

## **OVERVIEW**

This Report comprises four chapters of which chapters I and II contain an overview of the structure and finances of Local Self Government Institutions (LSGIs) and comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision (TGS) arrangement. Chapters III and IV contain three reviews and twelve paragraphs. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies wherever received have been duly incorporated.

### **Structure and Finances of the Local Self Government Institutions**

Against ` 1848.22 crore available for utilisation during 2008-09 under Development Expenditure Fund the actual utilisation by the LSGIs was only ` 1476.66 crore. The underutilisation of funds provided in the State Budget for implementation of State schemes transferred to LSGIs and State share of Centrally Sponsored Scheme led to lapse of ` 60.21 crore. Financial achievement in respect of SJSRY, IDSMT/UIDSSMT (except 2005-06) and JNNURM, was below 50 per cent in all the years for the period 2005-06 to 2008-09. The preparation and submission of annual accounts by LSGIs for audit were in arrears, though it is mandatory for the LSGIs to submit their accounts to Director of Local Fund Audit (DLFA) by 31 July every year. The audit of accounts of LSGIs by the DLFA was also in arrears. There were lapses on the part of PRIs in maintaining the prescribed registers in the proper form and preparation of monthly accounts and Annual Financial Statements.

*(Paragraph 1.1 to 1.14.3)*

### **Supplementary audit under the Technical Guidance and Supervision arrangement**

Supplementary audit of 62 LSGIs conducted during 2008-09 revealed non-maintenance or improper maintenance of books of accounts and other records by LSGIs and lapses in the preparation of budget and Annual Financial Statements. The audit methodology adopted by DLFA also needs to be streamlined and strengthened by adopting professional auditing techniques. The staff of Local Fund Audit Department requires to be trained in IT audit, financial audit and double entry accounting.

*(Paragraph 2.1 to 2.10)*

### **Implementation of Indira Awaas Yojana**

Indira Awaas yojana (IAY) implemented by Government of India as an independent scheme from January 1996 was aimed at rendering financial assistance for construction / up-gradation of dwelling units to the poor families of the Scheduled Castes, Scheduled Tribes, free bonded labourers, physically and mentally challenged persons and non-SC/ST persons living Below Poverty Line in the rural areas. The scheme was funded on cost sharing basis of 75:25 between the Central and State Governments. Some of the important points noticed during the review of the implementation of IAY are given below:

Central assistance of ` 1.03 crore could not be availed due to underutilisation of funds. State's share was short released by ` 34.22 lakh. Supplementary

assistance provided by 12 Block Panchayats was short of the amount due to the beneficiaries by ` 9.39 crore during 2004-05 to 2008-09. Five Block Panchayats falsely showed higher financial achievement by drawing cheques for ` 51.44 lakh in advance of requirement. Nine Block Panchayats had retained 521 cheques for ` 69.46 lakh drawn between March 2007 and April 2009 instead of depositing the amount in the savings bank account for IAY. Thirteen Block Panchayats had made irregular deductions amounting to ` 13.27 lakh from the payments made to 4285 beneficiaries.

*(Paragraph 3.1)*

#### **Drinking Water Supply Schemes implemented by Panchayat Raj Institutions**

Under the Kerala Panchayat Raj Act 1994 (KPR Act), Panchayat Raj Institutions (PRIs) are vested with the right and power to prepare and implement water supply and sewerage schemes within the area of the Panchayat. Under the provision of the Kerala Water Supply and Sewerage Act 1986, though Kerala Water Authority (KWA) is responsible for supply of drinking water in the State, Government may by notification in the gazette relieve KWA from this responsibility and transfer all plants, machinery, pumping station and all buildings and land thereto, management of water supply, distribution, levy and collection of water charge to the Panchayats for their benefit. Accordingly, 371 KWA schemes were handed over to the Grama Panchayats so far (June 2009). The review revealed that the status of coverage of the existing drinking water facilities was not available with the PRIs test-checked due to non preparation of detailed maps showing the fully benefited, partially benefited and non-benefited areas. Though PRIs were not required to pay centage charges, KWA recovered ` 3.30 crore towards centage charges from the amount deposited with them during 2004-05 to 2008-09. Unspent balance of ` 2.37 crore deposited with KWA during 2004-05 to 2008-09 in respect of 188 completed/abandoned works was not recovered. None of the PRIs had formulated projects for periodical testing and quality control of drinking water.

