CHAPTER IV

Compliance Audit

CHAPTER IV
COMPLIANCE AUDIT

AUDIT OF SELECTED TOPICS

4.1 IMPLEMENTATION OF BUILDING RULES IN KOCHI MUNICIPAL CORPORATION

4.1.1 Introduction

Regulation of building construction is one of the mandatory functions of Municipalities and Municipal Corporations as per the Kerala Municipality Act, 1994 (KM Act). The Government formulated the Kerala Municipality Building Rules, 1999 (KMBR) with effect from 01 October 1999 for the planned development of the Municipalities/Municipal Corporations, and also for the safety and well being of the occupants and public. According to KMBR, no person shall construct/reconstruct any building or develop any parcel of land without obtaining permit from the Municipality/Municipal Corporation.

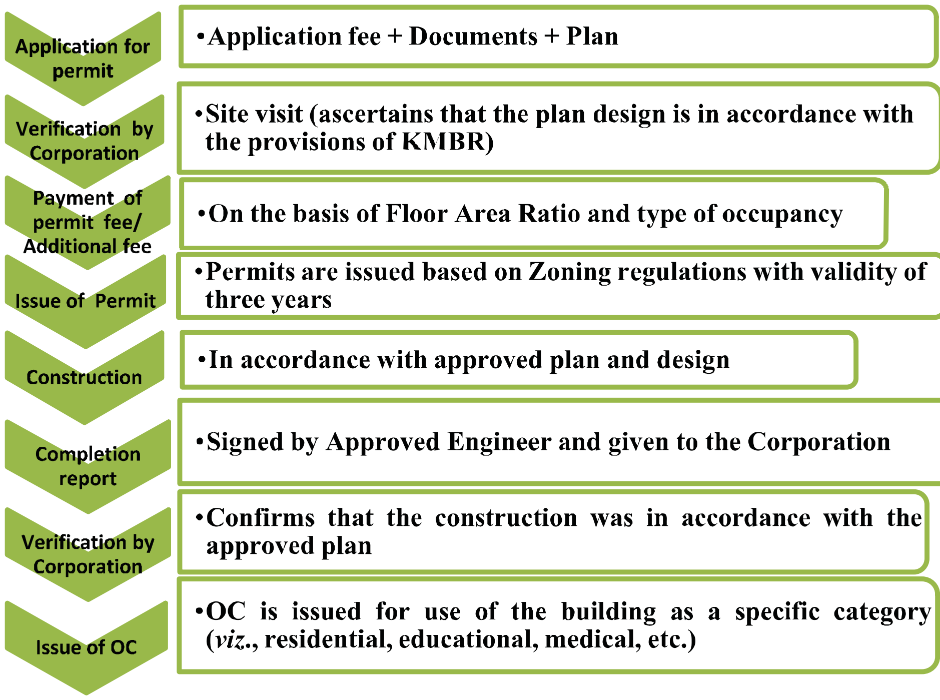
A General Town Planning Scheme (Structure Plan) has been formulated with effect from 31 May 2007 for the Kochi City area under the Town Planning Act, which supersedes the provisions of KMBR, in terms of Rule 3A of KMBR. In so far as the provisions contained in the Structure Plan are concerned, Kochi Municipal Corporation (KMC) area has been divided into eight major zones like residential, commercial, industrial, conservation, etc. Each zone has specified permitted uses, restricted uses and prohibited uses.

The objective of audit was to assess whether KMC has an effective system to ensure that constructions in the Corporation area are in accordance with KMBR/Structure Plan. Audit was conducted during April 2013 to July 2013 covering the period 2007-08 to 2012-13. Out of the total 74 Divisions in KMC, 21 Divisions were selected using Simple Random Sampling Method for detailed scrutiny. Audit methodology included scrutiny of basic records, registers, files, issue of audit enquiries, site inspection, etc.

4.1.2 Organisational set up

Being the administrative head, the Secretary of KMC (Secretary) is the authority to issue building permits and Occupancy Certificates (OCs). Government has delegated the power of issuing building permits/OCs among Assistant Engineer, Assistant Executive Engineer, Executive Engineer/Town Planning Officer and Corporation Engineer/Superintending Engineer, based on the plinth area and type of buildings. The different stages in implementation of KMBR are depicted in **Chart 4.1.**

Chart 4.1: Stages in implementation of KMBR



Audit findings

4.1.3 Processing of applications and maintenance of records for building permits

4.1.3.1 Absence of basic data relating to building permits

According to KMBR any person (other than a Central or State Government department) who intends to develop any land or construct any building should submit to the Secretary an application supported by necessary documents, together with necessary application fee. The Secretary, after verifying compliance of KM Act, KMBR and Structure Plan, shall grant or refuse to grant permission for execution of work within 30 days of receipt of the application. KMC has five Zonal Offices[1] which receive and process building permit applications concerning their jurisdiction.

(i) Audit noticed that KMC did not have consolidated database regarding the total number of permit applications received and total number of permits/OCs issued during a particular year. Even Division-wise details of permits/OCs issued were not being maintained. In the absence of consolidated database on building permits/OCs, KMC was not in a position to effectively monitor the construction activities going on in the Corporation area.

(ii) In the Permit Register maintained in KMC, basic details such as Division number, date of receipt of completion certificate, date of issue of OC,

[1] Central, Vyttila, Edappally, Palluruthy and Fort Kochi

renewals of permit etc., were not being recorded in a number of cases, on account of which it was difficult to monitor the permits issued. Government stated (November 2013) that direction would be given to KMC to keep proper register for building permit applications, permits given, permit renewals, regularization, etc.

(iii) The system of issuing building permits online was envisaged in the e-Governance programme being implemented in KMC as part of JNNURM[2]. Even though the Detailed Project Report on e-Governance costing ₹ 8.70 crore was approved in December 2008, the works relating to its implementation scheduled to be completed by March 2012 as per the agreement with Tata Consultancy Services (TCS), were entrusted to TCS only in February 2011. The project was not completed even as of December 2013.

Due to delay in implementation of e-Governance Project, scrutiny of permit applications and issue of permits/OCs were being done manually, except in the case of three zones[3], where permit applications for buildings above 60 square metre were being received online from 2011 onwards. Processing of applications and issue of permits/OCs in these three zones were also done manually. The slow pace of implementation was attributed to slackness in decision making and lapses in providing necessary infrastructure by KMC. Government stated (November 2013) that provision to submit building permit applications through e-filing had been included in KMBR *vide* Amendment made in February 2013.

4.1.3.2 System deficiency in pursuing permit applications/ lapsed permits

The Secretary, after verifying the bonafides of the ownership of land and confirming himself that the site plan and other specifications conform to the site and the provisions of KMBR, approves the site plan. The Secretary also confirms that the building plan, elevation and other specifications conform to the site and are in accordance with the rules and provisions applicable. Thereafter, the Secretary or the officer authorized in this regard, issues the building permit.

As per the details collected from the registers of the five Zonal Offices, against 42602 applications for permit received by KMC during 2007 to 2012, 40603 permits were issued and 1999 applications were pending. Of the permits issued, 531 permits were issued belatedly. Delay in issue/non-issue of permits was mainly on account of violations of KMBR/Structure Plan such as non-provision of required open space at the sides of buildings, non-adherence to limitations on Floor Area Ratio (FAR)[4], etc. Though Corporation had issued notices to the applicants pointing out the defects, it had no system to ensure that the parties did not commence constructions before obtaining permits. Site verification of eight pending applications by Audit revealed that in one case, the party had already completed construction without obtaining permit.

KMBR provide that in cases where the Secretary neither gives nor refuses permission for construction within the stipulated time, the Council can take a

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[2] Jawaharlal Nehru National Urban Renewal Mission

[3] Central, Vyttila & Edapally

[4] $\frac{\text{Total area on all floors of the building}}{\text{Plot area}}$

decision thereof, on the request of the applicant. Neither the Council nor the Secretary has the powers to issue permit contravening any provisions of the Act or Rules made thereunder. Scrutiny of records revealed that in cases where the Secretary initially refrained from issuing permits as the constructions violated provisions of KMBR, he later issued those permits based on the recommendations of the Town Planning Standing Committee[5] in a routine manner, overlooking the stipulated provisions. Test-check by Audit revealed that in 49 cases, KMC issued permits for construction violating KMBR/Structure Plan, based on the recommendation of the Town Planning Committee, beyond the powers bestowed under the Act or Rules.

4.1.4 Unauthorised constructions

In respect of unauthorized constructions which have been commenced, carried on or completed without obtaining approved plan or in deviation of the approved plan and which does not violate any provisions of KM Act or KMBR, the Secretary can regularize the constructions under Rule 143 of KMBR, after realizing the compounding fee due thereon. If the constructions violate any provisions of the Act or Rules, the Secretary shall demolish those constructions, after giving necessary notice to the party concerned.

Audit noticed unauthorized constructions in the Corporation area as mentioned below:

4.1.4.1 FAR and coverage exceeded prescribed limits

- As per KMBR, maximum FAR and coverage allowable for commercial buildings during 2008 were four and 65 *per cent* respectively subject to the condition that if FAR exceeds 2.5, Additional Permit Fee of ₹ 1000 per square metre was payable. However, as per the Structure Plan of KMC which supersedes KMBR, maximum FAR and coverage allowable on the sides of MG Road, were two and 50 *per cent* respectively.

Audit noticed that KMC issued (January 2008) permit for construction of a commercial building (TCS Textiles) on the side of MG Road, based on the general provisions of KMBR ignoring provisions of Structure Plan. As per the permit issued, the FAR of the building was 3.88 and coverage was 61.49 *per cent,* which violated the provisions of Structure Plan.

- As per KMBR, area meant for parking inside the building can be excluded from the computation of FAR. Audit noticed that in addition to the basement floor of the above building, the owner had shown the 7th, 8th & 9th floors of the building also as parking area in the plans. Consequently, the area of these floors (1840.30 square metre) was excluded from the computation of FAR. Subsequent inspection conducted by the Revenue wing of KMC to verify the existing stage of the building as per Section 244(2) of KM Act revealed that the above floors were actually used by the owner for unloading and stocking textile goods, and assessed property tax of ₹ 3.76 lakh per half year for these three floors. As the above area was utilized for purposes other than parking, Additional Permit Fee was leviable for this area also as per Rule 143, which worked out to ₹ 18.40 lakh. Compounding fee (twice the amount of permit fee) leviable in this case as per Rule 146(4) of KMBR was ₹ 36.80 lakh. The Secretary stated (September 2013) that a detailed

[5] Standing Committee of the Municipality, dealing with matters of town planning

reply will be furnished after examining the case. The detailed reply has not been received till date (May 2014).

