REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2008

(CIVIL)

GOVERNMENT OF KERALA

CONTENTS

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 2008.

The remaining Chapters deal with the findings of performance audit and audit of transactions in the various departments including the Public Works and Water Resources Departments, audit of Stores and Stock, audit of Autonomous Bodies and audit of Internal Control System in Government Departments.

The Report containing the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the Reports containing such observations on Revenue Receipts and Local Self Government Institutions 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 2007-08 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 2007-08 have also been included wherever necessary.

OVERVIEW

This Report includes five Chapters of which Chapter I and II contains observations on the Finance and the Appropriation Accounts of the Government of Kerala for the year 2007-08. Chapter III, IV and V comprises of four reviews, one long paragraph, twenty nine paragraphs, review on Internal Controls of one department dealing with the performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government. A summary of the financial position of the State and the audit findings is given below.

Financial Position of the State Government

The revenue expenditure during the year increased by 19.5 *per cent* as compared to 16.1 *per cent* growth in the revenue receipts which resulted in increase of revenue deficit by Rs 1,146.91 crore. Within the non-plan revenue expenditure, four components - Salary, Pension, Interest payments and Subsidy - constitute 75 *per cent* of non-plan revenue expenditure during the year. Plan expenditure was only 16.7 *per cent* of the total expenditure while the capital expenditure formed only 5.4 *per cent*. Fiscal liabilities of the State stood at 2.8 times of its revenue receipts and its ratio to Gross State Domestic Product stood at 39.1 *per cent*. Return on the Government's investment in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies was negligible. Against the total budget provision of Rs 42,089.71 crore, the expenditure was only Rs 36,134.76 crore resulting in overall saving of Rs 5,954.95 crore. Major saving occurred in the Grants 'Public Debt Repayment', 'Education, Sports, Art and Culture', 'Debt charges', 'Urban development', 'Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes', 'Agriculture', 'Medical and Public Health', 'Public Works', 'Water Supply and Sanitation' and 'Transport'.

The National Programme of Nutritional Support to Primary Education

The National Programme of Nutritional Support to Primary Education (mid-day meal scheme) was launched by Government of India (GOI) in August 1995 with the objective of boosting the universalisation of primary education by increasing enrolment, retention and attendance. The scheme provides for supply of cooked food to students in classes I to V for which GOI supplies rice free of cost through Food Corporation of India (FCI). GOI also provided assistance for ancillary expenses like cooking cost, transportation, management, monitoring and evaluation at prescribed rates. In Kerala the students of classes I to VII (VIII from January 2008) are covered under the scheme. Against 100 gram of rice supplied by GOI to each student of classes I to V State Government gave each student 60 gram of rice and 30 gram of pulses, the cost of pulses was being met from the State Budget. The review revealed the following important issues:-

The enrolment figures reported to GOI for getting assistance under the scheme was inflated which resulted in allotment of rice in excess of requirements. Substantial stock of mid-day meal rice remained with Kerala State Civil Supplies Corporation (KSCSC) at the end of each year from 2003-08. Out of this, 1453.18 MT of rice was converted as ordinary rice and sold by KSCSC through its outlets. This has not been replenished. The transportation charges paid to KSCSC by State Government was on the higher side compared to the charges paid by it to its transporting contractors. Similarly the cost of pulses supplied to mid-day meal scheme by KSCSC was also higher than the price at which these are sold to the public through their outlets. Out of Rs 11.20 crore released by GOI for constructing kitchen-cum-store, replacement of cooking devices and strengthening management, monitoring and evaluation, Rs 10.97 crore remained unutilised as of June 2008. There was delay ranging from two to twelve months in release of cooking charges to schools. Monitoring committees as prescribed in GOI guidelines were either not constituted or were not meeting as envisaged. Monthly and quarterly progress reports were not sent to GOI by DPI during 2003-08. No Management Information System was put in place to get feedback on the scheme.

Development of traditional industries – handloom

Handloom industry is one of the main traditional and labour-oriented industries in the State. Ninety six *per cent* of the total handloom production in the State is contributed by the co-operative sector. There were 758 registered Primary Handloom Weaver's Co-operative Societies (PHWCS) in the State of which about 300 are now defunct. There were two apex level organisations in the State - Kerala State Handloom Weavers Co-operative Society (Hantex) and Kerala State Handloom Development Corporation (Hanveev) - to provide raw material, sell the products of the PHWCS and the individual weavers. Central and State Governments give financial assistance for implementing various schemes for handloom development. Some of the important points noticed during the review of the implementation of the schemes in the sector are given below:-

The Department did not have a reliable and accurate database for planning and implementation of various schemes. During 2005-08 Rs 34.23 crore of budgeted funds remained unspent due to non-availing of Central assistance in full. Rupees 1.01 crore released to 58 PHWCS in three test checked districts for Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) were diverted for working capital. Rupees 1.68 crore was collected from 224 PHWCS to constitute a common fund for utilisation towards publicity, of which Rs 97.25 lakh was diverted and

Rs 70.75 lakh retained in bank without utilisation. Training imparted at a cost of Rs 1.70 crore under DDHPY was unfruitful as the weavers were not trained to use Jacquard and Dobby which were essential for weaving design patterns. Out of Rs 2.95 crore given for design input, Rs 1.19 crore had become unfruitful as the societies did not adopt the design supplied by the agencies and Rs 1.76 crore released to the societies did not serve the intended purpose. Apex organisations in the State – Hantex and Hanveev - could not avail assistance of Rs 36.40 crore due to their inability to submit project reports based on GOI guidelines. Though marketing incentive of Rs 54.80 crore was released to PHWCS and apex organisations to increase production and sales during 2001-07, the production and sales decreased during the period. The apex organisations Hantex and Hanveev established for the development of handloom in co-operative and unorganised sectors were making losses year after year and the accumulated loss of both organisations together at the end of March 2007 was Rs 133.52 crore. There was no effective monitoring by the officials responsible and false utilisation certificates were sent to GOI.

Non-conventional sources of energy

Kerala has an estimated potential of 1715 MW from non-conventional or renewable energy sources comprising of Wind, Biomass, Solar, Small Hydel Projects up to 25 MW, etc. Ministry of New and Renewable Energy (MNRE), Government of India (GOI) has been providing various fiscal and other incentives for production of power from renewable energy sources. For promotion of non-conventional sources of energy the State Government had established an Agency for Non-conventional Energy and Rural Technology (ANERT) as early as in January 1986 and formulated Renewable Energy Policy (REP) in 2002. However the efforts made by State Government in this field suffered from various problems as detailed below:-

Though Government have formulated Renewable Energy Policy in 2002, no follow-up measures were taken either by Government or the Nodal Agency, ANERT. Due to abnormal delay in issuing guidelines for development of wind farms in private lands, no wind energy project could be cleared by ANERT for over five years. Under National Biogas and Manure Management Programme implemented by Agriculture Department, subsidy of Rs 1.60 crore was not paid to the beneficiaries due to insufficient provision in the budget. ANERT spent only Rs 7.72 crore (54 *per cent*) for implementation of programmes against Rs 14.26 crore received during 2003-08. As no follow-up action was taken by ANERT, Rs 4.18 crore incurred for installation of Solar Home Lighting System and Solar Street Lighting System under Solar Village Electrification Programme was not reimbursed from Government of India. Failure to submit timely proposals in accordance with MNRE guidelines resulted in loss of Central assistance of Rs 8.31 crore for implementation of Remote Village Electrification Programme in 115 colonies.

IT Audit of Computerisation of Survey and Land Records in Land Revenue Department

The computerisation of Basic Tax Records commenced in Kerala from 1991 as a cent *per cent* Centrally Sponsored Scheme (CSS) which ended in 1997. In 2003, after a gap of six years another cent *per cent* CSS to digitize *Thandaper* (Title holder number) came into being in continuation of the earlier scheme. The important points noticed during an audit of the above scheme were as shown below:-

The Project started in 1991 is in data entry stage even after 17 years. Issue of computerised Record of Rights, the primary objective of computerisation of land records, could not be achieved for want of amendments to Acts and Rules and Computerised certificates were being issued with unvalidated data. Hardware obtained exclusively for Taluk offices at Rs 3.58 crore were lying idle for more than three years for want of commencement of online operations. Digitisation of Field Measurement Book has been completed only in 66 out of 1,453 villages even after 10 years. Failure to take adequate care while assessing the technical requirements of interfacing software resulted in wasteful expenditure of Rs 1.55 crore. Breach of IT security by way of unauthorized access to the backend data and sharing of user name and password. Lack of input controls leading to duplicate *Thandaper* (title holder) numbers and multiple numbers for the same person resulted in generation of wrong reports.

Internal Control in Agriculture Department

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve organisational objectives. A review of internal control on limited areas of the Agriculture Department has revealed the following:

Persistent savings ranging from 10 *per cent* to 56 *per cent* were noticed under Plan Revenue expenditure during 2003-08. This shows that the budget estimates were not prepared on the basis of actual requirement of funds as stipulated in Kerala Budget Manual. Monitoring of expenditure was weak as evidenced by the unnecessary supplementary grants, belated reappropriation/ surrender of funds and rush of expenditure during March. Failure to follow the instructions issued by Government regarding power tariff subsidy to farmers resulted in adoption of different procedures in different offices and extra burden on penalty for belated payment. Owing to weak controls, advances of Rs 17.75 crore disbursed to departmental officers as early as from 1990-91 were yet to be adjusted. The Internal Audit of 13 offices under the Directorate was in arrears for three to five years and more than five years in 150 offices under the three Principal Agricultural Officers. There were 589 vigilance cases pending finalisation as of

October 2008 with Government, Vigilance and Anti-corruption Bureau, Department, etc.

Veterinary Services and Livestock Development

Livestock rearing is one of the important activities in the rural areas of the State providing supplemental income for most of the families dependant on agriculture and is the chief support for many landless families. Eighty *per cent* of live stock farmers are small and marginal farmers and agricultural labourers.

Eighty *per cent* of budgeted funds under capital section during 2003-08 remained unutilised. No norms were fixed with regard to the minimum facilities to be provided to each of the Veterinary Health Care Institutions such as dispensaries, hospitals, District Veterinary Centres, etc. Budget provision made for purchase of medicine during 2005-08 ranged from 42 to 53 *per cent* of the annual requirement and even this could not be utilised due to procedural delay in placing supply orders. The implementation of Central scheme 'Assistance to State for Control of Animal Diseases' was poor and Rs 3.39 crore of unspent Central funds was credited to State's revenue instead of refunding it to GOI. Rupees 4.07 crore of grant released by GOI during 2006-08 towards Cattle Insurance Scheme remained unutilised with the Kerala Livestock Development Board.

Audit of Transactions

Besides the above, audit of financial transactions subjected to test check in various Departments of Government and their field functionaries revealed instances of fraudulent drawal/avoidable/wasteful expenditure and other irregularities involving Rs 246.17 crore as mentioned below:

In Public Works Department, failure of Executive Engineer to follow the prescribed system for purchase of bitumen by contractors resulted in payment of Rs 2.32 crore on production of 160 fake invoices.

Infructuous/avoidable/excess expenditures of Rs 37.88 crore were noticed in Water Resources (Rs 12.93 crore), Public Works (Rs 13.07 crore), Health and Family Welfare (Rs 0.43 crore), Higher Education (Rs 10.63 crore)and Transport (Rs 0.82 crore) Departments. The above cases of avoidable/excess expenditure included a case of excess expenditure of Rs 8.50 crore in the work of flood bank and bank connection to Regulator-cum-Bridge at Thrithala due to deviation from the design approved by the Irrigation Design and Research Board.

Idle investment/blockage of funds amounting to Rs 16.57 crore were noticed in Industries (Rs 2.24 crore), Forest and Wild Life (Rs 1.47 crore), Industries/Planning and Economic Affairs/Forest and Wild Life (Rs 8.81 crore) and Health and Family Welfare/Transport (Rs 4.05 crore) Departments. The above cases included Rs 8.81 crore of State Government funds remaining blocked with the implementing agencies for the last two to four years due to failure to conduct proper feasibility study and lack of planning in implementation of three schemes.

Apart from these, there were regularity issues and other points involving Rs 189.40 crore in Finance (Rs 72.57 crore), Social Welfare (Rs 65 crore), Agriculture (Rs 43.61 crore), Information Technology (Rs 1.86 crore) and General Education (Rs 6.36 crore) Departments.

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

CHAPTER I
FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Accounts (**Appendix 1 - Part A**). The Finance Accounts of the Government of Kerala are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Accounts of the State of Kerala. The lay out of the Finance Accounts is depicted in **Appendix 1 – Part B**

1.1.1. Summary of Receipts and Disbursements

Table 1.1 summarizes the finances of the Government of Kerala for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts/disbursements as emerging from Statement – 1 of Finance Accounts and other detailed statements.

Table 1.1: Summary of receipts and disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
			Section-A: Revenue				
					Non-Plan	**Plan**	**Total**
18,186.63	**Revenue receipts**	**21,106.79**	**20,824.57**	**Revenue expenditure**	**22,614.35**	**2,277.29**	**24,891.64**
11,941.82	Tax revenue	13,668.95	9,723.16	General Services	11,976.99	207.10	12,184.09
937.57	Non-tax revenue	1,209.55	6,478.25	Social Services	6,451.32	1,338.56	7,789.88
3,212.04	Share of Union Taxes/Duties	4,051.70	2,711.88	Economic Services	2,086.77	731.63	2,818.40
2,095.20	Grants from Govt. of India	2,176.59	1,911.28	Grants-in-aid / Contributions	2,099.27	...	2,099.27
2,637.94	**Revenue Deficit carried over to Section B**	**3,784.85**					
20,824.57	**Total Section - A**	**24,891.64**	**20,824.57**	**Total Section - A**	**22,614.35**	**2,277.29**	**24,891.64**
			Section-B: Capital				
215.14	Opening Cash Balance	1,039.97		Opening Overdraft from Reserve Bank of India			..
1.94	Miscellaneous Capital Receipts	7.54	902.58	Capital Outlay	22.87	1,451.71	1,474.58
66.10	Recoveries of Loans and Advances	44.85	349.39	Loans and Advances disbursed	73.29	819.87	893.16
			2,637.94	Revenue Deficit brought down from Section A			3,784.85
5,335.53	Public debt receipts*	5,643.66	1,082.73	Repayment of Public Debt*			1432.79
				Appropriation to Contingency Fund			..
2.15	Contingency Fund receipts			Contingency Fund disbursements			80.00
41,868.36	Public Account receipts	48,316.26	41,476.61	Public Account disbursements			46,413.11
...	Closing Overdraft from Reserve Bank of India	...	1,039.97	Cash Balance at end			973.79
47,489.22	**Total – Section B**	**55,052.28**	**47,489.22**	**Total – Section B**			**55,052.28**

* Includes net Ways and Means advances but excludes Overdraft from Reserve Bank of India

Following are the significant changes during 2007-08 over previous year.

- Revenue receipts grew by 16.1 *per cent* (Rs 2,920 crore) relative to the previous year. The increase is mainly contributed by tax revenue (Rs 1,727 crore), State's share of Union Taxes and Duties (Rs 840 crore) and non-tax revenue (Rs 272 crore).
- Revenue expenditure and Capital expenditure increased by 19.5 *per cent* (Rs 4,067 crore) and 63.4 *per cent* (Rs 572 crore) respectively.
- Recoveries of Loans and Advances decreased by Rs 21 crore whereas disbursement of Loans and Advances increased by Rs 544 crore.
- Public Debt Receipts increased by Rs 308 crore mainly due to increase in borrowings from Government of India by Rs 211 crore as against Public Debt Repayment which also increased by Rs 350 crore.
- Cash balance of State decreased by Rs 66.18 crore as a result of aforesaid transactions during 2007-08 from the level of Rs 1039.97 crore in previous year.

1.1.2 States Fiscal Position by Key Indicators

The fiscal position of the State Government during the current year as compared to the previous year is given in **Table 1.2**.

Table 1.2

(Rupees in crore)

2006-07	Sl. No.	Major Aggregates	2007-08
18,187	**1.**	**Revenue Receipts (2+3+4)**	**21,107**
11,942	2.	Tax Revenue (net)	13,669
938	3.	Non-Tax Revenue	1,210
5,307	4.	Other Receipts	6,228
68	**5.**	**Non-Debt Capital Receipts**	53
66	6.	*Of which* Recovery of Loans	45
18,255	**7.**	**Total Receipts (1+5)**	**21,160**
18,632	**8.**	**Non-Plan Expenditure**	**22,711**
18,516	9.	On Revenue Account	22,615
4,190	10.	*Of which* Interest Payments	4,330
17	11.	On Capital Account	23
99	12.	On Loans disbursed	73
3,445	**13.**	**Plan Expenditure**	**4,549**
2,309	14.	On Revenue Account	2,277
886	15.	On Capital Account	1,452
250	16.	On Loans disbursed	820
22,077	**17.**	**Total Expenditure (8+13)**	**27,260**
(-) 2,638	**18.**	**Revenue Deficit (-) Revenue Surplus (+) (1-9-14)**	(-) 3,785
(-) 3,822	**19.**	**Fiscal Deficit (-)/ Fiscal Surplus (+) (1+5-17)**	(-) 6,100
(+) 368	**20.**	**Primary Deficit (-)/ Primary Surplus (+) (19-10)**	(-) 1,770

Table 1.2 shows that Revenue Receipts increased by Rs 2,920 crore (16.1 *per cent*) during 2007-08 while Revenue Expenditure increased by Rs 4,067 crore (19.5 *per cent*) over the previous year which resulted in an increase of Rs 1,147 crore in Revenue Deficit during 2007-08 over the previous year. Given a decrease of Rs 15 crore in non-debt capital receipts and an increase of

Rs 572 crore and Rs 544 crore in capital expenditure and disbursement of loans and advances respectively, the fiscal deficit increased by Rs 2,278 crore in 2007-08 over previous year. Also the Primary Surplus of Rs 368 crore in 2006-07 turned into a primary deficit of Rs 1,770 crore in 2007-08 as a result of increase in fiscal deficit and an increase of Rs 140 crore in interest payments.

1.2 Methodology adopted for the assessment of Fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts are analysed over the period of 2002-08 and observations made. In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all states are required to enact the Fiscal Responsibility (FR) Acts/Rules during medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FR Acts and in other Statements required to be laid in the legislature under the Act are used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices.

Table 1.3: Trend in growth of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Gross State Domestic Product (GSDP)* (Rupees in crore)	86,275	96,012	1,07,054	1,18,998	1,32,739	1,48,485
Growth rate of GSDP	11.5	11.3	11.5	11.2	11.5	11.9

*New GSDP figures with 1999-2000 as base for the years 2002-03 to 2006-07 furnished by the Director of Economics and Statistics in June 2008. Figures for 2005-06 are Provisional Estimates and that for 2006-07 are Quick Estimates. For 2007-08, the projected figures for Revised Estimates 2007-08 in the budget in brief 2008-09 have been adopted.

The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc., with reference to base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc., are keeping pace with the change in the base, or these fiscal aggregates are also affected by factors other than GSDP. Audit observations on the Statements of Finance Accounts for the year 2007-08 bring out the trends in the major fiscal aggregates of receipts and expenditure, wherever necessary analyse them and show these in the light of summarized financial position of the Government of Kerala **(Appendix II)**, Abstracts of Receipts and Disbursements **(Appendix III)**, Sources and Application of funds **(Appendix IV)**, and Time series data **(Appendix V)**. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix I Part C**.

1.2.1 The Kerala Fiscal Responsibility Act, 2003

The State Government enacted the Fiscal Responsibility Act, 2003 which came into force on 5 December 2003 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management is consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework and for matters connected therewith or thereto. To give effect to the fiscal management principles as laid down in the Act, State Government prescribed the fiscal targets which are as follows:

- reduce revenue deficit to 'NIL' within a period of four years commencing from 1st April 2003 and ending on 31st March 2007 and generate revenue surplus thereafter.
- to reduce fiscal deficit to two *per cent* of the estimated gross State domestic product within a period of four years commencing from 1st April 2003 and ending on 31st March 2007.

The Twelfth Finance Commission (TFC) in its report recommended elimination of State's revenue deficit and reduction of fiscal deficit to three *per cent* of GSDP by March 2009. The Medium Term Fiscal Plan for the years 2007-08 to 2009-10 presented to Legislature with the budget for 2007-08 indicated that the elimination of revenue deficit would be pushed back by a year to March 2010 primarily as a result of the financial impact of the Pay Commission award. But the Kerala Fiscal Responsibility Act has not been amended till date taking into consideration either the recommendations of the TFC or the projections made in the medium term fiscal plan.

1.2.2 Medium Term Fiscal Policy and Strategy Statement

As prescribed in the Act, State Government laid the Medium Term Fiscal Policy and Strategy Statement indicating three-year rolling targets for fiscal indicators, medium term fiscal objectives, evaluation of performance against targets fixed for the previous two years, etc., along with the budget for 2007-08 before the Legislature. As per the milestones of outcome indicators mentioned in the statement, the anticipated revenue deficit and fiscal deficit for 2007-08 are Rs 5,251 crore (3.4 *per cent* of GSDP) and Rs 7,425 crore (4.8 *per cent* of GSDP) respectively. However, the year ended with actual revenue deficit of Rs 3,785 crore (2.5 *per cent* of GSDP) and fiscal deficit of Rs 6,100 crore (4.1 *per cent* of GSDP) respectively.

1.3 Trends and Composition of Aggregate Receipts

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GOI). Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/ commercial banks) and loans and advances from GOI as well as accruals from

Public Account. **Table 1.4** shows that the total receipts of the State Government for the year 2007-08 were Rs 75,120 crore. Of these, the revenue receipts were Rs 21,107 crore, constituting 28 *per cent* of the total receipts. The balance came from miscellaneous capital receipts (Rs eight crore), recoveries of loans and advances (Rs 45 crore), borrowings (Rs 5,644 crore: eight *per cent*) and Public Account (Rs 48,316 crore: 64 *per cent*).

Table 1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Sources of State's Receipts						
I Revenue Receipts	**10,634**	**11,815**	**13,500**	**15,295**	**18,187**	**21,107**
II Capital Receipts	**4,047**	**7,065**	**6,691**	**5,875**	**5,404**	**5,697**
a. Miscellaneous Receipts	04	--	--	--	02	08
b. Recovery of Loans and Advances	77	73	95	52	66	45
c. Public Debt Receipts*	3,966	6,992	6,596	5,823	5,336	5,644
III Contingency Fund Receipts	**22**	--	**92**	**15**	**2**	**...**
IV Public Account Receipts	**25,528**	**26,147**	**33,681**	**37,779**	**41,868**	**48,316**
a. Small Savings, Provident Fund, etc	9,834	8,773	7,897	7,777	7,897	9,423
b. Reserve Fund	131	134	358	248	119	442
c. Deposits and Advances	3,864	3,320	2,231	1,602	3,509	4,199
d. Suspense and Miscellaneous	7,496	9,477	18,318	22,379	24,284	26,971
e. Remittances	4,203	4,443	4,877	5,773	6,059	7,281
Total Receipts	**40,231**	**45,027**	**53,964**	**58,964**	**65,461**	**75,120**

* Excludes Ways and Means advances from Reserve Bank of India

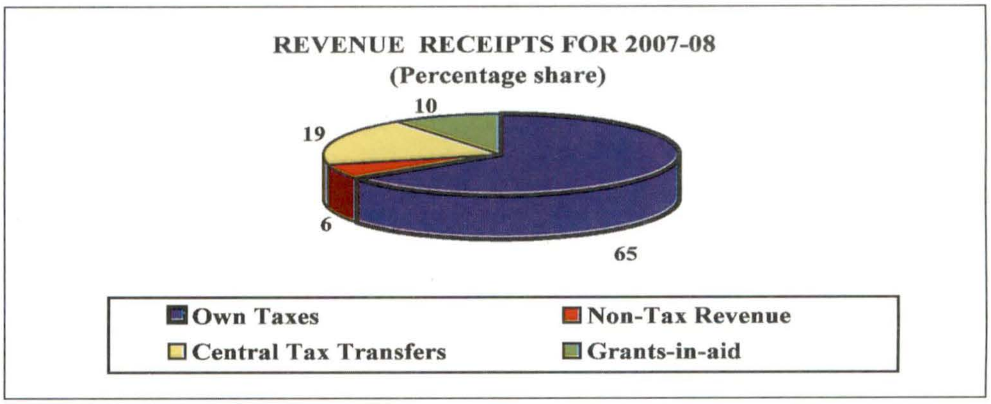
It is observed that though receipts under 'the Suspense and Miscellaneous' and 'Remittances' formed a sizeable portion of total receipts under Public Account during 2005-06 to 2007-08, the net effect of these receipts was not significant due to equally high disbursements.

1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table 1.5.**

Table 1.5: Revenue Receipts- Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) (Rupees in crore)	10,634	11,815	13,500	15,295	18,187	21,107
Own Taxes (*per cent*)	7,303 (69)	8,089 (68)	8,963 (66)	9,779 (64)	11,942 (66)	13669 (65)
Non-Tax Revenue (*per cent*)	678 (06)	807 (07)	819 (06)	937 (06)	938 (05)	1210 (06)
Central tax Transfers (*per cent*)	1,715 (16)	2,012 (17)	2,405 (18)	2,518 (17)	3,212 (18)	4052 (19)
Grants-in aid (*per cent*)	938 (09)	907 (08)	1,313 (10)	2,061 (13)	2,095 (11)	2176 (10)
Rate of Growth of RR (*per cent*)	17.4	11.1	14.3	13.3	18.9	16.1
Revenue Receipt/GSDP (*per cent*)	12.3	12.3	12.6	12.9	13.7	14.2
Revenue Buoyancy (ratio)	1.5	1.0	1.2	1.2	1.6	1.4
ROG of Own Taxes	23.3	10.8	10.8	9.1	22.1	14.5
Own Taxes Buoyancy (ratio)	2.0	1.0	0.9	0.8	1.9	1.2
Buoyancy of Revenue Receipts with reference to State' Own Taxes (ratio)	0.75	1.0	1.3	1.5	0.85	1.1
GSDP Growth (*per cent*)	11.5	11.3	11.5	11.2	11.5	11.9



General Trends

Revenue Receipts of the State have increased from Rs 10,634 crore in 2002-03 to Rs 21,107 crore in 2007-08 exhibiting relative stability in the share of its various components. The contribution of the State's own taxes in its total revenue receipts decreased from 69 *per cent* in 2002-03 to 65 *per cent* in 2007-08. The contribution of Central tax transfers has increased from 16 *per cent* in 2002-03 to 19 *per cent* in 2007-08 whereas the contribution of grants-in-aid from Government of India increased marginally from 9 *per cent* in 2002-03 to 10 *per cent* in 2007-08.

Tax Revenue

The Tax Revenue has increased by 14.5 *per cent* during the current year (Rs 13,669 crore) relative to the previous year (Rs 11,942 crore). Taxes on Sales, Trade, etc., was the major source of State's own tax revenue during the year having contributed 69 *per cent* followed by Stamps and Registration Fees (15 *per cent*), State Excise (9 *per cent*) and Taxes on Vehicles (6 *per cent*). **Table 1.6** shows the trend of tax revenue during 2002-08.

Table 1.6: Tax Revenue

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Taxes on Sales, Trade, etc	5,343	5,991	6,701	7,038	8,563	9,372
State Excise	663	656	746	841	953	1,169
Taxes on vehicles	513	586	610	629	708	853
Stamps and Registration fees	487	550	775	1,101	1,520	2,028
Land Revenue	38	40	44	44	47	47
Taxes on Agricultural Income	6	9	5	6	10	22
Other taxes*	253	257	82	120	141	178

Taxes on sales, trade, etc., have increased by 9.4 *per cent* (Rs 809 crore) during 2007-08 over the previous year mainly due to increase in receipts under Value Added Tax (Rs 825.22 crore) and receipts under Central Sales Tax Act (Rs 676.55 crore) partly off-set by decrease in 'Receipts under State Sales Tax Act' (Rs 547.08 crore) and 'Other Receipts' (Rs 146.25 crore). Stamps and Registration fees have increased by 33 *per cent* (Rs 508 crore) during 2007-08 over previous year mainly due to increase in receipt under 'Sale of Judicial

* Other taxes include Taxes on immovable property other than agricultural land, taxes and duties on electricity, other taxes and duties on commodities and services.

Stamps' (Rs 24.94 crore), Sale of Non-judicial Stamps (Rs 331.14 crore), 'Duty on impressing of documents' (Rs 62.73 crore) and 'Registration Fees' (Rs 80.86 crore).

Non-Tax Revenue

Of non-tax revenue sources, receipts from Forest and Wildlife (13 *per cent*), Industries (10 *per* cent), State Lotteries (27 *per cent*) and Interest Receipts, Dividends and Profits (8 *per* cent) were the principal contributors. Non-tax revenue increased by Rs 272 crore (29 *per cent*) during the year when compared to previous year. The increase was mainly in 'Other Receipts' under Industries (Rs 121 crore), State Lotteries (Rs 89 crore), Interest Receipts (Rs 25 crore) and Guarantee fees (Rs 13 crore). However, though the receipts under State Lotteries were Rs 325.25 crore during the year, with equally high expenditure of Rs 274.90 crore, the net yield from lotteries was only Rs 50.35 crore.

Central Tax Transfers

The Central Tax Transfers increased by Rs 839.66 crore over the previous year and constituted 19.2 *per cent* of revenue receipts. The increase was mainly in the share assigned to States under Corporation Tax (Rs 283.40 crore), Taxes on Income other than Corporation Tax (Rs 254.31 crore), Customs Duties (Rs 139.36 crore), Service Tax (Rs 96.42 crore) and Union Excise Duties (Rs 65.85 crore).

Grants-in-aid

The Grants-in-aid from Government of India increased from Rs 2,095.20 crore in 2006-07 to Rs 2,176.59 crore in 2007-08. The trends in various components of grants-in-aid from Government of India for the last five years were indicated in **Table 1.7** below:

Table 1.7: Grants-in-aid received from GOI – Different Components

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Non-Plan grants	210.54	379.84	1,260.76	1,092.42	748.65
Grants for State Plan Schemes	369.74	628.45	485.81	630.78	977.67
Grants for Central Plan Schemes	18.21	17.79	18.39	19.64	36.56
Grants for Centrally Sponsored Plan Schemes	309.12	286.72	295.97	352.36	413.71
Total	**907.61**	**1,312.80**	**2,060.93**	**2,095.20**	**2,176.59**

The grants under State Plan Schemes increased by Rs 346.89 crore, Centrally Sponsored Schemes by Rs 61.35 crore and Central Plan Schemes by Rs 16.92 crore during 2007-08 as compared to previous year. However, the Non-Plan grants decreased by Rs 343.77 crore in 2007-08 mainly due to decline in grants released to State in lieu of compensation of revenue loss due to introduction of VAT from Rs 426.23 crore in 2006-07 to Rs 123.19 crore in 2007-08. Government of India released during the current year grants for heritage conservation (Rs 6.25 crore); maintenance of Buildings (Rs 25.88 crore); maintenance of roads and bridges (Rs 160.58 crore); Urban Local Bodies and Panchayati Raj Institutions (Rs 226.80 crore) and maintenance of Forests (Rs 4.95 crore) as recommended by the TFC. But under 'State

Specific Needs' only Rs 25 crore was released against Rs 125 crore recommended.

Arrears of Revenue

As per the information furnished by 12 Departments of State Government, arrears of revenue pending realisation at the end of 2007-08 were Rs 10,610.15 crore which amounted to 50.27 *per cent* and 77.62 *per cent* of revenue receipts and state's own tax revenue respectively during the current year. The details of pending arrears are given in **Table 1.8** below:

Table 1.8: Arrears of Revenue

(Rupees in crore)

Sl. No.	Department	Amount of arrears as on 31 March 2008
1.	Electrical Inspectorate	2,736.87
2.	Motor Vehicles	680.04
3.	Land Revenue	2,111.84
4.	Local Fund Audit	77.91
5.	Mining and Geology	0.50
6.	Factories and Boilers	0.87
7.	Stationery	11.35
8.	Commercial Taxes	4,425.47
9.	Printing	24.79
10.	Police	58.66
11.	State Excise	355.94
12.	Forestry and Wildlife	125.91
	Total	**10,610.15**

1.4 Application of resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure minor head wise and capital expenditure major head wise. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs 15,705 crore in 2002-03 to Rs 27,260 crore in 2007-08. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table 1.9.**

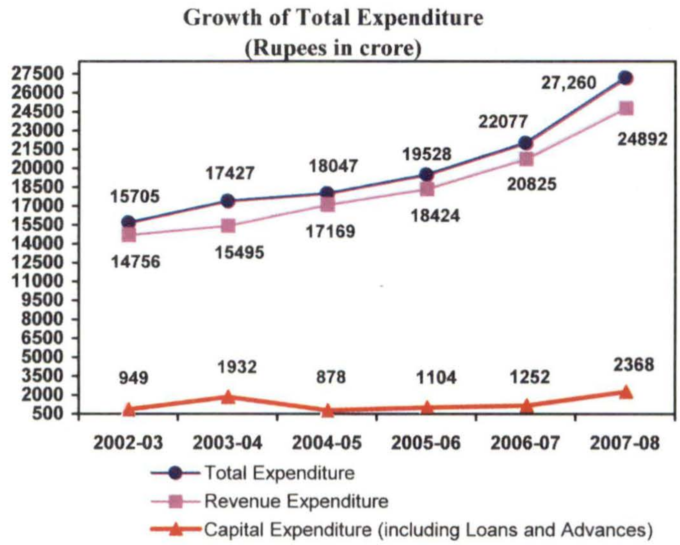
Table 1.9: Total Expenditure – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Total Expenditure[⊕] (TE) (Rupees in crore)	15,705	17,427	18,047	19,528	22,077	27,260
Rate of Growth *(per cent)*	26.9	11.0	3.6	8.2	13.1	23.5
TE/GSDP Ratio *(per cent)*	18.2	18.2	16.9	16.4	16.6	18.4
Revenue Receipts/TE Ratio *(per cent)*	67.7	67.8	74.8	78.3	82.4	77.4
Buoyancy of Total Expenditure with reference to:						
GSDP (ratio)	2.3	1.0	0.3	0.7	1.1	2.0
Revenue Receipts (ratio)	1.5	1.0	0.3	0.6	0.7	1.5

The total expenditure increased by 23.5 *per cent* in 2007-08 to Rs 27,260 crore from Rs 22,077 crore in the previous year. The increase in total expenditure

[⊕]Total Expenditure represents revenue expenditure as well as capital expenditure which includes expenditure on loans and advances.

over previous year was mainly due to increase under revenue expenditure (Rs 4,067 crore), capital expenditure (Rs 572 crore) and disbursement of loans and advances (Rs 544 crore). In terms of plan and non-plan expenditure, the plan expenditure increased by Rs 1,104 crore, whereas non-plan expenditure increased by Rs 4,079 crore over the previous year. The ratio of revenue receipts to total expenditure increased from 67.7 *per cent* in 2002-03 to 77.4 *per cent* in 2007-08, indicating that about 77 *per cent* of the State's total expenditure was met from its current revenues, leaving the balance to be financed from non-debt capital receipts and borrowings.



Trends in Total Expenditure by Activities

In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-1.10.**

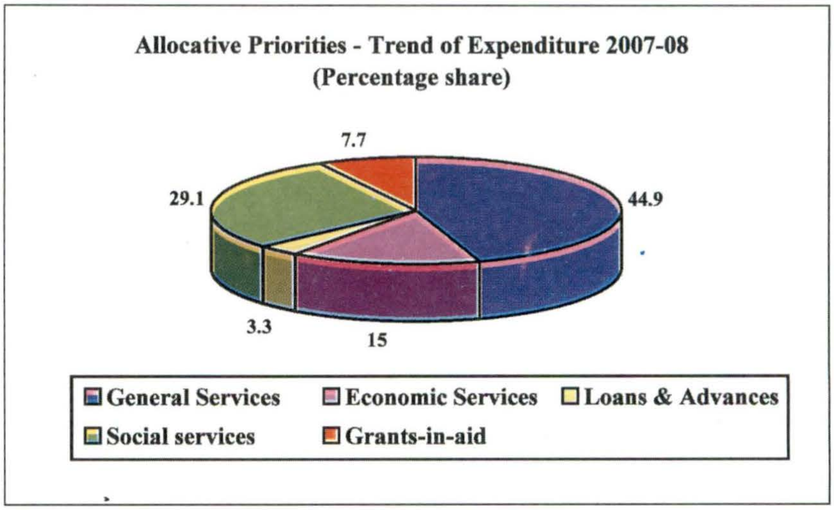
Table-1.10: Components of Expenditure – Relative Share

(in per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	42.7	44.5	45.2	44.2	44.9
Of which Interest payments	45	45	43	43	35
Social Services	29.2	33.1	30.9	29.9	29.1
Economic Services	20.3	21.3	22.5	15.7	15.0
Grants-in-aid	0.4	Nil	Nil	8.6	7.7
Loans and advances	7.4	1.1	1.4	1.6	3.3

The movement of the relative share of the components indicated that the share of Social Services in the total expenditure exhibited relative stability during the period 2003-08 while the share of Economic Services declined from 20.3 *per cent* to 15 *per cent* during the same period with minor inter-year variations mainly due to booking of devolution of funds for Plan programmes especially under 'Other Rural Development Programmes' implemented by local bodies under the Head '3604 - Grants-in-aid'. The share of General Services which include interest payments considered as non-developmental accounted for 44.9

per cent of total expenditure in 2007-08 as compared to 42.7 *per cent* in 2003-04. The increase in the General Services' share during 2007-08 was mainly due to increase in pension payment as a result of revision of pension based on Pay Commission's recommendations and payment of arrears.



1.4.2 Revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. 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 States infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP, revenue receipts and its buoyancy are indicated in **Table-1.11.**

Table-1.11: Revenue Expenditure: Basic Parameters

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE)	14,756	15,495	17,169	18,424	20,825	24,892
Of which: Non-plan Revenue Expenditure (NPRE)	11,702	13,101	14,063	15,201	18,516	22,615
Plan Revenue Expenditure (PRE)	3,054	2,394	3,106	3,223	2,309	2,277
Rate of Growth (*per cent*) of RE	26.5	5.0	10.8	7.3	13.0	19.5
NPRE	18.2	12	7.3	8.1	21.8	22.1
PRE	72.9	(-) 21.6	29.7	3.8	(-) 28.4	(-) 1.4
NPRE/GSDP *(per cent)*	13.6	13.6	13.1	12.8	13.9	15.2
NPRE as *per cent* of TE	74.5	75.2	77.9	77.8	83.9	83
NPRE as *per cent* of RR	110	110.9	104.2	99.4	101.8	107.1
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	2.3	0.4	0.9	0.7	1.1	1.6
Revenue Receipts (Ratio)	1.5	0.5	0.8	0.5	0.7	1.2

The revenue expenditure increased by 69 per cent from Rs 14,756 crore in 2002-03 to Rs 24,892 crore in 2007-08. The NPRE showed an increasing trend during the period 2002-08 whereas the PRE showed inter-year variations with a declining trend since 2005-06. The increase of Rs 4,099 crore in NPRE during the current year compared to previous year was mainly due to increase in expenditure under Pension and other Retirement benefits consequent on revision of pension based on recommendations of State Pay Commission (Rs 1,630 crore), salaries and wages (Rs 1071 crore), devolution of funds to Local Self Government Institutions (LSGIs) based on recommendations of Third State Finance Commission (Rs 187.98 crore), Contribution to 'Consolidated Sinking Fund' (Rs 222.52 crore) and General Education (Rs 595.50 crore). The decrease of Rs 32 crore in PRE was mainly due to decrease in expenditure under Crop Husbandry (Rs 142.57 crore), Roads and Bridges (Rs 99.83 crore), Industry and Minerals (Rs 66.52 crore), Rural Development (Rs 45.38 crore), Water Supply and Sanitation (Rs 31.20 crore), partly offset by increase of expenditure under Urban Development (Rs 167.32 crore) and Social Security and Welfare (Rs 115.3 crore). The actual non-plan revenue expenditure during 2007-08 *vis-à-vis* assessment made by TFC for the year is given below:

Table-1.12

(Rupees in crore)

	Assessment made by TFC	**Actual Non-plan Revenue Expenditure**
Non-plan Revenue Expenditure	19,158	22,615

Actual Non-plan Revenue Expenditure during 2007-08 exceeded the normative assessment made by TFC for the year by Rs 3,457 crore (18 *per cent*). The increase in non-plan revenue expenditure over the assessment made by TFC was mainly due to increased devolution of funds to LSGIs based on recommendation of Third State Finance Commission (Rs 1985 crore) and revision of pension consequent on recommendations of State Pay Commission (Rs 1516 crore).

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries and Wages

The trends in expenditure on salaries and wages both under plan and non-plan heads are presented in **Table 1.13**.

Table-1.13: Expenditure on Salaries

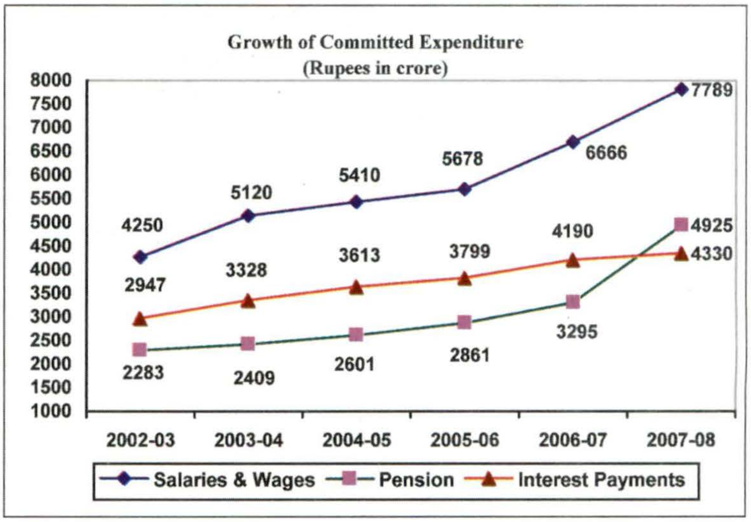
(Rupees in crore)

Heads	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**
Expenditure on Salaries & Wages Of which	5,120	5,410	5,678	6,666	7,789
Non-Plan Head	4,886	5,186	5,440	6,391	7,464
Plan Head*	234	224	238	275	325
As *per cent* of GSDP	5.3	5.1	4.8	5.0	5.2
As *per cent* of Revenue Receipts	43.3	40.1	37.1	36.7	36.9

Expenditure on salaries under non-plan and plan during 2007-08 is Rs 7,464 crore and Rs 325 crore respectively recording a growth of 16.8 *per cent* and 18.2 *per cent* respectively over the previous year. Salary expenditure during the current year has increased by 16.80 *per cent* over the level of 2006-07 mainly due to disbursement of four instalments (15 *per* cent) of dearness allowance due to the employees during 2007-08. The salary expenditure is about 50 *per cent* of revenue expenditure net of interest and pension payments which is higher than the norm of 35 *per cent* recommended by the TFC. Expenditure under Salaries and Wages for 2007-08 however remained lower

* Plan Head also includes the salaries and wages paid under Centrally Sponsored Schemes.

than the projection made by the State Government in Medium Term Fiscal Plan (Rs 8,984 crore).



1.4.3.2 Pension Payments

Table 1.14: Expenditure on Pensions

(Rupees in crore)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions	2,409	2,601	2,861	3,295	4,925
As *per cent* of GSDP	2.5	2.4	2.4	2.5	3.3
As *per cent* of RR	20.4	19.3	18.7	18.1	23.3

Pension payments increased by 49.5 *per cent* from Rs 3,295 crore in 2006-07 to Rs 4,925 crore in 2007-08 mainly due to revision of pension based on Eighth Pay Commission recommendations and payment of arrears during 2007-08. With the increase in the number of retirees and improved longevity, the pension liabilities are likely to increase further in future. Pension payments during 2007-08 exceeded the assessment made by TFC (Rs 3,409 crore) as well as the projection made by State Government in Medium Term Fiscal Plan (Rs 4,578 crore).

1.4.3.3 Interest payments

The Twelfth Finance Commission recommended that States should endeavour to keep interest payments as a ratio of revenue receipts to 15 *per cent* by 2009-10. It was, however, observed that interest payments as a percentage of revenue receipts ranged between 20 and 25 *per cent* during the first three years of the Finance Commission award period.

Table-1.15: Interest payments

(Rupees in crore)

Year	Total Revenue Receipts	Interest Payments	Percentage of Interest payments with reference to	
			Total Revenue Receipts	Revenue Expenditure
2002-03	10,634	2,947	27.7	20.0
2003-04	11,815	3,328	28.2	21.5
2004-05	13,500	3,613	26.8	21.0
2005-06	15,295	3,799	24.8	20.6
2006-07	18,187	4,190	23.0	20.1
2007-08	21,107	4,330	20.5	17.4

The increase in interest payment during 2007-08 was mainly due to more expenditure on 'Interest on Special Securities issued to National Small Savings Fund of the Central Government' (Rs 193.14 crore), Interest on Market Loans (Rs 130.21 crore), State Provident Funds (Rs 123.53 crore) and Interest on Other Internal Debts (Rs 24.91 crore). Interest payment during 2007-08 remained lower than assessment made by TFC (Rs 4,408 crore) and the projection made by State Government in Medium Term Fiscal Plan (Rs 4,778 crore).

1.4.3.4 Subsidies

State Government paid subsidies* to the extent of Rs 24.18 crore, Rs 23.36 crore and Rs 201.66 crore during 2005-06, 2006-07 and 2007-08 respectively. The huge increase during 2007-08 over the previous year was due to payment of subsidy to Food Corporation of India (Rs 109.81 crore) in respect of rice and wheat distributed to ration card holders of BPL families; subsidy to Kerala State Civil Supplies Corporation (Rs 30.0 crore) for Market Intervention Operations; subsidy to Agricultural farms (Rs 37.67 crore) and enhanced subsidies to co-operatives (Rs 13.05 crore)

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. The higher the ratio of these components to total expenditure and GSDP, the better is the quality of expenditure. **Table 1.16** gives these ratios during 2002-08.

Table 1.16: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	699	640	682	817	903	1,475
Revenue Expenditure	14,756	15,495	17,169	18,424	20,825	24,892
Of which						
Social and Economic Services with	8,678	8,024	9,186	9,667	9,190	10,609

* Source: Finance Accounts 2007-08

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
(i) Salary & Wage Component	N.A	4,071	4,280	4,487	5,198	6,111
(ii) Non-Salary & Wage component	N.A	3,953	4,906	5,180	3,992	4,498
As *per cent* of Total Expenditure[&]						
Capital Expenditure	4.5	4	3.8	4.25	4.2	5.6
Revenue Expenditure	95.5	96	96.2	95.75	95.8	94.4
As *per cent* of GSDP						
Capital Expenditure	0.8	0.7	0.6	0.7	0.7	1.0
Revenue Expenditure	17.1	16.1	16.0	15.5	15.7	16.8

The revenue expenditure has increased in absolute terms from Rs 20,825 crore in 2006-07 to Rs 24,892 crore in 2007-08 but its percentage to total expenditure decreased from 95.80 *per cent* to 94.40 *per cent* during the same period indicating a significant increase in capital expenditure. Salary and wage component of Revenue expenditure under Social and Economic Services increased steadily from Rs 4,071 crore in 2003-04 to Rs 6,111 crore in 2007-08 whereas expenditure under non-salary and wage component showed inter- year variations during the above period. The capital expenditure increased in absolute terms from Rs 903 crore in 2006-07 to Rs 1,475 crore in 2007-08 and its percentage to total expenditure increased from 4.2 *per cent* to 5.6 *per cent* during the same period. The sharp increase in Capital Expenditure during 2007-08 over 2006-07 was mainly due to payment of arrears in contractors' bills pertaining to sectors such as 'Roads and Bridges, Flood Control Projects, Public Works, Minor Irrigation, Major and Medium Irrigation (Rs 440.95 crore) and in Telecommunication and Electronic Industries (Rs 103.10 crore). Capital expenditure as a percentage of GSDP increased from 0.7 *per cent* in 2006-07 to 1.0 *per cent* in 2007-08 but it is far below the norm of three *per cent* recommended by TFC in Restructuring Plan of State Finances. These trends indicate the need for changes in the pattern of expenditure on social and economic services.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities, etc., have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.17** summarizes the expenditure incurred by the State Government in expanding and strengthening the social services in the State during 2002-08.

Table 1.17: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Education, Art and Culture	**2,986**	**3,095**	**3,280**	**3,498**	**3,953**	**4,563**
Revenue Expenditure	2,968	3,080	3,254	3,457	3,917	4,529
Of which						
(a) Salary & Wage Component	..	2,710	2,842	2,954	3,384	3,998
(b) Non-Salary & Wage component	..	370	412	503	533	531
Capital Expenditure	18	15	26	41	36	34
Health and Family Welfare	**805**	**854**	**921**	**999**	**1,138**	**1,289**

[&] Total expenditure does not include Loans and Advances

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure	759	832	891	941	1,108	1,242
Of which						
(a) Salary & Wage Component	..	598	629	673	790	918
(b) Non-Salary & Wage component	..	234	262	268	318	324
Capital Expenditure	46	22	30	58	30	47
Water Supply, Sanitation, Housing and Urban Development	**484**	**401**	**656**	**616**	**394**	**516**
Revenue Expenditure	481	399	654	611	376	503
Of which						
(a) Salary & Wage Component	..	13	15	14	18	21
(b) Non-Salary & Wage component	..	386	639	597	358	482
Capital Expenditure	3	2	2	5	18	13
Other Social Services	**846**	**731**	**1,112**	**916**	**1,109**	**1,557**
Revenue Expenditure	830	714	1,080	887	1,077	1,516
Of which						
(a) Salary & Wage Component	..	176	185	198	229	278
(b) Non-Salary & Wage component	..	538	895	689	848	1,238
Capital Expenditure	16	17	32	29	32	41
Total (Social Services)	**5,121**	**5,081**	**5,969**	**6,029**	**6,594**	**7,925**
Revenue Expenditure	5,038	5,025	5,879	5,896	6,478	7,790
Of which						
(a) Salary & Wage Component	..	3,497	3,671	3,839	4,421	5,215
(b) Non-Salary & Wage component	..	1,528	2,208	2,057	2,057	2,575
Capital Expenditure	83	56	90	133	116	135

The expenditure in social sector increased from Rs 5,121 crore in 2002-03 to Rs 7,925 crore in 2007-08. Expenditure on social sector during 2007-08 (Rs 7,925 crore) accounted for 30 *per cent* of total expenditure and 66 *per cent* of development expenditure[@]. Education; health and family welfare; and water supply, sanitation, housing and urban development together constituted little more than 80 *per cent* of total expenditure incurred on social services. Expenditure on Education increased by Rs 610 crore while the expenditure on Health and Family Welfare has shown an increase of Rs 151 crore in 2007-08 over previous year.

Recognizing the need to improve the quality of education and health services, Twelfth Finance Commission recommended that the non-plan salary expenditure under health and education sectors should increase only by five and six *per cent* respectively while non-salary expenditure under non-plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure during 2007-08 (taking expenditure under both plan and non-plan heads) reveal that the salary and wage component under education sector increased by 18 *per cent* over 2006-07 while non-salary and wage component decreased by 0.4 *per cent.* Similarly under Health and Family Welfare Sector, the salary and wage component during 2007-08 increased by 16 *per cent* while non-salary and wage component increased by only 2 *per cent.* The expenditure pattern both in education and health services has not been as per the norms of the Twelfth Finance Commission which needs correction in the ensuing years.

[@] Development Expenditure is defined as the total expenditure made on Social and Economic Services.

1.5.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditures required to promote directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs 4,102 crore) accounted for 15.6 *per cent* of the total expenditure **(Table 1.18).** Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed nearly 80 *per cent* of the expenditure on Economic Services.

Table-1.18: Expenditure on Economic Sector

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture and Allied Activities	**684.7**	**789.3**	**911.5**	**1,175.9**	**1,189**
Revenue Expenditure	646.7	756.3	867.5	1,114.2	1,087
Of which					
(a) Salary & Wage Component	290.2	303.6	323.7	382.9	443
(b) Non-Salary & Wage component	356.5	452.7	543.8	731.3	644
Capital Expenditure	38	33	44	61.7	102
Irrigation and Flood Control	**338.7**	**366.2**	**436.7**	**331.2**	**472**
Revenue Expenditure	179.7	191.2	228.7	193.4	287
Of which					
(a) Salary & Wage Component	79.8	91.9	101.4	123.1	145
(b) Non-Salary & Wage component	99.9	99.3	127.3	70.3	142
Capital Expenditure	159	175	208	137.8	185
Power & Energy	**577.8**	**61.7**	**99.6**	**45.1**	**36**
Revenue Expenditure	577.8	61.7	99.6	45.1	36
Of which					
(a) Salary & Wage Component	0.3	0.4	0.2	0.4	1
(b) Non-Salary & Wage component	577.5	61.3	99.4	44.7	35
Capital Expenditure	...	...	...	...	...
Transport	**716.6**	**815.1**	**1,118.7**	**1,078.3**	**1,598**
Revenue Expenditure	455.6	563.1	807.7	630.8	770
Of which					
(a) Salary & Wage Component	73.0	75.5	80.3	98.6	110
(b) Non-Salary & Wage component	382.6	487.6	727.4	532.2	660
Capital Expenditure	261	252	311	447.5	828
Other Economic Services	**1,225.5**	**1,824.5**	**1,819.2**	**828.3**	**807**
Revenue Expenditure	1,139.5	1,734.5	1,768.2	728.3	639
Of which					
(a) Salary & Wage Component	130.7	137.9	142.7	172.3	197
(b) Non-Salary & Wage component	1,008.8	1,596.6	1,625.5	556	442
Capital Expenditure	86	90	51	100	168
Total (Economic Services)	**3,543.3**	**3,856.8**	**4,385.7**	**3,458.8**	**4,102**
Revenue Expenditure	2,999.3	3,306.8	3,771.7	2,711.8	2,819
Of which					
(a) Salary & Wage Component	574	609.3	648.3	777.3	896
(b) Non-Salary & Wage component	2,425.3	2,697.5	3,123.4	1,934.5	1,923
Capital Expenditure	544	550	614	747	1,283

The expenditure incurred on provision of economic services increased from Rs 3543 crore in 2003-04 to Rs 4102 crore in 2007-08. Expenditure on economic services during 2007-08 accounted for 15 *per cent* of total expenditure and 34 *per cent* of development expenditure. Out of the total expenditure on Economic Services during 2007-08, 29 *per cent* was incurred on Agriculture and Allied Activities, 39 *per cent* on Transport and 12 *per cent* on Irrigation and Flood Control. As compared to 2002-03, significant increase in expenditure was observed during 2007-08 in Agriculture and Allied Activities (52 *per cent*), Irrigation and Flood Control (66 *per cent*), and Transport Services (108 *per cent*).

The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure increased by 135.8 *per cent* from Rs 544 crore in 2003-04 to Rs 1283 crore in 2007-08, while the revenue expenditure in fact decreased by 6 *per cent* from Rs 2999 crore in 2003-04 to Rs 2819 crore in 2007-08 with however wide inter year variations. Within the revenue expenditure, the salary and wage component increased by 56 *per cent* while non-salary and wage component decreased by 20.7 *per cent* during this period with inter-year variations.

