



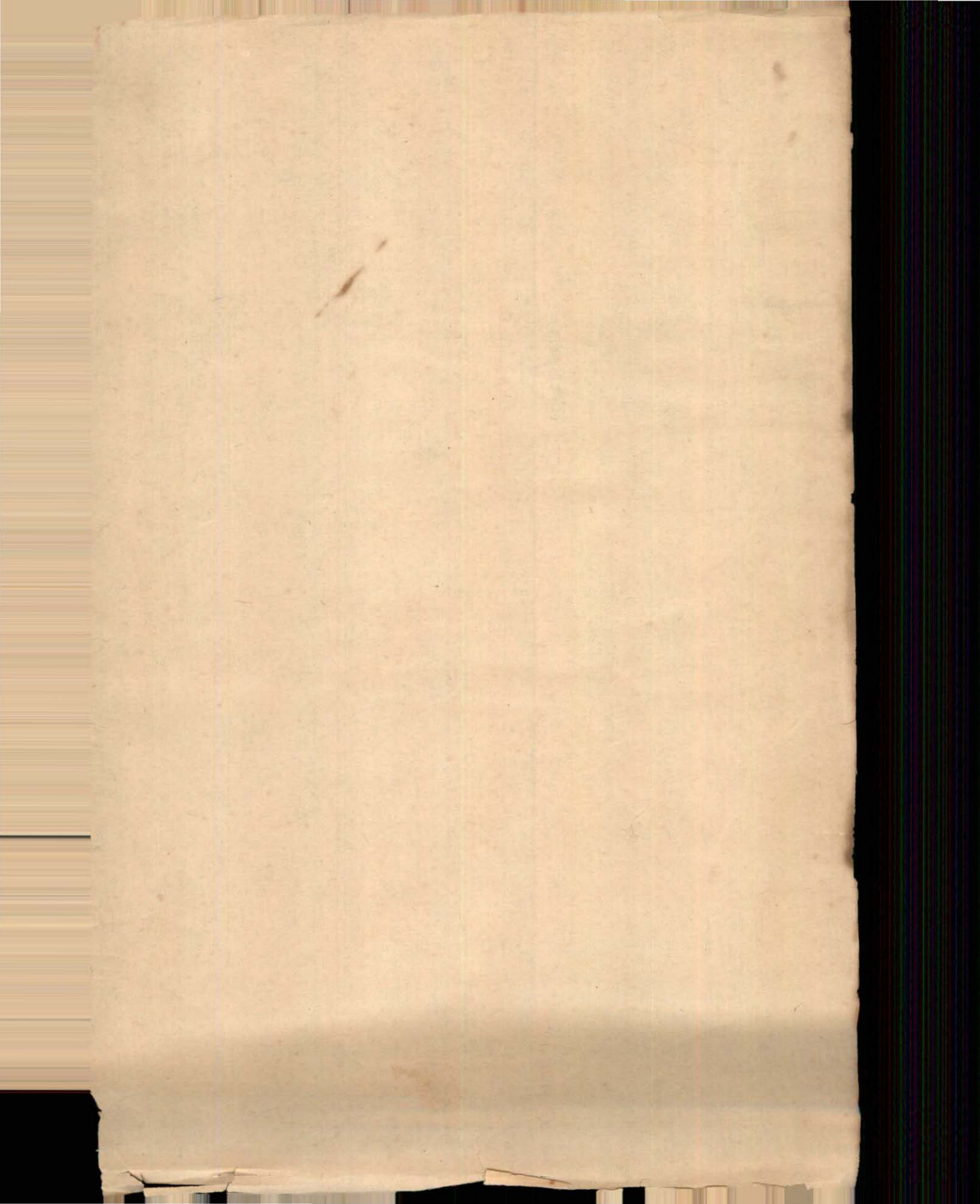
**GOVERNMENT OF KERALA**

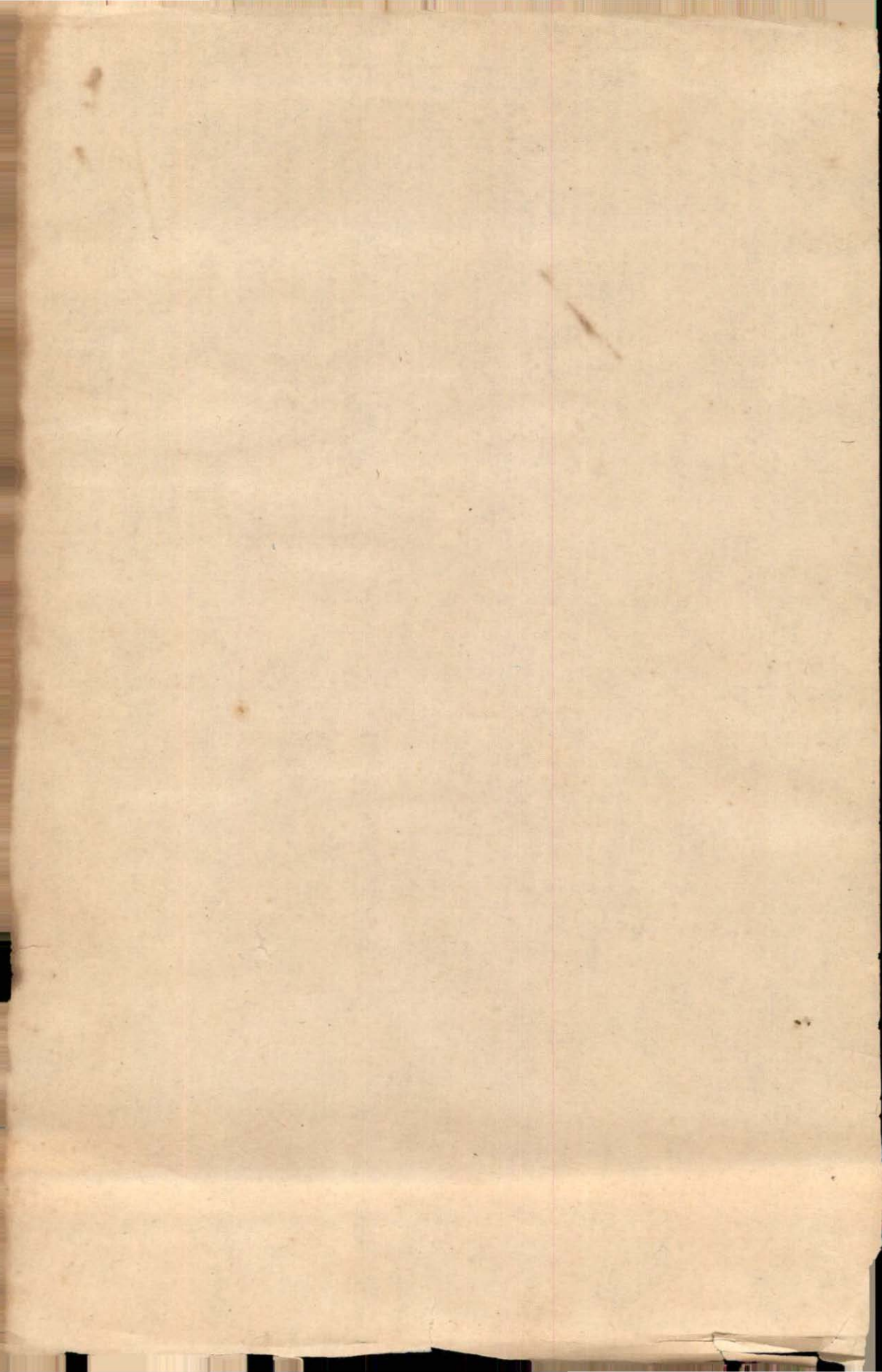
**AUDIT REPORT**

**1970**

GOVERNMENT OF INDIA

AUDIT REPORT

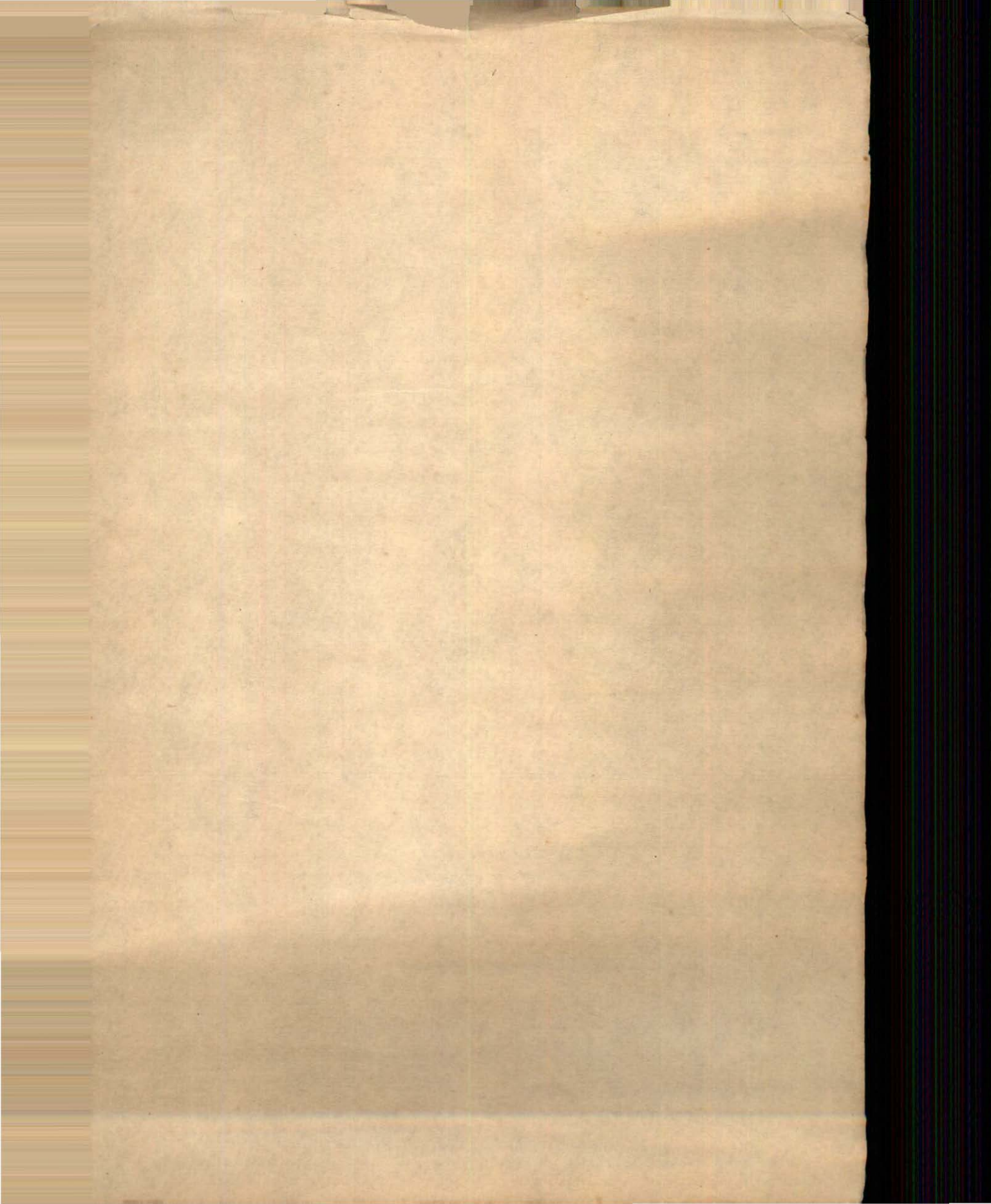


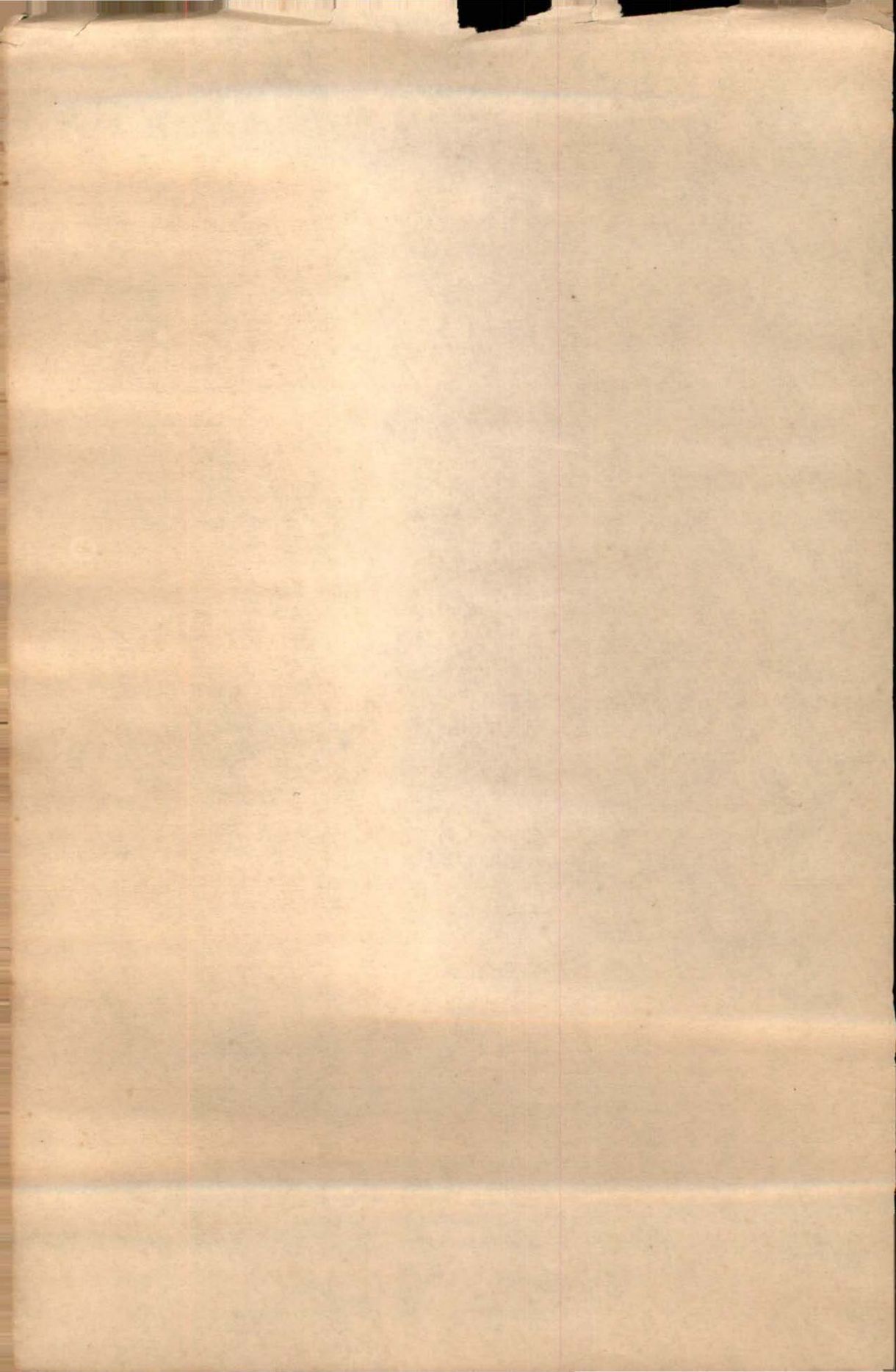


## TABLE OF CONTENTS

		<i>Reference to</i>	
		<i>Paragraph</i>	<i>Page</i>
Prefatory Remarks			iii
Chapter I	General	1-11	1-9
Chapter II	Appropriation Audit and control over expenditure	12-20	10-18
Chapter III	Civil Departments—		
	Agriculture Department	21-26	19-21
	Health Department	27	21
	Development Department	28-29	22-24
	Revenue Department	30	24
	Education Department	31-32	24-25
	Finance Department	33	25
	Industries Department	34-36	26-28
	Home Department	37-38	28
	Misappropriations, losses etc.	39	29
	Writes off, ex-gratia payments etc.	40	29
Chapter IV	Works expenditure	41-57	30-46
Chapter V	Stores and Stock Accounts	58-59	47-49
Chapter VI	Revenue Receipts	60-71	50-54
Chapter VII	Government Commercial and Trading Activities—		
Section I	General	72	55
Section II	Statutory Corporations	73-93	55-67
Section III	Government Companies	94-101	68-73
Section IV	Government Departmental Commercial Undertakings	102-103	73-74
Section V	Investments and Guarantees by the State Government	104-109	74-77
Annexure A	Summarised financial results of Statutory Corporations/Board		78-79
Annexure B	Summarised financial results of Government Companies		78-83
Annexure C	Summarised financial position of Kerala Government Commercial and Quasi-Commercial Departments		82-83
Annexure D	<i>Pro forma</i> accounts of Text Books Office, Trivandrum		84-85

		<i>Reference to</i>	
		<i>Paragraph</i>	<i>Page</i>
Chapter VIII	Financial Assistance to Local Bodies, Other Bodies and Individuals	110-113	86-89
Chapter IX	Outstanding Audit Objections and Inspection Reports	114-115	90-92
Appendix I	Plan schemes provision for which remained wholly or substantially unutilised		93-94
Appendix II	Premature withdrawal of funds		95
Appendix III	Writes off, waivers, remissions and ex-gratia payments		96
Appendix IV	Unutilised buildings, machinery, equipment, stores etc.		97-98







## PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts for 1968-69 together with other points arising from audit of the financial transactions of the Government of Kerala. It also includes:

- (i) certain points of interest arising from the Finance Accounts for the year 1968-69; and
- (ii) matters relating to certain statutory and autonomous bodies, the accounts of which are audited by the Indian Audit and Accounts Department.

2. The financial irregularities, losses etc., commented upon in the Report relate to cases which came to the notice of Audit during the year 1968-69 as well as those which had come to notice in earlier years but could not be dealt with in the previous Audit Reports; matters relating to the period subsequent to 1968-69 have also been included wherever considered necessary.

3. The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the Departments. They are not intended to convey or to be understood as conveying any general reflection on the financial administration by the Departments|Authorities concerned.

1874

The first of the year was a very dry one, and the crops were much injured by the drought. The weather was very hot and the ground was very hard.

The second of the year was a very wet one, and the crops were much injured by the rain. The weather was very cold and the ground was very soft.

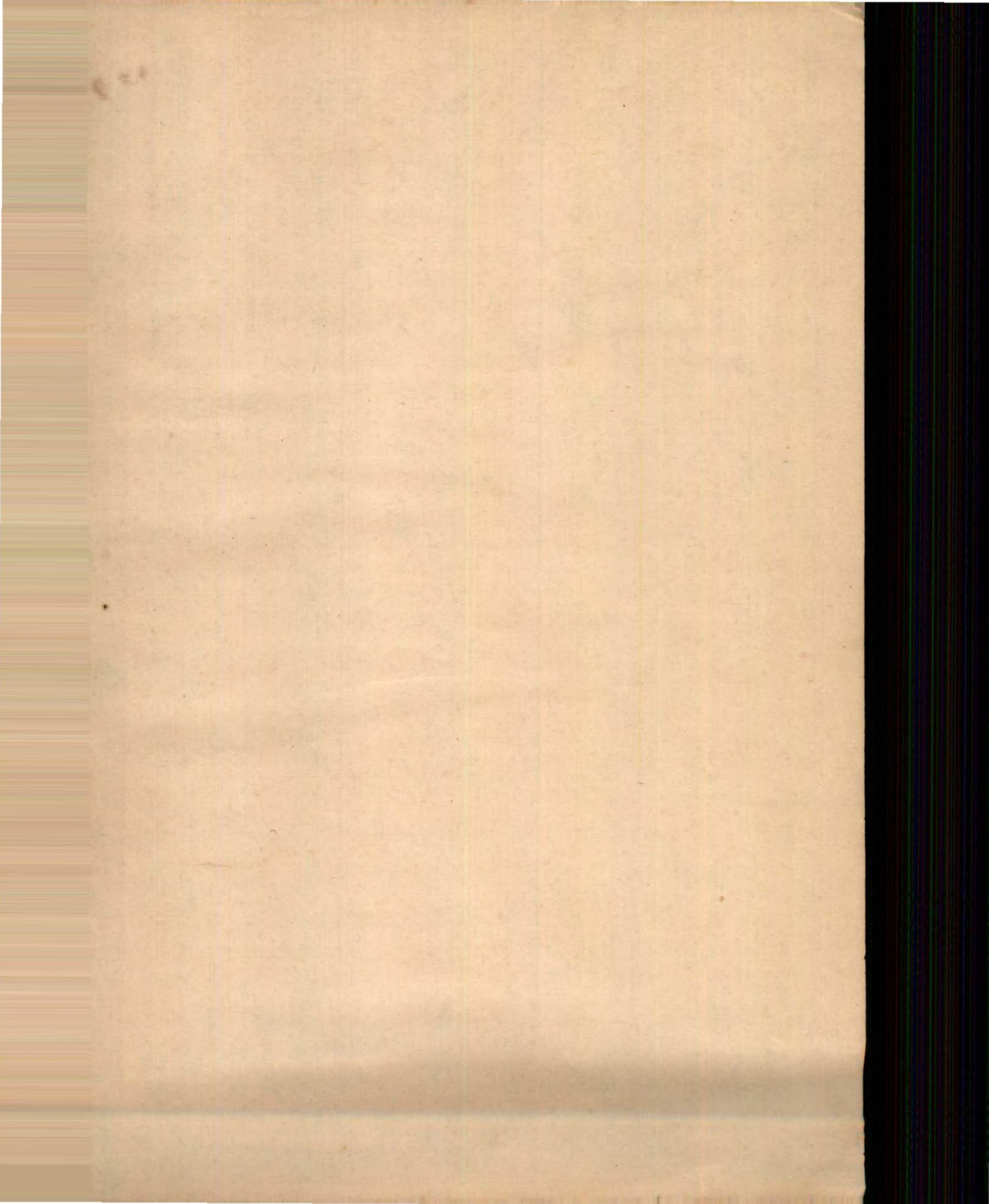
The third of the year was a very moderate one, and the crops were much injured by the wind. The weather was very calm and the ground was very hard.

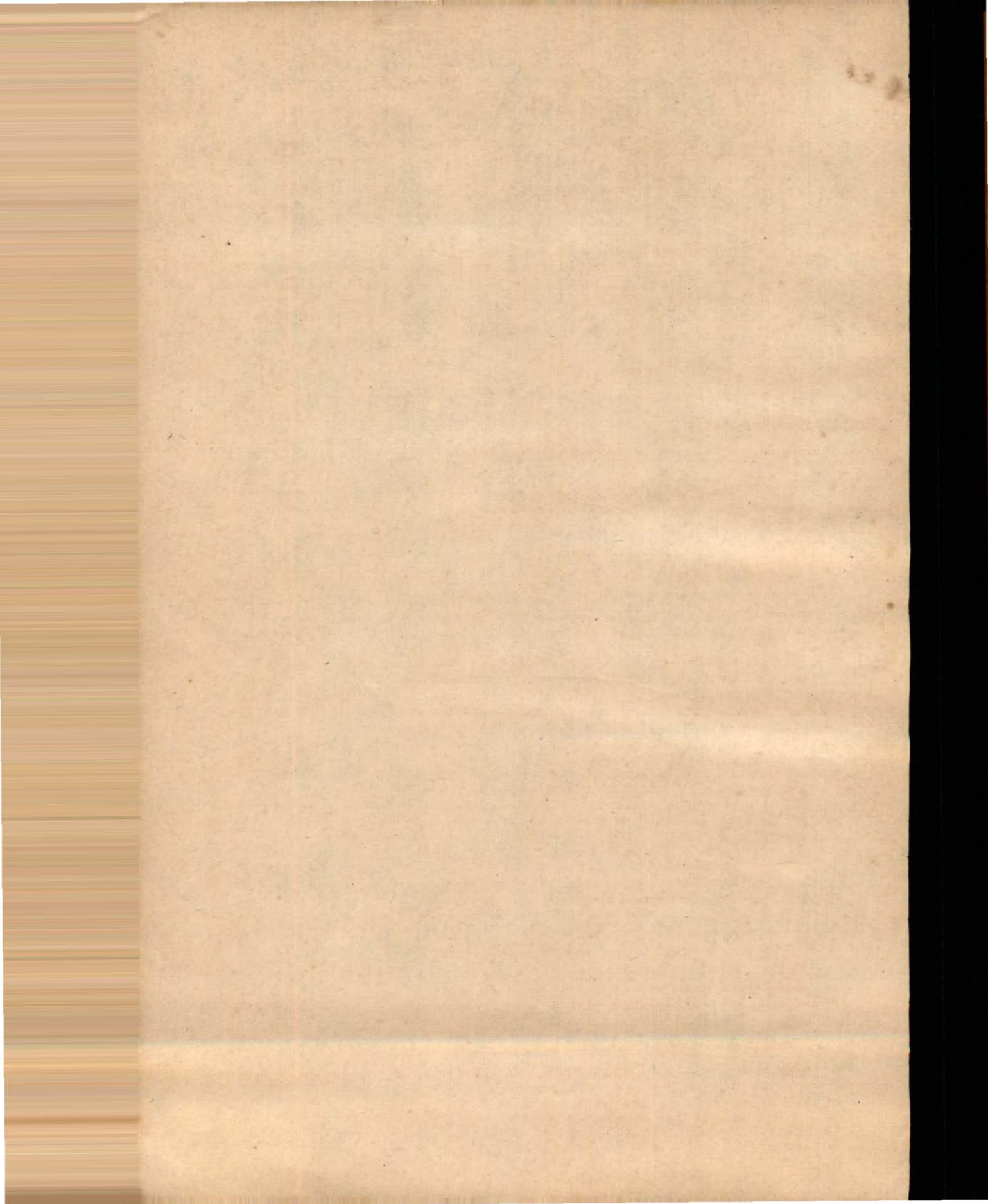
The fourth of the year was a very dry one, and the crops were much injured by the drought. The weather was very hot and the ground was very hard.

The fifth of the year was a very wet one, and the crops were much injured by the rain. The weather was very cold and the ground was very soft.

The sixth of the year was a very moderate one, and the crops were much injured by the wind. The weather was very calm and the ground was very hard.

1875





## CHAPTER I

### GENERAL

#### 1. Budget and actuals

(a) The revenue receipts and expenditure met from revenue in each of the three years ended 31st March 1969 compared with the corresponding budget estimates are shown below:—

Year	Budget	Actuals	Variation			
			Amount	Percentage		
(In crores of rupees)						
<i>Revenue receipts</i>						
1966-67	1,03.12	1,08.69	+5.57	5.40		
1967-68	1,16.83	1,25.41	+8.58	7.34		
1968-69	1,31.00	1,42.54	+11.54	8.81		
<i>Revenue surplus + deficit—</i>						
					Year	
					Budget	
					Actuals	
					(In crores of rupees)	
					1966-67	1967-68
					1966-67	1967-68
					1968-69	1968-69

In 1968-69 the revenue receipts exceeded the budget estimates by Rs. 11.54 crores and the expenditure on revenue account fell short of the budget estimates by Rs. 9.10 crores; consequently, the year ended with revenue surplus of Rs. 6.96 crores against revenue deficit of Rs. 13.68 crores anticipated in the budget.

The transactions on revenue account resulted in a surplus of Rs. 6.96 crores in 1968-69 as against a surplus of Rs. 1.54 crores in 1967-68. Taking, however, into account the transactions outside the revenue account, there was overall surplus of Rs. 9.35 crores in 1968-69 as against deficit of Rs. 2.93 crores in 1967-68. The details are given below:—

	1967-68	1968-69
	(In crores of rupees)	
Opening Cash Balance	—0.69	—3.62
Part I—Consolidated Fund—		
(a) Transactions on Revenue Account—		
(i) Revenue receipts	1,25.41	1,42.54
(ii) Revenue expenditure	1,23.87	1,35.58
(iii) Revenue surplus	1.54	6.96
(b) Transactions outside the Revenue Account—		
(i) Capital expenditure	—16.63	—18.40
(ii) Receipts from borrowings (Net)	22.07	23.81
(iii) Loans and advances by State Government (Net)	—17.03	—14.98
(iv) Inter State Settlement	—1.51	—1.78
Part II—Contingency Fund (Net)	0.04	—0.15
Part III—Public Account (Net)	8.59	13.89
Closing Cash Balance	—3.62	5.73
Overall surplus/deficit	—2.93	+9.35

(b) The estimates of revenue receipts and expenditure shown above do not include additional taxation levied and supplementary grants for expenditure obtained during the course of these years. If they are also taken into account the position would be as follows:—

Year	Additional taxation	Supplementary grants	Modified budget estimates of	
			Receipts	Expenditure
(In crores of rupees)				
1966-67	0.48	4.37	1,03.60	1,03.68
1967-68	..	19.41	1,16.83	1,29.93
1968-69	..	7.93	1,31.00	1,52.61

## 2. Revenue receipts

The revenue receipts during 1968-69 (Rs. 1,42.54 crores) showed increase of 14 per cent as compared with 1967-68 (Rs. 1,25.41 crores). The increase was mainly under:—

Major head	Increase (In crores of rupees)	Reasons for increase
Grants-in-aid from Central Government	6.85	More grants sanctioned by Government of India for various schemes.
Sales Tax	2.58	Normal increase in the volume of transactions and increase in price of commodities leading to larger tax receipts.
State's share of Union Excise Duties	2.46	Increased assignment of net proceeds of excise duties levied by the Union Government.
Miscellaneous	1.55	Mainly due to receipts under State lotteries.
Interest	1.06	Payment of arrears of interest charges by Kerala State Electricity Board.

The receipts from Central Government in 1968-69 were Rs. 57.91 crores (41 per cent of the total revenue receipts). The revenue from taxes, duties etc., was Rs. 64.15 crores (45 per cent of the total revenue receipts).

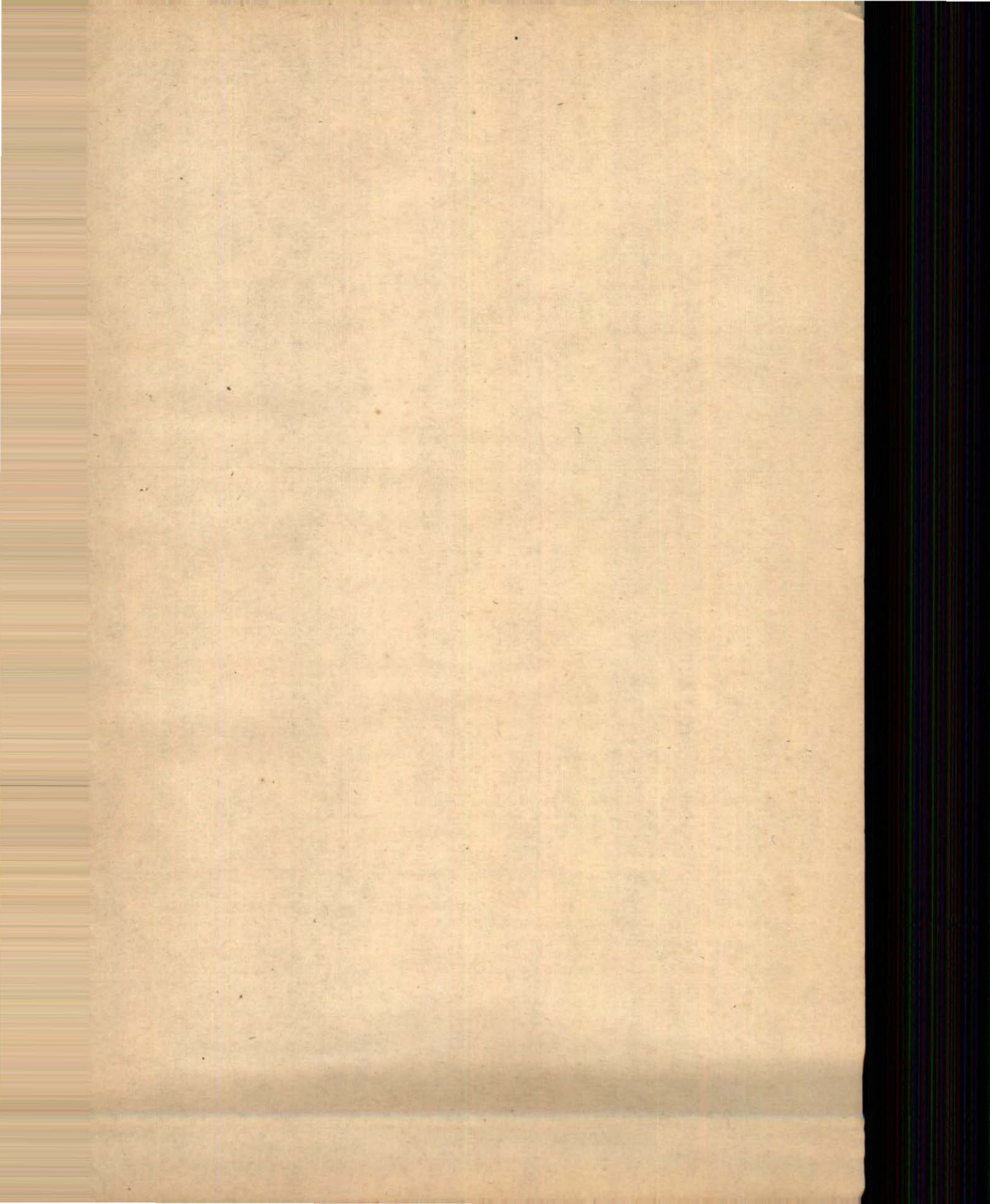
During 1968-69 no new tax was levied.

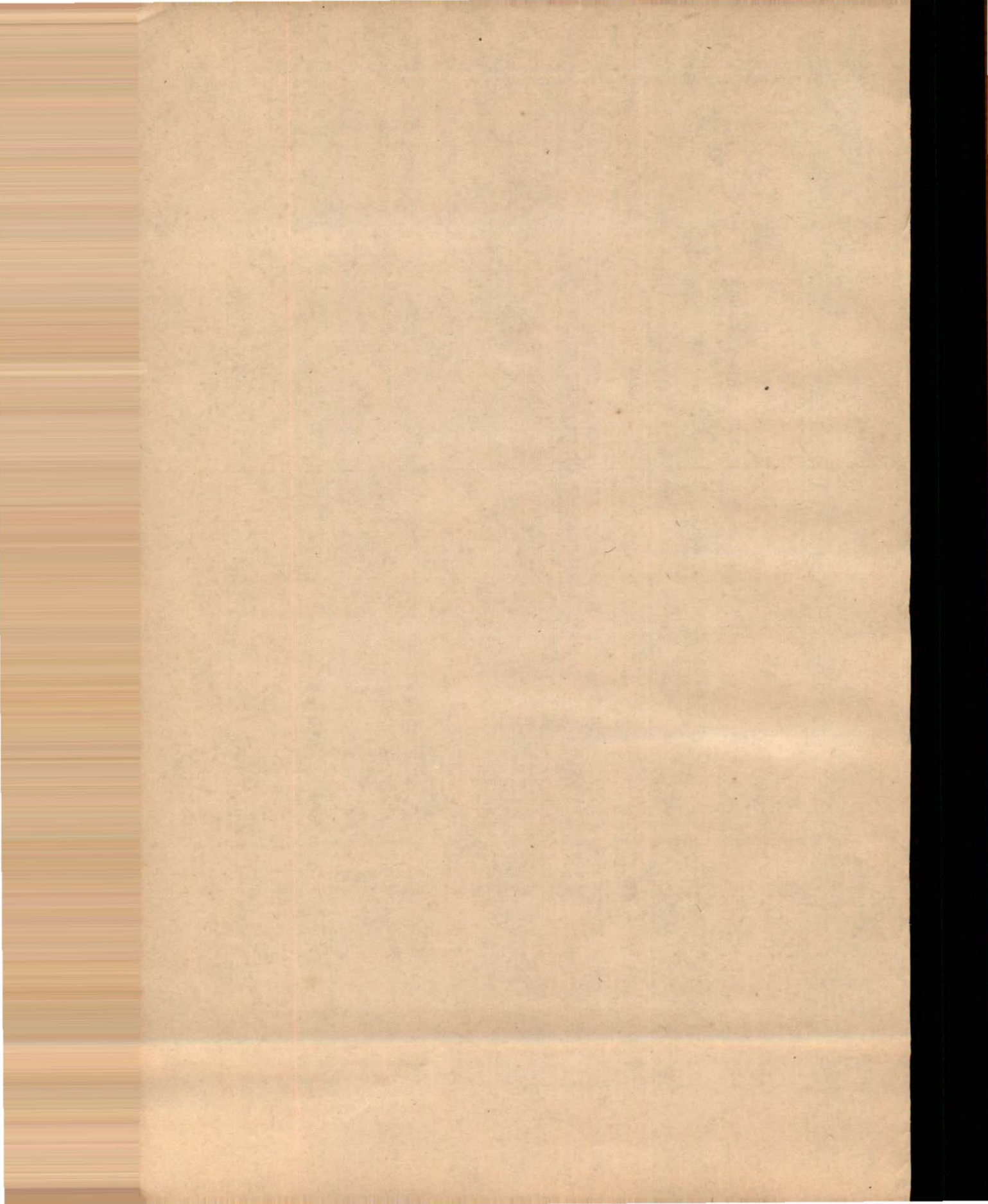
## 3. Arrears in collection of revenue

According to information furnished by the departments, the arrears in collection of revenue on 31st March 1969 were Rs. 15.91 crores (11 per cent of annual revenue). The departments with heavy arrears are: Sales Tax (Rs. 5.73 crores), Land Revenue (Rs. 2.23 crores), Forest (Rs. 2.03 crores), State Excise Duties (Rs. 1.94 crores) and Agricultural Income Tax (Rs. 1.70 crores). Further particulars are given in paragraph 60 of Chapter VI page 50.

## 4. Expenditure met from Revenue

In 1968-69 expenditure on revenue account (Rs. 1,35.58 crores) increased by Rs. 11.71 crores over that in 1967-68 (Rs. 1,23.87 crores). The increase was due mainly to more expenditure on education, consequent on increased intake of students and enhancement of dearness allowance to teachers: (Rs. 5.78 crores),







on 'repairs' under Public Works (Rs. 1.64 crores) and on 'relief works' (under 'Famine Relief') undertaken in the wake of unprecedented floods in the State during the year (Rs. 1.09 crores).

### 5. Expenditure outside the Revenue Account

The expenditure outside the revenue account includes, besides capital expenditure, amounts disbursed as loans and advances. The capital outlay during the three years ending 1968-69 compared with the budget estimates for these years is shown below:—

Year	Budget	Actuals	Variation	
			Amount	Percentage
			(In crores of rupees)	
1966-67	10.96	10.49	-0.47	4
1967-68	23.50	16.63	-6.87	29
1968-69	18.80	18.40	-0.40	2

The budget estimates shown above are the original budget estimates. Supplementary grants of Rs. 1.92 crores, Rs. 1.76 crores and Rs. 0.77 crore respectively were subsequently obtained during these years.

The progressive capital expenditure to end of March 1969 was Rs. 1,69 crores. Further details are given in statements no. 2 and 13 of the Finance Accounts 1968-69.

An analysis of expenditure outside the revenue account is given below:—

	During 1968-69	Progressive total to end of 1968-69
	(In crores of rupees)	
(i) Capital expenditure on irrigation and multi-purpose Schemes	5.35	48.22
(ii) Capital outlay on improvement of public health	2.05	14.34
(iii) Capital outlay on public works	6.37	59.39
(iv) Capital outlay on industrial and economic development	2.06	31.97
(v) Capital outlay on other works (including commercial departments and Contingency Fund)	2.57	14.58
Total	18.40	1,68.50
(vi) Net expenditure under loans and advances	14.98	1,52.60
Grand Total	33.38	3,21.10

The sources from which the expenditure outside the revenue account (including loans and advances) was met during 1968-69 are shown below:—

	(In crores of rupees)
I. Net additions to—	
(i) Market loans	3.16
(ii) Floating Debt	11.22
(iii) Loans from Central Government	9.09
(iv) Unfunded debt	2.81
(v) Loans from other sources	0.34
II. Miscellaneous (mainly excess of deposits etc., received by Government over repayments on that account)	0.32

	<i>(In crores of rupees)</i>
III. Receipts from sale of securities and drawing down of cash balance	-0.52
IV. Revenue surplus	+6.96
Net amount available for expenditure outside the revenue account	33.38

### 6. Loans and advances given by Government

Disbursement under loans and advances by the State Government and recoveries thereof during the three years ending 1968-69 as compared with the corresponding budget estimates are given below:—

Year	Budget	Actuals	Variation		Year	Budget	Actuals
			Amount	Percentage			
<i>(In crores of rupees)</i>							
<i>Disbursements</i>							
1966-67	22.19	22.93	+0.74	3			
1967-68	18.43	20.34	+1.91	10			
1968-69	18.68	18.74	+0.06	..			
<i>Recoveries</i>							
1966-67	2.15	2.48	+0.33	15	1966-67	20.04	20.45
1967-68	2.65	3.31	+0.66	25	1967-68	15.78	17.03
1968-69	4.26	3.76	-0.50	12	1968-69	14.42	14.98

The budget estimates of disbursements shown above do not include supplementary grants of Rs. 0.79 crore (1966-67), Rs. 4.50 crores (1967-68) and Rs. 2.42 crores (1968-69).

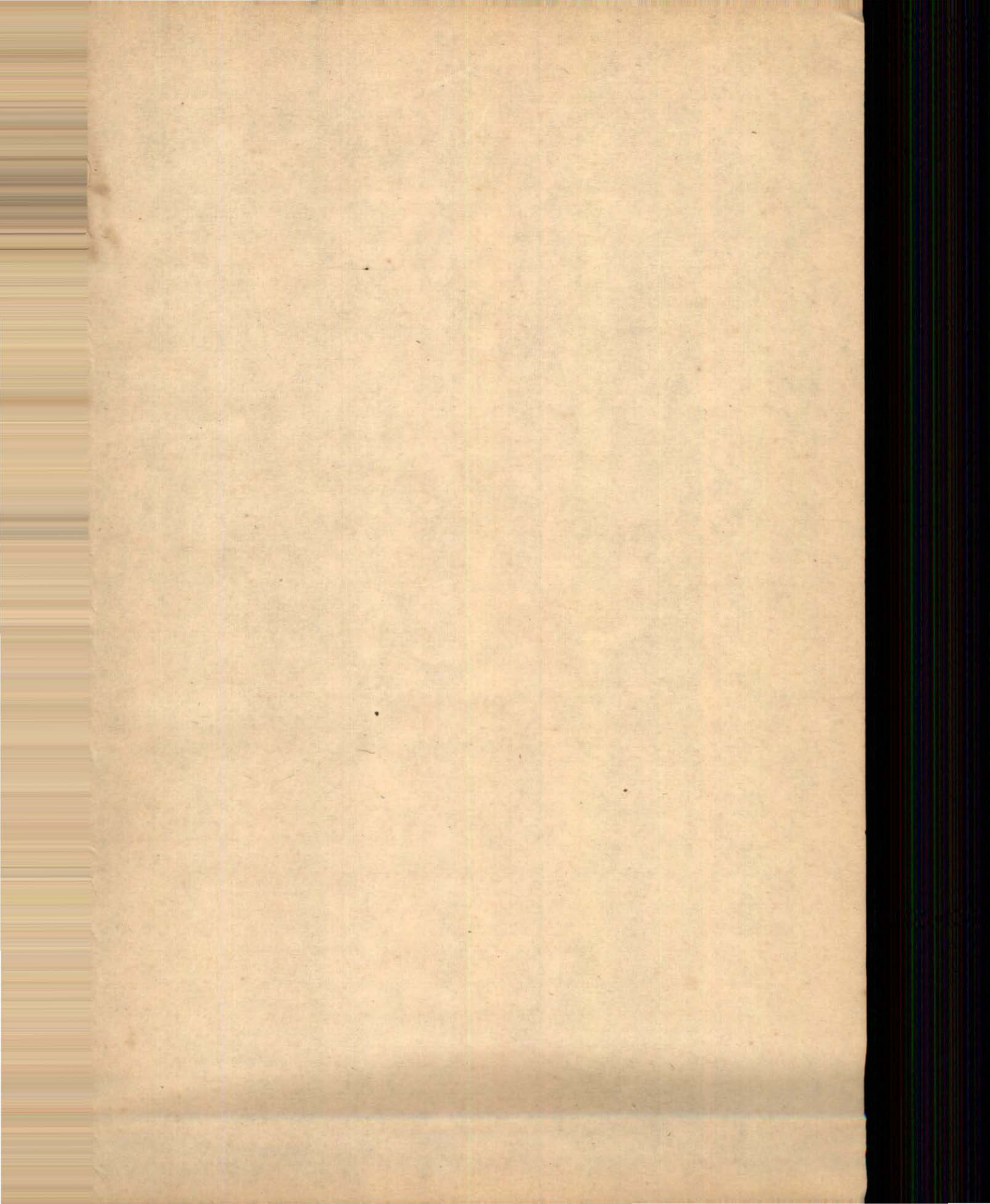
The balance of loans and advances by State Government outstanding on 31st March 1969 was Rs. 1,52.60 crores. Further details are given in statements no. 5 and 18 of the Finance Accounts 1968-69.

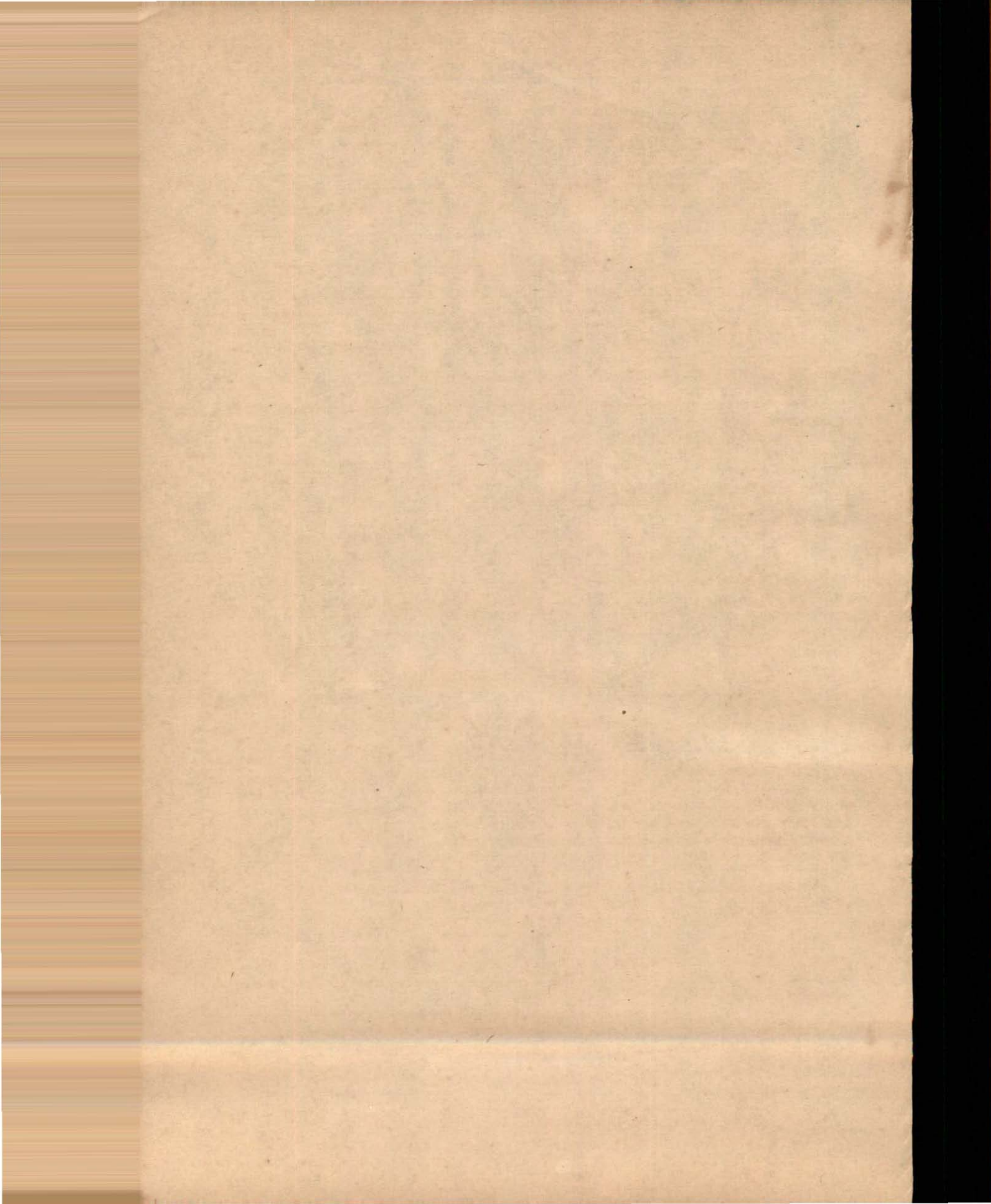
Complete information about arrears in recovery of loans and advances on 31st March 1969 has not been furnished by the following:—

1. Secretary, Board of Revenue,
2. Development Commissioner,
3. Director of Fisheries,
4. Director of Agriculture.

According to information furnished by the remaining departments, recovery of Rs. 2,54.25 lakhs (principal: Rs. 1,57.66 lakhs and interest: Rs. 96.59 lakhs) was overdue on 31st March 1969. Major cases of defaults are given below:—

Department/class of loans	Arrears		Earliest year from which recovery is due
	Principal	Interest	
<i>(In lakhs of rupees)</i>			
<i>Industries Department</i>			
Sitaram Spinning and Weaving Mills	47.05	21.77	Information awaited
Co-operative Spinning Mills, Cannanore	22.00	10.95	1964-65
Kerala Soaps and Oils Limited	10.77	8.66	1966-67
Trivandrum Spinning Mills Limited	6.28	12.26	1966-67
Pallathra Bricks and Tiles Limited	4.14	1.19	1968-69
Trivandrum Rubber Works Limited	3.77	7.46	1966-67
Kerala Ceramics Limited	2.02	7.92	1967-68





Rs. 11.98 lakhs were due from the Central Banking Corporation of India Limited (Rs. 6.94 lakhs) and Kerala Water Transport Corporation (Rs. 5.04 lakhs) which are under liquidation.

In the case of loans the detailed accounts of which are maintained by Audit, the amount overdue for recovery at the end of March 1969 was Rs. 3.85 lakhs (principal: Rs. 1.41 lakhs and interest: Rs. 2.44 lakhs) in seven cases. Rs. 25.92 crores were also overdue from Kerala State Electricity Board towards interest on loans paid to it by Government. The arrears date back from 1963-64. Government ordered (February 1969) that the amount of interest shown\* for payment in the accounts of the Board but utilised by the Board for its capital expenditure will be treated as additional loan granted to it (under Section 64 of the Electricity Supply Act 1948) on the due date of payment of these amounts to Government under the terms and conditions which prevailed on such dates. The amounts are under reconciliation and the adjustment of interest to the loan head as per the Government orders has not been effected (November 1969).

The rules require that departmental officers who administer the loans should furnish to Audit by 15th July of every year a certificate that the aggregate balances shown as recoverable at the end of the preceding March in the registers maintained by them agree with that communicated to them by the Accountant General. In 187 cases the certificates of acceptance of balances have not been received from departmental officers (January 1970) as shown below:—

<i>Department</i>	<i>Number</i>	<i>Balance of loans on 31st March 1969 (In crores of rupees)</i>
Agriculture	68	5.34
Industries	51	11.31
Labour and Social Welfare	22	5.38
Development	19	2.92
Revenue	13	0.52
Miscellaneous	14	1.85
Total	187	27.32

The delay in submission of the certificates of balances is mainly due to failure of the departments to reconcile the monthly transactions recorded in their books with those appearing in the books of the Accountant General regularly (required under the rules). The reconciliation work in certain cases has been in arrears from 1957-58 onwards. Eventhough Government appointed (November 1967) special squads in each district for clearance of the arrears in reconciliation work, the reconciled closing balance has not been arrived at in any case (November 1969).

## **7. Debt position of Government**

The outstanding public debt and other obligations of State Government at the end of 1968-69 were Rs. 3,06 crores. The increase in debt during the last three years was Rs. 71 crores; increase of Rs. 77 crores under public debt was partly off-set by decrease of Rs. 6 crores under other obligations.

*Public Debt:*—The public debt comprises loans from Central Government, permanent debt (market loans), floating debt and other loans from autonomous

bodies such as Life Insurance Corporation of India and National Agricultural Credit (Long Term Operations) Fund of the Reserve Bank of India. The public debt increased during 1968-69 by Rs. 22 crores; the details are given below:—

	Raised during 1968-69	Discharged during 1968-69	Increase during 1968-69	Balance on 31st March 1969
(In crores of rupees)				
Loans from Central Government	29.19	20.10	9.09	2,00.89
Permanent Debt (open-market loans)	5.48	4.11	1.37	43.50
Floating Debt	40.25	29.03	11.22	11.22
Other Loans	0.78	0.44	0.34	6.62
Total	75.70	53.68	22.02	2,62.23

(i) *Loans from Central Government*:—The loans received from Central Government and outstanding at the end of 1968-69 (Rs. 2,00.89 crores) formed 77 per cent of the total public debt.

No amortisation arrangement has been made by State Government for repayment of these loans. Loans whose terms and conditions have been prescribed have been repaid regularly.

