



OVERVIEW

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This Report comprises of four chapters of which Chapters I and II contain an overview of structure, accountability, finances and financial reporting issues of Local Self-Government Institutions (LSGIs) and comments arising from supplementary audit under the scheme of providing Technical Guidance and Supervision (TGS) arrangement by the Comptroller and Auditor General of India. Chapters III and IV contain four performance/compliance audits and six transaction audit paragraphs. Copies of draft performance and compliance audits and transaction audit paragraphs were forwarded to the Government and replies wherever received have been duly incorporated.

Accountability framework, finances and financial reporting issues of LSGIs

During the five year period 2009-14, the increase in total receipts of the LSGIs was 109 *per cent*. Of the total receipts during the five year period the percentage share of State, Central and Own revenue was 63, 22 and 13 respectively. The amount spent for Productive sector accounted for only 7.54 *per cent* of the total Development Expenditure during 2013-14 and 11.32 *per cent* during the last five years 2009-10 to 2013-14, indicating that the LSGIs had given low priority to Productive Sector like Agriculture, Animal Husbandry, Fishing, Industries, etc. Audit examination of the plan formulation process and implementation during 2012-13 and 2013-14 in Kollam Corporation and Paravur Municipality revealed shortcomings in the constitution of Ward Committees, their functioning and implementation of projects. With reference to the cost of projects formulated, the percentage utilisation of funds in the LSGIs was only 57.01. There were shortcomings in the preparation of budget, submission in the Monthly Progress Reports and Preparation of Monthly Accounts.

(Chapters I & II)

Receipts of Local Self-Government Institutions

The State Government and Central Government provide substantial financial assistance to the LSGIs for taking up the various activities in their jurisdictional areas. The Kerala Municipality Act, 1994 and the Kerala Panchayat Raj Act, 1994 empower the LSGIs to levy and collect local taxes like Property tax, Profession tax, Entertainment tax, Advertisement tax, etc. and fees like licence fee on business establishments and permit fee on construction of buildings from individuals and institutions located within their jurisdictional area.

As of March 2014, ₹25.38 crore was pending collection towards tax revenue in the test-checked LSGIs. Property tax collection efficiency of LSGIs test-checked was not encouraging. The LSGIs did not have an appropriate system

to identify and list all buildings liable for Property tax assessment. There was delay in revision of Property tax assessment. Though the new system of assessment based on plinth area was made applicable to existing assessees from 2013 onwards, the assessment was pending in all the LSGIs test-checked, resulting in short levy of Property tax of ₹8.54 crore. The LSGIs were not maintaining complete details in respect of unauthorized constructions. Out of 1622 unauthorized constructions recorded by four LSGIs, complete details were available only in respect of 66 cases, for which Property tax leviable was ₹two crore. Though full Property tax was to be realised from BSNL buildings, the same was not realised by nine LSGIs resulting in short levy of Property tax of ₹81.32 lakh. Lack of comprehensive database relating to Profession tax has affected tax collection to a great extent. Various categories of assesees, including professionals and traders, had escaped assessment resulting in leakage of revenue of ₹98.45 lakh. Failure of Athirappally GP to assess Entertainment tax under Category B of Entertainment tax slab resulted in short levy of Entertainment tax of ₹32.90 lakh. Due to relaxing the terms of contract in favour of the contractor without any genuine reason, Thrissur Corporation suffered a revenue loss of ₹50.09 lakh.

(Paragraph 3.1)

Implementation of Urban Infrastructure Development Scheme for Small and Medium Towns

Government of India launched Urban Infrastructure Development Scheme for Small and Medium Towns as a sub component of Jawaharlal Nehru National Urban Renewal Mission to improve infrastructural facilities in towns. Though SLSC prioritised six categories of projects for implementation in the State, implementation was confined to only two categories of projects defeating the main objective of integrated development of towns. Even after nine years of initiation of the projects and after the expiry of the scheme in 2014, only two projects were completed out of 25 projects undertaken. Delay in completion was mainly due to delay in issuing Administrative Sanction by the Government which has led to delay in implementation and cost escalation. The water treatment plant for Alappuzha Water Supply Scheme was idling for more than three years due to delay in completion of other related components, and distribution of unsafe drinking water was continuing. In Changanacherry Municipality, due to non-clearance of site, a solid waste treatment plant could not be established even after incurring an amount of ₹51.06 lakh. Slow progress in implementation resulted in loss of central assistance of ₹6.31 crore in four test-checked Municipalities.

