

**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2006-2008)**

**FIFTH REPORT**

(Presented on 18th October, 2006)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2006

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**On**

**Paragraphs relating to Housing Department, contained in the Reports  
of the Comptroller and Auditor General of India for the years  
ended 31 March 1995 No. 3 (Civil), 31 March 1996 No. 3 (Civil),  
31 March 2000 (Civil) and 31 March 2001 (Civil)**

1023/2006.

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COMMITTEE ON PUBLIC ACCOUNTS (2006-2008)

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Smt. M. T. Eleykutty, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Fifth Report on paragraphs relating to Housing Department contained in the Reports of the Comptroller and Auditor General of India for the years ended 31 March 1995 No. 3 (Civil), 31 March 1996 No. 3 (Civil), 31 March 2000 (Civil) and 31 March 2001 (Civil).

The Reports of the Comptroller and Auditor General of India for the years ended 31 March 1995 No. 3 (Civil), 31 March 1996 No. 3 (Civil), 31 March 2000 (Civil) and 31 March 2001 (Civil) were laid on the Table of the House on March 19, 1996, March 24, 1997, July 2, 2001 and March 15, 2002 respectively.

The Committee considered and finalised this Report at the meeting held on October 11, 2006.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,  
18th October, 2006.

ARYADAN MUHAMMED,  
*Chairman,*  
*Committee on Public Accounts.*

## REPORT

### HOUSING DEPARTMENT

#### AUDIT PARAGRAPH

#### *Avoidable payment of interest*

In February 1986, the Superintending Engineer, Central Public Works Department (CPWD), Thiruvananthapuram Central Circle enquired whether the Kerala State Housing Board (Board) would be able to allot 21.85 hectares of land in one plot or in two or three chunks preferably at Nettayam, Mannarakonam and Vattiyoorkavu for constructing Central Government offices-cum-residential complex. The Board informed (March 1986) CPWD that 5.97 hectares of land could be handed over within 6 months and another 18.21 hectares within one year. In May 1986, CPWD requested the Board to acquire and hand over 15.78 hectares of land immediately for implementing their project and made advance payment of Rs. 132.43 lakhs (August 1986—Rs. 20 lakhs, March 1987—Rs. 100.43 lakhs and March 1988—Rs. 12 lakhs).

Following a notification issued in September 1985 under the Land Acquisition (Amendment) Act, 1984 proposing to acquire 5.1256 hectares of land in Randamada Village in Thiruvananthapuram Taluk, 3.2082 hectares of land was taken in advance possession on 20 August 1987 by making advance payment of Rs.15 lakhs to the land owners. The land was handed over to the CPWD on the same day.

On getting Detailed Valuation Statement, approved by the District Collector in December 1987, the Special Tahsildar, Land Acquisition (LAO), prepared (February 1988) 2 draft awards for the total amount of Rs. 76.45 lakhs (Rs.51.07 lakhs for 3.2082 hectares and Rs.25.38 lakhs for 1.9174 hectares), reckoning interest up to the end of February 1988 and requested the Board to provide the balance amount of Rs.61.45 lakhs (deducting advance payment of Rs. 15 lakhs made in August 1987). The award of Rs. 51.07 lakhs for 3.2082 hectares, taken in advance possession in August 1987, had gone to Rs. 52.84 lakhs in September 1988 when fund was provided by the Board. Similarly the award of Rs. 25.38 lakhs for 1.9174 hectares had risen to Rs. 26.02 lakhs in June 1988 when fund for full payment was made available by the Board.

Delay on the part of the Board in placing funds in time at the disposal of LAO, especially when the CPWD had already made advance payment of Rs.120.43 lakhs to the Board till March 1987, had thus resulted in avoidable payment of interest of Rs.2.41 lakhs.

Government stated (June 1995) that the delay on the part of the Board in placing the fund in time was due to remittance of fund in 4 instalments by CPWD. The reply of Government was not tenable as the amount required for acquisition of land was made available by CPWD as early as in March 1987.

[Paragraph 7.7 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995, No. 3 (Civil)].

Note furnished by Government on the audit paragraph is included as Appendix II.

When enquired about the delay in making payment for land acquisition, the witness, Principal Secretary, Housing Department replied that the delay was due to the financial crisis faced by the Kerala State Housing Board (KSHB). The various housing schemes taken up by the Board had been financed by the loans availed from financial institutions especially HUDCO. The Government subsidy was very meagre. The repayment of loan was entirely dependent on the returns from the beneficiaries of the scheme. When the public delayed the repayment, the Board had to divert money from other sources and that situation continued up to 2001. Besides, under the KSHB Act, whatever money received by the Board had to be credited into the General Pool account and all types of expenditure had to be met from that account. This accounting system was also a reason for diversion of fund. Thus there was not enough money with the Board for effecting payments as part of the money paid by the CPWD for the purpose of acquisition was used for other expenses.

2. The Committee enquired whether the Board had formulated any safety measures to prevent such financial crisis. The witness, Deputy Chief Engineer, KSHB informed that in 2001, there had been a loan default of Rs.59.51 crores and in that situation Escrow account was opened by the Board as per the Memorandum of Understanding signed with HUDCO to facilitate prompt repayment of HUDCO loans. All money received by Board were normally pooled into that account and the repayment was effected from the Escrow account as per the repayment schedule. As such the Committee was informed that no repayment default was there since 2001.

3. Then the Principal Secretary, Finance Department informed that though the repayment was claimed to be prompt, the problem was not easy to solve, as there was an arrear amount of about 1200 crores. The rescheduled interest alone amounted to nearly 120 crores. Government was paying a part of the arrear amount. The Committee directed the witness to furnish details about the total accumulated arrears to be received from the beneficiaries and those to be paid to the financial institutions.

4. The Committee enquired whether the Finance Department had issued directions against the diversion of fund. The witness, Principal Secretary, Finance Department replied that diversion of fund was maximum in the Maithri Housing Scheme and that the repayment of loans would not be prompt if the funds were thus diverted. He added that the Finance Inspection Wing had made an inspection as per Government direction and that it was decided to take necessary steps for improving the situation. He opined that the starting of Escrow account was of much help in solving the issue to some extent.

5. When the Committee enquired whether amending the provision of the Act which stipulate the General Pool accounting, would be a solution to the problems being faced in the financial transactions of the Board, the witness (Principal Secretary, Finance) replied that the same would not serve the desired effect.

#### **Conclusions/Recommendations**

6. **The Committee finds that the Kerala State Housing Board had to pay an amount of Rs.2.14 lakhs as interest for belated payment of land value to the owners of the land acquired for CPWD even though the CPWD had paid the entire amount for land acquisition in advance. The Committee understands that the main reason for the inability of the Kerala State Housing Board in payment of land value in time was the diversion of funds received by them for purposes other than the envisaged ones. The Committee is given to understand that this diversion of funds is going on for a long time and the reason attributed by the Board for this diversion is that as per the Kerala State Housing Board Act all the funds received by the Board from different agencies for different projects are pooled into a common account and is treated as the revenue of the Board and all its expenditure is met from it. The Committee points out that this explanation of the Board is not tenable. The Committee feels that a total restructuring of the accounting system followed in Kerala State Housing Board should be done, so that all loopholes enabling diversion of funds could be successfully plugged and it could be ensured that funds ear-marked for specific schemes are spent on those schemes only.**

AUDIT PARAGRAPH

#### ***Reconstruction of houses damaged by floods/cyclone during October/November 1992.***

A scheme for reconstruction of 31520 houses fully damaged by floods/ cyclone in October/November 1992 in Kerala was sanctioned by Government of India in August 1993. The cost of construction was Rs.15,000 per house and

the total outlay of Rs.47.29 crores was to be met by loan from Housing and Urban Development Corporation (HUDCO) (Rs.18.91 crores) and Central and State Government subsidies (Rs.14.19 crores each). The nodal agency for implementing the programme was Kerala State Housing Board (KSHB). The scheme was implemented through the District Collectors of 14 districts. The following points were noticed in the implementation of the scheme.