4.1.4.2 Construction made by the side of backwaters violating Coastal Zone Regulations

In accordance with Section 3(1) and Section 3(2)(v) of the Environment (Protection) Act 1986, and Rule 5(3)(d) of the Environment (Protection) Rules 1986, Central Government has declared the coastal stretches of seas which are influenced by tidal action up to 500 metre from High Tide Line and the land between the Low Tide Line and High Tide Line as Coastal Regulation Zone (CRZ). In the case of backwaters and rivers, the distance limit was 100 metre on either side or the width of river/backwaters, whichever is less. The Central Government had imposed certain restrictions on construction activities in CRZ stipulating that before undertaking any construction in CRZ area, prior approval of Coastal Zone Management Authority (CZMA), and for projects exceeding rupees five crore in such areas, environmental clearance from the Ministry of Environment and Forests is mandatory.

Audit found that KMC issued permits for construction of 19 buildings (some of which were multi storied buildings having floors up to 21) by the side of Chilavannur backwaters (declared as CRZ area), violating Coastal Zone Regulation (CZR) norms without referring the cases to CZMA, and without obtaining environmental clearance from the Ministry of Environment and Forests. In respect of 13 buildings, the CZMA had also informed (February 2011) KMC about such violations. In one case, even though KMC directed the party not to proceed with the construction, the construction continued unimpeded. Details of the buildings are given in **Appendix XII**. Government stated (November 2013) that buildings violating CZR would be brought to the notice of Coastal Zone Management Authority.

One of the buildings by the side of Chilavannur Backwaters

4.1.4.3 Constructions made without concurrence of Art and Heritage Commission

As per the Structure Plan, no development, re-development, construction including additions, alterations, renovations, replacement of architectural features, demolition of any object or building in the area marked as Conservation (Heritage) Zone shall be allowed without the prior written recommendation of the Art and Heritage Commission, in order to preserve the heritage character of the area. Specific area of Division1-Fort Kochi has been marked as Conservation Zone in the Structure Plan.

KMC was not properly monitoring the construction activities in the Conservation Zone of Fort Kochi, and was not invariably obtaining the concurrence of Art and Heritage Commission before issuing permits. Details of permits issued by KMC without the concurrence of Art and Heritage Commission, and construction carried out by parties violating the stipulations of Art and Heritage Commission are given in **Appendix XIII**. Government stated (November 2013) that buildings constructed without prior concurrence of Art and Heritage Commission would be brought to the notice of the Commission. Further developments in the matter are awaited (May 2014).

4.1.4.4 Construction made violating permit and buildings occupied without Occupancy Certificate

As per Rules 4 and 20 of KMBR, construction of buildings within the municipal area shall be done only in accordance with the permit given, and the owner shall obtain an OC from the Secretary before occupying the building. In June 1997, KMC issued permit for construction of a 13- storey residential apartment. The Revenue Wing of the Corporation detected in 2009, that the building was constructed violating various provisions of KMBR. Against permission for construction of a residential apartment of area 6448.82 square metre, the owner had constructed a 14- storey modern hotel (Emerald Hotel) of area 8406.51 square metre with 126 rooms, which was functioning from October 2009 onwards without obtaining OC. The Revenue Wing assessed the building from October 2009 onwards levying property tax of ₹ 32.03 lakh per half year.

Emerald Hotel

In March 2010, the Government informed the Secretary to take action for regularization of the building after demolishing the unlawful constructions, if the application for OC has been given by the owner within the validity period of permit. Even though application for OC had not been submitted by the owner within the validity period of the permit, no effective steps were taken by the Secretary to examine the case and take appropriate action.

4.1.4.5 Construction made violating height restriction

KMC issued (September 2000) permit to Kerala State Housing Board for construction of a 12 -storey commercial building (Revenue Tower), which was completed in March 2009. The building was within the specified distance from the airport. Hence it was mandatory for KMC to obtain No Objection Certificate (NOC) from Aviation Department with respect to aeronautical obstruction. The height of the building actually constructed was 50.60 metre against 46.60 metre stipulated in the NOC issued by Aviation Department. Audit noticed that Aviation Department had rejected (November 2001) an application submitted by the party for increasing the height of the building above 46.60 metre. KMC issued (March 2009) OC only up to the 11th floor of the building on the

Revenue Tower

condition that the 12th floor, which exceeded the stipulated height was to be demolished, if no NOC was received from Aviation Department for the same. Even though no fresh NOC allowing construction exceeding 46.60 metre has been received till date (May 2014), no action has been initiated to demolish the illegal construction.

4.1.4.6 Constructions done without permits

Rule 4 of KMBR stipulates that no person shall construct or re-construct or make addition/alteration to any building without obtaining a permit from the Secretary. Test-check of records revealed that the Revenue Wing of the Corporation had detected 19 constructions (including 14 buildings of M/s Ambuja Cements Ltd., two mobile towers) without obtaining permits. The Secretary had not initiated any action against the owners for the unauthorized constructions. Government stated (November 2013) that direction would be given to necessitate legal action against unauthorized construction of buildings violating rules.

4.1.5 Renewals of permits beyond stipulated period

If construction is not completed within the nine years validity period (including renewal periods) of permit, a fresh permit is required for continuing construction. Audit noticed that in the case of Emerald hotel, even though the maximum period up to which the permit could be renewed was 3 June 2006, instead of asking the party to apply for fresh permit, the permit was renewed two times (August 2006 and January 2009) up to 1 June 2009. The construction was completed and the hotel started functioning from October 2009 onwards. Revenue loss on account of not taking fresh permit amounted to ₹ 39.64 lakh[6].

Government stated (November 2013) that considering the practical difficulties faced by the public, Government amended KMBR in February 2013 incorporating a provision that a permit can be renewed for a period beyond nine years with or without conditions, based on the recommendation of the designated committee after verifying the genuineness of the application submitted by the party concerned in this regard.

However, regardless of the fact that the party had not submitted applications for the extension of validity period of permits till date (January 2014), the permit in this case was renewed (2009) much before the amendment came into existence.

4.1.6 Monitoring mechanism

4.1.6.1 Proper maintenance of records to monitor constructions

Audit scrutiny revealed that no records/registers were maintained in Town Planning Section dealing with regulation of building construction, for recording details of unauthorised constructions including those regularized by Government under Section 407 of KM Act. Even though the Revenue Section, entrusted with assessment of property tax, maintains register for recording details of assessments made in respect of unauthorised constructions detected by field staff during field visits, the Town Planning Wing is not systematically examining the extent of violations in respect of those cases. As per the register maintained by Revenue Section, during 2007-08 to 2012-13 KMC detected 441 unauthorised constructions, out of which 103 constructions were regularised and the remaining 338

[6] excluding the renewal fee deposited by the party

constructions were pending regularization, mainly due to the absence of proper records and lack of coordination between Town Planning Section and Revenue Section.

4.1.6.2 Vigilance mechanism to detect violations

(i) The vigilance squad headed by Senior Town Planner (Vigilance), constituted by Government, detected (July 2012) 34 cases of KMBR/Structure Plan violations in the Corporation area. KMC had, however, initiated no action to regularize/demolish these constructions.

(ii) No quarterly reports regarding permit applications received, permits issued, number of unauthorized constructions detected/regularized, etc., were being forwarded to the Government as stipulated in Rule 156 of KMBR.

(iii) The District-level vigilance squad formed by Government in August 2009 in accordance with Rule 157 of KMBR was not functional due to non appointment of Government nominee. In view of the increasing number of unauthorized constructions, it is essential that the squads are made fully functional at the earliest.

Government stated (November 2013) that a new vigilance wing headed by the Chief Town Planner (Vigilance) had been formed to address unauthorized constructions and violation of building rules.

4.1.7 Conclusion

System for evolving a centralized database relating to building permits/unauthorized constructions, coordination among the sections, proper maintenance of prescribed registers and adequate vigilance mechanism were absent in KMC. As a result, KMC could not properly exercise control over the construction activities in the municipal area. Violations of KMBR/Structure Plan, compromising on safety/security requirements were noticed in the issue of building permits/ construction of buildings, which adversely affected the ecology/heritage character of the area, and resulted in considerable loss of revenue in certain cases.

4.2 PROJECT IMPLEMENTATION UNDER BACKWARD REGIONS GRANT FUND PROGRAMME

4.2.1 Introduction

Government of India (GOI) launched a cent *per cent* centrally assisted programme *viz.,* the Backward Regions Grant Fund Programme (BRGF) in 2006-07 in 250 backward districts in the country to redress regional imbalances in development. The scheme was intended to provide financial resources to:

(i) bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,

(ii) strengthen Panchayat and Municipality level governance with adequate capacity building and professional support to facilitate participatory planning, decision making, implementation and monitoring to reflect local felt needs, and

(iii) improve the performance and delivery of critical functions assigned to Panchayats.

In Kerala, two districts, *viz*., Wayanad and Palakkad, were selected under BRGF, as backward districts. The programme initially intended to be completed by the end of 2011-12, was subsequently extended up to 2016-17.

Wayanad, which has the highest number of Scheduled Tribe (ST) population, stands behind other districts in the overall index of socio-economic backwardness in Kerala. The district is lagging behind the State in literacy, per capita income and has higher infant mortality and maternal mortality, school dropouts, etc. In Palakkad, an agrarian district, with a higher level of rural and Scheduled Caste (SC) population, the major backwardness indices were low literacy rate, low development index, highest SC/ST student-teacher ratio, etc. The District is lagging behind others in proper infrastructure such as housing, hospitals, school buildings etc., and also facing challenges due to drought and water scarcity.

The management and implementation of the programme were to be executed by Panchayat Raj Institutions (PRIs), Municipalities and District Planning Committees (DPCs). At the State Level, a High Power Committee (HPC) formulates policy guidelines and monitors the implementation of the programme. Audit was conducted during April 2013 to July 2013 to ascertain whether there was proper planning and effective system for implementation of the programme; in addition, whether utilisation of funds was in compliance with the provisions set under the programme. The period covered was 2006-07 to 2012-13. Apart from Poverty Alleviation Units (PAU), District Collectorates (DC), District Planning Offices (DPO) and District Panchayats (DP) of these two districts, four Block Panchayats[7](BP), one Municipality[8] and six Grama Panchayats[9] in these districts were selected through Probability Proportional to Size without Replacement mode of statistical sampling. Records of Local Self-Government Department (LSGD), Commissionerate of Rural Development (CRD), Kerala Institute of Local Administration (KILA),[10] etc., were also sample-checked.

Audit Findings

4.2.2 Planning

4.2.2.1 Baseline Survey and Participatory Planning

BRGF was meant to provide financial resources for supplementing and converging existing developmental inflows into identified districts. For this, each district was required to undertake a diagnostic study of its backwardness by enlisting professional planning support and a baseline survey. Guidelines stipulate that each district shall prepare a participatory district Development Perspective Plan (DPP) for each five year plan period through people's participation, particularly through Grama Sabhas and Ward Committees, and the participatory plans prepared by Panchayats and Municipalities were to be consolidated into district plan by the District Planning Committee.

