

## CHAPTER V

### SUBJECT-SPECIFIC COMPLIANCE AUDIT ON ASSET MANAGEMENT BY URBAN LOCAL BODIES

#### 5.1 Introduction

Assets are resources controlled by an entity and from which future economic benefits or service potential are expected to flow to the entity. With the decentralisation of powers, Government of Kerala has transferred (September 1995) institutions, schemes, buildings and other properties connected with the matters referred to in the First Schedule to the Kerala Municipality Act, 1994 (KM Act) to the Municipalities and Corporations. Consequently, the Urban Local Bodies (ULBs) have become custodians of a large number of transferred assets in addition to their traditional assets and asset management has become one of the most important aspects in the socio-economic development of the urban areas. Asset management is the combination of financial, engineering and management disciplines applied to assets. The goal of asset management is to meet a required level of service in the most cost-effective way through the creation, operation, upkeep and disposal of assets.

**Figure 5.1: Asset Management Cycle**



Asset management also involves maintenance of database and periodical valuation of assets. First Schedule of KM Act makes the ULBs responsible for providing various urban amenities to the public, for which assets are created and maintained.

#### 5.2 Audit Scope, Methodology and Sampling

A Performance Audit on ‘Asset Management by Urban Local Bodies’ was included in the Audit Report for the year ended March 2013. The PA report was discussed by the Local Fund Accounts Committee (2021-2023) in August 2023. The present Compliance Audit was conducted covering the period 2020-21 to 2022-23.

Audit methodology included scrutiny of records, registers, issue of audit enquiries, joint physical verifications, collection of photographic evidence, etc. Twenty four ULBs were selected from eight districts (three ULBs from each district) for detailed scrutiny (**Appendix 5.1**). An entry conference was held on 27 March 2023 with the Principal Secretary, LSGD wherein the audit objectives, scope and methodology were discussed and agreed upon. On conclusion of Audit, an exit conference was held on 12 September 2024, wherein the audit findings were discussed. The remarks offered by Government with respect to the audit findings have been suitably incorporated in the Report.

### **5.3 Audit Objectives**

Audit was conducted to assess whether:

1. the acquisition or creation of assets was planned and executed efficiently and effectively
2. effective system was in place for documentation, accounting and monitoring of the management of assets (including their disposal)
3. the funds received from various sources were managed effectively and economically to ensure proper management of community assets
4. the assets of the ULBs are managed effectively including their usage, safeguard, maintenance and disposal as envisaged in the KM Act, 1994 and Manual for Asset Management in LSGIs of Kerala.

### **5.4 Audit Criteria**

Audit criteria were derived from the following:

- Kerala Municipality Act, 1994
- Manual for Asset Management in Local Self-Government Institutions of Kerala, 2017
- Plan formulation and Subsidy Guidelines issued by GoK
- Kerala PWD Manual, 2012
- Kerala Municipality (Acquisition and disposal of property) Rules, 2000
- Kerala Municipality (Utilisation and Maintenance of Motor Vehicles) Rules, 2000
- Orders/ Guidelines issued by GoK for management of assets

### **Audit Findings**

Audit findings are organised in following sections:

- Planning
- Accounting of assets
- Institutional mechanism
- Financial management
- Asset creation
- Utilisation and maintenance of assets
- Disposal of assets
- Monitoring

## 5.5 Planning

An efficient asset management system is built on planning for management of assets. Planning includes preparation of asset management strategy, identification of source of funds, etc. which will enable ULBs to ensure systematic creation and maintenance of assets. Audit observed lack of adequate planning for creation, utilisation and maintenance of assets, resulting in non-completion of asset creation process, non-utilisation of assets created and blockage of funds, which in turn resulted in non-realisation of intended benefits, as detailed in the succeeding paragraphs.

### 5.5.1 Preparation of Asset Management Strategy and Plan

The Asset Management Strategy (AMS) is a document that includes benchmarks and milestones aimed at improving the LSGIs' asset management processes and procedures with a long term perspective. Manual for Asset Management in LSGIs of Kerala, 2017 (AM Manual, 2017) envisaged preparation of AMS once every five years for each function/institution assigned to LSGI by the standing committees concerned. Based on the Asset Management Strategy, LSGIs were to formulate Annual Asset Management Plan (AMP) with a view to operate, maintain and renew the assets in the most cost effective manner, while providing a specific level of service. Further, Plan formulation guidelines issued by GoK also stipulate the preparation of annual maintenance plan by ULBs. However, none of the test checked ULBs prepared Asset Management Strategy or Plan for effective management of assets in its jurisdiction. Further, audit noticed that neither GoK nor the test checked ULBs had formulated a policy on Asset Management.

Government stated that all local bodies would be directed to adhere to the asset management guidelines (November 2024).

### 5.5.2 Non-constitution of Asset Management and Monitoring committee

The AM Manual, 2017 provides for constitution of Asset Management and Monitoring committee (AMMC) with Chairperson or Mayor of the respective ULB as chairperson with Secretary and Municipal Engineer as convenors and heads of transferred institutions<sup>42</sup>, standing committee chairpersons, custodian of assets, etc. as members. The AMMC was to assist LSGIs in the preparation of Asset Management Policy and finalise the Asset Management Plan based on the strategy and Annual Status Assessment of Assets' Condition (ASAAC) and submit it to LSGI for approval of Grama Sabha and incorporation in the budget. However, none of the test checked ULBs constituted the AMMC and as such, preparation of annual asset management policy/plan did not materialise.

Government stated (November 2024) that most of the municipalities have formed Asset Management Committees and further steps are being taken by the committees. However, neither details of the municipalities nor any documented proof was made available to substantiate the reply.

<sup>42</sup> As part of decentralisation, GoK transferred (September 1995) institutions viz., Primary Health Centres, Krishi Bhavans, Government Schools etc., under 10 departments to implement schemes enumerated in Twelfth Schedule of the Constitution

### **5.5.3 Annual Status Assessment of Assets' Condition (ASAAC)**

The AM Manual, 2017 requires LSGIs to conduct status assessment of condition of all assets annually. The primary purpose of this verification was to assess the asset's condition in relation to the expected level of service/function being achieved from the assets, and to identify gaps, if any, which exist therein. ASAAC's secondary objective was to conduct annual physical verification of assets and to see that the directions for maintaining the Asset Register were strictly adhered to. Secretary of the ULB was responsible for the constitution of teams for conducting ASAAC, co-ordination and submission of the ASAAC report before the functional committees/working groups. Audit noticed that none of the test checked ULBs conducted ASAAC during the audit period. In the absence of status assessment, audit noticed instances of non-utilisation/non-maintenance of assets, encroachment in lands of ULBs, improper maintenance of asset registers etc. in test checked ULBs as detailed in Paragraphs 5.6 and 5.10.

#### ***Recommendation:***

***Government may prepare an Asset Management Policy and ensure that ULBs prepare asset management strategy and plan in line with the policy for effective management of assets owned by them.***

## **5.6 Accounting of Assets**

Accounting of assets include recording complete, accurate and unbiased information about assets so as to facilitate proper maintenance, periodical verification and judicious replacement or disposal of assets in time. Scrutiny of records in test checked ULBs revealed deficiencies as detailed below:

### **5.6.1 Absence of Comprehensive data of Assets**

Asset Register is a record of information on each and every asset that support the effective financial and technical management of the assets and meets statutory requirements. AM Manual, 2017 prescribes for the maintenance of physical and financial status of assets to ensure transparency and accountability of the assets' status, generating asset management information, making decisions on assets viz. acquisition, transfer, disposal and the service delivery capacity of assets. Asset Register also facilitates proper financial reporting. Engineering wing in ULBs is responsible for data entry in the asset register.

The GoK had instructed (December 2005) all LSGIs to maintain asset registers separately for various category of assets<sup>43</sup> and prescribed formats for the same. Later, all LSGIs were directed (January 2010) to digitise their asset registers and the digital asset registers were to be maintained in the Sachithra software developed by Information Kerala Mission (IKM)<sup>44</sup>. Secretaries of ULBs were responsible for ensuring the updating of asset registers electronically from time to time. However, none of the 24 test checked ULBs completed the digitisation of asset register as prescribed. Further, digital asset registers were not updated periodically by the test checked ULBs.

<sup>43</sup> Assets were classified into ten categories viz., land, building, road, water supply, electricity, solid waste treatment plants, movable assets etc.

<sup>44</sup> IKM is an autonomous institution under Local Self Government Department to strengthen the local self-governance through Information and Communication Technology (ICT) applications

Analysis of data entered in Sachithra Land and Building asset registers (as of December 2023) maintained by test checked ULBs using data analytics tool revealed that the land asset registers were incomplete. Details such as land type and ward number were missing in respect of 24 *per cent* and 66 *per cent* respectively of the assets in test checked ULBs. Date of acquisition and book value were absent in 95 *per cent* of the assets recorded in the register and in respect of 40 entries even the land area was not mentioned.