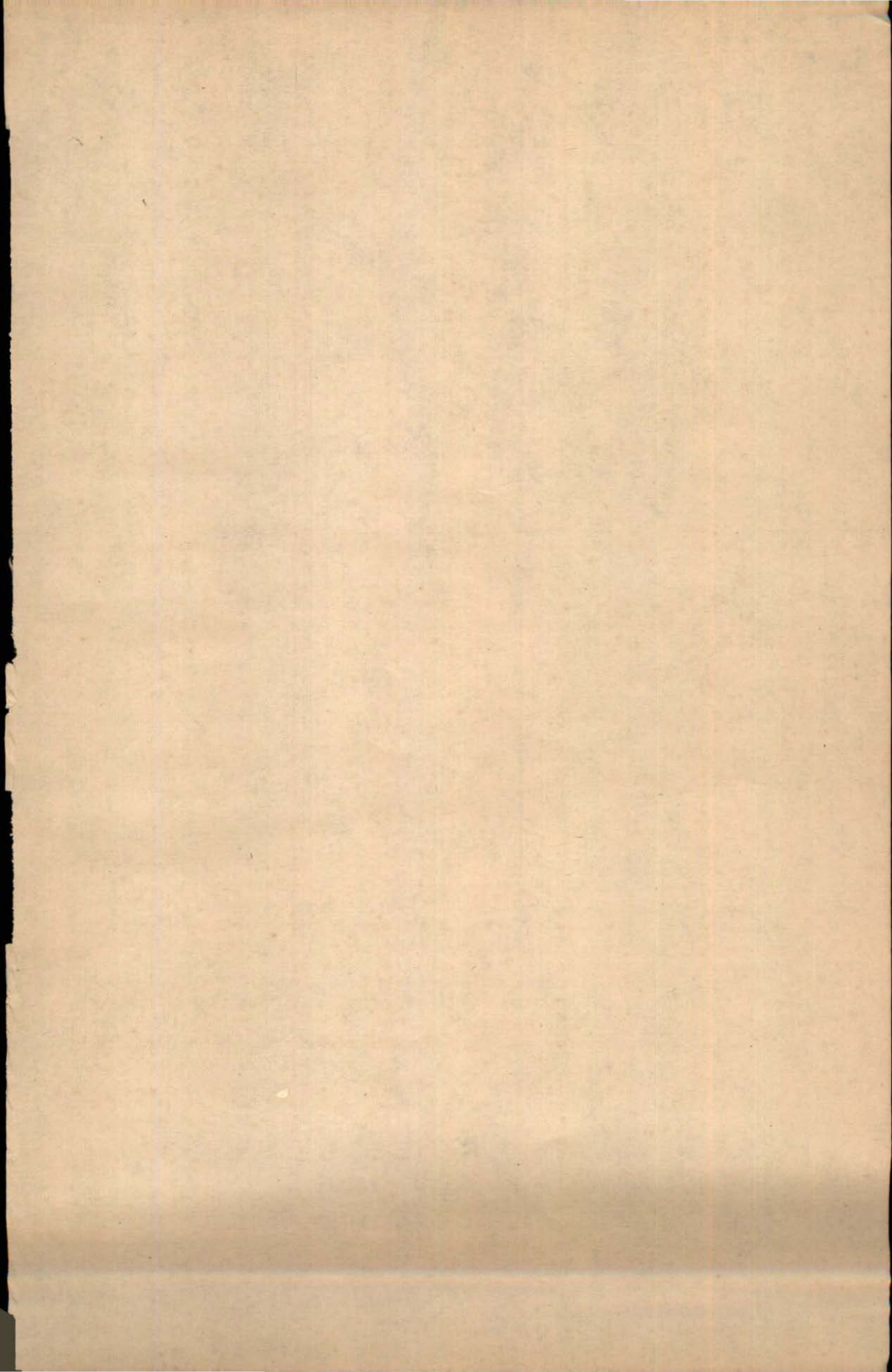
(ii) *Permanent Debt*:—A loan of Rs.5.21 crores carrying 5  $\frac{3}{4}$  per cent interest was raised during 1968-69 at 2 per cent discount. The loan is redeemable at par in 1980.

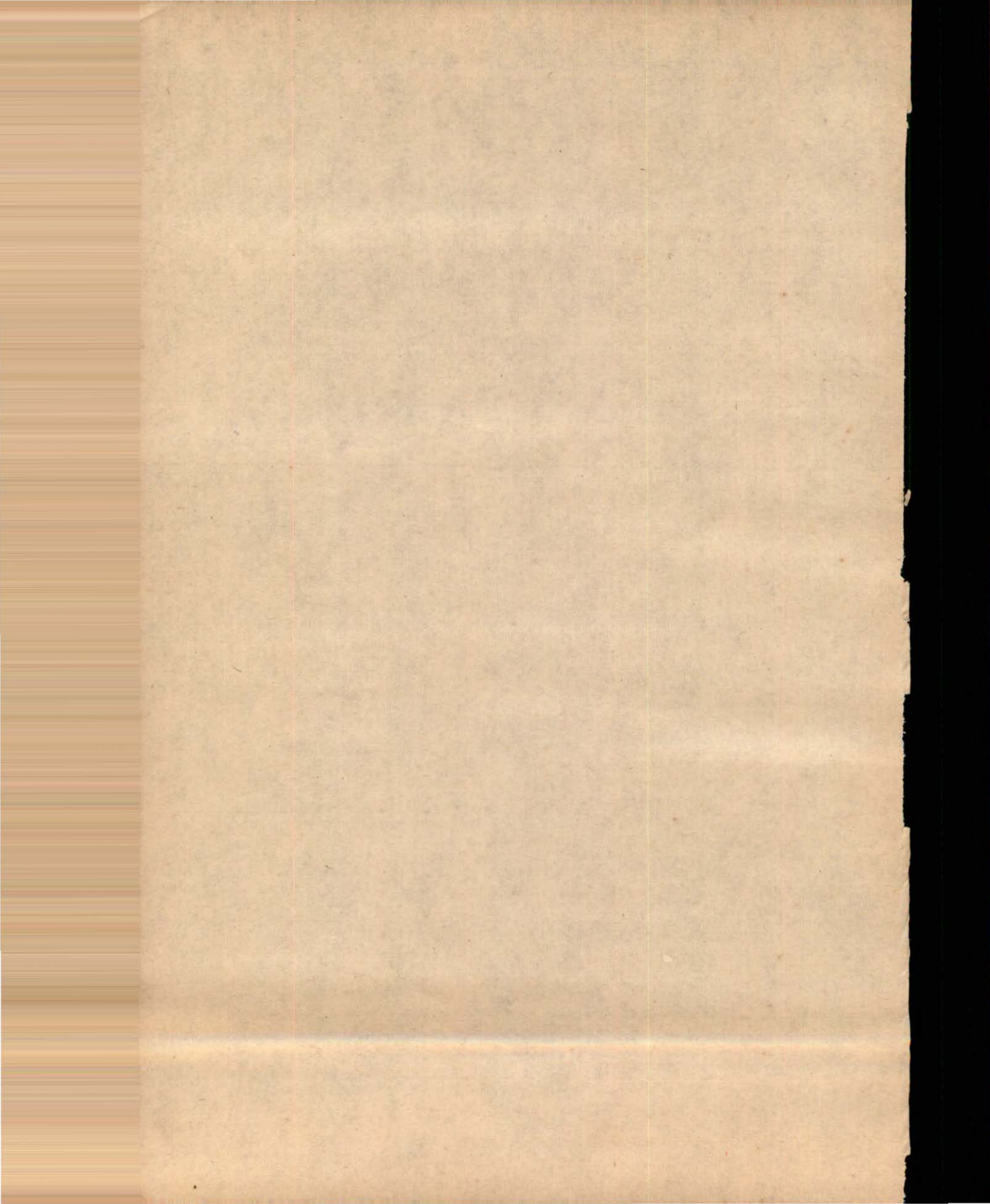
For amortisation of loans raised in the open market upto 1967-68, contribution at 1  $\frac{1}{2}$  per cent of the total nominal amount of the loans was being made to a depreciation fund (sinking fund) for purchasing the securities of loans for cancellation. In addition, annual contribution at 6  $\frac{1}{2}$  per cent of the outstanding balance of each loan was also made to a general sinking fund. During 1968-69, at the suggestion of Government of India, the rate of contribution to those funds was raised (between 6.2 per cent to 9.2 per cent depending upon the number of years in which the loans are to be repaid). In 1968-69 Rs. 60.47 lakhs were contributed to the depreciation fund and Rs. 2,13.79 lakhs to the general sinking fund. Of that Rs. 94.79 lakhs were invested in securities of Government of India and the balance was merged in the cash balance of the State. Rs. 4.18 lakhs were received during the year as interest on the investments.

(iii) *Floating Debt*:—This represents borrowings of a purely temporary nature such as ways and means advances and overdraft accommodation from the Reserve Bank of India.

Under an agreement with the Reserve Bank of India, Government was to maintain a minimum balance of Rs. 15 lakhs on Fridays and not less than Rs. 12 lakhs on other days till 28th February 1967 and from 1st March 1967 Rs. 30 lakhs on all days. If the balance falls below the agreed minimum, the deficiency is made good either by taking a ways and means advance from the Reserve Bank or by selling treasury bills. Besides this, special accommodation not exceeding Rs. 3.75 crores is also made available against the securities held by State Government.

In 1968-69 the cash balance of Government with the Reserve Bank fell below the prescribed minimum on 140 occasions. In order to improve the ways and means position, a further special accommodation of Rs. 75 lakhs was sanctioned by







the Bank during the year over and above the existing facilities. Government had to resort to total overdraft of Rs. 31.02 crores from the Bank on 69 occasions from October 1968 to March 1969. Those were partly repaid leaving a balance of Rs. 11.22 crores at the end of 1968-69. Rs. 9.69 lakhs were paid as interest on the floating loans (at rates varying from four per cent to five per cent) in 1968-69.

(iv) *Other loans*:—The balance of loans taken from Life Insurance Corporation of India, National Agricultural Credit (Long Term Operations) Fund of the Reserve Bank of India, National Co-operative Development Corporation etc., at the end of March 1969 was Rs. 6.62 crores.

*Other Obligations*:—In addition to public debt the balances in the deposits etc., to the extent to which they were not separately invested but were merged with the general cash balance of the State Government, also constituted the liability of the State Government. Such liability on 31st March 1969 was Rs. 43.37 crores comprising uninvested balances of (i) interest-bearing obligations such as depreciation reserve funds of commercial undertakings etc., (Rs. 2.31 crores), (ii) non-interest bearing obligations such as deposits of local funds, civil deposits, other earmarked funds etc., (Rs. 22.37 crores) and (iii) unfunded debt mainly balances in the provident funds (Rs. 18.69 crores).

*Interest on debt and other obligations*:—The gross interest charges paid by Government during the year were Rs. 12.43 crores on public debt (including expenditure on management) and unfunded debt and Rs. 0.13 crore on other obligations. Against this, Government received Rs. 3.35 crores towards interest on loans and advances given by it and Rs. 0.43 crore on investment of cash balance. The net burden of interest charges on debt and other obligations during the year was Rs. 8.78 crores (6.16 per cent of the total revenue receipts) as compared to Rs. 8.40 crores (6.70 per cent of the total revenue receipts) in 1967-68.

There were in addition certain other receipts and adjustments (Rs. 1.40 crores) such as interest received from commercial departments, interest on arrears of revenue etc. If these are also taken into account the net burden of interest on revenue during 1968-69 would be Rs. 7.38 crores (5.18 per cent of the revenue).

Government also received during the year Rs. 43.89 lakhs as dividend on investment in commercial undertakings.

## 8. Grants-in-aid

In 1968-69 Government paid Rs. 3.43 crores as grants-in-aid to local bodies, co-operative institutions, other bodies and individuals. Further details thereof are given in paragraph 113 of Chapter VIII pages 88-89. As brought out therein, at the end of July 1969 utilisation certificates in 1,773 cases were awaited for Rs. 1,03.89 lakhs paid as grants upto March 1969. In the absence of these certificates it cannot be said that departmental officers have ensured that the grants have been utilised by the grantees for the specified purposes and that the conditions laid down by the sanctioning authorities have been fulfilled.

## 9. Financial results of irrigation schemes

At the end of 1968-69 there were eight irrigation schemes in the State which were declared as commercial and for which capital and revenue accounts are kept. The investment of Government on these schemes was Rs. 20.78 crores at the end

of March 1969. Of them Cheerakuzhi Irrigation Project has not been commissioned yet. Four of the schemes are "productive" and the remaining "unproductive". Works are classified as "productive" or "unproductive" according as the net revenue (gross revenue less working expenses) derived from each work on expiry of ten years from the date of closure of construction estimate covers or does not cover the prescribed annual interest charges on the capital invested.

The revenue receipts from these projects during 1968-69 were Rs. 8.55 lakhs while the working expenses were Rs. 22.26 lakhs. Taking into account interest (Rs. 1,28.04 lakhs) on capital, the loss during the year was Rs. 1,41.75 lakhs which was 6.81 per cent of the capital outlay.

Project-wise details are given in statement no. 3 of the Finance Accounts 1968-69.

## 10. Investments

The following table shows the extent of Government's investments in the shares of statutory corporations, Government companies, joint-stock companies and co-operative societies and debentures and bonds of banks and other concerns and the returns therefrom:—

	Investments to end of 1968-69		Dividend/interest received in 1968-69	
	Number of concerns	Amount	Amount	Percentage
		(In lakhs of rupees)		
(A) Share of—				
Statutory corporations	2	83.82	1.59	2
Government companies	29	20,36.62	17.21	1
Joint stock companies	43	2,91.55	14.56	5
Co-operative societies and banks	..	2,66.08	..	..
(B) Debentures and bonds of banks and other concerns	..	82.17	3.24	4
Total	..	27,60.24	36.60	1

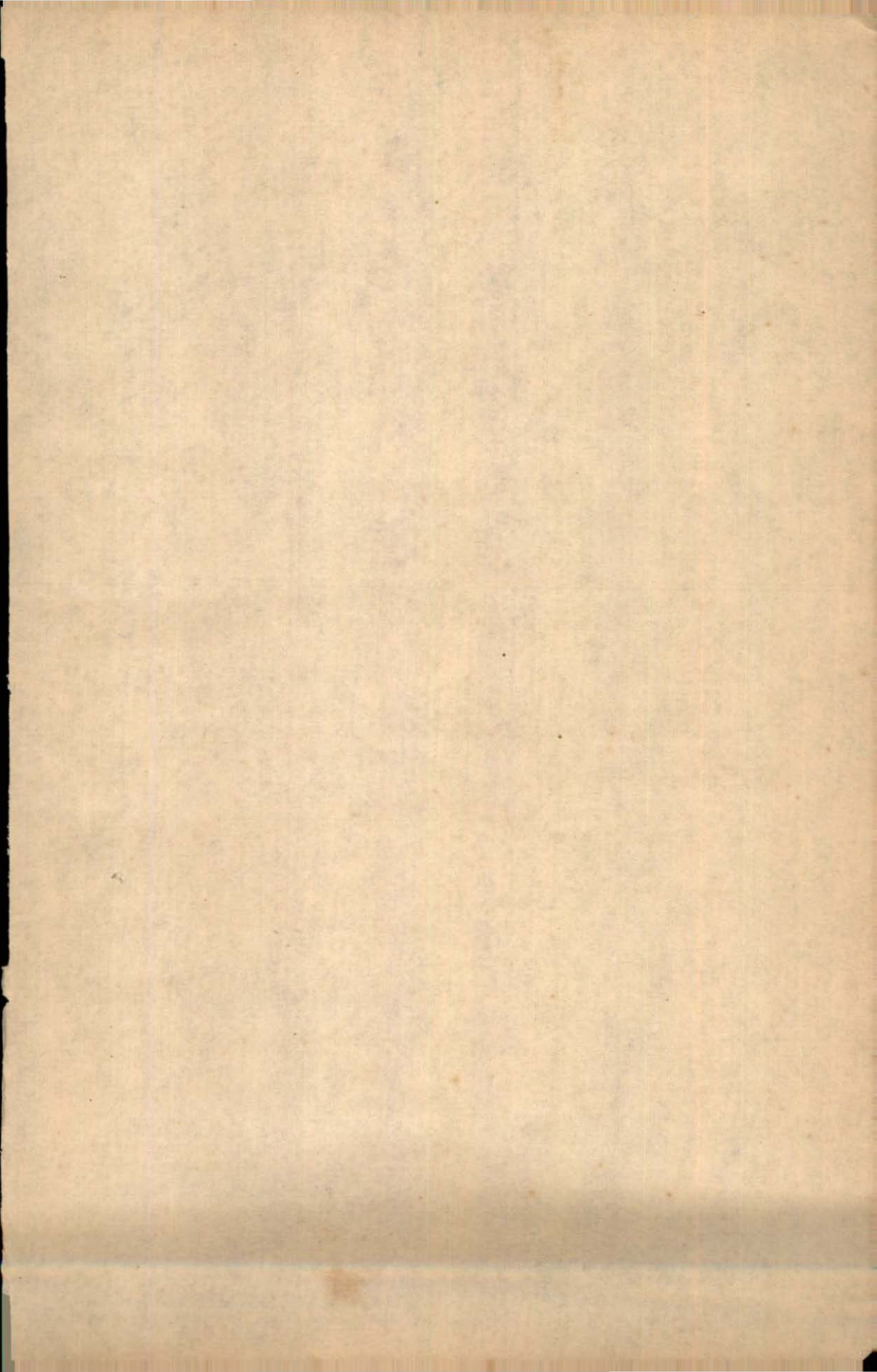
In addition, Rs. 1,69.26 lakhs were drawn by Government during 1957 to 1965 for investment in shares of banks, trading and warehousing corporations and marketing societies etc. Details of those investments are awaited from Government. The total investment of Government to the end of 1968-69 was thus Rs. 29,29.50 lakhs.

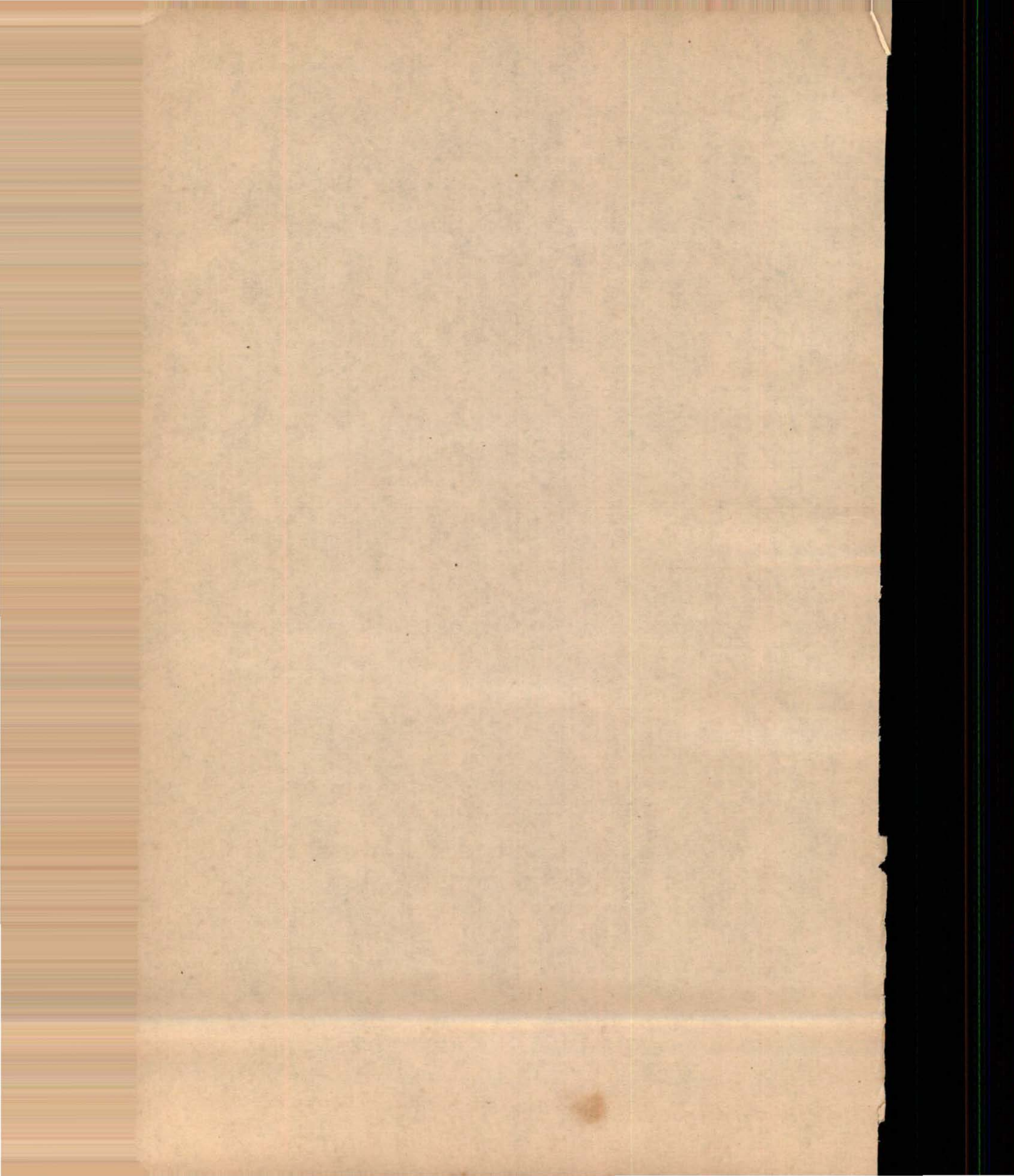
Further details of investments of Government are given in statement no. 14 of the Finance Accounts 1968-69 and in paragraph 104 pages 74-75 of this Report.

Seven concerns in which Government had invested Rs. 44.23 lakhs were under liquidation.

*Pro forma* accounts for 1968-69 of none of the State Trading Schemes have been received from the departmental officers (December 1969).

*Pro forma* accounts for 1968-69 of only one (out of four) departmental undertaking have been received till December 1969. Further details are given in Chapter VII Annexure C pages 82-83.





## 11. Guarantees

Government has given guarantees for repayment of loans, debentures, bonds etc., raised by statutory corporations, Government companies, co-operative institutions, joint-stock companies, private individuals and firms as also for repayment of the working capital raised by Kerala Financial Corporation and payment of minimum dividend of 3½ per cent thereon. The maximum amount guaranteed on 31st March 1969 was Rs. 29.34 crores and the amount outstanding on that date was Rs. 22.51 crores. Further details are given in statement no. 6 of the Finance Accounts 1968-69.

Government paid till 1967-68 Rs. 16.51 lakhs to Kerala Financial Corporation for payment of the guaranteed minimum dividend on its working capital. In 1968-69 no such payment was made to the Corporation.

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 12. Summary

The following table compares the expenditure during the year with the total of voted grants and charged appropriations:—

	<i>Grants/Appropriations</i>		<i>Actual expenditure</i>	<i>Excess(+) Saving(-)</i>	<i>Percentage</i>
			<i>(In crores of rupees)</i>		
<b>VOTED</b>					
Original	204.43	}	215.34	181.75	-33.59
Supplementary	10.91				
<b>CHARGED</b>					
Original	63.60	}	63.81	70.23	+6.42
Supplementary	0.21				
Total			279.15	251.98	-27.17

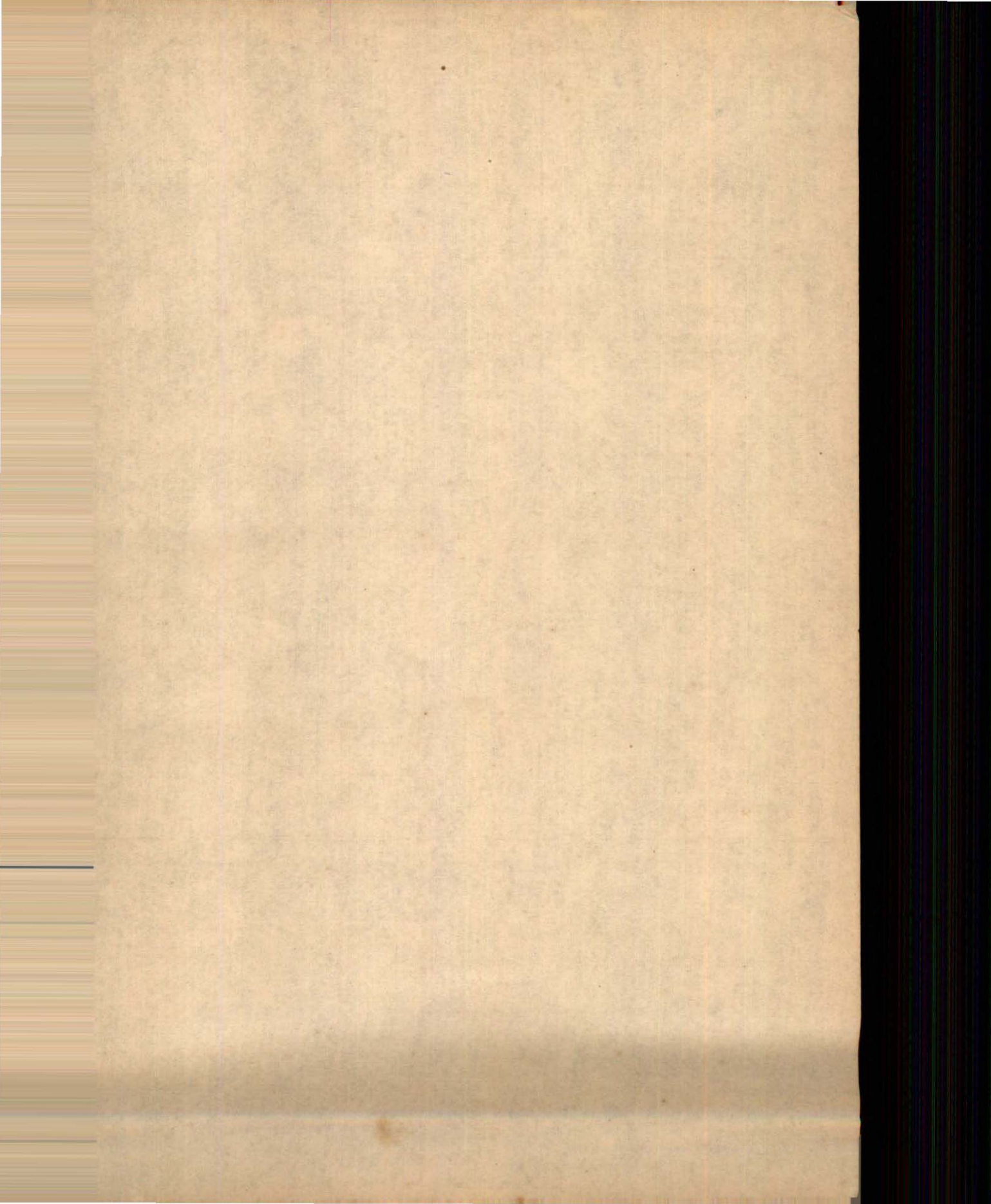
The expenditure shown above does not include Rs. 0.60 crore spent from out of advances from the Contingency Fund obtained during January to March 1969, which were not reimbursed to the Fund till the close of the financial year by authorisation of the Legislature.

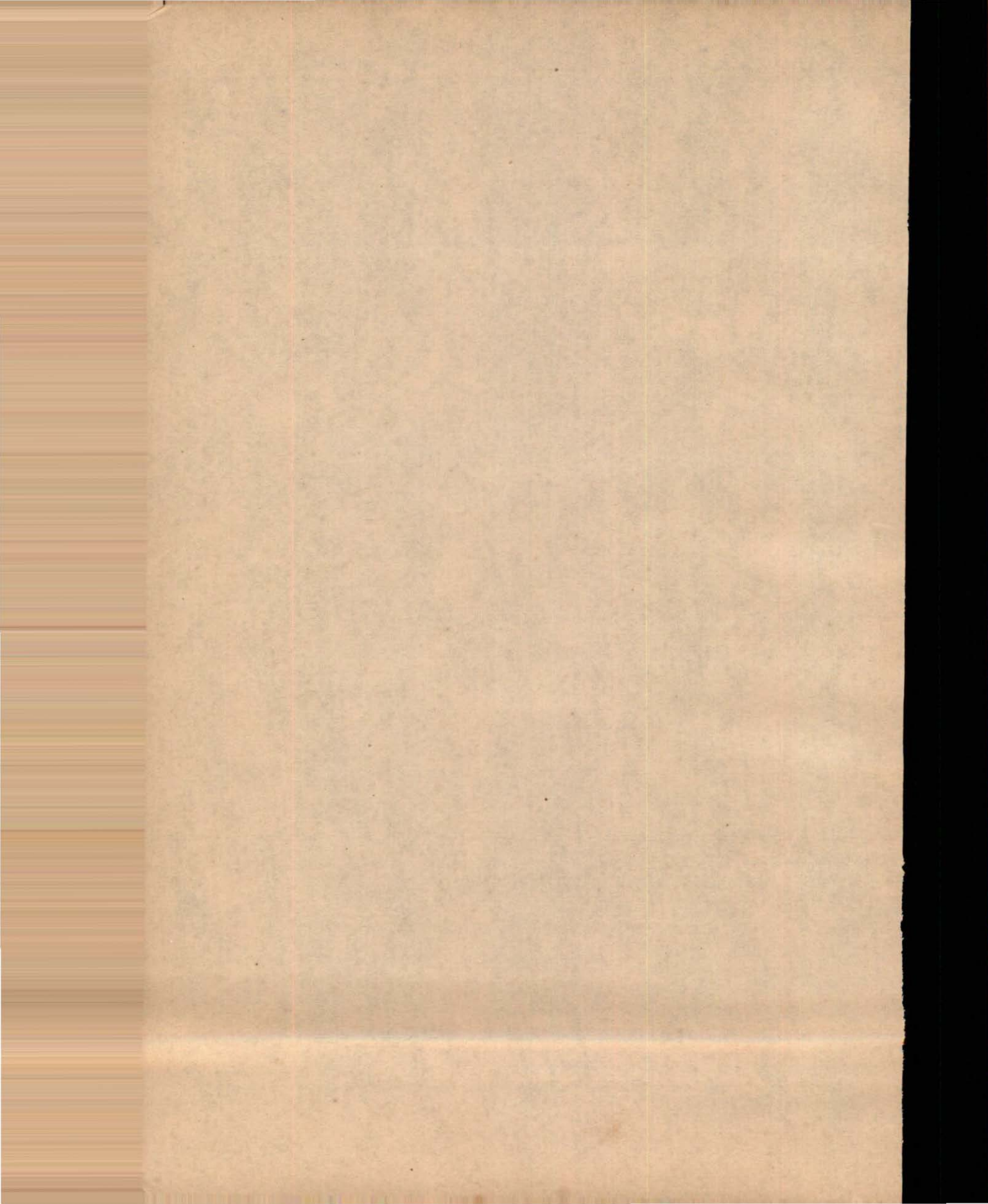
Saving of Rs. 33.59 crores forming 16 per cent of the total voted grants was mainly due to withdrawal of subsidy on imported paddy and rice supplied through the Food Corporation of India from 7th July 1968 consequent on restoration of full quantum of rice ration and shortfall in the quantity of paddy procured (Rs. 26.02 crores).

#### 13. Excess over voted grants

Excess over the following twelve voted grants requires to be regularised under Article 205 of the Constitution :—

<i>Sl. no.</i>	<i>Grant</i>	<i>Rs.</i>	<i>Total Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
1	I. Agricultural Income Tax and Sales Tax				
	Original	72,62,300	}	72,94,900	73,69,668
	Supplementary	32,600			
<p style="margin: 0;">Excess occurred mainly under "12 (a) (iii) District Offices" (expenditure: Rs. 70.99 lakhs; total provision: Rs. 70.14 lakhs) due to more payment of salary for earned leave surrendered and enhancement of dearness allowance.</p>					
2	V. Stamps				
	Original	21,50,000	}	21,50,000	23,31,552
	Supplementary	-			







Excess occurred under "14. A. (b) Charges for the sale of stamps" (expenditure: Rs. 15.74 lakhs; provision: Rs. 13 lakhs) and was due to payment of more commission as a result of increase in sale of stamps. During 1966-67 and 1967-68 also the expenditure under this head exceeded the grant by Rs. 4.66 lakhs and Rs. 2.24 lakhs respectively for the same reason.

Sl. no.	Grant	Rs.	Total Rs.	Expenditure Rs.	Excess Rs.
3	VI. Registration Fees				
	Original	60,42,100	61,86,600	61,98,075	11,475
	Supplementary	1,44,500			

Excess occurred mainly under "District Offices" (expenditure: Rs. 7.13 lakhs; provision: Rs. 7.02 lakhs) and was due to more payment of salary for earned leave surrendered and enhancement of dearness allowance.

4	X. District Administration and Miscellaneous				
	Original	1,41,87,300	1,65,93,100	1,66,22,713	29,613
	Supplementary	24,05,800			

Excess occurred mainly under "Taluk Offices" (expenditure: Rs. 44.44 lakhs; provision: Rs. 43.29 lakhs) and was mainly due to posting of personnel drawing more pay, payment of salary for earned leave surrendered, increase in the rates of dearness allowance, daily allowance, etc. and revision of postal rates. The excess was partly counter-balanced by savings under other group heads.

5	XVII. General Education				
	Original	38,91,62,300	41,34,62,300	42,15,97,241	81,34,941
	Supplementary	2,43,00,000			

Excess occurred mainly under:—

Sl. no.	Group head	Provision (Original + Supplementary)	Excess	Extent of excess met by reappropriation of saving from other group heads
(In lakhs of rupees)				
1	B (a) IV A. Opening of new Secondary Schools	28.39	5.41	..
2	B (b) I Grants to Non-Government Schools	5,37.65	10.59	9.10
3	B (b) III. 2 Grants to Private Secondary Schools opened during the Plan period	50.77	11.94	..
4	C (a) V. M. Improvement of physical conditions of departmental schools	9.11	8.38	1.27
5	C (b) (i) General	15,59.80	52.87	35.01
6	C (b) (iv) 2. Grants to Upper Primary Schools opened during Plan period	45.00	8.21	..
7	C (b) (iv) 3. Grants to Lower Primary Schools opened during the Plan period	55.16	14.63	..
8	C (b) (iv) 4. Appointment of Hindi Teachers in Upper Primary Schools and Upper Primary Sections of High Schools	3.23	3.01	..
9	F (c) (vi) D. Merit scholarships to Secondary School students	2.67	3.23	..

Excesses were mainly due to opening of new lower primary and high schools, upgrading of lower primary and upper primary schools, appointment of gazetted headmasters in place of non-gazetted headmasters, acquisition of land, purchase of furniture, enhancement of the rates of dearness allowance from June 1968, sanctioning of higher grades to graduate teachers, language teachers and primary departmental teachers, payment of arrears, etc.

Excesses were partly counterbalanced by savings under other group heads.

Sl. no.	Grant	Rs.	Total Rs.	Expenditure Rs.	Excess Rs.
6	XXV. Animal Husbandry				
	Original	1,65,08,600	1,79,04,100	1,83,65,741	4,61,641
	Supplementary	13,95,500			

The excess occurred mainly under:—

Group head	Total grant	Actual expenditure	Excess
	(In lakhs of rupees)		
(g) (xii) Manufacture of ready to feed balanced feeds			
Original	9.99		
Reappropriation	3.59	17.58	4.00
	13.58		

Excess was due to unanticipated increase in expenditure on the purchase of poultry feed.

Excess over this grant occurred for the fourth year in succession.

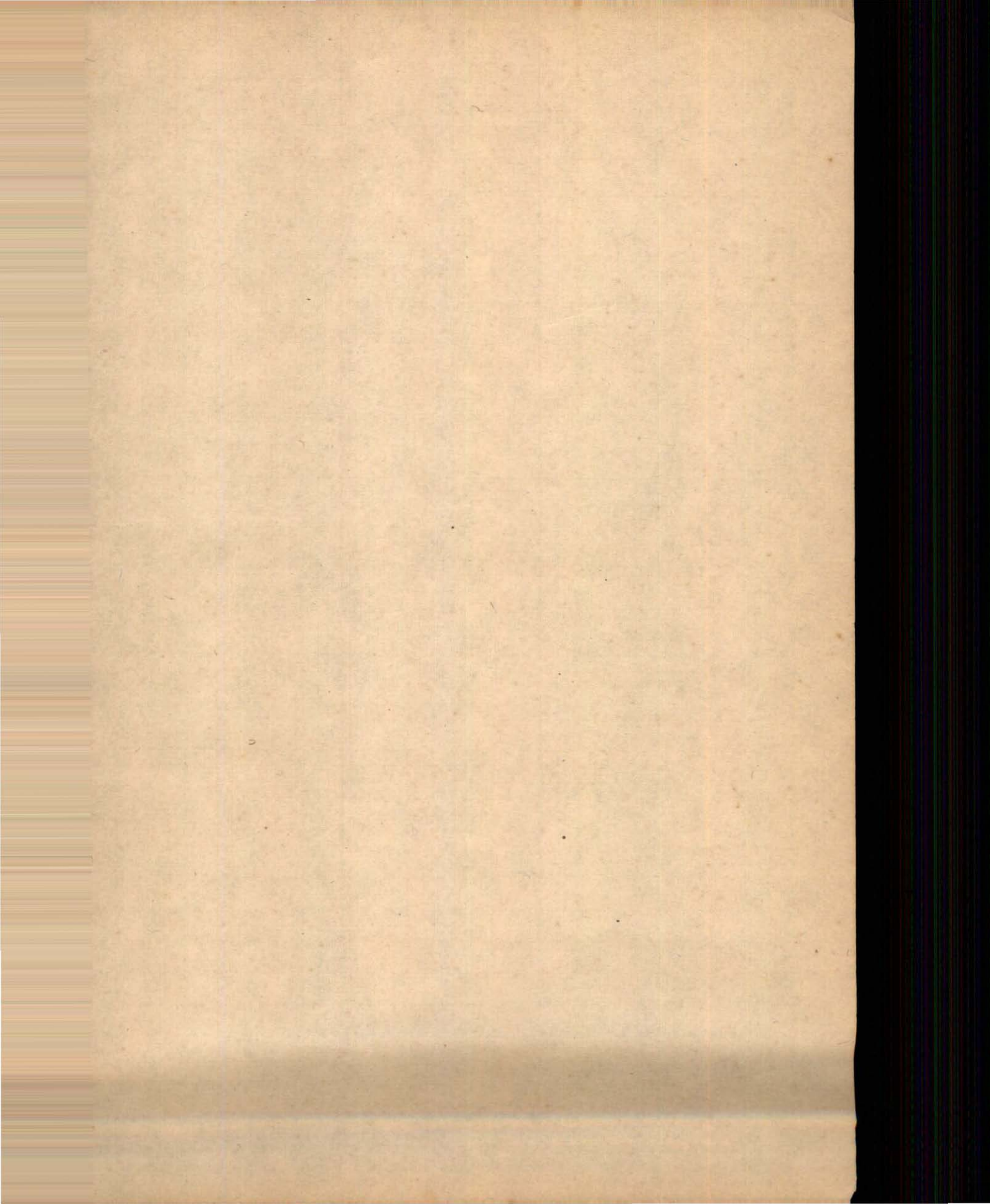
Sl. no.	Grant	Rs.	Total Rs.	Expenditure Rs.	Excess Rs.
7	XXXII. Irrigation				
	Original	4,85,08,300	5,27,05,100	5,40,36,987	13,31,887
	Supplementary	41,96,800			

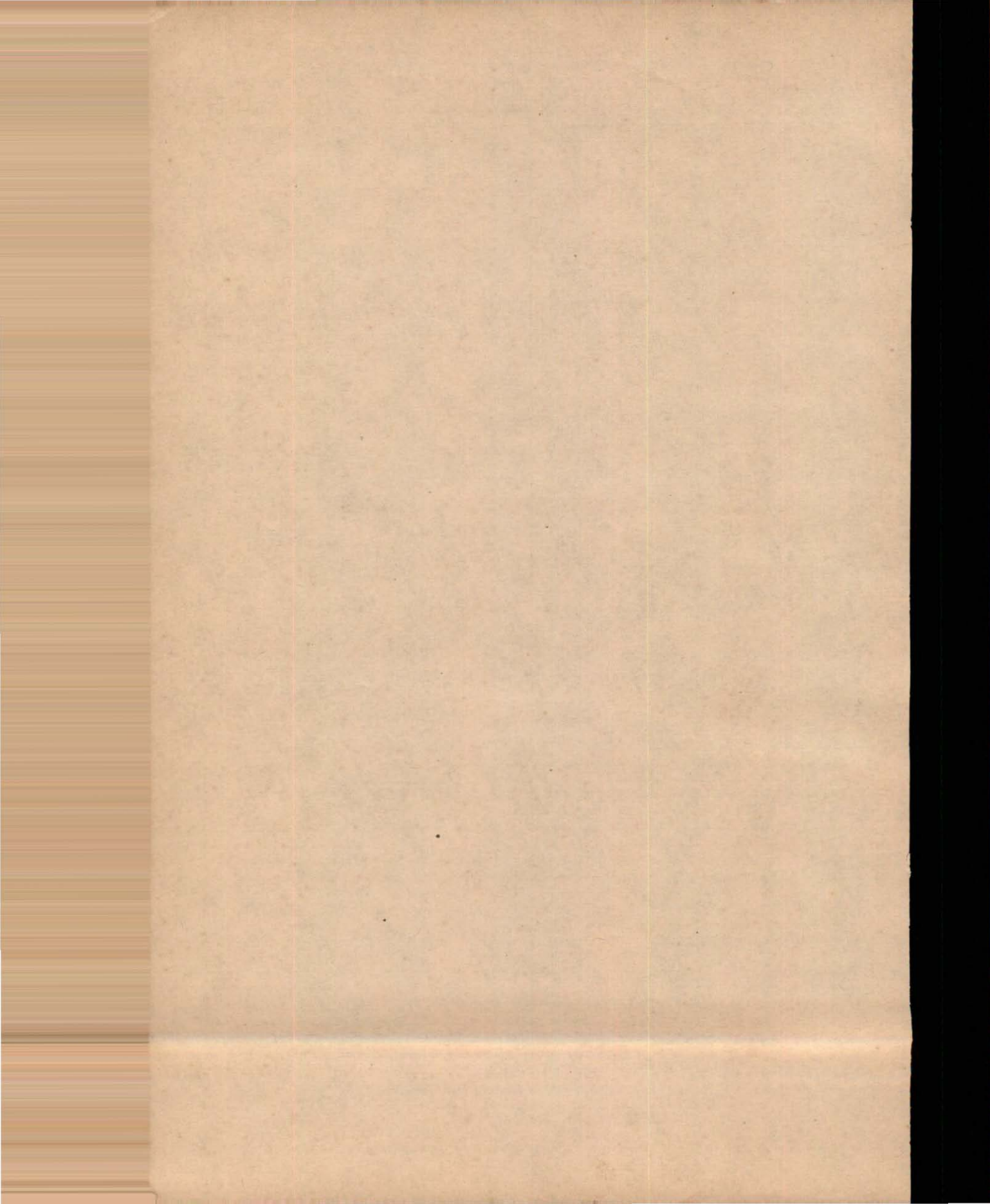
Excess occurred mainly under:—

Sl. no.	Group head	Provision	Excess	Extent of excess met by reappropriation of saving from other group heads
		(In lakhs of rupees)		
1	44. A. (i) (a) Works—Schemes under the Five Year Plans	67.02	11.36	7.00

Rs. 7 lakhs were provided by reappropriation for minor irrigation class II works. Reasons for the balance excess Rs. 4.36 lakhs are awaited.

2	44. A. (i) (c) Establishment—Schemes outside the Five Year Plans			
	II. Executive	83.45	8.91	2.37





Rs. 2.37 lakhs were provided by reappropriation mainly for increased rates of dearness allowance and payment of project allowance. Reasons for the balance excess Rs. 6.54 lakhs are awaited.

Excess was partly offset by savings under other group heads.

The grant was exceeded for the fifth year in succession.

<i>Sl. no.</i>	<i>Grant</i>	<i>Rs.</i>	<i>Total Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
8	XXXIII. Public Works				
	Original	10,57,20,600	} 12,25,50,800	13,53,34,579	1,27,83,779
	Supplementary	1,68,30,200			

Excess occurred mainly under sub-heads "stock" (provision: Rs. 2.50 lakhs; excess: Rs. 1.30.35 lakhs) and "Miscellaneous Public Works Advances" (provision: Rs. 27.07 lakhs; excess: Rs. 41.26 lakhs). Excess was first noticed and warning slip issued in March 1969 under the former head and in January 1969 under the latter. Under "Miscellaneous Public Works Advances" the excess was partly (Rs. 16.60 lakhs) covered by reappropriation in February 1969 but still there was excess of Rs. 24.66 lakhs. Under 'stock' additional funds were not provided. Reasons for the excess are awaited (January 1970). The excess was partly counterbalanced by savings under other heads.

9	XXXVI. Famine				
	Original	17,32,000	} 1,15,32,000	1,23,16,626	7,84,626
	Supplementary	98,00,000			

Excess was due to increased expenditure on various relief works taken up in areas affected by unprecedented floods during 1968 and more debit transferred from '50 Public Works' in proportion to expenditure on flood relief works.

10	XXXVII. Pensions				
	Original	3,94,86,800	} 3,94,86,800	4,40,78,058	45,91,258
	Supplementary	..			

Excess occurred mainly under "Gratuities" (expenditure: Rs. 84.63 lakhs; provision: Rs. 60 lakhs) due to finalisation of more cases than anticipated and under "Commutation of Pensions—Amount transferred from 120. Payments of Commuted value of pensions" (expenditure: Rs. 29.67 lakhs; provision: Rs. 12.08 lakhs) due to Government's share of commuted value of pensions of the employees of the former Kerala State Transport Department payable to the Kerala State Road Transport Corporation being more than anticipated.

11	XXXVIII. Stationery and Printing				
	Original	1,02,40,300	} 1,10,82,600	1,37,82,642	27,00,042
	Supplementary	8,42,300			

Excess occurred mainly under "Purchase of Stationery stores" (expenditure: Rs. 77.79 lakhs; provision: Rs. 50.00 lakhs) due to receipt of stores in bulk towards the close of the year.

<i>Sl. no.</i>	<i>Grant</i>	<i>Rs.</i>	<i>Total Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
12	LII. Commuted Value of Pensions				
	Original	12,25,700	29,25,700	29,70,918	45,218
	Supplementary	17,00,000			

Excess occurred under "Payments in India" (expenditure:Rs. 29.28 lakhs; provision: Rs. 29 lakhs) and "Add-share due to Government of Madras on account of allocation of pensions as per States Reorganisation Act" (expenditure: Rs. 0.43 lakh; provision: Rs. 0.26 lakh).

#### 14. Excess over charged appropriations

Excess over the following six charged appropriations also require regularisation:—

<i>Sl. no.</i>	<i>Appropriation</i>	<i>Rs.</i>	<i>Expenditure Rs.</i>	<i>Excess Rs.</i>
1	XXXII. Irrigation			
	Original	..		
	Supplementary	300		
	Total	300	899	599
2	XXXVII. Pensions			
	Original	2,35,400		
	Supplementary	..		
	Total	2,35,400	2,58,295	22,895

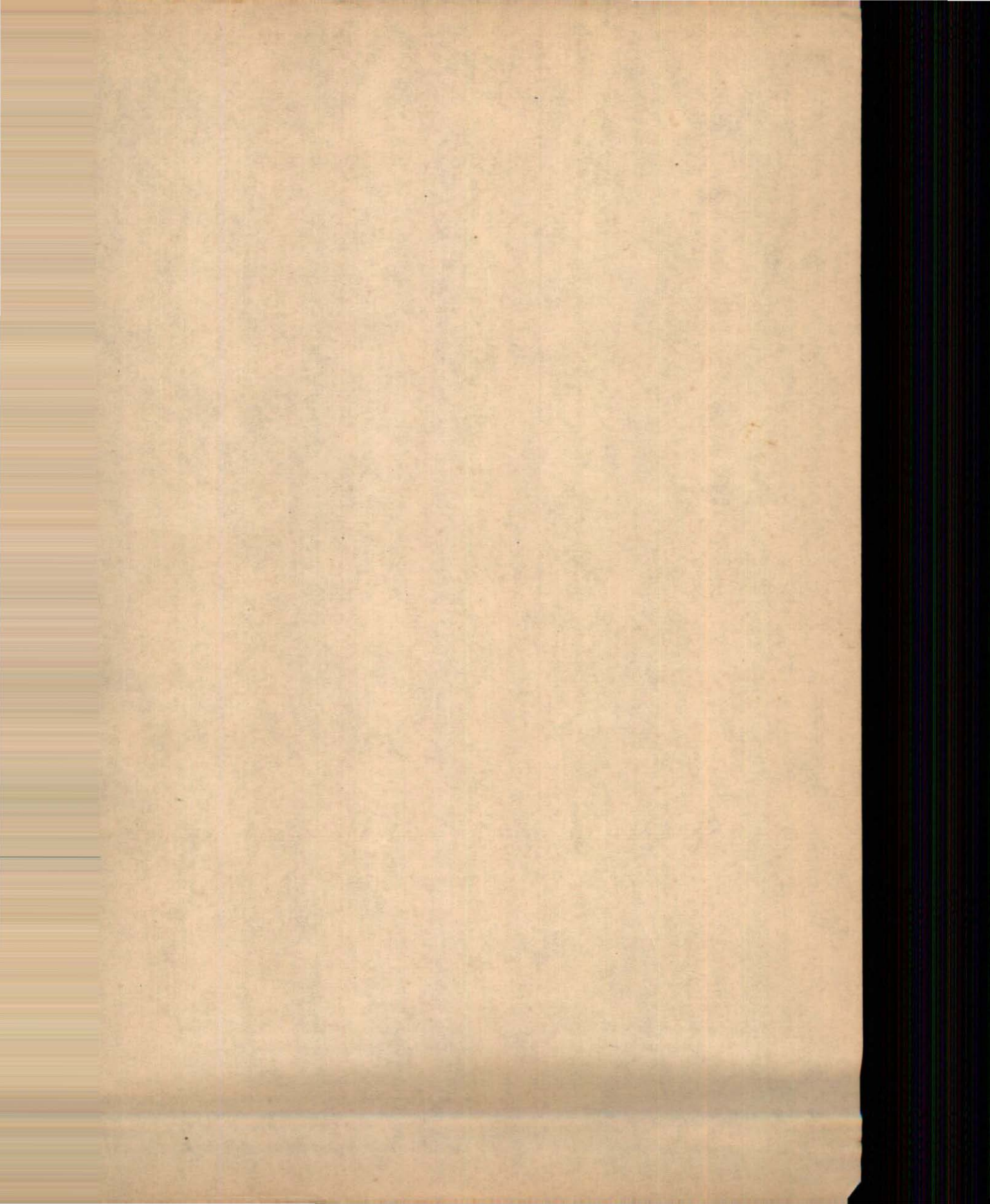
Excess occurred mainly under "Amount reimbursed to Government of India on account of pensions charged on the Consolidated Fund of India and recoverable from the States under Article 290 of the Constitution" (expenditure: Rs. 0.86 lakh; provision: Rs. 0.55 lakh) due to provision of funds based on rough estimates proving inadequate.

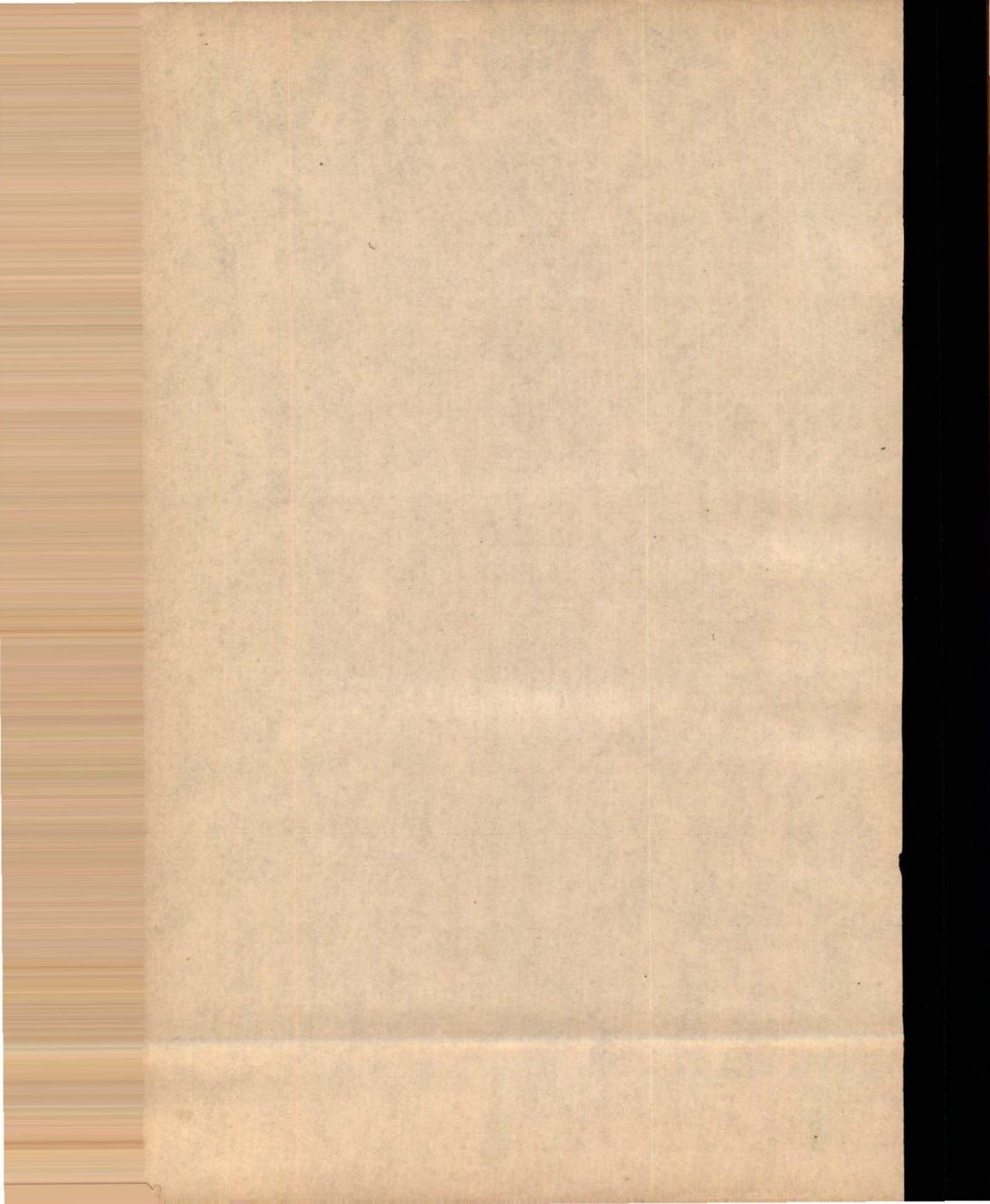
3	XL. Miscellaneous			
	Original	49,05,000		
	Supplementary	18,900		
	Total	49,23,900	49,34,832	10,932

Excess occurred mainly under "Acquisition charges for lands and buildings for Union purposes" where expenditure of Rs. 0.25 lakh was incurred without any appropriation. The payment was made during April to August 1968 against court decree received during January to June 1968. The circumstances in which supplementary provision or an advance from the Contingency Fund could not be obtained are awaited.

4	XLVI. Capital Outlay on Irrigation			
	Original	50,000		
	Supplementary	1,15,300		
	Total	1,65,300	3,43,941	1,78,641

Excess occurred mainly under "Bhoothathankettu scheme—Works" (expenditure: Rs. 1.90 lakhs; appropriation: Rs. 0.23 lakh). Reasons for the excess are awaited. During 1967-68 also, there was uncovered expenditure of Rs. 2.63 lakhs under this head.







