REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2002

(CIVIL)

GOVERNMENT OF KERALA

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APPENDICES

PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

Chapters I and II of this Report respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2002.

The remaining Chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Irrigation Departments, audit of Stores and Stock, audit of Autonomous Bodies and departmentally run commercial undertakings.

The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Report containing such observations on Revenue Receipts are presented separately.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2001-02 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2001-02 have also been included wherever necessary.

OVERVIEW

This Audit Report contains 33 Audit paragraphs and 3 Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the draft audit paragraphs and draft audit reviews are sent to the concerned Secretary to the State Government by the Accountant General demi-officially with a request to furnish replies within 6 weeks. The Secretaries to Government are also reminded by the Accountant General for replies. Despite such efforts no response was received from the concerned Secretary to Government for 18 Audit paragraphs and one Review.

I. Review of State's Finances

The growth of revenue receipts during 2001-02 was 3.72 per cent compared to 9.93 per cent in 2000-01. Compared to previous year the contribution of State's own taxes in its total revenue declined from 67.23 per cent to 65.41 whereas contribution of grants-in-aid increased to 10.77 per cent from 7.05.

During the Ninth Five Year Plan (1997-2002), the State's own taxes and grants-in-aid had buoyancy of only 0.781 and 0.726 respectively. Central tax transfers also had low buoyancy of 0.532 which was reflected in the decline in their relative share at an annual shift rate of (-) 1.64 per cent. The buoyancy of non-tax revenue was lowest at 0.191 with the result that its relative share witnessed a declining trend with an average annual shift rate of (-) 5.27 per cent.

During 2001-02, the revenue expenditure (Rs 11662 crore) showed a negative growth of 1.82 per cent compared to the previous year. As a result, the revenue expenditure-GSDP ratio declined from 17.20 per cent to 15.31 per cent in 2001-02. The total expenditure also witnessed a decline of 2.72 per cent mainly due to compression of expenditure on economic services.

Interest payments during 1997-2002 recorded an average annual growth of 18.90 per cent whereas the Economic Services had a low annual growth of 3.94 per cent. Loans and advances had a negative growth. Buoyancy of interest payments with regard to GSDP and Revenue Receipts was 1.649 and 2.403 respectively indicating that for each one per cent increase in GSDP and Revenue Receipts, interest payments rose by 1.65 per cent and 2.40 per cent. With non-developmental expenditure comprising the expenditure on general services and interest payments increasing at a faster rate, allocation for economic services and loans and advances was curtailed.

The Revenue Deficit, Fiscal Deficit and Primary Deficit showed declining trend continuously from 1999-2000. The ratio of Revenue Deficit to Fiscal Deficit though marginally declined to 79.72 per cent in 2001-02 from 81.15 per cent in 2000-01 it indicated that 80 per cent of the net incremental borrowings of the State were used for current consumption.

Fiscal Liabilities of the State increased by 12.85 per cent to Rs 29025 crore in 2001-02 compared to Rs 25721 crore in 2000-01. The ratio of fiscal liabilities to its own resources had reached the level of 448.82 per cent on 2001-02. The *net availability of borrowed funds after payment of principal and interest, an important indicator of debt sustainability, declined significantly to 4.30 per cent in 2001-02 compared to 9.29 per cent in the previous year. The contingent liabilities in the nature of guarantees as of March 2002 constituted nearly 41 per cent of fiscal liabilities.*

The ratio of Revenue receipt and State's own taxes to its GSDP indicates the adequacy of resources. The buoyancy of revenue receipts indicates the nature of the tax regime and the ability of the State to increase its access to resources. State's own tax-GSDP ratio also indicates its access to non-obligatory sources of revenue and its non-vulnerability. Decline of all the three ratios indicated fragileness of State's resources.

Various ratios concerning expenditure management indicate quality of expenditure and their sustainability. The ratios of capital expenditure and developmental expenditure had lower values in 2001-02 compared to 1997-98. Medium term tendency of these ratios was also of deceleration. Both total expenditure and revenue expenditure had been buoyant relative to the revenue receipts indicating increased vulnerability and unsustainability.

State's fiscal imbalances were also increasing and a large part of the fiscal deficit was used for meeting current expenditure. Fiscal liabilities were growing faster than revenue receipts and own resources, ratio of fiscal liabilities to GSDP was on rise, net funds available from out of the gross borrowings (including public accounts) were declining and interest spread, one of the critical parameters of debt sustainability, was declining. Increasing ratios of fiscal liabilities to GSDP, revenue receipts and own resources indicated that the debt stock was increasingly becoming unsustainable.

State's low return on investment and its own outstanding advances indicated an implicit subsidy. High cost funds were being allocated to these investments which yielded very little to the State. The balance from its current revenue (BCR), having an important role in plan size, was consistently negative during the last four years. Further, with a huge revenue deficit, a large part of its liabilities were not having an asset back up. The ratio of its assets to its liabilities had declined to 0.44 indicating that more than half of the State's fiscal liabilities had ceased to have an asset back up. All these indicated continuing deterioration of the State's fiscal situation.

(Paragraphs 1.1 to 1.11)

II Summary of Appropriation Accounts

Excess expenditure of Rs 2540.71 crore for the years 1983-84 to 1985-86 and 1988-89 to 2000 -01 and Rs 1049.61 crore for the year 2001-02 was yet to be regularised by the Legislature mainly due to the failure of Government to furnish explanations to the Public Accounts Committee.

The overall saving of Rs 1101.91 crore was the result of saving of Rs 2151.52 crore in 85 Grants and Appropriations offset by excess of Rs 1049.61 crore in 11 Grants and Appropriations.

Supplementary provision obtained during the year constituted 2 per cent of original provision as against 15 per cent in the previous year.

Substantial saving of Rs 5 crore or more and also more than 10 per cent of the provision occurred in 38 cases.

There was persistent saving in excess of Rs 10 lakh and also 20 per cent or more of provision in 15 Grants for the last three years.

Expenditure of Rs 238.82 crore was incurred without provision in 18 cases.

In 24 cases, savings of Rs 5 crore or more in each case aggregating to Rs 523.35 crore remained unsurrendered at the end of the year.

Out of total surrender of Rs 949.09 crore, Rs 909.09 crore was surrendered on the last working day of the financial year.

In 9 cases, amount in excess of actual saving was surrendered resulting in excess surrender of Rs 78.91 crore.

There was pronounced rush of expenditure under 19 major heads of account as more than 50 per cent of expenditure was incurred during the last quarter of the financial year.

(Paragraphs 2.1 to 2.3)

III Performance review of schemes/department

1. Swarnjayanti Gram Swarozgar Yojana

Swarnjayanti Gram Swarozgar Yojana (SGSY) launched by Government of India (GOI) from 1 April 1999 is a holistic programme with the objective of bringing assisted families above poverty line in three years. The scheme aimed at covering 30 per cent of BPL families in the State in five years. The implementation of the scheme suffered from inadequate allocation of funds by GOI, failure to avail even the allocated funds, inconclusive identification of BPL families, lack of adequate infrastructure, failure in skill upgradation and marketing support, poor coverage of eligible SC/ST beneficiaries, etc.

Rupees 9.01 crore of Central assistance could not be availed due to slow pace of spending and delay in submission of utilization certificates.

Only 29 per cent of the targeted families and 5 per cent of total BPL families were covered. Coverage of SC/ST families was poorer. Funds transferred by DRDAs to blocks were treated as final expenditure.

Identification of BPL families was inconclusive even as of June 2002.

There was pendency in disposal of applications for assistance by banks.

Expenditure on infrastructure was far below the norms and was confined to construction of buildings. Contrary to GOI guidelines, funds for creation of infrastructure was given to individual Self Help Groups and full cost of infrastructure was met from scheme funds.

There was no proper market support for SGSY products rendering the units uneconomic.

Monitoring was inadequate and no evaluation conducted by State Government. As per assessment made by Audit 57 per cent beneficiaries could not generate monthly income of Rs 2000 as envisaged in the guidelines.

(Paragraph 3.1)

2. *Indira Awaas Yojana*

Indira Awaas Yojana (IAY) implemented by Government of India (GOI) as an independent scheme from January 1996 was aimed at rendering financial assistance for construction of dwelling units to beneficiaries from Below Poverty Line (BPL) Scheduled Caste/Scheduled Tribe population, freed bonded labourers, ex-service men, physically and mentally challenged persons and also to non- SC/ST BPL rural households. The review revealed failure to avail Central assistance, short release by State Government, inflated financial requirements, improper maintenance of accounts, delay in completion of houses, ineligible/excess payment of assistance, etc.

Rs 22.89 crore of Central assistance could not be availed due to under utilisation of funds. State's share was short-released by Rs 8.82 crore.

Four DRDAs showed higher financial achievement by concealing unspent balance of Rs 10.75 crore to obtain excess Central assistance of Rs 28.76 crore.

Physical achievements reported by Thiruvananthapuram and Ernakulam DRDAs were higher by 39 per cent and 16 per cent respectively.

Ineligible/excess payment of assistance in three districts was Rs 1.53 crore.

(Paragraph 3.2)

3. *Functioning of Public Works Department*

Public Works Department is responsible for design, investigation, construction, maintenance and repairs of roads, bridges, culverts, buildings etc. A review of the working of the Department revealed persistent underutilisation of budget provision despite continuous increase in contractors' pending bills, irregular allotment of funds to District Panchayats, time overrun of upto 108 months, extra expenditure of Rs 24.03 crore in execution of 11 works, unfruitful expenditure on projects remaining incomplete, price escalation on works due to departmental lapses, non-reimbursement of expenditure on Central Schemes and railway bridges and payment of wages to idle staff.

Rupees 336.79 crore of budgeted fund could not be utilised during 1998-2002; yet contractors' bills amounting to Rs 654.80 crore remained unpaid.

Rs 2.88 crore were irregularly spent on maintenance of Panchayat roads..

Rates adopted in Kerala State Transport Project were in excess of MORTH rates. Excess expenditure incurred was Rs 388.10 crore.*

* Ministry of Road Transport and Highways

Rupees 17.85 crore incurred on Rail Safety Works and National Highways remained unclaimed from Government of India.

For investigation, testing and other construction works, Rs 13.93 crore was paid to 23 agencies though the Department was fully equipped to take up the works.

The Department granted permission to 3 private companies to lay optical fibre cables without levying restoration charges and sustained revenue loss of Rs 5.84 crore.

No periodical study on manpower management was conducted. Continuance of 6 offices/divisions without any assignment rendered establishment expenditure of Rs 22.47 crore largely unfruitful.

(Paragraph 4.1)

4. Mechanism of Land Acquisition and its subsequent allotment

A review of acquisition of land and its subsequent allotment revealed various irregularities.

Land acquired at a cost of Rs 3.87 crore for a private power company was not taken over by the company and its cost was not recovered.

Cost of land acquired for a company which came under liquidation was not recovered from the institution to which the land was subsequently transferred.

Rupees 1.23 crore drawn for setting up of Industrial area in Kozhikode district remained unutilised for over 5 years.

Establishment charges of Rs 10.01 crore in respect of L A offices created for acquisition of land for various institutions was pending collection.

(Paragraph 3.7)

5. Construction of Legislature Complex

The Assembly block of the Legislature Complex was inaugurated in May 1998. During inspection in June 1995 the Executive Engineer pointed out several defects in casting the dome slab at the centre of the Assembly building. As leakage in the roof persisted even after water proofing, a 'Kerala style' roof, not envisaged in the original design, was provided at a cost of Rs 1.77 crore. No action was taken against the contracting agency (KSCC) for the defective construction.

The fabrication of emblem in the front façade of the Assembly building was defective. Interior decoration and acoustical treatment in the Assembly hall were substandard and defective. The reverberation time in the hall was far above the standard norms. Flooring of the building for which an amount of Rs 19.27 lakh was spent had developed cracks due to poor quality of work. The risk and cost liability of the original contractor entrusted with the landscaping and related works had not been finalised as of December 2002. No action had been taken against the officials responsible for making the irregular payments *for the supply of furniture. Last bill submitted in September 1998 by KSCC was not settled as of December 2002.*

(Paragraph 4.8)

6. Development of Information Technology in the State

Government declared (May 1998) a comprehensive IT policy which aimed at modernisation and integration of Government functioning, establishing integrated service centres (FRIENDS), Rural Information Centres, setting up of internet KIOSKs in every Panchayat wards accessible to the public, etc. Review of the functioning of FRIENDS, Rural Information Centres and computerisation of three Departments revealed the following.

Attendance monitoring system introduced in seven offices incurring an expenditure of Rs 41.57 lakh proved to be futile as the set up remained idle or out of order.

While effecting payment to C-DIT on account of setting up of FRIENDS centres at all District Headquarters neither 20 per cent of the contract value was withheld nor bank guarantee obtained though the centre at Idukki did not start functioning. Inadmissible payment of TSP@ charge of Rs 7.88 lakh and AMC# of Rs 7.89 lakh was also made to C-DIT.*

Computerisation of Registration Department was tardy; of the targeted 64 Sub Registry Offices (SROs) only 32 SROs (50 per cent) could be computerised as of June 2002. Online registration and scanning of documents though envisaged had not yet been commenced.

Forty five computers procured by Motor Vehicle Department at a cost of Rs 28.46 lakh became obsolete because of the limitation in the memory upgradation and processor clock frequency. Department again purchased 42 computers and accessories costing Rs 34.80 lakh in March 2000 to avoid lapse of funds.

Due to delay in commissioning of software, expenditure of Rs 99.68 lakh incurred on procurement of computers and development of software by the Commercial Taxes Department was rendered unfruitful.

(Paragraph 5.1)

IV Transaction audit observations

1. Infructuous/Unfruitful/Wasteful expenditure

Three community irrigation schemes intended to benefit coconut farmers were not commissioned for over 5 to 8 years despite release of Rs 69.06 lakh.

(Paragraph 3.3)

* Centre for Development of Imaging Technology
@ Total Solution Provider
\# Annual Maintenance Contract

Violation of financial principles and improper planning in implementing the projects led to overpayment/wasteful expenditure and blocking of funds amounting to Rs 5.16 crore in Thiruvananthapuram Municipal Corporation.

(Paragraph 7.7)

Two Water Supply Schemes sanctioned 9-19 years ago could not be commissioned due to failure of Kerala Water Authority to monitor purchase and distribution of pipes entailing expenditure of Rs 10.59 crore unproductive.

(Paragraph 7.8)

In Kerala Water Authority, posts were created in advance of implementation of project and posts were allowed to continue even after commissioning of schemes. Payment of idle wages on this amounted to Rs 5.09 crore.

(Paragraph 7.11)

2. Avoidable/extra expenditure

Disregarding the standard conditions of contract, enhanced rates were allowed for rock blasting under protective measures that increased enormously during the formation of approaches to the proposed rail over bridge at Wadakkancherry in Thrissur District. The avoidable financial commitment worked out to Rs 81.73 lakh. Uneconomic sale of blasted rubble resulted in estimated loss of Rs 1.22 crore.

(Paragraph 4.3)

Failure to supply departmental materials and to make timely payments to the contractor led to enhancement in rates and delays necessitated post contractual changes in design of foundation for abutments and piers. The extra expenditure due to the departmental lapses amounted to Rs 1.57 crore.

(Paragraph 4.4)

Delay in acceptance of tender for the construction of bridge at Orikkadavu in Kasaragod District and change of design by the Chief Engineer led to avoidable expenditure of Rs 96 lakh.

(Paragraph 4.5)

After the award of work 'Improvements of two roads in Kottayam District' substantial quantity of soil was reclassified as medium rock without conducting fresh investigation. This resulted in extra expenditure of Rs 55.04 lakh.

(Paragraph 4.6)

Irregular appointment of Malayalam language teachers in aided schools in violation of rules led to avoidable expenditure of Rs 7.78 crore.

(Paragraph 7.5)

3. *Avoidable/extra liability*

The design of a high level bridge across Bharathapuzha connecting Ottappalam and Mayannur was modified to suit the contractor entailing extra liability of Rs 3.70 crore.

(Paragraph 4.2)

In the construction of Panayilkadavu Bridge in Thiruvananthapuram district, failure to fix risk and cost liability on termination of the contract resulted in non-realisation of Rs 45.45 lakh from the original contractor.

(Paragraph 4.7)

Kerala Water Authority availed loan of Rs 1.85 crore from LIC for two water supply schemes in 1994-96. The schemes could not be commissioned till December 2002, resulting in avoidable interest liability of Rs 1.48 crore.

(Paragraph 7.9)

4. *Loss of external assistance*

Failure to obtain and forward utilisation certificate by Kerala Water Authority resulted in loss of Rs 65.33 lakh by way of reimbursement from Netherlands Government.

(Paragraph 7.10)

5. *Inadmissible/excess payment*

Electricity charges for power supplied to project quarters were paid at commercial tariff instead of at rates for domestic consumption resulting in excess payment of Rs 28.77 lakh to KSEB.

(Paragraph 4.10)

6. *Undue benefit*

In the improvement of Thiruvananthapuram - Shornoor canal, a labour contract society derived undue monetary gain of Rs 73.80 lakh due to overrating of earth work excavation.

(Paragraph 4.9)

7. *Non-achievement of objective*

122 houses constructed at a cost of Rs 0.90 crore to rehabilitate Adivasi families evicted from Karapuzha Irrigation Project Area remained unoccupied and the objective of rehabilitating the evicted families was not achieved.

(Paragraph 3.8)

GOI funds of Rs 42.97 lakh released for implementation of the scheme of Liberation and Rehabilitation of Scavengers remained unutilised for over a decade. Only 146 scavengers were rehabilitated.

(Paragraph 3.10)

8. *Irregular financial procedure*

Financial irregularities like retention of funds outside Government account, violation of guidelines and diversion of funds were noticed in utilisation of Rs 40.70 crore drawn for Tribal Sub Plan schemes.

(Paragraph 3.9)

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This Chapter discusses the financial position of the State Government based on the information contained in the Finance Accounts. The analysis is based on the receipts and expenditure, the quality of expenditure and the financial management of the Government. In addition, the Chapter also contains a section on analysis of financial performance of the Government and comparative position over last five years. Some of the terms used in the Chapter are explained in Appendix -I.

1.2 Financial Position of the State

The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings etc., owned by the Government. However, the Government accounts do capture the financial liabilities and assets created out of the expenditure incurred. Exhibit I (page 17) presents an abstract of such liabilities and assets as on 31 March 2002, compared with the corresponding position on 31 March 2001. While the liabilities in this Statement consist of moneys owed by the Government such as internal borrowings, loans and advances from Government of India, receipts from Public Account and Reserve Funds, the assets comprise mainly the cumulative capital expenditure and outstanding balances of its investment, loans and advances given by the State Government and cash balances. The liabilities do not include the contingent liability of State Government guarantees and future pension obligations. Exhibit- I shows that while the liabilities grew by 13 *per cent*, its assets increased by only 6 *per cent*, widening the gap between its assets and liabilities and increasing the proportion of liabilities which did not have an asset back up. This shows a continuing deterioration of the financial condition of the State.

Exhibit II (page 18) gives the details of the receipts and disbursements made by the Government during 2001-02. Exhibit III (page 20) gives the position of sources and application of funds. Exhibit IV (page 21) shows Time Series Data on Government finances for the period 1997-2002.

1.3 Sources and Application of Funds

Exhibit III gives the position of sources and application of funds during the current and the preceding year. The main sources of the funds included revenue receipts, recoveries of loans and advances, public debt and net receipts from the public account. These were applied mainly on revenue and capital expenditure, debt servicing and lending for developmental and other purposes. Revenue receipts were the most significant source of funds for the State. Their relative share increased from 67.96 *per cent* in 2000-01 to 71.73 *per cent* in 2001-02 mainly because of 58 *per cent* increase in Grants-in-aid from GOI. However, net receipts from Public Account came down from 14.85 *per cent* in 2000-01 to 11.67 *per cent* in 2001-02 while share of public debt went up from 13.50 to 16.17 *per cent*.

The application of funds was mainly on revenue expenditure, which was 92.37 *per cent* in 2001-02 compared to 92.46 *per cent* in 2000-01 and significantly exceeded the share of revenue receipts (72 *per cent*). This led to a revenue deficit (Rs 2606 crore), constituting nearly 29 *per cent* of the revenue receipts. Capital expenditure and the loans and advances accounted for only 5.69 *per cent* of the total expenditure. Relative share of these components declined compared to the previous year. The decrease in revenue expenditure during the year was mainly under 'General Education' (Rs 151.61 crore), 'Assistance to Local Bodies and Municipalities/Municipal Corporations for Rural Development' (Rs 122.25 crore) and 'Pension and Other Retirement Benefits' (Rs 91.56 crore). During the year, Government frequently imposed restrictions on treasury payments.

To overcome the financial crisis Government had taken (January 2002) some austerity measures curbing entitlements of Government employees. Government also cut the Plan expenditure by 25 *per cent* which resulted in pruning 'Peoples Plan Programme' implemented by Local Bodies by Rs 224 crore. Strike of State Government employees for 31 days during February-March 2002 also contributed to the reduction in revenue expenditure as strike period was treated as *dies non*.

1.4 Revenue Receipts

The Revenue receipts of the State consist mainly of its own taxes and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts of the State increased from Rs 7118 crore in 1997-98 to Rs 9056 crore in 2001-02 at an average trend rate of 7.87 *per cent*. There were, however, significant inter-year variations in the growth rates. Annual growth of revenue receipts declined sharply to 3.72 *per cent* in 2001-02 compared to a growth of 10.34 and 9.93 *per cent* during 1999-2000 and 2000-01 respectively. Overall revenue receipts, its annual and trend rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 1.

Table 1: Revenue Receipts- Basic Parameters
(Values in Rs crore and others in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Revenue Receipts	7118	7198	7942	8731	9056	8009
Rate of Growth	15.83	1.12	10.34	9.93	3.72	7.87
Revenue Receipt/GSDP	14.38	12.80	12.70	12.65	11.89	12.77
Revenue Buoyancy	1.401	0.082	0.928	0.951	0.360	0.686
GSDP Growth	11.300	13.667	11.142	10.442	10.342	11.461

During the Ninth Five-Year Plan (1997-2002), the State had a buoyant economy with its GSDP growth averaging 11.46 *per cent*. However, revenue growth remained much lower than the rate of growth of GSDP resulting in an average buoyancy of 0.686 indicating that for each one *per cent* increase in GSDP, revenue receipts grew by only 0.686 *per cent*. Due to a lower buoyancy, the ratio of these receipts to GSDP also declined from 14.38 *per cent* in 1997-98 to 11.89 *per cent* in 2001-02.

Composition of the revenue receipts of the State and relative share of the four components of revenue for the last five years are indicated in Table 2. While on an average around 72.32 *per cent* of revenue had come from State's own resources comprising of taxes and user charges, central tax transfers and grants-in-aid together contributed 27.68 *per cent* of the total revenue. Compared to 1997-98, the contribution of the State's own taxes in its total revenue receipt increased from 63.23 *per cent* to 67.23 *per cent* in 2000-01, but again declined to 65.41 *per cent* in 2001-02. On the other hand, contribution of grants-in-aid increased from 8.45 *per cent* in 1998-99 to 10.77 *per cent* in 2001-02. The pronounced increase during 2001-02 compared to previous year was mainly due to increased contribution towards Calamity Relief Fund (Rs 68.69 crore), Upgradation of standards of administration (Rs 44.10 crore), Assistance from the Incentive Fund (Rs 23.52 crore) on the recommendations of XI Finance Commission, increase in receipt under Centrally sponsored schemes (Rs 199.70 crore) and other Urban Development Schemes (Rs 80.98 crore).

Table 2: Components of Revenue Receipt – Relative Share in *per cent*

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Own Taxes	63.23	64.60	65.40	67.23	65.41	65.17
Non-Tax Revenue	7.76	7.75	6.68	7.55	6.00	7.15
Central tax Transfers	17.87	19.20	19.33	18.17	17.82	18.48
Grants-in aid	11.14	8.45	8.59	7.05	10.77	9.20

Overall growths of these four components of revenue receipt during 1997-2002 had also differed significantly. Non-Tax Revenue of the State had the lowest annual growth of 2.18 *per cent* while taxes had the highest annual growth of 8.95 *per cent*. The rate of growth of central transfers (6.10 *per cent*) was also lower compared to the overall revenue growth (7.87 *per cent*). The trend annual growth of these components of revenue, their average ratios as *per cent* to GSDP, buoyancy, relative share in total revenue receipts and average annual rate of shift in relative contribution are indicated in Table 3.

Table 3: Components of Revenue- Basic Parameters 1997-2002 (*per cent*)

	ROG	GSDP Share	Buoyancy	Relative Share	Shift Rate
Own Taxes	8.95	8.339	0.781	65.17	1.01
Non-Tax Revenue	2.18	0.907	0.191	7.15	-5.27
Central tax Transfers	6.10	2.357	0.532	18.48	-1.64
Grants-in aid	8.32	1.172	0.726	9.20	0.43

All the four components of State's revenue had a buoyancy of less than one indicating that their growth remained lower compared to the GSDP growth. The State's own taxes and grants-in-aid had buoyancy of only 0.781 and 0.726 respectively. The buoyancy of non-tax revenue was lowest at 0.191. As a result, its relative share in the State's total revenue witnessed a declining trend with an average annual shift rate of (-) 5.27 *per cent*. Central tax transfers also had low buoyancy of 0.532 *per cent* which was reflected in a decline in their relative share at an annual shift rate of (-) 1.64 *per cent*. Only State's own taxes and

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grants-in-aid had a positive shift rate as their trend growth had exceeded the growth in revenue receipts.

1.5 Expenditure

Overall expenditure of the State comprising revenue expenditure, capital expenditure and loans and advances increased from Rs 9568 crore in 1997-98 to Rs. 12380 crore in 2001-02 at an average annual trend rate of 10.18 *per cent*. The average rate of growth of total expenditure was significantly higher compared to the rate of growth of revenue receipt (7.87 *per cent*) despite it being moderated to 1.56 *per cent* in 2000-01 and being negative (-2.72 percent) in 2001-02. As a result the revenue receipt-expenditure ratio declined from 74.39 *per cent* in 1997-98 to 73.15 *per cent* in 2001-02. In 2001-02 total expenditure witnessed a decline mainly due to a compression of expenditure on economic services. However, during 1997-2002 total expenditure increased relatively faster compared to the revenue receipts. Total expenditure of the State, its trend and annual growth rate, ratio of expenditure to State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table 4.

Table 4: Total Expenditure- Basic Parameters
(Value in Rs Crore and others in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Total Expenditure[@] (TE)	9568	10277	12531	12726	12380	11496
Rate of Growth	23.43	7.41	21.93	1.56	-2.72	10.18
TE/GSDP Ratio	19.34	18.27	20.05	18.43	16.25	18.34
Revenue Receipts / TE Ratio	74.39	70.04	63.38	68.61	73.15	69.91
Buoyancy of Total Expenditure with						
GSDP	2.073	0.542	1.968	0.149	*	0.889
Revenue Receipts	1.479	6.593	2.122	0.157	*	1.295

*Rate of growth of expenditure was negative.

During 1997-2002, average buoyancy of total expenditure with regard to revenue receipt exceeded one. With regard to the GSDP, the buoyancy of expenditure was 0.889 indicating that for each one *per cent* increase in GSDP, expenditure increased by 0.889 *per cent*. The lower buoyancy of the expenditure with GSDP resulted in a decrease in total expenditure-GSDP ratio from 19.34 *per cent* in 1997-98 to 16.25 *per cent* in 2001-02.

In terms of the activities, total expenditure could be considered as being composed of expenditure on the general services, interest payments, social and economic services, grants-in-aid and other contributions to institutions and loans and advances. Relative share of these components in total expenditure is indicated in Table 5.

[@] Total Expenditure = Revenue Expenditure + Capital Expenditure + Loans and advances

Table 5: Components of Expenditure –Relative Share (in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
General Services	19.32	20.87	24.52	25.44	25.43	23.12
Interest Payments	13.44	14.07	15.58	17.74	20.11	16.19
Social Services	33.05	33.37	34.09	33.36	33.40	33.45
Economic Services	26.69	27.34	22.66	20.89	19.23	23.36
Loans and Advances	6.15	3.86	2.53	2.13	1.29	3.19

Movements of relative share of these components indicated that the share of general services, interest payments and social services had increased over the years, while the share of economic services had declined. Interest payment and expenditure on general services considered as non-developmental, together accounted for 45.54 *per cent* of total expenditure in 2001-02 as compared to around 32.76 *per cent* in 1997-98.

In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. Overall revenue expenditure of the State increased from Rs. 8241 crore in 1997-98 to Rs 11662 crore in 2001-02, at an average trend rate of 12.20 *per cent*. Rate of growth of revenue expenditure reached a level 25.34 *per cent* in 1999-2000 and since then it had decelerated. As a result of this deceleration in growth rates, the revenue expenditure-GSDP ratio witnessed a decline from 18.50 *per cent* in 1999-2000 to 15.31 *per cent* in 2001-02. There was also an increase in the ratio of revenue expenditure to total expenditure from 86.13 *per cent* in 1997-98 to 94.20 *per cent* in 2001-02. As percentage to revenue receipt, revenue expenditure increased from 115.78 *per cent* in 1997-98 to 128.78 *per cent* in 2001-02, indicating a widening gap. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in Table 6.

Table 6: Revenue Expenditure- Basic Parameters
(Values in Rs crore and others in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Revenue Expenditure	8241	9228	11566	11878	11662	10515
Rate of Growth	21.41	11.98	25.34	2.70	-1.82	12.20
RE/GSDP	16.65	16.41	18.50	17.20	15.31	16.77
RE as *per cent* of TE	86.13	89.79	92.30	93.34	94.20	91.46
RE as *per cent* of RR	115.78	128.20	145.63	136.04	128.78	131.29
Buoyancy of Revenue Expenditure with						
GSDP	1.894	0.876	2.274	0.258	*	1.064
Revenue Receipts	1.352	10.656	2.451	0.272	*	1.551

*Rate of growth of revenue expenditure was negative.

The average rate of growth of revenue expenditure exceeded the rate of growth of total expenditure, GSDP and the revenue receipts. Average buoyancy of revenue expenditure was 1.064 for GSDP and 1.551 for revenue receipts, indicating that for each one *per cent* increase in GSDP and revenue receipt, revenue expenditure increased by 1.06 and 1.55 *per cent* respectively.

The expenditure of the State in the nature of the plan expenditure, capital expenditure and developmental expenditure reflects its quality. Higher the ratio of these components to total expenditure, better is the quality of expenditure. Table 7 below gives these ratios during 1997-2002.

Table 7: Quality of Expenditure (*per cent* to total expenditure*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Plan Expenditure	28.25	28.06	22.11	20.25	18.93	23.52
Capital Expenditure	8.23	6.60	5.31	4.63	4.57	5.87
Development Expenditure	63.65	63.15	58.22	55.43	53.32	58.75

*Total expenditure does not include Loans and Advances

All the three components of quality of expenditure indicated a decline and the ratios in 2001-02 were significantly lower than their levels in 1997-98. Plan expenditure, despite its initial low values in 1997-98 at 28.25 *per cent* further declined to 18.93 *per cent* in 2001-02. Over the years, a lower proportion of incremental expenditure got allocated to plan expenditure. In case of development expenditure, its ratio to total expenditure also declined.

Activity-wise expenditure during 1997-2002 further revealed that the average trend growth of its various components had significant variations. Interest payments were the fastest growing component with an average annual growth of 18.90 *per cent*. Increasing debt liabilities contributed to this situation. The relative share of interest payments in total expenditure averaged 16.19 *per cent*, which also witnessed an increase and a positive shift at an average annual rate of 7.91 *per cent*. Interest payments also grew much faster compared to both GSDP and revenue receipt. Buoyancy of interest payments was 1.649 with regard to GSDP and 2.403 with regard to revenue receipts indicating that for each one *per cent* increase in GSDP and revenue receipt, interest payments rose by 1.65 and 2.40 *per cent*. General services were the other component of expenditure, which had a positive shift rate for its share. Economic services, however, were the only component, which had buoyancy of less than one both with respect to the revenue receipts and GSDP. This component of expenditure also had a low annual growth of 3.94 *per cent*. Loans and advances had a negative growth. With non-developmental expenditure comprising the expenditure on general services and interest payments increasing at a faster rate, relative allocation for economic services and loans and advances was curtailed. Activity-wise trend rate, their ratios with GSDP, relative share in total expenditure, annual shift rate in relative contribution and buoyancy parameters are indicated in Table 8 below.

Table 8: Activity-wise Expenditure –Basic Parameters (in *per cent*)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue Receipt
General Services	17.26	4.29	23.12	6.42	1.506	2.194
Interest Payments	18.90	3.01	16.19	7.91	1.649	2.403
Social Services	9.26	6.14	33.45	-0.84	0.808	1.177
Economic Services	3.94	4.22	23.36	-5.66	0.344	0.501
Loans and Advances	-16.55	0.55	3.19	-24.26	*	*

*Loans and Advances had a negative growth.

1.6 Fiscal Imbalances

The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to its fiscal health. The revenue deficit of the State, which in turn indicates the excess of its revenue expenditure over revenue receipts, increased from Rs. 1123 crore in 1997-98 to Rs. 2606 crore to 2001-02. (Table 9) The fiscal deficit which represents the total borrowings of the Government and the total resource gap increased from Rs. 2408 crore in 1997-98 to Rs 3269 crore in 2001-02. State also had a primary deficit which, however, had decreased from Rs. 1122 crore in 1997-98 to Rs. 780 crore in 2001-02 due to higher interest payments.

The existence of revenue deficit indicated that Government had to borrow to meet even its current obligations. Further, the revenue deficit of the State had not been a transient one, rather it had persisted. The ratio of revenue deficit and fiscal deficit had also increased from 46.64 *per cent* in 1997-98 to 81.15 *per cent* in 2000-01 and marginally declined to 79.72 *per cent* in 2001-02 indicating that 80 *per cent* of the net incremental borrowings of the State were used for current consumption. Persistently high ratio of revenue deficit to fiscal deficit also indicated that the asset base of the State was continuously shrinking and increasingly a larger part of borrowings (fiscal liabilities) were not having an asset back up. As proportion to the State's GSDP, revenue deficit had reached 3.42 *per cent* and fiscal deficit 4.29 *per cent* of GSDP in 2001-02.

Table 9: Fiscal Imbalances- Basic Parameters
(Values in Rs crore and Ratios in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Revenue Deficit	-1123	-2030	-3624	-3147	-2606	-2506
Fiscal Deficit	-2408	-3010	-4534	-3878	-3269	-3420
Primary Deficit	-1122	-1564	-2582	-1620	-780	-1534
RD/GSDP	-2.27	-3.61	-5.80	-4.56	-3.42	-4.00
FD/GSDP	-4.87	-5.35	-7.25	-5.62	-4.29	-5.45
PD/GSDP	-2.27	-2.78	-4.13	-2.35	-1.02	-2.45
RD/FD	46.64	67.44	79.93	81.15	79.72	73.28

1.7 Fiscal Liabilities – Public Debt and Guarantees

Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time be fixed by the Act of its Legislature. However, no such law has been passed by the State to lay down any such limit. Table 10 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table 10: Fiscal Liabilities- Basic Parameters
(Values in Rs crore and others in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Fiscal Liabilities[$]	14476	17367	21676	25721	29025	21653
Rate of Growth	17.03	19.97	24.81	18.66	12.85	19.42
Ratio of Fiscal Liabilities to						
GSDP	29.25	30.88	34.67	37.25	38.10	34.54
Revenue Receipt	203.37	241.28	272.93	294.59	320.51	270.36
Own Resources	286.48	333.47	378.62	393.95	448.82	373.56
Buoyancy of Fiscal Liabilities with						
GSDP	1.507	1.461	2.227	1.787	1.242	1.694
Revenue Receipt	1.076	17.769	2.400	1.878	3.451	2.469
Own Resources	1.172	6.511	2.499	1.329	*	2.353

*Revenue from own resources had a negative growth.

Overall fiscal liabilities of the State increased from Rs. 14476 crore in 1997-98 to Rs. 29025 crore in 2001-02 on an average rate of 19.42 *per cent* during 1997-2002. The ratio of these liabilities to GSDP also increased from 29.25 *per cent* in 1997-98 to 38.10 *per cent* in 2001-02. As percentage to revenue receipt, fiscal liabilities increased to 320.51 *per cent* in 2001-02. Further, since more than a quarter of the State's resources had originated from sources other than its own, the ratio of fiscal liabilities to its own resources had reached the level of 448.82 *per cent* in 2001-02.

Fiscal liabilities had grown faster than the State's GSDP, revenue receipt and own resources. Average buoyancy of these liabilities with respect to GSDP was 1.694 indicating that for each one *per cent* increase in GSDP fiscal liabilities were growing at the rate of 1.69 *per cent*. The buoyancy of the fiscal liabilities with respect to revenue receipts and its own resources was even higher.

Increasing liabilities had raised the issue of its sustainability. Fiscal liabilities were not only required to be stable in relation to the GSDP, average rate of interest on these liabilities should also be less than the rate of growth of its GSDP. However in the case of Kerala, while the ratio of fiscal liabilities to GSDP had been increasing continuously, average interest spread indicated by the difference between the rate of growth of GSDP and the average rate of interest paid on the liabilities was positive (Table 11). Moderate interest rates and a fairly buoyant nominal GDP growth had sustained this positive spread. This spread had, however, declined from 4.58 *per cent* in 1998-99 to 1.25 *per cent* in 2001-02. Persistence of this phenomenon in later years may endanger debt sustainability.

Table 11: Debt Sustainability- Interest Rate and GSDP Growth (in *per cent*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Weighted Interest Rate	9.58	9.09	10.00	9.53	9.09	9.46
GSDP Growth	11.30	13.67	11.14	10.44	10.34	11.46
Interest spread	1.72	4.58	1.14	0.91	1.25	2.00

[$] Includes Internal Debt, Loans and Advances from GOI., Small Savings, Provident Funds, etc., Reserve Funds (Gross) and Deposits

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. Table 12 below gives the position of receipt and repayment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available on account of the public debt, loans and advances from Government of India and other debt receipts (including public account) averaged 9.22 *per cent*. Net funds as *per cent* to total gross debt receipts declined from 12.52 *per cent* in 1999-2000 to 4.30 *per cent* in 2001-02.

Table 12: Net availability of Borrowed Funds (*Rupees in crore*)

	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Internal Debt						
Receipt	948	3102	4858	6975	7850	4747
Repayment (Principal + Interest)	722	2728	4707	5832	7076	4213
Loans and Advances from Government of India						
Receipt	567	870	1073	483	781	755
Repayment (Principal + Interest)	740	819	951	1016	1315	968
Other Liabilities[#]						
Receipt	6437	9444	12901	11781	10268	10166
Repayment (Principal + Interest)	5669	8424	10817	10604	9695	9042
Total Liabilities						
Receipts	7952	13416	18832	19239	18899	15668
Repayment (Principal + Interest)	7131	11971	16475	17452	18086	14223
Net receipts	821	1445	2357	1787	813	1445
Net Funds available as *per cent* to total receipts	10.32	10.77	12.52	9.29	4.30	9.22

Contingent liabilities of the State, which are in the nature of guarantees to the loans, interest and other investments of its parastatals, do not constitute part of the fiscal liabilities according to the existing accounting practice. Nevertheless, these liabilities pose fiscal risk as they could be activated depending on occurrence of defaults by the principal borrowers. As on 31 March 2002, such contingent liabilities of the State were Rs 11818 crore, nearly 41 *per cent* of its direct fiscal liabilities. These together with the direct liabilities would push the ratio of fiscal liabilities to GSDP to nearly 50 *per cent*.

Scrutiny of the records of the Finance Department and 3[**] Administrative Departments for 1997-98 to 2001-02 revealed the following:

a) Non-adherence to RBI[♠] *direction*

The guarantees extended by the Government constitute a contingent liability on the revenues of the State. According to the direction issued by RBI (January 1990) it is not necessary for State Government to extend guarantee to the lending institutions if those institutions offer adequate security by way of hypothecation of current assets for their borrowings. This was not given effect to.

