

# **CHAPTER III**

**Performance Audit**

## CHAPTER III

### PERFORMANCE AUDIT

#### 3.1 IMPLEMENTATION OF EMS TOTAL HOUSING SCHEME

##### *Highlights*

*The EMS Total Housing Scheme was launched in the State in 2008. The ultimate goal of the scheme was to provide land and house to all landless and homeless in Below Poverty Line category. The scheme was to be implemented by Local Self-Government Institutions (LSGIs) with the support of the Government. The fund required was to be met out of Development Expenditure Fund, Own Fund and General Purpose Fund of LSGIs and loans from Banks. A performance review of the implementation of the scheme revealed deficiencies in identification of beneficiaries, low coverage of landless beneficiaries, shortfall in mobilization of funds, deficiencies in monitoring, etc. Some important points highlighted in the review are indicated below:*

**Performance of the scheme during the period 2008-09 to 2011-12 was poor as the achievement under urban and rural area was only 10 per cent and 24 per cent respectively.**

*(Paragraph 3.1.7.1)*

**Though the scheme intended to give topmost priority for providing land to the landless, this component of the scheme remained largely inoperative during the scheme period.**

*(Paragraph 3.1.7.1)*

**Expenditure of ₹ 35.5 lakh incurred by Kollam Corporation for purchase of land and construction of houses had become wasteful as the land purchased was marshy and unsuitable for construction.**

*(Paragraph 3.1.7.3)*

**Implementation of the scheme was hampered due to non-transfer of Development Expenditure Fund. As against the requirement of ₹ 5861.56 crore for the implementation of the scheme, the LSGIs mobilized only ₹ 1452.97 crore.**

*(Paragraph 3.1.8.1)*

**As one LSGI had availed loan in excess of requirement, the Government had to bear avoidable interest burden of ₹ 14.97 lakh.**

*(Paragraph 3.1.8.3)*

##### 3.1.1 Introduction

EMS Total Housing Scheme (EMS Housing Scheme) was launched<sup>1</sup> by the Government of Kerala in 2008, with the objective of providing dwelling units to all landless and homeless<sup>2</sup> families Below Poverty Line (BPL) residing in rural and urban areas in the State. The Scheme was implemented initially for a period of three years from 2008-09 to 2010-11, and subsequently extended up to March 2012. Local Self-Government Institutions (LSGIs) were to select the beneficiaries primarily from the BPL list. The LSGIs can also select eligible families outside the

<sup>1</sup> Launched in memory of the first Chief Minister of State Shri E.M. Sankaran Namboothirippad, on his 10<sup>th</sup> death anniversary

<sup>2</sup> People having land but no house

BPL list subject to certain criteria like women head of the family, resident of panchayat for the last 10 years, girls at marriageable age, members suffering from chronic diseases etc. During the implementation period, the LSGIs were required to provide funds for purchasing land for the landless families in the first year and for construction of houses subsequently.

The assistance payable under the scheme for construction of houses was ₹ 75000, ₹ one lakh and ₹ 1.25 lakh for General, Scheduled Castes (SC) and Scheduled Tribe (ST) categories respectively. The assistance was subsequently enhanced (February 2012) to ₹ two lakh for General and SC categories and ₹ 2.50 lakh for ST category. The assistance was to be released in four instalments based on stage-wise completion of works, viz., 30 per cent on completing earthwork excavation, 40 per cent on completion of basement, 20 per cent on completion of roofing and balance 10 per cent on fixing of doors and windows. For those identified as landless beneficiaries, financial assistance of ₹ 37500 for General category and ₹ 75000 for SC and ST categories was also given for the purchase of land.

The resources for the implementation of the scheme were Development Expenditure Fund, Own Fund and General Purpose Fund of LSGIs and Loans from Co-operative Banks.

### **3.1.2 Organisational set up**

The Commissioner for Rural Development (CRD) and Director of Urban Affairs (DUA) under the Local Self-Government Department (LSGD) were responsible for the overall co-ordination of the scheme at the State level whereas the Project Directors of Poverty Alleviation Units (PAUs) in rural areas and Kudumbashree District Mission Co-ordinators in urban areas were responsible for co-ordination at district level. The Village Extension Officers (VEOs) at Grama Panchayats (GPs) and Member Secretaries of Community Development Societies (CDS) in Municipalities and Corporations were the implementing officers.

### **3.1.3 Audit Objectives**

The audit objectives were to assess whether:

- the procedure of identification of beneficiaries was adequate
- effective management of utilisation of funds was in place
- implementation of the scheme was in conformity with the scheme guidelines, Government orders and instructions issued from time to time
- the system for monitoring and evaluation of the scheme was adequate

### **3.1.4 Audit Criteria**

The audit criteria were derived from the following:

- Scheme guidelines
- Orders and Instructions issued by the Government
- Approved Project Reports and Action Plan prepared by LSGIs

### **3.1.5 Scope and Methodology of Audit**

The Performance Audit on the implementation of the scheme covering the period 2008-09 to 2012-13 was conducted from April to August 2013. Audit methodology included scrutiny of records, issue of audit enquiries, obtaining replies, discussion

with officials of LSGIs, conducting site inspections with officials of LSGIs, collection of data from CRD, Directorate of Panchayats, DUA, PAUs, Office of the Deputy Director of Panchayats (DDPs), District Panchayats (DPs) and Block Panchayats (BPs).

Five<sup>3</sup> out of the 14 districts in the State were selected using Statistical Sampling Method *viz.*, Probability Proportional to Size Without Replacement (PPSWOR). From each selected district, three Municipalities/Corporations and five GPs (total 38 LSGIs<sup>4</sup>) were selected for detailed scrutiny.

The performance audit commenced (16 April 2013) with an entry conference and completed (5 February 2014) with an exit conference with Principal Secretary, Local Self Government Department.

### Audit Findings

#### 3.1.6 Identification and selection of beneficiaries

As per the general survey conducted by the State Government, the projected demand for dwelling units in the State during 2007 was 10.84 lakh. Though EMS Housing Scheme aimed at providing dwelling units to all landless as well as homeless BPL families, the State had not conducted any survey on landless/homeless families of BPL category prior to launching the scheme. As such, the State did not have data on landless / homeless families under BPL category.

The Government directed (May 2009) to include other eligible families not included in the BPL list and not covered by other housing schemes. While giving priority to the landless families, eligible candidates from SC, ST, Ashraya<sup>5</sup> and traditional fishermen families were to be invariably included in the list, provided they were not covered under any of the housing programmes meant for these categories.

The selection was to be made by a team consisting of VEO, Overseer, Integrated Child Development Services Supervisor in the GP and Agricultural Field Officers and other officers of transferred institutions in the Municipality. The list prepared by these officials was to be subjected to a super check at block level (minimum 10 *per cent*) and district level (minimum two *per cent*). Thereafter, the list was to be submitted to the District Planning Committee. Accordingly, the test-checked LSGIs selected 19,562 landless families and 19,737 homeless families as beneficiaries under the scheme.

Audit noticed shortcomings in the selection of beneficiaries as mentioned below:

##### 3.1.6.1 Non-preparation of separate priority list

Scheme guidelines required that if the available assistance could not be provided to all the beneficiaries, LSGIs were to prepare separate priority lists for landless/homeless under General, SC and ST categories. Audit observed that though the test-checked LSGIs selected beneficiaries through Grama/Ward Sabhas, separate priority lists as envisaged in the guidelines were not prepared.

<sup>3</sup> Kannur, Kollam, Kottayam, Palakkad, Wayanad

<sup>4</sup> Wayanad District comprises of one Municipality only

<sup>5</sup> Ashraya introduced in the State in 2002-03, is the first integrated community based initiative for addressing issues affecting the poorest of the poor who generally are not covered by any of the designated poverty alleviation programmes.

### **3.1.6.2 Authenticity of super check for selection of beneficiaries**

Though all the test-checked PAUs had formed verification teams for super check at block level and district level, none of the LSGIs had kept any document connected with the required practice of super checks conducted by the verification teams. Audit, therefore, could not ensure the authenticity of super checks carried out.

