



GOVERNMENT OF KERALA

AUDIT REPORT

1968



Comptroller and Auditor General of India

1968

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TABLE OF CONTENTS

| | | <i>Reference to</i> | |
|----------|--|---------------------|-------------|
| | | <i>Paragraph</i> | <i>Page</i> |
| | Prefatory Remarks | | iii |
| Chapter | I General | 1-10 | 1-6 |
| Chapter | II Appropriation Audit and Control over expenditure | 11-19 | 7-15 |
| Chapter | III Civil Departments— | | |
| | Agriculture Department | 20-25 | 16-19 |
| | Development Department | 26-29 | 19-22 |
| | Education Department | 30-33 | 22-24 |
| | Health and Labour Department | 34 | 24-25 |
| | Revenue Department | 35-38 | 25-27 |
| | Industries Department | 39-40 | 27-29 |
| | Planning Department | 41 | 29-30 |
| | Home Department | 42 | 30 |
| | Miscellaneous irregularities, losses, etc. | 43 | 30 |
| Chapter | IV Works expenditure | 44-54 | 31-38 |
| Chapter | V Stores and Stock Accounts | 55-59 | 39-42 |
| Chapter | VI Revenue Receipts | 60-69 | 43-47 |
| Chapter | VII Government Commercial and Trading Activities— | | |
| | Section I General | 70 | 48 |
| | Section II Statutory Corporations | 71-96 | 48-57 |
| | Section III Government Companies | 97-109 | 58-67 |
| | Section IV Government Departmental Commercial Undertakings | 110-111 | 67-68 |
| | Section V Investments and Guarantees by the State Government | 112-113 | 68-71 |
| Annexure | A Summarised financial position of Statutory Corporations/ Board | | 72-73 |
| Annexure | B Summarised financial position of Government Companies | | 74-77 |
| Annexure | C Summarised financial position of Kerala Government Commercial and Quasi-Commercial Departments | | 78-79 |

| | | | <i>Reference to</i> | |
|---------------|--|--|---------------------|-------------|
| | | | <i>Paragraph</i> | <i>Page</i> |
| Chapter VIII | Financial Assistance to Local Bodies, Co-operative Institutions, Other Bodies and Individuals | | 114-121 | 80-89 |
| Chapter IX | Outstanding Audit Objections and Inspection Reports | | 122-123 | 90-92 |
| Appendix I | Statement showing schemes, the provision for which remained wholly or substantially unutilised | | | 93-95 |
| Appendix II | Cases of withdrawal of funds with a view to utilising the allotted funds | | | 96-97 |
| Appendix III | Miscellaneous irregularities, losses, etc. | | | 98-101 |
| Appendix IV | Delay in adjustment of balances under Suspense and Remittance heads | | | 102-104 |
| Appendix V | Cases of non-utilisation of buildings | | | 105 |
| Appendix VI | Synopsis of important Stores Accounts | | | 106 |
| Appendix VII | Statement showing unutilised machinery, equipment, stores, etc. | | | 107-109 |
| Appendix VIII | Details of utilisation certificates awaited from Departmental Officers as on 1st August, 1967 | | | 110-111 |
| Appendix IX | Statement showing the audit objections pertaining to the period upto 31st March, 1967 outstanding as on 1st August, 1967— | | | |
| Section A | Year-wise details of objections | | | 112-113 |
| Section B | Department-wise details of objections pending for want of payees' receipts and vouchers | | | 114-115 |
| Section C | Department-wise details of objections pending for want of detailed contingent bills | | | 116-117 |
| Appendix X | Statement showing inspection reports pertaining to the period upto 31st March, 1967 outstanding as on 30th September, 1967 | | | 118 |

PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts for 1966-67 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 1966-67; 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 1966-67 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 1966-67 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.

CHAPTER I

GENERAL

1. Budget and actuals

The revenue receipts and expenditure met from revenue in each of the 3 years ended 31st March, 1967 compared as follows with the corresponding budget estimates for these years:—

| <i>Year</i> | <i>Budget</i> | <i>Actuals</i> | <i>Variation</i> | | | | | |
|-------------------------------------|---------------|----------------|------------------------------|-------------------|-----------------------------------|---------------|----------------|--|
| | | | <i>Amount</i> | <i>Percentage</i> | | | | |
| | | | <i>(In crores of rupees)</i> | | | | | |
| <i>Revenue receipts</i> | | | | | | | | |
| 1964-65 | 79.58 | 80.88 | +1.30 | +1.73 | <i>Revenue surplus +/deficit—</i> | | | |
| 1965-66 | 85.54 | 82.10 | —3.44 | —4.02 | | | | |
| 1966-67 | 1,03.12 | 1,08.69 | +5.57 | +5.40 | <i>Year</i> | <i>Budget</i> | <i>Actuals</i> | |
| | | | | | <i>(In crores of rupees)</i> | | | |
| <i>Expenditure met from revenue</i> | | | | | | | | |
| 1964-65 | 76.00 | 74.86 | —1.14 | —1.50 | 1964-65 | +3.58 | +6.02 | |
| 1965-66 | 87.73 | 81.83 | —5.90 | —6.73 | 1965-66 | —2.19 | +0.27 | |
| 1966-67 | 99.31 | 98.54 | —0.77 | —0.78 | 1966-67 | +3.81 | +10.15 | |

The revenue receipts for 1966-67 showed an increase of Rs. 5.57 crores while the expenditure on revenue account recorded a fall of Rs. 0.77 crore as compared to the budget estimates, thus yielding a substantial surplus of Rs. 10.15 crores on revenue account, an improvement of Rs. 6.34 crores over the budgeted figure.

2. Revenue receipts

During the year 1966-67 there was an increase of Rs. 26.59 crores (32.39%) as compared with 1965-66. Of this, an increase of Rs. 14.58 crores was due to increase in the grant-in-aid received from the Government of India under Article 275 of the Constitution. The receipts from the Central Government during the year (Rs. 43.39 crores) constituted about 40% of the total revenues. The revenue from Taxes, Duties, etc. (Rs. 45.28 crores) contributed 41.6% of the total revenue during the year, the major item being 'Sales Tax' which alone formed about 21%.

3. Taxation measures during the year

During the year, the rate of inter-state sales tax was increased from 2% to 3% from 1st July, 1966, the rates of tax under the Kerala Court Fees and Suits Valuation Act, 1959 were enhanced from 1st October, 1966 and the rates for registration of documents, searching registers, etc., were enhanced from 1st January, 1967,

4. Arrears in collection of revenue

According to the information furnished by the departments, the arrears in collection of revenue amounted to Rs. 11.64 crores as on 31st March, 1967 *i.e.*, 10.71% of the total revenue of Rs. 1,08.69 crores in 1966-67. The departments to which the major portion of the arrears relates are Sales Tax (Rs. 4.84 crores), Forest (Rs. 1.34 crores), Land Revenue (Rs. 1.25 crores) and Agricultural Income Tax (Rs. 1.06 crores). Further particulars are given in paragraph 60 of Chapter VI—pages 43—44.

5. Expenditure met from Revenue

The expenditure on revenue account exhibited a steep increase during 1966-67, being Rs. 16.71 crores more than that during 1965-66; the increase in 1965-66 compared to the expenditure during 1964-65 was Rs. 6.97 crores. The increase in expenditure during 1966-67 was due mainly to progressive increase in the expenditure on servicing the debt (Rs. 2.37 crores) following growing indebtedness and larger expenditure on social and developmental schemes, particularly on Education (Rs. 6.33 crores) and Medical (Rs. 0.95 crore) and on Public Works (Rs. 0.97 crore). The expenditure on collection of taxes, duties and other principal sources of revenue during 1966-67 constituted 3.42% and that on social and developmental services constituted 60% of the total expenditure met from revenue during the year.

6. Expenditure outside the Revenue Account

The progressive capital expenditure upto March, 1967 was Rs. 1,34 crores and accounted for 52.96% of the total debt and other obligations (Rs. 2,53 crores). The outlay during the three years ending 1966-67 compared with the budget estimates for these years as shown below:—

| Year | Budget | Actuals | Variation | |
|---------|--------|---------|-----------------------|------------|
| | | | Amount | Percentage |
| | | | (In crores of rupees) | |
| 1964-65 | 13.88 | 9.89 | -3.99 | -28.75 |
| 1965-66 | 13.16 | 15.86 | +2.70 | +20.52 |
| 1966-67 | 10.96 | 10.49 | -0.47 | -4.29 |

The analysis of the expenditure outside the revenue account is as follows:—

| | During 1966-67 | Progressive total upto 1966-67 |
|--|-----------------------|--------------------------------------|
| | (In crores of rupees) | |
| (i) Capital expenditure on Irrigation and Multipurpose Schemes | 4.38 | 38.74 |
| (ii) Capital Outlay on Improvement of Public Health | 1.12 | 10.97 |

| | <i>During</i> 1966-67 | <i>Progressive</i> <i>total upto</i> 1966-67 |
|--|------------------------------|--|
| | <i>(In crores of rupees)</i> | |
| (iii) Capital Outlay on Public Works | 3.47 | 49.68 |
| (iv) Capital Outlay on Other Works (including Commercial Departments) | 1.52 | 34.72 |
| Total | 10.49 | 1,34.11 |
| (v) Net expenditure under Loans and Advances | 20.45 | 1,19.99 |
| Grand Total | 30.94 | 2,54.10 |

The sources from which the total expenditure outside the Revenue Account including that on 'Loans and Advances' was met during 1966-67 are indicated below:—

| | <i>(In crores of rupees)</i> |
|---|------------------------------|
| I. Net additions to— | |
| (i) Market Loans | 4.27 |
| (ii) Floating Debt | —9.30 |
| (iii) Loans from the Central Government | 19.99 |
| (iv) Loans from other sources and Unfunded Debt | 2.57 |
| II. Miscellaneous (mainly excess of deposits, etc., received by Government over repayments on that account) | 2.94 |
| III. Drawing down of cash balance | +0.32 |
| IV. Revenue Surplus | +10.15 |
| Net amount available for expenditure outside the Revenue Account | 30.94 |

7. Loans and advances given by Government

The disbursement under 'Loans and Advances by the State Government' and the recoveries thereof during the 3 years ending 1966-67 as compared with the corresponding budget estimates are given below:—

| <i>Year</i> | <i>Budget</i> <i>(In crores of rupees)</i> | <i>Actuals</i> | <i>Variation</i> | | <i>Year</i> | <i>Budget</i> <i>(In crores of rupees)</i> | <i>Actuals</i> <i>(In crores of rupees)</i> |
|-------------|---|----------------|------------------|-------------------|-------------|---|--|
| | | | <i>Amount</i> | <i>Percentage</i> | | | |
| | <i>Disbursements</i> | | | | | <i>Net Outgo</i> | |
| 1964-65 | 19.89 | 16.81 | —3.08 | —15.48 | 1964-65 | 18.13 | 14.99 |
| 1965-66 | 17.91 | 21.12 | +3.21 | +17.92 | 1965-66 | 15.62 | 18.50 |
| 1966-67 | 22.19 | 22.93 | +0.74 | +3.33 | 1966-67 | 20.04 | 20.45 |
| | <i>Recoveries</i> | | | | | | |
| 1964-65 | 1.76 | 1.82 | +0.06 | +3.41 | | | |
| 1965-66 | 2.29 | 2.62 | +0.33 | +14.41 | | | |
| 1966-67 | 2.15 | 2.48 | +0.33 | +15.35 | | | |

The balance of loans and advances by State Government as on 31st March, 1967 aggregated Rs. 1,20 crores and constituted 47.4% of debt and other obligations (Rs. 2,53 crores).

The details of loans and repayments thereof given in paragraph 115, Chapter VIII, pages 81—83 show that recovery of a sum of Rs. 1.83 crores was in arrears (principal: Rs. 1.40 crores; interest: Rs. 0.43 crore) as on 31st March, 1967.

8. Debt position of Government

The total indebtedness of the State Government on account of Public Debt and Other Obligations amounted to Rs. 2,53 crores at the end of 1966-67. The increase during the last five years amounted to Rs. 1,07 crores, of which Rs. 1,00 crores was under public debt and Rs. 7 crores under other obligations.

No law has been passed by the Legislature of the State under Article 293 of the Constitution of India laying down the limits within which the State Government may borrow on the security of the Consolidated Fund of the State.

Public Debt:—The Public Debt comprises loans from the Central Government, permanent debt (market loans), floating debt and other loans from autonomous bodies, such as the Life Insurance Corporation of India and the National Agricultural Credit (long term operation) Fund of the Reserve Bank of India. The Public Debt increased during the year 1966-67 by Rs. 15.62 crores, the details are given below:—

| | Raised during 1966-67 | Discharged during 1966-67 | Increase during 1966-67 | Balance on 31st March, 1967 |
|--|--------------------------|---------------------------------|-------------------------------|-----------------------------------|
| (In crores of rupees) | | | | |
| Loans from the Central Government | 30.44 | 10.45 | 19.99 | 1,75.21 |
| Permanent Debt (Market Loans) | 4.28 | 0.01 | 4.27 | 38.68 |
| Floating Debt (Purely temporary borrowings) | 2.77 | 12.07 | —9.30 | — |
| Other Loans | 0.97 | 0.31 | 0.66 | 5.76 |
| Total | 38.46 | 22.84 | 15.62 | 2,19.65 |

(i) *Loans from Central Government:*—The debt owed to the Central Government (Rs. 1,75.21 crores) accounted for 79.77% of the total public debt.

No amortisation arrangement has been made by the State Government for the repayment of these loans.

(ii) *Permanent Debt*:—A new loan for Rs. 4.28 crores was raised during 1966-67 at a discount of 2%. The loan is redeemable at par in 1978 and carries interest at 5½% per annum. The outstanding permanent debt (market loans) at the end of the year amounted to Rs. 38.68 crores.

For the amortisation of the loans raised in the market, contribution at 1½% of the total nominal amount of the loans is made to a Depreciation Fund (Sinking Fund) for purchasing the securities of loans for cancellation. In addition, an annual contribution at about ½% of the outstanding balance of each loan is also made to the General Sinking Fund. The accumulated balances in these two funds at the end of March, 1967 stood at Rs. 2,29.76 lakhs and Rs. 87.27 lakhs respectively. Of these, a sum of Rs. 66.49 lakhs stood invested in the securities of the Government of India at the end of 1966-67 and the balance was merged in the cash balance of the State. A sum of Rs. 1.99 lakhs was received during the year as interest on investments.

(iii) *Floating Debt*:—This represents borrowings of a purely temporary character, such as Ways and Means advances and overdraft accommodation from the Reserve Bank of India.

Under an agreement with the Reserve Bank of India, the State 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 Rs. 30 lakhs on all days from 1st March, 1967. 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 of India or by selling Treasury bills. Besides this, special accommodation not exceeding Rs. 3.75 crores is also available against the securities held by the State Government. Ways and Means advances amounting to Rs. 30 lakhs and additional accommodation to the extent of Rs. 2.47 crores taken during April, 1966 along with the balance of Rs. 9.30 crores outstanding at the end of 1965-66 were completely repaid during 1966-67. The total interest paid during the year on floating loans (at rates varying from 3% to 6%) amounted to Rs. 10.47 lakhs.

Other obligations:—These represent the liabilities of Government in addition to public debt and consist of uninvested balances of: (i) interest bearing obligations, such as Depreciation Reserve Funds of Commercial Undertakings, etc. (Rs. 2.64 crores), (ii) non-interest bearing obligations, such as Deposits of Local Funds, Civil Deposits and other Earmarked Funds, etc. (Rs. 17.34 crores) and (iii) Unfunded Debt (mainly balances in Provident Funds) (Rs. 13.66 crores), making a total of Rs. 33.64 crores, as on 31st March, 1967.

Interest on debt and other obligations:—The gross interest charges paid by Government during the year were Rs. 9.90 crores on Public Debt (including expenditure on

management) and unfunded debt and Rs. 0.15 crore on other obligations. Against this, Government received Rs. 0.59 crore towards interest on [loans and advances given by them and Rs. 0.46 crore on investment of cash balances. The net burden of interest charges on debt and other obligations during the year was Rs. 9 crores (8.28% of the total revenue receipts). During 1965-66 the net amount of interest charges worked out to Rs. 6.58 crores (8.01% of the total revenue receipts).

Further details are given in Statement No. 4 of the Finance Accounts, 1966-67—pages 29—32.

9. Guarantees

Government have given guarantees for the repayment of loans, debentures, bonds, etc., raised by the Statutory Corporations, Government Companies, Co-operative institutions, joint stock companies and private individuals as also for the repayment of the working capital raised by the Kerala Financial Corporation with a minimum dividend of 3½% thereon. The total amount so guaranteed and outstanding on 31st March, 1967 was Rs. 21.04 crores. Further details are given in Statement No. 6 of the Finance Accounts, 1966-67—pages 36—38.

No law has been passed under the provisions of Article 293 of the Constitution laying down the limits within which Government may give guarantees on the security of the Consolidated Fund of the State.

During 1966-67 Government paid a sum of Rs. 1.36 lakhs to the Kerala Financial Corporation in order to fulfil the guarantee in respect of the minimum dividend on its working capital; the total of such payments made up to the end of 1966-67 (since the Corporation was set up in 1953-54) amounted to Rs. 15.72 lakhs.

10. Grants-in-aid

During 1966-67 Government paid a total sum of Rs. 4.47 crores as grants-in-aid to local bodies, co-operative institutions, other bodies and individuals. Further details in this regard are given in paragraph 114 of Chapter VIII—pages 80—81. As brought out therein, utilisation certificates in 4,146 cases were awaited on the 1st August, 1967 in respect of grants totalling Rs. 1.78 crores disbursed upto 31st March, 1966. In the absence of these certificates it is not clear how far the 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 observed.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

11. 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>Savings Amount</i> | <i>Percentage</i> |
|--------------------------------|---------|-------------------------------|---------------------------|-------------------|
| | | <i>(In crores of rupees)</i> | | |
| VOTED | | | | |
| Original | 1,40.94 | 1,47.81 | 1,42.23 | 5.58 |
| Supplementary | 6.87 | | | |
| CHARGED | | | | |
| Original | 80.83 | 81.04 | 34.57 | 46.47 |
| Supplementary | 0.21 | | | |
| Total | | 2,28.85 | 1,76.80 | 52.05 |
| | | | 22.74 | |

The expenditure shown above does not include an amount of Rs. 0.48 crore met by advances from the Contingency Fund obtained in March, 1967, which were not subsequently reimbursed to the Fund before the close of the financial year by authorisation of the Legislature.

The large saving of Rs. 46.47 crores forming 57.34% of the total *charged* appropriation was mainly due to less overdrawals from the Reserve Bank of India than anticipated (Rs. 37.93 crores). Non-drawal of Ways and Means advances from the Government of India during the year also accounted for part of this saving (Rs.8 crores).

12. Excess over voted grants

(i) Excess over the voted grants occurred in the following 19 cases; these are required to be regularised under Article 205 of the Constitution.

| <i>Sl. No.</i> | <i>Grant</i> | <i>Expenditure</i> | <i>Excess</i> | <i>Percentage of excess</i> |
|----------------|---|--------------------|---------------|---------------------------------|
| | | Rs. | Rs. | |
| 1 | I. Agricultural Income Tax and Sales Tax | | | |
| | Original | 52,32,600 | | |
| | Supplementary | 4,82,700 | | |
| | Total | 57,15,300 | 57,39,379 | 24,079 |
| | | | | 0.42 |

| Sl. No. | Grant | Expenditure | | Excess | Percentage of excess |
|--|---|-------------|-------------|----------|-------------------------|
| | | Rs. | Rs. | | |
| 2 | V. Stamps | | | | |
| | Original | 16,75,800 | | | |
| | Supplementary | .. | | | |
| | Total | 16,75,800 | 19,36,630 | 2,60,830 | 15.56 |
| The excess occurred mainly under the group head "A (b) Charges for the sale of stamps" and was stated to be due to payment of more commission on account of unanticipated increase in the sale of stamps and stamp papers. | | | | | |
| 3 | VI. Registration Fees | | | | |
| | Original | 46,27,300 | | | |
| | Supplementary | 2,40,000 | | | |
| | Total | 48,67,300 | 49,11,489 | 44,189 | 0.91 |
| 4 | VIII. Elections | | | | |
| | Original | 20,90,000 | | | |
| | Supplementary | .. | | | |
| | Total | 20,90,000 | 21,07,607 | 17,607 | 0.84 |
| 5 | IX. Heads of States, Ministers and Headquarters staff | | | | |
| | Original | 89,38,000 | | | |
| | Supplementary | .. | | | |
| | Total | 89,38,000 | 90,49,441 | 1,11,441 | 1.25 |
| The excess occurred mainly under group head "C (a) (i) Government Secretariat" due to pay revision. | | | | | |
| 6 | X. District Administration and Miscellaneous | | | | |
| | Original | 1,11,58,700 | | | |
| | Supplementary | 10,12,000 | | | |
| | Total | 1,21,70,700 | 1,22,18,043 | 47,343 | 0.39 |
| 7 | XII. Jails | | | | |
| | Original | 59,32,500 | | | |
| | Supplementary | 1,00,000 | | | |
| | Total | 60,32,500 | 60,59,385 | 26,885 | 0.45 |

| Sl. No. | Grant | Expenditure | | Excess | Percentage of excess |
|---------|--------------------------------|-------------|-------------|-----------|-------------------------|
| | | Rs. | Rs. | | |
| 8 | XXI. Public Health Engineering | | | | |
| | Original | 1,79,72,100 | | | |
| | Supplementary | 5,31,500 | | | |
| | Total | 1,85,03,600 | 2,43,84,365 | 58,80,765 | 31.78 |

The excess occurred mainly under "(e)(v) Suspense—Debit". This was mainly due to adjustment of debits amounting to Rs. 42.48 lakhs advised by the Accountant General in previous years and purchase of more materials for various divisions than anticipated.

Excess over the grant occurred for the sixth year in succession mainly due to large excesses under 'Suspense'. The excesses over the grant during 1964-65 and 1965-66 were particularly large, being Rs. 67.87 lakhs and Rs. 1,52.52 lakhs respectively. Such large excesses over the years indicate defective control over the expenditure by the Department.

9 XXIII. Fisheries

| | | | | |
|---------------|-------------|-------------|----------|------|
| Original | 93,38,400 | | | |
| Supplementary | 51,22,000 | | | |
| Total | 1,44,60,400 | 1,50,96,036 | 6,35,636 | 4.40 |

The excess occurred mainly on account of expenditure on spill-over part of the scheme "Mechanisation of Fishing Boats" sanctioned by the Government of India in February, 1967 and adjustment of customs duty on imported materials and equipment.

10 XXIV. Rural Development

| | | | | |
|---------------|-----------|-----------|--------|------|
| Original | 57,24,800 | | | |
| Supplementary | .. | | | |
| Total | 57,24,800 | 57,72,418 | 47,618 | 0.83 |

11 XXV. Animal Husbandry

| | | | | |
|---------------|-------------|-------------|-----------|-------|
| Original | 1,16,57,800 | | | |
| Supplementary | 3,00,100 | | | |
| Total | 1,19,57,900 | 1,39,09,884 | 19,51,984 | 16.32 |

The excess was mainly due to non-provision of funds to accommodate the gross expenditure on the schemes of intensive poultry development, egg marketing (crash programme) and manufacture of ready to feed balanced feeds

In 1965-66 also the expenditure exceeded the grant by Rs. 12.92 lakhs.

| Sl. No. | Grant | Expenditure | | Excess Rs. | Percentage of excess |
|---------|---|-------------|-------------|---------------|-------------------------|
| | | Rs. | Rs. | | |
| 12 | XXIX. Labour and Employment | | | | |
| | Original | 88,40,500 | | | |
| | Supplementary | 9,71,500 | | | |
| | Total | 98,12,000 | 1,01,32,678 | 3,20,678 | 3.27 |
| | The excess occurred mainly due to adjustment of the cost of machines and tools and equipment for the Industrial Training Institutes, Alleppey and Kalamassery, for which provision had not been made. | | | | |
| 13 | XXXII. Irrigation | | | | |
| | Original | 3,75,62,400 | | | |
| | Supplementary | 75,78,100 | | | |
| | Total | 4,51,40,500 | 5,09,74,732 | 58,34,232 | 12.92 |
| | The excess occurred mainly under "44 A(i)(e) Suspense". This was attributed to the difficulty in estimating the gross debit to "Suspense". | | | | |
| | The grant was exceeded in 1964-65 and 1965-66 also by Rs. 38.58 lakhs and Rs. 1,03.54 lakhs respectively. | | | | |
| 14 | XXXVII. Pensions | | | | |
| | Original | 3,13,51,700 | | | |
| | Supplementary | .. | | | |
| | Total | 3,13,51,700 | 3,13,97,667 | 45,967 | 0.15 |
| 15 | XLIII. Capital Outlay on Public Health | | | | |
| | Original | 1,19,38,200 | | | |
| | Supplementary | 100 | | | |
| | Total | 1,19,38,300 | 1,19,54,538 | 16,238 | 0.14 |
| 16 | XLVI. Capital Outlay on Irrigation | | | | |
| | Original | 4,18,54,900 | | | |
| | Supplementary | 30,00,000 | | | |
| | Total | 4,48,54,900 | 4,49,80,839 | 1,25,939 | 0.28 |
| 17 | XLVIII. Capital Outlay on Other Works | | | | |
| | Original | 24,40,800 | | | |
| | Supplementary | 5,53,000 | | | |
| | Total | 29,93,800 | 30,42,146 | 48,346 | 1.61 |
| 18 | LII. Commuted value of Pensions | | | | |
| | Original | 3,57,000 | | | |
| | Supplementary | 1,50,000 | | | |
| | Total | 5,07,000 | 5,23,792 | 16,792 | 3.31 |

| Sl. No. | Grant | Expenditure | | Excess | Percentage of excess |
|---------|---|-------------|-------------|-----------|----------------------|
| | | Rs. | Rs. | | |
| 19 | LIII. Capital Outlay on Schemes of Government Trading | | | | |
| | Original | 6,09,11,400 | | | |
| | Supplementary | 80,00,000 | | | |
| | Total | 6,89,11,400 | 7,49,40,409 | 60,29,009 | 8.75 |

The excess occurred mainly under "Manure Supply Scheme—Purchase price" due to adjustment of the cost of fertilisers purchased from the Central Fertiliser Pool during the previous year. Reasons for not providing funds for the purpose have not been furnished.

(ii) The following table compares the number and amount of excess over total grants during the last five years:—

| Year | Number of cases | Amount (In lakhs of rupees) |
|---------|-----------------|--------------------------------|
| 1962-63 | 9 | 1,27.08 |
| 1963-64 | 9 | 1,93.01 |
| 1964-65 | 13 | 1,71.23 |
| 1965-66 | 13 | 3,24.67 |
| 1966-67 | 19 | 2,14.86 |

13. Excess over charged appropriations

Excess over the charged appropriations in the following 6 cases also requires regularisation.

| Sl. No. | Appropriation | Expenditure | | Excess | Percentage of excess |
|---------|--|-------------|-----------|--------|----------------------|
| | | Rs. | Rs. | | |
| 1 | XI. Administration of Justice | | | | |
| | Original | 14,81,400 | | | |
| | Supplementary | 12,700 | | | |
| | Total | 14,94,100 | 15,02,592 | 8,492 | 0.57 |
| 2 | XXVII. Industries | | | | |
| | Original | 6,000 | | | |
| | Supplementary | 5,07,400 | | | |
| | Total | 5,13,400 | 5,13,614 | 214 | 0.04 |
| 3 | XLIV. Capital Outlay on Agricultural Improvement | | | | |
| | Original | 75,000 | | | |
| | Supplementary | 3,79,100 | | | |
| | Total | 4,54,100 | 4,70,321 | 16,221 | 3.57 |
| 4 | XLV. Capital Outlay on Industrial and Economic Development | | | | |
| | Original | 20,100 | | | |
| | Supplementary | 2,86,400 | | | |
| | Total | 3,06,500 | 3,07,534 | 1,034 | 0.34 |

| Sl. No. | Appropriation | Expenditure | | Excess | Percentage of excess |
|---------|---------------------------------------|-------------|--------|--------|----------------------|
| | | Rs. | Rs. | | |
| 5 | XLVIII. Capital Outlay on Other Works | | | | |
| | Original | .. | | | |
| | Supplementary | 28,800 | | | |
| | Total | 28,800 | 32,344 | 3,544 | 12.31 |
| 6 | LII. Commuted Value of Pensions | | | | |
| | Original | .. | | | |
| | Supplementary | .. | | | |
| | Total | .. | 242 | 242 | .. |

14. Supplementary grants/appropriations

During the year, supplementary provision amounting to Rs. 6.87 crores was obtained under 35 voted grants and Rs. 0.21 crore under 21 charged appropriations.

The supplementary provision of Rs. 6.60 lakhs under Grant No. XXVII—Industries and Rs. 1 lakh under Grant No. XIX—Medical proved wholly unnecessary; the savings under these grants amounted to Rs. 19.61 lakhs and Rs. 50.49 lakhs respectively.