[#] Small Savings, Provident Funds, etc, Reserve Funds (Gross) and Deposits
[**] Co-operation, Industries and Scheduled Castes and Scheduled Tribes Development Departments
[♠] Reserve Bank of India

b) Invocation of guarantee

In the event of failure to repay the loans availed of by the Institutions on the strength of Government guarantee, the financial institutions invoked the guarantee, enforcing Government to grant loans to loanee units for redemption of their liability under One Time Settlement Scheme launched by the financial institutions. A few instances are given below:

Sl. No	Loanee unit	Year of receipt of loan	Loan guaranteed (Rs in crore	Month/Year of discharge of the liability	Amount paid by Government (Rs in crore)	Remarks
1.	Kerala State Co-operative Marketing Federation Limited	1992	30.00(KSCB)@	1994-97	35.51	The loan was for cashew monopoly procurement scheme 1992. The amount was paid to KSCB through Kerala State Cashew Development Corporation during 1994-95 to 1996-97.
2.	Kerala Hitech Industries Limited	1992	6.40 (SBT)#	March 2001 March2002	2.00 5.56	
3.	Transformers and Electricals Kerala Limited	♦	2.32 (ICICI)* 2.21 (IFCI)& 4.63 (IDBI)ϴ 2.22 (LIC)α 0.54 (UTI)ϕ	1996-2000	12.62	In January 2001, Government ordered to set off the loan against the accumulated loss.
4.	Kunnathara Textiles Limited	1972	0.40 (IFCI)&	1996	0.45	Based on a suit filed by IFCI, the court decreed on 5 April 1994 to recover Rs 1.72 crore with future interest at 13 per cent per annum. Consequently the State Government deposited Rs 45 lakh (November 1996) in the court.

Besides, Government had paid Rs 22.34 crore (during 1973-97: Rs 11.89 crore; and 1997-2002: Rs 10.45 crore) towards guarantee invoked in 15 other cases, out of which only Rs 35.05 lakh had been recovered so far from the beneficiary institutions. Failure to assess the repaying capacity of the loanee units prior to issue of guarantee resulted in accrual of avoidable liability on the State.

c) Guarantees to loss making units

Before agreeing for Government guarantee, the Administrative Departments/Finance Department should have taken into account the economic viability of loanee units. During June 2000 to November 2001 Government had executed fresh guarantee/renewed existing guarantee in respect of loans availed of by loss making units. A few instances (out of 58 loss making units) where the accumulated loss exceeded Rs 10 crore as on 31 March 2000 are given below.

@ KSCB– Kerala State Co-operative Bank
\# SBT – State Bank of Travancore
♦ Information awaited
* ICICI – Industrial Credit and Investment Corporation of India
& IFCI – Industrial Finance Corporation of India
ϴ IDBI – Industrial Development Bank of India
α LIC – Life Insurance Corporation of India
ϕ UTI – Unit Trust of India

Sl. No.	Name of Institution	Accumulated loss as on 31 March 2000 (Rs in crore)	Amount of guarantee provided (Rs in crore)	Month & Year of guarantee
1	Kerala State Road Transport Corporation	747.56	100.00	June 2000
2.	Steel Industrials Kerala Limited	18.84	6.90	July 2000
3.	Kerala Financial Corporation	10.60	67.20	December 2000 August 2001 & October 2001
4.	Sitaram Textiles Limited	21.91	2.47	January 2001
5.	Kerala State Textile Corporation Limited	17.70	1.80	September 2001
6.	Trivandrum Spinning Mills Limited	14.39	0.90	November 2001

d) Arrears of Guarantee Commission

The Institutions which raised finances on the strength of Government guarantee were to pay guarantee commission at the rate of 0.75 *per cent* per annum to the Government on the sums guaranteed by the Government. The arrears of guarantee commission pending collection as on 31 March 2002 from 62 institutions were Rs 82.98 crore. Following institutions had been in arrears of more than Rs 1 crore since 1980-81.

Sl. No.	Name of the institution	Arrears of guarantee commission (Rupees in crore)	Year from which outstanding
1.	Kerala State Civil Supplies Corporation Limited	2.62	1980-81
2.	Kerala Khadi & Village Industries Board	1.28	1996-97
3.	Malabar Cements Limited	2.53	1996-97
4.	Kerala Electrical & Allied Engineering Company Limited	4.87	1996-97
5.	Cochin International Airport Limited	6.37	1997-98
6.	Kerala State Co-operative Marketing Federation Limited	1.16	2000-01
7.	Transformers and Electricals Kerala Limited	8.53	2000-01

e) Non-maintenance of records

On a test check of the records of three*** Administrative Departments, it was noticed that the registers maintained were inadequate to monitor the guarantee provided and guarantee commission pending realisation. In the absence of proper records, issue of guarantees and receipt of guarantee commission either by the Finance Department or by the Administrative Departments could not be effectively monitored and had resulted in accumulated arrears of guarantee commission to the extent of Rs 82.98 crore as of March 2002.

Government stated (October 2002) that a draft bill for fixing the limit for giving guarantee at Rs 14000 crore had been approved by the Council of Ministers and that it will be introduced in the ensuing session of the Legislative Assembly. Government assured that future guarantees would be extended only after adherence to RBI direction and that the Finance Department would consider maintaining Centralised accounts of guarantee commission to be collected.

*** Co-operation, Industries and Scheduled Castes & Scheduled Tribes Development Departments

1.8 Investments and returns

As on 31 March 2002, Government had invested Rs 1943.42 crore in its statutory corporations, Government companies, joint stock companies and co-operatives. Government's return on this investment was less than one *per cent* in the last five years. Since Government was investing borrowed funds, the difference between the rate of return and the average interest payable represented an implicit subsidy. During 1997-2002, this implicit subsidy amounted to Rs 782 crore.

Table 13: Return on Investment (*Rupees in crore*)

Year	Investment at the end of the year	Return	Percentage of Return	Average interest paid by State Government (in *per cent*)
1997-98	1464.23	5.92	0.40	9.58
1998-99	1639.63	7.13	0.43	9.09
1999-2000	1774.80	10.01	0.56	10.00
2000-01	1883.09	12.64	0.67	9.53
2001-02	1943.42	5.26	0.27	9.09

In addition to the investment in Co-operatives, Corporations and Companies, Government has also been providing support in terms of loans and advances to many of these parastatals. Total outstanding balance as on 31 March 2002 was Rs 3650 crore. Interest received on such loans had varied from 0.44 *per cent* to 1.59 *per cent* during 1997-2002 (Table 14). Total implicit subsidy during 1997-2002, on arranging such loans was Rs 1435 crore. In addition many of these assets created out of borrowed funds had become non-performing ones.

Table 14: Average interest received on loans advanced by the State Government (*Rupees in crore*)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Opening Balance	2249*	2799*	3127*	3391	3545
Amount advanced during the year	588	397	317	271	160
Amount repaid during the year	36	67	53	117	55
Closing Balance	2801	3129	3391	3545	3650
Net addition	552	330	264	154	105
Interest received	18	47	20	20	16
Interest received as *per cent* of loans advanced	0.71	1.59	0.61	0.58	0.44
Average Interest paid by the State	9.58	9.09	10.00	9.53	9.09
Difference (interest paid and received)	8.87	7.50	9.39	8.95	8.65

Audit scrutiny relating to maintenance of loans disbursed to Co-operatives under National Co-operative Development Corporation (NCDC) scheme, loans granted to six institutions[@] towards share of market borrowings and loans granted to loss making PSUs to meet statutory commitments in five[#] administrative departments revealed as under:-

* Differs with closing balance of the previous year due to *pro forma* corrections carried out during the respective years.

@ Three Public Sector Undertakings and Three Development Authorities

\# Co-operation, Fisheries, Housing, Industries and Local Self-Government

(a) Loans towards share of market borrowings

The State Government raises market loans every year with the concurrence of Reserve Bank of India (RBI) to generate resources for Plan schemes. From the financial year 1994-95 onwards, the practice of raising open market borrowings by Public Sector Undertakings/Development Authorities, etc., based on Government guarantee has been dispensed with; instead the State Government is to raise the loan and then pass on the share intended for the PSUs, etc., by providing the amount in the State Budget. According to the terms and conditions prescribed by Government, the beneficiary institutions should repay the principal in 16 half-yearly instalments (after a moratorium of 1 year) on 30 September and 31 March, along with interest accrued on that date.

During 1996-97 to 2001-02, Government released loans to the following institutions towards share of market borrowings:

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
Housing Department							
Kerala State Housing Board	3.00	--	3.00	0.50	1.00	..	7.50
Local Self Government Department							
Kerala Urban Development Finance Corporation	2.00	2.00	1.00	1.00	0.75	0.41	7.16
Trivandrum Development Authority	1.00	1.00	1.00	1.00	3.37	..	7.37
Greater Cochin Development Authority	1.00	1.00	1.00	1.00	3.25	..	7.25
Calicut Development Authority	1.00	1.00	1.00	1.00	0.50	0.15	4.65
Industries Department							
Kerala State Industrial Development Corporation	2.00	3.00	3.00	3.00	2.25	0.50	13.75
Total	**10.00**	**8.00**	**10.00**	**7.50**	**11.12**	**1.06**	**47.68**

Though the Administrative Departments were required to maintain a separate loan register and closely monitor the remittance, no records were seen maintained by the three* Departments test checked. No demand notices were issued. Lapse on the part of the Administrative Departments in monitoring the repayment resulted in increasing the liability of the State Government.

According to the details furnished by Kerala Urban Development Finance Corporation and Greater Cochin Development Authority a sum of Rs 1.75 crore only had been repaid. The details of repayment from other institutions are awaited (September 2002).

(b) Non-recovery of loans disbursed under NCDC scheme

NCDC gives loans to the State Government, which in turn disburses the same to beneficiary institutions under the same terms and conditions. In the case of defaults in repayments of principal and interest by the loanees, the State Government have to honour their commitments and obligation to the NCDC by repaying the loans. During 1996-97 to 2001-02 the State Government released loans to Co-operatives/Matsyafed, for the following schemes:-

* Housing, Local Self-Government and Industries

(Rupees in crore)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
Co-operation Department							
Loans to small and medium size co-operative processing units	1.03	0.20	--	--	--	--	1.23
Integrated Development of Primary Agricultural Credit Societies (PACs)	1.82	1.53	4.25	3.38	3.34	6.89	21.21
Loans to Consumer Co-operatives	0.14	0.05	--	--	--	--	0.19
Integrated project for coconut development, processing and marketing	--	--	4.04	--	--	--	4.04
Assistance to PACs, Primary Societies, Wholesale Stores and Federations	--	--	2.93	4.30	21.24	8.58	37.05
Construction of godowns /work sheds/processing centres/ showrooms of Apex and Primary Handloom Weavers Co-operative Societies	--	--	--	7.87	0.81	0.31	8.99
Establishment of Processing Units, Worksheds, etc	--	--	1.05	2.00	0.68	1.18	4.91
Margin money assistance to COIRFED for working capital loan	--	--	--	--	2.00	--	2.00
Fisheries department							
Integrated Fisheries Development Programme	3.30	8.30	7.96	--	6.64	--	26.20
Total	**6.29**	**10.08**	**20.23**	**17.55**	**34.71**	**16.96**	**105.82**

According to the instructions issued by Government, all loan sanctioning authorities (Heads of Department/Administrative department) should keep a close watch on timely repayment of loans advanced by them and recovery of interest thereon. Notices should also be sent to the borrower a month in advance of the due date of repayment of the principal and payment of interest. They should also send monthly reports on the default of repayment to Finance Department. In the two[@] departments test checked neither any such register was seen maintained nor any return sent to Finance Department with the result that position of arrears in respect of NCDC loans was not readily available.

(c) Loans to loss-making Government companies for statutory payments

During 1997-98 to 2000-01 the State Government released loans to the following Government companies, running at loss, for discharging statutory commitments like electricity charges, Employee State Insurance/ Employees Provident Fund dues, repayment of loans taken from Financial Institutions, payment of bonus, etc.

Name of company	Year	Amount (Rupees in crore)	Remarks
Kerala State Cashew Development Corporation Limited	1997-98	43.89	Terms and conditions not fixed
	1997-98	7.94	Terms and conditions fixed in November 1997
	2000-01	7.065	Terms and conditions not fixed
Travancore Plywood Industries Limited	1997-98	0.26	Terms and conditions fixed in March 2000
	1998-99	1.00	Terms and conditions fixed in May 2000
	1997-98	0.50	Terms and conditions fixed in February 2000
Scooters Kerala Limited	1997-98	1.40	Terms and conditions not fixed
	1998-99	0.55	Terms and conditions not fixed
Kerala Ceramics Limited	1997-98	0.50	Terms and conditions fixed in November 1999
	1997-98	1.00	Terms and conditions fixed in October 2000
Autokast Limited	1998-99	3.00	Terms and conditions not fixed
Steel Industrials (Kerala) Limited	1998-99	0.86	Terms and conditions not fixed
	1998-99	0.62	Terms and conditions fixed in April 2000
Total		**68.585**	

In spite of instructions issued from time to time (in 1992, 1999 and 2002) by the Finance Department that the orders sanctioning the loan should be accompanied by a *pro forma* indicating the terms and conditions of repayment of the loan, terms and conditions were seen fixed after a delay of up to 2 years in the case of 7 loans and in the case of 6 loans released as early as 1997-98, terms and conditions were not fixed even as of September 2002.

[@] Co-operation and Fisheries

1.9 Financial results of irrigation projects

The financial results of the eight irrigation projects, which have been declared commercial, with a cumulative capital outlay of Rs 119.95 crore at the end of 31 March 2002 showed that the revenue realised from these during 2001-02 at Rs 1.39 crore was only 1.16 *per cent* of total outlay. After considering the operation and maintenance expenses of Rs 3.95 crore and interest charges of Rs 13.07 crore, the schemes suffered a net loss of Rs 15.63 crore.

1.10 Incomplete projects

The amount locked up in incomplete projects continued to rise from Rs 1332 crore in 1997-98 to Rs 1808 crore in 2001-02. The amount blocked in these projects was 21 *per cent* of the cumulative capital outlay of the State.

1.11 Financial Indicators of the Government of Kerala

Finances of the State should be adequate, sustainable in the medium and long run, flexible and non-vulnerable. Table 15 below presents a summarized position of Government finances during 1997-2002, with reference to certain key indicators that help to assess the adequacy, effectiveness and sustainability of its available resources and applications thereof and captures its important facets to highlight areas of strength and concerns.

Table 15: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Resource Mobilization						
Revenue Receipts/GSDP	14.38	12.80	12.70	12.65	11.89	12.77
Revenue Buoyancy	1.401	0.082	0.928	0.951	0.360	0.686
Own tax/GSDP	9.096	8.267	8.309	8.502	7.776	8.339
Expenditure Management						
Total Expenditure (TE)/GSDP	19.34	18.27	20.05	18.43	16.25	18.34
Revenue Receipts (RR)/ TE	74.39	70.04	63.38	68.61	73.15	69.91
Revenue Expenditure (RE)/TE	86.13	89.79	92.30	93.34	94.20	91.46
Plan Expenditure/TE	28.25	28.06	22.11	20.25	18.93	23.52
Capital Expenditure/TE	8.23	6.60	5.31	4.63	4.57	5.87
Development Expenditure/TE	63.65	63.15	58.22	55.43	53.32	58.75
Buoyancy of TE with RR	1.479	6.593	2.122	0.157	*	1.295
Buoyancy of RE with RR	1.352	10.656	2.451	0.272	*	1.551
Management of Fiscal Imbalances						
Revenue Deficit (Rs in crore)	-1123	-2030	-3624	-3147	-2606	-2506
Fiscal Deficit (Rs in crore)	-2408	-3010	-4534	-3878	-3269	-3420
Primary Deficit (Rs in crore)	-1122	-1564	-2582	-1620	-780	-1534
Revenue Deficit/Fiscal Deficit	46.64	67.44	79.93	81.15	79.72	73.28
Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	29.25	30.88	34.67	37.25	38.10	34.54
Fiscal Liabilities/RR	203.37	241.28	272.93	294.59	320.51	270.36
Buoyancy of FL with RR	1.076	17.769	2.400	1.878	3.451	2.469
Buoyancy of FL with OR	1.172	6.511	2.499	1.329	*	2.353
Interest spread	1.72	4.58	1.14	0.91	1.25	2.00

Fiscal Indicators	1997-98	1998-99	1999-2000	2000-01	2001-02	Average
Net Fund Available	10.32	10.77	12.52	9.29	4.30	9.22
Other Fiscal Health Indicators						
Return on Investment	0.40	0.43	0.56	0.67	0.27	0.47
BCR (Rs in crore)	248	-437	-2069	-1704	-1660	-1124
Financial Assets/Liabilities	0.67	0.61	0.52	0.47	0.44	0.54

*Total Expenditure, Revenue Expenditure and receipts from Own Resources (OR) had a negative growth.

The ratio of revenue receipt and State's own taxes to its GSDP indicates the adequacy of resources. The buoyancy of revenue receipts indicates the nature of the tax regime and the ability of the State to increase its access to resources. State's own tax-GSDP ratio also indicates its access to non-obligatory sources of revenue and its non-vulnerability. Revenue receipts comprise not only the State's own resources but central tax transfers and grants-in-aid and indicates sum total of State's access. This captures the diverse elements in its revenue, some of which have no direct service-providing obligations, while others are related to its ability to recover the cost of providing social and economic services through user charges and its entitlement from Central taxes. All the three ratios had declined in 2001-02 compared to 1997-98 indicating fragileness of State's resources.

Various ratios concerning expenditure indicate quality of expenditure and their sustainability in relation to resources. All these ratios show a deteriorating trend. The ratios of capital expenditure and developmental expenditure, which indicate the quality aspect of the expenditure, had lower values in 2001-02 compared to 1997-98. Medium term tendency of these ratios was also of deceleration. Both its total expenditure and revenue expenditure had been buoyant relative to the revenue receipts indicating increasing vulnerability and unsustainability. Revenue receipts were increasingly meeting less and less of State's expenditure resulting in increasing dependence on borrowings.

State's fiscal imbalances were also increasing and a large part of the fiscal deficit was used for meeting current expenditure. Fiscal liabilities were growing faster than revenue receipts and own resources, ratio of fiscal liabilities to GSDP was on rise, net funds available from out of the gross borrowings (including public accounts) were declining and interest spread, one of the critical parameters of debt sustainability, was declining. It is not uncommon for the State to borrow for increasing its social and economic infrastructure base. However, increasing ratios of fiscal liabilities to GSDP, revenue receipts and own resources indicated that the debt stock was increasingly becoming unsustainable. A larger stock of debt was also making it difficult for the State to benefit significantly from softening of interest rates.

State's low return on investment and its own outstanding advances indicated an implicit subsidy. High cost funds were being allocated to these investments which yielded very little to the State. The balance from its current revenue (BCR), which plays an important role in plan size, was consistently negative during the last four years. Further, with a huge revenue deficit, a large part of its liabilities were not having an asset back up. The ratio of its assets to its liabilities had declined to 0.44 indicating that more than half of the State's fiscal liabilities had ceased to have an asset back up. All these indicate continuing deterioration of the State's fiscal situation.

EXHIBIT – I
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF KERALA AS ON 31 MARCH 2002

(Rupees in crore)

As on 31 March 2001	Liabilities	As on 31 March 2002	
7627.34	**Internal Debt**		**9342.46**
4498.41	Market Loans bearing interest	5376.05	
1.86	Market Loans not bearing interest	5.33	
884.83	Loans from Life Insurance Corporation of India	1208.92	
645.35	Loans from other Institutions	773.98	
1011.52	Special securities issued to National Small Savings Fund of the Central Government	1474.08	
228.28	Ways and Means Advances from Reserve Bank of India Excluding Overdrafts	228.54	
357.09	Overdrafts from Reserve Bank of India	275.56	
6101.89	**Loans and Advances from Central Government**		**6346.46**
243.70	Pre – 1984-85 Loans	214.15	
2256.31	Non-Plan Loans	2182.42	
3543.19	Loans for State Plan Schemes	3887.46	
15.41	Loans for Central Plan Schemes	13.30	
43.28	Loans for Centrally Sponsored Plan Schemes	49.13	
25.00	**Contingency Fund**		**2.85**
10189.75	**Small Savings, Provident Funds, etc.**		**11261.65**
15.14	**Shortfall with Reserve Bank Deposits**		**--**
8.50@	**Remittances in transit – local**		**27.04***
1718.16	**Deposits**		**1942.94**
84.34	**Reserve Funds**		**131.89**
25770.12@	**Total**		**29055.29**
As on 31 March 2001	**Assets**	**As on 31 March 2002**	
7934.86	**Gross Capital Outlay on Fixed Assets –**		**8493.22**
1892.22	Investments in share of Companies, Corporation, etc.	1962.55	
6042.64	Other Capital Outlay	6530.67	
3544.58	**Loans and Advances –**		**3649.98**
1267.18	Loans for Power Projects	1282.02	
2044.11	Other Development Loans	2136.95	
233.29	Loans to Government servants and Miscellaneous loans	231.01	
4.56	**Reserve Fund Investments**		**4.56**
2.98	**Advances**		**3.52**
312.66	**Suspense and Miscellaneous Balances**		**286.15**
315.19	**Remittance Balances**		**212.47**
44.20@	**Cash-**		**188.66**
29.71	Cash in Treasuries	23.30	
--	Deposits with Reserve Bank	150.47	
1.84	Departmental Cash Balance	2.24	
0.20	Permanent Advances	0.20	
12.45	Cash Balance Investments	12.45	
13611.09	**Deficit on Government Accounts –**		**16216.73**
3147.06	(i) Revenue Deficit of the current year	2605.64	
..	(ii) Less: Miscellaneous Capital Receipts	--	
10464.03	Accumulated deficit upto previous year	13611.09	
25770.12@	**Total**		**29055.29**

@ Differs from that shown in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 due to exhibition of the balance under 'Cash in Treasuries' and 'Remittances in transit – local' separately and showing the negative balance (Rs 8.50 crore) under the latter head on the liabilities side.

* Included on liabilities side, as the balance under this head was negative.

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EXHIBIT II
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-02

(Rupees in crore)

Receipts				Disbursements					
2000-01			2001-02	2000-01					200
	Section – A: Revenue					Non-Plan	Plan	Total	
8730.85	**1.Revenue Receipts**		**9056.39**	**11877.91**	**1. Revenue Expenditure**	**9896.51**	**1765.52**	**11662.03**	**1166**
5870.25	Tax Revenue	5923.42		**5456.41**	**General Services**	**5570.83**	**40.40**	**5611.23**	
659.09	Non-Tax Revenue	543.38		**4188.37**	**Social Services**	**3416.48**	**659.35**	**4075.83**	
1585.61	State's share of Union Taxes and Duties	1614.26		2620.23	Education, Sports, Art and Culture	2350.93	120.07	2471.00	
118.18	Non-plan Grants	155.18		673.89	Health and Family Welfare	590.58	138.76	729.34	
220.29	Grants for State Plan Schemes	267.70		321.70	Water Supply, Sanitation, Housing and Urban Development	68.63	219.49	288.12	
236.64	Grants for Central Plan and Centrally Sponsored Plan Schemes	430.69		9.57	Information and Broadcasting	5.56	2.47	8.03	
40.79	Grants for special plan schemes	121.76		191.60	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	69.16	102.43	171.59	
				88.50	Labour and Labour Welfare	59.08	3.89	62.97	
				271.42	Social Welfare and Nutrition	262.32	72.24	334.56	
				11.46	Others	10.22	--	10.22	
				2178.09	**Economic Services:**	**842.20**	**1065.77**	**1907.97**	
				728.17	Agriculture and allied activities	366.64	254.42	621.06	
				803.55	Rural Development	68.68	617.23	685.91	
				11.33	Special Areas Programmes	--	12.23	12.23	
				148.29	Irrigation and Flood control	79.64	30.97	110.61	
				1.62	Energy	0.06	11.62	11.68	
				89.84	Industry and Minerals	43.76	69.64	113.40	
				279.81	Transport	237.81	16.24	254.05	
				13.54	Science, Technology and Environment	2.50	8.22	10.72	
				101.94	General Economic Services	43.11	45.20	88.31	
				55.04	Grants-in-aid and Contributions	**67.00**	--	**67.00**	
3147.06	**II. Revenue Deficit carried over to Section B**		**2605.64**						
11877.91	Total - Section A		**11662.03**	**11877.91**					**1166.**
	Section B:								
(-) 100.15	**III. Opening Cash Balance including Permanent Advances and Cash Balance Investment**		**20.56**	**Nil**	**III. Opening Overdraft from RBI**				**357**
--	**IV. Miscellaneous Capital Receipts**			**577.20**	**IV. Capital Outlay**	**11.59**	**546.77**	**558.36**	**558**
				39.43	**General services:**	**3.90**	**22.51**	**26.41**	
				57.55	**Social Services:**	**(-)0.22**	**59.58**	**59.36**	
				15.29	Education, Sports, Art and Culture	--	18.81	18.81	
				16.79	Health and Family Welfare	0.13	26.60	26.73	
				5.38	Water Supply, Sanitation, Housing and Urban Development	(-)0.35*	3.33	2.98	
				18.92	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	9.91	9.91	
				1.10	Social Welfare and Nutrition	--	0.93	0.93	
				--	Labour and Labour Welfare	--	--	--	
				0.07	Others	--	--	--	
				480.22	**Economic Services:**	**7.91**	**464.68**	**472.59**	
				44.22	Agriculture and allied activities	3.29	27.86	31.15	
				154.51	Irrigation and Flood control	4.47	142.74	147.21	
				58.20	Industry and Minerals	--	30.24	30.24	
				182.13	Transport	0.16	229.45	229.61	
				41.16	General Economic Services	(-)0.01*	34.39	34.38	

* Minus expenditure is due to receipt and recoveries on capital account more than the debit for the year.

Receipts				Disbursements			
2000-01			2001-02	2000-01			2001-02
117.14	**V. Recoveries of Loans and Advances**		**55.35**	**270.68**	**V. Loans and Advances Disbursed**		**160.75**
0.01	From Power Projects	..		25.01	For Power Projects	14.84	
37.53	From Government Servants	40.33		68.40	To Government Servants	38.05	
79.60	From Others	15.02		177.27	To Others	107.86	
	VI. Revenue Surplus brought down			**3147.06**	**VI. Revenue Deficit brought down**		**2605.64**
2156.58	**VII. Public Debt Receipts**		**2791.98**	**422.84**	**VII. Repayment of Public Debt**		**750.76**
1490.98	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	2011.03		138.83	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	214.64	
182.49	Net transactions under Ways and Means Advances excluding overdraft	0.26*		--	Net transactions under Ways and Means Advances excluding overdraft	--	
483.11	Loans and Advances from Central Government	780.69		284.01	Repayment of Loans and Advances to Central Government	536.12	
--	**VIII. Appropriation from the Consolidated Fund**		--	..	**VIII. Appropriation to Contingency Fund**		--
--	IX. Amount transferred to Contingency Fund		--		**IX. Expenditure from Contingency Fund**		**22.15**
21126.09	**X. Public Account Receipts**		**18939.84**	**19218.41**	**X. Public Account Disbursements**		**17466.92**
8018.06	Small Savings and Provident Funds	7186.46		6365.97	Small Savings and Provident Funds	6114.56	
30.49	Reserve Funds	120.53		17.81	Reserve Funds	72.98	
3736.44	Deposits and Advances	2965.69		3446.55	Deposits and Advances	2741.45	
5911.74	Suspense and Miscellaneous	5279.20		5967.65	Suspense and Miscellaneous	5252.69	
3429.96	Remittances	3387.96		3420.43	Remittances	3285.24	
357.09	**XI.- Closing Overdraft from Reserve Bank of India**		**275.56**	**20.56**	**XI. Cash Balance at end**		**161.62**
				29.71	Cash in Treasuries	23.30	
				(-)8.50	Local Remittances	(-)27.04@	
				(-) 15.14	Deposits with Reserve Bank	150.47	
				12.45	Cash Balance Investment	12.45	
23656.75	**Total – Section B**		**22083.29**	**23656.75**	**Total**		**22083.29**

* Represents receipts: Rs 1797.42 crore and disbursements: Rs 1797.16 crore.

@ Minus balance represents remittances between treasuries and currency chests remaining unadjusted on 31 March 2002.

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EXHIBIT III
SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)

2000-01	Sources		2001-02
8730.85	**1. Revenue receipts**		9056.39
117.14	**2. Recoveries of Loans and Advances**		55.35
1733.74	**3. Increase in Public debt other than overdraft**		2041.22
--	**4. Miscellaneous Capital Receipts**		--
1907.68	**5. Net receipts from Public account**		1472.92
1652.09	Increase in Small Savings, Provident Funds, etc.	1071.90	
(+) 289.89	Increase (+)/Decrease(-) in Deposits and Advances	(+)224.24	
(+) 12.68	Increase (+)/Decrease(-) in Reserve Funds	(+)47.55	
(-) 55.91	Net effect of Suspense and Miscellaneous transactions	(+)26.51	
(+) 8.93	Net effect of Remittance transactions	(+)102.72	
357.09	**6. Increase in overdraft**		..
12846.50	**Total**		**12625.88**
	Application		
11877.91	**1. Revenue expenditure**		11662.03
270.68	**2. Lending for development and other purposes**		160.75
577.20	**3. Capital expenditure**		558.36
--	**4. Decrease in overdraft**		81.53
--	**5. Net effect of Contingency Fund transactions**		22.15
120.71	**6. Increase in closing cash balance**		141.06
12846.50	**Total**		**12625.88**

Explanatory Notes for Exhibits I & II

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

2. Government accounts being mainly on cash basis, the deficit on Government account, as shown in *Exhibit I*, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable, depreciation or variation in stock figures, etc., do not figure in the accounts.

3. Suspense and Miscellaneous balances include cheques issued but not paid, payment made on behalf of the State and others pending settlement, etc.

4. There was a difference of Rs 279.23 crore (net credit) between the figures reflected in the accounts and that intimated by the Reserve Bank of India under "Deposit with Reserve Bank". This is analysed as below:-

(i) Adjustment in respect of shortfall from the agreed minimum cash balance - Rs 1.66 crore
(ii) Adjustment in respect of overdrafts - Rs 275.56 crore
(iii) Difference (net credit) - Rs 2.01 crore

Out of the difference, only Rs 0.20 lakh had been cleared (August 2002).

EXHIBIT IV
TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Part A. Receipts					
1. Revenue Receipts	**7118**	**7198**	**7942**	**8731**	**9056**
(i) Tax Revenue	***4501 (63)***	***4650 (65)***	***5194 (65)***	***5870(67)***	***5924 (65)***
Taxes on Agricultural Income	21 (#)	27(01)	14 (#)	4 (#)	2(#)
Taxes on Sales, Trade, etc.	3084(69)	3367(72)	3854(74)	4344(74)	4441(75)
State Excise	544(12)	530(11)	591(11)	689(11)	541(09)
Taxes on Vehicles	302(07)	323(07)	381(07)	395(07)	452(08)
Stamps and Registration fees	331(07)	301(07)	280(06)	341(06)	394(07)
Land Revenue	24(01)	33(01)	35(01)	39(01)	35(#)
Other Taxes	195(04)	69(01)	39(01)	58(01)	59(01)
(ii) Non Tax Revenue	***552(08)***	***558(08)***	***531(07)***	***659(08)***	***543(06)***
(iii)State's share in Union taxes and duties	***1272(18)***	***1382(19)***	***1535(19)***	***1586(18)***	***1614(18)***
(iv) Grants in aid from GOI	***793 (11)***	***608(08)***	***682(09)***	***616(07)***	***975(11)***
2. Miscellaneous Capital Receipts	**06**	**02**	**02**	**--**	**--**
3. Total revenue and Non debt capital receipts (1+2)	**7124**	**7200**	**7944**	**8731**	**9056**
4. Recovery of Loans and Advances	**36**	**67**	**53**	**117**	**55**
5. Public Debt Receipts	**1242**	**1830**	**2014**	**2156**	**2792**
Internal Debt (excluding Ways & Means Advances and Overdraft)	675	837	941	1491	2011
Net transactions under Ways and Means Advances and Overdraft	--	124	--	182	*
Loans and advances from Government of India@	567	869	1073	483	781
6. Total receipts in the Consolidated Fund (3+4+5)	**8402**	**9097**	**10011**	**11004**	**11903**
7. Contingency Fund Receipts Δ	**35.28**	**(-) 24.68**	**0.16**	**--**	**--**
8. Public Account receipts	**10803**	**14563**	**20662**	**21126**	**18940**
9. Total receipts of State (6+7+8)	**19240**	**23636**	**30673**	**32130**	**30843**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**8241(86)**	**9228 (90)**	**11566(92)**	**11878(93)**	**11662(94)**
Plan	*1787(22)*	*2111 (23)*	*2056(18)*	*1941(16)*	*1766(15)*
Non Plan	*6454 (78)*	*7117(77)*	*9510 (82)*	*9937(84)*	*9896(85)*
General Services (incl. Interest payment)	3081 (37)	3536 (38)	4977(43)	5457(46)	5611(48)
Social Services	3083 (37)	3349(36)	4206(36)	4188(35)	4076(35)
Economic Services	1948 (24)	2293(25)	2304(20)	2178(18)	1908(16)
Grants-in-aid and Contributions	129(02)	50(01)	79(01)	55(01)	67(01)
11.Capital Expenditure	**739 (08)**	**652 (06)**	**648 (05)**	**577(05)**	**558(05)**
Plan	*750(101)*	*661(101)*	*644(99)*	*581(101)*	*547(98)*
Non Plan	*(-) 11(-1)*	*(-) 09(-1)*	*04(01)*	*(-) 04 (-01)*	*11(02)*
General Services	54(07)	55(09)	47(07)	39(07)	26(04)
Social Services	79(11)	80(12)	66(10)	58(10)	59(11)
Economic Services	606(82)	517(79)	535(83)	480(83)	473(85)
12. Disbursement of Loans and Advances	**588(06)**	**397(04)**	**317(03)**	**271(02)**	**160(01)**
13. Total (10+11+12)	**9568**	**10277**	**12531**	**12726**	**12380**

Insignificant

* Less than Rs 1 crore.

@ Includes Ways and Means Advances from GOI

Δ Minus figures due to lapsing of Ordinances which were issued in the previous financial year to augment the corpus.

	1997-98	1998-99	1999-2000	2000-01	2001-02
14.Repayment of Public Debt	**249**	**334**	**448**	**423**	[illegible]
Internal Debt (excluding Ways and Means Advances and Overdrafts)	60	122	123	139	[illegible]
Net transactions under Ways and Means Advances and Overdrafts	..	..	78	--	
Loans and Advances from Government of India[@]	189	212	247	284	[illegible]
15. Appropriation to Contingency Fund [Δ]	**25**	**(-) 25**	**..**	**--**	
16. Total disbursement out of Consolidated Fund (13+14+15)	**9842**	**10586**	**12979**	**13149**	**13[illegible]**
17.Contingency Fund disbursements	**0.32**	**0.16**	**..**	**--**	**22[illegible]**
18. Public Account disbursements	**9683**	**13293**	**17792**	**19218**	**17[illegible]**
19. Total disbursement by the State (16+17+18)	**19525**	**23879**	**30771**	**32367**	**30[illegible]**
Part C. Deficits					
20. Revenue Deficit (1-10)	**1123**	**2030**	**3624**	**3147**	**2[illegible]**
21. Fiscal Deficit (3+4-13)	**2408**	**3010**	**4534**	**3878**	**3[illegible]**
22. Primary Deficit (21-23)	**1122**	**1564**	**2582**	**1620**	**[illegible]**
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	1286	1446	1952	2258	2[illegible]
24. Arrears of Revenue[✧] (Percentage of Tax & non -Tax Revenue Receipts)	477 (9)	463 (9)	578 (10)	978(15)	1037(1[illegible]
25. Financial Assistance to local bodies, etc.	3013	3158	3404	3262	2[illegible]
26. Ways & Means Advances/Overdrafts availed (days)	41	207	289	363	[illegible]
27. Interest on WMA/Overdraft	0.31	2.34	5.74	12.97	23[illegible]
28. Gross State Domestic Product (GSDP) at current prices	49484	56247	62514[∝]	69042[∝]	761[illegible]
29. Outstanding Fiscal Liabilities (year end)	14476	17367	21676	25721	29[illegible]
30. Outstanding guarantees including interest (year end)	4091[$]	5113	7952	9553	118[illegible]
31. Maximum amount guaranteed (year end)	6657	9078	11432	12798	141[illegible]
32. Number of incomplete projects	43	34	55	104	1[illegible]
33. Capital blocked in incomplete projects[#]	1332	1252	1603	1743	18[illegible]

Note: Figures in brackets represents percentages (rounded) to total of each sub-heading.

[@] Includes Ways and Means Advances from GOI.

[Δ] Minus figures due to lapsing of Ordinances which were issued in the previous financial year to augment the corpus.

[✧] Source: Paragraph 1.4 of Audit Report (Revenue Receipts) of respective years.

[θ] Includes arrears of electricity duty from Kerala State Electricity Board amounting to Rs 1001 crore.

[∝] Figures differ from those in the previous Report due to substitution by actual figures for 1999-2000 and provisional figures for 2000-01 intimated by the Director of Economics and Statistics in September 2002.

[*] Quick Estimates.

[$] The figure will differ from Finance Accounts figure, as Rs 799 crore related to 1997-98 could not be included in accounts for want of details.

[#] Represents progressive amount blocked in incomplete projects/works at the end of the year based on figures collected from departmental heads.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION ACCOUNTS 2001-02 - AT A GLANCE

Appropriation Accounts: Total No. of grants: 47

Total provision and actual expenditure:

Provision	Amount (Rupees in crore)	Expenditure	Amount (Rupees in crore)
Original **Supplementary**	**19988.98** **322.45**		
Total gross provision	**20311.43**	**Total gross expenditure**	**19209.52**
Deduct – Estimated recoveries in reduction of expenditure	**193.43**	**Deduct – Actual recoveries in reduction of expenditure**	**157.67**
Total net provision	**20118.00**	**Total net expenditure**	**19051.85**

Voted and Charged provision and expenditure:

	Provision (Rupees in crore)		Expenditure (Rupees in crore)	
	Voted	**Charged**	**Voted**	**Charged**
Revenue	**10919.02**	**2465.46**	**9279.80**	**2524.98**
Capital	**1073.53**	**5853.42**	**733.66**	**6671.08**
Total Gross	**11992.55**	**8318.88**	**10013.46**	**9196.06**
Deduct – Recoveries in reduction of expenditure	**183.43**	**10.00**	**157.59**	**0.08**
Total: Net	**11809.12**	**8308.88**	**9855.87**	**9195.98**

2.1 Introduction

The Appropriation Accounts are prepared every year indicating the details of amounts on various specified services actually spent by Government *vis-à-vis* those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2001-02 against grants/appropriations was as follows:

(Rupees in crore)

Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)
Voted					
I. Revenue	10697.74	221.28	10919.02	9279.80	-1639.22
II. Capital	699.67	100.40	800.07	572.91	-227.16
III. Loans and Advances	273.46	--	273.46	160.75	-112.71
Total Voted	**11670.87**	**321.68**	**11992.55**	**10013.46***	**-1979.09**
Charged					
IV. Revenue	2464.69	0.77	2465.46	2524.98	+59.52
V. Capital	2.60	--	2.60	0.37	-2.23
VI. Public Debt	5850.82	--	5850.82	6670.71	+819.89
Total Charged	**8318.11**	**0.77**	**8318.88**	**9196.06***	**+877.18**
Grand Total	**19988.98**	**322.45**	**20311.43**	**19209.52****	**1101.91**

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 142.76 crore and Capital Rs 14.91 crore, Total : Rs 157.67 crore).

** (a) The total expenditure was inflated atleast to the extent of

(i) Rs 5.36 crore being the amounts drawn during the year and deposited in Deposit Account or kept as Demand Draft with the drawing officers. (see Appendix I of Appropriation Accounts)

(ii) Rs 2.86 crore being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received.