1.5.4 Financial Assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six year period 2002-08 is presented in **Table 1.19.**

Table 1.19: Financial Assistance

(Rupees in crore)

Bodies/authorities, etc.	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1,851.08	1,929.60	2,071.80	2,144.52	2,666.63	2,812.88
Municipal Corporations and Municipalities	239.46	230.91	286.96	318.94	385.43	485.85
Zilla Parishads and Other Panchayati Raj Institutions	1,288.76	1,554.39	1,496.21	1,719.53	2,219.28	2,421.93
Development Agencies	33.49	28.67	25.01	14.52	6.15	1.36
Hospital and Other Charitable Institutions	19.84	23.60	28.04	34.28	43.32	53.98
Other Institutions[&]	779.95	1,686.32	798.07	1,307.30	916.46	468.50[&]
Total	**4,212.58**	**5,453.49**	**4,706.09**	**5,539.09**	**6,237.27**	**6,244.50**
Assistance as percentage of RE	29	35	27	30	30	25

The increase in financial assistance to Zilla Parishads, Municipalities, Corporations, etc., during 2006-08 was due to devolution of funds to Local Bodies based on recommendations of Third State Finance Commission for maintenance of Assets, Expansion and Development and Traditional Functions.

1.5.5 Delay in furnishing utilisation certificates

The financial rules of the 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 2008, 64 utilisation certificates for Rs 32.24 crore paid as grants during

[&] Other Institutions, *inter alia*, includes Kerala State Road Transport Corporation (Rs 43.21 crore), Kerala Water Authority (Rs 37.58 crore), Kerala State Electronics Development Corporation (Rs 35.39 crore), State Council for Science Technology and Environment (Rs 34.05 crore), etc.

the period 2006-08 had not been received in the Office of the Accountant General (Accounts and Entitlements). Details of department-wise break-up of outstanding UCs are given in **Appendix VI**.

1.5.6 Non-submission 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, the Government/Heads of the Department 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. As of August 2008, 45 Institutions have not furnished details for the year 2007-08 as shown in **Appendix VII**.

1.5.7 Abstract of performance of the autonomous bodies

The audit of accounts of 22 bodies in the State has been entrusted to the Comptroller and Auditor General of India. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature is indicated in **Appendix VIII**.

1.5.8 Misappropriations, losses, defalcations, etc.

State Government reported 143 cases of misappropriation, defalcation, etc., involving Government money amounting to Rs 7.82 crore up to the period March 2008 on which final action was pending. The department-wise break up of pending cases is given in **Appendix IX**.

1.5.9 Write off of losses, waivers, etc.

As reported to Audit, losses due to theft, fire and irrecoverable revenue *etc.*, amounting to Rs 25.62 crore in 2,386 cases were written-off/waived during 2007-08 by competent authorities. The relevant details are given in **Appendix X**.

1.6 Assets and Liabilities

In the Government Accounting System, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix II** gives an abstract of such liabilities and the assets as on 31 March 2008, compared with the corresponding position on 31 March 2007. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix V** depicts the time series data on State Government finances for the period 2003-2008.

1.6.1 *Financial results of irrigation works*

Statement 3 of the Finance Accounts gives the financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc. In the case of eight irrigation projects, which have been declared commercial, with a cumulative capital outlay of Rs 122.91 crore at the end of 31 March 2008, the revenue realised from them during 2007-08 was Rs 1.18 crore which was one *per cent* of total outlay. After considering the working and maintenance expenses of Rs 26.42 crore and interest charges of Rs 11.16 crore, these projects suffered a net loss of Rs 36.40 crore.

1.6.2 *Incomplete projects*

The department-wise information pertaining to incomplete projects as on 31 March 2008 is given in the **Table 1.20.**

Table 1.20: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Cost Over Runs	Revised Total Cost of Projects	Cumulative Actual Expenditure as on 31.3.2008
Major Irrigation Projects (Water Resources Department)	5	127.68	1,461.99	1,589.67	1,248.62
Irrigation and Minor Irrigation Works (Water Resources Department)	11	24.83	10.32	35.15	27.86
Public Works Department (Roads and Bridges)	81	309.23	61.18	370.41	211.44
Public Works Department (Buildings)	35	74.40	12.20	86.60	59.98
Harbour Engineering Department	8	84.26	30.29	114.55	80.29
Total	**140**	**620.40**	**1,575.98**	**2,196.38**	**1,628.19**

Source: Details furnished by Departments

As per information made available by the Irrigation Department five* projects which were commenced between 1974 and 1983 remained incomplete even after incurring Rs 1,248.62 crore as of March 2008. The delay in completion of these projects has also resulted in a huge cost overrun of Rs 1462 crore at the close of the current year. Besides, 135 other capital works on which Rs 379.57** crore were spent up to March 2008 also remained incomplete in Public Works, Harbour Engineering and Water Resources Department involving cost overruns amounting to Rs 114 crore as on 31st March 2008. The amount blocked in these projects was 12 *per cent* of the cumulative capital outlay of the State and due to their incompletion within the stipulated time frame not only the benefits to be accrued to the society are delayed but the cost to the exchequer also increases due to time overruns involved in their completion.

1.6.3 *Departmental Commercial Undertakings*

Activities of *quasi*-commercial nature are performed by departmental undertakings of certain Government departments. These undertakings are required to prepare *pro forma* accounts in prescribed format showing the results of financial operations annually so that Government can assess the

* Karapuzha, Idamalayar, Muvattupuzha, Banasura Sagar, Regulator-cum-Bridge at Thrithala.
** As per information made available by Departments

results of their working. The department-wise position of arrears in preparation of *pro forma* accounts is given in **Appendix XI.**

1.6.4 Investments and returns

As of 31st March 2008, Government invested Rs 2,482.96 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives **(Table 1.21)**. The average return on this investment was one *per cent* in the last six years while the Government paid interest at the average rate of 7.9 to 9.4 *per cent* on its borrowings during 2002-2008.

Table-1.21: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on government borrowing*	Difference between interest rate and return
	(Rupees in crore)			(*per cent*)	
2002-03	2,059.23	9.61	0.5	9.4	8.9
2003-04	2,123.57	20.03	0.9	9.1	8.2
2004-05	2,191.16	29.11	1.3	8.7	7.4
2005-06	2,140.04	18.19	0.8	8.3	7.5
2006-07	2,239.60	30.17	1.3	8.4	7.1
2007-08	2,482.96	28.63	1.2	7.9	6.7

Three statutory Corporations and 57 Government companies with aggregate Government investment of Rs 1,112.59 crore up to 2007-08 were incurring losses and their accumulated loss amounted to Rs 3,636.91 crore as per the latest accounts furnished by these companies **(Appendix XII)**. Of the loss making Companies, six Government Companies with an investment of Rs 13.42 crore up to 31 March 2008 were under liquidation and one Government Company with an investment of Rs 1.35 crore was under lockout from June 1993. The major loss making Government Companies/Statutory Corporations are listed in **Table 1.22.**

Table 1.22: Major loss making Companies/Statutory Corporations

Sl. No.	Name of Company/Statutory Corporation	Accumulated loss (Rs in crore)
1.	Kerala State Road Transport Corporation	1,422.26
2.	The Kerala State Civil Supplies Corporation	539.32
3.	The Kerala State Cashew Development Corporation Limited	488.70
4.	Kerala State Electronics Development Corporation Limited	207.56
5.	The Kerala Financial Corporation	105.00

There are only few Government Companies which are running on profit. The major Companies which are earning profits and yielding return to the government are listed in **Table 1.23**.

* Average interest rate is defined as the percentage of interest payment made to average financial liabilities of the State during the year i.e., (Average of opening and closing balances of fiscal liabilities/2) x 100

Table-1.23: Major profit making Companies

(Rupees in crore)

Sl.No.	Name of Government Company	Accumulated profit
1.	The Kerala Minerals and Metals Limited	244.45
2.	The Kerala State Financial Enterprises Limited	101.14
3.	The Kerala Agro-Machinery Corporation Limited	74.05
4.	Malabar Cements Limited	65.38
5.	The Rehabilitation Plantations Limited	57.54

1.6.5 Loans and advances by State Government

In addition to investments in Co-operative societies, Statutory Corporations and Government Companies, Government has also been providing loans and advances to many of these institutions/organisations. Total outstanding loans and advances as on 31 March 2008, were Rs 6,410 crore (**Table 1.24**). A steep increase in the amount of loans advanced during 2007-08 over the previous year was mainly due to disbursement of loans received from Japan Bank for International Co-operation for Water Supply Project of State Government for Rs 662.18 crore (2007-08) to Kerala Water Authority. Interest received against these loans advanced remained less than one *per cent* during the period 2002-08 and it was 0.9 *per cent* during 2007-08 as against the cost of borrowing of 7.9 *per cent* during the year.

Table-1.24: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	3,650	3,823	5,042	5,210*	5,431@	5,562$
Amount advanced during the year	250	1,292	196	287	349	893
Amount repaid during the year	77	73	95	52	66	45
Closing Balance	3,823	5,042	5,143	5,445	5,714	6,410
Net addition	173	1,219	101	235	283	848
Interest Received	24	23	30	31	28	51
Interest received as *per cent* to outstanding loans and advances	0.6	0.5	0.6	0.6	0.5	0.9
Average interest paid on borrowings by State Government (in *per cent*).	9.4	9.1	8.7	8.3	8.4	7.9
Difference between average interest paid and received (*per cent*)	(-) 8.8	(-) 8.6	(-) 8.1	(-) 7.7	(-) 7.9	(-) 7.0

1.6.6 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special – from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve

* Difference of Rs 66.55 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide foot note (b) of Statement 5 of Finance Accounts 2005-06.

@ Difference of Rs 13.89 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide foot note (b) of Statement 5 of Finance Accounts 2006-07.

$ Difference of Rs 152.42 crore with reference to previous year's closing balance was on account of *pro forma* adjustments vide foot note (b) of Statement 5 of Finance Accounts 2007-08.

Bank of India from time to time depending on the holding of Government securities.

Special WMA not exceeding Rs 38.40 crore are given to State Government against marketable securities issued by Government of India. In addition special WMA equivalent to the net incremental annual investment in Consolidated Sinking Fund was also available. After this Ordinary WMA up to a maximum of Rs 350 crore are also allowed. As per the overdraft regulation scheme, no State shall be allowed to run on overdraft for more than fourteen consecutive working days in a calendar year or more than 36 working days in a calendar quarter. The overdraft shall not exceed 100 *per cent* of the Ordinary Ways and Means limit. If the overdraft exceeds this limit continuously for five working days for the first time in a financial year, the Bank will advise the State to bring down the overdraft level. If such irregularity persists on a second or subsequent occasion, payment will be stopped.

Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State is detailed in **Table 1.25**.

Table –1.25: Ways and Means and Overdrafts of the State

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances (including shortfall)						
Availed in the Year	2,463.36	3,346.77	4,485.31	4,414.09	4,523.30	5,471.25
Outstanding WMAs, if any	283.97	284.70	235.25	Nil	Nil	Nil
Interest Paid	13.23	15.58	13.20	9.62	9.83	10.58
Number of Days	163	156	193	182	165	167
Overdraft						
Availed in the year	5,337.51	4,750.53	4,842.94	1,732.16	1,923.57	1,513.59
Number of Days	196	177	161	61	61	47
Interest Paid	7.54	8.32	8.00	2.70	2.45	2.00
Outstanding overdrafts, if any	164.85	280.64	Nil	Nil	Nil	Nil

The ways and means advances availed were for minimum of 156 days during the period 2002-03 to 2007-08 with inter-year variations. However, the number of days on which overdrafts were availed steadily decreased during the same period from 196 days in 2002-03 to 47 days in 2007-08. No ways and means advances and overdrafts were outstanding at the end of the years from 2005-06 to 2007-08. The closing cash balance of the State increased from Rs (-) 226.64 crore in 2003-04 to Rs 1,039.97 crore in 2006-07 and decreased in 2007-08 to Rs 973.79 crore.

1.7 Undischarged Liabilities

The total liability of the State means the liabilities under the Consolidated Fund and the Public Account of the State and shall also include borrowings by the public sector undertakings and the special purpose vehicles and other equivalent instruments including guarantees whose principal and/or interest are to be serviced out of the State budgets.

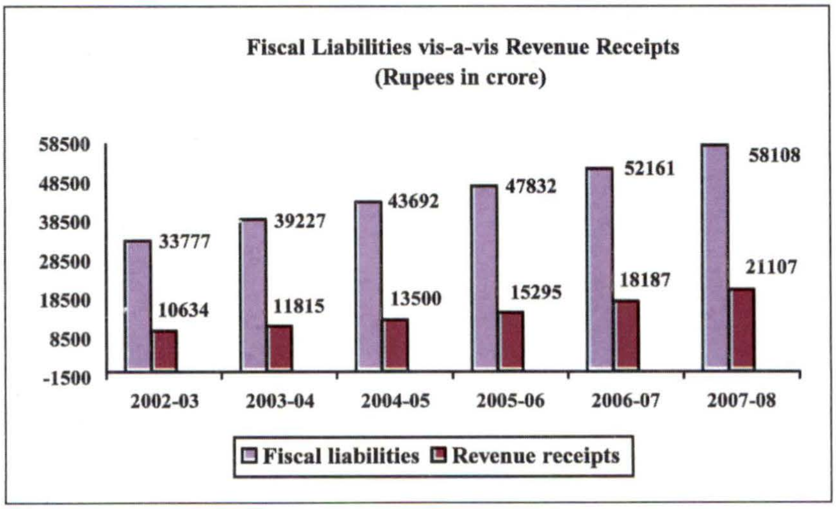
1.7.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The 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 and give guarantees within such limits as may be fixed. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident funds and other deposits.

Table-1.26 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table – 1.26: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities# (Rupees in crore)	33,777	39,227	43,692	47,832	52,161	58,108#
Rate of Growth *(per cent)*	16.4	16.1	11.4	9.5	9.1	11.4
Ratio of Fiscal Liabilities to						
GSDP *(per cent)*	39.2	40.9	40.8	40.2	39.3	39.1
Revenue Receipts *(per cent)*	317.6	332	323.6	312.7	286.8	275.3
Own Resources *(per cent)*	423.3	441.0	446.6	446.4	405	390.5
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	1.4	1.4	1.0	0.8	0.8	0.96
Revenue Receipts (ratio)	0.9	1.5	0.8	0.7	0.5	0.71
Own Resources (ratio)	0.7	1.4	1.1	1.0	0.5	0.74



Overall fiscal liabilities of the State increased from Rs 33,777 crore in 2002-03 to Rs 58,108 crore in 2007-08. Fiscal Liabilities of the State

Includes Public Debt (Rs.39,551.79 crore), Small Savings, Provident Funds, etc., (Rs 15,857.78 crore) interest bearing obligations such as depreciation reserve funds, Calamity Relief Fund, etc., (Rs 41.74 crore) and non-interest bearing obligations such as deposits, other earmarked funds, etc. (Rs 2,656.51 crore).

comprised Consolidated Fund liabilities and Public Account liabilities. As at the end of March 2008 the Consolidated Fund liabilities (Rs 39,552 crore) comprised of market loans (Rs 16,481 crore), loans from Government of India (Rs 5,533 crore) and other loans (Rs 17,538 crore). The Public Account liabilities (Rs 18,556 crore) comprises of small savings, Provident Funds, etc., (Rs 15,858 crore), interest bearing obligations (Rs 42 crore) and non-interest bearing obligations like deposits and other earmarked funds (Rs 2,656 crore). The growth rate was 11.4 *per cent* during 2007-08 over previous year. The ratio of fiscal liabilities to GSDP decreased from 39.3 *per cent* in 2006-07 to 39.1 *per cent* in 2007-08. These liabilities stood at 2.8 times the revenue receipts and 4 times the States own resources as at the end of 2007-08. The fiscal liabilities had grown slower than the State's GSDP during 2005-06, 2006-07 and 2007-08. The buoyancy of these liabilities with respect to GSDP during the year was 0.96 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 0.96 *per cent.*

The State Government had set up a Consolidated Sinking Fund during 2005-06 for amortization of open market loans. A revised scheme of Consolidated Sinking Fund came into effect from 2007-08 according to which Fund is to be utilised as an Amortisation Fund for redemption of all outstanding liabilities. The rate of contribution to the Consolidated Sinking Fund is 0.5 *per cent* of the outstanding liabilities as at the end of the previous year. The Fund is credited with contribution from revenue at the prescribed rate and interest accrued on investment made out of the Fund. The interest accrued and credited in the Fund only will be utilised for redemption of open market loan of Government in 2010-11 and 2011-12 and for redemption of all outstanding liabilities of Government from 2012-13 onwards as per the revised scheme. During the year, State Government contributed Rs 222.52 crore to the Fund. As on 31 March 2008, the outstanding balance in Sinking Fund was Rs 369.51 crore.

1.7.2 Status of Guarantees – Contingent liabilities

Guarantees are contingent liabilities on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. Section 3 of the Kerala Ceiling on Government Guarantees Act, 2003 which came into effect on 5 December 2003 stipulates that the total outstanding Government Guarantees as on the first day of April every year shall not exceed Rs 14,000 crore.

As per the Statement 6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2002-03 is given in **Table 1.27.**

Table – 1.27: Guarantees given by the Government of Kerala

(Rupees in crore)

Year	Maximum amount guaranteed (Principal only)	Outstanding amount of guarantees (including interest)	Percentage of maximum amount guaranteed to total revenue receipt
2002-03	14,922.61	12,623.38	140
2003-04	15,612.67	14,009.19	132
2004-05	14,783.36	12,315.96	110
2005-06	13,751.80	11,934.69	90
2006-07	12,646.70	9,405.33	70
2007-08	14,871.08	8,317.34	70

Audit scrutiny revealed the following:

- Details of guarantees furnished by Government was incomplete as certain relevant data like dates of sanctions of guarantee and execution of deeds, validity period of guarantee, etc., were not included in many cases and guarantee commission particulars in respect of some institutions having outstanding guarantees were not included in the statement. Thus the data on guarantees maintained by Government was not reliable for ensuring compliance with the provisions in the Kerala Ceiling on Government Guarantee Act, 2003.
- Wide variations were noticed in the outstanding guarantees reported by Finance Department and that reported by some of the institutions indicating that the data maintained by Government is incomplete.
- The arrears of guarantee commission receivable as of March 2008 were Rs 53.80 crore. Out of this, Rs 52.11 crore related to 10 institutions which had arrears exceeding Rupees one crore in each case.
- As per Section 6 of the Act, Government shall constitute a Guarantee Redemption Fund and the guarantee commission charged under section 5 of the Act shall form the corpus of the Fund. But the Fund has not been constituted and consequently the guarantee commission of Rs 216.16 crore collected during 2003-04 to 2007-08 had not been credited to the Fund but treated as non-tax revenue and used for meeting the revenue expenditure of the government.

1.7.3 Arrears in payment of contractors' bills

According to information made available by Departmental Officers, the arrears in payment of Contractors' bills as of March 2008 in Public Works, Water Resources and Harbour Engineering Departments amounted to Rs 681.10 crore (0.5 *per cent* of GSDP).

1.8 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant Debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt, therefore, also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in terms of Debt-GSDP ratio.

1.8.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the Debt- GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt* rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, Debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, Debt-GSDP ratio would be rising and in case it is positive, Debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in **Table 1.28.**

Table – 1.28: Debt Sustainability–Interest Rate and GSDP Growth

(in per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate	9.4	9.1	8.7	8.3	8.4	7.9
GSDP Growth	11.5	11.3	11.5	11.2	11.5	11.9
Interest spread	2.1	2.2	2.8	2.9	3.1	4.0
Quantum Spread (Rs in crore)	609	743	1,098	1,267	1,483	2,086
Primary Deficit (-)/Surplus (+) (Rupees in crore)	(-) 2,043	(-) 2,211	(-) 839	(-) 382	(+) 368	(-) 1,770

Table 1.28 reveals that quantum spread together with primary deficit has been negative during 2002-03 and 2003-04 which led to an increase in Debt-GSDP ratio during these years. From 2004-05 onwards, the quantum spread together with primary deficit turned positive, indicating the declining trend in Debt-GSDP ratio from 40.8 in 2004-05 to 39.1 in 2007-08. During the current year the decline in debt relative to GSDP was marginal due to sharp increase in fiscal deficit which also turned the primary surplus into deficit during the year.

1.8.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Persistent negative resource gap indicates the non-sustainability of debt while positive resource gap strengthens the capacity of the State to sustain the debt. **Table 1.29** indicates the resource gap as defined for the period 2003-2008.

Table 1.29: Incremental non-debt receipts and total expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-debt receipts	Primary expenditure	Interest payment	Total expenditure	
2002-03	1,604	2,867	458	3,325	(-) 1,721
2003-04	1,173	1,341	381	1,722	(-) 549
2004-05	1,707	335	285	620	(+) 1,087
2005-06	1,752	1,295	186	1,481	(+) 271
2006-07	2,908	2,158	391	2,549	(+) 359
2007-08	2,905	5,043	140	5,183	(-) 2,278

The trends presented in the **Table 1.29** indicate that the incremental non-debt receipts were sufficient to meet the incremental debt service obligations during the period 2002-08 but they were inadequate to finance incremental primary expenditure during 2002-03, 2003-04 and in 2007-08. These were the years in which primary expenditure steeply increased either due to sharp increase in revenue or capital expenditure including loans and advances. The positive resource gap during the three-year period of 2004-07 turned negative in the current year due to increase in Capital Expenditure (Rs 572 crore), Loans and Advances disbursed (Rs 544 crore) and Primary Revenue Expenditure (Rs 3,927 crore) when compared to the previous year.

1.8.3 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal and interest payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e., they are (a) not being used for financing revenue expenditure and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in government revenue.

Table-1.30 below gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.30: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt*						
Receipt	2,717	6,023	5,114	5,220	5,131	5,227
Repayment (Principal + Interest)	1,377	1,944	2,331	3,194	3,199	3,892
Net Fund Available	1,340	4,079	2,783	2,026	1,932	1,335
Net Fund Available (*per cent*)	49	68	54	39	38	26
Loans and Advances from GOI						
Receipt	1,193	968	1,482	603	205	416
Repayment (Principal + Interest)	1,809	2,685	2,371	1,009	683	685
Net Fund Available	(-) 616	(-) 1,717	(-) 889	(-) 406	(-) 478	(-) 269
Net Fund Available (*per cent*)	(-) 52	(-) 177	(-) 60	(-) 67	(-) 233	(-) 65

* Excluding Ways and Means advance from Reserve Bank of India

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Other obligations@						
Receipt	13,826	12,224	10,483	9,626	11,524	14,063
Repayment (Principal + Interest)	12,664	12,557	11,174	10,658	12,826	13,500
Net Fund Available	1,162	(-) 333	(-) 691	(-) 1,032	(-) 1,302	563
Net Fund Available (*per cent*)	8.4	(-) 2.7	(-) 6.6	(-) 10.7	(-) 11.3	4.0
Total liabilities						
Receipt	17,736	19,215	17,079	15,449	16,860	19,706
Repayment (Principal + Interest)	15,850	17,186	15,876	14,861	16,708	18,077
Net Fund Available	1,886	2,029	1,203	588	152	1,629
Net Fund Available (*per cent*)	10.6	10.6	7.0	3.8	0.9	8.3

The net fund available on account of internal debt and loans and advances from Government of India and other obligations after providing for the interest and repayment indicate a declining trend except for an increase during 2007-08. Debt redemption ratio being less than unity through the period 2002-08 also reveal the fact that borrowed funds are used to finance the revenue and/or fiscal deficit of the State during the period.

1.9 Management of deficits

The deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of 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 raised are applied are important pointers to its fiscal health.

1.9.1 Trends in Deficits

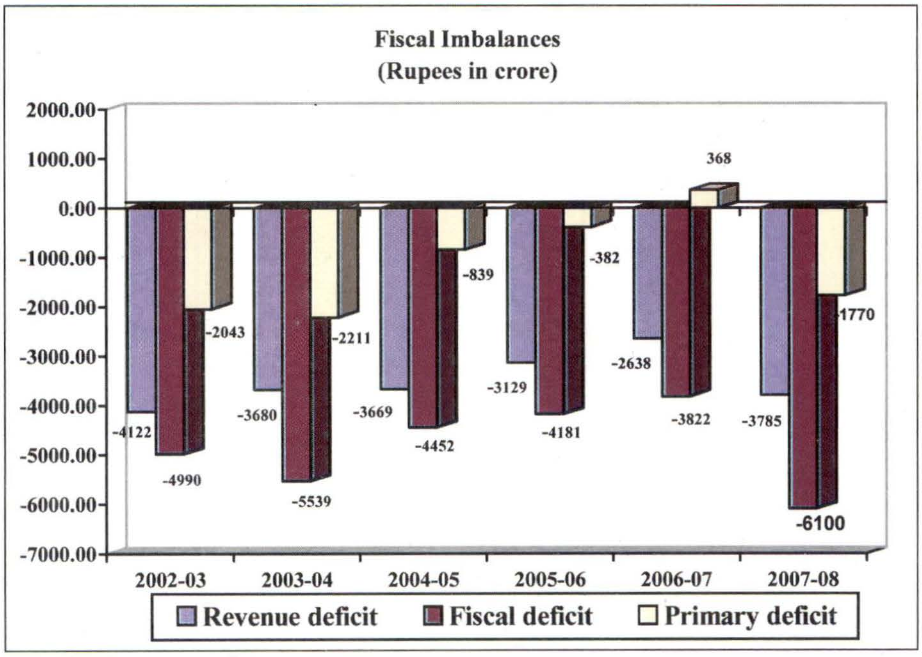
The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts decreased steadily from Rs 4,122 crore in 2002-03 to Rs 2,638 crore in 2006-07 but increased in 2007-08 to Rs 3,785 crore. The marked increase in revenue deficit during the current year was due to a sharp increase in non-plan revenue expenditure (22.1 *per cent*) during the current year when compared to previous year without commensurate increase in revenue receipts (16.1 *per cent*).

The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, decreased from Rs 4,990 crore in 2002-03 to Rs 3,822 crore in 2006-07 but increased in 2007-08 to Rs 6,100 crore. The sharp increase in revenue deficit along with an increase in Capital Expenditure (Rs 572 crore) as well as in Loans and Advances disbursed (Rs 544 crore) led to a sharp increase in fiscal deficit during the year. The Primary deficit of the State showed a declining trend from 2003-04 and became a primary surplus in 2006-07. But it again turned into a deficit of Rs 1,770 crore in 2007-08 primarily due to increase in fiscal deficit during the current year.

@ Include Small Savings, Provident Funds, interest bearing obligations such as depreciation reserve funds and non-interest bearing obligations such as deposits, other earmarked funds, etc.

Table-1.31: Fiscal Imbalances: Basic Parameters

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (Rupees in crore)	(-) 4,122	(-) 3,680	(-) 3,669	(-) 3,129	(-) 2,638	(-) 3,785
Fiscal deficit (Rupees in crore)	(-) 4,990	(-) 5,539	(-) 4,452	(-) 4,181	(-) 3,822	(-) 6,100
Primary deficit (-)/ Primary Surplus (+) (Rupees in crore)	(-) 2,043	(-) 2,211	(-) 839	(-) 382	(+) 368	(-) 1,770
RD/GSDP (*per cent*)	(-) 4.8	(-) 3.8	(-) 3.4	(-) 2.6	(-) 2.0	(-) 2.5
FD/GSDP (*per cent*)	(-) 5.8	(-) 5.8	(-) 4.2	(-) 3.5	(-) 2.9	(-) 4.1
PD/GSDP (*per cent*)	(-) 2.4	(-) 2.3	(-) 0.8	(-) 0.3	0.3	(-) 1.2
RD/FD (*per cent*)	82.6	66.4	82.4	74.8	69	62



1.9.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to Fiscal deficit indicates the extent to which borrowed funds were used for current consumption. The ratio of revenue deficit to fiscal deficit declined steadily from 82.4 *per cent* in 2004-05 to 62 *per cent* in 2007-08 indicating improvement in the quality of the deficit during the period. As proportion to the GSDP, revenue deficit has come down to 2.0 *per cent* and fiscal deficit to 2.9 *per cent* in 2006-07 from 4.8 *per cent* and 5.8 *per cent* respectively in 2002-03. But the ratio of RD to GSDP and FD to GSDP increased during 2007-08 to 2.5 *per cent* and 4.1 *per cent* respectively.

The bifurcation of the factors leading to primary deficit or surplus of the State reveals that except during 2002-04 the primary deficit was on account of capital expenditure incurred and loans and advances disbursed by the State Government. In other words, non-debt receipts of the State were enough to meet the primary expenditure requirement in the revenue account during 2004-08. But the surplus non-debt receipts were not enough to meet the expenditure requirement under capital account during 2004-05, 2005-06 and 2007-08 which resulted in primary deficit. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure which to some extent may be desirable to improve the productive capacity of the State's economy.

Table 1.32: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary[@] Expenditure	Non-debt receipts vis-à-vis Primary Revenue Expenditure	Primary deficit (-)/ surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2002-03	10,715	11,809	699	250	12,758	(-) 1,094	(-) 2,043
2003-04	11,888	12,167	640	1,292	14,099	(-) 279	(-) 2,211
2004-05	13,595	13,556	682	196	14,434	(+) 39	(-) 839
2005-06	15,347	14,625	817	287	15,729	(+) 722	(-) 382
2006-07	18,255	16,635	903	349	17,887	(+) 1,620	(+) 368
2007-08	21,160	20,562	1,475	893	22,930	(+) 598	(-) 1,770

1.10 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.33** below presents a summarized position of Government finances over 2002-08, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table-1.33: Indicators of Fiscal Health

(in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Resource Mobilisation						
Revenue Receipts/GSDP	12.3	12.3	12.6	12.9	13.7	14.2
Revenue Buoyancy	1.5	1.0	1.2	1.2	1.6	1.4
Own tax/GSDP	8.5	8.4	8.4	8.2	9.0	9.2
Own taxes Buoyancy	2.0	1.0	0.9	0.8	1.9	1.2
Expenditure Management						
Total Expenditure (TE)/GSDP	18.2	18.2	16.9	16.4	16.6	18.4
Revenue Receipts (RR)/ TE	67.7	67.8	74.8	78.3	82.4	77.4
Revenue Expenditure (RE)/TE	94.0	88.9	95.1	94.3	94.3	91.3
Plan Expenditure/TE	25.3	17.9	21.9	22.0	15.6	16.7
Capital Expenditure/TE	4.5	3.7	3.8	4.2	4.1	5.4
Development Expenditure/TE	55.3	49.5	54.4	53.3	45.5	44.1
Buoyancy of TE with RR	1.5	1.0	0.3	0.6	0.7	1.5
Buoyancy of RE with RR	1.5	0.5	0.8	0.5	0.7	1.2
Management of Fiscal Imbalances						
Revenue Deficit (Rs in crore)	(-) 4,122	(-) 3,680	(-) 3,669	(-) 3,129	(-) 2,638	(-) 3,785
Fiscal Deficit (Rs in crore)	(-) 4,990	(-) 5,539	(-) 4,452	(-) 4,181	(-) 3,822	(-) 6,100
Primary Deficit (Rs in crore)	(-) 2,043	(-) 2,211	(-) 839	(-) 382	(+) 368	(-) 1,770
Revenue Deficit/Fiscal Deficit	82.6	66.4	82.4	74.8	69	62
Management of Fiscal Liabilities						
Fiscal Liabilities (FL)/GSDP	39.2	40.9	40.8	40.2	39.3	39.1
Fiscal Liabilities/RR	317.6	332.0	323.6	312.7	286.8	275.3
Buoyancy of FL with RR	0.9	1.5	0.8	0.7	0.5	0.7

[@] Primary expenditure of the State is defined as the total expenditure net of the interest payments and indicates expenditure incurred on the transactions undertaken during the year.

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Buoyancy of FL with Own Resources	0.7	1.4	1.1	1.0	0.5	0.7
Interest spread	2.1	2.2	2.8	2.9	3.1	4.0
Net Funds Available	10.6	10.6	7.0	3.8	0.9	8.3
Return on Investment	0.5	0.9	1.3	0.8	1.3	1.2
Balance from Current Revenue (BCR) (Rs in crore)	(-) 1,811	(-) 1,983	(-) 1,496	(-) 575	(-) 1,332	(-) 2,713
Financial Assets/Liabilities	0.4	0.4	0.4	0.4	0.4	0.4

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of State to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP during the current year was 14.2 *per cent,* an increase of a half percentage point over the previous year. During 2002-08, the ratio of own taxes to GSDP hovered within the narrow range of 8.2 and 9.2 *per cent.* The ratio at 9.2 *per cent* in 2007-08 is marginally higher than the budget estimate of 8.9 *per cent* for the year.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and its sustainability in relation to its resource mobilisation efforts. The revenue expenditure as a percentage to total expenditure remained dominant and stable at 94.3 *per cent* during 2005-07, but declined to 91.3 *per cent* in 2007-08. The ratio of capital expenditure to total expenditure as well as to GSDP remained relatively lower during all the years 2002-08. Declining trends in both developmental and plan expenditure as against the dominant and increasing ratio of non-plan expenditure seems to be a serious concern and need attention. Increasing reliance on revenue receipts to finance the total expenditure which amounts to 77 *per cent* during 2007-08 indicates decreasing dependence on borrowed funds. This is also reflected by the decreasing ratio of fiscal liabilities to revenue receipts. But the negligible return on the Government investment and low productivity of capital expenditure continued to be a cause of concern which if continued would not only put strain on the Government budget but may also adversely affect the maintenance, upkeep and efficiency in delivery of social and economic services in the State.

The increase in both revenue and fiscal deficits during 2007-08 indicates deterioration in fiscal position of the State. The consistent negative Balance from Current Revenue (BCR) and deterioration in 2007-08 over previous year reflects that the domestic resources are not available for creation of assets and to meet State plan expenditure requirements. During the period (2002-08), only 40 *per cent* fiscal liabilities of the State have the asset back up reflecting relatively poor assets-liabilities ratio in the State.

1.11 Conclusion

The fiscal position of the State viewed in terms of the key fiscal parameters – revenue, fiscal and primary deficit – indicated a marked deterioration in 2007-08 relative to the previous year. The State has failed to achieve the revenue and fiscal deficits targets relative to GSDP laid down under the Rules framed under the Kerala Fiscal Responsibility Act. The deterioration was, however, observed to be on account of steep increase in Non-plan revenue expenditure as well as increase in both capital expenditure and disbursement of loans and advances relative to the previous year. The increase in NPRE was primarily due to the revision of salaries and pensions on recommendation of the State Pay Commission and enhanced transfers to local bodies on the recommendations of the Third State Finance Commission. The expenditure pattern of the State thus reveals that the revenue expenditure as a percentage to total expenditure ranged between 91 to 94 *per cent* during the period 2006-08 leaving inadequate resources for expansion of services and creation of assets as a result of which only 40 *per cent* of fiscal liabilities of the State has asset backup during the same period. The NPRE component of revenue expenditure at Rs 22,615 crore during 2007-08 exceeded the normative projection of the Twelfth Finance Commission for the State (Rs 19,158 crore). Moreover, within the non-plan revenue expenditure, four components – salary expenditure, pension liabilities, interest payments and subsidies – constitute about 75 *per cent* of NPRE during 2007-08. The continued prevalence of revenue and fiscal deficits indicate the increasing reliance on the borrowed funds, a substantial part of which is being used to meet the current expenditure requirements of the State Government. The increasing fiscal liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances may lead to a situation of unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the non-plan revenue expenditure and to mobilise the additional resources both through the tax and non-tax sources in ensuing years.

CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

CHAPTER II
ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate Capital and Revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of the budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks 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 2007-08 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	21,936.27	1,547.28	23,483.55	20,694.57	(-) 2,788.98
II	Capital	1,331.77	781.81	2,113.58	1,479.39	(-) 634.19
III	Loans and Advances	934.07	183.91	1,117.98	893.16	(-) 224.82
	Total Voted	**24,202.11**	**2,513.00**	**26,715.11**	**23,067.12***	**(-)3,647.99**
	Charged					
IV	Revenue	5,058.69	31.20	5,089.89	4,645.40	(-) 444.49
V	Capital	0.57	4.34	4.91	4.61	(-) 0.30
VI	Public Debt	9,664.87	614.93	10,279.80	8,417.63	(-) 1,862.17
	Total Charged	**14,724.13**	**650.47**	**15,374.60**	**13,067.64***	**(-) 2,306.96**
	Grand Total	**38,926.24**	**3,163.47**	**42,089.71**	**36,134.76****	**(-) 5,954.95**

* These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure (Revenue: Rs 448.33 crore and Capital: Rs 9.42 crore, Total: Rs 457.75 crore).

** (a) The total expenditure was inflated at least to the extent of (i) Rs 1.13 crore being amounts drawn on abstract contingent bills during the year for which detailed contingent bills were not received and (ii) Rs 10.75 crore drawn by departmental officers and credited to public works remittance head/kept in the form of demand draft.

(b) The total expenditure was understated to the extent of (i) Rs 80 crore on account of advances drawn from the Contingency Fund remaining unrecouped at the end of the year (see Appendix I of Appropriation Accounts) and (ii) Rs 1.06 crore due to non-receipt of vouchers from treasuries.

The overall saving of Rs 5,954.95 crore was the result of saving of Rs 6,109.73 crore in 68 grants and 23 appropriations offset by excess of Rs 154.78 crore in one grant and three appropriations. Reasons for excess/saving in respect of 85 *per cent* of sub heads required to be mentioned in the Appropriation Accounts had not been furnished by the Controlling Officers as of August 2008. During 2005-06 and 2006-07, the controlling officers had not furnished reasons for 83 *per cent* and 82 *per cent* of the sub heads respectively.

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of the saving of Rs 6,109.73 crore, the major saving of Rs 5,194.13 crore (85 *per cent*) occurred in 12 cases as indicated below:

(Rupees in crore)

Sl. No	Number and name of Grant/ Appropriation		Total grant/ appropriation	Actual expenditure	Amount of saving
	Revenue-Voted				
1.	XV	Public Works	1,149.70	1,020.28	129.42
2.	XVII	Education, Sports, Art and Culture	5,718.25	4,581.24	1,137.01
3.	XVIII	Medical and Public Health	1,278.43	1,091.96	186.47
4.	XX	Water Supply and Sanitation	324.59	206.34	118.25
5.	XXII	Urban Development	659.87	244.88	414.99
6.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1,234.46	1,130.04	104.42
7.	XXIX	Agriculture	807.37	560.13	247.24
	Revenue-Charged				
8.	Debt Charges		4,989.21	4,552.89	436.32
	Capital-Voted				
9.	XV	Public Works	1,106.14	824.65	281.49
10.	XX	Water Supply and Sanitation	805.00	666.63	138.37
11.	XLI	Transport	215.75	77.77	137.98
	Capital Charged				
12.	Public Debt Repayment		10,279.80	8,417.63	1,862.17
	Total		**28,568.57**	**23,374.44**	**5,194.13**

The major heads of account under which huge saving occurred in the above 12 cases are given in **Appendix XIII**.

The Department did not furnish reasons for major saving under the Grant XXV-Reasons for major cases of saving under other Grants are given below:-

Saving under 'Public Works' (Revenue and Capital Sections) was mainly due to delay in deployment of staff to the newly constituted Local Self Government's Engineering Division, drawal of pay and allowances of its staff from another head, delay in commencement of works under Kerala State Transport Project, non-payment of pending bills of contractors and non-execution of works under Central Road Fund.

Saving under 'Education, Sports, Art and Culture' was mainly due to less number of claims on medical reimbursement and travel expenses of school teachers, non-filling up of vacancies, reduction in purchase of materials for printing text books, enforcement of economy measures, non-implementation of certain schemes for improvement of library and laboratory facilities in schools under Twelfth Finance Commission Award, non-implementation of Technical Education Quality Improvement Programme in Engineering Colleges/Technical Institutes and transfer of functions relating to development of schools under National Bank for Agriculture and Rural Development assisted scheme (RIDF) to the District Panchayats.

Saving under 'Medical and Public Health' was mainly due to less requirement of funds under 'Materials and Supplies' consequent on procurement of medicines by the National Rural Health Mission, non-supply of medicines by the firms due to non-enhancement of the rate by the Central Purchase Committee and non-filling up of vacancies.

Saving under 'Water Supply and Sanitation' (Revenue and Capital Sections) was due to release of Central share for implementation of the Technology Mission Schemes and Accelerated Rural Water Supply Schemes directly to Kerala Water Authority by Government of India, less release of Central assistance to Accelerated Urban Water Supply Schemes and less release of loan due to slow progress of the works under JBIC assisted Water Supply Schemes.

Saving under 'Urban Development' was mainly due to less release of block grant to Municipal Corporation, for 'Kerala Sustainable Urban Development Project' and 'Jawaharlal Nehru National Urban Renewal Mission' and non-commencement of certain projects.

Saving under 'Agriculture' was mainly due to less number of claims for reimbursement of interest subsidy from co-operative sector, non-payment of electricity charges pending reconciliation of claims with Kerala State Electricity Board and non-payment of bills of contractors from April 2007, non-filling up of vacancies and delayed sanction of scheme of market intervention support for price stabilisation and non-implementation of the scheme under 'Market Development'.

Saving under 'Debt Charges' was mainly due to reduction in interest liability consequent on less receipt of fresh loans than anticipated during 2006-07 and non-drawal of arrears of Dearness Allowance of the employees to be impounded in General Provident Fund.

Saving under 'Transport' was mainly due to delay in completion of work for improving main and feeder canals for inland water transport arranged under Twelfth Finance Commission Award.

Saving under 'Public Debt Repayment' was mainly due to availing less Normal Ways and Means Advances and Overdraft consequent on the decision of the Reserve Bank of India to allow States to avail Special Ways and Means Advances equivalent to the amount invested in Consolidated Sinking Fund, non-availing of ways and means advance from GOI and reduction in repayment liability due to less receipt of fresh loans during 2006-07.

2.3.2 Significant saving

In 35 cases saving exceeded Rupees five crore or more in each case and also by more than 10 *per cent* of the total provision, total amounting to Rs 5,306.09 crore (**Appendix XIV**).

2.3.3 Persistent saving

In ten cases, there were persistent saving in excess of Rs 50 lakh in each case and also 20 *per cent* or more of the provision during the last three years **(Appendix XV).**

2.3.4 *Excess requiring regularisation*

Excess over provision relating to 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. Out of the excess expenditure of Rs 287.41 crore for the years 1990-91, 1992-93, 1993-94, 1995-96 to 1998-99 and 2000-01 to 2006-07 requiring regularisation, notes for regularisation of excess of only Rupees eight lakh in Grant No.XX (Revenue-Voted), duly vetted by audit, has been furnished to the Public Accounts Committee (PAC). Final/Revised Copies of notes have not been received for Rs 251.12 crore and Initial Notes have not been furnished to PAC by the departments for regularisation of the balance amount of Rs 36.21 crore (September 2008). The details are given in **Appendix XVI**.

The excess expenditure of Rs 1,54,78,23,425 which occurred in the following grants during 2007-08 also requires regularisation.

(in Rupees)

Sl. No.	Number and name of Grant/Appropriation	Total grant/ appropriation	Expenditure	Amount of excess
	Revenue Voted			
1.	XVI – Pensions and Miscellaneous	51,95,17,38,000	53,49,95,48,307	1,54,78,10,307
	Revenue Charged			
2.	XXIX - Agriculture	1,46,000	1,48,849	2,849
	Capital Charged			
3.	XVIII – Medical and Public Health	86,000	87,932	1,932
4.	XXIX – Agriculture	18,59,000	18,67,337	8,337
	Total	**51,95,38,29,000**	**53,50,16,52,425**	**1,54,78,23,425**

2.3.5 *Original budget and supplementary provisions*

Supplementary provisions (Rs 3,163 crore) made during the year constituted 8.12 *per cent* of the original provision (Rs 38,926 crore) as against 17.02 *per cent* in the previous year.

2.3.6 *Unnecessary/excessive/inadequate supplementary provisions*

- Supplementary provision of Rs 1070.41 crore obtained in 25 cases proved unnecessary in view of aggregate saving of Rs 4,614.11 crore **(Appendix XVII)**.
- In 24 cases, against additional requirement of Rs 734.56 crore, supplementary grant of Rs 1,487.02 crore was obtained resulting in saving in each case exceeding Rupees one crore, aggregating Rs 752.46 crore **(Appendix XVIII)**.

2.3.7 *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 one crore proved excessive or resulted in saving equal to or more than Rs one crore in each case are mentioned in **Appendix XIX**.

2.3.8 *Anticipated saving not surrendered*

The spending Departments are required to surrender the unspent portion of Grants/Appropriations as and when saving are anticipated, to the Finance Department. However, aggregate saving of Rs 2,308.07 crore in 21 cases where saving was Rs 5 crore and above in each case, was not surrendered. Failure of these Departments to surrender such huge saving revealed improper monitoring of expenditure against budget provision and poor budgetary management. Details are given in **Appendix XX**.

Out of the total surrendered amount of Rs 3,767.83 crore (79 cases), Rs 3,761.68 crore (77 cases) was surrendered on the last working day of the financial year viz., 31 March 2008. Such surrenders serve no useful purpose, as the amount surrendered cannot be utilised during the year for any other function.

2.3.9 *Surrender in excess of actual saving*

In 12 cases the amount surrendered was in excess of actual saving indicating defective monitoring of expenditure. As against the actual saving of Rs 199.97 crore in these cases the amount surrendered was Rs 214.03 crore, resulting in excess surrender of Rs 14.06 crore **(Appendix XXI)**.

2.4 Budgetary procedure and control over expenditure

A review of budgetary procedure and control over expenditure for 2007-08 conducted in June 2008 relating to Grant XVII-Education, Sports, Art and Culture and Grant XXII-Urban Development revealed the following:

2.4.1 *Defective budgeting and lack of control over expenditure*

According to the provisions in the Kerala Financial Code and Kerala Budget Manual, the estimate of expenditure prepared by the Department should be for the expenditure as anticipated in the ensuing financial year with reference to the existing sanctions and actual requirements. The Chief Controlling Officers are required to keep a constant watch over current and anticipated expenditure. It was noticed that there was aggregate saving of Rs 1,137.44 crore in Grant XVII-Education, Sports, Art and Culture and Rs 416.99 crore in Grant XXII-Urban Development indicating that the budgeting was defective and monitoring by the controlling officers inadequate. Some of the instances where substantial saving occurred are indicated in **Appendix XIII**.

2.4.2 *Uneven distribution of expenditure*

As per Para 91 (2) of the Kerala Budget Manual, flow of expenditure should be so regulated throughout the year that there is no rush of expenditure during any month particularly during the last month of the financial year. It was noticed that in the Office of the Director of Public Instructions, almost the entire expenditure under the various heads of accounts were incurred in March 2008. In the case of Directorate of Urban affairs also, several cases where expenditure was incurred during March 2008 were noticed. The details are given in **Appendix XXII**.

2.4.3 *Un-reconciled expenditure*

Departmental figures of expenditure are required to be reconciled every month with those in the books of the 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. All Chief Controlling Officers should forward to the Finance Department of Government monthly reports showing the progress of this item of work. These provisions were not adhered to by the Directorate of Public Instructions and the Directorate of the Urban Affairs. In the case of Directorate of Public Instructions no reconciliation work was undertaken during 2007-08. Some instances of variation in expenditure figures booked by the Accountant General (A&E) with those of the Departmental figures for 'Grant No. XXII' are indicated below:

(Rupees in crore)

Sl. No.	Head of Account	Expenditure		Variation
		Accounts Figure	Departmental Figure	
1.	2217-05-001-99	1.04	0.76	0.28
2.	2217-05-001-98	0.63	0.57	0.06
3.	2217-05-001-97	1.03	0.86	0.17
4.	2217-05-001-88	0.13	0.08	0.05
5.	2217-05-800-87	0.19	0.01	0.18

2.4.4 *Unnecessary Supplementary Grants*

According to Paras 89 & 64 (2) of the Kerala Budget Manual the primary responsibility in respect of proposals for Supplementary appropriations is that of the Chief Controlling Officer, who should ensure that the Supplementary Grant obtained was absolutely necessary and was not in excess of actual requirement. But Rs 7.44 crore under Grant No. XVII and Rs 1.50 crore under Grant No. XXII obtained through Supplementary Grants remained as saving or were re-appropriated. The details are given in **Appendix XXIII.**

2.5 Transfer of funds through NIL payment vouchers

According to Article 40 (c) 7 of the Kerala Financial Code, a Government servant should not, on any account, reserve or appropriate by transfer to a deposit or any other head any portion of an appropriation remaining unspent during the year in order to prevent it from lapsing and use it for expenditure after the end of the year. Scrutiny of records in the five Directorates♥ revealed that Rs 179.96 crore was drawn by different Drawing and Disbursing Officers (DDOs) during 2007-08 by presenting 'NIL' payment vouchers and transferred to Treasury Saving Bank, Treasury Public Accounts, Personal Deposit Accounts, Remittance Head of Public Works Department or transferred to other Institutions/Agencies as demand drafts in violation of codal provisions. The department-wise details are shown in **Appendix XXIV.** It was seen in audit that only Rs 14.98 crore was utilised and the balance of Rs 164.98 crore remained unutilised as of June 2008 indicating that the transfer of funds was not for immediate use. The action of DDOs in transferring the funds especially in the last quarter to avoid lapse of funds without ensuring

♥ Industries, Scheduled Castes Development, Scheduled Tribes Development, Tourism and Social Welfare.

utilisation of funds was irregular and defeated the very purpose of legislative control over public money.

2.6 Public Works Deposits

Public Works Deposit (Deposits) is one of the 13 items of Civil Deposits under Public Accounts. Following types of transactions are accounted for under Public Works (PW) Deposits in Part III of Government Accounts

(a) Deposits from contractors as security including percentage deductions from the bills
(b) Deposits for works to be done
(c) Sums due to contractors on closed accounts
(d) Sums due to other Governments on closed accounts
(e) Miscellaneous deposits

A test check of accounts of 14 PW Divisions (out of 125 Divisions) conducted in June 2008 holding Rs 131.50 crore under PW Deposits as on 31 March 2008 revealed **(Appendix XXV)** the following: -.

- In eight Divisions, maintenance of Deposit Register was defective and hence the details of category-wise deposit of Rs 12.19 crore was not available.
- The sub head 'Miscellaneous Deposits' is intended to record transactions under items such as Family Benefit Scheme, Life Insurance, Sales Tax, etc. The total amount outstanding under this sub head in 14 Divisions as on 31 March 2008 worked out to Rs 19.72 crore indicating that credits received in these items were not released expeditiously.
- As per para 15.4.1 of Kerala Public Works Account Code, time expired deposits should lapse and amount thereof credited to Government account. In eight Divisions lapsed deposits amounting to Rs 7.65 crore were not credited to Government account.
- In the Irrigation Division, Kollam the balance amount of Rs 4.25 crore out of the amount received from the Chief Ministers Distress Relief Fund (CMDRF) was retained in PW Deposit despite instructions of Government in May 2007 to surrender the amount to CMDRF.

2.7 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 156 Controlling Officers, who were required to reconcile their accounts for the year 2007-08, only 47 had reconciled the expenditure for the whole year and 84 have partially reconciled and 25 Controlling Officers have not reconciled the accounts of even a single month of the year. As of June 2008, 1,984 monthly reconciliation certificates were due for the period 2003-04 to 2007-08, as detailed in **Appendix XXVI**.

2.8 Rush of expenditure

Under 23 Major Heads of accounts, the expenditure incurred during the last quarter of the financial year ranged between 50 *per cent* and 100 *per cent.* In these cases 35 to 100 *per cent* of the expenditure was incurred only in the last month of the financial year, which is indicative of deficient financial management. Details are given in **Appendix XXVII**.

2.9 Abstract Contingent Bills

According to Rule 187 (d) of Kerala Treasury Code all contingent claims that require the countersignature of the controlling authority after payment are to be initially drawn by the Drawing and Disbursing Officer (DDO) from the treasury by presenting an Abstract Contingent bill in prescribed form (Form TR 60). Abstract Contingent (AC) bills can be drawn only by an authorised officer for the items of expenditure listed in Appendix 5 to the Kerala Financial Code (KFC). The DDO should maintain a register of AC bills and monitor submission of detailed bills there against. The Detailed bills in respect of such claims are submitted to the controlling authority for countersignature not later than 10th of the month succeeding that to which it relates. The detailed bills pertaining to a month's claim should reach the Accountant General (A&E) not later than 20th of the succeeding month.

According to the records of Accountant General (A&E), 301 AC bills involving Rs 1.12 crore against 94 DDOs in 11 departments were not adjusted as of March 2008 due to non-receipt of DC bills. Out of this, 87 *per cent* (Rs 0.97 crore) of the outstanding AC bills were in Animal Husbandry (Rs 0.15 crore), Jails (Rs 0.51 crore) and Scheduled Tribes Development (Rs 0.31 crore) Departments. The year-wise analysis of the pending AC bills is indicated below:

Year	Number of items	Amount (*Rs in crore*)
Up to 2001-02	7	0.04
2004-05	5	0.01
2005-06	6	0.02
2006-07	47	0.33
2007-08	236	0.72
Total	**301**	**1.12**

Scrutiny of the records in the offices under seven [$]departments revealed that AC bills amounting to Rs 51 lakh drawn by DDOs under Jails Department could alone be categorised as AC/DC bills. In the remaining cases of six departments the amount (Rs 58 lakh) represented fully vouched contingencies or contingencies requiring countersignature before payment to be drawn in Form TR 59 or TR 61 and not in bill form TR 60 meant for AC bills. The following deficiencies were noticed in the preparation of AC bills of Rs 51 lakh drawn and pending adjustment by the DDOs in the Jails Department.

[$] Jails, Scheduled Castes Development, Scheduled Tribes Development, Revenue (Collectorate), Animal Husbandry, Social Welfare (ICDS), Kerala Public Service Commission.

- In 7 offices[#] under the Jails Department, the DDOs sent the DC bills to prison headquarters for countersignature by retaining the sub-voucher with the DDO which indicated that the countersigning authority was not verifying the sub-voucher before countersigning the DC bill. Thus the DC bills were sent to Accountant General (A&E) without attaching sub-vouchers as required in the rules.
- In Sub Jail, Mattanchery, DC bills were prepared in Form TR 60 instead of the correct form KFC 11. Hence the certificate required to be recorded by the Controlling Officer was not available in the DC bills.
- In Special Sub Jail, Palakkad and Sub Jail, Mattanchery though the sub-vouchers were sent to the controlling authority for countersignature, the Controlling Authority returned the sub-vouchers to the DDO and all the DC bills were sent to Accountant General (A&E) without the sub-voucher.

The departments obviously had not taken any action to adjust the AC bills within the stipulated time by submission of DC bills in the proper form to AG (A&E) with the required sub-vouchers. Delay in adjustment is fraught with the risk of serious financial indiscipline/misappropriation.

Regarding drawal of fully vouched contingencies and contingencies which require countersignature before payment, the departments should ensure that these were prepared in the relevant form prescribed in the Rules in order to safeguard against wrong classification by the AG (A&E).

2.10 Functioning of Treasuries

There are 23 District Treasuries (DT) and 180 Sub Treasuries (ST) in the State as of March 2008. Accountant General (A&E) inspected 148 treasuries (DT: 23; ST: 125). Some of the irregularities and deficiencies noticed in the functioning of treasuries are mentioned below:

2.10.1 Excess payment of pension

There was excess payment of pension/family pension amounting to Rs 29.78 lakh in 1687 cases in 124 treasuries during 2007-08. The main reason for excess payment was errors in calculation of revised pension, non-deduction of family pension after expiry of authorised period, payment of ineligible festival allowance, medical allowance and incorrect calculation of dearness relief. Out of the excess payment of Rs 29.78 lakh, treasuries recovered Rs 9.59 lakh and the balance amount of Rs 20.19 lakh remained to be recovered as of March 2008.