Sl. no.	Appropriation	Expenditure		Excess
		Rs.	Rs.	Rs.
5	XLVII. Capital Outlay on Public Works			
	Original	8,00,000		
	Supplementary	16,300		
	Total	8,16,300	10,02,123	1,85,823

Excess occurred mainly under "Medical-B. Schemes under the Five Year Plans" (expenditure: Rs. 6.24 lakhs; appropriation: Rs. 0.16 lakh). Excess of Rs. 1.22 lakhs (met by reappropriation from other group heads) was for payment of additional compensation awarded by courts for lands acquired; reasons for the balance excess of Rs. 4.86 lakhs are awaited. Circumstances in which supplementary provision or an advance from the Contingency Fund could not be obtained are also awaited from the Controlling Officer.

The excess was partly offset by savings under other group heads.

6	Public Debt Repayments			
	Original	46,41,47,700		
	Supplementary	..		
	Total	46,41,47,700	53,67,49,816	7,26,02,116

Excess occurred mainly under "Floating Debt—Other Floating Loans" (expenditure: Rs. 29.03 crores; appropriation: Rs. 25 crores) due to repayment of ways and means advances and overdrafts from Reserve Bank of India which could not be assessed accurately owing to fluctuating nature of the transactions and under "Loans from the Central Government—a (i) State Plan Schemes" (expenditure: Rs. 16.38 crores; appropriation: Rs. 13.21 crores) due to *ab-initio* conversion of certain loans sanctioned for miscellaneous development purposes during previous years into grants-in-aid, the amount of which had to be treated as repayment of loan.

### 15. Supplementary grants/appropriations

During the year Rs. 10.91 crores were obtained as supplementary grants under 35 voted grants and supplementary provision of Rs. 0.21 crore obtained under 19 charged appropriations.

Supplementary grants exceeding Rs. 10 lakhs obtained under the following three grants proved largely or wholly unnecessary:—

Sl. no.	Grant	Supplementary grant and month in which obtained		Saving
		(In lakhs of rupees)		
1	XXII. Agriculture	18.00	(August 1968)	27.54
		0.23	(February 1969)	
2	XLV. Capital Outlay on Industrial and Economic Development	31.51	(August 1968)	1,12.25
		16.00	(February 1969)	
3	LV. Loans and Advances by the Government	27.35	(August 1968)	2,37.02
		88.25	(February 1969)	
		1,26.44	(March 1969)	

In the following two cases supplementary grant obtained proved excessive by more than Rs. 10 lakhs in each case :—

Sl. no.	Grant	Supplementary grant and month in which obtained (In lakhs of rupees)	Saving
1	IX. Heads of States, Ministers and Headquarters staff	27.45 (August 1968: Rs. 0.63 lakh) (March 1969: Rs. 26.82 lakhs)	12.13
2	XXIII. Fisheries	43.40 (March 1969)	11.43

In the four cases (serial numbers 5, 7, 8 and 11 of paragraph 13 above) supplementary grants obtained proved inadequate and there were final excesses exceeding Rs. 10 lakhs.

### 16. Savings in grants

In twenty grants the unutilised provision exceeded 10 per cent. In four of these cases, the savings ranged between 20 and 25 per cent and in nine cases the savings exceeded 25 per cent as given below:—

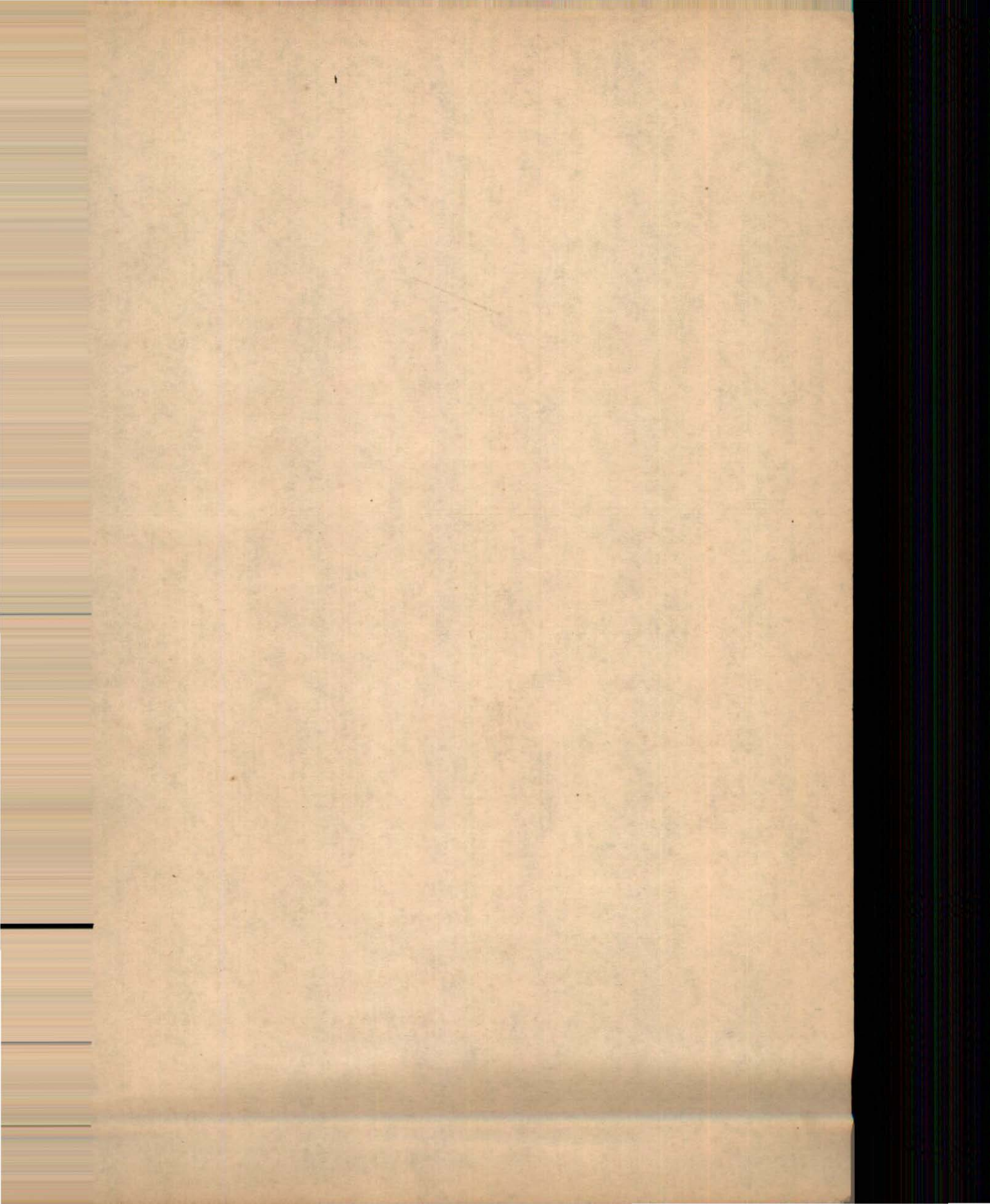
Sl. no.	Grant	Total provision	Saving	Percentage
		(In lakhs of rupees)		
1	VIII. Elections	5.41	2.11	39
2	XIV. State Insurance and Miscellaneous	16,36.86	14,37.50	88
3	XV. Scientific Departments	27.60	13.84	50
4	XLIV. Capital Outlay on Agricultural Improvement	4.98	3.53	71
5	XLV. Capital Outlay on Industrial and Economic Development	3,29.11	1,12.25	34
6	XLVIII. Capital Outlay on Other Works	31.38	18.23	58
7	XLIX. Capital Outlay on Ports	54.16	29.96	55
8	L. Capital Outlay on Transport Schemes	3.01	1.89	63
9	LIII. Capital Outlay on Schemes of Government Trading	27,77.64	13,13.64	47

Twelve schemes provision for which remained wholly or substantially unutilised are mentioned in Appendix I at pages 93-94. Four of them were not implemented due to non-sanctioning of the schemes by Government.

### 17. Control over expenditure

The object of control over expenditure in this context is to secure as close an approximation as possible between actual expenditure and the final grant/appropriation under each sub-head of grant/appropriation. This is secured by :

- (i) obtaining supplementary grants or appropriations wherever necessary;
- (ii) surrender of surplus funds under any sub-head as soon as saving can be foreseen; and
- (iii) reappropriation of funds from sub-heads of a grant/appropriation where saving is anticipated to other sub-heads in the same grant/appropriation where there is need for additional funds.





Cases of excess over voted grants/charged appropriations, unnecessary, excessive and inadequate supplementary grants and large savings in grants/appropriations are mentioned in paragraphs 13 to 16.

Further details of cases of defective control of expenditure under individual group heads within grants/appropriations have been given in the Appropriation Accounts 1968-69.

*Surrender of savings:*—The rules require that unutilised amounts should be surrendered as soon as the possibility of savings is envisaged. However, funds are being surrendered only in March every year. In 1968-69 also the entire surrender of Rs. 32.27 crores was made only in March 1969; of that Rs. 32.03 crores were surrendered on the last day of the financial year.

In the following five grants, the unsurrendered savings were Rs. 1,38.77 lakhs and formed more than 10 per cent of the total grant in each case:—

Sl. no.	Grant	Total grant	Unsurrendered saving	Percentage
		(In lakhs of rupees)		
1	XV. Scientific Departments	27.60	10.93	40
2	XXXI. Statistics and Miscellaneous	71.91	7.80	11
3	XLVII. Capital Outlay on Public Works	7,77.74	1,02.46	13
4	XLIX. Capital Outlay on Ports	54.16	7.92	15
5	LI. Capital Outlay on Forests	68.29	9.66	14

In one case (Grant No. XLIII. Capital Outlay on Public Health) Rs. 60.99 lakhs were surrendered on the last day of the year which was more than five times the saving (Rs. 11.76 lakhs) that actually became available for surrender.

#### 18. Advances from the Contingency Fund in excess of requirements

A Contingency Fund has been constituted with a corpus of Rs. 1,50 lakhs for meeting unforeseen expenditure of an emergent character (including expenditure on a 'new service') not contemplated in the annual financial statement pending its authorisation by the Legislature.

During 1968-69 advances of Rs. 2,63.82 lakhs were sanctioned from the Contingency Fund in 73 cases. Of these:—

- (a) one sanction (April 1968) for Rs. 3 lakhs was not operated upon and was subsequently cancelled;
- (b) eleven sanctions for Rs. 11.33 lakhs were neither operated upon nor cancelled;
- (c) three sanctions for Rs. 5.54 lakhs were subsequently reduced to Rs. 4.99 lakhs;
- (d) the actual expenditure recorded against nine sanctions for Rs. 91.31 lakhs was less than 50 per cent of the amount sanctioned. Particulars

of six of these cases where the unspent amount exceeded Rs. 1 lakh are given below:—

	<i>Advance sanctioned and month in which sanctioned</i>	<i>Expenditure</i>
	Rs.	Rs.
Grant for the construction of permanent bunds	4,00,000 (June 1968)	6,660
Do.	10,00,000 (July 1968)	59,550
Water Transport—		
Working expenses	4,00,600 (August 1968)	1,36,262
Loans to cultivators affected by floods	20,00,000 (December 1968)	9,03,779
Famine Relief—		
Relief Works	10,00,000 (December 1968)	78,861
Handloom Development—		
Loans to societies towards unforeseen loss	2,35,000 (May 1968)	60,824

These point to the need for closer scrutiny of the requirements and their urgency before authorising expenditure in advance of the vote of the Legislature.

#### 19. Expenditure on 'New service'

(i) Rs. 79,233 were paid (March 1969) as grants-in-aid to Kerala Khadi and Village Industries Board (Grant No. XXVII. Industries) towards special rebate on retail sale of khadi for which there was no provision in the budget. According to the criteria laid down by the State Public Accounts Committee, expenditure on grants-in-aid and contributions for existing purposes is considered to be a "New Service" if it exceeds:

(a) Recurring—Rs. 12,500

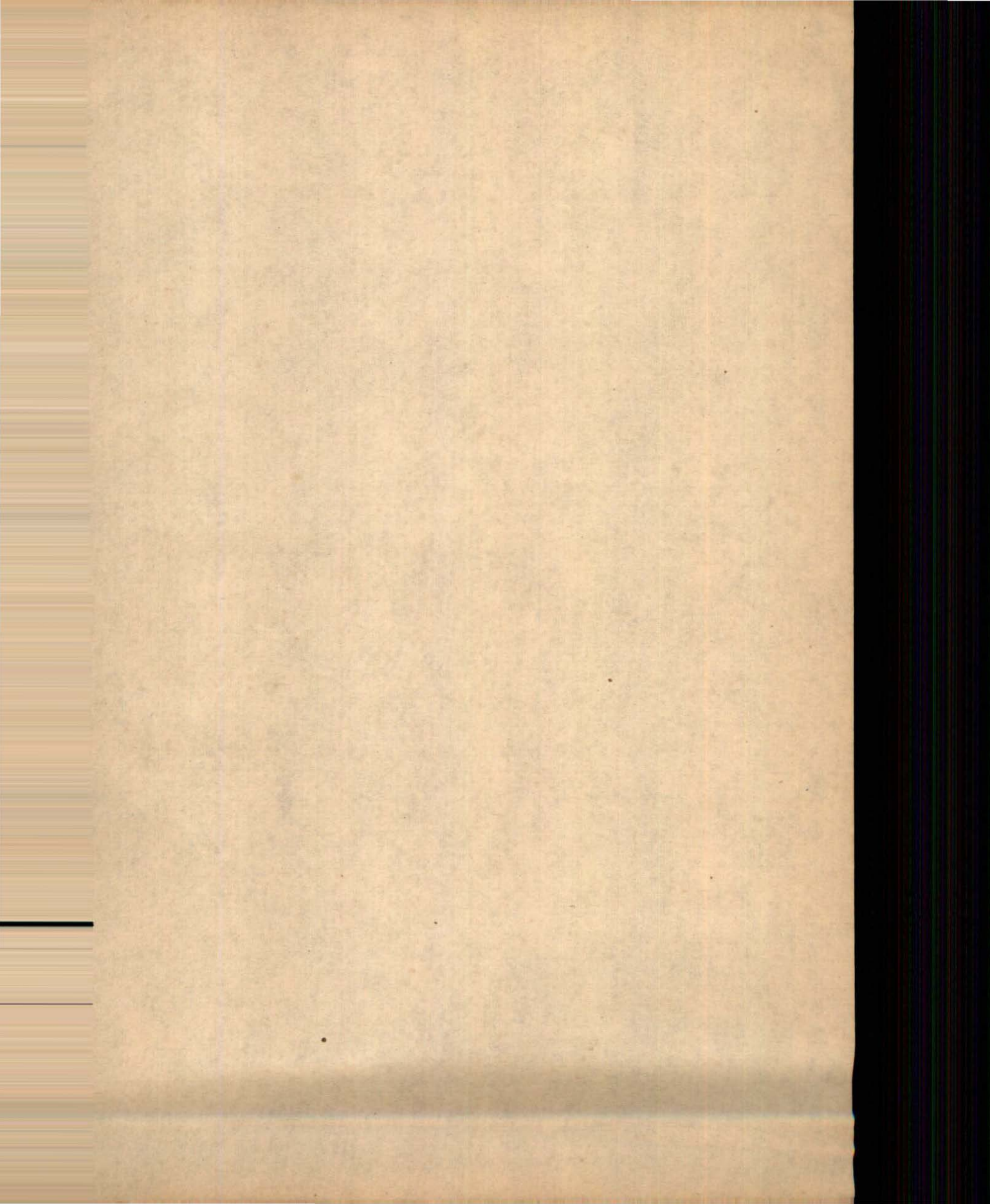
(b) Non-recurring—Rs. 50,000

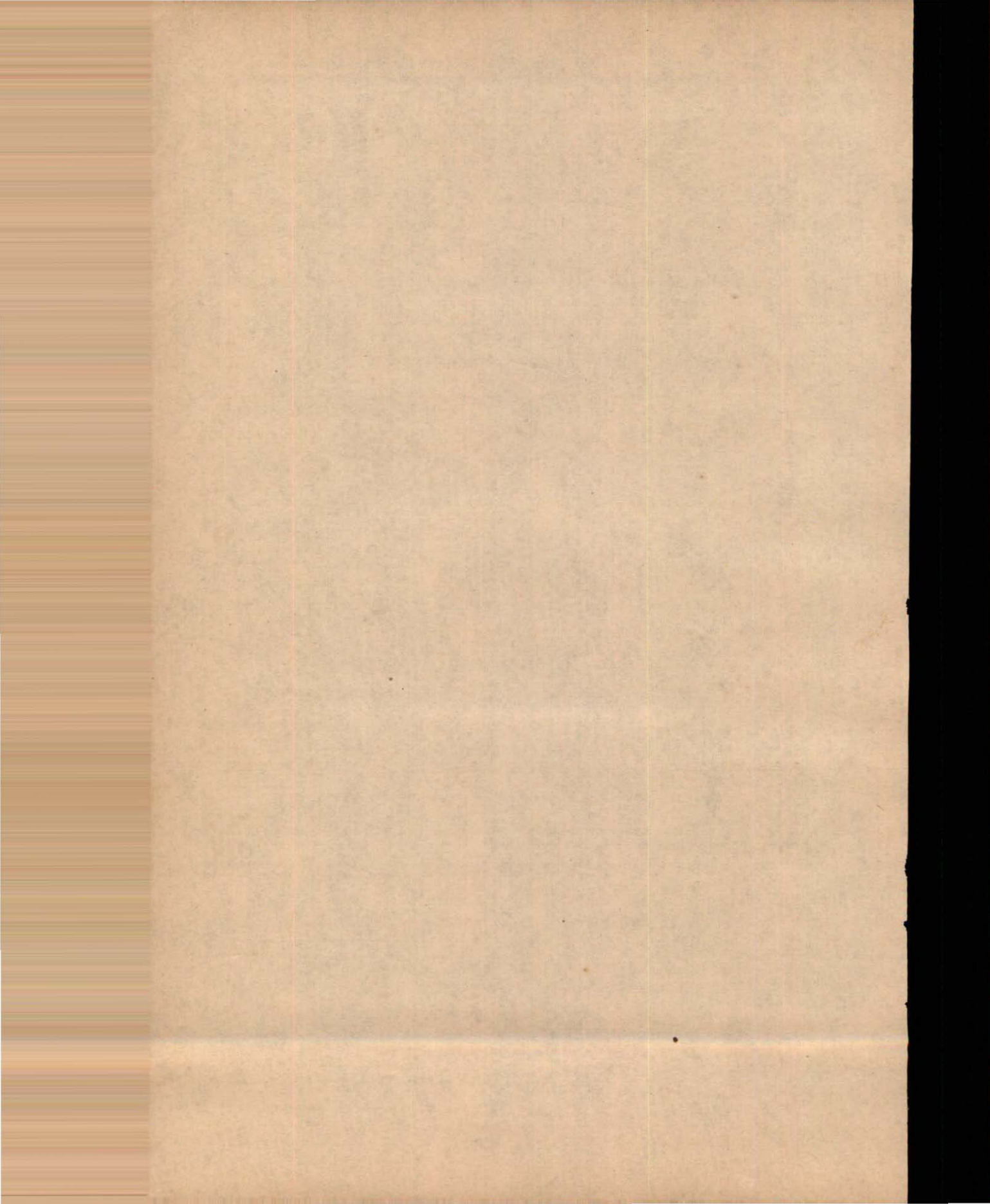
In this case the expenditure exceeded the above limit and should not have been incurred without obtaining a supplementary grant or an advance from the Contingency Fund.

(ii) Government sanctioned in August 1968 Rs. 2.68 lakhs as grants to twenty panchayats in Ponnani taluk for purchasing shares of Ponnani Multi-Industrial (Workshop) Co-operative Society. This expenditure was not provided for in the budget and according to the criteria laid down by the Public Accounts Committee it constituted a new service. The payments were made on 31st March 1969 without obtaining either a supplementary grant or an advance from the Contingency Fund.

#### 20. Premature withdrawal of funds

Three cases of premature withdrawal of funds are mentioned in Appendix II page 95.







## CHAPTER III

### CIVIL DEPARTMENTS

#### AGRICULTURE DEPARTMENT

(AGRICULTURE)

#### 21. Propagation of Tainan 3

A scheme for extensive cultivation of Tainan 3, a non-shedding high yielding variety of paddy, was started in 1966-67. The target was to cover 4.3 lakh acres in 1966-67, 7.5 lakh acres in 1967-68 and 9.5 lakh acres in 1968-69. The area actually covered was only 1.47 lakh acres in 1966-67, 0.05 lakh acres in 1967-68 and negligible in 1968-69, when this strain of paddy ceased to be popular with the agriculturists.

Anticipating large scale use of pedal threshers by agriculturists for threshing Tainan 3, between June 1966 and March 1967 the Agriculture Department purchased 4,627 pedal threshers for Rs. 10.05 lakhs for hiring out to agriculturists. 3,807 threshers were issued to N.E.S. blocks and 290 to seed farms. The balance of 530 threshers (approximate cost: Rs. 1.11 lakhs) kept at the District Agricultural Offices have not been put to use (December 1969). Of the 3,807 threshers issued to N.E.S. blocks, 1,803 (cost: Rs. 3.78 lakhs) have not been hired out even for once. 1,500 threshers purchased from a firm were found to be of poor quality and about 65 per cent went out of order soon after they were put to use (due to their bearings and parts wearing out). Since the viruppu season of 1967-68 there has been no demand for the threshers from cultivators. According to the Deputy Director of Agriculture, Trichur, there is no more scope for hiring the threshers in future (October 1967). The Joint Director of Agriculture, Palghat, stated in December 1967 that "there is no prospect of issuing the threshers hereafter on hire".

In November 1967 Government accorded sanction to sale of 2,500 pedal threshers at 66  $\frac{2}{3}$  per cent of the cost price. Only seventy-three threshers have been sold (December 1969).

In June 1966 Government sanctioned payment of Rs. 200 per acre (Rs.170 worth of fertilisers and Rs. 30 worth of pesticides) as short term loans to Tainan cultivators. The loan was repayable in one instalment after harvest within a maximum period of six months from the date of payment of loan. Out of Rs. 1.04 lakhs paid as loans during 1966-67, Rs. 0.84 lakh (principal: Rs. 0.80 lakh; interest: Rs. 0.04 lakh) are yet to be recovered from 75 borrowers (January 1969).

#### 22. Imported fertilisers

Out of 12,147 tonnes of imported fertilisers (di-ammonium phosphate) received during 1967-68 and 6,781 tonnes received in 1968-69 from the Central fertiliser pool for sale to cultivators in the State only 1,480 tonnes were sold upto June 1969. 17,448 tonnes valued at Rs. 2,12.34 lakhs remain unsold. The poor off-take was attributed by the department to (i) its high price (ii) availability of other phosphate fertilisers in the open market and (iii) lack of interest in the sale of di-ammonium phosphate by the fertiliser distributing agency. A request made to the Central fertiliser pool to take back the unsold stocks was not accepted (July 1969).

**23. Compost production at Thrikkakara**

In May 1961 Government sanctioned compost production at the Agricultural Fuel and Fodder Farm, Thrikkakara at an estimated cost of Rs. 1.59 lakhs. It was to be executed in the Third Five Year Plan period. The object was to produce 2,500 tons of compost annually for sale to agriculturists on no profit no loss basis. The scheme commenced in October 1961 was continued till February 1968 when it was wound up.

During October 1961 to February 1968 only 1,354 tons of compost were produced against the annual target of 2,500 tons. Rs. 1.25 lakhs were spent against the receipts of Rs. 0.17 lakh; the working loss being Rs. 0.85 lakh during that period.

The matter was reported to Government in May 1968; reply is awaited (February 1970).

(MINOR IRRIGATION)

**24. Cultivation of marshy areas in Pannikkottu Malavaram in Koothali Estate**

In September 1967 Government sanctioned cultivation of 500 acres of marshy land in Pannikkottu Malavaram in Koothali Estate at an estimated cost of Rs. 3.18 lakhs. It was proposed to convert 300 acres of wet land into double crop paddy fields and cultivate 200 acres of dry land with upland paddy or tapioca. Started in October 1967 it was abandoned in March 1968 after spending Rs. 0.58 lakh (on pay of staff, cost of fertilisers, labour charges etc.). Government stated in August 1968 that it was discontinued as the wet land comprised small patches far away from one another and were unfit for economic cultivation and the dry land had already been leased out by the Forest department to private parties long before the scheme was sanctioned. Only five acres of land were brought under paddy cultivation during October 1967 to March 1968. The net expenditure of Rs. 0.54 lakh (after deducting receipts of Rs. 0.04 lakh from five acres of land) was infructuous.

Government stated (October 1969) that the scheme was undertaken at a time when there was acute shortage of food and in good faith based on reports of revenue officials that the entire area of land was available for cultivation. It was also stated that the circumstances in which incorrect and incomplete information was furnished to Government were being inquired into. Further information about the results of enquiry is awaited (February 1970).

(FOREST)

**25. Road from Planchode to Pulavampadi**

Construction of a road from Planchode to Pulavampadi was awarded in February 1967 to a contractor whose tender for the work was the lowest (Rs. 1.37 lakhs). The actual cost of the work completed in April 1968 was Rs. 1.62 lakhs. The increase was mainly attributable to one item "earth work—filling with earth cut and conveyed within initial lead and lift" for which the actual quantity of work executed was 18,089 cubic metres against the estimated quantity of 413 cubic metres. The Department intimated (February 1969) that the wide variation for "filling work" was due to omission to estimate the item originally because the investigation was carried out by use of "aboney level" and that the road actually constructed at a higher level necessitated large quantity of earth work filling. Had the quantity for "filling work" been properly estimated the tender of another contractor would have been lowest and the work would have cost Rs. 0.34 lakh less.



3/6/76

## (DAIRY DEVELOPMENT)

**26. Rural dairy centres**

For collection, chilling and transport of milk to dairy plants and urban markets Government sanctioned in April 1966 establishment of rural dairy centres. Up to the end of March 1969 Rs. 9.78 lakhs were spent on ten centres of which four (with five milk chilling plants) have commenced working (January 1970).

The following points were noticed in audit:—

(i) The total quantity of milk chilled in three centres (established between November 1967 and January 1969) together was only 2,420 litres per day (March 1969) against chilling capacity of 8,000 litres per day. The under-utilisation of the plants has been attributed by the department to the centres being in their initial stages of operation. No time limit to achieve maximum capacity is reported to have been fixed. The details of quantity of milk chilled in the fourth centre are awaited (February 1970).

(ii) In response to tenders invited in October 1967 for supply of four milk cooling plants the lowest tender (November 1967) of Rs. 48,100 per plant was accepted (February 1968). While the tenders were still under consideration, the department felt the need for four more plants of the same type and invited fresh tenders (January 1968) to which the same firm responded with the higher rate of Rs. 52,595 per plant. In March 1968 Government sanctioned the purchase at the higher rate on the condition that the firm produced satisfactory documentary evidence for such variation in price within so short a period. This was not acceptable to the firm and so the tenders were cancelled. In response to fresh tenders (April 1968) the same firm again quoted Rs. 52,595 per plant and was awarded the contract unconditionally at its quoted rate. Had the total requirements been assessed in October 1967, the expenditure would have been less by Rs. 0.26 lakh (excess cost: Rs. 0.18 lakh; duty and sales tax on excess cost: Rs. 0.08 lakh).

(iii) One milk chilling plant (cost: Rs. 65,540) purchased in April 1968 has been installed but not commissioned. Two other milk chilling plants (cost: Rs. 1.21 lakhs) purchased in March 1969 are awaiting installation (February 1970).

## HEALTH DEPARTMENT

**27. Construction of three doctor-type dispensary and staff quarters at Mulavana**

Tenders for the deposit work "Construction of three doctor-type dispensary and staff quarters at Mulavana for the Employees' State Insurance Corporation" received in July 1966 were not considered by the Chief Engineer since the rates quoted were in excess of the estimate rates, the lowest offer was incomplete and there were complaints of irregularities in issue of tender notice by the Executive Engineer. The work was retendered in September 1966 but the lowest offer after negotiation (Rs. 2.01 lakhs) could not be availed of due to non-communication of acceptance to the tenderer within the validity period (28th December 1966). On second retender (April 1967) the lowest offer (Rs. 2.34 lakhs) was found by the Chief Engineer to be beyond his powers of acceptance; he ordered (June 1967) revision of the estimate based on the latest schedule of rates. The work based on the revised estimate was tendered in February 1968 and awarded in July 1968 for Rs. 2.31 lakhs. Failure to communicate acceptance of the tender within the validity period during the first retender resulted in extra expenditure of about Rs. 0.30 lakh.

## DEVELOPMENT DEPARTMENT

## (FISHERIES)

**28. Mechanisation of fishing crafts**

In paragraph 35 of the Audit Report 1965 mention was made of boats, engines and machinery lying idle, non-recovery of overhead charges from fishermen for eleven boats built during 1960-62 and unsatisfactory state of demand, collection and balance statements maintained by the department. Upto the end of March 1969 Rs. 5,48.74 lakhs were spent on the scheme and 940 boats were issued to fishermen and fishermen's co-operative societies at subsidised rates. A review conducted during February-March 1969 disclosed the following:—

(i) *Defects in maintenance of accounts*:— Defects in maintenance of loan ledgers and preparation of demand, collection and balance statements continued to persist. No loan registers have been maintained in the offices of the Deputy Director of Fisheries, Kozhikode and Quilon, from the very beginning. In other offices posting of registers is in substantial arrears. Penal interest leviable under the rules for defaults in payment and also the sales tax payable by the beneficiaries were not worked out and included in the demand, collection and balance statements. Even after exclusion of these, the arrears due for collection from the beneficiaries at the end of January 1969 were Rs. 32.07 lakhs.

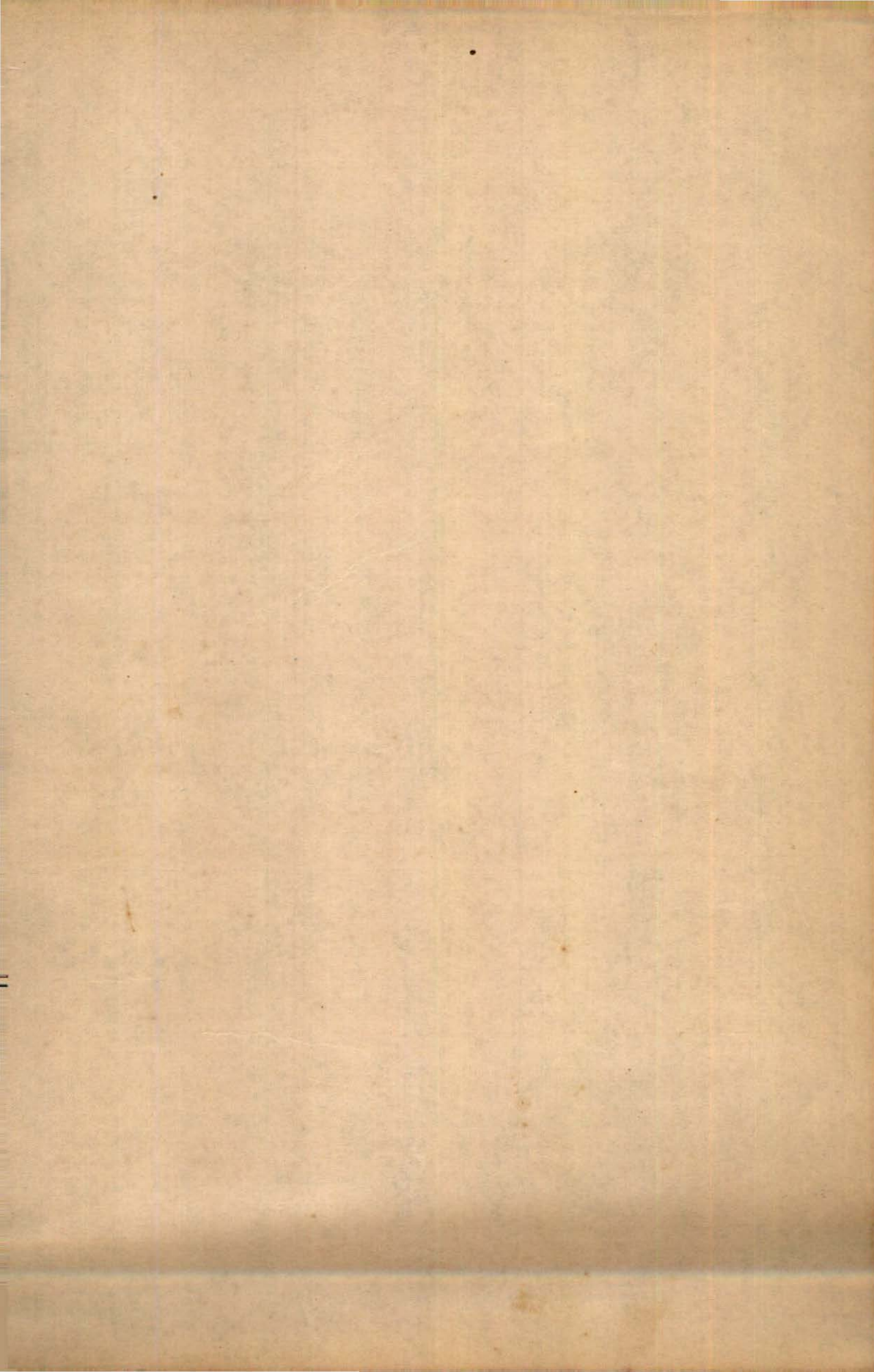
(ii) *Extra expenditure*:—Construction and supply of fifteen 25' fishing boats fitted with departmentally supplied 'X' type engines was entrusted to a firm in December 1965 at the quoted rate of Rs. 7,800 each. The drawings and designs supplied to the firm, however, were appropriate for installation of 'Y' type engines and the firm was paid in August 1968 Rs. 13,342 for alteration and modifications carried out to enable installation of 'X' type engines. It was explained by the department (February 1969) that such slight mistakes were 'only natural' in the initial stages of the mechanisation programme.

(iii) *Idle boats*:—Thirteen 32' long fishing boats constructed between January 1967 and August 1967 at a cost of Rs. 7.27 lakhs were not issued to fishermen/fishermen's co-operative societies as it was found that 40 HP 'X' make engines fitted therein were unsuitable for such boats. Government sanctioned in April 1968 replacement of engines by 'Y' type engines, the 'X' type engines being ordered to be fitted to 30' long boats. Even after replacement of engines the boats have not been issued so far (August 1969) nor have the 'X' type engines so removed been fitted to 30' boats. Rs. 33,800 were spent on the replacements.

Due to delay in taking over of boats by some fishermen's co-operative societies after execution of agreements and reluctance on the part of some other societies to take over boats due to low pulling power of the engines, sixteen boats costing Rs. 8.16 lakhs have been lying idle for various periods ranging between nine months to thirty-one months (September 1969).

(iv) *Boats idling and under repair*:—Under the rules governing the hire purchase scheme major repairs costing Rs. 500 and above are to be carried out by the department, the expenses being initially met from Government funds and recovered subsequently from the hiring institutions. It was noticed that twenty-five boats were lying idle for one year to two and a half years and repairs had not been carried out. One boat was under repair for over five years.

(v) *Idle machinery*:—Engines and other equipment required for mechanisation were kept in the custody of the Deputy Director of Fisheries (Training).



See Dir of Prisoner Care 21.2.70. P. 61 of SPA II/4-278/1011.



Physical verification thereof has not been conducted at any time from the very beginning. Twenty-seven engines of different makes purchased between September 1966 and May 1968 and thirty-three fish finders including twenty-nine (cost: Rs. 1.43 lakhs exclusive of customs duty) imported under Yen credit in December 1967 were lying idle (February 1969).

(vi) *Boat building yards*:—Against forty-one boats to be built by the Azhikode boat building yard during 1966-67 to 1968-69, only seven boats were constructed, the short-fall being attributed to delay in procurement of raw materials and non-availability of adequate number of sawmen. The yard was transferred to the Kerala Fisheries Corporation in September 1968. The number of boats to be built and actually built by the boat building yard, Cannanore, (still retained with the department) were as follows:—

Year	Boats to be built		Boats built	
	Size of the boat	Number	Size of the boat	Number
1964-65	30'	4	—	—
1965-66	30'	7	30'	4
	32'	4	—	—
1966-67	30'	13	30'	7
	32'	8	..	..
	43½'	2	..	..
1967-68	30'	36	30'	13
1968-69	32'	10	32'	12
	36'	5	..	—
Total		89	..	36

In the Beypore boat yard (transferred to the Kerala Fisheries Corporation in June 1966) the overhead charges incurred from 1964-65 to June 1966 were not added to the cost of thirty-six boats manufactured and issued to parties on hire.

(vii) *Avoidable expenditure*:—In response to tenders invited in May 1967 for supply of 9,900 kgs. of copper sheets required during 1967-68 for boat building in the Cannanore yard, the lowest quotation was Rs. 15.85 per kg. There was delay by the Director in issue of sanction for purchase and when the order was finally placed in March 1968, after two extensions, the firm expressed its inability to supply more than 3,500 kgs. due to closure of its factory in the meantime. Even this offer was not availed of and in March 1968 when the yard had a stock of 1,636 kgs. of copper sheets, 9,900 kgs. were purchased from the next higher tenderer at Rs. 17.90 per kg. The extra expenditure resulting from the delay was Rs. 20,904. Based on the tenders finalised in July 1968, 3,650 kgs. of copper sheets were also purchased from the same firm (against the requirements for 1968-69) at Rs. 16.15 per kg. It was seen that the purchase of 9,900 kgs. of copper sheets in March 1968 was not warranted by the stock position and the rate of utilisation, as only 650 kgs. were utilised between March 1968 and July 1968.

(viii) *Boats supplied by the Fisheries Corporation*:—The boats constructed by the Kerala Fisheries Corporation in the boat building yards transferred to the Corporation were being purchased by the department at cost plus 10 per cent. A comparison of costs of boats supplied by the Corporation with that of the boats supplied by private agencies during the same period showed that the cost charged by the former was high; the difference ranged between Rs. 5,700 to Rs. 17,685 per

boat. The extra cost on 105 boats supplied by the Corporation during the two years 1967-68 and 1968-69 was Rs. 5.99 lakhs at Rs. 5,700 for one boat. It was explained by the Corporation in reply to an enquiry from the Director of Fisheries that steps were being taken to reduce the cost.

### 29. Houses for fishermen

In paragraph 87 of the Audit Report 1966 mention was made of non-execution of agreements for repayment of the cost of buildings by the occupants of sixty-three (out of sixty-four) houses costing Rs. 96,387 constructed for fishermen at Vizhinjam and Pallamthurai and of delay in recovery of instalments of the principal. Subsequent attempts to obtain the agreements and effect recoveries or alternatively to evict the occupants and sell the buildings were unsuccessful. In May 1969 the entire expenditure on the buildings (after deducting Rs. 400 realised towards cost of buildings) was written off and the buildings were finally allotted to the occupants rent free.

## REVENUE DEPARTMENT

### 30. Delay in recovery of dues from a co-operative society

In December 1958 and August 1959 Government leased out to a joint farming co-operative society 151 acres of 'kayal' land for twelve years for cultivation purposes. One of the conditions of the lease was that the society should pay to Government proportionate cost (estimated at Rs. 6,000 per annum) of dewatering and maintenance of bunds in the area. The society has not paid (November 1969) to Government the lease money for 1961-62 to 1968-69 (Rs. 6,365), its share (Rs. 12,000) of the cost of maintenance of bunds and dewatering charges for 1958-59 and 1959-60 and the balance of Rs. 1,838 on account of seeds worth Rs. 2,450 taken on loan from Government in February 1959.

In March 1961 Government ordered termination of the lease and attachment of the standing crops under the Revenue Recovery Act for realisation of the dues. The Collector intimated (June 1969) that the standing crops were not attached in view of further directions issued by Government (in May 1961 and April 1962); penalty of Rs. 4,866 under "prohibitory assessment" was imposed due to the unauthorised possession of the 'kayal' land by the society after termination of the lease.

Non-recovery of dues from the society was taken up in audit with the State Agricultural Department as early as June 1960 and with Government in October 1967. Government intimated (November 1969) that orders were issued in October 1969 for the land being resumed after terminating the lease and for recovery of the dues from the society. Further developments are awaited (February 1970).

## EDUCATION DEPARTMENT

### 31. Surplus staff

Stamps and stamp papers required for use in the State were printed at the Stamp Manufactory, Trivandrum. In November 1966 the State Government ordered that stamps and stamp papers printed at the India Security Press, Nasik, should be used throughout the State from December 1966. Printing of stamps and stamp papers was, therefore, discontinued at the Stamp Manufactory which was converted as a branch press under the Printing Department for printing text books, forms etc. As a result, eleven posts of examiners engaged for examining stamps and stamp papers printed at the Stamp Manufactory were rendered surplus. Printing

2/6/20

Discussed on 2/6/70

of stamps and stamp papers was, however, continued on a limited scale by the Manufactory even beyond November 1966 and based on the work load prescribed by Government, the out-turn justified the continuance of one post of examiner. But eleven examiners were continued between December 1966 and July 1967, nine between August 1967 and November 1967 and seven between December 1967 and February 1968. Orders for their absorption elsewhere were issued by Government in February 1968. Government stated in June 1969 that continuance of the examiners upto February 1968 was necessitated by delay in the issue of orders for their transfer elsewhere. Rs. 18,800 were spent on pay and allowances of the examiners retained in excess between December 1966 and February 1968.

### 32. Defalcation of Government money

Local audit of the accounts of Government Law College, Trivandrum, conducted in April-May 1967 disclosed excess drawal of Rs. 1.04 lakhs from the treasury during May 1964 to April 1967 on contingent bills supported by duplicate and triplicate copies of invoices; the amount so drawn was not accounted for in the cash book of the college.

The case was reported to the Inspector General of Police (April 1967). The Principal and two employees of the college were suspended in April-May 1967. The final investigation report of the Inspector General was received by Government in October 1969; further report on the action taken is awaited. It was stated by Government (November 1969) that the enquiry (ordered in April 1969) by the Tribunal for Disciplinary Proceedings against the Principal of the college was in progress.

## FINANCE DEPARTMENT

### 33. Printing of State Lottery Tickets

The State lottery scheme sanctioned by Government in August 1967 contemplated printing of tickets in the Government Press at Trivandrum. As the press was not equipped with the requisite machinery for undertaking the work and purchase and installation of new machinery was expected to take two to three months, tickets for the first draw held in January 1968 were printed at a private press outside the State (as recommended by the Superintendent, Government Presses). No tenders or quotations were invited for the work; and the rates and conditions quoted by the press and recommended as reasonable by the Superintendent, Government Presses, and the Director, State Lotteries were accepted. Printing of tickets for the subsequent seven draws held between March 1968 and February 1969 was also entrusted to the same press on the same rates and conditions, excepting an *ad hoc* reduction of Rs. 100 per one lakh tickets and Rs. 125 per one lakh tickets, obtained through negotiations, for the seventh and eighth draws respectively. 2.35 crore tickets were printed in that press at a cost of Rs. 3.28 lakhs.

For the ninth and tenth draws held in March 1969 and May 1969 confidential quotations were called for printing of tickets and on the basis of quotations received the work was awarded again to the same press for both draws together at lower rates. Computed at the rates obtained for the ninth and tenth draws, Rs. 0.82 lakh were paid in excess for printing of tickets for the first eight draws. When confidential quotations were called in March 1969 for the eleventh and twelfth draws together, the only quotation received was from the same press and the rates quoted by it were higher than those quoted by it for the ninth and tenth draws. These rates were accepted on the ground that there was no time to invite fresh tenders and that more favourable rates were not likely to be received by re-tendering.

## INDUSTRIES DEPARTMENT

**34. Delay in setting up a common facility centre**

Government sanctioned in October 1965 to setting up of a common facility centre for rubber and plastic based industries at Changanacherry at an overall cost of Rs. 30.89 lakhs. It was intended to provide the services of costly machines for production of items required by small scale industrial units and up-to-date testing laboratories and to train suitable personnel required for industrial units. The Kerala State Small Industries Corporation, a company fully owned by Government, undertook construction and electrification of the building and purchased the machinery for the centre. The Corporation also appointed during August to September 1967 a Deputy Director (scale: Rs. 550-800) and a skeleton ministerial staff. On a report from the Director of Industries and Commerce (March 1967) that the machinery required for the centre has been purchased and construction of the buildings for the centre had almost been completed, Government ordered in August 1967 that the management of the centre be entrusted to the Corporation on agency basis after obtaining its concurrence and executing an agency agreement. As the Corporation was reluctant to take over the unit without knowing its working results, Government decided in December 1968 to resume the management and run the centre departmentally. Upto the end of March 1969 Rs. 21.25 lakhs (Rs. 4.70 lakhs on buildings; Rs. 14.46 lakhs on machinery and equipments and Rs. 2.09 lakhs on establishment from April 1966 onwards and other expenses) were spent. Government reported in December 1969 that since July 1969 the centre had been making available the services of costly machines for production of items required by small scale industrial units; setting up of laboratories for testing was in progress but training programme had not commenced.

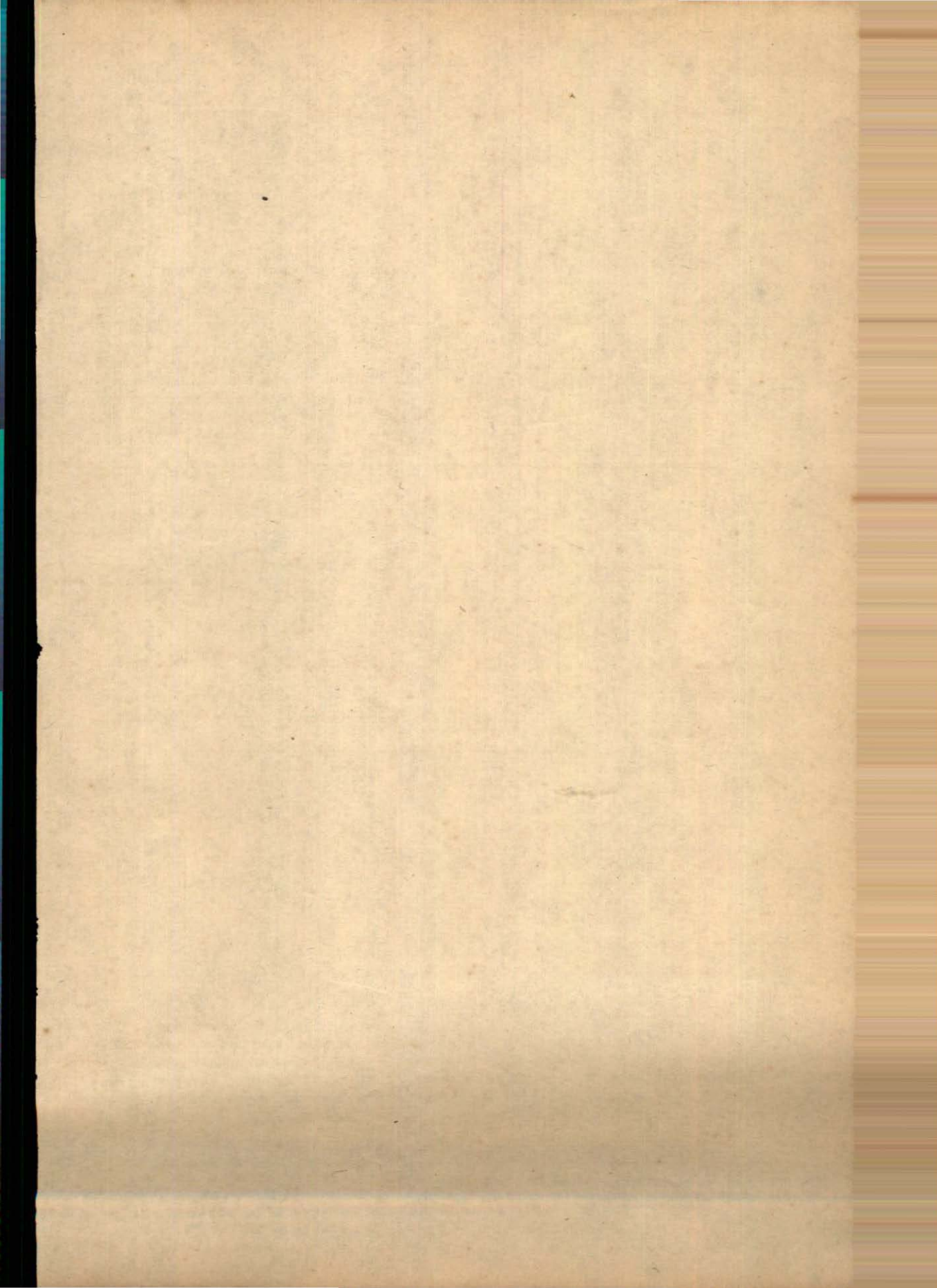
**35. Development area, Aroor**

Government sanctioned in January 1966 development of land at Aroor in Alleppey district for allotment to entrepreneurs. Land acquisition proceedings were started under the emergency clause of the Kerala Land Acquisition Act 1961, and forty-three acres of land were acquired (1966-67) at a cost of Rs. 8.88 lakhs. The land taken over by the Industries Department in December 1966 has not been developed and allotted (January 1970). It was reported that nineteen applications for allotment of twenty-one acres of land have been received and are pending with the department. The land is proposed to be allotted on hire purchase basis. The outlay on acquisition of the land thus remains locked up.

**36. Rural industries projects**

On the recommendation of Rural Industries Planning Committee of Government of India, State Government set up two rural industries projects in November 1962 at Alleppey and Kozhikode for intensive and integrated development of small industries in rural areas. The programme comprised training of artisans, establishment of common service facility centres, provision of assistance to private industrialists etc. Rs. 1,02.75 lakhs were spent upto March 1969. A review conducted by Audit in August 1969 revealed the following:—

(i) *Training centres*:—A production-cum-training centre (outlay: Rs. 0.21 lakh) established in October 1965 in Alleppey project for training in manufacture of coconut pith articles was closed in April 1968 after training 30 persons as the production centre could not be run economically. Rs. 0.36 lakh were paid as pay and allowances of staff, contingencies, stipends and cost of raw materials in the







centre, till its closure. Another technical institute (outlay: Rs. 6.15 lakhs) which was ready in Alleppey project by 1967-68 has not yet started functioning (September 1969); Rs. 0.51 lakh were paid as pay and allowances of staff upto July 1969. A third centre (saw dust articles training centre, Kozhikode; outlay: Rs. 0.43 lakh) after completion (March 1969) was found by the department (August 1969) to be "not justified by the manpower requirements of the area".

(ii) *Common service facility centres*:—Government sanctioned between February 1964 and July 1965 establishment of six common service facility centres for popularising the use of improved tools and equipments by actively training village artisans in handling them. In three centres (outlay: Rs. 1.22 lakhs) established at Eramalloor, Aroor and Mithrakary between February 1964 and August 1965 for imparting training in black-smithy, carpentry and pottery respectively only twenty-eight artisans have been trained. Upto June 1969 Rs. 0.67 lakh were spent on pay and allowances of the staff. In the fourth centre (marine diesel engineering centre, Beypore; outlay : Rs. 0.73 lakh) commissioned in January 1967, no artisan has been trained. The centre is being used by a co-operative society whose staff work under departmental supervision. Rs. 0.37 lakh were thus collected by the society for services rendered from February 1967 to July 1969. The maintenance expenditure (including pay and allowances of the staff) of the centre upto June 1969 was Rs. 0.45 lakh. The fifth centre (bell-metal service centre, Olavana; outlay: Rs. 0.27 lakh) which was ready by March 1967 has not yet been commissioned (August 1969) pending decision on a proposal to hand it over to a co-operative society. Pay and allowances paid to a foreman appointed in the centre in July 1968 was Rs. 0.04 lakh till July 1969. Erection of machinery in the sixth centre (ice plant and cold storage, Arthungal; estimated outlay: Rs 3 lakhs) originally scheduled to be commissioned by March 1969 is not yet completed (September 1969).

(iii) *Aid to industrialists*:—(a) Under the scheme, fully equipped factories are established and then handed over to entrepreneurs on hire purchase basis. Out of seventeen units sponsored, four units completed during 1965-68 in Alleppey project (cost: Rs. 4.63 lakhs) could not be handed over owing to reluctance of the prospective industrialists to take up the units due to non-availability of the required raw materials or want of market for the proposed products of the units. Three units (straw board factory, Thottappally, glass bottles unit, Thenhipalam, and footwear unit, Elathur) handed over to entrepreneurs in October-December 1965 were closed down in January 1967-June 1968 on grounds of uneconomic nature of outlay/want of working capital/labour troubles after working for short spells. Recovery of Rs. 4.17 lakhs (exclusive of interest) is due from the three industrialists (September 1969).

(b) The projects render financial assistance to industrial units by granting loans for putting up workshops/factory buildings, by supplying machinery on easy hire purchase terms and by issuing loans under small scale industries loan rules. Six units in Alleppey and five units in Kozhikode which received upto March 1968 assistance of Rs. 2.21 lakhs and Rs. 1.69 lakhs respectively have not started production (September 1969). Seven units in Kozhikode and one in Alleppey which received assistance of Rs. 0.59 lakh became defunct between May 1966 and February 1969. Buildings and machinery hypothecated to Government as security had not been insured by sixty-three units (assistance: Rs. 29.17 lakhs) in Alleppey and by ninety-two units (assistance: Rs. 27.38 lakhs) in Kozhikode districts. Out of 8.85 acres of land (cost: Rs. 2.21 lakhs) distributed to twenty-one entrepreneurs between January 1967 and May 1969 treating the cost of land as loan, 1.45 acres allotted to three persons between March 1967 and March 1968 remain unutilised.

Recovery of Rs. 2.27 lakhs (Alleppey project: Rs. 1.18 lakhs; Kozhikode project: Rs. 1.09 lakhs) was overdue at the end of March 1969.

(iv) *Equipments lying idle*:—Equipments (cost: Rs. 1.11 lakhs) purchased during 1965-68 and a pipe line (cost: Rs. 0.30 lakh) laid in November 1967 for supplying water and steam and providing testing facilities to the units in Aroor area in Alleppey project remain idle (September 1969).

## HOME DEPARTMENT

### 37. Quarters for police personnel

In September 1961 Government sanctioned construction of forty-one quarters for police personnel at Kottarakkara (estimated cost: Rs. 1.75 lakhs). The buildings, constructed between May 1963 and June 1965 could not be occupied for long for want of amenities.