(b) The total expenditure was understated to the extent of Rs 22.15 crore on account of advances drawn from Contingency Fund remaining unrecouped at the end of the year. (see Appendix II of Appropriation Accounts)

2.2.1 Excess over provision of previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 2540.71 crore for the years 1983-84 to 1985-86 and 1988-89 to 2000-01 was yet to be regularised. In addition, excess expenditure of Rs. 1049.61 crore occurred during 2001-02 require regularisation. Brief details are given below:

Year	No. of Grants/ Appropr-iations	Grant/Appropriation Numbers	Amount of excess	Amount for which explanation not furnished to PAC
			(Rupees in crore)	
1983-84	2	XVII RV and CV	3.69	3.69
1984-85	1	XVII	29.36	29.36
1985-86	2	XVII RV and CC	34.29	32.94
1988-89	1	XVIII	0.04	0.04
1989-90	9	VII, XVII, XXIII, XXIV, XXVI, XXXI, XXXIII, XXXIV, XLII	43.33	38.51
1990-91	16	II, III,VI, VII, IX, XII, XVII, XIX, XXI, RV and CCh. XXVIII, XXXI, XXXIV, XXXIX, XLI, PDR	193.65	81.90
1991-92	13	II, VII, IX, XII, XVII RV and CV, XVIII, XXXI RV and CV XXXII, XLII, Debt charges, PDR	339.51	40.51
1992-93	7	XXV, XXX RV and CV, XXXIV, XXXVIII, Debt charges, PDR	418.18	2.42
1993-94	11	X, XVI, XVII, XIX, XX, XXII, XXXIII, XXXVIII, CV and RCh. Debt charges, PDR	110.90	8.25
1994-95	18	III, VII, X, XIV, XVI, XVIII CV and CCh., XIX, XX, XXV, XXX, XXXI, XXXII, XXXIV, XXXVIII RV and CV, XLIII, Debt charges	24.81	8.55
1995-96	15	V, VI, XIV RV and CV, XVI, XX, XXVI, XXXIII, XXXIV, XXXV, XXXIX, XLI, RV and CV, XLII, XLIII	46.11	43.98
1996-97	9	VI, XIV, XVIII, XXV, XXXII, XXXIV, XXXVII, XXXIX, XLIII	1.12	1.04
1997-98	10	I, V, XIV, XV, XVIII, XIX, XXV, XXXI, XXXIV, XLII	35.97	23.19
1998-99	15	I, III RV and RCh., V, X, XIV, XV, XVI, XIX, XXV, XXVIII, XXXIV, XLII, XLIII, XLV	115.41	32.69
1999-2000	8	I, II, IV, XIII, XVI, XIX, XXXIX Debt Charges	530.99	528.36
2000-01	7	I,III, Debt Charges, XVI, XIX, XXV, XXXIX	613.35	613.35
Total	***144***		***2540.71***	***1488.78***
2001-02	11	IV, XI, XII, XIV, XVI, XVII, XVIII, XIX, XXXVII, Debt charges, PDR	1049.61	1049.61
Grand Total	**155**		**3590.32**	**2538.39**

RV – Revenue (Voted)
CV – Capital (Voted)
RCh – Revenue (Charged)
CCh – Capital (Charged)
PDR – Public Debt Repayment

2.3 Results of Appropriation Audit

2.3.1(a) The overall saving of Rs 1101.91 crore was the result of saving of Rs 2151.52 crore in 85 grants and appropriations offset by excess of Rs. 1049.61 crore in 11 grants and appropriations. It is noticeable that under Voted (Revenue, Capital & Loans and Advances) the actual expenditure was even less than the original grant and substantial excess over appropriation occurred under Revenue (Charged) and Public Debt Repayment.

2.3.1(b) During the last three years the percentage of charged expenditure to total expenditure increased from 37 to 48 mainly due to repayments of public debt which increased from 69 *per cent* of the total charged expenditure in 1999-2000 to 73 *per cent* in 2001-02. Since charged expenditure is not subject to vote of Legislature the increase in charged expenditure limits the scope of financial control of expenditure by the Legislature. For the year 2001-02 only 52 *per cent* of the expenditure out of Consolidated Fund was effectively subject to vote of Legislature.

2.3.2 The supplementary provision (Rs 322.45 crore) constituted 2 *per cent* of the original provision as against 15 *per cent* in the previous year.

2.3.3 Supplementary provision of Rs 75.34 crore obtained in 10 cases proved unnecessary in view of aggregate saving of Rs 405.68 crore (Appendix II).

2.3.4 In 3 cases, against additional requirement of Rs 125.03 crore, supplementary grant of Rs 207.33 crore were obtained resulting in saving in each case exceeding Rs 10 lakh, aggregating Rs 82.30 crore (Appendix III).

2.3.5 There was overall excess of Rs 152.93 crore under 8 grants and Rs 896.68 crore under 3 appropriations. The overall excess of Rs 1049.61 crore requires regularisation under Article 205 of the Constitution of India (Appendix IV).

2.3.6 In 3 cases, supplementary provision of Rs 39.27 crore proved insufficient by more than Rs 10 lakh each leaving an aggregate uncovered excess expenditure of Rs 136.35 crore (Appendix V).

2.3.7 In 38 cases, expenditure fell short by Rs 5 crore or more in each case and also by more than 10 *per cent* of the total provision (Appendix VI).

2.3.8(a) In 15 cases, there were persistent savings in excess of Rs 10 lakh in each case and also 20 *per cent* or more of the provision during the last three years (Appendix VII).

2.3.8(b) Persistent excess occurred under the following grants for 3 years or more as shown below :

Grant Nos		Year	Excess expenditure and percentage (Rupees in crore)
XIX	Family Welfare (Revenue Voted)	1997-98	19.06 (38)
		1998-99	20.66 (35)
		1999-2000	21.95 (21)
		2000-01	37.11 (67)
		2001-02	47.48 (86)
XVI	Pensions and Miscellaneous (Revenue Voted)	1998-99	80.65 (7)
		1999-2000	262.78 (16)
		2000-01	295.52 (17)
		2001-02	55.58 (3)
	Debt Charges (Revenue Charged)	1999-2000	209.66 (12)
		2000-01	263.89 (13)
		2001-02	76.75 (3)

The occurrence of high percentage excess under Grant No. XIX Family Welfare (Revenue Voted) for five consecutive years reveals gross negligence of the Director of Health Services in preparing reasonably accurate budget estimates and his failure in observing provisions of State Budget Manual for controlling the expenditure. The Finance Department also failed to take remedial action in all these cases despite mention of the excess in successive Audit Reports, indicating deficient financial management.

2.3.9 Excessive/unnecessary reappropriation of funds

Reappropriation is transfer of funds between primary units of appropriation within a grant or appropriation before the close of the financial year. Details of cases where withdrawal or augmentation of provision of funds in excess of Rs 50 lakh proved excessive or resulted in saving by over Rs 50 lakh in each case are mentioned in Appendix VIII.

2.3.10 Expenditure without provision

Expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs 238.82 crore was incurred in 18 cases as detailed in Appendix IX without the provision having been made in the original estimates/supplementary demands and no reappropriation orders were issued.

2.3.11 Anticipated savings not surrendered

2.3.11(a) According to rules framed by Government the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 24 cases, the amount of available saving of Rs 5 crore and above in each case not surrendered, aggregated to Rs 523.35 crore. Some important cases involving substantial amounts are given below:

(Rupees in crore)

Grant No. & Name		Saving	Amount not surrendered
Revenue Voted			
XVII	Education, Sports, Art and Culture	529.26	191.11
XVIII	Medical and Public Health	39.33	34.66
XX	Water Supply and Sanitation	54.57	25.65
XXV	Social Welfare including welfare of SCs, STs, and OBCs	76.61	32.50
XXIX	Agriculture	43.88	27.54
XXXVIII	Irrigation	45.61	27.73
Capital Voted			
XXXVIII	Irrigation	34.19	26.40

Failure of these departments to surrender such huge savings revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in Appendix X.

2.3.11 (b) Out of the total surrendered amount of Rs 949.09 crore, Rs 909.09 crore was surrendered on 30 March 2002 indicating gross disregard of rules and procedures of financial control over expenditure.

2.3.12 Surrender in excess of actual savings

In 9 cases, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the actual savings of Rs 131.53 crore, in these cases the amount surrendered was Rs 210.44 crore, resulting in excess surrender of Rs 78.91 crore (Appendix XI).

Such budgetary irregularities are reported every year in Chapter II of the Audit Report. If the precautions envisaged in the State Budget Manual are taken by all the departments, these could be minimised to a great extent.

2.3.13 Advances from Contingency Fund

The Contingency Fund of the State is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances for meeting unforeseen expenditure, the postponement of which till its authorisation by the Legislature would be undesirable.

The permanent corpus of the Contingency Fund of the State was Rs 25 crore. Nine sanctions were issued during 2001-02 advancing Rs 36.46 crore from the Fund. Out of this one sanction for Rs 2 lakh issued in March 2002 was operated only in April 2002. Three advances for Rs 22.15 crore sanctioned and operated during the year remained unrecouped.

2.3.14 Trends of recoveries

Under the system of gross budgeting followed by Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the budget estimates.

In 38 Grants/Appropriations the actual recoveries adjusted in reduction of expenditure (Rs 82.46 crore) exceeded the estimated recoveries (Rs 73.03 crore) by Rs 9.43 crore and in 9 Grants/Appropriations the actual recoveries (Rs 75.21 crore) were less than the estimated recoveries (Rs 120.40 crore) by Rs 45.19 crore. (Appendix III of Appropriation Accounts).

2.3.15 Non-receipt of explanations for savings/excesses

After the close of each financial year, the detailed Appropriation Accounts showing the final grant/appropriation, the actual expenditure and resultant variation are sent to the Controlling Offices by the Accountant General (Accounts and Entitlement) for furnishing promptly the reasons for variation in general and those under important sub-heads in particular. The number of heads for which those reasons were not received as at the end of August 2001 was 772 representing 72 *per cent* of the total number of heads for which explanations for variation were required to be mentioned.

2.3.16 Unreconciled expenditure

Departmental figures of expenditure are required to be reconciled every month with those in the books of Accountant General (Accounts and Entitlement) in order to enable the departmental officers to exercise proper control over expenditure and to detect fraud and defalcations, if any, at an early stage. The reconciliation was in arrears in many departments. Out of 225 Controlling Officers who were required to reconcile their accounts for the year 2001-02, only 61 have reconciled the expenditure for the whole year, 61 have partially reconciled the expenditure for the year and 103 have not reconciled the accounts of even a single month of 2001-02. As of September 2002, 2562 monthly reconciliation certificates were due from 263 Controlling Officers for the period 1995-96 to 2001-02, as detailed in Appendix XII.

2.3.17 Flow of expenditure

Under 19 Major Heads of account more than fifty *per cent* of expenditure was incurred during the last quarter of the financial year. In these cases 44 to 99 *per cent* of the expenditure was incurred only in the last month of the financial year. Details are given in Appendix XIII.

Since State Legislature approves the budget for a financial year for meeting the disbursements during that year and not for subsequent years, large amounts of funds released to implementing departments/agencies in March cannot constructively be spent during the year. Drawal/release of funds at the fag end of the financial year is indicative of deficient financial management.

CHAPTER III

CIVIL DEPARTMENTS

SECTION A - REVIEWS

LOCAL SELF GOVERNMENT DEPARTMENT

3.1 Swarnjayanti Gram Swarozgar Yojana

Highlights

Swarnjayanti Gram Swarozgar Yojana (SGSY) launched by Government of India (GOI) from 1 April 1999 is a holistic programme with the objective of bringing assisted families above poverty line in three years. The scheme aimed at covering 30 per cent of BPL families in the State. The implementation of the scheme has suffered from inadequate allocation of funds by GOI, failure to avail even the allocated funds, inconclusive identification of BPL families, lack of adequate infrastructure, failure in skill upgradation and marketing support and poor coverage of eligible SC/ST beneficiaries.

- **Rs 9.01 crore of Central assistance could not be availed due to slow pace of spending and delay in submission of utilisation certificates.**

[Paragraph 3.1.4 (ii)]

- **Only 29 *per cent* of the targeted families and 5 *per cent* of total BPL families were covered. Coverage of SC/ST families was poorer.**

[Paragraph 3.1.5]

- **Identification of BPL families was inconclusive even as of June 2002 and the scheme was implemented without clear idea about the number of targeted people.**

[Paragraph 3.1.6]

- **There was pendency in disposal of applications for assistance by banks because the projects were not viable or beneficiaries were defaulters.**

[Paragraph 3.1.7]

- **Expenditure on infrastructure was far below the norms and was confined to construction of buildings. Contrary to GOI guidelines,**

funds for creation of infrastructure was given to individual Self Help Groups and full cost of infrastructure was met from scheme funds.

[Paragraph 3.1.8]

- **There was no proper market support for SGSY products rendering the units uneconomic.**

[Paragraph 3.1.9]

- **Monitoring of implementation of the scheme was inadequate and no evaluation conducted by State Government. As per assessment made by Audit, 57 *per cent* beneficiaries could not generate monthly income of Rs 2000 as envisaged in the guidelines.**

[Paragraphs 3.1.10 & 3.1.11]

3.1.1 Introduction

Swarnjayanti Gram Swarozgar Yojana (SGSY) launched by Government of India (GOI) from 1 April 1999 restructuring all the erstwhile self-employment programmes* is a holistic programme covering all aspects of self-employment such as organising of the poor into Self-Help Groups (SHG), providing training, credit, technology, infrastructure and marketing with the objective of bringing assisted families (*Swarozgaris*) above the poverty line in three years by providing them income generating assets through a mix of bank credit and Government subsidy. Funds under the SGSY was to be shared by Central and State Governments in the ratio of 75:25.

The scheme aimed at covering 30 *per cent* of the BPL families by engaging them in gainful self-employment projects as individuals and Self Help Groups (SHG) to earn a net monthly surplus income of Rs 2000 per family and thereby cross the poverty line at the end of the third year. Fifty *per cent* of the individuals and the members of the groups assisted were to be SC/ST, 40 *per cent* women and 3 *per cent* physically handicapped. At the instance of the State Government, GOI ordered (September 1999) that the existing DWCRA units comprising of non-BPL families also be considered for group assistance during 1999-2000. The scheme was implemented in the State from October 1999 due to delay in issue of detailed instruction and guidelines by the State Government.

3.1.2 Organisational set up

The scheme was implemented in 14 DRDAs through 152 Blocks/Block Panchayats and 991 Grama Panchayats headed by Project Officers, BDOs/Block Panchayat Committees and Grama Panchayat Committees respectively under the overall supervision of the Commissioner of Rural

* Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self-Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Toolkits to Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY) and Million Wells Scheme (MWS).

Development (CRD). Secretary, Local Self Government (Rural) Department was responsible for implementation of the scheme.

3.1.3 Audit coverage

The review was conducted by test check of records of the Commissioner of Rural Development (CRD), Thiruvananthapuram, 5 DRDAs*, 18 Blocks and 36 Panchayats during January - May 2002 covering the period 1999-2002.

3.1.4 Funding

(i) The details of funds for the scheme were as under:

(Rupees in crore)

Year	Opening balance	Funds received			Total funds available	Expenditure	Closing balance
		Central	State	Miscellaneous Receipts@			
1999-2000	15.38	20.83	6.95	0.78	43.94	25.07	18.87
2000-01	18.87	9.20	3.06	3.00	34.13	34.89	(-)0.76
2001-02	(-) 0.76	10.40	3.46	3.72	16.82	19.99	(-)3.17
Total		**40.43**	**13.47**	**7.50**	**76.78**	**79.95**	

The explanation of the CRD as to how excess expenditure was incurred was not furnished as of December 2002. Total expenditure incurred in 5 test checked districts was Rs 30.24 crore.

Though scheme funds were to be deposited in separate bank accounts the District Collectors transferred the State share of SGSY funds to the Treasury Public Accounts of DRDAs till December 2001. In 5 test checked DRDAs State share was brought to the scheme accounts after a delay of 2 to 24 months due to treasury restrictions.

Inadequate allocation of funds by GOI

Rs 9.01 crore of Central assistance was not availed of

(ii) The requirement of funds for covering 3.10 lakh BPL families worked out to Rs 236.58# crore. However, the total funds (Central and State share) allocated was Rs 65.92 crore. During 1999-2002 GOI released only Rs 40.43 crore (out of the allocation of Rs 49.44 crore) due to slow pace of spending and delay in submission of proper utilisation certificates by the DRDAs. Also no additional funds were released, as the GOI adopted BPL figures of National Sample Survey Organisation (NSSO) for determining the incidence of poverty in the State for allocation of funds.

3.1.5 Physical and financial performance

(i) The year-wise details of physical targets and achievements of the programme during 1999-2002 are given below:-

* Alappuzha, Ernakulam, Kollam, Kottayam, Kozhikode.

@ Interest on bank deposits and undisbursed subsidy returned by banks.

\# Worked out on the basis of actual expenditure incurred for subsidy to 67830 individuals (Rs 48.14 crore) and 21627 SHGs (Rs 17.58 crore) and projecting it to 152057 individual beneficiaries (Rs 107.93 crore) and 158263 SHG members (Rs 128.65 crore) to be covered.

(Population in lakh)

Year	Targets		Achievement		Of the achievement coverage under					
					Scheduled Caste/Scheduled Tribe		Women		Physically Handicapped	
	State	Sample districts	State	Sample districts	State	Sample districts	State	Sample districts	State*	Sample districts*
1999-2000	1.03	0.52	0.29	0.12	0.09	0.03	0.15	0.06	345	141
2000-01	1.03	0.52	0.38	0.18	0.11	0.04	0.21	0.09	394	194
2001-02	1.04	0.51	0.22	0.08	0.08	0.03	0.14	0.06	224	86
Total	**3.10**	**1.55**	**0.89**	**0.38**	**0.28**	**0.10**	**0.50**	**0.21**	**963**	**421**

Coverage of targeted families was only 29 *per cent*

Of the total BPL families (17.24 lakh) in the State 3.10 lakh families were targeted for coverage during 1999-2002. Achievement was, however, only 29 *per cent* (0.89 lakh) of the targets fixed and 5 *per cent* of total BPL families. Position in sample districts was worse, achievement being 0.38 lakh (25 *per cent*) out of the target of 1.55 lakh.

Coverage of SC/ST families was still lower

Of the assisted families, percentage of coverage in respect of SC/ST and physically handicapped were only 31 and 1 respectively against 50 *per cent* and 3 *per cent* envisaged in the guidelines. On the other hand 57 *per cent* of the beneficiaries were women though guidelines prescribed only 40 *per cent*. Poor achievement of overall targets was mainly due to inadequacy of funds released for the scheme. The low coverage of SC/ST was due to the fact that of the total BPL families, only 22 *per cent* were SC/ST families, inadequate number of applicants with no outstanding liabilities of banks and coverage of SC/ST families under other similar schemes. The CRD stated (June 2002) that Banks were not willing to give loans to SC/ST families as most of them were chronic defaulters in earlier schemes.

Reports to GOI were inflated as funds released by DRDAs to blocks were treated as final expenditure

(ii) As per progress reports furnished to GOI, fund released by DRDAs to the Blocks were shown as expenditure. This was incorrect. Scrutiny also revealed that no fund was released by the DRDAs to 7 blocks in Ernakulam and Kottayam Districts during 1999-2000. Rs 9.72 lakh released during 2000-02 to 6 Blocks in these districts remained unspent as of March 2002 though the entire amount was reported as final expenditure.

3.1.6 *Planning*

(i) Except Annual Plans of DRDAs, no annual block plans or five year perspective plans were prepared for implementation of the scheme in the test checked districts. No physical targets were fixed by the State Government for DRDAs except for formation of SHGs.

Identification of BPL families was inconclusive

(ii) Based on GOI guidelines (April 1997 & September 1997) BPL census figures were finalised by State Government in July 1999. However, fresh applications for inclusion of names in the BPL list were allowed by the State Government upto 15 November 2001. Though the CRD instructed (January

* As the number of population is below 1000, actual number is indicated

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2002) the DRDAs to complete the census and publish the draft list before 15 January 2002, the work had not been completed as of June 2002. Thus the list published as per survey finalised in July 1999 was inconclusive. The delay was attributed to large number of fresh applications (5.49 lakh) received till November 2001 for inclusion in the list and 2779 objections filed against inclusion of fresh names. Scrutiny revealed that out of 41,659 fresh applications received in 12 blocks in 5 sample districts, 25,481 applications were pending scrutiny by the Panchayat sub committees as of May 2002. Thus the scheme was being implemented without any clear idea about the number of BPL families to be covered under the scheme.

Project reports were prepared by inexperienced staff

(iii) The project reports on key activities were to be prepared by the BDOs in consultation with banks, line departments, NGOs, etc. But in 4 out of the 5 test checked DRDAs the reports were prepared by the Block officials who were not experienced for the job resulting in the following deficiencies.

a. The reports did not indicate the number of BPL families to be covered.

b. No market survey was conducted to identify the key activities.

c. Some project reports did not estimate the net monthly income.

d. Many selected activities envisaged a net monthly income of less than Rs 2000 per family even in the third year.

In 3 districts (Alappuzha, Ernakulam and Kozhikode) involvement of banks and line departments was not on record. In Kottayam District the project reports were approved by the Lead Bank Manager. Only in one sample district (Kollam) the project reports were prepared by the Agricultural Consultancy and Technical Services of the Indian Bank (ACTS). However, out of 34 key activities prepared by ACTS the net income projected in respect of 19 activities was in the range of Rs 250-1670 per month in the first year and in the fifth year it was only between Rs 580-1830. The District SGSY Committee had selected 17 key activities, which were not viable even in the conceptual stage. Out of 171 beneficiaries test checked in 36 Panchayats in 18 Blocks in the sample districts 57 *per cent* (98 beneficiaries) had not been earning the net income of Rs 2000 per month. Of this, 24 *per cent* (24 beneficiaries) was getting less than Rs 1000 per month.

(iv) (a) As against 33000 SHGs to be formed, the achievement was 31207. The year-wise details were as under:-

Year	Identification of beneficiaries		Grading of SHGs			No. of SHGs (Grade I) provided with Revolving Fund
	SHGs (No)	Individuals	Grade I	Grade II	Grade III	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(a) State						
1999-2000	6761	24796	1286	539	440	657
2000-01	12872	29571	4790	1342	756	2394
2001-02	11574	13463	10180	2600	765	2231
Total	**31207**	**67830**	**16256** (52%)[1]	**4481** (28%)[2]	**1961** (44%)[3]	**5282** (32%)[4]
(b) Sample districts						
1999-2000	3716	9987	466	420	157	112
2000-01	6697	14840	1992	405	255	1048
2001-02	9182	5920	4856	951	283	1085
Total	**19595**	**30747**	**7314** (37%)[1]	**1776** (24%)[2]	**695** (39%)[3]	**2245** (31%)[4]

Out of 31,207 SHGs formed the percentage of groups graded into I, II & III was only 52, 28 and 44 respectively. In the five sample districts, out of 19595 SHGs formed during 1999-2002, the corresponding percentages were 37, 24 and 39 respectively. It was noticed in audit that the SHGs took 6 to 8 months for entering the second grade and 12 to 16 months for entering the third grade.

Audit observed that the role of DRDAs, Banks, line departments, NGOs, etc. in the formation of groups was not on record. It was mainly the work of Village Extension Officers and IRD officer attached to the Blocks.

(b) Major thrust was to be placed on Group approach. But the percentage of assistance in the form of subsidy released to SHGs was poor as indicated below:

(Rupees in crore)

Year	Total subsidy released	SHGs	Individuals	Percentage of assistance to SHGs
State				
1999-2000	21.69	3.70	17.99	17
2000-01	28.10	6.83	21.27	24
2001-02	15.93	7.05	8.88	44
Total	**65.72**	**17.58**	**48.14**	**Av.28**
Sample districts 1999-2002				
Kollam	5.22	1.12	4.10	18-51
Alappuzha	5.69	1.69	4.00	14-46
Kottayam	4.57	1.30	3.27	25-44
Ernakulam	5.02	1.07	3.95	10-46
Kozhikode	4.32	1.13	3.19	17-49
Total	**24.82**	**6.31**	**18.51**	**Av. 17-47**

This showed that contrary to the guidelines there was greater thrust on individual beneficiaries as against group approach. The CRD stated (June 2002) that the reluctance of the groups in availing bank loan for economic activities was the main reason for the relatively lower coverage and that group activity was gaining momentum during 2001-02 as compared to earlier years.

[1] Percentage of Col. 4 to 2, [2] percentage of Col. 5 to 4, [3] percentage of Col. 6 to 5
[4] percentage of Col.7 to 4

Only 32 *per cent* of eligible SHGs were provided with revolving fund

Expenditure incurred on revolving fund was Rs 5.28 crore (Rs 2.25 crore in 5 sample districts) which was about 7 *per cent* of the total funds available (Rs 76.78 crore) as against 10 *per cent* required to be spent as per guidelines. The number of SHGs provided with revolving fund were 5282 (2245 in sample districts) which was about 32 *per cent* of the SHGs eligible to receive revolving fund. Government stated (September 2002) that lesser coverage was due to inadequate allocation of funds by GOI. However, even the funds allocated were not spent.

3.1.7 Economic assistance

Heavy pendency in disposal of applications for assistance by banks

Out of 1.19 lakh applications submitted to banks for assistance, 0.41 lakh applications (34 *per cent*) were pending disposal as at the end of June 2002. In 5 sample districts the pendency ranged from 18 to 39 *per cent*. In 4 blocks in 3 districts (Kollam, Alappuzha, Kozhikode) banks rejected/returned 1006 (25 *per cent*) out of 4035 applications because the projects were not viable or the beneficiaries were defaulters. This indicated the non-involvement of banks in the identification of key activities and selection of beneficiaries at initial stages. It was stated by the Project Officers that, the service area approach of the Banks and condition for production of non-liability certificates by the beneficiary from nearby banks affected the sanctioning of loans.

3.1.8 Infrastructure creation

Expenditure on infrastructure was far below the norm

According to the guidelines, expenditure on infrastructure should be 20 *per cent* of the total allocation. However, only 9.55 *per cent* (Rs 7.33 crore) of the total fund available (Rs 76.78 crore) was spent on infrastructure during 1999-2002. In the sample districts expenditure was 10 *per cent* (Rs 3.24 crore). The creation of infrastructure was confined to construction of buildings for being utilised as marketing outlets. In 4 blocks in 3 districts, the buildings constructed in Block office premises at a cost of Rs 23.03 lakh had not been put to use as of June 2002.

GOI guidelines envisaged that the infrastructure created should be available to the entire community rather than to the individual SHGs. Contrary to this, State Government ordered (October 2000) that assistance not exceeding Rs 1 lakh would be sanctioned to SHGs for construction of production-cum-training sheds on the plot of land to be surrendered by them to Government. A few instances are indicated below:-

(i) In 10 blocks in 3 districts, Rs 17.17 lakh was incurred during 1999-2002 on construction of production-cum-training centre for 14 SHGs.

(ii) In Kottayam District Rs 21.05 lakh was sanctioned in March 2001 to 10 SHGs for construction of 1 marketing centre and 9 workshed-cum-training centre in excess of the ceiling of Rs 1 lakh prescribed by State Government out of which Rs 8 lakh has been released in March 2001.

(iii) In Vadavucode block in Ernakulam district two marketing/sales centres were constructed at Rs 12.50 lakh.

Full cost of infrastructure met from scheme funds in violation of GOI guidelines

Though provision of infrastructure was the responsibility of the State Government and infrastructure funds under the scheme were to be utilised only as a last resort in order to fill up critical gaps in investment, full cost was met from the scheme funds in violation of the guidelines and there was no contribution by the Block Panchayats/State Government. Government stated (September 2002) that the guidelines did not specifically give an illustrative list of works to be taken up under programme infrastructure. However, the action of the Government in providing funds to individual SHGs and meeting the full project cost was not at all covered by the guidelines.

3.1.9 Training and Market support

Lack of training on skill development

(a) Government spent Rs 1.44 crore on training during 1999-2002 (Rs 30.15 lakh in 5 sample districts) which was less than 3 *per cent* as against 10 *per cent* envisaged in the guidelines.

In the sample districts, training was confined to Basic Orientation Training and skill development training was not imparted except in Alappuzha. Even the basic training was not arranged during 1999-2000 in 7 Blocks in 2 Districts (Ernakulam and Kottayam) due to non-release of funds by DRDAs.

No proper market support for SGSY products

(b) In four test checked districts market support at DRDA/Block level was confined to the annual district *melas* and the functioning of District Supply and Marketing Societies (DSMS) as sales outlets of IRDP/SGSY products like garments, household appliances, food products, etc. In Erattupetta Block in Kottayam District the Block Development Officer or DRDA had not provided any marketing support to one beneficiary running a dairy unit and the unit was consequently rendered uneconomic. In Oachira Block in Kollam District the beneficiaries of dairy units could not earn any profit as the Milk Societies offered only a small price for the milk products. In Edappally Block in Ernakulam District an SHG engaged in soap making complained that in the absence of skill development training the bath soap made by them was of poor quality and another SHG engaged in food processing did not have marketability. The Block authorities had not addressed these issues.

3.1.10 Monitoring and evaluation

(a) The implementation of the programme was to be monitored at State, District and Block levels by the Committees constituted at the three levels. The State Level Monitoring Committee constituted in January 2000 with the Chief Secretary and the Secretary to Government, Local Self Government (Rural) Department as Chairman and Member Secretary respectively had not met even once as of June 2002.

Two State level officers had inspected 125 Self-Help Groups in 10 districts during 2001-02. But the inspection notes in respect of 104 groups (83 *per cent*) contained only the address of the group and names of office bearers and did not contain any observations on the viability of the activities undertaken.

There were delays (2 to 14 months) in constitution of Block level and District level Committees in the 5 sample districts and 18 blocks. As of March 2002 the shortfall in the monthly meetings to be held by these Committees, was 66 *per cent* (District Committees) and 77 *per cent* (Block Committees). The Banks and the Line Departments did not attend the meetings of these committees regularly; shortfall ranged between 49 to 76 *per cent*.

No schedule of monitoring was fixed and enforced in respect of officials of DRDA and blocks. But test check of work diaries of officers* at various levels in the sample districts and blocks revealed that an average of 3 to 7 SGSY beneficiaries were visited by these officers monthly.

(b) Test-check in the sample districts revealed the following details of asset utilisation.

Name of district	Number of blocks involved	Total number of assets	Number of assets verified	Number of assets misutilised	Number of assets perished
Alappuzha	9 out of 12	Not available	381	68	1
Kollam	13 out of 13 (1999-2000)	2098	2098	34	11
Ernakulam	15 out of 15 (2000-01)	5171	4623	160	Nil
Kottayam	11 out of 11	2432	2200	36	5
Kozhikode	12 out of 12	2031	1863	29	98

The above data showed that close monitoring of the assets created by the beneficiaries was not done by the DRDA/Block as envisaged in the GOI guidelines.

(c) No external or internal evaluation of the implementation of the programme was conducted by the State Government as of June 2002. Only NABARD conducted evaluation study in two blocks and 5 banks in Malappuram District in November 2001.

3.1.11 Impact assessment

171 beneficiaries (134 individuals and 37 SHGs) were visited by the Audit team in 36 Panchayats in 18 Blocks in the 5 sample districts. As reported by the beneficiaries, 70 individuals and 28 SHGs (57 *per cent*) could not generate net monthly income of Rs 2000 as envisaged in the guidelines.

* Assistant Project Officer (P&M), Assistant Project Officer (WD), Extension Officer (WW), Extension Officer (IRD), Village Extension Officers (VEO) and Lady Village Extension Officers (LVEO).

3.2 Rural Housing (Indira Awaas Yojana)

Highlights

Indira Awaas Yojana (IAY) implemented by Government of India (GOI) as an independent scheme from January 1996 was aimed at rendering financial assistance for construction of dwelling units to beneficiaries from Below Poverty Line (BPL) Scheduled Caste/Scheduled Tribe population, freed bonded labourers, ex-service men, physically and mentally challenged persons and also to non- SC/ST BPL rural households. The review revealed failure to avail Central assistance, short release of funds by State Government, financial achievement being inflated to obtain excess Central assistance, improper maintenance of accounts, delay in completion of houses, payment of assistance at enhanced rates, ineligible/excess payment of assistance, etc.

- **Rs 22.89 crore of Central assistance could not be availed due to under-utilisation of funds. State's share was short-released by Rs 8.82 crore.**

[Paragraph 3.2.4.2]

- **Four DRDAs showed higher financial achievement of Rs 10.75 crore in the Blocks to obtain excess Central assistance of Rs 28.76 crore.**

[Paragraph 3.2.4.3(i)]

- **Physical achievements reported to GOI by Thiruvananthapuram and Ernakulam DRDAs were in excess by 39 *per cent* and 16 *per cent* respectively.**

[Paragraph 3.2.6(i)]

- **Ineligible/excess payment of assistance in three districts amounted to Rs 1.53 crore.**

[Paragraph 3.2.6(ii)]

- **Out of 68576 houses constructed, 64 *per cent* were not provided with smokeless *chulhas* and 24 *per cent* did not have sanitary latrines.**

[Paragraph 3.2.7]

3.2.1 Introduction

Indira Awaas Yojana (IAY) was delinked from Jawahar Rozgar Yojana and implemented as an independent scheme from January 1996 aimed at rendering financial assistance for construction of dwelling units to beneficiaries from Below Poverty Line (BPL), including freed bonded labourers. Sixty *per cent* of the dwelling units were to be earmarked for SC/ST. Government also received funds for implementing other Central Sector housing schemes *viz.,* PMGY*, CCSS@, SAY# and Innovative stream for Rural Housing. While

* Pradhan Mantri Gramodaya Yojana

@ Credit-Cum-Subsidy Scheme

\# Samagra Awaas Yojana

CCSS was implemented in the State only from 2001-02, PMGY had not been implemented at all.

3.2.2 *Organisational set up*

The Commissioner of Rural Development (CRD) was in overall charge of implementation of the scheme at the State level and the Project Officer (PO), DRDA at the district level. DRDAs released funds to each BDO under their jurisdiction who was the implementing officer.

3.2.3 *Audit coverage*

A test check of records was conducted (January-May 2002) in the Commissioner of Rural Development, four* out of 14 DRDAs and 13 out of the 57 Blocks covering the period 1997-2002. The results of review are brought out in the succeeding paragraphs.

3.2.4.1 Funding pattern

Expenditure under IAY was shared between Central and State in the ratio of 80:20 up to 31 March 1999 and 75:25 from 1 April 1999. Eighty *per cent* of the funds were to be utilised for construction of new houses and 20 *per cent* for conversion of *kutcha* houses to semi *pucca/pucca* houses. The maximum assistance for new construction was Rs 20,000 in plain areas and Rs 22,000 in hilly/difficult areas. For conversion of *kutcha* houses to *semi pucca/pucca* houses including provision of sanitary latrine and smokeless *chulha* assistance was Rs 10,000. The assistance was in the form of grants-in-aid.

The first 50 *per cent* of allocation was to be released by GOI to the DRDAs at the beginning of the year. The second was to be released only after State share has been released in full and 60 *per cent* of available funds were spent. Progress reports, audited accounts, utilisation certificates should also have been submitted in time. The aggregate balance at the beginning of the year should not exceed 15 *per cent* of allocation. In case of excess balance, 3 times the unspent balance would be deducted from the next instalment.

3.2.4.2 Financial performance

The details of funding were as under:

(Rupees in crore)

Year	Allocation by			Receipt from			Shortfall			Expenditure
	GOI	State Govt.	Total	GOI	State Govt.	Total	GOI	State Govt.	Total	
1997-98	23.53	5.88	29.41	21.48	5.37	26.85	2.05	0.51	2.56	29.76
1998-99	32.11	8.03	40.14	32.11	8.03	40.14	..	..	..	36.32
1999-2000	36.07	12.03	48.10	30.59	8.84	39.43	5.48	3.19	8.67	39.21
2000-01	35.57	11.85	47.42	24.50	8.16	32.66	11.07	3.69	14.76	35.25
2001-02	37.81	12.60	50.41	33.52	11.17	44.69	4.29	1.43	5.72	41.16
Total	**165.09**	**50.39**	**215.48**	**142.20**	**41.57**	**183.77**	**22.89**	**8.82**	**31.71**	**181.70**

* Ernakulam, Palakkad, Thiruvananthapuram and Thrissur

Short release of funds amounted to Rs 31.71 crore

Allocated funds of Rs 22.89 crore were not released by GOI mainly due to (i) short-release of State share (ii) late submission of proposals and (iii) non-utilisation of funds. The corresponding reduction in State share was Rs 8.82 crore. Thus the total short release amounted to Rs 31.71 crore. Had timely action been taken to get the assistance, 18770 more beneficiaries could have been assisted.

In test checked districts of Thiruvananthapuram, Ernakulam and Thrissur the shortfall in release of Central assistance was Rs 7.67 crore.

3.2.4.3 Other points

(i) Though IAY was delinked from JRY with effect from 1 January 1996, no record was available in the CRD on transfer of the closing balance relating to the scheme as on 31 December 1995 to the accounts of the IAY. Government stated (October 2002) that as the funds for the housing component of JRY were not separated from JRY there were practical difficulties in separating the accounts midway through a financial year.

Closing balance of 4 DRDAs did not include Rs 10.75 crore remained unspent with the Blocks under them

It was seen in the Annual Accounts of 4 sample DRDAs that closing balances for 2000-01 did not include the unspent balances of Rs 10.75 crore with the Blocks under them and showed opening balances of Rs 1.06 crore as on 1 April 2001 instead of actual balances of Rs 11.81 crore. This was Rs 9.59 crore more than the prescribed limit of 15 *per cent* of total allocation i.e., Rs 2.22 crore. Inflated reporting of financial achievement to GOI helped the DRDAs to avail excess Central assistance of Rs 28.76 crore during 2001-02 (as reduction of allocation to the extent of 3 times of the excess opening balance of Rs 9.59 crore was avoided). Government admitted (October 2002) that maintenance of accounts and reporting system in the Blocks were ineffective and the DRDAs treated the balances as final expenditure and reported to GOI inadvertently.

Rs 25.29 lakh of IAY funds diverted

(ii) In Ernakulam and Thrissur DRDAs and in Angamaly Block, Rs 25.29 lakh had been diverted during 1998-2002 to other schemes (IRDP, MWS) for purchase of coir mat and for establishment expenses.

(iii) In violation of GOI guidelines State Government allowed a uniform rate of assistance of Rs 22,000 per house irrespective of terrain, which was irregular. No records were produced to show that approval of GOI was obtained for this change. No request was also made to GOI to allot additional funds in this regard.

Two DRDAs and 8 blocks did not maintain cash book

(iv) It was seen that DRDA, Thiruvananthapuram did not maintain Cash Book till 2000-01 while DRDA, Palakkad had not maintained Cash Book for 2001-02. Eight of the 13 Blocks test checked did not maintain Cash Book. Non-maintenance of Cash Book could lead to diversion, misutilisation and embezzlement of funds.

Advance of Rs 0.95 crore paid to BDOs adjusted irregularly

(v) DRDA, Thrissur released funds to the Blocks under its control which was treated as advance payments. The unutilised balance with the Blocks were shown in the certified accounts of the DRDA as unadjusted advances. During 1995-96 and 1996-97, DRDA, Thrissur paid Rs 2.88 crore to various Blocks

and showed it as 'Advances to BDOs' in the certified accounts for 1996-97. Of these, a balance of Rs 0.95 crore was pending settlement at the end of 1999-2000. The Project Officer (PO) stated (March 2000) that no accounts were maintained by the BDOs upto 1997-98 and no UCs were submitted by the Blocks for settlement of the advances. However, the PO allowed settlement of outstanding advance of Rs 0.95 crore without verifying the actual utilisation which was highly irregular. In the absence of proper accounts in the Blocks possibility of defalcation/mis-utilisation of funds could not be ruled out.

(vi) GOI guidelines provided for deposit of IAY funds only in interest-bearing savings bank accounts of Nationalised/Scheduled/Co-operative Banks or Post Office. The interest so earned was to be ploughed back into the scheme. Two instances of deposit of funds in non-interest bearing deposit, in violation of GOI guidelines, are indicated below.

(a) In Vypeen Block under Ernakulam DRDA, out of Rs 1.11 crore received during 1997-2002, Rs 0.56 crore were spent upto March 2002 and balance of Rs 0.55 crore was kept in the Personal Deposit, Treasury Public Accounts and non-interest bearing current account with a Public Sector Bank. Irregular deposit of scheme funds in violation of GOI norms resulted in loss of interest. The loss could not be quantified in audit due to non-availability of pass books and connected records. The huge balance held by the Block indicated poor implementation and ineffective monitoring of the scheme.

(b) One BDO (BDO Vamanapuram) under DRDA, Thiruvananthapuram operated non-interest bearing account in two Service Co-operative Banks for a total period of 49 months for depositing the IAY funds. The authority for opening such accounts with Service Co-operative Banks was not produced to Audit. The loss of interest during the period May 1998 to February 2002 worked out to Rs 0.68 lakh.

