

**Report of the
Comptroller and Auditor General of India
on
Local Self-Government Institutions**

for the year ended March 2016

**Government of Kerala
Report No.3 of the year 2017**

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PREFACE

This Report for the year ended March 2016 has been prepared for submission to the Governor of Kerala under the CAG's DPC Act, 1971.

The Report contains significant results of the audit of the Panchayati Raj Institutions and Urban Local Bodies in the State including the departments concerned.

The issues noticed in the course of test audit for the period 2015-16 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



OVERVIEW

OVERVIEW

This Report comprises four chapters of which Chapters I and II contain an overview of organisation, devolution, accountability, finances and financial reporting issues of Local Self-Government Institutions (LSGIs) and comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision (TGS) arrangement by the Comptroller and Auditor General of India. Chapter III and IV contains three performance/compliance audits and six individual compliance audit paragraphs. Copies of draft performance and compliance audits and compliance audit paragraphs were forwarded to the Government and replies wherever received have been duly incorporated.

Accountability framework, finances and financial reporting issues of LSGIs

Government w.e.f April 2015 dispensed with the system of transferring funds from Consolidated Fund to Public Account. In the newly introduced system, the individual LSGIs can draw directly from the Consolidated Fund based on the allotment received from Government of Kerala (GoK). We noticed that an amount of ₹923.46 crore was allotted between 21 and 26 March 2016. Delayed transfer of funds at the fag end of the year has the effect of rush of expenditure and lapse of fund due to non utilisation. Audit examination of the internal control mechanism in Engineering Wing in six municipalities in Alappuzha district revealed that their internal control mechanism was very weak and inadequate. Also, rules, regulations and orders of Government were not complied with properly. Eventhough GoK in April 2007 directed all Grama Panchayats to prepare a centralized road map connecting highways and major district roads for preparation of a road connectivity plan of the District integrating with the Road Maps of Municipalities and Pradhan Mantri Gram Sadak Yojana (PMGSY), no road map and road connectivity plan was prepared in any of the Municipalities. During the five year period 2011-16, the increase in total receipts of the LSGIs was 96 *per cent*. Of the total receipts during the five year period, the percentage share of State, Central and Own revenue was 67, 23 and 10 respectively. The amount spent on Productive sector during 2015-16 accounted for only ₹453.78 crore (6.60 *per cent*) of the total Development Expenditure of ₹6872.33 crore, indicating that the LSGIs had given low priority to Productive Sector like Agriculture, Animal Husbandry, Fishing, Industries etc. Out of ₹4310.13 crore allotted by the State Government to LSGIs during 2015-16 for state sponsored schemes, ₹310.68 crore was surrendered. Entire fund allotted under 2217-Urban Development for implementation of projects to reduce poverty and vulnerability of the urban poor households (National Urban Livelihood Mission) and Modernisation of Slaughter Houses were surrendered.

(Chapters I & II)

IMPLEMENTATION OF ADB AIDED KERALA SUSTAINABLE URBAN DEVELOPMENT PROJECT

Kerala Sustainable Urban Development Project (KSUDP), a ₹1422.50 crore project substantially funded (₹995.40 crore) by the Asian Development Bank (ADB) was aimed at improving the urban environment, economy and living conditions of people in five Municipal Corporations (Corporations) of the State. There were many lapses in the formulation and implementation of the project. In spite of extending the project period to nine years from the original five, the Corporations could utilize only 51.48 *per cent* of the original loan sanctioned. Lapse on the part of Government in not cancelling the loan portion relating to projects which could not be implemented within the specified time also led to payment of commitment charges amounting to ₹43.68 crore to ADB. Cancellation of the component 'Part- C Local Government Infrastructure Improvement' resulted in forgoing \$15 million ADB loan meant for financing infrastructure projects in 53 Municipalities in the State. Out of 74 contract packages taken up for implementation, 15 packages were short closed due to public protest, environmental issues, delay in land acquisition, delay in getting road cutting permissions etc. Though major portion of the expenditure was proposed to be incurred on sewerage projects, the progress of implementation of sewerage projects was very slow and majority of these projects were short closed. Out of ₹573.09 crore utilized for actual implementation of projects, ₹86.77 crore turned out to be unfruitful. Mobilization advances given to contractors amounting to ₹19.46 crore, and interest thereon amounting to ₹6.22 crore relating to short closed/ongoing works were pending recovery. A considerable portion of assets generated as part of implementation were remaining idle and were thus prone to deterioration.

(Paragraph 3.1)

INSTALLATION AND MANAGEMENT OF BIO-GAS PLANTS BY URBAN LOCAL BODIES

The Kerala Municipality Act, 1994 and Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules) entrust the Municipal authorities the responsibility for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. As per these Act and Rules, the ULBs, State Pollution Control Board (SPCB) and District Magistrates/Deputy Commissioners are assigned with specific responsibilities, roles and functions. The Government is encouraging setting up of composting units such as vermin compost, pipe compost, windrow compost, bio-gas plants etc. for the disposal of waste generated in Panchayat/Municipal/Corporation areas. Though the responsibility of management of solid waste is vested with ULBs, due to improper planning, compliance of standards as stipulated in the Rules could not be ensured besides polluting the environment and idling of plants. Crushing of the waste and the absence of skilled man-power for segregation of

waste had made eight plants defunct thereby, the amount spent ₹103.21 lakh for its construction had become infructuous. In the case of installation of house-hold bio-gas plants, six ULBs were unable to achieve even 50 *per cent* of the proposed target. Further, Kerala State Suchitwa Mission (KSSM) though entrusted with the responsibility of providing technical and financial support to the ULBs, failed to monitor functioning of the plants as well as utilization of funds. This had resulted in blocking up of Government money of ₹670.9 lakh with the ULBs. KSSM also failed to evaluate the performance of the service providers before their continued empanelment.

(Paragraph 4.1)

PROCUREMENT OF GOODS AND SERVICES BY LOCAL SELF GOVERNMENT INSTITUTIONS

Local Self Government Institutions in the course of carrying out various schemes and projects, had to spend a sizeable amount of their funds for procurement of Goods and Services. Kerala Panchayat Raj (KPR) Act, Kerala Municipality (KM) Act, Kerala Stores Purchase Rules and Kerala Panchayat Raj (execution of Public Works) Rules 1997 provide the legal foundation for the procurement system and management in LSGIs. Non preparation of procurement plan by LSGIs led to failure in ensuring actual requirements/rush of purchases towards the fag end of the year. Non compliance with rules and guidelines of procurement of goods led to purchases without tendering, non acceptance of lower offers, non ensuring timely supply, incurring infructuous expenditure etc. Non constitution of Social Audit Committee, absence of complaint redressal mechanism, not resorting to e-tendering indicated lack of transparency in procurement. Instances of overpayments to the Information Kerala Mission (IKM) for the services rendered to LSGIs were also noticed.

(Paragraph 4.2)

Other Compliance Audit Observations

Audit of financial transactions subjected to test check in various LSGIs revealed instances of infructuous/unproductive expenditure, idle investment and other irregularities as mentioned below:

Negligence in the construction of a school building by Alappuzha District Panchayat resulted in its collapse, endangering the lives of students and rendering the expenditure of ₹39.82 lakh spent for its construction and demolition of the remnants unfruitful.

(Paragraph 4.3)

Failure in ensuring supervision of the work by Attappady Block Panchayat led to the stoppage of construction of Agricultural Marketing Complex besides non-achievement of objectives and idle investment of ₹54.48 lakh.

(Paragraph 4.4)

Short assessment of Entertainment Tax (ET) due to non consideration of the actual structures, buildings and area in six amusement parks resulted in loss of revenue of ₹2.07 crore.

(Paragraph 4.5)

Payment of Service Tax from its own funds instead of collecting it from the tenants resulted in loss of ₹27.81 lakh besides avoidable interest of ₹24.07 lakh due to belated filing of declaration of Service Tax by Neyyattinkara Municipality.

(Paragraph 4.6)

Action of Pala Municipality in continuing with the Land Acquisition process despite not having adequate funds led to avoidable wasteful expenditure of ₹40.09 lakh by way of establishment charges

(Paragraph 4.7)

Despite incurring ₹3.86 crore, Kozhikode District Panchayat failed to increase the agricultural production in Kole land as salt water intrusion could not be prevented.

(Paragraph 4.8)

CHAPTER I

**Organisation, Devolution and
Accountability Framework of
Local Self-Government Institutions**

CHAPTER I

ORGANISATION, DEVOLUTION AND ACCOUNTABILITY

FRAMEWORK OF LOCAL SELF-GOVERNMENT

INSTITUTIONS

1.1 Introduction

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

1.1.1 Status of transfer of functions and functionaries

As per the provisions of KPR Act and KM Act, it shall be the duty of LSGIs to take care of the requirements of the area of their jurisdiction in respect of the matters enumerated in the respective Schedules of the Acts, and LSGIs shall have the exclusive power to administer the matters enumerated in the Schedules and to prepare and implement schemes relating thereto for economic development and social justice.

The Acts envisaged transfer of functions of various Departments of the Government to LSGIs together with the staff to carry out the functions transferred. The transfer of functions to different tiers of LSGIs was to be done in such a way that none of the functions transferred to a particular tier overlapped with that of the other.

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

Government. In addition to the functions mandated under the Constitution and the State Local Bodies Acts, the LSGIs also undertake projects with the funds provided by World Bank, Asian Development Bank, Central and State Governments.

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

For efficient discharge of transferred functions, the LSGIs require qualified and trained personnel. Against the required number of personnel to be deployed for 1302 posts, only 652 personnel were deployed (January 2017) indicating lack of efforts on the part of the Government to deploy personnel against the remaining posts.

1.2 Profile of LSGIs

As of 1st January 2017, there were 1200 LSGIs in the State. The details of their area, population, etc., are presented in **Table 1.1**.

Table 1.1: Comparative position of LSGIs

Level of LSGIs	Number	Number of wards/divisions	Average area per LSGI (Sq.km.)	Average population per LSGI*
District Panchayats (DPs)	14	331	2651.70	1903357
Block Panchayats (BPs)	152	2079	244.24	175309
Grama Panchayats (GPs)	941	15962	37.16	26674
Municipal Corporations	6	414	95.60	491240
Municipalities	87	3122	23.65	51664
Total	1200	21908	-	-

Source: Panchayat Guide-2017 published by Local Self-Government Department
**Population figures- Census 2011. In 2015, number of GPs were reduced to 941 from 978, 37 GPs were upgraded as 27 Municipalities and Kannur Municipality was upgraded as Corporation.*

1.3 Organisational set up

LSGIs constituted in rural and urban areas are referred to as PRIs and ULBs respectively. In the three-tier¹ Panchayat Raj system in the State, each tier functions independently of the other. While the Constitution and the Acts confer autonomy and independent status to the LSGIs within the functional domain, the

¹ Grama Panchayat, Block Panchayat and District Panchayat

Local Self-Government Department (LSGD) of Government is empowered to issue general guidelines to LSGIs in accordance with the National and State policies.

The President/Chairperson/Mayor is the Chief Executive Head of Grama Panchayat/Municipality/Corporation respectively. Each LSGI has a Secretary who is the Chief Executive Officer. The members of each tier of PRIs elect the President, Vice-President and Chairpersons of the Standing Committees. Similarly, Councillors of the Municipality/Municipal Corporation elect the Chairperson/Mayor, Vice-Chairperson/Deputy Mayor and Chairpersons of the Standing Committees.

1.3.1 Standing Committees

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

1.3.2 Steering Committee

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

1.4 Accountability Framework

1.4.1 Internal Control in Engineering wing of Urban Local Bodies in Alappuzha District

Execution of Public Works in ULBs is governed by the Kerala Municipality (Execution of Public Works and Purchase of Materials) Rules 1997, the KM Act 1994, Kerala Public Works Account Code, Kerala Public Works Department Manual, Orders, Guidelines etc., issued by Government from time to time. These rules and regulations enable the engineering wing to have good internal control for the smooth functioning of the ULBs.

We conducted (December 2016) a scrutiny of the internal control mechanism in the Engineering wing of the six Municipalities in Alappuzha District viz., Alappuzha, Cherthala, Haripad, Chengannur, Mavelikkara and Kayamkulam covering the period 2014-15 to 2015-16.

The Audit objective was to ascertain whether the Engineering wing in ULBs had complied with the internal control mechanism prescribed in the relevant Acts, Rules and Regulations.

We observed laxity in maintaining registers/records for internal control as detailed below.

1.4.2 Security Deposit

As per Kerala PWD Manual, the selected bidder should produce a Security Deposit (SD) equal to five percentage of the contract amount in the form of Bank Guarantee, Fixed Deposit Receipt (FDR) or National Savings Certificate (NSC) etc., which shall remain valid till 28 days from the completion of the Defect Liability Period. The defect liability period fixed by Government for road work is one year and for building work two years. We noticed following deficiencies in obtaining SDs.

(a) Non pledging of Fixed Deposit Receipt (FDR) and National Savings Certificates (NSC)

As per para 15.2 of KPW Account code, FDRs / NSCs in lieu of SDs submitted by the Contractors are to be pledged with the agreement authority. This will facilitate encashment of the same against the financial liability of the contractor for non fulfillment of contractual obligation. In all the test checked Municipalities, the engineering wing had accepted FDRs without pledging, thereby defeating the purpose of security deposit, in violation of the rules. The Municipalities while admitting the omission, promised to adhere to the provisions in the rule.

(b) Time barred Demand Draft / Cheque received as Security Deposit / Earnest Money Deposits

Of the six test checked Municipalities, five Municipalities were holding Demand Draft/Bankers cheque worth ₹2.24 lakh received during the period 2009 to 2015 towards security deposit. As per negotiable instrument Act, the period of validity of Demand Draft/Cheque is six months from the date of issue. As the Demand Draft/Cheque were not encashed/renewed within the period of validity, these securities have become invalid.

(c) Acceptance of FDRs from Co-operative Banks as SDs

As per the PWD Manual and Government Order dated 5 January 2015, at least 50 *per cent* of the Security Deposit shall be collected in the form of Treasury Fixed Deposit and the rest in the form of Bank Guarantee or FDRs of Nationalised Bank and Scheduled Bank. However, we noticed that FDRs of Co-operative Banks were accepted as SD in violation of the Government order/Manual in all the Municipalities test checked.

(d) Non-transferring of amounts from Current Account to Municipality's own funds

In September 2013, Government had introduced e-tender system in LSGD for all tenders worth ₹five lakh and above to enhance transparency and efficiency in

public procurement activities and also to ensure complete confidentiality and anonymity in tendering activities. Payment towards Earnest Money Deposit (EMD) and cost of tender forms shall be collected online using the payment gateway of State Bank of Travancore. The amount so collected shall be deposited in a current account for this purpose maintained by the Municipal Engineer. This amount should be transferred to the Municipal Fund the next day after opening the bid.

On a scrutiny, it was noticed that none of the six test checked Municipalities conducted e-tendering during 2014-15. In 2015-16, even though five Municipalities² conducted e-tendering, the amount collected towards cost of tender form and EMD etc. had not been transferred to the Municipal account. Haripad Municipality had opened the Bank account only in July 2016 and Kayamkulam Municipality did not open the account at all. Due to delay in opening the specified bank account for e-tendering, the amount collected online during 2015-16 was credited to the current account of Executive Engineer of Alappuzha District Panchayat. The amount collected had not been transferred to the respective Municipal accounts (March 2017). Non-transferring of the above amount from current account to Municipality's own fund (Savings Bank Account) had resulted in loss of interest.

(e) Non-recording of the date of completion of work in the agreement

As per Kerala PWD Manual, the selected bidder should enter into an agreement with the Municipal Engineer before commencing the work. In the Municipalities test checked, though the agreement was executed with the contractor, the stipulated date of completion of the work was not recorded. Hence, omission to levy penalty due to delay in completion of work could not be ascertained by audit.

1.4.3 Non preparation of Road Map and Road Connectivity plan

Government directed (April 2007) that each Grama Panchayat should prepare a Centralized road map connecting highways and major district roads for submission to Block Panchayat to facilitate preparation of Block Level Road Map. The District Panchayat has to combine the Block Level Maps and prepare a road connectivity plan for the district integrating with the Road Maps of Municipalities and Pradhan Mantri Gram Sadak Yojana (PMGSY). However, no road map and road connectivity plan was prepared in any of the Municipalities test checked.

1.5.1 Maintenance of Registers

1.5.1 Improper maintenance of Cash Book

Guidelines issued (April 2006) by Government for the allocation and drawal of funds stipulated that implementing officers who are drawing and disbursing cash

² Alappuzha, Haripad, Kayamkulam, Mavelikkara and Cherthala

are required to maintain a Cash Book in Form TR 7A. Though the Engineers of the engineering wing drew money from Treasury based on the allotment made by the Secretary of LSGIs for implementation of Public Works, Cash books in proper form were not being maintained in all the six Municipalities test checked. Thus, the Engineers did not account for monetary transactions properly in violation of Government directions and Treasury Rules.

1.5.2 Improper maintenance of Asset Register

Scrutiny of asset registers maintained by the six Municipalities test checked, revealed that complete information of assets such as year of purchase/construction, cost of purchase/construction, date of last maintenance etc., were not recorded. There was no system of recording of complete information of assets to facilitate periodical physical verification, assessment of periodical maintenance, disposal of unserviceable assets etc. Omissions were noticed at the data entry levels which were not yet rectified. Regular updation of recently acquired movable assets and maintenance of asset registers were not ensured by controlling officers.

1.5.3 Deposit Register

The LSGIs implement a number of projects through the executing agencies viz, Kerala Water Authority(KWA), Kerala State Electricity Board(KSEB) and Ground Water Department(GWD) etc., as deposit works. The works are entrusted to these agencies after making payment in advance. None of the test checked Municipalities maintained registers showing details of deposit works, amount advanced, number of works completed, amount pending for adjustment etc.

Alappuzha Municipality, in the years 2013-14 to 2015-16, deposited in advance an amount of ₹468.50 lakh to KSEB for line extension, LED street light (12 works) and ₹14.55 lakh to KWA for pipe line extension and water connections (3 works). We observed that though huge amounts were deposited with KSEB, the details of it were not recorded in a Deposit register as stipulated in the PWD manual.

Chengannur Municipality in the year 2015-16 deposited in advance an amount of ₹5.68 lakh to KSEB for seven works and in the year 2014-15 an amount of ₹2.54 lakh to KWA for one work. The works had not been completed so far (December 2016). We observed that the details of the amounts deposited with KSEB, were not recorded in a Deposit register as stipulated in the PWD manual.

As proper records were not maintained by the above Municipalities, the exact amount pending adjustment could not be ascertained and excess payment, if any, made to the executing agencies could not be ruled out.

1.5.4 Non maintenance of Advance Register

The Kerala Municipal Rules, 1965 and various Government Orders issued from time to time stipulate maintenance of Advance Registers in ULBs for watching

payments and adjustment of advances paid to conveners, contractors, accredited agencies, implementing officers etc. The register was not maintained in any of the test checked Municipalities.

1.5.5 Non-disposal of unserviceable vehicles

When the vehicles become unserviceable/obsolete and cannot be put to use any more, they have to be disposed of without delay to fetch maximum value and to avoid risk of storage and security. We noticed laxity in prompt disposal of unserviceable vehicles.

In Alappuzha Municipality, 29 out of the 44 vehicles, in Cherthala Municipality, four out of 10 vehicles and in Kayamkulam Municipality, seven out of 11 vehicles were unserviceable. The date from which these vehicles became unserviceable was not available in the records produced to audit.

1.6 Lapses in making deductions from work bills

(a) Government, vide notification dated 3 September 2014 promulgated an ordinance amending the Kerala Value Added Tax Act, 2003. According to the amendment of Section 8 (sub clause ii) of the Act, existing three *per cent* Value Added Tax (VAT) had been enhanced to four *per cent*. However, on a scrutiny of payments registers, it was noticed that tax recovered was not at the enhanced rate of four *per cent* in four Municipalities (Kayamkulam, Alappuzha, Cherthala and Chengannur) out of six Municipalities test checked. This had resulted in short levy of VAT amounting to ₹7.56 lakh.

(b) Statutory deductions such as VAT, Income Tax (IT), Kerala Construction Workers Welfare Fund (KCWWF) etc., were to be deducted from the total value of work done by the Contractors. Test check of files related to road work of Kayamkulam Municipality revealed that the above deductions were made on the net value of work after deducting cost of bitumen used in the work, which resulted in short deduction of ₹0.23 lakh towards VAT, IT, KCWWF in three cases.

(c) Test check of files related to road work of Mavelikkara Municipality, revealed that the cost of ₹0.89 lakh for 1805.10 kg bitumen supplied to the contractor on 8 January 2014 for the work “Re-tarring of KSRTC Bus stand road” was not recovered from the contractor’s final payment.

1.7 Conclusion

The review of internal control system in Engineering wing in ULBs revealed that the control system was very weak and inadequate. Rules, Regulations and orders of Government were not complied with properly.

The matter was referred to Government in January 2017; reply had not been received (March 2017).

CHAPTER II

**Finances and Financial Reporting
Issues of
Local Self-Government Institutions**

CHAPTER II
**FINANCES AND FINANCIAL REPORTING ISSUES OF LOCAL SELF-
GOVERNMENT INSTITUTIONS**

2.1 Financial Profile of LSGIs

2.1.1 Funds flow to LSGIs

The resources of LSGIs consist of own revenue such as tax and non-tax revenue, funds devolved by State Government, Government of India (GoI) grants, and loans from financial institutions. During 2015-16, out of the total funds available with LSGIs, State grants constituted 73 per cent, GoI grant 19 per cent and own funds including loans constituted eight per cent.

2.1.1.1 Resources: Trends and Composition

The composition of resources¹ of LSGIs for the period 2011-12 to 2015-16 is given in **Table 2.1**.

Table 2.1: Time series data on resources of LSGIs

(₹ in crore)

Resources	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Own Revenue:						
(i) Tax Revenue	561.79	661.01	662.78	842.64	937.46	3665.68
(ii) Non –Tax revenue	376.69	599.60	640.43	263.15	281.02	2160.89
Total Own Revenue	938.48	1260.61	1303.21	1105.79	1218.48	5826.57
State Fund:						
(i) Traditional Functions	644.98	757.89	900.15	1052.68	1119.83	4475.53
(ii) Maintenance Expenditure (Road Assets and Non-Road Assets)	713.94	1039.45	1386.50	1542.45	1746.22	6428.56
(iii) Expansion and Development	2021.52	2062.61	2701.75	3539.51	3391.88	13717.27
(iv) Funds for State Sponsored Schemes & State share of Centrally Sponsored Schemes	1358.45	1865.73	2069.48	3070.58	4667.98	13032.22
Total State Fund	4738.89	5725.68	7057.88	9205.22	10925.91	37653.58
GoI grants:						
(i) Centrally Sponsored Schemes	1280.72	1603.36	1607.00	1890.06	1969.62	8350.76
(ii) Development and expansion	622.84	979.41	993.94	1369.15	785.42	4750.76
Total GoI grant	1903.56	2582.77	2600.94	3259.21	2755.04	13101.52
Receipts from loans & other sources:						
Loans	39.16	10.27	17.52	15.48	25.59	108.02
Total Receipts	7620.09	9579.33	10979.55	13585.70	14925.02	56689.69

¹**Source:** Details of Own Revenue furnished by Information Kerala Mission (IKM), Finance Accounts of the State for the respective years, information from Commissioner of Rural Development, Kerala Urban and Rural Development Finance Corporation (KURDFC), Kerala Sustainable Urban Development Project (KSUDP) and Kerala State Poverty Eradication Mission (Kudumbashree)

- During the five year period 2011-12 to 2015-16, the increase in total receipts of the LSGIs was 96 *per cent*. Of the total receipts during the five year period, the percentage share of State, Central and Own revenue was 67, 23 and 10 respectively.
- The share of GoI grant to total receipts decreased from 25 *per cent* in 2011-12 to 19 *per cent* in 2015-16.
- The share of State grant to total receipts increased from 62 *per cent* in 2011-12 to 73 *per cent* in 2015-16.

Surrender of funds for State Sponsored Schemes/Centrally Sponsored Schemes

Out of ₹4310.13 crore allotted by the State Government to LSGIs during 2015-16 under twelve heads², ₹310.68 crore was surrendered (**Appendix III**). The major surrender was noticed under the major head 2217- Urban Development. Out of ₹110.80 crore allotted under this head, ₹110 crore was surrendered (99.28 *per cent*). In the case of major head 2501 – Special Programmes for Rural Development, out of ₹884.94 crore allotted ₹149.73 crore was surrendered (16.92 *per cent*) and in the case of major head 2515 – Other Rural Development Programmes, out of ₹39.38 crore allotted, ₹12.35 crore was surrendered (31.36 *per cent*). We noticed that more than 50 *per cent* of the fund allotted under Urban Development was being surrendered every year since 2011-12.

We further noticed that the entire funds allotted under 2217-Urban Development for implementation of projects to reduce poverty and vulnerability of the urban poor households viz, National Urban Livelihood Mission (NULM) and Modernisation of Slaughter Houses were surrendered.

In response to audit query regarding reasons for non utilization of funds, Director of Urban Affairs stated that local bodies were facing various constraints such as obtaining approval from Council, tendering, public protest against the construction of gas crematorium, slaughter houses etc., difficulty to find proportionate ULB ratio contribution from their own funds to Central and State funds and unavailability of viable proposals etc.

2.1.1.2 Transfer of funds from Government to LSGIs

(i) The State Government provides three types of funds to LSGIs from the Consolidated Fund viz., grants, funds for State Sponsored Schemes and State share of Centrally Sponsored Schemes (CSSs). Appendix II to the Detailed Budget Estimates of the Government gives the LSGI-wise allocation of funds. The Heads of Account in the Detailed Budget Estimates for drawal of funds from

²General Education, Medical and Public Health, Urban Development, Welfare of SC/ST, Labour and Employment, Social Security and Welfare, Crop Husbandry, Soil and Water Conservation, Special Programme for Rural Development, Village and Small Industries, Animal Husbandry, Other Rural Development Programmes.

the Consolidated Fund, along with the releases made during 2015-16, are given in **Table 2.2**.

Table 2.2: Categories of funds and their allotment to LSGIs

Sl. No.	Category	Major Head of Account from which Budget Provision is allotted	Amount allotted during 2015-16 (₹ in crore)	Allotment mechanism
1	Grants, World Bank aided Performance grant under KSUDP (ADB ³) assistance, fourteenth Finance Commission award	3604-Compensation and Assignments to Local Bodies and Panchayat Raj Institutions	5917.62	1 st installment of 14 th Finance Commission award was routed through Public Account and other grants directly from Consolidated fund based on allotment.
		3054-Roads and Bridges	1171.73	
Total			7089.35	
2	State Sponsored Schemes	12 Major Heads	4310.13	Routed through State Level
3	State share of CSSs	3 Major Heads	357.85	Nodal Agencies ⁴ /CRD
Grand total			11757.33	

The total fund allotted by the State Government for 2015-16 was ₹11757.33 crore as against ₹10574.37 crore released during 2014-15, an increase of 11.19 per cent.

(ii) **Table 2.3** gives the details of funds allotted by the State Government under various categories⁵ during 2015-16.

Table 2.3: Funds allotted by State Government under different categories during 2015-16 (₹ in crore)

Type of LSGIs	Development Expenditure Fund	Maintenance Expenditure Fund	General Purpose Fund	Total
Corporations	279.74	135.25	149.81	564.80
Municipalities	323.37	193.88	116.88	634.13
District Panchayats (DPs)	623.58	368.05	32.06	1023.69
Block Panchayats (BPs)	623.58	62.03	45.60	731.21
Grama Panchayats (GPs)	1541.61	987.01	775.48	3304.10
Total	3391.88	1746.22	1119.83	6257.93

³ Asian Development Bank

⁴ Kudumbashree, KSUDP, Commissioner of Rural Development (CRD)

⁵ Excluding funds for State Sponsored Schemes & State share of Centrally Sponsored Schemes

(iii) Based on the Third State Finance Commission recommendations, Government implemented (April 2006) the system of drawal of funds from Consolidated Fund to the State's Public Account and then to the deposit account of individual Local Governments.

Government noticed that as a result of drawing funds from the Consolidated Funds to the Public Account, the revenue deficit of the State was increasing irrespective of the actual utilization of the funds by LSGIs. Hence, Government issued orders (March 2015) stating that from 2015-16 onwards, for drawal of funds the existing system of transfer credit from the Consolidated Fund to the Public Account shall be dispensed with except for Central Finance Commission Grant and World Bank aided KLGSDP⁶ Fund. Further, it was also mentioned that drawal of funds for the year 2015-16 would be allowed only after exhausting the funds available in the Public Account. The fund available in the Public Account as on 31 March 2015 was ₹3288.80 crore.

In September 2015, Central Finance Commission Grant and World Bank aided KLGSDP Fund were also included in the newly introduced system.

In the new system, the individual LSGIs can present fully vouched contingent bill to the treasuries and draw directly from the Head of Account 3604 or 3054 of the Consolidated Fund based on the allotment received from State Finance Commission Cell (SFC Cell).

In March 2016, Government directed to transfer credit the funds available in the Public Accounts of Local Governments to the Head of Account 3604-00-911-99 'Deduct Recoveries of Overpayments'. Accordingly, an amount of ₹260.47 crore was transfer credited in March 2016 from the funds available in the Public Account. But an amount of ₹43.85 crore still remained in the public account as given in **Table 2.4**.

As on 31 March 2016, ₹3165.07 crore including (Finance Commission grant ₹367.92 and KLSGDP ₹67.84 crore) of unspent balance remained in Public Account and Consolidated Fund as shown in **Table 2.4**

Table 2.4: Details of funds available in Public Account and Consolidated Fund during 2015-16

(₹ in crore)

Category of fund	Recovery of over payments to 3604-00-911-99 as on 31 March 2016	Unspent Balance as on 31 March 2016	
		Public A/c	Consolidated Fund
General Sector	251.92	29.05	1391.41
Special Component Plan	1.31	2.50	477.29
Tribal Sub Plan	0.14	0.0005	76.47
World Bank aided KLGSDP (Central share)	0.76	1.17	66.67

⁶ Kerala Local Government Service Delivery Project (KLGSDP)

Category of fund	Recovery of over payments to 3604-00-911-99 as on 31 March 2016	Unspent Balance as on 31 March 2016	
		Public A/c	Consolidated Fund
World Bank aided KLGSDP(state share)	0.00	0.00	16.98
Central Finance Commission Grant	0.48	1.48	366.44
General Purpose Fund	0.00	2.36	73.78
Maintenance Fund (Road)	4.49	1.04	384.51
Maintenance Fund (Non-Road)	1.37	6.25	267.67
Total	260.47	43.8505	3121.22

We noticed the following deficiencies in the allotment of Government funds:

- **Delayed allotment of funds**

In the newly introduced system, the allotment for a financial year would be issued by the SFC cell in three instalments on or before 25 of March, July and November every year and the LSGIs can utilize the fund from the first working day of the next month. The allotment not drawn up to 31 March of a financial year will lapse automatically. Audit noticed that there was delay ranging from 24 to 141 days in the allotment of funds in 14 cases out of 20 allotments made during 2015-16. Further, it was noticed that out of ₹4176.42 crore of Expansion and Development fund including Finance Commission grant, ₹923.46 crore (22 per cent) was allotted between 21 and 26 March of 2016. Transfer of funds at the fag end of the year causes rush of expenditure and lapse of fund due to non utilisation. The total lapsed fund was ₹3121.22 crore (44 per cent) out of the total allotment of ₹7043.35 crore.

- **Short allotment of funds to the Local Self Government Institutions**

Under the head Expansion and Development of LSGIs for the year 2015-16, the budget provision was ₹4798.73 crore, whereas the amount allotted was only ₹4177.30 crore. Thus there was short-allotment of ₹621.43 crore. The reason for short allotment of funds is awaited from Government (March 2017).

- **Crediting of Central Funds to State Accounts**

As per the details furnished by the Directorate of Treasuries, the unspent balance of Finance Commission Grant and World Bank Aided Performance Grant under KLGSDP as on 31 March 2016 in the Consolidated Fund was ₹433.11 crore (FC Grant ₹366.44 crore and KLGSDP ₹66.67 crore). Even though as per Government order⁷(March 2015) this amount had to be provided to LSGIs as Additional

⁷ GO (P) No 119/2015/Fin dt 21.03.15, para 2(vi)

authorization/Supplementary Demands for Grants in July 2016, the unspent amount has not been authorized to LSGIs so far (March 2017).

- **Deduction from allocation due to short utilisation**

LSGIs were to utilise at least 50 *per cent* of the allocation for 2013-14 under Development Expenditure Fund and Maintenance Expenditure Fund, failing which the unspent amount would be deducted from the budget allocation for 2015-16. We noticed that ₹14.77 crore was deducted (Development Expenditure Fund: ₹1.27 crore; Maintenance Expenditure Fund: ₹13.50 crore) from budget allocation for 2015-16, due to short utilisation of fund during 2013-14.

- **Non authorization of unspent balance**

As per the revised guidelines (March 2015), for the drawal of funds by LSGIs from the Consolidated Fund, the allotment not drawn by 31 March of a particular year shall be provided through additional authorization/Supplementary Demands for Grants based on the consolidated figures furnished by the Directorate of Treasuries which may be allotted to LSGIs along with the second allotment in July of the subsequent year. We noticed that the unspent balance in Consolidated Fund as on 31 March 2016 included ₹2395.26 crore Development Fund, ₹652.18 crore Maintenance Fund and ₹73.78 crore General Purpose Fund. Out of ₹2395.26 crore of unspent balance of Development Fund, Government authorized (July 2016) an amount of ₹2027.85 crore to Local Bodies. Later the authorization was cancelled (July 2016) on the plea that several discrepancies were reported by the Local Governments on the authorization of funds. Thus the total unspent balance of ₹3121.22 crore has not been authorized to Local Bodies so far (January 2017).

- **Lapse of funds due to non utilization**

An amount of ₹300.43 crore excluding FC Grant and KLGSDP got lapsed due to non utilization of the amount within the year. (Unspent balance in Public Account as on 31 March 2016 ₹41.20 crore and ₹259.23 crore recovered as overpayment).

(iv) The funds released to LSGIs for implementation of annual plans along with the State Plan outlay for the period 2011-12 to 2015-16 are given in **Table 2.5**.

Table 2.5: State Plan outlay vis-à-vis Development Expenditure Fund of LSGIs*(₹ in crore)*

Year	State Plan Outlay	Development Fund of LSGIs	Percentage of Development Fund of LSGIs to State Plan Outlay
2011-12	11030.00	2563.76	23.24
2012-13	14010.00	2942.02	21.00
2013-14	17000.00	3645.69	21.45
2014-15	20000.00	4858.66	24.29
2015-16	20000.00	4177.30	20.89
Total	82040.00	18187.43	22.17

Development Fund devolved to LSGIs constituted 20.89 *per cent* of the State Plan outlay for the year 2015-16 while it was 24.29 *per cent* during 2014-15.

2.1.1.3 Receipts from GoI

The category-wise release of fund by GoI during 2015-16 is given in **Table 2.6**

Table 2.6: Category-wise release of GoI fund

Category	Amount (₹ in crore)
Fourteenth Finance Commission grant	785.42
ADB assisted KSUDP	46.00
Centrally Sponsored Schemes	1969.62
Total	2801.04

Audit noticed a decrease of ₹458.17 crore in release of fund under the above categories when compared to 2014-15.

GoI grant for implementation of CSSs

The GoI provided grants amounting to ₹1969.62 crore to LSGIs for implementation of 11 flagship CSSs. The grants were provided to LSGIs through State Budget/State Level Nodal Agencies (SLNAs)/Poverty Alleviation Units (PAUs), etc. The details of GoI grants transferred to LSGIs for implementation of CSSs during 2015-16 are given in **Table 2.7**.

Table 2.7: Release of GoI grant for CSSs during 2015-16

Sl.No.	Authority/Agency through which the grant was released	Details of scheme	Amount (₹ in crore)
1	State Budget	Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	1.75
		Smart City	2.00
2	Directly to State Level Nodal Agencies	Basic Services to the Urban Poor (BSUP)	3.33
		Rajeev Gandhi Awas Yojana(RAY)	11.49
		National Rural Livelihood Mission(NRLM)/ National Rural Livelihood Project(NRLP)	13.54
		DDU-GKY (Ajeevika Skills)	1.39
		National Resource Organisation (NRO)	12.30

Sl.No.	Authority/Agency through which the grant was released	Details of scheme	Amount (₹in crore)
3	Directly to Poverty Alleviation unit	Indira Awas Yojana (IAY)	357.17
		Swachh Bharath Mission (Gramin) (SBM)	20.31
		Pradhan Mantri Krishi Sinchai Yojana(PMKSY)	20.00
	By online transfer to the Joint Bank Account of District Programme Co-ordinator and Joint Programme Co-ordinator	Mahatma Gandhi National Rural Employment Guarantee Act(MGNREGA)	1526.34
Total			1969.62

In addition to the GoI grants of ₹1969.62 crore, the State Government provided ₹357.85 crore as its share for implementation of CSSs. Thus, the total fund for implementation of CSSs during 2015-16 was ₹2327.47 crore as against ₹2076.38 crore during 2014-15.

2.1.1.4 Own funds of LSGIs

Own funds consist of tax⁸ and non-tax revenue⁹ collected by LSGIs as per provisions of Kerala Panchayat Raj Act, 1994 (KPR Act)/Kerala Municipality Act, 1994 (KM Act) and allied Acts. This category also includes income derived from assets of LSGIs, beneficiary contributions, Earnest Money Deposits, Retention money, etc. As per the details furnished by Information Kerala Mission(IKM), own revenue of 1200 LSGIs for 2015-16 amounted to ₹1218.48 crore (Tax revenue ₹937.46 crore and Non Tax revenue ₹281.02 crore). Audit observed that during 2015-16, though there was increase in collection of revenue, the collection of Non Tax revenue has to be improved.