In the following 3 cases, the supplementary grant obtained proved excessive by more than Rs. 5 lakhs in each case.

| Sl.No. | No. and name of grant | Supplementary grant and month in which obtained | Saving |
|--------|--|---|--------|
| | | (In lakhs of rupees) | |
| 1 | XXVIII. Community Development Projects, National Extension Service and Local Development Works | 14.37 (March, 1967) | 5.70 |
| 2 | XXXIX. Forest | 41.50 (March, 1967) | 5.83 |
| 3 | XLV. Capital Outlay on Industrial and Economic Development | 64.22 (August, 1966—Rs. 15.85 lakhs, November, 1966—Rs. 48.12 lakhs & March, 1967—Rs. 0.25 lakh) | 10.68 |

In the following 5 cases, supplementary grants obtained proved inadequate by more than Rs. 5 lakhs in each case:—

| Sl. No. | No. and name of grant | Supplementary grant and month in which obtained | Excess |
|---------|---|---|--------|
| | | (In lakhs of rupees) | |
| 1 | XXI. Public Health Engineering | 5.32 (March, 1967) | 58.80 |
| 2 | XXIII. Fisheries | 51.22 (March, 1967) | 6.36 |
| 3 | XXV. Animal Husbandry | 3.00 (March, 1967) | 19.52 |
| 4 | XXXII. Irrigation | 75.78 (March, 1967) | 58.34 |
| 5 | LIII. Capital Outlay on Schemes of Government Trading | 80.00 (March, 1967) | 60.29 |

15. Savings in grants

In respect of 14 grants the unutilised provision exceeded 10%. In the following 9 cases savings exceeded 20%.

| <i>Sl.No.</i> | <i>No. and name of grant</i> | <i>Total provision</i> | <i>Saving</i> | <i>Percentage of saving</i> |
|---------------|--|-----------------------------|---------------|-----------------------------|
| | | <i>(In lakhs of rupees)</i> | | |
| 1 | II. Land Revenue | 2,17.28 | 50.77 | 23 |
| 2 | VII. State Legislature | 9.74 | 5.44 | 56 |
| 3 | XVIII. Technical Education | 1,62.11 | 54.85 | 34 |
| 4 | XXXI. Statistics and Miscellaneous | 61.77 | 17.94 | 29 |
| 5 | XXXVI. Famine | 16.83 | 3.76 | 22 |
| 6 | XLIV. Capital Outlay on Agricultural Improvement | 20.39 | 17.22 | 84 |
| 7 | XLVII. Capital Outlay on Public Works | 5,70.66 | 1,64.24 | 29 |
| 8 | XLIX. Capital Outlay on Ports | 87.14 | 24.73 | 28 |
| 9 | LI. Capital Outlay on Forests | 96.48 | 33.57 | 35 |

Twenty schemes the provision for which remained wholly or substantially unutilised are mentioned in Appendix I—pages 93—95. Reasons for the savings indicated in this Appendix reveal that many of the schemes were not implemented due to non-finalisation of the schemes and late receipt of sanction for the schemes.

16. 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 grants/appropriations. This is done by :

- (i) obtaining supplementary grants or appropriations wherever necessary.
- (ii) effecting surrender of surplus funds under any sub-head as soon as the savings can be foreseen, and
- (iii) sanctioning reappropriation for the transfer of funds from sub-heads of grants/appropriations where a saving is anticipated to other sub-heads in the same grant/appropriation where there is need for additional provision of 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 12 to 15.

Further details mentioning cases of defective control of expenditure in respect of individual group heads within grants/appropriations have been indicated in the Appropriation Accounts, 1966-67.

The rules require that the unutilised amounts should be surrendered as soon as the possibility of saving is envisaged. It has, however, been found that almost as a regular feature the surrender of unutilised funds is being made only in March every year. In 1966-67 also the entire surrender of Rs. 52.96 crores was made only in March, 1967, of which Rs. 51.55 crores was made on the last day of the financial year.

17. Rush of expenditure towards the close of the financial year

The financial rules of Government require that the flow of expenditure should be regulated evenly throughout the year and that rush of expenditure towards the close of the year should in particular be avoided. Further, no attempt should be made to prevent the lapse of an appropriation by an undue rush of expenditure during March. The Public Accounts Committee had in its I Report of August, 1963 also urged that Government should watch this aspect carefully and issue special instructions to Departments.

The percentage of expenditure in March, 1967 to the total expenditure booked upto March, 1967 was, however, appreciable (i.e. more than 25%) in the following 11 cases :—

| Sl. No. | Major head of account | Total expenditure booked upto March, 1967 | Expenditure in March, 1967 | |
|---------|---|---|----------------------------|-------------------------|
| | | | Amount | Percentage of the total |
| | | | (In lakhs of rupees) | |
| 1 | 30 Public Health | 3,15.88 | 70.52 | 26 |
| 2 | 31 Agriculture | 5,35.75 | 1,45.67 | 27 |
| 3 | 32 Rural Development | 55.18 | 39.17 | 71 |
| 4 | 34 Co-operation | 83.53 | 22.38 | 27 |
| 5 | 35 Industries | 1,03.23 | 35.33 | 34 |
| 6 | 52 Capital Outlay on Public Works | 17.87 | 5.80 | 32 |
| 7 | 53 Ports and Pilotage | 10.32 | 3.65 | 35 |
| 8 | 68 Stationery and Printing | 75.62 | 20.25 | 27 |
| 9 | 95 Capital Outlay on Schemes of Agricultural Improvement and Research | 5.73 | 2.46 | 50 |
| 10 | 96 Capital Outlay on Industrial and Economic Development | 3,62.32 | 92.47 | 26 |
| 11 | 109 Capital Outlay on Other Works | 20.79 | 8.75 | 42 |

Under the major heads mentioned at Serial Numbers 1 to 5, 9 and 10, there was rush of expenditure at the close of 1965-66 also (the percentage varied between 28 and 70). Under Serial Numbers 2, 3 and 10 there was rush of expenditure during March consecutively for five years from 1962-63 to 1966-67.

18. Advances from the Contingency Fund in excess of requirements

The Contingency Fund is intended 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.

Out of 81 advances totalling Rs. 2,30.13 lakhs sanctioned from the Contingency Fund during 1966-67, 8 sanctions for Rs. 8.80 lakhs were not operated upon. In respect of 9 sanctions for Rs. 48.11 lakhs, the expenditure was less than 50% of the amount sanctioned. Three of these cases where the unspent amount exceeded Rs. 1 lakh are indicated below:—

| <i>Particulars of expenditure</i> | <i>Amount of advance and month</i> | <i>Expenditure</i> |
|--|------------------------------------|--------------------|
| | <i>of sanction</i> | |
| | Rs. | Rs. |
| Starting of Special B. Sc. course in Government Colleges | 4,02,400 (October, 1966) | 6,314 |
| Arrears of compensation to local bodies on account of Motor Vehicles Tax | 32,90,600 (February, 1967) | 11,64,416 |
| Shoranur Water Supply Scheme | 1,50,000 (September, 1966) | 3,557 |

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

19. Cases of withdrawal of funds with a view to utilising the allotted funds

The financial rules of Government provide that no money should be withdrawn from the treasury unless it is required for immediate disbursement and that no money should be withdrawn with a view to utilising the budget provision.

Ten cases of non-observance of these rules in which funds amounting to Rs. 2.17 lakhs were withdrawn from the treasuries during March, 1965 and March, 1966, much in advance of requirements, apparently to avoid lapse of budget provision, are given in Appendix II—pages 96—97.

CHAPTER III

CIVIL DEPARTMENTS

AGRICULTURE DEPARTMENT

(AGRICULTURE)

20. Scheme for the Development of Sugarcane

The object of the scheme is to raise the level of cultivation in the existing sugarcane areas by adopting scientific methods and to increase the area under sugarcane cultivation. During 1961-62 to 1965-66, an expenditure of Rs. 10.52 lakhs was incurred in bringing 23,500 acres of land under cultivation of sugarcane which produced 4.33 lakhs tons of sugarcane during the 5 year period.

The following points were noticed in audit:—

Establishment of Seed Farms:—Out of an area of 11.06 acres of land acquired in 1964 for a seed farm at Alwaye, 5.19 acres were subsequently (December, 1964) found unsuitable for sugarcane cultivation. The Government instructed the Director of Agriculture in December, 1966 to investigate and fix responsibility for the acquisition of the unsuitable area. Payment of compensation amounting to Rs. 71,500 for the entire area acquired in 1964 was made only in May, June and July, 1967 resulting in payment of interest of Rs. 6,754.

The maintenance expenditure (Rs. 1.05 lakhs) for the two seed farms at Pandalam and Alwaye was far in excess of the receipts during this period (Rs. 50,000).

Grant of medium term loans:—An amount of Rs. 5.66 lakhs was disbursed till March, 1967 as medium term loans to sugarcane cultivators for providing irrigation facilities. Out of a sum of Rs. 1.38 lakhs that fell due for recovery till April, 1967, a sum of Rs. 33,000 only was recovered. The arrears amounted to Rs. 1.05 lakhs as principal and Rs. 25,000 as interest.

21. Seed Farms and Seed Stores

During the period 1957-58 to 1965-66, 32 seed farms and 250 seed stores were established and an expenditure of Rs. 89.20 lakhs (recurring: Rs. 41.39 lakhs; non-recurring: Rs. 47.81 lakhs) was incurred. The object of the scheme is production, multiplication and distribution to cultivators of improved strains of paddy.

An audit review covering the period 1961-62 to 1965-66 revealed that in most of the seed farms, the maintenance expenditure exceeded the receipts realised and the total loss in the working of the farms came to Rs. 3.09 lakhs over the 5 year period.

Seeds produced in the farms are distributed to cultivators through the Block Development Officers who remit the sale proceeds in treasuries and furnish the chalans to the Agricultural Assistants in charge of the seed farms. In 7 seed farms, particulars of remittance for Rs. 0.96 lakh relating to the period 1961-62 to 1965-66 were not available (October, 1967).

22. Failure of a Scheme

The scheme for potato development aimed at bringing 3,000 acres of land under potato cultivation during the Third Five Year Plan period. A farm was started in Kottayam District in August, 1963 for the multiplication of improved varieties of potato seeds.

The scheme failed as the Department could not find out disease-resistant varieties of potato and the farm was closed down in February, 1967. The loss incurred in the working of the farm during 1963-64 to 1966-67 came to Rs. 0.29 lakh (expenditure: Rs. 0.39 lakh; receipts: Rs. 0.10 lakh).

AGRICULTURE DEPARTMENT

(ANIMAL HUSBANDRY)

23. Goat Development Schemes

Three Schemes for Goat Development were undertaken during the Third Five Year Plan for (i) development of Nucleus Flock at Trichur; (ii) establishment of new Flock at Palode and Komeri; and (iii) research in developing strains of goat for milk production (sponsored by the Indian Council of Agricultural Research). The expenditure on these schemes till October, 1967 aggregated Rs. 6.11 lakhs. A review undertaken by Audit brought out the following points:—

(i) *Development of Nucleus Flock at Trichur*:—The scheme was started in December, 1961 with the object of introducing Jumnapari breed of Uttar Pradesh and selective breeding of Jumnapari goats for distribution to breeders in the State. Of 80 Jumnapari goats purchased at a cost of Rs. 0.10 lakh, 47 died within 4 months (loss: Rs. 6,007). The total number of Jumnapari goats bred up to November, 1966 was 96 when the scheme was given up as cross breeding of these goats did not prove successful. The total expenditure on the scheme was Rs. 1,13,308 against the receipts of Rs. 15,324 (including value of stock at the end of November, 1966).

(ii) *Establishment of New Flock at Palode*:—Fifty Malabar goats (cost: Rs.2,870) were purchased in November, 1961. During the five years of working of the scheme the total expenditure incurred was Rs. 1,89,234 including expenditure of Rs. 49,101 on staff quarters and goat sheds against which the receipts amounted to Rs. 16,111 only.

The incidence of disease at the farm was found to be high and the stock produced showed no particular breed character. The Officer-in-charge reported in November, 1966 that the scheme had failed to achieve its objectives and no useful purpose would be served by its continuance. The scheme was closed in November/December, 1966.

(iii) *Research scheme for developing strains of goat for milk production*:—Twenty three acres of land purchased in 1959 in Aithara in Cannanore District for this scheme was found to be unsuitable and was given up after incurring a total expenditure of Rs. 10,879 (cost of land: Rs. 8,154; cost of furniture etc: Rs. 1,352 and pay and allowances of a watchman: Rs. 1,373). Later in February, 1961, the scheme was revived at the District Live stock Farm at Thiruvazhumkundu in Palghat District, as a stop gap arrangement to prevent the lapse of grant from the Indian Council of Agricultural Research. The object of the scheme was the maintenance and multiplication of saanon breed of goats (Australian breed) and selective breeding of Malabar goats. The Australian breed of goats could not, however, be procured for want of foreign exchange. The scheme was carried on for over 4 years under the temporary arrangement with three crossbred saanon goats purchased in May, 1961 and a herd of Malabar goats. In August, 1965 the scheme was discontinued. Some of the stock was transferred to the newly started farm at Komeri and the balance sold in auction. The expenditure incurred on the scheme amounted to Rs. 0.94 lakh. The receipt including value of stock transferred and sold was Rs. 0.34 lakh and the assistance received from the Indian Council of Agricultural Research was Rs. 0.27 lakh.

AGRICULTURE DEPARTMENT

(FOREST)

24. Sale of firewood to a Co-operative Society at concessional rates

Government sanctioned in May, 1963 the sale of tree growth in Pachamala Coupe No. XI A and Peringamala Fuel Plantation Coupe to the Trivandrum Co-operative District Wholesale Society. The seigniorage rate charged for the firewood portion of the coupes was fixed at Rs. 4 per ton. Compared to the rate of Rs. 10 per ton usually charged by the Department for the sale of firewood in all other coupes to the same society, the sale at concessional rate in this case resulted in a loss of approximately Rs. 13,680 to the Department on 2,280 tons of firewood collected by the society during the period June—September, 1963,

The method of valuation of tree growth was revised with effect from 1st June, 1965 and the revised fair price rate of firewood was fixed at Rs. 19.28 per ton, (market rate minus working charges) but Government again sanctioned in June, 1965 to the same society the sale of tree growth in five sub coupes of Peringamala range at the seigniorage rate of Rs. 4 per ton. On the total quantity of 4,301 tons of firewood collected by the society from these coupes during the period July, 1965-February, 1966, the loss of revenue at Rs. 15.28 per ton came to Rs. 65,719. The Chief Conservator of Forests stated in July, 1967 that the revised rate was not applied in the above sale as the enumeration and valuation of firewood was done before 1st June, 1965.

If Government wanted to allow some concession to the society to enable them to sell firewood to the public at less than market rates, the proper procedure would have been to realise the full market value of firewood from the society and to give them a grant-in-aid by making necessary provision in the demands for grants and getting the approval of the Legislature to it.

25. Short recovery of loss from a contractor

On 27th February, 1963 a fire occurred in the Udumbanchola Block V and 117 teak and blackwood logs collected by a contractor for delivery at forest depots were partly damaged. According to the agreement, the value of timber damaged by fire was recoverable from the contractor at the rates specified therein. As the measurements of the timber were not taken before the fire took place, the quantity damaged by fire could only be estimated. The Divisional Forest Officer, Munnar in his report dated 22nd May, 1963, estimated the damaged quantity as 1,056.1 cft., (value: Rs. 19,741) by taking the difference between the volume estimated from the marking register and the final *mahazar* after re-dressing. According to his report, there was no over-estimation by adopting this method. However, based on a later report dated 21st December, 1963 from the same officer, the Chief Conservator of Forests recommended to Government the recovery of a sum of Rs. 3,032 only from the contractor treating the case "as a concession because of the accidental nature of fire and taking a lenient view". This proposal was approved by Government in January, 1964. The amount of recovery was worked out estimating the quantity lost by fire as 179.7 cft. being the difference between the quantities as per the *mahazar* written up immediately after the fire and those after re-dressing the logs.

DEVELOPMENT DEPARTMENT

26. Slum Clearance Scheme

Mention was made in paragraph 21 of the Audit Report, 1965 about the poor progress in the implementation of the scheme. The scheme, sponsored by the Government of India, aims at the gradual elimination of slums by providing alternate

housing accommodation to slum dwellers. Government of India finances 75% of the outlay—50% as loan and 25% as subsidy. The scheme is implemented by the State Government through the Municipalities/Corporations giving them loans and subsidy.

A review of the scheme conducted in July, 1967 revealed the following points:—

(i) Assistance under the scheme was given to Municipalities/Corporations in respect of 748 tenements, 502 open plots and 288 skeletal houses to be completed by March, 1961. Of these, 338 tenements, 155 open plots and 91 skeletal houses only have been completed (June, 1967). Schemes for 256 tenements, 347 open plots and 197 skeletal houses were dropped. Levelling of site of the land acquired in August, 1962 for 100 tenements and construction of 30 tenements are stated to be in progress. Land for the construction of 24 tenements has not been acquired (June, 1967).

(ii) Under the terms of assistance, 50% of subsidy is payable to the local bodies, etc. when essential services are provided by them in the area. The Trivandrum Corporation was paid 50% of subsidy (Rs. 1.02 lakhs) in March, 1966 though no expenditure had been incurred by it under the scheme except on land acquisition. The provision of essential services has not been completed (June, 1967).

(iii) 116 tenements constructed by the Trivandrum Corporation in May, 1963, with Government loan amounting to Rs. 3.69 lakhs continue to remain vacant (June, 1967) due to lack of demand from slum dwellers.

(iv) The Mattancherry Municipality received Rs. 3.25 lakhs in March, 1961 as loan assistance for construction of tenements, etc. but resolved in November, 1964 to give up the scheme. Meanwhile the Municipality refunded a part of the loan (Rs. 0.11 lakh). Though Government ordered the Municipality in September, 1966 to refund the balance loan of Rs. 3.14 lakhs with interest, no refund has been made (June, 1967).

(v) Assistance to the extent of Rs. 3.90 lakhs (loan Rs. 2.88 lakhs; grant Rs. 1.02 lakhs) was given to the Calicut Corporation in March, 1961, March, 1962 and March, 1966 for construction of 288 skeletal houses. The scheme for construction of 197 skeletal houses was dropped in February, 1966. The excess assistance (Rs. 1.90 lakhs) received by the Corporation has not been refunded (June, 1967).

(vi) A scheme for the construction of 61 tenements by the Fort Cochin Municipality was sanctioned by the Government in September, 1963. A special loan of Rs. 1.57 lakhs (over and above the assistance admissible under the scheme) was paid to the Municipality in March, 1964 in view of its inadequate resources. Only 20 tenements have been completed till June, 1967. The land required for the remaining 41 tenements has not been acquired (June, 1967).

27. **Fish Farm at Eda-Cochin**

A scheme for starting a Fish Farm at Eda-Cochin in the Palluruthy N.E.S. Block at an estimated cost of Rs. 1,90,500 was sanctioned by Government in August, 1962. The scheme envisaged rearing of fish in an area of 27 acres of water-spread poramboke area after enclosing it by putting up outer bunds with sluices. An income of Rs. 10,800 in the first year after completion of the work, Rs. 16,200 in the second year and Rs. 17,980 annually from the third year onwards was anticipated under the scheme.

The construction of the bunds was entrusted by the Public Works Department in February, 1964 to a contractor and it was required to be completed by 15th March, 1964. The work as per the original estimate was almost complete by March, 1965 at a cost of Rs. 1,58,313, but was not proceeded with as the Executive Engineer wanted additional protective works to keep the bunds in position for which a revised estimate for Rs. 2,45,600 was proposed in November, 1964.

According to the Extension Officer (Fisheries) of the Block who inspected the work in September, 1965, the work executed was not sound enough for commencing fish culture and several defects had to be rectified at a cost estimated by the Public Works Department at Rs. 20,000. The Collector, Ernakulam also reported in November, 1966 that the contractor had taken earth from the enclosed farm area for filling the bunds (although according to the terms of contract he should have brought clay from outside) which resulted in the deepening of the farm area beyond 4 feet making it unsuitable for fish culture and suggested action to be taken against the Public Works Department officers responsible for this. No action has so far been taken in this regard (November, 1967).

Government sanctioned the revised estimate in September, 1967 and the work is in progress (February, 1968).

28. **Unsatisfactory working of a National Extension Service Block**

In the National Extension Service Block, Vyttila (Ernakulam District) which entered its Stage I period on 1st May, 1963 the expenditure incurred during the period from May, 1963 to August, 1967 on development activities was only Rs. 2.51 lakhs (21% as against the prescribed 74% of the provision in the schematic budget—Rs. 12 lakhs) while the expenditure on pay and allowances of staff and office contingencies was Rs. 3.54 lakhs (29.5% as against the prescribed 26% of the provision in the schematic budget).

The District Collector, Ernakulam reported to Government in June, 1966 that the shortfall in developmental expenditure in this Block was mainly due to the following reasons:—

- (i) The Block Development officers were not adequately active and alert in the implementation of the schemes.

- (ii) The allotment to the Block was limited for the reason that huge amounts had to be diverted to other Blocks, the stages of which were terminated during these years.
- (iii) Lack of adequate scope for agricultural development, industrial activities, irrigation and drinking water supply due to peculiar soil conditions, topography and certain other features of the area.

29. Administrative delay in enforcing liability for non-accountal of Government money

Mention was made in paragraph 60 of Audit Report, 1966 about the irregularities in the Taluk Welfare Office, Pathanamthitta and about the liability of 2 officers to account for a sum of Rs. 74,436.

The department stated that undated acquittances/payees' receipts for a sum of Rs.46,512 were now available, but the payments could not be located in the cash book. It has not also been possible for the department to verify that the amounts had been disbursed to the persons entitled to receive them. Even after the expiry of 3 years from the date on which departmental investigation was completed, Government have not come to a decision in the matter of recovery of the amounts shown as liabilities of the 2 officers. Disciplinary proceedings have also not been finalised. It was reported in April, 1967 that "the matter is under the serious consideration of Government". Further delay in the finalisation of the case may render the prospects of recovery of the amounts remote.

EDUCATION DEPARTMENT

30. Irregularities connected with the purchase of wooden furniture

The Principal, Engineering College, Trivandrum invited in September, 1965, tenders for the supply of 19 items of wooden furniture. 14 tenders were received, one of which was from a small scale industries unit manufacturing survey and levelling equipment and precision scientific instruments. The rate quoted by the unit was the lowest in respect of only one out of 19 items. However, order was placed with the unit for all the items on the ground that it was a constituent of the Kerala State Small Industries Corporation Limited, a fully owned Government Company. Compared to the lowest rates obtained in the tender, the extra expenditure on the supplies by the unit amounted to Rs. 32,446.

Government stated (November, 1967) that the purchase of furniture which had resulted in a heavy loss, from a unit not engaged in the manufacture of furniture was irregular and that a further probe into the irregularity was being conducted.

31. Post Graduate Basic Training College, Ramavarmapuram

The Post Graduate Basic Training College, Ramavarmapuram, was started in 1956 to function as a research centre to conduct experiments in education, to develop improved methods of teaching in the field of basic education and to prepare teachers, supervisors and inspectors for basic schools and institutions. A Committee appointed in January, 1966 observed that the College had not realised many of its objectives and that its reorganisation was an immediate necessity. The recommendations of the Committee have been accepted by Government (March, 1967) but final orders regarding reorganisation of the College are awaited (June, 1967). No classes were conducted by the College during the academic year commencing in June, 1966. No reduction in staff was, however, made till December, 1966. It was only during December, 1966 to March, 1967 that a portion of the staff (one Principal, eight Lecturers, four Instructors, one Clerk and one Peon) was disbanded; a skeleton staff was retained thereafter which is being continued (June, 1967). The expenditure on staff and contingencies during the period June, 1966 to March, 1967 when no classes were undertaken by the College, amounted to Rs. 45,525.

32. Waiver of recovery of loss sustained in the disposal of buildings

Compensation amounting to Rs. 10,861 was paid in 1956 for seven thatched buildings in the land acquired for the construction of Basic Training School, Palayad in Cannanore District. These were auctioned in June, 1958 for Rs. 255 as a result of which Government sustained a loss of Rs. 10,606. After conducting a detailed enquiry into the circumstances which led to the loss, Government ordered in June, 1962 recovery of the loss equally from three officers connected with the valuation and disposal of the buildings. In the meantime, one of the officers had retired from service in May, 1962, and Government ordered in September, 1965 dropping the recovery proceedings against him. Subsequently, the recovery proceedings against the other two officers were also dropped (December, 1966) on the ground that the responsibility for the loss could not reasonably be fixed on any of them. The entire loss of Rs. 10,606 was thus borne by Government.

33. Loss of food materials supplied by the CARE

According to the conditions governing the CARE Feeding Programme in the Schools, the State Government have to compensate the CARE authorities for loss or damage "where such loss or damage results in the failure to distribute the commodities to the recipients for whom they are intended". In September, 1965 the State Government reimbursed to the CARE a sum of Rs. 19,990 being the cost of food materials (milk powder, cornmeal and vegetable oil) lost in 251 cases of theft from schools and depots in the State during the years 1961-62 to 1963-64. Government asked the Director of Public Instruction in November, 1964 to take action for

the recovery of the amount from the persons responsible for the loss, but the Director of Public Instruction stated in October, 1965 that as the thefts were due to lack of proper storage facilities in the schools and sub-depots, no officer could be held responsible for the loss. Government, however, asked (November, 1965) the Director of Public Instruction to decide each case on merits. No action to fix responsibility has been taken so far. In a report to Audit, the Director of Public Instruction stated (February, 1967) that in the case of thefts, the question of recovery of the loss from the heads of schools or departmental officers did not arise in the normal course.

HEALTH AND LABOUR DEPARTMENT

34. Extra expenditure

(i) According to Government orders, purchase of dietary articles for Government medical institutions may be made from approved co-operative societies at 2½% below market rates and no tenders are required to be called for. Government clarified in March, 1962 and reiterated in October, 1963 that once tenders were invited there should be no question of giving a contract on preferential basis to any co-operative society even if duly recommended by the officers of Co-operative or Industries Department.

A case of award of contract to a co-operative society at higher rates in contravention of these orders was mentioned in para 45 of the Audit Report, 1966 and the Public Accounts Committee (Central) observed in their Sixty seventh Report (January, 1967) that any encouragement given to co-operative societies should be strictly within the four corners of the rules and regulations framed for the purpose.

Another case since noticed is detailed below:—

Tenders for the supply during 1965-66 of diet articles to the District Hospital and Women and Children's Hospital, Trivandrum were invited by the Director of Health Services in October, 1964. The lowest offers received for the supply of bread to the two hospitals were Re. 0.99 per kg. and Re. 1 per kg. respectively. The contract was, however, awarded to a local co-operative society at 2½% below the "market rate" which was assessed by the Tahsildar, Trivandrum as Rs. 1.75 per kg. In these cases, the name of the society was recommended by the District Industries Officer, Trivandrum on 23rd November, 1964 after tenders had been invited. The extra expenditure incurred on the supplies made by the society to the two hospitals during 1965-66 came to Rs. 18,271.

(ii) The lowest tenders received for supply of chillies and oranges to the T.B. Hospital, Pulayanarkottah during 1964-65 and for supply of eggs during

1965-66 were rejected by the Director of Health Services on the ground that they were higher than the prevailing local market rates, furnished by the Tahsildar. In respect of coconut oil the lowest tender for 1965-66 was rejected on the ground that the market rates furnished by the Tahsildar were per litre while the unit adopted for the tender was kilogram. The rates at which the supplies were actually obtained were, however, higher than the tendered rates. The total extra expenditure incurred on these purchases amounted to Rs. 15,986 as shown below:—

| Year | Article | Lowest rate tendered | Rates at which purchases were subsequently made | Amount of extra expenditure Rs. | Remarks |
|---------|-------------|----------------------|---|---------------------------------|--|
| 1964-65 | Chillies | Rs. 2.98 per kg. | Rs. 4.50 per kg. | 950 | The supplies were obtained from the contractors supplying the item during the previous year at the rates obtaining for that year in pursuance of the standing instructions that purchases should be so made if the prevailing market rates are higher. |
| 1964-65 | Oranges | Rs. 11.70 per 100 | Rs. 18.00 per 100 | 871 | In respect of chillies, this contractor's tender for 1964-65 was the lowest. |
| 1965-66 | Eggs | Rs. 16.75 per 100 | Rs. 20.77 per 100 (average rate) | 12,061 | The purchases were made from the local market throughout the year. |
| 1965-66 | Coconut oil | Rs. 3.50 per kg. | Rs. 4.59 per kg. (average rate) | 2,104 | In the case of coconut oil, the Superintendent of the Hospital had specifically informed the Director of Health Services that the rate of the lowest tenderer was less than the market rate furnished by the Tahsildar. |

REVENUE DEPARTMENT

35. Subsidised Industrial Housing Scheme

(i) *Arrears in recovery of rent and loss of rent on vacant houses:*—One hundred and fifty houses were constructed by Government in 1957-58 at a total cost of Rs. 7.35 lakhs at Trichur for the employees of the Sitaram Spinning and Weaving Mills, out of which only 142 houses have been occupied. According to the information furnished by the Tahsildar, Trichur who is responsible for the collection of the rent, a total amount of Rs. 76,496 was pending recovery from the occupants at the end of July, 1967. Of this, Rs. 6,096 represent rent due from 21 persons not entitled to allotment of houses under the scheme. The rent collected during a period of 9 years from 1957-58 was stated to be Rs. 3,314 only against the demand of Rs. 79,810.