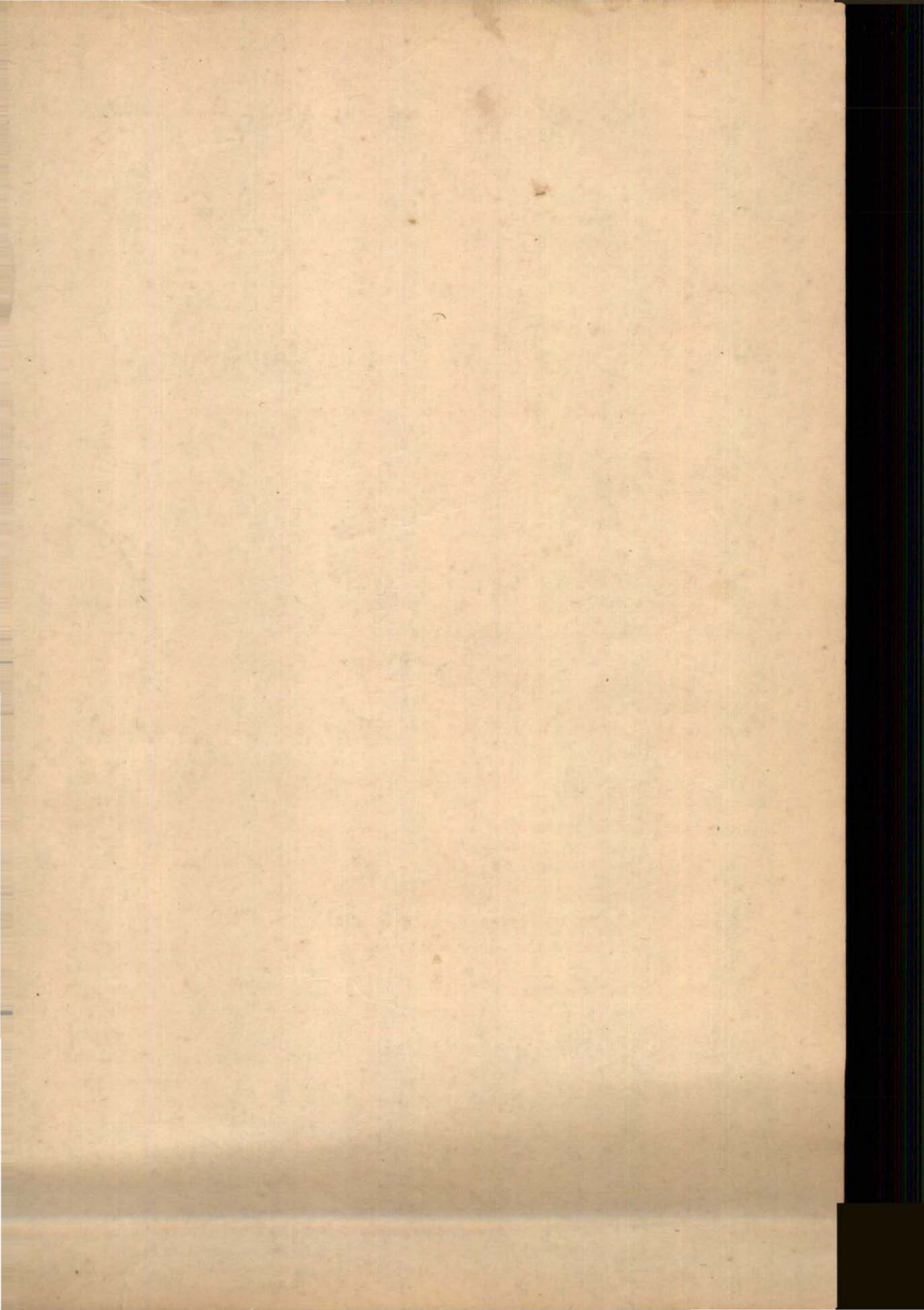
The estimate for water supply and sanitary arrangements prepared by the Public Works department in September 1964 was sent to the Police department in January 1965 for obtaining Government sanction which was accorded in March 1966. Construction (proposed in April 1965) of a tank and pump house for water supply could not be undertaken due to difficulty in acquisition of land and as a temporary measure wells were dug between October 1967 and May 1968. The buildings were taken over by the Police department during November 1968 and February 1969.

One of the quarters was occupied in November 1968 and twenty-six quarters were occupied in February 1969. The Superintendent of Police intimated (October 1969) that the remaining fourteen quarters were excess to requirements as per standards and that action was in progress to allot those quarters to other departmental personnel.

The Superintendent of Police, Quilon, reported (March 1969) to the Public Works department that the floors of all the quarters were broken, supply of water from the wells was insufficient and fencing/compound walls had not been constructed as provided for in the estimate.

### 38. Unnecessary retention of staff

The Village Panchayat and Bench Magistrates' Court, Kayamkulam ceased to function in October 1967. One clerk, two copyists and two peons were, however, continued till November 1968—January 1969 when they were transferred to other institutions. The expenditure on establishment during October 1967 to January 1969 (including honorarium of Rs. 420 paid to a judge) was Rs. 13,379. The department stated that the staff were continued in anticipation of the setting up of village courts under Village Courts Act 1960. Government had advised the department in December 1967 itself that implementation of the Village Courts Act 1960 had been postponed; the expenditure on the staff was thus largely avoidable.





### 39. Misappropriations, losses etc.

(a) The following table gives department-wise analysis of 197 cases of misappropriation of funds, stores and stock (Rs. 42.55 lakhs) awaiting disposal at the end of September 1969:—

Department	Number	Amount (In lakhs of rupees)
Revenue	33	1.87
Education ✓	31	1.78 — (2/6/70)
Development	27	1.08
Public Works ✓	21	20.99
Health ✓	19	10.20 — (3/6/70)
Other Departments	66	6.63
Total	197	42.55

(b) These cases have been outstanding for the periods given below:—

	Number	Amount (In lakhs of rupees)
Over 10 years	10	1.78
Over 5 years but less than 10 years	35	17.12
Over 2 years but less than 5 years	68	9.83
Two years or less	84	13.82
Total	197	42.55

### 40. Writes off, ex-gratia payments etc.

Certain cases of writes off, ex-gratia payments etc. are given in Appendix III page 96.

## CHAPTER IV

### WORKS EXPENDITURE

#### 41. General Review of Works Expenditure

(a) *Expenditure incurred without sanctioned estimate*:—A detailed estimate is required to be sanctioned and funds allotted before any new work is commenced or any liability incurred thereon. Rs. 88.76 lakhs were, however, spent upto 31st March 1969 on 138 works without detailed estimates. Department-wise analysis is given below:—

Department	Number of works	Expenditure (In lakhs of rupees)
1. Public Works, General, Buildings & Roads	27	40.99
2. Public Works, Irrigation	55	35.92
3. Public Health Engineering	28	9.29
4. Forest	28	2.56
Total	138	88.76

(b) *Expenditure incurred in excess of the estimates*:— According to rules, a revised estimate should be sanctioned in case the expenditure is likely to exceed the sanctioned estimate by more than 5 per cent. In 401 works, expenditure exceeded the prescribed limit by Rs. 2,25.52 lakhs upto 31st March 1969. In the following eight of those works, each costing more than Rs. five lakhs, the expenditure upto 31st March 1969 exceeded the sanctioned estimate by more than 50 per cent.

Work	Sanctioned estimate	Actual expenditure	Percentage of excess over sanctioned estimate	Year in which excess first occurred
	(In lakhs of rupees)			
1. Formation of a new road parallel to the K. K. Road in Kottayam town	6.81	10.45	54	1966-67
2. Mavoor Road—Road from Kozhikode to Rayons Pulp Factory	24.13	48.95	103	1962-63
3. Reconstructing Kannettil Bridge	5.25	8.21	56	1962-63
4. Reconstructing Kodimatha Bridge	5.84	9.00	54	1961-62
5. Constructing bridge across Shiriya river on Mangalore Cheruvathoor Coastal road	11.03	21.56	95	1965-66
6. Constructing a bridge across Uppla River on Mangalore Cheruvathoor Coastal Road	7.97	13.97	75	1965-66
7. Acquisition of land for Headworks of Chulliar Dam, Malampuzha	8.30	13.39	61	1966-67
8. Perumbavoor Water Supply Scheme	7.00	13.40	91	1966-67

Discussed on 1-3rd June 1970

358

RE details = A. 77. Vol. I 127P.

operation = contractor labour or capital?

how

Why was no computer purchased? for sale?  
How much & spent other markets (purchased)?

Implications of this on other contractors -  
See Johor new case -

A87 Vol. III



(c) *Works provided for in the budget but not executed*:—201 works, each costing more than Rs. two lakhs for which a total provision of Rs. 152.75 lakhs was made in the budget for 1968-69, were not taken up for want of administrative and technical sanctions, delay in land acquisition, postponement of work etc.

(d) *Works executed without budget provision*:—Rs. 5.29 lakhs were spent on 27 works each costing more than Rs. one lakh without specific provision in the budget for 1968-69.

#### 42. Pamba irrigation project

The Pamba irrigation project comprising a pick-up barrage and a canal system is intended to utilise the tail race waters of the Sabarigiri hydro-electric project for irrigating an ayacut of 33,000 acres. Work was commenced in October 1961 and Rs. 2,75.65 lakhs were spent upto March 1969 against the estimated total outlay of Rs. 3,83.13 lakhs.

The project scheduled to be completed by 1967-68 has not yet been completed (September 1969) and the tail race waters of Sabarigiri hydro-electric project fully commissioned in 1967-68 remain unutilised. The delay in completion has been attributed to insufficiency of staff and inadequacy of funds. A revised estimate for Rs. 8,63.12 lakhs is under scrutiny in the department. With this revision of cost, the project which was uneconomic even on the basis of the original estimate will become more uneconomic.

The following points were noticed in audit:—

(i) *Extra expenditure*:—For proceeding with construction work without hindrance from the discharge of the tail race waters of Sabarigiri hydro-electric project, the barrage of the Pamba irrigation project was programmed to reach a height of 88' before the hydro-electric project was partially commissioned. Due to delay in completion of preliminary works and consequent delay in execution of work on the barrage, it became necessary to construct a temporary outlet at a cost of Rs. 0.74 lakh in order to clear the discharge of tail race waters of the hydro-electric project which had been partially commissioned in April 1966.

(ii) *Aid to contractor*:—(a) The contract (executed in September 1966) for driving the second tunnel (work commenced in December 1966; driving completed in April 1969) provided for hire (by the contractor) of departmental air compressors at a monthly rate of Rs. 4,500 plus actual running expenses and cost of electric energy at 15 paise per unit (against tariff rate of 12 paise per unit). The contract further stipulated that the monthly hire rate was fixed for twenty working days, the rate per day (Rs. 225) was for a day of eight working hours and that overtime rate for machinery alone would be 1/8th of the daily hire per hour. In November 1967 the contractor requested that the rate of 15 paise per unit might be applied to electricity consumed for general lighting also for which the tariff rate was 30 paise per unit. He also declined to pay overtime charges for compressors claiming that this had been agreed to during preliminary negotiations even though no record of this was available with the department. As an alternative, the contractor offered to purchase the air compressor. On a recommendation made by the Chief Engineer, Government ordered (February 1969) sale of the compressor (which was a new one purchased in February 1967) to the contractor at book value (Rs. 1.45 lakhs) plus 20 percent (Rs. 0.28 lakh) (effective from the date of his initial taking over). The sale price, therefore, came to Rs. 1.73 lakhs. The hire charges recovered were ordered to be set off against the sale price and recovery of current charges for the compressor was ordered to be made at the tariff rate of 12 paise per unit. This resulted in (i) remission of hire charges for compressor (Rs. 1.08 lakhs) and (ii) estimated loss of Rs 0.34 lakh due to non-recovery of

current charges at the rates stipulated in the agreement (actual loss on energy consumed till February 1969: Rs. 0.17 lakh). The contractor thereby enjoyed in effect an interest-free loan (Rs. 1.73 lakhs) on easy payment terms (by way of piece-meal recoveries in eight instalments spread over more than two years) for purchase of machinery.

(b) Rs. 2 lakhs out of amounts withheld from part bills towards security deposit were paid to the contractor for the second tunnel on his request in October 1968 even though the agreement provided for such payment only after completion of work and payment of final bill. The work has not been completed and Rs. 1.24 lakhs out of Rs. 2 lakhs have subsequently been recovered (September 1969).

(iii) *Loss due to change in specification and estimated quantities*:—The tenders for constructing an aqueduct across Velampady fields provided for an item “providing 165 square metres of lubricating sliding joints”. The departmental rate was estimated at Rs. 549.15 per square metre. The work was awarded to the lowest tenderer at Rs. 200 per square metre. In actual execution, however, lead sheets required to be used in the joints were substituted by copper sheets and the quantity was reduced to 33 square metres. This change altered the contractor’s competitive position and meant excess payment of Rs. 0.22 lakh (excluding the item in question) computed with reference to the rates of the third lowest tenderer (who would have been the lowest) on the quantities finally paid for.

(iv) *Extra cost due to adoption of costlier specification*:—The standard data book and sanction of the Chief Engineer provided for coursed rubble masonry II sort for wings, abutments and returns facings of aqueducts. But in six aqueducts constructed under the project, coursed rubble masonry I sort was adopted resulting in extra expenditure of Rs. 0.46 lakh.

### 43. Kuttiadi Irrigation Project

Kuttiadi irrigation project, work on which was commenced in 1962, aims at irrigating about 36,000 acres of land and is estimated to give additional yield of 25,000 tons of paddy per annum. It envisages construction of (i) a masonry dam 560' long and 116' high at Peruvannamuzhi across Kuttiadi river for utilising the tail race waters of the Kuttiadi hydro-electric project; (ii) 13 earthen flanking saddle dams; and (iii) a canal system over 47 miles long.

Brief particulars are given below:—

#### *Expenditure*

Original estimate (1961)	Rs. 4.96 crores
Revised estimate (under scrutiny—June 1969)	Rs. 12.60 crores
Actual (up to March 1969)	Rs. 2.79 crores

The increase in cost is attributed to substantial increase in the cost of materials and labour.

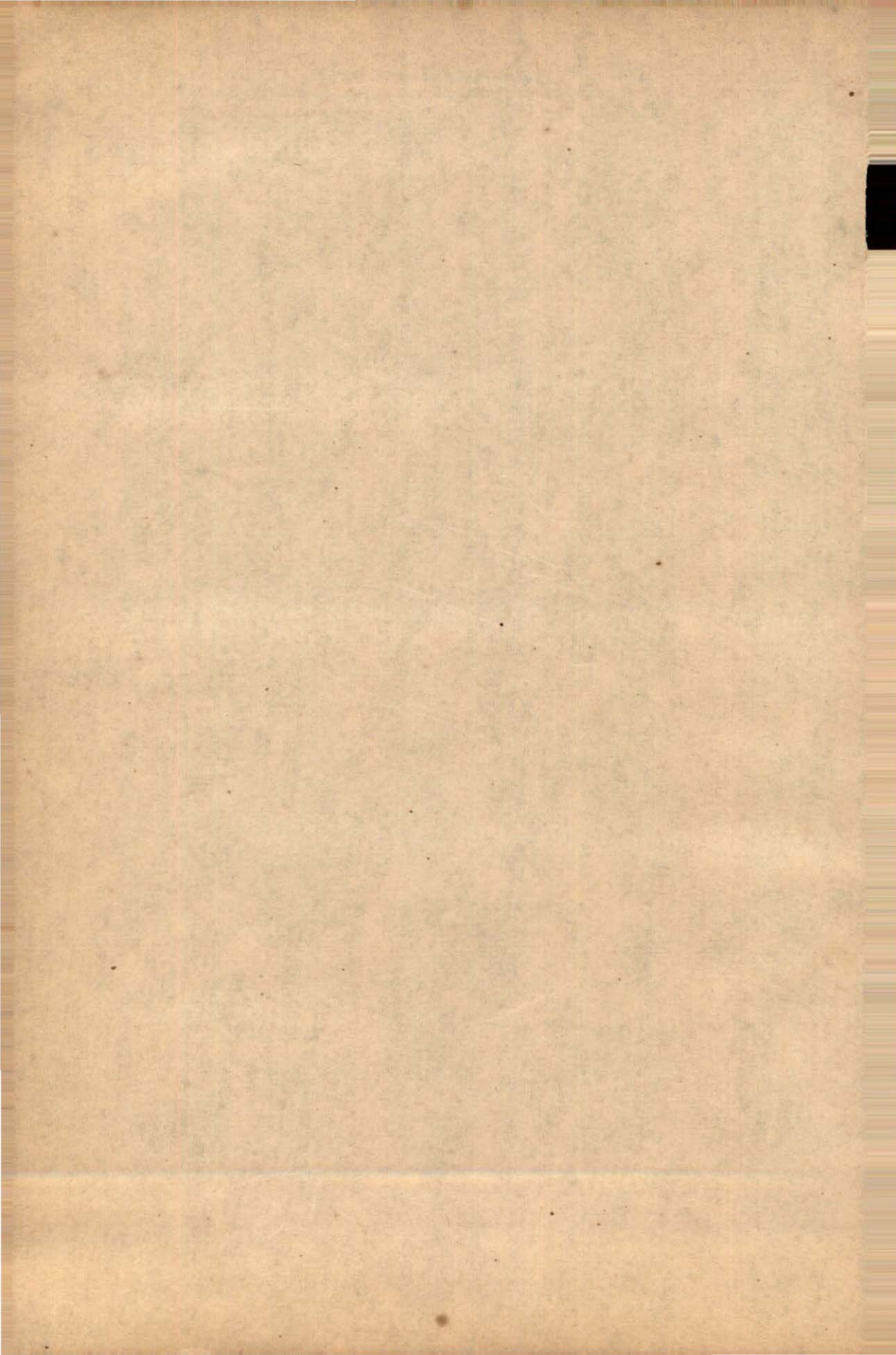
#### *Return*

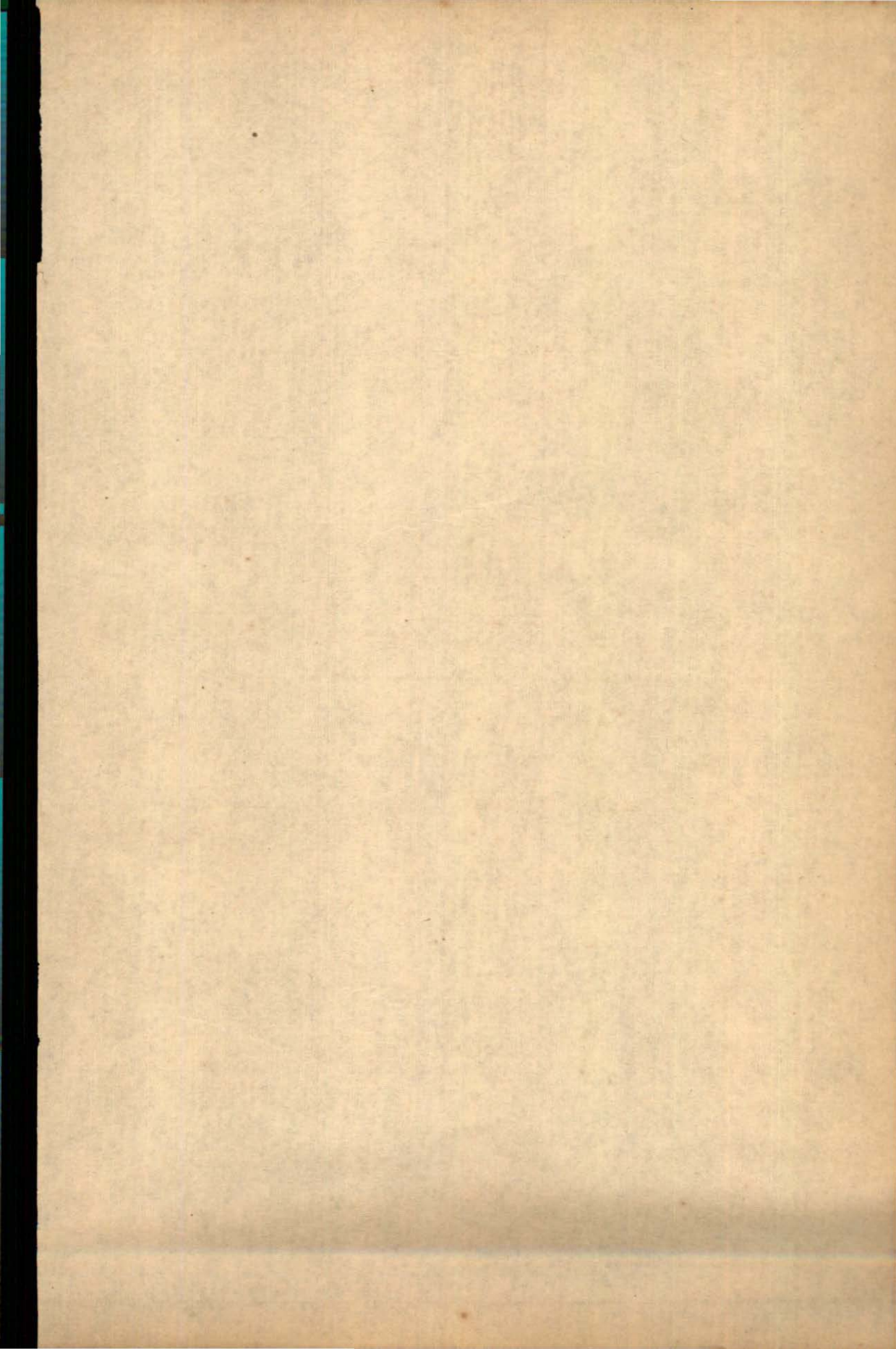
Original estimate (1961)	0.284 per cent
Revised estimate (under scrutiny—June 1969)	0.159 per cent

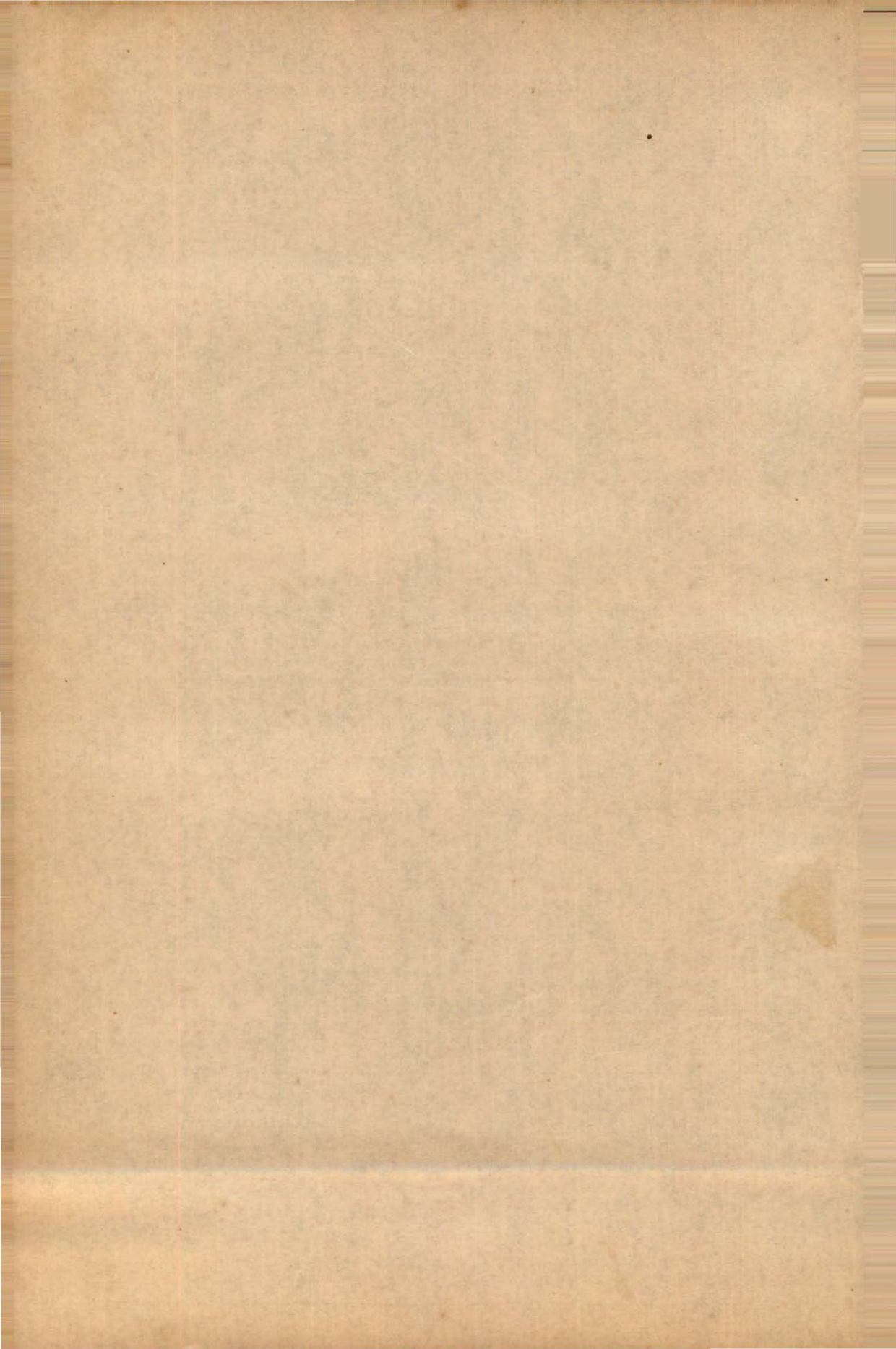
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Plus







<i>Cost per acre</i>		
Original estimate (1961)		
Gross *		Rs. 644
Net **		Rs. 1,379
Revised estimate (under scrutiny—June 1969)		
Gross *		Rs. 1,636
Net **		Rs. 3,499
<i>Scheduled date for commissioning of project</i>		
Original	Partial	1966-67
	Full	1969-70
Revised		1972-73

The delay in completion of the project is stated to be due to inadequacy of funds and staff.

Even on the basis of the original estimate the financial return expected from the project was very low and the project was considered (January 1963) by the Central Water and Power Commission to be "highly unproductive and uneconomical likely to result in an annual deficit of Rs. 24 lakhs to the State Exchequer for 20 years after completion". As no increase in benefits or revision of water rates is envisaged in the revised estimate, the increase in cost will add to the uneconomic outlay.

The following points were noticed in audit:—

(i) Construction of masonry dam (blocks VIII to X) awarded to the lowest tenderer in December 1966 was due to be completed in June 1967. On a representation from the contractor in July 1967 for increase of rates by 30 per cent or termination of the contract for delay (because of rains) in taking up work in block VIII and increased quantity of rock blasting done in that portion, the department relieved him of the work in block VIII as it did not consider it fair to keep the contractor waiting in the face of rising cost of labour and materials. The balance work in that block was retendered (January 1968) and awarded at higher rates to another contractor (January 1969) resulting in extra expenditure (estimated) of Rs. 2.56 lakhs computed with reference to the rates of the original contractor. The actual extra expenditure on quantities paid for upto March 1969 was Rs. 41,213. It was, however, observed that:—

(1) the delay in taking up the work in block VIII was due to the contractor's delay in completing excavation work in the adjacent block also awarded to him;

(2) by the time he was relieved of the work in block VIII (January 1968) he had completed excavation in the adjacent block and was in a position to take up the work;

(3) the terms of agreement provided that the contractor should carry out all excess over agreed quantities at his quoted rates and that the contractor would have no claim for any loss due to unforeseen circumstances including suspension of work due to any cause; and

---

\*Gross is arrived at taking gross area irrigated including second and third crops of the year.

\*\*Net is arrived at taking area irrigated irrespective of the number of crops raised during the year.

(4) the excess quantity of rock blasting mentioned by the contractor in his representation valued at Rs. 0.13 lakh was 2.2 per cent of his contract amount, whereas the value of the portion of the work of which he was relieved of (Rs. 3.78 lakhs) constituted 65.7 per cent of the contract value.

(ii) Construction of masonry dam (block VI upto level (+) 15.50) was awarded to the lowest tenderer in March 1967 before receipt of sanction to estimates to avail of the working season. The contractor was permitted to commence work without executing any agreement. In July 1967 the contractor represented that he was incurring heavy loss due to floods and rain. As no agreement had been executed the department was not in a position to enforce completion of the works. His accounts were settled and the balance work (about 60 per cent) was arranged by alternate agency, at higher rates resulting in extra expenditure of Rs. 0.37 lakh computed with reference to the rates of the original contractor.

Non-execution of agreement was attributed to delay in receipt of sanction (October 1967) to acceptance of tenders.

(iii) The contract (Rs. 10 lakhs) for supply and erection of the spillway shutters of the masonry dam was awarded by Government in January 1968 to a company fully owned by State Government with a price preference of Rs. 1.99 lakhs over the lowest tender received from a Government of India undertaking specialising in manufacture of such shutters. It was observed that:—

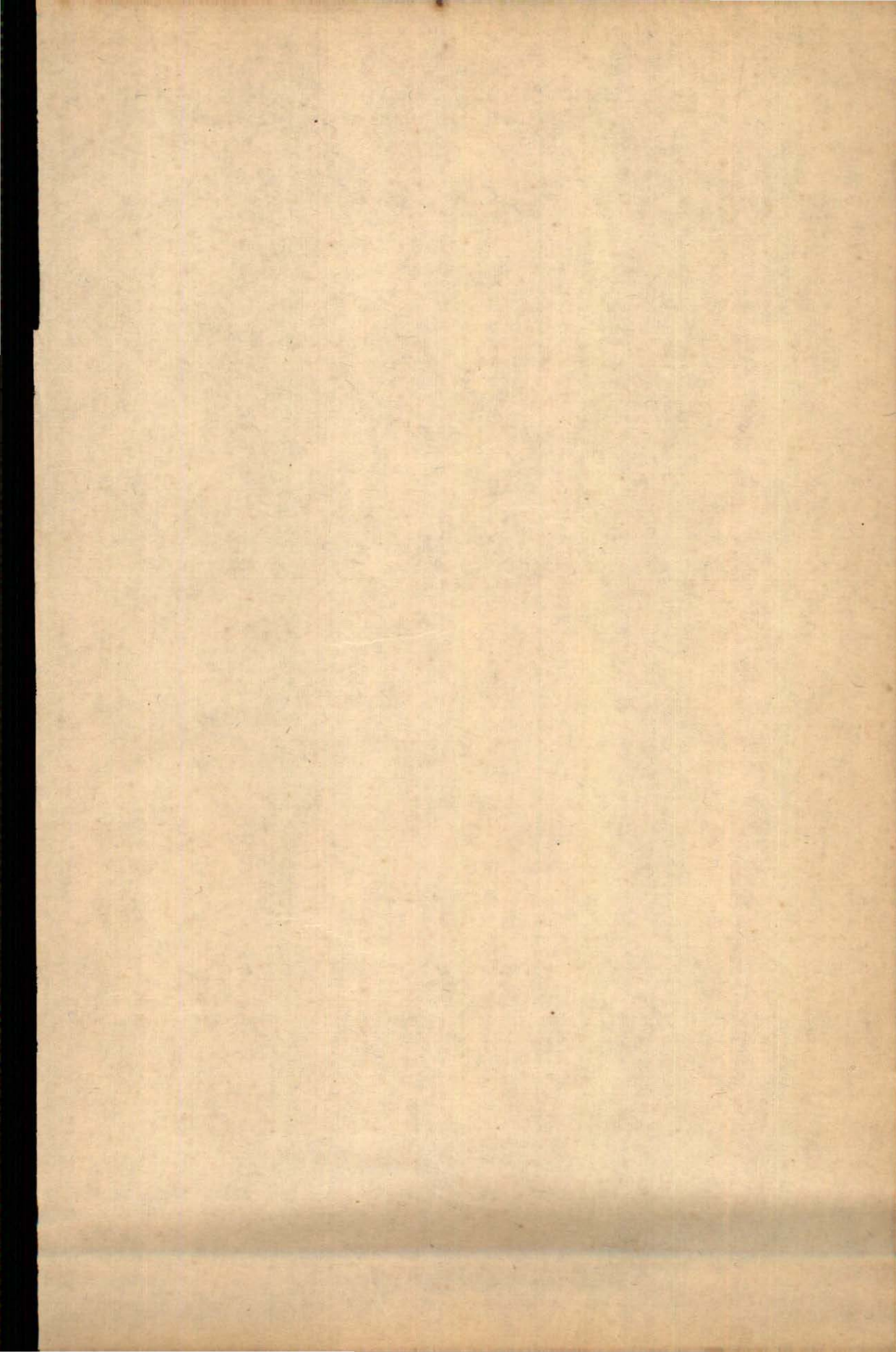
- (a) in terms of the general price preference orders issued earlier by Government, the maximum price preference admissible to the company was 10 per cent. The concession granted was, however, 24.84 per cent;
- (b) the Chief Engineer had pointed out that the State Government company had already enough works on hand, that the Government of India undertaking specialised in manufacture of such shutters and that the radial shutters were difficult to design and hence should be entrusted to the latter; and
- (c) the company was paid in March 1969 without execution of any agreement an advance of Rs. 2.75 lakhs against a certificate of procurement of raw materials by it.

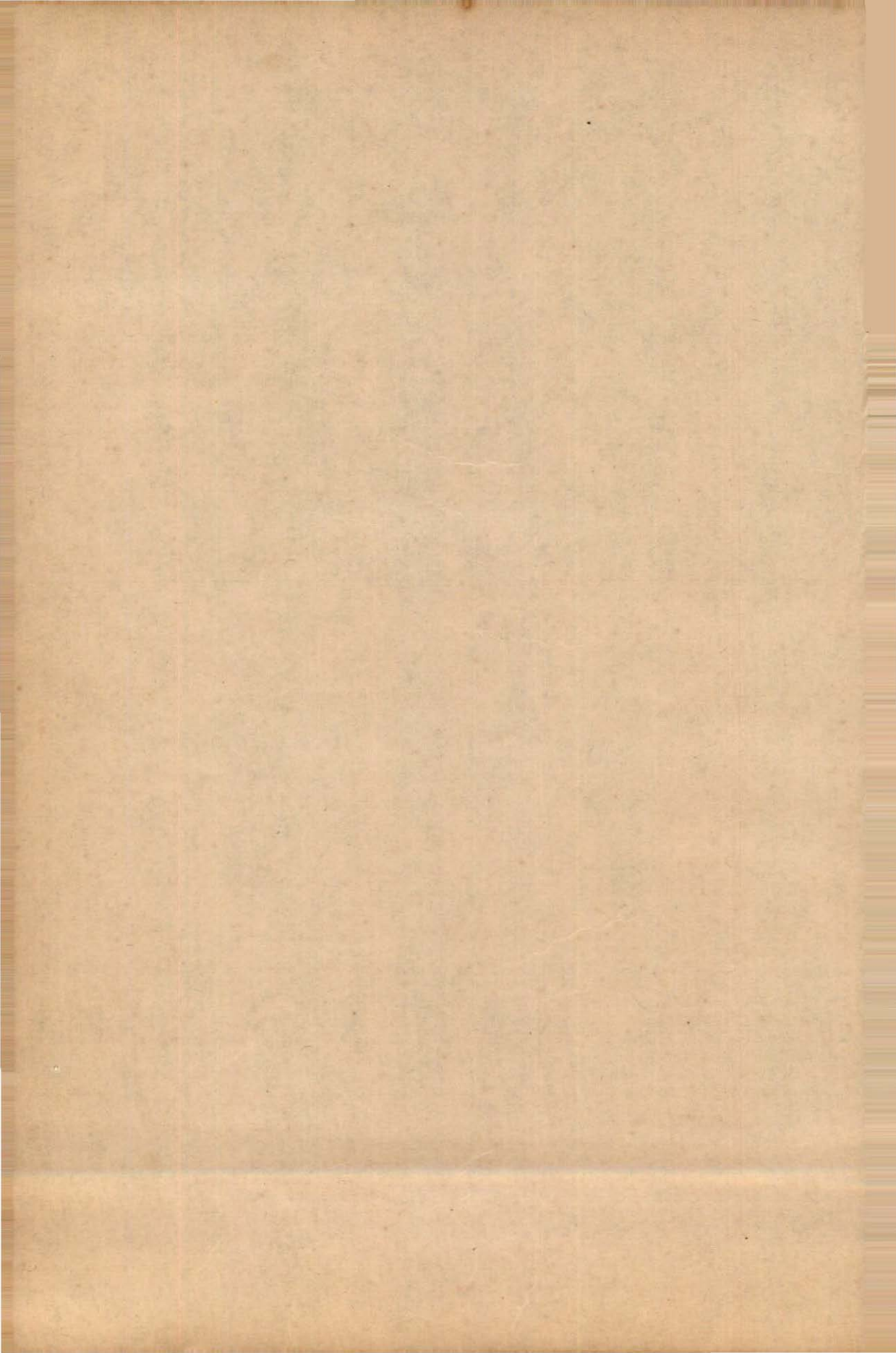
#### 44. Minor irrigation and lift irrigation scheme

Irrigation works costing less than Rs. 15 lakhs each and lift irrigation schemes are classified as minor irrigation schemes. During 1961-62 to 1967-68 Rs. 7,37.49 lakhs were spent on minor irrigation schemes including lift irrigation works. 1.80 lakh acres of land were brought under minor/lift irrigation during the period against the target of 1.98 lakh acres. The shortfall was attributed to delays in land acquisition, shortage of essential materials like cement and steel and poor progress by agencies entrusted with the work. In 1965 a minor irrigation wing was created in the irrigation branch of the Public Works Department for speedier execution of works and fuller utilisation of Plan allotments. Even then there were shortfalls as shown below:—

Year	Financial			Percentage of shortfall	Physical		
	Target	Actual			Target	Actual	Percentage of shortfall
	(In lakhs of rupees)			(In acres)			
1966-67	1,69.00	1,31.56	22	26,400	22,700	14	
1967-68	1,70.00	1,24.87	27	27,000	16,400	39	







A test check showed that cost of eight schemes (total outlay upto March 1969: Rs. 66.15 lakhs) exceeded/was likely to exceed the economic limits\* prescribed by Government. Of them the cost of four schemes (outlay upto March 1969: Rs. 27.58 lakhs) was expected to go beyond the limit of Rs. 15 lakhs prescribed for treating a scheme as a minor irrigation scheme.

(2) *Revenue returns*:—Arrears of water cess leviable under the various Irrigation Acts were not reported by the revenue officials to the divisions regularly with full details of such arrears relating to the different schemes.

Government ordered (April 1966) transfer of maintenance of minor irrigation works, benefiting an ayacut of less than 200 acres, to panchayats from 1967-68 and in May 1967 also ordered suspension of collection of cess including arrears at the end of March 1967 for such schemes, pending enactment of a new Irrigation law. The former order is yet to be implemented (June 1969).

It was noticed in audit that the rates of water cess prescribed for lift irrigation schemes were not adequate to cover the maintenance charges incurred by the department. The recommendation (made in 1960) of the Government of India Committee on Plan projects for enhancement of water rates is reported to be under consideration (January 1970) along with the Kerala Irrigation Bill.

(3) *Establishment expenditure*:—Establishment charges incurred by the minor irrigation divisions ranged from 8 per cent to 33 per cent of the works expenditure. In five out of the nine divisions, they exceeded 20 per cent of the outlay on works during 1968-69.

(4) *Extra expenditure*:—(a) Delay in arranging supply of shutters/hoisting equipments for four regulator works (Illickal, Odenchira, Manjankuzhi and Trikkur), after completion of civil works, led to avoidable expenditure of Rs. one lakh (upto March 1969) on putting up and dismantling of temporary bunds and on manual operation of shutters.

(b) During execution of the Illickal regulator, defective estimation of width of river and depth of bed resulted in extra expenditure of Rs. 0.14 lakh on protective works and excavation of river banks. Rs. 0.11 lakh spent on overheads and labour charges for manufacture of shutters became infructuous as the shutters the skin plates of which were welded to full width instead of in sections could not be transported to site and had to be fabricated afresh.

(c) Rs. 1.22 lakhs spent on supply and erection of wooden shutters (1962) for the Irinava regulator (yet to be commissioned) became infructuous, as the department found (1965) that the wooden shutters were damaged by seaboring insects. The wooden shutters were being replaced (1968) by steel shutters (estimated cost: Rs. 2.25 lakhs).

(d) Due to defective investigation of sub-soil conditions, the design for a regulator across Anjarakandy river was changed during execution. The contractor to whom the work was awarded in May 1962 with the stipulation for completion by December 1963 abandoned the work in May 1967 and his contract was terminated without risk or loss to him. Though 75 per cent of the estimated cost had been incurred the work executed was only 25 per cent. An outlay of Rs. 7.70 lakhs has, thus, remained idle. The department has been put to an estimated extra expenditure

* Economic limits prescribed	Prior to April 1968	..	Rs. 2,000 per ton of additional food production
	From April 1968	..	Rs. 1,000 per acre of area benefited.

of Rs. 1.18 lakhs by way of (i) construction of a separate ringbund (Rs. 0.62 lakh) for the balance works not yet taken up (January 1969), (ii) maintenance (from October 1966) of a road taken over from a panchayat for conveyance of materials for the regulator work (Rs. 0.50 lakh) and (iii) work charged establishment for periods when there was no work (Rs. 0.06 lakh).

(e) A change in the site of a salt water exclusion anicut across Kawai river at Thalachal after the work had commenced and delay (23 months) in finalising the revised design resulted in estimated extra expenditure of Rs. 45,810 (actuals upto February 1969: Rs. 44,306) because of payment for extra items at rates higher than those admissible under the contract (Rs. 41,900), ground rent (Rs. 1,150) and watchman's pay and allowance (Rs. 2,760) paid by the contractor for keeping the materials at site when there was no work.

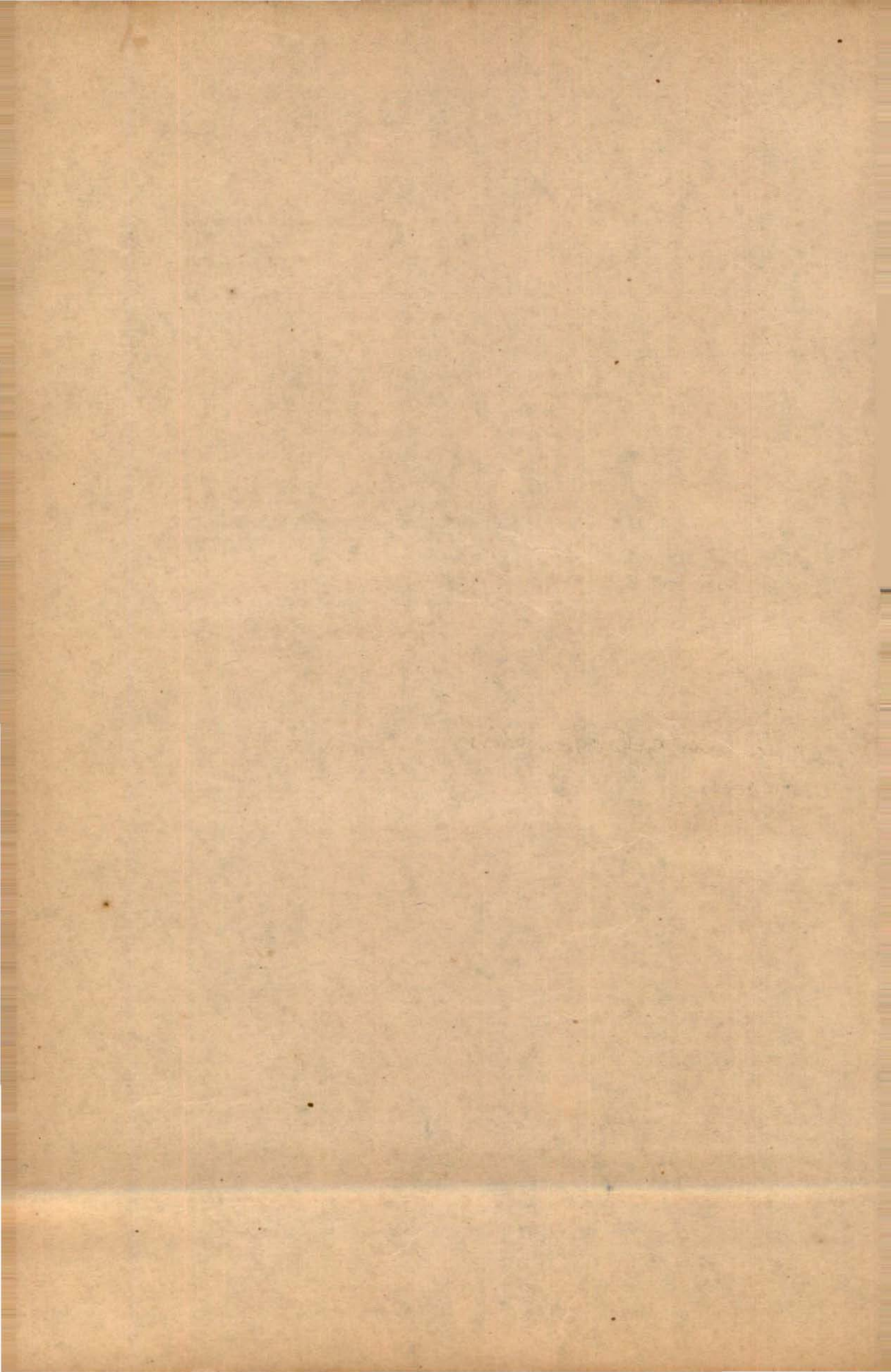
(f) The tender of a firm for fabrication, supply and erection of steel shutters for the Chemballikundu regulator at a cost of Rs. 1.85 lakhs was accepted as the lowest on the basis of the tenderer's design. Subsequent changes in the design effected by the department resulted in extra payment of Rs. 1.21 lakhs including Rs. 0.36 lakh paid towards extra charges for rubber seal arrangements for water tightness even though the original tender contemplated effective arrangements by the contractor for water tightness.

(g) Ten pumpsets required for the Chekuthankundu lift irrigation scheme were purchased from the second lowest tenderer (excess price paid: Rs. 1,426 per pumpset) on the ground (i) that the efficiency of the pumpsets offered by the second lowest tenderer (84 per cent plus  $2\frac{1}{2}$  per cent) was better than that of the pumpsets offered by the lowest tenderer (80 per cent) resulting in savings in recurring charges and (ii) that the second lowest tenderer had spare parts and servicing facilities at Cochin. After the order was placed the department found that (i) the efficiency of the pumpsets was 84 per cent plus or minus  $2\frac{1}{2}$  per cent and not 84 per cent plus  $2\frac{1}{2}$  per cent, as originally stated by the firm, (ii) under a price variation clause included in the tender, the firm had to be paid higher rates for some components due to subsequent increase in prices and (iii) that some of the essential accessories, which were included in the rates of the lowest tenderer, had to be purchased extra. The total extra expenditure incurred by the department was Rs. 0.38 lakh by way of difference in rates (Rs. 0.14 lakh), additional payment under the price variation clause (Rs. 0.20 lakh) and difference in price of accessories separately purchased (Rs. 0.04 lakh).

The lowest tenderer, a holder of Director General, Supplies and Disposals rate contract had not included any price variation clause in his tender and no enquiry was made from the lowest tenderer about the availability of spare parts/servicing facilities.

(h) The agreement executed by the contractor for Kayanad lift irrigation scheme provided for payment for extra items at negotiated rates. According to the orders in force the rates for extra items were to be limited to departmental data rates plus or minus tender difference. However, payment for two extra items (6,628 units of blasting and excavation of rock in narrow trenches and 15,437 units of additional leads for conveying blasted spoil) was made at higher rates, as the contractor did not agree to the admissible rates, resulting in extra expenditure of Rs. 0.21 lakh. Orders of Government were not obtained for payment at the higher rates. It was noticed that when the Chief Engineer later recommended payment of higher rates for two other extra items in the same work, Government rejected the recommendation and payment was made for these items at the admissible rates only.

Foundation bills, mt, ammonelin's,  
Cavobores.



(5) *Unfruitful outlay*:—(a) After spending Rs. 1.09 lakhs on 'Improvements to Aranmula and Kidanganoor Fields' (estimated cost : Rs. 1.44 lakhs) which was expected to solve permanently the drainage problem in 367 acres of land and thereby help in additional production of 184 tons of paddy per annum, the department found in January 1966 that even after completion of the scheme the area could not be successfully cultivated without executing additional works estimated to cost over Rs. one lakh. The contract for the work was terminated in March 1969 for a reassessment of the feasibility of the scheme. The reassessment is yet to be done (April 1969).

(b) An outlay of Rs. 1.06 lakhs on the regulator at Kallurpuzha in Noolpuzha remains idle even though the work was completed in July 1966. The revenue authorities, to whom the ayacut (200 acres) was intimated (December 1967) (for collection of cess), reported that no cess could be collected as no cultivator had actually been benefited by the scheme which, on the other hand, had adversely affected cultivation in the area. Rectificatory works (estimated cost: Rs. 0.10 lakh) reported to be necessary to make the scheme useful have not yet been arranged (January 1970).

(c) The civil engineering works for 'Improvements to Kuthiravattom Chira' were completed in June 1962; shutters and sluice arrangements were installed only in March 1965. Even then water could not be stored due to leakage in the barrel sluice, resulting in the expenditure of Rs. 1.80 lakhs remaining unproductive. Rectificatory works (estimated cost: Rs. 0.16 lakh) arranged in April 1969 are reported to be in progress (December 1969).

(d) Rs. 66,552 spent on the Panamaram lift irrigation proved infructuous as the canals excavated in 1963 were considerably damaged and as the contractor stopped work due to change in design and delay in land acquisition. The Superintending Engineer reported (April 1969) to the Chief Engineer that there was no hope of getting the required lands in the near future and recommended disposal of the pumpsets purchased (cost: Rs. 0.14 lakh).

(6) *Pumpsets lying idle*:—Twenty-nine pumpsets costing of Rs. 4.98 lakhs purchased between 1965 and 1968 remained idle for one year to four years (April 1969) due to delay in completing civil works/internal wiring and arranging power supply. Rs. 0.11 lakh were spent by the department—Rs. 0.09 lakh on minimum guarantee charges to the Kerala State Electricity Board for power not availed of and Rs. 0.02 lakh on pay and allowances of work-charged establishment engaged for watch and ward.

(7) *Advances awaiting recovery*:—Out of advances paid to panchayats or their nominees during 1958-59 to 1965-66 for execution of minor irrigation works, Rs. 1.21 lakhs (for works not done) remained to be recovered (March 1969).

#### 45. Pazhassi irrigation project

The work on main canal reach I of Pazhassi irrigation project was awarded on contract in November 1967 and was to be completed in June 1968. During execution of the work, due to actual soil conditions there was large variation in the quantity of hard rock blasting to be done. As against 900 cubic metres estimated and provided for in the contract, the contractor had completed 5,140 cubic metres at his quoted rate of Rs. 76.40 per 10 cubic metres by May 1968 when the contract was terminated. About 7,350 cubic metres of rock blasting still remained to be done for taking the canal upto the inlet of a tunnel. This work was entrusted, without calling for tenders, to the contractor who was executing the tunnel work. The agreement with him provided for 650 cubic metres of open rock excavation at

both inlet and outlet sides of the tunnel at Rs. 200 per 10 cubic metres. On the basis of the quantities paid for upto January 1969 the extra expenditure (including expenditure on the disposal of blasted rock) incurred was Rs. 2.31 lakhs computed with reference to the rates of the original contractor.

The termination of the original contract and the award of the balance work to the contractor doing tunnel works was reported to have been done in the following circumstances:—

(i) the canal contractor was not expected to do the balance work at his rates as the work done had already exceeded the quantities agreed upon and the value of the work done exceeded the probable amount of the contract;

(ii) if he continued to do the work it would take six to eight months more for completion and the working season (upto June 1968 when monsoon begins) would be lost; and

(iii) the contractor for the tunnel work had the necessary resources to complete the work by May 1968 and commence tunnel work before the monsoon.

It was, however, observed that the tunnel work commenced only in November 1968 after the end of the monsoon.

#### 46. Anti-sea erosion works

Sea walls are constructed to protect the coastal areas from erosion by tidal waves. Rs. 7.39 crores were spent upto the end of March 1968. Some features of the scheme were commented in paragraph 46 of the Audit Report 1965. Some other points noticed in audit are mentioned below:—

(i) A test check of the work accounts of five out of seven divisions showed that sinkages had occurred in twenty-seven shore protection works completed till February 1969. Of them damages have not been assessed in eighteen cases; in the remaining nine cases the damages have been assessed to be Rs. 5.09 lakhs. The cost of rectification in seventeen cases was Rs. 16.44 lakhs. In all the cases, the damages were attributed to wave action.

(ii) Construction of 1,400 feet long sea wall at Murat river mouth (Irrigation Division, Kozhikode) which was administratively sanctioned by Government in May 1967 was notified for tender in advance in February 1967 on grounds of urgency. In April 1967 the Chief Engineer directed the Superintending Engineer to go ahead with the work in anticipation of Government sanction. The Superintending Engineer, however, intimated acceptance of the lowest tender twelve days after expiry of the validity period (June 1967) and therefore the lowest tenderer did not take up the work. On retender in January 1968 the work was awarded at higher rates. The extra expenditure on the works executed and paid for upto August 1969 was Rs. 1.18 lakhs.

(iii) Tenders received in May 1967 for constructing a 270 metres long sea wall in continuation of the sea wall under construction in R.S. 30/1 of Dharmadom village (Irrigation Division, Tellicherry) were valid till 18th August 1967. While negotiations were being conducted with the lowest tenderer (who had agreed to execute the work at 30 per cent below the estimate rates), further action on the tenders was stopped by Government on complaints about suspected collusion of tenderers. On 5th August 1967 Government revoked that order and directed the Chief Engineer to finalise the contract based on the tenders already received. The order of Government received in the Chief Engineer's office on 8th August 1967 was communicated to the Superintending Engineer only in November 1967. The



Paro (ii)

Tender Notice = 26.2.67.  
Last Date = 16.3.67. (For the 1st tender)  
Last = 15.6.67.  
Date of issue of letter of acceptance = 27.6.67.  
Sent to 3 Govt = 26.5.67. - 2.54 lakhs =  
Letter written to CE. on same date =

5.1.68 = Sambhar to his estimate had not been received =  
Sambhar = amended on 29.2.68 by CE. = T.S. =

PAC of new agreement = Rs 2,73,233/-

Disposal letter to SE & CE.

Telegram sent? 18.6.67.

V.O.I.

EPA - 4-22/688

P. 15 onwards =

- See Page 41. Page 40

(iii) - Correspondence P. 57-60 - V.O.I.

Letter to SE = copy of letter = 24.10.67

FC No. = 7.11.67

VO III 70A - P. 21. See P. 57, 59

Tender Percentage = - 54.95

St. handled over 12.165

Scheduled Cuylet = 15.7.1966

Rebinder = - 10.79%

Estimate 7

- Simling over full  
length of hull =

VO IV

validity period of the tender having expired on 18th August 1967 the contractor refused to work at his quoted rates. After further negotiation, the work was entrusted to the same contractor in January 1968 at higher rates. This resulted in extra expenditure of Rs. 0.45 lakh.

