGIs which prepared unrealistic budget and which did not maintain various registers properly
(Reference to paragraph 2.10.2, 2.11.3 & 2.13.1; page-25, 26&28)

Sl. No.	LSGIs which prepared unrealistic budget	LSGIs which did not maintain Asset Register properly.	LSGIs which did not maintain Stock Register properly	LSGIs which did not maintain Advance Register properly
Grama Panchayats				
1	Annamanada	Athirappilly	Annamanada	Eranholi
2	Chingoli	Chavara	Athirappilly	Kadakkal
3	Elamkunnappuzha	Eranholi	Chavara	Kannadi
4	Eranholi	Eruvessy	Eranholi	Kayakkodi
5	Eruvessy	Karakulam	Eruvessy	Kooropada
6	Kadakkal	Kilimanoor	Kadakkal	Kumaranalloor
7	Kanakkary	New Mahe	Karakulam	New Mahe
8	Kanjikuzhy	Panavoor	Kilimanoor	Poomangalam
9	Kannadi	Poomangalam	Niranam	Poothakulam
10	Karakulam	Poothakulam	Panavoor	Puthenchira
11	Kilimanoor	Ramankary	Pattancherry	Thalavoor
12	Kooroppada	Sooranad South	Perinad	Ullyeri
13	Kulasekharapuram	Thalavoor	Porur	Valakom
14	Mariyapuram	Thalayazham	Puthenchira	Vallachira
15	New Mahe	Thazhava	Ramamangalam	Vandenmedu
16	Pallassana	Upputhara	Ramankary	Varandarappilly
17	Panavoor	Vandenmedu	Sooranad South	Vathikudy
18	Panmana	Vathikudy	Thalavoor	Vellarada
19	Pathiyoor		Thazhava	
20	Pattancherry		Valakom	
21	Perinad		Vallachira	
22	Poomangalam		Vandanmedu	
23	Poothakulam		Varandarappilly	
24	Porur		Vellarada	
25	Puthenchira			
26	Ramamangalam			
27	Ramankary			
28	Sooranad South			
29	Thalavoor			
30	Thalayazham			
31	Thazhava			
32	Vandenmedu			
33	Varandarappilly			
34	Vathikudy			
35	Vellarada			
36	Vembayam			
Block Panchayats				
1	Chirayinkeezh	Chirayinkeezh	Chirayinkeezh	
2	Vypin	Vypin		
District Panchayats				
1	Thiruvananthapuram			
Municipalities				
1	Ottappalam			Varkala

Appendix-VI

List of LSGIs in which irregularities/delay were noticed in preparation and Audit of AFS
(Reference to paragraph 2.12.2., 2.12.3, 2.12.4, 2.14.2 & 2.14.4; page-28 & 29)

Sl No	LSGIs in which there was delay of more than 6 months in conducting audit by DLFA after receipt of AFS.	LSGIs in which there was delay of more than 3 months in receipt of Audit Reports from DLFA.	LSGIs where parallel accounts were prepared by DLFA.	LSGIs which prepared incomplete AFS.	LSGIs in which CB of previous years' AFS did not agree with OB of next year.
Grama Panchayats					
1	Arookkutty	Arookkutty	Arookkutty	Arpookkara	Annamanada
2	Arpookkara	Arpookkara	Athirappilly	Chalissery	Elamkunnappuzha
3	Elamkunnappuzha	Athirappilly	Eruvessy	Chavara	Eruvessy
4	Eranholi	Cheriyanaad	Kanjikuzhy	Eranholi	Kadakkal
5	Eruvessy	Chingoli	Karakulam	Kanakkary	Kanjikuzhy
6	Kanakkary	Eranholi	Karivellurperalam	Kannadi	Kannadi
7	Kanjikuzhy	Eruvessy	Kilimanoor	Karivellurperalam	Karakulam
8	Kannadi	Kadakkal	Kottappady	Kilimanoor	Kilimanoor
9	Karivellurperalam	Kanakkary	Kulasekharapuram	Kulasekharapuram	Kulasekharapuram
10	Kilimanoor	Kanjikuzhy	Mariyapuram	Nedumpuram	Mariyapuram
11	Kottappady	Kannadi	Mezhuvveli	New Mahe	New Mahe
12	Kulasekharapuram	Karakulam	Panmana	Pallassana	Pallassana
13	Kumaranalloor	Karivellurperalam	Pathiyoor	Pattancherry	Panavoor
14	Mariyapuram	Kottappady	Porur	Pulimath	Poomangalam
15	Melarcodes	Kulasekharapuram	Punnapra South	Ramankary	Poothakulam
16	New Mahe	Kumaranalloor	Ramamangalam	Vadavucode puthencruz	Rajakkad
17	Panmana	Mariyapuram	Thalavoor	Vandenmedu	Ramamangalam
18	Punnapra South	Melarcodes	Thazhava	Vathikudy	Uliyeri
19	Ramamangalam	Mezhuvveli	Vadavucode puthencruz		Upputhara
20	Thalavoor	New Mahe	Vandenmedu		Vallachira
21	Thazhava	Panmana	Varandarappilly		Vandenmedu
22	Tuvvur	Poothakulam	Vathikudy		Vellarada
23	Upputhara	Porur	Vellarada		
24	Uzhamalackal	Punnapra South	Velur		
25	Vadavucode puthencruz	Ramamangalam	Vembayam		
26	Vandenmedu	Thalavoor			
27	Varandarappilly	Thazhava			
28	Velur	Tuvvur			
29		Upputhara			
30		Uzhamalackal			
31		Vadavucode puthencruz			
32		Vandenmedu			
33		Varandarappilly			
34		Vathikudy			
35		Vellarada			
36		Velur			
37		Vembayam			
Block Panchayats					
1		Chirayinkeezh	Chirayinkeezh	Chirayinkeezh	Chirayinkeezh
2		Vypin	Vypin		Vypin
District Panchayats					
1	Wayanad	Thiruvananthapuram	Thiruvananthapuram	Wayanad	Thiruvananthapuram
Municipalities					
1	Varkala	Varkala			Ottappalam