2.10.2 Excess retention of cash

In January 2000 Government enhanced the maximum amount of cash balance that could be retained in all the treasuries from Rs 9.72 crore to Rs 12.99 crore. Separate limits were also fixed for each treasury. Rule 309 of the

[#] Central Prison, Thiruvananthapuram; Women's Prison, Neyyattinkara; District Jail, Kollam; District Jail, Thiruvananthapuram; Sub Jail, Ernakulam; Central Prison, Viyyur; Special Sub Jail, Viyyur.

Kerala Treasury Code stipulates that the actual cash balance of a DT or ST should be kept much below the maximum balance prescribed for it and at all times at a minimum so that the Government's credit balance with the Reserve Bank of India is at the maximum. On verification of the cash balance statement of the treasuries for September 2007 furnished by the Director of Treasuries, it was found that the treasuries retained cash in excess of the prescribed limit by Rs 6.33 crore to Rs 23.27 crore. This resulted in drawal of Ways and Means Advances/Overdraft by Government to that extent. The overdraft of Rs 79.42 lakh on 12 September 2007 could have been avoided as retention of cash on that day was Rs 9.87 crore in excess of prescribed limit. Due to retention of cash in excess of the prescribed limit by Government in treasuries resulted in an avoidable payment of interest of Rs 5.73 lakh in September 2007 on Ways and Means Advances/Overdraft.

2.10.3 Unoperated Treasury Savings Bank account

As per Rules 28 and 40 of Treasury Savings Bank Rules, Treasury Savings Bank accounts which remain unoperated for more than five completed financial years will cease to earn interest and balance under such accounts are to be transfer credited to Revenue Deposit. It was noticed that Rs 49.17 lakh relating to 835 such unoperated TSB account in 40 treasuries were not closed and transfer credited to Revenue Deposit.

2.10.4 Non-closure of frozen Treasury Public Accounts

Government ordered (June 2005) that unspent balances outstanding under Treasury Public Accounts of Departmental officers were to be transferred to '911 Deduct recoveries of overpayment' under the relevant major head from which the funds were originally drawn on or before 31 August 2005. It was noticed that Rs 92.84 lakh outstanding in 25 Treasury Public Accounts in seven Treasuries were not transferred to the relevant major heads so far.

CHAPTER III

PERFORMANCE AUDIT

CHAPTER III
PERFORMANCE AUDIT

GENERAL EDUCATION DEPARTMENT

3.1 National Programme of Nutritional Support to Primary Education (Mid-Day Meal Scheme)

Highlights

The National Programme of Nutritional Support to Primary Education (mid-day meal scheme) was launched by Government of India (GOI) in August 1995 with the objective of boosting the universalisation of primary education by increasing enrolment, retention and attendance. The scheme provides for supply of cooked food to students in classes I to V for which GOI supplies rice free of cost through Food Corporation of India (FCI). In Kerala the students of classes I to VII (VIII from January 2008) are covered under the scheme and against 100 gram of rice 60 gram of rice and 30 gram of pulses are provided to each student. The review revealed non-utilisation of Central assistance, delay in release of cooking charges to schools, wrong reporting of enrolment figures to GOI for procuring/getting excess rice which resulted in huge closing stock with Kerala State Civil Supplies Corporation (KSCSC), excess transportation charges, diversion of rice, etc.

➢ **The enrolment figures reported to GOI for getting assistance under the scheme was inflated which resulted in allotment of rice in excess of requirement.**

(Paragraph 3.1.8.1)

➢ **Substantial stock of mid-day meal rice remained with KSCSC at the end of each year during the period 2003-08. Out of this, 1453.18 MT of rice was converted as ordinary rice and sold by KSCSC through its outlets. This has not been replenished.**

(Paragraph 3.1.8.2)

➢ **The transportation charges paid to KSCSC by State Government was on the higher side compared to the charges paid by it to its transporting contractors. Similarly the cost of pulses supplied to Government by KSCSC was also higher than the price at which these are sold to public through their outlets.**

(Paragraphs 3.1.8.3 and 3.1.8.4)

➢ **Out of Rs 11.20 crore released by GOI for constructing kitchen-cum-store, replacement of cooking devices and strengthening management, monitoring and evaluation, Rs 10.97 crore remained unutilised as of June 2008.**

(Paragraph 3.1.7.2)

➢ **There was delay ranging from two to twelve months in release of cooking charges to schools.**

(Paragraph 3.1.7.4)

> ➢ **Monitoring committees prescribed in GOI guidelines were either not constituted or were not meeting as envisaged. Monthly and quarterly progress reports were not sent to GOI by DPI during 2003-08.**

(Paragraphs 3.1.11.1 and 3.1.11.2)

> ➢ **No Management Information System was put in place to get feedback on the scheme.**

(Paragraph 3.1.11.3)

3.1.1 Introduction

The National Programme of Nutritional Support to Primary Education (Mid - day Meal Scheme) was launched by Government of India (GOI) as a Centrally Sponsored Scheme on 15 August 1995. The scheme was intended to boost the universalisation of primary education by increasing enrolment, retention, attendance with simultaneous impact on the nutritional status of students. The scheme covered students in classes I to V studying in Government/aided schools and AIE* Centres and provided for cooked food equivalent to 100 gram of rice per child per school day for which GOI provided rice free of cost to the State through Food Corporation of India (FCI). GOI also provided assistance for ancillary expenses like cooking cost, transportation, management, monitoring and evaluation at prescribed rates.

The State programme already in force was merged (August 1995) with the Central Scheme introduced from 1995. While the Central scheme covered all students of class I to V, in Kerala students of class I to VII (VIII from January 2008) were covered. Though the Central guidelines made the scheme mandatory for all students of class I to V, in Kerala only those who opted for the scheme were provided mid-day meal. The State provided 60 grams of rice and 30 grams of pulses to each student opting for the scheme and used the surplus out of the rice allotted by Government of India for providing mid-day meals to students of classes VI, VII and VIII. The cost of pulses were met from the State budget.

3.1.2 Organisational set up

The Director of Public Instruction (DPI) is the Nodal Officer for the scheme. At the district level, there is a Noon Meal Supervisor. Assistant Educational Officers (AEOs) exercise control over schools under their jurisdiction. At school level, the scheme is implemented by a Committee headed by the Headmaster and members from Parent Teachers Association. Funds to meet the cost of cooking are released to the Local Bodies** which reimburse the amount to the schools. Foodgrains released by the FCI are lifted by the Kerala State Civil Supplies Corporation (KSCSC) and the schools collected their requirements from the nearby retail outlets of KSCSC.

* Alternative Innovative Education
** Village Panchayats, District Panchayats, Municipalities and Corporations

3.1.3 Audit Objectives

The objectives of the performance audit were to ascertain whether

- Adequate funds were provided and utilised economically and efficiently and a proper system existed for the timely transfer of funds provided for various components of the scheme,
- State Government implemented the programme through well-designed implementation procedures, defined the norms of expenditure, contributed its share and instituted efficient reporting, inspection and monitoring system,
- Foodgrains supplied to the schools were of good quality, were supplied as per requirements and the system of providing cooked food was efficient and effective to ensure that food of prescribed calorific value was supplied on all school days,
- The scheme has achieved its objectives of improving enrolment, attendance and retention, enhancement of learning levels of the children and improving the nutritional status of students and
- The internal controls in the State nodal department were efficient and ensured adequate and timely inputs and a system of timely and reliable programme information.

3.1.4 Audit Criteria

- Guidelines of the scheme issued by Government of India
- Performance indicators like enrolment, attendance, retention and nutritional status
- Orders issued by Government of Kerala for implementation of the scheme
- Monitoring system prescribed for the scheme

3.1.5 Audit Coverage

A review of the implementation of the scheme was included in Paragraph 3.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil), Government of Kerala. After examining the para, the Committee on Public Accounts recommended (July 2007) that

(i) proper records showing the details of actual number of feeding days, total number of participants, etc., should be maintained and scrutinised by DPI,

(ii) the Department should conduct periodical reviews to evaluate the programme by instituting committees at State, District, Block, Panchayat and School level,

(iii) the Department should see that funds for the mid-day meal programme are released by Grama Panchayats well in advance,

(iv) health programmes should be conducted in each school with the help of Health Department under the auspices of District level officers.

No Action Taken Note has been furnished to the Committee by Government (October 2008).

A Performance Audit of the implementation of the scheme covering the period 2003-08 was conducted from July 2007 to July 2008. Out of the 14 districts in the State, seven in four strata[•] were selected for audit using circular systematic sampling method. Within each district, 20 schools (14 rural and 6 urban) were selected using Simple Random Sampling Without Replacement.

3.1.6 Audit Methodology

An entry conference was conducted with the Secretary, General Education Department in July 2007 in which the audit objectives and criteria were explained. Data relating to various components and inputs were collected through field visits to AEO offices, selected schools and offices of KSCSC. Questionnaires were sent to Deputy Directors of Education (DDEs), AEOs and schools to collect information about implementation of the scheme. Surprise inspection of 14 selected schools was also conducted in the presence of departmental officers. An exit conference was conducted with the Secretary, General Education Department in August 2008 during which the audit findings and recommendations were discussed and response of Government obtained.

Audit findings

Audit scrutiny revealed various deficiencies in implementation of the scheme as detailed below:

3.1.7 Funding

3.1.7.1 Central assistance for the scheme

GOI supplies rice free of cost to the State through FCI. GOI also provides cooking cost of Rupee one per child per school day, transportation cost at Rs 50 per quintal (enhanced to Rs 75 per quintal from September 2004) and management, monitoring and evaluation cost at 1.8 *per cent* of the cost of foodgrains, transportation cost and cooking cost. The cooking cost was enhanced in June 2006 to Rs 1.50 per child per school day in cases where the State Government contributed 50 paise[$]. GOI also provided assistance to construct kitchen-cum-store at Rs 60,000 per school and to provide and replace kitchen devices at an average cost of Rs 5,000 per school. The Central assistance provided to the State during 2003-08 was as follows:

[•] Stratum I - Capital District - Thiruvananthapuram
Stratum II - Drought affected - Pathanamthitta
Stratum III - Districts with less literacy rate than the State average - Malappuram, Kasaragod, Idukki
Stratum IV - Districts with literacy rate higher than the State average - Alappuzha, Kozhikode

[$] Cooking cost includes cooking charges, providing other ingredients such as pulses, vegetables, condiments, etc., and fuel.

Table 1: Central assistance received in kind and cash

(Rupees in crore)

Year	Quantity of rice		Other assistance[#] in cash	Total
	Lifted(MT)	Cost at Rs 5,650/MT		
2003-04	43,330.20	24.48	2.35	26.83
2004-05	42,327.08	23.91	28.50	52.41
2005-06	28,223.60	15.95	30.48	46.43
2006-07	26,823.50	15.16	47.88	63.04
2007-08	38,185.86	21.58	68.22	89.80
Total	**1,78,890.24**	**101.08**	**177.43[@]**	**278.51**

Source: Sanctions from GOI and KSCSC

3.1.7.2 Non-utilisation and delay in utilisation of GOI assistance

Out of Rs 9.75 crore released by GOI during 2006-08 for construction of kitchen-cum-store and for providing utensils only Rs 2.71 crore was released to schools so far

GOI released (November 2006-February 2007) to Government of Kerala Rs 2.71 crore for construction of kitchen-cum-store in 451 schools and the same was released to the schools only during February/March 2008. Also, Rupees five crore released by GOI in 2007-08 for construction of kitchen-cum-store in 834 schools and Rs 2.04 crore released during 2006-08 for providing and replacement of cooking devices and utensils in 4,079 schools had not been released to the schools as of June 2008 and the amount was kept in Government accounts. As a result, 1,285 schools were deprived of the facility of kitchen-cum-store and in 4,079 schools cooking devices and utensils were not provided. No action was taken to identify the schools where facilities were required and hence the amount could not be utilised.

There was also delay in utilisation of assistance provided for strengthening management, monitoring and evaluation. Out of Rs 1.45 crore received during 2005-08, only Rs 22.52 lakh had been spent as of June 2008. Thus, Rs 10.97 crore received was not used for the scheme.

3.1.7.3 Excess release of funds

Release of funds towards cooking charges to High Schools was far in excess of requirements

In view of extension of the mid-day meal scheme (MDMS) to students of Standard VIII, State Government released (March 2008) Rs 6.85 crore on the basis of feeding strength to 14 DDEs towards cooking charges for distribution to the High Schools. However, in 14 Offices of AEO test checked it was found that the funds released were far in excess of requirements as the meals could be provided only for limited days of the remaining period of the academic year and only Rs 4.24 lakh (out of Rs 57.85 lakh released) was actually spent by the schools. Out of the balance, Rs 23.34 lakh was kept in bank account, Rs 2.71 lakh was retained in hand and Rs 1.07 lakh was diverted for meeting cooking cost of UP[$] Schools and the remaining amount (Rs 26.49 lakh) was surrendered.

3.1.7.4 Release of cooking charges to schools

As per GOI guidelines, the implementation of the scheme, as far as possible, should be entrusted with Panchyati Raj Institutions. In Kerala, LSGIs are not

[#] Includes cooking cost, transportation cost, assistance for construction of kitchen-cum-store, for providing cooking devices and strengthening management, monitoring and evaluation.

[@] includes Rs 4.98 crore released by GOI direct to KSCSC for transportation

[$] Upper Primary Schools

involved in the implementation of the scheme. But cooking charges are released by the DPI to the schools through the LSGIs.

Delay ranging from two to twelve months was noticed in release of cooking charges to schools

As of March 2008, 93 schools (out of 140) reported that Rs 17.16 lakh relating to 2005-08 had not been received. It was also found that even the cooking cost released to the LSGIs for payment to the schools had been retained by them. The details furnished by 77 LSGIs showed that Rs 3.07 crore was retained by them as of March 2008. There were delays ranging from two to twelve months in release of cooking charges to schools due to belated release of funds by Government and the lack of interest shown by LSGIs in releasing the funds to the schools in time. As GOI released funds for cooking cost in advance, there was no justification in delaying the payment to schools. Despite recommendation of the PAC to release funds to the schools in advance, the situation had not improved.

Due to non-receipt of funds there was no interruption in providing meals as the funds were advanced by PTA/teachers.

3.1.8 Implementation

3.1.8.1 Enrolment

Enrolment figures reported to GOI for getting assistance were inflated

There was no system in the DPI to compile and consolidate the data on enrolment of students for the scheme received from field offices. As a result, inflated figures were reported to GOI resulting in more assistance than entitlement. The following irregularities were noticed:

Due to excess reporting of enrolment figures 22,273 quintals of rice were received in excess from GOI in five districts

- Data received by Audit for 2005-08 in respect of the five districts[#] (out of 14 districts) revealed that the number of students in classes I to V enrolled for the scheme reported by DPI to GOI was in excess of that reported by DDEs to DPI by 1,11,365. The details of enrolment for the scheme as reported by DDEs and that communicated to GOI are given in **Appendix XXVIII**. Consequently 22,273 quintals[*] of rice (cost: Rs 1.26 crore) was received by the State in excess of entitlement in these five districts.
- During 2002-03 and 2003-04 the number of students reported to GOI was higher than even the number of students enrolled in classes I to V of Government/Aided schools as shown below.

Table 2: Excess reporting of number of students

Year	Enrolment	Number reported to GOI	Excess reported
2002-03	22,05,523	23,55,686	1,50,163
2003-04	21,63,763	21,66,510	2,747

Source: Educational statistics and GOI sanctions

As only those students opting for the scheme were provided with food, the actual number coming under the scheme would be even less than the numbers enrolled.

- For 2006-07 against 20.29 lakh reported to GOI for the entire State the actual number as per records of DPI was only 18.42 lakh.

[#] Pathanamthitta, Kottayam, Malappuram, Kozhikode and Kasargod.

[*] $\frac{1,11,365 \times 100 \times 200}{1,000 \times 100}$ = 22,273 quintals x Rs 565 = Rs 1.26 crore

- For 2007-08 the total number reported to GOI included 74,350 children studying in AIE Centres. But the actual number of children in AIE centres during the year as per data available with the controlling office of Sarva Shiksha Abhayan Project was only 20,791. This resulted in excess allotment and lifting of 1,071 MT of rice costing Rs 60.52 lakh from godown of FCI.
- Reasons for such inflation of enrolment could not be assessed by Audit since there was no records showing justification for the same.

3.1.8.2 Supply of rice by GOI and its utilisation

The details of quantity of rice allotted by GOI, lifted by State Government and the stock available with KSCSC in each of the years 2003-08 are given below:

Table 3: Quantity of rice allotted, lifted and closing stock

Year	Quantity of rice (in MT)		
	Allotted by GOI	Lifted by KSCSC	Closing stock with KSCSC
2003-04	43,330.20	43,330.20	18,960.20
2004-05	42,327.08	42,327.08	21,768.85
2005-06	28,223.60	28,223.60	6,255.20
2006-07	32,308.20	26,823.50	5,424.12
2007-08	38,189.82	38,185.86	10,417.43

Source: Sanctions from GOI and details of KSCSC

From above data it is evident that the lifting of rice was in excess of actual requirements, this resulted in accumulation of stock with the KSCSC at the end of the concerned year.

The rice allotted for the scheme was also not fully used for the scheme due to various factors like lesser number of students taking meals, shortfall in school working days, reduced quantity of rice issued per student, etc. Audit scrutiny revealed that rice allotted by GOI was diverted for various purposes as shown below:

During 2003-07, 1,453.18 MT of MDM rice costing Rs 82.10 lakh converted and sold by KSCSC has not been replenished

- At the end of every school year, the balance mid-day meal (MDM) rice available with KSCSC was sold through KSCSC outlets to avoid deterioration of quality. The quantity so sold was reconverted to MDM rice at the beginning of the next academic year. During 2003-07, 1,453.18 MT, the quantity converted and sold by KSCSC had not been reconverted to MDMS rice from PDS. The cost of rice so diverted at the issue rate of Rs 5,650 per MT amounted to Rs 82.10 lakh.

KSCSC sold 18,684 kg of MDM rice to Public during 2007-08

- During 2007-08, Government permitted the KSCSC to sell the surplus quantity of MDM rice to the public at Rs 14 per kg. As per the information collected from Regional Offices of KSCSC, 18,684 kg of rice was sold to public. This rice had not been reconverted to MDM rice as of June 2008.
- In November 2007, 11 tonnes of MDM rice (cost: Rs 0.62 lakh) were issued for State Science Fair and State School Athletic meet on the basis of orders issued by DPI.
- GOI supplied 100 gram of rice per child per day for the scheme for 200 days. Each student was therefore entitled to 20 kg of rice per year. But taking into consideration the scale prescribed by the State (60 gram of rice per day) and the average number of days (162) on which mid-day meal was served during 2003-08 in 140 test checked schools,

the rice consumed by a student was on an average 9.72 kg. Thus, only 49 *per cent* of the quantum of rice prescribed by GOI was consumed by each student of Standard I to V. The quantity of rice for providing cooked food for students in Standards VI and VII and issue of special rice on festival occasions was being met from the balance available. The quantity of rice so utilised during the five year period 2003-2008 was 89,781 MT (excluding 1,453 MT converted and sold by KSCSC) and its cost worked out to Rs 50.73 crore at Rs 5,650 per MT. In addition, transportation cost of Rs 6.73 crore was also paid by GOI on the above quantity. Thus Central funds of Rs 57.46 crore had been diverted for feeding students of Standards VI and VII and supply of rice on festival occasions which were not covered under the guidelines of the Central scheme.

Central funds of Rs 57.46 crore diverted

3.1.8.3 Transportation charges

GOI was providing transportation subsidy of Rs 75 per quintal (Rs 50 up to September 2004) for transportation of rice allotted for mid-day meal scheme from FCI godowns to schools. The State Government entrusted the transportation of the rice to KSCSC (Government undertaking). The Government had been paying a fixed rate of Rs 140 per quintal from 1995 till date to KSCSC for this purpose.

It was noticed in Audit that while KSCSC was paying charges ranging from Rs 9.40 to Rs 49.00 per quintal to contractors for transportation of foodgrains to its own depots/store from FCI godowns it was being reimbursed at the rate of Rs 140 per quintal by Government. It was also found that the rate paid by Civil Supplies Department of Government to Wholesale Ration Dealers towards commission, transportation and loading/unloading was in the range of Rs 18.38 to Rs 20.64 per quintal depending on the region. Thus the rate paid to KSCSC for transportation was on the higher side. Even after charging such a high rate, KSCSC was supplying the foodgrains at its Depot/Store only, instead of at schools and the schools had to incur additional expense for transportation of foodgrains to the schools. Government did not invite tenders/quotation to obtain competitive rates for transportation. Instead, Government had been paying excessive charges to KSCSC towards transportation for the last 12 years without reference to the actual transportation cost incurred by KSCSC.

Transportation charges paid to KSCSC were on the higher side

3.1.8.4 Pulses supplied at higher rate

KSCSC was charging higher rates for the pulses supplied to schools

KSCSC supplies pulses for the scheme throughout the State. During 2003-08, KSCSC supplied 52,803.70 MT of pulses. It was found that the cost of pulses charged by KSCSC during the period October 2005 to March 2007 was higher than the general rate by Rs 0.30 to Rs 11.30 per kilogram. The excess charged by KSCSC during this period alone worked out to Rs 8.82 crore. The rate charged during 2007-08 was also found to be higher than the general rate by Rs 0.39 to Rs 13.26 per Kg. The DPI failed to ensure that reasonable and economical charges were claimed by KSCSC since 1995. The Secretary promised to take up the matter with KSCSC.

3.1.8.5 Cooking facilities

As per GOI guidelines, kitchen-cum-store should be separate from classrooms; they should be well ventilated and so designed that there was a separate storage facility which should not have a thatched roof. DPI during a presentation in April 2006 before the Programme Approval Board of GOI had stated that 83 *per cent* of schools have pucca kitchens and kitchens in the remaining schools would be completed by the end of 2006. However, the data furnished by 132 AEOs (out of total 163 AEOs) in respect of 7,566 schools revealed that:

- 1,126 schools have kitchen-cum-store with concrete roof
- 1,236 schools have only kitchen
- 3,869 schools have only temporary sheds with tiled /asbestos roof
- 1,335 schools have only temporary sheds with thatched roof

Construction of kitchen-cum-store in 1,285 schools had not been completed as of July 2008 despite release of assistance of Rs 7.71 crore by GOI during 2006-08. Abnormal delay in release of the GOI grant to the LSGIs for construction of kitchen resulted in non-utilisation of the grant although the bulk of the schools lacked proper kitchen/cooking facilities.

3.1.8.6 Utilisation of teaching time

Involvement of teachers in the scheme contrary to GOI guidelines was noticed

GOI guidelines stipulate that under no circumstance should teachers be assigned responsibilities for cooking mid-day meals as this will impede or interfere with teaching quality.

In the 140 schools test checked by Audit it was found that

- In 73 schools, teachers were involved in purchase of vegetable and other ingredients
- In 116 schools, teachers weighed and received foodgrains and maintained store records
- In 91 schools serving of meals to children was by teachers
- 94 schools admitted that teachers spent time on the above activities which eventually resulted in decrease in number of teaching hours.

Involvement of teachers in activities other than teaching is likely to impede the objectivities of the Mid-Day Meal Scheme.

3.1.9 Supply of foodgrains

GOI guidelines required supply of cooked food of prescribed calorific value to all students in classes I to V for 200 days in a year. The State, however, provided cooked rice to students enrolled for the scheme in classes I to VII.

3.1.9.1 Interruption in feeding

Interruption in feeding days ranged from 7 to 102 days in 129 test checked schools

Despite timely allocation of foodgrains by GOI and its release by FCI, interruption in feeding ranging from 7 to 102 days due to non-receipt of foodgrains, absence of cooks, bandh, hartals, etc., during 2003-08 were noticed in 129 test checked schools. Such interruptions defeated the very objective of the scheme of providing food on all school days.

Varied menu to achieve the revised calorific value was followed only in seven schools out of 117 test checked

3.1.9.2 Calorific value not achieved

The meals served for the mid-day meal was Kanji (gruel) with pulses consisting of 60 gram of rice and 30 gram of pulses per student. The calorific value of the meals served was 309 and contained 12.5 gram of protein and was as per the norms prescribed by GOI. The calorific value has been revised by the Ministry of Human Resource Development to 450 calories and 12 gram of protein from June 2006. GOI also gave a sample of the meal that may be served to achieve the above calorie value.

Table 4: Food/Calorie value

	Calorie	Protein (gm)
Rice 100 gm	340	8
Pulses 20 gm	70	5
Vegetables including leafy 50 gm	25	Not available
Oil and fat 5 gm	45	Not available
Total	**480**	**13**

Source: GOI guidelines

Eventhough according to DPI varied menu has been prescribed in 2007 details received from 117 schools showed that only in seven schools varied menu was followed.

3.1.9.3 Supply of special rice during festival season

Apart from supply of mid-day meal in schools, special rice at the rate of five kg (three kg in 2007-08) was also provided during festival seasons (Onam, Ramzan and Christmas) to the students enrolled for the scheme. Special rice was supplied thrice during 2003-04 and 2004-05, once during 2005-06 and 2006-07 and twice in 2007-08.

Government diverted 56,758 MT of MDM rice, 11,938 MT of BPL rice and 51,203 MT of APL rice for supplying rice to students during festival seasons

During the five year period 2003-08, State provided 1,19,899 MT of rice during the festival seasons. Audit scrutiny revealed that this was done by the State Government diverting rice provided by GOI free of cost for mid-day meal scheme and BPL/APL rice allotted by GOI at subsidised rates for issue to ration card holders under the Public Distribution System. The quantity so diverted was 56,758 MT of MDM rice, 11,938 MT of BPL rice and 51,203 MT of APL rice.

As the rice supplied by GOI was meant for providing cooked meal to students of class I to V during school working days diversion of rice for providing uncooked rice to students during festival seasons was violative of GOI direction. The use of rice supplied by GOI for issue to APL and BPL ration card holders at subsidised rate against guidelines of the scheme was also irregular.

3.1.10 Impact of the scheme on enrolment, attendance, retention and nutritional status

One of the basic objectives of the scheme was to increase enrolment, attendance, retention and nutritional status of the children.

3.1.10.1 Enrolment

The impact of the scheme in improving enrolment was insignificant

The number of children enrolled in class I to V and VI and VII in Government, in aided and unaided schools during the period 2003-08 is given below:

Table 5: Student strength in Government, aided and unaided schools

Year	Government and aided schools		Unaided schools	
	Standard I to V	VI and VII	Standard I to V	VI and VII
2003-04	21,63,763	9,72,780	1,41,111	52,653
2004-05	21,28,222	9,42,935	1,88,979	56,938
2005-06	20,99,522	9,16,990	2,05,330	60,176
2006-07	20,65,785	9,12,834	2,11,007	63,872
2007-08	19,94,398	9,18,098	2,08,147	66,242

Source: Educational statistics from DPI

It was found that there was decrease in enrolment in Standard I to V from 21.64 lakh in 2003-04 to 19.94 lakh in 2007-08 and from 9.73 lakh in 2003-04 to 9.18 lakh in 2007-08 in Standard VI and VII in Government and Aided schools. But in Unaided schools which are not covered by the mid-day meal scheme there was steady increase in enrolment of students in Standard I to V and Std VI and VII during the same period. This shows that the scheme did not have any significant impact in improving enrolment in schools from the target group.

3.1.10.2 Attendance, retention and learning levels

Though the scheme aimed at improving attendance, retention and learning levels, the nodal office did not compile district and State level data on attendance and details of marks/grades. Test check of records of 140 schools showed that there was regular increase in attendance only in 26 schools. Grades also showed varied trends. Hence assessment of the learning levels to ascertain the impact of the scheme could not be made.

3.1.10.3 Nutritional status of children

The guidelines envisage that the mid-day meal scheme should be complemented with appropriate interventions through administration of (a) six monthly dose of deworming and vitamin A supplementation (b) weekly iron, zinc and folic acid supplement and (c) other appropriate supplements depending on common deficiencies found in the local area in consultation with the nearest Government Hospital. This was to be funded from appropriate schemes of the Health Department or School Health Programme of the State.

No specific funds were allotted by Government for this component under any of the schemes. The DPI informed that neither health check was conducted nor supply of vitamin A supplement and micro nutrients were made during the five-year period. Failure to provide supplementary nutrition and regular monitoring of nutritional status of children was violative of GOI guidelines and resulted in non-detection of potential health problems that could have been rectified by appropriate interventions.

3.1.11 Monitoring, Inspection and Internal Controls

3.1.11.1 Monitoring/inspection

Monitoring committees were either not constituted or were not meeting as prescribed in guidelines

GOI guidelines (2004) provide for formation of Steering and Monitoring Committees at State, district and block levels. The State Level Committee was formed in January 2006 only, 18 months after the guidelines were issued. Though it was required to meet twice annually it met only once during 2005-06, 2006-07 and 2007-08. In four* districts test checked no District

* Kasaragod, Pathanamthitta, Idukki and Alappuzha

Level Committee was formed. In another three districts[#] the committees were formed. These committees were, however, not meeting though they were required to meet four times in a year. Out of 163 AEOs, 84 AEOs reported that no Block Level Committees were constituted. No inspection by nutrition experts of Food and Nutrition Board was conducted to monitor the overall quality of the mid-day meal served. As per GOI guidelines, the inspections are to be arranged in a manner that all the schools are covered in a year and further targets were to be fixed so that on an average 25 *per cent* of the schools/Education Guarantee Scheme/AIE Centres should be covered in a quarter. In five DDEs[$], the Noon Meal Supervisor could cover only about 10 *per cent* of the schools each year. Details in respect of the two districts test checked had not been received (October 2008).

3.1.11.2 Failure of DPI to send progress reports

During 2003-08 monthly and quarterly progress reports were not furnished by DPI

During the five year covered by Audit (2003-08) the DPI has not furnished to the Ministry of Human Resources Development the Monthly report on off take of foodgrains, quarterly claim towards transport subsidy, quarterly progress report and utilisation certificates.

3.1.11.3 Internal Controls

Though the DPI reported before the Programme Approval Board in April 2006 that Management Information System (MIS) connecting the Directorate and District Offices would be completed by June 2006, this has not been done as of June 2008. The proposal for connecting all the offices of AEOs to the Directorate is under implementation and it has been stated that work in two districts has already been completed.

No performance management system was in place to ensure feedback on the scheme

The Nodal Office did not have an internal audit wing to examine the implementation of the scheme. There was no performance management system to provide adequate feedback. Utilisation of the funds released to the LSGIs was also not being watched.

Thus there was no effective internal control mechanism in the department to ensure feedback on the implementation of the scheme to the appropriate authorities. As a result, irregularities in implementing the scheme which has been running for nearly 23 years remained unrectified/unfulfilled.

3.1.12 Conclusion

The enrolment figures reported to GOI were not based on reports received from field offices. The transportation charges paid to KSCSC by Government was found to be on the higher side compared to those paid by KSCSC to the transporting contractors. KSCSC was charging higher rates for the pulses supplied to the schools. Diversion of rice provided for the scheme for other purposes was noticed. Most of the schools did not have adequate kitchen facilities. State Government failed to utilise the GOI grant of Rs 10.97 crore received for constructing kitchen-cum-store, replacement of cooking devices and strengthening management, monitoring and evaluation in time. Monitoring Committees prescribed in the GOI guidelines were either not constituted or were not meeting regularly. For supplying rice during festival

[#] Kottayam, Malappuram and Kozhikode
[$] Alappuzha, Pathanamthitta, Idukki, Malappuram and Kozhikode

seasons Government resorted to diversion of not only mid-day meal rice but also rice supplied by GOI for issue to APL/BPL ration card holders. The impact of the scheme on enrolment, attendance, retention and improving learning levels could not be assessed in the absence of necessary data. There was no effective internal control mechanism in the department for monitoring the scheme.

3.1.13 Recommendations

- Government should ensure that Central funds received for providing facilities like kitchen-cum-store, replacing utensils, etc., are utilised without delay and these facilities should be available in all the schools.
- Cooking cost released by GOI in advance should be released to schools without delay.
- Government should ensure that transportation charges/rates and cost of pulses are competitive and no excess rates paid to KSCSC.
- Data on enrolment, attendance, retention, learning levels, etc., may be compiled and maintained State-wise for evaluation of impact on the scheme.
- An effective Internal Control System should be set up in the department for gathering timely feedback on the deficiencies in implementation and taking corrective measures.

The recommendations contained in the para were discussed in the exit meeting. The Secretary accepted all the recommendations except the recommendation regarding competitive bidding for transportation and supply of pulses. However, the recommendation is retained since such a procedure is necessary for getting economic rates.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

INDUSTRIES DEPARTMENT

3.2 Development of traditional industries - handloom

Highlights

Handloom industry is one of the main traditional and labour oriented industries in the State. Ninety six per cent of handloom production in the State is contributed by the Co-operative sector. Central and State Governments give financial assistance for implementing various schemes for handloom development. Some of the points noticed during the review of the implementation of the schemes in the sector are given below:

> **The Department did not have a reliable and accurate database for planning and implementation of various schemes.**

(Paragraph 3.2.6)

> **During 2005-08 Rs 34.23 crore of budgeted funds remained unspent due to non-availing of Central assistance in full.**

(Paragraph 3.2.7)

> ➢ **During 2003-07 Central funds of Rs 2.78 crore meant for Marketing Incentive under Deen Dayal Hatkargha Prothsahan Yojana(DDHPY) was diverted for rebate on handloom under State scheme.**

(Paragraph 3.2.8)

> ➢ **Rupees 1.01 crore released to 58 Primary Handloom Weaver's Co-operative Societies (PHWCS) in three test checked districts for DDHPY were diverted for working capital.**

(Paragraph 3.2.10.3)

> ➢ **Rupees 1.68 crore was collected from 224 PHWCS to constitute a common fund for utilisation towards publicity, of which Rs 97.25 lakh was diverted and Rs 70.75 lakh retained in bank without utilisation.**

(Paragraph 3.2.10.4)

> ➢ **Training imparted at a cost of Rs 1.70 crore under DDHPY was unfruitful as the weavers were not trained for using Jacquard and Dobby which are essential for weaving design patterns.**

(Paragraph 3.2.10.5)

> ➢ **Out of Rs 2.95 crore given for design input Rs 1.19 crore had become unfruitful as the societies did not adopt the design supplied by the agencies and Rs 1.76 crore released to the societies did not serve the intended purpose.**

(Paragraph 3.2.10.6)

> ➢ **Apex organisations in the State – Hantex and Hanveev - could not avail assistance of Rs 36.40 crore due to their inability to submit project reports based on GOI guidelines.**

(Paragraph 3.2.10.8)

> ➢ **Though marketing incentive of Rs 54.80 crore was released to PHWCS and apex organisations to increase production and sales during 2001-07, the production and sales decreased during the period.**

(Paragraph 3.2.10.9)

> ➢ **The apex organisations Hantex and Hanveev established for the development of handloom in co-operative and unorganised sectors were making losses year after year and the accumulated loss at the end of March 2007 was Rs 133.52 crore.**

(Paragraph 3.2.12.1)

> ➢ **There was no effective monitoring by the officials responsible and false utilisation certificates were sent to GOI.**

(Paragraph 3.2.13)

3.2.1 Introduction

Handloom industry is one of the main traditional industries in the State. This labour-oriented sector which employs about two lakh persons is facing many problems like competition from the powerloom sector, dwindling number of weavers and other labourers due to low wages and certain specific financial problems of the Primary Handloom Weavers Co-operative Societies* (PHWCS). Out of 58,400 handlooms in the State, 46,720 were in the co-operative sector. There were 758 registered PHWCS in the State of which about 300 are now defunct. There were two apex level organisations in the State - Kerala State Handloom Weavers Co-operative Society (Hantex) and Kerala State Handloom Development Corporation (Hanveev) - to supply raw material, sell the products of the PHWCS and the individual weavers. Ninety six *per cent* of the total handloom production in the State is contributed by the co-operative sector and the balance by the unorganised/ corporate sector. In order to develop the handloom sector, Central and State Governments are implementing various schemes.

3.2.2 Organisational set up

At Government level Principal Secretary, Industries and Commerce is in overall control of all activities in the handloom sector. There is a separate Directorate of Handloom and Textiles (DH&T) headed by a Director. The schemes are implemented through the District Industries Centre (DIC) under the Director of Industries and Commerce. The organogram depicting the organisational set up of handloom sector is given in **Appendix XXIX**.

3.2.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- Adequate data was available for planning and implementing various Central and State schemes,
- Sufficient funds were made available and were efficiently and economically utilised,
- The Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) scheme was implemented efficiently and economically,
- The apex level organisations and co-operative societies implementing the schemes were functioning effectively and
- Schemes were effectively monitored.

3.2.4 Audit Criteria

- Specified target population and eligibility conditions fixed/prescribed for various Central/State Schemes
- Budget provision and allotment to various projects in the handloom sector
- Scheme guidelines, targets and time span fixed by Central and State Governments
- Aims/Goals fixed for achievement by State level Organisations
- Annual Statements, UCs, etc. submitted by field level/ State Offices to State/Central Governments.

* These are societies registered under the Kerala Co-operative Societies Act, 1969 and engaged in weaving of handloom clothes. There should be a minimum of 25 members from 25 families of which eight *per cent* can be non-weavers. The society has a secretary who looks after the administration.

3.2.5 Scope of audit and audit methodology

A Performance Audit was conducted during February 2008 to June 2008 covering the period 2003-08. As handloom units were mainly concentrated in Kannur and Thiruvananthapuram districts these districts were selected compulsorily. Two* districts from the remaining 12 have also been selected using simple random sampling. The methodology adopted was mainly scrutiny of files, records and documents in the various offices, interaction with those concerned with the implementation of the schemes, field visits to randomly selected societies and collecting information from weavers through questionnaire. An entry conference was conducted with the Principal Secretary (Industries and Commerce) in March 2008. Audit methodology, coverage, samples and other essential features of the audit were explained at the meeting. An exit conference with the Principal Secretary, Industries Department was held in September 2008.

Audit findings

3.2.6 Absence of authentic database

Department did not have authentic and reliable data on handloom weavers

A reliable and authentic database is necessary for successful planning and implementation of different schemes. The Economics and Statistics Department conducted a survey (2003-04) to study the status of handloom sector in Kerala such as number of weavers, number of looms, ownership of looms, production details, count-wise consumption of yarn, rebate sales, wages and the socio-economic impact of various activities. The Provisional Report sent to the Director of Handloom and Textiles in 2006, has not been published so far. According to the survey, against 758 PHWCS registered in the State, only 467 are functioning. As against a total membership of 65,590, only 26,624 members (40.59 *per cent*) were involved in active weaving at the time of survey.

A field visit of the Audit Team to 12 PHWCS selected at random from the 74 test checked PHWCS in the sample districts revealed that the percentage of active members in the selected PHWCS was much lower (12 to 27 *per cent*) than the percentage mentioned in the survey. The results are given below:-

Table 1: Percentage of active weavers

Name of District	Number of societies visited	Number of registered weavers	Active weavers	Percentage of active weavers to registered
Thiruvananthapuram	4	1,279	238	19
Ernakulam	2	264	70	27
Thrissur	3	593	73	12
Kannur	3	1,061	185	17
Total	**12**	**3,197**	**566**	**18**

The survey conducted by the Director of Economics and Statistics in 2003-04 at a cost of Rs 13 lakh could not therefore, be relied upon as the data had lost its relevance due to lapse of time.

It was also noticed that the data relating to handloom sector for the year 2007-08 given by DH&T to the State Planning Board for inclusion in the Economic Review contained figures for only 11 districts in the State. Thus there were inconsistencies in the data, hence the data cannot be relied upon.

* Ernakulam and Thrissur

The Handloom Advisory Committee reconstituted in October 2007 recommended for survey and issue of identity cards to weavers. No follow-up-action was however, taken on the recommendations.

In the context of declining number of weavers actually working in the handloom sector it is necessary to have adequate and reliable data for planning and implementation of various schemes in the sector. The department had, however, not taken active interest in ensuring availability of accurate and reliable data on weavers, working looms, etc. This had an adverse effect on planning and implementation of various projects in the sector.

3.2.7 Availability of funds and their utilisation

The budget provision, expenditure and saving in the sector during 2003-04 to 2007-08 are detailed below:

Table 2: Budget provision and expenditure

(Rupees in crore)

Year	Provision[#]		Expenditure		Savings	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2003-04	25.97	4.26	24.93	3.60	1.04	0.66
2004-05	24.81	2.51	23.23	2.02	1.58	0.49
2005-06	25.77	16.36	16.07	14.59	9.70	1.77
2006-07	24.57	10.74	15.92	8.90	8.65	1.84
2007-08	42.36	11.92	26.48	10.21	15.88	1.71
Total	**143.48**	**45.79**	**106.63**	**39.32**	**36.85**	**6.47**

Source: Appropriation Accounts

There were savings during 2005-08 due to shortfall in expenditure on Central schemes

The savings during 2005-06 to 2007-08 were due to shortfall in expenditure on Central schemes. During 2003-08, the State received Rs 56.78 crore (including Rs 3.86 crore received for SGSY projects) from GOI towards various plan and non-plan schemes.

3.2.8 Diversion of Central funds towards State scheme

Deen Dayal Hatkargha Prothsahan Yojana (DDHPY) was a comprehensive Central scheme for the handloom sector implemented during 2000-07. The scheme was completed in 2006-07. One of the components of the scheme was Marketing Incentive (MI) given as a fixed percentage♣ of sales turnover to handloom societies or agencies for creating infrastructure. The MI was in the form of grant shared between GOI and State in the ratio of 50:50.

Central funds of Rs 2.78 crore was diverted for State scheme

The State Government was also extending financial assistance to handloom agencies/societies in the form of rebate to enhance the sale of handloom goods in the State. As the State Government felt that MI and rebate would result in double benefit, it ordered (February 2003) deduction of MI from the rebate admissible to the beneficiary agencies. The action of Government amounted to diversion of funds granted under a Central scheme to a State scheme. During 2003-07[*] MI of Rs 2.78 crore was diverted for rebate due to Hantex and Hanveev as shown in the table.

[#] including Central assistance

♣ For the State level agencies the incentive was eight *per cent* for the first two years, six *per cent* for the next two years, four *per cent* for the subsequent two years and two *per cent* on the seventh year i.e. 2006-07. For the PHWCS the phasing out was from 10 *per cent* in first two years to four *per cent* in the last year.

[*] Scheme was completed in 2006-07

Table 3: MI adjusted against rebate

(Rupees in crore)

Year	MI adjusted		
	Hantex	Hanveev	Total
2003-04	1.08	0.58	1.66
2004-05	0.45	0.22	0.67
2005-06	0.20	0.09	0.29
2006-07	0.08	0.08	0.16
	1.81	**0.97**	**2.78**

Source: Details furnished by Hantex and Hanveev

Amount of MI adjusted against rebate paid to PHWCS, though called for, had not been received (June 2008).

3.2.9 Excessive Budget provision

Irregular depiction of expenditure on scheme

In the Budget for the year 2007-08, Rs 30 crore (Rs 15 crore towards State share and Rs 15 crore towards Central share) was provided for payment of MI for the year 2006-07 under DDHPY scheme. The scheme was completed in 2006-07 and Rs 2.69 crore was required for the payment of arrears. In view of this, provision of Rs 30 crore made in the budget (2007-08) for payment of arrears was excessive and against the provisions of Kerala Budget Manual. The Department used Rs 19.48 crore out of this provision for expenditure under 'Integrated Handloom Development Scheme', a new Centrally Sponsored Scheme introduced from 2007-08 onwards. Incurring of expenditure from funds specifically provided for one scheme to another scheme was irregular and resulted in depiction of incorrect expenditure against these schemes in State accounts.

3.2.10 Implementation of Deen Dayal Hatkargha Prothsahan Yojana (DDHPY)

Various schemes aimed at product development, infrastructure development, skill development, housing and welfare of weavers, etc., were implemented by State Government and GOI to improve the handloom sector. Of this the major scheme DDHPY only was covered by Audit. Results of the review of scheme are detailed below:

3.2.10.1 Project formulation

DDHPY scheme was implemented in the State during 2000-07[#] and the total cost of Rs 78.13 crore (including MI) was shared between Central and State equally (75:25 for projects having all SC/ST or women members). The scheme provided for two packages, Basic Inputs* and Marketing Incentive. The Ministry of Textiles, GOI directed (September 2000) State Governments to prepare the project in two packages. The Sub-Committee formed for technical scrutiny found that it was not feasible to implement the scheme through individual PHWCS due to severe financial crisis faced by them and recommended a cluster based approach for implementation. It was, however, seen that the project reports were prepared for individual societies with specific fund allocation for each of them and GOI approved the projects as individual projects and not as cluster as recommended.

[#] Scheme was completed in 2006-07

* Margin Money, assistance for looms and accessories, training, Infrastructure support, Design Inputs, Publicity.

Projects were prepared for individual societies contrary to recommendations to adopt cluster based approach

GOI approved (2002-04) 295 projects, of which 270 were for PHWCS (Rs 20.23 crore) and the balance for 25 Mahila Samajams under an NGO (Rs 3.10 crore). The amounts for different components were released to the individual societies. Hence although the Technical Sub-Committee had reported the non-viability of the scheme through individual societies and recommended cluster formation, the scheme was implemented through individual societies and no cluster approach was adopted except in the case of 25 projects implemented through Mahila Samajams.

3.2.10.2 Funding of the project

The total project cost (excluding MI) for the 295 projects was Rs 23.33 crore (2001-07) consisting of GOI share (Rs 7.83 crore), State share (Rs 6.15 crore), bank finance (Rs 8.53 crore) and beneficiary contribution (Rs 0.82 crore). The share of GOI and State was for different components such as margin money, procurement of Jacquard/Dobby, publicity, training, etc. During 2002-05, GOI share and State share amounting to Rs 13.75 crore (GOI: Rs 7.31 crore; State: Rs 6.44 crore) for basic inputs was disbursed to societies/ training institutes/design agencies.

As per GOI instructions, the margin money provided as grant by the State and GOI and the share of beneficiaries were to be deposited into the bank account of the societies and the same was to be used as seed money for enhancement of Cash Credit Limit (CCL) of the beneficiaries. The grant towards training was to be paid to the concerned training institutions. The District Industries Centres were responsible for monitoring the implementation.

3.2.10.3 Violation of GOI guidelines

The funds released to each society were kept in a joint account in the name of General Manager, District Industries Centre and Secretary of the concerned PHWCS. The records in the DICs in the selected districts revealed that a major portion of the funds were utilised for working capital needs of the societies and not for the components sanctioned in the project as detailed in table:

Table 4: Utilisation of DDHPY assistance by test checked societies

(Rupees in crore)

Name of District	Number of societies under DDHPY scheme	Number of societies test checked*	Amount sanctioned to test checked societies	Total amount released as grant to societies	Amount utilised for the components of the scheme as per UC	Amount diverted for working capital needs
Thiruvananthapuram	156	40	1.83	1.16	0.47	0.69
Ernakulam	8	8	0.32	0.18	0.06	0.12
Thrissur	10	10	0.40	0.23	0.03	0.20
Kannur	32	16	0.67	0.51	No UC for 5/ 11 UCs incomplete	Not available
Total	**206**	**74**	**3.22**	**2.08**		

* excluding 25 Mahila Samajams under NGO

Margin money was withdrawn and utilised for working capital needs instead of keeping it in bank as per guidelines

- All the test checked societies had withdrawn the margin money required to be kept in Bank and used it towards working capital.
- The fund sanctioned for each society included provision for procurement of 10 Jacquards and Dobby essential for weaving value added products using modern diversified designs. Only two societies in Thiruvananthapuram had procured Jacquard and Dobby.
- In Ernakulam district UCs were submitted by seven (out of eight) societies in the same format showing similar expenditure of Rs 2.60 lakh including expenditure of Rs 0.64 lakh towards training. But Rs 0.64 lakh towards training was not actually released to the societies as it was paid directly by the DH&T to the training institute. Hence the UCs furnished by the societies were not factually correct and reliable. One of the societies did not furnish any UC at all.
- In Kannur five out of the 16 societies test checked had not furnished the UC. The UCs furnished by the others were incomplete. Only the expenditure towards design and development and weaving accessories were shown.
- As per the register maintained at DIC Kannur for watching withdrawal of funds under DDHPY, Rs 9.51 lakh remained unutilised after the closure of the scheme.
- No contribution was made by beneficiaries except in Thiruvananthapuram district and even in this case it was withdrawn and utilised as working capital. The bank loan of Rs 7.45 crore was not availed as envisaged in the project.

3.2.10.4 Diversion of funds

Rs 1.68 crore provided by GOI for publicity was diverted for providing working capital to PHWCS

The assistance released to 295 projects contained Rs 2.95 crore towards publicity. As per GOI guidelines assistance was to be available on the basis of a project specifying the nature of publicity and the target market. State Level Project Committee (SLPC) decided (December 2003) to implement a comprehensive marketing strategy by utilising 75 *per cent* of the total publicity component for this purpose with IIM-Kozhikode as the resource agency. Accordingly, a Fund with a corpus of Rs 1.68 crore was formed by collecting Rs 75,000 each from 224 PHWCS and deposited in a separate bank account. A Marketing Strategy Committee was constituted by Government in 2004 under the Chairmanship of DH&T for implementing this project. As no progress was made in the implementation of the project till August 2006, based on request from PHWCS, State Government accorded sanction to return Rs 50,000 each to PHWCS as interest-free loan from the Fund for their working capital needs to be repaid in ten instalments. Accordingly DH&T disbursed Rs 97.25 lakh to 207 PHWCS as interest free loan and the balance of Rs 70.75 lakh was retained in bank. The loan was not repaid as of March 2008. The diversion of funds received for publicity towards working capital was irregular.

3.2.10.5 Training

To facilitate weavers to switch over to high value added products, assistance for training in the form of compensation of wages to weavers and Master Trainer at Rs 750 and Rs 2,500 per month respectively was provided in the DDHPY scheme. The training for three months was to be provided by Weavers

Service Centres/State Institute for Design and Training or other National/State level organisations. Assistance of Rs 63,750 was provided for societies having 25 members and Rs 1,27,500 for societies having 50 members. Out of the 295 projects, 236 projects had the training component and the training was organised as shown below:

Table 5: Details of training under DDHPY

Name of training institute	No of projects	No of weavers	Amount paid (Rupees in crore)
Weavers' Service Centre, Kannur	28	700	0.18
Institute of Handloom and Textile Technology, Kannur	146	3,950	1.01
Institute of Handloom and Textile Technology, Salem	62	1975	0.51
Total	**236**	**6,625**	**1.70**

Training imparted at a cost of Rs 1.70 crore was unfruitful

A joint inspection of the societies revealed that:-

- Jacquard and Dobby were essential for switching over from low value to high value added items as these were required for weaving design patterns. As a majority of the PHWCS had not procured these items they were not given training for using Jacquard and Dobby.
- No society among the 12 jointly inspected was using Jacquard/ Dobby. Weavers stated that the training provided was not sufficient to weave using Jacquard/Dobby. Hence they were continuing with the earlier practice.
- After the training many of them left the societies. Out of 12 societies visited, in four there were only 58 weavers remaining in place of 100.

Thus the training imparted at a cost of Rs 1.70 crore was not effective as it did not improve the weaving skills of the weavers.

3.2.10.6 Assistance for new design

Rs 2.95 crore released for new design component had become unfruitful

The assistance for design input was for procurement of new designs and installation of Computer Aided Design system to improve the design quality of handloom products. The implementing agencies were required to diversify their products to meet the changing market scenario. For acquiring designs from Weavers Service Centre, Institute of Handloom and Textile Technology, etc., Rupees one lakh was provided to each of the 295 projects. DH&T deducted Rs 1.19 crore towards design from the funds sanctioned to the societies and made it available to these agencies as detailed in the **Appendix XXX**. The balance amount of Rs 1.76 crore was released to the projects for developing the paper designs into marketable products.

Scrutiny revealed that even though the agencies entrusted with the work of design had given paper designs to the societies, no society had adopted the designs supplied. It was stated by the societies that the designs furnished by the agencies were not marketable in the State. As the societies had not adopted the new designs, Rs 1.19 crore provided to the design agencies had become unfruitful and Rs 1.76 crore released to societies could not achieve the intended objective.

3.2.10.7 Projects implemented by NGOs

Units under NGOs were running profitably despite non-receipt of Rebate, Marketing Incentive, etc.

GOI sanctioned (October 2004) 25 projects for all Mahila Samajams represented as NGOs (ECOTEX Consortium). The projects were sanctioned as a cluster of 25 units with 25 beneficiaries in each unit. The total project cost was Rs. 3.10 crore consisting of GOI share (Rs. 1.27 crore), State Share (Rs.0.69 crore), Bank loan (Rs.1.08 crore) and beneficiary contribution (Rs 0.06 crore).

The components approved were the same as for the other 270 projects except that the training component was not included in the project. Training was imparted to the weavers by the Master Weaver under whose guidance and supervision the project was implemented. All the units were working in the same compound having a Common Facility Centre for pre-loom and post-loom activities. The weavers had acquired Jacquard and Dobby for weaving sarees, set mundu, etc., with designs. Good quality yarn and zari were arranged through a reputed private handloom house and the marketing was also done through it. During joint inspection it was stated by the units that they were making profit and the weavers were getting better remuneration than other co-operative societies/individual weavers.

Thus a scheme which could not be implemented effectively by the weavers' societies under the co-operative sector with substantial assistance from Government was successfully implemented by an NGO without any concession like MI, rebate, etc. from Government.

3.2.10.8 Failure of Hantex and Hanveev to avail grant

Hantex and Hanveev could not avail assistance of Rs 36.40 crore due to non-submission of feasible projects based on GOI guidelines

Under the component 'Strengthening of Handloom Organisations', assistance towards financial restructuring of National Level Handloom Organisations, State Handloom Corporation and Apex Weavers Co-operative Societies/ Federations was available as seed money and was sharable between GOI and State in the ratio 50:50. In order to avail assistance the organisations were required to improve their viability by strengthening their business policies, rationalising their manpower, preparation of a feasibility project for Ministry by an independent management consultancy organisation, approved by the SLPC, etc.

A project proposal from Hantex was sent to the Ministry of Textiles in 2004 for the restructuring of Hantex. This was not accepted by the Ministry as it was defective. Hantex submitted a revised proposal for Rs 38.48 crore (including Rs 32.72 crore towards seed money) in August 2006, this was also not accepted by the Ministry. No further revised proposal was submitted to the Ministry (June 2008) and the scheme ended in 2006-07.

In July 2004 Hanveev also submitted a project proposal for restructuring to State Government prepared by the Centre for Management Development, Thiruvananthapuram with an estimated cost of Rs 16.40 crore. SLPC directed (August 2004) Hanveev to submit a revised proposal in accordance with the GOI guidelines. A revised proposal for a total amount of Rs 6.84 crore (including Rs 3.68 crore towards seed money) submitted by Hanveev was not approved by State Government due to the weak financial position of Hanveev.

Hence the two State level Apex organisations (Hanveev and Hantex) could not avail financial assistance of Rs 36.40 crore due to inability in submitting feasible projects based on GOI guidelines/weak financial position of the organisation.

3.2.10.9 Expenditure on Marketing Incentive

Expenditure of Rs 54.80 crore on Marketing Incentive did not serve the intended purpose

Rupees 54.80 crore was disbursed to various PHWCS, Hantex and Hanveev as Marketing Incentive during the period 2001-02 to 2006-07 for improving productivity/marketing. It was, however, found* that production decreased from Rs 318.16 crore in 2001-02 to Rs 281.16 crore in 2006-07 and sales decreased from Rs 497.06 crore to Rs 274.17 crore. As production and sales declined during the scheme period, Rs 54.80 crore disbursed as Marketing Incentive did not serve the intended purpose.