Eight houses remained vacant for periods ranging from 22 months to 4½ years for want of applicants. The loss by way of rent of the vacant houses amounted to Rs. 5,082 (August, 1967).

(ii) *Idle outlay on land*:—The housing scheme for workers of the Vijayamohini Mills, Trivandrum was dropped after 3.51 acres of land was acquired in September, 1955 at a cost of Rs. 34,153. The land since set apart for other settlement and housing schemes still remains to be fully utilised. Proportionate cost of unutilised land is approximately Rs. 11,676.

Similarly, 73 cents of land acquired in December, 1954 at a cost of Rs. 25,960 for housing scheme for workers of Lakshmi Textiles, Trivandrum continues to remain unutilised (August, 1967). Government proposed (January, 1967) to use it for another purpose *viz.*, providing houses for the weaker section of the community. The lay out and plan for the construction of houses have yet to be approved (August, 1967).

(iii) *Infructuous expenditure*:—Two wells dug at the colony for workers of Travancore Rayons, Perumbavoor during October, 1956 to March, 1959 at a cost of Rs. 13,246 and pumping arrangements and pumps provided during July, 1960 to March, 1963 at a cost of Rs. 8,733 did not serve the purpose of supplying water to the colony due to insufficient depth of the wells. Work on a separate arrangement for supply of water to the colony from the factory itself was executed during April, 1964 to March, 1965 incurring an expenditure of Rs. 44,754. The entire expenditure of Rs. 21,979 incurred for the previous arrangements was thus rendered infructuous.

36. Extra expenditure due to retender

Tenders for the purchase of 25,000 survey stones were invited in June, 1966 by the Assistant Director of Survey and Land Records, Kottayam. The lowest tender was rejected by the Assistant Director on the ground that the place of supply was not acceptable. (The place of supply was not specified in the notification inviting tenders). While the remaining tenders were under the consideration of the Director of Survey and Land Records, the rejected tenderer expressed his willingness (5th September, 1966) to supply the survey stones at the spots agreeable by the Department, but this offer was not considered and the Director on the 24th September, 1966 ordered that the work might be retendered. Accordingly, fresh tenders were invited in November, 1966 and the lowest offer was of the same person who quoted the lowest rate on the first occasion. His tender was now accepted and an agreement executed with him in February, 1967. The rates quoted by him and accepted were, however, higher than the rates on the first occasion, the resultant extra expenditure on the purchase of 25,000 stones being Rs. 28,300.

37. Delay in recovery of cost of survey operations

Out of an area of 4,183 sq. kms. of land surveyed during the period from October, 1962 to March, 1967, the follow-up process of computation and mapping was completed and records finalised in respect of 603 sq. kms. only (March, 1967). According to the provisions of the Kerala Land Boundaries Act, 1961 and the rules issued thereunder, the recovery of the cost of survey operation apportioned to persons having any interest in the areas or boundaries surveyed can be made only after the issue of a notification regarding completion of the survey. The non-completion of the follow-up process in respect of areas surveyed has resulted in delay in the issue of the notification regarding completion of the survey and consequent delay in the recovery of cost. As at the end of October, 1966 the amount recoverable from interested parties was fixed by the department as Rs. 11.06 lakhs, out of which a sum of Rs. 0.24 lakh only was collected till the end of April, 1967 on the basis of preliminary bills issued by the department.

38. Construction of two model houses

Government sanctioned on 2nd December, 1961 the construction of two model houses by the "shellcrete" method in Trivandrum at a total cost not exceeding Rs. 15,000. The construction was to be completed before 24th December, 1961 for display at a Local Home Exhibition. The houses were constructed departmentally by the Board of Revenue under the supervision of the Rural Housing Engineer on a 'memo of cost basis' as a special case as ordered by Government, as there was no time to observe the usual requirements such as preparation of plans and estimates, obtaining technical sanction, calling for tenders, etc.

For the construction of the houses, advances amounting to Rs. 24,581 were drawn from the treasury by the Rural Housing Engineer under orders of Government. In addition, liabilities to the extent of Rs. 11,919 were also incurred by him, making a total of Rs. 36,500 against the anticipated cost of Rs. 15,000. The valuation of the houses as made by the Public Works Department, however, came to Rs. 27,077 only. The Board of Revenue held the Rural Housing Engineer responsible for the excess expenditure of Rs. 9,423, but no recovery has been made so far (August, 1967). The advances drawn from the treasury for construction of these houses also remain unadjusted due to non-receipt of detailed accounts.

INDUSTRIES DEPARTMENT

39. Industrial Estates

Eight industrial estates were set up in the State during 1957-58 to 1961-62 and certain points relating to the expenditure thereon were mentioned in paragraph 23 of Audit Report, 1964. Ten more industrial estates were established during 1963 to

1966. A total expenditure of Rs. 1.88 crores was incurred by the State Government on these 18 estates up to the end of 1965-66. The scheme is partly financed out of loans received from the Government of India; the amount of loan received by the State Government up to March, 1966 aggregated Rs. 1.03 crores. The following points were noticed during an audit review of the scheme.

(i) *Workshop sheds*

(a) *Loss of rent due to delay in allotment and non-occupation of sheds*:—In the industrial estate at Kalletinkara (Irinjalakuda), 19 workshop sheds were constructed by March, 1966 at a cost of Rs. 3.53 lakhs. Eight (cost :Rs. 1.41 lakhs) out of them remained vacant at the end of January, 1968; in the occupation of the remaining 11 sheds, there was delay ranging from 16 to 19 months from the date of completion. The loss of rent up to January, 1968 was Rs. 27,688.

Eight out of 42 workshop sheds in Kollakadavu and 6 out of 19 workshop sheds in Karakulam were lying vacant from September, 1964 and April, 1965 respectively. The loss of rent in Kollakadavu (up to October, 1967) and in Karakulam (up to January, 1968) amounted to Rs. 12,448 and Rs. 25,048 respectively.

In their report of March, 1966 the Central Public Accounts Committee had expressed the hope that the department would make further efforts to see that none of the sheds remained vacant.

(b) *Arrears of rent*:—Mention was made in paragraph 23 of the Audit Report, 1964 about the large arrears of rent (Rs. 83,129) pending collection as at the end of December, 1963. As in March, 1967 a sum of Rs. 1.89 lakhs was pending collection in 13 industrial estates. The Central Public Accounts Committee had desired in their report of March, 1966 that vigorous steps should be taken to wipe out the arrears as also to ensure that arrears of rent did not accumulate any more.

(c) *Arrears of water charges*:—In 6 industrial estates, water supply was provided during the period April, 1958 to November, 1962. Government decided in November, 1959 that water charges should be levied after regular meter readings were taken. The water meters were, however, installed only from April, 1962 onwards, after 17 to 90 months from the date of installation of the water supply system. The charges for the water consumed by the industrialists before the installation of water meters were assessed by the department in October, 1966 as Rs. 29,578. The Director of Industries and Commerce was directed in March, 1966 to take urgent steps to realise the arrears not time barred and to fix responsibility for the omission and to take steps to realise the balance amount from the officers responsible. No part of the arrears has been recovered and no action has been taken by the department against the officers responsible (October, 1967).

(ii) *Worksheds*:—Nine worksheds units were constructed at a cost of Rs. 1.57 lakhs during May, 1963 to March, 1966 for allotment to village artisans. Only

4 units (cost: Rs. 0.70 lakh) were allotted during February—May, 1967. The remaining 5 units (cost: Rs. 0.87 lakh) are yet to be allotted (October, 1967).

40. Scheme for Development of Sericulture

A scheme for the development of sericulture in the Wynad Colony of Kozhikode District was sanctioned by Government in September, 1958. An expenditure of Rs. 3.15 lakhs (recurring : Rs. 2.28 lakhs and non-recurring: Rs. 0.87 lakh) was incurred under the scheme till the end of March, 1967 for the establishment of a farm for mulberry cultivation and production of cocoons and a reeling unit for demonstration and training in silk reeling. The expenditure on the farm is partly reimbursed by the Central Silk Board which has so far paid Rs. 0.91 lakh to the State. The receipts by sale of cocoons during the 9 years of its working amounted to Rs. 17,151.

In view of its uneconomical working Government ordered (February, 1967) to close down the farm with effect from April, 1967. The staff attached to the farm is, however, being continued incurring an expenditure of Rs. 2,300 per mensem, pending their absorption elsewhere (August, 1967).

PLANNING DEPARTMENT

41. Bureau of Economics and Statistics

A Bureau of Economics and Statistics was set up in the State on the 1st August, 1963, by the amalgamation of the Bureau of Economic Studies with the Department of Statistics. A review of the working of the Bureau revealed the following points:—

(i) *Accumulated stock of priced publications:*—Out of the total number of 3,500 copies of 3 priced publications (Kerala in Maps, 1960, Kerala in Maps, 1964 and Statistical Hand Book of Kerala, 1965) brought out by the Bureau during August, 1960 to December, 1965, 1,963 copies (about 56%, sale price Rs. 18,460) remain unsold (November, 1967).

(ii) *Infructuous expenditure:*—A scheme for the estimation of the cost of production of milk and other livestock products sanctioned by the State Government in March, 1961 was taken up in July, 1961 and was programmed to be completed in three phases by the end of June, 1964. The Indian Council of Agricultural Research, which was to meet 50% of the expenditure on the scheme by way of grant-in-aid, had prescribed that the recording of milk and feed should be done by actual weighing fortnightly and other information should be collected by careful enquiry at weekly intervals. The Bureau, however, visited the households for collecting the information only once in two months. The Indian Council of Agricultural Research declined to meet the agreed 50% of the expenditure, since the scheme as carried out by the State Government had not received their technical

approval. The survey was wound up in September, 1963. The report on the survey has not been published. The expenditure of Rs. 85,000 incurred on the scheme proved infructuous.

Government stated (December, 1967) that the survey undertaken had its value in suggesting the need for improving the methodology or techniques of surveys and that the results of the survey would be utilised for future studies.

HOME DEPARTMENT

42. Nugatory expenditure

A boat belonging to the Special Branch, C.I.D. , of the Police Department went out of order in October, 1963, but was handed over to a firm for repairs only on 15th April, 1966. It was received back after repairs on 24th April, 1967. The wages paid to the crew of the boat consisting of one syrang and two lascars during the period from October, 1963 to 23rd April, 1967 amounted to Rs. 15,012. The department stated that till 15th April, 1966 the staff was engaged in watching the boat which was lying in an open shed and in baling out water as the boat was leaky and thereafter on supervising the repair work of the boat and on collecting and keeping watch over the unserviceable parts of the boat.

43. Miscellaneous irregularities, losses, etc.

Certain cases of miscellaneous irregularities, losses, etc. are given in Appendix III—pages 98-101.

CHAPTER IV
WORKS EXPENDITURE

44. General Review of Works Expenditure

(a) *Expenditure incurred without estimates*:— The rules require that no new work may be commenced and no liability incurred unless a detailed estimate is sanctioned and funds are allotted. Expenditure amounting to Rs. 85.59 lakhs was, however, incurred up to the end of March, 1967 on 109 works, without detailed estimates. A department-wise analysis is given below:—

| <i>Department</i> | <i>No. of works</i> | <i>Expenditure (Rs. in lakhs)</i> |
|---|---------------------|---------------------------------------|
| 1. Public Works— General and Buildings and Roads | 5 | 1.04 |
| 2. Public Works— Irrigation | 34 | 57.32 |
| 3. Public Health Engineering | 28 | 25.78 |
| 4. Forest | 42 | 1.45 |
| Total | 109 | 85.59 |

In 5 of these works, listed below, each costing more than Rs. 5 lakhs, a total expenditure of Rs. 53.18 lakhs had been incurred up to March, 1967 without sanctioned estimates.

| <i>Name of work</i> | <i>Year in which started</i> | <i>Expenditure upto March, 1967 (Rs. in lakhs)</i> |
|---|----------------------------------|--|
| 1. Anti-sea erosion works at Chavara-Panmana | 1961-62 | 20.61 |
| 2. Maintenance of Ernakulam-Chowara Water Works | 1966-67 | 9.08 |
| 3. Maintenance of Trivandrum Water Works | 1966-67 | 9.02 |
| 4. Improvements to Chavara Canal—Ms. 47/5 to 49/5 portion not included in the lightering port scheme | 1965-66 | 8.66 |
| 5. Improvements to Trivandrum-Shoranur Canal 37/0 to 37/8 | 1965-66 | 5.81 |
| Total | | 53.18 |

(b) *Expenditure incurred in excess of the estimate*:—Revised estimate is required to be sanctioned when expenditure is likely to exceed the sanctioned estimate by more than 5%. In the case of 192 works, expenditure exceeded the prescribed limit by Rs. 254.01 lakhs upto March, 1967. In 8 of these works, costing more than Rs. 5 lakhs each, the expenditure upto 31st March, 1967 exceeded the sanctioned estimate by more than 50%.

| Name of work | Sanctioned estimate | Actual expenditure | Percentage of excess over sanctioned estimate | Year in which excess occurred first |
|--|---------------------|--------------------|---|-------------------------------------|
| | | | | |
| 1. Formation of diversion road from mile 11/5 of Malappuram-Tirurangadi road to join at 8/6 Ramanattukara-Tirurangadi road | 5.41 | 10.16 | 87 | 1962-63 |
| 2. Mavoor road from Kozhikode to Rayon Pulp Factory | 24.13 | 47.90 | 98 | 1962-63 |
| 3. Constructing a bridge at Kunnathur in Kottarakara-Sasthamkottah road | 3.90 | 6.80 | 74 | 1964-65 |
| 4. Constructing a bridge across Shriya river on Mangalore-Cheruvathoor Coastal road | 11.03 | 18.36 | 66 | 1965-66 |
| 5. Construction of a bridge across Uppala River on Mangalore-Cheruvathoor Coastal road | 7.97 | 12.95 | 62 | 1965-66 |
| 6. Constructing a bridge across Kumbala river on Mangalore-Cheruvathoor Coastal road | 4.41 | 8.69 | 97 | 1964-65 |
| 7. Weir across Kadalundi river | 3.79 | 8.19 | 116 | 1959-60 |
| 8. Ernakulam-Mattancherry Water Supply Scheme | 99.39 | 195.40 | 96 | 1962-63 |

(c) In respect of 14 works, each costing over Rs. 5 lakhs, a total provision of Rs. 17.17 lakhs was made in the budget for 1966-67 but no expenditure was incurred on any of them.

45. Delay in adjustment of balances under 'Suspense' and 'Remittance' heads

As at the end of March, 1967, the balances under 'Suspense' and 'Remittance' heads were over rupees one crore in the following cases :—

| Head | Dr. | Cr. |
|--|-----------------------|------|
| | (In crores of rupees) | |
| 1. Items adjustable by Public Works Department | 3.94 | 0.92 |
| 2. Transfers between Public Works Officers | 1.99 | 0.77 |
| 3. Cash Settlement Suspense | 1.78 | .. |
| 4. Miscellaneous Public Works Advances | 1.15 | .. |
| 5. Public Works Remittances—Cheques | .. | 1.71 |
| 6. Remittances into Treasuries (Public Works and Forest) | 1.14 | 1.16 |

Large balances under these heads not only indicate non-settlement of monetary adjustments between various departments or divisions of the same department over a number of years but also are a pointer to the possibilities of loss of public money due to fraudulent means, time factor or acts of omission and commission.

The nature of the balances and the implications of their non-adjustment are indicated in Appendix IV—pages 102—104.

46. Financial results of irrigation schemes

At the end of 1966-67 there were 8 irrigation schemes in the State which were declared as commercial and for which capital and revenue accounts were kept. The investment of Government on these schemes amounted to Rs. 19.79 crores as at the end of March, 1967. One of these schemes *viz.*, Cheerakuzhi Irrigation Project is under construction. Four of the schemes are classified as “productive” and the remaining four as “unproductive”. Works are classified as “productive” or “unproductive” according as the net revenue (gross revenue less working expenses) derived from each work on the expiry of 10 years from the date of closure of the construction estimate covers or does not cover the prescribed annual interest charges on the capital invested.

The revenue receipts from these projects during 1966-67 were Rs. 15.75 lakhs while the working expenses amounted to Rs. 15.86 lakhs, resulting in a deficit of Rs. 0.11 lakh. Taking into account the interest on capital (Rs. 1,16.78 lakhs), the net loss during the year worked out to Rs. 1,16.89 lakhs. The net loss expressed as a percentage of capital outlay amounted to 5.91.

Project-wise details are given in Statement No. 3 of the Finance Accounts, 1966-67—pages 26—28.

47. Cheerakuzhi Irrigation Scheme

This project sanctioned in May, 1956 and scheduled to be completed by November, 1960 at an estimated cost of Rs. 47.34 lakhs has not been completed (September, 1967). The delay in completion has been attributed to the time taken for land acquisition, the finalisation of revised proposals and obtaining the shutter parts of the regulator and also to non-allotment of funds.

The estimate was revised to Rs. 90.76 lakhs in September, 1967. The expenditure incurred till March, 1967 was Rs. 70.59 lakhs.

The target is to irrigate 4,000 acres. Consequent on the revision of estimate, the return anticipated on the capital expenditure would be reduced from 0.6% to 0.25%.

Although 68% of the Head works and 59% of the canal system have been completed, the irrigation potential so created has not been utilised (May, 1967).

The following instances of extra expenditure/loss have been noticed in this scheme:—

(a) *Extra payment due to defective estimate* :—The estimate for the work of "Excavation of Left Bank Canal - 16th Section" included 1105 units of earth work, 900 units of blasting of granite rock and 100 units of blasting and removing granite boulders. The work was awarded to a contractor in May, 1961 after inviting tenders. In actual execution, the contractor had to do 1557 units of earth work, 6532 units of blasting of granite rock and 287 units of blasting and removing granite boulders.

Based on a representation (June, 1962) of the contractor, he was paid in December, 1966 higher rates for the extra works over and above 10% of the estimated quantities. This entailed an extra expenditure of Rs. 42,407.

(b) *Loss due to defective estimate* :—The work "Excavation of Left Bank Main Canal -22nd Section" was awarded to a contractor in October, 1964 for Rs. 1,10,822 which was lower by Rs. 4,137 than the offer of the only other tenderer. The work included an estimated quantity of 6950 cum. of 'earth work excavation in hard laterite' and 1699 units of 'additional 10 yards lead'. In actual execution only 59 cum. of earth work excavation and no quantity under the other item were found necessary. This resulted in a loss to Government of Rs. 18,525 on the quantities of work paid for upto February, 1968, computed with reference to the rates quoted in the rejected tender for all the items of work executed.

48. Expenditure on old and unserviceable Landing Craft Motors

Two landing craft motors (mechanised boats) rendered surplus on completion of the Aroor Bridge were purchased by the Public Works Department from the State Transport Department on payment of Rs. 66,148 and put to use at the Kottapuram - Kuriappilly ferry from 1st May, 1960. In July, 1961, the Chief Engineer reported to Government that both the landing craft motors were old and unserviceable, requiring frequent costly repairs. Government thereupon (October, 1962) ordered their disposal after making alternate arrangements for the ferry service. They have not yet, however, been disposed of (July, 1967). The motor boats went completely out of order, one in April, 1961 and the other in November, 1964 and have been lying idle since then. The staff attached to the two units (2 syrans, 2 drivers and 10 deckmen) were being retained throughout this period and their services were stated to have been utilised on hired boats whenever the two motors went out of order. The cost of repairs to the two units till 31st March, 1966 amounted to Rs. 33,440.

Before May, 1960 when the two motors were purchased to run the ferry service departmentally, the ferry service was being run as an auctioned ferry bringing in a revenue to Government of Rs. 6,100 per annum on an average, from 1954 onwards. During the periods when the two motors were out of order, the ferry service was being run (departmentally) with hired motor boats. In April, 1966 Government ordered that the ferry service be conducted as an auctioned ferry. The auction was, however, stayed by the High Court in May, 1966 and the ferry service continued (July, 1967) to be run departmentally with hired motor boats. The expenditure incurred on hire charges of private motor boats for running the ferry service amounted to Rs. 43,741 upto 31st March, 1966.

49. Financial assistance to a Golf Club

The Golf Course, Trivandrum, comprising an area of 25.38 acres of land (value estimated in 1954 by the Public Works Department: Rs. 7.61 lakhs) and attached buildings (value estimated in 1954: Rs. 0.66 lakh) were handed over to the Golf Club, Trivandrum in March, 1950 on a nominal rent of Rs. 200 per mensem for a period of 25 years, Government agreeing to meet the entire expenses of maintenance of the Golf Course and the buildings and the gardens attached to it. In August, 1963 the Government issued orders reducing the rent to Rs. 30 per mensem with effect from the 1st April, 1962 (in consideration of the poor financial position of the Club) and stipulating that the charges for telephone, electricity, water and sanitary installations and polishing and repair of furniture should be met by the Club. This arrangement was to continue for a period of 15 years. In May, 1964 the Government, however, ordered that the water charges of the Golf Club should be met by the Public Works Department.

Two additional rooms constructed in 1961 by the Golf Club in the Golf Course premises without the prior approval of the Government were taken over by the Government in January, 1965 on payment of Rs. 25,000 and then let out to the Club on a rent of Rs. 10 per mensem on condition that the Club should maintain the place as a tourist attraction and provide accommodation to State guests as and when required by the Tourist Department. In October, 1966 an additional area of 60 cents of adjacent Government land was given to the Golf Club without charging any additional rent from the Club and the period of lease of the entire Golf Course and buildings was refixed as 99 years.

The following expenditure has been incurred by the Government on behalf of the Golf Club:—

- | | | |
|-----|--|------------------------|
| (a) | Cost of maintenance of Golf Course and buildings including pay and allowances of six gardeners for the period April, 1962 to March, 1967 | Rs. 52,140 |
| (b) | Water charges from May, 1964 to March, 1967 | 12,030 31,907 36 |

Thus while a total expenditure of Rs. 63,047 was incurred by Government on maintenance and water charges during 1962-63 to 1966-67, the rent realised for the same period was only Rs. 2,070.

50. Extra expenditure due to preparation of incorrect working estimate
(PUBLIC HEALTH DIVISION, TRIVANDRUM)

The sanctioned estimate for the work of "Improvement to Sewage Farm at Valiathura - III Stage" (estimated cost: Rs. 1.99 lakhs) did not provide for conveyance of cut earth beyond the initial lead, but it was included in the tender. The rates quoted by the tenderers for this item of work were considered very high by the Executive Engineer and the lowest tenderer was determined by him, ignoring this item. While awarding the work (December, 1964), the Executive Engineer, however, intimated to the contractor that conveyance beyond the initial lead, if found necessary during actual execution, would be treated as an extra item and paid for accordingly. During the actual execution of the work, the contractor refused (February, 1965) to do this item of work as an 'extra item'. The Chief Engineer ordered (August, 1965) that the contract be terminated and the remaining earth work including conveyance beyond the initial lead be retendered on the basis of a separate working estimate. This was done and the work was awarded to another contractor after negotiations at working estimate rates (December, 1965).

The working estimate provided for extra loading and unloading and for conveyance through sandy soil. As the earth cut and conveyed by the same contractor within initial lead and lift did not require rehandling and the departmental schedule of rates did not provide for payment of extra rate for conveyance through sandy soil, the working estimate was inflated and the negotiated rates were excessive as indicated below:—

| | <i>Sanctioned estimate rate paid to contractor</i> | <i>Estimate rate payable</i> |
|---|--|--------------------------------------|
| | Rs. | Rs. |
| Conveyance of cut earth upto 100 metres beyond an initial lead of 50 metres | 1.25 | 0.15 |
| Conveyance of cut earth upto 300 metres beyond an initial lead of 50 metres | 3.20 | 0.46 |

The excess payment to the contractor in sanctioning him rates as per the inflated working estimate works out to Rs. 44,210.

The Chief Engineer admitted in July, 1967 that it was not the approved procedure in the Department to apply the schedule of rates for conveyance of materials

by head load for deriving rates for additional leads for earth work. He added that the working estimate was sanctioned by the Superintending Engineer (Headquarters) who had also not scrutinised this aspect as also the provision of 50% extra rate for working through sand, and it was not correct on the Superintending Engineer's part to have sanctioned such an estimate without the approval of the Chief Engineer.

51. Expenditure on an abandoned work

(MINOR IRRIGATION DIVISION, ERNAKULAM)

The scheme of improvements to Chackarachal in Chellanam Village sanctioned by Government in 1956 at an estimated cost of Rs. 2.50 lakhs included the construction of a permanent bund with regulators for preventing ingress of salt water into paddy fields and draining of the catchment area for paddy cultivation. The construction of the bund was started in February, 1960 and after execution of works costing Rs. 39,695 on construction of ring bunds (Rs. 21,742) and provision of R.C.C. and wooden piles (Rs. 17,953), the work was abandoned in September, 1961. This was done on representations from the beneficiaries for locating the spillway at another place as the site chosen in the Chackarachal was considered unsuitable for a spillway in view of the long stretches of outer bunds (owned by private parties) lying between the Kayal and the paddy fields being susceptible to breaches and overflow. The abandonment of the work resulted in an infructuous expenditure of Rs. 23,873 on ring bunds which were dismantled and wooden piles which got decayed. Further, an expenditure of Rs. 15,822 on moulded R.C.C. piles remains locked up.

Finding that the proposed alternate scheme was far too costly, Government ordered in November, 1966 that it would be sufficient to acquire some of the outer bunds and maintain them to prevent ingress of salt water into paddy fields.

52. Regulator-cum-bridge across Keeranallur River

(IRRIGATION DIVISION, KOZHIKODE)

The following cases of extra/infructuous expenditure amounting to Rs. 1.18 lakhs in the execution of the work have come to notice:—

(a) The estimates provided for well-foundations for abutment and piers, on the assumption that rock strata would be available at a depth of about 50 feet. On 14th March, 1959, prior to commencement of work, the Chief Engineer directed the division to collect sub soil data as the foundation might require change from 'wells' to 'piles' if rock was not available 'within reasonable depths', but foundation work was commenced in June, 1959 without testing sub soil conditions. Subsequent investigations indicated that rock strata was not available even at depths of 103 feet. As sinking of well-foundation had advanced to such a stage that it could not be abandoned in favour of pile foundation without loss to Government, the Chief

Engineer decided in January, 1964 to decrease the weight of the superstructure by reducing the width of the roadway from 22' to 14' and by lightening the structure bringing it within the load bearing capacity of wells sunk upto a depth of 50 feet. By this time 16 out of the 26 wells had been sunk beyond a depth of 50 feet, the extra expenditure on which amounted to Rs. 47,715.

(b) In order to reduce the cost of sinking wells to depths beyond 50 feet, false steining in laterite masonry was used. Due to the defective nature of construction and sinking of false steining at a stretch over a depth of 14 feet instead of in stages of 4 to 5 feet, the false masonry collapsed in a few cases and work was stopped in March, 1963 as being too risky. The expenditure on construction of false steining and dismantling the same amounted to Rs. 40,958.

(c) On account of the decision to limit the wells to a depth of 50 feet, R.C.C. steining already cast for some of the wells preparatory to sinking had to be dismantled. This resulted in an infructuous expenditure of Rs. 20,569 (cost of 206.8 cum. of R.C.C. steining dismantled: Rs. 16,433 and dismantling charges: Rs.4,136).

(d) During the period from March, 1963 to January, 1964 which elapsed in finalising the revised design, the wells got filled up with slush through the unplugged bottoms of the wells which was cleared at a cost of Rs. 8,768.

53. Extra expenditure

(BUILDINGS AND ROADS DIVISION, KOZHIKODE)

The agreement executed in January, 1963 for the work of construction of a bridge at Parakkadavu stipulated supply of 5,770 c.ft. precast R.C.C. piles required for the foundation at the rate of Rs. 11 per c. ft. Though the contract envisaged the supply of precast piles, the department allowed the contractor to supply the piles partly 'precast' (upto 30' length) and to extend them *in situ* in the river bed for which he was allowed a rate of Rs. 17.61 per c.ft. on the basis of a supplementary agreement executed in November, 1963. This was done on the ground that the pile driving plant used by the contractor could handle piles of 30' to 35' only though the agreement provided that the contractor should make his own arrangements for all tools and plant required for the work. The extension of piles *in situ* necessitated intermediate chipping and cutting of each pile to a length of 3' 4". The extra expenditure on this account as well as the payment of the higher rate amounted to Rs. 17,385.

54. Non-utilisation of buildings

Four cases in which buildings remained unutilised for periods ranging from 6 months to 4 years are mentioned in Appendix V—page 105.