Government stated (October 2002) that the Panchayat functionaries, being new in administration, were unaware of the programme guidelines.

3.2.5 *Beneficiary identification*

Targets were assigned to blocks instead of to Grama Panchayats

(i) From April 1998 onwards the DRDAs were to fix the target for construction of houses panchayat-wise on the basis of funds allocation and intimate the same to Grama Panchayats. Thereafter, the Grama Sabha was to select the beneficiary restricting the number to the target allocated. Four test checked DRDAs assigned targets to Blocks instead of to Grama Panchayats. Government stated (October 2002) that targets were assigned to the blocks for the sake of better supervisory control and co-ordination. However, this was contrary to the guidelines.

In 4 panchayats in 3 blocks IAY was not implemented during 2000-01 for want of beneficiary list

(ii) In Thiruvananthapuram District, the scheme could not be implemented in 4 Panchayats in 3 test checked Blocks, during the year 2000-01 as beneficiary lists were not finalised by Pallikkal Panchayat in Kilimanoor Block, Nellanad and Vamanapuram Panchayats in Vamanapuram Block and Anad Panchayat in Nedumangad Block.

In 3 blocks the percentage of SC/ST beneficiaries assisted was below the norms

(iii) As per the guidelines, 60 *per cent* of IAY funds were to be set apart for SC/ST. On a test check of the IAY records in 3 Blocks# it was noticed that during the period 1998-2002 the percentage of SC/ST beneficiaries assisted ranged between 10 and 53. In Vypeen block no beneficiary from SC/ST was assisted during 2001-02. Government stated (October 2002) that there had not been enough number of eligible SC/ST beneficiary families as the erstwhile housing schemes had targeted only SC/ST households.

3.2.6 Physical and Financial Achievement

(i) The physical target and achievement as reported to GOI was as under:-

Year	Target (No. of houses)		Achievement (No. of houses)		Percentage of achievement	
	New construction	Upgradation	New construction	Upgradation	New Construction	Upgradation
1997-98	12454	Nil	12834	Nil	103	-
1998-99	17726	Nil	9452	Nil	53	-
1999-2000	18945	9473	18212	2517	96	27
2000-01	18945	9473	14692	4400	78	46
2001-02	18328	10083	13386	7181	73	71
Total	**86398**	**29029**	**68576**	**14098**		

Physical achievements reported to GOI were on the high side; test check showed on the contrary

The achievement for the State for 2001-02 reported to GOI was 73 and 71 *per cent* for new construction and upgradation respectively. However, achievement in 4 sample DRDAs during the period was only 31 and 29 *per cent* respectively.

In respect of new construction/upgradation, while the BDOs of Thiruvananthapuram and Ernakulam Districts reported physical achievement of 37/52 and 22/19 respectively, the DRDAs reported higher achievement to GOI, viz., 76/65 for Thiruvananthapuram and 38/34 for Ernakulam.

Due to low achievement, balance of Rs 10.69 crore left with blocks in 4 DRDAs

Due to poor achievement of targets by blocks, cash balance of Rs 10.69 crore as of March 2002 was available with 4 DRDAs as indicated below:

District	Target (including spillover works)		Achievement		Percentage of achievement		Cash balance in the District as on 31.3.2002 (Rs in lakh)
	New Construction	Upgradation	New Construction	Upgradation	New Construction	Upgradation	
Palakkad	3828	2368	1462	423	38	18	520.26
Thrissur	3364	1322	824	413	24	31	287.54
Ernakulam @	2347	1195	505	232	22	19	149.57
Thiruvananthapuram	2265	1500	830	780	37	52	111.14
Total	**11804**	**6385**	**3621**	**1848**	**31**	**29**	**1068.51**

In 12 Blocks in 4 DRDAs 27 *per cent* of houses taken up for construction remained incomplete

A test check in 12 Blocks in 4 DRDAs revealed that the time taken for completion of construction of houses ranged up to 4 years. In the above blocks, out of 4825 houses taken up for construction (including upgradation)

Kodakara, Ollukara, Vypeen

@ Upto January 2002 only

1297 houses remained incomplete as of March 2002 even after spending Rs 2.33 crore on them. The year-wise details are given below.

Year	No. of houses taken up for construction (including upgradation)	No. of houses remained incomplete as of March 2002	Percentage of incomplete houses to the total houses taken up	Expenditure incurred on incomplete houses (Rs in crore)
1997-98	621	93	15	0.21
1998-99	1846	284	15	0.62
1999-2000	1148	346	30	0.71
2000-01	1210	574	47	0.79
Total	**4825**	**1297**	**27**	**2.33**

The reasons for poor achievement of targets was attributed by BDOs to delay in obtaining beneficiary lists from Grama Panchayats, cost of construction of houses exceeding Rs 22,000 and difficulty of beneficiaries in mobilising additional resources.

(ii) As per IAY guidelines, financial assistance could be given to BPL families having no house of their own. But from 1 April 1999, financial assistance upto Rs 10,000 could also be given for conversion of existing '*kutcha*' houses to '*pucca*' houses. Deviation from the above provisions was noticed in the following cases:-

Assistance given for construction of new house to 312 beneficiaries having houses of their own

(a) During the period 1997-99, Rs 91.92 lakh was disbursed for construction of new houses to 312 beneficiaries in 14 blocks in 5 districts who were having a house of their own.

Rs 16.91 lakh was paid to 66 persons who were not in the BPL list

(b) In 7 Panchayats in 6 blocks in Palakkad and Thrissur, Rs 16.91 lakh was paid to 66 persons who were not in the BPL survey list.

Beneficiaries with *kutcha* houses were paid assistance for new construction

(c) In 8 blocks in 3 districts, 250 beneficiaries who possessed *kutcha* houses were given assistance at the rate of Rs 22000 instead of Rs 10000 admissible. The excess amount paid worked out to Rs 43.77 lakh.

3.2.7 Construction of smokeless chulhas and sanitary latrines

64 *per cent* of the houses constructed were not provided with smokeless *chulhas* while 24 *per cent* did not have sanitary latrines

As per the progress report furnished to GOI out of 68576 houses constructed during 1997-2002, 44217 houses (64 *per cent*) and 16758 houses (24 *per cent*) were not provided with smokeless *chulhas* and sanitary latrines respectively. In test checked districts, out of 4825 new houses constructed, 2474 houses (51 *per cent*) were not provided with smokeless *chulhas* and of the 3534 new houses constructed in 9 Blocks in 3 districts, 1248 houses (35 *per cent*) were not provided with sanitary latrines. According to BDO the beneficiaries were not interested in smokeless *chulhas*. The low percentage of construction of latrines was stated to be lack of interest on the part of beneficiaries and the provision of assistance for latrines in other schemes like Rural Sanitation Programme.

3.2.8 Allotment of houses to the male members of the household

Dwelling units were allotted to male members of the family contrary to IAY guidelines

In 11 Blocks of the 4786 new houses constructed, 1311 (27 *per cent*) dwelling units were in the name of male members only. In 3 Blocks *viz.,* Kothamangalam, Angamali and Malampuzha more than 50 *per cent* of the ownership of the houses was with male members. Non-compliance with GOI guidelines to allot houses in the name of wife or joint name of the couple was due to the fact that the land on which the houses were constructed were in the name of male members.

3.2.9 Other programmes under Rural Housing

Apart from IAY, five housing schemes were launched by GOI from April 1999 to alleviate the problem of shortage of houses. The status of implementation of these schemes are indicated below:

Name of the scheme	Allocation of Central assistance (Rs in lakh)	Central assistance received (Rs in lakh)	Purpose of assistance	Status of implementation & reasons thereof
Pradhan Mantri Gramodaya Yojana	1036.20 (2000-01)	518.10 (July 2000)	To reduce shortage of houses in rural areas	Not implemented. Government stated (October 2002) that the Special Central Assistance received under PMGY was utilised for construction of houses for BPL families taken up by the Panchayati Raj Institutions under the Campaign for Decentralised Planning. This tantamounts to diversion of PMGY funds.
Credit-cum-subsidy scheme	230.30 (1999-2000)	115.15 (July 1999)	To provide subsidy of Rs 10,000 to each rural household having income upto Rs 32,000 per annum	As corresponding State share of Rs 38.38 lakh relating to 1999-2000 was released only after 18 months, the scheme could be implemented only during 2001-02. Consequently, the second instalment of Rs 115.15 lakh was lost.
Samagra Awaas Yojana	25.00 (1999-2000)	25.00 (February 2000)	Comprehensive rural housing scheme	Amount was released to Ponnani Block in Malappuram District to provide infrastructure and community facilities such as drinking water, sanitary facilities (Rs 20 lakh) and for information, education and communication activities (Rs 5 lakh). The amount was diverted for construction of houses under IAY.
Rural Building Centres	30.00 (1999-2000)	Nil	Setting up of two RBCs at a cost of Rs 15 lakh per RBC towards grant-in-aid	As State Government failed to submit the Project Report, the Central assistance was not released (October 2002).
Innovative stream for Rural Housing and Habitat Development	20.00 (2000-01)	8.00 (March 2001)	Development of Narakkal and Nayarambalam villages in Vypeen Block in Ernakulam district by M/s Welfare Services, Ernakulam, an NGO.	Amount utilised by the NGO as per norms laid down by Ministry and the second instalment was awaited from GOI (October 2002).

3.2.10 Monitoring and Evaluation

No evaluation of the implementation of the scheme was done by any agency in the 4 districts test checked. Neither Technological Evaluation of the houses constructed under IAY was done nor any monitoring by State level/District level officers was made. Inventory Registers were not maintained in any of the test checked blocks. However, year-wise Beneficiary Registers were maintained showing the name of beneficiary, details of instalments paid, details of completion of houses, etc.

SECTION B - PARAGRAPHS

AGRICULTURE DEPARTMENT

3.3 Non-functional coconut development programme

Community Irrigation Schemes intended to benefit coconut farmers were not commissioned for over 5 to 8 years though funds were available.

The Director of Agriculture sanctioned four Community Irrigation Schemes during 1994-96 in Ernakulam District under the Centrally assisted Comprehensive Coconut Development Programme as per details given below:

(Rupees in lakh)

Sl. No.	Name of Scheme	No. of beneficiary farmers	Date of sanction	Estimated cost
1	Mekkad Lift Irrigation Scheme (LIS)	385	28.12 1995	18.94
2	Mallussery LIS	155	10.02.1994	9.79
3	Mambra LIS	362	30.01.1996	32.50
4	Cherukadappuram LIS	250	19.10.1996	38.35
	Total	**1152**		**99.58**

As per guidelines, 85 *per cent* of the cost of the work was to be met by Government and the balance by the beneficiary farmers. During 1994-97 Government share of Rs 84.06* lakh was drawn and deposited in Treasury Deposit Accounts.

The works under the schemes (construction of pump house, purchase and installation of motors, laying pipes etc.) were entrusted (February 1994 to December 1996) to the Convenors of the beneficiary Farmer's Committees. Period of completion of the works was not stipulated. Between March 1994 and March 2001, Rs 75.88# lakh was paid to four Convenors as advance and the balance of Rs 8.18 lakh was lying in deposit accounts in treasuries. The works were to be executed under the supervision and guidance of departmental officers.

All the four LIS were valued by the Assistant Executive Engineer, Agriculture in October / December 2002. It was found that the work of LIS at Mambra

* Mekkad LIS :Rs 16.10 lakh, Mallussery LIS :Rs 7.73 lakh, Mambra LIS :Rs 27.63 lakh, Cherukadappuram LIS :Rs 32.60 lakh

\# Mekkad LIS : Rs 15.97 lakh, Mallussery LIS Rs 6.82 lakh, Mambra LIS Rs 26.51 lakh, Cherukadappuram LIS Rs 26.58 lakh and Cherukadappuram was not completed and hence not functioning as of December 2002. Mekkad LIS was also not functioning as of December 2002 for want of electric connection and repair of damaged pipelines. As no accounts of beneficiary contributions were maintained by the departmental officers, it was not ascertainable whether the contributions were received.

Thus, three of the four schemes were not commissioned even 5 to 8 years after release of funds due to procedural delays and non-completion of some minor works. As a result no benefit accrued to the targeted farmers despite expenditure of Rs 75.88 lakh. Such delays could have been avoided if the Principal Agricultural Officer and Director of Agriculture had monitored the progress of the schemes and taken appropriate steps for their timely completion. Release of large amounts to implementing officers without proper follow up for timely completion of works led to wastage of money.

The matter was reported to Secretary to Government in Agricultural Department in April 2002. No reply was received (December 2002).

AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

3.4 Payment of idle wages

Though the activities of a Poultry Development Block were stopped, surplus staff were retained without work. Rs 42.22 lakh were paid as wages for watching recovery of outstanding poultry loans of Rs 4.81 lakh.

The Intensive Poultry Development (IPD) Block, Muvattupuzha was established for promoting poultry rearing in Ernakulam and Idukki Districts through distribution of loan, providing technical assistance to farmers for poultry rearing, procurement and sale of eggs, chicks and dressed chicken meat and production and sale of chicken feeds.

Scrutiny revealed (June 2001) that procurement and sale of eggs, chicks and dressed chicken meat was stopped between October 1996 and January 1997. Production and sale of chicken feed was stopped from November 1998 as the plant went out of order. During 1996-99, IPD Block disbursed loans of only Rs 2.89 lakh in 18 cases and recovery of Rs 1.17 lakh was made. No fresh loan was disbursed since April 1999.

Since April 1999 the Institution had only the work of watching the recovery of outstanding poultry loans and interest amounting to Rs 4.81 lakh. For this, 29 officials* including 10 attendants and 4 permanent labourers were retained against 39 sanctioned posts.

* Project officer: 1, Sr. Accountant: 1, Clerks: 7, Poultry inspectors: 2, Peon: 1, Attendants: 10, Permanent labourers: 4, Watchman/ part time sweepers: 3.

On this being pointed out in Audit (June 2001), four permanent labourers were transferred to other stations in August 2001 and one Head Clerk and four Clerks were redeployed to other institutions in October /November 2001. However 20 officials were retained with no work. The Project Officer, IPD Block sent proposals in October 1996 and again in May 2001 to the District Animal Husbandry Officer, Ernakulam for redeployment of the surplus attendants.

The failure of the District officer and Director of Animal Husbandry in taking timely action for redeploying the surplus staff of the IPD block resulted in payment of Rs 42.22 lakh towards salary and wages on the idle staff[#] during the period from October 1996 to March 2002. No recovery of outstanding loan was made since April 1999.

Government stated (May 2002), that all officials except seven were transferred to different institutions. It was also stated that only three officials would be retained for effecting recovery of loans and four officials would be transferred. However, the long delay in re-deployment of surplus staff has caused waste of public funds and no action was taken by Government to fix responsibility for such delay.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 Hospital building lying unused for seven years

A hospital building constructed at a cost of Rs 22.62 lakh in August 1995 could not be used due to lack of infrastructural facilities while Rs 3.21 lakh was spent on salary to idle staff.

Government sanctioned (March 1994) construction of a 30 bedded in-patient ward, an operation theatre and a kitchen block for the Primary Health Centre (PHC) at Kadavoor in Ernakulam District at an estimated cost of Rs 17.80 lakh. The building completed by Public Works Department in August 1995 at a cost of Rs 22.62 lakh was taken over by the Medical Officer of the PHC in February 1996. For arranging water supply Medical Officer requested (August 1998) the local panchayat to supply a motor. The local panchyat supplied the motor in January 2001 but it could not be installed due to defects in the electrical wiring. When the defects were got rectified in January 2003 it was found that the motor did not have sufficient capacity to pump water to the overhead tank. Necessary aseptic environment and instruments for use in operation theatre had also not been provided as of December 2002.

[#] 10	Attendants	Rs 23.91 lakh (October 1996 to March 2002)
4	Permanent labourers	Rs 5.81 lakh (December 1998 to August 2001)
4	Clerks and Head Clerk	Rs 9.22 lakh (December 1997 to October/November 2001)
2	Poultry Inspectors	Rs 3.28 lakh (December 1998 to March 2002)

Meanwhile Government sanctioned 8 posts of paramedical staff in January 1999 and one post of Medical Officer in January 2000 for the inpatient wing. All the above staff joined duty during March 1999 to November 2000 and were subsequently transferred on working arrangement to other PHCs. However, Rs 3.21 lakh was spent on their salary during their retention for various periods from March 1999 to November 2001 in the PHC.

Thus, a building constructed in August 1995 could not be used for over seven years for providing inpatient treatment in the absence of necessary infrastructural facilities and Rs 22.62 lakh spent on the building remained unfruitful. Unnecessary posting of additional staff despite absence of infrastructure led to payment of idle wages of Rs 3.21 lakh. And, the people of the locality who had no other medical facilities within 10 kms got no benefit.

The above matter was reported to Government in May 2002. No response was received (December 2002).

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

3.6 Poor implementation of the scheme for empowerment of Scheduled Caste Women

Though Rs 38.22 lakh was released for training and rehabilitation of 250 Scheduled Caste Women, only 10 were rehabilitated in 7 years and Rs 24.11 lakh remained unspent.

Government sanctioned Rs 38.22 lakh in March 1995 for the Scheme for Empowerment of Scheduled Caste (SC) Women, in Pathanamthitta District which envisaged rehabilitation of SC women by imparting training and providing assistance for self employment. The scheme was financed from funds under Special Central Assistance for Special Component Plan and implemented through SUBALA*, a registered Society under the Chairmanship of the District Collector. Out of the project cost of Rs 48.22 lakh, Government funding was Rs 38.22 lakh consisting of the entire expenditure towards training (Rs 22.72 lakh), 50 *per cent* of the expenditure (Rs 10.50 lakh) on rehabilitation and Rs 5 lakh towards purchase of land. The balance of Rs 10 lakh was to be met from Institutional #funding.

Under the Scheme 250 SC Women were to be rehabilitated after imparting training in Garment making (100 Women), Basket making (100 Women) and Note book manufacturing (50 Women) and utilising the infrastructure in the Common Facility Centre proposed to be constructed. Deputy Collector, Pathanamthitta drew (March 1995) Rs 38.22 lakh and handed over the money to the District Development Officer for Scheduled Caste (DDO) who

* A Society registered under Travancore Literary, Scientific and Charitable societies Registration Act 1955

\# Small Industries Development Bank of India (SIDBI) or Nationalised Banks in the District.

deposited the same in a Treasury Public Account in December 1995. During December 1995 to June 2002, only 68 SC women were given training in Garment making in three batches of three months duration and no woman was trained in Basket making and Note Book manufacturing. Out of Rs 38.22 lakh deposited, Rs 14.11 lakh was spent on training (Rs 9.11 lakh) and acquisition of five acres of land (Rs 5 lakh) and the balance of Rs 24.11 lakh remained unutilised as of May 2002.Though the land was handed over to the DDO in May 1996, construction of the workshed has not been started as of November 2002. The Department stated (November 2002) that only 10 out of 68 SC women trained were rehabilitated and training programme in Basket making and Note Book manufacturing could not be conducted due to non-availability of eligible candidates. It was also stated that the unspent money would be used for creating permanent assets for SUBALA. This indicated that the scheme was prepared without proper assessment of its feasibility and the DDO did not make serious efforts to identify the targeted beneficiaries. The decision of the Society to divert unspent amount for creation of permanent assets for the Society instead of refunding to Government was irregular.

Secretary to Government, Scheduled Caste /Scheduled Tribe Development Department stated (November 2002) that funds remitted in TP accounts were frozen in March 2002 and the DDO was instructed in June 2002 not to release any funds for the construction works until further orders.

REVENUE DEPARTMENT

3.7 Mechanism of Land Acquisition and its subsequent allotment

3.7.1 Introduction

Acquisition of land for public purposes in the State is governed by the Land Acquisition Act 1894 (Central Act I of 1894) as amended in 1984 and Kerala Land Acquisition Rules 1990. Commissioner of Land Revenue is in overall charge of land acquisition. District Collectors and Tahsildars exercise statutory powers as Land Acquisition Officers (LAOs). There were 87 Land acquisition offices in the State as of March 2002.

A review of acquisitions of land and its subsequent allotment to the concerned department was conducted (December 2001-April 2002) by test check of records for the period from 1997-2002 in Commissionerate of Land Revenue, 4 Collectorates*, 22 land acquisition offices, the offices of Kerala State Housing Board, Kerala Industrial Infrastructure Development Corporation and Agriculture (PPM Cell) Department. Important audit findings are discussed in the succeeding paragraphs.

3.7.2 Non adjustment of decretal payments in Government Accounts

Expenditure on acquisition of land (cost of land) is to be met out of advance deposits made by the departments/institutions with the LAOs. For additional

* Ernakulam, Kannur, Kollam & Thiruvananthapuram

funds a debit is made to the major head '2075 Miscellaneous General Services' and the debit passed on to the Government departments and recovered in cash in respect of other institutions. In cases of appeal against court decrees for compensation the amount is deposited in court by initially debiting the suspense head 8674-101 to be cleared on disposal of the appeal by the court. It was seen that as of March 2002, Rs 17.63 crore was due from departments and Rs. 40.35 crore remained unadjusted/unrecovered from Court deposits for the last six years.

No effective action had been taken by the Revenue and Finance Departments to adjust the expenditure against the concerned departments or recover amounts due from the institutions. This resulted in understating the expenditure of the concerned departments/projects in Government Accounts. Secretary to Government, Revenue Department stated (September 2002) that details of these payments have been sent to Finance Department and concerned Administrative departments for further action.

3.7.3 Non-maintenance of consolidated details on Land Acquisition

Year-wise details regarding the number of requisitions received, LA proceedings initiated and completed, awards passed, extent of land acquired and compensation paid for the acquired land etc., for the whole State was not available with the Commissioner of Land Revenue. It was stated that the information was being collected from the various land acquisition offices through District Collectors.

However, the details with regard to the number of awards passed and area of land acquired furnished by the Department for 13 out of 14 districts are given in Appendix XIV.

3.7.4 Blocking of funds on land acquired for a private company

Requisition for acquisition of 176 acres of land in Kannur Taluk for setting up of a 500 MW Power Plant was submitted by Kannur Power Project, a Private Company in October 1995. Secretary, Power Department ordered (July 1996) Kerala Industrial Infrastructure Development Corporation Ltd (KINFRA) to initiate steps for the acquisition of the land. Government also ordered in November 1997 that KINFRA should proceed with the acquisition only after executing an agreement with the company and the company would deposit the entire cost of acquisition before passing the award. The LAO passed award in June 2000 for Rs 3.25 crore. However, the Power Company did not pay the money and Government sanctioned (May 2000) Rs 3.25 crore to the LAO for passing the award. KINFRA also remitted the establishment charges of Rs 61.58 lakh to the Revenue Department.

Land acquired at a cost of Rs 3.87 crore for a private company not taken over by the company and the cost not recovered

Even though the land was taken possession by KINFRA in July 2000, the Company was yet to remit the amount (October 2002) and the project has been abandoned. The injudicious relaxation granted by Government to the private company led to blocking of Rs 3.87 crore. Secretary to Government, Industries Department stated (October 2002) that as the power project could not be allowed to languish, Government was forced to relax the rules.

3.7.5 Excess expenditure on acquisition of land

Compensation of Rs 10.09 lakh paid in excess due to wrong reckoning of date of notification

Under section 4(1) of the LA Act when land is acquired for public purposes, a notification to that effect has to be published in the official gazette and in two dailies and also pasted at a convenient place in that locality. According to the Act, the last of the dates of publications would be the basis for annual enhancement of market value on the land at 12 *per cent* and was payable from that date till the date of award or possession of the land whichever was earlier. It was seen that in 8 land acquisition offices, date of notification was not correctly reckoned by the Special Tahsildars resulting in excess compensation of Rs 10.09 lakh in 21 cases (Appendix XV).

Secretary to Government, Revenue Department stated (September 2002) that instructions have been issued to District Collectors to follow the method stipulated in the Act.

3.7.6 Alienation of acquired land

Land acquired for a defunct company; cost of land not recovered from the institutions to which the land was subsequently transferred

For setting up of Kerala Special Refractories Limited (KSRL), a State Undertaking, 12.03 hectares of land was acquired at Perumon, Kollam, during March 1988 and February 1989. Total compensation paid (March 1988 and February 1989) to the landowners by KSRL as per the awards was Rs 1.05 crore. Further amounts of Rs 1.04 crore were paid during October 1996 to November 2001 by Special Tahsildar, LA I, Kollam by debiting the suspense head of account for deposit in connection with court decrees. Infrastructure development was taken up by the company at a cost of Rs 31.53 lakh. However the company was under liquidation from March 1996 and the land was idling for more than 13 years. Government, in June 2000, ordered transfer of the land to the Co-operative Academy of Professional Education, Trivandrum to establish an Engineering College and to the Centre for Development of Coir Technology for setting up Hitech Coir Park. However the necessary agreements with KSRL had not been executed so far (September 2002) and no amount had been realised towards land value.

3.7.7 Locking up of Government money for five years

Rs 1.23 crore drawn for setting up of Industrial area in Kozhikode District remained unutilised for over 5 years

Director of Industries and Commerce (DIC) disbursed (March 1997) Rs 1.23 crore to District Collector (DC), Kozhikode for negotiated purchase of 20.43 acres of land at Thamarasserry in Kozhikode District identified by the State Level Committee (SLC) for setting up industrial areas/plots/estate. The DC deposited (March 1997) the amount in work deposit account in the Treasury.

As the price of Rs 3000 per Cent offered by DC during negotiations was not accepted by the Land owners, the DIC proposed (June 1997) acquisition of land invoking the provisions of KLA Act or arrange transfer of 42.28 acres of revenue land at Mavoor as an alternate site. The DC had confirmed the availability of the revenue land at Mavoor in June 1997 and again in October 1998. However on receipt of transfer application from the department the DC retracted (November 1999) from the earlier stand and reported to DIC that no revenue land was available at Mavoor for transfer. In April 2001 Government directed DIC to proceed with the acquisition of land at Thamarassery invoking provisions of KLA Act. However the land had not been acquired as of March 2002.

Thus due to administrative deficiencies and delays, Rs 1.23 crore released in March 1997 remain blocked in deposit accounts for over 5 years and also led to delay in setting up the Industrial Area in Kozhikode.

Government confirmed the facts and stated (July 2002) that DIC had sanctioned and released funds with good intention. But other than narrating the events causing the delay no concrete steps have been taken by Government to use the funds lying in the deposit account for the intended purpose.

3.7.8 Litigation activities relating to land acquisition

(i) According to Section 18 of LA Act, if any person from whom land was acquired had grievance on the amount of compensation, he may within six weeks from the date of award, require the LA officer, to refer the matter to the court. As per Section 28 of the Act, interest at 9 *per cent* for one year and at 15 *per cent* for the remaining period was payable from the date of taking possession of the land to the date of payment of the enhanced compensation, if any, ordered by the court. In 24 cases test- checked in 2 LAOs delays ranging from 2 to 39 months over and above the prescribed period of 6 months was noticed in referring the matter to court by the LA Officers. The avoidable interest for the period of delay on the enhanced compensation ordered by Court worked out to Rs 6.89 lakh as shown in Appendix XVI.

Interest of Rs 6.89 lakh paid in 24 cases due to delays in referring cases to courts

Details regarding dates of reference application, dates of filing reference to court, etc., were not maintained in other LAOs test checked.

Scrutiny revealed that in 58 cases in 4 LAOs there were delays ranging from 11 to 81 months in remitting the enhanced compensation ordered by the court resulting in avoidable payment of interest of Rs 17.32 lakh as shown in Appendix XVII. This was mainly due to delay in obtaining the copies of decrees by the Government pleaders and consequent delay in obtaining required funds from the requisitioning departments by the LAOs.

Interest of Rs 17.32 lakh paid due to delays in remitting enhanced compensation decreed by courts

Secretary to Government, Revenue Department stated (September 2002) that directions had been issued to District Collectors and LAOs to avoid such delays in future.

(ii) A test check in Kollam and Ernakulam Districts revealed that out of 2226 LA cases decided by lower courts during 1997-2002, only 358 cases (16.08 *per cent*) went in favour of Government. Similarly out of 139 appeal cases decided by the High Court during the period none was in favour of Government.

Most of LA cases decided by Courts against Government

Deputy Collector (Land Acquisition) Ernakulam attributed such low success percentage to (a) failure to adduce evidences in favour of Government at the time of hearing, (b) appointment of Government pleaders on temporary and contract basis and (c) lack of proper communication between the LAOs and Government pleaders.

3.7.9 *Man power management*

Details of Land acquisition units and staff engaged in 13 out of 14 districts during 1997-2002 are given in Appendix XVIII.

(i) Special LA units continuing beyond permissible period

Avoidable expenditure of Rs 17.56 lakh on LA unit which continued functioning beyond the permissible period

Special Secretary to Government, Revenue Department ordered (June1999) that the Special Land Acquisition units, sanctioned exclusively for any requisitioning authority should be allowed to continue for one year after handing over of the land. Further continuance of such special LA units was to be assessed by a working group consisting of District Collector, representatives of the Commissioner of Land Revenue, concerned requisitioning authority, Revenue Department and Finance Department. This order was issued with a view to avoid loss to State exchequer by way of salary and allowances to the staff of the LA units.

However, the Special Tahsildar, LA (NH) Tirur in Malappuram District who handed over the land to the NH authority in April 1997 was functioning even as of March 2002 though the office should have been closed by June 1999. Establishment charges of Rs 17.56 lakh incurred in respect of the unit from July 1999 to March 2002 was avoidable.

Secretary to Government, Revenue Department stated (September 2002) that the office of the Special Tahsildar was relocated and brought under the control of Director of LA for Road project as per Government orders in July 2002.

(ii) Cost of establishment pending collection

Establishment charges of Rs 10.01 crore was pending collection from various institutions

The cost of establishment of staff of LA offices created exclusively for acquisition of land for Local Bodies, Quasi Govt. institutions, Boards etc was recoverable from them. When the work of land acquisition was assigned to regular LA units establishment charges recoverable was at 10 *per cent* till June 1999 and 20 *per cent* thereafter of the amount of compensation awarded by the LAO. It was seen that as of 31 March 2002, Rs 10.01 crore was pending realisation from 23 local bodies, quasi-Government institutions, Boards etc for the period 1988-2002 (Appendix XIX).

3.8 Failure of a Scheme for rehabilitation of Adivasi families

Habitable houses were not provided to Adivasi families evicted from Karapuzha Irrigation Project area in 1978 even after 24 years and Rs 0.90 crore spent on construction of houses has not benefited them.

Government sanctioned (January 1995) construction of 218 houses in Government land for rehabilitation of Adivasi families evicted from Karapuzha Irrigation project area in 1978 at a cost of Rs 76 lakh. The estimate was revised to Rs 1.25 crore in September 1998. District Collector, Wayanad received Rs 1.25 crore# from the Irrigation Department.

Out of 218 Adivasi families listed during eviction, DC could identify (August 1993) only 161 families. However, construction of 168 houses was started in March 1999 and completed in December 2000 at a cost of Rs 1.25 crore and the houses were handed over to Revenue Department in December 2000. Only 46 families could be located and 46 houses were allotted as of March 2001. The DC stated (May 2002) that none of the allottees occupied the houses for want of basic amenities such as electricity, water etc. The Department also spent Rs 51,000 (upto June 2002) for security of the unoccupied houses.

Mention was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 on the delay in rehabilitation of these Adivasi families (Para 4. 1.15) and the Committee on Public Accounts (1998-2000) in their Report presented to the State Legislature in December 2000 recommended that immediate time bound action should be taken to rehabilitate them. Yet these families have not been provided with habitable houses even after 24 years of their eviction and Rs 0.90 crore spent on 122 houses and security has not benefited the Adivasis.

The matter was reported to Government in May 2002, reply has not been received (December 2002).

SCHEDULED CASTES AND SCHEDULED TRIBES DEVELOPMENT DEPARTMENT

3.9 Irregularities in the utilisation of Tribal Sub Plan funds

Retention of funds outside Government accounts, violation of guidelines and diversion of funds were noticed in utilisation of Rs 40.70 crore drawn for Tribal Sub Plan Schemes.

Under Tribal Sub Plans (TSP) various schemes are implemented in the State for promotion of socio-economic conditions of tribal people. From 1997-98 nearly two-thirds of the TSP funds were allocated to local bodies for formulation and implementation of grass root level programmes. However, due to poor performance of the local bodies, Government decided (October 2001) to implement the programme through Scheduled Tribe Development Department and Rs 40 crore was placed in November 2001 with the Director, ST Development Department. Scrutiny revealed irregular drawal and retention of TSP funds, diversion of the funds for other purposes and poor implementation of the schemes as discussed below:

Rs 76.3 lakh in March 1996
Rs 25 lakh in July 2000
Rs 25 lakh in Feburary 2001
Total Rs 1.26 crore less refund Rs 1.75 lakh=Rs 1.25 crore

(i) In March 2002, Director ordered all Project Officers (POs) and Tribal Development Officers (TDOs) to surrender the anticipated savings on or before 25 March. However, POs/TDOs continued to draw money upto 31 March 2002 knowing well that the amounts could not be utilised by the stipulated date. Consequently 16 departmental officers retained Rs 40.70 crore as cash (Rs 10.99 crore), demand draft (Rs 20.29 crore) and in bank accounts (Rs 9.42 crore) as of 31 March 2002. Government extended the period of utilisation of the moneys upto 30 June 2002. However, even after that unspent balance of Rs 6.15 crore was retained in Bank accounts as of July 2002 after refund of Rs 8.07 crore. Government decision to change the implementing agency in mid-year resulted in irregular drawal of money. Retention of funds outside Government account was highly irregular and utilisation of the money in the next financial year amounted to bypassing the authority of the Legislature.

(ii) It was seen in audit that TSP funds of Rs 1.33 crore were diverted in six TDOs/ITDPs for various educational purposes (construction and repairs of hostels, purchase of furniture, dietary charges, clothing, educational concessions and stipend for trainees/students) which were to be met out of allocation made under specific service heads of accounts. Due to such diversions, specific purposes for which the pooled funds were allocated, remained unachieved.

Further, three TDOs/ITDPs (Wayanad, Nedumangad and Chalakkudy) incurred unauthorised expenditure of Rs 12.29 lakh for repair of staff quarters, purchase of photocopy machine and for running of hostels.

(iii) The mode of selection of beneficiaries, eligibility criteria for selection as well as prioritisation of schemes could not be reviewed by Audit as relevant records were not available. Scrutiny of other records revealed the following.

(a) The TDO, Palakkad had sanctioned (March 2002) Rs 51.24 lakh for construction of 101 houses through Nirmithi Kendra and 21 houses through Forest Department. The amount was paid as advance in April/May 2002. This was in violation of the guidelines which envisaged that the houses were to be constructed by the beneficiaries and payments were to be made in 4 instalments. As of July 2002, 13 houses could not be taken up for want of site/approach road to site, non-availability of address of beneficiary etc.

(b) In Wayanad, Rs 61.24 lakh was spent for installation of solar lights in three tribal colonies without obtaining the approval of 'Oorukoottam', a gathering of tribal people.

(c) As per the guidelines, the District Collector (DC) was to release funds for completing the spill over works with the local bodies. Accordingly DC Wayanad sanctioned (March 2002) Rs 96.03 lakh to three TDOs/ITDPs for making payment to 18 local bodies (6 in Mananthavadi, 8 in Sulthan Bathery and 4 in Kalpetta). The local bodies had not submitted utilisation certificates of the amounts to the TDOs as of September 2002.

The matter was reported to Government in October 2002; their replies are awaited (December 2002).

3.10 National Scheme of Liberation and Rehabilitation of Scavengers

GOI funds of Rs 42.97 lakh released for implementation of the scheme of Liberation and Rehabilitation of Scavengers remained unutilised for over a decade. Only 146 scavengers were rehabilitated.

With the objective of Liberation and Rehabilitation of Scavengers by engaging them in alternative and dignified occupations, Government of India released Rs 55 lakh in March and May 1992 to State Government.

The State Government nominated Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited, as the implementing agency and released the amount to the Corporation during August 1992 to March 1993. The number of beneficiaries identified (1992) for the scheme was 1339 and the Corporation utilised Rs 12.84 lakh during 1992-98 for various activities under the scheme, such as survey (Rs 3.28 lakh), training of 156 beneficiaries (Rs 1.90 lakh) and rehabilitation of 146 beneficiaries (Rs 7.66 lakh). Out of this Rs 2.10 lakh was diverted during 2000-02 for subsidy to other schemes under National Safai Karmacharis and Finance Development Corporation (NSKFDC). The unutilised balance of Rs 42.97 lakh (including interest of Rs 2.91 lakh) was kept in their Treasury Public Account despite Government of India direction (March 1992) that the unspent balance, if any, should be surrendered to the Government of India.

It was noticed in audit that out of 1339 beneficiaries identified the Corporation could rehabilitate only 146 and train only 156 beneficiaries during 1993-95.

According to the Corporation, the unwillingness of scavengers to come forward to avail of the loan and the non-availability of fresh survey list were the reasons for not sending any proposal for additional assistance from Government of India. Thus implementation of the scheme in the State did not achieve its desired objective and scheme funds of Rs 42.97 lakh remained unutilised with the implementing agency for over a decade.

Government stated (November 2002) that the unspent balance of the grant was utilised by the Corporation to give subsidy to the beneficiaries under NSKFDC Schemes which it started implementing from 1998. The reply was not tenable as the utilisation of unspent funds for an entirely different scheme without specific sanction from Government of India was irregular.

GENERAL

3.11 Lack of responsiveness of Government to Audit

The Accountant General (Audit) arranges to conduct periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounting and other records, as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) to the Heads of offices inspected, with a copy to the next higher authorities. The provisions of Article 63 (c) of Kerala Financial Code and instructions* issued by Government provide for prompt response by the Executive to the IRs to ensure rectificatory action and accountability for the deficiencies, lapses etc. The Heads of offices and next higher authorities are required to report their compliance to the Accountant General within four weeks of receipt of IRs. A half-yearly report of pending IRs is sent to the Secretary of the concerned department, to facilitate monitoring of the pending IRs.

A review of the Inspection Reports pertaining to Higher Education Department (Government Colleges) and Public Relations Department disclosed that 740 paragraphs contained in 234 IRs issued upto December 2001 remained unsettled as at the end of June 2002. The year-wise position of the outstanding IRs and paragraphs are given below:

	Education Department			Public Relations Department		
Period	**No. of IRs**	**No. of Paragraphs**	**Money Value (Rupees in lakh)**	**No. of IRs**	**No. of Paragraphs**	**Money Value (Rupees in lakh)**
Up to 1997-98	115	325	1444.18	18	45	359.99
1998-99	22	78	677.13	7	25	170.15
1999-2000	14	49	420.79	6	2	187.49
2000-01	19	62	295.61	4	19	125.76
2001-02	23	102	676.78	6	13	4.16
Total	**193**	**616**	**3514.49**	**41**	**124**	**847.55**

The irregularities commented upon in the IRs that remained unsettled as at the end of June 2002 are as follows:

Government Colleges

Sl. No	Nature of irregularity	Number of paragraphs	Amount (Rupees in lakh)
1.	Excess payment of personal claims	109	4.40
2.	Retention of funds in PD Account	65	703.65
3.	DCB statements, Pending recoveries etc	100	1275.32
4.	Advances pending final adjustment	27	394.64
5.	Non-utilisation of grants/funds	48	444.30
6.	Retention of huge cash balance	12	44.42
7.	Miscellaneous	255	647.76
	Total	**616**	**3514.49**

* "Hand Book of Instructions for the speedy settlement of audit objections/inspection reports, etc" issued by Finance Department

Public Relations Department

Sl. No	Nature of irregularity	Number of paragraphs	Amount (Rupees in lakh)
1.	Idle/unserviceable stores	10	7.94
2.	Non-implementation of various schemes	13	29.14
3.	Advances pending adjustment	21	641.39
4.	Excess/infructuous/avoidable expenditure	7	29.29
5.	Drawal of funds in advance of requirement	3	110.84
6.	Loss due to theft/defalcation/misappropriation etc	4	6.90
7.	Excess personal claims	20	0.57
8.	Miscellaneous	46	21.48
	Total	**124**	**847.55**

A review of the Inspection Reports which were pending for want of final replies, in respect of the two departments revealed that the Heads of offices whose records were inspected by AG and the Heads of Departments failed to send replies to a large number of IRs/paragraphs. The Secretaries to Government in the concerned Departments, who were informed of the position through half yearly reports, also failed to ensure speedy settlement of the objections. This facilitated the continuation of serious financial irregularities and loss to Government.