While approving the financial package for the construction of 31520 houses at a total cost of Rs.47.29 crores, Government of India required the State Government to formulate specific schemes/projects for reconstruction of the damaged houses and forward the same to HUDCO for sanction of loan and Central subsidy. The Disaster Housing Scheme submitted by KSHB earlier was suitably modified by HUDCO in line with the financial package sanctioned by Government of India and HUDCO wanted (September 1993) the KSHB to submit revised application accordingly. Specific sanction for the scheme was issued by State Government only in March/June 1994. The district-wise targets were fixed by State Government only in August 1994 i.e., after the receipt of Rs.8.30 crores (paid by HUDCO in March 1994). It was seen that the district-wise targets as indicated by HUDCO and those fixed by State Government varied considerably as indicated below:

<i>District</i>	<i>Target indicated by HUDCO</i>	<i>Target fixed by Government in August 1994</i>
Thiruvananthapuram	4400	11521
Kollam	4400	3804
Kottayam	4400	3140
Pathanamthitta	2971	1502
Alappuzha	4400	2970
Idukki	549	2857
Ernakulam	..	298
Thrissur	2200	166
Palakkad	..	605
Malappuram	2000	573
Kozhikode	..	297
Wayanad	2200	2490
Kannur	2000	101
Kasaragod	2000	1196
Total	31520	31520

The financial assistance for the reconstruction of the houses was sanctioned by the District Collector based on applications received from the flood affected persons duly verified by the Village Officer/Tahsildar. The district-wise details of number of applications received, number of cases sanctioned, etc., as of March 1996 were as under:

<i>District</i>	<i>Number of applications received</i>	<i>Number of houses sanctioned</i>	<i>Number of houses constructed</i>	<i>Number of houses under construction</i>	<i>Number of houses abandoned</i>
Thiruvananthapuram	4484	3384	310	2369	705
Kollam	1000	354	..	354	..
Kottayam	NA	654	..	582	72
Alappuzha	NA	1989	..	1989	..
Pathanamthitta	869	869	442	427	..
Idukki	68	24	..	24	..
Ernakulam	..	..	..	..	..
Thrissur	NA	88	..	75	13
Palakkad	5	..	..	..	..
Malappuram	511	444	2	376	66
Wayanad	1396	1357	510	847	..
Kozhikode	297	276	11	265	..
Kannur	16	16	6	10	..
Kasaragod	16	16	12	4	..
Total		9471	1293	7322	856

No houses were constructed in Ernakulam and Palakkad districts eventhough targets of construction of 298 and 605 houses respectively were determined for these districts.

The pattern of assistance was determined at Rs.6000 as loan with 13.5 per cent interest from HUDCO and Rs.4500 each as subsidy from Central and State Governments. The HUDCO released a loan of Rs.11.11 crores during 1993-94 and 1994-95. The subsidy of Government of India amounting to Rs.8.33 crores was also released through HUDCO. The State Government subsidy of Rs.14.18 crores was released in February 1995 (Rs.4.50 crores) and January 1996 (Rs.9.68 crores). As the houses sanctioned were only 9471, for which a loan of

Rs. 5.68 crores only was needed the KSHB availed loan of Rs. 11.11 crores till March 1995. The amount of loan drawn by KSHB in excess of its actual requirement was Rs. 5.43 crores. The interest payable for this excess amount at the rate of 13.5 per cent amounted to Rs. 73.31 lakh annually, and Rs. 73.31 lakhs had already become due for 1995-96. Eventhough the State subsidy for 9471 houses was Rs.4.26 crores only, withdrawal of Rs.9.68 crores in January 1996 was ostensibly to avoid lapse of budget provision.

Out of Rs. 33.62 crores paid to the KSHB, (1993-94 : Rs. 8.30 crores, 1994-95 : Rs. 15.64 crores, 1995-96 : Rs. 9.68 crores) KSHB passed on only Rs. 14.88 crores to the District Collectors as of March 1996. The balance of Rs. 18.74 crores was retained by the KSHB. Out of the amount of Rs. 14.88 crores paid to the District Collectors, Rs. 7.23 crores (49 per cent) was released to the beneficiaries.

The matter was referred to Government in May 1996; reply had not been received (August 1996).

[Paragraph 7.10 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1996, No.3 (Civil)]

Note furnished by Government on the audit paragraph is included as Appendix II.

7. In reply to the Committee's enquiry about the scheme for the reconstruction of houses damaged by floods/cyclone during October/November 1992, the witness informed that an amount of Rs.3362.15 lakhs had been given to the KSHB by various agencies, for the implementation of the scheme. HUDCO had granted Rs.1110.90 lakhs. Central and State subsidy had been Rs.833.25 lakh and Rs.1418 lakh respectively. As the Board could not utilise the whole amount, Rs.5.10 crores had been diverted to the Maithri Scheme. The Government had not yet ratified the action.

8. The Committee pointed out the discrepancy in the statement of RMT, regarding the figures shown as the Central subsidy. The witness clarified that though Rs. 14 crores had been sanctioned as Central subsidy, only Rs. 8.33 crores had been released and that had been through HUDCO. Only the State subsidy provided in the budget had been fully availed. On enquiry whether the rest of the subsidy had lapsed, the witness replied in the affirmative. Out of the amount of Rs. 33.62 crores, Rs.26.90 had been utilised for 18,856 houses in the scheme. Balance amount had been diverted for other purposes by the Board. The Board maintained the stand that the scheme being a continuous one, there was no irregularity in the diversion of money. The Committee did not accept the view. The scheme for reconstruction of houses damaged by floods/cyclone was to be finished within 2 years.

9. The witness then informed that the scheme had been implemented through the District Collectors. The selection of the beneficiaries and sanctioning of loans were done by the District Collectors. Housing Board released money, according to requisition. As per the Collectors' report, the scheme had ended in 1997 and 18, 856 houses had been sanctioned. The Committee pointed out the discrepancy regarding the number of beneficiaries given in the RMT Statement and the reply furnished by the witness. The Committee expressed dissatisfaction over the irresponsible attitude of the witnesses towards the Committee. The witness was then directed to furnish a report showing the latest position regarding the number of houses sanctioned, completed and to be completed. The Committee also desired to get the disbursement details specifying the number of houses for which one instalment had been distributed, two instalments had been distributed etc.

#### **Conclusions/Recommendations**

10. **The Committee understands that the KSHB had diverted an amount of Rs. 5.10 crores out of the State subsidy of Rs. 14.18 crores released for the scheme for reconstruction of houses damaged by floods/ cyclone during October, November 1992. This diversion was unauthorised without obtaining Government sanction. The Committee observes that diversion of funds without the concurrence of Government is highly irregular and should be viewed very seriously. The Committee recommends that action should be taken against those responsible for the diversion and the details of action taken should be intimated to the Committee.**

11. **The Committee notes with serious concern that the written reply furnished by the Housing Department and the evidence tendered by the witness from the Housing Board differ on many points. In the written reply the Housing Department had informed the Committee that 31,520 houses was sanctioned under the scheme and the total expenditure was 2826.75 lakhs. But as per the evidence given before the Committee it was submitted that the number of Houses sanctioned under the scheme was curtailed to 18,856 out of which only 18,511 were completed and the total expenditure incurred was only Rs.26 crores. The Committee suspects the genuineness of the evidence, both written and oral given before the Committee and expresses its displeasure over the casual attitude of Government in giving evidence to a statutory Legislative body. The Committee, wants to be informed of the correct data regarding the scheme viz, the total number of houses constructed under the scheme, the actual amount received for the scheme—both loans and subsidies—the number of houses yet to be completed, the actual balance retained and diverted by the KSHB etc. The Committee desires to be furnished with the data invariably within two months of presentation of this Report.**

## AUDIT PARAGRAPH

***Mis-utilisation of Government subsidy and retention of unspent balance***

Government of Kerala sanctioned (October 1988) Rehabilitation Housing Scheme (Phase III) for economically weaker sections of society. The estimated cost of construction of each house was Rs. 9000, consisting of Rs. 7500 as loan from Kerala State Housing Board, (KSHB) to be recovered in 180 equal monthly instalments, and Rs. 1500 by way of subsidy to be shared equally by Government and the local body at the rate of Rs.750 each. The loan was to be released in 3 instalments and subsidy was to be paid along with the third instalment of the loan.

During September 1989 to March 1991, Government released Rs.70 lakh to District Collector, (DC) Malappuram towards payment of subsidy without assessing the number of beneficiaries. An amount of Rs. 6.25 lakh was also received from the District Council, Malappuram.

As against the requirement of Rs. 35.54 lakh for payment of subsidy to 4739 selected beneficiaries in four Taluks of the District, an amount of Rs. 56.32 lakh was distributed (September 1989 to March 1991) among the four Tahsildars resulting in excess allotment of Rs.20.78 lakh. The balance amount of Rs. 19.93 lakh was deposited in a Treasury Public Account held by the DC. Based on an order (March 1990) from the Commissioner and Secretary to Government, Housing Department, the excess amount provided to the Tahsildars was diverted for making payment of loan instalments. The collections towards recoveries of loan made from the beneficiaries were remitted to the account of KSHB without adjusting it towards the subsidy diverted from Government funds.