Though the fourteenth Finance Commission and fourth State Finance Commission had recommended to augment collection of own revenue, we observed the following deficiencies on the part of Municipalities in improving collection of tax revenue.

(i) Based on the recommendations of the State Finance Commission, the basis for calculation of property tax has been changed from annual value to plinth area of buildings with effect from 1 April 2011 and 1 April 2013 in respect of new buildings and existing buildings respectively. The system was adopted to bring uniformity in property tax assessment and make it more transparent besides increasing own revenue. Of the total 93 ULBs, information received from 46 ULBs showed that 24 ULBs have not implemented the plinth area basis for calculation of property tax so far.

⁸ Property tax, Profession tax, Entertainment tax, Advertisement tax, etc.

⁹ Licence fee, Registration fee, etc.

(ii) Government issued orders (March 2012) for implementation of Fourth State Finance Commission recommendation for creation of a Geographic Information System (GIS) based database of property tax assessment procedure which is successfully implemented in various Indian cities. This has not been implemented by any of the LSGIs in the state.

2.1.1.5 Loans availed by LSGIs

As per provisions of Kerala Local Authorities Loans Act, 1963, LSGIs raise loans from State Government, KURDFC, Co-operative Banks, HUDCO¹⁰, etc. **Table 2.8** gives the details of loans availed by LSGIs during 2015-16.

Table 2.8: Loans availed by LSGIs during 2015-16

(₹ in crore)

Source of loan	Loan availed during 2015-16	Loan outstanding as on 31 March 2016
State Government	Nil	93.12
KURDFC	23.99	48.70
Co-operative Bank	Nil	2.88
HUDCO	1.60	1.62
Total	25.59	146.32

2.1.1.6 Application of Resources: Trends and Composition

In terms of activities, total expenditure constitutes expenditure on Productive Sector, Infrastructure Sector, Service Sector and other expenditure¹¹. As per the details obtained from the IKM, the total expenditure incurred by LSGIs during 2015-16 amounted to ₹7766.90 crore.

Table 2.9 below shows the composition of application of resources of LSGIs from all sources of funds on these components for the period from 2011-12 to 2015-16.

Table 2.9: Application of resources

(₹ in crore)

Sector	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Productive Sector	595.77	355.82	459.24	493.10	453.78	2357.71
Infrastructure Sector	1343.41	1528.58	2684.02	2619.76	3258.41	11434.18
Service Sector	2306.59	2182.48	2945.85	3022.01	3160.14	13617.07
Total Development Expenditure	4245.77	4066.88	6089.11	6134.87	6872.33	27408.96

¹⁰ Housing and Urban Development Corporation Limited

¹¹ Salaries and honorarium, contingency expenditure, other administrative expenditure, terminal benefits, etc.

Sector	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Other Expenditure	2618.88	2638.35	2062.85	1227.98	894.57	9442.63
Total Expenditure	6864.65	6705.23	8151.96	7362.85	7766.90	36851.59
Percentage of Development Expenditure to Total Expenditure	61.85	60.65	74.70	83.32	88.48	74.38

Source: Details furnished by IKM

- During 2015-16, of the total development expenditure of ₹6872.33 crore from all sources of fund, ₹3258.41 crore i.e., 47.41 per cent was utilised for projects under infrastructure sector.
- Modified guidelines of the 12th Five year plan of LSGIs emphasized the need to give priority to projects under Productive sector, since it was the most neglected sector with a meager expenditure of ₹453.78 crore out of total expenditure of ₹6872.33 crore (6.60 per cent).

2.1.1.7 Public investment in social sector and rural development through major Centrally Sponsored Schemes

Public investment in social sector and rural development through major CSSs are made to LSGIs through agencies such as Poverty Alleviation Units (PAU) and State Level Nodal Agencies (SLNAs) (*viz.*, Kudumbashree, KSUDP, CRD, etc.). The grants for CSSs enjoin upon sanctioning authorities in GoI the responsibility to ensure proper utilisation of grant money. This is to be achieved through receipt of progress reports, utilisation certificates and internal audit of scheme accounts in LSGIs.

Out of ₹3162.96 crore¹² available for implementation of CSSs, substantial portion of the funds amounting to ₹601.28 crore were lying unspent with agencies *viz.*, PAU (₹331.99 crore), Kudumbashree (₹160.05 crore) and KSUDP (₹109.24 crore), thereby defeating the purpose for which the funds were earmarked and released. Out of ₹2561.68 crore released, the expenditure incurred by LSGIs was ₹1899.46 crore (74.15 per cent). The balance amount of ₹662.22 crore remained unutilised with LSGIs. Thus, out of the total amount of ₹3162.96 crore available for utilisation under CSSs, ₹1263.50 crore remained unutilised with various agencies. Unutilised fund mainly related to IHSDP (₹358.02 crore), IAY (₹234.81 crore), JNNURM (₹185.19 crore), MGNREGS (₹131.57 crore).

¹²The fund retained by the Nodal agencies in 2014-15 was not furnished as the OB during the year 2015-16.

2.1.2 Implementation of projects by LSGIs

Under decentralised planning, LSGIs in the State formulated 2,30,393 projects with a total outlay of ₹12523.36 crore during 2015-16. Of these, the LSGIs had taken up 1,75,506 projects (76 per cent) for implementation and had spent ₹6872.33 crore on the projects. Of the projects taken up for implementation, only 1,54,868 projects (88 per cent) were completed during 2015-16 at a cost of ₹5662.33 crore. The details are given in **Table 2.10**.

Table 2.10: Details of projects taken up and expenditure incurred

Type of LSGI	Number of projects			Amount (₹ in crore)			Percentage of expenditure on projects taken up to total outlay of projects formulated
	Formulated	Taken up	Completed	Outlay on projects formulated	Expenditure on projects taken up	Expenditure on projects completed	
Grama Panchayat	173713	134591	120124	6344.28	3908.70	3281.79	61.61
Block Panchayat	13095	10550	9278	1818.31	709.90	634.94	39.04
District Panchayat	12193	7548	6368	1801.68	975.47	795.17	54.14
Municipality	24774	18285	15468	1571.39	786.61	600.06	50.06
Corporation	6618	4532	3630	987.70	491.65	350.37	49.78
Total	230393	175506	154868	12523.36	6872.33	5662.33	54.88

Source: Details furnished by IKM

With reference to the outlay of projects formulated, the percentage utilisation of funds was only 54.88. The shortfall in implementation of projects was noticed mainly in BPs, followed by Corporations.

2.1.3 Misappropriation, loss, defalcation, etc.

The Kerala Financial Code stipulates that each Drawing and Disbursing Officer should report all cases of loss, theft or fraud to the Principal Accountant General and the Government. The Government is required to recover the loss, fix responsibility and remove systemic deficiency, if any. A consolidated statement of the details of misappropriations, losses, theft and fraud is not available with the Government.

Table 2.11 shows the details of misappropriation/defalcation reported to the Director of Urban Affairs, Commissioner of Rural Development, Project Director of KSUDP and Director of Panchayats.

Table 2.11: Misappropriation, loss, defalcation

Type of LSGIs	Amount (₹ in lakh) (Number of cases in bracket)					Total
	2011-12	2012-13	2013-14	2014-15	2015-16	
Corporations	0.82(1)	1.52(3)	--	---	0.40(2)	2.74 (6)
Municipalities	--	--	1.29(2)	1.75(1)	--	3.04(3)
Block Panchayats	22.14(5)	92.36(1)	0.32(2)	324.69(8)	142.86(11)	582.37(27)
Grama Panchayats	1.13(3)	1.57(3)	18.33(8)	2.13(2)	10.17(6)	33.33(22)
KSUDP	13.78(2)	--	--	2.87(2)	--	16.65(4)
Total						638.13(62)

Source: Director of Urban Affairs, Commissioner of Rural Development, Project Director KSUDP and Director of Panchayats

2.2 Financial, Administrative and Reporting Issues

Financial reporting in LSGIs is a key element to ensure accountability by executives. The financial administration of LSGIs including budget preparation, maintenance of accounts, monitoring of expenditure, etc., is governed by the provisions of KPR Act, 1994, KM Act, 1994, Kerala Panchayats (Accounts) Rules, 1965, Kerala Municipal Accounts Manual, Kerala Financial Code, guidelines, standing orders and instructions. Shortcomings in the financial administration of LSGIs are mentioned below:

2.2.1 Budget

As per KPR Act and KM Act, the budget proposals containing detailed estimate of income and expenditure were to be placed by the Standing Committee for Finance before the LSGI not later than the first week of March. Though the LSGIs passed the budget before the beginning of the year, there was delay in presentation of budget by 33 (24 GPs, five BPs, and four Municipalities) out of 82 LSGIs test-checked. The budgets were passed on the day of their presentation itself in 25 GPs, five BPs, and in four Municipalities. Further, expenditure in excess of the budget provision was seen in five GPs, one BP and one DP without passing of supplementary budget. In three GPs and one Municipality, expenditure was incurred on projects that were not included in the budget. (**Appendix IV**).

2.3 Arrears in accounts

According to Kerala Local Fund Audit Act, 1994 (KLFA Act), it was mandatory for LSGIs to submit their accounts to Director of Local Fund Audit (DLFA), since renamed as Director of Kerala State Audit Department (KSAD), for audit by 31 July every year. Further, Rule 16 of KLFA Rules empowers KSAD to carry out proceedings in a Court of Law against the Secretaries of LSGIs who

default in the submission of accounts. As on 31 July 2016, seventeen accounts pertaining to the period from 1997-98 to 2005-06 were in arrears.

2.4 Arrears in audit and issue of audit reports

As per KLFA Act, KSAD is to complete the audit of accounts submitted by LSGIs within six months of receipt of accounts and issue Audit Report within three months from the date of completion of audit.

Out of the total 21,862 accounts received by KSAD pertaining to the period from 1997-1998 to 2014-15, Audit Reports were issued in respect of 21,817 accounts (January 2017) and 45 (0.2 *per cent*) Audit Reports were not issued.

2.4.1 Surcharge and Charge imposed by the KSAD

Section 16(1) of KLFA Act, 1994 empowers the KSAD to disallow any illegal payment and surcharge the person making or authorizing such illegal payment. KSAD can also charge any person responsible for the loss or deficiency of any sum which ought to have been recovered.

During the period 2009-10 to 2015-16, KSAD had issued 100 charge certificates for ₹120.99 lakh and 508 surcharge certificates for ₹373.15 lakh. Against the total charge/surcharge amount of ₹494.14 lakh, only ₹19.86 lakh were realised (4.02 *per cent*). Responsibility may be fixed upon person accountable for making such loss to LSGIs.

2.5 Results of Supplementary Audit

The Comptroller and Auditor General of India conducted supplementary audits under Section 20(1) of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 in respect of the accounts of 57 GPs, 13 BPs, two DPs and ten Municipalities during the year 2015-16. The findings of such audit are given in subsequent paragraphs.

2.5.1 Quality of Annual Financial Statements

The KPR Act, 1994 read with the Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and the KM Act, 1994 read with Kerala Municipality (Manner of Inspection and Audit System) Rules, 1997 stipulate that the PRIs/ULBs shall prepare Annual Financial Statements (AFS) containing all receipts and payments, Balance sheet, Income and Expenditure statement and forward them to Director, Kerala State Audit Department (KSAD) after approval by the Panchayat/Municipal Council/Corporation Council not later than 31 July/31 May/31 May respectively of the succeeding year. Deficiencies noticed in the AFS submitted to KSAD are mentioned below.

The AFS of 30 GPs, five BPs, two DPs and seven Municipalities did not contain all the transactions. In three GPs, closing balance of AFS of previous years did not match with the opening balance of next year's AFS. In the Cash book/Pass

book of one Municipality, two BPs and three GPs, the closing balance/opening balance did not agree with AFS. Appending statements of AFS were not prepared/submitted by six Municipalities, two DPs, two BPs and 25 GPs (**Appendix V**).

2.5.2 Preparation of Monthly Accounts

As per Government order about the maintenance of Panchayat/ULB accounts, every Panchayat/ULB shall prepare accounts for every month and place the same before the Panchayat Committee/Council at its first meeting held after the tenth day of the succeeding month. Monthly Accounts were not prepared in six GPs and two BPs (**Appendix VI**).

2.5.3 Stock verification

Physical verification of stock was not done by six GPs, two BPs and one Municipality (**Appendix VII**).

2.5.4 Maintenance of primary financial records

(a) Deposit Register

As per paragraph 3.37 of the Government order of June 2003, which prescribed the Accounting Format of Panchayats, each institution has to maintain Deposit Register to watch the receipts as well as adjustment of deposits. The procedures prescribed for the maintenance of Advance Registers were to be followed in the maintenance of Deposit Register. Maintenance of Deposit Register was incomplete in one BP and two GPs (**Appendix VIII**).

(b) Asset Register

Kerala Panchayat (Accounts) Rules, 1965, Kerala Municipal Accounts Manuals and Government Order (December 2005) stipulate that each LSGI should maintain records of assets owned by it. The Asset Register maintained by 12 GPs, two BPs and two Municipalities was incomplete. Improper maintenance of Asset Register would have adverse impact on physical verification and proper inventorisation of the assets (**Appendix VIII**).

2.6 Conclusion

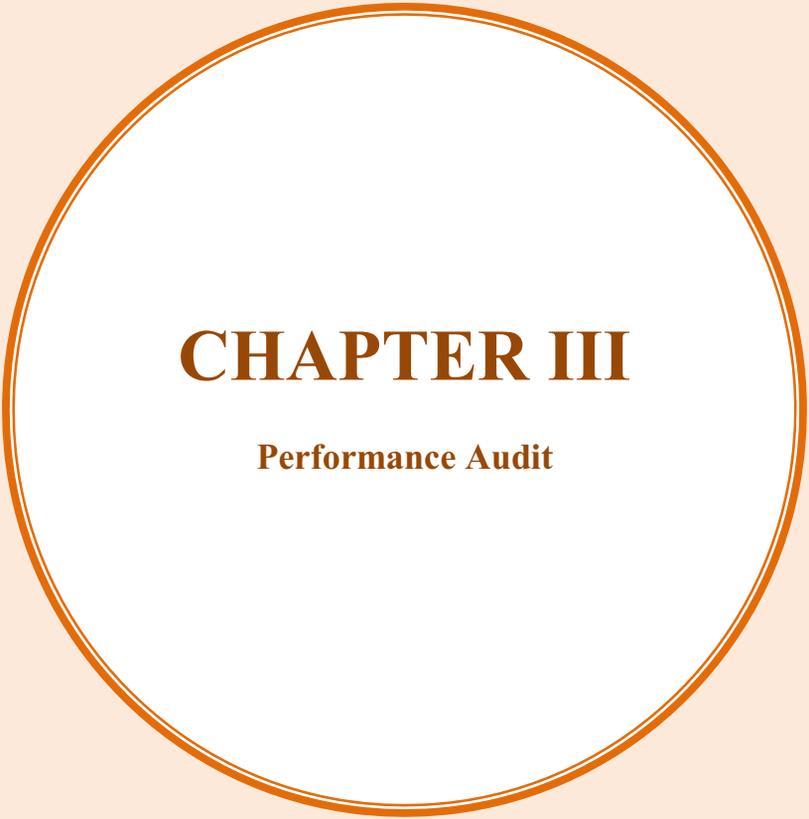
- During the five year period 2011-16, there was 96 *per cent* increase in total receipts of the LSGIs. Of the total receipts during the five year period, the percentage share of State, Central and Own revenue was 67, 23 and 10 respectively. The LSGIs need to make serious efforts to augment revenue collection.
- The amount spent on Productive sector accounted for only 6.60 *per cent* of the total Development Expenditure during 2015-16 and 8.60 *per cent* during the last five years 2011-12 to 2015-16, indicating that the LSGIs had given low

priority to Productive Sector like Agriculture, Animal Husbandry, Fishing, Industries etc. The Government should analyse the reasons for low expenditure to enable the LSGIs to utilise the fund productively. The Government should also fix a target for expenditure in the productive sector.

- Out of ₹3162.96 crore available for implementation of Centrally sponsored scheme, an amount of ₹662.22 crore was retained by SLNA/PAUs/KSUDP thereby defeating the purpose for which the funds were earmarked and released by GOI/State Govt.

- A total number of 62 cases of misappropriation/defalcation involving ₹6.38 crore pertaining to LSGIs for the period 2011-12 to 2015-16 was reported to heads of department, which were pending disposal.

The matter was referred to Government in February 2017; reply is awaited.



CHAPTER III

Performance Audit

CHAPTER III PERFORMANCE AUDIT

3.1 IMPLEMENTATION OF ADB AIDED KERALA SUSTAINABLE URBAN DEVELOPMENT PROJECT

Highlights

Kerala Sustainable Urban Development Project (KSUDP) is an Asian Development Bank (ADB) loan project of Kerala State, meant to improve the urban environment, economy and living conditions of people living in urban areas covered under the project. The project covered five Municipal Corporations in Kerala, viz., Thiruvananthapuram (TVM), Kollam, Kochi, Thrissur and Kozhikode. Of the total project cost of ₹1422.50 crore, ADB loan was \$221.20 million (₹995.40 crore), and the balance amount was to be provided by GoK \$59.8 million (₹269.1 crore) and the Corporations \$35.1 million (₹158 crore). The effective date of loan was 08 February 2007 with the repayment period stretching over 25 years, including a grace period of five years. The project originally slated to be completed by 30 June 2012 was extended up to 30 June 2016.

The important findings of the Performance Audit are mentioned below:

Out of 24 projects taken up for implementation in five Corporations, only seven projects have been completed.

(Paragraph 3.1.6)

Cancellation of the component ‘Part- C Local Government Infrastructure Improvement’ due to non-operationalizing Kerala Local Government Development Fund (KLGDF) resulted in forgoing ₹67.50 crore ADB loan meant for financing infrastructure projects in 53 Municipalities in the State.

(Paragraph 3.1.7.1)

Fifteen contracts valuing ₹330.12 crore were short closed rendering the expenditure of ₹77.34 crore incurred on these projects unfruitful.

[Paragraph 3.1.7.2 (a)]

The progress in implementation of Sewerage component was very poor with 96 per cent of the contracts yet to be completed.

(Paragraph 3.1.8.1)

Irregular enhancement of 73 per cent allowed on Kollam sewerage projects against 10 per cent allowable resulted in irregular payment of ₹3.85 crore.

(Paragraph 3.1.9.2)

Decision of Empowered Committee to release the liquidated damages amounting to ₹1.62 crore collected from the contractor, in respect of sewerage package in TVM Corporation, violated contract conditions.

(Paragraph 3.1.9.3)

Lapses in implementing resettlement plan resulted in retracting ADB loan amounting to ₹13.10 crore given for Kollam road improvement work.

(Paragraph 3.1.11.1)

Assets worth ₹37.46 crore acquired in connection with the project were idling.

(Paragraph 3.1.12)

Despite extending the project period by four years, the Corporations could avail only 51.48 per cent of the original loan sanctioned.

(Paragraph 3.1.14.1)

Despite periodical reminders given by ADB, GoK failed to cancel in time the portions of loan relating to projects which were not likely to be completed within the stipulated period, resulting in payment of commitment charges amounting to ₹43.68 crore to ADB.

(Paragraph 3.1.14.2)

The Corporations did not contribute funds for the project and ₹50.67 crore was due from Corporations to GoK towards their share of contribution for the project.

(Paragraph 3.1.14.3)

Kerala Water Authority and PWD retained unused deposits of ₹1.96 crore and ₹17.32 crore respectively given for project implementation.

(Paragraph 3.1.14.4)

Mobilization advances given to contractors amounting to ₹19.46 crore relating to short closed/ongoing works were pending recovery.

(Paragraph 3.1.14.5)

3.1.1 Introduction

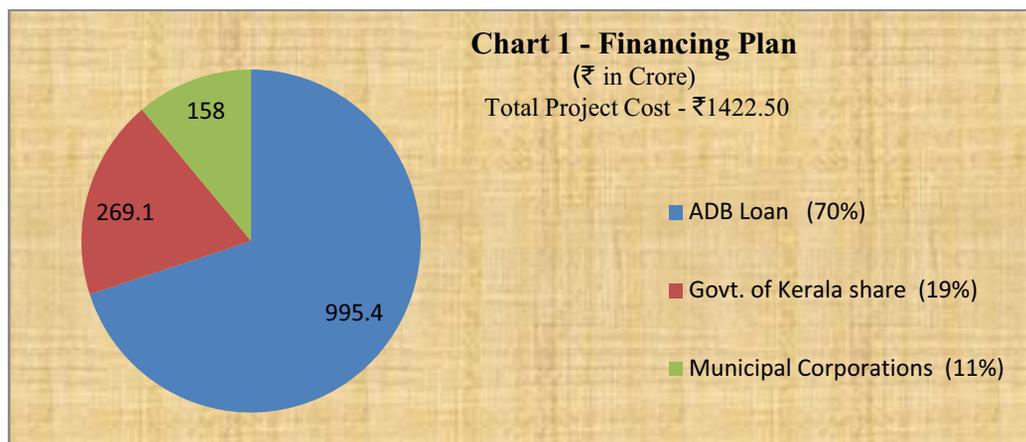
Kerala Sustainable Urban Development Project (KSUDP), a ₹1422.50 crore project substantially funded (₹995.40 crore) by the Asian Development Bank (ADB) was aimed at improving the urban environment, economy and living conditions of people living in five¹ Municipal Corporations (Corporations) of the State. The remaining project cost was to be met by the Government of Kerala (GoK) (₹269.10 crore) and the Corporations (₹158 crore). The loan agreement between Government of India (GoI) and ADB was signed on 8 December, 2006 and GoK ratified (March 2007) the Project agreement to avail the ADB loan for the KSUDP.

Administrative Sanction for the project was accorded by GoK in July 2007. The effective date of loan was 08 February 2007. GoK started repaying the loan amount along with interest² from January 2011 onwards and the repayment had

¹ Thiruvananthapuram (TVM), Kollam, Kochi, Thrissur and Kozhikode

² The principal amount of the loan withdrawn from time to time bears interest at a rate equal to the sum of London Inter Bank Offered Rate (LIBOR) plus 0.60 per cent.

to be made over a period of 20 years. The project originally slated to be completed by 30 June 2012 was extended twice, first up to 30 June 2014 and then up to 30 June 2016³.



3.1.2 Organizational setup

The Local Self Government Department (LSGD) of GoK was the Executing Agency (EA) of the Project. While a State-level Empowered Committee (EC) headed by the Minister, LSGD was fully empowered to decide on all matters related to the Project including according of approvals, sanctions, monitoring implementation of loan covenants agreed with the ADB and issuing covenants, a Project Management Unit (PMU) headed by a Project Director (PD) was responsible for overall project implementation, monitoring and supervision in the State. A State-level Coordination Committee (CC) headed by the Principal Secretary, LSGD was to ensure the smooth functioning of the Project. Municipal Corporations were the Implementing Agencies for the Project. There was also a Project Implementation Unit (PIU) in each Corporation manned by experts in various spheres. The agreement with the ADB also provided for setting up of three consultancy services viz., Technical Support Unit (TSU), Design and Supervision Consultants (DSC) and Project Performance Monitoring System Consultant (PPMS). Constitution of various authorities/consultants and their role in implementation of the projects are detailed in **Appendix IX**.

3.1.3 Audit objectives

The performance audit was conducted to ensure whether

- The institutional arrangements envisaged under the scheme were put in place and effectively utilized for the successful implementation of the scheme; and
- Works were identified and carried out economically, efficiently and effectively in accordance with rules.

³ ADB closed the loan account on 25 November 2016 reimbursing all eligible expenditures incurred up to 30 June 2016.

3.1.4 Audit Criteria

Audit criteria were derived from the following:

- Kerala Municipality Act 1994
- Project Administration Memorandum (PAM) of the ADB Project
- Kerala Public Works Department (KPWD) Manual
- Agreements entered into with the consultants/contractors/ implementing agencies
- Orders and Circulars issued by Government of Kerala

3.1.5 Scope and Methodology of audit

The Performance Audit of the ADB Aided Kerala Sustainable Urban Development Project covering the period 2007-08 to 2016-17 was conducted from June 2016 to December 2016. The Performance Audit commenced with an entry meeting (June 2016) with the Principal Secretary, LSGD where the audit objectives, criteria and audit methodology were discussed in detail. Audit methodology included scrutiny of records maintained in the selected offices and in the departments of Finance, Local Self Government Department (LSGD) and Kerala Water Authority (KWA), site verification etc. All the five Municipal Corporations implementing the scheme were selected for audit. The KSUDP comprised of four components

- A. Urban Infrastructure and Services Improvement like water supply, sewerage and sanitation, urban drainage, solid waste management, etc.,
- B. Urban Community Upgrading⁴,
- C. Local Government Infrastructure Development⁵ and
- D. Support for Capacity Building and Project Management.

Of the 74 contract packages taken up relating to the Urban Infrastructure Development under Component A viz., water supply, sewerage, solid waste management and urban road transport, we selected 41 packages for detailed scrutiny using Systematic Sampling methodology as detailed in **Appendix X** and conducted a general check in respect of components B, C and D taken up under the Project. An Exit Conference was conducted in March 2017 with the Secretary, LSGD during which the audit findings were discussed in detail.

3.1.6 Overview of status of implementation of KSUDP

Under KSUDP, the five Corporations initiated 24 Projects on activities like construction/rehabilitation and extension of existing sewerage and water supply systems, storm water drainage, solid waste management, improvement of roads and bridges, etc., under 'Part -A Urban Infrastructure and Services Improvement' which were proposed in 102 Packages as shown in **Appendix XI**. We observed

⁴Integrated interventions for basic infrastructure and services improvements and livelihood enhancement for poor communities.

⁵Aimed at providing ULBs in Kerala other than five Corporations, with finance for implementing sub-projects under urban infrastructure

that at the close of the loan period, 55 of the 102 packages were completed and 28 packages were not taken up as discussed in para 3.1.7.3. The number of projects completed by the Corporations during the project period was poor, as shown below.

Table 3.1: Progress of implementation of projects

Name of Corporation	Projects targeted	Projects Completed	Contracted Amount (₹ in crore)	Actual Expenditure (₹ in crore)	Per cent spent
Thiruvananthapuram	3	1	162.07	84.83	52.34
Kollam	6	2	185.52	87.37	47.09
Kochi	5	0	307.09	113.16	36.85
Thrissur	5	3	119.67	104.64	87.44
Kozhikode	5	1	224.79	80.47	35.80
Total	24	7	999.14	470.47	47.09

We observed deficiencies in implementation of the Project resulting in financial loss to GoK, apart from failure to complete the proposed works, as shown in the following paragraphs.

Audit Findings

3.1.7 Formulation and implementation of projects

3.1.7.1 Cancellation of component ‘Local Government Infrastructure Development’

The KSUDP comprised of four components of which the component ‘C - Local Government Infrastructure Development’ was aimed at helping 53 Municipalities in the state other than the five Corporations to develop and finance sub projects on water supply, sanitation, solid waste management, roads, transportation, and other urban infrastructure. It was envisaged that these works would contribute to improvement in the living standards of the urban population. Under the component, it was envisaged that Kerala Local Government Development Fund (KLGDF) would be set up for enabling LSGIs to obtain necessary long term resources for creation and maintenance of quality civic infrastructure and enter into viable and sustainable partnerships with government and non-government agencies for capacity building and sustainable development in their areas. Of the estimated cost of \$54 million for the component, ADB’s share of financing was \$15 million. The balance \$39 million was to be financed by GoK through KLGDF as the financial intermediary.

We observed that even though the KLGDF was constituted (January 2010), a proposal to restructure the existing Kerala Urban and Rural Development Finance Corporation (KURDFC) into an Asset Management Company (AMC) for managing the assets and investments of the KLGDF did not materialize. Failure of GoK to operationalize the KLDGF led to cancellation of the component by

ADB and cancellation of the corresponding loan portion of ₹67.50⁶ crore. Thus, the only component in the KSUDP for improving the living standards of urban population of 53 Municipalities did not materialize.

GoK replied that even though the possibility of channeling ADB funds to ULBs through a simplified mechanism was looked into, the same could not be materialized due to procedural delays.

3.1.7.2 Tardy implementation of projects

Detailed scrutiny of six sub components like water supply, sewerage, storm water drainage, solid waste management, equipment for solid waste management and urban road transport under 'A- Urban Infrastructure and Services Improvement' of KSUDP was conducted by Audit and the status of progress (November 2016) in implementation is as follows.

Table 3.2: Status of items of works undertaken relating to the component 'A-Urban Infrastructure Improvement'

(₹in crore)

Component	Total		Status of Works					Expenditure as on 30 November 2016
			Completed		Ongoing	Deferred ⁷	Short closed ⁸	
	No. of contracts	Estimated Amount	No. of contracts	Per cent completed	No. of contracts	No. of contracts	No. of contracts	
Water Supply	10	103.18	7	70	1	-	2	92.31
Sewerage	21	581.77	2	10	3	7	9	139.39
Storm Water Drainage	11	88.94	9	82	-	2	-	69.98
Solid Waste Management	6	17.99	2	33	-	-	4	10.70
Solid Waste Management equipments	38	27.40	25	66	-	13	-	14.50
Roads & transportation	16	179.86	10	63	-	6	-	143.59
Total	102	999.14	55	54	4	28	15	470.47

⁶\$15 million- at the exchange rate of ₹45 per USD which prevailed at the time of loan agreement.

⁷ Deferred works are projects which are not at all taken up for implementation, since they are either proposed for implementation under some other schemes of the Corporation, or which cannot be implemented due to non implementation of related projects by Corporation.

⁸ Projects terminated due to practical difficulties encountered during implementation like public protests, environmental issues, etc.

It can be seen that of the 102 contracts issued for completion of six sub components under Urban Infrastructure Improvement, only 55 contracts had been completed (November 2016). While four works were ongoing, 43 works were either deferred or short closed. Our observations on the ongoing works which remain to be completed after the loan period, works which were short closed and deferred works are given below.

GoK replied that high tender excess, delay in making available required land by Corporations, delay in decision making by EC, poor performance of certain contractors, frequent change of Project Directors/PIU staff, lack of ownership from KWA, etc., contributed to the tardy implementation of projects.

(a) Works short closed

As per the Project Administration Memorandum (PAM), a Coordination Committee with the Principal Secretary, LSGD as Chairman was entrusted with the task of regular monitoring of Project activities and decision making to facilitate removal of bottlenecks that could arise during the course of Project implementation. We noticed that fifteen contracts valuing ₹330.12 crore were short closed or terminated citing reasons such as public protests, environmental issues, delay in getting road cutting permission, etc. This reflected the failure of the Coordination Committee to discharge its mandated responsibility, rendering the expenditure of ₹77.34 crore incurred on these projects unfruitful, as shown in **Appendix XII**.

(b) Works Ongoing

The following four projects were pending completion at the time of closure of the loan account by ADB.

Table 3.3: Details of ongoing works

(₹ in crore)

Sl. No	Details of work	Contract value	Expenditure	Reason for pendency
1	Kollam - KLM-SS-01 Sewerage	34.05	13.51	Public protest, which is being resolved
2	Kollam – KLM-SS-02 Sewerage	55.91	18.05	
3	Kochi – KCH-WS-01 Water supply	14.35	8.95	Poor performance of the contractor
4	Kozhikode – KZD-SS-03B Sewerage Treatment Plant	29.08	4.68	Involvement of High Court and National Green Tribunal
	TOTAL	133.39	45.19	

Based on the rates at which works were awarded, the cost of completion of the four ongoing and 15 short closed projects would be ₹340.98 crore⁹. The PMU has

⁹ ₹88.20 crore relating to pending projects and ₹252.78 crore relating to short closed projects

estimated that an amount of ₹710 crore would be required for completing all the incomplete/ short-closed works within the next three to five years.

Recommendation –1: Government should chalk out a definite plan to complete all short closed and incomplete projects in a time bound manner identifying proper sources of financing.

3.1.7.3 Works Deferred

Twenty eight out of 102 contracts envisaged for implementation under the component ‘Part A- Urban Infrastructure Improvement’ were not taken up at all and were deferred. Details of deferred packages are given below.

Table 3.4: Details of deferred works

Name of Corporation	Total Original Packages	Deferred packages	
		Numbers	Estimated amount (₹crore)
Thiruvananthapuram	9	3	19.52
Kollam	30	7	29.31
Kochi	24	5	60.67
Thrissur	13	3	4.02
Kozhikode	26	10	65.36
Total	102	28	178.88

The works were deferred due to including them under other schemes of the Corporations, land acquisition problems, resettlement/environmental issues etc. On account of deferring these packages, GoK lost the opportunity to avail ADB loan of ₹125.22 crore (70 per cent ADB share).

3.1.8 Status of Implementation of Sewerage works

Of the total contracted amount of ₹999.14 crore under ‘Part A- Urban Infrastructure Improvement’, ₹581.77 crore (58 per cent) was envisaged to be expended on sewerage works. The implementation of the works was not satisfactory as shown in the following paragraphs.

3.1.8.1 Entrustment of sewerage works to incompetent agency

The PAM provided for rehabilitating and expanding sewerage networks in four¹⁰ Municipal Corporations as also construction of Sewage Treatment Plants (STP). As per Memorandum of Understanding entered into with KWA (November 2007), GoK entrusted the implementation of works relating to rehabilitation of existing sewages/water supply schemes under KSUDP to KWA. From the following table it can be seen that the progress in implementation of Sewerage component was very poor with 96 per cent of the contracts yet to be completed (November 2016).

¹⁰Thiruvananthapuram, Kollam, Kochi and Kozhikode

Table 3.5: Progress of implementation of sewerage packages

Name of the Corporation	No. of packages taken up	Contract Amount (₹ in crore)	No. of packages Completed	No. of packages Short closed	No. of ongoing packages	No. of packages deferred	Total Expenditure (₹ in crore)
Thiruvananthapuram	5	109.40	1	2	-	2	52.12
Kollam	3	107.91	-	0	2	1	28.41
Kochi	7	223.65	1	4	0	2	41.18
Kozhikode	6	140.81	-	3	1	2	17.68
Total	21	581.77	2	9	3	7	139.39

Out of 21 sewerage contracts involving ₹581.77 crore, only two contracts relating to the construction of STP at Muttathara (TVM Corporation) valuing ₹42.70 crore and land filling work for STP at Mundaveli, West Kochi valuing ₹2.87 crore were completed. In the other 12 sewerage contracts (including three ongoing and nine short closed/terminated contracts), the progress in physical implementation ranged between zero *per cent* and 40 *per cent* (December 2016). We observed that even though expenditure on Sewerage was very high as compared with the other components, 78 *per cent* of the expenditure actually incurred for sewerage projects related to purchase of pipes, mobilization advance and payment of road cutting charges while only 22 *per cent* was spent on civil works like laying pipes, giving sewerage connection etc (**Appendix XIII**).

We also observed from the Minutes of a review meeting convened by the Chief Secretary (July 2016) that GoK was aware that KWA did not possess the technical capability to implement sewerage projects. The Minutes reveal that the fact of deficient technical ability and inexperience of KWA in executing sewerage projects was admitted by the Managing Director, KWA during the meeting. Review reports of ADB as well as PPMS had also pointed out various lapses committed by KWA in reviewing designs, reporting field problems in time, synchronizing water supply/sewerage works with road works of PWD, etc. The imprudent decision of GoK to entrust sewerage packages to KWA despite being aware of its bad track record to implement them also contributed to short closing of more than 75 *per cent* of the sewerage projects under KSUDP.

GoK stated that Water Supply and sewerage projects were entrusted to KWA since all existing water supply/sewerage networks and pump houses were owned and managed by KWA, and also since KWA volunteered to implement these projects under KSUDP. The reply is not tenable because initially itself GoK was aware that the track record of KWA in implementing these schemes was poor. Also the PMU/PIUs constituted under KSUDP were equipped with necessary experts in respective fields backed by consultants, for implementing the schemes successfully.

3.1.8.2 Works hindered due to environmental issues

We observed major lapses in conducting detailed site analysis and surveys at the project formulation stage and in getting necessary clearance from environmental agencies. This resulted in certain projects getting located in Coastal Regulation Zone (CRZ)/environmentally sensitive areas, leading to intervention by environmental/judicial authorities and resultant stoppage of works as shown below.

(a) Sewerage Treatment Plant, Kochi

A sewerage project for Kochi was conceived to address the sanitation problems of Mattancherry, Fort Kochi and Pallurthy areas of West Kochi. The project comprised of six packages involving a total contract amount of ₹168.98 crore. The works included construction of sewerage system and pump houses with electrical/mechanical works for five zones of West Kochi, land filling works for STP at Mundanveli and Construction of STP. Construction of a STP in five acres of low lying land at Mundanveli was central to the entire sewerage works since all other works were dependent on it.

The Corporation awarded (April 2011) the land filling work for STP to 'M/s Deens Constructions' for ₹3.60 crore. But the work had to be stopped after one month (May 2011) as Kerala Coastal Zone Management Authority (KCZMA) observed that the site for the proposed STP was situated on the banks of the Vembanad backwater system and fell within the prohibited area, marked as such in the Coastal Zone Management Plan (CZMP) of Kerala. Pointing out large scale destruction of mangroves, the Honorable High Court of Kerala directed (August 2011) to keep the works pending till final orders were issued by the National Green Tribunal (NGT) in this regard.