It is recommended that Government should accord due priority to this matter and ensure that procedure exists for (a) action against officials who fail to send replies to the IRs within the prescribed time schedule (b) action to recover losses/outstanding advances/overpayments in a time bound manner and (c) revamping the system for proper response to the audit observations in the Departments.

3.12 Misappropriation, losses, etc.

As reported to Audit, 169 cases of misappropriation, losses etc. involving Government money (Rs 264.91 lakh) which took place till the end of March 2002 were pending finalisation at the end of June 2002. This included 5 cases where monetary value of loss/misappropriation had not been assessed. Department wise details of cases are given in Appendix XX. Year wise details of the outstanding cases are given below.

Year	Number of cases	Amount (Rupees in lakh)
1996-97 and prior years	112	120.64
1997-98	15	80.73
1998-99	19	8.56
1999-2000	8	3.56
2000-2001	12	43.02
2001-2002	3	8.40
Total	**169**	**264.91**

A broad analysis of the reasons for pendency is furnished below:

Sl. No	Particulars	Number of cases	Amount (Rupees in lakh)
1	Awaiting departmental and criminal investigation	78	113.92
2	Departmental actions started but not completed	70	127.90
3	Awaiting orders for recovery/write off	10	7.58
4	Pending in courts of law	11	15.51
	Total	**169**	**264.91**

3.13 Writes off and waivers

According to information received by Audit, sanctions for writes off of Rs 37.27 lakh in 186 cases and waivers amounting to Rs 17.59 lakh in 39 cases were issued by various authorities during 2001-02. Department wise details are given in Appendix XXI. Information for 2001-02 sought for in April 2002 had not been received (December 2002) from 13 departments of Government and 33 Heads of Department.

CHAPTER IV

WORKS EXPENDITURE

SECTION A – REVIEW

PUBLIC WORKS AND TRANSPORT DEPARTMENT

4.1 Functioning of Public Works Department

Highlights

Public Works Department is responsible for design, investigation, construction, maintenance and repairs of roads, bridges, culverts, buildings etc. At the end of March 2001, a net work of roads of total length 23068 km, 1994 bridges, 47557 culverts and 17850 buildings were under its control, of which 171 bridges and 1371 culverts were stated to be unsafe. A review of the working of the Department revealed persistent underutilisation of budget provision despite continuous increase in contractors' pending bills, irregular allotment of funds to District Panchayats, time overrun of up to 108 months and extra expenditure of Rs 24.03 crore in execution of 11 works, unfruitful expenditure on projects remaining incomplete, price escalation on works due to departmental lapses, non-reimbursement of expenditure on central schemes and railway bridges and payment of wages to idle staff. Significant points noticed were as under.

- **Budgetary control was deficient. During the period 1998-2002, Rs 336.79 crore was not utilised, yet contractors' bills amounting to Rs 654.80 crore remained unpaid as of March 2002.**

{Paragraphs 4.1.4 (i) to (iii)}

- **Rupees 2.88 crore was spent on maintenance of Panchayat roads on which the Department had no control.**

{Paragraph 4.1.4 (vi)}

- **Time overrun of 4 to 108 months in 11 works (bridges, buildings and roads) led to extra expenditure of Rs 24.03 crore.**

{Paragraph 4.1.6 (i)}

- **19 agencies were paid Rs 3.31 crore for investigation and testing works and 4 agencies were paid Rs 10.62 crore for construction works though the Department was fully equipped to take up those works.**

{Paragraph 4.1.6 (ii)}

- **Rupees 388.10 crore was spent in excess of authorised rates on strengthening and maintenance of roads because of adoption of higher rates of Kerala State Transport Project (KSTP) though the works under KSTP were to be executed as per NH specifications.**

{Paragraph 4.1.6 (iii)}

- **Rupees 9.86 crore was spent on six road works which remained incomplete for 2 to 7 years.**

{Paragraph 4.1.6 (v))}

- **Due to time overrun, Rs 5.81 crore was paid as price escalation.**

{Paragraph 4.1.6 (vi))}

- **Rupees 13.12 crore incurred on seven Railway Safety works and Rs 4.73 crore on National Highways were not claimed as of March 2002.**

{Paragraphs 4.1.7 (ii)) & (iii)}

- **Permission to lay optical fibre cable to private companies without levying restoration charge resulted in revenue loss of Rs 5.84 crore.**

{Paragraph 4.1.8 (ii)}

- **Continuance of six offices/divisions without any work rendered establishment expenditure of Rs 22.47 crore largely unfruitful.**

{Paragraph 4.1.10 (a)}

4.1.1 Introduction

Public Works Department (PWD) is responsible for design, investigation, construction, maintenance and repairs of roads, bridges, culverts, buildings etc., of the State. There are three major wings, *viz.,* (i) Roads and Bridges (ii) Buildings and Local Works (iii) National Highways and two minor wings, *viz.,* (a) Design, Research, Investigation and Quality Control Board (DRIQ) and (b) Kerala Highway Research Institute (KHRI) in the Department. Several activities of the Department are being carried out by other agencies[b] also.

As at the end of March 2001, a network of roads of total length 23068 km, 1994 bridges, 47557 culverts and 17850 buildings were under the control of PWD. According to the Department, 171 bridges and 1371 culverts were unsafe. The repair works of these structures were not taken up on a priority basis resulting in sharp increase in the number of unsafe structures. This could be attributed to negligence on the part of the departmental officers which could endanger human life and traffic safety.

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[b] Roads and Bridges Development Corporation of Kerala, Lal Bahadur Sastri (LBS) Centre for Science and Technology, Kerala Police Housing and Construction Corporation, Kerala State Housing Board, National Transportation Planning & Research Centre (NATPAC)

4.1.2 Organisational set up

Principal Secretary, PWD is in overall charge of the Department. He is assisted by 5 Chief Engineers (CEs) of whom 4 CEs have got statewide jurisdiction over the respective wings such as Roads and Bridges, Buildings and Local Works, National Highways and DRIQ. The other CE is designated as Chief Architect of the State. DRIQ is entrusted with the work of design, research, investigation and quality control whereas KHRI is entrusted with the work of material testing and soil investigation. The works are being executed through 71 divisions under the supervision of 11 Circle offices and 84 Drawing and Disbursing Officers.

4.1.3 Audit coverage

Functioning of the Department was reviewed during January-July 2002 covering the period 1998-2002 by a test check of records of the Administrative Secretariat, 5 CEs, 6 Circle offices, 26 Divisions and other agencies.

4.1.4 Financial management and budgetary control

Budget allocation persistently unutilised

(i) Persistent under-utilisation of budget provision

Budget provision* *vis-à-vis* expenditure* was as under.

(Rupees in crore)

Year	Budget provision			Expenditure			Savings		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
1998-99	201.76	286.01	487.77	187.99	272.88	460.87	13.77	13.13	26.90
1999-00	283.91	397.05	680.96	250.88	339.00	589.88	33.03	58.05	91.08
2000-01	234.82	370.24	605.06	199.06	326.18	525.24	35.76	44.06	79.82
2001-02	273.64	411.99	685.63	236.25	310.39	546.64	37.39	101.60	138.99
Total	**994.13**	**1465.29**	**2459.42**	**874.18**	**1248.45**	**2122.63**	**119.95**	**216.84**	**336.79**

During all these years expenditure under Non-plan was higher than Plan expenditure. Establishment expenditure *vis-a-vis* works expenditure ranged between 20 *per cent* and 24 *per cent* during 1998-2001. The increase in Non-plan expenditure compared to Plan expenditure and the total savings of Rs 336.79 crore (14 *per cent* of the provision) for the period 1998-2002 indicated poor planning and deficient budgetary control.

(ii) Unnecessary demand for Supplementary Grants

Demand for Supplementary Grants is to be placed only on anticipated and identified items. This requirement was vitiated while placing Supplementary Demand for Grants resulting in excessive provision as indicated below:

* Source: Appropriation Accounts of respective years

(Rupees in crore)

Year	Head of Account	Original provision	Supplementary Grant	Re-appropriation	Final Grant	Actual expenditure	Saving
1998-99	2059-Public Works-Non-plan voted	57.02	1.51	-	58.53	54.51	4.02
	3054-Roads and Bridges-Plan voted	9.38	3.68	3.71	9.35	5.31	4.04
	5054-Capital Outlay on Roads and Bridges-Plan voted	95.12	49.82	3.80	141.14	132.90	8.24
1999-2000	2059-Public Works-Non-plan voted	89.04	0.54	5.77	83.81	67.64	16.17
	3054-Roads and Bridges-Non-plan voted	238.61	66.94	0.48	305.07	269.89	35.18
	5054-Capital Outlay on Roads and Bridges-Plan voted	99.12	124.79	3.00	220.91	198.81	22.10
2000-01	2059-Public Works-Non-plan voted	87.65	-	1.44	86.21	64.55	21.66
	3054-Roads and Bridges-Non-plan voted	269.28	8.90	5.68	272.50	259.45	13.05
	4059-Capital outlay on Public Works-Plan voted	43.85	5.00	1.34	47.51	36.61	10.90
2001-02	2059-Public Works-Non-plan voted	98.88	-	13.25	85.63	58.20	27.43
	3054-Roads and Bridges-Non-plan voted	309.40	0.50	2.46	307.44	250.64	56.80
	4059-Capital outlay on Public Works-Plan voted	41.20	-	12.76	28.44	21.06	7.38

(iii) Avoidable payment of interest on pending bills

Despite savings, liability due on contractors' pending bills was on the increase

Paragraph 4.20 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 mentioned about mounting liability to contractors on account of pending bills and the contingent liability on account of interest on pending bills. Further scrutiny revealed that pending bills increased to Rs 654.80 crore as of March 2002 and interest of Rs 1.42 crore on 14 cases was paid in March 2001. The Department could have re-appropriated the savings of Rs 336.79 crore and cleared pending bills.

(iv) Under/non-utilisation of funds under Centrally sponsored schemes

Central assistance of Rs 18.62 crore lapsed

Funds provided under Centrally sponsored schemes in respect of the following heads remained unutilised/partially utilised during 1998-2002 resulting in loss of Central assistance of Rs 18.62 crore.

(Rupees in crore)

Head of Account	1998-99		1999-2000		2000-2001		2001-02		Total amount unutilised
	Budget provision	Funds utilised	Budget provision	Funds utilised	Budget provision	Funds utilised	Budget provision	Funds utilised	
4202-01-800-94-Operation Black Board	1.00	-	1.00	-	1.00	-	-	-	3.00
4202-01-800-93-Construction of DIET Building	-	-	2.00	1.70	2.00	1.87	2.00	1.87	0.56
4202-01-203-97-Construction of TTI	-		0.75	0.38	0.58	0.23	-	-	0.72
4211-101-99-RFW-Construction of Building for Rural Family Welfare Programmes	1.11	0.99	1.50	1.05	2.00	0.42	2.00	0.12	4.03
4211-101-98-SNCS-Construction of Building for family welfare under social security	0.39	0.38	0.40	0.31	0.40	0.07	-	-	0.43
4202-01-800-92 Construction of workshed in schools	-	-	-	-	-	-	4.27	0.06	4.21
4202-02-104-99 Construction of Polytechnic buildings	-	-	2.64	1.95	3.32	2.17	6.93	3.10	5.67
Total									**18.62**

(v) Excess utilisation of Chief Engineers' lumpsum provision

Provisions in Budget manual disregarded

Audit scrutiny revealed that two CEs had issued sanctions indiscriminately for arranging repair/improvement works flouting the codal provisions and in excess of budget provision. Excess over budget provision ranged between Rs 1.89 crore and Rs 35.50 crore (300 and 533 *per cent*) in Roads and Bridges Wing and between Rs 1.34 crore and Rs 6.40 crore (36 and 478 *per cent*) in Buildings and Local Works Wing. This irregular/excess sanctions by CEs resulted in increase in contractors' pending bills.

As per delegation of powers, CE was competent to waive tender calls in respect of works costing up to Rs 3 lakh. During 2000-02, CE, Roads and Bridges issued sanctions for 371 routine maintenance works, cost of which ranged between Rs 8 lakh and Rs 15 lakh (total cost: Rs 43.44 crore) in two divisions* without inviting tenders. There was no urgent necessity to arrange the routine maintenance works disregarding CE's financial powers.

(vi) Execution of works without sanction/outside jurisdiction

On the basis of a decision taken in a conference convened by the Minister for Public Works, the Executive Engineer, Roads Division, Manjeri arranged (December 2001) 41 works for maintenance of roads costing Rs 4.39 crore to facilitate the journey of Haj Pilgrims to Kozhikode Air Port even though there

* Roads Division, Manjeri: 262 works (cost : Rs 28.88 crore), Roads Division, Palakkad: 109 works (cost : Rs 14.56 crore)

was no budget provision. Out of Rs 4.39 crore, Rs 2.88 crore was spent for maintenance of Panchayat roads on which the PWD had no control at all.

(vii) Irregular allotment of funds to District Panchayats

Consequent on introduction of Panchayati Raj Act 1994, Government ordered (November 1996) transfer of control of the village roads (2495 km) to District Panchayats. Audit scrutiny revealed that though a major portion of the village roads had not been handed over to the District Panchayats, the entire funds provided in the budget during 1998-2002 were transferred to District Panchayats. The excess amount transferred was Rs 40.68 crore as shown below:

(Rupees in crore)

Year	Length of village roads under PWD (in km)	Length of village roads transferred to District Panchayats (in km)	Funds allotted to District Panchayats	Funds due to District Panchayats	Excess amount transferred
1998-99	1997.021	497.494	17.31	3.45	13.86
1999-2000	1437.242	1057.273	18.42	7.82	10.60
2000-01	904.596	1586.919	23.50	14.95	8.55
2001-02	875.290	1619.225	21.85	14.18	7.67
Total					**40.68**

(viii) Under-utilisation of Letter of Credit

LOC for Rs 45.09 crore not utilised during 1998-2002

Audit scrutiny revealed that during 1998-2002, 13 divisional officers received LOC for Rs 674.28 crore, of which Rs 629.19 crore only was utilised. Even though a Finance Officer was functioning in each CE's office, there existed no mechanism to watch receipt and utilisation of LOC.

LOC system bypassed

On 27 March 2002 and 30 March 2002 Government issued LOC for Rs 167.55 crore. The divisional officers issued cheques to contractors and incorporated the payments in the monthly accounts for March 2002. The cheques were, however, not encashed till 26 June 2002 due to treasury ban. Release of LOC at the fag end of the financial year and exhibiting the amount as expenditure in the year itself was against prudent financial management.

4.1.5 Accounts

(i) Irregular operation of Public Works Deposits

In 7 out of 26 divisions test checked, Rs 1.34 crore was withheld during 1998-2001 and credited to Public Works Deposits for want of sufficient LOC while passing bills. The payments were released only during subsequent years after obtaining LOC. This resulted in over booking of expenditure in the account without actual payment and circumvented the LOC system.

(ii) Miscellaneous Works Advances

Miscellaneous Works Advances (MWA) is a suspense head of account operated to account for (i) sale of stores on credit (ii) expenditure incurred on deposit works in excess of deposits received (iii) shortage and excess in accounts awaiting recovery, regularisation or adjustments and (iv) other items of debits, allocation of which is not known or which cannot be adjusted until recovery is effected or write off ordered. As of March 2001, balances outstanding under MWA in 17 divisions were Rs 1.62 crore pertaining to the period from 1968-69 onwards (Appendix XXII).

Government should investigate the matter and take action to recover the amount due or adjust the long pending debits to the final head concerned. Government should also initiate action to curb the misuse of the suspense head for accommodating irregular transactions.

(iii) Cash Settlement Suspense Account

The suspense head 'Cash Settlement Suspense (CSS) Account' primarily intended for inter divisional transactions relating to services rendered or supplies made was discontinued and Cash and Carry System was introduced with effect from 1 April 1998. Accordingly, Government on 14 January 1998 decided that 25 *per cent* of LOC for each quarter should be utilised for the settlement of unadjusted balance under CSS Account. However, the decision had not been implemented so far with the result that Rs 74.66 crore* were still outstanding under this suspense head as of March 2002 even though the CSS Account was discontinued four years ago.

(iv) Arrears in submission of Schedule of Settlement with Treasuries

Schedule of Settlement with Treasuries (SSTs) is an important document designed to ensure proper accounting of departmental transactions by treasuries and timely reconciliation between departmental books and treasury accounts. KPWA Code stipulates that SSTs should be forwarded to the Accountant General (A&E) alongwith the monthly accounts. Delay in submission of SSTs was noticed in 47 accounts rendering units from November 1996 onwards. This would lead to non-detection of fraud or other malpractices in the case of cheque and remittance.

(v) Arrears in reconciliation

Submission of reconciliation certificates was in arrears by two CEs

The Budget Manual prescribes monthly reconciliation of departmental figures of expenditure with those in the books of Accountant General (A&E) to exercise proper control over expenditure and to detect fraud, defalcation, etc. CEs were to send monthly reconciliation certificate to the Accountant General (A&E). Submission of reconciliation certificates was in arrears from March 2000 by CE, Roads & Bridges and from March 1997 by CE, NH. As a result of non-reconciliation of departmental figures, the Head of the Department, could not ensure the correctness of the expenditure booked in the accounts.

* Chief Engineer, Buildings & Local Works	: Rs 2.49 crore
Chief Engineer, Roads & Bridges	: Rs 2.05 crore
Chief Engineer, National Highways	: Rs 1.09 crore
Deputy Chief Engineer, Stores & Purchase	: Rs 69.03 crore

4.1.6 Execution of works

(i) Time over-run and cost over-run

Time over-run of 4 to 108 months and cost over-run of Rs 24.03 crore

Eleven works (Bridge works: 8, Buildings works: 2, Road work: 1) estimated to cost Rs 37.12 crore, arranged (1993-94 onwards) for execution by 8 divisions and scheduled for completion between June 1993 and July 2002 were not completed by the stipulated date of completion. Details are given in *Appendix XXIII*. Of the 11 works, 6 (estimated cost: Rs 16.12 crore) were completed 4 to 55 months after the scheduled date of completion incurring an extra expenditure of Rs 9.20 crore (cost over run: 57 *per cent*). Five works costing Rs 21 crore were not completed even after 7 to 108 months in spite of incurring an expenditure of Rs 35.83 crore (cost over run: 70 *per cent*).

In the above cases, extra expenditure of Rs 24.03 crore was necessitated due to change of design (6 works), improper investigation (1 work) and execution of extra/additional item (4 works) indicating poor planning and defective investigation by the Department.

(ii) Entrustment of works to outside agencies

Investigation and testing works and other construction works were entrusted to outside agencies incurring payment of Rs 13.93 crore

DRIQ and KHRI were capable of taking up design and research work. Ten Investigation Sub-divisions were also functioning under the Roads Divisions. It was noticed that several investigation and testing works were entrusted to 19 outside agencies necessitating payments of Rs 3.31 crore during 1998-2002. Establishment expenditure including consultancy charges amounting to Rs 10.62 crore was also paid to 4 agencies* in the case of original works relating to construction of buildings, road overbridges, revenue towers etc., entrusted to them. Entrustment of original works, investigation and testing to outside agencies when the Department was fully equipped to undertake such works was unwarranted and the expenditure of Rs 13.93 crore was avoidable.

(iii) Excessive cost of implementation

Estimates were prepared disregarding MORTH norms

Kerala State Transport Project (KSTP) implemented World Bank project of strengthening of 579 km and maintenance of 1150 km of PWD roads and improvement of 93 km of inland canals and institutional strengthening of PWD at an estimated cost of $ 336 Million (Rs 1600 crore). The Department awarded the work of investigation and preparation of estimates to 8 consultants during 1999 and 2000 incurring an expenditure of Rs 30.91 crore.

Though the works under KSTP were to be executed as per NH specifications, the estimates were prepared reckoning rates higher than the rates prescribed by Ministry of Roads, Transport and Highways (MORTH). A comparison of the cost of works under KSTP with the cost under 'Intensive Programme of Improving Riding Quality' launched (October 2000) by MORTH revealed that the rate recommended by consultants for improvement works was an average of Rs 29.35 lakh per km for a length of 339.1 km and that for strengthening

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* Kerala Police Housing and Construction Corporation (Rs 1.37 crore)
Roads and Bridges Development Corporation (Rs 4.51 crore)
Kerala State Housing Board (Rs 86 lakh)
Nirmithi Kendra (Rs 3.88 crore)

works was an average of Rs 150 lakh per km for a length of 254.71 km against the MORTH rate of Rs 13.30 lakh per km and Rs 19 lakh per km respectively. Adoption of higher rates by the consultants without ascertaining the cost effectiveness of the work and without approval by the CE resulted in extra expenditure of Rs 388.10 crore♠.

(iv) Violation of Chief Engineer's direction

In view of massive maintenance and strengthening works to be executed for a length of 543.8 km during the first year of the project, CE instructed (June 2001) not to undertake repair woks other than patch works on the roads included in KSTP. However, Executive Engineers of 9 divisions executed 58 repair works other than patch works costing Rs 4.34 crore disregarding CE's direction.

(v) Unfruitful expenditure due to non-completion of road

Expenditure of Rs 9.86 crore on 6 roads remained unfruitful

Six road works with a total length of 44.678 km executed by 5 divisions were only partially completed at a total cost of Rs 9.86 crore due to non-availability of land/non-construction of bridge/abandonment of work by contractors as indicated below:

Sl. No	Name of Division	Name of work	Date of stoppage of work	Cost of work (Rs in crore)	Remarks
1.	Roads Division, Palakkad	Formation of Bye-pass road at Kozhikode Palakkad-Kalmandapam-Kalpathy road km 0/0 to 1/00 – I Reach -Do- km 1/00 to 3/750 II Reach	1November 1999 16 March 1999	1.26 1.92	I[st] reach of work completed on 1 November 1999 and 2nd reach held up since 16 March 1999, as the Executive Engineer did not make available the land for a length of 198 metre.
2.	Roads Division, Palakkad	Palakkad-Thathamangalam-Pollachi road km 2/900 to 10/00	16 February 2000	0.25	Work abandoned by the contractor. Decided to terminate the contract at risk and cost.
3.	Roads Division, Muvattupuzha	Improvements to Uppukuzhy-Velichannakandam-Vakkathippara-Koopanassery- Nathukani-Maradi road km 0/00 to 18/500	26 May 2000	1.55	Work in a small reach of 155 metre (Ch 3794 metre to 3949 metre) could not be executed due to non-acquisition of land. The EE should have arranged the work after making the land available.
4.	Roads Division, Idukki	Improvements to Vellathuval-Konnathady road and construction of a bridge at Ch 502 m	16 July 1999	0.71	Sanction from KSEB for the construction of bridge not obtained by the EE. Hence road portion only completed.
5.	Roads Division, Kozhikode	Improvements to Balussery-Kurumboyil-Vayalida-Thalayadu road km 0/00 to 18/500	September 1995	0.99	Work on km 8/500 to 18/500 not completed. Work abandoned by contractor.
6.	Roads Division, Vadakara	Peruvannamuzhi – Poozhithodu-Padinharathara road 27.22 km	March 1998	3.18	Government of India had informed (March 1995) that forest land could not be made available for construction of road.
	Total			9.86	

♠ Actual payment of Rs 481.59 crore minus Rs 93.49 crore as per MORTH rate.

Even after a lapse of 2 to 7 years after stoppage of works, the Department failed to rearrange the works. The delay in completion of the works deprived the public of the benefit and the expenditure of Rs 9.86 crore remained unfruitful.

(vi) Avoidable expenditure on payment of price escalation

Rs 5.81 crore paid as price escalation

Contracts for major works in National Highways provided for price escalation on works carried out beyond the scheduled date of completion due to delay on the part of Department and therefore departmental officers were responsible for completion of work in time. Audit scrutiny revealed that 3 works, scheduled for completion between March 1996 and July 1999, were completed between October and December 2000 necessitating payment of price escalation of Rs 5.81 crore as under:

Sl No	Name of Division	Name of work	Excess Amount (Rs in crore)	Reasons for delay
1.	NH Division, Kodungallur	Construction of Varapuzha bridge and viaduct	1.75	The contractor attributed the reasons for delay to scarcity of materials and labour problem. . Departmental Officers merely endorsed contractor's view without ensuring timely completion of work.
2.	NH Division, Thiruvananthapuram	Construction of Akkulam bridge	0.84	Failure of the contractor to set right the tilt/shift occurred during well sinking resulted in stoppage of work.
3.	NH Division, Vyttila	Construction of link road NH 47- A phase III connecting Wellington Island and Cochin Bye-pass	3.22	Due to change in alignment and local agitation on account of damages of nearby houses while doing piling work.

(vii) Low achievement in periodic renewals

Public Works Department Manual stipulates that periodic renewals (PR) of roads are to be carried out once in every five years so that the roads are traffic worthy. Audit scrutiny revealed that the achievement of PR was only 40 *per cent* of the target every year and the funds provided for PR remained unutilised. Underutilisation of budget provision was in the range of 8 to 20 *per cent*.

4.1.7 Non-reimbursement of expenditure from Government of India

(i) Centrally Sponsored Scheme

Central assistance of Rs 7.61 crore not reimbursed due to non-submission of accounts

Civil works relating to Centrally Sponsored Schemes (CCS) were being executed by Buildings wing. Due to non-submission of accounts for the period 1998-2002, Rs 7.61 crore incurred on 15 works was pending reimbursement as of March 2002.

(ii) Railway Safety Works Fund

Rs 13.12 crore on 7 rail safety works not claimed

CE had not submitted any claim for reimbursement from Railway Safety Works Fund since 1992-93 and Rs 13.12 crore for seven rail safety works remained unclaimed as of March 2002.

(iii) Maintenance of Urban Link Roads within city limit

Cost of maintenance of Rs 4.73 crore to Urban link road was not claimed

Though the State Government maintained 128 km of urban link roads, NH divisions had not submitted accounts of expenditure from 1991-92 onwards and therefore, cost of maintenance amounting to Rs 4.73 crore up to March 2002 incurred by the State Government remained unclaimed.

(iv) Non-reimbursement of stipend from Central Government

PWD engaged Degree/Diploma/Certificate holders as apprentice trainees on monthly stipend. Fifty *percent* of the stipend paid to the apprentice was reimbursable from Government of India on submission of claims to the Regional Central Apprenticeship Training, Chennai. Rs 0.63 crore pertaining to the period 1998-2002 remained to be reimbursed as of March 2002.

(v) Cost of NH works not reimbursed

Out of Rs 88.51 crore held under 'Suspense' during 1981-2002, Rs 2.48 crore was disallowed by MORTH and Rs 86.03 crore was withheld for want of revised estimates of land acquisition and other civil works. No action was taken to write back the disallowed amount of Rs 2.48 crore to concerned expenditure head and get the withheld amount of Rs 86.03 crore released.

4.1.8 Revenue collection

(i) Shortfall in revenue collection

According to the CE, Roads & Bridges, the revenue collection during 1998-2002 fell short of the forecast for the respective years as indicated below:-

(Rupees in crore)

Year	Forecast	Amount recovered	Short-fall in realisation	Percentage of short collection
1998-99	15.65	15.14	0.51	3
1999-2000	22.33	18.57	3.76	17
2000-01	22.35	16.91	5.44	24
2001-02	31.29	13.92	17.37	56

Shortfall in revenue registered upward trend during 1998-2002

Shortfall in realisation was attributed to reduction in receipt of toll collection, delay in disposal of trees for want of concurrence from Forest Department and decrease in the sale of tender forms.

Though details were called for from CE, Buildings and Local Works and CE, NH, no reply was furnished (July 2002).

(ii) Loss of revenue due to non-realisation of restoration charges

According to Departmental rules, restoration charges at prescribed rates are to be levied from agencies (including Government institutions) for cutting berms and black top of State roads and NH as indicated below:

Type of work	NH	State road
	(in Rupees)	
Cutting black top	751.2/sq. m	440/sq. m
Cutting berms	46.75/ m	47/m

Loss of revenue of Rs 5.84 crore due to non-recovery of restoration charges from three private companies

In September 2000, MORTH specified that in respect of NH restoration charges at the reduced rate of Rs 25 per metre (instead of Rs 46.75 per metre) was to be paid by the licensees in advance and credited to Central Revenue. In violation of these rules and orders, Government in January 2001 gave rights of way permission to 3 private companies for laying optical fibre cables along NH and State roads without levying restoration charges. This resulted in loss of revenue of Rs 5.84[#] crore.

(iii) Non-collection of toll on bridges

Toll on vehicles not collected in respect of six bridges

Kerala Toll Act 1976 enjoins upon the Department to levy tolls on vehicles plying through bridges, constructed at a cost of Rs 35 lakh and above. Audit scrutiny revealed that toll had not been levied in respect of 6 bridges[*] constructed between January 1996 and May 2000 at a total cost of Rs 10.72 crore. In four cases, toll could not be levied as notification had not been published and in two cases non-collection was attributed to protest from public.

4.1.9 Deposit works

(i) Poor performance in the execution of deposit works

Laxity in execution of deposit works

Scrutiny of deposit works executed by 5 divisions revealed that Rs 15.16 crore (56 *per cent)* was incurred out of Rs 27.10 crore deposited with the divisions during 1998-2002 indicating laxity in execution of deposit works.

(ii) Irregular diversion from Deposit Funds

Deposit fund of Rs 1.87 crore diverted

Out of the amount deposited by Cochin Refineries Ltd for restoration of road, Roads Division, Ernakulam had diverted (July 2000) Rs 1.87 crore to a budgeted work *viz.*, construction of road to International Airport. This was irregular.

1. Kerala Communication Net work : Rs 2.78 crore
2. Bharti Telesonic Ltd. : Rs 2.29 crore
3. Asianet Satellite Communications Pvt. Ltd. : Rs 0.77 crore

* Mavundiri Kadavu bridge, Yakkara bridge, Kootilakadavu bridge, Herbert bridge, Enathu bridge and Thachpilly bridge

(iii) Works executed in excess of deposit

It was noticed that 4 divisions[@] had executed 12 works during 1987-1997 incurring an excess expenditure of Rs 2.01 crore over the amount deposited. The amounts were not recovered from the concerned departments/agencies as of March 2002.

(iv) Non-payment from Deposit Funds

Although deposits were made by Civil Departments for execution of works, payment could not be made to contractors due to non–receipt of special LOC. The arrears in payment in 3 divisions on this account was Rs 0.62 crore.

4.1.10 Manpower management

Infructuous expenditure of Rs 15.96 crore on idle staff

(a) PWD had a sanctioned strength of 12040 (Executive: 1626; Others: 10414) against which staff in position as of June 2002 was 11775 (Executive: 1570; Others: 10205). No periodical study on manpower was conducted resulting in continuance of the following offices without any work.

Name of office	No. of idle staff	Establishment expenditure for the period 1998-2002 (Rs in crore)	Remarks
PWD District Stores	Executive : 30 Non Executive : 47	3.54	Government in August 1997 dispensed with the supply of steel and cement to works costing Rs 45 lakh and above. As a result, the transactions were 'nil' in 7 stores and negligible in 3 stores.
Engineering Wing of Rural Development Board	Executive : 13 Non Executive : 180	3.77	Entire staff was idling for want of work from 1999 onwards.
Investigation and Planning sub divisions	Executive : 22 Non Executive : 59	3.26	No investigation work was done by the staff during 1998-2002.
Electronic Sub Divisions	Executive : 21 Non Executive : 82	3.59	No work was undertaken during 1998-2002.
Legislature Complex	Executive : 13 Non Executive : 51	3.63	Eventhough the work of Legislature Complex was completed in May 1998 full complement of staff was retained.
ADB Wing of NH	Executive : 28 Non Executive : 71	4.68	1 Circle Office with 2 divisions and 3 land acquisition units formed exclusively for the work of four laning of NH from Cherthala to Aluva were continued eventhough land acquisition works were completed in March 1998 and construction works were over by March 1999.
Total	**617**	**22.47**	

[@] Building Division,Thrissur, Building Division, Kollam, Building Division, Thiruvananthapuram and Building Division, Palakkad

Continuance of the above offices without any assignment rendered establishment expenditure of Rs 22.47 crore largely unfruitful.

A road division without work spent Rs 0.89 crore on salary

(b) Roads Division at Vadakara with one sub-division was formed in February 1993 for constructing 'Peruvannamoozhi-Poozhithodu-Padinjarathara road' (27.225 km) to serve as an alternative road to Wayanad. As the Ministry of Environment and Forest did not agree to surrender the forest land required for construction of the road, the division executed black topped road of 6.6 km and metalled road of 2 km only. There was no necessity to form a new division on which expenditure of Rs 0.89 crore was incurred during 1998-2002 in view of the facts that the length of road was only 27.225 km and the division had not executed any work since 1998-99.

(c) Agency charge at 7.5 *per cent* of the cost of work in lieu of establishment expenditure was realisable on NH works. The agency charges realised by NH Wing during the period 1998-2002 was Rs 44.68 crore against the establishment expenditure of Rs 64.59 crore resulting in excess expenditure by Rs 19.91 crore which had to be borne by State Government.

Establishment of 4 circles and 11 divisions for 1500 km of road under NH was not justifiable especially when 3 circles and 16 divisions were functioning for 21508 km of PWD roads.

4.1.11 Other topics of interest

(i) Extra financial commitment due to re-tendering

Retendering of works entailed extra financial commitment of Rs 0.68 crore in 3 cases

Due to non acceptance of tenders within the validity period and unwillingness of the contractors to extend the validity period due to departmental lapses, the Department had to retender the works resulting in extra financial commitment of Rs 0.68 crore in 3 cases indicated below:

Name of work & date of tender	Agreed PAC* (Rs in crore)	Validity period	Date of retender	Extra financial commitment (Rs in crore)	Remarks
Improvements to Koompara-Kakkdampoyil-Valanthodu road from Ch 0/00 to 8/600 in Kozhikode District – May 1995	1.44	September 1995	April 1996	0.31	Government accepted the tender only in December 1995.
Improvements to Omallur-Pariyaram road from Ch.0/00 to 8/00 in Pathanamthitta District - February 1991	0.70	June 1996	December 1999	0.18	Government Tender Committee accepted the tender in September 1996.
MLA road scheme in Alappuzha District in Cherthala constituency – Chengarda – Trichathukulam road IV reach Ch 6/880 to 9/050 – October 1995	0.66	February 1996	September 1996	0.19	Government tender committee accepted the tender in September 1996.

* Probable Amount of Contract

(ii) *Bridges not commissioned*

Unfruitful investment of Rs 11.11 crore

Six bridge works undertaken by 4 Roads Divisions were completed between February 1998 and April 2002 at a cost of Rs 11.11 crore (Appendix XXIV). But approach roads were not completed due to slow progress in the road work in one case and non-availability of land for approach roads in five cases. The delay indicated poor planning by the Department. Expenditure of Rs 11.11 crore did not serve the purpose and was rendered unfruitful.

(iii) *Buildings not handed over to Administrative Department*

Idle investment of Rs 4.62 crore

Five buildings, constructed between March 2000 and June 2001 at a total cost of Rs 4.62 crore, had not been handed over to the Administrative Departments for want of completion of electric works (2 cases), water supply arrangement (3 cases) and compound wall (1 case) (Appendix XXV). In one case, the building constructed in July 2000 was not taken over by the Administrative Department as there were no water and power supply. Non-commissioning of the buildings resulted in blocking of Rs 4.62 crore.

(iv) *Uneconomic functioning of Rest Houses and Travellers' Bungalows*

Audit scrutiny revealed that the facilities in 86 Rest Houses (RHs) and Travellers' Bungalows (TBs) under the control of 8 Building Divisions were underutilised during the period 1998-2002 as detailed below:

(Rupees in lakh)

Sl. No.	Name of Division	No. of RHs/ TBs	Average rate of occupancy (Percentage)	Revenue realised	Establishment expenditure/ repair charges	Additional area constructed (in sq. metres) and the number of RHs/TBs in brackets	Expenditure on additional construction
1.	Buildings Division, Kalpetta	6	23	5.38	28.28	1153.42 (4)	53.26
2.	Buildings Division, Malappuram	18	14	7.67	66.10	912.33 (4)	78.43
3.	Buildings Division, Kasaragod	6	11	2.02	24.85	500.40 (3)	60.29
4.	Buildings Division, Thalassery	10	14	3.46	42.22	1173.09 (5)	78.44
5.	Buildings Division, Ernakulam	13	22	10.97	151.61	939.64 (4)	47.00
6.	Buildings Division, Kozhikode	10	10	6.01	39.66	1982.20 (3)	96.84
7.	Buildings Division, Palakkad	13	7	12.92	64.26	3609.00 (7)	93.29
8.	Buildings Division, Kollam	10	11	17.16	59.81	725.00 (2)	30.62
	Total	**86**		**65.59**	**476.79**	**10995.08 (32)**	**538.17**

The occupancy rate in the RHs during 1998-2002 ranged between 7 and 23 *per cent* and the revenue realised (Rs 65.59 lakh) was only 13.8 *per cent* of the establishment expenditure of Rs 4.77 crore. There was no return on capital invested.

Unnecessary expenditure of Rs 5.38 crore on 32 TBs/RHs

It was also noticed that even while the average rate of occupancy was very low, Department constructed additional blocks of area 10995 square metres in 32 TBs/RHs incurring expenditure of Rs 5.38 crore which was not justifiable.

(v) Non-recovery of risk and cost liability

Liability of Rs 5.02 crore from contractors was not recovered

As per Government order, when a contract is terminated at the risk and cost of the contractor, the liability on re-arrangement of balance work is to be determined and the amount of liability recovered from the original contractor within one year from the date of termination of contract. However, in 10 divisions, no action was taken to recover Rs 5.02 crore in respect of 17 such works even though balance works were re-arranged (Appendix XXVI).

(vi) Non-adjustment of cost of bitumen

30214 tonnes of bitumen costing Rs 28.59 crore not adjusted due to non-receipt of accounts

Purchase of bitumen and payment thereof are being made by Roads Divisions. Sections are required to send the accounts of bitumen to the divisions for accounting. During 1998-2002, 76693 tonnes of bitumen costing Rs 69.55 crore (Appendix XXVII) were purchased by 7 Roads divisions. However, accounts relating to 46479 tonnes of bitumen costing Rs 40.96 crore were not received from the sections and adjustments could not, therefore, be effected in the divisional offices. In respect of 30214 tonnes of bitumen costing Rs 28.59 crore adjustments could not be carried out for want of budget provision. Lapses on the part of the divisional officers in monitoring receipt, accounting and utilisation of bitumen may lead to misappropriation.

(vii) Failure to conduct check measurements by the Divisional Officers

KPWA Code stipulates that the Divisional Officers should check-measure works in progress and maintain a register to record the check measurements conducted and that the number of check measurements in a financial year should not be less than 50. A scrutiny of records of 20 divisions revealed that 17 divisional officers did not conduct check measurements at all and in the remaining cases compliance was negligible.

(viii) Failure to conduct inspection of sub-divisions by the Divisional Accountants

As required under KPWA Code, the Divisional Accountant was to inspect the sub-divisions at least once a year to check the initial accounts. Out of 20 divisions test checked, inspection was conducted during 1998-2000 only in 18 sub-divisions out of 49 sub-divisions.

The above points were referred to Government in August 2002; reply has not been received (December 2002).

SECTION B – PARAGRAPHS

PUBLIC WORKS AND TRANSPORT DEPARTMENT

4.2 Extra liability due to post contractual modification of design

Design of superstructure of a bridge was modified during execution to help the contractor causing extra liability of Rs 3.70 crore.

In March 2000, Superintending Engineer (SE), Roads and Bridges, North Circle, Kozhikode awarded the work of constructing a high-level bridge across Bharathapuzha connecting Ottappalam and Mayannur, to Kerala Construction Corporation Limited (KSCC), a Government company for a contract amount of Rs 9.69 crore, stipulating the time of completion (TOC) as March 2002. When foundation work for the bridge was nearing completion, KSCC expressed (November 2000) inability to stick to the stipulated TOC because of practical difficulties in executing concrete work as per the approved design during rainy season. To adhere to the time schedule fixed in the agreement, KSCC suggested substitution of 'pre-cast girders and slabs' instead of 'in-situ cast slabs' for the superstructure of the bridge. Government accepted (March 2001) the design modification involving estimated extra liability of Rs 3.70 crore. The bridge had not been completed as of December 2002.

