

**CHAPTER III**  
**PERFORMANCE REVIEWS**

**3.1 Assessment and collection of property tax in the  
Municipal Corporation of Cochin**

**Highlights**

*The Kerala Municipality Act, 1994 empowered the Municipal Corporation to levy property tax on all buildings and land situated within the jurisdictional area of the Corporation. Property tax which constitutes about 60 per cent of the 'own revenue', is a major source of revenue of the Corporation. Audit review revealed inadequacy in maintaining primary accounting records, lack of transparency in assessment of property tax and lapses in the timely detection of unauthorised constructions. There were cases where the required report on completion of the construction was not received within the stipulated period and where extensions of validity of the permits were not sought for from the Town Planning Officer.*

- Government have not made any rules for the assessment and determination of property tax once in four years invoking Section 238 of the Kerala Municipality Act, 1994.

[ Para 3.1.9 ]

- Though rebate of 25 per cent on the annual value admissible in respect of owner occupied residential buildings was discontinued with effect from 24 March 1999, the Corporation continued to allow the deduction as directed by Government which was against the provision of the Act.

[ Para 3. 1.11 ]

- In the absence of a regular survey to detect unauthorised constructions, there was no assurance that unauthorised constructions were detected and assessed to tax.

[ Para 3.1.16 ]

- Reduction in gross annual value and property tax was being granted in revision petitions and appeals without evidence of a transparent and objective process. Net reduction in property tax so allowed in five Divisions amounted to Rs.68.85 lakh.

[Para 3.1.19]

- Primary accounting records were not maintained properly. Receipt of property tax was not routed through cash book. In two Divisions, collections were not being posted against demand and Demand Register and Arrear Demand Register were not kept properly. Annual accounts were not prepared and presented before the Corporation Council from 2000-01 onwards.

[Paras 3.1.28- 3.1.32 ]

## **Introduction**

**3.1.1** Property tax is a major source of revenue of the Corporations and Municipalities in Kerala and constitutes about 60 *per cent* of their own revenue. Section 230 to 233 of the Kerala Municipality Act, 1994 as amended by Act 14 of 1999 empowered the Municipal Corporations to levy property tax on all buildings and land situated within the jurisdictional area of the Corporations. Section 234(4) of the Act provides that the Government may make rules regarding the person by whom and the intervals at which the annual value of buildings, the deductions or additions in the tax to be made etc. is to be determined and the procedure for realisation of the tax amount. Rules in this regard have not been framed by Government. A review on the assessment and collection of Property tax in Corporation of Cochin, which is the largest Municipal Corporation, was conducted by audit.

## **Organisational set up**

**3.1.2** The Secretary of the Corporation, assisted by the Revenue Officer, is in charge of assessment and collection of property tax. The Secretary hears and disposes of the revision petitions. The Tax Appeal Standing Committee hears and disposes of appeals filed by the assesseees.

## **Audit objectives**

**3.1.3** The objectives of the review were:

- to evaluate the efficiency of the procedures followed by the Municipal Corporation of Cochin, in assessment, demand, collection and accounting of the property Tax.
- to see whether a suitable mechanism was put in place to ensure that no building/property assessable to tax escaped assessment.
- to evaluate the measures taken to guard against the loss of revenue.

## **Scope of Audit**

**3.1.4** There are seven zonal offices at Vyttila, Edappally, Pachalam, Palluruthy, Corporation of Cochin, Mattancheri and Fort Kochi; and fifty revenue divisions in the Corporation. The Review was conducted from April 2005 to July 2005 covering assessments and collections made during the period 2000-01 to 2004-05 in five<sup>1</sup> revenue divisions in three zones namely Pachalam, Palluruthy and Corporation of Cochin. The scope of the audit process was severely restricted in the absence of audited accounts of the Corporation for the period 2000-01 onwards. The Audit findings are discussed below.

## **Demand and Collection of Property tax**

**3.1.5** Section 294 of the Act prescribes that the Annual Financial Statement should be prepared and approved by the council and published not later than in the first week of June embodying a classified abstract of receipt and payments under Revenue, Capital and Debts heads, a DCB statement and a general statement regarding the financial position of Corporation. The Corporation had not prepared Annual Accounts from 2000-01 onwards. As

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<sup>1</sup> Div.No.22, Mundanveli, Div.No.27 Fort Kochi, Div.No.36 Kunnumburamm, Div.No.40 Mamangalam, Div.No.42 Palarivattam

such exact position of demand, collection and balance of property tax during the period from 2000-01 to 2004-05 was not available. In the statement of Receipts submitted to Director of Urban Affairs by the Corporation for the above period, DCB of property tax was as shown below:

(Rupees in lakh)

Year	Demand			Collection			Balance			Percentage of collection
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
2000-01	482.06*	1462.29	1944.35	350.03	1178.35	1528.38	132.03	283.94	415.97	79
2001-02	727.75*	1593.72	2321.47	362.00	1320.82	1682.82	365.75	272.90	638.65	72
2002-03	638.65*	1697.76	2336.41	364.27	1392.04	1756.31	274.38	305.72	580.10	75
2003-04	963.01*	1751.04	2714.05	447.42	1606.37	2053.79	515.59	144.67	660.26	76
2004-05	1213.75*	1909.55	3123.30	413.05	1819.12	2232.17	800.70	90.43	891.13	71

\* includes supplementary demand for previous years

**3.1.6** In none of the years other than 2002-03, the opening arrear demand agreed with the closing balance of the previous year which points towards the inadequacies in accounting, collection and maintenance of primary accounting records. It was further noticed that the Corporation had reported to the Third State Finance Commission the actual collection of property tax during 2001-02 as Rs.11.78 crore against Rs.16.83 crore shown in the Statement of Receipts for the year.

**3.1.7** Demand, Collection and Balance as of March 2005 as reported by the zonal offices vary widely from those reported to Director of Urban Affairs (DUA) as shown below.

(Rupees in lakh)

Sl. No	Name of Zone	Demand			Collection (including remissions)			Balance		
		Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
1.	Mattancheri	38.42	192.16	230.58	32.73	186.71	219.44	5.69	5.45	11.14
2.	Palluruthy	36.80	78.96	115.76	28.55	77.28	105.83	8.25	1.68	9.93
3.	Fort Kochi	28.90	91.61	120.51	16.22	81.99	98.21	12.68	9.62	22.30
4.	Kochi Corporation	920.20	957.02	1877.23	179.96	667.40	847.36	740.24	289.62	1029.86
5.	Pachalam	43.55	125.81	169.36	38.30	92.37	130.67	5.25	33.44	38.69
6.	Vyttila	291.21	635.63	926.84	170.48	423.04	593.52	120.73	212.59	333.32
7.	Edappally	103.33	253.63	356.96	47.59	210.10	257.69	55.74	43.53	99.27
	<b>Total</b>	<b>1462.41</b>	<b>2334.82</b>	<b>3797.24</b>	<b>513.83</b>	<b>1738.89</b>	<b>2252.72</b>	<b>948.58</b>	<b>595.93</b>	<b>1544.51</b>
	As per Statement sent to DUA	1213.75	1909.55	3123.30	413.05	1819.12	2232.17	800.70	90.43	891.13
	<b>Difference</b>	<b>248.66</b>	<b>425.27</b>	<b>673.94</b>	<b>100.78</b>	<b>(-) 80.23</b>	<b>20.55</b>	<b>147.88</b>	<b>505.50</b>	<b>653.38</b>

Audit could not find evidence of any effective control being exercised by the Director of Urban Affairs to obtain reliable financial reports from the Municipal Corporation.

**3.1.8** Due to large scale variations in compilation of DCB statements, existence of reliable financial information mechanism in the Corporation was doubtful and audit is not able to offer any comments on the trend of demand and collection of property tax for the period 2000-01 to 2004-05.

### **Assessment of Property tax**

#### **Administration and Performance**

**3.1.9** Under the Act, every building shall be assessed in the prescribed manner on the basis of annual value of the buildings together with site and other adjacent premises occupied as an appurtenance thereto, the importance of area where the building is situated, type of the building construction, method of use, plinth area, reasonable maintenance cost etc. and the tax shall be determined at the rate fixed by the Council. Section 238 of the Act provides that subject to the rules made by the Government the property tax shall be assessed and half yearly tax determined once in four years and shall be payable by the owner of the assessed property within thirty days of the commencement of each half year. Government have not framed the rules in this regard. In the absence of prescribed rules, different Corporations follow different methods for determination of annual value of the buildings. The Corporation has devised a twelve point formula for assessment of the annual value of buildings and property tax leviable.

**3.1.10** The Town Planning officer issues permits for any construction activity within the Corporation area, whether new buildings, additions or alterations to existing buildings, compound walls etc. stipulating the period for completion, and on completion of construction/occupancy, issues a certificate of completion/ occupancy to the Revenue Officer. The Revenue officer inspects the building and prepares an Index Sheet and determines the annual value of the property, assesses property tax payable and issues demand notice to the owner.

### **Short assessment of Property Tax**

#### **Owner-occupied residential buildings**

**3.1.11** Property tax is assessed at 15 *per cent* of the annual value of any building together with its site and other adjacent premises occupied as an appurtenance thereto. In the case of owner-occupied residential buildings, a rebate of 25 *per cent* being given on the annual value (before calculation of property tax) was withdrawn by amendment in the Act with effect from 24 March 1999. The Corporation continued to allow the deduction on the basis of Government directive (May 1999) that property tax was to be assessed in accordance with the procedure being followed up to 31 March 1998 till such time the rules for levy and collection of tax as provided under the Act are framed. The Government direction was against the provision of the Act. Government have not framed the rules so far (July 2005) and the Corporation still continues to allow such deduction.

**3.1.12** The deduction allowed resulted in short determination of annual value and in short assessment of property tax in respect of owner-occupied

**Though rebate on annual value on owner-occupied residential buildings was discontinued, the Corporation continued to allow the deduction.**

residential buildings in the Corporation area. The short assessment of tax amounted to Rs.4.38 lakh in 551 cases in five divisions during 2000-01 to 2004-05 (**Appendix V**).

**Buildings given for use of another person upon rent or on such other conditions.**

**3.1.13** In the case of a building given for use of another person upon rent or on such other conditions by the owner, the property tax shall be assessed by adding with it an amount equal to 25 *per cent* of the assessed tax under sub section 234 (2). The Corporation has not complied with this provision any time since the coming into force of the Act. This has resulted in short assessment of property tax in respect of rented buildings in the Corporation limits. The short assessment of tax in 44 cases in five revenue divisions during 2000-01 to 2004-05 amounted to Rs.6.74 lakh.

**Property escaping assessment of tax**

**Constructions where validity of permits expired**

**3.1.14** Permits issued by the Town Planning officer for construction of any new building, additions or alterations to any existing building etc. stipulate the time of completion of construction which would be three years from the date of issue of permits. On completion of the construction, the owner of the building is expected to submit a report of completion on receipt of which the Corporation would assign door numbers wherever necessary and proceed to assess property tax. There were cases where report on completion of the construction was not received within the stipulated period and where extensions of validity of the permits were not sought for. The Corporation has not established any information and communication system in such cases to ascertain whether the building had actually been constructed and occupied.

**3.1.15** Property tax is payable with effect from the date of completion or occupation of the building and hence absence of verification in such cases would cause delay in assessment of property tax until the construction is finally detected. The Register of applications for permits relating to five Divisions for the year 2001-02 showed that in 44 cases no completion reports were received where the validity period (July 2005) of the permits expired but extension of their validity was not sought for. (**Appendix – VI**).

**No building completion reports were received in 44 cases where the validity of the permit expired.**

**Unauthorised constructions**

**3.1.16** The Corporation did not conduct regular survey to identify unauthorised constructions, additions and alterations to the existing structures. Through occasional inspections, the Corporation could detect 1478 unauthorised constructions during 2000-01 to 2004-05 and assessed them to tax. These included multi-storied shopping complexes constructed in prominent areas of the city as shown below:

**No regular survey to detect unauthorised constructions**

Sl. No.	Division & Door No.	Plinth area	Annual value (Rs.)	Annual Property tax collected (Rs.)	Date of assessment of tax on unauthorised constructions	Date of Regularisation
1	U.A 40/1653 A-A13 D-D16 E-E14 F-F14	2290.88 M <sup>2</sup>	22,24,000	3,33,866	18.5.02	9.6.03
2	U.A 40/8955A	2702.96 M <sup>2</sup>	25,89,000	3,11,282	18.7.03	Not regularised. (Pending decision of the Honourable High Court of Kerala)
3	U.A 40/966E	478.64 M <sup>2</sup>	6,18,000	74,160	16.4.01	11.6.04

**3.1.17** The Kerala Municipality Act provides that when an unauthorised construction comes to the notice of the Secretary, he may direct its demolition or if it does not violate the provisions of the Kerala Municipal Building Rules, 1999, he may regularise the construction on realisation of a compounding fee at the rate of double the permit fee. Compounding fee of Rs.0.82 lakh was realised in the case of serial number 2 above and additional licence fee with fine of Rs.1000/- (Total Rs.0.21 lakh) was collected in the case of item number 1. Since there was no violation of building rules, item number 3 was exempted by Government from payment of compounding fee. In the absence of a regular system to detect unauthorised constructions, there was no assurance that the unauthorised constructions were detected and assessed to tax.

**Revision Petitions and Appeals – Loss of revenue amounting to Rs.68.85 lakh.**

**3.1.18** The Secretary disposes of the revision petitions filed by the assesseees. Assesseees still aggrieved, may file appeals with the Tax Appeal Standing Committee (TASC). Reduction in gross annual value and property tax was being granted in such revision petitions and appeals without evidence of a transparent and objective process.

**3.1.19** Out of 5571 assessments made during the period 2000-01 to 2004-05 in five divisions substantial reduction in annual value was allowed in 2386 cases where revision petitions/appeals were filed. The annual value of Rs.8.37 crore was summarily reduced in revision by the Secretary to Rs.7 crore, and in appeals by the TASC to Rs.6.69 crore (**Appendix VII**). Net reduction in property tax in the above five divisions consequent to reduction in annual value amounted to Rs.52.96 lakh in the revisions by the Secretary and Rs.15.89 lakh in appeals by the TASC during the above period (**Appendix - VIII**). Audit could not find any systematic documentation to support such large scale revisions in value by the Secretary/Tax Appeal Standing Committee.