CHAPTER V

STORES AND STOCK ACCOUNTS

STORES DIVISION, TRIVANDRUM

55. Avoidable expenditure

The purchase order placed by the Chief Engineer (General and Irrigation) in July, 1966 with a firm at Feroke (Kozhikode District) for the supply of 700 tonnes of M.S. Rounds, stipulated delivery at the Public Works Department General Stores, Trivandrum, before 31st October, 1966. In order to meet the requirements of the Public Works Divisions of the Northern Circle in and around Kozhikode, the firm was requested in August, 1966 to supply 175 tonnes of material at their godown at Feroke for which the department offered to pay at the agreed rates for the supply at Trivandrum less Rs. 83 per tonne for loading, forwarding and delivery charges as shown in the previous bills of the firm. The firm was agreeable to allow reduction of Rs. 60 per tonne only. This was not accepted by the Chief Engineer on the ground that the rates were very high and the entire supply was arranged to be delivered at Trivandrum. Out of this supply, 303.477 tonnes of M.S. Rounds were issued during September—November, 1966 to (i) six divisions in the Northern Circle in and near Kozhikode (144.251 tonnes) and (ii) four divisions in Ernakulam which were midway between Trivandrum and Kozhikode (159.226 tonnes). Substantial saving could have been achieved if proper place of delivery had been stipulated in the supply order.

The Chief Engineer stated in May, 1967 that the issue of M.S. Rounds to the divisions near Kozhikode in September—November, 1966 was in pursuance of the issue orders already approved by him during March—September, 1966 for those divisions and that no orders for supply to those divisions were issued after 7th October, 1966, the date of rejection of the firm's offer to reduce the rates by Rs. 60 per tonne for supply at their godown.

PUBLIC HEALTH DIVISION, QUILON

56. Delay in fixing responsibility for shortage of stores

Shortage of about 13 tons of M.S. rods costing Rs. 9,940 was noticed on physical verification of the stores attached to the Public Health Division, Quilon at the time of transfer of charge of the Storekeeper in October, 1958. The loss was not reported to Audit but it came to notice during local audit conducted in June, 1961,

Government stated in September, 1963 that the Chief Engineer (Public Health Engineering) had taken action to fix the responsibility for the shortage. The Chief Engineer, Public Health Engineering Department reported to Audit in May, 1967 that he was "arranging to obtain all connected records and to take disciplinary action against the parties responsible". Even though more than 8 years have elapsed since the shortage came to notice, the matter still remains to be finalised.

57. Stock Registers and Stock Verification

The registers of stock in each Public Works Division are required to be closed at the end of each half-year and reviewed by the Divisional Officer to ensure that the stock consists only of serviceable and necessary articles, priced within the prevailing market rates. The stock is also required to be physically verified at least once a year.

It was mentioned in paragraph 64 of Audit Report, 1966 and paragraph 56 of Audit Report, 1967 that these requirements had not been complied with in a number of Divisions. Arrears in the closing of the Stock Registers persisted in 12 out of 18 Public Works Divisions, 14 out of 21 Irrigation Divisions and 9 out of 10 Public Health Engineering Divisions. The registers for old periods, *viz.* 1964-65 and earlier periods, had not been closed in 4 Public Works, 5 Irrigation and 3 Public Health Engineering Divisions.

Similarly, annual physical verification of stores was not conducted in 7 Public Works, 8 Irrigation and 4 Public Health Engineering Divisions.

58. Review of Stores and Stock Accounts

A synopsis of the important Stores Accounts (other than those relating to Commercial and Quasi-Commercial Departments/Undertakings, etc.) for the year 1966-67 is given in Appendix VI—page 106. A review of these accounts revealed the following points:—

Finance Department

(a) The closing balance of stamps in the Central Stamp Depot, Trivandrum and Stamp Depot, Ernakulam includes uncurrent stamps worth Rs. 9.04 lakhs and Rs. 34.40 lakhs respectively.

(b) Stock account of stamps held by treasuries could not be included as the accounts received from 2 out of the 9 treasuries were defective. Revised stock accounts have not been received so far (September, 1967).

Health and Labour Department

(c) Physical verification of stores in the Government Medical Stores, Trivandrum and the District Medical Stores was not conducted during 1964-65, 1965-66 and 1966-67.

(d) (i) In the Public Health Central Stores Division, Ernakulam and Public Health Division, Quilon, stock accounts are not maintained by sub-heads. The object of classifying and collecting the charges debited to stock by the nature of expenditure as prescribed in the rules has not, therefore, been fulfilled.

(ii) Preparation of half-yearly register of stock is heavily in arrears in the Public Health Central Stores Division, Ernakulam and Public Health Division, Trivandrum. Twenty six returns relating to the period from September, 1954 to March, 1967 have not been prepared by the former and 14 returns relating to the period from September, 1960 to March, 1967 by the latter.

(e) The stock accounts received from the Ayurveda College, Trivandrum have not been included as they were incomplete in that the accounts of stores and stock in the Ayurveda Hospital, Trivandrum, Research Institute, Poojapura and the Maternity Hospital, Poojapura were not incorporated.

Public Works Department

(f) In the Buildings and Roads Division, Quilon the stock accounts are not maintained by sub-heads and in the Buildings and Roads Division, Trichur, stock accounts are not maintained in the prescribed form. The object of classifying and collecting the charges debited to stock by nature of expenditure as prescribed in the rules has not, therefore, been fulfilled.

Agriculture Department

(g) Revised stock accounts of the Agriculture Department from 1962-63 adopting the physically verified balance as on 1st April, 1962 as opening balance, have not been prepared so far. Orders of Government on the alternative suggestions made by the Director of Agriculture in June, 1966 are still awaited (February, 1968).

Revenue Department

(h) The revised stock accounts of Opium and Ganja for the period 1961-62 onwards, after rectifying the defects pointed out previously, have not been received from the Board of Revenue.

Education Department

(i) The opening balance, receipts, issues and closing balance shown in the stock accounts of the Government Presses did not agree with those shown in the ledger.

(j) The stock accounts of stationery stores have not been received from the department.

59. Unutilised machinery, equipment, stores, etc.

Certain cases of machinery, equipment, stores, etc., which have been lying idle for considerably long periods are mentioned in Appendix VII— pages 107-109. Besides the locking up of capital, the prolonged idleness of the machinery, etc. involves the risk of loss due to deterioration.

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

| <i>Sl. No.</i> | <i>Name of Department</i> | <i>Amount (In lakhs of rupees)</i> |
|----------------|---------------------------|--|
| 1 | Development | 8.50 |
| 2 | Public Works—Irrigation | 5.08 |
| 3 | Agriculture | 0.15 |
| 4 | Industries | 0.41 |
| 5 | Home | 0.23 |

CHAPTER VI
REVENUE RECEIPTS

60. Arrears in the collection of revenue

The total revenue collected and the arrears of revenue pending collection at the end of each of the 5 years from 1962-63 to 1966-67 were as shown below:—

| <i>Year</i> | <i>Total revenue collected</i> | <i>Arrears pending collection at the end of March</i> | <i>Percentage of arrears to total revenue</i> |
|-------------|--------------------------------|---|---|
| | <i>(In crores of rupees)</i> | | |
| 1962-63 | 66.02 | 10.98 | 16.63 |
| 1963-64 | 72.26 | 10.20 | 14.12 |
| 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 |

The details of outstanding as on 31st March, 1967 are indicated below:—

| <i>Sl. No.</i> | <i>Source of revenue</i> | <i>Amount pending collection</i> | <i>Amount of arrears more than 10 years old</i> |
|----------------|---|----------------------------------|---|
| | | <i>(In lakhs of rupees)</i> | |
| 1 | Sales Tax | 4,83.63 | 54.71 |
| 2 | Forest | 1,34.19 | 1.75 |
| 3 | Land Revenue | 1,24.51 | 4.52 |
| 4 | Taxes on income other than Corporation tax (Agricultural Income Tax) | 1,05.64 | 1.85 |
| 5 | Taxes on Vehicles | 60.26 | 4.02 |
| 6 | Public Health Engineering | 58.99 | 0.12 |
| 7 | Irrigation (Land Revenue Department) | 38.84 | 0.72 |
| 8 | Police | 35.05 | .. |
| 9 | State Excise Duties | 30.37 | 12.40 |
| 10 | Miscellaneous Social and Developmental Organisations (Geological Department) | 27.32 | 5.29 |
| 11 | Other sources of revenue | 65.03 | 4.16 |
| | Total | 11,63.83 | 89.54 |

The Finance Department has been conducting half-yearly reviews of revenue collections and urging the departments to expedite collection of the arrears. They ordered in October, 1966 that the departments should make a determined effort to collect at least 25% of the arrears in each quarter beginning from that month, so that the entire outstanding dues could be collected before the end of October, 1967. According to these orders, 50% of the arrears as on 30th September, 1966 out of the arrears relating to the year ended 31st March, 1966 should have been collected by 31st March, 1967. However, a review of the achievement to the end of March, 1967 conducted by Government disclosed that except in 4 departments the percentage of collection was low, ranging between 2% and 30%.

61. Loss of revenue due to non-finalisation of a lease

According to the general orders issued by Government (Revenue Department) in May, 1954, rent for Government lands leased out for erection of petrol pumps in cities having a population of one lakh and above, was to be realised at the rate of Rs. 40 per 100 sq. ft. per mensem (Rs. 2,100 per annum per cent). By an order issued on 15th July, 1954 the Public Works Department of Government sanctioned the lease of an area of 88.25 cents of land on the Ernakulam foreshore to a private oil company for a period of 5 years at an annual rent of Rs. 30 per annum per cent. No lease deed was executed and no rent was collected till January, 1964 when the Revenue Department sanctioned the renewal of the lease for a further period of 5 years from 15th July, 1959 subject to the condition that rent shall be realised from that date according to the general orders issued in May, 1954. The Board of Revenue was also directed to take steps for executing a lease deed before the end of January, 1964 and to take suitable steps against the officers responsible for not executing the lease deed.

Neither the lease deed has been executed nor has the responsibility of the officers been fixed (November, 1967). The company paid in April, 1966 rent calculated at Rs. 30 per annum per cent for a period of 5 years from 15th July, 1954 and at Rs. 40 per annum per cent for the extended period of 5 years from 15th July, 1959. No orders extending the period of the lease beyond 15th July, 1964 have been issued so far but rent at Rs. 40 per annum per cent for a period of 2 years from 15th July, 1964 was collected in January, 1967. Failure to collect the rent at Rs. 40 per 100 sq. ft. per mensem from 15th July, 1959 to 14th July, 1966 has resulted in a loss of revenue of about Rs. 12.72 lakhs to Government.

62. Writes off and remissions of revenue

Cases of writes off of irrecoverable revenue and remissions and abandonment of claims to revenue are given in Part II of Appendix III—page 100.

AUDIT OF RECEIPTS
SALES TAX

63. Sales Tax collections

The sales tax collections during 1966-67 amounted to Rs. 22.78 crores, constituting 45.17% 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 receipts to the total receipts under the principal heads of revenue</i> |
|-------------|------------------------------|--|
| | <i>(In crores of rupees)</i> | |
| 1962-63 | 12.01 | 42.09 |
| 1963-64 | 14.52 | 43.01 |
| 1964-65 | 15.99 | 39.96 |
| 1965-66 | 18.30 | 42.35 |
| 1966-67 | 22.78 | 45.17 |

64. Results of test audit

The types of irregularities and the important cases noticed as a result of the test audit of 9,586 assessment cases in 83 offices during the period from September, 1966 to August, 1967 are given below.

STATE SALES TAX ACT

65. Escapement of taxable turnover

In 57 cases, turnover of Rs. 12.47 lakhs escaped assessment of tax due to wrong or excessive exemption resulting in short collection of tax to the extent of Rs. 39,241. The assessments in 38 of these cases covering a turnover of Rs. 5.81 lakhs (tax effect: Rs. 18,259) have since been revised.

In the remaining 19 cases (Sales Tax Office, Special Circle, Quilon) a turnover of Rs. 6.66 lakhs on the sale of 'Cashew Kernel Rejections', which would attract tax at 3% multipoint according to a clarification issued by the Board of Revenue in August, 1965, was not assessed to tax resulting in an under-assessment of Rs. 20,982. The matter was reported to the Board of Revenue in April, 1967; their reply is awaited (February, 1968).

66. Irregular grant of exemption of turnover

Under Rule 7(i) of the General Sales Tax Rules, 1950, the Excise Duty, if any, paid by a dealer to the State Government or the Central Government in respect of goods sold by him was an admissible deduction from his gross turnover. According to the Kerala General Sales Tax Rules which came into force from 1st

April, 1963, replacing the old rules, Excise Duty paid to the Central Government alone was eligible for exemption till the State Government amended the rules on 8th July, 1963 exempting Excise Duty paid to the State Government also. As the amendment to the rules does not have retrospective effect, the Excise Duty paid to the State Government for the period 1st April, 1963 to 7th July, 1963 is not to be deducted from the taxable turnover. In the Sales Tax Office, Special Circle, Ernakulam, however, this aspect was overlooked in the case of two assessees resulting in an under-assessment of tax amounting to Rs. 1,02,834. The Board of Revenue stated (February, 1968) that the two assessments had been revised.

67. Mistakes in computation of taxable turnover, incorrect application of rates of tax, incorrect accounting of tax, etc.

(i) In 17 cases, mistakes in the computation of taxable turnover amounting to Rs. 1.06 lakhs resulted in short collection of tax of Rs. 4,168.

(ii) Incorrect application of rates of tax in 16 cases involving a turnover of Rs. 3.13 lakhs resulted in under-assessment of tax to the extent of Rs. 10,052. This included a case in which the tax foregone was Rs. 6,497 on a turnover of Rs. 1.49 lakhs, the details of which are as follows:—

As per the General Sales Tax Act, paints, colours, lacquers and varnishes are taxable at 7% at the point of first sale in the State. According to a Government Notification issued in July, 1962, 'Oxides' are classified under this item. In the Sales Tax Office, Special Circle, Alleppey, however, sales tax was levied at the rates of 2% for the year 1962-63 and 3% for the years 1963-64 to 1965-66. Government stated in September, 1967 that the assessee had paid Rs. 3,296 out of additional demand created and that the collection of the balance was stayed by the High Court.

(iii) Incorrect accounting of tax, arithmetical mistakes and other omissions in 17 cases resulted in short demand of tax of Rs. 1,507.

68. Penalty for non-payment of tax in specified time not collected

Section 23(3) of the Kerala General Sales Tax Act, provides penalty for the non-payment of tax within the prescribed time. In 91 cases the assessing authorities did not levy penalty totalling Rs. 9,242.

In 20 of these cases penalty of Rs. 1,481 has since been collected and in 5 other cases penalty of Rs. 3,591 has been demanded (August, 1967).

CENTRAL SALES TAX ACT

69. Escapement of taxable turnover

In 9 cases a turnover of Rs. 1.17 lakhs escaped assessment of tax; the tax short collected was Rs. 9,125.

In one of these cases (Sales Tax Office, Nedumangad), exemption was erroneously allowed on a turnover of Rs. 75,000 on the sale of tapioca chips in the 1962-63 assessment of a dealer. As the assessee had not taken out the required licence for dealing in tapioca, the exemption allowed was not in order and it was pointed out in October, 1965 for rectification. A further verification of the accounts of the assessee conducted by the department revealed that the turnover exempted related to inter-state sales. In the absence of valid declaration in the 'C' form the entire turnover was assessed to tax at 7% under the Central Sales Tax Act and a tax of Rs. 5,250 demanded. Action under the Revenue Recovery Act was reported to be under way for the realisation of the amount (August, 1967).

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

SECTION—I

GENERAL

- 70.** This chapter deals with the 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

- 71.** There were 4 Statutory Corporations/Board under the administrative control of the State Government on 31st March, 1967, *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 72-73.

KERALA STATE ELECTRICITY BOARD

72. Introductory

The Board was constituted with effect from 31st March, 1957 under Section 5 of the Electricity (Supply) Act, 1948. The Board has no share capital; funds required for the works, etc., are provided by the Government in the form of loans.

73. Inadequate revenues

The revenues earned each year by the Board, since its inception on 1st April, 1957, have not been adequate to meet the interest charges payable to Government on the loans availed. As against Rs. 4.44 crores payable to Government as

interest for 1966-67, the amount available for payment from revenues was only Rs. 3.15 crores leaving a deficit of Rs. 1.29 crores for the year, which together with the accumulated deficit of Rs. 3.08 crores till the end of 1965-66 amounted to Rs. 4.37 crores.

The amounts available annually for payment of interest were not being regularly paid to Government; the balance amount of interest payable to Government as on 31st March, 1967 was Rs. 11.83 crores. No payment was made during 1966-67.

74. Arrears of revenue

The arrears of electricity charges for the year ended 31st March, 1967 amounted to Rs. 2.92 crores as against Rs. 2.33 crores as on 31st March, 1966. The correctness of the arrears shown in the Accounts could not be verified in the absence of Demand, Collection and Balance statements, which were in arrears from April, 1963. Out of Rs. 2.92 crores shown as due at the end of March, 1967, claims for about Rs. 1.34 crores are stated to be under dispute with the consumers. The arrears include a sum of Rs. 2.41 lakhs due from a company under liquidation.

75. Delay in invoicing and consequent loss of interest

According to the Board's Revenue Accounting Rules, the invoices for consumption of electricity for a month have to be issued in the subsequent month. There has been delay of 2 to 3 months in sending the invoices by the billing units. This has resulted in the postponement of collection of dues and consequent loss of interest on the amounts due to the Board.

76. Idle Stock

(a) *Unutilised stores*:—The value of stores remaining unutilised for over 5 years in Stores Division, Alwaye and Civil Branch Central Stores, Pallom amounted to Rs. 8.92 lakhs. This included a 3 ton (Butters pedestal) crane imported at a cost of about Rs. 1 lakh in December, 1953 for use in the hydro-electric projects at Sengulam and Mattupatty where it could not be used as by the time it arrived, the projects had reached an advanced stage of completion. The crane was also not subsequently utilised on other projects like Panniar, Sholayar and Sabarigiri and has been lying idle ever since its purchase and is now kept in the Central Stores, Alwaye (September, 1967).

(b) *Idling of construction equipment*:—The Board purchased 14 Mogurt dumpers at a cost of about Rs. 11.07 lakhs in November, 1965 for excavation works in Idikki Project. Out of these, 6 dumpers have been in use from March, 1967. The remaining 8 units costing Rs. 6.33 lakhs are kept idle and are stated to have been earmarked for other works in the project to be taken up in due course.

77. **Damage to stator punchings**

Two consignments of stator punchings for the Sabarigiri Hydro-Electric Project, imported in 1964 from the U. S. A., were stored in the godowns at the project site for 11 to 13 months. On opening the consignments in November, 1965 it was found that the punchings in most of the packages had rusted. The suppliers held that the materials were shipped in good condition after testing and inspection and that the goods should have been damaged at the project site where they were stored for a long time, and that the damages were not covered by insurance. Pending fixation of responsibility for the damage, replacements were obtained from the suppliers at a cost of Rs. 9.62 lakhs in November, 1966. While according sanction for the release of foreign exchange, the Government of India ordered in April, 1966 that a specific investigation should be made by the Central Water and Power Commission to fix responsibility for the damage. Accordingly, a member of the Central Water and Power Commission made an on-the-spot investigation and prepared a report in October, 1966. The matter, however, still remains to be finalised.

78. **Non-utilisation of power potential**

As against the power potential of about 2,483 million units available during July, 1966 to July, 1967, the power actually generated by the Board was about 1,511 million units only as transmission lines of sufficient load had not been connected up, and power continued to be purchased from Madras and Mysore States at an average cost of about Rs. 3 lakhs per mensem.

79. **Loss of energy on transmission and distribution**

The loss of energy on transmission and distribution during the period 1961 to 1967 varied from 16.5% to 24.6% of the power generated and purchased (excluding consumption for generating station auxiliaries). The Board has not fixed any limits for normal loss in transmission and distribution though it has been receiving reports of unlawful tapping of power.

80. **Ex-gratia payment in lieu of bonus**

The Board sanctioned in November, 1966 an *ex-gratia* payment of 4% of the wages to the employees subject to a minimum of Rs. 40 in lieu of bonus for the years 1964-65 and 1965-66. The payments made on this account till March, 1967 amounted to Rs. 12.08 lakhs. The applicability of the Payment of Bonus Act to the Board is, however, still under consideration of the State Government (February, 1968).

81. **Loss of revenue due to supply of power at less than tariff rates**

The Board was supplying power to a Government Company, at the rate of Rs. 144/kw. year on the basis of an agreement entered into in May, 1953 which

expired on 25th August, 1962. The Board resolved in November, 1960 to charge the company at Rs. 150/kw. year from the date of expiry of the agreement. According to the tariffs prescribed by the Board effective from 12th April, 1965, power intensive industries taking similar supply of power were to be charged at Rs. 177/kw. year. The power supply to the company at the rate of Rs. 150/kw. year was, however, continued even after 12th April, 1965 and the Board decided in June, 1967 to continue the arrangement till 25th November, 1970. The loss of revenue on account of charging lower tariff rates for the power supplied to the company from April, 1965 to May, 1967 worked out to about Rs. 3.65 lakhs.

82. Extra expenditure on transport of teakwood poles

(a) According to the supply orders placed in August, 1962 by the Board, two firms were to supply at Kundara 66,000 teakwood poles from Palghat. In December, 1962, the Board, however, accepted the proposal of the Chief Engineer (Electricity) to change the place of delivery for 28,000 of these poles from Kundara to Vadakkampally, Kozhikode and Pallom on the ground that the treatment yard at Kundara was at that time congested and space for stacking and storing the existing stock of poles was inadequate. This meant, saving in distance of transport of 98 miles (Vadakkampally), 135 miles (Kozhikode) and 60 miles (Pallom) to the contractors but they, while quoting revised rates, did not offer a corresponding reduction in the supply rates. The reduction secured by the Board on 25,880 poles actually supplied at the new places amounted to Rs. 82,249. Computed with reference to the ruling rates of the contractors transporting poles for the Board during the period, the reduction for the saving in the distances would have been Rs. 3,07,078. By changing the places of delivery after settling the contracts the advantage of competitive tenders for supply of poles at the new places of delivery was also lost.

The Chief Engineer (Electricity) stated that the diversion of poles to other yards by the supplying contractors was more profitable to the Board, as otherwise the poles would have required transportation on later dates at higher cost and further, that the suppliers, being not transport contractors, could not be expected to offer reduction in cost of transport at departmental rates.

(b) The Board has four treatment yards at Nallalam, Vadakkampally, Pallom and Kundara, from where raw teakwood poles, after treatment, are issued for various line extension works. In order to avoid large expenditure on transport of poles to and from these yards, it is necessary that treatment of raw poles is arranged in the yard nearest to the source of supply and the treated poles are issued to divisions not situated far away from the yard.

2,437 teakwood saplings procured from Velloor plantation (Kottayam District) in May, 1961 were treated at the Kundara yard (distance 120 miles) and

1,900 treated poles were issued from Kundara yard during May, 1961 to October, 1961 to the Electrical Division, Cannanore (distance 295 miles) involving transportation over a total distance of 415 miles. Had these poles been treated at the Nallalam yard nearer to Cannanore (where there was sufficient capacity) and issued to the Cannanore division, the total distance of transport would have been only 226 miles and a saving of Rs. 26,464 in transport charges could have been effected.

In another case, 600 teakwood poles from Palghat Division were sent to Pallom Treatment Yard (distance 137 miles) in June, 1961 and were transported back after treatment to the same division in October, 1961. Had these poles been treated at the nearest treatment yard at Nallalam (distance 81 miles), a total distance of 112 miles involving an expenditure of Rs. 8,024 could have been saved.

83. Extra expenditure due to delay in defining routes

The contract for conveyance of materials during the period 1963-66 provided for separate rates for transport in hilly tracts and plains, the rates for hilly tracts being lower. For working the contract the Board was to define the hilly section roads, but the Board did not do this and made payment for all transport during the period of the contract at the higher rates applicable to plains. The transport contract for 1966-69 specifically provided that the roads defined as hilly tracts in the Kerala Service Rules would be considered as hilly section roads. Computed with reference to the classification of hilly tracts in the Kerala Service Rules, the failure on the part of the Board to demarcate the hilly section roads for the contract period 1963-66 resulted in an excess payment of about Rs. 2.33 lakhs to the transporting firm.

84. Loss due to defective agreement

The rate accepted by the Board in October, 1962 in respect of concrete work involved in the construction of Kakki Dam included the cost of transportation of cement from the factory at Kottayam situated at a distance of about 100 miles from the dam site. Since procurement of cement from the said factory was subsequently found difficult, the supply of cement was arranged from Thulukkappatty and Theni in Madras State, situated at a distance of 149 miles and 82 miles respectively from the dam site. While the Board agreed to pay an extra rate of 38 paise per tonne mile for the transport of cement from Thulukkappatty for the distance in excess of 100 miles (49 miles), no provision for allowing rebate to the Board in respect of the savings in transport from Theni (18 miles) was made in the supplemental agreement entered into in April, 1965. This resulted in the Board losing rebate to the extent of Rs. 9.14 lakhs on 1,33,658 tonnes of cement transported from Theni whereas the contractor was paid an extra Rs. 0.85 lakh on 4,562 tonnes of cement transported from Thulukkappatty.

85. Avoidable expenditure

In October, 1963, the Board invited tenders for the purchase of '30 A' cut outs and '100 A' fuse units among other items and the lowest acceptable offers obtained in the tender were Rs. 1.52 and Rs. 5.23 each respectively. 18,000 Nos. of cut outs and 5,000 Nos. of fuse units were, however, purchased by the Board at Director General of Supplies and Disposals' rate contract rates of Rs. 2.21 and Rs. 6.50 each respectively overlooking the cheaper offers. No reasons for rejecting the cheaper offers had been recorded. Failure to avail of the lowest offers in the two cases resulted in an avoidable expenditure of Rs.19,145.

86. Extra expenditure due to delay in deciding tenders

Tenders were called for by the Chief Engineer (Electricity) in September, 1964 for the supply of 750 distribution transformers and his recommendations were sent to the Board on 24th November, 1964. The Board was reminded by the Chief Engineer on 9th December, 1964 and 7th January, 1965 stressing the necessity to pass early orders in view of the upward trend of the prices in the market. The sanction of the Board was, however, issued only on 29th March, 1965, long after the expiry of the validity period of the tenders (13th January, 1965). When orders were placed, some of the firms demanded enhanced prices and a revised sanction agreeing to the enhanced rates was issued by the Board in May, 1965. This resulted in an extra expenditure of Rs. 90,650 to the Board of which Rs. 87,250 was on the purchase of 100 transformers from one firm and Rs. 3,400 was on the purchase of 20 transformers from two other firms.

The Secretary to the Board stated in January, 1966 that the delay in taking a decision on the tenders was on account of the fact that technical details and terms of delivery, etc., had to be studied in detail before recommendations for the purchase could be placed before the Board.

87. Loss due to grant of concession to a contractor in returning empty cement bags

The standard terms of contract for works entered into by the Board stipulate that the contractors should return the empty gunny bags when cement is issued to them in bags departmentally and that recovery at specified rates would be effected in respect of bags not returned. The contract for constructing a flanking dam at Anathode entered into by the Board in December, 1963 also included this provision about the return of the empty gunny bags. However, the Chief Engineer (Civil) in August, 1965 agreed that the contractor need return in good condition only 80% of the empties and that recovery would be made at 50 paise per bag not returned out of this 80%. Till 20th June, 1967 the contractor had returned 5,87,629 empty bags out of 7,08,635 bags issued to him. This resulted in a concession to the contractor, the monetary value of which worked out to Rs. 60,503

being the cost of 1,21,006 empties (50 paise per bag) not returned by him. The eventual total loss in this contract would be known only after the work is completed and the accounts settled.

The Chief Engineer (Civil) stated in July, 1967 that as repacking of cement in used bags was done in cement factories, all the empty bags could not be returned by the contractor in good condition and that "even if cent per cent was fixed as returnable, a portion of it would be quite useless and would cause only waste of space, if taken back to stores".

88. Loss of revenue due to non-occupation of buildings

Out of 323 residential quarters of types A to F constructed at Moolamattom at a cost of Rs. 47.48 lakhs by a contractor (final payment not made--October, 1967) and handed over to the Kerala State Electricity Board during the period February, 1965 to November, 1965 for use of the staff engaged in the construction of Idikki Hydro-Electric Project, 228 quarters remained vacant for various periods ranging from 2 to 29 months. The loss of rent due to non-occupation of the quarters for the period upto September, 1967 (deducting an initial period of 2 months that might be necessary for complying with the formalities connected with the allotment), calculated with reference to the minimum of the scale of pay of the officers for whom the quarters were intended, amounted to Rs. 0.44 lakh. 52 quarters were reported to be vacant on 1st October, 1967.

THE KERALA FINANCIAL CORPORATION

89. Ex-gratia payment to the employees

Since 1958-59 the Corporation has been making *ex-gratia* payments annually to all its employees, except the Managing Director, at rates ranging from 15 days' basic pay to 1/12th of total basic pay plus special pay. The total payments made during the years 1958-59 to 1965-66 amounted to Rs. 25,915 which included the payment of Rs. 5,263 in 1965-66. The Corporation stated in July, 1966 that the payments were sanctioned as an incentive to the staff and also because the Corporation was making substantial net profits every year. It was, however, noticed that the net profits made by the Corporation were not sufficient to pay the guaranteed dividend of 3½% in any of the years and, to make payment of dividends possible, the Corporation had been receiving subventions from Government every year since its inception in 1953-54; the total liability on account of subventions so received from Government for the years 1953-54 to 1965-66 amounted to Rs. 15.72 lakhs.