Following points were noticed in audit:

i) The reasoning that the change in design would enable KSCC to complete the work within TOC was belied, as the work remained incomplete as of December 2002.

ii) As per conditions of contract, KSCC was expected to ensure the workability of the rate quoted by it after taking into account the site conditions. As such, practical difficulties encountered during actual execution were not valid grounds for the firm's demand for change of design or extension of TOC.

iii) Two components of the work, *viz.*, Formation of approach road on either side and Construction of a railway over-bridge (at Ottapalam side), which were essential to derive full benefits of the proposed bridge, had not been taken up as of December 2002.

Thus, post contractual change in design of the bridge to complete the work within the targeted date as demanded by the firm was defeated as it remained incomplete. The estimated extra liability on this account amounted to Rs 3.70 crore.

The matter was referred to the Chief Engineer, Roads and Bridges in September 2001 and to the Principal Secretary to Government in March 2002. Replies have not been received (December 2002).

4.3 Avoidable liability on formation of approach roads for a rail over bridge

For protective blasting of rock that increased by 8295 *per cent* during execution, enhanced rates were allowed disregarding conditions of contract. Resultant additional liability to Government worked out to Rs 81.73 lakh. Uneconomic sale of blasted rubble resulted in estimated loss of Rs 1.22 crore.

In January 1999, Superintending Engineer (SE), Roads and Bridges, Central Circle, Aluva awarded the formation of approaches to the proposed rail over bridge at Wadakkancherry in Thrissur District to a contractor for Rs 85.83 lakh at 23.11 *per cent* below estimate. The work was scheduled to be completed in March 2002.

Estimate of the work prepared on the basis of soil test conducted by Executive Engineer (EE) in 1991 included 2808 cubic metres of rock blasting under ordinary conditions at Rs 1581 per 10 cubic metres and 702 cubic metres under protective conditions at Rs 2055 per 10 cubic metres as per 1996 SoR*. During execution, quantity of rock blasting registered an enormous increase to 58930 cubic metres. The EE classified the entire additional quantity of blasting as protective blasting. Government Arbitration Committee recommended (June 2000) payment for protective blasting for quantities in excess of 125 *per cent* of the agreed quantity, at the rate of Rs 3487 per 10 cubic metres which was 20 *per cent* more than the rate as per the 1999 SoR. Government accepted the recommendation in November 2000 and SE executed (May 2001) a supplemental agreement with the contractor for protective blasting of 58930 cubic metres at the rate of Rs 3487 per 10 cubic metres but without applying the tender rebate of 23.11 *per cent*. Provision was also made in the supplemental agreement for sale of rubble obtained from blasting to the contractor at a price of Rs 2.50 per cubic metre. Payment made to the contractor as of December 2002 was Rs 60.69 lakh. Following points emerged in audit scrutiny.

(i) Huge increase in the quantity of rock blasting (8295 *per cent*) indicated improper preliminary investigation by the EE and preparation of defective estimate conferring undue favour to the contractor.

(ii) As Notice Inviting Tenders (NIT) forming part of the agreement stipulated that the SoR effective at the time of execution of extra items shall be the basis for valuing such extra items, addition of 20 *per cent* increase over 1999 SoR for extra items was not justifiable. This resulted in over rating of the

* Schedule of Rates

item to the extent of Rs 581 per 10 cubic metres and consequent estimated undue gain of Rs 34.24 lakh to the contractor.

(iii) Exclusion of extra item from the purview of tender rebate was against the provisions of the original agreement and this resulted in undue monetary gain of Rs 47.49 lakh to the contractor as in the case of percentage rate contracts, the tender premium or tender rebate quoted by contractor shall be applied over departmental rate for arriving at the rates for extra items.

(iv) As the blasted rubble had not been certified as unfit for use or as inferior in quality, the decision to sell it at a manifestly low price was not justifiable. Compared to the price of Rs 140 per cubic metre notified in the SoR 1999 for blasted rubble, Government sustained estimated loss of Rs 1.22 crore on account of the uneconomic sale.

The matter was referred to Chief Engineer, Roads and Bridges in December 2001 and to the Principal Secretary to Government in April 2002. Replies have not been received (December 2002).

4.4 Extra expenditure due to departmental lapses

Failure to supply departmental materials and make timely payments to the contractor led to enhancement in rates and the delays necessitated post contractual changes in design of foundation for abutments and piers. The extra financial commitment was Rs 1.57 crore.

In January 1995, the Superintending Engineer (SE), Roads and Bridges Circle, Kozhikode awarded construction of Kuniyilkadavu Bridge in Kozhikode District to a contractor for a contract amount of Rs 3.16 crore, stipulating its completion in January 1997. As the Department failed to supply materials required for the work and to make payment of bills on time, the contractor suspended the construction activity in March 1998 by which time the works on the abutment A2 and piers P11 to P15 only were completed. He demanded (May 1998) 40 *per cent* increase in the agreed rates which was accepted by Government in November 1999 based on the recommendation of the Arbitration Committee*. Consequently, estimated extra liability amounted to Rs 1.23 crore which was due to department's failure in adhering to the contract conditions. The work was in progress as of May 2002. Audit scrutiny revealed further extra expenditure of Rs 34.28 lakh due to post contractual changes in design of foundation as discussed below.

In January 2000, SE proposed to the Chief Engineer (CE), Roads and Bridges for changing the well foundation envisaged in the original contract to pile foundation on the ground of speedy execution at lesser cost. But the Department's conclusion was erratic as the work remained incomplete even as of January 2001. In support of change of design, the Department prepared a

* A committee of Government secretaries and Chief Engineer set up by Government to resolve disputes with contractors.

comparative cost analysis statement according to which the cost of well foundation was Rs 111.78 lakh and that of pile foundation was Rs 98.42 lakh. Audit scrutiny revealed that items of work *viz.* seating of well and removal of obstacles which were incidental to well sinking were reckoned for estimate originally and that in the comparative statement prepared in support of design change, these elements (cost: Rs 37 lakh) were additionally reckoned so as to boost the cost of well foundation and to justify the design change. Projection of items already included in the original contract as separate and distinct for the purpose of comparison, jacked up the cost of well foundation *vis-a-vis* the newly proposed pile foundation, while pile foundation was actually costlier. Thus post contractual change in design entailing extra expenditure of Rs 34.28 lakh paved the way for unjust enrichment to the contractor.

The matter was referred to the Chief Engineer, Roads and Bridges in February 2001 and to the Principal Secretary to Government, Public Works Department in May 2002. Replies have not been received (December 2002).

4.5 Extra expenditure due to delay in acceptance of tender and subsequent change of design

Delay in acceptance of tender by the Government and change of design by the CE led to avoidable extra liability of Rs 96 lakh.

The construction of a bridge at Orikkadavu in Kasaragod District estimated to cost Rs 1.65 crore was sanctioned by Government in March 1996. As the lowest tenderer passed away in May 1999 before delivery of the selection notice, Chief Engineer (CE), recommended (August 1999) acceptance of the second lowest tender at 79 *per cent* tender premium (contract amount: Rs 2.86 crore) to Government. As no decision on his offer was forthcoming, the tenderer backed out in November 1999. Government issued orders accepting the tender only in February 2000.

Meanwhile, CE proposed (September 1999) a change in the design of foundation from pre-cast concrete piles to bored cast in-situ piles on the pretext that driving pre-cast piles was laborious and time consuming. Accordingly, CE, Design, Research, Investigation and Quality Control (DRIQ) modified the foundation design in June 2000. The estimate was recast to Rs 4.20 crore as per 1999 Schedule of rates incorporating the revised foundation design. The work was retendered and awarded in December 2000 to another contractor for Rs 3.82 crore stipulating completion in June 2002. However, by January 2003 only 25 *per cent* of the work could be completed.

Non-acceptance of the original tender in time and change of foundation design caused estimated extra liability of Rs 96 lakh.

Government justified (January 2002) the delays in acceptance of the tender on the ground of meagre budget provisions made. As works were to be put to tender with reference to budget provision available, the reply is not acceptable. Change of design for quicker and easier execution of the foundation works did not seem justifiable as revealed by the insignificant progress of work, *viz.* only 25 *per cent* as of January 2003.

The matter was referred to CE, Roads and Bridges in January 2002 and to the Principal Secretary to the Government in May 2002. Replies have not been received (December 2002).

4.6 Extra expenditure due to post-contractual reclassification of soil

Reclassification of substantial quantity of soil as medium rock after award of the work without conducting fresh soil test resulted in extra expenditure of Rs 55.04 lakh.

In January 1999 and April 2000, Superintending Engineer (SE), Roads and Bridges, South Circle, Thiruvananthapuram concluded two separate contracts for the improvement of two roads* in Kottayam District for a total contract amount of Rs 4.32 crore. The works scheduled to be completed on December 1999 and March 2002 respectively were in progress as of April 2002. Total payments made to the contractor till March 2002 aggregated Rs 2.42* crore. Audit scrutiny revealed that extra expenditure of Rs 55.04 lakh was entailed due to modified classification of soil as detailed below.

As contemplated in Kerala Public Works Department (KPWD) manual, the nature and quantity of soil were originally determined by the Executive Engineer (EE) on the basis of trial pits taken. The quantities in contracts envisaged excavation of 1.79 lakh cubic metres of earth of which 0.38 lakh cubic metres (21 *per cent*) were classified as medium rock. While forwarding the initial levels, the EE, Roads division, Kottayam, without conducting fresh investigation, reassessed (September 1999 and September 2000) the total quantity as 2.33 lakh cubic metres of which 1.71 lakh cubic metres constituted medium rock. Accordingly, SE executed supplemental agreements in March 2000 and October 2000. Calculated with reference to the agreed rates for ordinary earthwork excavation, the estimated extra payment worked out to Rs 55.04 lakh for the additional quantity of 1.21 lakh cubic metres of medium rock excavation.

Departmental decision to reclassify substantial quantity of soil as medium rock without conducting any fresh investigation especially when the original investigation was done on trial pit basis as laid down in the KPWD manual lacks justification and the matter calls for investigation.

The matter was referred to the Chief Engineer, Roads and Bridges in September 2001 and to the Principal Secretary to Government in June 2002. Replies have not been received (December 2002).

* (i) Improvements to Kaippally-Yendayar road from Ch 0/0-5/770 km (expenditure: Rs 86.92 lakh) and (ii) Improvements to Kanjiramkavala mechal-Nellappara Narimattom from km 9/150 to 16/00 (expenditure: Rs 155.51 lakh)

4.7 Excess expenditure due to termination of contract without invoking risk and cost clause in the agreement

Non-enforcement of contract conditions regarding risk and cost on termination of the contract resulted in non-realisation of the estimated extra liability of Rs 45.45 lakh from the original contractor.

Superintending Engineer (SE), Roads and Bridges, South Circle, Thiruvananthapuram awarded (July 1989) the construction of Panayilkadavu Bridge in Thiruvananthapuram District to M/s Kerala State Construction Corporation Limited (KSCC) for a contract amount of Rs 90.30 lakh (55 *per cent* above 1986 SoR*). The stipulated date of completion of the work was January 1992, and the site was handed over to KSCC in December 1990.

Alleging delay in handing over the site, failure in supplying departmental materials in time and consequent time overrun, price escalation, etc., KSCC demanded (May 1993) payment at 55 *per cent* excess over 1992 SoR. Government accepted (August 1994) the demand with the stipulation that the work should be completed in February 1996. As the progress in execution was still poor, Government decided (June 1997) to terminate the contract with KSCC. Accordingly, SE terminated the contract in October 1997.

The balance work (revised cost: Rs 1.40 crore) was entrusted to another contractor in October 1999 for a contract amount of Rs 2.68 crore with completion date as March 2001. The work was in progress as of June 2002. Following points emerged in audit.

(i) Though the original contract was rescinded due to non-performance by KSCC, contract conditions on risk and cost liability were not invoked. Government decision (June 1997) to refer it to the Arbitration Committee was also not acted upon. Consequently, Rs 45.45 lakh being the estimated liability of KSCC could not be recovered.

(ii) Failure in finalising the defaulter contractor's liability by the SE was violative of Government orders as such liability should be fixed within one year.

(iii) Construction of the bridge started in 1990 remained incomplete for the last 12 years and the delay pushed up the cost from Rs 90.30 lakh to Rs 2.82 crore at award stage. As the balance works were not completed even up to March 2002, the cost would escalate further.

The matter was referred to the Chief Engineer, Roads and Bridges in August 2001 and to the Principal Secretary to Government in April 2002. Replies have not been received (December 2002).

* Schedule of Rate

4.8 Construction of Legislature Complex at Thiruvananthapuram

4.8.1 Introduction

Mention was made in paragraph 4.11 of the Report of Comptroller and Auditor General of India for the year ended 31 March 1993 (Civil) about the time and cost overruns and certain irregularities in the construction of Legislature Complex at Thiruvananthapuram. The Committee on Public Accounts observed (April 1998) that lack of proper planning, delay in finalising drawings and supply of departmental materials, lack of co-ordination among different agencies etc., had contributed to cost escalation, infructuous expenditure and delay in completion of the prestigious work. Government stated (June 2002) in the action taken note that total liability of Rs 5.97 lakh was fixed against 9 officers found responsible.

The Assembly block of the Legislature Complex was inaugurated in May 1998. The expenditure incurred on the project as of March 2002 was Rs 74.32 crore. However, the last bill submitted in September 1998 has not been settled as of December 2002. A further review in March 2002 revealed extra/irregular payment in the construction of Assembly block as detailed below:

4.8.2 Construction of Assembly block

(i) Defective construction of dome leading to leakages in the roof

Construction of dome was defective and led to leakage/seepage of rainwater

The archietectural design provided for a dome like roof at the centre of Assembly building. During inspection in June 1995, the Executive Engineer had pointed out several defects in casting the dome slab. Despite waterproofing done (December 1995) at a cost of Rs 5.36 lakh, leakage in the roof was again noticed in July 1996. Eventhough leakage was attributable to bad work done by M/s. Kerala State Construction Corporation Limited (KSCC), the contracting agency, it refused to rectify the defects at its own cost and the Department had to spend Rs 27.69 lakh for rectification works. In September 1998 a 'Kerala Style' roof not envisaged in the original design was provided over the leaking dome at a cost of Rs 1.77 crore.

(ii) Defective fabrication of emblem in the front facade

Fabrication of emblem and its installation were executed by inexperienced firm

Despite a condition in the tender that only persons/firms well experienced and artistically talented in moulding gun-metal would be considered for the work of fabrication and installation of Government emblem in the front facade of the Assembly building, KSCC which had no previous experience was entrusted with the work in June 1998 at a negotiated cost of Rs 20 lakh. KSCC preferred a claim of Rs 30.35 lakh of which the Chief Engineer assessed the expenditure as Rs 22.14 lakh only. The Chief Architect noticed that the material used in the emblem was substandard and workmanship below par. The defects were not rectified by KSCC. Government stated (December 2000) that necessary deduction would be made in the bills.

(iii) Interior decoration and acoustical treatment inside the Assembly Hall

Tender process vitiated

On invitation of tenders for the above work (estimated cost : Rs 2.83 crore) in February 1997 from four pre-qualified firms the lowest offer received was for Rs 4.33 crore from contractor 'A'. As the High Level Committee (HLC) felt that the rates were too high, it awarded (August 1997) the work to KSCC at a cost of Rs 4.16 crore with specific direction to complete the work by December 1997. KSCC completed the work by May 1998 and demanded higher rates. They submitted a bill for Rs 7.80 crore in September 1998 which was not settled as of December 2002 due to non-receipt of certificate of admissibility from the consultants who had pointed out (May 1998) several defects like non-adherence to the drawings and specifications, poor quality of work in general, etc.

Consultants pointed out defective execution of works

Substandard acoustics likely to damage sophisticated equipment

As per standard norms, the reverberation time in the Assembly Hall was to be kept at 0.5 second. The actual reverberation time felt in the hall was, however, 3 seconds, which was far above the standard norms. Such high echo level might cause technical slackness on operational systems and damage sophisticated equipment* provided in the hall. Though Government stated (December 2000) that a report regarding the reverberation time as per standard norms had been called for from the consultants, no rectificatory measures had been taken (December 2002) to minimise the reverberation time.

KSCC contended that all works were done and completed under departmental supervision and that it was impossible to carry out the rectification works without re-doing the same. Acceptance of the offer of KSCC received after the rate of the lowest bidder 'A' was known vitiated the entire tender process. Despite such higher rates, substandard work was done and remained unrectified. Government stated (December 2000) that the only possibility was to penalise KSCC and the penalty would be recovered from the final bill. The penalty had not been worked out by the Department as of December 2002.

(iv) Inferior quality of flooring work

Rs 19.27 lakh paid for inferior flooring work

For flooring, 'Shahabad' stones were used instead of 'Kota' stones and thickness of marble slabs used was less than that specified. The quality of the work also was generally below standard. An expert committee constituted by Government inspected the flooring in January 1997 and reported that about 3.5 *per cent* to 13.08 *per cent* of the flooring had developed cracks. Assessment of the full extent of defects had not been completed as of December 2002 though the works were completed by May 1998. It was noticed that in spite of this defect, Government directed (August 1998) to pay the actual cost payable for 'Shahabad' stones (Rs 813.69 per square metre) and marble slabs of lesser thickness (Rs 939.75 per square metre). The amount paid for the inferior work was Rs 19.27 lakh. Government stated (December 2000) that only reduced

*(i) Integrated conference-cum-electronic voting-cum-simultaneous translator system, (ii) Permanent automatic micro phone, (iii) Digital conference system, etc.

rates for 'Shahabad' stone and marble stone would be admitted while settling final bill of KSCC.

(v) Landscaping and related works

(a) Abandonment of work

Government failed to take penal action against the contractor who abandoned the work after receiving Rs 37.50 lakh

The work on landscaping (estimated cost: Rs 57.35 lakh) was entrusted to a contractor in August 1997 for a contract amount of Rs 76.81 lakh to be completed by January 1998. Though the time of completion was extended up to May 1998, only 50 *per cent* of the work (value: Rs 43.81 lakh) was done. After receiving payment of Rs 37.50 lakh, the contractor abandoned the work in November 1998. The work was terminated in April 2000 at the risk and cost of the contractor and awarded to another contractor in April 2001. The risk and cost liability of the original contractor has not been finalised as of December 2002.

(b) Change in specification

Change of specification entailed extra expenditure of Rs 24.64 lakh

The original work of landscaping included finishing with interlocking pavers in front of the Assembly building. This item was changed to paving 'Eurocon' tiles and the work was entrusted to KSCC. It was noticed that this change had resulted in estimated additional expenditure of Rs 24.64 lakh. The Department had procured 2641 square metres of 'Eurocon' tiles at a cost of Rs 10.89 lakh during March-May 1998. However, only 830 square metres of tiles could be used. Cost of the unused tiles was Rs 7.50 lakh.

4.8.3 Other points of interest

Consultants pointed out defective supply

(i) On the basis of the certificates issued by the Chief Engineer, Legislature Complex, payment of Rs 78 lakh was made between August 1998 and September 1999 for supply of furniture without obtaining performance certificate from the consultants. This was against the agreement provisions. It was observed that only part payment of Rs 29.99 lakh made in May 1998 was certified by the consultants who had pointed out some defects in execution and refused to issue certificates for subsequent payments. No action had been taken against the officials responsible for making the irregular payments as of December 2002.

(ii) The 41st bill for Rs 25.06 crore according to which recoveries due from KSCC amounted to Rs 12.93 crore presented in September 1998 by KSCC, has not been settled as of December 2002 pending execution of supplemental agreement for 185 extra items . Secretary to Government, Public Works Department, being the Ex-Officio Chairman of the Corporation, could not get the supplemental agreements executed by the KSCC and the claim settled despite HLC decision and Government assurance.

(iii) Though KSCC was established by the Government in 1975 with the object of curbing the tendency on the part of contractors to quote exorbitant rates, to adopt go slow tactics and to execute inferior quality of work, KSCC acted in contravention of its objectives.

The above points were again pointed out to the Chief Engineer, Legislature Complex construction and Principal Secretary to Government in July 2002. Further remarks are awaited (December 2002).

WATER RESOURCES DEPARTMENT

4.9 Over rating of earth work excavation

Labour contract society derived undue monetary gain of Rs 73.80 lakh due to over rating of earthwork excavation in the improvement of a canal.

Superintending Engineer (SE), Irrigation South Circle, Thiruvananthapuram arranged (July 2000) the execution of the work 'Improvements to Thiruvananthapuram-Shoranur Canal' through a labour contract society (seven separate contracts) on tender basis for a total contract amount of Rs 1.48 crore with the completion schedule of 6 months. Improvements contemplated in five contracts were completed between December 2001 and June 2002. Works envisaged in the remaining two contracts were in progress as of December 2002. The expenditure on the works as of June 2002 was Rs 57.11 lakh.

The main item of work listed in all the seven contracts was earthwork excavation for a total quantity of 263540 cubic metres. The excavated soil was proposed to be sold to the contractor at a price of Rs 50 per 10 cubic metres. As the banks of the canal were reported to have been encroached by people, the specification of contract items included conveyance of the excavated earth to nearby road from where it was to be removed by the contractor. The approved rates for the earthwork excavation, therefore, included Rs 309 per 10 cubic metres in five contracts and Rs 171 per 10 cubic metres in two contracts for extra lead and extra lift for conveying the excavated soil to nearby road. As of June 2002, Rs 24.40 lakh against five completed works and Rs 10.84 lakh against two works under execution were paid towards extra lead and lift for conveyance of 135375 cubic metres of excavated soil.

The Assistant Executive Engineer (AEE) reported (August 2001) that the contract agency did not carry the excavated earth to nearby road as stipulated in the contract but deposited on the canal banks itself. The enquiry report submitted by the Director of Investigation attached to the Honourable Kerala Lokayukta also indicated that the silt removed from the river bed was first dumped on the canal road itself. This would lead to the conclusion that provision for extra lift and lead given in the estimate for conveyance of spoil away from the bank was not necessary. Inclusion of charges towards extra lift and leads in the estimate thus resulted in over rating of the items and consequential estimated monetary gain of Rs 73.80 lakh to the society.

Government stated (November 2002) that only a meager quantity of earth was deposited at some places of the canal bank for draining out water and the remaining part of the cut earth was conveyed to far away places by the contract agency. Government reply was not tenable, as it was evident from

AEE's report and enquiry report of the Lokayukta that the cut earth was not carried initially to the dumping place as contemplated in the contract. Further, as the estimate provided for sale of excavated soil to the same contract agency, provision for extra lead and lift for removal of excavated soil initially deposited on the banks of the canal road itself was not justifiable.

4.10 Excess payment of electricity charges

Electricity charges for power supplied to project quarters were paid at commercial tariff instead of at rates for domestic consumption resulting in excess payment of Rs 28.77 lakh to KSEB.

Kerala State Electricity Board (KSEB) had provided (1967) two 3-phase connections to the Kanhirapuzha Project. 128 project quarters were given connections through project's own installations and were provided with separate meters. The Department recovered electricity charges from the allottees of the quarters at rates applicable for domestic consumption. However, the energy charges were paid to KSEB at commercial rates. Though this lapse was pointed out in audit in October 1998, Chief Engineer, Projects 1, Kozhikode addressed KSEB only in July 1999 to segregate the power connection to the staff quarters from that of the project. KSEB agreed in October 2001, *ie*, after a lapse of 2 years to take over the installation on payment of Rs 5.40 lakh for reconstruction of lines. The Department remitted the amount to KSEB in March 2002. Payment of electricity charges for the quarters at commercial rates resulted in avoidable excess payment of Rs 28.77 lakh to KSEB between April 1994 and March 2002.

The Department had *ab initio* erred in not ensuring separate domestic connections to the quarters. Even after the avoidable recurring excess payment came to the notice, concerted and purposive action was not taken by the Department. The anomalous situation in collecting electricity charges from occupants of quarters at domestic rates and remitting the charges to KSEB at commercial rates continued resulting in avoidable excess payment of Rs 28.77 lakh to KSEB for the period from April 1994 to March 2002.

Government stated (May 2002) that KSEB was expected to take over the installation without further delay and thereafter the Department would be relieved from the burden of paying high rates for domestic consumption.

CHAPTER V

STORES AND STOCK

INFORMATION TECHNOLOGY DEPARTMENT

5.1 Development of Information Technology in the State

5.1.1 Introduction

In May 1998 Government of Kerala declared a comprehensive Information Technology (IT) policy which, *inter-alia*, aimed at diffusion and dissemination of IT. To achieve the objective outlined in the IT policy, IT Department in the Administrative Secretariat and a Core Team entitled 'Mission on Information Technology' (Mission) were formed in October 1998 and March 1999 respectively. The 'Mission' was subsequently registered (June 2000) as a Society by name 'Kerala Information Technology Service Society' (Society).

The policy outlined modernisation and integration of Government functioning, setting up of internet kiosks in every Panchayat Ward accessible to the public, hooking all colleges on internet by 2000 and all schools by 2002 and PC penetration of 10 per 1000 of the population by 2001.

5.1.2 Scope of audit

To achieve the objective of diffusion and dissemination of IT, the Department and the Mission/Society had undertaken various activities incurring an expenditure of Rs 24.89 crore out of the budget provision of Rs 42.60 crore during the three years 1999-2002. The activities, *inter alia*, included establishment of Service Centres called FRIENDS, Rural Information Centres, an IT Enabled Habitat and Facilitation Centre and an Institute of Excellence. Besides, Government departments had also undertaken computerisation, meeting the expenditure from their own allocation.

Functioning of FRIENDS, and Rural Information Centres and computerisation of three* departments were subjected to audit during January to May 2002.

5.1.3 Objective of audit

The objective of audit was to evaluate the activities undertaken for diffusion and dissemination of IT with special emphasis on (a) economy on procurement of hardware and software (b) suitability of the software developed and (c) dependability of the data generated.

* Registration, Motor Vehicles and Commercial Taxes.

5.1.4 Observations in audit

1 Attendance Monitoring System

Based on the recommendations of Administrative Reforms Committee, Government entrusted (January and February 2000) KELTRON procurement and installation of Bar Coded System (Punching System) in seven** offices. KELTRON installed (between April and June 2000) the system in all the offices and received full payment of Rs 41.57 lakh.

Bar Coded system (Punching system) installed at a cost of Rs 41.57 lakh remained idle/out of order

A test check of the functioning of the system in six offices (excluding Collectorate, Kannur) revealed that the system remained idle/out of order due to power supply failure to main PCB, failure of printers, failure to prevent proxy marking and non-issue of punching cards to the staff who joined on appointment/ transfer/promotion after the installation of the system.

In spite of the failure of the system being brought to notice (between October 2000 and June 2001) the Personnel and Administrative Reforms Department (P&ARD) of the Government did not take any action to set right the defects to put the system into use. Failure to devise measures to guard against such shortcomings defeated the objective and rendered the expenditure of Rs 41.57 lakh futile.

Secretary to Government, IT Department stated (September 2002) that the shortcomings would be got rectified by P&ARD. P&ARD in turn shirked (October 2002) the responsibility stating that the upkeep and maintenance of the system would be the responsibility of the Heads of Departments concerned.

2 Setting up of FRIENDS

(i) With a view to enabling a smooth and transparent citizen Government interface, Government in association with Thiruvananthapuram Corporation, set up (June 2000) an integrated service centre called 'FRIENDS' (Fast, Reliable, Instant, Efficient Network for Disbursement of Service), incurring an expenditure of Rs 33.50 lakh.

Centre at Idukki did not start functioning though payment effected

After reviewing the functioning of FRIENDS centre at Thiruvananthapuram for which supply and installation of hardware and development of software were undertaken by M/s C-DIT, Government ordered (January 2001) to establish such centres at the remaining 13 District Headquarters also with the same technical configuration as at Thiruvananthapuram. As directed by Government, the society entrusted (February 2001) the supply of hardware and software, installation and customisation to M/s. C-DIT at a total cost of Rs 187.20 lakh (Rs 109.20 lakh for computer hardware, Rs 45.50 lakh for software and Rs 32.50 lakh for 'Queue' management). On installation of the systems, M/s. C-DIT preferred claim of Rs 221.90 lakh (including TSP charge of Rs 15.77 lakh calculated at 10 *per cent* and AMC of Rs 7.89 lakh). Even

** Secretariat (Annex), Directorate of Health Services, Directorate of Public Instruction and Collectorates at Thiruvananthapuram, Kollam, Thrissur and Kannur.

though the centre at Idukki did not start functioning, the Society made payment to the tune of Rs 204.37 lakh as of May 2002 without withholding 20 *per cent* of the bill amount and without obtaining bank guarantee for 10 *per cent* of the contract amount as stipulated in Government order of March 2000.

(ii) Government ordered in February 2000 to engage agencies enlisted therein as Total Solution Providers (TSPs) in Departments where in-house IT expertise was not available. Government also prescribed two types of charges for rendering services viz., (i) 5 *per cent* for technical evaluation of bids received from third party vendors, inspection and testing of IT products supplied by them, supervision of installation and commissioning of hardwares, peripherals etc. and networking and (ii) 5 *per cent* for installation and commissioning of hardwares, peripherals and networking. Government also clarified (May 2001) that TSP could not participate in tenders for the department for which they were TSPs.

Inadmissible payment of Rs 15.77 lakh towards TSP charge and AMC effected

As the Society did not nominate C-DIT as TSP for FRIENDS project, payment of TSP charge of Rs 7.88 lakh calculated at 5 *per cent* for technical evaluation of bids etc. was inadmissible when C-DIT itself acted as a vendor. Further payment of AMC of Rs 7.89 lakh for the hardware covered by first year warranty was also not admissible.

(iii) On a test check of the working of three centres (Thiruvananthapuram, Kollam and Kannur) following deficiencies were noticed.

(a) M/s C-DIT had not transferred the source code to the Society yet (August 2002).

Public had no access to any information at FRIENDS centres

(b) The scheme aimed at facilitation of intelligent browsing to act as a single point to access all Government information including details of schemes, projects, application forms, etc. The Centres now established functioned as computerised collection centres for various Government and non-government agencies. Public had no access to any information as envisaged in the setting up of the centre.

(c) Back up facility was not available due to non installation of back up server, non availability of back up tape and CD writer etc. This would cause loss of data leading to incorrect transfer of cash to departments. Government stated (September 2002) that back up server and DAT drive had since been installed.

(d) System Administrators were not using 'User ID' for starting the server on commencement of transaction, defeating the purpose of audit trail.

(e) Refresh option available for view of the last printed receipts could be activated by the counter staff to print as many receipts as possible leading to susceptibility to malpractice by staff. Government stated (September 2002) that instructions had been issued to C-DIT to remove the refresh option.

(f) Stock register of pre-printed blank receipts to record receipt and issue was not maintained in any centre resulting in vulnerability of the system.

Government stated (September 2002) that stock register would be maintained manually.

(g) Delay of about 5 to 30 days was noticed in Kannur centre in transfer crediting the amount to the department concerned. Similarly an amount of Rs 13.65 lakh collected at Kannur centre from 02.05.2001 to 07.06.2001 and remitted at State Bank of Travancore remained unsettled yet (August 2002) as it was not maintaining Government transaction there.

5.1.5 Modernisation of Government Departments

1 Registration Department

Based on the report of the Expert Committee, Government accorded (February 2000) sanction for the computerisation of Registration Department in a phased manner to achieve the following objectives.

(i) Issue of documents on the date of execution itself;

(ii) Replacement of the manual system of indexing, accounting and reporting

(iii) Issue of encumbrance certificate

(iv) Reduction in workload of staff

A software entitled PEARL (Package for Effective Administration of Registration Laws) was got developed (August 2000) by National Informatics Centre (NIC).

Only fifty *per cent* of targeted SROs could be computerised

(a) The Project, sanctioned for implementation in 14 Sub Registry Offices (SROs) in the first phase at an estimated cost of Rs 1.30 crore, could be implemented only in 4 SROs during 2000-01. The project, extended to 50 SROs in the second phase during 2001-02 at an estimated cost of Rs 3.65 crore, was operational only in 28 SROs till date (June 2002).

(b) Government ordered (March 1999) that Government Departments, Organisations and Public Sector Undertakings could place orders on KELTRON on a direct purchase basis for their requirement of 486 and Pentium based computer systems subject to the condition that purchasing officers follow the procedure prescribed in Stores Purchase Manual, according to which the Purchasing Authority should ascertain the normal market price by enquiry and get the price finalised by the Minister concerned when the price quoted by Public Sector Undertaking exceeded 25 *per cent*.

While placing (March 2000) orders on KELTRON for the supply of computers and accessories for implementation of the first phase of PEARL in four* Sub Registry offices the department did not conduct any market study to evaluate the rates quoted by KELTRON; instead allowed the claim of Rs 31.68 lakh ie., at the rate of Rs 7.92 lakh per office.

* Nemom, Thodupuzha, Palakkad and Thalasserry

Inadmissible payment of Rs 10.85 lakh made to NICSI

(c) The department placed (February 2001) orders on National Informatics Centre Service Incorporated (NICSI) for procurement of 110 clients and 50 servers and other accessories for the second phase of the project. They supplied (March 2001) the hardware and claimed Rs 276.49 lakh which included Rs 21.70 lakh on TSP and administration charges. As Government appointed NICSI as Total Solution provider only in April 2001, claim should have been limited to Rs 10.85 lakh, towards installation charge (5 *per cent*) only. Moreover, Government had clarified in May 2001 that TSPs could not participate in tenders for which they were TSPs.

(d) A test check of the computerised environment at seven* SROs revealed the following.

Online registration and scanning of documents not yet started

(i) Though the PEARL package intended for online registration of documents and scanning the original documents instead of keeping copies of documents in filing sheets, online registration and scanning of documents had not started yet (May 2002) especially when the software developed (August 2000) had provision for scanning the document and the department procured Scan jets required for storing the document using imaging technology at a cost of Rs 0.27 lakh per SRO. Department attributed this to the delay in amending the Registration Act/Rules; but did not take any action to amend the relevant Acts/Rules.

(ii) The user manual prescribed daily, monthly and annual backup of data for which CD-writers were procured. But the users viz., Sub Registrars and the staff in Sub Registry were not trained in periodical backup of data.

(iii) No physical access control to protect the Computer Hardware and Software from damage, theft and unauthorized access was possible, as there was no separate cubicle as prescribed in para 2.4 of User Manual.

(iv) Clerical level staffs were accessing the system using Sub Registrar's username and password. In one SRO, (Nemom) two other persons were provided with passwords for logging on to the system.

(v) Source code was not available with the Department for amendment/ modification of software.

(vi) Department had not prescribed data archival procedure and not initiated action to keep backup of data away from premises for disaster recovery. There was also no fire protection measures.

Maintenance contract not entered into

(vii) Maintenance contract was not entered into with any firm beyond the period of warranty and even within the period of warranty no action was taken to get the system failure rectified by the supplier firm. Inspector General of Registration stated (July 2002) that the Department would consider the question of entering into maintenance contract.

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* Nemom, Attingal, Kollam, Kannanallur, Ernakulam, Nellai, Thrissur

(viii) No assessment of creation of a dust free working area for the upkeep of server and nodes was made when designs for electrification of the area were got approved by the Department. As a result the electrification was done without taking into account the load to be carried and power cabling had to be redone to suit the conducting load of UPS installed

2 *Motor Vehicles Department*

Government accorded (March 1997) sanction to the proposal (February 1997) of the Transport Commissioner for purchase of computers from KELTRON, utilising the fund available with the Department. Accordingly the department procured 45 computers and their accessories costing Rs 28.46 lakh in March 1997 from KELTRON, without conducting any market survey as envisaged in the Stores Purchase Manual, without assessing user requirement and without developing the software required for the department. After a lapse of 19 months from the date of procurement of hardwares the department entrusted the development of software to KELTRON in November 1998. Eventhough, the work was to be completed by January 1999, KELTRON could not develop the software and stopped the work in March 2000. As the configuration of the computers procured was of 133 MHz with 1 GB 8/16 MB RAM, they could not be used because of the limitation in the memory upgradation and processor clock frequency. Thus procurement of 45 computers in 1997 without assessing the user requirement and developing the software for the department resulted in infructuous expenditure of Rs 28.46 lakh.

ailure to develop ftware led to nfruitful expenditure of s 28.46 lakh on urchase of computer

Government accorded (March 2000) sanction for procurement of computers based on the proposal (February 2000) of the Transport Commissioner for utilisation of the unspent balance of Rs 31 lakh, out of the budget provision of Rs 50 lakh for computerisation of the department during 1999-2000, before the close of the financial year itself. Accordingly, the department procured (March 2000) 42 computers and accessories costing Rs 34.80 lakh from KELTRON who had already failed to develop the software. Out of the 42 computers procured only 12 were installed in the cabins of Senior Officers and in Computer Cell. When the computers purchased in 1997 itself were idling, procurement of computers costing Rs 34.80 lakh in March 2000 was to avoid lapse of funds and therefore against the principles of financial propriety.

2 computers costing s 34.80 lakh urchased were still lling

3 *Department of Commercial Taxes*

In March 1998, sanction was accorded by Government for computerisation of the Commercial Taxes Department. Accordingly, software development was entrusted to KELTRON – Tata Infotech in January 2000 at Rs 70 lakh. As per the terms and conditions of the agreement executed, development of software was to be completed within 12 months, payment to be made in five instalments on acceptance of final report (10 *per cent*), beta testing (30 *per cent*), release of final report (20 *per cent*), commissioning (30 *per cent*) and after one year from the date of commissioning (*10 per cent*) and training to be imparted on software application to 500 employees and 50 system administrators. Though an amount of Rs 43.64 lakh representing more than 60 *per cent* of the quoted amount was released to the firm as of March 2002, software could not be commissioned due to non-availability of connectivity

oftware could not e commissioned endering the xpenditure of s 99.68 lakh nproductive

between servers and offices, non-assignment of user codes, delay in consolidation of old data etc. and training was not imparted to anybody despite the fact that the period of contract was over by January 2001.

In March 2001, 22 computers and accessories costing Rs 37.50 lakh were purchased from M/s Wipro Infotech and training in computer awareness was given to 1355 employees incurring an expenditure of Rs 18.54 lakh. Due to the delay in developing and commissioning of the software, expenditure of Rs 56.04 lakh incurred on procurement of hardware and training to staff remained unproductive.

Secretary, Taxes Department stated (October 2002) that the software though developed, could not be commissioned due to non imparting of training to users and system administrators.

4 *Development of Web Portal*

Housing portal developed at a cost of Rs 15 lakh not made available to Grama Panchayats/Rural Information Centres

Under the Total Housing Scheme (Thanal) implemented through local bodies, Government extended financial assistance of Rs 35,000 each to the homeless families for constructing houses in accordance with the 30 types of approved plans. Government accorded (October 2000) sanction to the proposal of M/s C-DIT, costing Rs 15 lakh for the development of Web Portal and that of 3D presentation in CD ROM which could be made available to all the Grama Panchayats and other Information Kiosks to enable the beneficiaries to understand the plans and appearance of the building. Though C-DIT handed over the CD ROM to the IT Mission and obtained payment (Between August 2000 and February 2001), the Mission had not made available the CD ROM to all the Grama Panchayats pending completion of the networking in Grama Panchayats. Thus the expenditure of Rs 15 lakh incurred on the project remained unfruitful. In reply to an audit enquiry, the Society stated that the CD format was made available in all the 14 Rural Information Centres in the software named 'Sevana'. But on a test check at three centres (Kollam, Ernakulam and Kannur) it was noticed that the software 'Sevana' had not been loaded in the system. Government stated (September 2002) that steps would be taken to install the housing portal in CD in the three centres.

5.1.6 Installation of V-SAT

V-SAT facility installed at a cost of Rs 5.69 lakh became obsolete

Due to the inadequacy caused by dial up connectivity from VSNL, Government accorded (December 1999) sanction for installation of V-SAT facility at the Mission at an estimated cost of Rs 5.69 lakh. Accordingly the Mission procured (January 2000) V-SAT connectivity from National Informatics Centre (NIC) at Rs 5.69 lakh without executing any performance guarantee and installed (January 2000) the same in the premises of the Mission. But the equipment became inoperative in the month of installation itself due to non-availability of signals from the satellite and some other technical snags. Stating (January 2002) that V-SAT technology became obsolete and that better connectivity would be available through alternative technologies, the society took Asianet connectivity via cable modem. Thus failure on the part of the Mission to assess the technology in the communication field and to obtain/execute performance guarantee/agreement from/with NIC rendered the expenditure of Rs 5.69 lakh futile.