### **3.1.6.3 Non-inclusion of Ashraya families**

Ashraya is the destitute identification, rehabilitation and monitoring project of the State. According to the project report of the State Poverty Eradication Mission the poorest of the poor among the society which include aged, destitute, widows/widowers and patients having chronic diseases are identified as the Ashraya beneficiaries. As per the scheme guidelines Ashraya families who had not received assistance for housing were not to be excluded from the scheme under any circumstances. Audit noticed that out of the 38 test-checked LSGIs, 29 LSGIs had not included 791 Ashraya families in the beneficiary list of EMS Housing Scheme, in spite of the fact that they were not included in any other housing scheme. Thus, the most deserving category of the society was deprived of the benefit of the scheme.

### **3.1.6.4 Non-inclusion of SC families**

Audit noticed that 464 SC families included in the selected list of EMS Housing Scheme in eight test-checked LSGIs were not provided with any assistance on the ground that dwelling units were provided to them under Indira Awaas Yojana (IAY) and departmental housing schemes. However, Audit noticed that these beneficiaries were not given any assistance either under IAY or other departmental housing schemes. This goes against the spirit of the scheme in assigning priority in consideration to SC families.

## **3.1.7 Implementation of the Scheme**

### **3.1.7.1 Physical performance**

Though the period of implementation of the scheme was initially three years from 2008-09 to 2010-11, extended to one more year in February 2011, the Government had not fixed year-wise targets for LSGIs in implementing the scheme. The State-wide physical performance of the scheme for the period 2008-09 to 2012-13<sup>6</sup> (up to December 2012) as furnished by DUA and the Directorate of Panchayats is given in **Table 3.1**.

**Table 3.1: Overall performance of the scheme**

Sources of data	Beneficiaries selected		Beneficiaries received assistance		No of houses completed	Percentage of achievements
	Landless	Homeless	Landless	Homeless		
DUA	55071	33430	5576	15171	8854	10
Directorate of Panchayat	135850	334487	12856	145904	112128	23.84
<b>Total</b>	<b>190921</b>	<b>367917</b>	<b>18432</b>	<b>161075</b>	<b>120982</b>	<b>21.65</b>

<sup>6</sup> Though the Scheme ended in 2011-12, payments based on agreements executed within the scheme period were made during 2012-13.

The state-wide achievement of the scheme was very low (Urban area: 10 per cent; Rural area: 23.84 per cent).

**Table 3.2** shows the physical performance of the scheme in the test-checked LSGIs.

**Table 3.2: Physical performance of 38 LSGIs in five selected districts**

Sl. No.	Name of District & No. of test- checked LSGIs in bracket	No. of beneficiaries selected		No. of beneficiaries to whom assistance provided			Coverage of selected beneficiaries (percentage)	
		Landless	Homeless	Landless		Homeless	Landless	Homeless
				Purchase of land	Construction of houses			
1	Wayanad (6)	1871	5287	445	375	2331	23.78	44.09
2	Kottayam (8)	1644	2479	59	38	912	3.59	36.79
3	Palakkad (8)	2782	3749	564	341	1746	20.27	46.57
4	Kannur (8)	1016	1752	62	58	1029	6.10	58.73
5	Kollam (8)	12249	6470	719	365	2710	5.87	41.89
	<b>Total (38)</b>	<b>19562</b>	<b>19737</b>	<b>1849</b>	<b>1177</b>	<b>8728</b>	<b>9.45</b>	<b>44.22</b>

Shortcomings in implementation of the scheme are mentioned below:

- Of 8728 homeless beneficiaries to whom assistance was provided, only 5547 had completed the houses and the houses of 3181 beneficiaries were under various stages of construction (697 availed the first instalment, 1097 the second instalment and 1387 availed the third instalment).
- Out of the 19562 landless families, assistance for purchase of land was provided only to 1849 beneficiaries (9 per cent).
- Of the beneficiaries to whom assistance for purchase of land was provided (1849), assistance for construction of houses was given only to 1177 beneficiaries (64 per cent).

Thus, the scheme objective of providing land and dwelling units to all landless families was not achieved in the districts test-checked. While the other housing schemes gave preference to beneficiaries who owned land, EMS Housing scheme was unique in the sense that it tried to give priority to landless people, but this objective remained largely unfulfilled.

LSGIs attributed (April to September 2013) the reasons for the low coverage of landless families to failure of the beneficiaries to submit the required documents, not coming forward to receive the assistance due to insufficiency of assistance provided, non-availability of land and high land cost.

### 3.1.7.2 Failure of departmental machinery to identify and allot land for landless families

The scheme guidelines envisage that priority was to be given to landless families, by providing them with land or assistance to purchase land in the first year and assistance for construction of houses in subsequent years. The responsibility of identifying Government land including freehold surplus/*poromboke*<sup>7</sup> was vested with the District Collector. A Search Committee was to be formed at GP/Municipality/Corporation level to assist the District Collector to identify land

<sup>7</sup> Land under complete ownership, rights, protection and use of Government



and to provide support to the beneficiaries for purchasing land. However, no Search Committee was formed in any of the LSGIs test-checked. Further, none of the LSGIs, except two, initiated action to identify available land/ acquire land for distribution among landless families.

Audit noticed that in case of the two LSGIs which identified land for distribution, the landless families in these LSGIs were not benefitted due to delayed action at different levels as mentioned below.

- Muttil GP identified 25 acres of revenue land in Muttil South Village and 104 acres of Government land illegally occupied by private parties in Muttil North Village for distribution to landless beneficiaries. Though the GP requested (September 2009 & September 2012) the District Collector/Revenue authorities to initiate action to make available the above land for distribution among the landless beneficiaries, the District Collector or Revenue authorities are yet to handover land to the GP (April 2013).
- Kangol Alappadamba GP sent proposals to District Collector (November 2009) to release 660 ares<sup>8</sup> of *poromboke* land for distribution to its 34 landless beneficiaries. Though the District Collector recommended allotment of land to the beneficiaries, no further action was taken by the Government to distribute the land. In this connection it may also be mentioned that as against requirement of 55.06 ares (136 cents) for 34 beneficiaries 660 ares were proposed contrary to scheme guidelines.

### **3.1.7.3 Procurement of land not suitable for construction of house**

Kollam Corporation disbursed ₹ 28 lakh (between June 2011 and January 2013) to 43 beneficiaries towards the cost of land purchased from a private party. Out of this, 25 beneficiaries were given (between January 2012 and January 2013) ₹ 7.5 lakh as 1<sup>st</sup> instalment for construction of houses on the land purchased.



**Unsuitable land identified for construction**

However, none of the beneficiaries had started construction as the land was not suitable for construction. Audit noted that while releasing the above assistance the Corporation was aware that the beneficiaries cannot construct houses in the proposed site due to unsuitability of the land for construction. Inspection conducted by Audit along with the officials of LSGI reconfirmed the fact that the land was marshy and not suitable for construction, unless it was filled up with earth which would involve heavy expenditure. Thus ₹ 35.5 lakh incurred on the scheme (September 2013) had become wasteful.

The Corporation stated that the payments were effected on the basis of location certificate issued by the Village Officer and site inspection report of the Building Inspector of Eravipuram Zone followed by recommendation of the zonal office.

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<sup>8</sup> 1 are = 2.47 cents

The Corporation may take action against the officers for issuing certificate without verifying the suitability of land for construction.

#### **3.1.7.4 Assistance for purchase of land without ensuring eligibility**

As per Government order issued in June 2008, for a beneficiary to avail assistance for purchase of land, not a single member of the family should possess land in his/her name or bear a chance to inherit land.

Test-check revealed that 18 LSGIs disbursed assistance to 637 beneficiaries for purchase of land based on certificates issued by Village Officers to the effect that the applicants had no land in the particular village they resided. While accepting such certificates, the GPs had not ensured that the family members had no land in their names and had no chance of acquiring inherited property. Thus, the eligibility certificates obtained by the GPs did not eliminate the risk of selecting ineligible beneficiaries.

#### **3.1.7.5 Non-adherence to plinth area limitation**

With a view to safeguard the beneficiaries from falling into debt trap and to deny assistance to ineligible families, Government decided (February 2011) to fix the upper limit of plinth area of houses constructed under the scheme at 60 square metre. Site verification of 104 incomplete houses revealed that construction of nine houses was without adhering to the limitation in area.



