

## CHAPTER III PERFORMANCE AUDITS

### 3.1 Solid Waste Management in Urban Local Bodies

#### Executive Summary

*The prime responsibility of providing solid waste management services in the State is vested with Local Self Government Institutions. The provisions of solid waste management services in the Urban Local Bodies are detailed in the Kerala Municipality Act, 1994. The Municipal Solid Waste (Management and handling) Rules, 2000 (MSW) entrust the municipal authorities with the responsibility for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. A review of the Solid Waste Management in Urban Local Bodies (ULBs) revealed failure of ULBs and State Pollution Control Board (SPCB) in discharging their responsibilities fixed by MSW Rules in relation to identification of risks to environment and health posed by waste, manual handling of waste by workers without adequate protection, non-observance of conditions specified by SPCB, non-segregation of waste at source to facilitate effective processing and disposal, disposal of waste in unscientific and unhygienic manner and environmental pollution caused by waste heaped in the dump yards. The Municipalities test-checked had not maintained any record of the quantity and composition of waste generated to assess the magnitude of the problems faced in the management of solid waste. Waste collected ranged between 18 and 85 per cent of the waste generated in the ULBs test-checked. The ULBs did not have any mechanism to ensure the quality of ground water, surface water, ambient air and standards of composting, leachate and incineration in and around landfills as stipulated in MSW Rules. Perumbavur, Cherthala and Chavakkad Municipalities resorted to land filling without observing the provisions of Act and Rules. The District Collectors did not ensure that the facilities provided in the ULBs for waste disposal were meeting the standards prescribed in the MSW Rules and the disposal of waste was carried out with due care for health and environment. Though Suchitwa Mission was entrusted with the responsibility of ensuring proper utilisation of funds released to ULBs, the information relating to actual stage of implementation of the projects was not available with them.*

#### 3.1.1 Introduction

Waste represents a threat to the environment and human health if not handled or disposed of properly. Surface and ground water contamination takes place when waste reach water bodies. Residues from waste can change the water chemistry, which can affect all levels of an ecosystem. A specific environmental hazard caused by waste is leachate, which is the liquid that forms, as water trickles through contaminated areas leaching out the chemicals. Movement of leachate from landfills, effluent treating plants and waste disposal sites may result in hazardous substances entering surface water, ground water or soil. Emissions from incinerators or other waste burning devices and landfills can cause air contamination. Landfills are a big source of release of green house gases, which are generated when organic waste

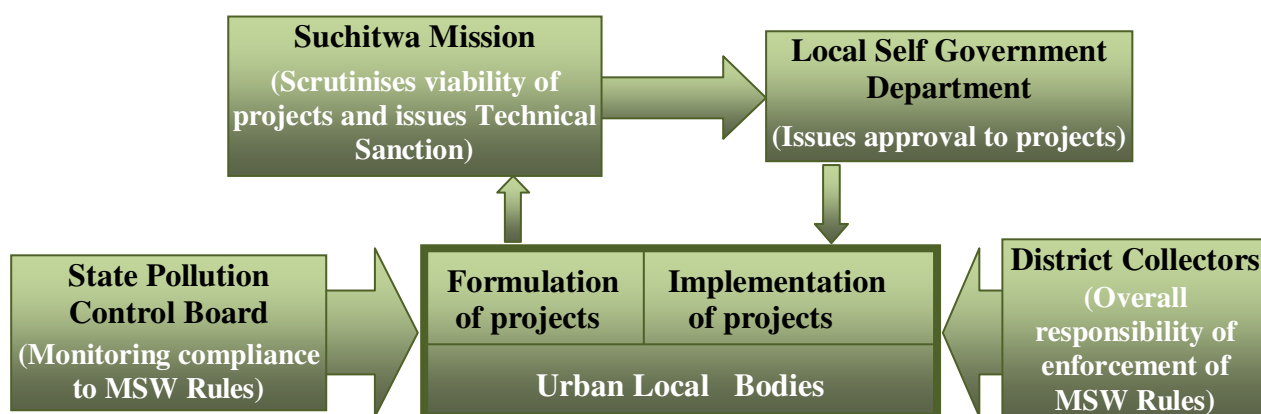
decomposes in landfills. Thus, improper handling of waste has consequences both on the environment as well as on the health of the people.

The State has a density of population of 819 persons per square kilometre as against an all India average of 363 and the average density of population in the urban areas is 2996 persons per square kilometer. Due to rapid urbanisation and high density of population, the State has been facing significant challenges in the area of municipal solid waste management which have severely strained the resources of the government and its agencies.

The responsibility of solid waste management in the State is vested with Local Self Government Institutions both in the urban and rural areas. The provisions of solid waste management in the Urban Local Bodies (ULBs) are detailed in the Kerala Municipality Act, 1994. Ministry of Environment and Forests, Government of India had notified (September 2000) the Municipal Solid Waste (Management and Handling) Rules, 2000 (MSW Rules) entrusting the Municipal authorities the responsibility for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. As per these Act and Rules, the ULBs, State Pollution Control Board (SPCB) and District Collectors are entrusted with specific responsibilities, roles and functions.

### 3.1.2 Organisational set up

Government had constituted (February 2003) Clean Kerala Mission with the aim of strengthening managing capacity and responsibility of the community and local Government in planning and implementing solid waste management facilities and services. In January 2008, Government integrated the Clean Kerala Mission with Kerala Total Sanitation and Health Mission and renamed it as Suchitwa Mission which is headed by an Executive Director who is assisted by four Directors. The Director, Solid Waste Management is entrusted with the responsibility of providing technology and capacity building support to the ULBs in the implementation of solid waste management projects. The management and control of Suchitwa Mission is entrusted to a Governing Body. The ULBs formulate various projects which are submitted to Suchitwa Mission for technical approval. The Suchitwa Mission after scrutinising the viability of the projects submits the projects to Local Self Government Department (LSGD) of the State Government which accords administrative sanction for the projects. The ULBs implement the projects through service providers/accredited agencies approved by Government. Compliance to MSW Rules is monitored by the SPCB. The District Collectors have the overall responsibility for the enforcement of MSW Rules.



### **3.1.3 Audit objectives**

The audit objectives were to examine whether:

- the quantum of waste being generated in the State was accurately assessed and the risks to environment and health posed by waste identified;
- the various agencies involved in the process have been identified and allocated clear responsibility and accountability for waste management and whether or not a mismatch/gap/overlap exists among the responsibility centers;
- compliance with laws regarding municipal solid waste is taking place and the monitoring mechanism is effective in checking non-compliance;
- funding and infrastructure was adequate for the implementation of the rules and whether the funds/ infrastructure has been used economically, efficiently and effectively.

### **3.1.4 Audit criteria**

Audit adopted the following criteria:

- The provisions of Kerala Municipality Act, 1994
- The provisions of Municipal Solid Waste (Management and Handling) Rules, 2000
- Instructions, guidelines issued by SPCB, Suchitwa Mission etc.
- Rules, policies, directions issued by the Government on solid waste management from time to time
- Manual on municipal solid waste management

### **3.1.5 Scope and methodology of audit**

A review on the effectiveness of Solid Waste Management measures taken by the five Municipal Corporations of the State was conducted in 2004 and the findings included as paragraph 3.2 in the Report of the Comptroller and Auditor General of India (Local Self Government Institutions) for the year ended 31 March 2004. The Committee on Local Fund Accounts discussed the paragraph in November 2009 and their recommendations are awaited.

The present Performance Audit on ‘Solid Waste Management in Urban Local Bodies’ conducted between April 2010 and July 2010 covers the issues relating to collection, segregation and storage, transportation, processing and disposal of solid waste in the areas under the jurisdiction of Municipalities and Municipal Corporations. Audit methodology included test-check of records of selected ULBs, collection of data from State Pollution Control Board, Suchitwa Mission, nine District Collectorates<sup>1</sup> and the Local Self Government Department. It also included discussion with officials of the ULBs and inspection of sites. An entry conference was conducted with the Principal Secretary, LSGD in June 2010. Audit methodology, coverage and other essential features of audit were explained at the meeting. An exit conference

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<sup>1</sup> Thiruvananthapuram, Pathanamthitta, Alappuzha, Ernakulam, Thrissur, Kozhikode, Malappuram, Kannur and Kasaragod

was held with the Principal Secretary LSGD in February 2011. The audit conclusions and recommendations were discussed in this meeting.

### 3.1.6 Sample selection

Fifteen<sup>2</sup> out of 58 ULBs were selected by means of a statistical sampling, viz., Probability Proportional to Size without Replacement. Besides, Cherthala Municipality was included for the study as suggested by the Principal Secretary to Government, Local Self Government Department.

### Audit findings

### 3.1.7 Assessment of waste generation

Data on quantity and composition of waste generated provide information on the magnitude of the problems faced in the management of solid waste. According to MSW Rules, all ULBs have to furnish the details of quantity and composition of solid waste generated to the concerned District Collectors annually. None of the ULBs test checked had maintained any records of the quantity and composition of the wastes generated. However, the ULBs furnished to audit the figures of waste generated during the period 2005-06 to 2009-10 based on mere approximation. As there were no reliable data on generation of quantity of waste generated in ULBs, audit adopted the study report (2006) of Socio Economic Unit Foundation (SEUF) on Solid Waste Management under WSP<sup>3</sup>. As per the report, per capita waste generation per day was 300 gm in Municipalities and 400 gm in Corporations. The mismatch between the figures furnished by the ULBs and that worked out based on the study report of SEUF is shown in **Table 3.1**.

Records for quantity and composition of waste generated were not maintained

**Table 3.1: Waste generated in ULBs test checked**

Name of ULB	Population (2001)	Waste generated as per report of SEUF (in MT)	Quantity of waste reported by ULBs (in MT)				
			2005-06	2006-07	2007-08	2008-09	2009-10
Adoor	28952	8.68	6.66	6.68	6.70	6.71	6.73
Alappuzha	177029	53.11	45-50	45-55	50.00	55.00	60.00
Angamaly	33409	10.02	8.00	8.00	8.00	8.50	9.00
Attingal	33831	10.15	16.50	16.50	18.00	18.00	19.00
Chavakkad	38138	11.44	8.00	8.25	8.50	8.60	9.00
Cherthala	45102	13.53	9.00	9.50	10.00	10.50	11.00
Kanhangad	65503	19.65	20.00	20.00	20.00	20.00	20.00
Kasaragod	52683	15.80	12.00	13.00	13.00	15.00	15.00
Kozhikode	440000	176.00	300.00	300.00	300.00	300.00	300.00
Malappuram	58491	17.55	10.00	10.00	15.00	15.00	15.00
Payyannur	68711	20.61	4.50	4.70	5.00	5.50	6.00
Perinthalmanna	44612	13.38	15.00	15.00	17.00	17.00	17.00
Perumbavur	26547	7.96	7.00	8.00	8.50	9.00	9.50
Taliparamba	67507	20.25	8.00	8.00	8.00	8.00	8.00
Tirur	53654	16.10	10.00	10.00	12.00	15.00	15.00
Thrissur	317526	127.01	45.00	50.00	50-55	50-55	45-50

<sup>2</sup> Adoor, Alappuzha, Angamaly, Attingal, Chavakkad, Kasaragod, Kanhangad, Kozhikode, Malappuram, Payyannur, Perinthalmanna, Perumbavur, Taliparamba, Tirur and Thrissur

<sup>3</sup> Water and Sanitation Project, World Bank

The figures furnished by Attingal, Kozhikode and Perinthalmanna ULBs were more than (27 to 87 per cent) the average per capita norms and those furnished by Payyannur, Taliparamba, Thrissur were much less by 60 to 71 per cent. None of the ULBs have furnished data on physical composition of the municipal solid waste. Implementation Schedules II and III to MSW Rules stipulate that the ULBs should ensure that all the wastes being generated are disposed of in an environmentally safe manner. In the absence of reliable data on waste generated, composition of waste and an assessment of the current capacity to handle waste, any programme for the management of waste would be ineffective. Government stated (February 2011) that log book would be maintained for the waste generated, collected and processed.

### 3.1.8 Collection of waste

No records of waste collected were maintained

The MSW Rules require that all municipal solid waste generated shall be collected and no waste remains uncollected posing risk to public health and environment. However, none of the ULBs except Kozhikode Municipal Corporation had maintained any records showing the quantum of waste collected. A comparison of the quantum of waste collected (based on approximation) as reported by the ULBs with the quantum based on average per capita norms are shown in **Table 3.2**.

**Table 3.2: Waste collected and transported by the ULBs test checked**

Name of ULB	Total number of wards	Quantity of waste generated as per report of SEUF (in MT)	Quantum of waste collected and transported per day (in MT)	Percentage of waste collection
Adoor	25	8.68	3.3	38
Alappuzha	50	53.11	45.0	85
Angamaly	27	10.02	8.0	80
Attingal	28	10.15	14.0	138
Chavakkad	29	11.44	6.5	57
Cherthala	32	13.53	8.5	63
Kanhangad	40	19.65	7.0	36
Kasaragod	35	15.65	8.0	51
Kozhikode	55	176.00	50.0	28
Malappuram	37	17.55	10.0	57
Payyannur	41	20.61	4.5	22
Perinthalmanna	31	13.38	15.0	112
Perumbavur	24	7.96	5.0	63
Taliparamba	41	20.25	3.6	18
Tirur	35	16.10	13.0	81
Thrissur	52	127.01	42.5	33

Waste collected and transported was much less than the waste generated

The quantity of waste reported to have been collected by Attingal and Perinthalmanna Municipalities was 38 per cent and 12 per cent more than the quantity of waste generated. In the remaining ULBs, collection of waste was in the range of 18 per cent to 85 per cent only. In six of these ULBs the percentage of collection was below 50. The uncollected waste pose risks to public health and environment.