(iv) Construction of a sea wall between the Customs House and the sea wall at Kollam beach in Quilandy (Irrigation Division, Kozhikode) was awarded to the lowest tenderer in January 1965 for Rs. 2.71 lakhs. According to the agreement, the quantities specified therein were only approximate and the contractor was bound to do additional quantities of work, if found necessary, at his quoted rates. During execution the department found (June 1965) that, due to change in the bed level of the sea, more small size stones than was originally estimated would be necessary. On the ground that the additional quantities would cost more than Rs. one lakh, the department terminated the original contract when work had been done and payments made for Rs. 2.70 lakhs. The balance work was arranged through another contractor, after retender, at extra expenditure of Rs. 0.51 lakh. The main items of the original contract were supply and dumping of big size stones. Against the agreed quantity of 7,929 units, only 6,999 units were supplied and dumped by the original contractor. Had the balance work been arranged by the department after supply and dumping of at least the agreed quantities of big size stones by the original contractor, the extra expenditure would have been less by Rs. 0.20 lakh.

(v) Two months after completion of the sea wall from Customs House to Fish Curing Yard at Quilandy (Irrigation Division, Kozhikode) (October 1964), the Chief Engineer directed that two gaps (each 100 feet long) should be provided in the wall for landing of fishing boats. For this the sea wall already constructed was dismantled resulting in infructuous expenditure of Rs. 0.20 lakh.

(vi) Construction of a sea wall with groynes at Pazhangad (Periyar Valley Irrigation Division) was taken up in December 1963 in different reaches. After completion of sea wall with three groynes in the second reach and twelve out of twenty-one groynes in the first reach, consequent on a change in design in May 1964 formation of groynes was discontinued in May 1964. Stones costing Rs. 1.86 lakhs collected for construction of the remaining groynes of the first reach were thus rendered surplus. In the third reach the contractor was allowed to supply stones required for the work according to the changed design and by December 1966 he had supplied stones costing Rs. 10.04 lakhs. He was also agreeable to do other items of work according to the revised design at rates quoted by him and approved by the Chief Engineer in September 1966. The work was not, however, entrusted to him by the Superintending Engineer on the ground that the revised estimate had not been finalised. Due to non-execution of the balance works, stones procured (for the first and third reaches) at a cost of Rs. 11.90 lakhs upto December 1966 remain unutilised (February 1969). Due to erosion and overflow 22,000 cubic metres of stones got buried in sand upto a depth of about two feet. The cost of salvaging the buried stones was estimated to be Rs. 0.18 lakh.

(vii) According to a report submitted by a foreign expert in January 1964 after a study of coastal erosion in the State, construction of groynes was not considered to be an effective remedy and could be given up. The Chief Engineer, therefore, directed the Superintending Engineer in March 1964 to submit a revised estimate for the work 'constructing sea wall and three groynes near Odayam' which was then in progress. No steps were taken to stop construction of groynes and the work continued till September 1964 when it was given up. Rs. 0.62 lakh were spent on construction of groynes upto that date. Of that Rs. 0.32 lakh were spent after the decision to give up work on the groynes was communicated to the Superintending Engineer.

(viii) Stones costing Rs. 0.52 lakh procured by July 1966 for construction of a land wall at Kannameli and stones costing Rs. 0.36 lakh procured by July 1968 for construction of a land wall at Cheriya Kadavu remain unutilised as the work could not be started due to objections from local fishermen to the location selected for the land walls. Stones costing Rs. 0.99 lakh procured in 1965 and rendered surplus consequent on changes in the design of the sea walls at Soudhi, Narakkal and Azhikode have not also been used (December 1969).

#### **47. Anti-sea erosion works at Thirumullavaram**

Construction of eleven groynes and 4,000 feet long sea wall as part of the anti-sea erosion works at Thirumullavaram was awarded to a coastal labourers' co-operative society in July 1961 for Rs. 8.28 lakhs (approximately). The scheduled date for completion of the work was March 1963; by then, however, only eight groynes were completed. As the society did not execute further work, the contract was terminated at its risk and cost in August 1964. According to the society, the work could not be completed within the agreed time as it had to execute urgently anti-sea erosion works at neighbouring places (such as Marathady, Sakthikulangara, Neendakara etc.) and that it was not willing to execute further work at the agreed rates as the period of the contract was over. Construction of the remaining three groynes was abandoned and construction of sea wall was tendered in January 1968 and awarded to another contractor in March 1968 at higher rates. The estimated extra expenditure therefor is Rs. 4.42 lakhs. The extra expenditure on works done and paid for upto June 1969 was Rs. 0.99 lakh. Government stated (January 1969) that as the work was entrusted to the society long ago, the society could not be made responsible for the loss, if any, to Government and that the departmental officers should be held responsible for not taking prompt action for execution of the work and that the loss, if any, on this account has also to be recovered from them. Further developments are awaited (February 1970).

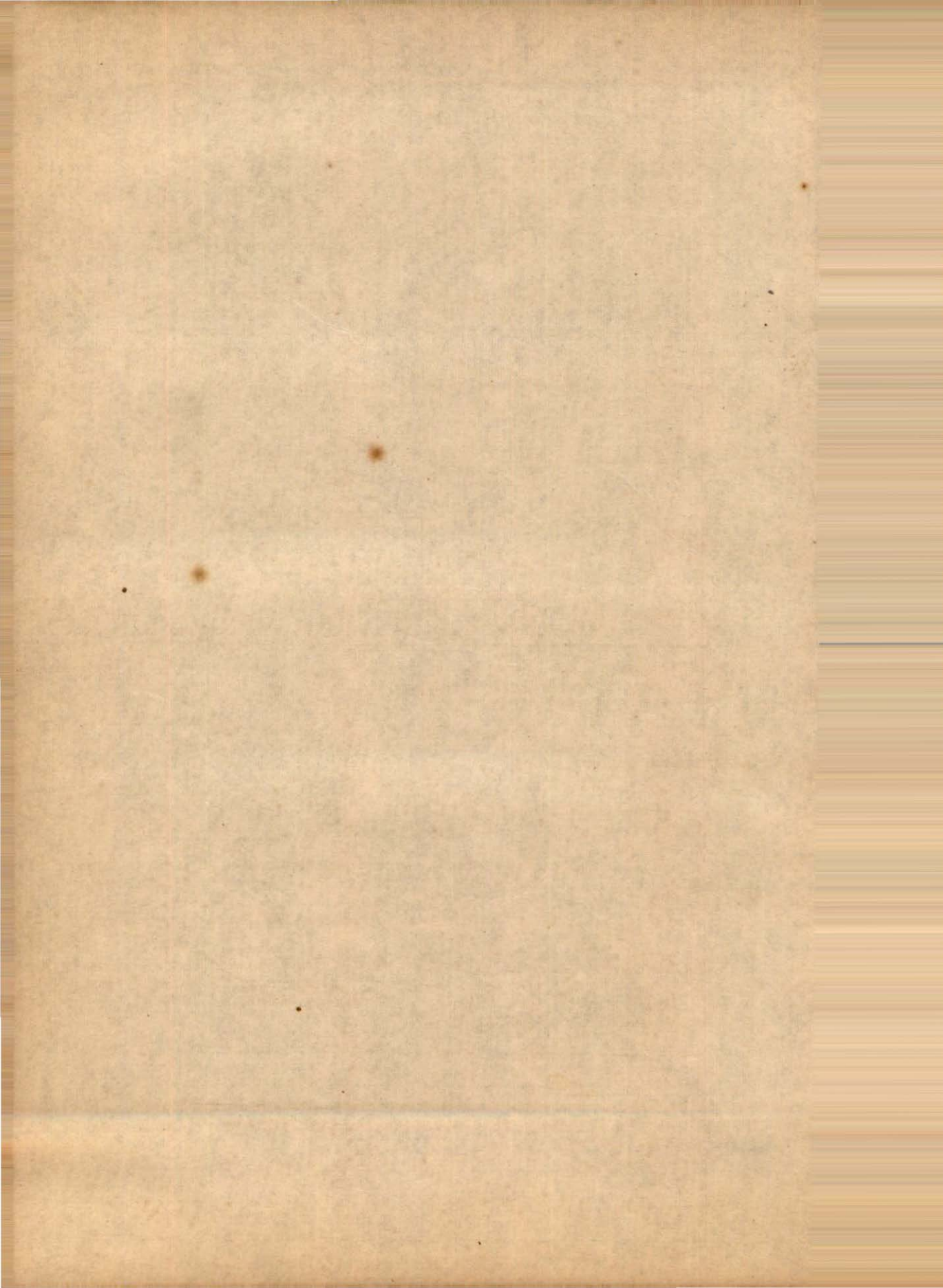
#### **48. Flood control works**

The Third Five Year Plan envisaged flood control works for protection of 12,140 hectares of land at a cost of Rs. 61 lakhs. Rs. 62.80 lakhs were spent but only 4,674 hectares were protected by works completed during that period. Some of the spill-over works were completed during 1966-67 and 1967-68 at a cost of Rs. 22.85 lakhs and the additional area protected was 3,511 hectares.

It was noticed during a review that five works (outlay: Rs. 35.18 lakhs upto March 1969) intended to protect 3,440 hectares commenced during the Second Five Year Plan and four works (outlay: Rs. 13.64 lakhs) intended to protect 810 hectares and a railway line, commenced (prior to October 1965) during the Third Five Year Plan, remain incomplete.

An outlay of Rs. 2.37 lakhs during 1956-58 on opening a canal to connect the Pamba and Manimala rivers has not yielded any benefit for over eleven years because of delay in finalising the design of a bridge across a road cut across the alignment of the canal. This outlay includes Rs. 0.58 lakh spent on excavation work in a portion of the canal which is reported to have been damaged and silted up after stoppage of the work in 1958. The Superintending Engineer reported in May 1967 that owing to a shift in the confluence of the two rivers further downstream, the flood control relief envisaged might not materialise in full and suggested re-examination of the scheme. The re-examination has not yet been done. The matter was reported to Government in September 1969; reply is awaited (February 1970).





#### 49. Extra expenditure

Tenders for an urgent work 'constructing a parapet and retaining wall in Elathur Kallai canal from Karaparamba to Eranhipalam' were invited by the Superintending Engineer (Irrigation), Calicut, in November 1966 in anticipation of sanction to an estimate (Rs. 2.20 lakhs) (for the work) submitted by him in March 1966; the selection notice issued to the lowest tenderer on 7th March 1967 awarding the work was, however, cancelled on 28th March 1967 due to non-sanction of the estimate till then.

The departmental schedule of rates was revised in February 1967. The estimate for the work was also revised to Rs. 2.95 lakhs and again submitted for sanction in January 1968. In view of the urgency of the work and pressing demand from the Calicut Corporation and the local public, the work was retendered in November 1968 and pending receipt of sanction to the estimate its execution was awarded to a contractor in January 1969 for Rs. 2.11 lakhs. Computed with reference to the lowest tender accepted in 1967 the extra cost on retender would be Rs. 0.37 lakh.

Administrative and technical sanctions to the estimate have not been issued so far (September 1969). The matter was reported to Government in May 1969; reply is awaited (February 1970).

#### 50. Defective estimate

The work "Diverting Kakkinikad catchment to Vazhani Reservoir" was awarded to a contractor in March 1966 for Rs. 1.96 lakhs (approximately), which was lower by Rs. 0.45 lakh than the amount quoted by another contractor. The work included an estimated quantity of 2,407 cubic metres of 'blasting granite rock etc.' and 2407 cubic metres of 'excavating hard narikkal etc.' During actual execution the quantities of works done under these items were 18,187 cubic metres and 22,766 cubic metres respectively. Computed with reference to the actual quantities executed and the rates quoted by the other contractor for all the items of work, the cost would have been less by Rs. 0.70 lakh had the estimates been prepared realistically and the work awarded to the other contractor.

#### 51. Inland Water Transport

During 1961-68 an outlay of Rs. 2,30.86 lakhs was proposed for Badagara-Mahe canal and for improvements to other existing canals in the west coast region. Expenditure on works approved by Central Government was to be fully met by Central loans (Rs. 1,69.11 lakhs) and expenditure on other works (Rs. 61.75 lakhs) was to be borne by State Government. The total expenditure incurred during 1961-68 was Rs. 1,81.82 lakhs. Out of forty-six works started without prior approval of Central Government, approval for twelve works was awaited (October 1969). Rs. 26.29 lakhs were received as loans from Central Government upto June 1968.

The annual revenue from water transport (Rs. 2.50 lakhs in 1960-61) was expected to double by the end of 1965-66 by implementing the scheme; the revenue realised was, however, only Rs. 1.99 lakhs in 1966-67, Rs. 1.90 lakhs in 1967-68 and Rs. 2.38 lakhs in 1968-69.

The following points were also noticed:—

(i) Works on three reaches in the Badagara -Mahe navigation canal (estimated cost: Rs. 6.24 lakhs) were allotted to three contractors during March-June 1965. The canal as excavated in all the three reaches upto May 1967 (expenditure:

Rs. 6.60 lakhs) could not be used as the sides collapsed at different reaches. The Engineering Research Division which investigated the failure in July 1967 attributed it to inadequacy of the slopes adopted and to dewatering of the canal for excavation which created a rapid draw from the soft soil in the bottom layers. Protection works estimated to cost Rs. 22.60 lakhs were proposed by the Superintending Engineer in May 1968. The work on these reaches of the canal stopped in June 1967 has not been resumed (June 1969).

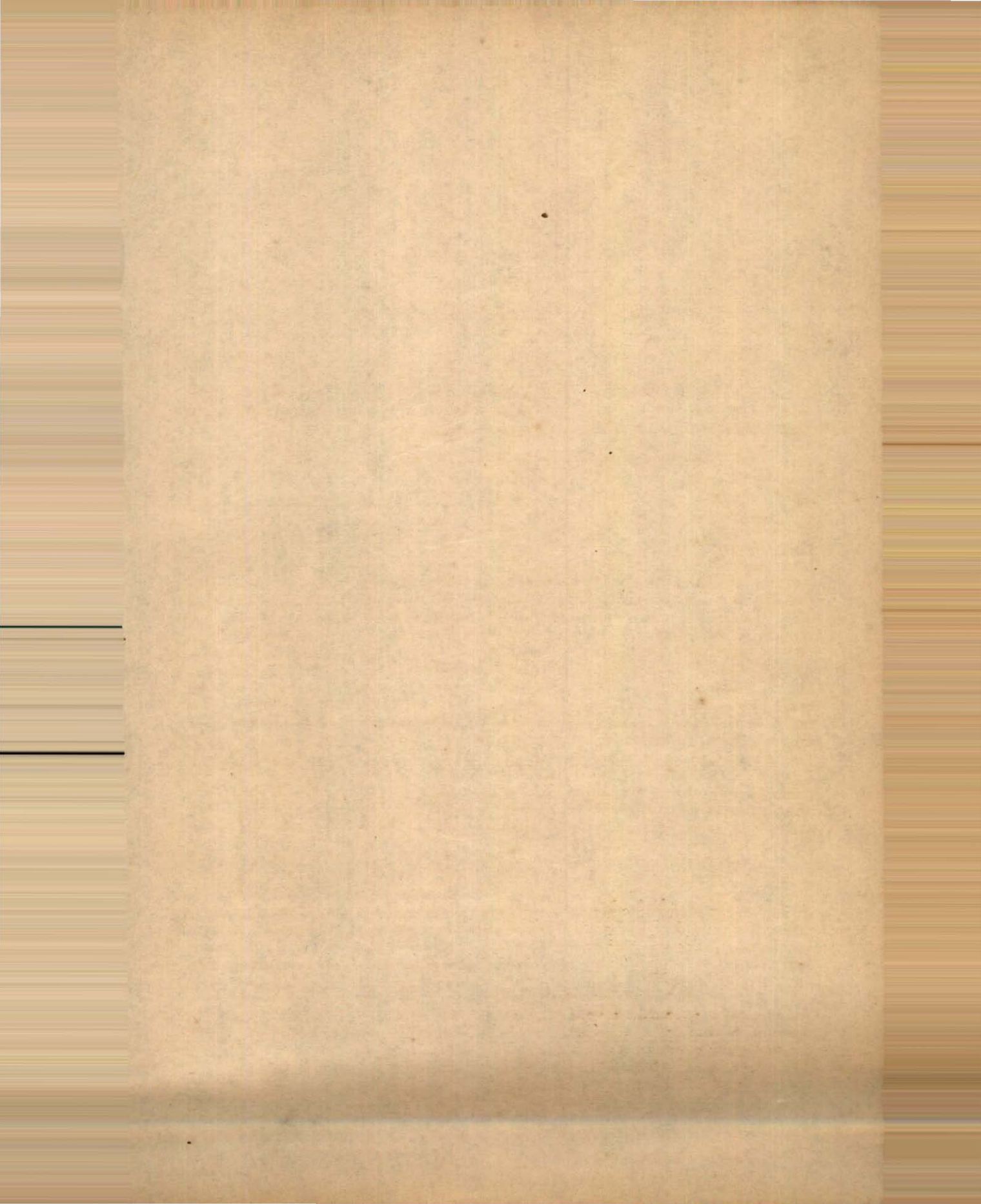
While the work was in progress in all the three reaches (L.S. 29,500' to 30,100'; 30,100' to 30,500' and 30,500' to 31,000') simultaneously, no arrangements were made for draining out water from one end. This necessitated bailing out of water (not provided for in the contract) at additional expenditure of Rs. 11,900 approximately till May 1967.

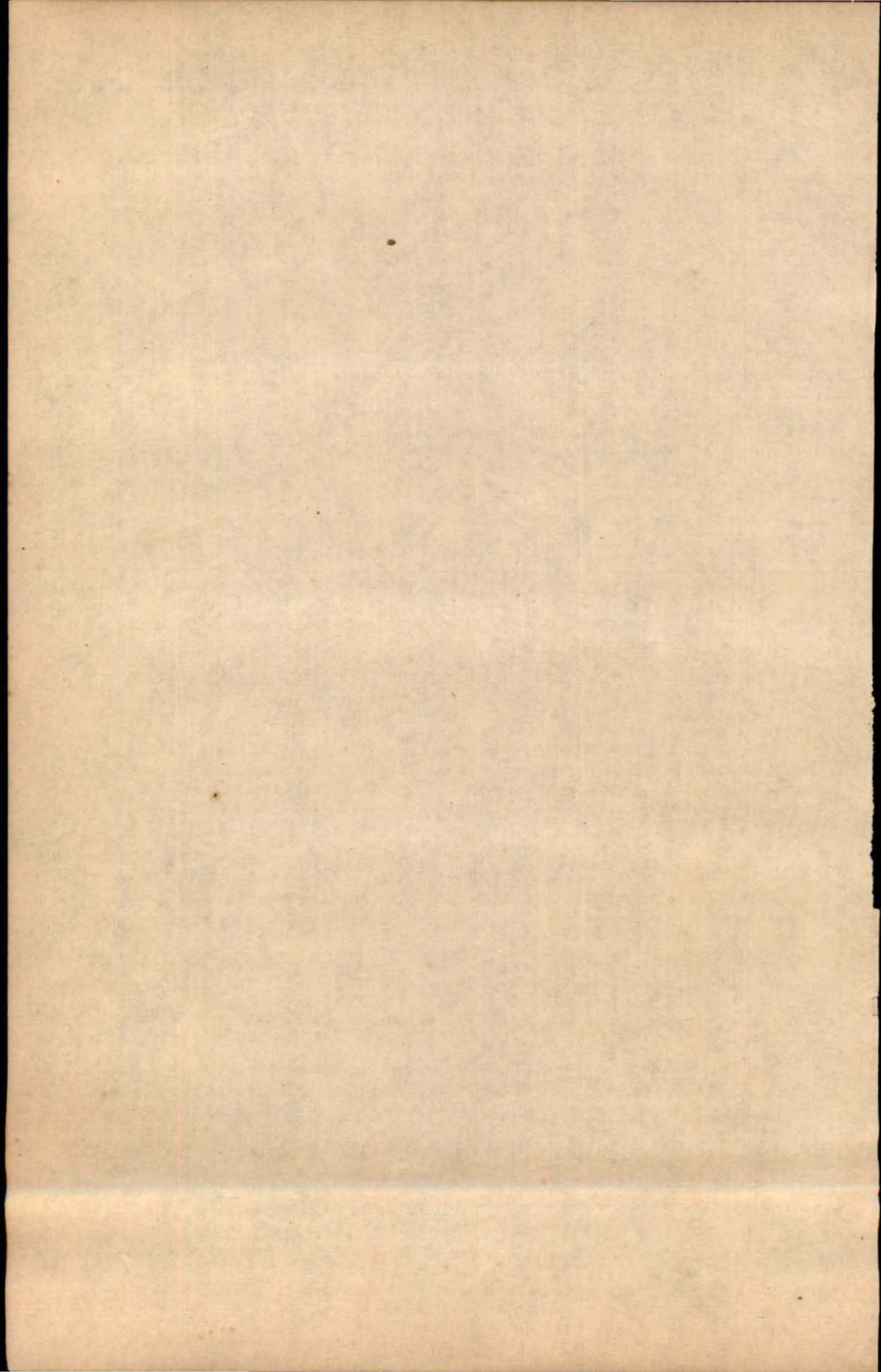
Due to delay in land acquisition, excavated spoils from the three reaches had to be dumped  $1\frac{1}{2}$  miles away from the site. Though cheaper cart transport was available for conveyance of the spoil, conveyance by lorry was allowed (June 1967) at extra expenditure of Rs. 22,500 approximately on the ground of speedy execution of the work which, however, did not take place.

(ii) Two works relating to improvements to Elathur - Kallayi canal in the reaches 0/0 to 1/6 and 1/6 to 3/0 were awarded to a contractor in January 1964. The agreement for work on reach 0/0 to 1/6 scheduled for completion by June 1964 required conveying of excavated spoil by boats for a lead of 5 to 7 furlongs for dumping. The contractor, however, had the cut earth dumped in the canal itself rendering boat transport over the region difficult. In March 1964 the contractor proposed head load conveyance of cut earth over 220 feet before transport by boat commenced. After inspection of the site (April 1964) by the Superintending Engineer who found that the only possibility of conveying the earth was by lorries, the contractor was allowed extra rates for conveying by head load and lorry the cut earth already dumped in the canal, the additional amount paid being Rs. 8,580. The contractor later stopped the work demanding extra rates for conveyance of further quantities of spoil also by lorry and this led to the termination of his contract in December 1965. In the meantime, the department had terminated his contract for the other reach also as the work in that reach which was due for completion by July 1964 had not been commenced even by February 1965. The balance work in reach 0/0 to 1/6 and the entire work in the reach 1/6 to 3/0 were arranged through other agencies at higher rates at extra expenditure of Rs. 44,633. When the recovery of the extra expenditure was referred to an Arbitrator in January 1966, he held that as the departmental officers had not guided the contractor in resolving difficulties in conveying spoils, and in the case of contract for the second reach, proper notice of termination was not issued the penal clauses in the contracts were not enforceable.

(iii) The work 'Improvements to Canoly canal near Anela Ferry' was awarded (probable amount of contract: Rs. 38,637) to a contractor in March 1964. The contractor was shown the site and an agreement was executed in March 1964. His successive applications for extension of time to commence the work by November 1964 were granted. On being asked to commence the work in January 1965 he refused on the ground that the work contemplated in the agreement was near 'Avala Ferry' and not 'Anela Ferry'. Verification of the tender notice, selection notice and agreement showed that the word 'Anela' was misspelt 'Avala'. The department revised the estimate and entrusted the work in April 1967 to another contractor which resulted in extra expenditure of Rs. 19,700 till September 1968. The question of recovery of the extra cost from the first contractor has been referred for legal opinion.







46/70  
 52. **West Coast Road—Muttachira diversion**

The road formation was originally proposed with a 24.86 feet high embankment and side slopes of 1:1. During execution the height of the embankment was raised to 31.86 feet (July 1963) to cater to a higher flood level on the basis of water level of 29.86 feet recorded in 1962. According to the technical specifications for West Coast road works prescribed by Government of India, revision of the height of the embankment necessitated provision of side slopes of  $1\frac{1}{2}$ :1; the original specification of slopes (1:1) was, however, retained to avoid filling up the borrow pits nearby wherefrom earth was dug for formation of the embankment. Due to steeper slope a portion of the pitching gave way during rains (July 1965) when work on the raised embankment was in progress. The pitching work already done was required to be dismantled and re-done after the slopes were modified to  $1\frac{1}{2}$ :1 and the borrow pits nearby were also filled up. The expenditure on dismantling and repitching was Rs. 21,000.

53. **Delay in adjustment of balances under 'Suspense'**

A short account of the state of the balances under 'Cash Settlement Suspense' and 'Miscellaneous Public Works Advances' heads at the end of March 1969 is given below:—

1. Cash Settlement Suspense (Public Works and Public Health Engineering Departments) (Dr. Rs. 1.31 crores)

2/6/70  
 This head introduced from April 1965 accommodates payments for supplies made and services rendered by one division to another. The debits are cleared when the claims are settled by issue of cheques or drafts by the beneficiary divisions.

The rules require that the transactions of a month should be settled within the first ten days of the next month, but there has been long delay in settling the transactions (Rs. 17.66 lakhs upto 1967-68 and Rs. 1,13.61 lakhs for 1968-69; total: Rs. 1,31.27 lakhs). The department-wise break up of the balance is shown below:—

Sl. no.	Department	Amount (In lakhs of rupees)
1	Public Works—Buildings & Roads	13.00
2	Public Works—Irrigation	88.42
3	Public Health Engineering	29.85
	Total	1,31.27

The main reasons for the delay in settling the transactions were stated to be (i) delay in sending the claims to subordinate offices for verification and (ii) want of funds.

The large accumulation of balances defeats the very purpose of the new procedure viz. settlement in cash instead of by book transfer of inter-divisional transfers.

1-3/6/70  
 2. **Miscellaneous Public Works Advances (Dr. Rs. 1.40 crores)**

The balance under this head represents value of stores sold on credit, expenditure incurred on deposit works in excess of deposits received, losses of cash or stores and advances awaiting recovery from Government servants, contractors etc. Items under the suspense head are to be cleared either by actual recovery or by transfer under proper sanction or authority to some other head of account. The balance includes Rs. 15.44 lakhs outstanding for ten years or more and Rs. 43.47 lakhs outstanding for over three years but less than 10 years.

#### 54. Purchase of cement

On the ground that cement was urgently required for departmental works the Chief Engineer, Public Health Engineering department, directed the Executive Engineers in November 1965 to place supply orders for 'pozzolona' cement outside the rate contract after making advance payment of full cost. Five Public Health Engineering Divisions placed orders in November 1965 for 850 tonnes of cement and made advance payment of Rs. 1.35 lakhs without Government sanction and without observance of the financial rules which lay down that no orders for supplies may be placed without at least a written agreement as to price and no advance payment may be made without obtaining proof of despatch of stores. The firm failed to supply cement within the prescribed period (upto December 1965), and consequent on decontrol of cement demanded in January 1966 enhanced rates. The advance was refunded by the firm in May 1966.

The stock accounts showed that there was no real urgency for placing these orders. The orders were placed and advance payments made when sale of this new brand of cement was being promoted by the suppliers (November 1965).

#### 55. Night soil treatment plant at Trichur

In June 1961 Government sanctioned installation of a night soil treatment plant at Trichur at an approximate cost of Rs. 4 lakhs. 50 per cent of the cost of the work was to be treated as loan and 50 per cent as grant to Trichur municipality. Government also ordered that the site should be selected by the municipality in consultation with the Chief Engineer, Public Health Engineering Department, so that the plant might be connected with the drainage system (of the town) when laid.

The work was tendered in November 1962 and awarded to a firm (second lowest tenderer) in January 1963 at its quoted rate of Rs. 5.65 lakhs. The site for the work acquired with the approval of the Chief Engineer was made available by the municipality to the Public Health Engineering department only in November 1964. Though the firm was even then agreeable to execute the work at its quoted rate, the work was not proceeded with since the Superintending Engineer apprehended that the site selected was such that it would not be possible to connect the plant with town drainage system when laid. Government finally decided in March 1967 that it was not essential to connect the plant with the drainage system and ordered installation of the plant at the site already acquired by the municipality.

The work was not retendered but awarded to the same firm in November 1967 at 12.8 per cent over its original quoted rates, as demanded by it, in view of the all-round increase in the cost of materials and labour.

#### 56. Vizhinjam fishing harbour project

The first stage of the Vizhinjam fishing harbour project (investigations done by experts of Food and Agricultural Organisation of United Nations Organisation) was sanctioned at an estimated cost of Rs. 1,22.00 lakhs in July 1962. The estimate was subsequently revised thrice and the last estimate sanctioned in August 1965 is for Rs. 1,73.00 lakhs. The last two revisions were necessitated by change in the design of the breakwater necessitating use of eight ton tetrapods in place of twelve ton rocks contemplated earlier.

The project was subsequently approved (July 1968) by Government of India for financial assistance of Rs. 1,73.00 lakhs. The pattern of assistance was 50 per cent of expenditure as loan and 50 per cent grant in 1966-67 and 100 per cent grant from 1967-68 to 1971-72.

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The work comprising construction of 1,000 feet long breakwater was commenced in December 1961 and was to be completed within five years. Rs. 1,01.72 lakhs were spent upto the end of August 1969. Even though 59 per cent of the estimated outlay has been incurred only preliminary works have been completed so far (such as acquisition of land, formation of approach roads, improvement to quarries, construction of quarters and inspection bungalows, moulding of tetrapods and part work on the core of the breakwater to a length of about 300 feet). According to the present forecasts, the first stage is expected to be completed only by 1973.

The main work of the breakwater is split up into two major sub-works viz., moulding of tetrapods and concrete blocks and construction of a rubble mound breakwater 1,000 feet long.

A review conducted in September 1969 brought to light the following:—

(i) *Manufacture of tetrapods*:—For manufacture of tetrapods an agreement was executed in 1965 with an Indian subsidiary of a French company holding patent rights for tetrapods of a particular design. Government sanctioned in March 1964 payment of royalty at the rate of Rs. 66 per tetrapod. 50 per cent of the amount was to be paid immediately after signing the agreement, 25 per cent after 20 tetrapods had been moulded and were placed in position and the balance in instalments (*pro rata*) after every 500 tetrapods were placed in position. After the agreement was signed in August 1965 Rs. 1.06 lakhs were paid towards the first instalment. The bank guarantee given by the firm for performance of technical services expired in June 1967 by which date no progress had been made in moulding of the first batch of tetrapods for which the company was responsible for technical services and supervision in moulding and placing on site. The contract contemplated manufacture of 3,200 tetrapods.

(ii) *Extra expenditure in manufacture of tetrapods*:—A contract for moulding of tetrapods and concrete blocks was awarded to a contractor in June 1966 at his quoted rate of Rs. 23.10 lakhs. The contractor stopped work in November 1966 after moulding one tetrapod and one concrete block alleging departmental delay in supply of accessories and moulds as specified in the contract. The contract was terminated in February 1967 and was retendered and finally awarded in May 1967 to another contractor for Rs. 27.96 lakhs. The original contractor filed a petition for damages or alternatively for arbitration by a retired judicial officer. Eventhough arbitration by a person other than a Superintending Engineer was outside the scope of the contract, Government agreed to arbitration in July 1967 and the arbitrator (a retired district judge) held the department guilty of breach of contract and awarded (May 1968) Rs. 2 lakhs to the contractor as damages for loss of profits arising from premature termination of the contract. As it was considered that there were no grounds for appeal, Government directed the Chief Engineer in March 1969 to comply with the award and fix responsibility on departmental officers for omissions. The amount was paid in July 1969 but responsibility is yet to be fixed (December 1969). The termination of the contract resulted in extra expenditure of Rs. 7.09 lakhs (extra cost due to alternative arrangement: Rs. 4.86 lakhs; damages awarded and legal expenses: Rs. 2.23 lakhs).

(iii) *Extra expenditure on construction of breakwater*:—A contract for forming the breakwater was awarded to a contractor in July 1966 at his quoted rate of Rs. 56.29 lakhs. The contractor stopped the work in May 1968 after forming breakwater partially for a length of about 300 feet alleging discrepancies in the drawings and specifications. The contractor's request for a change in the detailed specifications was rejected by the department and the contract was terminated at his risk and

cost in July 1969. The work was retendered in August 1969 but final orders on award of the contract have not been issued (December 1969).

The original contract provided for quarry run placed for each length of the breakwater taken at a time being covered with concrete blocks at the crest after levelling by armour stones and tetrapods at the site to protect the core from wave action. In April 1968 the contractor was asked to stop the work to avoid damage by monsoon. On his plea that stoppage of work at that stage would entail loss to him and on his giving an undertaking to continue the work at his own responsibility and to rectify damages, if any, to the breakwater formed, the department allowed him to carry on the work till the end of May 1968 and payments were made for the work done upto then. As the core was left unprotected, part of the breakwater formed was washed away and part was also thrown out of alignment. In the meantime the contract had been terminated. The extent of damages which remained unrectified has not been assessed so far (December 1969).

(iv) *Equipments lying idle*:—Plant and equipment comprising fourteen lorries (including tippers), four cranes and one shovel costing Rs. 25.35 lakhs have been lying idle at the project site since May 1968 due to stoppage of work and due to contractors utilising their own vehicles and cranes. About Rs. 0.25 lakh were spent on the operating crew during May 1968 to August 1969.

(v) *Infructuous expenditure*:—Rs. 8,657 spent during September 1965—March 1967 on construction of a tank and models of tetrapods and concrete blocks for model studies remain unfruitful as no model studies have been conducted (October 1969) for want of wave generator.

#### 57. Extension of groynes in Ponnani Port

Rs. 1.79 lakhs spent on extension of the existing stone groynes in Ponnani port remain unfruitful as the department after extending the groynes found that for securing full benefit to fishing interests the old groynes were also required to be brought to the same height and formation as the extended ones. The port department objected to raising the height of the old groynes and their extension as being harmful to the facilities at the port. The works which were stopped in July 1967 have not been resumed (September 1969).







## CHAPTER V

### STORES AND STOCK ACCOUNTS

58. (a) Details of the store accounts of the principal departments (other than those relating to commercial and quasi-commercial departments/undertakings etc.) for 1968-69 are given below:—

<i>Department</i>	<i>Stores</i>	<i>Opening balance on 1st April 1968</i>	<i>Receipts during 1968-69</i>	<i>Issues during 1968-69</i>	<i>Closing balance on 31st March 1969</i>
<i>Finance Department</i>					
Central Stamp Depot, Trivandrum and Stamp Depot, Ernakulam	Stamps	9,39.55	7,13.41	6,06.87	10,46.09

(In lakhs of rupees)

The closing balance of Ernakulam Depot includes uncurrent and damaged stamps worth Rs. 34.41 lakhs.

<i>Home Department</i>					
Police	Uniforms, firearms and ammunitions etc.	20.90	36.62	24.94	32.58
<i>Education Department</i>					
Stationery Stores	Machines, seals, spare parts, paper and boards etc.	42.69	59.52	38.60	63.61

Articles valued at Rs. 0.34 lakh were written off due to depreciation, shortage etc.

<i>Health Department</i>					
Public Health Engineering Stores	Pipes and other sanitary fittings, building materials etc.	2,02.02*	1,69.06	1,40.71	2,30.37

Annual physical verification of stock has not been conducted in Trivandrum Public Health Engineering Division since 1965-66; the net balance under stock in this division was (—) Rs. 7.57 lakhs reported to be due to delay in adjustment of debit advices for materials received.

Ayurveda College, Tripunithura	Medicines, firewood etc.	0.07	0.58	0.54	0.11
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Physical verification of stock as on 31st March 1969 had not been conducted by the department.

\* The balances do not include the opening balances relating to the divisions in the areas transferred from the former Madras State on Reorganisation of States due to non-finalisation of their allocation between the successor States.

Department	Stores	Opening balance on 1st April 1968	Receipts during 1968-69	Issues during 1968-69	Closing balance on 31st March 1969
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*Agriculture Department*

(In lakhs of rupees)

Animal Husbandry	Livestock, cattle feed, eggs etc.	29.30	75.30	71.14	33.46
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Rs. 1.87 lakhs under issues represent value of articles written off due to depreciation (Rs. 1.04 lakhs), losses (Rs. 0.60 lakh) and shortages (Rs. 0.23 lakh); sanction of the competent authority to write off of Rs. 0.25 lakh (included in the accounts as written off due to shortage/losses) has not been obtained.

Forest	Felled timber and other forest produce, livestock etc.	4,30.32	7,01.83	6,56.62	4,75.53
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The returns for timber from the divisions are in arrears since April 1963 Rs. 0.26 lakh under issues represent value of stock written off due to depreciation/shortage/losses.

A shortage of 34 logs costing Rs. 13,029 was noticed during physical verification of the stores attached to the Forest Depot, Ernakulam conducted in November 1966. The loss was not reported to Audit and came to notice during local audit conducted in March 1968. Responsibility for the loss was fixed on three Rangers; details of recovery are still awaited (November 1969).

*Public Works Department*

Public Works	Building materials	(—)36.14*	3,80.35	4,46.09	(—)1,01.88
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(i) The minus balances which mainly occurred in six divisions are stated to be due to non-adjustment of debits for materials received.

(ii) The stock accounts are not maintained sub-head-wise in the district stores at Trivandrum and Buildings and Roads Division, Calicut.

(iii) Arrears in closing of half yearly registers of stock persisted in twelve out of twenty-three divisions; the arrears in three divisions were for more than four years.

*Water and Power Department*

Irrigation	Building materials	22.91*	70.71	71.52	22.10
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(i) Arrears in closing of half yearly registers of stock continued to occur in nine out of twenty-six divisions; in five divisions arrears were for more than three years.

(ii) Annual physical verification of stock had not been conducted in six divisions.

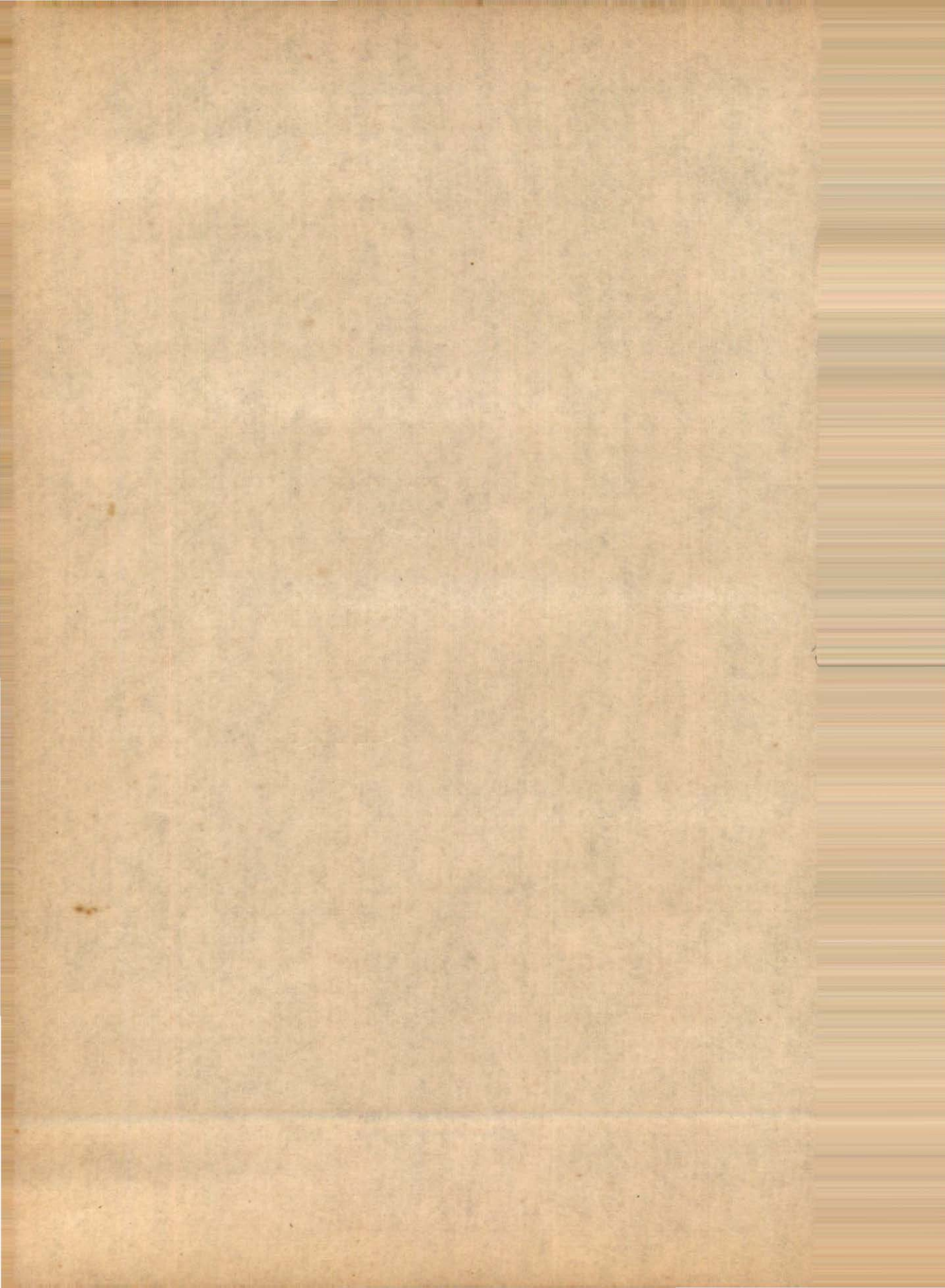
*Revenue Department*

Stamp Manufactory, Trivandrum	Stamps and stamp papers, printing ink and other accessories	9.43	41.26	50.39**	0.30
		Kg.	Kg.	Kg.	Kg.
State Excise	Ganja	97	6	11	92
	Opium	188	110	105	193
		plus 4545 opium tablets and 500 grams crumbled opium tablets	..	plus 4545 opium tablets and 500 grams crumbled opium tablets	

\* The balances do not include the opening balances relating to the divisions in the areas transferred from the former Madras State on Reorganisation of States due to non-finalisation of their allocation between the successor States.

\*\* Includes uncurrent and damaged stamps and stamp paper worth Rs. 9.17 lakhs destroyed during the year.





Difference between closing balance of 1960-61 and opening balance of 1961-62 (deficit of 27 kg. of opium and excess of 6 kg. of ganja) were adjusted under orders of Government in March 1969. The opening balance for 1968-69 now furnished in the statement represents the net result of the transactions during 1961-62 to 1967-68 after making the adjustments ordered by Government in March 1969.

(b) The stock accounts of the following departments could not be incorporated in the Report for the reasons noted against each:—

1. *Health department*:—The stock accounts of Government Medical Stores, Trivandrum and District Medical Stores have not been received from the Director of Health Services (February 1970).

The stock accounts of Ayurveda College, Trivandrum, received from the Principal could not be included as the accounts were defective in that the opening balance did not agree with the revised stock accounts for 1967-68 submitted by the Principal.

The stock accounts of Ayurveda Pharmacy Stores, Trivandrum, have not been received from the Director of Indigenous Medicines (December 1969).

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② *Education Department*:—The stock accounts of Government Presses received from the Superintendent, Government Press, Trivandrum could not be included as the accounts were defective. Revised accounts are awaited (February 1970).

3. *Agriculture Department*:—The stock accounts received from the Director of Agriculture could not be included as the accounts were defective; the discrepancies and defects pointed out in the previous inspection reports have not been rectified.

4. *Home Department*:—The accounts of the Jails Department have not been received (January 1970).

#### 59. Unutilised buildings, machinery, equipment, stores etc.

Certain cases of buildings, machinery, equipment, stores etc., which have been lying unutilised for long are mentioned in Appendix IV pages 97-98.

Department-wise analysis of these cases is as follows:—

<i>Department</i>	<i>Amount</i> (In lakhs of rupees)
Public Works	7.23
Agriculture	14.99
Health	0.40
Labour and Social Welfare	4.18

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CHAPTER VI  
REVENUE RECEIPTS

**60. Arrears in the collection of revenue**

The total revenue collected and the arrears of revenue pending collection as at the end of each of the 5 years from 1964-65 to 1968-69 were as shown below:—

Year	Total revenue collected	Arrears pending collection at the end of March (In crores of rupees)	Percentage of arrears to total revenue
1964-65	80.88	10.37	12.82
1965-66	82.10	10.69	13.02
1966-67	1,08.69	11.64	10.71
1967-68	1,25.41	11.06	8.82
1968-69	1,42.54	15.91*	11.16

The details of outstanding as on 31st March 1969 are indicated below:—

Sl. no.	Source of revenue	Amount pending collection	Amount of arrears more than 10 years old (In lakhs of rupees)
1	Sales Tax	5,73.44	78.37
2	Taxes on income other than Corporation Tax (Agricultural Income Tax)	1,69.82	2.52
3	Forest	2,03.61	1.26
4	State Excise Duties	1,94.59	9.60
5	Land Revenue including Irrigation Cess	2,22.97	25.68
6	Public Health Engineering	63.66	0.76
7	Public Works (Irrigation)	11.78*	1.94
8	Police	41.84	0.01
9	Taxes on Vehicles	19.76	3.95
10	Municipalities	13.73	..
11	Health Services	12.25	0.08
12	Co-operation	14.38	0.03
13	Education	10.59**	2.99
14	Other sources of revenue	38.63	6.87
	Total	15,91.05	1,34.06

**61. Loss of revenue from lease of forest lands**

By an agreement executed in March 1966, a company was given the right to fell, collect and remove at its own cost reeds from the reserve forests in five forest

\* Does not include the arrears relating to Irrigation Central Circle (except Periyar Valley Irrigation Division).

\*\* Does not include arrears of fees etc., due from pupils in the Trivandrum Educational District.



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divisions for a period of 3 years commencing from 11th January 1965, on payment of Rs. 6 per tonne plus taxes. Earlier to the execution of this agreement the reed coupes in one of the divisions used to be leased out at an average rate of Rs. 5,000 per annum. There was no sale of reeds in this division to other parties either by lease or by direct sale from 1st April 1964 to 10th January 1965 in view of the proposed agreement with the company. The company also did not extract any reeds from the reserve forests of this division during the three year lease period. The lease which expired in January 1968 has not been extended (September 1969). According to the department the loss of revenue for the period 1964-65 to 1967-68 due to the failure of the company to extract reeds from this division is Rs. 20,000. The company did not extract reeds from any of the remaining four divisions as well during the lease period. In two of these divisions, it was stated that no reeds were available for extraction during the period of contract. In one other division as 2,000 tonnes of reeds were expected to be extracted during the period of the contract, the loss of revenue due to non-extraction is estimated to be Rs. 12,000. Information regarding the loss of revenue, if any, in the remaining division is awaited (December 1969).

Government intimated the Chief Conservator of Forests (January 1969) that as the contract did not contain any clause requiring the company to collect and remove all the mature reeds and did not also stipulate the minimum quantity to be collected, the company could not be made liable for this loss of revenue.

#### **62. Delay in recovery of lease rent**

A private party was in illegal possession of 1 cent 620 square links and 4 cents 380 square links of Government land (total 6 cents) from 1950 and 1959 respectively. At the request of the party, Government sanctioned in February 1961 the lease to him on long term basis three out of the six cents of land; the remaining three cents of land were also ordered to be leased out to the party in March 1962. The terms and conditions of the lease were not, however, stipulated. Based on further requests made by the party during May 1965 and June 1966, Government ordered (September 1966) assignment on registry of the entire 6 cents of the land to him for construction of a tourist hotel subject to realisation of the land value at market rates to be decided by the District Collector and recovery of lease rent from the date of occupation (1950 and 1959) till the date of registry of the land. Permission for construction on the land was granted by the District Collector to the party in November 1966 after obtaining an agreement to pay the lease rent and land value to be fixed by Government. The lease rent and land value were fixed in July 1967 at Rs. 900 per cent per annum and Rs. 15,000 per cent respectively. The land has not so far been assigned to the party nor has the lease rent amounting to Rs. 0.69 lakh for the period from April 1950 to 31st August 1969 been realised.

#### **63. Writes-off, waivers and remissions**

Cases of writes-off, waivers and remissions are mentioned in Appendix III page 96 of the Report.

## AUDIT OF RECEIPTS

### SALES TAX

#### 64. Sales Tax collections

The sales tax collections during 1968-69 amounted to Rs. 28.87 crores constituting 45 per cent of the total receipts under the Principal Heads of Revenue. The figures for the past five years are given below:—

<i>Year</i>	<i>Amount of collection</i>	<i>Percentage of sales tax to the total receipts under the principal heads of revenue</i>
	<i>(In crores of rupees)</i>	
1964-65	15.99	39.96
1965-66	18.30	42.35
1966-67	22.78	45.17
1967-68	26.28	43.59
1968-69	28.87	45.00

### STATE SALES TAX ACT

#### 65. Incorrect accounting of tax and arithmetical mistakes

In 43 cases, arithmetical mistakes and other omissions resulted in short levy of tax amounting to Rs. 52,652. Out of this Rs. 38,457 were collected till October 1969. Some of the more important cases are detailed below:—

(i) In finalising the assessment for 1967-68 of an assessee, an assessing officer adjusted (November 1968) Rs. 19,575 (towards the tax liability of 1967-68: Rs. 7,782 and of 1968-69: Rs. 11,793), purported to have been remitted by the assessee in excess in respect of the assessment made in the previous year. While making this adjustment for Rs. 19,575 the assessing officer overlooked the fact that the amount was already refunded to the assessee in February 1968 itself as a result of finalisation of the assessment for 1966-67. After it was pointed out that no credit in respect of 1966-67 was available for adjustment in the accounts for 1967-68, the assessing officer after verification rectified the mistake on 23rd June 1969 by raising additional demand of tax for Rs. 7,782 in respect of 1967-68 and cancelling the adjustment of Rs. 11,793 made for 1968-69.

(ii) The verification of chalans in an assessing circle revealed (November 1968) that while an assessee remitted only Rs. 78,193.70 towards tax payable by him for 1966-67, the assessing officer had wrongly accounted Rs. 88,193.70 to his credit, resulting in excess credit of Rs. 10,000. On this being pointed out (November 1968) the error was rectified and the short demand of Rs. 10,000 collected (January 1969).

(iii) In the course of the assessment of the turnover of an assessee for 1966-67, a Sales Tax Officer computed the value of 1,312 quintals of copra, shown as opening stock, at Rs. 282.62 per quintal, at Rs. 37,079, as against the correct amount of Rs. 3,70,797. This mistake resulted in a turnover of Rs. 3,33,718, with a tax effect of Rs. 6,674, escaping assessment. On this being pointed out (May 1969) the mistake was rectified and the additional tax of Rs. 6,674 realised in June 1969.





(iv) A total tax of Rs. 7,365.34 was demanded from an assessee for the year 1961-62 against which a sum of Rs. 4,238.45 was remitted by him. The assessment for 1961-62 was, however, set aside by the Appellate Tribunal. While revising the assessment, based on the appellate order, credit was given for Rs. 7,365.34 by mistake as against Rs. 4,238.45 actually remitted by the assessee. This resulted in an excess credit of Rs. 3,126.89 to the assessee. The mistake was pointed out in August 1968 and the excess credit afforded was withdrawn by the department (November 1968).

(v) In the assessment for 1964-65, the sale turnover of a dealer included Rs. 87,319 being sales effected through a commission agent. According to the agent's accounts, assessed by another sales tax officer, his turnover for the year, however, was Rs. 1,29,375 and hence a turnover of Rs. 42,056 had escaped assessment in the hands of the principal dealer. On this being pointed out (August 1968) a re-examination of the latter's accounts was made and a turnover of Rs. 1,00,286 was found to have escaped assessment earlier. Of the additional tax of Rs. 3,009 demanded from the assessee one-third was realised by the department in March 1969. The department promised (June 1969) to take further action on disposal of the appeal preferred by the assessee.

(vi) In the case of an assessee, sales tax of Rs. 2,000 was short-levied for 1964-65 owing to an arithmetical error leading to the exclusion of Rs. 1 lakh from the total purchase turnover taxable at 2 per cent. On this being pointed out (January 1969) the assessment was revised (March 1969) and additional tax collected (March 1969 and July 1969).

## **66. Escape of taxable turnover due to wrong or excessive exemption**

(i) In the case of an assessee a total purchase turnover of Rs. 2,89,423 in 1966-67 and 1967-68 on empty drums which were used as containers for latex sold by him locally was not taken into account during assessment, though containers were taxable at 3 per cent upto 31st August 1967. On this being pointed out (June 1969) an additional tax of Rs. 9,117 was demanded (August 1969) from the assessee on the escaped turnover.

(ii) In a sales tax office, a part of the turnover of an assessee amounting to Rs. 4,71,730 was not assessed to sales tax on the ground that it represented the value of services rendered to purchasers by way of packing charges of goods sold. This sum included an amount of Rs. 2,35,787 on which the assessee had not claimed exemption, as it represented the sale value of containers liable to levy of sales tax. When this was pointed out, the department revised the assessment and collected, in January 1968, an additional tax of Rs. 7,427.

(iii) In another 39 cases turnover of Rs. 4.03 lakhs escaped assessment resulting in short assessment of tax to the extent of Rs. 10,515. Additional demands were raised to make good the entire short levy and Rs. 7,564 were collected till September 1969.

## **67. Short assessment due to application of incorrect rate of tax**

The turnover of an assessee, on bodies built on the chassis of motor vehicles, amounted to Rs. 59,137, during the period from 1st September 1967 to 31st March 1968 and this was taxed at the general rate of 3 per cent instead of 12 per cent prescribed with effect from 1st September 1967. The tax short realised was Rs. 5,588 and, on this being pointed out (June 1969), the assessing officer revised the assessment (July 1969) and collected one-third of the additional tax due.

In another 11 cases, application of incorrect rate of tax resulted in short levy of Rs. 3,184. Additional demands were raised and till September 1969 Rs. 1,139 were realised.

### 68. Loss due to delay in revising an assessment

The sale turnover (Rs. 77,629) on ghee marketed in sealed containers by an assessee for 1962-63 was wrongly taxed (March 1964) at 2 per cent instead of at the correct rate of 5 per cent. The mistake was pointed out during internal audit (August 1965) and the assessment was revised on 16th April 1966 but the High Court quashed (June 1967) the revised assessment as time-barred. The original demand of tax at 2 per cent was, therefore, restored. The failure of the department to complete the revised assessment within the statutory time limit of three years (i.e. before 1st April 1966) thus resulted in a loss of revenue of Rs. 2,445.