On this being pointed in audit (January 1992), the excess amounts were recovered by the Tahsildars and re-credited to the TP Account of the District Collector during the period February 1998 to April 2000.

As against the actual requirement of only Rs. 35.54 lakh for payment of subsidy Collector's action in allotting Rs. 56.32 lakh to the Tahsildars was irregular. Though this was pointed out by Audit in January 1992, Collector took 6 years to take action. Thus, the unspent balance of Rs. 40.71 lakh which should have been credited to Government account is still (May 2000) retained by the District Collector in his TP account. The DC stated (May 2000) that the amount was credited to TP account for subsequent utilisation in ongoing housing schemes. The procedure adopted by the DC was irregular. As of April 2000 only 4187 houses were completed.

The matter was referred to Government in March 1999 and again in February 2000; reply has not been received (November 2000).

[Paragraph 3.17 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Civil)]

Note furnished by Government on the audit paragraph is included as Appendix II.

12. The Committee enquired the reason for releasing Rs.70 lakhs as subsidy for the Rehabilitation Housing Scheme (Phase III) in Malappuram. When the actual amount needed for the subsidy was only Rs.35.54 lakh. The witness, Principal Secretary (Housing) replied that out of the total amount of Rs.76.25 lakhs issued to the District Collector, for providing subsidy to the economically weaker sections of the society in Malappuram, Rs. 56.32 lakhs had been distributed among the Tahsildars. After disbursing an amount of Rs.35.54 lakhs necessary for the subsidy portions, the Tahsildars utilised the balance amount for making payment of loan instalments. The loan amount recovered from the loanees were also remitted to the Housing Board account. The excess amount of Rs.20,78,250 remitted to the Board had since been recredited into the T.P. Account at District Treasury, Malappuram.

13. The Committee enquired under what authority the excess amounts received by the Tahasildars were utilised for loan portion and the amounts received from the loanees were remitted to KSHB. The Committee also enquired the reasons for the delay of 6 to 8 years in recrediting the amount to the Government account. But the witness had no explanation to offer.

14. Then the Committee opined that this situation might have arisen due to the confusion of different housing schemes running concurrently. The witness, Principal Secretary, Finance explained that as a solution to the problem, an amendment had been made in the KSHB Act, making it compulsory that all housing schemes for the economically weaker sections of the society be implemented only through Local Self Government Institutions. The Board could implement the schemes fixing the local bodies as the nodal agency for selecting the beneficiaries, sanctioning of loan and the recovery of the loan amount. The local self government institution's fund for housing could also be tied up to the fund available with the Board. The schemes, when implemented through the local bodies, would then have uniformity regarding, subsidy amount and the method of implementation.

15. Appreciating the proposition put forth by Government the Committee pointed out the need to apply the same principle to other housing schemes being carried out by various departments/agencies. The Committee also pointed out the differences in loan component, subsidy etc., of different housing schemes.

16. Then the Committee opined that the various Housing Schemes of different departments/agencies must be integrated and a comprehensive review should be done for that purpose.

#### **Conclusions/Recommendations**

17. **The Committee notes that the procedure adopted for the utilisation of funds allotted for the rehabilitation Housing Scheme Phase III in Malappuram is highly irregular and in violation of the principle laid down in the Financial code. Releasing excess amount to the District Collector, utilising that amount for paying loan instalments and crediting the amount recovered from the loanes to the KSHB account – all speak of gross negligence and irresponsibility on the part of the officials. Even after realising the mistake, there was a delay of 6 to 8 years for recrediting the amount to Government Account. The Committee views this lapse seriously and recommends that responsibility be fixed for the lapse.**

18. **The Committee observes that different housing schemes being implemented concurrently through the KSHB may be one of the reasons for the lapses in the implementation and appreciates the proposal of the Government to implement all housing schemes for the 'Economically Weaker Sections' through Local Self Government institutions. The Committee expresses hope that measures like fixing of Local Self Government institutions as the nodal agency, combining the funds available with the Board and those with the local bodies etc. will bring about uniformity in the subsidy amount and also in the method of implementation. The Committee recommends the application of the same principle to other housing schemes carried out by various departments and agencies. A comprehensive review for integrating such schemes ensuring uniformity in funding and method of implementation is essential for effecting speedy completion of construction under the schemes.**

AUDIT PARAGRAPH

#### ***Land acquisition unit lying idle for five years***

For setting up a satellite township near Thrrippunithura by 31 December 1998 costing Rs. 214.52 crore, acquisition of 1042 acres of private land was required. Government sanctioned (July 1995) creation of a land acquisition (LA) unit on temporary basis with 75 adhoc posts for this purpose. The expenditure for the unit was to be borne by KSHB.

However, by July 1996 the LA unit could acquire only sixty cents of land. The land acquisition proceedings lapsed due to delay in passing award within two years due to protest of land owners. KSHB decided in April 2000 to wind up the project. In March 2001, Government ordered to wind up the LA unit.

Further, although no sanction was accorded by Government for continuance of LA unit beyond February 1998, the full complement of 75 LA staff was continued. As of May 2000, KSHB spent Rs. 1.50 crore on these LA staff alone. The Project Division also spent in addition Rs. 16 lakh up to May 2000 on establishment charges, furniture, minor works, etc.

Thus, prolonged retention of the LA unit, even though the project was abandoned, resulted in wasteful expenditure of Rs. 1.66 crore.

Government stated (April 2001) that the satellite township project was abandoned due to resistance from local people, Panchayat Raj institutions, etc. on the ground of ecological reasons and that sanction for continuance of the unit up to February 1998 only was given.

[Paragraph 7.11 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil)]

Note furnished by Government on the audit paragraph is included as Appendix II.

19. On enquiry about the idling of land acquisition unit set up for the Satellite Township project at Thrippunithura, the witness, Principal Secretary, Rural Development Department replied that the unit consisting of 75 staff on temporary basis had been constituted in 1995. The land acquisition proceeding could not be carried out satisfactorily due to the protest of landowners, local people and local self government institutions. As a result the Government stayed the land acquisition works in 1996 and later the Government decided not to go ahead with the project and ordered to wind up the unit in 2000. But the staff who were from the Revenue Department continued there. But their service was utilised in other offices on working arrangement. The Scheme actually ended in 2001.

20. The witness, Principal Secretary, Finance Department informed that the expenditure for the Land Acquisition unit had been borne by the KSHB. The staff had to be paid salary till the actual winding up of the scheme. He added that the cancelling of the posts once sanctioned for special works like that of Land Acquisition was not very easy. It was further informed that the system of land acquisition by Housing Board had been stopped.

21. In this connection, the Committee enquired about the feasibility of introducing 'negotiable purchase' while acquiring land, in order to avoid lengthy legal procedures pursued by land owners for acquiring higher prices. The Principal Secretary, Finance admitted that it would be better to acquire land through negotiable purchase, considering various aspects. But following

that method would not always be practicable under the present system. The land acquisition proceedings were entirely based on the Act in the State and if an officer like Tahasildar adopt 'Negotiable purchase' it would be against the law. But he added that the negotiable purchase could be resorted to for acquisition of land for projects. In such cases, the empowered body constituted for the implementation of the project could make negotiation for the land purchase also.

22. In reply to the Committee's query about the diversion of money by the District Collector to meet establishment charges of the land acquisition unit, the witness, Deputy Chief Engineer, KSHB informed that the amount was the repayment of loan from the beneficiaries of the two housing schemes- Rehabilitation and the Kairali. The repayment of the above schemes were through the District Collectors, and hence the diversion was EW possible.

#### **Conclusions/Recommendations**

23. **The Committee opines that if the abandonment of the project of satellite township near Thrippunithura is due to ecological reasons, it should have been evident while preparing the project report itself. The Committee is convinced that no proper study or analysis on the various aspects of the project was undertaken before starting the project.**

24. **Starting the project without planning, retaining the land acquisition unit set up for the project even after abandoning the project etc. have all contributed to the wasteful expenditure of Rs.1.86 crore from the public exchequer. The Committee feels that the department is reluctant to take responsibility for the liability. The Committee strongly disapproves Government's action of retaining the staff even after the project was dropped.**

25. **The Committee desires to know whether the money diverted by the District Collectors from the repayment amount of the beneficiaries of the KSHB housing schemes has been credited in the account of the loanees.**

#### AUDIT PARAGRAPH

#### ***Improvident utilisation of funds mobilised through annuity deposits***

Kerala State Housing Board (KSHB) implements 'Maithri Housing Scheme' launched by Government in November 1996 for providing houses to the Economically Weaker Sections (EWS). In March 1997, Government liberalised the scheme permitting philanthropic individuals and institutions to make a one-time annuity deposit (Rs.12,500) with KSHB to take care of the repayment obligations on behalf of the EWS loanee beneficiaries.

