

OVERVIEW

This Audit Report includes four performance reviews, one long para and eight audit paragraphs apart from observations on the structure and finances of the Local Self Government Institutions (LSGIs) and the results of supplementary audit under the scheme of Technical Guidance and Supervision. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies received were duly incorporated in this Report.

I The Structure and Finances of the Local Self Government Institutions

Government have not taken appropriate measures to amend the provisions of the Acts and Rules for achieving clarity in the institutional and regulatory framework for accounts and audit of LSGIs.

Against 10931 accounts of LSGIs which were receivable by the DLFA during 1996-2005 period, 4256 accounts were in arrears as at the end of November 2005.

Even though Rs.51.73 crore was reported to be spent on creation of assets by LSGIs during 2004-05, the details of assets created were not available for want of recipient wise details of expenditure incurred.

As against budget provision of Rs.4800 crore for state plan outlay for the year 2004-05, actual disbursement was Rs.3755.25 crore of which devolution to LSGIs was only Rs.1092.74 crore (29.09 per cent).

As of March 2005, the outstanding amount towards advances paid to various implementing agencies was Rs.49.71 crore.

(Paragraphs 1.1 to 1.13)

II Technical Guidance and Supervision and the results of supplementary audit

Government of Kerala, in October 2002, entrusted the audit of Local Bodies in the State to the CAG for providing Technical Guidance and Supervision (TGS) to the Director of Local Fund Audit. The scheme of TGS comprises audit planning, annual transaction audit of 10 per cent of institutions and supplementary audit of 10 per cent of institutions audited by DLFA. In 2004-05 supplementary audit of 74 LSGIs was conducted. It revealed non maintenance/improper maintenance of books of accounts and other records, lapses and mistakes in preparation of budget, lapses in safeguarding assets and non compliance of statutory requirements by DLFA. Government have not issued orders for adopting 'Auditing Standards for Panchayat Raj Institutions and Urban Local Bodies' and 'Guidelines for Certification Audit of Panchayat Raj Institutions'.

(Paragraphs 2.1 to 2.16)

III Performance Reviews

1 Assessment and collection of property tax in the Municipal Corporation of Cochin

Property tax is a major source of revenue of the Corporation. Audit review revealed inadequacy in maintaining primary accounting records, lack of transparency in assessment of property tax and lapses in the timely detection of unauthorised constructions. There were cases where the required report on completion of the construction was not received within the stipulated period and where extensions of validity of the permits were not sought for from the Town Planning Officer.

Government have not made rules for the assessment and determination of property tax once in four years invoking Section 238 of the Kerala Municipality Act, 1994.

Though rebate of 25 per cent on the annual value admissible in respect of owner occupied residential buildings was discontinued with effect from 24 March 1999, the Corporation continued to allow the deduction as directed by Government, which was against the provision of the Act.

In the absence of a regular survey to detect unauthorised constructions, there was no assurance that all the unauthorised constructions were detected and assessed to tax.

Reduction in gross annual value and property tax was being granted in revision petitions and appeals without evidence of a transparent and objective process. Net reduction in property tax so allowed in five Divisions amounted to Rs 68.85 lakh.

Primary accounting records were not maintained properly. Receipt of property tax was not routed through cash book. In two Divisions collections were not being posted against demand and Demand register and Arrear Demand register were not kept properly. Annual accounts were not prepared and presented before the Corporation Council from 2000-01 onwards.

(Paragraph 3.1)

2 Plan formulation by Local Self Government Institutions in Thrissur District

Decentralised planning by LSGIs introduced in the State from 1997-98 with devolution of 35 to 40 per cent of state plan funds envisaged identification of local development issues, prioritisation and formulation of plans and their implementation with people's participation. A review of the process of plan formulation by LSGIs in Thrissur District revealed that there were deficiencies in plan formulation.

As the District Planning Committee did not approve the annual plans before the commencement of the financial year, 26 LSGIs could not incorporate approved plans in their budget estimates.

Non- constitution/defective constitution and improper functioning of Working Groups and Grama/Ward Sabhas resulted in formulation of developmental plans without proper assessment of developmental requirements.

Unauthorised constitution of interim District Planning Committee (DPC) by Government resulted in irregular approval of plan projects with an outlay of Rs 5.47 crore.

Annual plans of 77 LSGIs with the total outlay of Rs 61.50 crore were approved by District Planning Committee without proper appraisal by the Technical Advisory Committee.

Sixty one Projects with a total outlay of Rs 96.11 lakh formulated by Grama/Block/District Panchayats were not related to duties/functions earmarked to them under the Act.

Centrally Sponsored Schemes with an outlay of Rs.17.40 crore were not integrated in the annual plans of LSGIs during 2000-05.

