

PREFACE

This is the second report of the Comptroller and Auditor General of India (CAG) exclusively on Local Self Government Institutions (LSGIs) and is prepared for submission to Governor under Article 151 (2) of the Constitution. Comments of CAG on the audit of accounts of the LSGIs were included in the Report of the CAG (Civil) up to the year ended 31 March 2003. The first Report of CAG on LSGIs, Government of Kerala, was placed before the State Legislature on 21 July 2005.

Based on the recommendation of the Eleventh Finance Commission, Government of Kerala, in October 2002, entrusted the audit of Local Bodies in the state to the CAG under section 20 (1) of the CAG's (DPC) Act 1971 for providing Technical Guidance and Supervision to the Director of Local Fund Audit.

This Report contains four chapters. Chapter one gives an overview of the structure and finances of the LSGIs. Chapter two brings out the comments in the supplementary audit under the scheme of Technical Guidance and Supervision. The remaining chapters contain audit observations arising out of Performance Reviews and Transaction Audit on varied aspects of LSGIs.

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)

CHAPTER I

THE STRUCTURE AND FINANCES OF THE LOCAL SELF GOVERNMENT INSTITUTIONS

1.1 Introduction

1.1.1 In terms of the provisions of the Kerala Panchayat Raj Act, 1994 and the Kerala Municipality Act, 1994 Government devolved upon the Panchayats and Municipalities, the responsibilities, institutions and schemes relating to the matters enlisted in the schedules of the Acts with effect from 2 October 1995. Government have also transferred the assets and liabilities along with the officials relating to the transferred institutions. The Acts specify that the Panchayats and Municipalities shall administer the institutions so transferred and that they shall be known in the name of the respective Local Self Government Institution (LSGI). The LSGIs are not, however empowered to sell, transfer, alienate or pledge the properties transferred to them. As stipulated in the Act, the Government continues to pay the salary of the transferred employees.

1.2 Decentralised planning

1.2.1 The concept and philosophy of decentralised planning emanate from articles 243-G and 243-W of the Constitution which envisage preparation of plans and implementation of schemes for economic development and social justice by the Panchayats and Municipalities. The decentralised planning process in Kerala was given an impetus in July 1996 and several unique features were introduced like the Government's decision to earmark 35 to 40 *per cent* of the State's annual plan outlay for the projects drawn up by the LSGIs, the central function of planning being performed by the LSGIs and the planning system based on people's participation in the form of Working Groups, Grama/Ward Sabhas and Development Seminars. Kerala was selected* for the Rs.5 crore award instituted by the Union Ministry of Panchayat Raj, in recognition of its initiative in ensuring the participation of all sections of society in planning and decision making.

1.2.2 The LSGIs in Kerala have already started spending significant amounts of money (in the region of Rs.3000 crore annually) and with the strong, widely shared sense in Kerala that there should be greater decentralisation to LSGIs, there is an absolute necessity for an effective system of budgeting, accounting and financial reporting that would promote better accountability and stabilise local governance.

1.3 Profile of the Local Self Government Institutions

1.3.1 As on 31 March 2005, there were 1215 Local Self Government Institutions in the State. Details of the average area and population were as under:

*Economic Review 2005, Published by the State Planning Board.

Type of LSGIs	Number	Average area (Sq.km) [@]	Average population [@]
Grama Panchayats	991 [§]	37.50	26846
Block Panchayats	152	244.50	175030
District Panchayats	14	2654.68	1900324
Municipalities	53	23.06	51530
Municipal Corporations	5	95.15	500599

1.3.2 The State Election Commissioner conducted elections to the LSGIs in 1995, 2000 and 2005. The newly elected members took charge on 2 October of the respective year.

1.4 Organisational Set Up

1.4.1 In the three-tier Panchayat Raj system in the State, each tier of Panchayat functions independently of each other.

1.4.2 The members of the Panchayat elect the President, Vice President and Chairpersons of the Standing Committees. Similarly, Councillors of the Municipal Council/Corporation Council elect the Chairperson/Mayor, Vice Chairperson/Deputy Mayor and Chairpersons of the Standing Committees.

1.4.3 The President/Chairperson/Mayor is an ex-officio member of every standing Committee and the Vice president/Vice Chairperson/Deputy Mayor is an ex-officio member and Chairperson of the Standing Committee for Finance.

1.4.4 Each LSGI has a Secretary and supporting staff. The Secretary and staff of the three-tier Panchayats are Government servants. While the Secretaries of Municipalities and Municipal Corporations are Government servants, the staff belongs to the Municipal Common Service.

1.4.5 Audit noticed instances of weak implementation of development programmes owing to a divided sense of accountability among officers assigned to LSGIs. Government have the authority to appoint, by a general or special order, any transferred officer as the ex-officio Secretary of the LSGI, having all the powers and functions of the Secretary on the subjects dealt with by him. Issue of such an order by the Government would have the advantage of integrating the transferred institutions with the LSGIs, more firmly.

1.5 Regulatory Environment

Legal aspects – accounts and audit

1.5.1 The following procedure is prescribed in the Acts and Rules for the financial reporting by LSGIs.

- Submission of accounts to the auditor within four months after the completion of the financial year, that is before 31 July¹.

[@] As per memorandum submitted by the Government to Twelfth Finance Commission.

[§] 999 Grama Panchayats and 1223 LSGIs from October 2005.

¹ (i) Rule 11 of Kerala Panchayat Raj (Manner of Inspection and Audit System) Rules, 1997 and the Kerala Municipality (Manner of Inspection and Audit System), Rules 1997, (ii) Section 9 of Kerala Local Fund Audit Act, 1994.

- Submission of abstract of annual report as certified by the auditor, showing receipts, charges and the balance remaining unexpended along with the audit report thereon to the officer authorised by Government in this behalf not later than the fifteenth day of the second month of the next financial year¹, that is before 15 May.
- Consolidation of the report and submission to Government by the authorised officer forthwith¹.
- Government causing the accounts together with the audit report thereon to be laid before the Legislative Assembly¹.
- Government causing the accounts to be published¹.

1.5.2 In the report for the year ended 31 March 2004, audit referred to the conflicting provisions in the Acts and Rules and the necessity for suitable amendments; appropriate measures to comply with the provisions of the Acts and issue of orders in the interest of good governance. Government have not issued any orders in the matter except a notification dated 22 December 2004 regarding the authorisation of district level officers for receiving Annual Reports and Audit Reports of Panchayat Raj Institutions.

1.5.3 The major ambiguities and the conflicting provisions in the existing regulatory framework are as follows:

- Inconsistency in the Acts and Rules regarding the date of submission of annual accounts by the LSGIs;
- Lack of clarity regarding time taken for audit and the eventual submission of audited accounts to Government and the Legislature;
- Ambiguity regarding Annual Accounts and Annual Report and the scope of the audit process, that is whether it covers the Annual Accounts, the Annual Report or both;
- The scope and contours of the consolidation process from the unit account upwards to obtain an overall picture of LSGI finances at the State level;
- Revision in the Budget and Accounts Rules in the light of Acts and the new formats of budget and accounts suggested by Comptroller & Auditor General of India.

1.5.4 The legislative intention of publishing the consolidated accounts on an annual basis has never been fulfilled. Audit had proposed specific amendments to the existing legislation as early as March 2004 with a view to achieving some measure of clarity in the institutional and regulatory framework for Accounts and Audit of LSGIs. The proposals continue to be under the consideration of the State Government.

1.5.5 The new formats for Budget and Accounts of Panchayat Raj Institutions (PRIs) prescribed by the Comptroller and Auditor General of India (CAG) have become operational from 1 April 2004. The new formats for

¹ Sections 215 (15) to (17) and Section 295 (15) to (17) of the respective Acts.

Urban Local Bodies (ULBs) prescribed by the CAG though accepted by the Government in September 2003, are yet to be adapted to suit the local requirements. In the circumstances, accrual accounting in ULBs had not come into force with effect from 1 April 2006, the date notified by the Government for adoption of the new basis of financial reporting. Government have not framed so far the Rules and Manuals for Budget and Accounts of the PRIs. Consequently, the Kerala Panchayat (Budget) Rules, 1963 and the Kerala Panchayat (Accounts) Rules, 1965, which are at variance with the new formats, continue to be in force.

1.5.6 The Director of Local Fund Audit (DLFA) is the primary Auditor of the LSGIs, as provided in the Acts. Complying with the request made by the State Government in October 2002 and in pursuance of the recommendations of the Eleventh Finance Commission, the CAG provides Technical Guidance and Supervision (TGS) for the audit of LSGIs. The CAG is empowered to audit the LSGIs under the provisions of sections 14 and 15 of the Comptroller and Auditor General's (DPC) Act, 1971 also.

1.5.7 A separate committee of legislature under the name Committee on Local Fund Accounts has been constituted with effect from June 2003 to examine the Audit Reports on the LSGIs.

Administrative aspects

1.5.8 Besides the Annual Report containing accounts, each Panchayat and Municipality is required under the respective Acts to prepare and publish an Annual Administration Report in each year within the 30th day of September of the succeeding year.

1.5.9 The State Government does not exercise administrative control over the LSGIs. The higher tiers of Panchayats also do not exercise control over the lower levels in the three-tier Panchayat system. The co-ordination of the functions of the various LSGIs are in the following pattern: Government in the case of Municipal Corporations and District Panchayats; Director of Urban Affairs (DUA) in the case of Municipalities; the Commissioner for Rural Development (CRD) through the Assistant Development Commissioners (General) in the case of Block Panchayats and the Director of Panchayats through the Deputy Directors of Panchayats (DDPs) in the case of Grama Panchayats.

1.6 Financial Reporting

1.6.1 The principal means by which LSGIs can discharge their accountability for the stewardship and use of public money is through the production of timely audited accounts and the associated narratives and disclosures. In the report for the year ended 31 March, 2004, audit expressed concern about the standard of financial reporting in LSGIs.

1.6.2 The experience of audit in the current year reinforces these concerns. The LSGIs did not appear to take the process of preparing and publishing their accounts seriously enough. The year-wise details of arrears in

the submission of accounts by the LSGIs and their audit by DLFA present a dismal picture. The details as at the end of November 2005 are given below*:

Year	Number of LSGIs and the number of accounts due	Number of accounts received by DLFA	Number of accounts in arrears	Number of accounts received, but not audited by DLFA
1996-97	1214	1073	141	3
1997-98	1214	1028	186	10
1998-99	1214	980	234	5
1999-00	1214	957	257	15
2000-01	1215	893	322	46
2001-02	1215	768	447	105
2002-03	1215	544	671	233
2003-04	1215	323	892	242
2004-05	1215	109	1106	109
Total	10931	6675	4256	768

1.6.3 The above table shows that as against 10931 accounts which were receivable during the nine year period of 1996-97 to 2004-05, 4256 accounts i.e. 39 per cent were outstanding. The earliest of arrears related to 1996-97. Ninety one per cent of the accounts relating to the latest year i.e. 2004-05 were in arrears. Audit by the DLFA was in arrears in the case of 11.50 per cent of the accounts received.

1.6.4 The deficiencies in asset accounting also continued during the year 2004-05, though it was pointed out in the report for the year ended 31 March 2004. With effect from 2 October 1995, the Government transferred assets and liabilities of the institutions relating to the transferred functions to the LSGIs in the process of decentralisation. The transferred institutions included Krishi Bhavans, Primary Health Centres, Hospitals and Dispensaries, Schools and Agricultural Farms having considerable assets in the form of land, buildings and movable properties. Government have not taken any steps for the identification of the nature and location and for the valuation of assets and liabilities of the transferred institutions. The transferred assets have not been incorporated in the asset registers of the LSGIs and formal transfer in the revenue records has not been made. Government stated that the assets transferred had not been valued (January 2006).

1.6.5 The LSGIs are reported to have spent Rs.51.73[@] crore during 2004-05, as per the certificate furnished by DLFA, for creation of assets. The details of assets created were not available for want of recipient wise details of expenditure incurred.

1.6.6 In the absence of identification and valuation of assets and due to incomplete maintenance of Asset Registers, it was difficult for audit to obtain a reasonable assurance regarding the proper maintenance and safeguarding of assets by LSGIs. Government stated (October 2005) that as part of Decentralisation Support Programme, they had launched an initiative for

* Source: Information furnished by the DLFA.

@ Information collected from DLFA.

mapping the assets transferred to LSGIs. Final outcome of the verification and valuation of assets is awaited.

1.6.7 The inability to produce good quality accounts promptly at the end of the financial year reflects inadequate financial monitoring, reporting and forecasting arrangement of LSGIs. A pre-condition of proper accountability for the stewardship and use of public money is proper accounting in compliance with the best professional practices. This is an area in which the LSGIs need to substantially improve their performance.

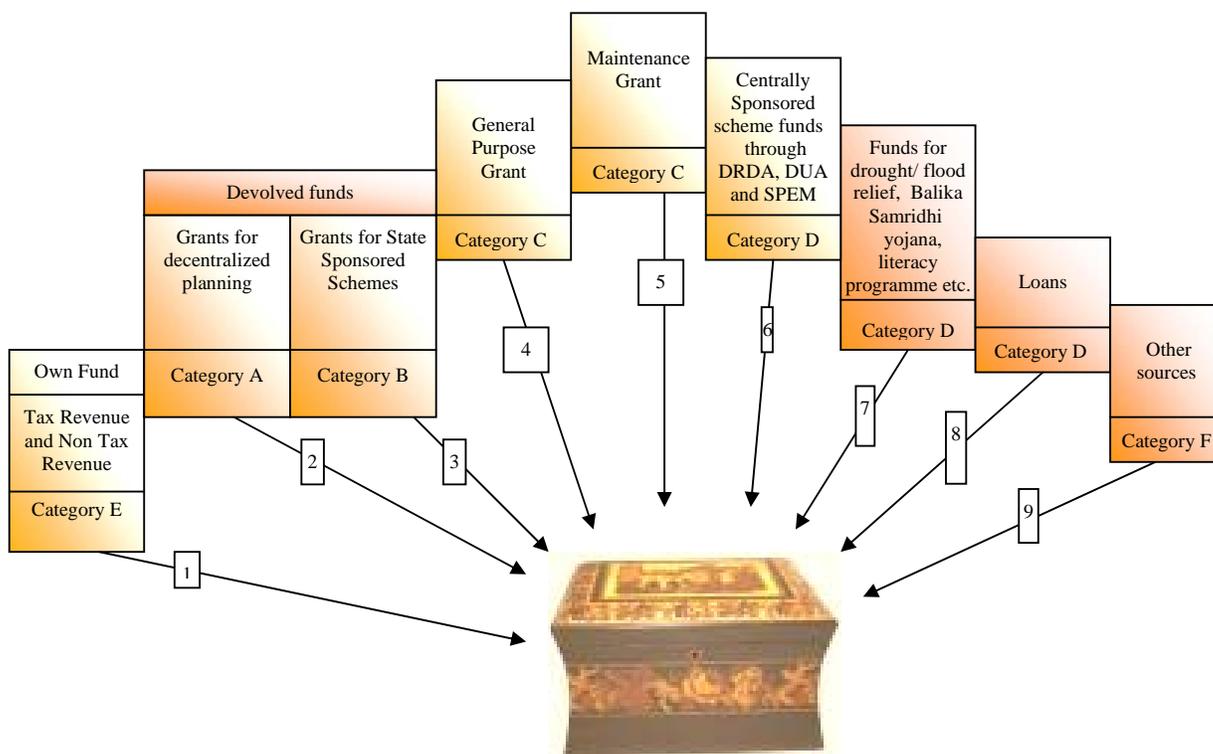
1.6.8 An Annual Report to local tax payers and stakeholders including service users, that provides an objective, balanced and understandable assessment of the LSGIs' activities and achievements, its financial position and performance, is a key vehicle through which each LSGI can discharge its accountability for the stewardship and use of public money and the proper conduct of public business.

1.6.9 The State Government has not shown encouraging signs of moving adequately in this direction. The fact that in spite of receiving Eleventh Finance Commission Grant of Rs.1.83 crore for the period 2000-01 to 2003-04 for maintenance of accounts of Grama Panchayats and Block Panchayats, their accounts were in arrears was brought to light in the report for the year ended 31 March 2004. The total amount of Eleventh Finance Commission Grant for the five year period of 2000-01 to 2004-05 was Rs.2.28 crore which is yet to be transferred to the Panchayats. Audit noticed that several LSGIs though keen to use their 'own funds' to bring their accounts up to date, were precluded from doing so for want of suitable direction in this regard from the State Government.

1.6.10 The Government have to ensure that the Eleventh Finance Commission Grant for maintenance of accounts is transferred immediately to the Panchayats. They also need to consider permitting LSGIs to utilise their own funds for updating their accounts. Unless timely financial reporting receives the major importance it deserves and as legislatively envisaged, there may always remain valid arguments against democratic decentralisation of the kind practised in Kerala.

1.7 Funds of LSGIs

1.7.1 The nine sources of funds of LSGIs could be broadly broken up into two groups based on their degree of reliability. Reliable information is available for the first group consisting of five sources namely devolved funds under categories A and B, General Purpose Grant, Maintenance Grant and Centrally Sponsored Scheme Funds received through District Rural Development Agency (DRDA), DUA and State Poverty Eradication Mission (SPEM). In the second group for which there is no reasonable assurance, there are four sources namely, own fund; funds received through District Collectors and other agencies; loans and other sources. The sources of revenue are depicted in the diagram.



Flow of funds to Grama Panchayats, Block Panchayats, District Panchayats, Municipalities and Municipal Corporations

- 1 - Collection by LSGI
- 2 - Government to Municipal Corporations (MCs) and District Panchayats (DPs); through DUA to Municipalities; through Assistant Development Commissioner (General) to Block Panchayats(BPs) and through DDP to Grama Panchayats (GPs)
- 3 - Through the District officers of Department concerned
- 4 - As in the case of 2
- 5 - As in the case of 2
- 6 - Through DRDA to BPs, GPs and DPs; through DUA and SPEM to MCs and Municipalities
- 7 - Through District Collectors and various agencies.
- 8 - From Government and Financial Institutions
- 9 - Various sources

1.7.2 The sources, their application and the manner of flow to LSGIs are briefly discussed below:

Funds about which reliable information is available.

Funds devolved upon LSGIs for decentralised planning and State Sponsored Schemes.

1.7.3 In order to have 35 to 40 *per cent* of the State’s plan schemes formulated and implemented by the LSGIs, Government in August 1997, decided to devolve upon the LSGIs 35 to 40 *per cent* of the State’s Annual Plan outlay from the year 1997-98. This initiative was called ‘Peoples

Campaign for the formulation of Ninth Five Year Plan' during the Ninth Plan period and 'Kerala Development Plan' during the Tenth Plan period. The funds devolved upon the LSGIs in this manner belong to two categories namely, Category A Funds and Category B Funds.

1.7.4 Category 'A' Funds are Plan Grants for schemes formulated by the LSGIs relating to the functions entrusted to them under the schedules of the respective Acts. Government makes allotment direct to the District Panchayats and the Municipal Corporations. The DUA allots funds to the Municipalities. The CRD allots funds to the Block Panchayats through the Assistant Development Commissioner (General) of each district while the Director of Panchayats makes allotments to the Grama Panchayats through the DDP of each District. Category A Funds are to be applied for expenditure on the projects formulated and implemented by the LSGIs as part of the decentralised plan.

1.7.5 Category 'B' Funds are Plan and Non-Plan Grants for State Sponsored Schemes. The State Sponsored Plan Schemes include Special Livestock Breeding Programme, distribution of house sites to rural landless workers, integrated housing subsidy for Scheduled Castes etc. The Non-Plan schemes are unemployment wages, agricultural workers' pension, widow pension etc. The District Officers of the Departments concerned allot Category 'B' Funds to each LSGI of the District. Category B funds can be applied only for the specified schemes.

1.7.6 During the period 1997-98 to 2004-05, against a budget provision of Rs.12459.56* crore, the State Government devolved upon the LSGIs a total amount of Rs.10525.02# crore as Plan and Non-Plan Grants and loans. The Plan Grants/loans shown in the table consist of Category A Fund and the Plan Component of Category B Fund. Details are given in *Appendix-I*.

Type of LSGIs	Budget provisions			Amount disbursed			
	Plan	Non-plan	Total	Plan	Non-plan	Total	Percentage of devolution over budget provision
Grama Panchayats	5200.09	1706.53	6906.62	4394.10	1644.53	6038.63	87.43
Block Panchayats	1787.30	122.68	1909.98	1338.03	125.29	1463.32	76.61
District Panchayats	1407.83	407.16	1814.99	1107.18	375.24	1482.42	81.68
Municipalities	835.23	308.98	1144.21	730.35	195.56	925.91	80.92
Municipal Corporations	529.62	154.14	683.76	468.47	146.27	614.74	89.91
Total	9760.07	2699.49	12459.56	8038.13	2486.89	10525.02	84.47

1.7.7 As per the policy statement of 1996, implementation of 35-40 per cent of State's Plan Schemes through LSGIs from the year 1997-98 was envisaged with corresponding devolution of funds upon the LSGIs. As against budget provisions of Rs.4800 crore for state annual plan outlay for the year 2004-05, actual disbursement was Rs.3755.25 crore, of which devolution to LSGIs was Rs.1092.74 crore (29.09 per cent) as shown below:

* State Budget.

Finance Accounts.

(Rupees in crore)			
Sl No	Details	Budget provision*	Disbursement ^Ω
1	State's Annual Plan Outlay/Expenditure	4800.00	3755.25
2	Devolution upon LSGIs	1401.56	1092.74
3	Percentage of 2 to 1	29.20	29.09

General Purpose Grant and Maintenance Grant

1.7.8 From the year 2004-05 Government started disbursing to LSGIs, General Purpose Grant (Non-Plan) and Maintenance Grant (Non-Plan), under the recommendations of Second State Finance Commission. The flow of funds in the case of General Purpose Grant and Maintenance Grant was similar to that of Category A funds. General Purpose Grant which was equal to 3.5 per cent of the tax revenue raised by the State Government during the previous year was provided in lieu of the Basic Tax Grant, Surcharge on Stamp Duty, Rural Pool Grant, the Specific Purpose and General Purpose Grants to Urban Local Bodies and all other Non-Plan Grants devolved upon LSGIs. General Purpose Grant was to be utilised as part of own fund and for meeting all admissible expenditure of LSGIs as per the Acts and for office expenses, water charges, electricity charges etc. of the transferred institutions. General Purpose Grant was transfer credited in lump to the own fund account of the LSGIs.

1.7.9 Maintenance Grant (Non- Plan) which was equal to 5.5 per cent of the tax revenue of the State Government was provided for the maintenance of assets under the control of LSGIs including the transferred assets. Maintenance Grant has two components namely, one for the road assets and the other for non-road assets.

1.7.10 During the year 2004-05, Government paid General Purpose Grant and Maintenance Grant to LSGIs as shown below.

(Rupees in crore)		
Type of LSGI	General Purpose Grant	Maintenance Grant ^Ω
Three-tier Panchayats	151.53	132.19
Municipalities and Municipal Corporations	40.52	42.24

1.7.11 From December 2004, Government introduced Bill system for the drawal of Plan/Non-Plan Grants under Plan Fund (Category A), State Sponsored Fund (Category B) and General Purpose and Maintenance Grants (Category C) from the Consolidated Fund by the LSGIs. For this purpose Government declared the Secretaries of LSGIs and the other implementing officers as Drawing and Disbursing Officers. The Personal Deposit Accounts maintained by the LSGIs for transfer crediting Plan/Non-Plan grants were closed from 1 December 2004. Under the Bill system, Panchayats are permitted to draw only the funds required for immediate disbursement except the allotments for General Purpose Grant, which can be transfer credited to the own fund. In all other cases, the unutilised fund lapsed at the end of the financial year, preventing the LSGIs from retaining unutilised grants.

* Source: State Budget 2004 – 05.

^Ω Source: Finance Accounts 2004 – 05.

Consequently, the disbursement by Government and the utilisation by the LSGIs in the case of these grants was equal.

Centrally Sponsored Scheme Funds received through DRDA, DUA and SPEM.

1.7.12 District Rural Development Agencies, Director of Urban Affairs and State Poverty Eradication Mission disbursed funds to LSGIs for implementing Centrally Sponsored Schemes.

1.7.13 Central shares of funds to LSGIs are generally not routed through the State budget. The Central and State shares distributed to the LSGIs and their utilisation during the period 2004-05 in respect of various schemes, were as follows:

(Rupees in crore)

Authority / Agency who disbursed the fund	Type of LSGI	Opening Balance	Distribution to LSGIs		Total available fund	Funds utilised by LSGIs	Balance	percentage of utilisation
			Central Share	State Share				
1. District Rural Development Agency	Panchayats	98.38	244.55	81.86	424.79	345.01	79.78	81.22
2. Director of Urban Affairs	Municipal bodies	--	25.65	1.60	27.25	17.83	9.42	76.03
3. Kudumbashree (The State Poverty Eradication Mission)	Municipal bodies	8.47	153.38	73.23	235.08	176.99	58.09	75.28
Total		106.85	423.58	156.69	687.12	539.83	147.29	

(Source: Information collected from the CRD; DUA and SPEM)

The details are given in Appendix II

1.7.14 In the absence of consolidated accounts, it could not be ascertained as to whether these LSGIs incurred any loss of Central assistance and also the State share in the prescribed funding ratio.

Funds about which reliable information is not available

1.7.15 In the absence of consolidated accounts of the LSGIs in the state, information about the remaining four sources was collected from various agencies. As such there was no assurance about the completeness, correctness and accuracy of the figures. The details relating to the four sources are given below.

Own funds

1.7.16 Own funds consist of tax and non-tax revenue. The Grama Panchayats, Municipalities and Municipal Corporations collect tax revenue and non-tax revenue like licence fees and registration fees. The taxes collected are property tax, profession tax, entertainment tax, advertisement tax and timber tax. Non-tax revenue includes Dangerous and Offensive Trades licence fees, registration fees for private hospitals, paramedical institutions and tutorial institutions, rent on land and buildings, sale proceeds of river sand, bus stand fees, market fees etc. The LSGIs can apply own funds for all the objects incidental to their functioning. The revenue derived from transferred assets and transferred institutions can be applied only for their maintenance. The overall trend of tax and non-tax revenue of the Grama Panchayats, Municipalities and Municipal Corporations were as follows:

(Rupees in crore)

Year	Grama Panchayats		Municipalities		Municipal Corporations	
	Tax	Non Tax	Tax	Non Tax	Tax	Non-Tax
1997-98	81.46	72.88	47.97	34.13	43.71	12.73
1998-99	88.28	80.20	50.63	37.62	48.27	15.99
1999-00	100.21	138.28	57.20	37.93	65.44	23.19
2000-01	116.01	103.65	68.53	45.33	74.71	20.71
2001-02	114.49	79.25	75.84	51.47	52.53	46.15
2002-03	123.18	102.83	86.17	57.79	93.85	58.09
2003-04	*	*	*	*	*	*
2004-05	*	*	*	*	*	*

Source: Figures submitted to the Twelfth Finance Commission by Government of Kerala

Funds for drought relief/flood relief, literacy programmes, Balika Samridhi Yojana etc.

1.7.17 The funds under this category are received through District Collectors and various agencies. The amounts received are kept in separate Bank Accounts and are applied for the specified purposes. The absence of consolidated accounts has resulted in non-assurance about the funds received.

Loans

1.7.18 During the year 2004-05, Government and Financial Institutions paid a total loan of Rs.24.38 crore to the LSGIs as shown below.

(Rupees in crore)

Government/Financial Institution	Panchayats	Municipalities/Corporations
	Government	---
HUDCO [@]	---	1.95
KURDFC [§]	0.20	5.69
Total	0.20	24.18

Source: Finance Accounts 2004-05 and details furnished by HUDCO and KURDFC.

1.7.19 As on 31 March 2005, loans of Rs.394.95 crore availed by LSGIs from various sources were outstanding as detailed below[£]:

(Rupees in crore)

Sl.No.	Source of Loan	Category of LSGI					Total
		GP ¹	BP ²	DP ³	Municipality	Municipal Corporation	
1.	Government	-	-	0.13	23.37	68.89	92.39
2.	Government Guarantee	-	-	119.89	0.03	0.15	120.07
3.	Financial Institutions	21.46	-	116.45	34.76	9.82	182.49
	Total	21.46	-	236.47	58.16	78.86	394.95

* Not available.

[@] HUDCO – Housing and Urban Development Corporation.

[§] KURDFC – Kerala Urban and Rural Development Finance Corporation Limited.

[£] Source: Finance Accounts and information collected from Financial Institutions.

¹ Grama Panchayat, ² Block Panchayat, ³ District Panchayat

In the absence of consolidated accounts, there is no assurance regarding the total loan availed from the financial institutions during the financial year, the loans outstanding at the end of the year, the proper utilisation of loans and the trend of repayment.

Other Sources

1.7.20 The receipts from other sources are beneficiary contributions, voluntary contributions, contributions in kind etc. These are kept in the own fund account but are utilised for the specified purposes. In the absence of consolidated accounts, information on the funds received under this category is not available.

1.8 Overall finances of the LSGIs – missing picture

1.8.1 The inevitable consequence of the weak financial reporting is the missing picture regarding the overall finances of the LSGIs in Kerala. In an attempt to present an overall picture of the finances of the LSGIs for the year 2004-05, even though fraught with the risk of non-reliability in the absence of audited accounts, audit requested the LSGIs in the State in July 2005, to furnish information in a specially devised format. However, only 10 per cent of the LSGIs responded. The available information, showing the total receipts of LSGIs under various sources during year 2004-05 was Rs.2909.71 crore is presented below.