Under the People's Plan Campaign (PPC), 953 local bodies\* participated in the Maithri Housing Scheme and deposited with KSHB Rs.12500 each for selected beneficiaries. During 1997-2000, KSHB received Rs.150.73 crore as one time deposit from various local bodies on behalf of 74355 beneficiaries sponsored by them. Audit scrutiny revealed the following points:

(i) The scheme envisaged one-time payment of annuity deposits by individuals and philanthropic institutions. The local bodies are not philanthropic institutions and these are mostly dependent on Government grants. Payment of annuity deposits by them out of Government grants was irregular.

(ii) The annuity deposits were to be invested to get a return of 12.5 per cent so as to pay off the loan on behalf of the EWS loanees. KSHB, however, did not invest the annuity deposit amounts in any financial instrument which would fetch interest at 12.5 per cent to take care of the future repayment obligation of the loans (Rs. 141.27 crore) availed by them from HUDCO. Instead, the funds were pooled with KSHB's general funds and utilised on other projects. Non-investment of annuity deposits would affect the financial position of KSHB which has made no provision for the repayment.

(iii) Under the scheme Rs.9000 per house only was envisaged as Government share. Further payment of annuity deposits by the local bodies utilising the plan funds allocated by Government resulted in increase in Government assistance by Rs.12500 per house. This was beyond the scope of scheme approved by Government.

The matter was referred to Government in July 2001, reply has not been received (October 2001).

[Paragraph 7.12 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil)]

Note furnished by Government on the audit paragraph is included as Appendix II.

26. In reply to the Committee's query about the funding of the Maithri housing scheme, the witness informed that under the scheme, the beneficiaries were to be given Rs.30000 for constructing houses. Of the amount, Rs.19000 came from HUDCO as loan, Rs.9000 was capital subsidy, Rs.1000 the share of the beneficiary. Voluntary organisations contributed Rs.1000. But later the scheme was liberalised by permitting philanthropic individuals and institutions to make one time annuity deposit of Rs.12,500 with KSHB to take care of the repayment obligations of the loanee beneficiaries. Again, the Government modified the scheme and allowed the Panchayats to remit the annuity deposit of

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\*Panchayaths, Municipalities, Corporations etc.

Rs.12,500 to take care of the loan repayment. It was envisaged that the annuity deposit collected could be invested in financial institutions, which would fetch a return of 12.5% so as to pay off the loan on behalf of the loanee.

27. When enquired about the target of houses to be built under the Maithree scheme, the witness replied that the scheme envisaged a total of 5 lakh houses within a period of 5 years by fixing 1 lakh houses per year. The witness added that the Board diverted the annuity fund deposited by Local Self Government Institutions in the Maithree scheme since the interest subsidy guaranteed by the Government were not received.

28. To this Principal Secretary (Finance), replied that interest subsidy would be paid only at the time of repayment of loan and not during implementation stage of the scheme. Due to the irregularity in the implementation of the scheme, the Board had to shoulder the responsibility of the full repayment of the loan. As the money was diverted, the loan repayment to HUDCO was not done promptly and the Board was therefore not entitled to the interest rebate due on prompt repayment of loan. It was also added that the annuity deposits made by the local self government institutions which were dependent on government grants were also government money.

29. The Committee observed that in the beginning of 'Maithree' Scheme Local Self Government institutions were not included. But later those institutions were involved in the scheme and they had made their effort to get the scheme well implemented. The Committee opined that the high target fixed by the Board for the various housing schemes and the lack of corresponding plan provision might have led to the situation that one could see in the Maithree Housing Scheme. Pointing out the sad plight of the beneficiaries who hailed from the economically weaker sections of the society, the Committee observed that the beneficiaries had been waiting for the past 3 to 4 years for the allotment of loan from the Board, after having remitted their contribution. The Committee wanted to know whether the Board had any specific reason to wind up the Scheme and exclude a large number of beneficiaries who had already paid their share of money.

30. The witness, Deputy Chief Engineer, KSHB replied that considering the shortage of funds the Board had decided to refund the amount of those beneficiaries who had not availed of the first instalment. But again the shortage of funds was the main reason for the delay in repayment. Out of the total amount of Rs.22.16 crores to be repaid, the Board had refunded Rs. 10 lakhs. The witness added that the first instalment of loan had been allotted to 1787 beneficiaries. But many of them failed to turn up after receiving the first

instalment. Strictly following the rules the second instalment had been issued to only those who had completed the first stage of the construction of the building. It was also informed that through the two types of schemes – annuity and general, nearly 7936 houses had been completed.

31. The Committee expressed dissatisfaction on the action of the authorities who did not care to update the statistics even though the issue had been raised many a time in various forums. The Committee therefore directed the Board to furnish an updated reply showing the year-wise break-up of the number of beneficiaries selected, the number of loans sanctioned, the number of houses completed and also the number of beneficiaries who availed first, second instalments etc.

32. The Committee pointed out that while the beneficiaries of the Maithri scheme had been waiting for years for allotment, other schemes were being undertaken excluding them. The Committee wanted to know how the Board planned to solve the problem. The witness, Deputy Chief Engineer replied that the amount paid by the beneficiaries would be repaid when the financial conditions of the Board improved.

33. The Principal Secretary, Finance informed that the Board expected government assistance for repayment. As plan funds had already been utilised by local bodies for the scheme, Government was not in a position to provide further assistance. He further added that responsibility should be fixed for the diversion of money under the scheme and Board be made liable.

34. The Committee observed that the Board should initiate suitable measures to solve the issues of repayment and clearing the backlog. The Committee stressed the need of considering those beneficiaries, who were selected for the Maithri scheme but loans not sanctioned, in other housing schemes on priority basis. The Committee also opined that the beneficiaries should not be penalised for not of their fault.

#### **Conclusions/Recommendation**

**35. The Committee observes that the updated statement showing various details regarding the Maithri Scheme (Appendix III) reveals that a total number of 106495 houses had been completed. This is far below the target of 5 lakh houses in 5 years fixed by the Board.**

**36. The Committee learns that the diversion of money deposited by the Local Self Government institutions has affected the proper implementation of the scheme. While the beneficiaries of the Maithri Scheme are waiting for allotment, other housing schemes are being**

**undertaken excluding them. The Committee observes that those beneficiaries who were selected for the Maithri Scheme, but to whom loans were not sanctioned should be considered in other housing schemes on priority basis.**

**37. The Committee opines that the Board's decision to wind up the scheme when large number of beneficiaries of the economically weaker sections of the society are waiting for the allotment of loans from the Board, after having remitted their contribution, cannot be justified. Before winding up the Maithri Scheme, an alternative housing scheme should have been introduced for those beneficiaries waiting for loans under that scheme.**

There is also undue delay in refunding the amount deposited by those beneficiaries who had not availed of the first instalment of the loan. The Committee recommends that the Board initiate necessary steps to solve the issue of refunding the deposits to the beneficiaries.

Thiruvananthapuram,  
October 18, 2006.

ARYADAN MUHAMMED,  
*Chairman,*  
*Committee on Public Accounts.*

## APPENDIX I

**Summary of Main Conclusions/Recommendations**

<i>Sl.No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	6	Housing	The Committee finds that the Kerala State Housing Board had to pay an amount of Rs. 2.14 lakhs as interest for belated payment of land value to the owners of the land acquired for CPWD even though the CPWD had paid the entire amount for land acquisition in advance. The Committee understands that the main reason for the inability of the Kerala State Housing Board in payment of land value in time was the diversion of funds received by them for purposes other than the envisaged ones. The Committee is given to understand that this diversion of funds is going on for a long time and the reason attributed by the Board for this diversion is that as per the Kerala State Housing Board Act all the funds received by the Board from different agencies for different projects are pooled into a common account and is treated as the revenue of the Board and all its expenditure is met from it. The Committee points out that this explanation of the Board is not tenable. The Committee feels that a total restructuring of the accounting system followed in Kerala State Housing Board should be done, so that all loopholes enabling diversion of funds could be successfully plugged and it could be ensured that funds ear-marked for specific schemes are spent on those schemes only.