**Net reduction in property tax due to reductions in annual value worked out to Rs.68.85 lakh.**

### Non revision of Property tax

Property tax revisions were not effected once in four years as required under the Act.

**3.1.20** Kerala Municipality Act, 1994 stipulated that the property tax shall be assessed and the half yearly tax determined once in every four years but provided that revision of tax after the date of 1 April 1998 shall come into force on the date fixed by Government. Government have not notified any such date for revision of property tax (July 2005). Hence, the Corporation could not revise the property tax for more than two lakh buildings in the Corporation area. The last revision was effected from 1 April 1997 when the property tax was hiked by about 25 *per cent*. Property tax revisions were not effected in 2001 and 2005.

### Service tax not levied on exempted properties

Service tax is not being levied on the exempted properties like churches, temples, mosques, schools etc.

**3.1.21** Property tax levied at 15 *per cent* of annual value of any building and land situated in the Corporation area comprises a tax for general purposes (8 *per cent*) and a service tax (7 *per cent*). The service tax comprises drainage tax (2 *per cent*), lighting tax (2 *per cent*), Sanitary tax (2 *per cent*) and Water tax (1 *per cent*) to meet expenses connected with drainage works, lighting of the Corporation area, general sanitation and removal of rubbish, carcasses of animals from private premises and maintenance or extension or improvement of water works. The Corporation is entitled to claim cost of services covered by the service taxes under the Act on properties exempted from property tax. The Corporation has not invoked the provision of the Act to levy service tax on such exempted properties. Churches, temples, mosques, schools etc., exempted from property tax could have been assessed to service tax at a rate not greater than seven *per cent* of their annual values as the Corporation provides services covered under the service taxes.

### Lack of transparency in the assessment of Annual value and Property tax

**3.1.22** The Index Sheet designed for assessment of property tax of buildings includes all important attributes for computing annual value of a building. Audit noticed that though all the attributes given in Index Sheet in two different divisions were identical, the annual value arrived at varied substantially in certain cases test checked. Annual value of five residential buildings was computed as Rs.27,000 each where as annual values of two residential buildings in the same divisions with the same attributes in the Index Sheets were computed as Rs.14,400/- and Rs.13,800/- respectively. Further, the annual value was substantially reduced in revision petitions by the Secretary and in appeals by the TASC without collecting additional evidence/ attributes. In six cases, annual values reduced by the Secretary were subsequently enhanced by the TASC (**Appendix IX**). Thus, the annual value determined lacks transparency and appears to be arbitrary.

**3.1.23** The directions issued by Government in May 1988 and in December 2001 for classifying the Corporation area into Prime Zones and Secondary Zones for fair determination of annual value of buildings, have not been complied with by the Corporation (July 2005).

## Collection of Property tax

### Administration and performance

**3.1.24** The Secretary of the Corporation is responsible for collection of property tax. The field collectors appointed for the purpose visit the assessee every half year and collect property tax and issue receipts for the amounts received. The collections are remitted to the cashier in office who in turn remits the amounts into the Municipal fund account. There are cash counters in all the seven Zonal offices of the Corporation. Apart from this, FRIENDS Janasevana Kendra – a project of the Kerala State Information and Technology Department set up at Kaloor with the Corporation's revenue staff on deputation also collects property tax and remits to the Municipal fund account.

### Delay in remittance of tax collected by FRIENDS

**3.1.25** Kerala Municipal Corporation Accounts Rules, 1967 lays down that outdoor collection should be remitted to the Corporation every day or every alternate day as decided by the Council. But this rule is not insisted upon by the Corporation for the collections made by FRIENDS Janasevana Kendra. The Kendra retained with them substantial amount of property tax collected for several days. Test check revealed that Rs.0.46 lakh collected on 23 April 2003, Rs.13.55 lakh collected from 29.09.2003 to 30.09.2003 and Rs.4.39 lakh collected from 17.02.2004 to 29.02.2004 were remitted to the Municipal Fund on 12 August 2003, 17 November 2003 and 21 April 2004 respectively.

### Non-levy of penal interest on belated payments

**3.1.26** Half yearly property tax shall be payable by the owner of the assessed property within 30 days of the commencement of each half year and if not paid on the due date, it shall be recovered together with penalty at the rate of two *per cent* per month from the date from which it was due. Penal interest amounting to Rs.1.48 lakh was not levied for belated payments in respect of ten flats in Division No.39 during the period from 2000-01 to 2004-05.

Penal interest amounting to Rs 1.48 lakh was not levied for belated payments of property tax.

### Non-verification of original receipts issued for collection of property tax

**3.1.27** Ten *per cent* of the total number of original receipts issued to the parties by the tax collectors are required to be verified by the Revenue Inspectors of the concerned ward and result thereof entered in the 'Diary of check of original receipts' and submitted to the Revenue Officer on the last working day of each month as required under Rule 19 of Municipal Corporation Accounts Rules, 1967. The diaries from all the Revenue Inspectors are to be scrutinised by the Revenue Officer and submitted to the Secretary by 15<sup>th</sup> of every month. This was not being followed by the Corporation. This is fraught with the risk of concerned officials tampering with the figures entered in the receipt books by showing lesser amounts than collected.

### Accounting

**3.1.28** The Tax Standing Committee and the Corporation Council can exercise proper control and monitoring over demand and collection of tax only if the accounts are prepared in time and placed before them. In Kochi Corporation, the primary accounting records are not maintained properly as would be seen from the following.

### **Receipts not routed through Cash Book**

**3.1.29** In Kochi Corporation, receipt of property tax was not being routed through Cash Book as required under Rule 36 of Kerala Municipal Corporation Accounts Rules, 1967. During 2000-01 to 2004-05, receipt side of the Cash Book was left blank making the preparation of correct and timely accounts reports impossible.

### **Maintenance of Demand Register and Arrear Register**

**3.1.30** On completion of assessments, the tax assessed are to be posted in the Demand Register and collections are to be posted against demand and the balances were to be carried over to Arrear Demand Register. It was noticed that in two out of five revenue divisions test checked, the collections were not being posted against demand and Demand Register and Arrear Demand Register were not kept properly. In other Divisions, the postings from one register to another was not attested by supervising officer and hence there was no assurance regarding correctness of entries in the registers.

### **Preparation of Annual Accounts**

**3.1.31** Section 294 of the Act stipulates that the Secretary of the Corporation shall publish not later than the 1<sup>st</sup> week of June, an Annual Financial Statement of the preceding year, approved by the Council, embodying a classified abstract of receipts and payments of the Corporation under Revenue, Capital and Debt heads, a demand collection and balance statement and a statement of general financial position of the Corporation. Rule 11 of the Kerala Municipality (Manner of Inspection and Audit Systems) Rules 1997 also stipulates that the financial statement published shall be submitted by 31<sup>st</sup> day of July to the Auditor authorised to conduct the audit of the Corporation.

**3.1.32** Since the annual accounts have not been prepared and presented before the Council from 2000-01 onwards, the Corporation could not make proper assessment of revenue realised and realisable. The Corporation Council was denied the basic financial reports to enable them to exercise proper control over the finances of the Corporation.

### **3.1.33 Conclusion**

- Maintenance of primary accounting records is in complete disarray thereby seriously affecting the quality of governance within the Corporation. There was no evidence of proper oversight by the Director of Urban Affairs to control and facilitate generation of reliable financial information.
- Government have not made rules for levy, collection and revision of Property tax under the provisions of the Act.
- Though the deduction allowed from the annual value of owner-occupied residential buildings was discontinued from March 1999, the Corporation continued to allow the deduction which resulted in short assessment of tax.
- The Corporation did not conduct regular survey to identify unauthorised construction to prevent evasion of tax.

- The Corporation has not invoked the provision to levy service tax on exempted properties and has not yet classified its area into Prime Zones and Secondary Zones for fair determination of annual value of buildings.

#### **3.1.34 Recommendations**

- Government may ensure that the Annual Accounts (including DCB statements) are prepared by the Municipal Corporation in time, and time bound action is taken to clear the arrears in accounts.
- Government may make rules regarding the method of assessment and collection of property tax as provided under section 234 (4) of the Act.
- Government may consider rationalising the method for fixing the annual value and assessment of tax.
- The internal control system should be strengthened to ensure regular survey and identification of unauthorised buildings, proper assessment of tax and collection of Property tax wherever applicable.
- The Corporation may consider assessing exempted buildings to service tax to enhance its revenue.

### 3.2 Plan Formulation by Local Self Government Institutions in Thrissur District

#### Highlights

*Decentralised planning by LSGIs introduced in the State from 1997-98 with devolution of 35 to 40 per cent of state plan funds envisaged identification of local development problems, prioritisation and formulation of plans and their implementation with people's participation. A review of the process of plan formulation by LSGIs in Thrissur District revealed that there were deficiencies in plan formulation.*

➤ As the District Planning Committee did not approve the annual plans before the commencement of the financial year, 26 LSGIs could not incorporate approved plans in their budget estimates. (Para 3.2.5)

➤ Non- constitution/defective constitution and improper functioning of Working Groups and Grama/Ward Sabhas resulted in formulation of development plans without proper assessment of development requirements. (Paras 3.2.7- 3.2.14)

➤ Unauthorised constitution of interim District Planning Committee (DPC) by Government resulted in irregular approval of plan projects with an outlay of Rs 5.47 crore. (Para 3.2.21)

➤ Annual plans of 77 LSGIs with total outlay of Rs 61.50 crore were approved by District Planning Committee without proper appraisal by the Technical Advisory Committees. (Para 3.2.22)

➤ Sixty one Projects with a total outlay of Rs 96.11 lakh formulated by Grama/Block/District Panchayats were not related to duties/functions earmarked to them under the Act. (Para 3.2.26)

➤ Centrally Sponsored Schemes with an outlay of Rs.17.40 crore were not integrated in the annual plans of LSGIs during 2000-05. (Para 3.2.28)

➤ Providing own funds in excess by Rs.15.10 crore in annual plans by 24 LSGIs resulted in inflated provision of own funds. (Para 3.2.29-3.2.30)

➤ There was short provision of Rs.3.63 crore for projects under productive sector and excess provision of Rs.4.30 crore in annual plans under infrastructure development in general category. Short provision under SCP, Women Component Plan and Plan for children, aged and disabled were Rs.7.25 crore, Rs.10.41 crore and Rs.2.95 crore respectively. (Paras 3.2.33 -3.2.38)

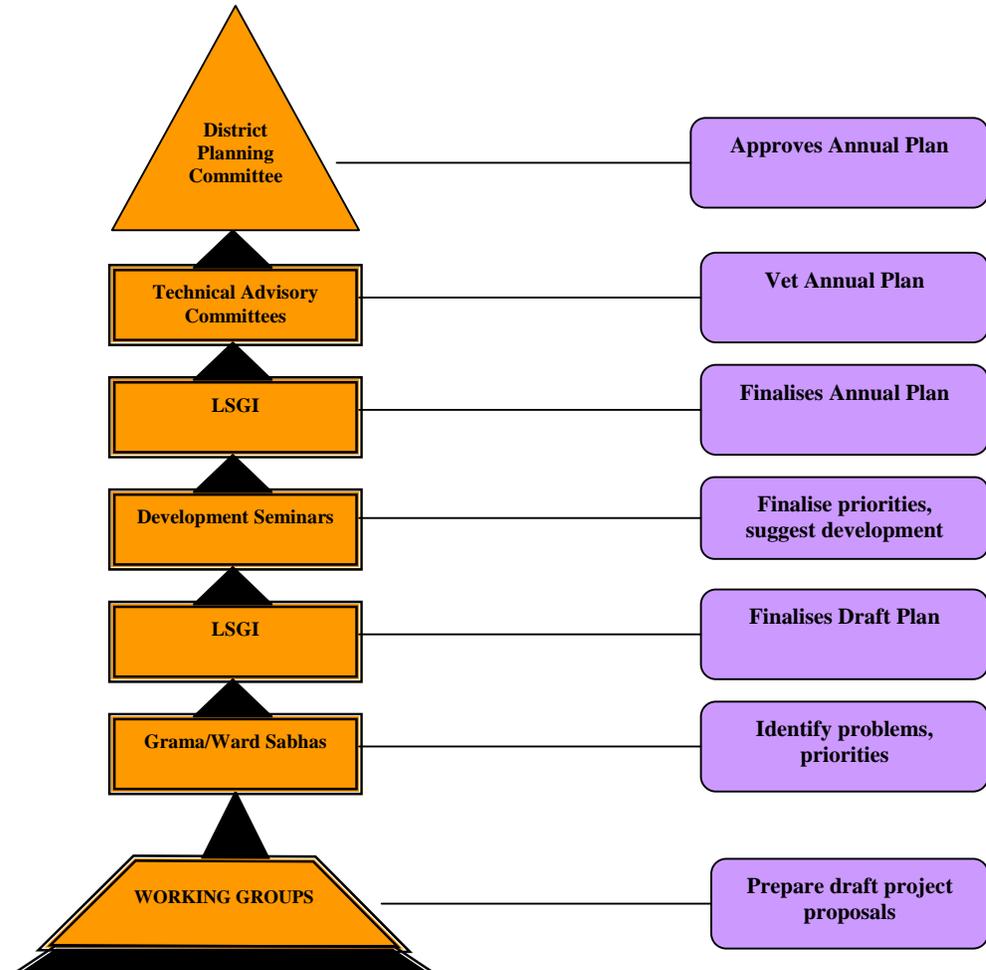
**Introduction**

**3.2.1** Section 175 of the Kerala Panchayat Raj Act, (KP Act) 1994 and section 51 of the Kerala Municipality Act, (KM Act) 1994 provide that the Panchayats and Municipalities are to prepare every year a Development Plan for the succeeding year and submit to the District Planning Committee (DPC) before the date prescribed. The DPC scrutinises and approves the plans prepared by the Panchayats and Municipalities. The Grama/Ward Sabhas decide the priorities in planning and select beneficiaries for beneficiary oriented schemes.