Type of LSGI	Own Fund (E)		Devolved Funds: Plan Fund (A) and State Sponsored Fund (B)	General Purpose Grant (C)	Maintenance Grant (C)	Centrally Sponsored Scheme funds received through DRDA, DUA and SPEM (D)		Funds for drought/ flood relief, literacy programmes, Balika Samridhi Yojana etc. (D)	Loans (D)	Other Sources (F)	Total of the available figures
	Tax revenue	Non - Tax revenue				Central share	State Share				
Grama Panchayats	123.18	102.83	868.30	#	#	#	#	*	0.20	*	*
Block Panchayats	Nil	*	189.34	#	#	#	#	*	Nil	*	*
District Panchayats	Nil	*	154.84	#	#	#	#	*	Nil	*	*
Total for Panchayats	123.18	102.83	1212.48	151.53	132.19	244.55	81.86	*	0.20	*	2048.82
Municipalities	86.17	57.79	125.04	#	#	#	#	*	7.64	*	*
Municipal Corporations	93.85	58.09	79.15	#	#	#	#	*	16.54	*	*
Total for Municipalities and Corporations	180.02	115.88	204.19	40.52	42.24	179.03	74.83	*	24.18	*	860.89
Grand Total	303.20	218.71	1416.67	192.05	174.43	423.58	156.69	*	24.38	*	2909.71

The sources of information for the above figures are as follows.

- Own fund: The figures submitted to the Twelfth Finance Commission by the Government of Kerala. In the absence of figures for the year 2004-05, the figures for 2002-03 are adopted.

Split up not available.

* Not available

- Devolved funds, General Purpose Grant and Maintenance Grant: extracted from Finance Accounts 2004-05.
- Centrally Sponsored Scheme Funds received through DRDA, DUA and SPEM: Information furnished by CRD,DUA and SPEM
- Loans: Extracted from Finance Accounts 2004-05 and information collected from Kerala Urban and Rural Development Finance Corporation Limited and Housing and Urban Development Corporation Limited (HUDCO). Details of loans, if any, availed from any other sources are not available.

1.8.2 Good financial reporting is a key element of good financial management. The final accounts should be derived from routine management accounting information and their production should be a natural extension of normal monthly management reporting. From the above table, it is clear that reliable and relatively current figures are available only for devolved funds, General Purpose Grant, Maintenance Grant and Centrally Sponsored Scheme funds received through DRDA, DUA and SPEM. For the figures under the other four distinct sources of funds, there is no assurance regarding completeness and accuracy. As long as the system of consolidation of accounts is not properly provided for as envisaged in the regulatory legislation, there would always remain uncertainty regarding the correctness of figures. This would naturally impact the quality of oversight provided by the State Government and the successive Finance Commissions.

1.8.3 LSGIs are required to incorporate in their budgets, detailed estimates of receipts and payments. However, due to the non-formulation of annual plan in time, the LSGIs could not incorporate estimates of receipts and payments relating to Plan schemes in their budgets. This resulted in LSGIs incurring plan expenditure without budget approval which was indicative of poor budgetary control and lack of accountability. The position continued to be the same in 2004 - 05 even though the deficiency was pointed out in the report for the year ended 31 March 2004. A detailed comment regarding this aspect appears in the Performance Review on Plan Formulation appearing in Chapter III.

1.9 Outstanding advances

1.9.1 Test check of the records of 116 LSGIs revealed that advances paid to various implementing agencies like Kerala State Electricity Board, Kerala State Housing Board, Kerala Water Authority etc. and mobilisation advances paid to convenors of beneficiary committees during 1997-98 to 2003-04 were treated as expenditure. As of 31 March 2005, Rs.49.71[#] crore was outstanding towards advances as detailed below.

[#] Source : Local audit reports of LSGIs.

(Rs in crore)			
Sl. No	Recipients of advance	Period of advance payment	Amount
1.	Kerala State Electricity Board	1997-98 to 2003-04	15.85
2.	Kerala State Housing Board	”	8.93
3.	Kerala Water Authority	”	9.16
4.	Nirmithi Kendra	”	1.35
5.	COSTFORD*	”	0.73
6.	ANERT ^δ	”	0.09
7.	Convenors of beneficiary committees	”	5.27
8.	Others ^{§*}	”	8.33
Total			49.71

1.9.2 Despite having been pointed out the risks of non-adjustment of outstanding advances in the previous report (2003-04), there is no significant change in the earlier position.

1.10 Diversion of Plan Grants for payment of Audit Fee

1.10.1 Government ordered in January 2004 that the arrears of Audit Fee due to Government relating to the audit conducted by the DLFA from various LSGIs should be adjusted from the monthly instalments of Plan Grants released to them. While releasing the Plan Grant of Rs.28.20 crore earmarked for Block Panchayats, the CRD deducted Rs.1.92 crore towards audit fee of Block Panchayats.

1.10.2 Diversion of Plan Funds granted by Legislature specifically for approved Plan Schemes, was a violation of Art 266 (3) of the Constitution.

1.11 State Finance Commission

1.11.1 Government placed (March 2005) before the State Legislature the first part of the Report of the Second State Finance Commission (appointed in June 1999), submitted in January 2001. Government have partially accepted the recommendations of the Report and implemented recommendations for separate Budget provisions towards Maintenance Grant and General Purpose Grant. The Third State Finance Commission which came into being in September 2004 submitted its report in November 2005.

1.12 Twelfth Finance Commission Grants

1.12.1 The share of Kerala State under the Twelfth Finance Commission (TFC) Grants payable during the period 2005-2010 is Rs.985 crore for PRIs and Rs.149 crore for ULBs. PRIs are to utilise the funds for schemes of water supply and sanitation and ULBs for solid waste management. The States have to mandatorily transfer the grants released by the Centre to the PRIs and ULBs within 15 days of the same being credited to the State's Accounts. In case of delayed transfer to PRIs/ULBs beyond the specified period of 15 days, the State Government shall transfer to PRIs/ULBs interest at bank rate along with the delayed transfer of grants. The CAG is to audit the release and use of the

* Centre for Science and Technology for Rural Development

^δ Agency for Non-conventional Energy and Rural Technology

^{§*} Kerala Agro Industries Corporation Limited, Harbour Engineering Dept, Command Area Development Authority, Ground Water Dept, etc.

local bodies grants within the time and for the purposes mentioned by the TFC.

1.12.2 In response to a communication, the State Government furnished (January 2006) a copy of the certificate forwarded by the State Finance Secretary to Government of India. The particulars of receipts and release of funds according to the above certificate are given below.

(Rs in crore)

Sl No	Allocation and release	PRIs		ULBs		Total	
		Date	Amount	Date	Amount	Date	Amount
1	Local Bodies Grant received from Centre	26.8.05	98.50	26.8.05	14.90	26.8.05	113.40
2	Total allocation of grants	April 2005 to November 2005	964.34	April 2005 to November 2005	174.32	April 2005 to November 2005	1138.66
3	Matching contribution if any, provided by State Government.	*	865.84	*	159.42	*	1025.26
4	Grants released to Local Bodies	April 2005 to November 2005	964.34	April 2005 to November 2005	174.32	April 2005 to November 2005	1138.66

1.12.3 The State Government have stated that as recommended by the Second Finance Commission, Government have to release funds to LSGIs in the form of bulk grants. According to the State Government, separate allotments for different purposes cannot be made by them to the LSGIs and the funds received from Government of India as Local Bodies Grants cannot be allotted separately under different heads as indicated. However, Government issued circular instruction in January 2006, that the PRIs should give priority to spending on operation and maintenance of water supply and sanitation and ULBs should utilise at least 50 per cent of TFC award on solid waste management.

1.12.4 The procedure for release of TFC grants to the LSGIs decided by the State Government is at variance from the procedure prescribed by the Central Government.

1.13 Recommendations

- Determined efforts are called for to improve the unsatisfactory position of financial reporting in LSGIs. The State Government should take strong initiatives in this area. As a first step the State Government may transfer to the Panchayats the Eleventh Finance Commission Grants received for maintenance of accounts and permit the LSGIs to utilise their own funds for updation of their accounts.
- As a consequence of inadequate financial reporting, there is a near complete absence of reliable information about the overall finances of LSGIs in the State. An authorised officer supported by suitable infrastructure should be put in place without further delay to consolidate the accounts of the LSGIs for presentation before the Legislative Assembly as envisaged in Section 215 of the KPR Act, 1994 and Section 295 of KM Act, 1994.

* These columns were left blank in the Certificate forwarded by State Finance Secretary.

CHAPTER II

TECHNICAL GUIDANCE AND SUPERVISION AND THE RESULTS OF SUPPLEMENTARY AUDIT

2.1 Introduction

2.1.1 In October 2002, Government of Kerala entrusted the audit of Local Self Government Institutions (LSGIs) to the Comptroller and Auditor General of India (CAG) for providing Technical Guidance and Supervision (TGS) to the Director of Local Fund Audit (DLFA). The scheme of TGS comprises audit planning, annual transaction audit of 10 *per cent* of institutions by random selection and supplementary audit of 10 *per cent* of the institutions audited by DLFA.

2.1.2 The DLFA conducts the audit of LSGIs and other Local Funds as per the Kerala Local Fund Audit Act, 1994 (Act 14 of 1994) and the Kerala Local Fund Rules, 1996. Besides, the DLFA is the auditor of LSGIs as per Section 215 (3) of the Kerala Panchayat Raj Act, 1994 and Section 295 (3) of the Kerala Municipality Act, 1994. There are 3896 institutions under the audit control of DLFA. These include 1215 LSGIs, six Universities, three Devaswom Boards, 11 Development Authorities, 1373 institutions receiving grant-in-aid and 1288 Hindu Religious and Charitable Institutions.

2.2 Organisational set up of DLFA

2.2.1 The total staff strength of the Local Fund Audit Department is 847, which consists of the following:

Director	: 1
Joint Directors	: 3
Deputy Directors	: 41
Audit Officers	: 135
Auditors	: 458
Other ancillary	: 209

2.2.2 The DLFA functions through 14 District offices and 32 Concurrent Audit Offices situated in five Municipal Corporations, nine Municipal Councils, six Universities and 11 other major institutions.

2.3 Constraints in the functioning of DLFA

2.3.1 The DLFA stated (February 2006) that the work load had increased manifold and the present staff strength was inadequate in relation to its audit responsibilities. This resulted in arrears in conducting audit and in issuing Audit Reports on completion of audit. The functioning of the Department has not been computerised. Adequate training facilities for providing acquaintance with better practices and modern professional trends in accounting and auditing are not available to the staff of the Department. The only training provided in the Department is the statutory training for three months for new recruits. The specific training needs are to be assessed.

2.4 Consolidated Audit Report of the DLFA

2.4.1 According to Section 23 of the Kerala Local Fund Audit Act, 1994 the DLFA shall send to the Government annually a consolidated report of the accounts audited by him and the Government shall, within a period of three months after the receipt of the same, cause it to be laid before the Legislative Assembly. The Committee on Local Fund Accounts constituted by the Legislative Assembly is to consider the report of the DLFA. The report is mainly a compilation of the selected findings in the audit reports issued during the year. The latest report submitted to the Legislative Assembly relates to the year 2002-03. The Director has stated that the report for the year 2003-04 was forwarded to Government in January 2005. The report for 2004-05 was under preparation.

2.5 Surcharge and charge imposed by the DLFA

2.5.1 The Acts empower the DLFA to disallow any illegal payment and surcharge it against the person making or authorising such payment. The DLFA can also charge any person responsible for the loss or deficiency of any sum which ought to have been received. During the period 2002-03 to 2005-06, the DLFA issued 614 surcharge/charge certificates for Rs.2.96 crore*. Details are given below.

Year	Surcharge		Charge		Total	
	No of certificates issued	Amount involved	No of certificates issued	Amount involved	No of certificates issued	Amount involved
2002-03	174	66.81	33	2.88	207	69.69
2003-04	148	80.90	33	5.13	181	86.03
2004-05	109	57.22	8	8.44	117	65.66
2005-06	96	70.52	13	4.53	109	75.05
Total	527	275.45	87	20.98	614	296.43

In the absence of any follow up mechanism to effect recovery, details of action taken on this account was not available with DLFA.

2.6 Recommendations regarding Auditing Standards and the functioning of the Committee for monitoring TGS

2.6.1 The report of CAG for the year ended March 2004 contained a specific recommendation that Government may issue formal orders for the adoption of the 'Auditing Standards for Panchayat Raj Institutions and Urban Local Bodies' and 'Guidelines for Certification Audit of Panchayat Raj Institutions' prescribed by the CAG of India. These standards and guidelines were intended for quality up-gradation of the functions of DLFA. Government have not issued orders in this respect so far (February 2006). DLFA has stated that the Auditing Standards would be adopted on receipt of Government orders in this matter.

2.6.2 In June 2005, Government constituted a committee consisting of Principal Secretary (Finance), Senior Deputy Accountant General (LBA) and the Director of Local Fund Audit for monitoring the progress of

* Source : Information furnished by DLFA

implementation of the scheme of TGS. The committee was expected to provide oversight in the areas of TGS. The committee has not met so far (January 2006). The committee has to meet regularly for the successful implementation of the scheme of TGS.

2.7 Audit conducted by the CAG

2.7.1 CAG conducts transaction audit of LSGIs under the scheme of TGS as well as under sections 14/15 of the Comptroller and Auditor General's (DPC) Act 1971. Supplementary audit is conducted under the scheme of TGS. During the year 2004-05, transaction audit of 196 LSGIs (Grama Panchayats – 91, Block Panchayats – 39, District Panchayats – 14, Municipalities – 47, Municipal Corporations – 5) and supplementary audit of 74 LSGIs (Grama Panchayats -65, Block Panchayats -5, District Panchayats -1, Municipalities – 2, Municipal Corporation – 1) were conducted (**Appendix III**). The results of transaction audit are presented in Chapter IV.

2.8 Results of supplementary audit

2.8.1 The CAG conducts supplementary audit wherever entrusted and comments upon or supplements the reports of the statutory auditors. In supplementary audit of LSGIs, CAG audits the financial statements and accounts records and source data of the LSGIs where the DLFA had conducted audit and issued Audit Reports. The main findings of supplementary audit are given below:

2.9 Non- maintenance or improper maintenance of books of accounts and other records

Cash Book

2.9.1 The following discrepancies were observed in the maintenance of cash book.

- Seventeen LSGIs¹ maintained more than one cash book.
- Daily closing of cash book was not carried out in 18 LSGIs².
- Monthly closing was not carried out in 12 LSGIs³.
- Physical verification of cash was not done in 15 LSGIs⁴.
- In nine LSGIs authentication of monthly closing was not done⁵.
- Non- reconciliation of cash book balance with pass book balance was noticed in 14 LSGIs⁶.

¹ Azhoor, Beypore, Edayur, Edvilangu, Karthikapally, Kazhakuttom , Kidangoor, Manampoor ,Mavoor, Nagaroor, Nattika, Padiyoor, Thuneri, and Veeyapuram Grama Panchayats, Nemom Block Panchayat, Kothamangalam Municipality, Idukki Dist Panchayat.

²Beypore, Edayur, Edvilangu, Karthikapally, Kidangoor, Kazhakuttom, Manampur, Mavoor, Mundathikodu, Nagarur, Nattika, Padiyoor, Pappinisseri ,Thalayazhom,Thavanoor,Thrikadavur Grama Panchayats, Kollam Corporation and Idukki District Panchayat.

³Chemmaruthi, Enadimangalam, Ezhamkulam, Kallara , Kazhakuttom, Nattika, Peringara ,Thalayazham,Thuneri and Veeyapuram Grama Panchayats, Nemom Block Panchayat and Idukki District Panchayat.

⁴Beypore, Edayoor, Karthikapally, Kazhakuttom, Manamboor, Mavoor, Nagaroor , Pappinisseri, Sasthamkotta, Thalayazham, Thavanoor,Thrikadavu and Thuneri Grama Panchayats, Nemom Block Panchayat and Idukki District Panchayat.

⁵ Azhoor, Edavilangu, Kallara, Karthikapally, Kidangoor, Manamboor, Nattika, Sasthamkotta and Thrikkadavoor Grama Panchayats

⁶Amboori, Andoorakonam,Azhoor, Chemmuruthi, Edavilangu,Edayoor, Ezhamkulam, Kallara , Manjaloor, Mavoor , Nattika,Padiyoor, Pappinisseri and Veeyapuram Grama Panchayats.

- In Karukachal Grama Panchayat and Mundathicode Grama Panchayat closing balance given in Plan Cash Book differed from the closing balance given in Annual Financial Statement.
- In Thrikkadavoor Grama Panchayat cheques were not entered in cash book on the day of receipt, but only on the date of realisation.
- In Nagaroor Grama Panchayat an amount of Rs.580903 credited to bank on 31.03.99 was brought to cash book only on 31.10.99.
- In Nemom Block Panchayat the closing balance as per Plan PD cash book for the period 2000-01 was (-) Rs.3534654.
- In Kollam Corporation only receipt side of cash book was written and payment side left blank.

Appropriation Register

2.9.2 Nineteen LSGIs did not maintain Appropriation Registers and seven LSGIs maintained the Register improperly (**Appendix IV**) due to which effective utilisation of grants and loans received by these LSGIs could not be ascertained.

Register of Advances

2.9.3 Six LSGIs¹ did not maintain Register of Advances. In two LSGIs (Edavilangu Grama Panchayat and Mavoor Grama Panchayat) Register of Advance contained only figures relating to advances given to staff members. In the absence of Register of Advances and due to improper maintenance of the Register of Advances the correctness of advances given and adjustment thereof could not be ensured.

Register of Deposits

2.9.4 Four LSGIs² did not maintain Register of Deposits. In Andoorkonam Grama Panchayat the Register showed an opening balance of Rs.25358 and closing balance of Rs.5906, whereas according to the Audit Report of DLFA the above balances were Rs.28944 and Rs.9492 respectively. Due to non maintenance/improper maintenance of Register of Deposits, the veracity of the deposits received by LSGIs and their adjustment could not be ascertained.

Demand Register

2.9.5 Three Grama Panchayats maintained Demand Register improperly. In Edavilangu and Kazhakuttom Grama Panchayats, the total amount collected was shown as demand. In Thuner Grama Panchayat, the opening balance did not agree with the closing balance of previous year.

Register of Receipts and Register of Payments

2.9.6 Pathanapuram Block Panchayat and Vatakara Block Panchayat did not maintain Register of Receipts and Register of Payments.

2.9.7 The sitting fee of Rs.21600/- paid to the President and Members of Mavoor Grama Panchayat was wrongly recorded as Rs.4000/- in the Abstract when copied down from the Register of Payments.

¹ Andoorkonam, Azhoor, Cheranalloor, Thavanoor and Veeyapuram Grama Panchayats and Nemom Block Panchayat.

² Enaadimangalam, Thavanoor and Veeyapuram Grama Panchayats and Nemom Block Panchayat.

2.9.8 Due to improper maintenance of Register of Receipts and Register of Payments the correctness of figures in the Annual Financial Statement could not be ensured.

2.10 Lapses in preparation of budget

Non- incorporation of details of Budget in Minutes

2.10.1 Three LSGIs¹ did not incorporate the details of budget in minutes. In Kazhakuttom Grama Panchayat the President did not approve the minutes of budget meeting held on 31 March 2000.

Variations in Estimates

2.10.2 The estimated receipts and expenditure widely varied with the actuals in the case of 23 LSGIs². Illustration in the case of five LSGIs is given below:

(Rs in lakh)

Year	Name of Local Body	Total Receipt/ Expenditure	Estimate	Actual	Shortfall	Per cent of shortfall/
1998-99	Nattika G.P	Receipt	116.89	43.70	73.19	62.61
		Expenditure	107.04	27.44	79.60	74.36
2001-02	Kidangoor G.P	Receipt	268.97	106.97	162.00	60.23
		Expenditure	306.02	94.16	211.86	69.23
2001-02	Enadimangalam G.P	Receipt	174.19	44.90	129.29	74.22
		Expenditure	186.00	33.56	152.44	81.96
1998-99	Kollam Corporation	Receipt	2150.28	1338.27	812.01	37.76
		Expenditure	2082.00	1393.11	688.89	33.09
2001-02	Idukki District Panchayat	Receipt	3200.00	1089.00	2111.00	65.97
		Expenditure	3045.00	693.00	2352.00	77.24

2.10.3 The budget prepared by the five LSGIs was highly unrealistic. The inflated provision of receipt and expenditure shows lack of proper financial planning by the LSGIs.

2.11 Lapses in preparation of Annual Financial Statements

2.11.1 The Panchayats and Municipalities are to prepare Annual Financial Statements (AFS) and Demand, Collection and Balance (DCB) Statements and forward them to the DLFA after approval by the Panchayat/Municipal Council/Corporation Council by 31 July of the succeeding year. The following lapses were observed.

2.11.2 In six LSGIs³, there was a delay of 12 to 24 months in forwarding the AFS to DLFA.

2.11.3 Vatakara Block Panchayat forwarded AFS and DCB to DLFA without obtaining the approval of the Panchayat.

2.11.4 The Annual Financial Statement of 15 LSGIs⁴ did not incorporate

¹ Beypoor, Mavoor and Thuneri Grama Panchayats.

² Adichnalloor, Amboori, Andoorkonam, Chemmurthy, Cheranellur, Edavilangu, Elavancheri, Enadimangalam, Ezhamkulam, Kallara, Karukachal, Kidangoor, Kottanad, Kumaramangalam, Manjalloor, Nagaroor, Nattika Sreekrishnapuram, Thavanoor, Thrikadavur and Veeyapuram Grama Panchayats, Kollam Corporation and Idukki District Panchayat.

³ Adichanellur, Beypore, Karthikappally and Thuneri Grama Panchayats, Kothamangalam Municipality and Kollam Corporation.

⁴ Amboori, Andoorkonam, Azhoor, Chemmurthy, Cheranallur, Edavilanga, Elavancherry, Kallara, Mavoor, Mundathikodu, Nagaroor, Sasthamkotta, Thenkurssi and Thrikkadavoor Grama Panchayats and Kothamanagalam Municipality.

transactions relating to Category A Fund (Plan Fund) and Category B Fund (State Sponsored Fund – Plan and Non Plan). Non-incorporation of the transactions relating to the above funds resulted in understatement of receipts and expenditure of the LSGIs due to which no assessment of financial management was possible.

2.11.5 Annual Financial Statement is a document showing receipts and disbursements. The figure shown therein should agree with those shown in the primary accounting records and subsidiary registers of LSGIs. The figures shown in the Annual Financial Statements prepared by the LSGIs were found to vary from those of the accounting records and source data as follows:

- In Sasthamcotta Grama Panchayat, the expenditure shown in Annual Financial Statement differed from the expenditure shown in Register of Payments.
- In Beypore Grama Panchayat, the expenditure shown under Provident Fund was different from the figure given in Register of Payments.
- In Karunagapally Block Panchayat, cash book balance differed from balance shown in the AFS.
- In three¹ LSGIs the closing balance of AFS for the previous year and the opening balance for the succeeding years were different.

2.12 Wrong classification of expenditure/receipt in AFS

2.12.1 In Nagaroor Grama Panchayat an expenditure of Rs.61544 under pulse polio (Health service) was wrongly classified under maintenance of bridges (Public work).

2.12.2 In Chemmaruthy Grama Panchayat receipt under profession tax was Rs.293765/- and Rs.6000/- under 'Keralotsavam'. The Grama Panchayat booked the entire receipt of Rs.299765/- under the head profession tax.

2.12.3 In Kothamangalam Municipality an amount of Rs.266787 received towards cost of bitumen was booked as receipt in the AFS and Register of Receipts. The amount should have been booked as minus expenditure.

2.13 Lapses in safeguarding of assets

2.13.1 In the LSGIs safeguarding of assets was deficient as under:

- Asset Register was not maintained in five LSGIs².
- Register of cheques issued was not maintained in four LSGIs³.
- Periodical physical verification of furniture/equipments/library books was not conducted in 12 LSGIs⁴.
- Stock Register of priced forms was not maintained in five LSGIs⁵.
- In Kazhakuttom Grama Panchayat there was no system for accounting un-disbursed cash.

¹ Chemmaruthy and Mavoor Grama Panchayats and Karunagapally Block Panchayat.

² Beypore, Kidanagoor, Mundathikodu, Nattika and Thrikadavur Grama Panchayats.

³ Enandimangalam, Ezhamkulam, Mundathikodu and Nattika Grama Panchayats.

⁴ Adichanalloor, Andoorkonam, Azhoor, Chemmaruthy, Enadimangalam, Karthikappally, Kozhencheri, Pappinisseri, Sasthamkotta, Thunneri and Veeyapuram Grama Panchayat and Idukki District Panchayat.

⁵ Azhoor, Kandallloor, Karthikappally, Kozhenchery and Veeyapuram Grama Panchayats.

2.14 Non-compliance of statutory requirements by the DLFA

Non-issue of audit certificate

2.14.1 The DLFA did not issue audit certificates in respect of 74 LSGIs (**Appendix III**), after conducting audit of financial statements. DLFA stated (February 2006) that the omission was due to non-inclusion of a provision for the certificate in the existing format of Audit Report.

Delay in conducting audit and issuing audit reports

2.14.2 The DLFA is required to complete audit within six months of the presentation of the Annual Financial Statement and to issue the audit report within three months from the date of completion of audit. There was inordinate delay in conducting audit and issuing audit report. DLFA, in the meeting held on 31 August 2005 stated that the delay was due to shortage of staff.

Conduct of audit without receiving and auditing Annual Financial Statement for previous years

2.14.3 DLFA conducted Audit of two LSGIs, (Karukachal G.P 1999-2000, Panachikadu G.P 1999-2000) without receiving AFS and without conducting audit for the previous year. To ensure the correctness of opening balance it is necessary that Audit of AFS of a year is done only after completing the audit of AFS of previous year.

Preparation of parallel accounts and DCB statements by DLFA

2.14.4 In Kumaramagalam Grama Panchayat (2001-02), DLFA prepared parallel accounts during audit. Preparation of statements by the auditor for bringing the specific defects to the notice of the auditee institution, in order to have them rectified in their accounts, is a normal process. However, there was no indication that the DLFA pursued the matter to its logical end by getting the proposed rectifications incorporated in the accounts of the LSGI. The Report of CAG for the year ended 31 March 2004 also contained a reference to the practice of preparation of parallel accounts; yet the practice continues.

2.15 Reply of the DLFA

2.15.1 In reply to the observations under supplementary audit, DLFA stated (February 2006) that the Auditing Standards would be adopted on receipt of Government orders in the matter. He also stated that all the recommendations would be considered for future guidance.

2.16 Recommendations

- The report for the year ended 31 March 2004 contained a recommendation that the Government may issue formal orders to the effect that the audit of LSGIs by DLFA should be guided by the instructions contained under the 'Auditing Standards for Panchayat Raj Institutions and Urban Local Bodies' and 'Guidelines for Certification Audit of Panchayat Raj Institutions' prescribed by CAG of India. The recommendation is reiterated.
- Government may oversee that the committee for monitoring the progress of implementation of TGS, functions effectively.

CHAPTER III PERFORMANCE REVIEWS

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

Highlights

The Kerala Municipality Act, 1994 empowered the Municipal Corporation to levy property tax on all buildings and land situated within the jurisdictional area of the Corporation. Property tax which constitutes about 60 per cent of the 'own revenue', 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 any rules for the assessment and determination of property tax once in four years invoking Section 238 of the Kerala Municipality Act, 1994.

[Para 3.1.9]

- 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.

[Para 3. 1.11]

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

[Para 3.1.16]

- 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.

[Para 3.1.19]

- 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.

[Paras 3.1.28- 3.1.32]

Introduction

3.1.1 Property tax is a major source of revenue of the Corporations and Municipalities in Kerala and constitutes about 60 *per cent* of their own revenue. Section 230 to 233 of the Kerala Municipality Act, 1994 as amended by Act 14 of 1999 empowered the Municipal Corporations to levy property tax on all buildings and land situated within the jurisdictional area of the Corporations. Section 234(4) of the Act provides that the Government may make rules regarding the person by whom and the intervals at which the annual value of buildings, the deductions or additions in the tax to be made etc. is to be determined and the procedure for realisation of the tax amount. Rules in this regard have not been framed by Government. A review on the assessment and collection of Property tax in Corporation of Cochin, which is the largest Municipal Corporation, was conducted by audit.

Organisational set up

3.1.2 The Secretary of the Corporation, assisted by the Revenue Officer, is in charge of assessment and collection of property tax. The Secretary hears and disposes of the revision petitions. The Tax Appeal Standing Committee hears and disposes of appeals filed by the assesseees.

Audit objectives

3.1.3 The objectives of the review were:

- to evaluate the efficiency of the procedures followed by the Municipal Corporation of Cochin, in assessment, demand, collection and accounting of the property Tax.
- to see whether a suitable mechanism was put in place to ensure that no building/property assessable to tax escaped assessment.
- to evaluate the measures taken to guard against the loss of revenue.

Scope of Audit

3.1.4 There are seven zonal offices at Vyttila, Edappally, Pachalam, Palluruthy, Corporation of Cochin, Mattancheri and Fort Kochi; and fifty revenue divisions in the Corporation. The Review was conducted from April 2005 to July 2005 covering assessments and collections made during the period 2000-01 to 2004-05 in five¹ revenue divisions in three zones namely Pachalam, Palluruthy and Corporation of Cochin. The scope of the audit process was severely restricted in the absence of audited accounts of the Corporation for the period 2000-01 onwards. The Audit findings are discussed below.