Audit observed the following in the selected Local Self-Government Institutions (LSGIs):

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[7] Kollengode, Nenmara, Sreekrishnapuram, Mananthavady

[8] Palakkad

[9] Edavaka, Mananthavady, Thavinhal, Thirunelli, Thondernad, Vellamunda

[10] An autonomous training, research and consultancy organisation constituted by State Government with the objective of strengthening decentralisation and local governance

- No baseline survey was conducted in both Palakkad and Wayanad Districts. In the absence of baseline survey, identification of critical gaps in infrastructure and later evaluation of the programme was not possible.
- Grama Sabhas and Ward Committees of both districts were not involved in selection of the programmes identified for implementation. Hence it could not be ensured that the programmes implemented in the districts encapsulate the felt needs of the people in the inter-se prioritization of the projects.
- DPP of Palakkad District for 11th and 12th plan period, prepared by a Technical Support Institution (TSI), did not include necessary items such as expected flow of funds under various schemes, convergence with various flagship programmes, project-wise anticipated outcomes, etc.
- Wayanad District had not prepared the DPP for XI and XII plan periods. However, the DPO Wayanad had prepared a DPP for the period 2009-13 which also contained similar deficiencies.

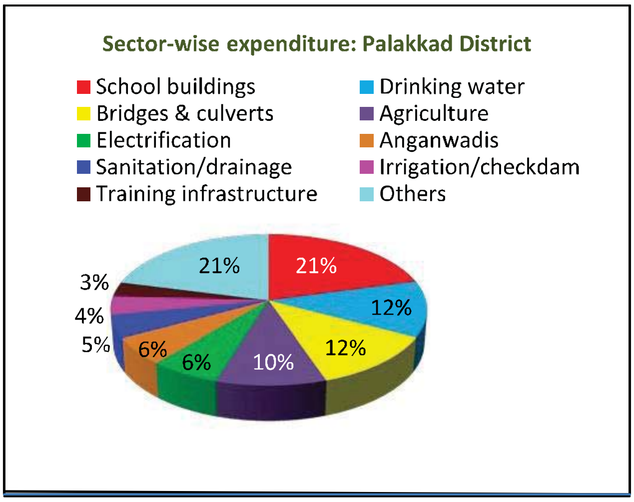
4.2.3 Programme implementation

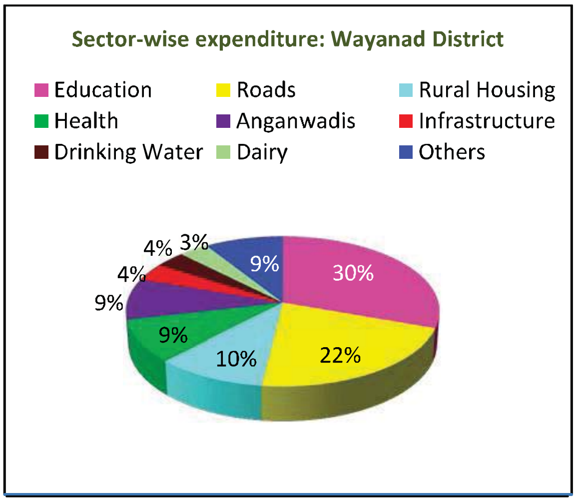
The projects which were meant to plug the gaps in infrastructure in the two districts mainly related to education, infrastructure, drinking water, housing, anganwadis, electrification, roads and bridges and were generally in sync with the backwardness indicators. Substantial portion of the expenditure was incurred on education sector in both districts followed by roads, housing and health sectors in Wayanad District and drinking water, bridges/culverts and agriculture sectors in Palakkad District.

HPC sanctioned (2006-07 to 2012-13) 1377 projects for Palakkad District estimated to cost ₹ 115.88 crore. Out of this, 1154 projects were completed (March 2013) by spending ₹ 66.75 crore.

For Wayanad, HPC sanctioned (2006-07 to October 2013) 2541 projects at an estimated cost of ₹ 117.80 crore. Out of this, 695 projects were completed (October 2013) by spending ₹ 38.37 crore. The remaining 2069 projects (Palakkad: 223, Wayanad: 1846) were either not started or at various stages of implementation. The sector-wise details of units sanctioned, completed, the funds sanctioned and expended by these districts are given in **Appendix XIV.**

Sector-wise expenditure incurred by the two districts (Palakkad: up to March 2013, Wayanad: up to October 2013) is depicted in the pie-chart below:





Audit noticed instances of shortcomings in implementation of the projects as mentioned below:

4.2.3.1 Unfruitful expenditure on Oncology Radiation Unit

The HPC approved (February 2008) setting up of an Oncology Radiation Unit costing ₹ 3.54[11] crore at Nalloornad, utilizing BRGF funds, as cancer treatment facilities were not available in Wayanad District. The main components of the project were, civil works costing ₹ 1.05 crore and purchase of cobalt therapy machine costing ₹ two crore. The District Collector released ₹ 2.12 crore in October 2009, and the balance ₹ 1.42 crore in May 2012, to the District Medical Officer (DMO) for the implementation of the project. An agreement was executed (28 February 2011) with Nirmithi Kendra for construction of civil works at a cost of ₹ 1.04 crore which was scheduled to be completed within twelve months from the date of release of first advance. In March 2011, the first advance of ₹ 52 lakh was paid to Nirmithi Kendra. Kerala Medical Service Corporation Limited (KMSCL), who was authorized to supply the cobalt therapy machine, informed (December 2011) the DMO that the machine would cost ₹ three crore, against the originally estimated cost of ₹ two crore. Accordingly, without exploring the sources for additional funds required, the DMO deposited (June 2012) ₹ three crore with KMSCL, towards the cost of machine. Payment to KMSCL was made without any agreement/work order. Site verification conducted (May 2013) by Audit revealed that civil works had not progressed after reaching the plinth level due to paucity of fund and KMSCL had not supplied the Cobalt Therapy Machine.

The necessity for purchase of the machine arises only after completion of the civil works. Depositing the entire cost of machine with the supplier, without considering the availability of the funds to execute the balance work and without ensuring completion of civil works before supply of the machine was injudicious. Thus, despite spending ₹ 3.52 crore, the project has not become functional, thereby depriving public of the intended benefit.

[11] The estimated cost was based on the proposal from District Planning Manager, National Rural Health Mission, Wayanad

4.2.3.2 Expenditure on inadmissible works

BRGF guidelines stipulate that funds were to be utilised only for filling critical gaps vital for development. Audit observed that ₹ 2.49 crore was incurred on inadmissible works such as renovation of District Panchayat auditorium, District Collector's suite, construction of staff quarters, other office building, etc., in five out of 13 LSGIs test-checked. The details are given in **Appendix XV.**

4.2.3.3 Capacity Building

Continuous and sustained capability building of all stakeholders such as elected representatives, officials, etc., was required for effective implementation of BRGF. The Capacity Building (CB) component envisaged investments in hardware and infrastructure, providing training programmes and follow-up of activities. KILA was the implementing agency for various activities under CB component. During the period 2007-08 to 2012-13, GOI released an amount of ₹ 5.95 crore towards CB component, out of which ₹ 5.44 crore was expended.

Audit noticed the following shortcomings in the implementation of the CB component:

- Though the fund released under CB component was required to be utilized for capacity building in the backward districts, KILA utilized the fund for the training needs of the entire State. Up to 2012-13, KILA imparted training to 9004 elected representatives and 6568 Panchayat officials. However, in the test-checked LSGIs, Audit observed that no training was imparted to the officials/elected representatives under the CB component, indicating that adequate attention was not given for the training needs of the backward districts.

- During the period 2010-11 and 2011-12, a total amount of ₹ 9.28 lakh was received as interest. This amount was not accounted for as additional resources in the Utilisation Certificates (UCs) forwarded to GOI by KILA during the respective years. Out of this, an amount of only ₹ 4.20 lakh was included as interest income in UC submitted for the year 2012-13.

4.2.4 Utilisation of funds

GOI provided the entire funds for the implementation of the programme in two streams *viz*., Development Fund (DF)[12] and Capability Building Fund (CBF)[13]. Under DF, GOI had released ₹ 127.92 crore up to 31 March 2013 against the allocation of ₹ 225.39 crore. Of the funds released by GOI, UC for ₹ 102.17 crore was submitted to GOI. The unutilized portion of DF amounting to ₹ 29.92 crore[14] was lying unspent with State Government (₹ 19.56 crore) and District Collectors (Wayanad District: ₹ 6.90[15] crore; Palakkad District: ₹ 3.46 crore). The utilisation was 77 *per cent* of the funds available. Audit also noticed that the short release of ₹ 97.47 crore by GOI was mainly due to slow pace of implementation of the programme and thereby delay in submission of UC.

[12]The DF is meant for redressing regional imbalances in development by identifying and filling up critical gaps in integrated development

[13]CBF is for building capacities in planning, implementation and monitoring of assigned schemes and functions and improving accountability and transparency at the level of PRIs

[14]Includes interest and other receipts of ₹ 4.17 crore

[15]Does not include ₹ 11.40 crore refunded by State Government to GOI

Audit noticed the following points in the distribution of DF to PRIs/ULBs:

- As per the guidelines, State was required to evolve a normative formula for allocating BRGF funds to each PRI/ULB, taking into account its backwardness. The share of BRGF funds relating to GPs in Palakkad District for the period up to 2011-12 had not been fixed and hence no fund was allocated to the GPs, except in the case of three GPs for which allocation was made at the fag end of 2011-12. Hence implementation of programmes pertaining to the GPs in Palakkad was executed either by BPs or DPs. This was against the spirit of decentralized planning, as envisaged in the Kerala Panchayat Raj Act, 1994.
- Though certain percentage of DF was required to be earmarked as performance incentives to LSGIs, no funds were earmarked for such incentives.

4.2.4.1 Furnishing of inflated UCs

The District Collectors, who were the custodians of BRGF funds, showed the advances given to PRIs/ULBs as final expenditure in their accounts (except in the case of Wayanad for 2008-09 and 2009-10) as well as in the UCs submitted to GOI, irrespective of the fact that substantial fund was lying unspent with PRIs/ULBs.

4.2.4.2 Non-refund of excess amount received

GOI released (August 2011) ₹ 17.86 crore to Wayanad District against ₹ 6.46 crore entitled to it. The District Collector drew the amount in March 2012 and deposited it in BRGF accounts. Based on the direction of GOI, though the State Government refunded (May 2012) the excess amount received, the District Collector had not recouped the amount to State Government (June 2013).

4.2.4.3 Delay in release of fund by State Government

BRGF guidelines stipulate that the Government shall transfer funds to the accounts of PRIs within 15 days of its release by GOI. Failure in this regard attracts penal interest at RBI bank rate, with effect from 18 June 2009. Audit observed that there was delay up to 71 days (18-25 days: five instalments, 26-50 days: four instalments, 51-71 days: one instalment) in transferring funds to the districts by the Government. Penal interest payable by the Government for the delayed transfer of funds to districts, worked out to ₹ 45.98 lakh.

4.2.5 Monitoring and evaluation of programmes

The Guidelines prescribed various procedures for the effective monitoring of the programme, such as conduct of peer reviews, social audit and vigilance at grass roots level, instituting a quality monitoring system, public display of scheme details, etc. Audit noticed that none of the above activities were carried out in the districts, even though these issues were regularly discussed in the District Level Review Committee/HPC meetings.