### 3.1.9 Segregation and storage of waste

As per the implementation schedule (Schedule II), each ULB shall organise house-to-house collection of municipal solid waste through any of the methods like community bin collection (central bin), house to house collection,

collection on regular pre-informed timings and scheduling by using bell ringing. The ULBs shall collect the organic waste and inorganic waste separately for facilitating an effective processing and disposal of waste. The ULBs have to provide covered and differently coloured community bins (green for biodegradable waste, white for non-biodegradable and black for other waste). Collection of waste by providing differently coloured community bins was not adopted by any of the ULBs test checked.

Nine ULBs had introduced the system of house to house collection of waste partially with the help of Kudumbasree units. The service-level bench-mark prescribed by Ministry of Urban Development, Government of India was to be 100 per cent coverage of SWM services by the ULBs. But in the selected ULBs, the percentage of collection of waste from house-holds varied from zero to 34, except in Kochi where it was 100. In five ULBs the percentage of collection of waste from shops was nil. The details are given in **Table 3.3**.

**Table 3.3: Number of houses and shops from which waste was collected by Kudumbasree units**

Name of ULB	Total number of houses	No. of houses from where waste collected	Percentage of collection	Total No. of shops	No. of shops from which waste collected	Percentage of collection	Whether segregated or not
Alappuzha	52897	12000 to 15000	23 to 28	5909	Nil	Nil	Not segregated
Attingal	11188	3800	34	1660	1655	100	Segregated
Chavakkad	7233	750	10	1250	Nil	Nil	Not segregated
Kozhikode	76030	76030	100	16855	16855	100	Segregated
Malappuram	16000	2000	13	2106	Nil	Nil	Not segregated
Payyannur	17393	200	1	2507	Nil	Nil	Segregated
Perinthalmanna	16880	Nil	Nil	2068	2068	100	Segregated
Thrissur	93843	15165	16	11055	3373	31	Not segregated
Tirur	10171	350	3	2982	Nil	Nil	Not segregated

Segregation of waste was not effective in many ULBs

According to Schedule II of MSW Rules, the Municipal authorities shall organise awareness programme for segregation of waste and shall promote recycling or reuse of segregated materials. Only seven ULBs<sup>4</sup> had arranged awareness programmes for the public on effective management of solid waste by segregation, reduction and reuse of waste.

It was noticed that only Perinthalmanna, Kozhikode and Attingal Municipalities had provided differently coloured bins for collecting segregated waste at source. In the remaining Municipalities recyclable waste such as plastic, paper, metal etc. were disposed of by the people along with the domestic food waste, trade waste etc., without segregating the same at source. Government stated (February 2011) that segregation of waste at household level would be further streamlined and that the public would be made aware of the importance of segregation through Malinya Muktha Keralam Campaign.

<sup>4</sup> Kozhikode, Payyannur, Taliparamba, Malappuram, Perinthalmanna, Kanhangad and Cherthala

Waste was allowed to be dumped at roadsides at various points before transporting to dump yard. Most of these sites were open and at a few sites very small bins were placed which were overflowing with waste. On joint physical verification with the authorities of the 16 selected ULBs it was found that in many places municipal solid waste was dumped in open space on the roadsides and even burnt openly. The streets had become a receptacle of waste as evident from the photographs below:

Streets had become a receptacle of waste



Alappuzha Municipality



Thrissur Corporation



Kanhangad Municipality

Section 340(2) of the Kerala Municipality Act, 1994 stipulates that any person who put or cause to be put any rubbish or filth or debris in any public place not intended for the same shall be fined by the Secretary. Failure to pay the fine imposed would lead to prosecution of the person concerned. Though the Audit team noticed instances of violation of provisions of the Act in four Municipalities (Kasaragod, Kanhangad, Thrissur and Alappuzha), no record of penal action taken against the violators was available.

### 3.1.10 Transportation of waste

According to MSW Rules, transportation of municipal solid waste is to be done using covered vehicle only so as to avoid scattering and exposure to environment. The vehicle shall be so designed to avoid multiple handling of waste prior to final disposal. Out of 136 vehicles used by the 16 ULBs, only 39 vehicles were covered and 28 were designed to avoid multiple handling.

Vehicles used to transport waste were uncovered and not designed to avoid multiple handling



Transportation of waste in Thrissur Corporation

### 3.1.11 Processing of waste

The implementation schedule (Schedule IV) of the MSW Rules stipulates that the biodegradable waste shall be processed by composting, vermi composting, aerobic digestion or any other appropriate biological processing so as to minimise the burden on landfill. The mixed waste containing recoverable resources shall follow the route of recycling and the end products of processing comply with the standards specified in the Schedule. In the 16 ULBs test-checked, Payyannur Municipality had established a small vermi compost plant which could process limited quantity of biodegradable waste.

Kozhikode and Thrissur Corporations had established processing plants years back. Kasaragod, Angamali, Perumbavur and Cherthala Municipalities had not established the processing plants. Details of the projects implemented by the remaining nine ULBs are given in **Table 3.4**.

**Table 3.4: Status of construction of waste processing plants**

Name of ULB	Method of processing	Agreement date/ Date of commencement of work	Project cost (₹ in lakh)	Scheduled date of completion	Expenditure incurred (₹ in lakh)	Name of Service provider	Whether completed or not	Reason for non-completion
Kanhangad	Windrow composting	September 2006	52.55	March 2007	39.82	KSSS	Incomplete	Contractor was not willing to execute the work as per agreed rate
Malappuram	Windrow composting	March 2005	43.00	--	38.55	KAICO	Completed in August 2005 and processing started	--
Alappuzha	Windrow composting	August 2005	37.70	February 2007	275.15	APTDC	Incomplete	Public protest and labour dispute
Taliparamba	Windrow composting	March 2008	66.25	March 2008	24.88	KAICO	Incomplete	Specific reasons not furnished
Chavakkad	Windrow composting	February 2008	61.66	April 2008	25.60	SEUF	Incomplete	Specific reasons not furnished
Attingal	Windrow composting	February 2006	45.56	--	53.71	KSSS	Completed in July 2007 and processing started	--
Perinthalmanna	Windrow composting	Not available	49.48	--	49.48	Techno group	Completed in April 2007 and processing started	--
Tirur	Windrow composting	March 2007	46.11	--	37.53	Techno group	Completed in April 2008 and processing started	--
Adoor	Vermi composting	December 2006	14.27	March 2007	9.95	KSSS	Incomplete	Specific reasons not furnished

Following points were noticed in audit:

- Though Taliparamba, Alappuzha, Chavakkad, Kanhangad and Adoor started the work between 2005 and 2008, the processing plants had not been commissioned even as of April 2010. Non-completion of the projects was indicative of improper monitoring by Suchitwa Mission which released financial assistance to the ULBs.
- In six ULBs which started waste processing, Attingal and Perinthalmanna did not maintain any records of the quantities of waste received in the processing plant, waste processed, manure produced and sold, etc. The only detail available in the other four ULBs was the quantity of waste brought to site and manure produced. As per the norm adopted by Suchitwa Mission, the quantity of organic manure obtainable was 25 per cent by weight of the quantity of waste processed. Based on this norm, the quantity of waste processed (ranging from 2 per cent to 30 per cent) by the four ULBs was low. The details are given in **Table 3.5**.

Major portion of the waste was dumped in the dump yard without processing



**Table 3.5 : Quantity of waste processed**

Name of ULBs	Period of processing	Waste brought to site	Manure produced	Quantity processed as per norm	Percentage of processing	Operation and Maintenance charges paid to service provider (₹ in lakh)
Thrissur	April 2008 to March 2009	15792	87.63	350.52	2	39.48
Kozhikode	November 2006 to June 2008	39900	1736	6944	17	146.46
	January 2009 to December 2009	14647.37	1088	4352	30	Nil*
Tirur	April 2009 to March 2010	3978	30.96	123.84	3	2.20
Malappuram	August 2005 to March 2010	15960	756	3024	19	68.41

\* The Corporation received royalty of ₹ 4.80 lakh per annum

From the table it would be seen that 70 to 98 per cent of the waste collected by the Municipalities was dumped in the dump yard as crude waste. This would only put further pressure on scarce land resources available with the ULBs apart from associated environmental problems.

### 3.1.12 Disposal of waste

#### 3.1.12.1 Inadequacy of land

Landfilling is the disposal of residual solid waste on land designed with protective measures against pollution of ground water, surface water and fugitive dust, bad odour, fire hazard, bird menace, pests or rodents, green house gas emission, slope instability, erosion etc. The MSW Rules prescribe the disposal of non-biodegradable, inert waste and rejects of processing by land filling as a mandatory requirement. The waste processing facility was to be planned as an integral part of the landfill site which should be large enough to last for 20-25 years. Thrissur and Kozhikode Municipal Corporations had initiated action to establish landfill facilities.

Based on the projected population and waste generated, the Ombudsman for LSGIs after conducting a study had prescribed (July 2008) the extent of land required for 20 years for each ULB. The areas of land arrived at by the Ombudsman and those in possession with the ULBs test-checked were as given in **Table 3.6**.

**Table 3.6: Requirement and possession of land (In acres)**

Name of ULB	Land required	Land in possession
Alappuzha	22.10	11.00
Angamaly	4.76	0.50
Attingal	4.45	4.20
Chavakkad	4.17	0.50
Kanhangad	8.17	2.00
Kasaragod	6.57	7.05
Kozhikode	54.48	16.00
Malappuram	7.30	2.50
Payyannur	8.58	3.50
Perinthalmanna	5.57	5.00
Perumbavur	3.31	1.56

ULBs did not possess required extent of land for waste disposal

Name of ULB	Land required	Land in possession
Taliparamba	8.42	2.02
Thrissur	39.62	6.91
Tirur	6.70	4.97
Adoor	3.61	1.05
Cherthala	5.63	Nil

Kasaragod Municipality possessed the required extent of land but the land could not be made use of due to public protest. None of the remaining ULBs possessed the required extent of land. The ULBs had not taken any fruitful action to acquire additional land required. Buffer zones around the landfill sites were not provided by any of the ULBs except Perinthalmanna Municipality. Government stated (February 2011) that the public protest against the setting up of solid waste management plant was not only on health grounds but for fear of crash in the land value of nearby sites and added that Government was very much aware of the situation and had already discussed the matter with Members of Parliament and Legislative Assembly for finding an appropriate solution.

### 3.1.12.2 Unauthorised filling and development of private land

MSW Rules stipulate that landfill sites shall be based on examination of environmental issues. The landfill sites shall be away from habitation clusters, water bodies, wetlands, national parks etc. Further, as per Kerala Conservation of paddy land and wetland Act, 2008 conversion or reclamation of paddy land and any kind of reclamation of wetland is prohibited. Audit noticed instances of landfill done by three Municipalities without observing the provisions of the Act and Rules as detailed below:

Land filling was done without observing provisions of Act and Rules



Perumbavur Municipality

(1) **Perumbavur Municipality** was dumping crude waste in the low lying water logged lands owned by two individuals with their permission. The land in one case was located in the midst of the town behind an auditorium (Seema Auditorium) owned by the same individual. The Municipality had not assessed the harmful effects on the ecological system, water sources and agriculture of the neighbouring land due to crude dumping. The development of the wet land at the expense of the Municipality without the permission of Revenue authorities was illegal.

(2) **Cherthala Municipality** was dumping the municipal solid waste collected on the low lying agricultural lands, old ponds and water logged area owned by private individuals till 2009. The Municipality had ignored the harmful effects on the ecological system and public health. No records showing details of the land fill done by the Municipality were maintained.

(3) In **Chavakkad Municipality**, the solid waste dumped (about 4000 MT) in the dump yard during the past 20 years was excavated and removed (November 2006) to a private land. As the Municipality had executed the land filling without sufficient soil covering and without observing any

precautionary measures, the land owner and nearby residents approached (April 2007) the Municipal authorities for remedy. The Municipality had not taken any action to redress their grievances. The Municipality had not obtained any authorisation from SPCB for the disposal of municipal solid waste as stipulated in the MSW Rules.

### 3.1.12.3 Disposal of waste in unscientific manner

Audit noticed that the disposal of waste was being carried out by the test checked ULBs in an unscientific and unhygienic manner. Though a buffer zone of no development was to be maintained around the landfill site, waste was being dumped in open dump yards located in close proximity to residential areas. The land used for the treatment and disposal of municipal solid waste was inadequate.

Leachate treatment plant was to be provided at the dump yard and treatment plants in order to prevent the problems of pollution from dumping/landfill sites. None of the ULBs test-checked had provided the leachate treatment plant at dumping sites/ processing plants. The openly heaped waste at the

Openly heaped waste in the dump yard caused health and environmental problems

View of dumping yard



Thrissur Corporation



Kasaragod Municipality

dump yard of these ULBs was causing alarming unsanitary conditions and pollution problems of air, land and water.

At the Laloor dump yard in Thrissur Municipal Corporation, about 18000 MT of waste was dumped in the trenching ground. During heavy rain in July 2009 waste water and leachate from the trenching ground oozed out through the compound wall and flowed across the public road to adjoining residential premises polluting even the wells. Stagnant pool was formed with polluted water having foul smell and worms. As a result, the local people started agitation which warranted the intervention of High Court. Though the Corporation had taken temporary remedial measures, they could not find a permanent solution to the problem.