### 69. Miscellaneous

Under the rules assesseees are liable to pay the tax within 21 days of the receipt of the demand notice from the assessing officer. Instances of delay noticed in the issue of demand notices after finalisation of assessments for 1964-65 to 1968-69 are detailed below:—

<i>Period of delay</i>	<i>No. of cases</i>	<i>Tax dues involved (In lakhs of rupees)</i>
More than 6 months	20	0.25
Between 3 to 6 months	39	1.89
Less than 3 months	38	3.11

## CENTRAL SALES TAX ACT

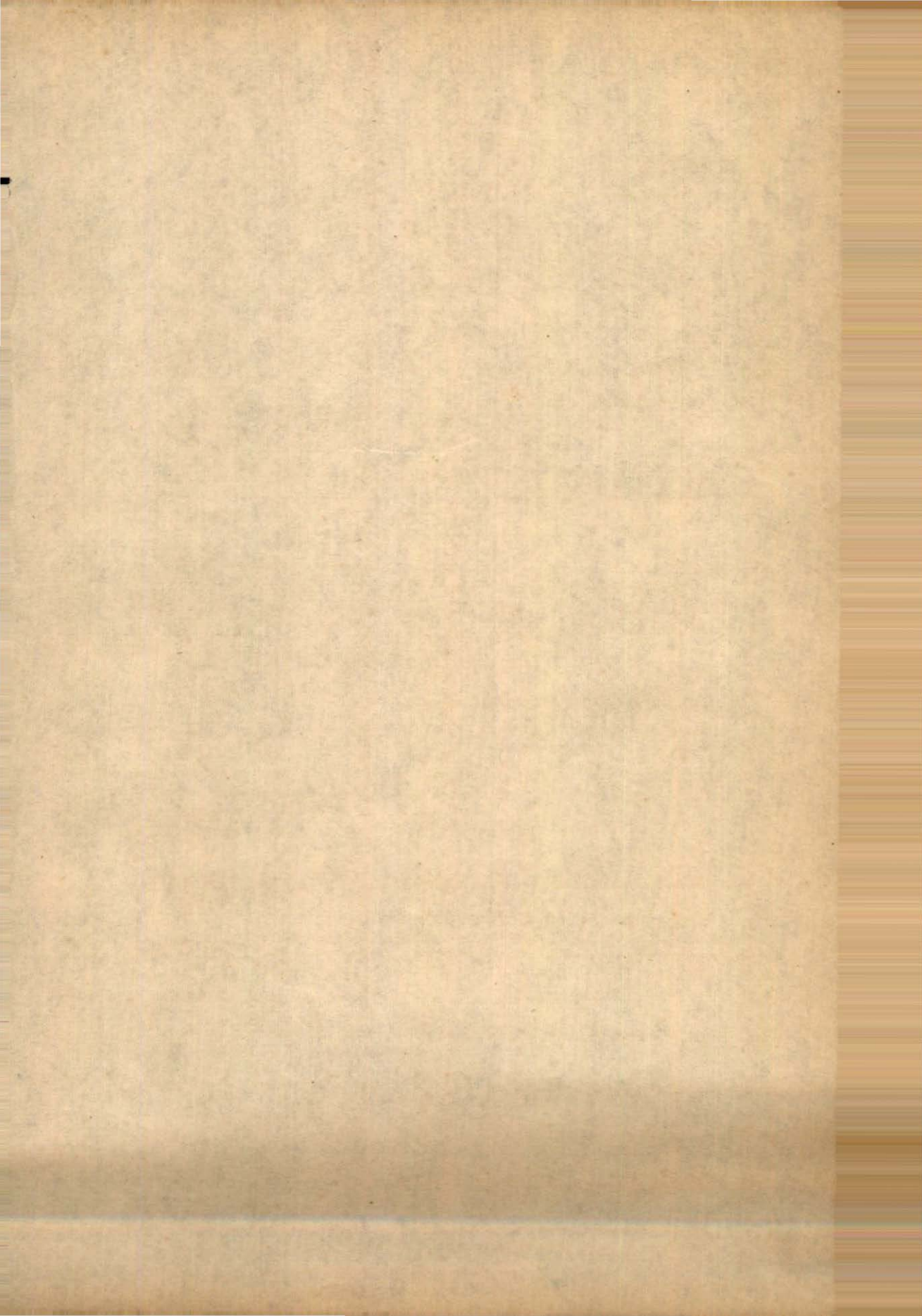
### 70. Incorrect determination of taxable turnover

An assessee's turnover on inter-State sales for 1966-67 was Rs. 2,63,986 at the head office and Rs. 23,426 at the branch office. The assessing officer taxed only a turnover of Rs. 2,40,560, being the difference between the two figures instead of taxing the total turnover of Rs. 2,87,412. On the mistake being pointed out (December 1968), additional tax of Rs. 4,685 was levied applying the higher rate of 10 per cent in the absence of 'C' Form on the escaped turnover of Rs. 46,852 (April 1969).

### 71. Short assessment due to application of incorrect rate of tax

According to a State Government order Central Sales Tax on inter-State sale turnover on coconut-oil was payable at 1 per cent from 1st April 1966. The value of containers included in the turnover was liable to be assessed at 2 per cent up to 30th June 1966 and at 3 per cent from 1st July 1966. An assessing officer, however, incorrectly levied tax for 1966-67 from four assesseees at 1 per cent on their turnover including the value of containers resulting in short levy of tax of Rs. 2,920. On this being pointed out (June 1968), the assessments were revised and an additional demand of tax for Rs. 2,920 raised by the department (July 1968). Till May 1969, a sum of Rs. 433 had been realised from two of the four assesseees.







## CHAPTER VII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### SECTION—I

##### GENERAL

72. This Chapter deals with the results of audit of:—

- (i) Statutory Corporations/Boards;
- (ii) Government Companies;
- (iii) Departmentally managed Government Commercial Undertakings; and
- (iv) Investments and guarantees by the State Government.

#### SECTION—II

##### STATUTORY CORPORATIONS

73. There were 4 Statutory Corporations/Board under the administrative control of the State Government <sup>on</sup> 31st March 1969, viz.,

- (i) Kerala State Electricity Board,
- (ii) The Kerala Financial Corporation,
- (iii) Kerala State Warehousing Corporation, and
- (iv) Kerala State Road Transport Corporation.

A synoptic statement showing the summarised financial position of these Statutory Corporations/ Board as disclosed in their latest available accounts is given in Annexure A—pages 78-79.

#### KERALA STATE ELECTRICITY BOARD

##### 74. Introductory

The accounts of the Board for 1968-69 duly certified together with the Audit Report thereon have been separately forwarded to the State Government (24th September 1969) for being laid before the State Legislature in terms of section 69(5) of the Electricity (Supply) Act, 1948. The accounts for the years 1966-67 to 1968-69 are yet to be presented by Government to the Legislature (January 1970).

##### 75. Working results

The working results of the Board for the last three years are given below:—

	1966-67	1967-68	1968-69
	<i>(In lakhs of rupees)</i>		
Revenue receipts	8,61.59	9,41.65	11,65.13
Revenue expenditure	5,12.10	6,64.98	8,25.64
Net surplus	3,49.49	2,76.67	3,39.49

	1966-67	1967-68	1968-69
	(In lakhs of rupees)		
Appropriation towards General reserve, Reserve for bad and doubtful debts and interest on bonds, loans from Life Insurance Corporation of India etc.	34.46	29.60	42.21
Balance available towards interest on loans from Government	3,15.03	2,47.07	2,97.28
Interest due on loans from Government	4,44.45	5,16.76	5,72.82
Deficit for the year (towards interest due to Government)	1,29.42	2,69.69	2,75.54

The accumulated deficit upto the end of 1968-69 amounted to Rs. 9.82 crores.\*

A sum of Rs. 2.47 crores was paid to Government as interest on loans during 1968-69; the accumulated balance of interest payable to Government as on 31st March 1969 was Rs. 13.30 crores\*.

#### 76. Return on capital

The return on capital invested which declined to 2.47 per cent during 1967-68 from 3.54 per cent during 1966-67 increased to 2.82 per cent during 1968-69. The increase is mainly due to increase in revenue on sale of electricity.

#### 77. Writes-off

During 1968-69 the Board wrote off a sum of Rs. 2,34,161 (including Rs. 2,13,494 being special benefit advance disbursed to members of the staff in 1958-59) in 85 cases of losses due to theft, fire, shortages and waiver.

#### 78. Inadequate recovery of Security Deposits from consumers

According to the orders issued by the Board, security deposits equal to three months' electricity charges subject to a maximum of Rs. 100 in respect of L.T. consumers and Rs. 5,000 in respect of H.T. consumers are to be realised. The security deposits initially obtained from the consumers were not enhanced on the basis of actual electricity charges in many cases. The under-recovery in respect of 1,662 consumers in six revenue billing units alone was Rs. 77,800.

#### 79. Sabarigiri Hydro-electric project

In February 1961, the Board sanctioned the Sabarigiri Hydro-electric project at an estimated cost of Rs. 24.91 crores; the estimated capital outlay was revised to Rs. 36.40 crores in December 1964 and to Rs. 42.83 crores in March 1968 which is yet to be sanctioned by the Board. Work on the Project was commenced in March 1961 and all the six generators were installed and commissioned by November 1967; the total expenditure incurred up to March 1969 amounted to Rs. 38.11 crores. The revisions in the capital outlay were attributed by the Board to increase in:

- (a) the height of Pamba, Kakki and Flanking Dams (Rs. 6.04 crores);
- (b) tonnage of penstock pipes (Rs. 1.01 crores);

\* The interest outstanding as at the end of March 1969 was Rs. 25.92 crores (cf. paragraph 6 of Chapter I) but as per the annual accounts of the Board it was only Rs. 23.12 crores (Rs. 13.30 crores plus Rs. 9.82 crores). The difference is under reconciliation and correspondence.

Has the Second Revised estimate been approved? When?

Has the CRAC approval been given?



- (c) cost of generating sets, transformers and transmission equipments (Rs. 5.34 crores); and  
 (d) the cost of materials and labour.

The interesting points involving extra expenditure, losses, idle equipment etc. noticed in the course of audit of the Project are mentioned below:—

(i) *Supply and transportation of cement etc. at Kakki dam*:—(a) The rate accepted by the Board in October 1962 for the concrete work involved in the construction of Kakki dam included the cost of transportation of cement at the rate of 150 tonnes a day from Kottayam Cement Factory situated about 100 miles away from the site. It was also agreed that in case the contractor had to transport cement in excess of 150 tonnes on any day from factories within 100 miles of the site, payment would be made at a separate rate to be derived later. During October 1964 to March 1966 the contractor for his convenience, brought to site six additional bulk cement carriers and carried cement in excess of 150 tonnes per day from Theni, located at a distance of 82 miles from dam site. This cement was supplied from factories in Tamil Nadu. No separate rate payable for the increase in the tempo of conveyance was derived and a sum of Rs. 2.14 lakhs was paid to the contractor on the basis of the number of hours those carriers remained out of use. This payment made beyond the terms of the contract was not justified.

(b) According to the terms of contract, bulk cement was to be supplied to the contractor normally from silos erected at a specified station; towards additional charges for handling bagged cement the contractor for Kakki dam quoted and the Board accepted a rate of Rs. 55 per tonne. The silos and other equipments for receiving cement in bulk and issuing it likewise to the contractor were not installed and operated from January 1964 when concreting operations on the dam were commenced. They were worked only from September 1964. During the interval the Board issued 32,979 tonnes of bagged cement instead of bulk cement and paid Rs. 18.14 lakhs to the contractor towards handling charges. Based on the estimate rate of Rs. 18.87 per tonne of the Board, the cost of unbagging that quantity of cement only amounts to Rs. 6.22 lakhs. The Board's Engineer stated (October 1968) that on the ground that there was an item in the agreement for payment of handling charges for cement issued in bags, the possibility of unbagging the cement departmentally and issuing it in bulk to the contractor was not explored.

(ii) *Loss resulting from interest free assistance*:—The contractors whose tenders for the works 'construction of Kakki dam' and 'construction of flanking dam for Kakki Reservoir' were accepted, demanded during discussions preceding the award of the contracts, advances for carrying out preliminary works and for purchase of tools and plant required for the works. The demands were accepted and the Board agreed to sell necessary tools and plant on credit in one case and grant of 90 per cent of cost of equipments brought to site in the other and 75 per cent of the cost of preliminary works done in both cases. The assistance so agreed to by the Board did not stipulate recovery of interest on such advances with the result that the claim for interest at 6 per cent preferred belatedly with one of the contractors in August 1965 was rejected. The notice inviting tenders made no provision for the grant of such advances. The total amount advanced by the Board to the two contractors amounted to Rs. 1,15.5 lakhs; the interest foregone (at 6 per cent on the outstanding balances from time to time) worked out to Rs. 10.80 lakhs.

(iii) *Construction of transmission lines*:—Contracts for the construction of 4 transmission lines (approximate cost: Rs. 66.96 lakhs) were awarded (during July-August 1963) to a newly formed company exempting it from payment of security deposit; the works which included fabrication, galvanising, transporting and erection

of towers and stringing lines were to be completed by 1965. The company was, however, unable to carry out the works according to schedule as it lacked experienced workmen, necessary tools and vehicles. During July 1965 to September 1965 alternative arrangements were, therefore, made by the Board at the risk and cost of the company; the extra expenditure incurred by the Board in the completion of these lines amounted to Rs. 27.62 lakhs (Rs. 11.32 lakhs on the 220 kv. line from Moozhiyar to Kalamassery, Rs. 8.74 lakhs on 220 kv. line from Moozhiyar to Madras border, Rs. 7.40 lakhs on 110 kv. line from Kozhikode to Cannanore and Rs. 0.16 lakh on 66 kv. line from Kuravilangad to Mattancherry). Neither has the company's liability on these works been finally assessed by the Board nor has any reimbursement of the extra expenditure incurred been obtained so far (February 1969); civil suits were, however, stated (February 1969) to have been filed against the company to recover the losses.

(iv) *Loss in the transportation of generation station equipments*:—The notice inviting tenders for the work 'Landing, clearance and transport of generation station equipments from Cochin Port to Moozhiyar' indicated the approximate quantity to be handled as 8,000 short tons (of 2,000 lbs.) A condition in the notice was that the weight should on no account be taken to indicate the actual figure for contractual purposes. However, while awarding the work the Board assured (in January 1964) the transport contractor that a minimum total tonnage of 6,400 short tons would be made available for transport though the Board did not have with it any detailed data of the quantity to be transported. The quantity actually transported by him was 5,654.651 short tons; the contractor at the close of the work in August 1965 raised a claim for Rs. 2.24 lakhs towards the short fall of 745.349 short tons in the assured quantity. On the basis of legal opinion obtained, the claim was accepted by the Board and amount paid to the contractor in April 1969.

(v) *Idle equipment*:—(a) Seven sets of air blast circuit breakers (cost: Rs. 8.40 lakhs) and five transformers (cost: Rs. 36.70 lakhs) purchased from foreign suppliers were received between September 1964 and August 1965; these have not so far (November 1969) been put to use for want of certain items of switchgear equipment; the expenditure incurred on their insurance till November 1968 amounted to Rs. 0.46 lakh.

(b) Out of three units ordered in March 1960, two units of Marshall Baxter type crushers (cost : Rs. 1.88 lakhs) were received and erected at the Pamba dam site in November 1962. These were replaced by crushers of another make in July 1964 due to frequent repairs and unsatisfactory working. The third unit (cost: Rs. 0.94 lakh) which was delivered in September 1964, when the department no longer required crushers of that make, has not been erected so far (October 1968). Spares and accessories purchased for that type of crusher between October 1964 and June 1965 at a total cost of Rs. 2.97 lakhs have also remained unused. The third unit when offered to the irrigation department (in July 1967) was not accepted as that department was aware of the poor performance of the machine.

(c) Two hundred and seventy imported stress meters worth Rs. 3.05 lakhs were received during October 1964 to March 1966. These could not be installed in the dams under construction as the strain measuring instruments and other accessories to be obtained from another foreign supplier were not received due to defective indents. Meanwhile the dams in which these instruments were to be installed had been completed. The stress meters procured about 3 to 5 years back still remain unutilised with the Board.

(d) An imported diesel power plant purchased at a cost of Rs. 9.19 lakhs and commissioned in August 1965 for providing uninterrupted power supply during





Company - Hindustan Construction Company -

construction at the Moozhiyar project area generated (upto August 1967) 3.56 lakhs units of electricity which was estimated to cost Rs. 0.21 lakh at 6 paise per unit. The operational expenditure on the plant from August 1965 to March 1968 was Rs. 1.37 lakhs. The plant has not so far (August 1968) been put to use since August 1967; the annual expenditure on the maintenance (including salaries etc. of the operating staff) is estimated at Rs. 12,000.

#### 80. Unauthorised sale of imported equipments meant for letting out on hire and financial aid to contractor

According to the orders of the Board (dated 5th December 1961) tools and plant of indigenous make costing not more than Rs. 15,000 could alone be sold to the contractors of the Board for *bonafide* use in the work. The Chief Engineer (Civil), however, issued (21st December 1961) on outright sale (sale value being cost price plus 10 per cent viz. Rs. 90,652) three imported locos costing Rs. 53,411 and one shovel loader costing Rs. 29,000 to a contractor who was entrusted with the power tunnel work of the Sabarigiri Hydro-electric Project though, according to the agreement, these equipments were to be let out on hire to him. The Chief Engineer's request of June 1962 for ratifying the sale was initially rejected by the Board in September 1962; subsequently, in March 1968 this was, however, ratified by the Board.

According to the terms of contract, the Board could recover Rs. 91,425 as hire charges and still own the imported equipments (depreciated value: Rs. 46,000). The sale of imported equipments for Rs. 90,652 by the Chief Engineer thus resulted in a loss of Rs. 46,800.

#### 81. Kuttiadi Hydro-electric project

Mention was made in paragraph 77 of the Audit Report 1967 of the delay in completion of the project which was taken up for execution in October 1961 at an estimated cost of Rs. 5,18.20 lakhs. The Public Accounts Committee (1967-68) in their Third Report of March 1968, expressing distress over the delay recommended that the Board should take necessary steps for the early completion of this important project (by the end of December 1968 as re-scheduled). The expenditure incurred on the project upto the end of March 1969 amounted to Rs. 6,86.40 lakhs. The project estimate revised by the Chief Engineer in October 1968 for Rs. 8,35.25 lakhs is pending sanction of the Board. The increase in cost was attributed by the Chief Engineer (Civil) (October 1968) mainly to the following:—

	(In lakhs of rupees)
(i) Increase in land compensation charges	10.00
(ii) Increase in quantities due to fault zone in dam foundation and increased cost of cement	79.80
(iii) Increase in rock excavation and introduction of pen-stock tunnels	36.00
(iv) Deeper excavation for power house than anticipated and inclusion of foundation of yard structures etc. omitted in the original estimate	16.50
(v) Increase in cost of generators, transformers etc. due to devaluation	26.00
(vi) Formation of roads with deep cutting and increased rock excavation over steep slopes	29.00
(vii) Increase in electrification and water supply charges and cost of maintenance of colonies due to extended period of construction	38.60
(viii) Increase in cost of operation of departmental machines and concession to work-establishment staff	21.80

The revision of the project estimate will result in enhancing the cost per kw. of installed capacity from Rs. 656 to Rs. 1,060 and in reducing the percentage of revenue return (calculated on the basis of generation cost of 2.7 paise per unit) from 8.04 to 5.50 (taking 3 paise as the current generation cost, as adopted by the Accounts Member of the Board).

The project, which, according to the revised forecast made by the Chief Engineer in October 1968, should have been ready for partial commissioning during the middle of 1969-70 has not been completed so far (August 1969). Civil and electrical works are almost complete, but the main dam remains 45 per cent incomplete. The delay in completing the main dam, besides keeping the entire outlay of Rs. 686.40 lakhs idle involving a loss of interest to the Board at Rs. 3.43 lakhs per month, has the following consequences:—

(i) The generators and turbines supplied by a foreign firm and erected (in April 1969) could not be tested or commissioned (August 1969) and the firm refused to renew the performance guarantee which expired in February 1969. It also warned the Board in January 1969 of possible damages to machinery resulting from the long idling and suggested steps for minimising them. For implementing the suggestions, the Board has to incur an estimated expenditure of Rs. 2,000 per mensem. Besides the Board may also have to incur certain extra expenditure when foreign erectors have to be engaged at a later stage at higher rates for testing and commissioning as and when the dam is completed.

(ii) The insurance cover for generators, turbines, switch gear and transformers would have to be extended till they are commissioned; the expenditure incurred on extending the cover till December 1969 amounted to Rs. 0.54 lakh.

(iii) A sand processing plant costing Rs. 3.68 lakhs (cost: Rs. 3.17 lakhs; erection charges: Rs. 0.51 lakh) is lying idle at the dam site from the date of erection (January 1968). No sand has been processed from the plant so far (July 1969); the Board has spent Rs. 0.21 lakh till the end of June 1969 on pay and allowances etc. of the staff attached to the plant. In addition, sixteen items of machinery costing Rs. 15.19 lakhs are also lying idle at the dam site for over a year.

(iv) An estimated extra expenditure of Rs. 1.55 lakhs incurred on the construction of certain blocks in the dam upto river bed level, using cement concrete *in lieu* of masonry in an attempt to obtain partial storage by expediting work has been rendered unfruitful as the partial storage anticipated was not obtained.

A review of the project conducted by Audit in August 1969 revealed the following further points:—

(a) *Extra payments to contractors:* A. *Main Dam contract:*—(i) In response to a demand made by the contractor for the main dam in June 1966 for higher rates on the allegation that the Board had not made the approach roads available in time and had not ensured uninterrupted power and compressed air supply to him, the Board decided in March 1967 to pay him after termination of the contract, higher rates for the balance works on the basis of a fresh negotiated contract effective from 22nd October 1966, viz. the scheduled date of completion as per the original agreement. This payment which was not legally tenable involved an estimated extra financial commitment of Rs. 14.52 lakhs to the Board; actual extra expenditure on quantities paid for till June 1969, however, amounted to Rs. 0.85 lakh.

(ii) The original agreement executed in April 1964 for the main dam work provided for installation by the Board of a ten ton cable-way at the dam site for conveyance of construction materials and in the case of delay in commissioning the





cable-way the contractor was to be compensated by payment of an extra rate of Rs. 16 per unit of masonry or concrete laid due to increased cost of handling of materials. The erection of the cable-way was abandoned on grounds of economy and subsequently the contract was terminated as mentioned in para (i) above. Even after the earlier contract had been terminated, the stipulation regarding installation of cable-way and payment of the extra rate of Rs. 16 per unit of masonry/concrete done without use of cable-way was nevertheless included in the new negotiated agreement executed in July 1967, even though both parties to the contract had already known by October 1965 itself that the cable-way would not be installed. As the rates under the new agreement were based on negotiation, inclusion of this stipulation resulted in an additional financial commitment of Rs. 4.60 lakhs; actual expenditure on quantities paid for till August 1969, however, amounted to Rs. 0.49 lakh. It was further observed in audit that the correspondence of negotiations with the contractor and the Board's deliberations did not take into account this condition regarding the extra rate of Rs. 16 per unit.

B. *Contract for Track cutting for pen stock routes*:—The agreement executed by the contractor provided for (i) blasting and removing 60,000 cubic metres of sheet rock and boulders at Rs. 9.50 per cubic metre and (ii) hire of departmental compressors to the contractor at specified rates. The agreement, however, did not specify the mode of drilling to be adopted. On account of the Board's failure to supply air compressors, the contractor executed 33,433.6 cubic metres of work by hand drilling for which he was paid a higher rate of Rs. 11.35 per cubic metre by the Board involving an extra payment of Rs. 0.62 lakh. It was observed (i) that under the agreement the contractor had the option to use his own compressors without claiming any extra charges and (ii) that no specific instruction was issued to the contractor to resort to hand drilling.

C. *Construction of power tunnel and surge shaft*:—(a) With a view to preventing blocking of the surge shaft by falling boulders due to land slides, the design of the surge shaft was changed during construction from the 'open-to-air' vertical type to 'closed' underground type with a horizontal adit opening on the side of the ridge. Even though the quoted rates of the contractor were to hold good irrespective of any variation in quantities, shape or position of the tunnel or the surge shaft, the contractor claimed and was paid higher rates for the surge shaft, resulting in an extra expenditure of Rs. 0.97 lakh.

(b) *Defective arrangement of works*:—(i) The work of open cut excavation at tunnel exit entrusted to a contractor in November 1963 was terminated in May 1964 due to the presence of a dyke formation which necessitated expert geological scrutiny. After the geologist's inspection in September 1964, the work was entrusted to another contractor (entrusted with the work of driving power tunnel) at his quoted rates for inlet excavation which formed part of his contract, in spite of the fact that the estimated and quoted rates for exit excavation were less than those for inlet excavation and that inlet excavation was more difficult and involved additional extra leads and lifts. Computed with reference to the difference between the two estimated rates on quantities actually executed the estimated extra expenditure on this account amounted to Rs. 2.26 lakhs.

(ii) The work of levelling site for power house was entrusted to a contractor in June 1964 at his tendered amount of Rs. 3.53 lakhs and was to be completed within a period of one year. During the currency of this agreement, part of the site levelling work and removal of over burden near power house was entrusted to another contractor doing work on the power house, at higher rates resulting in an extra expenditure of Rs. 0.44 lakh.

c) *Defective contracts*:—(i) Negotiations for finalisation of the terms of the revised agreement with the contractor for the main dam were conducted on the basis that the contractor would forego his claims for compensation amounting to Rs. 5.37 lakhs while the Board, on its part, agreed to waive penal action for delay in completion of work as per the old agreement. The Chief Engineer, however, failed to incorporate in the new agreement the stipulation regarding relinquishment of the claim for compensation. The contractor after execution of the new agreement, reiterated his claim under the old agreement and ultimately stopped work in June 1968. The contract was finally terminated by the Board in October 1968; the works are yet to be completed (August 1969).

(ii) The standard agreement conditions provide for return by contractors of all empty cement bags and in the event of non-return for recovery at Re. 1 per bag, a reduced rate of Re. 0.25 being applicable to a maximum of 10 per cent of such bags utilised on the work. Omission to include such a condition in the contract for Power House building resulted in non-recovery of Rs. 41,450 representing the cost of 44,811 bags supplied by the Board but not returned by the contractor.

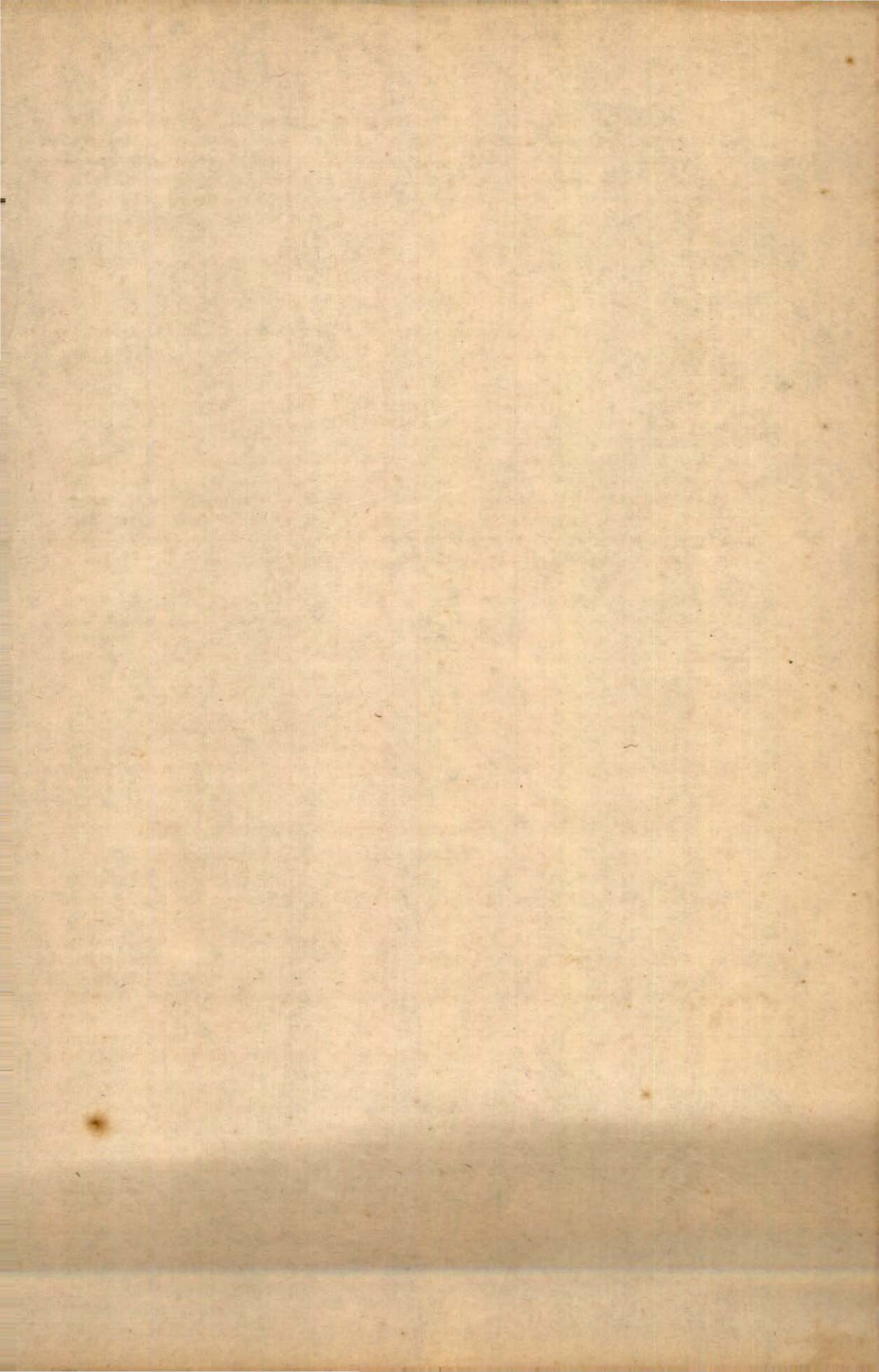
(iii) According to the approved drawing of the cross section of the power tunnel, the floor was to be formed with a slight slope from sides to centre and with a uniform 5" thick lining. The flooring was, however, formed without any slope and lining had to be done to an extra thickness of 3" at sides to provide the required slope. The contractor also executed blasting beyond the 'Pay line' indicated in the drawing. Payment for blasting and lining was initially made by the Board on the basis of the approved drawing of the tunnel cross section, ignoring blasting and lining done beyond the 'Pay line' as per agreement condition. On contractor's making a demand for payment for the extra blasting and lining on the ground that the specification in the agreement indicated the thickness of floor lining as 8" at sides and 5" at centre, the Chief Engineer authorised the extra payment amounting to Rs. 0.13 lakh in May 1969 even though the Superintending Engineer reported in May 1967 that in such cases of discrepancy between agreement specifications and drawings, field officers should follow only the drawings.

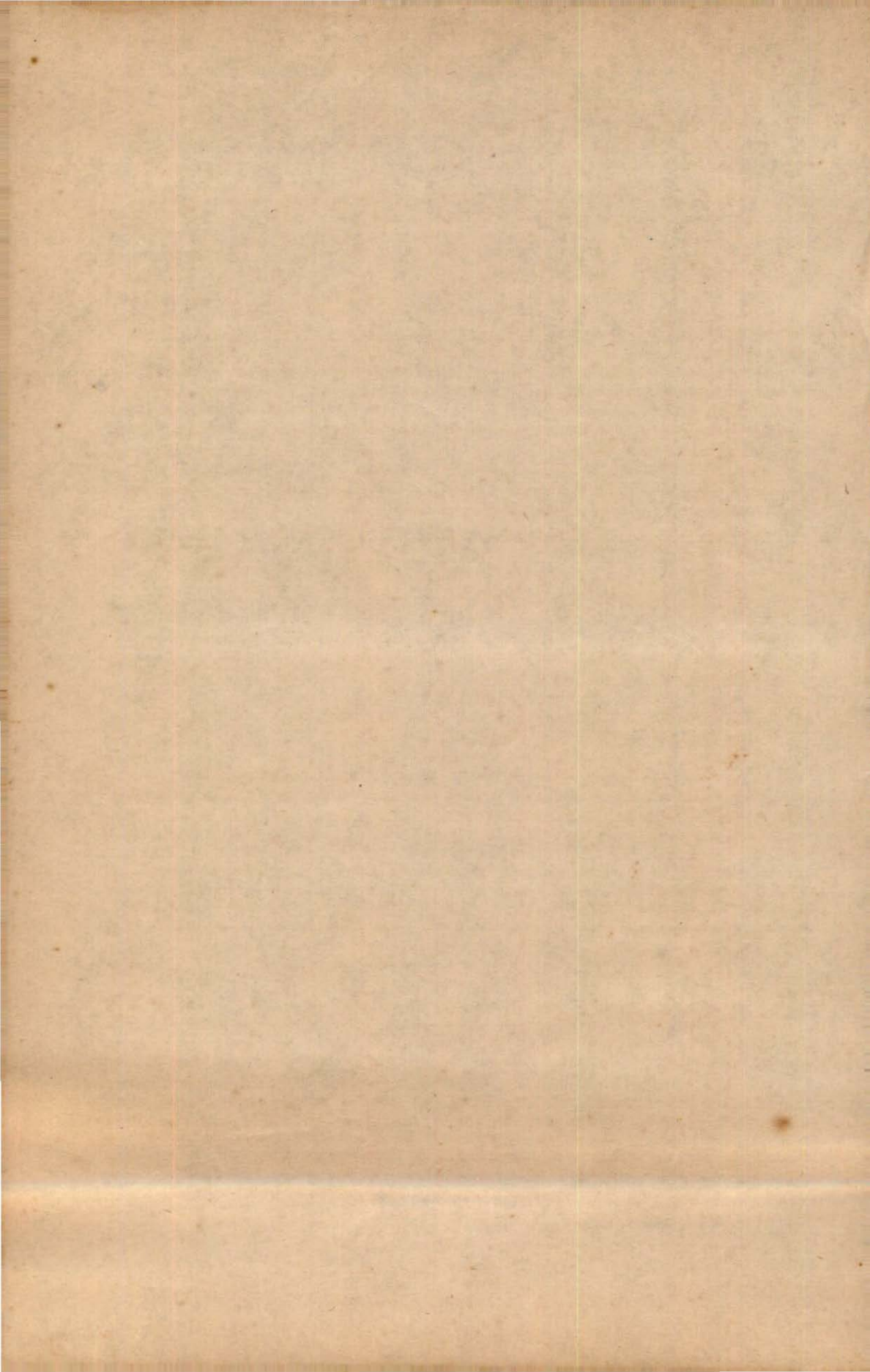
(d) *Aid to contractors*:—(i) The contractor for the main dam was granted advances (Rs. 0.85 lakh on 8 per cent interest; Rs. 1.46 lakhs without interest) on the security of enabling works done and sand collected and stacked by him even though the agreement did not contemplate payment of such advances. The grant of advance on perishable materials like sand contrary to the provisions of the codes was justified by the Board on the ground that sand properly stored and stacked could be regarded as non-perishable.

(ii) The original agreement executed by the contractor for the main dam provided for recovery of unreturned empty cement bags at Re. 1 per bag, a reduced rate of Re. 0.25 being applied to a maximum of 10 per cent of the bags if used for *bonafide* works. After termination of the original agreement and execution of a revised agreement with higher rates in July 1967 the Chief Engineer, at the request of the contractor, permitted in August 1967 recovery at Re. 0.25 per bag provisionally for all bags reported to have been used on the work and authorised application of the limit of 10 per cent to the total number of bags issued under the two agreements taken together. These orders of the Chief Engineer resulted in postponing recovery of 75 per cent of cost of 63,200 bags (amount : Rs. 0.47 lakh).

(iii) Tender schedules and specifications in the agreement for construction of power tunnel and surge shaft stipulated (a) that no adit would be provided for tunnel work (b) that driving was to be done from inlet and exit faces only (c) that the cost of disposing excavated spoils should be included in the unit price bid by the tenderer and (d) that, inlet of the tunnel being in the dam area, work should be done in close co-operation with the dam contractor. Immediately after award







of the contract, the power tunnel contractor was entrusted with driving a 94' long adit tunnel near the inlet at a cost of Rs. 0.53 lakh so as "to avoid fouling of dam works and for providing access to tunnel work proper", thereby vitiating the tender conditions and extending an extra contractual aid to the contractor.

## 82. Contract for tail race tunnel and channel work

According to the practice introduced by the Board in July 1966, security deposits were recoverable from the contractors at 10 per cent on the first Rs. 5 lakhs, 7½ per cent on the next Rs. 5 lakhs and at 5 per cent on the balance amount of contract. However, in the tender notice issued by the Chief Engineer (Civil) in November 1966 for the construction of tail race tunnel and channel for the Idikki Hydro-electric project, security deposit specified was 10 per cent subject to a maximum of 8 per cent of the probable amount of contract. The work was awarded to the second lowest tenderer at his quoted rates for Rs. 58.36 lakhs subject to the special conditions mentioned in his tender being withdrawn. The tenderer complied but requested the Board in September 1967 to recover security at the rates introduced in July 1966. The Board accepted the request with the modification that 9 per cent interest will be charged in the shortfall in security deposit. The modification was not acceptable to the tenderer. On retender (March 1968) the extra commitment to the Board amounted to Rs. 10.88 lakhs.

The Chief Engineer (Civil) admitting oversight in specifying the rate of security in the tender notice stated that the tenderer had in January 1968 asked for 9.96 per cent increase over his quoted rates and this necessitated retender. It was observed in audit that the request for enhanced rates was on account of the Board's entertaining similar request on the same grounds for another work, tenders for which were opened in September 1967. As the tenders for the tail race tunnel and channel work were opened earlier in April 1967 the contract could have been settled but for the oversight in specifying the appropriate security.

## 83. Excavation, rock bolting and roof guniting of the underground power house at Idikki Hydro-electric project

(i) In response to a tender enquiry issued by the Board in July 1967 for the work, 5 offers were received. The rates quoted were firm for three months from 20th September 1967. There was, however, delay in finalising the tenders within the period of validity; the lowest tenderer, whose offer was being considered, agreed on 22nd December 1967 at the instance of the Board, to keep the offer open for another 3 months subject to an enhancement being allowed by 8 per cent over the rates originally tendered by him. Even after the enhancement this offer was the lowest. The work was awarded to him in April 1968 for Rs. 65.84 lakhs. The non-finalisation of the tender within the validity period resulted in an extra cost of about Rs. 4.88 lakhs to the Board on this work. The Board stated (March 1969) that the award of the contract could not be finalised before the expiry period owing to unfortunate delays in the office of the Chief Engineer (Civil).

(ii) The tender for the work stipulated that the Board would hire out to the contractor sufficient number of air compressors and also arrange for departmental supply of compressed air on recovery of hire charges at Rs. 570 per day of 8 hours working of each compressor. It was also stipulated that the contractor was bound to use the compressed air supplied by the Board and that offers by tenderers to use their own compressors would not be considered. However, contrary to these tender conditions and in contravention of its own standing orders (issued in December 1961) prohibiting sales of imported plant and machinery, in August 1968 the Board on demand by the contractor sold to him two imported air compressors at depreciated value (tentatively fixed at Rs. 1.18 lakhs). This resulted in a

financial benefit of Rs. 7.78 lakhs to the contractor (representing hire charges for 18 months of 25 days each at Rs. 570 per day less estimated operation charges of compressor at Rs. 137.60 per day), which, but for the sale, the Board could have recovered from the contractor towards its receipts and yet owned the two compressors.

(iii) Formal selection notice to the contractor requiring him to execute agreement was issued only on 23rd July 1968. The contractor executed agreement on 1st August 1968 and commenced work on 8th August 1968. In the meantime the Board had to make its own arrangements for dewatering and lighting the "access tunnel to the power house" (completed under another contract on 25th December 1967) from 25th December 1967 to 7th August 1968 at a cost of Rs. 31,768.

(iv) For the item of work "excavating the horizontal portion of penstock, tail race and other auxiliary tunnels and depositing the muck at the switchyard" a rate of Rs. 810 for ten cubic metres was provided in the agreement with a contractor. During actual execution the contractor was required to deposit the muck at a dumpyard which was nearer by two kilometres. In terms of the contract, recovery for the distance short covered was to be worked out on the basis of the departmental schedule of rates for the difference in labour involved; this worked out to Rs. 79.45 for ten cubic metres. Recovery was, however, made from the contractor at Rs. 21.60 for ten cubic metres on the basis of rates agreed to by him for another item of work. The extra payment to the contractor on 6,873 cubic metres of muck short conveyed to end of July 1969 amounted to Rs. 39,760.

#### **84. Financial aid to contractor**

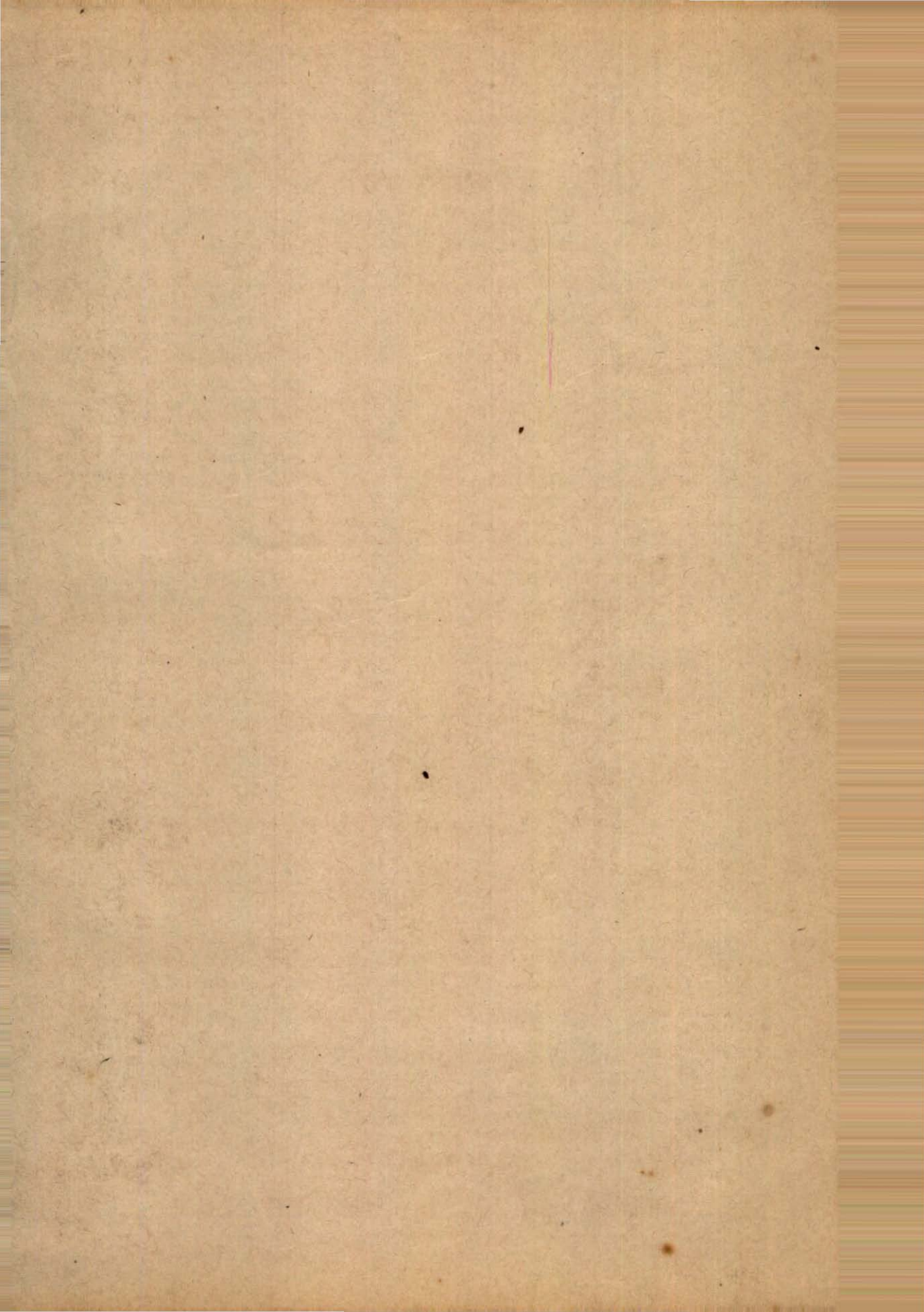
The contract for the construction of a masonry high dam of the Idikki Hydro-electric project at Kulamavu (probable amount of contract: Rs. 2,41.23 lakhs) entered into by the Board with a contractor in December 1965 provided for deduction of retention money at 10 per cent of all payments to the contractor, the total deduction for the work being limited to 8 per cent after adding security deposit of 1 per cent. Until the work was completed, the responsibility for the structure and works was to remain with the contractor and the retention money was not to be released to him. On representations from the contractor, the Board limited (December 1967) the retention money to Rs. one lakh in addition to the security deposit, and refunded Rs. 5.01 lakhs and Rs. 0.43 lakh in January 1968 and March 1968 respectively towards retention money withheld in excess of the limit.

The value of work done by the contractor and paid for till March 1969 was Rs. 108.85 lakhs. As against Rs. 10.88 lakhs that should have been held as retention money in terms of the contract, the retention money actually held by the Board was only Rs. one lakh in addition to Rs. 2.42 lakhs held by way of security deposit. The relaxation of the provisions of the agreement in this case resulted in undue financial aid to the contractor.

#### **85. Non-availing of concessional rate of customs duty due to delay in registration/non-registration of project contracts.**

According to the Project Imports (Registration of contracts) Regulations, 1965, imports relating to projects are entitled to concessional rates of customs duty provided such contracts are registered with the customs authorities.

Though the concession in payment of customs duty was available from 11th September 1965, the contracts for import of materials for Idikki Hydro-electric project finalised till May 1968 were not registered by the Board with the Customs authorities; the contracts entered into in September 1964 for imports for the





Kuttiadi Hydro-electric project were not also registered. The delay in registration in the former case and the failure of the Board to register the latter case thus resulted in excess payment of customs duty amounting to Rs. 3.85 lakhs on imported materials (14 items) costing Rs. 14.14 lakhs received between May 1966 and October 1967.

The Chief Engineer (Civil) stated (June 1969) that the Board was not aware of the Project Imports (Registration of contracts) Regulations, 1965 and that the contract for Idikki Hydro-electric project was registered with the Customs authorities as soon as it came to know of the regulations.

### **86. Loss due to delay in claiming refund of customs duty**

(i) The Board received a consignment of parts and accessories of a power transformer in October 1965 and paid customs duty on the invoice amount which included the value of a spare lightning arrester and oil test cage not actually received. Customs duty (Rs. 24,400) was, however, again paid on (the value of) these items received in subsequent shipments in December 1965; this resulted in excess payment of customs duty of Rs. 24,400. Claim for refund of the excess payment preferred with the Principal Appraiser in September 1966 and appeal preferred with the Collector of Customs in June 1967 were rejected as time-barred (March 1967 and July 1967).

(ii) In April 1966 the Board imported from U. S. A. four radial gates and hoists valued at \$1.89 lakhs. Customs duty was payable on radial gates at 75 per cent of the landed cost plus Rs.75 per metric tonne and on hoists at 45 per cent of the landed cost. As break-up of the value of the hoists and radial gates (which was available with the Board) was not furnished to the customs authorities, the Board had initially to pay duty for the hoists (and accessories) at the higher rate applicable to radial gates; this resulted in excess payment of customs duty of Rs. 2.99 lakhs. Claim preferred by the Board (February 1968) for refund of the excess duty paid was rejected by the customs authorities in April 1968 as time-barred. A revision petition filed (December 1968) with the Government of India was also rejected (January 1969) for the reason that no explanation for delay in preferring the claim within the statutory period was tendered.

### **87. Rural Electrification Works**

*Non-revision of minimum guaranteed energy charges:*—For rural electrification works undertaken by the Board, the users are required to execute agreements with the Board for the payment of energy charges subject to an annual minimum amount specified in the agreement fixed with reference to the estimated cost of the works (including 10 per cent establishment charges). This minimum amount is liable to revision on the basis of actual cost of work on completion.

It was observed in audit that in the case of 94 minimum guarantee agreements executed in 5 Divisions from December 1961 onwards, the actual cost of works had exceeded the estimated cost, but action to revise the minimum guarantee amounts payable by the users had not been taken by the Board (March 1969). The approximate amount of revenue not realised in these 94 cases is estimated (in audit) at Rs. 33,200 per annum.

### **88. Fixation of grid tariff effective from 1st April 1968**

The Kerala State Electricity Board (Grid Tariff) Regulations 1966 which came into force in October 1967 provided that the tariff for power supplied to licensees shall be so framed as to include all costs of generation, purchase and transmission of power to the licensees etc. and also all other expenses incurred by the Board in

implementation and performance of the general duty imposed on it under the Electricity (Supply) Act, 1948 of promoting the co-ordinated development in an economical manner. The grid tariff for power supplied to licensees with effect from 1st April 1968 was, however, fixed by the Board in December 1967 on the basis of proposals made by the Chief Engineer in December 1966 with reference to cost of production for 1965-66 (5.784 paise per unit) and not with reference to the latest cost of generation, transmission and distribution for 1966-67 (7.4311 paise per unit) available with it in October 1967. The difference in such cost for 818.98 lakhs units of energy supplied to licensees during 1968-69 itself amounted to Rs. 5.27 lakhs.

#### **89. Non-recovery of amount in compliance with statutory directions issued by Government**

The agreement entered into by the Board with a contractor for transporting materials during May 1958 to March 1959 provided levy of penalty upon him at 1 per cent per diem of the value of materials not delivered at the respective destinations within the due date specified by the officer directing the transport. Rs. 5,18,478 were recoverable from the contractor as penalty for delays in transport during the period of contract; this was not realised.

In November 1964 Government, in consultation with their Law Department, issued directions to the Board in public interest under Rule 69 of the Kerala State Electricity Board Rules 1957 to initiate civil action against the contractor for recovery of the penalty due and in case the amount could not be recovered from the contractor on grounds of limitation of time, to pursue recovery from the officers concerned for failure to effect timely recovery.

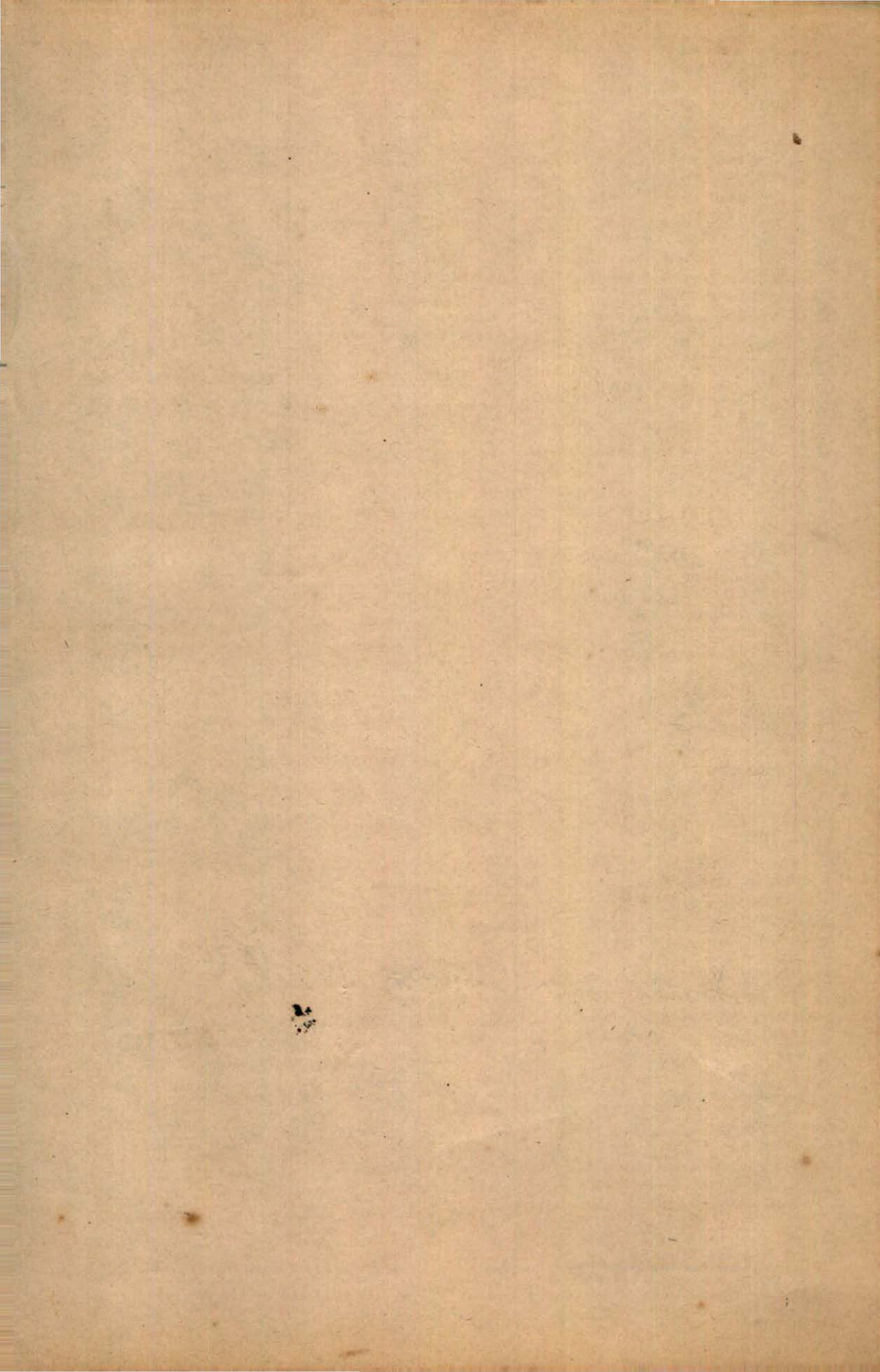
After a lapse of 3 years the Board decided in February 1968 to initiate civil action against the contractor, but could not proceed further as the relevant original files were reported missing. The Board then decided (June 1968) to blacklist the contractor, but did not pursue any action for recovery of the amount from the officers responsible.

#### **90. Extra expenditure on purchase of bulbs**

The Board invited tenders (December 1967) for supply of electric bulbs (25, 40, 60 and 100 watts). The offer of a local firm (which had not previously made supplies to the Board) was not recommended by the Chief Engineer (April 1968) as the rates were high even after allowing 5 per cent price preference admissible to local industries. The Board after negotiation with the local firm, however, sanctioned (July 1968) purchase of the entire requirements (5 lakhs bulbs costing Rs. 6.90 lakhs) from it at rates quoted by the third lowest tenderer in respect of 25 and 40 watts and fourth lowest tenderer in respect of 60 and 100 watts bulbs. Computed with reference to the rates offered by the lowest acceptable tenderer in each case, purchase of bulbs from the local firm resulted in an extra expenditure of Rs. 33,140 (after taking into account difference in sales tax and 5 per cent allowance for price preference admissible to the local firm).

