

## OVERVIEW

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

### **Finances and Financial reporting issues of LSGIs**

*There was no system in place to consolidate the finances of LSGIs. The correctness of the figures in the database on finances of LSGIs is doubtful. Government of India (GOI) grants increased substantially from 2007-08 onwards due to increase in the release of funds under Indira Awaas Yojana and Mahatma Gandhi National Rural Employment Guarantee Scheme. The share of GOI in the total receipt increased from seven per cent in 2005-06 to 16 per cent in 2009-10. The share of State Government in the total receipt declined from 74 per cent to 67 per cent during the same period. Annual Financial Statement and primary financial records of LSGIs were deficient. Asset register was not maintained properly as a result of which it could not be assessed whether the norms for maintenance of assets had been strictly adhered to. Government had not placed Consolidated Administration Report before the Legislature.*

**(Paragraph 2.1 to 2.9)**

### **Solid Waste Management in Urban Local Bodies**

*The prime responsibility of providing solid waste management services in the State is vested with LSGIs. 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.

**(Paragraph 3.1)**

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

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. Development Expenditure and Maintenance Expenditure funds were under-utilised 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.

**(Paragraph 3.2)**

### **Transaction Audit**

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

Non-segregation of power load and light load for electric crematorium in Municipal Corporation, Kozhikode led to avoidable payment of electricity charges of ₹11.24 lakh.

**(Paragraph 4.1)**

Two out of seven biogas plants established by Municipal Corporation, Kochi in 2007, remained idle since the date of commissioning and five plants had become non-functional since June 2008, rendering the expenditure of ₹61.61 lakh incurred on them unfruitful.

**(Paragraph 4.2)**

A harvester costing ₹9.93 lakh purchased by Anchal Block Panchayat without ascertaining its utility had been lying idle in a damaged condition for the last four years.

**(Paragraph 4.3)**

Incorrect application of tariff for Sodium Vapour Lamps in three Grama Panchayats, viz., Thavinhal, Pulpally and Chengottukave, resulted in excess payment of street light charges of ₹16.51 lakh.

**(Paragraph 4.4)**

Non completion of a working women's hostel in Municipal Corporation, Kozhikode, even after eight years despite spending ₹29.33 lakh led to non fulfillment of objective apart from lapse of Central assistance of ₹44.10 lakh.

**(Paragraph 4.5)**

Financial assistance of ₹51.04 lakh granted by Community Development Society in Kollam Corporation to 41 DWCUA units was rendered unfruitful as the units were closed down after working for two to six years.

**(Paragraph 4.6)**

Failure of District Panchayat, Kottayam to provide necessary infrastructural facilities for a mechanised defibering unit resulted in rusting of the machinery rendering the investment of ₹24.12 lakh on the project unproductive.

**(Paragraph 4.7)**

Thiruvananthapuram Municipal Corporation took up a project under a discontinued scheme without ensuring availability of funds resulting in wasteful expenditure of ₹71.78 lakh.

**(Paragraph 4.8)**

Failure of Municipal Corporation, Kollam to provide necessary infrastructural facilities led to idling of 57 auto three wheelers at the supplier's yard for more than one year and consequent idle investment of ₹1.11 crore.

**(Paragraph 4.9)**

Irregular implementation of EMS Housing Scheme by Erumapetty Grama Panchayat resulted in undue financial benefit to bank and denial of intended subsidy to beneficiaries.

**(Paragraph 4.10)**

Investment of ₹24.40 lakh made by Kasaragod District Panchayat on establishment of computer network system remained unfruitful for the last four years due to defects in the software developed by the contractor firm.

**(Paragraph 4.11)**

An old age home constructed at a cost of ₹30.01 lakh remained unutilised for the last four years as the project was conceived without considering its necessity in the locality.

**(Paragraph 4.12)**