Further, building asset registers maintained by test checked ULBs lacked vital data such as ward number, year of construction and cost of construction in 48 *per cent* to 73 *per cent* of assets. In respect of 150 assets, even the area of the building was missing. In the absence of comprehensive database of assets, test checked ULBs failed to plan proper utilisation, maintenance and timely disposal of assets as detailed in Paragraphs 5.10 and 5.11.

Government stated (November 2024) that steps are being taken to update the Sachithra Asset Register.

### 5.6.2 Integration of Sachithra software with Sulekha and Saankhya

The GoK directed (August 2012) IKM to enable integration of Sachithra data with Saankhya (software for preparation of annual accounts) and Sulekha (software for preparation of Annual Plan of local bodies) so as to ensure automatic updating of asset registers, automatic calculation of depreciation, assist in preparation of annual plan, assist in proper financial reporting, etc. However, IKM has not so far integrated Sachithra software with Saankhya and Sulekha. In the absence of integrated database, objectives as envisaged could not be achieved.

In the exit meeting, Principal Secretary, LSGD stated (September 2024) that integration of software would be addressed in the K-SMART application.

### 5.6.3 GIS mapping of Assets

The fourth, fifth and sixth State Finance Commissions had recommended mapping of road and non-road assets using Geographical Information System (GIS), designing a dynamic database to facilitate periodical updating and for inclusion of dimensional photographs of all the attributes related to the asset.

The GoK directed (February 2016) Local Bodies to conduct GIS mapping of all immovable properties so as to enable integration with various software of IKM like Sanchaya for Property Tax mapping, Sachitra for digital Asset Register etc. Out of test checked ULBs, five municipalities conducted<sup>45</sup> GIS mapping of all properties while Thiruvananthapuram Corporation conducted (March 2020) GIS mapping for mapping its own assets. However, as the GIS data integration with Sachithra software was not enabled by IKM, asset mapping conducted could not be put to use by these ULBs. Further, deficiencies viz., incorrect capturing of ownership details in respect of assets owned by ULBs and absence of data verification by Engineering Wing resulted in non-reliability of GIS mapped asset database in all the five Municipalities. Though, Thiruvananthapuram Corporation conducted GIS mapping exclusively for its

<sup>45</sup> Varkala (2021), Kalamassery (2013), Koduvally (2019), Kodungalloor (2022), Ponnani (2018) Municipalities

assets, GIS database prepared was incomplete as many assets<sup>46</sup> constructed/acquired well before preparation of database were left out. Further, the database prepared was not updated by any of the above ULBs since completion of the initial GIS mapping.

Government stated (November 2024) that steps are being taken by the department for GIS mapping of assets of local bodies. It was also stated that procedure for GIS mapping of roads are nearing completion and this would be later extended to the data on other assets also.

#### **5.6.4 Absence of documents establishing land ownership**

According to KM Act, 1994 and AM Manual, 2017, Municipal Secretary shall be the custodian of all municipal properties and as such the custodian of title deeds in respect of assets possessed by the local body. In case LSGIs do not possess documents establishing ownership of any of its assets, they should include the assets in records and proceed for legal action to establish legal title for its assets.

However, Audit noticed that test-checked ULBs did not possess title deeds or any other valid records of possession in 82 *per cent* of the land assets owned by them. Details are given in **Appendix 5.2**.

Audit noticed instances of encroachments in lands owned by test checked ULBs wherein the ULBs failed to establish ownership resulting in failure to evict encroachers as detailed in Paragraph 5.10.6.

#### ***Recommendations:***

***Government may ensure that all ULBs maintain digital asset registers complete with all details pertaining to their assets.***

***Government may take adequate steps to integrate software, viz., Sachithra, Saankhya and Sulekha so as to facilitate real time updating of asset registers and proper financial reporting.***

***Government may ensure that ULBs conduct GIS mapping of its assets and integrate it with Sachithra software and establish a mechanism to monitor its regular updating.***

## **5.7 Institutional mechanism**

### **5.7.1 Engineering Wing**

The GoK created (November 2007) an Engineering cadre for LSGD for the implementation of projects for construction and maintenance in LSGIs. Engineering wing in municipalities is headed by Municipal Engineer, in the rank of Asst. Exe. Engineer/Asst. Engineer and is assisted by Overseers. In Municipal Corporations, Corporation Engineer, in the rank of Superintending Engineer, is the head of the wing and is assisted by Executive Engineer/Asst. Exe. Engineer/Asst. Engineer/Overseers.

Audit analysed implementation of projects formulated for asset creation and maintenance by Engineering Wing in selected ULBs and noticed that

<sup>46</sup> Koliyoor mini stadium in Thiruvallom Zone, two community halls in Vizhinjam zone and a land in Kuravankonam having Survey No. PTM 3116

percentage of implementation of projects was very low, ranging from 50 per cent to 59 per cent in respect of creation of assets and 51 per cent to 61 per cent in respect of maintenance of assets during the audit period. Details are given in Table 5.1.

**Table 5.1: Status of implementation of projects for asset creation and maintenance**

Year	Asset Creation			Maintenance (Non-road)		
	No. of projects formulated (excluding road projects)	No. of projects implemented	Percentage	No. of projects formulated	No. of projects implemented	Percentage
2020-21	3923	2321	59.16	861	526	61.09
2021-22	2977	1533	51.49	923	473	51.25
2022-23	3504	1748	49.89	1128	631	55.94
<b>Total</b>	<b>10404</b>	<b>5602</b>	<b>53.84</b>	<b>2912</b>	<b>1630</b>	<b>55.98</b>

(Source: Details furnished by Information Kerala Mission (IKM))

In respect of projects implemented, Audit noticed instances of non-adherence to the provisions of KPWD manual viz., non-conducting site verification and feasibility study, non-preparation of estimate incorporating all aspects to complete the work etc. resulting in abandoning of projects, extensive revision of estimates after awarding the work, cost overrun, etc. and unfruitful/infructuous expenditure as detailed in Paragraph 5.9 indicating the deficiencies on the part of Engineering wing in the implementation of projects.

Government stated (November 2024) that some works could not be completed before the end of the financial year due to inclement weather or contractors not accepting tenders on time. Reply stating that non-completion of around 40-50 per cent of works in all the three consecutive years was due to non-acceptance of tenders or inclement weather is not tenable. Further, reply is silent on any effective action taken to overcome the impasse.

### 5.7.2 Custodian of assets

The Engineering wing is responsible only for undertaking the construction/maintenance of buildings. Utilisation of the asset, for the purpose for which it has been constructed, is the responsibility of the wing concerned engaged in the specific service delivery aspect connected with the asset. AM Manual, 2017 stipulates assignment of a custodian for each category of service delivery asset for its systematic management including utilisation and timely maintenance to enhance service delivery potential. Custodian of Assets is a person in any position or level in the LSGI, entrusted with the responsibility of safeguarding and monitoring of a specific asset. Further, custodian of assets was to be held responsible for the misuse, mismanagement, under-utilisation or unauthorised use of the assets. However, none of the test checked ULBs have assigned custodians for the assets owned by them. In the absence of proper system in place for management and utilisation of assets, audit noticed instances of encroachments of public land/buildings, idling of various service delivery

assets like Pakal veedu<sup>47</sup>, women training/industrial estates, women hostels, etc. as detailed in Paragraph 5.10.

Government stated (November 2024) that audit observation has been noted for further action.

**Recommendation:**

**Government may direct ULBs to entrust custodians to each category of assets to ensure proper management and utilisation of assets.**

**5.8 Financial Management/Funding**

Availability of funds and its efficient utilisation is an inherent component of effective asset management. ULBs have access to various sources of funds like Development and Maintenance Funds of GoK, Central Finance Commission grants and their own funds for creation, utilisation and maintenance of assets to perform various service delivery and developmental activities. Allocation and Expenditure of funds for asset management (except road projects) in test checked ULBs during the audit period is given in **Table 5.2**.

**Table 5.2: Total fund allocation and Expenditure in test checked ULBs**  
(₹ in crore)

Year	Asset Creation						Asset Maintenance			
	Amount Allocated			Amount Utilised			Percentage of utilisation	Amount Allocated	Amount Utilised	Percentage of utilisation
	Development Fund	Own Fund	Total	Development fund	Own fund	Total		Maintenance fund (non-road)	Maintenance fund (non-road)	
2020-21	421.37	71.20	492.57	245.94	9.73	255.67	51.91	69.96	36.33	51.93
2021-22	334.12	89.20	423.32	146.62	7.00	153.62	36.29	92.39	30.41	32.91
2022-23	397.63	74.40	472.03	166.23	11.04	177.27	37.55	96.09	45.26	47.10

(Source – Details furnished by IKM)

In respect of creation of assets, utilisation of funds ranged from 36 to 52 per cent and in respect of maintenance of assets, only 33 to 52 per cent of allocation were utilised. Further, utilisation of own fund for creation of assets was in the range of four per cent to six per cent of total expenditure on creation of assets. State Finance Commissions had recommended utilisation of maintenance fund exclusively for maintenance of transferred institutions. Maintenance of own assets of local bodies were to be undertaken utilising their own fund. However, audit noticed that test checked ULBs had not formulated any projects for periodical maintenance of own assets utilising own fund. As such periodical maintenance as envisaged in KPWD Manual did not take place in test checked ULBs.