4.2.6 Conclusion

Planning process for the implementation of BRGF in the two districts was deficient due to absence of baseline survey and participatory planning by Grama Sabhas and Ward Committees. There was laxity in providing training to the officials of PRIs/elected representatives of the districts. There were deficiencies in project management that led to delayed implementation, especially in Wayanad, where 72.65 *per cent* of works were not started or were at various stages of progress. Further, effective monitoring and evaluation was not put in place in the districts.

4.3 IMPLEMENTATION OF MAJOR COMPONENTS UNDER SWARNA JAYANTI SHAHARI ROZGAR YOJANA

4.3.1 Introduction

Government of India (GOI) launched (December 1997) Swarna Jayanti Shahari Rozgar Yojana (SJSRY) to provide gainful employment to the urban unemployed and underemployed through encouraging setting up of self-employment ventures or provision of wage employment. The Scheme subsumed three earlier urban poverty alleviation programmes, namely, Urban Basic Services for the Poor (UBSP), Nehru Rozgar Yojana (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). In April 2009, the Scheme was revamped to overcome the difficulties faced by the States by bringing together four major components, namely, Urban Self Employment Programme (USEP), Urban Women Self-help Programme (UWSP), Skill Training for Employment Promotion among Urban Poor (STEP-UP) and Urban Wage Employment Programme (UWEP), and the assistance to the beneficiaries was enhanced substantially. GOI releases the fund for SJSRY as a whole to the State and the State is given flexibility to distribute the funds to the various components as per the requirement and also subject to meeting the physical targets as prescribed. The details of different components are given in **Appendix XVI**.

The State Government issued guidelines based on the revamped SJSRY in April 2010. The State Poverty Eradication Mission (Kudumbashree[16]) is the State Level Nodal Agency (SLNA) for implementation of the Scheme in Urban Local Bodies (ULBs). The Community Development Society (CDS) under Kudumbashree provides support to the ULB in various aspects of implementation of the scheme, including disbursement of subsidy to the beneficiaries through banks. The organisational set up of Kudumbashree is depicted in **Diagram 4.1**. The Secretary of the ULB is the implementing officer.

[16] Kudumbashree is a registered society under The Travancore Cochin Literary Scientific and Charitable Societies Registration Act, 1955. Its work is built around three pillars- economic empowerment, social empowerment and women empowerment to eradicate absolute poverty through the networking of two and half lakh women self-help groups in the State.

Diagram 4.1: Organisation of Kudumbashree

The Central and State shares for the implementation of the Scheme was in the ratio 75:25. The funds required for the implementation of the scheme are passed on to the CDSs through the Kudumbashree Mission to District Missions for STEP-UP and Secretary, ULBs for remaining components.

Audit conducted an assessment of the different aspects of implementation of the scheme during April 2013 to July 2013 covering the period from 2008-09 to 2012-13. Out of the 14 districts in the State, five[17] were selected using Probability Proportional to Size Without Replacement (PPSWOR). From each selected district, 33.33 *per cent* ULBs were selected applying PPSWOR. Accordingly, 20 ULBs[18] and the records maintained in the 28 CDSs under these ULBs were scrutinized. Audit methodology included beneficiary survey, joint inspection of units/beneficiaries, scrutiny of records maintained in CDSs, District Mission Offices and State Mission Office, issue of audit enquiries and obtaining replies, discussion with officials, interaction with the Department of Government, etc.

Audit findings

4.3.2 Planning

Planning is an important ingredient in the successful implementation of the Scheme. The need to act within a time limit necessitates advance planning. As per the revised guidelines issued (1 April 2010) by the State Government, CDSs had to prepare Action Plans annually for the Scheme. Audit noticed that six CDSs had not prepared Action Plan for any of the years covered in Audit. However, the period for which the Action Plan was prepared by other CDSs ranged from one to four years (six CDSs: one year, three CDSs: two years, one CDS: three years, three CDSs: four years). In respect of one CDS, no information was available.

[17] Thiruvananthapuram, Alappuzha, Ernakulam, Thrissur and Kannur

[18] Thiruvananthapuram, Attingal, Nedumangad, Varkala, Cherthala, Mavelikkara, Alappuzha, Chengannur, Kochi, Kothamangalam, Kalamassery, Angamaly, Kodungallur, Guruvayoor, Kunnamkulam, Chalakkudy, Kannur, Thalassery, Payyannur and Thaliparamba

Absence of Annual Action Plans had an impact on the fruitful utilisation of the funds allotted under the Scheme.

As per the revised guidelines, ULBs were to provide separate allocation for USEP and UWSP components in their annual plan and obtain District Planning Committee's approval for the projects. This was not done by any of the ULBs test-checked.

4.3.3 Identification of beneficiaries

SJSRY State guidelines stipulate that final lists of beneficiaries are to be prepared through Ward Committee or Ward Sabha based on the criteria prescribed in the Scheme. Audit noticed that the lists of beneficiaries prepared by NHGs/Area Development Societies (ADSs) were not prepared through the Ward Committee/Ward Sabha concerned. As such, there could be possibility of inclusion of beneficiaries not covered under the scheme, as well as exclusion of eligible beneficiaries in the lists finalised by CDSs.

4.3.4 Implementation of different components of SJSRY

Out of the four major components to be implemented under SJSRY, one component (UWEP) was not implemented.

The physical target fixed by GOI for the implementation of the remaining three components during the period 2008-09 to 2012-13, and achievements thereagainst are given in **Table 4.1.**

Table 4.1: Target and achievement during 2008-13

(No. of beneficiaries)

Year	USEP		UWSP		STEP-UP	
	Target	Achievement (Percentage in bracket)	Target	Achievement (Percentage in bracket)	Target	Achievement (Percentage in bracket)
2008-09	2449	3820 (156)[19]			3062	3632 (119)
2009-10	531	813 (153)	531	283(53)	3613	2696 (75)
2010-11	531	1065 (201)	531	254 (48)	4250	3190 (75)
2011-12	1345	1305 (97)	897	425 (48)	5362	3072 (57)
2012-13	2164	1914 (88)	1585	1353 (85)	29000	20011 (69)

The implementation under UWSP was unsatisfactory, except for 2012-13 where it was 85 *per cent*. The achievement under STEP-UP was uneven as after the first year high of 119 *per cent*, the progress declined to a low of 57 *per cent* in 2011-12. The low achievement in the implementation of these components was attributed to disinterest shown by the beneficiaries to bear the loan liability with high rate of interest, procedural delay in obtaining loans, uncertainty over the profitability of self-employment ventures, conflicts among the members of the UWSP Groups etc.

Audit noticed other deficiencies in the implementation of the components under SJSRY, which are discussed below:

[19] split-up for USEP and UWSP is not maintained by the Department.

4.3.4.1 Closing down of units due to lack of proper follow up

The GOI guidelines for project administration envisaged appointment of a Community Organizer (CO) at Community level. The success of the scheme relied upon the performance of the COs, as they were to establish a link between the urban poor community (represented through the CDS) and the implementation machinery, *viz*., Urban Poverty Alleviation Cell at the ULB level. CO's responsibility includes regular follow up with the financed beneficiaries to monitor the progress of their self employment ventures as also the timely repayment of loans, etc. Audit noticed that 918[20] units out of 1504[21] units set up were closed down till 31 March 2013. Absence of proper system of continuous follow up by the CDSs was one of the reasons attributable for closure of units. Kudumbashree attributed (December 2013) the reasons for non-survival of the units to conflict among group members, lack of professionalism in pursuing the ventures, etc. Kudumbashree State Mission also stated that as the COs had to take up other activities like community mobilisation, preparation of action plans for CDSs, etc., it was not possible for them to continuously support the enterprises.

4.3.4.2 Non-setting up of Micro Business Centres

As per GOI guidelines, the implementing agency (Kudumbashree) was to establish Micro Business Centres (MBCs) for which financial support not exceeding ₹ 80 lakh was available under SJSRY. MBCs have the role of handholding in relation to technology, marketing and consultancy as well as in setting up micro-enterprise and marketing products for the urban poor who aspire to be self-employed by setting up their own small business or manufacturing units. Audit noticed that Kudumbashree had not initiated any action to establish MBCs. Reason for non-establishment of MBCs as attributed by Kudumbashree was lack of initiative on the part of ULBs in forwarding proposals for establishing these centres.

4.3.4.3 Additional burden of repayment

Under UWSP, Cherthala Municipality formulated (2008-09) a project, *viz*., 'Integrated goat rearing' at a cost of ₹ 20 lakh. Fourteen activity groups, each consisting of five members, were identified for the project. Though, as per the procedure, the beneficiary groups themselves had to avail loans from the bank, CDS, Cherthala adopted an incorrect procedure of availing loan by directly approaching the banks. As a result, as on 12 June 2013, ₹ 6.57 lakh was outstanding against the loan account of the CDS. In a meeting of beneficiaries held with the District Mission Co-ordinator (June 2013), it was decided to distribute the loan liability of ₹ 6.57 lakh among the beneficiaries. Further developments in the matter are awaited (May 2014).

4.3.4.4 Availing loans from banks

(i) Out of 7559 beneficiaries identified under USEP/UWSP, 5,405 loan applications of the beneficiaries were forwarded to the banks for obtaining loans. Of these, loan amounting to ₹ 33.24 crore was sanctioned to 3,990 beneficiaries, 1,389 beneficiaries were rejected and the remaining 26 were under process.

[20] USEP: 859 UWSP: 59
[21] USEP: 1370 UWSP: 134

(ii) Test check of the loan cases revealed that the banks did not adhere to the directions of RBI. The deviations included commencement of repayment of loans from the very next month of release (without permitting the initial moratorium of six to 18 months), deduction of subsidy from the loan amount as and when it was released to the banks instead of keeping the subsidy amount in the Subsidy Reserve Fund Account and non-refund of undisbursed subsidy.

Kudumbashree, being the SLNA, had the responsibility of taking up the issues related to availing of loans from banks, which was a major bottleneck in the smooth implementation of the scheme. Timely intervention of Kudumbashree with effective remedial measures and fruitful discussions with banks would have improved the situation.

4.3.5 Capacity building programme

The STEP-UP component of SJSRY is to ensure that potential beneficiaries for enterprise support under USEP and UWSP have the aptitude, knowledge and skills required for successful micro entrepreneurship. STEP-UP included orientation programmes (General Orientation Training (GOT) and Entrepreneur Development Programme (EDP)) for five days, followed by more specific skill training in the areas of Catering, Tailoring, Carpentry, Hotel Management, etc., for a period up to six months. The ultimate objective of SJSRY was to encourage setting up of self-employment ventures. The outcome of the programme depended on the number of units started by the beneficiaries and their continuance.