Appendix – VII

Statement showing details of diversion of Maintenance Grant (Non-road) for Operational Expenses, Improvements, New Constructions and Asset not owned/transferred during 2004-05 to 2007-08.
(Reference to paragraph 3.1.8.2.(c), 3.1.9.4 (a), 3.1.9.5 & 3.1.9.6; page-39,42,43 & 44)

(Rs in lakh)

Sl. No	Name of the LSGI	Total allotment of MG (NR)	Total Amount of MG utilised for NR expenditure	Operational Expenses			For improvement NR Assets	For new construction	For not owned/transferred assets	For the tiles works not included in Col 5 to 8	Total 5 to 9	Actual amount utilised for maintenance (4) - (10)	Percentage of Utilisation	
				Own assets	Transferred assets	Total							With respect to allotment	With respect to utilisation
1	2	3	4	5			6	7	8	9	10	11	12	13
1	Alathur GP	42.49	40.95	3.07	0.50	3.57		0.25			3.82	37.13	87.39	90.67
2	Chempu GP	37.65	21.42	11.93	0.00	11.93		0.13		1.47	13.53	7.89	20.96	36.83
3	Chottanikkara GP	35.44	36.79	12.00	1.80	13.80		5.99		4.10	23.89	12.90	36.40	35.06
4	Erimayur GP	63.35	47.02	6.68	2.20	8.88	0.10	4.08		1.85	14.91	32.11	50.69	68.29
5	Kavalangad GP	57.19	37.60	15.11	0.00	15.11	7.26				22.37	15.23	26.63	40.51
6	Kottappady GP	36.16	25.66	14.85	1.50	16.35		2.94		1.35	20.64	5.02	13.88	19.56
7	Nattakom GP	63.30	37.24	17.80	4.86	22.66				1.38	24.04	13.20	20.85	35.45
8	Nellikuzhy GP	52.09	46.77	32.15	2.41	34.56	1.88	4.54	1.40		42.38	4.39	8.43	9.39
9	Ongallur GP	58.54	54.80	23.87	2.00	25.87	5.02			1.39	32.28	22.52	38.47	41.09
10	Panachikkad GP	61.32	35.39	23.09	0.00	23.09					23.09	12.30	20.06	34.76
11	Pattambi GP	35.44	22.76	0.00	0.00	0.00		2.50			2.50	20.26	57.17	89.02
12	Thiruvankulam GP	35.44	32.13	15.96	0.00	15.96	0.80	3.85			20.61	11.52	32.51	35.85
13	Thiruvarp GP	52.71	34.09	8.84	2.21	11.05		2.31	0.18	1.22	14.76	19.33	36.67	56.70
14	TV Puram GP	35.78	23.27	8.73	0.50	9.23				1.16	10.39	12.88	36.00	55.35
15	Udayamperoor Udayanapuram GP	52.47	43.26	19.76	0.00	19.76		8.28			28.04	15.22	29.01	35.18
16	Vadakkanchery GP	47.17	38.45	25.22	1.00	26.22					26.22	12.23	25.93	31.81
17	Vilayur GP	62.33	48.26	18.33	0.42	18.75				2.18	20.93	27.33	43.85	56.63
18	Vilayur GP	40.73	45.93	19.64	1.75	21.39					21.39	24.54	60.25	53.43
19	Alathur BP	101.04	47.07		8.39	8.39					8.39	38.68	38.28	82.18
20	Kothamangalam BP	88.60	60.07		0.00	0.00		8.03		8.31	16.34	43.73	49.36	72.80
21	Mulanthurthy BP	46.82	30.29		1.10	1.10				4.79	5.89	24.40	52.11	80.55