<sup>47</sup> Pakal veedu or day care centre is an intervention by LSGIs envisioned to help elderly combat their loneliness

Government stated (November 2024) that utilisation of funds towards asset creation/maintenance will be monitored.

## 5.9 Asset Creation

The purpose of asset creation is to fulfil the mandatory, general, and sectoral functions assigned to LSGIs, to satisfy the citizen's needs and requirements. Since acquisition/creation of assets involved investment of scarce resources, project-specific plans were required to be prepared for timely completion of projects for deriving optimal intended benefits. Audit noticed instances of acquisition of unsuitable land, construction of buildings on unsuitable land, inordinate delay in completion of construction, etc. as detailed in the succeeding paragraphs:

### 5.9.1 Acquisition of unsuitable land

Once the need and source of fund is identified by the ULB for the creation of an asset, identification of suitable land to ensure effective implementation of the project is necessary. Kerala Municipality (Acquisition and disposal of property) Rules, 2000, stipulates that land to be acquired should be certified by Municipal Engineer to be suitable for the intended purpose. However, Audit observed instances where ULBs purchased land that were not suitable for the intended purposes, resulting in unfruitful expenditure and blocking of funds to the tune of ₹7.50 crore. In both the instances given below, ULBs failed to conduct feasibility studies before acquiring the land.

#### 5.9.1.1 Wetland purchased for Sewage Treatment Plant by Thrissur Corporation

Thrissur Corporation formulated (2016-17) a project for purchase of land, utilising development fund, for construction of a 2.5 MLD Sewage Treatment Plant (STP) under AMRUT scheme. However, without assessing suitability of the land, the Corporation purchased (November 2017) a wetland of 3.91 acres with canals on three sides and paddy land on the fourth side at Koorkanchery village, incurring expenditure of ₹2.16 crore. In order to establish park and other connected facilities of the STP, the Corporation again purchased (March 2019) adjoining wet/paddy land of 7.79 acres incurring expenditure of ₹4.29 crore. Audit noticed that Superintending Engineer of the Corporation had certified (November 2018) the suitability of the land for the construction of STP. As the Kerala Conservation of Paddy Land and Wetland Act, 2008 prohibited reclamation of wetlands, the Corporation submitted a proposal to Government for reclamation of a portion of land (73 cent) purchased for construction of the STP. As the land to be reclaimed was a wetland and part of Kole wetlands, which is a Ramsar site<sup>48</sup> of International importance, Government rejected (September 2024) the proposal for reclamation of the said land taking into account the environmental impact on reclaiming the land. Thus, purchase of land not suitable for the specific development purpose resulted in unfruitful expenditure of ₹6.45 crore.

<sup>48</sup> In response to the International Convention on Wetlands held at Ramsar in 1971, Vembanad - Kole wetland comprising 1.51 lakh hectares was included as a Ramsar site in 2002

Government stated (November 2024) that Corporation proposed construction of the plant by placing a platform on top of concrete pillars, and Corporation was of the view that construction would not pose any danger to the natural environment. It was also stated that the land purchase was on the strength of certificate of purchase of land by Superintending Engineer and Health Supervisor of the Corporation. Further, the Corporation had envisioned tourism development activities also, in addition to the construction of STP.

Reply is not tenable as the Corporation should have ascertained the suitability of the land before purchase, as the land was categorised as ‘waterbody’ in the Validation Report, 2008 of Kerala State Remote Sensing and Environment Centre and the land was included as paddy land in the Data Bank maintained by Agriculture Department. Further, as noticed during joint physical verification, the land was surrounded by canals on three sides and paddy land on fourth side and as per the report of the Agricultural Officer, the land remained waterlogged for most of the year.

#### **5.9.1.2 Purchase of Paddy land for implementation of a Housing scheme**

Kodungalloor Municipality purchased two plots of land in Pulloottu village measuring 1.78 acre and 1.58 acre in March 2011 and March 2013, respectively for providing housing facility to 144 landless houseless families of SC and general categories incurring an expenditure of ₹1.05 crore. As the lands purchased were waterlogged paddy lands and Kerala Conservation of Paddy Land and Wetland Act, 2008 imposed restrictions on reclamation of paddy land, the Municipality did not formulate any project for house construction in the land. Audit noticed that there was no road connectivity to the 1.58 acre plot of land and only three meter access road for the 1.78 acre land. Audit observed that purchase of land without ensuring the suitability for the purpose for which it was purchased has resulted in unfruitful expenditure of ₹1.05 crore and non-realisation of the intended benefits.

Agreeing to the audit observation, Government stated (November 2024) that the land is included in CRZ II and comes under wetland and is not suitable for a housing scheme. It was also stated that a vigilance case on the purchase of land is pending for the last seven years.

#### **5.9.2 Construction of buildings on unsuitable land resulting in abandoning of work and wasteful expenditure**

The KPWD Manual mandates that the Engineering wing should ensure suitability of site by conducting site verification and soil test while preparing preliminary estimate. However, Audit noticed that site condition was not ascertained before commencement of construction in the case of various service delivery projects for women empowerment, welfare of old age persons, solid waste management, drinking water supply, etc. resulting in alterations in scope of the work, time and cost overruns and unfruitful expenditure to the tune of ₹7.96 crore as detailed in succeeding paragraphs.

### 5.9.2.1 Construction on the bank of river/pond/in wetland

#### **Women livelihood centre at Kazhakkootam, Thiruvananthapuram Corporation**

Thiruvananthapuram Municipal Corporation entrusted (March 2018) construction of a three storeyed women livelihood centre at Kazhakkootam Zone, meant for providing amenities for women entrepreneurs, to an accredited agency, COSTFORD at an estimated cost of ₹96.30 lakh. The estimate was prepared by COSTFORD, and Technical Sanction was accorded (February 2018) by Executive Engineer of the Corporation. Though the work was commenced in March 2018, it was stopped in October 2020



**Figure 5.2: Women livelihood Centre building remaining incomplete. Photograph taken by Audit on 19 July 2023**

due to waterlogging in the land with only the open structure of the building completed after spending ₹77.04 lakh<sup>49</sup>. During JPV, Audit noticed that (August 2023) the land was situated on the brim of a pond and was waterlogged. Audit observed that the Corporation and COSTFORD were aware about the limitations of the land as site investigation by Corporation (September 2017) revealed location of water table very near (at 0.5 m) to the ground surface and very low load bearing capacity of soil. Thus, the decision of the Corporation to execute the work despite being aware of the unsuitability of the land resulted in wasteful expenditure of ₹77.04 lakh.

Government stated (November 2024) that necessary action would be taken on receipt of report on the issue from the Corporation.

#### **Construction of shopping complex in paddy land by Thrissur Municipal Corporation**

Thrissur Municipal Corporation commenced (October 2019) construction of a shopping complex at Kovilakathumpadam, at an estimated cost of ₹15.30 crore. The Detailed Project Report (DPR) for the project was prepared by M/s ENARC Consultants incurring expenditure of ₹40.56 lakh. Though the said land was included as paddy land in the data bank, Corporation went ahead with the construction of the shopping complex violating the Paddy and Wetland Conservation Act, 2008, resulting in complaints by the public and subsequent direction by the District Collector (May 2021) to stop the construction and restore the land. However, the Municipal Corporation violated the orders of District Collector and continued with the construction of the shopping complex till August 2022. Corporation spent ₹6.23 crore on the project and the work remained incomplete with partially constructed structure (November 2024).

<sup>49</sup> of ₹77.04 lakh, ₹14.06 lakh remains with COSTFORD

### ***Construction of building for RO water treatment plant***

Pattambi Municipality commenced construction (April 2019) of a building for installation of RO water treatment plant, at Nambram ward, on a river poramboke<sup>50</sup> at a distance of 10 metres from the riverbed for an estimated cost of ₹10 lakh. On completion of the foundation and pillars for ground floor, the structure was inundated during rainy season. Hence, the estimate was revised to increase the height of pillars by avoiding items such as doors, windows and finishing works and the structure of first floor was constructed (January 2021) on ground floor pillars incurring an expenditure of ₹9.06 lakh. However, no further progress was made thereafter. Audit during joint site inspection found that vehicle accessible road to the building was not available and the building was incomplete and in abandoned condition. Thus, non-assessment of suitability of the site by the Municipality resulted in unfruitful expenditure of ₹9.06 lakh and non-achievement of objective of providing filtered water to public at low cost.