(Paragraph 4.1)

Implementation of Basic Services to the Urban Poor

Though Basic Services to the Urban Poor aimed at the integrated development of slums by providing improved housing, basic services and social services to

the slum population, the implementation of the scheme was mostly confined to giving assistance for construction of houses at locations other than slums. The progress made in the construction of flats for the slum dwellers was not encouraging as achievement was only one per cent in Kochi and 39 per cent in Thiruvananthapuram. Most of the infrastructure facilities included in the Detailed Project Reports were also not attended. As the needs and aspirations of urban poor communities were not considered, many of the projects included in the DPRs remained unimplemented. There were lapses in the selection of beneficiaries and disbursement of assistance. There existed no system in the Corporations/State Level Nodal Agency to ensure that the projects were implemented within the stipulated time. 1782 beneficiaries who received assistance for construction of houses during January 2008 to February 2014 had not completed the construction even as of October 2014. Advances amounting to ₹16.03 lakh paid during September 2008 to May 2014 were remaining unadjusted till date, against accredited agencies. These advances related to works which were either stopped or abandoned.

(Paragraph 4.2)

Land Management by Panchayat Raj Institutions

Efficient land management is a vital part of a Panchayat to assure that the land in possession is put to optimum utilisation. The Panchayat Raj Institutions (PRIs) did not have any comprehensive database relating to the lands under their control. The Asset Registers maintained were not exhaustive and were deficient in many aspects. The PRIs did not possess the Title Deeds of all lands acquired by them. None of the test-checked PRIs had a Land Use Plan so as to utilise their land commensurate with the immediate and long term requirements, resulting in non-utilisation of land acquired for specific purposes. Failure of Panangad and Mulanthuruthy Grama Panchayats to mobilize the required resources for the projects resulted in the entire land remaining idle. Periodical verification of land was not being done to ensure that the land was maintained properly and free from encroachments.

(Paragraph 4.3)

Other Compliance Audit Observations

Audit of financial transactions subjected to test check in various LSGIs revealed instances of idle investment, loss of revenue, unfruitful expenditure, non-compliance with rules and provisions and other irregularities as mentioned below:

Failure of the Deputy Director (Finance) and Project Director of Kerala Sustainable Urban Development Project in exercising proper internal checks led to the misappropriation of ₹1.10 lakh.

(Paragraph 4.4)

Non-execution of agreement setting forth obligations for the operation of the Apparel Park by consortium of women garment making societies, women entrepreneurs and textile units with Manjeri Municipality, resulted in idling of buildings, machinery and equipment costing ₹37.21 lakh.

(Paragraph 4.5)

Failure of Anchal Block Panchayat to include the surplus quantity of earth, its cost and method of disposal as part of the estimate, resulted in loss of revenue of ₹21.22 lakh.

(Paragraph 4.6)

Failure of Manjeri Municipality in timely completion of the civil works and in addressing the issues relating to the functioning of the waste dumping yard led to inordinate delay in completion of the project for installation of an incinerator, thereby rendering an expenditure of ₹30.28 lakh unfruitful.

(Paragraph 4.7)

A drinking water supply project taken up by Ernakulam District Panchayat in February 2009 has not been commissioned due to defects in the formulation of the project.

(Paragraph 4.8)

Inadequate monitoring of the installation of a biogas plant by Suchitwa Mission as well as Krishnapuram Grama Panchayat led to defective construction of the plant and consequent closure of a slaughter house, in addition to idle investment of ₹16.63 lakh.

(Paragraph 4.9)