**An unfinished house which did not adhere to plinth area limitation**

#### **3.1.7.6 Unauthorised disbursement of assistance**

The guidelines stipulate that the assistance was to be released in four instalments based on stage-wise completion of works, viz., 30 per cent on completing earthwork excavation, 40 per cent on completion of basement, 20 per cent on completion of roofing and balance 10 per cent on fixing of doors and windows.

Audit noticed that Vythiri GP paid ₹ 2.18 lakh to 18 beneficiaries as advance against the first instalment. Kollam Corporation paid ₹ 7.50 lakh to 25 beneficiaries towards first instalment based on the plan. Both these payments were released in violation of the guidelines before commencement of construction work. Further in the case of Panamaram GP although ₹ 10.20 lakh was paid to 51 beneficiaries towards first instalment, the records/certificates regarding completion of earthwork excavation were not available.

These beneficiaries had not turned up for obtaining the second instalment even after a lapse of one to three years. There was lapse on the part of the Secretaries in releasing the amount in advance without ensuring commencement of work.

#### **3.1.7.7 Delay in completion of houses due to non-mobilisation of resources for enhanced assistance**

While increasing the assistance in February 2012, the Government directed the LSGIs to mobilize the required fund through bank loan for which interest would be borne by the Government. Thirteen LSGIs stated that they could not mobilize even the balance amount of loans already sanctioned which were based on the assistance payable as per old rates as the Co-operative banks were demanding higher rate of



interest. The enhanced rates of assistance entailed obtaining fresh loans at the higher rate of interest. Due to non-availability of sufficient funds, payment of enhanced amount of ₹ 9.19 crore to 1735 beneficiaries was pending in these 13 LSGIs. Thus, non-mobilisation of resources for payment of assistance at enhanced rate retarded the progress in construction.

#### **3.1.7.8 Non-formation of Housing Implementation Committee**

Scheme guidelines envisage the formation of a Housing Implementation Committee at Ward/Division level to extend a supporting hand to the poor and weaker sections of the society, who are not capable of initiating housing activities on their own. However, none of the test-checked LSGIs had taken any action to form the Committee.

#### **3.1.7.9 Non-provision of timber to ST beneficiaries**

As per Government direction (November 2009) timber required for the houses of ST beneficiaries was to be supplied free of cost from the Forest Department. Audit noticed that though there were 695 ST beneficiaries in eight test-checked LSGIs under the scheme, LSGIs except Sholayur GP, had not initiated any action to provide timber to ST beneficiaries through Forest Department. In the case of Sholayur GP, there was no response from the Forest Department to the GP's request to provide timber to ST beneficiaries. The matter was, however, not brought to the notice of Government in LSGD.

#### **3.1.7.10 Transfer of house violating the conditions of the scheme**

As per guidelines, the beneficiary was to sign a contract with the Secretary of the LSGI, registering his willingness not to transfer or alienate the property received under the scheme for a period of 10 years. Site-visit by Audit revealed that a beneficiary in Paravur Municipality sold out his house constructed under the scheme and was staying in a rented accommodation. The Municipality was unaware of the transfer. They replied that necessary action would be initiated.

### **3.1.8 Fund Management**

#### **3.1.8.1 Funding Pattern**

The LSGIs including DPs and BPs were to set aside not less than 15 *per cent* of their Development Expenditure Fund allotted for the years 2009-10 and 2010-11 and avail bank loans to the extent of one and half times the Development Expenditure Fund allotted during 2009-10, for implementation of the scheme. The principal amount of the loan availed was to be repaid by the LSGIs from the Development Expenditure Fund of subsequent years and interest was to be paid by the Government. LSGIs were also directed to make use of own funds, unspent balance of General Purpose Fund and donations from voluntary organizations/individuals for scheme implementation.

**Tables 3.3** and **3.4** show the requirement of funds, funds mobilised and expenditure incurred during the period 2008-09 to 2012-13 for the State as a whole and in the LSGIs test-checked respectively.

Table 3.3: State-wide details of funds required, available and utilised

LSGIs (1)	Funds required (2)	Development Expenditure Fund (3)	Loan sanctioned (4)	Funds available (3+4) (5)	Expenditure incurred (6)	Unspent balance (5-6) (7)
ULBs	988.98	186.01	53.69	239.70 (24.2)	158.40 (66)	81.30 (34)
PRIs	4872.58	417.41	795.86	1213.27 (24.9)	1208.04 (99.5)	5.23 (0.50)
<b>Total</b>	<b>5861.56</b>	<b>603.42</b>	<b>849.55</b>	<b>1452.97 (25)</b>	<b>1366.44 (94)</b>	<b>86.53 (6)</b>

Against the requirement of funds amounting to ₹ 5861.56 crore (worked out at pre-revised rate) for implementation of the scheme in the State, the funds available with the LSGIs was only ₹ 1452.97 crore which constituted 25 per cent of the funds required. Thus, there was shortage of ₹ 4408.59 crore for the implementation of the scheme. If the revised rates were reckoned, the shortage will be much more.

Table 3.4: Details of funds required, mobilised and utilised in the test-checked LSGIs

Name of district (1)	Funds required (2)	Development Expenditure Fund provided (3)	Loan availed (sanctioned loan in bracket) (4)	Funds available (3+4) (5)	Expenditure incurred (6)	Unspent Balance (5-6) (7)
Wayanad	75.88	7.85	12.98 (20.52)	20.83(27.45)	18.36 (88.14)	2.47 (11.86)
Kottayam	40.18	3.08	4.12 (14.04)	7.20(17.92)	7.18 (99.72)	0.02 (0.28)
Palakkad	69.85	9.74	9.70 (26.43)	19.44(27.83)	19.06 (98.05)	0.38 (1.95)
Kannur	27.32	5.15	4.78 (16.92)	9.93(36.35)	8.23 (82.88)	1.70 (17.12)
Kollam	214.19	24.30	6.20 (12.25)	30.50(14.24)	28.83 (94.52)	1.67 (5.48)
<b>Total</b>	<b>427.42</b>	<b>50.12</b>	<b>37.78 (90.16)</b>	<b>87.90 (20.57)</b>	<b>81.66 (92.90)</b>	<b>6.24 (7.10)</b>

In the LSGIs test-checked, the shortage of funds was ₹ 339.52 crore (₹ 427.42 - ₹ 87.90). Audit noticed that 24 out of 38 LSGIs test-checked had not transferred the minimum required amount from their Development Expenditure Fund to the scheme account, resulting in shortfall of ₹ 5.67 crore. Though BPs and DPs were also required to contribute their share of funds to the GPs to facilitate construction, the inflow of funds to GPs on this account was not encouraging. Out of the 25 GPs test-checked, only 16 had received DP share and eight GPs received BP share. Seven GPs had not received any share from either DPs or BPs.

LSGIs stated that as they had to meet the expenditure on already committed/approved schemes, sufficient amount could not be set apart from Development Expenditure Fund for the scheme. The shortage of funds got further accentuated with the Co-operative banks not willing to release loans already

sanctioned as discussed in paragraph 3.1.7.7, when in fact the LSGIs needed funds beyond the already sanctioned amounts.

### **3.1.8.2 Non-utilisation of Special Component Plan Fund**

As per guidelines, the amount earmarked under Special Component Plan Fund (SCP) can be transferred to EMS Housing Scheme Account for disbursement to SC beneficiaries alone.

Kannur Municipality transferred (April 2010) ₹ 97.50 lakh from SCP fund to EMS Housing Scheme Account against the actual requirement of ₹ 79.20 lakh to benefit 45 SC beneficiaries (38 landless and seven homeless). However, no amount was disbursed to any of these beneficiaries till date (September 2013). No specific reason was attributed by the LSGIs for non-utilisation of the fund.

### **3.1.8.3 Availing loan much in advance of requirement by Panamaram GP**

As per the Government Order issued in November 2009, LSGIs were required to avail loan only to the extent of actual requirement, in order to avoid unnecessary interest burden on the Government. Government further directed that if any LSGI created unnecessary interest burden upon the Government by irrationally availing excess funds than required, the additional interest liability on the unutilised funds would be recovered from the concerned Secretary and implementing officer of the LSGI.