22	Pallom BP	81.36	50.59		6.33	6.33				4.82	11.15	39.44	48.48	77.96
23	Pattambi BP	82.97	67.17		6.80	6.80			1.53	5.81	14.14	53.03	63.91	78.95
24	Vaikom BP	47.47	27.89		2.11	2.11				0.49	2.60	25.29	53.28	90.68
25	Ernakulam DP	1051.67	592.77		74.40	74.40		7.56	100.58	19.86	202.40	390.37	37.12	65.86
26	Kottayam DP	925.89	463.36	0.21	26.31	26.52		21.57	29.80	9.37	87.26	376.10	40.62	81.17
27	Palakkad DP	1422.16	947.45		157.26	157.26		5.00	135.41	9.20	306.87	640.58	45.04	67.61
28	Aluva Municipality	56.28	56.51		0.00	0.00			1.04		1.04	55.47	98.56	98.16
29	Angamaly Municipality	83.58	62.16	31.58	0.00	31.58					31.58	30.58	36.59	49.20
30	Kottayam Municipality	183.89	214.33	100.78	10.37	111.15		7.41			118.56	95.77	52.08	44.68
31	Palakkad Municipality	349.28	238.85	102.28	0.00	102.28	62.85			1.80	166.93	71.92	20.59	30.11
32	Shoranur Municipality	124.28	106.22	62.91	1.54	64.45					64.45	41.77	33.61	39.32
33	Vaikom Municipality	62.70	71.19	31.69	3.87	35.56	6.54	3.58	2.07	0.77	48.52	22.67	36.16	31.84
34	Kozhikode Corporation	1096.48	745.10	163.36	1.62	164.98	68.25	160.70			393.93	351.17	32.03	47.13
	Total	6674.07	4452.81	769.84	321.25	1091.09	152.70	248.72	272.01	81.32	1845.84	2606.97	39.06	58.55

Appendix VIII

Details showing inadequate security deposit collected from H.T. consumers

(Reference to para 3.2.7.10; page-61)

Sl. No.	Consumer number & Name of consumers	Date of latest renewal of SD	Amount of SD collected (Rs)	Electricity charges for		Total (Rs)	Difference of SD to be collected (Rs) (7-4)
				01/2008 (Rs)	02/2008 (Rs)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	HT-III-Asst Engineer, Telegraph	14.02.2005	601497	362905	355279	718184	116687
2	HT-V--Sub divisional Engineer, Southern railway	17.03.2005	322145	208274	204966	413240	91095
3	HT-VII-Divisional Engineer, Telecom	01.03.2005	1149231	795103	749492	1544595	395364
4	HT-VIII-Mathrubumi Printing and Publishing	01.02.2005	401546	313284	294289	607573	206027
5	HT-X-Sidhartha Agency	22.07.1996	13160	239977	198808	438785	425625
6	HT-XI-Casino Hotels	13.07.2005	174292	312633	281065	593698	419406
7	HT-XII-Hotel Alukkas	18.04.2005	165589	140881	136423	277304	111715
8	HT-XIII-Malayala Manorama	11.08.2006	538880	401487	417232	818719	279839
9	HT-XIV-KSFDC	01.08.2005	319072	217164	218407	435571	116499
10	HT-XV-Jubilee Mission Hospital	15.02.2005	1653021	1374916	1359737	2734653	1081632
11	HT-XVII-Sub divisional Engineer Central Telegraph	01.02.2005	119955	102110	105608	207718	87763