Audit noticed that while there was enough response from the participants in attending the orientation programme during the initial days, the number of participants drastically dropped as the training became more intensive and skill-based. Audit scrutiny in the test-checked ULBs revealed that the number of ventures started by the beneficiaries after attending the simple orientation programme was very low (on an average of 6.77 *per cent*), while those who had undergone skill training were more inclined to start a venture. Substantial number of dropouts of participants was attributed to uncertainty in the minds of the participants about the financial sustainability of the units, non-empanelment of skill training agencies and the likely loss of wages to BPL beneficiaries during the period of training.

The Executive Director, Kudumbashree stated (December 2013) that through GOT the participants develop a clear idea regarding the procedures and risk involved in setting up self employment enterprises and hence, genuinely interested candidates would come up for EDP and in turn for skill development programme. The Executive Director added that to address the issue of high dropouts, Kudumbashree had entered into a MoU with four reputed training agencies during 2013-14 for placement oriented training.

4.3.6 Non-implementation of Urban Wage Employment Programme

UWEP seeks to provide wage employment to unskilled BPL beneficiaries by utilizing their labour for construction of socially and economically useful public assets and 18 *per cent* of the total allocation of SJSRY is earmarked for its implementation. This component was initially decided (May 2011) to be implemented through MGNREGS Mission following the guidelines of the State Sponsored scheme, *viz*., Ayyankali Urban Employment Guarantee Scheme (AUEGS). As UWEP was not implemented through MGNREGS Mission, Government shifted its policy and decided (May 2012) to implement the component through the Director of Urban Affairs (DUA) as part of AUEGS. The DUA, however, started implementing UWEP only in November 2013. Thus, due to frequent policy shift in assigning the agencies, the implementation of UWEP was held back.

4.3.7 Utilisation of fund

Year-wise details of receipts and expenditure of the Scheme as reflected from the records of Kudumbashree are given in **Table 4.2**.

Table 4.2: Receipts and Expenditure

(₹ in lakh)

Year	Opening balance	Receipt			Expenditure	Balance
		Central	State	Total receipt		
2008-09	0	1017.91	339.30	1357.21	1357.21	0
2009-10	0	948.13	316.04	1264.17	1264.17	0
2010-11	0	474.03	158.01	632.04	632.04	0
2011-12	0	1376.53	394.00	1770.53	1696.53	74.00
2012-13	74.00	3228.42	1185.12	4413.54	2339.25	2148.29
Total		**7045.02**	**2392.47**	**9437.49**	**7289.20**	

Audit noticed the following:

- Though a total of ₹ 94.37 crore was available for SJSRY during the period 2008-09 to 2012-13, expenditure incurred was ₹ 72.89 crore only (77 *per cent)*.
- Kudumbashree furnished UCs to GOI up to 2011-12, which overstated the actual expenditure incurred on the scheme. The entire amount received from GOI was shown as expenditure for the years 2008-09 to 2010-11, even though sizeable amount was retained in the scheme accounts maintained by the State Mission Office. The balance of funds lying with State Mission Office, ULBs and CDSs were shown to have been expended in the UC.
- As per information provided to Audit, as on 31 March 2012, Kudumbashree showed a closing cash balance of ₹ 74 lakh. The actual cash balance as noticed in audit was ₹ 31.95 crore. However, the closing balance was shown to be NIL in the UC for the year 2011-12. Hence the UCs submitted to GOI were inflated by ₹ 31.95 crore.

4.3.7.1 Substantial fund remaining unutilised with ULBs and CDSs

Audit scrutiny revealed that substantial funds remained unutilised with the respective agencies like Kudumbashree, ULBs, and CDSs in the implementation cycle that came in the way of smooth implementation of the programme. From the funds transferred by Kudumbashree to ULBs, the entire amount was not transferred to CDSs and the CDSs utilised only a portion of the funds received by them. In the test-checked ULBs, out of ₹ 31.30 crore received up to 2011-12 (since 1997-98) from Kudumbashree, ₹ 11.58 crore was remaining unutilized with ULBs (₹ 3.26 crore) and CDSs (₹ 8.32 crore). Following were the reasons for the low utilisation of fund:

(i) CDSs were not fully equipped to implement SJSRY

(ii) Preparation of Action Plan and its approval had become time consuming and the LSGIs were not able to prepare the Action Plan as per the revised guidelines.

The Executive Director, Kudumbashree stated (December 2013) that Kudumbashree has launched an intensive development campaign throughout the State for the speedy implementation of the Scheme.

4.3.7.2 Non-utlilisation of fund for Special Component under SJSRY

For Poverty Alleviation Programme in Mattancherry,[22] ₹ 4.67 crore was allotted (May 2004) as a special component under SJSRY. Out of this, ₹ 25 lakh and ₹ 30 lakh were earmarked for infrastructure support to Development of Women and Children in Urban Areas (DWCUA) and marketing support respectively. Though the implementation period of the component was one year, the entire amount (₹ 55 lakh) remained unutilised with the CDS (West) of Kochi Corporation.

4.3.7.3 Delayed submission of Utilisation Certificate led to non-release of Central share

GOI releases fund after the State fulfills the prescribed criteria relating to submission of UCs as well as release of matching State share for the past releases. Belated submission of UC for 2008-09 by Kudumbashree and non-release of matching State share (against first instalment of GOI for 2010-11) resulted in non-release of second instalment of Central share of ₹ 5.86 crore for the year 2010-11.

4.3.7.4 Retention of Revolving Fund by ADS

As per SJSRY guidelines, Self-Help Groups (SHG) / Thrift and Credit Society (T&CS) were entitled to lump sum grant of ₹ 25000 as Revolving Fund. CDS, Mavelikkara had advanced ₹ 7.51 lakh to six Area Development Societies (ADSs) during 1997-99 for disbursement to T&CS as Revolving Fund. The ADS had not submitted the UC for the said amount (May 2013).

4.3.7.5 Diversion of SJSRY funds

(i) The Scheme guidelines do not envisage disbursement of funds as incentives. Kudumbashree Executive Director had, however, issued directions (December 2010) to disburse the unutilised funds remaining with CDSs as incentive for collective farming. During December 2010 to March 2013, ₹ 33.17 lakh was utilized for disbursement of incentive for collective farming. Kudumbashree stated (July 2013) that it had initiated action to recoup the amount utilised under collective farming to SJSRY Account.

(ii) Kudumbashree and CDSs had also diverted (2007-08 to 2011-12) ₹ 61.52 lakh for purposes other than that covered under SJSRY guidelines, *viz.*, repayment of thrift deposit, payment of subsidy to 'Yuvasree' beneficiaries, repayment of loans, expenses relating to BSUP, etc. The details are given in **Appendix XVII.**

4.3.8 Monitoring and Evaluation

Monitoring of SJSRY in the State was to be done at various levels, *viz.*, CDSs, ULBs, District and State. Audit noticed that no effective monitoring system was in place in the implementation of SJSRY as discussed below:

[22] Mattancherrry is the west zonal area of Kochi Corporation

Though Executive Committee meetings of CDSs were periodically convened, discussions on low coverage under the scheme were seldom held. Reasons for closure of units were not analysed and discussed at CDS/ULB level. Further, the Kudumbashree District Missions were not conducting any review on the implementation of SJSRY as stipulated in the Guidelines of the scheme.

The Executive Director, Kudumbashree stated (December 2013) that in order to address the issue of low survival of units, an Additional District Mission Co-ordinator at District Mission was made responsible for urban programmes.

4.3.9 Conclusion

Though the guidelines of SJSRY were revised with a view to overcome the difficulties faced by the States in the implementation of the Scheme to make a dent on the urban poverty scenario, its implementation suffered setbacks. The constraints/ difficulties in implementing the Scheme due to delay in preparation of action plan, rejection of bank loan applications, lack of follow-up with the financed beneficiaries to monitor the progress of their self-employment ventures as also non survival of units set up, etc., indicate a disturbing trend in achieving the primary objective of addressing urban poverty alleviation through gainful employment to urban unemployed/underemployed poor.

Even though sizeable funds were retained in the scheme accounts, the entire amount received under the scheme was shown as expenditure. The CDS Executive Committee and Kudumbashree did not discharge their responsibilities to monitor the implementation of the scheme effectively.

4.4 IMPLEMENTATION OF PROJECTS UNDER HARIYALI

4.4.1 Introduction

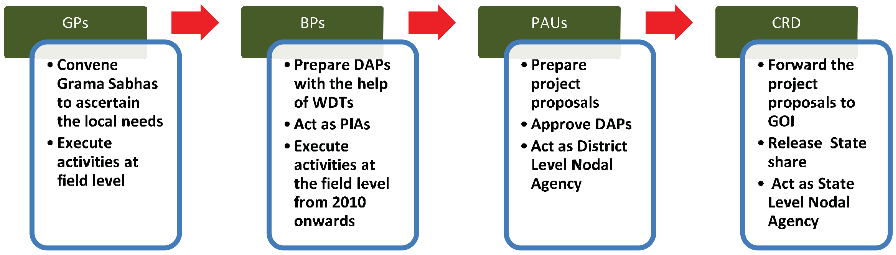
With a view to empowering Panchayat Raj Institutions both administratively and financially in the implementation of watershed development programmes of the Ministry of Rural Development, Government of India (GOI) launched (January 2003) a new initiative called Hariyali.[23] The main objective of Hariyali was to harvest every drop of rainwater for the purpose of irrigation, plantation, fisheries development, etc., to create sustainable source of income for the village community as well as for drinking water supplies. The Central and State shares for the implementation of the Scheme were in the ratio 11:1.

The Department of Land Resources in the Ministry of Rural Development was the sanctioning authority of the projects under Hariyali. The Commissioner of Rural Development (CRD) and the Poverty Alleviation Unit (PAU) were the nodal agencies at the State level and District level respectively. The Grama Panchayats (GPs) were the implementing agencies at the field level. Block Panchayats (BPs) designated as Project Implementing Agencies (PIAs) were to provide necessary technical guidance to GPs for preparation of development plans for the watershed. A multidisciplinary team designated as Watershed Development Team (WDT) and a Technical Support Agency (TSA) were constituted in each BP to give guidance for preparation of Detailed Action Plan (DAP) as well as implementation of

[23] In April 2008, the watershed programmes of GOI were brought under a comprehensive programme called Integrated Watershed Management Programme (IWMP). IWMP is being implemented in the blocks which were not covered under Hariyali.

projects. An organization chart of the agencies involved in the implementation of Hariyali is given in **Chart 4.2.**

Chart 4.2: Organisation chart of the agencies involved in the implementation of the Scheme



Audit was conducted during April 2013 to July 2013 covering the period from 2003 (year of launch) to 2013. Out of the 26 projects sanctioned (during 2005 to 2007) by GOI, ten[24] were selected by statistical sampling method, *viz*., Probability Proportional to Size Without Replacement (PPSWOR). Audit methodology included scrutiny of records of CRD, PAUs, BPs and GPs, discussion with officials, inspection of sites, etc.