The *ex-gratia* payments have also not been exhibited distinctly in the Profit and Loss Account of the Corporation in any of the years till 1965-66.

KERALA STATE WAREHOUSING CORPORATION

90. Under-utilisation of storage capacity

There was generally a decline in the utilisation of the storage capacity of the warehouses during the last 5 years as indicated below:—

| <i>Year</i> | <i>Number of warehousing centres</i> | <i>Average available capacity</i> | <i>Average capacity utilised</i> | <i>Percentage of utilisation</i> |
|-------------|--|---------------------------------------|--------------------------------------|--------------------------------------|
| | | (In tonnes) | | |
| 1962-63 | 23 | 252 | 124 | 49 |
| 1963-64 | 23 | 398 | 133 | 33 |
| 1964-65 | 23 | 539 | 108 | 20 |
| 1965-66 | 26 | 753 | 130 | 17 |
| 1966-67 | 23 | 921 | 197 | 21 |

Ten warehouses had been closed down during the years 1961-62 to 1965-66 as a result of under-utilisation of storage capacity; the loss incurred on these warehouses was about Rs. 41,430.

KERALA STATE ROAD TRANSPORT CORPORATION

91. Introductory

The Kerala State Road Transport Corporation was established on the 15th March, 1965 under Section 3 of the Road Transport Corporations Act, 1950 and commenced functioning from 1st April, 1965.

The Corporation has two sections *viz.*, Road Transport and Water Transport sections. The running of the Water Transport section is not covered by the Road Transport Corporations Act, 1950. Though the State Government moved the Government of India in 1965 to treat the Water Transport section as an ancillary service of the Corporation, the final decision in this regard is still awaited (November, 1967).

92. Road Transport Section

(i) *Financial results*:—The working of the Road Transport Section of the Corporation for the year 1966-67 showed a net profit of Rs. 24.80 lakhs after making provision of Rs. 36 lakhs in the accounts of the year for payment of income-tax and Rs. 0.34 lakh for development rebate as against a net profit of Rs. 16.55 lakhs during the previous year after providing Rs. 24 lakhs for income tax and Rs. 0.22 lakh for development rebate.

A comparative statement showing the capital outlay and other details for 1964-65, the last year of departmental working, and the two subsequent years after the Corporation started functioning, is given below:—

| | <i>Erstwhile State Transport Department</i> | <i>Kerala State Road Transport Corporation</i> | |
|--|---|--|----------------|
| | <i>1964-65</i> | <i>1965-66</i> | <i>1966-67</i> |
| Capital (in lakhs of rupees) | 4,96.89 | 5,71.89 | 6,21.89 |
| Receipts (in lakhs of rupees) | 5,53.87 | 6,31.21 | 7,41.95 |
| Expenditure (in lakhs of rupees) | 5,29.68 | 5,90.44 | 6,80.81 |
| Provision made for income tax (in lakhs of rupees) | Nil | 24.00 | 36.00 |
| Net Profit (in lakhs of rupees) | 24.19 | 16.55 | 24.80 |
| Distance covered (kms. in lakhs) | 6,09.60 | 6,41.72 | 7,00.69 |
| Number of schedules operated | 697 | 725 | 768 |
| Fleet strength | 801 | 974* | 1006** |
| Revenue per km. (Ps) | 91.8 | 98.3 | 105.88 |
| Expenditure per km. (Ps) | 87.8 | 92.00 | 97.16 |
| Profit per km. (Ps) | 4.00 | 6.3 | 8.72 |
| Percentage of profit on capital (before taxation) | 4.9 | 7.1 | 9.78 |
| Percentage of profit on capital (after taxation) | .. | 2.9 | 3.99 |

(ii) *Fleet strength*:—The Corporation had a fleet of 1,006 vehicles for operating 768 schedules (March, 1967), while 878 vehicles would have been adequate after including provision for reserves at 1/7 of the schedules in operation (based on Kerala Motor Vehicles Rules, 1961). The Corporation was thus holding 128 vehicles in excess of requirements. Fifty of these vehicles are stated to have been scrapped in August, 1966 and are awaiting disposal.

93. Water Transport Section

The working of this section during 1966-67 resulted in a net loss of Rs. 0.68 lakh as against a net loss of Rs. 0.51 lakh during the previous year.

94. Other topics of interest

(i) *Loss on operation of uneconomic routes*:—During the year, the Corporation suffered a loss to the extent of Rs. 21.91 lakhs as against Rs. 43.40 lakhs during the previous year due to operation of uneconomic routes and failure to draw up the schedules correctly.

* Includes only vehicles exclusively used for operation, and excludes 37 other types of vehicles such as departmental vehicles, staff vehicles and ambulance van.

** Indicates only the number of buses used for operation. 57 lorries, 1 ambulance van, 20 departmental vehicles and 27 staff vehicles are excluded,

(ii) *Objections pending clearance*:—Of the 533 objections with a money value of Rs. 16.50 lakhs relating to 1961 to 1965 awaiting clearance in September, 1966, only 69 objections amounting to Rs. 6.80 lakhs have been cleared till February, 1968. The analysis of the pending objections is as follows:—

| | <i>Number of objections</i> | <i>Amount</i> <i>(In lakhs of rupees)</i> |
|---------------------------------------|-----------------------------|--|
| Outstanding for more than three years | 103 | 2.32 |
| Outstanding for more than two years | 322 | 6.67 |
| Outstanding for more than one year | 39 | 0.71 |
| Total | 464 | 9.70 |

95. **Avoidable expenditure on double and treble duties**

Mention was made in paragraph 115 of the Audit Report, 1966 about the recurring avoidable expenditure on account of the failure to abolish double and treble duties in long distance routes. According to the General Manager of the Corporation, the existing double and treble duties could be eliminated when sub-depots are established at suitable places where long distance services could be bifurcated. A sub-depot was opened at Chengannur from 1st July, 1965 but 15 long distance routes passing through this sub-depot have not been bifurcated. As on 1st June, 1967 the Corporation was operating 83 long distance routes with double and treble duty schedules which involved an avoidable recurring annual expenditure of about Rs. 3.13 lakhs on engaging 67 sets of additional crew.

96. **Payment of interest on Provident Fund balances**

The Provident Fund Accounts of the employees of the former State Transport Department were transferred by Government to the Kerala State Road Transport Corporation from 1st April, 1965, and the cash balance thereof was transferred to the Corporation in 2 instalments, Rs. 21.45 lakhs on 31st August, 1965 and Rs. 2.68 lakhs on 29th October, 1965. The Corporation sought Government's approval for investing the balance on 15th September, 1965. Government's approval for the investment in certain securities was communicated on 15th December, 1965 and the Corporation invested Rs. 24 lakhs in 4½% Twelve Year National Defence Certificates on 3rd January, 1966.

The delay in investing the balance in securities resulted in the Corporation meeting from its own resources interest charges at 4½% amounting to Rs. 32,912 for payment to the subscribers, whereas no interest could be earned on the transferred provident fund balance which remained uninvested upto 2nd January, 1966. As the Corporation was aware as early as in May, 1965 of the ensuing transfer of the balance, timely arrangements should have been made for investing the same.

SECTION—III
GOVERNMENT COMPANIES

97. The number of Government Companies at the end of March, 1967 was 20, 12 wholly owned by the State Government and 8 partly owned.

Wholly owned Government Companies:—Kerala Fisheries Corporation was newly added to this category during the year under review. The Government investment in the 12 fully owned Government Companies as on 31st March, 1967 was Rs. 9.58 crores. Six companies with a paid up capital of Rs. 4.54 crores earned a net profit of Rs. 18.45 lakhs and 6 other companies with a paid up capital of Rs. 5.04 crores incurred a net loss of Rs. 39.61 lakhs (vide Annexure B—pages 74-77).

Partly owned Government Companies:—Kerala Water Transport Corporation in which Government's investment amounted to Rs. 18.61 lakhs went into liquidation on 20th March, 1965. There were no trading activities in Packaging Paper Corporation Limited and Kerala Spinners Limited, during their last accounting year. Of the remaining 5 companies, 4 companies with a paid up capital of Rs. 3.53 crores (Government investment: Rs. 2.25 crores), earned net profits amounting to Rs. 42.43 lakhs (vide Annexure B—pages 76-77). Pallathra Bricks and Tiles Limited, with a paid up capital of Rs. 10.97 lakhs (Government investment: Rs. 10.44 lakhs) suffered a loss of Rs. 1.37 lakhs.

A statement showing the summarised financial position of the companies as disclosed in their latest available accounts, is given in Annexure B—pages 74-77.

KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

98. (i) *Introductory:*—The company (fully owned by Government) was incorporated on 21st July, 1961 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, 1967 was Rs. 3.60 crores.

(ii) *Working results:*—The working results of the company for the last three years were as shown below:—

| | 1964-65 | 1965-66 | 1966-67 |
|--|-----------------------------|---------|---------|
| | <i>(In lakhs of rupees)</i> | | |
| 1. Paid up capital at the end of the year | 2,06.76 | 3,00.00 | 3,60.00 |
| 2. Amount held in call/fixed deposits at the end of the year | 38.75 | 67.68 | 19.18 |
| 3. Interest received from call/fixed deposits with Banks, etc. | 2.35 | 2.12 | 2.21 |
| 4. Net profit before taxation | 6.73 | 5.47 | 9.88 |

(iii) *Review of operations:—*

(a) *Loans:—*The table below shows the loan assistance sanctioned by the Corporation and disbursed till 31st March, 1967.

| | <i>Sanctioned</i> | <i>Disbursed</i> |
|--|-----------------------------|------------------|
| | <i>(In lakhs of rupees)</i> | |
| Amount of loans | 1,65.90 | 99.10 |
| Amount of deferred payment guarantees, the liabilities on which account have been treated as loan (see sub-para (b) below) | — | 1.20 |
| Total | 1,65.90 | 1,00.30 |

Out of Rs. 1,00.30 lakhs disbursed, an amount of Rs. 13.55 lakhs was due for recovery as on 31st March, 1967 of which a sum of Rs. 13 lakhs is outstanding. One of the loanee companies has consistently defaulted repayment of principal and interest, the overdue principal and interest as on 31st March, 1967 being Rs. 3 lakhs and Rs. 3.27 lakhs respectively.

(b) *Deferred payment guarantee:—*The company has furnished guarantee assistance to the extent of Rs. 69 lakhs in respect of 6 companies. The guarantee deed is to be executed in 5 cases involving Rs. 60 lakhs. The delay ranges from 1 to 3 years.

According to the terms and conditions of the guarantee, the defaulted instalments and other charges paid by the company on behalf of the principal debtors will be treated as loan advanced to the debtors. One of the debtor companies has not paid any of the instalments due (Rs. 0.81 lakh). The total amount treated as loan to defaulted companies till 31st March, 1967 amounted to Rs. 1.2 lakhs in 2 cases.

(iv) *Advances to subsidiaries:—*The company has paid an amount of Rs. 29,615 on account of the salary of an attender, T.A. and sitting fees of Directors and similar running expenses on behalf of its two subsidiaries. Out of this amount, according to the company, Rs. 17,272 granted to one of the subsidiaries is doubtful of realisation.

99. Unsound investment in a company

The Kerala State Industrial Development Corporation invested in 1963 Rs. 50,000 (out of the paid up capital of Rs. 1 lakh) in the share capital of the Packaging Paper Corporation, a private limited company incorporated in 1962 for manufacturing paper of every description. The balance of Rs. 50,000 was subscribed by an individual who was the promoter of the company and by his associates. In July, 1963 the Corporation purchased shares worth Rs. 40,000 from the promoter and his associates, and the company became a subsidiary of the Corporation. When the subscribed capital of the company was raised by

Rs. 1 lakh in February, 1964 (paid up to the extent of 75%) the Corporation purchased shares for Rs. 54,000 allotting shares for Rs. 21,000 to the promoter. Thus while the financial interest of the Kerala State Industrial Development Corporation in the company increased considerably from Rs. 50,000 in 1963 to Rs. 1.44 lakhs in 1966, that of the original promoter got reduced from Rs. 50,000 to Rs. 31,000.

The risk of financial loss to the Corporation on the investment is apparent from the following considerations:—

- (i) Even after a lapse of five years the company has not succeeded in securing technical and financial collaboration from abroad for setting up a factory.
- (ii) Against the preliminary, pre-promotional and development expenses of Rs. 1.87 lakhs incurred by the company till 30th September, 1966, the company's assets (including cash) amounted to Rs. 12,123 only.
- (iii) The original promoter who was reimbursed a sum of Rs. 46,000 out of Rs. 53,000 stated to have been expended by him on pre-promotional expenses, has gradually reduced his financial stake in the company.

Government stated in September, 1967 that the terms of the foreign collaboration arranged for the implementation of the project were not acceptable to the Government of India and that it was hoped that the negotiations started with new parties would prove successful and the project could be implemented in the near future.

THE KERALA PREMO PIPE FACTORY LIMITED

100. Loss in the production of ornamental jallies

In October, 1965 the Premo Pipe Factory undertook to supply to a private firm by April, 1966, 23,000 pieces of ornamental jallies at Rs. 3.40 per piece, which rate was arrived at on the basis of an estimated cost of production of Rs. 2.94 plus a profit of 46 paise per piece. Against this, 24,464 pieces were manufactured and supplied upto 24th April, 1967. The actual cost of production per piece during 1965-66 worked out to Rs. 7.90 and that during 1966-67 to Rs. 5.25. The total loss computed with reference to the cost of production amounted to Rs. 64,418. The high cost of production was due to excessive labour and overheads expended, as indicated below:—

| | Estimated cost per piece | Actual cost per piece | |
|--------------|-----------------------------|-----------------------|-------------|
| | | 1965-66 | 1966-67 |
| | Rs. | Rs. | Rs. |
| Materials | 1.78 | 1.58 | 1.61 |
| Labour | 0.60 | 5.02 | 2.59 |
| Overheads | 0.56 | 1.30 | 1.05 |
| Total | 2.94 | 7.90 | 5.25 |

It was stated by the company in June, 1967 that the work was undertaken to engage surplus labour consequent on curtailment of production of R.C.C. pipes in the factory.

TRIVANDRUM RUBBER WORKS LIMITED

101. Extra expenditure on purchase of raw rubber

Based on the tenders received in March, 1965, the company placed in March, 1965 and April, 1965 orders for the supply during 1965-66 of 192 and 36 tonnes of raw rubber of various grades, with two suppliers. The rates specified for the different varieties of rubber ranged between Rs. 295 and Rs. 321 per quintal. After delivering 51.50 tonnes and 15.30 tonnes respectively, the two suppliers represented to the company on 27th August, 1965 that owing to considerable increase in the ruling prices of rubber since June, 1965, the rates be revised and fixed retrospectively with reference to the ruling market prices so that uninterrupted supply be assured. The Board of Directors of the company, however, resolved on 30th August, 1965 to cancel the purchase orders with immediate effect, to purchase raw rubber for one month's requirements from the open market and to call for tenders for purchase of raw rubber for the remaining period. The company called for tenders, but none of the suppliers responded. Consequently raw rubber for the remaining part of the year had also to be purchased from the open market. A total quantity of 103.62 tonnes of raw rubber valued at Rs. 4.74 lakhs was purchased by the company in the open market during the period from September, 1965 to March, 1966. Due to non-enforcement of the terms of the supply orders, the company had to incur an extra expenditure of about Rs. 1.41 lakhs on account of purchases made from the open market.

Government stated (October, 1967) that no written agreements were executed as the suppliers had not agreed even when the company insisted on such commitment and that if purchases were not made from the open market, the production would have come to a standstill.

102. Extra expenditure on purchase of latex

In March, 1965, the Rubber Works, after obtaining competitive quotations, placed an order with a firm for the supply of one lakh litres of "centrifuged latex 60%" at the rate of Rs. 2.53 per litre during 1965-66. The firm supplied 45,854 litres of latex upto November, 1965 at the agreed rate, but represented that on account of substantial increase in the floor prices of rubber (from Rs. 323 per quintal to Rs. 400 per quintal), it would not be in a position to continue further supplies unless the company agreed to pay higher rates. Thereupon the Board of Directors of the company authorised the General Manager on 23rd December, 1965 to purchase latex in small quantities as and when required according to market rates and a

quantity of 23,230 litres of latex was purchased from the same supplier at rates ranging from Rs. 2.73 to Rs. 3.70 per litre during the period December, 1965 to March, 1966. This resulted in an extra expenditure of Rs. 16,796 which could have been avoided had the company enforced the terms of the contract.

Government stated (October, 1967) that the company had no other alternative except to purchase latex from the same supplier at the existing market rates as the suppliers were not prepared to supply at the agreed rate and that latex was not available with other suppliers in the open market and that, if the purchase was not effected from the open market, the only other alternative was to close down the factory producing latex products.

TRIVANDRUM SPINNING MILLS LIMITED

103. (i) *Introductory*:—The company was incorporated on 1st November, 1963 with an authorised capital of Rs. 75 lakhs. It took over on 24th February, 1964 the assets and liabilities of the erstwhile Trivandrum Spinning Mills, a Government concern engaged in the manufacture of cotton yarn. In terms of an indenture made between the Government and the company, the net assets over the liabilities of the concern were valued at Rs. 62.41 lakhs. Fifty per cent of this value was treated as Government share capital and the balance as long term loan. The paid up capital of the company as on 31st March, 1967 stood at Rs. 48.20 lakhs, the entire shares being held by Government.

(ii) *Working results*:—The company has been working at a loss ever since its inception. The net loss during the year 1966-67 was Rs. 7.73 lakhs (after providing Rs. 2.34 lakhs for development rebate) and the accumulated loss at the end of March, 1967 was Rs. 20.59 lakhs (after providing Rs. 4.61 lakhs for development rebate). The accumulated loss constituted about 43% of the paid up capital of the company as on 31st March, 1967 and was attributed to high cost of manufacture resulting from inexperienced labour and non-utilisation of the full spindle capacity and partly due to power cut.

(iii) *Expansion scheme*:—The scheme contemplated expansion of the original spindle capacity of 12,000 spindles by 6,000 during the first stage and by 7,200 spindles during the second stage. Under the first stage of the expansion scheme, 6,000 spindles were commissioned in September, 1965. The second stage of expansion included in the Third Five Year Plan and scheduled to be completed by the end of March, 1966 has not been completed (February, 1968). The delay was partly due to delay in receipt of import licence for machinery and delay in receipt of machinery after placing orders.

(iv) *High manufacturing costs*:—A review of the production records for the last three years has revealed that the manufacturing cost of yarn continued to be higher than the selling rate resulting in loss to the company. The average manufacturing cost was Rs. 7.40 per kg. during the year 1964-65, Rs. 8.40 during 1965-66 and Rs. 7.00 during the year 1966-67 while the average selling price for 1965-66 was Rs. 6.50 and for the other two years Rs. 6.40 per kg.

(v) *Low production*:—The actual production obtained from the spindles during the year 1966-67 was far below the standards fixed. This was attributed to power cut/interruptions and to idling of machines due to inefficient labour. The loss of production on account of low yield during 1966-67 was estimated at 128 tonnes of yarn valued at Rs. 8.55 lakhs. According to the techno-economic survey conducted in November, 1966 by the South India Textile Research Association, the production of the company per spindle was about 25% below the output obtained in other textile mills.

(vi) *Excess wastage*:—As per the norms fixed by the company, the maximum wastage in the manufacture of yarn would be about 18.5% of the input of cotton. Against this, the average wastage during 1966-67 was 24.28% and the loss on this account was estimated at Rs. 2.55 lakhs.

KERALA SOAPS AND OILS LIMITED

104. Overstocking of crude Shark Liver Oil

The Oil Factory division of the company has been procuring crude shark liver oil for the manufacture of vitamin products through the oil extraction centres in the States of Madras and Mysore. In addition, the company has under its working control some centres in Kerala State.

During the years 1960-61 to 1966-67 the company procured about 431 tonnes of oil out of which only 245 tonnes were utilised. As on 31st March, 1967 the company had a stock of 188 tonnes of crude shark liver oil worth about Rs. 3.95 lakhs which would be sufficient to meet its requirements for five years.

The acidity of the oil increases by continued storage. To remove the excess percentage of acid, the company has to resort to alkali refining in preference to ordinary refining process at an extra cost of Rs. 509 per tonne of refined oil. The company incurred on this account an additional expenditure of Rs. 33,513 on 65.84 tonnes of refined oil obtained during the years 1964-65 to 1966-67.

The company stated (June, 1967) that it would require some more time to restrict the arrival of oil and that the question of disposal of the existing stock as industrial quality fish oil was under its consideration.

KERALA ELECTRICAL AND ALLIED ENGINEERING COMPANY
LIMITED, KUNDARA

105. (i) *Introductory*:—The company was incorporated on 5th June, 1964 to take over a Government Commercial Undertaking *viz.*, the Electrical and Allied Industries (Travancore) Limited. It became a Government company in September, 1965. It is engaged in the manufacture of electrical accessories, ferrous and non-ferrous castings, fabrication of heavy structurals, etc.

Against the authorised capital of Rs. 25 lakhs, the paid up capital of the company as on 31st March, 1967 was Rs. 4 lakhs. The company's long term borrowings (carrying interest at 6½% per annum) from the State Government amounted to Rs. 4 lakhs. The principal together with interest and penal interest on short term loan from Government outstanding as on 31st March, 1967 amounted to Rs. 1.54 lakhs. In addition to the above, the company has drawn Rs. 4.65 lakhs (as on 31st March, 1967) against a cash credit accommodation to the extent of Rs. 5 lakhs available to it with the State Bank of Travancore on the security of raw materials, stores, etc. The company incurred a loss of Rs. 1.65 lakhs in 1965-66 and made a profit of Rs. 0.71 lakh in 1966-67.

(ii) *Other topics of interest*:—

- (a) Plant and machinery worth about Rs. 0.75 lakh remained idle or under-utilised as on 31st March, 1967. This constituted about 25% of the total plant and machinery.
- (b) In the case of certain jobs undertaken by the company, the selling prices did not cover even the works cost. In the case of 11 jobs costing Rs. 1.46 lakhs undertaken during the year, the works cost exceeded the selling price by about Rs. 41,300.
- (c) Systematic cost accounts have not been maintained. There is absence of an internal audit system. An accounting manual is yet to be prepared by the company.

TRAVANCORE TITANIUM PRODUCTS LIMITED

106. Extra expenditure

On the 7th April, 1966 the company invited tenders for the transport of 20,000 tonnes of ilmenite from Chavara to the factory site at Trivandrum during the period from April, 1966 to March, 1968. Out of 12 tenders received, the lowest

offer of Rs. 13.41 per tonne for transport by road was not considered on the ground that the tenderer was "quite new to the company and the Bank could not give a positive reference in his favour". The references of the next eight tenderers were also considered unsatisfactory, and the contract, effective from the 1st April, 1966, was awarded on 17th June, 1966 to the tenth lowest tenderer who had quoted Rs. 16.61 per tonne for transport by road.

The extra expenditure incurred by the company on the transport of 14,335 tonnes of ilmenite by the contractor till 21st September, 1967, computed with reference to the rate offered by the lowest tenderer, came to Rs. 45,872.

It was stated by the company in April, 1967 that the lowest tenderer was known to have been engaged by a Central Government company, for transporting sand by trollies from beach to their factory site but they were not sure of his capacity to handle bulk transports. The company did not, however, enquire from the Central Government company with whom the lowest tenderer had claimed to have been a standing contractor for the past 15 years, about his financial status or record of performance before rejecting his offer.

107. Shortage of sulphur

Sulphur procured from the United States of America and elsewhere and landed at Cochin for transport by rail was received by the company through its own railway siding commissioned in November, 1962. 13,470 tonnes of sulphur were transported by rail during 1962-66 to the railway siding and transferred to the silos in the factory without weighment. As no weighment was made there were no claims of the company for shortages during transit by rail though the material was covered by transit insurance.

A physical verification of the stock of sulphur on 1st January, 1967 showed a shortage of 1,083.086 tonnes valued at Rs. 5.23 lakhs at the book value of Rs. 483 per tonne against the market value of Rs. 1,320 per tonne approximately. The value of the shortage was written off in the accounts for the year ended 31st December, 1966. An investigation into the causes for the shortage, ordered by the Board of Directors, is yet to be completed (October, 1967).

108. Shortage of titanium tetrachloride

During the stock verification conducted in April, 1966 by the company, a shortage of 39.03 tonnes (out of 89.43 tonnes as per books; book value: Rs. 2.34 lakhs) was noticed in the stock of titanium tetrachloride, a highly volatile imported chemical primarily used in the manufacture of rutile grade titanium dioxide. (The production of rutile grade titanium dioxide was stopped in May, 1965 and had not been resumed (December, 1966)—*c. f.* paragraph 84 of the Audit Report, 1967).

In November, 1966, the company wrote off the value of the shortage detected, amounting to Rs. 95,904, on the ground that the shortage related to the period from 1961 onwards and that the loss due to the highly unstable nature of the chemical was unavoidable. The percentage of loss during the year 1966 worked out to 43.64. No timely measures were taken by the company to avoid this loss. In October, 1966, it was reported that necessary protective steps like painting the containers to minimise corrosion in future and for the proper storage and periodical inspection of the stock of this chemical were being taken. The company also stated (April, 1967) that nearly 7 tonnes of the chemical out of 50.4 tonnes held in stock on 27th April, 1966 had been used before 1st March, 1967 in the manufacture of anatase and that the Government of India's permission for the sale of 25 tonnes of the chemical to a Bombay firm was awaited.

PALLATHRA BRICKS AND TILES LIMITED

109. (i) *Introductory*:—The company was incorporated in February, 1957 as a public limited company with an authorised capital of Rs. 1 crore. The paid up capital of the company as on 31st March, 1967 was Rs. 10.97 lakhs of which shares worth Rs. 10.44 lakhs (95%) were held by Government. The company obtained during the years 1961-64 loans amounting to Rs. 3.5 lakhs and Rs. 2.54 lakhs from the Kerala Financial Corporation and the State Government, who are holding first and second charges respectively on the fixed assets. As on 31st March, 1967 loans amounting to Rs. 6.24 lakhs (including interest: Rs. 79,564) were outstanding, of which Rs. 2.73 lakhs were overdue for repayment. In addition, the company obtained in August, 1966 unsecured loan of Rs. 1.60 lakhs from the State Government repayable within a year together with interest at 6½%.

(ii) *Working results*:—The company has been working at a loss ever since its inception. The accumulated loss as on 31st March, 1967 was Rs. 4.50 lakhs; the loss during 1966-67 was Rs. 1.38 lakhs (after providing Rs. 437 for tax) compared to Rs. 0.75 lakh during 1965-66.

(iii) *Production and sales*:—The plant has the capacity to manufacture 50.4 lakhs bricks per year. On account of poor demand, the company had to restrict its production. The production and sales in the last three years were as indicated below:—

| Year | Production | Sales |
|---------|----------------------|-------|
| | (In lakhs of bricks) | |
| 1964-65 | 30.21 | 17.74 |
| 1965-66 | 23.04 | 28.25 |
| 1966-67 | 11.17 | 18.15 |

The factory worked only for 154 days, 132 days and 62 days respectively during these years.

The average cost of production of bricks during 1966-67 worked out to Rs. 120 per thousand but these were sold at a concessional rate of Rs. 60 per thousand with a view to popularise the product. On the basis of the cost estimates prepared by the company in May, 1967, the company would be incurring an annual loss of Rs. 2.02 lakhs on single shift and Rs. 2.38 lakhs on double shift operation, by selling the bricks at the concessional rate of Rs. 60 per thousand. (The actual cost of production was not readily ascertainable as no systematic cost accounts were maintained).

SECTION—IV

GOVERNMENT DEPARTMENTAL COMMERCIAL UNDERTAKINGS

110. There were 4 Departmental Commercial Undertakings at the beginning of the year 1966-67. One of these *viz.*, Boat Building Yard and Workshop, Sakthikulangara was taken over by Kerala Fisheries Corporation on 12th June, 1966. Of the remaining 3 concerns, the Model Coir Factory, Beypore had not started functioning till the end of March, 1967. The *pro forma* accounts of the Bleaching and Calendering Plant, Pappanamcode were not available to audit (October, 1967).

The statement given as Annexure C (pages 78-79) shows the available particulars in respect of these departmental undertakings.

111. State Inland Water Transport Service

The Kerala Water Transport Corporation Limited which was running the Water Transport Services since 1958 on 21 routes in the State went into liquidation on 20th March, 1965. The official liquidator who was thereafter continuing the services under Court's orders, informed Government on 23rd December, 1965 that the business of the Corporation would be closed down on 31st December, 1965. Meanwhile, Government decided on 18th December, 1965 that the services should be continued, in public interest, and purchased on 21st December, 1965, 75 out of 117 boats belonging to the Corporation at a cost of Rs. 4 lakhs although two engineers of the Public Works Department had valued these boats at Rs. 1.50 lakhs only. Government stated that this assessment by the engineers had been made on "hawker's value" which was not acceptable to the liquidator and that the value of Rs. 4 lakhs eventually accepted by Government had been suggested by the liquidator through the Court.