Sl. No.	Consumer number & Name of consumers	Date of latest renewal of SD	Amount of SD collected (Rs)	Electricity charges for		Total (Rs)	Difference of SD to be collected (Rs) (7-4)
				01/2008 (Rs)	02/2008 (Rs)		
12	HT-XVIII-Aswini Hospital	04.08.2005	210688	316158	337909	654067	443379
13	HT-XIX-Kalyan Silks	10.02.2005	437698	608819	485921	1094740	657042
14	HT-XX-Dhanalakshmi Bank	07.02.2005	255333	255135	243203	498338	243005
15	HT-XXI-Josco Fashion Jewellery	15.02.2005	142510	133434	127560	260994	118484
16	HT-XXIII-Chief Manager, SIB	09.07.2004	86935	73425	78804	152229	65294
17	HT-XXIV-Pearl Regency	08.01.2004	185600	118973	112584	231557	45957
18	HT-XXV-South Indian Bank	23.02.2005	260510	148838	157277	306115	45605
19	HT-XXVII-Zeena promoters	---	138000	139008	132618	271626	133626
20	HT-XXVIII-Central Point	---	173000	214269	207967	422236	249236
21	HT-XXIX-Jose Fashion Jewellery	26.06.2006	243000	148519	132637	281156	38156
22	HT-XXX-Love Share Inn	---	110000	89288	105539	194827	84827
23	HT-XXXI-Hotel Luciya Palace	13.10.2006	229000	169677	168011	337688	108688
Total							5564951

Appendix IX
Meter readings not taken on the locked premises
(Reference to Paragraph 3.2.7.17; page-64)

Sl. No.	Consumer No.	Tariff	Locked Premises
1	11953 – B	VII - A	Prior to 19.02.2007 to 03/2008
2	7282– B	VII-B	Prior to 18.08.2007 to 03/2008
3	12068– B	VII-A	Prior to 19.02.2007 to 03/2008
4	12069– B	VII-A	Prior to 19.02.2007 to 03/2008
5	8558– B	VII-B	Prior to 29.09.2006 to 03/2008
6	3578– B	I-A	Prior to 22.09.2006 to 03/2008
7	8739– B	VII-B	Prior to 23.02.2007 to 03/2008
8	8584– B	VII-B	Prior to 26.06.2007 to 03/2008
9	9554– B	VII-A	Prior to 23.02.2007 to 03/2008
10	1234– B	VII-A	Prior to 23.04.2007 to 03/2008
11	KEH 35– B 6	I-A	Prior to 23.04.2007 to 03/2008
12	677– B	VII-A	Prior to 24.02.2007 to 03/2008
13	197– B	I-A	Prior to 28.06.2007 to 03/2008
14	9804– B	I-A	Prior to 28.04.2007 to 03/2008
15	KEH 319-B	I-A	Prior to 27.04.2007 to 03/2008
16	4759– B	I-C	Prior to 24.02.2007 to 03/2008
17	3694– B	I-A	Prior to 26.02.2007 to 03/2008
18	8058– B	I-C	Prior to 26.02.2007 to 03/2008
19	80– B	VII-A	Prior to 26.02.2007 to 03/2008
20	12069– B	VII-A	Prior to 27.02.2007 to 03/2008
21	1998– B	VII-B	Prior to 26.02.2007 to 03/2008
22	9441– B	VII-A	Prior to 27.02.2007 to 03/2008
23	15954– B	VII-A	Prior to 27.02.2007 to 03/2008
24	2573– B	VI-C	Prior to 01.02.2007 to 03/2008