3.2.10.10 Submission of false utilisation certificates to the Ministry

Under the DDHPY, DH&T had to furnish UCs to the Ministry of Textiles, GOI. It was noticed that the UCs furnished were false as noted below:

False utilisation certificates furnished to the Ministry

- The major portion of the common fund created for publicity component was diverted as interest-free loan to PHWCS and the balance was lying unutilised in the bank. However, DH&T furnished UC stating that Rupees one lakh each provided to 295 projects (Rs 2.95 crore) had been utilised for publicity.
- Expenditure statement provided by PHWCS to District Industries Centres indicated withdrawal of margin money and diversion of funds for working capital. However, UC was furnished stating that these were utilised for the intended purpose.

3.2.10.11 Evaluation by Government

Hanveev conducted an evaluation of the DDPHY for Government. The evaluation team visited four# districts and submitted its report to Government in May 2007. The report stated that the scheme was a failure except in a few societies. The report also pointed out the failure in adopting the design supplied by National Institute of Design, National Institute of Fashion Technology, Institute of Handloom and Textile Technology, etc. However, no action was taken on the basis of the report.

Hence the major scheme funded by GOI and implemented for the overall development of the handloom sector could not achieve its intended objectives even after spending Rs 13.75 crore for the basic inputs and Rs 54.80 crore as Marketing Incentive. Audit scrutiny revealed that non-implementation of various components, diversion of funds, ineffective functioning of the apex organisations, poor planning, lack of proper monitoring and guidance were the main reasons for the apparent failure of the scheme.

3.2.11 Problems faced by PHWCS and weavers

Audit team visited 12 PHWCS (out of 74 PHWCS in selected districts) alongwith the departmental officials and 35 weavers selected randomly were interviewed and information collected through Questionnaire. The information collected revealed the following:

* From Economic Review 2002 to 2007

Thiruvananthapuram, Kozhikode, Kannur and Palakkad

Daily average wage of weaver was low as compared to other sectors

- Wages ranging from Rs 40 to Rs 100 earned by weavers were much below the daily average wage in most other sectors. The wages were fixed for weaving a single piece of product like a saree, one dhothi, one set mundu, etc. Where there were no common pre-loom facilities, the pre-loom activities were to be done by the weavers in their houses. It took them 10 to 14 days for making the 'paavu' for weaving. No wages were, however, provided for this. The members of Mahila Samajams were, however, earning better wages ranging from Rs 75 to Rs 150 per day.
- Out of 12 PHWCS, nine were running on loss, one society was at break-even point and only two were making profit.
- Only an average of 18 *per cent* of registered weavers were actually working.
- All the 12 PHWCS had dues pending from Hantex and State Government.
- Out of 12 PHWCS, seven had got their own showroom for marketing. Others depended on private showrooms. Those who had their own showrooms stated that they had no problem in marketing their products.
- 67 *per cent* of the weavers interviewed were above the age of 45 years, 23 *per cent* were in the range of 30 to 35 years and only 10 *per cent* were below 30 years. The low wages in the sector was cited as the main reason for the reluctance of the younger generation in taking up weaving as a career.
- It was further stated that when weavers were provided training in using Jacquard, Dobby, etc. there were no skilled masters for consultation or clearing doubts as a follow-up to training. In Kannur and Thiruvananthapuram they often got the services of masters from Hantex or Hanveev.

3.2.12 Working of apex handloom organisations

The apex organisations were established with the objective of making available quality raw materials to member societies and procurement of handloom cloth from these societies for sale.

3.2.12.1 Functioning of the Apex organisations

Accumulated loss of the apex organisations was Rs 133.52 crore at the end of March 2007

Scrutiny of the results of the apex organisations revealed that they were incurring losses year after year. The annual accumulated loss of Hantex increased from Rs 70.56 crore in 2003-04 to Rs 102.20 crore in 2006-07* and of Hanveev from Rs 20.86 crore to Rs 31.32 crore during the same period. Delay in getting the value of goods procured made the PHWCS reluctant to trade with Hantex. As a result, the number of PHWCS trading with Hantex reduced to 150 in 2006-07 from 193 in 2003-04 though there were 466 PHWCS registered with Hantex. Only 4 *per cent* of the production in the co-operative sector was procured by Hantex during 2003-04 which was further reduced to 2 *per cent* in 2006-07. Moreover, the dues payable to PHWCS by Hantex as on 31 March 2007 was Rs 25.88 crore.

* Accounts for 2007-08 not yet finalised

State and Central Governments gave Hantex and Hanveev Rs 13.95 crore and Rs 9.15 crore respectively during this period towards Marketing Incentive, Share Capital contribution and rebate though sales by them was not significant. The working results of Hantex and Hanveev are indicated in **Appendix XXXI**.

3.2.12.2 Non- implementation of renovation/computerisation

During 2004-05, Rs 10 crore was received by State Government as a one-time Central assistance for traditional industries of which Rupees three crore was allotted to handloom sector. State Government approved (March 2005) a project for the renovation and computerisation of the showrooms of Hantex and Hanveev and released Rupees three crore as shown below:

Table 6: Project details of renovation and computerisation

(Rupees in crore)

Sl. No.	Particulars	Hantex (20 showrooms)	Hanveev (5 showrooms)	Total cost
1	Upgradation of marketing network facility to ordinary showrooms	1.76	0.44	2.20
2	Training programme for skill upgradation of sales personnel	0.08	0.02	0.10
3	Upgradation of Technology (computerisation)	0.40	0.10	0.50
4	Handloom quality assurance programme	0.16	0.04	0.20
	Total	**2.40**	**0.60**	**3.00**

Source: Directorate of Handloom and Textiles

On the basis of recommendations of the Marketing Strategy Committee the work of design for renovation of showrooms was awarded to Kerala Small Industries Development Corporation Limited (SIDCO) in February 2006. The estimates and designs submitted by SIDCO for three showrooms of Hantex (Rs 52.93 lakh) and two showrooms of Hanveev (Rs 20.48 lakh) were accepted and an advance of Rs 33.95 lakh was given to it. However, SIDCO had completed only two showrooms of Hantex (Thiruvananthapuram and Kollam). As the work done by SIDCO was found to be of inferior quality, the balance of Rs 26.78 lakh out of Rs 60.73 lakh claimed by SIDCO was not paid. The work of the other three showrooms (Thiruvananthapuram, Kayamkulam and North Paravur) were awarded to Forest Industries (Travancore) Limited and they had completed the work at a cost of Rs 20.77 lakh. Thus only Rs 54.72 lakh was actually spent for renovation. A proposal for awarding the work on computerisation was pending with Government as of June 2008.

Rupees two crore was diverted as working capital out of Rupees three crore released to Hantex and Hanveev for renovation

As the other components of the project were not implemented, State Government decided to treat Rupees two crore as working capital loan (interest free) to Hantex (Rs 1.50 crore) and Hanveev (Rs 0.50 crore) on the condition that the loan should be repaid before September 2007. No refund had, however, been made as of April 2008. Thus out of Rupees three crore released, only Rs 54.72 lakh was actually spent on the project and Rupees two crore was diverted as working capital loan to Hantex and Hanveev. The objective of renovation of the showrooms enunciated in the proposal of DH&T, namely, production and selling of value added products had not therefore been achieved even after three years of receipt of Central assistance. On this being pointed out, DH&T reported that the responsibility for the lapses lay with the Managing Directors of both institutions and the department could not be held responsible, as the role of monitoring committee was limited to supervision and guidance only. As the DH&T was also the Chairman of the Marketing Strategy Committee, he did not give or furnish reasons for the failure/lapses.

3.2.12.3 *Irregular payment of Rs 5.87 crore to Hantex and Hanveev*

Assistance of Rs 5.87 crore was released to apex organisations under a Central scheme without submitting proposals and approval by GOI

GOI introduced (2007-08) the Integrated Handloom Development Scheme (IHDS) integrating four schemes including DDHPY. Strengthening of State level apex organisations was a component under this scheme. For this the agencies had to submit a bankable project prepared by an independent Management Consultancy Agency and approved by the State Level Project Committee to the Ministry of Textiles. Hantex/ Hanveev did not submit any such proposals to the SLPC or Ministry.

DH&T released Rs 4 crore to Hanveev and Rs 1.87 crore to Hantex towards strengthening of these organisations. Later DH&T and Government approved (May 2008) the request from Hantex and Hanveev for diverting the amount for their immediate working capital needs/payment of dues, etc. Thus release of grant of Rs 5.87* crore by DH&T under the IHDS without prescribed proposals and without the approval from GOI was irregular.

The above details show that even after getting huge financial support from Government, the apex organisations did not contribute much to the procurement and sale of handloom products and was blocking the working capital of the PHWCS by not paying their dues.

3.2.13 Monitoring and evaluation

Monitoring of schemes was poor

State Level Project Committee and District Level Project Committees had to give approval and monitor implementation of different Central schemes. The implementation of schemes and other activities of PHWCS were to be monitored by the DICs. Scrutiny of records revealed that:

- Fund utilisation by different implementing agencies/beneficiaries was not monitored.
- Claims were settled without proper scrutiny of basic data
- Statistical data was collected and sent to higher authorities without ensuring its correctness
- Utilisation certificates from field offices were accepted and furnished to Ministry without any check.

As the staff are under the administrative control of the Director of Industries and Commerce, DH&T has no control over them as they are transferable to other wings under Industries Department. The field staff supervising/inspecting the PHWCS are Industrial/Co-operative Inspectors who did not have expertise in handloom weaving.

3.2.14 Conclusion

The Directorate of Handloom and Textiles did not have complete and reliable data on handloom weavers. Even though various Committees submitted detailed reports on problems faced by the handloom sector and recommended remedial measures, no follow-up action was taken. Due to financial constraints and low wages, number of working PHWCS have been reduced and only one-fifth of the members were active in the working societies. The DDHPY scheme implemented with the aim of comprehensive development of the sector could not achieve its targeted objectives. Major portion of the assistance disbursed under the scheme

* Rs 4 crore to Hanveev and Rs 1.87 crore to Hantex

were diverted for the working capital needs of PHWCS. DH&T had not utilised the one-time GOI assistance of Rupees three crore for the intended purpose. The apex organisations created for the development of co-operative and unorganised sectors have failed in their mission due to poor performance. They were making losses year after year despite receipt of huge financial assistance from Government. The number of PHWCS trading with Hantex were steadily decreasing as substantial amount was due to them. Schemes and projects were implemented without proper monitoring and false UCs were sent to GOI.

3.2.15 Recommendations

- Government should ensure that the Department maintains reliable and authentic/accurate data pertaining to handloom sector and update it periodically to serve as a useful tool for planning projects.
- The Department should have an effective mechanism to ensure that GOI assistance for various schemes is availed in full and utilised within the prescribed time limit.
- Government should not sanction diversion of funds available with implementing agencies for specific components of schemes/ projects for other purpose, even temporarily.
- Undue delay in payment of claims of primary societies should be avoided and arrangements made to ensure that all claims are scrutinised and settled expeditiously.
- Government should review the performance of the apex organisations - Hantex and Hanveev, as their role in the development of handloom sector has declined over the years, despite being in receipt of bulk of the Government funding in the sector.
- The Department of Handloom and Textiles should have exclusive trained staff with expertise in technical matters at district and lower levels to provide advice and guidance to the weavers and societies.
- Government should take action as recommended by various committees to improve the working conditions of weavers so as to retain the existing weavers and attract youngsters into the handloom sector.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

POWER/AGRICULTURE DEPARTMENT

3.3 Non-conventional sources of energy

Highlights

Ministry of New and Renewable Energy (MNRE), Government of India (GOI) has provided various fiscal and other incentives for production of power from Renewable sources of energy. Kerala has significant potential of non-conventional energy sources comprising of Wind, Biomass, Solar, Small Hydel Projects up to 25 MW, etc., estimated to be 1715 MW. For promotion of non-conventional/renewable sources of energy the State Government had established an Agency for Non-conventional Energy and Rural Technology

(ANERT) as early as in January 1986 and formulated Renewable Energy Policy (REP) in 2002.

> **Though Government have formulated Renewable Energy Policy in 2002, no follow-up measures were taken either by Government or the Nodal Agency.**

(Paragraph 3.3.6)

> **Due to abnormal delay in issuing guidelines for development of wind farms in private lands, no wind energy project could be cleared by ANERT for over five years.**

(Paragraph 3.3.6)

> **Under National Biogas and Manure Management Programme implemented by Agriculture Department, subsidy of Rs 1.60 crore was not paid to the beneficiaries due to insufficient provision in the budget.**

(Paragraph 3.3.7.1)

> **ANERT spent only Rs 7.72 crore (54 *per cent*) for implementation of programmes against Rs 14.26 crore received from 2003-08.**

(Paragraph 3.3.7.1)

> **Rupees 4.18 crore spent for installation of Solar Home Lighting System and Solar Street Lighting System under Solar Village Electrification Programme was not got reimbursed from Government of India.**

(Paragraph 3.3.7.3)

> **Failure to submit timely proposals in accordance with MNRE guidelines resulted in loss of Central Assistance of Rs 8.31 crore for implementation of Remote Village Electrification Programme in 115 colonies.**

(Paragraph 3.3.8.3)

3.3.1 Introduction

Non-conventional energy or Renewable energy refers to energy from the Sun, Biomass, Wind, Tide, Wave, Geothermal and Small Hydel Power Plants up to 25 MW station capacity. Kerala is a power deficient State. Against the power demand of 5,765 MW, the installed power generation capacity in the State as at the end of March 2008 was only 2,661.02 MW. The State has an estimated potential for power generation from non-conventional source/renewable sources up to 1,715 MW*. As on date the Kerala State Electricity Board (KSEB) is utilising only 362.89 MU of energy from non-conventional energy sources which works out to only 2.28 *per cent* of the energy distributed (15,890 MU) by KSEB. Government established in January 1986 an Agency for Non-conventional Energy and Rural Technology (ANERT) to promote non-conventional sources of energy in the State and formulated a Renewable Energy Policy in 2002.

* Source: Economic Review 2006 published by the State Planning Board, Government of Kerala

The Electricity Act, 2003 recognised the role of Renewable Energy in the Power Sector and provided an overall framework for preferential tariffs and quota for Renewables. The National Tariff Policy, 2006 encouraged use of energy from Renewable Sources by requiring State Regulatory Commissions to fix a minimum percentage for purchase of power from such alternative sources of energy. Substantial funding for generation of electricity from renewable sources is provided by Ministry of New and Renewable Energy, GOI and the other related institutions under its jurisdiction.

3.3.2 Organisational set up

The Department of Power is vested with the responsibility for development of Non-conventional Energy Sources. ANERT functions as the State Nodal Agency (SNA) of Ministry of New and Renewable Energy, GOI for coordinating all activities relating to Renewable Energy Development and implementing their schemes. It also acts as the main agency of State Government on matters related to non-conventional energy sources, etc.

Small Hydro Project Cell at Energy Management Centre (EMC) is responsible for allotment of Small Hydro Projects (SHPs) up to 25 MW to developers on behalf of the State Government. Kerala State Electricity Board (KSEB) implements Small Hydro Projects of its own. Agriculture Department of the State Government implements National Biogas and Manure Management Programme (NBMMP) of MNRE.

An organisation chart of the agencies for renewable sources of energy in the State is given in **Appendix XXXII**.

3.3.3 Audit objectives

The objectives of the Performance Audit were to ascertain whether:

- Programmes/projects formulated were in accordance with the guidelines on Renewable Energy Policy of the State Government and MNRE of GOI,
- Adequate funds for the programme/projects were provided by State and Central Governments and were utilised economically and efficiently,
- Schemes were implemented in a cost-effective and time-bound manner,
- Meaningful research and development activities had been undertaken and the findings were disseminated to facilitate quality improvement in the development of non-conventional sources of energy,
- Internal control mechanism was adequate and effective.

3.3.4 Audit criteria

- Renewable Energy Policy of the State Government
- Budget provision and Annual Action Plans
- Guidelines issued by State and Central Governments for various programmes/projects and the conditions for release of Central assistance

- Rules and regulations regarding the functioning of ANERT and the decisions of its Governing Body and Executive Committee

3.3.5 Scope and methodology of audit

A Performance Audit was conducted during March 2008 to June 2008 for 2003-08. Four[#] out of the 14 districts were selected for detailed audit. To ascertain the working of biogas plants under National Biogas and Manure Management Programme, two blocks under each of the selected districts were selected. Further two Krishi Bhavans[*] under each of the two blocks were also selected for audit examination. Simple Random Sampling Method was used for selection of districts, blocks and Krishi Bhavans.

A review on 'Working of Agency for Non-Conventional Energy and Rural Technology' was included in Paragraph 7.7 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997 (Civil). The Committee on Public Accounts (2001-04) observed that the performance of ANERT was far from satisfactory in many vital fields of Non-conventional Energy, Energy Conservation and Rural Technology. Government had not taken any specific action to comply with the recommendations of the Committee.

The audit methodology included scrutiny of records of Agriculture Department, ANERT, KSEB and EMC, issue of audit observations/comments, collection of data from all district offices through questionnaires and analyzing the data received from auditee.

An Entry Conference was held with the Secretary to Government (Power Department) in March 2008 in which top officials of ANERT, KSEB and Agriculture Department were also present. The audit methodology and audit objectives were discussed at the meeting. Audit findings and recommendations were discussed with the Secretary in the exit conference held in September 2008. Replies wherever applicable have been included.

Audit findings

3.3.6 Renewable Energy Policy

The State Government formulated a Renewable Energy Policy (REP) in 2002 for power generation from non-conventional energy sources. The policy is directed towards development, propagation and promotion of alternative sources for generation of renewable energy by providing administrative support and facilities to explore and implement projects. The main features of the policy are:

- Encourage power generation from municipal waste, agro waste, industrial waste, sewage and other biomass, small-hydel units, trapping solar energy by photo voltaic cells, wind, tide, waves, geothermal, etc.
- Establish ANERT as a single window clearing agency for all Renewable energy projects.

[#] Thiruvananthapuram, Kollam, Idukki and Palakkad
[*] Village/Panchayat level Agriculture Office.

- Treat Companies, Co-operatives, Non-Governmental Organisations, Individuals, etc., that generate power from non-conventional sources as eligible producers and for selling power to KSEB.
- Ensure that KSEB was permitting electricity produced by eligible producers to be banked and distributed.
- Eligible producers intending to sell power to KSEB/to wheel/to bank will enter into a Power Purchase Agreement (PPA) for a minimum period of five years.
- Making use of energy conservation devices like Fluorescent and Compact Fluorescent Lamps (CFL), solar water heating system, etc., mandatory in certain buildings.

No follow-up measures were taken by Government or ANERT to implement the policy

Scrutiny revealed that neither State Government nor the Nodal Agency or other Agencies involved had formulated programmes or taken follow-up measures to implement the policy. Some of the deficiencies in implementation of the policy noticed during audit are given below:

Kerala Building Rules were not amended for installation of solar water heating system in the lodges/hotels/ hospitals

The REP provided for mandatory installation of Solar Water Heating Systems in all lodges and hotels having 10 or more rooms and in hospitals with 20 beds or more. The State Government had, however, not taken any action to make necessary amendments to the Kerala Building Rules to enforce the policy.

No wind energy project was cleared till June 2007

The Policy guidelines for the development of wind power through private developers issued by the State Government in November 2004, more than two years after issue of REP, was not implemented by ANERT due to cumbersome procedures envisaged in the guidelines for setting up wind mills/wind farms. Consequently, clearances for wind mill projects could be given only from June 2007 onwards, after the Wind Power Policy was modified by Government in May 2007. Thus no wind energy project could be cleared for over five years due to the abnormal delay in issuing guidelines/policy formulation thus hampering development of power from this alternative source.

Thus, the REP was issued with the intention of encouraging private investment to tap energy from renewable sources, promote renewable energy technology, research areas and their application in the field. However, all this failed to make any significant impact due to lethargic attitude of the Agencies involved and apparent inertia at Government level to take follow-up action.

3.3.7 Financial management

3.3.7.1 Budget Provision and expenditure

National Biogas and Manure Management Programme (NBMMP)

For implementation of the centrally assisted NBMMP, a target for each year is fixed by Ministry of New and Renewable Energy. Fifty *per cent* of Central Financial Assistance (CFA) is released as advance to the State. The balance is to be released on receipt of claims from the Agriculture Department. The programme envisaged payment of subsidy of Rs 3,500 to beneficiaries for installing bio gas plant on turnkey basis and Rs 700 as job fee for the licensed workers for doing the installation job.

The physical target and achievements, budget provision made by State Government and expenditure thereon for NBMMP are given below:

Table 1: Physical target/achievement and provision/expenditure of NBMMP

Year	Physical (Numbers)		Financial (Rs. in crore)	
	Target	Achievement	Budget Provision	Expenditure*
2003-04	2,500	2,357	1.00	0.85
2004-05	2,500	2,318	1.00	1.06
2005-06	1,303♦	1,381	1.00	0.80
2006-07	4,500	4,214	1.00	1.06
2007-08	4,500	2,273#	1.00	1.17
Total	**15,303**	**12,543**	**5.00**	**4.94**

Scrutiny revealed that:

Subsidy of Rs 1.60 crore was not paid to the beneficiaries due to non-receipt of Central assistance

- MNRE increased the annual target of biogas plants to 4500 from 2006-07 onwards. Though the Director of Agriculture had sent proposals for additional funds during 2006-07 and 2007-08, the State Government did not provide additional funds in the budget corresponding to the enhanced number of plants. They provided only Rupees one crore as in previous years. As a result, subsidy of Rs 92.99 lakh for 2214 biogas plants was in arrears during 2006-07.
- During 2007-08, subsidy of Rs 67.07 lakh for 1,597 biogas plants constructed had not been paid as no Central assistance was received.

Delay in reimbursement of CFA due to delay in submission of claim

- Agriculture Department had to submit the claim$ for settlement of the amount to GOI in the prescribed format along with consolidated utilisation certificate and audited statement of expenditure by 30 September of the succeeding year. There were delays of 16 months in submission of claim for 2004-05 and 12 months for 2005-06. Claim for 2006-07 due in September 2007 has not been submitted so far (October 2008) even after a lapse of thirteen months. Delay in submission of claims had resulted in delay in getting balance amount of CFA.
- Rupees 5.33 lakh relating to 2005-06 had not been released so far due to non-furnishing of audit certificate.

Other Programmes

The Plan Provision made by ANERT along with expenditure incurred during 2003-08 are as follows:

* Departmental figures for 2003-04: Rs 86.72 lakh; 2005-06: Rs 93.78 lakh; 2006-07: Rs.87.39 lakh have not been reconciled.

♦ Original target was 2000

\# Provisional – final figures are awaited from the department

$ Include subsidy of Rs 3500 and Rs 700 to the job worker

Table 2: Provision and expenditure of ANERT

(Rupees in crore)

Year	Programme	Plan allotment		Plan Funds received		Total	Plan expenditure	Percentage of Plan expenditure to Plan provision
		ANERT	State	State	Central			
2003-04	ANERT	42.56	6.50	2.98	0.64	3.62	0.79	17
	IREP♦		3.50	Nil	0.82	0.82	6.49$	
2004-05	ANERT	40.05	6.00	3.00	0.19	3.19	0.85	06
	IREP		4.00	1.00	1.42#	2.42	1.38	
2005-06	ANERT	36.55	5.00	1.00	0.32	1.32	2.45$	10
	IREP		5.00	2.00	Nil	2.00	1.35	
2006-07	ANERT	46.67	8.00	2.00	0.13	2.13	1.45	09
	IREP		2.00	Nil	Nil	Nil	2.80$	
2007-08	ANERT	33.38	7.00	3.50	0.50	4.00	2.18@	11
	IREP		3.00	1.50	Nil	1.50	1.63@	
Total	ANERT	**199.21**	**32.50**	**12.48**	**1.78**	**14.26**	**7.72**	
	IREP		**17.50**	**4.50**	**2.24**	**6.74**	**13.65**	

It was seen in audit that:

- During the five year period 2003-08, the yearly Plan expenditure of ANERT was in the range of 6 *per cent* to 17 *per cent* of the budget allotment.
- Kerala Budget Manual stipulates that amount required for actual expenditure during the year should only be provided in the State budget. Though CFA was released directly to ANERT by GOI the State Government wrongly provided the Central share also in their budget. This was violative of the provisions in the Kerala Budget Manual.

ANERT spent only (54 *per cent*) Rs 7.72 crore out of Rs 14.26 crore received during 2003-08

- Against Rs 14.26 crore received during 2003-08 for implementation of ANERT programmes, the expenditure was only Rs 7.72 crore (54 *per cent*). During 2003-04 and 2004-05, only 22 *per cent* and 27 *per cent* of the funds received could be spent. The Director, ANERT attributed the poor performance of the organisation to drastic changes in the top administrative management level as a result of which all programme management set ups like Research Advisory Committee, Internal Technical Teams, etc., were either disbanded or disabled.
- CFA had been declining since 2003-04 as there were no active internal technical teams in ANERT to prepare and submit proposals for CFA or to take follow up action on schemes sanctioned by MNRE.

3.3.7.2 Delay in finalising ANERT budget

Rules and Regulations of ANERT provide that the Executive Committee should frame a budget of the estimated receipt and expenditure not later than February of preceding year along with the Annual Report for the previous year and place it before the Governing Body at its annual meeting, preferably in March of that year for consideration and approval. Substantial delays ranging

* Relating to plan assistance to ANERT

♦ Integrated Rural Energy Programme

$ Excess expenditure over total receipts was met from huge spill over project fund balance with ANERT

\# Relates to 2003-04, the amount received by State in 2003-04 was transferred to ANERT in 2004-05

@ Denotes provisional figure

from four to eleven months were noticed in finalising the budget for the years 2004-05, 2006-07 and 2007-08 *vide* **Appendix XXXIII**. The delays in finalisation of budget contributed to tardy pace of implementation of projects. No reasons for delay in preparation of budget were on record.

3.3.7.3 Failure to claim balance CFA

CFA of Rs 4.18 crore claimed in March 2003 was not received so far as no follow up action was taken by ANERT

Under Solar Village Electrification Programme, MNRE sanctioned (January 2002) Rs 8.61 crore for installation of 13,438 Solar Home Lighting System and 865 Solar Street Lighting System in 173 colonies and released Rs 4.43 crore as advance. In March 2003, ANERT forwarded the Statement of Expenditure along with Utilisation Certificate (UC) to MNRE for claiming the balance CFA. No follow up action was, however, taken by ANERT after sending UC. Certain details sought for by MNRE in June 2006 were supplied by ANERT in February/March 2007. As a result, balance of Rs 4.18 crore had not been received up to September 2008. ANERT admitted (May 2008) the administrative lapse.

Due to lack of timely response to the Ministry's observations, ANERT did not receive Rs 1.43 crore

IREP in the State was implemented with the assistance of MNRE with the object of promoting various activities in rural areas for ensuring the energy security by enhanced utilisation of Renewable Energy Sources and the revised guidelines were issued by MNRE in July 2003. Under the programme, MNRE sanctioned (January 2004) CFA of Rs 2.85 crore with the condition that the State Government should spend an equal amount for the scheme and released Rs 1.42 crore as first instalment of CFA. ANERT spent Rs 2.07 crore for implementation of IREP during 2003-06. Of these, the State share was only Rs 0.65 crore. Though ANERT submitted the documents for settlement of accounts of IREP 2003-04 in August 2006 MNRE did not accept the documents submitted by ANERT as they were deficient/incomplete in many respects. As ANERT did not respond to the clarifications sought for by MNRE in October 2006, further second instalment of Rs 1.43 crore had not been reimbursed by MNRE as of September 2008. Thus lack of timely and adequate response to the Ministry's observations derailed the IREP programme in the State and no CFA was released from 2005-06 onwards.

3.3.7.4 Unutilised project funds and non-maintenance of project-wise accounts

The State Government provided funds to ANERT through their budget for implementation of Plan schemes/projects including IREP. This amount was drawn by ANERT and deposited in Treasury Public Account of District Treasury, Thiruvananthapuram. Expenditure on Plan schemes of ANERT was to be met from the funds available in the Treasury Public Account. The CFA for specific projects and IREP received directly from MNRE were deposited in State Bank of Travancore, Pattom.

Audit scrutiny revealed that unspent balance during 2003-04 to 2006-07 ranged between Rs 18.65 crore and Rs 21.98 crore. Despite having a sufficient unspent balance of project fund of Rs 15.73 crore as on 1 April 2007, ANERT received State Plan funds totalling Rupees five crore during 2007-08. The unspent balance amount increased to Rs 22.67 crore including interest of Rs 1.93 crore as on 31 March 2008. Therefore, release of Rupees five crore appear to be unnecessary as ANERT had sufficient funds available which it was not able to spend on project available with it.

ANERT had not maintained programme/scheme/project-wise accounts of the programmes conducted by them. In the absence of project-wise accounts details, receipt, expenditure and balance under each programme/scheme/ project could not be ascertained and diversion or misutilisation of funds provided for specific projects could not be ruled out. ANERT did not give specific reasons for this grave lapse.

The inability of ANERT to spend the funds available with it for the targeted projects indicated inadequate planning and budget monitoring. Though the underperformance was persistent and was disrupting the stated objectives of developing and promoting non-conventional sources of energy, Government did not take any corrective measures.

3.3.8 Implementation of projects

While the Agriculture Department was the State Nodal Department for implementing National Biogas and Manure Management Programme (NBMMP), ANERT was the main Government agency for developing and implementing various programmes in Non-conventional energy sector. The major programmes undertaken by ANERT during 2003-08 were Wind Energy Programme, Remote Village Electrification Programme, Biomass programme, Solar Photovoltaic Energy Programme, Biogas Programme, Rural Technology Programme, Information and Publicity and IREP. Implementation of Small Hydro Projects was undertaken by KSEB and Small Hydro Promotion Cell at EMC.

3.3.8.1 National Biogas and Manure Management Programme

National Biogas and Manure Management Programme (NBMMP), a 100 *per cent* Centrally Sponsored Programme is intended to provide fuel for cooking purpose and organic manure to rural households through family type of biogas plants. Against the target of 15,303 biogas plants during 2003-08, the achievement was 12,543 (82 *per cent*). Deficiencies noticed in the implementation of NBMMP in the offices test checked are given below:

- Coverage of SC/ST under the programme was far below the prescribed percentage of 25 (SC: 15; ST: 10) stipulated in the NBMMP guidelines. Physical verification of installation of biogas plants conducted by Audit in 16 Krishi Bhavans revealed that out of 224 biogas plants installed during 2003-08, only one SC beneficiary was covered under the programme. The Department attributed the non-coverage to weak financial position of SC/ST beneficiaries.
- Guidelines stipulated maintenance of permanent registers of beneficiaries at the District and State levels for inspection by the officers of MNRE and for audit verification purpose. However, it was noticed that the Principal Agricultural Officers of two* districts out of four districts test checked, and the Additional Director (Biogas) had not maintained the registers. In the absence of permanent register the

* Thiruvananthapuram and Kollam

Department could not ensure that the same beneficiary received assistance from other identical sources/identical schemes.

- Though the guidelines of NBMMP stipulates that the Department should select at least two villages each month for determining the status of biogas plants already set up in these villages and send reports thereto in quarterly progress reports, no such verification was done by the department.
- In Krishi Bhavans under Principal Agricultural Offices of Thiruvananthapuram, Kollam and Palakkad, no photographs of the beneficiaries with the completed Biogas Plant along with the subsidy disbursement records were kept, as stipulated in the guidelines.
- Serialised code for District/Block was not inscribed on the plants installed in the Krishi Bhavans in three out of four districts test checked.

The Director of Agriculture stated (September 2008) that instructions had been issued to Principal Agricultural Officers to rectify the deficiencies pointed out by Audit.

3.3.8.2 Wind Energy Programme

Low tapping of available energy sources -The total installed capacity of wind power in India, Kerala and some of the neighbouring states as of March 2002 and March 2008 were as below.

Table 3: Installed capacity of wind power

Name of state	Installed capacity (MW)		Percentage of progress
	March 2002	March 2008	
Karnataka	69.3	917.2	1,224
Tamil Nadu	877.0	3,711.6	323
Andhra Pradesh	93.2	122.5	31
Kerala	2.0	2.0	0
All India	16,66.8	78,44.5	371

Source: Annual Report 2007-08 of MNRE

While substantial progress was made during 2002-08 in tapping wind power at the All India level specially in neighbouring states, Kerala's installed capacity for wind power largely remained stagnant. No progress was made in the establishment of a demonstration wind farm of 4 MW capacity taken up by ANERT and KSEB in January 2006. Rupees two crore given to KSEB by ANERT in January 2006 has become an idle investment.

Survey identified (1996) 16 locations that were suitable for establishing wind-electricity generation farms with a total potential of 605 MW of power. During 2004-07 though ANERT received applications for technical approval of 192 wind energy generators (capacity: 118.2 MW), however, none of the generators were approved by ANERT (June 2007) due to delay in framing revised guidelines for development of wind power. After issue of revised guidelines, ANERT received applications for 53 generators (capacity: 34.8 MW) and cleared all the applications. As of June 2008, 29 generators of capacity 19.5 MW had been installed. Installation of remaining generators is in progress.

3.3.8.3 *Remote Village Electrification Programme*

Remote Village Electrification Programme (RVEP) of MNRE was aimed at providing basic lighting/electricity facilities through Renewable energy sources to unelectrified remote villages and unelectrified hamlets of electrified villages where grid connectivity was either not feasible or cost effective. The programme envisaged installation of Solar Home Lighting System (SHLS) and Solar Street Lighting System (SSLS).

ANERT did not receive Central assistance of Rs 8.31 crore due to non-submission of proposals as per MNRE guidelines

During January 2005, ANERT identified 9368 households in 115 colonies in 6 districts of the State for electrification under RVEP. The total cost to install 9368 SHLS (with devices having two year guarantee) was Rs 9.23 crore. The share of Central and State was Rs 8.31 crore (90 *per cent*) and Rs 92.27 lakh (10 *per cent*) respectively. The Rural Electrification Corporation (REC) had to issue a certificate to the effect that the villages/hamlets proposed to be covered were in remote area. But this was not obtained by ANERT till February 2007 as KSEB had not given assurance to REC regarding the feasibility of grid connection, cost effectiveness, etc. Though MNRE had repeatedly written to ANERT to finalise the list of colonies proposed to be covered, ANERT did not give any satisfactory reply because of non-receipt of the requisite certificate from REC. Finally in February 2007, ANERT dropped the scheme.

As a result of non-implementation of the programme, the inhabitants of the 115 targeted colonies were denied electricity facilities though GOI had agreed to finance 90 *per cent* of the cost (Rs 8.31 crore) of the project.

3.3.8.4 *Bio-energy Programme*

Bio-energy programmes are relevant to the State as this renewable energy source is suitable to address both the electrical and thermal energy needs in various sectors like domestic, community, commercial, industrial, etc., and a specific solution for the biodegradable waste management problem. The capacity requirement of Biogas Plants is in the range 15 cubic metre per day to 35 cubic metre. ANERT was to provide subsidy to Institutions at Rs 3,000 per cubic metre for Biogas-Thermal and at Rs 4,000 per cubic metre for Biogas-Electrical during 2004-05 and 2005-06 and Rs 5,000 per cubic metre for Biogas-Electrical from 2006-07 onwards. For District/Taluk Hospitals the plants were to be installed free of cost. Details of target and achievement during 2004-07 were as follows:

Table 4: Target and achievement of bio-energy programme

Year	Bio-energy Programme	Target (in cubic metre)	Achievement (in cubic metre)
2004-05	Biogas – Thermal	300	75
	Biogas – Electrical	100	-
2005-06	Biogas – Thermal	1,000	190
	Biogas – Electrical	250	-
2006-07	Biogas – Thermal	645	345
	Biogas – Electrical	105	65
	Biogas – Thermal (District/ Taluk Hospital)	300	210
	Biogas – Electrical (LSGIs)	300	-

Total expenditure on the programme during 2004-07 was Rs 99 lakh. During 2007-08 no project was taken up by ANERT as the programme was linked with Total Energy Security Mission (TESM). ANERT attributed the shortfall in achievement during 2006-07 to withdrawal of applicants due to their financial limitations. ANERT was required to formulate acceptable schemes to popularise the bio-energy programme in the State.

3.3.8.5 Small Hydro Projects

Hydro projects up to 25 MW station capacity have been categorised* as Small Hydro Projects (SHPs). According to EMC the total Small Hydro potential of the State was estimated as 500 MW. The State has made little progress in tapping Small Hydro Potential. Up to March 2008, 11 SHPs with an installed capacity 322.75 MU had been installed in the State. Of these, nine SHPs (207.75 MU) were owned by KSEB and two by private agencies (115 MU). The capacity addition by KSEB during 2003-08 was only 109.85 MU from five SHPs.

In January 2003, the State Government constituted a Small Hydro Promotion Cell within Energy Management Centre under the direct control of Power Department for development of SHP. The cell was entrusted (February 2003) with 61 SHP Schemes (installed capacity 161 MW) identified by KSEB for implementation. Till April 2008, EMC had allotted only 11 projects (capacity 43.75 MW) to private developers through competitive bidding between 2004 and 2006 after levying an upfront fee$ of Rs 75.65 lakh. None of the developers have started power generation. Though EMC tendered the remaining schemes for allotment, the developers did not show any interest due to environmental and rehabilitation issues particularly the difficulty in acquiring forest land.

3.3.9 Working of Research and Development Wing

ANERT has an in-house Research and Development (R&D) wing in its headquarters at Thiruvananthapuram. Out of sanctioned posts of 11 Scientists only four Scientists were working in ANERT. Of these, only one Scientist was actually engaged in R&D wing doing one small project on 'LED based Solar Lighting Unit'. Of the remaining three Scientists one was working at Headquarters for providing clearance for wind mills related project, one was working in Alappuzha district for implementation of IREP and the other in Renewable Energy and Rural Technology Centre, Palakkad. During 2004-07, out of Rs 7.45 crore provided for R&D activities, only Rs 3.33 lakh was actually spent. ANERT stated that most of the Scientists left the firm due to lack of promotional avenues, encouragement and motivation, etc., in the work place.

3.3.10 Internal control

Deficiency in internal control system

The main objective of the internal control system is to gear up the supervisory controls and management systems in the organisation so as to insulate it from financial irregularities, frauds and also to have a proper control over implementation of various programmes. ANERT is the main organisation in development and promotion of Non-conventional energy in the State,

* As per definition of Renewable Energy given in Renewable Energy Policy 2002.

$ Premium per MW quoted by the bidders and payable to the State Government therefore, the deficiency in its internal control systems adversely affected the implementation of various programmes.

- As per Rules of ANERT, the Governing Body was to meet at least once in six months and its Annual General Meeting was to be held within six months of the closure of the financial year to consider the Annual Report and audited accounts of the preceding year. The periodicity of the Governing Body meeting was not adhered to. The time gap between second and third meeting was 14 months and that between fourth and fifth was 17 months.
- Control and functioning of ANERT was affected due to organisational problems like frequent changes at top level, shortage of personnel at middle level management resulting in delays in decision making, total lack of direction and monitoring, etc. Continuity of the functioning of office and accountability thereon were also affected due to employment of personnel on deputation basis, contract basis, daily wages, etc.
- The Internal Audit wing at ANERT was not effective as no Internal Audit Manual to streamline the functioning of internal audit and no periodicity of audit, audit plan, etc., were prescribed.
- There was no proper watch over adjustments of advances paid to Programme Implementation Officers and staff. Advance of Rs 94.03 lakh relating to 2006-08 was pending settlement as of September 2008.
- Large quantities of serviceable/unserviceable articles (valued: Rs 68.58 lakh) were held in stock[#] without disposal. Annual verification of stock has not been conducted from 2005-06 onwards.

3.3.11 Conclusion

Though Kerala has a huge identified renewable energy potential, it remained practically untapped. The Renewable Energy Policy issued by the State Government in 2002 to give a boost to power from renewable sources did not produce any significant impact as the agencies involved did not take necessary follow up action to implement the Policy. Due to internal systemic deficiencies, ANERT could not utilise the funds available under various schemes resulting in accumulation of huge unspent funds. Implementation of most of the schemes was tardy and as a result power generation from various renewable sources remained practically stagnant. No projects of GOI were taken up for implementation by ANERT during 2004-08 due to non-preparation and submission of proposals for CFA. Failure to submit timely proposals for electrification of 115 colonies in six districts under Remote Village Electrification Programme in accordance with the MNRE Guidelines resulted in loss of CFA of Rs.8.31 crore. The achievement of implementation of Biogas Plants by ANERT under Bio-energy programme was poor during 2003-07. The Research Wing was practically non-functional due to non-availability of Scientists for research work. Absence of effective internal control system in ANERT affected all the activities of the organisation.

[#] Source: Annual Accounts of ANERT for 2004-05 certified by Chartered Accountants

3.3.12 Recommendations

- Government may consider revising the policy in the light of current developments in the sector, specifying the various concessions and incentives available and defining the roles of various agencies involved.
- Assistance to ANERT from State Government to be regulated in accordance with the actual requirements.
- Government should take early action to rectify the administrative weaknesses and the systemic deficiencies in ANERT and identify reasons for dismal performance in the development and promotion of energy from Renewable sources.
- A monitoring system at the Government level may be established to coordinate the activities of various agencies involved.
- ANERT should provide greater importance and thrust to Research activities.
- An efficient and effective Internal Control Mechanism needs to be established in ANERT and the Internal Audit Wing strengthened for better performance in future.

Government accepted all the recommendations during the exit conference and promised to take early action to implement them.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

REVENUE DEPARTMENT

3.4 IT Audit of Computerisation of Survey and Land Records in Land Revenue Department

Highlights

The Project 'Computerisation of Land Records' started in 1991 as a cent per cent Centrally Sponsored Scheme is in data entry stage even after 17 years. The primary objective of the scheme, 'Issue of computerised Record of Rights' could not be achieved as necessary amendments to Acts and Rules were not made. The hardware purchased exclusively for Taluk offices at Rs 3.58 crore were lying idle for more than three years due to non-commencement of on-line operations and expenditure of Rs 1.55 crore incurred for digitising survey maps became wasteful as no adequate care was taken while assessing the technical requirement. Some of the other important points are indicated below:

➢ **Computerised certificates were being issued with unvalidated data.**

(Paragraph 3.4.3.4)

➢ **Thirty years would be required to complete the resurvey work, if the progress of resurvey continues at the current pace.**

(Paragraph 3.4.3.6)

➢ **Digitisation of Field Measurement Book has been completed only in 66 out of 1,453 villages even after 10 years.**

(Paragraph 3.4.3.7)

> **Breach of IT security by way of unauthorised access to the backend data and sharing of user name and password.**

(Paragraph 3.4.3.15)

> **Lack of input controls leading to duplicate *Thandaper* (title holder) numbers and multiple numbers for the same person resulting in generation of wrong reports.**

(Paragraph 3.4.3.17)

3.4.1 Introduction

3.4.1.1 The Project

Digitisation of land records - Basic Tax Records (BTR) - commenced in Kerala (1990-91) as a 100 *per cent* Centrally Sponsored Scheme (CSS), which was an extension of the pilot project implemented by GOI in 1988-89 in eight districts of eight States. The scheme was in fact coupled with another CSS[1] in existence from 1987-88. The first phase ended by 1997. After a gap of six years, another 100 *per cent* CSS to digitize *Thandaper* (Title holder number) began in 2003. Simultaneously, an e-Governance programme (May 2003) under Ministry of Communications and Information Technology (MCIT) selected Kottayam as a pilot district for replicating Land Record System on the lines of *Bhoomi* Project of Karnataka. This project functioned as a continuation of the first phase of computerisation, i.e., computerisation of BTR.

3.4.1.2 Organisational set-up

Revenue Department, responsible for upkeep of land records and collection of tax, is headed by the Principal Secretary (Revenue). The Commissioner of Land Revenue, Secretary, Land Board and the Director of Survey and Land Records are responsible for the implementation of the scheme in the respective areas. There are 14 Revenue Districts headed by District Collectors. There are 63 Taluk Offices headed by Tahsildars and 1453 Village Offices headed by Village Officers in the State. No Monitoring Committee was set up in connection with the Land Records computerisation project.

3.4.1.3 Objectives of computerisation

The objectives of computerisation were to facilitate easy maintenance and updating of land records, enable comprehensive monitoring, ensuring that the records are tamper proof, reduce litigation and disputes, provide a management information system to assist various developmental programmes, help in infrastructure development planning and provide information for agricultural census. Among other things, the MCIT project had the primary objective of providing a Record of Rights (RoR) to land owners.

3.4.1.4 The System

Computerised land records management system was envisaged to maintain the land revenue database including digitised survey maps from which all the registers maintained could be generated. For the period up to 1997, the

[1] Strengthening of Revenue Administration & Updating of Land Records (SRA&ULR), a 50 *per cent* CSS concentrating on infrastructure building in Revenue department and modernising of the Survey department

application software used to capture BTR was developed in FoxBASE on a Unix platform. In 2003, the *BHOOMI* package developed by NIC for Karnataka was customised and named EMERALD for pilot implementation in Kottayam District. The same package was also used to capture *Thandaper* details. In Kottayam, all village offices could be provided with computers utilising funds from various sources and hence data entry was done at village offices. But in other districts, computers could not be provided to all village offices and instead taluk offices were provided with computer infrastructure. Records belonging to village offices were brought to taluk offices for data entry. In Kottayam the package worked as a standalone version for each village, but in other districts it was to work as an integrated database (network located at taluk office with a server and 10 terminals) catering to data entry of all village offices coming under each taluk. This necessitated modification to the application package. Therefore for the roll out of pilot implementation to other districts by 2005 EMERALD was modified to another version by name BHOOREKHA.

Records of Revenue department are dependant on the resurvey conducted by Survey department. NIC, therefore, developed map drawing package (using PostgreSQL relational database with Java) by name COLLABLAND for Field Measurement Book (FMB) Map Plotting[2]. The software has facility to enter ladder data[3], subdivision point data[4], boundary and adjacency data[5], drawing of plot maps, assessing of Global Position System (GPS) co-ordinates and computation of line length. NIC also developed IDEALS (Visual Basic with SQL Server/MSDE) for capturing textual data relating to ownership of land. Both these packages were put to use by Survey department since June 2005.

3.4.1.5 Financial Status

Out of Rs 12.61 crore released for the computerisation project, Rs 10.78 crore (i.e. Rs 8.74 crore by the District Collectors; Rs 1.56 crore by the Director of Survey and Land Records and Rs 48.09 lakh for training) has been utilised up to 2007-08. In addition Rs 1.40 crore under e-Governance project was also released for setting up of computer centres in taluk offices.

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[2] COLLABLAND is a software to draw maps using the co-ordinate values (derived from resurveying with the help of GPS and Electronic Total Stations), which are available in the Field Measurement Books. The map data stored in volumes correspond to Field Measurement Books.

[3] Ladder data is a component of Field Measurement Book. Field line points in a map are defined with reference to an offset distance from the G-Line. The offset distance may be to the left or right side of the G-Line. This left or right angle deviation (offset) is depicted by Ladder. By converting the ladder details into electronic data, one can produce the outline of the FMB sketch. [G-Line is an imaginary line which converts the map into various sizes of triangles in order to accurately fix the boundary lines and the various points in the map. This line is the foundation on which the entire map is built.]

[4] Subdivision lines demarcate a small parcel of land within a survey number. Subdivision lines are defined through a ladder. The data required (offset distance figures) to draw a subdivision line is subdivision point data.

[5] Each survey number is divided into several sub divisions. Each sub division is owned by a land owner. The dimensions of each boundary of a subdivision are subdivision data. The dimensions of adjacent plots are adjacency data.

3.4.2 Audit Objective, Scope and Methodology

Computerisation of Land Records (CLR) started in 1991 and Government invested Rs 12.61 crore on this project. The Project is officially declared complete only in one out of fourteen districts. Audit objective was to evaluate the process of implementation of the project, causes of delay together with the extent of achievement of objectives in the district where the project was implemented. Audit also evaluated the system to see whether the required controls were in place to ensure the intended results.

Audit covered 10 out of 95 villages and four Taluks in Kottayam District where MCIT[6] scheme was implemented. Three other districts[7] were also covered. Audit was conducted from April to August 2008.

3.4.3 Audit Findings

3.4.3.1 Implementation of the project

Project in data entry stage even after 17 years

Though the Computerisation of Land Records project commenced in 1991-92, it is still in data entry stage except in one district. The main reasons attributed to the delay were the delay in completion of resurvey, lack of trained man-power and absence of monitoring cell at the State level. Though GOI issued (1999) revised guidelines for procurement of hardware, computers for the purpose were procured only during 2002-03.

3.4.3.2 Acts and Rules to generate documents through the system

Primary objective of computerisation could not be achieved for want of amendments to Acts and Rules

Issue of Record of Rights, the primary objective of computerisation, could not be accomplished for want of necessary amendments to Acts and Rules. Even though some activities including *Pokku Varavu* (PV – transfer of rights) are done through the system, receipts for money are issued manually. These facilities are provided in the software, but could not be put to use pending legislation required for the purpose.

3.4.3.3 Digitisation of Basic Tax Records

Delay in data entry due to errors in NIC software

There are approximately a total of 1.06 crore basic tax records in the State. Initially the data entry was done in UNIX platform (up to 30 November 2004). Later the platform was changed to Windows. Percentage of completion of data entry of land records varies from 40.03 *per cent* to 100 *per cent* in various districts with an average of 82.54 *per cent* (up to 31 August 2007). Delay in recapture of data consequent on data loss which occurred during porting of legacy data and the delay in rectification of errors in NIC software (2006) lagged the digitisation of BTR.

3.4.3.4 Validation of data entry

Certificates were being issued with unvalidated data

Data entry of legacy data was done by *Kudumbasree* (an NGO). This data was not validated although formally accepted by the department. The village offices in Kottayam district started issuing various certificates using unvalidated data. However, issue of wrong certificates may lead to legal complications.

[6] Ministry of Communication and Information Technology, GOI: Bhoomi project of Karnataka was replicated.

[7] Thiruvananthapuram, Pathanamthitta and Malappuram

3.4.3.5 Status of computer hardware and printers

Hardware and software purchased for Rs 3.58 crore could not be put to effective use during the last four years

As a part of computerisation of land records one server, three PCs, laser printers, scanners and software like SQL Server were provided in 63 Taluks at a cost of Rs 2.38 crore (March 2003). Two PCs and one touch-screen kiosk were additionally provided to Taluks at a cost of Rs 1.20 crore. But hardware and software could not be put to effective use during the last four years due to delay in completion of data entry and validation. The warranty period for the hardware was already over and by the time the data entry is complete the hardware may become obsolete.

3.4.3.6 Completion of re-survey

It would take 30 more years for completion of resurvey at its current pace

Delay in completion of re-survey has adversely affected the implementation of CLR project as Basic Tax Records are the outcome of resurvey. Out of the total geographical area of 38,863 square kilometres (Sq km) in the State, department had planned to resurvey 32,510 Sq km. Of 32,510 Sq km required to be resurveyed, only 20,574 Sq km was completed (May 2008). The area resurveyed during the last five years was only 2007 Sq km, i.e., 401.4 Sq km per year. At this pace it would take 30 years to complete the remaining area of 11,936 Sq km.

Delay in completion of re-survey is attributed to diversion of staff for handing over of re-survey records to Revenue Administration and diversion of staff for survey adalats since 1988. Re-survey could be resumed only in 2002. Though the Survey Department has procured modern equipment such as ETS[8] (105 numbers), there was only marginal progress. A monthly target for survey using the ETS has not been prescribed and there is no managerial mechanism to monitor progress of completion of re-survey.

3.4.3.7 Digitisation of FMB

No time limit set for the completion of digitisation

Where re-survey has been done and survey maps exist, the same has to be updated to include all sub divisions made due to mutation and then digitised. Where re-survey is taken up afresh, it is to be done using ETS in which case data available is in digital format and can be used directly in the software.

A scrutiny of records revealed that there was no considerable progress in digitisation of FMB during the last 10 years. As per information available (November 2007) digitisation work was taken up only in 103 out of 1,453 villages of which only 66 villages have been completed. No time limit has been set for the completion of digitisation.

3.4.3.8 Expenditure amounting to Rs 1.55 crore incurred to digitize the survey details

Wasteful expenditure of Rs 1.55 crore due to improper planning

During the period from 1999-2000 to 2003-04 an amount of Rs 1.55 crore was paid to three agencies[9] for digitising the survey maps. These agencies used their own software to digitize the cadastral maps[10] and digitised data were

[8] Electronic Total Stations (ETS) are instruments used for land surveying and mapping. They are capable of measuring distances up to 3 KM.

[9] Rs 55,50,000 (M/s NIIT GIS Ltd); Rs 53,65,000 (M/s Visionlab) and Rs 45,36,850 (M/s Siemens)

[10] A cadastral map is a map showing the boundaries and ownership of land parcels.

handed over to the department in CDs. But, the digital data could not be ported to COLLABLAND, the software developed by NIC and the whole records had to be digitised again in a format compatible with COLLABLAND. This was because the department did not take adequate care while assessing the technical requirements of interfacing software. Thus, Rs 1.55 crore was rendered wasteful on this account.

3.4.3.9 Inconsistencies and discrepancies in the area of land captured in the system

In Kottayam District in 20 out of 95 village offices test checked, it was noticed that there existed difference between extent of land in manual records and database and the reasons as revealed by the staff during discussion were attributed to the following.

i) Survey adalat sanctioned more area in certain subdivisions in a survey number in settlement of complaints received from the parties without altering the corresponding area in other subdivisions. So the main BTR did not match with the total area of subdivisions.

ii) Some PV entries were entered in the computer as BTR entry causing duplicity in the total area of a survey subdivision number.

iii) In some cases supplementary BTR was entered without editing the area of main BTR causing errors in the area of that particular sub division number.

iv) Some errors also occurred in the manual calculation of existing BTR.

v) Duplication in Survey subdivisions and Sub Nos. due to incorrect data capture.

3.4.3.10 Insufficiencies in EMERALD/BHOOREKHA

Provision in software for monitoring revenue

BHOOREKHA has no provision to prepare DCB statement

Taluk/Village Offices are responsible for collection of basic land tax, plantation tax, irrigation tax, lease rent, tree value and fine. As the particulars of collection were stored in remarks (memo) field, the system cannot be used to prepare DCB statement forcing the department to depend on manual statements susceptible to human errors.

Provision to capture details of flats/multiplexes

No provision to enter details of flats/multiplexes into the database

There is no provision to enter transactions relating to PV for sale/transfer of flats/ multiplexes. As a result the electronic database created does not contain the *thandaper* details relating to these transactions.

Thandaper pakarpu

In the manual system the *thandaper pakarpu* (report of title, required to be furnished to taluk office periodically) contained all the PV transactions of each person. But the system generated report shows only the latest position of land, compelling the department to rely on manual reports.

3.4.3.11 Risk of issuing wrong certificates due to non-availability of centralised database

In the absence of network connectivity, instead of making available the centralised database available in the District Collectorate, standalone packages are installed in village offices. As the extent of land holdings of an individual in the whole district/taluk cannot be generated from the standalone system, information on solvency, income, land possession, etc., would not be complete. This may result in the risk of issuing wrong certificates.

3.4.3.12 Lack of trained man power due to lack of perspective planning for IT implementation

Transfer of trained staff adversely affected the implementation of the scheme

In 20 out of 95 village offices test checked in Kottayam, audit observed that by the time a staff member was adequately trained in the system he was replaced with an untrained staff, by transfer or promotion, who was not trained/skilled in the system. This adversely affected the pace of computerisation and day-to-day functions. This showed lack of commitment in implementation of the project.

3.4.3.13 Physical condition of premises keeping records/computers

Many village offices were housed in old tile-roofed buildings without ceiling, sufficient space and required protection. In the absence of racks/shelves to keep the registers/records, records were dumped on battery racks exposing it to the threat of fire. There were instances of theft of computers in Village offices in Kottayam district. The buildings were also not protected against lightning.