**Process of plan formulation**

**3.2.2** The organisational set up for decentralised planning by LSGIs consists of Working Groups, Grama/Ward Sabhas, Development seminars, Technical Advisory Committees (TACs) and the District Planning Committee (DPC). The role of various committees/groups in plan formulation is shown in the flow chart given below.

**PLAN FORMULATION – A FLOW CHART**



Besides the above, for works projects, there are technical committees who issue technical sanction after the approval of projects by DPC.

### **Audit coverage**

**3.2.3** Review of plan formulation by LSGIs in Thrissur District for the period 2000-01 to 2004-05, was conducted during May-October 2005, covering 21<sup>1</sup> Grama Panchayats (out of 92), four<sup>2</sup> Block Panchayats (out of 17), two<sup>3</sup> Municipalities (out of nine), District Panchayat and District Planning Office in the district.

### **Audit objectives**

**3.2.4** The review was conducted to evaluate whether:

- the plan formulation was in accordance with the provisions of the Acts and the guidelines issued by Government.
- the resources could be effectively deployed.
- the DPC and Technical Advisory Committees (TACs) successfully discharged their functions and responsibilities in scrutiny, evaluation and approval of plans formulated by LSGIs.
- the plans for the up-liftment of the weaker sections especially Scheduled Castes and Scheduled Tribes, were formulated as per norms.
- the Working Groups and Grama/Ward Sabhas functioned effectively and discharged duties assigned to them.

### **Delay in approval of plan by DPC**

**3.2.5** Delay in plan formulation by LSGIs continued during the year 2004-05. As DPC did not approve the annual plans of 26 LSGIs<sup>4</sup> before the beginning of the financial year, LSGIs could not include the approved plans in their budget estimates as stipulated in the Acts.

**3.2.6** Records of 28 LSGIs revealed that only two<sup>5</sup> out of 140 annual plans for the period 2000-01 to 2004-05 were formulated by LSGIs and approved by the DPC before the commencement of the financial year. Consequently, the LSGIs did not get one full year for the implementation of annual plans.

### **Constitution of Working Groups (WGs)**

**3.2.7** Working Groups are the most important component of the decentralised planning and they have a creative role in the formulation of development plans of LSGIs. They have to study local development problems

<sup>1</sup> Adat, Arimbur, Athirappaly, Avanur, Erumapetty, Kadukutty, Kaiparampa, Kodassery, Kolazhy, Koratty, Madakkathara, Melur, Mulamkunnathukavu, Mullurkara, Nadathara, Pananchery, Pariyarm, Puthur, Thekkumkara, Tholur, and Wadakanchery Grama Panchayats

<sup>2</sup> Chalakudy, Ollukkara, Puzhackal and Wadakanchery Block Panchayats.

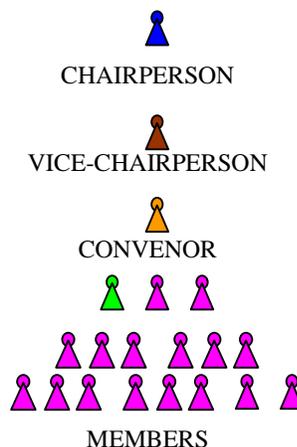
<sup>3</sup> Chalakudy and Guruvayur Municipalities.

<sup>4</sup> Arimbur, Athirappaly, Avanur, Erumapetty, Kadukutty, Kaiparampa, Kodassery, Kolazhy, Madakkathara, Melur, Mulamkunnathukavu, Mullurkara, Nadathara, Pananchery, Pariyaram, Puthur, Thekkumkara, Tholur and Wadakanchery Grama Panchayats, Chalakudy, Ollukkara, Puzhackal and Wadakanchery Block Panchayats, Chalakudy and Guruvayur Municipalities and Thrissur District Panchayat.

<sup>5</sup> Adat and Koratty Grama Panchayats.

and prepare a report containing draft project proposals. Working Groups consisting of officials, elected members, experts and activists in specified development sectors are to be constituted by LSGIs each year as given in the diagram below.

### CONSTITUTION OF WORKING GROUP



	WG for Women & Children	-	Elected lady member of the LSGI
	WG for SC Development	-	Elected SC member of the LSGI
	WG for Anti-poverty sub- plan	-	Chairperson of the LSGI
	Other WGs	-	Elected member of the LSGI
	Known expert in the respective sector		
	Senior most transferred official in the respective sector		
	SC promoter. Three SC promoters in WG for SC Development. One SC promoter in other groups.		
	Ordinary Members		

**3.2.8** The Chairperson of each WG should be an elected member, Vice Chairman, an expert in the sector and convenor, the senior most official transferred to the LSGI in that sector. From 2002-03, one Scheduled Caste promoter was to be nominated to each W.G and three SC promoters to the group for SC Development. Scrutiny of records in 28 LSGIs revealed that the LSGIs did not constitute the required number of WGs and failed to nominate the required number of vice-chairpersons and SC promoters as detailed in the table below.

Year	No of LSGIs test checked	No of Working Groups							No of experts as vice - chair person		
		To be constituted		Not consti- tuted	Constituted but records not maintained	Constituted and records maintained			To be nominated	Nominated	Short fall
		Per LSGI	Total			Ordinary WGs	SC WGs	Total			
2000-01	28	5	140	13	75	41	11	52	52	23	29
2001-02	28	3	84	3	24	38	19	57	-- <sup>#</sup>	--	--
2002-04	28	8	224	2	24	173	25	198	198	182	16
2004-05	28	10	286 <sup>@</sup>	3	10	240	33	273	273	218	55
<b>Total</b>	--	<b>26</b>	<b>734</b>	<b>21</b>	<b>133</b>	<b>492</b>	<b>88</b>	<b>580</b>	<b>523</b>	<b>423</b>	<b>100</b>

<sup>#</sup> There was no direction (circular) to nominate Vice Chairperson during 2001-02.

<sup>@</sup> Including six ST Working Groups to be constituted in six LSGIs which received allotment under TSP.

Year	Number of Working Groups for which records maintained			No of Ordinary WGs constituted without SC promoters	No of SC WGs constituted with only one SC promoter	Short fall in the number of SC promoters	
	Ordinary Working Groups	SC Working Groups	Total			Ordinary Working Groups	SC Working Groups
02-03	173	25	198	129	22	129	44
03-04	--	--	--	--	--	--	--
04-05	240	33	273	179	21	179	42
<b>Total</b>	<b>413</b>	<b>58</b>	<b>471</b>	<b>308</b>	<b>43</b>	<b>308</b>	<b>86</b>

### 3.2.9 The deficiencies noticed in the constitution of WGs were

- Out of 734 WGs to be constituted in 28 LSGIs during the five year period of ( 2000-05), 21 WGs were not constituted in five<sup>1</sup> LSGIs and hence plans for nine development sectors were formulated without proper assessment of the development requirements and prospects.
- Records for the formation of 133 WGs were not maintained in 18 LSGIs<sup>2</sup>. There was no evidence about constitution and functioning of these WGs.
- Out of 580 WGs for which records of formation were maintained, Vice chairperson, an expert in the sector was not nominated in 100 WGs. These WGs were denied the service of an expert member.
- One SC promoter each was not nominated to 308 WGs. Three SC promoters were not nominated to each of the 43 SC WGs. Hence, there was no assurance of safeguarding interests of SC community.

### Functioning of Working Groups

**3.2.10** The quorum of WG was fixed as four, including the mandatory presence of the convenor. The convenor was to present a detailed note in the first meeting of the WG. The note shall contain status and problems of the sector, suggested strategies etc. WGs were to prepare reports containing prescribed number of chapters\*. Of 713 WGs constituted in 28 LSGIs, 18 WGs did not function. Records of the functioning of 379 WGs were not maintained. Three hundred and sixteen WGs held 913 meetings. The following deficiencies were noticed.

- 21 WGs were not constituted in five LSGIs and 18 WGs constituted in one LSGI did not function at all. Eight WGs constituted in one LSGI during 2002-03, held no meeting before the Grama Sabha met for prioritising annual plan. The draft plan proposals of development sectors pertaining to the 47 WGs were not prepared by properly

<sup>1</sup> Kaiparamaba, Madakkathara, Thekkumkara and Wadakkanchery Grama Panchayats and Thrissur District Panchayat

<sup>2</sup> Adat, Athirappally, Avanur, Erumapetty, Kadukutty, Kaiparambu, Kolazhy, Koratti, Madakkathara, Melur, Mulamkunnathkavu, Mullurkara, Nadathara Grama Panchayats, Chalakudy and Ollurkara Block Panchayats, Chalakudy and Guruvayur Municipalities and District Panchayat Thrissur.

\* Seven chapters from 2002-03 and nine from 2004-05. Chapters include status and problems of the sector, past efforts and their results, strategies for addressing the problems, draft project proposals etc.

constituted WGs and the possibility of formulating unnecessary and unviable projects could not be ruled out.

- 213 WG meetings were held without the convenor and 35 meetings without quorum with the result decisions taken in the meetings were without due care and deliberation.
- Out of 862 WG meetings held during the period 2002-05, in 677 meetings the SC promoter was not present. In the absence of SC representation, there was no assurance that the interest of Scheduled Caste community was adequately safeguarded.
- During the period 2000-05, 78 WGs held only one meeting in a year for preparation of annual plan. Out of 505 WGs constituted during the period 2002-05, convenors of 255 WGs did not present detailed notes containing status of the sector with relevant data, problems affecting the sector and suggestions to tackle the problems, with the result draft plan proposals made were without adequate study of the sector concerned and not based on valid data.
- In the absence of the records of 379 WGs in 27 LSGIs, there was no assurance that the WGs were functional.

### **Grama Sabha/Ward Sabha**

**3.2.11** Secretary of the LSGI is expected to maintain records of Grama/Ward Sabhas such as attendance register, photographs and minutes of break out groups of Grama/Ward Sabhas. During 2000-01 to 2004-05, 2921 Grama/Ward Sabhas were held. Records of 466 meetings were not maintained. Records in respect of 2455 meetings revealed several deficiencies.

**Out of 2921 Grama/Ward Sabhas, records of 466 were not maintained.**

### **Grama/Ward Sabha meetings without prescribed quorum.**

**3.2.12** Grama/Ward Sabhas play an important role in the planning process. The quorum required for Grama/Ward Sabha is 10 *per cent* of voters in the ward. Out of 2455 meetings, 1565 (64 *per cent*) were held without the prescribed minimum attendance of ten *per cent*. Decisions in the meetings held without minimum attendance in violation of the Act were invalid. The thin participation of people in Grama/Ward Sabha for planning made the decentralised planning non-representative.

### **Non-recording of attendance and address**

**3.2.13** It was mandatory to properly maintain attendance register with details such as name, address with house number, record of discussions of breakout groups, recommendations of the Grama/Ward Sabha and photographs of Grama/Ward Sabha meetings. Out of 2455 meetings held, attendance was not recorded in 210, incomplete addresses were recorded in 1375, photographs were not maintained in 2118 and 327 photographs showed less attendance than that recorded.

**Erumappetty Grama Panchayat – Photograph of Grama Sabha, Ward XII- 14.07.2001, where the attendance was recorded as 58.**



**Erumappetty Grama Panchayat – Photograph of Grama Sabha, Ward X – 17.07.2001, where the attendance was recorded as 72.**



### **Prioritisation of projects without presenting draft project proposals**

**3.2.14** Out of 1321 Grama/Ward Sabhas held for prioritisation of projects during the period 2000-05, prioritisation of projects was not made in 454. Consequently, the development projects were prioritised without the necessary inputs on account of which the people's participation remained an ideal aim, which could not be materialised.

### **Non-finalisation of list of beneficiaries**

**3.2.15** Out of 1386 Grama/Ward Sabhas held for selection of beneficiaries for beneficiary oriented schemes during the period 2000-01 to 2004-05, 1196 Grama/Ward Sabhas finalised prioritised list of beneficiaries. One Hundred and Ninety Grama/Ward Sabhas in 15 LSGIs<sup>1</sup> failed to finalise the prioritised list of beneficiaries resulting in rendering benefit to persons not authorised by Grama/Ward Sabhas.

### **Development Seminars**

**3.2.16** Out of 112 development seminars<sup>2</sup> held in 28 LSGIs during the period 2000-01 to 2004-05, records pertaining to 52 Development Seminars were not maintained by LSGIs (**Appendix X**). There were deficiencies in documenting the proceedings of the seminar such as non-recording of addresses of participants (24 seminars), non- recording of minutes of break out groups (36 seminars) and non- recording of recommendations (31 seminars). Such lapses in conducting development seminars diluted their efficacy.

### **Technical Advisory Committees (TACs)**

**3.2.17** District Planning Committee (DPC) should constitute Technical Advisory Committees (TACs) at Block level and District level for appraisal of annual plans submitted by LSGIs. The projects cleared by TACs are forwarded to DPC for scrutiny and for final approval.

**3.2.18** Records of four BLTAC in four<sup>3</sup> Block Panchayats and DLTAC Thrissur in the District Planning Office revealed that the District Planning Officer did not maintain records of functioning of sub-groups of DLTAC. Eighty three sub-groups of four BLTAC, held 232 meetings out of which 62 were without prescribed quorum. Minutes of 19 meetings did not contain names of projects vetted (Table below). There was no system for monitoring receipt of annual plans from LSGIs.

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<sup>1</sup> Adat, Athirappilly, Avanoor, Erumapetty, Kadukuty, Kaiparambu, Kodassery, Koratty, Madakkathara, Mulamkunnathucavu, Nadathara, Thekkumkavu and Wadakkancheri Grama Panchayats, Chalakuddy and Guruvayur Municipalities.

<sup>2</sup> Development seminar is a one day seminar conducted at LSGI level to finalise the various priorities, strategies and suggest development projects.