Ignoring the above instructions Panamaram GP availed a loan ₹ four crore and credited to EMS Account in four instalments during March 2010 to May 2011. While drawing (March 2011) the third instalment of ₹ 19.2 lakh and fourth instalment (May 2011) of ₹ 60.70 lakh, the GP had a balance of ₹ 1.01 crore and ₹ 1.87 crore respectively. As of March 2013, an amount of ₹ 1.93 crore remained unutilised. As the balance at the time of transfer of third and fourth instalments was sufficient to meet the payments made from March 2011 to September 2013, the transfer of the loan instalment of ₹ 79.90 lakh could have been avoided. The avoidable payment of interest on the excess loan amount drawn amounted to ₹ 14.97 lakh.

The GP replied that the huge transfer from loan account was done in anticipation of distribution to all selected beneficiaries but due to non-completion of work in time and non-execution of agreement by the beneficiaries, the funds could not be fully utilised. The fact remains that the LSGIs should have regulated the drawal of loan in accordance with the actual requirement, to avoid excess interest burden on the Government.

### **3.1.8.4 Interest loss due to operation of scheme fund through current account**

LSGIs were required to operate a joint account in the bank from where the loan was availed, in the name of President/Chairperson/Mayor and the implementing officer. The share of the LSGIs and the loan amount were to be deposited in this account. Audit noticed that most of the LSGIs had opened Savings Bank (SB) Account which fetched four *per cent* interest. However, five<sup>9</sup> of the test-checked LSGIs opened Current Account instead of SB Account which fetched no interest on the amount deposited. The interest foregone during 2010-11 to 2012-13 by the LSGIs on this account amounted to ₹ 49.60 lakh.

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<sup>9</sup> Palakkad Municipality, Kollam Corporation, Kalpetta BP, Vadakarappathy GP, Meenangadi GP

### 3.1.8.5 Non-crediting of interest by the bank

Sholayur GP was maintaining a joint SB Account in the Agali Branch Mobile Unit of Palakkad District Co-operative Bank for depositing the scheme fund. Audit noticed that the Bank had not credited any interest on the amount deposited. Calculated at the rate of four *per cent*, short credit of interest (July 2010 to November 2011) worked out to ₹ 9.8 lakh. The Grama Panchayat was not aware of it till it was pointed out by the audit. This indicates laxity on the part of GP in managing the fund.

### 3.1.8.6 Retention of scheme fund in Own Fund Account

Twelve beneficiaries of the scheme in five<sup>10</sup> LSGIs refunded (June 2011 to April 2013) the assistance received together with interest amounting to ₹ 5.49 lakh as they wanted to discontinue the scheme. Audit noticed that these LSGIs had retained the amount refunded by beneficiaries in their Own Fund, instead of crediting back to the scheme account.

The GPs replied (April 2013 - July 2013) that the amount would be refunded to the scheme account.

### 3.1.8.7 Excess payment

As per the scheme guidelines, the assistance to SC beneficiaries for purchase of land was ₹ one lakh in Corporation area and ₹ 90,000 in Municipal area. Kollam Corporation paid (April 2012 - December 2012) assistance at the rate of ₹ 1.5 lakh to 21 SC beneficiaries and ₹ two lakh to 92 beneficiaries against the admissible rate of ₹ one lakh for purchase of land. The excess payment made by Kollam Corporation on this account amounted to ₹ 1.02 crore for purchasing the land after closure of the scheme in March 2012.

Palakkad Municipality paid (May 2013/June 2013) assistance at the rate of ₹ 1.75 lakh to two SC beneficiaries against the eligible amount of ₹ 90,000 for purchase of land resulting in excess payment of ₹ 1.70 lakh. Kollam Corporation replied (September 2013) that necessary action would be taken after taking up the matter with Scheduled Caste Development Officer. The Palakkad Municipality replied (July 2013) that the excess payment will be recovered.

### 3.1.9 Monitoring and evaluation

Efficient monitoring and evaluation of a scheme facilitates achievement of objectives of the scheme within the timeframe. The accountability and transparency of the scheme will be crystallized if appropriate monitoring and evaluation system exists. The scheme guidelines envisage following mechanism to monitor the implementation of the scheme:

- Constitution of Vigilance and Monitoring Committees (VMC) under Mahatma Gandhi National Rural Employment Guarantee Scheme to act as the Monitoring Committee for EMS Housing Scheme.
- Hundred *per cent* inspection by the officers of GP/BP/Corporation/Municipality, and monitoring through the monitors of National Service Scheme in Professional Colleges and other Institutions co-ordinated by District Planning Committee.

<sup>10</sup> Meenangadi GP (₹255913), Vythiri GP (₹88535), Kalpetta Municipality (₹48050), Kanjirappally GP (₹108431), Pappinissery GP (₹48030)

- Entrusting suitable officers, agencies, institutions, etc., with the responsibility to ensure quality of construction.

Audit noticed that LSGD did not have any details regarding the monitoring activity conducted during the implementation of the scheme. No mid-term appraisal or evaluation of the scheme on its completion was carried out.

#### **3.1.10 Conclusion**

The major objective of providing houses to all landless and homeless families was not achieved. Ninety *per cent* of the homeless in the urban area and 76 *per cent* in the rural area are still remaining uncovered. There was no priority list of beneficiaries. Ashraya families and SC families who were essentially to be covered under the scheme were left out. The priority assigned to the landless families was not properly adhered to. The failure of the scheme in achieving its objective was due to absence of proper mechanism to identify beneficiaries and extending help in identifying and distributing land, non-mobilization and poor management of funds and lack of monitoring of the scheme.

#### **3.1.11 Recommendation**

- **Ninety *per cent* of the landless beneficiaries are still left out of the scheme due to non-availability/high cost of land. Urgent measures need to be taken to provide dwelling units to the Ashraya and SC families who were left out of the scheme.**
- **Better fund mobilization and management need to be adopted by the LSGIs for providing assistance to all identified beneficiaries.**
- **Monitoring mechanism has to be strengthened to ensure that the assistance given to beneficiaries has been utilized properly, by stipulating definite timeframes for completing each stage of construction.**

## 3.2 ASSET MANAGEMENT BY URBAN LOCAL BODIES

### *Highlights*

*Good asset management is a vital part of an organisation to assure that the assets are providing optimum value. Under decentralization, the Urban Local Bodies(ULBs) are entrusted with certain mandatory as well as general functions relating to drinking water supply, rural housing, education, poverty alleviation, solid waste management, health, sanitation, street lighting, etc. Consequent on the above devolution of powers and functions, the Municipalities have become the custodian of diverse range of assets. A performance audit of Asset Management of ULBs revealed shortcomings in the planning and decision making for creation and utilisation of assets, loss of revenue due to non-utilisation of shopping complexes, non-maintenance of relevant data regarding the assets in possession, non-accounting of assets, lapses in maintenance of assets, prolonged retention of unserviceable assets, etc. Some of the important points are indicated below.*

**Though management of solid waste and slaughtering of animals were the mandatory functions to be performed by the ULBs, either solid waste processing plant or slaughter house or both were not in operation in 12 ULBs.**

*Paragraph 3.2.6.2 (a)*

**Construction of a building taken up by the Alappuzha Municipality had to be stopped after spending ₹ 22.22 lakh as the Municipality did not ensure ownership on the land.**

*Paragraph 3.2.6.2 (b) (i)*

**Though Kottayam Municipality had incurred ₹ 1.02 crore for the creation of slaughter house, truck terminal and a women's hostel, the public could not derive any benefit as the assets were remaining incomplete/unutilised.**

*Paragraphs 3.2.6.2 (b) (ii), 3.2.6.2 (b) (iv) & 3.2.6.3 (iv)*

**Small Industries Service Institute acquired by Shoranur Municipality at a cost of ₹ 56.27 lakh during December 2002 was never put to use due to lack of technical knowhow and manpower.**

*Paragraph 3.2.6.2 (b) (iv)*

**Assets created under social/service sectors at a cost of ₹ 51.53 lakh by two ULBs (Kasaragod Municipality and Kozhikode Corporation) were remaining idle for two to four years.**

*Paragraph 3.2.6.3 (vi)*

**A Mortuary constructed at a cost of ₹ 9.60 lakh by Thodupuzha Municipality had not been put to use due to non-completion of electrical works.**

*Paragraph 3.2.6.3(i)*

**Three Municipalities (Alappuzha, Kottayam and Shoranur) had to suffer loss of revenue amounting to ₹ 1.21crore due to non-utilisation/non-realisation of rent of rooms in shopping complexes.**

*Paragraph 3.2.6.4*

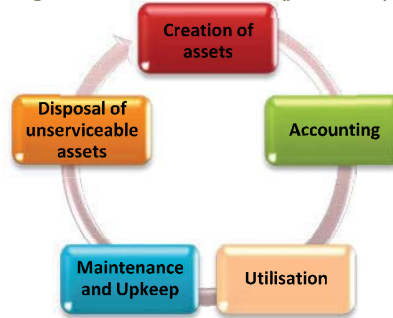
### 3.2.1 Introduction

Good asset management is a vital part of an organisation to assure that the assets are providing optimum value. It covers acquisition/creation of assets including



replacement, improvements and remodeling of buildings, roads and bridges as also their accounting, utilisation, maintenance and disposal. Asset management encompasses full life cycle of the management of assets in order to maximise their advantage.

