

Executive Summary

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This report comprises seven chapters of which Chapter I contains an Introduction to the Local Self-Government Institutions of the State. Chapters II and IV contain an overview of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapters III and VII contain district-centric audit findings of PRIs and ULBs respectively. Chapters V and VI contain one subject-specific Compliance Audit and three Compliance audit paragraphs respectively. Copies of draft audit paragraphs were forwarded to the Government and replies, wherever received, are duly incorporated in this report.

Introduction and overview of Local Self-Government Institutions of the State

The amount spent on productive sector by PRIs and ULBs during 2018-19 to 2022-23 ranged from 10.44 *per cent* to 12.67 *per cent* and 4.61 *per cent* to 6.19 *per cent* respectively indicating that the PRIs and ULBs assigned low priority to productive sectors like Agriculture, Animal Husbandry, Fisheries, Industries, etc. Audit noticed parallel implementation of schemes related to transferred functions by both LSGIs and Government departments, thereby undermining the autonomy of LSGIs. In PRIs and ULBs during the financial year 2022-23 an amount of ₹1274.63 crore (15.35 *per cent*) and ₹384.98 crore (17.54 *per cent*) respectively lapsed, against the allotment of ₹8303.40 crore and ₹2195.08 crore.

(Chapters I, II and IV)

District-Centric Audit of PRIs and ULBs

The District Centric Audit on formulation and implementation of Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) by LSGIs revealed significant gaps in planning, fund utilisation and delivery of essential services by LSGIs in the selected districts.

- Despite acceptance of the Sixth SFC's recommendation, no updated survey of SC/ST families was conducted, leaving PRIs/GoK to rely on 12 to 15 year old data for SCSP/TSP planning and fund allocation.
- PRIs and ULBs allocated only a minimal share of SCSP/TSP funds (PRIs: 1.37 *per cent* to 10.06 *per cent* under SCSP and 2.36 *per cent* to 17.87 *per cent* under TSP; ULBs: 0.51 *per cent* to 2.14 *per cent* under SCSP) to productive-sector projects, reflecting very low prioritisation of livelihood-oriented interventions.
- Test-checked PRIs and ULBs addressed only a small fraction of community demands for drinking water and sanitation - PRIs met just 42.20 *per cent* of drinking water demands and implemented only 4.62 *per cent* of toilet-related requests, while ULBs in Malappuram and Kozhikode districts achieved only 20 *per cent* of drinking water demands - highlighting significant gaps in local planning and execution despite ongoing national sanitation initiatives such as Swachh Bharat Mission.
- During 2020-21 to 2022-23, funds to the tune of ₹82.99 crore and ₹6.86 crore respectively from SCSP and TSP funds were lapsed due to reduction in expenditure of allocated funds.

- Prescribed beneficiary-selection formula for scholarships was ignored by 10 PRIs and two ULBs, leading to the exclusion of 109 eligible students.
- Eligible Scheduled Caste/Scheduled Tribe (SC/ST) families were excluded from the LIFE housing beneficiary lists, with 12 PRIs omitting 995 families and 10 ULBs excluding 2,740 families, despite their documented houseless or landless status.
- Usage of contaminated drinking water by 65 SC/ST settlements in 45 PRIs and by nine SC/ST settlements in nine ULBs was also noticed.
- Joint physical verification at Vettilakolli tribal settlement in Chaliyar GP revealed systemic neglect in providing basic amenities such as housing, drinking water, toilets, electricity, etc.

(Chapters III and VII)

Subject-Specific Compliance Audit on Asset Management by Urban Local Bodies

The Compliance Audit was conducted in 24 ULBs covering the period from 2020-21 to 2022-23. The significant audit findings are as under:

- Test checked ULBs had not prepared Asset Management Plan and Strategy for effective management of assets in their jurisdiction. 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.
- Test-checked ULBs lacked title deeds or valid ownership records for 82 *per cent* of their land assets, leading to encroachments and failure to assert or protect municipal ownership. Instances of encroachments due to failure to protect own land were noticed in Palakkad Municipality and Kochi Corporation.
- ULBs purchased land that were not suitable for the intended purposes resulting in unfruitful expenditure of ₹7.50 crore (Wetlands for Sewage Treatment Plant in Thrissur Corporation and Paddy land for implementation of a Housing Scheme). 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. Five She Lodges/Women Hostels (₹7.19 crore) in four ULBs (Thiruvananthapuram and Kochi Corporations, Kalpetta and Attingal Municipalities), 11 Women Vyavasaya/Vipana Kendrams (₹3.23 crore) in six ULBs, and seven women rest rooms/women-friendly centres (₹1.37 crore) in Thiruvananthapuram and Kochi Corporations, remained idle for years due to lack of planning and management, undermining their intended benefits.
- Idling of market buildings (Thiruvananthapuram Corporation - Pangode and Kochi Corporation - Palluruthi), shopping complexes (Thrissur Corporation – Olari, Thiruvananthapuram Corporation – Mannanthala and Peroorkada),

community halls (51 in seven ULBs) and gas crematoria (five in four ULBs) were also noticed.

- Palakkad Municipality initiated seven major building projects without securing funds, resulting in all works remaining incomplete even after lapse of six years, despite expenditure of ₹14.17 crore. Even partially built structures failed to attract lessees, rendering the expenditure unproductive.
- Construction of the new building of Kochi Corporation remained incomplete even after 17 years, despite an expenditure of ₹25.70 crore due to repeated revisions of estimates, disputes and deficient project management. Further, issues such as waterlogging at the site remained unaddressed, indicating inadequate planning and oversight.
- 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.
- Audit found that 43.05 *per cent* of vehicles in Corporations and 24.88 *per cent* in Municipalities were idling. The proportion of non-operational vehicles ranged from 17.65 *per cent* in Thrissur Corporation to 74.12 *per cent* in Kochi Corporation. Delay at multiple levels in sanctioning estimate, issuing work order, release of payment to workshop, etc., by Kochi Corporation resulted in prolonged idling of the vehicles for a period up to seven years causing irreparable damage and resultant loss of public money.

(Chapter V)

Compliance Audit Paragraphs of Urban Local Bodies

Kozhikode Corporation, Palakkad and Kottakkal municipalities paid centage charges at higher rates for works executed through accredited agencies in violation of Government orders resulting in excess payment of ₹50.35 lakh.

(Paragraph 6.1)

Awarding of works based on estimates prepared as per Delhi Schedule of Rates, 2016 and cost indices inclusive of Value Added Tax, and payment of GST at the rate of 12 *per cent* additionally on the value of work done resulted in excess payment of GST to the tune of ₹68.61 lakh to the accredited agencies by Palakkad, Kottakkal and Kasaragod Municipalities.

(Paragraph 6.3)