

TWELFTH KERALA LEGISLATIVE ASSEMBLY

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

**SECOND REPORT**

**On**

**Paragraphs relating to Local Administration Department, contained in the  
Reports of the Comptroller and Auditor General of India for the  
years ended 31st March 1998 No. 3 (Civil), 31st March  
1999 No. 3 (Civil), 31st March 2000 (Civil) and  
31st March 2001 (Civil)**

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COMMITTEE ON PUBLIC ACCOUNTS (2006-2008)

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-

## INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Second Report on Paragraph relating to Local Administration Department contained in the Report of the Comptroller and Auditor General of India for the years ended 31st March 1998 No.3 (civil), 31st March 1999 No.3 (civil), 31st March 2000 (civil) and 31st March 2001 (civil).

The Report of the Comptroller and Auditor General of India for the years ended 31st March 1998 No.3 (civil), 31st March 1999 No.3 (civil), 31st March 2000 (civil) and 31st March 2001 (civil) were laid on the Table of the House on April 13, 1999, March 31, 2000, July 2, 2001 and March 15, 2002 respectively.

The Committee considered and finalised this report at the meeting held on 30th August, 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,  
26th September, 2006.

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

## REPORT

### LOCAL ADMINISTRATION DEPARTMENT—PANCHAYAT

#### AUDIT PARAGRAPH

***Failure of the Scheme for providing employment to the rural people through decentralised planning.***

To generate additional gainful employment in rural areas under agriculture sector and create assets that could provide benefits to the participant farmers, a scheme was sanctioned by Government in August 1989. The areas of activity identified were soil conservation and land development works, development of irrigation infrastructure, etc., which should be labour intensive. The works on the above were to be organised and executed by the local panchayats based on the project reports prepared by the Agriculture Department. During the period 1989-90 to 1991-92, Rs. 4.40 crore was sanctioned under the scheme. The Director of Panchayats (DP) had drawn the amount and deposited it in a Treasury Savings Bank Account in March 1990 (Rs. 1.50 crore), in March 1991 (Rs. 1.50 crore) and in March 1992 (Rs. ~~1.40~~<sup>1.40</sup> crore).

There was inordinate delay ranging from 10 to 62 months in disbursement of the amount by the DP to the local panchayats. According to the DP (March 1992) there were practical difficulties in utilisation of funds based on the guidelines issued by the Agriculture Department and the local panchayats had also expressed their inability to spend the amount.

A scrutiny of the records in the Directorate of Panchayats revealed that during the period 1990-91 to 1996-97, the DP had spent Rs. 22 lakh including Rs. 21.10 lakh for purchase of 10 jeeps, which was not envisaged in the scheme, and disbursed Rs. 4.08 crore to the local panchayats.

Information about the utilisation of the funds released to the local panchayats was not available with the DP and the details of employment generated and the assets created could not be verified. The DP thus failed to monitor the implementation of the scheme and achievement of the objectives of the scheme could not be assessed.

The matter was referred to Government in June 1998; reply had not been received. (October 1998).

[Paragraph 3.16—contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 1998 No. 3 (Civil)].

Notes received from Government are included in Appendix II.

1. The Committee wanted to know the reasons for the failure of the scheme for providing employment to rural people in agriculture sector through decentralised planning and for the delay in releasing funds by the Director of Panchayats to local bodies. The Secretary, Local Self Government (Rural) submitted that there were multiple reasons such as absence of effective monitoring system, lack of proper idea on micro-level planning for agriculture, limited acceptance of wage employment programmes by the farmers in the State, unattractive rate of government subsidy, lack of co-ordination with the Agriculture Department, delay in issuing operational guidelines etc, for the failure of the scheme. He added that out of Rs. 4.4 crores sanctioned for the scheme, Rs.4.38 crores had been distributed to the local bodies. Agricultural implements had been purchased for Rs. 1,22,87,000. Besides, ten jeeps were also purchased for the use of DPOs, with the approval of the Government. Regarding the details of expenditure incurred and unspent balance, the Secretary, Local Self Government intimated that since the entire unspent funds from the panchayats had been credited to Government account in 2003, it was not possible to trace the details. When enquired whether the Agriculture Department had prepared project along with the guidelines, the witness replied in the negative. He further said that the projects had been prepared locally by a Committee consisting of President and beneficiaries of the Panchayat and the Agricultural Officer.

2. The Secretary, Local Self Government (Rural) also elucidated that not only in the instant case but also in many other cases the department had to face many problems while implementing the schemes of other administrative departments through panchayats. To lessen the hardship, he opined that, due responsibility for the proper guidance during the implementation of a scheme should be assigned to the concerned administrative departments and the effective monitoring and streamlining of the various activities coming under that scheme should also be entrusted to that department.

3. The Committee observed that though the scheme was very ambitious, the drafting of the same had flawed in some way. Scheme implementation was not followed by operational guidelines. Absolutely there was no monitoring system. Fund utilisation was not tracked either by the Agriculture or Panchayat Department. The Committee while accepting the suggestions of the Secretary that the scheme implementation and monitoring should be done by the concerned administrative department opined that the panchayat department should also take some responsibility other than be a fund channelizing agency.

### Conclusions/Recommendations

4. The Committee finds that the scheme sanctioned by Government in 1989 with an aim to generate additional gainful employment in rural areas under agriculture sector and create assets that could provide benefits to the participant farmer was a total failure. Apart from the purchase of agricultural implements worth Rs. 1,22,87,000 nothing tangible had been achieved either in income generation or asset creation. The reasons attributed for the failure of the scheme are absence of an effective monitoring system in the implementation of the scheme, lack of proper idea on micro-level planning for agriculture, limited acceptances of wage employment programme by the farmers due to unattractive rate of government subsidy, lack of co-ordination between the Agriculture Department and the panchayats and absence of operational guidelines etc. Out of Rs. 4.4 crores earmarked for the scheme Rs. 4.38 lakh had been released to Local bodies. Utilisation certificate with regard to the expenditure incurred under the scheme had not been furnished by the Panchayats. No track of the money expended was maintained by the LSGD at the higher level or the Panchayats at the lower level. Since all the unspent balance with the Panchayats was credited to the Government in 2003 the details of expenditure under the scheme could not be worked out at present. The Committee understands that not only in the instant case but also in other cases the LSGD is experiencing similar problems while implementing schemes of other administrative departments through panchayats. Hence, the Committee recommends that the responsibility of proper guidance, financial as well as operational during the implementation of schemes under decentralised planning should invariably be assigned to the concerned administrative departments. Effective monitoring and strengthening of the activities coming under the scheme should also be entrusted to the department.

5. The Committee points out that under the decentralised planning lots of funds are being released to Panchayats under various schemes. Often lack of proper monitoring in the utilisation of the funds creates problems in maintaining the accounts accurately. The Committee, therefore, recommends that utilisation certificates with regard to the funds spent should be insisted in such schemes as in the case of central schemes.

#### AUDIT PARAGRAPH

##### *Irregular expenditure on annuity deposits by District Panchayats*

Maithree Housing Scheme launched by Kerala State Housing Board (KSHB) in November 1996 by renaming the cash loan scheme of Rajiv One Million Housing Scheme, envisaged construction of houses for Economically

Weaker Sections (EWS) at a cost of Rs. 30,000 per house. Government provided a subsidy of Rs. 9,000 for each house. The balance cost was met from loan (Rs. 19,000) raised from HUDCO and contributions of Rs. 1,000 each from the beneficiary and voluntary organisations. The loan component was repayable by the beneficiary in 14 years at 13.5 per cent interest per annum. In February 1997, KSHB proposed to obtain a one-time annuity deposit of Rs. 11,600 bearing interest at 14 per cent per annum from philanthropic institutions/individuals on behalf of each beneficiary to cover the monthly repayments so as to mitigate the debt burden of the beneficiaries. Government accepted the proposals in March 1997. The deposit amount was enhanced to Rs. 12,500 in April 1998.

Scrutiny revealed that District Panchayats of Kottayam and Pathanamthitta deposited (June 1998) Rs. 40.63 lakh and Rs. 74.25 lakh with KSHB towards the one time annuity deposit for 325 and 594 houses respectively, from out of Plan funds provided to them by Government for 1997-98.