Demand and Collection of Property tax

3.1.5 Section 294 of the Act prescribes that the Annual Financial Statement should be prepared and approved by the council and published not later than in the first week of June embodying a classified abstract of receipt and payments under Revenue, Capital and Debts heads, a DCB statement and a general statement regarding the financial position of Corporation. The Corporation had not prepared Annual Accounts from 2000-01 onwards. As

¹ Div.No.22, Mundanveli, Div.No.27 Fort Kochi, Div.No.36 Kunnumburamm, Div.No.40 Mamangalam, Div.No.42 Palarivattam

such exact position of demand, collection and balance of property tax during the period from 2000-01 to 2004-05 was not available. In the statement of Receipts submitted to Director of Urban Affairs by the Corporation for the above period, DCB of property tax was as shown below:

(Rupees in lakh)

Year	Demand			Collection			Balance			Percentage of collection
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
2000-01	482.06*	1462.29	1944.35	350.03	1178.35	1528.38	132.03	283.94	415.97	79
2001-02	727.75*	1593.72	2321.47	362.00	1320.82	1682.82	365.75	272.90	638.65	72
2002-03	638.65*	1697.76	2336.41	364.27	1392.04	1756.31	274.38	305.72	580.10	75
2003-04	963.01*	1751.04	2714.05	447.42	1606.37	2053.79	515.59	144.67	660.26	76
2004-05	1213.75*	1909.55	3123.30	413.05	1819.12	2232.17	800.70	90.43	891.13	71

* includes supplementary demand for previous years

3.1.6 In none of the years other than 2002-03, the opening arrear demand agreed with the closing balance of the previous year which points towards the inadequacies in accounting, collection and maintenance of primary accounting records. It was further noticed that the Corporation had reported to the Third State Finance Commission the actual collection of property tax during 2001-02 as Rs.11.78 crore against Rs.16.83 crore shown in the Statement of Receipts for the year.

3.1.7 Demand, Collection and Balance as of March 2005 as reported by the zonal offices vary widely from those reported to Director of Urban Affairs (DUA) as shown below.

(Rupees in lakh)

Sl. No	Name of Zone	Demand			Collection (including remissions)			Balance		
		Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
1.	Mattancheri	38.42	192.16	230.58	32.73	186.71	219.44	5.69	5.45	11.14
2.	Palluruthy	36.80	78.96	115.76	28.55	77.28	105.83	8.25	1.68	9.93
3.	Fort Kochi	28.90	91.61	120.51	16.22	81.99	98.21	12.68	9.62	22.30
4.	Kochi Corporation	920.20	957.02	1877.23	179.96	667.40	847.36	740.24	289.62	1029.86
5.	Pachalam	43.55	125.81	169.36	38.30	92.37	130.67	5.25	33.44	38.69
6.	Vyttila	291.21	635.63	926.84	170.48	423.04	593.52	120.73	212.59	333.32
7.	Edappally	103.33	253.63	356.96	47.59	210.10	257.69	55.74	43.53	99.27
	Total	1462.41	2334.82	3797.24	513.83	1738.89	2252.72	948.58	595.93	1544.51
	As per Statement sent to DUA	1213.75	1909.55	3123.30	413.05	1819.12	2232.17	800.70	90.43	891.13
	Difference	248.66	425.27	673.94	100.78	(-) 80.23	20.55	147.88	505.50	653.38

Audit could not find evidence of any effective control being exercised by the Director of Urban Affairs to obtain reliable financial reports from the Municipal Corporation.

3.1.8 Due to large scale variations in compilation of DCB statements, existence of reliable financial information mechanism in the Corporation was doubtful and audit is not able to offer any comments on the trend of demand and collection of property tax for the period 2000-01 to 2004-05.

Assessment of Property tax

Administration and Performance

3.1.9 Under the Act, every building shall be assessed in the prescribed manner on the basis of annual value of the buildings together with site and other adjacent premises occupied as an appurtenance thereto, the importance of area where the building is situated, type of the building construction, method of use, plinth area, reasonable maintenance cost etc. and the tax shall be determined at the rate fixed by the Council. Section 238 of the Act provides that subject to the rules made by the Government the property tax shall be assessed and half yearly tax determined once in four years and shall be payable by the owner of the assessed property within thirty days of the commencement of each half year. Government have not framed the rules in this regard. In the absence of prescribed rules, different Corporations follow different methods for determination of annual value of the buildings. The Corporation has devised a twelve point formula for assessment of the annual value of buildings and property tax leviable.

3.1.10 The Town Planning officer issues permits for any construction activity within the Corporation area, whether new buildings, additions or alterations to existing buildings, compound walls etc. stipulating the period for completion, and on completion of construction/occupancy, issues a certificate of completion/ occupancy to the Revenue Officer. The Revenue officer inspects the building and prepares an Index Sheet and determines the annual value of the property, assesses property tax payable and issues demand notice to the owner.

Short assessment of Property Tax

Owner-occupied residential buildings

3.1.11 Property tax is assessed at 15 *per cent* of the annual value of any building together with its site and other adjacent premises occupied as an appurtenance thereto. In the case of owner-occupied residential buildings, a rebate of 25 *per cent* being given on the annual value (before calculation of property tax) was withdrawn by amendment in the Act with effect from 24 March 1999. The Corporation continued to allow the deduction on the basis of Government directive (May 1999) that property tax was to be assessed in accordance with the procedure being followed up to 31 March 1998 till such time the rules for levy and collection of tax as provided under the Act are framed. The Government direction was against the provision of the Act. Government have not framed the rules so far (July 2005) and the Corporation still continues to allow such deduction.

3.1.12 The deduction allowed resulted in short determination of annual value and in short assessment of property tax in respect of owner-occupied

Though rebate on annual value on owner-occupied residential buildings was discontinued, the Corporation continued to allow the deduction.

residential buildings in the Corporation area. The short assessment of tax amounted to Rs.4.38 lakh in 551 cases in five divisions during 2000-01 to 2004-05 (**Appendix V**).

Buildings given for use of another person upon rent or on such other conditions.

3.1.13 In the case of a building given for use of another person upon rent or on such other conditions by the owner, the property tax shall be assessed by adding with it an amount equal to 25 *per cent* of the assessed tax under sub section 234 (2). The Corporation has not complied with this provision any time since the coming into force of the Act. This has resulted in short assessment of property tax in respect of rented buildings in the Corporation limits. The short assessment of tax in 44 cases in five revenue divisions during 2000-01 to 2004-05 amounted to Rs.6.74 lakh.

Property escaping assessment of tax

Constructions where validity of permits expired

3.1.14 Permits issued by the Town Planning officer for construction of any new building, additions or alterations to any existing building etc. stipulate the time of completion of construction which would be three years from the date of issue of permits. On completion of the construction, the owner of the building is expected to submit a report of completion on receipt of which the Corporation would assign door numbers wherever necessary and proceed to assess property tax. There were cases where 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. The Corporation has not established any information and communication system in such cases to ascertain whether the building had actually been constructed and occupied.

3.1.15 Property tax is payable with effect from the date of completion or occupation of the building and hence absence of verification in such cases would cause delay in assessment of property tax until the construction is finally detected. The Register of applications for permits relating to five Divisions for the year 2001-02 showed that in 44 cases no completion reports were received where the validity period (July 2005) of the permits expired but extension of their validity was not sought for. (**Appendix – VI**).

No building completion reports were received in 44 cases where the validity of the permit expired.

Unauthorised constructions

3.1.16 The Corporation did not conduct regular survey to identify unauthorised constructions, additions and alterations to the existing structures. Through occasional inspections, the Corporation could detect 1478 unauthorised constructions during 2000-01 to 2004-05 and assessed them to tax. These included multi-storied shopping complexes constructed in prominent areas of the city as shown below:

No regular survey to detect unauthorised constructions

Sl. No.	Division & Door No.	Plinth area	Annual value (Rs.)	Annual Property tax collected (Rs.)	Date of assessment of tax on unauthorised constructions	Date of Regularisation
1	U.A 40/1653 A-A13 D-D16 E-E14 F-F14	2290.88 M ²	22,24,000	3,33,866	18.5.02	9.6.03
2	U.A 40/8955A	2702.96 M ²	25,89,000	3,11,282	18.7.03	Not regularised. (Pending decision of the Honourable High Court of Kerala)
3	U.A 40/966E	478.64 M ²	6,18,000	74,160	16.4.01	11.6.04

3.1.17 The Kerala Municipality Act provides that when an unauthorised construction comes to the notice of the Secretary, he may direct its demolition or if it does not violate the provisions of the Kerala Municipal Building Rules, 1999, he may regularise the construction on realisation of a compounding fee at the rate of double the permit fee. Compounding fee of Rs.0.82 lakh was realised in the case of serial number 2 above and additional licence fee with fine of Rs.1000/- (Total Rs.0.21 lakh) was collected in the case of item number 1. Since there was no violation of building rules, item number 3 was exempted by Government from payment of compounding fee. In the absence of a regular system to detect unauthorised constructions, there was no assurance that the unauthorised constructions were detected and assessed to tax.

Revision Petitions and Appeals – Loss of revenue amounting to Rs.68.85 lakh.

3.1.18 The Secretary disposes of the revision petitions filed by the assesseees. Assesseees still aggrieved, may file appeals with the Tax Appeal Standing Committee (TASC). Reduction in gross annual value and property tax was being granted in such revision petitions and appeals without evidence of a transparent and objective process.

3.1.19 Out of 5571 assessments made during the period 2000-01 to 2004-05 in five divisions substantial reduction in annual value was allowed in 2386 cases where revision petitions/appeals were filed. The annual value of Rs.8.37 crore was summarily reduced in revision by the Secretary to Rs.7 crore, and in appeals by the TASC to Rs.6.69 crore (**Appendix VII**). Net reduction in property tax in the above five divisions consequent to reduction in annual value amounted to Rs.52.96 lakh in the revisions by the Secretary and Rs.15.89 lakh in appeals by the TASC during the above period (**Appendix - VIII**). Audit could not find any systematic documentation to support such large scale revisions in value by the Secretary/Tax Appeal Standing Committee.

Net reduction in property tax due to reductions in annual value worked out to Rs.68.85 lakh.

Non revision of Property tax

Property tax revisions were not effected once in four years as required under the Act.

3.1.20 Kerala Municipality Act, 1994 stipulated that the property tax shall be assessed and the half yearly tax determined once in every four years but provided that revision of tax after the date of 1 April 1998 shall come into force on the date fixed by Government. Government have not notified any such date for revision of property tax (July 2005). Hence, the Corporation could not revise the property tax for more than two lakh buildings in the Corporation area. The last revision was effected from 1 April 1997 when the property tax was hiked by about 25 *per cent*. Property tax revisions were not effected in 2001 and 2005.

Service tax not levied on exempted properties

Service tax is not being levied on the exempted properties like churches, temples, mosques, schools etc.

3.1.21 Property tax levied at 15 *per cent* of annual value of any building and land situated in the Corporation area comprises a tax for general purposes (8 *per cent*) and a service tax (7 *per cent*). The service tax comprises drainage tax (2 *per cent*), lighting tax (2 *per cent*), Sanitary tax (2 *per cent*) and Water tax (1 *per cent*) to meet expenses connected with drainage works, lighting of the Corporation area, general sanitation and removal of rubbish, carcasses of animals from private premises and maintenance or extension or improvement of water works. The Corporation is entitled to claim cost of services covered by the service taxes under the Act on properties exempted from property tax. The Corporation has not invoked the provision of the Act to levy service tax on such exempted properties. Churches, temples, mosques, schools etc., exempted from property tax could have been assessed to service tax at a rate not greater than seven *per cent* of their annual values as the Corporation provides services covered under the service taxes.

Lack of transparency in the assessment of Annual value and Property tax

3.1.22 The Index Sheet designed for assessment of property tax of buildings includes all important attributes for computing annual value of a building. Audit noticed that though all the attributes given in Index Sheet in two different divisions were identical, the annual value arrived at varied substantially in certain cases test checked. Annual value of five residential buildings was computed as Rs.27,000 each where as annual values of two residential buildings in the same divisions with the same attributes in the Index Sheets were computed as Rs.14,400/- and Rs.13,800/- respectively. Further, the annual value was substantially reduced in revision petitions by the Secretary and in appeals by the TASC without collecting additional evidence/ attributes. In six cases, annual values reduced by the Secretary were subsequently enhanced by the TASC (**Appendix IX**). Thus, the annual value determined lacks transparency and appears to be arbitrary.

3.1.23 The directions issued by Government in May 1988 and in December 2001 for classifying the Corporation area into Prime Zones and Secondary Zones for fair determination of annual value of buildings, have not been complied with by the Corporation (July 2005).

Collection of Property tax

Administration and performance

3.1.24 The Secretary of the Corporation is responsible for collection of property tax. The field collectors appointed for the purpose visit the assessees every half year and collect property tax and issue receipts for the amounts received. The collections are remitted to the cashier in office who in turn remits the amounts into the Municipal fund account. There are cash counters in all the seven Zonal offices of the Corporation. Apart from this, FRIENDS Janasevana Kendra – a project of the Kerala State Information and Technology Department set up at Kaloor with the Corporation's revenue staff on deputation also collects property tax and remits to the Municipal fund account.

Delay in remittance of tax collected by FRIENDS

3.1.25 Kerala Municipal Corporation Accounts Rules, 1967 lays down that outdoor collection should be remitted to the Corporation every day or every alternate day as decided by the Council. But this rule is not insisted upon by the Corporation for the collections made by FRIENDS Janasevana Kendra. The Kendra retained with them substantial amount of property tax collected for several days. Test check revealed that Rs.0.46 lakh collected on 23 April 2003, Rs.13.55 lakh collected from 29.09.2003 to 30.09.2003 and Rs.4.39 lakh collected from 17.02.2004 to 29.02.2004 were remitted to the Municipal Fund on 12 August 2003, 17 November 2003 and 21 April 2004 respectively.

Non-levy of penal interest on belated payments

3.1.26 Half yearly property tax shall be payable by the owner of the assessed property within 30 days of the commencement of each half year and if not paid on the due date, it shall be recovered together with penalty at the rate of two *per cent* per month from the date from which it was due. Penal interest amounting to Rs.1.48 lakh was not levied for belated payments in respect of ten flats in Division No.39 during the period from 2000-01 to 2004-05.

Penal interest amounting to Rs 1.48 lakh was not levied for belated payments of property tax.

Non-verification of original receipts issued for collection of property tax

3.1.27 Ten *per cent* of the total number of original receipts issued to the parties by the tax collectors are required to be verified by the Revenue Inspectors of the concerned ward and result thereof entered in the 'Diary of check of original receipts' and submitted to the Revenue Officer on the last working day of each month as required under Rule 19 of Municipal Corporation Accounts Rules, 1967. The diaries from all the Revenue Inspectors are to be scrutinised by the Revenue Officer and submitted to the Secretary by 15th of every month. This was not being followed by the Corporation. This is fraught with the risk of concerned officials tampering with the figures entered in the receipt books by showing lesser amounts than collected.

Accounting

3.1.28 The Tax Standing Committee and the Corporation Council can exercise proper control and monitoring over demand and collection of tax only if the accounts are prepared in time and placed before them. In Kochi Corporation, the primary accounting records are not maintained properly as would be seen from the following.

Receipts not routed through Cash Book

3.1.29 In Kochi Corporation, receipt of property tax was not being routed through Cash Book as required under Rule 36 of Kerala Municipal Corporation Accounts Rules, 1967. During 2000-01 to 2004-05, receipt side of the Cash Book was left blank making the preparation of correct and timely accounts reports impossible.

Maintenance of Demand Register and Arrear Register

3.1.30 On completion of assessments, the tax assessed are to be posted in the Demand Register and collections are to be posted against demand and the balances were to be carried over to Arrear Demand Register. It was noticed that in two out of five revenue divisions test checked, the collections were not being posted against demand and Demand Register and Arrear Demand Register were not kept properly. In other Divisions, the postings from one register to another was not attested by supervising officer and hence there was no assurance regarding correctness of entries in the registers.

Preparation of Annual Accounts

3.1.31 Section 294 of the Act stipulates that the Secretary of the Corporation shall publish not later than the 1st week of June, an Annual Financial Statement of the preceding year, approved by the Council, embodying a classified abstract of receipts and payments of the Corporation under Revenue, Capital and Debt heads, a demand collection and balance statement and a statement of general financial position of the Corporation. Rule 11 of the Kerala Municipality (Manner of Inspection and Audit Systems) Rules 1997 also stipulates that the financial statement published shall be submitted by 31st day of July to the Auditor authorised to conduct the audit of the Corporation.

3.1.32 Since the annual accounts have not been prepared and presented before the Council from 2000-01 onwards, the Corporation could not make proper assessment of revenue realised and realisable. The Corporation Council was denied the basic financial reports to enable them to exercise proper control over the finances of the Corporation.

3.1.33 Conclusion

- Maintenance of primary accounting records is in complete disarray thereby seriously affecting the quality of governance within the Corporation. There was no evidence of proper oversight by the Director of Urban Affairs to control and facilitate generation of reliable financial information.
- Government have not made rules for levy, collection and revision of Property tax under the provisions of the Act.
- Though the deduction allowed from the annual value of owner-occupied residential buildings was discontinued from March 1999, the Corporation continued to allow the deduction which resulted in short assessment of tax.
- The Corporation did not conduct regular survey to identify unauthorised construction to prevent evasion of tax.

- The Corporation has not invoked the provision to levy service tax on exempted properties and has not yet classified its area into Prime Zones and Secondary Zones for fair determination of annual value of buildings.

3.1.34 Recommendations

- Government may ensure that the Annual Accounts (including DCB statements) are prepared by the Municipal Corporation in time, and time bound action is taken to clear the arrears in accounts.
- Government may make rules regarding the method of assessment and collection of property tax as provided under section 234 (4) of the Act.
- Government may consider rationalising the method for fixing the annual value and assessment of tax.
- The internal control system should be strengthened to ensure regular survey and identification of unauthorised buildings, proper assessment of tax and collection of Property tax wherever applicable.
- The Corporation may consider assessing exempted buildings to service tax to enhance its revenue.

3.2 Plan Formulation by Local Self Government Institutions in Thrissur District

Highlights

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 problems, 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.
(Para 3.2.5)

➤ Non- constitution/defective constitution and improper functioning of Working Groups and Grama/Ward Sabhas resulted in formulation of development plans without proper assessment of development requirements.
(Paras 3.2.7- 3.2.14)

➤ 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.
(Para 3.2.21)

➤ Annual plans of 77 LSGIs with total outlay of Rs 61.50 crore were approved by District Planning Committee without proper appraisal by the Technical Advisory Committees.
(Para 3.2.22)

➤ 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.
(Para 3.2.26)

➤ Centrally Sponsored Schemes with an outlay of Rs.17.40 crore were not integrated in the annual plans of LSGIs during 2000-05.
(Para 3.2.28)

➤ Providing own funds in excess by Rs.15.10 crore in annual plans by 24 LSGIs resulted in inflated provision of own funds.
(Para 3.2.29-3.2.30)

➤ 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.
(Paras 3.2.33 -3.2.38)

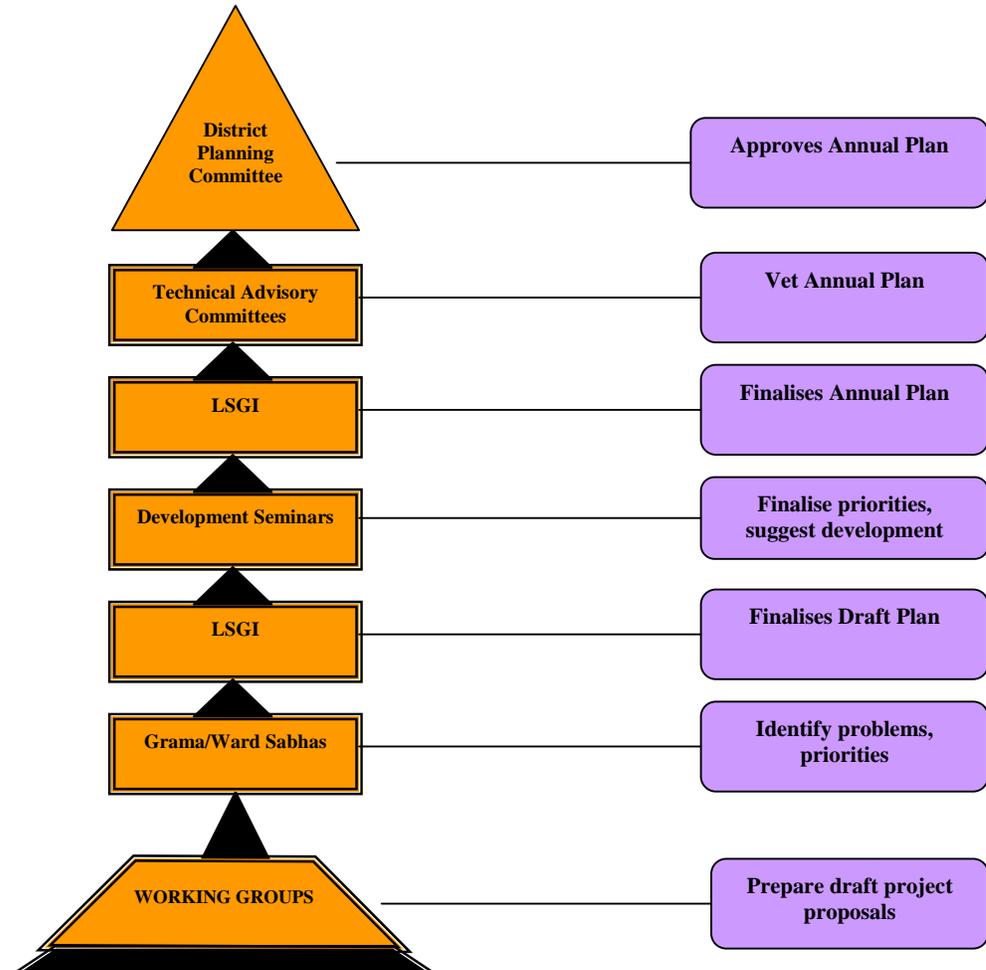
Introduction

3.2.1 Section 175 of the Kerala Panchayat Raj Act, (KP Act) 1994 and section 51 of the Kerala Municipality Act, (KM Act) 1994 provide that the Panchayats and Municipalities are to prepare every year a Development Plan for the succeeding year and submit to the District Planning Committee (DPC) before the date prescribed. The DPC scrutinises and approves the plans prepared by the Panchayats and Municipalities. The Grama/Ward Sabhas decide the priorities in planning and select beneficiaries for beneficiary oriented schemes.

Process of plan formulation

3.2.2 The organisational set up for decentralised planning by LSGIs consists of Working Groups, Grama/Ward Sabhas, Development seminars, Technical Advisory Committees (TACs) and the District Planning Committee (DPC). The role of various committees/groups in plan formulation is shown in the flow chart given below.

PLAN FORMULATION – A FLOW CHART



Besides the above, for works projects, there are technical committees who issue technical sanction after the approval of projects by DPC.

Audit coverage

3.2.3 Review of plan formulation by LSGIs in Thrissur District for the period 2000-01 to 2004-05, was conducted during May-October 2005, covering 21¹ Grama Panchayats (out of 92), four² Block Panchayats (out of 17), two³ Municipalities (out of nine), District Panchayat and District Planning Office in the district.

Audit objectives

3.2.4 The review was conducted to evaluate whether:

- the plan formulation was in accordance with the provisions of the Acts and the guidelines issued by Government.
- the resources could be effectively deployed.
- the DPC and Technical Advisory Committees (TACs) successfully discharged their functions and responsibilities in scrutiny, evaluation and approval of plans formulated by LSGIs.
- the plans for the up-liftment of the weaker sections especially Scheduled Castes and Scheduled Tribes, were formulated as per norms.
- the Working Groups and Grama/Ward Sabhas functioned effectively and discharged duties assigned to them.

Delay in approval of plan by DPC

3.2.5 Delay in plan formulation by LSGIs continued during the year 2004-05. As DPC did not approve the annual plans of 26 LSGIs⁴ before the beginning of the financial year, LSGIs could not include the approved plans in their budget estimates as stipulated in the Acts.

3.2.6 Records of 28 LSGIs revealed that only two⁵ out of 140 annual plans for the period 2000-01 to 2004-05 were formulated by LSGIs and approved by the DPC before the commencement of the financial year. Consequently, the LSGIs did not get one full year for the implementation of annual plans.

Constitution of Working Groups (WGs)

3.2.7 Working Groups are the most important component of the decentralised planning and they have a creative role in the formulation of development plans of LSGIs. They have to study local development problems

¹ Adat, Arimbur, Athirappaly, Avanur, Erumapetty, Kadukutty, Kaiparampa, Kodassery, Kolazhy, Koratty, Madakkathara, Melur, Mulamkunnathukavu, Mullurkara, Nadathara, Pananchery, Pariyarm, Puthur, Thekkumkara, Tholur, and Wadakanchery Grama Panchayats

² Chalakudy, Ollukkara, Puzhackal and Wadakanchery Block Panchayats.

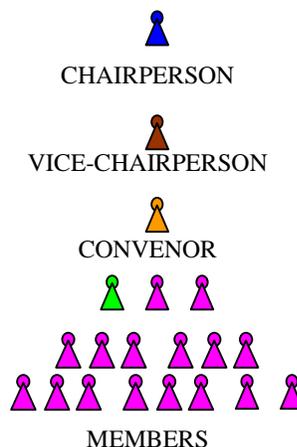
³ Chalakudy and Guruvayur Municipalities.

⁴ Arimbur, Athirappaly, Avanur, Erumapetty, Kadukutty, Kaiparampa, Kodassery, Kolazhy, Madakkathara, Melur, Mulamkunnathukavu, Mullurkara, Nadathara, Pananchery, Pariyaram, Puthur, Thekkumkara, Tholur and Wadakanchery Grama Panchayats, Chalakudy, Ollukkara, Puzhackal and Wadakanchery Block Panchayats, Chalakudy and Guruvayur Municipalities and Thrissur District Panchayat.

⁵ Adat and Koratty Grama Panchayats.

and prepare a report containing draft project proposals. Working Groups consisting of officials, elected members, experts and activists in specified development sectors are to be constituted by LSGIs each year as given in the diagram below.

CONSTITUTION OF WORKING GROUP



	WG for Women & Children	-	Elected lady member of the LSGI
	WG for SC Development	-	Elected SC member of the LSGI
	WG for Anti-poverty sub- plan	-	Chairperson of the LSGI
	Other WGs	-	Elected member of the LSGI
	Known expert in the respective sector		
	Senior most transferred official in the respective sector		
	SC promoter. Three SC promoters in WG for SC Development. One SC promoter in other groups.		
	Ordinary Members		

3.2.8 The Chairperson of each WG should be an elected member, Vice Chairman, an expert in the sector and convenor, the senior most official transferred to the LSGI in that sector. From 2002-03, one Scheduled Caste promoter was to be nominated to each W.G and three SC promoters to the group for SC Development. Scrutiny of records in 28 LSGIs revealed that the LSGIs did not constitute the required number of WGs and failed to nominate the required number of vice-chairpersons and SC promoters as detailed in the table below.

Year	No of LSGIs test checked	No of Working Groups							No of experts as vice - chair person		
		To be constituted		Not consti- tuted	Constituted but records not maintained	Constituted and records maintained			To be nominated	Nominated	Short fall
		Per LSGI	Total			Ordinary WGs	SC WGs	Total			
2000-01	28	5	140	13	75	41	11	52	52	23	29
2001-02	28	3	84	3	24	38	19	57	-- [#]	--	--
2002-04	28	8	224	2	24	173	25	198	198	182	16
2004-05	28	10	286 [@]	3	10	240	33	273	273	218	55
Total	--	26	734	21	133	492	88	580	523	423	100

[#] There was no direction (circular) to nominate Vice Chairperson during 2001-02.

[@] Including six ST Working Groups to be constituted in six LSGIs which received allotment under TSP.

Year	Number of Working Groups for which records maintained			No of Ordinary WGs constituted without SC promoters	No of SC WGs constituted with only one SC promoter	Short fall in the number of SC promoters	
	Ordinary Working Groups	SC Working Groups	Total			Ordinary Working Groups	SC Working Groups
02-03	173	25	198	129	22	129	44
03-04	--	--	--	--	--	--	--
04-05	240	33	273	179	21	179	42
Total	413	58	471	308	43	308	86

3.2.9 The deficiencies noticed in the constitution of WGs were

- Out of 734 WGs to be constituted in 28 LSGIs during the five year period of (2000-05), 21 WGs were not constituted in five¹ LSGIs and hence plans for nine development sectors were formulated without proper assessment of the development requirements and prospects.
- Records for the formation of 133 WGs were not maintained in 18 LSGIs². There was no evidence about constitution and functioning of these WGs.
- Out of 580 WGs for which records of formation were maintained, Vice chairperson, an expert in the sector was not nominated in 100 WGs. These WGs were denied the service of an expert member.
- One SC promoter each was not nominated to 308 WGs. Three SC promoters were not nominated to each of the 43 SC WGs. Hence, there was no assurance of safeguarding interests of SC community.

Functioning of Working Groups

3.2.10 The quorum of WG was fixed as four, including the mandatory presence of the convenor. The convenor was to present a detailed note in the first meeting of the WG. The note shall contain status and problems of the sector, suggested strategies etc. WGs were to prepare reports containing prescribed number of chapters*. Of 713 WGs constituted in 28 LSGIs, 18 WGs did not function. Records of the functioning of 379 WGs were not maintained. Three hundred and sixteen WGs held 913 meetings. The following deficiencies were noticed.

- 21 WGs were not constituted in five LSGIs and 18 WGs constituted in one LSGI did not function at all. Eight WGs constituted in one LSGI during 2002-03, held no meeting before the Grama Sabha met for prioritising annual plan. The draft plan proposals of development sectors pertaining to the 47 WGs were not prepared by properly

¹ Kaiparamaba, Madakkathara, Thekkumkara and Wadakkanchery Grama Panchayats and Thrissur District Panchayat

² Adat, Athirappally, Avanur, Erumapetty, Kadukutty, Kaiparambu, Kolazhy, Koratti, Madakkathara, Melur, Mulamkunnathkavu, Mullurkara, Nadathara Grama Panchayats, Chalakudy and Ollurkara Block Panchayats, Chalakudy and Guruvayur Municipalities and District Panchayat Thrissur.

* Seven chapters from 2002-03 and nine from 2004-05. Chapters include status and problems of the sector, past efforts and their results, strategies for addressing the problems, draft project proposals etc.

constituted WGs and the possibility of formulating unnecessary and unviable projects could not be ruled out.