A Board of Management was constituted in December, 1965 by Government by an executive order to manage the "State Inland Water Transport Service" from 1st January, 1966, as an interim measure. The boats purchased by Government were entrusted to the Board, together with accessories costing Rs. 1.08 lakhs (also purchased from the liquidator in March, 1966). A loan of Rs. 50,000 was also paid by Government in January, 1966 towards initial working funds of the Board. The total financial interest of Government in the Board amounted to Rs. 5.58 lakhs as in April, 1967. As the Board has been constituted by an executive order of Government, it does not have any legal status. The receipts and expenditure of running the service should have been kept within the Consolidated Fund of the State and included in the annual budget placed before the Legislature. The grant of loans to the Board which has no legal status is also irregular.

Government stated in December, 1966 that a new company under the Companies Act, 1956 would be formed from 1st April, 1967 to run the Water Transport Services. Later in June, 1967 Government stated that a suggestion to regulate the working of the Water Transport Service as a Government Department in effect while giving it the maximum freedom of action under a Board of Management was under their consideration.

SECTION—V

INVESTMENTS AND GUARANTEES BY THE
STATE GOVERNMENT

112. Investments of Government

The following table shows 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:—

| | Investments to end of 1966-67 | | Dividend/Interest received in 1966-67 | |
|------------------------|----------------------------------|-----------|--|-------------|
| | Number of concerns | Amount | Amount | Percent age |
| (In lakhs of rupees) | | | | |
| Statutory Corporations | 2 | 81.31 | 1.59 | 1.96 |
| Government Companies | 24 | 15,07.14 | 3.70 | 0.25 |
| Joint Stock Companies | 44 | 3,41.33 | 11.26 | 3.30 |
| Co-operative Societies | .. | 1,65.36 | .. | .. |
| Debentures and Bonds | .. | 72.88 | 3.00 | 4.12 |
| Total | | 21,68.02* | 19.55 | 0.90 |

*This does not include a sum of Rs. 1,74.26 lakhs booked in the accounts under "96. Capital Outlay on Industrial Development-E-Other Miscellaneous Undertakings—3. Share contribution to Banks, Trading and Warehousing Corporations and Marketing Societies, etc." for which the details are awaited from Government. The total investment of Government thus stood at Rs. 23,42.28 lakhs at the end of 1966-67.

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

| <i>Name of concern</i> | <i>Amount of investment (In lakhs of rupees)</i> |
|---|--|
| 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 44 Joint Stock Companies in which Government had made investments, dividends amounting to Rs. 11.26 lakhs being 3.3% of the total investments were received from 26 concerns. No dividends were received during the year in respect of the remaining 18 concerns in which Government had invested Rs. 1,74.81 lakhs. No dividends were received by Government for over 10 years in respect of 4 concerns in which Government had invested Rs. 8.01 lakhs.

Though Rs. 1,65.36 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 sugar mill in which the investment of Government amounted to Rs. 25 lakhs was working at a loss since 1965 (accumulated loss as on 31st March, 1966: Rs. 4.95 lakhs). A co-operative spinning mill in which Government had invested Rs. 14.03 lakhs was working at a loss since May, 1964 (accumulated loss as on 30th June, 1966: Rs. 8.21 lakhs).

The details of the investments of Government are given in Statement No. 14 of the Finance Accounts, 1966-67—pages 132-153.

113. 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 1966-67 the maximum amount guaranteed and the amount of loan and share capital, etc., raised by the bodies were Rs. 33.96 crores and Rs. 21.04 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 | 9.00 | 8.26 |
| Government Companies | 2.36 | 1.82 |
| Co-operative Banks and Societies | 21.81 | 10.58 |
| Joint Stock Companies | 0.25 | 0.15 |
| Municipalities | 0.07 | 0.07 |
| Private Individual | 0.47 | 0.16* |
| Total | 33.96 | 21.04 |

In order to fulfil the guarantee in respect of the dividend on the capital of the Kerala Financial Corporation, Government paid a sum of Rs. 1.36 lakhs to the Corporation in 1966-67; the total of such payments since the Corporation was set up in 1953-54 amounted to Rs. 15.72 lakhs.

Government have also given a counter-guarantee (for possible fluctuations in the exchange rate or revaluation of currency) to the State Bank of Travancore (a subsidiary of the State Bank of India) which has guaranteed a foreign firm for deferred payment in foreign currency over a period of 10½ years, of the cost of machines supplied to the Co-operative Spinning Mills Limited, Cannanore. The extent of liability of Government has not been specified.

*Represents amount outstanding in respect of a guarantee of Rs. 20 lakhs in favour of a cashew industrialist at Quilon sanctioned during 1964-65 but not renewed after 31st March, 1965.

No law has been passed under the provisions of Article 293 of the Constitution laying down the limits within which Government may give guarantees on the security of the Consolidated Fund of the State.

Further details of the guarantees are given in Statement No. 6 of the Finance Accounts, 1966-67—pages 36-38.

Summarised financial position of

| <i>Sl. No.</i> | <i>Name of the Corporation /Board</i> | <i>Date of formation</i> | <i>Period</i> | <i>Paid up capital</i> | <i>Long term loans (at the close of the year)</i> |
|----------------|---|--------------------------|-----------------------------|------------------------|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. | Kerala State Electricity Board | 1-4-1957 | Year ended 31st March, 1967 | .. | 98,24.03 |
| 2. | The Kerala Financial Corporation | 1-12-1953 | Year ended 31st March, 1967 | 1,00.00 | 2,16.10 |
| 3. | Kerala State Warehousing Corporation | 20-2-1959 | Year ended 31st March, 1967 | 41.80 | .. |
| 4. | Kerala State Road Transport Corporation | 15-3-1965 | Year ended 31st March, 1967 | 6,29.04 | .. |

- Note:—* 1. The figure in column 9 against the Kerala State Electricity Board is exclusive of the amount spent on capital works in progress which stood at Rs. 18,78.38 lakhs as on 31st March, 1967.
2. The net revenue of the Kerala State Electricity Board for 1966-67 fell short of the amount of interest due on the loans shown in column 6 by Rs. 1,29.42 lakhs. This is exhibited as a contingent liability in the Balance Sheet.
3. The figure in column 11 against the Kerala State Electricity Board includes Rs. 5 lakhs transferred to Reserve for Bad and Doubtful Debts.
4. The figure in column 5 against the Kerala State Road Transport Corporation represents capital invested by State Government (Rs. 5,04.04 lakhs) and Central Government (Southern Railway) (Rs. 1,25.00 lakhs). This carries interest at 6½% per annum.

URE—A

Statutory Corporations/Board

(The figures in columns 5 to 12 indicate lakhs of rupees)

| <i>Free Reserves (at the close of the year)</i> | <i>Capital invested (Total of columns 5 to 7)</i> | <i>Block Assets (Net)</i> | <i>Depreciation to date</i> | <i>Net Profit + Loss—</i> | <i>Amount of interest paid on loans, deposits and capital</i> | <i>Percentage return on capital invested</i> |
|---|---|-----------------------------------|---------------------------------|-----------------------------------|---|--|
| (7) | (8) | (9) | (10) | (11) | (12) | (13) |
| 55.82 | 98,79.85 | 77,35.77 | 10,79.10 | +10.00 | 3,39.49 | 3.54 |
| 13.18 | 3,29.28 | 1.54 | 0.48 | +7.64 | 7.89 | 4.71 |
| .. | 41.80 | 34.67 | 1.25 | —0.79 | — | — |
| 40.72 | 6,69.76 | 2,36.03 | 3,08.41 | +60.46 | 36.27 | 14.44 |

Summarised financial position of

| Sl. No. | Name of the Company and the percentage of paid up capital contributed by State Government | Date of incorporation | Paid up Capital | Long term loans (at the close of the year) | Free Reserves (at the close of the year) | Capital invested (total of columns 4, 5 and 6) |
|------------------------------|---|-----------------------|-----------------|--|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| (Figures in columns 4 to 12) | | | | | | |
| (a) | Wholly owned State Government Companies | | | | | |
| 1. | Kerala State Industrial Development Corporation Limited (100) | 21-7-1961 | 3,60.00 | 0.23 | 14.37 | 3,74.60 |
| 2. | Kerala State Small Industries Corporation Limited (100) | 21-7-1961 | 40.00 | 30.41 | 1.04 | 71.45 |
| 3. | The Kerala Premo Pipe Factory Limited (100) | 12-9-1961 | 12.50 | .. | 10.42* | 22.92 |
| 4. | The Plantation Corporation of Kerala Limited (100) | 12-11-1962 | 3,49.00 | .. | 0.05 | 3,49.05 |
| 5. | Trivandrum Rubber Works Limited (100) | 1-11-1963 | 30.81 | 30.85 | 2.17 | 63.83 |
| 6. | Travancore Plywood Industries Limited (100) | 1-11-1963 | 6.59 | 6.41 | 3.47 | 16.47 |
| 7. | Trivandrum Spinning Mills Limited (100) | 1-11-1963 | 48.20 | 49.63 | 4.61 | 1,02.44 |
| 8. | The Kerala Ceramics Limited (100) | 1-11-1963 | 32.45 | 31.27 | .. | 63.72 |
| 9. | Kerala Soaps and Oils Limited (100) | 1-11-1963 | 34.23 | 40.98 | 1.16 | 76.37 |
| 10. | Kerala Electrical and Allied Engineering Company (Private) Limited (100) | 5-6-1964 | 4.00 | 11.32 | 0.21 | 15.53 |
| 11. | Kerala Tourist and Handicrafts Corporation (Private) Limited (100) | 29-12-1965 | .. | .. | .. | .. |

URE—B

Government Companies

| <i>Block assets (Net)</i> | <i>Depreciation to date</i> | <i>Profit+ Loss—</i> | <i>Amount of interest paid on loans, deposits and capital</i> | <i>Total return (column 10+11)</i> | <i>Percentage return on capital invested</i> | <i>Remarks</i> |
|----------------------------------|-----------------------------|----------------------|---|------------------------------------|--|--|
| (8) | (9) | (10) | (11) | (12) | (13) | (14) |
| <i>indicate lakhs of rupees)</i> | | | | | | |
| 0.71 | 0.21 | +9.88 | .. | +9.88 | 2.64 | |
| 11.47 | 3.50 | +0.08 | 0.78 | +0.86 | 1.20 | |
| 6.88 | 6.50 | +2.47 | 0.09 | +2.56 | 11.17 | * Includes Rs. 7.16 lakhs being surplus of assets over liabilities of the Premo Pipe Factory taken over from Government of Kerala less purchase consideration of Rs. 5 lakhs. |
| 2,83.82 | 7.20 | -18.85 | .. | -18.85 | .. | |
| 28.39 | 5.33 | +3.35 | 1.51 | +4.86 | 7.61 | |
| 11.36 | 2.40 | +1.96 | 0.38 | +2.34 | 14.21 | |
| 57.34 | 16.24 | -5.39 | 2.57 | -2.82 | .. | |
| 32.38 | 6.26 | -5.06 | 1.79 | -3.27 | .. | |
| 22.31 | 4.79 | -4.71 | 1.79 | -2.92 | .. | |
| 6.87 | 1.54 | +0.71 | 0.56 | +1.27 | 8.18 | |
| 11.49 | 0.72 | -1.32 | .. | -1.32 | .. | (1) Rs. 2 lakhs granted by Government towards purchase of shares has not been shown as share capital issued though shares for the amount have been allotted on 18th October, 1966. |

(2) 50 % of the value of assets transferred to be treated as long term loan amounting to Rs. 5.58 lakhs has been exhibited under current liabilities and provisions.

Summarised financial position

| Sl. No. | Name of the Company and the percentage of paid up capital contributed by State Government | Date of incorporation | Paid up Capital | Long term loans (at the close of the year) | Free Reserves (at the close of the year) | Capital invested (total of columns 4, 5 and 6) |
|--|---|-----------------------|-----------------|--|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| (Figures in columns 4 to 12) | | | | | | |
| (a) Wholly owned State Government Companies—Concl'd. | | | | | | |
| 12. | Kerala Fisheries Corporation Limited (100) | 12-4-1966 | 40.00 | .. | 4.50 | 44.50 |
| (b) Partly owned State Government Companies | | | | | | |
| 1. | Forest Industries (Travancore) Limited (51.91) | 10-8-1946 | 9.96 | .. | 12.06 | 22.02 |
| 2. | Travancore Titanium Products Limited (63.87) | 18-12-1946 | 93.25 | 24.97 | 55.93 | 1,74.15 |
| 3. | Travancore Cochin Chemicals Limited (65) | 8-11-1951 | 2,00.00 | 1,60.65 | 29.57 | 3,90.22 |
| 4. | Pallathra Bricks and Tiles Limited (95.17) | 21-2-1957 | 10.97 | 7.04 | 1.50 | 19.51 |
| 5. | Traco Cable Company Limited (60.44) | 5-2-1960 | 49.92 | 20.00 | 7.02 | 76.94 |
| 6. | Packaging Paper Corporation Limited (Subsidiary of Kerala State Industrial Development Corporation Limited) | 29-6-1962 | 1.75 | .. | .. | 1.75 |
| 7. | Kerala Spinners Limited (Subsidiary of Kerala State Industrial Development Corporation Limited) | 2-1-1964 | 10.25 | 17.17 | .. | 27.42 |
| 8. | Kerala Water Transport Corporation Limited | 18-4-1958 | .. | .. | .. | .. |

- Note:-
1. The figures in column 10 indicate Profit/Loss before providing for tax and appropriation towards reserves.
 2. Free reserves include all reserves not specifically invested outside business.

URE—B—Concd.

of Government Companies

| <i>Block assets (Net)</i> | <i>Depreciation to date</i> | <i>Profit+ Loss—</i> | <i>Amount of interest paid on loans, deposits and capital</i> | <i>Total return (column 10+11)</i> | <i>Percentage return on capital invested</i> | <i>Remarks</i> |
|----------------------------------|-----------------------------|----------------------|---|------------------------------------|--|--|
| (8) | (9) | (10) | (11) | (12) | (13) | (14) |
| <i>indicate lakhs of rupees)</i> | | | | | | |
| 74.15 | 0.05 | —4.28 | .. | —4.28 | .. | |
| 5.80 | 6.62 | +15.75 | .. | +15.75 | 71.53 | |
| 70.82 | 1,42.84 | +24.94 | 1.93 | +26.87 | 15.43 | |
| 1,14.64 | 1,66.30 | +0.39 | 1.58 | +1.97 | 0.50 | |
| 13.52 | 2.64 | —1.37 | 0.51 | —0.86 | .. | |
| 50.01 | 7.71 | +1.35 | 2.08 | +3.43 | 4.46 | |
| 0.01 | 0.01 | .. | .. | .. | .. | For the year ended 30th September, 1966. No profit and loss account prepared as there were no trading activities. |
| 1.18 | 0.06 | .. | .. | .. | .. | For the year ended 31st December, 1966. As there were no trading activities during the year no profit and loss account was prepared. |
| .. | .. | .. | .. | .. | .. | Under liquidation . |

Summarised financial position of Kerala

| Sl. No. | Name of concern | Date of formation | Government capital as on | | Mean capital |
|--|---|----------------------|--------------------------|---------------------|-----------------|
| | | | 1st April, 1966 | 31st March, 1967 | |
| (1) | (2) | (3) | (4) | (5) | (6) |
| <i>(The figures in columns 4 to 12 represent</i> | | | | | |
| 1 | Text Books Office, Trivandrum | 1950 | 39.77 | 17.24 | 15.26 |
| 2 | Boat Building Yard and Workshop, Sakthikulangara | 1962 | | | |
| 3 | Model Coir Factory, Beypore | 1963 | | | |
| 4 | Bleaching and Calendering Plant, Pappanamcode | 1963 | | | |

URE—C

Government Commercial and Quasi-Commercial Departments

| <i>Block assets</i> | <i>Depreciation funded</i> | <i>Turn-over</i> | <i>Net Profit + Loss—</i> | <i>Interest on capital</i> | <i>Total return</i> | <i>Percentage of return on mean capital</i> |
|------------------------|----------------------------|------------------|---------------------------|----------------------------|---------------------|---|
| (7) | (8) | (9) | (10) | (11) | (12) | (13) |
| <i>lakhs of rupees</i> | | | | | | |
| 5.39 | 2.62 | 65.69 | +24.90 | 0.92 | 25.82 | 169.20 |

Taken over by the Kerala Fisheries Corporation with effect from 12th June, 1966.

Government have ordered that the factory should adopt commercial system of accounts when it starts functioning. The factory had not started functioning till the end of March, 1967.

Pro forma accounts not prepared. According to the Department, the preparation of the *pro forma* accounts is entrusted with the Kerala State Small Industries Corporation Limited who are to take over the concern eventually.

CHAPTER VIII

FINANCIAL ASSISTANCE TO LOCAL BODIES, CO-OPERATIVE INSTITUTIONS, OTHER BODIES AND INDIVIDUALS

114. Non-receipt of utilisation certificates for grants

During the year 1966-67, Government paid a total sum of Rs. 4.47 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 | 2,03.41 |
| General and special purposes of local bodies | 64.11 |
| Industries | 32.71 |
| Social Welfare | 24.17 |
| Co-operation | 15.15 |
| Public Health | 8.60 |
| Agriculture | 7.44 |
| Community Development | 1.67 |
| Others | 89.92 |
| Total | 4,47.18 |

The expenditure from the grants made 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 case of the University of Kerala, by the Government Auditor attached to the University. These officers are under the administrative control of the State Government. Utilisation certificates in respect of grants-in-aid are furnished to the Accountant General by departmental officers based on the audit certificates furnished by the Examiner, Local Fund Accounts/Government Auditor, University of Kerala as the case may be.

4,146 utilisation certificates for grants totalling Rs. 1.78 crores disbursed upto 1965-66 were awaited on the 1st August, 1967 from the 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 and department-wise details are given in Appendix VIII—pages 110-111.

Government had in pursuance of the recommendation of the Central Public Accounts Committee in their Report of March, 1966 issued instructions in June, 1966 that further grants should be sanctioned only after the utilisation certificates in respect of previous grants have been furnished. However, during the period from July, 1966 to March, 1967 sanctions for payment of grants amounting to Rs. 17.93 lakhs were issued in 21 cases in which utilisation certificates for grants disbursed earlier were awaited.

15. Loans and Advances given by Government

The total outstanding balance of loans and advances by the State Government at the end of March, 1967 amounted to Rs. 1,20 crores. This represented 47.4% of the debt and other obligations (Rs. 2,53 crores). The outstanding amount is analysed below under the different categories of borrowers.

(In crores of rupees)

| | |
|--|---------|
| 1. Loans to Corporations, Port Trust and other Port Funds and Municipalities | 99.32 |
| 2. Loans to District and other Local Fund Committees | 0.25 |
| 3. Loans to Panchayats | 0.25 |
| 4. Advances to cultivators | 2.87 |
| 5. Loans under Community Development Programme | 1.37 |
| 6. Loans to Government Servants | 1.07 |
| 7. Miscellaneous Loans and Advances | 14.86 |
| Total | 1,19.99 |

Item (1) above includes a sum of Rs. 92.16 crores advanced to the Kerala State Electricity Board on which a sum of Rs. 17.40 crores was due from the Board by way of interest upto 31st March, 1967. The terms and conditions of repayment of loans granted to the Board have not yet been finalised and the matter is still under correspondence.

In respect of loans to local bodies and private parties, the detailed accounts of which are maintained by the Accountant General's Office, defaults in repayment of loan instalments and interest amounting to Rs. 4.05 lakhs (principal: Rs. 1.07 lakhs and interest: Rs. 2.98 lakhs) were noticed in 8 cases. Out of this, Rs. 3.33 lakhs (principal : Rs. 0.79 lakh and interest: Rs. 2.54 lakhs) were due from the Alleppey Municipality.

Complete information in regard to arrears in recovery of loans and advances as on 31st March, 1967 have not been supplied by the concerned departmental officers who are responsible for the maintenance of detailed accounts of loans. The following 7 departmental officers have not yet (October, 1967) furnished the statements of balances due on 15th July, 1967.

1. The Development Commissioner
2. The Secretary, Board of Revenue

3. The Registrar of Co-operative Societies
4. The Director of Technical Education
5. The Director of Fisheries
6. The Director of Public Instruction
7. The Director, Dairy Development

The statements received from the departments listed below indicate that loans amounting to Rs. 1.83 crores (principal : Rs. 1.40 crores and interest: Rs. 43 lakhs) were overdue for repayment as on 31st March, 1967.

| Department | No. of cases | Amount of arrears | | Earliest year from which recovery due |
|-------------------------------|--------------|-------------------|----------|---------------------------------------|
| | | Principal | Interest | |
| <i>(In lakhs of rupees)</i> | | | | |
| Agriculture | 22,135 | 41.09 | 6.37 | Prior to 19663 |
| Soil Conservation | 14,226 | 3.90 | 3.73 | 1956-57 |
| Industries | 1,952 | 41.64 | 14.11 | 1959 |
| Industries (Coir Development) | 851 | 52.31 | 18.12 | Prior to 19645 |
| Animal Husbandry | 62 | 0.71 | 0.33 | 1964-65 |
| Labour | 20 | 0.04 | 0.02 | 1964-65 |
| Tourism | 1 | 0.60 | 0.04 | 1966-67 |
| Total | 39,247 | 1,40.29 | 42.72 | |

The rules require that the departmental officers who administer loans should furnish to Audit by the 15th of July, every year a certificate that the aggregate balance shown as recoverable in the registers and accounts maintained by them agrees with that communicated by the Accountant General. In 186 cases the certificates of acceptance of balance have not been received from the departmental officers concerned as indicated below:—

| Name of Department | No. of acceptances awaited (September, 1967) | Balance of loans as on 31st March, 1967 (In crores of rupees) |
|--------------------|---|--|
| Industries | 55 | 7.06 |
| Revenue | 39 | 4.11 |
| Agriculture | 40 | 3.66 |
| Development | 14 | 1.88 |
| Co-operation | 21 | 1.12 |
| Other Departments | 17 | 0.94 |
| Total | 186 | 18.77 |

The delay in furnishing the certificates of balances is mainly due to failure of the departmental officers to reconcile the monthly transactions recorded in their books with those appearing in the books of the Accountant General regularly as required by rules. The reconciliation work is in arrears from 1956-57 onwards in respect of Agriculture, Revenue, Industries and Development Departments.

The results of a special review of 2 types of loans are indicated below:—

Loans to Industrial Co-operative Societies

(Balance as on 31st March, 1967: Rs. 22.53 lakhs)

In 77 cases, repayment of principal (Rs. 7.05 lakhs) and interest (Rs. 3.39 lakhs) was in default. The extent of delay is as indicated below:—

| <i>Period of default</i> | <i>No. of cases</i> | <i>Amount involved including interest (In lakhs of rupees)</i> |
|--------------------------|---------------------|--|
| Over 6 months | 10 | 1.18 |
| Over 1 year | 18 | 2.03 |
| Over 2 years | 14 | 1.15 |
| Over 3 years | 26 | 4.02 |

26 Societies in 4 districts are reported to be dormant. The amount of loan (principal) due for recovery from these societies was about Rs. 2.63 lakhs.

A loan of Rs. 1 lakh was given to a Radio Manufacturing Co-operative Society in March, 1961 out of which a sum of Rs. 81,000 is outstanding. The society is not working and an enquiry into its working is stated to have revealed "serious irregularities." A tentative balance sheet as at 30th June, 1966 showed an accumulated loss of Rs. 41,609. A proposal to effect the recovery by recourse to Revenue Recovery proceedings is under consideration of the Department.

Loans for rehabilitation of unemployed goldsmiths

(Balance as on 31st March, 1967: Rs. 6.16 lakhs)

In 572 cases, instalments of principal (Rs. 38,339) and interest (Rs. 19,089) have been defaulted. Revenue Recovery proceedings have been initiated in 40 cases.

116. Coir Development Scheme

The scheme aims at development of coir industry and marketing of coir on a co-operative basis and is administered by Government through a special officer. Governmental assistance takes the form of loans and grants for strengthening the existing societies and for the formation of new ones. Assistance in the form of loans amounting to Rs. 1.10 crores and grants amounting to Rs. 27.72 lakhs has been received by the State Government from the Government of India from 1952-53 upto March, 1967.

542 societies have been organised under the scheme upto March, 1967. Loans and grants given by the State Government to these societies upto March, 1967 amounted to Rs. 2.20 crores and Rs. 15.02 lakhs respectively. Loans outstanding at the end of March, 1967 amounted to Rs. 1.45 crores.

Mention was made in paragraph 24, Part I of the Audit Report, 1960 and paragraph 26 of the Audit Report, 1964 of certain irregularities noticed in the administration of these loans and grants. An audit review conducted in June-July, 1967 revealed the following points:—

Loans:—

(i) The Special Officer for Coir is responsible for watching the prompt recovery of loans and for the maintenance of detailed accounts of loans. From November, 1966, for the improved maintenance of loan accounts and for watching recoveries efficiently, the maintenance of loan registers was decentralised and transferred to District Officers. The state of the loan accounts has not improved. The reconciliation of the loan account is pending from 1961-62 onwards.

(ii) Annual certificates of acceptance of balances of loans due to be sent to Audit at the close of each financial year have not been furnished from 1960-61 onwards.

(iii) Demand, Collection and Balance statement for the quarter ended 31st March, 1967 indicated that a sum of Rs. 52.31 lakhs as principal and Rs. 18.12 lakhs as interest were overdue for recovery. The demand raised does not include prescribed penal interest at the rate of 2% from the date of commencement of default to the actual date of payment.

(iv) According to the rules for the payment of working capital loans to the societies, the societies are to draw from treasury the amounts sanctioned to them, deposit the amount in their name in a co-operative bank (or a bank authorised in this behalf) within a week of their drawal and withdraw the amount from bank after getting the prior written sanction of the Special Officer for Coir or other authorised officer. No time limit has been prescribed in the rules for the utilisation of loans with the result that a loan amount of Rs. 11.07 lakhs (pertaining to 18 circles; details awaited from the remaining 16 circles) disbursed during 1955-56 to 1966-67 is lying unutilised in deposits in banks.

(v) Against 542 societies organised during 1951-52 to 1966-67, only 17 societies have so far (July, 1967) executed deeds of hypothecation for the fulfilment of conditions governing the loans.

(vi) 86 societies which received a loan of Rs. 15.14 lakhs and a grant of Rs. 0.72 lakh during 1953-54 to 1958-59 went into liquidation during February, 1961 to May, 1967.

(vii) Nine societies which received a loan of Rs.2.06 lakhs and grant of Rs.0.24 lakh are dormant. A loan of Rs. 1.55 lakhs and an unutilised grant of Rs. 0.13 lakh are outstanding against them. The department has stated that action has been initiated under the Co-operative Societies Act to liquidate the defunct societies as they were not capable of revival.

(viii) Twenty payees' receipts for Rs. 3.69 lakhs in respect of loans issued to societies during October, 1966 to March, 1967 have not been obtained (July, 1967).

(ix) Six societies which received loans aggregating Rs. 2.49 lakhs during 1962-63 to 1966-67 have not started functioning (July, 1967) due to delay in the acquisition of land, acquisition and installation of machinery and construction of factory buildings.

Grants:—The grants paid to the societies were to be utilised within 3 years from the dates of payment and unspent balances on the expiry of three years were to be refunded to Government. Grants of Rs. 2.51 lakhs issued to societies during 1950-51 to 1961-62 have not been utilised nor refunded to Government (July, 1967).

Audit of the accounts of Societies:—

(i) The profit and loss accounts for the year 1964-65 in respect of 521 societies revealed that the societies had suffered a net loss of Rs. 14.46 lakhs against a net accumulated profit of Rs. 0.32 lakh.

(ii) The audit of the accounts of the societies receiving grants and loans is conducted by the Registrar of Co-operative Societies. A sum of Rs. 1.22 lakhs is due from the societies (as on 31st March, 1967) by way of audit fees.

Model Coir Factory at Beypore:—A building constructed for a Model Coir Factory at Beypore during July, 1963 to March, 1966 at a cost of Rs. 0.94 lakh has not been put to use (March, 1968) due to delay in purchase of machinery required for the factory.

117. 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. The amount of loans and grants received by the Board upto March, 1967 was Rs. 4.15 crores as shown below:—

| | <i>Loan</i> | <i>Grant</i> | <i>Total</i> |
|--|-----------------------------|----------------|----------------|
| | <i>(In lakhs of rupees)</i> | | |
| From the State Government | 3.14 | 39.20 | 42.34 |
| From Khadi and Village Industries Commission | 2,42.74 | 1,29.90 | 3,72.64 |
| Total | 2,45.88 | 1,69.10 | 4,14.98 |

The Board is required to furnish certificates of utilisation to Audit in regard to loans and grants received from the State Government and to the Khadi and Village Industries Commission for the assistance received from that body. As on 15th January, 1968 utilisation certificates were not rendered by the Board for Rs. 92.52 lakhs. The earliest year for which utilisation certificate has not been furnished is 1957-58.