Untreated waste allowed to flow into Kallai River

Bio waste from meat and fish markets was being dumped in the trenching yard in Njeliyanparamba in Kozhikode Corporation for long periods for windrow composting. No leachate treatment plant was provided in the dump yard. The leachate oozing out from the plant as well as trench yard was collected in the pond



Kozhikode Corporation

situated in north east side of the plant. The untreated leachate was allowed to flow into Kallai River. Though the SPCB directed the Corporation to construct leachate treatment plant, the Corporation had not taken any action.

#### 3.1.12.4 Improper disposal of waste by Cherthala Municipality

In Cherthala Municipality, collection, transportation, processing and disposal of solid waste were being done through a private agency, viz., Amala Enterprises on their own arrangements. The LSGD approved (December 2009) the scheme fixing ₹ 500 per MT up to a maximum of ₹ 1500 per day as a temporary measure and subject to authorisation from the SPCB. However, no authorisation was obtained so far (June 2010). Further, the Municipality allowed the contractor to collect user fees at prescribed rates from the shop owners, institutions and households. The contractor had entered into agreement with the owner of a private land in the outskirts of the Municipality for processing vegetable waste only. When the contractor resorted to dumping of crude waste on the land it created environmental problems and public protest. The owner of the land approached the High Court and as per the direction of the High Court to the Secretary, Cherthala Municipality, the Environmental Engineer of the SPCB visited the site and reported (June 2010) that of the 3.5 acres of land, 10 cents of land was used for composting plant and an approximate quantity of 8.38 cubic metre of waste including chicken waste, food waste, disposable plates, plastics and bottles of medicines and injections etc. were buried in various parts of the land without any precautionary measures causing environmental problems. As per the court verdict, all extra items of waste other than vegetable waste not covered in the agreement were to be removed to any convenient site. The Municipality did not comply with the court order (June 2010). The contractor continued the improper method of waste disposal on the land (July 2010).

#### 3.1.12.5 Installation of Biogas plants

Out of the 16 ULBs test checked, seven ULBs formulated projects for bio gas plants for processing portion of the municipal solid waste, preferably soft vegetable waste and waste from fish/ meat markets and slaughter houses. The details of the projects undertaken by the municipalities are given in **Table 3.7**.

**Table 3.7: Status of construction of biogas plants**

Name of ULB	No. of plants	Capacity	Expenditure as of June 2010 (₹ in lakh)	Present condition
Alappuzha	1	Not available	13.50	Not completed
Attingal	2	25M <sup>3</sup>	4.09	Completed in December 2008
		57M <sup>3</sup>	3.75	Not completed
Kanhagad	2	25M <sup>3</sup>	16.00	Not completed
		15M <sup>3</sup>		Not completed
Kozhikode	4	2000 Kg	18.7	Not completed
		650 Kg	8.00	Not completed
		650 Kg	8.00	Not completed
		600Kg	2.86	Not completed
Perumbavur	1	Not available	4	Completed in August 2008. Not working from August 2009
Thrissur	1	40M <sup>3</sup>	15.38	Completed in March 2009
Tirur	1	25M <sup>3</sup>	4.7	Completed in March 2005. Not working from February 2008

The two plants installed in Tirur and Perumbavur Municipalities were defunct for want of proper maintenance. The Municipalities had not planned any programme to utilise the biogas produced in the two completed plants in Thrissur and Attingal ULBs. None of the ULBs had obtained authorisation from the SPCB for the implementation of the projects.

### 3.1.13 Compliance to provisions of Acts/ Rules

#### 3.1.13.1 Authorisation for setting up waste processing and disposal facility

As per the compliance criteria set out in Schedule I to MSW Rules, the setting up of solid waste management facilities was to be completed by all the ULBs before 31 December 2003. The waste processing and disposal facilities including landfills shall be set up only after obtaining authorisation from the SPCB. Out of the 16 ULBs test-checked, only 10 had obtained authorisation from SPCB for running the disposal facilities, that too after a delay of three to five years. Waste disposal was being done by the remaining six ULBs<sup>5</sup> without obtaining authorisation from the SPCB. Joint physical verification of the waste disposal site revealed that most of the conditions specified in the authorisation remained unattended. The details are given below:

Conditions specified in the authorisation were not observed by ULBs

- The waste processing and disposal sites were to be protected to prevent entry of unauthorised persons and stray animals. However, no proper arrangements for protection were made around the waste processing and disposal sites in any of the ULBs test-checked. Fencing was not provided in four ULBs. Large number of stray dogs were wandering in waste processing and disposal site.
- Fire protection equipment was not provided in any of the ULBs test-checked. There were instances of fire hazards in Kasaragod, Tirur and Taliparamba.
- In Kozhikode Corporation frequent fire hazards occurred during January 2006, February 2006 and January 2008 which could not be easily controlled due to emission of combustible gases. The fire force expressed difficulty to move their vehicle through the dump yard. Despite this, the Municipal Corporation has not set up a fire protection system in the dump yard.
- Schedule II to MSW Rules prohibit burning of waste. Kanhangad Municipality used to burn the dumped waste openly till May 2008.
- None of the ULBs had set up leachate treatment plant and taken any action to prevent the contamination of air and water by the leachate oozing out. In Kozhikode Corporation and Perumbavur Municipality the leachate was allowed to flow to the nearby river and Angamali, Adoor and Attingal



Animals wandering in waste disposal sites

<sup>5</sup> Angamaly, Kanhangad, Kasaragod, Payyannur, Perumbavur and Taliparamba

Municipalities let off the leachate to the nearby low lying agricultural lands.

- Contamination of water in the nearby wells was reported in Thrissur, Kasaragod and Taliparamba ULBs. As a result, residents near the sites were agitating against the municipal authorities.
- As per the Municipal Solid Waste (Management and Handling) Rules, 2000 the incinerators are to meet certain operating and emission standards. Though the Pollution Control Board, Malappuram had not given permission to Malappuram Municipality to run the incinerator as it did not conform to the standards prescribed, the Municipality was continuing the incineration defying the directions of the Pollution Control Board.
- There was no monitoring by the SPCB to see that the waste processing and disposal facilities meet the compliance criteria outlined in the authorisation issued by it. Inefficient monitoring was evident from the fact that only the District Office of SPCB, Ernakulam had initiated (May 2010) legal proceedings against the Secretary and the Chairman of Kalamassery Municipality against improper handling of municipal waste allowing the leachate from the dump yard reaching Periyar River even though there were many instances of violation of MSW Rules in other ULBs.

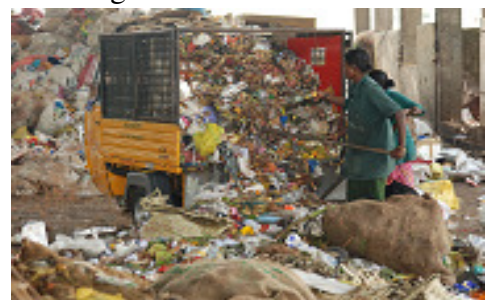
### 3.1.13.2 Identification of risks to environment posed by waste

Identification of risks to environment and health posed by waste is essential so that damage to health and environment can be minimised.

According to Schedules III and IV to MSW Rules, the ULBs have to ensure the quality of ground water, surface water, ambient air and standards of composting, leachate and incineration in and around the landfill sites. However, none of the 16 ULBs test-checked had conducted quality tests specified in the schedules at any time. The District Collectors, who have the overall responsibility for the enforcement of the MSW Rules, had not taken any action against ULBs for non-compliance of the Rules (July 2010). Rule 6 of MSW Rules authorises the SPCB to monitor the compliance with the standards regarding ground water, ambient air, leachate quality and compost quality by the ULBs. Apart from specifying these standards while issuing authorisation, the SPCB had not discharged their responsibility fixed by the Rules. In the absence of proper identification of risks, the municipal authorities as well as the public remain unaware of the risks posed by waste.

### 3.1.13.3 Risks to waste handlers

Risk involved in manual handling of waste is high. Out of 75 cases of death while in service which occurred during 2005-06 to 2009-10 in the test-checked ULBs, 59 (78.67 per cent) were sanitary workers. The MSW Rules envisages that manual handling of waste shall be carried out only under proper protection with due care for safety of workers. Audit team along with the municipal authorities visited



Thrissur Corporation

ULBs had not conducted quality tests specified in MSW Rules

Manual handling was carried out without precautionary gears

(March to June 2010) the processing plants / dump yards of all the selected ULBs and noticed that manual handling of waste was carried out without adequate protective gears like gloves, gum boots, face masks. Government agreed (February 2011) to examine the possibility of giving assistance for medical check-up to all sanitary workers.

### **3.1.13.4 Failure of Suchitwa Mission to monitor implementation of SWM projects**

State Government constituted Suchitwa Mission<sup>6</sup> (Mission) as the sole technical approval agency for the solid waste management projects formulated by Local Self Government Institutions. While issuing technical sanction the Mission has to ensure financial viability and technical feasibility of the project. State Government releases the financial assistance for the development of solid waste management to the municipalities through the Mission.

During 2004-05 to 2009-10, State Government released ₹ 31.98 crore to the Mission for implementation of various schemes under Suchitwa Keralam Projects including Solid Waste Management Projects in Municipalities. The Mission released ₹ 17.17 crore to 52 Municipalities for implementing Solid Waste Management projects.

The Mission was entrusted with the responsibility of ensuring proper utilisation of the funds released and completion of the project as approved by them. However, the Mission was unaware of the actual stage of implementation of the projects in the Municipalities and failed to monitor the execution of the projects as revealed from the following paragraph:

As per the records of the Mission, 20 Municipalities had commissioned the processing plants and installation was in progress in 22 Municipalities. The remaining ten Municipalities to whom assistance of ₹ 3.13 crore was given had not commenced implementation of the projects (July 2010). During site inspection of the selected municipalities by the audit team it was noticed that:

- In Kasaragod Municipality where the work was stated to be in progress, no work was executed due to public protest. The assistance of ₹ 41.26 lakh released in May 2009 was kept in the savings bank account of a nationalised bank (June 2010). The land (5.46 acres) purchased (January 1996) at a cost of ₹ 14.27 lakh in Madhur Grama Panchayat for the purpose of setting up of solid waste processing plant has not been utilised.
- The plant in Kanhangad Municipality for which assistance of ₹ 52.55 lakh was provided has not been completed so far (May 2010).
- Adoor Municipality obtained (March 2005) Mission assistance of ₹ 30.99 lakh by presenting a windrow composting project<sup>7</sup> for ₹ 79.79 lakh. As per the report furnished by the Mission the project was commissioned. Audit noticed that the Municipality instead of establishing the above project constructed a vermi-composting project at a cost of ₹ 9.50 lakh. The windrow composting project was proposed for processing all kinds of

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<sup>6</sup> erstwhile Clean Kerala Mission

<sup>7</sup> Production of compost by piling organic matter or biodegradable waste in long rows (windrows). This method is suited to producing large volumes of compost.

waste excluding non-biodegradable waste with capacity of processing 10 MT per day whereas vermi-composting is restricted to waste from markets and other vegetable wastes which require segregation of spicy/ oily food wastes. As such vermi-composting was not a suitable substitute for windrow composting project. The Mission had also not taken any action to assess the assistance admissible for the project actually established and get the excess amount refunded.

### 3.1.14 Deficiencies in the implementation of projects

#### 3.1.14.1 Kanhangad Municipality

A comprehensive project (outlay: ₹ 52.55 lakh) for establishment of solid waste management system for Kanhangad Municipality was approved by Suchitwa Mission in October 2006. In addition to ₹ 32.75 lakh provided by the Mission, ₹ 26 lakh received under UIDSSMT was also earmarked for the project. The work was entrusted to the Kasaragod Social Service Society<sup>8</sup> in September 2006 and an advance of ₹ 26 lakh paid in two instalments (October 2006 and December 2006) as directed by the Mission. Though the work was to be completed in March 2007, construction of the windrow composting shed and office building costing ₹ 30.65 lakh alone was completed even as of June 2010. The remaining components of the project had not been executed by the society. The Municipality had not taken any action against the society other than issuing a notice to them. The request of the society for revision of estimates was pending with Suchitwa Mission (June 2010). Till June 2010 the Municipality paid ₹ 38.91 lakh to the Society which included unadjusted advance of ₹ 8.25 lakh. Thus solid waste management problems faced by the Municipality remained unsettled despite spending ₹ 38.91 lakh.

Unfruitful expenditure of ₹ 38.91 lakh on windrow composting

#### 3.1.14.2 Taliparamba Municipality

As part of the solid waste management projects, Taliparamba Municipality purchased (July 2008), buckets, MS handcart, wheel barrows, vermi compost box through M/s RAIDCO at a total cost of ₹ 20 lakh. One pair of buckets (one green and one white) each was proposed to be supplied to shopkeepers for ensuring segregation of waste at source. Fifty per cent of the cost of each pair (₹ 450 for a pair of 50 litre and ₹ 200 for a pair of 20 litre) of buckets was to be paid by the shopkeepers. Till March 2010, 140 pairs of 50 litre and 336 pairs of 20 litre buckets only were distributed. Poor response from the shopkeepers was attributed to the high cost of buckets demanded by the Municipality. The undistributed buckets (cost: ₹ 7.95 lakh) were stored in the town hall building in the Municipal compound. The Municipality had not planned any other solid waste management programme for utilisation of the undistributed buckets (March 2010).