Government stated (November 2024) that access to the site would be obtained and further progress in this regard would be watched.

### ***5.9.2.2 Constructions on dumping yard***

#### ***Construction of a building to install Organic Waste Converter plant***

Thrissur Corporation constructed (November 2020) a building at Pallikkulam to install Organic Waste Converter (OWC) plant by incurring an expenditure of ₹45.63 lakh. The

building was constructed adjacent to a pond in an old dumping ground. Audit conducted joint physical verification during July 2023 and found the building in collapsed condition.



***Figure 5.3: Damaged OWC plant building. Photograph taken by Audit on 15 June 2023***

Scrutiny of records revealed that soil test

was not conducted before construction of the building, though the land selected was an old dumping ground and adjacent to a pond. Corporation replied that soil test was not conducted as the building proposed to be constructed was a single storied building with sheet roofing. Further, collapse of the retaining wall adjacent to the pond during heavy rain led to erosion of soil adjacent to the foundation and collapse of the building. The reply is not tenable as Corporation should have taken into account the site conditions, viz., adjacency of pond, dumpsite etc. while constructing the building. Audit observed that construction of the building in a dumpsite, without undertaking adequate measures to ensure the stability of the building resulted in loss of ₹45.63 lakh.

Government stated (November 2024) that plastic waste and soil up to the depth of three meters was removed during construction. It was also stated that though

<sup>50</sup> Unassessed lands which are the property of Government, reserved for public purposes or for the communal use of villagers

construction of retaining wall adjacent to the pond was commenced (July 2022), presence of excess wood and soil on the side of the pond resulted in collapse of the retaining wall and damage to the building. However, the fact remains that soil test was not conducted to ascertain the sub-soil conditions, bearing capacity and type of foundation needed, which resulted in construction of building not suited for the site conditions and consequent collapse of the building and loss of public money.

#### ***Construction of Pakal Veedu by Kochi Corporation***

Kochi Corporation commenced (October 2021) construction of a Pakal Veedu (single year project) in a dump yard at Edappally zone at an estimated cost of ₹40 lakh. After commencing the work, as it was noticed that waste and leachate had made the soil loose and marshy; soil test was conducted (January 2022) by the Corporation and the estimate was revised to complete only the foundation within the Administrative Sanction (AS) of ₹40 lakh. The foundation work was completed (March 2023) by spending ₹35.43 lakh. During joint physical verification (July 2023), Audit noticed that no further progress was made and the ground adjacent to the site was being used as a dump yard. Audit observed that wrong site selection and non-conducting the mandatory site verifications and feasibility studies by the Engineering wing before awarding the work resulted in cost overrun and non-completion of the work till date.

Government stated (November 2024) that estimate was prepared by taking into account the soil surface of the surrounding area of the compound and the Corporation was not aware of the presence of plastic waste underground. It was also stated that construction work was being carried out according to availability of funds and the building is at the finishing stage.

Reply is not tenable as non-conducting mandatory site investigation before preparation of estimate, especially for construction of a building in a dump yard, has resulted in non-completion of the building (proposed to be completed within a year), even after a lapse of three years from its commencement. Further, a joint physical verification conducted during January 2025 revealed that only beams and columns of the building have been constructed and large heaps of bio and non-bio waste were seen next to the building.

#### ***Construction of Material Recovery Facility***

Pattambi Municipality constructed (April 2018) a Material Recovery Facility (MRF) shed at a cost of ₹6.18 lakh in a solid waste dump yard. During joint physical verification (January 2023) of the site with Municipality officials, audit noticed that the building was constructed on top of dumped waste. As the building was constructed on a plastic waste dumpsite, the loose foundation gave way and huge cracks appeared on the walls and tiles got damaged. The building was abandoned and the MRF machinery purchased was



***Figure 5.4: Damaged Material Recovery Facility.  
Photograph taken by Audit on 18 April 2024***

installed in a windrow composting shed constructed nearby. Audit observed that construction of building without conducting proper site investigation resulted in unfruitful expenditure of ₹6.18 lakh.

Government stated (November 2024) that no other suitable area was available at the time of construction of the facility and the building was constructed as per the directions of Suchitwa Mission and according to the specification and plan available in their website. It was also stated that the building has been handed over to Harithakarmasena for utilising it as Material Collection Facility.

Reply is not tenable as construction of a building without carrying out proper site investigation has resulted in damage of the building. Further, the reply is silent on any repair/reinforcement works carried out on the building to strengthen it. Utilisation of a damaged building for any purpose poses significant risk.

### **5.9.2.3 Constructions in violation of Kerala Municipality Building Rules**

#### ***Construction of Community Hall violating KMBR***

Kerala Municipality Building Rules, 1999 (KMBR) prescribe minimum access width of five metres for Community Halls with area exceeding 300 sq.m on each floor. Thiruvananthapuram Corporation formulated two projects<sup>51</sup> during 2017-19 for construction of two storied community hall building having area of 700 sq.m at Attukal at a total cost of ₹95 lakh. Though KMBR stipulated access width of five metres, the access road (length -135 metre) to the building had width less than three meters. Audit noticed that on completion of structure of the building and incurring an expenditure of ₹69.38 lakh, the Corporation stopped the work (March 2021) without recording any reasons. Joint physical verification (August 2023) revealed that construction was incomplete and only the structure in two storeys with area 700 sq.m was constructed. Non-completion of the building has resulted in unfruitful expenditure of ₹69.38 lakh. Violation of the rules, by the authority responsible to ensure its adherence, indicate the negligence in complying with the rules and regulations issued by Government.

Government stated (November 2024) that civil and electrical works have been completed and the ground floor of the building is proposed for anganwadi/gym and first floor is functioning as Homeo dispensary.

Reply is not tenable as a joint physical verification conducted (29 November 2024) by Audit along with officials of the Corporation revealed that civil/electrical works were not completed and Homeo dispensary was not functioning in the building as claimed by Government. Further, the reply is silent on the violation of KMBR by the Corporation.

### **5.9.3 Inordinate delay in completion of commercial/office buildings**

Wrong choice of site or designs based on incorrect or insufficient data can result in considerable and avoidable expenditure and delays. Further, ascertaining fund requirement for completion of building is also an important factor while

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<sup>51</sup> First project was during 2017-18 for construction of ground floor at a cost of ₹35 lakh and the other was during 2018-19 for completion of ground floor and construction of first floor at a cost of ₹60 lakh

planning building projects. Audit noticed instances of negligence in the preparation/approval of estimates by Engineering wing, commencement of construction without ensuring availability of fund, etc. resulting in inordinate delay in completion of commercial/institutional buildings and unfruitful expenditure/blocking up of funds as detailed in subsequent paragraphs.

### ***5.9.3.1 Commercial and office buildings remaining incomplete due to shortage of funds in Palakkad Municipality***

Palakkad Municipality formulated (May 2017) projects for construction of seven buildings (six commercial buildings and an annex building for the Municipality Office) at an estimated cost of ₹23.11 crore utilising Development Fund. The objective was to create remunerative assets that could fetch rental income to enhance own income of the Municipality and one project was for Municipal office extension. All the seven works were entrusted (March 2018) to the accredited agency Habitat Technology Group and Municipality entered into agreement for all the works on the same day (26 March 2018) with the time of completion of two years. However, construction of only open structures of buildings were completed by December 2020, incurring an expenditure of ₹14.17 crore. Since then, no further progress was made due to shortage of funds. Though the Municipality conducted auction (January 2021) to lease out the open structures of three buildings, there were no takers. Audit observed that commencement of all seven works together without ensuring availability of funds resulted in non-completion of all the buildings even after six years of commencement and incurring an expenditure of ₹14.17 crore.

Accepting the audit finding, Government stated (November 2024) that ₹20 crore has been allocated as special assistance loan for construction of four of the seven buildings and Council has decided to take urgent steps to invite tender for construction.

### ***5.9.3.2 Construction of Kochi Corporation office building remaining incomplete after 17 years of commencement***

The work for construction of a new building for Kochi Corporation was awarded (April 2006) to a contractor (civil work) at a cost of ₹18.83 crore (2004 SoR) with time of completion of 20 months. Government accorded administrative sanction for the work in July 2006. Though the work was commenced, the contractor stopped the work in April 2008 due to several variations from the approved estimate brought in by the Corporation and consequent disputes that arose between the contractor and the Corporation. The contractor was paid ₹6.10 crore during the period. Though the Corporation Council decided to terminate the contract at the risk and cost of contractor, based on the judgement of Honourable High Court, on the petition filed by the contractor, the work was awarded to the same contractor and the estimate was revised (May 2015) to ₹18.70 crore for executing the balance work. Later, due to several variations and additions in the revised estimate, the estimate was again revised (July 2018) to ₹24.71 crore for executing the balance work. The work remained incomplete even after spending ₹25.70 crore (December 2024). Audit, during joint physical verification (December 2024), noticed waterlogging up to 1.5 feet in the basement floor. It was stated (December 2024) that though contractor was directed (December 2023) to rectify the water seepage, rectification work was not attended to. Audit observed that frequent

estimate revisions, slow pace of work, insufficient own fund, etc. has resulted in cost over-run and non-completion of work even after 17 years.