It was further observed that neither the test certificates were submitted by the firm nor the bulbs were tested for their quality by the Board before sanctioning the purchase. The Board, however, stated (January 1969) that the quality of the bulbs was equal to that of reputed firms. It was, however, noticed in audit that according to the tests conducted by the Board in July 1968 (before placing the order in August 1968 but after the sanction of the purchase) the bulbs of 25 and 60 watts stood the





Discussed on 1st ~~July~~ June 1970

test only for 240 hours and 920 hours respectively as against the normal estimated 1,000 hours.

### **91. Irregular payment of allowance to staff**

The investigation work of the Idikki Hydro-electric project which was being attended to by the Central Water and Power Commission was taken over by the Board with effect from 1st April 1961 along with the investigation staff (30 in number) who were ordered (by the Board) to be paid pay and allowances at the same rates admissible to them under the Commission. In May 1966, the Board issued orders for absorption of these staff under appropriate cadres and grades in its service with effect from 1st April 1961, but allowed benefit of arrears of pay and allowances with effect from 8th April 1965 only. However, in implementing the orders of the Board the various divisions disbursed about Rs. 69,500 during September 1966 to January 1967 as arrears of house rent, dearness allowance and special project allowance for the period 1st April 1961 to 7th April 1965 to the staff; the payments have neither been approved by the Board nor recovered so far (July 1969).

### **92. Payment of house rent allowance to employees provided with free quarters**

In terms of a settlement reached between the Board and the executive employees' union in December 1966 and Arbitration award of March 1967, the Board sanctioned (December 1966, May 1967 and July 1967) with effect from December 1966 payment of house rent allowance at Rs. 7 per mensem and Rs. 10 per mensem to its executive and non-gazetted ministerial staff respectively who are not provided with free quarters. These benefits were also subsequently extended by the Board (September 1967, October 1967 and May 1968) with retrospective effect from December 1966 to the executive and non-gazetted ministerial staff provided with free quarters.

The payment of house rent allowance to the employees of the Board provided with free quarters lacked justification; the recurring extra expenditure to the Board on this account amounted to Rs. 62,700 (approximately) per annum.

The matter was taken up with the Board in October 1967 and December 1968; reply is still awaited (February 1970).

## **KERALA STATE ROAD TRANSPORT CORPORATION**

### **93. Extra expenditure on additional operating crew**

The normal hours of work for a motor transport worker is fixed as 8 hours a day and 48 hours a week; half an hour each has to be allowed for sign on, sign off and interval (section 13 of the Motor Transport Workers Act). On this basis, the operating crew should have a minimum of 6½ hours of steering duty in a spread over time of 8 hours a day. The duty schedules drawn up during the year 1968-69 in 10 districts were, however, short of the statutory minimum of 6½ hours of steering duty a day and this necessitated the engagement of 2,052 sets of additional crew (conductor and driver) involving an estimated extra expenditure of Rs. 10.40 lakhs.

## SECTION—III

## GOVERNMENT COMPANIES

94. The number of Government companies at the end of March 1969 was 24, 13 wholly owned by the State Government and 11 partly owned.

(i) *Wholly owned State Government companies*:—Handicrafts Development Corporation of Kerala Private Limited is a new company added to this category during the year under review. The first accounts of this company and the accounts of Kerala State Small Industries Corporation Limited for 1968-69 were not made available to audit (January 1970). Of the remaining eleven companies, three companies with a paid up capital of Rs. 4.73 crores earned a profit of Rs. 18.27 lakhs. The net loss suffered by the other eight companies with a paid up capital of Rs. 7.00 crores was Rs. 73.97 lakhs.

(ii) *Partly owned State Government companies*:—There were ten partly owned State Government companies at the beginning of the year 1968-69. One company viz., Kerala Spinners Limited ceased to be a Government company in March 1969 (majority of its equity shares having been sold out to a private firm) and two new companies viz., (i) Kerala Agro-Industries Corporation Limited (partly owned by State Government and partly by Central Government) and (ii) Kerala Handloom Finance Corporation Limited were subsequently added to this category. Kerala Water Transport Corporation in which Government's investment amounted to Rs. 18.61 lakhs went into liquidation on 20th March 1965. Of the remaining ten companies, seven with a paid up capital of Rs. 7.15 crores earned profits amounting to Rs. 89.18 lakhs, two with a paid up capital of Rs. 70.88 lakhs incurred a loss of Rs. 14.33 lakhs, while one company capitalised the entire expenditure (Rs. 494).

A statement showing the summarised financial results of the companies as disclosed in their latest available accounts is given in Annexure B—pages 78-83.

## KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

95. (i) *Introductory*:— The Kerala State Industrial Development Corporation Limited was incorporated on 21st July 1961 as a private limited company (fully owned by Government) with the object of organising, stimulating and assisting industrial development in Kerala. The authorised capital of the company is Rs. 5 crores; the issued and paid up capital as on 31st March 1969 was Rs. 4.15 crores. The borrowings of the company excluding application money (Rs. 20 lakhs) on bonds issued during 1968-69 (Rs. 50 lakhs) stood at Rs. 88.08 lakhs on 31st March 1969.

(ii) *Working results*:—The company worked at a profit from 1962-63 onwards. The accumulated net profits (after providing for taxation) earned upto 31st March 1969 amounted to Rs. 24.47 lakhs, the net profits for the three years ending 1968-69 being Rs. 4.63 lakhs, Rs. 4.56 lakhs and Rs. 5.59 lakhs respectively. The company has, however, not so far declared any dividend (November 1969).

(iii) *Review of operations*:—The financial assistance rendered by the company was in the form of share participation, underwriting, loans and deferred payment guarantees.

(a) *Investments*:—The investments at cost as on 31st March 1969 amounted to Rs. 2.85 crores in 26 industrial concerns.

— delib at c/21

①

Companies Promoted by the KSIDC - Investments as at end of 31.3.68.

Packaging Paper Corpn.	1.44 lakhs	
Transformers & Electricals Kerala Ltd.	33.45 "	
Toshiba Anand	25.00.	
Bharat Tyres & Rubber Co.	0.55.	
Kerala Spinners.	11.33	
	<hr/>	no dividend
	71.77.	held at all.

②

Position as at end of 30.9.69 - page c/171. - latest position.

③ Details of fully Secured & Unsecured loans = page c. 203.

④ Details of deferred payment grants = page c. 205.

⑤ Case of Pt. Harrison Mills (Private) Ltd. = latent position =  
- due up to 31.3.70 = 6,92,557 -

⑥ grants Concessions & interest - from Amritsar Sanctioned =  
Rs 32.35 - 12.35. share  
relates to loan

⑦ Advances to Subsidiaries = Silt fees of di. testas, & other items  
expenses = 9/63 =

⑧ Board meeting 29.6.67 - c. 1/61/c.

The company received dividend of Rs. 8.07 lakhs during the years 1963-64 to 1968-69. No dividend has so far (November 1969) been received from the 5 concerns promoted by the company (investment being Rs. 71.77 lakhs). (1)

(b) *Underwriting contracts*:—Against shares worth Rs. 1,47.85 lakhs underwritten by the company in 14 concerns upto 31st March 1969, shares of the value of Rs. 1,26.65 lakhs were eventually purchased by the company in 13 cases.

(c) *Loans*:—Upto 31st March 1969, the company sanctioned loan assistance of Rs. 2,16.65 lakhs to 14 concerns. Out of Rs. 2,03.02 lakhs disbursed upto that date, loans amounting only to Rs. 1,45.45 lakhs were fully secured; in three cases loans amounting to Rs. 40.41 lakhs were unsecured due to inadequacy of securities and in another three cases of loans amounting to Rs. 17.16 lakhs no mortgage deeds had been executed. As on 31st March 1969 Rs. 80.11 lakhs (including interest of Rs. 33.45 lakhs) fell due for recovery of which Rs. 15.03 lakhs (including interest of Rs. 4.35 lakhs) are still outstanding (September 1969). (2)

(d) *Deferred payment guarantees*:—The company has furnished guarantee assistance to the extent of Rs. 2,10.16 lakhs in respect of 10 concerns. Out of this, Rs. 1,67.58 lakhs in respect of 9 concerns are outstanding on 31st March 1969. Guarantee deed in one case involving Rs. 7.80 lakhs is pending execution for the last three years (November 1969). Guarantee commission and interest due on the outstanding guarantees amounted to Rs. 1.59 lakhs, of which Rs. 1.15 lakhs are outstanding for more than 6 months (March 1969). (3)

According to the terms and conditions of the guarantee, the defaulted instalments and other charges paid by company on behalf of the principal debtors are to be treated as loans advanced to the latter. The total amount treated as loan to 6 defaulted concerns till 31st March 1969 is Rs. 16.37 lakhs. (4)

(iv) *Advances to subsidiaries*:—Rs. 17,996.83 paid by the company towards expenses connected with the functioning of a subsidiary concern incorporated in June 1962 have not so far been realised. The company has considered this amount as doubtful of realisation. (5)

(v) *Investments of the Company in the share capital of concerns*:—

(a) The company invested Rs. 18.31 lakhs upto December 1963 in the share capital of M/s. Seshasayee Wire Ropes (total paid up capital being Rs. 49.99 lakhs); loan of Rs. 20 lakhs, repayable in ten annual instalments commencing from two years after the date of disbursement, was also sanctioned in June 1967 to the concern for its working capital against which Rs. 12 lakhs were disbursed during August-October 1967. The concern declared 'lay off' since July 1968 due to financial difficulties and recommenced operations with a change in management from September 1969. As the fixed assets of the concern (Rs. 76.77 lakhs revalued at Rs. 1,02.45 lakhs) already stand mortgaged to the State Bank of Travancore for a loan of Rs. 40.58 lakhs availed by the concern, the company has no adequate security for the loan sanctioned and disbursed against a second charge. The mortgage deed has not so far been executed by the concern (August 1969). The concern has also neither paid the interest (Rs. 1.95 lakhs) nor the commitment charges (Rs. 11,704) due till 30th June 1969 on the unavailed portion of the loan. The accumulated losses of the concern upto 31st March 1968 amounted to Rs. 32.68 lakhs without taking into account depreciation charges of Rs. 9.24 lakhs. (6)

(b) The Packaging Paper Corporation, a private limited concern incorporated on 29th June 1962 for manufacturing paper of every description became a subsidiary of the company on 24th July 1963. The total investment in the share capital of the subsidiary stood at Rs. 1.44 lakhs (paid up capital being Rs. 1.75

lakhs). The subsidiary has not so far (November 1969) set up the factory and its efforts to secure technical and financial collaboration from abroad have also not proved successful.

(c) The company invested in November 1963 Rs. 5,000 in the share capital of M/s. Bharat Tyre and Tube Company. The industrial licence granted to the concern was revoked in 1967. Government intimated (November 1969) that the concern would be wound up as early as possible.

#### 96. Financial assistance to a Textile Mill

The Corporation, sanctioned in January 1967 a financial assistance of Rs. 51.30 lakhs (Rs. 33 lakhs as loan and Rs. 18.30 lakhs as deferred payment guarantee) to a company (Malabar Spinning and Weaving Company Limited) for completing its expansion and modernisation scheme estimated to cost Rs.57.37 lakhs and to enable it to discharge its immediate liabilities estimated at Rs. 11.30 lakhs. The loan and guarantee were to be secured by a second charge on the fixed assets of the company and a personal guarantee by the Chairman of the company, as the assets (valued at Rs. 39 lakhs) were already mortgaged to the Kerala Financial Corporation for a loan of Rs. 19.25 lakhs advanced by it to the company in 1966 for the same expansion and modernisation scheme (then estimated to cost Rs. 54.22 lakhs). During February 1967 to December 1968 the Corporation disbursed to the company Rs. 26.38 lakhs as loan and also issued (as decided in February 1968) to the company's bankers a guarantee (by way of additional security against textile stock) for a sum of Rs. 15 lakhs required for working capital.

According to the Corporation's "terms and conditions for assistance" ordinarily a loan may be sanctioned if it does not exceed 50 per cent of the value of assets offered as security. The Corporation stated (April 1969) that it was aware of the inadequacy of the security against which the loan was sanctioned even at the time of considering the application of the company for financial assistance and still the loan was granted as a special case in the light of the recommendations made by Government in January 1967. Government endorsed the views of the Corporation (October 1969).

The Chairman of the company withdrew his offer of personal guarantee (November 1967) when the Corporation had already disbursed loans for Rs. 20 lakhs and it was accepted by the Corporation in April 1968. The value of the assets of the company mortgaged to the Corporation (as second charge) was Rs. 39 lakhs. The expansion and modernisation scheme was not further implemented by the company except for the acquisition and installation of 4,000 new spindles (costing less than Rs. 4 lakhs). The assessment of company's liabilities by the Corporation in January 1967 (Rs. 11.30 lakhs) proved to be incorrect and the Corporation continued to disburse loans for meeting the additional liabilities of the company and without reference to the purposes for which the loan was initially sanctioned. A major portion of the loan assistance granted (Rs. 26.38 lakhs) was lost during the two years 1967 and 1968 when the company had against a share capital of Rs. 12 lakhs already incurred heavy losses (Rs. 25.19 lakhs) in working. The accumulated losses of the company as on 31st December 1968 were Rs. 51.42 lakhs and the company was laid off with effect from 28th February 1969. Quite apart from the guarantee assistance of Rs. 15 lakhs, the total amount payable by the company to the Corporation as at the end of June 1969 was Rs. 30.56 lakhs (loan: Rs. 26.38 lakhs; interest on loan: Rs. 3.80 lakhs and guarantee commission: Rs. 0.38 lakh). The company defaulted in repayment of instalments of loan and interest of about Rs. 5 lakhs (March 1969) to the Kerala Financial Corporation



From the time that financial assistance has sanctioned first by the Board in Nov. 1965 there has a continuous whittling down and relaxation of conditions and grant of fresh assistance

33rd meeting. 27.11.65 - relaxations made =  
42nd . . . . 11.1.67. - Subcommittees' recommendations.  
43rd . . . . 5.4.67.  
46th . . . . 29.8.67 = Relaxation. - spares, stores & accessories excluded;  
49th . . . . 29.12.67 = Withdrew personal guarantee =

Board resolved to "watch developments"  
Sr: Chelliaraven offered to handle or to manage!

57th. 27.6.68 2 yrs. or 5 lakhs from Bank so that complete cash grant further guarantee =  
57th. 1.4.69. 15 lakhs grant is self was again renewed

Request made for working interest and guarantee committee =

Land off. a 28.2.69. Board noted the petition =

New scheme to be available =

Tiskeris Camp =

all kinds of luxuries -

(1) Poor season -

(2) Low public power in

Annual Round = Why there were  
bilateral in 52?

one for two camp?  
with private  
mule is  
furniture

calves one 55 kg.  
+ 140 g sheep

Less apr. 1969-70: 81. 71. later - 76.3% Produs capital -  
Fleet strength: 21 Bore.

At present (69-70)

- Ice cream factory plants
1. Calicut
  2. Cochin.
  3. Cannanur
  4. Alappuzha.
  5. Nendalloor

- Ice plants
- 1) Bikaner
  - 2) Udaipur
  - 3) Tanor
  - 4) Kanyakulam
  5. Bikaner
  6. Theloor
  - 7) Vignitoo

- Best birds
- 1) Berypur
  2. Agrakul
  - 3) Sakthikulangam
  5. Comman
  6. Vignitoo
- Best department

Coaching for at Cochin -

also and the latter had issued legal notice to the company (March 1969) recalling the entire loan. Further developments are awaited (February 1970).

Government intimated (October 1969) that the loan disbursed by the Corporation to the company had not the desired effect and that in view of the crisis in the textile industry the company could not generate sufficient resources for working funds and ultimately was not able to complete the modernisation scheme.

#### THE KERALA CERAMICS LIMITED, KUNDARA

### 97. Double drawal of funds from Government

In February 1965 the company obtained from Government Rs. 4.21 lakhs (50 per cent as loan and 50 per cent as share capital) for financing some items of machinery due to arrive before the end of March 1965.

With the exception of one item (estimated cost: Rs. 0.14 lakh), the machinery had neither been received nor paid for during the year. While funds to the extent of Rs. 4.07 lakhs remained at the disposal of the company, the same items of machinery were again included as part of another expansion scheme and a further sum of Rs. 9.50 lakhs (50 per cent as loan and 50 per cent as share capital) was obtained from Government in October 1965 and March 1966.

The matter was reported to Government in October 1966. Government replied in January 1969 that the error had escaped their notice.

#### THE KERALA FISHERIES CORPORATION LIMITED

98. (i) *Introductory*:—The Corporation was registered as a fully owned Government company on 12th April 1966; the subscribed and paid up capital as on 31st March 1968 was Rs. 40 lakhs. In June 1966 Government transferred to the Corporation some of the assets (provisional value: Rs. 76 lakhs; final value not yet fully determined—November 1969) of the Fisheries Department comprising cold storage, freezing and ice plants, boat building yards, vehicles and boats. The Corporation resolved in February 1969 to adjust against the value of the transferred assets Rs. 30 lakhs by allotment of shares to Government for consideration other than cash and Rs. 46 lakhs by treating it as a loan from Government; accordingly Rs. 30 lakhs worth shares were also allotted to the Government as fully paid up. Thus the subscribed and paid up capital as on 31st March 1968 was Rs. 70 lakhs.

(ii) *Working results*:—The working of the Corporation over the three years ended 31st March 1969 resulted in a loss of Rs. 35.44 lakhs; taking into consideration the depreciation (Rs. 23.17 lakhs approximately) on the assets received from Government and interest (Rs. 8.89 lakhs approximately) payable on the loan from Government not provided for in the accounts and the development rebate reserve of Rs. 4.52 lakhs which was not legally required to be created, the total loss suffered by the Corporation upto 31st March 1969 amounted to Rs. 62.98 lakhs.

Government stated (June 1969 and July 1969) that the loss was due to:—

- (i) severe set-back for the Indian shrimp (131 UP variety) in American market and consequent fall in export price;
- (ii) indiscriminate purchase of prawns at uneconomic prices;
- (iii) excessive wastage due to failure to lay down proper procedure for correlating daily purchases with the products processed, adopting recovery percentages common in the industry;

- (iv) leakage at various levels—in the field, in transit and in the plant;
- (v) improper maintenance of the boats and defective checking up of the catches by the crew in fishing operations; and
- (vi) lack of experience in handling a commercial enterprise.

Government also intimated (June 1969) that the Managing Director of the Corporation had been given instructions to accelerate action against those guilty of malpractices.

#### TRAVANGORE TITANIUM PRODUCTS LIMITED

##### 99. Purchase of Ilmenite

The company placed orders for the supply of 10,768 tonnes of ilmenite (5,000 tonnes in April 1967 and 5,768 tonnes in October 1967) with a private company (managed by the State Government with effect from January 1956) at Shillings 50 per tonne (Rs. 52.50 per tonne). The supply was completed before 31st March 1968 and payment was made at the prevailing exchange rate. Based on a Government order issued in September 1968, revising the sale price to Rs. 58 per tonne with retrospective effect from 20th November 1967 (the date on which pound was devalued) the company paid Rs. 69,940 more on 5,223 tonnes received after this date.

The additional payment was not justified as (i) no import of material was involved (ii) the sale was completed in March 1968 and paid for at the agreed rate of supply (long before the issue of Government order) and (iii) the rate charged by a Central Government company for the supplies (December 1968 and January 1969) was only Rs. 50 per tonne.

The company stated in January 1969 that its latitude for negotiation with Government in regard to the price and purchase from this private company and its freedom to negotiate alternate sources of supply were severely restricted.

#### TRAGO CABLE COMPANY LIMITED

##### 100. Loss in the supply of cables

In April 1968, the company undertook to supply to the Director General of Supplies and Disposals 105 km. of 12 core and 60 km. of 30 core Railway Signalling cables at Rs. 4,772 per km. and Rs. 10,295.50 per km. respectively, exclusive of excise duty. These rates did not even cover the cost of raw materials consumed in the manufacture of cables; the supply of cables at much below the manufacturing cost thus resulted in a loss of Rs. 2,70,543 on 104.561 km. of 12 core and 60.033 km. of 30 core cables supplied during June-November 1968.

The company stated in May 1969 that it had to quote lower prices to procure the order to work its costly machinery in the PVC Cable sections which would otherwise have remained idle for a period of 6 to 8 months. When the sale price was inadequate to cover even the cost of direct materials (the difference was Rs. 1,19,811) the question of deriving any benefit by working its machinery could not arise.

##### 101. Avoidable loss due to indigenous purchase of galvanised steel wire

In July 1966 the company obtained a licence under the I. D. A. scheme valid up to 31st July 1967 for import of raw materials, components etc. costing Rs. 54.90 lakhs. The company imported materials worth Rs. 0.90 lakh only during the

Purchase of Prawns - on basis of "procurement prices" - in  
USA! = timely - & other  
regulation -

Research - check -> how many days it was  
passed? Why was it not transferred  
back to Dept?

- Board of directors - meeting dtd. 21.9.66 - (A 833 of CA 1/6)  
decided - "Considering all these aspects it is decided  
that we need not import any steel & PVC under the ZDA  
licence even though the prices are cheaper" -  
It is seen that there was another licence from MNTC, under which  
1.35 lakhs was available for import of steel strips with  
order placed

See para 1.91 — of A/c. 1969-70 Report (Seventh Report)

validity period of the licence; 92 metric tonnes of galvanised steel wire (an item included in license) were, however, purchased indigenously (April-July 1967) at an extra cost of Rs. 83,700. The company stated (December 1968) that the import licence could not be fully utilised during the validity period due to financial difficulties. It was, however, seen that the company could find resources for indigenous purchase at a higher cost during the validity period of the licence; its financial position during April-July 1967 was also quite sound as it did not fully draw upon its resources.

## SECTION—IV

GOVERNMENT DEPARTMENTAL COMMERCIAL  
UNDERTAKINGS

**102.** On 31st March 1969, there were four Departmental Commercial Undertakings in the State. One of these viz. Model Coir Factory, Beypore, had not started functioning till the end of March 1969. The Bleaching and Calendering Plant, Pappanamcode had not prepared *pro forma* accounts. The *pro forma* accounts of the State Water Transport Department, Alleppey are awaited (November 1969). The *pro forma* accounts of the Text Books Office for the year ended 31st March 1969 are given in Annexure D-pages 84-85.

The statement given as Annexure C (pages 82-83) shows the available particulars in respect of these undertakings.

## BLEACHING AND CALENDERING PLANT, PAPPANAMCODE

**103.** (i) *Introductory*.—The Plant which was commissioned in May 1962 and originally conceived as a servicing unit under the Handloom Cess Fund Scheme sponsored by the Government of India, was later declared a Government owned commercial concern in November 1963. The financial assistance granted under the scheme by the Government of India by way of loan and grant amounted to Rs. 4.68 lakhs and Rs. 2.58 lakhs respectively.

(ii) *Production and working results*.—The average utilisation of plant (having processing capacity of 36 lakhs metres of cloth per annum) did not exceed 8 per cent of the processing capacity in any of the years from 1962-63 to 1968-69; this is attributed by the department to the meagre quantity of cloth received for processing. Consequently, the plant worked at a loss since its installation (1962), the total loss sustained to end of 1966-67 was Rs. 6.82 lakhs (the *pro forma* accounts for the subsequent years have not been prepared and hence the results of working for the years 1967-68 and 1968-69 are not known). The loss in working is also attributable to the fact that the processing charges recovered as per rates fixed by Government in August 1965 did not cover even the direct costs; the under-recovery of processing charges during 1968-69 alone amounted to Rs. 22,000 (approximately).

(iii) *Other topics of interest*: (a) *Infructuous expenditure on oil firing equipment*.—Mention was made in paragraph 87 of Audit Report 1967 regarding the non-installation of oil fired furnace purchased in 1962. The equipment has not been put into use so far (December 1969) due to defects in installation; the expenditure of Rs. 39,351 (representing cost of machinery, cost of construction of civil works for installing the machinery and installation charges) incurred till 31st March 1969 has thus proved to be unproductive.

(b) *Delay in setting up of a warping and sizing unit*.—A scheme under a crash programme for the setting up of a warping and sizing unit at an estimated cost of

Rs. 5 lakhs was taken up in December 1965. Though the sizing machinery was received in March 1966 and the warping plant in April 1966, the unit has not been commissioned (October 1969). The total expenditure incurred on the scheme till March 1969 was Rs. 4.51 lakhs.

(c) *Loss of revenue in closing down the boiler*:—The certificate authorising the use of the boiler (issued by the Chief Inspectorate of Factories), which expired in July 1968, could not be got renewed by the concern due to its failure to keep the plant ready for inspection after proper maintenance till January 1969. Consequently, the use of the boiler by the concern was prohibited by the Chief Inspector of Factories in March 1969, resulting in stoppage of processing operations. The prohibition of use of the boiler has not been lifted so far (November 1969). Computed with reference to the earnings during 1967-68, the average monthly loss due to the stoppage of processing operations was Rs. 1,400 (approximately) from March 1969.

#### SECTION—V

### INVESTMENTS AND GUARANTEES BY THE STATE GOVERNMENT

#### 104. Investments of Government

The following table indicates the extent of Government's investments in Statutory Corporations, Government Companies, Joint Stock Companies, Co-operative Societies and debentures and bonds and the returns therefrom:—

	Investment to end of 1968-69		Dividend/Interest received in 1968-69	
	Number of concerns	Amount	Amount	Percentage
		(In lakhs of rupees)		
Statutory Corporations	2	83.82	1.59	1.90
Government Companies	29	20,36.62	17.21	0.85
Joint Stock Companies	43	2,91.55	14.56	4.99
Co-operative Societies	..	2,66.08	..	..
Debentures and Bonds	..	82.17	3.24	3.94
Total	..	27,60.24*	36.60	1.33

The following concerns in which a sum of Rs. 44.23 lakhs has been invested are under liquidation:—

Name of concern	Amount of investment (In lakhs of rupees)
Kerala Cycles (Private) Limited	.. 1.17
Kerala Water Transport Corporation	.. 18.61
West Coast Fisheries (Travancore) Limited	.. 0.50
Travancore Minerals (Private) Limited	.. 22.50
Travancore Enamel Industries Limited	.. 0.20
Central Banking Corporation of Travancore Limited	.. 1.25
Total	44.23

Out of 43 Joint Stock Companies in which Government had made investments, dividends amounting to Rs. 14.56 lakhs were received from 27 concerns (investment: Rs. 2,18.15 lakhs). No dividends were received during the year in respect of the remaining 16 concerns in which Government had invested Rs. 73.40 lakhs. No dividends were received by Government for over 10 years in respect of 11 concerns in which Government had invested Rs. 70.25 lakhs.

\* This does not include a sum of Rs. 1,69.26 lakhs booked in the accounts under "96 Capital Outlay on Industrial Development—B. Other Miscellaneous Undertakings—share contributions to Banks, Trading and Marketing Societies etc.," for which the details are awaited from Government. The total investment of Government thus stood at Rs. 29,29.50 lakhs at the end of 1968-69.





Guarantees to private individuals and firms =

① Kowar Estates - Rs. 12.19 out 346.61 lakhs ←

② Chakkas -  
spg. or lks. Rs. 3.50 lakhs

③ Mys Vokkalaka  
Alleppey Rs. 20 lakhs

My net fully discharged ??

Though Rs. 2,66.08 lakhs had been invested in the shares of several types of Co-operative Banks and Societies, no dividends were received during the year from these investments. A co-operative spinning mill in which Government had invested Rs. 14.47 lakhs was working at a loss since May 1964 (accumulated loss on 30th June 1968: Rs. 8.83 lakhs). Two co-operative sugar mills in which Government had invested Rs. 50 lakhs were also working at a loss since their inception (accumulated loss as at the end of June 1968: Rs. 1,48.75 lakhs).

The details of the investments of Government are given in statement no. 14 of the Finance Accounts 1968-69.

### 105. Guarantees given by the State Government

Government have contingent liabilities in respect of guarantees given by them for repayment of loans and interest thereon, share capital etc., raised by Statutory Corporations, Joint Stock Companies and Co-operative Institutions. The payment of minimum dividend on the share capital of the Kerala Financial Corporation had also been guaranteed by Government.

As at the end of 1968-69 the maximum amount guaranteed and the amount of loan and share capital etc., raised by the bodies were Rs. 29.34 crores and Rs. 22.51 crores respectively as indicated below:—

	<i>Maximum amount guaranteed</i>	<i>Amount of loan, share capital etc., actually raised</i>
<i>(In crores of rupees)</i>		
Statutory Corporations	8.32	8.15
Government Companies	2.73	1.49
Co-operative Banks and Societies	16.93	11.90
Joint Stock Companies	0.07	0.03
Municipalities	0.59	0.59
Private individuals and firms	0.70	0.35
Total	29.34	22.51

No amount was paid during 1968-69 by Government in order to fulfil the guarantee in respect of the dividend on the capital of the Kerala Financial Corporation; however, the total of payments made in previous years to end of 1967-68 was Rs. 16.51 lakhs.

Further details of the guarantees are given in statement no. 6 of the Finance Accounts 1968-69.

### 106. Co-operative housing

Loans aggregating Rs. 91.62 lakhs were disbursed upto December 1968 to 50 Co-operative Housing Societies for the construction of 1,261 new dwelling houses.

The following points were noticed in audit:—

(i) Rs. 3.16 lakhs (principal: Rs. 1.97 lakhs; interest: Rs. 1.19 lakhs) were overdue for recovery from the various housing societies as at the end of September 1968;

(ii) The buildings were required to be completed within eighteen months from the date of disbursement of the loan. 304 houses for which loans were paid have not been completed (February 1969) although the prescribed period is over;

(iii) The houses constructed with loan assistance from Government were to be insured against risk of fire; 722 houses are to be insured (February 1969);

(iv) The maximum loan admissible to a member belonging to the low income group was Rs. 8,000. Loans (Rs. 0.45 lakh) were, however, paid to 2 societies on behalf of 25 beneficiaries of the low income group in excess of the limits;

(v) For construction of houses for beneficiaries in the middle income group, Rs. 40.66 lakhs were paid as loans to 4 urban societies, one each at Trivandrum, Ernakulam, Trichur and Kozhikode. The following points were noticed during the review of these loans:—

(a) Loans intended for the middle income group were disbursed by the urban housing societies at Trichur and Kozhikode to 50 persons having income outside the range prescribed for the group viz., Rs. 6,001 to Rs. 15,000; Rs. 2.22 lakhs were disbursed to 10 persons with income over Rs. 15,000 and Rs. 6.14 lakhs to 40 persons with individual income below Rs. 6,001;

(b) A member who already owned a house either in his name or in the name of his spouse or minor children was not eligible for a loan. Rs. 0.15 lakh were, however, disbursed by the Kozhikode society to a member who already owned a family house;

(c) The maximum assistance payable to a member was Rs. 20,000 per house or 80 per cent of the estimated cost of the house including the developed house site, whichever was less. Loan assistance at the rate of Rs. 29,600 per house was, however, paid to the Kozhikode society for the construction of 15 houses. In regard to 35 other houses the estimated cost of Rs. 13,500 per house was given in full without limiting the assistance to 80 per cent of the estimated cost;

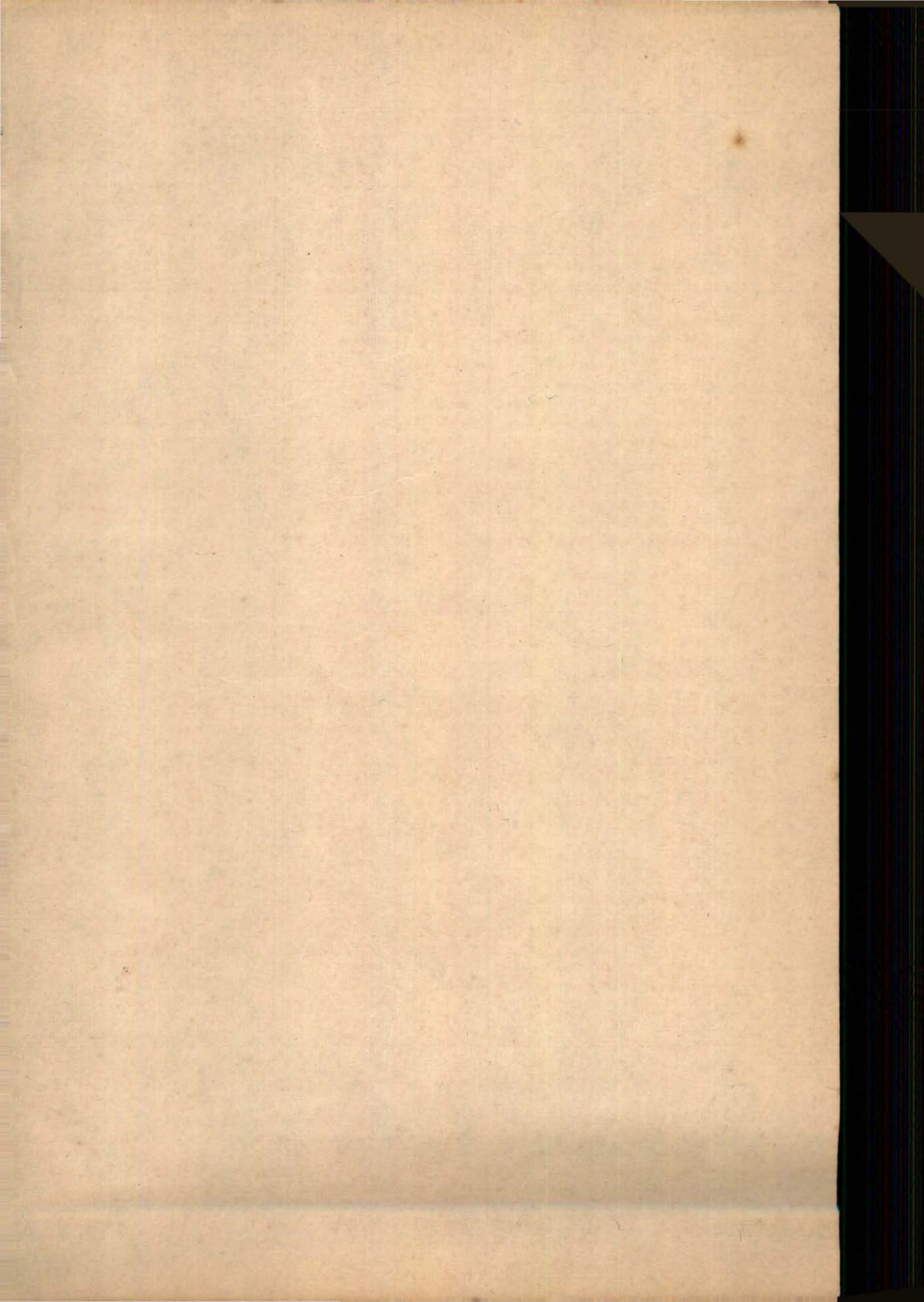
(d) Loans were to be disbursed to the societies only after mortgaging to Government their assets including the property and buildings to be constructed thereon. Loans aggregating Rs. 23.66 lakhs were, nonetheless, disbursed to Ernakulam and Kozhikode societies without execution of the mortgage deed. It was stated by Government (May 1967) that as the land on which buildings were proposed to be constructed by the two societies was Government land assigned to them, there were difficulties in getting the mortgage deed executed.

### 107. Handloom Development Scheme

The scheme was introduced in the State mainly to organise the weavers on a co-operative basis and to give assistance to handloom weavers co-operative societies by way of loans and grants. At the end of 1968-69 there were 416 co-operative societies including 25 factory type industrial co-operative societies and one apex society in the State. The expenditure incurred on the scheme during 1956-57 to 1968-69 was Rs. 3.86 crores. During the period the Central assistance received by the State Government for the scheme was Rs. 3.18 crores (loan: Rs. 1.23 crores and grant: Rs. 1.95 crores).

The following points were noticed in audit:—

- (i) The amount under default till the end of December 1968 amounted to Rs. 19.92 lakhs (principal: Rs. 16.57 lakhs and interest: Rs. 3.35 lakhs), the earliest year to which the arrears relate being 1956-57. Out of 89 societies assisted in the 3 districts of Quilon, Trichur and Ernakulam, 16 societies are either defunct or under liquidation, the amount under default upto 1967-68 was Rs. 0.54 lakh (principal: Rs. 0.50 lakh and interest: Rs. 0.04 lakh);
- (ii) Utilisation certificates in respect of grants amounting to Rs. 0.64 lakh disbursed during October 1965 to March 1966 are due from two handloom weavers co-operative societies (July 1969);
- (iii) Loans aggregating Rs. 21.99 lakhs were paid during the period 1960-61 to 1963-64 to the Cannanore Co-operative Spinning Mills Limited (which commenced production in April 1964). According to the





mortgage deed executed by the mills in March 1964, the repayment of the loan was to be made in monthly instalments of Rs. 50,000 together with interest commencing from January 1965. The mills have not, however, commenced repayment of the loan (July 1969). The entire principal of Rs. 21.99 lakhs together with interest of Rs. 9.77 lakhs and penal interest of Rs. 1.19 lakhs was in default as at the end of March 1969. Besides a loan of Rs. 6 lakhs was paid to the mills in March 1966; the amount was to be adjusted as share capital participation as and when the mills raised a matching amount. Upto 31st March 1969 the mills could raise only Rs. 1,73,400; the balance loan of Rs. 4,26,600 remained to be adjusted (June 1969). A loan of Rs. 10 lakhs was also paid to the mills in March 1968 for an expansion scheme. Government's contribution to the share capital of the mills as at the end of 1967-68 was Rs. 14.03 lakhs. The mills were running at a loss; the accumulated loss sustained upto the end of June 1968 was Rs. 8.83 lakhs, the loss for the year 1967-68 being Rs. 2.77 lakhs.

#### **108. Non-implementation of a scheme by a co-operative society**

In November 1960 Government sanctioned financial assistance of Rs. 55,000 (share capital loan of Rs. 3,000; loan for building and equipments: Rs. 25,000; working capital loan: Rs. 8,000 and grant: Rs. 19,000) to a co-operative society for starting a foundry unit at Karunagapally. The entire assistance was paid to the society during March 1961- July 1962. The share capital loan was to be repaid with interest in six equal annual instalments commencing from February 1962 and the other loans were to be repaid with interest in eight equal annual instalments commencing from July 1963. The society has so far utilised Rs. 44,072, but the foundry has not started functioning (July 1969) for want of additional working capital loan; the buildings constructed, machinery purchased etc. (1963) at a cost of Rs. 32,170 also remain unutilised.

The society repaid during June 1963 to November 1964 the first three instalments (aggregate amount: Rs. 1,500) of the share capital loan and first instalment (Rs. 4,125) of the balance loan by utilising the working capital loan and defaulted the subsequent instalments. The dues to Government towards repayment of instalments of the loans (including interest and penal interest) amounted to Rs. 32,133; action under Revenue Recovery Act is stated to have been initiated and further developments are awaited (July 1969).

#### **109. Loans to an Industrial Co-operative society**

Rs. 1.86 lakhs were given in May 1963 by Government to a Glass Works Co-operative society as working capital loan. The society started production in May 1966, but on account of paucity of working capital it ceased to function in February 1967. Another loan of Rs. 1.25 lakhs was paid in December 1967 by Government with a view to revive the society; the society restarted production on 26th March 1968 but worked up to 20th June 1968 only. The Regional Joint Director of Industries and Commerce had suggested in his report (August 1968) that if further financial support was not extended to the society it would go into liquidation and in that case the money already invested by Government would be lost. A third loan of Rs. 2 lakhs sanctioned to the society in March 1969 has not so far been disbursed (November 1969) reportedly due to the fact that the society has not fulfilled certain conditions stipulated by Government for safeguarding their interests.

The society had not repaid any instalments of the loans till October 1969; the amount due from the society as at the end of September 1969 was Rs. 1.35 lakhs (principal: Rs. 1.05 lakhs; interest : Rs. 0.30 lakh). The net loss sustained by it till the end of June 1968 was Rs. 1.82 lakhs.

## ANNEX

## Summarised financial results of

Sl. no.	Name of the Corporation/Board	Name of Department	Date of incorporation	Total capital invested	Profit (+) Loss (-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Kerala State Electricity Board	Water and Power	1-4-1957	1,20,52.44	(+)5.00	3,34.49
2	The Kerala Financial Corporation	Finance	1-12-1953	3,78.68*	(+)9.12**	14.17
3	Kerala State Warehousing Corporation	Agriculture	20-2-1959	45.80	(-)1.40	..
4	Kerala State Road Transport Corporation	Public Works	15-3-1965	7,44.04	(-)1,58.43	45.24

## Note:—

1. "Capital invested" represents paid up capital plus long term loans plus free reserves.
  2. "Capital employed" represents net fixed assets (excluding capital works-in-progress) plus working capital.
  3. The net revenue of the Kerala State Electricity Board for 1968-69 fell short of the amount of interest due on loans by Rs. 2,75.54 lakhs. This is exhibited as a contingent liability in the balance sheet.
- \* Does not include Rs. 61 lakhs received from the Reserve Bank of India as short term loans; Rs. 15 lakhs from Government of Kerala refunded in August 1969 and Rs. 33,000 towards reserve for bad and doubtful debts.
- \*\* Shows profit before providing for tax and reserves other than the reserve for bad and doubtful debts.

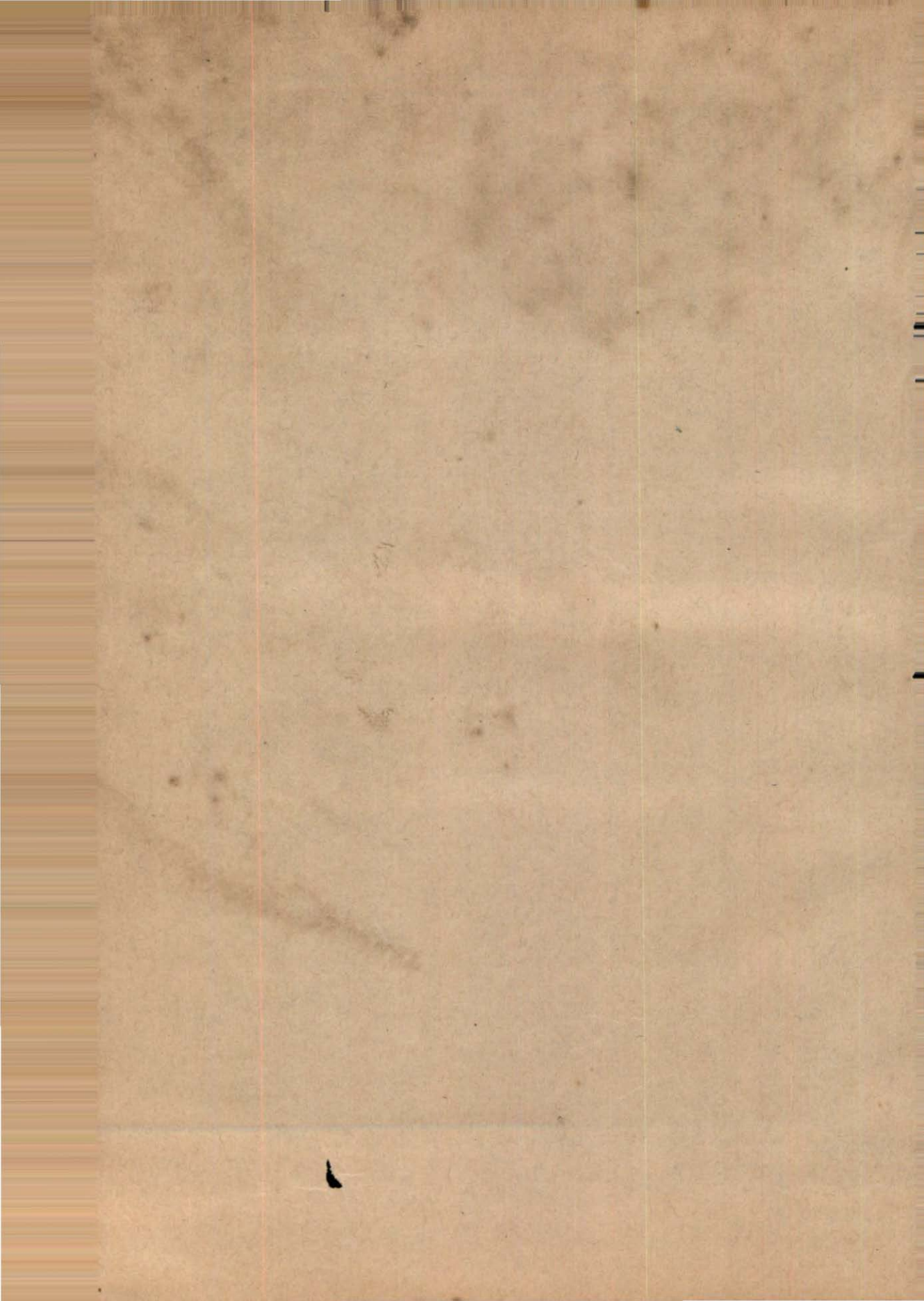
## ANNEX

## Summarised financial results of

Sl. no.	Name of the Company	Name of the department	Date of incorporation	Total capital invested	Profit (+) Loss (-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(a) Wholly owned State Government companies						
1	Kerala State Industrial Development Corporation Limited	Industries	21-7-1961	5,29.08	(+)12.09	3.94
2	Kerala State Small Industries Corporation Limited	Industries	21-7-1961	..	..	..
3	Kerala Premo Pipe Factory Limited	Health	12-9-1961	28.75	(+)3.23	0.42







## URE—A

**Statutory Corporations/Board for the year 1968-69.***(Figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)*

<i>Interest on long term loans</i>	<i>Total return on capital invested (columns 6+8)</i>	<i>Percentage of total return on capital invested</i>	<i>Capital employed</i>	<i>Total return on capital employed (columns 6+7)</i>	<i>Percentage of total return on capital employed</i>	<i>Remarks</i>
(8)	(9)	(10)	(11)	(12)	(13)	(14)
3,34.49	3,39.49	2.82	92,27.65	3,39.49	3.68	
11.49	20.61	5.44	..	..	..	
..	(—)1.40	..	38.56	(—)1.40	..	
45.24	(—)1,13.19	..	5,68.63	(—)1,13.19	..	

## URE—B

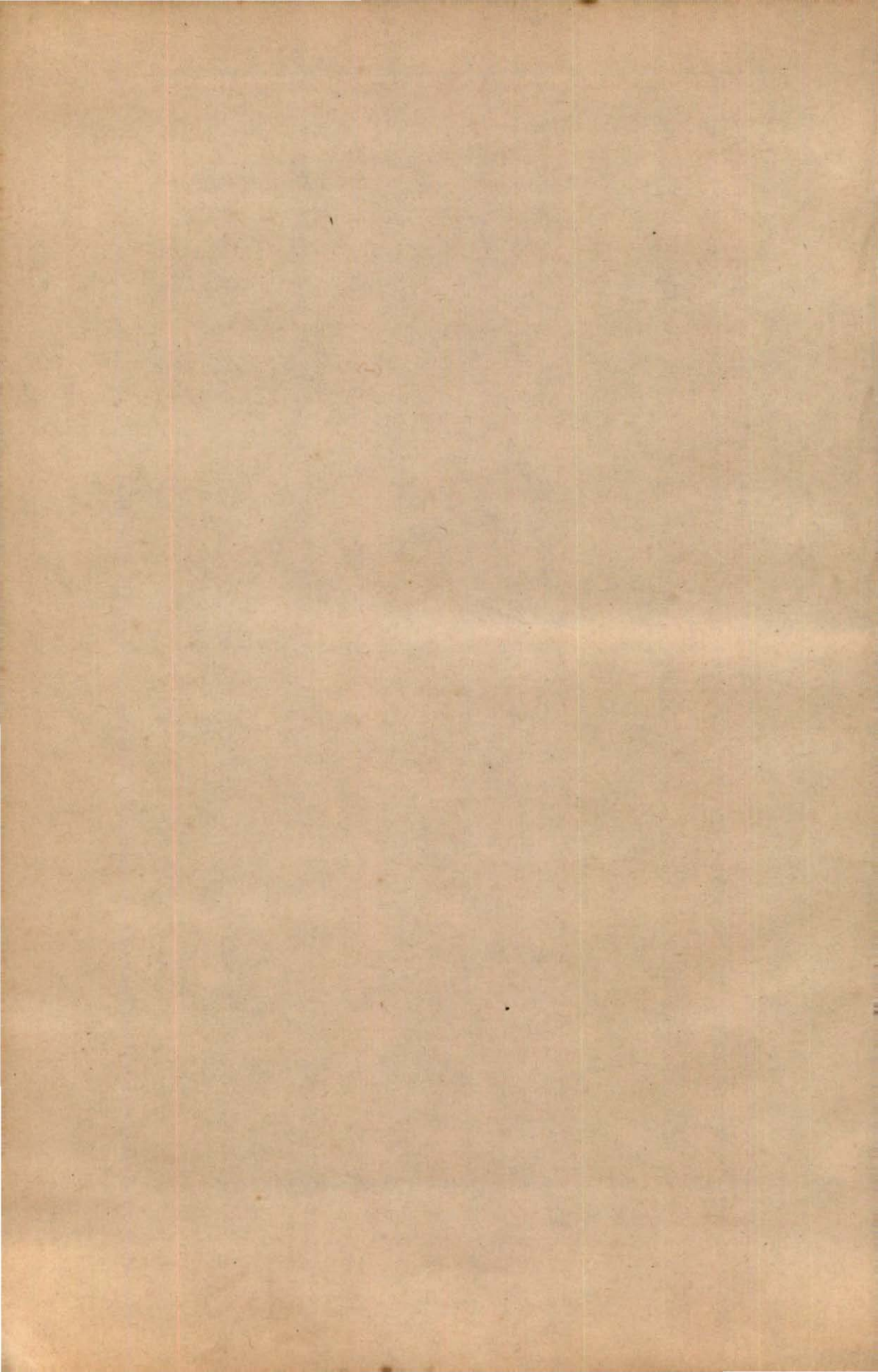
**Government Companies for the year 1968-69.***(Figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)*

<i>Interest on long term loans</i>	<i>Total return on capital invested (Columns 6+8)</i>	<i>Percentage of total return on capital invested</i>	<i>Capital employed</i>	<i>Total return on capital employed (Columns 6+7)</i>	<i>Percentage of total return on capital employed</i>	<i>Remarks</i>
(8)	(9)	(10)	(11)	(12)	(13)	(14)
3.92	16.01	3.03	5,28.68	16.03	3.03	
..	..	..	..	..	..	Accounts for 1968-69, awaited
0.42	3.65	12.70	28.30	3.65	12.90	

## Summarised financial results of

Sl. no.	Name of the company	Name of the department	Date of incorporation	Total capital invested	Profit (+) Loss (-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
4	The Plantation Corporation of Kerala Limited	Agriculture	12-11-1962	5,02.44	(-)28.80	2.77
5	Trivandrum Rubber Works Limited	Industries	1-11-1963	95.43	(+)2.95	2.40
6	Travancore Plywood Industries Limited	Industries	1-11-1963	89.78	(-)0.19	2.04
7	The Kerala Ceramics Limited	Industries	1-11-1963	64.72	(-)7.10	2.33*
8	Kerala Soaps and Oils Limited	Industries	1-11-1963	76.64	(-)9.78	1.75
9	Trivandrum Spinning Mills Limited	Industries	1-11-1963	1,10.94	(-)15.67	4.29
10	Kerala Electrical and Allied Engineering Company Limited	Industries	5-6-1964	47.64	(-)1.93	1.70*
11	Kerala Tourist and Handicrafts Corporation Limited	Public (Political & Military)	29-12-1965	17.94	(-)2.89	0.38
12	Kerala Fisheries Corporation Limited	Development (Fisheries)	12-4-1966	1,36.00	(-)7.61	1.41*
13	Handicrafts Development Corporation of Kerala Private Limited	Industries	16-11-1968	..	..	..
<b>(b) Partly owned State Government Companies</b>						
1	Forest Industries (Travancore) Limited	Industries	10-8-1946	28.44	(+) 12.85	..
2	Travancore Titanium Products Limited	Industries	18-12-1946	2,29.16	(+) 51.96	4.28
3	Travancore-Cochin Chemicals Limited	Industries	8-11-1951	4,45.23	(+) 16.87	23.96
4	Pallathra Bricks and Tiles Limited	Industries	21-2-1957	17.11	(-) 0.70	0.45*
5	Traco Cable Company Limited	Industries	5-2-1960	69.92	(-) 13.63	4.62*





URE—B—contd.

## Government Companies for the year 1968-69.

(Figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)

Interest on long term loans	Total return on capital invested (Columns 6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (Columns 6+7)	Percentage of total return on capital employed	Remarks
(8)	(9)	(10)	(11)	(12)	(13)	(14)
2.77	(-) 26.03	—	4,26.23	(-) 26.03	..	
2.36	5.31	5.56	93.31	5.35	5.73	
2.02	1.83	2.04	35.76	1.85	5.17	
2.33*	(-) 4.77	..	40.92	(-) 4.77	..	*Includes element of bank charges and interest on short term loans.
1.75*	(-) 8.03	..	51.74	(-) 8.03	..	*Includes interest on short term loans also.
3.80	(-) 11.87	..	74.35	(-) 11.38	..	
1.24	(-) 0.69	..	51.03	(-) 0.23	..	*Includes element of bank charges.
0.38*	(-) 2.51	..	13.18	(-) 2.51	..	*Includes interest on short-term loan also.
1.04	(-) 6.57	..	1,09.94	(-) 6.20	..	*Includes element of bank charges.
..	..	..	..	..	..	First accounts awaited.
..	(+) 12.85	45.18	28.15	(+) 12.85	45.65	
4.27	(+) 56.23	24.54	2,35.45	(+) 56.24	23.89	For the year ended 31st December 1968.
23.96*	(+) 40.83	9.17	6,00.98	(+) 40.83	6.79	*Includes interest on short term loans.
0.45*	(-) 0.25	..	12.17	(-) 0.25	..	*Includes element of bank charges.
2.10	(-) 11.53	..	1,09.97	(-) 9.01	..	*Includes element of bank charges.