- 213 WG meetings were held without the convenor and 35 meetings without quorum with the result decisions taken in the meetings were without due care and deliberation.
- Out of 862 WG meetings held during the period 2002-05, in 677 meetings the SC promoter was not present. In the absence of SC representation, there was no assurance that the interest of Scheduled Caste community was adequately safeguarded.
- During the period 2000-05, 78 WGs held only one meeting in a year for preparation of annual plan. Out of 505 WGs constituted during the period 2002-05, convenors of 255 WGs did not present detailed notes containing status of the sector with relevant data, problems affecting the sector and suggestions to tackle the problems, with the result draft plan proposals made were without adequate study of the sector concerned and not based on valid data.
- In the absence of the records of 379 WGs in 27 LSGIs, there was no assurance that the WGs were functional.

Grama Sabha/Ward Sabha

3.2.11 Secretary of the LSGI is expected to maintain records of Grama/Ward Sabhas such as attendance register, photographs and minutes of break out groups of Grama/Ward Sabhas. During 2000-01 to 2004-05, 2921 Grama/Ward Sabhas were held. Records of 466 meetings were not maintained. Records in respect of 2455 meetings revealed several deficiencies.

Out of 2921 Grama/Ward Sabhas, records of 466 were not maintained.

Grama/Ward Sabha meetings without prescribed quorum.

3.2.12 Grama/Ward Sabhas play an important role in the planning process. The quorum required for Grama/Ward Sabha is 10 *per cent* of voters in the ward. Out of 2455 meetings, 1565 (64 *per cent*) were held without the prescribed minimum attendance of ten *per cent*. Decisions in the meetings held without minimum attendance in violation of the Act were invalid. The thin participation of people in Grama/Ward Sabha for planning made the decentralised planning non-representative.

Non-recording of attendance and address

3.2.13 It was mandatory to properly maintain attendance register with details such as name, address with house number, record of discussions of breakout groups, recommendations of the Grama/Ward Sabha and photographs of Grama/Ward Sabha meetings. Out of 2455 meetings held, attendance was not recorded in 210, incomplete addresses were recorded in 1375, photographs were not maintained in 2118 and 327 photographs showed less attendance than that recorded.

Erumappetty Grama Panchayat – Photograph of Grama Sabha, Ward XII- 14.07.2001, where the attendance was recorded as 58.



Erumappetty Grama Panchayat – Photograph of Grama Sabha, Ward X – 17.07.2001, where the attendance was recorded as 72.



Prioritisation of projects without presenting draft project proposals

3.2.14 Out of 1321 Grama/Ward Sabhas held for prioritisation of projects during the period 2000-05, prioritisation of projects was not made in 454. Consequently, the development projects were prioritised without the necessary inputs on account of which the people's participation remained an ideal aim, which could not be materialised.

Non-finalisation of list of beneficiaries

3.2.15 Out of 1386 Grama/Ward Sabhas held for selection of beneficiaries for beneficiary oriented schemes during the period 2000-01 to 2004-05, 1196 Grama/Ward Sabhas finalised prioritised list of beneficiaries. One Hundred and Ninety Grama/Ward Sabhas in 15 LSGIs¹ failed to finalise the prioritised list of beneficiaries resulting in rendering benefit to persons not authorised by Grama/Ward Sabhas.

Development Seminars

3.2.16 Out of 112 development seminars² held in 28 LSGIs during the period 2000-01 to 2004-05, records pertaining to 52 Development Seminars were not maintained by LSGIs (**Appendix X**). There were deficiencies in documenting the proceedings of the seminar such as non-recording of addresses of participants (24 seminars), non- recording of minutes of break out groups (36 seminars) and non- recording of recommendations (31 seminars). Such lapses in conducting development seminars diluted their efficacy.

Technical Advisory Committees (TACs)

3.2.17 District Planning Committee (DPC) should constitute Technical Advisory Committees (TACs) at Block level and District level for appraisal of annual plans submitted by LSGIs. The projects cleared by TACs are forwarded to DPC for scrutiny and for final approval.

3.2.18 Records of four BLTAC in four³ Block Panchayats and DLTAC Thrissur in the District Planning Office revealed that the District Planning Officer did not maintain records of functioning of sub-groups of DLTAC. Eighty three sub-groups of four BLTAC, held 232 meetings out of which 62 were without prescribed quorum. Minutes of 19 meetings did not contain names of projects vetted (Table below). There was no system for monitoring receipt of annual plans from LSGIs.

¹ Adat, Athirappilly, Avanoor, Erumapetty, Kadukuty, Kaiparambu, Kodassery, Koratty, Madakkathara, Mulamkunnathucavu, Nadathara, Thekkumkavu and Wadakkancheri Grama Panchayats, Chalakuddy and Guruvayur Municipalities.

² Development seminar is a one day seminar conducted at LSGI level to finalise the various priorities, strategies and suggest development projects.

³ Chalakudy, Ollukkara, Puzhakkal and Wadakkanchery Block Panchayats.

Deficiencies in the functioning of Sub Group of Technical Advisory Committees (TACs)

Sl No	Name of TAC	No of sub groups for which records were maintained	No of meetings	No of meetings without quorum	No of meetings in which minutes recorded do not contain projects recommended	Number of meetings where the minutes were authenticated by all the members present
1	DLTAC, Thrissur	Records not maintained				
2	BLTAC, Chalakkudy Block Panchayat	27	72	16	2	66
3	BLTAC, Ollookkara Block Panchayat	15	38	7	8	20
4	BLTAC, Puzhakkal Block Panchayat	38	118	39	5	93
5	BLTAC, Vadakkanchery Block Panchayat	3	4	Nil	4	4
	Total	83	232	62	19	183

Non- appraisal of plan projects by TACs resulted in recommendation of plan projects, which were not according to prescribed norms

3.2.19 The TACs did not function effectively and appraise plan projects as envisaged resulting in recommendation of plan projects for approval, which were not according to prescribed norms.

District Planning Committee (DPC)

3.2.20 State Government shall constitute District Planning Committee (DPC) in each district within three months of the publication of names of elected representatives of LSGIs. The tenure of DPC is five years, the same as that of the tenure of members of LSGIs. The functions of DPC included scrutiny and approval of annual plans of LSGIs, consolidation of plans prepared by LSGIs and preparation of draft development plan for the district.

Unauthorised constitution of interim DPC

3.2.21 Consequent on the completion of tenure of the first DPC in September 2000, Government constituted the second DPC only in March 2001. Due to the delay in the constitution of the second DPC, Government constituted a committee called Interim DPC to approve projects submitted by LSGIs during the period. The interim DPC held two meetings and approved projects of 12 LSGIs with an outlay of Rs.5.47 crore. The constitution of interim DPC was violation of Article 243 ZD of the Constitution and DPC (Election of members and proceedings of meeting) Rules, 1995.

Unauthorised approval of annual plan by DPC without appraisal by TACs

3.2.22 DPC should consider the annual plan of LSGIs for approval only after the plans are scrutinised and appraised by respective TACs. However, during the year 2003-04, DPC approved annual plans of 77¹ LSGIs (Out of 117 LSGIs) in the district, with total out lay of Rs.61.50 crore before scrutiny by TACs. This unauthorised approval was subject to the condition that TAC should scrutinise the plan later. No purpose was served by scrutiny of the projects by TACs as the projects were finally cleared and approved by DPC. This reverse process of approval and scrutiny of annual plans rendered the process of approval, meaningless.

Deficiencies in the functioning of DPC

The expert member was not present in 15 DPC meetings and there was no proper documentation.

3.2.23 The attendance of the members was not recorded in any of the 48 meetings held by DPC during the period 2000-01 to 2004-05. From the minutes of meetings, it was found that the expert member who was supposed to give valuable advice on planning, was not present in 15 meetings. Lists of projects approved by DPC in 13 meetings were not recorded in the minutes. As such there was no proper documentation of DPC meetings (Table given below).

Year	Number of meetings held	Number of meetings for which minutes not maintained	Number of meetings in which members present did not sign in the minutes or attendance	Number of meetings in which the expert member was not present	Number of meetings in which list of projects approved was not recorded in the minutes
2000-01	8	Nil	8	4	4
2001-02	1	Nil	1	1	Nil
2002-03	12	Nil	12	Not recorded in nine meetings	5
2003-04	12	Nil	12	1	1
2004-05	15	Nil	15	9	3
Total	48	Nil	48	15	13

Failure of stock taking of Ninth Plan

None of the 28 LSGIs test checked constituted committee for stock taking of Ninth Plan.

3.2.24 In the guidelines (issued in June 2002) for the preparation of Tenth Five Year Plan by Local Governments, Government ordered that committee constituted with WG members, volunteers and officials of departments concerned was to verify the assets created during Ninth Five Year Plan and prepare a report containing details such as work left incomplete by beneficiary committees/contractors and works for which advances were given to various agencies with the status of each work. None of the 28 LSGIs test checked constituted the committee for stock taking of Ninth Five Year Plan and collected the above details of assets created. Failure in stock taking of Ninth Five Year Plan resulted in insufficient information about the work left incomplete and of assets created. Consequently, the LSGIs were denied the

¹ 57 Grama Panchayats, 12 Block Panchayats, six Municipalities, Thrissur Corporation and District Panchayat Thrissur.

opportunity for evolving suitable strategy to avoid repetition of lapses occurred during Ninth Five Year Plan and for proper upkeep and utilisation of assets created during the above plan period.

Ineffective asset management

3.2.25 Government directed (June 2002) that each LSGI had to prepare Reform Plan to be included in its plan document which envisaged updating of records, completion of Asset Register, preparation of Road Register, preparation of Benefit Register, including supply of Benefit card to all beneficiaries etc. Of the 28 LSGIs, only one LSGI (Guruvayur Municipality) maintained Asset Register, only five¹ maintained Road Register and none maintained Benefit Register or issued Benefit Card. In the absence of such documentation, LSGIs were unable to identify the areas unattended till then and to ensure that the assets were properly maintained and beneficiaries did not claim the same assistance already availed by them.

Encroachment of duties and functions of other tiers of Panchayats

3.2.26 The powers, duties and functions of Panchayats at Grama/Block/District levels are different and well defined in KPR Act and each tier of Panchayat should formulate projects relating to the duties and functions earmarked to it. However, audit scrutiny revealed that 61 projects having a total outlay of Rs 96.11 lakh formulated by five Grama Panchayats, 13 Block Panchayats and the District Panchayat and approved by DPC during 2004-05, related to duties and functions not belonging to that particular tier of Panchayat. Approval of these projects by DPC is tantamount to grant of approval for diversion of funds for unauthorised functions (**Appendix XI**).

3.2.27 Indira Awas Yojana (IAY) is a Centrally Sponsored Scheme for providing assistance to beneficiaries for construction of houses. The scheme is implemented by Block Panchayats. The central assistance per unit was Rs.22000/- up to March 2004 and Rs.27500/- thereafter. Government permitted Block Panchayats to formulate plan utilising plan fund for providing additional assistance to IAY beneficiaries under General category to make the total assistance to Rs.35000/- per unit. Grama Panchayats were not permitted to formulate plan for providing additional assistance to IAY beneficiaries under General Category. However, ten² Grama Panchayats formulated plan for providing additional assistance to 98 IAY beneficiaries under General Category and transferred to the respective Block Panchayats Rs.7.36 lakh during the year 2004-05. Formulation of unauthorised plan, violating the guidelines would result in the diversion of plan fund.

Non- integration of Centrally Sponsored Schemes

3.2.28 Each LSGI should have only one development plan for a year and all Centrally Sponsored Schemes should be included in it. Action plan for Centrally Sponsored Schemes is to be drawn up from the annual development plan. Test check of 104 annual plans formulated during the period 2000-05 revealed that Centrally Sponsored Schemes with total outlay of Rs.6.49 crore

¹ Adat and Panancherry Grama Panchayats, Chalakudy and Ollurkara Block Panchayats and Guruvayur Municipality.

² Adat, Arimbur, Chazhoor, Kodakara, Mattathur, Mathilakam, Mulamkunnathukavu, Puthukkad, Thanniyam and Trikkur Grama Panchayats.

Centrally Sponsored Schemes with a total outlay of Rs.17.40 crore in the annual plan of LSGIs were not integrated in annual plans.

were not integrated in 15 plans formulated by 11 LSGIs; and in 55 partially integrated plans formulated by 22 LSGIs, the short provision was Rs.10.91 crore (**Appendix XII**). Non-integration of Centrally Sponsored Schemes with total outlay of Rs. 17.40 crore in the annual plans of LSGIs deprived the Grama/Ward Sabhas their legitimate role in formulation and prioritisation of development plans.

Inflated provision of own fund

3.2.29 In order to avoid over estimation of contributions from Local Governments leading to Plans which are not implementable, Government stipulated (October 2002) that the contributions from surplus own fund should not exceed 110 *per cent* of amount actually utilised for plan projects during the previous year. However, if the LSGIs felt that they had more surplus fund to be used in plan, a certified account containing own tax/non-tax revenue, general purpose grant and dues remaining unpaid should be furnished along with plan document.

3.2.30 It was noticed that in 55 annual plans formulated by 24 LSGIs own fund provided was excess by Rs.15.10 crore above the admissible amount which were not supported by certified accounts of previous year. The intention of the Government to prevent unrealistic inflated provision of own fund in annual plan did not materialise as the annual plans were not properly scrutinised by DPC and TACs.

Non-provision for electrification in projects

3.2.31 In order to avoid delay in commissioning, projects requiring electrification should contain appropriate provisions for electrification. It was noticed that provision for electrification was not made in 12 projects with outlay of Rs.20.09 lakh contained in 11 annual plans formulated by six LSGIs.

Formulation of projects not identified by Grama/Ward Sabhas

3.2.32 Ten LSGIs¹ included 133 projects with an outlay of Rs.2.96 crore in their annual plan during the period 2000-01 to 2004-05 not identified and prioritised by Grama/Ward Sabhas, which was a negation of the due process of plan formulation.

Short provision of Rs.3.63 crore for projects under productive sector in General Category

3.2.33 The projects in the annual plans of LSGIs were categorised into three major sectors (General, Special Component Plan and Tribal Sub Plan) for which specific allocation of funds were earmarked by Government. Under each sector there were three sub sectors namely Productive², Infrastructure Development and Service Sectors. With a view to restricting expenditure under non-productive sectors and to encourage expenditure under productive

¹ Adat, Kaiparambu, Kodassery, Melur, Mulamkunnathukavu, Pariyaram, Thekkumkara, and Wadakanchery Grama Panchayats, Puzhakkal Block Panchayat and Chalakudy Municipality

² Productive Sector is meant for projects relating to agriculture, animal husbandry, dairy development, fisheries, integrated water shed management including soil and water harvesting, traditional tiny and small industries, production of electricity through stand alone non-conventional energy projects, construction activities related to fish markets and other traditional markets and manufacturing of manure from solid waste.

sector, Government fixed ceiling for providing funds under infrastructure development and prescribed minimum to be provided for productive sector. The balance amount was to be provided for service sector. The pattern prescribed was as follows.

Sl No	LSGI	Percentage of allocation under General Category										Service Sector
		Productive Sector (Minimum)						Infrastructure Development (Maximum)				
		97-98	98-99	99-00	00-01	01-02	02-05	97-98	98-99	99-01	01-05	
1	Block Panchayat	40	40	40	40	40	30	30	30	30	30	Not specified.
2	District Panchayat	40	40	40	40	40	25	30	30	30	30	
3	Municipalities /Municipal Corporations	20	30	25	20	10	10	35	30	35	50	

In 46 annual plans, the amount provided for productive sector under General Category was short by Rs.3.63 crore.

3.2.34 Test check of annual plans of 27 LSGIs, for the period 2000-2005, revealed that in 46 annual plans the amount provided for productive sector under General Category was short by Rs.3.63 crore and in 43 annual plans the amount provided under infrastructure development sector was in excess by Rs.4.30 crore.

3.2.35 In 49 annual plans out of 130 test checked, the amount provided for plan under SCP sector during 2000-2005 was short by Rs.7.25 crore.

3.2.36 The actual utilisation under SCP category (42 per cent) was much lower than utilisation under General Category (57 per cent) during the period under review.

3.2.37 Substantial under utilisation of funds was an unavoidable fall out as the capacity building of the LSGIs was in the rudimentary stage which was pointed out in the Report of CAG (LSGIs), Government of Kerala for the year ended 31 March 2004.

Short provision of Rs.10.41 crore under Women Component Plan and Rs.2.95 crore under plan for children, aged and disabled.

3.2.38 LSGIs were to earmark ten per cent of total plan fund for formulating Women Component Plan from 1999-00 and five per cent for the development of children, aged and disabled from 2002-03. In 95 annual plans out of 126 test checked in 28 LSGIs, the amount provided for women component plan was short by Rs.10.41 crore and in 58 out of 75 plans test checked, the amount provided for plan for children, aged and disabled was short by Rs.2.95 crore.

Short provision of Rs.35.63 lakh for water conservation

3.2.39 Government directed (March 2004) that each LSGI should earmark one third of its plan grant under productive sector in the general category from 2004-05 for projects on water conservation such as rain water harvesting, renovation of lake, pond, and for irrigation schemes. Audit noticed that during the period 2004-05, as against the required mandatory provision of Rs.76.62 lakh, 12 LSGIs provided Rs.40.99 lakh only, resulting in short provision of Rs.35.63 lakh for water conservation.

Against the mandatory provision of Rs.76.62 lakh, 12 LSGIs provided Rs.40.99 lakh only for water conservation projects

Increase in accumulated shortfall in provision for specified Sectors/Schemes

3.2.40 There was no system at LSGI level as well as at DPC level to monitor and ensure that the LSGIs adhered to the plans formulated during implementation. The shortfall in plan formulation in all specified schemes for which norms were prescribed during the first three years of Tenth Plan (2002-05) was much more than that during the last two years of Ninth Plan (2000-02) as detailed below.

(Rs in crore)

Sector/ Scheme	For the period 2000-02				For the period 2002-05			
	Amount to be provided	Amount provided	Short provision	Percentage of short fall	Amount to be provided	Amount provided	Short provision	Percentage of short fall
Productive Sector	1.54	1.32	0.22	14	10.04	6.66	3.38	34
SCP	2.66	2.00	0.66	25	20.75	14.29	6.46	31
Women Component Plan	8.60	6.51	2.09	24	17.40	9.25	8.15	47

3.2.41 The intention of the Government to increase production and employment opportunities in productive sector, to uplift the scheduled caste, to empower women, to provide relief and security to the aged and disabled, to solve scarcity of water etc, could not be achieved to the extent envisaged due to non-provision of fund to the minimum prescribed level for specified sectors/schemes by the LSGIs in the annual development plans.

Akshaya Computer Programme

3.2.42 Akshaya Computer Programme was to provide computer literacy to at least one person from every family. The scheme was implemented by Grama Panchayats with co-funding from Block and District Panchayats. The training cost of Rs.120 per beneficiary was to be shared at Rs.60 by Grama Panchayat, Rs.10 each by Block Panchayat and District Panchayat and Rs.40 by beneficiary. In the projects formulated by three Block Panchayats and 20 Grama Panchayats within the Block Panchayats, provision made by five LSGIs was short by Rs.3.60 lakh and by two LSGIs was excess by Rs.0.68 lakh as detailed below.

(Rs. in lakh)

Sl No	Name of LSGI	Short Provision	Excess Provision
1	Mundathicode Grama Panchayat	1.95	--
2	Wadakkanchery Block Panchayat	0.14	--
3	Mullurkara Grama Panchayat	0.30	--
4	Ollukkara Block Panchayat	0.68	--
5	Puzhakal Block Panchayat	0.53	--
6	Kadangode Grama Panchayat	--	0.38
7	Avanur Grama Panchayat	--	0.30
	Total	3.60	0.68

Joint Venture Projects

3.2.43 Government permitted LSGIs to implement projects jointly, for which projects were to be formulated by all the participating LSGIs for their share in the joint venture project. At the time of implementation, the participating LSGIs were to transfer their share to the implementing LSGI. Though 22 implementing LSGIs formulated 32 joint venture projects with an outlay of Rs.1.74 crore during 2004-05, the participating LSGIs did not formulate plans for their total share of Rs.0.77 crore, rendering the joint venture project non-feasible (**Appendix XIII**).

Plan for feeding in Anganwadis

3.2.44 Grama Panchayats and Block Panchayats were to provide adequate funds in the ratio of 2:1 in their annual plan to ensure uninterrupted feeding in Anganwadis. For this, Grama Panchayat was to assess the amount required for feeding in Anganwadis and inform the Block Panchayat to formulate plan for its share. Annual plans of 17 Grama Panchayats¹ within three Block Panchayats² for the five year period 2000-05 showed that the amount provided by the Block Panchayats was short by Rs 31.39 lakh and amount provided by Grama Panchayats was in excess by Rs.26.20 lakh as given below.

(Rs in lakh)

Name of Block Panchayat	No of Grama Panchayat	Total outlay for feeding in Anganwadis as per plan of Grama Panchayat	Amount to be shared by		Amount provided in plan by		Short provision by Block Panchayat	Excess provision by Grama Panchayat
			Block Panchayat	Grama Panchayat	Block Panchayat	Grama Panchayat		
Puzhakkal	6	136.50	45.50	91.00	22.00	103.92	23.50	12.92
Ollukkara	5	128.53	42.84	85.69	39.70	89.00	3.14	3.31
Chalakyady	6	134.21	44.73	89.48	39.98	99.46	4.75	9.98
Total	17	399.24	133.07	266..17	101.68	292.38	31.39	26.21

3.2.45 Short/excess provision of funds provided for the projects indicates lack of co-ordination between Block Panchayats and Grama Panchayats and also the improper evaluation on the feasibility of the project by the DPC and the TAC.

Payment of Revolving Fund directly to beneficiaries

3.2.46 Subsidy grant of revolving fund for self help groups was to be paid to the Bank which sanctioned the cash credit to the self help groups and not directly to the beneficiary. But four LSGIs³ formulated six projects during the three year period of 2002-05 for Rs.25.38 lakh for payment of revolving fund

¹ Adat, Arimbur, Athirapilly, Avatur, Kadukutty, Kaiparambu, Kodassery, Kolazhy, Koratti, Madakkathara, Madathara, Melur, Mulamkunnathukavu, Panacheri, Pariyaram, Puthur and Tholur Grama Panchayats.

² Chalakyady, Ollukkara and Puzhakkal Block Panchayats.

³ Kadukutty, Koratty and Puthur Grama Panchayats and District Panchayat Thrissur.

to the self help groups, whereby utilisation of plan fund for intended benefit could not be ensured.

Monitoring

3.2.47 Monitoring of plan formulation at LSGI level and DPC level was inadequate. LSGIs failed to monitor the functioning of WGs and Grama/Ward Sabhas which were the primary bodies in decentralised planning. Resultantly, there was no system to ensure proper discharge of responsibility by these bodies. DPC did not properly monitor the functioning of TACs which were assigned the function of evaluation and appraisal of projects. This had resulted in TACs recommending projects including those which were not formulated in accordance with the guidelines issued for the purpose. No responsibility was fixed for such lapses.

Conclusion

3.2.48 The above analysis of plan formulation shows that

- The Budget of the LSGIs was inaccurate due to non-incorporation of expenditure on plan schemes. This was due to the delay in plan formulation because of late issue of guidelines by Government.
- Necessity of detailed analysis of development projects by Working Groups having expertise in the area was not seriously appreciated by LSGIs. Hence, projects were formulated by improperly constituted Working Groups and without due care and deliberation.
- Grama/Ward Sabhas which were the most important institutions in decentralised planning, could not function effectively due to low participation and inadequate deliberation. Hence, formulation and prioritisation of development projects with people's participation could not be attained as intended.
- Absence of monitoring made Technical Advisory Committees at Block and District levels ineffective. DPC approved projects before their scrutiny by Technical Committees making later scrutiny meaningless.
- Absence of expert member in the meetings of DPC and approval of projects with out clearance from TACs made approval of projects by DPC a matter of routine.
- LSGIs could have formulated a realistic development strategy for the Tenth Plan period if stock taking of the community and beneficiary assets created during Ninth Plan was taken as directed by Government. All the PRIs test checked failed to carry out stock taking of assets created during Ninth plan and their level of utilisation. Hence, projects for Tenth plan were formulated on insufficient data.
- LSGIs failed to formulate projects for utilisation of funds reserved for specific sectors for long term development and welfare of targeted groups like SC/ST/Women/Children which may, in the long run, undermine the interests of these vulnerable sections of the society.

3.2.49 Recommendations

- Government should frame rules to bring the decentralised planning process within the legal framework to mitigate the deficiencies in the functioning of various institutions involved in plan formulation. The KPR Act should also be suitably amended.
- Government should conduct a detailed study of the working of Grama/Ward Sabhas and initiate measures to ensure proper participation in the Grama/Ward Sabhas so that decentralised planning may attain its objective.
- Government should issue guidelines for plan projects sufficiently early to enable the PRIs to finalise plan projects and incorporate them in the budget proposal.
- Measures should be taken by Government to ensure that the PRIs confine to their own specific areas of activity and do not encroach on the duties and responsibilities of other tiers.
- Government may give special emphasis on capacity building of LSGIs to equip them to effectively utilise the large sum of funds allotted.

3.3 Water Management by Panchayat Raj institutions in Alappuzha District

Highlights

In Kerala 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 focussed programme for protection and conservation of traditional drinking water sources and ponds.

➤ According to 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.

(Para 3.3.7)

➤ 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.

(Paras 3.3.8 and 3.3.14)

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

(Para 3.3.19)

➤ 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.

(Para 3.3.21)

Introduction

3.3.1 Water is one of the most important physical requirements of human beings. Communities and individuals use water resources for drinking, sanitation, agriculture, industry, transportation and several other purposes. It is not sufficient merely to have access to water; the water also needs to be of adequate quality to support its intended use. Alappuzha District in Kerala was identified as the worst hit district with no safe source and with acute problem of safe drinking water. There were also reports that tourist operators the world over had cautioned the prospective visitors to Alappuzha, not to use pipe water. Further, the water in the wells, ponds and back waters was polluted by the industrial wastes generated from the coir industry units, which were widespread in Alappuzha. Thus, a

provision for drinking water of good quality was imperative for the health of the people of Alappuzha and for the economic future of the district.

Audit objectives

3.3.2 A review of the water management by Panchayat Raj Institutions in Alappuzha District was conducted during the period April-August 2005 to assess the effectiveness of the measures taken by them in:

- Maintenance of traditional drinking water sources.
- Preservation of ponds and tanks.
- Maintenance of waterways.
- Setting up of and maintenance of water supply schemes to ensure supply of potable water to the rural population.
- Effective implementation of watershed management.
- Extending assistance to individual beneficiaries to augment their efforts to meet water requirements and
- Ensuring quality of drinking water to prevent water borne diseases.

Audit coverage

3.3.3 For the Review on water management, 25 out of 73 Grama Panchayats in the District, four out of 12 Block Panchayats, the District Panchayat, two Divisional offices of Kerala Water Authority (KWA), Office of the Chief Engineer (Southern Region), Kerala Water Authority (KWA) Thiruvananthapuram and Office of the District Medical Officer, Alappuzha were taken up.

3.3.4 The profile and pattern of allotment of funds in respect of the 25 Grama Panchayats during the period 2000-2005 are given in **Appendix XIV & XV** respectively. On an average each Grama Panchayat was allotted Rs.68 lakh per annum as grants-in-aid from State Government, Eleventh Finance Commission Grant and Rural Infrastructure Development Fund.

Institutional structure for service delivery

3.3.5 The water management function assigned to each tier of Panchayat is given below:-

Grama Panchayats	Block Panchayats	District Panchayats
<ul style="list-style-type: none"> • Maintenance of traditional drinking water sources • Management of water supply schemes within a Grama Panchayat • Setting up of water supply schemes within a Grama Panchayat. • Preservation of ponds and other water tanks. • Maintenance of water ways. • Maintenance and implementation of all minor/micro irrigation projects 	<ul style="list-style-type: none"> • Implementation and maintenance of all lift irrigation and minor irrigation schemes covering more than one Grama Panchayat. 	<ul style="list-style-type: none"> • Implementation and taking over Water Supply Schemes covering more than one Grama Panchayat. • Construction and maintenance of minor irrigation schemes covering more than one Block Panchayat. • Development of ground water resources.

The functions of the three tiers of Panchayats are clearly delineated to avoid overlapping. None of the Panchayats covered in the review owned or managed water supply schemes. The sources of drinking water were open wells, bore wells and street taps and house connection maintained by KWA for which water charges were paid to the KWA by the Panchayats and the consumers respectively. Water from open wells, street taps and bore wells was used for drinking. The requirements for sanitation and irrigation were met by water drawn from wells, ponds and canals.

Water management by Grama Panchayats

Availability of funds - Poor allocation and under utilisation of funds

3.3.6 It was one of the statutory obligations of the Grama Panchayats to provide safe potable water to the rural inhabitants. Government did not fix specific criteria for allotment of funds for the purpose, except during 2004-05. Owing to lack of awareness of the importance of water management, the Grama Panchayats did not allocate adequate funds to cover the entire rural population as

Government did not fix specific criteria for allotment of funds for water management schemes, except during 2004-05.

envisaged in the Ninth and Tenth Five Year Plans. Average utilisation of funds for Water Supply Schemes by 25 Grama Panchayats in Alappuzha District during 2000-01 to 2004-05 was only Rs.1.27 lakh per Panchayat and it was 1.94 *per cent* of the total plan fund (**Appendix XV & XVI**) on an average as shown below.