*(Paragraph 3.2)*

#### **Integrated Development of Small and Medium Towns/Urban Infrastructure Development Scheme for Small and Medium Towns**

The Centrally Sponsored Scheme for integrated Development of Small and Medium Towns (IDSMT) aimed to slow down migration of rural population to large cities by the development of selected small and medium towns as regional growth centres was launched during 1979-80. During 2005-06, subsuming IDSMT and Accelerated Urban Water Supply Programme, Government of India launched 'Urban Infrastructural Development Scheme for Small and Medium Towns' (UIDSSMT) with the objective to (i) improve structural facilities and help create durable public assets and quality oriented services in cities and towns (ii) enhance public – private partnership in infrastructural development and (iii) promote planned integrated development of towns and cities. The important points noticed during an audit of the above schemes were as given below:

Four Municipalities failed to attain the effective expenditure of 70 per cent of the grant released earlier resulting in the lapse of assistance of ` 2.78 crore under IDSMT scheme. None of the Municipalities test-checked had created the Revolving fund as contemplated in the IDSMT guidelines for development of infrastructure on a continuous basis. Deficiency in raising loans from financial institutions was compensated by five Municipalities by diverting ` 2.17 crore from the fund released for the projects not implemented. Thirty five out of 73 approved projects under IDSMT for which grant amounting to ` 5.55 crore was released were not taken up for implementation.

The expenditure incurred on the implementation of UIDSSMT scheme was ` 26.50 crore only against the total release of ` 194.70 crore during 2006-07 and 2008-09. Monitoring committees as prescribed in Government of India guidelines for IDSMT/UIDSSMT schemes were not constituted.

**(Paragraph 3.3)**

### **Transaction Audit**

Audit of financial transactions subjected to test-check in various LSGIs revealed instances of loss of revenue/loss of Central assistance/unfruitful expenditure/idle investment and other irregularities as mentioned below:

Delay in complying with the directions of the High Court of Kerala to levy licence fee for manufacture and sale of food articles resulted in the loss of revenue of ` 2.58 crore.

**(Paragraph 4.1)**

Local Self Government Institutions of Thiruvananthapuram District failed to lift 3399.082 metric tonne of food grains valued ` 2.77 crore allotted by Government of India for implementation of Sampoorna Gramin Rozgar Yojana.

**(Paragraph 4.2)**

Failure of Nedumangad Municipality in fulfilling the conditions stipulated by Government of India for construction of an indoor stadium resulted in loss of Central assistance amounting to ` 67.50 lakh.

**(Paragraph 4.3)**

The expenditure of ` 24.03 lakh incurred by Cherthala Municipality on construction of a Town Hall remained unfruitful due to the failure of the Municipality to get the work completed even after six years.

**(Paragraph 4.4)**

Failure of District Panchayat, Wayanad in conducting proper feasibility study resulted in infructuous expenditure of ` 19.59 lakh on an Irrigation Project.

**(Paragraph 4.5)**

In Puzhakkal Block Panchayat, non completion of a water supply scheme for more than 11 years resulted in non achievement of the objective of solving water scarcity in Adat Grama Panchayat and unfruitful expenditure of ` 13.38 lakh.

**(Paragraph 4.8)**

Non - completion of a work shed and common facility centres in Scheduled Caste colonies in Kollam District despite spending ` 3.50 crore by the District Panchayats resulted in denial of benefit intended from the project for the past two years apart from loss of interest of ` 36.03 lakh on the blocked up funds.

***(Paragraph 4.9)***

Failure of Malappuram Municipality to complete the construction of a modern slaughter house even after the lapse of more than eight years led to unproductive investment of ` 20 lakh.

***(Paragraph 4.10)***

An incinerator purchased by Cherthala Municipality at a cost of ` 12.40 lakh had to be abandoned due to lack of proper maintenance after being used only for 14 months.

***(Paragraph 4.12)***