As Government share of expenditure on the scheme was limited to subsidy element (Rs. 9000 per house) alone, expenditure incurred by the two District Panchayats in making the annuity deposit of Rs. 1.15 crore from out of untied funds placed at their disposal by Government was irregular.

Government in Finance Department stated (July 1999) that the District Panchayats were being directed to withdraw the deposits urgently.

[Paragraph 6.13—contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 1999 No. 3 (civil)]

Notes received from Government are included in Appendix II.

6. The witness (Principal Secretary, Local Self Government Department), explained that the one time annuity deposits of Rs. 12,500 for each house made by the panchayat was neither irregular nor a wasteful expenditure. He further explained that in the Scheme there was a loan component of Rs. 19,000 repayable by the beneficiary in 14 years at 13.5% interest. But remittance of one time annuity deposit of Rs. 12,500 on behalf of each beneficiary either by philanthropic organisations or individuals could make free the beneficiaries from the loan repayment obligations. The scheme was launched at a time when the panchayats had the power to sanction grant up to Rs. 30,000 for each house as per the decentralised planning guidelines. Initially it was proposed to make the annuity deposit by philanthropic institutions or individuals, but later the Government had clarified that the L.S.G. institutions were also equivalent to the voluntary organisations as termed in the scheme. Hence most of the Panchayats opted for the Maithree Housing Scheme. By opting that scheme, the panchayats were able to sanction more houses within the limited allocation of fund.

7. To a question regarding the number of houses to be completed under the scheme, the witness informed that 2000 houses were yet to be completed.

8. The Committee opined that though the scheme was originally envisaged as a participatory scheme, the involvement of L.S.G institutions had changed the scheme as a Government sponsored one. The Committee also noted that the involvement of panchayat had prevented local participation and contribution of outside fund other than Government fund in the Scheme.

#### **Conclusions/Recommendations**

9. The Committee observes that in the Maithree Housing Scheme launched by the KSHB, by bringing the Local Self Government Department Institutions also under the definition of philanthropic institutions, Panchayats were enabled to reap the benefit of providing houses for economically weaker section of the society for lesser contribution. In fact the panchayats were able to subscribe for 2 houses @ of Rs. 12,500 as at that time they had the power to sanction Rs. 30,000 per house as grant. The Committee appreciate the Panchayats for availing the benefit. But at the same time, the fact remains that due to over subscription by the institution, the Kerala State Housing Board was not able to meet the demand and around 2,000 houses are yet to be completed. So also due to the overwhelming participation of the Local Self Government Institutions other philanthropic institutions/NGOs was edged out of the scheme. The Committee would like to point out that the involvement of LSGD institution in the Maithree Housing Schemes, the scheme had been fully made a Government sponsored scheme thereby preventing channelling of outside funds into the scheme. The Committee desires to be informed whether the remaining 2000 houses had been completed and handed over to the beneficiaries.

#### **AUDIT PARAGRAPH**

##### ***Implementation of "Kanya Vivah" Scheme***

The District Panchayat, Kottayam (DPK) approved (January 1998) a life insurance scheme called "Kanya Vivah" for providing insurance coverage to one of the parents of girls belonging to SC/ST studying in standards I to III. Under the scheme, the parent would be insured by Life Insurance Corporation of India (LIC) for an assured sum of Rs. 10,000 payable on the girl attaining 21 years of age. DPK would pay yearly premium of Rs. 600 to 900 in January for 12 to 16 years on individual policies. For the first year 1997-98, DPK paid Rs. 28.56 lakh (March and June 1998) as premium for insuring the parents of 3647 girls (SC: 3318 and ST: 329), utilising the People's Plan Fund sanctioned by Government for the developmental schemes of the district.

The above scheme intended to benefit the parents after 12-16 years involved commitment of huge amounts out of People's Plan without any immediate developmental benefit. The District Collector who was Secretary to the District Planning Committee (Committee), stressed the need for getting Government sanction for implementing the scheme. According to the minutes of the Committee's meeting held on 30 March 1998, Government directed (11 March 1998) the President, DPK not to take up the project. However, the Committee decided to go ahead with the project without involving Government or the State Planning Board. If this plan was adopted in other panchayats also, huge amount of scarce resources would go for unproductive purpose, only to cover a future uncertainty in preference to immediate developmental needs.

Thus the scheme conceived by DPK without the approval of Government, resulted into a liability of huge funds out of People's Plan and mainly benefited the Insurance Company and its agents.

Government stated (July 1999) that sanction for implementation/continuance of the scheme was not accorded and that the question of instituting a vigilance enquiry in the matter was being examined.

[Paragraph 6.14—contained in the report of the Comptroller and Auditor General of India for the year ended 31st March 1999 No. 3 (civil)]

Notes received from Government are included in Appendix II.

10. The Secretary, Local Self Government (Rural) admitted that the implementation of the 'Kanyavivah' insurance scheme by the District Panchayat, Kottayam was highly irregular. Though the Government had directed the panchayat to keep the scheme in abeyance the panchayat went ahead with the scheme without the Government sanction. While examining the various aspects of the scheme the Government found that the beneficiaries of the scheme would not get the value of the amount invested on their behalf and the prime beneficiaries were the LIC agents. Hence, it was decided not to sanction the scheme in subsequent years. In view of the allegations raised against the implementation of the scheme and the high irregularity noticed, the Government ordered a vigilance enquiry the result of which was yet to be received.

11. On being asked about the instructions issued regarding the approval of various schemes implemented through panchayats under decentralised planning, the witness submitted that there were certain complexities in this regard in the first year of the decentralised planning. But, directions rectifying the complications found had been issued then and there. At present prior

approval of the Government was required for selecting insurance schemes. To a question about the scope for conversion of 'Kanyavivah' scheme into 'Kanyasuraksha' scheme, the Secretary, Local Self Government (Rural) replied that it was not permissible as per the conditions of the insurance scheme. The only possibility before the Government was to continue or discontinue the scheme. After many calculations, the Government had decided to withdraw from the scheme considering the fact that it was cheaper than going ahead.

#### Conclusions/Recommendations

12. The Committee observes that the District Panchayat, Kottayam implemented an insurance scheme in 1998 against Government orders and spent Rs. 28.56 lakhs as first premium for insuring 3647 girls belonging to Scheduled Caste/Scheduled Tribe Community.

13. The Committee understands that in the light of the irregularities in the implementation of the scheme that came to notice later, Government had ordered a Vigilance Enquiry into the matter. The Committee desires that the Vigilance Enquiry be completed immediately and the outcome of the enquiry and action taken there on by Government be intimated to the Committee.

#### AUDIT PARAGRAPH

*Government could not purchase photocopiers for panchayats in 18 months.*

The Co-ordination Committee for People's Planning decided (April 1998) to purchase one photocopier for each Grama Panchayat utilising the plan funds for 1997-98. The Committee also decided that the Administrative Department would arrange centralised purchase at State level to secure economy through bulk purchase. The Director of Panchayat collected Rs. 6.91 crore from 691 grama panchayats during June 1998 to January 2000 (Rs. 6.86 crore in 1998-99 and Rs. 5 lakh in 1999-2000) for the proposed purchase.

In June 1998, the Block Panchayat Presidents and Secretaries decided to purchase photocopiers for the proposed Block Information System. Accordingly, 88 block panchayats remitted Rs. 88 lakh to the Commissioner for Rural Development during June 1998 to March 1999. Government constituted a Departmental Purchase Committee in March 1999 to finalise the procedures for the purchase. The Director of Panchayat invited tenders in July 1999 and ten offers were received. The tenders were forwarded to Government in October 1999. However, the machines had not been purchased even as of October 2000.

Thus, purchase and supply of the photocopiers to block panchayat/grama

panchayat did not materialise as of October 2000 even though the panchayats had remitted Rs. one lakh each from their plan allocation for 1997-98. The Panchayat funds of Rs. 7.79 crore meant for the People's Plan for 1997-98 remained locked up during 1998-99 and 1999-2000. While funds remain so blocked, the grama panchayats/block panchayats incurred substantial expenditure on photocopying. It was seen that Kazhakuttom Panchayat spent Rs. 1.08 lakh for taking Photostat copies during 1997-98 to 1999-2000.