Audit undertook an assessment of the projects implemented under Hariyali. Audit findings on various aspects of implementation of the projects are mentioned below:

4.4.2 Preparation of deficient Detailed Action Plan

According to the guidelines of Hariyali, the GPs were to give emphasis to rainwater harvesting activities and undertake massive plantation works on community as well as private lands. The guidelines contained the list of permissible works to be taken up under the Scheme. These items are given in **Appendix XVIII.** The PAUs while preparing the project proposals and the BPs while drawing the DAPs were to ensure that the projects were in conformity with the guidelines. In respect of the selected ten projects, Audit noticed the following:

- DAP was not prepared in respect of one project (Lalam).
- The guidelines stipulated that Grama Sabha should be involved in the preparation of the DAPs. However, there were no documentary evidences in any of the PIAs test-checked to ensure that the needs expressed by the local populace were considered while preparing the DAPs.
- The activities covered under the DAPs of four[25] projects alone were in conformity with the guidelines. The DAPs of the remaining five projects contained activities like construction of side protection walls, motor pump sheds, tube wells, tractor ramps, de-silting and de-weeding of streams, bee keeping, poultry farming, etc., which were not in conformity with the guidelines. The department has not furnished any reply.
- The WDTs had a major role in the preparation of DAPs by conducting field study and survey for collecting information relating to the availability of water, SC/ST population, availability of public and private lands, etc. There were no

[24] Anchal, Kottarakkara, Chadayamangalam, Madappally (West), Madappally (East), Lalam, Ollukkara, Pazhayannur, Thirurangadi and Eranad
[25] Chadayamangalam, Pazhayannur, Ollukkara and Eranad

records to ensure that the WDTs had conducted field study and survey for the preparation of DAPs except in respect of one project, *viz*., Chadayamangalam project.

- As per the guidelines, the DAPs should necessarily mention specific details of survey numbers, details of ownership and a map depicting the location of proposed activities. In none of the projects test-checked, the above details were specified in the DAPs.

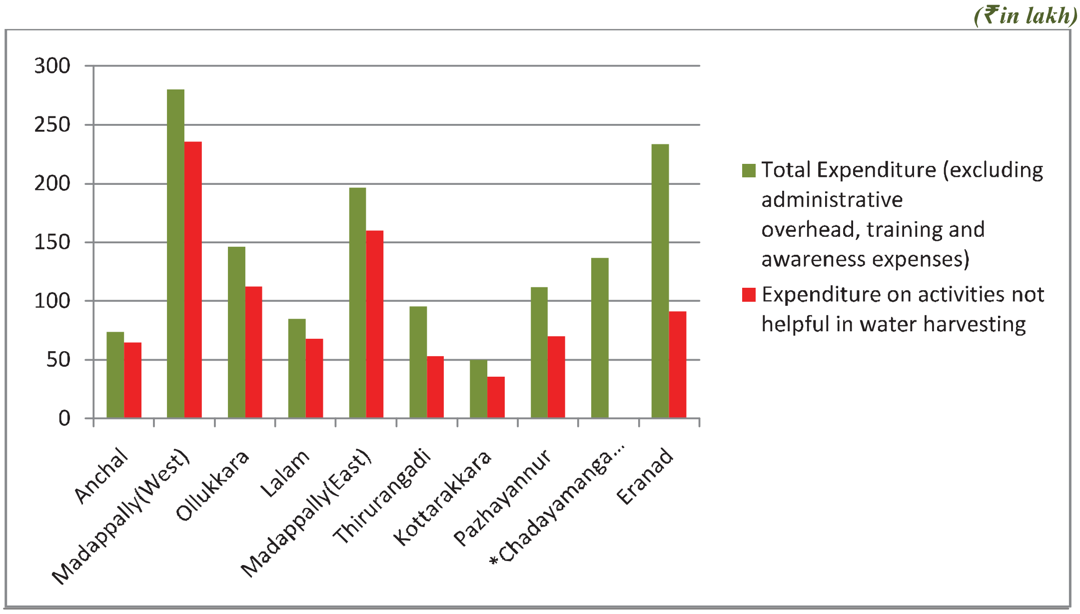
4.4.3 Execution of the project activities

4.4.3.1 Execution of activities outside the scope of the Scheme

The guidelines primarily envisaged execution of activities which improve water conservation. Audit noticed that PIAs exhibited lack of inclination in the execution of activities which helped rainwater harvesting. As a result, 39 to 87 *per cent* of the total expenditure incurred on the project activities in nine projects were outside the scope of the Scheme. **Chart 4.3** depicts the total expenditure (excluding administrative overheads, training and awareness expenses) vis-a-vis expenditure on activities not related to rainwater harvesting under the ten projects test-checked.

Chart 4.3: Expenditure on activities not related to Hariyali against total expenditure

(₹in lakh)



*In Chadayamangalam project in Kollam District, the expenditure on project was in conformity to the DAP and guidelines

A gist of the activities included in the DAPs and the activities executed are mentioned in **Appendix XIX.**

Audit observed that some of the activities like construction of protection walls to paddy fields/streams, deepening, desilting and deweeding of streams etc. undertaken by PAUs may have socially useful or desirable goals and have created meaningful, social and public assets, but these strictly fall outside the domain of the Hariyali and could not be construed to be furthering the cause of water harvesting or water conservation. These activities, therefore, could have been carried out under other schemes of Government/Panchayats.

An analysis of the activities implemented under the ten projects test-checked revealed the following:

- Though the activities included in the DAPs of four projects were in conformity with the guidelines, in respect of only one project, *viz*., Chadayamangalam project, the implementation corresponded to the DAP/ guidelines. In respect of the other three projects, *viz*., Ollukkara, Pazhayannur and Eranad, majority of the activities executed were in deviation from the DAP and were not capable of harvesting rainwater or soil conservation.
- Anchal BP had incurred (December 2012) an expenditure of ₹ 51.80 lakh (against the meager original estimate of ₹ 1.32 lakh included in the DAP) on the construction of side protection walls to roads/private lands having length of up to 500m, due to substantial increase in the quantity and the rates of work executed. As per the circular issued by the Government in July 2007, the construction of side protection walls to roads does not fall under the category of soil and water conservation works. Further, the BP had not adhered to the directions of CRD to obtain approval for the revised estimate from the Technical Committee at CRD level.

Side protection wall at Akamon Laksham Veedu Colony in Edamulakkal GP

4.4.3.2 Wasteful expenditure on remuneration to TSAs

The TSAs were set up by the State to assist the BPs in the preparation of DAPs. The State empanelled 16 institutions for the purpose. The Government decision to involve TSAs was aimed at improving the quality and efficacy of the projects with their expertise. Audit noticed lapses in the preparation of DAPs by TSAs as mentioned below:

(i) In five out of ten projects test-checked, the DAPs prepared by the TSAs included activities which were not covered under the guidelines of the scheme and were not related to water harvesting. The failure of TSAs to properly identify water-harvesting projects while preparing the DAPs for the five projects rendered the payment of ₹ 21.82 lakh towards their remuneration largely unfruitful.

(ii) In one project (Lalam), even though ₹ 5.63 lakh was paid (March/ July/August 2006) in advance to the TSA, *viz.,* Centre for Integrated Rural & Urban Studies (CIRUS) towards fee for preparation of DAP, no DAP was prepared. The BP had not taken any action against the TSA.

4.4.3.3 Excess expenditure under administrative overheads

As per the guidelines, the project cost was to be released in five instalments. Each instalment includes two *per cent* of the project cost towards administrative overhead. It was noticed that PIAs did not restrict their actual administrative overhead to the amount received for the purpose. As a result, expenditure incurred under administrative overhead exceeded the actual amount received for the purpose by ₹ 50.27 lakh (73.63 *per cent*) in five projects[26].

4.4.3.4 Non-specification of exit protocol in DAP

As per the guidelines, while preparing the DAP, the Grama Sabhas/Grama Panchayats were to evolve proper Exit Protocol for the watershed development project under the guidance of WDTs, specifying the mechanism for the maintenance of assets created, utilization of Watershed Development Fund (WDF), etc. While approving the DAP, the PAUs were to ensure that a detailed mechanism for such Exit Protocol forms part of the Action Plan. None of the PAUs test-checked ensured that a detailed mechanism for such Exit Protocol formed part of DAPs. In five projects[27], WDF was also not created.

In the absence of adequate provision for WDF, maintenance of assets could assume critical proportion if sufficient funds from PRIs are not made available.

4.4.3.5 Best practices in the State

Implementation of the project was found, during field visit by Audit, to be in conformity with the guidelines only in Chadayamangalam project. Well recharging, construction of rain pits, check dams, construction and maintenance of ponds, were the major components of works executed for harvesting and conserving rainwater. Through these activities, there was improvement in the availability of water in wells and ponds for domestic as well as agricultural purposes throughout the year, thus furthering the cause of harvesting rainwater.

Photographs of some of the activities implemented under Chadayamangalam project:

Renovation of ponds

Check dam

4.4.3.6 Payment made for work not executed

Records relating to Kottarakkara project showed that ₹ 1.81 lakh was incurred (March 2011) towards the cost of construction of seven check dams in Ezhukone Grama Panchayat. The photographs of the check dams stated to have been constructed were also available in the files concerned. However, joint verification of the sites in June 2013 by the audit team, along with the departmental staff, revealed that no such check dams were in existence at any of the seven locations. In reply (October 2013) it was stated that payment for the work was made after the scrutiny of work by authorities and based on certificate issued by concerned authorities.

[26] Anchal: ₹ 2.97 lakh, Chadayamangalam: ₹ 4.17 lakh, Madappally (East): ₹ 1.23 lakh, Lalam: ₹ 37.25 lakh, Thirurangadi: ₹ 4.64 lakh

[27] Pazhayannur, Anchal, Kottarakkara, Thirurangadi and Eranad

However, considering the facts noticed in joint site verification, the genuineness of the records and photographs submitted along with the request for release of funds by the Grama Panchayat requires further investigation.

Photograph in Vattamankavu Temple in the file, which claimed to be a check dam

Photograph in Vattamankavu Temple taken on joint site visit, which shows no such structure

4.4.4 Utilisation of fund

During the scheme period (2003-2013), GOI sanctioned 26 projects, estimated to cost ₹ 71.72 crore for implementation and released ₹ 33.13 crore. As of March 2013, the State had released ₹ 2.94 crore. Against the total available fund of ₹ 38.14 crore including interest of ₹ 2.07 crore, expenditure incurred on the projects was ₹ 31.95 crore. An amount of ₹ 2.05 crore was surrendered by fourteen projects and the unspent amount of ₹ 4.14 crore is still (September 2013) lying with the implementing agencies/PAUs. Out of the 26 projects sanctioned, none of the projects were completed even after expiry of the project period (March 2013) with all the activities included in DAP, even though the amounts received from GOI have been fully/substantially spent in some of the projects. Details of projects sanctioned, project costs, Central and State shares released and the expenditure incurred are shown in **Appendix XX**.