Buckets, MS handcart, Wheel barrows, Vermi compost box costing ₹ 16.40 lakh had not been put to use

The vermi-compost boxes (500 numbers) purchased (cost: ₹ 7 lakh) for supplying to households for promoting micro-level vermi-composting so as to reduce the municipal solid waste had not been utilised as no such projects were formulated till March 2010. The seven wheel barrows (₹ 0.70 lakh) and five handcarts (₹ 0.75 lakh) were also lying unutilised in the town hall.

<sup>8</sup> a Government approved service provider for solid waste management in local bodies



Defective planning and improper implementation rendered the expenditure of ₹ 16.40 lakh<sup>9</sup> unfruitful.

### 3.1.14.3 Tirur Municipality

Despite spending ₹ 41 lakh on waste processing plant, major portion of the waste collected was dumped in the dump yard without processing

Tirur Municipality had installed a solid waste processing plant at a total cost of ₹ 41 lakh through M/s Technogroup, Aluva and commissioned the plant in April 2008. Though the plant was established at a total cost of ₹ 41 lakh with a processing capacity of 10 metric tonne per day, the average quantity of waste processed per day was negligible (0.311 metric tonne) during 2009-10. The technology adopted was WASTEPRO in which the input waste was crushed before windrow composting. Suchitwa Mission had not accorded technical sanction to this project due to high capital cost and operational cost and low quality of manure produced. The Mission had, however, released (December 2005) assistance of ₹ 29.33 lakh to the Municipality with the direction to change the technology of processing. The Municipality did not comply with the direction of Suchitwa Mission. Despite spending ₹ 41 lakh on the installation of the waste processing plant, major portion of the waste collected (97 per cent) by the Municipality was being dumped in the dump yard without processing with attendant risk to health and environment.

### 3.1.14.4 Chavakkad Municipality

Project scheduled to be completed in August 2008 has not been completed

The quantum of waste generated in the Municipality was nearly 11.44 MT per day and the waste collected and transported to the dump yard was 6.5 MT per day. The Municipal council decided (November 2007) to establish a comprehensive solid waste management project at a cost of ₹ 61.66 lakh and entrusted (February 2008) the work to Socio Economic Unit Foundation (SEUF) with period of completion as six months. The work was not completed till date (May 2010) due to slow progress in the work. As of May 2010, the Municipality had paid ₹ 25.60 lakh to SEUF. Due to the delay in completing the project, the Municipality is still resorting to crude dumping of waste. It was noticed in audit that the proposed plant was having a capacity to process 1.5 MT only against the 6.5 MT of waste brought to site. Thus even after completion of the plant the Municipality would be able to process less than 25 per cent of the waste brought to site.

### 3.1.14.5 Alappuzha Municipality

Waste processing plant constructed in March 2007 has not been commissioned due to labour problems

The Municipality entered (February 2006) into an agreement with M/s Andhra Pradesh Technology Development Centre (APTDC) for setting up a waste processing plant at an estimated cost of ₹ 3.77 crore. The Plant was scheduled to be completed in March 2007. As per the agreement, after commissioning the project, APTDC was to conduct 12 months trial run to prove the efficiency of the plant and then operate the plant for another 12 months free of cost. The plant was formally inaugurated in May 2010 and the total cost of construction was ₹ 3.04 crore. The plant has, however, not been commissioned due to labour disputes.

<sup>9</sup> Cost of undistributed buckets	: ₹ 7.95 lakh
Cost of vermi-compost box	: ₹ 7.00 lakh
Cost of seven wheel barrows	: ₹ 0.70 lakh
Cost of five hand carts	: ₹ 0.75 lakh
Total	: ₹ 16.40 lakh

While approving the DPR, the Suchitwa Mission had directed the Municipality to constitute a technical committee to monitor the execution of the project and make payment only after check measurement by the Municipal Engineer and approval by the Technical Committee. But no such committee was constituted and all the payments were made on the running account bills submitted by the APTDC without any check measurement. It was noticed that the Municipality had also made payment of ₹ 19 lakh for the item of work 'bioremediation of old waste' which was not executed.

### 3.1.15 Fund Management

#### 3.1.15.1 Provision of expenditure for SWM

The funds provided for the solid waste management in the annual plan and expenditure incurred by the ULBs test-checked for the five years 2005-10 were as given in **Table 3.8**.

Table 3.8: Provision and expenditure

(₹ in lakh)				
Sl. No.	Name of ULB	Fund provided in the annual plan for SWM	Expenditure	Percentage of expenditure to provision
1	Perumbavur	170.26	24.35	14.30
2	Attingal	676.00	148.00	21.89
3	Thrissur	626.56	398.14	63.54
4	Angamaly	293.34	65.31	22.26
5	Payyannur	54.55	20.81	38.15
6	Taliparamba	153.55	33.33	21.71
7	Cherthala	528.00	14.71	2.79
8	Kanhangad	569.50	64.40	11.31
9	Alappuzha	738.30	272.65	36.93
10	Tirur	115.86	81.35	70.21
11	Kasaragod	371.00	33.96	9.15
12	Chavakkad	163.62	25.80	15.77
13	Malappuram	524.63	126.17	24.05
14	Perinthalmanna	379.52	134.42	35.42
15	Kozhikode	941.11	514.63	54.68
16	Adoor	175.22	154.74	88.31

Utilisation of fund provided in the annual plan by the ULBs ranged between three per cent and 89 per cent. Due to non-establishment of processing plants for want of suitable land, Cherthala, Kasaragod and Perumbavur made very low utilisation of funds. Non-utilisation of funds provided in the annual plan for solid waste management was indicative of laxity on the part of the ULBs in executing solid waste management projects.

#### 3.1.15.2 Undue benefit to service provider

Kasaragod Social Service Society (Society) was a service provider in solid waste management sector. The society not being an accredited agency was not entitled to any advance and exemptions from taxes. Instances of undue benefit granted to the Society by Suchitwa Mission are mentioned below:

(1) As per Panchayat Raj (Execution of Public Works) Rules, 1997 and direction (July 1999) of LSGD, payment of advance is allowed only to beneficiary committees and accredited agencies. In October 2006 and December 2006, Suchitwa Mission directed the Secretaries of Kanhangad and

Unutilised balance of advance of ₹ 12.51 lakh paid to service provider not refunded

Adoor Municipalities to pay advances to the Society which was not an accredited agency for the implementation of solid waste management projects. Accordingly, the Secretaries of Kanhangad and Adoor Municipalities paid (December 2006/ January 2007) ₹ 26 lakh and ₹ 7.5 lakh respectively to the Society. The unutilised balance of the advance of ₹ 12.51 lakh (Kanhangad: ₹ 8.25 lakh and Adoor: ₹ 4.26 lakh) was retained by the Society even as of May 2010.

Statutory deductions of ₹ 5.35 lakh not deducted

(2) Construction of solid waste management plant and a biogas plant in Attingal Municipality was executed by the Society and final payment made in January 2009 and December 2009. Suchitwa Mission directed the Municipality not to deduct taxes from the contractor and the Municipality to meet the same. The Municipality met statutory deductions (VAT, IT, Kerala Construction Workers' Welfare Fund Contributions) amounting to ₹ 5.35 lakh on behalf of the Society.

### **3.1.15.3 Fund released by Suchitwa Mission for SWM projects remained unutilised**

(1) Angamali Municipal Council approved (March 2009) a DPR for implementation of solid waste management project with a total outlay of ₹ 82 lakh on the land (0.87 acre) possessed by it at Ayyayipadam. The Suchitwa Mission accorded Technical Sanction for ₹ 68 lakh and released financial assistance of ₹ 25.70 lakh in April 2009. The project was, however, not implemented so far (June 2010) owing to protest from residents. The funds of ₹ 25.70 lakh still remained unutilised in bank. The Municipality was dumping the whole waste collected in the 50 cents of land meant for construction of a slaughter house. As this land was exhausted the Municipality had started dumping the waste in the nearby private lands.

(2) Government approved (March 2005) a solid waste management project (outlay: ₹ 1.25 crore) for Cherthala Municipality and Suchitwa Mission sanctioned ₹ 32.88 lakh for the project. The SPCB granted (May 2007) authorisation to set up and operate waste processing and disposal facility on the land of area 2.7 acres proposed to be acquired in Kokkothamangalam village. Owing to strong protest from nearby residents, the Municipality decided (June 2009) to abandon the project on the proposed site. Meanwhile, a comprehensive solid waste management project was approved (December 2006) by the Chief Town Planner with Central assistance of ₹ 1.06 crore under UIDSSMT but it was deferred (March 2007) by the State Level Sanctioning Committee for want of suitable land. As of June 2010, Municipality could not identify a suitable land for establishing the project and failed to utilise the assistance (₹ 1.39 crore) sanctioned.

(3) Perumbavur Municipality procured 1.56 acres of land in May 2005 at a cost of ₹ 16.47 lakh for establishing a solid waste management project. The Municipality prepared the DPR and got it approved (November 2007) by Government at an estimated cost of ₹ 82.67 lakh. Suchitwa Mission released ₹ 30.26 lakh in January 2008 as Mission assistance. The Municipality had not taken up the work; reasons for which were not on record. The Municipality was resorting to unauthorised dumping of waste in private lands. The assistance of ₹ 30.26 lakh received from the Suchitwa Mission was retained in fixed deposit in a bank.

Assistance of ₹ 30.26 lakh released by Suchitwa Mission was in fixed deposit

#### 3.1.15.4 Non-recovery of advance

Adoor Municipality entrusted (July 2005) the construction of compost plant with KAICO at a total cost of ₹ 40 lakh without preparing a DPR. Though advance of ₹ 10 lakh was paid (July 2005) to KAICO, the site was not handed over by the Municipality. KAICO informed (January 2006) their inability to execute the work at the agreed rate and demanded increase in the rates. The Municipality cancelled the agreement as they found that the project was not viable. KAICO did not remit back the advance in spite of repeated requests from the Municipality. Though Government instructed (July 2007) the Municipality to take legal action for recovering the advance they had not initiated any legal action in this regard.

#### 3.1.15.5 Blocking of Government funds with KURDFC

Government had recognised (March 1999) Kerala Urban Rural Development Finance Corporation (KURDFC) as the implementing agency for solid waste management in ULBs and sanctioned ₹ 1.21 crore to the Chief Town Planner (CTP) for transfer crediting to the KURDFC. The intention of the Government was to enable the ULBs to take up solid waste management schemes by availing soft loans from KURDFC who would mobilise institutional finance using the fund from Government as seed capital. The fund was provided by Government by re-appropriation from other funds considering the urgency of taking up the solid waste management schemes in consonance with the interim direction of the Supreme Court. The fund drawn by CTP in March 1999 was transferred to KURDFC in May 1999. The project report submitted (July 1999) by KURDFC to provide soft loans of ₹ 30 lakh each to 12 ULBs at an interest rate of 11.5 per cent was approved (March 2000) by Government. Subsequently, Government intimated (July 2000) KURDFC to provide loans to ULBs subject to a maximum of ₹ 10 lakh at an interest rate not exceeding two per cent. However, no progress was achieved in implementing the scheme except release of ₹ 10 lakh to Kozhikode Corporation in September 2000. The balance of ₹ 1.11 crore was kept in fixed deposit in Treasury up to 20 January 2009 and thereafter in Vijaya Bank for the next one year. KURDFC then transferred the amount to Treasury Public Account. Interest earned on the deposit up to 20 January 2010 was ₹ 1.06 crore. The loan released to Kozhikode Corporation was refunded with an interest of ₹ 0.99 lakh as on 31 March 2008. The interest earned on the deposit was appropriated by KURDFC as their interest income. Thus the fund released by Government for implementation of solid waste management in ULBs remained unutilised with KURDFC for the past 11 years. As Government is providing funds to ULBs for implementation of solid waste management programmes through Suchitwa Mission, there is no necessity to retain the funds in KURDFC.

₹ 1.21 crore given to KURDFC remained unutilised for the past 11 years

#### 3.1.16 Monitoring and enforcement

The Kerala Municipality Act, 1994 and the MSW Rules require the ULBs to take the following steps to improve the system of solid waste management.

- ensure storage of waste at source in a segregated manner
- primary collection of waste from doorstep

- daily street sweeping
- abolish open waste storage bins and provide covered containers
- transportation of waste in covered vehicles
- processing of waste by composting or energy recovery methods
- disposal of non-biodegradable waste by engineered land filling

District Collectors did not ensure compliance to MSW Rules

Each ULB has to furnish an annual report on solid waste management services in Form II to the District Collector on or before 30 June every year. As per Rule 5(2) of MSW Rules, the District Collectors have the responsibility for enforcement of the provisions of the Rules within their territorial jurisdiction. Only Malappuram Municipality had submitted the annual reports to the District Collector under Rule 4(4)(b) of MSW Rules.

Thus the District authorities did not ensure that the facilities provided in the ULBs for waste disposal were meeting the standards prescribed in the Rules and the manner of disposal was safe for health and environment.