Diagram 3.1: Asset management cycle

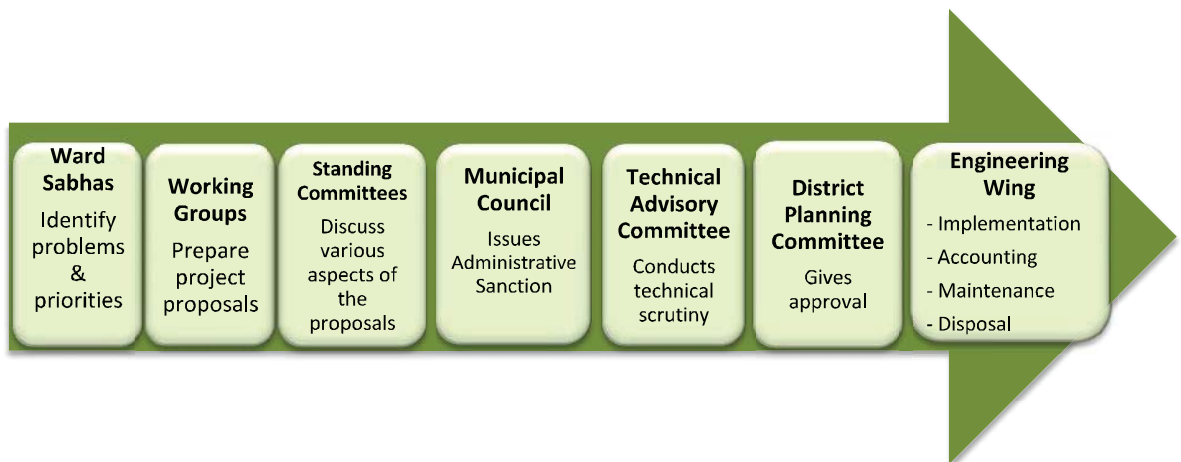


Under decentralization, the Urban Local Bodies (ULBs) are entrusted with certain mandatory as well as general functions relating to drinking water supply, rural housing, education, poverty alleviation, solid waste management, health, sanitation, street lighting, etc. Government, in September 1995, transferred all institutions, schemes, buildings and other properties, assets and liabilities connected with matters referred to in the First Schedule to the Kerala Municipality Act, 1994, (KM Act) to the Municipalities and Corporations. Consequent on the above devolution of powers and functions, the Municipalities have become the custodian of diverse range of assets. These assets are classified as (i) assets owned and maintained by ULBs prior to decentralisation, (ii) assets transferred to ULBs by decentralisation process and (iii) assets acquired and built after decentralisation by utilizing funds received from Central and State Governments, surplus out of own resources and contribution from public.

### 3.2.2 Organisational set up

In the decentralised planning set-up, Working Groups, Ward Sabhas, Standing Committees, Technical Advisory Committees, District Planning Committees and the Engineering Wing are the institutions/agencies involved in the management of assets. The role of these institutions/agencies is given in **flow chart 3.1**.

Flowchart 3.1: Role of various functionaries



### 3.2.3 Audit objectives

Audit objectives were to examine whether:

- the acquisition/creation of assets was properly planned and executed
- all assets were properly accounted /documented
- assets were effectively utilised for the intended purpose
- there was a system for the upkeep and periodical maintenance of assets
- effective system of monitoring and disposal of obsolete assets were put in place

### 3.2.4 Audit criteria

Audit criteria were derived from the following:

- Provisions of KM Act
- Provisions of Kerala Municipal (Accounts) Rules, 2007
- Provisions of Kerala Municipal Accounts Manual, 2007
- Guidelines and orders issued by the Government

### 3.2.5 Audit scope and methodology

A review of the asset management by the Local Self-Government Institutions covering the period from 2002-03 to 2005-06 was included in paragraph 3.1 of the Report of the Comptroller and Auditor General of India (Local Self-Government Institutions) for the year ended March 2006. The review highlighted instances of acquisition and creation of assets without proper planning leading to their abandonment midway, encroachment of land due to non-protection of boundaries, idling of capital assets, non-maintenance of assets, etc. The Committee on Local Fund Accounts discussed the review. Their recommendations are awaited.

A Performance Audit on the asset management by ULBs was conducted from April 2013 to October 2013, covering the period 2008-09 to 2012-13. Out of the 60 Municipalities and five Corporations in the State, 15 Municipalities<sup>11</sup> and two Corporations<sup>12</sup> were selected using Simple Random Sampling after grouping the districts into two strata, viz., Southern and Northern districts. Audit methodology included scrutiny of records, physical verification, issue of audit enquiries and obtaining replies, etc.

The performance audit commenced (16 April 2013) with an entry conference and completed (5 February 2014) with an exit conference with Principal Secretary, Local Self Government Department.

#### Audit findings

Audit findings are organized into the following sections

- Creation and utilisation of assets
- Accounting of assets
- Maintenance of assets
- Disposal of assets

<sup>11</sup> **Southern Region:** Punalur, Alappuzha, Kottayam, Thrippunithura, Angamaly, Varkala, Pathanamthitta, Thodupuzha; **Northern Region:** Chavakkad, Shoranur, Tirur, Perinthalmanna, Mattannur, Kalpetta, Kasaragod

<sup>12</sup> **Southern Region :** Thiruvananthapuram; **Northern Region:** Kozhikode

- Control mechanism

### **3.2.6 Creation and utilisation of assets**

#### **3.2.6.1 Trend of utilisation of funds for asset creation**

The information furnished by the 17 ULBs test-checked, regarding the details of the total expenditure and expenditure incurred on creation of assets during the five year period 2008-13 is detailed in **Appendix X**.

As per the guidelines issued (May 2007/ August 2012) by the Government for the preparation of Annual Plan during XI Plan period (2007-12) and XII Plan period (2012-17), ULBs were permitted to utilise 50 *per cent* and 55 *per cent* of the allotted fund respectively for infrastructure development. However, Audit noticed that the utilisation of fund for the creation of assets was less than 10 *per cent* in six ULBs<sup>13</sup>. The lowest utilisation of fund for the creation of asset was noticed in Thiruvananthapuram Municipal Corporation and Alappuzha Municipality (four *per cent* each).

#### **3.2.6.2 Planning process**

Assets intended to be created or acquired by Local Self-Government Institutions (LSGIs) should be commensurate with the immediate and long term requirements. Audit noticed that no policy for creation, periodical counting, monitoring and maintenance of assets had been prepared by the Government in respect of LSGIs.

The Government had, however, issued guidelines for the plan formulation according to which the proposals for the creation of asset were to undergo a seven-step process as shown in the flow chart given in paragraph 3.2.2. Audit noticed shortcomings, as mentioned below, in the formulation of projects for the creation of assets:

(a) As per Schedule 1 of KM Act, the mandatory functions of the ULBs include management of solid waste and regulation of slaughtering of animals. Though the selected ULBs had generally followed the seven step process for the plan formulation, there was laxity in the formulation of projects for the creation of solid waste processing plant/slaughter house during the five year period 2008-13 covered in audit. Audit noticed that either solid waste processing plant or slaughter house or both were not in operation in 12 ULBs (both solid waste processing plant and slaughter house: in seven ULBs, solid waste processing plant: in two ULBs; slaughter house: in three ULBs). In the absence of any facility for treatment of solid waste and slaughtering of animals, waste was being dumped in these municipalities without any protection to the environment.