(1)	(2)	(3)	(4)
2	10	Housing	<p>The Committee understands that the KSHB had diverted an amount of Rs. 5.10 crores out of the State subsidy of Rs. 14.18 crores released for the scheme for reconstruction of houses damaged by floods/cyclone during October, November 1992. This diversion was unauthorised without obtaining Government sanction. The Committee observes that diversion of funds without the concurrence of Government is highly irregular and should be viewed very seriously. The Committee recommends that action should be taken against those responsible for the diversion and the details of action taken should be intimated to the Committee.</p>
3	11	„	<p>The Committee notes with serious concern that the written reply furnished by the Housing Department and the evidence tendered by the witness from the Housing Board differ on many points. In the written reply the Housing Department had informed the Committee that 31,520 houses were sanctioned under the scheme and the total expenditure was 2826.75 lakhs. But as per the evidence given before the Committee it was submitted that the number of Houses sanctioned under the scheme was curtailed to 18,856 out of which only 18,511 were completed and the total expenditure incurred was only Rs.26 crores. The Committee suspects the genuineness of the evidence, both written and oral given before the Committee and expresses its displeasure over the casual attitude of Government</p>

(1)	(2)	(3)	(4)
			<p>in giving evidence to a statutory Legislative body. The Committee, wants to be informed of the correct data regarding the scheme viz, the total number of houses constructed under the scheme, the actual amount received for the scheme both loans and subsidies the number of houses yet to be completed, the actual balance retained and diverted by the KSHB etc. The Committee desires to be furnished with the data invariably within two months of presentation of this Report.</p>
4	17	Housing	<p>The Committee notes that the procedure adopted for the utilisation of funds allotted for the rehabilitation Housing Scheme Phase III in Malappuram is highly irregular and in violation of the principle laid down in the Financial code. Releasing excess amount to the District Collector, utilising that amount for paying loan instalments and crediting the amount recovered from the loanees to the KSHB account –all speak of gross negligence and irresponsibility on the part of the officials. Even after realising the mistake, there was a delay of 6 to 8 years for recrediting the amount to Government Account. The Committee views this lapse seriously and recommends that responsibility be fixed for the lapse.</p>
5	18	<p>Housing, Local Self Govt (Urban) Local Self Govt (Rural)</p>	<p>The Committee observes that different housing schemes being implemented concurrently through the KSHB may be one of the reasons for the lapses in the implementation and appreciates the</p>

(1)	(2)	(3)	(4)
			<p>proposal of the Government to implement all housing schemes for the 'Economically Weaker Sections' through Local Self Government institutions. The Committee expresses hope that measures like fixing of Local Self Government institutions as the nodal agency, combining the funds available with the Board and those with the local bodies etc. will bring about uniformity in the subsidy amount and also in the method of implementation. The Committee recommends the application of the same principle to other housing schemes carried out by various departments and agencies. A comprehensive review for integrating such schemes ensuring uniformity in funding and method of implementation is essential for effecting speedy completion of construction under the schemes.</p>
6	23	Housing	<p>The Committee opines that if the abandonment of the project of satellite township near Thrippunithura is due to ecological reasons, it should have been evident while preparing the project report itself. The Committee is convinced that no proper study or analysis on the various aspects of the project was undertaken before starting the project.</p>
7	24	Housing, Revenue	<p>Starting the project without planning, retaining the land acquisition unit set up for the project even after abandoning the project etc. have all contributed to the wasteful expenditure of Rs. 1.86 crore from the public exchequer. The</p>

(1)	(2)	(3)	(4)
			Committee feels that the department is reluctant to take responsibility for the liability. The Committee strongly disapproves Government's action of retaining the staff even after the project was dropped.
8	25	Housing	The Committee desires to know whether the money diverted by the District Collectors from the repayment amount of the beneficiaries of the KSHB housing schemes has been credited in the account of the loanees.
9	35	„	The Committee observes that the updated statement showing various details regarding the Maithri Scheme (Appendix - III) reveals that a total number of 106495 houses had been completed. This is far below the target of 5 lakh houses in 5 years fixed by the Board.
10	36	„	The Committee learns that the diversion of money deposited by the Local Self Government institutions has affected the proper implementation of the scheme. While the beneficiaries of the Maithri Scheme are waiting for allotment, other housing schemes are being undertaken excluding them. The Committee observes that those beneficiaries who were selected for the Maithri Scheme, but to whom loans were not sanctioned should be considered in other housing schemes on priority basis.

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(1)	(2)	(3)	(4)
11	37	Housing	<p>The Committee opines that the Board's decision to wind up the scheme when large number of beneficiaries of the economically weaker sections of the society are waiting for the allotment of loans from the Board, after having remitted their contribution, cannot be justified. Before winding up the Maithri Scheme, an alternative housing scheme should have been introduced for those beneficiaries waiting for loans under that scheme. There is also undue delay in refunding the amount deposited by those beneficiaries who had not availed of the first instalment of the loan. The Committee recommends that the Board initiate necessary steps to solve the issue of refunding the deposits to the beneficiaries.</p>

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## APPENDIX II

**Statement showing Action taken on the paragraph contained  
in the Report of C and AG for the year ended 31  
March 1995 No. 3 (Civil)**

<i>Para No.</i>	<i>Department concerned</i>	<i>Action Taken</i>																								
(1)	(2)	(3)																								
7.7	Housing	<p>The audit paragraph is about payment of interest of Rs. 2.41 lakhs in two LA Awards as below:</p> <p>1.3.2082 ha—Award No. 4/1988-89 dt. 10-9-1988 Rs. 1.76 lakhs</p> <p>2.1.9174 ha— Award No. 3/1987-88 dt. 30-6-1988 Rs. 0.65 lakhs</p> <p align="center"><u>Rs. 2.41 lakhs</u></p> <p>The details of Payment of the award amount are furnished below:</p> <table border="1"> <thead> <tr> <th><i>Proceedings of KSHB in which payment was sanctioned</i></th> <th><i>Amount (Rs.)</i></th> <th><i>Award No. &amp; date</i></th> </tr> </thead> <tbody> <tr> <td>A d v a n c e P a y m e n t R4/7246/80</td> <td>15,00,000.00</td> <td>No. 4/1988-89 dated 3-8-1988</td> </tr> <tr> <td>R4/7246/80</td> <td>36,07,635.15</td> <td>dated 10-9-1988</td> </tr> <tr> <td>R4/7246/80 dated 6-9-1988</td> <td>1,76,297.35</td> <td>(3.2082 Ha)</td> </tr> <tr> <td></td> <td><u>52,83,932.50</u></td> <td></td> </tr> <tr> <td>R4/7246/80 dated 24-2-1988</td> <td>23,81,000</td> <td>No. 3/1987-88 dated 30-6-1988</td> </tr> <tr> <td>R4/7246/80 dated 22-6-1988</td> <td>2,21,759</td> <td></td> </tr> <tr> <td></td> <td><u>26,02,759</u></td> <td>(1.9174 ha)</td> </tr> </tbody> </table>	<i>Proceedings of KSHB in which payment was sanctioned</i>	<i>Amount (Rs.)</i>	<i>Award No. &amp; date</i>	A d v a n c e P a y m e n t R4/7246/80	15,00,000.00	No. 4/1988-89 dated 3-8-1988	R4/7246/80	36,07,635.15	dated 10-9-1988	R4/7246/80 dated 6-9-1988	1,76,297.35	(3.2082 Ha)		<u>52,83,932.50</u>		R4/7246/80 dated 24-2-1988	23,81,000	No. 3/1987-88 dated 30-6-1988	R4/7246/80 dated 22-6-1988	2,21,759			<u>26,02,759</u>	(1.9174 ha)
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	<u>26,02,759</u>	(1.9174 ha)																								

