

OVERVIEW

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

I The Structure and Finances of the Local Self Government Institutions

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

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

(Paragraphs 1.1 to 1.15)

II Supplementary audit under the Technical Guidance and Supervision arrangement

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

(Paragraphs 2.1 to 2.16)

III Performance Reviews

1 Local Self Government Institutions - Utilisation of Maintenance Grants

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

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

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

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

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

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

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

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

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

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

(Paragraph 3.1)

2 Distribution of Electricity and Water in Thrissur Municipal Corporation

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

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

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

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

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

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

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

(Paragraph 3.2)

3 Local self Government Institutions - Execution of Public Works

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

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

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

(Paragraph 3.3)

4 Asraya Project

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

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

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

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

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

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

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

(Paragraph 3.4)

5 Unemployment Wage Scheme

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

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

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

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

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

(Paragraph 3.5)

IV Transaction Audit

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

(Paragraph 4.1)

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

(Paragraph 4.2)

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

(Paragraph 4.3)

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

(Paragraph 4.4)

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

(Paragraph 4.5)

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

(Paragraph 4.6)

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

(Paragraph 4.7)

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

(Paragraph 4.8)