In view of the uncertainty regarding construction of STP, the EC decided (April 2012) to close the contract for land filling. By the time, the contractor had completed 80 *per cent* of the land filling work for which the Corporation had paid ₹2.87 crore. Subsequently, based on the clearance received (December 2012) from KCZMA, the Corporation initiated procedures for constructing the STP costing ₹19.04 crore in the land already reclaimed, after doing necessary mangrove afforestation as suggested by KCZMA. But the NGT, observing that the land reclaimed fell within the prohibited area CRZ-IV of CRZ Notification 2011 (January 2011)¹¹, directed the Corporation (February 2016) not to proceed with the construction work without getting clearance from Ministry of Environment Forests and Climate Change (MoEF&CC).

We observed from the Report of the Expert Committee constituted by KCZMA that an Initial Environmental Examination (IEE) and Environmental Management

¹¹CRZ Notification 2011 is only a modification of the original CRZ notification issued in 1991 (19 February 1991). The status of land and provisions have no change in the light of notification issued in 1991 also.

Plan (EMP) prepared by the Design and Supervision Consultant of KSUDP (M/s WAPCOS) prior to finalization of the site, contained factual errors, especially on CRZ status and Wetland Rules 2010 of GoI. The work continues to remain at a standstill. The defective reports submitted by the consultant, had resulted in KSUDP incurring wasteful expenditure of ₹2.87 crore on land filling besides failing to complete the sewerage work and address the sanitation problems of identified areas.

The Government contended that since CRZ authority had given clearance for the site, the consultant (M/s WAPCOS) cannot be held liable for preparing faulty environment reports. The contention is not acceptable as the Expert Committee constituted by KCZMA itself had pointed out (June 2011) that environmental reports prepared by the consultant prior to finalization of the site contained factual errors, especially on CRZ status and Wetland Rules 2010 of GoI. It was also noticed that on account of faulty environmental reports prepared by the consultant, the Corporation had not made any application to KCZMA for CRZ clearance initially. KCZMA took up the matter *suo moto* and issued (May 2011) stop memo for the project, even though later permitted to continue with the project on condition of doing afforestation. The above order of KCZMA was stayed by NGT which directed the Corporation to refer the case to MoEF&CC, which is competent to decide the case.

(b) Solid Waste Management – Kollam

The Project Administration Memorandum provided for Municipal Corporations to increase the solid waste collection and treatment capacity. It provided for (i) provision of dumpers, refuse collectors and compactors (ii) provision of community waste collection containers and (iii) civil works to develop sanitary landfill sites.

The proposed solid waste processing facility of Kollam Corporation at Kureepuzha comprised of three packages with an estimated contract value of ₹9.71 crore for construction of compost plant, Leachate Treatment Plant (LTP), sanitary land fill, reengineering of existing dumped waste, and construction of other infrastructures.

The site proposed for the project at Kureepuzha was located on the banks of Ashtamudi Lake and was being used by the Corporation for dumping waste since the last two decades. As per CRZ notification 1991/2011, coastal area up to 100 m from the bank of Ashtamudi Lake falls in CRZ II where disposal of waste is prohibited, and the existing dumping of waste or land filling had to be phased out within three years from the date of the notification. We noticed that the Detailed Project Report (DPR) prepared (April 2007) for this project by the consultant specified that the project area was within the area specified in CRZ II and that disposal of waste in the area was a prohibited activity. Even though these facts were mentioned in the DPR, the Corporation did not initiate action to relocate either the project site or the dumping yard outside the CRZ and

continued dumping of waste in the area. The Corporation awarded (July 2008) the work for the installation of the solid waste management facilities and sanitary landfill to 'M/s Jamshedpur Utilities & Services Company Ltd (JUSCO)'. However, after executing 90 per cent of Compost Plant, 75 per cent of Land fill and 95 per cent of infrastructure, the contractor stopped the work (July 2011) due to public protest citing CRZ violation and pollution caused due to dumped waste and leachate generation. Even though, in April 2012, KCZMA gave permission to construct the plant outside the CRZ area with instructions to relocate the landfill area and dumping site, two writ petitions against the project were filed before the Honorable High Court of Kerala. As the petitions dealt with environmental issues, these were subsequently transferred to the NGT, where it is pending (December 2016). The EC, therefore, decided¹² (February/June 2015) not to proceed with the project.

Laxity of the Corporation in complying with the provisions contained in the DPR and to the CRZ rules has resulted in the expenditure of ₹6.26 crore already incurred on the project becoming infructuous.

(c) Construction of Sewerage Treatment plant, Kozhikode

As part of the sewerage project for construction of STP, Sewerage Networks, Wet Wells, Pumping Stations and Pumping Mains and Rehabilitation of existing sewerage system and extension of sewerage system, the Kozhikode Corporation formulated (October 2010) a project for construction of an STP (27 MLD¹³) in 6.76 acres of land at Vengeri Village. The Corporation entrusted (June 2012) the work relating to the construction of approach road and land development to 'M/s SELMEC Engineering Construction Ltd.', Kozhikode for ₹7.49 crore. Even though the contractor commenced the work after getting permission (June 2013) for tree cutting from the Forest Department, the work was halted due to public protest alleging that the proposed site was 'wet land' and also in view of a litigation pending (March 2014) in the Honourable High Court of Kerala. The EC, therefore, decided¹⁴ (August 2014 & April 2015) to pre close the contract by paying compensation of ₹60 lakh to the contractor which was not reimbursed by the ADB (Appeared as Paragraph in AR LSGIs 2014-15).

Later, the Corporation awarded (March 2015) the work for construction of STP (13.5 MLD) at an alternate site comprising 2.60 acres in Vengeri village to 'M/s UEM India Pvt Ltd.' for ₹29.08 crore. The project site was on the banks of tidal influenced Canoly Canal, and certain portions of the proposed site for STP came within CRZ area categorized as CRZ II. The EC accorded approval for the construction of an STP at the site which was situated near the Sarovaram Biopark, in its 46th meeting held on 12 May 2014. However, the work could not be commenced as all construction activities were stayed (December 2015) by the

¹² As per the decision of 49th and 51st EC meetings

¹³ Million Litres per Day

¹⁴ As per 47th & 50th EC meetings

NGT, citing violation of Wet Land (Conservation and Management) Act 2010. We observed that the Project Director, KSUDP sought CRZ status reports and maps to facilitate CRZ clearance for the proposed STP, from the National Centre for Earth Science Studies, Thiruvananthapuram, only in May 2016. The matter is pending before the NGT and the up to date expenditure for the project is ₹4.68 crore. The failure of the Project Director, KSUDP to obtain clearance from environmental agencies before award and commencement of work had rendered the total expenditure of ₹5.28 crore, infructuous.

The Government replied that the case under the consideration of NGT is based on certain false documents relating to the site, and the Corporation is taking efforts to get the stay vacated.

(d) Construction of Leachate Treatment Plant, Kozhikode

Kozhikode Corporation awarded (June 2008) the work relating to the solid waste Management project, to ‘M/s Ramky Enviro Engineers Ltd’, Hyderabad for ₹3.88 crore. The project included design, construction and commissioning of 145 CMD¹⁵ capacity Leachate Treatment Plant costing ₹0.32 crore and securing consent to operate from the Kerala State Pollution Control Board (KSPCB). The contractor completed all works in December 2010 for which Corporation paid (June 2011) ₹0.26 crore. But KSPCB refused to give consent to operate the LTP since the effluents discharged from the plant did not meet the prescribed quality parameters. Since the contractor did not respond to the requests of the Corporation to make the plant compliant with KSPCB norms, the Corporation terminated (October 2012) the contract at the risk and cost of the contractor.

Subsequently, the Corporation awarded (January 2016) fresh work relating to design, supply, construction, erection, testing and commissioning of LTP (75CMD) to ‘M/s Ionex Envirotech Pvt Ltd’, Thane for ₹0.75 crore.

Though the construction of the new LTP was completed in June 2016, it was not commissioned due to withholding of permission by the KSPCB due to deviation from the original proposal submitted for construction of plant and major deficiencies like non construction of sludge drying beds, entire amount of leachate from the Municipal Solid Waste plant not reaching the treatment plant, etc. These defects remain to be rectified and consent of KSPCB is yet to be obtained for the commissioning of the plant (December 2016).



L T P in Kozhikode not yet commissioned

We observed that since the Leachate Treatment Plant was an important component relating to the solid waste management project, the inability of the

¹⁵ Cubic meter per day

Kozhikode Corporation to get the LTP commissioned posed grave threat of contamination to the surface and ground water, and rendered expenditure of ₹0.92 crore¹⁶ incurred for the project unfruitful.

GoK stated (March 2017) that the work done by original contractor was terminated at the risk and cost of the contractor, even though the actual liability of the firm in this regard has not been ascertained and an amount of ₹0.41 crore had been withheld from the performance guarantee furnished by the contractor. The reply is not tenable because there is uncertainty regarding the amount realizable, as the main lapse is on the part of Corporation which not only failed in rectifying the defects of the original plant and secure the clearance of KSPCB, but also delayed the construction of new plant by more than three years. In the case of new plant, the Corporation stated (November 2016) that the treated effluent had shown satisfactory results when tested and that some procedural delay with KSPCB was the issue. But we found that KSPCB has pointed out various defects in the new plant including the fact that the entire leachate from the Municipal Solid Waste plant was not reaching the treatment plant, indicating leakage and resultant contamination.

3.1.9 Laxity in enforcing contractual provisions

3.1.9.1 Unfruitful expenditure incurred on bio-gas plants

As part of 'Urban Infrastructure Development' under KSUDP, Kollam Corporation constructed eight biogas plants incurring an expenditure of ₹89.76 crore, as detailed in **Appendix XIV**. As per the contract, after completing construction and trial run for two months, the contractor had to undertake the Operation and Maintenance (O&M) of the plants for three years besides training 50 personnel in each plant for its operation. During the O&M period, the contractor was bound to maintain the plant in good condition, rectifying any defects noticed during the period.

We conducted site verification (November 2016) of all the eight plants and found that other than the plants at Kadappakkada and Town Hall, no other plants were working. Records revealed that the plants stopped functioning immediately after being taken over by the Corporation, due to accumulation of sediments in the plants and absence of effective mechanism to remove the sludge. We noticed that in the case of defunct plants, the contractors did not conduct trial run or undertake O&M works as required.

The Corporation released the Security Deposits amounting to ₹4.97 lakh¹⁷ (five per cent of the total contract amount) collected in the above cases, before the expiry of contract without ensuring the proper functioning of plants. Thus, failure

¹⁶ Payment of ₹0.26 crore made to the first contractor and ₹0.66 crore to the second contractor.

¹⁷ Moonamkutty Market – ₹65000, Pallimukku Market- ₹65000, Thevally- ₹65000, Eravipuram Market – ₹65000, QSS Karithas Colony – ₹57500, Kadappakkada Market – ₹81500, Municipal Town hall- ₹55000, Collectorate compound – ₹42700

of the Corporation to strictly enforce contractual provisions resulted in unfruitful expenditure of ₹0.63 crore¹⁸ spent on the project.

GoK has stated that it was the failure of the Corporation not to appoint skilled persons to operate the plants after taking over their charge, which had been brought to the notice of Corporation on various occasions.

3.1.9.2 Irregular grant of Enhancement for Kollam Sewerage projects

Kollam Corporation awarded (June 2012) the Sewerage works relating to construction of pumping stations, laying of pumping mains and sewer network including rehabilitation of existing sewer lines in the city as two packages¹⁹ to 'M/s TOMCO Engineering Pvt. Ltd' for ₹24.01 crore (19.36 per cent above SoR²⁰ 2010) and ₹36.35 crore (14.13 per cent above SoR 2010) with time limit of 18 months and 24 months respectively for completing the works. Despite giving extended time for completing the works up to December 2014 and March 2015 respectively, the contractor could not do any major work apart from supplying the pipes required for the project and laying pipes in a few stretches, due to delay in getting road cutting permission and public protest. The contractor demanded price escalation of 81.70 per cent and 78.42 per cent respectively on the packages and the 49th EC (February 2015) granted price enhancement of 73 per cent over quoted rates on balance work²¹ relating to both packages. The enhancements granted amounted to ₹10.04 crore and ₹19.75 crore respectively.

We noticed that as per the conditions of contract, price adjustment was applicable only on the cost of cement and steel in cement concrete/reinforcement works. Also, the price enhancement should be limited to 10 per cent of contract amount. Thus, the maximum price enhancements allowable in the above cases were only ₹2.40 crore and ₹3.63 crore respectively. Irregular enhancement allowed in the above cases worked out to ₹23.76 crore (₹7.64 crore + ₹16.12 crore). The actual enhancement paid to the Contractor so far (September 2016 and October 2016) on the two packages was ₹4.46 crore, which was in excess by ₹3.85 crore. Despite granting the above enhancement and extending the time for completion up to 30 June 2016, the contractor could not make considerable progress in implementation due to public protest. In the wake of ADB loan closure, the work has been at a standstill from October 2016 onwards.

GoK stated that justification for giving the enhancement had been mentioned in the agenda note, based on which the 49th EC approved the enhancement. The reply is not tenable since the justification given was not in conformity with the agreement conditions.

¹⁸Expenditure incurred on two plants at Kadappakkada and Town Hall, which were working, were excluded

¹⁹KLM-SS-01 & KLM-SS-02

²⁰Schedule of Rate under KPWD

²¹Value of balance works ₹13.75 crore and ₹27.06 crore respectively

3.1.9.3 Irregular release of Liquidated damages

The TVM Corporation awarded (March 2009) the work relating to STP at Muttathara to 'M/s UEM India Ltd', with a stipulated time of 18 months for completion (October 2010). Since the contractor could not complete the work within the time allotted, the EC allowed extension of time up to March 2011 by imposing Liquidated Damages (LD) with the condition that imposition of LD could be reviewed if at least one stream of the entire work was completed and substantial progress in the work was achieved within the extended period. Since the contractor could not achieve the above bench mark within the extended time, LD amounting to ₹1.62 crore was recovered from fourth to eighth part bills of work.

The EC extended the time for completion of work, five²² more times up to 30 June 2013, by invoking LD clause. The contractor completed majority of the works by December 2012 and conducted trial run of the plant in June 2013. Later, the EC accorded sanction (February 2015) to waive the imposition of LD, based on which ₹1.62 crore already collected from the contractor in this regard was released (May 2015).

We noticed that the contractor had not fulfilled the conditions stipulated by the EC for reviewing the LD imposed. Moreover, the EC had to give extensions five more times for the work to be completed. Thus, it was evident that the work was delayed due to the lapse on the part of the contractor. The EC decided to waive the partially imposed LD due to the reason that the same contractor had to perform the O&M of the plant for five years, for which their cooperation was essential, and imposing LD on the contractor might create a negative impact among contractors.

We observed that since the original agreement required the contractor to ensure O&M services for five years, he was bound to adhere to the terms of the agreement and perform all work related to the O&M of the STP. Also, the *General* and *Particular* conditions of contract did not make provision for offering relaxation on LD to contractors for extraneous reasons in cases where delay occurred due to the lapse of the contractor. Hence, the decision of the EC to waive imposition of LD, amounting to ₹1.62 crore, on the contractor was irregular.

3.1.9.4 Loss due to failure of the Corporation to invoke risk and cost-Rehabilitation of distribution and service connections in SA Road' - Kochi

The water supply project formulated by Kochi Corporation included the component for 'rehabilitation of distribution and service connections in SA Road'. The Corporation awarded (December 2011) the work to 'M/s Premier

²² Up to 26 March 2011, 31 October 2011, 31 March 2012, 30 June 2012, 31 December 2012 and 30 June 2013

Plastics’ for ₹3.65 crore, with time up to 07 August 2012 for completing the work. Despite several extensions of time allowed, the contractor could not execute any work except supplying (February 2012) 3230 meters of pipe required for the project. Based on the decision (August 2013) of EC to pre-close the work, the Corporation rearranged (November 2013) the work through KWA for ₹73.36 lakh by inviting tenders, and paid (February 2015) ₹1.14 crore to the contractor towards the cost of pipe as final settlement.

We examined the correctness of the payment made to the contractor. It was seen that the contract provided for the employer to get the works done at the risk and cost of the contractor if the contractor had delayed the work as per the schedule with no justifiable reasons in support of the contractor and the Project Manager appointed another contractor to complete a portion of, or complete balance work. It was provided that 30 *per cent* and 20 *per cent* of the cost of remaining work shall be realized from the contractor towards ‘risk and cost’ and ‘additional administrative cost’ respectively as provided in KPWD Manual and the conditions of contract respectively, which work out to ₹1.26 crore.

We observed that the approval was accorded by the EC and consequent payment was made to the Contractor by the Corporation without invoking provisions of risk and cost, and the lapse on the part of the EC and the Corporation in not invoking the provision of risk and cost had resulted in loss of ₹1.26 crore to GoK and unintended benefit to the contractor for which responsibility needs to be fixed.

The Government stated that the work was hindered due to delay on the part of Corporation in giving road cutting permission. Risk and cost was not realized because the work was terminated on employer’s convenience and not on account of any breach of contract.

The reply is not tenable because we noted that based on the authorization given by the 40th EC (August 2013), the MD (KWA) negotiated with the contractor (August 2013) and the contractor orally agreed to execute the work at 22 *per cent* above SoR 2012. Since the contractor did not respond to subsequent notices issued for resuming the work, there is breach of contract and the *risk and cost* provision applies.

3.1.9.5 Wasteful expenditure due to faulty design

Kochi Corporation awarded (August 2012) the work relating to water supply project for strengthening the distribution networks in Kochi city (KCH-WS-02C) to ‘M/s Paulson Chacko’ for ₹2.54 crore and the same was completed in March 2014. The work included providing 1200 mm MS Casing pipe (25m) for the full length of culvert. At the time of execution it was found that the diameter of the culvert was less and it would not be possible to push the casing pipe through the culvert. The work was, therefore, carried out after changing the specification of MS Casing pipe to 800mm. As a result 24.20 meter length of 1200mm MS

Casing pipe procured by the contractor for ₹10.66 lakh could not be used. We noticed that the consultant prepared the preliminary design for the project without assessing actual field realities and hence the purchases made by the contractor were not in conformity with actual requirement, which made the purchase of 1200 mm casing pipe wasteful.

The Government replied that payment for the surplus pipe purchased has not been made since the material was mis-procured by the contractor without proper site investigation and the contractor had filed a writ petition before Honorable High Court of Kerala in this regard.

The reply is not tenable, as the contractor had purchased the pipes as per the design and it was the fault of the consultant to prepare a faulty design without ascertaining the site conditions.

3.1.9.6 Excess payments made

- We observed that in respect of Kochi water supply package KCH-WS-02C while preparing the fourth and final bill of the contractor, an earlier payment of ₹24.81 lakh effected vide third part bill was omitted to be considered for reckoning the net amount payable to the contractor, which resulted in excess payment of ₹24.81 lakh to the contractor.

- Also, in the case of Kochi water supply package KCH-WS-02A, while computing the amount payable to the contractor 'M/s M.V Viswanathan' as per second part bill, deduction allowable on amount as per first part bill was taken as ₹2.49 crore against ₹2.53 crore, resulting in excess payment of ₹4.39 lakh.

3.1.10 Suspected fraud in the implementation of drainage project in Thiruvananthapuram

The TVM Corporation awarded (June 2012) the work relating to 'Improvement to Pazhavangadi Thodu²³' forming part of the Storm Water Drainage project to 'Sri. Nizamudeen A, Thoppil Constructions India Ltd' for ₹9.37 crore. The work included installation of stainless steel bar screens at a cost of ₹0.28 crore (61.38 sq.m @ ₹4500) at selected locations across the drain to arrest debris. The contract also included Operation and Maintenance (O&M) of Pazhavangadi Thodu for two years after completing the drain work.

The terms of the O&M included the following:

1. Removing silt from Pazhavangadi Thodu (2063.70 cu.m @ ₹1000) for ₹0.21 crore.
2. Cleaning of screens fixed across Pazhavangadi Thodu two times a day in non-monsoon period and three times a day in monsoon period (1460 days @ ₹3000) for ₹0.44 crore.

²³ 'Pazhavangadi Thodu' is the main drain forming part of TVM drainage system

It was seen from the minutes of a meeting (January 2015) convened by the PD that a decision was taken to omit the item for providing silt pit and screening as it was felt that chances for flooding would be more if the debris clogged the screens. The Contractor also agreed with the same and agreed to do maintenance all through the drain during the O&M period. The PD, KSUDP, accordingly granted approval to a Variation Order wherein the work of installation of stainless steel bar screens was removed from the scope of the contract.

We observed that after completing the original work, the Corporation additionally paid (June 2016) ₹6.09 lakh as O&M charges towards cleaning of debris in bar screens for the period 01 December 2015 to 20 June 2016 (203 days @ ₹3000), as claimed by the contractor. Payment of O&M charges by the Corporation to the contractor, towards cleaning of bar screens, when these were not installed, was fraudulent and merits investigation.

The Corporation replied (July 2016) that temporary bar screens were installed at three places subsequently and the claim related to cleaning of those bar screens. The Corporation also stated that the screens were removed due to public protest.

Even though we requested for the work order or proof of incurring expenditure for installing the temporary bar screens, these were not produced by the corporation for scrutiny. Physical verification conducted by audit party proved that no bar screens were installed and hence the reply was not tenable in the absence of any evidence to show that the screens had been installed.

3.1.11 Withdrawal of ADB assistance due to lapses in implementing resettlement plans

We came across instances of excess expenditure on project implementation and also ADB retracting already sanctioned loans, due to failure of Corporations to implement resettlement plans, as discussed in the succeeding paragraphs.

3.1.11.1 Kollam Corporation - Upgradation of KMK Road

The Project Administration Memorandum required GoK to prepare and implement a Resettlement Plan in the event of involuntary resettlement arising consequent to land acquisition or temporary disruption of income generation. The Resettlement Plan was to be framed in accordance with relevant norms and ADB's policy on Involuntary Resettlement. It was specifically mentioned in the PAM, that in the case of Kollam, ADB's approval of the Short Resettlement Plan (SRP) would be a pre-condition for the award of related civil work contracts.

The work relating to 'Upgradation and Junction improvement of KMK Road' (length 3.440 km) under KSUDP was completed by the Kollam Corporation (August 2010) at a cost of ₹17.10 crore with the ADB reimbursing ₹13.10 crore to GoK. Against the width of 13.5 meter proposed in the DPR for the first 300 meter the Corporation constructed the entire stretch of road with width 18 meter which necessitated acquisition (2009) of 144.92 m² of private land by way of voluntary surrender by eight households and one religious institution. The

modification was effected without the approval of ADB and without carrying out the SRP as required. We observed that even though the Corporation had initially conducted a survey in 2011 for implementing the SRP, detailed proposal thereof was not prepared and submitted to ADB. Though the land required for widening the road had been taken possession of by the Corporation through voluntary donations in 2009 itself, the voluntary surrender was not documented and land transfer process not initiated, to have the land transferred to the Corporation.

In the absence of evidence regarding voluntary surrender, ADB insisted on complying with its involuntary resettlement safeguards for implementing the SRP, which required every person who parted with land to be adequately compensated. Even though the Corporation started survey procedures for this in early 2014, due to problems in coordination with the Revenue Department, the survey could be completed only in February 2016.

The compensation payable to land owners as per the provisions of LARR Act 2013²⁴ worked out to ₹33.30 lakh and GoK accorded sanction for meeting the expenditure from the State share of KSUDP, on the condition that the entire amount would be recouped to Government from the General Purpose Grant of the Corporation.

We observed that had the Corporation documented and legally transferred the land voluntarily surrendered by parties in 2009 itself, the liability of ₹33.30 lakh would not have arisen. We further observed that in addition to the aforesaid liability on compensation payable to land owners, ADB retracted the assistance of ₹13.10 crore already given for the project due to non-submission of SRP in time, and the burden of meeting the above project cost also fell on the Corporation.

3.1.11.2 Thiruvananthapuram Corporation - Storm Water Drainage project

As part of the Improvements to Pazhavangadi Thodu -Storm Water Drainage project in TVM, the Corporation decided to construct covered box conduit for the drain near KSRTC terminal and allowed the contractor time up to 31 March 2014 for completing the work at the agreed rate of ₹3.07 crore. Even though the implementing agency issued the structural drawing for box conduit to the contractor in December 2013, the site was handed over free from all utilities and after evicting the shops/occupants only in May 2014. The EC extended the time for completion of the work up to May 2015. However, citing delay in handing over of site, the contractor demanded enhancement of 80.09 *per cent* above the existing rate for the box conduit. The Project Director sanctioned (August 2015) the enhanced rate of ₹4.29 core (39.5 *per cent* above existing rate) for the box conduit, thus allowing an enhancement of ₹1.22 crore.

Though the Corporation was aware at the DPR stage itself that two shopkeepers had to be evicted for carrying out the work, the Corporation took no fruitful

²⁴Land Acquisition Rehabilitation and Resettlement Act, 2013

action to evict the occupants till April 2014. Even though the resettlement plan was formulated in January 2013 envisaging compensation of ₹54100, the Corporation failed to do it in time which resulted in additional burden of ₹1.21 crore on account of enhanced project cost.

3.1.12 Idling of Assets

We noticed that apart from the assets constructed as part of projects which have become unfruitful, items valuing ₹37.46 crore purchased for the project viz., pipes, vehicles, equipments etc., were lying idle due to short closure of projects or due to mismanagement, as shown in **Appendix XV**. Majority of assets like vehicles and equipments were in a deteriorated condition not fit for use, resulting in considerable loss of money.

- Pipes purchased for Kochi sewerage projects valuing ₹18.81 crore were lying idle (December 2016) without being utilised for the project. Though the work relating to Kochi sewerage was not executed, the contractor removed pipes worth ₹1.81 crore from the stock yard at Nettoor without the concurrence of KWA or other concerned authorities. Even though KWA had lodged a complaint with the police and filed writ petition in the Honourable High Court of Kerala, removal of considerable quantity of pipes from the stock yard points to the lack of monitoring on the part of KWA.



Pipes for Kochi sewerage project lying idle

- Thrissur Corporation purchased 48000 primary storage bins and other articles for solid waste management which was not recorded in the stock register. On pointing this out (November 2016), the Corporation recorded the receipt in the stock register and showed the entire items as issued to the Circles, however the records of Circles disclosed that majority of items were lying unutilized. We conducted the physical verification and found that considerable stock of items were lying idle in Corporation premises.



Storage bins lying idle in Thrissur Corporation

Recommendation – 2:

All assets created under the project should be enumerated and utilized effectively.

3.1.13 Lapses in utilizing funds for Part B - Urban Community Upgrading

The Kerala Municipality Act, 1994 required the Urban Local Bodies to provide basic facilities in slum areas as a mandatory function and to organize neighbourhood groups and self-help groups with a focus on the poor, as a general function. The component 'Urban Community Upgrading' was therefore included in the ADB scheme in line with the above provisions of the Act. This component targeted the poor by combining improvements to basic infrastructure and services with livelihood promotion. The PAM required a Civil Society Organization²⁵ (CSO) to be formed in each Corporation which would establish consensus on the sub-components to be included under 'Urban Community Upgrading'.

Financing was made available to the component 'Urban Community Upgrading' through two funds – (i) Community Infrastructure Fund (CIF) intended for improving basic infrastructure (including water supply, sanitation, local drainage etc.) and services for women and children slum dwellers (community halls, day care centers, physical infrastructure for primary health care and education, etc.) and (ii) Poverty Social Fund (PSF) for financing programs of income generation for confederations of self-help groups, and for micro-enterprise development in line with the norms prescribed for SJSRY²⁶.

Instances of violation of project guidelines noticed during Audit are given below.

3.1.13.1 Projects implemented in places other than slums identified based on survey

We found that no CSO has been formed in any of the Corporations for establishing consensus on community upgrading sub components and for identifying projects. GoK issued directions (January 2008) to conduct a detailed survey based on certain poverty/vulnerability criteria, for identifying and short listing slums. The Corporations formulated projects deviating from the primary objective of providing community infrastructure services to women and children slum dwellers, and also implemented projects in slums which were not identified and shortlisted in the baseline survey²⁷, as required by GoK. Projects were also implemented in public places which were not envisaged either under PAM or GoK guidelines as shown below.

²⁵ CSO comprising of city-level stakeholders viz., Municipal Corporation, business groups, resident welfare associations, NGOs, Kudumbashree, etc

²⁶ Swarna Jayanti Shahari Rozgar Yojana

²⁷ In Thrissur one slum from each Division was selected based on the recommendation of the Councilors without any survey.

Table 3.6- Projects implemented in public places other than slums*(₹ in crore)*

Corporation	Details of work	Expenditure
Thiruvananthapuram	Constructed two bio-gas plants in market places and six bio-gas plants in schools/other public places.	1.02
	Renovation of Vattiyoorkavu Market	0.52
	Renovation of Konathukulam pond	0.50
	Girl friendly toilets in schools	0.95
Thrissur	Seven biogas plants constructed in areas other than slums	0.07
Kozhikode	Four biogas plants constructed in public places	0.10

We conducted physical verification (January 2017) which revealed that in TVM Corporation, two biogas plants costing ₹17.04 lakhs were non-functional. Similarly, three out of four biogas plants were not functional in Kozhikode. Since these projects were formulated without participatory planning and were implemented outside identified slum areas, the primary objective of providing basic facilities in slum areas, in line with the provisions of KM Act 1994, could not be achieved.

3.1.13.2 Utilization of Poverty Social Fund in violation of norms

As per guidelines, Poverty Social Fund (PSF) was aimed at financing programs of income generation for confederations of self-help groups and for micro-enterprise development, in line with the norms prescribed for SJSRY. We noticed that, based on the guidelines²⁸ issued by GoK, the Corporations utilized PSF for unproductive purposes like giving assistance to ‘Ashraya’²⁹ beneficiaries, Ayurvedic geriatric programmes, etc., which was against the spirit of the scheme. Further, we observed that the Corporations transferred funds to the ‘Ashraya’ accounts when surplus amounts were already available in the accounts. Instances of utilizing PSF for non productive purposes are shown in **Appendix XVI**. Also the Corporations did not follow SJSRY norms while implementing schemes, as shown in **Appendix XVII**.

3.1.13.3 Unfruitful expenditure on installation of CCTV cameras

The TVM Corporation formulated a project to install 37 CCTV cameras at selected locations along ‘Amayizhanjan Thodu’ utilizing Community Infrastructure Fund, for the purpose of Solid Waste Management and to prevent people from dumping waste in the drain. The Corporation awarded (March 2014) the work relating to supply, installation, testing and commissioning of CCTV system with 37 cameras to M/s KELTRON Ltd for ₹54 lakh, and paid (April 2014) the entire amount to the firm as advance. Even though the cameras were

²⁸ G.O No.26/08/LSGD dated 24.01.2008

²⁹ Ashraya is the project formulated by GoK for identifying the poorest people of the society and providing them basic amenities like food, shelter, medicines etc.

installed in March 2015 (except two, which could not be installed due to public protest), these were found to be defective. The cameras were reinstalled by M/s KELTRON after rectifying the defects and the entire assets were transferred to the Corporation (April 2016).

On seeking the current functional status of these cameras, the TVM Corporation stated that none of the cameras installed were working from the very beginning itself, rendering expenditure of ₹54 lakh incurred for the project unfruitful.

3.1.14 Financial management

Against the total project cost of ₹1422.5 crore, it was envisaged that 70 per cent (₹995.40 crore) would be met by ADB as loan while GoK and five Corporations would meet the remaining 19 per cent (₹269.10 crore) and 11 per cent (₹158 crore) respectively from their own resources. KSUDP Guidelines stipulated that GoI would make available the ADB loan proceeds to GoK to form part of the Consolidated Fund of the state. GoK was to release funds to PMU for disbursement to PIUs for incurring expenditure. Statements of Expenditure (SOE) were to be forwarded to ADB by PMU for reimbursement of eligible expenditures³⁰ for the project.

Against ADB share of \$221.20 million (₹995.40 crore)³¹ receivable towards project cost, GoK spent ₹745.57 crore and obtained \$113.88 million (₹607.37 crore) as reimbursement from ADB up to November 2016³², when the loan account was closed by the ADB. The balance ₹138.20 crore was met by GoK out of its own funds. Consultancy and incremental administration accounted for 17.46 per cent of the loan availed, against 5.52 per cent envisaged as per loan agreement. Instances of financial lapses noticed during the course of our Audit, are brought out below.

3.1.14.1 Poor utilization and resultant non-availing of ADB loan by GoK

The PAM provided for downsizing and partial cancellation of the loan in the event of poor utilization of the loan amount due to severe delays in the procurement process, poor progress of works due to lack of requisite environmental clearances, local protests and mounting commitment charges³³ on the State. We noticed that out of the total loan amount of \$221.20 million, two partial loan cancellations of \$25 million and \$27.80 million were effected by

³⁰ ADB reimbursed Consultancy, interest and Commitment charges (100 per cent), Civil works (82 per cent), equipment, vehicle (80 per cent), local training, surveys etc (73 per cent), livelihood promotion and local Government Infrastructure Development (70 per cent).

³¹ At the exchange rate of ₹45 per dollar prevailing at the time of loan agreement.

³² Includes interest and commitment charges capitalised ₹20.35 crore and ₹42.27 crore respectively.

³³ Commitment charges accrue on quantum of Loan to be availed less amounts withdrawn from time to time, during successive periods commencing 60 days after the date of loan agreement (08 December.2006) as follows: during the first twelve-month period, on \$33,180,000; during the second twelve-month period, on \$99,540,000; during the third twelve-month period, on \$188,020,000; and thereafter, on the full amount of the Loan.

ADB in August 2013 and in May 2014 respectively³⁴. A third partial loan cancellation of \$45 million was effected (May 2016) by ADB on an assessment that the amount would remain unutilized by the loan closing date. Apart from this, at the time of closure of loan account (25 November 2016), ADB cancelled loan of \$9.52 million which remained unutilized. Thus, failure to implement the project as envisaged, led ADB to cancel loan totalling \$ 107.32 million, leaving only loan of \$113.88 million to GoK for implementation of projects. Thus the Corporations could avail only 51.48 *per cent* of the original loan sanctioned. As the ADB loan has been closed, GoK will now have to complete the incomplete works using its own resources.

3.1.14.2 Payment of Commitment Charges to ADB for loan un-availed

The Loan Agreement entered into with the ADB required GoK to pay Commitment charges in the event of the quantum of loan withdrawn being less than the prescribed bench marks. The Commitment charges were fixed at the rate of 0.75 *per cent* per annum on the loan amounts less amounts withdrawn from time to time. In the event of cancellation of any portion of the loan, the amount of principal loan attracting Commitment charge each year was also to be proportionately reduced. We observed that failure of GoK to ensure completion of projects on time led to payment of commitment charges of \$8.37 million (₹43.68 crore) to the ADB (December 2016).

The Loan Agreement also provided for cancellation of any portion of the loan amount so as to minimize the commitment charges payable to ADB. We observed that the advice rendered by ADB (April 2011) in the face of mounting commitment charges to cancel the component ‘Local Government Infrastructure Development’ and the corresponding loan portion of \$15 million due to practical difficulties in implementation, was effected by GoK only in August 2013. Also, the ADB advised GoK (March 2012) to seriously consider downsizing and partially cancel the loan due to the severe delay in project implementation. Subsequent failure of GoK to make timely cancellation of the unavailed loan component is significant in view of the fact that ADB had itself, earlier estimated the loan savings on works not likely to be completed by the loan closing date as \$16.3 million (September 2013), \$35 million (May 2015) and \$45 million (January 2016), and each time advised GoK to seriously consider partial cancellation of loan. The misplaced decision of GoK not to accept the advice of the ADB has resulted in further avoidable payment of Commitment Charges of \$4.13 million.

³⁴ The cancellation included \$15 million relating to the component ‘Part C- Local Government Infrastructure Development’, \$20 million relating to civil works and \$17.8 million relating to proportionate allocations for interest during construction.

3.1.14.3 Failure of Local bodies to contribute to projects

The amount of ₹138.48 crore released by GoK as state share and utilized for the project included ₹50.67 crore³⁵realisable from the Corporations towards their share of contribution for the project. However, we noticed that none of the five Municipal Corporations contributed their share for the project.

GoK replied (March 2017) that the Corporations did not contribute their share for projects due to paucity of funds and the Government would recover the amount in installment from the funds to be devolved to the Corporations in future.

Recommendation – 3:

In the case of projects requiring local body contributions, it has to be ensured that the local bodies concerned have adequate resources for meeting the expenditure and funds have been set apart in advance for meeting the expenditures.

3.1.14.4 Unutilized amounts parked with various authorities

As a part of setting up institutional arrangements for implementation of KSUDP, GoK decided (May 2005) that rehabilitation of existing sewages/water supply would be done by KWA. Municipal Corporations which were the implementing agencies deposited funds with KWA for carrying out water supply and sewerage projects. Money was also deposited with PWD for securing road cutting permissions. Details of amounts remaining unutilised with KWA/PWD are shown below.

Table 3.7: Amounts remaining unutilised with KWA/PWD

(₹in crore)

Corporation	Unutilized Amount with KWA	Unutilized Amount with PWD
TVM	0.35	0.75
Kollam	0.01	6.57
Kochi	0.23	10.00
Thrissur	0.46	0
Kozhikode	0.91	0
Total	1.96	17.32

We observed that out of the funds deposited by the five Corporations for implementing 14 sewerage and 10 water supply works, ₹1.96 crore remained unutilized with KWA at the time of closure of the project, and the Corporations failed to claim refunds of those amounts. Similarly, deposits made with PWD for obtaining road cutting permissions totalling ₹17.32 crore relating to projects which were later short closed/terminated, continued to be retained by the PWD, without refund to the Corporations. No efforts were seen to be taken by these Corporations to recover the unutilised amount from various agencies.