### **3.1.17 Conclusion**

The ULBs had no reliable information about the quantum of municipal solid waste being generated in their jurisdiction. This made any kind of trend analysis impossible. The ULBs and SPCB failed to discharge their responsibility fixed by rules in relation to identification of risks to environment and health posed by waste. The ULBs did not conduct quality tests specified in the MSW Rules. Though Suchitwa Mission was entrusted with the responsibility of ensuring proper utilisation of funds released to ULBs, the information with regard to actual stage of implementation of the projects was not available with them. Waste reduction, recycling and reuse strategies which are the steps to the issue of waste management and which would result in lessening the amount of wastes for final disposal were not adopted by any of the ULBs test-checked. The ULBs had not adhered to the conditions specified in the authorisation issued by SPCB. The quantum of waste collected and transported to the dump yard was far less than the quantum of waste generated. In the absence of community bins of required size, colour and design the waste was allowed to be dumped on roadsides and the streets had become a receptacle of waste. Even though provisions existed in Environment (Protection) Act/ Kerala Municipality Act for taking action against polluters, penal action was seldom taken for violations of the provisions of these Acts. The quantity of waste processed by ULBs was very low. Major portion of the waste was dumped as crude waste. The activities outlined in the Implementation Schedule for the development of landfills were not carried out by any of the ULBs test-checked. None of the ULBs possessed the required extent of suitable land for waste disposal. In the absence of waste processing and scientific land filling, open dumping of wastes would continue causing contamination of environment and public health hazard due to unsanitary conditions.

### 3.1.18 Recommendations

- The ULBs should estimate the current capacity to handle the solid waste and ensure that additional capacity of waste infrastructure is created for safe disposal.
- The ULBs and SPCB should carry out waste related pollution impact monitoring on a regular basis to study the effects of improper disposal of waste on the environment. Regular monitoring of waste disposal facilities like compost plants, incinerators etc., should be done by SPCB.
- The ULBs should make greater efforts to collect regularly and completely process the solid waste generated. The ULBs could utilise effectively the services of Kudumbasree workers as done in Kozhikode and Thrissur ULBs.
- Segregation should be given greater emphasis by means of publicity and awareness campaigns with housing associations and non-governmental organisations.
- Periodic monitoring of dumpsites by ULBs against contamination of environment should be made mandatory.
- Identification of land for setting up landfills should be done on priority basis and landfill should be developed by each ULB according to a time bound programme.
- The Municipal Councils should take special interest in settling the local disputes and public protests against the waste management projects and also in safeguarding health and surroundings of the local residents.
- The ULBs should give more importance to waste reduction, reuse and recycling rather than waste disposal. For waste reduction they shall promote installation of micro level biogas plants. Feasibility of including recycling units as part of solid waste management projects shall also be considered.

## **3.2 Financial Management by the Panchayat Raj Institutions**

### **Executive Summary**

*The State and Central Governments provide substantial financial assistance to the Panchayat Raj Institutions for taking up various activities in their jurisdictional areas. The Grama Panchayats are empowered to levy and collect local taxes like property tax, profession tax and entertainment tax and fees like licence fee on business establishments and permit fee on construction of buildings from individuals and institutions located within their jurisdictional area. The revenues so mobilised are utilised for the developmental activities and local administration of the area. Performance Audit on Financial Management by the PRIs did not reveal an encouraging picture. There were omissions by PRIs to verify the statements of transactions received from Treasury with the office records which resulted in short credit of Development Expenditure / Maintenance Expenditure / General Purpose Funds. There was under-utilisation of Development Expenditure and Maintenance Expenditure funds during 2006-07 to 2008-09. This resulted in short allocation of funds to PRIs by Government during 2008-09 to 2010-11. The third and subsequent instalments of the central funds for the implementation of the projects in seven blocks in Kollam, Kottayam and Malappuram districts under Integrated Wasteland Development Programme had not been received due to non-conducting of mid-term evaluation of the projects by the State Government. The PRIs were unauthorisedly retaining Development Expenditure and Maintenance Expenditure funds in Bank accounts. Funds deposited with other agencies, viz., Akshaya District Co-ordinators, Kerala Water Authority, remained idle as the amounts were deposited without assessing the requirement. The budget proposals of the PRIs were not discussed adequately and subjected to detailed deliberations as budgets were presented and passed at the end of March every year.*

### **3.2.1 Introduction**

The Panchayat Raj Institutions (PRIs) are entrusted with public resources for the delivery of public programmes and services. They have a responsibility to manage these resources with prudence and probity and due regard to economy, efficiency and effectiveness. They are required to maintain proper accounts regarding utilisation of these resources. The important services and amenities for which PRIs are responsible include drinking water, rural housing, education, poverty alleviation programmes, collection and disposal of solid waste, health and sanitation, street lighting, etc. The State Government and Central Government provide substantial financial assistance to the PRIs for taking up these activities in their jurisdictional areas. The Grama Panchayats are empowered to levy and collect local taxes like property tax, profession tax and entertainment tax and fees like licence fee on business establishments and permit fee on construction of buildings from individuals and institutions located within their jurisdictional area. The revenues so mobilised are utilised for the developmental activities and local administration of the area.

### 3.2.2 Organisational set up

In the three tier Panchayat Raj system (District Panchayat (DP), Block Panchayat (BP) and Grama Panchayat (GP)) in the State, each tier functions independently. As of June 2010, there were 1165 PRIs in the State. The President is the Executive head of the PRI and is directly responsible for the due fulfilment of the duties imposed upon the respective PRI by or under the Kerala Panchayat Raj Act, 1994 (KPR Act). The administrative control of all the PRIs is vested with the Principal Secretary, Local Self Government Department of the State Government. The President of the PRI is the ex-officio member of every standing committee and the Vice President is the ex-officio member and Chairman of the Standing Committee for Finance. Each Panchayat has a Secretary and supporting staff. The Secretary who is executive officer shall implement the resolutions of the Panchayat and is responsible for the safe custody of the Panchayat fund.

### 3.2.3 Audit objectives

The audit objectives were to assess whether :

- funds flow was regulated in accordance with the guidelines issued by Government
- system of control of expenditure was effective
- Property tax, Profession tax and Entertainment tax were properly assessed and collected by the Grama Panchayats in accordance with the provisions of the relevant Acts and Rules
- system of internal control for planning and utilisation of funds was effective

### 3.2.4 Audit criteria

The audit criteria adopted for assessing the efficacy of financial management by PRIs were provisions of Kerala Panchayat Raj Act, 1994, recommendations of the Second and Third State Finance Commissions and the action taken on the recommendations, provisions of Kerala Panchayat Raj (Execution of Public Works) Rules, 1997, Budgets, Accounts and Plan documents/ Administrative Reports of PRIs and reports of State Development Council, State Rural Development Board and State Planning Board.

### 3.2.5 Scope and methodology of audit

The performance audit was conducted from April 2010 to August 2010, covering the period from 2005-06 to 2009-10. Out of the 14 District Panchayats in the State four<sup>10</sup> were selected using statistical sampling viz., Probability Proportional to Size Without Replacement (PPSWOR). Within each District Panchayat, three Block Panchayats<sup>11</sup> and from each Block Panchayat one Grama Panchayat<sup>12</sup> were selected using PPSWOR. Audit methodology adopted included scrutiny of files, records and documents in the selected PRIs, interaction with the officials of the PRIs, field visits to project

<sup>10</sup> Kollam, Kottayam, Malappuram, Kozhikode

<sup>11</sup> Ithikkara, Anchal, Vettikkavala, Kaduthuruthy, Pallom, Ettumanoor, Kuttippuram, Perinthalmanna, Perumpadappa, Kozhikode, Chelannur, Koduvally

<sup>12</sup> Chathannur, Melila, Edamulakkal, Velloor, Manarkad, Athirampuzha, Marakkara, Vettathoor, Nannammukku, Feroke, Kakkodi, Koodaranhi



sites for verification of assets, collection of evidence etc. An entry conference was conducted with the Principal Secretary (Local Self Government Department) in June 2010. Audit methodology, coverage and other essential features of the audit were explained at the meeting. Audit findings and recommendations were discussed with the Additional Chief Secretary to Government in the exit conference held in February 2011.

### 3.2.6 Funding

The funds received from Government of India (GOI) and State Government for implementation of specific schemes was to be utilised according to the guidelines issued by Government. Implementation of schemes/ projects undertaken by the PRIs was to be monitored by the monitoring committees constituted by the PRIs concerned. At the district level, the progress of implementation of schemes, including centrally sponsored/ state-sponsored schemes undertaken by PRIs, was to be reviewed every month in the review meeting held under the chairmanship of the Chairperson of District Planning Committee (DPC) in the presence of the District Collector who is also the Member Secretary of the DPC. The District Collector was to send the detailed report on the meeting to the Chief Secretary. The progress of schemes under various sectors was also to be reviewed by the heads of departments concerned and report thereon was to be handed over to the Principal Secretary, Local Self Government Department (LSGD) during the meeting convened every month at State level by the Principal Secretary, LSGD/ Secretary, Planning and Economic Affairs Department. The problems identified in the review meetings at various levels were to be discussed every month in the meetings of State Level Co-ordination Committee. The Principal Secretary, LSGD/ Secretary, Planning and Economic Affairs Department was to report the progress of implementation of schemes in the meetings held tri-monthly by the Chief Minister.

The main sources of income of PRIs are Funds received from State Government on the basis of recommendations of State Finance Commission (Category A -Development Expenditure Fund, Category C - Maintenance Expenditure Fund and Category D - General Purpose Fund), Funds received through various Departments for specified purposes (Category B), Funds received from GOI for Centrally Sponsored Schemes (Category E), Own Fund and Loans. **Table 3.9** presents the receipts of the PRIs test-checked and **Chart 3.1** depicts the trend in receipts during 2005-06 to 2009-10.

**Table 3.9: Receipts during 2005-06 to 2009-10 of PRIs test-checked**

Receipts of PRIs	2005-06	2006-07	2007-08	2008-09	2009-10	Total
(₹ in lakh)						
<b>Development Expenditure Fund (Category A)</b>						
Grama Panchayats	848.75	919.11	1022.61	1099.15	1217.21	5106.83
Block Panchayats	1383.01	1703.98	1891.64	2166.35	2281.17	9426.15
District Panchayats	4639.50	6286.32	7000.40	7171.60	8017.61	33115.43
<b>State Sponsored Schemes &amp; State share of Centrally Sponsored Schemes (Category B)</b>						
Grama Panchayats	414.30	425.62	541.13	607.84	665.08	2653.97
Block Panchayats	56.80	41.61	58.94	76.67	38.06	272.08
District Panchayats	725.54	912.14	1259.36	2478.75	2575.50	7951.29
<b>Maintenance Expenditure Fund (Category C)</b>						
Grama Panchayats	240.75	257.13	289.68	282.05	295.29	1364.90
Block Panchayats	186.56	200.63	220.93	225.75	233.02	1066.89
District Panchayats	1413.96	1395.86	2093.67	1558.22	2176.51	8638.22

Receipts of PRIs	2005-06	2006-07	2007-08	2008-09	2009-10	Total
<b>General Purpose Fund (Category D) and Own Fund (Category F)</b>						
Grama Panchayats	944.31	919.27	943.09	1114.66	1286.23	5207.56
Block Panchayats	158.48	149.30	411.49	299.87	439.41	1458.55
District Panchayats	1366.96	1377.33	1861.57	1550.70	1071.18	7227.74
<b>Central share of Centrally Sponsored Schemes (Category E)</b>						
Grama Panchayats	156.18	116.26	147.72	177.00	344.08	941.24
Block Panchayats	966.77	1047.23	1624.42	2525.15	3593.77	9757.34
District Panchayats	629.45	1233.84	2806.37	1683.90	3047.80	9401.36
<b>Total receipt</b>						
Grama Panchayats	2604.29	2637.39	2944.23	3280.70	3807.89	15274.50
Block Panchayats	2751.62	3142.75	4207.42	5293.79	6585.43	21981.01
District Panchayats	8775.41	11205.49	15021.37	14443.17	16888.60	66334.04

Chart 3.1: Trend of receipts of PRIs during 2005-06 to 2009-10

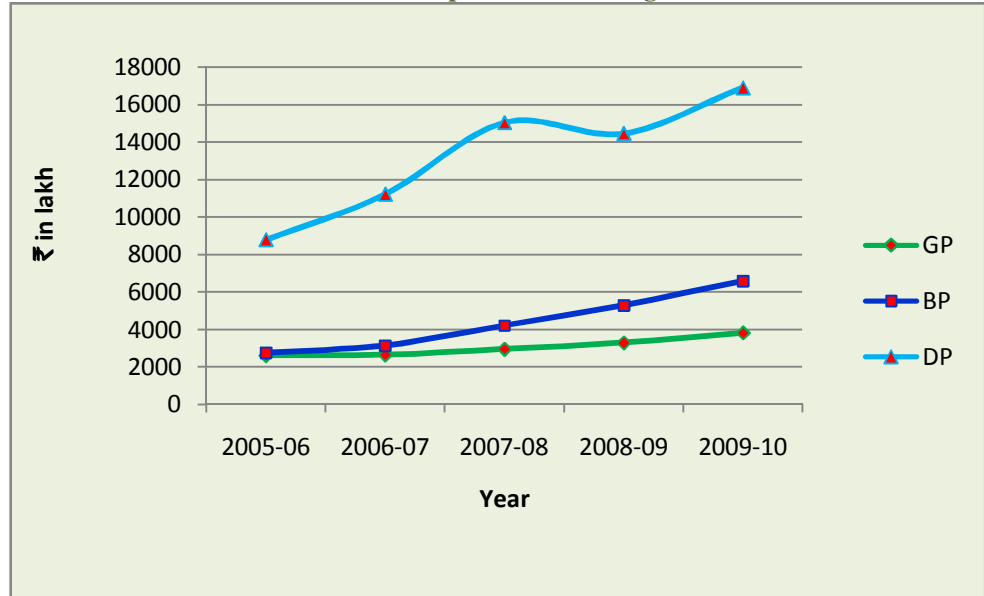
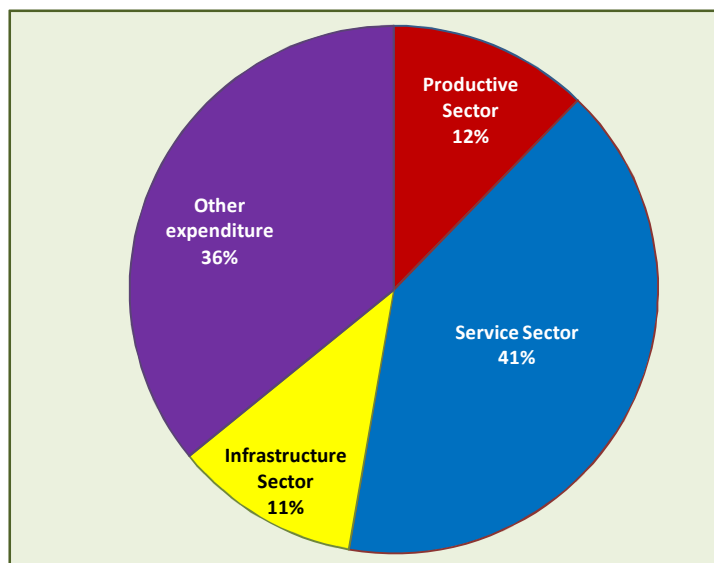


Table 3.10 and Chart 3.2 below presents the sector-wise application of funds during 2005-06 to 2009-10 by the PRIs test-checked.