<sup>3</sup> Chalakudy, Ollukkara, Puzhakkal and Wadakkanchery Block Panchayats.

### Deficiencies in the functioning of Sub Group of Technical Advisory Committees (TACs)

Sl No	Name of TAC	No of sub groups for which records were maintained	No of meetings	No of meetings without quorum	No of meetings in which minutes recorded do not contain projects recommended	Number of meetings where the minutes were authenticated by all the members present
1	DLTAC, Thrissur	Records not maintained				
2	BLTAC, Chalakkudy Block Panchayat	27	72	16	2	66
3	BLTAC, Ollookkara Block Panchayat	15	38	7	8	20
4	BLTAC, Puzhakkal Block Panchayat	38	118	39	5	93
5	BLTAC, Vadakkanchery Block Panchayat	3	4	Nil	4	4
	<b>Total</b>	<b>83</b>	<b>232</b>	<b>62</b>	<b>19</b>	<b>183</b>

**Non- appraisal of plan projects by TACs resulted in recommendation of plan projects, which were not according to prescribed norms**

**3.2.19** The TACs did not function effectively and appraise plan projects as envisaged resulting in recommendation of plan projects for approval, which were not according to prescribed norms.

#### **District Planning Committee (DPC)**

**3.2.20** State Government shall constitute District Planning Committee (DPC) in each district within three months of the publication of names of elected representatives of LSGIs. The tenure of DPC is five years, the same as that of the tenure of members of LSGIs. The functions of DPC included scrutiny and approval of annual plans of LSGIs, consolidation of plans prepared by LSGIs and preparation of draft development plan for the district.

#### **Unauthorised constitution of interim DPC**

**3.2.21** Consequent on the completion of tenure of the first DPC in September 2000, Government constituted the second DPC only in March 2001. Due to the delay in the constitution of the second DPC, Government constituted a committee called Interim DPC to approve projects submitted by LSGIs during the period. The interim DPC held two meetings and approved projects of 12 LSGIs with an outlay of Rs.5.47 crore. The constitution of interim DPC was violation of Article 243 ZD of the Constitution and DPC (Election of members and proceedings of meeting) Rules, 1995.

### Unauthorised approval of annual plan by DPC without appraisal by TACs

**3.2.22** DPC should consider the annual plan of LSGIs for approval only after the plans are scrutinised and appraised by respective TACs. However, during the year 2003-04, DPC approved annual plans of 77<sup>1</sup> LSGIs (Out of 117 LSGIs) in the district, with total out lay of Rs.61.50 crore before scrutiny by TACs. This unauthorised approval was subject to the condition that TAC should scrutinise the plan later. No purpose was served by scrutiny of the projects by TACs as the projects were finally cleared and approved by DPC. This reverse process of approval and scrutiny of annual plans rendered the process of approval, meaningless.

### Deficiencies in the functioning of DPC

The expert member was not present in 15 DPC meetings and there was no proper documentation.

**3.2.23** The attendance of the members was not recorded in any of the 48 meetings held by DPC during the period 2000-01 to 2004-05. From the minutes of meetings, it was found that the expert member who was supposed to give valuable advice on planning, was not present in 15 meetings. Lists of projects approved by DPC in 13 meetings were not recorded in the minutes. As such there was no proper documentation of DPC meetings (Table given below).

Year	Number of meetings held	Number of meetings for which minutes not maintained	Number of meetings in which members present did not sign in the minutes or attendance	Number of meetings in which the expert member was not present	Number of meetings in which list of projects approved was not recorded in the minutes
2000-01	8	Nil	8	4	4
2001-02	1	Nil	1	1	Nil
2002-03	12	Nil	12	Not recorded in nine meetings	5
2003-04	12	Nil	12	1	1
2004-05	15	Nil	15	9	3
<b>Total</b>	<b>48</b>	<b>Nil</b>	<b>48</b>	<b>15</b>	<b>13</b>

### Failure of stock taking of Ninth Plan

None of the 28 LSGIs test checked constituted committee for stock taking of Ninth Plan.

**3.2.24** In the guidelines (issued in June 2002) for the preparation of Tenth Five Year Plan by Local Governments, Government ordered that committee constituted with WG members, volunteers and officials of departments concerned was to verify the assets created during Ninth Five Year Plan and prepare a report containing details such as work left incomplete by beneficiary committees/contractors and works for which advances were given to various agencies with the status of each work. None of the 28 LSGIs test checked constituted the committee for stock taking of Ninth Five Year Plan and collected the above details of assets created. Failure in stock taking of Ninth Five Year Plan resulted in insufficient information about the work left incomplete and of assets created. Consequently, the LSGIs were denied the

<sup>1</sup> 57 Grama Panchayats, 12 Block Panchayats, six Municipalities, Thrissur Corporation and District Panchayat Thrissur.

opportunity for evolving suitable strategy to avoid repetition of lapses occurred during Ninth Five Year Plan and for proper upkeep and utilisation of assets created during the above plan period.

### **Ineffective asset management**

**3.2.25** Government directed (June 2002) that each LSGI had to prepare Reform Plan to be included in its plan document which envisaged updating of records, completion of Asset Register, preparation of Road Register, preparation of Benefit Register, including supply of Benefit card to all beneficiaries etc. Of the 28 LSGIs, only one LSGI (Guruvayur Municipality) maintained Asset Register, only five<sup>1</sup> maintained Road Register and none maintained Benefit Register or issued Benefit Card. In the absence of such documentation, LSGIs were unable to identify the areas unattended till then and to ensure that the assets were properly maintained and beneficiaries did not claim the same assistance already availed by them.

### **Encroachment of duties and functions of other tiers of Panchayats**

**3.2.26** The powers, duties and functions of Panchayats at Grama/Block/District levels are different and well defined in KPR Act and each tier of Panchayat should formulate projects relating to the duties and functions earmarked to it. However, audit scrutiny revealed that 61 projects having a total outlay of Rs 96.11 lakh formulated by five Grama Panchayats, 13 Block Panchayats and the District Panchayat and approved by DPC during 2004-05, related to duties and functions not belonging to that particular tier of Panchayat. Approval of these projects by DPC is tantamount to grant of approval for diversion of funds for unauthorised functions (**Appendix XI**).

**3.2.27** Indira Awas Yojana (IAY) is a Centrally Sponsored Scheme for providing assistance to beneficiaries for construction of houses. The scheme is implemented by Block Panchayats. The central assistance per unit was Rs.22000/- up to March 2004 and Rs.27500/- thereafter. Government permitted Block Panchayats to formulate plan utilising plan fund for providing additional assistance to IAY beneficiaries under General category to make the total assistance to Rs.35000/- per unit. Grama Panchayats were not permitted to formulate plan for providing additional assistance to IAY beneficiaries under General Category. However, ten<sup>2</sup> Grama Panchayats formulated plan for providing additional assistance to 98 IAY beneficiaries under General Category and transferred to the respective Block Panchayats Rs.7.36 lakh during the year 2004-05. Formulation of unauthorised plan, violating the guidelines would result in the diversion of plan fund.

### **Non- integration of Centrally Sponsored Schemes**

**3.2.28** Each LSGI should have only one development plan for a year and all Centrally Sponsored Schemes should be included in it. Action plan for Centrally Sponsored Schemes is to be drawn up from the annual development plan. Test check of 104 annual plans formulated during the period 2000-05 revealed that Centrally Sponsored Schemes with total outlay of Rs.6.49 crore

<sup>1</sup> Adat and Panancherry Grama Panchayats, Chalakudy and Ollurkara Block Panchayats and Guruvayur Municipality.

<sup>2</sup> Adat, Arimbur, Chazhoor, Kodakara, Mattathur, Mathilakam, Mulamkunnathukavu, Puthukkad, Thanniyam and Trikkur Grama Panchayats.

**Centrally Sponsored Schemes with a total outlay of Rs.17.40 crore in the annual plan of LSGIs were not integrated in annual plans.**

were not integrated in 15 plans formulated by 11 LSGIs; and in 55 partially integrated plans formulated by 22 LSGIs, the short provision was Rs.10.91 crore (**Appendix XII**). Non-integration of Centrally Sponsored Schemes with total outlay of Rs. 17.40 crore in the annual plans of LSGIs deprived the Grama/Ward Sabhas their legitimate role in formulation and prioritisation of development plans.

### **Inflated provision of own fund**

**3.2.29** In order to avoid over estimation of contributions from Local Governments leading to Plans which are not implementable, Government stipulated (October 2002) that the contributions from surplus own fund should not exceed 110 *per cent* of amount actually utilised for plan projects during the previous year. However, if the LSGIs felt that they had more surplus fund to be used in plan, a certified account containing own tax/non-tax revenue, general purpose grant and dues remaining unpaid should be furnished along with plan document.

**3.2.30** It was noticed that in 55 annual plans formulated by 24 LSGIs own fund provided was excess by Rs.15.10 crore above the admissible amount which were not supported by certified accounts of previous year. The intention of the Government to prevent unrealistic inflated provision of own fund in annual plan did not materialise as the annual plans were not properly scrutinised by DPC and TACs.

### **Non-provision for electrification in projects**

**3.2.31** In order to avoid delay in commissioning, projects requiring electrification should contain appropriate provisions for electrification. It was noticed that provision for electrification was not made in 12 projects with outlay of Rs.20.09 lakh contained in 11 annual plans formulated by six LSGIs.

### **Formulation of projects not identified by Grama/Ward Sabhas**

**3.2.32** Ten LSGIs<sup>1</sup> included 133 projects with an outlay of Rs.2.96 crore in their annual plan during the period 2000-01 to 2004-05 not identified and prioritised by Grama/Ward Sabhas, which was a negation of the due process of plan formulation.

### **Short provision of Rs.3.63 crore for projects under productive sector in General Category**

**3.2.33** The projects in the annual plans of LSGIs were categorised into three major sectors (General, Special Component Plan and Tribal Sub Plan) for which specific allocation of funds were earmarked by Government. Under each sector there were three sub sectors namely Productive<sup>2</sup>, Infrastructure Development and Service Sectors. With a view to restricting expenditure under non-productive sectors and to encourage expenditure under productive

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<sup>1</sup> Adat, Kaiparambu, Kodassery, Melur, Mulamkunnathukavu, Pariyaram, Thekkumkara, and Wadakanchery Grama Panchayats, Puzhakkal Block Panchayat and Chalakudy Municipality

<sup>2</sup> Productive Sector is meant for projects relating to agriculture, animal husbandry, dairy development, fisheries, integrated water shed management including soil and water harvesting, traditional tiny and small industries, production of electricity through stand alone non-conventional energy projects, construction activities related to fish markets and other traditional markets and manufacturing of manure from solid waste.

sector, Government fixed ceiling for providing funds under infrastructure development and prescribed minimum to be provided for productive sector. The balance amount was to be provided for service sector. The pattern prescribed was as follows.

Sl No	LSGI	Percentage of allocation under General Category										Service Sector
		Productive Sector (Minimum)						Infrastructure Development (Maximum)				
		97-98	98-99	99-00	00-01	01-02	02-05	97-98	98-99	99-01	01-05	
1	Block Panchayat	40	40	40	40	40	30	30	30	30	30	Not specified.
2	District Panchayat	40	40	40	40	40	25	30	30	30	30	
3	Municipalities /Municipal Corporations	20	30	25	20	10	10	35	30	35	50	

**In 46 annual plans, the amount provided for productive sector under General Category was short by Rs.3.63 crore.**

**3.2.34** Test check of annual plans of 27 LSGIs, for the period 2000-2005, revealed that in 46 annual plans the amount provided for productive sector under General Category was short by Rs.3.63 crore and in 43 annual plans the amount provided under infrastructure development sector was in excess by Rs.4.30 crore.

**3.2.35** In 49 annual plans out of 130 test checked, the amount provided for plan under SCP sector during 2000-2005 was short by Rs.7.25 crore.

**3.2.36** The actual utilisation under SCP category (42 per cent) was much lower than utilisation under General Category (57 per cent) during the period under review.

**3.2.37** Substantial under utilisation of funds was an unavoidable fall out as the capacity building of the LSGIs was in the rudimentary stage which was pointed out in the Report of CAG (LSGIs), Government of Kerala for the year ended 31 March 2004.

**Short provision of Rs.10.41 crore under Women Component Plan and Rs.2.95 crore under plan for children, aged and disabled.**

**3.2.38** LSGIs were to earmark ten per cent of total plan fund for formulating Women Component Plan from 1999-00 and five per cent for the development of children, aged and disabled from 2002-03. In 95 annual plans out of 126 test checked in 28 LSGIs, the amount provided for women component plan was short by Rs.10.41 crore and in 58 out of 75 plans test checked, the amount provided for plan for children, aged and disabled was short by Rs.2.95 crore.

**Short provision of Rs.35.63 lakh for water conservation**

**Against the mandatory provision of Rs.76.62 lakh, 12 LSGIs provided Rs.40.99 lakh only for water conservation projects**

**3.2.39** Government directed (March 2004) that each LSGI should earmark one third of its plan grant under productive sector in the general category from 2004-05 for projects on water conservation such as rain water harvesting, renovation of lake, pond, and for irrigation schemes. Audit noticed that during the period 2004-05, as against the required mandatory provision of Rs.76.62 lakh, 12 LSGIs provided Rs.40.99 lakh only, resulting in short provision of Rs.35.63 lakh for water conservation.

### Increase in accumulated shortfall in provision for specified Sectors/Schemes

**3.2.40** There was no system at LSGI level as well as at DPC level to monitor and ensure that the LSGIs adhered to the plans formulated during implementation. The shortfall in plan formulation in all specified schemes for which norms were prescribed during the first three years of Tenth Plan (2002-05) was much more than that during the last two years of Ninth Plan (2000-02) as detailed below.