³⁵ Amount of ₹138.48 crore met by GoK has been apportioned in the ratio 11:19

3.1.14.5 Non-recovery of mobilization advance and interest

The Central Vigilance Commission guideline (April 2007) stipulate that in order to avoid undue benefit to the contractor, mobilization advance should bear interest and the recovery shall be time based and not linked with the progress of work. The CPWD Manual also specifies that mobilization advance shall be granted only in special cases and should bear simple interest of 10 *per cent*. The Bank Guarantee submitted by the contractor should be encashed if the contractor's money on account of work bills was not available.

In the case of all civil works taken up under KSUDP the implementing agencies gave mobilization advance (10 *per cent* of contract amount) to contractors, based on the bank guarantee for equal amount furnished by them. Apart from the stipulation that recovery of the advance shall be effected in 10 equal installments from the work bills submitted, the agreements entered into did not specifically provide for any recovery of interest on these advances. So, the Corporations did not recover any interest on the mobilization advances given to contractors and also did not encash the bank guarantees to realize the mobilization advances pending in respect of short closed/ongoing works. Mobilization advances still pending adjustment in eight short closed and four ongoing works amounted to ₹19.46 crore, and interest due thereon worked out to ₹6.22 crore³⁶, as shown in **Appendix XVIII**.

The Project Director (KSUDP) replied that in a few cases recovery of mobilization advance by forfeiting bank guarantee has been stayed by Court. It was further stated that all mobilization advances pending will be recovered either by adjustment against bank guarantees or while making future payments to contractors in settlement of their claims.

3.1.15 Monitoring

3.1.15.1 Functioning of Committees

The Empowered committee constituted was to enable quick decision making on matters related to the project including progress review and project implementation. It was the responsibility of EC to monitor and review progress of project implementation and take appropriate decision to speed up the project. Taking in to account the size of project and amount involved, proper monitoring was necessary to see that projects were implemented in a judicious way with maximum economy, adhering to the time schedule. The number of extensions given for implementing a package is an indicator of project management efficiency. We noted that the EC gave time extensions in a routine manner without giving any fruitful direction for solving the basic problems which hindered the implementation of projects. Out of total 74 packages, the EC allowed extensions in 43 packages which indicate the inadequacy of project

³⁶Calculated @ 10 *per cent* as stipulated in CPWD Manual

management. We noticed that 12 extensions were granted for completing the work on Kollam- Chinnakkada Underpass alone.

It was the responsibility of City Level Steering Committees (SC) to review the progress of projects, resolve local issues and provide guidance on policy matters. Though several works involving huge amounts were hindered due to public protest and local issues rendering the expenditures unfruitful, none of the Corporations maintained any records including minutes book to show that the SCs worked efficiently.

3.1.15.2 Project Performance Monitoring System (PPMS) Consultants

It was envisaged that an adequately developed monitoring and evaluation system, PPMS, will be installed in the PMU to monitor and evaluate implementation performance, improve management information and assess the impact of the project. The activities under PPMS were to be undertaken by a domestic firm/individual consultant who was to measure the benefits of the project at the initial, middle and final stages. LSGD undertook the baseline survey under PPMS through Technical Support Unit (TSU) who engaged an independent consultant 'Interventions', for undertaking the survey in 2009. The midterm and final analysis was entrusted to TSU in May 2015, i.e, towards the close of the project. We noticed that the mid-term analysis report of the PPMS was received only in May 2016, one month before the closure of the project. The final survey was completed in December 2016 and report submitted to PMU in February 2017.

3.1.15.3 Frequent change in critical staff

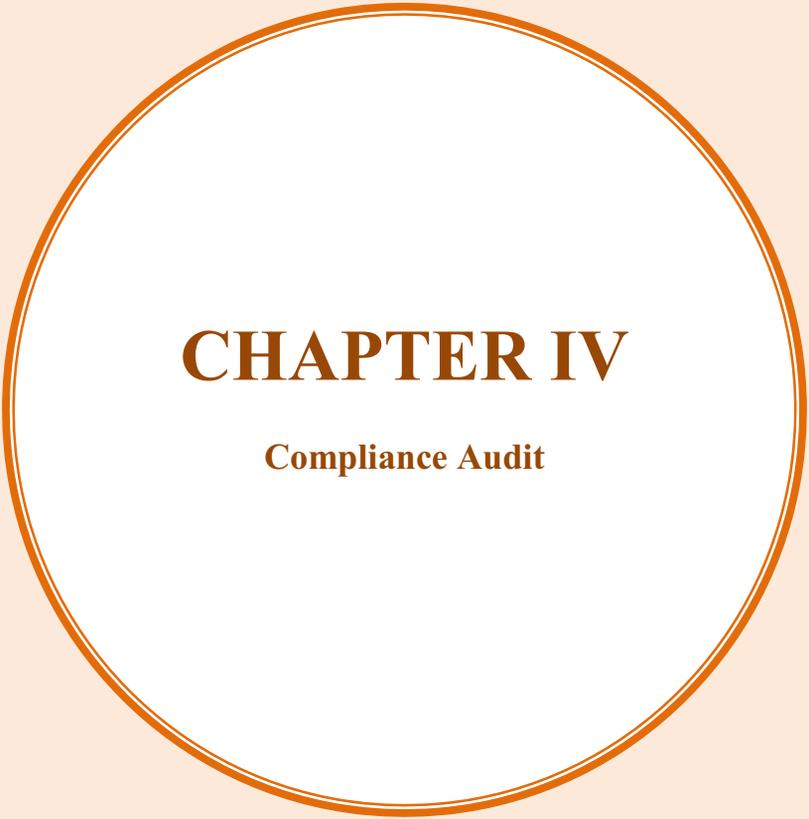
The PAM stipulated that a full time Project Director shall head the PMU. Also the PMU shall be staffed with senior level technical, financial, social, capacity building/governance and procurement officers to manage the project. The personnel hired for PMU and PIU were expected to work for an average period of five years.

We noticed that the PD had been changed 11 times during the entire loan period of nine years, and the officers of other departments were given additional charge of PD four times in violation of the stipulation in PAM that a full time PD shall be appointed. Also the Project Managers who head the PIUs and other critical staff of PMU and PIUs were changed frequently as shown in **Appendix XIX**. Frequent change of staff of PMU and PIUs result in lack of continuity which in turn affects the implementation of projects. ADB had also pointed out the adverse effect on implementation of projects due to the absence of a full time PD and vacancies in the case of other critical staff.

3.1.16 Conclusion

There were many lapses in the formulation and implementation of projects utilizing the loan amount. In spite of extending the project period to nine years from the original five, out of total envisaged loan amount of \$221.20 million, the Corporations could utilize only \$113 million which was only 51.48 *per cent* of

the original loan sanctioned. Due to not achieving the bench marks fixed for availing loan amounts, ₹43.68 crore was paid towards commitment charges. There was lapse on the part of Government in not cancelling the loan portion relating to projects which could not be implemented within the specified time which led to avoidable payment of commitment charges. The entire component part C – Local Government Infrastructure Development meant to help ULBs develop and finance infrastructure projects was cancelled due to lapses in making KLGDF operational. Out of 24 projects initiated by the five Corporations on activities like Construction/rehabilitation and extension of existing sewerage and water supply systems, storm water drainage, solid waste management, improvement of roads and bridges, etc., only seven were completed. The Corporation of Kochi could not complete even a single of these projects. Out of 74 contract packages taken up for implementation, 15 packages were short closed due to public protest, environmental issues, delay in land acquisition, delay in getting road cutting permissions etc. The Corporations did not charge interest on the mobilisation advances given to contractors. Though major portion of the expenditure was proposed to be incurred on sewerage projects, the progress of implementation of sewerage projects was very slow and majority of these were short closed. Out of ₹573.09 crore utilized for actual implementation of projects, ₹86.77 crore turned out to be unfruitful. A considerable portion of assets generated as part of implementation were remaining idle prone to deterioration. The performance of the Corporations vis-à-vis the assistance received under KSUDP therefore was far from satisfactory.



CHAPTER IV

Compliance Audit

CHAPTER IV

COMPLIANCE AUDIT

AUDIT OF SELECTED TOPICS

4.1 INSTALLATION AND MANAGEMENT OF BIO-GAS PLANTS BY URBAN LOCAL BODIES

4.1.1 Introduction

Over the years, the quantum of waste generated by different entities (Households, Commercial Centres, Institutions, Industries etc.,) has been increasing in pace with the increase in urbanization, population growth and associated activities. The responsibility of municipal solid waste management in the State is vested with Local Self Government Institutions (LSGIs) both in the urban and rural areas. The Kerala Municipality Act, 1994 and Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules) entrust the Municipal authorities with the responsibility of collection, segregation, storage, transportation, processing and disposal of municipal solid waste. As per these Act and Rules, the Urban Local Bodies (ULB), State Pollution Control Board (SPCB) and District Magistrates/Deputy Commissioners are assigned with specific responsibilities, roles and functions.

The Government is encouraging setting up of composting units such as vermi compost, pipe compost, windrow compost¹, bio-gas plants etc., through LSGIs for the disposal of waste generated in Panchayat/Municipal/Corporation areas. Bio-gas plants aim to (i) recover energy from waste (ii) dispose waste scientifically (iii) convert waste into fertilizer after energy extraction (iv) improve sanitation and (v) protect the environment.

4.1.2. Organisation set up

The Kerala State Suchitwa Mission (KSSM), an organisation under the Local Self Government Department (LSGD), Government of Kerala (GoK) is entrusted with the responsibility of providing technical and financial support to the ULBs in the implementation of solid waste management projects. The ULBs formulate various projects for which administrative sanction (AS) is accorded by the LSGD and technical sanction (TS) by KSSM. The ULBs implement the projects through service providers/accredited agencies approved by Government.

4.1.3. Audit Objectives

The objective of the audit was to ascertain whether planning, installation and maintenance of bio-gas plants by ULBs were in compliance with the Acts, Rules

¹ Production of compost by piling organic matter or biodegradable waste, such as animal manure and crop residues, in long rows (Windrows).

and guidelines. The above broad objective was split into following sub objectives:

- (i) Whether the installation of bio-gas plants was properly planned
- (ii) Whether implementation of the project was effective
- (iii) Whether the mechanism that exists in the Municipalities was adequate for the operation and maintenance of the bio-gas plants.

4.1.4. Audit Criteria

The sources of audit criteria are the following:

- i) Kerala Municipality Act, 1994
- ii) Municipal Solid Wastes (Management and Handling) Rules, 2000
- iii) Guidelines/Circulars/Orders issued by Government of India/Government of Kerala.

4.1.5. Audit scope and methodology

The audit of the installation and management of Bio-gas plants was conducted in the selected Municipalities and Municipal Corporations covering the urban areas. Audit methodology included scrutiny of records maintained by the selected ULBs, collection of data from Information Kerala Mission (IKM), KSSM, SPCB and LSGD. It also included discussions and conduct of joint site verification with officials of the ULBs. Audit scrutiny covered the period 2011-12 to 2015-16. We commenced the audit with an Entry Conference (29 June 2016) with Principal Secretary, LSGD. An Exit Conference was conducted in March 2017 with the Secretary, LSGD during which the audit findings were discussed in detail.

4.1.6. Sampling

Out of the 87 Municipalities and 6 Municipal Corporations in the State, Institutional level and Community level bio-gas plants were installed in 41 Municipalities and all the Municipal Corporations. The capacity of these plants varied from 15 kg to 5000 kg each and the cost of the plant varied from ₹0.40 lakh to ₹24.44 lakh each. Hence, for the selection of samples, “Stratified random sampling” using IDEA software based on the capacity of the plants was adopted. All the 41 Municipalities were divided into three strata. Stratum 1 consisted of six Municipalities with bio-gas plants of capacity above 2000 kg (100 *per cent* selection; Six Nos.), Stratum 2 consisted of 11 Municipalities with bio-gas plants of capacity 1000 kg to 2000 kg (50 *per cent* selection; Six Nos.) and Stratum 3 consisted of 24 Municipalities with bio-gas plants of capacity below 1000 kg (25 *per cent* selection; Six Nos.). Thus, a total of 18 Municipalities² and three Corporations³ were selected for detailed audit.

² Changanassery, Kottayam, Ettumanoor, Piravom, Thrikkakkara, Thripunithura, Thodupuzha, Wadakkancherry, Kasaragod, Kanhangad, Thaliparambu, Thalassery, Vatakara, Koyilandy, Mukkom, Kalpetta, Nilambur and Perinthalmanna

³ Thiruvananthapuram, Kochi and Kannur - Of the six Municipal Corporations, bio-gas plants at Thrissur Corporation were installed by Kerala State Urban Development Project (KSUDP) and a Performance Audit on KSUDP is being attempted this year. In respect of Kollam and Kozhikode Corporations, paras relating to bio-gas plants has already appeared in the Audit Report for the year 2014-15.

4.1.7. Audit Findings

4.1.7.1. Planning

(i) Failure to get authorization from State Pollution Control Board

Rule 4.2 of the MSW Rules 2000, stipulates that the Municipal Authority or an operator of a facility shall make an application in Form-I for grant of authorisation for setting up waste processing and disposal facility from the SPCB before the commencement of the implementation. Rule 6.1 further states that, it is the responsibility of the Central/State Pollution Control Board to monitor the compliance of the standards regarding ground water, ambient air, leachate⁴ quality and compost quality including incineration standards. As per Section 33(1) and 33(A) of Water (Prevention and Control of Pollution) Act, 1974, SPCB may make an application to court for restraining those process which are likely to cause pollution of water-bodies or any land and derive power for directing the closure, prohibition or regulation of any operation or process which cause pollution.

We found that of the 21 test checked ULBs, operating 38 community level bio-gas plants, only three plants in Ettumanoor, Thalassery and Changanassery had consent from the SPCB to establish/operate the bio-gas plants. The remaining 35 plants in respect of 18 ULBs had not obtained consent from SPCB. Further, in respect of plants that had obtained consent from SPCB, we found during joint verification that pollution of land and water had occurred in two ULBs (Changanassery and Thalassery) as detailed in para 4.1.7.2. (i).

Kottayam and Thodupuzha Municipality stated in their reply that the consent was not obtained from SPCB in order to avoid any delay in the installation of the plants and to avoid lapse of funds.

The replies furnished by the two ULBs were not acceptable as applying for authorisation for setting up waste processing and disposal facility was a pre-requisite as per Rule 4.2 of MSW Rules 2000. Replies in respect of other ULBs were awaited (March 2017).

SPCB replied that they had no information regarding installation of bio-gas plants in nine ULBs⁵. In the remaining nine ULBs, though direction was issued by SPCB to obtain its consent the same was not done by the ULBs.

(ii) Installation of bio-gas plants without the approval of KSSM

GoK had instructed (June 2008) that TS of KSSM was mandatory for installation of bio-gas plants exceeding one tonne capacity and those plants which are to be constructed with technology deviating from the guidelines (February 2008)

⁴ Liquid that seeps through solid wastes or other medium and has extracts of dissolved or suspended material from it.

⁵ Thrippunithura, Thrikkakkara, Wadakkancherry, Thalipparambu, Kalpetta, Kasaragod, and Kanhangad Municipalities, Kochi and Kannur Corporations.

irrespective of the capacity of the plant. Besides, TS of KSSM should be obtained by the LSGIs for installation of bio-gas plants for availing Government assistance by way of subsidy.

Further, GoK had issued (June 2011 and December 2013) the following directions:-

1. Prior AS/ TS have to be obtained by the ULBs before the commencement of any solid waste management project and no deviation from the AS/ TS would be allowed.
2. If any deviation becomes necessary due to any technical reason, revised AS/TS should be obtained from KSSM by the LSGIs prior to implementation of the project.
3. Bio-gas plants upto one tonne capacity shall be installed with the AS of District Planning Committee and TS of Technical Committee of LSGD whereas bio-gas plants of capacity above one tonne shall be installed with the TS of KSSM.
4. The specifications, standards, unit cost, Operation and Maintenance (O&M) protocol etc., stipulated by Government shall be followed while installing the bio-gas plants. A clause for recovering liquidated damages as decided by KSSM or a Committee appointed by Government, from any agency that defaults has to be incorporated by the ULB in the agreement executed with the agency.

In the following cases bio-gas plants were installed by deviating from the approved TS/without the approval of KSSM.

(a) In Kottayam Municipality, KSSM had accorded (October 2013) TS for installing one bio-gas plant of 2000 kg capacity and had intimated that the estimated cost should not exceed ₹26 lakh. During scrutiny, we found that the municipal authorities had installed two bio-gas plants of 2000 kg capacity each, one near Kodimatha bus stand and the other at Nagambadom incurring a total expenditure of ₹47.88 lakh. On enquiry, municipal authorities stated that TS from KSSM was obtained for only one bio-gas plant since the two plants installed were identical. The reply of the ULB was not tenable since both the plants were above one tonne capacity each which mandated the TS of KSSM. Further, due to non-obtaining of the TS from KSSM, the ULB had forfeited the financial assistance from Government amounting to ₹26 lakh.

(b) KSSM had accorded TS for installing five bio-gas plants (July 2011) in Koyilandy Municipality at an estimated cost of ₹35.64 lakh at five locations viz., Town Hall, fish market, Bus stand Complex and two markets.

Municipality awarded the work at Town hall, fish market and bus stand to M/s Integrated Rural Technology Centre (IRTC), Palakkad during 2011-12 and an amount of ₹11.09 lakh was advanced to the agency. Though the Municipality granted advance for the installation of three bio-gas plants, the agency completed only one bio-gas plant at the new bus stand complex during 2012 utilising the

entire amount of ₹11.09 lakh. The estimated cost approved by KSSM for this plant was only ₹5.44 lakh. Thus an additional expenditure of ₹5.65 lakh was incurred by diverting the fund obtained for the other two plants without obtaining revised AS/TS. Further, the ULB had not recovered liquidated damages from the agency for deviating from the original estimate already approved by KSSM since such a clause was not included in the agreement. Regarding the other two plants, Municipality stated that bio-gas plant at Town Hall was not installed due to construction of a nearby over bridge and the plant proposed in the fish market was not installed as the site was not handed over to the agency by the ULB as per the agreement (July 2011) executed with the agency. Despite obtaining TS and availability of funds, Municipality did not install (March 2017) the Bio-gas plants proposed in the two markets. No records were available in the ULB to show why these plants were not installed. Reply from the ULB is not yet received (March 2017)

(c) KSSM was not encouraging plants that converted waste to energy on the ground that the efficiency of this technology was not proven. Hence TS was not granted by KSSM for such plants. In Thrikkakkara and Ettumanoor Municipalities and in Kannur Corporation, six bio-gas plants were constructed by M/s.Bio-Tech using the waste to energy technology. In the absence of TS, the ULBs could not avail financial assistance (cent *per cent* subsidy) from Government as detailed in **Table 4.1** below:-

Table 4.1: Details of plants installed by M/s.Bio-Tech

(₹ in lakh)

Sl.No.	Name of ULB	Capacity	Expenditure incurred and amount forfeited
1.	Thrikkakkara Municipality	One 750 kg plant and three 500 kg plants	46.06 ⁶
2.	Ettumanoor Municipality	1000 kg	24.45
3.	Kannur Corporation	300 kg	13.65

(iii) Plants lying idle due to defective planning

As per the Government guidelines (March 2011), the location, size and type of the bio-gas plant, cost etc., were to be proposed by the ULB for obtaining the TS of KSSM. Capacity of the bio-gas plant was to be based on the quantum of waste generation assessed by the Health/Engineering Wing of the ULB concerned.

During joint site inspection with municipal authorities we observed that the location of the installation, amount of waste generated etc., were not properly assessed. Consequently, projects planned and plants constructed in Kottayam, Vatakara, Kalpetta, Thodupuzha and Thalassery Municipalities, were lying idle as given in **Table 4.2** below:

⁶ Expenditure pertains to three bio-gas plants only.

Table 4.2: Plants lying idle due to defective planning

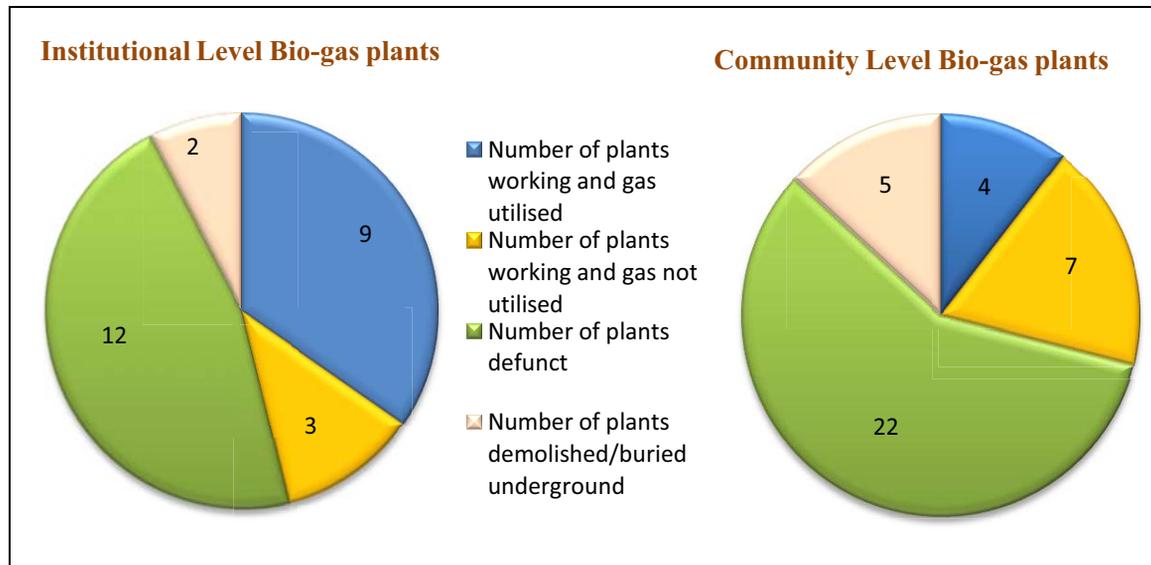
Name of ULB	Particulars of plant and reasons for idling
Kottayam Municipality	In March 2015 a 2000 kg plant costing ₹23.94 lakh was constructed near Kodimatha Bus stand. The plant was stated to be in working condition but on verification, we found that it was idling as access to the plant was obstructed when the site was handed over (April 2015) to Kerala State Road Transport Corporation by the ULB for their garage.
Vatakara Municipality	A 250 kg plant costing ₹4.14 lakh was installed (January 2012) in a proposed fish market at Narayananagar for disposal of fish waste. A public protest had erupted against a nearby polluted canal which in turn affected the opening of the fish market. As the Municipality failed to resolve the pollution issue of the canal for the last four years, fish market could not be opened and the plant was idling from the date of installation.
Kalpetta Municipality	A 1500 kg plant costing ₹16.25 lakh was installed (March 2012) in the premises of a slaughter house which was already closed (2009) due to public protest against the waste issues. However, even after the installation of the plant, ULB was unable to open the slaughter house due to continued public protest. In reply to an audit query (November 2016), Municipality stated that they would settle the issue after discussion with public. The reply of the Municipality was not tenable as the Municipality should have discussed the matter with public before installation of the plant. Further, the Municipality failed to settle the issue even after a lapse of seven years.
Thodupuzha Municipality	In reply to an audit query regarding selection of location and quantity of waste generation, it was stated (February 2017) that before installation of plant during 2013, the quantity of waste generated was assessed based on the waste produced in the nearby meat processing unit (MPU). The reply of the ULB could not be accepted as the MPU was shut down during 2007 and on joint site inspection, we found that the plant was lying idle from the date of installation as detailed in Para 4.1.7.2.(i)
Thalassery Municipality	As a result of closing down of the Municipal waste dumping yard at Pettippalam due to intense public protest, the Municipality had installed three bio-gas plants as a temporary measure without conducting any preliminary study in order to solve the issues relating to disposal of waste. As the ULB has stated that they could reduce the quantity of waste generated within one year of closing down of trenching ground by encouraging source level disposal of waste, the action of installation of three bio-gas plants was not justifiable. Further, on joint site verification, we found that these bio-gas plants were lying idle as detailed in Para 4.1.7.2.(i) and Appendix XXI and no effort was made by the ULB to make them functional.

4.1.7.2. Implementation

Status of Community and Institutional level bio-gas plants

Details of Community and Institutional level bio-gas plants are given in **Appendix XX (a), XX (b) and chart below:**

Chart 4.1: Status of Institutional level and Community Level Bio-gas plants



Every year, GoK issues a list of approved service providers for the management of solid waste in ULBs subject to the condition that the existing Government orders and guidelines shall be strictly followed by these agencies while rendering service to the ULBs. Specifications such as installing pre-digester, pre-filter, septic tank, digester, pulveriser for plants of capacity 300 kg and above and standards, unit cost, O&M protocols stipulated by the Government have to be adhered to while installing the solid waste treatment plants. A clause for recovering liquidated damages, as decided by KSSM or any Committee appointed by the Government, from any agency who defaults in adhering to the conditions stipulated in the Government guidelines regarding specifications, standards, unit cost, O&M protocol etc., has to be incorporated by the ULB in the agreement executed with the agency. The work shall be executed through accredited agencies approved by Government or Service Providers by inviting competitive tenders/quotations.

(i) Plants idling due to defective implementation

In the 21 test checked ULBs, the conditions stipulated in the Government guidelines/Circulars/Orders were not seen adhered to in five ULBs while implementing community level⁷ bio-gas plants as detailed in **Table 4.3** below:

⁷ Bio-gas plants of capacity ranging from 300 - 2000 kg of solid waste per day installed mainly in markets, slaughter houses, dumping yards etc.

Table 4.3: Details of plants idling due to defective implementation

Details of Bio-gas plant installed	Audit Observation
Changanassery Municipality	
<p>1000 kg fixed dome type, installed by M/s.Kerala Agro Industries Corporation Ltd. (KAICO) during May 2014 at fish market. Expenditure: ₹9.81 lakh.</p>	<p>Though the ULB obtained TS from KSSM in September 2009, agreement was executed with KAICO only in September 2010 with the agreed date of completion in January 2011 which was later extended to June 2012. Despite furnishing of completion certificate (May 2014) by the agency, neither the trial run was conducted nor the plant made operational (February 2017). We observed that the Municipal Engineer (ME) made payments to the agency without check measuring the items of work and certifying the value of work done before payment was made. In spite of issuing notices, municipality did not take any action either to get the work completed or levy compensation from the executing agency for their default. Payment of ₹9.81lakh by the ME to the agency without verification was in violation of the Government directions, which calls for fixing of responsibility. During site inspection we noticed that the plant was lying idle and wastes were dumped in large quantities in the market premises and inside the storm water drains</p>
Thalassery Municipality	
<p>1000 kg floating dome type, installed at Industrial Estate, Kandikkal during 2009-10 by M/s.Socio Economic Unit Foundation (SEUF) Expenditure: ₹16.38 lakh</p>	<p>Though TS was for installing a pre-digester of capacity 20 cu.m. and digester of capacity 75 cu.m., the pre-digester and digester installed by the agency were of capacity 10 cu.m. and 37.5 cu.m. respectively. When the revised TS was accorded by KSSM, the agency was directed to certify that the installed plant has the capacity of disposing one tonne waste per day and the agency should satisfy the implementing officer on this fact, but no such certificate was obtained by the Municipality from the agency</p> <p>Further, despite the objection raised by KSSM against installation of an air compressor costing ₹0.48 lakh, the agency installed (August 2014) an air compressor along with the plant. KSSM had raised the objection because air compressor was not an item included in the specifications stipulated in the guidelines. Municipality stated that the plant was defunct from April 2015.</p> <p>During site inspection (October 2016), we noticed that the plant was lying idle due to blockage of pre-digester tank and the ULB had resorted to open burning of the waste.</p>

Details of Bio-gas plant installed	Audit Observation
Thodupuzha Municipality	
<p>(a) 2000 kg fixed dome type, installed at Market during 2013 by M/s.KAICO. Expenditure: ₹16.46 lakh</p>	<p>On scrutiny of records, we found that the plan/diagram of the plants submitted by M/s.KAICO along with the estimate did not contain the pre-digester, pre-filter etc. Besides, items such as gas pipe, scrubber, stove etc., were not installed and necessary electrical works were not done against which payment of ₹0.64 lakh was made by the ULB. Further, the ULB did additional work for ₹3.04 lakh without obtaining revised TS from KSSM for the deviation. On further verification, we found that the Registration Number of an earth mover (KL-14E-5118) mentioned in three bills submitted by the agency for a sum of ₹1.22 lakh was the Registration Number of a Two Wheeler (as per the records of the Motor Vehicle Department).</p> <p>Regarding the payment of the bogus claim, the contention of the ULB that a clerical error had occurred was not tenable as the claim was made in three bills and the same registration number was written on all those bills. Thus the ME, who was responsible for check measuring the items of work and on whose certification payments were made, had not ensured/monitored the actual execution of the work and therefore, responsibility should be fixed on the ME.</p> <p>On joint site verification, we found that the plant was lying idle as an approach pathway to the plant was not constructed for transportation of waste to the plant in addition to non-supply of water and electricity.</p>
<p>(b) 1500 kg fixed dome type, installed at Taluk Hospital during 2012 by M/s.KAICO. Expenditure: ₹12.62 lakh.</p>	<p>The components envisaged in the original estimate viz., pre-digester, pre-filter, pulveriser, slurry pump, trolley, chopper etc., costing ₹1.65 lakh were not installed by the agency in the plant. Electrification had also not been done by the agency. However, full payment of ₹12.62 lakh was made to the agency. On joint site verification, we found the plant lying idle and large quantity of wastes were dumped on the side of the plant.</p> <p>The ME had certified the work bills without check measuring or ensuring that machineries were installed, which calls for fixing of responsibility.</p>

Details of Bio-gas plant installed	Audit Observation
Kannur Corporation	
<p>1000 kg fixed dome type, installed at Ayikkara fish market during 2009-10 by M/s.KAICO. Expenditure: ₹14.85 lakh</p>	<p>Though the work was awarded to the agency in August 2009, the construction of the plant was not completed (October 2016). During site inspection (October 2016), we found that the pulveriser was not installed and provision for water and electricity supply not made. We further noticed that even if the plant was made operational, transportation of waste to the plant could not be possible due to construction of a compound wall around the bio-gas plant. Waste from the fish market was dumped in large quantities in a nearby canal. All the payments were made by February 2012 to the agency without check measuring the items of work by the ME and without ensuring that the construction was done as per the approved specifications. This calls for fixing of responsibility.</p>
Kanhangad Municipality	
<p>Two bio-gas plants of 600 and 800 kg capacity, fixed dome type, installed at the fish market during 2008-09 by M/s.KAICO. Expenditure: ₹14 lakh</p>	<p>Though agreement with M/s KAICO was executed in April 2008 and date of completion was four months from the date of agreement, the construction of these two plants was stated to have been completed in June 2009. Even then, the works of installation of pulveriser, generators, conversion kit, electrical starting system with battery, acoustic enclosure system, electrification of streetlights, generator room etc. costing ₹3.90 lakh were not done by the agency for which payment was made. Municipality stated (October 2016) that as the work of installation of both the plants was not completed by the agency, the balance of ₹2.60 lakh out of the total value of work done ₹16.60 lakh was not paid to them. We noticed that apart from issuing a legal notice (July 2012) to the agency, Municipality did not take any action against the agency for their default.</p> <p>During site visit (October 2016), no traces of the plants could be found on the site as these two partially completed plants were covered with concrete slabs for the purpose of making way for the lorries to fish market.</p>

(ii) Non utilisation of gas generated in bio-gas plants

According to GoK guidelines (March 2011) the gas generated in the Bio-gas plant shall be sold to nearby consumers such as hotels, hospitals, tea stalls, canteens etc., by the local body or utilized for heating/cooking purposes.

- In the 21 test checked ULBs, of the 38 community level bio-gas plants installed, only 11 were working and four among them were utilising the gas generated. In the remaining seven working plants, gas was simply being burnt or let out into the environment since no provision for utilisation was made. Of the 27 plants which were defunct, six were lying idle from the date of installation and five were demolished/buried underground.
- Institutional Level Bio-gas⁸ plants were installed by four Municipalities⁹ and two Corporations¹⁰. Though provision for heating or cooking was provided in all the 26 institutional level plants installed, 14 plants were defunct. Of the remaining 12 plants, gas generated by nine plants was utilised for cooking purpose and gas was being let out into the atmosphere by three plants. Of the 14 defunct plants, two were lying idle from the date of installation/supply and two plants were demolished/buried underground.

4.1.7.3. Maintenance

GoK guidelines (March 2011) on specifications, standards, unit costs and O&M protocols stipulate the following for community/institutional level bio-gas plants.

- a. A pulveriser of 300 kg/hr rating for plants up to 1000 kg/day and 400 kg/hr rating for higher capacity plants.
- b. Skilled manpower for the operation of the plant.
- c. O&M contract with the executing agency/supplier for a period of two to three years after installation and initial capacity building period of six months.

(i) (a) We noticed that in all the test checked ULBs except Ettumanoor, Thaliparambu, Koyilandy and Thrikkakkara Municipalities and Thiruvananthapuram and Kannur Corporations, Annual Maintenance Contract (AMC) was not entered into. Skilled persons for the operation of community level bio-gas plants were not appointed and pulveriser for grinding the waste was either not provided or was in a damaged condition in six of the ULBs as detailed in **Appendix XXI**. As a result, the bio-gas plants became defunct.

(b) Institutional level bio-gas plants were installed mainly at schools. The gas generated from the plants should be utilised for cooking noon-meal for the students in the schools. In the test checked ULBs, of the 21 plants installed in various schools at Nilambur, Thrippunithura, Thalassery Municipalities and in Kochi and Thiruvananthapuram Corporations, 14 plants¹¹ were not functioning

⁸ Bio-gas plants of capacity ranging from 50-200 kg of solid waste per day, installed mainly in schools, colleges, hospitals etc.

⁹ Piravom, Thripunithura, Thalassery and Nilambur

¹⁰ Thiruvananthapuram and Kochi

¹¹ Four plants in Nilambur, three plants in Thripunithura, two plants in Thalassery, one plant in Thiruvananthapuram and four plants in Kochi Corporation

due to non-maintenance. Seven plants (four plants in Kochi Corporation, two at Nilambur and one at Trippunithura Municipality) had become defunct within the AMC period itself but the institutions did not take any action to get these plants repaired or inform the concerned ULBs regarding the condition of the plants.

(ii) In Thrikkakkara Municipality, four bio-gas plants of total capacity of 2.25 tonnes per day were constructed (2010-11) at a cost of ₹46.06 lakh. The operation of these plants was entrusted to the agency for ₹8.28 lakh per annum as supervision charges for operation and maintenance. Subsequently, the municipality decided that the entire waste generated in the Municipal jurisdiction (19 tonne per day) would be handled through Brahmapuram Solid waste treatment plant belonging to Kochi Corporation from January 2013 onwards at a cost of ₹800 per tonne per day.

We observed that due to this decision of the Municipality, four bio-gas plants of 2.25 tonne capacity were kept idle and subsequently became defunct (October 2015). This further resulted in avoidable payment of ₹6.48 lakh per annum to Kochi Corporation for handling the 2.25 tonne waste, which could have been handled through these four plants. Moreover, as the project was envisaged as a waste to energy project for lighting street lights/lamps in the market area, this lighting facility could not be created due to non-generation of gas from these plants.

(iii) A 5000 kg capacity bio-gas plant constructed by FIRMA¹² at Kodimatha market during 2012 intended for disposing weeds in the nearby water-bodies, was handed over free of cost to Kottayam Municipality during 2014-15. The chopper installed for cutting the weeds was in a corroded and damaged condition when the plant was handed over to the Municipality and hence the Municipality could not dispose of the waste. Though quotations were obtained for repairing the chopper at a cost of ₹5.5 lakh, the Municipality failed to finalise the offer. A roof was also constructed (2015-16) over the bio-gas plant costing ₹five lakh for protecting the plant from weather.

Instead of taking action to operationalize the 5000 kg plant, the Municipal Authorities have installed (February 2015) two 2000 kg bio-gas plants, one near Kodimatha bus stand in the vicinity of the existing plant and the other inside Indira Gandhi Maidanam, Nagambadom which is 3.2 kms away at a total cost of ₹47.88 lakh. During site verification, we found that the plant near Kodimatha



Damaged chopper 5000 kg plant



Plastic wastes dumped inside the 2000 Kg plant at Nagambadom, Kottayam

¹² State Fisheries Resources Management Society, a GoK agency

bus stand was idling due to inaccessibility of the site as detailed in para 4.1.7.1(iii). The plant installed at Nagambadom was also not working as the digester tank was blocked with plastic wastes.

The ULB stated (February 2017) that the plant at Nagambadom would be made functional after carrying out the maintenance of the plant.

(iv) In Ettumanoor Municipality a 1000 Kg capacity bio-gas plant costing ₹8.25 lakh was installed (September 2010) at fish market. Till June 2011, M/s.KAICO was operating the plant. Due to dispute in payment terms, KAICO withdrew from the contract and the operation was taken over by the ULB. We observed that the plant became defunct due to improper segregation of waste and non-maintenance after takeover by the ULB. Instead of repairing/overhauling the old plant, the Municipality installed (January 2016) a new plant of the same capacity costing ₹24.45 lakh.

(v) During 2010-11, a floating dome type bio-gas plant was installed near fish market at Kakkad in Kannur Corporation at a cost of ₹13.65 lakh. Though the capacity of the plant was only 300 kg per day, around 400 Kg of waste per day was being fed into this plant. We found that due to excessive feeding of waste, the two pre-digester tanks of the plant were blocked up and waste was not entering the digester tank for degradation process. For further feeding of waste, the undigested waste was being removed from the pre-digester tanks and dumped outside the plant thereby polluting the surroundings.

The ULB had not made any alternative arrangement for disposing the excess quantity of 100 kg of waste and thereby compromised the efficient working of the plant.