(b) The groups entrusted with the formulation of projects were to ensure availability of hindrance free land and sufficient resources for execution of the projects. Audit noticed lapses in this regard during the planning process, leading to idling of assets as mentioned below:

##### **(i) Construction of a building in the land not owned by the Municipality**

Alappuzha Municipality formulated (2009-10) a project for construction of Vishramasamuchayam and Shopping Complex near Alappuzha Beach Rest House at an estimated cost of ₹ 25.50 lakh. In August 2011, the Department of Ports

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<sup>13</sup> Alappuzha, Kasaragod, Mattannur, Pathanamthitta, Thiruvananthapuram and Varkala

objected to the construction as the land was owned by them. Despite such objection, the Municipality went ahead with the project and spent ₹ 22.22 lakh for the construction of a building in the land. Subsequently, the Municipality had to stop the work in February 2012 when the District Collector, Alappuzha intervened in the matter. Thus, as a result of not ensuring the ownership of the land, the expenditure of ₹ 22.22 lakh incurred on creation of the asset remained unfruitful.

**(ii) Formulation of project without mobilizing sufficient fund**

Kottayam Municipality awarded (December 2007) the work of construction of a modern slaughter house to a contractor at a cost of ₹ 1.21 crore, stipulating the date of completion as June 2009, which was subsequently extended up to January 2010. After executing a portion of the work (value of work done: ₹ 53.50 lakh) and receiving payment of ₹ 44.13 lakh, the contractor abandoned (January 2010) the work due to non-payment of dues. Thus, the building has remained incomplete for the last three years due to paucity of funds. The Municipality stated (May 2013) that the payments could not be made due to lack of funds and that efforts were being made to close the present contract and make available sufficient funds to complete the project. However, no action had been taken so far (November 2013) for mobilising sufficient fund to complete the project.

**(iii) Construction of shopping complex without ascertaining demand**

Construction of a shopping complex taken up by Pathanamthitta Municipality during January 2000 was completed in May 2008 at a cost of ₹ 3.25 crore by availing loan from KURDFC<sup>14</sup>. Out of 100 shops in the building, 32 shops were lying vacant from the date of completion due to lack of demand.

Audit noted that the Municipality did not conduct any feasibility study to ascertain the demand and viability of the project before venturing into it. Thus, failure of the Municipality in ascertaining the demand before launching the project has resulted in the available resources of ₹ 3.25 crore being tied up in the asset.

**(iv) Taking over/creation of assets without foresight about utilisation**

- The Small Industries Service Institute (SISI), established by Government of India, to promote industrial activities in remote area, was taken over (December 2002) by Shoranur Municipality at a cost of ₹ 49.94 lakh. Subsequently, the Municipality incurred ₹ 6.33 lakh (between November 2004 and August 2010) towards construction of shed and repair to the existing buildings. As per the condition of transfer deed, the Municipality was to continue the activities of SISI for the benefit of the small scale industries. But, the SISI could not function due to lack of technical knowhow, capital investment and manpower. The Municipality



**SISI building in dilapidated condition**

<sup>14</sup> Kerala Urban and Rural Development Finance Corporation

did not take any measures to overcome these difficulties. As a result, the building and the machinery of SISI were lying in dilapidated condition.

- Under the Centrally Sponsored Scheme ‘Initiative for Strengthening Urban Infrastructure’ Kottayam Municipality constructed a truck terminal at Kodimatha at a cost of ₹ 35.84 lakh<sup>15</sup> in April 2010. The truck terminal was intended to provide facilities for repairs of vehicles, basic amenities to drivers and crew members and to arrest traffic congestion in the town. These facilities had not been put to use so far for want of operators. The Municipality stated that action was being initiated to operate the terminal by its own arrangement. The Municipality, however, did not give any justification for the delay of three and a half years for making own arrangement for operating the facility.

Thus, lack of proper planning with regard to actual utilisation of the assets rendered the investment of ₹ 92.11 lakh<sup>16</sup> to remain idle.

### **3.2.6.3 Execution of projects**

ULBs acquire assets as part of their infrastructure development for better civic services and also to augment their revenue resources. Since acquisition/creation of assets involves investment of scarce resources, proper execution is required to ensure economic viability and usefulness of the assets. Shortcomings in the execution of projects as noticed in audit are mentioned below:

#### **(i) Non-execution of essential components forming part of the project**

Audit noticed that assets were remaining idle due to non-execution of essential components, as discussed below:

- Execution of civil works of a Mortuary and Post Mortem Unit at Taluk Hospital included in the Annual Plan 2010-11 of Thodupuzha Municipality was completed (October 2012) at a cost of ₹ 9.60 lakh. Despite completion of building and availability of freezer unit, the mortuary could not be made operational due to non-completion of electrical works.
- A project to provide irrigation facility (estimated cost: ₹ 15 lakh) at the compound of Juvenile Home was approved by Kozhikode Corporation during 2010-11. Although the work of construction of water tank and installation of pump was executed (March 2011) at a cost of ₹ 8.21 lakh, the facility could not be used as the remaining works like installation of pipes, sprinklers and electrification were not taken up by the Corporation so far (October 2013). Thus, the expenditure of ₹ 8.21 lakh incurred on the project remained unfruitful.

Superintending Engineer stated (July 2013) that action will be taken to make the Pump set and Water tank operational.

#### **(ii) Projects at standstill due to flaws in agreement**

Alappuzha Municipality formulated (2008-09) two projects, viz., construction of crematorium at Chathanad (estimated cost: ₹ 15.75 lakh) and construction of a building for women (estimated cost: ₹ 19 lakh) at Allissery Ward. Execution of

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<sup>15</sup> includes the cost of weigh bridge of ₹ 7.18 lakh

<sup>16</sup> (₹ 49.94 lakh + ₹ 6.33 lakh) + ₹ 35.84 lakh



these two projects entrusted to Costford<sup>17</sup> was at standstill since September 2010/February 2011. The total expenditure incurred on these projects amounted to ₹ 27.47 lakh. Audit noticed that the works remained incomplete as Costford demanded cost escalation and extension of time for completion, which were not allowable under the agreement, hence were not allowed by the Municipality. The Municipality, however, could not take any action against Costford as the agreement also did not contain any penalty clause and provision for enforcement of risk and cost.

**(iii) Abandoned Anganwadi buildings**

Construction of 13 Anganwadi Buildings taken up by Kozhikode Corporation and Alappuzha Municipality during the period 2004-05 to 2008-09 was abandoned after partial execution by Costford/convener/contractor as detailed in **Table 3.5**.

**Table 3.5: Details of abandoned Anganwadi buildings**

Name of ULB	To whom work entrusted	No of buildings	Year of starting	Stage at which abandoned
Kozhikode Corporation	Costford	3	2005	Roof slab level – 4, Lintel level-1, Foundation level-2, Not started-1
		3	2006	
		1	2008	
		1	2010	
Kozhikode Corporation	Convener of Beneficiary Committee	4	2005	Roof Slab concrete
Alappuzha Municipality	Contractor	1	2008-09	Not started

Kozhikode Corporation and Alappuzha Municipality had not initiated any action against the defaulting agency/convener/contractor. Further, the ULBs did not make any attempt to complete the construction of buildings intended to accommodate Anganwadi Centres functioning in rented buildings. Further details of the above cases could not be verified as the files connected with the construction were not available in the Corporation and Municipality.

**(iv) Delay in construction of a women's hostel**

With a view to provide accommodation for working women and students of nearby areas and outside districts, Kottayam Municipality formulated (2001-02) a project (estimated cost: ₹ 3.54 crore) for the construction of a seven-storey women's hostel in a plot of land owned by the Municipality. Though the Municipality incurred ₹ 21.90 lakh on the project towards preparation of plan and design, soil investigation, compound wall, etc. and the Government exempted the proposed site from Zoning Regulations in February 2005, no progress had been made in the implementation of the project so far (November 2013) for which reasons were not available on record. Thus, creation of an asset intended to benefit the women community did not materialize even after eight years of its clearance by the Government, mainly due to laxity on the part of the Municipality. Delay in implementation of the project would also cause considerable impact on cost escalation.