4.4.4.1 Delayed release of fund to implementing agencies

As per the guidelines, the Central share was to be released to the PAUs in five instalments. The State was to release its corresponding share to the PAUs within 15 days from the date of receipt of Central share. The PAUs were to release the funds to the PIAs within 15 days from the date of receipt of funds from Central/State Governments. Audit noticed the following:

(i) In three PAUs[28], due to slow progress in the implementation of the projects by PIAs, PAUs withheld and released funds belatedly leading to delay in release ranging from three months to two years (one to six months – nine cases, six to 12 months – six cases, 12 to18 months – four cases and 18 to 24 months – five cases). Further, lack of regular monitoring by PAUs contributed to the slow progress and consequent delayed releases.

(ii) Third instalment of Central share of ₹ 1.24 crore in respect of one project[29] received in July 2012 was not released by the PAU even as of July 2013.

[28] Kollam, Kottayam and Thrissur

[29] Chadayamangalam

Due to non-release of fund all the activities of the project came to a standstill.

(iii) Delay ranging from three months to three years[30] in the release of State share was also noticed in Audit.

4.4.4.2 Loss of Central assistance due to non-submission of release proposals

According to the guidelines, the third instalment of the Central share would be released only after the submission of release proposals along with satisfactory mid-term evaluation report by an independent evaluator. Out of the ten projects test-checked, mid-term evaluations were conducted in respect of eight projects and the release proposals were submitted only for five projects. In respect of the remaining projects[31], release proposals were not submitted to the GOI and hence the third instalment of the Central share was not released. Loss of Central assistance due to non-conduct of mid-term evaluation and non-submission of proposals to the GOI amounted to ₹ 4.30 crore.

4.4.5 Monitoring and control mechanism

A District Level Monitoring Committee to monitor the activities of each project was to be formed under PAUs as per the direction of the Government. Though the PAUs stated that the activities were monitored through District Vigilance and Monitoring Committees, Audit noticed that the Committees did not meet regularly, and even in the few number of meetings held, issues connected with the execution of works outside the scope of the scheme were seldom discussed.

In order to have supervisory control over the implementation of the projects, the guidelines stipulated an internal control mechanism for watching the progress of implementation through submission of Quarterly Progress Reports (QPRs) to GOI. Audit noticed that there was no regular submission of QPRs. A progress report was seen prepared only for the purpose of release of fund by GOI.

Thus, in the absence of regular system to monitor the activities under each project and lack of control mechanism, the PAUs and CRD could not ensure that the activities conformed to the guidelines.

4.4.6 Conclusion

Majority of the activities executed under Hariyali were not helpful in meeting the prime objective of the scheme, *viz*., improvement in water conservation. The project implementation in Chadayamangalam alone was found to be in conformity with the guidelines. The WDTs and TSAs, who had a major role in the preparation of DAPs and execution of projects, failed to identify water-harvesting projects while preparing the DAPs. In the absence of an effective system to monitor the implementation of the project at district levels as well as state level, the PAUs and CRD could not ensure that the activities implemented under each project conformed to the guidelines.

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[30] One to six months – six cases, six to 12 months – two cases, 12 to 18 months – one case, 30 to 36 months – one case

[31] Anchal, Kottarakkara, Madappally (West), Lalam and Thirurangadi

OTHER COMPLIANCE AUDIT OBSERVATIONS

4.5 Short levy of Entertainment tax

Failure of Kunnathunadu Grama Panchayat to assess Entertainment tax under Category E of the Entertainment tax slab resulted in short levy of Entertainment tax of ₹ 1.20 crore.

Section 3B of the Kerala Local Authorities Entertainments Tax (Amendment) Act, 2005 (Act), effective from 01 April 1999, provides the rates to be fixed by the local authority for levy of entertainment tax for amusement parks. The rate for each category (A to E)[32] is fixed on the basis of the amount of investment as well as the area utilised for the park, excluding parking area and other unutilised/vacant area. As per Explanation 2 under Section 3B of the Act, if both the investment and area of land do not come under any of the above categories, but either the investment or the area comes under any one of the categories, the amusement park is to be assessed in the category to which the higher rate of tax is applicable.

Veega Holidays and Parks Private Limited (Veega Land), amalgamated with Wonderla Holidays Private Limited with effect from 01 April 2008, is situated in Kunnathunadu Grama Panchayat (GP) of Ernakulam District. As per drawings and documents made available (February 2007) by Veega Land to Kunnathunadu GP, area utilised for park comes to 16.507 acre (6.68 hectare). Audit scrutiny (July 2012) of the records revealed that the GP fixed (2007-08) the rate of Entertainment tax on the basis of these drawings and documents made available by Veega Land. Taking into consideration that the area of the park was between six hectares and 10 hectares, the GP classified Veega Land under Category D of the Entertainment tax slab and Entertainment tax was levied at the rate of ₹ 60 lakh per annum from 2007-08 onwards.

Verification of the Balance Sheet and Schedules forming part of the Balance Sheet of Veega Land revealed that the investment was above ₹ 50 crore from 2007-08 onwards and hence the park was to be assessed under Category E since 2007-08. Calculated at the minimum applicable rate under Category E (₹ 80 lakh per annum), short levy of Entertainment tax for the period 2007-08 to 2012-13 worked out to ₹ 1.20 crore.

When this was pointed out in Audit, the Secretary of the GP stated (November 2013) that action has been initiated to reassess the tax by including the additional investments and area of the park.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

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[32]**Category A**: Investment up to ₹ 3 crore and area 2 hectares and below, Tax: ₹ 3 lakh to ₹ 6 lakh;
Category B: Investment ₹ 3 crore to ₹ 10 crore and area 2 hectares to 4 hectares, Tax: ₹ 10 lakh to ₹ 15 lakh;
Category C: Investment ₹ 10 crore to ₹ 20 crore and area 4 hectares to 6 hectares, Tax: ₹ 25 lakh to ₹ 30 lakh;
Category D: Investment ₹ 20 crore to ₹ 50 crore and area 6 hectares to 10 hectares, Tax: ₹ 50 lakh to ₹ 60 lakh;
Category E: Investment ₹ 50 crore and above and area 10 hectares and above, Tax: ₹ 80 lakh to ₹ 100 lakh

4.6 Unfruitful expenditure due to non-compliance with rules and provisions

Non-compliance with the rules and provisions by Kalloorkkadu Grama Panchayat resulted in infructuous expenditure of ₹ 13.79 lakh on a meat and fish market and civil work of biogas plant.

District Collector, Ernakulam, accorded (November 2008) Administrative Sanction for construction of a building for meat and fish market at Kalloorkkadu Grama Panchayat (GP) under Members of Parliament Local Area Development (MPLAD) Scheme at an estimated cost of ₹ 10 lakh. Assistant Executive Engineer, Local Self Government Department Sub Division, Muvattupuzha accorded Technical Sanction for the work in November 2008. The major components of the proposed building consisted of two slaughter rooms, two fish stalls, two meat stalls, one cattle shed and a generator/control room. The work awarded (December 2008) to the convener of beneficiary committee was completed in August 2009 at a cost of ₹ 10 lakh.

Meat and fish market of Kalloorkkadu GP in an abandoned condition

Secretary, Kalloorkkadu GP, entered (September 2010) into an agreement with M/s Kerala Agro Industries Corporation Limited for construction of a biogas plant for management of solid waste at the meat and fish market, Kalloorkkadu at an estimated cost of ₹ 7.99 lakh. The source of fund for the project was Suchitwa Mission Grant and Nirmal Puraskar. Civil works of the plant was completed (February 2011) at a cost of ₹ 3.79 lakh.

Rule 3 (2) of the Kerala Panchayat Raj (Issuance of Licence and Control of Public and Private Markets) Rules, 1996, stipulates that the Panchayat shall, before providing a public market, obtain the opinion of the District Medical Officer regarding the public health problems which may arise by the opening of such a market at that place. Audit scrutiny revealed (November 2012) that the Grama Panchayat officials requested the District Medical Officer (Health) for his opinion only in November 2010, i.e., after construction of the building and not before, as stipulated in the rules above. As the slaughter house was within 90 metres from dwelling houses and within 30 metres from the main road, District Medical Officer informed (January 2011) that the place was not suitable for functioning of slaughter house. This conformed to Rule 5 under the Kerala Panchayat Raj (Slaughter Houses and Meat Stalls) Rules, 1996, according to which a slaughter house shall not be within 90 metres of any dwelling house or within 150 metres from hospitals with inpatient treatment or public educational institutions or places of worship and 30 metres from the public road. The slaughter house, therefore, could not be made operational.

Non-compliance with the rules and provisions and lack of foresight on the part of Kalloorkkadu GP in locating the slaughter house in an area free from public health hazards, resulted in the expenditure of ₹ 13.79 lakh on the meat and fish market as well as the civil work of biogas plant to remain infructuous.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.7 Payment of advance for construction of houses without finalising list of beneficiaries

Even before finalisation of list of beneficiaries/houses, the District Panchayat Palakkad transferred ₹ 89 lakh to the implementing agency for construction of houses for SC families, resulting in blocking of funds.

District Panchayat, Palakkad (DPP), in association with Attappady Hills Area Development Society (AHADS)[33], formulated (2009-10) three projects (estimated cost: ₹ 89 lakh[34]) for construction of houses for Scheduled Caste (SC) families, with the Secretary of DPP as the Implementing Officer. The District Planning Committee approved the Project in March 2010. In April 2010, with the permission of the Government, the Secretary of DPP transferred the entire amount of ₹ 89 lakh to AHADS, by Demand Drafts. The instructions for construction of houses in Maranatti, Chemmannur hamlets of Agali Grama Panchayat (Agali GP), Mattathukad and Naikkarpadi hamlets in Sholayur GP were, however, issued to AHADS only in September 2010, after a lapse of five months. As of September 2013, ₹ 89 lakh was lying unutilised with AHADS. Audit observed the following lapses in the implementation of the projects:

- There was inordinate delay in finalising the list of beneficiaries/the number of houses to be constructed. The list of 33 beneficiaries of Chemmannur SC colony was handed over to AHADS in February 2012 by Agali GP which was forwarded (March 2012) by AHADS to DPP for approval. In July 2013, a revised list of 33 beneficiaries was forwarded by AHADS, which the Secretary of DPP approved in August 2013. The list of beneficiaries in the other hamlets had not been given to AHADS even as of September 2013.
- As per the Government order issued in July 2009, the maximum amount of subsidy for construction of house for SC family was ₹ one lakh. This was enhanced to ₹ two lakh *vide* the Government order issued in February 2012. Since no decision was taken as of date by the DPP on the number of dwellings to be constructed in Maranatti, Mattathukad and Naikkarpadi hamlets, even if the maximum subsidy for construction of a house is taken as ₹ two lakh, the advance paid to AHADS for construction of 33 houses was in excess by ₹ 23 lakh. AHADS stated (December 2013) that the amount advanced could be utilised for the construction of 33 houses only, as the cost of construction of each house would be ₹ 2.70 lakh. The action of AHADS is violative of the Government Order issued in February 2012.