(1)	(2)	(3)
		As per the Land Acquisition (Amendment), Act, 1984, the compensation payable are.
		(i) Market value of land on the date of notification.
		(ii) Solatium at 30% of the Market value.
		(iii) Addition to market value at 12% per annum for the period from the date of notification to the date of award or date of taking possession of land, whichever is earlier.
		(iv) Interest 9% per annum for first year and 15% thereafter for delay in payment of compensation after taking possession till the date of payment.
		In the instant case the Board took advance possession of 3.2082 hectares of land on 20-8-1987 (out of 5.1256 Hectares) in Randamada village in Trivandrum Taluk after paying an advance of Rs. 15 lakhs to the land owners. The balance land of 1.9174 hectares was taken possession on 14-7-1988 only. Both these lands were handed over to CPWD then itself.
		The Board had paid Rs. 23,81,000 (out of Rs. 25.38 lakhs for 1.9174 hectares) on 24-2-1988 after excluding the cost of land belonging to one Sri. Raghavan Nadar which was pending before the Board for exemption. The CPWD has provided an amount of

(1)	(2)	(3)												
		Rs. 1,32,42,871.18 for the acquisition of 19 acres for Mannarkonam HAS, 11 acres for Melathumele HAS and 9 acres for Nettayam HAS. The CPWD provided this amount in four instalments. The details of Payment are given below:												
		<table border="1"> <thead> <tr> <th style="text-align: center;"><i>Date of Payment</i></th> <th style="text-align: center;"><i>Amount</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14-8-1986</td> <td style="text-align: right;">Rs. 20,00,000.00</td> </tr> <tr> <td style="text-align: center;">13-3-1987</td> <td style="text-align: right;">Rs. 42,42,871.18</td> </tr> <tr> <td style="text-align: center;">18-3-1987</td> <td style="text-align: right;">Rs. 1,00,00,000.00</td> </tr> <tr> <td style="text-align: center;">30-3-1987</td> <td style="text-align: right;">Rs. 12,00,000.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">Rs. 1,32,42,871.00</td> </tr> </tbody> </table>	<i>Date of Payment</i>	<i>Amount</i>	14-8-1986	Rs. 20,00,000.00	13-3-1987	Rs. 42,42,871.18	18-3-1987	Rs. 1,00,00,000.00	30-3-1987	Rs. 12,00,000.00		Rs. 1,32,42,871.00
<i>Date of Payment</i>	<i>Amount</i>													
14-8-1986	Rs. 20,00,000.00													
13-3-1987	Rs. 42,42,871.18													
18-3-1987	Rs. 1,00,00,000.00													
30-3-1987	Rs. 12,00,000.00													
	Rs. 1,32,42,871.00													

In the case of Mannarkonam HAS, the Special Tahsildar (LA) KSID, Trivandrum has requested to provide Rs. 25,38,372 for passing the award for 1.9174 hectares of land. As per proceedings dated 24-2-1988 the Board has sanctioned Rs. 23, 81,000. Eventhough the amount was sanctioned in February 1988, the payment was made to the special Tahsildar (LA) KSHB Thiruvananthapuram on 4-6-1988. The reason for the delay of payment is as follows:—

The years 1987-88 and 1988-89 were periods in which Kerala State Housing Board experienced acute financial stringency. There was shortage of funds to the extent of even resorting to overdrawing from several Bank in order to meet its day-to-day expenditure during the year 1987-88. As on 31-3-1988 the amount overdrawn by the Board from the various

(1)	(2)	(3)
		<p>banks was Rs. 63.92 lakhs as per the balance sheet prepared by the Deputy examiner of local fund Accounts. Again there was an excess of expenditure of Rs. 446.67 lakhs during the year 1987-88.</p> <p>In this particular case there was not enough money with the Board for effecting payments as part of the money paid by CPWD for the purpose of acquisition was used by the Housing Board for day to day expenditure. This was the reason for delayed payment.</p> <p>Besides under the KSHB Act all moneys received by virtue of the Act constitute the fund of the Board. Whatever money received is credited into the poor account of the Board and expenditure incurred from this account according to requirements. In the same way the money received from the CPWD was credited into the General Poor account and expenditure incurred. This accounting procedure also contributed in a way to the diversion of funds. Kerala State Housing Board has been requested to take suitable safeguards to prevent such lapses in future.</p>

**Statement showing Action taken on the Report of C and AG  
of India for the year ended 31st March,  
1996 No. 3 (Civil)**

<i>Sl. No.</i>	<i>Name of Department</i>	<i>Para No.</i>	<i>Remarks</i>
(1)	(2)	(3)	(4)
1.	Housing (B) Department	7.10	<p>The Govt. of India, Ministry of Urban Dept. in the D. O. letter No. O-17024/43/92/HI dt. Nil had conveyed their approval for the reconstruction of 31520 houses damaged by flood/cyclone during October/November, 1992 in Kerala, during October, 1993. The scheme envisaged construction of 31520 units with 40% HUDCO loan and 30% Central and State Subsidy each. The unit cost of a house was fixed as Rs. 15,000. The scheme was to be completed in two consecutive years, i.e., 1993-94 &amp; 1994-95, on 50:50 basis. Accordingly, the State Govt. vide G. O. (MS) No. 6/94/Hsg. dt. 3-3-1994 had accorded sanction for reconstruction of houses for the flood victims as well as for those persons belonging to EWS who live in flood prone areas and whose houses are purely temporary structures which are unlikely to withstand the fury of floods and cyclones.</p> <p>The Govt of India, Ministry of Urban Development vide their letter dt. 15-4-1994 had requested that orders contained in G. O. (MS) No. 6/94/Hsg. dt. 3-3-1994 may be kept in abeyance until further communication, on the ground that the State Govt. was extending the scheme to those people who live in flood prone areas too. It was also directed therein that the Central Subsidy assigned by the Govt. of India was only for reconstruction of houses fully damaged by flood/cyclone during October/November, 1992 as one time relief measure. On the basis of the direction of Govt. of India the</p>

(1)	(2)	(3)	(4)	
			State Govt. had modified the G. O. sanctioning the scheme to the effect that assistance under the scheme will be admissible only for reconstruction of houses damaged by flood during October/November, 1992, Vide G.O. (MS) No. 28/94/Hsg. dt 15-6-1994. From this, it can be seen that there was no delay on the part of the State Govt. in implementing the scheme.	
			The Housing Board was permitted to raise a loan of Rs. 1,891.20 lakhs from HUDCO for 31520 units. The district-wise target of 31520 units was fixed by Govt. on the basis of the reports received on the damages caused by flood. The first release of funds to the Housing Board was in March, 1994. Govt. in letter No. 1932/B3/96/Hsg. dt 10-4-1996 have allowed the Housing Board to refix the targets based on the reports received from the District Collectors within the target of 31520 units. The revised targets tentatively fixed by Housing Board is as follows.	
<i>Sl. No</i>	<i>Name of District</i>	<i>Original target fixed by Govt.</i>	<i>Revised target (No. of units sanctioned by DCs)</i>	<i>Amount required for the same</i>
(1)	(2)	(3)	(4)	(5)
1.	Thiruvananthapuram	11521	3976	596.40
2.	Kollam	3804	1114	167.10
3.	Pathanamthitta	1502	1173	175.95
4.	Alappuzha	2970	2901	435.15
5.	Kottayam	3140	4995	749.25
6.	Idukki	2857	25	3.60
7.	Ernakulam	298	281	42.15
8.	Thrissur	166	1929	289.35

(1)	(2)	(3)	(4)		
(1)	(2)	(3)	(4)	(5)	
9.	Palakkad	605	..	..	
10.	Malappuram	573	722	108.30	
11.	Kozhikode	297	297	44.55	
12.	Waynad	2490	1397	209.55	
13.	Kannur	101	20	3.00	
14.	Kasargod	1196	16	2.40	
Total		31520	18845	2826.75	

The District Collectors were authorised to sanction applications under the scheme and the Housing Board release funds to the District Collectors based on requirement. The details of the number of applications received, No. of units constructed etc. upto June 1997 received from the District Collectors are noted below:—

<i>Sl. No</i>	<i>District</i>	<i>No. of applns. received</i>	<i>No. houses sanctioned</i>	<i>No. houses Cons- tructed</i>	<i>No. houses under Cons- truction</i>	<i>No. houses aband- oned</i>
1.	TVM	4518	3960	1824	2086	51
2.	KLM	1948	1060	549	323	55
3.	PTA	1250	1200	936	184	60
4.	ALP	3670	2737	1082	1616	39
5.	KTM	5000	4996	3338	1088	..
6.	IDKI	610	25	23	1	1
7.	EKM	345	333	155	178	..
8.	TSR	2000	1920	218	1083	..
9.	MLPM	816	635	463	152	20
10.	KKD	329	321	276	45	08
11.	PKD	52	004	..	04	04
12.	WYND	1952	1397	1275	175	55
13.	KNR	18	16	15	1	2
14.	KSGD	21	16	14	2	..
Total		22529	18620	10168	6938	294