Government stated (June 2000) that the procedures for the purchase were under finalisation and the machines would be supplied soon.

[Paragraph 7.17—contained in the Report of the Comptroller and Auditor General of India for the year ended 31<sup>st</sup> March 2000 (Civil)]

Notes received from Government are included in Appendix II.

14. During the examination of the audit para, the witness Secretary, LSGD, explained the hurdles experienced by the department in the proposed purchase of photocopier for Grama Panchayats/Block Panchayats. In the year 1997, the Government had taken a decision to purchase one photocopier for each panchayat utilising the plan funds for the year 1997-98. It was envisaged for a centralized bulk purchase at state level in order to avoid separate tenders and to secure economy in purchase for the purpose. The Director of Panchayat collected Rs. 6.91 crores from various Grama Panchayats during June 1998 to January 2000 and deposited in a T.P. account. But during the implementation of the scheme many technical and legal objections were raised. The Secretary further explained that the unfair competition by the bidders had also caused much delay in the purchase process. Being a major purchase, every time, whenever a news report or complaint regarding the purchase appeared, the department had to enquire the same in detail and a lot of time was consumed in the process. Finally Government decided to review the decision and issued orders giving permission to local bodies to purchase the machines by themselves from the plan funds after observing purchase rules. But, the Government order was stayed by the Hon'ble High Court in a Public Interest Petition filed by an individual alleging malafides in the order. Later the OP was dismissed and ordered in favour of the Government. The Government directed the Director of Panchayats to refund the amount deposited in the T P account and permitted the local bodies to purchase the machines as per the instructions issued in the Government Order. But since all the T. P. Accounts were abolished by the Finance Department, the amount deposited in the T. P. account of the Director of Panchayats could not be withdrawn and refunded to the concerned panchayats.

15. Hence the LSGD had taken up the matter with the Finance Department and the latter had been requested to give permission to maintain a Treasury Savings Bank Account in the name of Director of Panchayats. The Finance Department had agreed to open a Treasury Saving Bank account and steps were being taken to transfer the amount into that account.

16. The Committee observed that similar practical difficulties were also being experienced in the purchase of computers for local bodies. Hence the Committee directed the department to take the proposed photocopier purchase as a case study and prepare a report incorporating suggestions if any, for future use and forward the same to the Committee at the earliest.

#### **Conclusions/Recommendations**

17. The Committee understands that Plan funds of Rs.7.79 crores for 1997-98 diverted by Grama/Block Panchayats for the purchase of photocopiers remained blocked with Government till date. The Committee notices that while funds are so blocked, the Grama/Block Panchayats incurred substantial expenditure on photocopying.

18. The Committee opines that during the period when decentralization process was started blocking up of such huge amount belonging to Grama / Block Panchayat Government is not conducive to the development process.

19. The Committee, therefore, opines that the department should take up the instant case as a case study and to analyse the reasons for the failure in implementation of the schemes in defend and prepare a report incorporating suggestions if any, for future guidance and forward the same to the Committee at the earliest.

#### **AUDIT PARAGRAPH**

##### *Housing Scheme for scheduled tribe beneficiaries in Wayanad District*

District Panchayat, Wayanad approved construction of 750 houses for homeless scheduled tribe beneficiaries in 24 grama panchayats under People's Plan Campaign 1997-98 at a cost of Rs.2.62 crore (at the rate of Rs. 35,000 per house approved by Government in September 1997). The houses were to be constructed as per Jawahar Rozgar Yojana norms and the assistance to be disbursed to beneficiaries in instalments based on stage certificates issued by the concerned authorities. However, in June 1998 the District Panchayat decided to get the houses constructed by Nirmithi Kendra, Wayanad by 31 December 1998 and released Rs. 3.37 crore (at the rate of Rs. 45,000 per house as per the estimate furnished by the Kendra) to the Kendra. The shortfall in funds was

met by diversion of Rs. 75 lakh earmarked under Tribal Sub Plan for drinking water and electrification schemes. The excess payment of Rs. 22.50 lakh was refunded by the kendra in January 2000 after it was pointed out in audit. Though the houses were required to be completed and handed over to the beneficiaries by December, 1998, only 183 houses out of 750 were completed (June 2000) and unspent assistance retained by the kendra amounted to Rs. 2.50 crore (October 2000).

Construction of houses was entrusted with the Kendra instead of through the beneficiaries themselves to avoid delays inherent in fulfilling of various formalities by the beneficiaries and to expedite completion of projects taken up. However, it was observed that the Kendra in turn entrusted the work to the respective grama panchayat and that less than 25 per cent of the targeted number of houses could be completed during the two years.

Thus, implementation of the housing scheme taken up under the People's Plan Campaign 1997-1998 was delayed inordinately though adequate funds were available since June 1998.

The matter was referred to Government in June 2000; reply has not been received (November 2000).

[Paragraph 7.18—contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2000 (Civil)]

Notes received from Government are included in Appendix II.

20. While examining the audit para, the Committee noted that the Housing Scheme approved by the District Panchayat, Wayanad, for the welfare of the scheduled tribes was intended to be implemented with the full participation of the beneficiaries themselves.

21. But, the Secretary, Local Self Government (Rural) informed the Committee that as the beneficiaries did not come forward, it was decided to entrust the construction work with the Nirmithi Kendra. The proposal for sanction of Rs. 45,000 per house as per the estimates of Nirmithi Kendra was denied and the Government sanctioned only Rs. 42,000. Hence the Kendra retracted from the agreement and refunded the amount received from government directly to the beneficiaries through panchayats. The beneficiaries were directed to execute agreements with the Kendra and the scheme was being implemented by the beneficiaries and panchayats. On being asked about the present position, the witness replied that out of the 750 houses sanctioned, construction of 589 had been completed. Construction of 145 houses was in progress and 16 houses was yet to be started. Pointing out the unauthorised agreement of Nirmithi

Kendra with the beneficiaries the Committee wanted to know its legal validity. The witness answered that there was no irregularity in executing agreement with the beneficiaries since the Nirmithi Kendra, a Public Sector Housing Agency, could execute agreement in any way. He added that the real issue was the delay occurred in the construction. He further said that remedial measures to rectify such anomalies noticed in the first year of decentralisation had been taken. Recently funds were released in five instalments on the production of utilisation certificate in each stage. In order to overcome the delay in obtaining the Valuation Certificate, a Tribal Extension Officer was appointed for monitoring the construction of houses. The Government had also decided to entrust the construction of tribal houses with the accredited agencies so that the quality of the houses could be ensured. It was also intimated that Rs. 75,000 per house was being sanctioned for tribal housing at present.

22. Noticing the preparation and approval of estimates by Nirmithi Kendra, the Committee opined that the procedure was not proper. The witness maintained that Nirmithi Kendra could prepare the estimates only according to PWD Schedule of rates. They could get the estimates done through other agencies also.

#### **Conclusions/Recommendations**

23. The Committee understands that the District Panchayat, Wayanad approved construction of 750 houses for homeless Scheduled Tribes beneficiaries in 24 grama panchayats under People's Plan Campaign 1997-98 and the construction was entrusted with Nirmithi Kendra. The Committee notices that even after 8 years, construction of 161 houses is still pending and 16 houses are yet to be started. The Committee notes that the poor financial capacity of the tribal people and treasury restrictions attributed very much to the delay in the construction of houses. As a result many families were rendered homeless or with unfinished houses in which they could not stay. The Committee recommends that the funds provided for housing schemes to tribals should be distributed in time and the item should be exempted from all treasury restrictions.

24. The Committee recommends that all the houses sanctioned under the scheme should be physically verified and necessary action should be taken to complete the construction of remaining houses. The Committee recommends that the funds for implementing ongoing housing schemes for STs if available should be utilised for the completion of the houses under People's Plan Campaign 1997 and the Department should ensure proper monitoring while implementing such schemes in future.

25. The Committee observes that not only in the instant case but also in many schemes, non-release of funds in proper time cause hindrance to the realisation of schemes. The Committee recommends that arrangements should be made to distribute the funds provided for housing schemes in time and to exempt it from treasury ban permanently.