3.4.3.14 Logical Access Controls

Non-deactivation of past users

There is no provision in the software to disable a user on his shifting due to transfer/retirement etc. As a result many non-functional users were still active in the system in test checked village offices. This may result in the risk of unauthorised access to the system. At the same time anyone proficient in SQL Server can access the back end and delete the user. This may further result in deletion of important logs of users kept in the database.

Breach of IT security due to option to by-pass the bio metric login control

Fifteen village offices in Kottayam district were provided with biometric devices for capturing thump impressions for ensuring a fool-proof logical access control which worked at the Operating System Level. But it was seen that an option to by-pass the biometric login has also been provided in the system defeating the very purpose of the additional security provided.

3.4.3.15 Segregation of duties

Access to back end data

IT security risk due to non-restriction of unauthorised access to backend data

The basic stipulation of IT Security is that access to back end data should strictly be restricted to personnel with administrator role and all other users irrespective of their position should be given only access through front end in order to avoid chances of modification of data inadvertently or maliciously. However, it was observed in audit that IT Clerks entrusted with taluk level coordination were accessing the back end data. It was found that anyone who is conversant in SQL Server could access and manipulate the back end data as permission to access back end had not been restricted. This is a serious IT Security risk which may lead to unauthorised modification of data.

IT security risk due to sharing of user ids and passwords

IT security risk on account of sharing username and passwords

BHOOREKHA/EMERALD envisages three levels of access – administrative, supervisory and data entry level. But it was seen that users were not created as per the levels of access provided. In most of the village offices test checked, data entry and verification were done through the same login ID and password. Village Officer's user id and passwords were used by all the staff.

It was seen in Nattakom village that user names were entered as Village Officer, Village Man and Village Assistant. The passwords were shared by all the users. As there was staff at different levels with different delegation of powers in a village office it is important to use separate user ids and passwords by each user to ensure segregation of duties as per rules. Even though the Village Officer only is authorised to 'APPROVE' a PV as per the delegation of powers, a village man would also be able to 'APPROVE' the same as he was also logging in as a Village Officer.

Sharing of id by different users would result in unauthorised modification of data for which it would not be possible to fix responsibility at a later stage.

3.4.3.16 Business interrupted due to absence of Business Continuity Planning and Backup policy

Depending upon the criticality of the data and IT system and affordability of data loss, a suitable Business Continuity Plan and Back up policy have to be evolved in each organisation and circulated among users for compliance. In the event of a breakdown and data loss, in order to resume functioning of an IT System within an affordable time limit, back up of data should be available and a suitable Business Continuity Plan should be in place. But the Department did not have a documented Business Continuity Planning and Back up policy.

i) In most of the offices visited by the Audit team, it was seen that there was no fixed periodicity for taking a back up and when backups were taken it was stored in another drive of the same computer. Though it was stated that fortnightly backup was taken in CDs and sent to Taluk Offices and monthly backup was stored in NIC server at the District Collectorate this was not properly monitored. Data recovery testing was not done.

Village Office, Kumarakom had to re-enter the entire data after loss of data since there was no backup

ii) In village Office, Kumarakom the complete data was lost due to failure of the hard disc. There was no back up and the entire data was required to be re-entered from the original records. When the audit party visited the office the lost data was not completely re-captured (April 2008).

iii) In Chengalam village office in Kottayam Taluk the data transmission tower, two PCs and the UPS were damaged due to electrical surge in lightning two weeks before the audit party visited the office and were still to be restored (April 2008). Complete data was also lost. Proper functioning of the office was in jeopardy due to this failure.

3.4.3.17 Lack of input controls leading to duplicate Thandaper[#] numbers and multiple numbers for the same person

On a scrutiny of the pattadhar[*] list generated from the software, it was seen that multiple thandaper numbers were issued to the same person in a particular block in a village office. If a report on land holdings of a particular person is generated, all the land held by him will not be displayed as multiple thandapers were assigned to a land owner. This means that a certificate generated in respect of a particular person may not reflect a true picture regarding the land in his possession.

No field in database to uniquely identify pattadhars

In the manual system the thandaper numbers were allotted chronologically without any gap. As there were no input controls in place in the system in respect of the thandaper number field to ensure the sequence in number, the thandaper numbers in the system are in random order. Junk and meaningless characters were also seen in the database. In some cases it was seen that there were duplicate thandaper numbers, e.g., Village Office, Kumarakom. This is because of the fact that there is no field in the database to uniquely identify each pattadhar.

3.4.3.18 Budget allotments to the village offices

Inadequate budget allotment affecting the functioning in a computerised environment

In Kottayam district, all village offices were provided with computers and accessories under various schemes. Even in offices where one computer has been provided, a 3-KVA UPS, with higher capacity backup batteries had been supplied. The batteries connected to the UPSs are now more than three years old requiring replacement. The department had not earmarked funds required for the replacement of batteries. Similarly, consequent on the dependence of computers for official business the fund required for the consumables such as paper, cartridges, CDs, etc., also increased. Audit found that many village offices were not having funds for purchasing computer consumables. The Department did not provide sufficient funds to ensure uninterrupted functioning of offices.

3.4.4 Conclusion

A socially relevant IT Project could not be completed even after the lapse of 17 years since it was launched. This was mainly due to lack of planning and commitment at various levels in the Departments concerned. A Project monitoring committee was not formed for the proper monitoring and implementation. Completion of the Project depends mainly on the completion of the resurvey of land, digitisation of cadastral maps and connectivity between the concerned offices. There is no co-ordination among the departments involved viz., Revenue, Survey and Registration. Despite releasing Rs 12.61 crore for such a socially important e-governance project, the desired results are yet to be achieved.

3.4.5 Recommendations

- Monthly target should be fixed for the completion of resurvey and the progress should be monitored at State level so as to ensure a time bound completion.

[#] Title holder number. Different holdings of a person in a village will hold a single *thandaper*.
[*] Land owners

- Urgent steps should be taken to make legislations required to legalise the activities/documents generated in IT environment.
- A password/backup policy and a Business Continuity Plan should be formulated and circulated for compliance.
- All the highlighted issues should be addressed before replacing the existing two schemes (CLR and SRA&ULR) with the proposed National Land Records Modernisation Programme (NLRMP).

The above points were referred to Government in September 2008; reply has not been received (October 2008).

AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT

3.5 Veterinary Services and Livestock Development

3.5.1 Introduction

Livestock rearing is one of the important activities in the rural areas of the State providing supplemental income for most of the families dependant on agriculture and is the chief support for many landless families. The main species of livestock found are cattle*, buffalos, goat and pig. Eighty *per cent* of live stock farmers are small and marginal farmers and agricultural labourers.

At Government level Secretary, Animal Husbandry Department, is the controlling officer who is assisted by the Director. At District level, Joint Directors, Deputy Directors, Veterinary Surgeons are responsible for implementation of various schemes related to veterinary services and live stock development in the field.

A performance audit of the major activities# of Animal Husbandry Department, including schemes implemented by the Dairy Development Department revealed the following:

3.5.2 Funding

The budget provision and expenditure of the Department during the period 2003-08 were as follows:

Table 1: Budget provision and expenditure

(Rupees in crore)

Year	Revenue			Capital		
	Provision	Expenditure	Saving (percentage)	Provision	Expenditure	Saving (percentage)
2003-04	118.91	97.08	21.83 (18)	4.07	0.04	4.03 (99)
2004-05	128.91	109.34	19.57 (15)	2.48	0.23	2.25 (91)
2005-06	131.05	126.41	4.64 (4)	8.15	3.08	5.07 (62)
2006-07	150.45	129.83	20.62 (14)	22.05	5.24	16.81 (76)
2007-08	163.33	149.90	13.43 (8)	15.65	1.91	13.74 (88)
Total	**692.65$**	**612.56**	**80.09 (12)**	**52.40$**	**10.50**	**41.90 (80)**

* Cattle refer to cows and oxen

Except Special Livestock Breeding Programme which was included as Paragraph 3.7 in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007(Local Self Government Institutions).

$ Does not include funds received directly from Government of India

Eighty *per cent* of budgeted funds under capital section during 2003-08 remained unutilised

Eighty *per cent* of the provision made during 2003-08 under capital remained unutilised mainly because projects approved under Rural Infrastructure Development Fund like construction of building for veterinary college at Wayanad and Veterinary Health Care Institution had not been taken up due to non-receipt of administrative sanction from State Government.

The Department deposited Rs 90.40 lakh[#] with Public Works Department (December 2005 and March 2007) for construction of a building for District Veterinary Centre, Kollam and modernisation of clinical laboratory, Kannur. The construction had not yet started (July 2008).

3.5.3 Health Care facilities

3.5.3.1 Functioning of VHCIs

82 *per cent* of the cattle population was crossbred

As per 2003 Census 82 *per cent* of the cattle population was crossbred. This has increased the susceptibility of animals to various kinds of diseases. In order to ensure an effective health care and delivery system, the Animal Husbandry Department had 1,154 Veterinary Health Care Institutions (VHCIs) comprising dispensaries, hospitals, polyclinics and District Veterinary Centres. District Veterinary Centre (DVC) is the highest ranking institution in a district. In addition, there are nine Mobile Veterinary Hospitals and clinical laboratories attached to DVCs. The Department had not fixed norms relating to the minimum facilities to be provided to each category of establishment. Scrutiny in four[*] District Veterinary Centres and 12[$] Hospitals/Dispensaries in the selected districts revealed that:

DVCs were located in the heart of the cities/towns making it difficult for large animals

- X-ray facility was not provided to DVC, Thiruvananthapuram due to shortage of space. In DVC, Kannur X-ray machine purchased in 1999 at a cost of Rs 2.60 lakh had been kept idle for the last eight years as a Radiographer was not posted.
- DVCs were located in the heart of the city/town and traffic congestion often prevented farmers from bringing large animals to these centres. Thus the treatments in these centres were confined mainly to pet animals like dogs, cats and birds.
- Operation theatres of the DVCs were used mainly for small animals
- Large animals required attention at the farmer's premises. As such cases were not posted in the OP register, the data on this was not available.
- One veterinary dispensary at Kakkayangad in Kannur district did not have basic facilities like electricity, water and space for examining animals.
- None of the VHCIs provided round the clock service.

[#] Kollam: Rs 87 lakh (March 2007) and Kannur: Rs 3.40 lakh (December 2005)

[*] Thiruvananthapuram, Kollam, Ernakulam and Kannur

[$] Veterinary Dispensaries at Navaikulam, Alamukku, Perumkadavila, Vengola, Nallad, Kakkayangad, Kunhimangalam, Kudiyanmala and Veterinary Hospitals at Anchal, Chavara, Chathannoor and Nedumbassery

3.5.3.2 *Staff shortage in Health Care Institutions*

In Kannur District there was shortage of Veterinary Surgeons and Livestock Inspectors

In Kannur (northern district) there was shortage of 54 *per cent* of Veterinary Surgeons and 28 *per cent* of Livestock Inspectors. Regular Veterinary Surgeons were not posted in Veterinary Poly Clinic, Chempanthotti, Veterinary Hospital, Udayagiri and Veterinary Dispensary, Koottumugham, which had large number of cattle population.

3.5.3.3 *Issue of medicine*

Sanction from Government not received, hence medicines were not purchased in 2001-03

Government permitted (June 1988) the Director of Animal Husbandry to purchase veterinary medicines from Government firms without inviting tenders. The permission was withdrawn in February 2001 and no purchase was effected during the years 2001-02 and 2002-03 due to non-receipt of sanction from Government. As a result the veterinary hospitals and dispensaries were not able to issue medicines and hence their functioning was severely affected.

Till 2003-04 the requirement of medicines for a year was assessed at the Directorate level based on the consolidated data collected at district level from the field offices. During 2004-05, no separate assessment of requirement was made and purchase was based on the assessment made in 2003-04. In order to avoid delay in processing the consolidated data, State Government approved (July 2005) a list of common medicines, essential drugs and the quantity to be supplied to each category of VHCIs. The annual requirement of funds was assessed at Rs 16.00 crore and the purchase was made based on this list from 2005-06 onwards.

The funds for the purchase of medicines were included in the budget under the head of account 'Strengthening and re-organisation of Veterinary Services'. The details of provision and expenditure during 2003-08 were as follows:

Table 2: Provision and expenditure on purchase of medicines

(Rupees in crore)

Year	Provision and its percentage	Funds set apart to meet expenditure on previous year's supply orders received during the year	Balance fund available for the current year	Month/ date of issue of Administrative Sanction by Government	Amount of supply orders	Approval of supply orders by Govt.	Total expenditure during the year
2003-04	8.25 (52)	Nil	8.25	August 2003	2.07	October 2003	1.70
2004-05	8.00 (50)	1.64	6.36	July 2004	5.91	March 2005	1.31
2005-06	8.50 (53)	4.82	3.68	April 2005	4.05	February 2006	5.04
2006-07	6.75 (42)	3.93	2.82	November 2006	3.21	March 2007	3.20
2007-08	6.75 (42)	3.04	3.71	October 2007	4.10	March 2008	3.20
Total	38.25	13.43	24.82		19.34		14.45

It was observed in audit that

Department utilised only 25 *per cent* of the provision in 2003-04

- During 2003-04 supply orders were placed for only 25 *per cent* of the provision though medicines were not in stock owing to non-procurement during the preceding two years. The reason for non-utilisation of funds was due to non-issue of sanction by Government for the proposals forwarded in February 2004.

The annual provision for purchase of medicine ranged from 42 to 53 *per cent*

- Against the annual requirement of Rs 16 crore the budgetary provision in all the years from 2005-06 was much below the requirement and ranged between Rs 6.75 crore and Rs 8.50 crore (42 and 53 *per cent).*

Supply orders were approved by Government in February/March every year since 2004-05

- The supply orders to the firms were usually approved by Government only in February/March each year since 2004-05. This was because the department had to first obtain administrative sanction for purchase from Government and then obtain sanction from Government for placing supply orders. Due to this cumbersome procedure the very intention of Government in prescribing a standard list of common/ essential medicines was defeated. This contributed to non-utilisation of provision made during these years.

Thus the department failed to ensure adequate supply of medicines to the VHCIs during the period of review.

3.5.3.4 Supply of essential medicines and sundry materials

Deworming medicines supplied were insufficient

The major diseases found in cattle and buffalo population were digestive system disorders and Parasitism*. Out of 29.75 lakh cases treated in 2006, 57 *per cent* belonged to these two categories. The main cause of digestive system disorders is unhealthy feeding practices followed by majority of the farmers. Routine deworming is the treatment for parasitism. De-worming medicines were in short supply in all the 16 test checked VHCIs and were utilised within three to six months during the year.

Sundry articles like bandages, towel, disinfectant, etc., were not supplied

In addition to medicines, sundry materials such as absorbent cotton, bandages, cloth, towel, disinfectant, carbolic soap, etc., were also to be procured and supplied to VHCIs. It was noticed that articles like bandages, towel, disinfectant, etc., (except absorbent cotton supplied in 2004-05) were not supplied and regular supply of full arm gloves which is an essential requirement in cattle treatment was not available in any of the 16 VHCIs test checked.

Thus the services rendered by the VHCIs were deficient due to shortage of medicines, other sundry materials and shortage of Livestock Inspectors and Veterinary Surgeons especially in northern districts of the State.

3.5.4 Implementation of Central scheme

3.5.4.1 Assistance to States for control of Animal Diseases

GOI introduced (May 2003) a new scheme 'Assistance to States for Control of Animal Diseases (ASCAD)' under the Tenth Plan by merging three@ existing schemes having 50 *per cent* central assistance. GOI revalidated the unspent balance of Rs 2.68 crore at the end of the previous year for utilising it in 2003-04. However, Government spent Rs 1.21 crore during 2003-04 for the erstwhile three schemes and the unspent balance was again revalidated in the subsequent year by GOI.

The new scheme envisaged control of major animal diseases by providing strategic immunisation cover, strengthening of important diagnostic laboratories and biological production centres, training to veterinarians and para-veterinarians, etc. While full Central assistance was admissible for the training component, for other components the eligibility was 75 *per cent*

* Parasite is an organism that lives the whole or part of the life of it within another organism of a different species and draws the nourishment therefrom.

@ Systematic Control of Livestock diseases of national importance, Foot and Mouth Disease and Animal Disease surveillance assistance only. The details of grant released, provision made in the State budget and expenditure therefrom were as follows:

Table 3: Grant received from GOI, budget provision and expenditure

(Rupees in crore)

Year	Grant received from GOI			Revalidated amount of previous year	Budget allocation required including State share	Budget provision	Expenditure
	100 *per cent* component	75 *per cent* component	Total				
2003-04	0.12	0.68	0.80	2.68	Nil	Nil	Nil
2004-05	Nil	Nil	Nil	2.09	2.79	2.09	2.05
2005-06	0.43	1.07	1.50	0.49	2.51	2.65	2.64
2006-07	0.12	1.85	1.97	Nil	2.59	1.96	1.24
2007-08	Nil	0.18	0.18	0.99	1.56	1.39	1.04
Total	**0.67**	**3.78**	**4.45**		**9.45**	**8.09**	**6.97**

It was observed that

- Though GOI released Rs.0.80 crore in May 2003, the new scheme ASCAD was not implemented during 2003-04 due to non-issuance of administrative sanction by State Government as the erstwhile three schemes were being implemented during the year.

Rupees 6.97 crore was sanctioned by GOI of which Rs 3.58 crore were utilised and balance was credited to State's revenue

- Out of the total expenditure of Rs 6.97 crore, Rs 2.38 crore was spent on the scheme and Rs 4.59 crore was drawn and deposited in Treasury Savings Bank account in March 2005 and March 2006 to avoid lapse of funds. Only Rs 1.20 crore was spent from it subsequently for the scheme and the balance of Rs 3.39 crore was credited to State's revenue in November 2006 though GOI instructions required refund of unutilised assistance. Thus the total expenditure actually incurred on the scheme was only Rs 3.58 crore.
- Major components like Modernisation of Veterinary Biological Institute and Strengthening of Disease Diagnostic Laboratories were not implemented.

Thus the State failed to utilise the available Central funds to set up an effective mechanism for control of diseases and appropriated a large portion of the funds to State revenue.

3.5.4.2 Cattle Insurance scheme

GOI introduced (March 2006) a Livestock Insurance Scheme (named as *Gosureksha* in the State) for implementation in 100 selected districts in the country covering all the high yielding[£] cattle and buffalo for maximum of the current market value. The market value of each cattle was assessed as Rs 15,000. As per GOI orders 50 *per cent* of the insurance premium[*], the cost of examination (at Rs 100 per animal) and cost of ear tagging (at Rs 50 per animal) were to be utilised from the Central fund.

In Kerala the scheme was implemented from 2006-07 in Alappuzha and Palakkad districts and the Kerala Livestock Development Board (KLDB) was the designated implementing agency. The animals could be insured for one year or three years. Grant released by GOI to KLDB, expenditure, physical targets and achievements were as indicated in the following table.

[£] Cattle/buffalo yielding atleast 1,500 litres of milk per lactation is considered as high yielding

[*] In 2006-07 the premium was 2 *per cent* for one year and 4.45 *per cent* for three years; in 2007-08 the corresponding figures were 1.75 *per cent* and 4.50 *per cent*

Table 4: Financial and physical targets and achievements

Year	Financial target (Rs. in crore)		Physical targets						Percentage of physical achievement
	Grant received	Expendi-ture	Target			Achievements			
			Alappuzha	Palakkad	Total	Alappuzha	Palakkad	Total	
2006-07	5.18	1.15	75,000	1,25,000	2,00,000	24,256	42,950	67,206	34
2007-08	1.00	0.96	35,000	65,000	1,00,000	5,458	9,904	15,362	15
Total	**6.18**	**2.11**	**1,10,000**	**1,90,000**	**3,00,000**	**29,714**	**52,854**	**82,568**	

Out of Rs 6.18 crore released by GOI, only Rs 2.11 crore was spent and the balance amount of Rs 4.07 crore retained by KLDB

Both financial and physical achievements were much lower than the targets prescribed. According to KLDB most of the animals in the two districts were insured for three years during 2006-07 under three-year policy, further the number of animals to be insured during 2007-08 declined. However, the target was assessed by KLDB based on the population in the productive age group of two to ten years and achievement in insuring animals in the first year itself was only 34 *per cent* of the target fixed which indicated that the target fixed in 2007-08 was unrealistic. Since the grant was released based on the targets fixed, there was under-utilisation of grant released and Rs 4.07 crore remained unspent with KLDB in their bank account.

3.5.5 Livestock Development

The cross breeding programme for the genetic improvement of non-descript cattle of the State was started as early as in 1951. As a result of this, the cattle population (including buffalos) increased steadily and stood at 37.53 lakh as per 1987 census. But in subsequent census conducted in 1996, 2000 and 2003, the cattle population declined significantly to 35.34 lakh, 26.02 lakh and 21.87 lakh respectively. The factors for the decline were high cost of feed, decrease in area of fodder cultivation, less profitability of livestock rearing, change in attitude of younger generation, etc. Government approved (July 1998) a new Breeding Policy aimed to increase productivity through Artificial Insemination (AI). But the relevant Rules/Acts were not enacted to ensure effective implementation of the scheme. When the new breeding policy (1998) was framed, the number of AI centres was 2,314 which rose to 2,997 in 2008.

Per capita availability of milk decreased from 207 gm in 1998-99 to 171 gm in 2006

The cross breeding programme was aimed to increase the milk productivity of crossbred cattle from 6.23 kg in 1998-99 to 7.51 kg in 2006-07. However, the population of crossbred cattle/buffalo decreased from 15.39 lakh (1996 census) to 10.67 lakh (2003 census) and the total quantity of milk produced declined from 24.20 lakh litres in 1998-99 to 21.18 lakh litres in 2006. As a result, the per capita availability of milk decreased from 207 gm in 1998-99 to 171 gm in 2006 compared to the national average of 241 gm. A new Breeding Policy was approved by Government in June 2008 for the enhancement of productivity among the dairy animals.

3.5.6 Fodder Development programme

With shift in cropping pattern of Kerala the area under rice cultivation came down by 50 *per cent* over the last two decades leading to reduction in the availability of straw for feeding cattle. The State produced only 60 *per cent* of the roughage requirement for cattle and one of the main reasons for decrease in milk production was the shortage of quality fodder. Dairy Development Department was entrusted with fodder development programme. Despite increase in area used for fodder cultivation/production from 7,413 hectares in

2003-04 to 10,637 hectares in 2007-08 decrease in fodder production was noticed from 61 *per cent* in 2003-04 to 55 *per cent* in 2007-08.

Cattle feed concentrate was intended to supplement the shortage of fodder. However, the production of cattle feed concentrate was not sufficient to meet the requirement. According to the Dairy Development Department the non-availability of sufficient land for fodder cultivation and sufficient funds were the main reasons for decrease in fodder production during the years.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

CHAPTER IV

AUDIT OF TRANSACTIONS

CHAPTER IV
AUDIT OF TRANSACTIONS

Audit of transactions of the Government, their field formations as well as of the autonomous bodies brought out several instances of lapses in management of resources and failures in the adherence to the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs.

4.1 Fraudulent drawal/misappropriation/embezzlement/losses

PUBLIC WORKS DEPARTMENT

4.1.1 Reimbursement of cost of bitumen based on fake invoices

Failure of the Executive Engineers to follow the prescribed system for purchase of bitumen by the contractors resulted in payment of Rs 2.32 crore on production of 160 fake invoices. Further claim of Rs 3.83 crore based on 188 fake invoices had also been admitted but had not been paid.

Government ordered (September 2003) that the departmental supply of bitumen would be dispensed with for works costing above Rs 6 lakh (increased to Rs 15 lakh with effect from February 2004) and the contractors would be reimbursed the cost of bitumen procured by them after completion of the work. The contractors were required to purchase bitumen only from Bharat Petroleum Corporation Limited (BPCL), Kochi Refineries Limited and Indian Oil Corporation (IOC), Kochi to ensure the quality of material used. The Chief Engineer (Administration and National Highway), Public Works Department instructed (October 2003) that the requisition for purchase should be placed through the concerned Executive Engineer (EE).

Scrutiny (January 2008 to April 2008) of the invoices for reimbursement of the cost of bitumen submitted by the contractors for the period 2004-05 to 2006-07 in 15 (out of 16) Road Divisions and 3 (out of 8) National Highway Divisions revealed that:

- **No supply was made by BPCL to the contractors against some of the invoices when these were verified with the list of invoices furnished by BPCL for the period July 2003 to February 2008.**
- **In the case of IOC's invoices, the company replied that some of the invoices were not IOC's invoices whereas some others were those raised on various other parties for various other products and in other units mostly outside Kerala.**

But, the materials based on these invoices were recorded as received in measurement books by the Assistant Engineer concerned in charge of the work. Therefore, it appears that fake invoices were submitted by the contractors and the Assistant Engineers did not check the genuineness of these invoices and ensure the receipt of materials before finalising the claims of the said contractors.

Audit scrutiny disclosed that 348 such fake invoices amounting to Rs 6.15 crore in 16 Divisions were produced by 93 contractors for claiming reimbursement. Out of this 160 invoices (Rs 2.32 crore) had already been paid. Though claims amounting to Rs 3.83 crore based on 188 invoices were admitted, the amount was not paid. The details are indicated in the Appendix XXXIV.

As Executive Engineers of these respective Divisions did not enforce a system prescribed by the CE for purchase of bitumen by the contractors, 93 contractors produced fake invoices for Rs 6.15 crore for claiming reimbursement of which Rs 2.32 crore had already been paid. In reply to audit the Chief Engineer stated (June 2008) that necessary instructions had been issued to all EEs to safeguard Government interest in the matter.

The matter was referred to Government in August 2008; the reply has not been received (October 2008).

4.2 Infructuous/wasteful expenditure and overpayment

PUBLIC WORKS DEPARTMENT

4.2.1 Unauthorised payment to a contractor

Execution of agreements by Superintending Engineer in violation of Government directions resulted in excess payment of Rs 5.50 crore to a contractor firm in two road works taken up under 'Central Road Fund Scheme'.

Ministry of Roads Transport and Highways (MORTH) sanctioned (June 2005) 11 works under Central Road Fund (CRF) scheme. These included two road works - Varkala-Paripally road and Kilimanoor-Alancode- Kadakavoor-Varkala Road estimated to cost Rs 8.84 crore and Rs 6.42 crore respectively. These were to be executed by the National Highways (NH) Division, Thiruvananthapuram. The Superintending Engineer (SE), NH South Circle, Thiruvananthapuram invited (September 2005) pre-qualification bids for the above works under 'Item Rate Contract'. M/s Sreedhanya Constructions quoted the lowest amount of Rs 12.14 crore and Rs 12.05 crore for the former and the latter work respectively. Government accepted (February 2006) the lowest tenders of the above firm at 35 *per cent* above estimate rates. The SE, however, awarded the works (March 2006) to the contractor firm at their quoted rates itself disregarding Government's directions. The two works were completed in February 2007 and final payment made in July 2007 (Rs 12.14 crore) for the former and in March 2007 (Rs 12.01 crore) for the latter.

The following points were noticed in audit:

- Though the intention of Government was clearly to award the work at 35 *per cent* above estimate, the SE awarded the works at the quoted rates on the plea that Government had accepted the lowest quoted amount. This was not correct as it was clearly stated in the Government order that the lowest tender at the rate of 35 *per cent* above estimate had been accepted.

- When this discrepancy in accepted tender amount was pointed out by Audit (October 2006) in respect of one of the above two works SE, NH Circle, Thiruvananthapuram reported (November 2006) that pending clarification from Government, the EE was instructed not to make payment beyond Rs.8.67 crore (35 *per cent* above estimate of Rs 6.42 crore). It was, however, observed that the EE had not brought this discrepancy to the notice of the Finance Department which resulted in issuing Letter of Credit by it for the entire amount. The EE made final payment in March 2007 for Rs 12.01 crore in respect of this work. Similarly, the EE made final payment of Rs 12.14 crore in July 2007 in respect of the other work also.

Thus the execution of agreements by SE accepting the lowest quoted amount instead of at 35 *per cent* above estimate rate as ordered by Government resulted in excess payment of Rs 5.50 crore[@] on two road works.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

4.2.2 Infructuous expenditure on a road work

Injudicious decision to construct a road through forest land without obtaining clearance from the competent authorities resulted in abandoning the work rendering the expenditure of Rs 4.25 crore infructuous.

Government sanctioned (October 2000) the work 'formation of Sethuparvathipuram-Kanthalloor road' having a length of 16 kilometres. The Chief Engineer (CE) issued (January 2001) technical sanction for the work for Rs 2.79 crore. The proposed road passed through Tata Tea Estate (Ch: 0/00 to 6/865), Reserve Forest (Ch: 6/865 to 13/360), private land (Ch: 13/360 to 15/485) and was intended to connect two State Highways by widening the existing road to eight metre. The site was handed over to the contractor in February 2002 and the scheduled date of completion was 15 August 2003. The contract amount of the works was Rs 3.22 crore. In April 2002 the Divisional Forest Officer (DFO), Munnar objected to the work stating that new road passes through reserve forest area and Public Works Department (PWD) had no claim over the forest land. As the widening of the road requires diversion of forest land, Government directed (October 2002) CE to obtain permission from GOI under Forest Conservation Act, 1980 for widening the road and also from the Kerala State Pollution Control Board for tarring the road in the forest area. The Executive Engineer, however, proceeded with the work without getting the mandatory clearance from GOI and the Kerala State Pollution Control Board. Based on a complaint filed by WWF-I[*], a Non-Governmental Organisation (NGO) the Central Empowered Committee (CEC) constituted by the Supreme Court ordered (September 2003) Government to stop all works in the forest area. PWD, however, proceeded with the work knowing fully well that connectivity could not be achieved without constructing the road in the forest area. The work was only

[@] Varkala-Parippally road: Rs 2.03 crore and Kilimanoor-Varkala road: Rs 3.47 crore.
[*] World Wide Fund for Nature – India

partially completed after incurring an expenditure of Rs.4.25 crore against the contract amount of Rs 3.22 crore including Rs 58.72 lakh spent towards providing drain and culvert in the reserve forest area where there was no road and closure agreement executed with the contractor in May 2007 as no further work could be carried out in the forest land.

PWD rules stipulate that possession of land should be taken before tendering any work. The PWD in this case took possession of the land without obtaining clearance from the Forest Department before starting the work. The Forest Department had moreover objected to the construction work in the forest area even at the time of commencement of the work.

The action of the PWD in proceeding with a road work, which included forest land, without obtaining necessary clearance from competent authorities resulted in abandonment of the road work in May 2007 and rendered the expenditure of Rs 4.25 crore infructuous. The intention of connecting the two State Highways has also not been fulfilled.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

4.2.3 Infructuous expenditure on advertisement

The expenditure of Rs 50.70 lakh incurred on advertisement of the bids in the newspapers became infructuous as the World Bank refused to fund works under Phase II of Kerala State Transport Project due to non-availability of encumbrance free land.

State Government launched (June 2002) the Kerala State Transport Project (KSTP) for the comprehensive development of State Highways and Waterways. One of the main components of the project was to upgrade selected roads to International Standards. The objective of this component was to increase the capacity of existing roads by widening, improving the geometric standards and to provide designed pavement. This component was to be implemented in two phases namely Phase I (257 Km) and Phase II (327 Km). The World Bank in the Aide-Memoire of the Mission held during May-June 2004 opined that KSTP should show substantial progress in acquisition of land before taking up Phase II. Without taking initiative to complete the land acquisition for Phase-II, the KSTP invited bids in June 2004 incurring an expenditure of Rs 24 lakh on advertisement of tender notices in newspapers. The World Bank did not give consent for awarding the work, as encumbrance free land was not available for the project. The Steering Committee in its meeting held in October 2005 decided to cancel the bids and re-tender the Phase II work after splitting it into small size contracts to attract more bidders. As it was planned to complete all Phase II works on or before the loan closure date of December 2007, fresh bids were invited in December 2005 incurring Rs 26.70 lakh towards advertisement for publishing the notice in national and local newspapers. The bids were not accepted by the World Bank due to delay in land acquisition. Thus, on both the occasions the KSTP invited tenders for the work without ensuring the availability of land and this resulted in non-awarding of the works. In the Aide-Memoire of Implementation Support Mission (December 13-21, 2007) the World Bank stated that two previous attempts to award the Phase II works on contract had to be aborted following non-availability of encumbrance free stretches of land and much higher than expected bid prices and opined that there was no possibility of taking up these works within the project considering the fund and time constraints. Thus, Rs 50.70 lakh already spent on advertisement for inviting bids had become infructuous.

Government stated (September 2008) that KSTP decided to cancel the bids in view of high bid price and lack of competition and therefore the advertisement charges incurred for inviting bids could not be considered infructuous. However, the fact remains that World Bank had denied permission to award the work on both the occasions (June 2004 and December 2005) due to non-availability of encumbrance free land.

4.2.4 Infructuous expenditure on the partial construction of a helipad

Construction of a helipad in an 'ecologically fragile land' led to stoppage of work midway and rendered Rs 75.42 lakh spent on it infructuous.

Government accorded (August 2007) administrative sanction for the construction of a helipad and other works like approach road, rectification work of roads, providing barricades, direction boards, flags, etc., at a cost of Rs 1.94 crore in connection with the visit of Prime Minister of India for laying the foundation stone of Indian Institute of Space Science and Technology (IIST) at Ponmudi, Thiruvananthapuram. Government also ordered that 50 *per cent* of the cost would be met by Vikram Sarabhai Space Centre (VSSC) under whom IIST is coming up.

The Chief Engineer, Roads and Bridges issued technical sanction for Rs 1.53 crore for the work of construction of helipad and approach road. The Executive Engineer, Roads Division, Thiruvananthapuram awarded the work waiving tender procedures at 14.9 *per cent* above estimate rate. The site was handed over on 14 August 2007. The work was to be completed on or before 7 September 2007. When the contractor completed fifty *per cent* of the work mainly earth work excavation for levelling the land, the Divisional Forest Officer (DFO), Thiruvananthapuram directed (September 2007) the contractor to stop all the construction activities since the area where the work was being executed was notified as 'ecologically fragile land' as per provisions contained in Kerala Forest (Vesting and Management of Ecologically Fragile Land) Act, 2003. Thus the work was stopped in September 2007. The claim of the contractor for Rs 75.42 lakh has been pending with the Division for want of letter of credit.

According to the provisions of Kerala Public Works Department Manual and instructions issued by Government, hindrance free land was to be handed over and amount to be deposited by the agency before arranging the works. However these provisions were not insisted upon by the Public Works Department. Thus the action of the Department to execute the work in an 'ecologically fragile land' resulted in abandonment of the work midway and Rs 75.42 lakh incurred on it had become infructuous. Further, Public Works Department should have realised Rs 37.71 lakh from VSSC being fifty *per cent* of expenditure incurred which was not done so far (October 2008).

The matter was referred to Government (June 2008); reply has not been received (October 2008).

WATER RESOURCES DEPARTMENT

4.2.5 Infructuous expenditure on purchase of pipes and specials

Non-availability of land resulted in redesign of a water supply scheme sanctioned in 1993 and the expenditure of Rs.1.40 crore incurred on purchase of pipes and specials became infructuous as the revised scheme envisaged use of pipes of lesser diameter only.

Pipes worth Rs 1.07 crore were purchased in 1997 for the Accelerated Rural Water Supply Scheme to Pathanapuram and adjacent villages sanctioned by the Government of Kerala (October 1993) at an estimated cost of Rs 3.78 crore. Mention was made in Paragraph 7.14.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 regarding idling of these pipes. The scheme intended to benefit five villages* and works for scheme comprised of construction of well-cum-pump house, construction of treatment plant, supply and erection of pumpsets and surge arrestors, construction of reservoirs, pumping main, distribution system, etc. The site for the construction of the treatment plant was proposed at Kuriyottumala, Buffalo Breeding Centre of the Animal Husbandry Department in Piravanthoor Village and the required land (1.50 acres) was handed over to the Kerala Water Authority (December 2005). The site for sumps and reservoirs were at Thalavoor and Mylom villages. In a meeting convened by the Minister for Irrigation on 29 October 2001 to review the progress of the scheme, the panchayat authorities of Thalavoor and Mylom villages pointed out that the acquisition of proposed land at both the villages was not possible. In view of this, the Minister directed the Kerala Water Authority to limit the area of the scheme to Pathanapuram and Piravanthoor villages only. This necessitated the preparation of a revised design and estimate for various components of the scheme. Despite the limitation in the scope contemplated in October 2001 itself, pipes and specials as per specification of the original scheme worth Rs 33.02 lakh were procured (January 2004) based on a proposal of the Chief Engineer (HRD) in August 2003.

The revised proposal was approved by the Technical Member in July 2004. In the revised design, pipes of lesser diameter were proposed to be used because the distribution system had been limited to one zone instead of three zones as per the original proposal.

Since pipes and specials worth Rs 1.40 crore with different specification which was no longer required were purchased and not put to use, the expenditure on the said pipes and specials became infructuous. Incidentally, the first lot of pipes (cost: Rs 1.07 crore) was procured (1997) even before the District Panchayat took a decision (2001) to hand over the land for construction of treatment plant.

* Pathanapuram, Piravanthoor, Pidavoor, Thalavoor and Mylom in Kollam district

Government stated (June 2008) that the expenditure could not be considered as infructuous as there was demand for pipes in other schemes. The reply of Government is not acceptable as the pipes procured in 1997 are still held in stock (October 2008) without utilisation.

4.2.6 Infructuous expenditure on an abandoned sea wall

Failure to heed the advice of Joint Director, Coastal Engineering Field Studies before commencing the construction of sea wall resulted in abandonment of the work midway and as a result expenditure of Rs 1.60 crore on its construction became infructuous.

Government (January 2005) accorded administrative sanction for the reformation and construction of sea wall for a length of 2000 metre[#] at Tharayilkadavu in Arattupuzha panchayat at a cost of Rs 4.90 crore. The Superintending Engineer, Irrigation South Circle, Thiruvananthapuram arranged (4 April 2005) reformation work of sea wall in Arattupuzha in four reaches[*] of 500 metre each with the same contractor for a total contract amount of Rs 4.55 crore under four separate agreements. The Joint Director (JD), Coastal Engineering Field Studies (CEFS) inspected the site on 8 April 2005 for fixing the alignment and stated that any protection work would not be fruitful as there was every possibility of further erosion in the area. A final decision of the alignment should be taken only after a detailed inspection by the higher authorities. However, the sites for the works were handed over to the contractor on 15 April 2005 even though the sites were experiencing severe tidal attack. The work was to be completed within ten months from the date of handing over of site. In the meantime, severe erosion took place due to the tidal attacks. The contractor was asked to provide emergency rubble dumping to protect the coastal road, the life and properties of the local people and to meet the expenditure from this work. The total cost of the emergency work undertaken was Rs.1.08 crore for which no sanction from Government was obtained. Finally the original work of construction of sea wall started only in the second week of December 2005. The work could not proceed smoothly due to frequent sea attacks, heavy sinkage in the completed and progressing sea wall portions, blocking of coastal road due to sand deposits, etc. The Chief Engineers, Irrigation and Administration, IDRB along with the JD, CEFS, visited the site on 2 September 2006 and were convinced that continuing the construction of the sea wall in the proposed alignment would be futile and the only alternative was to shift the alignment backwards by changing the present design. The reports from Centre for Water Resources Development and Management and Indian Institute of Technology, Chennai also endorsed this opinion. In the meantime the contractor had completed more than 85 *per cent* of the original work in Reach II incurring Rs 0.97 crore and had partially completed the original works in Reaches I and III incurring Rs 0.63 crore. Therefore, the Executive Engineer, Irrigation Division, Kollam proposed foreclosure of the agreement of the work in all the Reaches

[#] from chainage 49.500 kilometre to chainage 51.500 kilometre

[*] Reach I – Chainage 49.500 to 50.000 km, Reach II – Chainage 50.000 to 50.500 km, Reach III – Chainage 50.500 to 51.000 km and Reach IV – Chainage 51.000 to 51.500 km.

(except II) in March 2007 on **'as is where is condition'** without risk and cost. Government sanctioned (March 2008) rearrangement of works with a new design. Thus, the sea wall constructed by incurring an expenditure of Rs 1.60 crore became infructuous.

The matter was referred to Government in June 2008; reply has not been received (October 2008).

4.2.7 Unfruitful expenditure on a Lift Irrigation Scheme

Failure to rectify defects which occurred during trial run of a Lift Irrigation Scheme resulted in non-commissioning of the scheme and rendered the expenditure of Rs 90.43 lakh unfruitful.

The Thenampara Lift Irrigation scheme was intended to irrigate 1,087 acres of land in Palakkad District by lifting water from Bharathapuzha river. The civil works and electrical works were completed in March 1997 and February 2000 respectively at a total cost of Rs 54.40 lakh and the scheme was partially commissioned on 3 March 2001. When pumping started, the canals breached due to high outflow of water and hence pumping had to be stopped. No further action was taken by the Executive Engineer to rectify the defects and to commence pumping again. The Department had been paying electricity charges at a minimum rate of Rs 38,940 per month during this period of non-operation. Thus, the electricity charges paid up to August 2008 were Rs 36.03 lakh. Bill for next month has not been received (October 2008).

It was observed from the facts that lethargy/indifference on the part of the Executive Engineer to rectify the defects noticed during trial run had resulted in non-commissioning of the Lift Irrigation Scheme even after eight years after completion of civil and electrical works rendering the expenditure of Rs 54.40 lakh incurred for the scheme unfruitful. In addition Rs 36.03 lakh were paid for electricity charges without consuming any electric power. Failure of the Department in implementing the scheme fully resulted in unfruitful expenditure of Rs 90.43 lakh besides losing the opportunity for irrigating 1,087 acres of land for eight years.

The matter was referred to Government in September 2008; reply has not been received (October 2008).

4.3 Avoidable/Extra/Unfruitful expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

4.3.1 Avoidable payment of penal interest on electricity charges

Failure of the Superintendent, MCH, Kozhikode to pay the bills in time resulted in avoidable payment of Rs 43.21 lakh towards penal interest on belated payment of electricity charges.

The Institute of Maternal and Child Health (IMCH), Kozhikode has an electricity connection (Consumer Number 6595011809) in the name of the

Principal, Medical College, Kozhikode. Monthly electricity bills were issued by the Kerala State Electricity Board (KSEB) to the Principal, Medical College, Kozhikode and the Principal arranged payments through the Superintendent, Medical College Hospital (MCH), Kozhikode. The Superintendent, MCH, Kozhikode remitted the energy charges up to June 2001 but did not honour the electricity bills thereafter. Hence, electricity charges amounting to Rs 1.78 crore due for the period July 2001 to May 2005 fell into arrears. The Assistant Engineer, Electrical Section, Kovoor clarified (September 2005) that all the previous bills in respect of the connection were forwarded to the Medical College in time. The KSEB issued the bill pertaining to this connection to the Superintendent, IMCH for the first time in July 2005 claiming an amount of Rs 1.83 crore which included Rs 1.81 crore towards arrears including Rs 23.06 lakh towards interest on belated payment. The Superintendent, IMCH remitted Rs 2.08 crore during April 2006 to September 2006 towards final settlement of dues which included Rs 43.21 lakh as penal interest for belated payment.

Thus failure of the Superintendent, MCH, Kozhikode to pay the bills in time resulted in avoidable payment of Rs 43.21 lakh towards penal interest on belated payment of electricity charges.

The matter was referred to Government in September 2008; reply has not been received (October 2008).

HIGHER EDUCATION DEPARTMENT

4.3.2 Avoidable interest payment due to delayed remittance of Provident Fund contribution

Delay in remittance of the Provident Fund deductions made from the salary of employees into the Treasury Public account resulted in avoidable interest payment of Rs 10.63 crore.

The Calicut University has been maintaining Treasury Public (TP) Account* in Sub treasury, Tirurangadi from July 2000 (prior to this in District Treasury, Kozhikode) exclusively for transactions relating to the 'Calicut University Employees Provident Fund'. The General Provident Fund (Kerala) Rules are applicable to this Provident Fund (PF) also. According to sub rule 3 of Rule 15 of GPF rules the amount of PF contribution remitted to the Treasury would earn interest for the month, only if the remittance is made before the fifth day of the month. If the remittance is made on or after the fifth day of the month, interest would accrue only from the first day of the next month.

The University deducted the amount towards PF from the salary of the employees and delayed its remittance to the TP Account. This delay in remittance created a difference in the amounts of interest earned from the TP account and that allowed to the subscribers for their PF contributions. This

* Treasury Public Accounts are in the nature of savings bank accounts. According to Section 44 (i) of Appendix 3 to Kerala Treasury Code – Volume II, Heads of Aided Educational Institutions and Quasi Government Institutions are permitted to open Public Accounts for crediting the subscriptions and contributions collected by them towards Provident Fund accounts opened for the benefit of the employees.

resulted in a loss which needed to be compensated by the University by paying Rs 10.63 crore to PF subscribers up to May 2008.

In response to audit query, the University replied (August 2004) that the deductions towards PF was utilised for revenue expenditure due to paucity of funds consequent upon insufficient Government grant to meet the salary of the employees. When the matter was referred to Government, Government informed (February 2008) that the PF remittance had been streamlined to an extent and now the employees' contribution to PF was being remitted into treasury before the fifth of every month.

Thus, the University failed to mobilise and manage its funds optimally and was forced to utilise the PF contributions of the employees for its revenue expenditure which resulted in an avoidable interest payment of Rs 10.63 crore.

The matter was referred to Government in August 2008; reply has not been received (October 2008).

PUBLIC WORKS DEPARTMENT

4.3.3 Avoidable expenditure on construction of two additional piers for a Rail Over Bridge

Failure of Public Works Department to comply with the specification of the Railways resulted in construction of two additional piers at a cost of Rs 32.26 lakh.

As per the existing norms for the construction of Rail Over Bridge (ROB), the rail portion is to be constructed by the Railways whereas the road portion and the approaches by the Ministry of Road Transport and Highways (MORTH). In a meeting between the Secretary, MORTH and Member (Engineering), Railway Board on 2 May 2003, it was decided that the Railways should bear the cost of construction of the bridge portion and MORTH, the cost of the approaches irrespective of land boundaries. MORTH sanctioned (December 2004) the work 'construction of immediate approaches to Edappally ROB at Km 437/375 of NH 17 including 280.80 metre long viaducts* on either side' at a cost of Rs.14.25 crore. The work included a 21.6 metre viaduct of 13 spans with 12 piers on either side. The bridge over the rail portion had already been arranged by the Railways on the basis of a design approved by the Public Works Department (PWD) (November 2001) which provided for a span length of 14.2 metre.

The road portion of the work which consisted of the approaches and viaduct was awarded to a contractor for Rs.15.49 crore on 25 August 2005 to be completed in 24 months. During execution, it was found that the piers constructed by Railways would not be able to take the load of the 21.6 metre long span. The Railways expressed inability (November 2004) to revise the design of the pier as it had reached the trestle beam# level and any deviation would lead to contractual obligations. Therefore, the design of the pier was

* A long bridge like structure carrying a road or railway line

A frame work consisting of a horizontal beam supported by two piers of slopping legs used in piers to support a flat surface

revised by the PWD by providing two additional piers at an estimated cost of Rs.32.26 lakh.

While designing the span of the viaduct in July 2004, the PWD should have taken into consideration the specification of the span and pier of the bridge portion already approved by them in November 2001. Failure to do so resulted in extra estimated liability of Rs.32.26 lakh on construction of two additional piers.

The matter was referred to Government in May 2008; reply has not been received (October 2008).

4.3.4 Extra expenditure due to change in design of foundation

Against the terms and conditions of the contract the department permitted the contractor to revise the design of the foundation from well to pile foundation resulting in extra expenditure of Rs 32.09 lakh.

Superintending Engineer, Roads and Bridges, Central Circle, Aluva concluded (February 2005) a contract with a contractor firm selected on the basis of open tender for the work of 'Construction of a bridge at Nechoorkadavu across Muvattupuzha river' in Ernakulam district. The contract value was Rs 4.24 crore including a tender premium of 18.70 *per cent* over the estimated amount. The foundation proposed was Reinforced Cement Concrete (RCC) wells as per design prepared by the Design, Research, Investigation and Quality Control (DRIQ) Board. While casting, the well curb at pier point P3 tilted about 1.20 metre on 9 March 2006 due to failure of the island formed by the contractor. Therefore, the design of the well foundation of two pier points P3 and P4 were changed (December 2006) to pile foundation at the instance of the contractor. No approval of DRIQ Board was obtained for the changes. The period of contract was also extended from 17 February 2007 to 31 March 2008. The contractor firm completed the foundation and started the work of superstructure by January 2008. Part payment amounting to Rs 2.24 crore was made to the contractor. The changes resulted in extra expenditure of Rs 32.09* lakh being the difference in cost of construction of well and piles foundation (Rs 20.65 lakh) and cost of construction and removal of abandoned wells (Rs 11.44 lakh).

Records (April 2007) revealed that the island formed by the contractor was not strong enough to withstand the flow regime condition and vertical load of the well curb and hence the curb tilted. As per the contract conditions, forming island and its maintenance without damage till the completion of well formation was the duty of the contractor. Hence the contractor's rate included cost for taking the precaution required to keep the island intact. For this the contractor has to form the island sufficiently strong to complete the operation. But the Department permitted the contractor to revise the design of the foundation thus entailing an extra expenditure to the tune of Rs 32.09 lakh and thereby benefiting the contractor against the terms and conditions of contract.

The SE stated that the island formation was not an incidental item of work and the failure of the island was due to the rise of water level in the Muvattupuzha

* Figures furnished by the department

river on account of sudden release of water from Moolamattom Power House. The reply cannot be accepted because the water released from power house was being stored at Malankara dam for the irrigation purpose by Muvattupuzha Valley Irrigation Project and as per contract conditions the contractor was responsible for construction and maintenance of the island till completion.

Thus by admitting the contractor's request for revised design for pile foundation of two piers, Government had to incur avoidable expenditure of Rs 32.09 lakh.

The matter was referred to Government in February 2008; reply has not been received (October 2008).

4.3.5 Extra liability due to arrangement of work based on incorrect sub soil data and estimate

Execution of supplementary agreement disregarding contract conditions resulted in undue benefit to the contractor to the tune of Rs 1.42 crore.

The Superintending Engineer (SE), Roads and Bridges North Circle, Kozhikode awarded (October 2004) the work 'construction of a causeway (submersible bridge) across Thoothappuzha at Ettakkadavu in Palakkad District' at 17.99 *per cent* below estimate cost of Rs 3.50 crore at 1999 Schedule of Rates (SOR). The proposal was for open foundation for a depth of 3.6 metre below the river bed as the availability of hard rock was anticipated at 3 metre below bed level. During execution it was found that open foundation was not possible since hard rock was not available up to 8 metre depth. So the contractor requested (January 2005) to revise the type of foundation to well foundation and revision of rate was as per 2004 SOR. The SE revised the estimate to Rs 5.95 crore at 2004 SOR with well foundation which was accepted by Government in April 2005. The proposal of causeway was changed to high level bridge in the revised estimate. A Supplemental agreement was also concluded (November 2005) for extra item with the contractor as the Government ordered to execute the work by the same contractor. The Chief Engineer revised (September 2006) again the estimate to Rs 8.03 crore in order to include an unrelated road work alongwith this work. The contractor had completed 80 *per cent* of the work and had been paid Rs 1.70 crore as of March 2008. Though the road work included in this work stood completed yet the land acquisition for the approach road of the bridge was not completed.

According to the conditions of contract, the rates for extra item shall be arrived at based on the current departmental data rate at the time of ordering the extra item after applying tender deduction. However, as the tender percentage of 17.99 below the estimate had not been incorporated in the supplemental agreement, the contractor would get an undue benefit of Rs 1.42 crore of which Rs 30.63 lakh had already been passed on to the contractor.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

TRANSPORT DEPARTMENT

4.3.6 Unfruitful expenditure on purchase of equipment for 'Speed Tracer'

Speed Tracer purchased in March 2006 to enforce provisions of Motor Vehicles Act were idling due to in-built defects and expenditure of Rs 81.93 lakh incurred on it became unfruitful.

Under 'Modernising Government Programme', the State Government accorded administrative sanction (February 2006) for Rs 2.09 crore for implementation of an activity – Safety Consideration in Road Transport. In order to enforce strictly the laws relating to Motor Vehicles Act such as driving, use of headlight, overload, etc., it was decided by the Transport Commissioner to purchase six Toyota Qualis vehicles to customize as 'Speed Tracer' by providing Laser based Speed Video System, VHS recorder, colour LCD Monitor, etc.

The Departmental Purchase Committee (DPC) decided (March 2006) to purchase six Tata Indigo Motor Cars as against Toyota Qualis as production of Qualis brand of the vehicles had stopped. The DPC also recommended for purchase of six numbers each of laser based Speed Video System with Colour Digital Video Camera, DVD Recording and playback equipment with remote control and Colour Video LCD Monitor from M/s Turbo Consultancy Services Private Limited, New Delhi which quoted the lowest rate of Rs 78.78 lakh including price of the equipment, installation and training charges, etc. Government issued orders (March 2006) for purchase of six Tata Indigo Cars under DGS & D rate contract at a cost of Rs 24.88 lakh from Tata Motors, Kochi and equipment for Rs 81.93 lakh (including tax) from M/s Turbo Consultancy Services, New Delhi. The cars and equipment were received in March 2006 itself.

The cars were distributed to five Regional Transport Offices (RTO) and mobile squad of the Transport Commissioner in June 2006. However, the speed detecting devices were not distributed to these offices along with the vehicles as there were some faults with the equipment and also due to delay in getting the equipment fitted in the vehicles. After rectification of defects and installation of the equipment in the vehicles, the vehicles were again distributed in April 2007.

Scrutiny of records (February 2008) of the Transport Commissioner revealed that none of the vehicles was utilised for the purpose intended as the equipment fitted in all vehicles became faulty when put to use. It was found that the RTOs were using the cars for other purposes after removing the speed radars. Though in the meeting held (October 2007) by Transport Commissioner it was decided to get the equipment repaired, no follow-up action was taken. There was lapse on the part of the Department in purchasing the equipment before ensuring their quality. There were also complaints from the RTOs that the training given to the staff for operating the system was inadequate. Thus the equipment purchased in March 2006 to enforce provisions of Motor Vehicles Act were lying idle due to defects and the expenditure of Rs 81.93 lakh incurred on it became unfruitful. Besides, the purpose of detection of overspeeding vehicles for ensuring road safety was not served.

The matter was referred to Government in June 2008; reply has not been received (October 2008).

WATER RESOURCES DEPARTMENT

4.3.7 Extra liability due to unnecessary provision of copper sheet

Provision of copper sheet in the construction of barrels of aqueducts/flumes disregarding IDRB's directions resulted in extra liability of Rs 53.26 lakh, of which Rs 25.34 lakh had already been paid.