Government stated (November 2024) that the building is in final stage of construction and will be completed in January 2025. However, no specific remarks was offered by Government for non-completion of the building even after 17 years of its commencement.

### **5.9.3.3 Construction of Town Hall Building by Shoranur Municipality**

KPWD Manual, 2012, as well as plan formulation guidelines prescribed for preparation of estimates with all aspects required for satisfactory completion of the building. Manual also stipulated that detailed estimate should include lump-sum provisions for electrification and plumbing and estimates for partial construction should not be prepared or approved.

Shoranur Municipality formulated two projects - one for construction of town hall building (4000 sq.m) at Kulappully and other for its completion during 2015-16 and 2021-22, respectively at a total cost of ₹2.47 crore. However, it was seen that both the projects were formulated without incorporating all aspects required for satisfactory completion of the building. First project included only construction of open structure<sup>52</sup> of a portion of two storied Town Hall building for ₹97.20 lakh and the second project was formulated for construction of structure of the building, walls and sheet roofing work at a total cost of ₹1.50 crore without including finishing works such as plastering, flooring, painting, plumbing, electrification, etc. Though an amount of ₹2.47 crore was spent by Municipality only partial structure of the building could be constructed so far (November 2023). Municipality replied that delay occurred due to shortage of funds. Audit observed that non-preparation of estimate for completion of construction and failure to ascertain fund requirement at the planning stage led to non-completion of the building even after eight years of its commencement.

Government stated (November 2024) that due to non-availability of funds municipality constructed the buildings in stages and the construction would be completed in 2024-25.

### **5.9.4 Non-execution of essential components forming part of the contract**

Audit noticed that in two projects for construction of gas crematoria, though execution of civil work was completed, gas crematorium forming part of the contracts were not installed, resulting in idling of the infrastructure created, non-achievement of objective of the projects and infructuous expenditure to the tune of ₹44.48 lakh as given in **Table 5.3**.

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<sup>52</sup> Roof, walls, plastering, flooring, painting, electrification, etc., were not included

**Table 5.3: Non-completion of essential components in Crematorium building**

Sl. No.	Name of ULBs	Year of construction of building	Expenditure	Remarks
1	Thiruvananthapuram Corporation (Kanjirampara)	January 2022	₹17.88 lakh	The site identified was inside a thickly populated SC colony, which already had a traditional crematorium. The colony inhabitants protested against usage of crematorium by outsiders.  Wrong site identification led to abandoning the project.
2	Wadakkanchery Municipality (Enkakkadu)	February 2015	₹26.60 lakh	Though Civil works including installation of crematorium was entrusted (₹26.60 lakh) to M/s COSTFORD only the building work (except finishing works) was completed.  ULB has not taken any action to complete the project.

(Source: Details furnished by ULBs and joint physical verifications)

Government stated (November 2024) that the gas crematorium work at Enkakkadu was stopped due to non-availability of water in the borewells dug at the site. It was also stated that after obtaining sufficient water, the balance works would be completed. Regarding construction of crematorium at Kanjirampara, Government stated that the project has been dropped.

The replies indicate that no feasibility studies were conducted before selection of the sites for construction of crematoria.

### 5.9.5 Buildings constructed without ensuring ownership of land

KPWD Manual stipulates hundred *per cent* possession of hindrance free land before inviting tender. It is also the responsibility of the Assistant Engineer to ensure that the works proposed are in the land under the ownership of local bodies. However, Thiruvananthapuram Municipal Corporation (TMC) constructed buildings without ensuring possession of hindrance free land resulting in non-utilisation of said buildings and consequent blocking up of funds as detailed below:

#### 5.9.5.1 Construction of building in violation of Government instructions

GoK had instructed (June 2002) that school buildings and premises of schools should not be used for any purpose other than for educational purpose. Further, based on the judgement of Hon'ble High Court of Kerala<sup>53</sup>, GoK instructed LSGIs that no buildings should be constructed in land belonging to transferred institutions without obtaining permission from the Head of the Department concerned. TMC in violation of government orders and without obtaining permission from General Education Department constructed (during 2018-19 and 2020-21) a two storied building for Multi gym, Ward Committee office and

<sup>53</sup> 27 November 2018

Akshaya Centre in Nedumcaud UP school playground incurring an expenditure of ₹26.91 lakh. TMC also installed various equipment in the Multi gym. However, the building could not be put to use as TMC could not secure permission/ratification for the construction from the Director of Public Instructions. Construction of building violating Government orders resulted in blocking up of funds to the tune of ₹26.91 lakh.

#### **5.9.5.2 Construction on land owned by a Society**

TMC constructed a building (June 2020) on a land owned by Kazhakoottam Rural Harijan Industrial Co-operative Society<sup>54</sup> by spending ₹22.33 lakh from Development Fund (Special Component Plan). Audit noticed that TMC had no right on the ownership of the land/building. Failure on the part of Engineering Wing of TMC in ensuring the ownership of the land resulted in construction of the building on a land owned by a Society. Even though TMC replied (July 2022) that the ownership of the land would be transferred to TMC, the same did not materialise (December 2024).

Government stated (November 2024) that the work was started with affidavit that the land would be transferred to TMC after the completion of construction.

Reply is not tenable as construction of the building before transferring the land to TMC violated Government instructions. Further, reply is silent on the reason for not transferring the ownership of the land even after four years of construction. As per the revenue records, the ownership of the land remains with the President, Rural Harijan Industrial Co-operative Society, Kazhakoottam (December 2024).

#### **Recommendations:**

***Government may ensure that ULBs ascertain suitability of a land for the intended purpose before its purchase***

***Government may direct ULBs to prepare estimates with all aspects required for satisfactory completion of the building as stipulated in KPWD Manual***

## **5.10 Utilisation and Maintenance of Assets**

ULBs created assets, especially buildings, for service delivery for economic and social development of weaker sections of the society. Proper utilisation of assets guarantees a significant impact on the lives and livelihood of the people. According to AM Manual, 2017, it is the responsibility of the Secretary/custodian of assets to ensure proper utilisation and maintenance of assets including works undertaken to keep, restore, and improve every facility and to sustain the utility and value of the facility. Audit verified buildings and other assets in the test checked ULBs and found that assets constructed/renovated at a total cost of ₹29.19 crore were idling, thereby defeating the purpose for which they were created as discussed in the following paragraphs:

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<sup>54</sup> Kazhakoottam Rural Harijan Industrial Co-operative Society is registered as a Co-operative Society under Section 8 of the Kerala Co-operative Societies Act, 1969 on 24 October 1986 and is functioning under the control of Kerala Khadi and Village Industries Board

### 5.10.1 Idling of assets created for women empowerment

Plan formulation and subsidy guidelines prescribed mandatory allocation of 10 per cent of development fund for ensuring women empowerment. Audit observed that for fulfilling this mandatory condition, test checked ULBs formulated Women Component Plan (WCP) projects without assessing feasibility, mode of operation etc. resulting in idling of assets worth ₹12.12 crore as detailed in subsequent paragraphs.

#### 5.10.1.1 She Lodges/Women Hostels

Plan formulation guidelines, 2018 directed ULBs to include projects for constructing She Lodges with the objective to provide safe accommodation for travelling women, especially during night, at reasonable daily rates. Further, Women Hostels were to provide accommodation for women/students at monthly/daily rates. Audit noticed that out of nine She Lodges/Women Hostels constructed in five test checked ULBs, five constructed at a cost of ₹7.19 crore in four<sup>55</sup> ULBs were not functional since completion of construction (2019-2022). Details are given in **Appendix 5.3**. Audit observed that the test checked ULBs have not taken any action/formulated any plan to ensure day to day management of She Lodges/Women Hostels, which resulted in idling of these buildings and non-achievement of objective of providing safe accommodation to travelling women at reasonable rates.

Government stated (November 2024) that urgent steps will be taken to utilise the buildings.

#### 5.10.1.2 Non-utilisation of Women Vyvasaya/Vipana Kendrams

Women Vyavasya/Vipana Kendrams are centres for facilitating women entrepreneurs for establishing industrial production/marketing of products. Of the 22 women Vyavasya/Vipana Kendrams constructed in test checked ULBs, Audit test checked 11 Women Vyavasya/Vipana Kendrams constructed by six ULBs and found that these centres were not utilised for the purpose since the date of construction, resulting in unfruitful expenditure to the tune of ₹3.23 crore. Details are given in **Appendix 5.4**. No specific reason was provided by these ULBs for non-utilisation of the buildings.