#### AUDIT PARAGRAPH

##### *Blocking of developmental funds in incomplete power projects*

Test check of records of the Zilla Panchayat (ZP), Kozhikode revealed non-implementation of two schemes under Power Sector approved under the People's Plan Campaign during 1997-1998 and 1998-1999 which led to blocking of Plan funds amounting to Rs. 3.36 crore with Kerala State Electricity Board (KSEB).

##### *(i) Non-implementation of mini hydel project*

In March 1999, Government allotted the construction of a Mini Hydel Project in Arippara to harness the waterfalls in hilly areas in the district to Kozhikode ZP for an outlay of Rs. 5.30 crore.

Based on the preliminary report prepared by KSEB, ZP fixed the outlay at Rs. 8 crore and provided Rs. 41.28 lakh for the project. The balance provision of Rs. 7.59 crore was proposed to be raised from financial institutions. KSEB was to implement the project as a deposit work to be completed in 24 months. Even before a detailed project report (DPR) was prepared by KSEB and feasibility of the project assessed, ZP deposited Rs. 2 crore with KSEB in March 1999 diverting Rs. 1.60 crore from 52 other projects approved under the People's Plan 1998-1999. The DPR for Rs. 10.05 crore was approved by KSEB in July 2000.

The Secretary stated (November 2000) that the amount was remitted to KSEB to avoid lapse of funds. Government stated (November 2000) that with the earnest desire to complete the project within 24 months, ZP deposited Rs. 2 crore with KSEB by diversion of funds from other projectors. As preliminary investigations and feasibility report were completed by KSEB in 1994, and a DPR not even prepared till July 2000 and the work not started as of November 2000 by KSEB, there was no scope of completion of the project within 2 years and therefore, there was no justification for the diversion of plan funds from other approved projects and making such an advance deposit prematurely. This action affected the implementation of 52 approved projects under various sectors viz., manufacturing (12), service (30) and infrastructure (10) sectors.

[Paragraph 7.20(i)—contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2000 (Civil)]

Notes received from Government are included in Appendix II.

## AUDIT PARAGRAPH

*Zilla Panchayat, Kannur—Avoidable locking up of funds*

Zilla Panchayat, Kannur deposited (June 1998) with Kerala State Electricity Board (KSEB) Rs. 40 lakh for implementing the Haritheerthakkara Micro Hydro Electric Scheme in Kanakol Alapadamba Panchayat with an installed capacity of 100 KW (0.1 MW) as a deposit work. In a meeting held (September 1998) between the President, Zilla Panchayat (ZP) and KSEB, it was decided to take up Adakkathodu Small Hydro Electric Scheme in Kelakom Panchayat with an higher installed capacity of 2.5 MW at a cost of Rs. 4.94 crore as estimated by KSEB. Subsequently, ZP decided (October 1998) to execute the Kalanki Mini Hydro Electric Scheme in Padiyur Kalliyadu Panchayat with an installed capacity of 1 MW in lieu of Haritheerthakkara Scheme. Though KSEB was addressed by the ZP in November 1998 on the proposed new scheme, there was no response and ZP decided (July 1999) to drop the proposals for the mini power project. Though ZP demanded (July and December 1999) refund of the deposit of Rs.40 lakh, KSEB did not refund it as of May 2001.

The failure to decide upon the location, installed capacity etc. of the proposed mini hydro electric project in Kannur under the People's Plan Campaign (PPC) led to blocking of PPC funds of Rs. 40 lakh for three years. The matter was referred to Government in June 2001, reply has not been received (October 2001).

[Paragraph 7.18—contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2001 (Civil)]

Notes received from Government are included in Appendix II.

26. The Secretary, Local Self Government (Rural) informed that the schemes of micro-level hydel projects of District Panchayats, Kannur and Kozhikode could not be implemented as the KSEB, the agency selected for the execution could not carry out the work. The KSEB had refunded the amount after recovering an amount of Rs. 3 lakhs against the expenditure incurred for initial works. The Committee pointed out that the other mini hydel projects initiated by the panchayats except Vattavada and Mankulam had also met with the same fate. Then the witness replied that all those things had happened in the first year of decentralised planning when a number of practical difficulties were experienced during the implementation of schemes in new areas.

27. The Committee noted that the amount sanctioned for the implementation of the project was deposited with out finalising exact site of the

project and funds allotted to other projects were diverted without the prior approval of the District Programme Committee. The witness responded that such defects had been rectified and prior approval of the District Programme Committee was insisted. With the introduction of bill system from current year, the approval number should be mentioned in the bill.

28. The Committee visited the micro-hydel project at Vattavada and Mankulam, which were commissioned. The Secretary informed the Committee that no policy decision regarding the transmission and distribution of the power generated by panchayats through micro hydel projects had been taken so far. It had not yet been defined whether such micro-hydel projects were envisaged to augment power or for commercial gain of panchayats.

#### Conclusions/Recommendations

29. The Committee understands that the proposal of Zilla Panchayats to implement Mini Hydel Projects under the People's Plan Campaign in most sites was a flop. The Committee notices that in the instant cases, the Zilla Panchayat had deposited huge amount with KSEB even before preparing a detailed Project Report, thereby causing blocking of funds with KSEB for long time and affecting the implementation of many other projects.

30. The Committee observes that as Kerala State does not have big rivers like the neighboring states, it is more viable and economic to have micro-hydel projects instead of huge hydel projects. Hence the idea of generating captive power by the Panchayats through micro-hydel projects is a very novel one. The Committee feels that the KSEB should study and concentrate on the implementation of such projects. Hence the Committee recommends that a well defined policy regarding the setting up of micro-hydel projects and the generation, transmission and distribution of power generated by such micro-hydel projects should be formulated. The KSEB should be geared up for preparation and execution of such projects.

#### AUDIT PARAGRAPH

##### *Non-Implementation of electrification schemes in SC/ST colonies*

ZP decided (June 1998) to implement the rural electrification scheme to provide power supply in 56 SC/ST colonies at a cost of Rs. 1.60 crore. Though project was not included in the annual plan of ZP for 1997-1998, ZP remitted the entire cost (Rs. 1.60 crores) to KSEB in June 1998 by diverting funds from various other approved projects. KSEB did not complete the electrification schemes as of March 2000. According to the progress report for January 2000 work in respect of 12 colonies (out of 57) only have been completed.

Government stated (November 2000) that execution of the work was delayed due to non-availability of materials and that 46 works had been completed as of July 2000. For more than two years, the intended benefit did not reach the targeted SC population.

[Paragraph 7.20 (ii)—contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2000 (Civil)]

Notes received from Government are included in Appendix II.

31. The Committee wanted to know the latest position regarding the electrification of tribal colonies. The Secretary, LSGD (Rural) answered that the electrification of colonies spelt out in the constitution of Panchayat Raj could be implemented only as deposit work. The Secretary also pointed out that in the initial stage there were certain instances where the Panchayats had deposited money in KSEB before getting the approval for the Scheme from the District Programme Committee or even before preparing estimates by the KSEB. In subsequent years that system had been stopped and the scheme implementation was done only after due approval by the DPC. The scheme implementation was being monitored by the Minister for Electricity and the Chairman, Kerala State Electricity Board also. On being asked about the electrification of the remaining cases the witness assured that he would submit a general note regarding current status of the deposit works.

#### **Conclusions/Recommendations**

32. **The Committee desires to be furnished with the current status of the deposit works taken up under the rural electrification of colonies.**

#### **AUDIT PARAGRAPH**

##### ***Setting up of a mini industrial estate***

Zilla Panchayat, Kozhikode proposed establishment of three mini industrial estates (MIES) in Kozhikode, Koyilandy and Vadakara Taluks, each on 10 acre of plots with provision for 50 entrepreneurs at a total cost of Rs. 13.50 crore. Provision of Rs. 4.50 crore for setting up an estate at Nallalam Panchayat in Kozhikode Taluk was earmarked in the Annual Plan for 1997-1998. In February 1998, the Kozhikode Zilla Panchayat Industrial Trust (KOZPIN) was registered to run the estates. The Zilla Panchayat (ZP) remitted to the Trust Rs. 1.33 crore (Rs. 50 lakh in March 1998; Rs. 83 lakh in March 1999) for acquisition of land for the estate at Nallalam Panchayat. In March 2000, Rs. 70 lakh was paid by the Trust to the Special Tahsildar. Land Acquisition towards value of a plot (9.72 acres) identified for the estate. ZP, Kozhikode took the land into possession in August 2000.