Table 3.10: Sector wise expenditure during 2005-06 to 2009-10 of PRIs test checked (₹ in lakh)

Expenditure	2005-06	2006-07	2007-08	2008-09	2009-10	Total
<b>Productive Sector</b>						
Grama Panchayats	312.35	327.93	380.45	307.99	381.11	1709.83
Block Panchayats	219.79	453.72	572.27	618.26	680.67	2544.71
District Panchayats	586.00	1068.16	1631.54	1665.99	2257.47	7209.16
<b>Service Sector</b>						
Grama Panchayats	749.48	579.10	854.82	1045.37	1121.85	4350.62
Block Panchayats	1350.01	1649.79	1745.19	2243.34	2654.15	9642.48
District Panchayats	2292.89	3635.38	5564.52	4790.91	7548.56	23832.26
<b>Infrastructure Sector</b>						
Grama Panchayats	432.22	266.09	431.20	510.19	713.75	2353.45
Block Panchayats	359.17	423.62	367.08	383.53	419.12	1952.52
District Panchayats	1400.57	866.47	1425.03	1081.11	1571.67	6344.85
<b>Other expenditure</b>						
Grama Panchayats	864.68	980.22	934.33	1111.94	1604.02	5495.19
Block Panchayats	908.32	598.86	1101.36	1222.51	2915.69	6746.74
District Panchayats	2513.42	3994.77	4484.51	4648.13	5617.35	21258.18
<b>Total expenditure</b>						
Grama Panchayats	2358.73	2153.34	2600.80	2975.49	3820.73	13909.09
Block Panchayats	2837.29	3125.99	3785.90	4467.64	6669.63	20886.45
District Panchayats	6792.88	9564.78	13105.60	12186.14	16995.05	58644.45

Chart 3.2: Sector-wise expenditure of PRIs during 2005-06 to 2009-10



## Audit findings

### 3.2.7 Management of fund flow

#### 3.2.7.1 Short credit of Development Expenditure/ Maintenance Expenditure/ General Purpose Fund

The funds provided to PRIs in the State Budget are transferred to the relevant heads of account in the Public Account of the State in instalments by the Finance Department by presenting bills at the District Treasury, Thiruvananthapuram. The controlling officers responsible for allotment of funds to PRIs mark copy of the Letter of Authority to the District Treasury Officer, Thiruvananthapuram and to the transacting treasury of the PRI concerned. On receipt of the Letters of Authority, the District Treasury Officer, Thiruvananthapuram makes corresponding reduction in allocation under the Head of Account opened in the Public Accounts for PRIs and the treasury officers of the transacting treasuries of PRIs shall provide matching funds under the corresponding Heads of Account of the PRIs concerned. The Government order issued in April 2006 stipulated that the treasury shall on or before the fifth of each month issue a computerised statement of transactions during the previous month under each deposit head to the Secretary of the PRI concerned. The Secretary shall, on or before tenth of each month, verify the correctness of the statement with his office records and report the difference, if any, to the treasury. Any amount short credited in the account shall be adjusted by the treasury on receipt of such a report. During 2006-07 to 2008-09, the transacting treasuries of four PRIs (Malappuram DP, Anchal BP, Perumpadappa BP and Edamulakkal GP) did not provide credits for allotments of ₹ 1.14<sup>13</sup> crore in the Accounts of the PRIs. The Secretaries of the PRIs had not reported the omissions to the treasury officers within the stipulated time. Failure on the part of the PRIs in taking timely action to detect the short credit in the account had resulted in non receipt of ₹ 1.14 crore provided to them by

Failure to verify statements of transactions issued by treasury with office records resulted in short credit of fund amounting to ₹ 1.14 crore

<sup>13</sup> Malappuram DP : ₹ 70.98 lakh, Anchal BP : ₹ 25.68 lakh, Perumpadappa BP : ₹ 14.33 lakh, Edamulakkal GP : ₹ 2.98 lakh

State Government. Though Anchal BP reported the fact of non receipt of funds to the controlling officer in June 2009, the amount had not been credited to their account (June 2010). Government stated (February 2011) that there was lapse on the part of the PRIs to reconcile the accounts. Government also added that the amount short-credited was lying in the Public Account of the State and the amount could be released to the PRIs, on concurrence of Government.

### 3.2.7.2 Non receipt of Central assistance due to laxity in implementation of the IWDP project

GOI, Ministry of Rural Development (MORD) had approved (2005 and 2006), eight projects (Project cost: ₹ 25.11 crore) under Integrated Wasteland Development Programme (IWDP) for implementation in eight blocks in Kollam, Kottayam, Malappuram and Kozhikode Districts. The projects were to be implemented in accordance with Hariyali guidelines through the Poverty Alleviation Units (PAUs) of District Panchayats. The shares of the Central and State Governments were ₹ 5500 and ₹ 500 per hectare respectively. The expenditure on the implementation of the projects was to be incurred over a period of five years from the date of sanction of each project. While the first instalment of Central fund was to be released along with project sanction unconditionally, subsequent instalments were to be released when the unutilised balance of the earlier instalments was not more than 50 per cent. As per Hariyali guidelines, the Secretary, Local Self Government Department was responsible for regular monitoring of the projects and conducting a midterm evaluation of the projects through independent evaluators with due approval of the Department of Land Reforms, MORD after receipt of 45 per cent of the project fund. The third and further instalments were to be released only on submission of satisfactory midterm evaluation of the projects.

Central assistance of ₹ 11.92 crore was not received

Central and State shares amounting to ₹ 10.33 crore were released (July 2005 to March 2010) to the respective PAUs towards the first and second instalments. As of March 2010, the expenditure incurred on these projects was ₹ 5.30 crore. The progress reports/ utilisation certificates were being submitted to the Department of Land Reforms through the State Government. It was noticed in audit that Block Panchayats failed to implement the planned projects within the period of five years as stipulated in the Hariyali guidelines. The project period of three projects was already over in July 2010 and in respect of the remaining projects, the project period would expire between November 2010 and July 2011. Further, though seven Block Panchayats had received 45 per cent of the project fund between December 2007 and April 2009, the State Government had not initiated any action to conduct midterm evaluation. Laxity on the part of the State Government to conduct midterm evaluation after receipt of 45 per cent of the fund and utilisation of 50 per cent thereof resulted in non receipt of balance of Central grant of ₹ 11.92 crore meant for integrated development of 42000 hectares of wasteland. Details of projects undertaken, funds so far released, stage of implementation of the projects and the amount not received are given in **Appendix X**. Government stated (February 2011) that action had been taken to complete all the projects by June 2012.

### 3.2.7.3 Unauthorised retention of Development Expenditure Fund in Panchayat Fund/ Bank account

Development Expenditure Fund of ₹ 26.97 lakh was unauthorisedly retained in Panchayat Fund

(1) According to the Government order (April 2006) on the revised guidelines for drawal of funds by Local Self Government Institutions, Development Expenditure Fund drawn in excess of requirement /drawn but remained unutilised during previous years was to be remitted back to the Consolidated Fund of the Government. Audit noticed that Development Expenditure Fund amounting to ₹ 26.97 lakh drawn during previous years but remained unutilised was retained in the Panchayat Fund by four PRIs<sup>14</sup> instead of remitting back to the Consolidated Fund. Government stated (February 2011) that direction would be given to the PRIs to remit back the amount to the Consolidated Fund.

(2) Government had permitted (April 2006) the PRIs which draw money from non banking treasuries to open one bank account to enable them to deposit the Development Expenditure / Maintenance Expenditure Funds and to make payments above ₹ 1000 by way of demand drafts subject to the condition that the balance remaining unutilised for more than 30 days from the date of credit of the amount shall be remitted back to the treasury.

Marakkara and Nannammukku Grama Panchayats, which were transacting with non banking sub treasuries at Valancherry and Changaramkulam respectively, operated three Bank accounts for the purpose of making payments by way of demand draft for more than ₹ 1000. As of April 2010, the balance available in the two accounts operated by Marakkara Grama Panchayat amounted to ₹ 7.79 lakh and that in the account operated by Nannammukku Grama Panchayat amounted to ₹ 2.78 lakh. The two treasuries started functioning as banking treasuries from October 2009 onwards. But the Grama Panchayats had not closed the accounts and remitted the balance amounts in the accounts back to the Consolidated Fund (April 2010).

(3) According to the instructions issued by Government, contributions for joint venture projects received from other panchayats were to be deposited in the Public Account with the treasury. It was noticed in audit that out of ₹ 2.12 crore received by eight<sup>15</sup> PRIs as contribution from other panchayats during 2007-08 to 2009-10 towards joint venture projects, only ₹ 1.23 crore was utilised. The balance funds (₹ 89.47 lakh) were retained in Own Funds of the PRIs.

### 3.2.7.4 Development Expenditure Fund / Maintenance Expenditure Fund idling with PRIs and other agencies

Government order issued in April 2006 stipulated that if the unutilised balances under Development Expenditure Fund and Maintenance Expenditure Fund exceeded 20 per cent of the funds allotted for the years 2006-07 to 2009-10 (except for the year 2007-08 where limit was 30 per cent), allotment for the subsequent year would be reduced by the amount exceeding the prescribed limits.

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<sup>14</sup> Malappuram DP (₹ 23.12 lakh), Feroke GP (₹ 0.84 lakh), Melila GP (₹ 0.61 lakh), Nannammukku GP (₹ 2.40 lakh)

<sup>15</sup> Kottayam DP (₹ 23.92 lakh); Velloor GP (₹ 11.07 lakh); Chelannur BP (₹ 27.25 lakh); Koodaranhi GP (₹ 3.35 lakh); Edamulakkal GP (₹ one lakh); Feroke GP (₹ 7.68 lakh); Kuttipuram GP (₹ one lakh); Malappuram DP (₹ 14.20 lakh)

In order to circumvent the Government order PRIs make deposit with project co-ordinators/other agencies etc., in excess of the actual requirement/ far in advance of requirement and the funds were idling with them. The details of such cases are mentioned below :

***(1) Development Expenditure Fund lying unutilised with Akshaya District Project Co-ordinators***

A computer literacy programme named Akshaya was launched by the State Government in 2002 and the Scheme was being implemented by Grama Panchayats by providing computer literacy training to at least one person from every family. The cost of training per beneficiary in rural areas was ₹ 120 which would be shared among the Grama Panchayat, Block Panchayat, District Panchayat and beneficiary. As per the direction issued (June 2004) by Government, the PRIs had to deposit the required fund in special Treasury Savings Bank (TSB) account opened for the purpose in the name of the Member Secretary of the District Planning Committee, who is also the District Project Co-ordinator of Akshaya Project.

During 2004-05 to 2009-10, 21 PRIs had deposited ₹ 2.55 crore in the special TSB account on the basis of total number of families as per 2001 census instead of actual number of persons who were in need of computer training. The District Project Co-ordinators had utilised only ₹ 86.23 lakh and retained the unutilised balance amount of ₹ 1.69 crore. The PRIs had not initiated action to get the amount refunded and remitted to Government as the PRIs originally drew the amount from the Development Expenditure Fund. The details of amount deposited by PRIs and the amount utilised for Akshaya Computer Literacy Programme are given in **Appendix XI**. Had the PRIs deposited the funds on the basis of the number of computer-illiterate families instead of the total number of families, ₹ 1.69 crore blocked with Akshaya District Project Co-ordinators could have been utilised for other developmental activities. Government stated (February 2011) that orders were being issued to the Akshaya District Project Officers to refund the unutilised amounts to the PRIs concerned.

***(2) Development Expenditure Fund withdrawn for Asraya project kept idling in bank account***

The Nannammukku Grama Panchayat had withdrawn (March 2008/March 2009) ₹ six lakh from Development Expenditure Fund for implementation of two Asraya projects taken up during 2007-08 and 2008-09 and deposited the amount in a separate bank account with the State Bank of Travancore. As the Grama Panchayat did not prepare the details of the projects to be implemented, the amount remained unutilised in the bank. Drawal of Development Expenditure Fund without foreseeing its utilisation was against the principles of sound financial management.