(ii) *Non-utilisation/mis-utilisation of loans and grants given by the Board*:—As part of its activities, the Board gives loans and grants to co-operative societies and other institutions for the development of khadi and village industries. The Board had disbursed Rs.3.04 crores as aid to 1,006 institutions upto the end of March, 1967. 241 of these institutions became defunct leaving Rs. 8.32 lakhs to be recovered from them. The District Collectors have been requested to initiate Revenue Recovery proceedings against 113 of these institutions.

82 institutions which received financial assistance amounting to Rs. 10.90 lakhs between 1959 and 1967 have not started production (November, 1967). According to the terms of assistance, amounts not utilised within one year should be recovered but this has not been done in the case of 46 institutions involving Rs. 6.64 lakhs.

(iii) *Working of Khadi Gramodyog Bhavans*:—There are 9 Khadi Gramodyog Bhavans in the district headquarters and 6 Khadi Bhavans in the semi-urban areas for the sale of Khadi goods. The value of stock remaining unsold in the Bhavans for over 2 years amounted to Rs. 0.97 lakh (October, 1967).

A sum of Rs. 2.28 lakhs was outstanding on 31st October, 1967 on account of credit sales. Of this, Rs. 1.13 lakhs were in arrears for over 3 years.

(iv) *Handpounding of paddy industry*:—Upto 31st March, 1967, loans amounting to Rs. 29.83 lakhs and grants amounting to Rs. 6.87 lakhs were paid by the Board to 309 institutions for the development of handpounding of paddy. With the introduction of rationing in September, 1964, the societies were facing a set back in their functioning as paddy could not be purchased from the open market. On 31st March, 1967 loans aggregating Rs.15.06 lakhs were pending repayment from 238 institutions. Information regarding the amount of unutilised balances remaining with the institutions was not available with the Board. One of the grantee institutions which received a loan of Rs. 38,300 in June, 1963 for handpounding of paddy industry diverted Rs. 31,790 for supply of khadi to hospitals. The amount has not been recovered so far (January, 1968).

(v) *Idle outlay*:—

(a) In 1958 the Khadi Board purchased 6 water coolers for the Neera Bhavans at a cost of Rs. 22,153. After the Neera Bhavans were closed down in October, 1959 these water coolers were no longer required, but they have not been disposed of so far (November, 1967).

(b) 2,518 bee-hive boxes valued at Rs. 80,108 (out of 3,737 purchased during 1964-65 to 1966-67) remained undistributed at the end of January, 1968.

(c) In the Central Godown, Trichur, khadi goods worth Rs. 22,737 received prior to 1960-61 and declared as of poor quality in January, 1966 remained unsold (July, 1967).

(vi) *Payees' acknowledgements not furnished to audit*:—Payees' acknowledgements for sums disbursed on advance receipts as loans, grants and other payments were not produced to audit in 399 cases involving Rs. 11.05 lakhs (November, 1967) as indicated below:—

| <i>Period</i> | <i>No. of cases</i> | <i>Amount</i> <i>(In lakhs of rupees)</i> |
|---------------|---------------------|--|
| 1961-62 | 43 | 2.04 |
| 1962-63 | 58 | 0.80 |
| 1963-64 | 113 | 2.12 |
| 1964-65 | 79 | 1.97 |
| 1965-66 | 9 | 0.19 |
| 1966-67 | 97 | 3.93 |
| Total | 399 | 11.05 |

(vii) *Advances pending adjustment*:—

(a) A sum of Rs. 36,079 representing advances made to Village Industries Officers has been pending adjustment since 1961-62 for want of vouchers and details of expenditure.

(b) 'Special advances' representing amounts given to Village Industries Officers as advances for taking delivery of machines, for meeting expenditure in connection with exhibitions, etc., outstanding as on 31st March, 1967 amounted to Rs. 1.59 lakhs. Of these, Rs. 0.72 lakh relate to advances paid during 1965-66.

118. Internal audit of pay and allowances of aided school staff

The system of direct payment of salary to the aided school staff by Government was implemented with effect from 1st October, 1957 in the Malabar area and from 1st October, 1958 in the Travancore-Cochin area of the State. The Public Accounts Committee had, in its report of December, 1961 (Paragraphs 152 to 154) expressed concern at the delay in setting up an internal check organisation in the Education Department for checking the salary payments to teachers of aided schools. A machinery for conducting internal check was established in April, 1962.

A review of the work of the internal audit machinery in April, 1967 revealed the following:—

(i) Post audit of bills for pay and allowances amounting to about Rs. 27 crores was in arrears for 12 to 23 months. The delay in completion of audit would

result in delay in detection of over payments, if any, and continuance of irregularities.

(ii) 3,821 staff fixation statements relating to the years 1964-65 to 1966-67 were due from the District Educational Officers to the internal audit wing. Out of the statements received, check of 4,239 statements relating to years 1965-66 and 1966-67 was in arrears. The delay may involve payment of pay and allowances to staff entertained in excess, if any, of the admissible staff strength.

(iii) Check of 2,984 sanctions for maintenance grants to schools relating to 1964-65 and 1965-66 was in arrears.

(iv) About 10,000 arrear bills for pay and allowances of aided school staff were awaiting pre-audit in the three Regional Offices.

(v) Out of the objections raised in internal audit, as many as 54,753 objections relating to the years from 1957 to end of March, 1966 involving an amount of Rs. 39.03 lakhs were outstanding. The delay in the clearance of these objections may result in the continuance of the same types of irregularities and with the lapse of time it might become difficult to settle the objections.

A proposal for strengthening the internal check organisation for clearance of the arrears is stated to be under consideration of Government (August, 1967).

119. Kerala Sahitya Akademi

The Akademi was set up in August, 1956 for the purpose of active development of the Malayalam language and advancement of its literature. It received special grants aggregating Rs. 1.25 lakhs from the State Government during the period 1961-62 to 1963-64 for implementation of plan schemes. Against the grants sanctioned for the years 1964-65 and 1965-66, the Government allowed the Akademi to utilise the unspent balance of the grants paid during the previous years. The amount utilised by the Akademi till the end of March, 1967 was Rs. 1.04 lakhs only.

Out of the total number of 45,451 copies of ten publications brought out by the Akademi during 1959-60 to 1965-66 utilising the grants received from the State Government, 25,790 copies (about 57%; sale price: Rs. 59,729) were in stock in May, 1967. An year-wise analysis of the stock is given below:—

| <i>Year of publication</i> | <i>No. of publications</i> | <i>No. of copies printed</i> | <i>No. of copies distributed free</i> | <i>No. of copies sold</i> | <i>Balance in stock (May, 1967)</i> | <i>Value of stock Rs.</i> | <i>Percentage of books sold with reference to the No. printed</i> |
|----------------------------|----------------------------|------------------------------|---------------------------------------|---------------------------|-------------------------------------|---------------------------|---|
| 1963-64 and earlier years | 6 | 32,951 | 17,734 | 1,249 | 13,968 | 44,914 | 4 |
| 1964-65 | 2 | 1,500 | 321 | 97 | 1,082 | 2,165 | 6 |
| 1965-66 | 2 | 11,000 | 50 | 210 | 10,740 | 12,650 | 2 |
| Total | 10 | 45,451 | 18,105 | 1,556 | 25,790 | 59,729 | 3 |

The Secretary of the Akademi intimated in January, 1967 that the publications brought out by the Akademi were outstanding ones and of a very high standard and that such books were difficult to sell.

120. Non-implementation of a scheme

For starting a mechanical leather tanning unit in the N.E.S. Block, Ranni (Quilon District), financial assistance amounting to Rs. 36,617 (loan: Rs. 27,375; grant: Rs. 9,242) was extended to a co-operative society during March, 1962 to October, 1963. The society spent Rs. 11,612 on building (completed in April, 1963), Rs. 12,461 on machinery (purchased during December, 1962 to July, 1963) and Rs. 499 on furniture and also released Rs. 4,761 as working capital making a total of Rs. 29,333 (the entire grant and Rs. 20,091 out of the loan). The unit has not, however, been started so far (June, 1967) and the assets have been lying idle for over 4 years due to delay in getting 3 phase electric connection. The society has defaulted repayment of 3 annual instalments of loan and interest amounting to Rs. 17,063 (May, 1967). The Block Development Officer who is responsible for watching the proper utilisation of the grant and loan given to the society stated in May, 1967 that the society was no longer interested in starting a mechanical tanning unit and that steps should be taken to realise the Government dues from the society.

121. Irregular advance of a loan

The rules for the grant of loans for poultry development provide a maximum limit of Rs. 10,000 per individual under the crash programme for poultry development. The rules do not provide for grant of two loans to a single farm.

A District Veterinary officer of the Animal Husbandry Department granted (March, 1965) a loan of Rs. 20,000 for investment in a single farm as 2 separate loans of Rs. 10,000 each repayable in six equal annual instalments to a husband and wife. Government stated in September, 1967 that two loans were given for a single farm by the department on a wrong interpretation of the loan rules. The department has not taken action for recovering the additional loan from the parties. The first instalment due in March, 1966 was repaid by the two loanees in September, 1966 and the second instalment of loan due in March, 1967 has not been repaid (October, 1967).

CHAPTER IX

OUTSTANDING AUDIT OBJECTIONS AND INSPECTION REPORTS

122. Outstanding Audit objections

The number of audit objections (other than those reported through inspection reports) pertaining to the period upto 31st March, 1967 awaiting settlement by departmental officers as on 1st August, 1967 was 13,485 involving a total amount of Rs. 4.68 crores.

The year-wise and department-wise details of the outstanding objections are given in Section A of Appendix IX—pages 112-113.

The table given below indicates that the number and amount of outstanding objections have been on the increase.

| <i>Audit Report</i> | <i>No. of items</i> | <i>Amount</i> <i>(In lakhs of rupees)</i> |
|---------------------|---------------------|--|
| 1966 | 8,917 | 1,93.68 |
| 1967 | 12,949 | 3,44.30 |
| 1968 | 13,485 | 4,67.84 |

The more important types of objections are the following:—

(i) *Absence of sanction*

| <i>Department</i> | <i>No. of items</i> | <i>Amount</i> <i>(In lakhs of rupees)</i> |
|-------------------|---------------------|--|
| Public works | 242 | 0.71 |
| Education | 46 | 0.48 |
| Medical | 41 | 1.75 |
| Animal Husbandry | 29 | 0.92 |
| Public Health | 16 | 0.09 |
| Other Departments | 89 | 1.36 |
| Total | 463 | 5.31 |

(ii) *Non-submission of payees' receipts and vouchers*:—In the absence of payees' receipts and sub-vouchers it cannot be ensured that the payment has been made

and the amount paid to the persons entitled to receive it. The outstanding under this category of objections has been on the increase as shown below:—

| | <i>No. of items</i> | <i>Amount</i> (<i>In lakhs of rupees</i>) |
|--------------------|---------------------|--|
| Audit Report, 1966 | 1,971 | 38.66 |
| Audit Report, 1967 | 3,598 | 1,10.44 |
| Audit Report, 1968 | 4,402 | 2,22.78 |

Department-wise details of objections pending for want of payees' receipts and vouchers are given in Section B of Appendix IX—pages 114-115.

(iii) *Non-submission of detailed contingent bills*:—The amounts under objection for want of detailed contingent bills represent the amounts drawn as advances by disbursing officers on 'abstract bills' for contingent expenditure for which detailed accounts countersigned by the controlling authority in token of approval to incurring 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 amount was drawn on abstract contingent bill. The non-submission of detailed bills for long periods may result in the irregularities remaining undetected for long.

The table given below shows that objections under this category have also been increasing from year to year.

| | <i>No. of items</i> | <i>Amount</i> (<i>In lakhs of rupees</i>) |
|--------------------|---------------------|--|
| Audit Report, 1966 | 884 | 12.17 |
| Audit Report, 1967 | 1,669 | 30.60 |
| Audit Report, 1968 | 1,943 | 42.17 |

Department-wise details of objections pending for want of detailed contingent bills are given in Section C of Appendix IX—pages 116-117.

123. Outstanding Inspection Reports

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

864 inspection reports containing 2,436 paragraphs issued upto the end of March, 1967 were outstanding as on 30th September, 1967. Details are given in Appendix X—page 118.

The number of outstanding reports and paragraphs indicated in the two previous Audit Reports were 542 and 761 in regard to inspection reports and 1,804 and 2,284 in regard to outstanding paragraphs. Thus, the number of outstanding inspection reports and paragraphs shows a progressive increase.

T. N. Kuriakos,

Trivandrum,

The **30TH MAY, 1968**

(T. N. KURIAKOS)

Accountant General, Kerala.

Countersigned

S. Ranganathan

New Delhi,

The **5TH JUNE, 1968**

(S. RANGANATHAN)

Comptroller and Auditor General of India.

APPENDICES

THE VICTOR

APPENDIX I

Statement showing schemes, the provision for which remained wholly or substantially unutilised

(Referred to in paragraph 15—page 13 of the Audit Report)

| Sl. No. | Grant No. and group head | Name of scheme | Provision | Saving (and percentage) | Reason for saving |
|----------------------|--------------------------|---|-----------|----------------------------|---|
| (In lakhs of rupees) | | | | | |
| 1 | II. (a) (v) | Institution of complete area enumeration system | 10.00 | 10.00 (100%) | Awaited from the Controlling Officer. |
| 2 | XVII. A (d) (vii) B. | Training College for Hindi teachers | 4.00 | 3.98 (99.6%) | Due to post-budget decision of Government not to start the Colleges. |
| 3 | XVII. C (a) V.K. | Improvement of Science in Primary Education | 2.32 | 2.32 (100%) | Reduction in expenditure as a measure of economy. |
| 4 | XVII. F (c) (vi) D | Merit Scholarships to Secondary School Students | 6.35 | 5.99 (94%) | Mainly due to introduction of new scholarship rules for Standards V and VIII and non-completion of formalities in regard to Muslim Girls' Scholarships in the erstwhile Malabar area. |
| 5 | XXII (d) (x) 6 C | Prophylactic treatment (Plant Protections) in selected areas | 2.41 | 2.41 (100%) | Late receipt of sanction for the implementation of the scheme. |
| 6 | XXII (d) (x) 20 | Pilot Project Scheme for liming in Acid Soils of Kerala | 3.50 | 3.50 (100%) | Post-budget decision not to implement the scheme. |
| 7 | XXII (g) B (7) | Scheme for tapping and survey of ground water resources and installation of filter point tube wells in selected areas | 2.00 | 2.00 (100%) | Non-finalisation of the scheme owing to frequent revision as per directions from the Government of India. |
| 8 | XXII (j) (viii) (29) | Scheme for subsidy for construction of pump sites in Kuttanad | 3.00 | 3.00 (100%) | Late receipt of sanction for the implementation of the scheme. |

APPENDIX I—Contd.

| Sl. No. | Grant No. and group head | Name of scheme | Provision | Saving (and percentage) | Reason for saving |
|----------------------|--------------------------|--|-----------|----------------------------|--|
| (In lakhs of rupees) | | | | | |
| 9 | XXII (j) (viii) (31) | Scheme for the cultivation of pulses—Subsidy to cultivators | 1.75 | 1.75 (100%) | Post-budget decision not to give any subsidy to cultivators. |
| 10 | XXV(e) (vii) IV. F. | Establishment of cattle breeding farms and applied nutrition | 2.40 | 2.40 (100%) | Late receipt of sanction from Government. |
| 11 | XXV(g) (xv) VI | Expansion of Key Village Blocks | 2.45 | 2.45 (100%) | Postponement of the scheme. |
| 12 | XXVII (b) V (ii) DD | Small Scale Production Centres | 4.00 | 3.65 (91%) | Non-completion of construction of building and purchase of machinery owing to late receipt of sanction for the schemes. |
| 13 | XXVII (b) V (ii) GG | Schemes in National Extension Service Blocks | 5.00 | 4.51 (90%) | |
| 14 | XXVIII C. III | Integrated Child Welfare Project | 9.88 | 7.90 (80%) | Non-finalisation of the scheme by the Government of India for conversion of 5 extension projects into family and child welfare projects. |
| 15 | XLIV (e) | Crop Research | 2.50 | 2.50 (100%) | Non-finalisation of proposals for acquisition of land for the Rice Research Station, Mankompu and due to non-receipt of sanction for acquisition of additional land. |
| 16 | XLIV (l) | Agronomic Research in irrigated areas—Land acquisition charges | 1.75 | 1.75 (100%) | Non-receipt of approval of the scheme by the Indian Council of Agricultural Research. |
| 17 | XLIV (n) | Acquisition of private anicuts in Palghat | 10.00 | 10.00 (100%) | Acquisition proceedings did not reach the award stage. |

APPENDIX I—*Concl'd.*

| <i>Sl. No.</i> | <i>Grant No. and group head</i> | <i>Name of scheme</i> | <i>Provision</i> | <i>Saving (and percentage)</i> | <i>Reason for saving</i> |
|-----------------------------|---------------------------------|--|------------------|------------------------------------|--|
| <i>(In lakhs of rupees)</i> | | | | | |
| 18 | XLIV (o) | Development of exportable mango varieties—Land acquisition charges | 1.07 | 1.07 (100%) | Abandonment of the scheme. |
| 19 | XLV (b) (ii) 16 | Surgical Instruments, Ettumanoor | 2.00 | 2.00 (100%) | Decision of the Government of India to continue the centre under their control. |
| 20 | XLV(c) (ii) 3 | Fisheries Corporation in collaboration with M/s. Van Camp Sea Food of U.S.A. | 9.50 | 9.50 (100%) | Non-establishment of Fisheries Corporation due to non-furnishing of the revised proposal by M/s. Van Camp Sea Food of U.S.A. |

APPENDIX II

Cases of withdrawal of funds with a view to utilising the allotted funds*(Referred to in paragraph 19—page 15 of the Audit Report)*

| <i>Designation of Drawing Officer and amount</i> | <i>Particulars</i> |
|--|--|
| 1. Assistant Director (Poultry), Regional Poultry Farm, Kodappanakunnu Rs. 18,048 | In February, 1965 the Director of Animal Husbandry placed orders on a firm at Bangalore for the supply of twenty incubators for distribution to the Regional Poultry Farms at Kodappanakunnu and Malampuzha and to the Central Hatchery, Chengannur. The firm supplied the units in the last week of March, 1965. Bills amounting to Rs. 72,192 were drawn by the officers in charge of the units on 31st March, 1965 and the money was kept in the form of demand draft till payments were made in June, 1965 and July, 1965 after the units were installed and tested. |
| 2. Assistant Director (Poultry), Central Hatchery, Chengannur Rs. 36,096 | |
| 3. Assistant Director (Poultry), Regional Poultry Farm, Malampuzha Rs. 18,048 | |
| 4. Director of Fire Force, Trivandrum Rs. 65,500 | The amount representing advance payments for supply of wooden articles ordered from the P.W.D. Wood Working Workshop, Trivandrum were drawn in March, 1965 (Rs. 63,689) and March, 1966 (Rs. 69,917) against <i>pro forma</i> invoices obtained from the Workshop. The supplies were received only in subsequent years, the delays ranging from 1 to 21 months. There is no provision in the rules for the Workshop to receive advance payments for undertaking jobs on requisition from Government Departments. |
| 5. Secretary, Kerala Public Service Commission, Trivandrum Rs. 25,600 | |
| 6. Director of Museums and Zoos, Trivandrum Rs. 15,400 | |
| 7. Director of Public Health Laboratory, Trivandrum Rs. 13,599 | |
| 8. Transport Commissioner, Trivandrum Rs. 8,917 | |
| 9. Inspector General of Registra- tion, Trivandrum Rs. 4,590 | |

APPENDIX II—*Concl'd.*

*Designation of Drawing Officer
and amount*

Particulars

10. Assistant Project Officer,
Pilot Intensive Development
Project, Neyyattinkara
Rs. 11,689

The amount representing 90% of the cost of machinery for which orders were placed on a firm at Ernakulam on 1st March, 1966 was drawn from the treasury on 26th March, 1966. The terms of contract for the supply stipulated payment of 90% of the cost only against proof of despatch. The railway receipt dated 9th April, 1966 was received by the Department on 20th April, 1966 and payment was made to the firm on that date.

Government stated in September, 1967 that the drawal of the amount in advance, though not intentional, was irregular and that the officers concerned were being strictly warned against repetition of such lapses.

APPENDIX III

Miscellaneous irregularities, losses, etc.

(Referred to in paragraphs 43 and 62—pages 30 and 44 of the Audit Report)

PART I—CIVIL DEPARTMENTS

HEALTH AND LABOUR DEPARTMENT

1. *Idle Outlay*

The Ayurveda College, Trippunithura started in 1959 is housed since 15th January, 1960 in a private building given free of rent by the owner. The period of the agreement having expired on 15th January, 1962, Government decided in October, 1962, to provide permanent accommodation to the College. For this purpose, advance possession of 4.4 acres of land was taken in September, 1962 and another area of 7.25 acres was acquired during January, 1964 and May, 1964 at a cost of Rs. 1.76 lakhs, paying in addition, interest charges amounting to Rs. 2,024. The land remains unutilised as the design for the College building has not yet been finalised (August, 1967).

During 1962-63, semi-permanent sheds were constructed in the compound of the private building at a cost of Rs. 17,800 for accommodating additional students.

2. *Extra expenditure due to delay in settling a contract*

Tenders for the supply of 20 items of diet articles to the District Hospital, Palghat during 1965-66 were invited in December, 1964. The Director of Health Services awarded the contract to the lowest tenderer in respect of 14 of these items on the 24th April, 1965. For the remaining 6 items the contract was settled on 5th November, 1965, after a delay of over 6 months. The delay was as a result of correspondence with the District Medical Officer about a correction in the rate of the lowest tenderer for one of the items and about furnishing earnest money deposit by the lowest tenderer for the other 5 items.

The District Hospital purchased its requirements of the 6 articles till 24th November, 1965 locally. Computed with reference to the rates accepted by the Director of Health Services in November, 1965, the extra expenditure amounted to Rs. 8,844.

APPENDIX III—*Contd.*

REVENUE DEPARTMENT

3. *Non-utilisation of land acquired for a settlement scheme*

Government acquired in March, 1959, 12 acres of land at a cost of Rs. 42,943 for a settlement scheme of providing house sites at Veeyathara (Alleppey District). Of this an area of 8.48 acres (proportionate value : Rs. 25,440) has not yet been allotted (July, 1967).

An area of 2.68 acres of the unutilised land is reported to be waterlogged and cannot be made use of without reclamation. Government stated in July, 1967 that settlement schemes had been discontinued by the end of the Third Five Year Plan and that the Collector, Alleppey had been asked to review the position in regard to reclamation after providing necessary funds.

AGRICULTURE DEPARTMENT

(FOREST)

4. *Idle outlay*

(i) The 'Atchenkoil-Thora Road' laid in August, 1965 at a cost of Rs. 2.14 lakhs has not been brought to full use (November, 1967) due to non-construction of three bridges *enroute*. The work of constructing the bridges was put to tender thrice, during March, 1966—December, 1966 but no tenders were received. Quotations were invited in December, 1966 and the work was awarded to a contractor in June, 1967.

(ii) A jet type deep well pump for supplying water to the Forest quarters at Nilambur installed in May, 1961 by the Buildings and Roads Division, Kozhikode at a cost of Rs. 29,576 was taken charge of by the Forest Department only in August, 1967, as the working of the pump was not satisfactory. Mention was made about this in Appendix IX of Audit Report, 1964. According to the Forest Department, the unsatisfactory working of the pump was due to its low capacity. Meanwhile, the Forest Department has spent an amount of Rs. 10,851 towards payment of wages to mazdoors engaged in carrying water and Rs. 1,540 towards electric charges for the pump during the period from May, 1961 to February, 1967.

APPENDIX III—Contd.

PART II—OTHER CASES

In 5,919 cases, amounts aggregating Rs. 46.81 lakhs were written off/waived/ remitted during the year 1966-67 as detailed below:—

| Sl. No. | Name of Department | Writes off of losses, irrecoverable revenue, duties, advances etc. | | Waiver of revenue | | Remissions of revenue and abandonment of claims to revenue (other than land revenue) | |
|---------|--------------------|--|-----------------------|-------------------|------------|--|------------|
| | | No. of cases | Amount Rs. | No. of cases | Amount Rs. | No. of cases | Amount Rs. |
| 1 | Revenue | 12 | 10,038 | 173 | 3,21,203 | 20 | 1,06,885 |
| 2 | Food | 10 | 94,890 | .. | .. | .. | .. |
| 3 | Agriculture | 919 | 1,29,844 | 7 | 4,200 | .. | .. |
| 4 | Development | 24 | 6,171 | 19 | 2,851 | 1 | 40 |
| 5 | Public Works | 31 3,660 | 42,065 36,04,764 * | 9 | 8,052 | 4 | 499 |
| 6 | Education | 903 | 2,63,314 | 48 | 1,807 | 2 | 64 |
| 7 | Industries | 3 | 3,550 | 3 | 30,893 | .. | .. |
| 8 | Health and Labour | 55 | 47,962 | 1 | 33 | 2 | 1,227 |
| 9 | Home | 9 | 480 | 3 | 322 | .. | .. |
| 10 | Others | 1 | 85 | .. | .. | .. | .. |
| | Total | 5,627 | 42,03,163 | 263 | 3,69,361 | 29 | 1,08,715 |

* These represent the following items of debits relating to the period prior to 1st April, 1962 under "Public Works Remittances — Items adjustable by Civil" ordered by Government in September, 1965 to be adjusted against a lump provision under "71 Miscellaneous" presuming them to be *bonafide* transactions impossible of detailed verification at this distance of time:—

- (i) cost of works or services rendered to the Civil Departments prior to 1-4-1962;
- (ii) cost of supplies made prior to 1-11-1956;
- (iii) cost of supplies made during the period 1-11-1956 to 31-3-1962 in which the monetary value of individual items did not exceed Rs. 1,000; and
- (iv) cost of supplies about which full details were not available.

In the case of adjustments of cost of supplies, the possibility of concealed misappropriations or embezzlements of valuable stores cannot be ruled out.

APPENDIX III—*Concl.*

In 8,546 cases *ex-gratia* payments amounting to Rs. 5.65 lakhs were made during 1966-67 as detailed below:—

| <i>Sl. No.</i> | <i>Name of Department</i> | <i>No. of cases</i> | <i>Amount Rs.</i> | <i>Remarks</i> |
|----------------|---------------------------|---------------------|-------------------|--|
| 1 | Agriculture | 8,329 | 3,50,758 | Financial assistance to agriculturists affected by natural calamities consequent on the flood and breach of bunds in the Kuttanad area and in the Kole lands of Trichur. |
| 2 | Finance | 194 | 1,80,866 | <i>Ex-gratia</i> payments from Accident Insurance Fund to the victims of motor accidents in cases where the State Insurance Department is not legally bound to pay any compensation. |
| 3 | Industries | 15 | 1,550 | Payment towards grant-in-aid to displaced goldsmiths. |
| 4 | Home | 8 | 31,770 | Family allowance granted to political detenues on <i>ex-gratia</i> basis. |
| | Total | 8,546 | 5,64,944 | |

APPENDIX IV

Delay in adjustment of balances under 'Suspense' and 'Remittance' heads

(Referred to in paragraph 45—pages 32-33 of the Audit Report)

| <i>Name of the head and nature of balances</i> | <i>Remarks</i> |
|--|---|
| <p>1. <i>Items adjustable by Public Works Department</i> (Dr. Rs. 3.94 crores; Cr. Rs. 0.92 crore)</p> <p>The debit balance represents mainly advices issued by the Audit Office on account of supplies made by the Director General of Supplies and Disposals and land charges payments made by Land Acquisition Officers, while the credit balance represents third party remittances on behalf of the Public Works Department <i>e.g.</i> security deposits of contractors.</p> | <p>Debits for Rs. 75 lakhs and credits for Rs. 53 lakhs are outstanding for over 5 years. The heavy balances are attributable mainly to the department's failure to take prompt action for the adjustment of the debits and credits as and when advices/schedules are received from the Audit Office/Treasuries.</p> <p>Until the large debit balances are adjusted, it cannot be said that the stores supplied have actually reached the destination and have been acknowledged and accounted for.</p> |
| <p>2. <i>Transfers between Public Works Officers</i> (Dr. Rs. 1.99 crores; Cr. Rs. 0.77 crore)</p> <p>The unadjusted balances represent value of materials shown as issued by one Divisional Officer but not responded to by the other officer and value of work done by one Divisional Officer on behalf of another.</p> | <p>The outstanding balances (Debits: Rs. 1,59 lakhs; Credits: Rs. 64 lakhs) relate mostly to 1961-62 and earlier years.</p> <p>These include Rs. 27.41 lakhs (Debits) and Rs. 15.24 lakhs (Credits) relating to transactions prior to 1st April, 1957 and allocable to the Kerala State Electricity Board.</p> |

APPENDIX IV—Contd.

| <i>Name of the head and nature of balances</i> | <i>Remarks</i> |
|--|--|
| <p>3. <i>Cash Settlement Suspense</i> (Dr. Rs. 1.78 crores)</p> <p>This head is operated with effect from 1st April, 1965 for temporarily accommodating payments on account of supplies made and services rendered by one division to another. The debits are cleared when the claims are settled by the beneficiary divisions by means of cheques or drafts.</p> | <p>According to the rules, transactions of a month are to be settled within the first ten days of the next month, but there has been considerable delay in settling the transactions. Balances amounting to Rs. 80.58 lakhs relating to 1965-66 remain unadjusted in 8 divisions, out of which Rs. 76.71 lakhs relate to the Public Health Division, Ernakulam.</p> |
| <p>4. <i>Miscellaneous Public Work Advances</i> (Dr. Rs. 1.15 crores)</p> <p>The balance under this head represents the value of stores sold on credit, expenditure incurred on deposit works in excess of the deposits received, losses of cash or stores and recoveries to be effected from Government servants, contractors, etc. The amounts are to be recovered either in cash or by adjustment or finally written off under orders of competent authority.</p> | <p>The large balance indicates lack of prompt action on the part of the divisional officers in the matter of realising the Government dues. The balance under this head includes items outstanding for over 10 years amounting to Rs. 19.22 lakhs.</p> <p>Such heavy outstanding over years is likely to become irrecoverable, and may result in loss to Government.</p> |
| <p>5. <i>Public Works Remittances</i> (a) <i>Remittances into Treasuries</i> (Dr. Rs. 1.14 crores; Cr. Rs. 1.16 crores).</p> <p>Cash remitted into the treasuries by the Public Works, Public Health Engineering and Forest Departments are accounted for under this head. The debit balances represent</p> | <p>According to rules, the divisions are required to reconcile, every month, with the treasury accounts, the transactions under these heads and to furnish to the Audit Office schedules of monthly settlement with treasuries. Reconciliation with the treasury accounts is necessary to ensure that the amounts shown in the</p> |

APPENDIX IV—*Concl'd.*

*Name of the head and nature of
balances*

Remarks

amounts shown by the individual divisions as remittances of cash into treasuries but not yet taken into account by the treasuries; the credit balances represent amounts booked by treasuries in excess of those booked by the divisions.