Sl. No.	Consumer No.	Tariff	Locked Premises
25	11368- B	VII-A	Prior to 01.02.2007 to 03/2008
26	8138- B	VII-A	Prior to 02.08.2007 to 03/2008
27	7606- B	VII-B	Prior to 03.02.2007 to 03/2008
28	5201- B	VII-A	Prior to 03.02.2007 to 03/2008
29	3685- B	I-A	Prior to 03.02.2007 to 03/2008
30	705- B	I-A	Prior to 09.04.2007 to 03/2008
31	7329- B	VII-A	Prior to 07.02.2007 to 03/2008
32	J-2232- B	VII-A	Prior to 07.02.2007 to 03/2008
33	998- B	VII-A	Prior to 10.04.2007 to 03/2008
34	7343- B	VII-A	Prior to 10.04.2007 to 03/2008
35	5364- B	VII-A	Prior to 11.04.2007 to 03/2008
36	1267- B	VII-A	Prior to 11.04.2007 to 03/2008
37	3759- B	I-A	Prior to 13.04.2007 to 03/2008
38	9688- B	I-C	Prior to 16.04.2007 to 03/2008
39	7602-C	VII-B	Prior to 06.04.2007 to 03/2008
40	9305- B	I-C	Prior to 17.02.2007 to 03/2008
41	7722-C	VII-B	Prior to 26.03.2007 to 03/2008
42	9492-C	I-C	Prior to 26.07.2007 to 03/2008
43	4142-C	VII-B	Prior to 29.05.2007 to 03/2008
44	9580- B	VII-A	Prior to 03.03.2007 to 03/2008
45	6708- B	VII-A	Prior to 03.03.2007 to 03/2008
46	10650-E	VII-B	Prior to 04.07.2007 to 03/2008
47	12305- B	VII-A	Prior to 12.09.2007 to 03/2008
48	9841- B	VII-A	Prior to 09.03.2007 to 03/2008
49	173- B	VII-A	Prior to 13.03.2007 to 03/2008
50	449- B	VII-A	Prior to 13.03.2007 to 03/2008
51	7140- B	VII-A	Prior to 14.03.2007 to 03/2008
52	8382- B	VII-A	Prior to 16.03.2007 to 03/2008

Sl. No.	Consumer No.	Tariff	Locked Premises
53	1305- B	I-A	Prior to 18.05.2007 to 03/2008
54	2314-C	I-A	Prior to 19.03.2007 to 03/2008
55	9827-C	VII-B	Prior to 19.03.2007 to 03/2008
56	7966-C	I-A	Prior to 18.05.2007 to 03/2008
57	3616-C	I-A	Prior to 20.03.2007 to 03/2008
58	3172-C	I-A	Prior to 20.03.2007 to 03/2008
59	11822	VII-A	Prior to 20.03.2007 to 03/2008
60	ATH 358 A	I-A	Prior to 20.03.2007 to 03/2008
61	9635- B	VII-B	Prior to 22.05.2007 to 03/2008

Appendix X

List of Major Defaulters of water charges (Reference to Paragraph 3.2.8.4; page-65)

Sl.No.	Ward No.	Consumer No.	Amount (Rs)
1	V	2255	357380
2	XX	10604	139320
3	XIX	5027	122668
4	XVIII	7740	150120
5	XIV	8943	138225
6	XIII	1149	118754
7	XX	3425	181800
8	II	6062	113940
9	II	6313	118180
10	XXXI	7792	100015
11	XXIX	12590	566930
12	XXIX	8326	497315
13	XXIX	7606	588770
14	XXIX	2937	172576
15	XXIX	3028	908635
16	XXVIII	11165	158595
17	XXVII	10535	107165
18	XXII	14165	121520
19	XXVII	1777	101892
20	XXVII	4441	220420
21	XXVII	9828	150120
22	XXVII	5771	133414
23	XXVII	4981	249726
24	XXVI	980	100100
25	XXVI	9263	131260
26	XXVI	5566	128749

Sl.No.	Ward No.	Consumer No.	Amount (Rs)
27	XXVI	727	149040
28	XXV	4092	103845
29	XXV	9550	158100
30	XXV	5934	153900
31	XXI	2870	111456
32	XXVIII	11219	99250
33	XXVIII	428	98400
34	XXXVII	4049	92400
35	XXVI	1376	97591
36	XXVI	5812	93420
37	XXVI	810	99900
38	IX	284	82080
39	XVIII	1341	85139
40	XVIII	6764	87875
41	XII	1508	83902
42	XI	5312	84662
43	XXVIII	7253	87860
44	XXVI	792	98268
45	XXV	1863	86980
46	24/186/1	0	84123
47	24/228	0	84123
48	XXI	535	88452
49	XXIX	2547	75900
50	XXV	1448	76440
Total			8240695

Appendix XI

Execution of works not coming within the purview of District Panchayats/Block Panchayats

(Reference to Paragraph 3.3.6.3; page-77)