4.1.7.4. House-hold level bio-gas plants

GoK had issued (September 2012) modified guidelines on the specifications, standards, unit costs¹³, O&M protocols, etc., for house-hold level¹⁴ bio-gas plants. Government (December 2013) had clarified that AS/TS shall be obtained prior to implementation of the project and for any deviation from the approved TS, prior revised TS shall be obtained from KSSM. As per Government Order



Pre-digester of 300 kg plant filled with waste in Kakkad



Undigested waste from predigester removed and dumped at Kakkad

¹³ Unit cost includes cost of materials, labour, conveyance including installation and commissioning the facility, all taxes payable and all incidental expenditure including cow-dung and other expendable items required for completing the unit.

¹⁴ Bio-gas plants of capacity 2.5-7.5 kg solid waste per day installed in houses.

(December 2011), 50 per cent of the cost of bio-gas plant as subsidy shall be borne by the Government, 25 per cent by the LSGI and 25 per cent by the beneficiary.

Of the 21 ULBs selected for detailed audit, house-hold level bio-gas plants were installed in 19 ULBs¹⁵. Details of funds received and expenditure incurred by the test checked ULBs for installation of house-hold level bio-gas plants during the period 2011-12 to 2015-16 are shown in **Appendix XXII**.

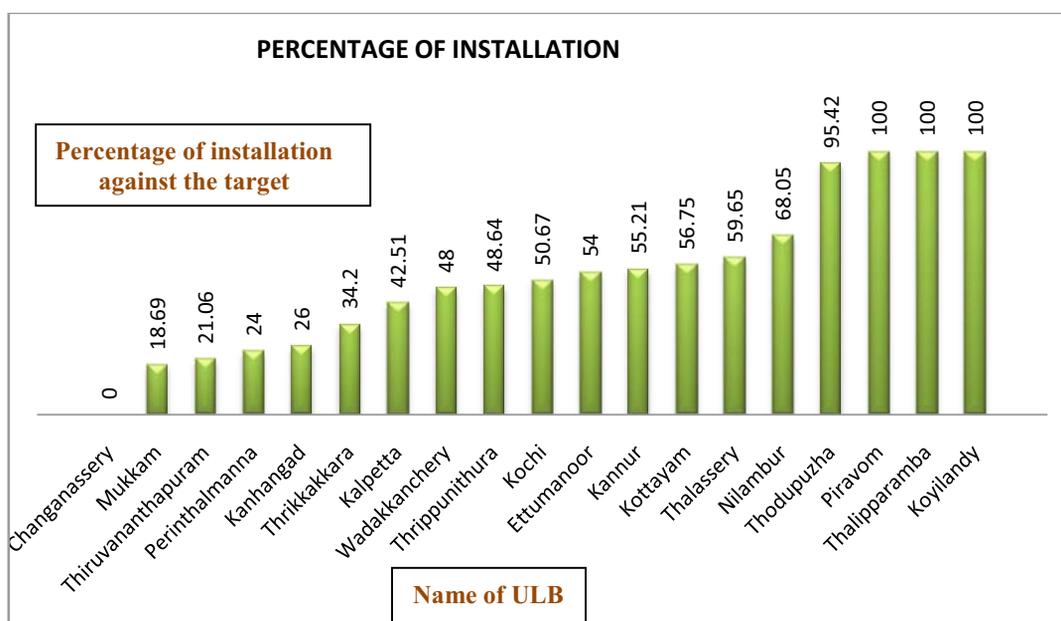
Discrepancies noticed in the installation of house-hold level bio-gas plants

(i) Shortfall in achievement

The total number of bio-gas plants proposed to be installed by the 19 ULBs for the period 2011-12 to 2015-16 was 20270 of which only 8625 plants (42.55 per cent) were actually installed.

The percentage of installation of house-hold level biogas plant for the above period is detailed in **Chart 4.2**.

Chart 4.2: Shortfall in achievement



Changanasserry Municipality proposed installation of 821 plants in 2013-14 and KSSM released an amount of ₹18 lakh for the project as State share which forms subsidy (50 per cent of the unit cost) available to the beneficiaries. However, the ULB could not commence the project due to a court case filed by the executing agency against the tender procedures. The subsidy amount received was blocked up with the Municipality for the last three years.

¹⁵ except Vatakara and Kasaragod.

Though the projects were to be completed within three to six months from the date of agreement with the executing agency, seven Municipalities¹⁶ and Thiruvananthapuram Corporation failed to install even 50 *per cent* of the proposed plants even after the lapse of two to five years. We observed that at the time of proposing the projects and applying for TS, ULBs had not identified the beneficiaries. As a result during installation, ULBs were unable to identify the beneficiaries who were willing to remit the beneficiary contribution. This resulted in non-completion of the project in time.

Only three municipalities (Piravom, Koyilandy and Thalipparamba) had installed all the biogas plants proposed and thus completed the project. However, no mechanism existed in Koyilandy for getting the feedback from the beneficiaries regarding functioning of the bio-gas plants. In Thalipparamba and Piravom, the functioning of the plants was monitored by the ULBs.

(ii) Failure to obtain Technical Sanction/revised Technical Sanction from KSSM

As per Government order (December 2013), TS from KSSM has to be obtained for the implementation of solid waste management. Further, revised TS should be obtained in case of any deviations from the approved unit cost/specification from the TS, to avail the State Government subsidy (50 *per cent*).

- Thripunithura (2011-12 to 2015-16) and Kalpetta (2013-14 to 2014-15) Municipalities and Puzhadi zonal office (2011-12 and 2014-15) in Kannur Corporation had not obtained the TS¹⁷ before implementing the house-hold level bio-gas plant projects and had utilized the plan/own fund of the ULB. This resulted in loss of subsidy amounting to ₹89.40 lakh to the LSGIs.
- In four¹⁸ municipalities the unit cost, size, type, etc., of the plant were revised and the project implemented without getting the revised TS. In these ULBs, beneficiary contribution was collected in excess ranging from ₹1125 to ₹3587 due to increase in unit cost and non receipt of proportionate state share.

(iii) Work executed without inviting tenders

The guidelines for house-hold level scheme stipulates that the work of installation shall be executed through accredited agencies or service providers by inviting competitive tenders/quotations. However, Thiruvananthapuram Municipal Corporation (2011-12 to 2015-16), two zonal offices (Chelora and Pallikkunnu) of Kannur Municipal Corporation (2014-15) and Koyilandi municipality (2011-

¹⁶ Thrikkakara, Wadakkancherry, Kanhangad, Mukkam, Kalpetta, Thripunithura and Perinthalmanna

¹⁷ No. of bio-gas plants installed against which TS not obtained: Thripunithura:926, Kalpetta:106, Puzhadi:35.

¹⁸ Thripunithura, Koyilandy, Mukkam and Thodupuzha

12) installed house-hold level biogas plants without inviting tenders from approved service providers. In Thiruvananthapuram Corporation, the authorities allowed the beneficiaries to install plants by engaging any agency from the approved list of service providers. Since tender was not called for, we could not ensure the transparency in the procurement. By inviting competitive tenders, ULBs could have reduced the unit cost thereby proportionately reducing subsidy, beneficiary contribution and LSGI's share.

(iv) Excess collection of beneficiary contribution

As per the general conditions of the guidelines, all incidental expenditure including inputs and other expendable items required for installing the plants has to be borne by the agency.

- Incidental expenses being the cost of cow-dung (₹600 approximately) were collected from the beneficiaries in Kottayam and Koyilandy Municipalities.
- As Thodupuzha Municipality did not obtain revised TS from KSSM, they could not claim proportionate State share for the increase in unit cost of ₹11450. Therefore, instead of collecting 25 *per cent* from the beneficiaries, they collected 56 *per cent* as beneficiary contribution (₹6450 from each beneficiary).
- In Piravom, the unit cost got reduced from ₹8500 to ₹7950 on inviting tenders. However beneficiary contribution (25 *per cent*) was collected at par with ₹8500 instead of ₹7950 while installing 129 plants.

(v) Releasing payment without completing installation of the plant

Government order (December 2011) stipulates that subsidy amount shall be paid to the beneficiary directly or through the executing agency after completion of installation and based on the verification report of a technical officer of the ULB. As per Government order (February 2012), in ULBs, Health Inspector/Health Supervisors were delegated with the responsibility of successful installation of house-hold level bio-gas plants and for evaluation of implementation. In the modified subsidy guidelines issued (November 2013), Government further stipulated that working groups formed for the purpose of implementation of projects shall do the project monitoring. For that purpose, working groups shall function as monitoring committees and the monitoring report shall be submitted promptly to the Implementing Officer and the Council.

- In four¹⁹ Municipalities and in Thiruvananthapuram Corporation, the implementing officers released the payments on the basis of the report received from the beneficiaries/agency and not on the basis of any verification made by the technical officer or by the implementing officer himself.
- We noticed that between August 2013 and December 2014, some applicants

¹⁹ Kottayam, Thodupuzha, Koyilandy and Mukkam

in Thodupuzha Municipality withdrew their application for installation of bio-gas plants on the ground that the plants already installed by the agency M/s. Blue Flame were not working efficiently. Despite receiving complaints from beneficiaries, the Implementing Officer failed to verify the proper installation of bio-gas plants and continued to make payment of ₹82.97 lakh to the executing agency (March 2013 to September 2014).

- We noticed that six²⁰ out of 19 ULBs did not have any mechanism to get the feedback from the beneficiaries regarding the installation and functioning of bio-gas plants.

4.1.7.5 Fund Management

Details of fund received and expenditure incurred by the test checked ULBs for the period 2009-10 to 2015-16 for installation of house-hold level bio-gas plants are given in **Appendix XXII** and community/institutional level bio-gas plants are given in **Appendix XXIII**. Our observations are as given below:

(i) Blocking /non-utilisation of Government money.

Of the total amount of ₹371.28 lakh received from KSSM by four ULBs (Thalassery ₹330.26 lakh in 2011-2012, Kochi ₹25.85 lakh in 2013-14, Nilambur ₹12.29 lakh in 2011-12 and Vatakara ₹2.88 lakh in 2014-15) for installation of community/institutional level bio-gas plants, ₹365.92 lakh remained unutilised/ blocked as shown in **Appendix XXIV**. In the case of house-hold level bio-gas plants in the test checked ULBs, we noticed that none of the Municipalities had refunded the unutilized balance to KSSM except Thalassery and Kannur. This resulted in blocking of ₹304.98 lakh with the ULBs as given in **Appendix XXII**.

(ii) Fund advanced to the executing agency remaining unutilised

An agreement was executed by Changanassery Municipality with M/s.KAICO Ltd., (September 2010) for installation of a bio-gas plant at the municipal waste dumping yard at an estimated cost of ₹20.05 lakh against which an advance of ₹4.10 lakh was paid. As per the agreement, the work was to be completed by January 2011. We noticed that neither the bio-gas plant was installed nor did the municipal authorities take any action to recover the advance. M/s.KAICO had not commenced the construction work on the ground that the municipal authorities had not cleared the construction site and to hand it over to them within seven days of signing the agreement.

Municipality replied (February 2017) that when the agency reported the issue of the site, municipality recommended joint site verification (January/June 2016) but the agency was not ready to comply. We observed that though the agreement was executed in September 2010, notices were issued to the agencies only from June 2012 to August 2013 and thereafter notices were issued only from January 2016. Despite issuing of notices to M/s.KAICO, the agency had not commenced

²⁰ Kanhangad, Thodupuzha, Koyilandy, Mulkom and Nilambur Municipalities and Thiruvananthapuram Corporation.

the work and the ULB had not initiated legal action against the agency for default (February 2017).

4.1.7.6 Role of KSSM in the implementation of bio-gas plants

KSSM is entrusted with the responsibility of providing technical and financial support to the ULBs in the implementation of solid waste management projects. TS issued by KSSM were based on the following conditions.

- Specifications, standards, operation and maintenance procedures should be adhered to as per the guidelines.
- Progress of implementation should be intimated to KSSM at regular intervals.

We noticed that most of the bio-gas plants installed by the ULBs were either lying idle since installation or had become defunct after a short period due to defective planning, incomplete/defective construction, constructed by deviating from the approved specifications and standards, lack of proper maintenance, etc. as detailed in Paras 4.1.7.1, 4.1.7.2 and 4.1.7.3. The unutilised balance of funds lying with ULBs had not been refunded to Government.

Regarding the idling/defunct bio-gas plants, KSSM stated that the matter has not come to their notice and on non-remittance of balance amount of unutilised fund, they replied that the matter was entrusted to their District offices for verifying the records in the respective ULBs. The reply of KSSM was not tenable in view of the fact that despite releasing huge amount of funds every year to ULBs for the purpose of solid waste management which includes installation of bio-gas plants, KSSM failed to execute the stipulations in the TS issued by them that periodical reports on the progress of implementation should be furnished to KSSM. A large portion of this amount had either become infructuous or blocked up with the ULBs due to idling of the bio-gas plants/non-implementation of the projects.

(ii) Government, while issuing the list of approved service providers stipulated that every year the service providers shall furnish to KSSM the list of ULBs to whom they have provided service along with the evaluation report prepared by ULBs on the service provided. During 2010 and 2011, Government issued orders that the service providers shall provide service for three years from the date of Government order empanelling them. From 2012 onwards, Government reduced the period of empanelment of service providers from three years to one year and thereafter their empanelment would be considered based on reassessment of their eligibility. If the Government or KSSM receives any complaint against any of the service providers, it would be looked into and if found correct, that service provider would be removed from the list without further notice.

We noticed that some ULBs²¹ had issued notices or initiated Revenue Recovery Action/Legal action against certain service providers who have defaulted viz., KAICO, Jyothi Biogas, SunTech, GreenTech etc. Of the 38 community level plants installed in 21 ULBs, 10 plants were installed by KAICO. Out of these, construction of six plants was incomplete and the remaining four plants were defunct. Though the ULBs had initiated action against the service providers, they did not intimate the matter to KSSM. KSSM, therefore, could not recommend the Government for excluding the defaulted service providers from the list of approved ones.

KSSM could not adhere to the evaluation procedures to identify non performing agencies during empanelment.

4.1.8 Conclusion

Though the responsibility of management of solid waste is vested with ULBs, due to improper planning, compliance of standards as stipulated in the Rules could not be ensured besides polluting the environment and idling of plants. Defective implementation led to idling of seven plants in five ULBs, installed at a cost of ₹84.12 lakh. In six ULBs, non-installation of pulveriser for Crushing the waste and the absence of skilled man-power for segregation of waste had made eight plants defunct thereby, the amount spent ₹103.21 lakh for their construction had become infructuous. In the case of installation of house-hold bio-gas plants, six ULBs were unable to achieve even 50 *per cent* of the proposed target. Further, KSSM though entrusted with the responsibility of providing technical and financial support to the ULBs, failed to monitor functioning of the plants as well as utilization of funds. This had resulted in blocking up of Government money of ₹670.9 lakh with the ULBs. KSSM also failed to evaluate the performance of the service providers before their continued empanelment.

4.2 PROCUREMENT OF GOODS AND SERVICES BY LOCAL SELF GOVERNMENT INSTITUTIONS

4.2.1 Introduction

Kerala Panchayat Raj Act, 1994 (KPR Act) and Kerala Municipality Act, 1994 (KM Act) entrusted Local Self Government Institutions (LSGIs) with such powers, functions and responsibilities to enable them to function as Institutions of Local Self Government. Subsequently, a major portion of the state fund was transferred to the LSGIs for implementation of various schemes and projects. LSGIs in the course of carrying out various schemes and projects, had to spend a sizeable amount of their funds for procurement of goods and services. KPR Act, KM Act, Kerala Stores Purchase Rules and Kerala Panchayat Raj (Execution of Public Works) Rules 1997 provide the legal foundation for the procurement system and management in LSGIs. In November 2010, GoK issued separate guidelines for the procurement of goods and services in LSGIs to suit their

²¹ Thiruvananthapuram Corporation, Vatakara, Kanhangad, Changanassery Municipalities

requirements. According to the guidelines, procurement is the process of obtaining goods and services (including consultancy) spanning the ‘whole life costing’²² of the asset or service contract.

“Goods” means all articles and materials (other than cash and documents) which come into the possession of a local government for their use and includes raw material, construction material, spare and spare parts, seeds, medicines and medical equipments, road dressing materials etc.

“Services” means services of intellectual nature performed by individual consultants or consulting firms having necessary specialized professional expertise, experience and relevant qualification.

Goods and services are procured by LSGIs for performing administrative and mandatory functions, by utilizing own sources of funds and funds that are set apart in the approved projects of LSGIs during a specified financial year.

4.2.2 Audit Objective

The objective of audit was to ascertain whether the procurement of goods and services by the LSGIs under various schemes and projects were carried out in accordance with the provisions contained in the guidelines on Procurement of Goods and Services in LSGIs, Stores Purchase Manual (SPM), Plan Guidelines for LSGIs and various Government Orders.

4.2.3 Audit Scope and Methodology

We conducted an assessment of the procurement of goods and services covering the period from 2011-12 to 2015-16. An entry conference (29 June 2016) was conducted with Principal Secretary, Local Self Government Department (LSGD). Audit methodology included scrutiny of records maintained in the LSGIs, collection of data from Information Kerala Mission (IKM), LSGD etc. An Exit Conference was conducted in March 2017 with the Secretary, LSGD during which the audit findings were discussed in detail. 43 Grama Panchayats (GPs), 19 Block Panchayats (BPs), five District Panchayats(DPs), eight Municipalities and two Municipal Corporations were selected for audit by using Probability Proportional to Size Without Replacement (PPSWOR) method. List of selected LSGIs is given in **Appendix XXV**.

4.2.4 Procurement framework

A Procurement Team led by the Secretary or Implementing Officer (IO) and supported by Assistants/Clerks from various sections was established at every LSGI for the procurement of Goods and Services. The Secretary/IO was the designated Procurement Officer of an LSGI. The Procurement Team would be guided and supervised by LSG Procurement Committee. The factual accuracy of the materials placed before the committee and the observance of the rules in

²²‘Whole Life Costing’ is defined as being from the initial definition of the need through to the end of the useful life of the asset and its subsequent disposal or to the end of the service contract.

undertaking various steps before bringing the proposals before the committee would be the sole responsibility of the Secretary/Purchasing Officer of the LSGI.

Procurement projects emerge through Working Group proposals, discussion with Stakeholders, Grama Sabha/Ward Sabha approvals, Development Seminars, Committee/Council decisions and District Planning Committee approval.

LSGIs adopt various procurement methods based on the complexity of the items, their value and availability of suitable market to source the same. The methods include petty purchases, local shopping through quotations, single tendering, limited tendering, open tendering, rate contract, and community/beneficiary based direct implementation.

4.2.5 Audit Findings

Audit findings relating to procurement of goods and services in test checked LSGIs are given in the succeeding paragraphs.

4.2.6 Assessing requirement of goods and services

Procurement process starts with assessing the requirements and ensuring the availability of funds to meet the expenditure.

4.2.6.1 Procurement Planning

Para 2.3 of the Guidelines for the procurement of Goods and Services stipulates that the LSGIs have to prepare a procurement plan to assess the bulk requirement of goods, works and services at the beginning of the financial year so as to ensure an effective method of budget execution and expenditure management. The procurement plan should include proposed methods of procurement, estimated costs, procurement schedule etc. with an objective to purchase them in economic lots at competitive rates.

We noticed that none of the test checked LSGIs had prepared procurement plan as envisaged in the guidelines. Absence of procurement plan led to the following lapses:

- (i) According to para 7.33 (c) of SPM, rush of purchases towards end of the financial year should be avoided. Further, GoK issued instructions (June 2012) that plan expenditure during the month of March should be limited to 10 *per cent* of the total expenditure. However, we observed that LSGIs procured majority of the goods at the fag end of the year leading to rush of expenditure in the month of March. It was noticed that in 16, 12 and 22 test checked LSGIs, more than 80 *per cent* of the total expenditure on procurement took place in March during 2013-14, 2014-15 and 2015-16 respectively. In 2015-16, in four institutions, 100 *per cent* expenditure on procurement took place in March 2016 as detailed in **Appendix XXVI**.

It was observed that during 2013-14 to 2015-16, test checked LSGIs incurred 64 to 67 per cent of their total expenditure on purchases during the month of March as shown in **Table 4.4** below:-

Table -4.4: Rush of expenditure in the month of March

Financial Year	Total expenditure incurred on procurement (₹ in crore)	Total expenditure on procurement in the month of March (₹ in crore)	Percentage of expenditure in March
2013-2014	66.21	43.90	66.30
2014-2015	72.59	48.78	67.20
2015-2016	63.13	40.22	63.70

We observed that absence of procurement plan led to rush of purchase at the fag end of the year. Director of Panchayat replied (February 2017) that delay in formulation of projects, delay in obtaining approval for the projects, delay in completing tender procedures etc. led to the utilization of major portion of funds in the month of March.

(ii) Chalakkudy Municipality formulated (June 2015) a project “Distribution of motorized vehicles and other equipment for differently-abled” during 2015-16. The Municipality selected (March 2016) Kerala State Handicapped persons’ Welfare Corporation Ltd. (KSHWC)²³ for the supply of scooters. Based on a proforma invoice for an amount of ₹10 lakh from the KSHWC, the IO (ICDS Supervisor) drew a Demand Draft (March 2016) for ₹10 lakh in favour of KSHWC. Neither a purchase order was issued fixing specification, make of the scooter, time of supply etc., nor an agreement executed with the KSHWC. Instead the Demand Draft purchased was kept with the Municipality (November 2016) to avoid lapse of funds. The Secretary replied (November 2016) that action would be taken to obtain the equipments from KSHWC. Failure to prepare procurement plan led to drawing funds at the fag end of the year to avoid lapse of funds. GoK issued instructions (June 2012) that funds should not be drawn and kept as DD/Cheque to avoid lapse of fund in expectation of future expenditure and such cases would be viewed as irregularity of serious nature and responsibility and accountability would be fixed accordingly and interest @12 per cent would be charged. However, no action has been taken against the erred official so far.

(iii) Article 94 of Kerala Financial Code Vol. I (KFC) stipulated that no money might be drawn from the treasury until it is required for immediate disbursement. Thrissur Municipal Corporation drew funds amounting to ₹10 lakh as Demand Drafts from treasury at the fag end of the year during the period 2012-13 to 2015-16, which were paid in advance to Kerala State Homoeopathic Co-

²³ A public sector undertaking under GoK to provide assistance to physically challenged

operative Pharmacy Ltd. (HOMCO)²⁴ for supply of Homoeo Medicines for Government Homoeo Dispensary, Ayyanthol. However, during 2012-13 to 2015-16, the Corporation issued supply order to HOMCO after two to 14 months of payment of advance. We observed that funds were drawn and advance payments were made to avoid lapse of funds for medicines not required for immediate use.

The delay in placing supply orders after advancing huge amounts violating Article 94 of the KFC resulted in giving undue financial benefit to HOMCO. Details are given in **Appendix XXVII**.

(iv) Thrissur DP formulated a project for a road work during 2012-13 which included procurement of bitumen for an amount of ₹1.27 lakh. The DP drew a Demand Draft for ₹1.27 lakh for purchase of bitumen (March 2013). However, the project was cancelled (November 2013) and the amount was refunded to the treasury after a period of seven months. Secretary, Thrissur DP replied that Demand Draft was drawn to utilize the fund within the financial year. Drawal of funds from the treasury without ensuring actual requirement violated the provisions of the KFC.

4.2.7 Procurement Committee

The guidelines for Procurement of Goods and Services envisaged formation of a Procurement Committee with President/Chairperson/Mayor of LSGI as Chairperson, Secretary of the LSGI as Convener and all Standing Committee Chairpersons, IO/ex-officio Secretaries concerned and two nominees from Social Audit Committee as members. The Procurement Committee was to scrutinize the proposals for procurement and make appropriate decision/recommendations. All the procurements in the LSGI would be guided and supervised by the Procurement Committee.

Of the test checked 77 LSGIs, Procurement committees were not constituted in 19 LSGIs as detailed in **Appendix XXV**. In the absence of Procurement Committee the inherent risk of improper purchases could not be ruled out.

4.2.7.1 Improper decisions of Procurement Committee/DP Committee

We noticed the following instances of improper/wrong decision taken by the Procurement Committee/DP Committee.

Para 3.2 of the Guidelines for Procurement of Goods and Services in LSGIs stipulated tender procedure for purchases above ₹one lakh and para 9.18 (ii) of the SPM stipulated that other conditions being equal, the lowest tender should be accepted.

(a) Alappuzha DP formulated a project ‘Scooter for Disabled persons’ in 2012-13 at a project cost of ₹35 lakh. The IO (District Social Justice Officer)

²⁴ HOMCO is a Co-operative Society functioning under the administrative control of GoK established with the objective to manufacture and sale Homoeopathic medicines

invited tenders in March 2013 and six offers were received. The IO proposed accepting the lowest offer of M/s. Mera Mobike, Perinthalmanna (₹53,295 per unit). However, the DP Committee accepted the offer of M/s. East Venice Hero, who was L4 (₹58,575 per unit) and it was recorded in the minutes of the DP Committee that the decision was taken based on the recommendation of the Procurement Committee in meeting dated 23 March 2013. After negotiation the rate was reduced to ₹56,962 per unit and the firm supplied 61 scooters with side wheel for ₹34.75 lakh and the amount was paid on 30 March 2013.

However, we observed that the procurement committee which met on 23 March 2013 had not made any such recommendation. The decision of the DP Committee, accepting higher offer in violation of the provisions of the SPM, resulted in avoidable extra expenditure of ₹2.24 lakh.

(b) Alappuzha DP formulated a project in 2013-14 for installing fire extinguishers in 20 Government Schools at a cost of ₹10 lakh. Quoting Government order (January 2013), the IO (Deputy Director of Education) requested (November 2013) the DP to permit direct purchase of fire extinguishers from SIDCO. The Procurement Committee agreed (January 2014) to purchase the fire extinguishers directly from SIDCO and the IO purchased 142 fire extinguishers from SIDCO for ₹10 lakh in February 2014. We observed that Government Order quoted by the IO does not grant permission for direct purchase of fire extinguishers. The DP replied that the purchase was made based on the decision of the Procurement Committee. Scrutiny of the minutes of the meeting of Procurement Committee held on 08 January 2014 revealed that decision was taken to purchase fire extinguishers from SIDCO. However, the decision of the procurement committee is not tenable as the Government did not permit purchase of fire extinguishers from SIDCO without observing tender formalities. This led to reduced competition and violation of para 3.2 of the guidelines.

4.2.8 Execution of Procurement

4.2.8.1 Procurement without complying with tender formalities

According to para 3.2 of Guidelines for Procurement of Goods and Services, procurements above ₹one lakh should be carried out through tender process. We observed that three²⁵ LSGIs purchased various equipments for a total cost of ₹12.30 lakh without following any tender process, even though the total value of each purchase was above ₹one lakh.

Procurement without tendering from Public Sector Undertakings

(a) GoK permitted LSGIs to purchase certain items viz., wooden furniture, steel furniture, steel fabricated hospital furniture, hospital equipments, laboratory

²⁵Pazhayannur BP (March 2012), Ponnani (March 2012) and Kayamkulam (October 2015) Municipalities

equipments, computers etc. directly from SIDCO²⁶ without following tender formalities. We observed that eight LSGIs procured goods such as street light fittings, high mast light, air conditioner, telescope etc., which were not permitted by GoK, worth ₹58.66 lakh from SIDCO without observing tender formalities. Details are given in **Appendix XXVIII**.

(b) GoK permitted (November 2009) LSGIs to directly purchase from Kerala Agro Industries Corporation Ltd (KAICO)²⁷, agricultural machinery and equipments manufactured by them without observing tender formalities. However, Thrissur Corporation purchased medical equipments worth ₹63.84 lakh from KAICO, during 2014-15 and 2015-16, without observing tender formalities. Failure to invite open tender involves risk of not obtaining of best competitive rates for procurement. The Secretary, Thrissur Corporation replied that decision for the purchase from KAICO was taken by the Palliative Care Management Committee (PMC)²⁸. The reply is not tenable as PMC is not empowered to grant permission to purchase without tendering.

4.2.8.2 Avoidable expenditure due to non acceptance of a lower offer

Thrissur Corporation invited tenders for the purchase of 1000 LED lights (May 2014) for an estimated cost of ₹140 lakh. 12 firms submitted their tenders. The L1 bid was rejected due to incorrect/unsuitable specification. Offer of M/s Crompton Greaves (₹79.89 lakh), which was L2 was rejected due to non submission of preliminary agreement. The L3 bid was rejected due to submission of time barred test reports. The L4 bid of M/s. V Tech Electrical, Thrissur for an amount of ₹101.41 lakh was accepted and payment made (August 2015) after receipt of materials. We observed that as per General Condition No.32 of Stores Purchase Manual, tenders without an agreement on stamp paper will be rejected but in deserving cases, where agreement has not been received, the Purchase Officer may exercise his discretion and call upon such tenderer to execute the preliminary agreement. However, Secretary, Thrissur Corporation, did not exercise the powers vested with him for accepting the L2 bid which resulted in avoidable expenditure of ₹21.52 lakh.

4.2.8.3 Delay in supply of medicines

GoK permitted (March 2013) LSGIs to make payments in advance to the HOMCO and Kerala Medical Services Corporation Ltd (KMSCL)²⁹ for supply of homoeopathic medicines and allopathic medicines respectively. According to para 9.60 of SPM, an agreement should be entered into with the supplier for the

²⁶ A Government owned Public Sector Corporation established for the development and promotion of Small Scale Industries

²⁷ KAICO – A joint venture of GoI and GoK for promoting mechanization and modern technology in agriculture

²⁸ Palliative Care Management Committee constituted by the LSGI to supervise overall activities of Pain and Palliative Care projects.

²⁹ KMSCL – a Government company established to act as a Central Procurement Agency for all essential drugs.

satisfactory fulfillment of the contract embodying the conditions of the supply order. Further, para 10.30 of SPM stipulates a suitable provision in the terms and conditions of the contract for claiming liquidated damages of appropriate amount from the supplier to take care of delay in supplies for which supplier is responsible.

(i) LSGIs issued supply orders to HOMCO for purchase of medicines and paid whole amount as advance without executing any agreement. We noticed that there was delay up to 12 months in supply of medicines in 55 cases in 24 test checked LSGIs and in six other cases medicines valuing ₹15.5 lakh were not supplied so far (October 2016). Details are given in **Appendix XXIX**. Though HOMCO repeatedly failed to supply medicines in time, in the absence of an agreement, LSGIs could not claim any liquidated damages for the delay in supply of medicines. Medical Officers in charge of the dispensaries replied that delayed supply/non-supply of medicines adversely affected the functioning of the dispensaries. Failure of LSGIs to comply with the provisions in SPM resulted in delayed/non-supply of medicines and blocking of funds with HOMCO.

(ii) Thrissur Corporation issued supply orders worth ₹11.18 lakh to KMSCL during 2011-12 to 2012-13³⁰ for supply of allopathic medicines for Community Health Centre (CHC), Ollur and paid the entire amount as advance. Against these supply orders, KMSCL have supplied medicines worth ₹6.75 lakh only (October 2016). We observed that the Corporation failed to execute agreement with the KMSCL as envisaged in the SPM and did not take any action to obtain balance quantity of medicines worth ₹4.43 lakh from KMSCL. The Corporation replied that steps will be initiated to obtain the medicines from KMSCL. Failure on the part of Thrissur Corporation to execute an agreement with KMSCL to obtain medicines in time resulted in non-supply and blocking of funds with KMSCL for more than three years.

4.2.8.4 Purchases resulting in wasteful/infructuous expenditure

According to para 2.2 of Guidelines for procurement of Goods and Services in LSGIs, the procurement process begins with identification of requirement of goods. LSGIs initiated procurement of goods without assessing the need/without ensuring availability of necessary infrastructure as detailed below.

(i) Based on proposals from State seed farms, Thrissur DP purchased five thresher cum winnower³¹ with five hp electric motor prime mover for ₹6.28 lakh (March 2013) for five state seed farms to avoid rental expenditure during harvest. We noticed that the machinery were not installed in the farms for want of three phase electric connection and working place to install the machinery. Hence, the test run of the machinery was not conducted. DP replied that lapses of the officers in charge of the farms in providing working places and ensuring three phase

³⁰ ₹2.85 lakh (February 2012); ₹0.33 lakh (April 2012) and ₹8 lakh (March 2013)

³¹ Machine for threshing and winnowing of paddy.

electric connection had led to non installation of the machines so far (November 2016). The reply was not tenable as it was the responsibility of the DP to ensure availability of necessary infrastructure before effecting procurement. Thus purchase of machinery by the IO (Asst. Executive Engineer, Agriculture) without ensuring required infrastructure led to infructuous expenditure of ₹6.28 lakh, besides incurring expenditure towards rent on machinery.

(ii) Kozhikode DP formulated a project during 2011-12 for installation of plastic recycling unit at Taluk level, by utilizing Nirmal Gram Puraskar award³² with the objective of collecting and recycling plastic waste within the DP area and thereby generating self employment for 20 persons. It was decided to select one Grama Panchyat having required infrastructure for installing the machine and handover the machine to that Grama Panchayat. The DP purchased (October 2011) the machine at a total cost of ₹9.10 lakh and kept it in the Industrial Estate building of Peruvayal GP. We observed that the DP could provide necessary electric connection only in December 2015. It was also seen that the machine had not been handed over to the Peruvayal GP and the machine has not been put to use till date (February 2017). Thus undue delay on the part of the DP to obtain electric connection and transfer the machinery to the GP for operation resulted in unfruitful expenditure of ₹9.10 lakh besides denial of employment to needy persons.

(iii) Wayanad DP formulated a project in 2011-12 to install solar fencing to protect the lives and assets of ethnic Scheduled Tribes, living in areas surrounded by thick forests from wild elephants. The DP executed (March 2012) an agreement with Agency for Non-conventional Energy and Rural Technology (ANERT)³³ and paid an amount of ₹72.19 lakh (April 2012) with a condition to complete the work in nine months. The DP accepted the sketches of 17 sites prepared by the agency. In September 2012 the agency revised the project cost to ₹117.76 lakh and the DP permitted (December 2012) them to utilize the difference of ₹45.57 lakh from the amount deposited with the agency for another project. The agency awarded the work to a private firm with time for completion of work by June 2013. In July 2014, ANERT reported that works of 15 sites were completed and works was not executed in the remaining two sites. The Dy. Forest Conservator had also reported (June 2014) that the fencing was not constructed in a scientific way and was broken in some places and elephants were entering from the forest. Subsequently, Program Officer, ANERT reported (November 2014) that of the 15 sites completed, 12 sites were inspected and found to be non functional. Based on various complaints received regarding non-functioning of

³² Nirmal Gram Puraskar is instituted by Ministry of Drinking Water and Sanitation with the objective to promote safe sanitation and clean environment in rural India.

³³ ANERT- an autonomous organisation under Government of Kerala- is the State Nodal Agency for implementing schemes and projects in the field of Non-Conventional Energy, Energy Conservation and Rural Technology.

the fences, the ANERT conducted another inspection (January 2016) of all the 15 sites and found that none of the fencing were working.

We observed that as per the agreement, quality assurance and rectification of defects during the progress of the work was the responsibility of the ANERT. As per clause No. 12 and 13 of the agreement, DP was to constitute a monitoring committee for monitoring the progress of the work by inspecting the site as and when required and the defects noticed by the committee were to be rectified by the implementing agency. Even though a monitoring committee was constituted by the DP, it had never met or monitored the progress of the installation of solar fencing.

Thus, failure of the monitoring committee to properly monitor the progress of installation of solar fencing and bring the defects to the notice of ANERT for rectification led to infructuous expenditure of ₹1.18 crore besides denial of intended benefits to the targeted tribal people.

(iv) Section 148 of KFC and Section 12.20 of SPM stipulated that payment for supplies shall not be made till the quality and quantity of the materials received is verified and taken to stock. Alappuzha DP formulated a project in 2011-12 for purchase of 25 twelve spindle charkas for Eramalloor and Uzhuva Women Khadi Spinning centres for ₹8.65 lakh. The objective of the project was to replace 20 year old charkas in the spinning units, thereby providing better wages to women weavers and producing better quality threads. The IO invited tenders and selected Coimbatore North Sarvodaya Sankh as the supplier at the cost of ₹7.14 lakh for 25 charkhas. The firm supplied the entire quantity and full payment for the supply (₹7.14 lakh) was made in March 2012.

The Instructors in charge of Departmental Spinning units reported that none of the Charkhas purchased were working from the day these were installed. We noticed that DP requested the supplier to rectify the defects only in November 2013, after the lapse of more than a year. However, the firm had not carried out the work so far (January 2017). It was the responsibility of the purchasing officer to ensure quality, specification, working conditions etc., of the materials purchased before paying the supplier. Failure on the part of the IO³⁴ to ensure the quality of the charkhas purchased before effecting payment led to wasteful expenditure of ₹7.14 lakh and deprived the women weavers of the intended benefits. Secretary, Alappuzha DP replied that the charkhas would be put to use after carrying out necessary repairs. We observed that DP had failed to initiate any action to get the charkhas repaired even though four years had elapsed since the purchase. Also no action has been taken against the erred officials so far (January 2017).