(Rs in crore)

Sector/ Scheme	For the period 2000-02				For the period 2002-05			
	Amount to be provided	Amount provided	Short provision	Percentage of short fall	Amount to be provided	Amount provided	Short provision	Percentage of short fall
Productive Sector	1.54	1.32	0.22	14	10.04	6.66	3.38	34
SCP	2.66	2.00	0.66	25	20.75	14.29	6.46	31
Women Component Plan	8.60	6.51	2.09	24	17.40	9.25	8.15	47

**3.2.41** The intention of the Government to increase production and employment opportunities in productive sector, to uplift the scheduled caste, to empower women, to provide relief and security to the aged and disabled, to solve scarcity of water etc, could not be achieved to the extent envisaged due to non-provision of fund to the minimum prescribed level for specified sectors/schemes by the LSGIs in the annual development plans.

### Akshaya Computer Programme

**3.2.42** Akshaya Computer Programme was to provide computer literacy to at least one person from every family. The scheme was implemented by Grama Panchayats with co-funding from Block and District Panchayats. The training cost of Rs.120 per beneficiary was to be shared at Rs.60 by Grama Panchayat, Rs.10 each by Block Panchayat and District Panchayat and Rs.40 by beneficiary. In the projects formulated by three Block Panchayats and 20 Grama Panchayats within the Block Panchayats, provision made by five LSGIs was short by Rs.3.60 lakh and by two LSGIs was excess by Rs.0.68 lakh as detailed below.

(Rs. in lakh)

Sl No	Name of LSGI	Short Provision	Excess Provision
1	Mundathicode Grama Panchayat	1.95	--
2	Wadakkanchery Block Panchayat	0.14	--
3	Mullurkara Grama Panchayat	0.30	--
4	Ollukkara Block Panchayat	0.68	--
5	Puzhakal Block Panchayat	0.53	--
6	Kadangode Grama Panchayat	--	0.38
7	Avanur Grama Panchayat	--	0.30
	<b>Total</b>	<b>3.60</b>	<b>0.68</b>

### Joint Venture Projects

**3.2.43** Government permitted LSGIs to implement projects jointly, for which projects were to be formulated by all the participating LSGIs for their share in the joint venture project. At the time of implementation, the participating LSGIs were to transfer their share to the implementing LSGI. Though 22 implementing LSGIs formulated 32 joint venture projects with an outlay of Rs.1.74 crore during 2004-05, the participating LSGIs did not formulate plans for their total share of Rs.0.77 crore, rendering the joint venture project non-feasible (**Appendix XIII**).

### Plan for feeding in Anganwadis

**3.2.44** Grama Panchayats and Block Panchayats were to provide adequate funds in the ratio of 2:1 in their annual plan to ensure uninterrupted feeding in Anganwadis. For this, Grama Panchayat was to assess the amount required for feeding in Anganwadis and inform the Block Panchayat to formulate plan for its share. Annual plans of 17 Grama Panchayats<sup>1</sup> within three Block Panchayats<sup>2</sup> for the five year period 2000-05 showed that the amount provided by the Block Panchayats was short by Rs 31.39 lakh and amount provided by Grama Panchayats was in excess by Rs.26.20 lakh as given below.

(Rs in lakh)

Name of Block Panchayat	No of Grama Panchayat	Total outlay for feeding in Anganwadis as per plan of Grama Panchayat	Amount to be shared by		Amount provided in plan by		Short provision by Block Panchayat	Excess provision by Grama Panchayat
			Block Panchayat	Grama Panchayat	Block Panchayat	Grama Panchayat		
Puzhakkal	6	136.50	45.50	91.00	22.00	103.92	23.50	12.92
Ollukkara	5	128.53	42.84	85.69	39.70	89.00	3.14	3.31
Chalakyudy	6	134.21	44.73	89.48	39.98	99.46	4.75	9.98
<b>Total</b>	<b>17</b>	<b>399.24</b>	<b>133.07</b>	<b>266..17</b>	<b>101.68</b>	<b>292.38</b>	<b>31.39</b>	<b>26.21</b>

**3.2.45** Short/excess provision of funds provided for the projects indicates lack of co-ordination between Block Panchayats and Grama Panchayats and also the improper evaluation on the feasibility of the project by the DPC and the TAC.

### Payment of Revolving Fund directly to beneficiaries

**3.2.46** Subsidy grant of revolving fund for self help groups was to be paid to the Bank which sanctioned the cash credit to the self help groups and not directly to the beneficiary. But four LSGIs<sup>3</sup> formulated six projects during the three year period of 2002-05 for Rs.25.38 lakh for payment of revolving fund

<sup>1</sup> Adat, Arimbur, Athirapilly, Avatur, Kadukutty, Kaiparambu, Kodassery, Kolazhy, Koratti, Madakkathara, Madathara, Melur, Mulamkunnathukavu, Panacheri, Pariyaram, Puthur and Tholur Grama Panchayats.

<sup>2</sup> Chalakyudy, Ollukkara and Puzhakkal Block Panchayats.

<sup>3</sup> Kadukutty, Koratty and Puthur Grama Panchayats and District Panchayat Thrissur.

to the self help groups, whereby utilisation of plan fund for intended benefit could not be ensured.

### **Monitoring**

**3.2.47** Monitoring of plan formulation at LSGI level and DPC level was inadequate. LSGIs failed to monitor the functioning of WGs and Grama/Ward Sabhas which were the primary bodies in decentralised planning. Resultantly, there was no system to ensure proper discharge of responsibility by these bodies. DPC did not properly monitor the functioning of TACs which were assigned the function of evaluation and appraisal of projects. This had resulted in TACs recommending projects including those which were not formulated in accordance with the guidelines issued for the purpose. No responsibility was fixed for such lapses.

### **Conclusion**

**3.2.48** The above analysis of plan formulation shows that

- The Budget of the LSGIs was inaccurate due to non-incorporation of expenditure on plan schemes. This was due to the delay in plan formulation because of late issue of guidelines by Government.
- Necessity of detailed analysis of development projects by Working Groups having expertise in the area was not seriously appreciated by LSGIs. Hence, projects were formulated by improperly constituted Working Groups and without due care and deliberation.
- Grama/Ward Sabhas which were the most important institutions in decentralised planning, could not function effectively due to low participation and inadequate deliberation. Hence, formulation and prioritisation of development projects with people's participation could not be attained as intended.
- Absence of monitoring made Technical Advisory Committees at Block and District levels ineffective. DPC approved projects before their scrutiny by Technical Committees making later scrutiny meaningless.
- Absence of expert member in the meetings of DPC and approval of projects with out clearance from TACs made approval of projects by DPC a matter of routine.
- LSGIs could have formulated a realistic development strategy for the Tenth Plan period if stock taking of the community and beneficiary assets created during Ninth Plan was taken as directed by Government. All the PRIs test checked failed to carry out stock taking of assets created during Ninth plan and their level of utilisation. Hence, projects for Tenth plan were formulated on insufficient data.
- LSGIs failed to formulate projects for utilisation of funds reserved for specific sectors for long term development and welfare of targeted groups like SC/ST/Women/Children which may, in the long run, undermine the interests of these vulnerable sections of the society.

### **3.2.49 Recommendations**

- Government should frame rules to bring the decentralised planning process within the legal framework to mitigate the deficiencies in the functioning of various institutions involved in plan formulation. The KPR Act should also be suitably amended.
- Government should conduct a detailed study of the working of Grama/Ward Sabhas and initiate measures to ensure proper participation in the Grama/Ward Sabhas so that decentralised planning may attain its objective.
- Government should issue guidelines for plan projects sufficiently early to enable the PRIs to finalise plan projects and incorporate them in the budget proposal.
- Measures should be taken by Government to ensure that the PRIs confine to their own specific areas of activity and do not encroach on the duties and responsibilities of other tiers.
- Government may give special emphasis on capacity building of LSGIs to equip them to effectively utilise the large sum of funds allotted.

### **3.3 Water Management by Panchayat Raj institutions in Alappuzha District**

#### **Highlights**

*In Kerala the important functions of PRIs in relation to water management include maintenance of traditional drinking water sources, setting up of water supply schemes, implementation and maintenance of minor irrigation and lift irrigation projects, development of ground water resources etc. Audit Review revealed that the utilisation of funds for water supply schemes was much below the requirement. The PRIs do not have any focussed programme for protection and conservation of traditional drinking water sources and ponds.*

➤ According to Government guidelines, one third of funds allocated to the productive sector should be earmarked for water management schemes during 2004-05. But the funds actually utilised by the 25 PRIs was only 8.77 per cent of the funds allotted to productive sector.

(Para 3.3.7)

➤ Twenty three per cent of households in Alappuzha District did not have proper access to drinking water facilities. Of the 147 water supply schemes entrusted to Kerala Water Authority (KWA) during 2000-01 to 2004-05 for execution as deposit work, 114 schemes remained incomplete as of March 2005 and advance of Rs.1.81 crore paid to KWA remained unadjusted.

(Paras 3.3.8 and 3.3.14)

➤ The expenditure incurred by PRIs during 2000-05 for the implementation of minor irrigation schemes was negligible.

(Para 3.3.19)

➤ Though the Tenth Five Year Plan was envisaged as 'Water Shed Oriented', the target of conservation and utilisation of natural resources based on Water Sheds was not achieved.

(Para 3.3.21)

#### **Introduction**

**3.3.1** Water is one of the most important physical requirements of human beings. Communities and individuals use water resources for drinking, sanitation, agriculture, industry, transportation and several other purposes. It is not sufficient merely to have access to water; the water also needs to be of adequate quality to support its intended use. Alappuzha District in Kerala was identified as the worst hit district with no safe source and with acute problem of safe drinking water. There were also reports that tourist operators the world over had cautioned the prospective visitors to Alappuzha, not to use pipe water. Further, the water in the wells, ponds and back waters was polluted by the industrial wastes generated from the coir industry units, which were widespread in Alappuzha. Thus, a

provision for drinking water of good quality was imperative for the health of the people of Alappuzha and for the economic future of the district.

### **Audit objectives**

**3.3.2** A review of the water management by Panchayat Raj Institutions in Alappuzha District was conducted during the period April-August 2005 to assess the effectiveness of the measures taken by them in:

- Maintenance of traditional drinking water sources.
- Preservation of ponds and tanks.
- Maintenance of waterways.
- Setting up of and maintenance of water supply schemes to ensure supply of potable water to the rural population.
- Effective implementation of watershed management.
- Extending assistance to individual beneficiaries to augment their efforts to meet water requirements and
- Ensuring quality of drinking water to prevent water borne diseases.

### **Audit coverage**

**3.3.3** For the Review on water management, 25 out of 73 Grama Panchayats in the District, four out of 12 Block Panchayats, the District Panchayat, two Divisional offices of Kerala Water Authority (KWA), Office of the Chief Engineer (Southern Region), Kerala Water Authority (KWA) Thiruvananthapuram and Office of the District Medical Officer, Alappuzha were taken up.

**3.3.4** The profile and pattern of allotment of funds in respect of the 25 Grama Panchayats during the period 2000-2005 are given in **Appendix XIV & XV** respectively. On an average each Grama Panchayat was allotted Rs.68 lakh per annum as grants-in-aid from State Government, Eleventh Finance Commission Grant and Rural Infrastructure Development Fund.

### **Institutional structure for service delivery**

**3.3.5** The water management function assigned to each tier of Panchayat is given below:-

Grama Panchayats	Block Panchayats	District Panchayats
<ul style="list-style-type: none"> <li>• Maintenance of traditional drinking water sources</li> <li>• Management of water supply schemes within a Grama Panchayat</li> <li>• Setting up of water supply schemes within a Grama Panchayat.</li> <li>• Preservation of ponds and other water tanks.</li> <li>• Maintenance of water ways.</li> <li>• Maintenance and implementation of all minor/micro irrigation projects</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation and maintenance of all lift irrigation and minor irrigation schemes covering more than one Grama Panchayat.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation and taking over Water Supply Schemes covering more than one Grama Panchayat.</li> <li>• Construction and maintenance of minor irrigation schemes covering more than one Block Panchayat.</li> <li>• Development of ground water resources.</li> </ul>

The functions of the three tiers of Panchayats are clearly delineated to avoid overlapping. None of the Panchayats covered in the review owned or managed water supply schemes. The sources of drinking water were open wells, bore wells and street taps and house connection maintained by KWA for which water charges were paid to the KWA by the Panchayats and the consumers respectively. Water from open wells, street taps and bore wells was used for drinking. The requirements for sanitation and irrigation were met by water drawn from wells, ponds and canals.

### **Water management by Grama Panchayats**

#### **Availability of funds - Poor allocation and under utilisation of funds**

**3.3.6** It was one of the statutory obligations of the Grama Panchayats to provide safe potable water to the rural inhabitants. Government did not fix specific criteria for allotment of funds for the purpose, except during 2004-05. Owing to lack of awareness of the importance of water management, the Grama Panchayats did not allocate adequate funds to cover the entire rural population as

**Government did not fix specific criteria for allotment of funds for water management schemes, except during 2004-05.**

envisaged in the Ninth and Tenth Five Year Plans. Average utilisation of funds for Water Supply Schemes by 25 Grama Panchayats in Alappuzha District during 2000-01 to 2004-05 was only Rs.1.27 lakh per Panchayat and it was 1.94 *per cent* of the total plan fund (**Appendix XV & XVI**) on an average as shown below.