The Irrigation Design and Research Board (IDRB) an agency under Irrigation Department is responsible for the design of irrigation structures costing more than Rs 30 lakh. Accordingly IDRB designed various structures of Idamalyar Irrigation Project (IIP). As per the approved design, the barrels of the aqueducts/flumes were to be constructed without any joints between bed-slab and sidewall. However, the estimate of some works of construction of aqueducts/flumes included provision for usage of copper sheet of 16 mm thickness and 30 cm width on both sides and throughout the length of the barrel. The usage of copper sheet in between the bed-slab and sidewall for these works were included terming that portion as 'construction joints'. But as per the design approved by IDRB the structure should be constructed as a single block without any joints. Further in the construction of barrels of aqueducts/flumes of other similar irrigation project, Muvattupuzha Valley Irrigation Project, the copper sheets were not used. Audit scrutiny of the works executed by IIP Division I, Angamaly revealed that an estimated amount of Rs 53.26 lakh had been provided for usage of copper sheet out of which Rs 25.34 lakh had already been paid in respect of four works as detailed below:

Sl. No.	Name of work	Quantity in metre		Rate per metre (Rs)	Agreement number	Extra expenditure (Rs in lakh)	
		Estimated	Actually paid			Based on estimated quantity	Actual payment made so far
1.	Low Level Canal (LLC) - Constructing C.C.Channel and aqueduct from chainage 80 m to 715 m	1,425	1,057	1,206	SEPCP3/ 2000-01	17.19	15.06
2.	LLC - Constructing aqueduct from chainage 2700 m to 3463 m	1,526	30.1	1,206	SEPCP1/ 2000-01	18.40	0.33
3.	LLC - Constructing aqueduct chainage 9000 m to 9525 m	1,011	573.80	1,155	SEPC4/ 2000-01	11.68	6.63
4.	Main canal - Constructing main canal from chainage 9000 metre to 10060 metre including aqueduct	240	179.40	1,850	SEPC3/ 2003-04	5.99	3.32
	Total					53.26	25.34

Thus the construction of aqueducts/flumes using copper sheet between the joints contrary to the approved design of joint free structures by IDRB resulted in extra liability of Rs 53.26 lakh of which Rs 25.34 lakh had already been paid.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

4.3.8 Extra expenditure due to revision of design without the approval of IDRB

Decision to deviate from the approved design for construction of flood bank by the CE (Projects I) and extending the scope of work of bank connection to Regulator-cum-Bridge resulted in extra expenditure of Rs 8.50 crore.

The Irrigation Design and Research Board (IDRB), designed the flood bank of Regulator-cum-Bridge (RCB), Thrithala across the river Bharathapuzha. IDRB also approved a design (9 February 2004) for bank connection* for the RCB as reinforced cement concrete founded on concrete piles of one metre diameter. The works of bank connection and flood bank were awarded to the same contractor for an amount of Rs 5.48 crore and Rs 4.52 crore in May 2005 and in November 2005 respectively. The works were completed in October 2006 and March 2007 at a cost of Rs 7.47 crore (bank connection) and Rs 5.98 crore (flood bank) respectively.

Audit scrutiny revealed the following:-

- Without obtaining sanction from Chief Engineer (Design), IDRB the Chief Engineer (CE) (Projects I) deviated (December 2005) from the original approved design of the earthen embankment for the flood bank, to a cement concrete retaining wall on the plea that more land was necessary for earthen embankment and there might be sinkage of earthen embankment due to displacement of clay beneath the embankment at the time of drawing down water from the regulator. Earlier IDRB had rejected the proposal of the CE (Projects I) to change the earthen embankment to cement concrete wall twice in June and August 2000 considering it unsafe as per the prevailing sub-surface soil conditions. Moreover, the contention of CE (Projects I) regarding the land requirement was also not correct as the FRL# was reduced to 13 metre above MSL& and the land acquisition was stalled in October 2004. This change in design resulted in extra expenditure of Rs 1.46 crore.

- In addition, the CE (Projects I) had also extended the bank connection upstream up to a length of 144 metre on left bank and 132 metre on right bank instead of 7.30 metre each on both sides of the river proposed earlier (as per the original design) by the Executive Engineer of the Division concerned to protect the bank and a graveyard. The design for bank connection was provided with a length of 139.20 metre downstream side of the river though the original design did not provide for it. In fact, there was no necessity of providing bank connection to downstream side of the river as this was to connect the flood bank to the abutment of RCB. The extra expenditure incurred on extension of the bank connection beyond 7.30 metre on upstream and downstream sides was Rs 4.16 crore and Rs 2.50 crore respectively.

- Though there were no mention in the tender schedule or in the agreement that the contractor would be paid extra for removing wood log and boulders met with in the boreholes during piling work for bank connection,

* a structure to connect the flood bank to the abutment wall of RCB on both sides.

Full Reservoir Level

& Mean Sea Level

Rs 0.38 crore was paid extra to the contractor for the purpose. This was an undue benefit to the contractor as the contract rate included the charges for removing the obstacles in the tender conditions (Notice Inviting Tender).

Thus, the action of the CE (Projects I) in providing concrete structures instead of earthen embankment for the flood bank, extension of bank connection and making payment for the removal of wood log and boulders as extra item resulted in extra expenditure of Rs 8.50 crore*.

The matter was referred to Government in August 2008; reply has not been received (October 2008).

4.4 *Idle investment/Idle establishment/Blockage of funds*

FOREST AND WILD LIFE DEPARTMENT

4.4.1 Idle investment on land and blocking up of funds released for Gandhi Smrithivanam Project

Failure to acquire the land required for 'Gandhi Smrithivanam Project' resulted in idle investment of Rs 77.99 lakh on part of the land acquired besides blocking up of Rs 70.86 lakh with the District Collector, Alappuzha.

Mention was made in Paragraph 3.5.3 (ii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Civil) about the non-implementation of 'Gandhi Smrithivanam Project' sanctioned in 1994 despite release of Rs 1.54 crore by the Forest Department to the District Collector (DC), Alappuzha for land acquisition. During examination of the paragraph the Committee on Public Accounts was informed by the Government that the DC, Alappuzha had acquired 410.95 acres of land and Rs 51.42 lakh was spent by DC as per Government orders (March 1999) for the purchase of 1.02 acres of land and building owned by Small Industries Service Institute, Government of India at Kommady in Alappuzha to house the Administrative Office of the Project. Only Rs 24.24 lakh was available with the DC for balance land acquisition. The Committee on Public Accounts (2001-2004) in its Forty-fourth Report presented to the Legislature on 19 February 2003 viewed with extreme dissatisfaction the failure on the part of the Department to achieve any remarkable progress in the implementation of the project and suggested that the Department should interact frequently with the representatives of the District/Block/Grama panchayats and social organisations for the successful completion of the Project. It also urged that no more diversion of funds should be effected for any purpose not directly related to the project.

In November 2005, an additional amount of Rs 45 lakh was released to the DC, Alappuzha for completing the land acquisition. According to the Assistant Conservator of Forests, Social Forestry Division, Alappuzha (April 2007) the total land acquired for the project was 414.82 acres (cost: Rs 77.99 lakh) and

* Change in design of flood bank - Rs 1.46 crore; Extension of bank connection on upstream and downstream - Rs 6.66 crore and Cost of extra item – Rs 0.38 crore

the total expenditure incurred on the project was Rs 1.30 crore. No further acquisition of land took place due to resistance of land owners in some stretches and the balance of Rs 70.86 lakh (including interest of Rs 1.62 lakh) was retained by the DC for three to nine years. The land so far acquired was not taken over by the Forest Department as the land was scattered in bits and pieces and part of land acquired was lying under water. Up to this time the Revenue Department had also not completed the survey and demarcation as required.

Government, however, ordered (June 2008) to hand over 100 acres out of the acquired land to IT Department for setting up an IT park.

Thus, even after 14 years since the sanction of the project, the entire land (600 acres) required for the project could not be acquired and the investment of Rs 77.99 lakh on the already acquired land (414.82 acres) remained idle. Besides, Rs 70.86 lakh of the project fund remained unutilised with the DC, Alappuzha.

Government stated (August 2008) that the delay in implementation was due to problems in acquisition of land and was not wilful but due to administrative reasons. Government further added that a new requisition for acquisition of the balance land had already been sent (January 2007) by the Additional Principal Chief Conservator of Forests, Social Forestry to the District Collector, Alappuzha and the Project would be implemented in a time bound manner. The reply cannot be accepted because Government had not taken any fruitful action for completion of the project despite recommendations (February 2003) of the Committee on Public Accounts and the project is languishing for the past 14 years.

INDUSTRIES DEPARTMENT

4.4.2 Tardy implementation of a scheme to promote coir geo-textiles

Failure to effectively monitor the Geo-Textile Development Programme by the Geo-Textile Cell constituted for the purpose resulted in tardy implementation and non-utilisation of Rs 2.24 crore earmarked for it.

Government approved the Geo-Textile Development Programme (GTDP) in March 2000 at an estimated cost of Rs 8.65 crore, of which Government would contribute Rs 6.75 crore and the balance Rs 1.90 crore would be contributed by the agencies. The programme was to be implemented by the Kerala State Co-operative Coir Marketing Federation Limited (COIRFED) and Kerala State Coir Corporation Limited (KSCC). Geo-textile Cell constituted at the Directorate of Coir Development was the monitoring agency of the programme and Rs 72.50 lakh and Rs 50 lakh were released to COIRFED and to KSCC respectively during 1999-2000.

At the instance of Government, the Director of Coir Development submitted comprehensive proposals for development of Coir industry using the Special Package assistance at Rupees five crore (September 2002). The proposals comprised seven components which included additional funds for GTDP sanctioned in March 2000. State Government issued administrative sanction for this package in February 2003 to be implemented through three agencies COIRFED, KSCC and Foam Mattings (India) Limited (FOMIL) and ordered that the disbursal of funds to the implementing agencies would be on reimbursement basis. Contrary to this Government released Rs 4.19 crore to these agencies during 2002-05 for implementation of various components of the scheme. With this, the total amount released to the agencies was Rs 5.42 crore (COIRFED: Rs 1.65 crore, KSCC: Rs 3.12 crore, FOMIL: Rs 0.65 crore). The amount utilised by the three implementing agencies was Rs 3.18 crore. Thus Rs 2.24 crore remained unutilised as of March 2007 with the agencies viz., COIRFED: Rs 0.65 crore, KSCC: Rs 1.12 crore, FOMIL: Rs 0.47 crore.

No evaluation was conducted by the Department to assess the performance of various projects undertaken in this field/area as the Geo-textile cell could not function properly due to absence of qualified trained officers in this field, who are required to do physical verification. A State level Advisory Committee for research and development was established in May 2007 under the National Coir Research and Management Institute (NCRMI) for formulating necessary guidelines and sanction relevant schemes for coir geo-textiles. It was also decided (May 2007) to transfer the unutilised portion of the funds with the implementing agencies to the Directorate and to keep it as a separate fund. Accordingly, KSCC and FOMIL refunded (July 2007) Rs 1.05* crore and Rs 42# lakh respectively and the funds were parked at NCRMI as the Director of Coir Development did not have a bank account. The Director also informed (April 2008) that COIRFED had been instructed to refund the unspent balance (Rs 64.63 lakh) to NCRMI.

Thus the failure of the Department to effectively monitor GTDP due to improper functioning of Geo-textile Cell resulted in tardy implementation of the programme and non-utilisation of Rs 2.24 crore earmarked for it.

The matter was referred to Government in July 2008; reply has not been received (October 2008).

HEALTH AND FAMILY WELFARE/TRANSPORT DEPARTMENT

4.4.3 Non-utilisation of Central assistance

Central assistance of Rs 4.05 crore released for implementation of four schemes could not be utilised for the past three years due to delay in implementation of schemes.

Government of India (GOI) released Rs 4.05 crore as Central assistance for the implementation of four$ schemes during 2004-05 and 2005-06. But the amount remained unutilised due to delay in implementation of schemes as detailed below:

* Excludes Rs 7.29 lakh retained by KSCC

Excludes Rs 4.29 lakh retained by FOMIL to meet past commitments

$ Case 1. Procurement of equipment under National Cancer Control Programme; Case 2. Grant-in-aid to State Government under Centrally Sponsored Scheme 'State Model Institute of Homoeopathy'; Case 3. Establishment of Trauma Care Unit at District Hospital, Mananthavady; Case 4. Setting up of 'Training Institute on Driving and Research'.

HEALTH AND FAMILY WELFARE DEPARTMENT

Case 1. GOI sanctioned (March 2005) Rs 1.20 crore to Medical College, Thrissur, as a one time grant-in-aid under National Cancer Control Programme for procurement of various equipment during 2004-05. The amount received in April 2005 was deposited in the current account in State Bank of Travancore, Wadakkanchery Branch in May 2005. The purchase order for procurement of equipment was to be placed within 60 days from receipt of the grant preferably within the same financial year and in case of failure to complete the assignment, the entire grant was to be refunded to GOI forthwith.

The State Government accorded sanction (March 2007) for the purchase of 'Micro selectron HDR* after loading unit alongwith Plato 3D Treatment Planning System' through Nucletron India (Pvt) Limited, Chennai for Rs 1.20 crore on the condition that payment should be effected only after supply, installation and successful trial run of the equipment as stipulated in the tender documents. When supply order was issued in April 2007, the firm demanded (May 2007) 90 *per cent* payment against receipt of shipment documents and the balance 10 *per cent* on installation. Government accepted the payment conditions in April 2008 after a lapse of 11 months. The Principal, Medical College, Thrissur again took up (May 2008) the matter with the Director of Medical Education for issue of a revised purchase sanction as the earlier one was for purchase during 2006-07. Further developments were awaited.

Case 2. GOI released (August 2004) Rupees one crore as grant-in-aid to the State Government under the Centrally sponsored scheme 'State Model Institute of Homoeopathy' for the Government Homoeopathic Medical College, Thiruvananthapuram (GHMCT). Government accorded (March 2006) sanction for construction of an Auditorium-cum-Seminar hall at GHMCT and the Principal released Rs 70 lakh earmarked for capital works to the Executive Engineer, Special Buildings Division, Thiruvananthapuram. PWD had not commenced the work (January 2008) eventhough the amount was deposited as early as in April 2006. It was decided (April 2008) by the Principal in consultation with the Executive Engineer to construct a Seminar hall, a dormitory and short stay rooms with sufficient toilet facilities over the terrace of the existing hospital building at an estimated cost of Rs 70 lakh. Revised sanction from Government had not been obtained/awaited (August 2008). Only Rs 9.56 lakh had been utilised as of March 2008 towards purchase of equipment. However it was further observed that utilisation certificate for Rs 79.56 lakh was furnished to GOI (July 2006), though Rs 70 lakh remaining unutilised for the project with the deposit account of the Executive Engineer.

Case 3. State Government provided Rs 85 lakh in July 2005 for establishing a Trauma Care unit at District Hospital, Mananthavady in Wayanad District by utilising Additional Central assistance received in 2004-05 for the improvement of hospitals in the State. In November 2005, Government entrusted the work to Kerala Health Research and Welfare

* High Dose Rate

Society (KHRWS) to be supervised by the District Collector, Wayanad. The Superintendent of the hospital transferred Rs 25 lakh (out of Rs 85 lakh) in March 2006 to the account of the KHRWS at the State Bank of Travancore, Mananthavady. The work awarded to a contractor in March 2006 did not commence due to delay in demolition of an old building at the site. So the balance amount of Rs 60 lakh could not be utilised during 2005-06 and remained as unsurrendered saving. The District Medical Officer of Health, Wayanad directed KHRWS to stop all the works relating to the Trauma Care unit (December 2006). Thus, Additional Central assistance of Rs 85 lakh received during 2004-05 could not be utilised. Further, Rs 25 lakh released to KHRWS in March 2006 remained unutilised in a Public Sector Bank.

Government stated (June 2008) that the concrete work for the two storied building had been completed by KHRWS and for completion of the remaining work, additional funds would be provided in the next Supplementary Demands for Grants. The reply is not acceptable as the Trauma Care Unit could not be established even after three years of release of Additional Central assistance for the purpose.

TRANSPORT DEPARTMENT

Case 4. GOI accorded sanction (August 2004) for setting up of 'Training Institute on Driving and Research' (Institute) at Edappal at a cost of Rs 6.64 crore with Central assistance of Rs 2.99 crore. GOI released (September 2004) Rs 0.50 lakh to Central Institute of Road Transport (CIRT), the consultant to provide assistance for execution of the project and Rs 99.50 lakh to the State Government. The Transport Commissioner deposited the amount of Rs 99.50 lakh in Savings Bank account in a nationalised bank in September 2004. State Government approved (July 2006) the Memorandum of Association of the Institute and the Institute was registered in October 2006 under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955. The Transport Commissioner also transferred Rs 85 lakh out of State funds (March 2007) to the Institute for development of infrastructure facilities and the Institute deposited the amount in TSB account. Government further ordered (February 2008) to lease out 25 acres of land belonging to Kerala State Road Transport Corporation (KSRTC) at Edappal for 99 years to the Motor Vehicles Department for setting up the Institute. However, even the preliminary works for setting up the Institute has not been started.

Government in reply to audit stated (August 2008) that the Institute which had now started functioning at Chevayur, Kozhikode could be shifted to the new building at Edappal within one year. The reply is not tenable in view of the fact that the Institute had not been set up even after release of Central assistance of Rupees one crore four years ago.

Thus, Central assistance of Rs 4.05 crore released during 2004-05 and 2005-06 for implementation of three schemes in Health and Family Welfare Department and one scheme in Transport Department could not be utilised due to tardy implementation of schemes.

Cases 1 and 2 were referred to Government in September 2008; replies have not been received (October 2008).

INDUSTRIES/PLANNING AND ECONOMIC AFFAIRS/FOREST AND WILD LIFE DEPARTMENT

4.4.4 Blocking up of funds with Government agencies

Failure to conduct proper feasibility study and lack of planning in implementation of scheme resulted in blocking up of State Government money of Rs 8.81 crore with the implementing agencies for the last two to four years.

The State Government released Rs 9.10 crore for implementation of three[#] schemes during 2004-05 and 2006-07. Scrutiny of records relating to the implementation of these schemes revealed that implementation of schemes did not progress as envisaged resulting in blocking up of Government funds as detailed below:

INDUSTRIES DEPARTMENT

(a) Government issued administrative sanction for implementing the scheme 'Market Oriented Product Development' for upgradation of technology, improvement of skills and enhancement of marketing of coir products at a cost of Rs 5 crore through six Government agencies[*] during March 2005. The Director of Coir Development drew Rs 5 crore and transferred it to the implementing agencies in March 2005. Government prescribed three to four months for implementation of various schemes. Since implementation of various schemes was tardy the agencies could spent only Rs 0.29 crore as of December 2007. The physical achievement was only in setting up of Wide Area Network in the Directorate, brand building for coir and obtaining ISO certification. The schemes were finalised by the Department without conducting any feasibility/pilot study or the availability of the required machines, almost all the schemes have to be revised or alternative schemes introduced during time to time. Thus the scheme to upgrade technology, improve skills and enhance marketing of coir products could not be implemented and Rs 4.71 crore was blocked up with the implementing agencies for more than three years.

The matter was referred to Government in June 2008; reply has not been received (October 2008).

PLANNING AND ECONOMIC AFFAIRS DEPARTMENT

(b) Government accorded sanction (March 2005) for setting up of a unit on 'Local Self Government Studies and Research' in the Centre for

[#] 'Market Oriented Product Development in Coir Sector', 'Setting up of a unit on Local Self Government Studies and Research' and 'Pythalmala Eco-tourism Project'

[*] Centre for Development of Coir Technology (C-DOCT): Rs 1.40 crore; Foam Mattings (India) Ltd. (FOMIL): Rs 0.79 crore; Kerala State Coir Corporation (KSCC): Rs 0.79 crore; Kerala State Co-operative Coir Marketing Federation (COIRFED): Rs 1.04 crore; Kerala Coir Workers Welfare Fund Board (KCWWFB): Rs 0.94 crore; Kerala State Electronics Development Corporation (KELTRON): Rs 0.04 crore.

Development Studies (CDS),' with the objective of promotion of research, capacity building and usage of research findings to support local level development through Local Self Governments. The project was to be financed by grants (Rs 8 crore) from State Government for the first four years from 2004-05 at Rs 2 crore each year and funds (Rs 3.50 crore) mobilised from other funding sources*. From the fifth year the programme was to run on a self-sustainable basis without any external support.

Government released Rs 1.70 crore in March 2005 and Rs 2 crore in March 2007 towards the first and second instalments of its committed share. CDS did not start the project as envisaged in the proposal on the plea that non-release of second instalment by Government during 2005-06 had caused some uncertainity in the functioning of the unit. CDS had with it Rs 2.50 crore in the corpus fund up to 2005-06, including Rs 0.80 crore being the unspent balance of the erstwhile Kerala Research Programme on Local Level Development and hence CDS could not start the project as envisaged. It was only after the release of the second instalment of Rs 2 crore that CDS took the initiative to recruit faculty members and commence research and other related activities. As against the expenditure of Rs 2.51 crore to be incurred on faculty and projects for the four years up to 2007-08, the expenditure incurred was only Rs 7 lakh. Despite all efforts implementation of the programme could not progress as envisaged.

Government stated (September 2008) that the major activity was 'action research project' for which priority sectors in ten panchayats had been identified and started implementation from 2006-07. The reply is not acceptable as the objective of setting up the unit for promotion of research has not been fulfilled even after three years of release of funds to CDS.

FOREST AND WILD LIFE DEPARTMENT

(c) Government sanctioned (February 2005) the Pythalmala Ecotourism Project at a cost of Rs 60 lakh under 'Integrated Development of Northern Region Tourism Circuit in Kerala' to be completed by December 2005. The Director of Tourism released (March 2005) Rs 40 lakh to the Director of Ecotourism to credit the amount in the Bank account of the Chief Executive Officer, Thenmala Ecotourism Promotion Society (TEPS) for making payment to Forest Development Agency (FDA), Kannur, the implementing agency.

The Director of Ecotourism accorded sanction to the FDA, to execute the works, namely, camping area, trekking routes, fixing of metal and wooden sign boards, water supply arrangements, etc., at a cost of Rs 48.50 lakh and released (August 2005) Rs 14.99 lakh to the FDA, on the condition that work should be completed before 31 December 2005. The FDA, deposited (October 2005) the amount in their Bank Account along with their own funds. Out of 22 works costing Rs 48.50 lakh, only 6 items of work costing Rs 5.57 lakh were tendered (February 2007) by FDA. None of these activities could, however, commence due to non-participation of contractors in the tender except for a small stretch of trek path costing Rs 0.40 lakh. Further the Divisional Forest Officer, Kannur stated (December 2007) that construction

* Such as Indian Council of Social Science Research, Ministry of Rural Development, GOI and International Organisation like the UNDP.

work could not be commenced due to non-completion of a road by Public Works Department leading to the worksite. Thus the Eco-tourism project sanctioned in February 2005 had not been completed even after three years and Rs 39.59 lakh sanctioned for the same remained blocked in the bank accounts of TEPS (Rs 25 lakh) and FDA (Rs 14.59 lakh).

The matter was referred to Government in July 2008; reply has not been received (October 2008).

Thus, taking up of project without conducting proper feasibility study coupled with lack of planning in implementation of schemes resulted in blocking up of Government money of Rs 8.81 crore.

4.5 Regularity issues and other points

AGRICULTURE DEPARTMENT

4.5.1 Ineffective implementation of the Central scheme for control of mite infestation

Failure of the Department to effectively implement the Central scheme to control mite infestation resulted in unutilised balance of Rs 12 crore released by the Coconut Development Board in February 2001 which had been refunded to the Board after six years.

Government of India (GOI) released Rs 24.25 crore (February 2001) to the Coconut Development Board (Board) for controlling Eriophyid mite in the coconut gardens of Kerala. The Board, in turn, released the entire amount to State Government. The assistance was intended to meet 50 *per cent* of the cost of chemicals with maximum amount of Rs 8 per palm[#] for carrying out three rounds of spraying in about 3.12 crore palms. Mention was made in paragraph 3.1.20 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003 (Civil) about non-implementation of the scheme till the end of March 2003 despite release of funds in February 2001. Subsequently, Government accorded (March 2004) administrative sanction for taking up the third phase of the spraying operations covering 28 lakh palms and application of fertilizer at a total cost of Rs 47.76 crore[@]. As it was later found that the scheme could not be implemented with such huge contribution from farmers, Government issued (October 2004) revised administrative sanction for spraying operations in 30 lakh palms at a cost of Rs 14 per palm and distribution of fertilizer kit[*] at a cost of Rs 14 per palm for four crore palms. The Director of Agriculture released Rs 9.40 crore and Rs 3.55 crore during 2003-04 and 2004-05 respectively to Kerala State Warehousing Corporation (KSWC) and Kerala Agro Industries Corporation (KAICO), the implementing agencies for the scheme. In September 2005 Government enhanced the target of spraying to one crore palms.

[#] Palm refers to coconut palm.

[@] State's share: Rs 2.38 crore, Central assistance: Rs 23.03 crore and Farmers' share: Rs 22.35 crore.

[*] The kit contains Urea, Super phosphate and Murate of Potash.

Scrutiny (December 2007) revealed the following lapses in execution of the scheme:

- Though GOI assistance was released for spraying in 3.12 crore affected palms, the target fixed by State Government was only for 30 lakh palms which was further enhanced to 100 lakh. The actual achievement was only 99.34 lakh palms. Government stated (August 2008) that it was not necessary to enhance the target beyond 100 lakh palms because mite infestation had reduced due to two rounds of spraying already done earlier.
- The implementation of the scheme was slow due to lack of skilled labourers, adverse weather conditions, reluctance of farmers to bear their share, financial constraints to provide matching State share, etc., and hence the unutilised balance of Rs 12 crore was refunded to the Board in March 2007 and September 2007.
- The sprayers purchased by KSWC and KAICO costing Rs 37 lakh had not been returned to the Department despite instructions to do so.
- Even before getting specific direction from Government, for purchase of fertilizer kits, KSWC purchased 1850 MT of urea costing Rs 93.31 lakh in February 2005. As the distribution of fertilizer kits was not taken up, the urea held in stock had already started oozing out and degraded to lump form due to prolonged storage. Government stated (August 2008) that KSWC had been directed to refund the amount utilised for purchase of urea.
- KSWC and KAICO had also spent Rs 63.32 lakh on non-approved items such as insurance premium, handling charges, transportation, supervision, etc.

Thus failure of the Department to effectively implement the Central scheme to control the mite infestation due to decrease in fixing of target, non-implementation of the fertilizer package, slow implementation, etc., resulted in unutilised balance of Rs 12 crore released by the Board during 2001 eventually refunded to the Board after a gap of six years.

4.5.2 Non-utilisation and diversion of Central assistance meant for Micro Irrigation project

Central assistance of Rs 31.61 crore released in March 2006 for Micro Irrigation remained unutilised and State Government saved Rs 1.51 crore towards interest on advance/overdraft consequent upon transfer and retention of unutilised central funds in Government accounts during 2007-08.

Government of India (GOI) released (March 2006) the Central share of Rs 32 crore for the Centrally Sponsored Scheme on Micro Irrigation directly to the Principal Agricultural Officers (PAOs) of the 14 Districts. The Director of Agriculture instructed (June 2006) the PAOs to keep the amount initially in the bank account maintained for another scheme on 'National Watershed

Development Programme for Rainfed Areas' (NWDPRA) until sanction for opening separate bank account was obtained from State Government.

The State Government accorded administrative sanction (September 2006) for implementation of the scheme. The Director of Agriculture sought permission (November 2006) from State Government to open a separate account in nationalised bank to deposit Central funds received for 'Micro Irrigation' which were kept along with another scheme 'NWDPRA'. The State Government, however, did not give permission and directed (March 2007) the Director to credit the amount to State Government accounts before 31 March 2007 stating that the action of the Director in keeping Central funds of two different schemes together was irregular. Accordingly, the PAOs remitted (March 2007) the balance unspent amount of Rs 31.61 crore with them to the major head of account '1601 – Grants-in-aid from Central Government'. When the matter of crediting unspent Central assistance to the accounts of State Government was taken up by the Accountant General (A&E) with the Controller General of Accounts, it was clarified (July 2007) that the amount had to be refunded to GOI in case the funds could not be released to the implementing agencies. State Government ordered (April 2008) to return the money to the PAOs and accordingly demand drafts were issued to them for utilising them for the scheme. However, the entire amount remained unutilised (August 2008) and was retained as demand drafts by the PAOs pending sanction from Government for opening separate bank account.

Thus, the unspent Central funds were transferred and retained in State Government accounts during 2007-08 which helped in improving the ways and means position of the State Government. The interest thus saved on advances/overdraft during 2007-08 was Rs 1.51 crore*.

Thus, 98.8 *per cent* (Rs 31.61 crore) of the Central assistance released directly to the PAOs for 'Micro Irrigation' remained unproductive for the last two years and State Government saved Rs 1.51 crore during 2007-08 as interest on advances/overdraft by transferring and retaining the unutilised funds in Government accounts.

The matter was referred to Government in September 2008; reply has not been received (October 2008).

* On Rs 31.61 crore for 214 days at the average rate of interest of 8.15 *per cent* on ways and means advances and overdraft.

FINANCE DEPARTMENT

Kerala Infrastructure Investment Fund Board

4.5.3 Avoidable loss due to borrowing without requirement

Kerala Infrastructure Investment Fund Board could not provide advice for infrastructure projects since its inception. This resulted in procuring huge funds at higher interest rates and depositing them in savings bank account at lower interest rates at a loss of Rs 72.03 crore to state exchequer.

The Kerala Infrastructure Investment Fund Board (KIIFB) was constituted (November 1999) by the State Government to provide direct financial assistance to public sector undertakings and others for infrastructure projects. Mention was made in Paragraph 1.9.5 (ii) (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 and Paragraph 1.9.3 (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003, Government of Kerala (Civil) about the off-budget borrowing made by State Government through the Board by floating KIIFB Bonds Series I (Rs 507.06 crore), Series II (Rs 10.74 crore) and Series III (Rs 505.91 crore) at interest rates of 13.25, 10.50 and 11 *per cent* respectively during December 1999 - May 2003. The repayment of principal and interest on the bonds was guaranteed by the State Government at a commission of 0.75 *per cent* per annum. A further audit of the accounts of the Board revealed the following:

In addition to the initial contribution of Rs 75 lakh, Government released a grant of Rs 136.10 crore to the Board during 2000-04. Under the Kerala Infrastructure Investment Fund Act, 1999, Government formulated the Kerala Infrastructure Investment Scheme, 1999 under which long-term loans for infrastructure projects were to be sanctioned based on detailed project report and after executing loan agreement and implementation/performance contract by the loanee entity. The Board, however, did not receive any application for loan funds for creation of infrastructure. As there was no immediate requirement of funds for loan disbursement, the Board deposited the entire funds mobilised at high cost in the treasury special savings bank account at interest rate ranging from 6 to 13.75 *per cent* per annum earning an aggregate interest income of Rs 567.88 crore up to March 2007. Bonds issued under Series I and II were subsequently (December 2004/April 2005) redeemed by availing bank loan at 6.7 *per cent* and exercising the call option. As against interest income of Rs 567.88 crore, the Board had incurred a total bond related expenditure of Rs 639.34 crore towards interest on borrowings, guarantee commission, professional charge, credit rating fee, etc., besides Rs 0.57 crore towards administrative and other expenses, resulting in avoidable loss of Rs 72.03 crore.

Thus, the hasty action on the part of the Board in floating bonds anticipating requirement of loan assistance for infrastructure project ever since inception (1999) without proper assessment of requirement of funds resulted in avoidable loss of Rs 72.03 crore.

The Board stated (July 2007) that though it did not directly fund infrastructure projects, the funds mobilised and deposited in treasury were utilised by the State Government for various indirect infrastructure projects thereby meeting the objectives of the Board. The reply is not tenable since the action of the Board in raising substantial funds without a proper assessment of requirement and parking the said funds in the treasury facilitated indirect borrowing by the Government through the Board by issuing bonds. Further normal functions of Government cannot be considered as a substitute for the activities vested with an independent body formed under the Act with definite objectives.

Government stated (August 2008) that the fund was constituted with the good intention of accelerating the pace of industrial growth and development in the State but the Board could not achieve its objectives due to many reasons including the size of the fund, unfavourable investment climate in the State, non-availability of viable projects for investment, etc. The reply of Government is not tenable as the Board could not achieve its objective of providing financial assistance for infrastructure project despite mobilisation of huge funds at higher interest rates for the purpose.

4.5.4 Diversion of funds

The Treasury Department diverted Rs 54.43 lakh earmarked for Treasury Computerisation Programme for purchase of vans for the use of District Treasuries. The said expenditure was on a 'New Service' and required the sanction of the Legislature.

According to notes under Appendix 3 of the Kerala Budget Manual, purchase and maintenance of staff cars and other vehicles for office use should be classified under 'Office Expenses'. In November 2007 the Director of Treasuries sent a proposal to Government for the purchase of Vans for conducting routine inspection of sub-treasuries, collection of imprest money for pension payment, etc. The Finance Department rejected (December 2007) the proposal on the ground that the financial position of the State was not conducive to the provision of vehicles for District Treasuries and further there was no budget provision in the current financial year for the purpose.

There was a plan provision of Rs 3.30 crore during 2007-08 under the head of account '2054-00-095-99 (19) Machinery and Equipment' for Treasury Computerisation Programme towards payment of outsourcing charges, purchase of computers, Generator sets, computer and accessories for the newly opened Sub-treasury at Pulamanthol, etc. As the department could not finalise the purchase of Generator sets, computers and accessories till the end of the financial year, the Department anticipated savings under the above programme. Considering this, the Director of Treasuries sent the proposal for the purchase of vans on 14 March 2008, mentioning the difficulties experienced by the District Treasury Officers and Co-ordinators for rectifying the technical defects of computers installed in Sub treasuries. The Director also proposed that sufficient funds were available under 'machinery and equipment' and it was correct to classify the expenditure under this head. Based on this, Government accorded (27 March 2008) administrative sanction for the purchase of 24 Maruti Omni Vans (LPG) at an approximate cost of

Rs 58 lakh for the use of the District Treasuries in the State. The Director purchased the 24 Maruti Omni Vans at a cost of Rs 54.43 lakh debiting the expenditure to the above head of account.

It was noticed during audit examination that the provision for purchase of vans was not included in the budget, hence the expenditure would be classified as 'New Service'. As per the provisions of Kerala Budget Manual the expenditure can be incurred only after obtaining necessary funds through Supplementary Demands for Grants. Further, expenditure on purchase of car is a non-plan item, utilisation of Plan funds for non-plan purposes is irregular amounting to diversion of Plan funds for non-plan activities of the department.

It was further observed from documents that the Department had entered into an agreement with a private firm for implementation of 'Facility Management System for the maintenance of Treasury Information System' with effect from March 2006 at a cost of Rs 1.44 crore. Hence there was no urgent need for the District Treasury Officers and Co-ordinators for conducting frequent and urgent visit of sub-treasuries for rectification of defects of the computer system.

Thus the Department diverted Rs 54.43 lakh earmarked for Treasury Computerisation Programme for purchase of Vans for the routine use of District Treasuries. Besides the expenditure was on a 'New Service' not contemplated in the budget and hence required sanction of the Legislature before incurring any expenditure.

Government stated (July 2008) that the contention that Plan funds were diverted was not true as there was no component-wise earmarking of fund meant for computerisation. Government added that purchase of Vehicles was an integral part of the on-going treasury computerisation programme and hence expenditure thereon was not treated as 'New Service'. The reply is not tenable because the provision during 2007-08 for computerisation did not contemplate purchase of vans and therefore purchase of van from plan funds was an after thought and hence constituted 'New Service' resulting in diversion of funds.

GENERAL EDUCATION DEPARTMENT

4.5.5 Irregularities in accounting transactions and cash management in Kerala State Open School

Financial rules and procedures were not followed in Kerala State Open School which led to diversion of Rs 6.74 crore by SCERT, non-maintenance of accounts, non-adjustment or belated adjustment of advances and lack of prudent cash management.

Government approved (April 1999) establishment of the Kerala State Open School (KSOS) as a separate wing of the State Council of Educational Research and Training (SCERT), a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Act, 1955, to give opportunities for continuing education to drop outs from schools and to provide facility for private registration to students who do not get admission to Plus Two courses.

Scrutiny of the records of the KSOS revealed non-adherence to financial rules and procedures, mismanagement of cash, non-adjustment/belated adjustment of advances, etc. as detailed below:-

(i) During 2005-06 and 2006-07, receipts amounted to Rs 8.20 crore and Rs 7.10 crore respectively whereas the expenditure was Rs 3.15 crore and Rs 4.80 crore respectively. Neither separate accounts were prepared for KSOS nor the transactions were incorporated in the accounts of SCERT. Government stated (July 2008) that accounts of KSOS for 1999-02 had since been prepared and preparation of accounts for the years from 2002-03 was in progress.

(ii) SCERT diverted Rs 6.74 crore out of KSOS funds up to 31 March 2007 towards its expenditure on plan schemes as the grant-in-aid received from Government was less than its actual requirements. This had not been replenished so far. Government stated (July 2008) that sanction was issued for utilisation of Rs 1.29 crore from KSOS funds as a stop-gap arrangement for the training programme for Higher Secondary teachers and that the Director of Higher Secondary Education had agreed to settle the account shortly. But the reply of Government was silent on the balance amount of Rs 5.45 crore.

(iii) There was a closing balance of Rs 15.5 crore as on 31 March 2006, in savings bank accounts (Rs 7.5 crore) and current account (Rs 8 crore) kept by KSOS with State Bank of Travancore (SBT), Poojappura. On conversion of the current account on 10 April 2006 as savings bank account the balance (Rs 8.27 crore)* was transferred to savings bank account. Meanwhile on 5 April 2006, as against financial provision the Director opened a new savings bank account at Canara Bank, Thrivikramangalam branch in his own name and deposited Rs 2 crore by withdrawing the money from his joint account with the Finance Officer at SBT, Poojappura without any specific reason. Based on the decision (April 2007) of the Governing Body of SCERT, Rs 10 crore was deposited in June 2007 as Fixed Deposit (FD) for a period of one year in State Bank of India which carried an interest of 10 *per cent*. Had this amount along with Rs 2 crore held with Canara Bank been deposited in FD from April 2006 onwards, the interest that would have been additionally earned by KSOS would be about Rs 91 lakh for the period April 2006 to May 2007 calculated at the difference in interest rate of FD (10 *per cent*) and savings bank (3.5 *per cent*). Government stated (July 2008) that the amounts were retained in SB account as the requirement of funds for implementation of various schemes at short notice was not predictable.

(iv) KSOS had been disbursing the amounts in lumpsum to the implementing officials for various programmes as temporary advances. Article 99 of Kerala Financial Code stipulate that these advances should be settled within a reasonable time and in cases where unutilised amount had not been surrendered or adjustment bills not submitted in time, the entire amount of advance with interest at 18 *per cent* was recoverable from the recipients. During 2006-07, KSOS had disbursed temporary advances of Rs 4.41 crore in

* Included Rs 27 lakh credited to the account subsequently by way of various fees.

862 cases. Of this, in 854 cases refunds of excess advance of Rs 2.16 crore were made indicating that the temporary advances were made without any assessment, hence they were far in excess of actual requirements. In some cases, only part of the advance was settled and the balance retained by the officers for long periods. In the absence of a separate set of accounts for KSOS, the exact amount of unsettled advances could not be quantified. Government stated (July 2008) that action had been initiated to settle the balance amount of advances on a time bound basis and stringent action including levying of interest for delay in settlement was being taken.

Thus the funds collected and utilised by KSOS are not properly monitored by SCERT, though KSOS was formed as a separate wing, to ensure financial prudence. This has resulted in huge accumulation of unutilised balances in nationalised banks and diversion of a part of the funds for its own purpose by SCERT which was against the objectives/guidelines of the scheme.

INFORMATION TECHNOLOGY DEPARTMENT

4.5.6 Loss of rental income due to relaxation in leasing criteria

Relaxation in criteria adopted for leasing out area in 'VISMAYA' building of Infopark resulted in loss of Rs 1.86 crore towards rent for a period of three years from May 2005.

INFOPARKS, KERALA, a society registered under the Travancore Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 promoted by the Government of Kerala for IT infrastructure development came into being on 27 October 2004 with the transfer of 91.90 acres of land and assets thereon owned by Kerala Industrial Infrastructure Development Corporation Limited (KINFRA). INFOPARKS KERALA constructed another building 'VISMAYA' in October 2005 with a total area of 2,32,866 square feet space in eight floors (including ground floor). The ground floor of the building was leased out to five different firms. While calculating the leased portion of the ground floor area, lobby, toilets, corridors, stairs, etc were excluded from rent as 'common area' as they were utilised by all the tenants.

The entire first and fourth floors of the building was leased out to M/s.U.S.Technology and M/s. Wipro Limited respectively whereas the entire second and third floors was leased out to M/s. Affiliated Computer Services. In all the above cases common area which included toilet, lobby, corridors, etc., were included for calculation of leased area because the entire floor area was leased out to a single entity. But this criteria was not adopted in the case of M/s.Tata Consultancy Services (TCS) to whom the entire fifth, sixth and seventh floors were leased out for a period of five years from May 2005 @ Rs 16 per sq.ft. per month plus Rs 3.50 per sq.ft per month towards service charges. In the instant case, 'common area' of 26,550 sq.ft. which included lobby, toilets, corridors, etc., were excluded from calculation of lease rent to be paid by private institutions. Thus relaxation in criteria to fix leased out area in case of TCS resulted in loss of lease rent of Rs 1.86 crore for a period of three years from May 15, 2005 onwards.

Government stated (May 2008) that the TCS was the first major IT company of international repute to acquire space in the Infopark when the park was struggling to rent out the built up space and inclusion of the common area in the space leased out to TCS had to be considered in this context. As the other IT companies viz., ACS of India and Wipro had also entered into lease from May 2005 itself, at higher or equal rental alongwith lease rent for common area included in the amount to be paid by lessee there was no need for extending a concession or favour to TCS alone which had led to a loss of Rs 1.86 crore to auditee.

SOCIAL WELFARE DEPARTMENT

4.5.7 Non-operation of Social Security Fund

Social Security Fund created with Rs 65 crore could not give benefit to the disabled and destitutes for want of approval from Government for operation of fund and the money remained blocked in Treasury Savings Bank account.

Government constituted a Social Security Fund in 2002-03 with an initial corpus of Rs 25 crore for giving assistance to destitutes and their children staying as inmates of the welfare institutions under the Social Welfare Department, to the girls who leave the institution after getting married to start their livelihood, to the destitutes identified by Kudumbasree, etc. A further amount of Rs 40 crore was provided during 2004-05. Government approved the rules framed by the Director of Social Welfare for the operation of the Fund in December 2004 with two modifications viz., (i) the applicants should be selected by a committee headed by MLAs and (ii) there should be criteria to determine the number of beneficiaries in every district/constituency for disbursement of assistance.

In March 2005, on the instructions of Government the Director of Social Welfare deposited the entire amount of Rs 65 crore in an interest free Special Treasury Savings Bank (TSB) account in the District Treasury, Thiruvananthapuram. Subsequently in a meeting held (February 2006) in connection with utilisation of the fund it was decided that constitution of committees under the chairmanship of MLAs was not necessary as the beneficiaries were selected by Panchayat Committee and Kudumbasree workers. Revised rules for operation of the fund, forwarded to Government (September 2006) by the Director of Social Welfare had not yet (October 2008) been approved.

Thus, failure of the Government in finalising rules for operation of Social Security Fund constituted in 2002-03 resulted in denial of benefit to the destitute inmates of Government Welfare institutions besides non-utilisation of Rs 65 crore deposited in Treasury Savings Bank meant for the purpose.

The matter was referred to Government in April 2008; reply has not been received (October 2008).

General

4.5.8 Lack of responsiveness of Government to Audit

The Principal 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 deficiencies, lapses, etc. The Heads of offices and the next higher authorities are required to report their compliance to the Principal Accountant General within four weeks of receipt of the IRs. Half-yearly reports of pending IRs are being sent to the Secretary of the concerned department to facilitate monitoring of the pending IRs.

At the end of June 2008, 6,247 IRs and 24,527 paragraphs issued up to December 2007 were pending settlement. The year-wise break-up of these IRs is given below.

Year	Number of Inspection Reports	Number of paragraphs
Up to 2003-04	1926	5178
2004-05	1193	3176
2005-06	969	4196
2006-07	1162	5888
2007-08	997	6089
Total	**6247**	**24527**

The department-wise break-up of these IRs and paragraphs is indicated in **Appendix XXXV**.

A review of the outstanding IRs pertaining to Judiciary and Co-operation department revealed that 327 paragraphs contained in 137 IRs and with a money value of Rs 302.74 crore remained unsettled at the end of June 2008. The year-wise position of outstanding IRs and paragraphs and the nature of irregularities are indicated in **Appendix XXXVI**.

4.5.9 Follow up action on Audit Reports

Government is to finalise remedial action on all audit paragraphs within a period of two months of the presentation of the Reports of the Comptroller and Auditor General of India to the Legislature. The Administrative departments concerned were required to furnish notes explaining the remedial action taken (ATNs) on the audit paragraphs to the Public Accounts Committee (PAC) or

* Handbook of instructions for the speedy settlement of audit objections/inspection reports, etc., issued by the Finance Department.

the Committee on Public Undertakings (COPU)[#] as well as to the Principal Accountant General within the prescribed time limit.

The position of pendency as of July 2008 in furnishing ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India (Civil) Government of Kerala pertaining to the years 2002-03 to 2006-07 was as follows:

Reference to Report (year)	Number of Paragraphs included	Number of Paragraphs for which ATNs have been furnished by the Government	Number of paragraphs for which ATNs were due from the Government
2002-03	63	61	2
2003-04	43	29	14
2004-05	32	21	11
2005-06	32	18	14
2006-07	39	Nil	39
Total	**209**	**129**	**80**

The department-wise details of the ATNs pending are furnished in **Appendix XXXVII**.

[#] Paragraphs relating to the Kerala Water Authority and the Kerala Khadi and Village Industries Board are examined by the COPU

CHAPTER V

INTERNAL CONTROL

CHAPTER V
INTERNAL CONTROL

AGRICULTURE DEPARTMENT

5.1 Internal Control in Agriculture Department

Highlights

Internal Control is an integral component of an organisation's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable, and the applicable laws and regulations are complied with so as to achieve organisational objectives. Internationally the best practices in Internal Control have been given in the COSO[1] framework, which is a widely accepted model for Internal Controls. Government of India has prescribed comprehensive instructions on maintenance of internal controls in Government Departments. In the State, the accounting and other controls are laid down in the codes/manuals of the State. A review of internal controls on limited areas of the Agriculture Department has revealed the following:

> **Persistent savings ranging from 10 *per cent* to 56 *per cent* were noticed under Plan Revenue expenditure during 2003-08. This shows that budget estimates were not prepared on the basis of actual requirement of funds as stipulated in KBM.**

(Paragraph 5.1.5.2)

> **Monitoring of expenditure was weak as evidenced by the unnecessary supplementary grants, belated reappropriation/ surrender of funds and rush of expenditure during March.**

(Paragraphs 5.1.5.3 and 5.1.5.4)

> **Failure to follow the instructions issued by Government regarding power tariff subsidy to farmers resulted in adoption of different procedures in different offices and extra burden on penalty.**

(Paragraph 5.1.7.1 (a))

> **Owing to weak controls, advances of Rs 17.75 crore disbursed to departmental officers as early as from 1990-91 were yet to be adjusted**

(Paragraph 5.1.7.1(c))

> **The Internal Audit of 13 offices under the Directorate was in arrears for three to five years and more than five years in 150 offices under the three PAOs.**

(Paragraph 5.1.8.1)

> **There were 589 vigilance cases pending finalisation as of October 2008 with Government, Vigilance and Anti-corruption Bureau, Department, etc.**

(Paragraph 5.1.8.2)

[1] Committee of Sponsoring Organisations of National Commission on Fraudulent Financial Reporting or the Treadway Commission

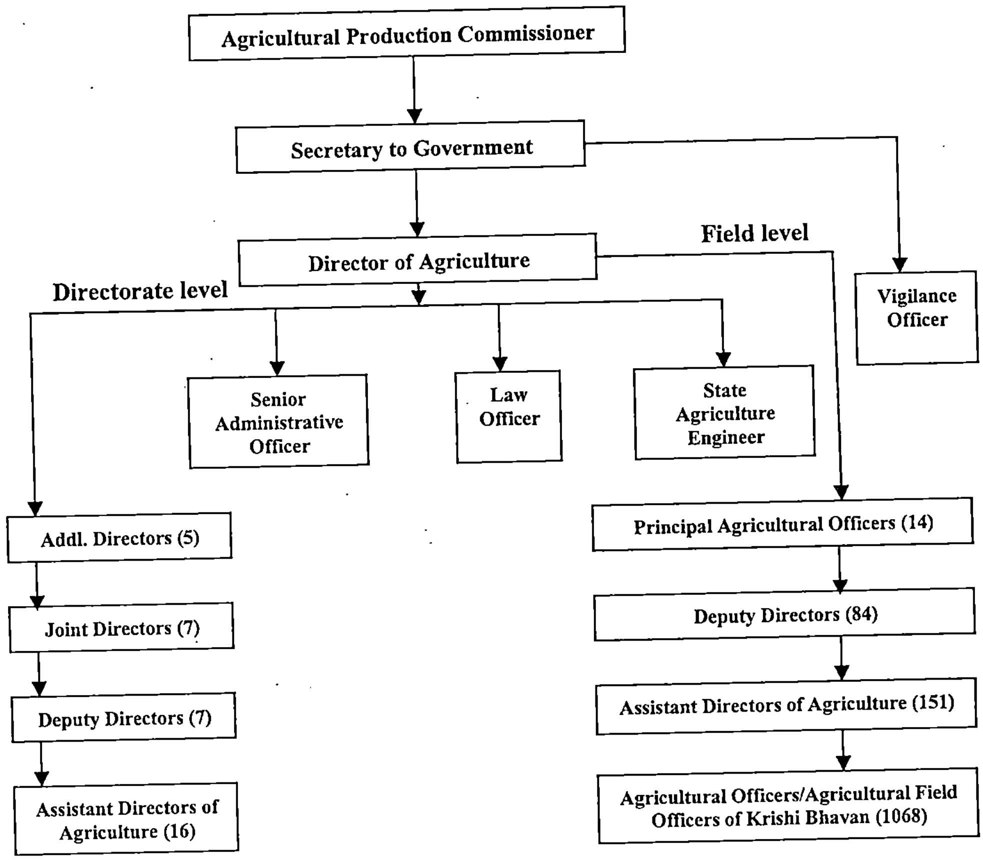
5.1.1 Introduction

Agriculture is the most important and single largest sector of the State's economy accounting for about 20 *per cent* of the State's income. Important crops of the State include rice, pepper, ginger, turmeric, cashew, banana, vegetables, floriculture, medicinal and aromatic plants.

Agriculture Department is responsible for planning, formulation and implementation of various agricultural developmental programmes for improving living standards of farming community. The important programmes include quality control of inputs like seeds, fertilizers and pesticides, production and distribution of improved seeds and planting materials, evolving cropping strategy, providing crop insurance cover, providing market infrastructure, etc.

5.1.2 Organisational set up

Agricultural Production Commissioner (APC) and the Secretary to Government, Agriculture Department are the controlling officers at Government level. Director of Agriculture is the head of the department and the chief implementing authority of all the schemes. The organisational structure of the Department is shown below.



5.1.3 Audit objectives

This review of Internal Control and Vigilance Mechanism in Agriculture department was conducted to test compliance with the instructions in the

Kerala Budget Manual (KBM), the Kerala Financial Code (KFC), the Kerala Treasury Code (KTC) and related accounting instructions. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and Vigilance were examined. Internal control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives were also examined for some selected areas.

5.1.4 Audit coverage/methodology

An entry conference was held in January 2008 with the Director of Agriculture. Records and registers for 2003-08 in the office of the Director of Agriculture, four* (out of 14) Principal Agricultural Officers (PAOs) at Districts and two Assistant Directors of Agriculture in each of these selected districts were selected for detailed verification. Four subordinate offices# within the selected districts were also selected. Records pertaining to departmental/autonomous institutions functioning under the department were also scrutinised. The observations made in the Consolidated Inspection Report of the PAO, Thrissur for the year 2006-07 were also included in the Report. An exit meeting was held in October 2008 with the Additional Chief Secretary and Agricultural Production Commissioner.

5.1.5 Compliance with State Financial Rules and instructions in the Budget Manual

Control over budget and expenditure are essential for optimal utilisation of resources to achieve the objectives of the department. Budgetary controls in the department were weak as indicated in the following paragraphs:-

5.1.5.1 Budget proposals

According to the provisions contained in the Kerala Budget Manual (KBM) budget estimates are to be consolidated by the Head of the Department based on the proposal received from subordinate offices and submitted to Government on the due date each year. There was delay of 3 to 37 days in sending Non-Plan estimates and 18 to 107 days for Plan estimates to Government during 2003-08. Scrutiny of the records of the selected PAOs and Director of Agriculture revealed that the PAOs did not submit the budget proposals to the Director within the prescribed time limit. Further proposals were finalised by the Director and sent to Government without taking into consideration the proposals submitted by the subordinate officers.

5.1.5.2 Non-utilisation of funds

The provision, actual expenditure, savings, re-appropriation/surrender of funds during the period 2003-08 were as follows:

* Thiruvananthapuram, Kozhikode, Palakkad and Ernakulam
# Krishi Bhavans, Farms and Agricultural Laboratories

Table 1: Budget provision and expenditure (Plan)

(Rupees in crore)

Year		Budget Provision			Actual Expenditure	Savings and its percentage	Re-appropriation/ Surrender
		Original	Supple-mentary	Total			
2003-04	Revenue	93.42	0.14	93.56	62.26	31.30 (33)	31.09
	Capital	0.35	...	0.35	0.28	0.07 (20)	0.07
2004-05	Revenue	96.71	7.00	103.71	92.99	10.72 (10)	14.35
	Capital	0.45	0.02	0.47	0.41	0.06 (13)	0.05
2005-06	Revenue	196.23	14.08	210.31	92.19	118.12 (56)	104.40
	Capital	2.52	...	2.52	1.30	1.22 (48)	1.16
2006-07	Revenue	197.62	129.34	326.96	231.33	95.63 (29)	106.74
	Capital	17.05	...	17.05	1.25	15.80 (93)	15.80
2007-08	Revenue	153.70	4.51	158.21	89.87	68.34 (43)	67.52
	Capital	11.30	0.50	11.80	1.70	10.10 (86)	10.09
Total		**769.35**	**155.59**	**924.94**	**573.58**	**351.36 (38)**	**351.27**

Source: Detailed Appropriation Accounts of respective years.

Persistent savings from 10 *per cent* to 56 *per cent* during 2003-08

KBM stipulates that budget provision should be restricted to the amount required for actual expenditure during the year. There were persistent savings during the past five years in plan expenditure which ranged from 10 *per cent* to 56 *per cent* under Revenue Plan. This showed that the process of budget estimation was unrealistic and was attempted without following financial rules and best practices.

5.1.5.3 Expenditure control system

Unnecessary supplementary grants and belated reappropriation/ surrender were observed

According to the KBM the controlling officer is required to keep close and constant watch over the progress of expenditure and also take remedial action such as obtaining supplementary grants or timely surrender of funds in case of any probable savings. The following shortcomings were noticed in this regard.

a) During 2004-05, 2005-06 and 2007-08 supplementary provision of Rs 7 crore, Rs 14.08 crore and Rs 4.51 crore respectively were obtained under revenue section for various purposes as shown in **Appendix XXXVIII**. As the actual expenditure in these years was less than even the original provision, the said amounts were withdrawn and re-appropriated to other heads of accounts during these years, the supplementary grant was not necessary and could have been limited to token amount and balance met from reappropriation.

b) The re-appropriation/surrender made during 2004-05 and 2006-07 under 'plan' was more than the savings available under the head of account. It was seen that the excess surrender of funds during 2006-07 was due to booking of an expenditure of Rs 11 crore incurred by the Director of Civil Supplies towards the difference of minimum support price fixed by GOI and the procurement price of State Government to the head of account '2401-00-104-86' whose controlling officer was the Director of Agriculture. The Director of Agriculture stated (April 2008) that at the time of surrender of funds, he was not aware of the expenditure of Rs 11 crore incurred by the Director of Civil Supplies.

c) According to para 93(1) of KBM the proposals for reappropriation and surrender of savings should reach the Finance Department from the Administrative Department latest by 25 February every year. However, the proposals for surrender/reappropriation of funds for the years 2005-06 and

2006-07 amounting to Rs 272.68 crore were submitted to Finance Department on the last working day of the financial year. This indicated absence of adequate mechanism for monitoring the flow of expenditure by the Agriculture Department and Finance Department as well.