Year	Total Plan fund allotted to the Grama Panchayats (Rs in lakh)	Funds utilised for WSS (Rs in lakh)	Average utilisation by a Panchayat (Rs in lakh)	Percentage of funds utilised for WSS to the total plan fund allotted to GPs
2000-01	1364.03	22.60	0.90	1.66
2001-02	1148.27	19.37	0.77	1.69
2002-03	1819.48	12.39	0.50	0.68
2003-04	2468.28	71.65	2.87	2.90
2004-05	1429.05	33.35	1.33	2.33
Total	8229.11	159.36	1.27	1.94

Short fall in utilisation of funds for water management in Productive Sector

3.3.7 Government in March 2004, ordered that one-third of the funds allocated to the productive sector* should be earmarked for Water Management Schemes during 2004-05. But the actual utilisation of funds during 2004-05 (**Appendix XVI**) for the Water Management Schemes in twenty five Grama panchayats was only 8.77 *per cent* as against the required quantum of 33.33 *per cent* as shown below:

Plan Fund allotted for Productive Sector	-Rs.380.16 lakh
Fund that should have been allotted and utilised for Water Supply Schemes	- Rs.126.71 lakh (33.33 <i>per cent</i>)
Fund actually utilised	-Rs.33.35 lakh (8.77 <i>per cent</i>)

Failure in providing drinking water to the rural population

3.3.8 Out of 1,65,380 households in 25 Grama Panchayats, 38,601 households did not have proper access to drinking water facilities such as open wells, piped water and bore wells (**Appendix XVII**). Twenty three *per cent* of the families had to depend on community taps, or wells of the neighbouring houses for drinking water. The Panchayats did not maintain updated registers showing the location or the date of installation of street taps for which they paid water charges to KWA. Consequently the panchayats paid water charges for street taps, the number of which exceeded the number as per the register of the panchayats. Due to non-implementation of protective measures to preserve surface water and due to uncontrolled sand mining, many of these open wells ran dry during summer. Further, as the houses of the BPL families were built in four or five cents of land, the latrines, cowsheds etc., constructed adjacent to open wells, contributed to the pollution of under-ground water.

* Productive sector includes agriculture, veterinary, dairy development, fisheries, soil conservation, water management, small scale industries, etc.

Water quality monitoring programme

3.3.9 Quality of under ground water in Alappuzha district was not safe due to high concentration of chloride, fluoride and iron. Fluoride content was above the permissible limit of 1 ppm (mg/l) in almost all wells as reported by Kerala Water Authority (KWA). Because of the high fluoride content, Alappuzha was declared as an endemic area with respect to fluoride. A recent study by a medical team revealed that 35.64 *per cent* of the school children in Ambalapuzha taluk were affected by dental fluorosis and its prevalence was 55.28 *per cent* in urban area. Possibility of defluorinating tube well water was found not viable due to technical and financial limitations. It was found not prudent to depend on ground water any more because of the increasing trend of salinity and depletion of ground water table.

3.3.10 Mention was made in para 7.14.10 and 7.14.11 of the Report of Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil), Government of Kerala regarding two Sub Mission projects sanctioned by Government of India during 1997-98 and eight projects by the State government during 1998-2000 at a total estimated cost of Rs.54.67 crore for controlling excess salinity and fluoride problem. But none of those projects was implemented. A comprehensive project viz. 'Augmentation of Rural Water Supply Scheme' to six villages in Ambalapuzha Taluk, costing roughly Rs.126 crore was formulated by Kerala Water Authority in 2004 to cover both the urban and rural areas. The water source of the Scheme was Pampa river at Cyclemukku where 10 metre diameter intake well cum pump house was also proposed. But due to paucity of funds these projects had not been implemented (August 2005).

3.3.11 Though Alappuzha was identified as the worst hit district with no safe source (NSS) in the Annual Report on Quality Monitoring programme 1999-2000, prepared by the Chief Engineer Investigation, Planning and Design, Kochi, no safe source habitation could be provided and no scheme for control of salinity, fluoride, iron content etc., was planned and implemented by the PRIs so far.

3.3.12 A report from the District Medical Officer (June 2005) shown below revealed that incidence of water borne diseases continued, including causalities in the Alappuzha District.

Incidence of water borne diseases in Alappuzha district during 2002-05

Incidence of water borne diseases continued

Sl. No	Name of Disease	2002		2003		2004		2005 (up to April)	
		Case	Death	Case	Death	Case	Death	Case	Death
1	Acute Water Diarrhoea	21393	Nil	20892	2	20868	Nil	6722	Nil
2	Cholera	35	Nil	3	Nil	1	Nil	Nil	Nil
3	Persistent Diarrhoea	129	Nil	95	Nil	52	Nil	5	Nil
4	Dysentery	1608	Nil	1267	Nil	988	Nil	199	Nil
5	Hepatitis – A	93	Nil	58	3	152	1	163	2

3.3.13 Despite the incidence of water borne diseases due to water pollution and unhygienic practices of the rural inhabitants, Government did not take any comprehensive measures to co-ordinate with the PRIs, KWA, Ground Water

Department and Health Department to solve the acute problem of safe drinking water in Alappuzha.

Delay in implementation of Water Supply Schemes through Kerala Water Authority

3.3.14 The plan fund deposited with KWA for implementing the water supply schemes was to be utilised within the financial year. During the period 2000-01 to 2004-05, 73 Panchayats in Alappuzha District entrusted 147 water supply schemes to KWA for execution as deposit works. The Panchayats paid the estimated cost of the schemes as advance, out of which Rs.1.81 crore remained unadjusted at the end of 2004-05. As at 31 March 2005, the work relating to 114 schemes remained incomplete, leading to non-achievement of the social objectives targeted. The details are given below:

Year	No. of Schemes entrusted with KWA in the district	No. of schemes which remained incomplete	Advance amount pending with KWA (in Rupees)
2000-01	13	7	25,21,560
2001-02	14	-	(-) 2,839
2002-03	30	18	18,90,652
2003-04	75	74	1,13,12,074
2004-05	15	15	23,69,660
Total	147	114	1,80,91,107

3.3.15 The Panchayats failed to ensure the timely completion of water supply schemes by KWA for which the Panchayats had deposited the estimated amount in advance. The accountability obligation of the KWA towards legislature can be fulfilled only by executing the works within the financial year and by presenting the accounts of the schemes to the panchayats. Since the panchayats do not have any control over KWA, Government have to take suitable steps to ensure that the KWA execute the works in time and submit accounts to the panchayats

Non-transfer of assets worth Rs.46.19 crore to PRIs

3.3.16 Government decided, in November 1998, to transfer all Water Supply Schemes within a Panchayat maintained by KWA to the Grama Panchayat concerned. In Alappuzha district, KWA listed for transfer 94 schemes belonging to 53 Grama Panchayats. The above schemes included 12148 street taps and 31435 domestic and 2233 non-domestic connections. The water charges payable by the Panchayats to KWA were Rs.2.13 crore per annum for the 12148 street taps at the rate of Rs.1750 per tap. The Grama Panchayats could not take over the schemes due to inadequacy of technical staff to maintain the schemes. The assets to be handed over (including arrears of water charges from local bodies and charges for house connection till the date of transfer) were valued at Rs. 46.19 crore. By taking over the assets worth Rs.46.19 crore, the Grama Panchayats would have been in a position to deliver better service in accordance with their expectations. Further, the domestic and non-domestic connections would have been a potential source of revenue to the Grama Panchayats.

Government did not transfer assets worth Rs46.19 crore to PRIs.

Non-preservation of ponds and other water tanks

3.3.17 Preservation of ponds and other water tanks is the function of the Grama Panchayats in terms of the third schedule of the Kerala Panchayat Raj Act, 1994. Ponds were originally used for domestic and irrigation purposes. But with the widespread digging of open wells and bore wells, use of the water in ponds was restricted to non-domestic and irrigation purposes. Ponds were filled with wastes generated from fish markets and other industrial discharges causing environmental pollution. In the projects formulated by the selected 25 Grama Panchayats during the period 2000-05, there was no provision for construction of retaining walls or for removal of wastes from ponds. Non preservation of surface water prevented improved level of underground water and supply of water for irrigation purposes.

Implementation of Minor Irrigation Schemes

3.3.18 Implementation of minor irrigation schemes is one of the important activities under water management. Sixteen out of 25 Grama Panchayats test checked had not implemented any minor irrigation scheme during the years 2000 - 05. The number of schemes and expenditure incurred in each year by the remaining nine* Grama Panchayats were also very low as shown below:

Year	No of Panchayats	No. of Schemes	Expenditure incurred (Rs in lakh)
2000-01	5 [@]	11	37.24
2001-02	5 [£]	9	6.87
2002-03	3 [#]	3	3.75
2003-04	5 ^{\$}	17	11.87
2004-05	6 [•]	11	32.00
Total		51	91.73

3.3.19 The number of minor irrigation projects taken up by the nine Grama Panchayats during the five years (2000 - 05) was only 51 and the expenditure incurred thereon was Rs.91.73 lakh. The amount, spent by the nine Grama Panchayats over a period of five years for implementing 51 minor irrigation schemes was very negligible and the Grama Panchayats could not make any achievement in irrigating the barren cultivable land.

* Ambalapuzha South, Aryad, Budhannur, Mannar, Mannancherry, Mararikulam North, Punnapra North, Thaneermukkam, and Vayalar Grama Panchayats.

@ Ambalapuzha South, Budhannur, Mannar, Mannancherry and Mararikulam North Grama Panchayats.

£ Mannar, Mannancherry, Mararikulam North, Punapara North and Thaneermukkam Grama Panchayats.

Mannar, Mannancherry and Mararikulam North Grama Panchayats.

\$ Aryad, Budhannur, Mannar, Mannancherry and Thaneermukkam Grama Panchayats

• Ambalapuzha South, Budhannur, Mannar, Mannancherry, Mararikulam North and Vayalar Grama Panchayats.

1024.2 ha of cultivable paddy field remained barren for lack of irrigation and drainage facilities.

Large scale filling up of paddy fields mainly due to poor water management.

3.3.20 Majority of the villagers seek their livelihood through cultivation of paddy, coconut, tapioca etc. But 1024.2 ha of cultivable paddy field in 11[#] Grama Panchayats (March 2005) remained barren due to lack of irrigation and drainage facilities, scarcity of agriculture labourers, low quality seeds, flood during rainy season etc. An area of 548.33 ha (March 2005) of paddy field was also filled up for shifting to other cultivations or for construction of buildings. Poor water management resulted in lack of irrigation and drainage facilities and consequent slow down of agricultural activities.

Water management by Block Panchayats

Failure to implement Water shed Management Scheme

3.3.21 Water shed (Neerthadam) is an area lying on either side of a river or rivulet starting from a hilly place down to an outlet point. Watersheds are categorised in five types namely micro, small, simple, sub and large watersheds based on the area in hectare covered ie. 1 ha to 100 ha, 100 ha to 1000 ha, 1000 ha to 10,000 ha, 10,000 ha to 50,000 ha and 50,000 ha and above respectively. The main objectives of watershed development are:

- conservation, upgradation and utilisation of environments like bird, water, plant, animal and human resources in an integrated manner,
- improvement of environment and restoration of ecological balance through scientific management of land and rain water
- generation of massive employment, and
- increase in irrigated areas.

3.3.22 Though the Tenth Five Year Plan was envisaged as ‘water shed oriented’, after identifying the water sheds in each Grama Panchayat, no action plan was discussed and formulated in the Grama Sabhas. The Panchayat failed to evoke the interest of the people on such core issues. District Planning Committee also did not point out the lapse. None of the 87 water sheds identified by the twenty five Grama Panchayats was developed. Thus, during Tenth Five Year Plan the target of conservation and utilisation of natural resources based on water sheds could not be achieved.

Water management by District Panchayat

Idling of Funds with Ground Water Department consequent on non-completion of works.

3.3.23 Ground Water Department (GWD) was entrusted with the construction of tube wells which were one of the sources of water supply schemes of the PRIs. In view of the urgent nature of the drought relief works, pipe laying was also entrusted to GWD as a special case. The District Panchayat, Alappuzha deposited

Of Rs.71.66 lakh deposited with GWD by District Panchayat for drought relief works, Rs.66.94 lakh remained unutilised.

[#] Ambalapuzha south, Cheppad, Chennithala, Chunakkara, Karuvatta, Kumarapuram Kadakkarapally, Kanjikuzhy, Mararikulam North, Thaneermukkam and Vayalar Grama Panchayats.

Rs.71.66 lakh with the GWD between 2003-04 and 2004-05 for digging bore wells and tube wells and extension of pipe lines for drought relief works as detailed below.

(Rupees in lakh)

Year	Amount deposited	Amount utilised	Balance as on June 2005
2003-04	32.39	3.66	28.73
2004-05	39.27	1.06	38.21
Total	71.66	4.72	66.94

3.3.24 The GWD utilised only seven *per cent* of the amount and Rs.66.94 lakh remained idle (June, 2005). When there remained an unspent balance of Rs.28.73 lakh at the end of 2003-04, there was no justification in further advancing Rs.39.27 lakh to the same Department in 2004-05. The idling of funds and the consequent non-attainment of social objectives was the result of non-monitoring of the schemes by the District Panchayat and non-fulfilment of obligations by the GWD. The District Panchayat and Government have to take necessary steps for the speedy implementation of the above schemes.

3.3.25 Conclusion

- The Panchayats test checked were facing shortage of drinking water and the quality of available drinking water was poor. The amount allocated and expended for this core sector was very small compared to the total fund allotted to the productive sector. None of the Panchayats had followed Government direction regarding earmarking of funds for water management schemes.
- The PRIs do not have any focused programme for protection and conservation of traditional sources of drinking water and ponds.
- Adequate attention was not paid to setting up and maintenance of water supply schemes. They failed to closely monitor implementation of schemes for which money was advanced to KWA. Though KWA was prepared to transfer certain water supply schemes to PRIs, they were not ready to take over and maintain them
- Ambitious project of water shed management could not take off due to lack of interest of the PRIs. Filling up of paddy fields and ponds led to drying up of wells resulting in shortage of availability of ground water.
- Due to poor quality of drinking water, incidence of water borne diseases were on the increase.

3.3.26 Recommendations

- The Panchayat Raj Institutions should set apart funds as directed by the Government for water management schemes and Government should establish proper controls to ensure that Government direction in this area is followed.
- Government should issue suitable instructions to Kerala Water Authority and Ground Water Department to execute the entrusted schemes in a time bound manner and to present the final accounts to the panchayats without delay.
- Panchayat Raj Institutions should bestow more attention for preservation of traditional water sources and District Planning Committee should ensure that the mandatory functions are not neglected while giving approval for plan projects.
- Panchayat Raj Institutions may consider implementation of watershed management schemes intensively.
- The Sub Mission projects sanctioned by Government of India during 1997-98 to be implemented through Kerala Water Authority needs to be prioritised to curb the excess salinity and fluoride problem in Alappuzha District.
- Government may take comprehensive measures to co-ordinate PRIs, Kerala Water Authority, Ground Water Department and Health Department to solve the acute problem of safe drinking water and the high incidence of water borne diseases in Alappuzha district.
- Since PRIs lack technical expertise in handling of various water management schemes, Government may take suitable steps to shift technical staff to PRIs and upgrade their technical skill to handle such works.

3.4 Women Development under Community Development Societies in the Municipalities of Pathanamthitta District

Highlights

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 CDS in Thiruvalla and Pathanamthitta municipalities was 64.42 per cent and 51.13 per cent respectively.**

(Para 3. 4.7)

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

(Paras 3.4.12-3.4.15)

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

(Para 3.4.28)

➤ **Out of 591 units (houses) envisaged for upgradation under NSDP, the Pathanamthitta Municipality could identify only 357 beneficiaries.**

(Para 3.4.30)

Introduction

3.4.1 Community Development Society (CDS) is a body registered under Travancore Cochin Literary Scientific and Charitable Societies Act, 1955. CDSs in the Urban Local Bodies all over the state, implement both Central and State Government schemes for the empowerment of women and alleviation of poverty.

Audit coverage

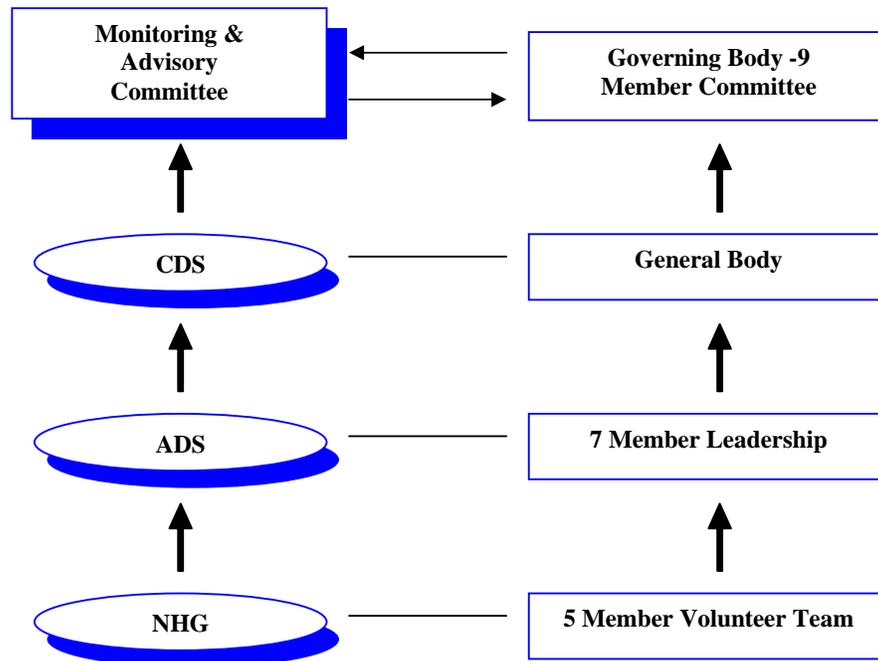
3.4.2 Implementation of various schemes by the CDSs in the Municipalities of Pathanamthitta District (Adoor, Pathanamthitta and Thiruvalla) for the period 1995-2005 was reviewed during June-July 2005, to see how far these societies were successful in empowering women and in alleviating poverty among below poverty line urban families.

Organisational set up

3.4.3 The CDS is formed in each Municipality by federating Area Development Societies (ADSs). ADS at ward level consists of 10 to 15 Neighbourhood Groups (NHGs). Each Neighbourhood Group consists of 20 to 40 poor families identified through community-based survey by using

poverty index having nine* demonstrable indices. Families having four or more risk factors are considered to be poor families falling below poverty line. The Governing Council of the CDS is the Governing Body elected by the General body for a period of two years. There is also a monitoring and advisory committee at ULB level with the Municipal Chairperson as Chairman, as shown in the diagram.

CDS – ORGANISATIONAL SET UP



Functioning of CDS/ ADS

3.4.4 In the test checked Municipalities, CDSs were formed in 1995. There were 20 ADSs and 214 NHGs under these CDSs. By 2004 most of these NHGs became defunct, failing in their stated objectives. They could not maintain proper accounts for thrift collection, loan disbursement and recovery. The thrift deposit to be refunded to members and the loan amount to be recovered (1995-2005) from them in Pathanamthitta CDS was Rs.6.50 lakh and Rs.7.74 lakh respectively. In Thiruvalla CDS, it was Rs.6.70 lakh and Rs.10.37 lakh respectively. The position in respect of Adoor CDS, was not ascertainable as accounts were not maintained. In November 2004, 30 ADSs and 395 NHGs were newly formed in these Municipalities.

3.4.5 The poverty alleviation programmes implemented by the CDSs were Swarna Jayanthi Shahari Rozgar Yojana (SJSRY), National Slum

* 1. Kutch house 2.No access to safe drinking water 3.No access to sanitary latrine 4. Illiterate adult in the family 5. Family having not more than one earning member 6. Family getting barely two meals a day or less 7. Presence of children below the age of five in the family 8. Alcoholic or drug addict in the family 9. Scheduled caste or scheduled tribe family.

Development Programme(NSDP) and Valmiki Ambedkar Awas Yojana (VAMBAY).

Funding of CDS/ ADS

3.4.6 Funds provided by State Poverty Eradication Mission (Kudumbasree – a women oriented mission) for implementation of schemes under SJSRY, NSDP and VAMBAY constitute the financial resources of CDS. The thrift deposits mobilised by NHGs, revolving fund provided by CDS and activity fund received from NSDP constitute the financial resources of ADS. Loan (up to a maximum of four times the savings) is provided to the members of NHGs from the thrift collection. Repayment of loan with interest also forms part of ADS funds. Further, two *per cent* of the estimated revenue of the Municipality is required to be set apart for creation of Urban Poverty Alleviation (UPA) Fund which is to be pooled along with SJSRY fund for implementation of Poverty Alleviation Programme.

Receipt of funds and expenditure

3.4.7 The funds received by CDSs in three Municipalities in the district, since their inception in 1995 to March 2005 and expenditure incurred there from were as given below:

Name of Municipality	Name of scheme	Receipt (Rs. in lakh)	Expenditure (Rs. in lakh)	Balance (Rs. in lakh)	Percentage of utilisation
Adoor	SJSRY	20.11	20.03	0.08	99.60
	NSDP	47.67	42.19	5.48	88.50
	VAMBAY	192.80	149.05	43.75	77.31
	Total	260.58	211.27	49.31	81.08
Thiruvalla	SJSRY	78.77	66.39	33.48	66.48
	UPA	21.10			
	NSDP	177.73	79.83	97.90	44.92
	VAMBAY	232.00	182.05	49.95	78.47
	Total	509.60	328.27	181.33	64.42
Pathanamthitta	SJSRY	69.00	36.87	49.57	42.65
	UPA	17.44			
	NSDP	94.23	54.08	40.15	57.39
	VAMBAY	6.00	4.50	1.50	75.00
	Total	186.67	95.45	91.22	51.13

3.4.8 The low utilisation of funds in Thiruvalla and Pathanamthitta Municipalities was due to lack of monitoring by the Municipalities.

Improper maintenance of accounts

3.4.9 Accounts relating to the utilisation of funds provided for the implementation of the schemes were not properly maintained by the CDSs and by the respective ADSs in Thiruvalla and Pathanamthitta Municipalities. Details of accounts as of June 2005, provided by the CDSs and ADSs, have substantial variations as depicted below.

Pathanamthitta Municipality

Type of transaction	Amount as per ADS records(Rs. in lakh)	Amount as per CDS records(Rs. in lakh)	Difference (Rs. in lakh)
Thrift collection	35.62	24.01	11.61
Withdrawal	28.22	17.51	10.71
Balance	7.40	6.50	0.90
Loan	39.35	26.22	13.13
Repayment	29.44	18.90	10.54
Balance	9.91	7.32	2.59

Thiruvalla Municipality

Type of transaction	Amount as per ADS records(Rs. in lakh)	Amount as per CDS records(Rs. in lakh)	Difference (Rs. in lakh)
Thrift collection	14.59	13.68	0.91
Withdrawal	5.19	6.98	(-)1.79
Balance	9.40	6.70	2.70
Loan	18.93	22.89	(-) 3.96
Repayment	11.28	10.37	0.91
Balance	7.65	12.52	(-) 4.87

3.4.10 Accounts of funds provided to ADSs of Adoor Municipality by way of revolving fund, funds for activities etc. were not maintained by the CDS. Accounts relating to thrift collection, payment of loan from thrift collection and repayment of loan were not being maintained either by the CDS or by ADSs.

3.4.11 The discrepancies in the accounts maintained by CDSs and ADSs revealed that there was no co-ordination between these agencies either in their activities or in keeping accounts. The Governing Bodies did not monitor the activities of the CDSs and ADSs. Maintenance of proper accounts of the repayment of loan, collection of thrift etc., was a pre-requisite for successful working of these bodies. Since the accounts were not kept properly, the requirement of audit of the accounts by the Chartered Accountant was also not met.

The governing bodies did not monitor the activities of CDSs/ADSs

Misappropriation/embezzlement of Municipal funds of Rs.12.89 lakh.

3.4.12 A scrutiny of the records of the CDS, Adoor Municipality revealed that during 1997-2003 Rs.11.41 lakh was misappropriated from the funds of CDS as detailed below.

(Rs in lakh)

Sl No	Method resorted to	Amount misappropriated
1	Drawing more amounts through self cheques than amounts shown in the Cash Book	6.03
2	Showing cheques as cancelled in cash book and drawing money from banks	1.25
3	Amounts drawn through bogus vouchers/without vouchers	3.57
4	Amount drawn without recording in cash book	0.56
	Total	11.41

3.4.13 During 1999-2000, CDS availed a loan of Rs.6.75 lakh from KUDFC for constructing houses for 45 beneficiaries under 'One lakh Housing Scheme'. Out of Rs.2.81 lakh repaid by the beneficiaries from December 1999 to June 2003, Rs.1.14 lakh only was remitted to KUDFC till May 2004 and Rs.0.19 lakh was kept in a bank account. The balance amount of Rs.1.48 lakh was misappropriated.

3.4.14 Total amount misappropriated worked out to Rs 12.89 lakh. When this was pointed out by Audit, the Municipal Council in November 2004 reported the misappropriation to the Vigilance Department and requested the Government for appropriate action against the delinquent officials. As ordered by Government, the State Performance Audit Officer, Joint Director of Urban Affairs (Kollam) and the Accounts Officer, State Poverty Eradication Mission conducted (December 2004) an enquiry and confirmed the findings of audit. The enquiry established that the misappropriation was carried out by the then Project Officer of CDS, who was the Health Inspector Grade II of the Municipality together with an RIS (Repayment Information System) volunteer who was appointed on daily wage basis.

3.4.15 The misappropriation took place due to inadequate oversight in the Municipality and also due to improper maintenance of cash book and other accounts records. The accounts of CDS were not properly maintained and subjected to audit by Chartered Accountants as required in the rules of the Community Development Society. The cash transactions handled by the Project Officer and the daily wage RIS volunteer were not checked by the Secretary or by any other officer of the Municipality.

Misappropriation of Rs.12.89 lakh took place due to inadequate oversight in Adoor Municipality.

Selection of beneficiaries by CDS – Non-approval by Ward Sabha

3.4.16 It was noticed that the list of beneficiaries selected by NHGs / ADSs for providing assistance under various schemes implemented through CDSs in three Municipalities was not approved by the Ward Sabhas concerned as stipulated in Section 45(C) of the Kerala Municipality Act, 1994. Moreover, no rapid survey as required in model bye-laws of CDS was conducted to ensure proper selection of beneficiaries. Though the second BPL survey was conducted in 2003, after the first one in March 1995, no revised BPL list has been finalised (July 2005) leading to non-inclusion of eligible families in the list and non exclusion of ineligible families. However, in Thiruvalla Municipality the beneficiaries under VAMBAY were selected by Ward Sabhas. Non-approval of beneficiary list by Ward Sabhas, rendered lack of transparency in the selection of beneficiaries.

Selection of beneficiaries for beneficiary oriented schemes was not approved by Ward Sabha

Non-transfer of municipal share

3.4.17 The three Municipalities in the district did not transfer their prescribed share (2 per cent of annual estimated revenue) to CDSs from 1994-95 to 2004-05 in contravention of the provisions of the Kerala Municipality Act, 1994. Amount of Rs.78.67 lakh was not transferred by the Municipalities to CDSs as given below. The action plan prepared by the CDSs had to be limited to the funds available under SJSRY and NSDP.

(Rupees in lakh)			
Name of municipality	Amount Due	Amount transferred	Balance
Pathanamthitta	35.93	17.44	18.49
Thiruvalla	57.19	21.10	36.09
Adoor	24.09	Nil	24.09
Total	117.21	38.54	78.67

Irregularities in the functioning of DWCUA Units

3.4.18 Development of Women and Children in Urban Areas (DWCUA) is a scheme under SJSRY to assist urban poor women from families under CDS who decide to set up self-employment ventures in groups. Groups of urban poor women shall take up an economic activity suited to their skill, training, aptitude and local condition. Besides generation of income, this group shall strive to empower the urban poor women by making them independent by providing facilities for self employment.

3.4.19 DWCUA groups consisting of at least 10 urban poor women are entitled to a subsidy of Rs.1.25 lakh or 50 *per cent* of the project cost whichever is less. In addition, these units are eligible for revolving fund up to a maximum of Rs.25,000 from CDS. A test check of the records of DWCUA units in three Municipalities revealed the following:

CDS, Pathanamthitta Municipality

3.4.20 Four DWCUA units were set up under CDS, Pathanamthitta during the period March 2000 to July 2003. Of these, one unit (provision store) which availed subsidy of Rs.1.25 lakh in August 2000 and revolving fund of Rs.25,000/- in March 2001 ceased to exist from July 2003. The unit ceased to function mainly because of the mismanagement by the group leader and non-remittance of collection to the common fund. The members of the unit reported (July 2005) that they had a loan liability of Rs.1.5 lakh and were in utter poverty.

3.4.21 Another unit (Ethnic Bakery) though started with 10 members had only seven members remaining. The unit was running in loss and the members complained that the group leader had misappropriated the collections and complaints were pending before Ombudsman¹ and Police.

3.4.22 The only unit working profitably was a computer unit started with 10 members. Though five members discontinued membership, the CDS has not selected new members due to the objection from the existing members. The benefit of this unit was thus limited to five members only.

CDS, Thiruvalla Municipality

3.4.23 In Thiruvalla Municipality, 13 units were started under CDS out of which five units were closed down. These units had availed a subsidy of Rs.5.25 lakh. The units were closed down due to venturing into non-viable projects without proper planning.

¹ Ombudsman is a quasi judicial authority appointed by Government as per the provisions in the Municipality Act, 1994, who is to redress the grievances of the public and to go into the allegations and malpractices in the local bodies.

3.4.24 Two dairy units were started in 2001 with 10 members each. Each beneficiary availed a bank loan of Rs.12500 and subsidy of Rs.12500 from CDS. These units are not working as a Group as envisaged under the scheme but functioning as individual units in their own houses.

CDS, Adoor Municipality

3.4.25 Out of four DWCUA units set up under CDS, Adoor Municipality, two in 2001 and two in 2004, only one unit was functioning profitably. One unit started in 2001 was working in heavy loss and the beneficiaries were unable to pay the instalments of bank loans. As of July 2005, the unit had an outstanding loan of Rs.2.59 lakh and the five members remaining in the unit reported that they were unable to repay the loan.

3.4.26 Another unit though started as a joint venture was running on individual basis from their residences. The fourth one which had availed a subsidy of Rs.50,000 and revolving fund of Rs.10,000 was earning only 2,500 per month and the unit had a capital asset of Rs.7,000 and closing stock of Rs.6,000 only as of July 2005.