(1)	(2)	(3)	(4)
			<p>Govt. of India envisaged completion of the houses in two consecutive years ie. 1993-94 and 1994-95 and released the central subsidy of Rs. 14.19 crores as per Govt. of India Lr. No. 0-17024/93/92-HI dt. 18-2-1994. Hence, HUDCO sanctioned the schemes as per Lr. No. HUDCO/TRO/KSHB disaster Housing/701/93/1297 dt. 18-9-1993. The State Govt. in G. O. (MS) No. 6/94/Hsg. dt 3-3-1994 accorded sanction to KSHB to borrow Rs. 18.91 crores from HUDCO on Govt. guarantee for construction of 31520 houses. In the above order it was also stated that necessary funds to meet the State Govt. subsidy would be provided in the budget. Accordingly, Govt. provided Rs. 450 lakhs during 1994-95 and Rs. 968 lakhs during 1995-96 under the head of account 2216-80-800-93 'Rajiv One Million Housing Scheme' under plan towards subsidy for implementation of the scheme. Govt also released the amount in the respective years as per G. O. (MS) No. 18/95/Hsg. dt 22-3-1995 (Rs. 450 lakhs) and G. O. (MS) No. 80/95/Hsg. dt 29-12-1995 (Rs. 968 lakhs). Further, during 1993-94 &amp; 1994-95 the Kerala State Housing Board availed a loan of Rs. 1,110.90 lakhs from HUDCO based on Govt. sanction, in 3 instalments, and the central subsidy @30% amounting to Rs. 833.25 lakhs was also received through HUDCO. The amount released by State Govt. has been credited in the TPA and drawn according to necessity.</p> <p>As regards, the observation that only a loan of Rs. 5.68 crores was needed out of Rs. 11.11 crores availed by the Board from HUDCO based on the number of houses sanctioned as on March 1995 (9471) it may be mentioned that the scheme was only midway through the implementation at the time of the audit report. As the scheme was a</p>

(1)	(2)	(3)	(4)
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continuous one and as houses were continuing to be sanctioned, the loan was availed of by the Board for disbursing to the beneficiaries.

The scheme is implemented through the District Collectors by providing funds in the budget towards state subsidy by State Govt. through the Kerala State Housing Board. The Housing Board, in turn, avails loans from HUDCO and place the funds to District Collectors for eventual disbursement to the beneficiaries. As such, the Board can implement the scheme only if funds are placed at the disposal of the Board by State Govt. Therefore it may not be correct to say that the withdrawal of Rs. 9.68 crores on January 1996 was to avoid lapse of funds. The details of amounts received by the Kerala State Housing Board from HUDCO towards loan and Central subsidy and from State Govt. are detailed below:

<i>Date</i>	<i>From HUDCO</i>		<i>State</i>	<i>Total</i>
	<i>Loan (Rs. in lakhs)</i>	<i>Central subsidy (Rs. in lakhs)</i>	<i>subsidy Govt. of Kerala (Rs in lakhs)</i>	
18-3-1994	474.23	355.74	..	829.97
16-2-1995	458.32	343.75	..	802.07
27-3-1995	178.35	133.76	..	312.11
30-3-1995	..	..	450.00	450.00
12/95	..	..	968.00	968.00
Total	1110.90	833.25	1418.00	3362.15

A sum of Rs. 2578.03 lakhs has been passed on to District Collectors till May 1997. The audit comment was framed based on the figures available at that time, i.e., upto March 1996. As

(1)	(2)	(3)	(4)
			<p>this is a continuous scheme, funds are placed with the District Collectors according to their requirement and necessity. The scheme had been sanctioned by Govt. in March 1994 and ordered to be implemented in two years time i.e., during 1994-95 &amp; 1995-96 with a target for construction of houses as 31520. But till the end of May 1997, only 18845 houses could be sanctioned by various District Collectors for which only Rs. 2826.75 lakhs (HUDCO loan Rs. 1130.70 lakhs; Central subsidy Rs. 848.025 lakhs and State subsidy Rs. 848.025 lakhs) is enough. The Kerala State Housing Board had availed a loan of Rs. 1110.90 lakhs during 1993-94 &amp; 1994-95. The Board had also received Central subsidy of Rs. 833.25 lakhs through HUDCO and State subsidy Rs. 1418 lakhs from State Govt. The loan availed was for 18515 houses @Rs. 6000 per house. Based on the number of units sanctioned till May 1997, ie.,18845, it can be considered that the HUDCO loan and Central subsidy are fully utilised.</p> <p>As per the latest report upto July, 1997, 18921 houses under the scheme has been completed and 1238 units are ready for sanction. (Total 20159) For the above 20159 units, an amount of Rs. 98.64 lakhs as loan and Rs. 73.98 lakhs as Central Subsidy is yet to be drawn by the Housing Board. The balance State subsidy available with the Housing Board is Rs. 510.77 lakhs. As per the accounting procedure adopted by the Board this amount stands merged with the general cash balance of the Board. Under the EWS Maithri Scheme the State Govt. has to contribute Rs. 9000 towards capital subsidy for each house and interest subsidy at 8.5% for prompt repayment of loans. Five lakh EWS houses are proposed to be provided over a period</p>

(1)	(2)	(3)	(4)
			of five years ie., at the rate of One lakh houses per year. The amount required for EWS subsidy is therefore Rs. 90 crores per annum. Only Rs. 35 crores has been provided in the current year's budget for this purpose. The Secretary, Kerala State Housing Board has proposed to take up the adjustment of the balance State subsidy of Rs. 510.77 lakhs available with the Board under the flood victims Housing Scheme, 1992 for the 'Maithri Scheme' for EWS now being implemented by the Board or towards the recent flood victims housing scheme. The proposal is being examined by Govt. The amount released by Board to the District Collectors upto 6/97 is as shown below:—
			<i>Rs in crores</i>
		Trivandrum	604.75
		Kollam	166.80
		Pathanamthitta	176.84
		Alappuzha	420.00
		Kottayam	624.25
		Idukki	13.50
		Ernakulam	39.50
		Thrissur	177.75
		Palakkad	3.00
		Malappuram	85.95
		Kozhikode	47.27
		Waynad	209.40
		Kannur	2.95
		Kasargod	6.08
		Total	2578.03

**Committee on Public Accounts—Report of the Comptroller  
and Auditor General for the year ended  
on 31st March 2000**

<i>Paragraph</i>	<i>Remedial Action taken Remarks</i>
(1)	(2)
3.17	<p>An amount of Rs. 70,00,000 (Rupees Seventy lakhs only) was received from the Government and an amount of Rs. 6,25,000 from the District Council, Malappuram for payment of subsidy portion under phase III of the scheme. The fund required for payment of subsidy portion @ Rs. 750 for 4,739 cases sanctioned to various Tahasildars in the district, was Rs. 35,54,250. Out of the total amount of Rs. 76,25,000 received, an amount of Rs. 56,32,500 was distributed among the Tahsildars for effecting payment of subsidy in the cases sanctioned under Rehabilitation Housing Scheme—Phase III. The balance amount of Rs. 19,92,500 was deposited in TPA. 242 of District Collector. The excess amount allotted to various Tahsildars in addition to the actual amount required comes to Rs. 20,78,250. This amount is seen utilised by the Tahsildars for releasing the loan portion. The amount received from the loanees were being remitted by the Tahsildars in the Regional Office of KSHB at Kozhikode. Since the balance amount of Rs. 20,78,250 under subsidy portion was utilised for the loan portion, repayment of these amounts are also seen remitted in the Housing Board instead of remitting into Government account. Hence there occurred an excess remittance of Rs. 20,78,250 in the Housing Board. The amount of 20,78,250 diverted from the amount allotted for the subsidy portion was completely adjusted in TPA. 242 at District Treasury, Malappuram.</p>

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(1)	(2)
	<p>4187 houses were completed under this scheme. The remaining houses could not be completed by the beneficiaries due to the increase in labour charges, cost of materials and due to death of some of the beneficiaries. Action has been taken to complete the above said houses.</p> <p>It is also informed that 118 houses are still incomplete and directions have been issued by the District Collector, Malappuram to the concerned officers for taking urgent necessary action to complete the same at the earliest. The balance amount from the subsidy portion has been deposited in Government T. P. Account as it is expected that this subsidy portion has to be distributed to the loanees in near future.</p>