Year	Total Plan fund allotted to the Grama Panchayats (Rs in lakh)	Funds utilised for WSS (Rs in lakh)	Average utilisation by a Panchayat (Rs in lakh)	Percentage of funds utilised for WSS to the total plan fund allotted to GPs
2000-01	1364.03	22.60	0.90	1.66
2001-02	1148.27	19.37	0.77	1.69
2002-03	1819.48	12.39	0.50	0.68
2003-04	2468.28	71.65	2.87	2.90
2004-05	1429.05	33.35	1.33	2.33
<b>Total</b>	<b>8229.11</b>	<b>159.36</b>	<b>1.27</b>	<b>1.94</b>

### Short fall in utilisation of funds for water management in Productive Sector

**3.3.7** Government in March 2004, ordered that one-third of the funds allocated to the productive sector\* should be earmarked for Water Management Schemes during 2004-05. But the actual utilisation of funds during 2004-05 (**Appendix XVI**) for the Water Management Schemes in twenty five Grama panchayats was only 8.77 *per cent* as against the required quantum of 33.33 *per cent* as shown below:

Plan Fund allotted for Productive Sector	-Rs.380.16 lakh
Fund that should have been allotted and utilised for Water Supply Schemes	- Rs.126.71 lakh (33.33 <i>per cent</i> )
Fund actually utilised	-Rs.33.35 lakh (8.77 <i>per cent</i> )

### Failure in providing drinking water to the rural population

**3.3.8** Out of 1,65,380 households in 25 Grama Panchayats, 38,601 households did not have proper access to drinking water facilities such as open wells, piped water and bore wells (**Appendix XVII**). Twenty three *per cent* of the families had to depend on community taps, or wells of the neighbouring houses for drinking water. The Panchayats did not maintain updated registers showing the location or the date of installation of street taps for which they paid water charges to KWA. Consequently the panchayats paid water charges for street taps, the number of which exceeded the number as per the register of the panchayats. Due to non-implementation of protective measures to preserve surface water and due to uncontrolled sand mining, many of these open wells ran dry during summer. Further, as the houses of the BPL families were built in four or five cents of land, the latrines, cowsheds etc., constructed adjacent to open wells, contributed to the pollution of under-ground water.

\* Productive sector includes agriculture, veterinary, dairy development, fisheries, soil conservation, water management, small scale industries, etc.

### Water quality monitoring programme

**3.3.9** Quality of under ground water in Alappuzha district was not safe due to high concentration of chloride, fluoride and iron. Fluoride content was above the permissible limit of 1 ppm (mg/l) in almost all wells as reported by Kerala Water Authority (KWA). Because of the high fluoride content, Alappuzha was declared as an endemic area with respect to fluoride. A recent study by a medical team revealed that 35.64 *per cent* of the school children in Ambalapuzha taluk were affected by dental fluorosis and its prevalence was 55.28 *per cent* in urban area. Possibility of defluorinating tube well water was found not viable due to technical and financial limitations. It was found not prudent to depend on ground water any more because of the increasing trend of salinity and depletion of ground water table.

**3.3.10** Mention was made in para 7.14.10 and 7.14.11 of the Report of Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil), Government of Kerala regarding two Sub Mission projects sanctioned by Government of India during 1997-98 and eight projects by the State government during 1998-2000 at a total estimated cost of Rs.54.67 crore for controlling excess salinity and fluoride problem. But none of those projects was implemented. A comprehensive project viz. 'Augmentation of Rural Water Supply Scheme' to six villages in Ambalapuzha Taluk, costing roughly Rs.126 crore was formulated by Kerala Water Authority in 2004 to cover both the urban and rural areas. The water source of the Scheme was Pampa river at Cyclemukku where 10 metre diameter intake well cum pump house was also proposed. But due to paucity of funds these projects had not been implemented (August 2005).

**3.3.11** Though Alappuzha was identified as the worst hit district with no safe source (NSS) in the Annual Report on Quality Monitoring programme 1999-2000, prepared by the Chief Engineer Investigation, Planning and Design, Kochi, no safe source habitation could be provided and no scheme for control of salinity, fluoride, iron content etc., was planned and implemented by the PRIs so far.

**3.3.12** A report from the District Medical Officer (June 2005) shown below revealed that incidence of water borne diseases continued, including causalities in the Alappuzha District.

Incidence of water borne diseases continued

#### Incidence of water borne diseases in Alappuzha district during 2002-05

Sl. No	Name of Disease	2002		2003		2004		2005 (up to April)	
		Case	Death	Case	Death	Case	Death	Case	Death
1	Acute Water Diarrhoea	21393	Nil	20892	2	20868	Nil	6722	Nil
2	Cholera	35	Nil	3	Nil	1	Nil	Nil	Nil
3	Persistent Diarrhoea	129	Nil	95	Nil	52	Nil	5	Nil
4	Dysentery	1608	Nil	1267	Nil	988	Nil	199	Nil
5	Hepatitis – A	93	Nil	58	3	152	1	163	2

**3.3.13** Despite the incidence of water borne diseases due to water pollution and unhygienic practices of the rural inhabitants, Government did not take any comprehensive measures to co-ordinate with the PRIs, KWA, Ground Water

Department and Health Department to solve the acute problem of safe drinking water in Alappuzha.

### **Delay in implementation of Water Supply Schemes through Kerala Water Authority**

**3.3.14** The plan fund deposited with KWA for implementing the water supply schemes was to be utilised within the financial year. During the period 2000-01 to 2004-05, 73 Panchayats in Alappuzha District entrusted 147 water supply schemes to KWA for execution as deposit works. The Panchayats paid the estimated cost of the schemes as advance, out of which Rs.1.81 crore remained unadjusted at the end of 2004-05. As at 31 March 2005, the work relating to 114 schemes remained incomplete, leading to non-achievement of the social objectives targeted. The details are given below:

<b>Year</b>	<b>No. of Schemes entrusted with KWA in the district</b>	<b>No. of schemes which remained incomplete</b>	<b>Advance amount pending with KWA (in Rupees)</b>
2000-01	13	7	25,21,560
2001-02	14	-	(-) 2,839
2002-03	30	18	18,90,652
2003-04	75	74	1,13,12,074
2004-05	15	15	23,69,660
<b>Total</b>	<b>147</b>	<b>114</b>	<b>1,80,91,107</b>

**3.3.15** The Panchayats failed to ensure the timely completion of water supply schemes by KWA for which the Panchayats had deposited the estimated amount in advance. The accountability obligation of the KWA towards legislature can be fulfilled only by executing the works within the financial year and by presenting the accounts of the schemes to the panchayats. Since the panchayats do not have any control over KWA, Government have to take suitable steps to ensure that the KWA execute the works in time and submit accounts to the panchayats

### **Non-transfer of assets worth Rs.46.19 crore to PRIs**

**3.3.16** Government decided, in November 1998, to transfer all Water Supply Schemes within a Panchayat maintained by KWA to the Grama Panchayat concerned. In Alappuzha district, KWA listed for transfer 94 schemes belonging to 53 Grama Panchayats. The above schemes included 12148 street taps and 31435 domestic and 2233 non-domestic connections. The water charges payable by the Panchayats to KWA were Rs.2.13 crore per annum for the 12148 street taps at the rate of Rs.1750 per tap. The Grama Panchayats could not take over the schemes due to inadequacy of technical staff to maintain the schemes. The assets to be handed over (including arrears of water charges from local bodies and charges for house connection till the date of transfer) were valued at Rs. 46.19 crore. By taking over the assets worth Rs.46.19 crore, the Grama Panchayats would have been in a position to deliver better service in accordance with their expectations. Further, the domestic and non-domestic connections would have been a potential source of revenue to the Grama Panchayats.

**Government did not transfer assets worth Rs46.19 crore to PRIs.**

### Non-preservation of ponds and other water tanks

**3.3.17** Preservation of ponds and other water tanks is the function of the Grama Panchayats in terms of the third schedule of the Kerala Panchayat Raj Act, 1994. Ponds were originally used for domestic and irrigation purposes. But with the widespread digging of open wells and bore wells, use of the water in ponds was restricted to non-domestic and irrigation purposes. Ponds were filled with wastes generated from fish markets and other industrial discharges causing environmental pollution. In the projects formulated by the selected 25 Grama Panchayats during the period 2000-05, there was no provision for construction of retaining walls or for removal of wastes from ponds. Non preservation of surface water prevented improved level of underground water and supply of water for irrigation purposes.

### Implementation of Minor Irrigation Schemes

**3.3.18** Implementation of minor irrigation schemes is one of the important activities under water management. Sixteen out of 25 Grama Panchayats test checked had not implemented any minor irrigation scheme during the years 2000 - 05. The number of schemes and expenditure incurred in each year by the remaining nine\* Grama Panchayats were also very low as shown below:

Year	No of Panchayats	No. of Schemes	Expenditure incurred (Rs in lakh)
2000-01	5 <sup>@</sup>	11	37.24
2001-02	5 <sup>£</sup>	9	6.87
2002-03	3 <sup>#</sup>	3	3.75
2003-04	5 <sup>\$</sup>	17	11.87
2004-05	6 <sup>*</sup>	11	32.00
<b>Total</b>		<b>51</b>	<b>91.73</b>

**3.3.19** The number of minor irrigation projects taken up by the nine Grama Panchayats during the five years (2000 - 05) was only 51 and the expenditure incurred thereon was Rs.91.73 lakh. The amount, spent by the nine Grama Panchayats over a period of five years for implementing 51 minor irrigation schemes was very negligible and the Grama Panchayats could not make any achievement in irrigating the barren cultivable land.

\* Ambalapuzha South, Aryad, Budhannur, Mannar, Mannancherry, Mararikulam North, Punnapra North, Thaneermukkam, and Vayalar Grama Panchayats.

@ Ambalapuzha South, Budhannur, Mannar, Mannancherry and Mararikulam North Grama Panchayats.

£ Mannar, Mannancherry, Mararikulam North, Punapara North and Thaneermukkam Grama Panchayats.

# Mannar, Mannancherry and Mararikulam North Grama Panchayats.

\$ Aryad, Budhannur, Mannar, Mannancherry and Thaneermukkam Grama Panchayats

\* Ambalapuzha South, Budhannur, Mannar, Mannancherry, Mararikulam North and Vayalar Grama Panchayats.

1024.2 ha of cultivable paddy field remained barren for lack of irrigation and drainage facilities.

### **Large scale filling up of paddy fields mainly due to poor water management.**

**3.3.20** Majority of the villagers seek their livelihood through cultivation of paddy, coconut, tapioca etc. But 1024.2 ha of cultivable paddy field in 11<sup>#</sup> Grama Panchayats (March 2005) remained barren due to lack of irrigation and drainage facilities, scarcity of agriculture labourers, low quality seeds, flood during rainy season etc. An area of 548.33 ha (March 2005) of paddy field was also filled up for shifting to other cultivations or for construction of buildings. Poor water management resulted in lack of irrigation and drainage facilities and consequent slow down of agricultural activities.

### **Water management by Block Panchayats**

#### **Failure to implement Water shed Management Scheme**

**3.3.21** Water shed (Neerthadam) is an area lying on either side of a river or rivulet starting from a hilly place down to an outlet point. Watersheds are categorised in five types namely micro, small, simple, sub and large watersheds based on the area in hectare covered ie. 1 ha to 100 ha, 100 ha to 1000 ha, 1000 ha to 10,000 ha, 10,000 ha to 50,000 ha and 50,000 ha and above respectively. The main objectives of watershed development are:

- conservation, upgradation and utilisation of environments like bird, water, plant, animal and human resources in an integrated manner,
- improvement of environment and restoration of ecological balance through scientific management of land and rain water
- generation of massive employment, and
- increase in irrigated areas.

**3.3.22** Though the Tenth Five Year Plan was envisaged as ‘water shed oriented’, after identifying the water sheds in each Grama Panchayat, no action plan was discussed and formulated in the Grama Sabhas. The Panchayat failed to evoke the interest of the people on such core issues. District Planning Committee also did not point out the lapse. None of the 87 water sheds identified by the twenty five Grama Panchayats was developed. Thus, during Tenth Five Year Plan the target of conservation and utilisation of natural resources based on water sheds could not be achieved.

### **Water management by District Panchayat**

#### **Idling of Funds with Ground Water Department consequent on non-completion of works.**

**3.3.23** Ground Water Department (GWD) was entrusted with the construction of tube wells which were one of the sources of water supply schemes of the PRIs. In view of the urgent nature of the drought relief works, pipe laying was also entrusted to GWD as a special case. The District Panchayat, Alappuzha deposited

Of Rs.71.66 lakh deposited with GWD by District Panchayat for drought relief works, Rs.66.94 lakh remained unutilised.

<sup>#</sup> Ambalapuzha south, Cheppad, Chennithala, Chunakkara, Karuvatta, Kumarapuram Kadakkarapally, Kanjikuzhy, Mararikulam North, Thaneermukkam and Vayalar Grama Panchayats.

Rs.71.66 lakh with the GWD between 2003-04 and 2004-05 for digging bore wells and tube wells and extension of pipe lines for drought relief works as detailed below.

(Rupees in lakh)

Year	Amount deposited	Amount utilised	Balance as on June 2005
2003-04	32.39	3.66	28.73
2004-05	39.27	1.06	38.21
<b>Total</b>	<b>71.66</b>	<b>4.72</b>	<b>66.94</b>

**3.3.24** The GWD utilised only seven *per cent* of the amount and Rs.66.94 lakh remained idle (June, 2005). When there remained an unspent balance of Rs.28.73 lakh at the end of 2003-04, there was no justification in further advancing Rs.39.27 lakh to the same Department in 2004-05. The idling of funds and the consequent non-attainment of social objectives was the result of non-monitoring of the schemes by the District Panchayat and non-fulfilment of obligations by the GWD. The District Panchayat and Government have to take necessary steps for the speedy implementation of the above schemes.

### **3.3.25 Conclusion**

- The Panchayats test checked were facing shortage of drinking water and the quality of available drinking water was poor. The amount allocated and expended for this core sector was very small compared to the total fund allotted to the productive sector. None of the Panchayats had followed Government direction regarding earmarking of funds for water management schemes.
- The PRIs do not have any focused programme for protection and conservation of traditional sources of drinking water and ponds.
- Adequate attention was not paid to setting up and maintenance of water supply schemes. They failed to closely monitor implementation of schemes for which money was advanced to KWA. Though KWA was prepared to transfer certain water supply schemes to PRIs, they were not ready to take over and maintain them
- Ambitious project of water shed management could not take off due to lack of interest of the PRIs. Filling up of paddy fields and ponds led to drying up of wells resulting in shortage of availability of ground water.
- Due to poor quality of drinking water, incidence of water borne diseases were on the increase.