3.4.27 The DWCUA units which were started with the aim of providing employment and steady income to the urban poor women failed due to:

- defalcation/misappropriation of money by the leaders of the group
- selection of non-viable schemes for implementation
- lack of intervention by Municipalities/CDSs
- unwillingness on the part of the members of the successful units to accommodate additional members

Most of the DWCUA units not only failed to generate sustainable income for the urban poor women but also pushed them to the debt-trap.

Most of these units not only failed to generate sustainable income for the urban poor women, but also pushed them to the debt trap since the loanees were not able to repay the loan availed from the banks to start the units.

Payment of subsidy to Micro-Enterprises

3.4.28 Under SJSRY, the sub-scheme “Self employment by setting up of Micro-Enterprises” intended to provide assistance to unemployed and under employed urban youths to set up small enterprises, relating to servicing, petty business etc. The project cost would be Rs.50,000 per individual. Subsidy at the rate of 15 *per cent* of the project cost subject to a ceiling of Rs.7500 per beneficiary was payable by CDS. Each beneficiary is required to contribute five *per cent* of the project cost as margin money in cash. Ninety five *per cent* of the project cost would be sanctioned as composite loan by bank. The loan portion is released to the loanee only after the subsidy is released to bank by the CDS. During 1997 to June 2005, the CDS, Thiruvalla released Rs.12.85 lakh and CDS, Pathanamthitta released Rs.10.70 lakh to Bank in respect of 418 and 392 beneficiaries respectively to set up Mini Enterprises. Details of subsidy released by CDS, Adoor were not available. It was noticed that:-

- ❖ Though the beneficiaries were selected by NHGs, approval of Ward Sabha was not obtained as stipulated under the Kerala Municipality Act.

No mechanism to ensure that the banks had released the loan to the beneficiaries and the beneficiaries had started any fruitful enterprise

- ❖ The responsibility of the Municipality/CDS was limited to release of subsidy to bank on receipt of the intimation that a loan has been sanctioned to the beneficiary. There was no mechanism to ensure that the banks had released the loan to the beneficiaries and the beneficiaries had started any fruitful enterprise.

Diversion of SJSRY / NSDP fund by Municipality

3.4.29 Rupees 84.64 lakh received by Thiruvalla Municipality during the period from 1997-98 to 2004-05 for the poverty alleviation schemes – SJSRY (Rs.5.81 lakh), NSDP (Rs.52.83 lakh) and VAMBAY (Rs.26.00 lakh) were not transferred to CDS. The amount was diverted by the municipality for its day to day expenditure.

Implementation of action plan under NSDP – Shelter upgradation

3.4.30 One third of the assistance under NSDP is to be used for construction of new houses or upgradation of the existing houses (for electrification of the houses, improvement of roofing, strengthening of structure etc.) for the members of the NHGs. The subsidy element admissible was Rs.3000 per beneficiary. The scheme was implemented in Pathanamthitta Municipality and the targeted units for upgradation were as given below:

<u>Year</u>	<u>No. of Units</u>
2002-03	220
2004-05	371
Total	591

Non-extension of benefits to 234 BPL households due to the failure of the Pathanamthitta Municipality/CDS to identify the beneficiaries

The target date for completion of the project for 2002-03 was January 2004 and that of the project for 2004-05 was March 2005. Even though the action plan envisaged upgradation of 591 units, the CDS could identify 357 beneficiaries only out of which 338 units were completed as of March 2005. The failure on the part of the Municipality / CDS to identify the beneficiaries for which funds were available and action plan was prepared, resulted in non-extension of the benefits to 234 below poverty line households.

Implementation of VAMBAY housing scheme for urban slum dwellers living below poverty line

3.4.31 ‘Valmiki Ambedkar Awaz Yojana’ (VAMBAY) is a centrally sponsored scheme for the slum dwellers living below poverty line. The scheme envisaged allotting houses in the name of the female member of the household or in the name of husband and wife jointly if the title to the land is in the name of both. Unit cost of a house was fixed as Rs.40,000. The Municipal share of Rs.10,000 per house shall be remitted first to the nodal agency viz., the State Poverty Eradication Mission (Kudumbasree) which in turn would release the full amount including Central Share (Rs.20,000) and State Share (Rs.10,000) to the municipalities. The municipalities would further transfer the amounts to CDSs for disbursement to beneficiaries in instalments. During 2002-04 the three Municipalities in Pathanamthitta District transferred Rs.1.21 crore to the nodal agency as their share for the construction of 1212 houses. The physical and financial targets and

achievement on the implementation of the scheme during 2002-04 are as given below.

Municipality	Year	Funds received (Rs. in lakh)	No. of targeted houses	No. of houses allotted	No. of houses completed	No. of houses partially completed	Funds utilised (Rs. in lakh)	Funds unutilised (Rs. in lakh)
Pathanamthitta	2002-03	40.00	100	100	67	33	34.35	5.65
	2003-04	20.00	50	50	--	50	12.20	7.80
Adoor	2002-03	92.80	232	226	136	90	82.10	10.70
	2003-04	100.00	250	195	48	147	66.95	33.05
Thiruvalla	2002-03	140.00	350	331	261	70	118.55	21.45
	2003-04	92.00	230	173	136	37	63.50	28.50
Total		484.80	1212	1075	648	427	377.65	107.15

Rs 54.80 lakh remained unutilised with CDSs due to non-identification of 137 beneficiaries

3.4.32 Out of 1212 houses targeted during the period 2002-04 for which Rs.4.85 crore was transferred by the nodal agency to the CDSs, the latter could allot houses only to 1075 beneficiaries. The unutilised balance on this account as of July 2005 was Rs.1.07 crore of which Rs. 54.80 lakh relates to 137 houses yet to be allotted. The Municipalities transferred its share of Rs.10,000 each to the nodal agency even before identifying the beneficiaries and hence Rs.54.80 lakh remained unutilised with CDSs. This lapse on the part of the Municipalities resulted in unnecessary lodging of funds with the CDSs. The following irregularities were noticed in the implementation of the scheme:

- As per the guidelines, the houses shall be completed positively within three months from the release of first instalment. It was noticed that construction of 427 houses for which Rs.1.18 crore was sanctioned during 2002-04, is yet to be completed (July 2005).
- Though the guidelines specifically provide that allotment of houses should be in the name of female member of the household or the husband and wife jointly, all the three municipalities allotted a significant percentage of houses in the name of male members as given below:

Name of Municipality	Total No. of houses allotted	No of houses allotted to male members
Pathanamthitta	150	59
Thiruvalla	504	258
Adoor	421	143
Total	1075	460

When pointed out by Audit, Adoor Municipality stated that land documents were in the name of husband and hence the house was allotted in the name of the husband. The other two Municipalities replied that the lists of beneficiaries were approved by the Executive Director of Kudmbasree Project. But the fact remains that the municipalities have deviated from the scheme for empowerment of women.

- The guidelines stipulated that beneficiaries were to be identified through Neighbourhood Groups, ADSs and CDS, under active supervision of Municipal authorities. It was also stipulated that identification of beneficiaries below poverty line, shall be on the basis of baseline survey already conducted / to be conducted under SJSRY. The beneficiaries selected by the municipalities included beneficiaries who were not in the BPL list as shown below:

Name of Municipality	Total No. of beneficiaries selected	No. of beneficiaries not included in the BPL list	Percentage
Pathanamthitta	150	53	35
Thiruvalla	504	111	22
Adoor	421	67	16
Total	1075	231	21

- Government, in February 2004, fixed the maximum plinth area of a house as 30 m². Audit noticed that of the 421 houses allotted in Adoor Municipality, the plinth area of 155 houses constructed (39 per cent), varied from 31 m² to 80 m².

Lack of monitoring by Governing Body.

3.4.33 The bye-laws of CDS provide that, the Governing Body shall meet at least once in a month and the General Body once in three months. The responsibility for evaluating and monitoring the programmes implemented in all the wards rests with CDS. The bye-laws also provide for a Town Advisory Committee with the Chairperson of Municipality as Chairman and the officials and non-officials as members. The committee has to meet at least once in six months.

3.4.34 Scrutiny of records revealed that in Thiruvalla Municipality, the Governing Body and Advisory Committee meetings were regularly held. But both these bodies failed to actively intervene and guide the self help groups. In Pathanamthitta and Adoor Municipalities, the Governing Body and Advisory Committee did not hold the meetings as required and failed to monitor the activities of ADSs and NHGs.

Conclusion

3.4.35 The Municipalities failed to pay due importance to the schemes for empowerment of women. They did not set apart the fund as mandated by the Act for poverty alleviation schemes. Further, there was reluctance on their part to release the Central assistance to the CDSs and diverted funds for other purposes. Women Self Employment Groups which were envisaged to be self propelling and self motivating, proved otherwise. Instances of misappropriation of fund by group leaders were reported. Many self help groups proved to be instruments for availing subsidy and soft loans from ADSs and stopped functioning soon after availing funds mainly due to poor leadership. Since no control centres were envisaged, the poor women who lost their thrift deposits and were pushed to the debt trap had no agency to rely on to recover the dues from the defaulters. The responsibility of the

Municipalities was confined to release of subsidy to the bank and they did not monitor whether the fund was utilised for starting vocations generating income for the women. Empowerment of women through ownership of a dwelling house was also thwarted by the Municipalities by allotting houses to male members and people not belonging to BPL families.

3.4.36 Recommendations

Municipality should :

- ensure that the ADSs and CDSs maintain proper accounts and account records and are subjected to audit as prescribed.
- ensure transparency in the selection of beneficiaries in the manner prescribed and violation of rules should be seriously dealt with.
- take a proactive role in assessing the implementation of the beneficiary oriented scheme and through positive intervention ensure that the benefits reach the targeted group and
- ensure transfer of two *per cent* of municipal revenue to Urban Poverty Alleviation Fund.

CHAPTER IV TRANSACTION AUDIT

4.1 Welfare schemes for Scheduled Caste community implemented by District Panchayat, Kottayam

4.1.1 Introduction

Welfare schemes for Scheduled Caste implemented by the Local Self Government Institutions (LSGIs) include beneficiary oriented schemes for individuals (self employment, better education etc.) and for families (house, land etc.) belonging to the SC community. Infrastructure development schemes like improvement of basic amenities, maintenance of roads, construction of community halls, etc were also taken up in areas where 51 *per cent* or more of the beneficiaries belong to Scheduled Caste community.

Scheduled Castes constitute 19 *per cent* of the BPL population in Kerala, though they are only 9.81* *per cent* of the total population. It shows that the incidence of poverty among the Scheduled Castes is about double that of the total population. Population of Kottayam District is 19,52,901 (2001 census) out of which the Scheduled Caste population is 1,24,813 (6.39 *per cent*).

With decentralisation of plan schemes, LSGIs have the key role in eradication of poverty. During the initial three years (2002-05) of Tenth Five Year Plan, Rs.762.10 crore was allotted to LSGIs, as Plan Grant under Special Component Plan (SCP).

4.1.2 Allotment and expenditure of funds

During the period 2002-05, out of the total plan fund of Rs.31.62 crore allotted to the District Panchayat Kottayam (DPK), Rs.7.91 crore was available for implementation of schemes benefiting Scheduled Castes out of which only Rs.2.01 crore was utilised. The low utilisation (25.41 *per cent*) was due to non-identification of sufficient number of SC beneficiaries for beneficiary oriented schemes and formulation of infrastructure development projects without ensuring presence of minimum 51 *per cent* SC population in the area.

4.1.3 Projects formulated / implemented during 2002-05

The number of projects benefiting Scheduled Castes formulated and implemented during 2002-05 was as shown below:

Year	No. of projects formulated	No. of projects implemented	Percentage of implementation
2002-03	27	13	48.15
2003-04	36	13	36.11
2004-05	23	9	39.13
Total	86	35	40.70

* Source : Economic Review 2004.

Though DPK formulated 86 projects for the benefit of SC community during the period 2002-03 to 2004-05, only 35 projects could be implemented. The poor performance (40.70 per cent) in the implementation of the projects was due to the failure on the part of DPK in identifying suitable SC beneficiaries.

4.1.4 Non-implementation of ‘Better Education Scheme for bright Scheduled Caste students’.

In 1989, Government of Kerala introduced a scheme for better education to Scheduled Caste students selected on the basis of the marks obtained in Standard IV. The scheme envisaged admission of 50 students to standard V every year for whom all educational expenses would be met by Government.

As part of decentralisation, the scheme was transferred to Municipalities, Corporations and District Panchayats from 1999-2000 for providing benefits to more students. Under the scheme, the District Panchayat was to select students every year, admit them to residential schools in Standard V and was to monitor their education. All expenses up to Standard X or XII (if school provides classes up to standard XII) would be met from the plan fund earmarked for Special Component Plan (SCP) of the local body.

The District Development Officer for SC Kottayam identified 23 students for inclusion in this scheme during the period 1999-2000 to 2001-02. The list was not approved by DPK and no fund was set apart for implementation of the scheme. During the period 2002-03 to 2004-05 also no projects were prepared for inclusion in the annual plan for the implementation of the scheme. As the scheme was not implemented, selected SC students were deprived of the benefits of free better education.

4.1.5 Non-utilisation of plan funds of Rs 51.97 lakh deposited with Socio Economic Unit, Kottayam

In March 2002, the District Panchayat, Kottayam paid Rs.51.97 lakh to a Socio Economic Unit, Kottayam, a Non-Governmental Organisation (NGO), for implementation of the project “Mason Training and Production Centre for Scheduled Caste Women”. The project envisaged mason training to 210 Scheduled Caste women in 21 divisions of the District Panchayat, purchase and installation of machinery and equipment required for production of hollow bricks and for providing working capital of Rs 25,000 to each division.

As the District Panchayat did not provide the list of beneficiaries to the implementing agency till June 2005, the implementing agency could not utilise the fund given to them. The agency deposited, in March 2002, the amount of Rs 51.97 lakh in the S.B Account and as of June 2005 the agency had an amount of Rs 56.88 lakh including interest. Thus, plan fund of Rs 51.97 lakh was retained outside Government account for the period 2002-05 due to the failure of the District Panchayat to provide details of the beneficiaries to the NGO for implementation of the project.

4.1.6 Distribution of dictionaries to Scheduled Caste /Scheduled Tribe students – Dictionaries valued Rs 3.10 lakh remaining undistributed.

The District Panchayat during 1997-98 purchased 10000 numbers of ‘NERC Dictionary of English for speakers of Malayalam’ each costing Rs.245 at a

discounted price of Rs.176 per copy for distribution to Scheduled Caste /Scheduled Tribe students. The District Panchayat paid Rs.17.60 lakh to the suppliers in June 1998.

The Deputy Director of Education, Kottayam intimated in June 1998 that the number of Scheduled Caste /Scheduled Tribe students in high school classes in Government and aided schools in the District was 10120, during 1997-98 academic year. The District Panchayat distributed 8240 dictionaries to Schools during 1998-99 to 2003-04, leaving 1760 dictionaries costing Rs.3.10 lakh undistributed as at the end of June 2005.

The undistributed dictionaries were stated to have been kept at District Institute for Education and Training office (DIET) at Pampady. Stock verification was not conducted since the last issue of dictionaries in August 2003.

4.1.7 Abandoning of project for purchase and allotment of housing plots to 50 Scheduled Caste families.

A project (2002-03) for purchase of housing plots to 25 SC families in Mundakayam Grama Panchayat in Mundakayam Division was approved by District Planning Committee (DPC) in January 2003 with a project cost of Rs.5 lakh. District Panchayat Kottayam (DPK) failed to implement the scheme since the approval of the project was communicated by DPC only in May 2003. In 2003-04, DPK formulated a new scheme for providing housing plots to 25 more SC families with a project cost of Rs.5 lakh. On the basis of a resolution (October 2003), tenders were invited and the lowest tender of Rs.5 lakh per acre was accepted. DPK requested (March 2004) the District Collector to issue land value certificate, but failed to obtain the same before 31 March 2004 resulting in non-purchase of land and lapse of funds.

The schemes were not taken up during the subsequent years. Due to the delay on the part of DPK in obtaining necessary approval for implementing the scheme, 50 SC families were deprived of the benefit of owning housing plots.

Irregular selection of beneficiaries

4.1.8 Employment training to physically handicapped Scheduled Caste women.

The District Panchayat formulated a project with an outlay of Rs.14 lakh for imparting training to 400 physically handicapped Scheduled Caste women in manufacture of wax candle, agarbathies and making of soft toys, during 2004-05 to enable them to obtain gainful employment. The training programme was conducted by Science and Technology Entrepreneurship Development Project (STED). Out of 17 beneficiaries selected, seven were selected from the list obtained from employment exchanges and the rest from list furnished by ICDS officers. Total expenditure incurred for the project was Rs.59,500.

Section 3A of Kerala Panchayat Raj Act, 1994 stipulated that, beneficiaries were to be selected by Grama Sabhas. The selection made through employment exchanges and ICDS officers was irregular. Though the project envisaged to impart training to 400 physically handicapped SC women, DPK could identify only 17 beneficiaries. The failure of DPK to enrol adequate

number of beneficiaries was indicative of poor planning in the project formulation.

The Programme Officer, District level ICDS Cell stated (June 2005) that the Grama Sabha could not identify the beneficiaries due to shortage of time.

4.1.9 Employment training to Scheduled Caste women.

A training programme in manufacturing of rexin bag, soap, soap powder, book binding, and sari polishing etc to 400 Scheduled Caste women was proposed to be implemented during 2004-05 with an outlay of Rs.17 lakh. Two hundred and forty eight women were selected through advertisement in a Malayalam daily and through Scheduled Caste Development Officers in Block Panchayat and the training was imparted by STED in different batches in March 2005 incurring expenditure of Rs.9.46 lakh.

The selection of beneficiaries was to be made by Grama Sabhas in accordance with the provision of Kerala Panchayat Raj Act, 1994. As the selection was made through advertisement and through officers, the selection process was irregular and was against the spirit behind decentralised planning.

The District Development Officer for SC, Kottayam attributed (July 2005) the shortage of time as the reason for non-selection of beneficiaries by Grama Sabha.

4.1.10 Irregular financial assistance to Scheduled Caste Self Help Groups selected by the members of District Panchayat.

Two schemes to provide financial assistance to Self Help Groups (SHGs) for starting self employment ventures under Scheduled Caste category, were implemented during 2004-05 in the district. According to plan guidelines for 2004-05, Swarnajayanthi Grama Swarozgar Yojana (SGSY) norms were to be followed in assisting SHGs. SGSY norms stipulate that grading of groups be done by a grading committee of Block Panchayat.

While selecting SHGs, the District Panchayat did not follow SGSY norms. Two groups in Kangazha division and nine groups in Mundakayam division were selected by the members of the respective District Panchayat divisions and were paid a total assistance of Rs.1.10 lakh.

The District Panchayat stated that they had been following the same procedure from 1997-98 onwards.

4.1.11 Unutilised balance of Rs 4.61 lakh retained by implementing agency in bank account.

The District Panchayat paid plan fund of Rs 38.13 lakh to Socio Economic Unit (SEU) in 1997-98 for implementation of S.C.P Project "house maintenance and sanitary latrine". The agency incurred expenditure of Rs.34.63 lakh till March 2003. During 2003-04 and 2004-05, no expenditure was incurred on the scheme, because DPK failed to provide list of beneficiaries to the implementing agency. As on 31 March 2005, Socio-Economic Unit had an unutilised balance of Rs 3.50 lakh and the balance remaining with the agency including bank interest, was Rs .4.61 lakh.

The District Panchayat stated (June 2005) that action would be taken to refund the amount to Government account.

4.1.12 Non-transfer of management of Post- matric hostel to District Panchayat

According to the fifth schedule of Kerala Panchayat Raj Act, 1994, the management of post-matric hostels for Scheduled Caste students has to be carried out by District Panchayats. As per section 173 (1) of the Act, it shall be the duty of District Panchayat to meet the requirements of District Panchayat area in respect of matters enumerated in fifth schedule. Audit noticed that the post-matric hostel for Scheduled Caste students at Nattakom in the district was not transferred to District Panchayat and continued to be managed by Scheduled Caste Development Department. The DPK could not take over the management of post-matric hostel as Government had not issued order in this regard.

4.1.13 Mobilisation advance paid to Convenors pending recovery.

Mobilisation advance of Rs 3.99 lakh paid during December 2000 to March 2002 to convenors of beneficiary committees for four works under S.C.P was pending recovery as of June 2005. The convenors have not executed the work.

The Executive Engineer, Local Self Government Department (Public Works Division) stated (June 2005) that notices were issued to the convenors for completing the works urgently.

4.1.14 Recommendations:-

- Projects/Schemes targeting SC families/individuals should be formulated after assessing the number of beneficiaries.
- Selection of beneficiaries is to be done strictly through Grama Sabhas as provided in Section 3A of Kerala Panchayat Raj Act, 1994.
- DPK may consider distributing the remaining dictionaries in subsequent years or to the SC beneficiaries of other districts.
- Release of plan grant to implementing agencies should be based on actual requirement and on getting utilisation certificate of previous instalment.

4.2 Unproductive expenditure on Small Hydro Electric Project

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

With a view to supplementing the power demand in Palakkad, the District Panchayat promoted (January 1999) Palakkad Small Hydro Co. Ltd with an authorised capital of Rs.5 crore to generate electricity by implementing 3 MW Meenvallom Hydro Electric Project in Karimba Panchayat. The District Panchayat and other sixteen Grama / Block Panchayats invested Rs.2 crore in the equity share capital of the company. Integrated Technology Centre, the technical consultant estimated the cost of the project at Rs.9.12 crore in

February 2000. The company proposed to finance the project through equity share capital and loan of Rs.7.12 crore to be raised from financial institutions.

The company entrusted project execution to M/s Steel Industrials Kerala Ltd. (SILK) a government company in March 2000 with stipulation to complete the work within 18 months. Even as of January 2004, SILK did not commence any civil work as the forest department had not handed over the land to the Company. Between September 2000 and September 2001 SILK supplied electrical and mechanical equipments costing Rs.3.11 crore against advance payment of Rs.0.91crore.The Company had incurred pre-operative expenditure of Rs.0.63 crore as of March 2004. The machinery and equipment purchased before completion of civil work were kept in the open ground/semi covered shed leading to deterioration of their quality. The Company could not arrange the loan as envisaged as the Government did not provide guarantee. The promoters (Panchayats) also did not pursue the project properly as evidenced by their failure to mobilise adequate funds and to obtain required land from the Forest Department.

Failure of the District Panchayat to firm up land acquisition and ensure mobilisation of adequate resources before starting the project resulted in unproductive investment of Rs.2 crore. Purchase of machinery by the company before completion of the civil work created a further liability of Rs.1.74 crore*.

Government stated (May 2005) that it was the first venture of a District Panchayat to be a power producer and hence there were several risks and unforeseeable turn of events.

4.3 Unfruitful expenditure of Rs.30.58 lakh on electric crematorium

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 work.

In March 1997, Kollam Municipality (later upgraded as Municipal Corporation) placed order with M/s Truvolt Engineering Co. (P) Ltd., Calcutta for supply, erection and commissioning of an electric crematorium furnace at Polayathode burial and cremation ground at a cost of Rs.23.5 lakh. The Corporation and the Company entered into an agreement in May 1997, stipulating the completion of work within eight months. The Corporation paid an interest free advance of Rs 9.80 lakh to the Company in May 1997, on the strength of a bank guarantee valid till 31.7.1998. The Company supplied electrical and mechanical components in August 1998. In September 1998, an inspection team comprising the Municipal Engineers and the representatives of the Company found certain components defective and recommended replacement.

The Corporation simultaneously entrusted the Civil work of the crematorium to Nirmithi Kendra (a State Government autonomous body), Kollam in July

* Equipment Rs 3.11 crore+pre-operative expenditure Rs 0.63 crore – 2 crore investment in equity.

1997, at a cost of Rs.20.19 lakh. Though the Corporation paid Rs.14.31 lakh to Nirmithi Kendra, the civil work remained incomplete (August 2005) owing to the non-installation of furnace by the supplier.

In January 1999, the Corporation granted a further advance of Rs.6.47 lakh to the Company without extending the bank guarantee and on the strength of an undertaking by the Company to the effect that the damaged components would be replaced and the plant commissioned by April 1999. But, the Company did not make any further supply or replace the defective components in spite of having paid an advance of Rs.16.27 lakh. The electric crematorium could not be commissioned and the defective components supplied have been idling since August 1998.

The Corporation initiated legal action against the Company only in October 2004. In reply to the legal notice, the Company stated that they could not erect the furnace as the Corporation failed to provide the crematorium building ready in all respects. Thus the failure of the Kollam Corporation to enforce agreement conditions, payment of advance without bank guarantee and failure to co-ordinate effectively with the parties involved resulted in unfruitful expenditure of Rs.30.58 lakh.

The matter was reported to the Government in May 2005; reply has not been received (May 2006).

4.4 Idle investment on Modernisation of Slaughter house

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.

Government of India in 1987-88, approved the scheme for ‘Modernisation of Abattoir’ (Slaughter house) at Kuriachira in Thrissur District at a total cost of Rs.1.10 crore and released a sum of Rs.30 lakh in 1988-89 as central assistance for the scheme. Even though the Municipality received Central assistance as early as in March 1989, the work was entrusted to M/S. Steel Industrials Kerala Ltd. (SILK) in November 1991 stipulating the date of completion as March 1993. M/S. SILK eventually completed the work in December 1997 at a cost of Rs.1.02 crore and the project was inaugurated in the same month.

Thrissur Municipality reported to the State Government in June 1998 and in July 2004 that it could not operate the abattoir due to non co-operation of the butchers and lack of trained labour. The butchers were not willing to adopt modern methods of slaughtering as it took more time to kill animals and the delay would affect the marketing of meat in and out of Thrissur Corporation. Further, Kerala State Pollution Control Board also declined to issue clearance certificate to the slaughter house as the slaughtering was being done by manual and unscientific methods and as the effluent treatment plant was not functioning properly. Audit noticed (February 2005) that the equipment/accessories housed in the slaughter house had got rusted and the effluent treatment plant damaged.

Though seventeen years have passed since the inception of the scheme, the failure of the Corporation to obtain necessary environmental clearance for operationalising the abattoir and convincing the users of its necessity/usefulness led to unfruitful investment of Rs.1.02 crore.

The matter was reported to Government in April 2005; reply has not been received (May 2006).

4.5 Blocking up of Rs.2.24 crore due to non-implementation of developmental scheme by Kollam Corporation.

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 in exchange, resulting in blocking up of Rs.2.24 crore.

Government of India (GOI), in March 1994, approved the project ‘Construction of Bus Terminal with Shopping Complex’, at Kollam town, under the Centrally Sponsored Scheme for Integrated Development of Small and Medium Towns (IDSMT). The estimated cost of Rs.2.32 crore was to be shared by Central and State Governments in the ratio 60: 40.

GOI released Rs.1.10 crore and the State Government Rs.0.73 crore (total Rs.1.83 crore) to Kollam Municipality during the period March 1994 to March 1998. The land (3.20 acres) identified by the Kollam Municipality for the construction of bus terminal belonged to the Railways where the Railway quarters were built.

The Railway authorities agreed to Kollam Municipality’s proposal that it would provide the Railways the equivalent land and also Rs. 40 lakh towards compensation and rehabilitation. In March 1996, Kollam Municipality gave Railways a sum of Rs.46.44 lakh as advance towards the cost of rehabilitation and rebuilding the quarters in the site to be acquired. Kollam Corporation (since upgraded) could acquire only an area of 1.49 acres in October 2002 at a cost of Rs.1.78 crore. Acquisition of balance land is still in correspondence with the District Collector, Kollam (July 2005).

The cardinal principle behind decentralised planning is better utilisation of resources on locally identified viable projects for the economic and social development of the local community. The Corporation envisaged the project without ascertaining the ready availability of land and deposited Rs.46.44 lakh with Railways for rehabilitation for which no land was acquired and transferred. This has resulted in blocking up of Rs.2.24 crore which could have been utilised for other developmental activities.

The matter was reported to Government in April 2005; reply has not been received (May 2006).

4.6 Loss of Rs.1.14 crore due to non mining/short mining of sand.**The failure of the Pattazhy Grama Panchayat in 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.**

‘The Kerala Protection of River Beds and Regulation of Removal of Sand Act, 2001’ (Act 18 of 2001) regulated removal of river sand and matters connected therewith or incidental thereto. Section 17 of the Act stipulated that the Local Authority shall contribute fifty *per cent* of the amount collected by sale of sand towards River Management Fund and the accounts shall be settled before the 10th day of the succeeding month by remitting the balance amount due for payment.

Approximately 12 Kms of the river ‘Kallada’ flows through ‘Pattazhy’ Grama Panchayat. Based on a request by the Grama Panchayat, the Centre for Earth Science Studies (CESS – a State Government Autonomous Body) submitted, in May 2002, a feasibility report on sand mining. CESS recommended that 22 truck loads of sand per day could be mined from five ‘Kadavus’* in the Panchayat. The District Collector, Kollam, in October 2001, fixed the value of sand per load (4m³) as Rs.1280 (Rs.600 labour charges, Rs.600 to be shared equally (50:50) between Grama Panchayat and District Collector towards River Management Fund (RMF) and Rs.80 as royalty to Mining and Geology Department.)

The District Collector, Kollam, in May 2002, withdrew the permission given to Pattazhy Grama Panchayat for sand mining as the Grama Panchayat failed to remit the share of Rs.8.20 lakh towards RMF out of the revenue of Rs.26.31 lakh realised during 1998-99 to 2002-03 from sand mining. The Grama Panchayat stopped sand mining with effect from 30 June 2002. Considering the huge loss sustained by the Grama Panchayat/Government due to non-mining of sand by Grama Panchayat, and due to incidence of unauthorised sand mining, the District Collector, in October 2004, granted permission to resume sand mining with effect from 27 December 2004. The District Collector, however, changed the share ratio of proceeds of Rs.600 per load from 50:50 to 20:80 between Grama Panchayat and contribution to RMF till the remittance of arrears of Rs.8.20 lakh to RMF by Grama Panchayat.