5.1.7 Rural Information Centres

Government decided (June 2000) to set up Rural Information Centres attached to one Rural Library each in all the 14 districts at an estimated cost of Rs 6 lakh per centre to be shared equally by IT Department, Library Council and the Panchayats. As per the scheme, Internet connectivity would be provided at the centre for browsing online edition of newspapers and periodicals, e-mail ID to be given to members of the library and Word processor in English and Malayalam would be made available. Other services such as encyclopedia, telephone directory, information on Panchayats, train/bus timings, study materials for schools/colleges etc., would also be provided.

Government share of Rs 28 lakh released to Library Council rendered unfruitful

Accordingly, ER&DCI was entrusted with system study, development of software and procurement of hardware for setting up of Rural Information Centres. Government share of Rs 28 lakh was released to Library Council. The Project was implemented in 14 Libraries, one each in 14 Districts with one server class machine with 3 nodes connected through Local Area Network (LAN) with a provision for the facility of a dial up modem and a dedicated telephone for Internet connectivity for netsurfing, downloading of data and information from Internet.

On a verification in audit at three of the Rural Information Centres* it was noted that

(i) The system was supplied and installed during March 2001 with Windows NT and Windows 98 Operating System connected through 8 Port Hub in LAN. A dial-up modem was also installed in the set-up. But the software "Sevana" stated to have been loaded in the system was not available for operation.

(ii) The Internet facility was not available at the centre even though ER&DCI was to provide connection for an initial 100 hours. Lapse on the part of the Society to coordinate the implementation of the scheme thus resulted in idle investment of Rs 28 lakh.

* Kollam, Ernakulam and Kannur

CHAPTER VI

COMMERCIAL ACTIVITIES

General

6.1 Lack of accountability for the use of public funds in departmental commercial undertakings

Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that Government can assess the results of their working. The Heads of Department in Government are to ensure that the undertakings which are funded by budgetary release, prepare the accounts on timely basis and submit the same to Accountant General for audit. In respect of certain schemes/activities run on a commercial basis also, the Heads of Department concerned have to submit *pro forma* accounts. Under Government of Kerala, there were seven such undertakings/trading schemes, preparation of *pro forma* accounts of which was in arrears for one to twenty five years as of March 2002 as given in the following table.

Sl. No.	Department	No. of undertakings under the Department	Account not finalised (Name of undertaking/trading scheme)	Year for which accounts are due
1.	Finance Department	1	Kerala State Insurance Department	1967 to 1982 and 1991 to 2001
2.	General Education Department	1	Text Book Office, Thiruvananthapuram.	1987-1996 and 1998-2002
3.	Public Works and Transport Department	1	State Water Transport Department, Alappuzha.	1993-94 to 2001-02
4.	Home Department	1	Rubber plantation at open prison, Nettukaltheri	2001-02
5.	Agriculture (Animal Husbandry) Department	3	(i) Intensive Poultry Development Block, Muvattupuzha.	1993-94 to 1996-97 and 2001-02
			(ii) Intensive Poultry Development Block, Pettah	1994-95, 1995-96 and 2001-02
			(iii) Feed Compounding Unit, Chengannur*	2000-01 and 2001-02

The *pro forma* accounts from April 1983 to June 1983 in respect of Egg Collection and Marketing Scheme, Chengannur (wound up on 30 June 1983) and that of Livestock and Poultry Feed Compounding Factory, Malampuzha (transferred to Kerala Live Stock Development Board from 1 May 1976) for 1970-71 were also in arrears.

* Formerly Poultry Feed Manufacturing and Distribution Scheme, Chengannur.

Comptroller and Auditor General of India has in the Audit Reports of the State repeatedly commented upon the failure of the Heads of Department and the management of the undertakings to prepare the *pro forma* accounts. The matter was also brought to the notice of Finance Department and the Secretary of the concerned departments. In spite of these, there was little improvement in the situation and most of these undertakings had not finalised their accounts for long periods. As a result, accountability of the management and Government in respect of the public funds spent by these undertakings was not ensured.

No action was taken against the managements of these undertakings for such failure. Government should take steps to finalise the accounts in arrears. Government should also re-examine the justification of release of budgetary funds to the undertakings since their utilisation cannot be monitored effectively in the absence of accounts. A synoptic statement showing the summarised financial results of two undertakings on the basis of latest available accounts is given in Appendix XXVIII.

The matter was referred to Government in October 2002; reply has not been received (December 2002).

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 General

Autonomous bodies and authorities are generally set up to operate non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the Kerala Co-operative Societies Act, 1969, Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955, Companies Act, 1956, etc., to implement various Government programmes. The grants are intended essentially for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies. Under the existing system, salary of the teaching and non-teaching staff of aided private educational institutions in the State is also directly paid by Government.

During 2001-02, financial assistance of Rs 2920.99 crore was paid to various autonomous bodies and others broadly grouped as under:

(Rupees in crore)

Sl. No.	Name of institutions/groups	Assistance paid		
		Grant	Loan	Total
1	Educational institutions (Aided schools, Private colleges, Universities, etc.)	1538.40	2.00	1540.40
2	Panchayat raj institutions	858.41	--	858.41
3	Municipalities, Corporations , etc.	131.57	--	131.57
4	Development agencies	4.12	8.95	13.07
5	Hospitals, Charitable institutions, etc.	17.17	--	17.17
6	Other institutions	259.51	100.86	360.37
	Total	**2809.18**	**111.81**	**2920.99**

7.2 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to the Accountant General (Accounts and Entitlements) within one year from the date of sanction of assistance unless specified otherwise.

As of June 2002, 85 utilisation certificates for Rs 30.93 crore paid as grants from April 1986 to 31 March 2001 had not been received in the Office of the Accountant General (Accounts and Entitlements). Department-wise break-up of outstanding utilisation certificates was as under:

Sl. No.	Name of Department	Year	Certificates due	
			Number	Amount (Rupees in lakh)
1	Cultural Affairs	1994-95	1	20.00
		1995-96	1	7.00
		1998-99	5	251.05
		1999-2000	3	158.72
2	General Education	1998-99	1	495.00
3	Higher Education	1986-87	2	2.50
		1989-90	1	5.00
		1992-93	1	25.00
		1993-94	3	60.17
		1994-95	3	75.75
		1995-96	8	301.00
		1996-97	4	175.97
		1997-98	8	389.46
		1998-99	5	596.08
		1999-2000	4	1.10
		2000-01	4	156.65
4	Science, Technology and Environment	1989-90	1	5.00
		1991-92	9	32.52
		1994-95	1	2.50
		1998-99	16	322.64
		1999-2000	2	5.22
		2000-01	2	4.50
	Total		**85**	**3092.83**

7.3 Delay in furnishing copies of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. Information for the year 2001-02 called for in April 2002 was awaited from 14 departments of Government and 22 Heads of Department as of October 2002. The following departments did not furnish information for the period indicated against each.

Sl. No.	Name of department	Year for which information had not been furnished
1	Finance	1999-2002
2.	Labour and Rehabilitation	1999-2002
3.	Agriculture	1999-2002
4.	Animal Husbandry	1999-2002
5.	Health and Family Welfare	2000-2002
6.	Local Self Government	2000-2002
7.	Higher Education	2001-2002
8.	SC/ST Development	2001-2002
9.	Personnel and Administrative Reforms	2001-2002
10.	Public Works	2001-2002
11.	Industries	2001-2002
12.	Tourism and Culture	2001-2002
13.	Planning	2001-2002
14.	Food and Civil Supplies	2001-2002

7.4 Audit arrangement

(i) Status of submission of accounts as of September 2002 by bodies/authorities, audit of accounts of which has been entrusted to the Comptroller and Auditor General of India is given below:

Sl. No.	Name of body	Section under which entrusted	Date of entrustment	Year up to which entrusted	Year up to which accounts were due	Year up to which accounts were submitted	Year up to which Audit Reports were issued
1	Command Area Development Authority	19(3)	3 August 2000	2004-05	2001-02	1999-2000	1997-98
2	Kerala Institute of Labour and Employment	20(1)	29 June 2002	2006-07	2001-02	2000-01	2000-01
3	Kerala Khadi and Village Industries Board	19(3)	20 January 1999	2002-03	2001-02	1999-2000	1998-99
4	Kerala State Commission for Backward classes	19(3)	25 March 2002	2006-07	2001-02	1998-99	1998-99
5	Kerala Water Authority	20(1)	10 February 1999	2003-04	2001-02	2000-01	1999-2000
6	Kerala State Human Rights Commission	19(2)	4 August 1997	1998-99 onwards	2001-02	1999-2000	--
7	Kerala Building and Other Construction Workers' Welfare Board	19(2)	20 November 2001	1998-99 onwards	2001-02	1999-2000	--

(ii) Primary audit of local bodies (Panchayat Raj Institutions, Municipalities, etc.), educational/co-operative institutions and others is conducted by the authorities mentioned below:

Sl. No.	Name of institution	Authority conducting primary audit
1	Panchayat Raj Institutions and Municipalities	Director of Local Fund Audit
2	Educational institutions:	
	(a)Universities	Director of Local Fund Audit
	(b)Other than Universities	Head of the department under which the institution is functioning
3	Co-operative institutions	Registrar of Co-operative Societies
4	Others	Chartered Accountants

Against 3149 grantee institutions which attracted audit, audit of 475 institutions was taken up during 2001-02.

GENERAL EDUCATION DEPARTMENT

7.5 Avoidable expenditure on appointment of language teachers

Irregular appointment of Malayalam language teachers in aided schools in violation of rules led to avoidable expenditure of Rs 7.78 crore.

Rules for fixation of strength of teachers in departmental and aided schools are laid down in Chapter XXIII of Kerala Education Rules (Rules). Audit scrutiny revealed irregular sanction of posts of Malayalam teachers in aided schools in contravention of the Rules resulting in avoidable expenditure of Rs 7.78 crore as detailed below:

Rules provided for sanctioning of posts of teachers in languages other than regional language on the basis of total effective strength of pupils studying a particular language in all divisions in a standard in a school. Posts of language teachers in Malayalam were sanctioned by District Educational Officers in regions of Kerala where other languages like Arabic, Urdu or Sanskrit were taught as first language instead of Malayalam.

On this being pointed out in audit, Government admitted (July 2000) that the provision in the rule was not in conformity with the intention of rule makers and informed that amendment to the rule was under consideration. Government also ordered (September 2000) that no post of High School Assistant (Malayalam) be sanctioned from the year 2000-01 reckoning the number of students learning Arabic, Urdu, Sanskrit etc. as first language.

Scrutiny of records for the period 1997-2002 revealed that by interpreting the rule, not in conformity with the intention of the rule makers, 200 to 233 posts were operated in aided schools alone in three educational districts of Kozhikode, Malappuram and Tirur over and above the normal strength of Malayalam language teachers. This resulted in avoidable expenditure of Rs 7.78 crore. Amendment to KERs, as agreed to by Government, had not been made as of December 2002.

The matter was referred to Government in May 2002; reply has not been received (December 2002).

7.6 Fixation of staff strength on bogus admission

Injudicious sanctioning of excess posts of teaching and non-teaching staff in a Government aided school.

Kerala Education Rules (KERs) provided for fixation of strength of teaching staff in each school by Educational Officer, once a year, after finalising the effective strength of the pupils as on 6th working day from the re-opening date in June and fixing the number of divisions (sections). KERs also empowered the Government to constitute Super Check Cell to inspect schools, to verify the strength of pupils, call for records from Headmasters/ Managers/Educational Officers and to send detailed report to the Director of Public Instruction (DPI) for appropriate action.

District Educational Officer (DEO), Mavelikkara fixed (July 2000) staff strength of an aided High School* for the academic year 2000-01 sanctioning 41 divisions. The Super Check Cell inspected the school thrice on 30 November 2000, 13 February 2001 and 26 February 2001 and found that there were bogus admissions and that 342 pupils enlisted in the roll were not actually studying there. Based on the report of the Super Check Officer, DPI conducted detailed enquiry and re-fixed the number of divisions as 33 based on the total effective strength. He ordered (September 2001) abolishing of 8 posts of High School Assistants/Upper Primary School Assistants, and one post each of Lower Grade Hindi Teacher, Lower Division Clerk and one full time Menial and to convert full time post of Urdu teacher as part-time. He also ordered to recover the loss sustained by the Government on account of salary etc., from the Headmaster and District Educational Officer jointly.

Scrutiny revealed that 342 pupils were admitted to High School from the academic year 1995-96 on the basis of transfer certificates obtained from a Lower Primary School under the same management. This amounted to fraud on the exchequer. Bogus admissions for arriving at the effective strength resulted in sanctioning 21 divisions and 21 posts in excess during the academic years 1995-96 to 1999-2000. Extra expenditure incurred for pay and allowances on the irregular posts amounted to Rs 11.88 lakh at the minimum of the scale of pay of the posts, for the five academic years from 1995-96 to 1999-2000 and Rs 7.20 lakh for the academic year 2000-01. Thus failure on the part of the Educational Officer in exercising the powers vested on him judiciously resulted in sanctioning of posts in excess involving extra liability to the tune of Rs 19.08 lakh.

The matter was referred to Government in June 2002, reply has not been received (December 2002).

LOCAL SELF GOVERNMENT DEPARTMENT

Municipal Corporation of Thiruvananthapuram

7.7 Failure to follow methodology of participatory planning

Violation of the financial principles and improper planning resulted in over-payment/wasteful expenditure/blocking of funds to the tune of Rs 5.16 crore.

On decentralisation of powers to Local Self Governments (LSGs) in 1995, most of the development functions were transferred to LSGs, and a methodology of participatory planning was evolved. Scrutiny (February 2002) revealed that Thiruvananthapuram Municipal Corporation had taken up four projects without proper planning resulting in overpayment, wasteful expenditure and blocking of funds aggregating to Rs 5.16 crore.

a) During April 1999 the Corporation Secretary (Secretary) hired four rooms on monthly rent at Saphalyam Complex, Palayam from Trivandrum

* MSM High School, Kayamkulam

Development Authority (TRIDA) to accommodate some offices of Peoples' Plan Programme and Secretary paid (April 1999) Rs 51.80 lakh as rent deposit. On the basis of a request from the Secretary in February 2001, TRIDA decided to allot the four rooms on lease for 99 years at a total lease amount of Rs 84.25 lakh. The Secretary paid (March and July 2001) Rs 85.52 lakh (including arrears of rent amounting to Rs 1.27 lakh), from the plan fund without adjusting the rent deposit already made and without executing any formal agreement with TRIDA. This resulted in over payment of lease rent by Rs 51.80 lakh.

On this being pointed out in audit, the Secretary had taken up (July 2002) the issue with TRIDA which had agreed to sell the land in their possession at Chalai to the Corporation in lieu of the amount already deposited with TRIDA as TRIDA did not have sufficient funds to refund the deposit. But the transfer of land had not materialised so far (December 2002).

b) (i) Out of the 4 rooms, 2 rooms were earmarked in April 1999 for starting a Garment making unit, a project launched to generate employment opportunities to Scheduled Caste/Scheduled Tribe women below poverty line. In addition to the lease rent of Rs 41.15 lakh for the two rooms, Rs 24.32 lakh was spent on purchase of raw material and machines (Rs 12.94 lakh), training to 100 women (Rs 7 lakh), rent (Rs 2.63 lakh), furniture (Rs 1.60 lakh) and contingencies (Rs 0.15 lakh) during the years 1998-99 to 2001-02. But the unit had not yet started functioning as of December 2002.

(ii) On another project of book binding which was also intended to provide employment to SC/ST women below poverty line, Rs 14.12 lakh was spent for purchase of paper (Rs 7.53 lakh); rent (Rs 2.66 lakh); furniture (Rs 2 lakh); stipend (Rs 0.96 lakh) and others (Rs 0.97 lakh) during 1998-2001. The project had not been functioning since January 2001. Lack of effective monitoring and co-ordination of the activities by the Sub-Committee constituted by the Corporation for the purpose resulted in failure of the two projects on which expenditure of Rs 79.59 lakh was incurred.

c) The Secretary deposited Rs 1.40 crore (Rs 75 lakh in March 1999 and Rs 65 lakh in March 2000) with Deputy Collector (Land Acquisition) for acquisition of 34 cents of land in Vanchiyoor Village for construction of a Hi-Tech Information Centre. As the acquisition of land was under litigation, the Secretary hired 3450 Sq ft area in Saphalyam Complex of Thiruvananthapuram Development Authority (TRIDA) on lease for a period of 99 years for Rs 1.24 crore in April 1999 i.e., before the release of second instalment of deposit of Rs 65 lakh for land acquisition. Secretary had not initiated any action to withdraw the notification and to get refund of Rs 1.40 crore. Secretary stated (July 2002) that action would be taken to get the amount refunded. Further developments are awaited (December 2002).

d) The Secretary deposited Rs 2.20 crore between June 1998 and March 2001 with Kerala Water Authority (KWA) for the execution of Thrikkannapuram – Mudavanmughal water supply project estimated to cost Rs 3.90 crore and included in their People's Plan programme for 1997-98. The Corporation also incurred (August 2000) an expenditure of Rs 25 lakh towards acquisition of land for the project. Out of the deposit of Rs 2.20 crore, KWA utilised Rs 25 lakh only for construction of pump house and intake well. Works relating to various other components had not been taken up as of December 2002 resulting in blocking up of the fund with KWA.

Thus the Corporation spent money extravagantly and in violation of the prescribed procedures of participatory planning, resulting in over-payment (Rs 51.80 lakh), blocking of funds (Rs 3.85 crore) and wasteful expenditure (Rs 79.59 lakh).

The matter was referred to Government in July 2002; reply has not been received (December 2002).

WATER RESOURCES DEPARTMENT

Kerala Water Authority

7.8 Lack of inventory control

Failure of KWA in monitoring purchase and distribution of pipes resulted in non-commissioning of two schemes sanctioned 9 – 19 years ago and the investment of Rs 10.59 crore remaining unproductive.

Mention was made in para 7.14.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 (Civil) about unnecessary piling up of stock of pipes, costing Rs 4.11 crore, procured for five Accelerated Rural Water Supply Schemes in Thiruvananthapuram and Kollam divisions of Kerala Water Authority (KWA) during June 1997 to January 2001. Two instances of delay in commissioning of water supply schemes, due to non availability of sufficient quantity of pipes in Sulthan Bathery and Thrissur divisions of KWA were noticed in audit (April 2002) as detailed below.

a) Government sanctioned (November 1983) implementation of a comprehensive water supply scheme to Guruvayoor, Kunnamkulam, Chavakkad and adjoining Panchayats in Thrissur District, estimated to cost Rs 4.09 crore. The scheme envisaged distribution of 11.25 million litres of water per day (mld) by augmenting an existing water supply scheme with capacity to distribute 4.5 mld of water. All the major components of the scheme were completed between June 1989 and January 1998. But the scheme could not be completed as the work of laying 2330 metres of 400 mm class A cast iron (CI) pipes for gravity main had not been executed due to delay in finalisation of tender for purchase of pipes. Expenditure of Rs 5.49 crore incurred on the scheme as of March 2002, in addition to payment of interest of Rs 2.13 crore on loan (Rs 1.97 crore) raised from LIC for the scheme turned out to be unfruitful.

Government stated (September 2002) that tender for purchase of 400 mm CI pipes was again floated in August 2002. Further development is awaited (December 2002).

b) Sanction was accorded (October 1993) for Anjukunnu – Kuppathodu Rural Water Supply Scheme in Sulthan Batheri Division (Wayanad District) at an estimated cost of Rs 1.14 crore. All the components of the scheme except distribution system were completed as of December 2000. Of the total length of 64.38 km of distribution lines to be laid in eighteen reaches, only 19 km in six reaches could be laid as of March 2002. The tender for purchase of pipes invited (August 1998) had to be retendered (February 1999) which was again cancelled (November 2000) due to defective tender procedure. It was decided to execute the balance work of laying distribution lines on "supplying and laying basis" after reducing the length of lines by 50 *per cent* due to financial constraints. But it could not be arranged as of March 2002 with the result that the scheme on which an expenditure of Rs 2.97 crore was incurred could not be commissioned.

Government stated (November 2002) that the completed portion of the work is expected to be commissioned by May 2003.

7.9 Avoidable interest liability on loans raised from LIC for two water supply schemes

Delay of more than 6–8 years in execution of two projects for which KWA raised loan of Rs 1.85 crore bearing interest at 13.26 *per cent* resulted in avoidable interest liability of Rs 1.48 crore.

Kerala Water Authority (KWA) raises loans from financial institutions like LIC, HUDCO etc. for completion of its various ongoing as well as new schemes. Mention was made in para 7.16 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2001 on payment of interest of Rs 6.33 crore on amounts borrowed from LIC for implementation of water supply schemes which had not been commissioned. Two more instances of payment of interest of Rs 1.48 crore on borrowed funds on schemes not yet commissioned, were noticed as discussed below:

a) Kerala Water Authority (KWA) accorded (March 1994) sanction for a Rural Water Supply Scheme at a total cost of Rs 2.20 crore to benefit the people of Madakkathara and adjoining villages in Thrissur District. KWA received (January 1994) an advance of Rs 40 lakh out of the total financial assistance of Rs 110 lakh from LIC at an interest rate of 13.26 *per cent*. Though KWA purchased (between July 1997 and April 1998) 12.53 Km pipes and specials costing Rs 27.07 lakh, KWA did not get 0.238 hectares of land transferred from Forest Department for the construction of three ground level reservoirs as of August 2002 inspite of Government sanction in June 2001. However, KWA started construction of ground level reservoir on the basis of oral direction of Divisional Forest Officer, Thrissur. KWA had also transferred (April 2002) pipes costing Rs 18.21 lakh to a Centrally sponsored scheme.

Delay on the part of KWA in getting the land transferred from Forest Department resulted in non-completion of the scheme and payment of interest of Rs 40.32 lakh on loan raised for the scheme which remained unproductive even after 8 years.

Government admitted (September 2002) the facts and stated that the amount was utilised on some other scheme. This is not tenable as the schemes for which loan was raised could not be commissioned and diversion was made to a 100 *per cent* Centrally sponsored scheme. Further no records were maintained by KWA to show that the funds were diverted for the scheme.

b) Government in Water Resources Department sanctioned (March 1996) a water supply scheme to Anakkayam Town in Malappuram District at a cost of Rs 7.56 crore. KWA received (March 1996) a loan of Rs 1.45 crore out of the total financial assistance of Rs 3.69 crore from LIC at an interest rate of 13.26 *per cent*. Though land required for the scheme was available even in October 1998, only one component of the scheme, i.e. clear water- pumping main, was completed as of November 2000 incurring an expenditure of Rs 17.75 lakh besides procurement of 1101 metre pipes costing Rs 15.53 lakh. KWA had not yet commenced the works relating to other components of the scheme. No reasons for the delay were on record.

Thus lack of planning on the part of KWA in arranging works relating to the other components of the scheme even after 6 years from the date of receipt of loan resulted in an avoidable interest liability of Rs 1.08 crore on the loans from LIC, and piling up of pipes costing Rs 15.53 lakh. Besides the objective of providing drinking water facility was not achieved.

Government stated (August 2002) that work on other components of the scheme were started in March 2002 and proposed to be commissioned by October 2003.

7.10 Avoidable loss due to failure to obtain utilisation certificate

Failure on the part of KWA to obtain and forward utilisation certificate to Netherlands Embassy resulted in avoidable loss of Rs 65.33 lakh.

In pursuance of a bilateral agreement between Royal Netherlands Embassy (RNE) and Government of India (GOI) in August 1986, Kerala Water Authority (KWA) had undertaken implementation of Pavaratty Regional Comprehensive Rural Water Supply Scheme (PRCRWSS) with financial assistance in the form of grants-in-aid from the RNE. Stipulated date of completion was March 1997 which was further extended to March 2001. While RNE agreed to reimburse 85 *per cent* of the expenditure incurred on the scheme, it also agreed to reimburse additionally 100 *per cent* of the expenditure of Rs 1.20 crore to be incurred for non-engineering activities such as community participation, preparation of maps, stand post location survey and tracing in information technology and geographic information system on production of audited statement of expenditure before March 2002.

KWA paid (between August 2000 and September 2001) Rs 1.01 crore out of the agreed cost of Rs 1.20 crore to three consultants for community participation activities, training, mapping etc. Although KWA completed the scheme in March 2001 itself and forwarded audited statement of expenditure in November 2001, it failed to obtain details of utilisation of Rs 65.33 lakh (including Rs 31.27 lakh paid between April 2001 and September 2001) from the consultants after completion of the project. As a result KWA could not claim reimbursement of Rs 65.33 lakh. Thus failure of the Executive Engineer and Assistant Executive Engineer of PH Division, Kunnamkulam to obtain utilisation certificates for Rs 65.33 lakh from the consultants and forward the same to RNE within the stipulated time (March 2002) resulted in avoidable financial loss of Rs 65.33 lakh.

The matter was referred to Government in June 2002; reply has not been received (December 2002).

7.11 Infructuous establishment expenditure

Creation of posts in advance of implementation of project and failure to deploy excess staff after commissioning of schemes led to payment of idle wages to the tune of Rs 5.09 crore

In Kerala Water Authority (KWA), salary and establishment expenditure are increasing by about 15 *per cent* annually and operation and maintenance expenditure by 10 *per cent**. As allocation of non-plan grant by Government of Kerala and revenue realised by KWA were insufficient to meet the non-plan expenditure, KWA diverted capital funds for non-plan expenditure. Even then KWA had not conducted any evaluation of the human resources available so as to obtain the maximum output; instead created additional posts in advance and sanctioned continuance of certain posts without any assignment as detailed below.

a) Government accorded (October 1997) sanction to Kerala Water Authority (KWA) for execution of a water supply project consisting of two urban and three rural water supply schemes covering six districts** estimated to cost Rs 1787.45 crore with financial assistance from Overseas Economic Co-operation Fund (OECF). As per agreement, KWA was to employ a consultant. Government sanctioned (April 1997) 33 posts including a Chief Engineer (CE) and KWA filled up 32 posts except the Consultant. KWA also acquired 49.39 hectares of land out of 52.09 hectares required for the project.

As selection of consultant was not finalised, implementation of phase I of the project could not be proceeded further. Yet the staff appointed in the five project offices under the control of CE was retained and expenditure incurred on the pay and allowances as of May 2002 amounted to Rs 1.85 crore.

Government stated (December 2002) that KWA was asked (June 2002) to start the process of selection of the consultant afresh and to continue the posts. Government reply is not tenable as the staff appointed specifically for the purpose of implementing phase I of the project in a period of two years was continuing for more than five years in spite of the fact that the pre-condition of appointment of consultant has not been fulfilled and the activities of the project have not commenced.

b) Consequent on the commissioning of Comprehensive Water Supply Scheme to Nattika Firka in March 1997, Public Health Division at Nattika (with three sub divisions) in Thrissur District were attending only to the

* Source : White Paper on State Finances (June 2001)

** Thiruvananthapuram, Kollam, Alappuzha, Ernakulam, Kozhikode and Kannur maintenance and operation of the schemes already commissioned. The division retained an average number of 107 employees of which only 67 were deployed for operation and maintenance of the schemes and 40 employees were in excess. During 1997-2002 wages paid to the excess staff were Rs 1.71 crore (approximately).

c) The Public Health Mechanical Division established at Kochi in 1983 for drilling borewells and tubewells for water supply schemes had not been executing any such work since January 1995 as three out of four rigs owned by the division were transferred to the Ground Water Department in December 1994 and the fourth one was defunct from February 1992. However, excess staff were retained without any work. Idle wages paid to the excess staff during 1996-2002 worked out to Rs 1.53 crore.

The above points were referred to Government in July 2002; reply has not been received (December 2002).

Thiruvananthapuram, **(V. KURIAN)**
The Accountant General (Audit), Kerala

Countersigned

New Delhi, **(VIJAYENDRA N. KAUL)**
The Comptroller and Auditor General of India

APPENDICES

Appendix I
(Reference: Paragraph 1.1; Page 1)

Part A – Government Accounts

I. *Structure:*

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All Receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266(1) of the Constitution of India. All expenditure of the Government is incurred from this Fund from which no amount can be withdrawn without authorisation from the State Legislature. This part consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part II: Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorized by the Legislature during the year was Rs 25 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes *viz.*, the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts, present the details of expenditure by the State Government *vis-à-vis* the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B - List of terms used in the Chapter-I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter / GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) / Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	[(Current year Amount/previous year Amount) –1] * 100
Trend/Average	Trend of growth over a period of 5 years [LOGEST (Amount of 1996-97: Amount of 2001-02)-1]*100
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth – Weighted Interest Rate
Interest received as *per cent* to loans advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipt minus Plan grants and Non-Plan Revenue Expenditure excluding debits under 2048-Appropriation for Reduction or Avoidance of Debt

Appendix II
Cases of unnecessary supplementary grants/appropriations
(Reference: Paragraph 2.3.3; Page 26)

(Rupees in crore)

Sl. No.	Number and Name of Grant		Original grant	Supplementary grant	Actual expenditure	Savings
Revenue (Voted)						
1.	II	Heads of States, Ministers and Headquarters Staff	104.08	1.05	75.20	29.93
2.	X	Treasury and Accounts	52.72	20.00	45.01	27.71
3.	XIII	Jails	21.60	1.00	18.96	3.64
4.	XV	Public Works	439.88	0.50	324.25	116.13
5.	XX	Water Supply and Sanitation	185.44	1.00	131.87	54.57
6.	XXV	Social Welfare including Welfare of SCs/STs and OBCs	432.79	40.00	396.18	76.61
7.	XXIX	Agriculture	384.06	6.28	346.46	43.88
8.	XXXIV	Forest	165.78	0.51	134.33	31.96
Capital (Voted)						
9.	XXV	Social Welfare including Welfare of SCs/STs and OBCs	21.62	1.00	10.90	11.72
10.	XXX	Food	20.45	4.00	14.92	9.53
		Total	**1828.42**	**75.34**	**1498.08**	**405.68**

Appendix III
Cases of excessive supplementary grants/appropriations
(Reference: Paragraph 2.3.4 ; Page 26)

(Rupees in crore)

Sl. No	Number and name of Grant		Original grant	Supplementary grant	Actual expenditure	Savings
Revenue (Voted)						
1.	XXVI	Relief on Account of Natural Calamities	141.22	95.10	186.20	50.12
2.	XXXVI	Community Development	115.40	16.84	121.19	11.05
Capital (Voted)						
3.	XV	Public Works	147.87	95.39	222.13	21.13
	Total		**404.49**	**207.33**	**529.52**	**82.30**

Appendix IV
Excess over grants/appropriations requiring regularisation
(Reference: Paragraph 2.3.5 ; Page 26)

Sl. No	Number and name of Grant	Total grant or appropriation	Actual expenditure	Amount of excess
			(in Rupees)	
Revenue (Voted)				
1.	IV Elections	23,54,82,000	27,57,41,944	4,02,59,944
2.	XI District Administration and Miscellaneous	109,80,30,000	129,15,89,472	19,35,59,472
3.	XVI Pensions and Miscellaneous	1944,00,84,000	1999,58,88,734	55,58,04,734
4.	XIX Family Welfare	55,08,00,000	102,56,32,278	47,48,32,278
5.	XXXVII Industries	97,84,74,000	113,55,05,927	15,70,31,927
Revenue (Charged)				
6.	Debt Charges	2412,79,94,000	2489,54,54,920	76,74,60,920
Capital (Voted)				
7.	XII Police	2,78,73,000	3,12,00,665	33,27,665
8.	XIV Stationery and Printing and other Administrative Services	21,00,000	93,53,561	72,53,561
9.	XVIII Medical and Public Health	18,87,24,000	28,59,33,059	9,72,09,059
Capital (Charged)				
10	XVII Education, Sports, Art and Culture	2,00,000	6,80,948	4,80,948
11.	Public Debt Repayment	5850,81,76,000	6670,70,37,783	819,88,61,783
Total		**10515,79,37,000**	**11565,40,19,291**	**1049,60,82,291**

Appendix V
Cases of insufficient supplementary grants
(Reference: Paragraph 2.3.6 ; Page 26)

(Rupees in crore)

Sl.No.	Number and Name of Grant	Original grant	Supple-mentary grant	Actual expenditure	Excess
Revenue (Voted)					
1.	IV Elections	21.55	2.00	27.57	4.02
2.	XVI Pensions and Miscellaneous	1907.01	37.00	1999.59	55.58
Revenue (Charged)					
3.	Debt Charges	2412.53	0.27	2489.55	76.75
Total		**4341.09**	**39.27**	**4516.71**	**136.35**

Appendix VI
Significant cases of savings in grants/appropriations
(Reference: Paragraph 2.3.7 ; Page 26)

(Rupees in crore)

Sl. No		Description of the Grant/Appropriation	Total grant/ appropriation	Amount of Savings and percentage of Savings
Revenue (Voted)				
1.	II	Heads of States, Ministers and Headquarters staff	105.13	29.92 (28)
2.	III	Administration of Justice	81.45	11.37 (14)
3.	V	Agricultural Income Tax and Sales Tax	58.53	13.64 (23)
4.	VI	Land Revenue	121.63	44.99 (37)
5.	VIII	Excise	38.73	8.43 (22)
6.	X	Treasury and Accounts	72.72	27.71 (38)
7.	XIV	Stationery and Printing and Other Administrative Services	87.82	17.17 (20)
8.	XV	Public Works	440.38	116.13 (26)
9.	XVII	Education, Sports, Art and Culture	3023.94	529.26 (18)
10	XX	Water Supply and Sanitation	186.44	54.57 (29)
11.	XXI	Housing	51.12	17.45 (34)
12.	XXII	Urban Development	183.57	60.53 (33)
13.	XXIV	Labour and Labour Welfare	124.04	60.58 (49)
14.	XXV	Social Welfare including Welfare of SCs /STs and OBCs	472.79	76.61 (16)
15.	XXVI	Relief on Account of Natural Calamities	236.32	50.12 (21)
16.	XXVII	Co-operation	48.99	14.85 (30)
17.	XXVIII	Miscellaneous Economic Services	35.55	9.52 (27)
18.	XXIX	Agriculture	390.34	43.88 (11)
19.	XXX	Food	169.95	126.52 (74)
20.	XXXI	Animal Husbandry	97.25	20.29 (21)

Appendix VI – *Concld.*

Sl. No	Description of the Grant/Appropriation		Total grant/ appropriation	Amount of Savings and percentage of Savings
21.	XXXIII	Fisheries	53.94	16.73 (31)
22.	XXXIV	Forest	166.29	31.96 (19)
23.	XXXV	Panchayat	786.38	223.35 (28)
24.	XXXVIII	Irrigation	121.33	45.61 (38)
25.	XLII	Tourism	41.51	7.52 (18)
Revenue (Charged)				
26.	XVI	Pensions and Miscellaneous	11.57	9.57 (83)
Capital (Voted)				
27.	XVII	Education, Sports, Art and Culture	33.01	14.27 (43)
28.	XX	Water Supply and Sanitation	81.00	65.78 (81)
29.	XXI	Housing	13.13	6.42 (49)
30	XXV	Social Welfare including Welfare of SCs/STs and OBCs	22.62	11.73 (52)
31.	XXVII	Co-operation	50.76	14.33 (28)
32.	XXX	Food	24.45	9.53 (39)
33.	XXXIII	Fisheries	38.63	28.63 (74)
34.	XXXVII	Industries	152.09	66.70 (44)
35.	XXXVIII	Irrigation	169.91	34.19 (20)
36.	XL	Ports	7.49	5.73 (77)
37.	XLI	Transport	39.14	11.06 (28)
38.	XLV	Miscellaneous Loans and Advances	82.90	44.84 (54)

Appendix VII
Persistent savings
(Reference: Paragraph 2.3.8 (a) ; Page 26)

(Rupees in crore)

Sl No	Number and Name of Grant/Appropriation		Amount of savings (Percentage)		
			1999-2000	2000-01	2001-02
Revenue (Voted)					
1.	VI	Land Revenue	44.49 (31)	26.58 (23)	44.99 (37)
2.	XXIV	Labour and Labour Welfare	39.87 (31)	45.20 (34)	60.58 (49)
3.	XXVII	Co-operation	11.62 (21)	55.82 (55)	14.85 (29)
Revenue (Charged)					
4.	XV	Public Works	0.42 (36)	0.69 (59)	1.17 (81)
5.	XVI	Pensions and Miscellaneous	8.86 (78)	8.43 (73)	9.57 (83)
6.	XVII	Education, Sports, Art and Culture	0.14 (52)	0.14 (100)	0.14 (100)
Capital (Voted)					
7.	XVII	Education, Sports, Art and Culture	8.85 (35)	6.96 (31)	14.27 (43)
8.	XX	Water supply and Sanitation	40.00 (56)	65.00 (81)	65.78 (81)
9.	XXV	Social Welfare including Welfare of SCs/STs and OBCs	7.11 (27)	13.46 (40)	11.73 (52)
10.	XXIX	Agriculture	13.33 (35)	14.19 (60)	4.37 (22)
11.	XXXIII	Fisheries	24.03 (54)	14.71 (36)	28.63 (74)
12.	XXXIV	Forest	1.46 (20)	2.34 (20)	2.78 (59)
13.	XXXVIII	Irrigation	42.76 (22)	56.13 (29)	34.19 (20)
14.	XL	Ports	1.24 (24)	4.54 (62)	5.73 (77)
Capital (Charged)					
15.	XV	Public Works	0.23 (43)	0.40 (70)	0.53 (98)

Appendix VIII
Excessive reappropriation of funds
(Reference: Paragraph 2.3.9 ; Page 27)

(Rupees in crore)

Sl. No	Number, Name of Grant and Head of account	Original plus supplementary provision	Re-appropriation	Final Grant	Actual expenditure	Excess (+) Savings (-)
IV Elections						
1.	2015-106-99	13.00	-1.11	11.89	14.00	+2.11
Debt Charges						
2.	2049-01-101-99	652.96	7.56	660.52	588.81	-71.71
3.	2049-01-123	390.30	-294.79	95.51	143.28	+ 47.77
4.	2049-03-115-99	--	160.00	160.00	130.73	-29.27
XII Police						
5.	2055-101-99	30.50	0.94	31.44	26.11	-5.33
6.	2055-104-99	86.11	-30.39	55.72	56.88	+1.16
7.	2055-109-99	301.54	-36.82	264.72	270.20	+5.48
XV Public Works						
8.	3054-80-800-99	52.71	23.39	76.10	67.73	-8.37
9.	3054-80-800-93	--	6.10	6.10	5.36	-0.74
10	5054-01-101-99	1.65	3.17	4.82	3.50	-1.32
11	5054-04-800-98	27.13	6.66	33.79	29.33	-4.46
12	5054-04-800-91	--	15.35	15.35	10.31	-5.04
13	5054-80-800-96	2.43	-1.02	1.41	8.07	+6.66
14	5054-80-800-95	0.83	2.44	3.27	2.33	-0.94
XVII Education, Sports, Art and Culture						
15	2202-02-109-86	39.90	13.53	53.43	50.94	-2.49
16	2202-03-104-99	259.85	-56.19	203.66	307.80	+104.14
17	2203-105-99	22.48	1.59	24.07	18.88	-5.19
18	4202-01-202-99	--	4.21	4.21	3.38	-0.83