## ANNEX

## Summarised financial results of

Sl. no.	Name of the company	Name of the department	Date of incorporation	Total capital invested	Profit (+) Loss (-)	Total interest charged to Profit and Loss Account
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6	Packaging Paper Corporation Limited (subsidiary of Kerala State Industrial Development Corporation Limited)	Industries	29-6-1962	1.75	..	..
7	Transformers and Electricals Kerala Limited	Industries	9-12-1963	1,82.04	(+) 0.35	12.67
8	United Electrical Industries Limited	Industries	3-10-1950	37.14	(+) 5.41	0.92*
9	Kerala Water Transport Corporation Limited	Public Works	18-4-1958	..	..	..
10	Kerala Agro-Industries* Corporation Limited	Industries	22-3-1968	1,50.16	(+) 1.72	..
11	Kerala Handloom Finance Corporation Limited	Industries	24-6-1968	17.54	(+) 0.02	..

- Note:— 1. "Capital invested" represents paid up capital plus long term loans plus free reserves.  
 2. "Capital employed" represents net fixed assets (excluding Capital work-in-progress) plus working capital.  
 3. The figures in column 6 indicate Profit/Loss before providing for tax.

## ANNEX

## Summarised financial position of Kerala Govern-

Sl. no.	Name of concern	Date of formation	Government capital as on		Mean Capital
			1st April 1968	31st March 1969	
(1)	(2)	(3)	(4)	(5)	(6)
1	Text Books Office, Trivandrum	1950	50.55	10.82*	29.81
2	Model Coir Factory, Bepore	1963			
3	Bleaching and Calendering Plant, Pappanamcode	1963			
4	State Water Transport Department	1968			

\* Excludes profit.







URE—B—concl'd.

**Government Companies for the year 1968-69.**

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(Figures in columns 5 to 9, 11 and 12 indicate lakhs of rupees)

Interest on long term loans	Total return on capital invested (Columns 6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (Columns 6+7)	Percentage of total return on capital employed	Remarks
(8)	(9)	(10)	(11)	(12)	(13)	(14)
..	..	..	..	..	..	There are no figures in columns 6 to 13 since the entire expenditure was capitalised.
..	(+)0.35	0.19	2,60.04	(+)13.02	5.01	For the year ended 31st December 1968.
..	(+)5.41	14.57	53.27	(+)6.33	11.88	* Includes element of bank charges.
..	..	..	..	..	..	Under liquidation.
..	(+)1.72	1.14	1,49.90	(+)1.72	1.15	*Partly owned by State Government and partly by Central Government.
..	(+)0.02	0.11	17.28	(+)0.02	0.12	

URE—C

**Government Commercial and Quasi-commercial Departments**

(Figures in columns 4 to 12 represent lakhs of rupees)

Block assets	Depreciation fund	Turn over	Net profit (+) Loss (-)	Interest on capital	Total return	Percentage of return on mean capital
(7)	(8)	(9)	(10)	(11)	(12)	(13)
6.22	3.32	56.99	+17.31	1.86	19.17	64.31

The Government have ordered that the Factory should adopt commercial system of accounts when it starts functioning. The Factory did not start functioning till the end of March 1969.

The concern has not prepared *pro forma* accounts for the years 1967-68 and 1968-69. Though Government ordered in January 1968 to transfer the plant to the Kerala State Small Industries Corporation Limited, the company backed out from their original stand for taking over the unit.

Accounts for 1968-69 awaited.

## ANNEX

Pro forma Accounts of  
BALANCE SHEET AS

<i>As at 31st March 1968</i>	<i>Capital and Liabilities</i>	<i>As at 31st March 1969</i>
Rs.		Rs.
50,55,328	Government Capital	28,12,601
58,007	Undischarged liabilities	71,131
2,91,442	Depreciation Reserve Fund	3,29,453
6,81,527	Liabilities and Advances	6,59,771
<hr/> 60,86,304		<hr/> 38,72,956

## MANUFACTURING AND TRADING ACCOUNT

<i>Dr.</i>	<i>Particulars</i>	<i>31st March 1969</i>
<i>31st March 1968</i>		<i>Rs.</i>
Rs.		Rs.
69,85,122	To opening stock	51,35,170
2,18,408	„ Purchases: Paper	15,911
4,75,398	„ „ Books	4,00,847
7,31,679	„ Printing charges	5,53,698
6,953	„ Other Miscellaneous expenses	9,232
22,79,394	„ Gross profit	24,49,399
<hr/> 1,06,96,954		<hr/> 85,64,257

## PROFIT AND LOSS ACCOUNT

<i>Dr.</i>	<i>Particulars</i>	<i>31st March 1969</i>
<i>31st March 1968</i>		<i>Rs.</i>
Rs.		Rs.
4,53,779	To Administration and General Expenses	4,92,464
33,590	„ Distribution charges	40,430
31,886	„ Depreciation charges	38,011
1,59,147	„ Interest on Capital	1,86,322
16,86,523	„ Net Profit	17,30,620
<hr/> 23,64,925		<hr/> 24,87,847





## URE—D

## Text Books Office, Trivandrum.

AT 31st MARCH 1969

<i>As at 31st March 1968</i>	<i>Properties and Assets</i>	<i>As at 31st March 1969</i>
Rs.		Rs.
5,82,938	Fixed Assets	6,21,913
3,05,068	Depreciation Reserve Fund Investments	3,31,943
51,35,170	Closing stock	28,54,271
56,157	Sundry Debtors	56,947
1,067	Advances recoverable	1,415
5,904	Cash (including stamps)	6,467
<u>60,86,304</u>		<u>38,72,956</u>

FOR THE YEAR ENDED 31st MARCH 1969

<i>31st March 1968</i>	<i>Particulars</i>	<i>Cr.</i> <i>31st March 1969</i>
Rs.		Rs.
52,46,819	By sales	56,98,513
3,14,965	„ Other receipts	11,473
51,35,170	„ Closing stock	28,54,271
<u>1,06,96,954</u>		<u>85,64,257</u>

FOR THE YEAR ENDED 31st MARCH 1969

<i>31st March 1968</i>	<i>Particulars</i>	<i>Cr.</i> <i>31st March 1969</i>
Rs.		Rs.
22,79,394	By gross profit	24,49,399
85,531	„ Miscellaneous receipts	38,448
<u>23,64,925</u>		<u>24,87,847</u>

## CHAPTER VIII

### FINANCIAL ASSISTANCE TO LOCAL BODIES ,OTHER BODIES AND INDIVIDUALS

#### 110. Kerala Khadi and Village Industries Board

(i) *Delay in furnishing utilisation certificates:*—The Board receives financial assistance from the State Government and the Khadi and Village Industries Commission. Upto March 1969 Rs. 4,18.29 lakhs were received as loans and grants (excluding unspent balances refunded to the State Government/Commission) by the Board as shown below:—

	Loan	Grant	Total
(In lakhs of rupees)			
From State Government	2.01	58.20	60.21
From Khadi and Village Industries Commission	2,31.15	1,26.93	3,58.08
Total	2,33.16	1,85.13	4,18.29

On 30th November 1969 utilisation certificates had not been rendered by the Board to Audit for assistance received from Government (Rs. 0.81 lakh) and to Commission for assistance received from it (Rs. 86.85 lakhs). The earliest year for which utilisation certificate had not been furnished is 1957-58.

(ii) *Non-utilisation/mis-utilisation of loans and grants given by the Board:*—As part of its activities for development of khadi and village industries, the Board paid upto March 1969 Rs. 2,94.09 lakhs as loans and grants to 1,019 institutions (including individuals). Rs. 28.81 lakhs are recoverable as repayment of loans from 489 institutions which have become defunct. Revenue recovery proceedings are stated to have been instituted against 234 of those institutions.

Reconciliation of the balances in the loan registers with those in the accounts has not been effected. The difference on 31st March 1968 was Rs. 3.42 lakhs.

Recovery of Rs. 62.49 lakhs on account of loans was overdue at the end of March 1969.

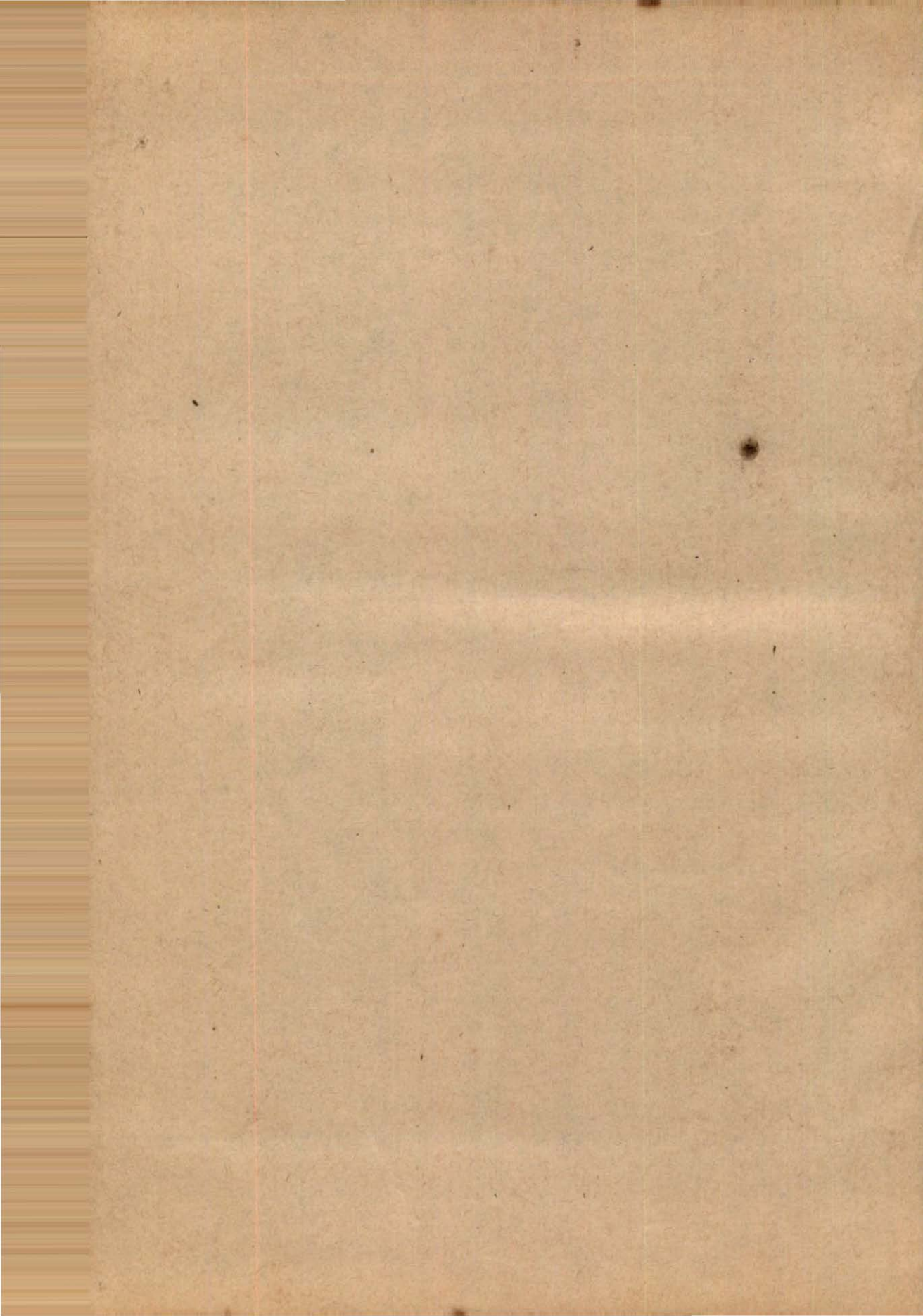
(iii) *Loan accounts:*—Demand, collection and balance statements due to the Board were awaited from the Village Industries Offices, Alleppey and Kottayam, since March 1968 and December 1968 respectively. The Village Industries Offices, Trivandrum, Quilon and Trichur have not furnished the statements due from them to the Board from June 1964 onwards (November 1969).

#### 111. Loans given to Sitaram Spinning and Weaving Mills Limited, Trichur

In paragraph 70 of Audit Report 1965 it was mentioned that Government loans outstanding against the mills were not adequately secured. Management of the mills was taken over by Government in November 1953, when a proposal for its winding up was pending before the District Court, Trichur. Winding up of the company was ordered by the court in January 1954. With the permission of the court, Government in April 1956 advanced Rs. 8.25 lakhs to the mills for settling







the claims of its creditors and became a mortgagee with possession rights for six years. In terms of the mortgage deed, any expenditure incurred by Government on acquisition of new assets, improvement and repairs to existing assets etc., and amounts due to Government on account of interest remaining unpaid was to be treated as additional loans. The mortgage loan together with the total expenditure treated as loan till the end of March 1962 was Rs. 23.99 lakhs as below:—

<i>Year</i>	<i>Amount</i> ( <i>In lakhs of rupees</i> )	<i>Purpose of loan</i>
March 1956	8.25	For settlement of claims of creditors.
March 1957 to February 1958	1.24	Loans for capital expenditure (looms and land)
December 1957 to December 1959	13.30	Loans for working capital.
July 1960	1.20	Unpaid interest upto March 1958 on the mortgage amount treated as loan.

According to the terms of the mortgage, 50 per cent of profits of the mills were to be appropriated towards repayment of principal. No such appropriation could, however, be made as it was working at a loss, the accumulated loss upto the end of 1961-62 being Rs. 41.53 lakhs. During the period of mortgage, a fire broke out in the mills (December 1959). A claim for Rs. 20 lakhs as damages raised against Government by the official liquidator (alleging that Government had failed to insure the property of the mills as undertaken in the mortgage deed) is pending before the court (February 1970).

Even after expiry of the term of mortgage (April 1962), Government continued to retain possession of the mills and advanced further loans as below:—

<i>When paid</i>	<i>Amount</i> ( <i>In lakhs of rupees</i> )	<i>Purpose of loan</i>
May 1962 and May 1963	23.00	For clearing overdrafts
May 1968	0.06	For repairs.

The total amount due to Government towards principal and interest at the end of March 1969 was Rs. 68.82 lakhs. The mills' accumulated loss upto the end of 1968-69 was Rs. 53.16 lakhs.

According to a clause in the mortgage deed, the amount due to Government<sup>t</sup> was recoverable from the company and its movable and immovable assets under the provisions of the Revenue Recovery Act or in any other manner deemed fit by Government. A petition seeking sanction to enforce this clause (filed by Government in March 1962) was dismissed by the court in July 1963 as Government did not press the case. Another petition filed by Government in August 1967 seeking permission of the court to initiate revenue recovery proceedings or to realise the amount by sale of the mortgaged properties was also dismissed by the court in December 1968. The court held that "the assets of the mills are not the security for the amount advanced by Government. Possession of assets is the security. The maximum right that the State can claim under the deed of mortgage is the right to continue in possession of the mills until the debt is wiped off by appropriations" out of the profits derived from working it. The mills being in a dilapidated condition are not working since April 1962; the prospect of any appropriation of profits towards repayment of loan is therefore remote. In May 1969 Government filed an appeal in the High Court against the judgement of the District Court and the result is awaited (February 1970).

### 112. Audit by the Examiner of Local Fund Accounts

(a) Audit of the accounts of city corporations, municipalities, panchayats and certain other institutions is conducted annually by the Examiner of Local Fund Accounts who is an officer of the State Government.

(b) The number of inspection reports issued by the Examiner of Local Fund Accounts and outstanding at the end of March 1969 was as below:—

	<i>Number of reports</i>	<i>Earliest year to which the report relates</i>
City Corporations	55	1948-49
Municipalities	406	1944-45
Panchayats	6,951	1944-45
Miscellaneous institutions	1,106	1963-64
<b>Total</b>	<b>8,518</b>	

(c) A review of the inspection reports showed the following:—

(i) In paragraph 91 (i) of the Audit Report 1967 mention was made of the amount due to Government from certain taxes such as surcharge on profession tax, additional tax on entertainment and surcharge on show tax which are collected by local bodies and remitted to Government after deducting collection charges. The amount due to Government at the end of March 1968 was as shown below:—

<i>From whom due</i>	<i>Amount (In lakhs of rupees)</i>
Trivandrum Corporation	0.85
Calicut Corporation	2.50
25 Municipalities	5.05
181 Panchayats	2.28
<b>Total</b>	<b>10.68</b>

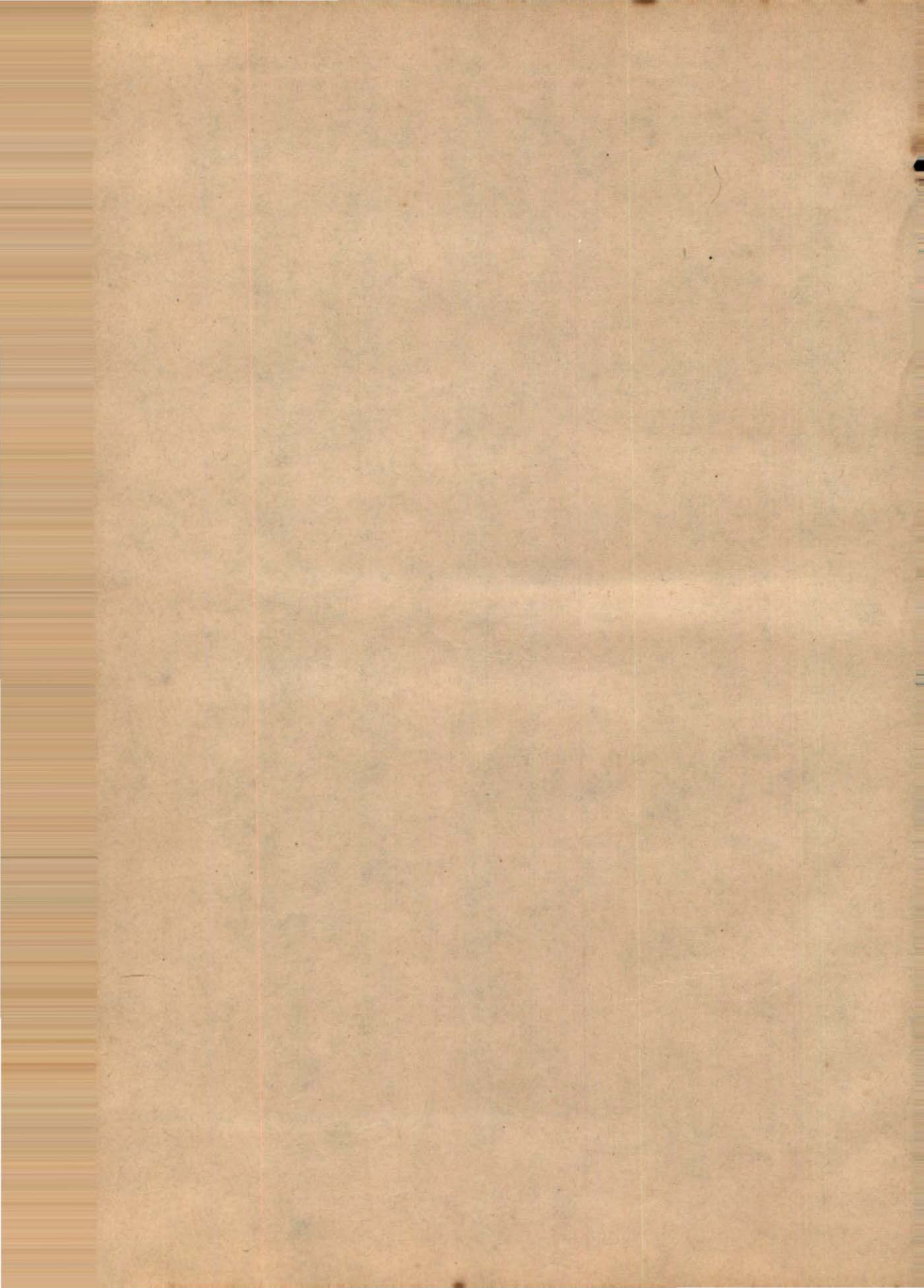
(ii) Rs. 2.61 lakhs paid by Government as loans and grants to fifty panchayats for specific purposes were diverted and utilised for meeting the day-to-day expenses of the panchayats.

### 113. Non-receipt of utilisation certificates for grants

In 1968-69 Government paid Rs. 3.43 crores as grants-in-aid to local bodies, co-operative institutions, other bodies and individuals. An analysis of the grants paid is given below:—

<i>Purpose of grant</i>	<i>Amount (In lakhs of rupees)</i>
Education	1,60.84
Co-operation	36.05
General and special purposes of local bodies	31.09
Social Welfare	18.79
Medical and Public Health	14.84
Industries	12.61
Agriculture	8.02
Community Development	0.87
Others	60.12
<b>Total</b>	<b>3,43.23</b>





874 grantees' receipts for Rs. 6.83 lakhs for grants paid during the years 1967-68 and 1968-69 are awaited from various tahsildars.

Expenditure from grants paid by Government to local bodies (other than class II panchayats of Malabar area) and certain other institutions (such as Kerala Sports Council, Scouts and Guides Association, Police Sports Fund etc.,) is audited by the Examiner, Local Fund Accounts, and in the cases of Universities of Kerala and Calicut by the Government Auditor attached to those Universities. These officers are under the State Government. Utilisation certificates for grants-in-aid are furnished to the Accountant General by departmental officers based on the audit certificates furnished by the Examiner, Local Fund Accounts and the Government Auditors attached to the two Universities.

1,773 utilisation certificates for Rs. 1,03.89 lakhs paid as grants during 1968-69 and earlier years for which the period of utilisation prescribed by Government had expired by 31st March 1969 were awaited (July 1969) from departmental officers who are required to ensure that the grants have been utilised by the grantees for the specified purposes and that the conditions laid down by the sanctioning authorities have been observed. Year-wise details are given below:—

<i>Year in which grant paid</i>	<i>Number of certificates awaited</i>	<i>Amount (In lakhs of rupees)</i>
1964-65 and earlier years	298	42.60
1965-66	158	7.68
1966-67	333	21.38
1967-68	854	22.48
1968-69	130	9.75
Total	1,773	1,03.89

## CHAPTER IX

### OUTSTANDING AUDIT OBJECTIONS AND INSPECTION REPORTS

#### 114. Outstanding Audit Objections

The number of audit objections (other than those reported through inspection reports) pertaining to the period upto 31st March 1969 awaiting settlement on 30th September 1969 was 15,473 (money value: Rs. 8.97 crores).

The number of objections and the money value thereof have been on the increase as shown below:—

<i>Audit Report</i>	<i>Number of objections</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
1968	13,485	4,67.84
1969	13,770	6,90.64
1970	15,473	8,96.50

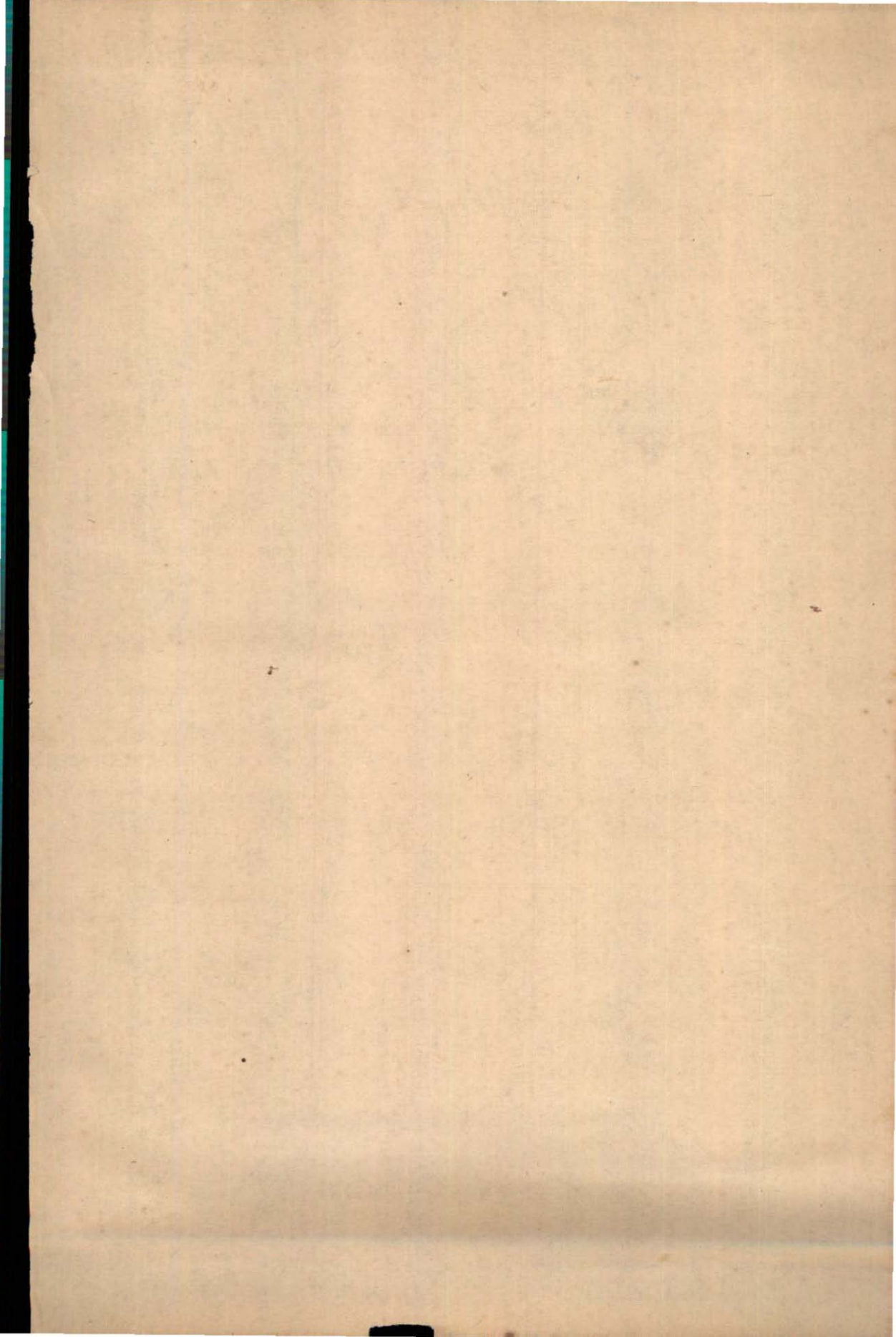
Year-wise analysis of audit objections issued upto 31st March 1969 which were not settled by September 1969 is given below:—

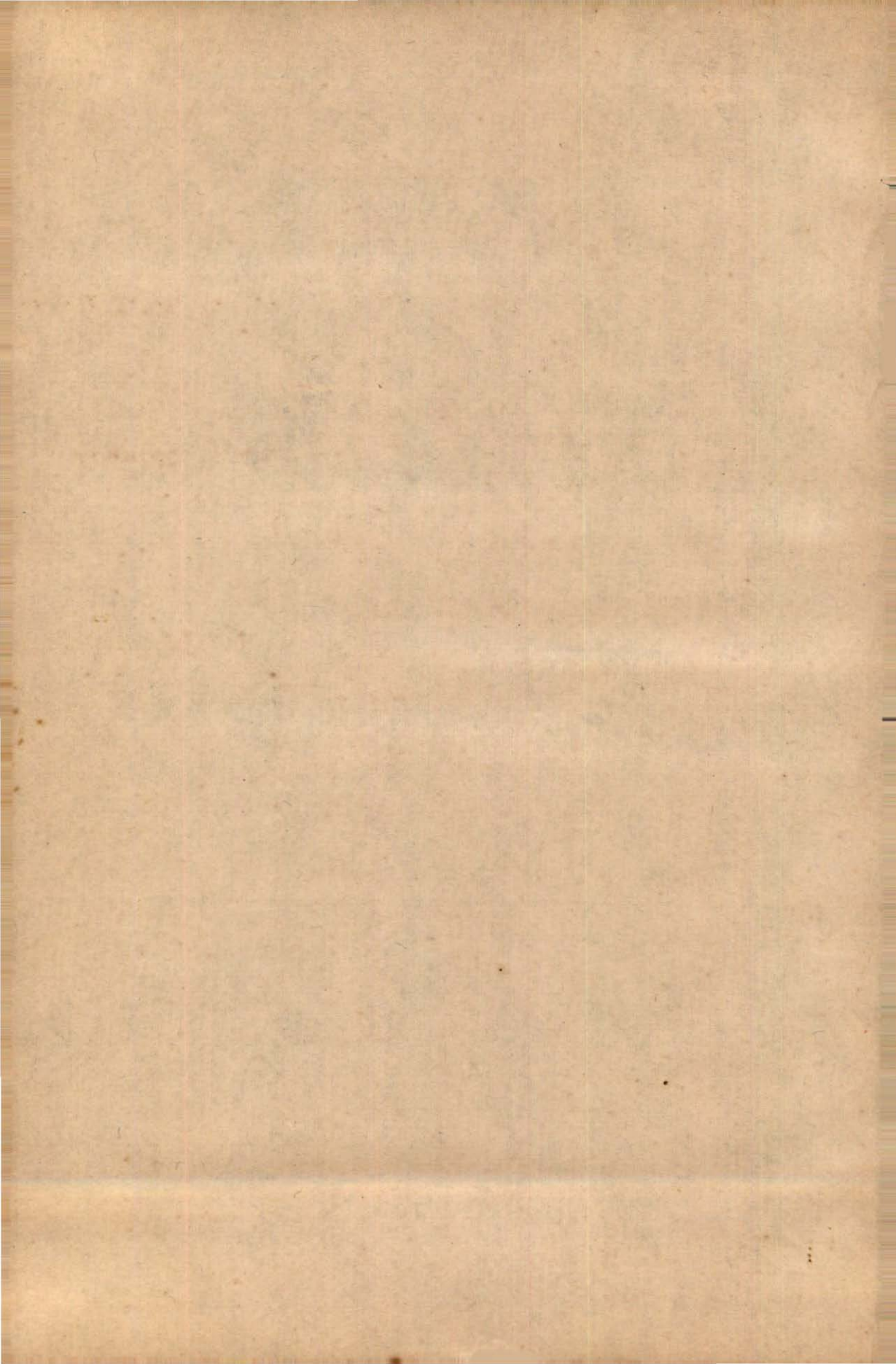
<i>Year of issue</i>	<i>Number of objections</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
1964-65 and earlier years	544	9.50
1965-66	446	8.40
1966-67	965	46.54
1967-68	2,927	1,62.60
1968-69	10,591	6,69.46
Total	15,473	8,96.50

Departments with heavy outstandings and the nature of objections are given below:—

<i>Department</i>	<i>Want of detailed contingent bills, vouchers, payees' receipts, stamped acknowledgements or other documents</i>	<i>Want of sanctions to miscellaneous and contingent expenditure</i>	<i>Want of agreement</i>	<i>Other reasons</i>	<i>Total</i>
	<i>(In lakhs of rupees)</i>				
Industries	1,60.39	74.10	..	13.14	2,47.63
Public Works	29.93	2.26	73.38	55.77	1,61.34
Agriculture	48.39	16.80	..	27.65	92.84
Education	14.09	3.68	0.02	48.40	66.19
Fisheries	48.63	0.37	..	10.12	59.12
Food (State Trading)	50.13	4.98	..	0.34	55.45
Medical	48.34	0.89	..	2.76	51.99
Public Health Engineering	11.25	6.79	13.69	16.26	47.99
Forest	0.47	0.31	4.40	12.80	17.98
Stationery & Printing	2.02	..	..	10.60	12.62
Development	7.58	0.90	0.17	2.30	10.95







*Non-submission of detailed contingent bills, payees' receipts, vouchers etc.*—The objections for want of detailed contingent bills represent the amounts drawn as advances by disbursing officers on 'abstract bills' for contingent expenditure for which detailed bills countersigned by the controlling authority in token of approval of the expenditure have not been furnished to audit. The rules require that the detailed bill should reach the Audit office not later than 20th of the month succeeding that in which the advance was drawn on abstract bill. Non-submission of detailed bills may result in irregularities remaining undetected for long.

In the absence of payees' receipts and sub-vouchers it cannot be ensured that the payment has been made nor can the expenditure be audited. Though the amount outstanding under this class has registered a slight decrease during the year the number of outstanding objections has increased as shown below:—

<i>Audit Report</i>	<i>Number of objections</i>	<i>Amount (In lakhs of rupees)</i>
1968	6,345	2,64.95
1969	6,361	4,85.24
1970	6,772	4,76.93

### 115. Outstanding Inspection Reports

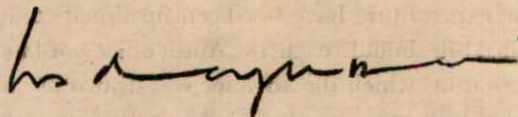
Important irregularities and defects noticed in the accounts during local audit are intimated through inspection reports to departmental officers and the heads of departments. The more important irregularities which remain unsettled for over one year are also reported to Government.

786 inspection reports containing 1,933 paragraphs issued upto the end of March 1969 were outstanding on 30th September 1969. Of these, 250 reports containing 547 paragraphs were outstanding for over one year (reports issued prior to April 1968).

The department-wise details of the outstanding inspection reports are given below:—

<i>Department</i>	<i>Number of outstanding</i>		<i>Earliest period to which the outstanding relates</i>
	<i>Reports</i>	<i>Paragraphs</i>	
Health	140	366	1966-67
Revenue	131	269	1965-66
Education	127	218	1965-66
Water and Power	99	230	1965-66
Agriculture	75	215	1963-64
Public Works	63	134	1963-64
Development	52	159	1965-66
Industries	25	155	1962-63
Other Departments	74	187	1965-66
Total	786	1,933	

The number of outstanding inspection reports and paragraphs mentioned in Audit Report 1969 were 639 and 1,708 respectively.

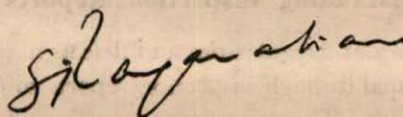


Trivandrum,

The 24 MAR. 1970

(K. P. RANGASWAMI)  
Accountant General, Kerala.

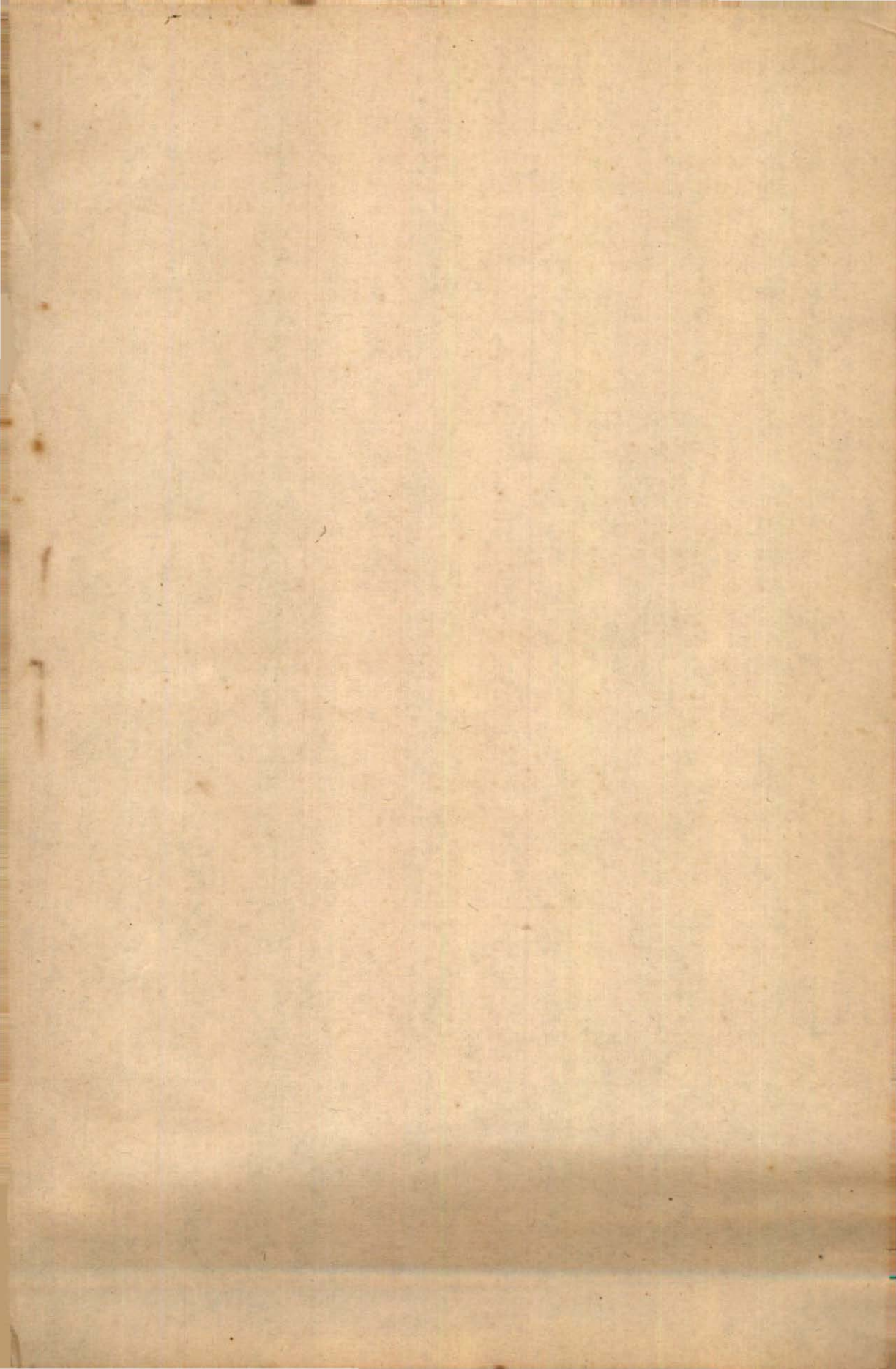
Countersigned



New Delhi,

The 31 MAR. 1970

(S. RANGANATHAN)  
Comptroller and Auditor General of India.





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**APPENDICES**

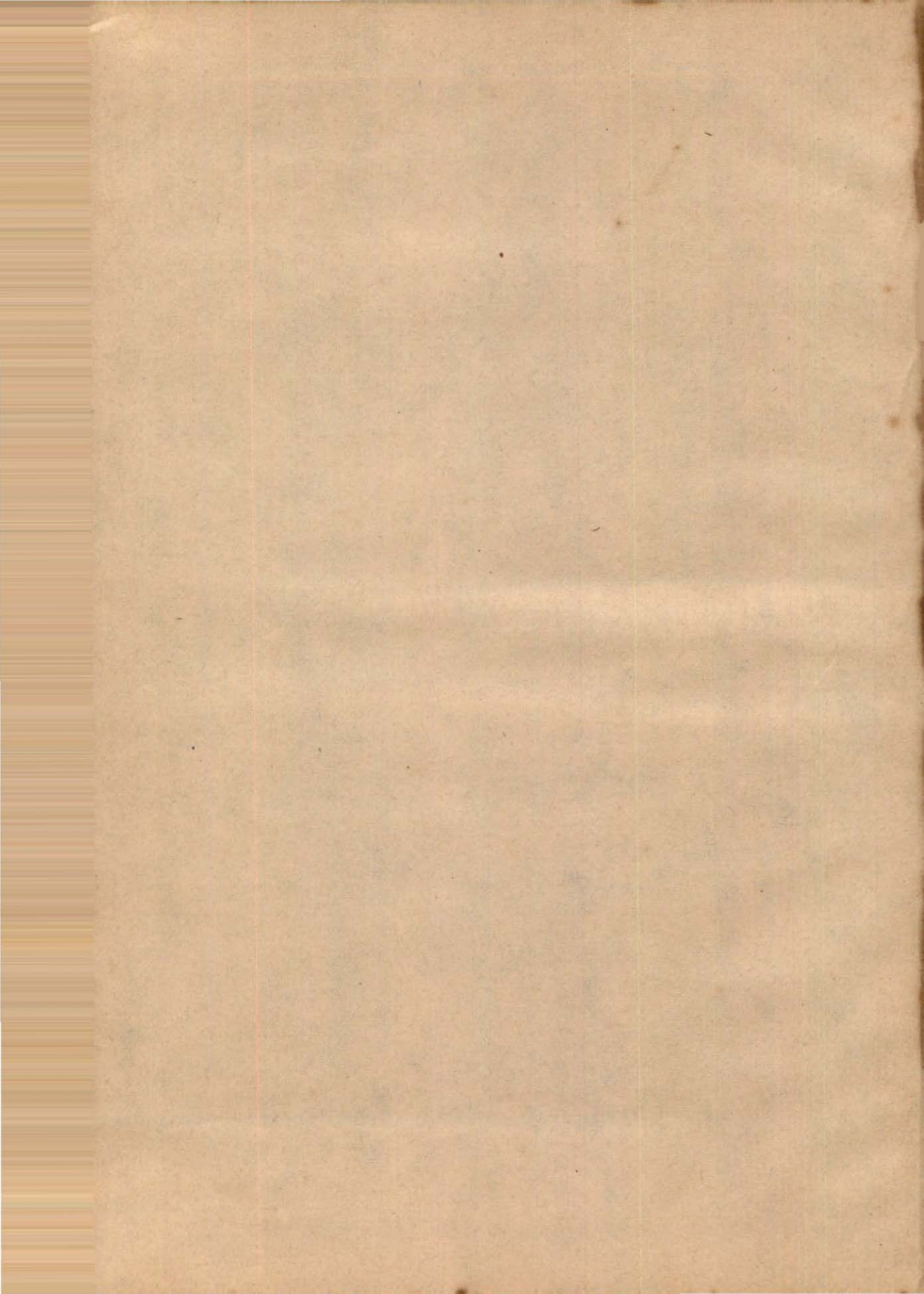
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APPENDIX I

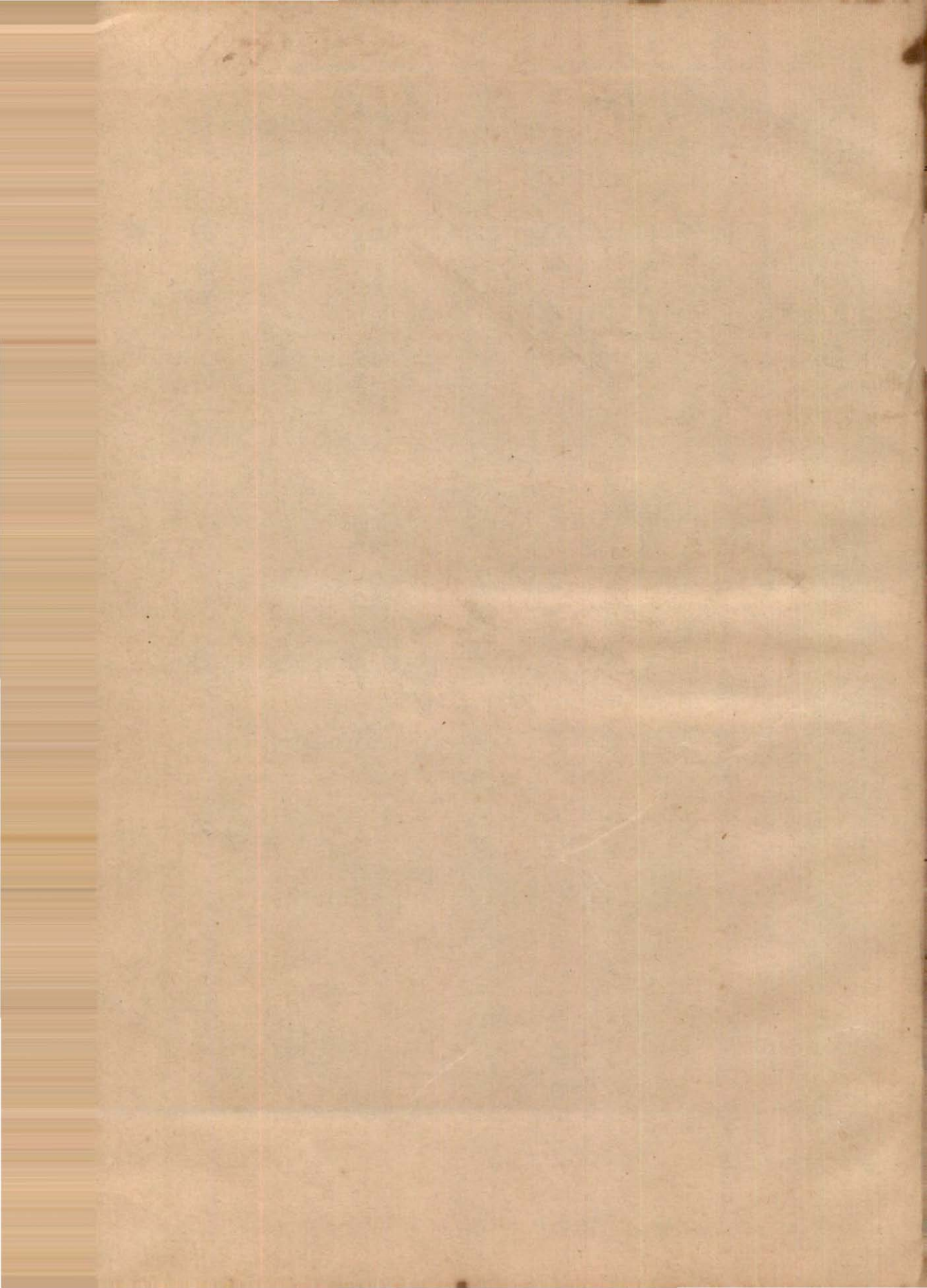
**Plan schemes provision for which remained wholly or substantially unutilised**

(Referred to in paragraph 16 page 16 of the Audit Report)

Sl. no.	Grant no. and group head	Scheme	Provision	Saving (and percentage)	Reason for saving
(In lakhs of rupees)					
1	II(b) (vii) C	Preparation of Record of Rights	10.00	8.43 (84%)	Due to belated starting of the scheme. In 1967-68 the entire provision of Rs. 10 lakhs remained unutilised.
2	XV(a) (ii)	Geological Investigation	11.80	11.06 (94%)	Reduction in Plan outlay.
3	XXI(a) (xxii) V	Special Circle for investigation, planning and design of urban water supply and drainage schemes	5.00	5.00 (100%)	Non-receipt of clearance from Government for forming the circle.
4	XXII(e) (iv) 25	Schemes for the control of pests and diseases —Epidemics in Kerala	3.50	3.50 (100%)	Non-sanctioning of scheme by Government.
5	XXII(g)B (12)	Scheme for the Establishment of Departmental Agricultural Machinery Hiring Centres	23.45	23.45 (100%)	
6	XXII(j)(vii) 41	National Demonstration on Coconut	10.14	10.14 (100%)	
7	XXII(j)(ii) E	Grant for the construction of permanent bunds	14.00	14.00 (100%)	Expenditure of Rs. 4.67 lakhs was transferred to 31 (i) 3.C. within the grant. Reasons for balance saving awaited.
8	XXIII(m)(vii) D(i)	Fishery requisites	12.00	8.40 (70%)	(i) Delay in despatch of electronic equipment by foreign supplier;  (ii) non-receipt of sufficient number of applications for grant of subsidy; and  (iii) non-purchase of nylon yarn.

<i>Sl. no.</i>	<i>Grant no. and group head</i>	<i>Scheme</i>	<i>Provision</i>	<i>Saving ( and percentage)</i>	<i>Reason for saving</i>
(In lakhs of rupees)					
9	XXIII(m)(vii)I	Housing and Colonisation	14.50	8.79 (61%)	Works sanctioned could not be taken up due to poor response from agencies executing works.
10	XXIII(m)(vii) S	Boat yards and service stations	7.80	6.81 (87%)	(i) Slow progress of construction of new boat building yard at Beypore;  (ii) dropping of proposal for establishment of service stations; and  (iii) non-receipt of sanction for purchase of machinery.
11	XXVI(c) (ii) J	Outright grant to special bad debt reserve of village co-operatives	6.00	5.00 (83%)	Less number of societies became eligible for assistance due to change in the conditions for payment of grant. During 1967-68 also 74 per cent of the provision remained unutilised.
12	XLV(d) (ii)A. 16	Export oriented processing units (Fruit and vegetable)	4.00	4.00 (100%)	Scheme was not approved by Government and National Co-operative Development Corporation.





## APPENDIX II

### PREMATURE WITHDRAWAL OF FUNDS

(Referred to in paragraph 20 page 18 of the Audit Report)

#### **Agriculture Department**

1. The financial rules of Government prohibit drawal of money until it is required for immediate payment.

Rs. 10,000 were drawn on 30th March 1968 (by bank draft) by the District Agricultural Officer, Alleppey, for payment to a firm in Madras towards cost of zinc phosphide for which supply orders were placed by the Director of Agriculture on 22nd March 1968. The certificate of receipt of the chemical was also recorded by Plant Protection Assistant in the *pro forma* invoice attached to the bill though the stores had not actually been received. The supply order with the firm was subsequently cancelled in April 1968 and the amount refunded in July 1968 (Rs. 9,997) and November 1968 (Rs. 3).

#### **Industries Department**

2. Rs. 2 lakhs sanctioned as loan to a co-operative society for construction of two buildings and another loan of Rs. 0.70 lakh sanctioned to another co-operative society for organisation purposes were drawn on 30th March 1968 by the Regional Joint Director of Industries and Commerce, Trivandrum, and, pending finalisation of the terms and conditions, execution of prescribed mortgage deeds etc., by the borrowers deposited in the District Co-operative Bank, Trivandrum. The amounts were paid to the borrowers in May 1968. While Rs. 1 lakh only has so far been utilised in the first case no amount has been utilised in the second case (October 1969).

3. Rs. 1 lakh were drawn on 31st March 1969 by the Regional Joint Director of Industries and Commerce, Trivandrum, for payment to a co-operative society as loan for constructing a building at Cannanore. Pending execution of the prescribed mortgage deed by the society the amount was deposited in the Kerala State Co-operative Bank in July 1969. The Director of Industries and Commerce informed Audit (September 1969) that on receipt of the registered bond in the department on 4th August 1969, the amount was transferred to the society on 4th September 1969.

APPENDIX III

**Writes off, waivers, remissions and ex-gratia payments**

(Referred to in paragraphs 40 and 63 pages 29 and 51 of the Audit Report)

In 4,462 cases, losses due to theft, fire etc., irrecoverable revenue, duties, advances etc., were written off or revenue remitted or claims to revenue abandoned/waived or ex-gratia payments were made during 1968-69 by competent authorities. The details are as follows:—

Sl. no.	Department	Writes off of losses, irrecoverable revenue, duties, advances etc.		Waiver of revenue		Remission of revenue and abandonment of claims to revenue (Other than land revenue)		Ex-gratia payments	
		Number	Amount Rs.	Number	Amount Rs.	Number	Amount Rs.	Number	Amount Rs.
1	Revenue	73	1,42,367	1,210	2,49,667	727	12,86,446	..	..
2	Food	5	1,38,721	..	..	..	..	..	..
3	Agriculture	1,102	1,71,376	97	7,911	3	6,750	314	8,10,907
4	Development	29	21,013	1	635	1	175	..	..
5	Public Works	32	36,339	44	921	6	5,032	264	25,353
6	Education	67	60,450	1	6,990	144	4,409	1	840
7	Industries	8	11,147	4	41,887	..	..	..	..
8	Health	50	24,678	34	258	..	..	3	400
9	Home	45	20,710	13	3,342	..	..	4	8,200
10	Finance (State Insurance)	..	..	..	..	..	..	138	1,37,565
11	Labour and Social Welfare	26	33,214	4	256	..	..	..	..
12	Others	12	6,144	..	..	..	..	..	..
	Total	1,449	6,66,159	1,408	3,11,867	881	13,02,812	724	9,83,265





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## APPENDIX IV

### Unutilised buildings, machinery, equipment, stores etc.

*(Referred to in paragraph 59 page 49 of the Audit Report)*

#### Public Works Department

1. Eleven cranes purchased for Rs. 12.22 lakhs for installation at Beypore and Calicut ports were received at Calicut between December 1967 and February 1968. Pending completion of foundation for erection of the cranes they were kept in storage for long periods. By the time the foundations at Beypore were ready in December 1968, it was found that due to improper handling and stacking the cranes had suffered some damages and rusting. By interchange of parts between the cranes intended for Calicut and Beypore, five cranes were installed at Beypore and commissioned by January 1969. The remaining six cranes (cost: Rs. 6.77 lakhs) have not so far been erected at Calicut due to non-completion of the foundation work which was entrusted to a co-operative society in July 1968. The cost of reconditioning, repairs or replacement of the damaged parts is yet to be assessed (December 1969).

2. For improvement of sanitary facilities in schools and primary health centres in 1961 the United Nations International Children's Emergency Fund supplied free of cost materials (hand pumps, G.I. pipes, accessories etc.) worth Rs. 0.18 lakh for installation in 50 selected institutions. During February-March 1963 spare parts worth Rs. 0.07 lakh were also received from the same source. The materials have not been installed in any of the institutions so far (November 1969). Materials worth Rs. 0.07 lakh which were with the Public Health Engineering Department were also reported to be not available (November 1969). Government intimated (November 1969) that the Store-keeper is under suspension and that the whereabouts of these materials can be traced out only after the accounts being written up are completed.

3. Two concrete mixers costing Rs. 0.21 lakh purchased in the West Coast Roads division, Tellicherry, during March-July 1967 could not be put to use (January 1970) since the machinery is reported to be not working satisfactorily under loaded conditions even after repairs carried out by the suppliers in October 1968. Ten per cent of the payment had not been paid to the suppliers (January 1970).

#### Agriculture Department

4. Dairy equipments and appliances (cost: Rs. 10.14 lakhs) purchased between February 1966 and May 1968 and a building (cost: Rs. 4.85 lakhs) constructed in June 1967 for the dairy plant at Kottayam remain unutilised (December 1969) due to non-commissioning of the plant.

#### Health Department

5. A spectro photometer (value: Rs. 0.40 lakh) received free from the Indo-Norwegian Project in August 1963 for use in Public Health Laboratory, Quilon, has not been put to use so far for want of qualified hands to commission the equipment. The equipment considered (May 1968) useful for quick estimation in chemical laboratory was sent for repairs (March 1969).

**Labour and Social Welfare Department**

6. To provide ambulance vans to hospitals under the Employees' State Insurance Scheme, five Bedford chassis (cost: Rs. 1.54 lakhs) were purchased during January February 1968 by the Administrative Medical Officer. The work of body building was not arranged till September 1969. Further developments are awaited (December 1969).

7. Machinery and equipment costing over Rs. 2.64 lakhs (excluding freight, insurance, customs duty etc.) procured from a foreign country (out of the surplus stores available there) between January 1965 and January 1967 for use in the industrial training institutes at Trivandrum, Quilon, Chengannur, Ettumanoor, Kalamassery and Palghat remain unutilised (May 1969) for reasons like (a) receipt of equipment in a damaged/defective condition, (b) want of attachment and spare parts, (c) delay in repairs and (d) non-provision of training in the trade requiring the use of the machinery in the institute to which it was allotted.