Sl. No.	Works executed	Period	Panchayats empowered to take up the work	Work taken up by	Expenditure incurred (Rs. in lakh)
1	Construction and improvement of infrastructural facilities in Anganwadies, street lighting	2003-04 to 2007-08	GP	Thalassery Block Panchayat	14.29
2	Construction of Krishi Bhavan, Vet. Hospital, UP school, Ayurveda Dispensary, PHC and Homoeo Dispensary, colony electrification, line extension/electrification at various places	2003-04 to 2007-08	GP	Malappuram District Panchayat	762.89
3	Electrification of Harijan colonies and construction of Anganwadies	2004-05 to 2007-08	GP	Payyannur Block Panchayat	28.35
	Construction of HS Building, lab for high school.		DP		4.84
4	Colony electrification	2004-05 to 2005-06	GP	Kannur District Panchayat	20.00
5	Colony electrification, building /compound wall to LP schools, construction of Anganwadies	2003-04 to 2007-08	GP	Tirur Block Panchayat	29.55
6	Colony electrification, construction of Anganwadies, compound wall to Anganwadies/LP schools, construction of school building, line extension.	2003-04 to 2007-08	GP	Tirurangadi Block panchayat	12.38
7	Construction of buildings for UP schools and compound wall to UP Schools, Ayurveda Dispensary, Libraries, Anganwadies, line extension works, electrification at various places.	2003-04 to 2007-08	GP	District Panchayat, Thiruvananthapuram	304.53
8	Construction of buildings, compound wall to libraries, Primary Health Centres, purchase of books and Libraries, stage for LP school, purchase of toys to Anganwadies, line extension works.	2003-04 to 2007-08	GP	Kazhakkootam Block Panchayat	13.71
9	Line extension works and purchase of furniture to VEOs	2003-04	GP	Chirayinkeezh Block Panchayat	0.83
	Science lab to High Schools		DP		0.63
10	Providing lab facilities to a Higher Secondary school	2005-06	DP	Pothencode Grama Panchayat	2.37
Total					1194.37

Appendix XII
Delay in execution of works
(Reference to Paragraph 3.3.14.5; page-91)

LSGI	Name of work	Amount spent (Rs.in lakh)	Remarks
Payyannur BP	Construction of Exclusive Trysem Training Centre (ETTC) Est. cost Rs.11 lakh Agt. Executed on 23.2.99	9.28	The work done was not measured or reported. Work remained incomplete everafter 9 years.
Tirur Municipality	Construction of two storied building for para medical and administration block attached to THQ Hospital, Tirur, Est. cost Rs. 9.45 lakh Agt. 99/00 dt. 24.3.00	6.00	Work proposed to be completed in 6 months (8/99-1/00) has not been completed even after 8 years and has reached only upto roof level of I floor. As the time completion was not specified in the Agt. Effective action against the contract agency (COSTFORD) could not be taken up. Value of work done Rs. 3.63.lakh.
	Commissioning of 63.3 KVA DG Set at Municipal Town hall	5.07	Purchased generator for Rs.3.45lakh on 17.5.00. However construction of generator room (cost Rs.1.03 lakh) was completed only after 19 months. As the set was kept idle for long, it developed some complaints and the set was installed on 17.3.06 after rectification. However the set has not been commissioned evenafter 8 years pending approval from Electrical Inspectorate.
Kannur Municipality	Breakwater construction at Mukkadav	14.60	Agreement executed on 21.3.05 stipulating date of completion on 21.2.06. Work not yet started.
	Construction of flats to slum dwellers	1.08	Agreement executed on 28.6.03 stipulating date of completion on 28.2.04. Work not yet started.
Malappuram DP	Preparation of detailed project report on Adiyannpara Mini Hydroelectric Project.	2.00	Amount advanced to M/s SILK on 19.3.02. KSEB to whom the project was entrusted for implementation was not prepared to approve the project report to be prepared by SILK. M/s SILK did not prepare the project report nor refund the amount, so far.
Payyannur Municipality	Construction of Blood storage room	0.90	Agreement executed on 26.9.04 stipulating date of completion 26.1.05. Not completed.
	Drainage survey for implementing a comprehensive drainage scheme in the Municipality	2.20	Paid the amount (3/04) to M/s Kerala State Remote Sensing & Environment Centre. Work proposed to be completed by 3/04 not even commenced evenafter 4 years.