The loss of revenue sustained by Grama Panchayat/Government due to non-mining of sand from October 2002 to December 2004, worked out to Rs.93.89 lakh. The Grama Panchayat mined only 1076 truck load of sand against the permitted 3960 truck load during January 2005 to June 2005. The loss on account of the short mining during this period worked out to Rs.19.61 lakh. The total loss sustained by Grama Panchayat/Government was Rs.1.14 crore. The failure of the Grama Panchayat in complying with the provisions of the Act in timely remitting the share towards RMF/settling the accounts before the 10th day of the succeeding month and to sell the permitted quantity of sand resulted in deprival of revenue of Rs.1.14 crore.

* Kadavu – A River bank or water body where removal of sand is carried out. (Section 2(e) of Kerala Protection of River banks and Regulation of Removal of Sand Act, 2001)

Government stated (January 2006) that due to financial constraints the Panchayat utilised the share towards RMF for meeting expenditure from own funds.

4.7 Loss due to unauthorised mining of sand

The failure of the Venmony Grama Panchayat to prevent unauthorised sand mining and to sell the authorised quantity of 15 truck loads of sand per day resulted in a loss of Rs.48.60 lakh of revenue for the period from October 2002 to March 2005.

About 10 Kms stretch of river 'Achankovil' flows through Venmony Grama Panchayat. The Centre for Earth Science Studies (CESS), in March 2002, reported to the District Collector, Alleppey that, per day 30 truck loads of sand was being mined /quarried from the three Kadavus of the Panchayat. Based on the recommendations of the CESS, the District Collector, in July 2002, permitted the Secretary, Venmony Grama Panchayat to quarry 15 truck loads per day from the four Kadavus (the fourth kadavu' to be identified by the Panchayat) in the Panchayat. The District Collector also asked the Panchayat (July 2002) to convene the Kadavu Committees and to forward him the minutes of the meetings. The Panchayat, in April 2002, by a resolution fixed the cost of sand as Rs.450/- per load. The Expert Committee meeting held in the Collectorate (July 2002) decided that the Panchayat should remit 50 per cent of the sand revenue to River Management Fund.

Even though the Panchayat formed Kadavu Committees in June 2002, they took no action to commence sand mining. The emergency meeting of the Panchayat held in September 2002, observed that the sand mining workers were reluctant to obtain permits from Panchayat and quarry sand but continued unauthorised sand mining. The Panchayat, in September 2002, requested the Superintendent of Police, Alappuzha to take measures to prevent the unauthorised sand mining. Thereafter no proper action was initiated by the Panchayat to prevent unauthorised sand mining and to sell the permissible quantity of sand through Kadavu Committees.

The failure of the Venmony Grama Panchayat to effect authorised sale of sand of 15 truck loads per day resulted in loss of Rs.48.60 lakh of revenue (Rs.24.30 lakh to the Panchayat and Rs.24.30 lakh to River Management Fund) for the period from October 2002 to March 2005 (excluding monsoon season).

The matter was brought to the notice of Government in August 2005; reply has not been received (May 2006).

4.8 Unauthorised diversion of plan fund of Rs.30 lakh by Cherthala Municipality

Lapses in the internal control system of Cherthala Municipality have resulted in unauthorised diversion of Plan fund of Rs.30 lakh.

In view of large scale devolution of funds upon local bodies from 1997-98 onwards, the Government of Kerala, in August 1997 issued instructions/guidelines for the utilisation of funds (Category A – Plan fund for schemes formulated by local bodies and category B fund comprising plan grants for state sponsored schemes and non-plan maintenance grants). The Government permitted each local body to maintain in the Treasury a General PD Account for keeping its funds (receiving transfer credits) and plan PD Account for incurring expenditure. Local bodies could also continue to operate their original PD Account to handle transactions relating to their own fund. The Government clarified that no fund received other than Category A & B were to be deposited in the General PD account and the implementing officers were to incur expenditure only on the basis of plans and schemes approved and authorised by the local body supported by its resolution.

The Sub-Treasury Officer, Cherthala, by mistake, recorded the Opening Balance of the own fund PD Account of the Cherthala Municipality as Rs.56,24,644/- instead of Rs.27,31,414/- as on 1.4.1999. The Municipality issued cheques during the period from April 1999 to December 2000, for effecting payments to meet expenditure relating to own fund against the excess credit recorded which finally led to the overdrawal of Rs.27.48 lakh. On detection of the error, the Secretary, Cherthala Municipality unauthorisedly withdrew plan fund of Rs.30 lakh from the general PD account and credited to its own fund PD account in January 2001.

This was indicative of weak internal control mechanism in Cherthala Municipality, besides improper maintenance of basic records like cash book, cheque issue register, appropriation register and non-reconciliation of balances with treasury.

The irregularity was pointed out to Government in July 2005; reply has not been received (May 2006).

4.9 Non-recovery/adjustment of advances – Rs.41.14 lakh

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.

The Municipal Corporation, Thiruvananthapuram, paid various advances like tour, contingent, works, medical etc. to its employees and others. Two hundred and fifty three cases of advances paid during the period 1999-2000 to 2003-04 remained unadjusted/un-recovered as at the end of March 2005 as given below:

Year	No. of advances	Amount of advances pending adjustment (Amount in Rs.)
1999 – 2000	38	6,23,090
2000 – 2001	40	7,25,937
2001 – 2002	44	12,94,218
2002 – 2003	50	3,10,110
2003 – 2004	81	11,60,730
Total	253	41,14,085

These items included 7 advances paid to one official and 6 advances paid to another official.

A “Register of Advances” is required to be maintained by the Accounts department and the Register closed every half year over the signature of the Accounts Officer and the Commissioner. It should be ensured that no advance remained unadjusted for more than one month in the ordinary course or more than three months in special cases.

The Corporation did not maintain any records to provide assurance that the advances drawn were utilised for the purposes for which they were sanctioned. Advances kept unadjusted for a long time is fraught with the risk of gross misuse of government money.

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

The matter was reported to Government in September 2005; reply has not been received (May 2006).

Thiruvananthapuram,
The

(JAYANTA CHATTERJEE)
Principal Accountant General (Audit), Kerala

Countersigned

New Delhi,
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

Appendix – I

Extent of devolution of Funds

(Reference: Paragraph 1.7.6)

(1) Grama Panchayat

(Rupees in crore)

Year	Budget provisions			Amount Disbursed		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1997-98	506.86	53.77	560.63	486.21	68.65	554.86
1998-99	614.61	71.86	686.47	597.84	90.10	687.94
1999-00	639.25	72.22	711.47	530.90	140.11	671.01
2000-01	636.37	173.25	809.62	437.66	188.47	626.13
2001-02	523.43	179.05	702.48	367.91	158.08	525.99
2002-03	735.34	225.45	960.79	605.63	239.90	845.53
2003-04	758.90	220.43	979.33	766.58	208.57	975.15
2004-05	785.33	710.50	1495.83	601.37	550.65	1152.02
Total	5200.09	1706.53	6906.62	4394.10	1644.53	6038.63

(2) Block Panchayat

(Rupees in crore)

Year	Budget provisions			Amount Disbursed		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1997-98	387.16	15.10	402.26	161.78	17.45	179.23
1998-99	232.54	15.86	248.40	183.01	25.79	208.80
1999-00	200.49	15.92	216.41	162.49	15.70	178.19
2000-01	184.60	16.16	200.76	126.79	14.13	140.92
2001-02	153.02	15.07	168.09	105.62	16.34	121.96
2002-03	196.74	19.67	216.41	169.40	14.05	183.45
2003-04	211.50	15.74	227.24	246.40	15.03	261.43
2004-05	221.25	9.16	230.41	182.54	6.80	189.34
Total	1787.30	122.68	1909.98	1338.03	125.29	1463.32

(3) District Panchayat

(Rupees in crore)

Year	Budget provisions			Amount Disbursed		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1997-98	188.86	55.44	244.30	138.99	76.80	215.79
1998-99	170.62	69.96	240.58	166.79	66.23	233.02
1999-00	169.73	73.18	242.91	127.56	31.13	158.69
2000-01	166.67	34.96	201.63	131.34	37.20	168.54
2001-02	139.93	42.61	182.54	94.22	36.60	130.82
2002-03	180.25	55.31	235.56	134.97	54.25	189.22
2003-04	192.90	56.54	249.44	174.74	56.76	231.50
2004-05	198.87	19.16	218.03	138.57	16.27	154.84
Total	1407.83	407.16	1814.99	1107.18	375.24	1482.42

(4) Municipalities

(Rupees in crore)

Year	Budget provisions			Amount Disbursed		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1997-98	15.25	47.05	62.30	77.09	40.81	117.90
1998-99	101.74	62.53	164.27	78.19	28.94	107.13
1999-00	89.53	72.00	161.53	84.76	18.79	103.55
2000-01	98.03	22.16	120.19	76.60	22.44	99.04
2001-02	82.91	23.00	105.91	75.47	17.62	93.09
2002-03	154.60	27.11	181.71	114.74	21.41	136.15
2003-04	167.94	25.91	193.85	121.30	22.71	144.01
2004-05	125.23	29.22	154.45	102.20	22.84	125.04
Total	835.23	308.98	1144.21	730.35	195.56	925.91

(5) Municipal Corporations

(Rupees in crore)

Year	Budget provisions			Amount Disbursed		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1997-98	13.85	6.59	20.44	37.22	9.60	46.82
1998-99	58.48	9.02	67.50	61.63	5.51	67.14
1999-00	44.35	10.07	54.42	57.33	5.06	62.39
2000-01	56.74	7.10	63.84	41.49	6.29	47.78
2001-02	72.36	6.13	78.49	32.81	5.67	38.48
2002-03	109.66	24.35	134.01	93.97	9.35	103.32
2003-04	103.30	7.93	111.23	75.96	10.94	86.90
2004-05	70.88	82.95	153.83	68.06	93.85	161.91
Total	529.62	154.14	683.76	468.47	146.27	614.74

(6) Total of all Local Self Government Institutions (1 to 5)

(Rupees in crore)

Year	Budget provisions			Amount Disbursed		
	Plan	Non Plan	Total	Plan	Non Plan	Total
1997-98	1111.98	177.95	1289.93	901.29	213.31	1114.60
1998-99	1177.99	229.23	1407.22	1087.46	216.57	1304.03
1999-00	1143.35	243.39	1386.74	963.04	210.79	1173.83
2000-01	1142.41	253.63	1396.04	813.88	268.53	1082.41
2001-02	971.65	265.86	1237.51	676.03	234.31	910.34
2002-03	1376.59	351.89	1728.48	1118.71	338.96	1457.67
2003-04	1434.54	326.55	1761.09	1384.98	314.01	1698.99
2004-05	1401.56	850.99	2252.55	1092.74	690.41	1783.15
Grand Total	9760.07	2699.49	12459.56	8038.13	2486.89	10525.02

Appendix - II
Utilisation of Centrally Sponsored Scheme Funds
(Reference: Paragraph 1.7.13)

(Rupees in crore)

Name of Scheme	Opening balance	Distribution to LSGIs			Total available fund	Funds utilised by LSGIs	Balance	Percentage of utilisation
		Central Share	State share	Total				
<u>Funds distributed by District Rural Development Agencies</u>								
Swarnajayanthi Grama Sworozgar Yojana (SGSY)	1.36	17.84	5.94	23.78	25.14	24.45	0.69	97.25
Indira Awaz Yojana (IAY)	5.40	57.60	19.12	76.72	82.12	78.39	3.73	95.46
Swarna Jayanti Grama Sworosgar Yojana (Special Project)	6.43	---	---	---	6.43	3.44	2.99	53.50
Sampoorna Grameen Rozgar Yojana (SGRY)	54.01	78.04	36.92	114.96	168.97	135.65	33.32	80.28
Total Sanitation Campaign(TSC)	8.33	3.73	2.32	6.05	14.38	12.10	2.28	84.14
Integrated Wasteland Development Programme (IWDP)	7.16	1.60	0.15	1.75	8.91	4.00	4.91	44.89
DRDA Administration	4.84	5.74	1.91	7.65	12.49	7.15	5.34	57.24
State Institute of Rural Development	1.86	0.44	0.33	0.77	2.63	1.20	1.43	45.63
Block Information Centers	---	---	0.17	0.17	0.17	0.17	---	100
Attapady Wasteland Development Projects	8.99	---	15.00	15.00	23.99	18.91	5.08	78.82
Prime Minister's Gram Sadak Yojana (PMGSY)	---	79.56	---	79.56	79.56	59.55	20.01	74.85
Total	98.38	244.55	81.86	326.41	424.79	345.01	79.78	
<u>Funds distributed by Director of Urban Affairs</u>								
IDSMT		2.25	1.50	3.75	3.75	3.75	Nil	100
NSDP		10.50	---	10.50	10.50	8.85	1.65	84.28
SJSRY		5.55	---	5.55	5.55	4.80	0.75	86.49
MSH		0.10	0.10	0.20	0.20	0.20	Nil	100
I.S.U.I		7.25	---	7.25	7.25	0.23	7.02	3.17
Total		25.65	1.60	27.25	27.25	17.83	9.42	
<u>Funds distributed by Kudumbasree – the State Poverty Eradication Mission</u>								
Swarnajayanthi Shahari Rozgar Yojana (SJSRY)	8.47	33.72	17.79	51.51	59.98	40.24	19.74	67.09
National Slum Development Programme (NSDP)	---	78.09	---	78.09	78.09	62.01	16.08	79.41
Valmiki Ambedkar Awas Yojana (VAMBAY)	---	41.57	55.44	97.01	97.01	74.74	22.27	77.04
Total	8.47	153.38	73.23	226.61	235.08	176.99	58.09	
Grand Total	106.85	423.58	156.69	580.27	687.12	539.83	147.29	

Appendix - III

List of Local Self Government Institutions audited under Supplementary Audit during 2004-05
(Reference: Paragraph 2.7.1 & 2.14.1)

Name of LSGIs	Year of Audit
Grama Panchayats	
1. Edayur	2000-01
2. Pattuvam	1999-00
3. Nattika	1998-99
4. AR Nagar	2001-02
5. Edayavoor	1999-00
6. Mathilakam	1998-99
7. Padiyoor	1999-00
8. Thalayazham	2000-01
9. Thavanoor	2001-02
10. Karthikapally	1998-99
11. Kidangoor	2001-02
12. Thenkurussi	2000-01
13. Muttom	2000-01
14. Bharananganam	2000-01
15. Mylapra	2001-02
16. Kumaramangalam	2001-02
17. Vadavannur	2000-01
18. Elavancherry	2002-03
19. Manjalloor	2001-02
20. Karukachal	1999-00
21. Sreekrishnapuram	2000-01
22. Ezhamkulam	2000-01
23. Amboori	2001-02
24. Padnna	2000-01
25. Vadakkekkad	2001-02
26. Thrikkadavur	1999-00
27. Cheranallur	1998-99
28. Mundathicode	2000-01
29. Mudakkal	2001-02
30. Sasthamcottah	1999-00
31. Beypore	1999-00
32. Thuneri	2000-01
33. Kottanad	1997-98
34. Mudalakkuzha	2000-01
35. Enadimangalom	2001-02
36. Peringara	1999-00
37. Nagaroor	1999-00
38. Adichanalloor	1997-98 & 1998-99
39. Manamboor	2000-01
40. Sreekaryam	1998-99
41. Kazhakuttom	2000-01
42. Paingattor	2000-01
43. Kallara	2001-02
44. Pappinisseri	2001-02

45. Andoorkonam	2001-02
46. Chemmaruthy	2001-02
47. Vamanapuram	2001-02
48. Veeyapuram	2001-02
49. Azhoor	2001-02
50. Edavilangu	2000-01
51. Mavoor	2000-01
52. Vellinalloor	1999-00
53. Kozhencherry	1997-98
54. Neendoor	2000-01
55. Panachikkad	1999-00
56. Karoor	1999-00
57. Karthikappally	1999-00
58. Kandaloor	2001-02
59. Cheruniyoor	2001-02
60. West Kallada	2000-01
61. Uduma	1999-00
62. Thanniam	2001-02
63. Kunnathukal	2000-01
64. Piravanthoor	1998-99
65. Ramapuram	1999-00
Block Panchayats	
1. Kodakara	2001-02
2. Vatakara	2001-02
3. Nemom	2000-01
4. Karunagapally	2001-02
5. Pathanapuram	2000-01
District Panchayat	
1) Idukki.	2001-02
Municipalities	
1. Kothamangalam.	2000-01
2. Chengannur.	1998-99
Corporation	
1. Kollam	1998-99

Appendix - IV

List of LSGIs which did not maintain Appropriation Register

(Reference: Paragraph 2.9.2)

1. Thalayazham Grama pachayat
2. Karthikapally Grama pachayat
3. Kidangoor Grama pachayat
4. Muttom Grama pachayat
5. Bharananganam Grama pachayat
6. Kumaramangalam Grama pachayat
7. Manjalloor Grama pachayat
8. Karukachal Grama pachayat
9. Amboori Grama pachayat
10. Thrikkadavoor Grama pachayat
11. Kottanad Grama pachayat
12. Endadimangalam Grama pachayat
13. Adichanalloor Grama pachayat
14. Kallara Grama pachayat
15. Chemmaruthi Grama pachayat
16. Azhoor Grama pachayat
17. Karunagappally Block Panchayat.
18. Kothamangalam Municipality
19. Kollam Corporation

List of LSGIs which did not maintain Appropriation Register properly

1. Nattika Grama Panchayat
2. Sreekrishnapuram Grama Panchayat
3. Padanna Grama Panchayat
4. Mundathicode Grama Panchayat
5. Thunneri Grama Panchayat
6. Edvilangu Grama Panchayat
7. Mavoor Grama Panchayat

Appendix -V

Short Assessment of Tax in the cases of owner occupied residential buildings

(Reference: Paragraph 3.1.12)

Division No.	No. of cases	Amount of short assessment (Rs.)
22	266	72459
27	144	168931
36	62	65864
40	35	74247
42	44	56251
Total	551	437752

Appendix - VI
List of cases where validity of permit expired but not completed or extended
(Reference: Paragraph 3.1.15)

Sl. No.	Division No.	Permit No.	Date	Owner	Construction Proposed Residential (R) /Commercial (C)	Plinth (M ²)	To be completed before date	Present position
1.	40	MoP1-15/2001	23.1.01	V. Nithyananda Bhat	R	FF 38.79	23.1.04	Not completed No extension granted
2.	40	MoP1-30/2001	6.2.01	Gopalakrishan Shenoy	R	G.F 568.50 F.F 115.60	8.2.04	Not completed No extension granted
3.	40	MoP1-38/2001	15.2.01	Cashew Export Promotion Council	C	GF 14.82 FF 119.12 Cab 15.96	29.3.04	Not completed No extension granted
4.	40	MoP1-39/2001	15.2.01	Kumaran	R/C	GF 8.30 FF 10.92 SF 7.89	22.2.04	Not completed No extension granted
5.	40	MoP1-51/2001	20.2.01	Valsala Menon	Alteration	55.09	19.2.04	Not completed No extension granted
6.	40	MoP1-77/2001	15.3.01	Rani Narayanan	Office	SF 16.15	28.3.04	Not completed No extension granted
7.	40	MoP1-123/2001	2.4.01	Ranganatha Prabhu	R	GF 97.74 S/C 13.20	1.4.04	Not completed No extension granted
8.	40	MoP1-234/2001	11.6.01	Vrinda Hari Pai	R	GF 12.77 FF 25.37	9.10.04	Not completed No extension granted
9.	40	MoP1-326/2001	12.10.01	Sherly	R	FF 59.77	29.10.04	Not completed No extension granted
10.	40	MoP1-341/2001	28.10.01	R.G Dias	R	FF 72.82	29.10.04	Not completed No extension granted
11.	40	MoP1-376/2001	27.11.01	Parvathy Ammal	R	FF 32.67	27.11.04	Not completed No extension granted
12.	40	MoP1-436/2001	31.12.01	HPCL	C	ATM 11.97 Canopy 143.00	1.2.05	Not completed No extension granted
13.	36	MoP1-34/2001	15.2.01	Ramesh Babu	R	GF 65.80	22.2.04	Not completed No extension granted
14.	36	MoP1-67/2001	2.3.01	Kungala Mathew	R	GF 30.61 FF 55.65	4.3.04	Not completed No extension granted

15.	36	MoP1-107/2001	30.3.01	Varghese	R	FF 109.40	1.4.04	Not completed No extension granted
16.	36	MoP1-122/2001	2.4.01	K.C Babu	R	98.30	1.4.04	Not completed No extension granted
17.	36	MoP1-127/2001	9.4.01	T.R Rugmini	R	58.40	8.4.04	Not completed No extension granted
18.	36	MoP1-178/2001	24.5.01	Janaki Amma	R	GF 30.00 FF 30.00	5.6.04	Not completed No extension granted
19.	36	MoP1-207/2001	22.6.01	M. A Xavier	R	GF 55.74 FF 50.94	21.8.04	Not completed No extension granted
20.	36	MoP1-239/2001	17.7.01	Benny Mathew	R	FF 139.51	21.10.04	Not completed No extension granted
21.	36	MoP1-242/2001	17.7.01	Rajamma	R	33.92	17.7.04	Not completed No extension granted
22.	36	MoP1-243/2001	17.7.01	Vanaja	R	33.92	17.7.04	Not completed No extension granted
23.	36	MoP1-246/2001	17.7.01	Varghese V.P	R	GF 55.74 FF 50.94	21.8.04	Not completed No extension granted
24.	36	MoP1-260/2001	7.9.01	N. Sasidharan	R	GF 61.23	15.8.04	Not completed No extension granted
25.	36	MoP1-286/2001	7.9.01	V.S Uthaman	R	GF 82.49 FF 82.49	6.9.04	Not completed No extension granted
26.	36	MoP1-314/2001	26.9.01	Mane jaiji	R	GF 47.27 FF 47.27	20.9.04	Not completed No extension granted
27.	36	MoP1-315/2001	24.9.01	Coconut Development Board	Car Parking	242.40	6.11.04	Not completed No extension granted
28.	36	MoP1-347/2001	3.11.01	M.J Francis	R	BF368.69 GF369.96 FF 401.99 SF 401.99 SC21.66	4.11.04	Not completed No extension granted
29.	36	MoP1-422/2001	21.12.01	Mohamed sherif	R	GF 32.44	21.12.04	Not completed No extension granted
30.	36	MoP1-431/2001	31.12.01	Jacob George	R	FF 284.48 SC 15.68	4.1.05	Not completed No extension granted
31.	36	MoP1-434/2001	31.12.01	Lissie Hospital	Hospital	GF267.12 FF267.12	28.1.05	Not completed No extension granted

32.	27	MoP2-2/2001	9.1.01	Binu Devadas	R	GF16.64 FF13.76	15.1.04	Not completed No extension granted
33.	27	MoP2-17/2001	30.1.01	Mallika	R	GF28.35	29.1.04	Not completed No extension granted
34.	27	MoP2-30/2001	7.2.01	Philomina	R	GF28.35	8.2.04	Not completed No extension granted
35.	27	MoP2-37/2001	9.2.01	Thomas Cyriac	R	FF 64.72	8.5.04	Not completed No extension granted
36.	27	MoP2-83/2001	30.3.01	Balachadran	R	GF 30.74	29.3.04	Not completed No extension granted
37.	27	MoP2-90/2001	30.3.01	V. Anthony	R	GF 34.77	29.3.04	Not completed No extension granted
38.	27	MoP2-97/2001	31.3.01	Usha Clitus	R	GF 22.13	30.3.04	Not completed No extension granted
39.	27	MoP2-108/2001	9.4.01	M.P Simon	R	FF 126.14	8.4.04	Not completed No extension granted
40.	27	MoP2-182/2001	12.8.01	Mannuel Oliver	R	Extension	13.8.04	Not completed No extension granted
41.	27	MoP2-207/2001	25.9.01	Krishna Kumari	R	GF 22.32 FF 22.32	24.9.04	Not completed No extension granted
42.	27	MoP2-221/2001	22.10.01	Mathew P.A	Compound Wall	62.70	29.11.02	Not completed No extension granted
43.	27	MoP2-288/2001	28.12.01	Thomas Bastin	R extension	60.00	21.3.05	Not completed No extension granted
44.	27	MoP2-289/2001	31.12.01	K.K Antony	R extension	21.43	7.1.05	Not completed No extension granted

Appendix -VII

**Reduction in Annual Value in revisions and appeals
(Reference: Paragraph 3.1.19)**

(Amount in Rupees)

Division	Residential			Commercial		
	AV I	AV II	AV III	AV I	AV II	AV III
22	877300	733260	672740	176000	144350	122050
27	7351080	5990710	5763870	1626766	1426142	1416650
36	6414990	5448270	5141820	11355150	9930270	9924530
40	7082065	6173308	5670458	44880851	36786215	34987120
42	2375900	2075990	2020690	1552860	1293400	1158700
	24101335	20421538	19269578	59591627	49580377	47609050

Grand Total	AV I	=	8,36,92,962
	AV II	=	7,00,01,915
	AV III	=	6,68,78,628
	AV I – AV II	=	1,36,91,047
	AV II – AV III	=	31,23,287

Appendix -VIII

Loss of revenue on property tax due to reduction in Annual Value
(Reference: Paragraph 3.1.19)

(Amount in Rupees)

Division	On revision	On appeal	Total
22	49715	35476	85191
27(I)	151971	71062	223033
27 (II)	598428	69628	668056
36	808668	235253	1043921
40/I	1825955	612424	2438379
40/IV	740815	162002	902817
40 II	301768	49962	351730
40 III	619365	277926	897291
42	199666	75221	274887
Total	5296351	1588954	6885305

(Amount in Rupees)

Division/ Page	Loss of Revenue		Total	Year	Total
	On revision petition	On appeal			
1	2	3	4	5	6
22-1	9892	14603	24495	00-01	25728
2	1125	108	1233		
2	8088	5407	13495	01-02	16779
3	2204	1080	3284		
3	9521	7123	16644	02-03	17694
4	690	360	1050		
4	8886	1894	10780	03-04	17453
5	3724	2949	6673		
6	2256	930	3186		
7	1579	446	2025	04-05	7537
8	1750	576	2326		
	49715	35476	85191		85191
27/I- 1	25300	8540	33840		
2	26052	5544	31596	00-01	65436
3	22097	33280	55377	01-02	55377
4	19176	6702	25878		
5	23730	11956	35686	02-03	61564
6	23544	5040	28584		
7	4884	-	4884	03-04	33468
7	7188	-	7188	04-05	7188
	151971	71062	223033		223033
27/II-1	201986	19008	220994	00-01	419213
2	140585	5045	145630		
3	38545	14044	52589		
3	12529	6940	19469		
4	110336	6696	117032	01-02	171294
5	31768	3025	34793		
5	20912	9298	30210		
6	15424	2948	18372	02-03	48582
6	13974	1736	15710		
7	6582	888	7470	03-04	23180
8	5787	-	5787	04-05	5787
	598428	69628	668056		668056

36.1	88017	49192	137209	00-01	233497
2	58291	24245	82536		
3	12294	1458	13752		
3	27949	12960	46613	01-02	348409
4	41904	-	41904		
5	57982	3864	61846		
6	73720	29315	103035		
7	32067	62944	95011		
8	48913	16975	65888	02-03	184569
9	64649	10574	75223		
10	39024	4434	43458		
11	55049	1650	56699	03-04	139656
12	38092	4204	42296		
13	22605	5560	28165		
14	9568	2928	12496		
36/15	20534	3964	24498	04-05	143494
16	118010	986	118996		
	808668	235253	1043921		1043921
40/I.1	126125	48890	175015	00-01	394433
2	120448	98970	219418		
3	59758	7590	67348	01-02	121122
4	37864	15910	53774		
4	1103836	438912	1542748	02-03	1542748
5	95258	2152	97410		
6	268218	-	268218	03-04	375324
7	9696	-	9696		
8	4752	-	4752	04-05	4752
	1825955	612424	2438379		2438379
40/IV.9	153426	94710	248136	00-01	345630
10	60819	36675	97494		
11	53640	13744	67384	01-02	304377
12	157328	13896	171224		
13	65769	-	65769		
14	31752	2105	33857	02-03	38532
15	4675	-	4675		
16	21352	344	21696	03-04	34532
17	12836	-	12836		
17	14244	-	14244		
18	20296	-	20296		
19	18932	-	18932		
20	24192	-	24192		
21	18398	-	18398	04-05	179746
22	17766	-	17766		
23	24254	-	24254		
24	41136	528	41664		
	740815	162002	902817		902817
40/II-25	110616	40298	150914	00-01	197012
26	43074	3024	46098		
27	15764	4176	19940	01-02	28053
28	8113	-	8113		
28	15450	-	15450	02-03	81575
29	22755	-	22755		
30	43370	-	43370		
31	19150	2464	21614	03-04	21614
31	14772	-	14772	04-05	23476
32	8704	-	8704		
	301768	49962	351730		351730

40/III/33	82386	19836	102222	00-01	102222
33	2964	-	2964	01-02	548744
34	163174	3072	166246		
35	103096	107680	210776		
36	72944	66600	139544		
37	26236	2978	29214		
37	6953	-	6953	02-03	6953
38	158804	77760	236564	03-04	236564
39	2808	-	2808	04-05	2808
	619365	277926	897291		897291
42-1	78571	30568	109139	00-01	109139
2	26544	5112	31656	01-02	47989
3	16333	-	16333	02-03	15058
3	8792	-	8792		
4	4586	1680	6266		
4	13180	3844	17024	03-04	22079
5	3363	1692	5055	04-05	80622
5	45113	31966	77079		
6	3184	359	3543		
	199666	75221	274887		274887

Appendix -IX

**List of cases where Annual value enhanced by Council after reduction in RP
(Reference: Paragraph 3.1.22)**

(Amount in Rupees)

Sl. No.	Division No.	Door No.	Original Annual value	Annual value on Revision petition	Annual value fixed by Council
1	40	8161 A	42000	39900	108000
2	40	8161 B	33000	31350	46000
3	40	8161 B1	43200	41040	100000
4	40	8161 C	75600	71820	150000
5	40	8161 D	75600	71820	150000
6	40	8161 E	54000	51300	130000