Thus, payment of cost of the project in advance to the construction agency, without even finalising the list of beneficiaries and the number of houses to be constructed,

[33] Transformed into Centre for Comprehensive Participatory Resource Management (CCPRM) since June 2013

[34] Two housing schemes for Scheduled Castes (Estimated costs: ₹ 60 lakh and ₹ 14 lakh) and one housing scheme for Scheduled Caste Women (Estimated cost: ₹ 15 lakh)

resulted in plan fund of ₹ 89 lakh remaining with the construction agency for over 42 months, without any benefit to the SC families.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.8 Non-utilisation of a working women's hostel for the last ten years

A working women's hostel remained unoccupied and in a neglected state ever since its completion in January 2003 due to lack of initiative from Block Panchayat to publicise the facility leading to idle investment of ₹ 13.18 lakh.

Pazhayannur Block Panchayat (BP) in Thrissur District constructed in January 2003 a working women's hostel in the site allotted free of cost by Chelakkara Grama Panchayat with a view to providing accommodation to the working women in Chelakkara and neighbouring Grama Panchayats who had to endure prolonged hours of daily travel to and from work, on account of lack of proper hostel facilities. The BP incurred total expenditure of ₹ 13.18 lakh which included expenditure on maintenance of ₹ 1.36 lakh[35].

The building, however, never functioned as a hostel. The BP Secretary stated that no local survey to identify working women in need of hostel facility was attempted. The BP neither conducted any effective campaign to attract working women travelling to the area nor analysed the probable adversities associated with the location of the hostel for lodging of women.

The BP Secretary informed (May 2013) that co-ordinated efforts of the nearby Grama Panchayats would be utilised to publicise the facility to the working women in the locality. No such effort has been initiated by the Secretary till date (September 2013).

Thus, a building constructed with the social objective of providing lodging facility to the women working in the Grama Panchayat's area, to reduce the hardships of prolonged journey, remained unutilised and in a neglected condition for the last ten years, rendering investment to the tune of ₹ 13.18 lakh unfruitful.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.9 Unfruitful expenditure on a windrow composting unit

A windrow composting unit set up at a cost of ₹ 29.99 lakh by Thrissur Municipal Corporation for treatment of chicken waste remained idle due to failure to tackle unhygienic conditions of the nearby slaughter house.

Thrissur Corporation proposed a project for setting up a windrow composting unit in the poultry waste treatment plant near an existing slaughter house at Kuriachira under the Peoples Plan Programme in 2006-07, at an estimated cost of ₹ 23.65 lakh. The project, which was for processing poultry wastes generated within the Corporation area and transforming them to manure in an environment-friendly manner, was the first of its kind in the State. The Socio-Economic Unit Foundation (SEUF) Thrissur, an accredited agency, was entrusted (February 2007) with the setting up of the unit on the condition that the work was to be implemented within three months.

[35] ₹ 0.37 lakh during 2005-06 and ₹ 0.99 lakh during 2012-13

The plant was inaugurated in February 2009 and the waste treatment process was operationalised in December 2009. However, the plant stopped functioning in February 2011 owing to local protest. As of September 2013, the total expenditure incurred on the project was ₹ 29.99 lakh, including incidental expenses [36] amounting to ₹ 4.80 lakh.

Audit scrutiny revealed the following:

- The Corporation, while implementing the project, failed to ensure a clean and healthy working atmosphere in the plant premises. Meat waste and blood from the nearby slaughter house flowed into the plant premises due to which the Kudumbashree women were unwilling to work in the plant. As a result, untreated poultry waste accumulated in the plant premises dissipating foul odour which aroused public protest.
- Non-provision of a conducive environment for the smooth functioning of the compost unit was brought to the notice of the Corporation at the initial stage itself by SEUF. The Corporation, instead of tackling the problem of inflow of waste from slaughter house and dumping of waste in the plant premises, decided to close down the plant.

Thus, the failure of the Corporation in addressing the issue associated with the running of a windrow composting unit for the treatment of chicken waste, resulted in the plant remaining idle, rendering expenditure of ₹ 29.99 lakh unfruitful.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.10 Idle investment on industrial estates

Pandikkad and Udayamperoor Grama Panchayats constructed buildings for establishing industrial units, without assessing the demand and financial capability of the people, resulting in available resources of ₹ 69.80 lakh being tied up in idle assets.

Idling industrial estate in Pandikkad Grama Panchayat

(i) Pandikkad Grama Panchayat (GP) in Malappuram District constructed (between 2008 and 2010) four buildings at Kolaparambu at a total cost of ₹ 39.06 lakh. The buildings were constructed over a portion of the five acres of land purchased in 1999 at a cost of ₹ 11 lakh for establishment of industrial units. The buildings were intended for establishment of small scale industrial units by women entrepreneurs. The buildings were, however, not utilised due to lack of demand. Parts of the building are now in a dilapidated condition and the rolling shutters have started corroding. Secretary, Pandikkad GP stated (January 2013) that request made to the District Industries Centre, Malappuram to take up the building for

[36] Internal roads, storm water drainage, weldmesh protection, installation of machineries etc.

development of small scale industries was pending, after a meeting in June 2012 with the District Collector.

(ii) Udayamperoor GP in Ernakulam District formulated (2007-08) a project for construction of a building for establishing industrial units by people from Scheduled Caste community. The total expenditure incurred on the project as of March 2013 was ₹ 19.74 lakh. Due to lack of demand for the units, the building was left in neglected condition and the densely overgrown grass and bushes in its premises caused deterioration to the structure. Secretary, Udayamperoor GP stated (August 2013) that due to non-identification of eligible Scheduled Caste beneficiaries and non-formation of co-operative societies, the project could not be launched.

Idling industrial estate in Udayamperoor Grama Panchayat

Audit observed that feasibility study including identification of benificiaries was not conducted by Pandikkad and Udayamperoor GPs, before embarking on such projects, resulting in an idle investment of ₹ 69.80 lakh in these two GPs.

Secretary, Pandikkad GP stated (September 2013) that though training was provided to women entrepreneurs, they were unable to mobilize resources for establishing industrial units, as the beneficiaries belonged to economically weaker sections of society. Secretary of Udayamperoor GP also stated (August 2013) that the beneficiaries were reluctant to enter the handicrafts industry due to low remuneration, compared to investment. The reply is not acceptable as a feasibility study and identification of people interested and finanacially capable of setting up units should have preceeded construction of the buildings. The fact remains that failure of Pandikkad and Udayamperoor GPs to assess the demand and financial capability of the people with regard to the establishment of industrial units resulted in the available resources of ₹ 69.80[37] lakh being tied up in idle assets.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.11 Failure of a tourism promotion project

Expenditure of ₹ 67.24 lakh incurred by Thrissur Municipal Corporation on a tourism project remained unfruitful due to lack of planning and regular maintenance.

Thrissur Municipal Corporation (TMC) formulated the 'Vanchikulam Tourism Project' in the Annual Plan for 2008-09 at an estimated cost of ₹ 69.10 lakh utilising its own resources. The work was started in March 2009 and completed in July 2010, after incurring an expenditure of ₹ 67.24 lakh.

[37] ₹ 39.06 lakh + ₹ 11.00 lakh + ₹ 19.74 lakh

Scrutiny of records and site visit (September 2013) by audit team revealed that though the pond was given a facelift, subsequent maintenance and upkeep was not proper, resulting in the pathetic state of Vanchikulam. The pond has become polluted with bottles and thrown away waste. Accessibility to the pay-and-use toilets was denied by profuse growth of grass and weed. Many of the cast iron railings encircling the pond were missing. Over all, the total area was in an abandoned state, unfit for a tourist destination.

Neglected condition of the tourism promotion project

The Executive Engineer of the Corporation stated (September 2013) that the entire benefits of the project would accrue only after taking up further works in the next phase. The reply is not acceptable as the expenditure incurred so far has been unfruitful because the Corporation did not foresee and plan for the regular maintenance and upkeep of the pond and its surroundings.

Thus, a project intended to promote tourism in the Corporation area turned out to be a failure due to non-maintenance and upkeep, leading to unfruitful expenditure of ₹ 67.24 lakh.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

4.12 Unfruitful expenditure on a Bio Fertilizer Project

Valancherry Grama Panchayat initiated a Bio Fertilizer Project using bio-waste as feed, ignoring the opposition of the local people, resulting in unfruitful expenditure of ₹ 23.86 lakh.

Valancherry Grama Panchayat (GP) formulated (2006-07) a Bio Fertilizer Project in 1.77 acres of land purchased (December 2001) for the purpose at Kattipparuthi Village in Tirur Taluk of Malappuram District. The project was intended to process the bio-waste generated in the GP in a safe and useful manner and to provide good quality bio-fertilizers at reduced rates to farmers. District Planning Committee (DPC) approved (June 2006) the project costing ₹ 40 lakh[38], with Secretary of the GP as implementing officer. Clean Kerala Mission accorded (September 2006) approval for the detailed estimate prepared by the Kasaragod Social Service Society (Society), an accredited agency for solid waste management, for an amount of ₹ 37.10 lakh. In October 2006, the GP entered into an agreement with the Society for implementation of the project, stipulating date of completion of the project as 31 July 2007. The GP provided (March 2007) ₹ 6.58 lakh to the Society as advance and also deposited ₹ 1.24 lakh (March 2007) with Kerala State Electricity Board (KSEB) for extension of electric line up to the site.

Due to public protest against the use of waste in the proposed plant, which could have the potential of being an environmental and public health hazard, the Society

[38] Source of fund - Development Fund: ₹ 13.50 lakh, Own Fund: ₹ 6.50 lakh and Contribution from Clean Kerala Mission: ₹ 20 lakh

had to stop the work in January 2008 and KSEB was also unable to start the work. The Society supplied (March 2007) roof trusses to the GP, which are lying idle at the site of the project in an abandoned condition, and have started corroding. The GP also purchased a tipper in April 2008 at a cost of ₹ 8.15 lakh. The total expenditure on the project amounted to ₹ 23.86 lakh, which included the cost of land of ₹ 7.29 lakh, maintenance of tipper for which ₹ 0.60 lakh was incurred and ₹ 15.97 lakh spent on the actual project.

Audit scrutiny (September 2012) revealed the following:

- Even before formulation of the project, there was local resistance, since 2004, against dumping of waste in the proposed site. Later, on the directions of Hon'ble High Court, several meetings were conducted during 2005 to reach a consensus, but no amicable solution could be reached. Despite being aware of the stiff resistance from the public and the ward members, the GP went ahead with the project.

- Even though the project was at a standstill since January 2008, the GP purchased (April 2008) a tipper at a cost of ₹ 8.15 lakh, for transportation of biodegradable waste as well as bio fertilizer from and to the site. Decision of the GP to purchase the vehicle when the work on the project was at standstill was untimely and avoidable.

Thus, ignoring the opposition of the local people before initiating the project and failure of Valancherry GP to find an amicable solution, resulted in unfruitful expenditure of ₹ 23.86 lakh. The original issue of waste management too remained unaddressed.

The matter was referred to Government in December 2013, reply has not been received (April 2014).

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