₹ six lakh was withdrawn from Development Fund without foreseeing utilisation

***(3) Advance payment to IT mission before identifying beneficiaries***

Government had permitted (July 2005) the PRIs to implement computer training course (E-Vidya) conducted by Akshaya Kendras to eligible BPL beneficiaries.

Five PRIs<sup>16</sup> took up projects for E-Vidya course during 2007-08 and 2008-09 and paid ₹ 12.61 lakh in advance to the Akshaya District Project Co-ordinators concerned. The PRIs were to prepare the beneficiary lists for the course but they did not prepare it even as of May 2010. Deposit of Development Expenditure Fund with Akshaya Project Officer before finalising the beneficiaries was not in order.

**(4) Excess deposit for Akshaya computer literacy programme**

Vettikkavala Block Panchayat and Athirampuzha Grama Panchayat had deposited during 2004-05 to 2008-09 a total amount of ₹ 15.91 lakh drawn from Development Expenditure Fund with Akshaya District Project Office for implementation of Akshaya computer literacy programme. Government had prescribed the share of each LSGI for implementation of the programme. Audit noticed that Vettikkavala Block Panchayat and Athirampuzha Grama Panchayat had deposited ₹ 5.04 lakh<sup>17</sup> in excess of that prescribed by Government. The excess amount of ₹ 5.04 lakh deposited with Akshaya District Project Office had not been got refunded and remitted back to Consolidated Fund.

Deposit made by two PRIs for Akshaya computer literacy programme was in excess by ₹ 5.04 lakh

**(5) Deposit with Kerala Water Authority without creating benefit to beneficiaries**

The PRIs entrust majority of their drinking water supply schemes with the Kerala Water Authority (KWA) for which they make deposit with the KWA from the Development Expenditure Fund. The KWA executes the works and furnishes a report to that effect to the PRIs. The benefits of expenditure from the Development Expenditure Fund are thus made available to the beneficiaries. Audit noticed that substantial amounts deposited by Malappuram District Panchayat were blocked with KWA as detailed below:

The District Panchayat, Malappuram deposited (March 2008, March 2009 and March 2010) ₹ 9.26 crore with KWA for implementation of 147 water supply schemes. The KWA utilised only ₹ 1.82 crore for execution of 69 schemes, of which only 28 schemes were completed. The works on the remaining 78 schemes were not commenced / abandoned due to non-preparation of estimates, non response to tenders, revision of estimates, non availability of water, non identification of proper sites etc. The amount (₹ 1.29 crore) deposited with KWA relating to abandoned works should have been got refunded and utilised for other developmental activities. Government stated (February 2011) that there were inordinate delays in completion of the projects entrusted to KWA.

Inadequate planning before entrusting works to KWA

**(6) Development Expenditure Fund of District Panchayat idling with Grama Panchayat**

The District Panchayat, Kozhikode proposed (2008-09) to disburse assistance of ₹ five lakh each to five Grama Panchayats which submit proposals for Intensive Cattle Development Programme. No Grama Panchayats except Thiruvallur Grama Panchayat submitted proposals for the Programme. The

₹ 25 lakh disbursed to one Grama Panchayat, instead of five Grama Panchayats, remained unutilised

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<sup>16</sup> Kozhikode DP (2007-08: ₹ 10 lakh), Feroke GP (2008-09: ₹ one lakh), Kakkodi GP (2007-08: ₹ 0.48 lakh), Koodaranhi GP (2007-08: ₹ 0.50 lakh) and Melila GP (2007-08: ₹ 0.63 lakh)

<sup>17</sup> Vettikkavala BP (₹ 3.34 lakh), Athirampuzha GP (₹ 1.70 lakh)

District Panchayat withdrew ₹ 25 lakh in March 2009 and disbursed the entire amount to Thiruvallur Grama Panchayat. Thiruvallur Grama Panchayat also could not identify beneficiaries for the project even as of June 2010. Disbursement of ₹ 25 lakh to one Panchayat was not in conformity with the approved project.

### 3.2.7.5 Non-utilisation of fund received towards reimbursement of expenditure on Supplementary Nutrition Programmes

Consequent on decentralisation of planning process, the Grama Panchayats were implementing Supplementary Nutrition Programme (SNP) in Anganwadis, utilising their Development Expenditure Fund, Own Fund and contributions received from the Development Expenditure Fund of the respective Block Panchayats. Government of India (GOI) agreed to reimburse 50 per cent of the admissible expenditure on SNP from 2005-06 onwards, on the basis of accounts furnished by the State Government. Test check of the accounts of 12 Grama Panchayats and 12 Block Panchayats revealed that the PRIs had kept the amount reimbursed by Central Government each year in their Own Fund / separate bank account and utilised a portion of the amount for the implementation of the programme in the subsequent year. The amount released by GOI during 2007- 08 to 2009-10 towards reimbursement from 2005-06 onwards and kept in bank account/Own fund amounted to ₹ 5.94 crore. From this, the PRIs had utilised only ₹ 2.86 crore for the implementation of SNP in the subsequent years and retained the balance of ₹ 3.08 crore<sup>18</sup>. Out of the balance of ₹ 3.08 crore retained in the account, ₹ 3.06 crore (excluding ₹ 2.03 lakh relating to four Grama Panchayats which utilised Own Fund) was originally drawn from Development Expenditure Fund Account of the PRIs. The amount received from GOI towards reimbursement of 50 per cent expenditure on implementation of SNP should have been taken as receipt into the relevant account and utilised for development schemes. Government stated (February 2011) that detailed guidelines on how to account the amount towards reimbursement of expenditure on SNP had not been issued.

### 3.2.7.6 Payment of excess subsidy to Self Help Groups

Swarnajayanti Gram Swarozgar Yojana (SGSY) is a Centrally Sponsored Scheme intended for empowerment of rural poor by promoting their entrepreneurship through formation of Self Help Groups (SHGs). As per SGSY guidelines banks are required to sanction loans to the SHGs to cover the entire project cost and GOI gives subsidy to each SHGs which is limited to 50 per cent of the project cost (i.e. 50 per cent of the loan sanctioned by banks) or ₹ 1.25 lakh whichever is less. Subsidy is paid to the banks which keep the subsidy amount in a separate reserve account for adjustment against

<sup>18</sup> GPs : Velloor (₹ 10.79 lakh), Melila (₹ 4.12 lakh), Athirampuzha (₹ 7.84 lakh), Marakkara (₹ 8.66 lakh), Feroke (₹ 21.57 lakh), Koodaranhi (₹ 2.89 lakh), Vettathoor (₹ 5.27 lakh), Edamulakkal (₹ 13.11 lakh), Chathanoor (₹ 7.03 lakh), Manarkad (₹ 5.15 lakh), Kakkodi (₹ 2.16 lakh), Nannammukku (₹ 2.94 lakh) and BPs : Vettikkavala (₹ 16.66 lakh), Kaduthuruthy (₹ 10.08 lakh), Ithikkara (₹ 34.62 lakh), Perinthalmanna (₹ 5.30 lakh), Kozhikode (₹ 21.05 lakh), Chelannur (₹ 12.81 lakh), Kuttippuram (₹ 12.76 lakh), Koduvally (₹ 21.12 lakh), Pallom (₹ 23.55 lakh), Anchal (₹ 46.72 lakh), Ettumanoor (₹ 6.53 lakh), Perumpadappa (₹ 5.69 lakh)



repayment of final instalments of the loan. The Block SGSY committee is to monitor the progress of different swarozgaris every month.

Six SHGs<sup>19</sup> in Kozhikode Block Panchayat undertook (March 2010) various activities such as tailoring, direct marketing, catering etc., at total project cost of ₹ 10.50 lakh. The bank sanctioned loan of ₹ 5.50 lakh to the SHGs in March 2010. The bank had not released the balance amount of the project cost of ₹ five lakh. The Block Panchayat had not ascertained from the bank the reasons for not sanctioning the entire project cost as loan. The subsidy admissible as per SGSY guidelines was ₹ 2.75 lakh (50 per cent of loan sanctioned) against which the Poverty Alleviation Unit, Kozhikode released ₹ five lakh to State Bank of India, Beypore branch. Excess subsidy disbursed was ₹ 2.25 lakh. The Block Panchayat did not either get the excess subsidy refunded from the bank or take up the matter with the bank for sanctioning the balance amount of the project cost.

### 3.2.8 System of control over expenditure

#### 3.2.8.1 Short utilisation of Development Expenditure Fund and Maintenance Expenditure Fund

The PRIs were expected to utilise the allotment under Development Expenditure Fund and Maintenance Expenditure Fund for the purpose for which it was released during the year of receipt itself.

In 12 out of the 28 PRIs test checked, out of ₹ 164.59 crore available under Development Expenditure Fund for the years 2006-07 to 2009-10, the amount utilised was only ₹ 93.61 crore. On account of the short utilisation of fund for the years 2006-07 to 2008-09<sup>20</sup>, ₹ 14.23 crore was deducted from the budget allotment for the years 2008-09 to 2010-11, *vide* details given in **Appendix XII**. Of these, the under-utilisation was more than 40 per cent of the allotment under Development Expenditure Fund for the years 2007-08 to 2009-10 in seven<sup>21</sup> PRIs.

In 25 PRIs, out of the total fund of ₹ 100.08 crore available under Maintenance Expenditure Fund for the period 2006-07 to 2009-10, the amount utilised was only ₹ 62.91 crore, the utilisation being 62.86 per cent. The total amount deducted from the allotment for the years 2008-09 to 2010-11 for under-utilisation of fund was ₹ 11.06 crore, *vide* **Appendix XIII**. Of these, the under-utilisation was more than 50 per cent for the years 2007-08 to 2009-10 in 14 PRIs<sup>22</sup>.

The Kerala Panchayat Raj Act, 1994 stipulates that the Panchayats at every level shall prepare a development plan for every financial year before the

<sup>19</sup> Tripti, Marad (₹ 0.50 lakh), Thankam, Marad (₹ 0.375 lakh), Karunyam, Marad (₹ 0.25 lakh), Sakti, Beypore (₹ 0.25 lakh), Thoufique, Beypore (₹ 0.50 lakh), Abhayam, Marad (₹ 0.375 lakh)

<sup>20</sup> The deduction for under-utilisation of fund for the year 2009-10 is to be made from the budget allotment for the year 2011-12

<sup>21</sup> Kottayam DP, Malappuram DP, Kozhikode BP, Velloor GP, Manarkad GP, Vettathur GP, Feroke GP

<sup>22</sup> Kottayam DP, Vettikkavala BP, Kaduthuruthy BP, Ettumanoor BP, Perinthalmanna BP, Kuttippuram BP, Perumpadappa BP, Kozhikode BP, Chathannur GP, Velloor GP, Vettathur GP, Marakkara GP, Nannammukku GP and Feroke GP

Budget allotments were reduced by ₹ 25.29 crore due to short utilisation of fund

beginning of the financial year. But the PRIs did not prepare their Annual Plans for the years 2005-06 to 2009-10 and obtain approval of DPC before the commencement of the financial year.

### 3.2.8.2 Budgetary control

Section 214 (1A) of the Kerala Panchayat Raj Act, 1994 prescribes that the budget proposals containing detailed estimates of income and expenditure expected for the ensuing year were to be prepared by the respective Standing Committee before 15 January every year and submitted to the Standing Committee for Finance (SCF). After considering the proposals, the SCF shall prepare a budget showing the income and expenditure of the Panchayat for the ensuing year and the Chairman of the SCF is to place it before the Panchayat not later than the first week of March in a meeting convened specially for approval of the budget. The budget is to be passed by the Panchayat before the beginning of the year it related to.

#### (1) *Delayed preparation of Budget*

All the PRIs test-checked presented and passed the budgets only at the end of March every year. As a result, the PRIs did not get adequate time for discussion of the budget proposals and detailed deliberations in the Panchayats, thus making detailed scrutiny of the proposals difficult.

#### (2) *Variation in actual receipts and expenditure from the budgeted figures*

The anticipated receipts and expenditure included in the budget shall be as accurate as possible. It was noticed that there were wide variations between the budgeted figures of both receipt and expenditure and the actuals during 2005-06 to 2009-10. Out of 140 budgets passed for the years 2005-06 to 2009-10, in 75 budgets passed by 27 PRIs, the percentage of variation between estimated receipts and actual receipts ranged between 25 and 158. The variation was above 50 per cent in 35 cases. Similarly, estimated expenditure varied from actual expenditure to the extent of 25 per cent to 113 per cent in 107 budgets of 27 PRIs. Of these, the variation was above 50 per cent in 57 cases.

Wide variation between budgeted figures and actuals

#### (3) *Rush of expenditure in the last quarter of financial year*

Financial rules stipulate that rush of expenditure in the closing month of the financial year should be avoided. The Government released Development Expenditure Fund and Maintenance Expenditure Fund to the PRIs in 10 equal monthly instalments so as to enable them to implement the projects formulated in a systematic manner and at proper pace. It was noticed that during the five year period 2005-10, 50 to 100 per cent of the expenditure was incurred during the last quarter of the financial year by all the PRIs test-checked, which was indicative of deficient financial management. Though Government has a mechanism to watch the monthly progress of expenditure of Development Expenditure Fund and Maintenance Expenditure Fund, the undue rush of expenditure towards the end of the financial year to prevent lapse of funds is indicative of deficient financial control mechanism in place with the Government. Government stated (February 2011) that quarterly target of expenditure would be sent to Local Self Government Institutions in order to avoid rush of expenditure towards the end of financial year.