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**Action taken Statement on the Report of the Comptroller  
and Auditor General for the year ended  
31st March 2001 (Civil)**

*Housing (B) Department*

<i>Audit Para No.</i>	<i>Remarks</i>
(1)	(2)
7.11	<p>Government as per G. O. (MS) 31/95/Hsg. dated 29-4-1995 accorded sanction for implementation of satellite Township Project in Kanayannor Taluk of Ernakulam District at a cost of 182.88 crores. To ensure 1042 acres of private land for the purpose a land Acquisition Unit consisting of 75 posts under a Special Tahsildar was created as per G. O. (MS) No. 56/95/Hsg. dated 28-7-1995.</p> <p>The land Acquisition work went on in full swing till 6-7-1996. Due to stiff resistance from locals, Government stayed Land Acquisition proceedings until further orders, This stay was vacated only on 8-7-1998.</p> <p>The Housing Board in its meeting held on 12-8-1998 decided to notify the land for acquisition exempting the land coming under protest. Government vide Lr. No. 1747/B1/98/Hsg. dated 13-4-2000 informed the Board that the Panchayat Raj institutions of Ernakulam were against this acquisition of the land. Hence Government decided not to initiate denovo proceedings and informed the Board accordingly on 13-4-2000.</p> <p>Subsequently the Board in its meeting held on 18-4-2000 decided to wind up the special LA Unit at Ernakulam and proposed to Government. Government, as per G. O. (MS) 8/2001/Hsg. dated 3-3-2001 issued orders to wind up the Unit. On 16-3-2001, District Collector Ernakulam abolished the unit with effect from 15-2-2001.</p>

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(1)

(2)

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Ever since Government ordered stay of acquisition proceedings the District Collector, Ernakulam has utilised the services of the staff of the L. A. Unit to other offices on working arrangement. The Housing Board has paid 6 lakhs to District Collector on 22-12-1995 for the establishment charges of the L A unit. An amount of Rs. 11,51,180 was also expended by the Board towards advertisement, survey demarcation etc.

The District Collector has diverted an amount of Rs. 50,31,146 received from beneficiaries of Kerala State Housing Board house loan towards the repayment of housing loan upto 31-7-2002 and remitted it to Government accounts as establishment charges of the LA Unit.

The unit was wound up on 3-3-2001, soon after the irregularity was brought to the notice of Government. The project had to be abandoned due to the stiff resistance from the locals. The whole issue resulted from policy decision taken by Government under public pressure. In the circumstances, responsibility cannot be fixed and loss reported to be sustained cannot be recouped.

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**Statement of action taken on the audit para contained in the  
Report of Comptroller & Auditor General for the  
year ended 31st March 2001 (Civil)**

<i>Department</i>	<i>Paragraph No.</i>	<i>Statement of Action Taken</i>
(1)	(2)	(3)
Housing (C) Department	7.12	<p>It is true that the scheme originally envisaged one time payment of annuity philanthropic institutions. But later as per G. O. (MS) No. 23/97/Hsg. dated 17-4-1997 the payments were also included. (Vide paras 12, 13, 15 of the G.O. enclosed) Hence the payment of annuity deposits by panchayats are as per the modified scheme approved by Government.</p> <p>As per the Scheme the annuity deposits were to be invested to get an interest of 14%. The annuity amount together with the interest would be adjusted against repayment instalments. But instead of depositing the amount in Fixed deposit accounts to meet repayment obligation, KSHB diverted the amount to other purposes. As a result, KSHB defaulted repayment HUDCO (Rs. 59.51 crores) which was due on 31-3-2001 and this promoted, HUDCO to stop further loan assistance to KSHB. KSHB has taken the following steps to sort out the issue.</p> <p>The Board has decided—</p> <p>(a) to return annuity deposits to panchayats in cases where the 1st instalment has not been disbursed.</p> <p>(b) to augment repayment from beneficiaries. The Board has been able to achieve 65% increase in recovery from June 2001 onwards.</p>

(1)	(2)	(3)
		<p>(c) to make good diversion of fund by disposing off unsold stock such as plots, flats, plots with houses etc. The Board has been able to allot Rs. 10 crores worth of unsold stock in the allotment done in September 2002.</p> <p>As a result of high level discussions with HUDCO, One year moratorium on loans and tapering repayment schedule have been agreed to. An MOU has been signed by Government of Kerala, HUDCO, KSHB on 14-9-2002 to facilitate resumption of funds from HUDCO.</p> <p>An escrow Account has been opened by KSHB to ensure prompt repayment of HUDCO loans. All receivables of KSHB are pooled into this account and the funds in this account is utilised for repayment to HUDCO.</p> <p>As a result of the above steps the Board was able to disburse Rs. 45.38 crores as loan to beneficiaries under various schemes during the Past 2 years quarterly repayment to HUDCO has been proceeding smoothly since QE. 9/ 2002 and altogether Rs. 156.15 crores have been repaid to HUDCO since September 2001.</p>

## APPENDIX III

**Details of accumulated arrears to be received by the KSHB  
from its beneficiaries and that to be paid to the  
Financial Institutions especially HUDCO**

1. Total accumulated arrears to be received from the beneficiaries of various Housing Schemes as on 28-2-2005	}	
Estate : Rs. 9.38 crores		Rs. 163.12 crores
Loans : Rs. 153.74 crores		

(Total amount outstanding towards Loans and Estate as per the Balance Sheet of the KSHB for 2003-04 is Rs. 859.63 crores).

N.B.— Item—I includes the accumulated arrears and does not include the amounts to be received in the ensuing months.

II. Total amount to be paid by the Housing Board to the Financial Institutions as on 30-4-2005.

1. HUDCO : Rs. 1042.33 crores	}	
2. Banks : Rs. 32.67 crores		Rs. 1076.38 crores
3. HDFC : Rs. 1.38 crores		

N.B.— Item—II includes no arrears but the amounts to be paid in the ensuing months.

Details of amount recovered from the beneficiaries by KSHB for the last 5 years are furnished below:

<i>Year</i>	<i>Collection</i>		<i>Total</i>
	<i>Loans</i>	<i>Estate</i>	
	<i>(Rs. In lakhs)</i>		
(1)	(2)	(3)	(4)
2000-01	6922.37	474.05	7396.42
2001-02	8183.28	648.05	8831.33

(1)	(2)	(3)	(4)
2002-03	8892.33	848.61	9740.94
2003-04	8202.76	2433.47	10636.23
2004-05	10056.69	3504.69	13561.38
Total	42257.43	7908.87	50166.30

Apart from this an amount of Rs. 781.10 lakhs has been collected towards rent for the period from 2000-01 to 2004-2005.

Amount paid to HUDCO/ Banks by the KSHB during 2001-05 on account of repayment of borrowed funds is given below:

HUDCO	:	Rs. 543.44 crores
Banks	:	Rs. 24.34 crores
HDFC	:	Rs. 3.81 crores

**Statement showing the year-wise break up of number beneficiaries selected loan sanctioned, houses completed etc. from 4/1997 to 3/2005**

Year	No of Beneficiaries selected by local bodies	No. of application received from local bodies against Col. No.2	No. of Beneficiaries selected by Board from Appln. received against col.3	No.of Loan sanctioned	No. of houses completed (3rd inst. paid)	Number of benefi- ciaries who aviled		Amount disbursed (Rs. in lakhs)	Amount deposited by local bodies (Rs. in lakhs)
						1st Instl	2st Instl		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1997-98	6906	4906	4480	4480	1281	1861	1543	437.08	797.76
1998-99	43106	23818	18325	18325	6600	14987	10129	2955.73	5596.58
1999-2000	67066	55684	52523	52523	27369	49684	37155	10497.86	8678.34
2000-01	13285	24725	31013	31013	45416	36547	45600	11631.09	1823.48
2001-02	4605	14941	12688	12688	19031	12683	16112	4509.73	437.53
2002-03	..	..	..	..	910	..	321	114.00	..
2003-04	..	..	..	..	5072	441	1745	670.67	..
2004-05	..	..	..	..	816	..	217	95.14	..
<b>Total</b>	<b>134968</b>	<b>124074</b>	<b>119029</b>	<b>119029</b>	<b>106495</b>	<b>116203</b>	<b>112822</b>	<b>30911.30</b>	<b>17333.64</b>

\*Total Number of 1st and 2nd instalments paid is 116203 and 112822 respectively, out of which 106495 houses are completed and therefore incumplete houses in 1st and 2nd instalments paid is for 9708 and 6327 houses respectively.