Appendix VIII – *Contd.*

Sl. No	Number, Name of Grant and Head of account	Original plus supplement-ary provision	Re-appropria-tion	Final Grant	Actual expenditure	Excess (+) Savings (-)
19.	4202-02-105-99	6.46	1.40	7.86	6.01	-1.85
20.	4202-02-800-95	1.00	1.63	2.63	1.74	-0.89
XVIII Medical and Public Health						
21.	2210-01-110-99	140.26	11.53	151.79	132.12	-19.67
22.	2210-01-110-97	24.06	0.75	24.81	21.39	-3.42
23.	2210-02-101-97	33.27	0.74	34.01	29.65	-4.36
24	2210-03-110-99	64.03	4.73	68.76	59.02	-9.74
25.	2210-05-105-97	17.06	-0.67	16.39	23.46	+7.07
26.	2210-05-105-96	12.67	-0.80	11.87	15.42	+3.55
27.	2210-05-105-95	11.09	-0.71	10.38	11.23	+0.85
28.	2210-05-105-94	12.10	-0.84	11.26	12.28	+1.02
29.	4210-03-102-99	0.81	-0.70	0.11	1.38	+1.27
30.	4210-03-105-89	3.71	7.47	11.18	9.65	-1.53
X1X Family Welfare						
31	2211-800-98	1.00	0.75	1.75	1.09	-0.66
XXI Housing						
32	2216-01-106-97	7.74	2.51	10.25	9.47	-0.78
33.	2216-80-103-99	30.47	-13.63	16.84	18.84	+2.00
XXII Urban Development						
34.	2217-80-191-45	136.22	-34.27	101.95	102.47	+0.52
XXV Social Welfare including Welfare of SCs/STs and OBCs						
35.	2225-01-277-98	28.50	4.76	32.26	29.23	-4.03
36.	2235-02-102-75	40.54	-23.31	17.23	18.45	+1.22
37.	2235-02-191-48	1.73	2.59	4.32	3.64	-0.68

Appendix VIII – *Concld.*

Sl. No	Number, Name of Grant and Head of account	Original plus supplement-ary provision	Re-appropria-tion	Final Grant	Actual expenditure	Excess (+) Savings (-)
XXIX Agriculture						
38.	2401-102-84	--	8.00	8.00	0.07	-7.93
39.	2401-103-99	5.17	0.70	5.87	4.78	-1.09
40.	2401-104-98	3.41	1.35	4.76	3.66	-1.10
41.	2401-108-47	5.00	2.00	7.00	5.60	-1.40
42.	2551-103-96	3.00	0.60	3.60	2.74	-0.86
43.	2702-01-001-99	13.32	7.04	20.36	17.46	-2.90
XXXIV Forest						
44.	2406-01-101-92	12.00	-6.08	5.92	7.92	+2.00
45.	2406-01-102-92	32.00	-3.92	28.08	29.23	+1.15
46.	2406-01-105-99	9.00	3.00	12.00	11.15	-0.85
47.	2406-02-110-99	2.11	-1.47	0.64	1.30	+0.66
XXXV Panchayat						
48.	2515-191-44	--	13.61	13.61	12.41	-1.20
XXXVI Community Development						
49.	2515-102-65	17.43	-10.43	7.00	7.90	+0.90
XXXVII Industries						
50.	2851-105-99	8.45	2.00	10.45	8.39	-2.06
51.	4860-195-99	Token	1.50	1.50	1.00	-0.50
XXXVIII Irrigation						
52.	2701-80-004-96	0.65	1.39	2.04	1.54	-0.50
53.	4701-02-206-98	0.90	7.65	8.55	8.05	-0.50
XLII Tourism						
54.	3452-80-001-95	3.80	0.59	4.39	3.88	-0.51
XLV Miscellaneous Loans and Advances						
55.	7610-800-90	2.00	-1.37	0.63	1.16	+0.53

Appendix IX
Expenditure without provision
(Reference: Paragraph 2.3.10 ; Page 27)

Sl. No	Number and Name of Grant		Sub-head	Expenditure (Rupees in crore)
1.	XVII	Education, Sports, Art and Culture	2202-04-001-99	0.35
2.	XVII	Education, Sports, Art and Culture	2203-112-80	0.22
3.	XVII	Education, Sports, Art and Culture	2205-105-98	0.30
4.	XVIII	Medical and Public Health	2210-06-101-77	0.12
5.	XVIII	Medical and Public Health	2210-06-101-59	1.97
6.	XVIII	Medical and Public Health	4210-01-110-96	0.10
7.	XVIII	Medical and Public Health	4210-03-101-99	0.11
8.	XVIII	Medical and Public Health	6210-03-105-98	2.00
9.	XIX	Family Welfare	2211-200-92	23.85
10	XXIX	Agriculture	2401-104-92	0.19
11	XXIX	Agriculture	4402-203-99	0.12
12	XXXI	Animal Husbandry	4403-101-99	0.18
13	XXXIII	Fisheries	4405-800-98	0.13
14	XXXVII	Industries	4851-190-92	0.16
15	XXXVII	Industries	4851-195-99	0.50
16	XXXVII	Industries	6858-60-190-87	1.52
17	XXXVII	Industries	6885-60-190-99	4.00
18		Public Debt Repayment	6004-06-800-99	203.00
		Total		**238.82**

Appendix X
Non-surrender of savings of Rs 5 crore and above
(Reference: Paragraph 2.3.11(a) ; Page 27)

(Rupees in crore)

Sl. No	Number and Name of Grant	Savings	Amount surrendered	Amount not surrendered
Revenue (Voted)				
1.	II Heads of States, Ministers and Headquarters staff	29.92	16.71	13.21
2.	III Administration of Justice	11.37	2.13	9.24
3.	V Agricultural Income Tax and Sales Tax	13.64	2.78	10.86
4.	VI Land Revenue	44.99	25.39	19.60
5.	XIV Stationery and Printing and Other Administrative Services	17.17	8.46	8.71
6.	XVII Education, Sports, Art and Culture	529.26	338.15	191.11
7.	XVIII Medical and Public Health	39.33	4.67	34.66
8.	XX Water Supply and Sanitation	54.57	28.92	25.65
9.	XXI Housing	17.46	11.97	5.49
10.	XXII Urban Development	60.53	46.07	14.46
11.	XXV Social Welfare including Welfare of SCs/STs and OBCs	76.61	44.11	32.50
12.	XXVII Co-operation	14.85	4.44	10.41
13.	XXIX Agriculture	43.88	16.34	27.54
14.	XXX Food	126.52	121.38	5.14
15.	XXXI Animal Husbandry	20.29	4.96	15.33
16.	XXXIV Forest	31.96	25.43	6.53
17.	XXXV Panchayat	223.35	217.42	5.93
18.	XXXVI Community Development	11.06	4.65	6.41
19.	XXXVIII Irrigation	45.61	17.88	27.73
Capital (Voted)				
20.	XV Public Works	21.13	14.72	6.41
21.	XVII Education, Sports, Art and Culture	14.27	9.19	5.08
22.	XXV Social Welfare including Welfare of SCs/STs and OBCs	11.73	4.90	6.83
23.	XXXVIII Irrigation	34.19	7.79	26.40
24.	XLV Miscellaneous Loans and Advances	44.84	36.72	8.12
	Total	**1538.53**	**1015.18**	**523.35**

Appendix XI
Excess surrender of savings
(Reference: Paragraph 2.3.12 ; Page 28)

(Rupees in crore)

Sl. No	Number and Name of Grant	Savings	Amount surrendered	Amount surrendered in excess
Revenue (Voted)				
1.	VIII Excise	8.43	8.61	0.18
2.	XI District Administration and Miscellaneous	*	0.24	0.24
3.	XII Police	47.14	49.73	2.59
4.	XIII Jails	3.64	3.76	0.12
5.	XXIII Information and Publicity	2.84	3.28	0.44
Revenue (Charged)				
6.	Debt Charges	*	65.31	65.31
Capital (Voted)				
7.	XXXIV Forest	2.78	2.91	0.13
8.	XXXVII Industries	66.70	72.22	5.52
Capital (Charged)				
9.	Public Debt Repayment	*	4.38	4.38
	Total	**131.53**	**210.44**	**78.91**

* Grants/Appropriations showed overall excess

Appendix XII
Arrears in reconciliation
(Reference: Paragraph 2.3.16 ; Page 29)

Year	No. of Controlling Officers	No. of monthly reconciliation certificates due
1995-96	1	12
1996-97	1	12
1997-98	9	101
1998-99	14	181
1999-2000	40	364
2000-01	55	573
2001-02	143	1319
Total	**263**	**2562**

Appendix XIII
Flow of expenditure
(Reference: Paragraph 2.3.17 ; Page 29)

Sl No	Major Head		Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2002	
				Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
			(Rupees in crore)			(Rupees in crore)	
1.	2216	Housing	33.67	18.51	55	17.94	53
2.	2225	Welfare of Scheduled Castes, Scheduled Tribes & Other Backward Classes	171.59	94.97	55	83.45	49
3.	2405	Fisheries	37.17	20.63	55	17.46	47
4.	2435	Other Agricultural Programmes	9.83	7.05	72	6.16	63
5.	2501	Special Programmes for Rural Development	8.51	5.01	59	4.18	49
6.	2505	Rural Employment	24.48	14.68	60	12.77	52
7.	2506	Land Reforms	1.71	1.71	100	1.69	99
8.	2551	Hill Areas	12.24	9.28	76	5.91	48
9.	2810	Non-conventional Sources of Energy	11.68	11.25	97	11.18	96
10	2851	Village and Small Industries	108.06	68.78	64	58.72	54
11.	4055	Capital Outlay on Police	3.12	2.63	84	2.48	79
12.	4058	Capital Outlay on Stationery & Printing	0.94	0.74	80	0.58	62
13.	4059	Capital outlay on Public works	22.36	16.81	75	12.47	56
14.	4210	Capital Outlay on Medical & Public Health	26.59	17.26	65	12.75	48
15.	4216	Capital Outlay on Housing	2.98	1.75	59	1.51	51
16.	4225	Capital Outlay on Welfare of scheduled Castes, Scheduled Tribes & Other Backward Classes	9.91	8.07	81	6.23	63
17.	4235	Capital Outlay on Social Security & Welfare	0.93	0.73	79	0.67	72
18.	4401	Capital Outlay on Crop Husbandry	0.81	0.70	87	0.69	85
19.	4405	Capital Outlay on Fisheries	9.84	5.73	58	4.31	44
Total			**496.42**	**306.29**		**261.15**	

Appendix XIV
Details of land acquired
(Reference; Paragraph 3.7.3 Page 51)

District	1997-98		1998-99		1999-2000		2000-01		2001-02	
	No. of Awards	Area acquired (Ha)	No. of Awards	Area acquired (Ha)	No. of Awards	Area acquired (Ha)	No. of Awards	Area acquired (Ha)	No. of Awards	Area acquired (Ha)
Trivandrum	34	4.8388	45	43.7614	33	18.6906	131	22.9893	42	32.7814
Kollam	219	11.0838	491	18.9994	265	15.4166	42	6.0731	8	4.0994
Pathanamthitta	90	1.2364	41	15.9204	96	3.4821	11	0.6113	25	1.9740
Alappuzha	-	-	-	-	-	-	-	-	-	-
Idukki	153	6.9147	125	10.8548	91	4.5236	286	21.4414	276	17.9255
Kottayam	449	28.5506	605	26.3856	14	0.6606	15	1.6234	224	12.5284
Ernakulam	3703	521.7298	1664	113.3496	928	58.4481	676	62.0384	486	24.8506
Thrissur	32	16.2532	8	3.2360	15	2.1835	18	17.2707	22	21.0772
Palakkad	2	29.3011	6	3.9207	10	7.5394	11	10.0356	18	43.7312
Malappuram	17	100.9391	37	25.6650	43	15.9850	3	1.9243	21	4.8905
Kozhikode	52	23.5454	98	27.1612	83	24.4521	135	51.1960	39	6.0752
Kannur	26	43.8660	29	31.3261	41	65.1067	78	144.6774	31	28.4466
Kasaragode	26	9.9375	70	106.5836	61	32.0101	23	9.3148	18	10.8005
Total	**4803**	**778.1964**	**3219**	**427.1638**	**1680**	**248.4984**	**1429**	**349.1957**	**1210**	**209.1805**

Appendix XV
Details of excess payment of compensation due to wrong reckoning of date of publication
(Reference; Paragraph 3.7.5; Page 52)

SL No	Name of LA Office	Award No.	Date of award	Date of taking possession in cases where taking possession was earlier to date of award	Market value of land (Rs in lakh)	Last date of notification under Sn.4(1)	Period to be considered for payment of compensation	Period considered for payment of compensation	Excess days allowed	Excess payment of compensation (Rs in lakh)
1	Railways, Trivandrum	4/95	30.11.95		10.36	27.9.93	27.9.93 to 30.11.95	15.4.93 to 30.11.95	165	0.56
2	,,	6/95	15.12.95		13.67	19.5.93	19.5.93 to 15.12.95	15.4.93 to 15.12.95	34	0.15
3	,,	5/97	30.8.97	22.3.97	4.73	10.8.95	10.8.95 to 22.3.97	6.6.95 to 22.3.97	65	0.10
4	LA Office (General) Alappuzha	2/99	12.7.99	7.5.99	177.69	24.9.98	24.9.98 to 7.5.99	17.9.98 to 7.5.99	7	0.41
5	LA Office (MVIP) Ettumanoor	5/97	15.6.98	25.8.97	60.82	17.7.95	17.7.95 to 25.8.97	19.6.95 to 25.8.97	28	0.56
6	"	122/97	3.8.98	27.8.97	48.80	10.8.95	10.8.95 to 27.8.97	4.7.95 to 27.8.97	37	0.60
7	"	21/99	25.3.99	20.3.99	16.73	25.3.96	25.3.96 to 20.3.99	20.12.95 to 20.3.99	96	0.53
8	Collectorate, Thrissur	1/99	30.1.99		87.84	16.12.95	16.12.95 to 30.1.99	16 10.95 to 29.1.99	61	1.76
9	LA Office II, Palakkad	3/96	15.5.96		6.53	26.7.94	26.7.94 to 15.5.96	23.11.93 to 15.5.96	245	0.53
10.	LA Office KINFRA, Palakkad	3/95	16.12.95		11.72	6.10.94	6.10.94 to 16.12.95	16.8.94 to 15.12.95	51	0.20
11.	,,	1/96	4.4.96		33.01	6.10.94	6.10.94 to 4.4.96	16.8.94 to 4.4.96	51	0.55
12	,,	2/96	11.1.96		24.08	6.10.94	6.10.94 to 11.1.96	16.8.94 to 10.1.96	51	0.40
13	,,	3/96	31.5.96		28.77	6.1094	6.10.94 to 30.5.96	16.8.96 to 30.5.96	51	0.48
14	,,	3/96	31.5.96		28.77	6.10.94	6.10.94 to 30.5.96	16.8.94 to 29.4.96	51	0.33
15	,,	5/96	20.7.96		32.23	6.10.94	6.10.94 to 20.7.96	16.8.94 to 19.7.96	51	0.54
16	,,	6/96	29.12.95		18.91	6.10.94	6.10.94 to 29.12.95	16.8.94 to 28.12.95	51	0.32
17	,,	3/96	30.1.96		15.96	6.10.94	6.10.94 to 30.1.96	16.8.94 to 29.1.96	51	0.27
18	,,	2/96	15.7.96		13.40	6.10.94	6.10.94 to 15.7.96	16.8.94 to 15.7.96	51	0.22
19	,,	2/96	22.7.96		16.15	6.10.94	6.10.94 to 22.7.96	16.8.94 to 21.7.96	51	0.27
20	LA General, Trichur	9/99	27.11.99		49.87	28.2.95	28.2.95 to 29.11.99	30.12.99 to 27.11.99	59	0.97
21	LA II, Kollam	1/2000-01	23.1.01	12/4/2000	85.80	1.9.99	1.9.99 to 12.4.2000	20.8.99 to 12.4.2000	12	0.34
	Total									**10.09**

Appendix XVI

Payment of interest for the delayed payment of enhanced compensation

(Reference; Paragraph 3.7.8 (i) ; Page 53)

Sl. No	LAR No.	Award No. & Date	Reference petition date	Date of filing reference application to Court	Date of judgement	Increase in land value as per judgement (Rs. in lakh)	Delay in sending reference application to Court (in months)	Excess payment (Rs. in lakh)
Special Tahsildar (LA), NH, Kollam								
1.	11/93	43/90 dt. 24.3.90	8.5.90	15.12.92	31.5.99	1.15	25	0.36
2.	93/93	188/89 dt.21.3.89	25.4.89	30.1.93	23.11.99	2.45	39	1.20
3.	239/93	11/91 dt. 5.2.91	20.4.91	27.5.92	29.3.99	0.72	7	0.06
4.	268/93	6/92 dt. 22.8.92	28.10.92	26.6.93	23.2.2000	1.06	2	0.03
5.	295/93	14/90 dt. 7.3.90	19.4.90	30.7.93	21.2.2000	1.88	33	0.77
6.	94/92	19/91 dt. 5.3.91	17.4.91	3./6.92	23.12.98	0.73	7	0.06
7.	206/90	149/90 dt. 16.3.89	19.4.89	30.6.90	31.10.97	2.08	6	0.16
8.	87/92	20/91 dt. 5.2.91	24.4.91	2.6.92	30.1.99	1.17	7	0.11
9.	93/92	21/91 dt. 5.3.91	17.4.91	3.6.92	21.8.98	0.70	7	0.06
10.	182/92	36/90 dt. 23.4.96	7.5.90	24.10.92	22.2.99	1.70	11	0.23
11.	97/91	Dt. 15.1.90	6.4.90	15.6.91	30.6.98	4.19	8	0.42
12.	59/90	110/88 dt. 29.7.88	12.10.88	30.1.90	22.10.98	0.72	8	0.07
13.	133/91	123/90 dt. 20.3.90	21.4.90	30.8.91	30.5.98	0.90	10	0.11
14.	102/91	46/90 dt.20.3.90	28.4.90	10.4.91	23.12.98	2.19	5	0.14
15.	37/92	17/90 dt.16.1.90	31.3.90	29.2.92	31.10.98	2.91	17	0.62
16.	64/92	45/90 dt. 20.3.90	28.4.90	30.3.92	30.6.98	1.32	17	0.28
17.	66/92	42/90 dt. 20.3.90	28.4.90	28.3.92	30.12.98	1.30	17	0.28
Special Tahsildar, LA General II, Kollam								
18.	80/91	1/90-91 dt. 31.5.90	20.7.90	7.11.91	29.11.2000	1.49	9	0.17
19.	132/93	2/92-93 dt. 25.4.92	30.5.92	17.2.93	27.3.99	9.11	2	0.23
20.	49/94	9/93-94 dt. 9.3.94	16.4.94	22.10.94	22.12.99	0.80	1	0.01
21.	20/89	15/87 dt.31.1.88	1.3.88	29.12.88	28.8.97	0.91	3	0.03
22.	19/89	15/87 dt. 31.1.88	6.3.88	29.12.88	28.8.97	0.77	3	0.03
23.	1/92	5/89-90 dt.29.3.90	10.3.90	18.12.91	29.9.2000	0.50	15	0.09
24.	53/95	5/93 dt.8.6.93	1.7.93	27.4.95	29.2.2000	6.86	16	1.37
Total								**6.89**

Appendix XVII
Payment of interest due to delay in remitting compensations
(Reference; Paragraph 3.7.8 (i) ; Page 53)

Sl. No	LAR No.	Date of judgement	Enhanced land value of the land acquired (Rs. in lakh)	Govt. Pleader applied for copy of decree	Received in collectorate	Date of request of the collector to provide fund	Date of receipt of the decretal amount by the LAO	Date of remittance to court	Delay in months from the judgement to the date of remittance	Interest remitted (Rs. in lakh)
Deputy Collector, Trivandrum										
1.	9/98	22-11-99	0.94	3-6-2000	2-8-2000	16-8-2000	11/2000	30-11-00	12	0.08
2.	4/98	30-1-99	0.10	7-6-2000	10/2000	10-11-2000	8-2-01	30-3-01	26	0.03
3.	10/98	30-11-98	1.41	13-9-99	6-1-2000	7-1-2000	6-10-2000	22-10-00	23	0.32
4.	17/98	19-2-99	0.61	13-9-99	6-1-2000	19-2-00	10/2000	18-11-00	21	0.12
5.	19/98	29-11-99	1.45	25-7-2000	20-10-2000	9-11-00	3/2001	26-3-01	16	0.20
6.	11/98	30-11-98	1.41	13-9-99	6-1-2000	6-1-2000	8-2-01	26-3-01	28	0.41
7.	28/98	28-7-99	1.67	18-8-99	6-1-2000	2-2-2000	11/2000	12/2000	17	0.25
8.	32/98	25-3-99	2.88	18-8-99	6-1-2000	25-1-2000	2/01	26/3/01	24	0.69
9.	45/98	27-11-99	0.08	25-9-2000	19-12-2000	26-12-2000	4/01	9-5-01	18	0.01
10.	6/98	21-12-98	0.64	3-6-2000	2-8-2000	26-8-2000	10/2000	8-11-2000	23	0.15
11.	35/98	28-7-99	0.04	1-6-2000	2-8-2000	23-8-2000	10/2000	8-11-2000	16	0.01
12.	43/98	27-7-99	0.54	18-8-99	6-1-2000	25-1-2000	8/2000	8-8-2000	13	0.06
13.	44/98	10-8-99	0.24	18-8-99	8-1-2000	28-1-2000	8/2000	8-8-2000	12	0.02
14.	27/98	9-8-99	1.98	18-8-99	6-1-2000	28-1-2000	7/2000	24-8-2000	13	0.20
15.	37/98	6-9-99	1.01	22-5-2000	2-8-2000	11-8-2000	10/2000	8-11-2000	14	0.12
16.	14/98	28-7-99	3.22	18-8-99	27-12-99	14-2-2000	10/2000	17-11-2000	16	0.45
17.	12/98	30-11-98	1.41	13-9-99	6-1-2000	2-2-2000	7/2000	8/2000	21	0.29
18.	49/98	26-3-99	1.12	18-8-99	7-7-2000	3-8-2000	8/2000	23-8-2000	16	0.16
19.	41/98	28-6-99	0.41	18-8-99	6-1-2000	22-7-2000	10/2000	8-11-2000	17	0.07
20.	24/98	30-6-99	1.15	6-6-2000	28-10-2000	29-11-2000	3/01	30-3-01	21	0.23
21.	26/98	9-8-99	1.64	18-8-99	6-1-2000	6-2-2000	7/2000	8/2000	12	0.39
22.	13/98	30-11-98	1.41	13-9-99	6-1-2000	25-1-2000	10/2000	8-11-2000	24	0.34
23.	5/98	26-12-99	0.11	13-9-99	2-8-2000	8-9-2000	12/2000	14-12-2000	22	0.02
24.	39/98	28-6-99	0.30	18-8-99	6-1-2000	25-1-2000	12/2000	12/2000	18	0.05
25.	15/98	10-8-99	10.43	18-8-99	6-1-2000	2-2-2000	21-7-2000	26-7-2000	11	0.86
26.	33/98	22-3-99	0.86	18-8-99	6-1-2000	4-2-2000	10/2000	8-11-2000	20	0.16
27.	34/98	28-7-99	0.36	18-8-99	6-1-2000	25-1-2000	10/2000	8-11-2000	16	0.05
28.	29/98	27-1-99	0.88	13-9-99	6-1-2000	4-2-2000	10/2000	13-11-2000	22	0.19
29.	25/98	22-3-99	1.73	18-8-99	6-1-2000	9-2-2000	8/2000	23-8-2000	17	0.26
30.	42/98	27-7-99	1.59	25-9-2000	19-12-2000	26-12-2000	5/01	9-5-01	22	0.34
31.	5./98	22-3-99	0.61	13-9-99	7-7-2000	3-8-2000	8/2000	5-8-2000	17	0.09
32.	18/98	16-7-99	0.18	22-5-2000	2-8-2000	16-8-2000	10/2000	8-11-2000	16	0.03
33.	46/98	16-3-99	0.10	13-9-99	6-1-2000	25-1-2000	3/2001	16-3-01	24	0.02
34.	21/98	26-3-99	1.12	18-8-99	6-1-2000	2-2-2000	8/2000	26-8-2000	17	0.17
35.	36/98	13-9-99	2. 82	14-1-2000	2-9-2000	-	3/01	3-4-01	19	0.25
36.	47/98	30-6-99	0.05	13-8-99	6-1-2000	22-2-2000	3/01	28-3-01	21	0.01
37.	48/98	30-6-99	0.89	18-8-99	6-1-2000	20-2-2000	8/2000	26-8-2000	14	0.10
38.	8/98	5-2-99	0.03	22-5-2000	12-7-2000	25-8-2000	11/2000	30-11-2000	21	0.01

Appendix XVII - *Concld.*

Sl. No	LAR No.	Date of judgement	Enhanced land value of the land acquired (Rs. in lakh)	Govt. Pleader applied for copy of decree	Received in collectorate	Date of request of the collector to provide fund	Date of receipt of the decretal amount by the LAO	Date of remittance to court	Delay in months from the judgement to the date of remittance	Interest remitted (Rs. in lakh)
Special Tahsildar, LA (KSHB), Thiruvananthapuram										
39.	43/88	14-8-91	0.52					31-3-95	42	0.24
40.	499/87	30-10-91	0.54					22-1-95	38	0.22
41.	677/88	30-6-95	0.54					31-3-02	81	0.51
42.	644/88	28-3-92	0.54					31-1-94	22	0.12
43	7/88	7-10-91	1.00					12/94	38	0.41
44.	55/88	12-3-92	1.97					30-4-96	50	1.11
45.	26/93	31-7-95	0.14					30-12-96	17	0.02
46.	492/87	19-12-92	1.03					31-3-96	40	0.45
47.	3/90	26-10-92	0.27					18-3-94	27	0.07
48.	4/91	30-3-94	1.45					6-3-98	47	0.76
49.	5/91	29-6-93	0.24					31-12-98	72	0.20
50.	6/91	15-1-93	0.16					19-2-94	13	0.02
Special Tahsildar, LA General, Ernakulam										
51.	10/88	31-7-91	4.02					29-3-94	32	1.36
52.	700/93	25-3-96	0.68					13-2-97	11	0.06
53.	270/94	24-2-96	0.91					13-2-97	12	0.08
54.	1/93	8-4-94	0.85					17-6-97	38	0.35
55.	71/92	7-4-93	0.20					31-10-95	43	0.07
Special Tahsildar, (Railways) Thiruvananthapuram										
56.	269/94	31-1-97	3.07		6/2001			31-3-02	62	2.19
57.	131/94	30-9-94	0.60					11-7-01	45	0.30
58.	233/94	31-1-97	2.20		12/2000			31-3-02	62	1.57
					Total					**17.32**

Appendix XVIII
Details of staff
(Reference; Paragraph 3.7.9 ; Page 54)

	1997-98		1998-99		1999-2000		2000-01		2001-02	
	No. of units	No. of staff	No. of units	No. of staff	No. of units	No. of staff	No. of units	No. of staff	No. of units	No. of staff
Thiruvananthapuram	11	325	10	276	10	269	10	269	9	242
Kollam	6	156	7	175	7	176	7	175	7	174
Pathanamthitta	2	50	2	50	2	50	2	50	2	50
Alappuzha	7	139	8	150	8	150	5	106	5	108
Idukki	1	26	1	26	2	45	2	45	2	45
Kottayam	6	84	6	85	6	86	6	85	6	79
Ernakulam	20	387	20	376	20	373	20	372	20	349
Thrissur	3	52	3	52	3	52	4	64	4	64
Palakkad	3	65	3	65	3	62	3	62	3	58
Malappuram	3	47	3	47	3	47	3	47	3	42
Kozhikode	7	161	8	172	8	174	8	174	8	171
Kannur	4	80	5	107	8	169	8	171	8	143
Kasargode	3	56	3	56	3	56	2	36	2	36
Total	**76**	**1628**	**79**	**1637**	**83**	**1709**	**80**	**1656**	**79**	**1561**

Appendix XIX
Establishment arrears pending realisation
(Reference; Paragraph 3.7.9(ii) ; Page 54)

(Rupees in lakh)

Sl. No	Name of requisitioning authority	Amount of arrears	Period to which the arrears related
1.	Inland Water Ways Authority of India	49.24	1999-2001
2.	Indian Oil Corporation	24.05	2000-2002
3.	Kerala State Housing Board	14.44	1999-2002
4.	KINFRA	1.58 6.91	1996-97 2000-01
5	Kochi International Airport	105.71	1994-2001
6.	Kochi International Airport Society	115.04	1994-2002
7.	Cochin Corporation	127.20	1988-2002
8.	Panchayats/Municipalities	17.08	1989-2002
9.	Railways	1.65 113.55	1990-91 1998-2002
10.	Kerala State Electricity Board	209.09 2.58	Not available 1998-99
11.	Power Grid Corporation	5.29	2000-02
12.	Kerala State Tourism Development Corporation	25.42	2000-01
13.	Hindustan News Print, Vellore	18.78	1996-2000
14.	Steel Industries, Cherthala	5.52	Not available
15.	Department of Space, Thumba	3.52 0.45 2.13	1990-92 1994-95 2000-01
16.	Travancore Titanium Products Ltd.	1.72	Not available
17.	Kerala Clays and Ceramics Limited	3.53	-do-
18.	Kerala Water Authority	4.04	-do-
19.	Cochin Devaswam	22.92	-do-
20.	Guruvayoor Devaswam	0.73	2001-02
21.	HUDCO	71.26	Not available
22.	Greater Cochin Development Authority	39.28	2000-02
23.	Others	8.58	Not available
	Total	**1001.29**	

Appendix XX
Department-wise details of cases of misappropriation, losses, etc
(Reference; Paragraph 3.12 ; Page 59)

Department	Number of cases	Rupees in lakh
Agriculture Department	8	1.36
Animal Husbandry Department	6	0.45
Cultural Affairs Department		
Archives	1	0.21
Finance Department		
(i) National Savings	1	0.45
(ii) Treasuries	15	114.31
Fisheries and Ports Department	1	1.32
Forest & Wild Life Department	1	8.06
General Education Department	20	34.13
Health and Family Welfare Department		
(i) Health Services	10	4.39
(ii) Medical Education	3	3.67
Higher Education Department		
Collegiate Education	7	2.88
Home Department		
(i) Police	5	15.24
(ii) Administration of Justice	4	0.46
Industries Department	2	0.40
Labour & Rehabilitation Department	1	1.82
Local Self Government Department (Rural)	7	3.59
Public Works & Transport Department		
(i) Building	21	4.83
(ii) Roads and Bridges	14	4.91
Revenue Department		
(i) Land Revenue	14	22.97
(ii) Survey of Land Records	1	5.60
Scheduled Castes/Scheduled Tribes Development Department	3	0.75
Taxes Department		
Lotteries	1	3.43
Water Resources Department	23	29.68
Total	**169**	**264.91**

Appendix XXI
Department-wise details of Writes off and Waivers
(Reference; Paragraph 3.13; Page 60)

Sl No	Name of Department	Writes off		Waivers	
		Number of cases	Amount *(Rs in lakh)*	Number of cases	Amount *(Rs in lakh)*
1.	Agriculture Department	36	8.40	1	0.07
2	Animal Husbandry Department	24	0.21		
3	Co-operation Department	2	0.30	2	0.23
4	Dairy Development Department	3	5.45	1	0.09
5	Finance Department	1	0.72	1	0.18
6	Fisheries and Ports Department			2	1.14
7	Food and Civil Supplies Department	2	0.07	1	0.04
8	Forests and Wild life Department	1	0.51	1	0.37
9	General Administration Department	5	4.78	4	0.63
10	General Education Department	4	0.56	1	0.17
11	Health and Family Welfare Department	61	4.28	1	0.47
12	Higher Education Department	15	0.72		
13	Home Department	12	6.08	8	1.17
14	Industries Department	4	0.61		
15	Labour and Rehabilitation Department	1	0.01		
16	Local Self Government Department			2	6.09
17	Planning and Economic Affairs Department	5	0.36	3	0.34
18	Public works Department	2	1.24	3	1.31
19	Revenue Department	2	0.20	1	0.02
20.	Social Welfare Department	1	0.08		
21	Taxes Department	2	1.72	6	4.93
22	Water Resources Department	3	0.97	1	0.34
	Total	**186**	**37.27**	**39**	**17.59**

Appendix XXII
Amounts outstanding under Miscellaneous Works Advances
(Reference: Paragraph 4.1.5 (ii); Page 67)

(Rupees in lakh)

Sl. No.	Name of division	Amount
1.	Roads Division, Kannur	0.36
2.	Roads Division, Kasargod	2.51
3.	Buildings Division, Kozhikode	10.28
4.	Buildings Division, Thiruvananthapuram	3.45
5.	Buildings Division, Thalassery	24.83
6.	District Stores, Palakkad	22.76
7.	NH Division, Thrissur	11.52
8.	NH Division, Kannur	0. 09
9.	NH Division, Kozhikode	0.23
10.	Roads Division, Thiruvananthapuram	4.27
11.	Roads Division, Pathanamthitta	0.50
12.	Roads Division, Kottayam	22.90
13.	Roads Division, Idukki	3.36
14.	Roads Division, Muvattupuzha	4.15
15.	Roads Division, Ernakulam	28.96
16.	Roads Division, Palakkad	5.17
17.	Roads Division, Manjeri	16.48
	Total	**161.82**

Appendix XXIII
Delay in completion of works
(Reference: Paragraph 4.1.6(i); Page 68)

Sl. No.	Name of division	Name of work	Cost overrun		Time overrun (in months	Remarks
			Amount *(Rs in lakh)*	Percentage		
Completed works						
1	Roads Division, Kozhikode	Edavazhikkadavu bridge	45.93	45	30	(1) Open foundation changed to well foundation in order to help the contractor for easy execution of works (2) Alignment of approach road changed during execution without assigning any reason
2	Roads Division, Kollam	Enath bridge	185.86	84	15	Payment of enhanced rates to the contractor and execution of extra items and excess quantities
3	Roads Division, Thrissur	Njaralakkadavu bridge	74.40	32	24	Well foundation changed to pile foundation during execution
4	Roads Division, Thrissur	Thachappilly bridge	97.37	37	4	Design changed
5	NH Division, Thiruvananth-apuram	Construction of Akkulam bridge at Ch 57/50 m to 61/19 m on Thiruvananthapuram-Neyyatinkara combined bye-pass	425.77	87	55	During sinking of wells 14 out of 16 wells developed shift/tilt beyond permissible limit
6	Roads Division, Alappuzha	Construction of Valiaperimpuzha Kadavu bridge	90.72	42	27	Design changed
In-completed works						
7	Roads Division, Kozhikode	Improvements to Ballussery-Kurumboyil Vayalida-Thalayadu road km 0/00 to 18/500	83.60	159	108	Stoppage of work by contractor. Payment of enhanced rates for excess quantities
8	Roads Division, Thrissur	Poovathumkadavu bridge	159.37	19	19	Well foundation changed to pile foundation. 60 *per cent* of work completed
9	Roads Division Ernakulam	Karippaikadavu - Pazhampillythuruthu bridge	125.47	77	7	1. Extra item providing floating platform (item deleted by CE from original estimate) 2. Construction of extra span for bridge. Width of river was 132 m and length of bridge originally provided was 133 m. Therefore, extra provision for additional span was unnecessary.

Appendix XXIII – *Concld.*

Sl. No.	Name of division	Name of work	Cost overrun		Time overrun (in months	Remarks
			Amount (*Rs in lakh*)	Percentage		
10	Special Buildings Division, Thiruvananthapuram	Construction of MLA flats	139.58	19	43	1. Provision for 50 *per cent* additional labour as extra was made in addition to 10 *per cent* Contractors Profit (CP) for the speedy execution of work. Being departmental execution, CP was not admissible. Since the work was not completed, extra provision was not justifiable. 2. Excess provision – 10 *per cent* excess concrete for pile foundation and 10 *per cent* excess cement-provided in the estimate. Although CE had deleted all these items work was being executed with these provisions.
11.	Building Division, Kozhikode	Construction of building for Specialities for Medical College, Kozhikode.	975	315	78	Excess expenditure due to re-arrangement of work, schedule revision, drastic change of scope of work.

Appendix XXIV
Details of bridges not commissioned
(Reference: Paragraph 4.1.11 (ii); Page 75)

Sl. No.	Name of division	Name of bridge	Date of completion	Expenditure (*Rs in lakh*)	Reasons for non-completion of approaches
1.	Roads Division, Ernakulam	Thanipadam-Munduruthy bridge	18 October 2001	109.570	Land not acquired
		Parayakad-Cheriyapallam-Thuruthu bridge	26 April 2002	140.00	Work not completed
2.	Roads Division, Kozhikode	Kothipattikandy bridge across Kallai river	3 February 1998	408.900	Land not acquired
3.	Roads Division, Manjeri	Srayilkadavu bridge	9 September 2001	120.537	Land not acquired
4.	Roads Division, Idukki	Bridge at Vengallur	22 October 2000	257.070	Land not acquired
		Bridge at Irukkumpuzha	July 2000	75.140	Land not acquired
	Total			**1111.217**	

Appendix XXV
Buildings not handed over to Administrative Department
(Reference: Paragraph 4.1.11(iii); Page 75)

Sl. No.	Name of division	Administrative Department	Name of work	Cost of work (*Rupees in lakh*)	Date of completion	Reason
1.	Buildings Division, Malappuram	Revenue	Construction of Building for Mini Civil Station, Ponnani	144.56	6 June 2001	Electric Works not completed
2.	Buildings Division, Kasargod	Scheduled Castes/Scheduled Tribes Development	Construction of pre-matric hostel for boys in Balanthodu in Panathady Panchayat	28.53	28 July 2000	Administrative Department did not take over the building
3.	Buildings Division, Alappuzha	Revenue	Mini Civil Station, Chengannur	219.60	27 November 2000	Want of Electric connection
4.	Buildings Division, Alappuzha	Judiciary	Quarters for Judicial officers at Cherthala	53.34	31 March 2000	Compound wall not constructed
5.	Buildings Division, Alappuzha	Home	Fire station at Cherthala	16.00	25 February 2001	Non-completion of water supply arrangements
	Total			**462.02**		

Appendix XXVI
Details of amount due from contractors
(Reference: Paragraph 4.1.11 (v); Page 76)

Sl. No.	Name of division	No. of works involved	Amount *(Rupees in lakh)*
1.	Roads Division, Palakkad	4	396.44
2.	Roads Division, Kalpetta	1	2.34
3.	Roads Division, Ernakulam	1	0.06
4.	Buildings Division, Kozhikode	1	3.82
5.	Buildings Division, Ernakulam	2	1.05
6.	Buildings Division, Kollam	1	18.22
7.	Buildings Division, Alappuzha	1	14.04
8.	Roads Division, Thiruvananthapuram	1	45.45
9.	Roads Division, Pathanamthitta	4	8.75
10.	Special Building Division, Thiruvananthapuram	1	12.12
	Total	**17**	**502.29**

Appendix XXVII
Details of bitumen purchased
(Reference: Paragraph 4.1.11(vi); Page 76)

Sl. No.	Name of division	Quantity of bitumen purchased	Amount paid (Rs in lakh)	Remarks
1.	Roads Division, Palakkad	10775.86	877.12	Though accounts from sections received adjustments not made
2.	Roads Division, Alappuzha	8837.87	1037.24	Accounts for 1856.12 tonnes costing Rs 221.18 lakh yet to be received
3.	Roads division, Kollam	12050.31	1111.57	Accounts for 2352.39 tonnes costing Rs 259.74 lakh not received.
4.	Roads Division, Kozhikode	10478.80	1021.75	Accounts for 8833.36 tonnes costing Rs 722.86 lakh not received.
5.	Roads Division, Kannur	14499.98	1262.94	Accounts for 1387.35 tonnes costing Rs 1248.20 lakh is yet to be received
6.	Roads Division, Thiruvananthapuram	11686.43	890.69	Accounts from sections not received
7.	Roads Division, Kasargod	8363.70	753.63	Accounts from sections not received
	Total	**76692.95**	**6954.94**	

Appendix XXVIII
Synoptic statement showing the summarised financial results of quasi-Government commercial undertakings
(Reference: Paragraph 6.1; Page 97)

(Rupees in lakh)

Sl. No	Name of undertaking	Year of commence-ment	Period of account	Government capital on 31 March	Mean capital	Net Block	Depre-ciation	Loss(-)/ Profit (+)	Interest charged / added back	Total return (Col.9+10)
1	2	3	4	5	6	7	8	9	10	11
1.	State Water Transport Department, Alappuzha	1968	1991-92	1941.66	1807.45	227.90	25.37	(-) 303.64	45.67	(-) 257.97
2.	Rubber Plantation at Open Prison, Nettukaltheri, Thiruvananthapuram	1982	2000-01	11.17	11.60	10.25	0.31	(-)10.29	0.18	(-) 10.11

Appendix XXIII

[illegible] statement showing the summarised financial results of [illegible] commercial undertakings

(Reference: Paragraph [illegible])

[illegible]