**(v) Non-utilisation of land**

Test-check of the records revealed that though the Municipalities had acquired land with the intention of providing specific facilities to the public, the lands remained

<sup>17</sup>Centre of Science and Technology for Rural Development, registered under the Travancore Cochin Literary Scientific and Charitable Societies Act, 1955 and set up in 1985, involved in low cost constructions



vacant due to inaction on the part of the Municipality to provide those facilities, resulting in blocking of funds as mentioned in **Table 3.6**.

**Table 3.6: Unutilised land**

Sl No	Name of ULB	Extent of land (in acres)	Year of purchase	Cost (₹ in lakh)	Purpose for which land acquired
1	Kalpetta	0.47 (4 plots)	2009	78.81	Children's Park/ Bus stand/ Town Hall
2	Shoranur	3.70 (1 plot)	2007	74.56	Developmental activities
3	Kasaragod	5.460 (5 plots)	2006	14.16	Solid waste treatment plant

**(vi) Non-utilisation of assets created for welfare programmes**

Audit noticed that the assets created for certain welfare programmes were remaining inoperative without any benefit to the public. The details are given in **Table 3.7**.

**Table 3.7: Assets created for welfare programmes remaining idle**

Name of ULB	Particulars of Buildings	Year from which idle	Cost (₹ in lakh)	Remarks
Kozhikode Corporation	Construction of Vanitha Vipana Kendram	March 2010	13.17	Non-submission of completion certificate by Engineering Wing to Revenue Wing
Kozhikode Corporation	Construction of Vanitha Training Centre	June 2010	12.21	
Kozhikode Corporation	Food Analytical Laboratory	March 2011	17.58	For want of electrification
Kasaragod Municipality	Day care centre	March 2012	1.43	
Kasaragod Municipality	Anganwadi building	March 2012	7.14	

The Municipality/Corporation had not taken timely action to utilise these buildings.

**(vii) Idle Plant and Machinery**

Plant and Machinery worth ₹ 1.35 crore acquired by the ULBs were kept idle for the reason specified in **Table 3.8**.

**Table 3.8: Non-utilisation of plant and machinery**

Sl. No.	Name of ULB	Particulars of assets	Year from which idle	Cost (₹ in lakh)	Remarks
1	Punalur Municipality	Solid waste processing plant	June 2011	44.22	The Municipality had not made any arrangement for operating the plant.
2	Kozhikode Corporation	Biogas plants -3 numbers	1. Palayam Bus Stand - July 2010 2. Mofussil Corporation Bus Stand - March 2010	37.84	Components such as pressure release valves, pumps, solar heater, control panel for motoring operations, facility for biogas cleaning, etc., had not been completed/ executed by The Kerala Agro Industries Corporation Ltd., the implementing agency.

Sl. No.	Name of ULB	Particulars of assets	Year from which idle	Cost (₹ in lakh)	Remarks
			3. Central Market - October 2009		No action had been taken to complete the projects.
3	Kalpetta Municipality	Slaughter house and bio-gas plant	December 2006	36.08	Slaughter house was closed down due to Public protest. There was no treatment plant for processing waste. As the slaughter house (cost: ₹ 22.03 lakh) was not operational, a biogas plant built at a cost of ₹ 14.05 lakh was also remaining inoperative.
4	Thodupuzha Municipality	Biogas plant	November 2012	16.47	Non-provision of water/ electric connection.

### 3.2.6.4 Loss of revenue due to non-utilisation/ non-realisation of rent of shopping complexes

The primary objective of construction of shopping complexes is augmentation of revenue. It was incumbent on the ULBs to frame a well defined strategy with appropriate controls regarding fixation of rent, maintenance, periodical revision of rent, invoking penal action in case of default in payment of rent by lessees, etc. Audit noticed that due to non-adherence to these requirements, many of the shopping complexes built by ULBs were remaining without any return on investment and resultant loss of revenue as mentioned in **Table 3.9** below.

**Table 3.9: Idling shopping complexes left without any return**

Item/subject	Audit observation
Alappuzha Municipality- Loss of revenue due to non-acceptance of bid for rooms in Shopping complex built as part of EMS stadium	Out of the 124 rooms in the shopping complex, offers for only twenty-two rooms were received during September 2010 after two rounds of tendering. Although offer from one person for two rooms was accepted by relaxing the tender conditions (reducing the amount of deposit), the same relaxation was not extended to two other persons for 20 rooms and this was despite the fact that there was no demand for the rooms. The Municipality could not attract any takers subsequently, even though Municipal Council drastically reduced (November 2012) the deposit amount. Thus, the Municipality could not earn substantial revenue of ₹ 65.52 lakh towards rent (up to July 2013), apart from collection of an interest free deposit of ₹ 1.19 crore.  The Municipality stated that the offers were rejected based on the decision (September 2010) of the Council not to accept any offers with lesser deposit/rent than that fixed by the Municipality. The reply is not tenable as the Municipality had accepted reduced amount of deposit from other bidder.
Kottayam Municipality - Non- realisation of rent due to non-execution of agreement with the tenant	The Municipality let out (September 2003) 17 rooms (3454.59 square feet) of the Municipal Rest House to the District Sports Council without any agreement. As a result, the Municipality could not recover the rent amounting to ₹ 40.50 lakh (September 2003 to March 2013).  The Municipality reported (March 2013) the matter to

Item/subject	Audit observation
Shoranur Municipality - Building remaining idle due to non-maintenance	<p>Government for their intervention.</p> <p>The Municipality has a three-storey shopping complex in old bus stand in the town with 55 rooms (660 square metre). Out of this, 11 rooms with an area of 165 square metre were lying vacant from April 2003 onwards due to non-maintenance resulting in potential revenue loss of ₹ 15.13 lakh (calculated based on the information furnished by the Municipality) for the period from May 2003 to September 2013.</p> <p>The Municipality stated (December 2013) that provision is being made for renovation of bus stand-cum-shopping complex in ensuing years.</p>

### **3.2.7 Accounting**

Asset accounting includes recording complete, reliable and unbiased information about existing assets so as to facilitate proper maintenance, periodical physical verification as well as judicious replacement or disposal of assets in time. Audit observations on asset accounting are discussed below:

#### **3.2.7.1 Improper maintenance of registers**

Kerala Municipal Accounting Manual and Government order (December 2005) stipulate that each ULB should maintain asset registers in the prescribed form. Audit noticed that the asset registers maintained were incomplete in all the ULBs test-checked. The mandatory requirements such as survey number, date of acquisition, cost of acquisition, year of construction, description of the property, area, etc were not filled up in the prescribed form of the asset registers maintained by ULBs.

The registers for immovable property, movable property and land in Forms GEN 31, 32 and 33 respectively as prescribed in the Kerala Municipal Accounts Manual (KMAM) were also not maintained in any of the 17 ULBs test-checked.

#### **3.2.7.2 Non- accounting of assets**

(a) As per Government order issued in December 2005 a separate register was to be maintained by each ULB to record the details of public lighting. None of the ULBs test-checked, except Perinthalmanna, had maintained a register for recording details of public lighting. Audit noticed that though sizeable investment was made for public lighting by Kozhikode Corporation (₹ 7.83 crore during April 2010 to March 2012) and Varkala Municipality (₹ 23.91 lakh during 2012-13), those assets were not accounted for.

(b) Movable assets such as Dumper container, Power Sprayer and bins procured by Kerala Sustainable Urban Development Project at a cost of ₹ 24.25 lakh and handed over (September/November 2012) to Kozhikode Corporation were not recorded in the Asset Register of the Corporation.

(c) In respect of five ULBs<sup>18</sup>, out of 283 vehicles recorded in the register, although 54 vehicles were disposed of, the fact of disposal was not recorded in the register. Out of these, eight vehicles were disposed of during 2008 to 2011, whereas the disposal dates of 46 vehicles were not made available to Audit.

<sup>18</sup> Kozhikode and Thiruvananthapuram Corporations and Kottayam, Alappuzha and Pathanamthitta Municipalities

Further, 247 vehicles acquired during 2008-09 to 2010-11 were not accounted for in the Register.