Government stated (November 2024) that necessary steps will be taken to utilise the buildings for the purpose.

#### 5.10.1.3 Women Rest Rooms/Women Friendly centres

Plan formulation and subsidy guidelines envisaged construction of women rest rooms/women friendly centres at places such as offices, hospitals, bus stands, markets, etc. Audit test checked seven women rest rooms/women friendly centres in Thiruvananthapuram and Kochi Corporations constructed during 2017-18 to 2020-21 at a total cost of ₹1.37 crore and found that all these centres remained unutilised till date (August 2023). Details are given in **Appendix 5.5**. Audit observed that these ULBs have not so far formulated any action plan for making these buildings operational.

Further, a women friendly centre constructed (December 2021) incurring an expenditure of ₹29.84 lakh with facilities such as feeding room, toilets, waiting

<sup>55</sup> Thiruvananthapuram and Kochi Corporations, Kalpetta and Attingal Municipalities

rooms etc. in the premises of Thiruvananthapuram Corporation office was being utilised as office of the Health Wing of the Corporation.

Government stated (November 2024) that non-functioning women rest centres would be inspected and necessary steps would be taken to make them operational. However, the reply is silent on the utilisation of women friendly centre as office by Thiruvananthapuram Corporation.

#### **5.10.1.4 Recreation/ Health Club/ Gym for women**

In order to ensure regular exercise to reduce the lifestyle diseases in women, plan formulation guidelines envisage construction of fitness centres for women by ULBs. Audit noticed that though Thiruvananthapuram, Kochi and Thrissur Corporations constructed women multi gym/recreation centres, these were not functional till date as detailed below:

- Kochi Corporation constructed a Ladies Health Club on the first floor of Kalvathy-Thuruthy shopping complex. The gym had a variety of equipment<sup>56</sup> and connected facilities like toilets, changing room, reception area etc. However, in the absence of three phase electric connection, gym remained unutilised (May 2024).
- Thiruvananthapuram Corporation constructed<sup>57</sup> (March 2020) a building for setting up Vanitha Gym at Ponnurangalam ward. However, gym equipment and electric connection were not provided and the building was idling (May 2024).
- Thrissur Corporation converted an industrial unit idling for 15 years into a recreation centre for women, by incurring an expenditure of ₹2.58 lakh (October 2020). However, as the electric connection was not obtained the building was not put to use (July 2023).

In respect of Ladies Health Club in Kochi Corporation, Government stated (November 2024) that electric connection has been provided and the gym would start functioning from second week of November.

Reply is not tenable as a joint physical verification conducted on 27 November 2024 revealed that electric connection has not been obtained and the gym has not started functioning.

Regarding idling of women recreation centre at Thiruvananthapuram, Government stated (November 2024) that electric and water connections would be obtained and the building would be made functional as soon as possible.

#### **5.10.2 Idling of Assets created for old aged and child welfare**

According to the plan formulation and subsidy guidelines, five *per cent* each of development fund should be mandatorily allocated for welfare of children and old-aged persons. Audit noticed that 12 Pakal Veedu<sup>58</sup>/old age recreation

<sup>56</sup> Details of construction of the building and purchase of gym equipment were not made available by the Corporation

<sup>57</sup> Details of construction of the building were not made available by the Corporation

<sup>58</sup> Thrissur Corporation (five nos) - ₹28.84 lakh (cost of construction of two buildings not available), Kochi Corporation (six nos) - ₹64.59 lakh, Kalamassery Municipality - ₹12.33 lakh

centres in three test checked ULBs and two BUDS<sup>59</sup> schools<sup>60</sup> in Kochi Corporation constructed/renovated during 2018-19 to 2022-23 at a total cost of ₹1.33 crore remained unutilised (August 2023). Of the 14 Pakal Veedu/BUDS school buildings, basic facilities viz., electricity, water supply, chairs, tables, cots, etc. were not provided in nine buildings. Audit observed that projects were formulated without proper foresight and without ascertaining feasibility resulting in non-utilisation of assets for welfare of old-aged persons and children.

Government stated (November 2024) that of the nine Pakal Veedu/BUDS schools in Kochi Corporation, action is being taken to enable four institutions (two BUDS schools and two pakal veedu) functional as soon as possible. However, the reply is silent on the remaining institutions in Kochi, Thrissur Corporations and Kalamassery Municipality.

### 5.10.3 Non-utilisation of Gas Crematoria

According to KM Act, establishment and maintenance of crematoria/burial grounds is one of the mandatory functions of ULBs. However, Audit noticed that five gas crematoria constructed during the period 2012-13 to 2019-20 in four test checked ULBs<sup>61</sup> spending ₹55.46 lakh<sup>62</sup> remained unutilised due to reasons such as non-maintenance, public protest, lack of three phase electric connection, water connection etc. Details are given in **Appendix 5.6**. Audit observed that negligence on the part of Engineering wings/ULBs in undertaking timely maintenance and providing necessary facilities to make the crematoria functional resulted in infructuous expenditure of ₹55.46 lakh.

Government stated (November 2024) that steps were being taken to carry out the repairs and for providing other necessary amenities viz., electricity and water connection to make the crematoria operational.

### 5.10.4 Markets, Shopping complexes and Market shop buildings

Shopping Complexes, public markets etc. are constructed by ULBs to provide commercial facilities to public at reasonable rates. The ULBs collect rent from these public amenities to meet establishment and operational expenditure, which enhances own fund revenue and service delivery capacity of ULBs.

Audit observed various deficiencies in the utilisation of assets as discussed in following paragraphs:

#### 5.10.4.1 Idling of Modern Hygienic Fish Markets

Thiruvananthapuram and Kochi Corporations constructed two modern fish markets with the assistance of Kerala Coastal Area Development Corporation (KCADC) at a total cost ₹4.87 crore. The markets were envisaged to facilitate modern hygienic fish sale outlets (wholesale and retail) with auction halls, chiller/freezer rooms, effluent treatment facility, etc. The market stalls were to be let out at normal user fee. Audit noticed that these modern fish markets

<sup>59</sup> BUDS is a Disability Mainstreaming Program initiated to avoid labelling and stigmatising people with mental challenges

<sup>60</sup> Division 16 (2022-23) and Division 24 (2022-23) in Kochi Corporation (2 nos) - ₹26.83 lakh

<sup>61</sup> Palakkad, Pattambi, Wadakkanchery Municipalities and Kochi Corporation

<sup>62</sup> Cost of construction in respect of three gas crematoria not made available

remained unutilised till date (December 2024). Details are given in the **Table 5.4**.

**Table 5.4: Details of idling of modern fish markets**

Sl. No.	ULBs	Cost of construction	Year of construction	Facilities provided	Remarks
1	Thiruvananthapuram Corporation (Pangode )	₹2.61 crore	May 2020	Two storied market building with 50 shop rooms	Though the Hon'ble High Court of Kerala had directed (March 2010) the Corporation to stop the unauthorised fish vending outside the building, Corporation has not taken any action to evacuate the illegal vendors.
2	Kochi Corporation (Palluruthi)	₹2.26 crore	2014	Two storied market building with 49 stalls.	Electricity and water connection were not available. Market stalls were being utilised for dumping plastic waste. Effluent Treatment facility though mandatory, was not provided

(Source: Details furnished by ULBs and joint physical verification)

The Corporations have not furnished any reason for not making the markets functional even after a lapse of three to nine years of construction. Though TMC conducted auction (August 2020) for letting out the shops, there were no takers. Audit observed that negligence on the part of Corporations in providing basic facilities for the functioning of the markets and non-eviction of illegal vendors resulted in non-utilisation of markets and unfruitful expenditure of ₹4.87 crore.

In respect of Pangode market, Government stated that there were no takers for the market stalls even after tendering three times. Hence, no further action was taken. Regarding Palluruthi market, it was stated that steps were being taken to provide water and electricity connections and remove plastic waste.

Government reply, while confirming the audit findings, is silent on any action taken to evict illegal vendors functioning in the Pangode market premises.

#### **5.10.4.2 Idling of shopping complexes/market shop buildings**

Shopping complexes benefit the community by providing jobs and generating economic activity and offer a convenient location for people to purchase goods and services. Shopping complexes are also a source of revenue to the ULBs. Audit noticed several lapses in the management of four shopping complexes/market shop buildings in Thiruvananthapuram and Thrissur Corporations resulting in idling of the shopping complexes constructed/renovated during the audit period, loss of revenue to the ULBs and unfruitful expenditure to the tune of ₹2.90 crore as detailed in **Table 5.5**.