LSGI	Name of work	Amount spent (Rs.in lakh)	Remarks
Kankol Alappadamba GP	Construction of an auditorium	41.74	Work commenced in 7/03. Proposed to be completed in 4 years as a remunerative asset. Work not yet completed due to paucity of funds and deviation from the original plan.
Kottayam Malabar GP	Water supply scheme at Moverly lakshamveedu colony	0.25	Advance of Rs.0.25 lakh paid in 3/02. No time schedule was fixed. Work of distribution pipeline not taken up reportedly due to non availability of competent engineering staff.
Tirurangadi BP	Construction of building for Ayurveda Hospital, Velimukku	0.50	Advance paid in 5/98. Only foundation work completed so far.
Thirunavaya GP	Construction of community hall	6.27	The work was proposed to be completed in 8/94. However only the foundation and construction of RCC columns have so far been completed. Sanction of the Govt. sought (5/08) for demolishing the structures already constructed as it was in damaged condition.
Chirayinkeezh BP	Improvement of a road in Azhoor Panchayat under RIDF VIII(Est. cost Rs. 81.50 lakh) Agt. Dt. 3.6.04	73.47	Proposed to be completed in 6/05. Providing metalling and blacktopping yet to be completed. Retention amount released to the contractor. Bank Guarantee for Rs.50000 valid upto 2.6.04 only.
Thalassery BP	Olavilam PHC Sub centre building	5.72	Building work completed in 9/07. Electrification pending
	Vridhavishrama mandiram, Eruvatty	5.74	Building work completed in 7/07. Electrification work pending.
	SHG building in Eranholi GP	23.75	Partially completed. Electrification work pending.
Total		198.57	

Appendix XIII
Deposit works entrusted to KWA
(Reference to Paragraph 3.3.15.3; page-92)

Sl. No.	Name of LSGI	Period	Projects				Rs. in lakh		
			Entrusted	Completed	Abandoned	Incomplete	Advanced	Utilized	Balance
1	Kannur DP	1997 to 2006	104	79	19	6	483.67	389.49	94.18
2	Thalassery BP	98-99 to 06-07	4	3		1	14.00	1.56	12.44
3	Thaliparambu Municipality	01-02 to 05-06	3	0		3	5.16	1.49	3.67
4	Kannur Municipality	97-98 to 07-08	40	8		32	106.6	35.84	70.76
5	Madai GP	00-01 to 07-08	5	3		2	4.41	1.69	2.72
6	Payyannur Municipality	99-00 to 05-06	4	2		2	2.53	1.68	0.85
7	Kunhi mangalam GP	06-07 & 07-08	2	0		2	0.42	0.00	0.42
8	Malappuram DP	97-98 to 07-08	56	20		36	335.16	61.49	273.67
9	Tirurangadi BP	01-02 to 07-08	4	3		1	10.36	7.37	2.99
10	Vettom GP	97-98 to 00-01	3	2		1	12.04	6.3	5.74
11	Thalakkad GP	97-98	1	1		0	0.70	0.58	0.12
12	Tirunavaya GP	98-99, 01-02, 03-04	3	3		0	1.68	1.59	0.09
13	Tirur Municipality .	02-03 to 07-08	47	31		16	15.46	12.38	3.08
14	Tirur BP	07-08	1	0		1	1.02	0	1.02
15	Chirayinkeezh BP	99-00 to 04-05	2	2		0	3.46	2.76	0.70
16	Varkala Municipality	01-02 to 07-08	7	7		0	19.75	17.60	2.15
17	Chirayinkeezh GP	01-02 to 07-08	5	5		0	6.78	6.2	0.58
18	Kadakkavur GP	03-04	1	1		0	0.46	0.40	0.06
19	Vakkom GP	06-07	1	1		0	0.06	0.06	0.00
20	Mangalapuram GP	03-04	1	1		0	1.16	1.16	0.00
21	Thiruvananthapuram DP	99-00 to 07-08	7	6		1	46.26	13.16	33.10
Total			301	178	19	104	1071.14	562.80	508.34

Appendix XIV

List of houses not completed

(Reference to paragraph 3.4.7.4(a); page-107)

Sl. No	Name of G	2003-04		2004-05		2005-06		2006-07		2007-08		Total	
		No.	Amt. (Rs.)	No.	Amt. (Rs.)								
1	Vallikkunnu			2	45,000							2	45,000
2	Parappananga	1	15,000	3	65,000	1	15,000					5	95,000
3	Pookkottur			1	26,000					1	20,000	2	46,000
4	Morayur	1	10,000	1	25,000	2	35,000	5	92,500			9	1,62,500
5	Chelambra			1	10,000	2	36,000	8	,89,500	2	62,000	13	2,97,500
6	Niramaruthur			2	20,000	5	70,000	5	65,000	5	1,05,000	17	2,60,000
7	Pallikkal	5	70,000	8	1,46,500	14	3,46,000	2	57,000	2	44,500	31	6,64,000
8	Thiruvambadi									15	3,75,000	15	3,75,000
9	Vanimel			1	25,000							1	25,000
10	Kizhakkoth	1	7,000							1	32,000	2	39,000
11	Unnikkulam			1	5,000					5	98,000	6	1,03,000
12	Feroke	3	43,750	16	1,75,000	2	35,000					21	2,53,750
13	Koyilandy									10	3,30,000	10	3,30,000
Total		11	145750	36	542500	26	537000	20	404000	41	1066500	134	2695750