Providing own funds in excess by Rs.15.10 crore in annual plans by 24 LSGIs resulted in inflated provision of own funds.

There was short provision of Rs.3.63 crore for projects under productive sector and excess provision of Rs.4.30 crore in annual plans under infrastructure development in general category. Short provision under SCP, Women Component Plan and Plan for children, aged and disabled were Rs.7.25 crore, Rs.10.41 crore and Rs.2.95 crore respectively.

(Paragraph 3.2)

3 Water Management by Panchayat Raj Institutions in Alappuzha District

The important functions of PRIs in relation to water management include maintenance of traditional drinking water sources, setting up of water supply schemes, implementation and maintenance of minor irrigation and lift irrigation projects, development of ground water resources etc. Audit Review revealed that the utilisation of funds for water supply schemes was much below the requirement. The PRIs do not have any focused programme for protection and conservation of traditional drinking water sources and ponds.

As per Government guidelines one third of funds allocated to the productive sector should be earmarked for water management schemes during 2004 -05. But the funds actually utilised by the 25 PRIs was only 8.77 per cent of the funds allotted to productive sector.

Twenty three per cent of households in Alappuzha District did not have proper access to drinking water facilities. Of the 147 water supply schemes entrusted to Kerala Water Authority (KWA) during 2000 - 01 to 2004-05 for execution as deposit work, 114 schemes remained incomplete as of March 2005 and advance of Rs.1.81 crore paid to KWA remained unadjusted.

The expenditure incurred by PRIs during 2000 – 05 for the implementation of minor irrigation schemes was negligible.

Though the Tenth Five Year plan was envisaged as 'Water Shed Oriented', the target of conservation and utilisation of natural resources based on Water Sheds was not achieved.

(Paragraph 3.3)

4. Women Development under Community Development Societies in the Municipalities of Pathanamthitta District

Community Development Society (CDS) is a community based organisation which implements schemes for empowerment of women and alleviation of poverty. A review on the Women Development Schemes implemented by CDSs in the Municipalities of Pathanamthitta District (1995-2005), revealed deficiencies in the formulation and implementation of various schemes for empowerment of women below poverty line.

Utilisation of funds by CDSs in Thiruvalla and Pathanamthitta Municipalities was 64.42 per cent and 51.13 per cent respectively.

Lapses in internal control system of Adoor Municipality resulted in misappropriation/embezzlement of municipal funds of Rs.12.89 lakh by the Project Officer, CDS.

Even though the Municipalities/CDS cleared subsidy to banks, there was no mechanism to ensure that banks had transferred the subsidy to the beneficiaries.

Out of 591 units (houses) envisaged for up-gradation under NSDP, the Municipality could identify only 357 beneficiaries.

(Paragraph 3.4)

IV Transaction Audit

Welfare Schemes for Scheduled Caste (SC)community implemented by District Panchayat, Kottayam

During the period 2002-03 to 2004-05, only 25.41 per cent of funds allotted was utilised for implementing schemes beneficial to the SC community.

Though District Panchayat, Kottayam formulated 86 projects for the benefit of SC community, during the period 2002-03 to 2004-05, only 35 projects could be implemented due to the failure in identifying suitable beneficiaries belonging to SC community.

Due to the delay in obtaining necessary approval for implementing the scheme of purchase and allotment of housing plots, 50 SC families were deprived of the benefit of owning housing plots.

(Paragraph 4.1)

Promotion of Company for generating electricity resulted in unproductive expenditure of Rs.2 crore and avoidable further liability of Rs.1.74 crore.

(Paragraph 4.2)

Expenditure of Rs.30.58 lakh by Kollam Municipal Corporation on an electric crematorium remained unfruitful due to the laxity on the part of the Corporation to co-ordinate the parties engaged in the work.

(Paragraph 4.3)

The project 'Modernisation of Slaughter house' completed in December 1997 could not be made operational due to not providing the essential pre-operative requirements resulting in idle investment of Rs 1.02 crore.

(Paragraph 4.4)

The Kollam Corporation had envisaged the project 'Construction of Bus Terminal with Shopping Complex' in the land owned by Railways without ascertaining ready availability of alternative land to exchange, resulting in blocking up of Rs. 2.24 crore.

(Paragraph 4.5)

The failure of the Pattazhy Grama Panchayat in the prompt remittance of the share towards River Management Fund and to sell the permitted quantity of sand resulted in deprival of revenue of Rs 1.14 crore.

(Paragraph 4.6)

Failure of the Municipal Corporation Thiruvananthapuram to comply with provisions of Kerala Municipal Corporation Accounts Rules, 1967 resulted in non-adjustment /non-recovery of advances amounting to Rs 41.14 lakh.

(Paragraph 4.9)