5.1.5.4 *Rush of expenditure towards the fag end of the financial year*

Expenditure in March was in the range of 49 to 77 *per cent* of total expenditure during last two years

According to Paragraph 62 (2) of KBM the distribution of appropriations by the Chief Controlling Officer to the Subordinate Controlling Officers and by the Subordinate Controlling Officers among the Drawing Officers should be made as soon as the Budget proposals are approved by the Legislature. The rules also provide for even distribution of expenditure throughout the year for a better financial control over expenditure. It was however noticed that during the years 2006-07 and 2007-08 there was rush of expenditure in March under Plan schemes as shown below:

Table 2: Rush of expenditure during March

(Rupees in crore)

Year	Expenditure during each quarter				Total expenditure during the year	Expenditure during March	Percentage of expenditure in March
	First	Second	Third	Fourth			
2006-07	0.43	12.98	19.59	199.58	232.58	178.44	77
2007-08	0.16	6.75	19.97	64.69	91.57	44.97	49

The expenditure during March was 29 to 33 *per cent* during 2003-06 whereas it was 77 *per cent* and 49 *per cent* of the total expenditure in 2006-07 and 2007-08 respectively. This shows the absence of appropriate controls to monitor the progress of expenditure during financial years and is indicative of imprudent financial management.

5.1.5.5 *Utilisation of Plan funds under Centrally Sponsored Schemes*

Implementation of CSS was poor

According to the Plan Progress Report for the years 2003-04 to 2007-08, the percentage of expenditure against budget provision under Centrally Sponsored Schemes (CSS)[#] were as follows:

Table 3: Poor utilisation of Plan funds under CSS[#]

(Rupees in crore)

Year	Budget Provision	Expenditure	Percentage of expenditure
2003-04	59.79	32.19	54
2004-05	54.54	49.80	91
2005-06	159.37	52.40	33
2006-07	49.39	12.83	26
2007-08	27.26	13.11	48

During 2005-06 and 2006-07, 33 *per cent* and 26 *per cent* respectively of the budget provision were spent under CSS. This showed that the implementation of the CSS such as Coconut Development Scheme for Integrated Farming, National Project on Organic Farming, Seed Infrastructure, Establishment of Bio-Control Lab, AGRISNET, etc., was poor and without proper monitoring. However, in respect of partially aided[*] schemes, during 2003-08, Government could spend in the range of 56 to 88 *per cent* except during 2003-04 and 2006-07.

[#] 100 *per cent* Centrally Sponsored Schemes

[*] 50 *per cent*, 75 *per cent* and 90 *per cent* CSS

5.1.5.6 Reconciliation of figures of expenditure

Reconciliation of figures of expenditure was not carried out in time

According to para 74 of the KBM, it is the responsibility of the Chief Controlling Officer to reconcile the departmental figures of expenditure with the figures in the books of the Treasury and the Accountant General (A&E) regularly so as to have proper control over the flow of expenditure as well as to detect any misclassification, misappropriation or fraud and to incorporate necessary corrections, wherever necessary, before finalisation of annual accounts. As there was delay in reconciliation, the departmental figures of expenditure did not agree with the figures of Accountant General (A&E).

Agriculture Department is one of the four departments required to prepare Performance Budget as envisaged in para 53 (1) of KBM and present the same in the Legislative Assembly along with the budget proposals for the succeeding year. It was noticed that the figures in the Performance Budget did not agree with the figures in the Statement of Reconciled Accounts prepared by the Department.

5.1.6 Compliance with State Treasury Rules/Financial Rules

5.1.6.1 Maintenance of more than one cash book by the same DDO

Two sets of cash book were in use in offices in violation of Government orders

Government issued directions (January 2003) that one office should have only one cash book and all transactions were to be accounted for in this cash book. Finance Department reiterated (October 2005) the position and issued orders revising the existing forms of Cash Book (Form TR 7A), Register of Cheques (Form TR 8) and also the Register of valuables. However, it was noticed that in all the offices covered in audit, the old form of cash book was still being used. In the office of the Assistant Directors as well as in Krishi Bhavans, Audit observed two separate sets of cash books and Treasury bill books, one for accounting departmental expenditure and the other for accounting the transactions pertaining to Local Self Government Institutions were in use. The directions issued by Government were therefore not being adhered to giving scope for misappropriation.

It was noticed (October 2007) in the Krishi Bhavan, Panjal that the Agricultural Officer had maintained savings bank account in the State Bank of India, Panjal in violation of Codal provisions for depositing funds relating to Kerala Vikasana Padhathi (KVP)[#] and payments were made out of it subsequently. The DDO also maintained two sets of records - one main cash book for recording regular transactions of the office and another for transactions pertaining to KVP-in spite of specific instructions of Government.

It was also noticed that the transactions relating to KVP were not incorporated in the main cash book. The cash book used for recording transactions of KVP was written only up to 20 December 2006 and thereafter the transactions had not appeared in any record. In this cash book the amount drawn from treasury on a particular date was shown as remitted into the bank account on that date itself and cash balance was shown as 'NIL'. On further scrutiny by audit with treasury bill book, bank account statement and cheque issue register it was

[#] Programme for implementation of developmental activities through Local Self Government Institutions revealed that there was misappropriation of Rs 2.61 lakh of KVP funds as shown below:

- Two contingent bills for a total amount of Rs 2,00,800 drawn on 26 March 2007 (Rs 1,60,800) and 30 March 2007 (Rs 40,000) respectively towards Fertilizer and Organic Manure and Comprehensive Vegetable Development were neither credited to bank nor disbursed to the beneficiaries.
- Two bills for Rs 1,50,000 and Rs 2,32,531 were drawn on 29 March 2007 and the total of Rs 3,82,531 was remitted into bank on the same day. Out of this, Rs 95,035 was paid by cheque in favour of the Padasekhara Samithies and Rs 2,27,513 was disbursed in cash to the Padasekhara Samithies/beneficiaries by drawing money from the bank. The balance of Rs 59,983 was neither disbursed nor retained as balance in the bank account.

The Assistant Director of Agriculture, Pazhayannur, Thrissur stated (March 2008) that the amount in bank account (Rs 790.30) was not sufficient to meet the requirement of Rs 2.61 lakh in the above two cases. Thus it appears that Rs 2.61 lakh had been misappropriated. The misappropriations took place due to non-maintenance of cash book and violation of Government instructions by the DDO.

Government stated (August 2008) that the Agricultural Officer, Krishi Bhavan, Panjal had been placed under suspension.

Agricultural Production Commissioner, in the exit meeting assured initiation of necessary corrective measures in this regard.

5.1.6.2 Maintenance of Savings Bank Account in Commercial/ Co-operative Banks for keeping Government money

Non-adherence to instructions of Government resulted in misappropriation of Government money

The Kerala Treasury Code (Rule 7) provides that a Government servant may not, except with the special permission of the Government, deposit in a bank, moneys withdrawn from the Government account. The Code also prescribes that when Government moneys in the custody of a Government Officer are paid into the Treasury or the Bank, the head of the office making such payments should compare the Treasury Officer's or the Bank's receipt on the chalan or pass book with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited to the Treasury or the Bank. Government also issued directions (January 1996) to all Heads of Departments to withdraw money, if any, deposited in commercial banks and to deposit the amounts in treasury.

Scrutiny of records (October 2007) in three offices* of the Assistant Director of Agriculture (ADA) revealed that disregarding the codal provisions and Government directions, the ADA, the Drawing and Disbursing Officer (DDO) had opened a current account in the State Bank of India, Kunnamkulam in February 2004 for crediting the funds drawn from the treasury for the various schemes implemented by the Department and payments were made out of it subsequently. Further scrutiny revealed serious irregularities like defalcation

* Chowannur, Kunnamkulam and Thrissur

of money (Rs 6.49 lakh) and temporary misappropriation (Rs 1.79 lakh) aggregating Rs 8.28 lakh between November 2005 and February 2007 as detailed below.

- ***Defalcation of Government money***

The ADA, Chowannur withdrew Rs 3,21,445 (30 November 2005) by presenting five contingent bills and showed these as remitted in the bank account on 1 December 2005 in the cash book. But as per the bank statement the amount credited on 1 December 2005 was Rs 2, 21,445 only, thus leading to a short remittance of Rs one lakh.

Similarly Rs 2,30,947 and Rs 3,17,880 drawn by the ADA on 31 December 2005 and 7 October 2006 respectively on two and four contingent bills were not credited in the bank account though these amounts were shown as remitted in the cash book on 5 January 2006 and 7 October 2006 respectively. Thus there was a defalcation of Rs 6.49 lakh due to short-remittance/non-remittance to the bank account. In order to cover up the difference due to defalcation, short-payment was made deliberately to inflate the balances in the bank account as shown below:

The ADA, Chowannur drew Rs 34,85,125 on 30 November 2006 on a contingent bill for payment of electricity charges, on behalf of agricultural consumers under the scheme 'Power tariff exemption', to eight Kerala State Electricity Board (KSEB) sections and the entire amount was credited into the bank account on the same date. It was noticed that though payment due to the KSEB section, Koonammoochy was Rs 17,23,847, the cheque issued to the section on 30 January 2007 was for Rs 11,23,847. But in the cheque issue register the amount of cheque was indicated as Rs 17,23,847 leading to a short-payment of Rs six lakh.

- ***Temporary misappropriation of funds***

The ADA, Chowannur drew Rs 1,78,524 on 30 December 2006 on a contingent bill and showed it as remitted on 4 January 2007 in the cash book. But as per the bank statement the amount was credited only on 17 February 2007 indicating temporary misappropriation of Rs 1.79 lakh for six weeks.

Thus there were lapses on the part of the DDO in reconciling the figures in the cash book with bank's receipts and accounts statements as prescribed in the code which resulted in the defalcation. Based on the Audit observations, the Special Vigilance Cell of the Agriculture Department conducted a detailed enquiry in the Office and seized the records in December 2007. The Vigilance Cell found that the ADA and the Upper Division (UD) clerk jointly defalcated Rs 7.78 lakh and temporarily misappropriated Rs 1.81 lakh. The Principal Agricultural Officer informed (January 2008) that the ADA and the UD clerk remitted Rs 3.89 lakh each on first January 2008 in the bank account.

Government stated (July 2008) that a vigilance enquiry was ordered into the misappropriation in the ADA, Chowannur and the accused officers had been placed under suspension.

It was also mentioned in the Government directions (January 1996) that in case any violation was noticed, the officer responsible will have to pay interest at 18 *per cent* per annum for the entire period during which the amount was kept outside Government account. It was noticed that the Agricultural officers of Krishi Bhavans and the Assistant Directors of Agriculture at Block Level Offices test checked were keeping Government money in Savings Bank account opened in Nationalised Banks/Co-operative Banks as shown below.

Table 4: Details of bank accounts

Sl. No.	Name of Office	Details of SB Accounts
1.	Krishi Bhavan, Vadakkanchery, Palakkad	A/c. No.3068 in Service Co-operative Bank, Vadakkanchery. A/c No.57049680099 in State Bank of Travancore, Vadakkanchery.
2.	ADA, Chowannur, Thrissur	A/c No.10411663480 in State Bank of India, Kunnamkulam
3.	Krishi Bhavan, Panjal, Thrissur	A/c.No.10536592572 in State Bank of India, Panjal
4.	PAO, Palakkad	A/c No.134 in District Co-operative Bank A/c.No.60371 Canara Bank, Palakkad. A/c. No.15788 in Indian Overseas Bank, Palakkad A/c.No.208 in District Co-operative Bank

Interest element computed at 18 *per cent* per annum on the monthly minimum balances held in the Nationalised/Co-operative bank accounts during the period of review in Krishi Bhavans Vadakkanchery, Panjal, ADA Office, Chowannur and PAO, Palakkad, alone worked out to Rs 36 lakh.

5.1.7 Internal control activities

5.1.7.1 Operational Control

a) *Concessional electricity tariff to farmers*

No uniform procedure was adopted while settling claims for electricity charges under power tariff subsidy scheme for farmers

Government ordered (August 1995) exemption to all paddy growers from payment of energy charges used for agricultural purposes. The concession was extended from 1 April 1997 to all small and marginal farmers for all crops. The energy charges under this scheme were being remitted to Kerala State Electricity Board (KSEB) directly by the Agriculture Department. This procedure was modified during 1997-98 and the farmers were reimbursed electricity charges paid to KSEB on the basis of cash receipts produced by them. Later on from 1 April 1998, the earlier system of direct payment to KSEB was again resorted to. A scrutiny of the records with the Director of Agriculture and the Assistant Directors of the selected districts revealed the following irregularities:-

- There was no uniform procedure followed in Thiruvananthapuram district and reimbursement were made to farmers based on the cash receipts produced by them. However, in the other three districts test checked electricity charges were remitted to KSEB by the Assistant Directors of Agriculture.
- The Director of Agriculture had disbursed to KSEB Rs 20 crore (Rs 5 crore in 2003-04 and Rs.15 crore in 2004-05) towards pending claims in all the fourteen districts in the State and the officers of KSEB as well as Agriculture Department were required to adjust the amount allocated to the particular district against pending claims. It was, however, noticed that except in Palakkad District no adjustment have been effected in the remaining three districts test checked. The claims raised by KSEB in subsequent years were being settled by the Assistant Directors of Agriculture utilising the budget allotments received by them without adjusting the payments already made by the Directorate.

- When Government reverted to the earlier system of making payment of electricity charges of farmers directly to KSEB from 1 April 1998 it was ordered that no penal charges would accrue in cases of delay in remittance. However, it was noticed that KSEB included surcharge for delay in making payments which was permitted by the Agriculture Department.

b) *Drawal of funds through Abstract Contingent bills*

Rule 187 (d) of KTC stipulates that Detailed Contingent bills (DC) are required to be submitted against Abstract Contingent (AC) bills drawn to the Accountant General (A&E) by 20th of the succeeding month. It was noticed that AC bills for Rs 1.11 crore relating to 18 DDOs in 30 cases were pending adjustment as of June 2008 due to non-submission of DC bills as detailed below.

Table 5: Details of pending AC bills

Year	Number of cases	Amount (Rs in crore)
Up to 2001-02	11	0.55
2002-04	Nil	Nil
2004-05	2	0.01
2005-06	11	0.12
2006-07	1	0.02
2007-08	5	0.41
Total	**30**	**1.11**

AC bills relating to 1997-2008 were pending adjustment depicting that the department failed to monitor the adjustment of AC bills.

c) *Advances pending adjustment*

Advances of Rs 17.75 crore were not adjusted

According to Article 99 of KFC and instructions issued by Government, contingent advances drawn by officers for meeting departmental expenses are to be settled as early as possible by presenting detailed bills (incorporating details of payments) duly supported by proper vouchers. The Controlling Officers are required to watch the sanction of advances and speedy settlement of the same. Under no circumstances the settlement of advances is to be carried forward to the next financial year. It was, however, noticed that there was no system in the Directorate to watch settlement of contingent advances drawn by the departmental officers. The records of the four PAOs revealed that contingent advances aggregating Rs 17.75 crore drawn as early as from 1990-91 still remained to be settled as shown below:-

Table 6: Details of advances pending adjustment

(Rupees in crore)

Year	Amount pending adjustment
Up to 2003-04	9.09
2004-05	4.78
2005-06	0.59
2006-07	2.47
2007-08	0.82
Total	**17.75**

Though the failure to adjust the outstanding advances was pointed out by Audit in the previous Inspection Reports no effective action was taken by the department to settle the advances. Scrutiny revealed that:

- The list of persons against whom the advances are pending included persons already retired from service (A few cases are included in **Appendix XXXIX).**
- The schemes under which the advances were drawn included Subsidy of Arecanut, Macro Management (Quality Control), Agri Export Zone (AEZ), Organic farming, etc.
- Advances were seen outstanding in cases where amounts were drawn for remitting insurance of vehicles, fuel charges, procurement of office articles, etc.

d) Non-monitoring of funds released to KSSDA

3425 MT of seeds worth Rs 4.80 crore were life expired

The department released Rs 8.67 crore during 2004-08 to Kerala State Seed Development Authority* (KSSDA), Thrissur for procurement and distribution of good quality high yielding paddy seeds to farmers. It was noticed that KSSDA had a stock of about 3,425 MT of time-expired seeds worth Rs 4.80 crore which were not disposed off in public auction. It was also observed that no audit by the department has been conducted so far on the accounts of KSSDA. Thus the objective of timely distribution of high yielding, good quality paddy seeds to farmers could not be achieved mainly due to lack of monitoring the utilisation of funds released to the implementing agency.

5.1.7.2 Manpower

Deployment of staff to LSGIs resulted in shortage of staff in the department

Prior to decentralisation of powers to Local Self Government Institutions (LSGIs), the Directorate, PAOs at District level and ADA offices at block level were having 432, 302 and 132 clerks which was reduced to 280, 151 and 100 respectively consequent on deployment of 337 clerks to LSGIs from July 2000. This resulted in shortage of staff strength at the Directorate, PAOs and ADAs in range of 35 *per cent*, 50 *per cent* and 25 *per cent* respectively. Though the tenure of the deployment of ministerial staff to LSGIs was specified as three years they continue to serve with the LSGIs and draw salary from the Agriculture department. Thus the deployment of departmental staff to LSGIs resulted in shortage of staff affecting the internal audit wing and Vigilance cell.

5.1.7.3 Departmental manual and delegation of powers

It was observed that the department had no manual for guidance of the staff in carrying out their functions. As the department is engaged in multifarious activities for the development of agriculture, the department should have prepared a manual for guidance of its officers to achieve its objectives. The delegation of the financial powers to the officers of the department had also not been revised since 1984.

* A society registered under the Travancore- Cochin Literary Scientific and Charitable Societies Registration Act, 1955

5.1.7.4 *Non-maintenance of registers*

According to Article 63 of the Kerala Financial Code (KFC), each office should maintain a Register in Form 4 for recording the objections communicated by the Accountant General so as to monitor progress of action taken on clearance of audit observation. The required register was not maintained in the 28 offices test checked.

The instructions in Article 170 of KFC regarding maintenance of Property Register incorporating the details of land and buildings and other properties of the department were also not followed by the various offices of the department. As a result, the department was not aware of the actual position of the assets at their disposal, encroachment, if any, and their safe custody.

5.1.8 Monitoring including Internal Audit and Vigilance arrangements

5.1.8.1 *Internal Audit wing*

Internal Audit was in arrears

As part of strengthening of the Internal Audit wing, based on the directions issued (June 2005) by Government, the department constituted the Audit Monitoring Committee in February 2006 for regular review of the internal audit work. It was noticed that only three review meetings were held against mandatory quarterly meetings. The Internal Audit team has to undertake the audit of 41 institutions/offices under the direct control of the Director of Agriculture and also Special Audit of any other office entrusted. No audit plans were prepared by the wing to complete the audit of various offices in a phased manner. Instead, two or three offices were randomly selected for audit per month by diverting staff from other sections. The audit of 13 offices under the control of the Directorate was in arrears for three to five years.

The District Level Internal audit team under each PAO consists of two Junior Superintendents and three or four clerks. The details regarding the number of units to be audited and number of units in arrears for more than five years in respect of the four districts selected for review were as follows:

Table 7: Arrears in internal audit

Name of PAO	Number of units to be audited	Audit in arrears for 5 years and above
Thiruvananthapuram	107	57
Ernakulam	122	Not available*
Kozhikode	80	60
Palakkad	106	33

The department stated that due to transfer of staff to LSGIs, there was shortage of staff in the department and priority was given for conducting internal audit in cases of retiring officials.

5.1.8.2 *Special Vigilance Cell*

A Special Vigilance Cell has been constituted in the Directorate under an Additional Director with the Vigilance Officer (Finance) as the Secretary of the Special Vigilance Cell. Two Senior Superintendents, four clerks, one typist and one peon are also attached to the Vigilance Cell. The Vigilance Officers have to conduct joint inspection enquiries and submit report to the

* Not compiled by the Department

Director of Agriculture. Apart from the enquiries ordered by Government, Minister of Agriculture, Vigilance and Anti Corruption Bureau (VACB) and Director of Agriculture, the Vigilance Cell have to conduct at least five field inspections every month. As against 400 cases in 1998, there were 589 cases pending as of October 2008 as detailed below:

Table 8: Vigilance cases/Enquiries pending

Sl. No.	Particulars	Number of cases	Amount involved (Rs in crore)
1.	Pending with VACB	48	0.30
2.	Pending with Court	31	3.18
3.	Pending with Government	188	0.39
4.	Pending with Department	98	0.03
5.	Enquiry pending	74	--
6.	Revenue Recovery proceedings, Appeal petition, etc.,	150	0.15
	Total	**589**	**4.05**

In reply to audit observation, Secretary of the Special Vigilance Cell stated (January 2008) that with present staff strength it would be difficult to complete the pending cases. It was observed that the number of pending cases included cases pending against persons who had already retired/quitted service/died. Majority of the cases are pending finalisation with Government. In a few cases Non-liability Certificate/Liability Certificate had been issued based on directions from High Court/Lok Ayukta.

According to Government orders constituting the Special Vigilance Cell, the staff attached to the Cell were to be posted only with the recommendations of the State Government. It was observed that the postings were made by the Director without the consent of the Secretary to Government. Government in October 2008 had brought the Vigilance Cell under the direct control of the Government.

5.1.8.3 Response to audit

Principal Accountant General (Audit) conducts audit of the Directorate of Agriculture and its subordinate offices and major irregularities are reported through Inspection Reports (IR). There were 1979 paragraphs included in 349 IRs pending as of June 2008 as detailed below.

Table 9: Inspection Reports pending settlement

Year	Number of IR	Number of paragraphs
Upto 2003-04	171	615
2004-05	120	492
2005-06	21	280
2006-07	22	366
2007-08 (up to December 2007)	15	226
Total	**349**	**1,979**

As per the Kerala Financial Code, the head of office is to take appropriate action to rectify the irregularities pointed out during audit. But after several years of the issuance of IRs irregularities were not rectified.

5.1.9 Conclusion

Lack of proper internal control systems like internal audit and vigilance in Agriculture Department had resulted in poor budgetary control, inefficient spending, violation of financial rules by DDOs, non-utilisation of Central assistance and irresponsive position to audit. Moreover, the Finance Department had not exercised its control over the Agriculture Department to ensure that rules and regulations are followed for efficient financial management.

5.1.10 Recommendations

- Provisions in the Kerala Budget Manual should be strictly adhered to in preparing budget estimates so as to avoid persistent savings.
- Monitoring of monthly expenditure to be ensured to avoid unnecessary supplementary grant and to facilitate reappropriations/ surrender of funds sufficiently early so as to avoid lapse of funds.
- Payment of Power Tariff subsidy to Kerala State Electricity Board should be centralised either at State Level or at District level.
- The department should take urgent steps to settle the outstanding advances and strictly adhere to the provisions in the KFC for disbursement and adjustment of advances.
- The department should prepare a manual for the guidance of its officers.
- Internal Audit Wing/Vigilance Cell should be strengthened to reduce pendency of audit/cases.

The above points were referred to Government in August 2008; reply has not been received (October 2008).

(S.NAGALSAMY)
Principal Accountant General (Audit), Kerala

Thiruvananthapuram,
The

Countersigned

(VINOD RAI)
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New Delhi,
The

APPENDICES

Appendix I
Part A: Structure and Form of Government Accounts
(Reference: Paragraph 1.1; Page 1)

Structure of Government Accounts: 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 revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature.

PART B
Layout of Finance Accounts
(Reference: Paragraph 1.1; Page 1)

Statement	Lay Out
Statement No.1	Presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of 2007-08.
Statement No.3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No.4	Indicates the summary of debt position of the State which includes borrowing from internal debt, Government of India, other obligations and servicing of debt.
Statement No.5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2008.
Statement No.9	Shows the revenue and expenditure under different heads for the year 2007-08 as a percentage of total revenue/expenditure
Statement No.10	Indicates the distribution between the charged and voted expenditure incurred during the year
Statement No.11	Indicates the detailed account of revenue receipts by minor heads
Statement No.12	Provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head wise
Statement No.13	Depicts the detailed capital expenditure incurred during and to the enc of 2007-08
Statement No.14	Shows the details of investment of the State Government in statutor corporations, Government companies, other joint stock companies, co operative banks and societies etc up to the end of 2007-08
Statement No.15	Depicts the capital and other expenditure to the end of 2007-08 and th principal sources from which the funds were provided for tha expenditure
Statement No.16	Gives the detailed account of receipts, disbursements and balance under heads of account relating to Debt, Contingency Fund and Publi Account
Statement No.17	Presents detailed account of debt and other interest bearing obligation of the Government of Kerala.
Statement No.18	Provides the detailed account of loans and advances given by th Government of Kerala, the amount of loan repaid during the year, th balance as on 31 March 2008.
Statement No.19	Gives the details of earmarked balances of reserve funds.

Part C
List of terms used in the Chapter I and basis of their calculation
(Reference: Paragraph 1.2; Page 4)

Terms	Basis of 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 parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100
Development Expenditure	Social Services + Economic Services
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 – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as per cent to Loans Outstanding	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 Receipts **minus** all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction or Avoidance of debt

Appendix II
Summarised Financial Position of the Government of Kerala as on 31 March 2008
(Reference: Paragraph 1.2; Page 3 and 1.6; Page 18)

(Rupees in crore)

As on 31 March 2007		Liabilities		As on 31 March 2008
29,969.15		**Internal Debt**		**34,019.16**
	12,847.13	Market Loans bearing interest	16,480.94	
	0.20	Market Loans not bearing interest	0.23	
	2,870.69	Loans from Life Insurance Corporation of India	3,135.71	
	321.87	Loans from General Insurance Corporation of India	323.61	
	552.03	Loans from National Bank for Agriculture and Rural Development	691.15	
	221.53	Loans from National Co-operative Development Corporation	251.05	
	1,280.43	Loans from other institutions	1,154.45	
	11,875.27	Special securities issued to National Small Savings Fund of the Central Government	11,982.02	
	--	Ways and Means Advances from Reserve Bank of India excluding Overdrafts	...	
	--	Overdrafts from Reserve Bank of India	...	
5,371.77		**Loans and Advances from Central Government**		**5532.63**
	1.16	Pre – 1984-85 Loans	1.16	
	40.14	Non-Plan Loans	37.77	
	5,261.83	Loans for State Plan Schemes	5,426.94	
	7.87	Loans for Central Plan Schemes	6.80	
	60.77	Loans for Centrally Sponsored Plan Schemes	59.96	
100.00		**Contingency Fund**		**20.0**
14,534.27		**Small Savings, Provident Funds, etc.**		**15,857.7**
1,896.14		**Deposits**		**2387.7**
446.52		**Reserve Funds**		**684.5**
662.04		**Suspense and Miscellaneous Balances**		**780.6**
52,979.89		**Total - Liabilities**		**59,282.5**

Appendix II – Concld.

(Rupees in crore)

As on 31 March 2007		Assets		As on 31 March 2008
12,166.49@		**Gross Capital Outlay on Fixed Assets –**		**13,633.53**
	2,440.14	Investments in share of Companies, Corporations, etc.	2,556.26*	
	9,726.35#	Other Capital Outlay	11,077.27	
5,562.16@		**Loans and Advances –**		**6,410.47**
	2,645.87	Loans for Power Projects	2,655.87	
	2,843.61	Other Development Loans	3,698.77	
	72.68	Loans to Government servants and Miscellaneous loans	55.83	
56.51		**Reserve Fund Investments**		**374.07**
0.40		**Advances**		**0.25**
...		**Suspense and Miscellaneous Balances**		**...**
463.48		**Remittance Balances**		**414.70**
		Adjustment on account of retirement/disinvestment		**7.54Ψ**
1039.97		**Cash-**		**973.79**
	63.35	Cash in Treasuries	41.63	
	138.28	Deposits with Reserve Bank and other Banks	92.29	
	(-) 0.26	Remittances in transit - Local	(-) 10.65	
	0.54	Departmental Cash Balance	0.24	
	0.23	Permanent Advances	0.23	
	837.83	Cash Balance Investments	850.05	
33690.88@		**Deficit on Government Account –**		**37,468.20**
	2637.94	(i) Revenue Deficit of the current year	3,784.85	
	(-) 1.94	(ii) Less: Miscellaneous Capital Receipts	(-) 7.54	
		(iii) Add: Miscellaneous Government Account	0.01	
	31054.88	Accumulated deficit up to previous year	33,690.88	
52979.89		**Total – Assets**		**59,282.55**

@ Balances as on 31 March 2007 differ from those shown in Audit Report (Civil) 2006-07 consequent on proforma adjustments carried out in the accounts by Accountant General (A&E) which were explained in foot note (k) of Statement No.2 and foot note (b) of Statement No.5 of the Finance Accounts 2007-08.

The net value of assets and liabilities of the erstwhile Public Health Engineering Department (PHED) taken over by the Kerala Water Authority on 1 April 1984 was provisionally valued at Rs.435.53 crore and incorporated in the accounts of the Authority. As the valuation had not been approved by the Government under Section 16(2) of the Act the investment shown in the Government accounts against PHED had not been adjusted.

* Figures adopted as per Statement No.2 of the Finance Accounts 2007-08. However, the figures exhibited in Statement No. 14 differs by Rs. 73.30 crore owing to exclusion of investment in development of infrastructure facilities to Kannur Airport (Rs 18.10 crore), Thiruvananthapuram Airport Development Society (Rs 36 crore) and expenditure for equity participation in Smart City Project (Rs 19.20 crore) - Vide footnote (DD) of Statement No. 14 of the Finance Accounts 2007-08.

Ψ Represents the adjustments entry consequent on reducing the Capital outlay due to retirement of Capital vide foot notes (m), (n), (o), (p), (q) and (s) of Statement No.2.

Appendix III
Abstract of Receipts and Disbursements for the year 2007-08
(Reference: Paragraph 1.2; Page 3)

(Rupees in crore)

Receipts				Disbursements					
2006-07			2007-08	2006-07					2007-0
	Section – A: Revenue					**Non-Plan**	**Plan**	**Total**	
18186.63	**1.Revenue Receipts**		**21106.79**	**20824.57**	**1. Revenue Expenditure**	**22614.35**	**2277.29**	**24891.64**	**24891.6**
11941.82	Own Tax Revenue	13668.95		**9723.16**	**General Services**	**11976.99**	**207.10**	**12184.09**	
937.57	Non-Tax Revenue	1209.55		**6478.25**	**Social Services**	**6451.32**	**1338.56**	**7789.88**	
3212.04	State's share of Union Taxes and Duties	4051.70		3917.11	Education, Sports, Art and Culture	4380.37	148.66	4529.03	
1092.42	Non-plan Grants	748.65		1107.64	Health and Family Welfare	1022.85	219.15	1242.00	
630.78	Grants for State Plan Schemes	977.67		376.60	Water Supply, Sanitation, Housing and Urban Development	148.78	353.72	502.50	
372.00	Grants for Central Plan and Centrally Sponsored Plan Schemes	450.27		13.74	Information and Broadcasting	9.12	5.88	15.00	
				339.87	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	160.61	293.03	453.64	
				130.94	Labour and Labour Welfare	152.92	18.23	171.15	
				575.16	Social Welfare and Nutrition	557.56	299.62	857.18	
				17.19	Others	19.11	0.27	19.38	
				2711.88	**Economic Services:**	**2086.77**	**731.63**	**2818.40**	
				1114.21	Agriculture and allied activities	809.75	276.86	1086.61	
				248.38	Rural Development	89.05	127.69	216.74	
				19.37	Special Areas Programmes	...	20.29	20.29	
				193.46	Irrigation and Flood control	267.38	19.43	286.81	
				45.12	Energy	1.98	34.26	36.24	
				228.01	Industry and Minerals	57.78	111.24	169.02	
				630.81	Transport	760.94	9.39	770.33	
				46.96	Science, Technology and Environment	18.40	16.19	34.59	
				185.56	General Economic Services	81.49	116.28	197.77	
				1911.28	**Grants-in-aid and Contributions**	**2099.27**		**2099.27**	
2637.94	**II. Revenue Deficit carried over to Section B**		**3784.85**						
20824.57	**Total - Section A**		**24891.64**	**20824.57**	**Total - Section A**				**24891.**

Appendix III – Contd.

(Rupees in crore)

Receipts				Disbursements					
2006-07			2007-08	2006-07					2007-08
	Section B:					**Non-Plan**	**Plan**	**Total**	
215.14	**III. Opening Cash Balance including Permanent Advances and Cash Balance Investment**		**1039.97**		**III. Opening Overdraft from Reserve Bank of India**				**Nil**
1.94	**IV. Miscellaneous Capital Receipts**		**7.54**	**902.58**	**IV. Capital Expenditure**	**22.87**	**1451.71**	**1474.58**	**1474.58**
				39.34	**General Services:**	**4.64**	**52.52**	**57.16**	
				116.26	**Social Services:**	**(-) 0.10***	**134.64**	**134.54**	
				36.28	Education, Sports, Art and Culture		34.23	34.23	
				30.09	Health and Family Welfare		46.83	46.83	
				18.04	Water Supply, Sanitation, Housing and Urban Development	(-) 0.10*	13.49	13.39	
				29.41	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes		37.62	37.62	
				1.74	Social Welfare and Nutrition		1.40	1.40	
				...	Labour and Labour Welfare				
				0.70	Others		1.07	1.07	
				746.98	**Economic Services:**	**18.33**	**1264.55**	**1282.88**	
				61.68	Agriculture and allied activities	14.94	86.91	101.85	
				137.76	Irrigation and Flood Control		184.87	184.87	
				65.40	Industry and Minerals		154.53	154.53	
				447.57	Transport	0.16	827.56	827.72	
				34.57	General Economic Services	3.23	10.68	13.91	

* Minus expenditure represents receipts and recoveries on Capital account.

Appendix III – Concld.

(Rupees in crore)

Receipts				Disbursements			
2006-07			**2007-08**	**2006-07**			**2007-08**
66.10	**V. Recoveries of Loans and Advances**		**44.85**	**349.39**	**V. Loans and Advances Disbursed**		**893.16**
...	From Power Projects			1.79	For Power Projects	10.00	
27.91	From Government Servants	23.37		6.21	To Government Servants	6.52	
38.19	From Others	21.48		341.39	To Others	876.64	
	VI. Revenue Surplus brought down			**2637.94**	**VI. Revenue Deficit brought down**		**3784.85**
5335.53	**VII. Public Debt Receipts**		**5643.66**	**1082.73**	**VII. Repayment of Public Debt**		**1432.79**
5130.52	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	5227.23		832.09	Internal Debt other than Ways and Means Advances, Shortfall and Overdraft	1177.22	
...	Net transactions under Ways and Means Advances excluding overdraft			...	Net transactions under Ways and Means Advances excluding overdraft		
205.01	Loans and Advances from Central Government	416.43		250.64	Repayment of Loans and Advances to Central Government	255.57	
	VIII. Appropriation from the Consolidated Fund	...	...	...	**VIII. Appropriation to Contingency Fund**		
2.15	IX. Amount transferred to Contingency Fund				**IX. Expenditure from Contingency Fund**		**80.00**
41868.36	**X. Public Account Receipts**		**48316.26**	**41476.61**	**X. Public Account Disbursements**		**46413.11**
7896.99	Small Savings, Provident Funds, etc.	9423.12		8203.65	Small Savings, Provident Funds, etc.	8099.61	
119.30	Reserve Funds	442.33		164.18	Reserve Funds	521.84	
3509.18	Deposits and Advances	4199.18		3081.29	Deposits and Advances	3707.43	
24284.16	Suspense and Miscellaneous	26970.59		23965.00	Suspense and Miscellaneous*	26851.97	
6058.73	Remittances	7281.04		6062.49	Remittances	7232.26	
	XI.- Closing Overdraft from Reserve Bank of India		**NIL**	**1039.97**	**XI. Cash Balance at end**		**973**
				63.35	Cash in Treasuries	41.63	
				(-) 0.26	Local Remittances	(-) 10.65	
				138.28	Deposits with Reserve Bank	92.29	
				0.77	Departmental cash balance including Permanent Advance	0.47	
				837.83	Cash Balance Investment	850.05	
47489.22	**Total – Section B**		**55052.28**	**47489.22**	**Total – Section B**		**55052**

* Includes Rs 0.01 crore under '8680 Miscellaneous Government Account'

Appendix IV
Sources and Application of Funds
(Reference: Paragraph 1.2; Page 3)

(Rupees in crore)

2006-07	Sources		2007-08
18186.63	**1. Revenue receipts**		**21106.79**
66.10	**2. Recoveries of Loans and Advances**		**44.85**
4252.80	**3. Increase in Public debt other than overdraft**		**4210.87**
...	**4. Increase in overdraft**		**...**
1.94	**5. Miscellaneous Capital Receipts**		**7.54**
391.75	**6. Net receipts from Public account**		**1903.15**
(-) 306.66	Increase/decrease in Small Savings, Provident Funds, etc.	1323.51	
427.89	Increase/decrease in Deposits and Advances	491.75	
(-) 44.89	Increase/decrease in Reserve Funds	(-) 79.51	
319.17	Net effect of Suspense and Miscellaneous transactions	118.62	
(-) 3.76	Net effect of Remittance transactions	48.78	
22901.37	**Total**		**27273.20**
	Application		
20824.57	**1. Revenue expenditure**		**24891.64**
349.39	**2. Lending for development and other purposes**		**893.16**
902.58	**3. Capital expenditure**		**1474.58**
2.15	**4. Net effect of Contingency Fund transactions**		**80.00**
824.83	**4. Decrease in cash balance**		**(-) 66.18**
22901.37	**Total**		**27273.20**

Explanatory Notes

1. The abridged accounts in Appendices II to IV 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 Appendix II 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 6.82 crore (net credit) between the figures reflected in the accounts and that intimated by the Reserve Bank of India under "Deposit with Reserve Bank". Out of the difference, a net debit of Rs 0.04 crore had been cleared and the balance of Rs 6.86 crore (net credit) is under reconciliation.

Appendix V
Time Series Data on State Government Finances
(Reference: Paragraph 1.2; Page 3 and 1.6; Page 18)

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Part A. Receipts					
1. Revenue Receipts	**11815**	**13500**	**15295**	**18187**	**21107**
(i) Tax Revenue	***8089 (68)***	***8963 (66)***	***9779 (64)***	***11942 (66)***	***13669 (65)***
Taxes on Sales, Trade, etc.	5991 (74)	6701 (75)	*7038 (72)*	*8563 (72)*	*9372 (69)*
State Excise	656 (08)	746 (08)	*841 (9)*	*953 (8)*	*1169 (9)*
Taxes on Vehicles	586 (07)	610 (07)	*629 (6)*	*708 (6)*	*853 (6)*
Stamps and Registration fees	550 (07)	775 (09)	*1101 (12)*	*1520 (13)*	*2028 (15)*
Land Revenue	40 (#)	44 (#)	*44 (#)*	*47(#)*	*47 (#)*
Taxes on Agricultural Income	9 (#)	5 (#)	*6 (#)*	*10 (#)*	*22(#)*
Other Taxes	257 (04)	82 (01)	*120 (1)*	*141(1)*	*178 (01)*
(ii) Non Tax Revenue	***807 (07)***	***819 (06)***	***937 (6)***	***938(5)***	***1210 (6)***
(iii)State's share in Union taxes and duties	***2012 (17)***	***2405 (18)***	***2518 (17)***	***3212(18)***	***4052 (19)***
(iv) Grants in aid from GOI	***907 (08)***	***1313 (10)***	***2061 (13)***	***2095(11)***	***2176 (10)***
2. Miscellaneous Capital Receipts	--	--($)	--	**2**	**8**
3. Total revenue and Non debt capital receipts (1+2)	**11815**	**13500**	**15295**	**18189**	**21115**
4. Recovery of Loans and Advances	**73**	**95**	**52**	**66**	**45**
5. Public Debt Receipts	**6992**	**6596**	**5823**	**5336**	**5644**
Internal Debt (excluding Ways & Means Advances and Overdraft)	6023	5114	5220	5131	5227
Net transactions under Ways and Means Advances excluding Overdraft	1	--	--	...	...
Loans and advances from Government of India@	968	1482	603	205	417
6. Total receipts in the Consolidated Fund (3+4+5)	**18880**	**20191**	**21170**	**23591**	**26804**
7. Contingency Fund Receipts	--	**92**	**15**	**2**	**...**
8. Public Account receipts	**26147**	**33681**	**37779**	**41868**	**48316**
9. Total receipts of State (6+7+8)	**45027**	**53964**	**58964**	**65461**	**75120**
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**15495 (89)**	**17169 (95)**	**18424 (94)**	**20825 (94)**	**24892 (91)**
Plan	*2394(15)*	*3106 (18)*	*3223 (17)*	*2309 (11)*	*2277 (9)*
Non Plan	*13101 (85)*	*14063(82)*	*15201 (83)*	*18516 (89)*	*22615 (91)*
General Services (incl. Interest payment)	7398 (48)	*7986 (47)*	8756 (48)	9723 (47)	12184 (49)
Social Services	5025 (32)	5879 (34)	5896 (32)	6478 (31)	7790 (31)
Economic Services	2999 (19)	3307 (19)	3772 (20)	2712 (13)	2819 (11)
Grants-in-aid and Contributions	73 (01)	(-) 03	--	1912 (9)	2099 (9)
11.Capital Expenditure	**640 (04)**	**682 (04)**	**817 (4)**	**903 (4)**	**1475 (6)**
Plan	*607 (95)*	*657 (96)*	*817 (100)*	*886 (98)*	*1452(98)*
Non Plan	*33 (05)*	*25 (4)*	--	*17 (2)*	*23 (2)*
General Services	40 (06)	*42 (6)*	70 (9)	40 (4)	57 (4)
Social Services	56 (09)	90 (13)	133 (16)	116 (13)	135 (9)
Economic Services	544 (85)	550 (81)	614 (75)	747 (83)	1283 (87)
12. Disbursement of Loans and Advances	**1292 (07)**	**196 (01)**	**287 (2)**	**349 (2)**	**893 (3)**
13. Total (10+11+12)	**17427**	**18047**	**19528**	**22077**	**27260**

Less than one *per cent*
$ Only Rs 2,28,800
@ Includes Ways and Means Advances from GOI

Appendix V – Concld.

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
14. Repayment of Public Debt	**2341**	**2277**	**1822**	**1083**	**1433**
Internal Debt (excluding Ways and Means Advances and Overdrafts)	466	529	990	832	1177
Net transactions under Ways and Means Advances excluding Overdrafts	--	49	235	...	...
Loans and Advances from Government of India[@]	1875	1699	597	251	256
15. Appropriation to Contingency Fund	--	75	--	...	...
16. Total disbursement out of Consolidated Fund (13+14+15)	**19768**	**20399**	**21350**	**23160**	**28693**
17.Contingency Fund disbursements	**17**	**15**	**2**	...	**80**
18. Public Account disbursements	**25482**	**33136**	**37302**	**41477**	**46413**
19. Total disbursement by the State (16+17+18)	**45267**	**53550**	**58654**	**64637**	**75186**
Part C. Deficits					
20. Revenue Deficit (1-10)	**(-) 3680**	**(-) 3669**	**(-) 3129**	**(-) 2638**	**(-) 3785**
21. Fiscal Deficit (3+4-13)	**(-) 5539**	**(-) 4452**	**(-) 4181**	**(-) 3822**	**(-) 6100**
22. Primary Deficit (-) /Surplus (+) (21-23)	**(-) 2211**	**(-) 839**	**(-) 382**	**(+) 368**	**(-) 1770**
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	3328	3613	3799	4190	4330
24. Arrears of Revenue[✧] (Percentage of Tax & Non -Tax Revenue Receipts)	105[9] (1)	1748 (18)	411 (4)	3262 (25)	10610 (71)
25. Financial Assistance to local bodies, etc.	5453	4707	5539	6237	6245
26. Ways & Means Advances/Overdrafts availed (days)	333	354	243	226	214
27. Interest on WMA/Overdraft	24	21	12	12	13
28. Gross State Domestic Product (GSDP) at current prices[*]	96012	107054	118998	132739	148485
29. Outstanding Fiscal Liabilities (year end)	39227	43692	47832	52161	58108
30. Outstanding guarantees including interest (year end)	14009	12316	11935	9405	8317
31. Maximum amount guaranteed (year end)	15613	14783	13752	12647	14871
32. Number of incomplete projects/works	104	98	100	136	140
33. Capital blocked in incomplete projects/works[#]	1194	1250	1366	1544	1628

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

[@] Includes Ways and Means Advances from GOI.

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

[9] Electrical Inspectorate did not include arrears of electricity duty due from Kerala State Electricity Board as on 31 March 2002 because Government ordered (October 2002) netting off of the dues between the Board and Government as on 31 March 2002.

[*] New GSDP figures with 1999-2000 as base for the years 2003-04 to 2006-07 furnished by the Director of Economics and Statistics in June 2008 have been adopted. Figures for 2005-06 are Provisional Estimates and that for 2006-07 are Quick Estimates. For 2007-08, the projected figures for Revised Estimates 2007-08 in the budget in brief 2008-09 have been adopted.

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

Appendix VI

Outstanding Utilisation Certificates on Grant- in- aid paid up to 31 March 2008
(Reference: Paragraph 1.5.5; Page 18)

Sl.No.	Name of Department	Number of Utilisation Certificate pending	Amount (Rupees in lakh)
1.	Higher Education	20	2407.69
2.	Scheduled Castes and Scheduled Tribes Development	2	50.58
3.	Cultural Affairs Department	33	338.61
4.	General Education	6	88.00
5.	Revenue (Disaster Management)	1	43.37
6.	Health and Family Welfare	2	305.43
	Total	**64**	**3223.68**

Appendix VII
List of Autonomous Institutions which had not rendered accounts for the year 2007-08

(Reference: Paragraph 1.5.6; Page 18)

Sl. No.	Name of Institution
1.	Centre for Development Studies
2.	Institute of Management in Government
3.	Institute of Human Resources Development in Electronics
4.	National Transportation Planning and Research Centre
5.	State Institute of Languages
6.	Agency for Non Conventional Energy and Rural Technology
7.	Kerala State Science and Technology Museum
8.	Tropical Botanical Garden and Research Institute
9.	Kerala State Literacy Mission Authority
10.	Kerala Institute of Local Administration
11.	Kerala Cashew Workers Relief and Welfare Fund Board
12.	Kerala Fishermen's Welfare Fund Board
13.	Society for Medical Assistance to Poor
14.	State Council of Educational Research and Training
15.	Kerala Sahitya Academy
16.	State Institute of Children's Literature
17.	Kerala Ayurvedic Studies and Research Society, Kottakkal
18.	Kerala State Sericulture Co-operative Federation Limited
19.	Kerala State Chalachitra Academy
20.	Thenmala Eco Tourism Promotion Society
21.	Sabarimala Sanitation Society
22.	Kerala State Information Technology Mission
23.	Kerala Sangeetha Nataka Academy
24.	Sarvasiksha Abhiyan
25.	Co-operative Academy of Professional Education
26.	Kerala State Council for Science, Technology and Environment
27.	INFOPARKS - KERALA
28.	Attappadi Hill Area Development Society
29.	State Horticulture Mission, Kerala
30.	CH Mohammed Koya Memorial State Institute for the Mentally Handicapped
31.	Rajiv Gandhi Academy for Aviation Technology
32.	Kerala State Road Fund Board

Sl. No.	Name of Institution
33.	Kerala Rural Water Supply and Environmental Sanitation Project (Jalanidhi)
34.	State Poverty Eradication Mission (Kudumbashree)
35.	Kerala State Biodiversity Board
36.	Kerala Agricultural Worker's Welfare Fund Board
37.	Traders Welfare Board
38.	Malabar Devaswam Management Fund
39.	Kerala State Anganwadi Workers' and Helpers Fund
40.	Cochin University of Science and Technology
41.	Calicut University
42.	Kerala University
43.	Sree Sankara University of Sanskrit
44.	Kerala Cashew Workers Apex Industrial Co-operative Society Limited (CAPEX)
45.	Kerala State Co-operative Federation for Fisheries Development Limited (Matsyafed)

Appendix VIII
Status of submission of accounts as of September 2008 by bodies/authorities
(Reference: Paragraph 1.5.7; Page 18)

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)	17 May 2005	2009-10	2007-08	2006-07	2005-06
2	Kerala Institute of Labour and Employment	20(1)	7 November 2007	2011-12	2007-08	2005-06	2005-06
3	Kerala Khadi and Village Industries Board	19(3)	5 June 2007	2007-08	2007-08	2004-05	2003-04
4	Kerala State Commission for Backward classes	19(3)	9 April 2008	2011-12	2007-08	2006-07	2006-07
5	Kerala Water Authority	19(3)	3 March 2005	2008-09	2007-08	2004-05	2004-05
6	Kerala State Human Rights Commission	19(2)	4 August 1997	1998-99 onwards	2007-08	2006-07	2006-07
7	Kerala Building and Other Construction Workers' Welfare Board	19(2)	20 November 2001	1998-99 onwards	2007-08	2005-06	2004-05
8	(i) Kerala State Legal Services Authority	19(2)	3 December 1997	1998-99 onward	2007-08	2007-08	2006-07
	(ii) Fourteen District Legal Services Authorities (DLSA)	19(2)	3 December 1997	1998-99 onwards	2007-08	2006-07 (Eight districts) 2007-08[@] (Six districts)	2006-07[#]

[@] Pathanamthitta, Kottayam, Idukki, Thrissur, Palakkad, Kozhikode.

[#] In all DLSAs, Audit Reports issued up to 2006-07. In respect of Palakkad, Audit Report was issued for 2007-08 also.

Appendix IX

Statement showing cases of misappropriations, defalcations, etc., reported up to March 2008 and pending finalisation as at the end of June 2008

(Reference: Paragraph 1.5.8; Page 18)

(Rupees in lakh)

Sl. No.	Name of Department	Cases reported upto March 2004		Cases reported during								Total	
				2004-05		2005-06		2006-07		2007-08			
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	Agriculture	6	91.89	2	3.08	-	-	-	-	3	9.10	11	104.07
2.	Animal Husbandry	5	4.88	-	-	1	0.16	-	-	-	-	6	5.04
3.	Co-operation	1	11.30	-	-	-	-	-	-	-	-	1	11.30
4.	Cultural affairs (Archives)	1	0.20	-	-	-	-	-	-	-	-	1	0.20
5.	Finance												
	(i) National savings	1	0.45	-	-	-		-	-	-	-	1	0.45
	(ii) Treasuries	13	111.27	2	76.17	2	0.85	-	-	1	0.58	18	188.87
6.	Fisheries and Ports	2	3.70	-	-	-	-	-	-	-	-	2	3.70
7.	Forest and Wildlife	8	32.12	-	-	-	-	-	-	-	-	8	32.12
8.	General Education	17	9.53	2	10.28	1	0.07	1	0.24	1	1.5	22	21.62
9.	Health and Family Welfare												
	(i) Health Services	10	12.82	2	152	-	-	-	-	2	4.32	14	169.14
	(ii) Medical Education	1	2.96	1	15	-	-	-	-	-	-	2	17.96
	(iii) Indian Systems of Medicine	1	1.84	-	-	-	-	-	-	-	-	1	1.84
10.	Higher Education												
	i) Collegiate Education	8	5.99	-	-	-	-	-	-	-	-	8	5.99
	ii) Technical Education	1	7.44	-	-	-	-	-	-	-	-	1	7.44
11.	Home (Police)	2	0.42	-	-	-	-	-	-	-	-	2	0.42
12.	Industries	3	0.66	-	-	-	-	-	-	-	-	3	0.66
13.	Local Self Government (Rural)	4	5.31	-	-	2	3.82	-	-	-	-	6	9.13
14.	Public Works												
	(i) Buildings	2	6.87	-	-	-	-	-	-	-	-	2	6.87
	(ii) Roads and Bridges	1	3.31	-	-	-	-	-	-	-	-	1	3.31
15.	Revenue												
	(i) Land Revenue	2	7.86	-	-	-	-	-	-	-	-	2	7.86
	(ii) Survey and Land Records	1	5.60	-	-	-	-	-	-	-	-	1	5.60
16.	Scheduled Castes/ Scheduled Tribes Development	2	1.22	-	-	-	-	-	-	1	0.48	3	1.70
17.	Social Welfare (Child Development Project Office, Ernakulam	-	-	-	-	1	8.89	-	-	-	-	1	8.89
18.	Taxes (Lotteries)	1	3.43	-	-	-	-	-	-	-	-	1	3.43
19.	Commercial Taxes	1	3.58	-	-	-	-	-	-	-	-	1	3.58
20.	Transport – Motor Vehicles	1	10.20	1	0.10	-	-	-	-	-	-	2	10.30
21.	Water Resources	4	10.66	2	13.39	-	-	2	0.59	14	125.83	22	150.47
	Total	**99**	**355.51**	**12**	**270.02**	**7**	**13.79**	**3**	**0.83**	**22**	**141.81**	**143**	**781.96**

Appendix X
Department-wise details of Writes off of losses, etc.
(Reference: Paragraph 1.5.9; Page 18)

Sl. No.	Name of Department	Writes off		Waivers	
		Number of cases	Amount (Rupees in lakh)	Number of cases	Amount (Rupees in lakh)
1.	Agriculture	3	1.48		0.1
2.	Finance	3	1.56	2	0.50
3.	Fisheries and Ports	5	1.87	1	0.81
4.	Food, Civil Supplies and Consumer Affairs	3	0.95	1	0.62
5.	Forest and Wildlife	32	5.32	4	1.27
6.	General Administration	2	0.17	2	0.49
7.	General Education	11	0.83	1	0.37
8.	Health and Family Welfare	1	0.13	...	...
9.	Higher Education	2	0.47	1	0.17
10.	Home	8	4.14	6	2.88
11.	Industries	45	44.03	1457	2422.24
12.	Labour and Rehabilitation	3	2.72	1	1.03
13.	Local Self Government	1	0.38	1	0.29
14.	Planning and Economic Affairs	...	...	1	0.19
15.	Revenue	72	40.64	...	...
16.	SC/ST Development	3	0.50	707	22.50
17.	Social Welfare	2	0.84		
18.	Taxes	3	1.36	1	0.49
19.	Water Resources	1	0.20	...	...
	Total	**200**	**107.59**	**2186**	**2453.95**

Appendix XI
Arrears in preparation of *Pro forma* Accounts by Departmental Commercial Undertakings
(Reference: Paragraph 1.6.3; Page 20)

Department	Number of undertakings	Name of undertaking/trading scheme	Year for which accounts are due
Finance	1	Kerala State Insurance Department	2007-08
General Education	1	Text Book Office, Thiruvananthapuram.	1987-88 to 2007-08
Transport	1	State Water Transport Department, Alappuzha.	2006-07 and 2007-08
Home	1	Rubber Plantation at Open Prison, Nettukaltheri	2007-08
Agriculture (Animal Husbandry)	3	Intensive Poultry Development Block, Muvattupuzha#.	1993-94 to 1996-97, 2003-04 to 2007-08
		Intensive Poultry Development Block, Pettah@.	1994-95, 1995-96, 2001-02, 2002-03 and 2003-04 (up to 31.10.2003)
		Feed Compounding Unit, Chengannur	2005-06 to 2007-08*

Non-functional since November 1998.

@ Transferred to Kerala State Poultry Development Corporation with effect from 1.11.2003.

* Audit of accounts up to 2002-03 were done but could not be certified as accounts from 1992-93 required revision. The audit of the revised accounts received up to 1997-98 were conducted and certificates issued. Audit of accounts for 2003-04 and 2004-05 were not conducted.