In May 2001, ZP decided to dissolve the trust and to entrust the project with the District Industries Centre (DIC), Kozhikode. The trust was dissolved in June 2001.

Thus, decision to implement the project through a newly created trust not only delayed the implementation of the project for more than three years, but also led to avoidable locking up of People's Plan funds of Rs. 1.33 crore. The balance unspent amount of Rs. 66.74 lakh (including interest) was still kept in the accounts of the trust and was not transferred to DIC (including interest) for implementation of the scheme as of August 2001.

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

[Paragraph 7.17—contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2001 (Civil)]

Notes received from Government are included in Appendix II.

33. The Committee was informed that the Trust under question had been dissolved and the amount deposited with the Trust was withdrawn and credited to the account of District Panchayat, Kozhikode. Construction works were in progress and would be completed in March 2005.

34. The witness, Secretary LSGD, submitted that the instant case was also a result of the problems faced during the first year of the decentralisation plan. But later the position had been changed and as such panchayats were not empowered to transfer any fund without the prior permission from the Government. The Committee noticed that there was a tendency in many panchayats to acquire vast area of land for starting Industrial Estates and then keeping it idle without any follow-up action to start industries. This resulted in idling of the land acquired for the purpose for many years. The Committee also noted that there were no proper guidelines for the utilisation of the acquired land. The Committee therefore recommended that there should be some proper guidelines for the utilisation of the land acquired by panchayat for starting industrial estates in the State.

35. While completing the examination of the audit paragraphs pertaining to Local Self Government (Panchayats) Department, the Committee opined that many of the technical remarks of the Comptroller and Auditor General of India remained as such. The Committee desired the witness to submit a report on the remedial measures taken to overcome the drawbacks noted during the first year of decentralisation.

**Conclusions/Recommendations**

36. The Committee has come to understand that there is a growing tendency among the local bodies to acquire land without having a clear cut vision or policy in its utilisation. Often such lack of vision or policy in the utilisation of land acquired results in idling of land and locking up of capital. The Committee therefore recommends that proper guidelines regarding the utilisation of the land acquired for specific purposes by Panchayats should be issued by LSGD.

ARYADAN MUHAMMED,

Thiruvananthapuram,  
26th September, 2006.

*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	45	Local Administration- Panchayat	<p>The Committee finds that the scheme sanctioned by Government in 1989 with an aim to generate additional gainful employment in rural areas under agriculture sector and create assets that could provide benefits to the participant farmer was a total failure. Apart from the purchase of agricultural implements worth Rs. 1,22,87,000 nothing tangible had been achieved either in income generation or asset creation. the reasons attributed for the failure of the scheme are absence of an effective monitoring system in the implementation of the scheme, lack of proper idea on micro level planning for agriculture, limited acceptance of wage employment programme by the farmers due to unattractive rate of government subsidy, lack of co-ordination between the Agriculture Department and the panchayats and absence of operational guidelines etc. Out of Rs. 4.4 crores earmarked for the scheme Rs. 4.38 lakh had been released to Local bodies. Utilisation certificate with regard to the expenditure incurred under the scheme had not been furnished by the panchayats. No track of the money expended was maintained by the LSGD at the higher level or the panchayats at the lower level. Since all the unspent balance with the panchayats was credited to the government in 2003 the details of expenditure under the scheme could not be</p>

(1)	(2)	(3)	(4)
			<p>worked out at present. The Committee understands that not only in the instant case but also in other cases the LSGD is experiencing similar problems while implementing schemes of other administrative departments through panchayats. Hence, the Committee recommends that the responsibility of proper guidance, financial as well as operational during the implementation of schemes under decentralised planning should invariably be assigned to the concerned administrative departments. Effective monitoring and strengthening of the activities coming under the scheme should also be entrusted to the department.</p> <p>The Committee points out that under the decentralised planning lots of funds are being released to Panchayats under various schemes. Often lack of proper monitoring in the utilisation of the funds creates problems in maintaining the accounts accurately. The Committee, therefore, recommends that utilisation certificates with regard to the funds spent should be insisted in such schemes as in the case of central schemes.</p>
2	9	Local Administration-Panchayat	<p>The Committee observes that in the Maithree Housing Scheme launched by the KSHB, by bringing the Local Self Government Department Institutions also under the definition of philanthropic institutions, panchayats were enabled to reap the benefit of providing houses for economically weaker section of the society for lesser contribution. In fact the panchayats were able to subscribe for 2 houses @ of Rs. 12,500 as at that time</p>

(1)	(2)	(3)	(4)
			<p>they had the power to sanction Rs. 30,000 per house as grant. The Committee appreciate the Panchayats for availing the benefit. But at the same time, the fact remains that due to over subscription by the institution, the Kerala State Housing Board was not able to meet the demand and around 2000 houses are yet to be completed. So also due to the overwhelming participation of the Local Self Government Institutions other philanthropic institutions/NGOs <del>was</del><sup>were</sup> edged out of the scheme. The Committee would like to point out that the involvement of LSGD institution in the Maithree Housing Schemes, the Scheme had been fully made a Government sponsored Scheme thereby Preventing channelising of outside funds into the scheme. The Committee desires to be informed whether the remaining 2000 houses had been completed and handed over to the beneficiaries.</p>
3	12	Local	The committee observes that the District
	13	Administration-	Panchayat, at Kottayam implemented and
		Panchayat	insurance scheme in 1998 against
			Government orders and spent Rs.28.56 lakhs as first premium for insuring 3647 girls belonging to Scheduled Caste/Scheduled Tribe community.
			<p>The Committee under stands that in the light of the irregularities in the implementation<del>of</del> of the scheme that came to notice later, Government had ordered a Vigilance Enquiry into the matter. The Committee desires that the Vigilance Enquiry be completed immediately and the outcome of the enquiry and action taken there on by Government be intimated to the Committee.</p>

(1)	(2)	(3)	(4)
4	18 19	Local Administration- Panchayat	<p>The Committee understands that Plan funds of Rs. 7.79 crores for 1997-98 diverted by Grama/Block Panchayaths for the purchase of photocopiers remained blocked with Government till date. The Committee notices that while funds are so blocked, the Grama/Block Panchayats incurred substantial expenditure on photocopying.</p> <p>The Committee opines that during the period when decentralization process was started blocking up of such huge amount belonging to Grama/Block Panchayat Government is not conducive to the development process.</p> <p>The Committee, therefore, opines that the department should take up the instant case as a case study and to analyse the reasons for the failure in implementation of the schemes in defend and prepare a report incorporating suggestions if any, for future guidance and forward the same to the Committee at the earliest.</p>
5	23 24 25	Local Administration- Panchayat	<p>The Committee understands that the District Panchayat, Wayanad approved construction of 750 houses for homeless Scheduled Tribes beneficiaries in 24 grama panchayats under People's Plan Campaign 1997-98 and the construction was entrusted with Nirmithi Kendra. The Committee notices that even after 8 years, construction of 161 houses is still pending and 16 houses are yet to be started. The Committee notes that the poor financial capacity of the tribal people and treasury restrictions attributed very much to the</p>

(1)	(2)	(3)	(4)
			<p>delay in the construction of houses. As a result many <del>people</del> <sup>people</sup> were rendered homeless or <del>with unfinished</del> <sup>forced to live in</sup> houses in which they could not stay. The Committee recommends that the funds provided for housing schemes to tribals should be distributed in time and the item should be exempted from all treasury restrictions.</p> <p>The Committee recommends that all the houses sanctioned under the scheme should be physically verified and necessary action should be taken to complete the construction of remaining houses. The Committee recommends that the funds for implementing ongoing housing schemes for STs if available should be utilised for the completion of the houses under People's Plan Campaign 1997 and the Department should ensure proper monitoring while implementing such schemes in future.</p> <p>The Committee observes that not only in the instant case but also in many schemes, non-release of funds in proper time cause hindrance to the realisation of schemes. The Committee recommends that arrangements should be made to distribute the funds provided for housing schemes in time and to exempt it from treasury ban permanently.</p>
6	29 30	Local Administration- Panchayat	<p>The Committee understands that the proposal of Zilla Panchayats to implement Mini Hydel Projects under the People's Plan Campaign in most sites was a flop. The Committee notices that in the instant cases, the Zilla Panchayat had deposited huge</p>