Appendix XV

Delay in sanction of Unemployment wage (Reference to paragraph 3.5.6.1; page-119)

Sl. No.	Name of LSGI	No of applications sanctioned	No of cases in which date of sanction recorded	Sanctioned within 45 days	Sanctioned within 6 months	Sanctioned within one year	Sanctioned after one year to 3 years
1	Kollam Corporation	198	195	25	87	49	34
2	Elampalloor GP	152	129	0	5	20	104
3	Kottamkara GP	200	150	0	22	43	85
4	Thrikkovilvattom GP	177	177	0	0	0	177
5	Akathethara GP	42	42	12	25	5	0
6	Kannadi GP	100	80	13	54	13	0
7	Malampuzha GP	19	13	1	8	3	1
8	Palakkad Municipality	90	75	0	4	26	45
9	Puthuppariyaram GP	100	75	6	19	20	30
10	Aluva Municipality	16	15	0	12	3	0
11	Cheranelloor GP	44	42	3	6	8	25
12	Choomikkara GP	26	24	2	11	9	2
13	Edathala GP	80	72	32	22	12	6
14	Thrikkakara GP	152	135	1	19	51	64
15	Thrikkadavoor GP	157	0	Not Available			
Total		1,553	1224	95	294	262	573

Appendix XVI

Payment of Unemployment wage to ineligible beneficiaries

(Reference to paragraph 3.5.6.4; page-121)

Sl. No.	Name of LSGI	Reason for ineligibility	Number of cases	Amount paid to ineligible beneficiaries (Rs)	Amount recovered at the instance of audit
1	Kollam Corporation	(i) Over age	5	1,340	Excess payment Rs.720 in respect of 3 beneficiaries
		(ii) Under age	2	1,080	Excess payment Rs.240 in respect of one beneficiary
2	Kottamkara GP, Kollam District	(i) Non-renewal of Employment Registration.	2	4,200	
		(ii) Over age	3	840	
		(iii) Rejections by Employment Exchange	2	6,240	
		(iv) Address not furnished as applicant not appeared.	1	3,120	
		(v) Employment registration renewed by special renewal	2	4,200	
		(vi) Unemployment wage paid from month of application.	1	120	
		(vii) Family income exceeds limit	1	2,760	
3	Thrikkadavoor GP, Kollam District	(i) Over age	7	1,080	
		(ii) Non-renewal of registration	2	1,200	
		(iii) Name not included in the ration card	1	240	
4	Thrikkovilvattom GP, Kollam District	Over age	2	720	
5	Palakkad Municipality	Over age	6	1,920	
6	Akathethara GP, Palakkad District	Over age	2	600	
7	Kannadi GP, Palakkad District	(i) Over age	1	240	
		(ii) Under age	1	120	
TOTAL			41	30,020	

Appendix XVII

Acceptance of defective/incomplete applications for Unemployment wage

(Reference to paragraph 3.5.7.3; page-124)

Sl. No.	Name of LSGI	No. of applications sanctioned	No. of defective applications	Percentage
1	Kollam Corporation	198	3	1.52
2	Aluva Municipality	16	16	100.00
3	Palakkad Municipality	90	24	26.67
4	Akathethara GP	42	4	9.52
5	Cheranelloor GP	44	12	27.27
6	Choornikkara GP	26	5	19.23
7	Edathala GP	80	14	17.50
8	Elampalloor GP	152	22	14.48
9	Kannadi GP	100	100	100.00
10	Kottamkara GP	200	47	23.50
11	Malampuzha GP	19	8	42.11
12	Puthuppariyaram GP	100	34	34.00
13	Thrikkakara GP	152	31	20.39
14	Thrikkovilvattom GP	177	162	91.53
Total		1396	482	34.53

Defects noticed:

- (i) Date of birth not furnished.
- (ii) Proof of date of birth not attached.
- (iii) Annual income not recorded.
- (iv) Proof of income not attached.
- (v) Income furnished differ from that in ration card.
- (vi) Copy of employment card not furnished.
- (vii) Date of last renewal of employment card not furnished.
- (viii) Proof for residence not attached.
- (ix) Column to furnish employment during last three years not filled up.
- (x) Date of application not furnished.