Table 5.5: Details of idling shopping complexes/market buildings

Sl. No.	ULBs	Cost of construction	Year of construction/renovation	Facilities provided	Reason for non-utilisation
1	Thrissur Corporation - Olari Market shopping complex	₹2.08 crore	2020-21	38 shops and four halls	Non-completion of construction of basic facilities, foul smell on the basement floor, lack of Effluent Treatment Plant etc. and non-demolition of old un-utilised building in front of the market building.
2	Thiruvananthapuram Corporation- Mannanthala Shopping Complex	₹61.97 lakh	2021-22	16 shops	Non-completion of electrification
3	Thiruvananthapuram Corporation- Mannanthala market shops	₹19.95 lakh	2021-22	Stalls	Non-completion of electrification
4	Thiruvananthapuram Corporation- Peroorkada market shops	Not available	2021-22	Eight shops	Dumping of waste near the shops

(Source: Details furnished by ULBs and joint physical verification)

In respect of Oleri market shopping complex, Government stated (November 2024) that though four shop rooms on the basement floor were allotted to traders of erstwhile fish market, due to non-completion of construction of basic facilities and lack of on-site sewage treatment facilities and clean air, the shop rooms were not taken over by the traders. It was also stated that Superintending Engineer of the Corporation was assigned the task of solving the problem of sewage from fish and meat trade in the basement floor. In respect of markets in Thiruvananthapuram Corporation it was replied that though shops/stalls in Mannanthala shopping complex/markets were auctioned, there were no takers and waste has been removed and maintenance completed in respect of Peroorkada market shops.

Government reply indicates the lethargic attitude of the Corporation officials in ascertaining the reasons for non-occupation of the shops and taking remedial measures/rectify the defects in time. This inaction has not only deprived the community the opportunity to obtain jobs and generate economic activities but also led to idle investment and loss of revenue to the Corporations.

### 5.10.5 Town/Community halls/Indoor stadium

In order to fulfil the mandatory function viz., provision of urban amenities and facilities, entrusted upon the ULBs, community services like playgrounds, community halls, etc., are constructed by ULBs. Community halls are also a

source of revenue to the ULBs. It was seen that out of the 110 community halls/town halls in 24 ULBs, 51 community halls in seven ULBs were not being utilised. Details of idling of community halls are given in **Appendix 5.7**. No specific reasons were furnished by test checked ULBs for the non-utilisation.

Kalamassery municipality constructed (July 2020) a multipurpose indoor stadium with facilities such as dining halls, multipurpose hall, facilities for indoor games on ground floor and volleyball/badminton court with gallery on the first floor incurring an expenditure of ₹4.75 crore. However, the building remained unutilised till date (November 2024). No specific reason was furnished by the municipality for the non-utilisation.

Government stated (November 2024) that Municipal Council, Kalamassery municipality decided to appoint finance committee to prepare the byelaw and to open the multipurpose stadium to public immediately. However, the reply does not provide any reason for idling of the infrastructure created for the last four years.

***Recommendation:***

***Government may ensure that assets created by ULBs for economic and social development are put to use for the intended purpose.***

**5.10.6 Encroachments in public land/buildings**

Protection of public land from encroachment is a mandatory function of ULBs as per First Schedule of KM Act. Failure to protect own land by ULBs has resulted in encroachment and construction of buildings by encroachers in the land owned by test checked ULBs as detailed below:

**Palakkad Municipality**

- Palakkad Municipality owned residential quarters for 40 contingent workers at Kalmandapam. Since the quarters were very old, contingent workers were shifted (2013-14) to new quarters in Manarkattuparambu. During joint physical verification (November 2023), Audit noticed that in the absence of compound wall and gate and due to lack of proper monitoring by the ULB, the old quarters were encroached and illegally occupied by other people. However, no action was taken by the municipality against the encroachment (March 2023).

Government stated (November 2024) that orders have been issued to evict all encroachments from the premises.

**Kochi Corporation**

- Sneha Bhavan is an orphanage owned by Kochi Municipal Corporation for the rehabilitation of street children. As per asset register, Sneha Bhavan is situated in a land with area of two acre 60 cents<sup>63</sup>. However, during joint physical verification it was noticed that the land had a compound wall and the land area was measured by Engineering wing officials and found to be only one acre 24 cents. The land had a private flat complex on North, church building on South, lake on East side and PWD road on West. Audit observed that Corporation constructed

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<sup>63</sup> one hectare five are 22 sq.m

compound wall to Sneha Bhavan without ensuring that the entire land area has been covered.

Government stated (November 2024) that as basic records viz., deed, village tax receipt etc. were not found available with the Corporation, Sub Registrar Office, Mattancherry was requested to furnish a report on the extent of land, ownership, land transactions occurred in the past etc. pertaining to the survey numbers adjacent to Sneha Bhavan.

The reply indicates the negligence on the part of the Corporation in maintaining records to establish the ownership of the land and to protect public land from encroachment.

### 5.10.7 Plant and Machinery Assets

Plant and machinery such as Effluent treatment plants, solid waste management equipment, etc., purchased during 2019 to 2022 worth ₹2.66 crore was lying idle in seven test checked ULBs due to reasons such as purchase of machinery without ensuring availability/suitability of building, non-provision of electric connection, non-obtaining mandatory approval from PCB etc. Audit noticed that these ULBs did not take any action to make the plant/machinery functional resulting in unfruitful expenditure of ₹2.66 crore. Details are given in **Appendix 5.8**.

### 5.10.8 Vehicle Management

Urban Local Bodies purchase and maintain vehicles mainly for office purposes, waste management activities, drinking water supply and palliative care activities. According to Kerala Municipality (Utilisation and Maintenance of Motor Vehicles) Rules, 2000, timely repair of vehicles is the responsibility of Engineering wing of the ULB concerned. Audit noticed that test checked Corporations and Municipalities owned 511 and 205 vehicles, respectively, of which 43.05 per cent and 24.88 per cent, respectively, were idling.

Status of vehicles owned by test checked ULBs is detailed in **Table 5.6**.

**Table 5.6: Status of vehicles owned by test checked ULBs**

Name of ULBs	Total number of vehicles	No. of vehicles off road for want of fitness/repairs	No. of unserviceable vehicles to be auctioned	Percentage of vehicles not in running condition
<b>Municipal Corporations</b>				
Thiruvananthapuram	198	6	70	38.38
Kochi	143	34	72	74.12
Thrissur	85	10	5	17.65
Kozhikode	85	2	21	27.06
<b>Total</b>	<b>511</b>	<b>52</b>	<b>168</b>	<b>43.05</b>
<b>Municipalities</b>				
20 Test checked Municipalities	<b>205</b>	<b>5</b>	<b>46</b>	<b>24.88</b>

(Source: Details furnished by ULBs and joint physical verification)

Percentage of vehicles idling/not in running condition ranged from 17.65 per cent in Thrissur Corporation to 74.12 per cent in Kochi Corporation. Audit analysis of the management of vehicles by Kochi Corporation revealed that delay in sanctioning estimate, issuing work order, release of payment to workshop, etc. resulted in idling of the vehicles for a period up to seven years as detailed in succeeding paragraphs.

#### **5.10.8.1 Vehicle Management by Kochi Corporation**

Kochi Corporation owned 143 vehicles, of which 116 vehicles were purchased for waste management activities. Status of vehicles purchased for waste management activities are shown in **Table 5.7**.

**Table 5.7: Status of vehicles purchased for waste management by Kochi Corporation**

<b>Total Number of vehicles</b>	<b>Vehicles in running condition</b>	<b>Vehicles garaged/off road for want of fitness certificate</b>	<b>Unserviceable vehicles</b>	<b>Vehicles under auction process</b>
116	11	34	55	16

*(Source: Details furnished by Kochi Corporation and joint physical verification)*

- Audit noticed that of the 116 vehicles, only 11 vehicles were in running condition (April 2024).
- Thirty four vehicles<sup>64</sup> were off road/garaged for a period ranging from two months to seven years for want of Fitness Certificate Test (FCT) in various workshops/yards. Audit noticed that 14 of the 34 vehicles were idling for more than one year.
- 55 vehicles, including 20 APE four-wheeler trucks, have been categorised as unserviceable and they remained un-attended for periods ranging from nine months to nine years in various yards.
- Six APE four-wheeler trucks purchased during 2014 were reported for FCT during December 2015 to December 2016 but remained in the workshop till 2018 and got damaged in the floods and became unserviceable.

Audit observed that prolonged idling was the main reason for vehicles becoming unserviceable before they complete even 10 years.