(b) *Cheques*

(Cr. Rs. 1.71 crores)

Cheques drawn on the treasuries by the Divisional Officers are accounted for under this head. The balances under this head represent the uncashed Public Works cheques.

divisional accounts as having been remitted into the treasuries have actually been so remitted and that the cheques encashed are those issued by the divisions. If the differences are not promptly settled, fraudulent transactions may remain undetected. 284 schedules pertaining to the period upto March, 1967 and due from various Public Works and Public Health Engineering Divisions and 1,109 schedules due from the Forest Divisions are awaited (August, 1967).

APPENDIX V

Cases of non-utilisation of buildings

(Referred to in paragraph 54—page 38 of the Audit Report)

1. The construction of 16 quarters for the police staff at Karukachal was completed in February, 1962 at a cost of Rs. 94,906. The electrical installations were provided in February, 1963 and sanitary and water supply arrangements in October, 1965. One of the quarters was occupied in November, 1965 and the others in February, 1966. Thus owing to delay in providing service amenities, the quarters remained unoccupied for about 4 years.

2. 196 staff quarters were constructed in the Medical College campus, Calicut during the period March, 1959 to June, 1964. In the allotment of 71 of these quarters there was delay of 6 months or more resulting in a loss of revenue by way of rent to the extent of about Rs. 13,700.

It was stated by the department that the delay in occupation of the quarters was due to the fact that although the construction of the residential quarters and hospital was taken up simultaneously in 1960, the construction of the hospital was completed only in stages owing to lack of funds.

3. A tourist cottage at Manakavala constructed by the Forest Department in August, 1963 at a cost of Rs. 20,682 has not been put to use so far (February, 1968) on account of delay in furnishing it. A rest house at Edapalayam constructed in February, 1965 at a cost of Rs. 22,971 also remains unutilised as the building has not been fully furnished and electric connections have not been provided. Till July, 1967, apart from the loss of revenue by way of rent, a sum of Rs. 6,720 has been spent on pay and allowances of a watcher-cum-cook posted to these buildings.

4. A building consisting of 6 rooms for payward in the Mental Hospital, Trivandrum, completed by the Public Works Department in May, 1964 at a cost of Rs. 41,671, remained unutilised till April, 1967 due to delay in providing electric connection.

APPENDIX VI

Synopsis of the important Stores Accounts (Referred to in paragraph 58—pages 40-41 of the Audit Report)

| Sl. No. | Department and description of stores | Opening balance on 1st April, 1966 | Receipts during 1966-67 | Issues during 1966-67 | Closing balance as on 31st March, 1967 |
|---|---|---|-------------------------------|-----------------------------|---|
| (In lakhs of rupees) | | | | | |
| <i>Finance Department :</i> | | | | | |
| 1 | Stamp Manufactory, Trivandrum | 29.06 | 95.55 | 1,15.32 | 9.29 |
| 2 | Central Stamp Depot, Trivandrum and Stamp Depot, Ernakulam | 6,98.09 | 5,31.20 | 4,43.69 | 7,85.60 |
| <i>Home Department :</i> | | | | | |
| 3 | Jails Department | | | | |
| | Maintenance Section | 1.40 | 16.89 | 17.04 | 1.25 |
| | Manufactory Section | 6.85 | 22.62 | 22.81 | 6.66 |
| 4 | Police Department | 30.00 | 51.30 | 44.10 | 37.20 |
| <i>Health Services Department :</i> | | | | | |
| 5 | Government Medical Stores, Trivandrum and District Medical Stores | 59.46 | 1,36.64 | 1,09.08 | 87.02 |
| 6 | Forest Department | 3,04.00 | 4,80.26 | 4,62.56 | 3,21.70 |
| 7 | Animal Husbandry Department | 25.82 | 56.99 | 54.97 | 27.84 |
| <i>Public Health Engineering Department :</i> | | | | | |
| 8 | Public Health Engineering Department Stores | 1,05.07* | 1,52.56 | 1,19.78 | 1,37.85 |
| <i>Public Works Department :</i> | | | | | |
| 9 | Public Works | -7.03* | 2,03.18 | 2,31.50 | -35.35 |
| The minus balance is due to the non-adjustment of debits relating to the materials received under different sub-heads of stock. | | | | | |
| 10 | Irrigation | 7.41* | 1,39.74 | 1,38.96 | 8.19 |

* 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.

APPENDIX VII

Statement showing unutilised machinery, equipment, stores, etc.

(Referred to in paragraph 59—page 42 of the Audit Report)

Development Department

1. Machinery costing Rs. 1.81 lakhs required for erection of a 300 ton Frozen Fish Storage in Willingdon Island, Cochin, supplied by a firm in New Delhi between March, 1965 and October, 1965 have not been installed pending completion of a building, the construction of which was started only in July, 1966.

2. Machinery costing Rs. 6.55 lakhs for erection of a 100 ton Ice Plant near the Frozen Fish Storage, supplied by a firm in Calcutta during February and March, 1966 also remain idle pending construction of a building in which it is to be housed. Administrative sanction for the construction of the building was obtained in August, 1967 only.

3. Five guide lights costing Rs. 0.14 lakh put up by the Fisheries Department at Tanur, Ponnani, Blangad, Nattika and Azheekal during the period 1959 to 1963 have not been put into operation (November, 1967).

Government stated in December, 1967 that the posts on which four of these lights were installed were structurally defective and are to be redesigned. The guide light at Blangad put up on top of an ice plant has not been commissioned as the work of electrification has not been done.

Public Works Department

4. Stores and materials costing Rs. 24,146 which were rendered surplus to requirement consequent on the completion of the 1st stage of the Chalakudy River Diversion Scheme (Irrigation Division, Trichur) in September, 1957 are remaining unutilised for more than 9 years. The Chief Engineer stated in February, 1967 that the estimate for repairs of the stores which could be made serviceable (value: Rs. 19,849) was awaited from the Assistant Engineer and that the totally unserviceable stores (value: Rs. 4,297) could be disposed of only after a further verification of stores which had been taken up.

APPENDIX VII—Contd.

5. (a) A metre gauge loco (cost: Rs. 3,675) was transferred from Pothundy Project Division in October, 1963 to the Pamba Irrigation Project Division, Pathanamthitta. Three more metre gauge locos and tipping wagons (cost: Rs. 1.71 lakhs) originally procured in June, 1960 for the Forest Tramway, Chalakudy and lying idle since then consequent on the suspension of the tramway (*cf.* Appendix IX-item 10, Audit Report, 1964) were transferred to the Division in December, 1963 under orders of Government. An amount of Rs. 2,192 was spent for the transport of the locos from Chalakudy to Pamba. These have not been utilised as metre gauge rails had not been procured.

(b) Two narrow gauge locos (cost: Rs. 0.32 lakh) procured in August, 1965 have not been put to use since the contractor entrusted with the tunnel work was using his own locos, as permitted by the agreement.

The crew attached to the 6 idle locos mentioned above were paid a total sum of Rs. 8,115 as wages during their idle period from October, 1963 to November, 1966.

(c) Two 1000 cft. air compressors and accessories (cost: Rs. 2.77 lakhs) were purchased in October, 1964 and August, 1965, out of which one was put to use from April, 1967 for work on the tunnel under construction. The department stated in October, 1967 that the other compressor would be put to use when the work on the other tunnels was taken up.

Agriculture Department

6. An electric dryer and 80 aluminium trays purchased in April, 1965 at a cost of Rs. 0.15 lakh for drying the roots of the medicinal plant, Rauwolfia Serpentina cultivated under phyto-chemical scheme, could not be put to use (January, 1968) for want of power supply for obtaining which action was initiated in August, 1964.

Industries Department

7. For setting up a Wood Seasoning Plant at Cherpu, machinery costing Rs. 40,829 purchased in 1965 was erected only by March, 1967 due to the failure of the supplier of the plant to attend to the erection work in time.

For attending to preliminary works in connection with the setting up of the unit, one clerk-cum-typist was posted in November, 1964, one peon in December, 1964 and one foreman in February, 1965. The clerk-cum-typist was relieved in December, 1965 but the other two were retained. The expenditure on pay and allowances of the staff upto the end of March, 1967 amounted to Rs. 12,246. In addition, an expenditure of Rs. 2,822 was incurred on rent for the private building in which the machinery was housed.

APPENDIX VII—*Concl.**Home Department*

8. Twenty two items of scientific equipment costing Rs. 23,000 purchased during the period January, 1964 to June, 1964 for the chemical section of the Forensic Science Laboratory (Police Department) have not been put to use so far (February, 1968) for want of qualified staff to operate the equipment.

APPENDIX VIII

Details of utilisation certificates awaited from Departmental Officers as on 1st August, 1967

(Referred to in paragraph 114—pages 80-81 of the Audit Report)

| <i>Department</i> | <i>Year</i> | <i>Utilisation certificates due</i> | |
|-------------------------|---------------------------|-------------------------------------|--|
| | | <i>No. of certificates</i> | <i>Amount (In lakhs of rupees)</i> |
| Development | 1962-63 and earlier years | 915 | 9.82 |
| | 1963-64 | 812 | 9.38 |
| | 1964-65 | 988 | 14.13 |
| | 1965-66 | 32 | 0.54 |
| | Total | 2,747 | 33.87 |
| Co-operation | 1962-63 and earlier years | 91 | 0.67 |
| | 1963-64 | 24 | 0.73 |
| | 1964-65 | 187 | 2.03 |
| | 1965-66 | 238 | 6.29 |
| | Total | 540 | 9.72 |
| Harijan Welfare | 1962-63 and earlier years | 1 | 0.05 |
| | 1963-64 | 2 | 0.05 |
| | 1964-65 | 106 | 1.85 |
| | 1965-66 | 164 | 2.97 |
| | Total | 273 | 4.92 |
| Industries and Commerce | 1962-63 and earlier years | 85 | 3.39 |
| | 1963-64 | 40 | 0.89 |
| | 1964-65 | 41 | 5.67 |
| | 1965-66 | 81 | 12.12 |
| | Total | 247 | 22.07 |

APPENDIX VIII—*Concl'd.*

| <i>Department</i> | <i>Year</i> | <i>Utilisation certificates due</i> | |
|-------------------|---------------------------|-------------------------------------|--|
| | | <i>No. of certificates</i> | <i>Amount</i> <i>(In lakhs of rupees)</i> |
| Education | 1962-63 and earlier years | 23 | 31.92 |
| | 1963-64 | 34 | 2.98 |
| | 1964-65 | 47 | 13.77 |
| | 1965-66 | 56 | 17.40 |
| | Total | 160 | 66.07 |
| Revenue | 1963-64 | 2 | 1.88 |
| | 1964-65 | 3 | 9.73 |
| | 1965-66 | 7 | 8.48 |
| | Total | 12 | 20.09 |
| Other Departments | 1962-63 and earlier years | 12 | 3.60 |
| | 1963-64 | 10 | 3.99 |
| | 1964-65 | 27 | 3.01 |
| | 1965-66 | 118 | 10.76 |
| | Total | 167 | 21.36 |
| Grand Total | | 4,146 | 1,78.10 |

Statement showing the audit objections pertaining to the period upto

(Referred to in paragraph 122—

SECTION A—YEAR-WISE

| <i>Department</i> | 1950-51 to 1959-60 | | 1960-61 to 1963-64 | |
|------------------------------|------------------------|---------------|------------------------|-------------------|
| | <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> |
| | | | | <i>(Amount in</i> |
| Public Works .. | 117 | 2.16 | 206 | 14.73 |
| Industries .. | 17 | 0.13 | 23 | 0.19 |
| State Trading .. | 7 | 0.23 | .. | .. |
| Agriculture .. | .. | .. | 7 | 0.01 |
| Education .. | 6 | 0.23 | 11 | 0.20 |
| Public Health Engineering .. | 10 | 0.13 | 13 | 1.55 |
| Medical .. | .. | .. | 6 | 0.01 |
| Fisheries .. | .. | .. | .. | .. |
| Development .. | 2 | 0.01 | 40 | 0.32 |
| Animal Husbandry .. | .. | .. | .. | .. |
| Forest .. | .. | .. | 9 | 0.28 |
| Other Departments .. | 26 | 0.87 | 218 | 0.85 |
| Total .. | 185 | 3.76 | 533 | 18.14 |

DIX IX

31st March, 1967 outstanding as on 1st August, 1967*Pages 90-91 of the Audit Report)*

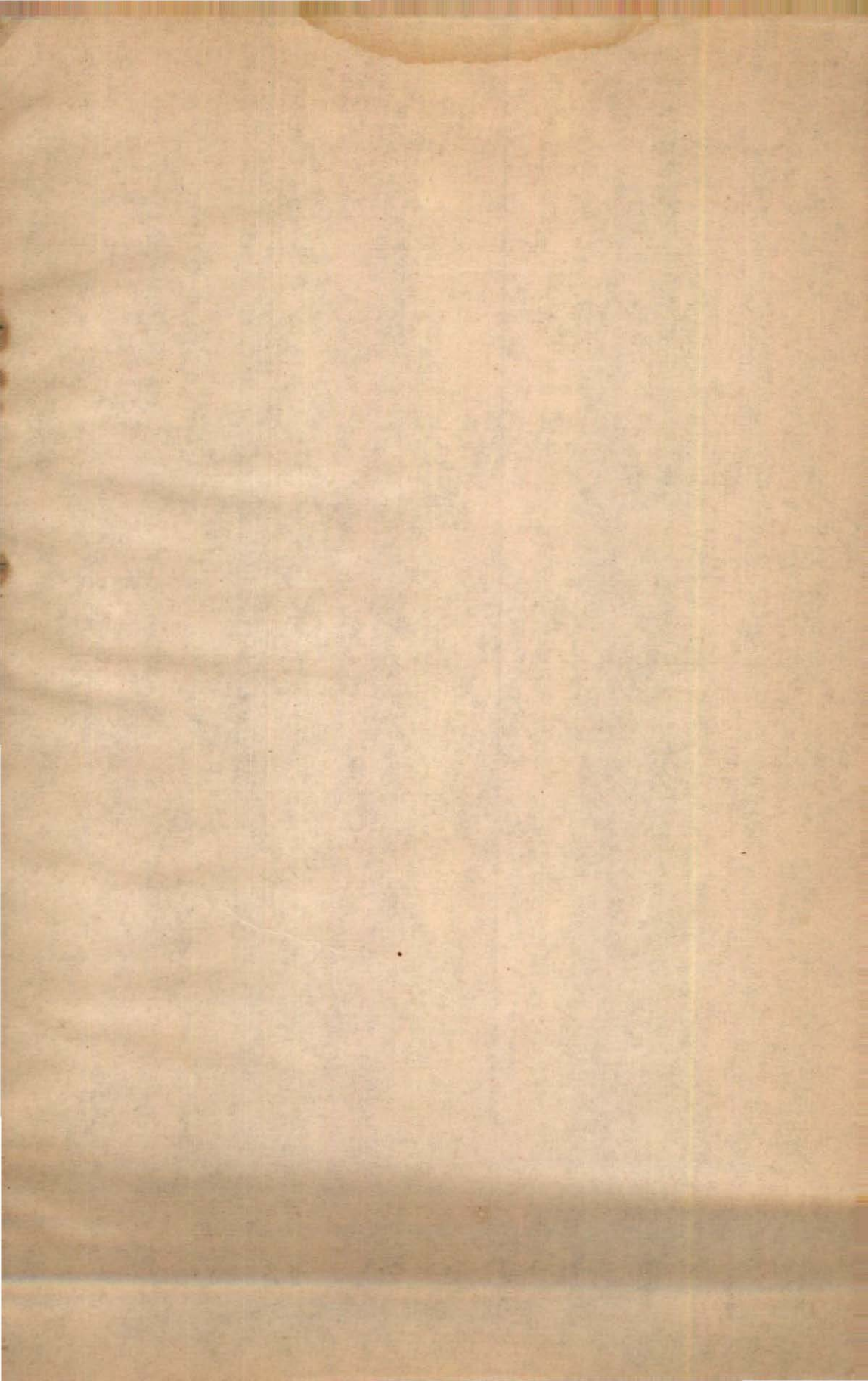
DETAILS OF OBJECTIONS

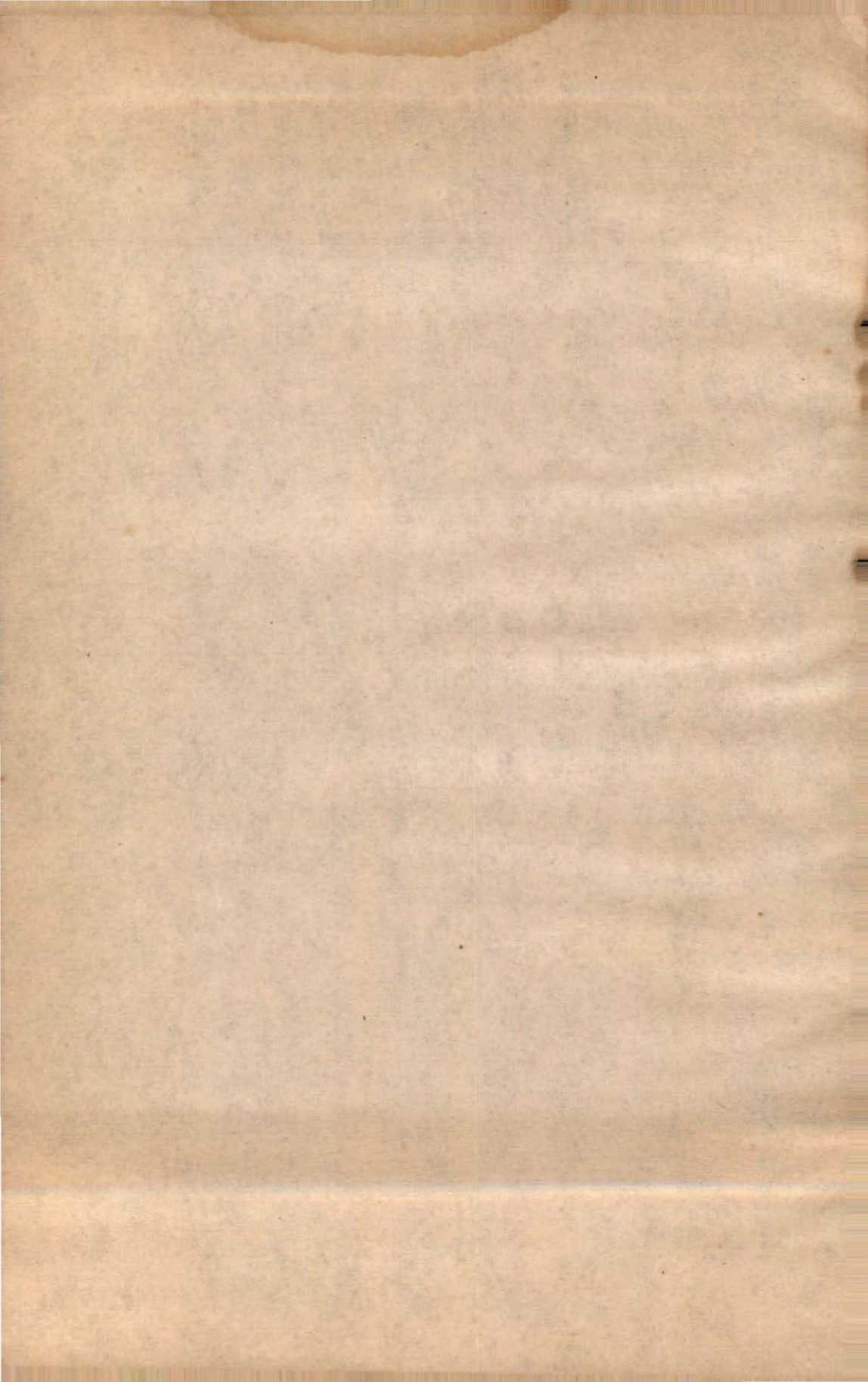
| 1964-65 | | 1965-66 | | 1966-67 | | <i>Total</i> | |
|-------------------------|---------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> |
| <i>lakhs of rupees)</i> | | | | | | | |
| 76 | 10.19 | 277 | 18.77 | 1,416 | 63.44 | 2,092 | 1,09.29 |
| 17 | 4.18 | 97 | 9.96 | 290 | 72.39 | 444 | 86.85 |
| .. | .. | 65 | 1.69 | 452 | 60.38 | 524 | 62.30 |
| 17 | 0.34 | 162 | 1.34 | 800 | 38.54 | 986 | 40.23 |
| 36 | 0.14 | 102 | 1.40 | 856 | 26.21 | 1,011 | 28.18 |
| 1 | 0.02 | 10 | 7.29 | 271 | 18.74 | 305 | 27.73 |
| 22 | 0.05 | 132 | 1.59 | 821 | 18.86 | 981 | 20.51 |
| 11 | 0.05 | 35 | 1.28 | 163 | 18.99 | 209 | 20.32 |
| 52 | 0.37 | 385 | 1.78 | 970 | 7.70 | 1,449 | 10.18 |
| 2 | .. | 26 | 0.76 | 195 | 6.51 | 223 | 7.27 |
| 6 | .. | 25 | 0.31 | 253 | 6.49 | 293 | 7.08 |
| 450 | 0.64 | 732 | 2.72 | 3,542 | 42.82 | 4,968 | 47.90 |
| 690 | 15.98 | 2,048 | 48.89 | 10,029 | 3,81.07 | 13,485 | 4,67.84 |

SECTION B—DEPARTMENT-WISE DETAILS OF OBJECTIONS

Objections outstanding for more than 3 years

| <i>Department</i> | | <i>Number of Items</i> | <i>Amount</i> |
|-------------------|------------------------------|------------------------|-------------------|
| | | | <i>(Amount in</i> |
| 1. | Public Works .. | 77 | 0.67 |
| 2. | Industries .. | 2 | .. |
| 3. | State Trading .. | 4 | 0.10 |
| 4. | Agriculture .. | 1 | .. |
| 5. | Education .. | 5 | 0.04 |
| 6. | Public Health Engineering .. | 10 | 0.06 |
| 7. | Medical .. | 1 | .. |
| 8. | Fisheries .. | .. | .. |
| 9. | Development .. | 1 | .. |
| 10. | Animal Husbandry .. | .. | .. |
| 11. | Forest .. | 2 | 0.27 |
| 12. | Other Departments .. | 55 | 0.56 |
| Total .. | | 158 | 1.70 |





DIX IX—Contd.

PENDING FOR WANT OF PAYEES' RECEIPTS AND VOUCHERS

| <i>Objections outstanding for more than 1 year but less than 3 years</i> | | <i>Objections outstanding for less than 1 year</i> | | <i>Total</i> | |
|--|---------------|--|---------------|------------------------|---------------|
| <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> |
| <i>lakhs of rupees)</i> | | | | | |
| 71 | 0.87 | 735 | 14.79 | 883 | 16.33 |
| 160 | 4.63 | 28 | 43.25 | 190 | 47.88 |
| 21 | 0.92 | 346 | 56.70 | 371 | 57.72 |
| 38 | 0.39 | 328 | 28.96 | 367 | 29.35 |
| 34 | 0.37 | 421 | 3.34 | 460 | 3.75 |
| 4 | 0.08 | 221 | 6.99 | 235 | 7.13 |
| 26 | 0.38 | 326 | 12.16 | 353 | 12.54 |
| 15 | 1.17 | 88 | 14.57 | 103 | 15.74 |
| 38 | 0.41 | 178 | 2.54 | 217 | 2.95 |
| 5 | 0.13 | 108 | 5.17 | 113 | 5.30 |
| 10 | 0.03 | 63 | 0.68 | 75 | 0.98 |
| 130 | 0.51 | 850 | 22.04 | 1,035 | 23.11 |
| 552 | 9.89 | 3,692 | 2,11.19 | 4,402 | 2,22.78 |

SECTION C—DEPARTMENT-WISE DETAILS OF OBJECTIONS

*Outstanding for more than 3
years*

| <i>Department</i> | <i>Number of Items</i> | <i>Amount</i> |
|--------------------------|------------------------|----------------|
| | | <i>(Amount</i> |
| 1. Public Works .. | .. | .. |
| 2. Industries .. | 18 | 0.26 |
| 3. State Trading .. | 5 | 0.09 |
| 4. Agriculture .. | .. | .. |
| 5. Education .. | .. | .. |
| 6. Medical .. | .. | .. |
| 7. Fisheries .. | .. | .. |
| 8. Development .. | 28 | 0.21 |
| 9. Animal Husbandry .. | .. | .. |
| 10. Forest .. | .. | .. |
| 11. Other Departments .. | 44 | 0.83 |
| Total .. | 95 | 1.39 |

DIX IX—*Concl'd.*

PENDING FOR WANT OF DETAILED CONTINGENT BILLS

| <i>Outstanding for more than 1 year but less than 3 years</i> | | <i>Outstanding for less than 1 year</i> | | <i>Total</i> | |
|---|---------------|---|---------------|------------------------|---------------|
| <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> | <i>Number of Items</i> | <i>Amount</i> |
| <i>in lakhs of rupees)</i> | | | | | |
| 4 | 0.07 | 5 | 0.03 | 9 | 0.10 |
| 32 | 11.29 | 26 | 0.70 | 76 | 12.25 |
| 2 | 0.70 | 3 | 0.90 | 10 | 1.69 |
| 53 | 0.29 | 209 | 2.12 | 262 | 2.41 |
| 8 | 0.31 | 128 | 5.07 | 136 | 5.38 |
| 28 | 0.48 | 176 | 2.73 | 204 | 3.21 |
| 11 | 0.11 | 6 | 0.04 | 17 | 0.15 |
| 149 | 1.31 | 250 | 3.80 | 427 | 5.32 |
| 2 | .. | 22 | 0.66 | 24 | 0.66 |
| .. | .. | 12 | 0.17 | 12 | 0.17 |
| 124 | 1.78 | 598 | 8.22 | 766 | 10.83 |
| 413 | 16.34 | 1,435 | 24.44 | 1,943 | 42.17 |

APPENDIX X

Statement showing Inspection Reports pertaining to the period upto 31st March, 1967 outstanding as on 30th September, 1967

(Referred to in paragraph 123—pages 91-92 of the Audit Report)

| | Department | Number of outstanding | | Earliest period to which the outstanding relates |
|-----|-----------------------------------|-----------------------|--------------------------|--|
| | | Reports | Paragraphs in the Report | |
| 1. | Education | 123 | 293 | 1961-62 |
| 2. | Development | 121 | 340 | 1963-64 |
| 3. | Public Works | 116 | 294 | 1962-63 |
| 4. | Health Services | 77 | 162 | 1962-63 |
| 5. | Sales Tax | 69 | 137 | 1964-65 |
| 6. | Industries | 40 | 122 | 1962-63 |
| 7. | Agriculture | 39 | 104 | 1960-61 |
| 8. | Harijan Welfare | 31 | 88 | 1963-64 |
| 9. | Forest | 29 | 60 | 1963-64 |
| 10. | Public Health Engineering (Works) | 25 | 41 | 1962-63 |
| 11. | Other Departments | 194 | 795 | 1962-63 |
| | Total | 864 | 2,436 | |