### 3.2.7.3 Assets not incorporated in the Balance Sheet

The Balance sheets of Alappuzha Municipality for the years ended March 2011 and March 2012 exhibited the gross value of assets as ₹ 4.62 crore and ₹ 80.08 lakh respectively. Audit analysis of these two balance sheets revealed that the asset value as at March 2012 included only the acquisition during the year, but excluded the opening balance carried over from previous year.

As part of introduction (April 2007/April 2010<sup>19</sup>) of double entry accounting system, the ULBs were required to prepare an opening balance sheet at the beginning of the introduction of the system after valuing all the assets in possession. Audit noticed that:

- Out of the 17 ULBs test-checked, 11 ULBs<sup>20</sup> did not value the assets for the preparation of opening balance sheet. In all these Municipalities, assets acquired for the year 2010-11 alone were included in the Balance Sheet for 2010-11.
- Shoranur Municipality acquired 5.86 acres of land (3 plots)<sup>21</sup> during 2002-07 at a cost of ₹ 1.17 crore. This was not included in the balance sheet for the year 2010-11.
- Of the remaining six ULBs who had prepared the opening balance sheet, in respect of four ULBs<sup>22</sup>, the records of valuation of assets for opening balance sheet were not available.

## 3.2.8 Maintenance of assets

### 3.2.8.1 Shortfall in utilisation of Maintenance Grant

Guidelines for utilisation of Maintenance Fund issued by Government from time to time stipulated that at least 80 *per cent* of the maintenance fund made available shall be utilised during 2008-09 and 2009-10; 70 *per cent* during 2010-11 and 60 *per cent* during 2011-12 and 2012-13. In the case of short-utilisation, the same shall be deducted from the allocation of second subsequent year.

In the 17 ULBs test-checked, there was shortfall in utilisation amounting to ₹ 18.51 crore during the years 2008-09 to 2012-13. The total amount deducted from the budget allocation for the years 2010-11 to 2013-14 amounted to ₹ 11.17 crore. Thus, due to laxity in utilisation, the Municipalities were deprived of Government funds that could have been used for maintenance of assets.

### 3.2.8.2 Non-observance of norms for maintenance of roads and buildings

As per the norms prescribed in PWD Manual while periodical maintenance such as coloring, painting, repairing the doors and windows, roofs, etc., of buildings is once in two years, white washing of buildings is to be carried out annually. However, these norms were not followed by the ULBs test-checked.

<sup>19</sup> In five Corporations and two Municipalities (Alappuzha and Thalassery) with effect from 01.04.2007 and in the remaining Municipalities (58) with effect from 01.04.2010

<sup>20</sup> Kottayam, Punalur, Pathanamthitta, Tirur, Perinthalmanna, Mattannur, Angamali, Thodupuzha, Varkala, Kalpetta and Kasaragod

<sup>21</sup> Chuduvallathur -0.86 acre, Kavalappara- 3.70 acres and Kulappully- 1.30 acres

<sup>22</sup> Thiruvananthapuram and Kozhikode Corporations, Chavakkad and Alappuzha Municipalities

Test-check revealed the following:

- Due to non-maintenance of Government Higher Secondary School Building at Pathanamthitta, the class rooms were to be shifted (August 2012) to other buildings.
- Out of the nine schools in Punalur Municipality, maintenance was not carried out in six schools for the last five years and more.
- Out of 565 Anganwadi Centers functioning in own buildings, maintenance to 368 buildings had not been carried out during the past five to ten years (five to seven years: 128 buildings; eight to ten years: 240 buildings) in nine ULBs out of 17 test-checked.
- Government accorded (December 2010) sanction to utilise Maintenance Grant (non-road) for certain additional items like provision of drinking water facility, construction of wells, baby-friendly toilets, etc. in the Anganwadies/Balwadies. Audit noticed that out of 565 Anganwadi buildings, drinking water was not provided to 289 (51 *per cent*) buildings, toilet to 78 (14 *per cent*) buildings and electric connection to 232 (41 *per cent*) buildings by 11 ULBs out of 17 test-checked.
- Kozhikode Corporation was not giving priority to maintenance/repairs of buildings meant for health care of the poor. Out of 19 RCH (Reproductive and Child Health) Centers functioning in own buildings at different wards of the Kozhikode Corporation, maintenance to 14 buildings had not been carried out for the last nine years though the roofs of the buildings were leaking (in 6 cases) and floors, doors and windows, etc. also required repair works.

### **3.2.8.3 Encroachment of school land due to non-protection of boundaries**

Government LP School, Valacode, under the jurisdiction of Punalur Municipality possessed 190 cents of land against which the actual possession was only 145 cents. The remaining 45 cents had been encroached upon due to non-protection of boundaries. Municipality stated (May 2013) that the Tahasildar, Pathanapuram had been requested to survey and demarcate the land, and that action would be taken to construct compound wall.

### **3.2.8.4 Non-maintenance/repair of heavy vehicles**

Nine heavy vehicles in three ULBs were lying unutilised for want of repairs for the period from October 2009/March 2012 as detailed in **Appendix XI**. These movable assets included some costly vehicles such as combined harvester (one number), excavators (two numbers) etc.

### **3.2.9 Disposal of assets**

Once the movable assets become unserviceable/ obsolete and no longer capable of yielding further services, they have to be disposed of without delay to fetch maximum resale value and to avoid the expenditure on supervision, storage, maintenance and security.

Audit noticed the following in the disposal of assets:

### 3.2.9.1 Non-disposal of defunct incinerator

The Punalur Municipality had installed an incinerator at Taluk Hospital at a cost of ₹ seven lakh during October 2001 which became defunct in July 2008. Though the Superintendent of the Hospital had reported (July 2008) the matter to the Municipality, no action was taken to get it repaired or replaced. The ULB stated (May 2013) that a decision in this regard was still pending without citing any valid reason for the delay.

### 3.2.9.2 Non-disposal of vehicles

Audit noticed that 22 unserviceable vehicles were lying in the Municipality/ Corporation without being disposed of. Details are given in **Table 3.10**.

**Table 3.10: Details of idle/unserviceable vehicles**

Sl. No.	Name of ULB	Item	Date from which idle / unserviceable
1	Alappuzha Municipality	Three wheelers-10	Between January 2010 and January 2012
		Tractor-1	March 1997
		Road roller – 2	1997 and 1998
		Lorry – 5	2 lorries: between April 2004 and June 2005 3 lorries: between November 2011 and July 2012
2	Thiruvananthapuram Corporation	JCB – 2	March 2012
3	Shoranur Municipality	Lorry – 1	August 2006
4	Varkala Municipality	Road roller – 1	February 2010



**Vehicles lying idle in Alappuzha Municipality**

Prolonged retention of these idle vehicles would reduce their resale value.

### 3.2.10 Internal control

The internal control system relating to asset management available in the ULBs was not effective. Physical verification of assets was not being done in any of the test-checked ULBs, as a result of which the ULBs could not ensure that all assets accounted for in the stock register/asset register were physically available.

In order to avoid possible disputes about the ownership and/ or encroachment it is necessary to keep the title deeds of property under safe custody. Audit, however,



noticed that against 41 plots of land (17.53 hectares) recorded in the asset register of Punalur Municipality, the Municipality possessed the title deeds of only seven plots (3.51 hectares).

### **3.2.11 Conclusion**

There was under-utilisation of funds by ULBs for the creation of assets. In many instances the acquisition/creation of assets was dropped midway or it remained incomplete after substantial investments due to inadequacy of funds, failure to ensure ownership of land etc. Shopping complexes remained unutilized/under-utilised due to inefficient management. Lack of pragmatic decision making in accepting the offers, non-execution of agreement with the tenant, non-maintenance resulted in substantial loss of revenue to the Municipality. Basic information was lacking in the asset registers maintained by the ULBs. Periodical maintenance was not carried out in anganwadi centres, schools and health care centres. There was no system to record the details of maintenance carried out each year. Physical verification of assets was not conducted in any of the ULBs test-checked. Many of the assets, which had become unserviceable or obsolete, were not disposed of.

### **3.2.12 Recommendation**

- **Creation of assets should be properly planned and executed considering the immediate and long term requirements.**
- **Concerted efforts should be made to avoid under-utilisation/non-utilisation of assets through periodical review of assets.**
- **Accounting of assets should be streamlined by updating the information in the asset registers.**
- **A record of the maintenance of all assets should be kept and the maintenance carried out so as to obtain optimal value.**