³⁴ Project Officer, District Khadi and Village Industries Office, Alappuzha

4.2.8.5 Excess payment to implementing agency

Thrissur DP formulated a project in 2010-11 for procurement and installation of bio-gas plants in 21 schools. The project was awarded to an accredited agency 'Integrated Rural Technology Centre (IRTC), Palakkad'. According to the agreement (July 2011), IRTC was to install bio-gas plants in 21 schools within a period of six months, complying with the guidelines issued by GoK (March 2011) for the installation and management of bio-gas plants. As per the rates prescribed in the guidelines, the total cost for installation of 21 bio gas plants of requisite capacity worked out to ₹30.30 lakh. However on completion of installation (March 2015), IRTC demanded ₹2.65 lakh as extra payment citing delay in handing over of the list of schools to them. The DP made a total payment of ₹32.95 lakh including ₹2.65 lakh excess, as demanded by IRTC. We observed that, the excess payment of ₹2.65 lakh to the agency was not in order as it violated the conditions of agreement. On this being pointed out, IO (District Co-ordinator, Suchitwa Mission) replied that notice has since been issued to realize excess amount of ₹2.65 lakh given to IRTC.

4.2.9 Transparency in procurement

As per para 5.1 of the Guidelines, Purchasing Officer shall ensure that the procurement process is not influenced by corrupt, fraudulent, collusive, coercive and obstructive practices.

4.2.9.1 Non-adherence to instructions for e-Tendering

In order to enhance transparency and efficiency in public procurement, GoK introduced (October 2012) e-Procurement System in all Departments/Boards/Public Sector Undertakings, with effect from April 2013, for all tenders above ₹ 25 lakh. The limit was further lowered to ₹five lakh in May 2015. We noticed that purchases of various items to the tune of ₹6.87 crore were carried out by four LSGIs in violation of the above government order during the audit period as detailed in **Appendix XXX**.

Thrissur Corporation replied that there was an interim stay on implementation of e-tendering by the Hon'ble High Court of Kerala in a writ petition. The reply was not tenable as the Hon'ble High Court had issued a stay order only on the implementation of e-tendering for civil works while this project was for replacing Sodium vapour lamps with LED lights and involved no civil works. Alappuzha DP replied that the lapse was due to not obtaining digital signatures of the IOs.

4.2.9.2 Formation of Social Audit Committee

As per clause 4.2.4 of the Guidelines, a Social Audit Committee (SAC) should be set up in each LSGIs to augment the process of constructive engagement between the citizens and GoK such that there is an improved performance in the use of public resources to deliver goods and services. The SAC would be responsible for (1) creating awareness amongst beneficiaries and providers of local, social, productive and infrastructure services (2) bringing in greater transparency in the

procurement cycle through active involvement at critical stages and (3) improving efficiency, productivity and quality in the delivery of goods and services through oversight. SAC have to submit their findings before the Grama Sabha annually. We observed that in none of the test checked LSGIs, the SAC was constituted during the audit period.

4.2.9.3 Complaint Redressal Mechanism

Guidelines for Procurement of Goods and Services envisage that one of the important conditions of effective procurement administration is Complaint Redressal Mechanism. Complaint Redressal is essential to be followed by LSGIs while carrying out procurement of goods and services. Even though the Guidelines stipulate that all LSGIs should maintain a register of complaint redressal, none of the LSGIs test checked had maintained such a register for recording the details of complaints received and action taken thereon. Hence, we could not ascertain the details of complaints received or the effectiveness of the complaint redressal mechanism existing in the LSGIs. LSGIs replied that whenever a complaint is received it is handed over to the concerned section for taking necessary action and complaints of serious nature would also be brought to the notice of President, or Panchyat Committee/Council. However, due to lack of proper complaint redressal mechanism in the LSGIs the transparency in handling the complaints received could not be ascertained.

4.2.10 Procurement of services

4.2.10.1 Excess payment to Information Kerala Mission (IKM)

The GoK entered (October 1999) into an agreement-cum-Memorandum of Understanding with IKM for the computerization of LSGIs. Further GoK permitted (May 2009) IKM to collect charges from LSGIs for the technical support rendered by them. IKM was also entrusted (December 2012) with the implementation of e-governance activities in LSGIs.

(i) The GoK (March 2013) deducted an amount of ₹10.46 lakh from the plan allocation of Alappuzha Municipality and paid it to IKM towards the services rendered by IKM to the Municipality for the years up to 2012-13. The Municipality also effected a payment of ₹ five lakh (March 2013) to IKM for the services rendered for the year 2012-13, which resulted in duplication of payment for the year 2012-13. When IKM brought this to the notice of the Municipality (April 2013), the Municipality decided to adjust the amount against the services to be rendered by IKM during 2013-14. However, the Municipality failed to take steps to adjust the excess payment made to IKM and the excess payment of ₹ five lakh still remains unadjusted (November 2016).

(ii) Wayanad DP paid ₹11.16 lakh to IKM towards charges for office computerization (April 2007). The IKM informed (May 2013) the DP that an amount of ₹5.12 lakh remained unutilized with them. But the DP failed to initiate any action to adjust the excess payment given to IKM (November 2016).

Failure on the part of LSGIs in adjusting excess payments resulted in granting undue financial benefit to IKM for services rendered.

4.2.10.2 Consultancy charges paid in excess

Mathilakam BP formulated a project to install a 5 KW Solar Power Plant through ANERT at a cost of ₹9.50 lakh plus 10 *per cent* consultancy charge. The BP deposited (March 2014) ₹10.45 lakh to the agency and entered into an agreement to complete the installation within six months. The agency installed (March 2015) the power plant for ₹6.90 lakh (six months after the agreed date) and returned (April 2016) the balance amount of ₹2.60 lakh by keeping ₹0.95 lakh as consultancy charges. We noticed that ANERT had charged consultancy charges as a percentage of the original estimate (₹9.50 lakh) instead of the actual expenditure incurred (₹6.90 lakh). This led to excess payment of consultancy charges of ₹0.26 lakh.

4.2.11 Conclusion

Non preparation of procurement plan by LSGIs led to failure in ensuring actual requirements/rush of purchases towards the fag end of the financial year. Non compliance with rules and guidelines led to purchases without tendering, acceptance of higher priced offers, delay in supply, infructuous expenditure etc. Non constitution of Social Audit Committee, absence of complaint redressal mechanism and not resorting to e-tendering indicated lack of transparency in procurement.

OTHER COMPLIANCE AUDIT OBSERVATIONS

4.3 Unfruitful expenditure of ₹39.82 lakh due to collapse of a school building

Negligence in the construction of a school building resulted in its collapse, endangering the lives of students and rendered the expenditure of ₹39.82 lakh spent for its construction and demolition of the remnants unfruitful.

According to para 1402 of the PWD manual, every work shall be properly investigated and all relevant data collected and correlated before finalising the design and estimate for the work. It further stipulates that a detailed investigation of all the data required for designing the work at the site or along the alignment finally chosen should be collected. As per para 1407 and 1408, regarding the selection of site, it is stated that the site shall be explored in detail so as to obtain knowledge of the type, uniformity, consistency, thickness, sequence and dip of strata and of the ground water considerations and the nature of soil and bearing capacity shall be ascertained by test piling.

Alappuzha DP constructed (January 2012) a two storied building at a cost of ₹35.18 lakh to accommodate 12 class rooms and a staircase in Avitom Thirunal Vocational Higher Secondary School (School), Mankompu in Pulinkunnu Grama Panchayat. The work was executed by a beneficiary committee consisting of the Headmistress of the School as its Convenor. The supervision of the work and approval of work bills for payment was entrusted to the Executive Engineer (EE), LSGD. The building was put to use in 2012. A portion of this newly constructed building collapsed while the school was functioning during August 2014. The students were immediately evacuated from the building and a major tragedy was averted. The remnants of the collapsed building were demolished (October 2015) by spending ₹4.64 lakh.

In reply to an audit query EE, LSGD stated (November 2016) that soil test was not conducted before preparation of the plan and estimate and the reason for collapse was stated as foundation failure. In his preliminary report also, he has stated that the foundation and building structure was designed without ensuring its load bearing capacity. Further, the foundation was built by using laterite blocks and the pillars were constructed with bricks instead of concrete.

We also observed that another school building adjacent to the collapsed building was constructed in accordance with the provisions of PWD Manual. Though, it was a single storied building, the construction was made on pile driven Reinforced Cement Concrete (RCC) foundation and pillars were constructed with RCC.

Thus, the negligent manner in which the work was executed by the beneficiary committee under the supervision of EE, LSGD disregarding PWD manual

provisions led to the collapse of the school building which endangered the lives of students.

DP should have ensured that the provisions in the PWD manual are adhered to while planning and the foundation and building structure should have been designed to ensure adequate load bearing capacity. Thus, the expenditure for the construction of the school building which collapsed and the demolition of its remnants constituted an unfruitful expenditure of ₹39.82 lakh.

The matter was referred to Government in January 2017; reply was awaited (March 2017).

4.4 Idle investment on the construction of an Agricultural Trading and Marketing Complex

Failure to ensure supervision of the work by the Block Panchayat led to the stoppage of construction besides non-achievement of objectives and idle investment of ₹54.48 lakh.

Attappady Block Panchayat (BP) formulated a project for the construction of Agricultural trading and marketing complex building at Agali (2008-2009) at an estimated cost of ₹69.78 lakh from Development fund and Backward Regions Grant Fund (BRGF)³⁵. The objective of the project was to market agricultural produce of peasants including Scheduled castes and Scheduled tribes, by avoiding middlemen.

The project was taken as a spill over project in 2009-10, as it could not be executed in 2008-09. As decided by the BP Committee, the construction was entrusted to Kerala State Nirmithi Kendra (KSNK)³⁶ for ₹69.78 lakh and the agreement was executed (July 2009) between the Secretary of the BP and the Regional Engineer, KSNK.

The agreement stipulated that the construction should be completed within a period of one year from the date of payment of first instalment of advance. The BP had to release 90 *per cent* of the estimated amount as advances in four stages and retain 10 *per cent* till the completion of the work. This balance amount would be released after verification of work done by a technical committee. The agreement further stipulated constitution of a managing committee consisting of Secretary or his nominee, Director Nirmithi Kendra or his nominee and the Project Engineer deputed by Nirmithi Kendra for the supervision of the work.

We observed that though first installment of advance of ₹12 lakh was paid in September 2009, the BP could hand over the hindrance free site to KSNK only in December 2009. Due to the delay in handing over of the site, as requested (July

³⁵ A Government of India programme designed to address regional imbalances in development implemented through NABARD

³⁶ An agency whose control and administrations vests with Government, meant for construction of buildings and dissemination of innovative ideas in the field of construction.

2010) by the Regional Engineer, KSNK, the completion period was extended up to August 2011.

In addition to the advance of ₹12 lakh, BP paid (April 2010 – March 2011) ₹27.60 lakh to KSNK based on the check measurements of KSNK. In March 2011, the BP withheld the subsequent payments (3rd part bill onwards) stating that its Engineering Wing was unable to assess the value of work done by KSNK on the ground that during construction/concrete works, KSNK had not informed the LSGD



Agricultural trading and Marketing Complex Building

Engineering wing to be present at the site. As such they did not know the type or the proportion of material used for construction of the building. In the mean time, BP acceded to the request (May 2011) of KSNK for the revision of estimate to ₹77 lakh based on 2010-11 Schedule of Rates (SoR) and released (July 2011) additional amount of ₹14.88 lakh as balance of earlier advances.

KSNK, however, discontinued the construction from July 2012 citing that their 3rd part bill had not been paid. They further stated (April 2014) that the works could be resumed only if the estimate were revised based on 2014 SoR and on payment of ₹43.37 lakh as advance for the remaining works based on the revised estimate.

In August 2015, the BP decided to terminate the contract and requested the Engineering Wing to prepare an estimate limited to ₹14 lakh to complete the remaining essential works.

We observed the following:

- Managing committee, as envisaged in the agreement was not constituted by the BP on the plea that KSNK being a Government accredited agency, there was no need of any supervision by the BP or the Engineering Wing of LSGD. This was also against the provisions of Government Order (18 May 2007) that it is the duty of the Engineer of the LSGD wing to supervise and measure the works even though it was done by accredited agencies like KSNK. BP had also failed to get countercheck done by LSGD Engineering wing for the first two part bills submitted by KSNK.
- Though the payment of the 3rd part bill was withheld, BP acceded to the request of KSNK for revision of rates and subsequently paid ₹14.88 lakh as balance of advance.

In reply to an audit query regarding the status of the work, BP informed (February 2017) that the contract with KSNK was terminated in June 2016, and estimate for the remaining works was prepared for ₹14 lakh by excluding certain items in the original estimate such as electrification works, plumbing and sanitary items etc., and the work was awarded to a contractor in January 2017.

Thus, on one hand, the BP did not constitute a Managing Committee on the grounds that KSNK being a Government accredited agency did not require supervision; at the same time it withheld payment of KSNK's bills on the grounds that the LSGD Engineering wing could not assess the value of the work done by KSNK. Further, in order to avoid escalation of costs due to time over run, certain essential items of works were omitted from the original estimate. In the absence of such essential items, the building would be largely unusable even after the completion of the project.

Thus the BP's failure to ensure supervision of the work resulted in stoppage of work and non-achievement of the objectives of the project even after a lapse of more than seven years. Further, investment of ₹54.48 lakh on the project remained idle.

The matter was referred to Government in November 2016 and reply was yet to be received (March 2017).

4.5 Short assessment of Entertainment Tax of Amusement Parks

Short assessment of Entertainment Tax (ET) due to non consideration of the actual structures, buildings and area in six amusement parks resulted in loss of revenue of ₹2.07 crore.

Amusement park is a permanent outdoor facility set up for entertainment which may include structures, buildings and area where admission is based on payment. The proprietor of an amusement park shall pay entertainment tax (ET) as fixed by the Local Authority. The ET levied on amusement parks is governed by the Kerala Local Authorities Entertainments Tax Act (ET Act), 1961 (amended in 2005). Section 3B of the ET Act effective from 01.04.1999 states that a proprietor of an amusement park shall pay an annual ET fixed by the local authority within the range of rates mentioned in the Act. The rate for each category (A to E)³⁷ is fixed on the basis of the amount invested and the area utilized for the park excluding the parking area and other unutilized/vacant area. As per explanation 2 under the above section, if both the investment and area of land do not come under any of the categories, the amusement park is to be grouped in the group with the next higher rate. The Act further states that the

³⁷ A	Investment up to ₹3 crore and area 2 hectares and below	₹3 to 6 lakh
B	Investment of above ₹3 crore but below ₹10 crore and area above 2 hectares but below 4 hectares	₹10 to 15 lakh
C	Investment of ₹10 crore and above but below ₹20 crore and area 4 hectares and above but below 6 hectares	₹25 to 30 lakh
D	Investment of ₹20 crores and above but below ₹50 crores and area 6 hectares and above but below 10 hectares	₹50 to 60 lakh
E	Investment of ₹50 crore and above and area 10 hectares and above	₹80 to 100 lakh

annual ET leviable shall be relaxed³⁸ during the first four years of the operation of the park.

By considering the fixed assets held by the parks as the investment made for determination of the ET, scrutiny of the records of the six amusement parks for the period from 2011-12 to 2015-16 revealed that the ET was fixed without considering the actual structures, buildings and area. This resulted in short assessment of ET which led to loss of revenue of ₹2.07 crore to the LSGIs as shown in **Table 4.5** below.

Table 4.5: Short assessment and realization of ET by LSGIs

Sl. No	Name of the LSGI/Park	Year	Investment (₹ in lakh)	Exemption granted by LSGI (Per cent)	ET Payable (₹ in lakh)	ET after the eligible exemption (₹ in lakh)	ET fixed and collected (₹ in lakh)	Short assessment (₹ in lakh)
1	Anthoor Municipality : Vismaya Infotainment Centre	2011-12	2214.63	---	50	50	25	25
		2012-13	2063.68	---	50	50	25	25
Total								50
2	Moorkanad GP : Flora Fantasia Amusement Park (Started functioning in 2012-13)	2012-13	2822.89	60	50	20	10	10
		2013-14	2556.05	40	50	30	15	15
		2014-15	2215.28	20	50	40	20	20
Total								45
3	Malampuzha GP : Fantasy Amusement Park	2013-14	511.73	---	10	10	3	7
		2014-15	505.44	---	10	10	3	7
Total								14
4	Thrikka-langode GP : Silsila Amusement Park (Started functioning in 2012-13)	2012-13	52.23	60	3	1.2	0.069	1.131
		2013-14	44.40	40	3	1.8	0.065	1.735
		2014-15	37.74	20	3	2.4	0.179	2.221
Total								5.087
5	Pariyaram GP: Dream World Water Park	2011-12	324.84	---	10	10	3.30	6.70
		2012-13	307.38	---	10	10	3.30	6.70
		2013-14	338.11	---	10	10	3.45	6.55
		2014-15	312.70	---	10	10	3.47	6.53
		2015-16	301.95	---	10	10	3.47	6.53
Total								33.01
6	Manickal GP: Happy Land Amusements and Resorts (P) Ltd.	2011-12	108.72	---	25	25	10	15
		2012-13	114.63	---	25	25	10	15
		2013-14	110.65	---	25	25	10	15
		2014-15	105.31	---	25	25	10	15
Total								60
Grand total								207.09

³⁸ First year - Sixty per cent
 Second year - Forty per cent
 Third year - Twenty per cent
 Fourth year - Ten per cent

In reply to the audit query regarding the short assessment of ET, four LSGIs replied that they had issued notices for assessment and levy of tax under section 3B of the ET Act to the parks concerned. In respect of Dream World Water Park in Pariyaram GP, the proprietor had obtained stay orders from the Hon'ble High Court of Kerala. Manickal GP had stated that after considering an appeal from the Park that the ET levied was very high, the Panchayat Committee has decided to fix the ET at ₹10 lakh as against ₹25 lakh payable. However, the GP failed to obtain prior approval from Government as stipulated in the ET Act. The LSGIs had further stated that they had assessed the ET under Section 3³⁹ and 3A⁴⁰ of the Act, instead of assessing them under Section 3B which led to substantial reduction of revenue.

Thus, failure of LSGIs to assess ET on the basis of actual structures, buildings and area held by the parks as envisaged in section 3B of the ET Act resulted in short assessment and a loss of revenue of ₹2.07 crore, which calls for fixing of responsibility.

The matter was referred to Government in January 2017; reply had not been received (March 2017).

4.6 Non-collection of Service Tax from tenants resulted in loss of ₹27.81 lakh and avoidable interest of ₹24.07 lakh due to belated filing of declaration.

Failure to collect ST from tenants and payment of the same from its own fund resulted in a loss of ₹27.81 lakh, besides avoidable interest of ₹24.07 lakh due to belated filing of declaration of ST by Neyyattinkara Municipality

Section 65 (105) (zzzz) of the Finance Act, 1994 stipulates levying of Service Tax (ST) in respect of renting of immovable property or any other service in relation to such renting for use in the course of, or furtherance of business or commerce with effect from 01 June 2007. The notification further stipulates that if the total rent received exceeds rupees eight lakh per year (from 01 April 2007)/ ₹10 lakh per year (from 01 April 2008), the service provider is liable to pay service tax at the rates prescribed by Central Excise Department (CED). If ST is not paid within the prescribed time, interest will be levied at the rates prescribed from time to time.

Neyyattinkara Municipality had not registered itself under ST Act and collected ST from its tenants of the shopping complex and town hall during the period 2007-08 to 2012-13. Based on the notice (July 2013) from CED and subsequent

³⁹ Levy of tax based on the price for each admission to any entertainment

⁴⁰ Levy of ET based on seating capacity.

introduction of Voluntary Compliance Encouragement Scheme, 2013 (VCES)⁴¹, the Municipality registered itself under the ST and declared ₹38.20 lakh as their ST liability under the VCES and paid ₹19.10 lakh (December 2013), as 50 per cent of the tax dues. Later, the Municipality revised the taxable liability as ₹33.25 lakh and paid (June 2014) ₹14.15 lakh as balance tax dues.

Though the Municipality decided (August 2011) to incorporate a provision in the agreement for levy of ST from the tenants, the same was incorporated in the agreement only in February 2014. Thus in the absence of provisions in the agreement to collect ST from the tenants, the Municipality had to pay ₹33.25 lakh as ST from its own funds, instead of collecting it from its tenants.

Subsequently, the VCES declaration made by the Municipality was rejected (May 2015) by the CED on the ground that the declarant failed to approach the designated authority before the cutoff date of 31 December 2013 for making amendments in tax dues. Due to the belated declaration, the CED had raised a demand (March 2017) for payment of interest of ₹24.07 lakh in addition to the tax already paid.

We observed that against ₹33.25 lakh ST due to be collected from the tenants the Municipality could realise only ₹5.44 lakh (2014-16) and in the absence of agreement, the chances of recovering the balance amount from the tenants was remote.

Thus, the failure of the Municipality to collect ST from tenants and payment of the same from its own fund resulted in a loss of ₹27.81 lakh, besides avoidable interest of ₹24.07 lakh due to belated filing of declaration of ST.

The matter was referred to Government in January 2017; reply had not been received (March 2017).

4.7 Action of Municipality in continuing with the land acquisition process despite not having adequate funds led to avoidable wasteful expenditure of ₹40.09 lakh.

Action of Pala Municipality in continuing with the land acquisition process despite not having adequate funds led to avoidable wasteful expenditure of ₹40.09 lakh by way of establishment charges

According to Rule 4 (1) of the Land Acquisition (LA) Rules 1990, requisition for acquisition of land shall be made to the District Collector within whose jurisdiction the land is situated. The institution/Local Authority which requires land shall deposit with the Collector or Land Acquisition Officer at the time of execution of the agreement or at any other date to be fixed by the Collector/Land

⁴¹ Under VCES defaulters such as non-filers were required to make a truthful declaration of their pending tax dues (from 01 October 2007 to 31 December 2012) and pay at least 50 per cent of that before 31 December 2013 and the remaining half was to be paid by 30 June 2014 without interest. It was further clarified that if the declarant *suo-moto* discovers any mistake by himself, he may approach the designated authority before the cutoff date of 31.12.2013 for making amendments in tax dues and to avail benefits under VCES

acquisition officer the estimated amount of compensation and the estimated amount of establishment charges likely to be incurred by the Government as may be provisionally fixed by the Collector or Land Acquisition Officer.

Based on the decision (February 2004) of the Council, the Secretary, Pala Municipality had made a requisition for the acquisition of 45.52 ares⁴² of land in Lalam village of Meenachil Taluk for construction of a Bus Terminal at Munnani. Revenue Divisional Officer Pala (RDO) was appointed as the Land acquisition officer. Government had accorded (May 2004) sanction to acquire the above said land by invoking urgency clause u/s 17(4) of the LA Act with a condition that the entire expenses in connection with the acquisition would be borne by the Municipality.

Though land acquisition notification was published in August 2004, Hon'ble High Court of Kerala (HC) stayed (September 2004) the acquisition proceedings based on a Writ Petition filed by one of the land owners. In March 2007, while disposing the case, HC quashed the urgency clause and directed the LA Officer to proceed with the acquisition under the ordinary provisions by inviting objection from the petitioners and conducting enquiry u/s 5A of the Act.

The Municipality decided (September 2007) to pursue the land acquisition proceedings and fresh notification for acquisition was published by the RDO in April 2008.

In May 2010, the Collector fixed the price of the land as ₹228 lakh and intimated the Municipality. In February 2011, RDO requested the Municipality to intimate whether sufficient fund was available with the Municipality but the Municipality did not reply to the RDO.

Despite repeated requests from RDO in March and April 2011 to allot the award amount of ₹228 lakh for acquiring the land, the Municipality could not mobilise the funds. Though the Municipality tried (October 2011) to source fund through loan from financial institutions, the same could not materialize. Hence, the Municipality was able to remit only a total of ₹40.09 lakh in three installments from September 2011 to December 2013.

In the mean time, an affected land owner filed a suit (2011) for quashing the land acquisition. While disposing the suit (June 2015), the Hon'ble HC ordered that the time limit prescribed under Land Acquisition Act had lapsed as the Municipality had not provided the requisite fund in time. It was also ordered that further acquisition can be done under Land Acquisition, Rehabilitation and Resettlement Act 2013.

In April 2016, RDO Pala informed the Municipal Secretary that the Land acquisition procedures could not be completed as the municipality had not remitted the entire award amount in time and that the award amount of

⁴² One Are = 2.47 cents

₹40.09 lakh already paid by the municipality would be adjusted against establishment charges of ₹40.44 lakh and ₹0.35 lakh was to be paid by the Municipality as balance of establishment charges due from them.

The Municipal council decided (August 2016) to dispense with the decision of continuing with the land acquisition procedures taking into account the increase in estimated cost of acquisition of ₹1954.18 lakh. The Municipality had requested (July 2016) the Government to exempt the establishment charges and refund the amount already remitted.

We observed that though the District Collector had fixed the price of the land in May 2010 itself, the Municipality could mobilise only ₹40.09 lakh by December 2013 as against the required ₹228 lakh. Thus the action of the Municipality in continuing with the LA process despite not having adequate funds led to avoidable wasteful expenditure of ₹40.09 lakh besides an additional liability of ₹0.35 lakh by way of establishment charges.

The matter was referred to Government in January 2017; reply was not received (March 2017).

4.8 Unfruitful expenditure on development of Kole land.

The objective of increasing agricultural production in Kole land could not be achieved as salt water intrusion could not be prevented despite spending ₹3.86 crore.

Kozhikode District Panchayat (DP) decided to uplift the production sector in the district by improving paddy cultivation in the Kole lands⁴³ spread in Velom-Ayanchery area. The project envisaged adequate drainage of excess water from the paddy fields and prevention of salinity intrusion from the river to enable paddy cultivation in different crop seasons for increased agricultural production. Government entrusted (February 2008) the execution of work to Kerala Land Development Corporation (KLDC)⁴⁴. An agreement was executed (March 2008) by the Secretary of the DP with KLDC with the condition that the project was to be completed within March 2009 at an agreed cost of ₹5.55 crore⁴⁵. The agreement envisaged the final settlement of claim pertaining to each project or work within two months after joint inspection by the technical wing of KLDC and authorities appointed by the DP and periodical monitoring of the work by the monitoring committee appointed by the DP.

⁴³ low-lying wet-lands.

⁴⁴ A PSU under the administrative control of the Agriculture Department, Government of Kerala to promote, undertake and execute land development and allied schemes for the integral development of agriculture.

⁴⁵ 95 per cent of which was a loan from RIDF (Rural Infrastructure Development Fund) of NABARD and the remaining 5 per cent from DP plan fund.

The work included deepening and widening of the existing canal, construction of three vented cross bars⁴⁶ (VCB), repair of one VCB, formation of bunds, farm roads, construction of side protection works, enhancing of pumping installations etc.

Though the work was started in October 2008, of the 6278 m farm road and 12556 m side protection envisaged, 700 m road and 7800 m side protection only were completed (May 2012). The work of deepening and widening of the 6278 m of the existing canal was completed. Against the three VCBs envisaged, only one VCB was constructed and repair work of another existing VCB had not been started.

Even after granting several extensions, KLDC could not complete the works and hence the DP decided (November 2012) to terminate the work at the risk and cost of KLDC and to recover the advance amount with 12 *per cent* interest.

Accordingly, the DP entrusted (September 2013) EE, LSGD to evaluate the works completed by KLDC. EE reported (April 2014) that (i) KLDC had failed to take measures to prevent water logging (ii) quantities of items/works recorded in the Measurement book could not be located in the site and (iii) site clearance works⁴⁷ could not be assessed/measured as it could be done only at the time of work or before the commencement of work.

On the plea that KLDC being a Government agency and execution of balance works with any other agency would affect the works executed, the DP decided (November 2014) to entrust the balance works to KLDC itself. But, since KLDC refused to continue the works at the existing rates, DP decided (April 2016) to close the project at the existing stage.

We observed the following:

- Against the advance of ₹4.10 crore paid, KLDC submitted claims for ₹3.86 crore only for the value of the work done. The DP had failed to recover the balance of ₹24 lakh from KLDC.
- Though the agreement condition stipulated that final settlement of claim pertaining to each project/work would be made after joint inspection by KLDC and DP, payments were released based only on the certification by KLDC which is against the agreement conditions. The Engineering Wing failed to check measure the items of work done by KLDC as stipulated by Government⁴⁸.
- The decision of the DP to terminate the contract at the risk and cost of KLDC could not be invoked as such a provision was not included in the agreement.

⁴⁶ Vented Cross Bars are constructed across the streams with re-inforced cement concrete on an average height of 2.5 m above bed level, with provision of shutters to discharge the flood water and silt load carried during the monsoon seasons. Earthen canals are constructed for distribution of the raised up water behind the VCB flowing by gravity to the fields.

⁴⁷ Clearing of jungle, formation of ring bund, pumping of water and filling of earth at the initial levels.

⁴⁸ GO(MS)No.133/07/LSGD dt.18/05/2007

- On a joint site verification (February 2017) by the Audit party with the engineers of the DP and KLDC, it was found that the objective of prevention of salt water intrusion was not achieved and paddy cultivation has not improved. Besides, the local people complained of depletion of well water due to over draining through canals in the absence of VCBs at proper places.

Thus, despite incurring ₹3.86 crore on the project, the DP could not achieve the objective of increasing the agricultural production in Kole land by preventing salt water intrusion. Further, absence of VCBs at proper places led to over draining through canals which resulted in depletion of well water. This rendered the entire expenditure incurred for development of Kole land infructuous.

While confirming the facts, Government stated (March 2017) that a proposal is under consideration for launching a new project by utilizing the works already executed.

Thiruvananthapuram,
The



(C.GOPINATHAN)
Principal Accountant General (General and
Social Sector Audit), Kerala

Countersigned

New Delhi,
The



(SHASHI KANT SHARMA)
Comptroller and Auditor General of India



APPENDICES

Appendix I
ELEVENTH SCHEDULE
(Article 243G)
(Reference: Paragraph 1.1.1, Page 1)

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, village and cottage industries.
10. Rural housing.
11. Drinking water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Rural electrification, including distribution of electricity.
15. Non-conventional energy sources.
16. Poverty alleviation programme.
17. Education, including primary and secondary schools.
18. Technical training and vocational education.
19. Adult and non-formal education.
20. Libraries.
21. Cultural activities.
22. Markets and fairs.
23. Health and sanitation, including hospitals, primary health centres and dispensaries.
24. Family welfare.
25. Women and child development.
26. Social welfare, including welfare of the handicapped and mentally retarded.
27. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
28. Public distribution system.
29. Maintenance of community assets.

Appendix II
TWELFTH SCHEDULE
(Article 243W)
(Reference: Paragraph 1.1.1, Page 1)

1. Urban planning including town planning.
2. Regulation of land-use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation conservancy and solid waste management.
7. Fire services.
8. Urban forestry, protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds; cremations, cremation grounds; and electric crematoriums.
15. Cattle pounds; prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus stops and public conveniences.
18. Regulation of slaughter houses and tanneries.

Appendix III
Surrender of funds during 2015-16
(Reference: Paragraph 2.1.1.1, Page 10)

Major head	Function	Budget Provision (₹)	Surrender (₹)	Net (₹)
2202	General Education	76492000	51538000	24954000
2210	Medical and Public Health	68262000	0	68262000
2217	Urban Development	1108000000	1100000000	800000
2225	Welfare of SC/ST	2647416000	329317000	2318099000
2230	Labour and Employment	314862000	5065000	309797000
2235	Social Security and Welfare	32624610000	0	32624610000
2401	Crop Husbandry	124309000	0	124309000
2402	Soil and Water Conservation	450000	0	450000
2403	Animal Husbandry	1000	1000	0
2501	Special Programmes for Rural Development	8849439000	1497372000	7352067000
2515	Other Rural Development Programmes	393800000	123516000	270284000
2851	Village and Small Industries	500000	11000	489000
	Total	46208141000	3106820000	43101321000

Appendix IV
List of LSGIs which prepared defective budget/delay in presentation of Budget
(Reference: Paragraph 2.2.1, Page 20)

Sl. No.	Name of LSGI	Year of Audit	Nature of defect			Incurred Expenditure for project that is not included in the budget
			Delay in presentation of budget	Passed on the same day of its presentation	Excess expenditure over budget without supplementary budget	
Municipality						
1.	Chalakkudy	2012-13	1	1		
2.	Karunagappally	2011-12	1	1		1
3.	Guruvayoor	2011-12	1	1		
4.	Manjeri	2011-12	1	1		
		Total	4	4	0	1
District Panchayat						
1.	Pathanamthitta	2011-12			1	
		Total	0	0	1	0
Block Panchayat						
1.	Idukki	2012-13	1	1		
2.	Nedumkandom	2012-13	1	1	1	
3.	Muthukulam	2012-13	1	1		
4.	Mavelikkara	2012-13	1	1		
5.	Vellanadu	2012-13	1	1		
		Total	5	5	1	0
Grama Panchayat						
1.	Cherthala South	2013-14	1	1		
2.	Malayattoor-Neeleswaram	2013-14	1	1		
3.	Chottanikkara	2012-13			1	
4.	Erumely	2011-12	1	1		
5.	Aryanadu	2012-13	1	1	1	1
6.	Kanjoor	2011-12			1	
7.	Devikulam	2012-13	1	1		
8.	Vellanadu	2012-13	1	1		
9.	Peringamala	2011-12	1	1		
10.	Kuttichal	2011-12		1		
11.	Upputhara	2012-13	1	1	1	1
12.	Venganoor	2012-13	1	1		
13.	Vembayam	2012-13	1	1	1	
14.	Muriyad	2012-13	1	1		
15.	Parakkadavu	2012-13	1	1		
16.	Kuthanur	2011-12	1	1		
17.	Vellamunda	2013-14	1	1		

Appendix IV(Concl.)

Sl. No.	Name of LSGI	Year of Audit	Nature of defect			Incurred Expenditure for project that is not included in the budget
			Delay in presentation of budget	Passed on the same day of its presentation	Excess expenditure over budget without supplementary budget	
18.	Puthige	2013-14	1	1		
19.	Arimpoor	2013-14	1	1		
20.	Kadambanadu	2013-14	1	1		
21.	Purakkadu	2013-14	1	1		
22.	Njarakkal	2013-14	1	1		
23.	Eroor	2012-13	1	1		
24.	Thrikkadari	2012-13	1	1		
25.	Ramamangalam	2012-13	1	1		1
26.	Bison Valley	2013-14	1	1		
27.	Kanjirappally	2012-13	1	1		
		Total	24	25	5	3
		Grand Total	33	34	7	4

Appendix V
List of LSGIs in which irregularities were noticed in preparation of AFS
(Reference: Paragraph 2.5.1, Page 22)

Sl. No	LSGIs which did not include all transactions		LSGIs in which CB of previous year's AFS did not agree with OB of next year		LSGIs in which CB/OB of Cash Book/Pass Book did not agree with AFS		LSGIs which did not prepare/submit appending statement of AFS	
Municipality								
1.	Alappuzha	2012-13			Karunagapally	2011-12	Chalakkudy	2012-13
2.	Chalakkudy	2012-13					Karunagapally	2011-12
3.	Pathanamthitta	2012-13					Guruvayoor	2011-12
4.	Kothamangalam	2011-12					Pathanamthitta	2012-13
5.	Manjeri	2011-12					Manjeri	2011-12
6.	Pathanamthitta	2013-14					Pathanamthitta	2013-14
7.	Varkala	2012-13						
	Total	7			Total	1	Total	6
District Panchayat								
1.	Kottayam	2012-13					Kottayam	2012-13
2.	Pathanamthitta	2011-12					Pathanamthitta	2012-13
	Total	2					Total	2
Block Panchayat								
1.	Ilamdesam	2012-13			Ilamdesam	2012-13	Nedumkandam	2012-13
2.	Idukki	2012-13			Attappady	2011-12	Vellanad	2011-12
3.	Nedumkandam	2012-13						
4.	Melady	2012-13						
5.	Muthukulam	2012-13						
	Total	5			Total	2	Total	2
Grama Panchayat								
1.	Malayattoor-Neeleswaram	2012-13	Aryanad	2012-13	Chottanikkara	2012-13	Cherthala South	2013-14
2.	Puthur	2012-13	Kadambhazhyapuram	2012-13	Perumatti	2011-12	Puthur	2012-13
3.	Chottanikkara	2012-13	Ramamangalam	2012-13	Mulakkuzha	2012-13	Aryanad	2012-13
4.	Aryanad	2012-13					Chadayamangalam	2011-12
5.	Perinad	2011-12					Pothencode	2012-13
6.	Kanjoor	2012-13					Kottukal	2011-12
7.	Kalanjoor	2012-13					Upputhara	2012-13
8.	Vellanad	2012-13					Mayyil	2012-13
9.	Pothencode	2011-12					Venganoor	2012-13
10.	Kottukal	2012-13					Parakkadavu	2012-13
11.	Upputhara	2011-12					Urangattiri	2012-13
12.	Nellappilly	2012-13					Vallathole Nagar	2012-13
13.	Vorkady	2012-13					Kadambhazhyapuram	2012-13
14.	Mayyil	2012-13					Puthige	2013-14
15.	Venganoor	2012-13					Perambra	2012-13
16.	Muriyad	2012-13					Kaniyambatta	2012-13
17.	Vallathole Nagar	2012-13					Kadambanad	2013-14
18.	Kadambhazhyapuram	2013-14					Mulakkuzha	2012-13

Appendix V (Concl.)