### 3.3.26 Recommendations

- The Panchayat Raj Institutions should set apart funds as directed by the Government for water management schemes and Government should establish proper controls to ensure that Government direction in this area is followed.
- Government should issue suitable instructions to Kerala Water Authority and Ground Water Department to execute the entrusted schemes in a time bound manner and to present the final accounts to the panchayats without delay.
- Panchayat Raj Institutions should bestow more attention for preservation of traditional water sources and District Planning Committee should ensure that the mandatory functions are not neglected while giving approval for plan projects.
- Panchayat Raj Institutions may consider implementation of watershed management schemes intensively.
- The Sub Mission projects sanctioned by Government of India during 1997-98 to be implemented through Kerala Water Authority needs to be prioritised to curb the excess salinity and fluoride problem in Alappuzha District.
- Government may take comprehensive measures to co-ordinate PRIs, Kerala Water Authority, Ground Water Department and Health Department to solve the acute problem of safe drinking water and the high incidence of water borne diseases in Alappuzha district.
- Since PRIs lack technical expertise in handling of various water management schemes, Government may take suitable steps to shift technical staff to PRIs and upgrade their technical skill to handle such works.

### **3.4 Women Development under Community Development Societies in the Municipalities of Pathanamthitta District**

#### **Highlights**

*Community Development Society (CDS) is a community based organisation which implements schemes for empowerment of women and alleviation of poverty. A review on the Women Development Schemes implemented by CDSs in the municipalities of Pathanamthitta District (1995-2005), revealed deficiencies in the formulation and implementation of various schemes for empowerment of women below poverty line.*

➤ **Utilisation of funds by CDS in Thiruvalla and Pathanamthitta municipalities was 64.42 per cent and 51.13 per cent respectively.**

**(Para 3. 4.7)**

➤ **Lapses in the internal control system of Adoor Municipality resulted in the misappropriation/embezzlement of municipal funds of Rs.12.89 lakh by the Project Officer, CDS.**

**(Paras 3.4.12-3.4.15)**

➤ **Even though Municipalities/CDS cleared subsidy to banks, there was no mechanism to ensure that the banks had transferred the subsidy to the beneficiaries.**

**(Para 3.4.28)**

➤ **Out of 591 units (houses) envisaged for upgradation under NSDP, the Pathanamthitta Municipality could identify only 357 beneficiaries.**

**(Para 3.4.30)**

#### **Introduction**

**3.4.1** Community Development Society (CDS) is a body registered under Travancore Cochin Literary Scientific and Charitable Societies Act, 1955. CDSs in the Urban Local Bodies all over the state, implement both Central and State Government schemes for the empowerment of women and alleviation of poverty.

#### **Audit coverage**

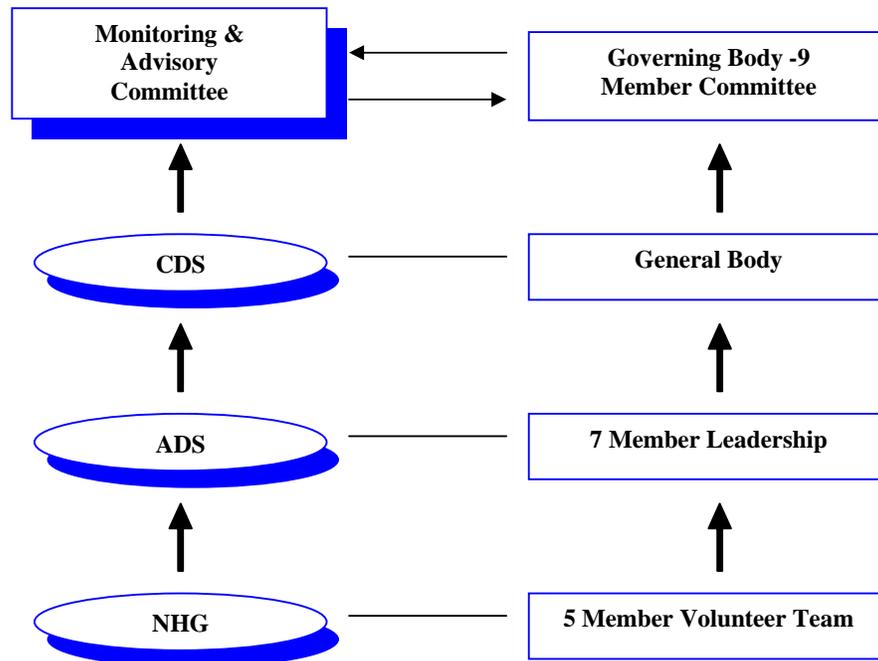
**3.4.2** Implementation of various schemes by the CDSs in the Municipalities of Pathanamthitta District (Adoor, Pathanamthitta and Thiruvalla) for the period 1995-2005 was reviewed during June-July 2005, to see how far these societies were successful in empowering women and in alleviating poverty among below poverty line urban families.

#### **Organisational set up**

**3.4.3** The CDS is formed in each Municipality by federating Area Development Societies (ADSs). ADS at ward level consists of 10 to 15 Neighbourhood Groups (NHGs). Each Neighbourhood Group consists of 20 to 40 poor families identified through community-based survey by using

poverty index having nine\* demonstrable indices. Families having four or more risk factors are considered to be poor families falling below poverty line. The Governing Council of the CDS is the Governing Body elected by the General body for a period of two years. There is also a monitoring and advisory committee at ULB level with the Municipal Chairperson as Chairman, as shown in the diagram.

### CDS – ORGANISATIONAL SET UP



### Functioning of CDS/ ADS

**3.4.4** In the test checked Municipalities, CDSs were formed in 1995. There were 20 ADSs and 214 NHGs under these CDSs. By 2004 most of these NHGs became defunct, failing in their stated objectives. They could not maintain proper accounts for thrift collection, loan disbursement and recovery. The thrift deposit to be refunded to members and the loan amount to be recovered (1995-2005) from them in Pathanamthitta CDS was Rs.6.50 lakh and Rs.7.74 lakh respectively. In Thiruvalla CDS, it was Rs.6.70 lakh and Rs.10.37 lakh respectively. The position in respect of Adoor CDS, was not ascertainable as accounts were not maintained. In November 2004, 30 ADSs and 395 NHGs were newly formed in these Municipalities.

**3.4.5** The poverty alleviation programmes implemented by the CDSs were Swarna Jayanthi Shahari Rozgar Yojana (SJSRY), National Slum

\* 1. Kutch house 2.No access to safe drinking water 3.No access to sanitary latrine 4. Illiterate adult in the family 5. Family having not more than one earning member 6. Family getting barely two meals a day or less 7. Presence of children below the age of five in the family 8. Alcoholic or drug addict in the family 9. Scheduled caste or scheduled tribe family.

Development Programme(NSDP) and Valmiki Ambedkar Awas Yojana (VAMBAY).

### Funding of CDS/ ADS

**3.4.6** Funds provided by State Poverty Eradication Mission (Kudumbasree – a women oriented mission) for implementation of schemes under SJSRY, NSDP and VAMBAY constitute the financial resources of CDS. The thrift deposits mobilised by NHGs, revolving fund provided by CDS and activity fund received from NSDP constitute the financial resources of ADS. Loan (up to a maximum of four times the savings) is provided to the members of NHGs from the thrift collection. Repayment of loan with interest also forms part of ADS funds. Further, two *per cent* of the estimated revenue of the Municipality is required to be set apart for creation of Urban Poverty Alleviation (UPA) Fund which is to be pooled along with SJSRY fund for implementation of Poverty Alleviation Programme.

### Receipt of funds and expenditure

**3.4.7** The funds received by CDSs in three Municipalities in the district, since their inception in 1995 to March 2005 and expenditure incurred there from were as given below:

Name of Municipality	Name of scheme	Receipt (Rs. in lakh)	Expenditure (Rs. in lakh)	Balance (Rs. in lakh)	Percentage of utilisation
Adoor	SJSRY	20.11	20.03	0.08	99.60
	NSDP	47.67	42.19	5.48	88.50
	VAMBAY	192.80	149.05	43.75	77.31
	<b>Total</b>	<b>260.58</b>	<b>211.27</b>	<b>49.31</b>	<b>81.08</b>
Thiruvalla	SJSRY	78.77	66.39	33.48	66.48
	UPA	21.10			
	NSDP	177.73	79.83	97.90	44.92
	VAMBAY	232.00	182.05	49.95	78.47
	<b>Total</b>	<b>509.60</b>	<b>328.27</b>	<b>181.33</b>	<b>64.42</b>
Pathanamthitta	SJSRY	69.00	36.87	49.57	42.65
	UPA	17.44			
	NSDP	94.23	54.08	40.15	57.39
	VAMBAY	6.00	4.50	1.50	75.00
	<b>Total</b>	<b>186.67</b>	<b>95.45</b>	<b>91.22</b>	<b>51.13</b>

**3.4.8** The low utilisation of funds in Thiruvalla and Pathanamthitta Municipalities was due to lack of monitoring by the Municipalities.

### Improper maintenance of accounts

**3.4.9** Accounts relating to the utilisation of funds provided for the implementation of the schemes were not properly maintained by the CDSs and by the respective ADSs in Thiruvalla and Pathanamthitta Municipalities. Details of accounts as of June 2005, provided by the CDSs and ADSs, have substantial variations as depicted below.

**Pathanamthitta Municipality**

Type of transaction	Amount as per ADS records(Rs. in lakh)	Amount as per CDS records(Rs. in lakh)	Difference (Rs. in lakh)
Thrift collection	35.62	24.01	11.61
Withdrawal	28.22	17.51	10.71
<b>Balance</b>	<b>7.40</b>	<b>6.50</b>	<b>0.90</b>
Loan	39.35	26.22	13.13
Repayment	29.44	18.90	10.54
<b>Balance</b>	<b>9.91</b>	<b>7.32</b>	<b>2.59</b>

**Thiruvalla Municipality**

Type of transaction	Amount as per ADS records(Rs. in lakh)	Amount as per CDS records(Rs. in lakh)	Difference (Rs. in lakh)
Thrift collection	14.59	13.68	0.91
Withdrawal	5.19	6.98	(-)1.79
<b>Balance</b>	<b>9.40</b>	<b>6.70</b>	<b>2.70</b>
Loan	18.93	22.89	(-) 3.96
Repayment	11.28	10.37	0.91
<b>Balance</b>	<b>7.65</b>	<b>12.52</b>	<b>(-) 4.87</b>

**3.4.10** Accounts of funds provided to ADSs of Adoor Municipality by way of revolving fund, funds for activities etc. were not maintained by the CDS. Accounts relating to thrift collection, payment of loan from thrift collection and repayment of loan were not being maintained either by the CDS or by ADSs.

**3.4.11** The discrepancies in the accounts maintained by CDSs and ADSs revealed that there was no co-ordination between these agencies either in their activities or in keeping accounts. The Governing Bodies did not monitor the activities of the CDSs and ADSs. Maintenance of proper accounts of the repayment of loan, collection of thrift etc., was a pre-requisite for successful working of these bodies. Since the accounts were not kept properly, the requirement of audit of the accounts by the Chartered Accountant was also not met.

The governing bodies did not monitor the activities of CDSs/ADSs

**Misappropriation/embezzlement of Municipal funds of Rs.12.89 lakh.**

**3.4.12** A scrutiny of the records of the CDS, Adoor Municipality revealed that during 1997-2003 Rs.11.41 lakh was misappropriated from the funds of CDS as detailed below.

Sl No	Method resorted to	(Rs in lakh) Amount misappropriated
1	Drawing more amounts through self cheques than amounts shown in the Cash Book	6.03
2	Showing cheques as cancelled in cash book and drawing money from banks	1.25
3	Amounts drawn through bogus vouchers/without vouchers	3.57
4	Amount drawn without recording in cash book	0.56
	<b>Total</b>	<b>11.41</b>

**3.4.13** During 1999-2000, CDS availed a loan of Rs.6.75 lakh from KUDFC for constructing houses for 45 beneficiaries under 'One lakh Housing Scheme'. Out of Rs.2.81 lakh repaid by the beneficiaries from December 1999 to June 2003, Rs.1.14 lakh only was remitted to KUDFC till May 2004 and Rs.0.19 lakh was kept in a bank account. The balance amount of Rs.1.48 lakh was misappropriated.

**3.4.14** Total amount misappropriated worked out to Rs 12.89 lakh. When this was pointed out by Audit, the Municipal Council in November 2004 reported the misappropriation to the Vigilance Department and requested the Government for appropriate action against the delinquent officials. As ordered by Government, the State Performance Audit Officer, Joint Director of Urban Affairs (Kollam) and the Accounts Officer, State Poverty Eradication Mission conducted (December 2004) an enquiry and confirmed the findings of audit. The enquiry established that the misappropriation was carried out by the then Project Officer of CDS, who was the Health Inspector Grade II of the Municipality together with an RIS (Repayment Information System) volunteer who was appointed on daily wage basis.

**3.4.15** The misappropriation took place due to inadequate oversight in the Municipality and also due to improper maintenance of cash book and other accounts records. The accounts of CDS were not properly maintained and subjected to audit by Chartered Accountants as required in the rules of the Community Development Society. The cash transactions handled by the Project Officer and the daily wage RIS volunteer were not checked by the Secretary or by any other officer of the Municipality.

Misappropriation of Rs.12.89 lakh took place due to inadequate oversight in Adoor Municipality.

#### **Selection of beneficiaries by CDS – Non-approval by Ward Sabha**

**3.4.16** It was noticed that the list of beneficiaries selected by NHGs / ADSs for providing assistance under various schemes implemented through CDSs in three Municipalities was not approved by the Ward Sabhas concerned as stipulated in Section 45(C) of the Kerala Municipality Act, 1994. Moreover, no rapid survey as required in model bye-laws of CDS was conducted to ensure proper selection of beneficiaries. Though the second BPL survey was conducted in 2003, after the first one in March 1995, no revised BPL list has been finalised (July 2005) leading to non-inclusion of eligible families in the list and non exclusion of ineligible families. However, in Thiruvalla Municipality the beneficiaries under VAMBAY were selected by Ward Sabhas. Non-approval of beneficiary list by Ward Sabhas, rendered lack of transparency in the selection of beneficiaries.