(1)	(2)	(3)	(4)
			<p>amount with KSEB even before preparing a detailed Project Report, thereby causing blocking of funds with KSEB for long time and affecting the implementation of many other projects.</p> <p>The Committee observes that as Kerala State does not have big rivers like the neighbouring states, it is more viable and economic to have micro-hydel projects instead of huge hydel projects. Hence the idea of generating captive power by the panchayats through micro-hydel projects is a very novel one. The Committee feels that the KSEB should study and concentrate on the implementation of such projects. Hence committee recommends that a well defined policy regarding the setting up of micro-hydel projects and the generation, transmission and distribution of power generated by such micro-hydel projects should be formulated. The KSEB should be geared up for preparation and execution of such projects.</p>
7	32	Local Administration-Panchayat	<p>The Committee desires to be furnished with the current <del>status</del> status of the deposit works taken up under the rural electrification of colonies.</p>
8	36	Local Administration-Panchayat	<p>The Committee has come to understand that there is a growing tendency among the local bodies to acquire land without having a clear cut vision or policy in its utilisation. Often such lack of vision or policy in the utilisation of land acquired results in idling of land and locking up of capital. The Committee therefore recommends that proper guidelines regarding the utilization of the land acquired for specific purposes by panchayats should be issued by LSGD.</p>

## APPENDIX II

STATEMENT OF REMEDIAL ACTION TAKEN ON AUDIT PARA 3.16  
IN THE REPORT OF THE C&AG FOR THE YEAR ENDED 31-3-1998

<i>Audit Para number &amp; Title</i>	<i>Remedial measures taken</i>
(1)	(2)
<i>Para 3.16</i>	
<u><i>Failure of the scheme for providing employment to the Rural People through the Centralised Planning.</i></u>	The Panchayat spent Rs. 1,32,67,861 under special agricultural employment programme up to 31-12-1999 from the amount of Rs. 2,03,95,500 released by Govt. to various panchayats vide order No. 5506/95 dated 30-5-1995.
To generate additional gainful employment in rural areas under agriculture sector and create assets that could provide benefits to the participant farmers, a scheme was sanctioned by Government in August, 1989. The areas of activity identified were soil conservation and land development works, development of irrigation infrastructure etc. which should be labour intensive. The works on the above were to be organised and executed by the local panchayats based on the project reports prepared by the Agriculture Department. During the period 1989-90 to 1991-92 Rs. 4.40 crore was sanctioned under the scheme. The Director of Panchayats (DP) had drawn the amount and deposited it in a Treasury Savings Bank Account in March 1990 (Rs. 1.50 Crores) in March 1991 (Rs. 1.50 crores) and in March 1992 (Rs. 1.40 crores). There was inordinate delay ranging from 10 to 62 months in disbursement of the amount by the DP to the local panchayats. According to the DP (March 1992) there were practical	There were practical difficulties in utilisation of funds based on the guidelines issued by the Agricultural Dept. and the local panchayats had also expressed their inability to spend the amount. The specific guidelines with regard to the implementation of schemes, utilisation of funds etc. relating to panchayats were issued by Govt. during 1994 as per G.O(Rt)No. 2261/94/LSGD dated 4-6-1994 only.
	Again an amount of Rs. 80,50,000 has been released to 21 Grama Panchayats as per order No. 433/97 dated 28-1-1997 and expenditure of Rs. 59,25,025 achieved up to 31-12-1999. The progress report in this matter has been collecting from the deputy Director of of Panchayats periodically.
	Implementation of the scheme, as per the instruction from Govt. had to be monitored by a Committee consisting

(1)	(2)
<p>difficulties in utilisation of funds based on the guidelines issued by the Agriculture Dept. and the local panchayats had also expressed their inability to spend the amount.</p> <p>A scrutiny of the records in the Directorate of Panchayats revealed that during the period 1990-91 to 1996-97, the DP had spent Rs. 22 lakh including Rs. 21.10 lakh for purchase of 10 jeeps which was not envisaged in the scheme and disbursed Rs. 4.08 crore to the local panchayats.</p> <p>Information about the utilisation of the funds released to the local panchayats was not available with the DP and the details of employment generate and the assets created could not be verified. The DP thus failed to monitor the implementation of the scheme and achievement of the objectives of the scheme could not be assessed.</p> <p>The matter was referred to Govt. in June 1998, reply had not been received (October 1998).</p>	<p>of the president and the beneficiaries of the panchayats concerned. In addition to that all the DPOs were instructed to conduct supervisory checking in all the panchayats where the schemes were being implemented. But during the period most of the DPOs were not having any vehicle and hence they had to experience much inconvenience to perform their duties properly. These inconvenience experienced by the DPOs were brought to the notice of the Government and the Govt. there on had given sanction for the purchase of 10 nos. of Jeeps as per order No. 6181/93 dated 22-9-1993. This was the circumstances that led to the purchase of 10 nos. of jeeps spending Rs. 21.10 lakhs from the unutilised amount set apart for the scheme.</p> <p>Steps are being taken to 100% completion of the scheme immediately.</p> <p>There was no failure in implementing the scheme. Also there is no diversion of funds. All the payments were made with the prior sanction of Government.</p>

P. KAMALKUTTY,

*Secretary.*

STATEMENT ON ACTION TAKEN ON PARA 6.13 CONTAINED IN  
THE REPORT OF THE COMPTROLLER & AUDITOR GENERAL  
FOR THE YEAR ENDED 31-3-1999

<i>Para No.</i>	<i>Subject</i>	<i>Statement of action taken</i>
(1)	(2)	(3)
6.13 Irregular expenditure on annuity deposits by district panchayats	Irregular expenditure on annuity deposits by district panchayats	<p>District Panchayat Kottayam:—</p> <p>In the loan application form for Maithry Housing Scheme issued by Kerala State Housing Board, it is stipulated that the beneficiary will be exempted from refund of loan amount if the panchayat/voluntary organisation deposits Rs. 12,500 per house instead of remitting Rs. 158 p.m. (principal amount and interest) in 168 instalments. As there was no other source to raise funds being the share due from beneficiary and voluntary organization, public works standing committee of the district panchayat held on 13-4-1998 had decided to deposit Rs. 12,500 per house with Kerala State Housing Board. The resolution taken in this regard has been approved by the district Panchayat committee held on 29-4-1998.</p> <p>In the light of the above resolution district panchayat deposited Rs. 40.63 lakhs with Kerala State Housing Board towards one time annuity deposit for 325 houses. This scheme was implemented in June 1998. But the directions to withdraw the deposited amount from Kerala State Housing Board was received only in July, 1999. As the scheme is in its implementation stage, the deposit amount could not be withdrawn from Kerala State Housing Board. Hence the expenditure incurred for the purpose by the district panchayat may be excused.</p>

(1)	(2)	(3)
		<p>District Panchayat, Pathanamthitta:---</p> <p>The Pathanamthitta District Panchayat has undertaken a project for construction of 594 number of dwelling houses to economically weaker sections by utilizing the plan fund worth Rs. 74.25 lakhs during 1997-98. The beneficiaries under this project are houseless people belonging to economically weaker section from various Grama Panchayats in this District.</p> <p>This District Panchayat has selected Kerala State Housing Board as the agency for implementing this housing scheme, and as such the amount of Rs. 74.25 lakhs was deposited to housing board under Maithri Housing Scheme. It is felt that this Maithri Housing Scheme launched by the Kerala State Housing Board was a noble one as the beneficiaries are free from liabilities. The State Government and HUDCO have also approved this Maithri Housing Scheme.</p> <p>The District Panchayat has deposited the amount (Rs. 74.25 lakhs) to housing board as the Maithri Housing Scheme was an approved scheme by State Government and HUDCO. Moreover the state planning board has also approved this maithri housing scheme. While undertaking such a scheme the aim of the district panchayat was to construct new houses for 594 houseless families only. The technical objections raised by the C&amp;AG on Government share of expenditure was not brought to the attention of the district panchayat when this scheme was undertaken. The objections are raised after implementing the scheme.</p>

(1)	(2)	(3)
		At this juncture the construction of 594 houses have already been completed and hence the objections raised by C&AG will adversely affect the poor beneficiaries. Therefore the withdraw of the deposits is quite impossible and imparactical.