Sl. No	LSGIs which did not include all transactions		LSGIs in which CB of previous year's AFS did not agree with OB of next year		LSGIs in which CB/OB of Cash Book/Pass Book did not agree with AFS		LSGIs which did not prepare/submit appending statement of AFS	
19.	Purakkad	2011-12					Pallikkal	2014-15
20.	Vadavannur	2013-14					Thrikkadari	2012-13
21.	Njarakkal	2012-13					Ramamangalam	2012-13
22.	Eroor	2012-13					Varappetti	2012-13
23.	Ramamangalam	2012-13					Kanjirappally	2012-13
24.	Kadakkavoor	2013-14					Aruvikkara	2013-14
25.	Bison Valley	2013-14					Kumbalam	2012-13
26.	Muhamma	2013-14						
27.	Aruvikkara	2014-15						
28.	Thurayoor	2013-14						
29.	Arattupuzha	2012-13						
30.	Kumbalam	2012-13						
	Total	30	Total	3	Total	3	Total	25

Appendix VI
List of LSGIs which did not prepare monthly accounts
(Reference: Paragraph 2.5.2, Page 22)

Sl. No.	Name of LSGI	Year of Audit
Block Panchayat		
1.	Kunnummel	2011-12
2.	Adimali	2012-13
	Total	2
Grama Panchayat		
1.	Erumely GP	2011-12
2.	Chadayamangalam GP	2011-12
3.	Kuttichal GP	2011-12
4.	Kulakkada GP	2012-13
5.	Purakkad GP	2013-14
6.	Bison Valley GP	2013-14
	Total	6

Appendix VII
List of LSGIs which did not conduct physical verification of stock
(Reference: Paragraph 2.5.3, Page 22)

Sl. No.	Name of LSGI	Year of Audit
Municipality		
1.	Kottayam	2013-14
	Total	1
Block Panchayat		
1.	Ilamdesam	2012-13
2.	Melady	2012-13
	Total	2
Grama Panchayat		
1.	Puthur	2012-13
2.	Venganoor	2012-13
3.	Kulakkada	2012-13
4.	Vadavannur	2011-12
5.	Mavoor	2013-14
6.	Aruvikkara	2013-14
	Total	6

Appendix VIII
List of LSGIs with improper maintenance of Registers
(Reference: Paragraph 2.5.4, Page 22)

Sl. No.	Name of LSGI	Year of Audit	Deposit Register maintained but not properly	Asset Register maintained but not properly
Municipality				
1.	Karunagapally	2011-12		1
2.	Kothamangalam	2011-12		1
	Total			2
Block Panchayat				
1.	Ilamdesam	2012-13	1	1
2.	Nemom	2012-13		1
	Total		1	2
Grama Panchayat				
1.	Puthur	2012-13		1
2.	Chottanikkara	2012-13		1
3.	Kanjoor	2011-12		1
4.	Kalanjoor	2012-13		1
5.	Maranalloor	2012-13		1
6.	Kuthanur	2011-12		1
7.	Vellamunda	2013-14		1
8.	Kaniyambatta	2012-13		1
9.	Eroor	2012-13		1
10.	Muhamma	2013-14		1
11.	Mavoor	2013-14		1
12.	Aruvikkara	2013-14		1
13.	Kanjiyar	2013-14	1	
14.	Kumbalam	2012-13	1	
	Total		2	12

Appendix IX
Administration and Implementing arrangements
(Reference: Paragraph 3.1.2, Page 27)

Position	Details
Executing Agency (EA)	Local Self Government Department (LSGD), GoK is the EA of the project, and is responsible for overall strategic guidance, technical supervision, and implementation of the Project, and for ensuring compliance with ADB's loan covenants.
Project Management Unit (PMU)	A state-level Project Management Unit (PMU), manned by technical experts led by a full-time Project Director, was responsible for overall project implementation, monitoring and supervision, and had to report directly to the Secretary, LSGD. The State Government constituted the PMU for the project in October 2005.
Empowered Committee (EC)	A state-level Empowered Committee (EC) formed by GoK in March 2007 with Minister for Local Self Government as Chairman and comprising Secretaries of concerned Departments, Executive Director of Kudumbashree, Mayors of the Project cities, Project Director (KSUDP), Director of Urban Affairs and the Chief Town Planner as members, decided on matters related to the Project.
Coordination committee (CC)	A state-level Coordination Committee (CC) comprising Secretaries of LSGD, Finance, Planning, Modernizing Government Program, and the Project Director, as Convener, formed in October 2005 ensured the smooth functioning of the Project.
Project Implementation Units (PIU)	Municipal Corporations were the Implementing Agencies for the Project. In each Corporation, there was a Project Implementation Unit (PIU) headed by a Project Manager, and supported by specialists in water supply, sewerage, civil engineering, solid waste management, urban planning, procurement, environment, finance and accounting, and social and community development. The PIUs were responsible for (i) carrying out detailed surveys, investigations and engineering designs (ii) inviting tenders, evaluating bids, awarding works, performing contract administration, supervision and quality control (iii) evaluating work done by contractors and certifying payments (iv) conducting public awareness campaigns and participation programs (v) carrying out Post Performance Monitoring System (PPMS) surveys (vi) carrying out environmental assessments (vii) ensuring that Corporations comply with ADB loan covenants and (viii) preparing monthly reports. The State Government constituted PIUs for the five Municipal Corporations May 2007. For implementation of water supply and sewerage projects, GoK had signed (November 2007) Memorandum Of Understanding (MoU) with Kerala Water Authority (KWA) for the five project cities, based on which the respective city's Superintending Engineer (KWA), executes the contract agreement with the contractor in the capacity of 'Additional Project Manager, PIU'.

Appendix IX (Concl.)

Position	Details
City Level Steering Committees (SC)	PIU is guided by a city-level Steering Committee (SC) comprising the Mayor, the Corporation Secretary, the District Collector, representatives of Public Works Department, Kerala State Electricity Board, KWA, Pollution Control Board, Standing Committee chairpersons etc. The SC reviews the project progress, resolve local issues, and provide guidance on policy matters.
Technical Support Unit (TSU)	It was envisaged that the TSU will be an international consulting firm. In association with domestic consulting firms, it will help the PMU in overall project management. The TSU will also assist the PMU and PIUs in project formulation, management, monitoring and evaluation, financial and environmental management, implementation of poverty alleviation programs, and selection of sub-projects by ULBs. The TSU will review the inputs of the DSCs, and the PPMS consultants and advise the PMU and PIUs accordingly. GoK appointed (May 2007) 'M/s Wilber Smith Associates Consortium' as TSU for the project. The initial term of appointment was two years which was extended eight times, finally up to 31 December 2016.
Design and Supervision Consultancy (DSC)	Two domestic consulting firms were to be engaged as Design and Supervision Consultants (DSC) to assist the PIUs located in Corporations to carry out detailed engineering design, procurement of goods and services, construction supervision, quality control, community awareness, and poverty reduction programmes. GoK appointed (March 2007) 'M/s Consulting Engineering Service (Pvt) Ltd' Consortium (CES) as DSC1 for TVM and Kollam Corporations and 'M/s Water and Power Consultancy Service (India) Ltd' Consortium (WAPCOS) as DSC2 for Kochi, Thrissur and Kozhikode Corporations. The initial term of appointment was for four years up to May 2011 which was later extended up to June 2013. Taking in to account their reduced role in implementation, the services of DSCs were dispensed with on 30 June 2013.
Project Performance Monitoring System Consultancy (PPMS)	It was stipulated that a domestic firm/individual consultant will be appointed to undertake activities under Project Performance Monitoring System (PPMS). The objective of PPMS consultancy is to monitor the delivery of services anticipated and measure benefits as they accrue. The Government assigned the task of doing PPMS to TSU.

Appendix X
Packages selected for detailed scrutiny
(Reference: Paragraph 3.1.5, Page 28)

Sl.No.	Package	City	Description of package
1	TVM-SS-03 (PCSS No.0066)	TVM	Sewage Treatment Plant
2	TSR-WS-01 (PCSS No.0065)	Thrissur	Rehabilitation of intake, WTP, Storage reservoir and repair/replacement of transmission mains
3	KZD-RT-01 (PCSS No.0023)	Kozhikode	Road and Bridge Improvement works
4	TSR-RT-01 (PCSS No.0026)	Thrissur	Road Improvement works
5	TSR-WS-02 (PCSS No.0126)	Thrissur	Rehabilitation and augmentation of distribution network and service connections
6	KLM-RT-01A (PCSS No.0058)	Kollam	Road Upgradation and Junction Improvement-Part I
7	KCH-RT-01B (PCSS No.0062)	Kochi	Road Upgradation Works – Edappally/ High Court Road
8	KZD-SW-P2-E6	Kozhikode	Procurement of Secondary Storage and Transportation (Phase 2)
9	KZD-SS-02B (PCSS No.0106)	Kozhikode	Rehabilitation of existing sewerage system and extension of sewerage system to Zone B (Part B)
10	KLM-SS-02 (PCSS No.0123)	Kollam	Rehabilitation of existing sewerage system and extension of sewerage system to Zone A1 – Part 2
11	KCH-DR-01A (PCSS No.0100)	Kochi	Urban Drainage Improvement Works of Drains (excavation, sidewall, cover slab of drains and culverts in the centre part of Kochi)
12	KLM-RT-01C (PCSS No.0059)	Kollam	Chinnakkada Underpass Development – Part II
13	TVM-RT-01A1 (PCSS No.0076)		Thiruvananthapuram Road Improvement (Attakulangara to NH bypass near Thiruvallam via Manacaud)
14	KZD-DR-01A (PCSS No.0104)	Kochi	Urban Drainage Improvement – Phase I
15	TSR-DR-01B (PCSS No.0131)	Thrissur	Urban Drainage Improvement
16	KZD-DR-01B (PCSS No.0133)	Kozhikode	Urban Drainage Improvement – Phase II
17	KLM-SW-01C (PCSS No.0052)	Kollam	Solid Waste Management Works – Infrastructure

Appendix X (Contd...)

Sl.No.	Package	City	Description of package
18	KZD-SW-P1-E2 (PCSS No.0055)	Kozhikode	Procurement of Primary Collection Equipment for SWM (Auto 3 wheeler bins 60 Ltrs capacity)
19	KCH-SS-03 (PCSS No.0137)	Kochi	Construction of sewerage system for Zone 3, 8 & 9 of West Kochi, Kochi Corporation – Phase I
20	KLM-DR-01A (PCSS No.0068)	Kollam	Urban Drainage Works – Phase I
21	TSR-SW-01 (PCSS No.0024)	Thrissur	Solid Waste Management – Compost Plant, Landfill and Container Platforms
22	KLM-WS-02 (PCSS No.0124)	Kollam	Rehabilitation and augmentation of distribution network and service connections
23	TVM-DR-01 (PCSS No.0120)	TVM	Storm Water Drainage – Improvements to Pazhavangadi Thodu and Thampanoor area – Phase I
24	KLM-DR-01B (PCSS No.0069)	Kollam	Urban Drainage Improvement Works – Phase II
25	KZD-SW-01 (PCSS No.0054)	Kozhikode	Solid Waste Management – Compost Plant, Landfill and Container Platforms
26	KCH-SS-02 (PCSS No.0134)	Kochi	Construction of sewerage system for Zone 4,6 of West Kochi, Kochi Corporation – Phase II
27	KCH-WS-02A (PCSS No.0102)	Kochi	Rehabilitation and augmentation of distribution network and service connections –Part A
28	KLM-SS-01 (PCSS No.0122)	Kollam	Rehabilitation of existing sewerage system and extension of sewerage system to Zone A1 - Part 2
29	TVM-RT-01B (PCSS No.0056)	TVM	Road Improvement Works to Thiruvananthapuram – Part II(Road from Poojappura round to Thirumala and Road from Valiyavila to Peyad)
30	KCH-SW-P1-E2 (PCSS No.0041)	Kochi	Procurement of Primary Collection Equipment for SWM (Auto 3 wheeler and 4 wheelers)
31	KCH-WS-02B (PCSS No.0114)	Kochi	Rehabilitation and augmentation of distribution network and service connections (including Vennala and Elamkkara) –Part B
32	KLM-RT-01D (PCSS No.0078)	Kollam	Street Light
33	KCH-RT-01A (PCSS No.0061)	Kochi	Road Upgradation Works – SA Road

Appendix X (Concl.)

Sl.No.	Package	City	Description of package
34	KCH-SS-04A (PCSS No.0101)	Kochi	Land filling works for Sewage Treatment Plant at Mundenveli of West Kochi
35	KLM-DR-01C (PCSS No.0140)	Kollam	Urban Drainage Improvement Works – Phase III
36	KLM-SW-01A (PCSS No.0050)	Kollam	Solid Waste Management Works – Compost Plant
37	KCH-WS-02C (PCSS No.0127)	Kochi	Replacement of old damaged 700 mm Premo pipe from Port Bristow road to East End of Mattanchery Bridge using 700 mm DI K9 pipe and 710 HDPE pipe
38	KCH-WS-03 (PCSS No.0115)	Kochi	Rehabilitation of distribution and service connections in SA Road (Providing rider service lines of SA Road (7000 mt)
39	TSR-SW-P1-E1 (PCSS No.0079)	Thrissur	Procurement of Primary Storage Equipment for SWM
40	KLM-WS-01 (PCSS No.0107)	Kollam	Rehabilitation of WTP, Transmission mains and new OHTs
41	KZD-SW-P1-E3-Lot 1 (PCSS No.0093)	Kozhikode	Procurement of Secondary Storage and transportation equipment (Dumper container 3.5 cu.m. capacity- 20 Nos; Dual dumber placer – 2 Nos.)

Appendix XI
Details of Projects Implemented
(Reference: Paragraph 3.1.6, Page 28)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Defer- red	Total Expendi- ture (₹ in crore)	Outcome/remarks
TVM	Sewerage- Construction of Sewage Treatment Plant, Rehabilitation of existing Sewerage System and extension of Sewerage System.	5	109.40	1	2		2	52.12	Two Packages for laying sewerage lines and giving house connections were short closed due to poor performance of the contractor/public protest. Construction of STP completed. But since KWA could not complete the above two sewerage works, the sewerage supplied to the plant was not sufficient for operating the plant at optimum capacity. Only 40-45 MLD sewage was being collected and conveyed through the sewerage line for treatment at STP and the capacity utilization of plant was about 42 per cent. Also, the intended benefit of giving house connection to estimated population of 69,289 not achieved.

Appendix XI (Contd...)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Defer- red	Total Expendit- ure (₹ in crore)	Outcome/remarks
	Storm Water Drainage- Improvements to Pazhavangadi Thodu and Thampanoor area	1	11.26	1				11.01	Due to the bottle neck of railway culvert, and non implementation of diversion drain, water logging still persist.
	Urban Roads and Transportation- TVM Road Improvement (Attakulangara to NH bypass near Thiruvallam, Part II (Road from Poojapura round to Thirumala and Road from Valiyavila to Peyad)	3	41.41	2	-	-	1	21.71	Two roads upgraded.
Kollam	Water supply- Rehabilitation of WTP, Transmission mains, new OHTs and augmentation of distribution network and service connection.	2	9.19	2				9.46	Against the target of achieving 24-hour supply in atleast 50 per cent of the project areas, the achievement was only eight to 10 hours.
	Sewerage- Rehabilitation of existing Sewerage system and Extension of sewerage system to Zone A1 - Part 1 and Part 2 of Kollam Corporation	3	107.91	-		2	1	28.41	Rehabilitation of existing Sewerage system only partially done due to public protest/delay in getting road cutting permission. Intended benefit of giving house connection to estimated population of 84,153 was not served.

Appendix XI (Contd...)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Deferred	Total Expenditure (₹ in crore)	Outcome/remarks
	Storm Water Drainage-Urban Drainage Improvement Works	3	18.14	3				14.85	Incidence of floods or water logging partially reduced.
	Solid Waste Management- Solid Waste Management Works – Construction of Compost Plant, Leachate Treatment Plant, compound wall and sanitary land fill.	3	9.71	-	3		,	6.17	The works were short closed due to public protest/CRZ issues and 55 Nos. of auto tipper were idling. Against the intended household waste collection of 1,01,370, achievements were only 95,000. Also waste collection was irregular against the target of seven day per week
	SWM-Equipment-Construction of bio-gas plant at eight sites and procurement of vehicles.	14	5.27	10			4	2.47	Out of the eight bio-gas plants six were found non-functional during joint site verification.
	Urban Roads and Transportation- Road Upgradation and Junction Improvement - Part I and Chinnakada Underpass Development - Part III	5	35.31	3			2	26.00	Both the works completed. Peak hour traffic volume-capacity ratio improved.

Appendix XI(Contd...)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Defer- red	Total Expendit- ure (₹ in crore)	Outcome/remarks
Kochi	Water supply – rehabilitation of intake, Water treatment plant,transmission mains	6	30.53	3	2	1		24.13	Two works short closed due to poor performance of the contractor/faulty design (One work was later executed through KWA). One ongoing work was later terminated at the risk and cost of the contractor (December 2016).
	Sewerage- Construction of Sewage Treatment Plant, pump houses including electrical and mechanical works, pumping main and Rehabilitation of existing Sewerage System and extension of Sewerage System of west Kochi.	7	223.65	1	4		2	41.18	Four works were short closed due to public protest. Target of giving 40,000 house connections benefitting population of 1,92,000 not achieved.
	Storm Water Drainage- Urban Drainage Improvement Works of Drains (excavation, sidewall, cover slab of drains and culverts in the centre part of Kochi)	2	13.87	1			1	13.08	Incidence of floods or water logging partially reduced.

Appendix XI (Contd...)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Deferred	Total Expenditure (₹ in crore)	Outcome/remarks
	SWM- Purchase of Equipment and transportation equipments.	6	9.41	4	-		2	5.15	Three wheeler-17 nos, four wheeler-25 nos., jeep-1 no. purchased for SWM are idling. Against the intended household waste collection of 1,62,000, achievement was only 1,15,000.
	Urban Roads and Transportation- Road Upgradation Works - SA Road, Edappally/High Court Road and New Bridge at SA Road	3	29.62	3	-			29.62	Peak hour traffic volume-capacity ratio improved.
Thrissur	Water supply- 1.Rehabilitation of intake, WTP, Storage reservoirs and repair/replacement of transmission mains and 2.Rehabilitation and augmentation of distribution network and service connection	2	63.47	2				58.72	Against the target of 70-135 litre per capita per day, 80-90 lpcd was achieved.
	Storm Water Drainage- Urban Drainage Improvement	2	16.18	2				12.94	Incidence of floods or water logging partially reduced.

Appendix XI (Contd....)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Defer- red	Total Expendi- ture (₹ in crore)	Outcome/remarks
	Solid Waste Management- Compost Plant, Landfill and Container Platforms	1	4.92		1			1.92	The work was short closed due to public protest and 11 Nos. of auto tipper and solid waste equipments procured for collection and storage are idling.
	SWM-Equipment- Purchase of storage equipments and vehicles.	7	6.53	4			3	2.51	Against the intended house-hold waste collection of 67,200, achievement was only 36,000. Also waste collection was irregular against the target of six days per week
Kozhikode	Urban Roads and Transportation- Road improvement works.	1	28.56	1				28.55	Peak hour traffic volume- capacity ratio improved.
	Sewerage- Construction of STP, Sewerage Networks, Wet Wells, Pumping Stations and Pumping Mains and Rehabilitation of existing sewerage system and extension of sewerage system	6	140.81		3	1	2	17.68	Out of the four works taken up, three works were short closed due to public protest and the work of STP was suspended due to environmental issues. Intended benefit of giving house connection to estimated population of 175133 not achieved.
	Storm Water Drainage- Urban Drainage Improvement	3	29.49	2			1	18.10	Incidence floods or water logging partially reduced.

Appendix XI (Concl.d.)

Name of the Corporation	Name of the Project	No. of works envisaged	Amount (₹ in crore)	Completed	Short closed	Ongoing works	Deferred	Total Expenditure (₹ in crore)	Outcome/remarks
	Solid Waste Management- Solid Waste Management – Compost Plant, Landfill and container Platforms and LTP works.	2	3.36	2			-	2.61	The LTP has not been commissioned due to non receipt of clearance from KSPCB and 12 vehicles procured were idling. Against the intended household waste collection of 99,000 achievement was 93,000 and waste collection was irregular against the target of six days per week
	SWM-Equipment- Purchase of storage equipments and vehicles.	11	6.19	.7			4	4.37	
	Urban Roads and Transportation- Road and bridge improvement works	4	44.95	1			3	37.71	Peak hour traffic volume-capacity ratio improved.
	Total	102	999.14	55	15	4	28	470.47	

Appendix XII
Details of works short closed
(Reference: Paragraph 3.1.7.2 (a), Page 31)

(₹ in crore)

Sl. No.	Package No./ Details of work	Contract value	Expenditure	Reason
1	KLM-SW-01A Solid waste management works- Kollam	4.79	3.79	Public protest/ CRZ issues
2	KLM-SW-01B Solid waste management works- landfill- Kollam	2.03	0.98	Public protest/ CRZ issues
3	KLM-SW-01C Solid waste management works- Infrastructure- Kollam	2.89	1.50	Public protest/ CRZ issues
4	TSR-SW-01 Solid waste management Compost plant, landfill etc.- Thrissur	4.92	1.92	Public protest
5	KCH-SS-02 Construction of sewerage system for zone 4,6 of West Kochi- Phase II	57.60	11.39	Public protest
6	KCH-SS-02A Construction of pump houses including electrical and mechanical works, pumping main for zone 4,6 of West Kochi-Phase II	16.42	3.49	Public protest
7	KCH-SS-03 Construction of sewerage system for zone 3,8 & 9 of West Kochi-Phase I	64.74	12.96	Public protest
8	KCH-SS-03A Construction of pump houses, electrical and mechanical works, pumping main for zone 3,8 & 9 of West Kochi-Phase I	26.43	11.81	Public protest
9	KZD-SS-03A Land development, approach road for STP- Kozhikode	7.49	0.60	Public protest
10	KZD-SS-02A Sewerage works - Kozhikode	36.18	5.89	Public protest, delay in land acquisition
11	KZD-SS-02B Sewerage works - Kozhikode	27.67	6.96	Public protest, delay in land acquisition
12	KCH-WS-02A Water supply - Kochi	10.45	4.68	Delay in getting road cutting permission
13	KCH-WS-03 Water supply - Kochi	3.65	1.14	Delay in getting road cutting permission
14	TVM-SS-01 Sewerage works - Thiruvananthapuram	12.56	2.30	Public protest, poor performance of contractor
15	TVM-SS-02 Sewerage works - Thiruvananthapuram	52.30	7.93	Public protest, poor performance of contractor
	TOTAL	330.12	77.34	

Appendix XIII
Expenditure incurred on sewerage projects
(Reference: Paragraph 3.1.8.1, Page 33)

Details of work	Name of contractor	Date of award/date of termination	Contract amount	Expenditure incurred (₹incrore)				
				Purchase of pipes	Mobilization advance	Road cutting charge	Expenditure on actual civil work	Total expenditure incurred
Kochi								
KCH-SS-02 Sewerage	M/s Abhiram Infra Projects Pvt Ltd	22.11.2013 18.02.2016	57.60	4.66	3.73	3.00	0	11.39
KCH-SS-02A Sewerage	--- do ---	--- do ---	16.42	0.78	1.21	1.50	0	3.49
KCH-SS-03 Sewerage	--- do ---	29.11.2013 18.02.2016	64.74	5.39	4.06	3.50	0	12.95
KCH-SS-03A Sewerage	M/s Mary Matha Constr. Co.	26.11.2013 18.02.2016	26.43	7.98	1.36	2.00	0.47	11.81
Kozhikode								
KZD-SS-02A Sewerage	M/s Sriram EPC Ltd	19.10.2011 18.02.2016	36.18	2.62	2.07	0	1.20	5.89
KZD-SS-02B Sewerage	M/s Sriram EPC Ltd	19.06.2011 18.02.2016	27.67	2.70	0.73	0	3.53	6.96
Kollam								
KLM-SS-01 Sewerage	M/s TOMCO Engg (P) Ltd.	20.06.2012 Ongoing	34.05	6.91	0.21	2.18	4.21	13.51
KLM-SS-02 Sewerage	M/s TOMCO Engg (P) Ltd.	20.06.2012 Ongoing	55.91	5.15	0.44	4.29	8.17	18.05
TVM								
TVM-SS-01 Sewerage	M/s Abhiram Infra Projects Pvt. Ltd.	11.12.2012 18.02.2016	12.56	0.29	0.58	0.25	1.18	2.30
TVM-SS-02 Sewerage	M/s Abhiram Infra Projects Pvt. Ltd.	11.12.2012 18.02.2016	52.30	3.06	2.82	0.50	1.55	7.93
TOTAL			383.86	39.54	17.21	17.22	20.31	94.28

Appendix XIV
Details of bio-gas plants constructed
(Reference: Paragraph 3.1.9.1, Page 38)

Sl. No	Package no./Details of plant	Name of contractor/ (Agreement date)	Date of completion/ Date of takeover by Corporation	Cost of the project		
				Construction (₹ in lakh)	O&M paid (₹ in lakh)	Total (₹ in lakh)
1.	KLM-SW-02A 15m ³ Bio-gas plant at Collectorate compound	Rajesh, Greentech, Thiruvananthapuram/ (16.05.2012)	<u>23.03.2013</u> 15.05.2013	4.10	0.28 [@]	4.38
2.	KLM-SW-02B 35m ³ Bio-gas plant at Kadappakkada Market	J.M Ajesh, Ajesh Renewable Energy Solutions, Tvm/ (16.05.2012)	<u>14.11.2012</u> 26.02.2013	12.65	3.60 [#]	16.25
3.	KLM-SW-02C 35m ³ Bio-gas plant at Moonamkutty Market	J.M Ajesh, Ajesh Renewable Energy Solutions, Tvm/ (05.06.2009)	<u>23.03.2010</u> 25.02.2013	10.35	2.65	13.00
4.	KLM-SW-02D 35m ³ Bio-gas plant at Thevally Market	J.M Ajesh, Ajesh Renewable Energy Solutions, Tvm/ (10.06.2009)	<u>04.01.2010</u> 23.03.2013	10.35	2.65	13.00
5.	KLM-SW-02E 35m ³ Bio-gas plant at Pallimukku Market	Kerala Agro Industries Corpn Ltd, Kollam/ (05.06.2009)	<u>31.10.2013</u> 24.02.2014	9.40	0	9.40
6.	KLM-SW-02F 35m ³ Bio-gas plant at Eravipuram Market	Kerala Agro Industries Corpn Ltd, Kollam/ (05.06.2009)	<u>19.09.2011</u> 23.02.2013	9.40	1.90 [@]	11.30
7.	KLM-SW-02G 15m ³ Bio-gas plant at Corporation Town Hall	J.M Ajesh, Ajesh Renewable Energy Solutions, Tvm/ (09.05.2012)	<u>15.10.2012</u> 26.02.2013	8.00	2.94 [#]	10.94
8.	KLM-SW-02H 15m ³ Bio-gas plant at QSS Karithas Colony	J.M Ajesh, Ajesh Renewable Energy Solutions, Tvm/ (16.05.2012)	<u>02.07.2013</u> 26.11.2013	8.55	2.94	11.49
TOTAL				72.80	16.96	89.76

O&M done partially @ Bio-gas plant working

Appendix XV
Idling of Assets
(Reference: Paragraph 3.1.12, Page 45)

Corporation	Details of asset	Amount (₹ in crore)
Kochi	Pipes purchased for sewerage project lying idle from February 2015 onwards.	18.81
	Vehicles purchased for solid waste management project (Three wheeler-17 nos., four wheeler-25 nos., jeep-1 no.)	0.98
Kollam	Auto tippers purchased as part of SWM project	1.07*
	Sewerage KLM-SS-01- Pipes purchased	4.14
	Sewerage KLM-SS-02- Pipes purchased	3.97
Thrissur	Excess pipe relating to Thrissur water supply project	0.51
	SWM- Primary storage and street sweeping tools	0.46
	SWM- Primary collection vehicles (Ape truck)	0.18
	SWM- Transportation vehicles/ Secondary storage	0.49
Kozhikode	Pipes purchased for sewerage project – KZD-SS-02B	1.48
	Pipes purchased for sewerage project –KZD–SS-02A	2.46
	Vehicles purchased for SWM	0.42
Thiruvananthapuram	TVM-SS-01 Sewerage- pipes purchased	0.18
	TVM-SS-02 Sewerage- Pipes purchased	2.31
TOTAL		37.46

*Included in the Audit Report(LSGIs) for the year ending March 2010

Appendix XVI
Poverty Social Fund used for unproductive purposes
(Reference: Paragraph 3.1.13.2, Page 47)

Corporation	Details of project	Amount transferred /utilized (₹ in lakh)	Remarks
Kochi	Ashraya project	35.00*	The fund was transferred when nearly ₹50lakh remained unutilized in 'Ashraya' account. Utilization Certificate received only for ₹30.38 lakh.
	Ayurvedic geriatric programme	4.17	The Corporation spent ₹4.17 lakh for conducting geriatric healthcare programmes like periodical visit to old age homes and relief settlement for medical camp and health education through Government Ayurveda College, Tripunithura. Out of this ₹1.20 lakh was spent for meeting expenditure in connection with the celebration of International Day of older persons in October 2012.
	Purchase of articles to local body institutions	21.90	The Corporation purchased articles such as wooden cot, mattresses, bed sheet, etc. for supplying to institutions under their control, utilizing ₹21.90 ¹ lakh from PSF.
Kollam	Ashraya project	32.79	Fund transferred in March 2009 when an amount of ₹81.51 lakh was in the Ashraya account. Utilized only ₹4.09 lakh (March 2016) out of PSF and balance ₹28.70 lakh has been remaining in Ashraya account for more than seven years.
Thrissur	Ashraya project	19.59	Fund transferred in September 2008.
Kozhikode	Ashraya project	19.00	Fund transferred in March 2012. Kudumbasree utilized the entire amount for Ashraya project during the period from 04 April 2012 to 31 March 2014.

*Transferred ₹10 lakh each in February 2009 & March 2011 and ₹15 lakh in Dec 2012

¹Pakalveedu, Fort Kochi- ₹4.99 lakh, Day care centre, Chullickal- ₹ 3.44 lakh, Palluruthi relief settlement- ₹ 13.47 lakh

Appendix XVII
Projects implemented violating SJSRY norms
(Reference: Paragraph 3.1.13.2, Page 47)

Corporation	Project	Irregular expenditure (₹ in crore)	Remarks
Kollam	Joint venture project with 'Matsyafed'	0.73	Working capital for revolving fund given to 2448 fishermen and women @ ₹5000 per person against ₹2000 stipulated in SJSRY guidelines.
	Assistance for setting up employment ventures	0.05	Financial subsidy up to 50 per cent of project cost were given to 32 beneficiary groups, against subsidy of 35 per cent or ₹60,000 whichever is less as specified in SJSRY guidelines.
Kochi	Modernising Kudumbasree canteens	0.09	The local body spent ₹9.36 lakh for purchasing kitchen equipments and furniture for Kudumbasree canteens. As per SJSRY norms, the project had to be implemented with the support of bank loan and beneficiary contribution.
	Dieselisation of traditional fishing crafts	0.16	The Corporation paid (October 2012) ₹16.25 lakh to Matsyafed for supply of diesel engines and marine plywood crafts to fishermen cooperative societies/fishing groups. As per SJSRY guidelines giving 100 per cent subsidy for the scheme without bank loan and beneficiary contribution was irregular.
	Repair and renewal of fishing inputs of fishermen groups	0.48	The Corporation transferred (April 2014) ₹48.50 lakh (35 per cent KSUDP share) to Matsyafed for the project 'repair and renewal of fishing inputs'. Matsyafed share and beneficiary contribution were 55 per cent and 10 per cent respectively. As per SJSRY guidelines, subsidy allowable was to the tune of ₹ three lakh or 35 per cent of project cost or ₹60,000 per member to groups of urban poor women for setting up of gainful self employment ventures and to the tune of 25 per cent of the project cost or maximum ₹50,000 for setting up of gainful employment ventures – micro enterprises in production, service and business sectors.
	Construction of high tech fish retail outlets	0.13	The Corporation transferred ₹13.06 lakh to Matsyafed towards 100 per cent KSUDP share for construction of three high-tech fish outlets. As per SJSRY norms, implementing the scheme with 100 per cent KSUDP funding without any bank loan or beneficiary contribution, was irregular. Foundation constructed for fish outlet in Chilavannoor for ₹0.59 lakh was lying idle.

Appendix XVII (Concl.)

Corporation	Project	Irregular expenditure (₹in crore)	Remarks
Thrissur	Rehabilitation shed for street vendors	0.60	The Corporation constructed a shed of area 2303 m ² in 84 cents of land in Sakthan Nagar for rehabilitating 375 street vendors. The work was completed (March 2014) spending ₹66.85 lakh, of which ₹60 lakh was paid by KSUDP and balance ₹6.85 lakh by the Corporation. The project implemented without bank loan and beneficiary contribution violated SJSRY norms. Even after the lapse of three years, the shed was lying idle without being allotted to street vendors.
Kozhikode	Assistance to Clean Kerala Groups	0.07	In violation of SJSRY norms, the Corporation disbursed ₹5.89 lakh to 49 Clean Kerala Group units for autorikshaw repair and obtaining fitness of vehicles. Also ₹two lakh was diverted from PSF as challenge fund for accident management of Clean Kerala groups.
	Consultancy charge for survey of slums	0.02	Paid ₹2.69 lakh (October 2009) to Socio Economic Unit Foundation, Kozhikode for social survey of slums in the Corporation.

Appendix XVIII

Details of Mobilization Advance and interest pending recovery in sewerage projects

(Reference: Paragraph 3.1.14.5, Page 51)

(₹ in crore)

Sl. No.	Details of work	Date of giving Mobilization advance	Total Mobilization advance given	Mobilization advance pending	Interest due (upto December 2016)
1	KLM-SS-01 Kollam Sewerage*	25.07.2012	1.15	0.21	0.09
2	KLM-SS-02 Kollam Sewerage*	25.07.2012	1.70	0.44	0.20
3	KCH-SS-02 Kochi Sewerage	31.01.2014	5.32	3.73	1.14
4	KCH-SS-02A Kochi Sewerage	31.01.2014	1.35	1.21	0.36
5	TVM-SS-01 TVM Sewerage	07.09.2013	0.96	0.58	0.19
6	TVM-SS-02 TVM Sewerage	07.09.2013	4.70	2.82	0.94
7	KCH-SS-03 Kochi Sewerage	31.01.2014	5.80	4.06	1.22
8	KCH-SS-03A Kochi Sewerage	27.12.2014	2.27	1.35	0.28
9	KZD-SS-02A Kozhikode Sewerage	04.04.2012	3.20	2.07	0.98
10	KZD-SS-02B Kozhikode Sewerage	04.04.2012	2.43	0.73	0.35
11	KZD-SS-03B Kozhikode Sewerage*	13.05.2015	2.51	2.01	0.33
12	KCH-WS-01 Kochi Water Supply*	31.05.2011	1.41	0.25	0.14
	TOTAL		32.80	19.46	6.22

*Ongoing projects

Appendix XIX
Details of staff in position in Units
(Reference: Paragraph 3.1.15.3, Page 52)

Name of Unit	Designation	No. of changes made	Remarks
PMU, Thiruvananthapuram	Project Director	11	Officers of other departments were given additional charge four times
	Deputy Project Director (Infra)	1	
	Deputy Project Director (Finance)	5	
	Community Development Officer	6	
PIU, Thiruvananthapuram	PM	9	Other officials were given additional charge three times
	Technical Officer (Procurement)	1	
	Technical Officer (WS&S)	-	
	Technical Officer (E)	5	
	Social Development Officer (SDO)	2	
PIU, Kollam	Project Manager	5	
	Technical Officer (Procurement)	2	
	Technical Officer (WS&S)	4	
	Technical Officer (E)	2	
	Social Development Officer (SDO)	2	

Appendix XIX (Concl.)

Name of Unit	Designation	No. of changes made	Remarks
PIU, Kochi	PM	7	
	Technical Officer (E)	4	
	Technical Officer (Procurement)	5	
	Technical Officer (WS&S)	1	Vacant from 08 December 2014
	Social Development Officer (SDO)	5	
PIU, Thrissur	PM	1	Additional charge given once
	Technical officer (Envt.)	3	
	Technical Officer (Procurement)	-	
	Technical Officer (WS&S)	3	
	Social Development Officer (SDO)	4	
PIU, Kozhikode	PM	8	Additional charge given three times
	Technical Officer (E)	4	Vacant from 17 January 2015 to 19 October 2015
	Technical Officer (Procurement)	5	
	Technical Officer (WS&S)	6	
	Social Development Officer (SDO)	3	

Appendix XX (a)
Details of utilisation of gas generated in Community level bio-gas plants by ULBs
(Reference: Paragraph 4.1.7.2, Page 60)

Name of ULB	No.	Places of Installation & Capacity	Whether plant was functioning	Whether provision made for utilisation of gas generated	Whether gas utilised at present
Changanassery	1.	Fish Market(1000 kg)	No. Idling from the date of installation	No	No
Kottayam	2.	Kodimatha Market(800 kg)	Yes	No. Gas was let into the atmosphere	No
	3.	Kodimatha market (5000 kg)	No	No	No
	4.	Nagambadom Maidanam (2000 Kg)	No	No	No
	5.	Near Kodimatha Bus stand (2000 Kg)	No	No	No
Ettumanoor	6.	Fish market (1000kg)	Yes	Yes, for lighting lamps inside the market	Yes
Piravom	7.	Market(250 kg)	No	Yes, for lighting lamps	No
Thripunithura	8.	Slaughter House (1000 kg)	No	No	No
Thrikkakkara	9.	Market(500 kg)	No	Yes, for lighting lamps	No
	10.	Market(750 Kg)	No	Yes, for lighting lamps	No
	11.	NGO Quarters (500 Kg)	No	Yes, for lighting lamps	No
	12.	Outside NGO Quarters (500 Kg)	No	Yes, for lighting lamps	No

Appendix XX(a) (Contd...)