Selection of beneficiaries for beneficiary oriented schemes was not approved by Ward Sabha

#### **Non-transfer of municipal share**

**3.4.17** The three Municipalities in the district did not transfer their prescribed share (2 per cent of annual estimated revenue) to CDSs from 1994-95 to 2004-05 in contravention of the provisions of the Kerala Municipality Act, 1994. Amount of Rs.78.67 lakh was not transferred by the Municipalities to CDSs as given below. The action plan prepared by the CDSs had to be limited to the funds available under SJSRY and NSDP.

(Rupees in lakh)			
Name of municipality	Amount Due	Amount transferred	Balance
Pathanamthitta	35.93	17.44	18.49
Thiruvalla	57.19	21.10	36.09
Adoor	24.09	Nil	24.09
<b>Total</b>	<b>117.21</b>	<b>38.54</b>	<b>78.67</b>

### Irregularities in the functioning of DWCUA Units

**3.4.18** Development of Women and Children in Urban Areas (DWCUA) is a scheme under SJSRY to assist urban poor women from families under CDS who decide to set up self-employment ventures in groups. Groups of urban poor women shall take up an economic activity suited to their skill, training, aptitude and local condition. Besides generation of income, this group shall strive to empower the urban poor women by making them independent by providing facilities for self employment.

**3.4.19** DWCUA groups consisting of at least 10 urban poor women are entitled to a subsidy of Rs.1.25 lakh or 50 *per cent* of the project cost whichever is less. In addition, these units are eligible for revolving fund up to a maximum of Rs.25,000 from CDS. A test check of the records of DWCUA units in three Municipalities revealed the following:

#### CDS, Pathanamthitta Municipality

**3.4.20** Four DWCUA units were set up under CDS, Pathanamthitta during the period March 2000 to July 2003. Of these, one unit (provision store) which availed subsidy of Rs.1.25 lakh in August 2000 and revolving fund of Rs.25,000/- in March 2001 ceased to exist from July 2003. The unit ceased to function mainly because of the mismanagement by the group leader and non-remittance of collection to the common fund. The members of the unit reported (July 2005) that they had a loan liability of Rs.1.5 lakh and were in utter poverty.

**3.4.21** Another unit (Ethnic Bakery) though started with 10 members had only seven members remaining. The unit was running in loss and the members complained that the group leader had misappropriated the collections and complaints were pending before Ombudsman<sup>1</sup> and Police.

**3.4.22** The only unit working profitably was a computer unit started with 10 members. Though five members discontinued membership, the CDS has not selected new members due to the objection from the existing members. The benefit of this unit was thus limited to five members only.

#### CDS, Thiruvalla Municipality

**3.4.23** In Thiruvalla Municipality, 13 units were started under CDS out of which five units were closed down. These units had availed a subsidy of Rs.5.25 lakh. The units were closed down due to venturing into non-viable projects without proper planning.

<sup>1</sup> Ombudsman is a quasi judicial authority appointed by Government as per the provisions in the Municipality Act, 1994, who is to redress the grievances of the public and to go into the allegations and malpractices in the local bodies.

**3.4.24** Two dairy units were started in 2001 with 10 members each. Each beneficiary availed a bank loan of Rs.12500 and subsidy of Rs.12500 from CDS. These units are not working as a Group as envisaged under the scheme but functioning as individual units in their own houses.

#### **CDS, Adoor Municipality**

**3.4.25** Out of four DWCUA units set up under CDS, Adoor Municipality, two in 2001 and two in 2004, only one unit was functioning profitably. One unit started in 2001 was working in heavy loss and the beneficiaries were unable to pay the instalments of bank loans. As of July 2005, the unit had an outstanding loan of Rs.2.59 lakh and the five members remaining in the unit reported that they were unable to repay the loan.

**3.4.26** Another unit though started as a joint venture was running on individual basis from their residences. The fourth one which had availed a subsidy of Rs.50,000 and revolving fund of Rs.10,000 was earning only 2,500 per month and the unit had a capital asset of Rs.7,000 and closing stock of Rs.6,000 only as of July 2005.

**3.4.27** The DWCUA units which were started with the aim of providing employment and steady income to the urban poor women failed due to:

- defalcation/misappropriation of money by the leaders of the group
- selection of non-viable schemes for implementation
- lack of intervention by Municipalities/CDSs
- unwillingness on the part of the members of the successful units to accommodate additional members

**Most of the DWCUA units not only failed to generate sustainable income for the urban poor women but also pushed them to the debt-trap.**

Most of these units not only failed to generate sustainable income for the urban poor women, but also pushed them to the debt trap since the loanees were not able to repay the loan availed from the banks to start the units.

#### **Payment of subsidy to Micro-Enterprises**

**3.4.28** Under SJSRY, the sub-scheme “Self employment by setting up of Micro-Enterprises” intended to provide assistance to unemployed and under employed urban youths to set up small enterprises, relating to servicing, petty business etc. The project cost would be Rs.50,000 per individual. Subsidy at the rate of 15 *per cent* of the project cost subject to a ceiling of Rs.7500 per beneficiary was payable by CDS. Each beneficiary is required to contribute five *per cent* of the project cost as margin money in cash. Ninety five *per cent* of the project cost would be sanctioned as composite loan by bank. The loan portion is released to the loanee only after the subsidy is released to bank by the CDS. During 1997 to June 2005, the CDS, Thiruvalla released Rs.12.85 lakh and CDS, Pathanamthitta released Rs.10.70 lakh to Bank in respect of 418 and 392 beneficiaries respectively to set up Mini Enterprises. Details of subsidy released by CDS, Adoor were not available. It was noticed that:-

- ❖ Though the beneficiaries were selected by NHGs, approval of Ward Sabha was not obtained as stipulated under the Kerala Municipality Act.

**No mechanism to ensure that the banks had released the loan to the beneficiaries and the beneficiaries had started any fruitful enterprise**

- ❖ The responsibility of the Municipality/CDS was limited to release of subsidy to bank on receipt of the intimation that a loan has been sanctioned to the beneficiary. There was no mechanism to ensure that the banks had released the loan to the beneficiaries and the beneficiaries had started any fruitful enterprise.

#### **Diversion of SJSRY / NSDP fund by Municipality**

**3.4.29** Rupees 84.64 lakh received by Thiruvalla Municipality during the period from 1997-98 to 2004-05 for the poverty alleviation schemes – SJSRY (Rs.5.81 lakh), NSDP (Rs.52.83 lakh) and VAMBAY (Rs.26.00 lakh) were not transferred to CDS. The amount was diverted by the municipality for its day to day expenditure.

#### **Implementation of action plan under NSDP – Shelter upgradation**

**3.4.30** One third of the assistance under NSDP is to be used for construction of new houses or upgradation of the existing houses (for electrification of the houses, improvement of roofing, strengthening of structure etc.) for the members of the NHGs. The subsidy element admissible was Rs.3000 per beneficiary. The scheme was implemented in Pathanamthitta Municipality and the targeted units for upgradation were as given below:

<u>Year</u>	<u>No. of Units</u>
2002-03	220
2004-05	371
<b>Total</b>	<b>591</b>

**Non-extension of benefits to 234 BPL households due to the failure of the Pathanamthitta Municipality/CDS to identify the beneficiaries**

The target date for completion of the project for 2002-03 was January 2004 and that of the project for 2004-05 was March 2005. Even though the action plan envisaged upgradation of 591 units, the CDS could identify 357 beneficiaries only out of which 338 units were completed as of March 2005. The failure on the part of the Municipality / CDS to identify the beneficiaries for which funds were available and action plan was prepared, resulted in non-extension of the benefits to 234 below poverty line households.

#### **Implementation of VAMBAY housing scheme for urban slum dwellers living below poverty line**

**3.4.31** ‘Valmiki Ambedkar Awaz Yojana’ (VAMBAY) is a centrally sponsored scheme for the slum dwellers living below poverty line. The scheme envisaged allotting houses in the name of the female member of the household or in the name of husband and wife jointly if the title to the land is in the name of both. Unit cost of a house was fixed as Rs.40,000. The Municipal share of Rs.10,000 per house shall be remitted first to the nodal agency viz., the State Poverty Eradication Mission (Kudumbasree) which in turn would release the full amount including Central Share (Rs.20,000) and State Share (Rs.10,000) to the municipalities. The municipalities would further transfer the amounts to CDSs for disbursement to beneficiaries in instalments. During 2002-04 the three Municipalities in Pathanamthitta District transferred Rs.1.21 crore to the nodal agency as their share for the construction of 1212 houses. The physical and financial targets and

achievement on the implementation of the scheme during 2002-04 are as given below.

Municipality	Year	Funds received (Rs. in lakh)	No. of targeted houses	No. of houses allotted	No. of houses completed	No. of houses partially completed	Funds utilised (Rs. in lakh)	Funds unutilised (Rs. in lakh)
Pathanamthitta	2002-03	40.00	100	100	67	33	34.35	5.65
	2003-04	20.00	50	50	--	50	12.20	7.80
Adoor	2002-03	92.80	232	226	136	90	82.10	10.70
	2003-04	100.00	250	195	48	147	66.95	33.05
Thiruvalla	2002-03	140.00	350	331	261	70	118.55	21.45
	2003-04	92.00	230	173	136	37	63.50	28.50
<b>Total</b>		<b>484.80</b>	<b>1212</b>	<b>1075</b>	<b>648</b>	<b>427</b>	<b>377.65</b>	<b>107.15</b>

**Rs 54.80 lakh remained unutilised with CDSs due to non-identification of 137 beneficiaries**

**3.4.32** Out of 1212 houses targeted during the period 2002-04 for which Rs.4.85 crore was transferred by the nodal agency to the CDSs, the latter could allot houses only to 1075 beneficiaries. The unutilised balance on this account as of July 2005 was Rs.1.07 crore of which Rs. 54.80 lakh relates to 137 houses yet to be allotted. The Municipalities transferred its share of Rs.10,000 each to the nodal agency even before identifying the beneficiaries and hence Rs.54.80 lakh remained unutilised with CDSs. This lapse on the part of the Municipalities resulted in unnecessary lodging of funds with the CDSs. The following irregularities were noticed in the implementation of the scheme:

- As per the guidelines, the houses shall be completed positively within three months from the release of first instalment. It was noticed that construction of 427 houses for which Rs.1.18 crore was sanctioned during 2002-04, is yet to be completed (July 2005).
- Though the guidelines specifically provide that allotment of houses should be in the name of female member of the household or the husband and wife jointly, all the three municipalities allotted a significant percentage of houses in the name of male members as given below:

Name of Municipality	Total No. of houses allotted	No of houses allotted to male members
Pathanamthitta	150	59
Thiruvalla	504	258
Adoor	421	143
<b>Total</b>	<b>1075</b>	<b>460</b>

When pointed out by Audit, Adoor Municipality stated that land documents were in the name of husband and hence the house was allotted in the name of the husband. The other two Municipalities replied that the lists of beneficiaries were approved by the Executive Director of Kudmbasree Project. But the fact remains that the municipalities have deviated from the scheme for empowerment of women.

- The guidelines stipulated that beneficiaries were to be identified through Neighbourhood Groups, ADSs and CDS, under active supervision of Municipal authorities. It was also stipulated that identification of beneficiaries below poverty line, shall be on the basis of baseline survey already conducted / to be conducted under SJSRY. The beneficiaries selected by the municipalities included beneficiaries who were not in the BPL list as shown below:

Name of Municipality	Total No. of beneficiaries selected	No. of beneficiaries not included in the BPL list	Percentage
Pathanamthitta	150	53	35
Thiruvalla	504	111	22
Adoor	421	67	16
Total	1075	231	21

- Government, in February 2004, fixed the maximum plinth area of a house as 30 m<sup>2</sup>. Audit noticed that of the 421 houses allotted in Adoor Municipality, the plinth area of 155 houses constructed (39 per cent), varied from 31 m<sup>2</sup> to 80 m<sup>2</sup>.

#### **Lack of monitoring by Governing Body.**

**3.4.33** The bye-laws of CDS provide that, the Governing Body shall meet at least once in a month and the General Body once in three months. The responsibility for evaluating and monitoring the programmes implemented in all the wards rests with CDS. The bye-laws also provide for a Town Advisory Committee with the Chairperson of Municipality as Chairman and the officials and non-officials as members. The committee has to meet at least once in six months.

**3.4.34** Scrutiny of records revealed that in Thiruvalla Municipality, the Governing Body and Advisory Committee meetings were regularly held. But both these bodies failed to actively intervene and guide the self help groups. In Pathanamthitta and Adoor Municipalities, the Governing Body and Advisory Committee did not hold the meetings as required and failed to monitor the activities of ADSs and NHGs.

#### **Conclusion**

**3.4.35** The Municipalities failed to pay due importance to the schemes for empowerment of women. They did not set apart the fund as mandated by the Act for poverty alleviation schemes. Further, there was reluctance on their part to release the Central assistance to the CDSs and diverted funds for other purposes. Women Self Employment Groups which were envisaged to be self propelling and self motivating, proved otherwise. Instances of misappropriation of fund by group leaders were reported. Many self help groups proved to be instruments for availing subsidy and soft loans from ADSs and stopped functioning soon after availing funds mainly due to poor leadership. Since no control centres were envisaged, the poor women who lost their thrift deposits and were pushed to the debt trap had no agency to rely on to recover the dues from the defaulters. The responsibility of the

Municipalities was confined to release of subsidy to the bank and they did not monitor whether the fund was utilised for starting vocations generating income for the women. Empowerment of women through ownership of a dwelling house was also thwarted by the Municipalities by allotting houses to male members and people not belonging to BPL families.

#### **3.4.36 Recommendations**

Municipality should :

- ensure that the ADSs and CDSs maintain proper accounts and account records and are subjected to audit as prescribed.
- ensure transparency in the selection of beneficiaries in the manner prescribed and violation of rules should be seriously dealt with.
- take a proactive role in assessing the implementation of the beneficiary oriented scheme and through positive intervention ensure that the benefits reach the targeted group and
- ensure transfer of two *per cent* of municipal revenue to Urban Poverty Alleviation Fund.