Appendix XII
List of Statutory Corporations and Government Companies having accumulated loss and investment in them by Government
(Reference: Paragraph 1.6.4; Page 20)

Sl.No.	Name of concern	Government investment as of 31 March 2008$	Accumulated loss#	Period up to which accounts were finalised
		(Rupees in crore)		
1.	The Kerala Financial Corporation	143.99	105.00	2007-08
2.	Kerala State Road Transport Corporation	132.44	1422.26	2004-05
3.	Kerala State Warehousing Corporation	5.00	5.06	2004-05
4.	The Kerala Fisheries Corporation Limited*	4.85	11.05	1984-85
5.	Kerala Tourism Development Corporation Limited	51.17	23.25	2006-07
6.	The Travancore – Cochin Chemicals Limited	16.91	7.85	2007-08
7.	Kerala Construction Components Limited	0.28	4.33	2006-07
8.	The Kerala Premo Pipe Factory Limited*	1.31	0.19	1985-86
9.	The Kerala Ceramics Limited	5.24	35.66	2004-05
10.	The Kerala Agro-Industries Corporation Limited	3.05	14.56	2002-03
11.	Trivandrum Spinning Mills Limited	7.73	17.28	2002-03
12.	Kerala Electrical and Allied Engineering Company Limited	54.00	76.08	2004-05
13.	Kerala Soaps and Oils Limited	3.00	37.40	1994-95
14.	Travancore Plywood Industries Limited	0.49	23.04	2001-02
15.	Trivandrum Rubber Works Limited	2.75	22.91	1999-2000
16.	Kerala State Handloom Development Corporation Limited	14.17	23.76	2004-05
17.	Handicrafts Development Corporation of Kerala Limited	2.16	7.12	2002-03
18.	The Kerala State Cashew Development Corporation Limited	200.64	488.70	2004-05
19.	Chalakudy Refractories Limited*	3.47	3.36	1989-90
20.	Kerala State Coir Corporation Limited	8.05	11.09	2005-06
21.	Kerala State Drugs and Pharmaceuticals Limited	1.80	20.79	1997-98
22.	Sitaram Textiles Limited	5.94	41.14	2006-07
23.	Kerala State Textiles Corporation Limited	20.88	46.77	2006-07
24.	The Kerala Land Development Corporation Limited	6.79	47.69	2003-04
25.	Kerala State Electronics Development Corporation Limited	98.34	207.56	2006-07
26.	The Kerala State Civil Supplies Corporation Limited	8.56	539.32	2004-05
27.	Scooters Kerala Limited	2.00	12.40	2002-03
28.	Steel Industrials Kerala Limited	36.31	53.67	2006-07
29.	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	39.63	0.28	2004-05

$ Source – Statement No. 14 of Finance Accounts 2007-08

Audited figures mentioned in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2008.

* Under liquidation

Appendix XII – Concld.

Sl.No.	Name of concern	Government investment as of 31 March 2008$	Accumulated loss#	Period up to which accounts were finalised
		(Rupees in crore)		
30.	Kerala State Construction Corporation Limited	0.88	22.86	2006-07
31.	Kerala State Film Development Corporation Limited	19.33	20.87	2002-03
32.	Kerala State Coconut Development Corporation Limited	2.85	11.74	1994-95
33.	Kerala Small Industries Development Corporation Limited	18.43	42.59	2003-04
34.	Kerala Fishermen's Welfare Corporation Limited*	0.42	1.00	1982-83
35.	Kerala State Engineering Works Limited*	0.46	1.51	1991-92
36.	Metropolitan Engineering Company Limited	2.52	9.90	2001-02
37.	The Kerala State Handicapped Persons' Welfare Corporation Limited	2.16	0.18	1996-97
38.	Kerala Artisans' Development Corporation Limited	2.20	2.28	2001-02
39.	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	23.70	6.36	1994-95
40.	Transformers and Electricals Kerala Limited	11.20	49.75	2005-06
41.	The Metal Industries Limited	1.34	2.49	2005-06
42.	Meat Products of India Limited	0.98	7.45	2004-05
43.	Kerala Special Refractories Limited*	2.91	2.08	2006-07
44.	Kerala State Poultry Development Corporation Limited	1.00	3.69	2004-05
45.	Kerala State Women's Development Corporation Limited	9.99	0.31	1994-95
46.	Kerala State Horticultural Products Development Corporation Limited	6.33	2.59	1999-2000
47.	Kerala Hitech Industries Limited	20.56	15.86	2003-04
48.	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	1.13	2004-05
49.	Steel Complex Limited	3.00	53.71	2007-08
50.	Kerala State Wood Industries Limited♣	1.35	7.26	1991-92
51.	Kerala State Maritime Development Corporation	9.20	2.97	2003-04
52.	Kerala State Bamboo Corporation Limited	6.59	7.40	2004-05
53.	Bekal Resorts Development Corporation Limited	45.90	0.75	2005-06
54.	Traco Cable Company Limited	12.82	35.54	2005-06
55.	United Electrical Industries Limited	3.88	2.26	2006-07
56.	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	0.87	0.42	2005-06
57.	The Kerala State Industrial Products Trading Corporation Limited	0.34	1.04	2006-07
58.	The Travancore Cements Limited	0.27	2.56	2006-07
59.	Kerala Automobiles Limited	10.23	2.21	2005-06
60.	Roads and Bridges Development Corporation of Kerala Limited	9.43	6.58	2005-06
	Total	**1112.59**	**3636.91**	

$ Source – Statement No. 14 of Finance Accounts 2007-08

\# Audited figures mentioned in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2008.

* Under liquidation

♣ Under lockout from 1st June 1993.

Appendix XIII
Areas in which major saving occurred
(Reference: Paragraph 2.3.1; Page 34)

(Rupees in crore)

Major/ Minor/ Sub head	Areas in which major saving occurred	Saving
	REVENUE VOTED	
XV Public Works		
3054-80-004-94	Strategic option studies – State Road Infrastructure Development – Technical Assistance Project	97.71
2059-80-001-95	Local Self Government's Engineering Division	58.27
3054-80-800-98	Renewals of communications	23.76
XVII Education, Sports, Art and Culture		
2202-02-109-99	Government Secondary Schools	183.96
2202-01-101-98	Government Upper Primary Schools	175.37
2202-02-110-99	Non-Government Secondary Schools - Teaching Grant	144.93
2202-02-109-86	Government Higher Secondary Schools (Plus Two Courses)	110.61
2202-01-101-99	Government Lower Primary Schools	91.76
2202-03-104-99	Salary to the staff under the direct payment system- Non Government Colleges	84.18
2202-01-102-99	Teaching Grant Non-Government Primary Schools	66.39
XVIII Medical and Public Health		
2210-01-110-99	Hospitals and Dispensaries - Allopathy	58.07
2210-03-800-94	Flagship programme – Standardisation of PHCs/CHCs/Other Hospitals	32.30
2210-05-001-99	Directorate of Medical Education – Direction and administration	20.06
2210-01-110-99	Hospital and Dispensaries Except General District Taluk Hospitals - Allopathy	19.90
XX Water Supply and Sanitation		
2215-01-190-99	Grant in aid to Kerala Water Authority	94.84
2215-01-800-96	Kerala Rural Water Supply and Environmental Sanitation Project	19.85
XXII Urban Development		
2217-80-191-50	General-Assistance to Municipal Corporation	250.00
2217-05-191-50	Other Urban Development Scheme - Assistance to Municipal Corporation	196.31
2217-05-192-83	Integrated Housing and Slum Development	50.35
XXV Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes		
2235-02-102-98	Integrated Child Development Services	35.91
2235-60-198-50	Assistance to Grama Panchayats – Block Grant for Revenue Expenditure	19.10
2235-02-102-74	Balika Samriddhi Yojana	10.00
XXIX Agriculture		
2401-104-86	Special support scheme for farm sector	121.44
2702-01-800-94	Minor Irrigation Projects - maintenance	18.06
2702-01-800-89	Repairs of Class II – Minor Irrigation Works – NABARD Assisted Scheme	15.72
2401-108-54	Coconut Development Board Scheme for Integrated Farming in Coconut Holdings for productivity improvement	15.33
2435-01-101-85	Market intervention support price for price stabilisation	13.76
	CAPITAL VOTED	
XX Water Supply and Sanitation		
6215-01-190-98	Loans to the Kerala Water Authority for implementing JBIC Assisted Water Supply Project	137.82
XLI Transport		
5075-60-800-96	Inland Navigation	80.37
5075-60-800-89	Improving existing main canals and feeder canals for Inland Water Transport – XII Finance Commission Award	43.91
7055-190-99	Loans to Kerala State Road Transport Corporation	10.00
	REVENUE CHARGED	
Debt Charges		
2049-03-115-98	Interest on Fixed Time Deposits	306.35
2049-04-101	Interest on loans for State Plan Schemes	73.80
2049-03-115-99	Interest on State Savings Bank Deposits	59.34
2049-03-104-99	Interest on General Provident Fund	41.84
2049-01-200-99	Interest on loan from LIC of India	14.39
	CAPITAL CHARGED	
Public Debt Repayment		
6003-110	Ways and Means Advances from the Reserve Bank of India	1510.09
6004-06	Ways and Means Advances from Government of India	350.00
6044-02	Loans for State Plan Schemes	19.54
6003-103	Loans from the Life Insurance Corporation of India	15.02

Appendix XIV
Significant cases of saving in Grants/Appropriation
(Reference: Paragraph 2.3.2; Page 35)

(Rupees in crore)

Sl. No.	Number and name of grant		Total grant	Amount of saving (Percentage)	
		Revenue voted			
1.	II	Heads of States, Ministers and Headquarters Staff	185.75	40.69	(22)
2.	V	Agricultural Income Tax and Sales Tax	115.85	17.52	(15)
3.	VI	Land Revenue	223.10	69.90	(31)
4.	XIV	Stationery and Printing and Other Administrative Services	158.14	25.18	(16)
5.	XV	Public Works	1149.70	129.42	(11)
6.	XVII	Education, Sports, Art and Culture	5718.25	1137.01	(20)
7.	XVIII	Medical and Public Health	1278.43	186.47	(15)
8.	XX	Water Supply and Sanitation	324.59	118.25	(36)
9.	XXII	Urban Development	659.87	414.99	(63)
10.	XXVII	Co-operation	101.73	17.39	(17)
11.	XXIX	Agriculture	807.37	247.24	(31)
12.	XXXII	Dairy	32.62	5.09	(16)
13.	XXXIV	Forest	195.09	32.93	(17)
14.	XXXV	Panchayat	39.24	5.59	(14)
15.	XXXVI	Community Development	228.89	40.70	(18)
16.	XXXVII	Industries	225.46	55.39	(25)
17.	XXXVIII	Irrigation	219.29	27.86	(13)
18.	XXXIX	Power	44.55	19.68	(44)
19.	XLI	Transport	44.23	9.56	(22)
20.	XLII	Tourism	114.28	23.85	(21)
		Capital voted			
21.	XV	Public Works	1106.14	281.49	(25)
22.	XVIII	Medical and Public Health	67.78	21.14	(31)
23.	XX	Water Supply and Sanitation	805.00	138.37	(17)
24.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	52.63	13.37	(25)
25.	XXVII	Co-operation	53.04	6.48	(12)
26.	XXIX	Agriculture	94.31	64.52	(68)
27.	XXX	Food	61.59	11.80	(19)
28.	XXXI	Animal Husbandry	15.65	13.74	(88)
29.	XXXIII	Fisheries	50.36	13.11	(26)
30.	XXXIV	Forest	19.50	8.49	(43)
31.	XXXVIII	Irrigation	212.36	46.70	(22)
32.	XXXIX	Power	66.00	56.00	(85)
33.	XL	Ports	31.25	6.02	(19)
34.	XLI	Transport	215.76	137.98	(64)
		Capital charged			
35.		Public Debt Repayment	10279.80	1862.17	(18)
		Total	**24997.60**	**5306.09**	

Appendix XV
Persistent saving
(Reference: Paragraph 2.3.3; Page 35)

(Rupees in crore)

Sl. No.	Number and Name of Grant/Appropriation		Amount of saving (Percentage)		
			2005-06	2006-07	2007-08
Revenue-Voted					
1.	II	Heads of States, Ministers and Head quarters staff	57.83 (27)	59.54 (28)	40.69 (22)
2.	VI	Land Revenue	38.24 (21)	77.75 (36)	69.90 (31)
3.	XX	Water Supply and Sanitation	94.21 (30)	211.99 (48)	118.25 (36)
4.	XXII	Urban Development	208.82 (41)	257.92 (77)	414.99 (63)
5.	XXIX	Agriculture	158.06 (25)	194.67 (24)	247.24 (31)
6.	XL	Ports	2.01 (20)	4.14 (30)	3.84 (25)
Revenue-Charged					
7.	XV	Public Works	1.21 (64)	2.49 (80)	2.42 (68)
Capital-Voted					
8.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	16.90 (37)	13.21 (30)	13.37 (25)
9.	XXXI	Animal Husbandry	5.07 (62)	16.81 (76)	13.74 (88)
10.	XLI	Transport	26.85 (44)	83.78 (44)	137.98 (64)

Appendix XVI
Excess over provision relating to previous years requiring regularisation
(Reference: Paragraph 2.3.4; Page 36)

(In Rupees)

Year	Number of Grants/ Appropriations	Grant/Appropriation Numbers		Final/Revised copies of Notes not received	Initial Notes not received
1990-91	1	**XXVIII**	Revenue (Voted)	36,58,715	
1992-93	1	**XXV**	Capital (voted)	3,67,400	
1993-94	1	**XVII**	Capital (charged)	64,76,968	
1995-96	5	**XIV**	Revenue (voted)	1,31,86,314	
		XXVI	Revenue (voted)	21,12,10,533	
		XLI	Revenue (voted)	2,14,394	
		XLII	Revenue (voted)	57,027	
		XLI	Capital (voted)	10,54,781	
1996-97	2	**XIV**	Capital (voted)	94,116	
		XXV	Capital (charged)	32,791	
1997-98	2	**XVIII**	Capital (voted)	23,51,990	
		XXV	Capital (voted)	3,92,65,631	
1998-99	1	**XXV**	Revenue (Voted)	7,87,64,570	
2000-01	1	**XXV**	Revenue (Voted)	14,65,60,697	
2001-02	2	**XI**	Revenue (Voted)	19,35,59,472	
		XVIII	Capital (Voted)	9,72,09,059	
2002-03	4	**I**	Revenue (Voted)-	59,86,857	
		III	Revenue (Voted)	6,22,58,589	
		XVIII	Capital (Voted)	18,22,48,978	
		III	Revenue (Charged)	54,76,229	
2003-04	8	**I**	Revenue (Voted)	1,21,89,740	
		III	Revenue (Voted)	4,70,33,333	
		V	Revenue (Voted)	2,94,25,435	
		XI	Revenue (Voted)		4,11,22,987
		XVII	Revenue (Voted)	1,21,86,09,617	
		XLIII	Revenue (Voted)		2,64,00,000
		XII	Capital (Voted)		12,030
		II	Revenue (Charged)	55,71,880	
2004-05	3	**XV**	Capital (Voted)		1,02,31,142
		XIX	Revenue (Voted)	14,82,58,936	
		XXIX	Capital (Charged)		24,695
2005-06	1	**XIX**	Revenue (Voted)		21,27,48,025
2006-07	3	**XIX**	Revenue (Voted)		5,88,05,425
		XLII	Revenue (Voted)		1,27,72,873
		I	Revenue (Charged)		25,755
		Total		**2,51,11,24,052**	**36,21,42,932**

Appendix XVII

Cases of unnecessary supplementary Grants/Appropriations

(Reference: Paragraph 2.3.6; Page 36)

(Rupees in crore)

Sl. No.	Number and name of grant		Original grant	Supplementary grant	Total	Expenditure	Saving
Revenue Voted							
1.	I	State Legislature	28.39	0.97	29.36	27.41	1.95
2.	II	Heads of States, Ministers and Headquarters Staff	179.45	6.30	185.75	145.06	40.69
3.	III	Administration of Justice	155.21	2.64	157.85	151.16	6.69
4.	VI	Land Revenue	201.23	21.86	223.09	153.19	69.90
5.	X	Treasury and Accounts	78.92	3.34	82.26	78.27	3.99
6.	XII	Police	886.73	16.64	903.37	818.73	84.64
7.	XIV	Stationery and Printing and Other Administrative Services	153.36	4.78	158.14	132.96	25.18
8.	XVII	Education, Sports, Art and Culture	5632.58	85.67	5718.25	4581.24	1137.01
9.	XVIII	Medical and Public Health	1249.64	28.79	1278.43	1091.96	186.47
10.	XX	Water Supply and Sanitation	308.73	15.85	324.58	206.34	118.24
11.	XXII	Urban Development	602.10	57.77	659.87	244.88	414.99
12.	XXVII	Co-operation	86.58	15.15	101.73	84.34	17.39
13.	XXVIII	Miscellaneous Economic Services	48.15	1.28	49.43	44.46	4.97
14.	XXIX	Agriculture	765.48	41.88	807.36	560.12	247.24
15.	XXXIV	Forest	191.77	3.32	195.09	162.16	32.93
16.	XXXVI	Community Development	225.59	3.30	228.89	188.19	40.70
17.	XXXVII	Industries	194.06	31.40	225.46	170.08	55.38
18.	XXXVIII	Irrigation	200.31	18.98	219.29	191.43	27.86
Capital Voted							
19.	XXV	Social welfare	44.51	8.12	52.63	39.26	13.37
20.	XXVIII	Miscellaneous Economic Services	5.12	0.21	5.33	3.53	1.80
21.	XXIX	Agriculture	83.92	10.38	94.30	29.79	64.51
22.	XXXIII	Fisheries	39.03	11.33	50.36	37.26	13.10
23.	XLI	Transport	152.23	63.52	215.75	77.77	137.98
24.	XLII	Tourism	13.35	2.00	15.35	10.39	4.96
Capital Charged							
25.		Public Debt Repayment	9664.87	614.93	10279.80	8417.63	1862.17
		Total	**21191.31**	**1070.41**	**22261.72**	**17647.61**	**4614.11**

Appendix XVIII
Cases of excessive supplementary Grants/Appropriations
(Reference: Paragraph 2.3.6; Page 36)

(Rupees in crore)

Sl. No.	Number and name of grant		Original grant	Supplementary grant	Total	Expenditure	Saving
	Revenue Voted						
1.	IV	Election	12.31	7.73	20.04	18.62	1.42
2.	V	Agricultural Income Tax and Sales Tax	93.96	21.88	115.84	98.32	17.52
3.	VII	Stamps and Registration	64.85	20.23	85.08	81.03	4.05
4.	XI	District Administration and Miscellaneous	254.98	71.69	326.67	313.90	12.77
6.	XIII	Jails	36.17	8.91	45.08	41.56	3.52
7.	XV	Public Works	1008.43	141.27	1149.70	1020.28	129.42
8.	XIX	Family Welfare	150.00	4.97	154.97	152.40	2.57
9.	XXIV	Labour and Labour Welfare	168.60	23.64	192.24	172.86	19.38
10.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	1069.12	165.34	1234.46	1130.04	104.42
11.	XXVIII	Miscellaneous Economic Services	48.15	1.28	49.43	44.46	4.97
12.	XXX	Food	58.10	112.61	170.71	159.48	11.23
13.	XXXII	Dairy	27.25	5.37	32.62	27.53	5.09
14.	XXXV	Panchayat	27.48	11.76	39.24	33.66	5.58
15.	XLI	Transport	27.70	16.53	44.23	34.67	9.56
16.	XLII	Tourism	89.24	25.04	114.28	90.43	23.85
	Revenue Charged						
17.	II	Heads of States, Ministers and Headquarters Staff	44.39	5.32	49.71	46.09	3.62
	Capital Voted						
18.	XV	Public Works	688.29	417.85	1106.14	824.65	281.49
19.	XVIII	Medical and Public Health	21.85	45.93	67.78	46.64	21.14
20.	XXI	Housing	14.05	2.66	16.71	14.10	2.61
21.	XXVII	Co-operation	41.15	11.89	53.04	46.57	6.47
22.	XXX	Food	33.61	27.98	61.59	49.79	11.80
23.	XXXVII	Industries	26.04	266.91	292.95	269.67	23.28
24.	XXXVIII	Irrigation	142.13	70.23	212.36	165.66	46.70
	Total		**4147.85**	**1487.02**	**5634.87**	**4882.41**	**752.46**

Appendix XIX
Excessive/unnecessary reappropriation of funds
(Reference: Paragraph 2.3.7; Page 36)

(Rupees in crore)

Sl. No	Number, Name of Grant/ Appropriation and Head of account	Original plus supplementary provision	Reappropriation	Final grant/ appropriation	Actual expenditure	Excess (+)/ Saving (-)
III	**Administration of Justice**					
1.	2014-00-105-99 (NP)	83.61	(-) 4.99	78.62	79.77	(+) 1.15
V	**Agricultural Income Tax and Sales Tax**					
2.	2040-00-101-97 (NP)	78.33	(-) 5.90	72.43	74.67	(+) 2.24
VI	**Land Revenue**					
3.	2029-00-102-95 (NP)	61.44	(-) 27.14	34.30	36.01	(+)1.71
VIII	**Excise**					
4.	2039-00-001-98 (NP)	42.89	(-) 7.79	35.10	38.29	(+) 3.19
XI	**District Administration and Miscellaneous**					
5.	2053-00-093-99 (NP)	46.46	(-)6.51	39.95	42.57	(+)2.62
6.	2053-00-104-99 (NP)	52.83	(-)4.34	48.49	49.87	(+)1.38
XII	**Police**					
7.	2055-00-101-99 (NP)	26.70	(-) 6.59	20.11	29.89	(+)9.78
8.	2055-00-104-99 (NP)	141.44	(-) 59.78	81.66	82.66	(+) 1.00
XIV	**Stationery and Printing and other Administrative Services**					
9.	2070-00-003-104-99	22.88	(-) 1.95	20.93	22.77	(+) 1.84
XV	**Public Works**					
10.	3054-80-800-97 (NP)	62.26	(+) 8.08	70.34	67.86	(-) 2.48
11.	3054-80-800-96 (NP)	24.16	(+)3.52	27.68	26.91	(-) 0.77
12.	5054-03-337-98 (NP)	43.73	(+)4.68	48.41	45.18	(-) 3.23
13.	5054-04-800-98 (P)	244.53	(+) 51.56	296.09	280.51	(-) 15.58
14.	5054-04-800-97 (P)	31.82	(+) 2.32	34.14	31.97	(-) 2.17
15.	5054-04-800-89 (P)	122.07	(+) 1.71	123.78	102.93	(-)20.85
16.	5054-80-001-99 (P)	24.86	(+) 87.54	112.40	96.21	(-) 16.19
17.	5054-80-052-99 (P)	1.74	(+) 6.11	7.85	6.73	(-) 1.12
XVII	**Education, Sports, Art and culture**					
18.	2202-01-196-50 (NP)	14.69	(-) 11.96	2.73	10.80	(+) 8.07
19.	2202-01-800-98 (NP)	3.65	(+) 11.73	15.38	12.06	(-) 3.32
20.	2202-03-103-99 (NP)	86.39	(-) 23.63	62.76	76.84	(+) 14.08
21.	2202-03-104-99 (NP)	421.41	(-) 108.79	312.61	337.23	(+) 24.61
22.	2202-80-800-54 (P)	-	(+) 1.80	1.80	0.05	(-) 1.75
23.	2202-80-800-53 (P)	-	(+) 2.01	2.01	0.89	(-) 1.12
XVIII	**Medical and Public Health**					
24.	2210-03-103-99 (NP)	96.35	(-) 2.59	93.76	104.89	(+) 11.13
25.	2210-05-001-99 (NP)	42.00	(-) 21.47	20.53	21.99	(+) 1.46
XX	**Water Supply and Sanitation**					
26.	2215-01-800-83 (P)	39.25	(-) 4.39	34.86	39.25	(+) 4.39
XXII	**Urban Development**					
27.	2217-80-800-91 (P)	-	(+) 83.33	83.33	23.43	(-) 59.90
XXIX	**Agriculture**					
28.	2401-00-001-96 (NP)	96.58	(-) 3.22	93.36	97.32	(+) 3.96
XXXVI	**Community Development**					
29.	2515-00-102-61 (P)	14.00	(-) 8.22	5.78	8.25	(+) 2.47
XXXVIII	**Irrigation**					
30.	2701-02-107-98 (NP)	2.25	(+) 1.86	4.11	2.54	(-) 1.57
XL	**Ports**					
31.	5051-80-800-74 (P)	20.00	(-) 7.31	12.69	14.17	(+) 1.48
XLII	**Tourism**					
32.	3452-80-104-98 (P)	15.00	(+) 2.00	17.00	12.78	(-) 4.22
Debt Charges						
33.	2049-01-101-99 (NP)	1106.04	(+) 27.60	1133.64	1106.85	(-) 26.79

NP-Non-plan, P- Plan

Appendix XX
Non-surrender of saving of Rs 5 crore and above
(Reference: Paragraph 2.3.8; Page 37)

(Rupees in crore)

Sl. No.	Number and name of grant		Saving	Amount surrendered	Amount not surrendered
	Revenue voted				
1.	II	Heads of States, Ministers and Headquarters Staff	40.69	23.09	17.60
2.	XV	Public Works	129.42	48.72	80.70
3.	XVII	Education, Sports, Art and Culture	1137.01	272.52	864.49
4.	XVIII	Medical and Public Health	186.47	69.37	117.10
5.	XX	Water Supply and Sanitation	118.25	100.83	17.42
6.	XXII	Urban Development	414.99	64.11	350.88
7.	XXV	Social Welfare including Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	104.42	72.14	32.28
8.	XXVI	Relief on Account of Natural Calamities	25.44	8.01	17.43
9.	XXIX	Agriculture	247.24	178.22	69.02
10.	XXX	Food	11.23	0.99	10.24
11.	XXXI	Animal Husbandry	13.43	4.40	9.03
12.	XXXIV	Forest	32.93	26.81	6.12
13.	XXXVII	Industries	55.39	40.92	14.47
14.	XXXVIII	Irrigation	27.86	11.17	16.69
15.	XXXIX	Power	19.68	...	19.68
	Revenue charged				
16.		Debt charges	436.32	48.46	387.86
	Capital voted				
17.	XV	Public Works	281.49	175.90	105.59
18.	XXXVII	Industries	23.28	7.43	15.85
19.	XXXIX	Power	56.00	...	56.00
20.	XLI	Transport	137.98	124.73	13.25
	Capital charged				
21.		Public Debt Repayment	1862.17	1775.80	86.37
		Total	**5361.69**	**3053.62**	**2308.07**

Appendix XXI
Excess surrender of saving
(Reference: Paragraph 2.3.9; Page 37)

(Rupees in crore)

Sl. No.	Number and name of grant		Saving	Amount surrendered	Amount surrendered in excess
	Revenue voted				
1.	III	Administration of Justice	6.70	8.39	1.69
2.	VIII	Excise	7.23	9.79	2.56
3.	IX	Taxes on vehicles	2.98	3.98	1.00
4.	XI	District Administration and Miscellaneous	12.77	13.77	1.00
5.	XII	Police	84.64	85.90	1.26
6.	XXI	Housing	1.10	1.25	0.15
7.	XXVII	Co-operation	17.39	19.26	1.87
8.	XXVIII	Miscellaneous Economic Services	4.97	5.24	0.27
9.	XXXIII	Fisheries	0.98	3.07	2.09
	Capital voted				
10.	XXXIV	Forest	8.49	8.96	0.47
11.	XXXVIII	Irrigation	46.70	46.87	0.17
12.	XL	Ports	6.02	7.55	1.53
		Total	**199.97**	**214.03**	**14.06**

Appendix XXII

Cases of uneven distribution of expenditure (Reference: Paragraph 2.4.2; Page 37)

(Rupees in crore)

Sl. No.	Head of Account	Total Expenditure	Expenditure during March 2008	Percentage
XVII -Education, Sports, Art & Culture				
1.	2202-01-102-98 (NP) Maintenance grant	0.50	0.50	100
2.	2202-01-112-97 (P) Construction of Kitchen-cum-Store	0.76	0.76	100
3.	2202-02-800-73 (P) Information and Communication technology in Schools (100 *per cent* Centrally Sponsored Scheme)	16.67	16.67	100
4.	2202-03-107-87 (P) Scholarship for degree/PG students	1.71	1.71	100
5.	2202-80-004-91(P) State Council of Education, Research & Training	3.00	3.00	100
6.	2202-80-004-91(NP) State Council of Education, Research & Training	1.50	1.50	100
7.	2202-03-800-72 (P) Teaching posts in Higher Education	4.00	4.00	100
8.	2202-03-800-97 (P) Furniture, Library & Laboratory equipment	0.80	0.75	94
9.	2203-00-112-75 (P) Technical Education Quality Improvement Programme	1.89	1.75	93
10.	2204-00-104-31 (P) Play grounds & other sports facilities-assistance to LSGIs	3.00	3.00	100
11.	2204-00-800-96 (NP) Contribution to Usha school of Athletics	0.25	0.25	100
XXII- Urban Development				
1.	2217-05-191-86 (P) Swarnajayanthi Shahari Rozgar Yojana (75% CA)	0.99	0.99	100
2.	2217-05-800-85 (P) Preparation of heritage plans for Alappuzha and Thalassery	0.25	0.25	100

Appendix XXIII
Unnecessary provision of Supplementary Grants
(Reference: Paragraph 2.4.4; Page 38)

(Rupees in crore)

Sl No	Head of account	Original Grant	Supple-mentary Grant	Amount reappro-priated	Net provision	Expenditure	Savings
Grant No. XVII -Education, Sports, Art & Culture							
1	2202-01-112-98 (P) Replacement of cooking equipments (100%CSS)	-	0.80	(-) 0.80	-	Nil	-
2	2202-03-800-67(P) Educational cluster at Maharajas College, Ernakulam	-	1.00	(-) 1.00	-	Nil	-
3	2202-03-800-64(P) Prathibha Council	-	5.00	-	5.00	Nil	5.00
4	2205-00-800-55(NP) 50th anniversary of state formation	-	0.10	-	0.10	Nil	0.10
5	2205-00-800-60(P) Renovaion of Ambedkar Chundanvallom	-	0.04	-	0.04	Nil	0.04
6	2205-00-800-59(P) Sivagiri Pilgrim Camp site	-	0.50	-	0.50	Nil	0.50
	Total		**7.44**	**(-) 1.80**	**5.64**	**Nil**	**5.64**
Grant No.XXII- Urban Development							
1	2217-01-800-96(P) Energy production using Polarisation technology in Thalassery Municipality	-	1.00	(-) 1.00	-	Nil	-
2	2217-80-800-80(P) Vanchikulam Project in Thrissur Municipal Corporation	-	0.50	(-) 0.50	-	Nil	-
	Total	-	**1.50**	**(-) 1.50**	-	**Nil**	-

Appendix XXIV
Department-wise details of NIL payment vouchers
(Reference: Paragraph 2.5; Page 38)

(Rupees in crore)

Sl. No.	Name of Department	Transferred to					Total
		Treasury Savings Bank account	Treasury Public Account	Personal Deposit Account	Remittance head of Public Works Department	Other agencies/ institutions by Demand Draft	
1.	Director of Health Services	5.00	-	0.03	0.08	15.30	20.41
2.	Director of Scheduled Caste Development	-	1.30	-	6.05	11.20	18.55
3.	Director of Scheduled Tribes Development	20.55	-	-	1.70	3.39	25.64
4.	Director of Urban Affairs	99.23	-	-	-	6.47	105.70
5.	Director of Fisheries	-	-	-	-	9.66	9.66
	Total	**124.78**	**1.30**	**0.03**	**7.83**	**46.02**	**179.96**

Appendix XXV
Details of Public Works Deposit
(Reference: Paragraph 2.6; Page 39)

(Rupees in crore)

Sl. No	Name of Division	Outstanding deposit amount	Details of deposits not available	Miscellaneous Deposits	Time Expired Deposits
1.	Roads Division, Muvattupuzha	11.62	-	1.36	4.17
2.	NH Division, Muvattupuzha	2.19	0.04	0.20	--
3.	Buildings Division, Ernakulam	5.78	-	0.41	0.37
4.	Roads Division, Ernakulam	13.32	1.19	2.42	1.02
5.	Roads Division, Kottayam	6.05	1.67	2.03	1.67
6.	Roads Division, Pathanamthitta	5.52	-	1.05	--
7.	Irrigation Division, Alappuzha	1.68	0.13	0.11	0.01
8.	Roads Division, Alappuzha	10.53	3.08	3.82	0.25
9.	Roads Division, Kollam	18.51	-	3.16	--
10.	Irrigation Division, Kollam	4.72	0.01	0.15	0.08
11.	Roads Division, Thiruvananthapuram	21.17	6.03	2.09	--
12.	NH Division, Thiruvananthapuram	5.84	0.04	0.24	--
13.	Buildings Division	14.89	--	1.49	--
14.	Special Buildings Division, Thiruvananthapuram	9.68	-	1.19	0.08
	Total	**131.50**	**12.19**	**19.72**	**7.65**

Appendix XXVI
Arrears in reconciliation
(Reference Paragraph 2.7; Page 39)

Year	Number of controlling officers	Number of monthly reconciliation certificate due
2003-04	1	12
2004-05	4	27
2005-06	11	88
2006-07	45	293
2007-08	109	1,564
Total		**1,984**

Appendix XXVII
Rush of expenditure
(Reference: Paragraph 2.8; Page 40)

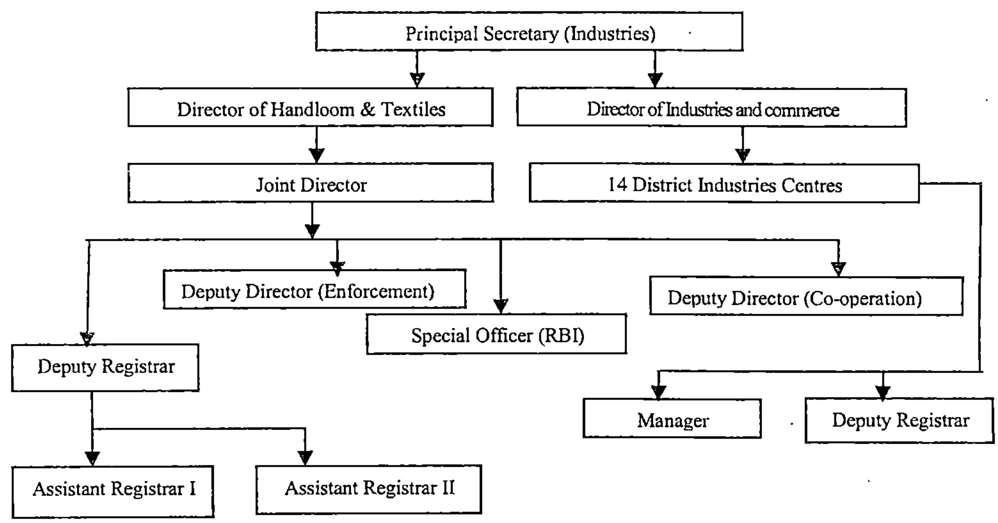
(Rupees in crore)

Sl. No	Major Head	Total Expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2008	
			Amount	Percentage of total Expenditure	Amount	Percentage of total expenditure
1.	2216-Housing	53.05	28.00	53	23.27	44
2.	2217–Urban Development	244.88	144.16	59	99.51	41
3.	2501–Special Programmes for Rural Development	23.24	15.62	67	12.55	54
4.	2505–Rural Employment	27.45	16.99	62	9.56	35
5.	2506–Land Reforms	0.71	0.71	100	0.71	100
6.	2551–Hill Areas	20.33	18.65	92	15.78	78
7.	2801-Power	24.88	24.51	99	24.51	99
8.	2810-Non-conventional Sources of Energy	11.36	9.82	86	5.66	50
9.	3055–Road Transport	1.45	1.41	97	1.30	90
10.	3075–Other Transport Services	16.26	15.02	92	14.39	89
11.	3435–Ecology and Environment	0.38	0.33	87	0.33	87
12.	4055–Capital Outlay on Police	0.10	0.08	80	0.08	80
13.	4211–Capital Outlay on Family Welfare	0.18	0.09	50	0.09	50
14.	4215–Capital Outlay on Water Supply & Sanitation	4.45	4.45	100	4.45	100
15.	4225–Capital Outlay on Welfare of SC/ST & OBCs	37.71	27.23	72	16.78	45
16.	4235-Capital Outlay on Social Security and Welfare	1.40	0.71	51	0.66	47
17.	4250–Capital Outlay on Other Social Services	1.07	0.69	64	0.69	64
18.	4401–Capital Outlay on Crop Husbandry	1.98	1.70	86	1.09	55
19.	4402-Capital Outlay on Soil & Water Conservation	10.00	10.00	100	6.25	63
20.	4404–Capital Outlay on Dairy Development	0.05	0.05	100	0.05	100
21.	4405-Capital Outlay on Fisheries	27.93	16.81	60	11.99	43
22.	4406–Capital Outlay on Forestry & Wildlife	11.01	7.35	67	4.48	41
23.	4425–Capital Outlay on Co-operation	28.61	24.63	86	23.45	82
	Total	**548.48**	**369.01**		**277.63**	

Appendix XXVIII
Details of enrolment for mid-day meal scheme as reported by DDE and that communicated to GOI
(Reference: Paragraph 3.1.8.1; Page 48)

Name of District	2005-06			2006-07			2007-08		
	Reported by DDE	Communi-cated to GOI	Excess(+) Less (-)	Reported by DDE	Communi-cated to GOI	Excess(+) Less (-)	Reported by DDE	Communi-cated to GOI	Excess(+) Less (-)
Pathanamthitta	47,508	44,000	(-)3,508	42,872	48,680	(+)5,808	36,623	46,499	(+)9,876
Malappuram	3,37,010	3,75,000	(+)37,990	3,44,110	3,61,725	(+)17,615	3,37,679	3,50,800	(+)13,121
Kottayam	81,246	81,000	(-)246	81,349	91,305	(+)9,956	76,736	92,400	(+)15,664
Kozhikode	2,70,689	2,00,000	(-)70,689	2,01,297	2,13,448	(+)12,151	1,95,357	2,14,550	(+)19,193
Kasaragod	80,343	92,000	(+)11,657	79,582	95,721	(+)16,139	77,562	94,200	(+)16,638
Total	**8,16,796**	**7,92,000**	**(-)24,796**	**7,49,210**	**8,10,879**	**(+)61,669**	**7,23,957**	**7,98,449**	**(+)74,492**

Appendix XXIX
Organisational set up (Handloom)
(Reference: Paragraph 3.2.2; Page 57)



Appendix XXX
Details of funds released to agencies for design development
(Reference: Paragraph 3.2.10.6; Page 63)

(Rupees in lakh)

Name of agency	No of Societies entrusted with the agency	Cost per society	Total amount
Weavers Service Centre, Kannur	19	0.35	6.65
Institute of Handloom and Textile Technology, Kannur	75	0.35	26.25
National Institute of Fashion Technology	48	0.50	24.00
National Institute of Design	38	0.33	12.35
National Institute of Design	45	0.44	20.00
National Institute of Design	52	0.50	26.00
Institute of Handloom and Textile Technology, Salem	13	0.30	3.90
Total	**290**		**119.15**

Appendix XXXI

Working results of the two apex organisations (Reference: Paragraph 3.2.12.1; Page 67)

Hantex

Year	Paid up capital (Rs in crore)	Accumulated loss (Rs in crore)	Total production in co-operative sector (Rs in crore)	Procurement by Hantex (Rs in crore)	*Per cent*	Total Sales (Rs in crore)	Sale by Hantex (Rs in crore)	*Per cent*
2003-04	13.11	70.56	262.71	10.46	4	249.83	16.93	7
2004-05	13.47	79.35	269.55	8.78	3	266.93	16.95	6
2005-06	13.88	90.04	269.82	7.11	3	366.74	10.40	3
2006-07	14.23	102.20	270.22	6.39	2	248.23	13.89	6
2007-08	Accounts not finalised							

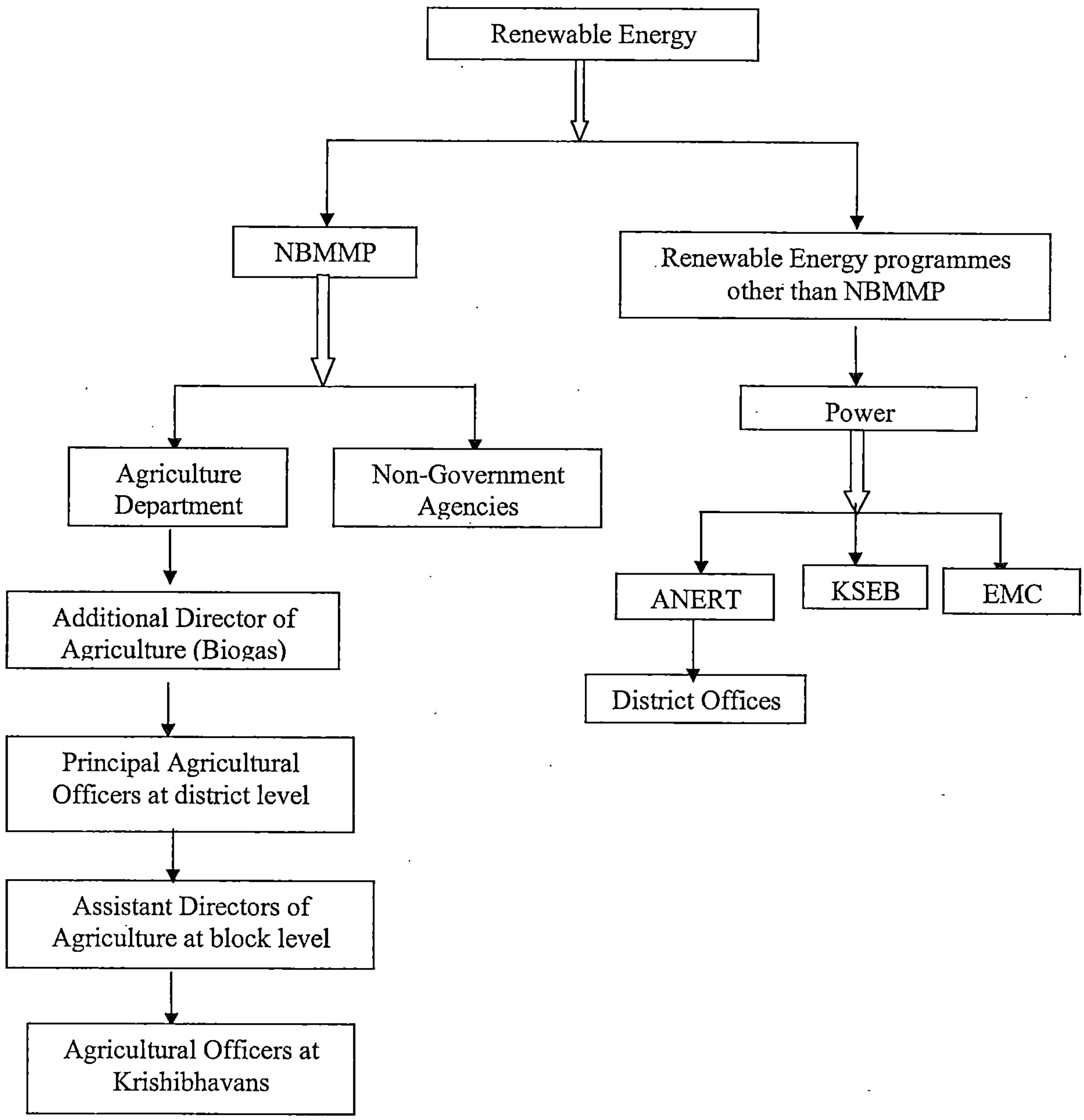
Hanveev

Year	Paid up capital (Rs in crore)	Accumulated loss (Rs in crore)	Total production in corporate/ unorganised sector (Rs in crore)	Procurement by Hanveev (Rs in crore)	*Per cent*	Total Sales (Rs in crore)	Sale by Hanveev (Rs in crore)	*Per cent*
2003-04	13.31	20.86	9.45	5.16	55	6.64	12.65	191
2004-05	13.55	23.76	10.80	7.59	70	5.67	11.72	207
2005-06	13.82	27.53	10.90	6.87	63	8.90	11.20	126
2006-07	14.10	31.32	10.94	4.93	45	25.94	12.60	49
2007-08	Accounts not finalised							

Appendix XXXII

Organisation Chart

(Reference: Paragraph 3.3.2; Page 71)



Appendix XXXIII

Delay in finalising ANERT budget
(Reference: Paragraph 3.3.7.2; Page 76)

Year of budget	Date of approval by Governing Body	Due date for approval	Delay (months)
2004-05	28.12.2004	March 2004	8
2006-07	30.8.2006	March 2006	4
2007-08	14.3.2008	March 2007	11

Appendix XXXIV

Details of fake invoices admitted towards cost of bitumen in Roads and National Highway Divisions

(Reference: Paragraph 4.1.1; Page 100)

Name of Division	Payment made to contractors on fake invoices		Fake invoices entered in the Bill Register but pending payment for want of Letter of Credit		Total number of fake invoices	Total amount (in Rupees)
	Number of invoices	Amount (in Rupees)	Number of invoices	Amount (in Rupees)		
Roads Division						
Thiruvananthapuram	20	29,98,632	27	54,81,143	47	84,79,775
Kollam	10	14,06,665	2	3,37,098	12	17,43,763
Alappuzha	20	37,42,579	25	52,22,820	45	89,65,399
Kottayam	...	...	1	1,88,652	1	1,88,652
Muvattupuzha	2	4,43,068	43	90,70,831	45	95,13,899
Idukki	19	34,60,394	...	...	19	34,60,394
Ernakulam	9	12,24,069	2	3,84,984	11	16,09,053
Thrissur	3	3,65,008	4	7,85,711	7	11,50,719
Palakkad	...	...	45	93,64,903@	45	93,64,903
Manjeri	40	57,49,416	30	55,48,894	70	1,12,98,310
Kozhikode	5	4,23,218	9	18,37,212	14	22,60,430
Kalpetta	6	7,00,875	...	...	6	7,00,875
Kannur	7	8,36,003	...	....	7	8,36,003
National Highways Division						
Muvattupuzha	7	4,70,832	...	...	7	4,70,832
Kozhikode	6	5,57,665	...	...	6	5,57,665
Kannur	6	8,70,242	...	...	6	8,70,242
Total	**160**	**2,32,48,666**	**188**	**3,82,22,248**	**348**	**6,14,70,914**

@ Included Rs 2,66,632 towards conveyance charges which was not admissible

Appendix XXXV
Department-wise details of outstanding Inspection Reports and paragraphs as on 30 June 2008

(Reference: Paragraph 4.5.8; Page 130)

Sl. No.	Department	Inspection Reports	Paragraphs
1.	Agriculture	473	2325
2.	Co-operation	53	145
3.	Cultural Affairs	82	388
4.	Election	2	2
5.	Finance	128	427
6.	Fisheries and Ports	112	365
7.	Food and Civil Supplies	83	236
8.	Forest and Wildlife	285	812
9.	General Administration	32	103
10.	General Education	1688	5882
11.	Health and Family Welfare	1014	4147
12.	Higher Education	403	1767
13.	Home	274	936
14.	Industries	117	457
15.	Information Technology	9	52
16.	Kerala Public Service Commission	6	16
17.	Labour and Rehabilitation	74	256
18.	Law	3	4
19.	Legislature Secretariat	4	11
20.	Local Self Government	237	873
21.	Planning and Economic Affairs	14	56
22.	Power	13	55
23.	Public Works	198	1096
24.	Revenue	235	680
25.	Taxes	39	132
26.	Scheduled Castes and Scheduled Tribes Development	124	662
27.	Social Welfare	36	94
28.	Tourism	31	190
29.	Transport	26	53
30.	Water Resources	405	1973
31.	Science and Technology	30	171
32.	Personnel and Administrative Reforms	5	23
33.	Housing	12	138
Total		**6247**	**24,527**

Appendix XXXVI
Statement showing the year-wise position and nature of irregularities in outstanding Inspection Reports in the Judiciary and Co-operation departments

(Reference: Paragraph 4.5.8; Page 130)

(a) Year-wise analysis

(Rupees in crore)

Period	Judiciary			Co-operation		
	Number of IRs	Number of Paragraphs	Money value	Number of IRs	Number of Paragraphs	Money value
Up to 2003-04	31	38	1.84	13	19	9.09
2004-05	16	20	3.25	4	9	2.97
2005-06	13	26	4.44	15	30	41.27
2006-07	13	38	2.87	10	39	198.12
2007-08	11	60	6.45	11	48	32.44
Total	**84**	**182**	**18.85**	**53**	**145**	**283.89**

(b) Nature of irregularities

(Rupees in crore)

Sl. No.	Nature of irregularity	Judiciary		Co-operation	
		Paragraphs	Amount	Paragraphs	Amount
1.	Lapses in implementation of scheme	...	...	19	89.01
2.	Excess/Under-utilisation of Budget provisions, central assistance etc.	6	0.13	12	23.26
3.	Irregularities in maintenance of TP, PD, TSB, Bank, etc., accounts.	3	0.01	5	6.51
4.	Maintenance of Service Book and wrong Pay Fixation	52	0.01	31	0.02
5.	Other establishment matters	36	0.06	6	0.01
6.	Stores and stock including motor vehicle and computer	2	0.01	...	...
7.	Internal control mechanism	9	...	1	0.01
8.	DCB - pending adjustment	46	18.62	32	23.43
9.	Others	28	0.01	39	141.64
	Total	**182**	**18.85**	**145**	**283.89**

Appendix XXXVII

List of Audit paras for which ATNs have not been furnished by Government

(Reference: Paragraph 4.5.9; Page 131)

Department-wise details

Sl. No.	Name of Department	Audit Report for the year	Para Number	Total
1.	Agriculture	2004-05 2005-06 2006-07	4.1.1 4.3.1 4.4.2	(3)
2.	Cultural Affairs	2006-07	4.3.1	(1)
3.	Disaster Management Department	2005-06	3.1	(1)
4.	Environment Department	2006-07	3.3	(1)
5.	Finance	2006-07	3.5	(1)
6.	Fisheries & Ports	2003-04 2006-07	3.2, 4.3.1, 4.5.2, 4.7.1 4.2.3	(5)
7.	Food, Civil Supplies and Consumer Affairs	2004-05 2005-06	3.1 3.2	(2)
8.	Forest & Wild Life	2005-06 2006-07	3.3, Chapter I (Vol.II) 4.5.3	(3)
9.	General Education	2006-07	4.1.1, 4.4.1	(2)
10.	General Administration (Tourism)	2004-05 2006-07	5.1 4.5.1, 4.5.2	(3)
11.	Harbour Engineering	2006-07	3.6	(1)
12.	Health & Family Welfare	2002-03 2003-04 2005-06 2006-07	5.1 3.2, 4.4.1, 4.7.3, 4.7.4 4.1.1 4.3.3	(7)
13.	Higher Education	2003-04 2004-05 2006-07	4.7.6 4.3.3 4.3.2	(3)
14.	Home	2005-06 2006-07	4.1.1, 3.5 3.2	(3)
15.	Industries	2003-04 2004-05 2006-07	5.1 4.4.6, 4.6.2 4.4.2, 4.5.2, 4.5.4	(6)
16.	Information Technology	2002-03 2006-07	4.6.4 3.5	(2)
17.	Co-operation	2006-07	5.1	(1)
18.	Local Self Government	2003-04 2004-05 2005-06 2006-07	4.4.3, 4.4.4 4.6.3 4.5.4 4.3.6, 4.4.3	(6)
19.	Public Works Department	2006-07	3.6, 4.1.4, 4.2.1, 4.3.4, 4.3.5	(5)
20.	Power	2005-06	4.5.5	(1)
21.	Revenue	2003-04 2006-07	4.7.7 4.2.2	(2)
22.	SC &ST Development	2004-05 2006-07	4.4.7 3.4	(2)
23.	Social Welfare	2006-07	3.1	(1)
24.	Taxes	2006-07	4.2.2, 4.4.6	(2)
25.	Water Resources	2003-04 2004-05 2005-06 2006-07	3.2 4.2.2, 4.6.5, 4.6.6 4.3.8, 4.3.9, 4.4.5, Chapter II(Vol.II) 3.6, 4.1.2, 4.1.3, 4.1.4, 4.3.7, 4.3.8, 4.4.4, 4.4.5	(16)
	Total			(80)

2003-04: Para 3.2- District Audit, Kollam- relates to Fisheries, Water Resources and Health and Family Welfare Departments.

2005-06: Para 4.1.1- Home, Health & Family Welfare Departments.

2006-07: Para 3.5 – Information Technology, Finance Departments, 3.6- PWD, Water Resource Department, Harbour Engineering Department, 4.1.4 – Water Resources Department, PWD, 4.2.2- Revenue Department, Taxes Department, 4.4.2-Industries, Agriculture Departments, 4.5.2-Tourism, Industries Departments

Appendix XXXVIII
Supplementary provision obtained in Agriculture Department

(Reference: Paragraph 5.1.5.3 (a); Page 136)

Year	Name of scheme	Purpose	Amount (Rs in crore)
2004-05	Programme for Control of Mite in Coconut	To regularise the additional authorisation of Rs 7 crore.	**7.00**
2005-06	National Agricultural Insurance Scheme	To recoup the Contingency Fund advance drawn.	1.75
	Promotion and Strengthening of Agricultural Mechanisation through Training, Testing and Demonstration	To satisfy New Service procedure.	0.03
	Control of Yellowing in Arecanut	To satisfy New Service procedure.	2.19
	Control of Bud rot disease under Technology Mission on Coconut	To provide funds for the scheme in the year itself.	0.03
	Demonstration of Newly Developed Equipment in Agriculture including Horticultural Equipment and their trial at farmers' level.	To recoup the advance from the Contingency Fund	0.08
	National Watershed Development Programme for Rainfed Areas	To provide funds for implementation	5.00
	One Time Additional Central Assistance for uplift of urban/rural farmers through Development of Floriculture	To satisfy New Service procedure.	5.00
Total			**14.08**
2007-08	Assistance to Paddy Co-operatives	To provide funds for financial support to paddy co-operatives as announced while replying to the general discussion on State budget.	0.50
	Scheme on control of Eriyophyidc – mite in coconut	To effect refund of the unutilised balance of financial assistance received from Coconut Development Board.	2.00
	Establishment of Regional Nurseries	To provide additional amount required for implementing the scheme	0.50
	Value Addition and Post Harvest Management	To provide additional amount required for implementing the scheme	1.00
	CSS under Macro Management - Women in Agriculture	To provide funds for implementing the scheme	0.38
	Information Technology	To provide funds for implementing the scheme	0.12
	Human Resources Development in Horticulture	To provide funds for release of balance amount due to Kerala Agriculture University	0.01
Total			**4.51**

Appendix XXXIX
Details of retired persons against whom advances were pending
(Reference: Paragraph 5.1.7.1 (c); Page 143)

Sl. No.	Name of official
1.	Sreedharan Nair, DDA
2.	Leelalakshmi Amma, DDA (T)
3.	M.James, DDA (T)
4.	Rajashekharan Nair, DDA (T)
5.	S.Sreenivasan, Executive Engineer
6.	R.Jayadevan, PAO
7.	T.P.Ramachandran Nair, PAO
8.	T.V.Girija, PAO
9.	Lalitha T.David, PAO
10.	D.Gnanadas, PAO
11.	Unnikrishnan, PAO
12.	P.Ravindran, DDA
13.	Carolin Thankamma, PAO
14.	Saleema Joseph, PAO
15.	Saseendran, DDA