## NOTES

(Statement of Action Taken Report)

*Sub* :— Local Self Government Department—Report of the C&AG (Civil) for the year ended 31-3-1999 Audit para 6.14—Implementation of Kanya Vivah Scheme—Statement of Action Taken Report.

*Ref*:— Report No. 3 (Civil) of 1999

*Para* : 6.14 Implementation of Kanya Vivah Scheme

District Panchayat, Kottayam implemented an Insurance Scheme against Govt. Orders and spent Rs. 28.56 lakhs of developmental funds.

The District Panchayat, Kottayam included the scheme 'Kanya Vivah' as one of its projects in the year 1997-98. Government directed that the scheme may be kept in abeyance. But the District Panchayat paid an amount of Rs. 29 lakhs as advance to L.I.C. The actual premium amount payable to L.I.C. for the year 1997-98 was Rs. 28,55,588 covering 3647 beneficiaries and the balance amount of Rs. 41,672 was refunded by L. I. C. of India.

Government held discussions with Secretary of District Panchayat and representatives of L.I.C. Government found that the beneficiaries are not going to get the value of what is invested on their behalf taking into consideration all monetary benefits including probable death compensation. In Kanya Suraksha an existing scheme in district the yearly premium is only Rs. 260 where as the premium under Kanya Vivah is Rs. 800 to 900. At the same time the accident death benefit in Kanya Sureksha is Rs. 40,000 whereas in Kanya Vivah it is only Rs. 20,000. Even in a group insurance scheme the premium would have been less. Government found that the commission for agents during first year is 25% of premium, 2nd and 3rd year 7.5% each and 4th to 16th year 3% each. Taking into account all these factors Government is of the view that the prime beneficiaries of the scheme are agents of L.I.C. of India and not the SC/ST students. Hence Government decided not to grant sanction for the implementation of scheme during subsequent years.

Since the scheme involved huge financial commitment the District Panchayat should have got Govt. approval before implementing the scheme. But the district panchayat did not do so which is highly irregular. It was in these circumstances that Govt. examined the possibility of a Vigilance enquiry. Govt. have not yet taken a final decision regarding Vigilance enquiry into the matter and it is still under consideration of Govt.

<i>Audit para No.</i>	<i>Subject</i>	<i>Action taken</i>
7.17	Government could not purchase photocopiers for panchayats in 18 months.	Government have issued orders as per G.O.(Ms)206/02/LSGD dated 29-11-2002 permitting the local bodies in the State to purchase photocopiers from their plan funds. This G.O.was stayed by Hon'ble High Court in O.P. No.37364/02 failed by Sri. S. Manjula. Statement of facts in the above O.P. has been forwarded to Advocate General for filing Counter Affidavit by Government.

STATEMENT OF ACTION TAKEN ON THE AUDIT PARA CONTAINED IN  
THE C&AG REPORT (CIVIL) FOR THE YEAR ENDED 31-3-2000

Name of the department : LOCAL SELF GOVERNMENT (PA) DEPARTMENT

<i>Para No. and Audit Para</i>	<i>Action taken</i>
(1)	(2)
7.18 Housing Scheme for Scheduled Tribe Beneficiaries in Wayanad District	<p>An amount of Rs. 3,57,50,000 was deposited with Nirmithi Kendra, Wayanad for the construction of 750 houses at the rate of Rs. 45,000 per house. Nirmithi Kendra in turn deposited the amount in a private firm which was involved in a controversial issue which caused in Government intervention and resulted in the delay of progress of construction.</p> <p>The Nirmithi Kendra had informed that Rs. 45,000 will be required for constructing a house as per their plan and estimate. Hence sanction was requested from the government for Rs. 45,000 per house. But the proposal was denied and Government sanctioned only Rs. 42,000 per house and hence sanction was accorded to spent Rs. 3,15,00,000 to construct 750 houses at the rate of Rs, 42,000 per house. The Government also directed to refund the excess amount of Rs. 22,50,000 (300x750). Accordingly the Nirmithi Kendra had refunded the excess amount to District Panchayat.</p> <p>The Nirmithi Kendra was not willing to undertake the construction of houses at the rate of Rs. 42,000. Hence the Governing body of Nirmithi Kendra decided to allot the entire amount received from the Government, directly to the beneficiaries, through Grama Panchayats. The selected beneficiaries were</p>

(1)

(2)

directed to execute agreements with the Nirmithi Kendra and the delay in executing the agreement by the beneficiaries took much time, which in turn caused delay in the construction of houses.

The delay in obtaining the Valuation Certificate from the Engineers and Apprentices in Grama Panchayats laid down obstructions in the disbursement of instalments to the beneficiaries. To overcome the above problems, the District Panchayat by resolution No.5/2000(3) dated 27-9-2000 decided to include Tribal Extension Officer in the monitoring committee for the construction of houses.

Due to the frequent Treasury ban imposed by the Government there was delay in the disbursement of the amount sanctioned to the beneficiaries who had produced stage certificates.

In addition to the above due to suspension of the TP account of the Panchayats, the beneficiaries who had completed the construction of houses could not encash the cheque issued to them. This also caused delay in the progress of construction.

The Grama Panchayats informed that out of 750 houses sanctioned during 1997-98, 589 houses were completed. The construction of 145 houses are in progress now. The Grama panchayats were directed to report the details of completion. The construction of remaining 16 houses has not yet started and the Panchayats were directed to report the selection of new beneficiaries at the earliest.

STATEMENT OF ACTION TAKEN ON THE AUDIT PARA CONTAINED IN  
THE C&AG REPORT (CIVIL) FOR THE YEAR ENDED 31-3-2000

Name of the department : LOCAL SELF GOVERNMENT (PA) DEPARTMENT

<i>Sl No.</i>	<i>Paragraph No. and Audit Para</i>	<i>Action taken</i>
(1)	(2)	(3)
1	7.20 Blocking of Development funds in incomplete power projects	<p>(i) Non implementation of Mini Hydel Project .</p> <p>The Government of Kerala in its declared policy allowed the panchayat to take up and implement Hydel Projects also under People Plan Programme.</p> <p>Based on this, as part of the People Plan Programme, District Panchayat, Kozhikode had decided to get the help of Kerala State Electricity Board to implement a Hydel Project in Kozhikode District. The Kerala State Electricity Board in their letter No. SHP/98/Panchayat/116 dated 30-6-1998, intimated the possible Hydel Projects for implementation by the panchayats. The Board also agreed to carry out the project work on department work basis if approved by the panchayat. Later a meeting was convened by the panchayat with Kerala State Electricity Board officials to decide on the project which is viable and can be executed without much difficulty. During the meeting the consensus was for Arippara Small Hydel Project. The panchayat in their decision No. 50/98 dated 13-10-1998 decided to implement the Arippara Small Hydel Project with the help of Kerala State Electricity Board on department work basis. A provision of Rs. 41.28 lakhs was made for taking up the work and included in the Annual Plan.</p>