Appendix -X

Inadequacies in the conduct of development seminar
(Reference: Paragraph 3.2.16)

SI No	Name of LSGI	No of development seminars to be conducted	No of development seminars not conducted	No of development seminars in respect of which address of participants not recorded in minute book	No of development seminars in respect of which address recorded did not contain house numbers	No of development seminars in respect of which the decision of break out groups not recorded	No of development seminars in respect of which minutes of seminar was not recorded	No of development seminars in respect of which recommendations of seminar was not recorded in the minutes of seminar	No of development seminars in respect of which minutes was not authenticated	No of development seminars in respect of which photograph was not maintained	No of development seminars in respect of which photograph maintained was not sufficient to prove attendance recorded	No of annual plans in respect of which records of development seminar was not maintained
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Mulamkunnathcavu Grama Panchayat	4	Nil	Nil	4	4	Nil	4	Nil	4	NA	Nil
2	Mullurkara Grama Panchayat	4	Nil	2	4	4	2	3	2	Nil	4	Nil
3	Wadakkancheri Grama Panchayat	4	Nil	2	4	Nil	Nil	1	4	Nil	Nil	Nil
4	Thekkumkara Grama Panchayat	4	Nil	3	4	2	2	2	Nil	Nil	Nil	Nil
5	Erumapetty Grama Panchayat	4	Nil	2	4	1	Nil	1	1	3	Nil	Nil
6	Kolazhi Grama Panchayat	4	Nil	Nil	Nil	1	1	1	2	2	NA	2
7	Kaiparambu Grama Panchayat	4	Nil	Nil	2	1	1	1	2	2	NA	2
8	Arimboor Grama Panchayat	4	Records not maintained									4
9	Adat Grama Panchayat	4	Nil	Nil	2	Nil	Nil	Nil	2	2	NA	2

10	Avanur Grama Panchayat	4	Nil	Nil	Nil	4	Nil	Nil	Nil	Nil	4	Nil
11	Madakkathara Grama Panchayat	4	Nil	1	1	1	1	1	1	1	NA	3
12	Nadathara Grama Panchayat	4	Nil	Nil	3	Nil	2	2	4	Nil	4	Nil
13	Puzhakkal Block Panchayat	4	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	3
14	Tholur Grama Panchayat	4	Nil	Nil	Nil	1	Nil	1	3	3	Nil	1
15	Athirapilly Grama Panchayat	4	Nil	2	2	2	Nil	2	2	2	NA	3
16	Kodassery Grama Panchayat	4	Nil	1	1	Nil	1	1	1	1	NA	3
17	Pariyaram Grama Panchayat	4	Nil	3	3	3	Nil	2	Nil	3	NA	1
18	Melur Grama Panchayat	4	Nil	2	2	Records not maintained				2	NA	2
19	Panancheri Grama Panchayat	4	Nil	Nil	3	3	2	1	Nil	3	NA	1
20	Ollukkara Block Panchayat	4	Nil	1	NA	1	Nil	1	Nil	Nil	Nil	3
21	Puthur Grama Panchayat	4	Records not maintained									4
22	Koratty Grama Panchayat	4	Records not maintained									4
23	Kodukutty Grama Panchayat	4	Nil	2	2	2	2	2	2	2	NA	2
24	Chalakuudy Block Panchayat	4	Nil	Nil	2	1	2	2	2	1	Nil	2
25	District Panchayat, Thrissur	4	Nil	Nil	NA	1	1	1	1	1	NA	3
26	Wadakkancheri Block Panchayat	4	Nil	1	2	2	1	2	Nil	3	NA	1
27	Chalakyudy Municipality	4	Nil	2	NA	2	Nil	Nil	Nil	Nil	Nil	2
28	Guruvayur Municipality	4	Records not maintained									4
	Total	112	---	24	45	36	18	31	29	35	12	52

Appendix -XI
Approval of projects not relating to particular tier of Panchayat
(Reference: Paragraph 3.2.26)

(Rs in lakh)

Sl No	Year	Function for which the project was formulated	Tier of LSGI responsible for the discharge of the function	Name of LSGI which formulated the project	No of projects	Total outlay
1	2004-05	Drinking water project	Grama Panchayat	Chavakkad Block Panchayat	3	3.00
	2004-05	-do-	-do-	Irinjalkuda Block Panchayat	5	1.55
	2004-05	-do-	-do-	Kodkara Block Panchayat	1	1.00
	2004-05	-do-	-do-	Pazhayanoor Block Panchayat	5	4.50
	2004-05	-do-	-do-	Puzhakal Block Panchayat	1	1.80
	2004-05	-do-	-do-	Wadkkancheri Block Panchayat	1	3.00
2	2004-05	Education other than administration of Industrial Training Institute	Grama/District Panchayat	Irinjalakuda Block Panchayat	2	0.80
	2004-05	-do-	-do-	Kodungallur Block Panchayat	1	0.10
	2004-05	-do-	-do-	Mathilakam Block Panchayat	1	1.80
	2004-05	-do-	-do-	Wadakkancheri Block Panchayat	3	0.55
3	2004-05	Sports, Arts & Culture	Grama/District Panchayat	Anthikadu Block Panchayat	1	0.50
	2004-05	-do-	-do-	Kodakara Block Panchayat	1	1.10
	2004-05	-do-	-do-	Irinjalkuda Block Panchayat	2	1.50
	2004-05	-do-	-do-	Ollukkara Block Panchayat	2	1.15
	2004-05	-do-	-do-	Thalikulam Block Panchayat	1	0.25
	2004-05	-do-	-do-	Wadakkancheri Block Panchayat	1	1.50
4	2004-05	Promotion of Mulberry Cultivation	Block Panchayat	Alur Grama Panchayat	1	7.66
5	2004-05	Construction of building for Anganwadis	Grama/Block Panchayat	District Panchayat Thrissur	1	12.00
6	2004-05	Karshika mela	Block Panchayat	Annamanada Grama Panchayat	1	0.20

7	2004-05	Fodder cultivation	Grama Panchayat	Mala Block Panchayat	1	1.30
8	2004-05	Providing furniture toy etc to Nurseries and Balavadis	Grama/Block Panchayat	District Panchayat, Thrissur	1	9.26
9	2004-05	Vanilla cultivation	District Panchayat	Engandiyoor Grama Panchayat	1	1.00
	2003-04	-do-	-do-	Pariyaram Grama Panchayat	1	3.38
	2002-03	-do-	-do-	Kodassery Grama Panchayat	1	4.72
	2002-03	-do-	-do-	Athirapilly Grama Panchayat	4	6.40
	2003-04	-do-	-do-	Athirapilly Grama Panchayat	2	1.31
10	2003-04	Road work other than link road connecting two Grama Panchayats or opening up new areas	Grama Panchayat	Chalaky Block Panchayat	5	7.09
	2002-03	-do-	-do-	Wadkkancheri Block Panchayat	3	6.00
	2002-03	-do-	-do-	Ollukkara Block Panchayat	4	4.74
	2003-04	-do-	-do-	Ollukkara Block Panchayat	2	4.00
11	2003-04	Maintenance of burial and burning ground	-do-	Chalaky Block Panchayat	2	2.95
					61	96.11

Appendix -XII

Non integration of Centrally Sponsored Schemes in the Annual Plan of LSGIs
(Reference: Paragraph 3.2.28)

(Rupees in lakh)

Sl No	Name of LSGI	Total Plan Test checked	Annual plan in which no provision was made for C.S.S				Annual plans in which short provision of CSS was made				Annual plans in which excess amount was provided in plan than that in action plan				No of plans in which there was difference	Net short (+)/excess (-) in plan
			No of Plans	Amount provided in action plan	Amount provided in annual plan	Non provision in annual plan	No of plans	Amount in action plan	Amount provided in the annual plan	Short provision in annual plan	No of plans	Amount included in action plan	Amount included in annual plan	Excess amount included in annual plan		
01	Adat Grama Panchayat	5	---	---	---	---	2	21.25	18.99	2.26	3	28.85	31.97	3.12	5	(-)0.86
02	Avanur Grama Panchayat	5	2	20.87	---	20.87	2	46.61	26.86	19.75	---	---	---	---	4	40.62
03	Erumapetty Grama Panchayat	4	1	19.91	---	19.91	2	21.14	15.48	5.66	---	---	---	---	3	25.57
04	Kaiparambu Grama Panchayat	4	---	---	---	---	3	34.64	13.48	21.16	---	---	---	---	3	21.10
05	Kolazhy Grama Panchayat	5	---	---	---	---	2	15.66	13.93	1.73	1	11.19	12.12	0.93	3	0.80
06	Madakkathara Grama Panchayat	5	1	4.12	---	4.12	1	8.19	6.89	1.30	---	---	---	---	2	5.42
07	Mulankunnathukavu Grama Panchayat	5	---	---	---	---	4	36.03	24.94	11.09	1	6.53	7.79	1.26	5	9.83
08	Mullurkara Grama Panchayat	2	---	---	---	---	2	19.01	14.22	4.79	---	---	---	---	2	4.79
09	Nadathara Grama Panchayat	5	---	---	---	---	---	---	---	---	2	10.67	15.35	4.68	2	(-)4.68
10	Thekkumkara Grama Panchayat	5	1	5.80	---	5.80	1	14.35	8.94	5.41	2	22.92	29.73	6.81	4	4.40
11	Wadakkancheri Grama Panchayat	4	---	---	---	---	1	13.48	8.93	4.55	3	68.33	70.72	2.39	4	2.16

12	Arimbur Grama Panchayat	1	---	---	---	---	---	---	---	---	1	19.85	21.07	1.22	1	(-)1.22
13	Tholur Grama Panchayat	5	---	---	---	---	4	36.30	19.71	16.59	1	12.86	14.66	1.80	5	14.79
14	Pariyaram Grama Panchayat	5	---	---	---	---	2	16.39	12.99	3.40	---	---	---	---	2	3.40
15	Melur Grama Panchayat	4	1	8.48	---	8.48	3	45.67	27.11	18.56	---	---	---	---	4	27.04
16	Kodassery Grama Panchayat	4	1	20.44	---	20.44	2	57.16	33.14	24.02	---	---	---	---	3	44.46
17	Athirapally Grama Panchayat	5	2	40.40	---	40.40	3	35.79	19.07	16.72	---	---	---	---	5	57.12
18	Koratty Grama Panchayat	5	---	---	---	---	2	15.31	11.18	4.13	3	28.38	40.83	12.45	5	(-)8.32
19	Kadukutty Grama Panchayat	5	---	---	---	---	5	63.99	31.81	32.18	---	---	---	---	5	32.18
20	Chalakydy Block Panchayat	3	1	132.43	---	132.43	2	282.35	99.47	182.88	---	---	---	---	3	315.31
21	District Panchayat, Thrissur	4	1	273.96	---	273.96	3	683.56	49.79	633.77	---	---	---	---	4	907.73
22	Chalakydy Municipality	4	2	56.28	Nil	56.28	1	55.60	9.25	46.35	1	16.17	20.70	4.53	4	98.10
23	Puthur Grama Panchayat	5	2	66.38	Nil	66.38	3	51.85	33.32	18.53	---	---	---	---	5	84.91
24	Pananchery Grama Panchayat	5	---	---	---	---	5	80.11	64.10	16.01	---	---	---	---	5	16.01
		104	15	649.07	---	649.07	55	1654.44	563.60	1090.84	18	225.75	264.94	39.19		

Appendix -XIII
Formulation of joint venture projects by LSGIs without ensuring provision made by participating LSGIs
(Reference: Paragraph 3.2.43)

(Rupees in lakh)

Sl No	Name of implementing LSGI	Year of plan	Name of Project	Participating LSGI & share of participating LSGI				Amount provided in lakh of participating LSGI	Short provision made by participating LSGI
				Total outlay	Share of implementing LSGI	Name	Amount		
1	Arimbur Grama Panchayat	2004-05	Extension of pipe line	1.55	---	District Panchayat, Thrissur	1.55	Nil	1.55
2	Avinissery Grama Panchayat	2004-05	Boatjetty lift irrigation project	8.61	5.78	District Panchayat, Thrissur	2.83	Nil	2.83
	-do-	2004-05	Boatjetty irrigation Reinstallation of transformer	0.22		District Panchayat, Thrissur	0.22	Nil	0.22
3	Kaiprambu Grama Panchayat	2004-05	Anganwadi building ward 8	1.25	0.31	Puzhakkal Block Panchayat	0.94	Nil	0.94
4	Karalam Grama Panchayat	2004-05	Asraya project	6.55	5.55	Irinjalakuda Block Panchayat	1.00	Nil	1.00
5	Kattoor Grama Panchayat	2004-05	Solid Waste processing plant	8.00	1.50	District Panchayat, Thrissur	6.50	Nil	6.50
6	Kodakara Grama Panchayat	2004-05	Asraya Project	7.98	6.19	District Panchayat , Thrissur	1.72	Nil	1.72
						Kodakara Block Panchayat	0.07	Nil	0.07
	Kodakara Grama Panchayat	2004-05	Construction of house for SC	8.00	3.60	Kodakara Block Panchayat	4.40	Nil	4.40
	-do-	2004-05	Pulipara-Thottachira Road	2.50	1.15	Kodakara Block Panchayat	1.35	Nil	1.35

7	Kodassery Grama Panchayat	2004-05	Karampan Kudikkunnu Drinking Water Project	2.36	1.25	District Panchayat, Thrissur	1.11	Nil	1.11
8	Muriyad Grama Panchayat	2004-05	Construction of cattle shed	0.64	0.36	District Panchayat, Thrissur	0.28	Nil	0.28
9	Orumanayur Grama Panchayat	2004-05	Solid Waste Management	1.51	0.51	District Panchayat, Thrissur	1.00	Nil	1.00
10	Panancheri Grama Panchayat	2004-05	Baby friendly toilet for Anganwadis No 48& 68	0.10	0.03	Ollukkara Block Panchayat	0.07	Nil	0.07
11	Paralam Grama Panchayat	2004-05	Asraya Project	2.22	2.18	District Panchayat, Thrissur	0.02	Nil	0.02
						Cherpu Block Panchayat	0.02	Nil	0.02
12	Pariyaram Grama Panchayat	2004-05	Pig breeding unit	1.01	0.43	District Panchayat, Thrissur	0.58	Nil	0.58
13	Pavaratty Grama Panchayat	2004-05	Construction of comfort station	3.05	1.45	District Panchayat, Thrissur	1.60	Nil	1.60
	-do-	2004-05	Facilities to play ground	7.00	6.00	District Panchayat, Thrissur	1.00	Nil	1.00
14	Poomangalam Grama Panchayat	2004-05	Maintenance of school	1.25	0.60	District Panchayat, Thrissur	0.65	Nil	0.65
15	Porkulam Grama Panchayat	2004-05	Baby friendly latrine	0.25	0.21	Chowannur Block Panchayat	0.04	Nil	0.04
16	Punnayur Grama Panchayat	2004-05	Latrine to fishermen	2.00	1.30	Chavakkad Block Panchayat	0.35	Nil	0.35
						District Panchayat, Thrissur	0.35	Nil	0.35
	-do-	2004-05	Construction of latrine (general)	4.00	2.60	District Panchayat, Thrissur	0.70	Nil	0.70
						Chavakkad Block Panchayat	0.70	Nil	0.70

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	-do-	2004-05	Construction of latrine (SCP)	2.00	1.30	Chavakkad Block Panchayat	0.35	Nil	0.35
						District Panchayat, Thrissur	0.35	Nil	0.35
17	Puthur Grama Panchayat	2004-05	Baby friendly toilet for Anganvadis No 84&118	0.10	0.03	Ollukkara Block Panchayat	0.07	Nil	0.07
18	Sreenarayanpuram Grama Panchayat	2004-05	Purchase of land for solid waste management	14.90	1.40	District Panchayat, Thrissur	13.50	Nil	13.50
19	Vallatholnagar Grama Panchayat	2004-05	Baby friendly latrine	0.40	0.16	Pazhayannur Block Panchayat	0.24	Nil	0.24
	-do-	2004-05	Cosntruction of house (SCP)	11.00	8.52	Pazhayanoor Block Panchayat	2.48	Nil	2.48
20	Varandarpilly Grama Panchayat	2004-05	Village Market	18.00	15.00	Kodakara Block Panchayat	3.00	Nil	3.00
	-do-	2004-05	Construction of house (SCP)	12.50	5.63	Kodakara Block Panchayat	6.87	Nil	6.87
21	Vellangallur Grama Panchayat	2004-05	Asraya Project	42.08	22.08	District Panchayat, Thrissur	10.00	Nil	10.00
						Vellangallur Block Panchayat	10.00	Nil	10.00
22	Velurkara Grama Panchayat	2004-05	Paniyod-Puthop Road	2.35	1.50	Vellangallur Block Panchayat	0.85	Nil	0.85
	-do-	2004-05	Kallumkunnu ST Colony well renovation	0.62	0.43	Vellangallur Block Panchayat	0.19	Nil	0.19
	Total			174.00	97.05		76.95	---	76.95

Appendix -XIV
PROFILE OF GRAMA PANCHAYAT
(Reference: Paragraph 3.3.4)

Sl. No. / Vol.I	Name of the Grama Panchayat	Grade	No. of wards	Blocks in which the Grama Panchayat belongs	Area Sq. Km.	Population	SC/ST	Total no. of houses
1	Karuvatta G.P	First	12	Harippad	17.68	23492	1648/47	5204
2	Harippad G.P	First	10	Harippad	9.56	15621	-	3754
3	Veeyapuram G.P	First	10	Harippad	5.4	25640	2732	4082
4	Cheriyamad G.P	Special	10	Chengannur	14	22230	31165	6590
5	Budhannur G.P	First	10	Chengannur	12.92	17469	3525/25	5645
6	Mannar G.P	Special	15	Chengannur	17.55	32281	3152/58	6881
7	Chettikulangara G.P	Special	17	Mavelikkara	20.45	43177	5550/150	10,000
8	Thekkekara G.P	First	15	Mavelikkara	20	31747	5366	8578
9	Chennithala G.P	First	15	Mavelikkara	22.26	28981	3836/2	7703
10	Mannancherry G.P	Special	20	Aryad	34.52	47486	2759/39	10815
11	Aryad G.P	First	13	Aryad	6.87	28091	794/58	6495
12	Thannermukkom G.P	Special	14	Kanjikuzhi	31.44	41176	615/127	9491
13	Pattanakkad G.P	First	15	Pattanakkad	15.34	31546	1613	7636
14	Vayalar G.P	First	12	Pattanakkad	14.5	24216	2377/88	5542
15	Purakkad G.P	First	15	Ambalapuzha	23.19	29431	-	8122
16	Muhamma G.P	First	12	Kanjikuzhi	26.76	24524	1116/24	5847
17	Mararikulam North G.P	First	11	Kanjikuzhi	16.97	29101	1889/145	6781
18	Punnapra North G.P	First	13	Ambalapuzha	14.3	26964	-	6094
19	Ambalapuzha Thekku G.P	First	13	Ambalapuzha	13.29	22597	1197/24	4970
20	Edathua G.P	Special	12	Champakulam	22.29	20929	2050/426	5248
21	Thalavadi G.P	First	10	Champakulam	15.76	26173	942	7039
22	Cheppard G.P	First	11	Muthukulam	12.67	19936	1917/4	4486
23	Muthukulam G.P	First	11	Muthukulam	11.58	21181	1986/20	5211
24	Chunakara G.P	First	12	Bharanikavu	17.32	23437	3352/Nil	5451
25	Palamel G.P	Special	15	Bharanikavu	25.60	31916	-	7715
Total			323		442.22	689342		165380

**Appendix -XV
FINANCIAL OUTLAY (2000-2005)
(Reference: Paragraph 3.3.4 & 3.3.6)**

(Rupees in lakh)

Sl. No	Name of Grama Panchayat	2000-01			2001-02			2002-03			2003-04			2004-05		
		Receipt	Expr.	Balance	Receipt	Expr.	Balance									
1.	Karuvatta G.P	37.62	24.51	13.11	63.20	25.28	37.92	85.80	28.01	57.79	77.29	73.79	3.50	52.84	38.87	13.97
2.	Harippad G.P	38.05	29.91	8.14	30.37	19.92	10.44	45.34	23.91	21.43	70.77	70.77	Nil	38.43	35.90	2.53
3.	Veeyapuram G.P	32.06	27.69	4.37	24.29	11.87	12.42	48.76	10.99	37.77	51.48	50.82	0.66	40.48	38.45	2.03
4.	Cheriyamad G.P	97.16	93.78	3.38	82.61	66.67	15.94	62.89	20.51	42.38	66.63	74.91	(-) 8.28	52.86	52.48	0.38
5.	Budhannur G.P	37.77	35.00	2.77	29.86	7.38	22.48	69.09	9.20	59.89	66.70	64.96	1.74	52.74	33.74	19.00
6.	Mannar G.P	46.91	40.23	6.68	38.95	30.63	8.32	61.19	32.75	28.44	138.16	80.92	57.24	68.79	47.81	20.98

7.	Chettikulangara G.P	77.70	60.35	17.35	83.91	39.67	44.24	105.51	65.60	39.91	148.77	87.49	61.28	89.60	71.16	18.44
8.	Thekkekara G.P	51.52	38.43	13.09	22.93	15.99	6.94	31.68	12.07	19.61	101.08	93.70	7.38	80.49	75.69	4.80
9.	Chennithala G.P	48.29	44.65	3.64	40.30	15.27	25.03	119.98	46.20	73.78	156.80	73.23	83.57	72.84	39.33	33.51
10.	Mannancherry G.P	91.44	69.48	21.96	76.41	25.35	51.06	134.58	55.34	79.24	126.69	123.25	3.44	93.60	93.40	0.20
11.	Aryad G.P	-	-	-	30.06	22.72	7.34	52.39	31.99	20.40	84.30	79.36	4.94	49.54	44.97	4.57
12.	Thannerukkum G.P	95.72	62.05	33.67	78.56	38.22	40.34	98.59	61.44	37.15	107.76	100.89	6.87	83.70	67.58	16.12

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13.	Pattanakad G.P	66.55	50.79	15.76	54.24	20.52	33.72	96.18	-	-	96.71	81.28	15.43	69.29	51.54	17.75
14.	Vayalar G.P	90.71	73.21	17.50	29.18	17.68	11.50	49.45	24.04	25.41	70.28	57.20	13.08	55.18	47.87	7.31
15.	Purakkad G.P	66.45	41.14	25.31	66.34	45.70	20.64	85.18	53.73	31.45	135.02	123.52	11.50	76.65	67.96	8.69
16.	Muhamma G.P	44.49	42.53	1.96	30.68	23.03	7.65	50.67	27.21	23.46	85.62	70.22	15.40	48.35	47.78	0.57
17.	Mararikulam North G.P	57.34	50.06	7.28	43.07	18.81	24.26	100.68	26.55	74.13	156.06	97.96	58.10	63.97	48.43	15.54
18.	Punnappra North G.P	-	-	-	36.86	17.17	19.69	67.40	24.77	42.63	75.69	75.69	Nil	52.25	32.79	19.46
19.	Ambalapuzha Thekku G.P	89.00	69.97	19.03	49.49	26.51	22.98	70.78	36.18	34.60	102.17	71.32	30.85	-	-	-

20.	Edathua G.P	53.13	48.45	4.68	40.46	18.97	21.49	79.54	41.02	38.52	82.08	82.77	(-)0.69	73.35	49.11	24.24
21.	Thalavadi G.P	55.80	43.83	11.97	33.55	28.15	5.40	72.08	22.42	49.66	77.50	66.74	10.76	60.54	50.15	10.39
22.	Cheppad G.P	46.06	17.76	28.30	47.08	24.51	22.57	78.73	25.67	53.06	66.65	62.33	4.32	52.64	43.19	9.45
23.	Muthukulam G.P	31.49	23.55	7.94	26.20	13.81	12.39	83.47	22.74	60.73	101.20	48.64	52.56	45.40	25.19	20.21
24.	Chunakara G.P	45.70	38.08	7.62	39.48	19.03	20.45	69.52	27.73	41.79	71.90	70.80	1.10	55.52	43.57	11.95
25.	Palamel G.P	63.07	55.53	7.54	50.19	21.02	29.17	-	39.54	-	150.97	110.36	40.61	-	-	-
	Total	1364.03	1080.98	283.05	1148.27	613.88	534.39	1819.48	769.61	993.23	2468.28	1992.92	475.36	1429.05	1146.96	282.09

Appendix –XVI
(Reference: Paragraph 3.3.6 & 3.3.7)

DETAILS OF WATER SUPPLY SCHEMES

(Amount in Rupees)

Sl. No	Name of Grama Panchayat	2000-01		2001-02		2002-03		2003-04		2004-05	
		No. of WSS	Cost	No. of WSS	Cost						
1.	Karuvatta G.P	1	76,262	-	-	1	2,38,850	1	19,95,192	-	-
2.	Harippad G.P	-	-	2	1,94,627	-	-	-	-	-	-
3.	Veeyapuram G.P	-	-	1	1,58,211	-	-	-	-	-	-
4.	Cheriyamad G.P	1	1,80,000	-	-	-	-	-	-	-	-
5.	Budhannur G.P	-	-	-	-	-	-	-	-	-	-
6.	Mannar G.P	-	-	-	-	-	-	1	1,50,200	1	3,08,494
7.	Chettikulangara G.P	-	-	1	50,000	1	2,00,000	1	50,000	1	1,50,000
8.	Thekkekkara G.P	-	1,46,250	-	57,750	-	-	1	2,90,000	1	3,49,619
9.	Chennithala G.P	-	-	-	-	-	-	1	12,00,000	-	-
10.	Mannancherry G.P	5	3,66,486	2	93,672	3	2,00,000	4	9,05,048	-	-
11.	Aryad G.P	-	-	-	-	-	-	1	4,50,000	-	-
12.	Thannermukkom G.P	3	2,01,600	3	2,09,600	1	94,500	3	2,61,000	3	1,16,700
13.	Pattanakkad G.P	-	-	-	-	-	-	-	-	1	5,00,000
14.	Vayalar G.P	1	50,000	8	5,89,843	2	212,000	-	-	1	2,50,000
15.	Purakkad G.P	-	-	-	-	-	-	1	3,00,000	-	-
16.	Muhamma G.P	1	3,50,000	-	-	-	-	-	-	-	-
17.	Mararikulam North G.P	2	2,00,000	2	90,000	2	36,000	3	2,56,000	1	30,000
18.	Punnapra North G.P	-	-	-	-	1	50,000	-	-	1	50,000
19.	Ambalapuzha Thekku G.P	12	1,51,000	-	-	-	-	1	5,28,500	1	4,50,000
20.	Edathua G.P	2	1,48,804	-	-	-	-	10	3,84,230	1	25,000
21.	Thalavadi G.P	-	1,72,382	-	4,11,765	-	-	-	-	-	-
22.	Cheppad G.P	-	-	1	10,000	-	-	-	-	2	91,315
23.	Muthukulam G.P	-	-	-	-	1	95,000	1	30,000	1	1,05,000
24.	Chunnakkara G.P	3	2,16,898	-	-	-	-	-	-	1(Jeevandhara)	6,11,000
25.	Palamel G.P	-	-	1	72,000	2	1,13,000	2	3,64,700	4	2,98,000
	TOTAL	31	22,59,682	21	19,37,468	14	12,39,350	31	71,64,870	20	33,35,128

**Appendix -XVII
(Reference: Paragraph 3.3.8)**

DETAILS OF SAFE DRINKING WATER FACILITY

Sl. No	Name of Grama Panchayat	Population	Total No. of houses	No. of houses having open wells/Bore wells	No. of houses having domestic connection	No. of street taps	No. of houses without drinking water facility	No. of Public wells	No. of Public bore wells
1.	Karavatta G.P	21532	5204	2794/486	487	264	1437	58	7
2.	Harippad G.P	15621	3754	2324/1	173	137	431	38	-
3.	Veeyapuram G.P	25640	4082	-	-	-	758	-	-
4.	Cheriyamad G.P	22230	6590	5495/10	1225	126	270	25	-
5.	Budhannur G.P	17469	5645	2827/1	-	Nil	1268	50	-
6.	Mannar G.P	32281	6881	6075/2	-	Nil	760	15	-
7.	Chettikulan-gara G.P	43177	10000	7050/50	-	200	500	50	
8.	Thekkekara G.P	31747	8578	4860/4	-	175	2144	60	
9.	Chennithala G.P	28981	7703	3888/1	-	23	1985	48	
10.	Mannan-cherry G.P	47486	10815	4147/4265	85	287	2817	20	
11.	Aryad G.P	28091	6495	3142/2110	1029	210	614	14	
12.	Thannermukkom G.P	41176	9491	4045	319	280	2500	45	
13.	Pattanakkad G.P	31546	7636	64	91	430	5124	64	
14.	Vayalar G.P	24216	5542	830/1386	134	231	3602	43	
15.	Purakkad G.P	29431	8122	728/1605	1568	859	85	168	
16.	Muhamma G.P	24524	5847	1090/100	31	42	2238	75	
17.	Mararikulam North G.P	29101	6781	4522/1740	1	1250	1750	52	-
18.	Punnapra North G.P	26964	6094	12/Nil (private wells not known)	620	653	1600	12	Nil
19.	Ambalapuzha Thekku G.P	22593	4970	572/1214	1531	250	-	39	-
20.	Edathua G.P	20929	5248	724/36	-	364	2410	24	Nil
21.	Thalavadi G.P	26173	7039	2450/326	-	359	4639	50	-

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22.	Cheppad G.P	20250	4486	3862	280	189	624	420	
23.	Muthukulam G.P	21181	5211	3800	681	152	265	16	
24.	Chunnakkara G.P	23437	5451	-	-	300	780	127	
25.	Palamel G.P	31916	7715	6100	-	Nil	-	110	
	Total	687692	165380	71401/13337	8255	6781	38601	1623	7