Name of ULB	No.	Places of Installation & Capacity	Whether plant was functioning	Whether provision made for utilisation of gas generated	Whether gas utilised at present
Thodupuzha	13.	Market (2000 kg)	No. Idling from date of installation	No	No
	14.	Taluk Hospital (1500 Kg)	No	Yes, cooking purpose	No
Wadakkancherry	15.	Dumping yard (2000 kg)	Yes	No, gas was simply burnt	No
Kasaragod	16.	Fish market (1000 kg)	No. Demolished	No	No
Kanhangad	17.	Fish Market (800 Kg)	No. Buried under ground	No	No
	18.	Fish Market (600 kg)	No. Buried under ground	No	No
Thaliparambu	19.	At Municipal office premises (1000 kg)	Yes	Yes, cooking purpose	Yes
Kannur	20.	Ayikkara Fish Market(1000 Kg)	No. Idling from date of installation	No	No
	21.	Near fish market, Kakkad (300 kg)	Yes	Yes, for lighting lamps	Yes
Thalassery	22.	Fish market (500 kg)	No	No	No
	23.	Vegetable market (1000 kg)	No	No	No
	24.	Industrial Estate, Kandikkal (1000 kg)	No	No	No
Vatakara	25.	Slaughter house (100 Kg)	Yes	No. Gas was let into the atmosphere	No
	26.	Fish market (250 kg)	No. Idling from date of installation	No	No
	27.	Vegetable market (500 kg) (Old plant)	No. Buried underground	Yes, for lighting lamps	No

Appendix XX(a) (Concl.)

Name of ULB	No.	Places of Installation & Capacity	Whether plant was functioning	Whether provision made for utilisation of gas generated	Whether gas utilised at present
Koyilandy	28.	Bus stand Complex (500 kg)	No	Yes, for cooking purpose	No
Mukkom	29.	Market (400 kg)	No. Buried underground	No	No
Kalpetta	30.	Slaughter house (1500 kg)	No. idling from date of installation	No	No
Nilambur	31.	Fish market (1000 kg)	Yes	No.	No
Thiruvananthapuram	32.	Peroorkkada market (2000 Kg)	No	No.	No
	33.	Kazhakkuttom market (1500 kg)	No	No	No
	34.	Vattiyoorkkavu market (1000 kg)	Yes	No. Gas was simply burnt	No
	35.	Kamaleswaram market (1000 kg)	Yes	No. Gas was let into the atmosphere	No
	36.	Vallakkadavu market (150 kg)	Yes	No.	No
	37.	Kinavoor market (75 kg)	No, idling from the date of installation	No	No
	38.	Sreekaryam market (250 kg)	Yes	Yes, for lighting lamps	Yes

Appendix XX (b)

Details of utilisation of gas generated in Institutional level bio-gas plants by ULBs

(Reference: Paragraph 4.1.7.2, Page 60)

Name of ULB	No.	Places of Installation & Capacity	Whether plant was functioning	Whether gas utilised at present
Piravom	1.	Ayurvedic Hospital	Yes	Yes
Thripunithura	2.	Govt UPS Thekkumbhagam	Yes	Yes
	3.	RLV Govt UPS	Yes	Yes
	4.	Govt. Palace High School	Yes	Yes
	5.	Govt. Girls Higher Secondary School	No. Defunct.	No
	6.	Govt. KM UPS Eeroor	No. Defunct.	No
	7.	Govt. Sanskrit Higher Secondary School	Yes. small quantity of waste was being disposed in the plant.	No
	8.	Govt. Boys Higher Secondary School	No. only supplied not installed. Idling since then.	No
	Kochi	9.	Govt. HSS Vennala	No. Defunct.
10.		Govt. Girls HS Ernakulam	No. Defunct.	No
11.		Govt. EM HSS Veli. Fort Kochi	Yes	Yes
12.		Govt. HSS, Central, Calvathy	Yes	Yes
13.		Govt. HS Edakochi	No. Defunct.	No
14.		Govt. HSS Edappally	No. Defunct.	No
Thalassery	15.	Govt. Vocational Higher Secondary School, Koduvally	No. Defunct.	No
	16.	Government Girls Higher Secondary School	No, buried underground.	No
Nilambur	17.	Govt. LPS Veetikuthu	No. Demolished.	No
	18.	Govt. Model LPS Nilambur	No. Defunct.	No
	19.	Govt. Mappila LPS Nilambur	No, idling from the date of installation	No
	20.	Govt. LPS Karimpuzha	No. Defunct.	No
Thiruvananthapuram	21.	Thycaud Govt. Boys School	No. Defunct.	No
	22.	Corporation office premises	Yes	No
	23.	Govt. UPS, Ponnara	Yes	No
	24.	Govt. UPS, Konchiravila	Yes	Yes
	25.	Govt. UPS, Nedunkad	Yes	Yes
	26.	Govt. TTI, Manacaud	Yes	Yes

Appendix XXI

**Details of bio-gas plants which became defunct due to non-maintenance,
absence of pulveriser, absence of skilled manpower
(Reference: Paragraph 4.1.7.3 (i) (a), Page 65)**

Name of ULB	Year of installation and agency which installed the plant	Capacity & Expenditure incurred for installation	Audit observation
Kottayam Municipality	2014-15 M/s.Bio-gas Technical, Kerala	2000 kg at Nagambadom ₹23.94 lakh	Due to absence of skilled manpower, wastes were being fed into the plant without segregation and as a result the pre-digester tank was blocked up and fresh waste could not be fed in to the plant.
Koyilandy Municipality	2011-12 M/s.Integrated Rural Technology Centre, Palakkad	500 kg at New Bus stand Complex ₹11.09 lakh	Besides feeding the plant with vegetable and other wastes collected by the Municipality, it was also intended for disposing liquid waste from the toilet complex inside the bus stand. Hence, no separate water connection was provided to this plant. As the toilet units were not in use, there was no water supply to the plant. Absence of pulveriser and skilled manpower, led to blocking up of plant by waste. No action was taken by the Municipality to set right the plant.
Thiruvananthapuram Corporation	2013-14 M/s.Socio Economic Unit Foundation	2000 Kg at Peroorkkada Market ₹15 lakh	The plant began functioning during January 2015 and became non-functional from May 2016. During site verification, audit noticed that the pulveriser was in a damaged condition and the pre-digester tank was blocked up with waste. No skilled persons were employed for the operation of the plant. AMC was also not executed with the agency.
	2009-10 M/s.Socio Economic Unit Foundation	1500 kg at Kazhakkuttam Market ₹10.91 lakh	The plant functioned up to July 2015. The plant became inaccessible when construction of new building for the fish market started next to this bio-gas plant. The plant was lying idle due to the construction work. The Health Inspector of TMC reported (June 2016) that the plant had become defunct due to the solidification of waste in the plant.

Appendix XXI (Concl.)

Name of ULB	Year of installation and agency which installed the plant	Capacity & Expenditure incurred for installation	Audit observation
Thalassery Municipality	2009-10 M/s.SEUF, Kozhikode Unit	500 kg (Floating dome)at Fish Market ₹9.87 lakh	The plant became defunct from August 2015 due to non-maintenance. During site inspection audit found that the plant along with the pulveriser and solar water heater were lying idle. No skilled persons were employed for the operation of the plant
	2009-10 M/s.SEUF, Kozhikode Unit	1000 kg (Floating dome) at Vegetable market ₹10.62 lakh	The plant was lying idle for the last two years due to non-maintenance. The pre-digester tanks were blocked up with waste and no action was taken by the municipality to clear the waste and make it functional.
Wadakkanchery Municipality	2009-10 M/s.KAICO Ltd.	2000 kg (Fixed dome) at Kumbalangad Trenching yard ₹16.53 lakh	Due to the defective pulveriser, the operators fed the plant manually which led the inlet tanks blocked with wastes. Municipality has not taken any action to repair/replace the pulveriser.
Mukkom Municipality	2009-10 by M/s.KAICO	400 Kg fixed dome type, installed in the market ₹5.25 lakh	The plant became defunct after three months of its installation. As there was no AMC with the agency, the plant could not be repaired. During site inspection by Audit party, the pulveriser costing ₹1.25 lakh was dismantled and dumped in a godown of the Municipality in a corroded and damaged condition. Skilled manpower was also not available for operation of the plant.

Appendix XXII

Details of installation of house-hold level bio-gas plants in ULBs

(Reference: Paragraphs 4.1.7.4, 4.1.7.5, Pages 68, 71)

(₹ in lakh)

Sl. No.	Name of ULB	Fund received from				Expenditure incurred (KSSM+ULB+B C)	Balance available with ULB (KSSM Fund)	No. of bio-gas plants		Installation (per cent)
		KSSM	Plan/ Own/ Others	Beneficiary contribution	Total			Proposed	Actually installed	
1.	Changanassery	18	--	--	18	Nil	18	821	0	0
2.	Kottayam	140.28	55.48	33.96	229.72	106.61	89.27	2317	1315	56.75
3.	Ettumanoor	5	2.5	2.5	10	5.4	2.3	100	54	54
4.	Piravom	5.48	1.68	3.81	10.97	10.25	0	129	129	100
5.	Thrippunithura	--	82.32	--	82.32	29.39	0	2593	926	48.64
		27.27	23.00	23.00	73.27	69.38	3.89	600	627	
								0	3193	
6.	Thrikkakkara	26.66*	29.48	21.25	77.39	26.66	13.33	1000	342	34.2
7.	Thiruvananthapuram	138.33	69.17	77.5	285	56.77	81.56	4250	895	21.06
8.	Kochi	22.13	8.35	8.35	38.83	33.42	5.42	750	380	50.67
9.	Thodupuzha	41.48	20.74	20.75	82.97	82.16	0.81	917	875	95.42
10.	Wadakkanchery	7.31	3.66	3.66	14.63	11.32	3.8	225	108	48
11.	Thalipparambu	3.74	1.77	1.84	7.35	7.35	0	88	88	100
12.	Kanhangad	26.25	15.17	10.88	52.30	14.38	19.10	600	156	26.00
13.	Thalassery	39.17	36.06	19.00	94.23	60.31	0 [#]	1200	903	59.65
		22.9	11.45	20.61	54.96	3.20	22.18	500	111	
									1700	
14.	Kannur	29.43	35.39	16.91	81.73	35.01	00 [#]	730	403	55.21
15.	Koyilandy	9.88	4.94	4.94	19.76	12.88**	0	250	250	100
16.	Mukkom	4.54	2.27	2.27	9.08	2.6	3.25	107	20	18.69
17.	Kalpetta	15.86	6.96	7.02	29.84	45.93**	0	208	195	42.51
		0	43.13	14.38	57.51	14.30	0	500	106	
									708	
18.	Nilambur	19.92	9.96	9.96	39.84	27.12	6.37	385	262	68.05
19.	Perinthalmanna	51.00	42.5	42.5	136	30.60	35.7	2000	480	24.00
Total		654.63	505.98	345.09	1505.7	685.04	304.98	20270	8625	42.55

Unutilized balanced refunded

*Total funds allotted by KSSM is ₹42.5 lakh but released only ₹ 26.66 lakh

**Additional expenditure met from the fund allotted for pipe compost, ring compost, etc. /ULB share.

Appendix XXIII

**Details of fund received, expenditure incurred and balance available with the ULBs for installation of institutional and community level bio-gas plants
(Reference: Paragraph 4.1.7.5, Page 71)**

(₹in lakh)

Sl.No.	Name of ULB	Fund received from				Expenditure incurred	Balance available with ULB
		Suchitwa Mission	Plan/ Own	Others*	Total		
1.	Changanassery	-	-	14.32	14.32	13.91	0.41
2.	Kottayam	-	47.88	-	47.88	47.88	-
3.	Ettumanoor	-	27.00	-	27.00	24.45	2.55
4.	Piravom	-	0.40	-	0.40	0.40	-
5.	Trippunithura	-	3.53	-	3.53	3.53	-
6.	Trikkakkara	-	46.06	-	46.06	46.06	-
7.	Kochi	25.85	-	-	25.85	5.36	20.49
8.	Thodupuzha	-	29.08	-	29.08	29.08	-
9.	Wadakkanchery	-	17.00	-	17.00	17.00	-
10.	Kasaragod	-	11.20	-	11.20	11.20	-
11.	Kanhangad	-	-	14.00	14.00	14.00	-
12.	Thaliparambu	1.00	13.13	-	14.13	14.13	-
13.	Kannur	1.20	14.80	16.35	32.35	28.50	3.85
14.	Thalassery	330.26	36.87	-	367.13	36.87	330.26
15.	Vatakara	2.88	11.62	-	14.50	11.28	3.22
16.	Koyilandy Municipality	-	-	37.34	37.34	11.09	26.25
17.	Mukkom	-	5.25	-	5.25	5.25	-
18.	Kalpetta	-	16.25	-	16.25	16.25	-
19.	Perinthalmanna	-	-	35.10	35.10	31.82	3.28
20.	Nilambur	14.39	22.11	-	36.50	21.03	15.47
21.	Thiruvananthapuram	27.01	57.21	-	84.22	57.21	27.01
	Total	402.59	359.39	117.11	879.09	446.30	432.79

* UIDSSMT, Coastal Area Development Agency

Out of the balance unutilized fund, ₹365.92 lakh was funds received from Suchitwa Mission

Appendix XXIV
Details of fund remaining unutilised with the ULBs
(Reference: Paragraph 4.1.7.5 (i), Page 71)

(₹ in lakh)

Name of ULB	Fund released by KSSM	Fund utilised	Balance fund remaining with ULB	Audit observation	Reply of ULB and Audit conclusion
Thalassery	330.26	Nil	330.26	Fund released during March 2012 for implementation of solid waste treatment plant including installation of eight bio-gas plants with capacity ranging from 275-5000 kg. The project was pending implementation (October 2016)	From 2012-13, due to source level disposal of waste, quantity of waste was reduced to two tonne from 35-40 tonne per day and as such, the proposed plants were not installed. The ULB should have refunded the amount when it realised that the fund released was not required as KSSM had instructed that any unutilised funds should be refunded at the earliest.
Kochi	25.85	5.36	20.49	The fund received during 2013-14 for installing 154 plants of different capacities (75 kg, 50 kg, 35 kg). Only ₹5.36 lakh spent for installing six plants and the remaining ₹20.49 lakh was deposited in Corporation's fund without refunding it to Government.	Corporation stated that the bio-gas plants were not installed in private schools since the schools were not willing to pay the beneficiary contribution (50 per cent of the cost of plant). Of the 11 Government schools selected, bio-gas plants could be installed in five schools only. Audit found that the ULB obtained fund for installing 154 plants without conducting a preliminary study. When it found that 148 plants could not be installed, the balance amount should have been refunded.

Appendix XXIV (Concl.)

Name of ULB	Fund released by KSSM	Fund utilised	Balance fund remaining with ULB	Audit observation	Reply of ULB and Audit conclusion
Nilambur	12.29	Nil	12.29	An amount of ₹52.9 lakh was released (2011-12) to the ULB as financial assistance by KSSM for implementing a centralised waste management project which included installation of one tonne capacity bio-gas plant costing ₹12.29 lakh. The project was pending implementation (November 2016).	ULB stated (December 2016) that though it had identified the site for establishing waste treatment plant, due to public protest, it could not be implemented. In June 2016, Municipal Council instructed the ME (June 2016) for preparation of a new project. The reply of the ULB was not tenable as the project was not implemented yet (November 2016) and the amount was blocked up with the ULB even after a lapse of more than five years.
Vatakara	2.88	Nil	2.88	An amount of ₹2.88 lakh was released (May 2014) to Vatakara for installing institutional level bio-gas plant. The fund received from KSSM was remaining unutilised with the ULB.	Though the amount was received in May 2014, the plants were not installed (February 2017). Further, it was stated that the amount was deposited in their bank account.
Total	371.28	5.36	365.92		

Appendix XXV
List of LSGIs test checked showing the status of constituting Procurement Committee

(Reference: Paragraphs 4.2.3, 4.2.7, Pages 74,77)

Sl. No.	Name of Institutions	Procurement Committee
Corporations		
1	Kozhikode	✓
2	Thrissur	✓
Municipalities		
3	Alappuzha	x
4	Kayamkulam	x
5	Chalakkudy	✓
6	Kodungallur	✓
7	Kottakkal	✓
8	Ponnani	x
9	Vadakara	x
10	Kalpetta	✓
District Panchayats		
11	Alappuzha	✓
12	Kozhikode	x
13	Malappuram	✓
14	Thrissur	x
15	Wayanad	✓
Block Panchayats		
16	Ambalapuzha	✓
17	Chengannoor	✓
18	Kanjikuzhi	x
19	Thycattusery	x
20	Chavakkad	x
21	Chowannur	✓
22	Mathilakam	✓
23	Pazhayannoor	✓
24	Wadakkanchery	✓
25	Kondotty	✓
26	Malappuram	✓
27	Thirurangadi	✓
28	Vengara	✓
29	Wandoor	x
30	Balusseri	✓
31	Koduvally	✓
32	Kunnamangalam	x
33	Vadakara	✓
34	Panamaram	✓
Grama Panchayats		
35	Ambalapuzha South	✓

✓	Constituted
x	- Not constituted

Appendix XXV (Concl.d.)

Sl. No.	Name of Institutions	Procurement Committee
36	Punnapra South	x
37	Cheriyamad	✓
38	Puliyoor	✓
39	Venmoni	✓
40	Kanjikuzhi	✓
41	Thannermukkam	✓
42	Panavally	✓
43	Perumbalam	x
44	Orumanayur	✓
45	Punnayoor	✓
46	Chowannur	✓
47	Kattakambal	x
48	Veloor	✓
49	Eriyad	✓
50	Mathilakam	x
51	Pazhayannoor	✓
52	Thiruvilwamala	✓
53	Thekkumkara	✓
54	Wadakkanchery	✓
55	Cherukav	✓
56	Muthuvalloor	✓
57	Vazhakkad	✓
58	Othukkungal	✓
59	Ponmala	✓
60	Nannambra	✓
61	Thirurangadi	x
62	Abdul Rahiman Nagar	✓
63	Vengara	✓
64	Mampad	x
65	Wandoor	✓
66	Balusserly	x
67	Unnikulam	✓
68	Puthupparadi	✓
69	Chathamangalam	✓
70	Mukkom	✓
71	Peruvayal	✓
72	Eramala	x
73	Thamarassery	✓
74	Thiruvambadi	✓
75	Chorode	✓
76	Kaniyambetta	✓
77	Panamaram	✓
Total		19

✓	Constituted
x	- Not constituted

Appendix XXVI
Rush of Purchases in March
(Reference: Paragraph 4.2.6.1 (i), Page 75)

Sl No	Name of the Institution	Expenditure for 2013-14			Expenditure for 2014-15			Expenditure for 2015-16		
		Total (₹)	In March (₹)	Per cent in March	Total (₹)	In March (₹)	Per cent in March	Total (₹)	In March (₹)	Per cent in March
1	Kozhikkode Corporation	98210014	83908885	85.44	183986772	149248723	81.12	68546161	31803597	46.40
2	Thrissur Corporation	59686737	49641802	83.17	45745000	18691904	40.86	22495638	20278138	90.14
3	Alappuzha Municipality	32874352	31073332	94.52	5516149	4285993	77.70	5379125	5112224	95.04
4	Kayamkulam Municipality	18595304	16021800	86.16	28052831	24535300	87.46	6679707	4723207	70.71
5	Chalakkudy Municipality	15488017	3507676	22.65	4198649	2891208	68.86	17631080	6812981	38.64
6	Kodungalloor Municipality	43031851	30300402	70.41	8287396	6241158	75.31	7302208	6538398	89.54
7	Kottakkal Municipality	3784818	1926758	50.91	4307120	2756664	64.00	3629294	1758586	48.46
8	Ponmani Municipality	2954563	794600	26.89	5172736	1630336	31.52	8569199	4056419	47.34
9	Vatakara Municipality	11711257	4584235	39.14	6903466	3192344	46.24	12055052	3901497	32.36
10	Kalpetta Municipality	3052462	1642462	53.81	4161784	2746608	66.00	5991694	2826995	47.18
11	Alappuzha DP	9959352	6543334	65.70	5417190	3866374	71.37	13751465	5270767	38.33
12	Kozhikkode DP	28270750	19240112	68.06	55665295	45358939	81.49	65168832	47041946	72.18
13	Malappuram DP	72372918	47379705	65.47	93146507	81056897	87.02	114303309	95406261	83.47
14	Thrissur DP	12159891	10749891	88.40	10716925	6324843	59.02	6952507	2349037	33.79
15	Wayanad DP	10897455	9137375	83.85	4282914	2010446	46.94	29660288	27375771	92.30
16	Ambalapuzha BP	3009540	2811760	93.43	2244138	1940608	86.47	1155996	1155996	100.00
17	Chengannur BP	2372792	2230149	93.99	2360075	1599434	67.77	2006437	2006437	100.00
18	Kanjikuzhi BP	585430	407620	69.63	358395	278845	77.80	1434645	1369645	95.47

Appendix XXVI (Contd...)

Sl No	Name of the Institution	Expenditure for 2013-14			Expenditure for 2014-15			Expenditure for 2015-16		
		Total (₹)	In March (₹)	Per cent in March	Total (₹)	In March (₹)	Per cent in March	Total (₹)	In March (₹)	Per cent in March
19	Thycattussery BP	4126153	1592729	38.60	2586122	1766852	68.32	3890480	3767660	96.84
20	Chavakkad BP	1467430	916765	62.47	382013	282013	73.82	140214	35800	25.53
21	Chowannur BP	1941452	72614	3.74	1849757	734828	39.73	1573147	573147	36.43
22	Mathilakam BP	561946	456946	81.31	2065102	1398876	67.74	3650629	3301545	90.44
23	Pazhayannur BP	1683800	1557889	92.52	746771	746771	100.00	2419500	912098	37.70
24	Wadakkanchery BP	3858818	704846	18.27	5652196	619600	10.96	3769059	3312809	87.89
25	Kondotty BP	17482523	11891439	68.02	3770736	1956908	51.90	2783991	2539571	91.22
26	Malappuram BP	1462516	0	0.00	605454	20354	3.36	3237750	1409110	43.52
27	Thirurangadi BP	7082031	5501613	77.68	4894742	1044861	21.35	3314444	1257398	37.94
28	Vengara BP	1112312	209087	18.80	1431992	353671	24.70	1467256	467256	31.85
29	Wandoor BP	3140468	1194138	38.02	3802016	2468989	64.94	1350180	1341850	99.38
30	Balussery BP	2070788	577972	27.91	4093056	2438069	59.57	3687088	3538638	95.97
31	Koduvally BP	1588371	1260000	79.33	2755566	0	0.00	4489835	3053631	68.01
32	Kunnamangalam BP	3256901	3256901	100.00	1301855	649758	49.91	1221093	1221093	100.00
33	Vatakara BP	1174831	1124831	95.74	1585274	1546540	97.56	3488129	1703350	48.83
34	Panamaram BP	1021166	571166	55.93	2877429	2877429	100.00	8272129	5508218	66.59
35	Ambalapuzha South GP	1134657	590817	52.07	3497573	1525659	43.62	4243293	1338332	31.54
36	Punnpra South GP	2718768	1647894	60.61	3639241	1112781	30.58	4211292	2775152	65.90
37	Cheriyanaad GP	952896	630396	66.16	1360584	554424	40.75	660635	252435	38.21
38	Puliyoor GP	4144888	1780310	42.95	4520524	2892852	63.99	2808055	1569845	55.91
39	Venmony GP	4949351	2617096	52.88	6053237	3638101	60.10	3925564	3172963	80.83
40	Kanjikuzhi GP	8030904	5674915	70.66	6278082	2132157	33.96	7530596	3503475	46.52

Appendix XXVI (Contd...)

Sl No	Name of the Institution	Expenditure for 2013-14		Expenditure for 2014-15		Expenditure for 2015-16	
		Total (₹)	Per cent in March	Total (₹)	Per cent in March	Total (₹)	Per cent in March
41	Thanneermukkam GP	2867826	9.32	17252426	87.58	3176811	20.96
42	Panavally GP	5384802	41.29	5547618	26.08	6660270	54.69
43	Perumbalam GP	2709475	39.92	3248200	36.71	3056503	70.63
44	Orumanayur GP	915813	46.24	2376402	53.68	3682648	19.40
45	Punnayur GP	544052	60.96	877194	50.71	1201698	81.65
46	Chowannur GP	1320178	67.26	1305723	14.10	1766347	53.09
47	Kattakampal GP	2301421	20.18	2640878	33.21	2832529	45.19
48	Velur GP	2455885	29.20	3004555	22.72	1532808	7.36
49	Eriyad GP	8174664	31.84	4508614	17.52	5780945	63.76
50	Mathilakam GP	792246	70.30	1149274	76.22	453925	100.00
51	Pazhayannur GP	2700125	91.79	2054532	89.37	2758080	37.81
52	Thiruvilwamala GP	8875045	33.26	5017134	29.91	4118831	13.93
53	Thekkumkara GP	8378662	54.99	8326893	53.38	7136017	52.88
54	Wadakkanchery GP	791541	75.93	1172097	22.40	2465268	85.89
55	Cherukavu GP	1168695	41.93	5114915	78.04	2526766	66.39
56	Muthuvallur GP	3912064	41.06	5121994	53.72	4449826	84.03
57	Vazhakkad GP	5521179	45.79	1271550	67.26	2311621	38.11
58	Othukkungal GP	3635248	85.31	2094355	55.00	3478314	89.31
59	Pommala GP	2529967	42.81	2094730	67.38	1784210	57.16
60	Nannambra GP	3910881	86.75	4978215	54.02	2207157	74.17
61	Tirurangadi GP	4952726	71.16	5654671	63.59	12623958	53.43
62	Abdul Rahiman Nagar GP	1899667	62.02	4235443	39.96	7642885	33.20
63	Vengara GP	8360995	45.65	9774853	33.52	6394883	31.32

Appendix XXVI (Concl'd.)

Sl No	Name of the Institution	Expenditure for 2013-14		Expenditure for 2014-15		Expenditure for 2015-16	
		Total (₹)	Per cent in March	Total (₹)	Per cent in March	Total (₹)	Per cent in March
64	Mampad GP	4189944	48.26	2570951	83.84	3303900	28.51
65	Wandoor GP	9407033	44.55	6789079	15.60	8199882	22.13
66	Balusseri GP	5584619	50.69	4864325	49.78	2736198	71.70
67	Unnikulam GP	8154082	50.23	9547495	53.50	9611017	44.62
68	Puthuppady GP	2859009	5.37	7010785	58.18	2534165	78.30
69	Chathamangalam GP	7723687	24.26	18124072	34.52	8632982	58.55
70	Mukkom GP	2496799	38.59	4251858	70.92	4570913	78.24
71	Peruvayal GP	3814993	51.20	7973657	65.45	7173159	52.85
72	Eramala GP	5128510	28.95	3447020	48.46	3272408	66.18
73	Thamarasseri GP	1979273	82.52	5077809	60.10	7368201	80.41
74	Thiruvambadi GP	6465428	69.22	5131350	58.27	5222483	75.98
75	Chorode GP	7893776	48.54	8132261	39.74	6909186	34.19
76	Kaniambetta GP	4491185	33.22	4224526	81.48	3785704	18.77
77	Panamaram GP	3778915	34.58	3705544	63.21	3114165	57.82
	Total	662050883	66.30	725945662	67.20	631323659	63.70

Source: Figures furnished by Information Kerala Mission.

Appendix XXVII
Details of amount drawn by Thrissur Corporation during the fag end of the
year
(Reference: Paragraph 4.2.6.1 (iii), Page 77)

Year	Date of drawal of funds from Treasury	Amount drawn (₹ in lakh)	Date of giving advance to HOMCO	Date of placing supply order with HOMCO	Delay in issuing supply order
2012-13	31.03.2013	3.00	19.07.2013	23.09.2013	2 months
2013-14	22.03.2014	3.00	26.03.2014	17.12.2014	9 months
2014-15	02 .02.2015	2.00	03.02.2015	05.04.2016	14 months
2015-16	21.03.2016	2.00	22.03.2016	10.02.2017	10 months

Appendix XXVIII
Purchase from SIDCO without observing Tender Formalities
(Reference: Paragraph 4.2.8.1 (a), Page 79)

Sl. No.	Name of LSGI	Project No. & Year	Items procured	Implementing Officer	Amount (₹ in lakh)
1.	Kayamkulam Municipality	45/12 2011-12	Pressure cooker & Rice Box	ICDS	1.50
		85/15 2014-15	Pressure cooker & Rice Box	ICDS	2.00
		132/14 2014-15	High mast light	Municipal Engineer	15.80
2.	Pazhayannur BP	18/16 2015-16	Baby cycles & toys	ICDS	3.54
3.	Kozhikode Corporation	520/16 2015-16	Telescope to schools	DDE	15.00
4.	Kaniyambetta GP	SOO19/ 2012-13	High mast Street Light	Secretary	4.00
5.	Kanjikuzhi BP	47/15 2014-15	Conference Hall modification-A/c with stabilizer, Mike set accessories etc.	Secretary	3.33
		49/12 2011-12	Solar street lights	SCDO	5.00
6.	Venmoni GP	126/15 2014-15	Community hall furniture, mike system.	Secretary	1.58
7.	Thamarassery GP	SO 45/13 2012-13	Baby chair (Neel kamal) ,fibre armless chair (Neel kamal), Tricycle etc.	ICDS	2.44
8.	Puthupady GP	172/2015 2014-15	Neel kamal fibre armed chair	HM	1.63
		159/11- 12 2014-15	Bedsheets, Dhothies	Secretary	2.84
			Total		58.66

Appendix XXIX
Delay in the supply of Homoeo medicines by HOMCO
(Reference: Paragraph 4.2.8.3 (i), Page 80)

Sl. No	Name of LSGIs	No./Year of project	Payment Date & Amount (₹)	Value of medicines received (₹ in lakh)	Actual date of supply	Delay, if any, in supply
1	Panamaram GP	106/11-12	50000 14.03.2012	0.50	21.07.2012	2 months
		37/14-15	100000 29.10.2014	1.00	22.03.2015	3 months
		405/15-16	100000 19.01.2016	1.00	05.10.2016	7 months
2	Venmony GP	SO56/15	100000 28.11.2014	1.00	25.09.2015	8 months
3	Puliyoor GP	2015-16	200000 18.01.2016	2.00	20.10.2016	7 months
4	Thiruvilwamala GP	2013-14	100000 18.03.2014	1.00	24.11.2014	6 months
		2014-15	100000 16.12.2014	1.00	17.06.2015	4 months
		2015-16	100000 29.12.2015	1.00	29.07.2016	5 months
5	Cherukavu GP	2012-13	50000 19.03.2013 25.07.2013	0.50	25.07.2013	2 months
		2013-14	100000 02.12.2013	1.00	22.11.2014	9 months
		2014-15	50000 30.12.2014	0.50	14.12.2015	10 months
		2015-16	100000 19.03.2016	1.00	17.09.2016	4 months
6	Peruvayal GP	2012-13	249670 08.04.2013	2.50	10.09.2013	3 months
		2013-14	300000 19.12.2013	3.00	12.04.2014	2 months
		2014-15	400000 18.02.2015	4.00	30.03.2016	11 months
		2015-16	600000 23.03.2016	6.00	Not received till 27.07.2016	

Appendix XXIX (Contd...)

Sl. No	Name of LSGIs	No./Year of project	Payment Date & Amount (₹)	Value of medicines received (₹ in lakh)	Actual date of supply	Delay, if any, in supply	
7	Wandoor GP	2011-12	200000 10.11.2011	0.55	03.02.2012	3 months	
		2012-13	300000 18.03.2013	1.00 2.00	07.08.2013 01.11.2013	3 months 6 months	
			2013-14	300000 31.12.2013	0.31 0.69 2.00	13.09.2014 20.11.2014 06.12.2014	7 months 9 months 10 months
		2014-15		120000 01.01.2015	1.00	12.12.2015	10 months
8	Wadakancherry GP	2011-12	10000 21.03.2012	0.10	07.09.2012	4 months	
		2012-13	12000 03.04.2012	0.10	13.08.2013	2months	
		2013-14	50000 20.01.2014	0.50	30.05.2014	2months	
		2014 -15	150000 20.12.2014	1.02 0.27 0.21	18.06.2015 07.11.2015 19.03.2016	4 months 9 months 12 months	
9.	Puthuppadi GP		SOO36/14 2013-14	100000 24.12.2013	1.00	28.11.2014	9 months
			SOO1/15 2014-15	125000 26.12.2014	1.25	10.10.2015	8 months
		SOO1/16 2015-16	250000 22.01.2016	2.50	Not yet received as on 07.10.2016		
10	Mukkam GP	2013-14	100000 19.11.2013	1.00	10.03.2014	3 months	
		2014-15	100000 30.09.2014	1.00	13.01.2015	2months	
		2015-16	200000 16.06.2015	2.00	07.05.2016	8 months	
11	Kaniyambetta GP	2012-13	50000 22.01.2013	0.50	16.07.2013	4 months	
		2013-14	100000 29.10.2013	1.00	29.12.2014	9 months	
		2014-15	100000 22.09.2014	1.00	24.02.2015	2 months	

Appendix XXIX (Contd...)

Sl. No	Name of LSGIs	No./Year of project	Payment Date & Amount (₹)	Value of medicines received (₹ in lakh)	Actual date of supply	Delay, if any, in supply
12	Thrissur Corporation	2012-13	300000	1.91	20.10.2013	1 month 8 months
			23.09.2013 (supply order)	0.88	31.12.2013	
				0.21	02.08.2014	
		2013-14	300000	1.54	20.04.2015	2 months
17.12.2014 (supply order)	0.49		29.10.2015	8 months		
2014-15	200000	0.97	03.12.2015	9 months		
		08.04.2016 (supply order)	1.89	02.02.2017	7 months	
2015-16	200000	0.11	13.02.2017	7 months		
		22.03.2016	Not yet received as on 26.10.16			
13	Kozhikode DP	2014-15	500000	1.24	21.08.2015	7 months
			08.12.2014			
2015-16	500000	0.36	29.07.2016	6 months		
		31.12.2015				
14	Kalpetta Municipality	2015-16	250000 15.12.2016	2.50	Not yet received	
15	Kottakkal Municipality.	2013-14	100000	1.00	11.02.2014	4 months
			27.08.2013			
2015-16	200000	2.00	31.03.2016	4 months		
		18.09.2015				
16	Kodungalloor Municipality	2014-15	100000	0.50	14.08.2015	8 months
			14.12.2014			
2015-16	100000	Not yet received.				
		18.12.2015				
17	Ponnani Municipality	2014-15	100000	1.00	22.03.2015	3 months
			20.10.2014			
2015-16	150000	Not yet received				
		08.12.2015				
18	Ambalapuzha south GP	2014-15	100000 17.09.2015	1.00	22.02.2016	3 months
19	Malappuaram District Panchayat	2012-13	800000	1.00	17.06.2013	2 months
			28.02.2013	3.91	29.06.2013	2 months
20	A.R.NAGAR	2012-13	25.03.2013	1.50	28.10.2013	5 months
			150000			
		2013-14	25.01.2014	1.50	01.12.2014	10 months
150000						
2014-15	23.01.2015	2.00	29.12.2015	7 months		
		200000				

Appendix XXIX (Concl.)

Sl. No	Name of LSGIs	No./Year of project	Payment Date & Amount (₹)	Value of medicines received (₹ in lakh)	Actual date of supply	Delay, if any, in supply
21	Tirurangadi GP	2015-16	30.09.2015 200000	2.00	20.08.2016	9 months
22	Panavally GP	2013-14	11.12.2013 150000	1.50	25.11.2014	9 months
		2015-16	04.12.2015 250000	2.50	26.07.2016	5 months
23	Kanjikuzhy GP	2012-13	30.01.2013 150000	0.77	20.08.2013	5 months
				0.15	18.12.2013	9 months
		2013-14	17.12.2013 200000	2.00	30.07.2014	5 months
		2015-16	24.11.2015 150000	1.04	13.04.2016	2 months
0.46	22.07.2016			6 months		
24	Perumbalam GP	2012-13	14.02.2013 100000	1.00	05.06.2013	2 months
		2013-14	21.11.2013 150000	1.50	25.11.2014	10 months
		2014-15	18.11.2014 200000	1.15	10.03.2015	3 months
				0.85	06.10.2015	9 months
		2015-16	29.12.2015 200000	1.07	23.04.2016	2 months
		0.93	25.06.2016	4 months		

Appendix XXX
Instances of not resorting to e-tendering by LSGIs
(Reference: Paragraph 4.2.9.1, Page 83)

(₹in crore)

Sl. No.	Name of LSGI	Year of purchase	Items purchased	Mode of purchase	Agency supplied	Estimated amount	Total Expenditure
1	Thrissur Corporation	2014-15	LED Lights	Tendering through news paper advertisement	M/s V.Tech Electric Pvt.Ltd. Thrissur	1.40	1.01
2	Thrissur DP	2014-15	Lap top computers and accessories for schools	Tendering through news paper advertisement	M/s. Halcyon Transmission Technologies, Malappuram	3.00	3.00
3	Alappuzha DP	2015-16	Buses for schools (8 Nos)	By obtaining quotations	Popular Mega motors, Alappuzha	0.90	0.90
4		2013-14	Lab equipments and Library books	Tendering through news paper advertisement	Eduspot Kerala, Alappuzha	0.58	0.58
5		2013-14	Reverse Osmosis plant	Tendering through news paper advertisement	Unique Systems, Alappuzha	0.60	0.60
6		2015-16	Scoters with side wheel (Women)	Tendering through news paper advertisement	M/s.East Venice Motors, Alappuzha	0.41	0.13
7		2015-16	Scoters with side wheel (General)	Tendering through news paper advertisement	M/s.East Venice Motors, Alappuzha	0.40	0.32
8	Kozhikode DP	2013-14	Dialysis machines (6 Nos.)	Tendering through news paper advertisement	M/s Meditech Corporation, Kochi	0.33	0.33
Total						7.62	6.87