(1)	(2)	(3)
		<p>The matter was referred to government of Kerala and obtained allocation of the project vide GO (Rt.) 73/99/PD dated, 17-3-1999. The Kerala State Electricity Board, also approved the implementation of the project by the panchayat, vide B.O.No.729/99 (TC-5-1088/99) dated 26-3-1999. The Board also gave concurrence to execute the project works on deposit and permitted the panchayat to remit Rs. 200 lakhs with the Board as the 1st instalment vide B.O.No.772/99 (TC-5-1536/99) dated 31-3-1999.</p> <p>The representatives of the Kerala State Electricity Board during the discussion informed that the project can be completed within 24 months. The provision of Rs. 41.28 lakhs appeared to be insufficient compared to the progress that would have achieved had the works were progressed as planned. The approval to the DPR was to be received by May/June 1999 and further works were to follow. The panchayat could not have met the demand from the Board for further funds, at that time, after completing all formalities. Considering all these factors, the panchayat with its earnest desire to complete the project within 24 months, decided to remit Rs. 200 lakhs as approved by the Board, diverting funds from other projects.</p> <p>Later due to various technical and administrative problems the Kerala State Electricity Board could not complete finalisation and approval of the detailed project report, as agreed. The Board had rejected the DPR prepared by the Chief Engineer twice for technical reason. Finally the Board had given approval vide Order No. B.O.1698/2000 (TC-5-1536/99) dated 6-7-2000. The approved DPR was received vide Letter No. SHDPR/ARIP dated 26-7-2000 from chief Engineer, Kerala State Electricity Board.</p> <p>Further, the Board during its meeting on 25-7-2000 informed that the agreements for constructing the work on contract basis and PPA for purchase of general power by the Board will be executed immediately.</p>

(1)	(2)	(3)
		<p>Preliminary works for the land acquisition has already been completed by the panchayat. Total cost for the project come to 13 crores rupees. for raising the fund, panchayat has already discussed with financial agencies. Since the financial agencies demand high rate of interest, panchayat is not in a position to raise the fund. Now this matter is being examined by government in consultation with ANERT, EMC, etc.</p>
(ii)	<p>Non-Implementation of electrification schemes in SC/ST Colonies</p>	<p>The District Panchayat, Kozhikode had taken up the scheme of Rural Electrification under Peoples Planning Programme. Since it seems highly beneficial for the poor in remote areas of the district. The Kerala State Electricity Board formulated the peoples participation scheme in keeping the view in mind. As per the provisions of the scheme the entire amount of Rural Electrification works are to be deposited in advance to Kerala State Electricity Board. The District Panchayat had prepared project for Rural Electrification under Peoples Plan for the year 1997-98 and the same was approved by the District Planning Committee on 26-6-1998. The District Panchayat remitted Rs. 1,59,92,227 to the Kerala State Electricity Board.</p> <p>The execution of the electrification projects are to be done by the Kerala State Electricity Board. According to the latest report from Board Officials 48 works have been completed. So far and the remaining works will be completed immediately. Full amount of the cost of poles have been refunded to Panchayat by the Kerala State Electricity Board. The point mentioned in the Audit is a single case related to Executive Engineer, Kerala State Electricity Board, Varakara and the balance amount refunded to the panchayat since now.</p>

STATEMENT OF ACTION TAKEN ON THE AUDIT PARA CONTAINED IN  
THE C&AG REPORT (CIVIL) FOR THE YEAR ENDED 31-3-2001

Name of the department : LOCAL SELF GOVERNMENT (PA) DEPARTMENT

<i>Sl No</i>	<i>Paragraph No. and Audit Para</i>	<i>Action taken</i>
(1)	(2)	(3)
L	7-17 Setting up of a Mini Industrial Estate in Kozhikode District Panchayat	<p>The annual plan of the District Panchayat for the year 1997-98 provided a total amount of Rs. 450 lakhs for the establishment of an Industrial Estate. An amount of Rs. 49.06 lakhs was provided for implementation of the project and administrative sanction was accorded during the year. During the year 1998-99 an amount of Rs. 83 lakhs was also provided. It was decided to acquire the land for the purpose by acquisition proceedings on the basis of legal opinion. The District Panchayat decided to establish the proposed industrial estate in Nallalam Panchayat and a Trust was constituted and registered in February 1998 namely KOZPIN (Kozhikode Zilla Panchayat Industrial Trust) for this purpose. The amount allotted for the implementation of the project was deposited at the District Treasury, Kozhikode in TSB Account No. 4405 in the name of the KOZPIN Trust.</p> <p>During the audit of the District Panchayat for the period 1997-98 and 1998-99, the Deputy Accountant General has pointed out certain objections regarding the formation of the Trust for the implementation of the project, stating that the formation of a Trust is unnecessary in view of the fact that "establishment of industrial estates is included as item 3 under small scale industries" below B sectorwise responsibilities in the 5th schedule to the Kerala Panchayat Raj Act 1994.</p>

(1)	(2)	(3)
		<p>In consideration of the objections, the District Panchayat vide resolution No.68/2001(1) in their meeting held on 25-5-2001 has resolved to dissolve the KOZPIN Trust and to transfer all the assets and liabilities to District Panchayat and also to implement the project through the District Panchayat. Accordingly as per order No. P3-573/98 dated 31-10-2001 of the Secretary, District Panchayat, the KOZPIN Trust was dissolved.</p> <p>The amount of Rs. 66.74 lakhs (including interest) kept in the accounts of the Kozhikode Zilla Panchayat Industrial Trust (KOZPIN) has been transferred to District Panchayat General PD Account by chelan No. 2/53 dated 30-3-2001, even before dissolving the Trust, considering the objections raised in the audit.</p>

STATEMENT OF ACTION TAKEN ON THE AUDIT PARA CONTAINED IN  
THE C&AG REPORT (CIVIL) FOR THE YEAR ENDED 31st MARCH 2001

Name of the department : LOCAL SELF GOVERNMENT (PA) DEPARTMENT

<i>Para No. and Audit Para</i>	<i>Action taken</i>
(1)	(2)
7.18 Avoidable locking up of funds	<p>In the annual plan for 1997-98 the District Panchayat Kannur vide Resolution No. 41/98-99 (D) dated 16-6-1998 has approved the Hydro Electric Project in Haritheerthakkara waterfalls of the Kankol Alapadampy Grama Panchayat and allotted Rs. 40 lakhs for the purpose. The District Planning Committee also approved the project on 20-6-1998. The District Panchayat as per Resolution No. 59/98-99 dated 18-6-1998, decided to entrust the implementation of the project as deposit work to the Kerala State Electricity Board. Accordingly an amount of Rs. 40 lakhs was sanctioned to the Kerala State Electricity Board vide order No. A2/227/98 dated 27-6-1998 and the amount was deposited with the Kerala State Electricity Board vide D.D. No. 568037/2000-16 dated 29-6-1998 of the State Bank of India, Kannur.</p>
	<p>But, as suggested in the meeting, held at the chamber of Minister for Electricity, to undertake projects having higher productivity, the then President of the District Panchayat agreed to take up such projects and came to a consensus for taking up the Adkkathodu Mini Hydro Electric Project at Kelakam Grama Panchayat.</p>
	<p>But when the issue was discussed in the District Panchayat meeting held on 17-10-1998 the representatives of the Kerala State Electricity Board recommended the Kalanki, Chathamala Mini Hydro Electric Projects in addition to the Adakkathodu Mini Hydro Electric Project. On the basis of this</p>

(1)

(2)

recommendation, the District Panchayat vide resolution No.141/98-99 dated 17-10-1998 decided to take up the Kalanki Mini Hydro Electric Project, being the lesser expensive one. The decision was intimated to the Kerala State Electricity Board vide letter No. A2-2271/98 dated 12-11-1998 and requested to prepare a detailed Project Report on the proposed new scheme. Since there was no response from Kerala State Electricity Board even after 8 months, the District Panchayat vide resolution No. 102/99-2000 dated 20-7-1999 resolved to abandon the project in toto and to direct the Kerala State Electricity Board to refund the deposit of Rs. 40 lakhs.

The District Panchayat Committee intimated its decision to the Kerala State Electricity Board and requested to refund the deposit vide letter No.A2/2271/98 dated 22-7-1999. But by this time the Kerala State Electricity Board had prepared the detailed Project Report and charged Rs. 3,16,000 towards preparation cost of the detailed Project Report.

Though the Kerala State Electricity Board has requested to refund the entire amount of Rs. 40 lakhs the Kerala State Electricity Board has refunded Rs. 36,84,000 only to the Kannur District Panchayat vide cheque No. 102969 dated 9-5-2003 of the State Bank of Travancore, retaining Rs. 3,16,000 towards charges for preparation of Detailed Project Report.