#### **Delay in conducting of Fitness Certificate Test due to delay at multiple levels**

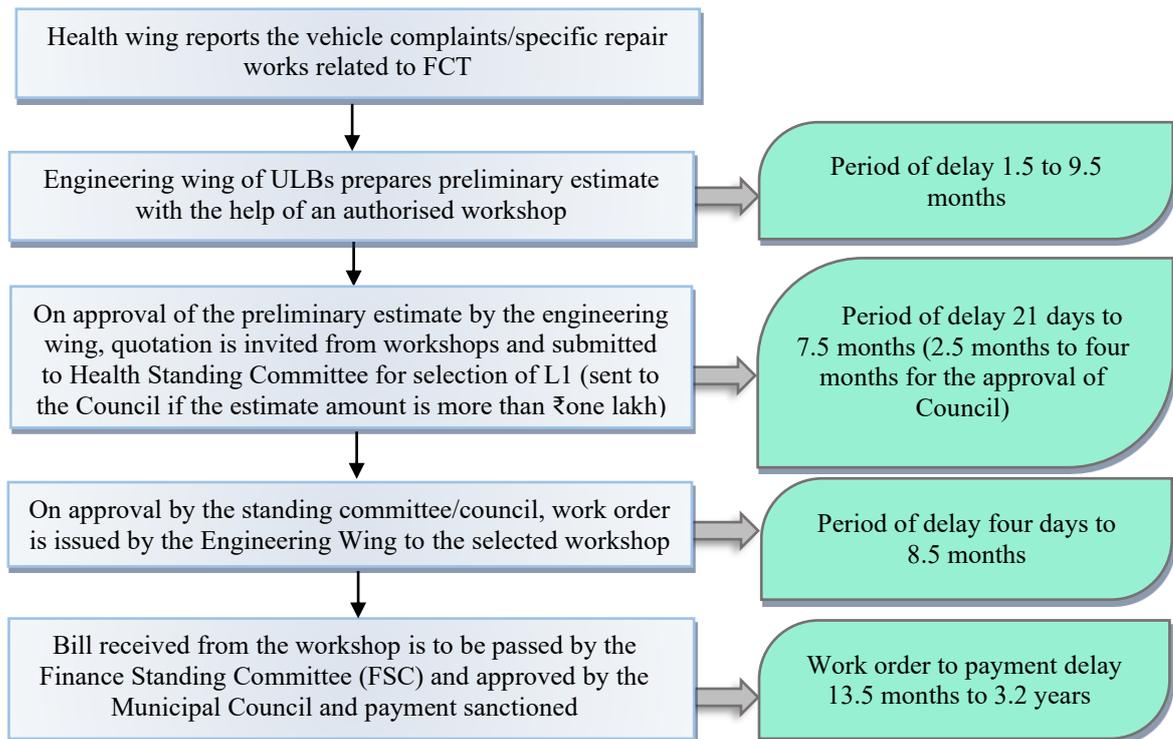
According to the Central Motor Vehicles Rule, 1989, certificate of fitness is granted initially for two years and thereafter should be renewed every year in respect of vehicles used for transportation. Procedure for obtaining FCT commences with the driver of the vehicle/Health Wing reporting the repair works related to obtaining FCT to the Engineering wing. In a test check conducted (April 2024) in respect of 27 vehicles<sup>65</sup> to ascertain the stages of delay/time consumed, audit noticed delay up to 44 months in payment of bills

<sup>64</sup> This included eight refuse compactors, 17 Ape four-wheeler trucks, six Ape three wheelers, one JCB etc.

<sup>65</sup> 13 from West Zone and 14 from East Zone

since reporting for repair work by the Health wing, due to delay at multiple levels as detailed in **Chart 5.1**.

**Chart 5.1: Delay at various levels**



*(Source: Details furnished by Kochi Municipal Corporation)*

Since each file generated for the FCT work has to sail through the above stages and there was considerable delay in passing through each stage, FCT for the vehicles were not conducted in time. Audit noticed delay up to 38 months in making payment against the invoice to the workshop from date of issue of work order indicating the laxity on the part of Kochi Corporation in undertaking timely repair of the vehicles.

Thus, delay in processing of files put up for fitness tests and related repairs and non-payment of dues to the authorised workshop for the repair works carried out resulted in the idling of vehicles for prolonged periods, which were in good running condition till reporting for FCT and consequent irreparable damage and loss of public money. Audit observed that delay in undertaking timely repair of vehicles used for waste management has resulted in additional expenditure by hiring vehicles.

Government stated (November 2024) that steps are being taken to reduce the idling/not in running condition status of vehicles by proper monitoring of the vehicles and reducing the time taken for file procedures. Regarding idling of APE Trucks, it was stated that APE Trucks purchased in 2014 were out of production models and spare parts were not available after one year and workshops were unwilling to undertake repairs. Health Standing Committee has decided to replace the vehicles with high maintenance cost and steps are being taken to dispose of these vehicles through auction.

The reply is not tenable as Corporation should have ensured before purchase that the vehicles were not out of production models and spare parts would be available for minimum period of 15 years.

## **5.11 Disposal of Assets**

Once the movable assets become unserviceable/obsolete and no longer capable of yielding further services, they have to be disposed of without delay to fetch maximum re-sale value and to avoid expenditure on supervision, storage and maintenance. Disposal includes any activity associated with disposal of a decommissioned asset including sale and demolition. Audit noticed instances of accumulation of obsolete/unserviceable assets in 16 test checked ULBs affecting the quality of service delivery and occupying considerable storage space. It was noticed that the test checked ULBs did not have any system for review and disposal of unserviceable equipment/vehicles.

### **5.11.1 Condemnation of vehicles**

Vehicles which are not road worthy and uneconomical to the Government should not be kept idling for long period as it will lead to deterioration in the scrap value of the vehicle. According to KPWD Manual, Asst. Exe. Engineer, Mechanical division, PWD is responsible for valuation for condemnation of vehicles. In test checked Corporations, of the 511 vehicles, 168 vehicles were unserviceable and in test checked municipalities of the 205 vehicles 46 were unserviceable. But only 73 vehicles in Corporations and 38 vehicles in Municipalities were proposed for conducting auction. Audit noticed delay of up to 10 years from the date on which vehicles became off road and date of auction. Delay in condemnation/auction of the idling vehicles would result in further deterioration of the vehicle condition and loss of revenue in the form of scrap value.

Government stated (November 2024) that immediate steps will be taken to dispose of the vehicles by auctioning them. It was also stated that a mechanical engineer has been appointed in Kochi Corporation.

#### ***Recommendation:***

***Government may ensure that Municipal Corporations put in place a system for timely maintenance and disposal of vehicles.***

## **5.12 Monitoring**

Plan formulation and subsidy guidelines stipulate for monitoring of works by the working group on public works. Working groups were to constitute monitoring committees with convenor other than the implementing officer. Monitoring of implementation of asset creation and maintenance projects was to be done by this working group. However, audit noticed that 16 of the 24 test checked ULBs have not constituted monitoring committees for monitoring projects for asset creation and maintenance. Further, Asset Management and Monitoring Committee (AMMC) as prescribed in the Manual for Asset Management in LSGIs was also not constituted in any of the test checked ULBs.

Audit observed that instances such as inordinate delay in completion of constructions of service delivery assets, non-utilisation of assets created, etc., as

brought out in previous paragraphs could have been avoided by proper monitoring of asset creation/maintenance activities.

**Recommendation:**

***Government may ensure that ULBs constitute Asset Management and Monitoring Committees to enable effective monitoring of utilisation and maintenance of assets.***

### **5.13 Conclusion**

The test checked ULBs have not prepared Asset Management Plan and Strategy for effective management of assets in their jurisdiction. Asset Management and Monitoring Committee (AMMC) with responsibility to prepare asset management policy, plan and strategy was not constituted by any of the test checked ULBs. Despite the instructions from Government to digitise their asset registers and to maintain in the Sachithra software developed by Information Kerala Mission (IKM), none of the 24 test checked ULBs completed the digitisation of Asset register as prescribed. Though five municipalities conducted GIS mapping of all properties and Thiruvananthapuram Corporation conducted GIS mapping for its own assets, in the absence of GIS data integration with Sachithra software, asset mapping conducted could not be put to use by these ULBs. ULBs purchased land that were not suitable for the intended purposes resulting in unfruitful expenditure of ₹7.50 crore. Site condition was not ascertained before commencement of construction in the case of various service delivery projects resulting in unfruitful expenditure of ₹7.96 crore. Test checked ULBs formulated Women Component Plan projects without analysing feasibility, mode of operation, etc. resulting in idling of assets worth ₹12.12 crore. Idling of market buildings, shopping complexes, community halls and gas crematoria were also noticed. Failure to protect own land by ULBs has resulted in encroachment in two test checked ULBs. Plant and machinery such as effluent treatment plants, solid waste management equipment, etc. were lying idle in seven test checked ULBs resulting in unfruitful expenditure of ₹2.66 crore. Delay in sanctioning estimate, issuing work order, release of payment to workshop, etc. by Kochi Corporation resulted in idling of the vehicles for a period up to seven years. There was delay up to 10 years, from the date on which vehicle became off road to the date of auction in test checked ULBs.