Fifty to hundred per cent of expenditure was incurred during the last quarter of financial year

### 3.2.8.3 Excess Expenditure on current expenses

Utilisation of maintenance grant for current expenses was in excess of norm

Grama Panchayats meet current expenses from their General Purpose Fund/ Own Fund. Government have permitted (December 2004) to utilise Maintenance Expenditure Fund also for current expenditure like electricity charges, water charges, rent, purchase of medicines, purchase of furniture for schools, etc., subject to a maximum of 10 per cent of the total allocation under Maintenance Expenditure Fund (road and non road). During 2006-07 to 2009-10, nine<sup>23</sup> out of 12 Grama Panchayats test checked exceeded the limit by substantial amount. The Secretaries of the GPs and the DPC overlooked the direction issued by Government while formulating/approving the projects. The percentage of excess utilisation of Maintenance Grant for operational expenses ranged between 27 and 267. Government stated (February 2011) that instructions were being issued to the PRIs to transfer the excess amount utilised from their General Purpose Fund to Maintenance Fund Account.

### 3.2.9 Management of receipts and receivables

#### 3.2.9.1 Non assessment of profession tax

Profession tax had not been demanded from 53 institutions

Profession tax is leviable from every company/person who transact business or exercise profession generally within the area of the PRIs for not less than sixty days, based on the income/ turnover as prescribed in the Act and the Rules made thereunder. The Grama Panchayats have to maintain a database of all potential assesseees to bring all those who are liable to pay profession tax under the Act in the profession tax net. In paragraph 3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, it was mentioned that the Local Self Government Institutions were not following the internal control system prescribed in the rules to mitigate the risk of assesseees escaping levy of profession tax. Audit noticed that similar lapses still persist in most of the PRIs test-checked. Nine out of 12 Grama Panchayats test-checked had not assessed profession tax of 53 institutions though the employees of the institutions were duly assessed to tax during 2005-06 to 2009-10. The shortfall in collection of profession tax from these institutions was ₹ 5.45 lakh as detailed in **Appendix XIV**.

It was also noticed that Athirampuzha, Koodaranhi and Marakkara Grama Panchayats had not issued notices to 26 employers requiring them to furnish names of all employees with a statement of their salaries or income and to assess all those employees who were liable to pay taxes. As a result, the employees of these institutions were not assessed to tax.

#### 3.2.9.2 Hire charge receipts of harvester not brought into Own Fund account

Velloor GP purchased a combined harvester for ₹ 18.57 lakh in January 2010 for hiring out to the farmers in the Panchayat area. Receipts on account of hire charges for the period up to May 2010 amounted to ₹ 3.05 lakh and the expenditure on diesel and other maintenance charges amounted to ₹ 1.43 lakh. Receipt and expenditure on account of harvester hiring was transacted through a

<sup>23</sup> Velloor GP (₹ 2.22 lakh), Melila GP (₹ 3 lakh), Manarkad GP (₹ 9.54 lakh), Nannammukku GP (₹ 2.71 lakh), Athirampuzha GP (₹ 7.65 lakh), Feroke GP (₹ 3.82 lakh), Vettathur GP (₹ 1.62 lakh), Chathannur GP (₹ 0.90 lakh), Kakkodi GP (₹ 3.18 lakh)

separate bank account operated jointly by the Panchayat President and the Agricultural Officer and was not taken to the own fund account of the Panchayat. This was violative of Rule 30 of the Kerala Panchayat Raj (Accounts) Rules, 1965 which stipulates that no moneys received on behalf of the Panchayat shall be utilised for its expenditure without first being brought into the accounts of the Panchayat and remitted into treasury or bank where Panchayat fund is deposited. Similarly, receipt of ₹ 3.13 lakh and running and maintenance expenditure of ₹ 1.73 lakh relating to the paddy harvester lent on hire were not taken to the Panchayat accounts by Kaduthuruthy Block Panchayat from 11 October 2008 onwards.

### 3.2.10 Internal control

The main objective of internal control system is to gear up the supervisory controls and management system in the organisation so as to minimise financial irregularities, frauds and also to have a proper control over implementation of various programmes. Systematic accounting, internal audit and statutory audit to pin point systemic or other deficiencies are the tools for effective internal control.

#### 3.2.10.1 Accounting

Government prescribed revised accounting formats with effect from April 2004. The procedure for maintenance of cash book as also other instructions contained in the Government Order (June 2003) were not closely followed by several PRIs test checked. Following deficiencies were noticed in the maintenance of records:

- Cash book shall be closed daily under the signature of the officer in charge of the cash book. He should ensure the correctness of the totaling of entries in cash book or has this done by an officer other than the writer of the cash book and initial them as correct. In Vettikkavala Block Panchayat, cash book was not closed daily during 2005-06 to 2008-09. In Chathannoor Grama Panchayat, daily closing of cash book was not signed by the Secretary during 2005-06 to 2009-10. In Melila Grama Panchayat, only the closing for the last day of the month was signed by the Secretary. In Kollam District Panchayat, Kaduthuruthy Block Panchayat and Velloor Grama Panchayat, daily closing of cash books were signed by the officers in charge only up to 31 October 2009, 14 January 2010 and 1 January 2010 respectively.
- At the end of every month, analysis of closing balance shall be recorded in the cash book under the signature of the officer in charge of the cash book. Kollam District Panchayat<sup>24</sup>, Ettumanoor Block Panchayat, Anchal Block Panchayat and Chathannoor Grama Panchayat had not recorded analysis of cash balance in the cash book in any of the months during 2005-06 to 2009-10. Velloor Grama Panchayat had not recorded analysis of monthly closing balance during July 2009 to March 2010.

<sup>24</sup> Except for the period January 2009 to June 2010

- In five PRIs<sup>25</sup> cash book balance as on 31 March 2010/ date up to which cash book was closed/date up to which cheque issue registers were written up varied with the balance as per the cheque issue registers by ₹ 16.07 crore.
- At the end of every month, the officer in charge of the cash book shall verify the cash balance and record his dated signature in token of check. Physical verification of cash balance was not conducted and a certificate to that effect not recorded by the Secretaries of Kollam District Panchayat and Kaduthuruthy Block Panchayat in any month during the period from 2005-06 to 2009-10.
- At the end of every month, the balance as per cash book shall be reconciled with that of the balances as per the pass books/ scrolls of Treasury/ Bank Accounts. In nine PRIs<sup>26</sup>, the balance as per the cash book was not reconciled with the balance as per pass books or scrolls of treasury/ bank accounts at the end of each month during 2005-06 to 2009-10. In Marakkara and Velloor Grama Panchayats, reconciliation was not done during 2005-06 to November 2009 and August 2009 to March 2010 respectively. Of this, the amount left unreconciled by three PRIs<sup>27</sup> as on 31 March 2010 was ₹ 8.35 crore.
- PRIs had to maintain Advance Register to watch the adjustment of all advances given to contractors, suppliers, staff etc. Six PRIs<sup>28</sup> did not maintain Advance Register during 2005-06 to 2009-10. The Register maintained in Block Panchayat, Pallom and Grama Panchayats, Melila and Velloor did not contain the details of Mobilisation Advances to convenors of works and advances to implementing agencies.
- PRIs had to maintain Deposit Register to record the amount of deposits received and their repayment/ adjustment. District Panchayat, Kollam, Block Panchayats, Anchal, Pallom and Vettikkavala and Grama Panchayat, Nannamukku did not maintain Deposit Register during the period 2005-06 to 2009-10. The Register maintained in Grama Panchayats Chathannoor, Melila and Velloor did not contain Library Cess, work bill recovery, pay bill recovery, etc.

### **3.2.10.2 Retention of Government fund outside Government account**

Guidelines for drawal of funds by the Local Self Government Institutions from the Consolidated Fund and Public Account of the State stipulate that at the end of every month Demand Drafts (DDs) which remain undisbursed for more than 30 days from the date of drawal shall be remitted back to the treasury by means of chalan. But Government had not prescribed any register to watch prompt disbursement of all demand drafts received from Treasury. The lapse on the part of the Secretary of Kozhikode District Panchayat in ensuring

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<sup>25</sup> Anchal BP (₹ 0.30 crore), Ettumanoor BP (₹ 2.24 crore), Pallom BP (₹ 1.62 crore), Kaduthuruthy BP (₹ 11.89 crore), Velloor GP (₹ 0.02 crore)

<sup>26</sup> DP : Kollam, BPs : Ettumanoor, Vettikkavala, Pallom, Kaduthuruthy, Koduvally, Anchal, GPs : Chathannur, Nannammukku.

<sup>27</sup> Ettumanoor BP (₹ 2.17 crore), Pallom BP (₹ 1.60 crore), Kollam DP (₹ 4.58 crore)

<sup>28</sup> Kollam DP, BPs : Anchal, Koduvally, Vettikkavala, GPs : Chathannoor, Nannammukku

prompt disbursement of DDs through proper registers had resulted in retention of plan fund amounting to ₹ 62.68 lakh outside Government account for two to three years and consequent loss of interest of ₹ 14.13 lakh. The details are given below:

(i) Kozhikode District Panchayat withdrew (November 2006) ₹ 25.37 lakh from plan fund by way of demand draft in favour of the Executive Engineer, KSEB, Perambra for implementation of the project 'electrification of Muthukad 4<sup>th</sup> block colony in Chakkittappara Panchayat'. The demand draft was, however, not delivered to the Executive Engineer, KSEB, Perambra as the project had already been implemented utilising other resources. The District Panchayat retained the demand draft for more than two and a half years. The demand draft was cancelled and the proceeds credited to Government only in March 2009. Thus the plan fund of ₹ 25.37 lakh which could have been utilised for development activities was kept outside the Government account for a period of more than two and half years for no bona fide purpose. The loss of interest suffered by the District Panchayat on the amount worked out to ₹ 6.27 lakh (calculated at the rate of 11 per cent per annum).

(ii) In March 2007, Kozhikode District Panchayat had drawn four demand drafts for a total amount of ₹ 37.31 lakh from plan fund in favour of the Akshaya District Project Officer for implementation of Akshaya computer literacy programme. Though the amount was booked as expenditure in the accounts, the District Panchayat did not deliver the demand drafts to the Akshaya District Project Officer in the financial year 2006-07. After a period of two years, the District Panchayat cancelled the DDs and drew fresh DD for the amount and issued to the District Project Officer in March 2009. Imprudent handling of cash resulted not only in delay in making payment to the Project Officer but also in parking the Government fund outside Government account for two years. The resultant loss of interest at the rate of 11 per cent would work out to ₹ 7.86 lakh. Government stated (February 2011) that this had happened due to lapse on the part of the staff of the District Panchayat and that the matter was being examined for appropriate action.

### 3.2.10.3 Internal audit

Internal audit of the PRIs is being conducted by the performance audit wing of the State. The Principal Secretary in charge of the Local Self Government Department is designated as the State Performance Audit Authority and there is a State Performance Audit Officer. The performance audit is to be conducted tri-monthly in every PRI as per Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and the annual reports are to be prepared and submitted to Government. Performance Audit helps in assessing organisational system and procedures in order to prevent fraud, errors etc and also in detecting problems as and when they occur and solving them. At present, Performance Audit is conducted tri-monthly only in GPs. In BPs and DPs, Performance Audit is conducted only half-yearly and annually. The fact that Performance Audit was not conducted in prescribed intervals in BPs and DPs enhanced the risk of non detection of problem in time.

### **3.2.11 Conclusion**

There were omissions by the PRIs to verify the statements of transactions received from treasury with the office records which resulted in short credit of funds. Central grant of ₹ 11.92 crore allotted for the implementation of the Integrated Waste Land Development Programme in Kollam, Kottayam and Malappuram Districts was not released as the State Government had not conducted midterm evaluation of the Programme. As there was underutilisation of Development Expenditure Fund and Maintenance Fund during 2006-07 to 2008-09, the allocation of funds to 25 PRIs during the period 2008-09 to 2010-11 was reduced by ₹ 25.29 crore. Budgetary control of the PRIs was not effective. As the PRIs presented the budget at the end of March every year, it was not discussed adequately and subjected to detailed deliberations in the Panchayats. There were wide variations between budgeted figures of receipts and expenditure and actual figures. The PRIs had incurred 50 to 100 per cent of the expenditure during the last quarter of the financial year which was indicative of deficient financial control. Audit noticed that the PRIs had incurred expenditure on purchases far in advance of requirements, made advance payments to implementing agencies before identifying the beneficiaries and deposited amount in excess of that prescribed by Government for computer literacy programme. As the Grama Panchayats failed to maintain up-to-date database of all potential assesseees of profession tax, 53 institutions and employees of 26 institutions were not assessed to profession tax. There were defects in the maintenance of primary accounting records of PRIs.

### **3.2.12 Recommendations**

- Government should take steps for timely submission of utilisation certificates.
- Government may issue detailed guidelines for the accounting and utilisation of amounts received from Government of India towards reimbursement of expenditure.
- Government should strengthen the control and monitoring mechanism to ensure that the PRIs do not draw Development Expenditure Fund in excess of actual requirement from Treasury and keep them in bank accounts and other agencies for the purpose of avoiding lapse of funds.
- Government should ensure that the Grama Panchayats maintain up-to-date database of all potential assesseees of profession tax.
- Government should ensure, through performance audit system, that no amounts which are due to be remitted back to the Consolidated Fund are retained in Panchayat funds.
- Government should prescribe a suitable mechanism to ensure prompt disbursement of all demand drafts received from Treasury.